

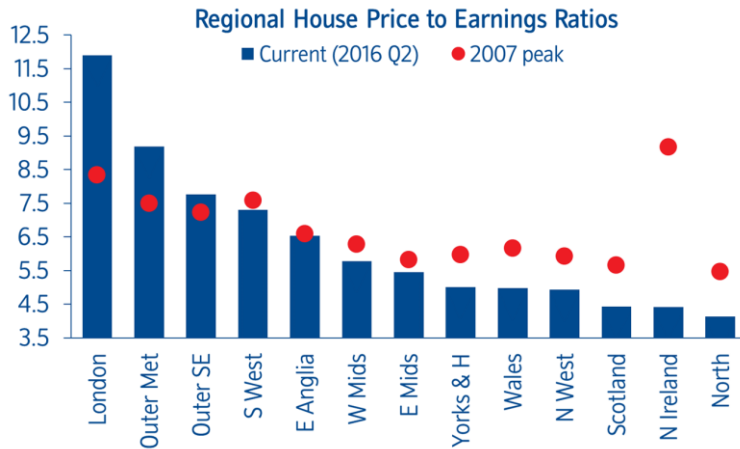


Low Cost Home Ownership

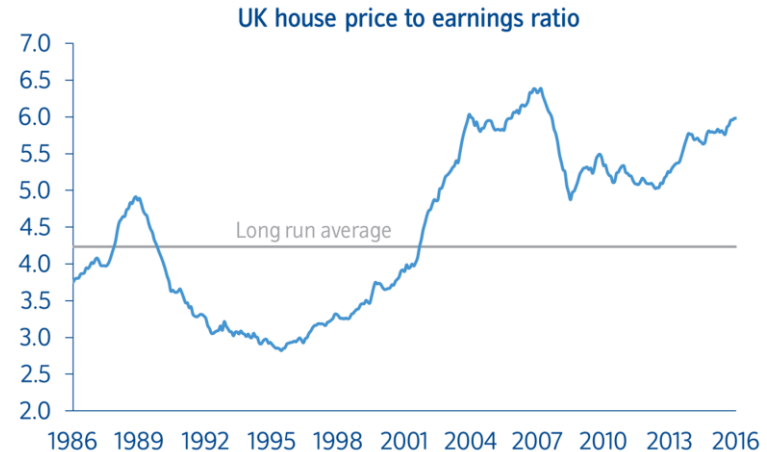
- Lenders View

Warren Smith
Gareth Morris

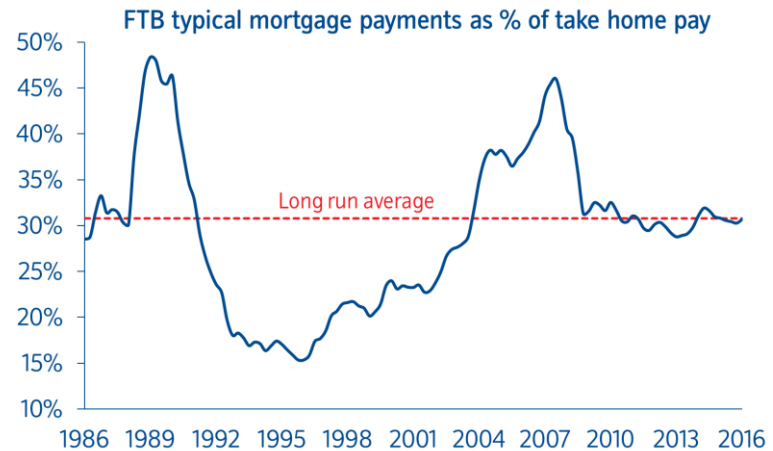
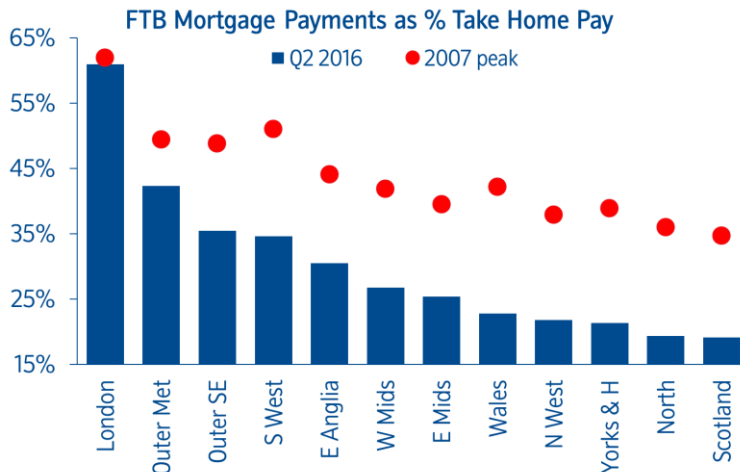
The case for low cost home ownership



Source: Nationwide, ONS

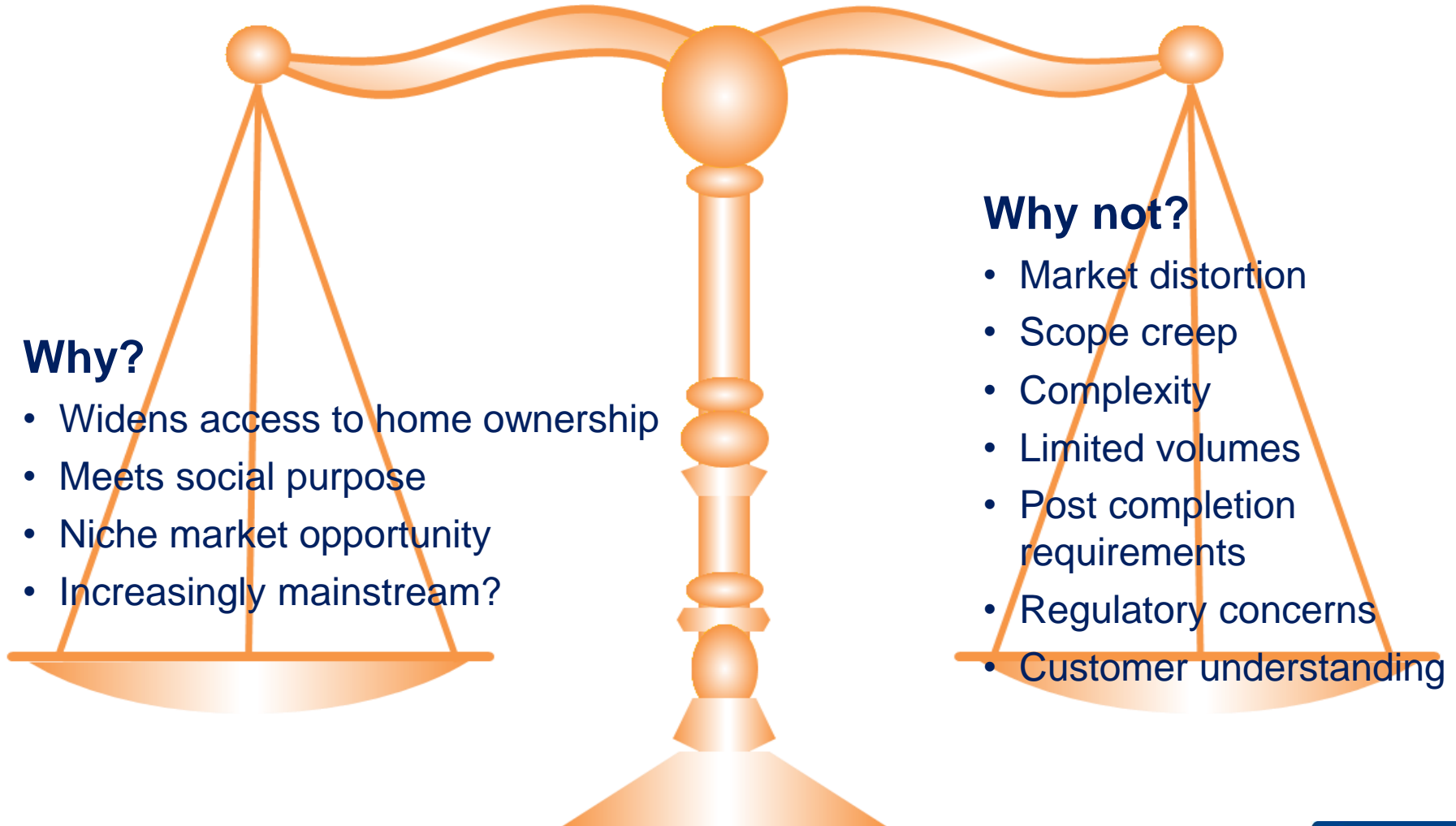


Source: Nationwide, ONS

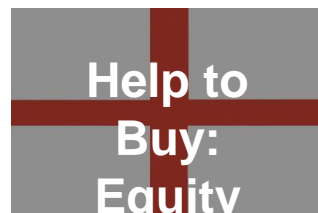


Source: Nationwide, ONS, CML

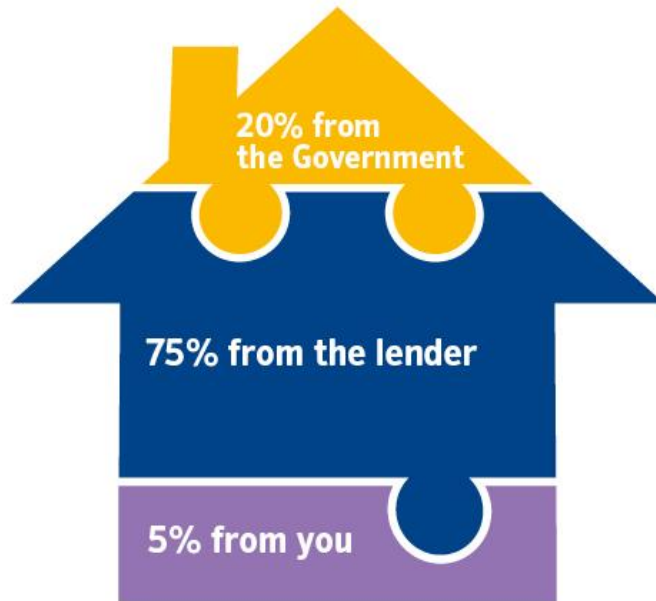
The lender's position



The national picture is increasingly complex



All schemes follow a similar structure



Variation exists with regards

- The relative size of each element
- The price paid by the purchaser for the government share
- The level of protection available to the lender

Schemes matter

Scheme	Standard example	Deposit Required	Resulting LTV
Right to Buy	RTB Discount 20% Deposit 0% Mortgage 80%	0%	80%
Help to Buy : Equity Loan	Equity Loan 20% Deposit 5% Mortgage 75%	5%	75%
Shared Ownership	Rented share 20% Deposit 20% Mortgage 60%	20%	75%
Discounted Market Value	Discount 20% Deposit 20% Mortgage 60%	20%	75%
Starter Homes (Equity Loan)?	Equity Loan 20% Deposit 5% Mortgage 75%	5%	75%
Starter Homes (DMV)?	Discount 20% Deposit 20% Mortgage 60%	20%	75%

Example new build flat (except RTB) England outside London

Most schemes have challenges

Scheme	Challenges
Help to Buy : Equity Loan	Limited remortgage market Need for Scheme Exit strategy
Shared Ownership	Approach to maintenance costs Complexity of arrears management Lender protection on default
Discounted Market Value	Limited scale and limited market Long term property investment
Starter Homes	Scheme rules Lender systems

A recipe for future success?

- Look to consolidate schemes around a consistent structure, starting with Starter Homes.
- Look to individual lenders to adopt a best practice approach to setting out lending criteria in this market.
- Work systematically and collaboratively through the scheme challenges that currently exist.
- Build more homes

Affordable Housing & New Build Site Exposure



Affordable Housing

- Nationwide actively supports:
- Equity share
- Shared ownership
- Restricted resale
- Government schemes (e.g Help to Buy or Right to Buy)
- Second largest new build lender in the UK

Challenges Faced....

- Planning issues with s106 and overly onerous restrictions on resale for applicants
- Leases with high ground rents and escalation periods (e.g doubles every ten years)
- Quality of office conversions
- Tenure of new build houses and consistent pricing
- All can be resolved with better communication and understanding of lenders policies

Why manage new build exposure?

- Previously we had a blanket exposure limit of 20%, staff valuers now have a mandate up to 40% for good quality sites.
- New build can be higher risk due to quality, location, lack of transparency etc.
- Our controls provide Nationwide with confidence we are able to manage lending risk on a bespoke basis for new build.

Site Appraisals & Exposure Limits

- Multiple factors included to arrive at an exposure limit.
 - Location
 - Infrastructure / Section 106
 - Transparency of sales
 - Street view and landscaping
 - Plot sizes
 - Mixture of housing types
 - Demand