

SECTOR

Local Authority Mortgage Scheme (LAMS)

2012-13 Annual Report

May 2013



Proven expertise Innovative advice

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Appendix 1 – Listing of Live Schemes

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1. Introduction

Welcome to the [Local Authority Mortgage Scheme \(LAMS\) 2012-13 Annual Report](#).

The Scheme was launched in March 2011 and this is the second annual report which includes:

- A [general overview](#) of the Scheme and progress to-date for key partners and those local authorities considering launching the Scheme;
- Key [statistical data to 31 March 2013](#); and
- Additional [qualitative information](#) for those local authorities that have already launched the Scheme and receive monthly management information reports and incorporates the [quarterly review to 31 March 2013](#).

2. Background

2.1 Background

The Local Authority Mortgage Scheme (LAMS) was launched in March 2011

The Local Authority Mortgage Scheme [LAMS] was developed in response to the turmoil in the financial and banking sector and the impact on both the economy and the housing market. There was considerable concern regarding the low percentage of first time buyers and an even lower percentage able to provide a substantial deposit. As a result, a number of local authorities sought to take a proactive approach to support their local area and to address the issues associated with increasing the supply of affordable housing.

In September 2009, Sector Treasury Services supported by 11 Local Authorities by running a pilot Scheme to assess the viability of a new and innovative Scheme to support first time buyers. Following a successful pilot, the Local Authority Mortgage Scheme was [launched in March 2011](#).

Two years on there is no doubt that [the Scheme is delivering its aim and contributing to the support available for first time buyers and at the same time delivering local priorities](#). The number of first-time buyers entering the housing market reached its highest level for five years at the end of 2012, up 12% year-on-year, and exceeding 200,000 for the first time since 2007. Conditions are expected to remain challenging but there is likely to be a discernible but modest improvement in 2013 despite a still subdued, but slowly improving, UK economy.

2.2 Overview of the Scheme

A partnership between a range of experts in the market – local authorities, Sector Treasury Services and residential mortgage lenders

The Scheme is a national Scheme which operates in a uniform and consistent manner and is open to all local authorities and all mortgage lenders. The Scheme is for first time buyers who can afford mortgage repayments, and who meet the strict lending criteria applied by the mortgage lenders, but do not have access to the substantial deposits required.

The Scheme has been designed to minimise the financial impact on the local authority and to operate as a partnership with a range of experts in the market.

Participating local authorities set aside a sum of money to support a financial indemnity for the partner mortgage lender(s). This indemnity enables the applicant to apply for a mortgage with only a 5% deposit as opposed to the deposits of around 10% to 20% required by most mortgage lenders. This indemnity also enables the applicant to obtain similar terms to those offered to people with a higher personal deposit.

It is important to stress that the Scheme does not promote reckless lending. It is essential that the applicant meets the strict lending criteria as set out by the lender and that the higher LTV mortgage is affordable.

Under the Scheme the [local authority specifies three qualifying criteria](#):

- Maximum level of the indemnity
- Maximum loan size
- Qualifying post codes

The Scheme can be unfunded or cash-backed and detailed papers on both options are available from Sector Treasury Services. There are also a range of other documents available to support the local authority in the initial decision making process, the formal approval process, financial accounting, legal considerations and the operational aspects through to a successful launch.

3. Partner Local Authorities

3.1 Partner Local Authorities

93 local authorities have 'signed up' to the Scheme and 67 schemes have launched, with many more making good progress

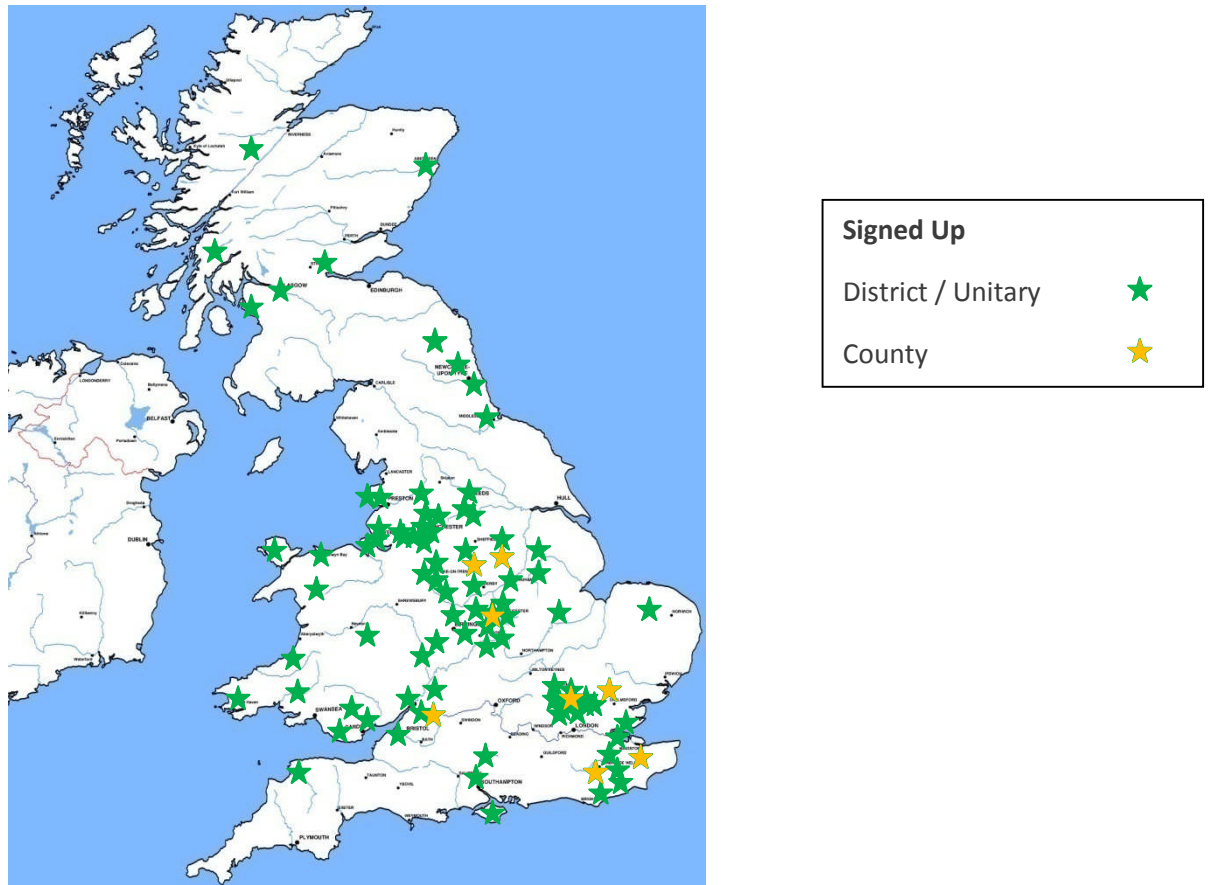
The position in England, Scotland and Wales as at 31 March 2013 was as follows:

- [93 local authorities have 'signed up'](#) to the Scheme and made a contribution towards the legal, research and development and operational costs
- [52 local authorities have agreed a partner mortgage lender and have launched](#) the Scheme in their area and are now actively supporting the provision of mortgages to first time buyers (13 in 2011-12)
- A number of local authorities have launched 2nd, 3rd and 4th schemes and that increases the total number of [live schemes to 67](#) (13 in 2011-12)
- In the region of [45 local authorities are preparing to launch](#) in the coming months
- [17 schemes have been fully utilised and are now closed](#) and all but 3 local authorities have already progressed to a second scheme or are in the process of doing so
- The [majority of remaining local authorities](#) have received the documentation

3.2 Local Authorities Signed Up

The Scheme is available to all local authorities. 93 local authorities have 'signed up' to the Scheme and made a contribution towards the legal, research and development and operational costs.

The map below shows the geographical spread of those local authorities:



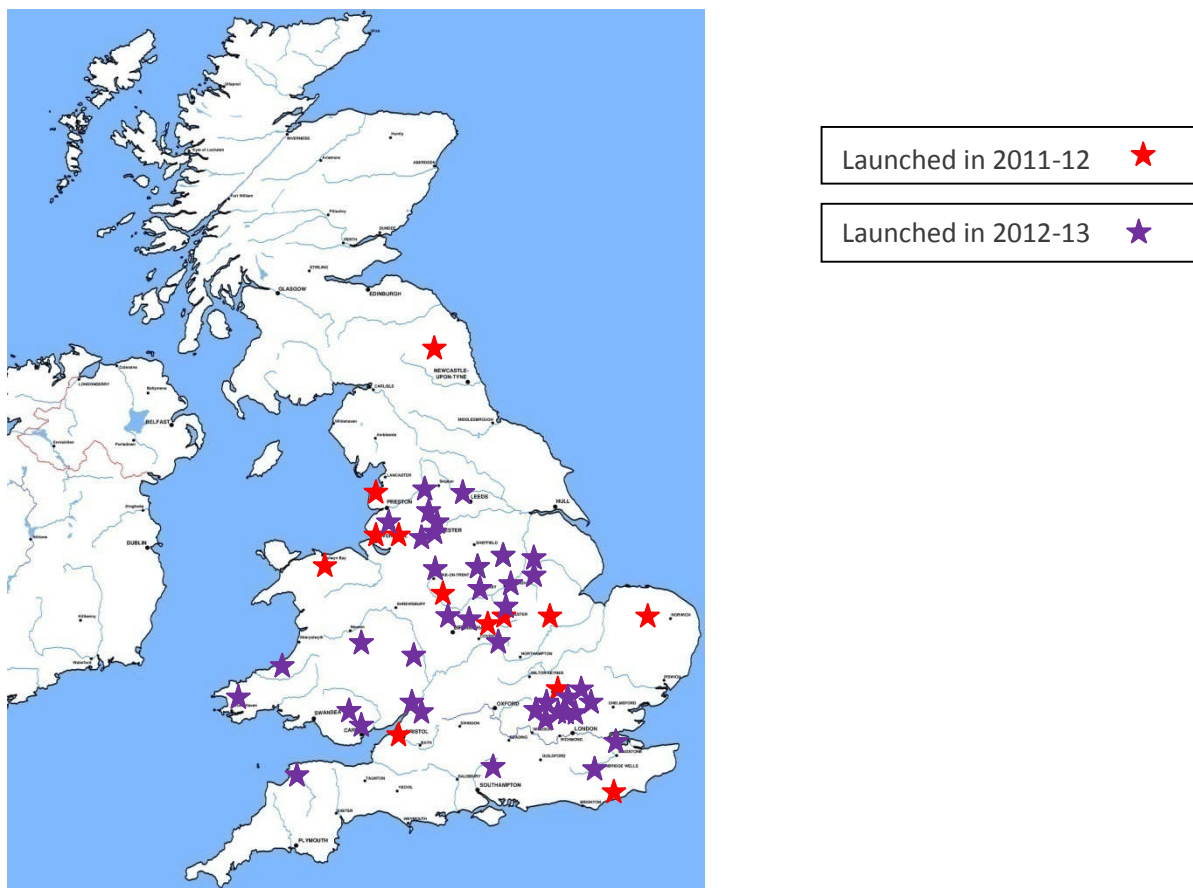
3.3 Local Authorities Launched

52 (13 in 2011-12) local authorities have launched a scheme in their area and schemes are now fully operational across the whole of England and Wales and a number of Scottish authorities are preparing to launch the Scheme.

Some local authorities have more than one scheme, ie they open another scheme after the first scheme is fully utilised or they have schemes with more than one lender, the total number of schemes launched was 67 as at 31 March 2013 (13 in 2011-12).

Appendix 1 provides a full listing of all live schemes as at 31 March 2013.

The map below shows the geographical spread of those all local authorities with a live scheme:



4. Partner Lenders

8 mortgage lenders have joined the panel of lenders and a further 3 are preparing to join

The Scheme is available to all mortgage lenders and all UK banks and building societies have been invited to participate in the Scheme. As at 31 March 2013 there were **8 mortgage lenders** on the panel of lenders and more are in the process of reviewing the documentation with a view to being included on the panel of lenders as follows:

Furness Building Society	On the Panel and supports the non-cash backed Scheme, but not yet operating in partnership with a local authority
Kent Reliance Building Society	On the Panel and supports the non-cash backed Scheme, but not yet operating in partnership with a local authority
Leeds Building Society	National lender which supports the cash backed Scheme and actively providing mortgages in the UK, for further information see: http://www.leedsbuildingsociety.co.uk/mortgages/helping-hand-mortgage.html
Leek United Building Society	Supports the non-cash backed Scheme and actively providing mortgages in the Staffordshire area with plans to extend into Derbyshire

Lloyds TSB	The first lender to join the panel and providing mortgages across the UK under the Local Lend a Hand Scheme, for further information see: http://www.lloydstsb.com/mortgages/llah.asp
Manchester Building Society	Recently joined the Panel and seeking to provide mortgages in 2013
Marsden Building Society	Supports the non-cash backed Scheme and actively providing mortgages in the Lancashire area
Teachers Building Society	Supports the non-cash backed Scheme and actively providing mortgages across the UK, for further information see: http://www.teachersbs.co.uk/mortgages/LAMS.aspx

All lenders offer different products and services, for example, some only offer a cash backed indemnity Scheme and some of the smaller building societies only operate in particular regions. Sector takes a proactive role in supporting the lenders in joining the panel and matching a local authority with an appropriate lender.

5. Scheme Performance and Outcomes in 2012-13

5.1 Overview

1839 individuals or couples have applied to buy their own home with the support of the Local Authority Mortgage Scheme

Of the 67 live schemes:

- 52 local authorities have provided indemnities, or for the non-cash backed schemes agreed a guarantee, totalling almost £75m (£43m in 2011-12). The majority have placed individual indemnities of £1m but some have placed indemnities of £0.5m or £2m
- 1839 (806 in 2011-12) mortgage applications have been processed of which 1235 (549 in 2011-12) have resulted in a mortgage completion. The vast majority of the remaining applications will result in a mortgage completion as the figures are taken after affordability, credit checks, etc are complete and they are now progressing towards completion
- £205m (£87m in 2011-12) of mortgage applications are being processed of which £137m (£62m in 2011-12) of mortgage lending has taken place

5.2 Lenders

Of the 67 live schemes, individual indemnities or guarantees have been arranged totalling almost £75m and local authorities have partnered with the lenders as follows:

- 53 (79%) have been arranged through Lloyds TSB
- 10 (15%) have been arranged through Leeds Building Society
- 1 has been arranged through Leek United Building Society
- 1 has been arranged through the Marsden Building Society
- 2 have been arranged through Teachers' Building Society

5.3 Maximum Loan and Average Loan Size

The average maximum loan size set by the local authority is £165,000 and the average size of a mortgage application from first time buyers is £110,000

Local Authority Maximum Loan Size: For the 67 schemes, the maximum loan size set by the local authority has ranged from £95,000 to £350,000, with the [average across all schemes of £165,000](#).

Average Loan Size: The average loan size applied for by first time buyers has ranged from £36,000 to £274,000 and the [average across all applications is £110,000](#).

Loan to Maximum Loan Size Ratio: A review of mortgage lending, and in particular the local authority to maximum loan size ratio, indicates a fairly consistent pattern when the small number of extremes are removed ranging, from 70% to 85% and the mean [average across all schemes is 76%](#).

The review indicates that the Scheme does self regulate, that is to say first time buyers are only able to obtain a mortgage to a certain affordability limit and therefore tend to stay within that limit regardless of the upper maximum loan size. This is evidenced by one area where the maximum loan size was set at £350,000 although the average lending per individual remains at £110,000. Of all applications to date, only 8 loans (0.4%) exceed £200,000 and none exceed £300,000. This would indicate that the personal circumstances of first time buyers and the stringent credit and affordability checks applied do regulate the Scheme.

Average Loan to Value Percentage: A review of all local authorities with mortgage lending indicates a fairly consistent pattern of loan to value ratios ranging from 91% to 95%, with an [average loan to value of 93%](#).

5.4 Applicants

Over 95% of applicants purchase a property in a local authority area in which they already lived or worked

Inward Migration: Prior to launching the Scheme a number of local authorities queried whether the Scheme would result in an increase in the number of individuals living and working outside of their area but purchasing property from within the local authority area. Statistics provided by Lloyds TSB confirm that this is not the case as in excess of [95% of completions are from individuals who either already live or work in the local authority area](#).

Only 1 in 12 initial enquiries result in a mortgage completion

Number of enquiries resulting in a completion: The Scheme is built on the premise that it does not encourage reckless lending and lenders are applying their strict affordability and lending criteria. Lloyds TSB have received feedback from their local branches that would suggest that [for every 12 people who initially enquire about the Scheme, 6 progress to the application stage](#) and the strict affordability and credit score criteria means that around [1 in 6 applications results in a LAMS mortgage](#).

Over 94% of first time buyers are seeking houses rather than flats

Type of property purchased by first time buyer: Based on statistics provided by Lloyds TSB, first time buyers are favouring houses over flats and apartments with over 94% buying a house or bungalow, as follows:

Type of Property	Number	Percentage
Semi-detached house	633	41%
Terraced house	732	47%
Flat / Maisonette	83	5%
Detached house	68	4%
Detached or semi-detached bungalow	33	2%
Other	6	1%

The average age of a first time buyer under the Local Authority Mortgage Scheme is 28

Age of first time buyers: Based on statistics provided by Lloyds TSB, the average first time buyer under the Scheme is **28 years** of age.

5.5 Indemnity Utilisation

17 Schemes have been fully utilised and closed. The average speed of utilisation is 6 months per £1m indemnity

Speed of Utilisation: Of the 67 Schemes launched, 17 have fully utilised the indemnity and have closed. Of those schemes, the **average length of time to fully utilise the indemnity was 6 months** (ranging from just over 1 month to 12 months).

Whilst the majority of schemes will fully utilise the indemnity within a 6 to 9 month period, a small number of 'live' schemes are unlikely to fully utilise their indemnity until 1.5 years or possibly 2 years after launch. All schemes are reviewed to ensure that the speed of utilisation is in line with national norms which sometimes results in a change to the eligibility criteria if, for example, the maximum loan size appears too low.

82% have already launched, or are considering launching, a second scheme

Second Schemes: Of the 17 fully utilised schemes **82% of local authorities have, or are considering / actively progressing, a second scheme**. 13 local authorities have placed a further deposit with one, or more than one, lender; 1 is considering whether to launch a second scheme; and 3 local authorities have decided not to launch a second scheme at the present time.

5.6 Defaults

At 31 March 2013 there have been no mortgage defaults and therefore no repossessions

The Scheme has been operational since March 2011 and the first Scheme launched in July 2011. As at 31 March 2013 there have been **no mortgage defaults and therefore no repossessions**.

It is likely that a small number of mortgage defaults (more than 3 months in arrears) will take place over the life of the Scheme as the Scheme is likely to be representative of national mortgage lending. Based on data from the Council of Mortgage Lenders (CML) the percentage of repossessions by first charge mortgage lenders is 0.3% for 2010, 2011 and 2012. For 95% LTV mortgages to first time buyers this may be higher, perhaps 1 to 2%.

It is worth noting that with the high credit score cut-off applied by the lenders it is unlikely (but not impossible) for an individual to be recorded as a default before year 2 of the Scheme opening. A

joint report issued by Shelter, CAB and Advice UK confirmed that: *‘The vast majority of arrears cases are due to loss of income rather than reckless lending/borrowing’.*

5.7 Management Information

Whilst it is important to note that the lenders are only required to provide the management information as outlined in the Indemnity Deed, they do recognise that local authorities are interested in analysing and understanding their Schemes in greater detail. As such, the biggest lender to the Scheme, Lloyds TSB, has developed systems to provide access to a range of additional qualitative information to support the local authorities in analysing and interpreting the performance of their Scheme.

The key messages from that data are included in this report and [every* participating local authority receives a qualitative report particular to their Scheme](#) on a quarterly basis.

**with Lloyds TSB at the present time*

6. Feedback

6.1 Lloyds TSB

“We are proud of the success the Lloyds TSB Local Lend a Hand Schemes have already achieved”

Marc Page, Lloyds TSB mortgage director, said: “There can be no doubt that first-time buyers have a significant economic impact. However, it has been a difficult time to take that first step on the ladder with many struggling to raise the required deposit.”

“We are proud of the success the Lloyds TSB Local Lend a Hand Schemes have already achieved. Working with councils to help first-time buyers in their area is already having a significant impact at a local level and is helping to get their housing market moving again.”

6.2 Warrington Borough Council

“The Warrington Scheme has gone from strength to strength over the last year”

Warrington Borough Council was one of the pilot authorities and one of the first Councils to launch the Scheme. The Council is now working with three lenders, Lloyds TSB, Leeds Building Society and Teachers’ Building Society and has supported £14.2m of mortgage lending and 130 individuals or couples to purchase their first home.

Councillor Russ Bowden, Executive Member, Corporate Resources & Assignments, said: “The Warrington LAMS scheme has continued to go from strength to strength over the last year. A total of 103 mortgages have been granted since the scheme was introduced in August 2011 and the council is currently about to make a third investment of a further £2m, taking our total investment to £5.5m. Over the next couple of years, we are looking forward to expanding the scheme and hope to provide joint ownership mortgages as well.”

6.3 Lloyds TSB 2013 Survey

Nine in ten councils would recommend the Scheme to other local authorities

Lloyds TSB is the largest lender supporting the Scheme with its Local Lend a Hand product and published the results of a survey in April 2013. The key messages are as follows:

- Three quarters of councils say that the Scheme has a demonstrable impact on local areas
- Nine in ten councils would recommend the Scheme to other local authorities
- Almost all councils (96%) said they are considering extending their Scheme, with many having done so already
- 64% are also setting aside further funds to help first-time buyers in their area
- Each first time buyer also makes an average additional spend of £8,000 when buying a property, taking into account moving costs and furnishing their new homes.

6.4 Research

Aspirations are much higher than current home-ownership levels among those aged under 35 according to research published by the Council for Mortgage Lenders based on YouGov research. The key messages from the research are:

- 81% of British adults hope to be home-owners in ten years' time, 74% aspire to it within two years
- Most of those who are renting privately or sharing with family or friends are under 35, and more than half of these (54%) would like to become home-owners over the short term.
- However, only a third (33%) of those who hope to be home-owners in two years time actually expect it to happen

One in four prospective first-time buyers believe it will take them at least 10 years to have a deposit in place and one in five believe they will still be renting or living with family in 2022 according to the Building Societies Association.

7. Case Studies

"...It would have taken us so much longer to save up for our own home without the scheme..."

Shaun Molden and Hayley Morris have bought a new home in Cheadle, Staffordshire after getting a mortgage via the Local Authority Mortgage Guarantee Scheme with Leek United Building Society.

Factory worker Shaun, aged 22, said: "It would have taken us so much longer to save up for our own home without the scheme. We opened a joint account with Leek United last year to begin saving for a house, and we were really pleased when we found out about it."

Liam Flatley, Manager at Leek United's Cheadle branch, where the couple arranged their mortgage, said: "The scheme was vital to Shaun and Hayley getting onto the property ladder, at a time when the gap between house prices and people's incomes seems to be getting wider. "It allows first-time buyers who would be otherwise priced out of the market to buy their own home, so it was a very timely and welcome boost for them."

“...our mortgage rates are lower ... it means our mortgage is more affordable than rent...”

James Jackson & Nina Wood, Warrington, said: "We had been living at Nina's parents' house, trying to save enough of a deposit to purchase our first home. We have just had our first baby so we were keen to get on the ladder as soon as possible. Once we were told that we could qualify for the Lloyds TSB Lend a Hand mortgage scheme we jumped at the chance. We now have a great house that is perfect for us with the new baby, and as the mortgage rates are lower than we would normally be able to get with the deposit we had, it means our mortgage is more affordable than the rent we had previously been paying. None of this would have been possible without this scheme."

“...I couldn't believe how easy it was to apply, and the local mortgage manager was extremely helpful throughout...”

Katie Birnie and Dean Stokes, Gloucestershire, said: "We have been living at our parents' houses, spending the last two years trying to save a deposit to purchase our first home. When my boyfriend went into his local Lloyds TSB branch to discuss his credit score, they let him know about the Local Lend a Hand scheme and it seemed exactly what we were looking for. I couldn't believe how easy it was to apply, and the local mortgage manager was extremely helpful throughout the whole process. I am so happy I heard about this scheme. Not only did it significantly reduce the amount of deposit I needed, it also gave me access to a lower interest rate, making my monthly mortgage repayments more affordable. Thanks to the Lend a Hand scheme my dream of owning my first home has been made a reality."

“It is fantastic Wigan Council is doing something like this because it will really help people in my situation.”

The scheme is designed to help people like Danielle Roberts Wareing who has been hoping to buy her first home for three years. The 27-year old social worker from Wigan has struggled to get a mortgage with the deposit she has saved. She says: "I got a quote for a mortgage but couldn't get enough money together for the deposit they wanted. It was frustrating because I work full-time but couldn't save the money they were asking for". "It's not easy getting a ten per cent deposit together when you still have all your other out-goings. I'm renting at the moment but would really love to buy my first home. I sort of feel my life is on hold until I can do it. It is fantastic Wigan Council is doing something like this because it will really help people in my situation."

“...we had been living at my dad's house, trying to save enough of a deposit to purchase our first home.”

Debbie Carroll and her partner Martin Johnson, both in their early thirties, are just one couple in Warrington who have taken advantage of the scheme, and moved into their 3 bedroom semi-detached home in Birchwood earlier this year.

Debbie said: 'We had been living at my dad's house, trying to save enough of a deposit to purchase our first home. We heard about the Lloyds TSB Lend a Hand scheme through my cousin who was also looking to get on the ladder, and rang our local branch to make an appointment. We really didn't think we would be able to get a mortgage, and once we were told that we could qualify for the scheme we jumped at the chance.

"We now have a great house that is perfect for us, and as the mortgage rates are lower than we would normally be able to get with the deposit we had, it means our mortgage is more affordable. None of this would have been possible without this scheme."

8. Further Information

If you would like further information about the Local Authority Mortgage Scheme please contact either

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Appendix 1 – Schemes

Local Authority	Launch Date
2011/12: 13	
Blackpool Council	1 July 2011 – Closed on 13 April 2012*
Warrington Borough Council	1 August 2011 – Closed on 18 July 2012*
Blaby District Council	18 October 2011 – Closed 18 July 2012*
Nuneaton & Bedworth Borough Council	25 October 2011
Luton Borough Council	1 November 2011 – Closed 26 April 2012*
Northumberland County Council	3 November 2011
Stafford Borough Council	23 November 2011
Peterborough City Council	15 December 2011 – Closed 19 December 2012*
Hastings Borough Council	9 January 2012 – Closed 21 August 2012*
Broadland District Council	16 January 2012 – Closed 20 August 2012
Conwy County Borough Council	16 January 2012
Bristol City Council	1 February 2012 – Closed 6 August 2012*
Liverpool City Council	22 March 2012
2012/13: 54 (including 15 second schemes)	
Oldham Council	3 April 2012
Gedling Borough Council	17 April 2012 – Closed 23 April 2013*
East Hertfordshire District Council	17 April 2012
Gloucestershire County Council	26 April 2012 – Closed 6 August 2012*
Stroud District Council	26 April 2012
Cardiff County Council	27 April 2012 – Closed 30 August 2012
Staffordshire Moorlands District Council	1 May 2012
Trafford Council	10 May 2012 – Closed 4 March 2013*
City of Lincoln Council	13 June 2012
Pembrokeshire County Council	14 June 2012 – Closed 1 April 2013
South Kesteven District Council	5 July 2012
Ceredigion County Council	10 July 2012
Warrington Borough Council (Scheme 2)	10 July 2012
Blackpool Council (Scheme 2)	11 July 2012
Blaby District Council (Scheme 2)	25 July 2012 – Closed 2 November 2012*
Pendle Borough Council	25 July 2012
Powys County Council	14 August 2012
Rochdale Metropolitan Borough Council	20 August 2012
Luton Borough Council (Scheme 2)	24 August 2012
Leeds City Council	5 September 2012
Leicestershire County Council	11 September 2012 – Closed 28 January 2013*
Tunbridge Wells Borough Council	12 September 2012
Rhondda Cynon Taf County Borough Council	20 September 2012
Warrington Borough Council (Scheme 3)	27 September 2012
Rugby Borough Council	2 October 2012
Warrington Borough Council (Scheme 4)	9 October 2012 – Closed 14 March 2013*
Bristol City Council (Scheme 2)	5 October 2012
Blackpool Council (Scheme 3)	11 October 2012
Hertfordshire County Council	23 November 2012
Hertfordshire County Council (Scheme 2)	23 November 2012
Borough of Broxbourne Council	6 December 2012
Dacorum Borough Council	27 November 2012
Dacorum Borough Council (Scheme 2)	23 November 2012

Hertsmere Borough Council	27 November 2012
North Hertfordshire District Council	27 November 2012
North Hertfordshire District Council (Scheme 2)	23 November 2012
Stevenage Borough Council	3 December 2012
Stevenage Borough Council (Scheme 2)	23 November 2012
Three Rivers District Council	23 November 2012
Watford Borough Council	23 November 2012
Leicestershire County Council (Scheme 2)	2 November 2012
Wigan Council	10 January 2013 – Closed 19 February 2013*
Basingstoke & Deane Borough Council	18 January 2013
North Devon Council	17 January 2013
Gravesham Borough Council	5 February 2013
North Warwickshire Borough Council	5 February 2013
Walsall Council	26 February 2013
Nottinghamshire County Council	26 February 2013
Tameside Metropolitan Borough Council	26 February 2013
Worcester City Council	5 March 2013
Derby City Council	7 March 2013
Leicestershire County Council (Scheme 3)	12 February 2013
Derbyshire County Council	12 March 2013
Hastings Borough Council (Scheme 2)	March 2013

*have already commenced, or are in the process of making a decision, regarding the launch of a further Scheme