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Under water

How big will the negative equity crisis be, and who is at risk, in the aftermath of the coronavirus crisis?

Maja Gustafsson

September 2020

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Summary

Despite the apparent resilience of the housing market so far during the coronavirus crisis, there is a significant risk of large falls in house prices. However, available data suggests the unprecedented economic shock triggered by the coronavirus crisis has so far been associated with small rises in house prices. Indeed, the Halifax house price index increased by 3.8 per cent in the year to July 2020, taking the average house price in July to an all-time high on that measure. A key reason for this is this is likely to be the relatively small rise in unemployment in the immediate aftermath of the outbreak. This situation is very unlikely to continue, given the expected rise in unemployment: all recessions we have data for have led to falls in house prices. And in contrast to past recessions, during which the Bank of England has cut interest rates by an average of 5 percentage points, there is little scope for prices to be boosted by interest rate cuts, with policy rates close to zero. Reflecting these housing-market fundamentals, the Office for Budgetary Responsibility (OBR) has forecast a fall in house prices of 8 per cent in its 'central' scenario and up to 16 per cent in its 'downside' scenario.

Falls in house prices of this order of magnitude would lead to substantial challenges for home owners. This is because housing is a key way in which people accumulate and store wealth, so house price levels are for many the most important indicator of their current wealth. At the extreme, some home owners may see their equity – that is, the difference between the outstanding mortgage and the current value of the home – fall substantially, or even become negative.

This matters for living standards for several reasons. Since home owners in low or negative equity face additional barriers to moving, it reduces the ability move to a new job and could hamper career progression. In 2016, the typical pay rise associated with changing both jobs and region was 9 per cent, compared with just 0.6 per cent for those staying put. Those with low or negative equity also face higher mortgage costs, reducing spending power directly. For example, those with lower equity face higher mortgage costs: looking at the latest data for a two-year fixed interest rate, a mortgagor with a loan-to-value ratio (LTV) of 75 per cent on average pays less than half the interest rate of someone with an LTV of 95 per cent (1.4 per cent for the former, compared with 3.0 per cent for the latter). And, in the event of repossession, negative equity makes families more vulnerable because they are on the hook for the lender's realised losses.[1] This was particularly important during the 1990s recession when repossessions rose from around 15,000 in 1989 to 75,000 in 1991.

1 In the UK, if a mortgagor defaults with a negative loan-to-value, the lender has a claim against other assets of the debtor. This is different from some other countries, such as the United States. Read more about this here: Financial Stability Report, Bank of England, June 2017.

This report for the Resolution Foundation's Intergenerational Centre focuses on two big questions: what is the likely scale of the possible low equity problem in the aftermath of the coronavirus crisis; and who is likely to be affected? In the context of the latter question, a key group is recent buyers, as they have not had the opportunity to benefit from past house-price increases and therefore tend to have the highest LTVs. For these families, it takes a less severe house price fall to push them into negative equity. Because of this, we pay most attention to families holding mortgages with 'risky' LTVs of 90 per cent or higher – or, equivalently, less than 10 per cent equity. We compare this group to families 'on the edge', that is those with LTVs of 70 to 90 per cent, and those with 'safe' mortgages with LTVs of less than 70 per cent.

While this report focuses on home owners, it is important to keep in mind that a housing crisis would also affect other groups. In particular, as previous Resolution Foundation work has shown, private renters are most likely to face the acute housing challenges in terms of costs and security. For this group, difficulties may be exacerbated in the current crisis if rents do not quickly adjust to match income falls associated with an economic recession. Much of our previous work at the Intergenerational Centre has focused on this group but here we shift our focus to the challenges in a different part of the housing market, which can still be thought of as affecting relatively younger cohorts within the population.

The good news is that, against the bleak outlook of the coronavirus crisis, households look less vulnerable at the outset of the current crisis than they did on the eve of the financial crisis. This is mainly because fewer young families have been taking on mortgages than was the case a decade or so ago. In particular, since the financial crisis, the number of mortgagor families headed by under 45s has shrunk by over one million to nearly 4.3 million. The number headed by over-45s has decreased slightly and is now around 4.2 million (this indicates an overall fall in the total number of mortgagor families, meaning fewer exposed to any level of equity risk). As young mortgagor families tend to have higher LTVs on average, the decline in their numbers suggests that that the negative equity risk is lower this time. In addition to being fewer of them, mortgagors today tend to take on less risk than a decade ago: the proportion taking on new mortgages with a LTV of 90 per cent or higher has shrunk from 31 per cent in 2007 to 20 per cent today. In combination, this means that the proportion of mortgagor families with 'risky' mortgages – that is less than 10 per cent equity – has halved from five per cent to two per cent since 2006-08. And slightly more mortgagor families hold 'safe' mortgages: 83 per cent of mortgagor families have a 'safe' LTV of less than 70 per cent while in 2006-08 the same figure was 82 per cent.

Despite this, however, substantial house price falls would come with significant risks to some mortgagor families. To get at the heart of how big these risks are and to understand which groups are most likely to be affected, we draw on OBR scenarios to look at the scale of possible house price falls. To stress test mortgagors today we use the 'downside' scenario of a 16 per cent fall. Here there are two key takeaways:

First, on the scale of the possible low equity problem: even in the OBR's 'downside' scenario, although there would still be a substantial rise in those with low or negative equity, we do not expect to see the levels of low or negative equity that we saw in the aftermath of the financial crisis. Our estimates suggest that 12 per cent of all mortgagor families would experience low or negative equity if prices fell by 16 per cent. This compares to an estimate of 15 per cent at the peak of the financial crisis in 2009 (when prices fell 17 per cent).

And second, on who is likely to be affected: compared with the financial crisis, risk has migrated up the age distribution and is falling on better-off families. Out of all mortgagor families headed by 18-29-year-olds, the proportion of families with 'risky' mortgages – that is, less than 10 per cent equity – shrunk from 18 per cent in 2006-08 to 6 per cent in 2016-18. And looking at the age distribution of those holding 'risky' mortgages shows that there are relatively fewer young families: the share of 'risky' mortgages held by families headed by 18-29s has halved over the past decade, from nearly two-in-five to less than one-in-five. By contrast, this figure has increased from three-in-five to three-in-four for families headed by 30-59s. We show that the reason is not only that a smaller *proportion* of young mortgagors take on 'risky' mortgages, but also that a smaller *number* of young families can access a mortgage at all compared to a decade ago.

Associated with this, those holding risky mortgages are better off than those in that position a decade ago. The average real total wealth of mortgagor families with 'risky' mortgages rose from £85k in 2006-08 to £45k in 2016-18. And the average real income increased from £801 per week in 2007 to £965 per week in 2019. We conclude that as recent regulation limits the house value to a multiple of income and risk assessments put a limit to high loan-to-value ratios, more income and wealth is needed to access the 'risky' mortgages available today.

While the higher bar for home ownership means there is increased resilience amongst those holding risky mortgages, some groups are still likely to be hit hard. For example, families headed by millennials aged 30-34 are at risk of experiencing a 'double whammy' effect – having left education during the financial crisis this cohort had the worst pay squeeze in the decade afterwards, and now they are the most likely to face equity problems.

Introduction

Large falls in house prices can amplify the hardship caused by economic downturns as property is a key way for families to store and accumulate wealth. They dampen new housing supply, storing up problems for the future; reduce wealth and thereby consumers' ability and willingness to spend;[2];and can have a particularly serious impact on individual households that fall into low and negative equity. In this report we take a close look at the last of these issues, focusing on uncovering how big a problem low and negative equity will be in the current coronavirus crisis and which families are most at risk.

Economic downturns have different effects across housing tenures. As detailed in Box 1, recession-induced house price falls are often a more immediate problem for mortgagors than other home owners or renters, because their home is dependent on the ability to service the underlying debt. While the housing situation for renters is less dependent on current house prices that does not mean that they are less affected in a crisis. Prior to the crisis private renters faced the most acute housing challenges in terms of costs and security, as our previous work has detailed.[3] And these difficulties may be exacerbated in the current crisis if rents do not adjust to match income falls quickly. Much of our previous work at the Intergenerational Centre has focused on this group but here we shift our focus to the challenges in a different part of the housing market, which can still be thought of as affecting relatively younger cohorts within the population.

The equity position of the household – in other words, the proportion of the value of the home that is owned outright – will reflect the original loan-to-value ratio (LTV), mortgage repayments and subsequent house price changes. It is important to keep in mind that, while the original loan conditions define the starting point, it is subsequent changes in the value of the house that determine the risk of falling into negative equity. Because house prices and capital repaid tend to increase over time, the most recent buyers are most vulnerable to the risk of low or negative equity during an economic downturn. This report, therefore, considers which groups are likely to be in this category and how significant the effects on them are likely to be.

2 B Etheridge, House prices and consumption inequality, Institute for Fiscal Studies, September 2019.
3 L Gardiner et al, An intergenerational audit for the UK, Resolution Foundation, June 2019.

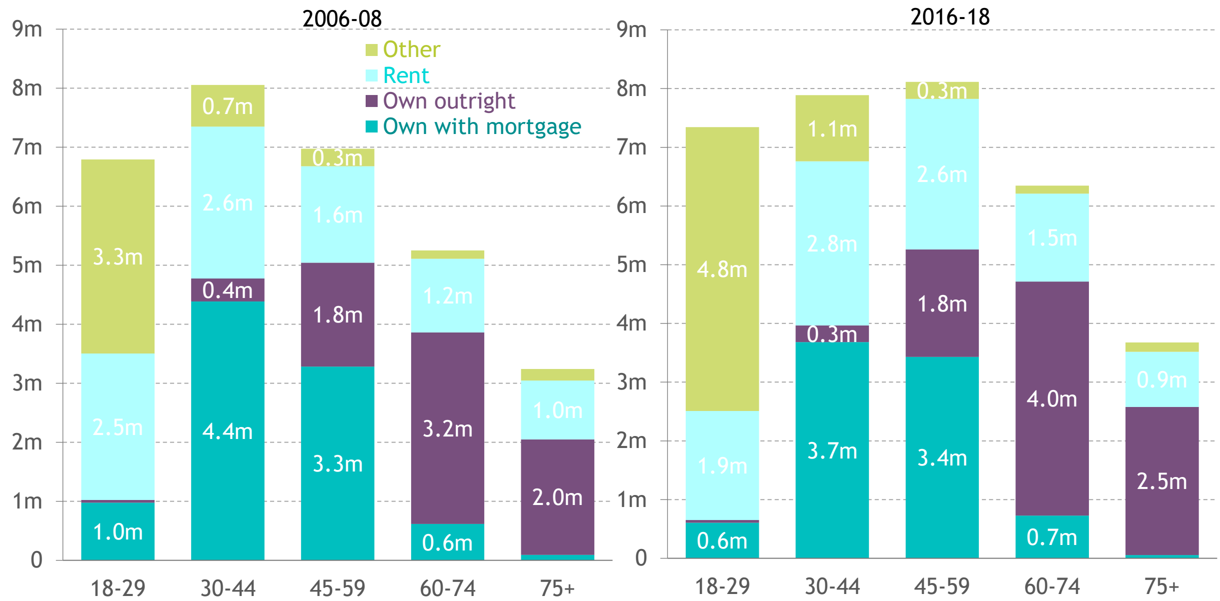
BOX 1: The effect of house price falls on different tenures

Shocks to house prices affect those with high LTVs, preventing them from moving and damaging their finances. For the nearly 9 million families who own their property outright, and for the majority of mortgagors with 'safe' LTVs of under 70 per cent, falls in house prices in the aftermath of the coronavirus crisis will be a hit to their wealth. If the crisis is prolonged, the effect may be long lasting, for example because some people may rely on their home as a source of retirement income. Compared to mortgagors with high LTVs who are facing additional problems, however, outright owners are more likely to be able to weather the crisis.

Housing tenure varies across the age distribution. Figure 1 shows the change in tenure over the past 10 years and we can see that more young families rent or live in other accommodation today than a decade ago, while mortgagor families tend to be older.

FIGURE 1: **Mortgagors are fewer and older today than 10 years ago**

Family tenure, by age: GB, 2006-08 and 2016-18



NOTES: Numbers refer to the primary residence only. House prices started falling quickly from May 2008, so only a minority of the data points in the year 2006-08, collected up until June 2008, will have been affected by significant house price falls. The data for 2006-08 refer to WAS waves spanning from June to June whereas subsequent data refer to rounds spanning April to April. SOURCE: RF analysis of ONS, Wealth and Asset Survey.

On the other hand, renters could – in principle at least – stand to benefit from house price falls. For younger people aiming to get on the property ladder, life is harder than it was in for previous generations, because it takes longer to accumulate a sufficiently large deposit today. While in the early 1990s, the average first-time buyer saving 5 per cent of their income needed just four years to squirrel away enough for a deposit, by 2019 that had risen to 23 years.[4] A fall in house prices may therefore ease this constraint.

But, unfortunately, the fall in house prices projected by the OBR would do little to ameliorate their situation. The number of years required by the median first-time buyer to accumulate sufficient savings to access home ownership would only fall by between one and two years, depending on the severity of the crisis. And the respite will be short: the number of years to save will be higher in 2024 than in 2019.[5] Recalling the key driver of the OBR forecasts provides the reason: while house prices may be projected to fall over this period, so too are incomes, leaving many first-time buyers no better off. That said, those who do not lose their jobs during this crisis, and are able to maintain their incomes, are likely to see savings accelerate as social distancing-restrictions limit spending in the short term.[6]

Low or negative equity can be a problem for at least four reasons.

First, it can reduce mobility. If the mortgagor has low or negative equity, they may be unable to sell their home because of the large realised financial loss from doing so. This may be true even if the mortgagor has a job offer that would significantly raise their income. Indeed, it has been shown that the effect of negative equity on mobility was quantitatively significant during the early 1990s:[7] one study finds that twice as many households in negative equity would have moved if there had been the possibility of debt moratorium.[8] This introduces an impediment to geographical mobility that will stop people taking advantage of the benefits of the significant wage increases that are often realised by moving regions.[9] Indeed, in 2016, the typical pay rise associated with changing both jobs and region was 9 per cent, compared with just 0.6 per cent for those staying put.[10]

Second, falling house prices and the associated declining personal wealth reduces the ability of some households to take on new credit, reducing spending. This phenomenon was particularly important in the early 1990s recession, leading to a deeper recession.[11]

4 L Judge & C Pacitti, Housing Outlook Q3 2020, Resolution Foundation, August 2020.
5 L Judge & C Pacitti, Housing Outlook Q3 2020, Resolution Foundation, August 2020.
6 J Leslie & G Bangham, Rainy Days: An audit of household wealth and the initial effects of the coronavirus crisis on saving and spending in Great Britain, Resolution Foundation, June 2020.
7 T Hellebrandt, S Kawar & M Waldron, The economics and estimation of negative equity, Bank of England, 2009.
8 A Henley, Residential Mobility, Housing Equity and the Labour Market, The Economic Journal 108, 1998.
9 L Judge, Moving Matters: Housing costs and labour market mobility, Resolution Foundation, June 2019.
10 S Clarke, Get A Move On? The decline in regional job-to-job moves and its impact on productivity and pay, Resolution Foundation, August 2017
11 J Cornford, D Dorling & C Gentle, Negative Equity and British Housing in the 1990s: Cause and Effect, Urban Studies, 1994.

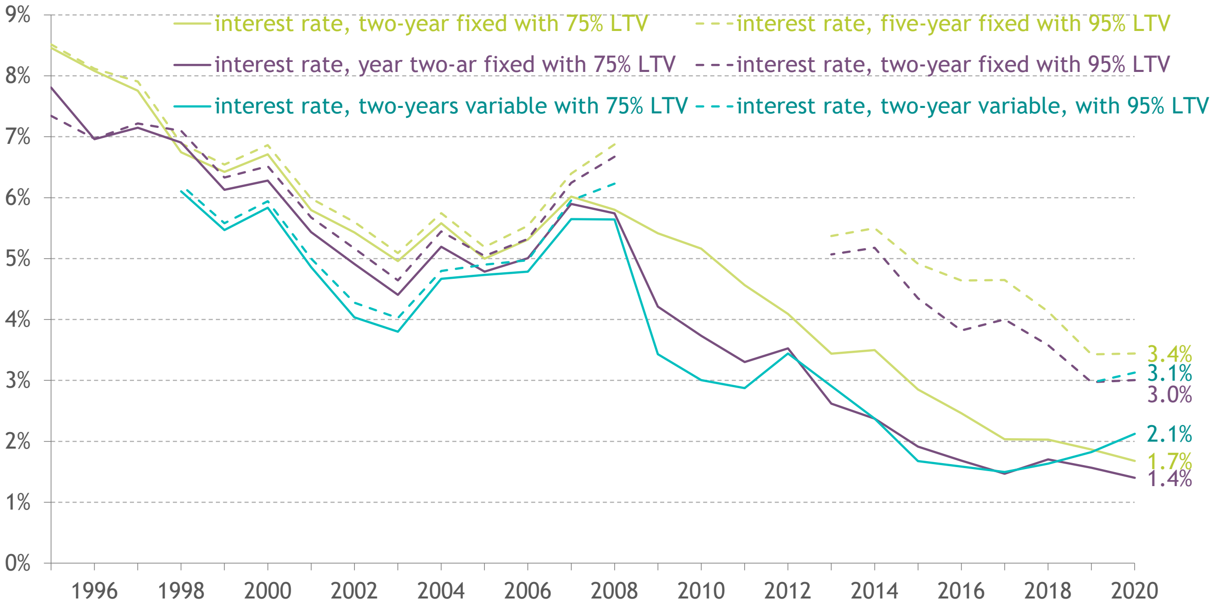
Third, it can mean increased risk for mortgage providers and other lenders, which in turn can lead to a tightening in credit conditions, limiting the availability of new credit for future prospective mortgagors. In turn, this might have a depressing effect on house price growth, prolonging the crisis and slowing the recovery.

And fourth, the relative size of the equity stake has an impact on the interest rate paid. For people in the standard variable rate or for people who are coming to the end of their fixed mortgage rate term, falling into higher loan-to-value ratios can have a significant effect on the affordability of servicing the mortgage.

For example, Figure 2 shows that a family with an LTV of 75 per cent is paying an average of 1.4 per cent interest rate if they take out a two-year, fixed-rate mortgage. By comparison, a family who holds a mortgage with an LTV of 95 per cent, would have to pay an average of 3.0 per cent in interest. For the average UK house, selling at £232,000 in 2020, this is an increase in costs of £3,700 each year, or just over £300 per month. The current crisis will push families into higher LTV brackets, raising potential affordability concerns for those on variable rates and for those coming out of their fixed rate terms. Figure 2 also shows that the interest rate range increased after the financial crisis in 2008, so any affordability concerns could be amplified if the same happens in the aftermath of the current crisis.[12]

FIGURE 2: **Lower equity means higher required interest rate payments**

Mortgage interest rates, at different loan-to-value ratios and terms: UK



SOURCE: Bank of England.

12 In the Bank of England's most recent assessment of the outlook for credit conditions, it finds that the banking sector can continue to lend through the current crisis unless it becomes much more severe than currently expected. That said, this does not rule out some increase in mortgage spreads. See: Financial Stability Report, August 2020, Bank of England, August 2020.

The rest of this report is organised as follows. First, we consider how significant the equity crisis could be by stress-testing the housing sector based on the OBR's downside scenario. We use this scenario to compare possible outcomes today to what was experienced a decade ago during the financial crisis. And second, we look at the distribution of 'risky' mortgagors and who might be affected by the crisis.

While house prices have been relatively resilient to the coronavirus crisis so far, there is a risk of significant price falls

Currently available house price data suggest that, rather than falling in the aftermath of the coronavirus crisis, house prices have remained high and even increased somewhat in recent months. For example, the Halifax house price index increased by 1.6 per cent in July, and 3.8 over the past year, recording an all-time high for average house prices. This has been referred to as a 'mini-boom', with the number of transactions is at a 10-year high.[13]

But despite this apparent resilience, there is a significant risk of large falls in house prices. A likely key reason for this growth is the relatively small rise in unemployment in the immediate aftermath of the outbreak – the LFS unemployment rate remains very low at just 3.9 per cent in June.[14] Moreover, there is anecdotal evidence that the stamp duty holiday has supported prices.[15] This situation is very unlikely to continue, with the economic downturn and the scaling down of government support schemes expected to lead to an increase in the number people out of work.

Indeed, as Figure 3 shows, all recessions that we have data available for have led to falls in nominal house prices. In the two most recent downturns these house price falls were associated with equity problems. Both the early 1990s recession and the financial crisis were preceded by a significant loosening of credit constraints, allowing more people to become relatively highly leveraged and house prices to rally, as shown in Figure 3. As those crises unfolded, nominal prices fell by 3 per cent from peak to trough in the early 1980s,12 per cent in the early 1990s, and by 17 per cent in the late 2000s. In both of the latter cases, these falls in house prices led to rising LTVs and a negative-equity problem. Looking at the 1990s crisis, proportion of households in negative equity among recent mortgagors (who bought between 1988 and 1991) rose from 11 per cent in 1991 to 21 per cent in 1992.[16] This can be compared to our own estimate that out of those who bought

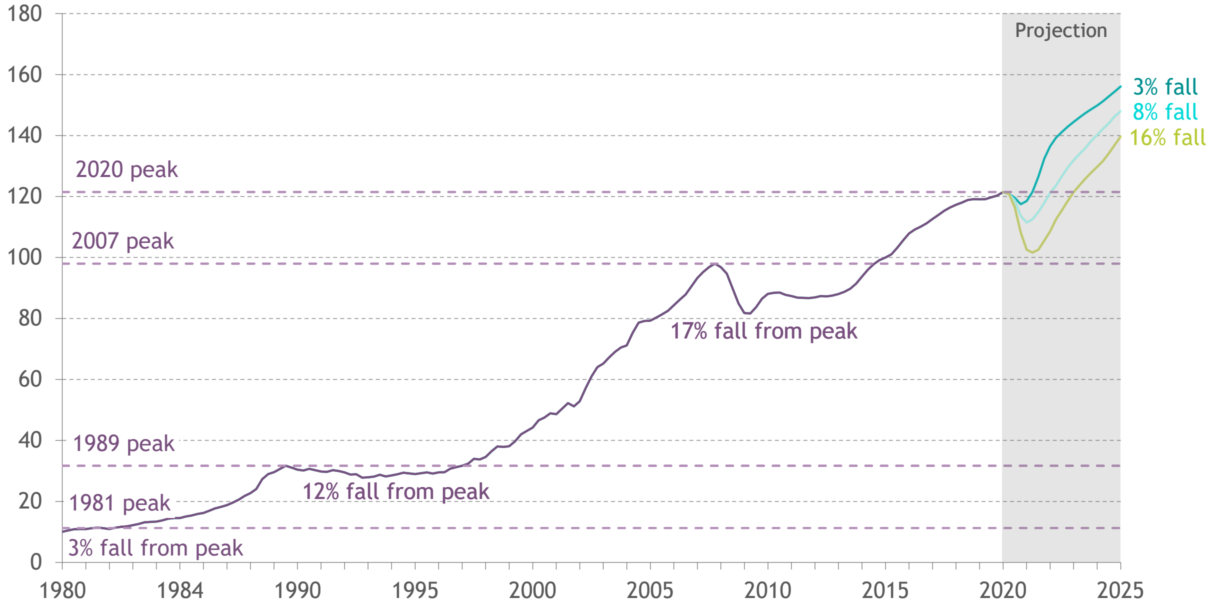
13 Rightmove House Price Index.
14 Although there are a number of reasons for thinking that this measure is not giving a true read on the likely impact of the coronavirus crisis on the labour market – for more, see: M Brewer, L Gardiner and K Handscomb, The truth will out: Understanding labour market statistics during the coronavirus crisis, Resolution Foundation, July 2020
15 Royal Institution of Chartered Surveyors, Activity rebounds firmly but caution remains on the longer term outlook, July 2020.
16 C Gentle et al., Negative Equity and British Housing in the 1990s: Cause and Effect, Urban Studies, 1994.

between 2005 and 2008, the proportion of family units in negative equity increased from 2 per cent to 18 per cent between 2008 and 2009.[17]

To get a sense of what will happen in this crisis this report uses scenarios produced by the OBR, and based on labour market fundamentals to predict likely outcomes for house prices. As shown in Figure 3, in their 'upside' scenario, the OBR forecasts a nominal house price fall of 3 per cent for 2020, followed by a speedy recovery back to the pre-crisis trend.[18] Their 'central' scenario presents a picture that is not dissimilar to the 1990s: house prices look set to fall 6 per cent this year, to a trough of 8 per cent below pre-crisis prices in the first quarter of 2021. Finally, the 'downside' scenario is more reminiscent of the financial crisis, with a 16 per cent fall in nominal prices in 2021, followed by a period during which prices remain around 15 per cent below the trend anticipated in March this year. In terms of the determinants of these house-price forecasts, in the upside scenario, falls in employment and inflation-adjusted wages are limited, whereas in the downside scenario, there are persistent falls in income and the unemployment rate reaches an all-time high.

FIGURE 3: **The OBR's scenarios suggest falls in house prices could be significant**

Nominal house prices, indexed to 2015, and house price fall projections for 2020-25



SOURCE: RF analysis of ONS House Price Index; and OBR.

17 Source: RF analysis of DWP, Family Resources Survey
18 OBR, Fiscal sustainability report, Office for Budgetary Responsibility, July 2020.

Unlike past recessions, interest rates have little room to fall further

There are reasons for thinking that falls in house prices could be even larger than suggested by these scenarios. Even in OBR's downside scenario, nominal house prices will return to pre-crisis levels in just three years. This seems somewhat optimistic given previous house price falls have persisted for several years. In the recession of the early 1990s, for example, house prices took more than eight years to return to pre-recession levels, as shown in Figure 3. And in the late 2000s, when the housing market was not simply a casualty of the recession, but was also implicated in the crisis itself, house prices took seven years to recover their previous level.

Moreover, the current low level of interest rates means that there will be less policy support to house prices than was the case in some previous recessions. House prices are not only influenced by the labour market, but also by the interest rate because it determines the cost of borrowing, which in turn affect how much people can afford to borrow. Indeed, a recent Bank of England report suggests that falls in interest rates have led to a more than doubling of real house prices since 1985, compared to household income increases that contributed a further 80 per cent rise.[19] In the financial crisis, the Bank of England's decision to dramatically lower the interest rate limited the impact of the crisis on home owners by dramatically lowering the interest rate, as shown in Figure 4. In addition, forbearance policy and increased income support for those with payment difficulties also helped boost house prices and supported mortgagors.[20] This meant that the 2008 negative equity issues did not last long. [21] Today, the situation is different. Interest rates are already close to zero and both theory and practice suggest that as rates get closer to the lower bound, the benefits of further cuts are not fully passed on to mortgagors. This means that going into the coronavirus crisis, policy makers find themselves lacking one of the most effective tools they have to support the economy and smooth house prices during recessions.

Policy makers have however found other ways to support the housing market. The response to the coronavirus crisis so far has included a move to make three-month mortgage holidays available. The latest figures show that 1.9 million mortgage payment holidays had been issued as of 28 May 2020 – equivalent to one in six mortgages –and these provisions have been extended until the end of October this year.[22] This will contribute to preventing repossessions if mortgagors lose their jobs or earnings in the crisis, and in a similar way as the response in 2008, will soften the blow to mortgagors.

19 D Miles and V Monro, What's been driving long-run house price growth in the UK? Bank Underground, Bank of England, January 2020.

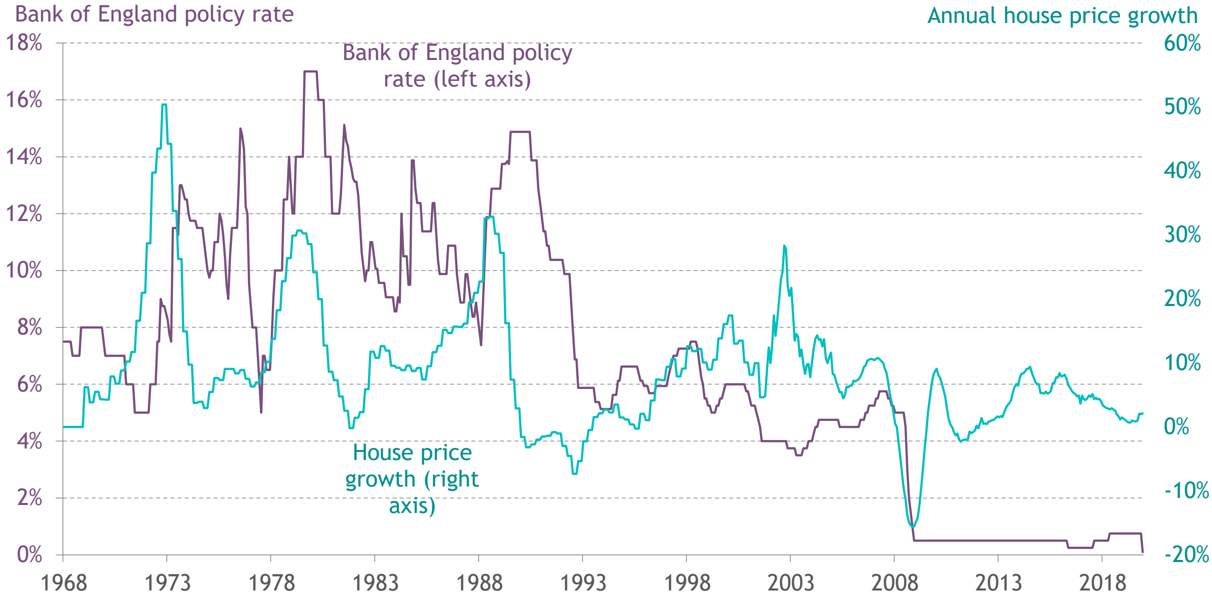
20 J Aron & J Muellbauer, Modelling and Forecasting with County Court Data: Regional Mortgage Possession Claims and Orders in England and Wales, Spatial Economics Research Centre, LSE, 2011.

21 M Whittaker & K Blacklock, Hangover Cure: Dealing with the household debt overhang as interest rates rise, Resolution Foundation, July 2014.

22 Source: UK Finance.

FIGURE 4: **In 2008, house prices were supported by interest rate cuts**

Bank of England base interest rate and annual house price growth, 1968-2020



SOURCE: RF analysis of Bank of England; ONS, UK House Price Index.

Based on the OBR's scenarios there could be a substantial rise in families with low or negative equity

To get at the heart of the scale of the potential equity problem we use the OBR's scenarios to compare the equity position of mortgagors today with that of mortgagors a decade ago as they faced the financial crisis.

We start by looking at the average equity position – or current loan-to-value ratios – of all mortgagors. In Figure 5 we can see an increase in LTVs in the years following the financial crisis as house price falls fed through. After 2012-14 we can see that house prices started to rise more quickly and that more restrictive lending behaviour and regulation started to pull the average LTV down. By 2016-18, the average LTV was 45 per cent, the same as in 2006-08 at 43 per cent.

Figure 5 projects forward the average LTV based on the OBR's three scenarios.[23] The figure uses these scenarios to downrate the most recent round of house values reported in the Wealth and Asset survey to simulate a broad-based house price fall in 2020. We have then compared this would-be house value to the value of the outstanding mortgage. In this way, we can estimate what the LTVs of mortgages could be if there was a cross-country fall in house prices.

We have also constructed an adjusted average LTV for the single year of 2009 at the peak of the financial crisis. While the Wealth and Asset Survey is good at capturing house

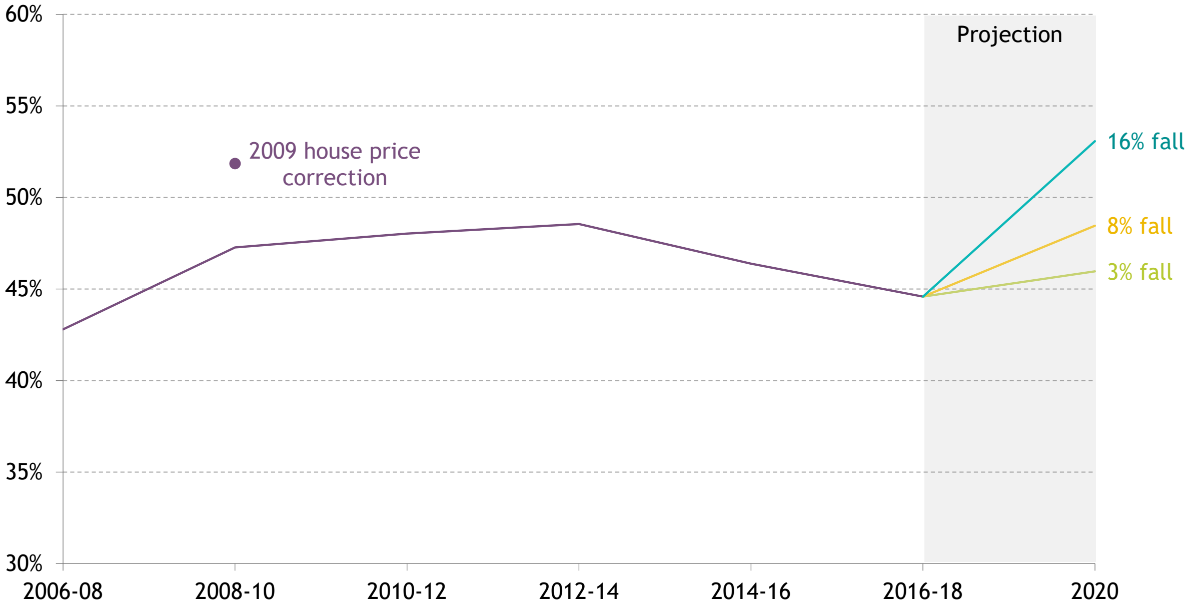
23 OBR, Fiscal sustainability report, Office for Budgetary Responsibility, July 2020.

prices in stable economic times, it is less accurate in capturing economic fluctuations.[24] In addition, the survey reports data across a period of two years and house prices started to recover in 2010, which means the 2008-10 data point captures part of the recovery period and does not show full extent of the crisis. Therefore, we have used published data from the UK house price index and employed the same method as we used to predict the equity position of families in 2020 to adjust the equity position of mortgagors for the single year of 2009 at the peak of the financial crisis. In this way, we have comparable figures for the actual house price fall in 2009 and the projected worst-case scenario for 2020.

The 2009 data point corrected for house price falls shows an immediate increase in LTVs during the financial crisis as a result of the steep house price falls. Looking at the projections for this crisis, only in the OBR's worst-case scenario would average LTVs reach levels similar to those during the financial crisis. In fact, in the OBR's central scenario, LTVs would be lower at the peak of the current crisis than they were in 2012-14.

FIGURE 5: **House price falls would not significantly affect average loan-to-value ratios across mortgagor families**

Average LTV and projections based on OBR scenarios, by year: GB



NOTES: Mortgagor families refers to family units headed by an adult aged 18+ who own their home with a mortgage.
The data for 2006-08 refer to WAS waves spanning from June to June whereas subsequent data refer to rounds spanning April to April. The 2009 correction is based on a house price fall of 17 per cent.
SOURCE: RF analysis of ONS, Wealth and Asset Survey; ONS, House Price Index.

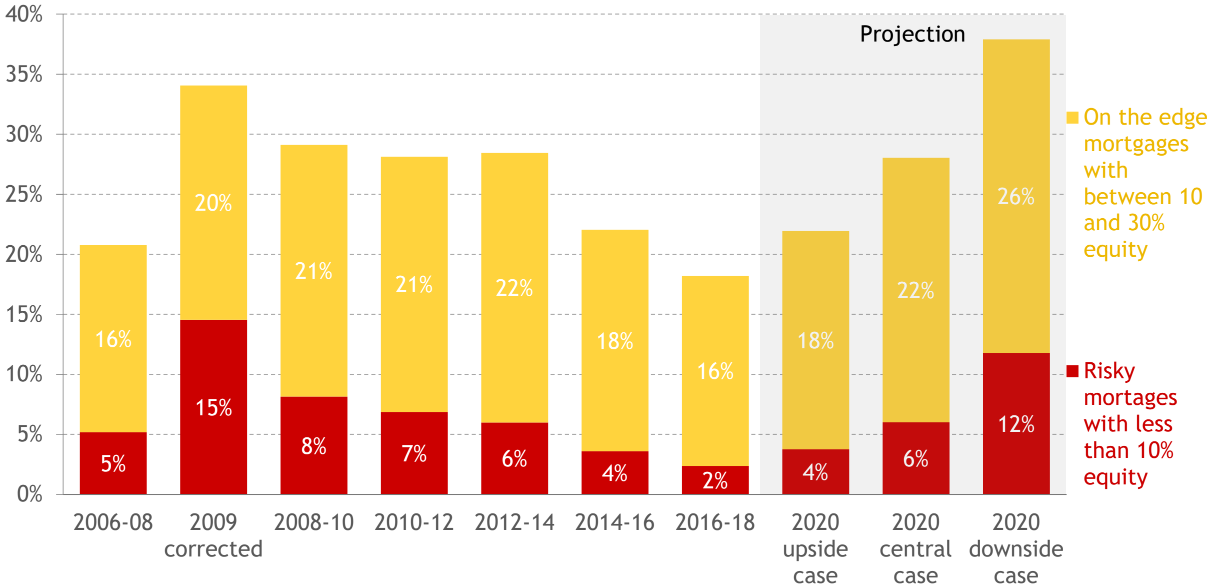
To fully understand how significant the low equity crisis will be, we need to look beyond the average LTVs to focus on the margins, as we do in Figure 6. The families most at risk

24 R Crawford, D Innes & C O'Dea, The Evolution of Wealth in Great Britain: 2006-08 to 2010-12, Institute for Fiscal Studies, 2015.

of falling into negative equity are those who have low equity going into the crisis. Figure 6 breaks down mortgagors by the proportions in different equity positions and shows that a smaller proportion of mortgagors have 'risky' mortgages today – holding less than 10 per cent equity – compared to before the financial crisis in 2008. In Figure 6 we use the OBR's downside scenario to stress test the housing market and to assess how falls in house prices affect the number of households with 'risky' mortgages. While falls of 16 per cent as projected is the OBR would 'downside' scenario obviously be substantial – coming close to the falls seen in the aftermath of the financial crisis – the size of the recession and the inability of policy makers to cut interest rates significantly means that falls in house prices of this magnitude are certainly not out of the question. This exercise suggests that even in the OBR's downside scenario, relatively fewer mortgagor families fall into the category of having 'risky' mortgages compared with the financial crisis.

FIGURE 6: **Mortgagors had lower LTVs ahead of the current crisis than on the eve of the financial crisis, yet large price falls could affect many**

Proportion of mortgagor families with different LTVs, an estimation of the problem in 2009 and a projection using OBR's 'downside' scenario: GB



NOTES: Mortgagors families refers to family units headed by an adult aged 18+ who owns their home with a mortgage. Numbers refer to the primary residence only. House prices started falling quickly from May 2008, so only a minority of the data points in the year 2006-08, collected up until June 2008, will have been affected by significant house price falls. The data for 2006-08 refer to WAS waves spanning from June to June whereas subsequent data refer to rounds spanning April to April. The 2009 correction is based on a house price fall of 17 per cent.
SOURCE: RF analysis of ONS, Wealth and Asset Survey; ONS, House Price Index.

Our analysis suggests that the current crisis might be challenging for a relatively large proportion of mortgagors, but not at the scale of the financial crisis. In 2020 we are projecting that we might see around 12 per cent mortgagor families fall into low equity if house prices were to fall by 16 per cent, whereas the comparable figure was 15 per cent in 2009. However, this crisis could lead to higher proportions of mortgagors on the edge of falling into low equity compared to the financial crisis. In 2009 we see that 20 per cent were 'on the edge', whereas today this figure could rise up to 26 per cent in the OBR's downside scenario.

The next section moves on to the second of the two big questions we are answering in this report: which mortgagors are likely to be most affected by low and negative equity?

A fall in riskier mortgage lending means mortgagors currently look more resilient than before the financial crisis

In order to understand how the crisis will affect different group of mortgagors it is useful to first look at what has happened to mortgage regulation over the past decade. This way, we can understand how the mortgagor population has changed since the financial crisis and start to tease out some of our more nuanced findings.

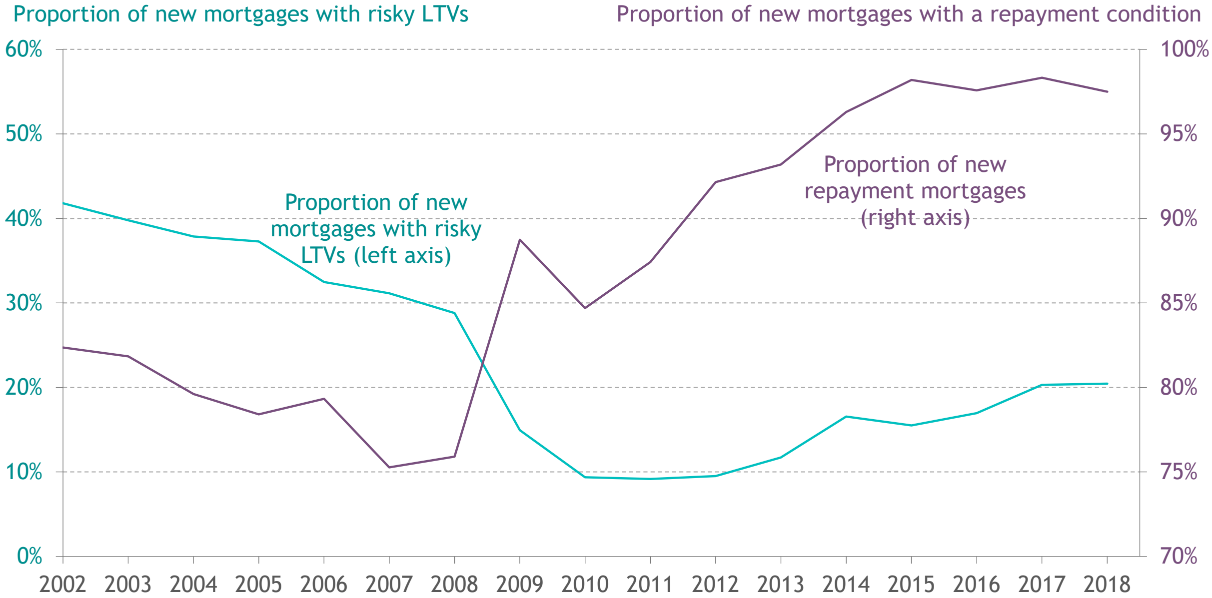
High LTV lending has become less prevalent since the financial crisis and this is important since it determines how much risk is currently carried by mortgagors. This reflects both the impact of the financial crisis and the tightening in banking sector regulation seen since. As we showed last year,[25] the typical loan-to-value ratio dropped sharply between 2007 and 2009, from 90 per cent to 75 per cent.[26] Indeed, high-LTV mortgage products simply ceased to be offered by many banks.[27] Figure 7 shows that the new lending with high LTVs decreased sharply following the financial crisis, from around one-third to less than one-tenth. Now LTVs in the year of purchase have recovered slightly since the initial decline after the financial crisis but is still below 2007 levels meaning that prospective mortgagors on average need a larger deposit relative to the house price to buy a home today than before the financial crisis. Even if credit constraints have weakened slightly in recent years, mortgages in the past decade have been harder to access than in the decade leading up to the financial crisis.

The financial crisis also led to a sea change in the types of mortgages taken out. There was an immediate jump in the number of mortgages that included capital repayment – as opposed to interest-only mortgages that are more dependent on house prices, as shown in Figure 5. This increases the affordability constraints when mortgages are provided and also contributes to increasing the equity held by mortgagors over time. Both elements work to decrease the risk for mortgagors, but also exclude those on lower incomes from entering the market.

25 L Gardiner et al, An intergenerational audit for the UK, Resolution Foundation, June 2019.
26 L Gardiner et al, An intergenerational audit for the UK, Resolution Foundation, June 2019.
27 L Gardiner et al, An intergenerational audit for the UK, Resolution Foundation, June 2019.

FIGURE 7: **Riskier types of mortgage lending is much less prevalent now than before the financial crisis**

Proportion of mortgagors who buy a new home with a 'risky' LTV mortgage (LTV>=90%), and proportion with a repayment mortgage: UK, 2002-2018



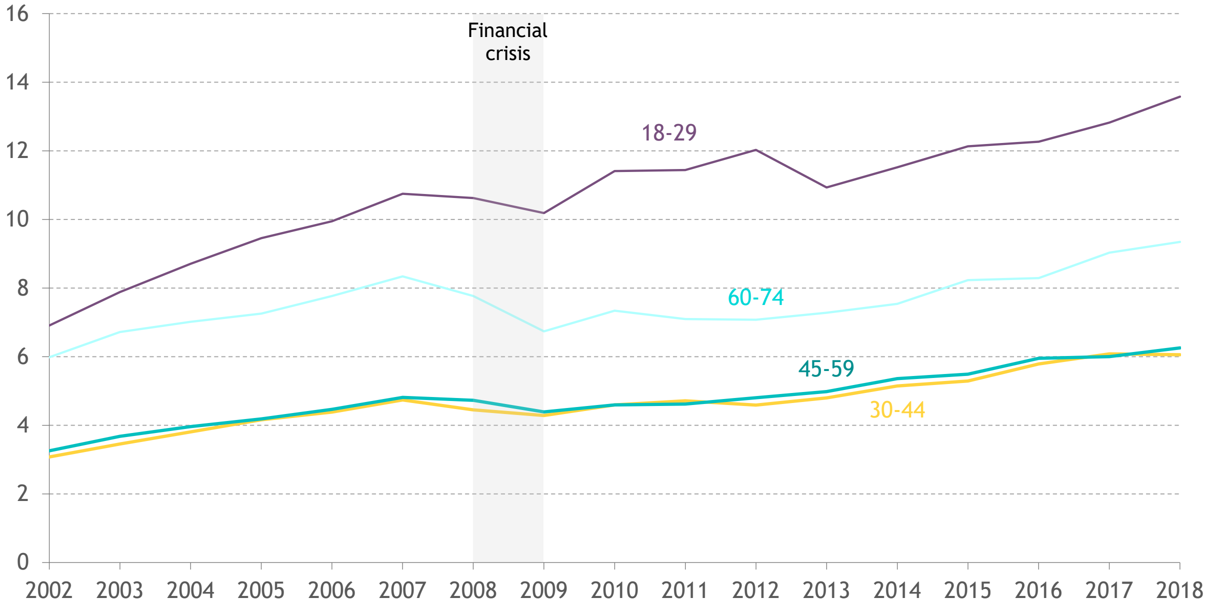
NOTES: Families refers to family units headed by an adult aged 18+. Numbers refer to all mortgages taken out on by owner-occupiers for their primary residence.
SOURCE: RF analysis of DWP, Family Resources Survey; UK Finance; PRA/FCA.

This fall in high LTV lending has been hard wired into the rules for banks. New regulations – which came into effect in 2014 – mean that prospective buyers need a larger income to buy a house. The suite of reforms implemented as part of the 2014 Mortgage Market Review didn't directly limit lenders' ability to provide mortgages with high loan-to-value ratios. But it did put new requirements on lenders to stress test the affordability of mortgages, and has reportedly led to the advent of specific rules and restrictions around certain groups such as the self-employed.[28] In addition, more recent regulation has limited lenders' ability to offer mortgages more than 4.5 times the borrowers' annual income.[29] With house prices increasing rapidly, thanks to the low interest rate environment, the constraints on the loan-to-income ratios have become binding for an increasing number of buyers. Figure 8 shows house price growth relative to incomes, and demonstrates that this is particularly the case for younger families.

28 Policis, New approaches to mortgage market regulation: The impact of the MMR and the risks and benefits for consumers, society and the wider economy, 2014.
29 Financial Conduct Authority, The Financial Policy Committee's recommendation on loan to income ratios in mortgage lending: General Guidance, February 2017.

FIGURE 8: **House prices have grown faster than incomes**

House price to family median real annual income ratio: UK, 2002-2018



NOTES: Families refers to family units headed by an adult aged 18+. Numbers refer to all mortgages taken out on by owner-occupiers for their primary residence.
SOURCE: RF analysis of HM Land Registry; DWP, Family Resources Survey.

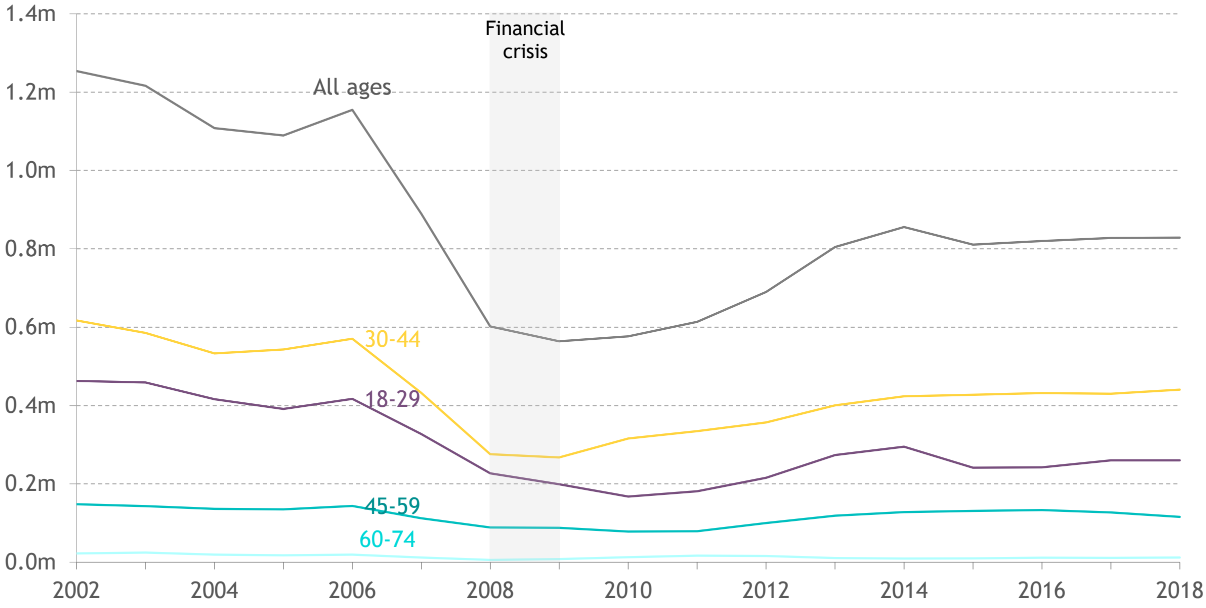
When house prices grow more rapidly than incomes, saving for a deposit becomes harder. Young people today are therefore often dependent on gifts from family (the so-called bank of Mum and Dad)[30] in order to afford a deposit for a home. And the longer house prices increase at faster rate than incomes, the harder it is for young families to get on the housing ladder.

In addition to rapid house price increases, the lower availability of higher LTV loans has made it even more challenging for young prospective mortgagors to get on the ladder. The upshot of these restrictions is that fewer mortgages have been taken out since the financial crisis, as shown in Figure 9.

30 S Clarke & J Wood, House of the rising son (or daughter): The impact of parental wealth on their children's homeownership, Resolution Foundation, December 2018.

FIGURE 9: **Since the financial crisis fewer mortgages are taken out**

Number of mortgages taken out each year by families: UK, 2002-2019



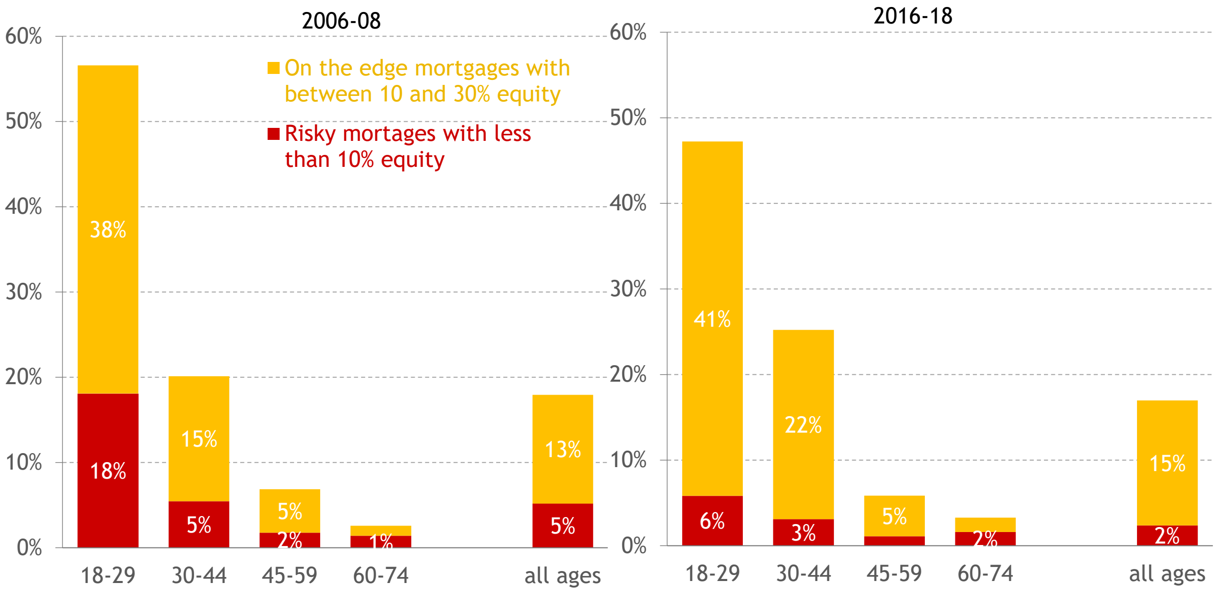
NOTES: Families refers to family units headed by an adult aged 18+. Numbers refer to all mortgages taken out on by owner-occupiers for their primary residence.
SOURCE: RF analysis of DWP, Family Resources Survey.

Risk has shifted up the age distribution away from the youngest cohort

With the reduction in high LTV lending making it harder to access mortgages, there are fewer new mortgagors with risky loans. This means that, ahead of the coronavirus crisis, families in the youngest cohort are somewhat less likely to hold very low equity than before the financial crisis. Figure 10 shows the proportion of mortgagor families who have low equity cut by age band in the most recent data compared with the financial crisis. Ahead of both crises, it is clear that younger families are more likely to be 'on the edge' of falling into low equity – defined as less than 30 per cent here (implying a LTV of 70 per cent or more) – compared with other age groups. That said, Figure 10 also shows that families aged 18-29 today are less likely to hold 'risky' mortgages – that is, less than 10 per cent equity – than was the case before the financial crisis. In 2006-08, 18 per cent of mortgagor families aged 18-29 held equity of 10 per cent or less, whereas in 2016-18, it was just six per cent. There are, however, somewhat more families 'on the edge' this time around: In 2016-18, 42 per cent of mortgagors headed by 18-29s held mortgages with an equity stake between 10 per cent and 30 per cent whereas this number was 37 per cent in 2006-08.

FIGURE 10: **The proportion of young mortgagor families with risky loan-to-value ratios has decreased since 2007**

Proportion of mortgagor families in each age band with lower equity: GB, 2006-08 and 2016-18



NOTES: Mortgagors families refers to family units headed by an adult aged 18+ who owns their home with a mortgage. Numbers refer to the primary residence only. House prices started falling quickly from May 2008, so only a minority of the data points in the year 2006-08, collected up until June 2008, will have been affected by significant house price falls. The data for 2006-08 refer to WAS waves spanning from June to June whereas subsequent data refer to rounds spanning April to April.
SOURCE: RF analysis of ONS, Wealth and Asset Survey.

Mortgagor families tend to be older today. As the bar for getting a mortgage has gone up since the financial crisis, fewer young families have been able to buy a house, meaning that there has been a clear shift upwards in the age of mortgagor families in the decade following the financial crisis. The number of mortgagor families headed by under 45s has shrunk by over one million to nearly 4.3 million. The number headed by over-45s has decreased slightly and is now around 4.2 million. As younger families are finding it harder to get on the housing ladder, more under-45s today are renting or living in other forms of accommodation, such as living with parents.

TABLE 1: **Highest numbers of 30-44s with low equity, but the highest proportions of 18-29s**

Numbers and proportions of family units headed by 18+, at different equity positions, by age and year

2006-08					2016-18				
Numbers					Numbers				
LTV higher than 90%	LTV 80%	LTV 70%	LTV less than 70%	All	LTV higher than 90%	LTV 80%	LTV 70%	LTV less than 70%	All
177,000	198,000	178,000	424,000	977,000	35,000	142,000	109,000	320,000	606,000
240,000	265,000	378,000	3,505,000	4,388,000	114,000	289,000	525,000	2,753,000	3,681,000
58,000	69,000	98,000	3,056,000	3,281,000	38,000	56,000	107,000	3,228,000	3,429,000
9,000	5,000	3,000	600,000	617,000	12,000	4,000	8,000	705,000	729,000
			93,000	93,000	3,000	-	1,000	52,000	56,000
484,000	537,000	657,000	7,677,000	9,355,000	202,000	491,000	750,000	7,058,000	8,501,000

As a proportion of mortgagors				As a share of mortgagors			
LTV higher than 90%	LTV 80%	LTV 70%	LTV less than 70%	LTV higher than 90%	LTV 80%	LTV 70%	LTV less than 70%
18%	20%	18%	43%	6%	23%	18%	53%
5%	6%	9%	80%	3%	8%	14%	75%
2%	2%	3%	93%	1%	2%	3%	94%
1%	1%	0%	97%	2%	1%	1%	97%
1%	0%	0%	99%	5%	0%	1%	94%
5%	6%	7%	82%	2%	6%	9%	83%

Note: The data for 2006-08 refer to WAS waves spanning from June to June whereas subsequent data refer to rounds spanning April to April.
SOURCE: RF analysis of ONS, Wealth and Asset Survey.

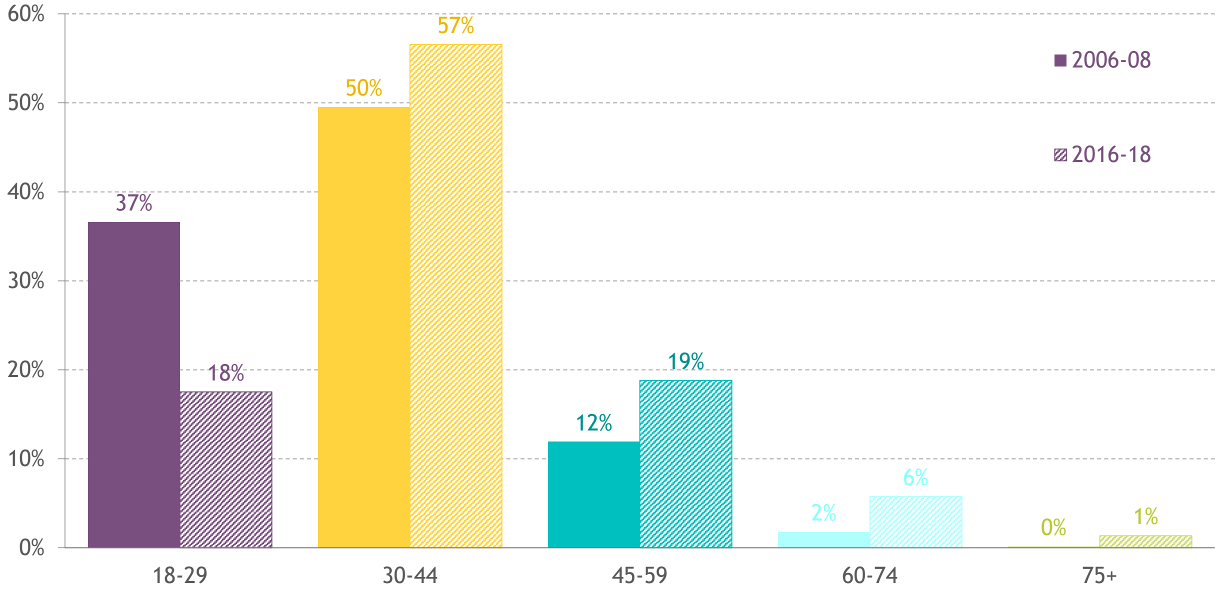
However, although the youngest age cohort still have the highest proportion of people who risk falling into low or negative equity, Table 1 shows that the number of 30-44s likely to be affected will be higher. Consistent with this, the average age of buying a house has risen to 33 in the UK, compared with 31 before the financial crisis.[31] This means there are simply more families in the 30-44 age range who have relatively recently bought a house and so have less equity.

As one might expect, young people not only represent a smaller proportion of the total mortgagor population, but they are also taking up fewer 'risky' mortgages. In Figure 11 we look at the age distribution of all mortgagor families with low LTVs. Looking only at all 'risky' mortgages we can see that the share held by the youngest mortgagors has shrunk: since the financial crisis it has more than halved, from nearly two-in-five to just below one-in-five. Correspondingly, the share of risky mortgages held by 30-59-year-olds has increased from three-in-five to three-in-four.

31 Source: UK Finance, table RL1A.

FIGURE 11: **The proportion of risky mortgages held by the youngest has shrunk, meaning that risk is found higher up the age distribution**

Age distribution of mortgagor families in low equity (LTV ratio of 90 per cent or more): GB, 2006-08 and 2016-18

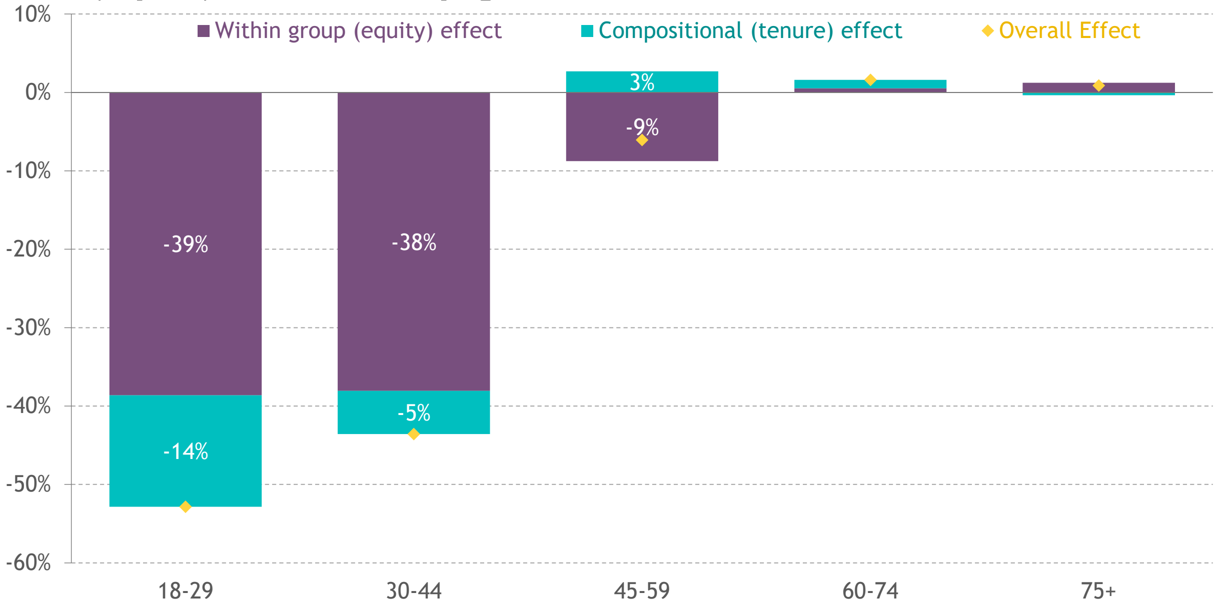


NOTES: Mortgagors families refers to family units headed by an adult aged 18+ who owns their home with a mortgage. Numbers refer to the primary residence only. House prices started falling quickly from May 2008, so only a minority of the data points in the year 2006-08, collected up until June 2008, will have been affected by significant house price falls. The data for 2006-08 refer to WAS waves spanning from June to June whereas subsequent data refer to rounds spanning April to April.
SOURCE: RF analysis of ONS, Wealth and Asset Survey.

These trends are illustrated further in Figure 12, which decomposes the total decrease in the proportion of mortgagor families with 'risky' mortgages – or less than 10 per cent equity – from Figure 6. It shows that a large portion of the overall change is due to relatively fewer of the youngest families holding low equity. Fewer families headed by 18-44-year-olds with low-equity mortgages represents nearly four-fifths of the overall change. By contrast, the fact that there are fewer young families who hold any mortgage today than before the financial crisis represents just one-fifth of the change. And to a smaller degree, low equity is not as big of a problem today as it was 10 years ago because fewer young people are getting on the housing ladder. Both the within-group effect of fewer risky mortgages and the compositional age effect of who can get on the housing ladder are consistent with the same underlying factors: the rapid increase in house prices and less high-LTV lending. These make the housing market in general and lower equity mortgages in particular increasingly difficult to access.

FIGURE 12: **The fall in the riskiest mortgages is concentrated among those aged 18-44**

Decomposition of total decrease in the proportion of mortgagor families with low equity (10 per cent or less), by age: 2006-08 and 2016-18



NOTES: Mortgagors families refers to family units headed by an adult aged 18+ who own their home with a mortgage. Numbers refer to the primary residence only. House prices started falling quickly from May 2008, so only a minority of the data points in the year 2006-08, collected up until June 2008, will have been affected by significant house price falls. The data for 2006-08 refer to WAS waves spanning from June to June whereas subsequent data refer to rounds spanning April to April.
SOURCE: RF analysis of ONS, Wealth and Asset Survey.

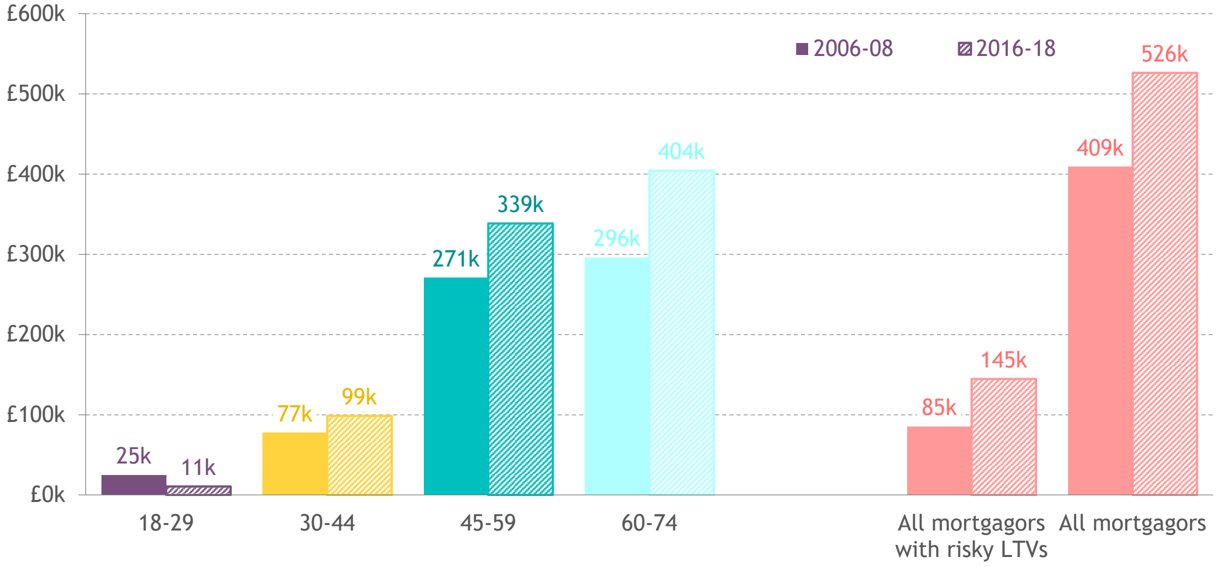
In summary, the group most at risk of low and negative equity has shifted up the age distribution not because older people tend to take on more risk, but rather because many younger mortgagors today lack the ability to take on a mortgage in the first place.

Those at risk of low or negative equity today have higher income and wealth than they did ahead of the financial crisis

Risk has not only shifted up the age distribution, but it has also shifted up the wealth distribution. As the bar for first-time buyers getting on the property ladder has risen, more wealth is required to take on risk. Indeed, Figure 13 shows that the wealth of those with low equity has increased over the past decade. We look in detail at this in the Annex where we discuss the quantitative analysis of the drivers of changes to the wealth and incomes of those most at risk of falling into low equity. In Figure 17 in the Annex, we see that nearly three-quarters of the total increase in wealth among mortgagors with low equity is due to an increase in the wealth position of 45-74-year-olds with low equity. But to some extent this is also because there are more 45-74-year-olds today with a high LTV mortgage than there was a decade ago, and since this group tend to have more wealth, mortgagors today tend to be wealthier.

FIGURE 13: **Mortgagors with low equity have more wealth today than a decade ago when adjusted for inflation**

Total real wealth of families with low equity (10% equity or less), by age: GB, 2006-08 and 2016-18



NOTES: Mortgagors families refers to family units headed by an adult aged 18+ who owns their home with a mortgage. Numbers refer to the primary residence only. House prices started falling quickly from May 2008, so only a minority of the data points in the year 2006-08, collected up until June 2008, will have been affected by significant house price falls. Total wealth includes property wealth. The data for 2006-08 refer to WAS waves spanning from June to June whereas subsequent data refer to rounds spanning April to April.
SOURCE: RF analysis of ONS, Wealth and Asset Survey.

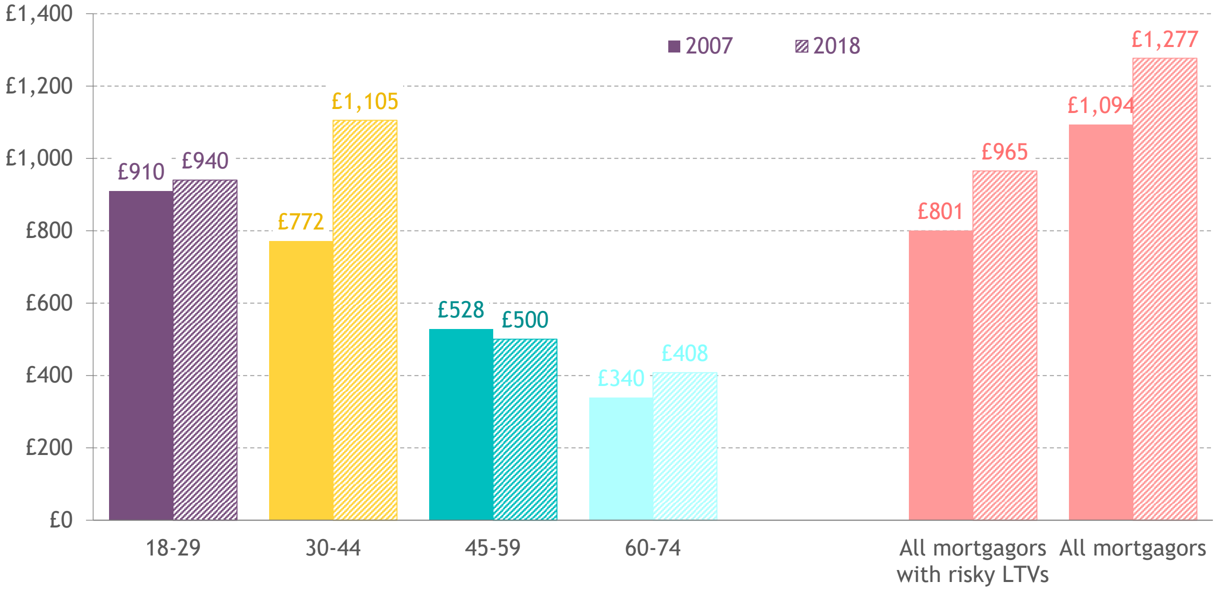
A similar pattern is visible if we consider the income distribution, as in Figure 14 below.[32] It shows that the average real income increased from £801 per week in 2007 to £965 per week in 2019. It shows that families with high LTVs in 2018 on average have higher incomes than families with high LTV mortgages did in 2007. For 30-44s, the income of those with high LTV mortgages has increased more than for any other age group.

As the decomposition in Figure 19 (in the Annex) shows, the largest contributor by far to raising the average income among mortgagors with low equity is higher incomes among the 30-44s today compared to 10 years ago. At the same time, the under 30s now make up a smaller proportion of total mortgagors with low equity, and since they typically have lower incomes than workers later on in their careers, average income among this mortgagor group is higher.

32 We use the Family Resources Survey here although it does not include data on current property values. Instead we have uprated the property purchase price to 2019 prices using regional house price data from HM Land Registry, and subsequently estimated LTVs based on uprated house price and the value of any outstanding mortgage.

FIGURE 14: **Mortgagors tend to have higher incomes today than on the eve of the financial crisis**

Real weekly income (2019-adjusted) of families with risky LTVs (10% equity or less), by age: GB, 2007 and 2018



NOTES: Families refers to family units headed by an adult aged 18+. Numbers refer to all mortgages taken out on by owner-occupiers for their primary residence. The change in real annual income for mortgagors between 2007 and 2018 can be compared to an annual change of 4 per cent for families in all tenures.
SOURCE: RF analysis of DWP, Family Resources Survey.

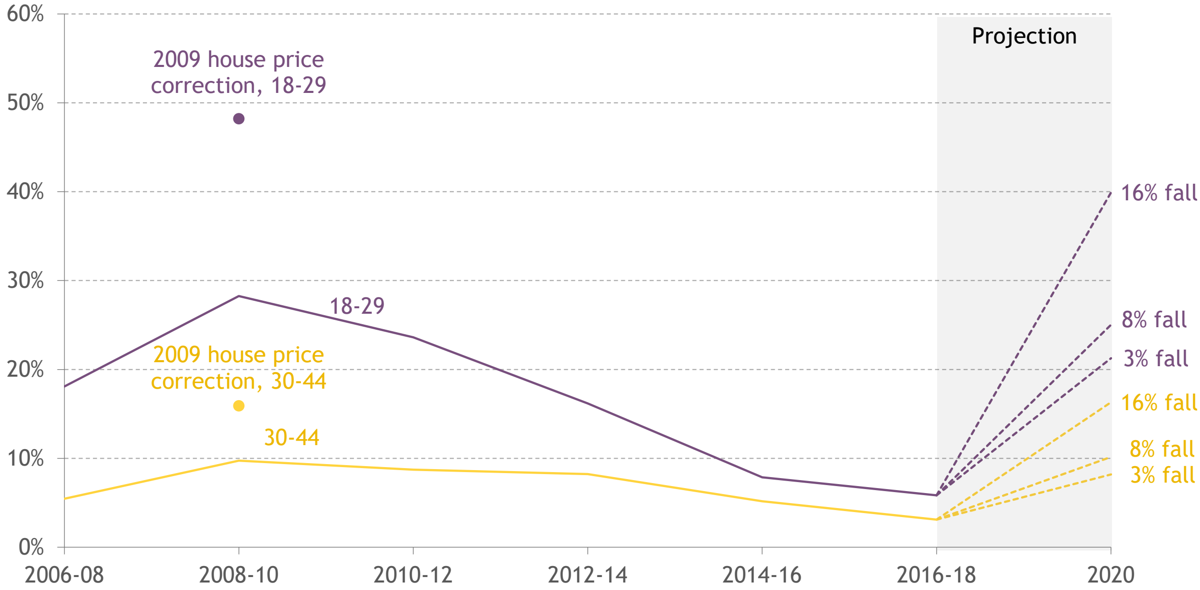
But it would be wrong to be sanguine about the risks

Despite the improved outlook for most mortgagors compared to a decade ago, substantial house price falls would come with significant risks to some mortgagor families. While there are a number of reasons for thinking that we face the coronavirus crisis with fewer vulnerabilities than immediately before the financial crisis, recent mortgagors and first-time buyers are still at risk from falling into negative equity. As Figure 15 shows, if the house price falls during the coronavirus crisis turn out to be in line with the OBR's downside scenario, then around 40 per cent of mortgaged families headed by 18-29-year-olds could fall into low or negative equity. While this proportion is not quite as high as that in the financial crisis, where our corrected figure shows that 48 per cent of mortgaged families headed by 18-29-year-olds were in low or negative equity, it would still put a considerable number of young families at risk.

As we have seen, 30-44-year-olds are more likely than younger cohorts to have been able to access the housing market in recent years. This means that these families have been taking on relatively more risk, which we can see in Figure 15. During the financial crisis, 16 per cent of families headed by a 30-44-year-old fell into low or negative equity, which is the same as the comparative figure would be in the coronavirus crisis under the OBR's downside scenario.

FIGURE 15: **The under-45s are most at risk of falling into low or negative equity**

Proportion of mortgagor families with 'risky' LTVs (90 per cent or higher), and projections based on OBR scenarios: GB, 2006-08 to 2016-18



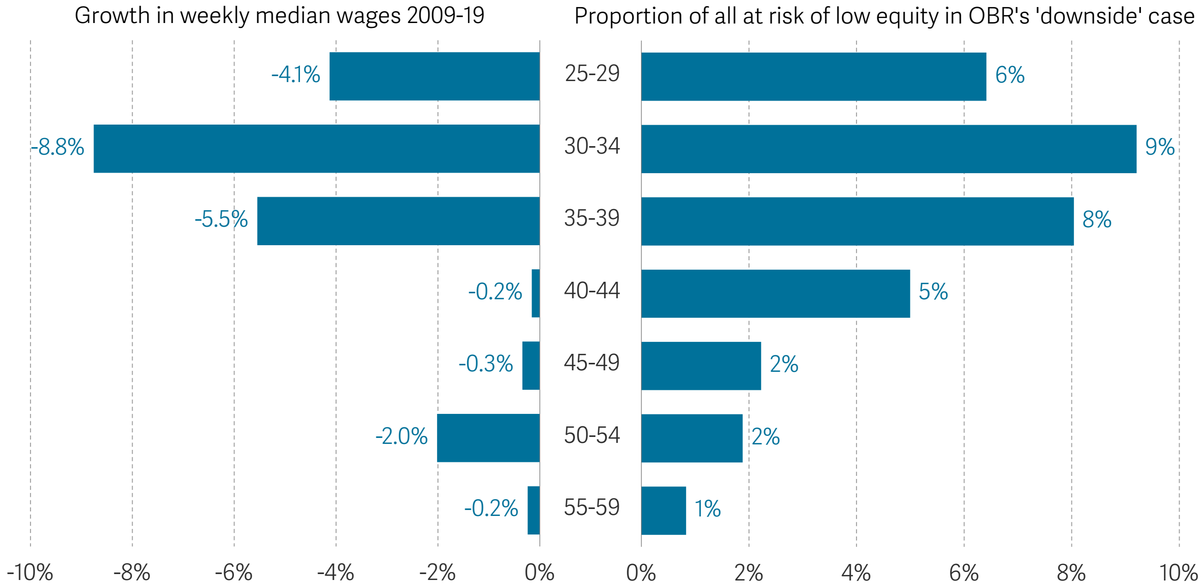
NOTES: Mortgagors family refers to family units headed by an adult aged 18+ who owns their home with a mortgage. Numbers refer to the primary residence only. House prices started falling quickly from May 2008, so only a minority of the data points in the year 2006-08, collected up until June 2008, will have been affected by significant house price falls. The data for 2006-08 refer to WAS waves spanning from June to June whereas subsequent data refer to rounds spanning April to April. The 2009 correction is based on a house price fall of 17 per cent.
SOURCE: RF analysis of ONS, Wealth and Asset Survey; ONS, House Price Index.

Looking back to the financial crisis, we have previously shown that those who left education and entered the labour market during and immediately after the financial crisis in 2008 experienced a deep and sustained pay scarring effect.[33] The pay progression of millennials born in the 1980s was most affected. Figure 16 shows each cohorts' growth in real median weekly earnings since 2009, compared to the cohort 10 years before them at the same age. For example, in 2019 the weekly earnings of those born in 1986-1990 were 9 per cent lower than the real pay of those born 10 years earlier when they were the same age. Last year, those in their mid-30s were typically paid £508 per week, whereas in 2009 people were typically paid £30 more per week at the same age, in today's prices. This means that mortgagors who are in their mid-30s now and facing the challenges associated with low or negative equity come from the cohorts that experienced the deepest economic hit in the previous recession.

33 S Clarke, Growing Pains: the impact of leaving education during a recession on earnings and employment, Resolution Foundation, May 2019.

FIGURE 16: **The age group most at risk of falling into low or negative equity also had the weakest wage growth since the financial crisis.**

Proportion of families in all tenures who would fall into low equity in the OBR's 'downside' scenario and weekly growth in median wages, by age group: UK/GB



NOTES: Pay data is from ONS, Annual Survey of Hours and Earnings 2009-2019. Numbers refer to the primary residence only. The data for 2006-08 refer to WAS waves spanning from June to June whereas subsequent data refer to rounds spanning April to April. Growth in wages is calculated from UK-wide data while housing equity is Great Britain only.
SOURCE: RF analysis of ONS, Wealth and Asset Survey; ONS, Annual Survey of Hours and Earnings.

Finally, the closure of schools during the coronavirus crisis has also put extra pressures on parents who have been forced to spend a larger proportion of their time on child care. These care and schooling requirements are inevitably larger for parents whose children are younger. First-time mothers in the UK are typically 29 years old. As shown in recent Resolution Foundation work, working parents aged 30-40 are most likely to care for children under 9 years old.[34] By virtue of their age, parents of young children are more likely to fall into low equity than older people. We find that over half of the youngest families with children risk falling into low or negative equity in the OBR's downside scenario, whereas that figure is just over one-tenth for the 30-44-year-olds with children.

Conclusion

In this report for our Intergenerational Centre we have shown that a smaller proportion of young mortgagor families are in low equity today than in the year before the financial crisis. And that those at risk tend to have higher wealth and incomes. This reflects rapid house price growth and lower availability of high-LTV mortgages. This suggests that mortgagors are better prepared for the current crisis and its associated house price

34 M Gustafsson & C McCurdy, Risky business: Economic impacts of the coronavirus crisis on different groups of workers, Resolution Foundation, April 2020.

shock than mortgagors were ahead of the financial crisis. The corollary of fewer young families being mortgagors today is that many young, lower-paid prospective mortgagors are stuck in the private-rented sector and so face higher housing costs, less security and – in some cases – lower-quality accommodation.

Crucially, however, fewer and smaller mortgages for younger families due to higher requirements for deposits and income, means that the risk of falling into low or negative equity has shifted up the age distribution. This also means that the risk has moved up the wealth and income distributions.

Today young mortgagors tend to hold more equity in their homes compared to 2007, and this means that relatively fewer mortgagors will be facing an equity crisis this time around. But if the depth and length of house price falls are of a similar order of magnitude as those following the financial crisis, many young families are still at risk of falling into low or negative equity. This risk is more than a remote possibility given the size of the prospective recession and the inability of policy makers to further cut interest rates in order to boost house prices. While there is a role for the Government in helping to avoid large-scale repossessions through forbearance policies, there is a risk that we might be entering a deeper negative equity crisis than is currently expected given the apparent resilience of the housing market.

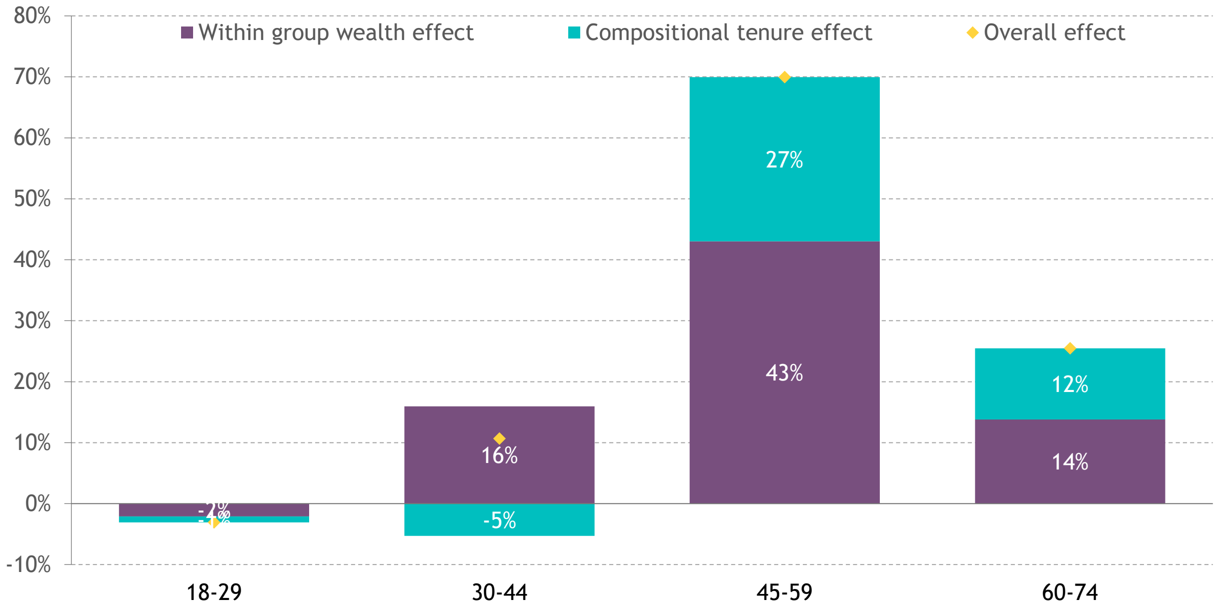
Annex: Decomposing wealth and income

In this Annex we discuss the quantitative analysis of the drivers of changes to the wealth and incomes of those most at risk of falling into negative equity.

Figure 17 shows that a decomposition of the total change in average wealth of families with low equity. It shows that three-fifths of the total increase in wealth among mortgagors with low equity is due to an increase in the wealth position of 45-74-year-olds with low equity. To a smaller extent this is also because there are more 45-74-year-olds today with a high LTV mortgage than there was a decade ago. Since this group tend to have more wealth, mortgagors today tend to be wealthier.

FIGURE 17: **The change is mainly because there are more mortgagors aged 45-59 with low equity**

Decomposition of the total change in real wealth of families with low equity (10% equity or less), by age: GB, 2006-08 and 2016-18

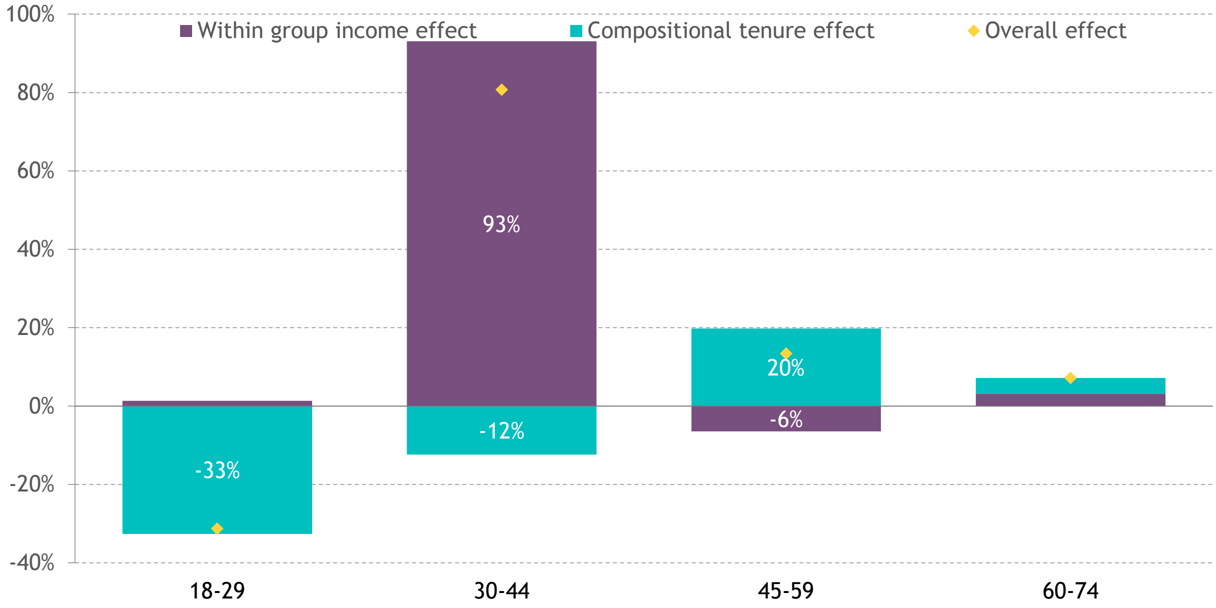


SOURCE: RF analysis of ONS Wealth and Asset Survey.

Figure 18 decomposes the total change in average annual incomes of families with low equity. It shows that the largest contributor by far to raising the average income among mortgagors with low equity is higher incomes among the 30-44-year-oldss today compared to 10 years ago. At the same time, those under 30 now make up a smaller proportion of total mortgagors with low equity, and since they typically have lower incomes than workers later on in their careers, average incomes among this mortgagor group is higher.

FIGURE 18: **The compositional effect of fewer of the youngest mortgagors with high LTVs is the main factor in raising average incomes for low-equity mortgagors**

Decomposition of the total change in real weekly income of families with risky LTVs (10% equity or less), by age: GB, 2006-08 and 2016-18



SOURCE: RF analysis of ONS Wealth and Asset Survey.

Annex 2: Differences in numbers and proportions

While the youngest have the highest proportion of people who risk falling into low equity, Table 2 shows that the number of 30-44-year-olds affected will be higher.

TABLE 2: **Highest numbers of 30-44-year-olds with low equity, but the highest proportions of 18-29-year-olds**

Numbers and proportions of people at different equity positions, by age and year

2006-08					2016-18				
Numbers					Numbers				
LTV higher than 90%	LTV 80%	LTV 70%	LTV less than 70%	All	LTV higher than 90%	LTV 80%	LTV 70%	LTV less than 70%	All
177,000	198,000	178,000	424,000	977,000	35,000	142,000	109,000	320,000	606,000
240,000	265,000	378,000	3,505,000	4,388,000	114,000	289,000	525,000	2,753,000	3,681,000
58,000	69,000	98,000	3,056,000	3,281,000	38,000	56,000	107,000	3,228,000	3,429,000
9,000	5,000	3,000	600,000	617,000	12,000	4,000	8,000	705,000	729,000
			93,000	93,000	3,000	-	1,000	52,000	56,000
484,000	537,000	657,000	7,677,000	9,355,000	202,000	491,000	750,000	7,058,000	8,501,000
As a proportion of mortgagors					As a share of mortgagors				
LTV higher than 90%	LTV 80%	LTV 70%	LTV less than 70%		LTV higher than 90%	LTV 80%	LTV 70%	LTV less than 70%	
18%	20%	18%	43%		6%	23%	18%	53%	
5%	6%	9%	80%		3%	8%	14%	75%	
2%	2%	3%	93%		1%	2%	3%	94%	
1%	1%	0%	97%		2%	1%	1%	97%	
1%	0%	0%	99%		5%	0%	1%	94%	
5%	6%	7%	82%		2%	6%	9%	83%	
As a proportion of all					As a proportion of all				
LTV higher than 90%	LTV 80%	LTV 70%	LTV less than 70%	All	LTV higher than 90%	LTV 80%	LTV 70%	LTV less than 70%	All
3%	3%	3%	6%	14%	0%	2%	1%	4%	8%
3%	3%	5%	43%	54%	1%	4%	7%	35%	47%
1%	1%	1%	44%	47%	0%	1%	1%	40%	42%
0%	0%	0%	11%	12%	0%	0%	0%	11%	11%
0%	0%	0%	3%	3%	0%	0%	0%	1%	2%
2%	2%	2%	25%	31%	1%	1%	2%	21%	25%

SOURCE: RF analysis of ONS Wealth and Asset Survey.

The Resolution Foundation is an independent research and policy organisation. Our goal is to improve the lives of people with low to middle incomes by delivering change in areas where they are currently disadvantaged.

We do this by undertaking research and analysis to understand the challenges facing people on a low to middle income, developing practical and effective policy proposals; and engaging with policy makers and stakeholders to influence decision-making and bring about change.

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