

SA422/SA4C7: HOUSING ECONOMICS AND FINANCE 2008/2009
Seminar 3: Financing owner-occupation:
the mortgage industry, mortgage instruments and current crisis
Week 4: 6 February, 10 – 12:30 in Room E304

1. The Choice of Mortgages in the UK

Question 1: Describe the main attributes of (i) a fixed rate mortgage; (ii) a variable rate mortgage; (iii) an annuity mortgage; (iv) an interest only mortgage. What are the main factors that a first time buyer might take into account when making a decision about which mortgage to use.

Reading: lecture notes; basic housing finance texts

David Miles *The UK Mortgage Market: Taking a Longer Term View*

Interim Report December 2003, Sections 1-3 (4 and 5 are also relevant)

Final Report March 2004, Section 2

Available on HM Treasury website at:

http://www.hm-treasury.gov.uk/consultations_and_legislation/miles_review/consult_miles_index.cfm

2. The Impact of Changing Financial Markets on Access to Housing in the UK

Question 2: Explain how a deregulated mortgage market can (i) benefit homebuyers and (ii) increase the risks that they face.

Reading: lecture notes

C Whitehead & K Gaus *At Any Cost?*, Shelter Policy: discussion paper, September 2007

Available on Shelter website at:

<http://england.shelter.org.uk/policy/policy-825.cfm/plitem/290/>

Munro et al *Lending to Higher Risk Borrowers* on the JRF website

CML website for up-to-date statistics and market forecasts

See other references in notes