

July 2000

Responses from the JRF to the Housing Green Paper: *Sustainable Home Ownership*

The JRF is making a series of responses to the Housing Green Paper. This one relates to “Encouraging Sustainable Home Ownership” in Chapter 4.

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Background

The Joseph Rowntree Foundation has had a long-standing interest in the ability of households to buy their own homes and to maintain their mortgage payments. We have supported studies on financial safety nets: by Professor Janet Ford and others in 1997 and again in 1999 ([Findings](#) - Ref. 429). And we have funded powerful research which demonstrates graphically the implications for family life when it proves impossible to maintain the payments - by Roger Burrows and others at the University of York in 1999 ([Findings](#) - Ref. 829).

In recognition of the difficulties that face many owners in keeping their home in good repair, we have also invested heavily in a programme of work on house condition issues in the private sector. Some 10 JRF studies are summarised in the enclosed [Foundations](#) (Ref. 370).

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Buying and paying for housing

The Foundation asked Professors Janet Ford and Philip Leather to consider the proposals contained in Chapter 4 of the Housing Green Paper, and to produce comments based on the research evidence they had collected. Their report ([Sustainable Homeownership: A Response to the Housing Green Paper - *Word document*](#)) begins with an exploration of the social and economic context in which people aspire to own their home.

Challenges to sustainable home ownership come primarily from unemployment, low paid work, sickness and relationship breakdown. Questions arise about sustaining housing payments both in times of difficulty and routinely.

In relation to temporary financial difficulties, we note that there is little evidence that “flexible mortgages” will prove successful. Little is known about the aspects of flexibility which contribute to the aim of sustainable ownership. And Professor Ford points to some difficulties in integrating flexible mortgages with Income Support for Mortgage Interest (ISMI) (the current

social security safety net).

We have distinct concerns about increased reliance on Mortgage Policy Protection Insurance (MPPI). It is not certain that the acknowledged problems with the MPPI market - cost, take-up, exclusions etc - will be overcome. But without a significant increase of voluntary take-up, or the introduction of compulsory MPPI, the extension of the waiting period for ISMI, to 14 months, could act as a catalyst to more rapid possession of uninsured borrowers. Voluntary agreements with lenders about forbearance could well prove inadequate.

Other proposed changes to ISMI are welcomed and should enable mortgagors receiving ISMI to make an early and risk-free return to work. Professor Ford considers that the proposal for an ISMI run-on of four weeks after a return to work is the first step to equalising the treatment of low income mortgagors and tenants with respect to support with housing costs.

However, the Green Paper leaves as an unaddressed issue the question of a tenure neutral housing allowance scheme. We have been greatly attracted by the arguments for this underpinning of low income home ownership and, as established in earlier work by Professor Steve Wilcox, believe it could lead to overall savings in government spending (principally on coping with homelessness and on providing social housing).

We welcome the concept of statutory regulation in this field. The voluntary Mortgage Code offered relatively weak regulation and there were problems of non compliance. However, we are not convinced that it is wise to exclude the selling activities of mortgage intermediaries and providers of mortgage advice: we will be releasing new research on this theme in the weeks ahead which questions the assumption that mortgages are straightforward and demonstrates that many buyers are not financially literate.

Professor Ford raises questions about the Starter Homes Initiative for high priced areas, relating to those who take up the arrangements and to their sustainability. She points to the value of exploring further the potential of Flexible Tenure arrangements to assist in these areas.

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Poor housing conditions in the private sector

We welcome the proposals in relation to housing renewal policy, in particular the recognition of the repair and maintenance problems faced by some Right-to-Buy purchasers. Our main concern - as expressed by Professor Philip Leather in the report - is that a more radical set of changes may be required. Some clear rationale - eg in relation to health and safety issues - seems needed on when, and for what, public money will be made available: without this, it is

impossible for owners to be clear on their responsibilities and the help they can expect to receive.

As the Green Paper points out, not all problems relating to housing conditions stem from a lack of resources. The Quality Mark Initiative is a welcome response, provided that the lessons gleaned from the pilots are absorbed and rolled out nationally. However, there are serious problems of labour shortages in the construction industry and an acute need for improved training of builders. Training needs to cover business efficiency for small firms and also the social skills needed to work with customers in their homes. We see a role for government in providing a kick-start - with funding as well as encouragement - to start the programme for modernising this sector.

Government should also consider how it might help local authorities and other providers to expand the availability of schemes of the Urban Care type (for example by relaxing rules on funding mechanisms to allow the use of capital as well as revenue resources).

We welcome the intention to use public resources more strategically and effectively by allowing local authorities more scope to tailor policies and practices to their own circumstances; indeed, we suggest the measures proposed in the Green Paper for greater discretion in helping owners should be introduced as quickly as possible. We would also encourage the government to go further, allowing approaches by local authorities other than grants to deliver public money into renovation: for example, through equity loans, repayable loans, revenue payments to help meet loan charges, or subsidies to reduce loan set-up costs.

Nonetheless, we are clear that for some owners none of these measures will be satisfactory and it will not be possible for home ownership to be sustained. In such circumstances the opportunity to change from owning to renting - while staying put - seems the best solution. This process needs to be made easier.

In relation to areas of low demand in inner areas of Northern and Midlands cities, we believe housing improvement is best undertaken within the framework of wider regeneration initiatives. Poor housing conditions are only part of a broader need for regeneration; indeed, they may not be the main priority for action. Sometimes the role of demolition will be critical in these areas and we welcome the promise of a Consultation Paper on demolition: no doubt this will examine the adequacy of powers and mechanisms in some detail.

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In conclusion

We welcome much that the Green Paper has to say on sustainable owner occupation. The

paper we have commissioned from Professors Ford and Leather raise some of the omissions which we would like to see covered.

We will continue to invest in work in this field. We will shortly be making available research findings on *Financial Intermediaries*. And Professor Leather is doing further work in collaboration with colleagues from the Council of Mortgage Lenders and the DETR, on equity release and grant mechanisms. At the same time, we are supporting work in Birmingham to develop appropriate financial mechanisms for poor owners, and with an accompanying advice package. On these and related matters we will continue to maintain close contact with the DETR.