



Department for
Communities and
Local Government



English Housing Survey

Mortgagors, 2015-16



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Introduction and main findings

1. The English Housing Survey (EHS) is a national survey of people's housing circumstances and the condition and energy efficiency of housing in England. In its current form, it was first run in 2008-09. Prior to then, the survey was run as two standalone surveys: the English House Condition Survey and the Survey of English Housing. It is one of the longest standing surveys in government, with 2017 marking the 50th anniversary since the first survey in 1967.
2. This report focuses on households that have a mortgage ('mortgagors') and is split into four chapters. The first chapter presents the demographic and household characteristics of mortgagors and how these have changed over time. Other tenures are used for comparison.
3. Chapter 2 explores mortgagor's satisfaction with their tenure and accommodation compared with other tenures.
4. Chapter 3 examines the type of mortgage that mortgagors have and how these have changed over time. It also presents an overview of the cost of mortgage payments. Lastly, it examines any difficulties mortgagors had in keeping up with their mortgage payments.
5. Finally, Chapter 4 explores the value and length of mortgages and mortgagors repayment plans.

Main findings

The proportion of households buying with a mortgage declined in the last two decades and, among owner occupiers, there are now more outright owners than mortgagors.

- In 2015-16, 6.6 million households in England were buying with a mortgage. This represents 29% of all households in England. Among owner occupiers, there are more outright owners (34%) than mortgagors, and this has been the case since 2013-14.
- Between 1995-96 and 2005-06, the proportion of households buying with a mortgage declined from 42% to 39% while the proportion of outright owners increased from 25% to 31%. This trend continued between 2005-06 and 2015-16, when the proportion of mortgagor households declined from 39% to 29% and outright ownership increased from 31% to 34%.

In the last 20 years, the age profile of mortgagors has become older.

- In 2015-16, 48% of mortgagors were aged 45-64 and only 18% of mortgagors were aged 16-34. In contrast, 44% of private renters were aged 16-34.
- Between 1995-96 and 2015-16, the proportion of mortgagors aged 16-34 has declined from 29% to 18% compared to an increase in those aged 45-64 from 37% to 48%.

Mortgagors are concentrated in the highest income quintiles.

- In 2015-16, over two thirds (68%) were in the two highest income quintiles, while only 4% were in the lowest income quintile. This was different across tenures: private renters had fewer households in the two highest income quintiles whereas the majority of social renters were in the lowest two income quintiles.

Three quarters of mortgagors were couples, and more than half of couples with dependent children were mortgagors.

- In 2015-16, three quarters (75%) of all mortgagor households were couples, these comprised mostly couples with dependent children (42%) and couples with no children (25%). Since 1995-96, the proportion of mortgagors that were couples with dependent children has increased from 39% to 42%.
- More than half of all couples with dependent children were mortgagors (56%), and these households were more likely than other household types to be buying with a mortgage.

Satisfaction with tenure was higher among mortgagor households than households in the rented sectors.

- In 2015-16, the majority of mortgagors (97%) were either very or fairly satisfied with their tenure. This was slightly lower than outright owners (99%) but notably higher than social renters (82%) and private renters (67%).

The majority of mortgagors have a repayment mortgage.

- In 2015-16, 85% of mortgagors had a repayment mortgage, 7% had an interest only mortgage, and 3% an endowment only mortgage. The remaining 4% had a mix of other mortgage types.
- Between 2005-06 and 2015-16, the proportion of mortgagor households with a repayment mortgage increased from 67% to 85% while the proportion with endowment mortgages decreased from 18% to 3%.

Two thirds of mortgagors spend less than 20% of their income on housing costs.

- In 2015-16, about two thirds (69%) of mortgagors spent less than 20% of their income on their mortgage payments. However, 12% were spending 30% or more of their income on their mortgage payments.
- Half (50%) of all mortgagor households that spent 30% or more of their income on mortgage payments were aged 45-64.

More than half of mortgagors in the lowest income quintile were spending 30% or more of their income on mortgage payments.

- Over half (56%) of mortgagors in the lowest income quintile were spending more than 30% of their income on mortgage payments compared to just 4% in the highest income quintile.

The amount borrowed by mortgagors depends on how recently the mortgage was taken out. Not surprisingly, more recent mortgagors had to borrow more money.

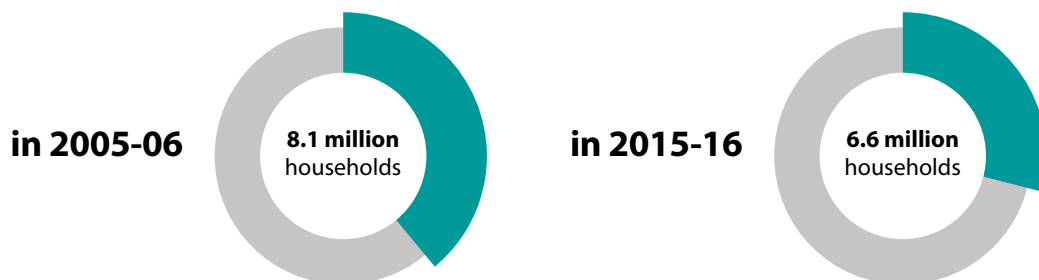
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- The average amount borrowed by households taking out a mortgage in the last year was £158,000, compared with £110,000 for those taking a mortgage out 11-15 years ago and £59,000 for 21-25 years ago.

Acknowledgements and further queries

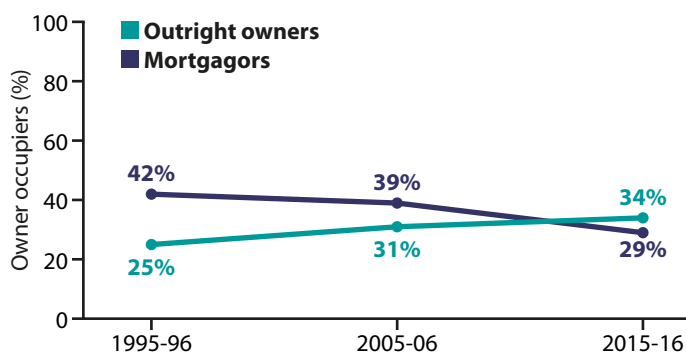
6. Each year the English Housing Survey relies on the contributions of a large number of people and organisations. The Department for Communities and Local Government (DCLG) would particularly like to thank the following people and organisations, without whom the 2015-16 survey and this report, would not have been possible: all the households who gave up their time to take part in the survey, NatCen Social Research, the Building Research Establishment (BRE) and CADS Housing Surveys.
7. This report was produced by Susie Margoles, Justine Piddington, Helen Garrett, Busola Siyanbola and Maggie Davidson at BRE in collaboration with NatCen Social Research and DCLG.
8. If you have any queries about this report, would like any further information or have suggestions for analyses you would like to see included in future EHS reports, please contact ehs@communities.gsi.gov.uk.
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Mortgagors

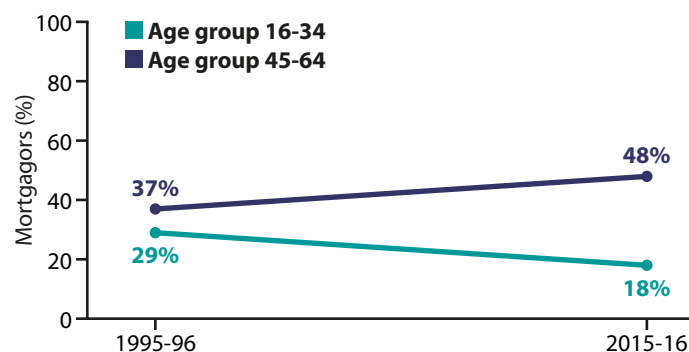
29% of households have a mortgage, down from 39% in 2005-06.



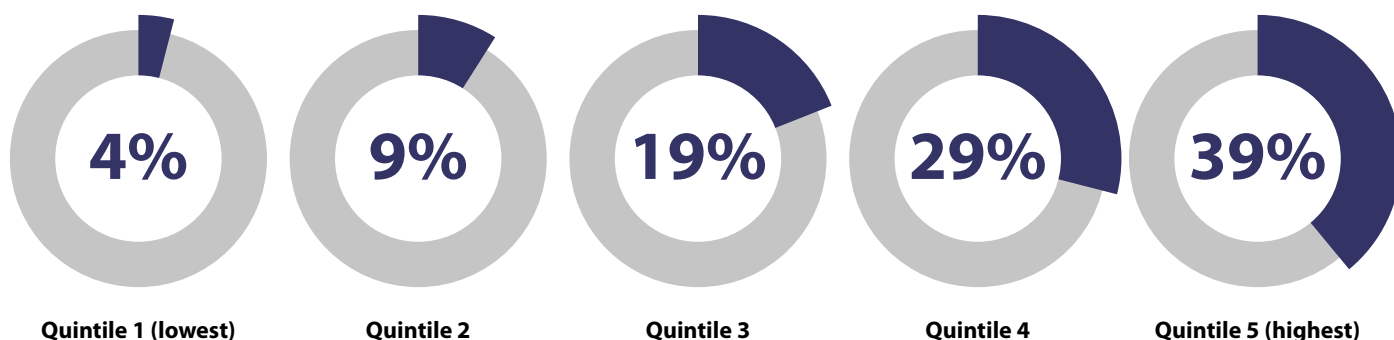
Among owner occupiers, there are now more outright owners than mortgagors.



In the last 20 years, the age profile of mortgagors has become older.



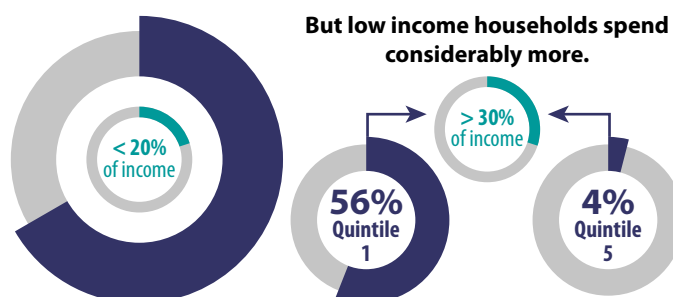
Mortgagors are concentrated in the highest income quintiles.



Satisfaction with tenure was higher among mortgagor households than households in the rented sectors.



Two thirds of mortgagors spend less than 20% of their income on housing costs.



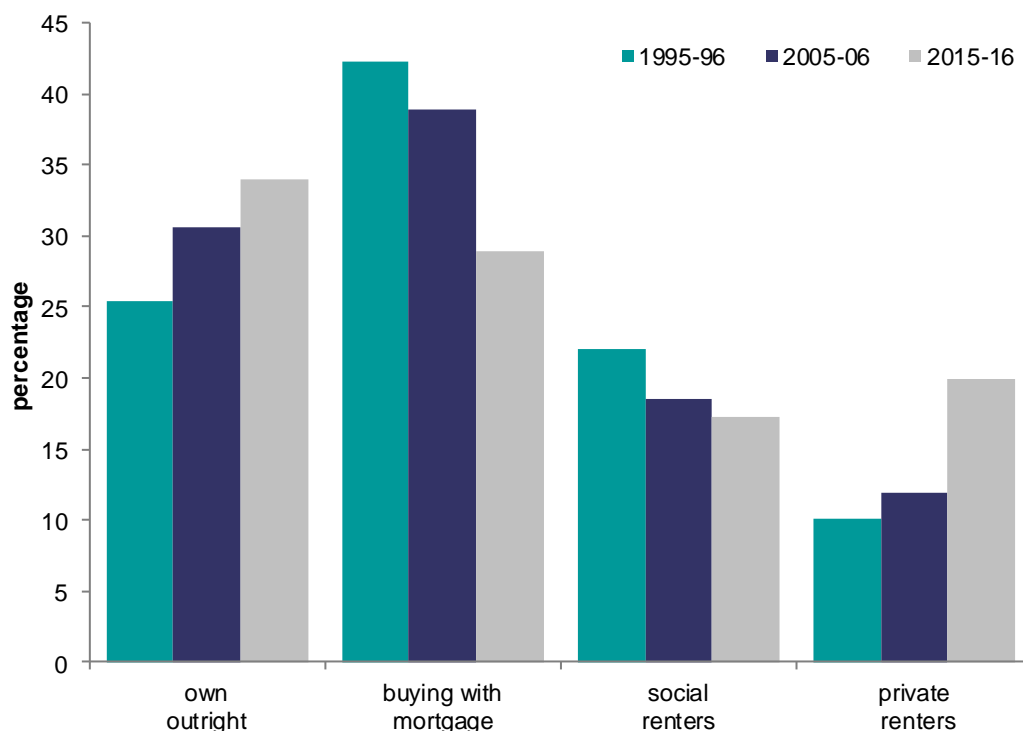
Chapter 1

Profile of mortgagors

- 1.1 This chapter explores the demographic characteristics of mortgagors and compares these to households in other tenures. It also explores how these characteristics have changed over time.
- 1.2 In 2015-16, 29% of all households (6.6 million) in England were mortgagor households. While the overall rate of owner occupation has not changed in recent years, the composition of the group has: since 2013-14 there have been more outright owners than mortgagors¹. In 2015-16, 34% of households were outright owners, Figure 1.1 and Annex Table 1.3.
- 1.3 Between 2005-06 and 2015-16, the proportion of households buying with a mortgage decreased from 39% (8.1 million households) to 29% (6.6 million households). Whilst some of this decline was due to an overall decrease in owner occupation (both outright owners and mortgagors) from 70% to 63% over this period, it was also due to the increased proportion of outright ownership from 31% in 2005-06 to 34% in 2015-16. This increase in the number and proportion of outright owners is at least partly explained by population ageing, with large numbers of baby boomers reaching retirement age, paying off their mortgages and moving into outright ownership.
- 1.4 Between 1995-96 and 2005-06, there was a similar trend, with a decline in the proportion of mortgagors from 42% to 39%, and an increase in the proportion of outright owners from 25% to 31%. During this same period, however, there was a slight increase in the proportion of households that were owner occupiers (outright owners and mortgagors) from 68% to 70%.

¹ See English Housing Survey Headline Report, 2015-16, Annex Table 1.1

Figure 1.1: Proportion of households in each tenure, 1995-96, 2005-06 and 2015-16



Base: all households

Note: underlying data are presented in Annex Table 1.3

Sources:

1995-96 and 2005-06: Survey of English Housing;

2015-16: English Housing Survey, full household sample

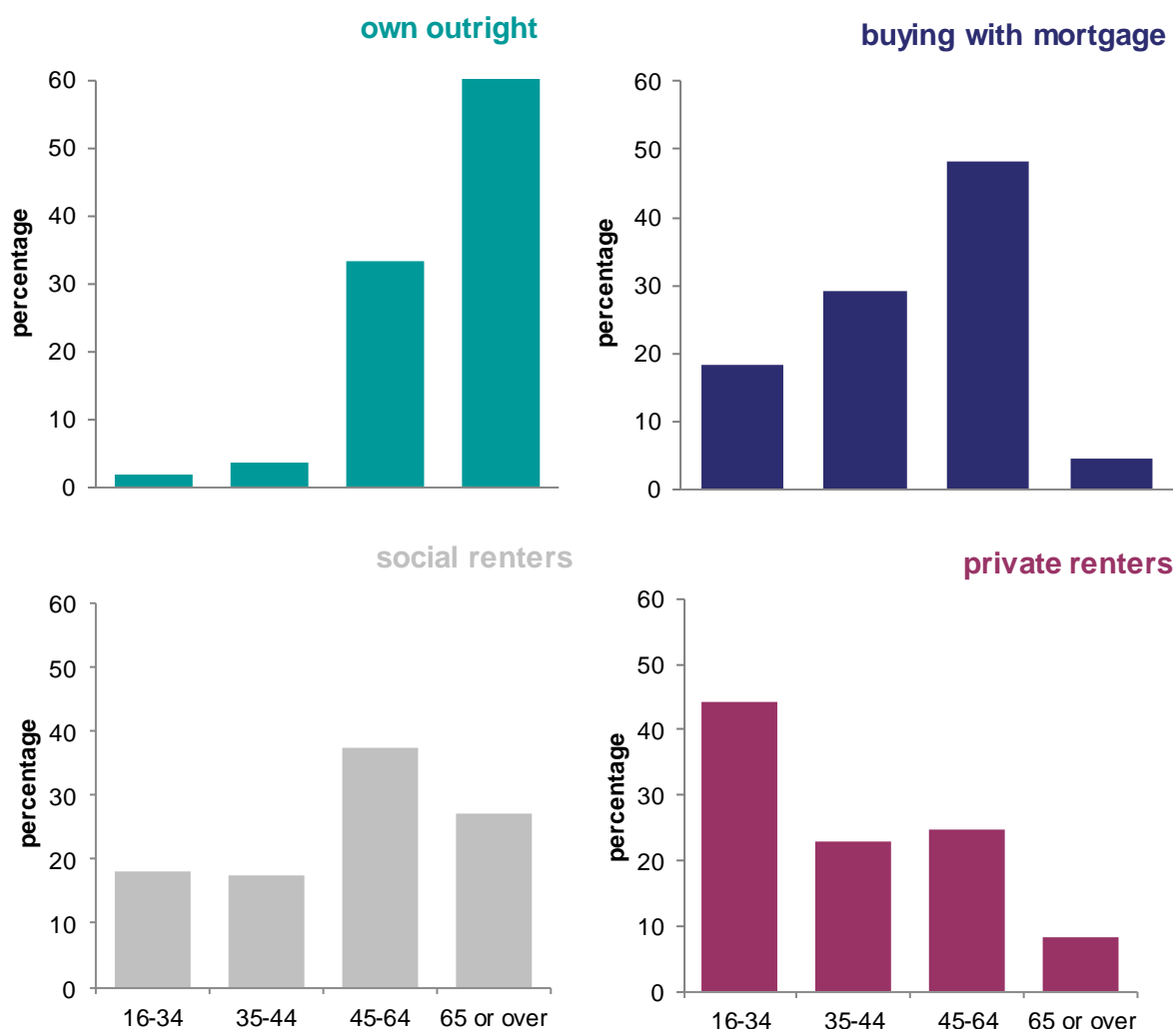
Age

- 1.5 In 2015-16, nearly half of mortgagors (48%) had a household reference person (HRP)² aged 45-64, although HRP's aged 45-64 accounted for only 37%³ of all households. Only 18% of mortgagors had a HRP aged 16-34. A very small proportion of mortgagors (4%) had a HRP aged 65 and over, Figure 1.2 and Annex Table 1.1.
- 1.6 The age profile of mortgagors was notably different to other tenures. While those aged 45-64 (48%) made up the largest proportion of mortgagors, households aged 65 or over (61%) comprised the largest proportion of outright owners. In the private rented sector the most prevalent age group was households with a HRP aged 16-34 (44%).

² The HRP is the 'householder' in whose name the accommodation is owned or rented. See glossary for further information.

³ See Live Table FA1201

Figure 1.2: Proportion of age groups in each tenure, 2015-16



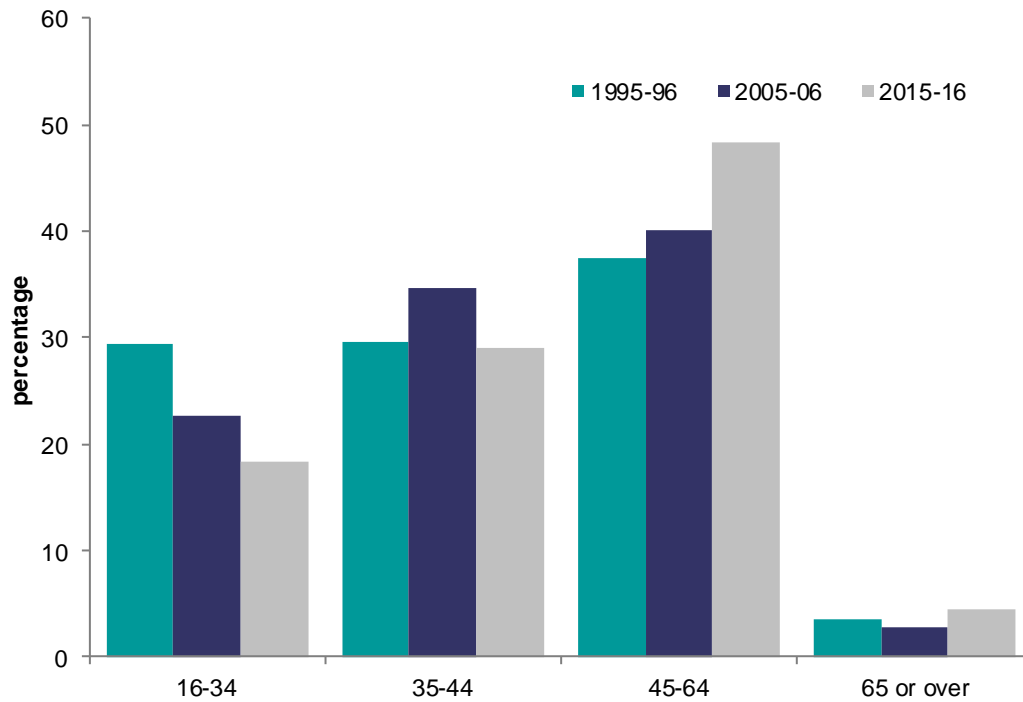
Base: all households

Note: underlying data are presented in Annex Table 1.1

Source: English Housing Survey, full household sample

- 1.7 In the last 20 years, the age profile of mortgagors has got older and there has been a decline in the proportion of mortgagors where the HRP was aged 16-34 (from 29% in 1995-96 to 23% in 2005-06 and 18% in 2015-16) and an increase in the proportion of mortgagors with a HRP aged 45-64 (from 37% in 1995-96 to 40% in 2005-06 and 48% in 2015-16), Figure 1.3.
- 1.8 The proportion of households buying with a mortgage with a HRP aged 35-44 increased from 30% in 1995-96 to 35% in 2005-06. This has since decreased to 29% in 2015-16.

Figure 1.3: Proportion of mortgagor households, by age band, 1995-96, 2005-06 and 2015-16



Base: all mortgagors

Note: underlying data are presented in Annex Table 1.1

Sources:

1995-96 and 2005-06: Survey of English Housing;

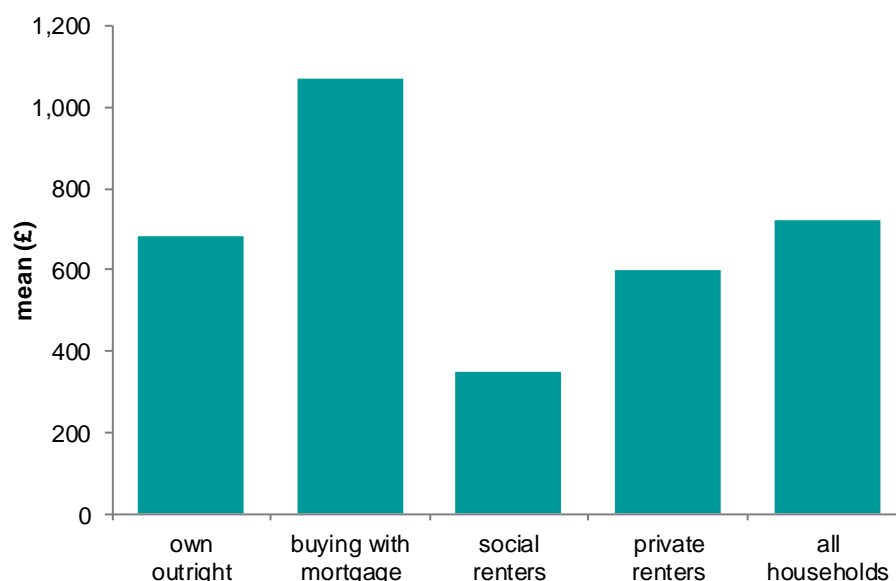
2015-16: English Housing Survey, full household sample

Income

1.9 In 2015-16, mortgagors had a much higher mean weekly income⁴ (£1071) than households in other tenures, particularly social renters (£349), Figure 1.4 and Annex Table 1.2.

⁴ based on the joint income of the HRP and partner

Figure 1.4: Mean weekly income, by tenure, 2015-16



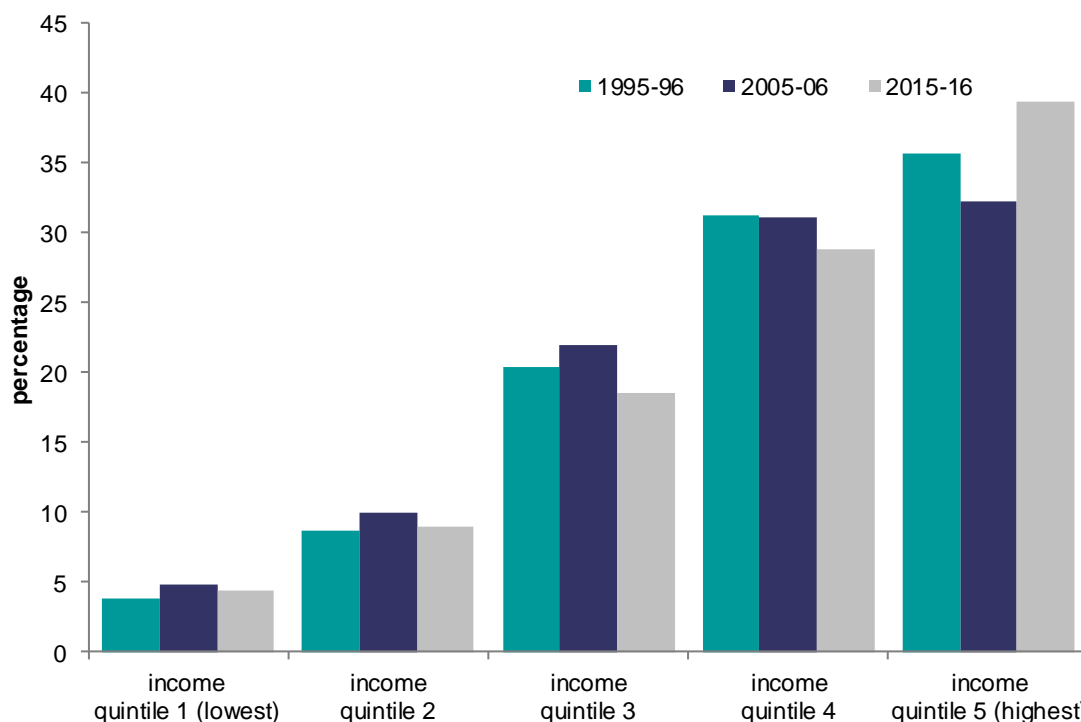
Base: all households

Note: underlying data are presented in Annex Table 1.2

Source: English Housing Survey, full household sample

- 1.10 In 2015-16, over two thirds of all mortgagors (68%) were in the two highest income quintiles (fourth and fifth quintiles), while only 4% were in the first (lowest) income quintile. This is in marked contrast with other tenures where a higher proportion of households were in the lowest income quintile, Figure 1.5.
- 1.11 Although, outright owners were evenly distributed among the first to fourth income quintiles they had a slightly smaller proportion of households in the fifth income (17%). Similarly, private renters had fewer households in the fourth and fifth income quintile and the highest proportion in the second income quintile (25%). In contrast the majority of social renters (73%) were in the two lowest quintiles (first and second quintile), reflecting the different economic status for this tenure.
- 1.12 Between 1995-96 and 2015-16, the proportion of mortgagors in the highest income quintile has varied with 39% of mortgagors in 2015-16, an increase from 36% in 1995-96. During the same period, there was no change in the proportion of mortgagors that were in the lowest two income quintiles (13%), despite an interim increase in 2005-06 (15%).

Figure 1.5: Income quintiles of mortgagors, 1995-96, 2005-06 and 2015-16



Base: all households

Note: underlying data are presented in Annex Table 1.2

Sources:

1995-96 and 2005-06: Survey of English Housing;

2015-16: English Housing Survey, full household sample

Employment status⁵

1.13 In 2015-16, the vast majority (85%) of mortgagor households had a HRP in full-time employment. A further 8% of households buying with a mortgage had a HRP in part-time work and a very small proportion of mortgagors were retired (4%). In contrast, 42% of social renting households had a HRP in full-time and part-time employment, Annex Table 1.1

1.14 Nearly half (48%) of households where the HRP was in full-time employment were mortgagors compared with 23% of households where the HRP was employed part-time. These latter households were more likely to be outright owners (31%) than mortgagors (23%) or private renters (24%), Annex Table 1.3.

1.15 Between 2005-06 and 2015-16, the proportion of mortgagor households with a HRP working full-time (86% in 2005-06 and 85% in 2015-16) or part-time (6% in 2005-06 and 8% in 2015-16) has remained similar, Annex Table 1.1.

⁵ Employment status is based on the HRP. There will be instances where the HRP is retired but their partner is working and contributing to mortgage payments.

Household type

- 1.16 In 2015-16, three quarters (75%) of mortgagor households were couples, mostly of couples with dependent children (42%), and couples with no children (25%). Nearly half of mortgagor's households (47%) were households with dependent children⁶ while only 14% of mortgagors were single person households, Annex Table 1.1.
- 1.17 Similarly, more than half of all couples with dependent children were mortgagors (56%), and these households were more likely than other household types to be mortgagors. Single person households were least likely to be mortgagors (15%), Annex Table 1.4.
- 1.18 In the last 20 years, the proportion of mortgagors that were couples with no children has declined (from 28% in 1995-96 to 25% in 2015-16), while the proportion of mortgagors which were couples with dependent children increased (from 39% in 1995-96 to 42% in 2015-16) in this same period, Annex Table 1.1.
- 1.19 Although there was a slight increase in the proportion of mortgagors that were lone parent households (with dependent and independent children) from 1995-96 to 2005-06 (from 6% to 7%), there was no change between 2005-06 and 2015-16, Annex Table 1.1.
- 1.20 The proportion of mortgagors that were single person households increased from 1995-96 to 2005-06 (from 15% to 17%). However, it decreased to 14% in 2015-16. Over the same period the proportion of single households privately renting rose from 14% to 19%, Annex Tables 1.1 and 1.4.

Sex

- 1.21 Around two thirds (68%) of all mortgagor households had a male HRP and only a third (32%) had a female HRP, Annex Table 1.1.
- 1.22 Mortgagor households were more likely to have a male HRP (68%) compared to all other tenures (outright owners (61%), private renters (61%) and social renters (44%)). The predominance of male HRPs in the total population is partly due to the way the HRP is defined⁷. The higher proportion of male HRP mortgagors than outright owners is most likely due to a higher proportion of the latter being single households (33%), with a higher proportion of females

⁶ See English Housing Survey Headline Report, 2015-16, Annex Table 1.5

⁷ While the HRP is the 'householder' in whose name the accommodation is owned, in the case of joint owners, the person with the highest income is taken as the HRP. As men, on average, tend to have higher incomes than women, men are more likely to be HRPs.

HRPs (22% of outright owners households had a single female HRPs compared with only 11% of single male HRPs)⁸.

- 1.23 Since 2005-06 the proportion of female HRP mortgagors has increased from 29% in 2005-06 to 32% in 2015-16.

Ethnicity and nationality

- 1.24 In 2015-16, 90% of mortgagors had a white HRP and 10% had an ethnic minority HRP, Annex Table 1.5.
- 1.25 While some 26% of ethnic minority HRP households were mortgagors they were slightly less likely to be mortgagors than white HRP households (29%). Nearly a third of ethnic minority HRP households were private renters (31%) while, they were equally likely to be mortgagors (26%) or social renters (26%). This tenure profile was very different for white HRP households, that had a higher proportion of outright owners (36%) compared with mortgagors (29%) and other tenures (private renters 18% and social renters 16%).
- 1.26 Between 1995-96 and 2015-16, there has been a significant drop in the proportion of mortgagors within both white HRP households (42% to 29%) and ethnic minority HRP households (41% to 26%). This reduction is a result of increased outright ownership combined with the rise in private renting.
- 1.27 Since 1995-96, the proportion of outright owners among white HRP households increased from 26% to 36% in 2015-16, however, the pattern was different for ethnic minority HRP households which increased from 13% in 1995-96 to 16% in 2005-06, but has remained similar in 2015-16 (17%). The proportion of private renters within both groups also increased over the same period, but was more pronounced for ethnic minority HRP households which increased from 15% in 1995-96 to 31% in 2015-16. Both are likely to be a function of the older age structure of the white population.
- 1.28 The vast majority of mortgagors were British or Irish nationals (95%) with only 5% of mortgagors of other nationality, Annex Table 1.6.
- 1.29 A higher proportion of British and Irish nationals were mortgagors (30%) compared with other nationality households (16%). These other nationality households were most likely to be private renters (58% compared with only 16% mortgagors, 11% owner occupiers and 15% social renters). The most common tenure for British and Irish nationals was outright ownership (36%) with only 16% privately renting.

⁸ See English Housing Survey Headline Report, 2015-16, Annex Table 1.3

Health and disability

- 1.30 All households were asked if there was anyone in the household with a long-term illness or disability. A fifth of mortgagor households (20%) contained a person with a long-term illness or disability. This was not significantly different to the proportion in the private rented sector (23%). In contrast almost half of all social renters (49%) and more than one third of outright owners (37%) had someone with a long-term illness or disability in the household, Annex Table 1.7

Chapter 2

Satisfaction with tenure and accommodation

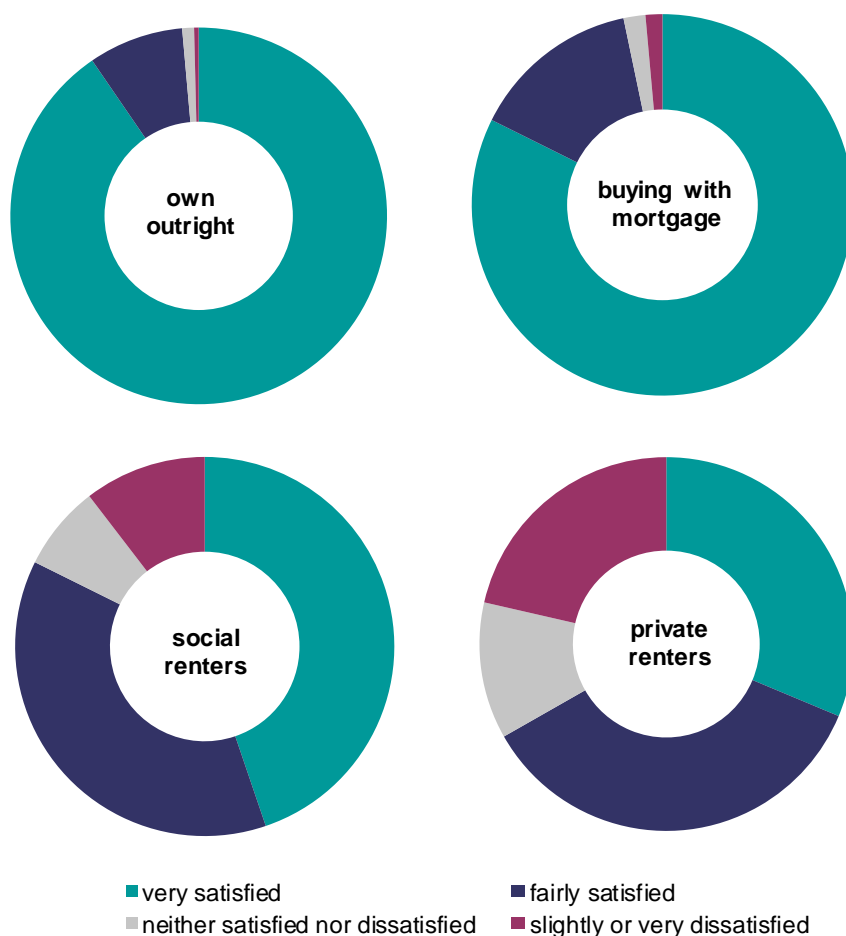
2.1 This chapter explores mortgagors' satisfaction with their tenure by various household characteristics: age, economic status and income. It also compares these findings with households living in other tenures. The chapter then explores mortgagors' satisfaction with their accommodation⁹.

Satisfaction with tenure

2.2 In 2015-16, the vast majority of mortgagors (97%) were either very or fairly satisfied with their tenure. This was a slightly lower proportion than outright owners (99%), but notably higher than social renters (82%) and private renters (67%). Similarly, the proportion of mortgagors who were very satisfied (82%) was lower than outright owners (90%) but much higher than either social renters (45%) or private renters (31%), Figure 2.1.

⁹ For information about satisfaction with the neighbourhood, refer to the English Housing Survey report on people's views of their neighbourhood, published alongside this report.

Figure 2.1: Satisfaction with tenure, 2015-16



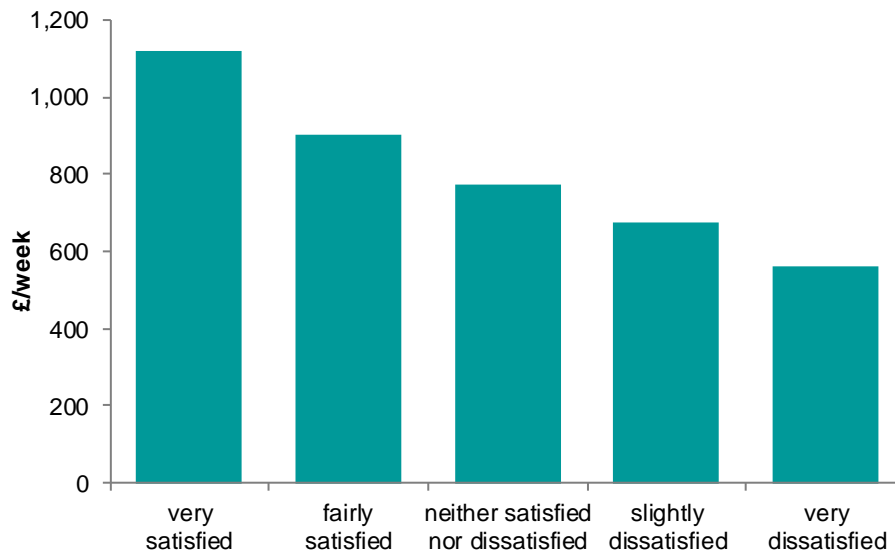
Base: all households

Note: underlying data are presented in Annex Table 2.1

Source: English Housing Survey, full household sample

- 2.3 There was no difference in satisfaction with being a mortgagor by age with around 97% of all age groups either fairly or very satisfied with their tenure, Annex Table 2.2.
- 2.4 Households working full-time (83%), part-time (81%) or retired (79%), were equally likely to be very satisfied with their tenure, Annex Table 2.2.
- 2.5 In general, there was a relationship between satisfaction with tenure and household income. Mortgagor households with the highest 20% of incomes were most likely to be very satisfied with their tenure (88%) compared with households in all other income quintiles, Annex Table 2.2.
- 2.6 Similarly, mortgagors who were very satisfied had significantly higher average incomes than those who were less satisfied. The average (mean) weekly income of those who were very satisfied was £1117 per week (£894 median) compared with £642 (£580 median) for those who were either slightly or very dissatisfied, Figure 2.2.

Figure 2.2: Mortgagor's satisfaction with tenure, by mean income, 2015-16



Base: all mortgagors

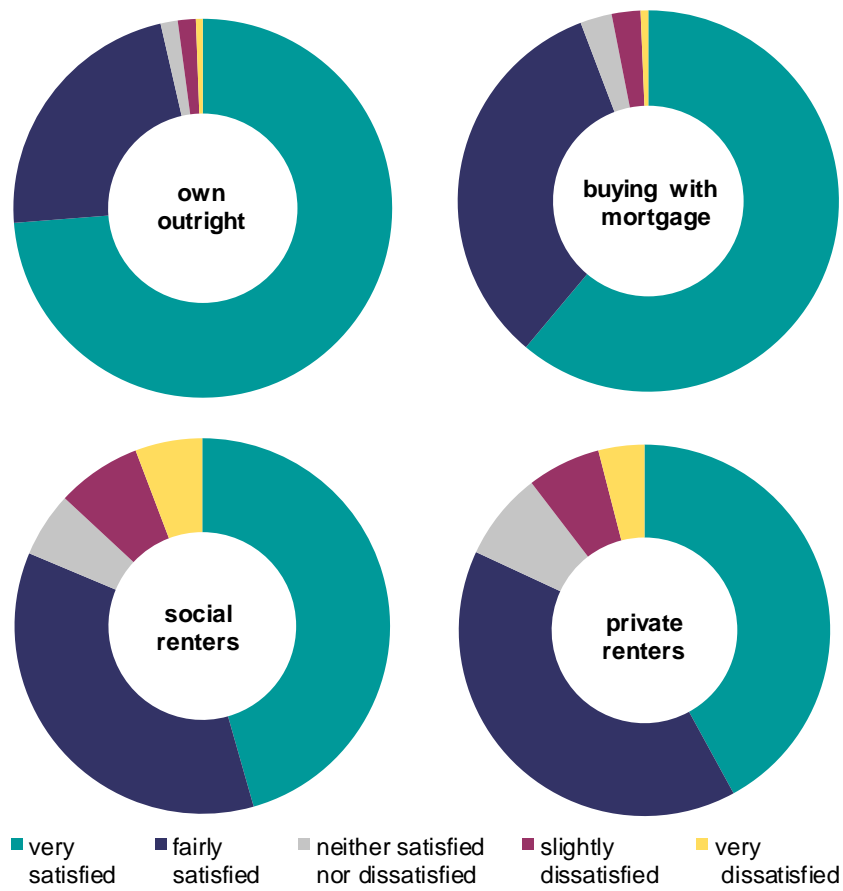
Note: underlying data are presented in Annex Table 2.2

Source: English Housing Survey, full household sample

Satisfaction with accommodation

- 2.7 Almost two thirds of mortgagors (61%) were very satisfied with their accommodation. Comparisons with households in other tenures followed a similar pattern to satisfaction with tenure. Mortgagors were more likely to be very satisfied with their accommodation compared with social renters (46%) and private renters (42%), but less likely than with outright owners (74%), Figure 2.3.
- 2.8 Similarly, when the very satisfied and fairly satisfied categories were combined, mortgagors (94%) were slightly less satisfied than outright owners (96%), but were more satisfied than both social renters (81%) and private renters (82%)

Figure 2.3: Satisfaction with accommodation, by tenure, 2015-16



Base: all households

Note: underlying data are presented in Annex Table 2.3

Source: English Housing Survey, full household sample

Chapter 3

Mortgage type and costs

3.1 This chapter explores the type of mortgages households have, and how this has changed over time. It also provides an outline of the current mortgage costs, by type of mortgage, age, income and employment status. Lastly it examines any difficulties mortgagors had in keeping up with their mortgage payments.

Mortgage type¹⁰

3.2 In 2015-16, 85% of mortgagors had a repayment mortgage and 7% had an interest only mortgage (with no linked investment). Only 3% of mortgagors had endowment only mortgages. The remaining 4% had a variety of other mortgage types, Annex Table 3.1.

3.3 Between 2005-06 and 2015-16, the proportion of mortgagor households with a repayment only mortgage increased from 67% to 85%. Over the same period there was a decrease in the proportion of mortgagors with endowment mortgages from 18% to 3%.

Age

3.4 In general, the younger age groups were more likely to have a repayment type mortgage. Some 97% of mortgagor households with a HRP aged 16-34 had a repayment mortgage compared with 60% of those where the HRP was aged 65 or over. The reverse was true for interest only mortgages: 28% of those aged 65 or over had an interest only mortgage with no linked investments compared with just 2% of those aged 16-34, Annex Table 3.2.

Employment status¹¹

3.5 In 2015-16, retired mortgagors were most likely to have an interest only mortgage (27%) than those working full-time (6%) or part-time (13%). These findings reflect the relationship between the age of the HRP and the type of mortgage (described above), Annex Table 3.2.

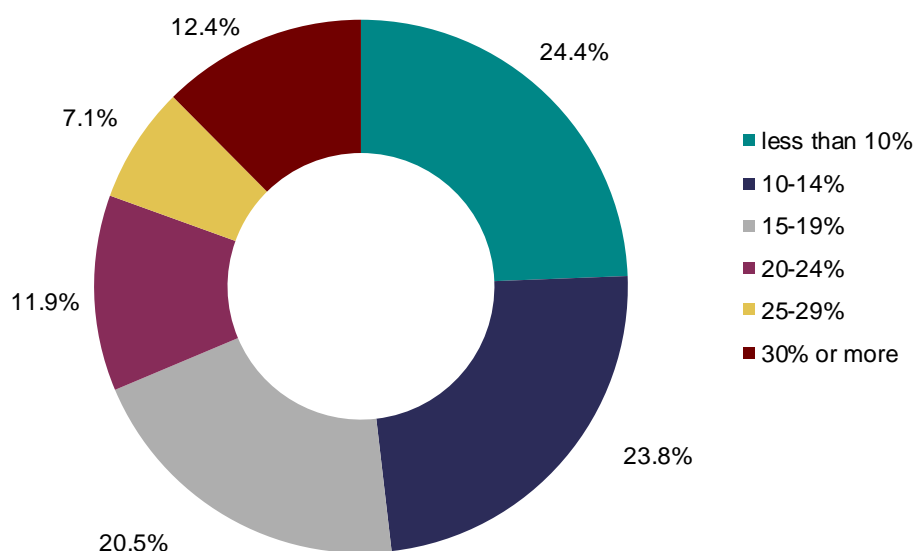
¹⁰ See glossary for descriptions of the different mortgages types

¹¹ Employment status is based on the HRP. There will be instances where the HRP is retired but their partner is working and contributing to mortgage payments.

Mortgage costs

- 3.6 In this section, mortgage affordability is explored by examining mortgage costs relative to income. Shared owners are excluded from this analysis.
- 3.7 In 2015-16, the average mean weekly mortgage payment was £161 (£134 median), Annex Table 3.3.
- 3.8 A simple measure of housing affordability has been derived by calculating the average proportion of income (for HRP and partner) spent on paying the mortgage. Housing-related costs, such as water and fuel bills, insurance, maintenance costs and council tax are not included in the calculation. Income is taken to be the gross weekly household income of the HRP and partner only.
- 3.9 Typically, mortgagors spent 19%¹² of their income on mortgage payments. However, 12% spent 30% or more of their income on their mortgage. About a quarter of mortgagors (24%) spent less than 10% and two thirds (69%) spent less than 20% of their income on their mortgage, Figure 3.1 and Annex Table 3.4.

Figure 3.1: Proportion of income spent on mortgage, 2015-16



Base: all mortgagor households excluding shared owners

Note: underlying data are presented in Annex Table 3.4

Source: English Housing Survey, full household sample

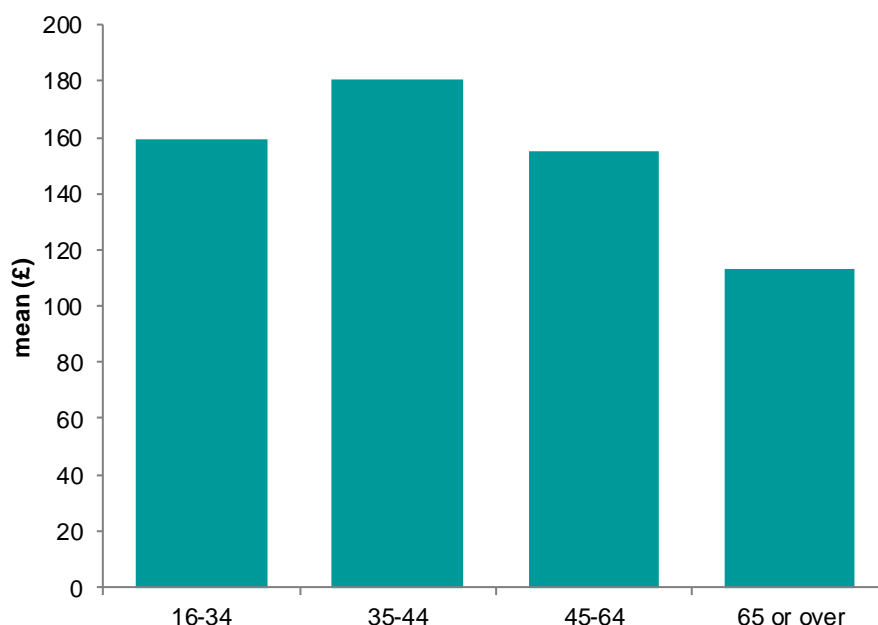
Age

- 3.10 Mortgagor households with a HRP aged 35-44 had the highest mean mortgage payments (£181 per week) compared with any other age group.

¹² See English housing Survey Housing Costs and Affordability Report, 2015, Annex Table 3.1

Those aged 65 or over had the lowest average payment (£113 per week). Households buying with a mortgage where the HRP was aged 16-34 and 45-64 had mean weekly mortgage payments of £159 per week and £155 per week respectively, Figure 3.2

Figure 3.2: Mean weekly mortgage payments, by age, 2015-16



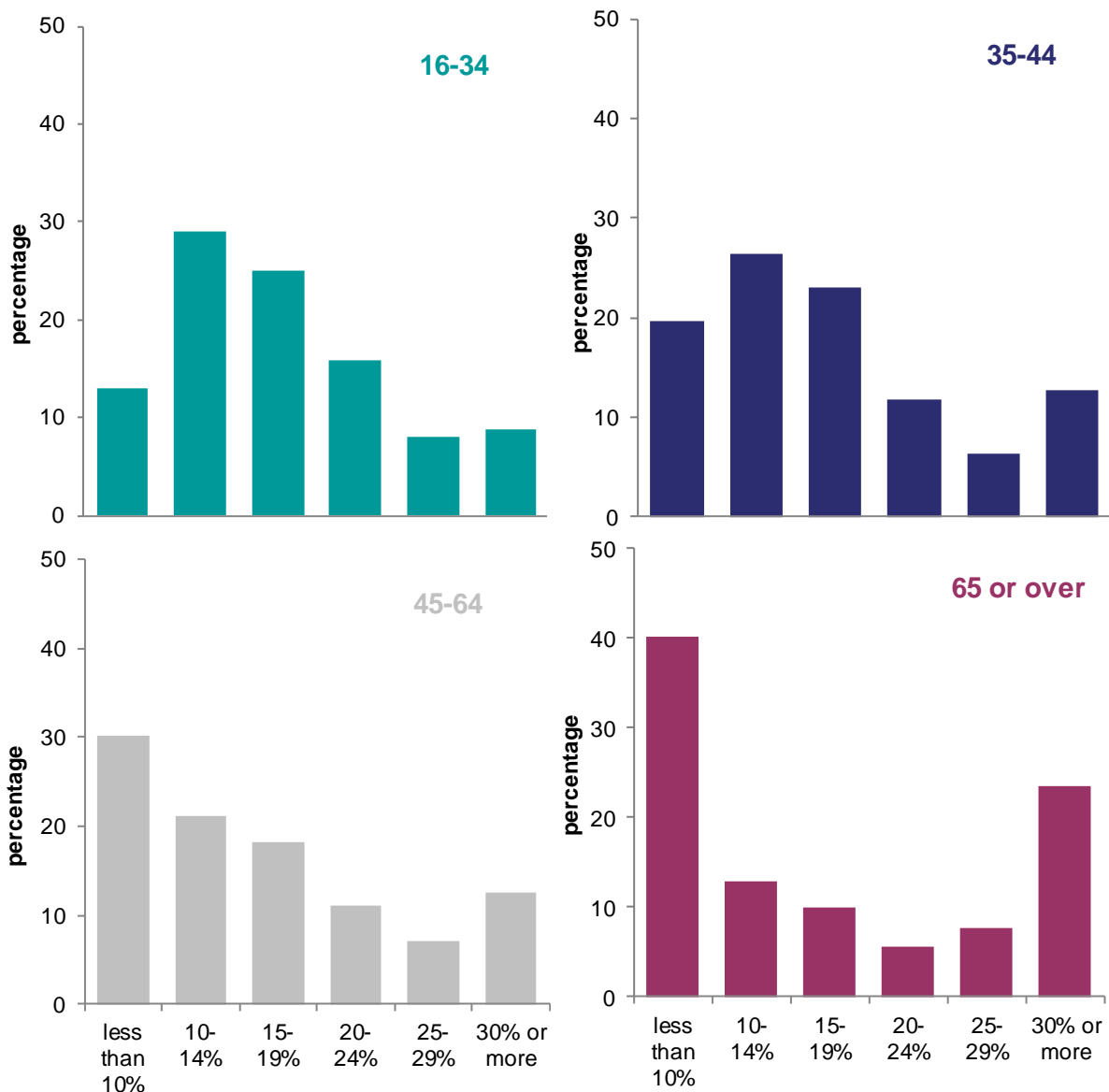
Base: all mortgagor households excluding shared owners

Note: underlying data are presented in Annex Table 3.3

Source: English Housing Survey, full household sample

- 3.11 Among those who spent more than 30% of their income on their mortgage, half (50%) were aged 45-64; 8% were aged 65 years and over, Annex Table 3.4.
- 3.12 Those aged 65 and over were more likely than other age groups to spend 30% or more of their income on their mortgage payments (23% compared with 13% of 35-64 year olds. However, those aged 65 and over were also most likely to spend less than 10% of their income on their mortgage compared with the other age groups, Figure 3.3.

Figure 3.3: Proportion of income spent on mortgage, by age, 2015-16



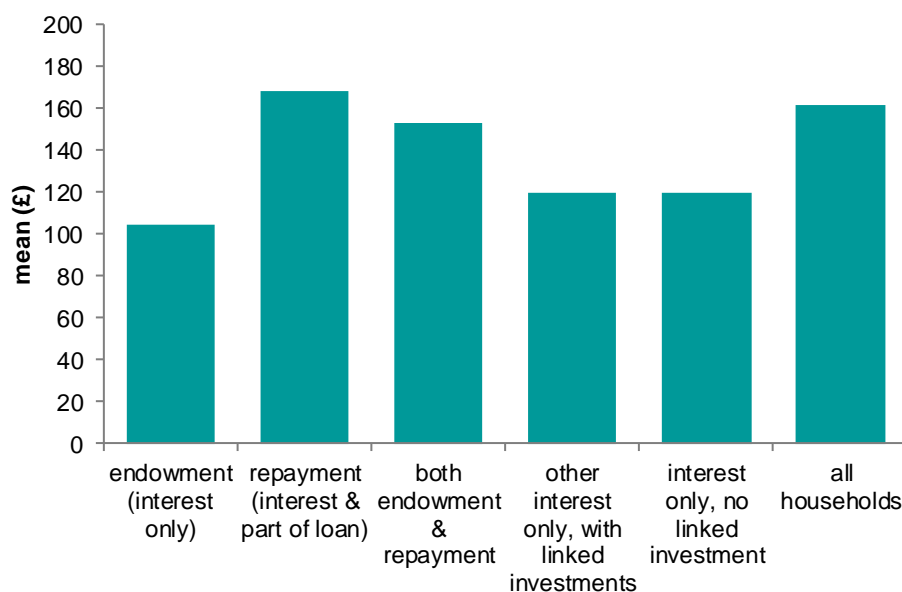
Base: all mortgagor households excluding shared owners
Note: underlying data are presented in Annex Table 3.4
Source: English Housing Survey, full household sample

Mortgage type and cost

- 3.13 Due to the high proportion of mortgagors that had repayment mortgages, there was little evidence to indicate there was any relationship between the type of mortgage and the cost of the mortgage. It was more likely that the cost of the mortgage was related to when the mortgage was taken out (see Chapter 4 of this report).
- 3.14 Mortgagors with a repayment mortgage (covering interest and part of the loan) were paying an average (mean) weekly payment of £168, slightly higher than mortgagors with other common types of mortgages: both endowment

and repayment (£153), other interest only with linked investments (£120) or no linked investment (£120) and endowment (interest only) (£104). This may be a result of some mortgages such as endowment mortgages being more common some years ago; the current costs of these would be lower due to house prices being lower at the time the mortgage was taken out. Interest only mortgage would also be less expensive because there is no repayment part in the mortgage, Figure 3.4

Figure 3.4: Mean weekly mortgage payments, by mortgage type, 2015-16



Base: all mortgagor households excluding shared owners

Note: underlying data are presented in Annex Table 3.3

Source: English Housing Survey, full household sample

3.15 Mortgagors with endowment mortgages (58%) or interest only mortgages with either linked investments (53%) or no linked investment (51%) were much more likely to be paying less than 10% of their income on their mortgage compared with mortgagors with a repayment mortgage (20%). Again this was likely to be related to when the mortgage was originally taken out or the fact there was no repayment factor for interest only mortgages. Those with endowment mortgages were more likely to have borrowed a smaller amount due to lower house prices at the time, Annex Table 3.4.

Income

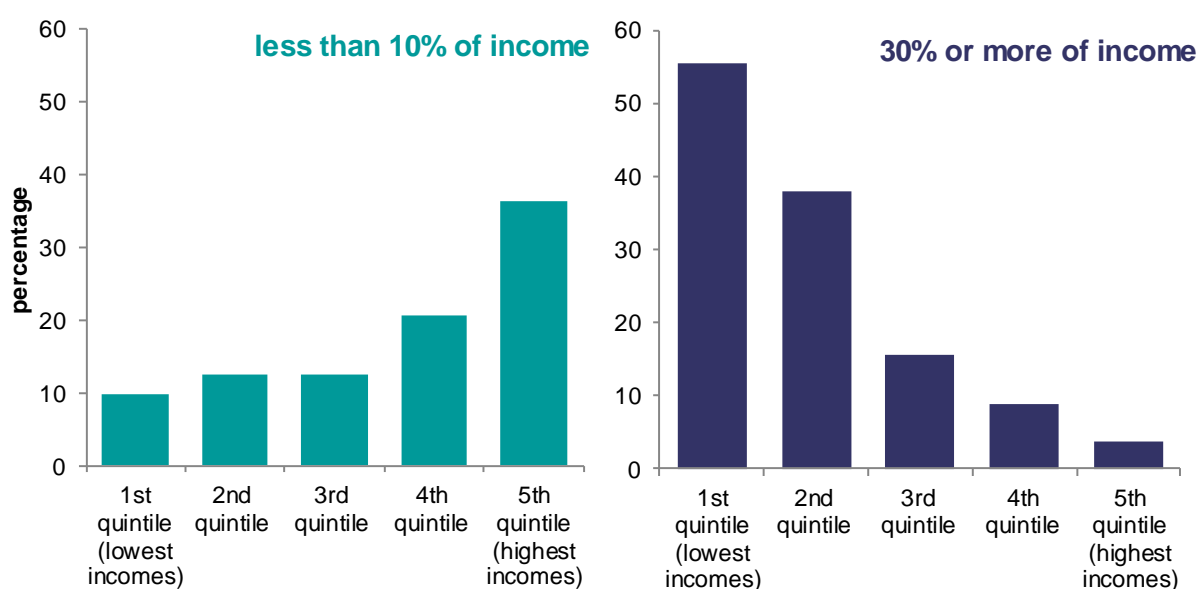
3.16 Average (mean) weekly mortgage payments increased as mortgagors' income increased. Mortgagors in the first (lowest) and second income quintiles had significantly lower (mean) mortgage payments (£89 and £103, respectively) than those in the third (£119), fourth (£144) or fifth (£213) income quintile, Annex Table 3.3.

3.17 The affordability of mortgages was strongly related to income. Mortgagors in the first (lowest) and second income quintiles were much more likely to be

paying 30% or more of their income on their mortgage compared with those in the higher income quintiles. Over half of mortgagors in the first (lowest) income quintile (56%) and 38% in second income quintile were paying more than 30% of their income on their mortgage payments compared with just 4% in the fifth quintile, Figure 3.5.

3.18 Mortgagors that paid less than 10% of their income on their mortgage were more likely to be in the fourth (21%) and fifth (37%) (highest) income quintiles compared with those in the lower income quintiles (10% in first income quintile and 13% in second and third income quintiles).

Figure 3.5: Proportion of income spent on mortgage, by income quintile, 2015-16



Base: all mortgagors excluding shared owners
Note: underlying data are presented in Annex Table 3.4
Source: English Housing Survey, full household sample

Employment status¹³

3.19 Not surprisingly, mortgagors working full-time and part-time had higher average mean weekly mortgage payments (£167 and £147 respectively) than those who were retired (£96), Annex Table 3.3.

3.20 Mortgagors working full-time represented the largest proportion of households (68%) paying more than 30% of their income on their mortgage; however among those working full-time, 10% were paying more than 30% of their income on their mortgage, lower than the proportion of mortgagors working part-time (25%) or who were retired (26%), Annex Table 3.4

¹³ Employment status is based on the HRP. There will be instances where the HRP is retired but their partner is working and contributing to mortgage payments.

3.21 Retired mortgagors represented the most polarised group in terms of housing affordability, with 40% of this group spending less than 10% of their income on their mortgage and 26% spending more than 30%. This suggests that among retired households buying with a mortgage two contrasting groups can be identified, those with a small mortgage and nearing outright ownership or those with a large mortgage that may perhaps be planning to downsize in order to pay off their mortgage.

Arrears and difficulty keeping up with mortgage payments

3.22 In 2015-16, despite some 12% of mortgagors paying more than 30% of their income on their mortgage, nearly all mortgagors (99%) were up to date with their mortgage payments. Just 51,000 mortgagors (1%) were behind on their payments. The majority of those who were up to date on their mortgage (95%) said they had experienced no difficulty in keeping up with their payments, whilst 4% reported some difficulty and 1% had found it very difficult to keep up with their payments, Annex Table 3.5.

Chapter 4

Value and length of mortgage

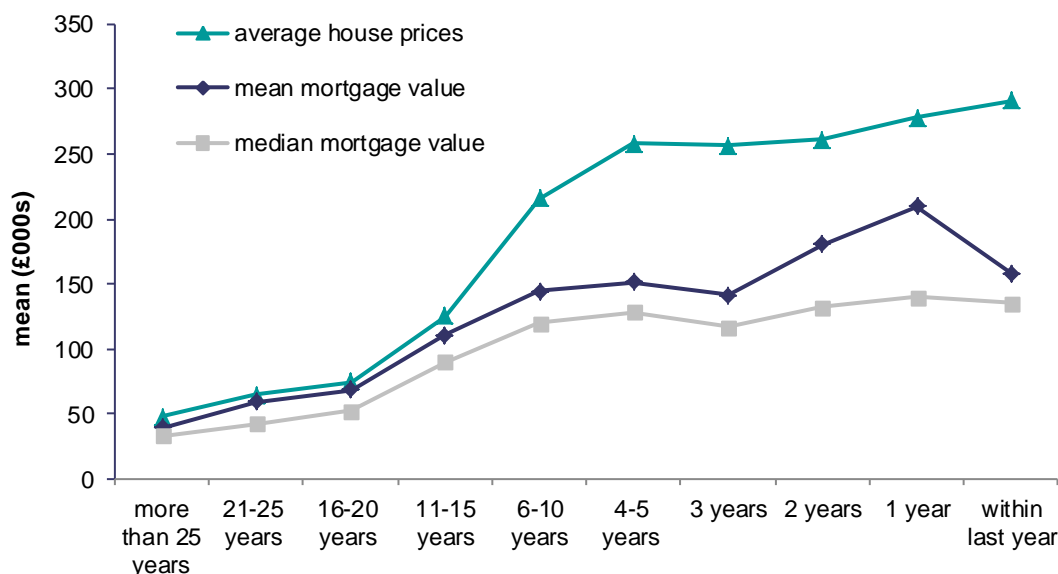
4.1 This chapter explores the value and length of the mortgage when it was taken out and how mortgagors planned to repay their mortgages. It provides an overview of the current situation of mortgagors by the age of the HRP.

Value of the original mortgage¹⁴

4.2 The average (mean) amount borrowed by those taking out a mortgage in the last year was £158,000 (median £135,000) compared with £111,000 (median £90,000) 11-15 years ago and £59,000 (median £42,000) 21-25 years ago. In more recent years (10 years or less) it appears the increase in average house prices has been much greater than the mean and median original mortgage amount borrowed, indicating the potential difficulties for first-time buyers and movers that need a mortgage, Figure 4.1.

¹⁴ This excludes any additional or secondary mortgages taken out since the original mortgage (3% of mortgagors had borrowed an additional amount to their original mortgage). For the original mortgage values there was a high level of unknown cases (13%), mostly these tended to be mortgagors aged 45 to 64 and over, with an original mortgage length of 21-25 years who had not typically changed their mortgage loan and mainly had repayment mortgages

Figure 4:1: Value of original mortgage, by when taken out, 2015-16



Base: all mortgagors

Notes:

- (1) excludes 476 cases with unknown original mortgage values or length
- (2) average prices are based on the sold price from Council of mortgage lenders (excluding cash sales) between January and December 2015
- (3) underlying data are presented in Annex Table 4.1

Sources:

English Housing Survey, full household sample;
Regulated Mortgage Survey, Table 26

Age¹⁵

4.3 The original amount borrowed on the mortgage was influenced by when the mortgage was taken out and the mortgagor's ability to borrow (income and age), when they took out their mortgage. In 2015-16, the average (mean) original mortgage amount was lowest for older mortgagors; those aged 45-64 had an original (mean) mortgage amount of £113,000 (median £85,000) and those aged 65 and over £99,000 (median £45,000). In contrast mortgagors aged 35-44 had the highest mean original mortgage amount with an average £175,000 borrowed (median £128,000). Amongst mortgagors aged 16-34 the original mean mortgage amount borrowed was £140,000 (median £124,000), Annex Table 4.2.

¹⁵ Although the amounts of the mortgage vary by the current age of the HRP, how long ago the mortgage was taken out appears to be a more important factor in determining the size of the original mortgage. Looking at mortgages taken out more than 10 years ago, the average amount borrowed for the 35-44 group was actually lower than for older age groups, probably related to their ability to borrow at that time. Due to the small sample sizes when these data are broken down and the amount of missing data it is not possible to test statistical significance accurately.

Length of original mortgage

4.4 Over half of all mortgagor households (57%) had an original mortgage of 21-25 years. Some 16% of mortgagors had a mortgage of 26 years or more, while a smaller proportion had an mortgage of 0-15 years (14%) or 16-20 years (14%), Annex Table 4.3

When original mortgage taken out

4.5 The length of the original mortgage has become more varied over time. Less than half (43%) of mortgages taken out in the past five years had a mortgage term of 21-25 years compared with 81% of these mortgages taken out over 15 years ago, Annex Table 4.3.

4.6 The length of mortgages varied the most for mortgagors that had taken out their mortgage in the last two years. A quarter (26%) of mortgages taken out in the last two years had a length of over 25 years while 19% were for less than 15 years.

4.7 Similarly, in the last five years there has been an increase in the proportion of both shorter and longer term mortgages. Some 19% of mortgages taken out less than 5 years ago were for 0-15 years compared with 14% of these mortgages taken out over 6-10 years ago. Conversely, those mortgages taken out in either the last 2 years (26%) or 3-5 years (22%) were more likely to have taken out a mortgage over 25 years compared with the equivalent length mortgage taken out over 6-10 years ago (16%), 11-15 years ago (3%) and over 15 years ago (6%). This is likely to be a reflection of the increase in house prices relative to income during this time, Annex Table 4.3.

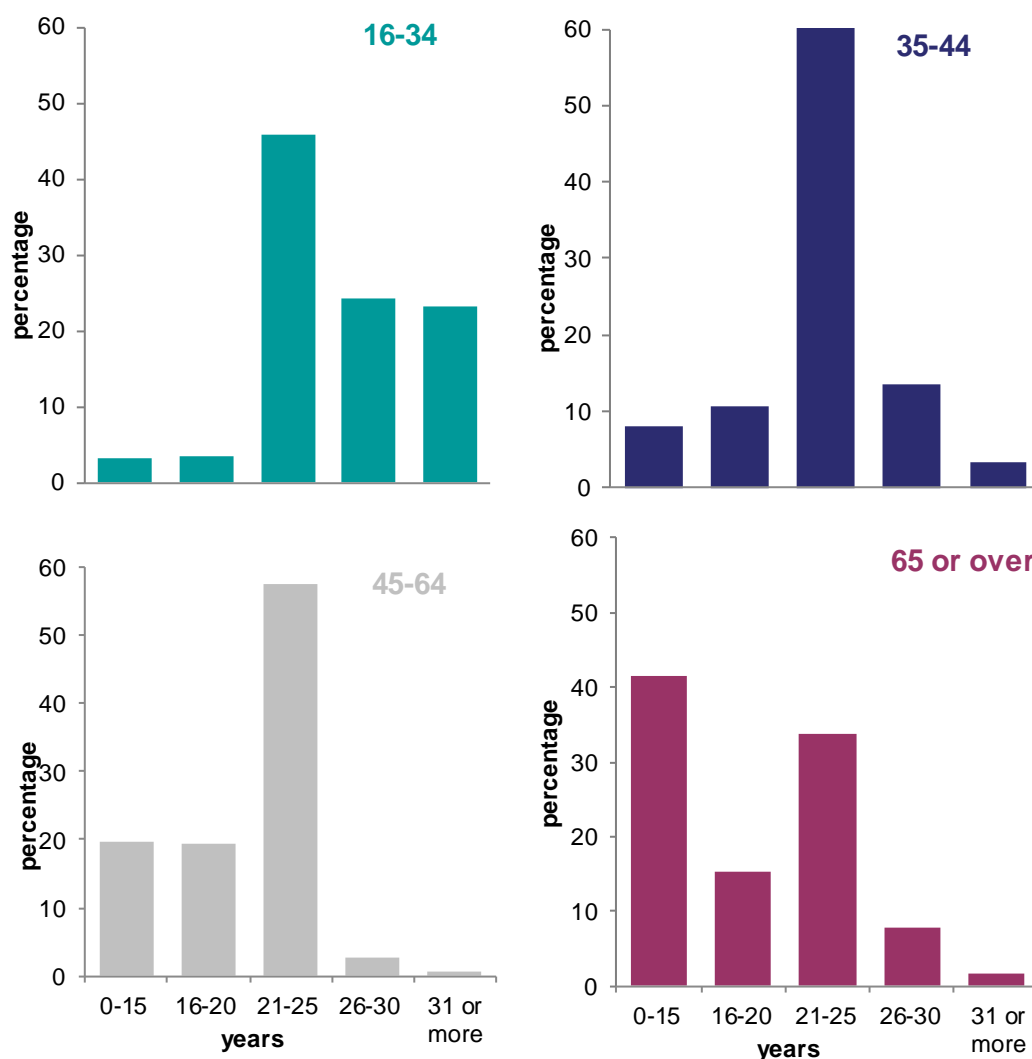
Age

4.8 Younger households (aged 16-34) were much more likely to have taken out a mortgage longer than 25 years (24% for 26-30 years and 23% for 31 years or more) compared with older mortgagors. This is likely to be partly due to the higher proportion of first-time buyers in this age group, as 40% of first-time buyers had a mortgage length of 30 years or more¹⁶, but also due to the increased size of the mortgage required due to rising house prices, Figure 4.2.

4.9 Conversely, mortgagors aged 45-64 and 65 and over had a higher proportion of shorter mortgages (0-15 years) (41% for 65 and older and 20% for those aged 45-64), compared with younger mortgagors (3% for those aged 16-34 and 8% for those aged 35-44).

¹⁶ See English Housing Survey Headline Report, 2015-16, Annex Table 1.9

Figure 4.2: Age of HRP, by length of original mortgage, 2015-16



Base: all mortgagors

Notes:

(1) excludes 186 cases with unknown original mortgage length

(2) underlying data are presented in Annex Table 4.3

Source: English Housing Survey, full household sample

Repayment method planned

4.10 The majority of mortgagors had repayment mortgages (85%). For those 15% of mortgagors that did not have a repayment mortgage they were asked how they planned the repayment of their current loan. They could provide more than one option, Annex Table 3.1.

4.11 For those 3% of mortgagors with an endowment mortgage only, the majority (72%) selected none of the options given for the repayment method planned, so it is assumed they would be relying on the endowment policy they had

taken out for the repayment of their mortgage loan. A small proportion of these mortgagors said they were paying into an ISA¹⁷ (12%) or planned on the sale of their home (11%) to cover the repayment of their mortgage, Annex Table 4.4.

- 4.12 Of the 7% of mortgagors with an interest only mortgage with no other linked investments, over a third (35%) planned to pay off their mortgage from the sale of their home; while a fifth (20%) planned to use savings from other investments not linked to the mortgage. Some 10% of these mortgagors planned to change to a repayment mortgage¹⁸.
- 4.13 Mortgagors with other types of mortgages¹⁹ made up about 4% of all mortgagors; 52% of these stated by repayment mortgage payments and 34% payments into an endowment policy, while 23% of these mortgagors selected none of the options given, Annex Table 4.5.

¹⁷ individual savings account

¹⁸ See Live Table FA2551

¹⁹ Other mortgage types: both endowment and repayment mortgage (2%), and an interest only mortgage with one or more linked investments, such as a pension (1%) or another type of mortgage (1%);

Technical notes and glossary

Technical notes

1. Results in this report are presented for '2015-16' and are based on fieldwork carried out between April 2015 and March 2016 on a sample of 13,468 households. Throughout the report, this is referred to as the 'full household sample'.
2. Where the numbers of cases in the sample are too small for any inference to be drawn about the national picture, the cell contents are replaced with a "u". This happens where the cell count is less than 5. When percentages are based on a row or column total with unweighted total sample size of less than 30, the figures are italicised. Figures in italics are therefore based on a small sample size and should be treated as indicative only.
3. **Where comparative statements have been made in the text, these have been significance tested to a 95% confidence level.** This means we are 95% confident that the statements we are making are true.
4. Additional annex tables, including the data underlying the figures and charts, are published on the website: <https://www.gov.uk/government/collections/english-housing-survey> alongside many supplementary tables, which are updated each year (in the summer) but are too numerous to include in our reports. Further information on the technical details of the survey, and information and past reports on the Survey of English Housing and the English House Condition Survey, can also be accessed via this link.

Weighting methodology

5. The Department for Communities and Local Government (DCLG) revised the weighting process on the English Housing Survey (EHS) going forward from 2015-16. The aim of the revision was to improve the stability of year-on-year estimates including household numbers. This new approach to weighing was approved by 'external' experts on the EHS Technical Advisory Group.
6. The improved weighting methodology was necessary because the initial weighted household counts increased considerably between 2014-15 and 2015-16 (by 361,583 additional households, 344,921 of which were in the private rented sector). The provisional 'grossed' dwelling and household estimates showed that, between 2014-15 and 2015-16, there were two additional households for every one additional dwelling (the number of dwellings increased by 180,814).

This appeared implausible when compared with an expected household growth of up to 200,000 per year as indicated by the Household Projections²⁰.

7. NatCen (the current EHS contractor) investigated and advised that some of the year-on-year variation in the initial weighted household counts was due to sampling variation in the data used in the weighting. The household weights are dependent on estimates of 'dwelling-to-household' ratios, which are subject to sampling variation. (This differs from the weighted dwelling counts that are controlled to 'external' DCLG estimates of dwellings by tenure and region.)
8. 'Dwelling-to-household' ratios vary by tenure and by year, Table T.1. In 2015-16, the average ratio increased from 1.0062 to 1.0129, resulting in a large increase in the grossed household counts between 2014-15 and 2015-16.

Table T.1: Dwelling-to-household ratio by tenure, 2013-14 to 2015-16

all households

	2013-14	2014-15	2015-16 (before revision)
owner occupiers	1.0039	1.0013	1.0013
private rented	1.0600	1.0239	1.0670
local authority	1.0092	1.0103	1.0053
housing association	1.0091	1.0033	1.0079
total	1.0139	1.0062	1.0129

Source: English Housing Survey, full household sample

9. To reduce the year-on-year variation, the dwelling-to-household ratio was re-calculated by smoothing across two years of the EHS (2015-16 and 2014-15). The revised (smoothed) weights were used for producing the published EHS findings²¹. Smoothing across two years was preferred to smoothing across more years because the EHS sample uses a two year cycle whereby England is divided into 1,808 primary sampling units (PSUs) and interviewing takes places in the same 904 PSUs every other year.
10. When smoothed across two survey years, the average dwelling-to-household ratio reduced from 1.0129 to 1.0096, Table T.2. To assess the stability of the new methodology in producing less variable ratios across years, the 2014-15 ratio was also re-calculated using the same methodology (i.e. smoothing over 2 years: 2013-14 and 2014-15). As can be seen in the table below, the ratio appears quite stable (1.0100 in 2014-15 compared with 1.0096 in 2015-16).

²⁰ <https://www.gov.uk/government/collections/household-projections>

²¹ Both the household and the dwelling weights were revised because the dwelling-to-household ratio also has a minor role in the computation of the latter. The impact of the revision of the dwelling weights was very small.

Table T.2: Dwelling-to-household ratio by tenure, 2013-14 to 2015-16

<i>all households</i>	2014-15	2015-16
owner occupiers	1.0012	1.0022
private rented	1.0467	1.0425
local authority	1.0087	1.0102
housing association	1.0049	1.0059
total	1.0096	1.0100

Source: English Housing Survey, full household sample

11. This new approach to weighting was approved by external experts on the EHS Technical Advisory Group. It is considered to be the most robust and practical solution to the year-on-year inconsistencies observed in the household estimates. We expect to continue to smooth the weights in future waves of the EHS. The EHS team at DCLG, with NatCen and the EHS Technical Advisory Group, will review the further options to improve the weighting methodology. If you would like to share your views on the EHS weighting strategy, please contact: ehs@communities.gsi.gov.uk.

12. More detail on the EHS methodology can be found in the technical report²².

Glossary

Arrears: If the HRP or partner are not up to date with rent or mortgage payments they are considered to be in arrears.

Dependent children: Any person aged 0 to 15 in a household (whether or not in a family) or a person aged 16 to 18 in full-time education and living in a family with his or her parent(s) or grandparent(s). It does not include any people aged 16 to 18 who have a spouse, partner or child living in the household.

Economic status: Respondents self-report their situation and can give more than one answer.

- **working full-time/part-time:** full-time work is defined as 30 or more hours per week. Part-time work is fewer than 30 hours per week. Where more than one answer is given, 'working' takes priority over other categories (with the exception that all those over State Pension Age (SPA) who regard themselves as retired are classified as such, regardless of what other answers they give).

²² <https://www.gov.uk/government/collections/english-housing-survey-technical-advice>

-
- **unemployed:** this category covers people who were registered unemployed or not registered unemployed but seeking work.
 - **retired:** this category includes all those over the state pension age who reported being retired as well as some other activity. For men the SPA is 65 and for women it is 60 if they were born before 6th April 1950. For women born on or after the 6th April 1950, the state pension age has increased incrementally since April 2010²³.
 - **full-time education:** education undertaken in pursuit of a course, where an average of more than 12 hours per week is spent during term time.
 - **other inactive:** all others; they include people who were permanently sick or disabled, those looking after the family or home and any other activity.

On occasions, **full-time education** and **other inactive** are combined and described as **other economically inactive**.

Ethnicity: Classification according to respondents' own perceived ethnic group.

Ethnic minority background is used throughout the report to refer to those respondents who do not identify as White.

The classification of ethnic group used in the EHS is consistent with the 2011 Census. Respondents are classified as White if they answer one of the following four options:

1. English / Welsh / Scottish / Northern Irish / British
2. Irish
3. Gypsy or Irish Traveller
4. Any Other White background

Otherwise, they are classified as being from an ethnic minority background.

Full time education: Full time education is education undertaken in pursuit of a course, where an average of more than 12 hours per week is spent during term time.

Gross income of the HRP and partner: The gross annual income of the HRP and partner from wages, pensions, other private sources, savings and state benefits. This does not include any housing related benefits or allowances. This measure is divided by 52 to calculate weekly income. Income is presented in quintiles throughout this report (see income quintiles definition – below).

Gross household income: The gross annual income of all adults living in a household from wages, pensions, other private sources, savings and state benefits. This does not include any housing related benefits or allowances. This measure is

²³ For further information see: www.gov.uk/browse/working/state-pension

divided by 52 to calculate weekly income. Income is presented in quintiles throughout this report (see income quintiles definition – below).

Household: One person or a group of people (not necessarily related) who have the accommodation as their only or main residence, and (for a group) share cooking facilities and share a living room or sitting room or dining area.

The EHS definition of household is slightly different from the definition used in the 2011 Census. Unlike the EHS, the 2011 Census did not limit household membership to people who had the accommodation as their only or main residence. The EHS included that restriction because it asks respondents about their second homes, the unit of data collection on the EHS, therefore, needs to include only those people who have the accommodation as their only or main residence.

Household reference person (HRP): The person in whose name the dwelling is owned or rented or who is otherwise responsible for the accommodation. In the case of joint owners and tenants, the person with the highest income is taken as the HRP. Where incomes are equal, the older is taken as the HRP. This procedure increases the likelihood that the HRP better characterises the household's social and economic position. The EHS definition of HRP is not consistent with the Census 2011, in which the HRP is chosen on basis of their economic activity. Where economic activity is the same, the older is taken as HRP, or if they are the same age, HRP is the first listed on the questionnaire.

Household type: The main classification of household type uses the following categories; some categories may be split or combined in different tables:

- couple no dependent child(ren)
- couple with dependent child(ren)
- couple with dependent and independent child(ren)
- couple with independent child(ren)
- lone parent with dependent child(ren)
- lone parent with dependent and independent child(ren)
- lone parent with independent child(ren)
- two or more families
- lone person sharing with other lone persons
- one male
- one female

Income quintiles: All households are divided into five equal groups based on their income (i.e. those in the bottom 20%, the next 20% and so on). These groups are known as quintiles. These can be used to compare income levels of particular groups to the overall population.

Long-term limiting illness: This is consistent with the core definition of disability under the Equality Act 2010. A person is considered to have a disability if they have

a long-standing illness, disability or impairment which causes substantial difficulty with day-to-day activities.

Median income: the amount that divides the income distribution into two equal groups, half having income above that amount, and half having income below that amount.

Mortgage type: three mortgage types are referred throughout this report:

- **repayment:** a mortgage in which the borrower repays the capital and interest together in fixed instalments over a fixed period (usually 25 years). The most common and most widely available type of mortgage.
- **interest only (with no linked investments):** a mortgage in which the mortgagor is only required to pay off the interest that arises from the principal that is borrowed. Because only the interest is being paid off, the interest payments remain fairly constant throughout the term of the mortgage.
- **endowment:** a mortgage linked to an endowment insurance policy which is intended to repay the capital sum on maturity.
- **Other mortgages:** including interest only with linked investments and combined endowment and repayment mortgages.

Non-dependent children: any person aged over 18 or those aged 16-18 who are not in full-time education living in a family with his or her parent(s) or grandparent(s).

Tenure: In this report, households are typically grouped into three broad categories known as tenures: owner occupiers, social renters and private renters. The tenure defines the conditions under which the home is occupied, whether it is owned or rented, and if rented, who the landlord is and on what financial and legal terms the let is agreed.

- **owner occupiers:** households in accommodation which they either own outright, are buying with a mortgage or as part of a shared ownership scheme.
- **social renters:** this category includes households renting from Local Authorities (including Arms' Length Management Organisations (ALMOs) and Housing Action Trusts) and Housing Associations, Local Housing Companies, co-operatives and charitable trusts.

A significant number of Housing Association tenants wrongly report that they are Local Authority tenants. The most common reason for this is that their home used to be owned by the Local Authority, and although ownership was transferred to a Housing Association, the tenant still reports that their landlord is the Local Authority. There are also some Local Authority tenants who wrongly report that they are Housing Association tenants. Data from the EHS for 2008-09 onwards

incorporate a correction for the great majority of such cases in order to provide a reasonably accurate split of the social rented category.

- **private renters:** this sector covers all other tenants including all whose accommodation is tied to their job. It also includes people living rent-free (for example, people living in a flat belonging to a relative).

In accordance with the Statistics and Registration Service Act 2007 the United Kingdom Statistics Authority has designated these statistics as National Statistics, signifying that they are fully compliant with the Code of Practice for Official Statistics.

Designation can be broadly interpreted to mean that the statistics:

- meet identified user needs;
- are well explained and readily accessible;
- are produced according to sound methods, and
- are managed impartially and objectively in the public interest.

Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.

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