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## **Building New Confidence in New Builds**

The property market is in real need for more first-time buyers, not least the vast number of developers with one-bedroom lifestyle apartments that are crying out for owners to snap them up. Galliard is doing its bit by selling half price bargain flats in London - a significant claim when the properties are selling for nearly £200k.

Recent figures released from the Council of Mortgage Lenders (CML) have painted a very real picture of the difficulty that many first time buyers are today facing when it comes to funding their own home. The statistics have identified that as many as eight out of every ten young first-time buyers are having to seek assistance from their parents to raise an adequate deposit that will enable them to step on to the property ladder.

In fact, the research found that the number of buyers aged 30 or under who were embarking on their first property purchase with financial assistance from their parents has more than doubled since 2006. And for those first time buyers who have not obtained help from a parent, family member or friend, the average age for this group has soared from approximately 33 to around 37 years of age during the last couple of 'credit crunched' years.

At the same time, property developers are restricting the flow of new builds on to the market to ensure that prices do not reduce even further. And presumably hoping the surveyor doesn't spot the towering empty apartment blocks which will depress prices in the area for years to come?

It is fair to say that in today's market, obtaining an accurate valuation of a new build is challenging enough. An article in the Telegraph recently reported on the topic of new build valuations and quoted a national property developer that claimed the 'widespread practice of down-valuation by surveyors representing mortgage lenders' posed a 'major obstacle to the recovery of the housing market'.

However, with a distinct focus on cautious or sensible lending, the role of the property surveyor is vital in ensuring the correct valuation is applied to each property application. New build properties, however, are also a hotspot for mortgage-related fraud, adding to the trouble facing this sector.

Whether it is an organised scam involving a number of parties, or just the naivety of one or a number of the experts in the property chain (and often both), some mortgage lenders will not even touch provincial 'renewal schemes' along urban canals with a proverbial bargepole, as the associated risks are simply too high.

KPMG recently released its latest Fraud Barometer figures that highlighted how the total value of fraud cases that went through the courts during the first half of 2009 were valued at £636m. The number of court cases related specifically to mortgage fraud continues to increase, with 18 cases taking place during the first half of 2009 with a combined value of £24m. This compares to 25 cases worth £36m in the whole of last year.

We believe the figures from KPMG's Fraud Barometer are the tip of the iceberg. As the recession bites, we are seeing incidents of mortgage application fraud escalate as lending criteria tighten. In the last 18 months alone, we have seen a 132% increase on the number of Alerts being issued to lenders by our Q-Guard fraud detection tool.

At the point of valuation, Q-Guard detects suspicious characteristics and automatically alerts the lender, providing them with the opportunity to investigate the application more thoroughly before it is processed.

Specifically for new builds, there are several easy measures to put in place to help overcome this issue further. The use of Automated Valuation Models (AVM) should be carefully considered and perhaps used as a supporting measure alongside physical valuations. Also, knowing how exposed you are in certain geographical areas can help define strategy, and there are other patterns that are emerging. For example, does the property type fit the buyer's credentials? Does the location provide clues? What have other lenders experienced in this space?

When it comes to mortgage fraud, the challenge is to catch up with, and overtake the criminals' constantly evolving fraudulent activities. It is essential that the next generation of fraud tools keep evolving too.

Eventually the tool must become as much a deterrent as a detective, to force the fraudsters to go elsewhere. Only then will we see the £636m fraud value figure, as quoted by KPMG, start to decline.

Many lenders have teams specifically looking at the problems facing new build properties. The sooner that this intelligence can be put to the use of the industry the better. Quest already offers these fraud tools, and new ones are being added. Everybody will benefit from rebuilding confidence in new build lending.

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