IMLA intermediary survey

Q4 2011

About the Intermediary Mortgage Lenders Association

- IMLA is a mortgage lender trade association established in the 1980's to represent the interests of those lenders who originate the majority of their business from mortgage intermediaries
- IMLA has 21 members who between them conduct more than 80% of the lending in the intermediary sector
- Members include banks, building societies and specialist lenders
- Business models include retail funded, wholesale funded, private capital and those that rely on the asset backed finance model
- IMLA has a democratically elected board and chairman and all members are entitled to attend regular meetings
- All members pay the same annual subscription and all have a single vote
- IMLA maintains a close alliance with the CML and works with a wide range of other trade associations, government departments and the FSA
- The current chairman is John Heron and the executive director is Peter Williams

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About the IMLA intermediary survey

- IMLA has recently relaunched a tracking survey of intermediaries on mortgage market issues to understand current views and issues affecting the mortgage market

- The Q4 survey looked at the market over the last three months (Q4 2011) and intermediaries' expectations for 2012

- There were 233 responses to the survey

- This survey was conducted in January 2012 and the last survey was carried out in March 2009, comparable data is shown where appropriate

About intermediaries

- Appointed representative firms account for 58% of the responses
- Directly authorised firms account for 39% of the responses
- 47% of respondents were from London and the South East
- On average intermediaries are dealing with 12 applications per month

March 2009:

- 50% appointed representatives
- 48% directly authorised
- 45% from the South East
- 10 applications per month (down from 12)

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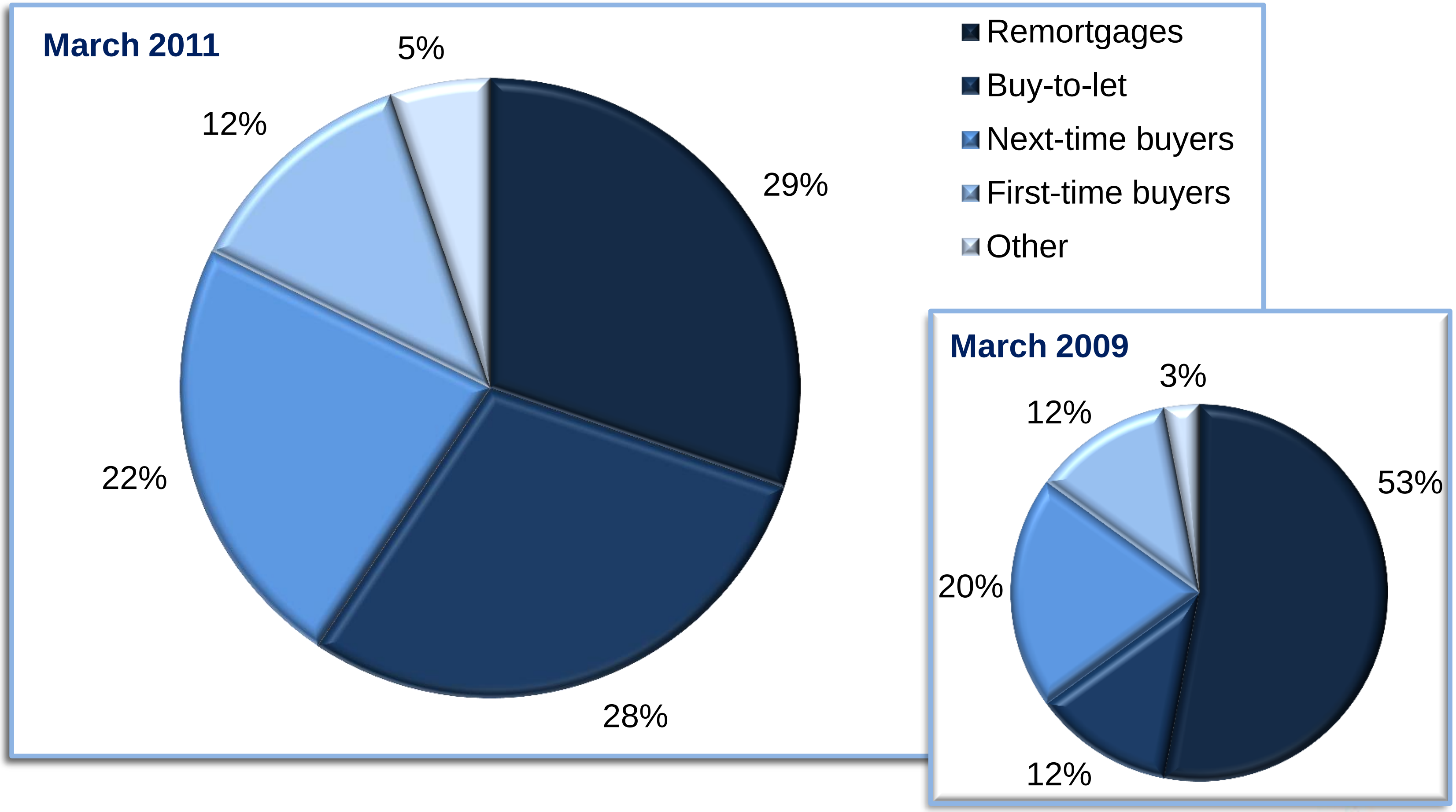
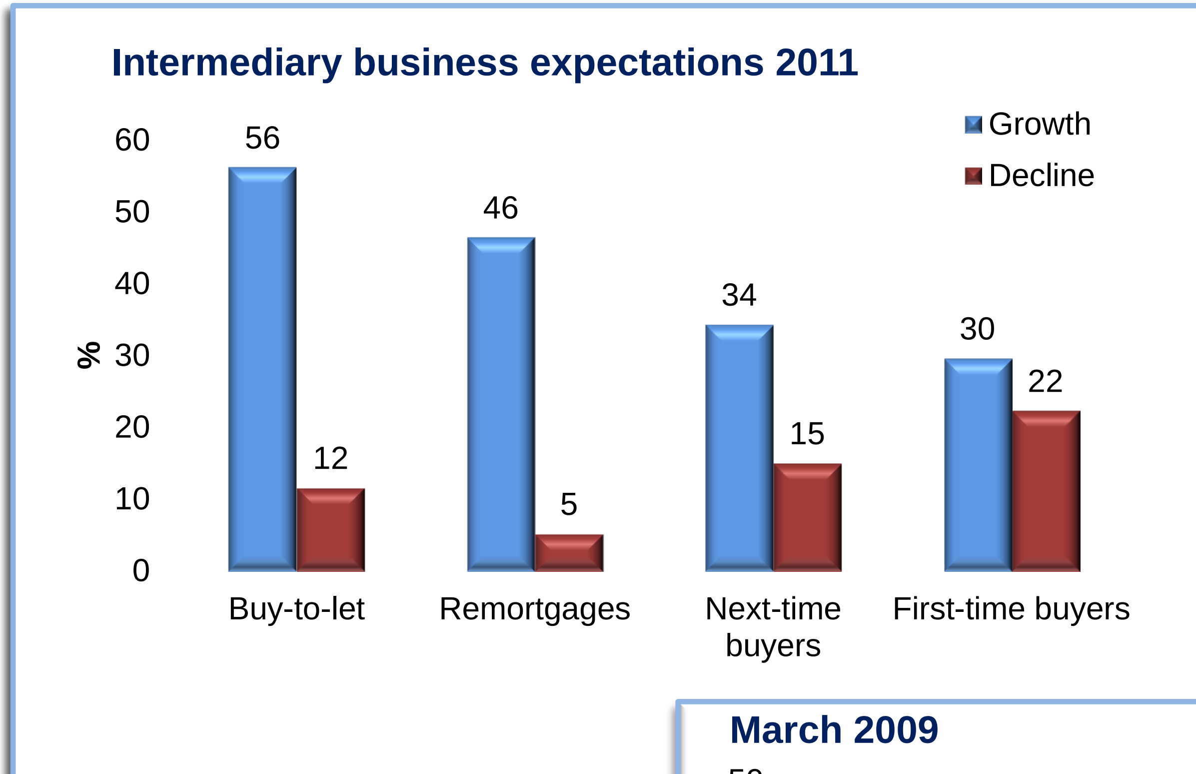
Business type

Intermediaries reported dealing with the following business types in Q4 2011:

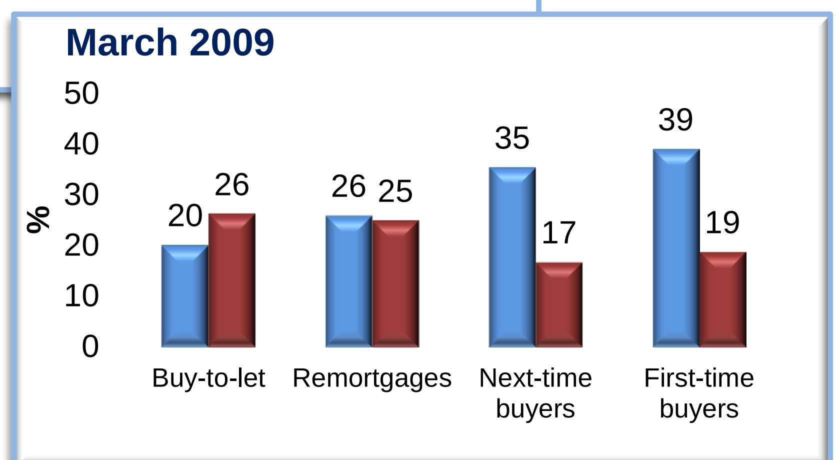


Mortgage Market Outlook

Business growth/decline



- Intermediaries are most optimistic about buy-to-let - 56% expect to see an increase
- First-time buyer business is the area intermediaries are least optimistic about - 22% expect a decline
- Remortgages are expected to be most robust - just 5% of intermediaries expect a decline



2011 v 2009

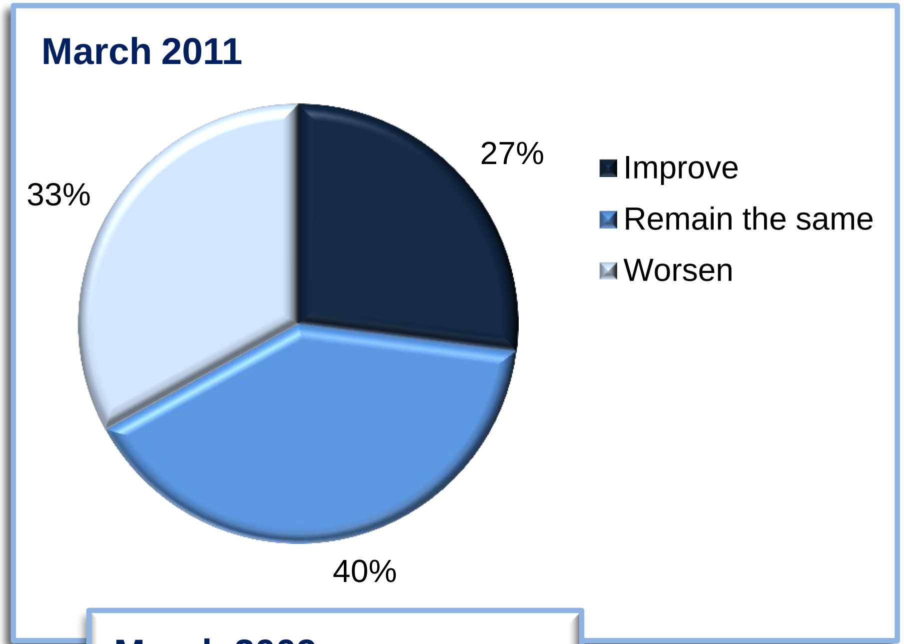
- Strong improvement in sentiment on buy-to-let and remortgages
- Steady on next-time buyers
- Reversal on first-time buyers

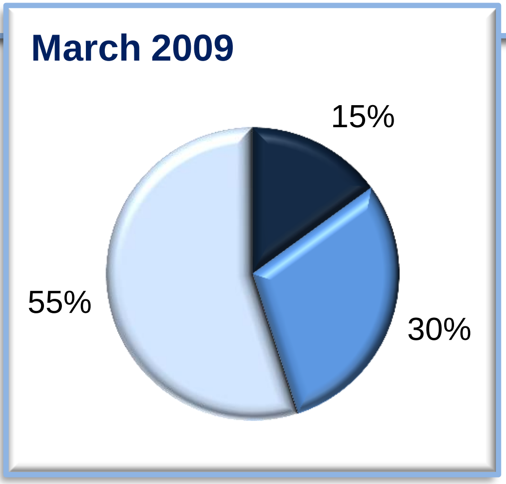
Market conditions

- Most intermediaries remain cautious about market conditions with 40% expecting conditions to remain the same

- The balance of intermediaries (73%) feel that volumes will either be the same or higher in 2012, compared to those who expect a decline (27%)

- Significant improvement over 2009 when more than half expected conditions to worsen





Unable to source a mortgage

- 79% of intermediaries were unable to source a mortgage for one or more clients in Q4
- Of these cases, 65% were near prime and 54% were mainstream
- No real improvement in supply for specialist sectors – credit conditions still very tight

March 2009:

- 76% unable to source a mortgage
- Off these, 77% were remortgages, 69% first-time buyers and 55% sub-prime

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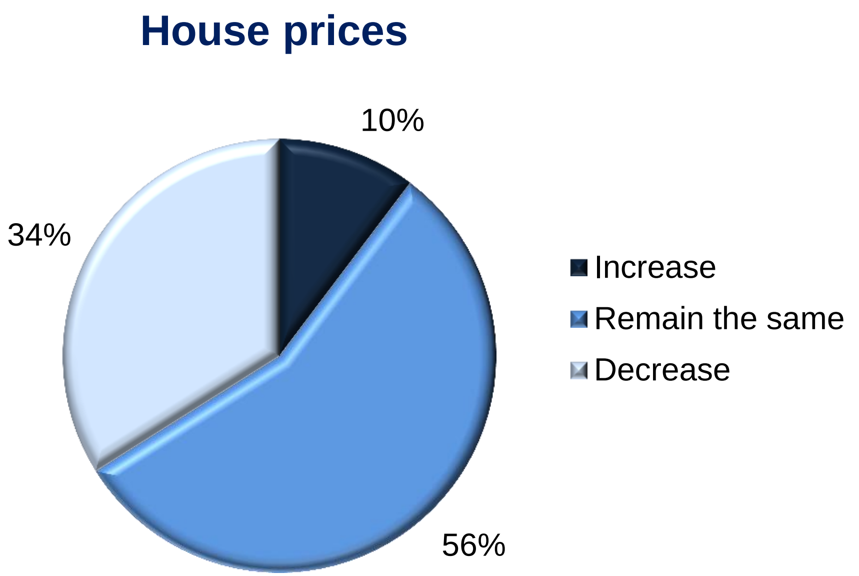
The Economy

By the end of 2012:

- Intermediaries do not expect base rates to increase in 2012
  - 70% expect no change at all
- They expect sluggish growth but not a recession (GDP at 0.82%)
- Expect inflation to come down but remain higher than target

By the end of 2012:

- Intermediaries expect no real movement in house prices
- Forecast gross mortgage lending for the year ahead at £132.7bn
- 66% of intermediaries expect buy-to-let lending to be the same or higher in 2012



Summary

- Over the last quarter intermediaries dealt with on average 12 cases per month and the main product type was remortgage. 79% of brokers were unable to source a mortgage for a client during the quarter

- In Q1 2012 intermediaries do not expect a decline in any business area and are most optimistic about buy-to-let business, closely followed by remortgage business

- Most intermediaries think mortgage conditions are the same but feel that volumes will be either the same or higher in 2012

- Intermediaries expect house prices to remain the same in 2012

- They also expect the base rate to remain the same accompanied by sluggish growth

- Intermediaries are more optimistic now than in 2009, especially in remortgage and buy-to-let business

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