IMLA member and intermediary surveys

Intermediary Lending Outlook

Dec 2014 / Jan 2015 research

About IMLA

- IMLA is a mortgage lender trade association established in the 1980s to represent the interests of lenders involved in the generation of mortgage business via professional financial intermediaries
- IMLA has 24 members, which 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 regulators.

About the IMLA surveys

- IMLA regularly consults its members on mortgage market issues
- Research among members and intermediary partners is conducted to better inform IMLA policy positions
- Two surveys are undertaken every six months to reflect members' and intermediaries' views on housing and mortgage market developments, based on their direct experiences
- The latest surveys were conducted in December 2014, with 20 responses from members and over 250 responses to the wider intermediaries survey
- The results of the members survey are the aggregate IMLA view and do not necessarily reflect the views of any individual members.
- Within the results:
  - Figures in brackets are from July 2014 and are included for comparison
  - The directional arrows ↓ ↑ indicate the current trend with the use of green/red indicating whether the market implications are positive or negative (e.g. a rise in approvals would be positive while a rise in complaints would be negative).

Market conditions

- The current outlook for the mortgage market is more positive than July 2014
- This is likely to be influenced by having passed the initial implementation of MMR and macro-prudential changes, as well as the prospect of interest rates remaining low

Do you think mortgage market conditions currently…				
	Brokers		Lenders	
Improving	51% (41%)	↑	53% (44%)	↑
Stable	26% (14%)	↑	26% (22%)	↑
Worsening	23% (45%)	↓	21% (33%)	↓

(July 2014 figures in brackets)

- Brokers expect remortgaging will see the biggest growth in demand during H1 2015, followed by BTL and home-movers. Lenders expect the greatest growth in demand from BTL, self-employed borrowers and FTBs
- Brokers expect gross lending of £215bn in 2015, while lenders expect £218bn.

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Market conditions

- 84% of brokers have been unable to source a mortgage for one of these types of borrower in the last six months – up from 78% in summer 2014
- 50% or more were unable to source mortgages for interest-only, adverse credit and lending into retirement, which has worsened since the summer.

Brokers – have you been unable to source a mortgage for any of the following clients during the last six months?		
Standard status borrowers	23% (34%)	↓
Near prime borrowers	26% (27%)	↓
Adverse credit borrowers	53% (46%)	↑
Self-employed borrowers or those with irregular incomes	46% (49%)	↓
'Lending into retirement' borrowers	50% (42%)	↑
Interest-only borrowers	53% (na)	-
First time buyers	21% (28%)	↓
I have not had this problem for any client	16% (22%)	↓

(July 2014 figures in brackets)

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MMR – impact on consumers

- Adverse credit, low income borrowers and borrowers with dependants have been most impacted by reduced access to finance
- Low income borrowers are the most affected according to brokers; more lenders feel borrowers with dependants are worse off than any other consumers.

% who think this group has been impacted by reduced access to finance under MMR				
	Brokers		Lenders	
Single borrowers	34% (28%)	↑	6% (38%)	↓
Joint borrowers	17% (12%)	↑	0% (15%)	↓
Borrowers with dependents	64% (72%)	↓	61% (77%)	↓
Low income borrowers	81% (60%)	↑	56% (85%)	↓
High LTV borrowers	55% (30%)	↑	22% (23%)	↓
Self-employed borrowers	53% (47%)	↑	39% (38%)	↑
Adverse credit	60% (15%)	↑	50% (23%)	↑
Existing borrowers looking to remortgage	38% (38%)	↔	33% (0%)	↑

(July 2014 figures in brackets)

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MMR – issues arising

- Working with affordability models and delays in processing loans are causing brokers the most difficulties, while longer interviews are doing the same for lenders.

What is causing the most difficulties now the MMR is in place? [choose up to five]				
	Brokers		Lenders	
Issues of cost and efficiency	35% (37%)	↓	17% (42%)	↓
System/IT changes	17% (34%)	↓	28% (33%)	↓
Delays with processing loans	69%	-	17%	-
Working with affordability models	68% (69%)	↓	50% (50%)	↔
Longer interviews	41% (28%)	↑	56% (58%)	↓
Availability of qualified advisers	8% (12%)	↓	33% (67%)	↓
Providing extra documentation	57% (46%)	↑	28% (8%)	↑
Communicating affordability requirements	51% (40%)	↑	50% (25%)	↑
Transition from non-advised to advised sales	3% (3%)	↔	6% (33%)	↓
None of the above	4% (1%)	↑	0% (0%)	↔

(July 2014 figures in brackets)

MMR – impact on lending

- Stress tests are having the greatest impact in reducing the amount consumers can borrow, followed by detailed income/expenditure checks.
- Slightly fewer brokers feel borrowing has been cut by more than 10% than was the case in July, although the numbers are still significant. They also report evidencing requirements are having more of an effect.
- The collective view from lenders' is that the impacts have grown across the board.

What direct impact have the following aspects of MMR had on the amount people can borrow?

Brokers' view	No impact		Reduced borrowing		Reduced borrowing by more than 10%	
Interest rate stress tests	19% (21%)	↓	81% (79%)	↑	29% (35%)	↓
Evidencing requirements	44% (59%)	↓	56% (42%)	↑	19% (19%)	↔
Income/expenditure checks	29% (41%)	↓	71% (68%)	↑	25% (27%)	↓

Lenders' view	No impact		Reduced borrowing		Reduced borrowing by more than 10%	
Interest rate stress tests	12% (45%)	↓	88% (54%)	↑	18% (9%)	↑
Evidencing requirements	61% (90%)	↓	39% (9%)	↑	6% (0%)	↑
Income/expenditure checks	33% (46%)	↓	67% (45%)	↑	17% (9%)	↑

(July 2014 figures in brackets)

Impact of FPC actions

- Income stress tests are seen as having more serious implications for the market than the 15% cap on high loan to income (LTI) loans
- Brokers feel the scale of impact is less than was expected in summer 2014, but the opposite is true of lenders.

What impact have these new FPC measures had on the mortgage market?

Brokers' view	No impact		Low impact		High impact	
3% income stress test	8% (4%)	↑	49% (42%)	↑	44% (54%)	↓
15% cap on high LTI loans	15% (10%)	↑	57% (56%)	↑	28% (34%)	↓

Lenders' view	No impact		Low impact		High impact	
3% income stress test	0% (9%)	↓	71% (64%)	↑	29% (27%)	↑
15% cap on high LTI loans	6% (9%)	↓	76% (82%)	↓	18% (9%)	↑

(July 2014 figures in brackets)

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Future FPC actions

- 56% of brokers and 65% of lenders are expecting further FPC intervention in the market in the coming year, up from 40% and 55% in summer 2014.

Most likely interventions in 2015	
Brokers	**Lenders**
Scaling back Help to Buy 2 (51%)	Scaling back Help to Buy 2 (41%)
Higher interest rate stress test (47%)	LTI limits on BTL lending (35%)
Higher capital requirements (43%)	Higher interest rate stress test (29%)
LTV limits on residential lending (37%)	LTV limits on residential lending (24%)
LTV limits on buy to let lending (34%)	DTI limits on BTL lending (24%)

- Scaling back HTB2 is the only action that more than 10% feel would strengthen the market (14% of brokers and 12% of lenders)
- Lenders are most concerned about LTV limits for residential lending, extra LTI limits for residential lending and LTV limits on BTL lending damaging the market. Brokers are most concerned about higher interest rate stress tests.

Future policies

- 74% of brokers and 65% of lenders feel that UK mortgage market become too conservative as a result of MMR and other post-financial crisis regulations

- 70% of brokers and 59% of lenders feel the sub-prime lending has a bigger role to play in a healthy mortgage market than it does today

- Brokers were divided about whether high LTV lending can be restored in the long term without a state or private mortgage indemnity guarantee: 39% said yes while 35% said no. Lenders were similarly split with 35% agreeing and 35% disagreeing.

Suggested housing policies

- Keep and expand Help to Buy
- Develop a stronger housebuilding policy by:
  - Providing builders with incentive schemes e.g. tax breaks
  - Developing affordable housing
  - Restoring grants to housing associations to build affordable homes in London and the South East.
  - Loosening up planning restrictions on land

- A co-ordinated housing strategy:
  - A root and branch review of housing need and housing policy for the next 20 years and not the next parliament

- Further stamp duty reductions and reform by:
  - Abolishing stamp duty
  - Opting for VAT instead of stamp duties
  - Removing stamp duty charges for downsizing and allow borrowers to release equity

Feedback

For copies of the press releases to accompany this IMLA research, the full survey findings or any suggestions about questions for future editions, please email:

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