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Intermediary Mortgage Lenders Association

IMLA member and intermediary surveys

Intermediary Lending Outlook

July 2013 research

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About IMLA

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Intermediary Mortgage Lenders Association

- 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 20 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.

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About the IMLA surveys

Intermediary Mortgage Lenders Association

- 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 July 2013, with 16 responses from members and over 300 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.

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Half-year outlook

- More than four in five brokers (85%) feel the market is currently improving, compared with just 37% in January

- One in five report a 'significant' improvement (20%) – ten times more than in January (2%)

	Q2 2012	Q2 2013
Brokers unable to source a mortgage for a mainstream borrower	52%	35%
Brokers unable to source a mortgage for a near-prime borrower	55%	46%

- Lenders are unanimous in their view that market conditions are currently improving, with almost two thirds reporting a 'significant' upturn (63%).

Annual forecasts for 2013

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- Market growth has prompted both intermediary lenders and brokers to revise their predictions for total gross lending in 2013
- Although brokers remain more conservative, a busy first half of the year has had the biggest impact on their total lending forecast
- Lenders have also increased their forecasts for total residential transactions and net lending.

2013 forecasts	Lenders		Brokers	
	Jan '13	Jul '13	Jan '13	Jul '13
Total gross mortgage lending	£150bn	£157bn	£139bn	£155bn
Total net mortgage lending	£9.3bn	£12.6bn	-	-
Total residential transactions	0.94m	1.01m	-	-

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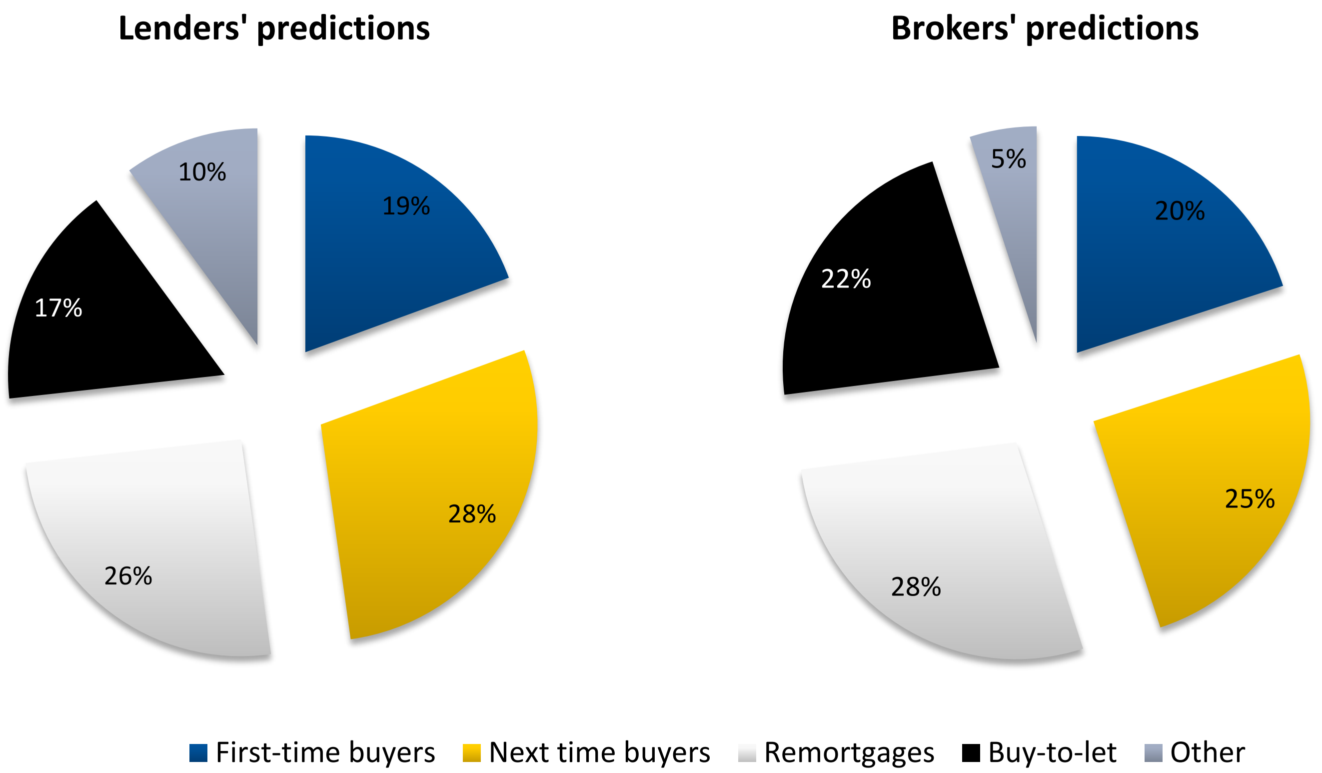
Anticipated 2013 market share



Lenders predict a 59% intermediary market share; brokers anticipate a 64% share.

Expected house price growth

- Both lenders and brokers expect a noticeable increase in the average house price this year (currently £164,098 – Land Registry, July 2013*)

	Lenders		Brokers	
	Jan '13	Jul '13	Jan '13	Jul '13
Average house price by Dec 2013	£162,751	£166,418	£162,751	£165,813

- When asked about Help to Buy, almost two thirds of both lenders and brokers (60% and 59% respectively) single out a house price bubble as the most likely factor that may undermine the government scheme.

Funding for Lending Scheme

- All lenders (100%) believe the Funding for Lending Scheme (FLS) has improved pricing and that new buyers are feeling the benefit

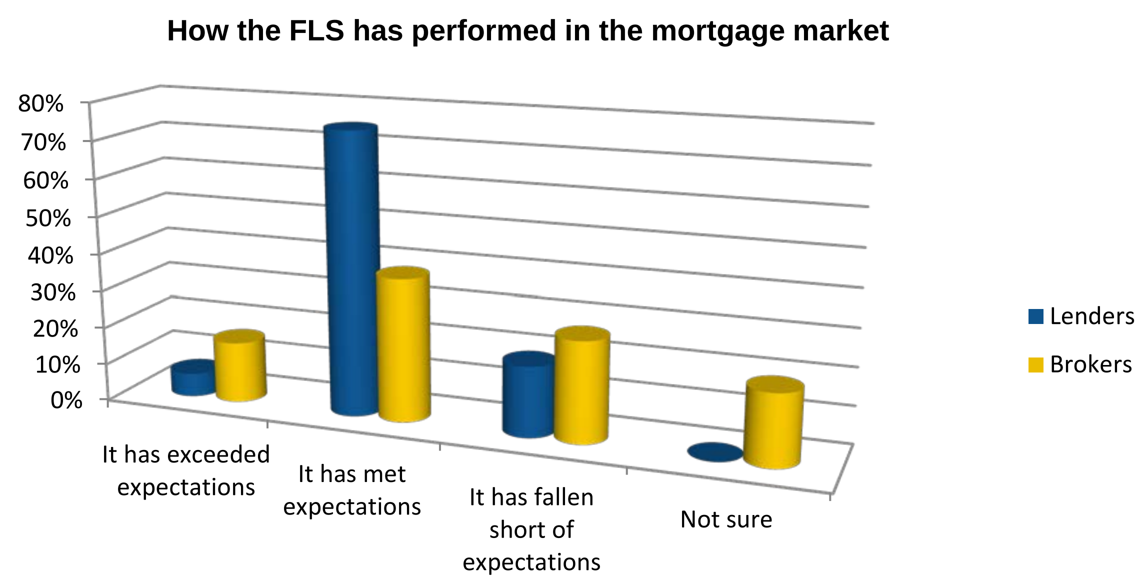
- Brokers agree that pricing has improved (67%) but also highlight the improved product choice (53%)

	Lenders	Brokers
Pricing has improved	100%	67%
Consumer interest has improved	94%	48%
Product choice has improved	81%	53%
Access to the market has improved	81%	40%
New buyers have benefitted	100%	62%
Existing homeowners have benefitted	73%	33%

Funding for Lending Scheme

- Overall, lenders take a more positive stance towards the scheme, with 81% saying that it has either met or exceeded expectations

- On the other hand, more than one in four brokers (27%) feel its performance in the mortgage market has fallen short of its billing



Help to Buy mortgage guarantee scheme

- All IMLA members believe that the upcoming Help to Buy mortgage guarantee scheme will most benefit first-time buyers (vs. 89% of brokers).
- 80% of members are confident it will also be of great benefit to home movers / second-steppers (vs. 56% of brokers).
- Only 13% of members believe the scheme will benefit homeowners looking to remortgage their properties (vs. 6% of brokers).

Threats to Help to Buy

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Lenders		Brokers	
Artificially inflated house prices	60%	Artificially inflated house prices	59%
Over-reliance of government funding	47%	A lack of lender support	49%
Restrictions on lenders' capital ratios	47%	Over-reliance of government funding	38%
Structural weaknesses in the market	27%	Restrictions on lenders' capital ratios	20%
A change of government	27%	A downturn in the wider economy	19%
Unattractive pricing for lenders	27%	Structural weaknesses in the market	18%
A lack of lender support	20%	A change of government	17%
A downturn in the wider economy	20%	Unattractive pricing for lenders	15%

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Mortgage Market Review (MMR)

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- Just 7% of intermediary lenders expect significantly more people to be turned down for a mortgage because of new MMR stress tests

- Almost three quarters (73%) of lenders are confident that affordability checks will not impact borrowers in large numbers; 20% remain unsure

- Although over a third of brokers do not expect stress tests will significantly reduce the number of successful mortgage applicants (34%), nearly half predict that considerably more consumers will find they are turned down (44%).

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MMR – lenders' concerns about impact

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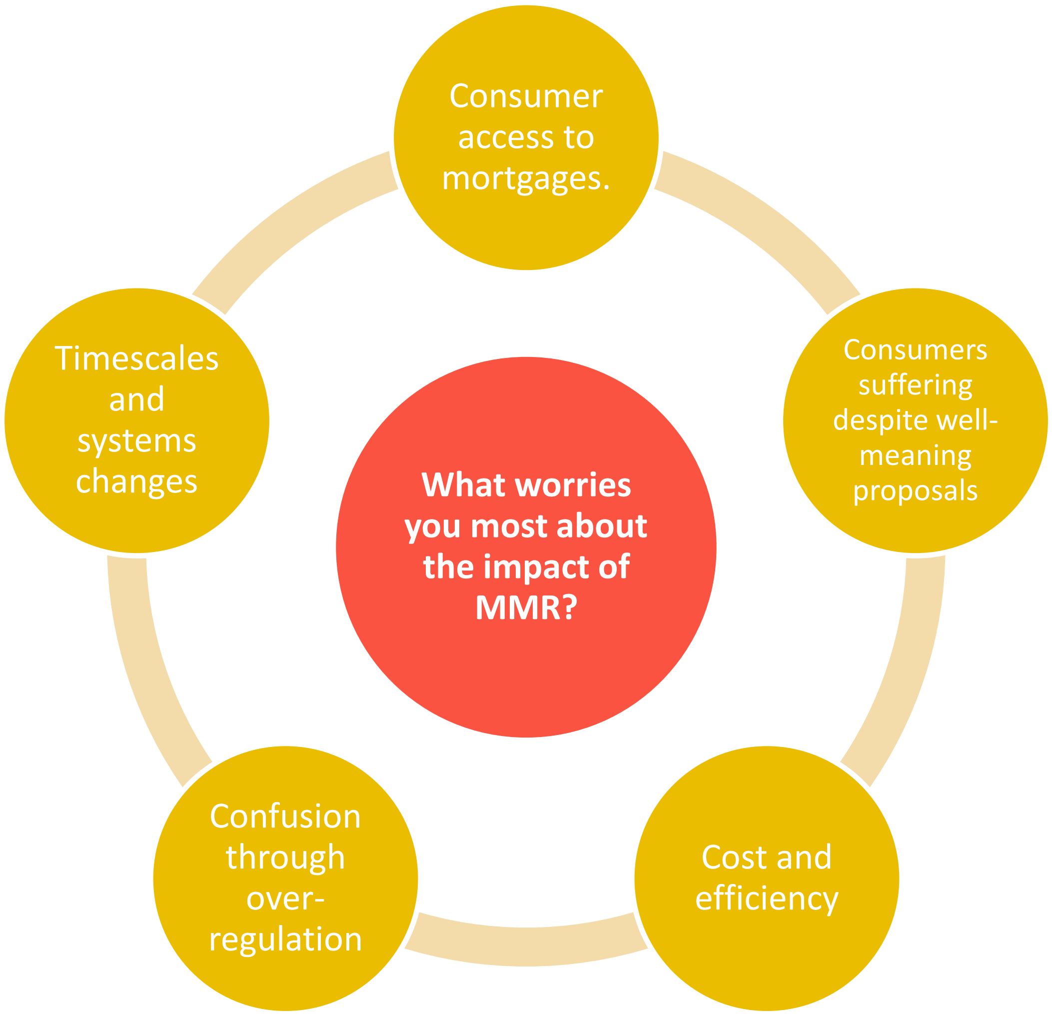

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MMR – brokers’ concerns about impact

- Cost
- A lack of common sense lending and a complete withdrawal of interest-only options
- Clients not understanding/appreciating that someone has to pay adviser fees.
- Increased regulation and monitoring / excessive requirements for brokers
- How the changes will be implemented by the lenders and how they will affect us.
- It will make some lenders even more negative with their underwriting
- Lender-broker relationship no longer based on trust
- Lenders being forced to change affordability models when they have low arrears books and this being detrimental to borrowers
- Lenders over interpreting FCA requirements
- Lenders putting greater emphasis on affordability and lifestyle.
- Lenders taking everything at face value and not applying any discretion.
- Little opportunity for lender discretion
- Not enough public awareness about how it will affect their access to finance
- Reduced broker numbers and clients will buy online with no advice or guidance
- Reduced procuration fees and increased monitoring
- We are doing all the lenders work, but proc fees are reducing

Brokers' viewpoint

How have the following changed in the first half of 2013?

	Increased	Stayed the same	Decreased
Quality of lenders' service to you	11%	45%	44%
Availability of products	69%	25%	5%
Successful applications	34%	54%	11%

What would you most like to see lenders change in relation to brokers?

Better systems for applications	25%
More information about target profiles	23%
Greater range of products to choose from	15%
More advanced notice of product changes / withdrawals	10%
Better product communications	6%
Other	21%

Brokers' wishlist for lenders

- A more proactive approach to broker relationships
- Access to underwriters / senior underwriters
- Better client management systems
- Keep the broker in the loop
- Better post-application processing
- Better quality of staff at mortgage centres
- Better rates at higher LTVs
- More 95% mortgages
- Better service standards and delivery
- Better service/communication
- Better staff product/criteria knowledge
- Credit checking before application
- More accurate online case tracking
- More consistency on debt consolidation
- More consistent and flexible underwriting
- More lenders allowing documentation uploading
- More use of email generally
- More shared ownership lenders
- No direct only products
- No dual pricing
- Proc fees for product transfers
- Realistic lending criteria
- Commitment to returning calls
- Sensible approach affordability
- Transparent underwriting
- Surveyors to do a proper job, not an online index valuation
- Work with brokers – don't dictate to them

Lenders' viewpoint

How have the following changed in the first half of 2013?

	Increased	Stayed the same	Decreased
The number of brokers you work with	50%	36%	14%
The quality of introduced business	29%	64%	7%

How is your intermediated business currently split?

Directly authorised (DA)	49%
Appointed representative (AR)	51%

Do you expect the split of business to change in the second half of 2013?

More emphasis on DA business	0%
More emphasis on AR business	36%
No	57%
Don't know	7%

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:

imla@wriglesworth.com