IMLA member and intermediary surveys

Intermediary Lending Outlook

Q3 2014 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 22 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 July 2014, with 18 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.

Market conditions

- Post-MMR and FPC measures to ensure future growth is stable, there is a more pessimistic outlook among brokers and lenders about market conditions going into the second half of 2014.

	Brokers	Brokers	Lenders	Lenders
	Q1 2014	Q3 2014	Q1 2014	Q3 2014
Improving	90%	41%	100%	44%
Stable	7%	14%	0%	22%
Worsening	3%	45%	0%	33%

Pace of growth

- Fewer observers feel lending is growing faster than expected, yet house price growth continues to surprise and concern both lenders and brokers.

Growth of lending	Brokers	Brokers	Lenders	Lenders
	Q1 2014	Q3 2014	Q1 2014	Q3 2014
Faster than expected	60%	30%	87%	31%
Unsustainable	18%	23%	0%	0%

Growth of house prices	Brokers	Brokers	Lenders	Lenders
	Q1 2014	Q3 2014	Q1 2014	Q3 2014
Faster than expected	54%	60%	50%	54%
Unsustainable	25%	38%	13%	31%

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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

(Broker view/lender view)

Effect on the market	No impact	Low impact	High impact
15% cap on high LTI loans	10% / 9%	56% / 82%	34% / 9%
3% income stress test	4% / 9%	42% / 65%	54% / 26%

- Lenders have greater expectations than brokers of further FPC action.

Expect further FPC action	Yes	No	Unsure
Brokers	40%	21%	39%
Lenders	55%	18%	27%

MMR – issues arising

- Affordability models have caused brokers the most difficulties under MMR, while for lenders it has been the availability of qualified advisers.

	Brokers	Lenders
Issues of cost and efficiency	37%	42%
System/IT changes	34%	33%
New affordability models	69%	50%
Longer interviews	28%	58%
Availability of qualified advisers	12%	67%
Providing extra documentation	46%	8%
Communicating affordability requirements	40%	25%
Transition from non-advised to advised sales processes	3%	33%
None of the above	1%	0%

- Additionally, 92% of brokers have experienced difficulties with delays in processing loans.

MMR – impact on lending

- Stress tests are seen to have had the greatest impact in reducing the amount consumers can borrow.

Brokers	**<10% reduction**	**>10% reduction**	**No change**
Interest rate stress tests	44%	35%	21%
Evidencing requirements	23%	19%	59%
Detailed income/expenditure assessments	31%	27%	41%

Lenders	**<10% reduction**	**>10% reduction**	**No change**
Interest rate stress tests	46%	9%	46%
Evidencing requirements	9%	0%	91%
Detailed income/expenditure assessments	36%	9%	55%

MMR – impact on consumers

- Opinion is divided on the scale of impact on consumers: 63% of brokers said that significantly more are being turned down following interest rate stress tests, but just 15% of lenders agreed.

- Brokers feel borrowers with dependents have been most impacted in terms of what they can borrow; lenders' view is that low income borrowers have felt more of an effect.

	Brokers	Lenders
Single borrowers	28%	38%
Joint borrowers	12%	15%
Borrowers with dependents	72%	77%
Low income borrowers	60%	85%
High LTV borrowers	30%	23%
Self-employed borrowers	47%	38%
Adverse credit	15%	23%
Existing borrowers looking to remortgage	38%	0%

MMR – impact on brokers

- 45% of brokers said that they had seen a decline in the volume of business that they were doing following the introduction of MMR: 32% had seen a slight reduction, and 13% a significant reduction.
- 18% of brokers have experienced a slight increase in their volume of business post-MMR, while 4% had seen a significant rise.
- 33% had seen no noticeable change in the volume of business post-MMR
- 92% of those whose business has increased feel confident they are equipped to deal with it, including 44% who feel very confident

MMR – long term effects

- Lenders are more optimistic than brokers about the long term impact of MMR on advice although the majority view among both is upbeat: 71% of lenders and 58% of brokers believe MMR will ultimately improve the quality of mortgage advice consumers receive.

- However, there are concerns over products: 54% of lenders feel MMR will negatively impact innovation while 71% of brokers believe it will do the same for sourcing mortgages.

Interest rate predictions

- lenders and brokers were divided in their views on when the Bank of England will raise the base rate from 0.5%.

- Just 17% of lenders anticipate a hike in 2014, with 72% foreseeing a rise in the first half of 2014. Almost half (44%) expect the rise to come in Q1 2015.

- Brokers were more divided with 36% forecasting a rise this year. A further 44% expect change in the first half of 2015, while 20% predict the 0.5% base rate will survive until the second half of next year.

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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