



IMLA Mortgage Market Tracker Index Q4 2017

Prepared for the Intermediary Mortgage
Lenders Association (IMLA)

January 2018



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Background & methodology

Background & methodology



The Intermediary Mortgage Lenders Association (IMLA) launched the new Mortgage Market Tracker in November 2015. The Tracker uses data provided by BDRC Continental's Project Mercury. Project Mercury is a continuous monitor of intermediary lender marketing effectiveness and broker sentiment, launched in 2007.

Existing confidence questions on the survey are supplemented by additional questions measuring the conversion of Decision In Principle (DIP) to completion.

This report contains the results for **Q4 2017**.

WHO?

Mortgage Intermediaries – advise customers on which lender to use, 24+ mortgages pa, not tied wholly to one lender, GB based. Sample sourced from Matrix Solutions (data provider)

HOW?

Monthly telephone interviews (100 per month), average interview c.30 minutes. Fieldwork by PRS (our sister company)

HOW MANY?

Total of **300**. Achieved sample weighted by firm size & type to be representative of Matrix Solutions universe profile

Updated business categorisation (Q4 2017)

As part of a wider review of the Project Mercury questionnaire we have updated our business categories. The main change is that BTL has been pulled out as a lending category in its own right, not a sub-category of specialist lending. This should be considered when comparing changes by mortgage type this quarter.

Previous business categorisation (pre Q4 2017)

1. Mainstream mortgages
 - Remortgagers
 - First time buyers
 - Movers
2. Specialist mortgages
 - BTL
 - Adverse
 - Equity release
 - Self-build
 - Other

New business categorisation (from Q4 2017)

1. Residential mortgages
 - Remortgagers
 - First time buyers
 - Movers
2. BTL mortgages
 - 1-3 properties
 - 4+ properties
 - Limited company
3. Specialist mortgages
 - Adverse
 - Equity release
 - Self-build
 - Second charge
 - Bridging loans
 - Other

Reminder of updated business flow (Q2 2017)

The business flow question set was updated in **Q2 2017**. This is the third quarter for which we have data for the new business flow tracking **Decision In Principle (DIP) to completion**.

Previous business flow (pre Q2 2017)

1. Number of enquiries
2. Enquiries resulting in an AIP
3. AIP resulting in a full application
4. Full application resulting in an offer
5. Offers resulting in a completion

New business flow (from Q2 2017)

1. Number of DIPs
2. DIPs resulting in a DIP accept
3. DIP accepts resulting in a full application
4. Full application resulting in an offer
5. Offers resulting in a completion

2

Executive summary

Executive summary

1.

Intermediaries remained confident in the outlook for their own firm in Q4, linked to the strengths of their business and strong levels of demand. However there were still some intermediaries feeling uncertain about the wider outlook.

2.

Overall business flows were relatively stable in Q4, when compared to Q3. Although there was a decline in the average number of DIPs (from 37 in September to 28 in December).

3.

Overall 50% of DIPs resulted in a completion in Q4 (vs. 51% in Q3). Conversion was highest among those dealing with mover cases, and lowest among those dealing with first time buyer cases.

4.

Focussing in on the second half of the business flow, three-quarters of full applications resulted in a completion in Q4, a stable result vs. Q3. Conversion was highest among those dealing with mover cases.

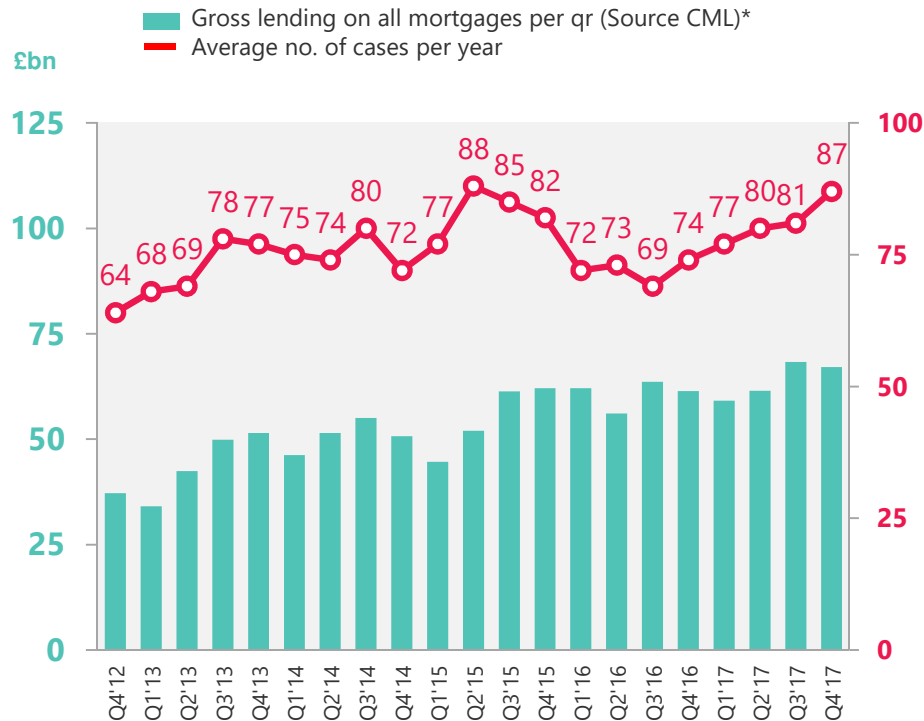
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Business volumes and confidence

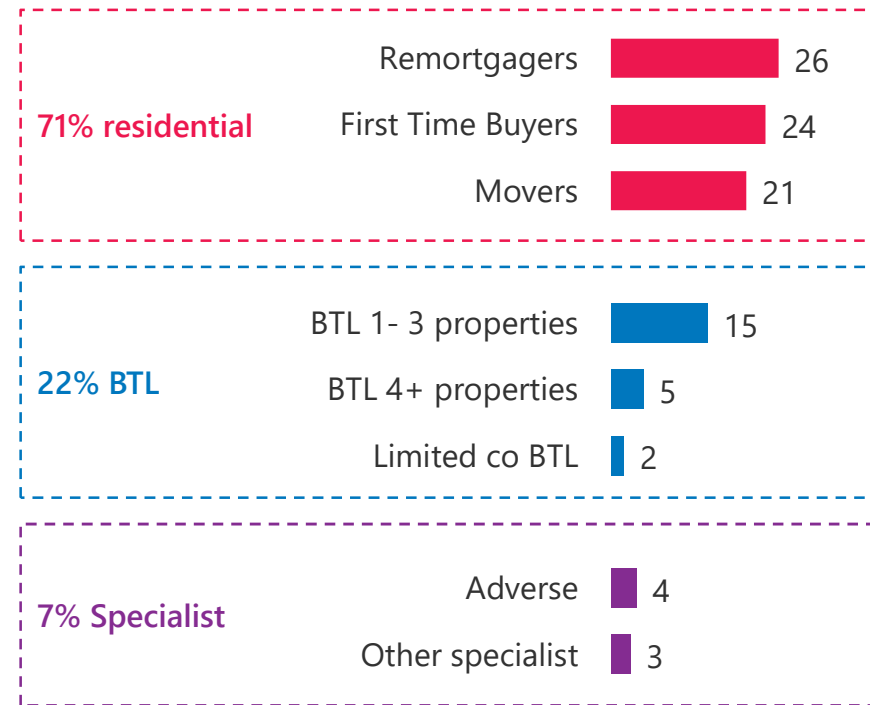
Claimed volumes of mortgage cases, per year

The claimed case load among intermediaries increased in Q4, reflecting an increase in gross mortgage lending in the second half of the year.

All mortgages



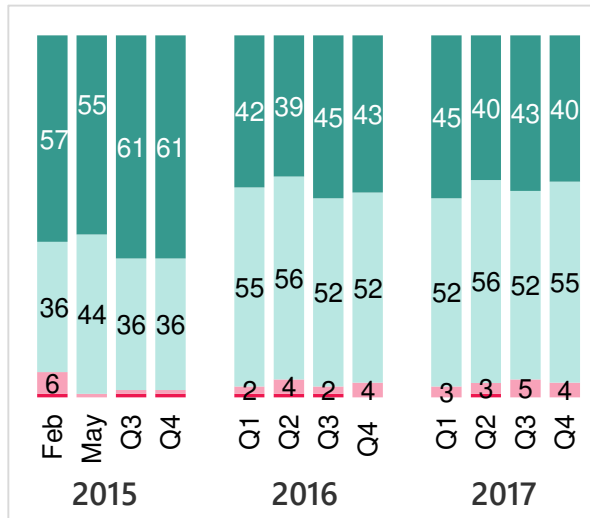
Business mix (% of all cases per year) for avg intermediary



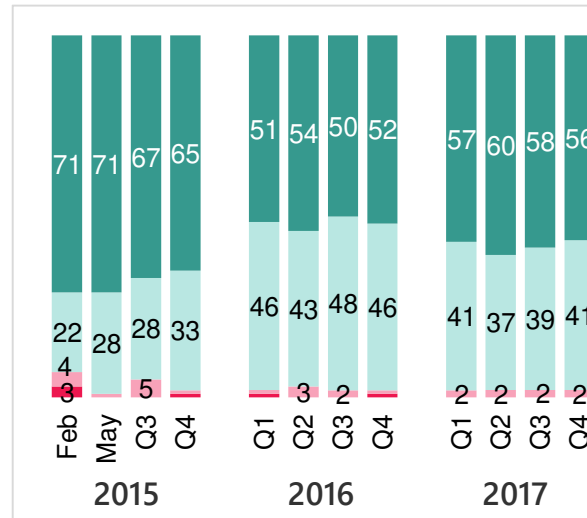
Confidence in business outlook...

Intermediaries remained very confident in the outlook for their own business in Q4, although confidence in the outlook for the mortgage industry and intermediary sector was down slightly compared to Q3.

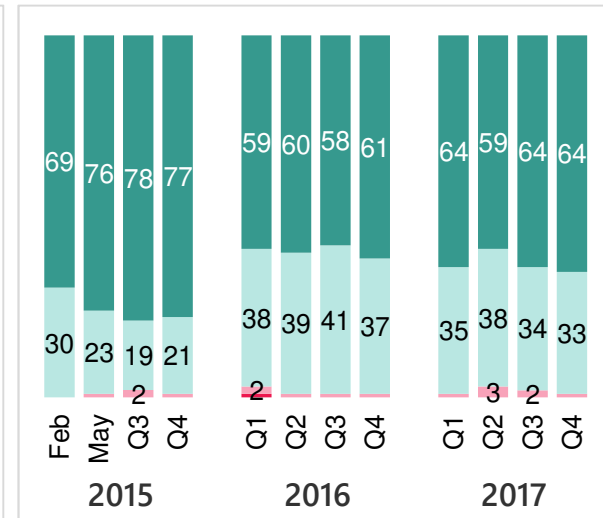
...for mortgage industry



...for intermediary sector



...for own business

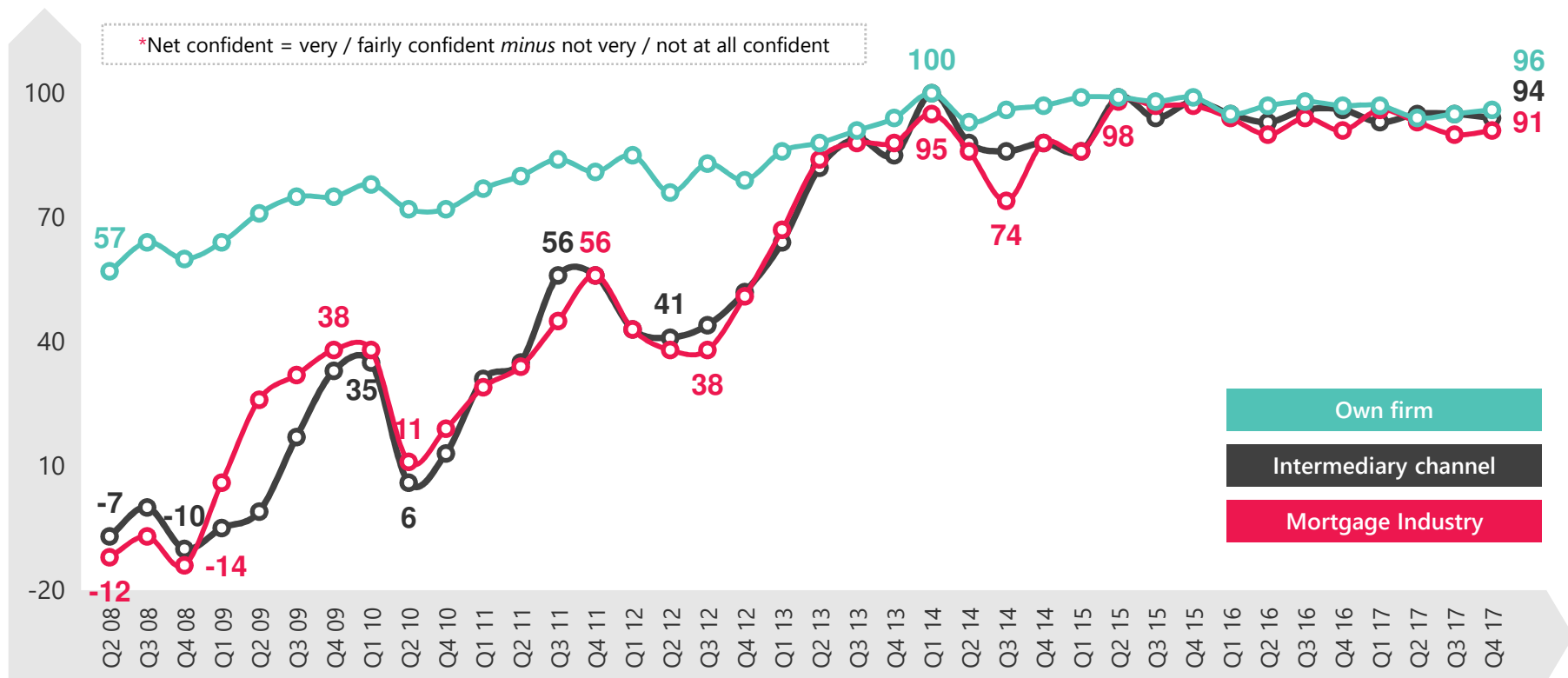


- Very confident
- Fairly confident
- Not very confident
- Not at all confident

QH1a. Currently, how confident do you feel about the business outlook for the mortgage industry?
 QH1b. And how confident do you feel about the business outlook for the intermediary sector of the mortgage industry?
 QH1c. And how confident do you feel about the business outlook for your own firm?
 Base: All respondents (300)

Net* intermediary confidence trends











We saw very little change in net confidence levels in Q4, with all three measures remaining at the high levels seen for some time.



QH1a. Currently, how confident do you feel about the business outlook for the mortgage industry?
 QH1b. And how confident do you feel about the business outlook for the intermediary sector of the mortgage industry?
 QH1c. And how confident do you feel about the business outlook for your own firm?
 Base: All respondents (300)

Q4 2017: Reasons for felt level of confidence

Confidence in their own firm was linked to the strengths of their business and the strong levels of demand. Meanwhile uncertainty, competition and regulation dampened confidence.

			Very confident	Fairly/ not confident
	Qualities of this business	Well established, good team, hard working, experienced, large client base, strong, honest and reliable, diversified (not reliant only on mortgages)	✓✓✓	✓✓
	Business is strong	Growing, getting busier, new clients, good retention, repeat business, referrals / recommendations from clients or other professionals	✓✓	✓
	Positive market backdrop	Interest rates still low, people will always want to buy a home, demand for re-mortgages will rise if rates rise, lenders allowing brokers to do retention products	✓✓	✓
	Demand for intermediaries/ advice	More people turning to brokers/ need advice – because of regulation and because banks are pulling back from giving advice	✓	✓
	Uncertainty	What will happen with rates & Brexit? Will they depress willingness to buy?		✓
	Good products	We can offer good / great products / exclusives	✓	✓
	Competition	Threat from online businesses - robo-advice and estate agents like Purple Bricks – while we have not modernised		✓
	Tough market	It's a tough market at the moment		✓
	Tighter rules	New rules and regulations coming in. Lenders tightening criteria		✓
	Retirement	Getting close to retiring / will retire in 3 years. I'm slowing down, pulling back on marketing		✓

Reasons for felt level of confidence in own business

Qualities of business

It has been developing for 26 years and an excellent client base and referrals with each generation.

(Very Confident)

Business is strong

The last year has been very very busy and I have a large client base.

(Very Confident)

Positive market backdrop

The market is buoyant. Lenders are relaxing in terms of criteria. Getting an offer is easier than ever.

(Very Confident)

Demand for intermediaries

This is because banks and building societies are now moving away from giving mortgage advice. Intermediaries are there to fill that void..

(Very Confident)

Uncertainty

No way of gauging what will happen with interest rates and Brexit. Recent dip in business.

(Fairly Confident)

Competition

This is because at the moment we are rebuilding our brand. Other agents like purple bricks etc, are new to the market and competing with us.

(Fairly Confident)

Tough market

Recently housing market has a downturn. Too much regulation. Lenders frightened to lend.

(Fairly Confident)

Tighter rules

Unfortunately with the new rules and regulations coming in and the lenders cranking up their criteria it makes it a bit difficult.

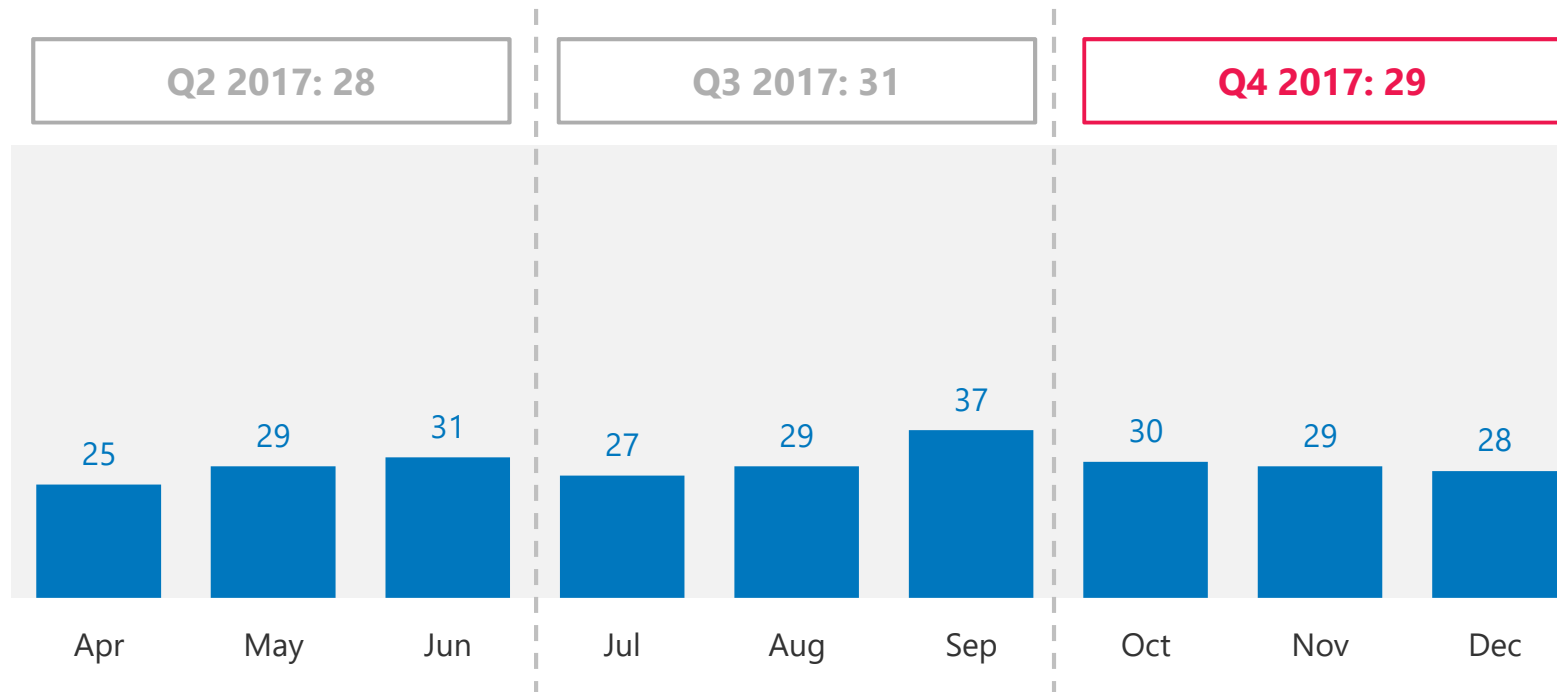
(Fairly Confident)

3

Business flow

Average number of DIPs in last 3 months

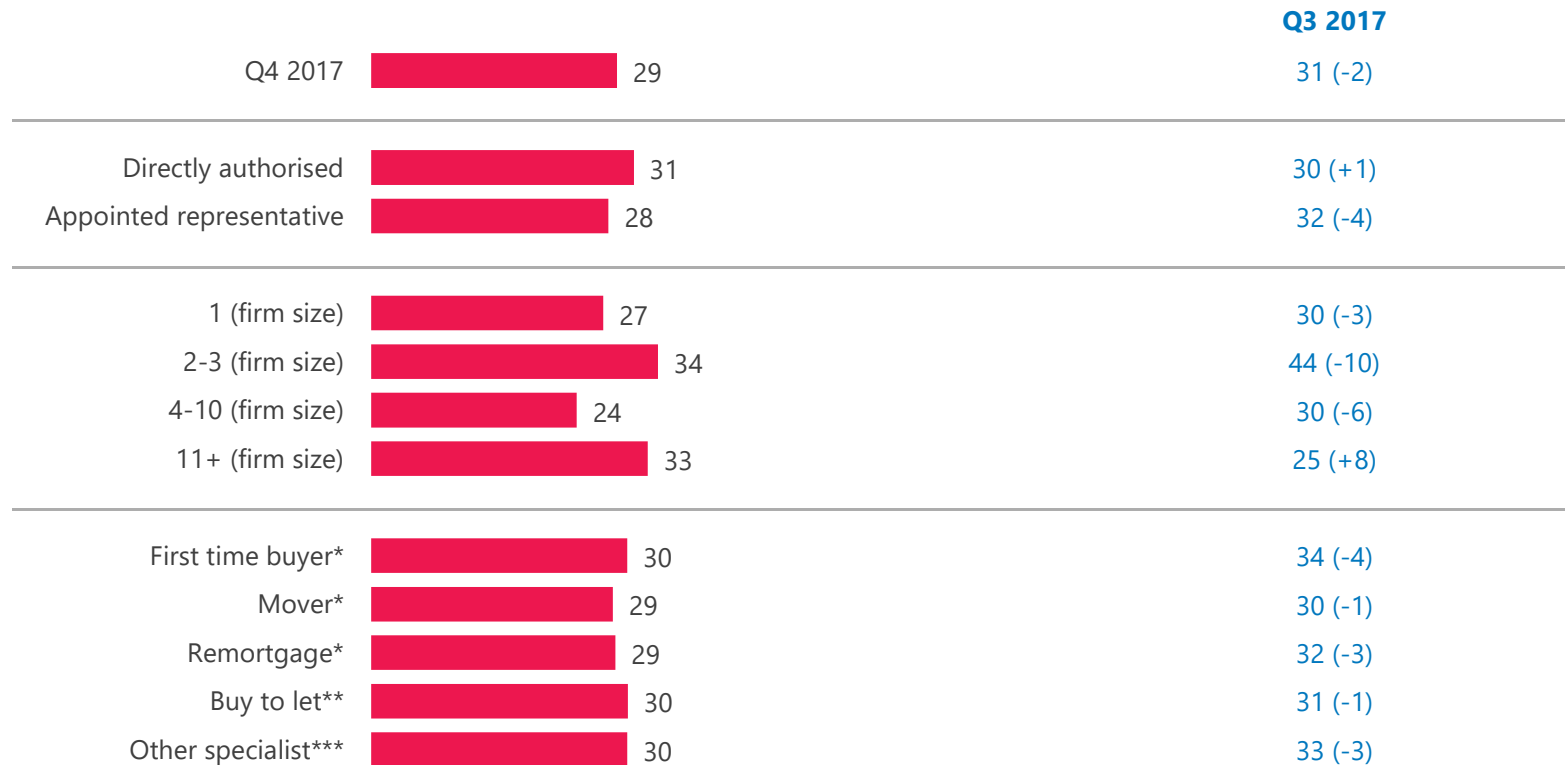
Following a strong uplift in the average number of DIPs in Q3 (reaching 37 in September), we saw this drop back in Q4 (down to 28 in December).



QHX1. In the last 3 months, approximately how many DIPs have you dealt with personally?
Base: All Q4 respondents (300)

Average number of DIPs – By business

The average number of DIPs decreased among those dealing with all types of mortgage. There was a stronger decrease among mid-sized firms.

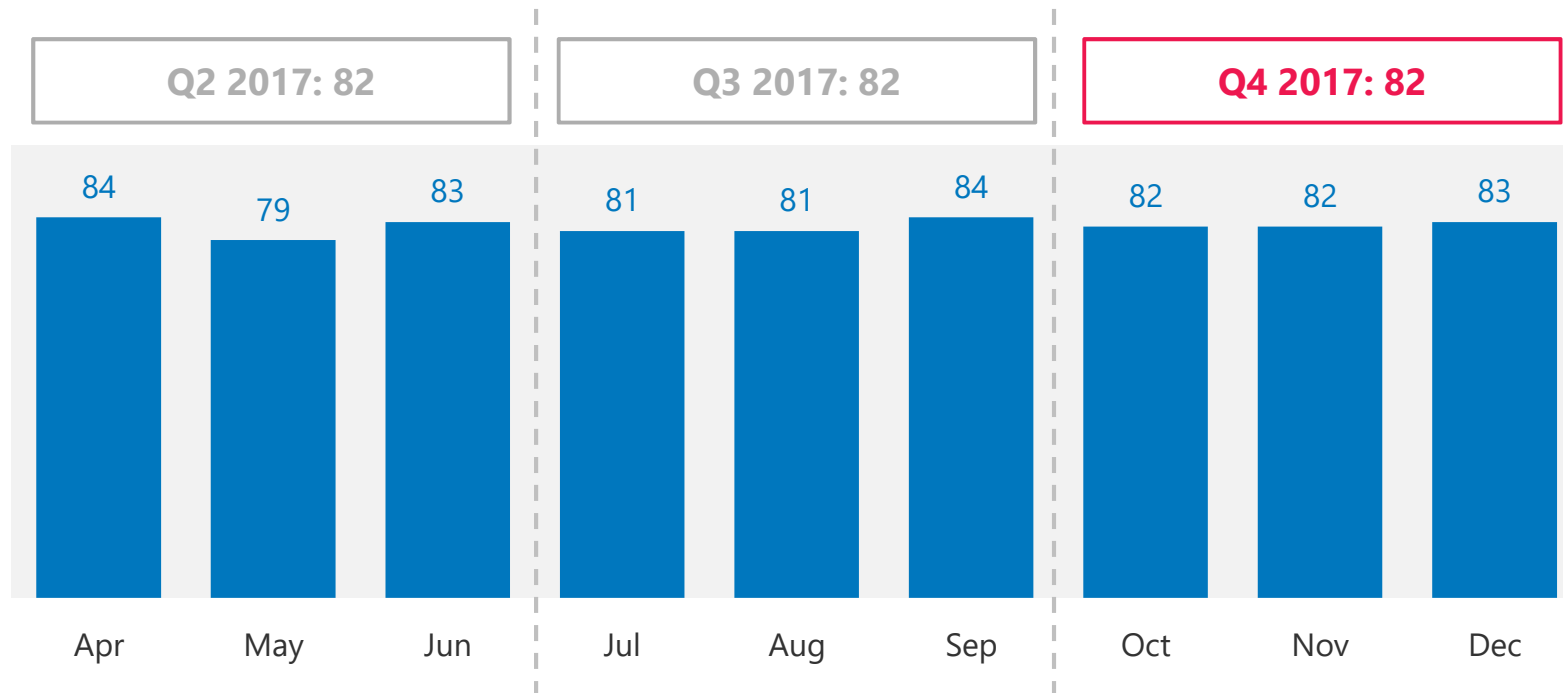


QHX1. In the last 3 months, approximately how many DIPs have you dealt with personally?
Base: All Q4 respondents (300)

* At least 4 out of every 10 residential mortgages placed
** At least 2 out of 10 mortgaged placed
*** Any mortgages placed

DIPs resulting in a DIP accept (%)

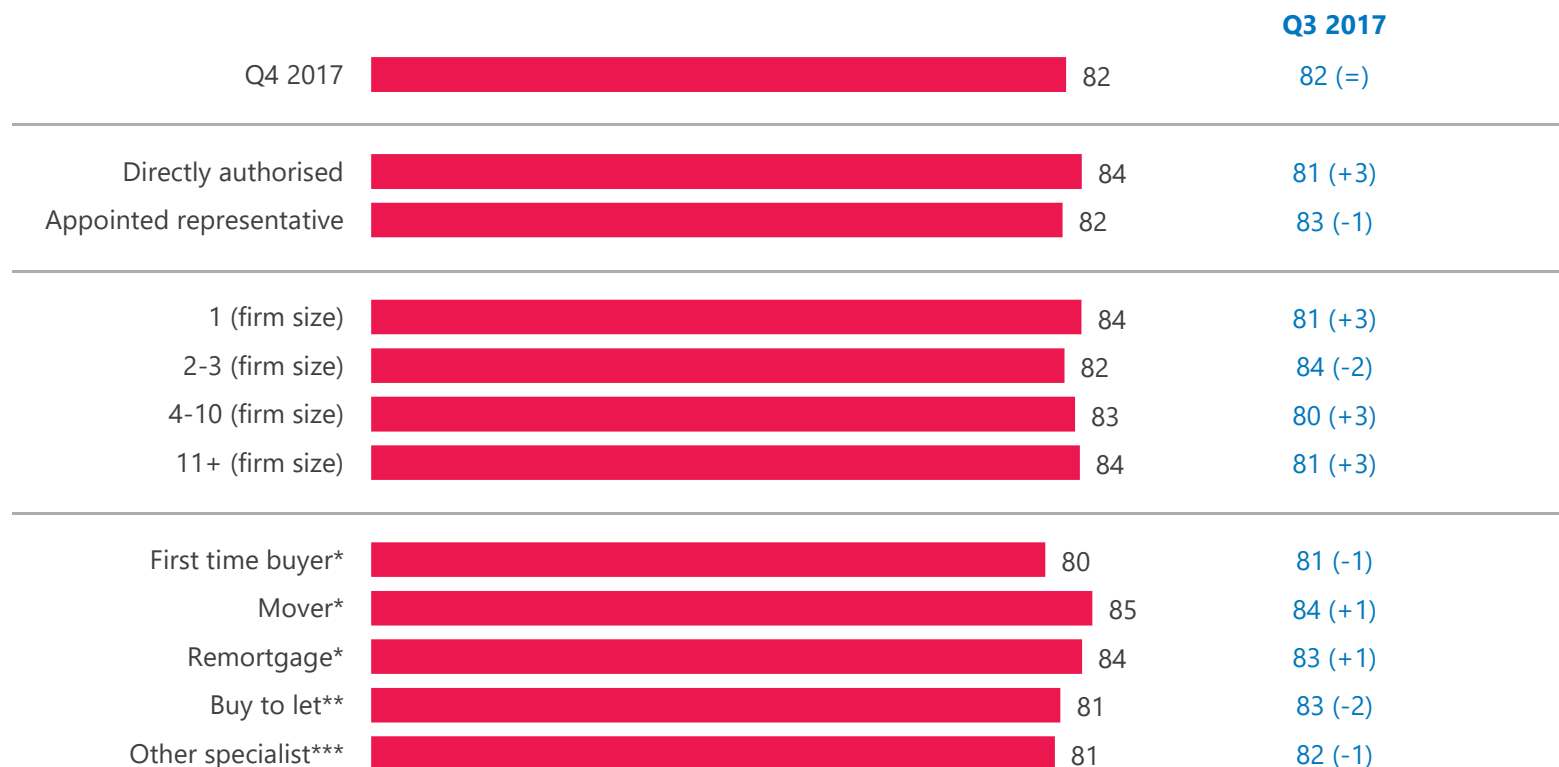
Just over 8 in 10 DIPs resulted in a DIP accept in Q4, a stable result for the third consecutive quarter.



QHX2. In the last 3 months, what proportion of these DIPs have resulted in a DIP accept?
Base: All Q4 respondents (300)

DIPs resulting in a DIP accept(%) – By business

Conversion from DIP to DIP accept was lowest among those dealing with first time buyer mortgages, and highest among those dealing with mover mortgages (as was the case in Q3).



QHX2. In the last 3 months, what proportion of these DIPs have resulted in a DIP accept?
Base: All Q4 respondents (300)

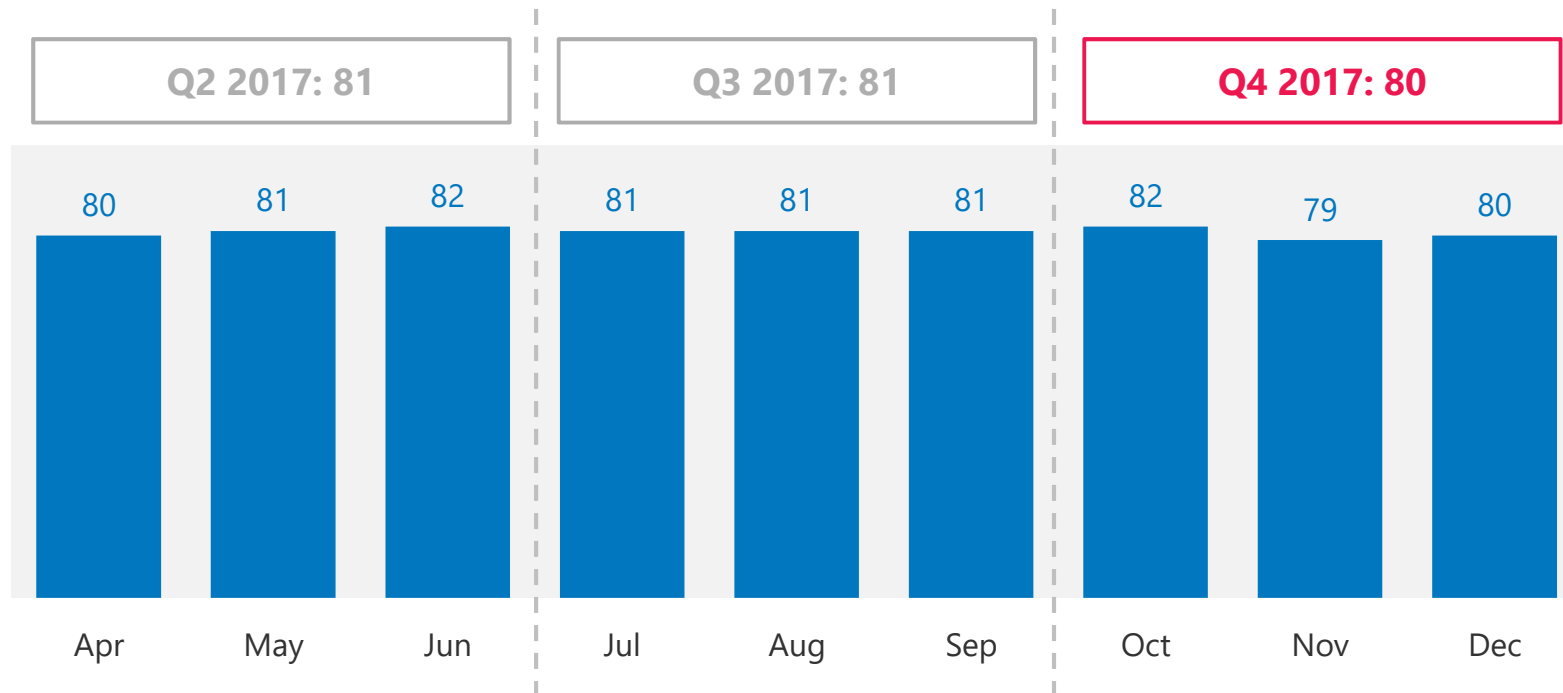
* At least 4 out of every 10 residential mortgages placed

** At least 2 out of 10 mortgaged placed

*** Any mortgages placed

DIP accepts resulting in a full application (%)

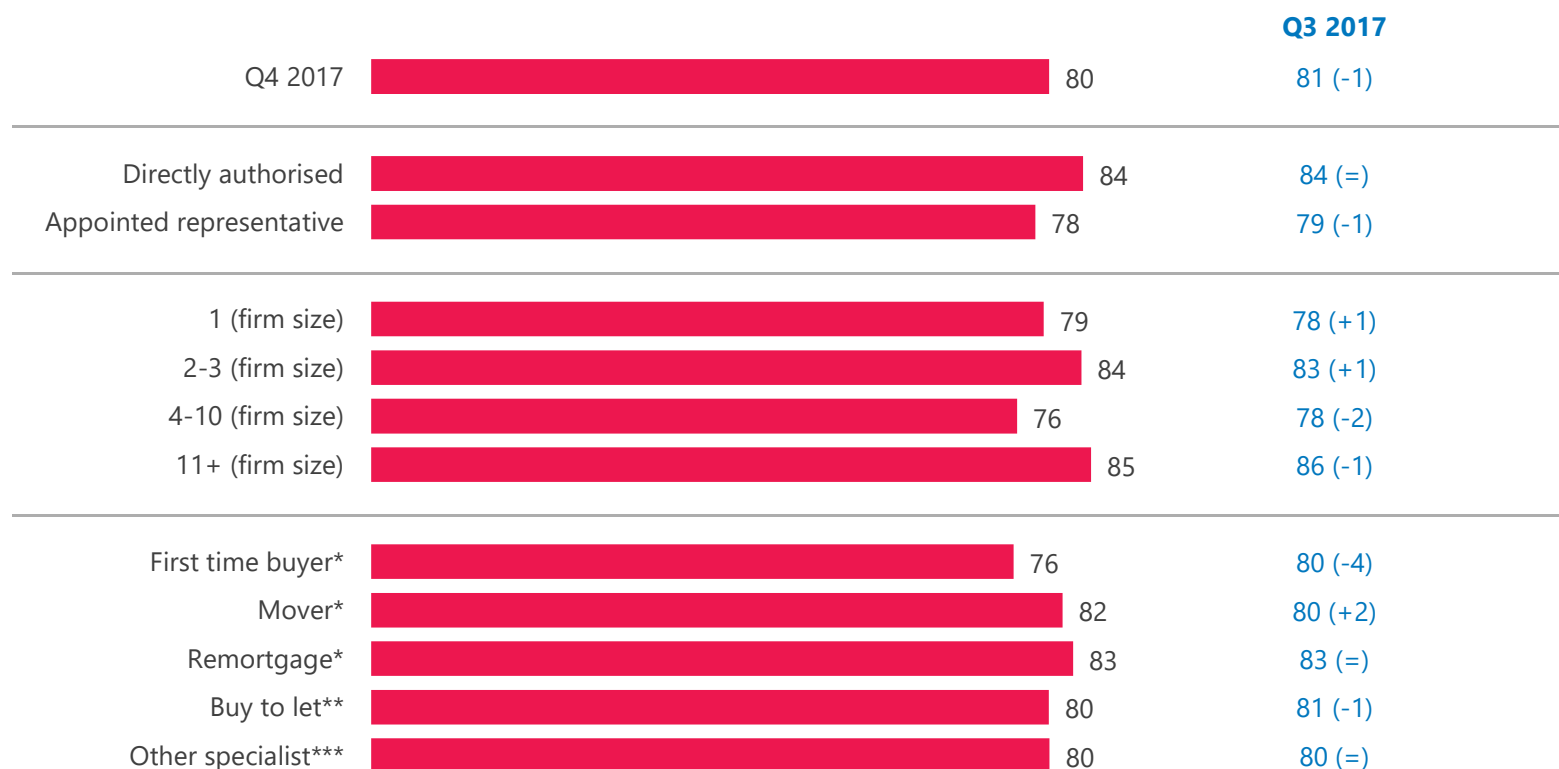
The proportion of DIP accepts resulting in a full application remained stable in Q4 at 80%.



QH3. In the last 3 months, what proportion of these DIP accepts have led to a full mortgage application?
Base: All Q4 respondents (300)

DIP accept resulting in a full app (%) – By business

The proportion of DIP accepts resulting in a full application remained higher among those dealing with remortgage cases.



QH3. In the last 3 months, what proportion of these DIP accepts have led to a full mortgage application?
Base: All Q4 respondents (300)

* At least 4 out of every 10 residential mortgages placed

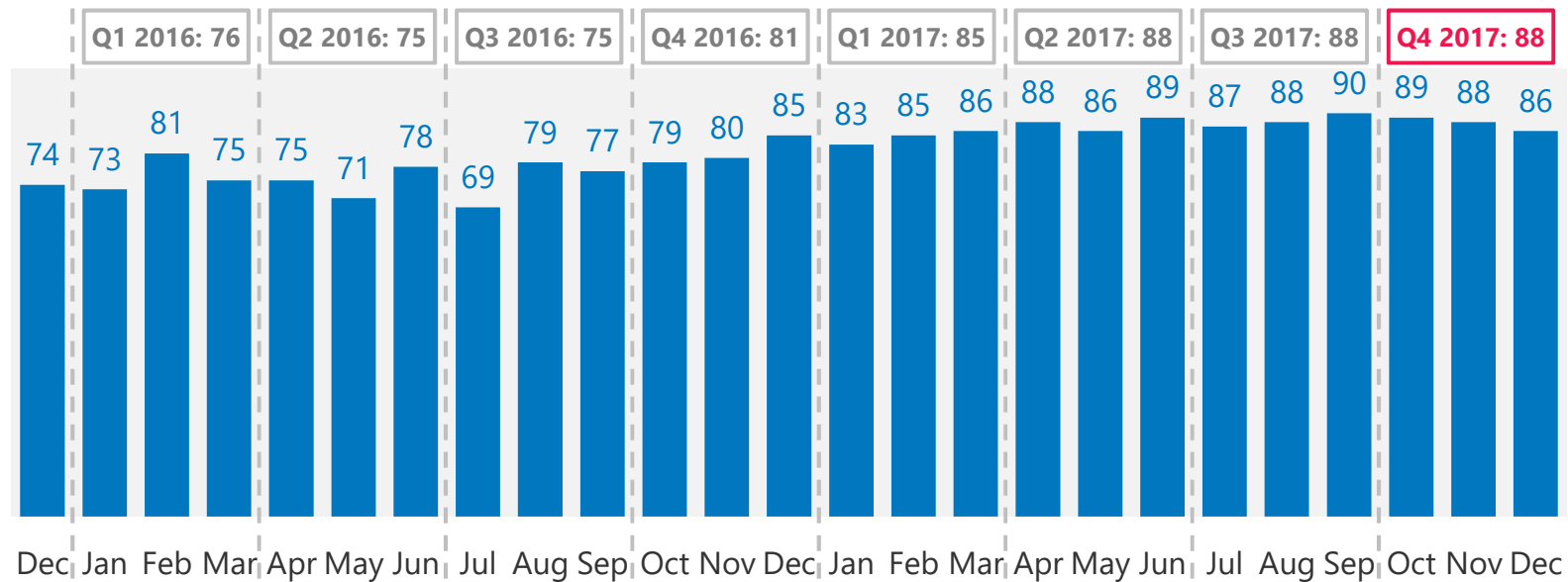
** At least 2 out of 10 mortgaged placed

*** Any mortgages placed



Full applications resulting in an offer (%)

88% of full applications resulted in an offer in Q4, consistent with the level seen the previous two quarters. However the conversion rate fell over the quarter.



QH4. In the last 3 months, what proportion of your full applications have led to an offer?
Base: All Q4 respondents (300)

Full applications to offer (%) – By business

The proportion of full applications resulting in an offer was highest among those dealing with mover mortgages.



QH4. In the last 3 months, what proportion of your full applications have led to an offer?
Base: All Q4 respondents (300)

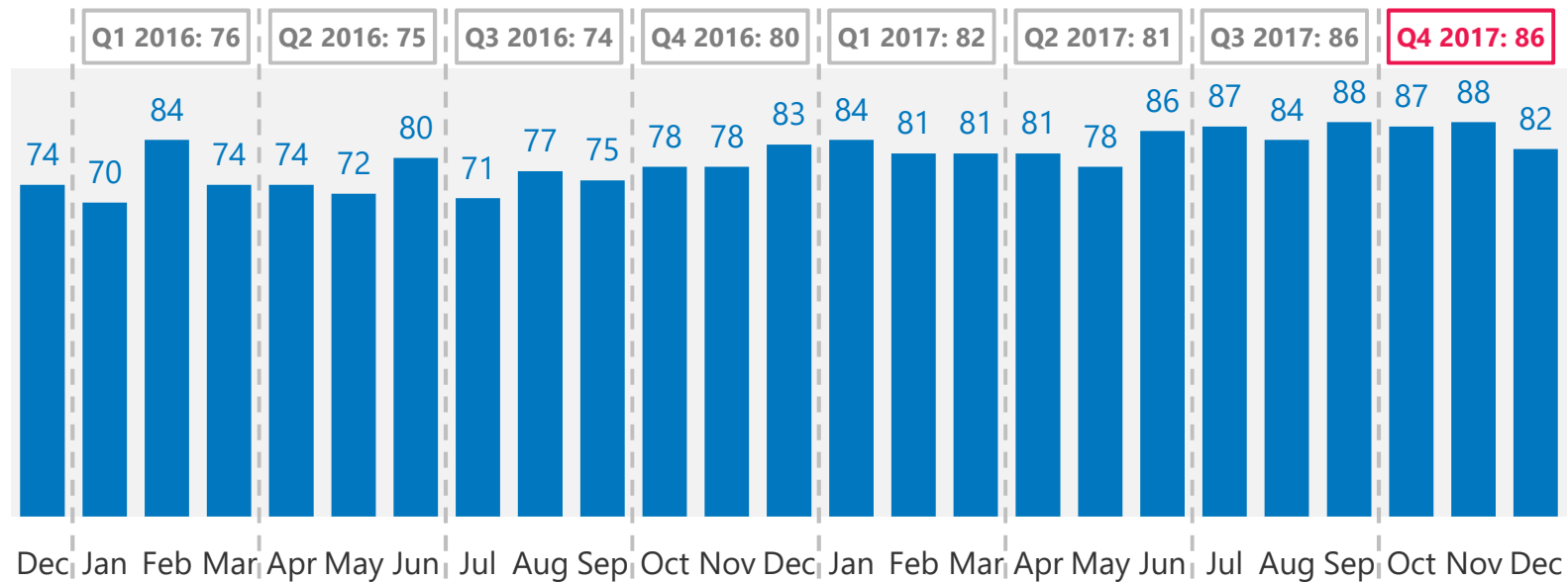
* At least 4 out of every 10 residential mortgages placed

** At least 2 out of 10 mortgaged placed

*** Any mortgages placed

Offers resulting in a completion (%)

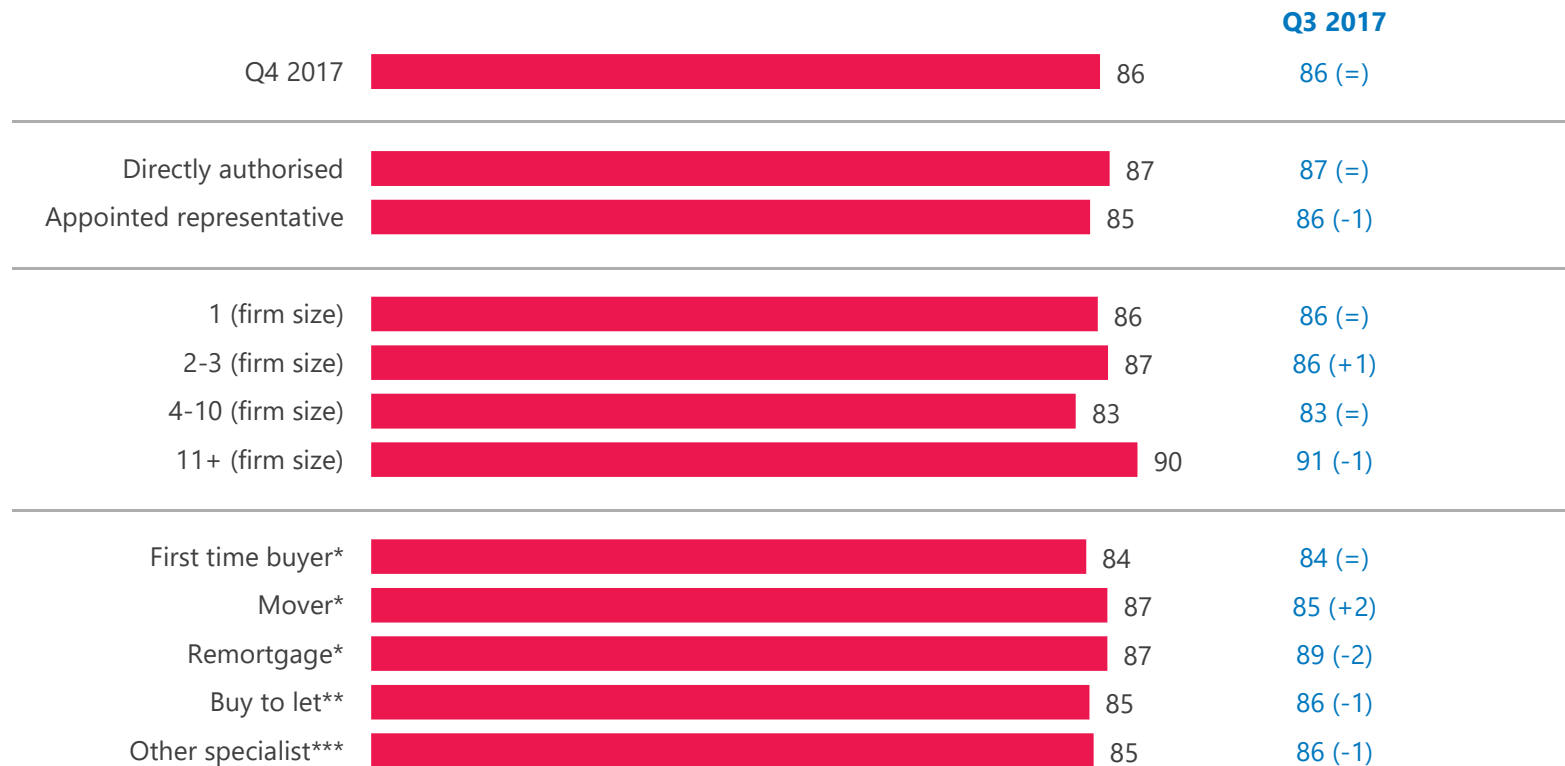
86% of offers resulted in a completion in Q4, in line with Q3 conversion levels. However the conversion level dropped in December, back to the levels seen in the first half of the year.



QH5. And in the last 3 months, what proportion of your client's mortgage offers have led to a completion?
Base: All Q4 respondents (300)

Offers resulting in a completion (%) – By business

The proportion of mortgage offers resulting in a completion was highest among those dealing with mover and remortgage cases.

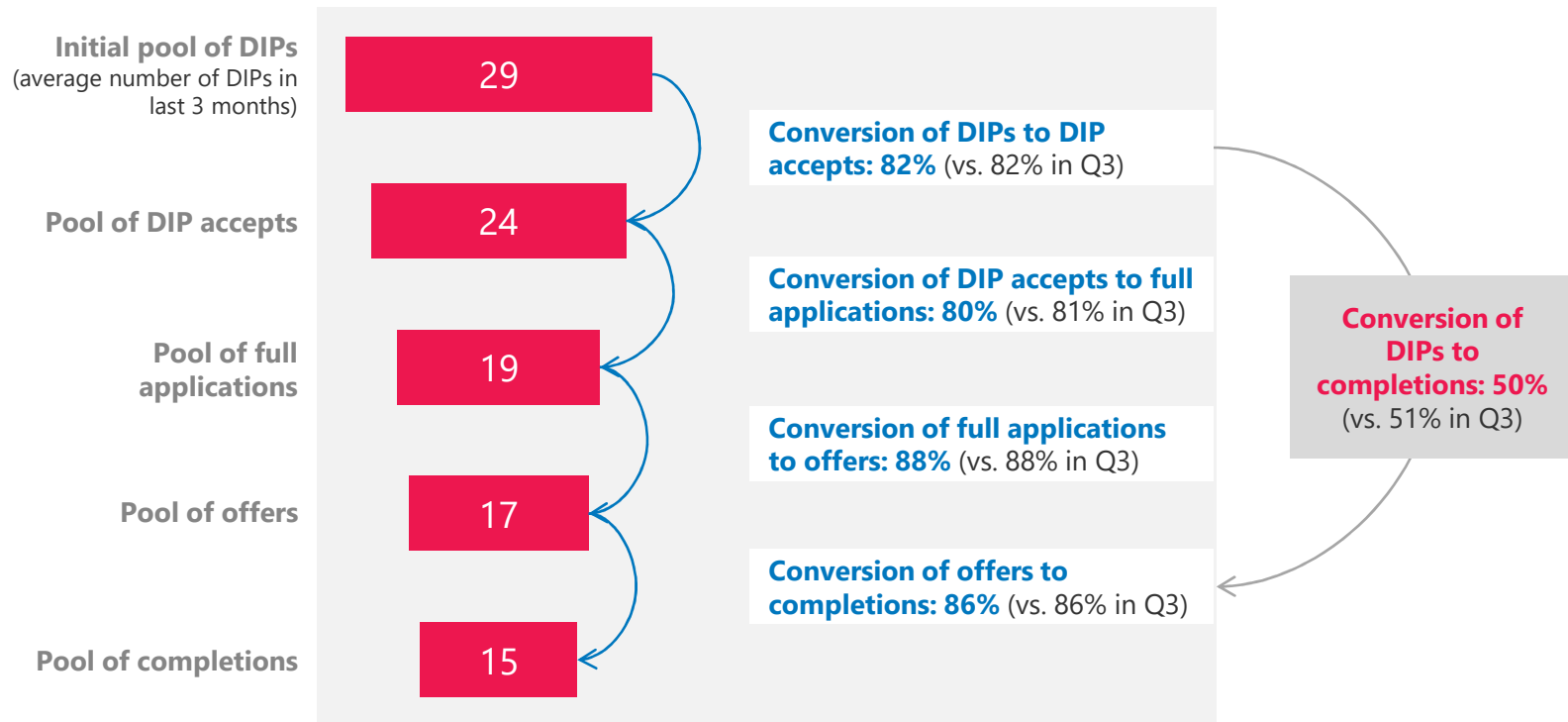


QH5. And in the last 3 months, what proportion of your client's mortgage offers have led to a completion?
Base: All Q4 respondents (300)

* At least 4 out of every 10 residential mortgages placed
** At least 2 out of 10 mortgaged placed
*** Any mortgages placed

Conversion from DIP to completion

Overall 50% of DIPs resulted in a completion in Q4. The stage where we saw the most drop outs is between DIP accept and full application.



QHX1. In the last 3 months, approximately how many DIPs have you dealt with personally?

QHX2. In the last 3 months, what proportion of these DIPs have resulted in a DIP accept?

QH3. In the last 3 months, what proportion of these DIP accepts have led to a full mortgage application?

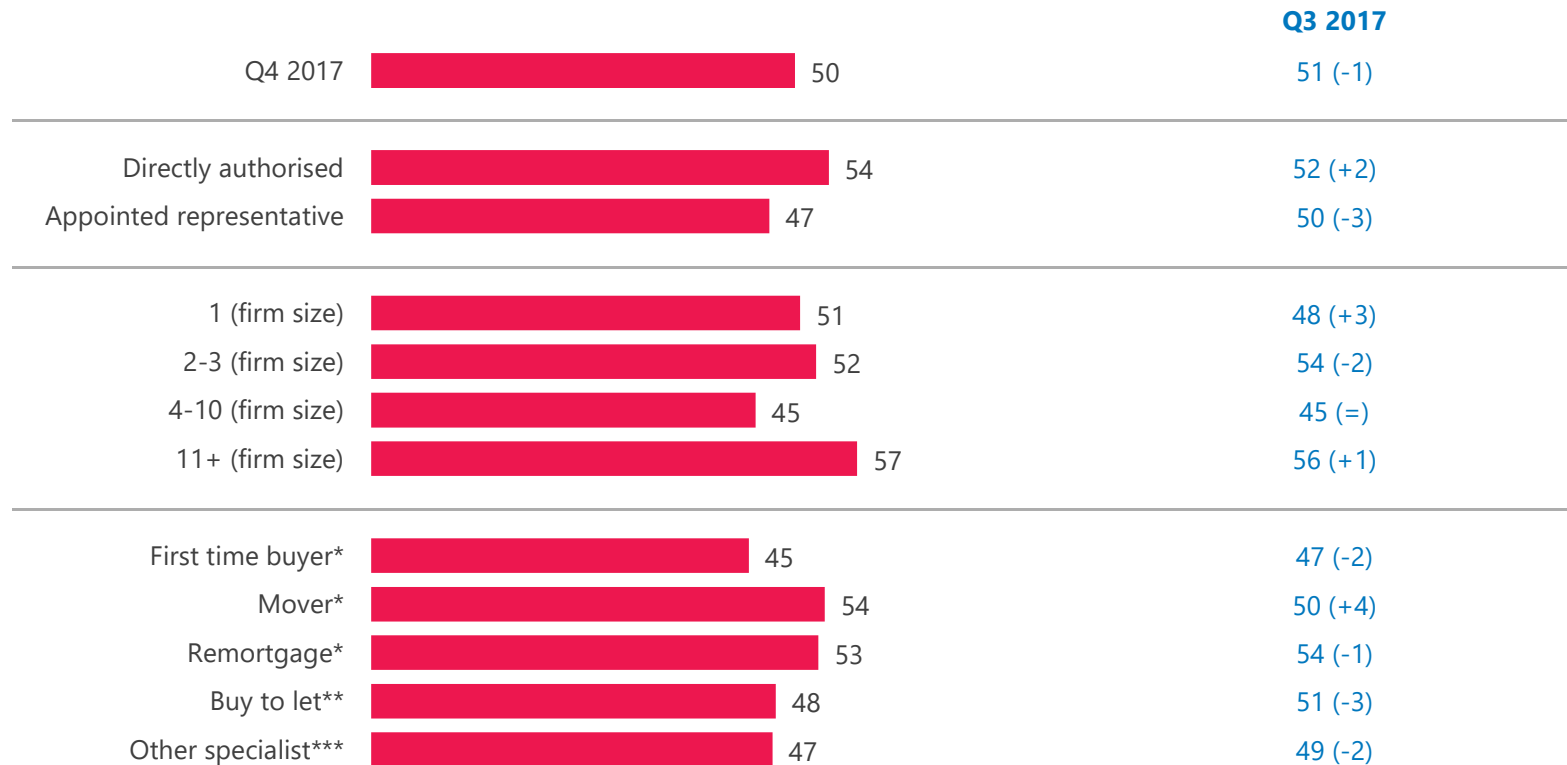
QH4. In the last 3 months, what proportion of your full applications have led to an offer?

QH5. And in the last 3 months, what proportion of your client's mortgage offers have led to a completion?

Base: All Q4 respondents (300)

Conversion from DIP to completion by business

Conversion from DIP to completion was highest among those dealing with mover cases, and remained lowest among those dealing with first time buyer cases.



QHX1. In the last 3 months, approximately how many DIPs have you dealt with personally?

QHX2. In the last 3 months, what proportion of these DIPs have resulted in a DIP accept?

QH3. In the last 3 months, what proportion of these DIP accepts have led to a full mortgage application?

QH4. In the last 3 months, what proportion of your full applications have led to an offer?

QH5. And in the last 3 months, what proportion of your client's mortgage offers have led to a completion?

Base: All Q4 respondents (300)

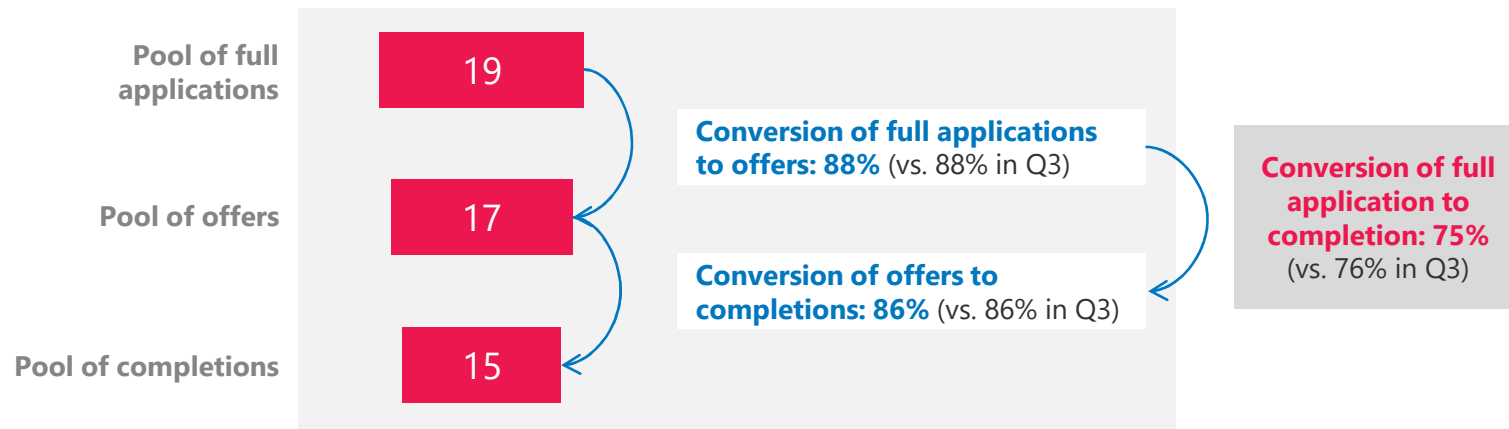
* At least 4 out of every 10 residential mortgages placed

** At least 2 out of 10 mortgaged placed

*** Any mortgages placed

Conversion from full application to completion

Three-quarters of full applications resulted in a completion in Q4, a stable result vs. Q3.



QHX1. In the last 3 months, approximately how many DIPs have you dealt with personally?

QHX2. In the last 3 months, what proportion of these DIPs have resulted in a DIP accept?

QH3. In the last 3 months, what proportion of these DIP accepts have led to a full mortgage application?

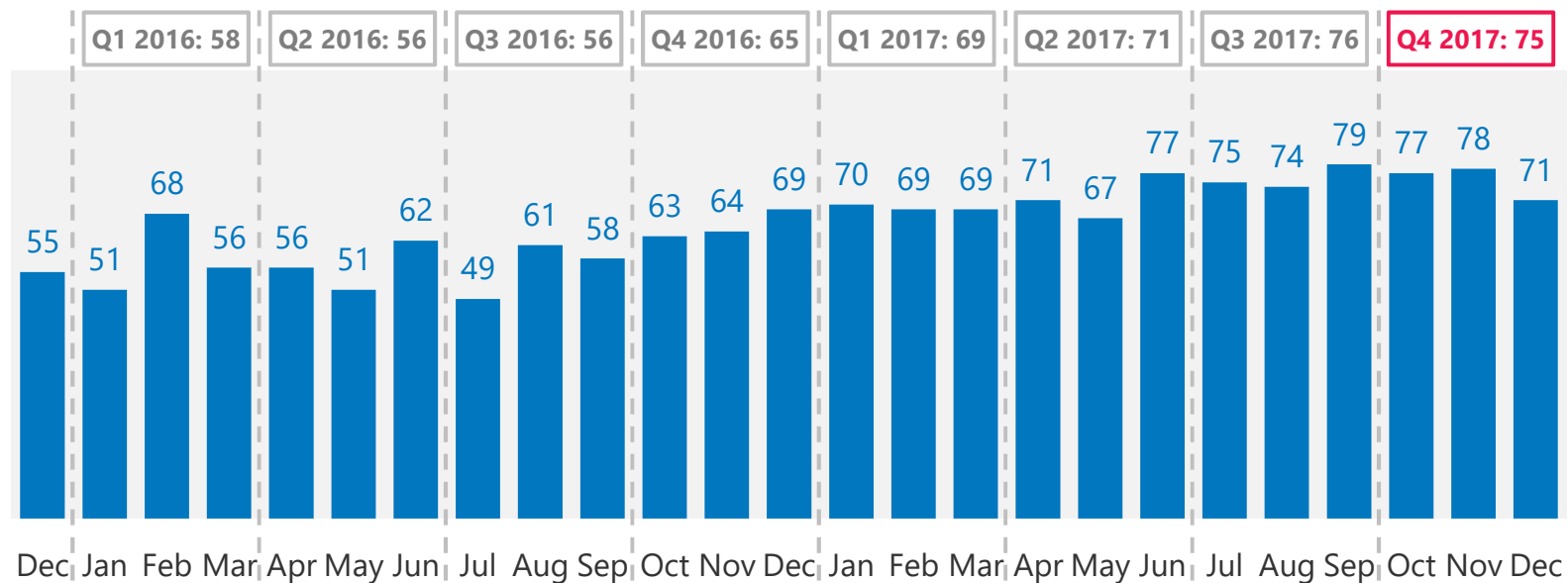
QH4. In the last 3 months, what proportion of your full applications have led to an offer?

QH5. And in the last 3 months, what proportion of your client's mortgage offers have led to a completion?

Base: All Q4 respondents (300)

Conversion from full application to completion (%)

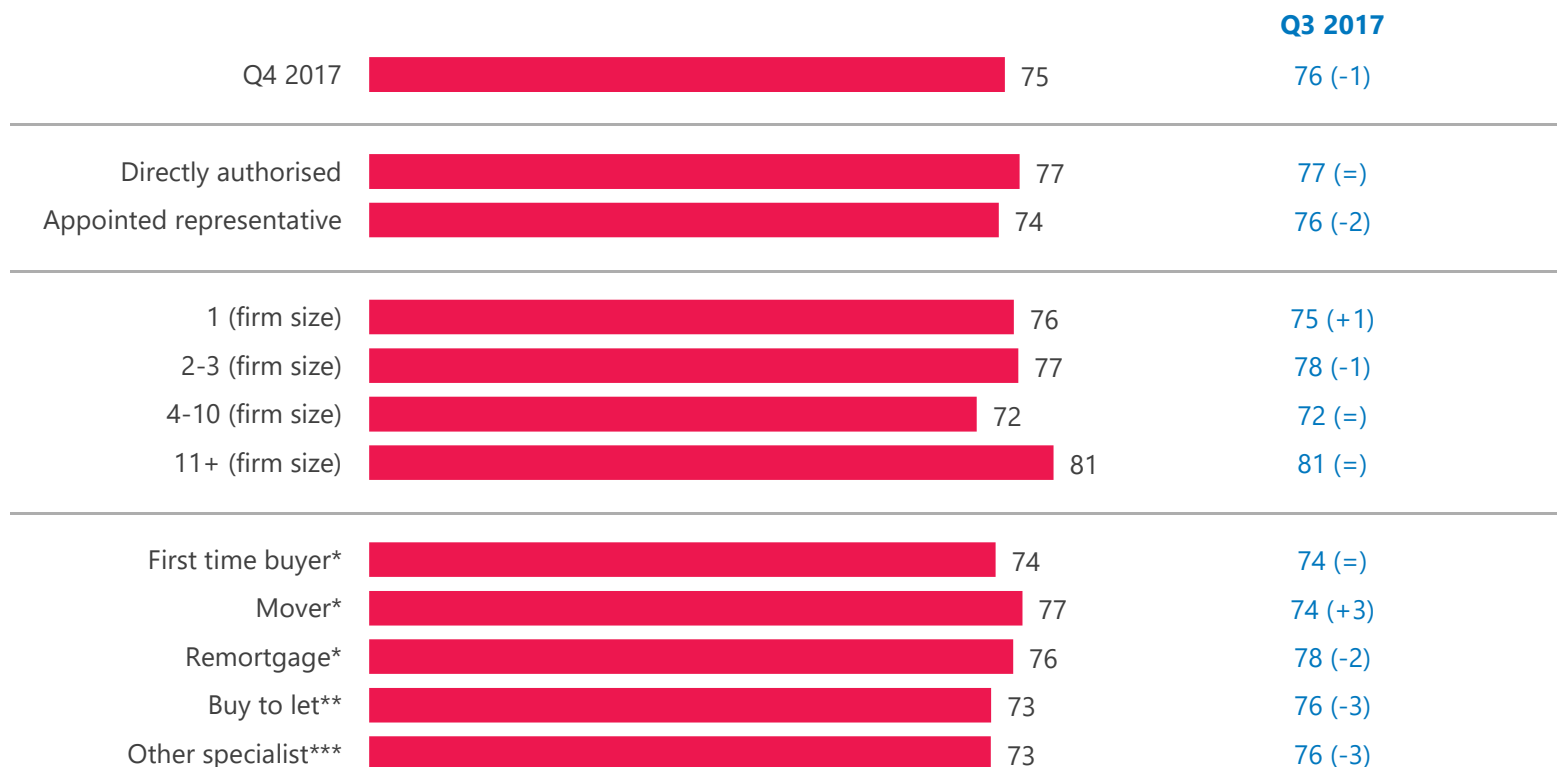
Following four consecutive quarterly increases in conversion from full application to completion, this levelled off in Q4. In particular conversion dropped in December (from 78% to 71%).



QH4. In the last 3 months, what proportion of your full applications have led to an offer?
QH5. And in the last 3 months, what proportion of your client's mortgage offers have led to a completion?
Base: All Q4 respondents (300)

Conversion from full app to completion by business

Conversion from full application to completion was highest among those dealing with mover cases.



QH4. In the last 3 months, what proportion of your full applications have led to an offer?
 QH5. And in the last 3 months, what proportion of your client's mortgage offers have led to a completion?
 Base: All Q4 respondents (300)

* At least 4 out of every 10 residential mortgages placed


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Any questions


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