



IMLA Mortgage Market Tracker

Q1 2020

Prepared for the Intermediary Mortgage Lenders Association (IMLA)

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Background & methodology

Background & methodology

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

Existing business 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 **Q1 2020**.

WHO?

Mortgage Intermediaries – advise customers on which lender to use, 24+ mortgages pa, not tied wholly to one lender, GB based. Sample sourced from Touchstone and Autus

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 the Touchstone and Autus universes

Context

When reviewing this report, the following factors should be taken into account:

Fieldwork timings

The fieldwork for this quarter took place across January, February and March, a notably **unstable period**:

- In January, there were reported signs an emerging boom, with businesses reporting higher confidence off the back of Boris Johnson's election victory
- By March, this all changed as COVID-19 measures were introduced (starting with reduced interest rates, and then eventually resulting in the introduction of lock down measures)

Throughout this report, **monthly results** are included to allow us to look at the impact of these market changes.

Questionnaire change

Following client feedback, we made some changes to the **business classification** section of the survey from January:

- We previously split out residential mortgages to look at how many were for first time buyers vs. movers vs. remortgagers
- We have now updated this to look at how many were for first time buyers vs. movers vs. remortgagers (**including product transfers**)
- We have then added an additional question where we split out the proportion of full remortgagers vs. product transfers. The new split is shown in this report

Executive summary

Executive summary

Intermediary confidence dropped significantly in March; **47%** of intermediaries were not feeling confident about the outlook for the mortgage industry, up from just **4%** the previous month. Whilst they were a little more confident about the outlook for their own business, this also fell.

Looking at actual pipeline activity, conversion from offer to **completion** was the main part of the business flow hit by these changing market conditions. The proportion of offers resulting in a completion fell from **85%** in January to **73%** in March.

Intermediary confidence suffered as a result of a **slowdown in business, and physical restrictions** on activity. Still, some intermediaries were encouraged by their **resilient business models**, and the feeling that they would be able to ride the storm (as they have done before).

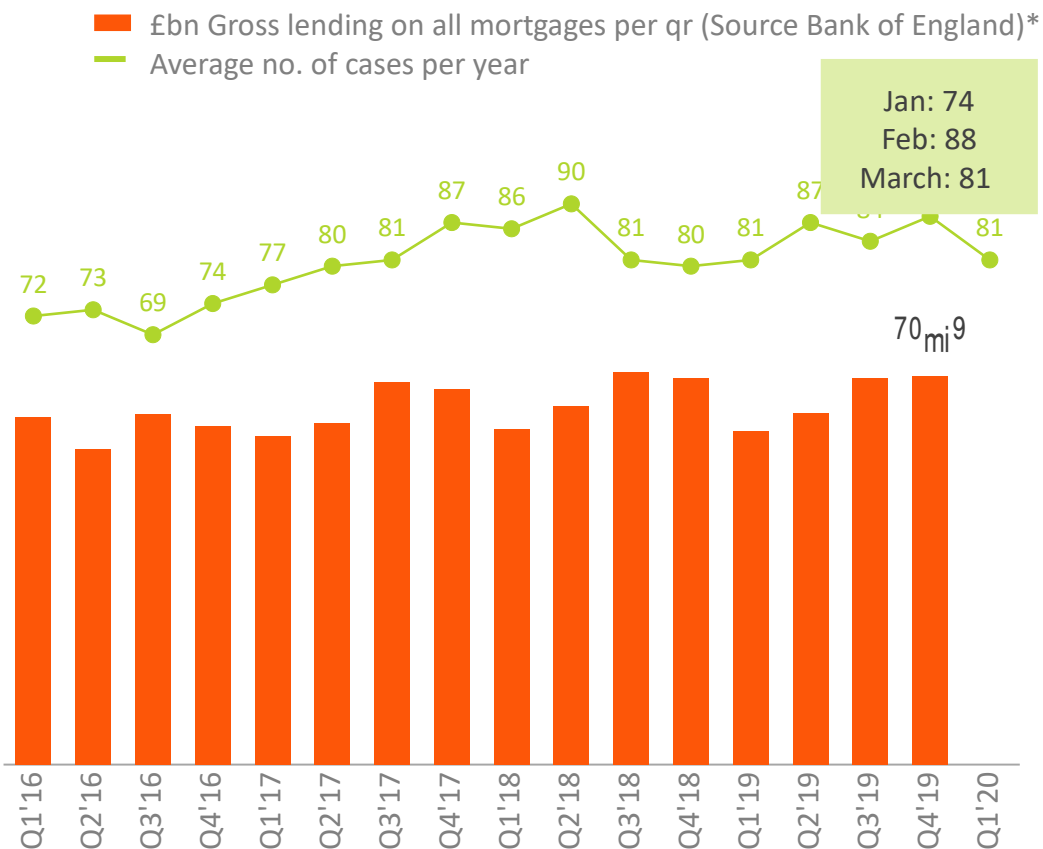
The immediate impact of COVID-19 for intermediaries appeared to be felt the hardest among **smaller businesses**, those dealing with **mover mortgages** (potentially looking to hold off and see what happens), and business in the **Midlands** (as well as the South to a lesser extent).

Business volumes and confidence

Claimed volumes of mortgage cases, per year

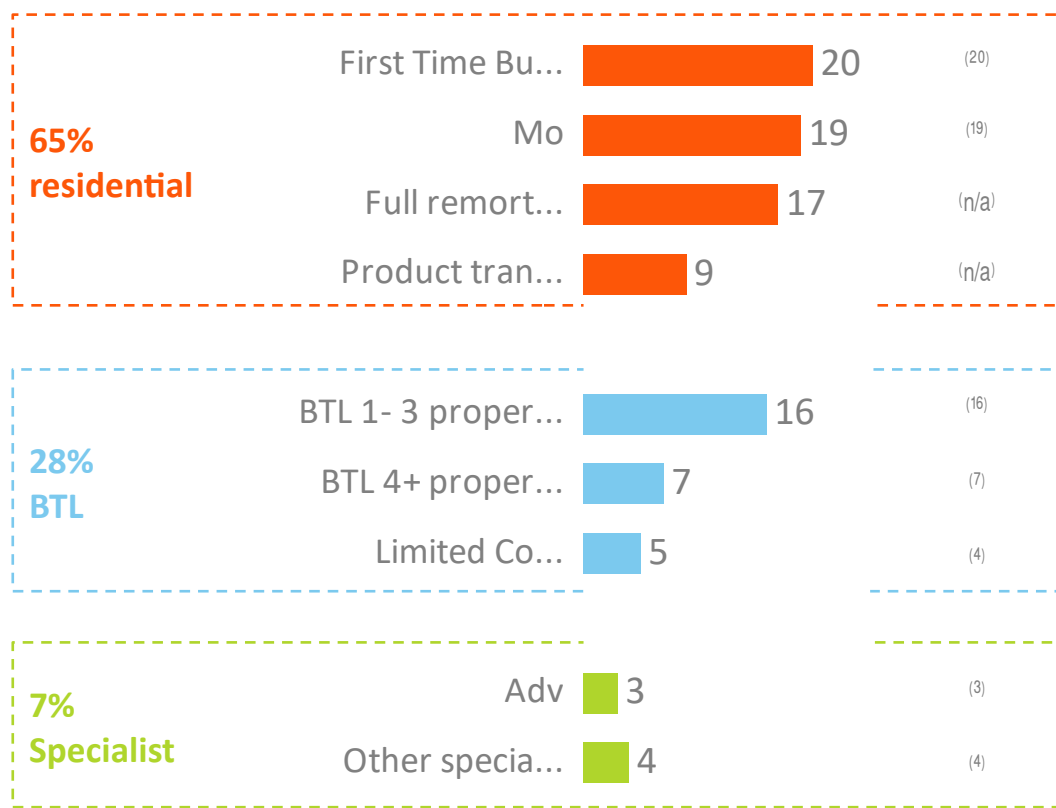
Claimed mortgage case loads dropped from 88 cases to 81 cases this quarter. However, the picture was more stable year-on-year, and business mix also remained stable. The new split of residential business, showed that approximately a third of remortgage activity was down to product transfers.

All mortgages



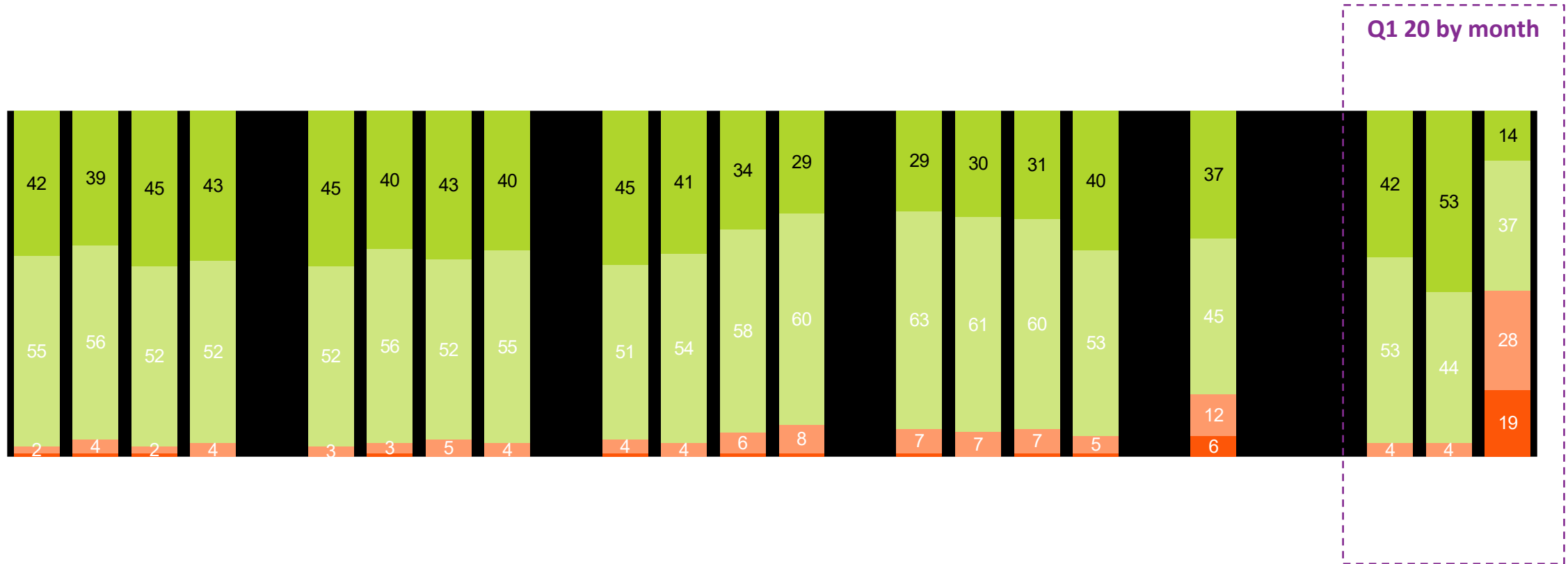
* Bank of England data for Q1 expected to be released on 1st May

Average business mix (% of all cases per year)



Confidence in outlook for mortgage industry

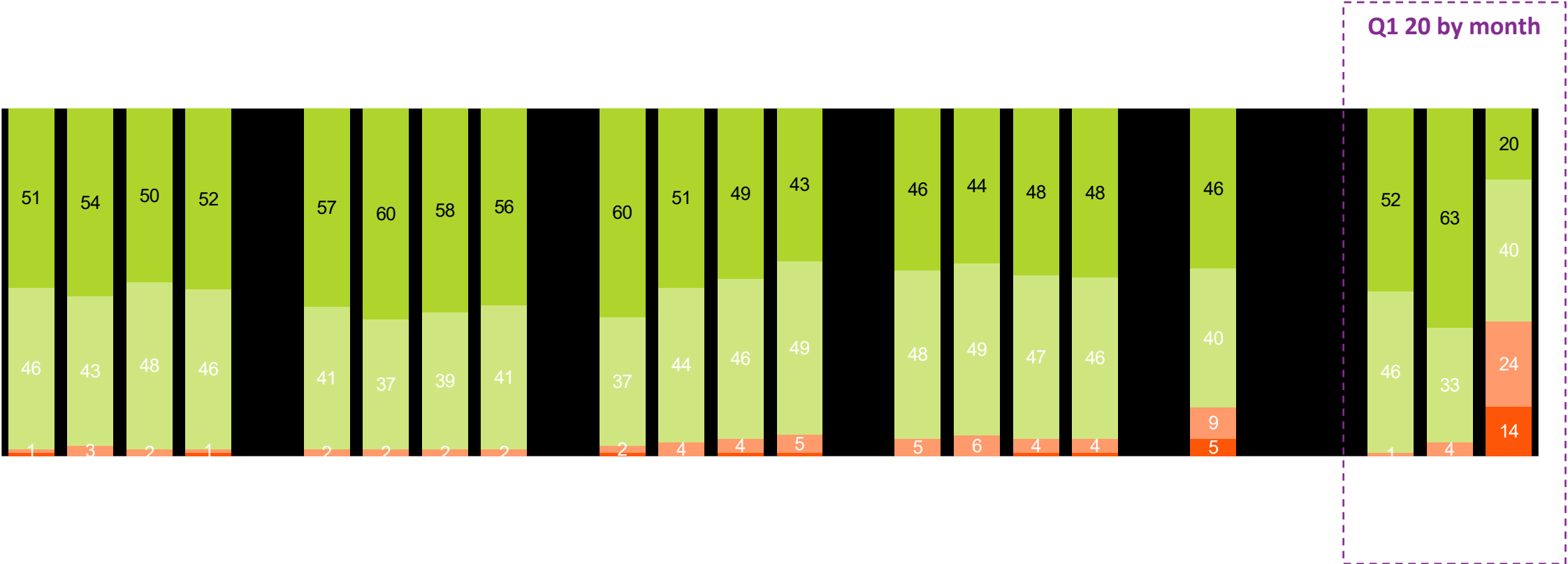
Confidence in the outlook for the mortgage industry peaked in February, before seeing a significant decline in March. By March, half of intermediaries were no longer feeling confident.



■ Very confident
 ■ Fairly confident
 ■ Not very confident
 ■ Not at all confident

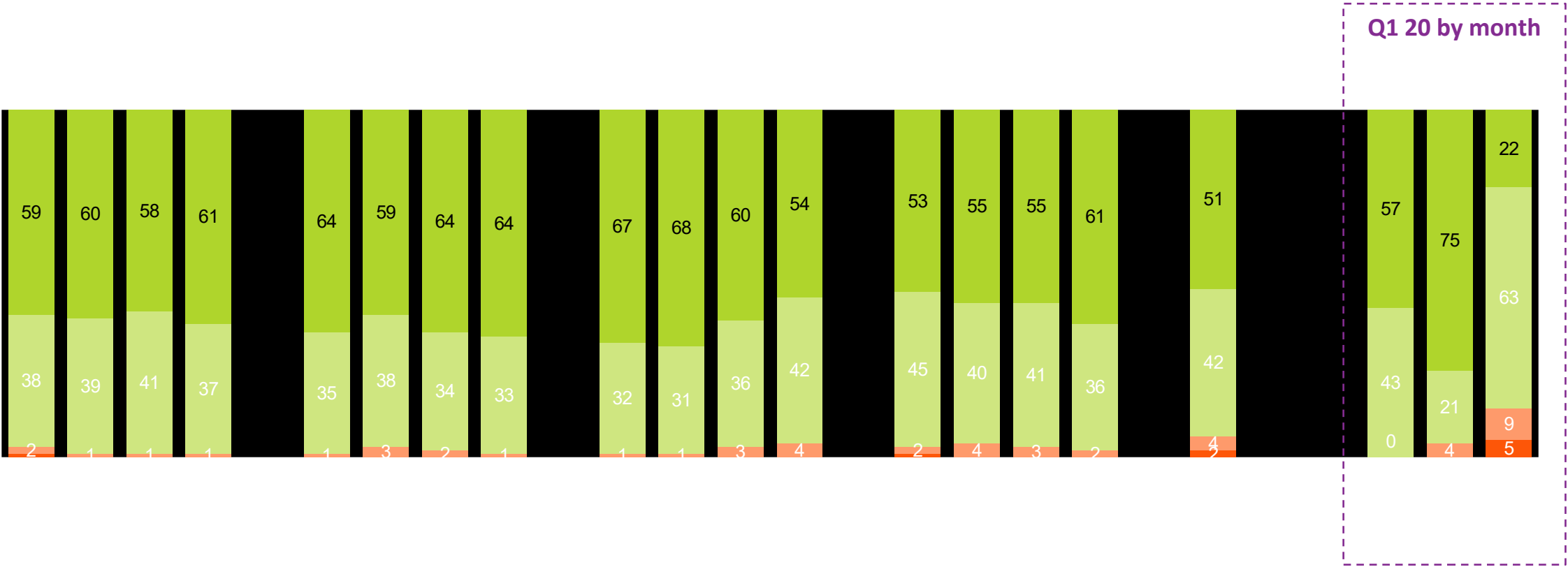
QH1a. Currently, how confident do you feel about the business outlook for the mortgage industry?
 Base: All respondents (303)

Confidence in outlook for intermediary sector



■ Very confident
 ■ Fairly confident
 ■ Not very confident
 ■ Not at all confident

Confidence in outlook for their own business



Very confident Fairly confident Not very confident Not at all confident

Reasons for felt level of confidence in one's own business...

Reasons for feeling more confident

- 1 Qualities of the business
- 2 Preparation and mitigation
- 3 Long term outlook is more stable

"Because of Coronavirus, most lenders have had to stop accepting applications right now, but lots of people will want to move property and move their mortgage after this. A lot of business might all come at once after this." (Fairly confident)

Reasons for feeling less confident

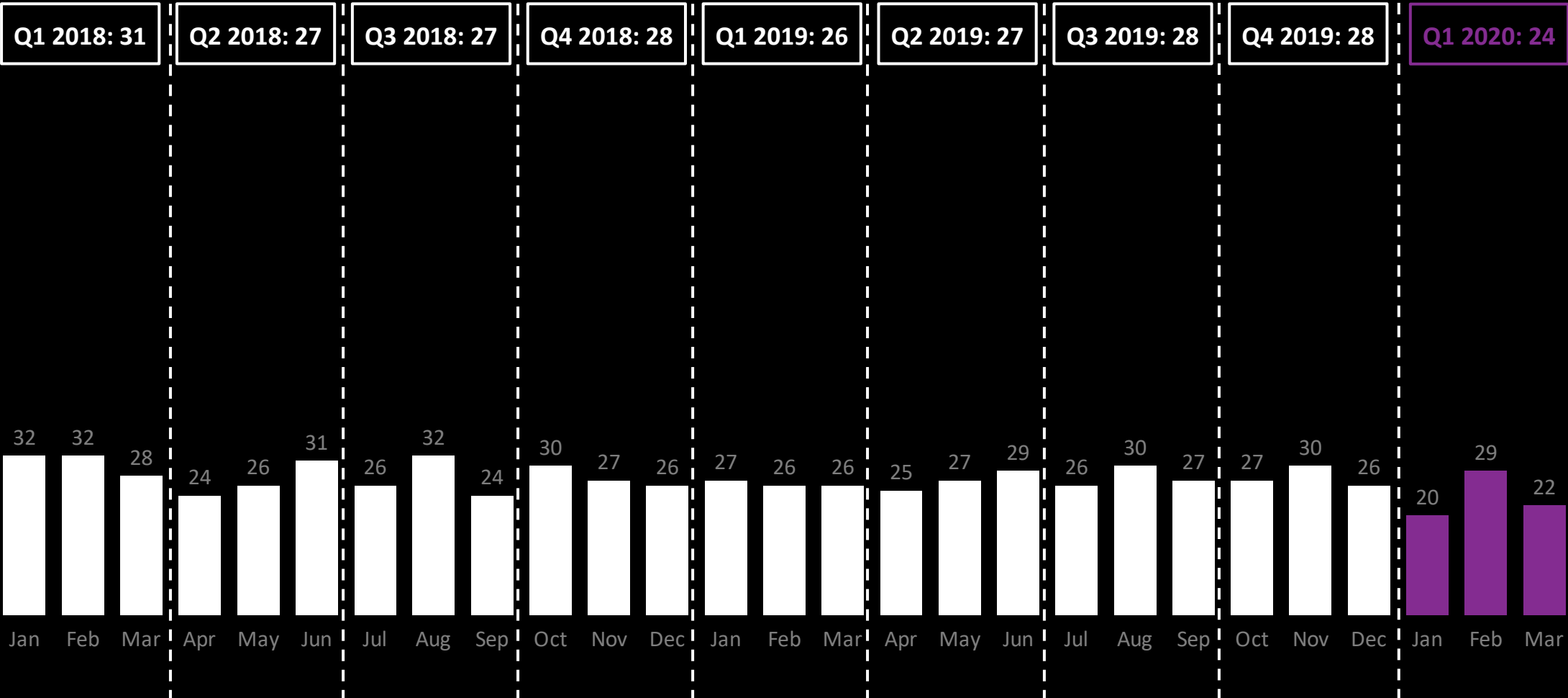
- 1 Slow down in business
- 2 Physical lockdown
- 3 Staff shortages

"I think that the current crisis and Covid-19 and people can't go to view houses so it's really slowing business down, maybe by about 80%." (Not very confident)

Business flow

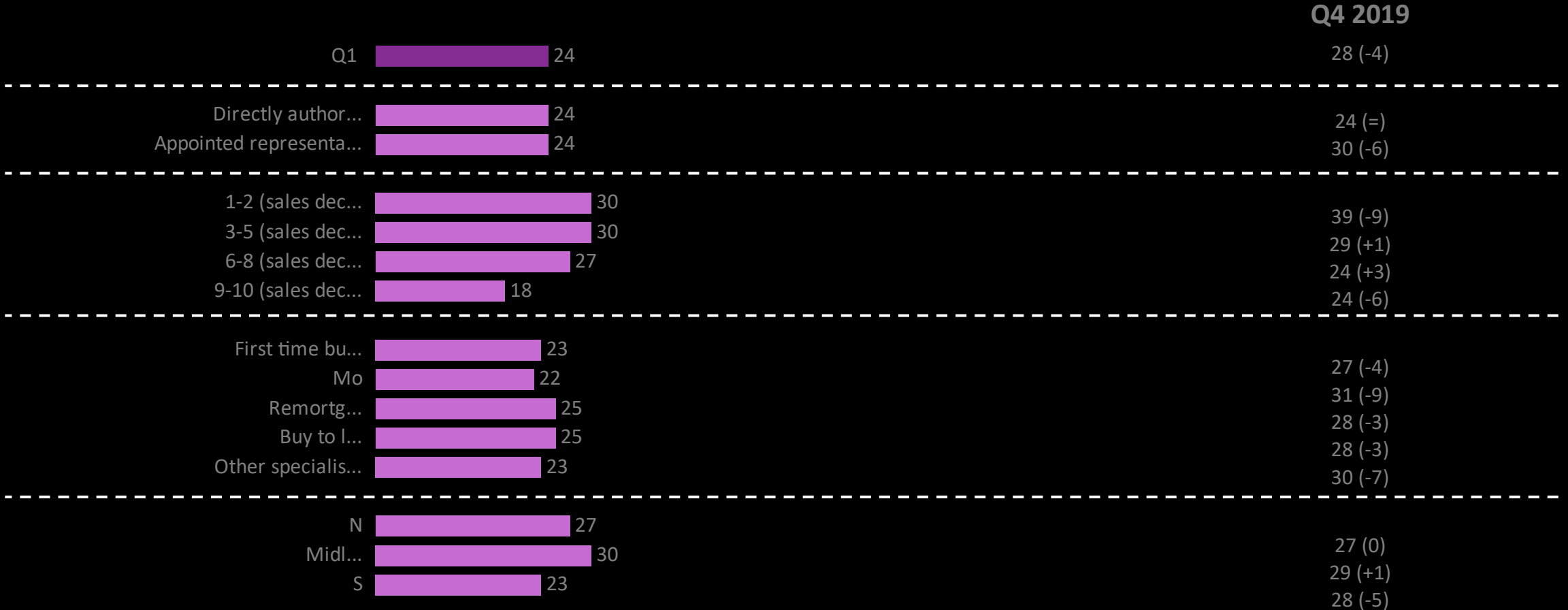
Average number of DIPs in last 3 months

The average number of DIPs that an intermediary dealt with dropped from 28 to 24 this quarter. Although this does not appear to be solely linked to COVID-19, with a decline also observed in January.



Average number of DIPs – By business

The average number of DIPs dealt with continued to be linked to firm size (by sales decile). The decline in the number of DIPs dealt with this quarter was observed in the South, with a more stable picture in the North and Midlands.

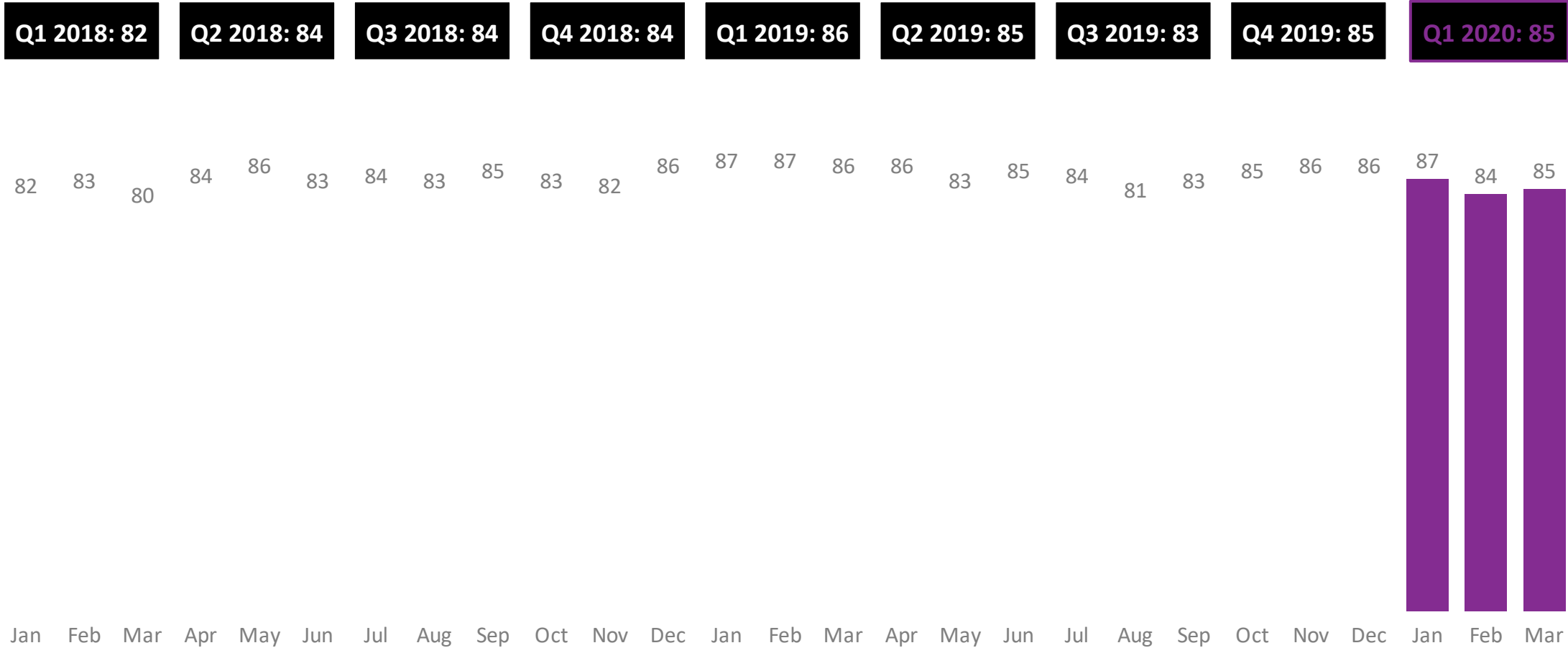


* At least 4 out of every 10 residential mortgages placed

** At least 2 out of 10 mortgages placed

*** Any mortgages placed

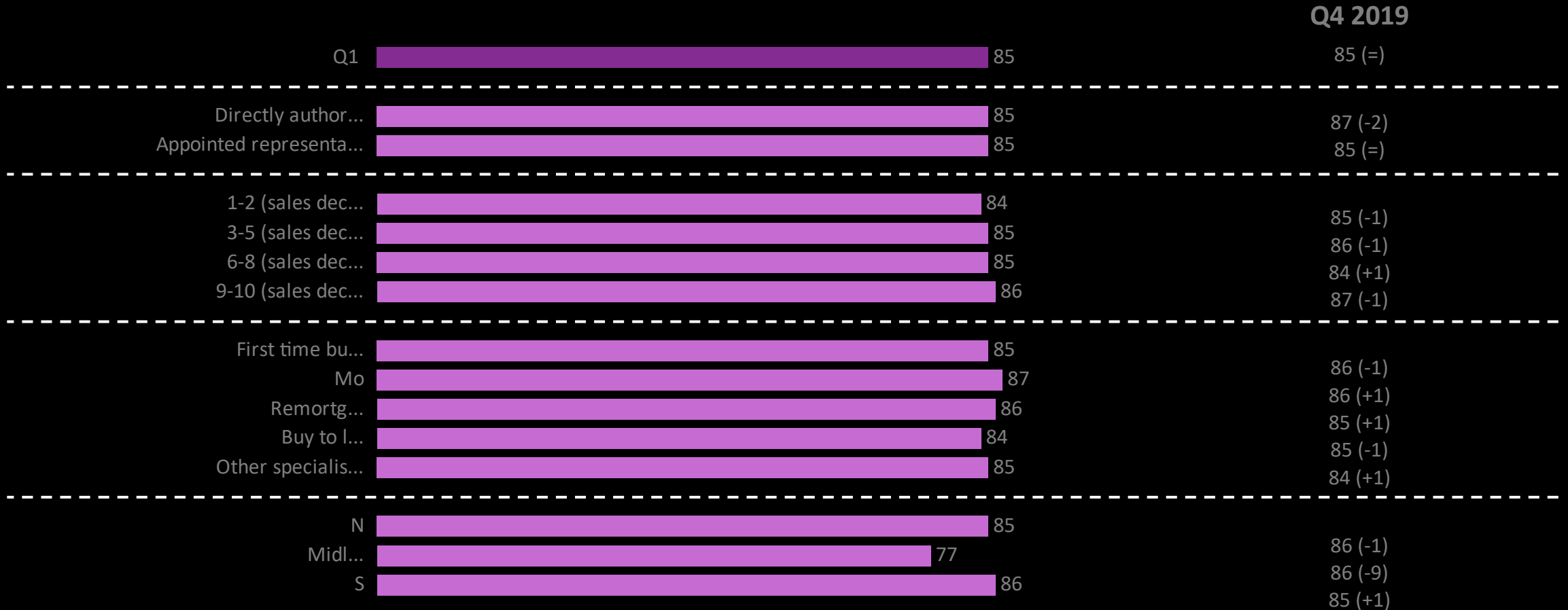
DIPs resulting in a DIP accept (%)



QHX2. In the last 3 months, what proportion of these DIPs have resulted in a DIP accept?
 Base: All Q1 respondents (303)

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

Conversion from DIP to DIP accept saw the biggest shift in the Midlands, dropping from 86% to 77%.

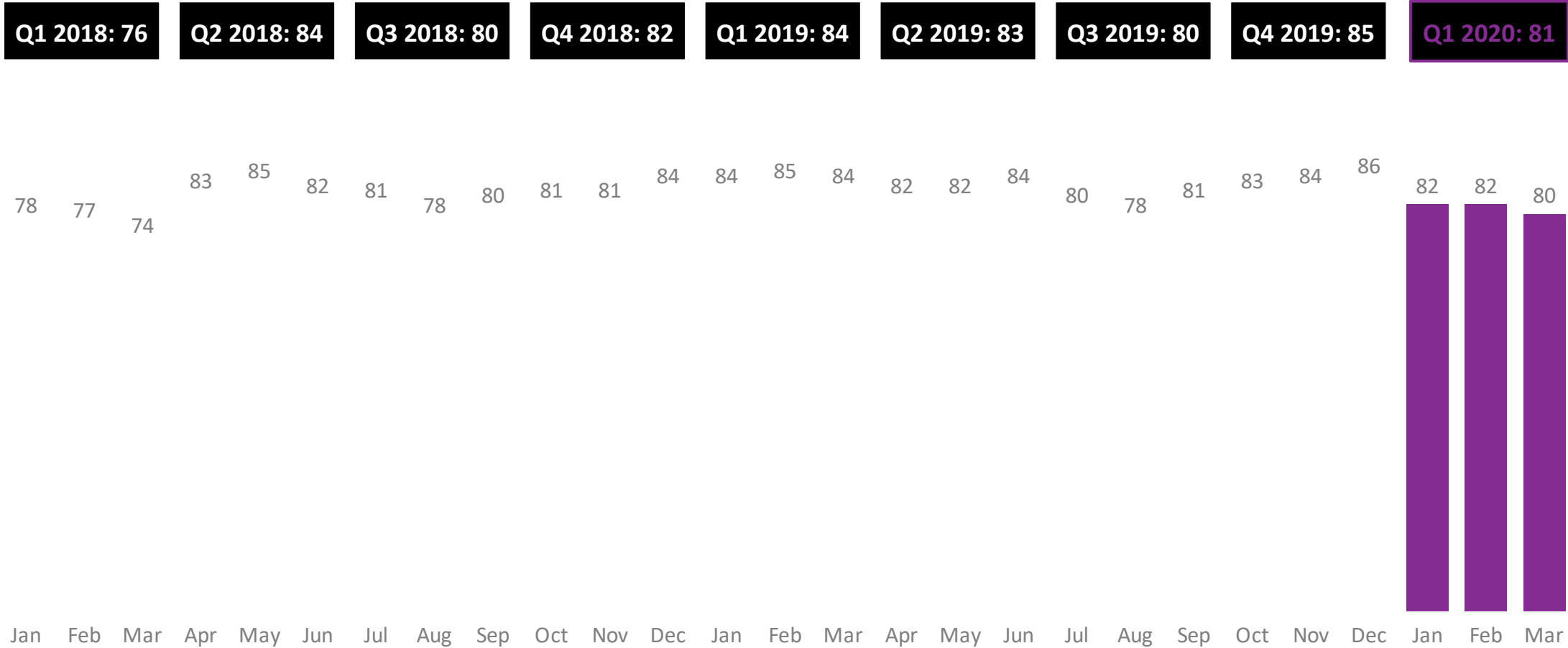


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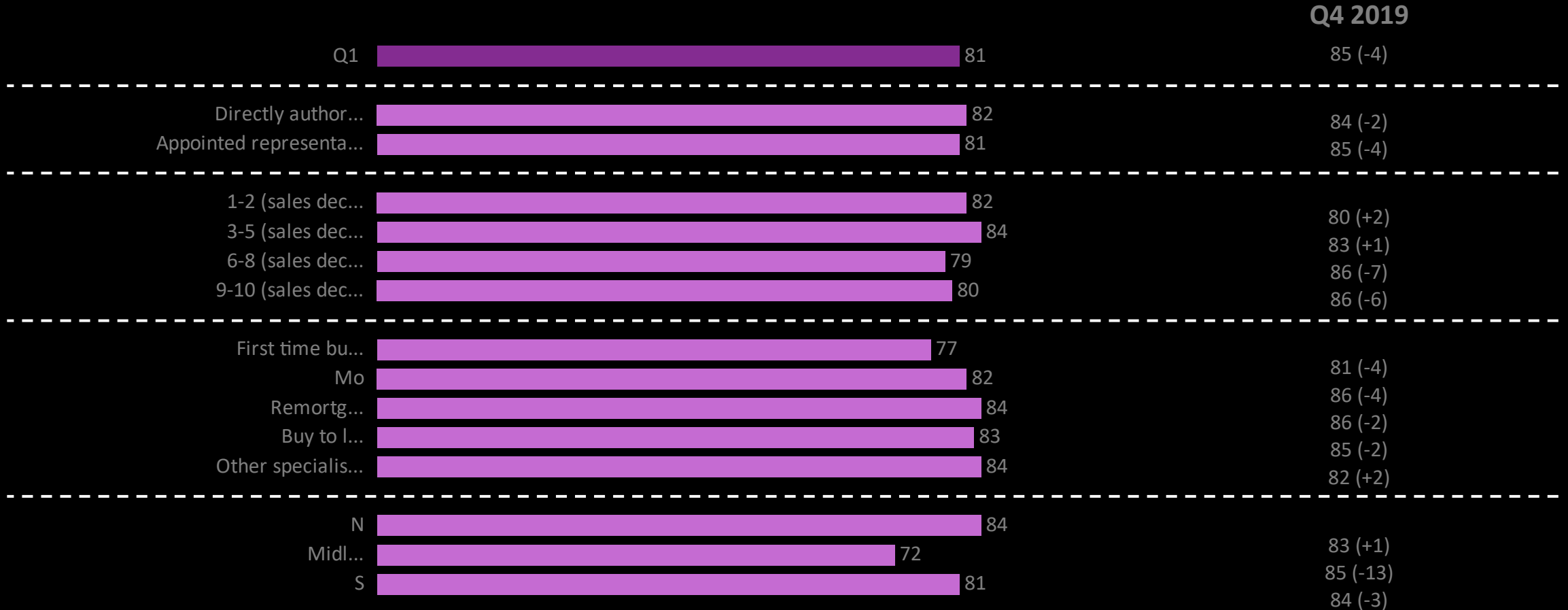
DIP accepts resulting in a full application (%)



QH3. In th3 last 3 months, what proportion of these DIP accepts have led to a full mortgage application?
 Base: All Q1 respondents (303)

DIP accepts resulting in a full application (%) – By business

Conversion from DIP accept to full application declined the most among smaller businesses (by sales decile), and those in the Midlands.

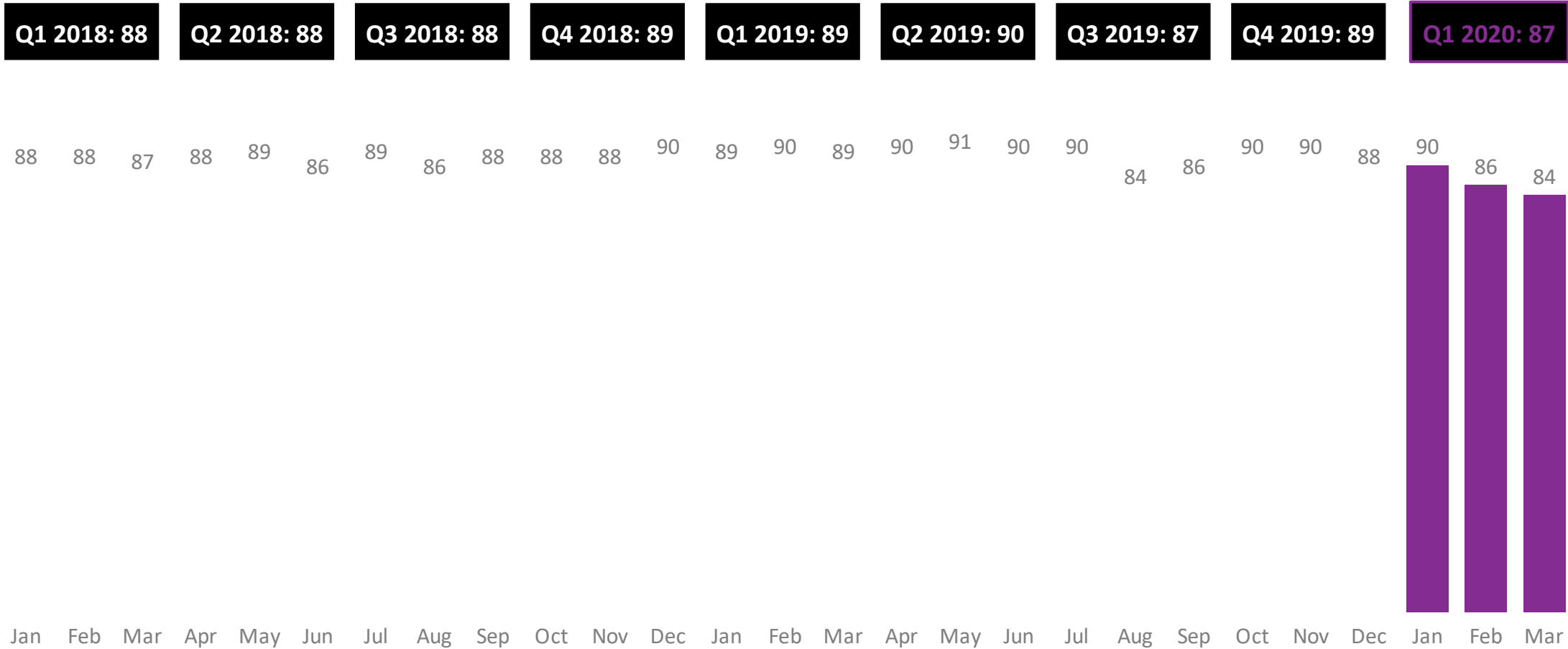


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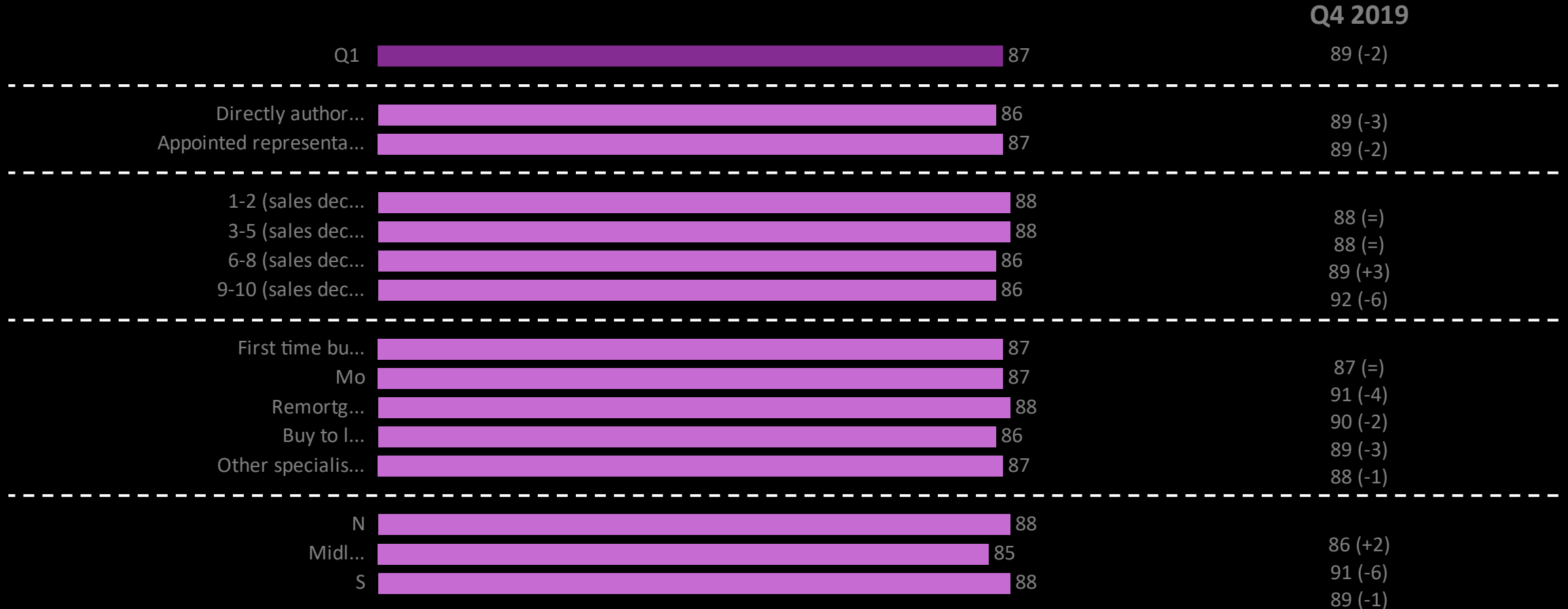
Full applications resulting in an offer (%)



QH4. In the last 3 months, what proportion of your full applications have led to an offer?
Base: All Q1 respondents (303)

Full applications resulting in an offer (%) – By business

Conversion from full application to offer decreased the most among smaller businesses (by sales decile), and those in the Midlands.



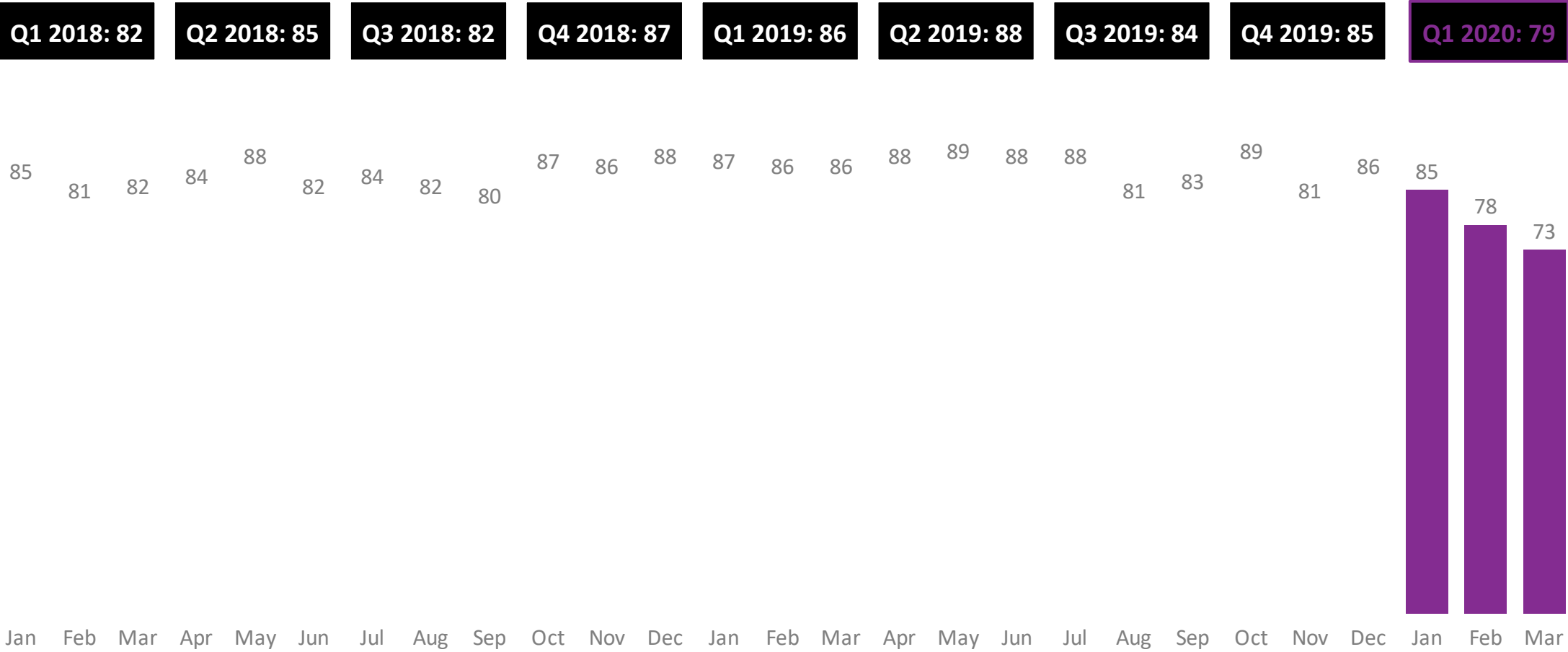
Q4. In the last 3 months, what proportion of your full applications have led to an offer?
 Base: All Q4 respondents (300)

* At least 4 out of every 10 residential mortgages placed

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*** Any mortgages placed

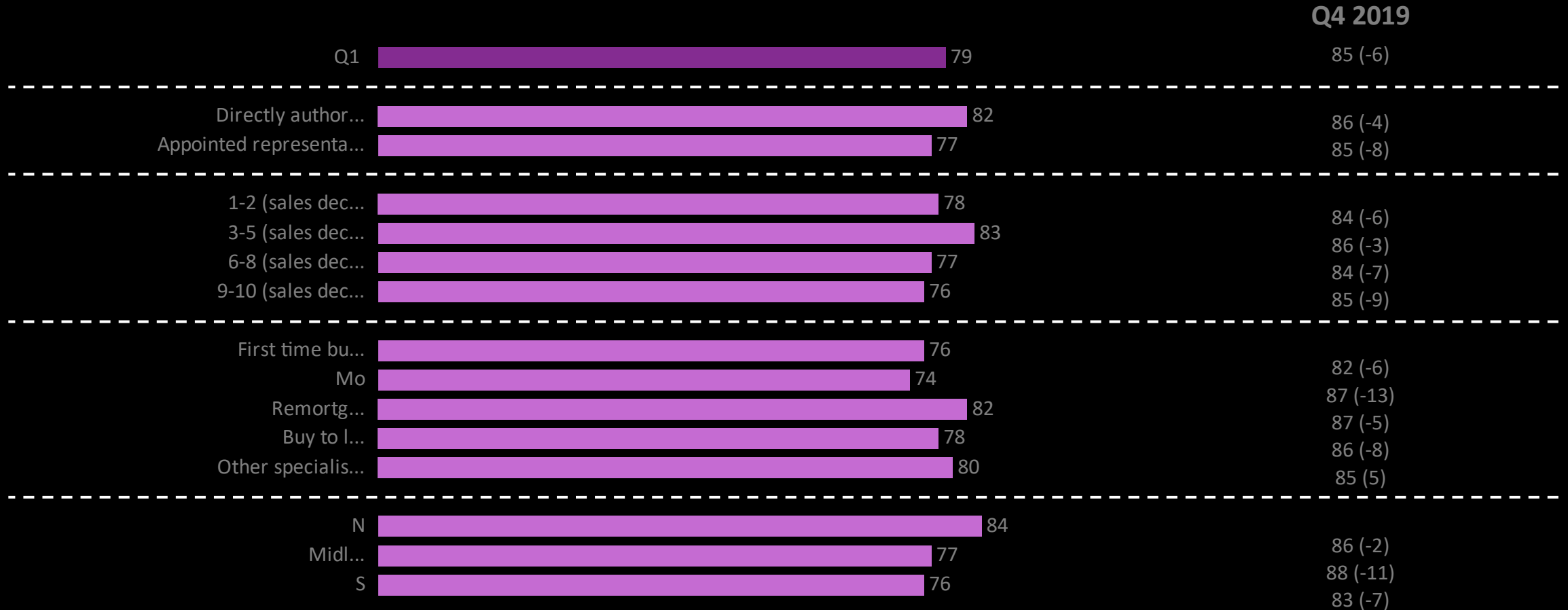
Offers resulting in a completion (%)



QH5. And in the last 3 months, what proportion of your client's mortgage offers have led to a completion?
 Base: All Q1 respondents (303)

Offers resulting in a completion (%) – By business

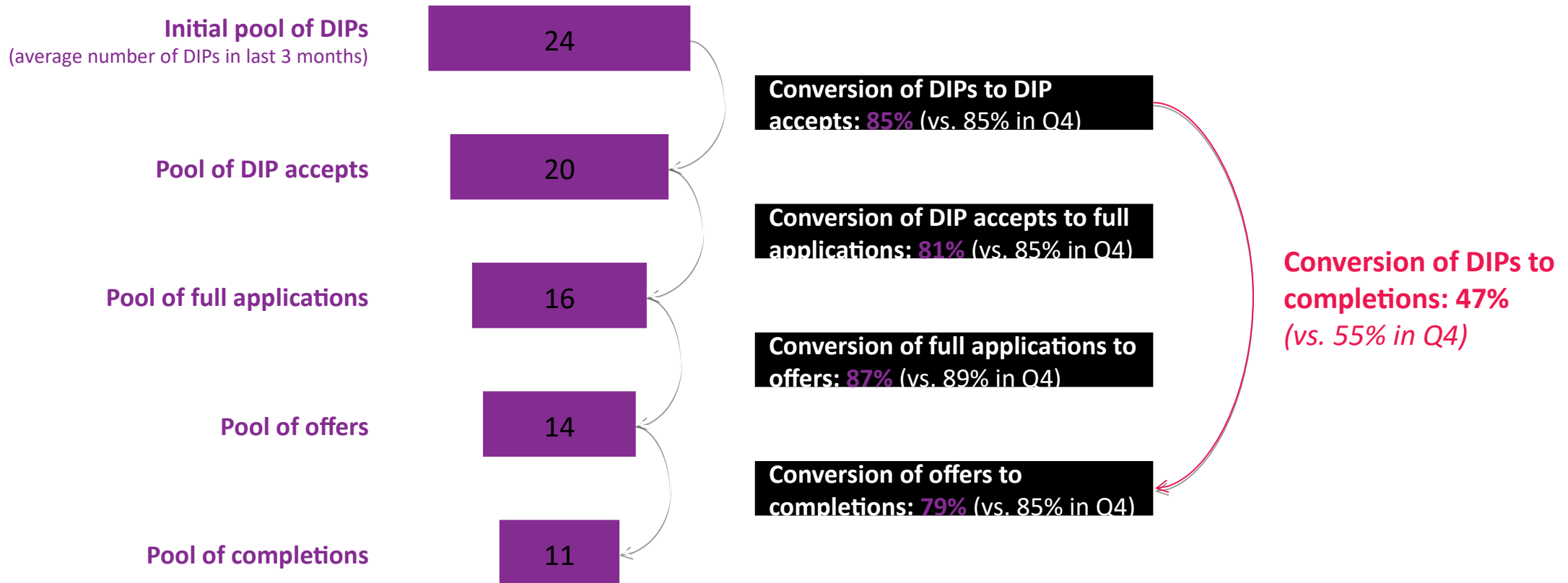
The decline in conversion from offer to completion decreased the most among those dealing with mover mortgages and those in the Midlands.



Q15. 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

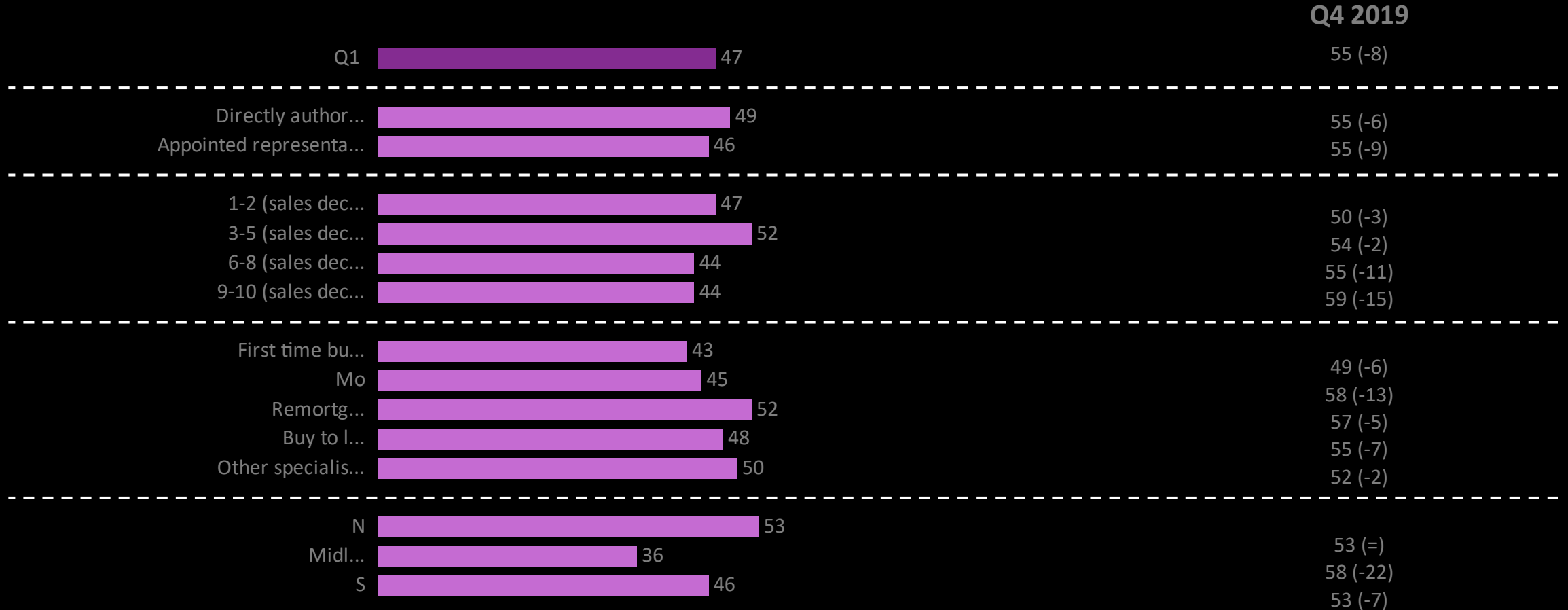
Conversion from DIP to completion



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 Q1 respondents (303)

Conversion from DIP to completion – By business

Conversion from DIP to completion decreased the most among smaller businesses (by sales decile), those in the Midlands, and those dealing with mover 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 Q1 respondents (303)

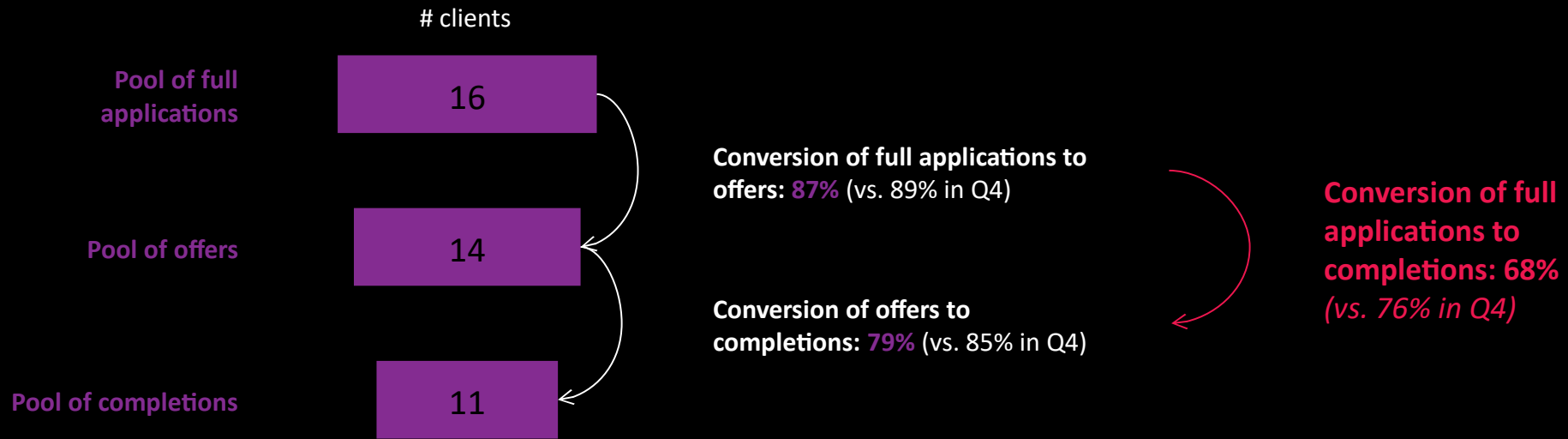
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Conversion from full application to completion

68% of full applications resulted in a completion, down from 76% in Q4 2019.



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?

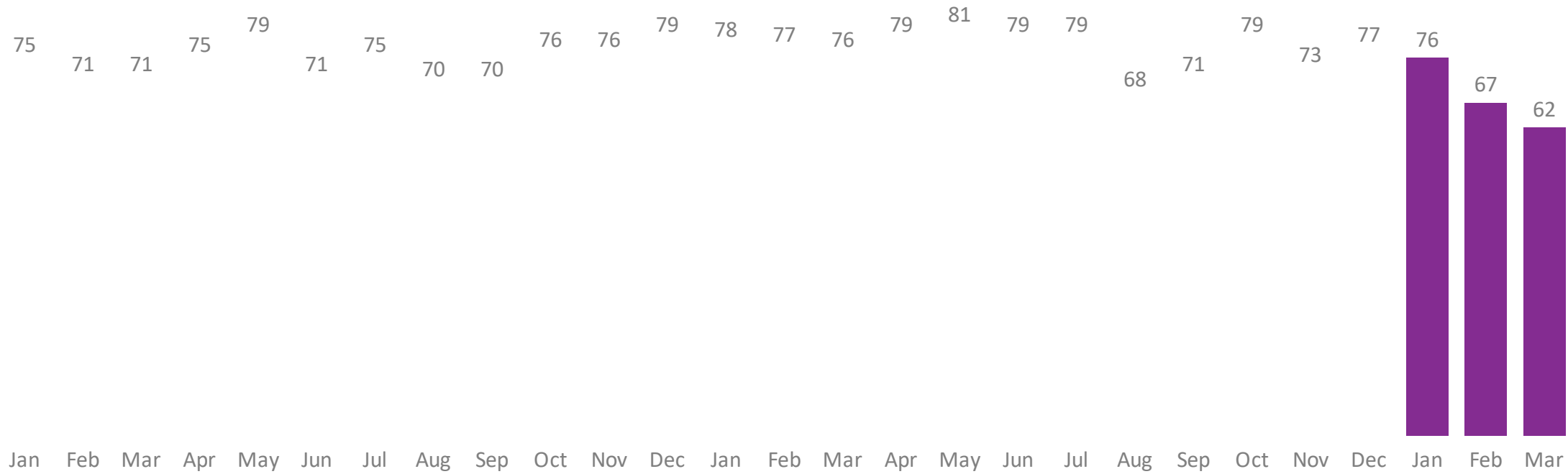
QH4. In the last 3 months, what proportion of your full applications have led to an offer?

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

Base: All Q1 respondents (303)

Conversion from full application to completion (%)

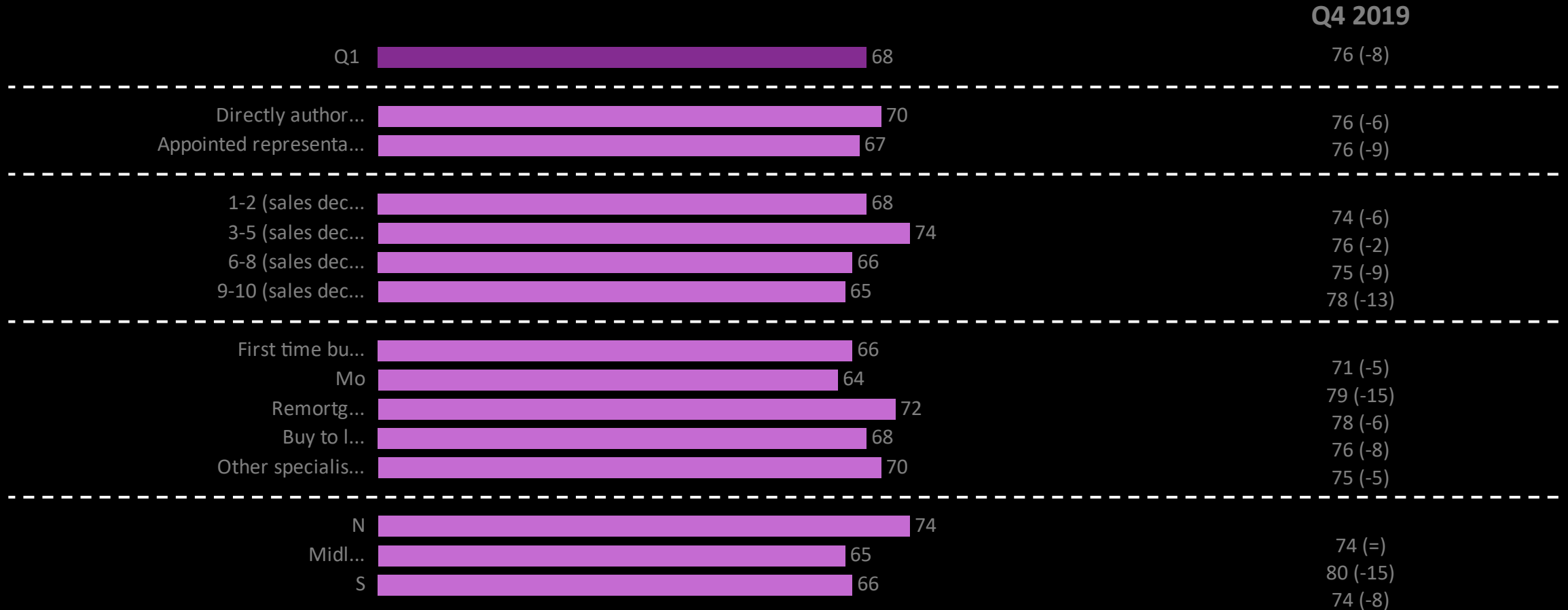
Q1 2018: 72 **Q2 2018: 75** **Q3 2018: 72** **Q4 2018: 77** **Q1 2019: 77** **Q2 2019: 80** **Q3 2019: 73** **Q4 2019: 76** **Q1 2020: 68**



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 Q1 respondents (303)

Conversion from full application to completion – By business

Conversion from full application to completion is has dropped the most among smaller businesses (by sales decile), those dealing with mover mortgages and those in the Midlands and South.



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 Q1 respondents (303)

* At least 4 out of every 10 residential mortgages placed


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Any questions

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