

Intermediary Mortgage Industry Bulletin



Time for a joined up approach

Effective lending via intermediaries will be vital to sustaining growth

Change is constant when it comes to the mortgage industry and this year has already brought its share of twists and turns. With a new Governor at the Bank of England and the Help to Buy equity loan scheme making an early impact, overall lending figures hint that the market is edging towards a genuine recovery.

As well as reclaiming territory, the next twelve months will also see the industry break new ground with the implementation of the Mortgage Market Review. When the Help to Buy mortgage guarantee arrives in January, we will be looking at the biggest government intervention in the housing market for a generation.

These developments provide an opportunity for us all, not least for broker firms who have been hard hit since 2007 but who will be vital to navigating consumers through the growing array of mortgage products to meet their borrowing needs.

IMLA firmly believes that a borrower who seeks advice is best placed to benefit most from what our industry has to offer. As the pre-eminent voice of the intermediary lending market, we are focused on securing and maintaining high standards of sales and servicing by championing key issues for the sector.

Within these pages you will learn more about the current and future health of the intermediary market, along with details for contacting IMLA. Your interest in our work is hugely appreciated and we are always open to input and views on any of the challenges that lie ahead.

David Finlay, IMLA Chairman

IMLA and intermediary lending – the facts

- IMLA was founded in 1988 to serve the mortgage market as the expert voice of intermediary mortgage lenders. It brings together vast experience through its membership which includes banks, building societies and specialist lenders.
- Intermediaries accounted for 54% of loans to first-time buyers in the first quarter of 2013 (+4% in the previous six months), 50% of home mover loans (+7%) and 56% of remortgages (+9%)*
- A poll by Mortgage Solutions in July 2013 revealed one in three broker firms have made recruiting new staff their business priority for the second half of the year.
- The proportion of young people studying to become mortgage brokers has nearly doubled since 2008, according to the Institute of Financial Services.

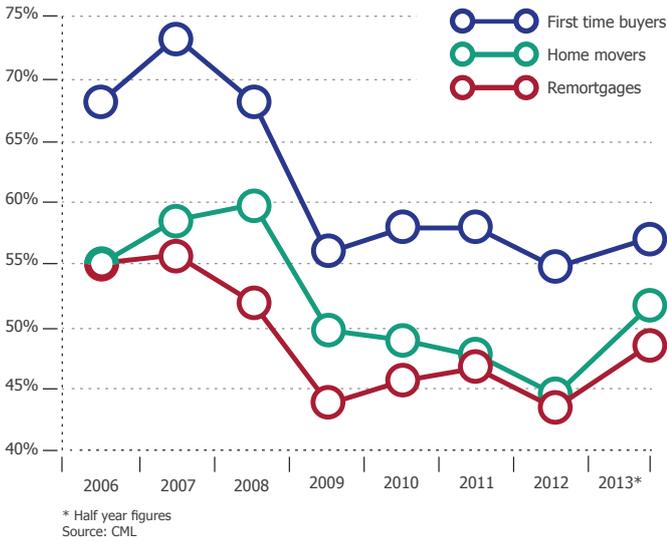
*CML Regulated Mortgage Survey
– lending by value, Q1 2013

Intermediary lending outlook

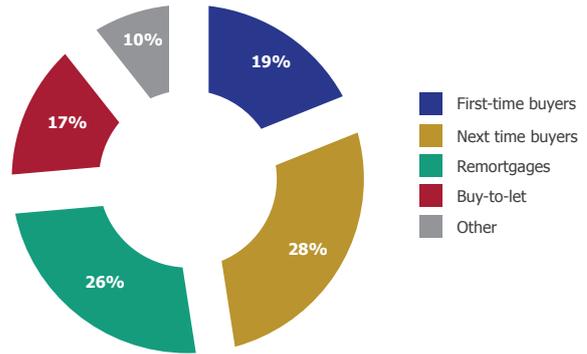
Regular research among intermediary lenders and brokers helps to inform IMLA's discussions with policy makers, regulators and industry on future developments.

The following trends were highlighted in the latest edition of IMLA's Intermediary Lending Outlook, alongside key data from other industry sources. For more details of IMLA research, visit www.imla.org.uk

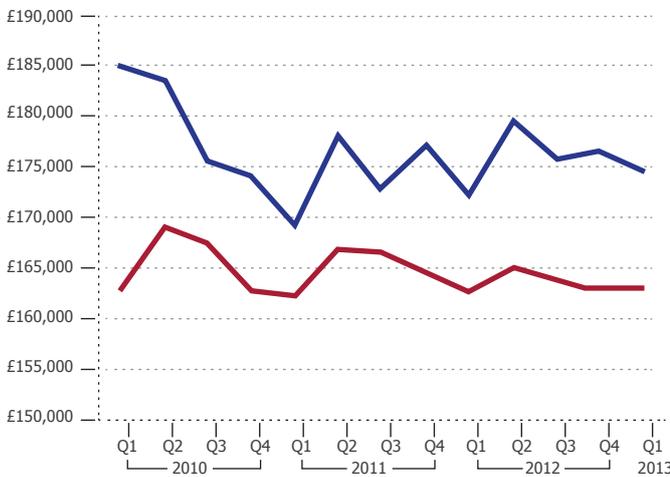
Intermediaries' market share by volume



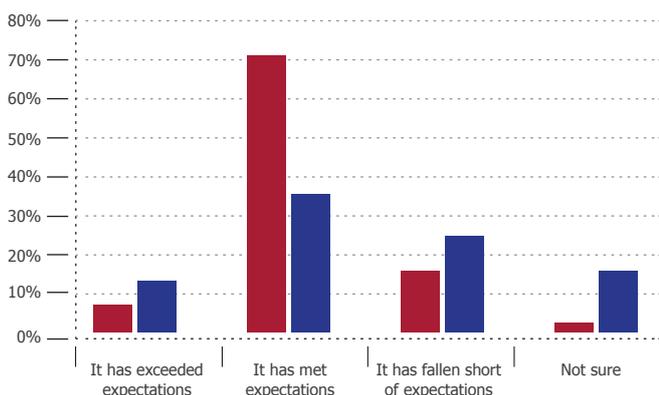
Balance of total gross lending in 2013 - lenders' predictions



Current house price trends



How the Funding for Lending Scheme has performed in the mortgage market



What are the biggest threats to the success of Help to Buy?

Artificially inflated house prices

60% **59%**

Structural weaknesses in the mortgage market

27% **18%**

A lack of lender support

20% **49%**

Unattractive pricing for lenders

27% **15%**

Restrictions on lenders' capital ratios

47% **20%**

An over-reliance of government funding

47% **38%**

A change of government in the next election

27% **17%**

A downturn in the wider economy

20% **19%**

■ Lenders
■ Brokers

Exploring a framework for industry-wide broker registration



IMLA is spearheading an initiative, supported by our fellow trade bodies, to address the absence of a registration scheme in the outcomes of the Mortgage Market Review (MMR).

The existence of a single, authoritative bank of information on the entire broker community offers a myriad of benefits to all those who work in the mortgage industry and by proxy, consumers, not least by reducing the risk of fraud.

A streamlined system has the potential to transform the process of recruiting and validating mortgage advisers – saving time and resources which could be spent more valuably on improving product and service delivery.

IMLA views this project as a logical step to underpin the new MMR regime and support the industry as it continues its upward growth. In our latest research nearly three in ten lenders (29%) reported an improvement in the quality of introduced business during the first half of 2013, while a further 65% said business quality remained stable.

As the market develops it is of paramount importance that we equip ourselves with the best tools to maintain and build on existing standards, and achieve the best outcomes for any consumer who seeks mortgage advice.

*Nearly a third of intermediary lenders (29%) report an improvement in the quality of introduced business in the first half of 2013, while 65% say it has remained stable**

*Source: IMLA Intermediary Lending Outlook, August 2013

IMLA – the voice of intermediary mortgage lenders

David Finlay, Chairman Barclays

David was appointed IMLA chairman in December 2012 and is also responsible for all mortgage distribution channels for Barclays. He was voted business leader of the year at the British Mortgage Awards in 2011 and 2012.

Charles Haresnape, Deputy Chairman Aldermore Bank plc

Charles is Managing Director for residential mortgages at Aldermore Bank Plc. He previously spent nine years as Director for Mortgage Sales for Royal Bank of Scotland and NatWest, and joined Aldermore from Connells, one of the UK's largest estate agency groups.

John Heron, Director Paragon Group

John served as IMLA chairman from 2010 to 2012 and is also the managing director of Paragon Mortgages which he originally joined in 1986. Earlier in his career John held roles at Nationwide Building Society and Leamington Spa Building Society.

Kevin Purvey, Director Coventry Building Society

Kevin is currently Head of Intermediaries at the Coventry Building Society, and has extensive knowledge and experience of the mortgage market having previously worked for Cheltenham & Gloucester and Bank of Ireland Mortgages.

Richard Tugwell, Director Virgin Money

As the Director of Intermediary Relationships at Virgin Money, Richard is responsible for sales processes and initiatives as well as the overall governance and quality of intermediary business. He is also currently a Director at the Mortgage Trading Exchange.

Peter Williams, Executive Director

Peter's career has bridged research and practice across public and private sector organisations in the housing and financial services industries. In addition to his role at IMLA, he is also a Director for the Centre for Housing and Planning Research at the University of Cambridge.

View the full list of IMLA members and associate members at www.imla.org.uk



A question of balance

Gradual revival has brought the mortgage market to a crossroads, according to Peter Williams, IMLA Executive Director.



The general health of the mortgage market is looking better than it has for some time, but the climb out of stagnation is proving a topic of some controversy.

Hypothetical housing bubbles and the spectre of the last market crash form the focus of many discussions. IMLA is far from alone in calling for a sustained debate on the future direction of growth to ensure the housing market does not veer off course.

Among our principle concerns is the fact that, while government initiatives are easing some funding and affordability constraints, the impact of regulatory change and credit issues threatens to hold many aspiring homeowners back from achieving their dream.

Limits on first charge borrowing may push increasing numbers of consumers towards the second charge market and other expensive forms of borrowing. The tightening of credit quality controls may be economically sound, but they may equally create a political time bomb by further reducing the current level of homeownership.

As consumer interest revives and funds seep back into the market through initiatives like the Funding for Lending Scheme and Help to Buy, we are beginning to see the kind of product innovation that is needed to meet popular demand.

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Regulatory interventions are in place to keep this from spiralling out of control – but they also mean that the pre-2007 peaks of mortgage lending are unlikely to return. Instead IMLA’s view is that the market will eventually plateau with gross lending and residential transactions still relatively subdued.

Among the potential consequences is that by 2020, just one in three young households aged 25 to 34 could be owner-occupiers: little more than half the number seen in 1993.

In many ways we have come to a cross-road. Down one path lies temporary state intervention – counter-cyclical measures to ease market constraints and enable higher loan to value lending.

This is the route chosen by government, at least for the short-to-medium term, but plenty of observers would not be surprised if its course extends beyond the initial three-year commitment to Help to Buy.

The second path calls for a more joined up approach, based on urgently needed and wide-ranging dialogue between government, regulators, lenders and the broader industry.

Without this, IMLA feels strongly that gaps in published government thinking will prolong the imbalance between the housing and mortgage markets, and hold us back from a position where we can meet consumer demand in a way that is both sustainable and self-sufficient.

- IMLA’s report, *Rebalancing the housing and mortgage markets – critical issues*, authored by Professor Steve Wilcox at the University of York’s centre for Housing Policy, is available at www.imla.org.uk or by emailing imla@wriglesworth.com



IMLA aims to promote and develop the UK intermediary market by:

- working to ensure growth, innovation and choice for the consumer through active market and policy engagement
- providing an inclusive forum for intermediary mortgage lenders to pool their views, experiences and expertise
- developing strong and effective relationships with brokers, lenders and related trade bodies as well as the wider regulatory and policy community.

Learn more about IMLA’s work by visiting www.imla.org.uk or contacting:

- Peter Williams, Executive Director – consultpwilliams@btinternet.com
- Pat Gauntlett, Secretary – pat.gauntlett@imla.org.uk

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