



The return of the mortgage broker

Brokers will have a more prominent role post-MMR

IMLA was originally founded in 1988 to serve the mortgage market as the expert voice of lenders that offer their products through brokers, rather than solely direct or through branches. With growth returning to the market, we are seeing brokers take an increasingly central role in delivering the right products and advice to consumers.

Brokers processed more loans in 2013 (490,100) than in any other year since 2008. While total volumes grew by 9% annually across the market, brokers registered a far bigger increase of 21%. Their role is set to become even more crucial under the new Mortgage Market Review (MMR) regime. With affordability at the heart of lending decisions, brokers will need to be experts in each lender's criteria as well as having a full understanding of their customers' financial situation.



Charles Haresnape, IMLA Chairman

This is an exciting time for the industry and in the role of IMLA chairman I am looking forward to building on the great contribution of my predecessor, David Finlay, to support the organisation's growth and influence. IMLA firmly believes that a customer who seeks advice is better served than one who does not, and we are always open to input and views to help improve on the high standards of sales and service that exist across the sector.

What is the new 'normal'?

IMLA's latest research report forecasts a strengthening recovery in mortgage lending during 2014/15 that will still leave the market a long way from full health. Key findings include:

- Mortgages contributed just £4 in every £10 spent on house purchases in 2013 – even less than in the depths of the recession
- The recovery will see gross lending reach £215bn in 2014 and £240bn in 2015, still 47% below the market's last peak in real terms
- The prospects of long-term recovery are improving, but three challenges will impact future growth: the unwinding of support measures such as Help to Buy and quantitative easing; addressing the housing supply shortage; and the untested 'triple lock' of new regulation.

Turn to page four of this bulletin to find out more.

Membership update:

IMLA is delighted to welcome Magellan Homeloans as its latest full member, taking the total to 21, while Crown Mortgage Management Ltd and HML have also joined as IMLA's ninth and tenth associate members.

Mortgage market outlook

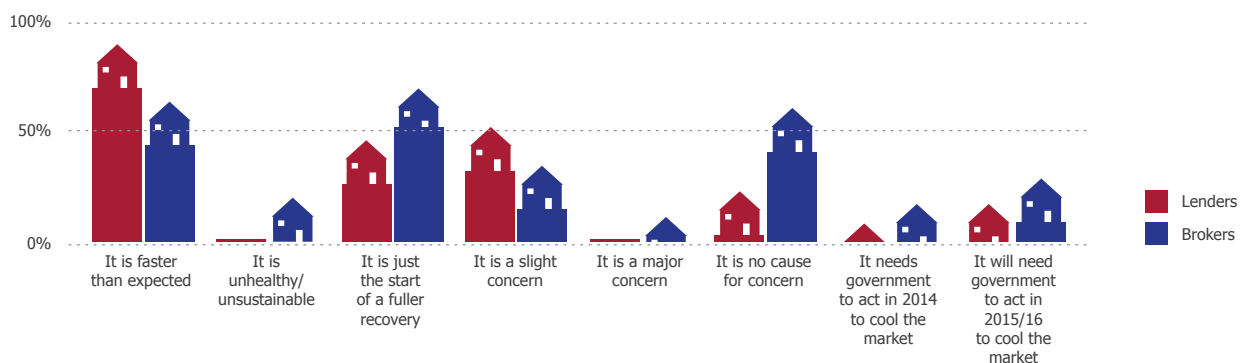
IMLA carries out regular research among intermediary lenders and brokers to offer insights to policy makers, regulators and industry about market developments. The following trends were highlighted in the latest edition of our Intermediary Lending Outlook research at the beginning of 2014.

Market conditions and access to loans

Confidence in market conditions has soared in the last year: 90% of brokers report conditions are currently improving, compared with just 37% at the start of 2013. Just 2% rated improvements as 'significant' twelve months ago, whereas 36% take this view now. Lenders are unanimous that market conditions are improving, with 67% marking improvements as 'significant'.

This is reflected in brokers' ability to better serve consumers. In January 2013, 63% had been unable to source a mortgage for a mainstream borrower in the previous three months while 67% had failed to help a near-prime borrower. Improving access to loans has seen those figures fall to 26% and 37% respectively in January 2014.

What is your view on the current growth of gross mortgage lending?

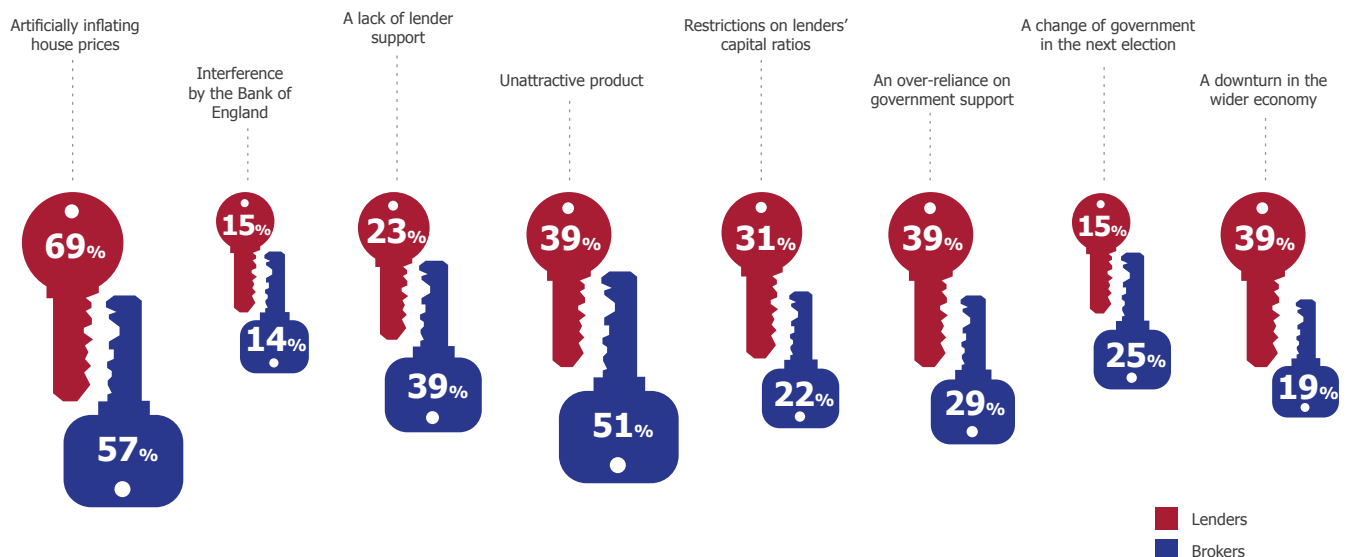


The future of Help to Buy

Both lenders and brokers identify improving construction and consumer confidence among the biggest impacts of Help to Buy to date, along with better access to 95% loans. A majority (100% of lenders and 89% of brokers) view 95% loans as an essential part of a healthy mortgage market.

Almost a quarter (23%) of lenders and a fifth of brokers (18%) foresaw the extension of the Help to Buy equity loan scheme announced in the 2014 Budget. However, 46% of lenders and 50% of brokers expect to see the Help to Buy mortgage guarantee withdrawn before the end of 2016. Three quarters of lenders (75%) also expect it will be withdrawn for remortgages ahead of schedule.

What is the biggest threat to the success of Help to Buy?

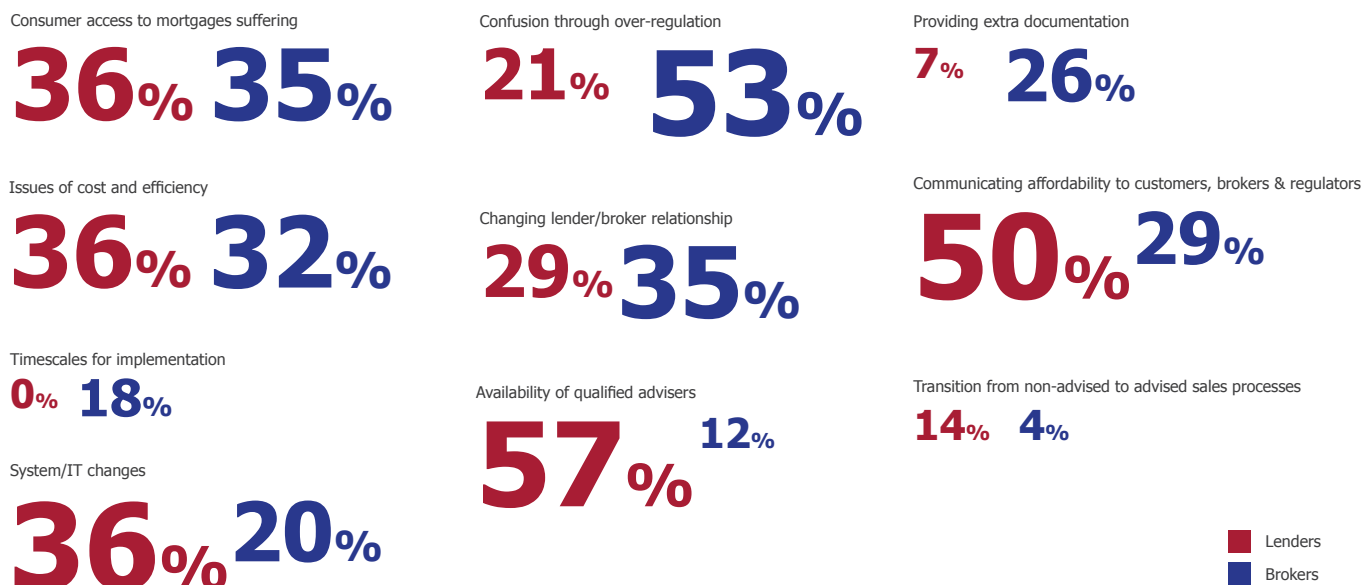


Impact of MMR

Brokers' concerns about the impact of the Mortgage Market Review (MMR) have risen noticeably in the last six months from 34% to 47%. Concern among lenders has remained relatively stable, falling slightly from 67% to 64%.

Lenders' chief concerns are the availability of qualified advisers and communicating affordability requirements. Brokers are more worried about regulatory confusion and access to mortgages suffering. Half of brokers (50%) believe MMR will hinder some consumers in their ability to get a mortgage, up from 44% in summer 2013.

What worries you the most about MMR?

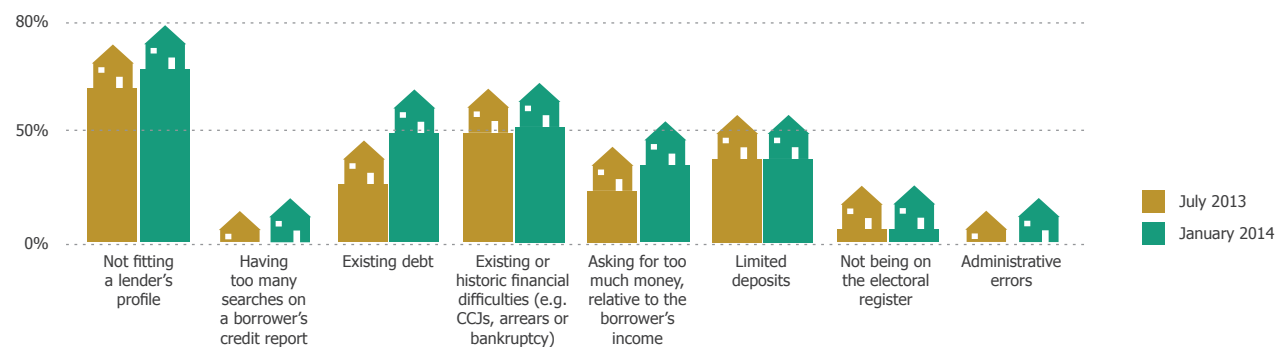


Quality in the intermediary market

IMLA works closely with its industry partners to improve quality in the mortgage market and monitor developments in the marketplace. Our latest research found 100% of lenders reporting that the quality of introduced business was consistent or improved in the second half of 2013, while 62% of brokers experienced consistent or better service from lenders during the same period.

Brokers also reported significant improvements in product availability and successful applications. But with application volumes increasing, a growing number of brokers attribute failures to borrowers' existing debts (51%, up from 36% in summer 2013) and asking for too much money relative to the borrower's income (40%, up from 31%).

What do brokers see as being the biggest causes of application failure currently?



Almost three in ten lenders (29%) increased the number of brokers they work with in the second half of 2013. The quality of loan application information overtook the credit quality of applicants as the most important factor lenders look for when choosing to work with particular brokers. Better application systems remains brokers' top priority for lenders to address (34%), closely following by more information about target profiles (27%).

For more details of IMLA's research, visit www.imla.org.uk/research



What is the new 'normal'?

IMLA's latest report forecasts continued growth of mortgage lending in 2014/15. But a full and permanent recovery still hangs in the balance, according to Peter Williams, IMLA Executive Director.



The mortgage market is finally making strides towards recovery following the deepest downturn this country has seen since 1945.

Improving economic conditions have certainly aided the cause, but the role of government measures must also be given due credit.

The Funding for Lending Scheme (FLS) and Help to Buy have done much to boost the market and encourage positive sentiment among consumers. Confidence is gradually returning along with better access to lending: not only helping the recovery so far but also laying the foundations for future growth.

The mortgage market of the future has great potential, but three major challenges remain.

Backed by supportive government and monetary policies, IMLA forecasts that gross mortgage lending will continue to rise from £177bn in 2013 to £215bn this year and £240bn in 2015. Yet this growth would still leave us with a modest recovery and even our forecast for 2015 remains 47% below the peak of 2007 in real terms.

Mortgage lending is rising from the depths of a severe slump. Despite an upward trend in property prices, the recent Green Budget from the Institute for Fiscal Studies (IFS) shows these too are 25% below their previous peak in real terms across the country and 17% lower even in London. We must remain watchful, but fears of a 'bubble' have been greatly exaggerated.

IMLA's report - What is the new 'normal'? - shows the percentage of buyers using a mortgage fell to a new post-recession low of 62% last year, while mortgages contributed less than 40% of the total value of property transactions for the first time since current records began. It suggests while access to loans has improved and approval numbers are rising, the market remains subdued and continues to favour existing owners or buyers with access to substantial cash and investments.

The prospects of a long term recovery beyond 2017 are certainly improving. Key factors include pent-up demand from first time buyers, improving funding markets – supported by strong retail deposit growth – and the likelihood of low interest rates continuing.

But three major challenges remain: the unwinding of support measures without throwing the market into reverse; tackling 'woefully inadequate' house building which is unbalancing supply and demand; and ensuring the new 'triple lock' of regulation – tougher capital adequacy rules for lenders, the Mortgage Market Review and the new macro-prudential framework – does not excessively subdue lending.

The mortgage market of the future has great potential, but we need a careful balance of lending activity, house building and regulation to remain on course. The outlook for 2014/15 is upbeat, but now is the time for industry and government to begin tackling the important decisions that lie ahead.

IMLA's report – What is the new 'normal'? – is available at www.imla.org.uk/research or by emailing imla@wriglesworth.com



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About IMLA

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.

Visit www.imla.org.uk to view the full list of IMLA members and associate members and learn more about IMLA's work. For more information, please contact:

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