

SPECIALISTS IN GOOD SENSE



SHAWBROOK

BANK

RESIDENTIAL SECOND
CHARGE MORTGAGES

MAEVE WARD

MANAGING DIRECTOR

RESIDENTIAL MORTGAGES

THIS PRESENTATION IS FOR PROFESSIONAL INTERMEDIARIES ONLY AND SHOULD
NOT BE SHOWN TO POTENTIAL CLIENTS



The implementation of the Mortgage Credit Directive and the new second charge mortgage regime was one of the biggest changes in the market in 2016

MORTGAGE CREDIT DIRECTIVE - JOURNEY

- First and second charge mortgages became aligned under the same regulatory regime - MCOB
- Regulated mortgage contracts
- Advisers obliged to talk about second charge lending and alternative finance solutions in any capital raising situation
- Mandatory disclosure documents - mortgage illustration (ESIS) Binding offer
- CCA consideration period replaced with 7 day reflection period



WHAT'S CHANGED?

- Greater transparency on fees and charges
- Enhanced journey through research and personal recommendation
- Enhanced professional standards, advised sales call, level 3 qualification
- CBTL – BTL carve out for the accidental landlord



OBJECTIVE

Greater awareness of alternative
lending outcomes would
lead to greater customer protection



MARKET GROWTH

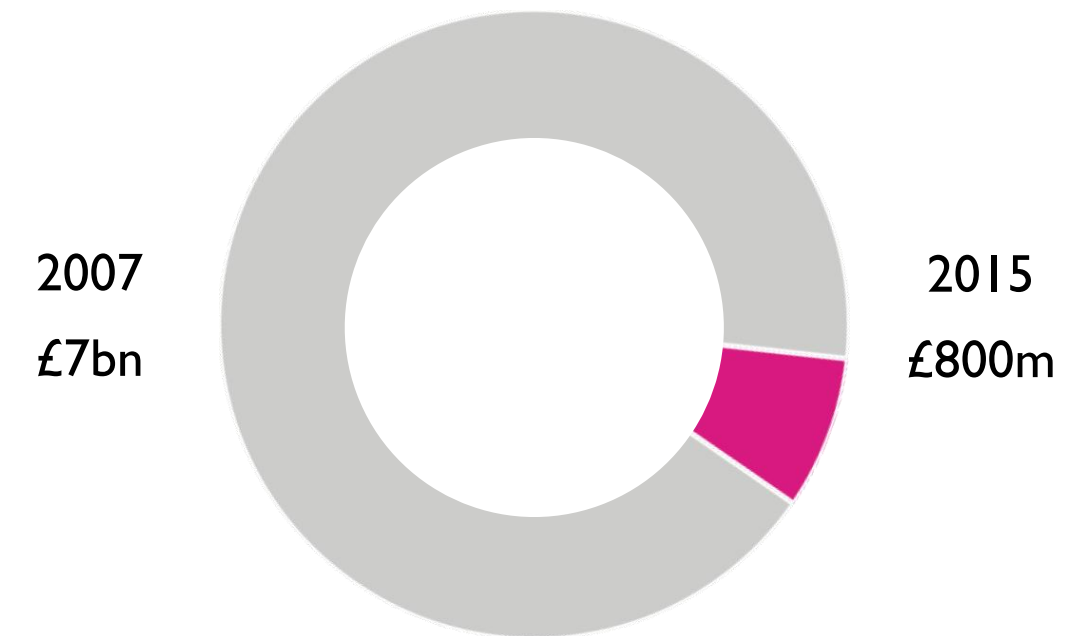
£800,000,000¹

UK SECOND CHARGE MORTGAGE MARKET
December 2015

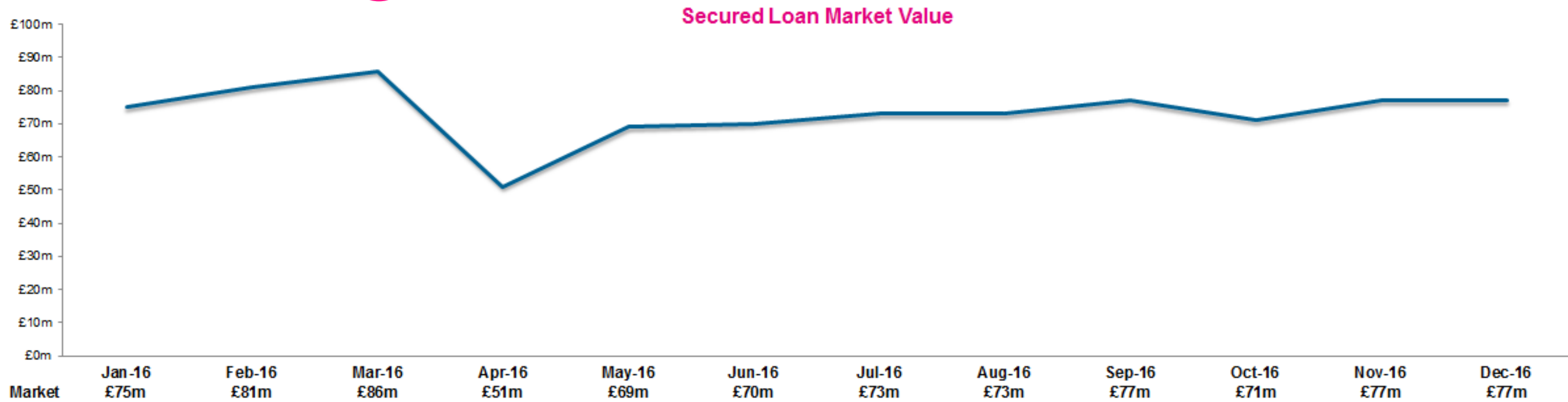
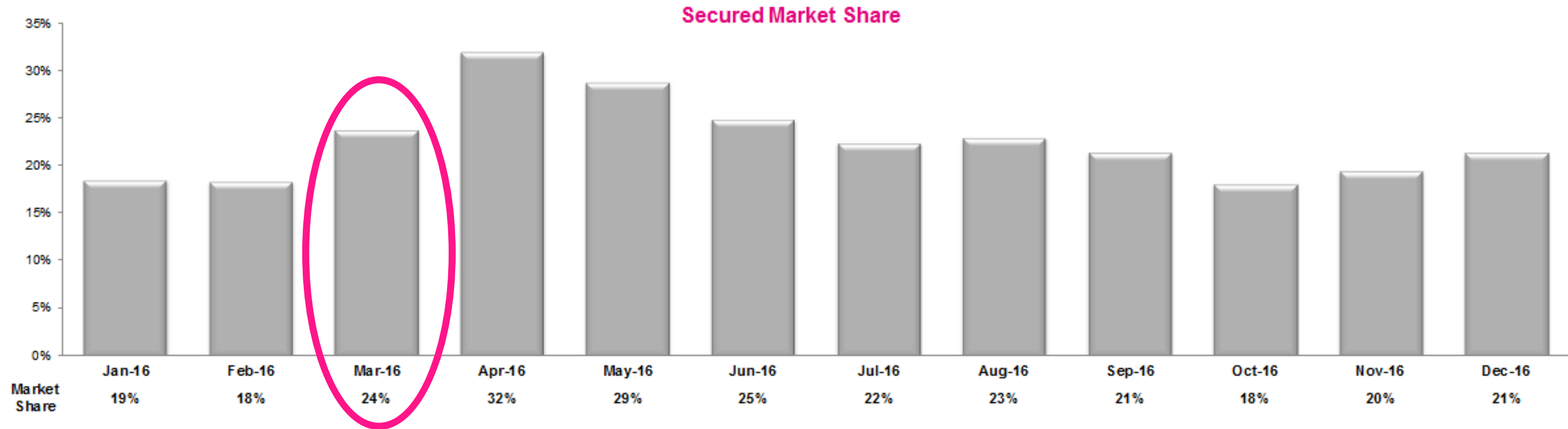


December 2014

£600,000,000²



MARKET GROWTH 2016 - £840,000,000



STRANGE GIVEN THAT

- Unaltered customer appetite
- Greater awareness – capital raising disclosure
- Greater demand – bigger audience
- New entrants – independent mortgage advisers



Market
perception





We want to help alter the way people think about second charge mortgages and unlock new opportunities



A young lady looking away?
or
An old woman looking down?

Debt Consolidation Loan Application Form

I hereby certify that the information given in the loan application form is true and correct to the best of my knowledge and belief. I authorize you to obtain my/our credit report from any sources to verify the information. You are authorized to use the information for the purpose of processing your application. You are further authorized to disclose the information to any third party as may be necessary to complete the application. I understand that the information on my loan application may be used for other purposes.

Finance

A remortgage enquiry?
or
A second charge mortgage
opportunity?

“Second charge mortgages are beneficial for some customers”

Does the market agree?

Source: FCA Consultation Paper CPI4/20

Do you believe second charge mortgages are beneficial for some customers?

&

How many times have you recommended a second charge mortgage as an alternative to a remortgage in the last 6 months?



RESULTS

- 96% said Yes
- 4% said No

And

- 42% = 0
- 84% = Less than 3



**You recognise the opportunity
however it also illustrates the need to
change the perception of the
available solutions**

What is it that prevents
advisers from writing more
second charge mortgage
business?





- 62% said fees and overall costs
- 15% admitted that ‘they didn’t know enough about the product to advise their clients accordingly’
- 16% felt ‘lack of access to technical knowledge & criteria prevented them’
 - 19% felt their ‘clients perceptions’ prevented them

EDUCATION

What's stopping you from
writing any second charge
mortgage business?





*“My customers
have never asked
me for one ”*

*“I don’t have any
subprime clients ”*

*“I don’t really do that
kind of business”*

*“I only deal with high
net worth clients ”*

*“I’ve been doing the job for 32 years - I
can always push a remortgage through”*

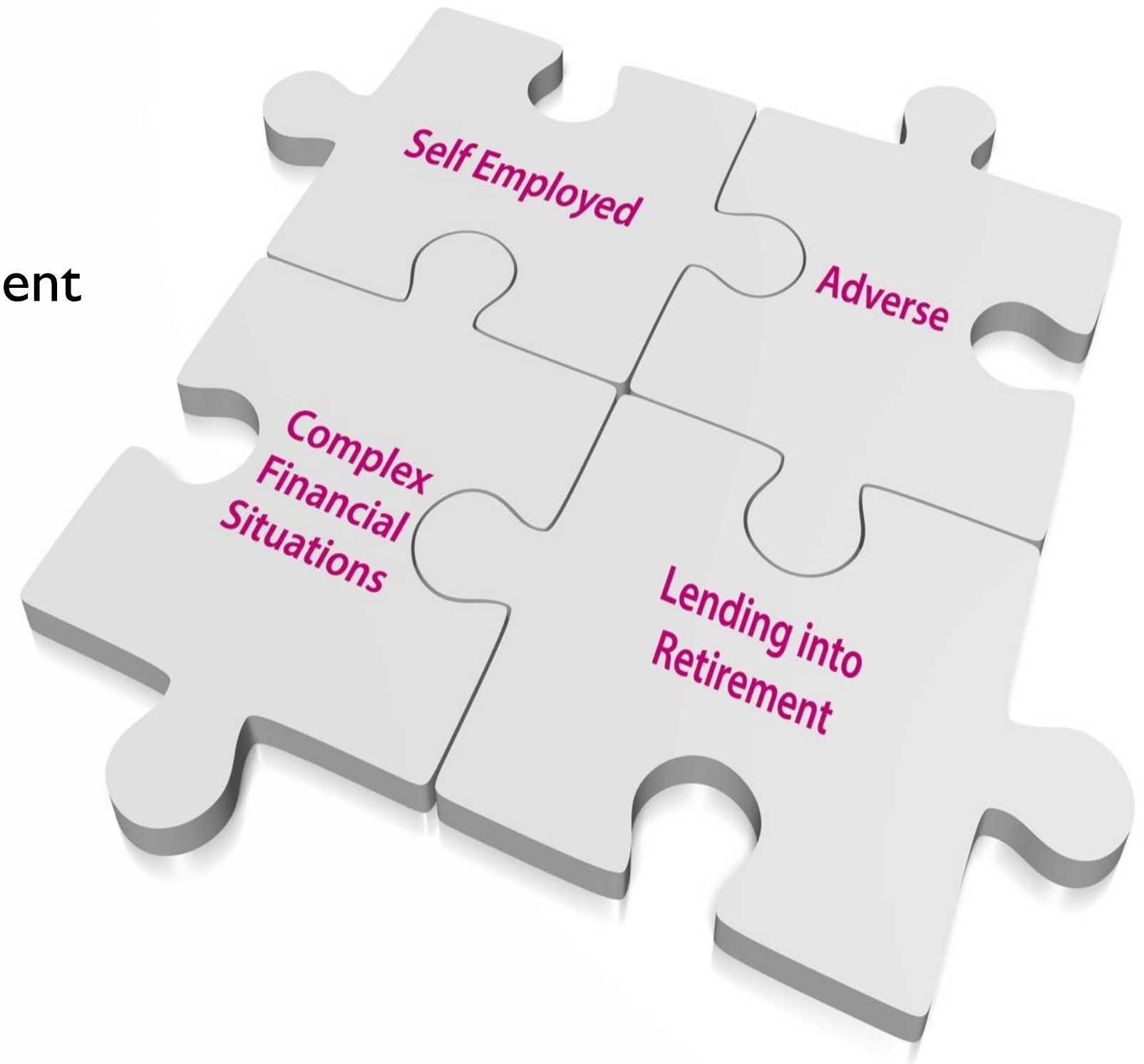


Recognition of the
opportunity

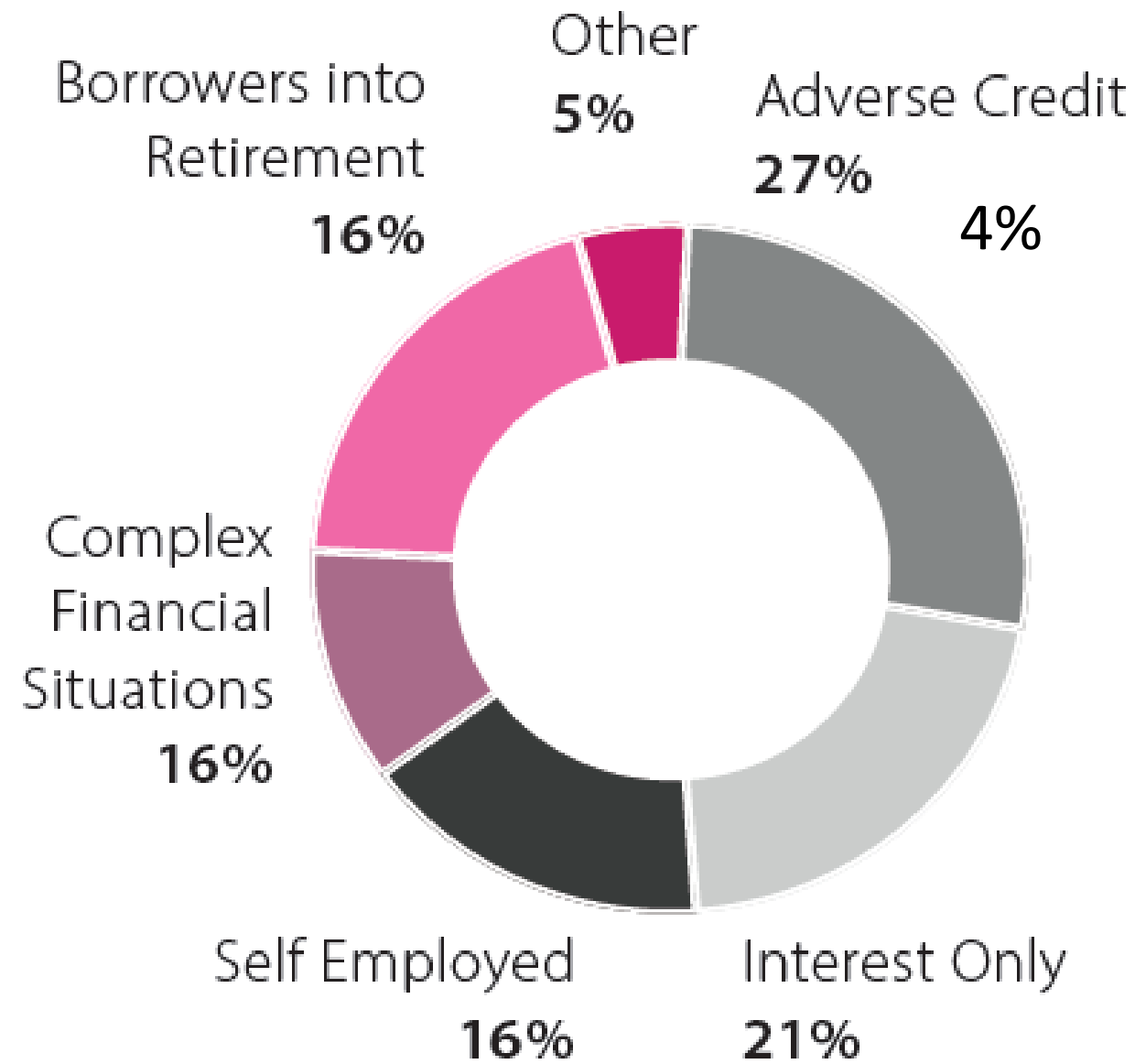


CUSTOMERS' EXISTING MORTGAGE & INDIVIDUAL CIRCUMSTANCES

- Life time trackers - protected
- Interest-only mortgage – capital & repayment
- Fixed rates – early redemption charges



BROKERS TELL US THESE CUSTOMERS ARE THE TRICKIEST TO PLACE



All second charge mortgage enquiries

Mortgage solutions survey May 2015

Remortgage over a second charge mortgage ?

Second charge mortgage over a remortgage ?

Consideration of both

Good customer outcome



Customer Journey



RESEARCH & RECOMMENDATION

- Technology shortfalls – harder to discuss & evidence research
- Lender relationships – harder to be competent in your knowledge

Master broker & direct channels

- Choice
- Recognise the opportunity



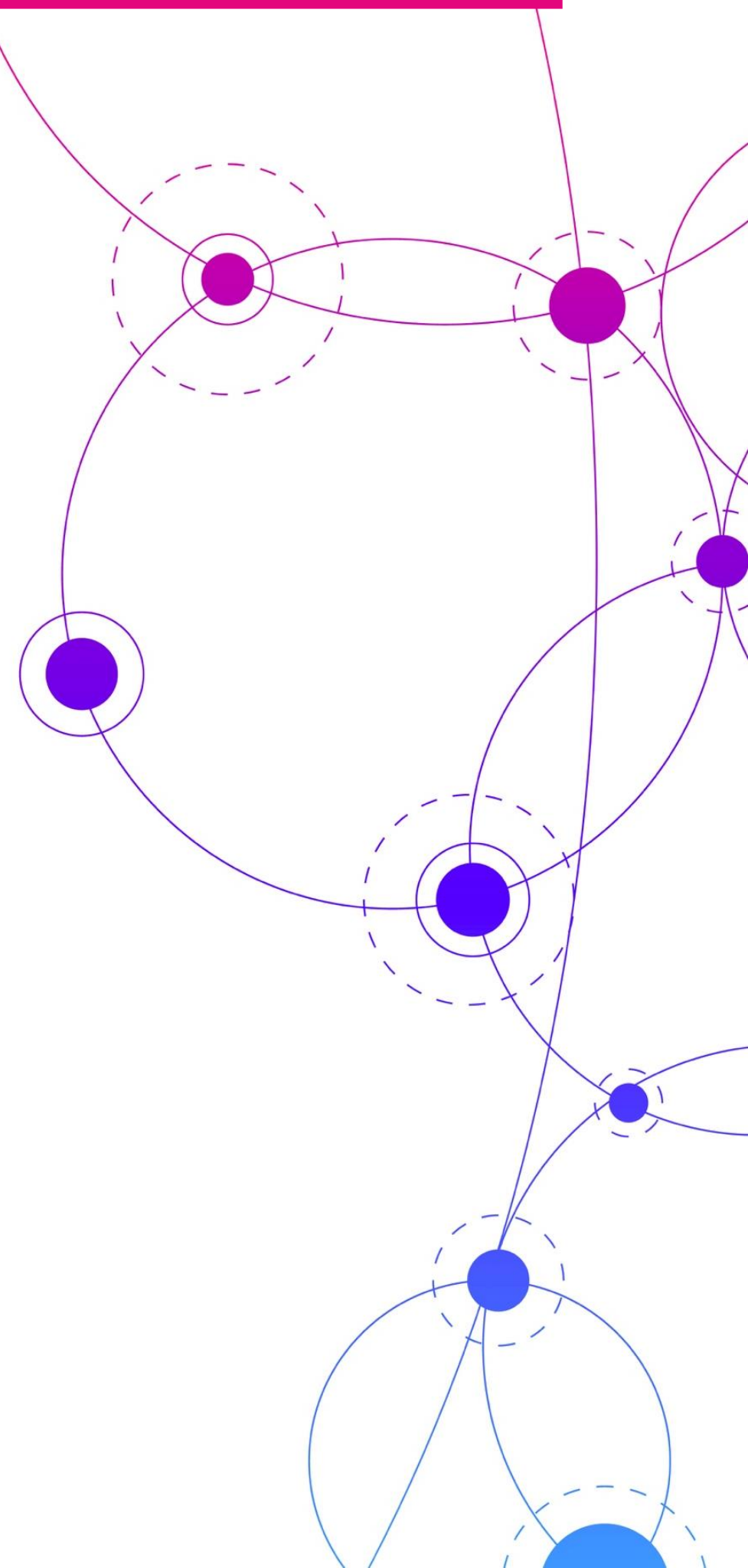


The Market





- Rates start from 3.88%
- LTVs up to 95%
- No early repayment charges
- Free and Flexible over payments
- Trackers, variable, discounted and fixed
- Adverse ignored over 12 months
- Complex income types accepted
- Self Employed 6 months
- Repair and rebuild products



Growth through
education
&
awareness



We strongly believe education will **benefit** consumers;

By **equipping** brokers with the appropriate **knowledge of alternative** finance options the consumer can be **confident** that their adviser has truly assessed all **available options**

PARTNERSHIP – CUSTOMER AT THE HEART

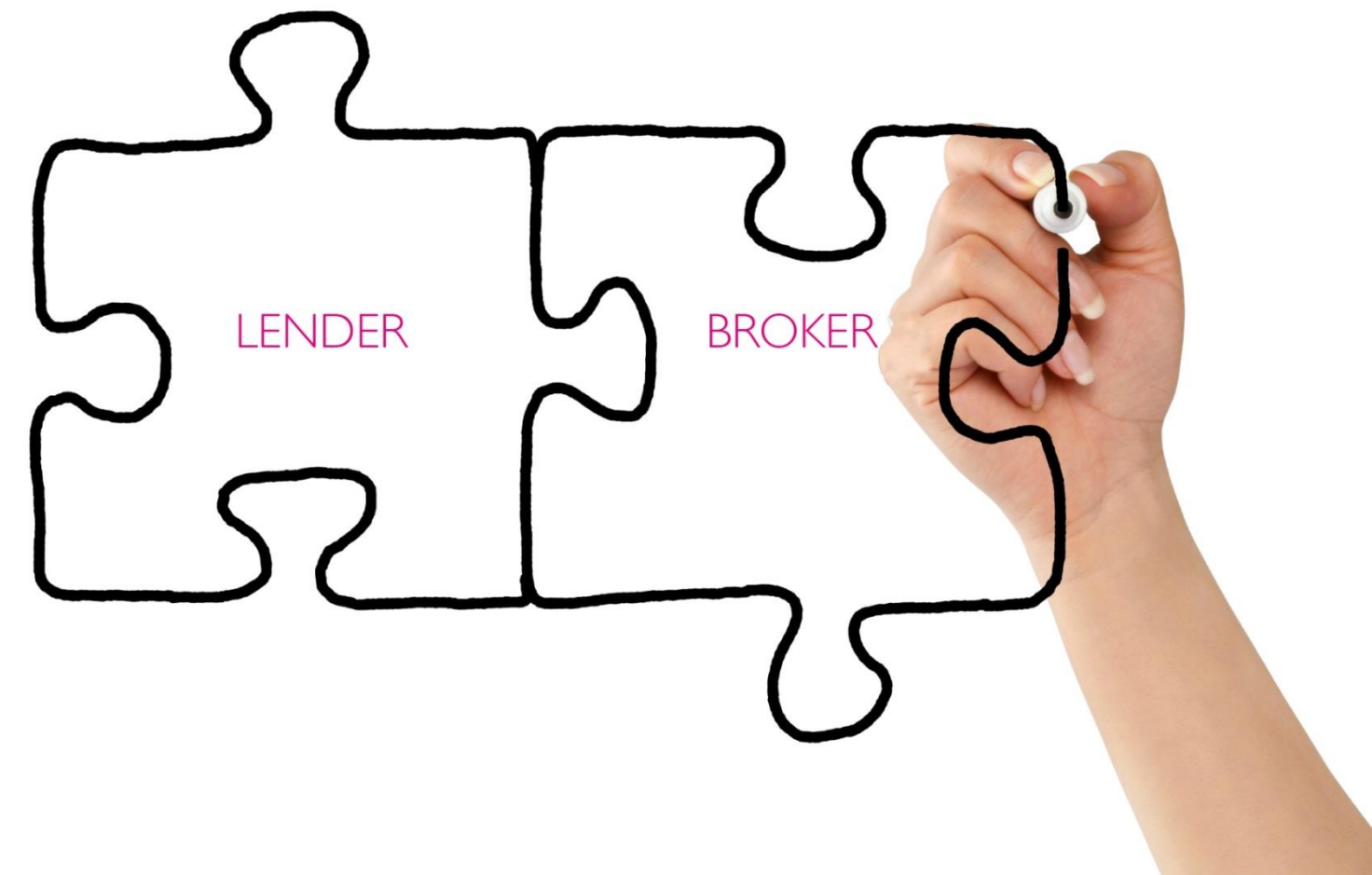
SHAWBROOK



We can all play a part

- Educating to giving customers the best outcome
- Changing the perception of second charge mortgages

This is our commitment



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DO I HAVE YOURS?

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