British Specialist Lending Senate

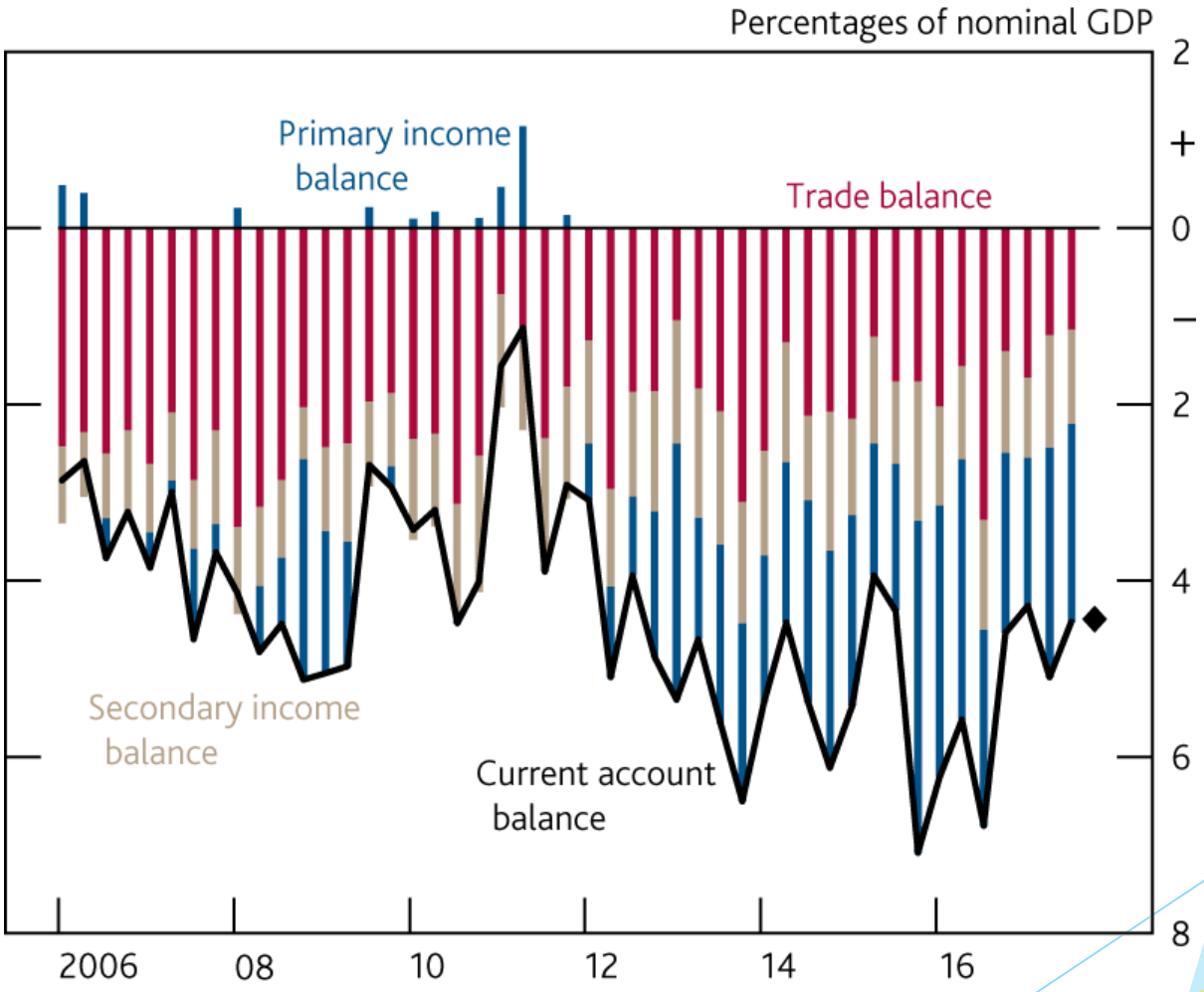
Mind the Gaps

Robert Sinclair
Chief Executive

March 2018

Association of
AMI
Mortgage Intermediaries

The UK current account



Source: Bank of England

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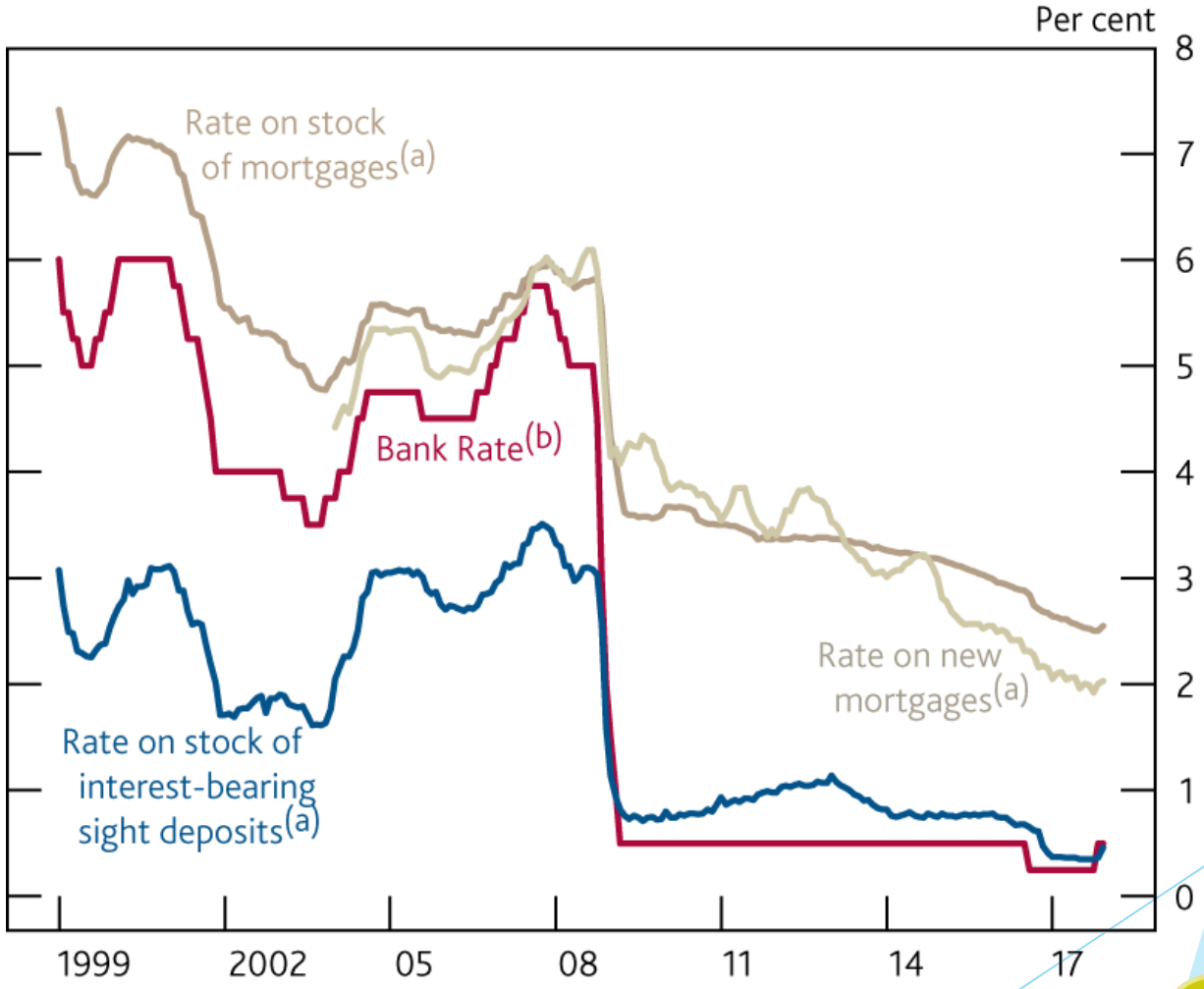
Interest rates



Source: Bank of England

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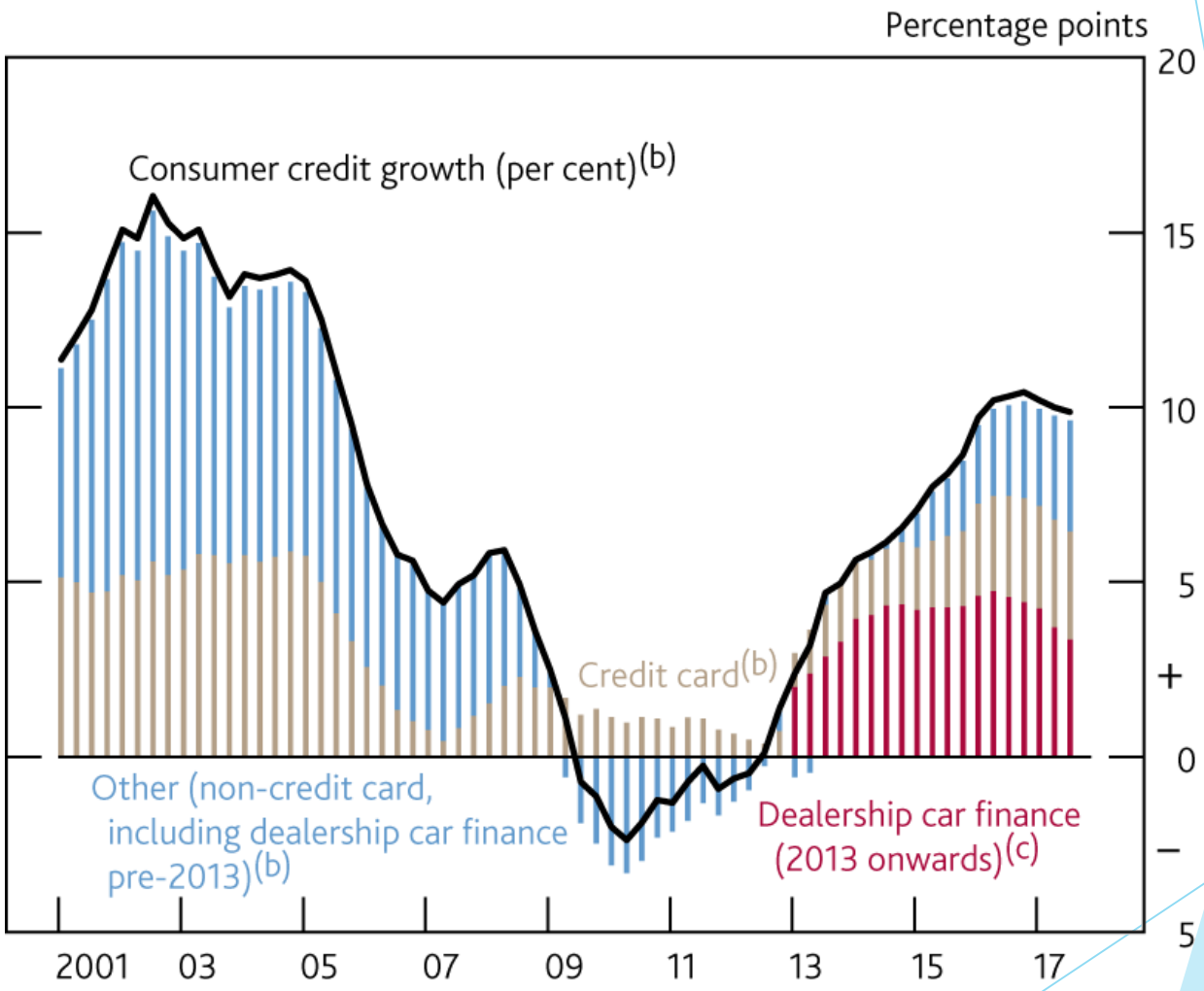
Consumer credit growth



Source: Bank of England

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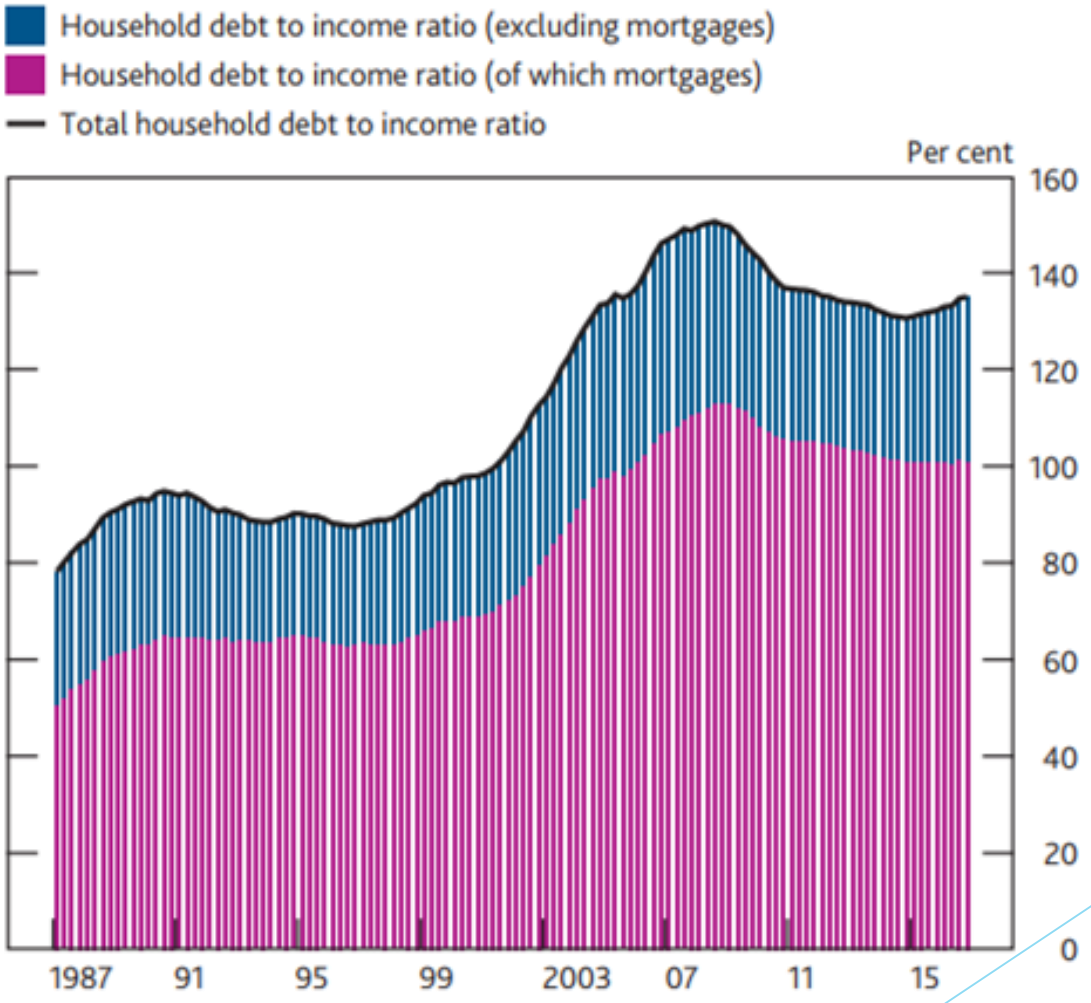
UK household debt to income ratio



Source: Bank of England

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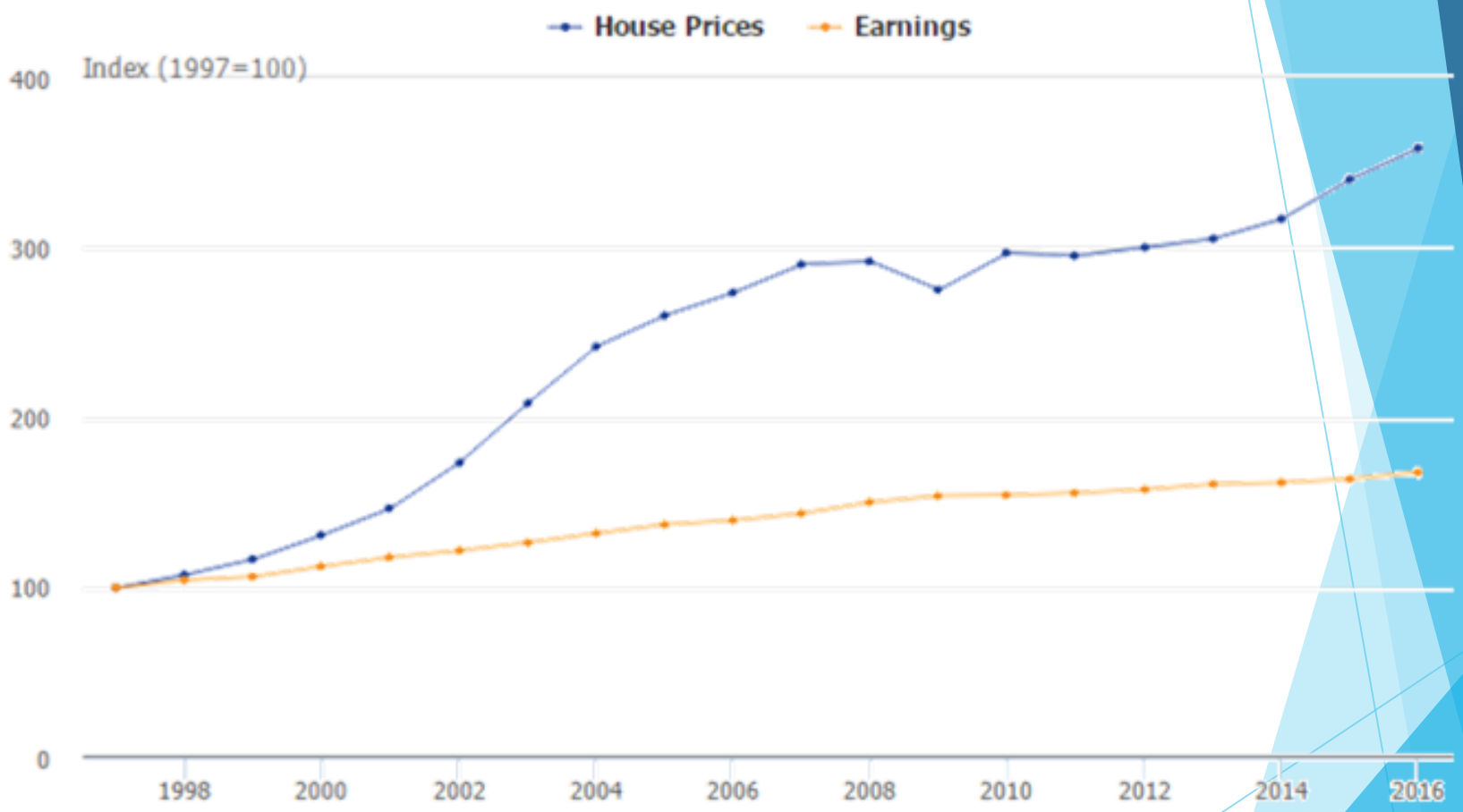
Price paid for properties v annual earnings



Source: ONS

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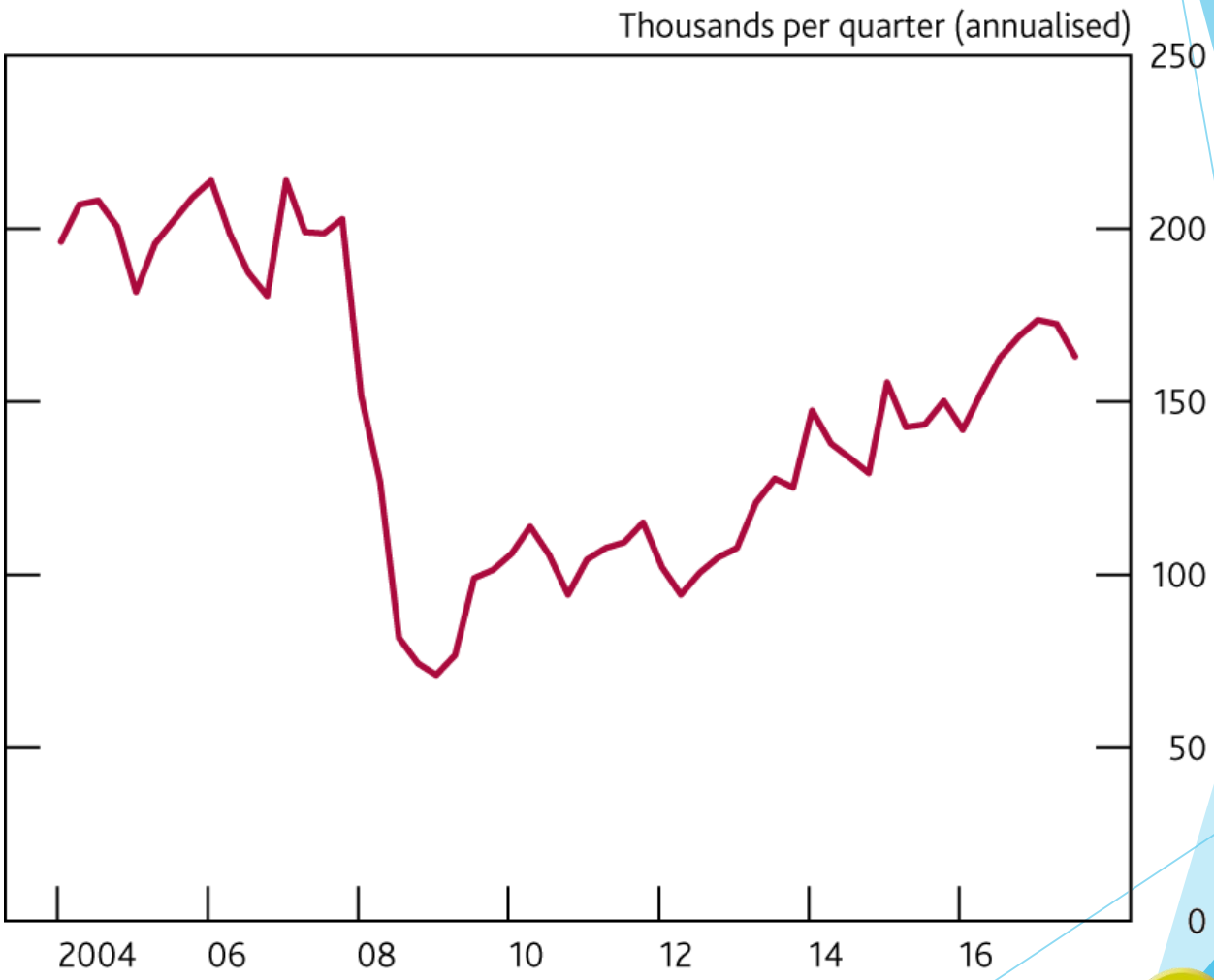
Housing starts



Source: Bank of England

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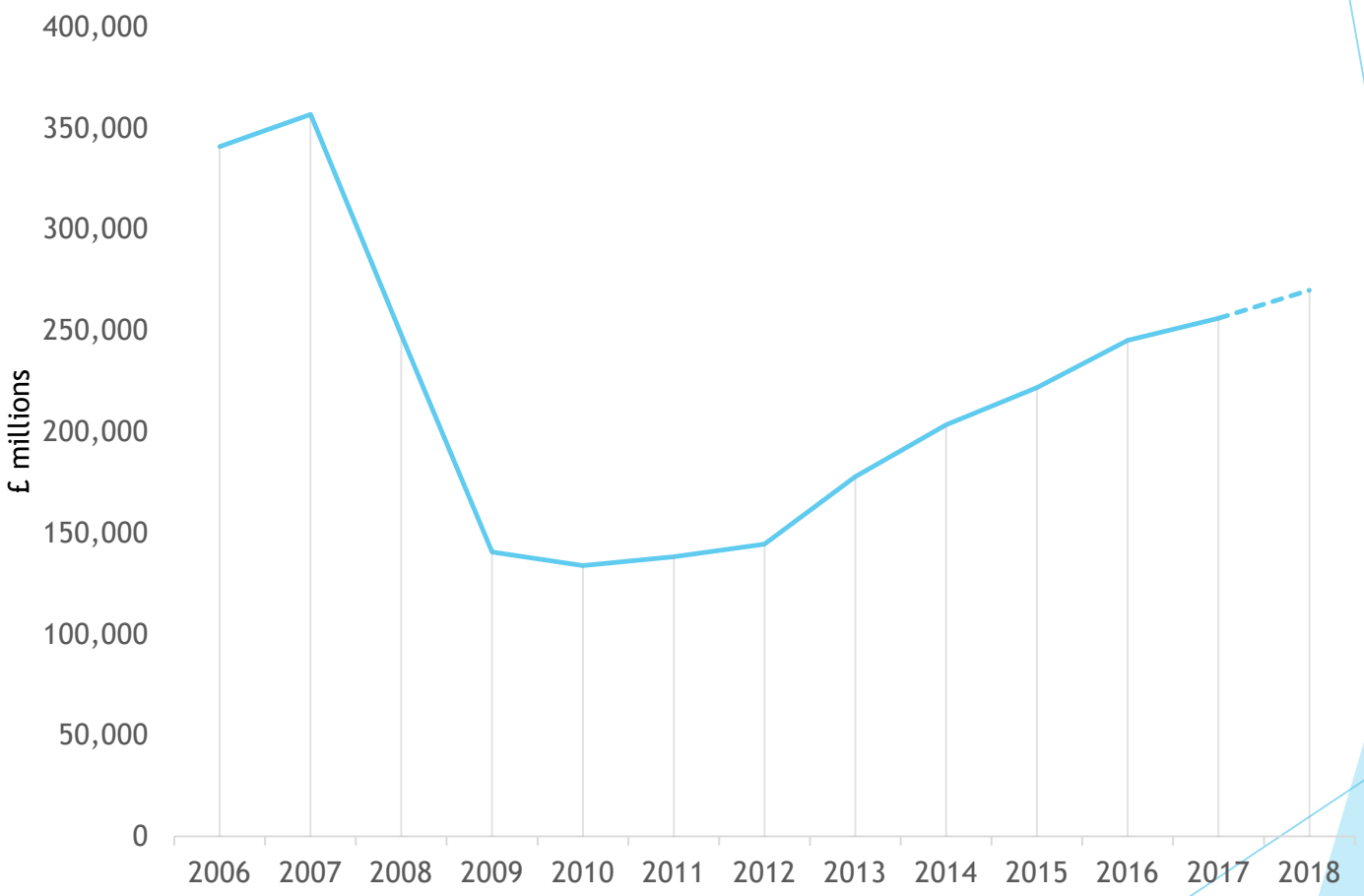
Gross mortgage lending



Source: UK Finance

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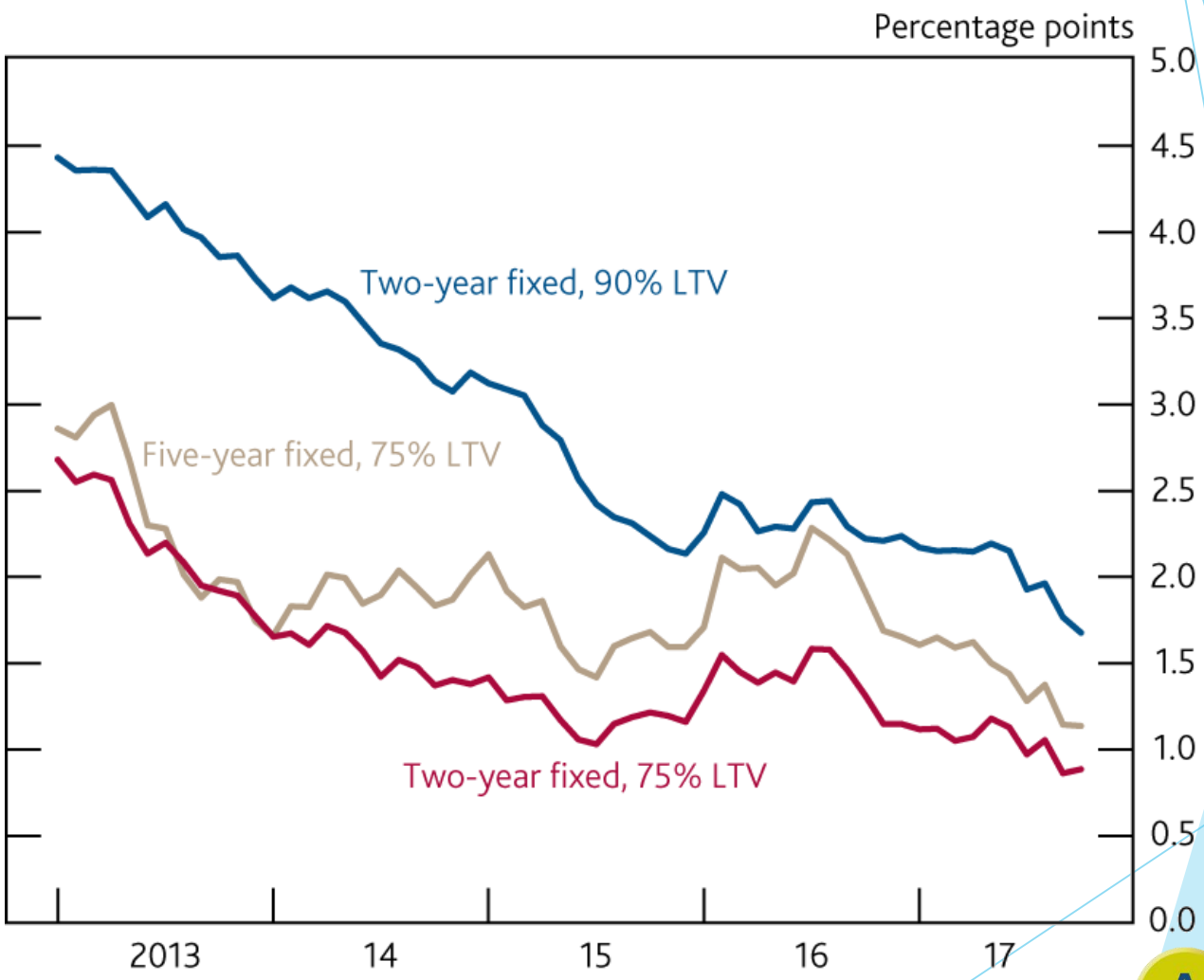
Spreads on mortgage rates



Source: Bank of England

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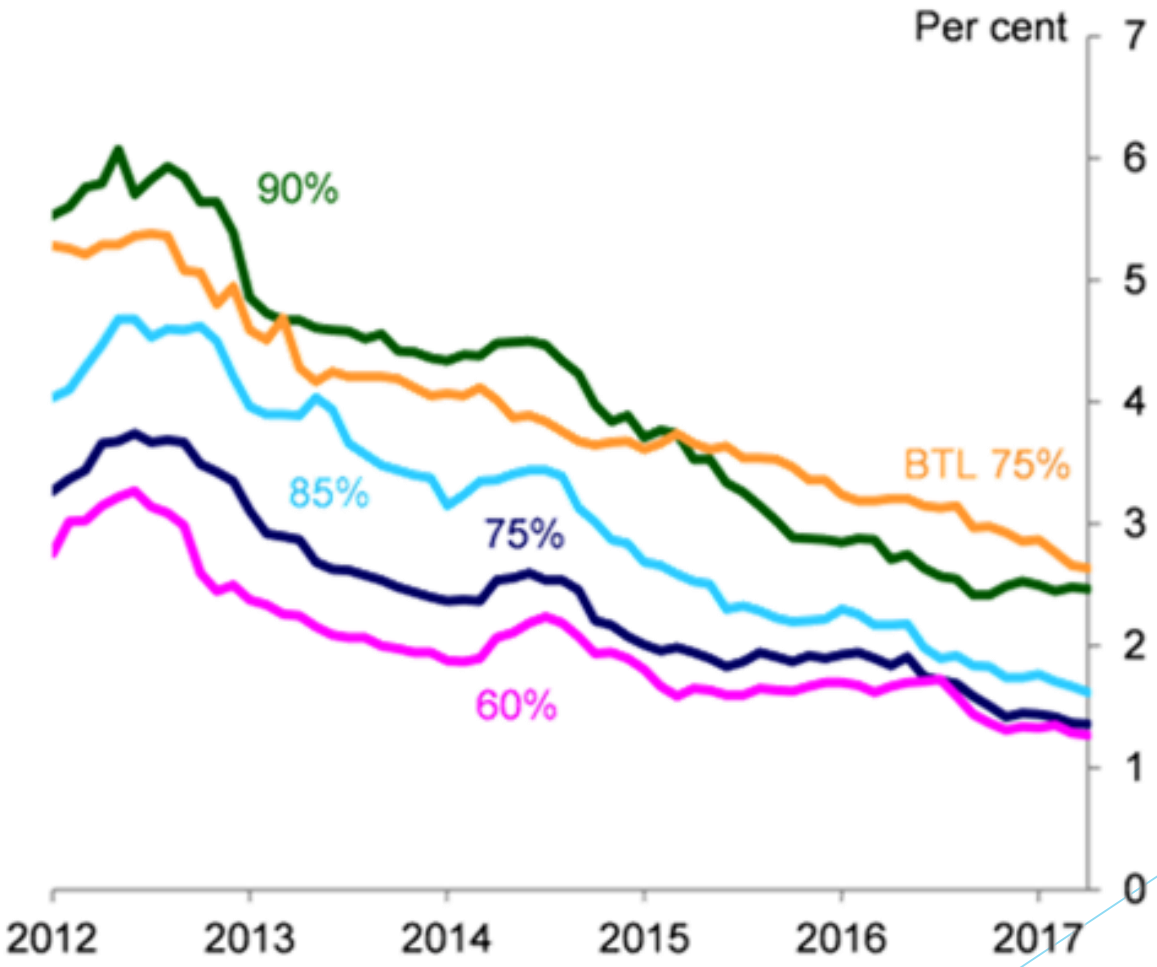
2 year fixed mortgage rates across LTVs



Source: Bank of England staff

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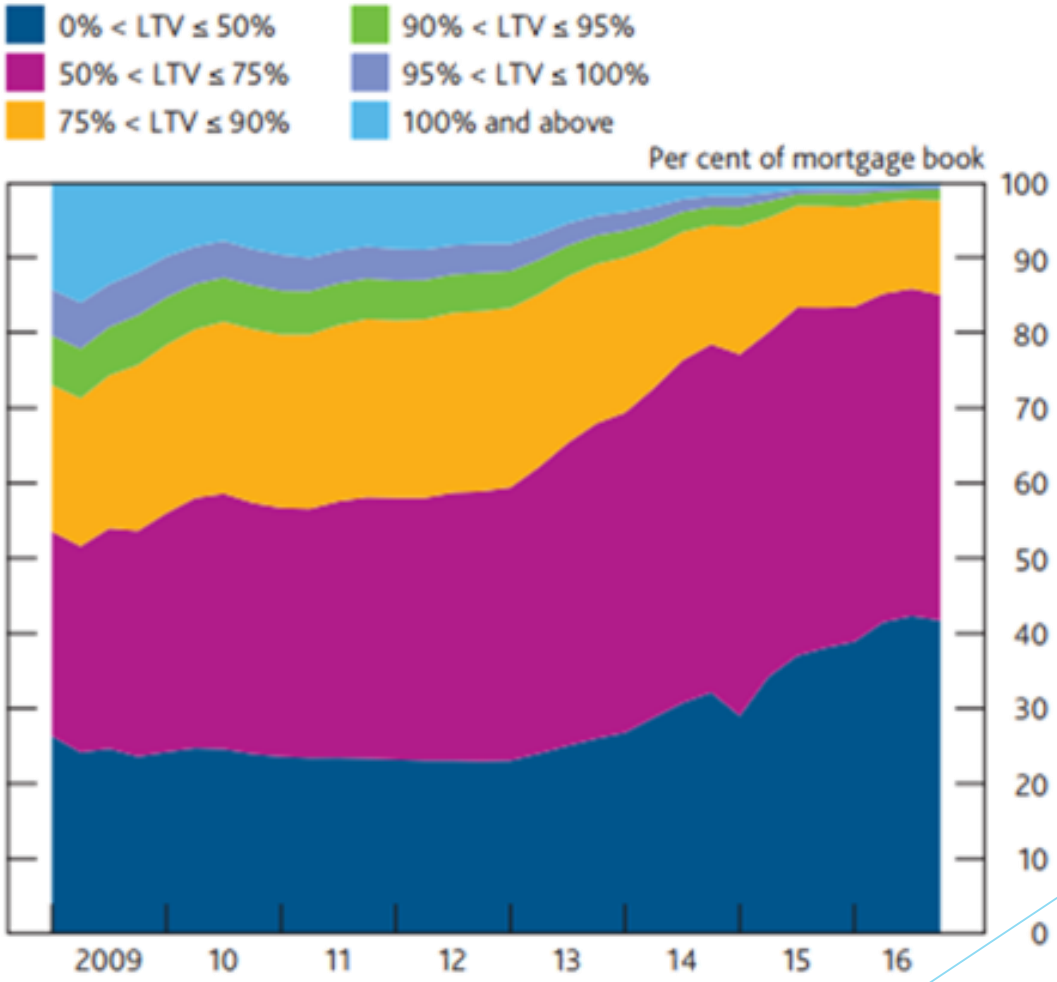
UK mortgage books by LTV



Source: Bank of England

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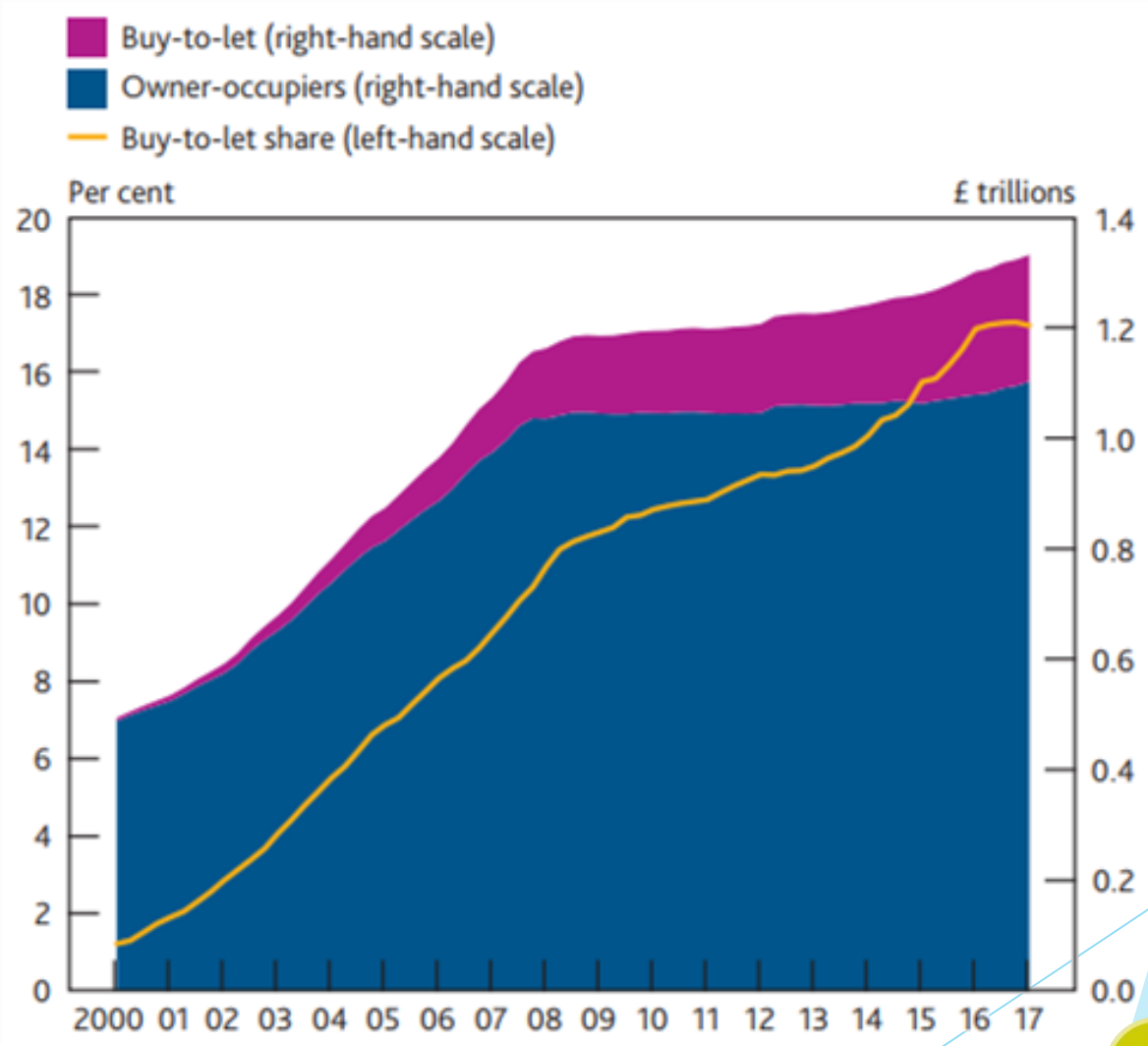
Composition of outstanding mortgage stock



Source: Bank of England

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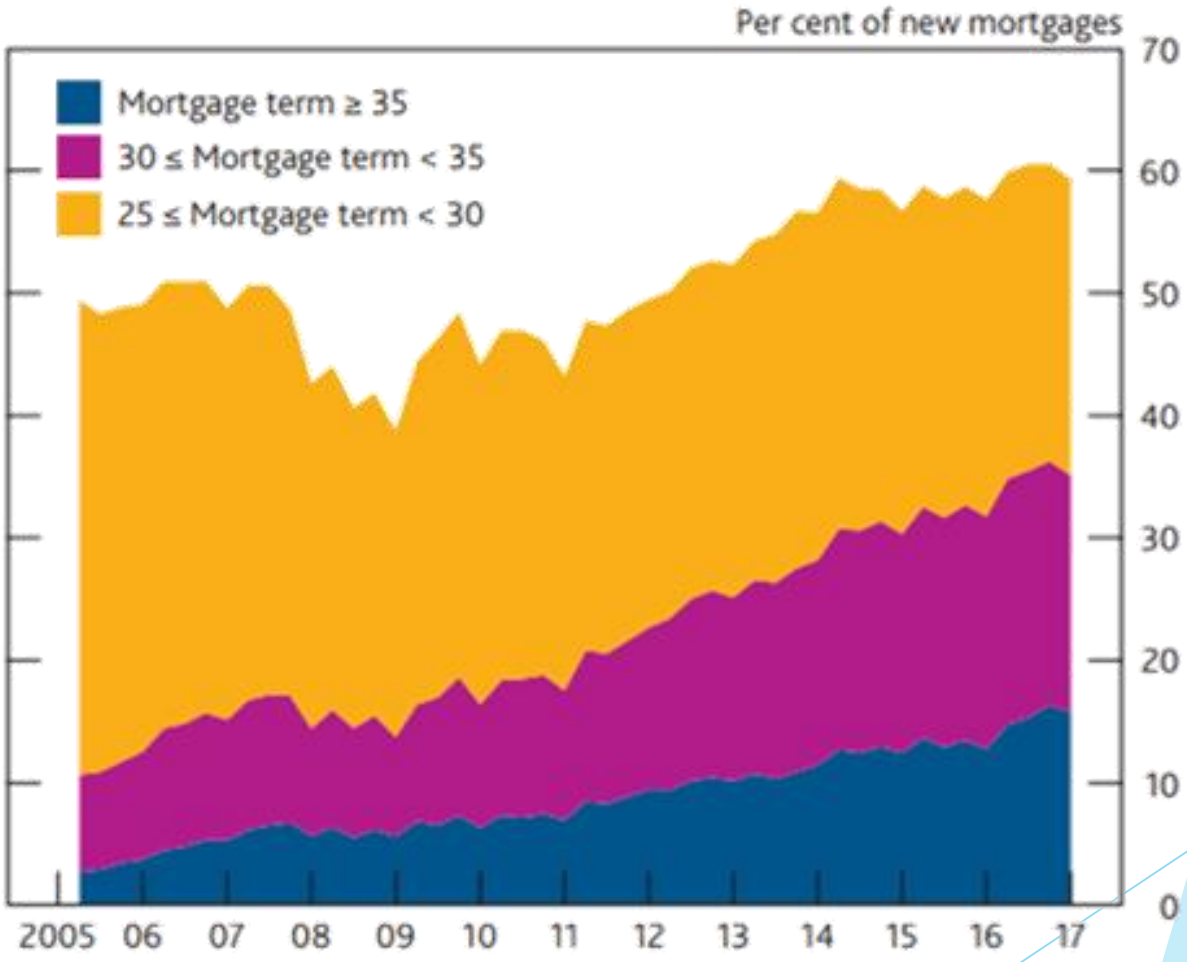
Share of new mortgages by term



Source: Bank of England

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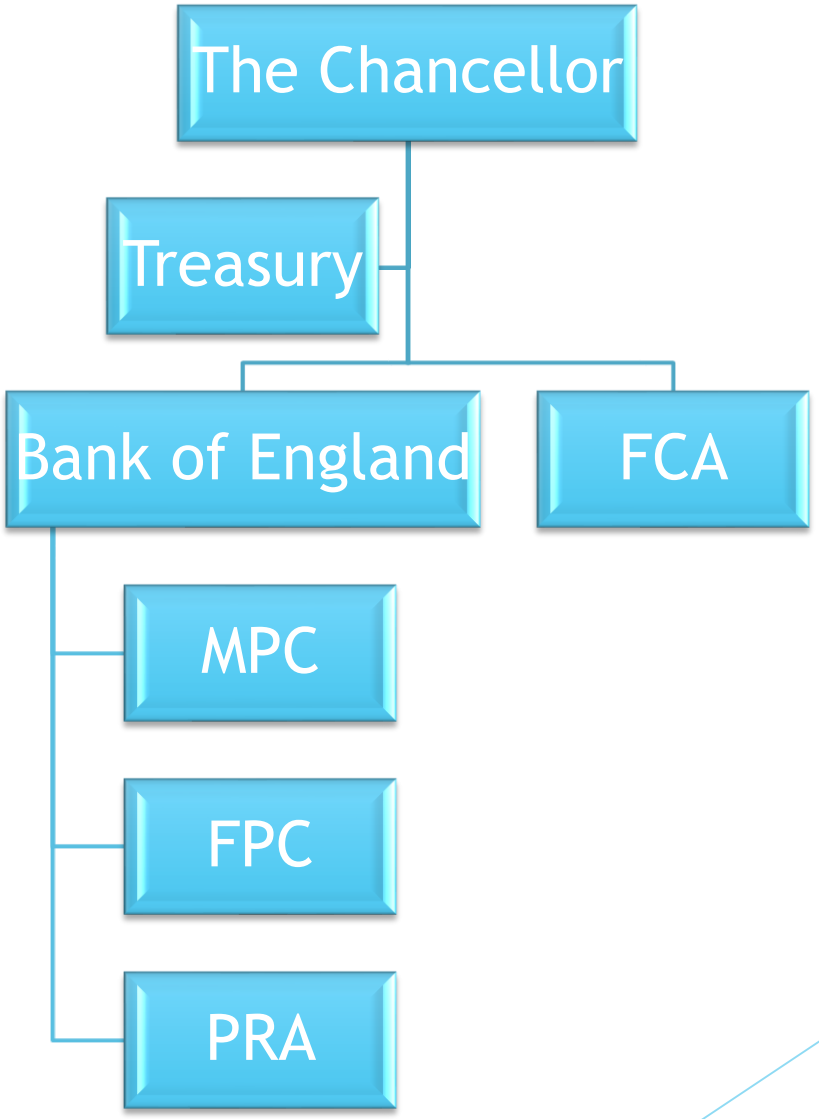
The regulators



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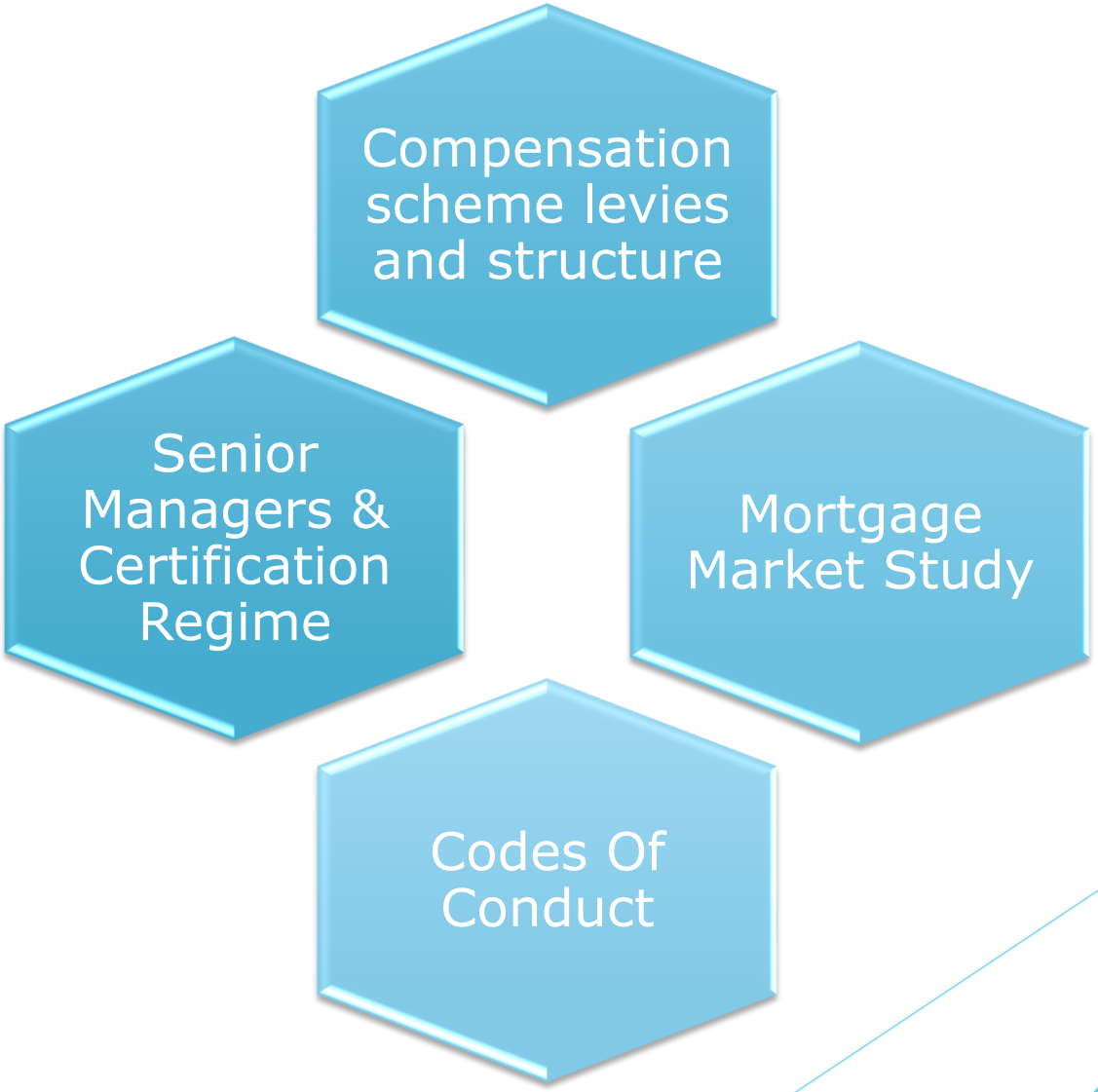
The challenges



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Senior Managers & Certification Regime

- Approved Persons swept aside
- Duty and Statement of responsibilities
- Issues allocating Senior Management Functions and who is in scope
- Additional Prescribed Responsibilities
- Firms to pre-vet and certify that staff in designated roles are fit and proper
- To be renewed annually – criminal record and credit checks together with evidence of ongoing competence

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Senior Managers & Certification Regime

Conduct Rules

All employees must…

- act with integrity
- act with due skill, care and diligence
- be open and co-operative with regulators
- pay due regard to customer interests
- observe proper standards of market conduct

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Financial Services Compensation Scheme

Review of funding

- Changes in classes
- Provider contributions proposed

High number of claims

- We strongly support separation of Life from Pensions

Changes effective 2019/20

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Mortgage market study

- A competition review
- Looking at tools available to consumers (including advice) on effective decision making
- Exploring if commercial arrangements lead to conflicts of interest or consumer detriment
- Role of Clubs and Panels
- Codes of Conduct on unreg business
- How wide is reach?
- Interim report due spring 2018

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What is specialist

- Not standard residential (incl shared ownership)
- New Build
- Seconds
- Equity release
- Maturing Interest Only
- Portfolio Buy-to-Let
- Bridging
- Development Finance
- Pension Fund linked lending

- Or Commercial?

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The Funder Dilemma

- Equity flooding in
- Products that are longer term
- Short term profit required
- Regulator controls
- Risk v Return
- Not a long term play
- Exit Strategy

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Regulators Game Face

- The standardised approach to capital
- The internal ratings based approach
- Cost of capital, management expense and margin together with debt risk, and what is an acceptable ROE
- IRRBB v ICAAP v ILAAP
- Impacts of the PRA and the FCA as regulators with a different focus
- How to play stress rates
- Interest only and possessions

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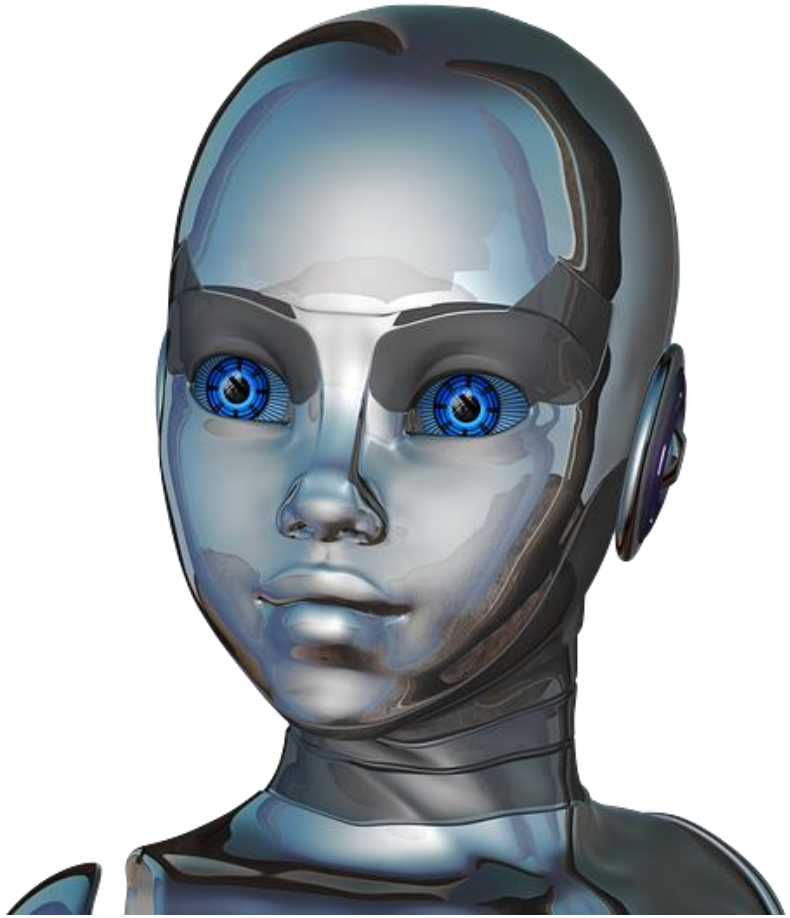
Future days



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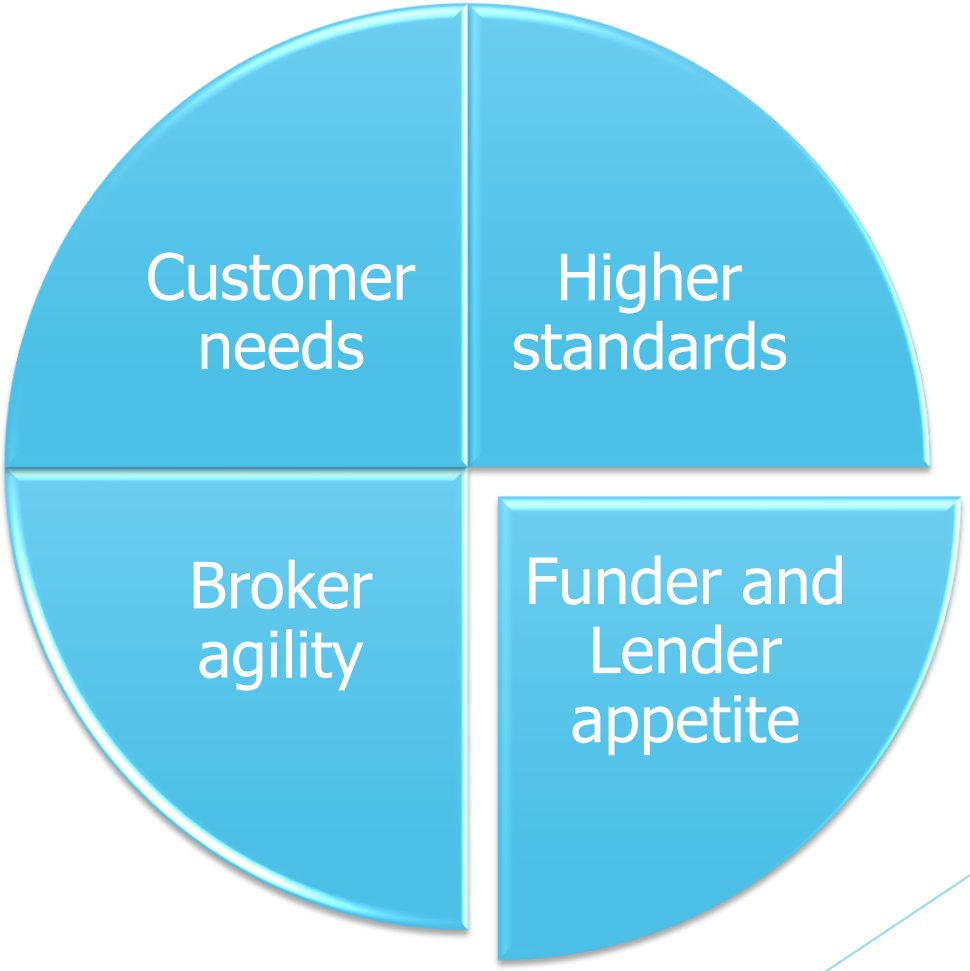
In summary



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Winners look like…