THE MORTGAGE AND PROTECTION EVENTS NOVEMBER 2018

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Legal & General

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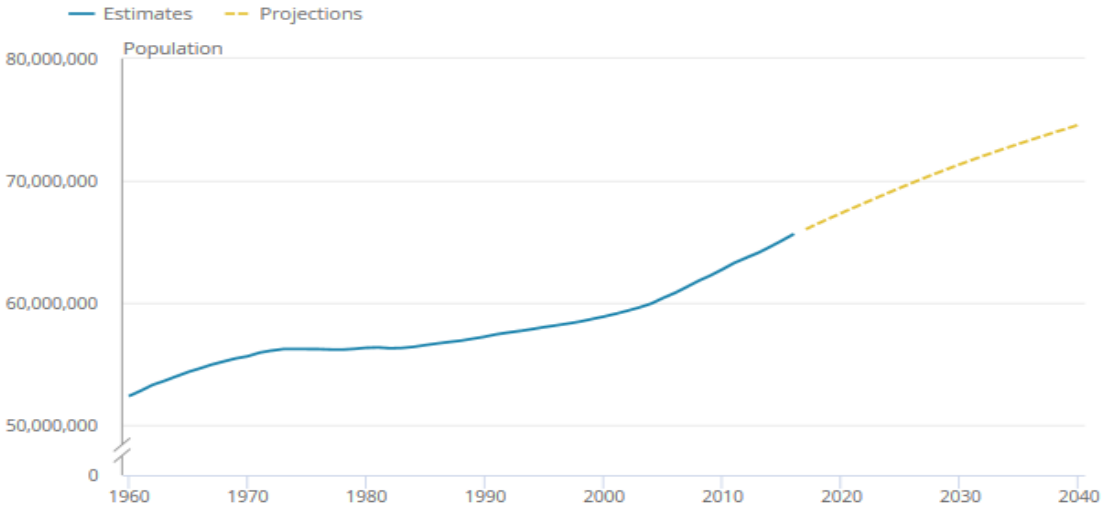
The Macro Environment

UK population continues to increase

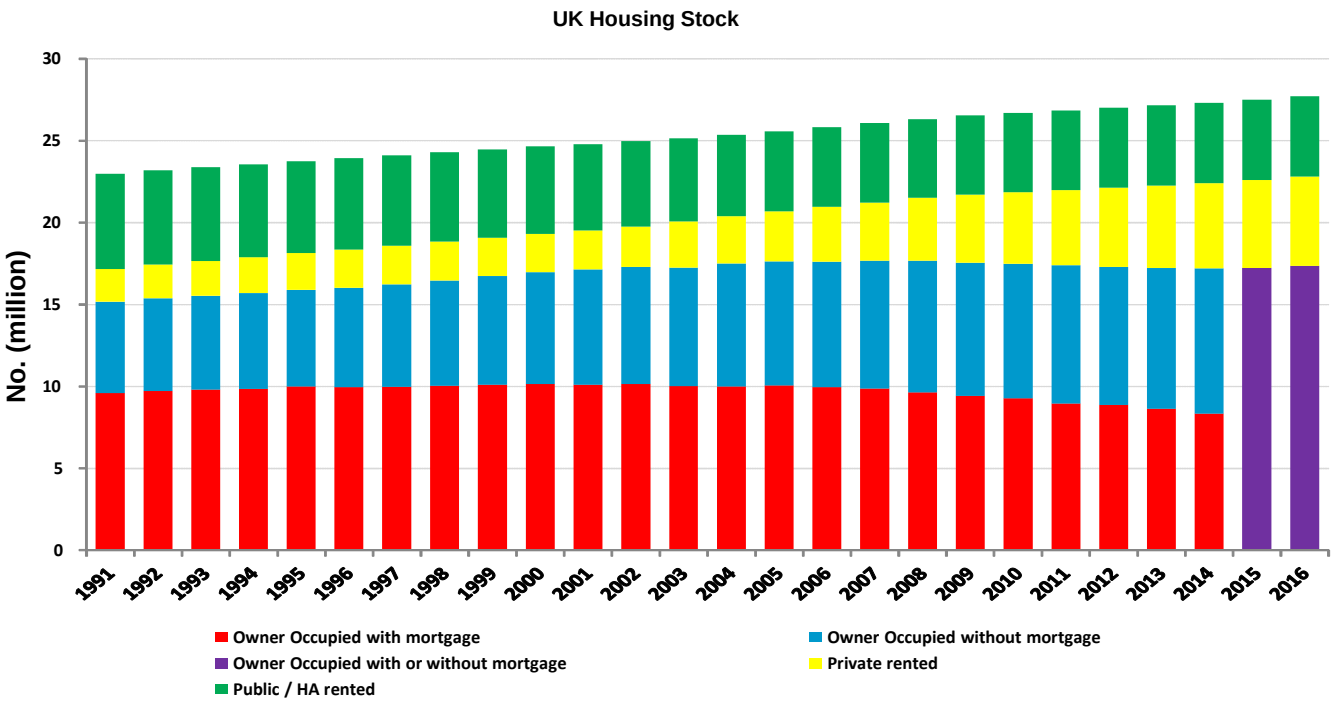


- In 2016 the UK population was **65.6m**, its largest ever, and is projected to reach **74m** by 2039.
- The population in the UK is getting older with **18% aged 65+** and **2.4% aged 85+.**

- England population = **55,268,100** (84.2% share of UK population)
- Scotland population = **5,404,700** (8.2% share)
- Wales population = **3,113,200** (4.7% share)
- Northern Ireland population = **1,862,100** (2.8% share)

Source: ONS

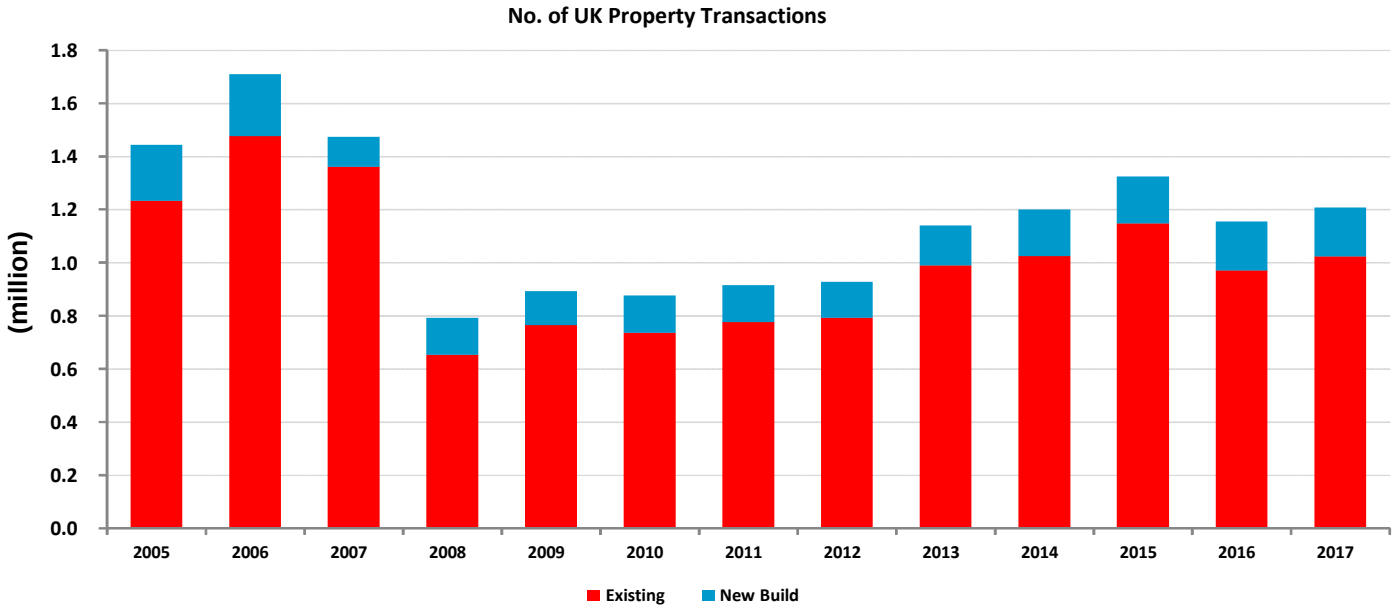
View of the UK Housing Market



Numbers are increasing but the mix is changing

(Source: DCLG, UKF)

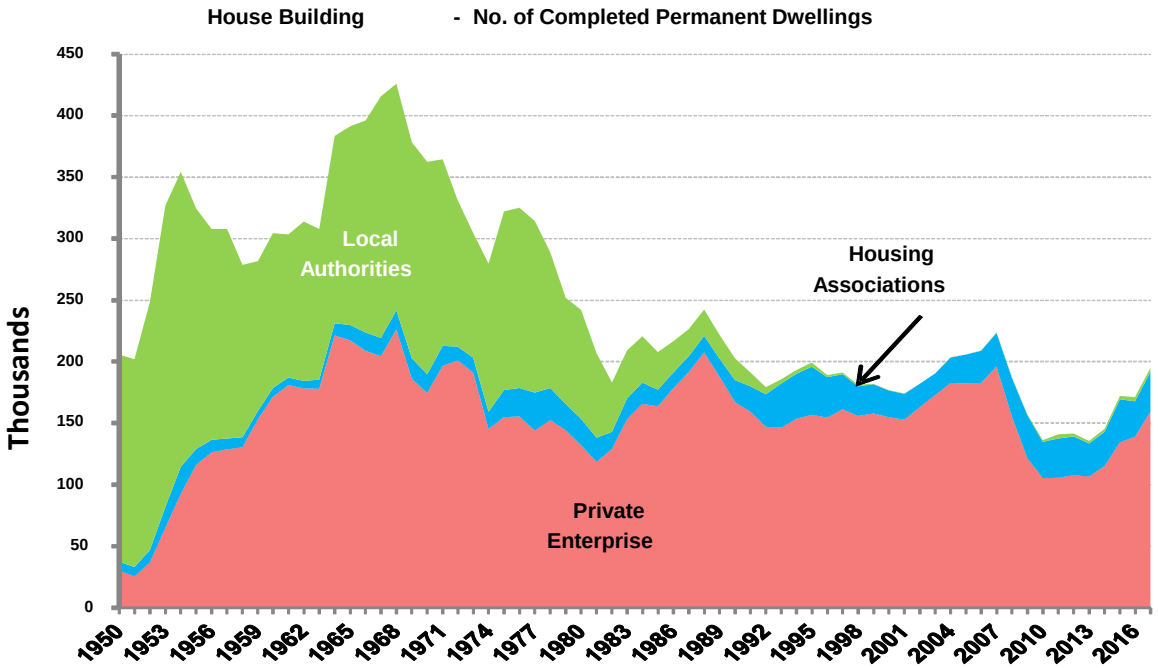
Housing Transactions



Flat-lining activity has widespread implications

Source: Existing – HMRC. Annual data runs from April to March, hence April 2017 to March 2018 is shown under 2017. New Build – NHBC, based on completions, grossed up to represent full market.

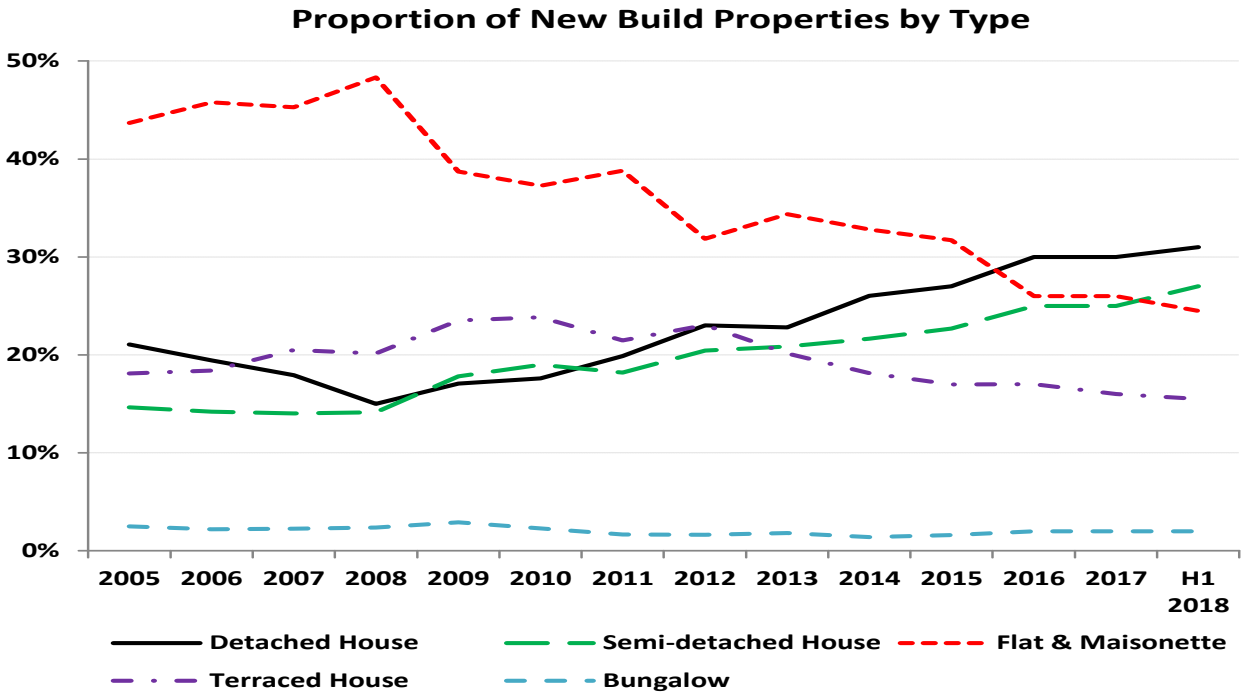
New Build fallen short for a decade



More people than places to live…

Source: DCLG

New Build supply is changing too



Source: NHBC based on registrations

Conclusions

There aren't enough decent affordable homes for people to live in.

> We need to build more of the right type of property in the right places.

Flat-lining transactions. Working patterns are changing & relocating is now more of a choice than a necessity. That removes a key underpin for activity.

> If this driver no longer exists, then we are down to deaths, births and aspiration

Government assistance for buyers distorts the market.

> Help to Buy needs refocusing and probably will be.

Buyers need sellers and vice versa.

> We must reduce friction in the market to stimulate demand. Does Stamp Duty need to change?

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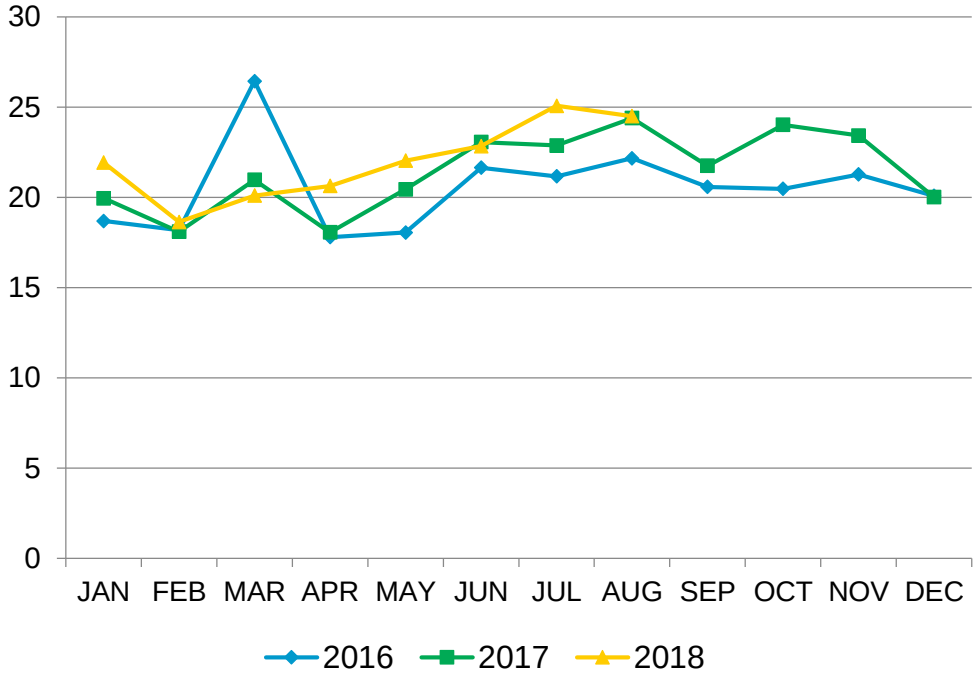
THE MORTGAGE MARKET

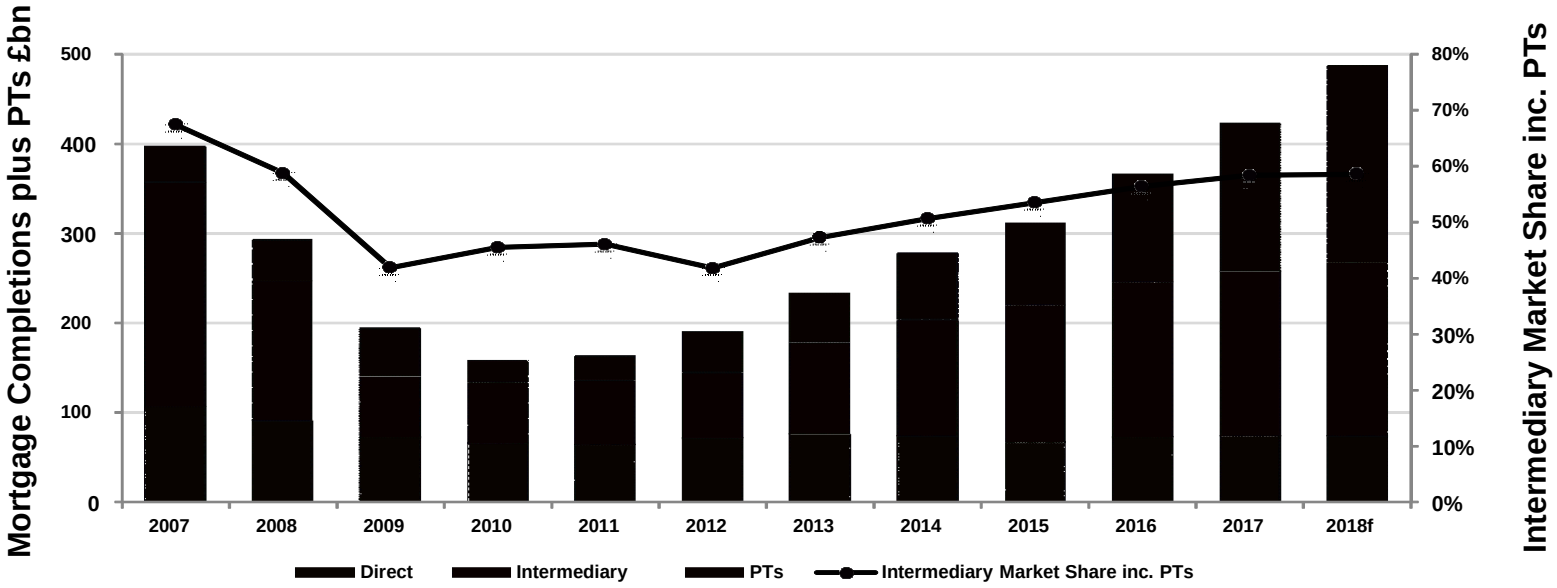
Overall Market

- Consistent improvement
- 2018 looking positive
- However, September figures likely to show decline



Source: CML

UK Mortgage Lending



Source: LBG

Conclusions

Recent growth in the mortgage market.

> However this is driven by refinancing.

Emergence of product transfers AND the significant role intermediaries play in this market.

> Ensure a strong customer focus on the product transfer process – justify the value of advice.

> Increasing need to focus on customer retention.

Buy to let is going nowhere!

> Significant opportunity remains in this segment of the market.

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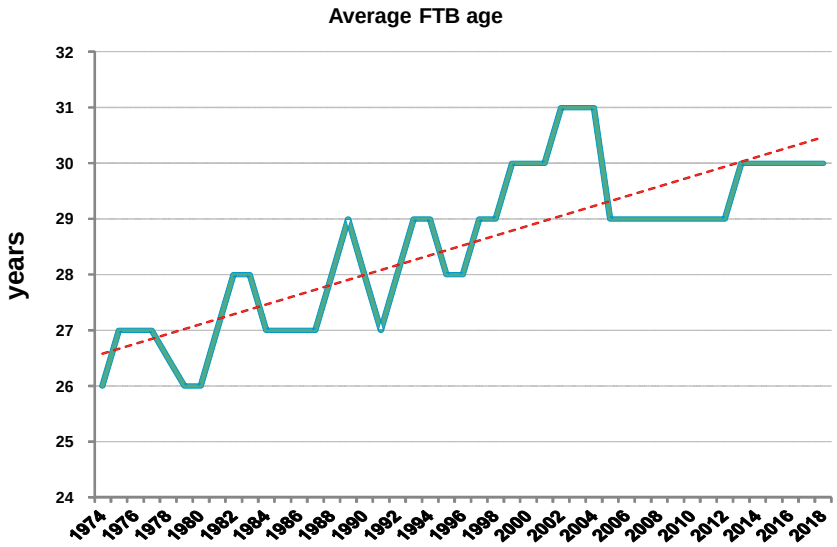
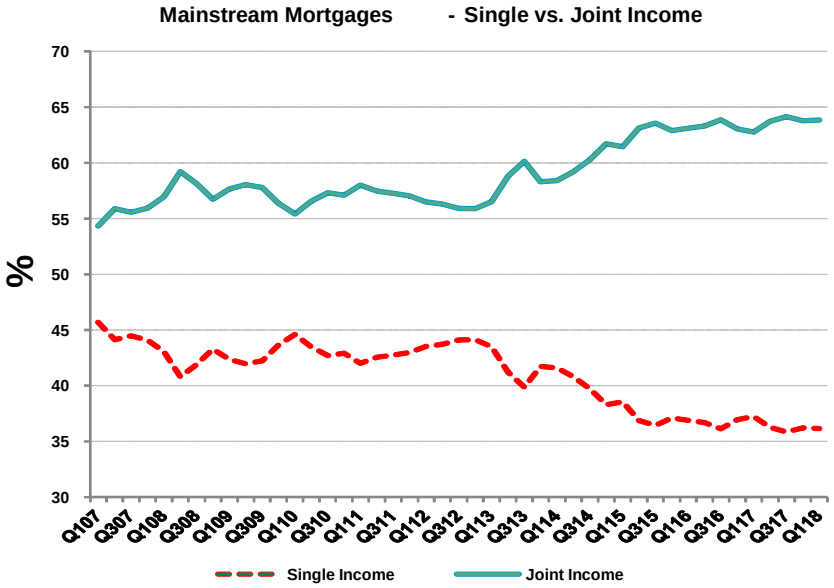
WHAT IS HAPPENING TO THE UK CONSUMER?

Homebuyer trends

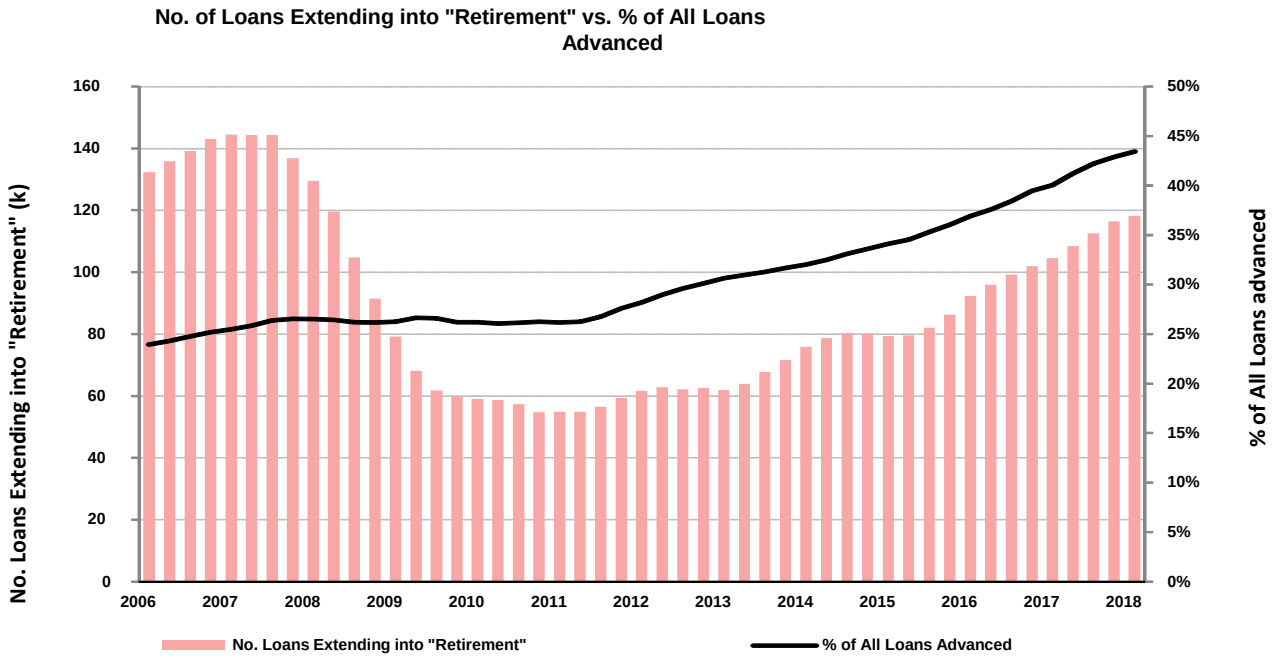




The average first-time buyer age in 2018 is 30……

Source: UKF, ERC (UKF data based on all loans that mature after the borrower turns 65)

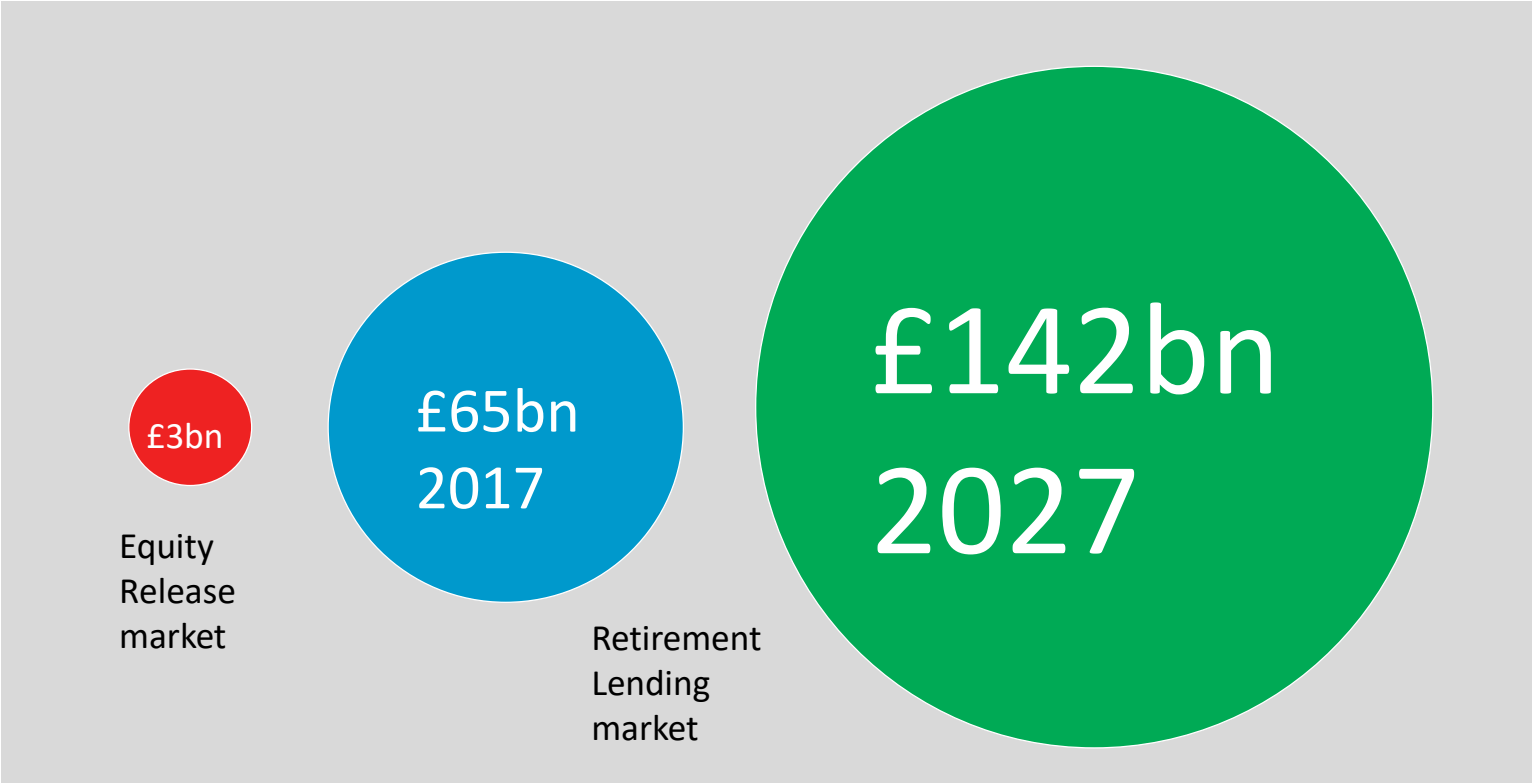
Ageing population



The market is changing … 69% of UK housing equity is held by the >55's.

Source: UKF, FCA

Later Life Lending – size of the market?



Source: more 2 life research conducted with Centre for Economics and Business Research (Cebr) between January and March 2017

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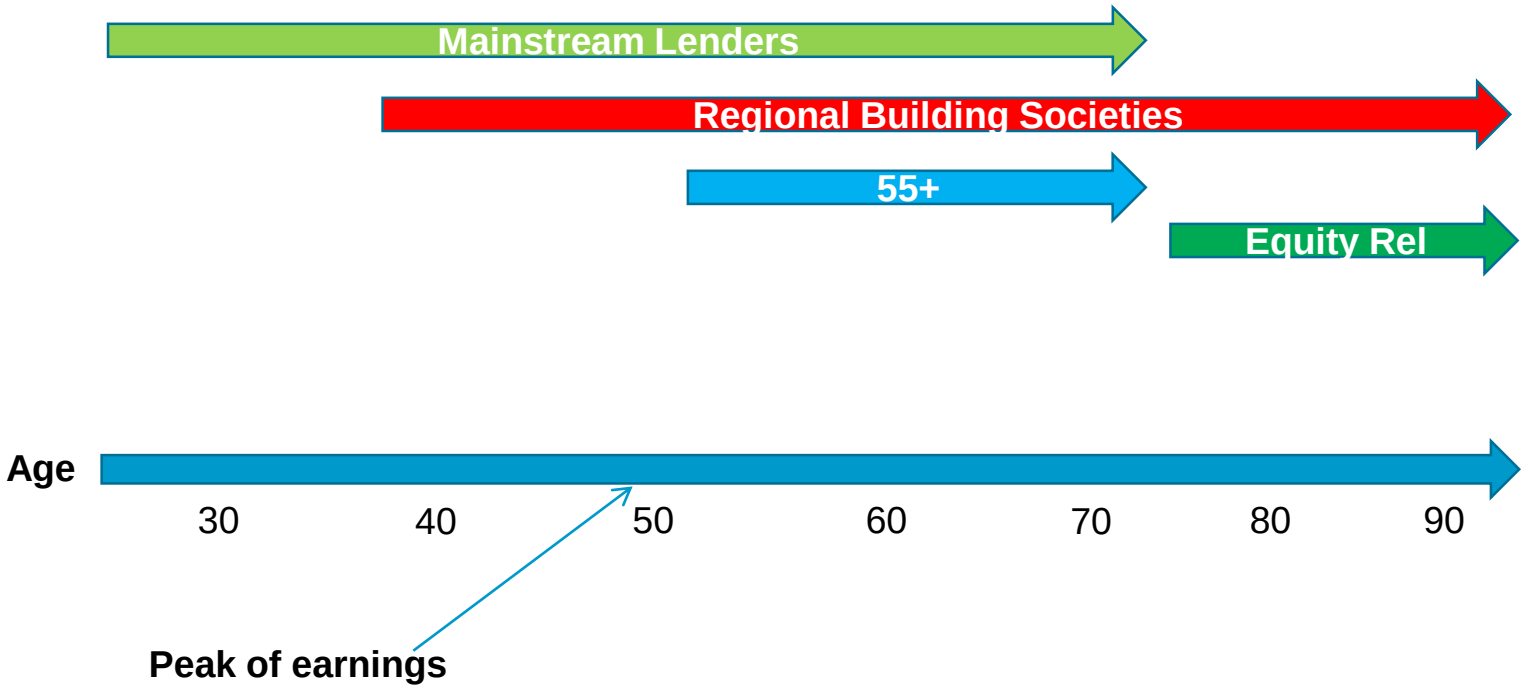
Lending through the generations



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Conclusions

People are getting older.

> Are there opportunities for people to downsize to help free up the market?

> Future opportunities with asset rich and cash poor customers.

Product and solution innovation increasing.

> More lenders with greater innovation entering the market continuously. What opportunities are their for your business?

The 'traditional' market is not growing – should you be planning to diversify and grow focus in new and emerging parts of the market?

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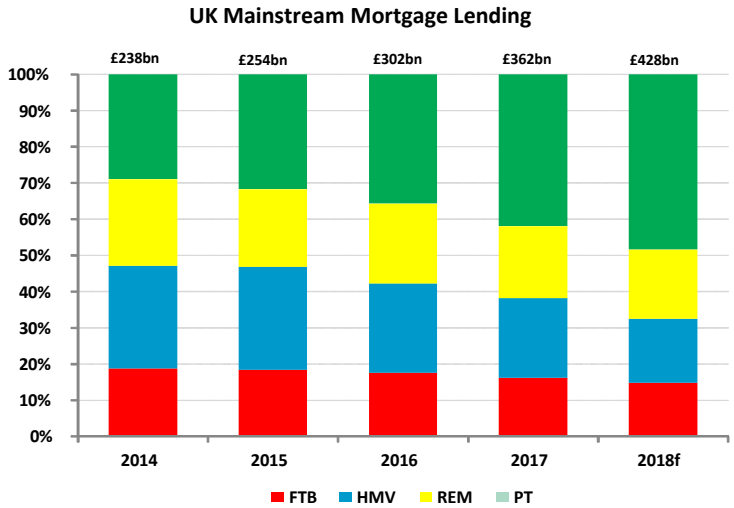
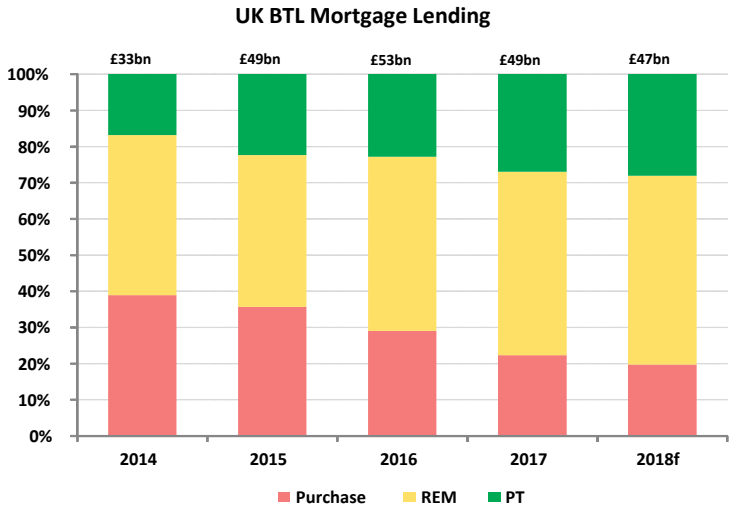
SO WHAT DOES ALL THIS MEAN FOR THE FUTURE?

Mortgage market buoyed by refinance





Which means that … management of customer relationships is key to your future.

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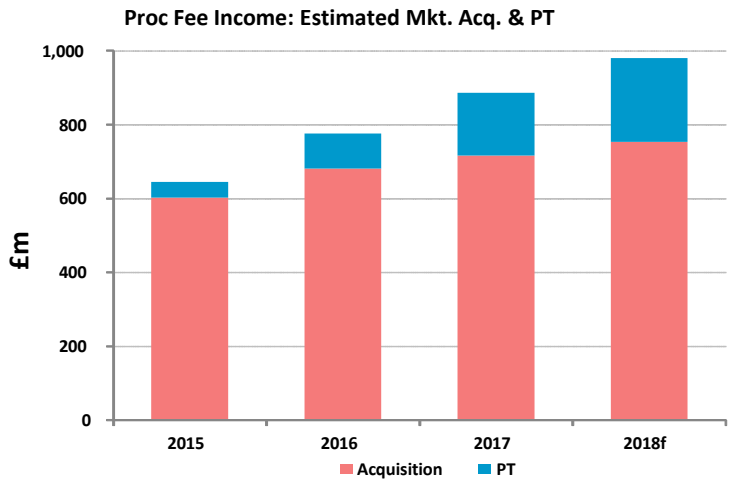
Fierce Competition - pros & cons for brokers



Over the same period, lender income over the lifetime of the advances that led to these proc fee payments …….

……has fallen…….

Lenders will face pressure on proc fee budgets and some will seek to build their D2C businesses…

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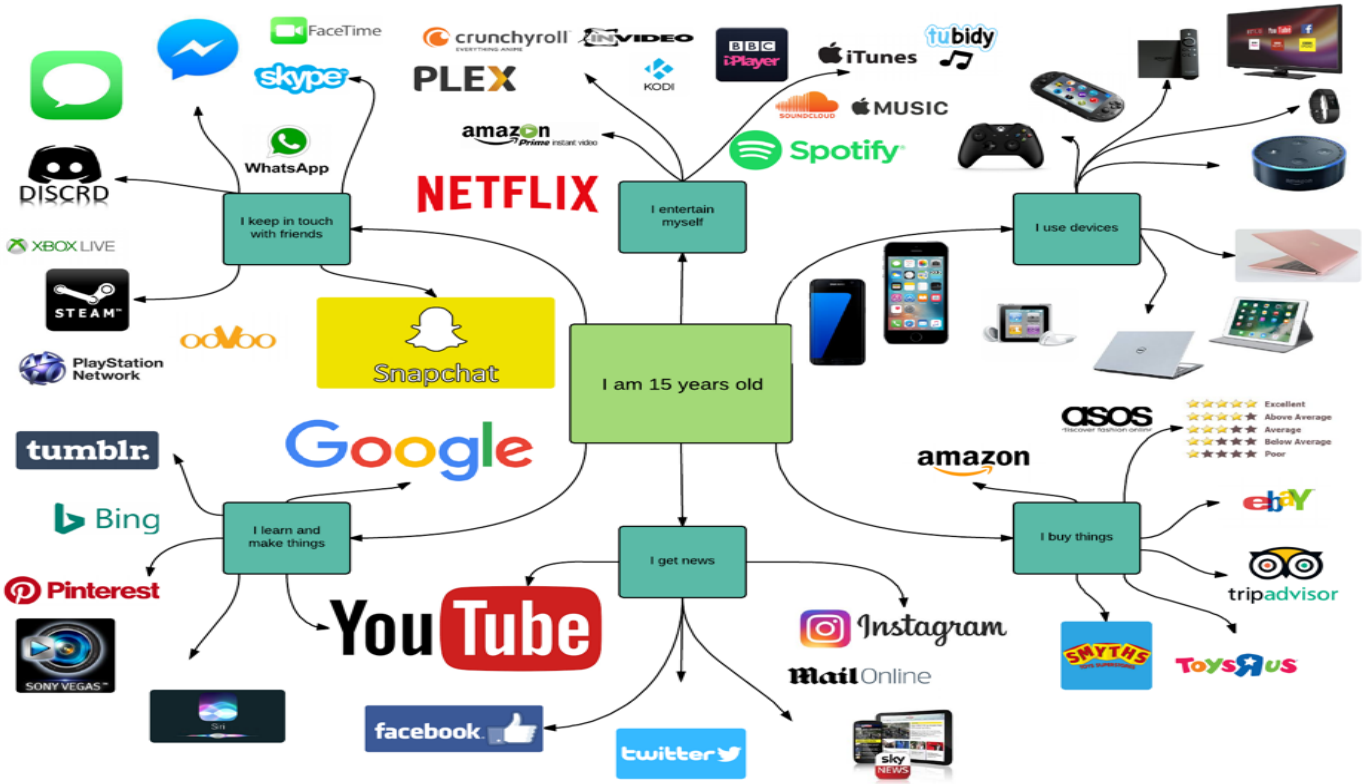
Technology – changing our lives



Source: CoAct Consulting

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THE FRICTIONLESS MORTGAGE?

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The Frictionless Mortgage

CUSTOMER WANTS BEST MORTGAGE WITH EASIEST PROCESS.

MULTIPLE ADVICE SESSIONS, SELF-REPORTED DATA. EXTENSIVE FACT FIND.

MORTGAGE SOURCING / SELECTION AND LOTS OF REKEYING ON APPLICATION.

DETAILED INCOME AND AFFORDAILITY AND VALUATIONS REQUESTED FROM LENDER.

FINAL OUTCOME – AND CERTAINTY – IS PROVIDED AT THE VERY END.

BUSINESS PROCESS LED

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The Frictionless Mortgage

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BUSINESS PROCESS LED

CUSTOMER WANTS BEST MORTGAGE WITH EASIEST PROCESS.

COMPLETES DIGITAL FACT FIND ON SMARTPHONE.

VALUATION COMPLETED. INCOME AND AFFORDABILITY WITH OPEN BANKING.

FIRST INTERVIEW: MORTGAGE BROKER SELECTS BEST LENDER BASED ON VERIFIED FACTS.

DIGITAL MORTGAGE APPLY AND INSTANT OFFER.

CUSTOMER EXPERIENCE LED

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The Frictionless Mortgage

“If you think Amazon is close to being a trillion dollar success because it is a one-stop-shop for a vast array of goods and delivers swiftly then you truly don’t understand the threat you are facing at all.
No matter what you think of Amazon, the primary focus of the business is ease of use”

emma.hughes – FT Advisor 24th Sept 2018

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The Frictionless Mortgage

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“Advisers who engage and care about their clients have nothing to fear.”

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Conclusions

Significant bias to the refinance market.	***> Managing customer relationships through their life cycle is key to future success?***
Lenders margins are being squeezed.	***> Limited opportunity for margin enhancements.***
Robo advice is not to be feared.	***> Embrace technology to improve the process not the advice. Focus on your 'golden hour' with a customer.***
Change is coming driven by technology.	***> The talking phase is over. Change driven by technology is happening and the pace of change will only grow.***

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LEGAL & GENERAL MORTGAGE CLUB

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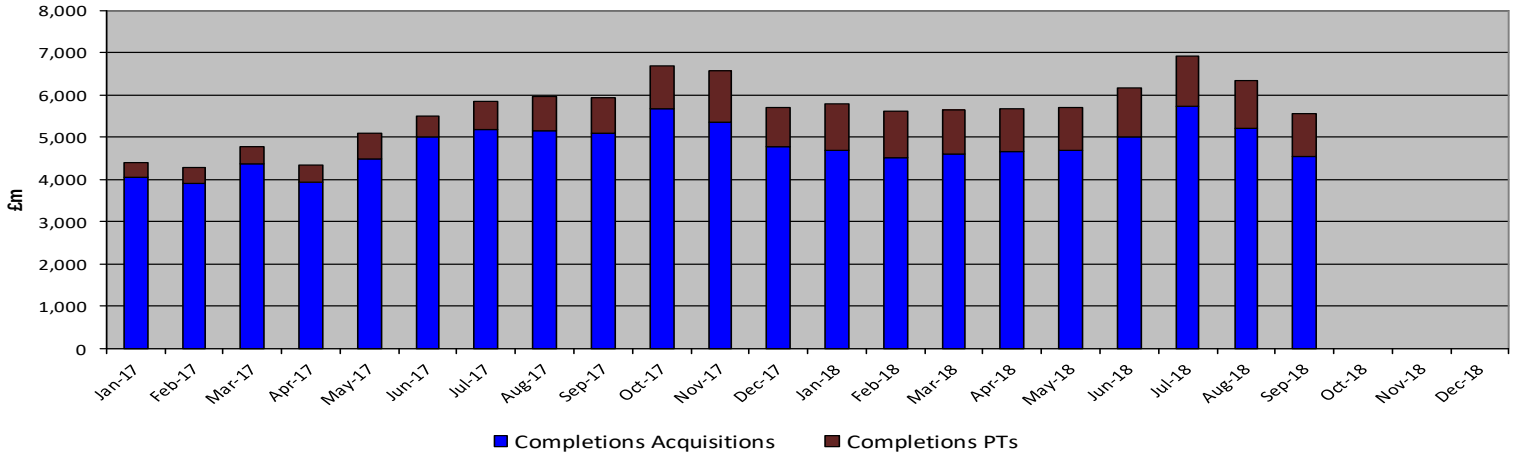
L&G Mortgage Club Update



2018 Lending

Completions to end August: £53.6bn (+16% v 2017)

Acquisitions £43.7bn

Product Transfers £9.9bn

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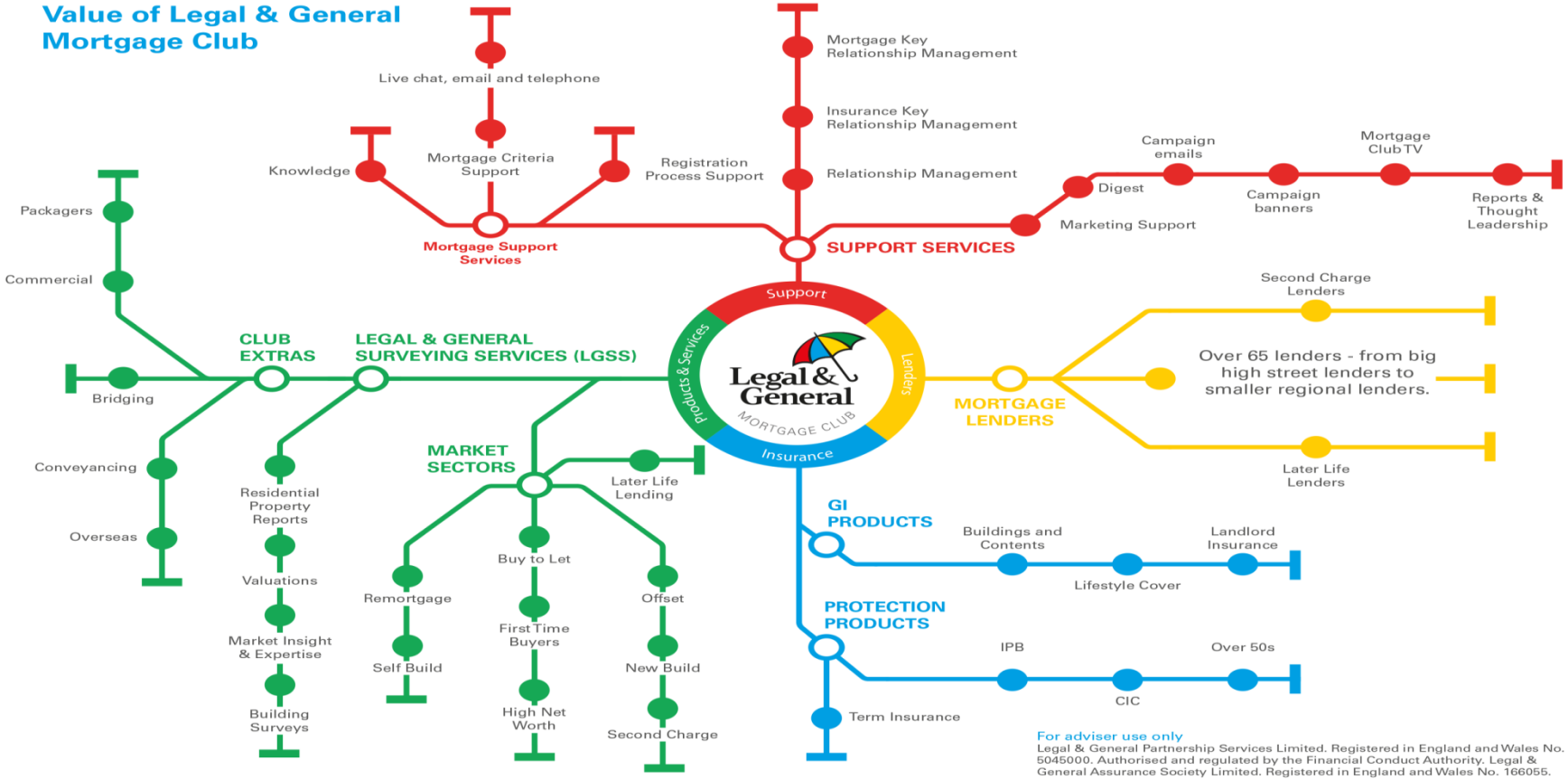
We are here to help…



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New Tools

Issues

RESIDENTIAL

ADDITIONAL INCOME

Rental, Commission, Pension, Special income, 2nd Job, Temporary, Zero Hour, Foster Income

ADDITIONAL INCOME

ADVERSE

CCJ,, Default, Bankruptcy, Missed Mortgage payments, Unsecured Arrears

ADVERSE

AFFORDABILITY

Joint Borrower Sole Proprietor, Help with Affordability, Ignore commitments

AFFORDABILITY

AGE

Max age, Min age, Earned to Max age

AGE

BENEFITS

Sole benefit, Benefits outweigh, Child tax, Working tax, Child benefits, Maintenance, DLA

BENEFITS

GUARANTOR

(Please use all required Contexts
Young professional

GUARANTOR

INCOME

Self Employed, Foreign Income, Daily Rate, CIS Vouchers, Employment (use SE for SE contract worker)

INCOME

INTEREST ONLY

(Please use all required Contexts) Repayment vehicles, LTV's, Part and part

INTEREST ONLY

MORTGAGE APPLICATION

No. Applicants, Married Applicants
Deposits, Capital Raising, Numbe
1 Remortgage, Loan To Value, Mo
Terms

MORTGAGE APPLICATION

Outcomes

RESIDENTIAL

9-10-2018 10:18 AM

ADVERSE

Default
Has the default been satisfied? : Yes
When was the default satisfied? : 24 months or more

YES LENDERS

- Aldermore
- Bluestone
- Kent Reliance
- Mansfield 1
- Marsden 1
- MBS 1
- Platform
- Precise

REFER LENDERS

- Buckinghamshire 1
- Digital
- Dudley 1
- Earl Shilton
- Family
- Foundation
- Hanley
- Ipswich 1

HOME | SEND EMAIL | EDIT OUTCOME

ADVERSE

Default
Has the default been satisfied? : Yes
When was the default satisfied? : 24 months or more

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SUMMARY

Summary

1. **Confirm your target market & make sure it is sustainable.**

2. **Establish where you add the greatest value to these clients.**

3. **Design your business model around this.**

4. **Embrace technology in support of this.**

5. **"And manage customer relationships as if your future depends on it."** *(Mike Jones, LBG)*

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