

## **MORTGAGE INTRODUCER –QUESTIONS FROM HELL JUNE 2009-BILL WARREN**

The phrase “green shoots” has yet again been used in recent weeks to reflect activity in the housing market and elsewhere. But how real is this optimism in the harsh realities of intermediary businesses, probably a flicker of hope perhaps. The really encouraging aspect of these comments is that they have been coming from different sectors of the UK business community as well as within the property finance world, so maybe we have turned the corner. That said for some time to come we will all be fighting for business like never before, as the price linked to quality impact remains the all important factor for decision makes, whether they be consumers wanting to move house, re mortgage or acquire goods.

Despite these signs of optimism the reality of the daily struggle for business continues, as does the continual drone of the broker/intermediary is the bad guy in all things financial. The last few weeks has seen the much-publicised speech written by the CML Director General Michael Coogan, but delivered by one of his senior management team, which so enraged the intermediary community at the FSA Mortgage Conference. This aligned with the comments made by senior figures within the FSA that intermediaries are so much to blame for the bad advice and therefore the problems experienced by lenders has made this a really frustrating and challenging time for intermediaries, as if it wasn't difficult enough already. The increasingly worrying trend to pander to lenders and product providers by blaming everyone who is an easy target has both raised many concerns, but also belittled the reputation of the mortgage industry as a whole. Much more informed and articulate writers than I have expressed the industry's fury indignation and total disgust at this blame game culture that has sprung up very recently. You have to admire the stance taken by Chris Cumming the Director General of AIFA & AMI who has risen above the blame scenario and called for industry unity to address the real issues, such as adequate funding for those consumers wanting or needing to re-locate for employment purposes in particular, as well as those needing to re-mortgage. With so much time taken up by talk of helping and protecting the consumer through such activities as treating customers fairly the recent “comments” have certainly demonstrated either a lack of understanding of the average consumers needs and situation or a disregard for them.

Despite their alleged shortcomings the majority of brokers work very hard for their clients to help them achieve the right result for the right reasons. Lets not dam the many from evidence from the few, were lenders and product providers so angelic when growth targets were their mantra?

Q1. Experts in both the risk and compliance fields have made many recommendations and suggestions recently to the effect that all firms should undertake a risk analysis of their businesses. That's fine for a large firm perhaps with those expert resources in house or with systems set up to undertake such a review. What about a small to medium sized firm how should they go about a review of risks to their business and clients?

A1. An approach I have suggested to others has been to start with a basic assessment of your firms' strengths and weaknesses listing them out followed by a list of the opportunities and threats to your business, a SWOT analysis. This should give you the basis then to prioritise the points listed which in turn will give you the focus of what actions you need to take next.

Q2.I have read about the new FSA regulations for the Sale and Rent Back market but I am confused as to what is needed to be able to operate in this potentially rewarding market sector. What do I need to do to get FSA authorised, which we think will be expensive and what other options are there? We have our share of clients in trouble through no fault of their own nor have we given poor advice I might add, but we need to do something to help. We are currently FSA authorised for mortgage and general insurance advice.

A2.To obtain interim FSA authorisation to operate in the Sale and Rent Back (SRB) market, I assume as advisers and arranging for clients to enter into a Sale and Rent Back agreement you will need to apply to the FSA for a variation of permission (VOP). The FSA have stated that firms can use the existing VOP application form for mortgage firms plus certain sections from the new (currently draft) SRB application. Your application will need to be supported by a business plan, financial projections, systems and control procedures, a compliance monitoring plan plus information as to how you have amended your Training & Competence scheme to include SRB business as a minimum. See the FSA's website re sale and rent back which has the full information.

To answer the second part of your question, you can become an introducer to a authorised SRB firm providing basic contact details, the SRB firm will then advise your client and most SRB providers, such as RPS will pay you an introductory fee, but not all will do so.

Q3.I have read comments made by Assurant Solutions the General Insurance provider recently that authorised firms should make sure that their clients products, such as Payment Protection are a) adequate and b) not subject to re-underwriting with premium increase for less cover. As a medium sized mortgage and general insurance brokerage this potential adverse change to my clients cover could have serious implications what do you suggest?

A3.The trite answer is speak to Assurant Solutions who have access to a range of high quality products. As you do not say if you have been using only one or two key providers, the next step has to be check client's cover and try and ascertain whether the provider has the intention to review cover or not. The time spent doing this could be time well spent!