

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

As we rapidly move towards the end of 2009, many industry professionals may start to reflect on how quickly the year has disappeared given the tremendous challenges faced at the beginning of the year and in between. Most challenges have been either demolished or at least fought strongly either on an individual firm basis or industry wide. As the predictably weak signs of improvement surface, revered mortgage commentators are starting to talk mortgage competition between lenders a massive step forward from the understandably apprehensive end to 2008. Dual pricing still exists but we are better able to work with it or against it as tools of one sort or another have surfaced to provide assistance. In this case most notably the Home Buyer Systems' broker light capability and its subsequent additional specialist broker friendly tools to help keep individuals and firms continue to service and care for their clients in the professional way they always have done. Whilst the levels of clients with mortgage arrears and other related problems has spawned a debt management capability, this has in turn forced the knowledge levels of individual advisers to step up at least two or three gears, along side the growth in debt management firms. So should we start to get excited that the worst is over and we can look forward in 2010 to easier times with re mortgage funding and sub prime funding becoming more plentiful, probably not too excited yet! The political uncertainties with a general election only a few months away will no doubt keep the seas choppy for a while, hopefully without the storms and high winds of the last two years. International confidence has not returned to the UK yet, although events such as the Bank of China's entrance to the UK mortgage market via a very select number of distribution firms is an encouraging sign on the barometer, here remains a difficult and potentially erratic year ahead. But these are all positives where twelve months ago it was difficult to find any, so the super tanker is moving forward again slowly, despite the doom and gloom merchants that were formerly members of the MPC. Of course they could still be proved right, but most advisers of all types now are starting to believe there is a more positive if demanding future ahead. A long way to go but the signs are if nothing but encouraging, more products available to the intermediary sector is a sure sign that the sector is far from dead as some would like us to believe. There are some massive challenges coming up fast, the RDR, the

Mortgage Market Review which is due to hit the spotlight in the second half of October with predictable changes that will change many business models and potentially those of some PII insurers perhaps. The FSA will want this review to set the regulatory standard for the next three to five years and ensure the FSA is blameless for any problems that surface in that time as the likely political colour change will impact their ability to regulate for some time.

Q1. With the recent publication by the FSA of the Sale and Rent Back “Full Regime” proposals via consultation paper 09/22, do you see similarities to the mortgage regime in 2003/4 final rules and what in your opinion are the lessons to be gained from this consultation that could also appear in the mortgage review?

A1. There are similarities but M-day was five years ago and the whole world of regulation has moved forward a massive amount in that time. The FSA are better informed about property related activities than five years ago and therefore much more aware of the potential issues, you only have to look at the volume of fraudulent mortgage activities to see how much learning is and has been available. The FSA have tackled head on some difficult issues within the Sale and Rent Back market within their final consultation not least capital adequacy, PII and Affordability and Appropriateness. The potential lesson for advisers especially mortgage advisers from the SRB proposed rules, is the more structured requirements needed to evidence, and take clear responsibility for demonstrating affordability to clients and lenders. This along with the appropriateness section make it a must read for advisers, as this will be I believe the way it will have to be especially when mortgage advising.

Q2. Reading the trade press recently I have noticed more and more comments about “down valuations” and my firm has certainly noticed too many of them! Is this a sign of further market deterioration or valuers being frightened?

A2. As I know you appreciate this is an extremely difficult area for the valuers themselves and for much more informed commentators than me who have vast databases to call upon. Whilst stating the obvious that they are inevitable in the sort of market we have and still are experiencing the fact that there is more discussion about values. I personally believe this is a positive sign that values generally are beginning perhaps to bottom out and rise in certain areas but broadly

give the impression of uncertainty. It is this uncertainty that has in previous similar situations begun the challenging job of stabilising and searching for consistency. Nothing can be guaranteed, one swallow doesn't make a summer and all that as we all know, but the signs I think are encouraging.

Q3. We are a small mortgage and general insurance broking firm, struggling to survive week to week. We have in the past sold a few mortgage payment protection policies to, we believe appropriate clients. Given the announcements made by the FSA relating to PPI/MPPI over the last two weeks and the costly reviews involved what should we do? We can't afford large fees or compensation payments.

A3. The sensible thing for you to do is to review the client files involved and reassure yourself that the sales were appropriate. From your comments you say you have had no complaints from the clients involved which is of course a good sign. Get your compliance person to look at the cases objectively again and hopefully you will be reassured, although at least in a worst case scenario if there are any issues you can prepare for them.