



Tailored to fit



Dale Jannels offers some insight into complex prime, and shows how clever underwriting can pay off

It is well known that many of the credit-scoring systems used by high street lenders are causing mayhem by declining apparently prime applicants. These include not being on the voters role, minimal credit, too much credit, wearing the wrong colour socks and so on. In any number of cases, a customer can be accepted on Friday and declined on Monday, once the credit score bar has changed over the weekend to control business volumes.

Consider this scenario. Joe Patrol is a senior prison guard. He has chosen not to be on the electoral role, just in case 'Big Dave' gets out of prison and pays him a personal visit. The prison guard is an ideal applicant with reasonable job security, minimal credit possibly, but not being on the electoral roll handed him a rejection. We placed this case instead with a small building society.

There are three overriding factors which determine the viability of a complex prime application: maximum 75% LTV, clean credit history and affordability. If these three can be satisfactorily proven to the lender, then there is a better than average chance that an underwriter will agree the case.

What we and others have strived to deliver through complex prime is a way for potential borrowers to obtain a mortgage, underwritten manually, where credit scoring is not the be all and end all decisioning tool.

Our version of complex prime is not, and has never been, intended to replace adverse, sub-prime, near-prime or almost-prime. The definition of 'complex' varies, but one is 'something out of the ordinary with the requirement to review the whole picture taking an overall judgment'. For the purposes of this exercise, we define 'prime' simply as someone having a clean credit history.

Complex prime lenders review the whole picture and look to lend purely on the merits of the case. Often, the cases we

put to these lenders are ones which have been declined on the say of a computer decision and where the reason for the decision is unfathomable.

That said, discussing a complex prime case can sometimes feel like being in the *Dragons' Den*, but our view is that if you don't ask, you don't get.

We have always endeavoured to provide our intermediaries with this service, but like everyone else, volume 'tick-box' packaged business became our core function for several years, and

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complex prime stood quietly waiting in the wings. Then 2007 arrived, and like most, we streamlined and diversified our business, mainly because of the myriad of 'packager friendly' lenders who vanished faster than Rob Green's football career.

We reviewed our business model, and complex prime became a serious focus again. At first, it was like throwing mud against a wall to see what stuck, but we found that behind the many lender issues, there were a number of lesser known, high-quality names willing to lend if the deal was right.

The more exotic side of complex prime includes cross-collateral charges, income from a variety of sources, and clients who have ploughed all of their profits back in to their company or who take the majority of income in dividends. As an aside, this raises the question: why are the self-employed being penalised? They are

possibly a better bet than the employed who might be made redundant tomorrow.

AToM works with lenders who will look at all types of scenarios and DIP at outset, without credit scoring. These lenders may not be household names, but they have an appetite to lend, competitive rates and manual underwriting.

As additional security, some lenders may take a deposit of one or two years' interest upfront. This always remains the property of the client and attracts interest. Normally this happens on borderline cases where the applicants may be elderly or where there are non non-traditional income streams. We once agreed a mortgage with a collateral charge taken against artefacts deposited with the Natural History Museum.

AToM has arrangements with seven lenders who are happy to work with us on this basis. It is enlightening to provide mortgages for humans, underwritten by humans who are willing to discuss any nuances in a positive 'can do' manner. They will not agree every case of course, but they will at least look and listen, and an approval means the customer gets a deal at competitive high street rates.

The internet may have taken over the high street lenders, but thankfully, this has not affected the smaller mutuals who will review cases manually on a case by case basis.

So, while credit-scoring systems continue to cause mayhem for many prime customers by declining applications for a variety of reasons, there are thankfully still lenders who will review each case on its own merits and look at the bigger picture.

Some years ago, we were all informed that the 'paperless office' was the way forward. As it turns out, for many people, the paper-based office is their saviour. Perhaps I should put this to the Dragons? ■

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