

A for effort but could do better

We're half way through 2011 and four years on from the onset of the crunch that changed everything. But is the market exceeding expectations or could it do better? Mortgageforce's managing director Kevin Duffy gives the industry its half term report

Iture any kind of assessment on a fact matter as broad and emotionally tive as the performance of mortgage lenders and the mortgage market can become a subjective issue. But I believe that this is a fair balanced report card which takes account of inevitable regional variations matters such as service and localised business development manager performance. Mortgageforce is a national operation and can draw upon experience of over 100 brokers across the entire UK.

It's also a particularly difficult market and I'd stress that any lender featured in this has in itself graduated out of the market. We should be applauding for actually lending in what is still a tough market.

It's also not a believer in dumbing down school grades in the way that our current day GCSE and A-Level examinations now see grade As being

given out as freely as chocolate at the tuck shop. I'd like to point out that a C mark, as when I was at school, is a decent mark and given that so many lenders are playing truant from the market at the moment a C grade or above represents a sound scholar.

A



ABBEY FOR INTERMEDIARIES

Without doubt the star pupil in the class which has now corrected a poor service record from two years ago and is going from strength to strength under new tutelage.

Grade: A+



ALDERMORE

A decent attendance record and keen to please, virtue is its common sense approach to underwriting but product range could be sharper.

Grade: B



ACCORD

An exceptional approach in large loan subjects and has had some cutting edge rates.

Grade: B+

M SOLUTIONS

SOLUTIONS

rd working and diligent a pupil as with supreme service. However, product range has room for vement and more competition in y-to-let class could see this lender to head boy status next year once s Banking Group's balance sheet een repaired.

Grade: **B+**

Clydesdale Bank

CLYDESDALE

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Grade: **A-**



DRAGONFLY PROPERTY FINANCE

idging sector is getting noisier but overcrowded and this pupil is an rg new entrant making good initial sions.

Grade: **C+**

E



ELEPHANT IN THE ROOM

The biggest problem facing the mortgage market as a whole is still the lack of funding. Until lenders can get investors to back them financially freeing up more money to lend to borrowers, it is hard to see pricing getting much more competitive. Although there have been

one or two encouraging signs with Paragon securing wholesale funding, Precise Mortgages getting investor backing and Santander getting a securitisation away, there's still a considerable way to go.

Grade: **D**

F



FIRSTBUY

Not a lender as such but a concept. The 2011 Budget's £250m package to support 10,000 first-time buyers is a worthwhile attempt to reinvigorate the new build market. As such it's too early to give a representative grade but the full year end report may make critical reading - especially given the disappointment experienced with sibling forerunners such as HomeBuy.

Grade: **Pending**

G

GODIVA mortgages

GODIVA

A class favourite and always eager to please. Excellent rates and fast service which makes it the stand out pupil in the building society sector.

Grade: **A-**

H



HALIFAX

Service standards and its premier team continue to impress and with the imminent development of its Chatline we can only see the brand develop further. It is purely product pricing which is restraining a lender which has historically enjoyed class honours every year and the hope is that once its funding shackles are torn away it can begin to challenge Abbey for Intermediaries once again.

Grade: **B**



GE Money Home Lending

I-GROUP (GE MONEY)

One of the few specialist players still active in the marketplace and one which has performed well in all areas of

B



BM SOLUTIONS

As hard working and diligent a pupil as ever with supreme service. However, BM's product range has room for improvement and more competition in the buy-to-let class could see this lender return to head boy status next year once Lloyds Banking Group's balance sheet has been repaired.

Grade: B+

C



CLYDESDALE

Sensible underwriting and competitive products more than make up for some challenges of late on the servicing of applications. A notable improvement year on year and destined for further achievements.

Grade: A-

D



DRAWBRIDGE / DRAGONFLY PROPERTY FINANCE

The bridging sector is getting noisier but not yet overcrowded and this pupil is an outgoing new entrant making good initial impressions.

Grade: C+

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Grade: B

I



I-GROUP (GE MONEY)

One of the few specialist players still active in the marketplace and one which has performed well in all areas of

assessment. Like many of its peers however it may have to wait until house prices are properly stabilised in 2012 before we are able to see its best work.

Grade: B

J



JUPP AND JANNELS

This year has felt like the return of the packagers with both Rob Jupp and Dale Jannels looking more active in the distribution market. Jupp and his new business Brightstar Financial are focusing on the specialist end of the market while Jannels has taken over All Types of Mortgages from his father Vic and is confident he will grow the business. It's good to see a bit more movement in this part of the mortgage market.

Grade: B

K



KENSINGTON

Trying very hard in what is a tough sector given house price uncertainty. But is a bright and forward thinking member of the class which will definitely develop a bolder presence in the months ahead as class conditions improve.

Grade: B

L



LEEDS

Has weathered a tough environment better than many of its building society peers and recent exclusives have caught the eye.

Grade: B-

M



MARKET HARBOROUGH

Proof that size counts far less in this market and its common sense approach to underwriting and affordability measurements have made it a popular member of the class over the past 12 months.

Grade: B-



MORTGAGE TRUST

Pleased to report a more confident approach from Paragon's residential buy-to-let lending arm and by virtue of its mature and experienced pedigree it is beginning to take on more challenging work at a faster rate than some of its peers. Some underwriting policies remain a touch prescriptive.

Grade: C+

N



NATIONWIDE

Dual pricing is less of a bug bear now than it has been in the past. Nationwide continues to be a reliable and supportive member of the class though its little brother's performance (see TMW below) is winning more class honours.

Grade: C+



NATWEST

There are some inconsistencies in performance here which make grading difficult. A constructive approach to affordability measurements and a strong performance in the high loan to value space score very well for it. However the LiveTalk instant messenger phenomenon that means brokers "chat" online with sales teams has enjoyed mixed reports and is probably still a work in progress.

Grade: B

O



OMNI CAPITAL

A welcome new face in the class which is always immaculately turned out and eager to please. Too early to provide a mid term grade so judgement will be reserved until later in the year.

Grade: Pending

P

precise
mortgages

PRECISE MORTGAGES

This classmate's management team is made up of a fine set of alumni from across the mortgage market. It possesses all of the credentials to perform well in the curriculum ahead. Service standards and its technology pieces are predictably strong and it is only being inhibited at present (like many other specialist lenders) by an unwillingness to advance too far up the risk curve until market conditions are more predictable and the funding freeze has begun to thaw.

Grade: B -

Q

QUALITY

This has been the defining characteristic of the classroom this year. All lenders are cherry-picking quality customers with low risk profiles. But there are hundreds of thousands of quality borrowers who are still standing out in the mortgage cold. Lenders could do more to offer finance to these people.

Grade: D

R

**northern
rock**

THE ROCK

An excellent approach to affordability assessment and a proven appetite in the

high LTV sector marks this lender out as one to watch over the remainder of the year and into 2012. Northern Rock is also an extremely responsive member of the class that listens carefully to broker feedback as evidenced via its recent broker feedback activity.

Uncertainties will continue to exist regarding its parentage but it is clearly looking to increase its scale and the hope is that even if it does undergo a change in domestic surroundings it can continue to be an active and vibrant member of the class with a market share approaching 9%.

Grade: B-

S

SKIPTON
BUILDING SOCIETY

SKIPTON

Possibly the fastest improving class member with a compelling product range at present and a constructive approach to underwriting. At this rate of development it will push Abbey and Godiva hard for honours in the year end reports.

Grade: B+

Lloyds TSB

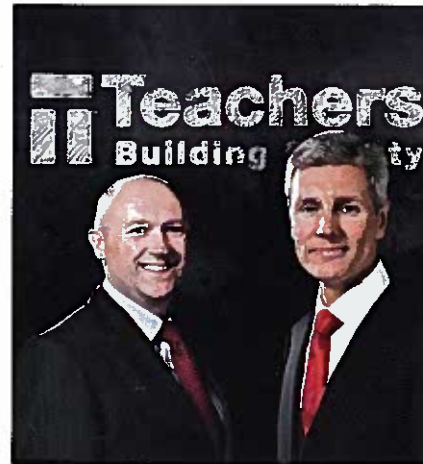
SPEARHEAD (LLOYDS TSB'S SCOTTISH-BASED BUSINESS)

Formerly a modest and understated class member. It is pleasing to see a significant improvement in this one's self-confidence and appetite to develop wider connections. Its competency in areas such as medium and high net worth lending stands out and its speed

of response also marks it down as one to watch over the remainder of the year.

Grade: B+

T

**TEACHERS BUILDING SOCIETY**

Another class newcomer which has turned its back on dual pricing and is now looking to promote itself via intermediaries and not purely for young teachers needing mortgage advice. A great track record for lending at high LTVs will serve it well. Too early to provide a grade at this stage until the width of its distribution becomes evident and its offering is put under intermediary examination.

Grade: Pending

the mortgage works
common sense lending

THE MORTGAGE WORKS

Nationwide's little brother continues to punch well above its weight and is arguably now the school's foremost buy-to-let operator. There are no material weaknesses in any part of its proposition and features such as no

minimum income for buy-to-let applicants continue to set it apart as the head boy in the buy-to-let classroom.

Grade: A-**TUTA**

Difficult to assess this one as there have clearly been some domestic challenges which have brought about a period of uncertainty and interruption. It remains a well regarded and forward thinking participant and its contribution to a reinvigorated bridging sector shouldn't be undervalued.

Grade: C+

U

UNDERWRITING

In bygone days brokers didn't have to understand every lender's underwriting quirks to get their clients a deal. But times have changed. It's good to see that some of the smaller mutuals and intermediary lenders are willing to work with brokers to underwrite sensible deals and get good borrowers a mortgage.

Grade: B+

V

VALUES

Loan to values can be the make or break for first-time buyers so it's been particularly pleasing to see lenders including Skipton and Nationwide edge up the curve to offer products up to 95%. They may be direct to consumer at the moment but it bodes well for the future.

Grade: A

W

Woolwich
mortgages from Barclays

WOOLWICH

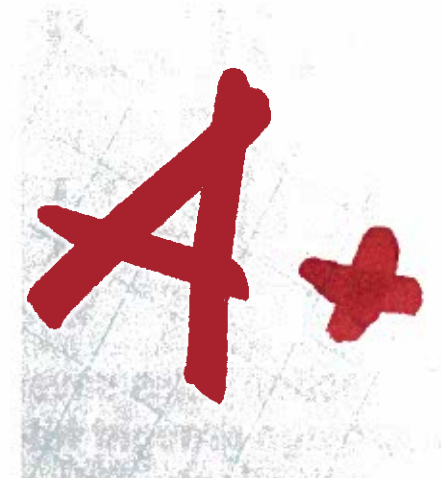
Something of an enigma. There are inconsistent and varied reports on its servicing proposition depending on which broker you speak to on which day of the week and in the same way that Abbey has achieved a near universally high ranking on service standards after a period of disappointing performance, Woolwich needs to do the same. What isn't in doubt is the potency of its product range and its Great Escape initiative at the beginning of the year gave a much needed boost to the remortgage world. A growth in market share may not be as significant as we would imagine as despite its parent Barclays' global dominance and profitability, UK mortgage lending may remain as one of its secondary strategic objectives.

Grade: B-**COULD DO BETTER**

Overall, the class of 2011 has performed satisfactorily throughout what continue to be constrained and fragile market conditions. One thing can be said – the class remained undersized with too many lenders having either been expelled in recent years or now opting to play truant until conditions favour a return to school.

Of those that have attended this year, it is not surprisingly the well-capitalised players with access to retail deposits and cheaper funding lines which have excelled and mid-year class honours must go to Abbey, Coventry, and Skipton.

Of the other mainstream lenders the government controlled Northern Rock, NatWest and most significantly LBG are clearly being inhibited by a degree of constraint on funding and on their



permitted approach to risk and pricing. It is hoped that by this time next year (and once the Special Liquidity Scheme and other attendant funding maturations are concluded) these class members will improve upon their recent lending volumes.

The specialist lending sector remains one where the classroom noise is disproportionate to the productivity. We are still a long way away from the underwriting approaches of former years and while this is not such a bad thing it does mean that even the burgeoning bridging sector has a "me-too" feel about it. It is clear that in some cases class newcomers are simply plagiarising the homework of others.

Relations with the headmaster (the Financial Services Authority) remain laboured. This is no doubt hand-braking the self-confidence of some lenders which feel that they have more than weathered the downturn, adjusted their balance sheets and should be receiving greater encouragement from the authorities to help kick start the wider economic recovery.

Against the backdrop of the Mortgage Market Review it is apparent that there is still too much regulatory creep occurring in areas such as product design and criteria and it may be another 12 months before we see this begin to abate and lenders become more assured and dynamic in their approach. ■