

What you told us about the Mortgage Market Review

Report on member survey conducted by the
Chartered Insurance Institute

January 2010

About the survey

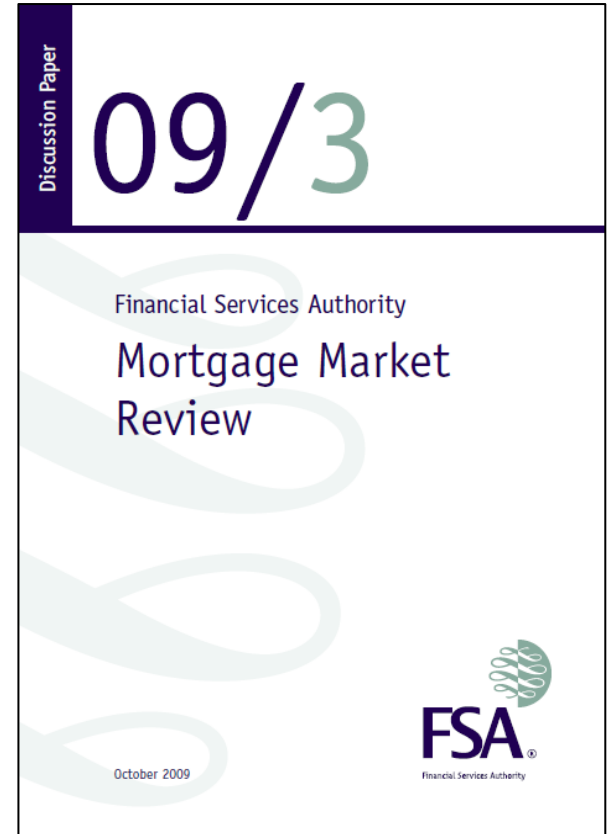
In October 2009, the FSA published discussion paper DP-09/3 setting out the regulator's emerging thinking on the mortgage market review.

This survey was conducted from 16 Dec 2009 to 22 Jan 2010 to gauge Society of Mortgage Professionals (SMP) member views towards the discussion paper.

We received 193 responses, representing about 5% of total SMP membership.

The questionnaire was designed to match the specific consultation questions wherever possible.

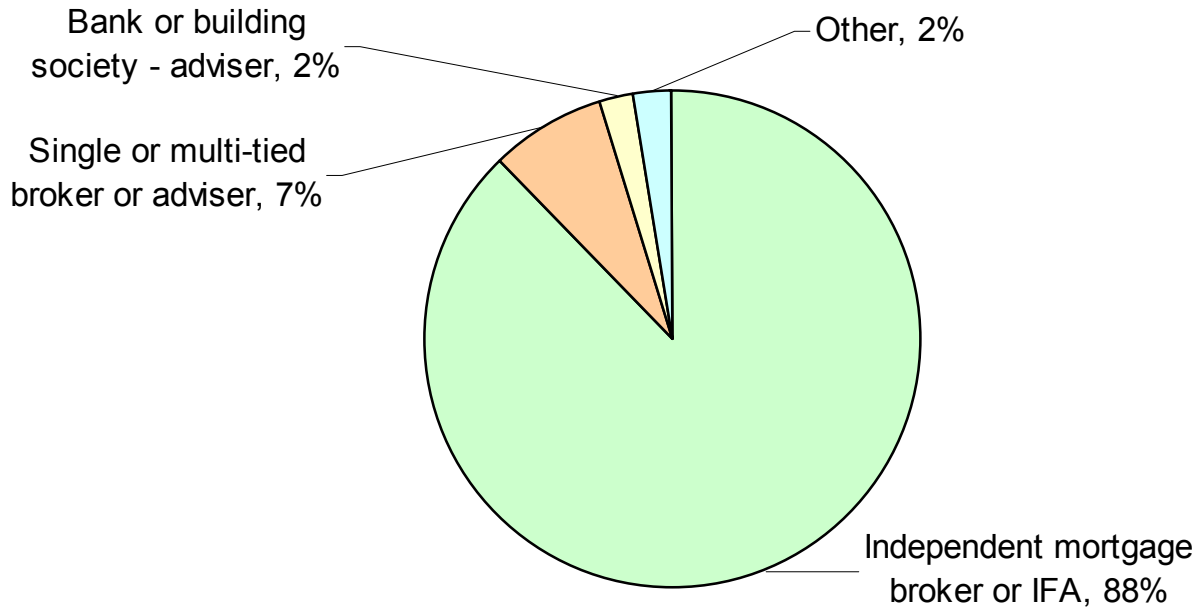
The results of this survey were included in the CII's [response to the discussion paper](#) which was submitted on 29 Jan 2010.



About the respondents

88% of respondents were mortgage advisers

As a mortgage adviser, what is your job role?



If you are **not** a mortgage adviser, what is your job role?

13% technical practitioners

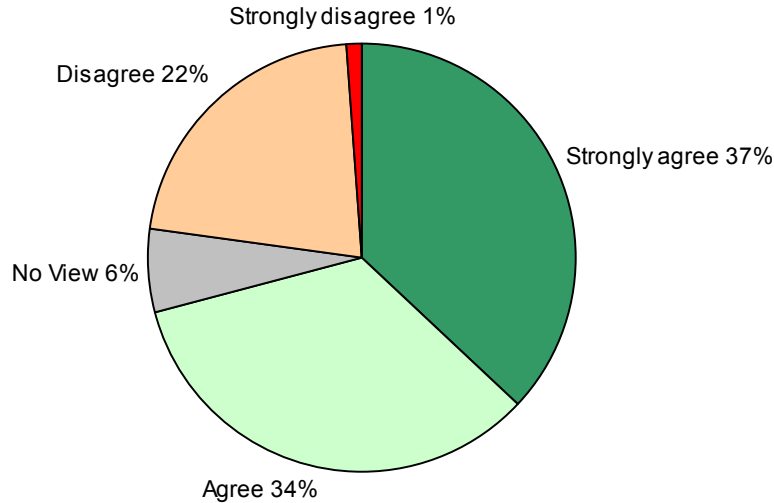
42% compliance practitioners

38% other: managers or directors

7% other

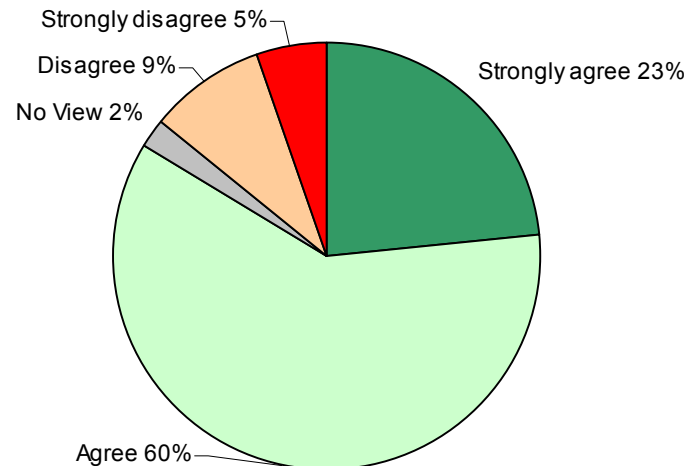
Prohibiting loans above certain indicators

There are insufficient grounds for prohibiting loans above LTV, LTI or DTI thresholds



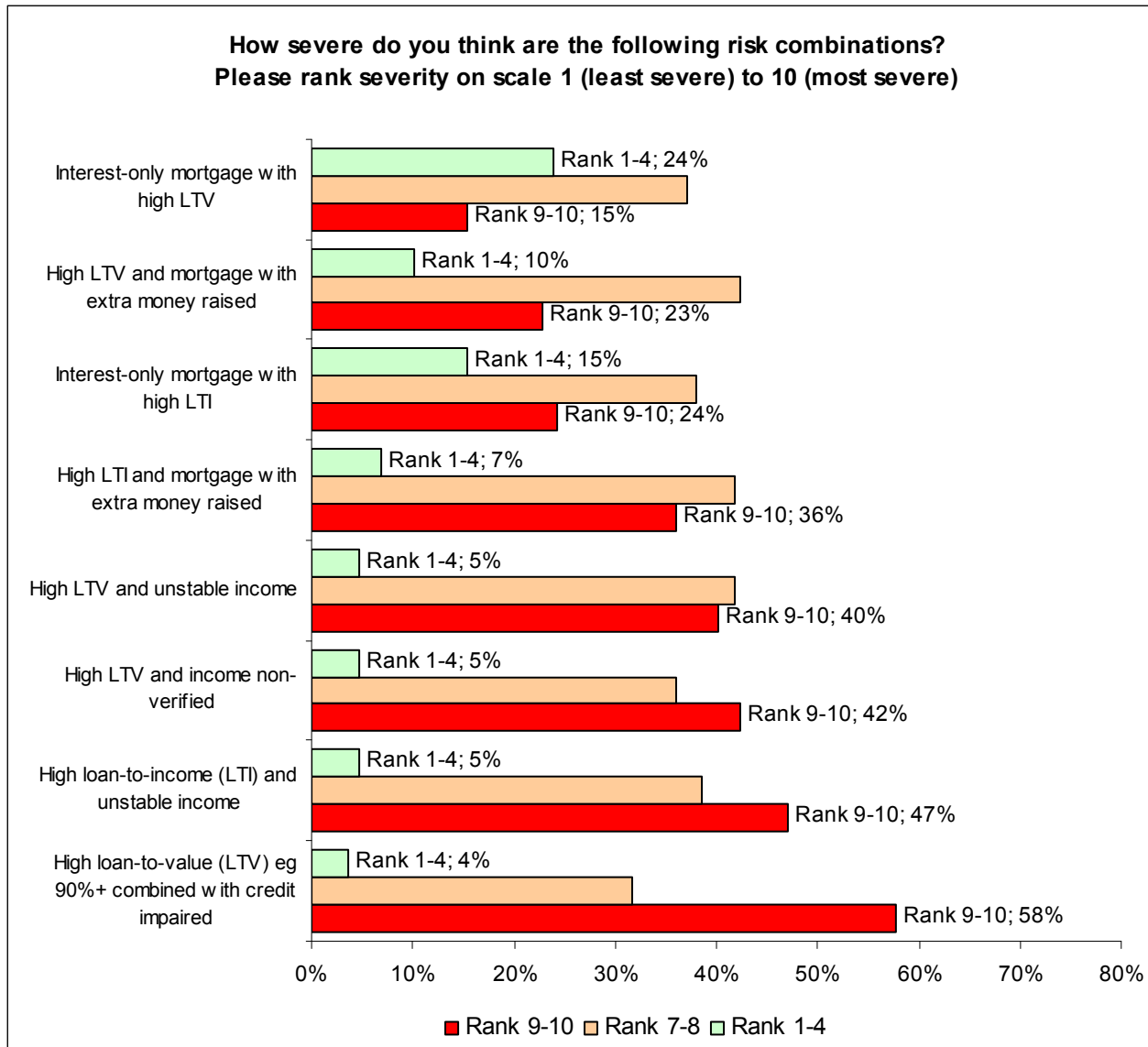
Near three-quarters of respondents agreed with the FSA's thinking that prohibiting loans to borrowers above a certain loan-to-value, loan-to-income or debt-to-income threshold was not the best approach

There are however grounds for prohibiting the sale of loans to borrowers who possess a combination of risk characteristics



However, nearly four-fifths agreed with the FSA's thinking of prohibiting loans to customers with multiple high-risk characteristics

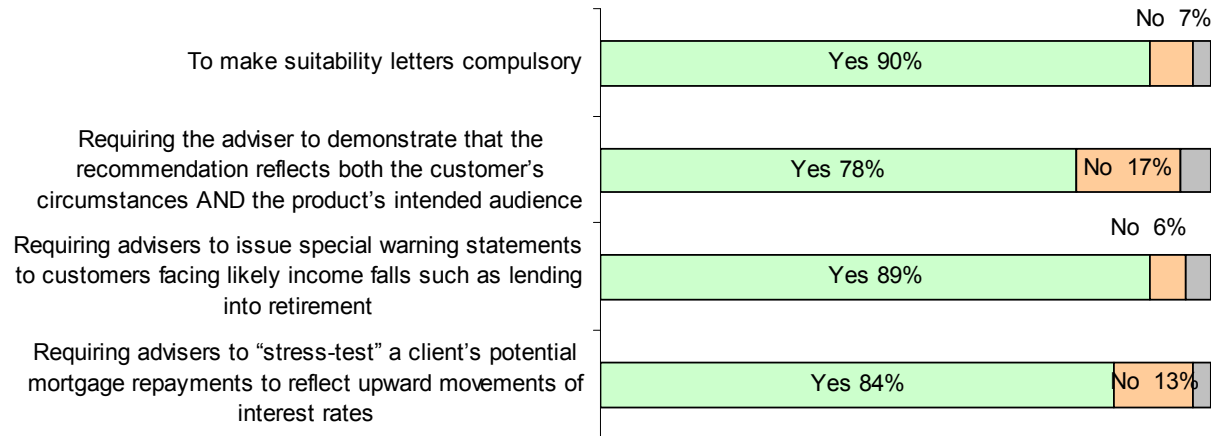
Severity of multiple-risk combinations



When asked to rate which risk combinations were most severe, top scores were given to high-LTV combined with credit impaired or unstable income.

Best practices in advised mortgage sales

For each of the suggestions below, please indicate whether you do this already if you are a mortgage adviser



There was very strong support from SMP adviser members for many of the measures suggested to improve the sales process:

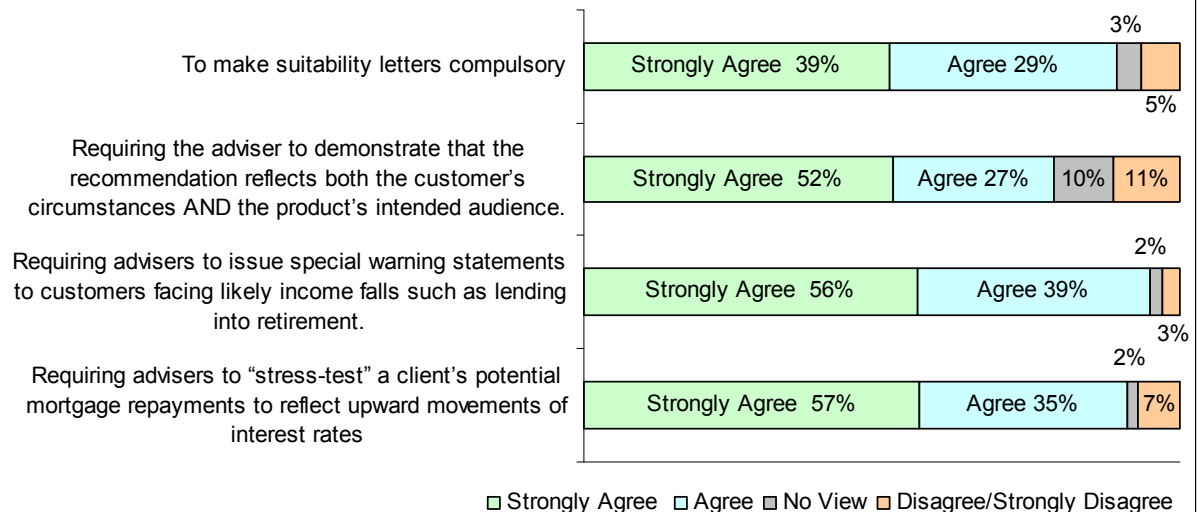
1) Suitability letters: nearly as many (93%) agreed or agreed strongly that these should be made compulsory, and 90% issue these already to their customers.

2) Demonstrating appropriateness of recommendations: the vast majority (79%) support requiring the adviser to demonstrate that the recommendation reflects both the customer's circumstances and the product's intended audience. A similar proportion do this already.

3) Requiring advisers to issue special warning statements: there was near-unanimous support (95%) in favour of issuing such letters to customers facing likely income falls such as lending into retirement. 89% of respondents do this already.

4) Stress testing: a similarly high proportion (92%) agreed that checking a client's potential mortgage repayments in this way to reflect upward movements in interest rates is a good idea. 84% do this already.

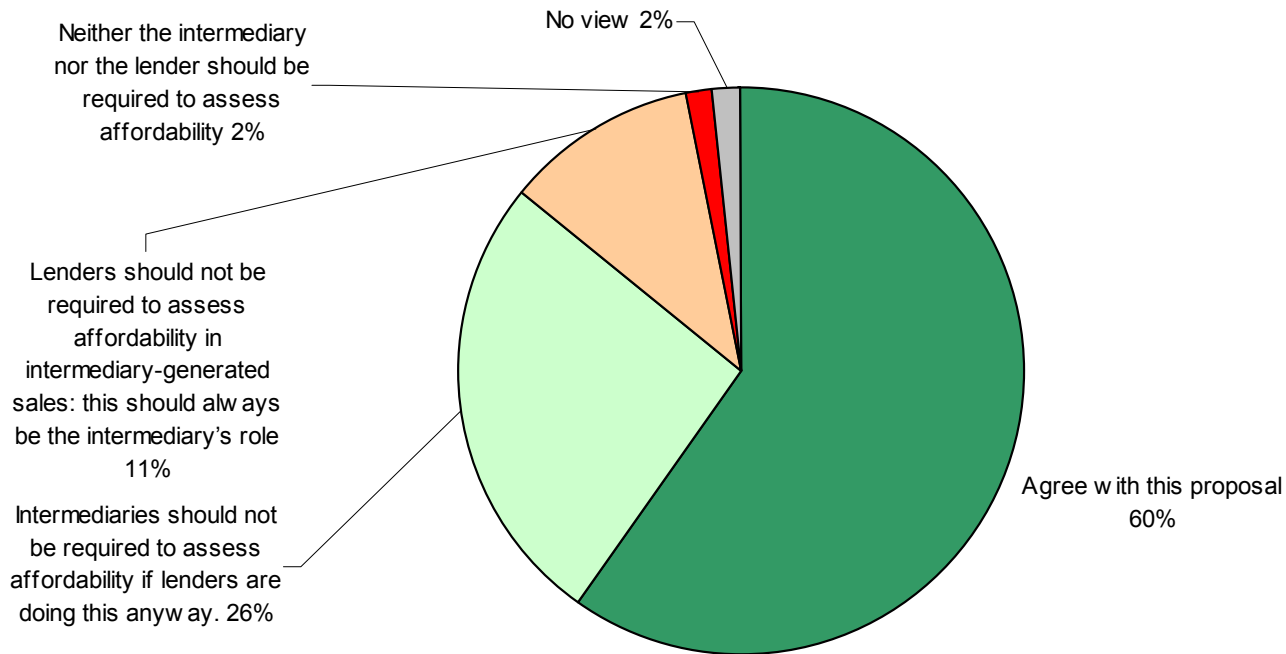
For each of the suggestions below, please indicate whether you think it is a good idea to make this compulsory



Legend: Strongly Agree (Green), Agree (Light Blue), No View (Grey), Disagree/Strongly Disagree (Orange)

Initial affordability assessments

The FSA propose to require intermediaries to undertake an initial affordability assessment as part of their fact find, in addition to the lender's main affordability check as part of application approval process

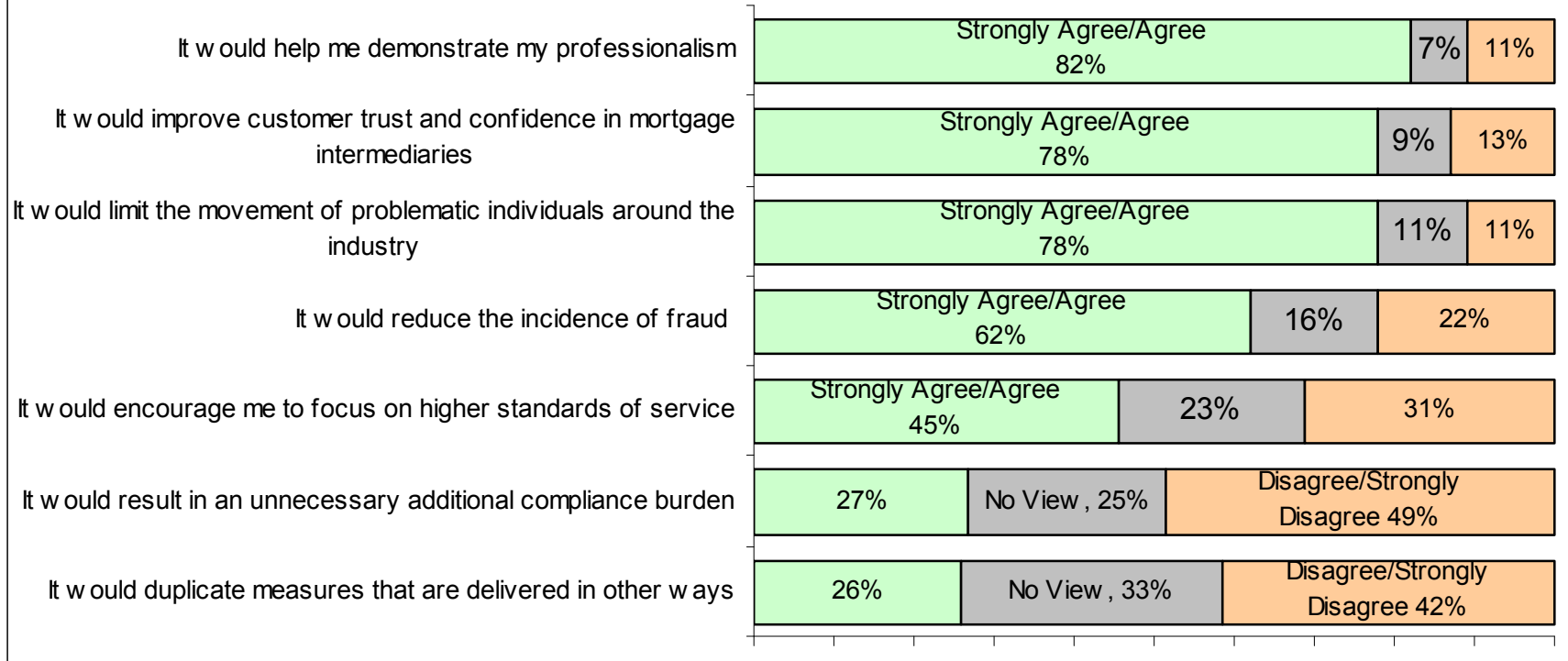


The FSA suggest strengthening the selling standards for non-advised (information-only) sales to ensure consumers are only entering into contracts which are both affordable and appropriate. To what extent do you agree with this statement?

Strongly agree	56%	Strongly disagree	3%
Agree	31%	Disagree	6%
No view	4%		

Approved Persons regime

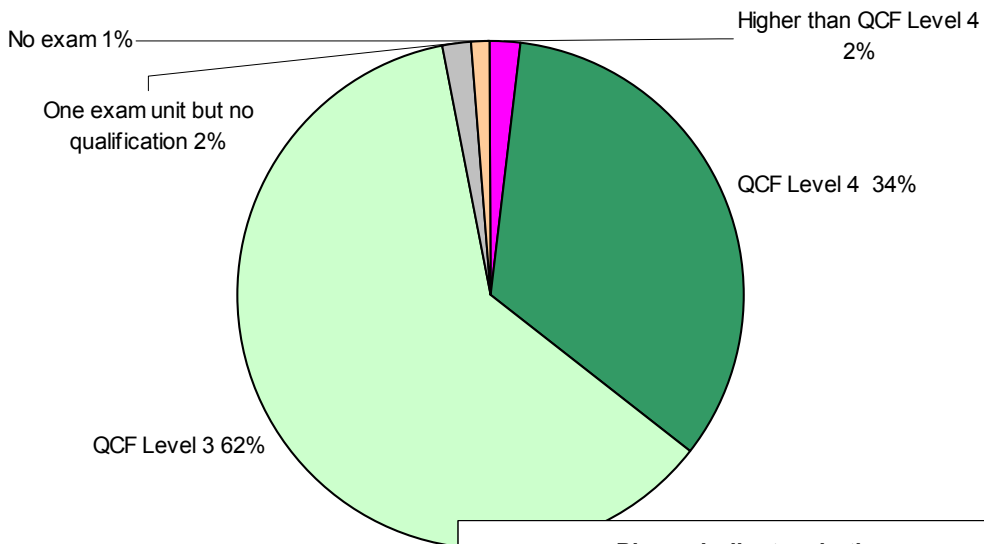
What are the implications of applying the Approved Persons regime to all individual mortgage intermediaries?



There was very strong support for the proposal to extend the Approved Persons regime to mortgage intermediaries.

Professionalism

What level of qualifications do you believe the public would expect their mortgage advisers to possess?



The majority of respondents believed the qualification level for mortgage advisers should remain at QCF Level 3 (equivalent to CII Certificate).

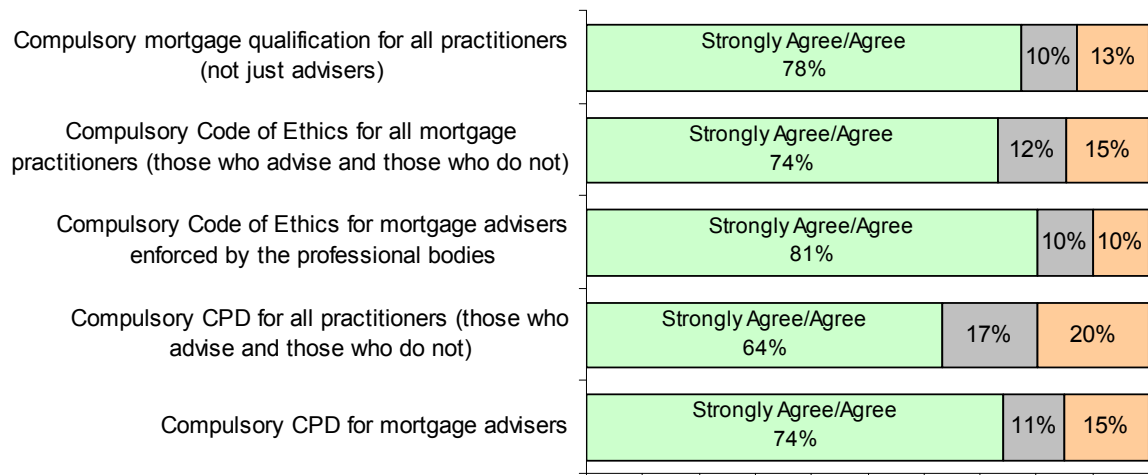
However over a third believed that the qualification should be Level 4 or higher.

There was very strong support for a package of professionalism including:

- Compulsory Code of Ethics
- Compulsory CPD

A majority felt these should apply to all mortgage professionals, not just advisers

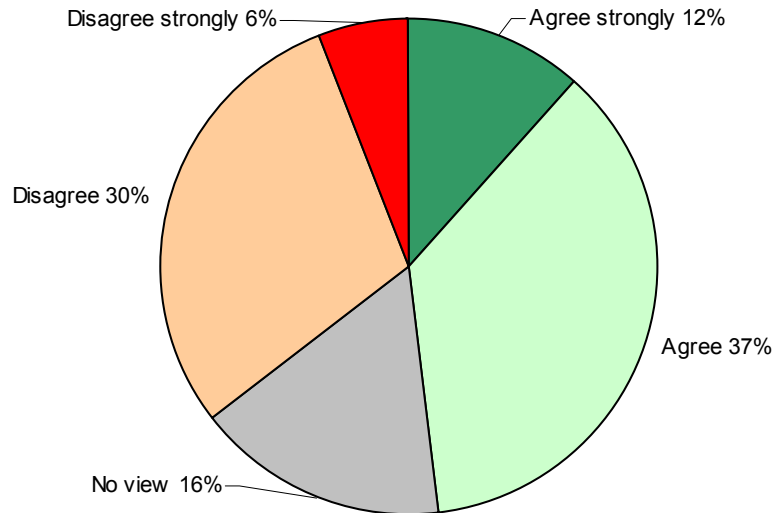
Please indicate whether you agree or disagree that the following measures would improve public trust and confidence in mortgage advisers



■ Strongly Agree/Agree
 ■ No View
 ■ Disagree/Strongly Disagree

Overall views towards the Mortgage Market Review

The proposed remedies outlined in the mortgage market review will improve customer perception of the sector



Respondents were for the most part supportive of the MMR's efforts to improve customer perceptions of the sector: nearly 50% agreed compared to 36% disagreeing.

There were mixed views on whether the remedies would pose an unnecessary barrier to a flexible mortgage market:

34% agreed that such a barrier would be caused

45% disagreed

20% were undecided

The proposed remedies will create an unnecessary barrier to a sustainable and flexible mortgage market

