



HBF Housing Market Intelligence Conference 2009

**Working together in a rationed
funding environment**

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Working together in a rationed funding environment

A better future requires:

- A vibrant housing finance sector
- A vibrant new-build sector
- Responsive industry supply to match consumer demand
- Affordable but appropriately priced products to reflect risks/costs
- The government and industry working together

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We need a short, medium and long-term, shared agenda, as the market has become dysfunctional on all these measures.

We haven't got that strategy yet as we are busy fire fighting at the moment.

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CML membership

- Comatose specialist lenders
- Hibernating building society sector
- Banks merging, nationalised, part nationalised, re-born and leaving the country!

Active lenders cannot meet demand = rationing

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Largest mortgage lenders by gross lending

Gross mortgage lending in year					
				2008	
Rank 2008	Rank (2007)	Name of group	£bn	Estimated market share	
1	(1)	Lloyds Banking Group	78.0	30.3%	
2	(2)	Santander	35.2	13.7%	
3	(3)	Nationwide BS	29.0	11.2%	
4	(5)	Barclays	22.9	8.9%	
5	(6)	The Royal Bank of Scotland	18.7	7.3%	
6	(8)	HSBC Bank	17.2	6.7%	
7	(10)	Bank of Ireland	9.2	3.6%	
8	(7)	Bradford & Bingley	5.8	2.3%	
9	(15)	Clydesdale & Yorkshire Banks	3.3	1.3%	
10	(14)	Coventry BS	3.1	1.2%	

Source: CML News and Views

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CML market forecasts, June 2009

	2006	2007	2008	2009 ^f
Residential property transactions, UK, millions	1.685	1.627	0.905	0.7 (0.7)
Gross advances, £bn	345	364	261	145 (145)
Net lending, £bn	110	108	40	-5 (-25)
Arrears, 2.5% or more of outstanding balance at end period:				
Number	113,000	127,800	182,600	360,000
% of all mortgages	0.96	1.08	1.57	3.24
Possessions in period:				
Number	21,000	25,900	40,000	65,000 (75,000)
% of all mortgages	0.18	0.22	0.34	0.54

Source: Bank of England, National Statistics, HM Revenue & Customs, HBOS, CML

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Impact of credit crunch – mortgage terms:

- Rationing by criteria/price – 75% LTV the norm?
- Actively discourage new business
- Actively encourage remortgaging to deleverage/shrink

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- Disclosure of incentives (rebuild confidence)
- Bulk sales to buy-to-let investors (fraud/losses)
- Too many flats, not enough houses
- New-build premium lost?
- OFT report and CML disclosure form (good progress)

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What has the HBF said it wants?

- an increase in mortgage finance
- easing in lenders' mortgage terms
- equality of treatment between new and second-hand homes
- more lenders prepared to lend on new-build

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What can builders offer?

- Rebuild trust and confidence in business relationships – one at a time.
- Complying with the disclosure of incentives requirements – would a gold standard help?
- Business guarantees in the event of repossession?
- Mortgage indemnity insurance premiums funded by builders to incentivise higher LTVs?
- Building developments popular with buyers – less flats in city centres?

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What do we need?

- Time to heal the wounds and flush out past mistakes
- Funding diversification to meet demand
- Competition between lenders for business at higher LTVs
- Sensitive government policies which will assist all of the above (whoever is in power after the General Election)

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Conclusions

- We cannot deliver a brighter future in 2010, but we can lay the foundations if we work together
- New-build a vital component for a successful market delivering housing choice to consumers
- Rebuilding consumer confidence in lending and new-build sectors (and between the sectors) a vital element to future success
- The CML and HBF will continue to work together, but it will take time to achieve the right results