

# FACT INDEX

Q2 2018

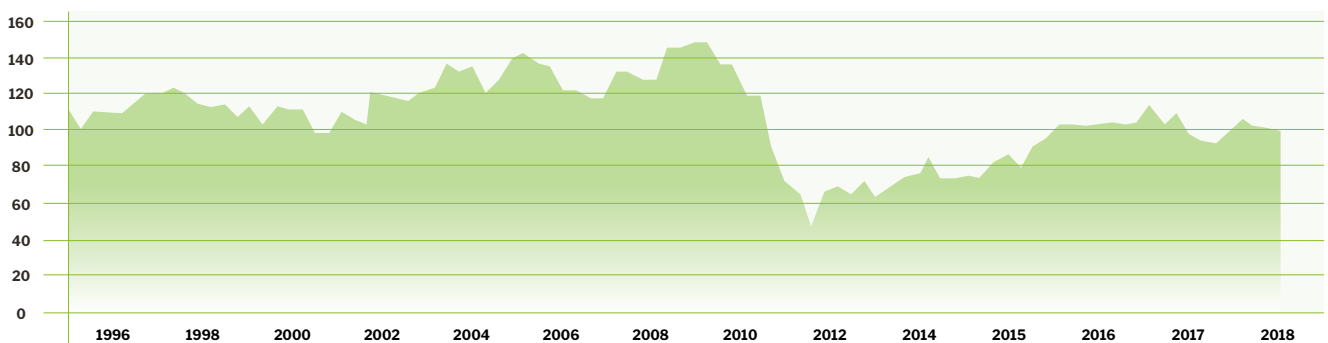
The Financial Advisor Confidence Tracking (FACT) index has been tracking financial adviser sentiment since 1995 based on the number of mortgages introduced to borrowers over the previous quarter.

The index score is calculated as a percentage of a baseline figure, and adjusted to account for the volume of business which advisers expect to complete over the

following quarter. 56% of respondents to this survey are from directly authorised firms under the FCA's mortgage regulations. 43% are from appointed representative firms.

The FACT index rating for Q1 2018 was 99.3, down slightly on the previous quarter.

## INDEX SCORE



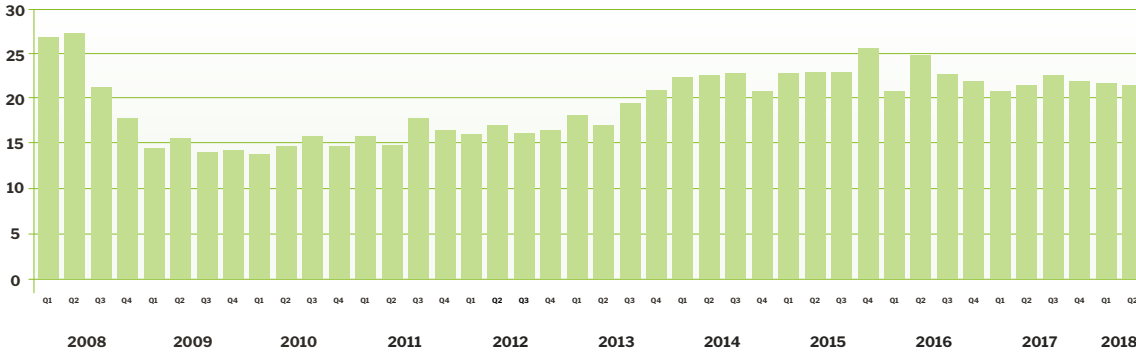
# GENERAL MORTGAGE MARKET

## MARKET OVERVIEW

The average number of mortgages introduced per adviser's office in Q2 2018 was 22, relatively unchanged compared with the last quarter.

FAST FACT:  
**22**  
Average number of mortgages introduced per office

### Average number of mortgages introduced per office



## BORROWER TYPES

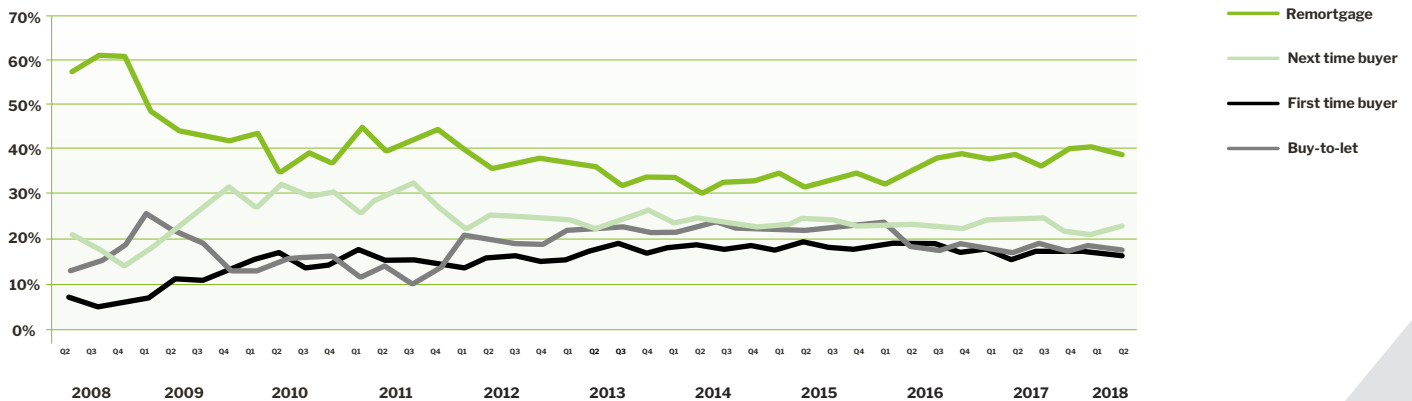
Remortgages for owner-occupiers made up the largest part of intermediary business in Q2 2018, representing 39% of all applications.

FAST FACT:  
**39%**  
Remortgaging as a proportion of overall intermediary business

Encouragingly, intermediaries reported a small increase in the proportion of next-time buyer mortgages, rising to 23% of all applications in this quarter from 21% in Q1 2018.

According to intermediaries, mortgage applications from buy-to-let landlords were slightly higher at 18% than for first-time buyers (17%).

### Borrower types – Q2 2018



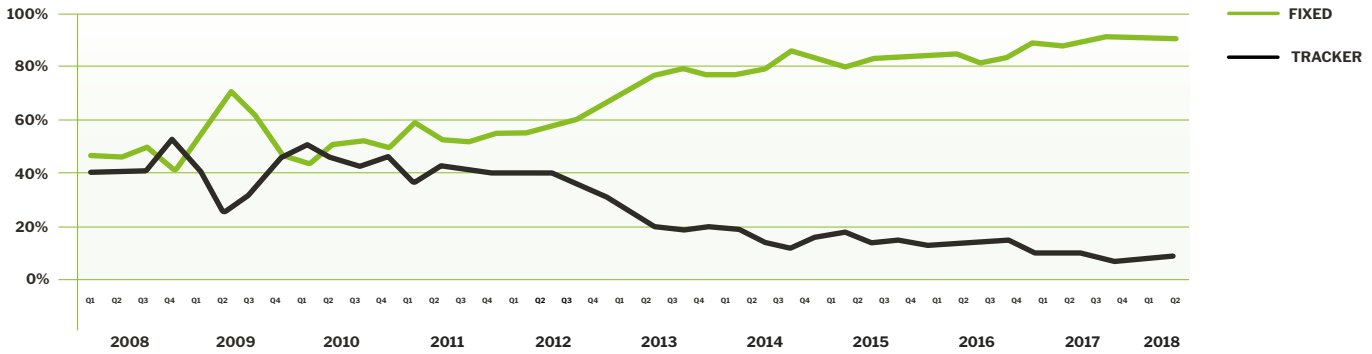
# MORTGAGE PRODUCTS

Fixed rate mortgages continue to outshine tracker products, with nine out of ten new mortgage customers in Q2 2018 opting for the certainty that a fixed rate product brings.

Trackers last eclipsed fixed rates in popularity back at the end of 2009 and have struggled to regain ground since. Today, only 8% of customers choose a tracker product.

FAST FACT:  
**9 out of 10**  
 Proportion of mortgage customers choosing a fixed rate mortgage product

## Preference for interest types

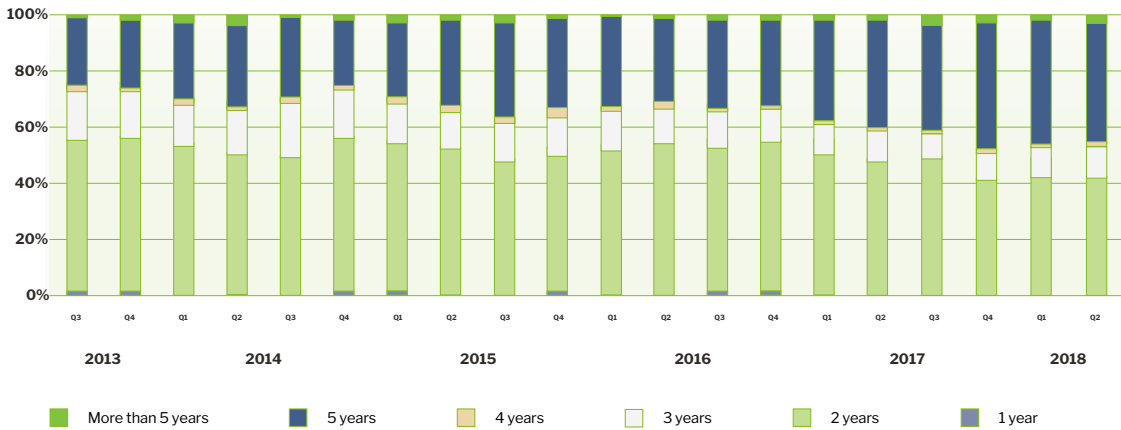


# INITIAL TERM

The figures reveal a continuing preference among customers for longer term mortgage products. The popularity of mortgages with an initial five year term overtook two year deals for the first time in Q4 2017 and, although down slightly as a proportion of the total in Q2 2018, longer term deals still dominate at 45% of all business.

FAST FACT:  
**5 years**  
 Most popular initial mortgage term

## Distribution of mortgage cases by initial term



# CUSTOMER TYPES

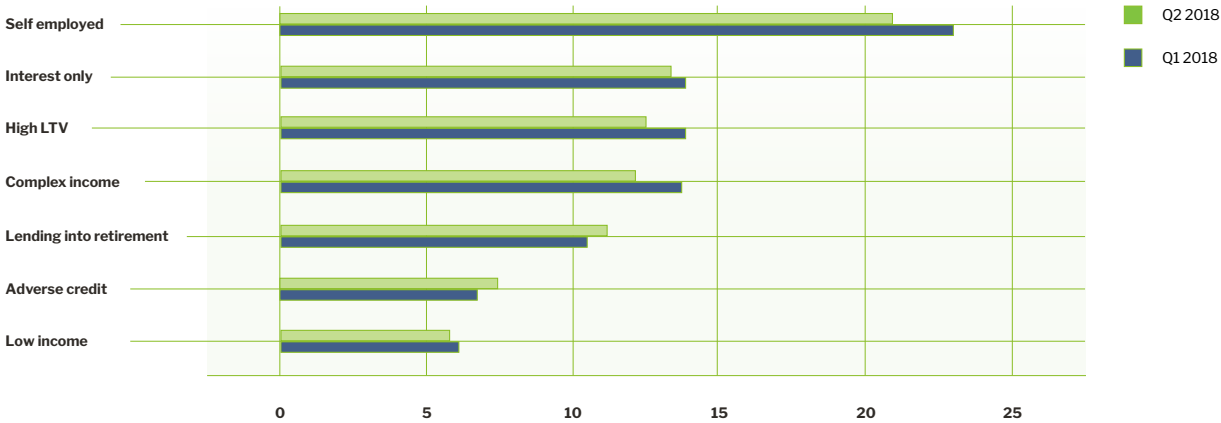
Demand for specialist mortgages is driven by a diverse range of customer requirements.

According to intermediaries, the highest demand for specialist mortgages comes from self-employed customers, who represented 21% of all cases in Q2 2018.

This quarter's figures also record a rising demand from customers looking to borrow into retirement. One in ten specialist mortgage cases come from older borrowers, an interesting statistic given the FCA's support for retirement, interest only lending.

FAST FACT:  
**11%**  
 Lending into retirement as a percentage of specialist mortgage cases

## Average proportion of business by customer type



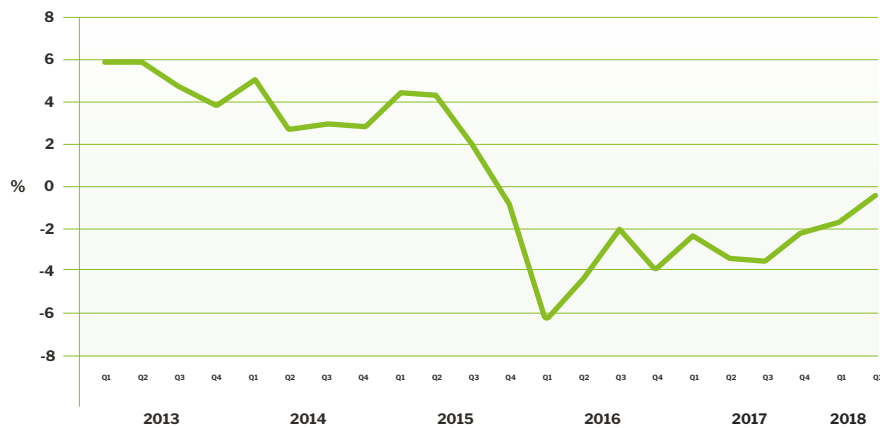
# FORECAST

On average, mortgage advisers expect to do 3% more mortgage business overall in Q3 2018 than they did in Q2, up from an anticipated 1% increase coming in to 2018.

Expectations for buy-to-let business are more modest however, with intermediaries expecting a stable position over the next 12 months.

FAST FACT:  
**65%**  
 Proportion of intermediaries who expect buy-to-let business to be stable in the next 12 months

## Expected change in buy-to-let business in the next 12 months



# BUY-TO-LET MORTGAGE DEMAND

## LANDLORD DEMAND

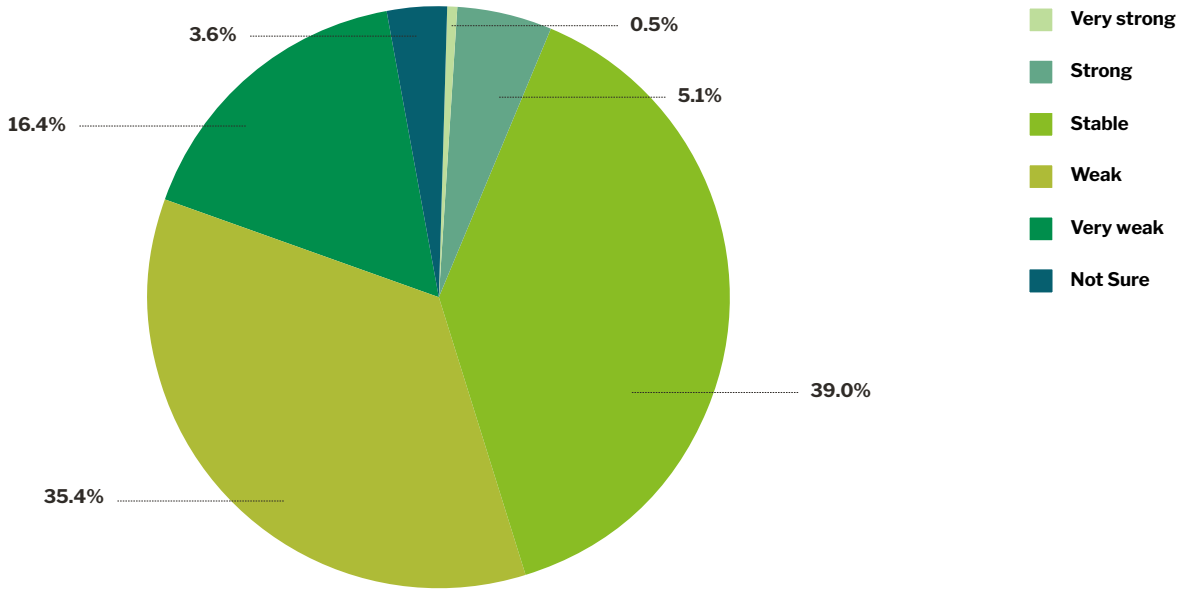
FAST FACT:  
**4 out of 10**  
Intermediaries  
describe landlord  
demand as stable

Intermediaries report little change in landlord demand since Q1 2018, with four out of ten reporting that landlord demand for buy-to-let mortgages is stable.

Less than 6% of intermediaries describe landlord demand as 'strong' or 'very strong', similar to Q1 2018 but still considerably lower than highs of 35-45% recorded between 2013 and 2016.

Meanwhile, the proportion of advisers describing demand as 'weak' or 'very weak' remains close to the highest ever recorded figure at 52%, following a steep drop since September 2015 when just 10% said the same.

### Current level of landlord demand

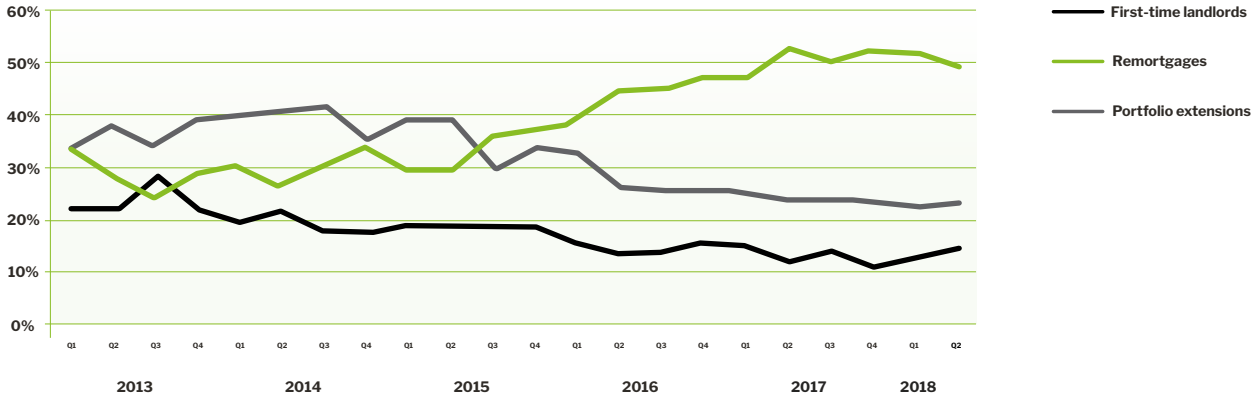


# REASONS FOR OBTAINING BUY-TO-LET MORTGAGES

While remortgaging continued to make up the bulk of buy-to-let applications, accounting for 49% of the total, there were some encouraging indicators in other areas as well. These included the first increase in the proportion of landlords raising finance for portfolio expansion since 2015, up marginally from 22% in Q1 2018 to 23% in Q2. Mortgages for first-time landlords also increased, edging up to 14% of the total.

FAST FACT:  
**14%**  
 First-time landlords as a percentage of all buy-to-let mortgages

## Remortgages vs first-time landlords

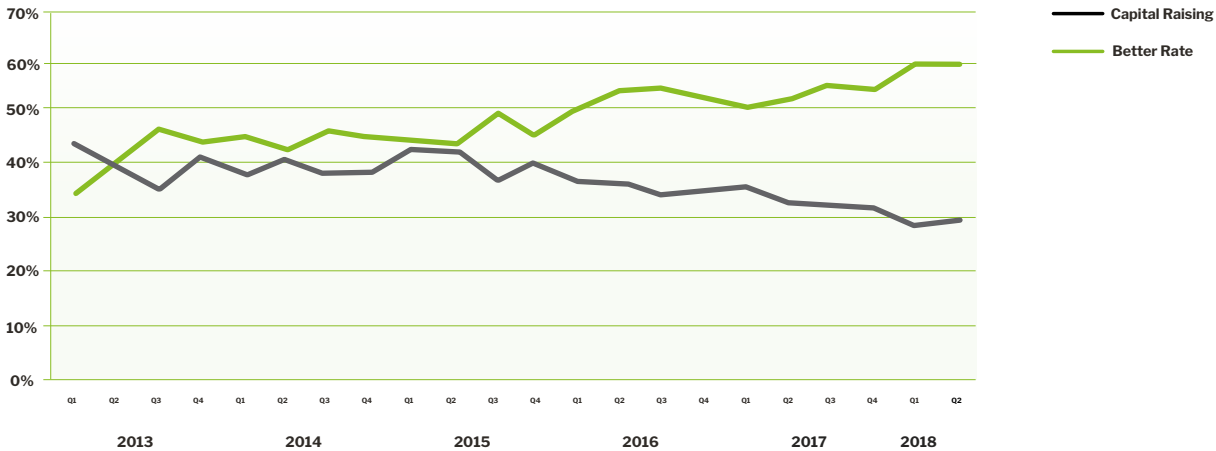


# PURPOSE OF BUY-TO-LET REMORTGAGE

Once again, six out of ten landlords said their primary reason for remortgaging was to secure a better interest rate indicating a keen interest among landlords to take advantage of today's comparatively low interest rates and minimise costs. Interestingly, the proportion of landlords remortgaging to raise capital edged up to 31% representing the first increase in over two years.

FAST FACT:  
**Achieving a better interest rate**  
 No.1 reason for landlords to remortgage

## Reason for obtaining a buy-to-let mortgage



## ABOUT FACT

Established in 1995, Paragon's quarterly Financial Advisor Confidence Tracking Index (FACT) highlights intermediaries' general views on the performance of the mortgage market and on developing trends. Our FACT index summary report provides a snapshot of the survey's key findings.

## ABOUT PARAGON

Paragon is a leading provider of buy-to-let mortgages for landlords with property portfolios, both big and small, through its portfolio and non-portfolio range.

Paragon lends to private individuals and limited companies and has mortgages suitable for single, self-contained properties, as well as HMOs and multi-unit blocks. Paragon can accommodate higher aggregate lending limits and more complex letting arrangements including local authority leases and corporate leases along with standard ASTs.

Paragon introduced its first product aimed at the professional property investor in 1995 and is a member of UK Finance, the Intermediary Mortgage Lenders Associations (IMLA), National Landlord Association (NLA) and the Association of Residential Letting Agents (ARLA).

Paragon Bank PLC a subsidiary of the Paragon Banking Group PLC which is a FTSE 250 company based in Solihull in the West Midlands. Established in 1985, Paragon Banking Group PLC has over £12 billion of assets under management and manages over 450,000 customer accounts.

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