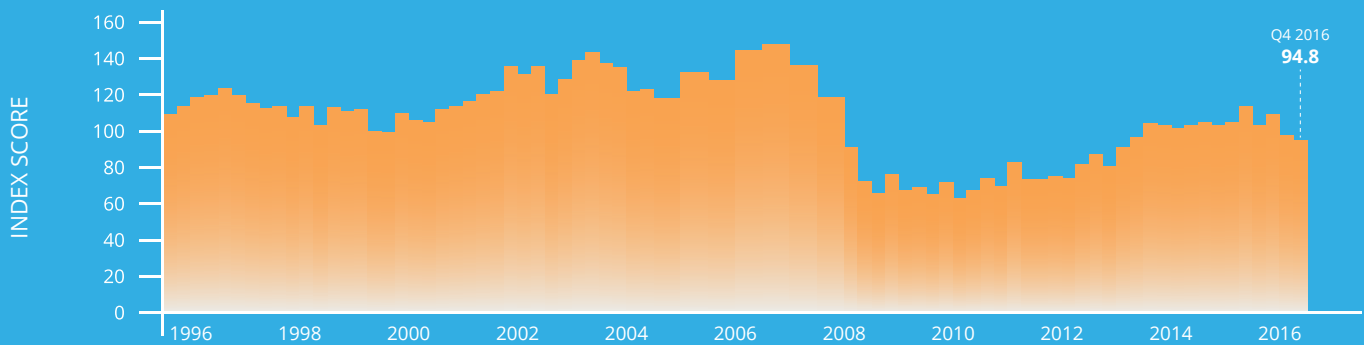


FACT INDEX

Q4 2016

The Financial Advisor Confidence Tracking (FACT) Index has been tracking financial advisor sentiment since 1995 based on the number of mortgages introduced to borrowers over the previous quarter. This figure is calculated as a percentage of a baseline figure, and adjusted to account for the volume of business which advisors expect to complete over the following quarter. 52% of respondents to this survey are from firms directly authorised under the FCA's mortgage regulations. 45% are from appointed representative firms.

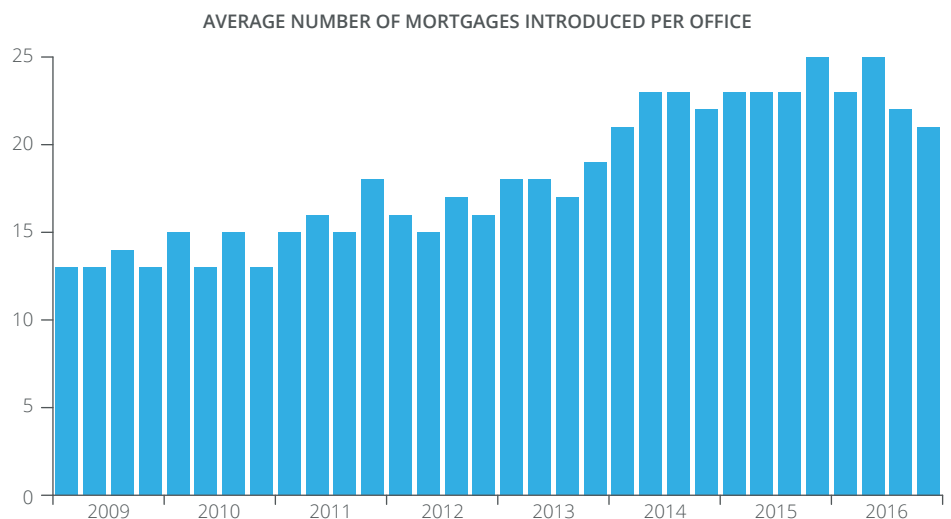
The FACT Index rating for Q4 2016 was 94.8, the second fall in succession despite still being at a relatively high level compared with the last eight years.



GENERAL MORTGAGE MARKET

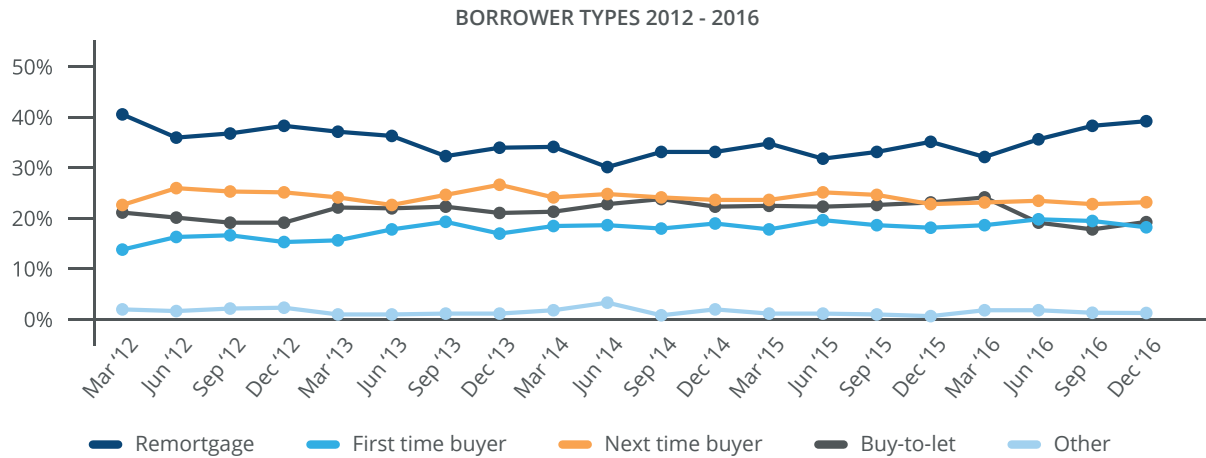
MARKET OVERVIEW

On average there were 21 mortgages introduced per office in Q4 2016, down by 3.7% on Q3 and by 16.7% on the same quarter in the previous year. Since 2009, when the average number decreased to its lowest level in 14 years, we've tracked a slow recovery as the number of new mortgages per office increased to 25 in Q4 2015 – still some way off its peak of 32. Q4 2016 represents the first time that the average number of mortgages introduced per office has declined in successive quarters since 2011.



BORROWER TYPES

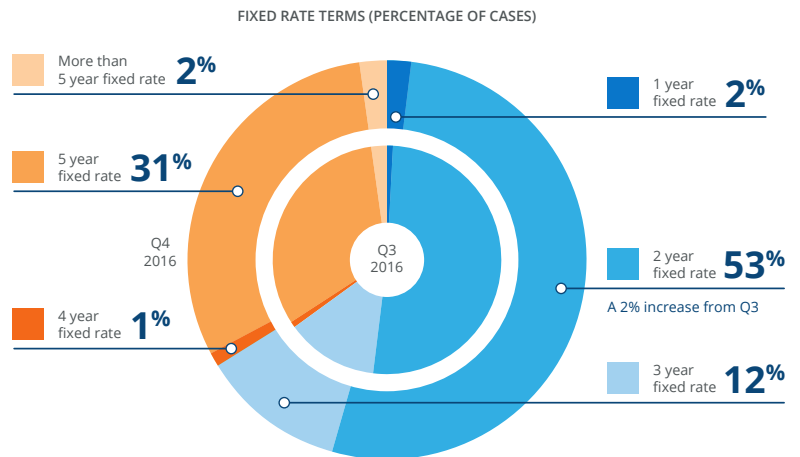
Borrower types remained largely unchanged in Q4 2016, compared with Q3, with advisors reporting remortgaging as the principal type of borrowing. Almost four in ten (39%) of all mortgages handled in Q4 were remortgages, up from 38% three months ago, while buy-to-let business (19%) reversed its trend by increasing (up from 18%) for the first time in 2016. First time buyers were the least likely type of borrower in Q4 2016 at 18% of all mortgages handled, down from 20% but stable over five years.



MORTGAGE PRODUCTS

Fixed rate products are still the overwhelming preference, accounting for 83% of all cases, up 2% on Q3. Tracker mortgages remain a distant second at 14% of all cases, representing little change from Q3.

Two year fixed rates remain the most popular products in Q4 2016, accounting for more than half (53%) of fixed rate business (up from 51% in the previous quarter). Longer term fixed rates of more than two years remain stable, accounting for in excess of 33% of lending.



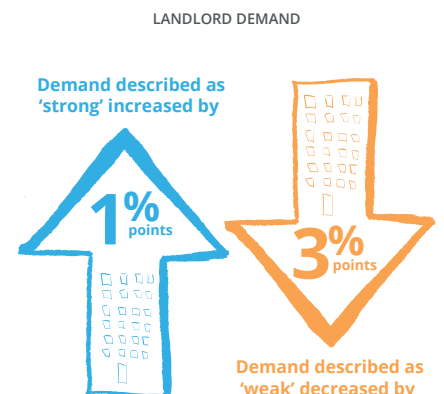
BUY-TO-LET MORTGAGE MARKET

LANDLORD DEMAND

There are continued signs of improved sentiment among landlords, with a second successive quarter of increased landlord demand. Despite uncertainty in the buy-to-let market caused by impending changes to tax relief and an increase in stamp duty, Q4 saw the proportion of advisors describing the current level of landlord demand as strong rise from 9% to 10%.

However overall in 2016, there was no radical change in behaviour among landlords, with modest improvements following a record decline in demand in the final quarter of 2015 (5% from 33%). Demand remains some way off its peak of 45% in Q2 2015.

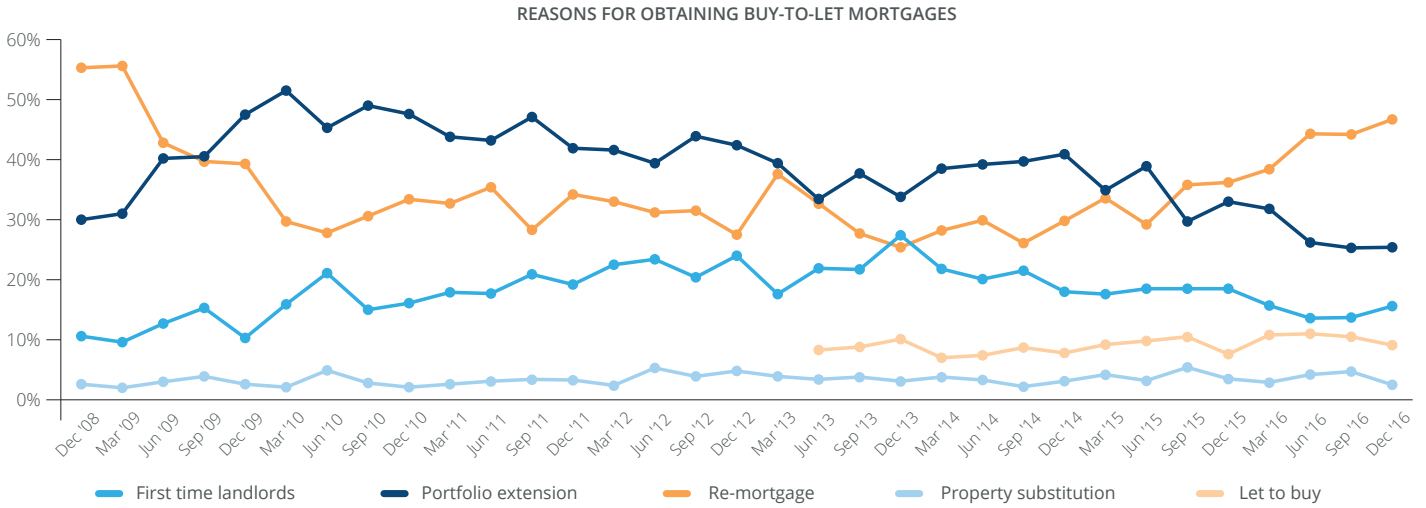
While 43% of advisors described landlord demand as weak in Q4 2016, fewer than the 46% in Q3, this too represents a modest improvement following a dramatic increase in 2015 and remains much higher than its lowest point of 5% (Q1 2014).



REASONS FOR OBTAINING BUY-TO-LET MORTGAGES

Remortgaging remains the predominant reason for landlords obtaining buy-to-let finance for property purchases, accounting for nearly half of all buy-to-let business (47%) in Q4, up from 44% in Q3. This is consistent with the latest industry data released by the Council of Mortgage Lenders (CML), which indicates that two thirds of buy-to-let business is now remortgaging.

The second most common reason is landlords adding to their existing portfolios, with 25% obtaining buy-to-let mortgages to purchase additional property. This is unchanged from the previous quarter, when there was a 1% decrease in portfolio extension, and is 8% down on the same period one year earlier. This is a clear indicator that uncertainty remains in the buy-to-let market ahead of changes to tax relief taking affect from April 2017.

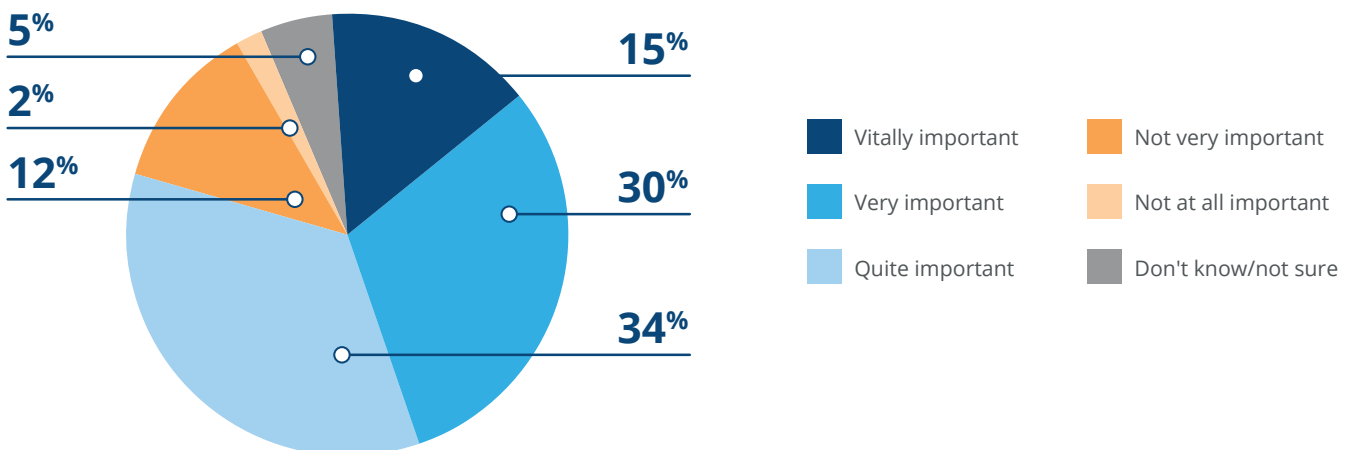


IMPORTANCE OF NEW PRA AFFORDABILITY RULES

The Prudential Regulation Authority (PRA) published its final Supervisory Statement in 2016, introducing new minimum underwriting standards for buy-to-let mortgages. Lenders will now be required to take into account how landlords will be impacted by the forthcoming tax changes and also tailor their underwriting approach to distinguish between those landlords with small portfolios (no more than three properties) and large-scale, professional landlords with more significant and complex portfolios.

80% of advisors said that the new affordability rules have been at least quite important in estimating the expected change in their level of buy-to-let mortgage business in the next 12 months. Overall, mortgage advisors expect to do 3.8% less buy-to-let mortgage business in the coming year. This figure compares with an expected year-on-year decrease of 1.8% in Q3.

IMPORTANCE OF NEW PRA AFFORDABILITY RULES



ABOUT FACT

Established in 1995, Paragon's quarterly Financial Adviser 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 MORTGAGES

Paragon is a leading, independent lender of buy-to-let mortgages to landlords and residential property investors in the UK, a loan servicing provider for third party clients and an active acquirer of loan assets and portfolios. In 2014, the Group established a banking subsidiary, Paragon Bank and has since diversified lending into new markets including asset finance, car finance and residential property development.


Established in 1985, Paragon is the only specialist lender to maintain an independent position within the UK mortgage market.



For further information please contact:

Shaun Staff

PR Account Manager


 0121 712 2414

 shaun.staff@paragon-group.co.uk



PARAGON MORTGAGES 51 HOMER ROAD, SOLIHULL, WEST MIDLANDS B91 3QJ

FMNL13781 (02/2017)

 0345 849 4040

 0345 849 4041

 pmlenquiries@paragon-group.co.uk

 www.paragon-mortgages.co.uk