

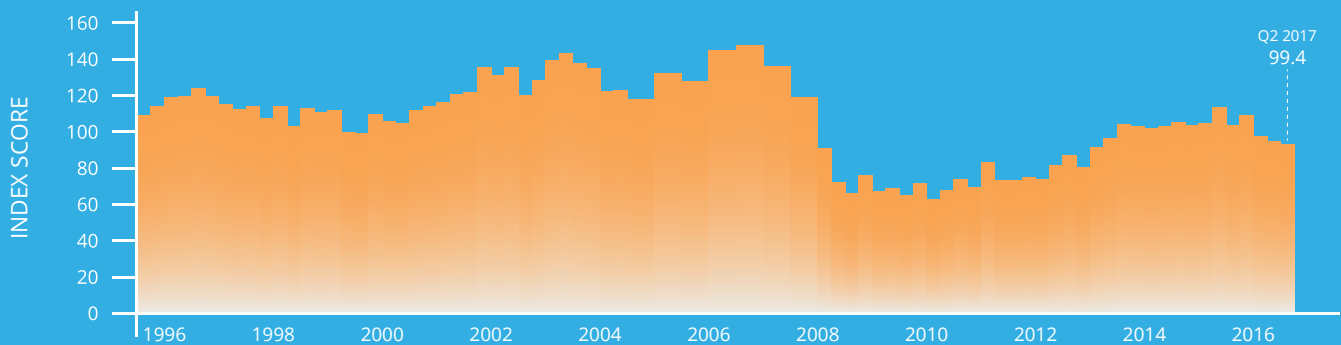
FACT INDEX

Q2 2017

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. 56% of respondents to this survey are from firms directly authorised under the FCA's mortgage regulations. 41% are from appointed representative firms.

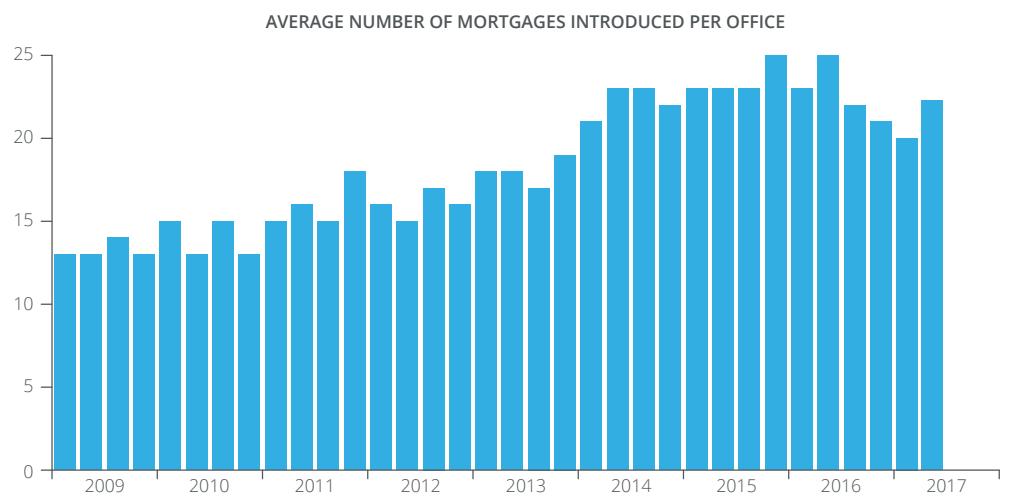
The FACT Index rating for Q2 2017 was 99.4, the first increase for a year, indicating that the Index may be recovering from a recent downward trend.



GENERAL MORTGAGE MARKET

MARKET OVERVIEW

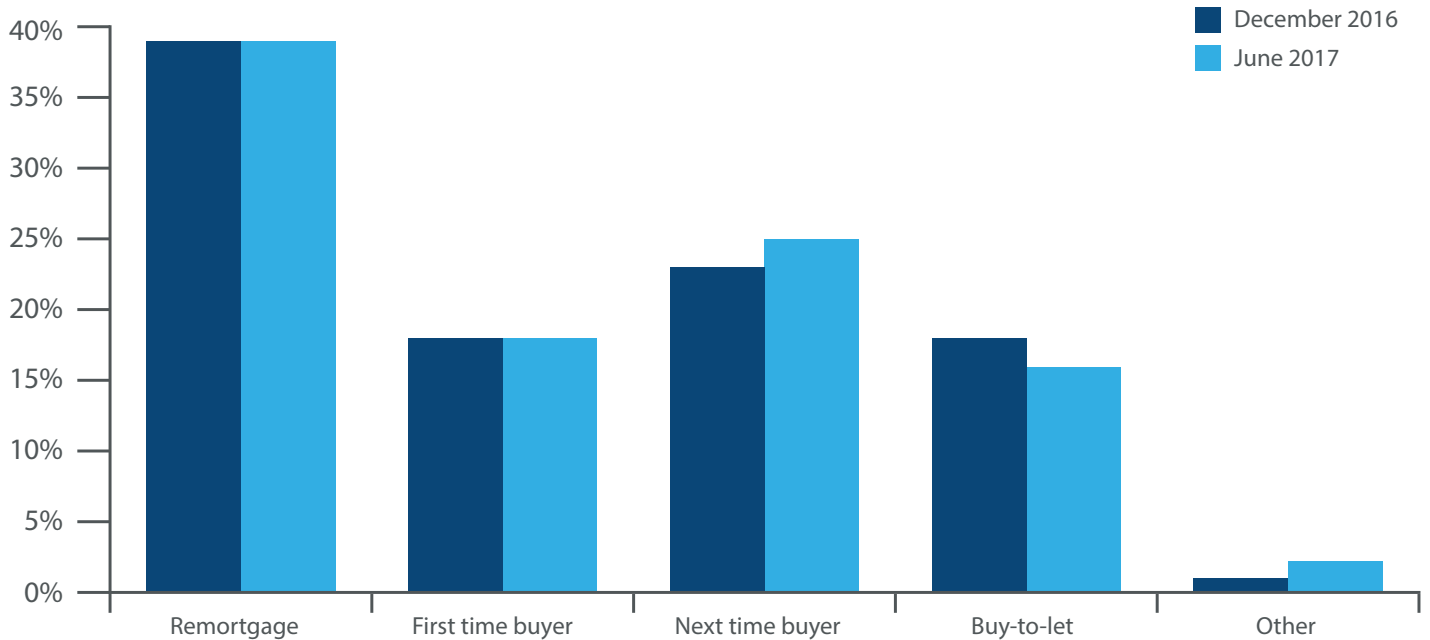
The average number of mortgages introduced per advisors' office in Q2 2017 was 22, up 6.4% from the previous quarter and the first increase since the same quarter one year ago. The number of mortgages introduced has held between 20-25 for almost four years, maintaining a slow recovery tracked from 2009, when the number reached a record low of 14.



BORROWER TYPES

Remortgaging was again the most common type of borrowing in the second quarter of 2017, with an increased majority of 39%. As in Q1 2017, a quarter (25%) of all mortgages handled in Q2 were next time buyers, whilst first time buying was also unchanged, for the third successive quarter, at 18%. Following a sharp decline in Q2 2016, buy-to-let borrowing stabilised in the following three quarters but decreased slightly in Q2 2017 to 16%.

BORROWER TYPES 2016 - 2017

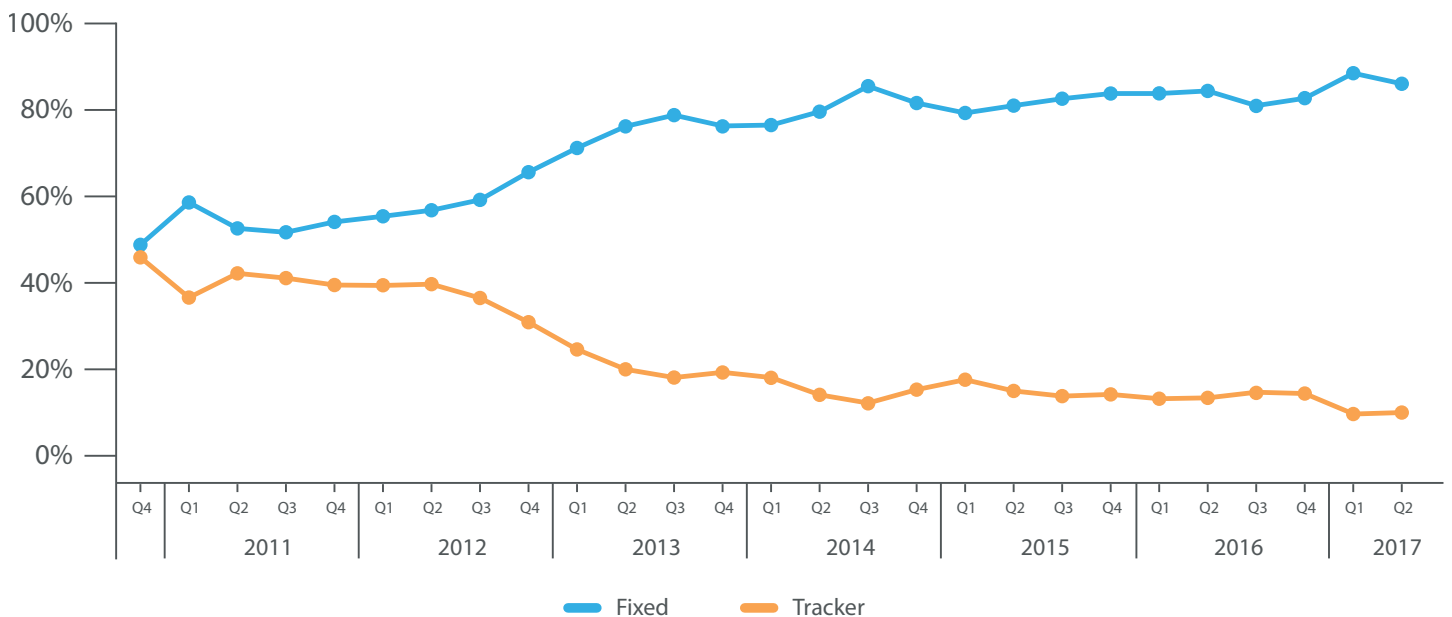


MORTGAGE PRODUCTS

The proportion of fixed rate products reduced very slightly in Q2 2017 but has held historically high at 87% of all mortgages handled. The decline of tracker rate products showed no sign of reversing in Q2, remaining at 10%, still its record low.

The most popular products are still the two-year fixed rates, at 47% of all applications in Q2 2017. However, the most notable trend developing is a continuing increase in the popularity of longer term fixes, with 41% of cases now fixed for five years or more.

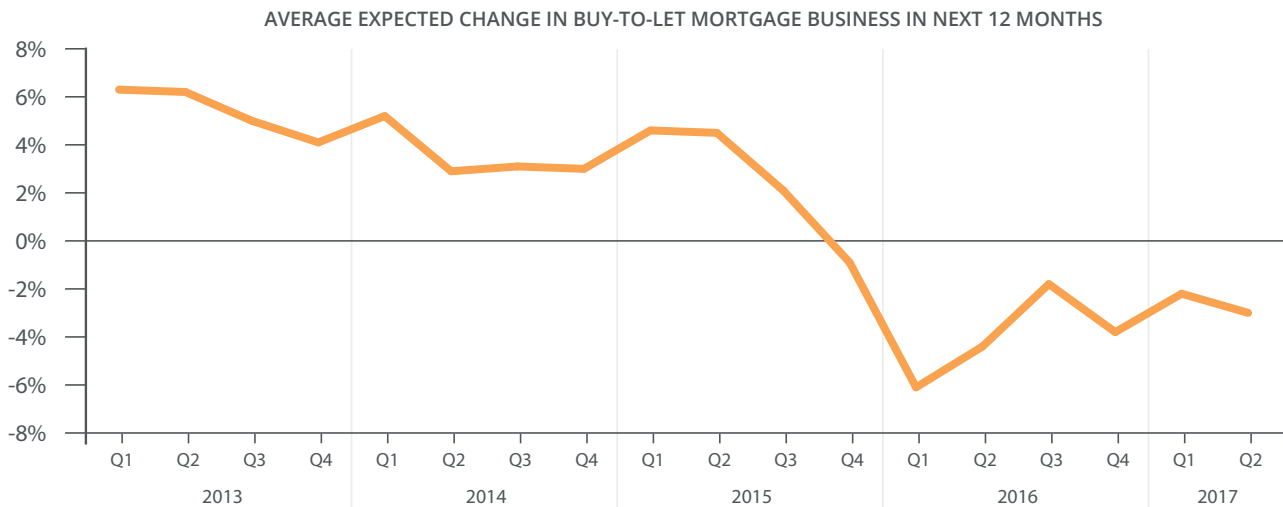
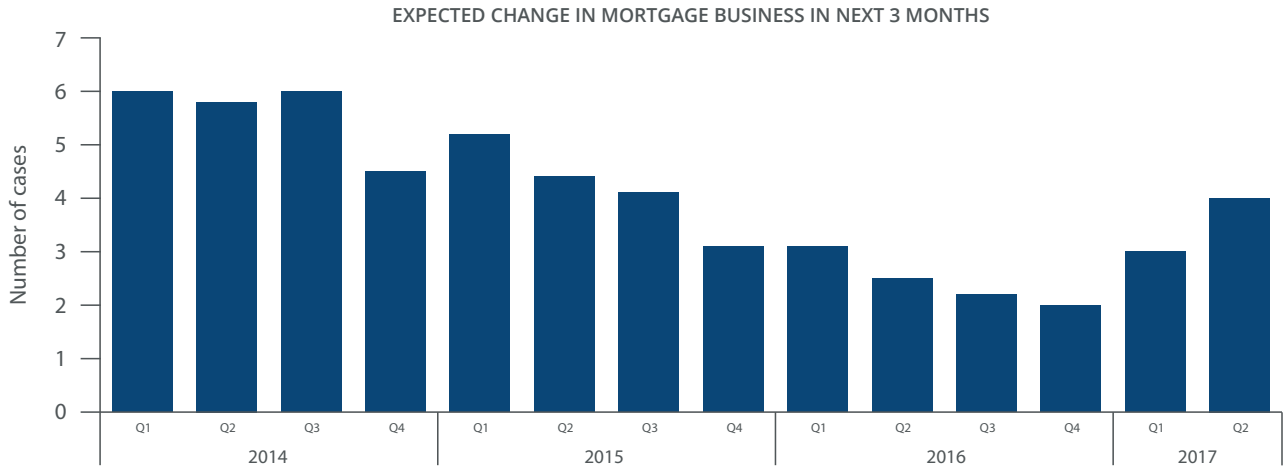
PREFERENCE FOR INTEREST TYPES



FORECAST

The expected change in business over the next three months increased for the second successive quarter, following a two-year downward trend, with brokers expecting to do 5% more business in Q3 2017.

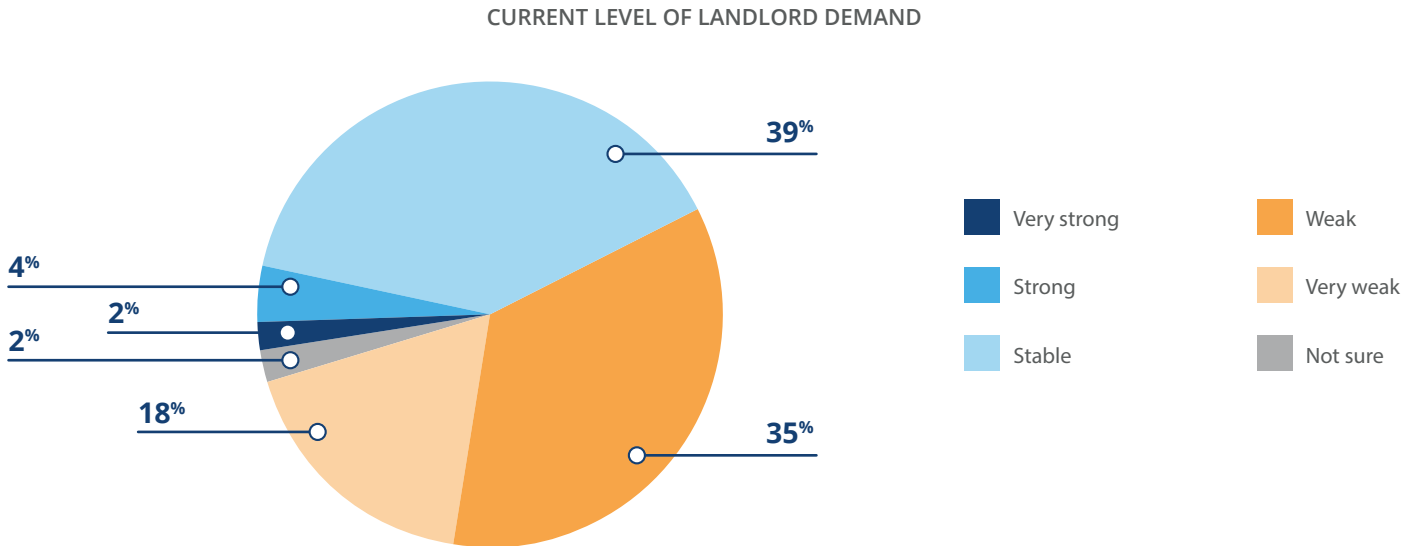
Mortgage advisors expect to do 3% less buy-to-let mortgage business in the next 12 months. This is lower than the previous quarter but comfortably higher than the historic low of 6% seen just last year, in Q1 2016. The majority of intermediaries (55%) say they expect buy-to-let business to remain the same in the next 12 months, up 10% from the previous quarter.



BUY-TO-LET MORTGAGE MARKET

LANDLORD DEMAND

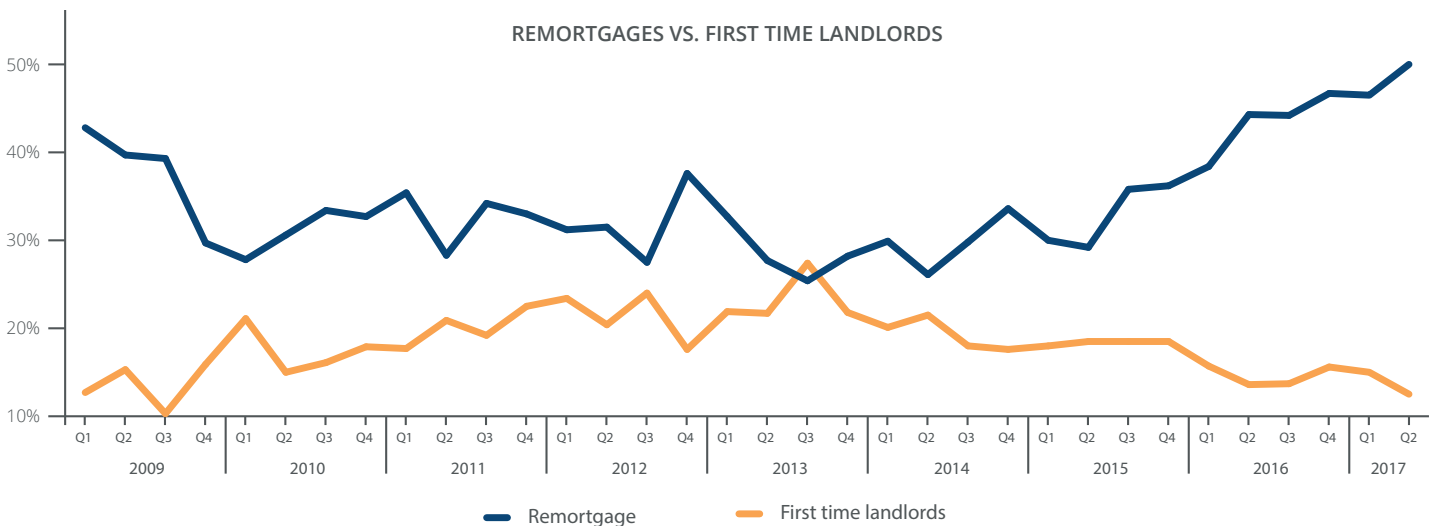
53% of mortgage advisors described landlord demand as 'weak' or 'very weak' in Q2 2017, the highest ever figure following a steep decline in strength since September 2015, when just 10% said the same. The number of advisors describing landlord demand as 'strong' or 'very strong' fell to 6%, equal to the lowest figure recorded, while 39% believe landlord demand is stable.



BUY-TO-LET MORTGAGE MARKET

REASONS FOR OBTAINING BUY-TO-LET MORTGAGES

Remortgaging is still the principal reason for landlords obtaining buy-to-let finance, stable on the previous three months and accounting for almost half (47%) of all buy-to-let business. The steep upward trend in remortgaging since Q4 2013 has been matched by a long-term decline of first time landlords, which eased again in Q2 2017 to 13%, down from 27% three years ago.



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.



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FMNL15217 (09/2017)

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