

Changes in the activity



# FACT INDEX

Q3 2017

The Financial Adviser 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.

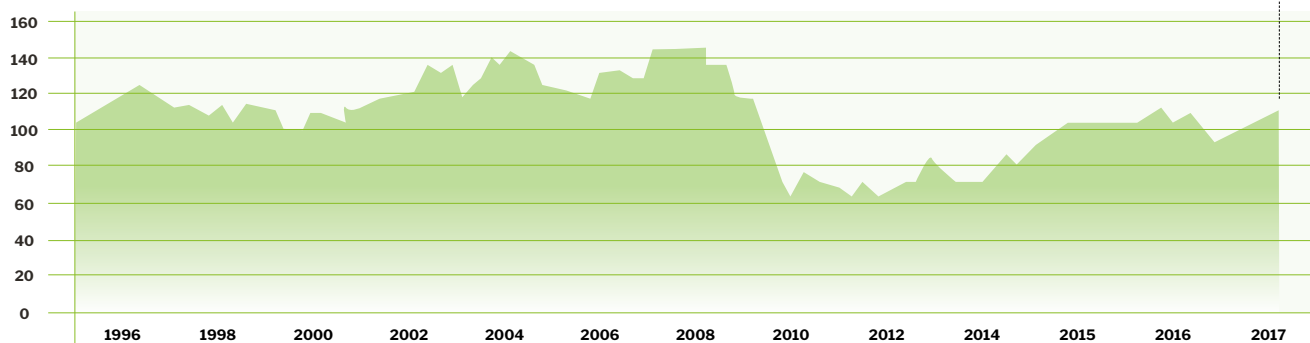
This figure is calculated as a percentage of a baseline figure, and adjusted to account for the volume of business which advisers expect to complete over

the following quarter. 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 Q3 2017 was 105.9, the first increase for a year, the highest score since Q4 2015, and the second successive quarterly increase.

## INDEX SCORE

Q3 2017  
105.9

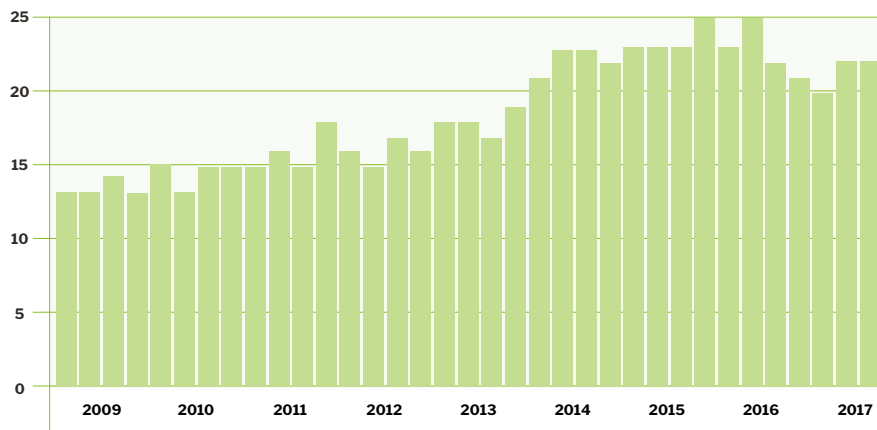


# GENERAL MORTGAGE MARKET

## MARKET OVERVIEW

The average number of mortgages introduced per advisers' office in Q3 2017 was 24, up 9% on Q2 2017 and 8% on the previous year. This is the third highest recorded figure since the 2008 financial crash and maintains the long-term recovery from a record low of 14 in 2009.

### Average number of mortgages introduced per office



## BORROWER TYPES

Remortgaging remained the most common type of borrowing, with a slightly reduced majority of 36%. There was little fluctuation in all other borrower types, with buy-to-let borrowing stable again at 17% (up1%) in Q3 2017 following a sharp decline in the previous year. First time buyers also saw a 1% increase on the quarter and maintains a modest long-term upward trend over the last decade.

### Borrower types - September 2107

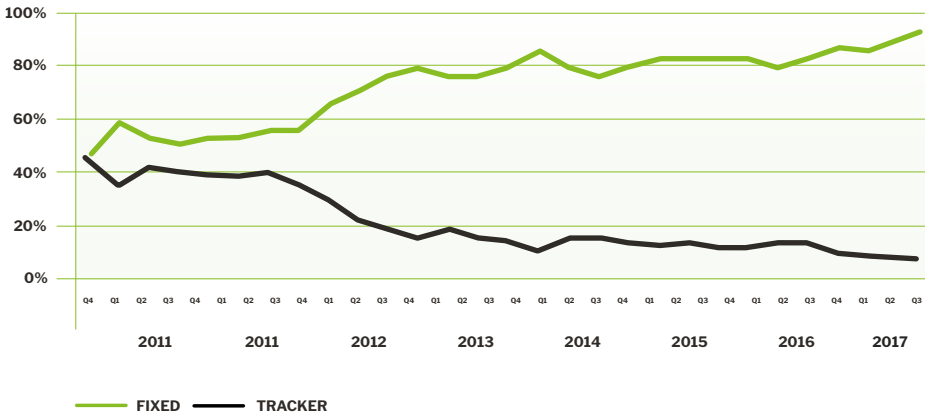


# MORTGAGE PRODUCTS

The disparity between fixed rate and tracker mortgage products widened further in Q3 2017, with preference for fixed rate products reaching a record high of 89%, whilst tracker products recorded a second successive historic low of 9% of all mortgage business, down from 10% in the previous two quarters.

The preference for five-year fixed rate products grew for the fifth consecutive quarter in Q3 2017, with initial terms of five or more years now comprising 41% of all mortgage business, up from 31% in Q2 2016.

## Preference for interest types

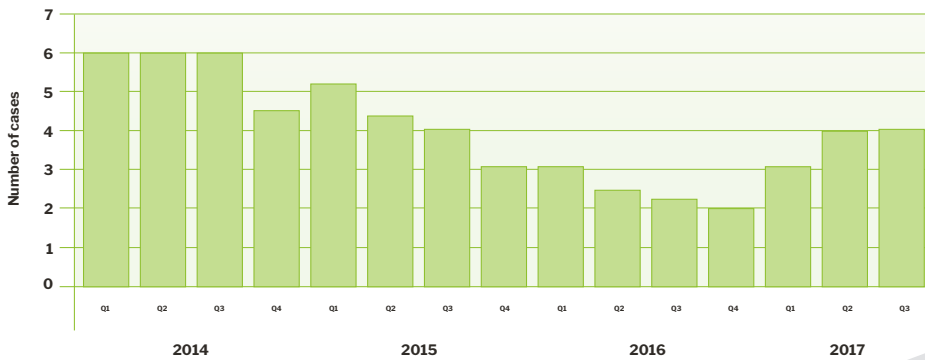


# FORECAST

On average, mortgage advisers expect to do 2.4% more mortgage business in Q4 2017, with the expected number of cases in the next three months stable at four, maintaining the reversal of a two-year downward trend between 2014-2016.

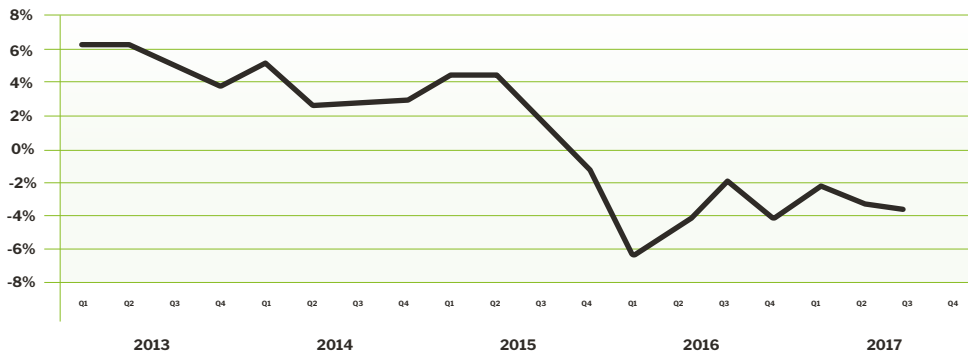
Half (50%) of brokers said that, compared with the last 12 months, they expect buy-to-let business to stay the same in the next 12 months. On average, mortgage advisers expect to do 3% less buy-to-let mortgage business in that period. This is the same as Q2 2017 but remains comfortably higher than the historic low of 6% seen in Q1 2016.

## Expected change in mortgage business in next 3 months



# FORECAST CONTINUED...

## Average expected change in Buy-to-let mortgage business in next 12 months

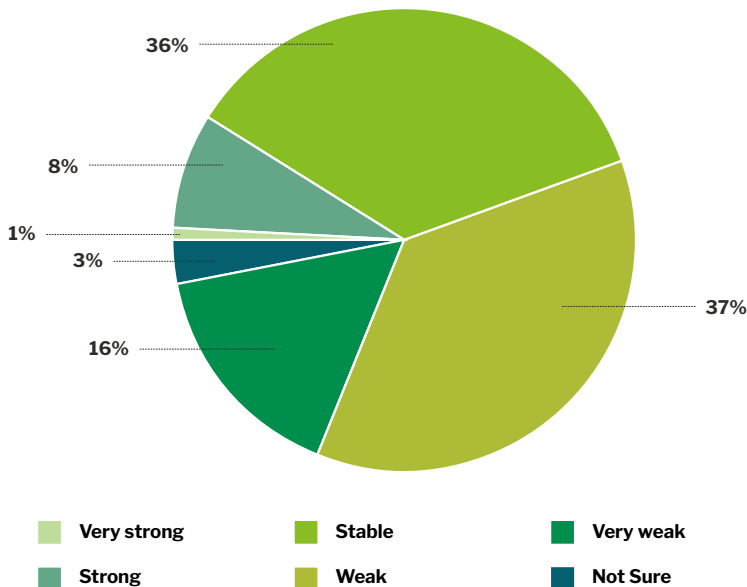


## BUY-TO-LET MORTGAGE MARKET

### LANDLORD DEMAND

9% of mortgage advisers described landlord demand as 'strong' or 'very strong' in Q3 2017, up from 6% in the previous quarter but still considerably lower than highs of 35-45% between 2013-2016. The number of advisers describing landlord demand as 'weak' or 'very weak' remained at 53% for the second successive quarter, still the highest ever figure following a steep decline in strength since September 2015, when just 10% said the same.

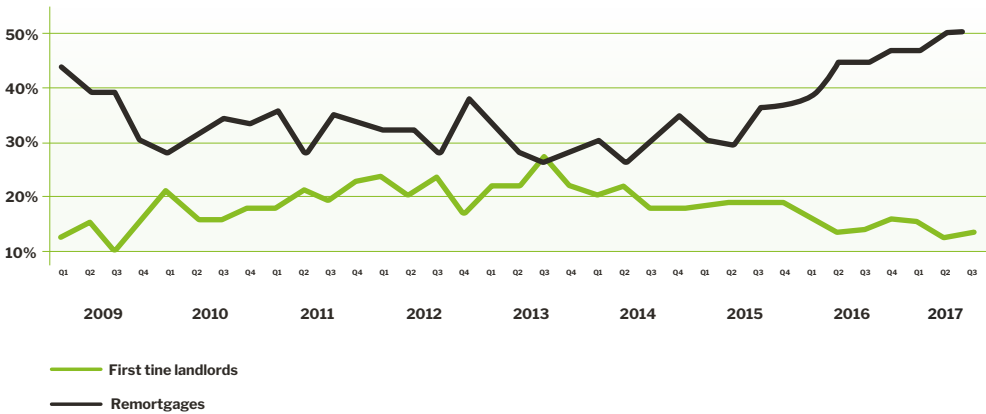
#### Current level of landlord demand



# REASONS FOR OBTAINING BUY-TO-LET MORTGAGES

Remortgaging remained the most popular reason for obtaining a buy-to-let mortgage in Q3 2017, accounting for a slightly reduced majority of 50% 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 grew slightly from a near-record low proportion of 13% in Q2 2017 to 14% in Q3.

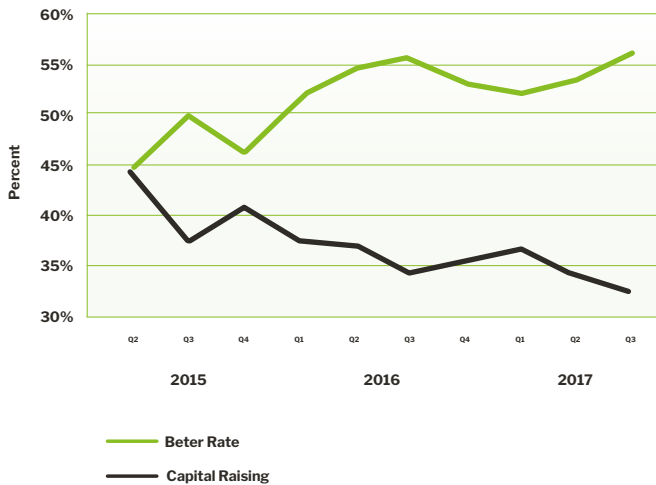
## Remortgages Vs. first time landlords



# PURPOSE OF BUY-TO-LET REMORTGAGE

Brokers reported a record number of landlords remortgaging to achieve a better interest rate in Q3 2017, accounting for 56% of all cases, whilst an historic low of 33% of landlords remortgaged for the purpose of capital raising in the same period. This is the culmination of a long-term trend, as seen below, and fewer landlords raising capital can be linked to the small decrease in overall remortgage cases in Q3 2017.

## Reason for obtaining buy-to-let remortgage



## 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.

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## 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 Association (IMLA), National Landlords 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.

**For further information please contact:  
Shaun Staff PR Account Manager  
0121 712 2414  
[shaun.staff@paragonbank.co.uk](mailto:shaun.staff@paragonbank.co.uk)**