

# FACT INDEX

Q1 2018

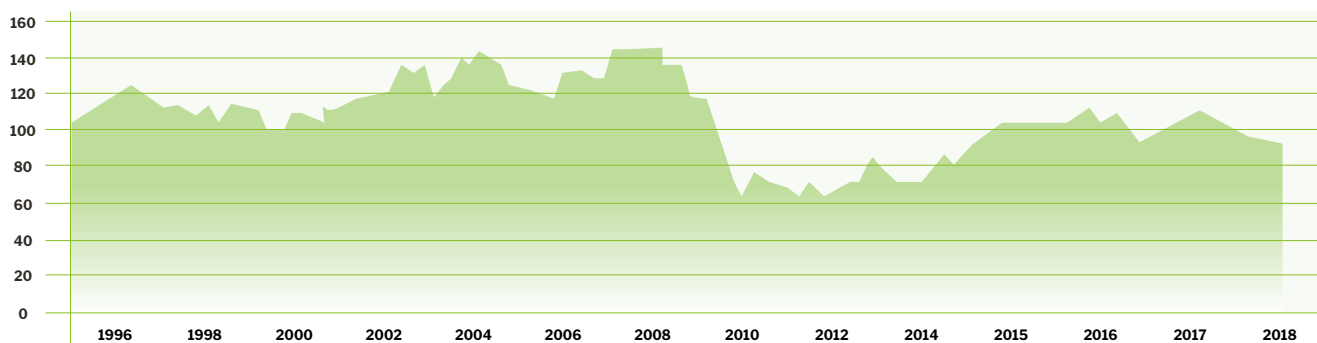
The Financial Advisor Confidence Tracking Index (FACT) has been tracking financial adviser sentiment since 1995 based on the number of mortgages introduced to customers over the previous quarter.

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. 56% of respondents to this survey are from directly authorised firms under the FCA's mortgage regulations. 42% are from appointed representative firms.

The FACT index rating for Q1 2018 was 100.8, down slightly on the previous quarter.

## INDEX SCORE



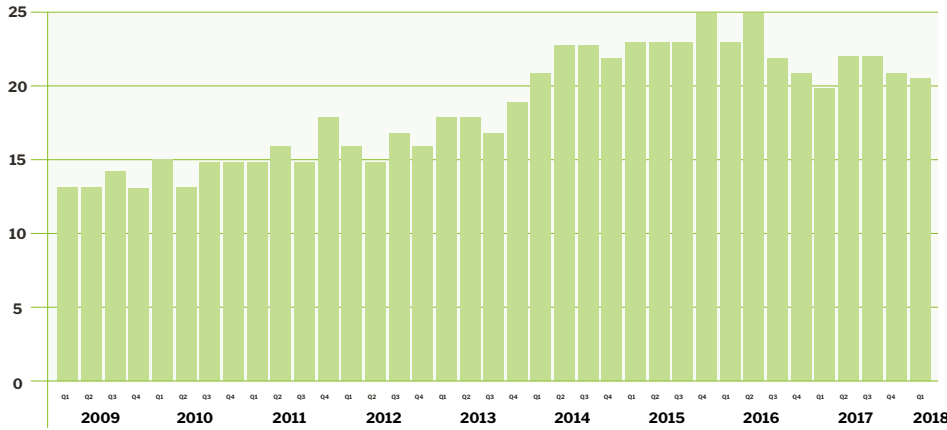
# GENERAL MORTGAGE MARKET

## MARKET OVERVIEW

The average number of mortgages introduced per advisers' office in Q1 2018 was 22.3, down 3% on Q4 2017 and up by 9% compared with the previous year. This maintains an overall upward trend in the number of mortgages introduced per office since 2010, following the global financial crisis.

**FAST FACT:**  
The average number of mortgages introduced per office during Q1 2018 was 22.3

### Average number of mortgages introduced per office

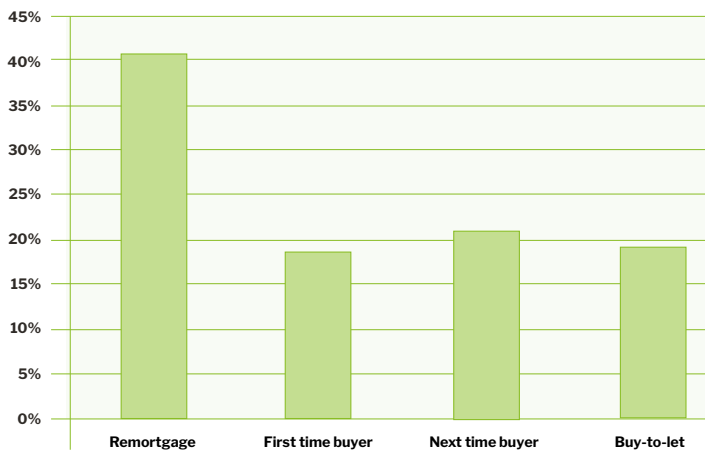


## BORROWER TYPES

Remortgages for owner-occupiers made up the largest part of intermediary business in Q1 2018, representing 41% of applications, an increase from 37% of business five years ago.

Over the same time period, first time buyer mortgages have increased from 16% to 18% of intermediary business, with the biggest step-change taking place immediately after the introduction of Help to Buy in April 2013.

### Borrower types - March 2018



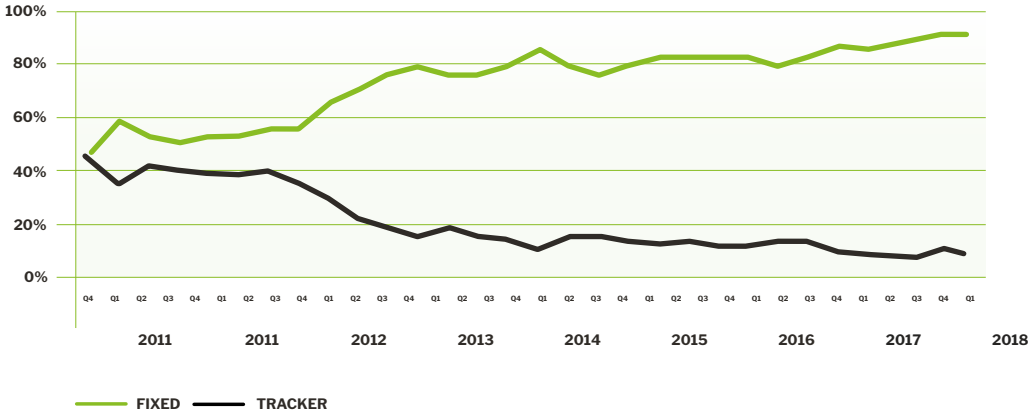
**FAST FACT:**  
Remortgaging accounts for 41% of intermediary business

# MORTGAGE PRODUCTS

Customers continued to show a strong preference for fixed rate mortgage products in Q1 2018, with more than nine out of ten customers opting for the certainty that a fixed rate product brings. Conversely, less than 7% of customers chose a tracker product.

**FAST FACT:**  
**91% of mortgage customers selected a fixed rate mortgage product**

## Preference for interest types

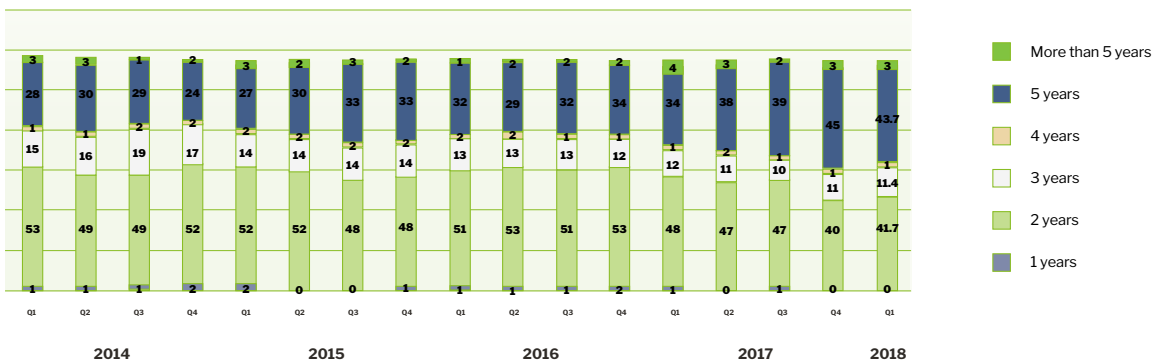


# INITIAL TERM

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 Q1 2018, longer term deals still dominate at 46% of all business.

**FAST FACT:**  
**Initial five year mortgage terms are now the most popular**

## Distribution of mortgage cases by initial term



# CUSTOMER TYPES

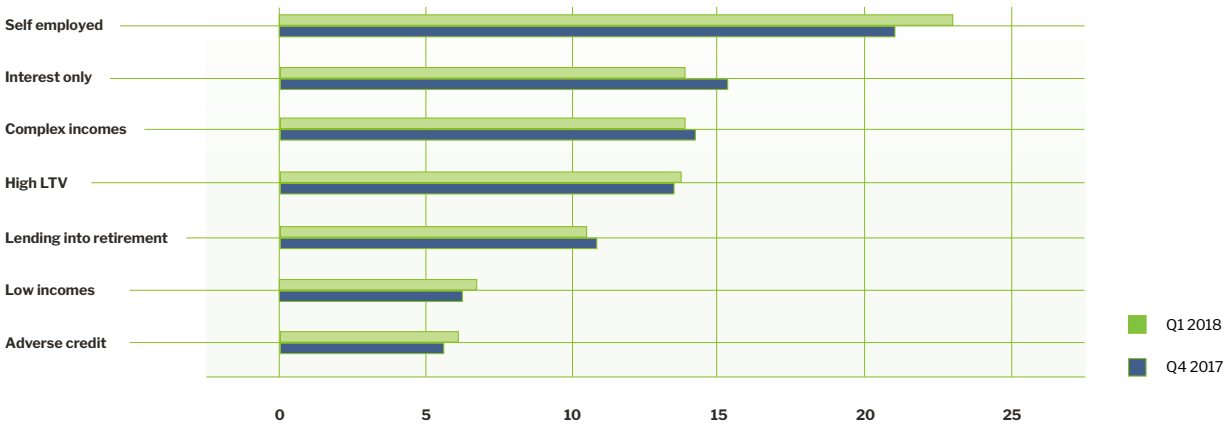
Demand for specialist mortgages is driven by a diverse set of customer types, principally by the self-employed. Asked for the proportion of their business represented by a range of customer types typically classed as more difficult to place in Q1 2018, intermediaries said that self-employed was the most common type of customer at 23% of all specialist cases.

**FAST FACT:**  
 Nearly a quarter of specialist mortgage cases are for self-employed customers

After self-employed business, intermediaries identified interest only (14%), high loan to value (14%), complex incomes (13%), and lending into retirement (11%) as the next most common types of specialist mortgage business.

In contrast, low income business made up just 7% of specialist mortgage applications in Q1 2018, a similar proportion to adverse credit.

## Average proportion of business by customer type



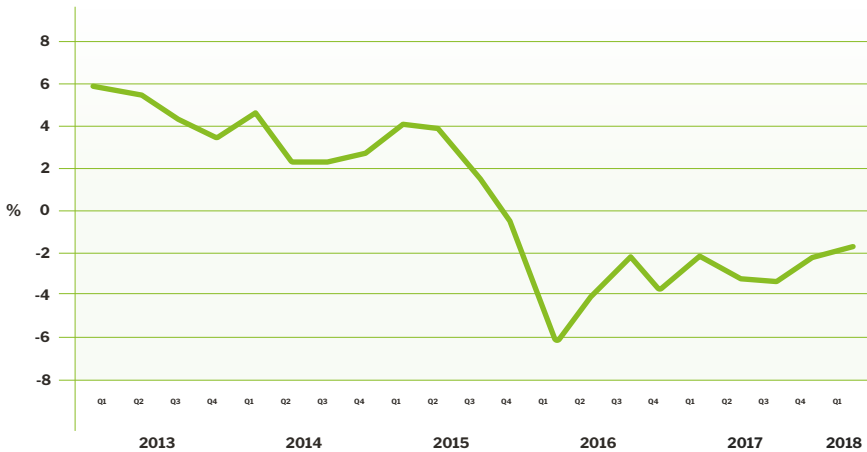
# FORECAST

On average, mortgage advisers expect to do 3% more mortgage business overall in Q2 2018 than they did in Q1 2018, up from an anticipated 1% increase coming in to 2018.

**FAST FACT:**  
 66% of intermediaries expect buy-to-let business to be stable in the next twelve months

Expectations for buy-to-let business are more modest however, with intermediaries expecting a 2% decline over the next twelve months, albeit a lower rate of contraction than forecast in prior periods.

## Expected change in mortgage business in next 3 months



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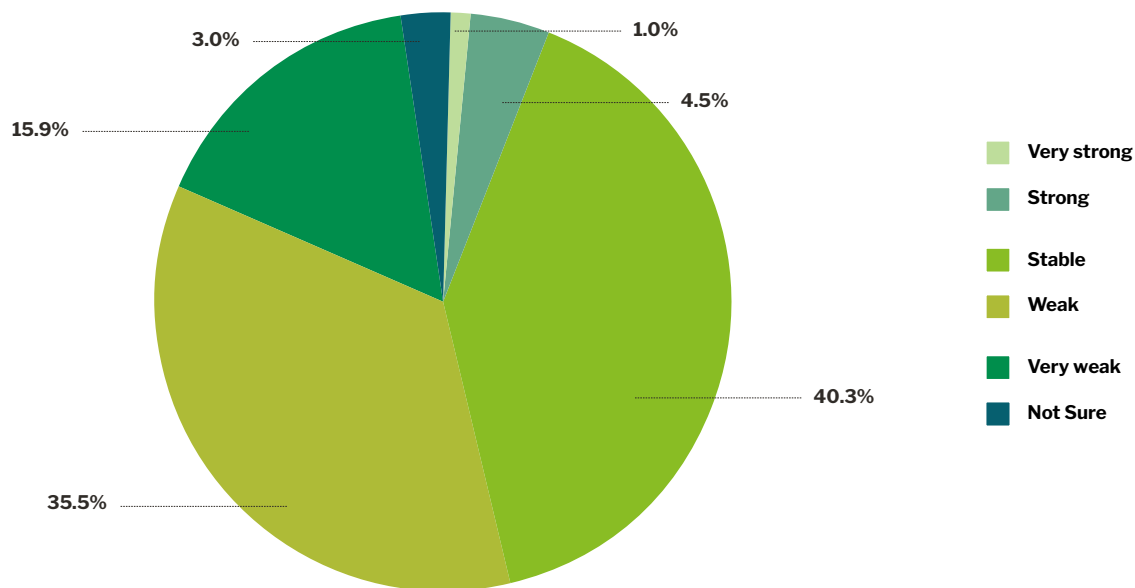
# BUY-TO-LET MORTGAGE MARKET

## LANDLORD DEMAND

Intermediaries report little change in landlord demand since Q4 2017, 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', down from 9% in the previous quarter but still considerably lower than highs of 35-45% between 2013-2016.

**FAST FACT:**  
Four out of ten intermediaries describe landlord demand as stable

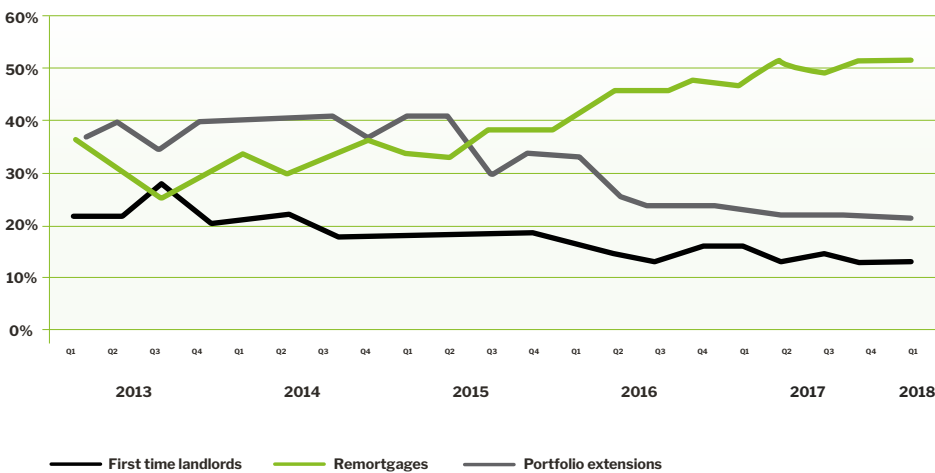
### Current level of landlord demand



# REASONS FOR OBTAINING BUY-TO-LET MORTGAGES

Remortgaging continues to drive demand in the buy-to-let market, with the proportion of buy-to-let remortgage cases stable at 52% compared with Q4 2017. Remortgaging has been on the rise since mid-2015, with mortgages for first time landlords falling from 18% to 13% of the total over the same time period. Landlords refinancing for portfolio expansion is also down, dropping from 39% to 22% of the total.

## Remortgages Vs. first time landlords



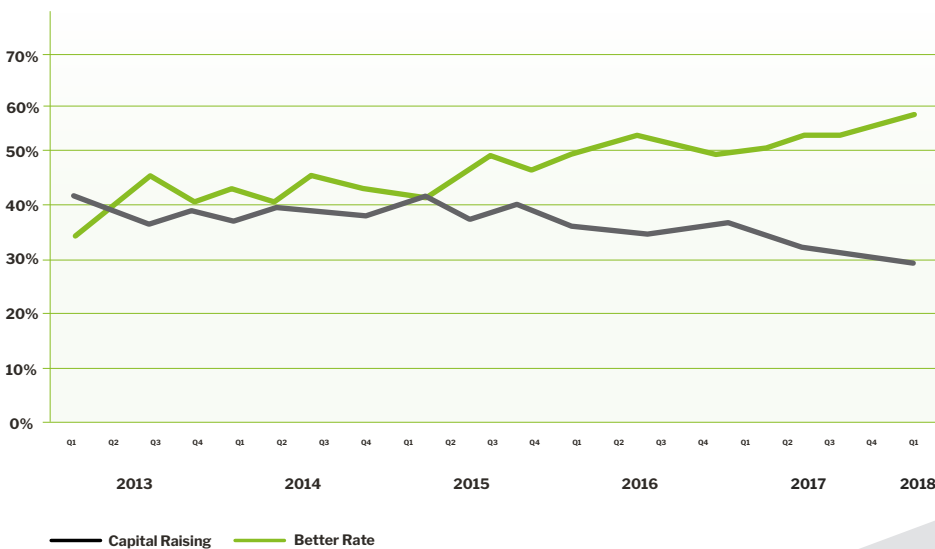
**FAST FACT:**  
52% of buy-to-let customers are remortgaging

# PURPOSE OF BUY-TO-LET REMORTGAGE

Six out of ten landlords, the highest proportion ever recorded, said their primary reason for remortgaging was to secure a better rate. In contrast, those remortgaging to raise capital fell to the lowest level recorded, at just 30% of the total. The fall in the proportion of landlords raising capital is marked, given that just two years ago, equal numbers were remortgaging for each of the two reasons.

**FAST FACT:**  
Achieving a better interest rate is the top reason for landlords to remortgage

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



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## 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.

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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 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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