Q2 2018

Positively Speaking : specialist lending insight

INSIDE THIS ISSUE

The Positive approach to broking

This newsletter is for professional intermediaries only

Positive LENDING

Welcome to Positively Speaking

Q1 2018 has been a spectacularly quick and spectacularly successful period for the company. We have undoubtedly had our best quarterly financials during the period, with a record January, February and (although not quite finished at time of writing) guaranteed best March the start of 2018 could not have been better for us. More brokers support our business than ever before and I love the communications that I see daily from the internal Marketing and Compliance teams providing broker and customer feedback which appears to be relentlessly Positive (pardon the pun) and this comes from the constant drive from the team to be part of the best team in the market.

We have seen growth in every division.

Our seconds team were acknowledged as the Mortgage Strategy best Secured Loan Broker (but please get the terminology right!) in February and we have seen significant increase in enquiries, applications and funded cases in this arena. Our market share in 2014 was just over 1%, we now carry a market share exceeding 5% of the market and growing. I put this increase down to a fair pricing structure, magnificent field based support for intermediaries, our network partners understanding and supporting our transparent vision and a robust compliance and advice structure where we ensure the client gets the right product for them, every time. This valuable income stream for intermediaries coupled with the obvious tangible benefits of the product over other mainstream lending options makes this product more beneficial than ever before. The market has increased to a £1bn market in 2017 and I predict a 30% growth in this area in 2018. Furthermore we have launched with Vida Homeloans, and without stealing their thunder the product proposition is fantastic and has been clearly thought out to ensure the products are not just about rate, but serving the market where it is needed.

Our Mortgage Desk has seen a resurgence in new enquiries. Launches with Kensington, Axis Bank, Dudley Building Society and Chorley Building Society have assisted our team place more enquiries than ever before. With a panel of over 30 lenders in this arena we have a tailored product suite of lenders offering packager exclusives and enhanced service propositions to support you.

The specialist team has seen the largest increase in enquiries. Matt drives the team forward in exceptional style and following a launch of our unsecured commercial proposition to dovetail our commercial and bridging solutions and the introduction of private bank agencies the team is processing 40% more enquiries than this time last year. The team has benefitted from a complete revamp of their processing system, ensuring we remain at the top of our game and offer the very best service proposition to you, our broker and your clients.

Q2 doesn't show signs of slowing. Add GDPR, staff recruitment, contract tenders/re-tenders and staff training programs and we will be at Q3 before I know it. Oh and there is the small matter of climbing the highest mountain in North Africa, Mount Toubkal with our business friends from 27 Tec in May. I will tell you about that next time, if I survive !

I wish you all a successful Q2, and as always thank you for your fantastic support.

Paul McGonigle

The changing face of buy to let
What you need to know

Buy to Let has changed over the last couple of years, with new tax laws, higher stamp duty rates and removal of tax relief on mortgage interest. Buy to let lender criteria has also evolved over the last year, typically towards stricter affordability calculations and stress testing. In addition to this, the PRA changes have impacted on portfolio landlords with four or more properties, many investors are now finding it harder to meet lenders' stress testing and affordability criteria. We are seeing more of a shift towards clients considering Ltd Company BTLs and SPVs as an alternative way of BTL borrowing.

At Positive Lending, we work very closely with our buy to let lender panel to ensure we are aware of the very latest and best product options available for clients. The feedback we receive from brokers is simply the need for good product choice, decent rates and sensible underwriting without overcomplicating the process.

We currently have direct underwriter contact, exclusive products, rates from 2.49% and borrowing up to 80% LTV on our Buy to Let panel.

New directors with new ideas

Over the last year we've doubled our team, moved into purpose built head offices and expanded into new mortgage and loan markets. All exciting stuff.

We've also appointed two directors: Matt Vincent (right), our Specialist Lending Director and James Byrne (left), our Director of Mortgages.

Both have already implemented great ideas to support intermediaries and their clients; James has added more lender choice to our Mortgage Desk panel, including self-build, and Matt has set up a new unsecured business loans proposition. They won't stop there, both have more exciting ideas for 2018 and beyond.

Development case study

A long-standing introducer approached us looking to improve terms provided by a well-known senior development finance lender, the valuation and QS reports had already been instructed. The funding requirement was £17 million to complete a large student accommodation and hotel in Exeter. After a conference call with the developer it became apparent an alternative lender could significantly improve terms. A site meeting with a new lender was agreed within 48 hours and they were able to rely on existing professional reports already obtained. The new lender was able to complete the transaction within 4 weeks, saving the client over £500,000. Our introducer was paid his commission within 24 hours of the loan closing.

We can help with tricky mortgage cases

Each month our Mortgage Desk helps 100s of brokers with residential and buy to let mortgages. We arrange loans for the following:

Adverse credit | Self-employed, 1 year's accounts | Complex income | Right to buy to 100% LTV | Large loans | Loans from £3k | High net worth clients | Interest only loans | Ex-pats | Joint mortgage with a sole proprietor | No maximum age | Shared ownership | Second homes | Unusual property | Self build | No credit score | plus many more client scenarios.

Call our Mortgage Desk on 01202 850 830 for details.

BRIDGING LOANS

0.49%

per month

Available for standard and light refurbishments

Market leading **bridging loans**

Many other product options available, speak with our specialist sales team for details.

Bridging enquiry?

Call our team of bridging experts on **01202 850 830** or email **specialistsales@positivelending.co.uk**

Bringing you exclusive deals, lower rates and quality service

STAMP DUTY SOLUTIONS

The introduction of the Stamp Duty surcharge in 2016 saw landlords rushing to complete purchases on buy to let properties before the additional 3% tax took effect in April of that year.

Figures released at the time by the Council of Mortgage Lenders showed a near 60% increase[1] in mortgage lending in March 2016 compared with the previous March, with many landlords snapping up 2 year Fixed rate products.

Change in the lending landscape

Landlords coming to the end of their initial fixed rate period may be looking to remortgage to avoid slipping onto their lenders' standard variable rate. Since they last took out a mortgage, however, the lending landscape has changed. The introduction of tougher affordability testing and the start of a phased reduction in mortgage interest tax relief could make it more difficult for them to secure a new deal.

How Precise Mortgages can help

If you've got a landlord who avoided the stamp duty hike nearly two years ago and is now struggling to remortgage or can't achieve the loan size they need, Precise Mortgages has a number of solutions that could help.

Our recently refreshed buy to let remortgage range now gives non-portfolio landlords the option of maximising the loan amount available to them by using their earned income to cover a rental shortfall. This process – known as 'topslicing' – is available providing the rental income of the property achieves an ICR of 110% calculated at the pay rate of the product selected.

Following the PRA's decision to classify customers with four or more mortgaged properties as portfolio landlords, we kept things as simple to make applying for new mortgages as easy as possible. We created three forms to capture the additional information that's now required and launched a dedicated Portfolio Team to key this information into the system for you. Assessments are valid for 6 months to make future applications easier, provided the information remains the same during this period.

Get in touch

To see if Precise Mortgages could help your customers, speak to one of the Positive Lending team on 01202 850 830.

[1]Council of Mortgage Lender market commentary April 2016
https://www.cml.org.uk/news/news-and-views/market-commentary-april-2016/

The specialist lender you can bank on

A POSITIVE NEW LAUNCH

Unsecured business loans

Positive Lending are delighted to announce the launch of our unsecured business loan department. With no legal fees, no valuation costs and funds released within days, this product is ideal when companies need access to capital with minimal fuss.

Unsecured business loans, we can support:

- New start company loans up to £26,000 with additional free mentoring support
- Revolving credit facilities based over a 30, 60 or 90 day term, where funds can be released within 24 hours.
- Unsecured loans over a 5 year term with rates starting from 5.08% p.a.
- Releasing capital from business assets via hire purchase agreements where VAT is reclaimable
- Applications with strong cash flow but low net profit
- Clients with adverse credit
- Average commission of 2.5% paid to introducer.

Examples where a Positive Lending business loan may add value to your client:

- Payment of a company tax bill
- Cash flow to help seasonal companies manage their finances
- Purchase of a property without the need for a mortgage, reducing set-up costs and time to complete, making the clients as effective as a cash buyer.

Helping you to help even more of your clients

We look forward to helping you with your clients' unsecured business loans. With a wide panel of lenders from which to choose, we are sure we'll be able to find the best loan outcomes available. Ask your client to complete our short enquiry form and provide the supporting documents listed to receive a quotation.

Bringing you exclusive deals, lower rates and quality service.

What does GDPR mean?

I am asked this question a lot. It is more than simply The Data Protection Act with bigger fees and penalties for breaches. As an FCA regulated firm, some of the rules you already need to follow will give you a head-start when it comes to compliance with GDPR. However there are some additional demands which you will need to understand and comply with.

You may have an advantage over unregulated firms because:

- You already have rigorous processes in place in order to comply with FCA record keeping requirements. Accurate records will be central to your ability to comply with the new regulation
- You already have a culture that supports a compliant approach. The FCA and ICO make the point that the new rules are a board level responsibility.

There is some overlap between FCA requirements and the new regulation. For example, everything that you do has to be fair, clear and not misleading. This aligns with GDPR's aim of improving the customer experience.

However do not be complacent, you cannot assume that because you are FCA regulated you meet all the new requirements. Some of the new requirements are very specific and are not part of existing regulation. For example:

- Do you have a method of capturing and recording client consent and exactly what they are consenting to? How are you going to keep this consent up to date?
- What will you do and how will you monitor someone opting out of email contact or asking to be forgotten'?
- How will you supply a client with the information that you hold about them in the event of a Subject Access Request? Can you do this within a month?
- How will you identify, record and report any breaches? Can you do this within 72 hours of becoming aware of the breach?

So what should you be doing now? You can:

- Visit the ICO's website. The 'what's new' page gives a summary of developments to date
- Read the ICO's blogs, sorting the myths from the reality
- Ensure you have a thorough and detailed Data Protection Impact Assessment document that will show the ICO that you have reviewed your business practices.

So what does GDPR mean? For me it is Getting Data Protection Right....

Alec Wimbleton

Vida Homeloans

In October 2016 Vida Homeloans opened its doors with the ambition to become *the* specialist residential and buy to let mortgage lender for customers who do not fit criteria demanded by high street banks. In just its first year, Vida lent over £400m in first charge completions. Following this success, they launched a second charge range this year. Similar to their first charge criteria, the second charge range also offers additional benefits, such as: 6 x income, AVMs and interest-only products. Vida's Director of Sales for second charge mortgages, Simon Burnell, has worked closely with Positive Lending's CEO, Paul McGonigle, for almost 20 years and with experience comes understanding.

A different approach

Vida, like Positive, prides itself in being specialist and their criteria reflects its focus on areas of the market that are undeserved by other lenders. Vida lend to customers with complex incomes, such as: one year's audited accounts, allowances (such as foster carer), overtime, irregular bonus and commission. Property types include flats up to 20 stories in the capital and properties above commercial. Customers find that Vida buy to let rates allow them to "remortgage" out of existing second charges to bring down monthly repayments. Vida also considers properties such as HMOs, MUBs and does not stress the first or second repayment, just the use of the pay rate to calculate the ICR - this is proving popular in the intermediary market. Vida also allows AVMs to value property, which is unique within the marketplace.

The Vida service

Vida's service combines automation, to aid the decision, and human touch, they ensure all deals are considered by an underwriter. Cases are underwritten online, so they no longer require posted paperwork; typically they only require the mortgage deed to be signed and returned by the customer. Positive Lending have direct phone access to underwriters to talk through both pending business and referrals. Like Positive, Vida's team of telephone BDMs are on hand, so give you a good degree of certainty before you proceed.

Stand together or fall apart

It is quite simple really.

I have been in the second mortgage game since 1991. The lender I worked for at the time had a headline rate of 17.9%, we accepted less than 50% of the business received, yet even back then our biggest volume provider was a mortgage broking operation. I think it is fair to say that brokers have been in my lifeblood ever since.

Move forward 25 years and MCD is implemented by the regulator to ensure that this sector is regulated the same way as the mainstream mortgage market, better lending practices are adopted if necessary and second mortgage master brokers would now need to be regulated directly by the FCA rather than the OFT. "Hear hear!" was my response in 2015. It didn't affect our business as we had regulated our firm prior and had adopted the regulated approach since 2013. Our model was adapted in June 2015 to ensure that we as a business could trim fees as we no longer would have the regulatory sanctions of clients not paying for their surveys and processing and we had to take the financial risk. The model we signed off in June 15 is the same dynamic model we have today.

In the past 3 months various people in the market have taken the time to throw their opinion through social and mainstream media about the market, focusing purely on the financial implications of a master broker fee and the unfairness of the customer outcome related to overpricing in today's market. Whilst our fee proposition is transparent and competitive you would think that professionals slinging mud at each other would be music to my ears – I could sit back, acting like Dr Evil and rubbing my hands together in glee whilst thinking "they are focussing on media press stories, not their proposition" and laughing wildly at the spats.

However I do not. I sit there in despair, wondering why certain individuals spend their whole day focussing on the "unfair propositions" that are offered by some, and NOT ONCE promoting why their business should be used, or the benefits this fantastic product set offers brokers in the right circumstances. They believe that they talk the market up, but they don't – it is a negative campaign rather than positive (another pun, sorry I can't help it) and more importantly they don't understand the models adopted by the businesses they are hell bent on attacking (which I would like to clarify does not include Positive Lending).

Building a scalable business costs a lot of investment. Team infrastructures, CRM systems, in house compliance teams, call recording, marketing, field based sales teams, couriers if you prefer, up front marketing costs for your leads (if you are customer facing), CBT training programs, payment processors and underwriters are some of the costs that are involved in running a larger business. Our business offers a very competitive fee for clients and attractive commission for brokers, but it is geared around volume and is supported by a national sales force supporting our proposition. Whilst my model is unique in its proposition and I don't run my business the same as some others I do know that their models cost money to run, and some of the mud-slinging appears to be naivety on the part of the social media editors.

The smaller players have just begun to invest in this proposition. Everything is very profitable if it is you, your laptop and a processor. You can afford to keep things lean should you want to. But promote that – it is your USP. Please don't spend your time talking about getting the market "back on track" – it didn't derail, it grew and intends to continue in 2018 and beyond. As a contributor to this fantastic sector you should stand together with your peers, not try and divide them.

Together stronger

Make the Positive choice for clear and straightforward second charge mortgage packaging

With a whole of market product range, exclusive products and superb service, we're Positive we can find you the best outcomes for your clients.

For full details, restrictions and all the latest market leading rates, please call our expert second charge mortgage team on 01202 850 830 or email sales@positivelending.co.uk

TOP 10 SPECIALIST LENDING TIPS

All you need to know about second charges

1 Second charge lenders' affordability calculations will often mean customers can borrow more than they would be able to borrow on first charge mortgage affordability calculations

2 Capital repayment and interest only options are available, the repayment type for the second charge does not have to be the same as the first charge mortgage

3 The term of the second charge mortgage can be different from the first charge mortgage, it is advisable that the second charge finishes before the first charge mortgage

4 Valuations are required for second charge mortgages. Dependent on the lender, product and loan to value, AVM/desktop valuations may be available, where available this can speed up the process and save the customer money

5 Some products have early repayment charges, there are, however, products available without early repayment charges including fixed rate options with no early repayment charges during the fixed rate period

6 Dependent on the customer profile and loan to value, there are fixed, variable, discounted and tracker rate options available. As with first charge mortgages, rates are often determined by risk and loan to value

7 Borrowing can be for many purposes including home improvements, debt consolidation, business purposes, tax bills and to fund the deposit of another property, such as a buy to let

8 There are products available for both residential and buy to let properties, including the option to top-up rental income with personal income to make the borrowing achievable if there is a shortfall in rental income

9 Products are available for both employed and self-employed customers; income can be from many sources including pension income and some benefit income

10 During the underwriting process, consent is requested from the first charge lender in order to register a second charge. There are occasions where an equitable charge can be registered, removing the need for consent to be granted

Record quarter for Positive

"In Q1 2018 we have had our best trading quarter to date. March in particular was an incredible month with business figures exceeding March 17 by 200% - thank you to all our intermediaries, network partners and lenders for helping our team deliver a fantastic result."

Positive LENDING

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