



Fussy lenders are eroding our profits

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MANAGING DIRECTOR
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I have been asking for common sense to return to the mortgage arena for a while so a recent case shocked me.

We submitted a case which was fast-tracked as it had a low LTV and low income multiple. We then received a telephone call from the lender saying it required proof of income as it wasn't consistent with the stated job type. The lender asked for an accountant's reference which we duly sent in.

We then got another call from the lender to say it still didn't believe the client could earn the money stated and wanted full accounts. So we sent them along.

The next call from the lender said it didn't trust the accounts and asked to see SA302 forms to prove tax was paid. Slightly annoyed at having to go back and forth we

agreed and sent in the forms. End of the matter? No chance.

The lender then rang Revenue & Customs to confirm the SA302s were legitimate and finally, weeks after the application was made, the survey was instructed.

I am delighted that the industry has cleaned up its act and numerous bad brokers have been struck off but most brokers reading this will empathise as they will have experienced similar ordeals.

We are trying our best to make a living and having to put so much effort into straightforward deals eradicates any profit.

So come on lenders, innocent until proved guilty is the law of the land so stop turning your underwriters into detectives, show us some respect and trust your multimillion pound online systems.



Brokers must heed Which? findings

JON KING
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HODGE LIFETIME

The equity release industry is nothing if not resilient.

A study of recent history shows the sector innovating to meet changing circumstances while improving customer choice.

The industry has also got used to the annual Which? report, with its analysis frequently seeming to commence from a particular conclusion. It's a shame the benefits that can result from equity release plans are never illustrated.

But this year's report was different, with the focus on the advice process, and it raised a number of concerns.

Advice is important in equity release and no Safe Home Income Plans member will accept business unless it is fully advised. The debate must turn to the simple

question of whether brokers are sales people or financial advisers.

Any financial planning process worth its salt puts clients' interests at the centre of all advice. An IFA should be acting as the client's agent or, to put it another way, act as if they were the client.

Conversations must include reasons not to proceed as well as the benefits of taking out equity release plans.

One leading retirement firm is well known for applying the granny test – would you sell your grandmother this product given her circumstances?

So let's take Which?'s latest report as a shot across the bows. Those brokers who do not heed its message do not belong in an industry that has worked hard to clean up its act in the past 20 years.



Clients are turning to the internet first

GRANT STEVENS
MANAGING DIRECTOR
LEADBAY

July was an interesting month. Usually the start of the summer holiday season sees a dip in the number of borrowers turning to the internet to find mortgage advisers but this July was different – we saw an increase.

The year-on-year picture is even more stark – 12% more borrowers are looking online for mortgage advisers now than this time last year.

There are a couple of observations to make about this. First, it's clear that despite the credit crunch advice is still important to borrowers.

Second, the internet is playing an increasingly prominent role when it comes to consumers researching financial products and seeking advice.

In the four and a half years that

we have been providing advisers with leads, the number of borrowers looking for advice each month has more than doubled despite the LTV caps we have imposed to make leads more placeable.

You can imagine that if these caps didn't exist the number of borrowers looking for advice could be as much as 50% higher.

Of course, everyone should have more than one source of new business but if the role of the internet continues to grow as it has in the past five years, this could be the time to review your internet presence.

Whether you get prospective clients from referrals, lead generation or walking in off the street, consumers are likely to check out your website before they do business with you.



Two ways of doing rent-back business

PETER BEAUMONT
CHIEF EXECUTIVE
RESIDENTIAL PROPERTY SOLUTIONS

From the feedback we have been receiving recently it appears there's still a great deal of confusion about sale-and-rent-back regulation so I thought it might be helpful to explain the options available to brokers.

Regulation of the sector involves an interim regime which came into effect on July 1 this year. This will be followed by a full regulatory regime to be introduced on June 30 2010.

If you are already a directly authorised broker you have two choices. First, you can apply for a variation of permission which will enable you to promote rent-back services and provide clients with advice and recommendations.

Second, you can become introducer-only which will allow you to communicate the existence

of rent-back deals to your clients, refer them to specialist firms and receive fees for making these introductions.

If you want to apply for a variation of permission you must complete the relevant application forms which are downloadable from the Financial Services Authority's website. These must be sent in with a £250 non-refundable application fee.

But I think most regulated brokers will become introducers if they know the firm they are referring clients to is ethical and provides a safe, fair and transparent way of selling homes and remaining as tenants.

Regrettably, there's a sting in the regulatory tail. Appointed representatives are excluded under the legislation and cannot undertake any rent-back activity.