

Mortgage Regulation in the UK: The Response to the Crisis

EMF and HBA Conference, Athens

10 June 2011

Adrian Coles

Director-General

The Building Societies Association

www.bsa.org.uk

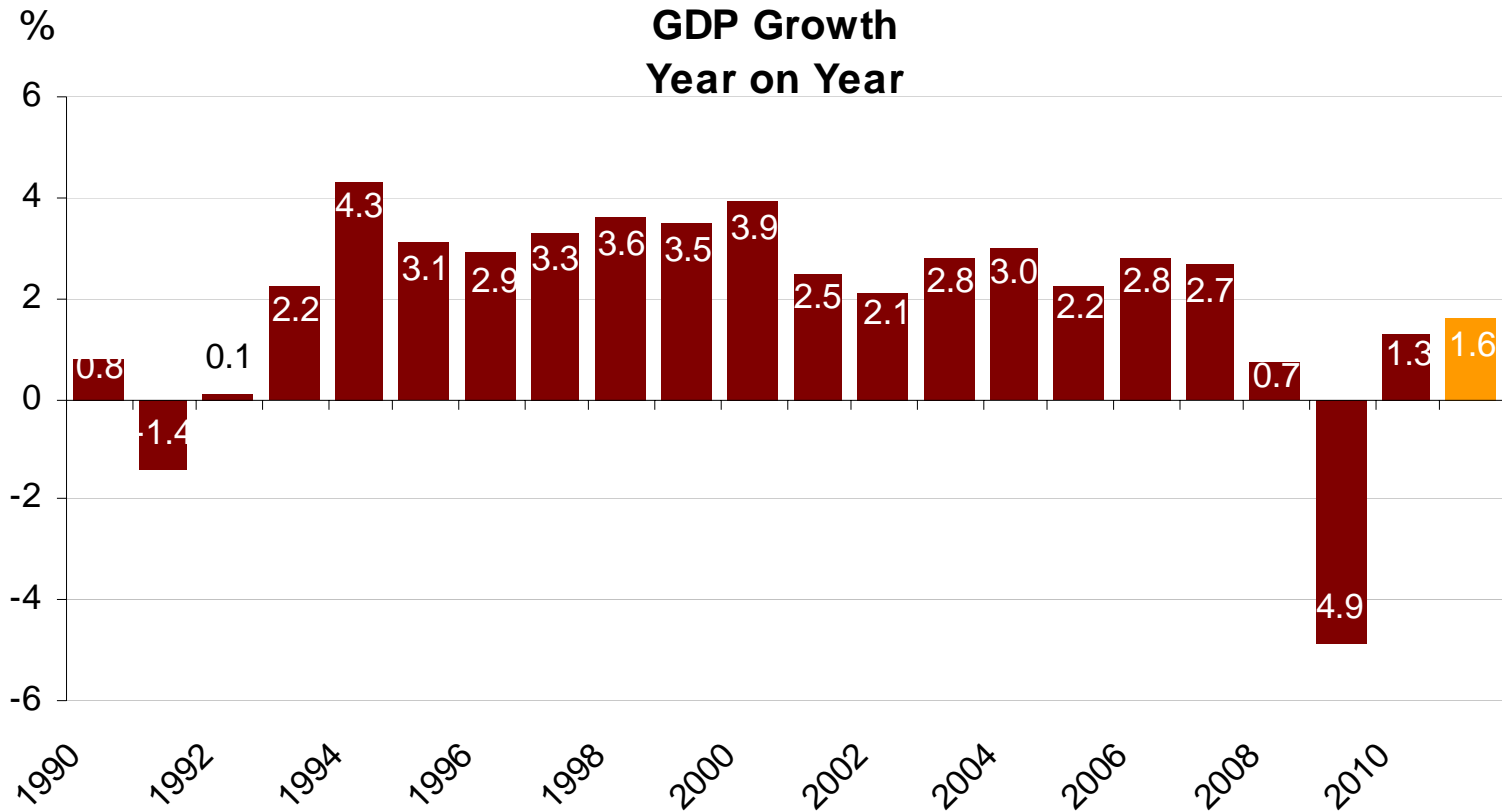




- **The Economy**
- **Housing Activity**
- **The Mortgage Market**
- **Regulatory Response**



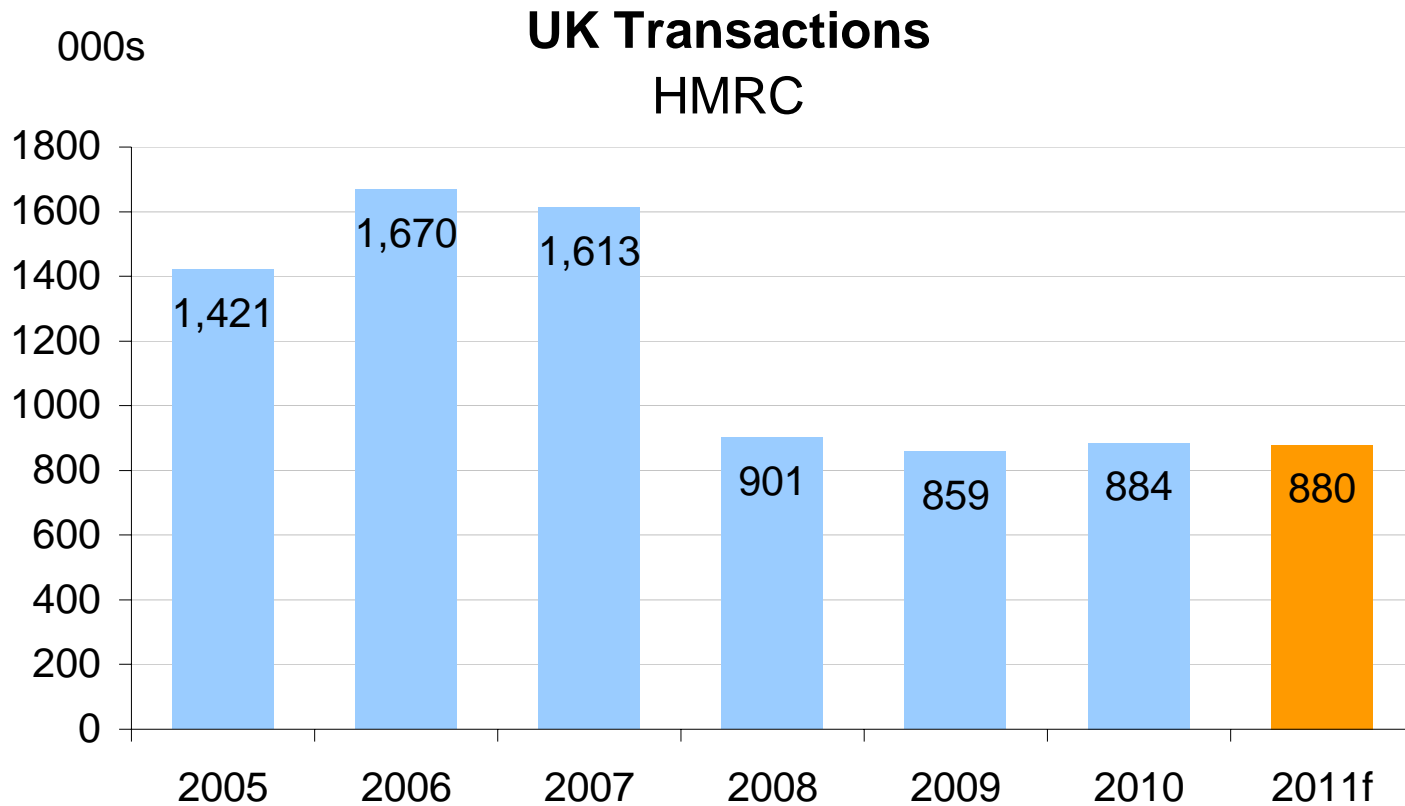
THE ECONOMY



Historical data: ONS
Forecasts: HMT

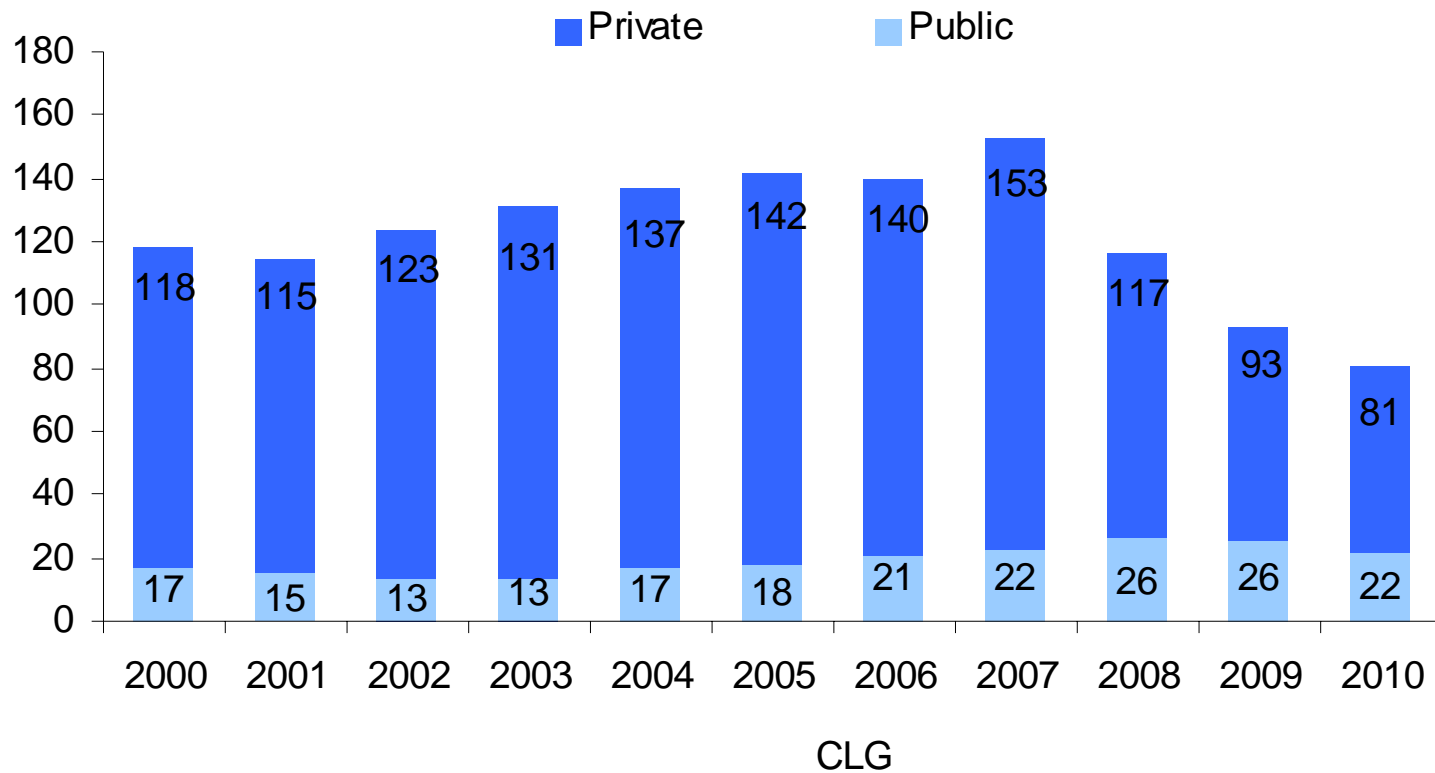


HOUSING ACTIVITY

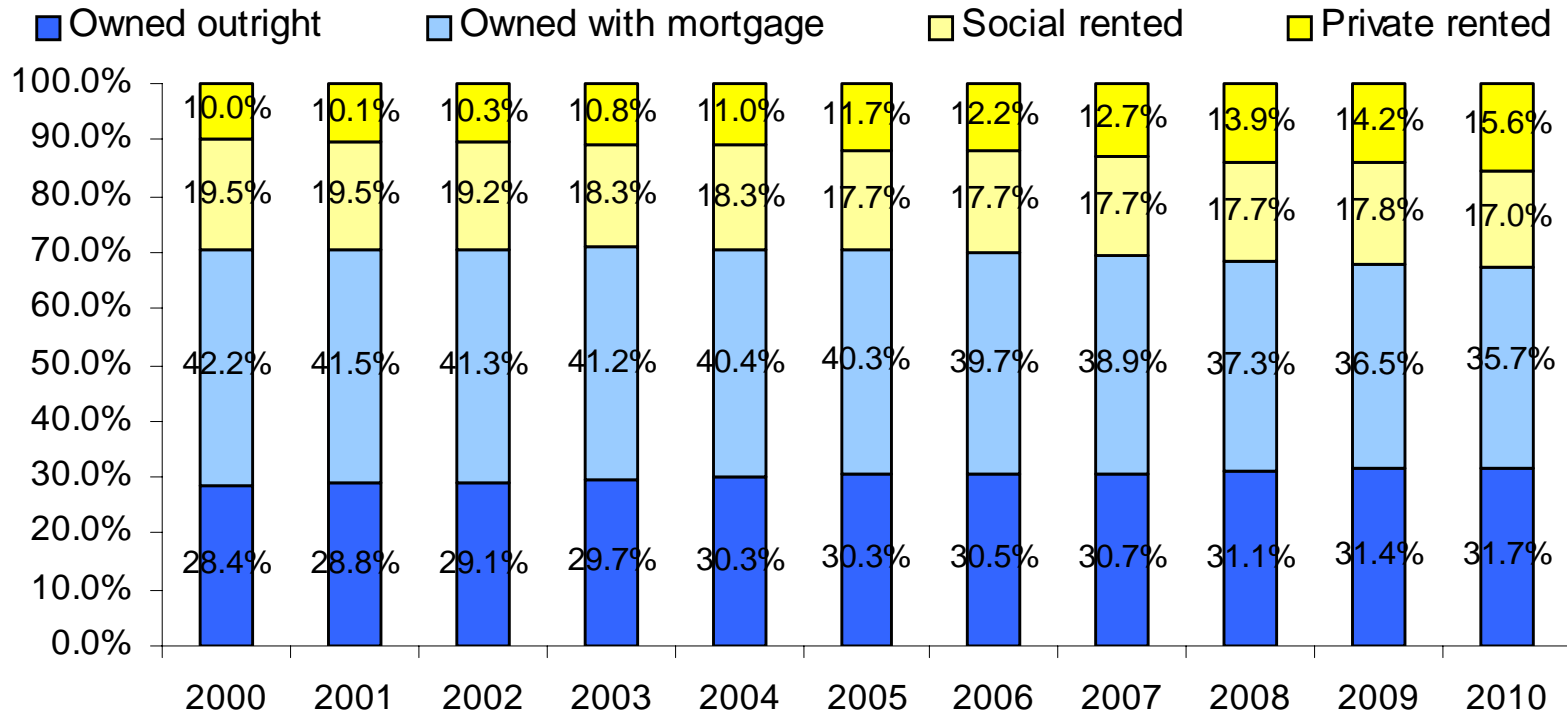


HMRC, Forecast: BSA
Excl Scotland before Mar'05

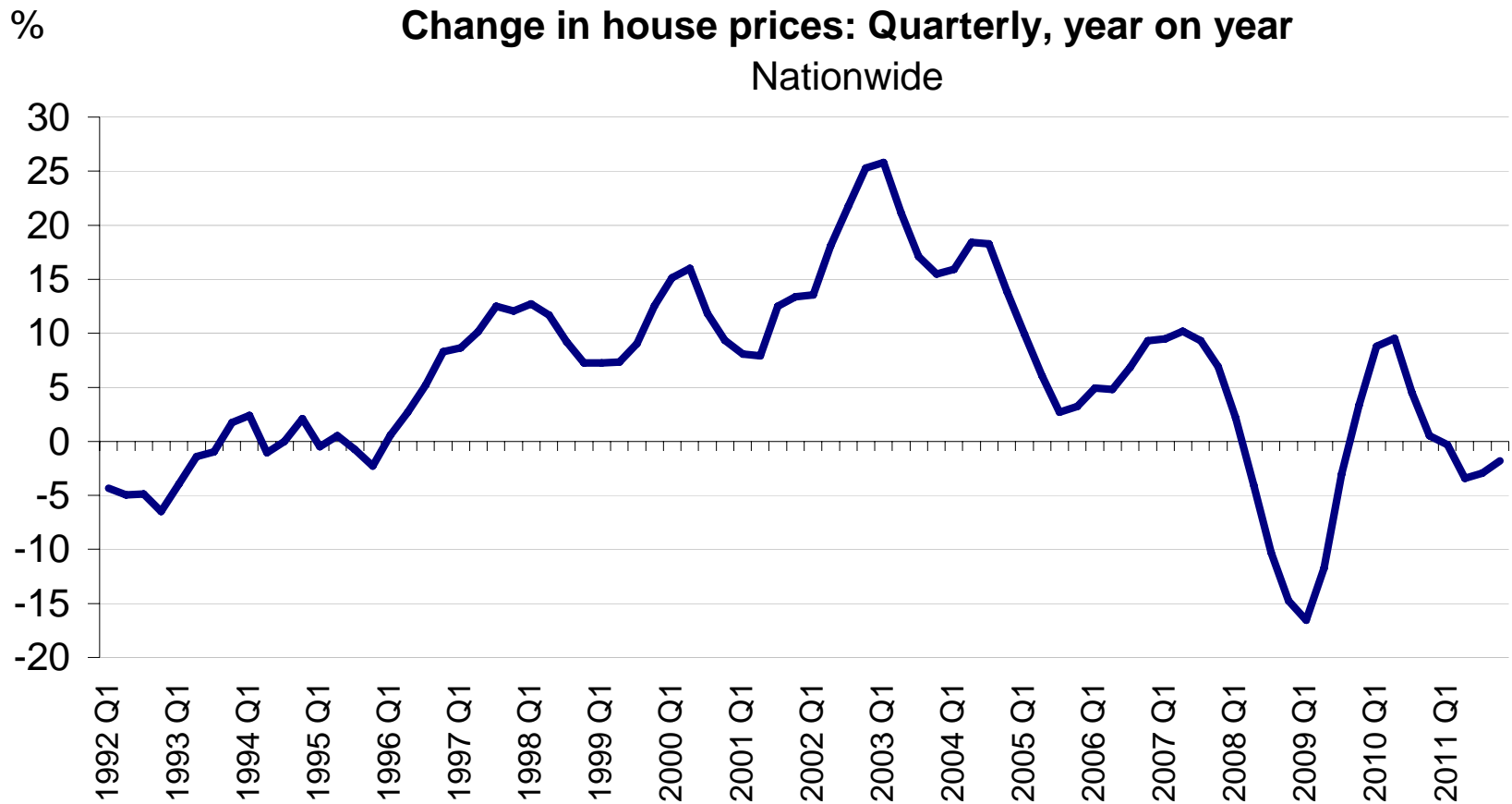
House building, completions (England), thousand



Tenure, England

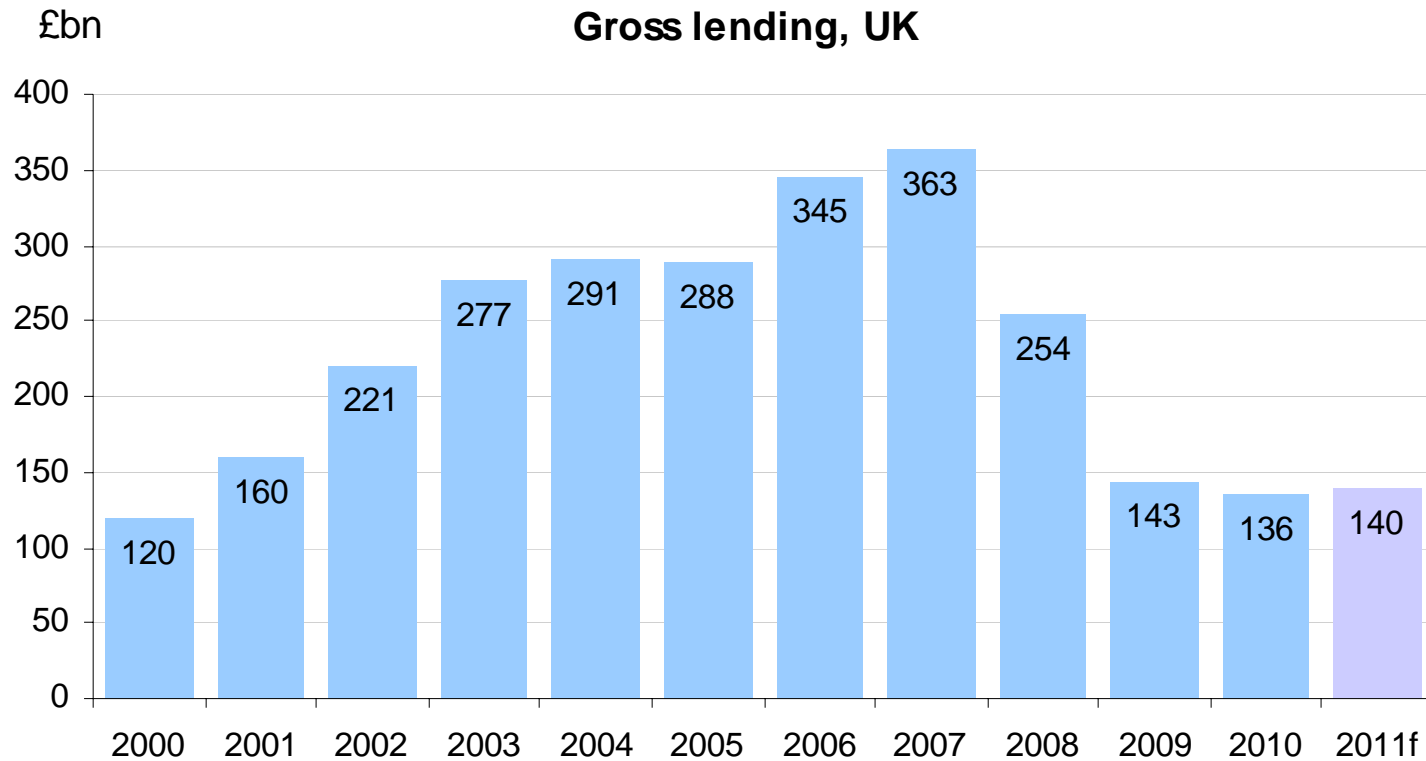


ONS / English Housing Survey
England and Wales pre 2008

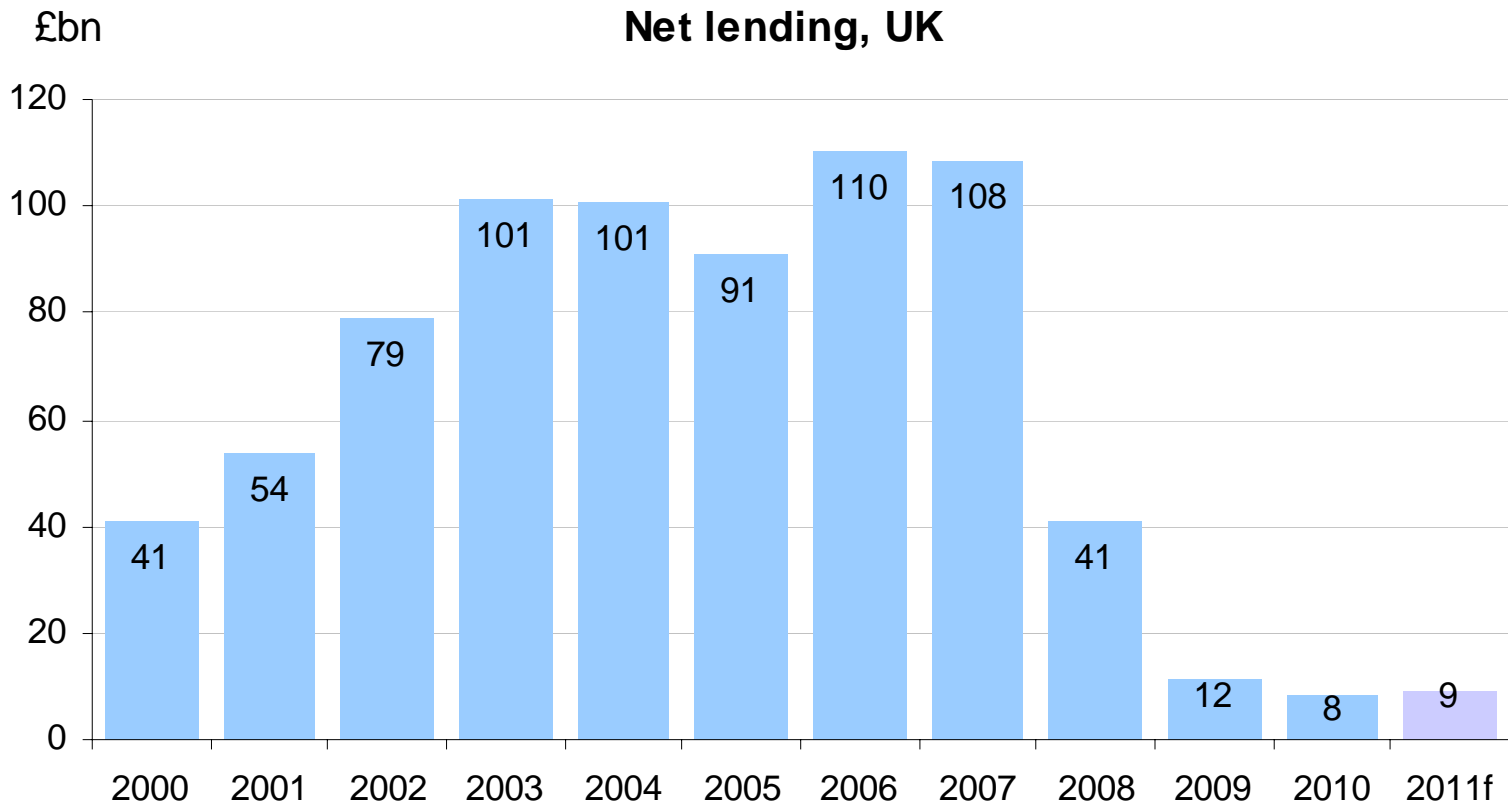




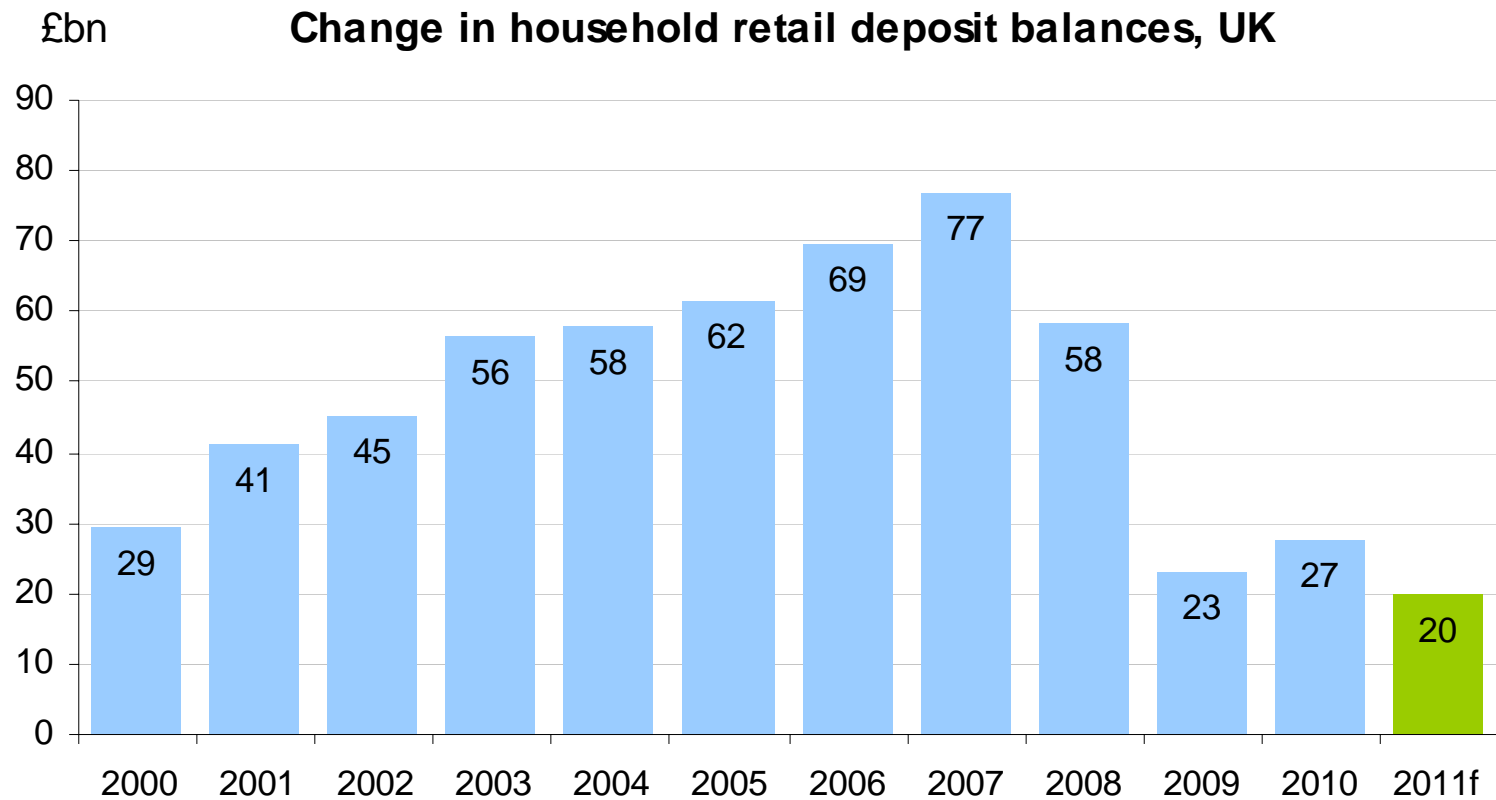
THE MORTGAGE MARKET



Historical data: Bank of England
Forecasts: BSA

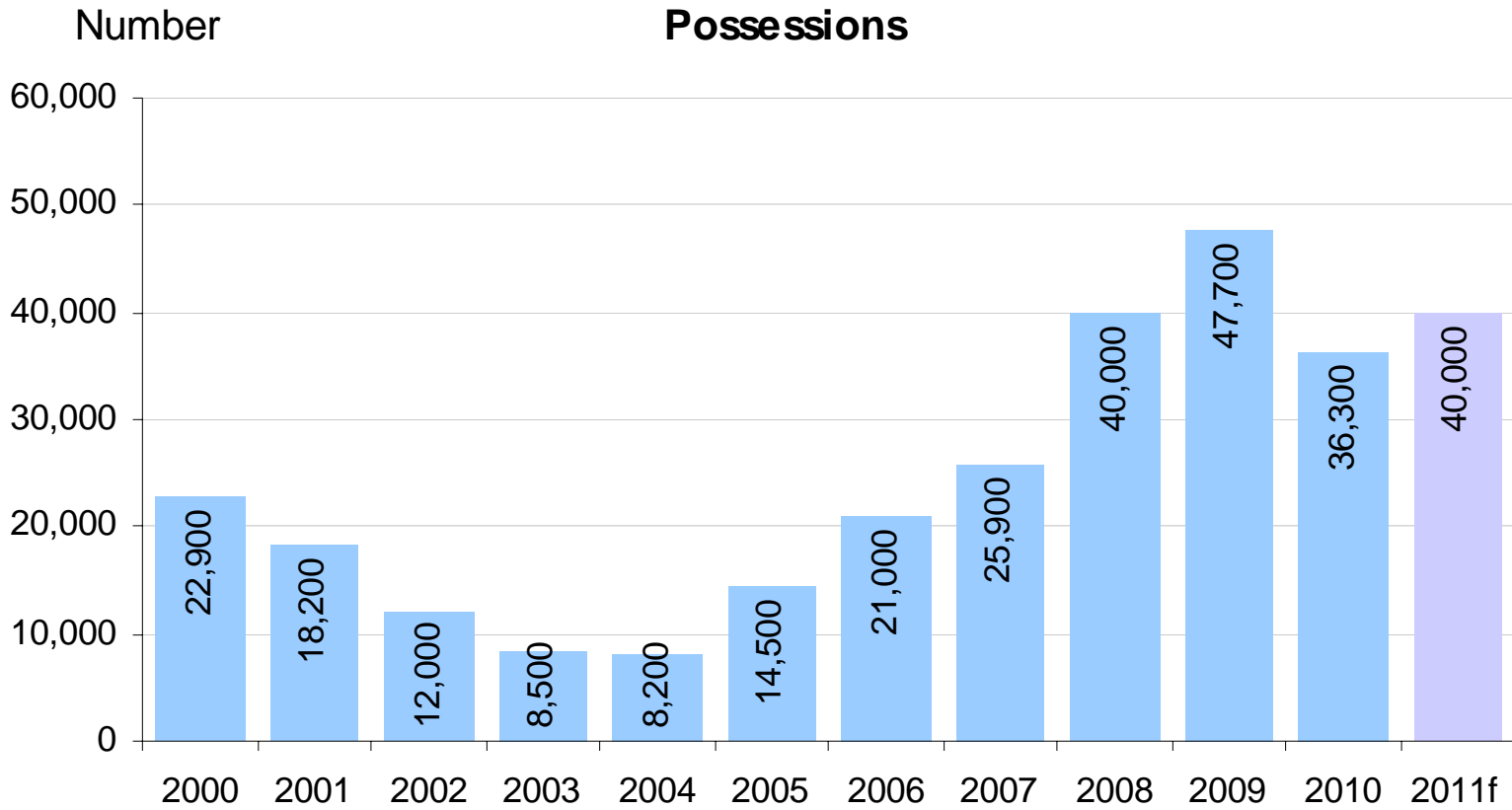


Historical data: Bank of England
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Historical data: Bank of England

Forecasts: BSA





REGULATORY RESPONSE

Debate on interaction and effectiveness of

- Market changes
- Prudential changes
- Specific, institutional, regulation eg building societies, non deposit-takers
- FSA market-wide COB regulation
- European regulation
- International regulation – Basel; Financial Stability Board



Objectives for firms and market

- Lenders have sustainable business models
- Regulatory regime that is clear, predictable, transparent
- Costs and risks of borrowing kept within the market – not borne by wider society

For Consumers

- Range of products reflecting customer needs
- Consumers understand costs and risks of borrowing

- Affordability assessments
- LTV, LTI, DTI limits
- Income verification
- Interest only
- Arrears management – charges, call recording, forbearance
- Approved persons regime
- Regulation of buy-to-let and second charge mortgages
- Provision of information to consumers

Adverse

- Increased first time buyer difficulties
- “Mortgage prisoners”
- Less consumer responsibility
- Less competition and diversity
- Restricted market
- Cumulative impact of numerous regulatory reforms
- Widespread social impacts without adequate accountability

Positive

- More sustainable market
- Better run firms, less likely to collapse
- Lower risks for consumers

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