

MMR planning tool

Mortgage Lenders and Administrators

Why start planning now?

It might seem like a long time to 26 April 2014, but the key to successful implementation is to start planning now. We will help by keeping you up to date in the run up, but it is important you put plans in place as soon as you can.

In the second quarter of 2013 we will start to track your progress. The results will help us monitor how prepared the industry is and inform further communications, so please be open and honest with us.

To track progress, we will send all regulated mortgage firms online surveys to complete during the implementation period. When completing the surveys you will be given the opportunity to specify any areas where you would like further information.

By the time you complete the first survey we don't expect you to be ready for implementation but you should have started drafting your implementation plan. We suggest you finalise your plans no later than the middle of the year to give your firm time to implement the changes.

How to start planning?

This planning tool may help with your planning. We have not covered every detail of the rules but we have flagged key areas of change that may affect your firm. You can use it (or something similar) to set out your actions. You will need to refer to the rules, but the MCOB references in this document should help you. Not all of the areas covered will apply to all firms (e.g. you may choose not to transact execution-only business).

You can find the new rules at the back of our Policy Statement, PS12/16:
www.fsa.gov.uk/static/pubs/policy/ps12-16.pdf

Mainstream mortgage lenders – those with permission to arrange or advise on regulated mortgage contracts.

Distribution and disclosure

Have you made a plan for how you will:

	If no, when will this plan be documented?	If yes, who has been allocated responsibility for implementation?	Key actions	Action completion (target date)	Action completion (actual date)
make the correct initial disclosures to customers at the correct times? 4.4A.1R – 4.4A23G					
make customers aware of when they can request a KFI? 5.4.18AR – 5.4.18B					
assess the appropriateness of rolling-up fees (and recording positive elections)? 4.7A.6R(9) & 4.6A2R					
make customers aware they will need to demonstrate that they will have in place a clearly understood and credible repayment strategy for interest-only mortgages? 4.7A.9R					
monitor your adviser's compliance with oral or written disclosure regarding the potential availability of a further advance? 4.7A17R					
monitor your adviser's explanations that their assessment of appropriateness is based on the customer's current circumstances and reasonably foreseeable changes to those? 4.7A.19 R					
ensure your sellers are competent and qualified or under appropriate supervision by 26 April 2014? TC 2.1					

Distribution and disclosure (execution-only sales)

Have you made a plan for how you will:

	If no, when will this plan be documented?	If yes, who has been allocated responsibility for implementation?	Key actions	Action completion (target date)	Action completion (actual date)
manage execution-only sales? 4.8A.17R					
ensure customers are not encouraged to opt out of receiving advice? 4.8A.5R					
transact and monitor rate switches and other variations without advice? 4.8A.10R					
ensure the customer specifies minimum information for the contract he wishes to purchase (e.g. rate of interest) via execution-only and sellers record this? 4.8A.14R 1-3					
inform the customer, clearly, prominently, and in a durable medium (and orally if applicable), that the firm is not required to assess suitability and the customer will not benefit from the protection of the rules (in 4.7A)? 4.8A.14R 4/4.8A.16G					
obtain written confirmation from the customer regarding loss of protections and is making a positive election to proceed with an execution-only sale? 4.8A.14R 5					
follow the record keeping requirements for execution-only sales? 4.8A.18R					

Mainstream mortgage lenders – those with permission to enter into a regulated mortgage contract.

Responsible lending and financing (affordability) Have you made a plan for how you will:

	If no, when will this plan be documented?	If yes, who has been allocated responsibility for implementation?	Key actions	Action completion (target date)	Action completion (actual date)
assess whether a mortgage is affordable? 11.6.1G to 11.6.19G					
assess income? 11.6.5R and 11.6.8R					
evidence income (subject to appropriate fraud controls)? 11.6.8R					
assess committed expenditure? 11.6.10R (1)					
assess basic essential expenditure? 11.6.10R (2)					
assess basic quality of living costs? 11.6.10R (3)					
take account of future changes to income and expenditure? 11.6.14R					

Responsible lending and financing (affordability/interest-only)/transitional arrangements

Have you made a plan for how you will:

	If no, when will this plan be documented?	If yes, who has been allocated responsibility for implementation?	Key actions	Action completion (target date)	Action completion (actual date)
consider the effect of future interest rate rises? 11.6.18R					
approach debt consolidation for credit-impaired consumers? 11.6.16R					
assess and evidence repayment strategies for interest-only mortgages? 11.6.41R					
assess affordability for interest-only mortgages? 11.6.48R					
conduct mid-term reviews of repayment strategies for interest-only mortgages? 11.6.49R					
apply the transitional arrangements? 11.7.1R to 11.7.5G					

Responsible lending and financing (tailoring/recording/monitoring/roll-up)

Have you made a plan for how you will:

	If no, when will this plan be documented?	If yes, who has been allocated responsibility for implementation?	Key actions	Action completion (target date)	Action completion (actual date)
apply responsible lending requirements for loans solely for a business purpose? 11.6.25R to 11.6.32R					
apply responsible lending requirements for high net worth mortgage customers? 11.6.33R to 11.6.39R					
update and approve your responsible lending/financing policy? 11.6.20R					
monitor the effectiveness of affordability assessments? 11.6.22R					
amend your record keeping requirements? 11.6.60R					
ensure fees and charges are not automatically rolled-up into the loan? 4.6A.1R					

Mortgage administrators – those with permission to administer a regulated mortgage contract.

Arrears handling

Have you made a plan for how you will:

	If no, when will this plan be documented?	If yes, who has been allocated responsibility for implementation?	Key actions	Action completion (target date)	Action completion (actual date)
implement the change in definition from arrears to payment shortfall? (Annex A – Policy Statement (PS12/16))					
restrict direct debit requests to a maximum of two per calendar month? (13.3.1AR (1))					
review the suitability of direct debit as a payment method (where requests are refused in two consecutive months)? (13.3.1AR(2))					
objectively justify payment shortfall charges? (12.4.1R/12.4.4R/12.4.5R/12.4.8R)					
ensure concessionary rates are not removed for those in payment shortfall (exclusions apply)? (2.6A-1 R)					
keep an adequate record of your dealings with customers to show compliance with MCOB 13 (including telephone conversations) in light of the new payment shortfall definition? (13.3.9R)					

Notes