

MMR implementation – second readiness tracking survey

On 26 April 2014, the final Mortgage Market Review (MMR) rules come into force. Our latest MMR readiness tracking survey shows that firms believe they will be able to implement the new rules on time.

The second MMR online readiness tracking survey was run through December and January 2014. 3,832 firms completed the survey - a response rate of 75%, up from 68% in May 2013.

Survey findings

Readiness

- **All firms planning to conduct mortgage business say they will implement the MMR on time.**
 - However, a small number of firms – less than 1% - said they will not be ready by 26 April 2014, but they will not be undertaking any mortgage business until they are. All are small firms.
 - When we spoke to them about this, they said they would be implementing later for commercial reasons. For example, some said they are planning to recruit a mortgage adviser or expand into niche areas, such as regulated bridging loans, later than 26 April 2014.
- **85% of firms have plans in place that are either complete or partially complete – up from May last year.**
- **90% of those without plans in place** were confident that they will implement on time. The vast majority of these are small mortgage intermediary firms.

The message to firms throughout the lead up to MMR has been to plan for implementation, and we are calling on the minority who have not done so to formalise their plans. There is only a short amount of time left and it is important all firms know the changes they need to make on 26 April 2014.

- 8% of firms that submitted a survey said they are not going to conduct mortgage business in future. The vast majority of these are small mortgage intermediary firms.

Analysis of business volumes indicates that almost all of these firms have written less than 100 mortgages in the last 12 months. We do not believe they are cancelling their permission due to the impending rule changes.

Requests for additional information

- **Very few lenders asked for any further information.**
- **Intermediaries said they would like more information on disclosure, training and competence and advice.**

Lenders

172 lenders responded to the survey.

- Fewer than 4% of lenders asked for further information.

This indicates lenders now think they have a good understanding of the rules.

- Feedback from workshops indicated that further help was needed in the areas of payment shortfalls and contract variations. The publication of the [roadshow FAQs](#) appears to have helped firms here and we will continue to help firms where necessary in the pre-implementation period.

Intermediaries

3,660 mortgage intermediaries responded to the survey.

- **15% identified disclosure as the number one area where they wanted more information.**

Mortgage intermediaries wanted more information on:

- verbal disclosure and using documentation
- verbal disclosure wordings
- evidencing verbal disclosure
- how fees should be disclosed

- **7% wanted more information on advice and training and competence.**

Advice firms wanted more information on:

- dealing with rejected advice
- evidencing consideration of eligibility criteria
- recording recommendations
- excluding direct deals from the advice process

Training and competence firms wanted more information on:

- whether advisors will need to be approved persons
- supervising/monitoring advisers
- recording T&C

We have provided further information on these areas through:

- workshops
- [workshop FAQs](#)
- [MMR workshop webcast](#)

We will work with the Association of Mortgage Intermediaries to address the areas where more help is required.

- The new rules do not require substantial changes on advice or training and competence for most intermediaries. The points that firms wanted more information on are covered in our existing materials (see links above).
- We would encourage firms to refer to these materials if they are still uncertain about any of the changes.

Sale and rent back – note on authorisation

- Some firms stated their readiness position for sale and rent back (SRB) business, however none of these firms responding were authorised to conduct SRB activities.

We remind firms that they need to be appropriately authorised by the FCA to conduct sale and rent back activities.

If firms are looking to enter the market, they should consider the findings of our [2011 thematic review](#).

Conclusions

- We are pleased with the industry's progress to date. However, some firms still need to complete their planning and should do this without delay. We stressed the importance of planning in October. All firms should have complete plans now.
- We have used our survey to listen to the industry and we will produce more help, mainly for intermediaries. This will help firms to finalise their plans and implement successfully.

Help from the FCA

We have a dedicated MMR Implementation Team to help firms to get ready for MMR. Many firms will have had some interaction with this team – either face to face at one of the nationwide roadshows or workshops or via the online surveys.

Progress since mid-2013

- June – we published a factsheet to help firms that need to apply for permission to advise.
- October – we published the results of our first phase of readiness tracking.
- October and November - series of workshops across the UK for lenders and intermediaries. Both were well attended and well received.
- December – we published FAQs from our MMR workshops.
- December –we issued our final readiness tracking survey (findings reported above).
- February 2014 – we published a webcast based on the MMR intermediary workshop.

For more details see the main [MMR webpage](#).