

The Mortgage Credit Directive

How may new regulation affect house builders
who have offered or continue to offer shared equity
or other second charge schemes





My firm does not offer shared equity or similar incentive schemes *and/or* has never offered such schemes



If your firm does not currently hold a back book of second charge loans and does not wish to offer these schemes in the future.



Do nothing





My firm is a house builder. What regulated activities may I be undertaking?

Entering into a regulated mortgage contract as a lender.

For more information on the above or to discuss what activity you may be undertaking, visit our website www.fca.org.uk or phone our firm contact centre on 0300 500 0599 re on 0300 500 0599

Administering a regulated mortgage contract.

Government schemes such as help to buy remain exempt from MCD but for joint schemes the exemption only covers the government portion, so you may still be affected.

Advising on a regulated mortgage contract.

You should also read our [House Builder Factsheet](#).





My firm currently offers/has offered shared equity or other second charge loans. What are my options?

Option One

Apply for and obtain FCA authorisation.

Option Two

Outsource to an authorised third party.

Option Three

Write off any loans and release the charge.

You can only consider option two for administration of regulated mortgage contracts if you are NOT entering into contracts as a lender.

These are commercial decisions for your firm and you will need to decide on the options available to you, considering your current and future plans. If you are unsure you should take appropriate legal and professional advice.





Option one

Apply for and obtain authorisation

If you have an interim permission and intend to apply for authorisation you can apply now.

If your firm has offered second charge lending in the past and wishes to administer the back book
And/or
Would like to offer/originate new loans and hold these after 21 March 2016

If your back book is held across more than one entity or you intend to lend across more than one entity, you will need to apply for authorisation for each entity.

If you intend to apply and fail to do so you must stop all regulated activity.

You must apply for the relevant FCA authorisation/permissions to carry out these activities.

You may wish to consolidate your firm's loans into one entity. You would then only need to apply for FCA authorisation for that entity.

Firms should refer to the 'How do I become authorised' page of our website.





Option two

Outsource to an authorised third party

If your firm wants to originate /offer new loans it must be directly authorised by the FCA.

If your firm holds a back book of shared equity or second charge loans and does not plan to originate/offer these in the future, one option may be to employ the services/outsource to a third party firm who does hold the required FCA permissions.

This way, house builders can retain back books without applying for FCA authorisation (Option Two).

This option can only be considered if firms are administering a back book NOT if offering/lending new loans.





Option three

Write off any loans and release the charge

If your firm currently holds a back book of shared equity or second charge loans and does not intend to offer these in the future
and/or
wishes to retain the back book and become directly authorised or outsource to an authorised third party.

This must be completed before 21 March 2016



Write off the loan and release the charge before 21 March 2016.



Want to know more?

See our [House Builders Factsheet](#)

Visit the dedicated Mortgage Credit Directive pages of our website. This will be updated regularly.

Engage with the trade bodies or warranty companies. They will be providing information and updates.

Watch our dedicated [webcast](#) for House Builder firms featuring John Stewart from the House Builders Federation.

Visit the 'How do I become authorised' page of our website.

Call our firm contact centre on 0300 500 0599 or email firm.queries@fca.org.uk

Refer to our Mortgage Credit Directive consultation paper CP14/20 and our Policy Statement PS 15/9.

