



PARAGON MORTGAGES PRESS RELEASE
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BROKERS SAY CONSUMER BUY-TO-LET UNLIKELY TO MAKE MUCH OF A DIFFERENCE

- Consumer Buy-to-Let regulations go live in March 2016
- Up to one in ten mortgages are let-to-buy
- Majority of respondents expect no impact on business volumes

A survey by Paragon Mortgages has asked intermediaries how the Mortgage Credit Directive (MCD), to be implemented from March 2016, will impact the mortgage market.

The MCD changes will result in the introduction of a new class of buy-to-let lending called 'consumer buy-to-let'. This will apply where the purpose of the loan is not "wholly or predominantly for" business purposes. Typically, in buy-to-let this is where the customer has no other rental properties, and where the application is a remortgage of a property that the borrower has previously lived in – commonly known as let-to-buy.

For nearly three quarters (74%) of mortgage intermediaries polled, let-to-buy currently constitutes no more than one in ten mortgage applications with more than half saying let-to-buy represented 5% or less of their buy-to-let business.

On the question of what impact the MCD would have on let-to-buy business, 70% of respondents thought there would be 'no change'. A significant 17% however, felt the Directive would lead to them doing less business, while 12% felt it would lead to more business.

John Heron, Managing Director of Mortgages at Paragon said; "Preparing for MCD represents a significant investment for most lenders and intermediaries. The view of industry bodies such as IMLA (Intermediary Mortgage Lenders Association) however, is that the changes are likely to be of little benefit to consumers and landlords alike. The new classification of Consumer buy-to-let is a case in

point, with the new regulations covering only a small proportion of buy-to-let lending the real risk is that many lenders will not bother with this class of buy-to-let at all.”

ENDS

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NOTES TO EDITORS

Paragon Mortgages is a leading provider of buy-to-let mortgages delivering lending solutions designed for professional landlords with more complex requirements. These include lending to limited companies as well as private individuals, lending on more complex property including HMO's and multi-unit blocks, higher aggregate lending limits and the ability to accommodate more complex letting arrangements including local authority leases and corporate leases along with standard ASTs.

Paragon Mortgages introduced its first product aimed at the professional property investor in 1995 and is a member of the Council of Mortgage Lenders (CML), the Intermediary Mortgage Lenders Association (IMLA), National Landlords Association (NLA) and the Association of Residential Letting Agents (ARLA).

Paragon Mortgages is part of The Paragon Group of Companies, a FTSE 250 company and a specialist provider of finance.

In February 2014 Paragon Group launched its banking subsidiary, Paragon Bank PLC. It is a retail-funded lending bank with a direct-to-consumer Internet platform for savings. Its loan products are distributed via intermediaries. The Bank is authorised and regulated by the Prudential Regulation Authority and the Financial Conduct Authority.