

Q2 2019 FACT INDEX

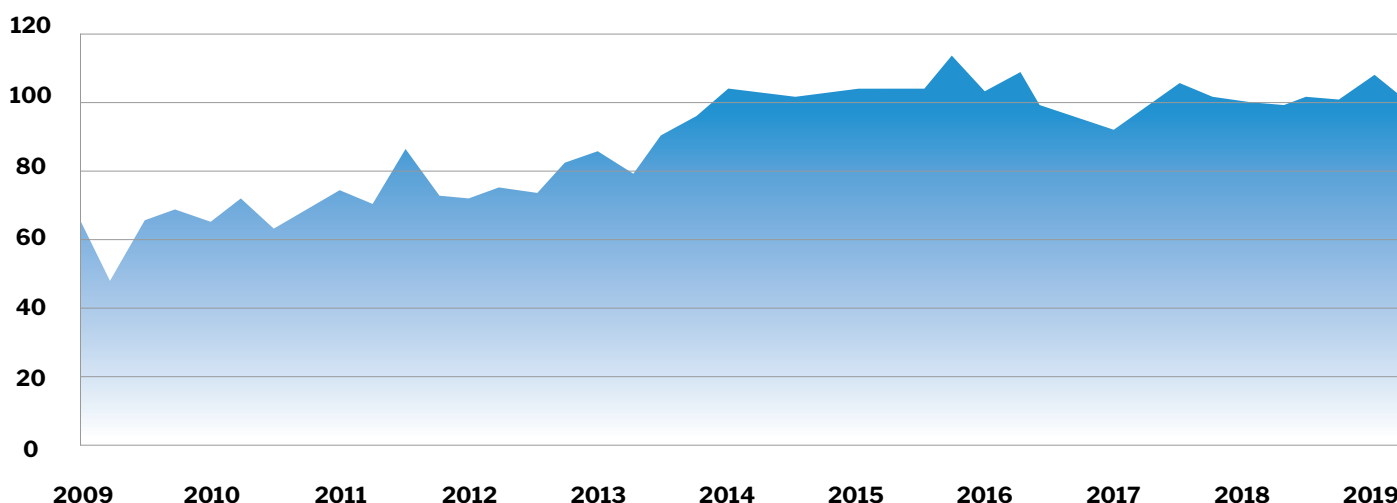
paragon

The Financial Adviser Confidence Tracking (FACT) index has been tracking financial adviser sentiment since 1995 based on the number of mortgages introduced in the previous quarter.

The index score is calculated as a percentage of a baseline figure and adjusted to account for the volume of business that advisers expect to complete over the following quarter. 58% of survey respondents are from directly authorised firms under the FCA's mortgage regulations and 40% are from appointed representative firms.

The FACT index for Q2 2019 was 101, down 8 points compared to Q1 2019

INDEX SCORE



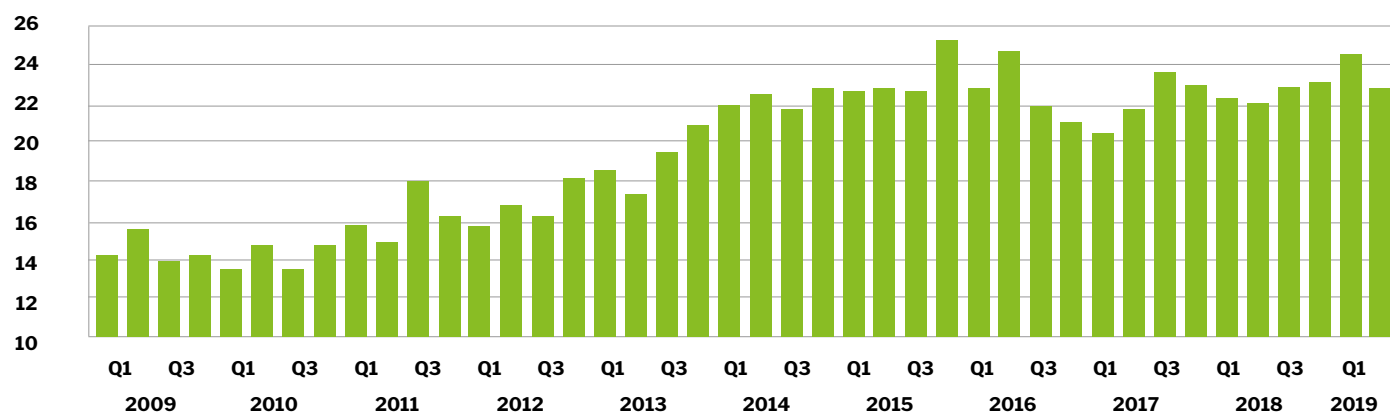
MARKET OVERVIEW

Mortgage intermediaries reported a slight dip in activity during the second quarter of 2019, with the average number of mortgages introduced per office falling 8.0% to 22.5 compared with 24.5 in Q1 2019.

Individually, the average number of applications handled per adviser fell from 8.5 to 7.9 mortgages.

FAST FACT:
22.5 average number of mortgages introduced per office

AVERAGE NUMBER OF MORTGAGES INTRODUCED PER OFFICE



CUSTOMER TYPES

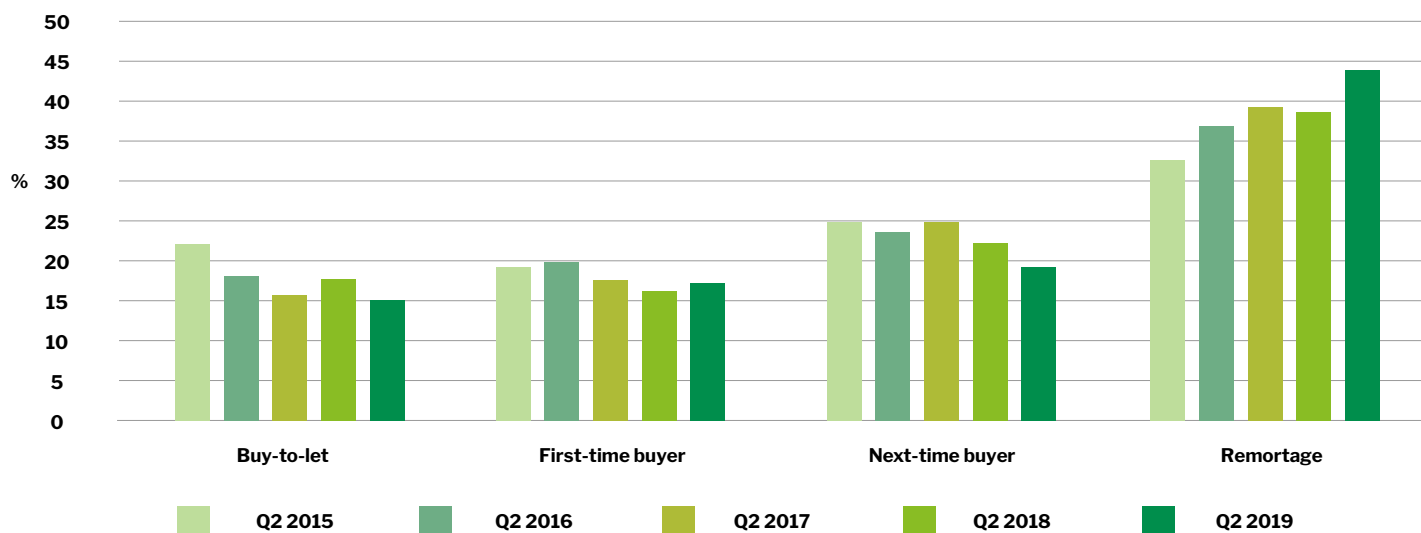
Intermediaries continued to report strong interest in remortgaging, with remortgage business climbing from 39% of mortgage applications twelve months ago to 44% this time round.

This strong interest in remortgaging suggests home owners are opting to stay put and was reflected in a lower proportion of home-mover business, down from 23% of mortgage applications in Q2 2018 to just 19%.

First-time buyer applications were relatively flat at 17% of the total and buy-to-let fell to 15% of intermediary business.

FAST FACT:
44% of mortgage customers choose to remortgage

BREAKDOWN OF MORTGAGE APPLICATIONS



MORTGAGE REPAYMENT STRATEGIES

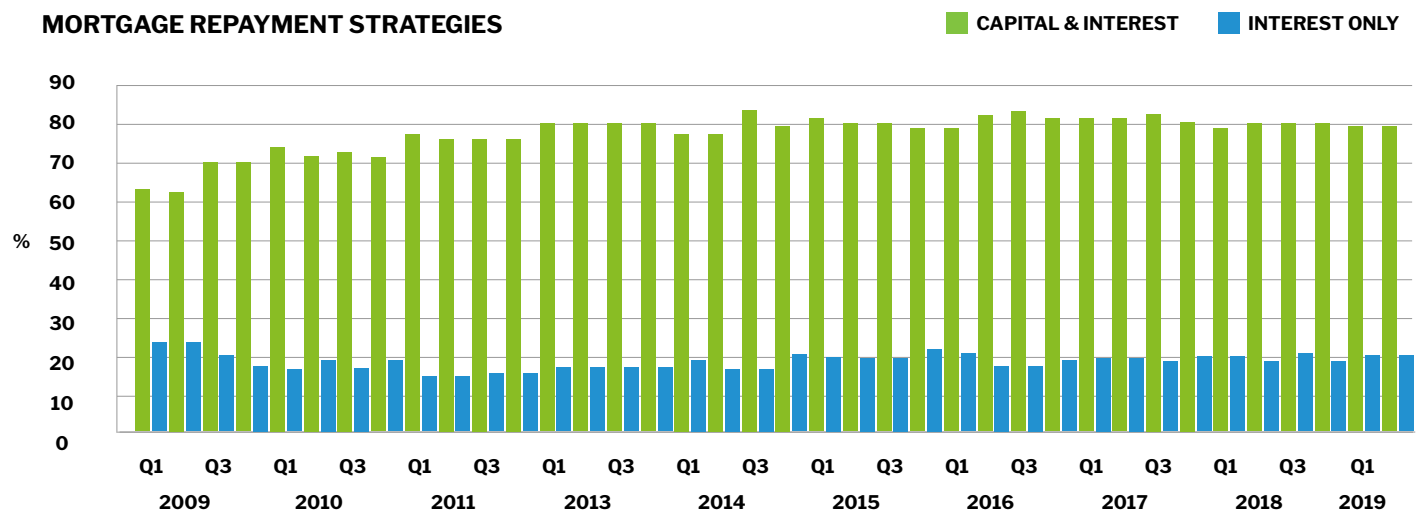
The preference for repayment mortgages is now firmly established, with almost eight out of ten (79%) customers opting for a capital and interest repayment product.

Interest only mortgages, the next most popular choice, accounted for two out of ten cases (20%), with other mortgage types comprising less than one in a hundred cases (0.8%).

Since 2014, the proportion of capital and interest repayment mortgages compared with interest only mortgages has been relatively stable at around 80% and 20% respectively.

FAST FACT:
8 out of 10 mortgage customers select a capital repayment product

MORTGAGE REPAYMENT STRATEGIES



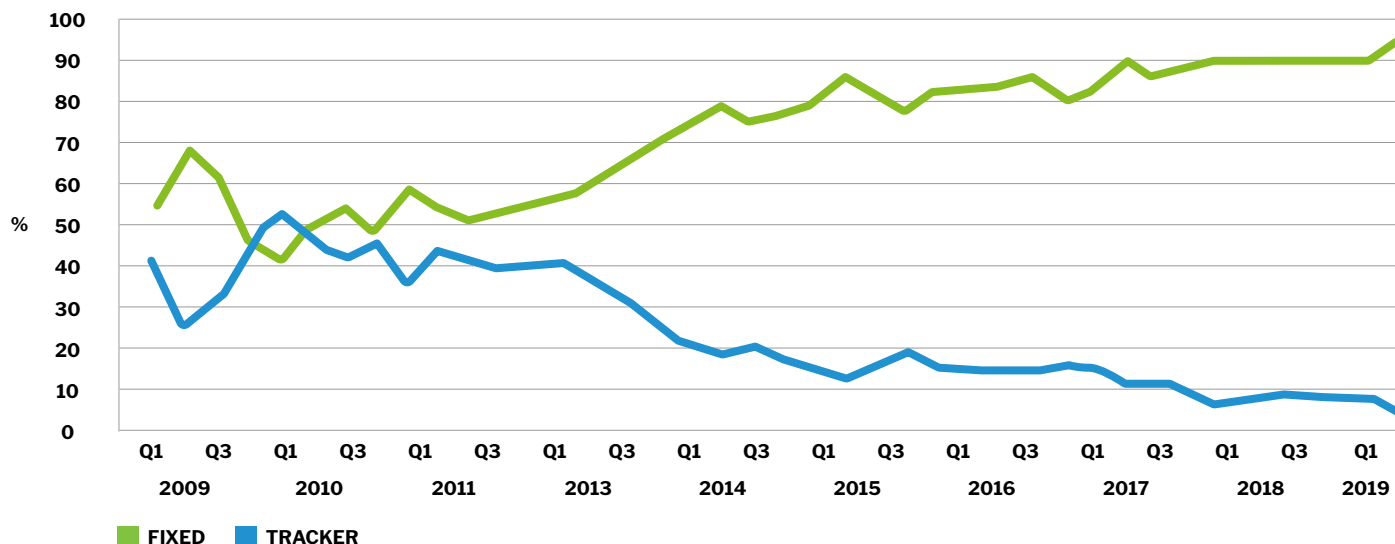
INTEREST RATE TYPE

Fixed rate mortgages recorded another step-up in popularity, increasing from 91% of all mortgage applications in Q1 2019 to 94% of the total.

Fixed rate mortgages have gained consistently in popularity since 2010, following the Bank of England Base Rate cut in 2009. This ushered in an era of sustained, low interest rates, reducing the financial logic for choosing a variable rate tracker.

FAST FACT:
94% of mortgage applications are for fixed rate products

MORTGAGE INTEREST RATE TYPE



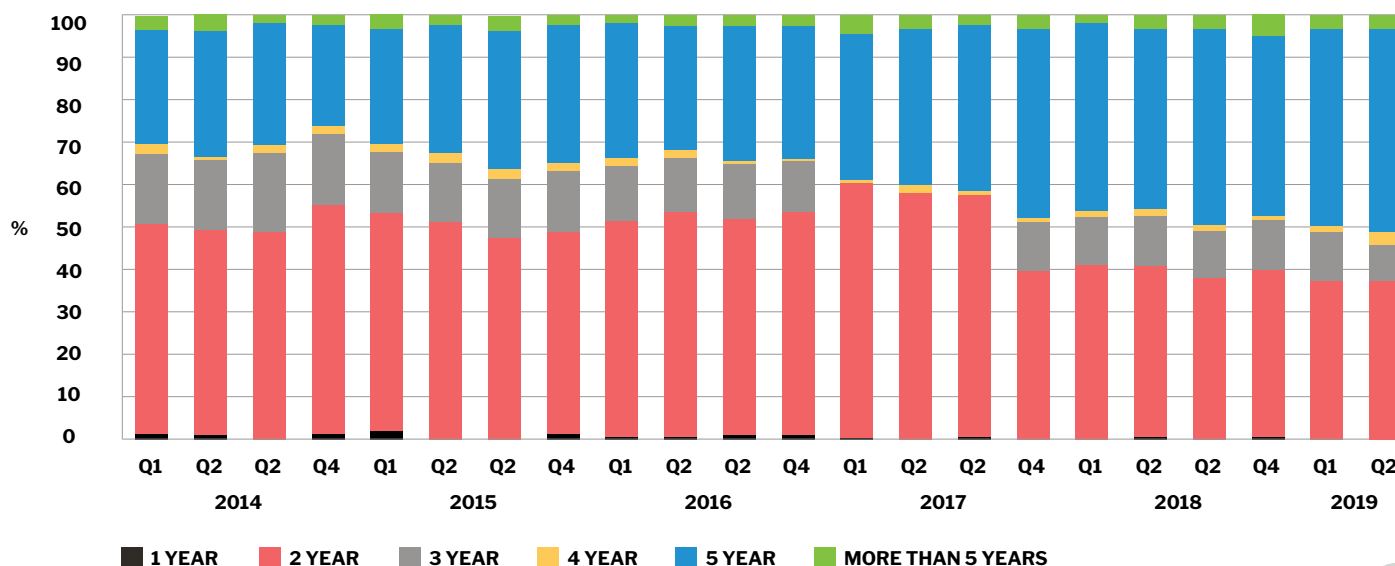
LENGTH OF INITIAL FIXED PERIOD

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Fixed rate mortgages have gained consistently in popularity since 2010, following the Bank of England Base Rate cut in 2009. This ushered in an era of sustained, low interest rates, reducing the financial logic for choosing a variable rate tracker.

FAST FACT:
5 out of 10 mortgage customers choose a 5 year fix

DISTRIBUTION OF MORTGAGE CASES BY INITIAL TERM

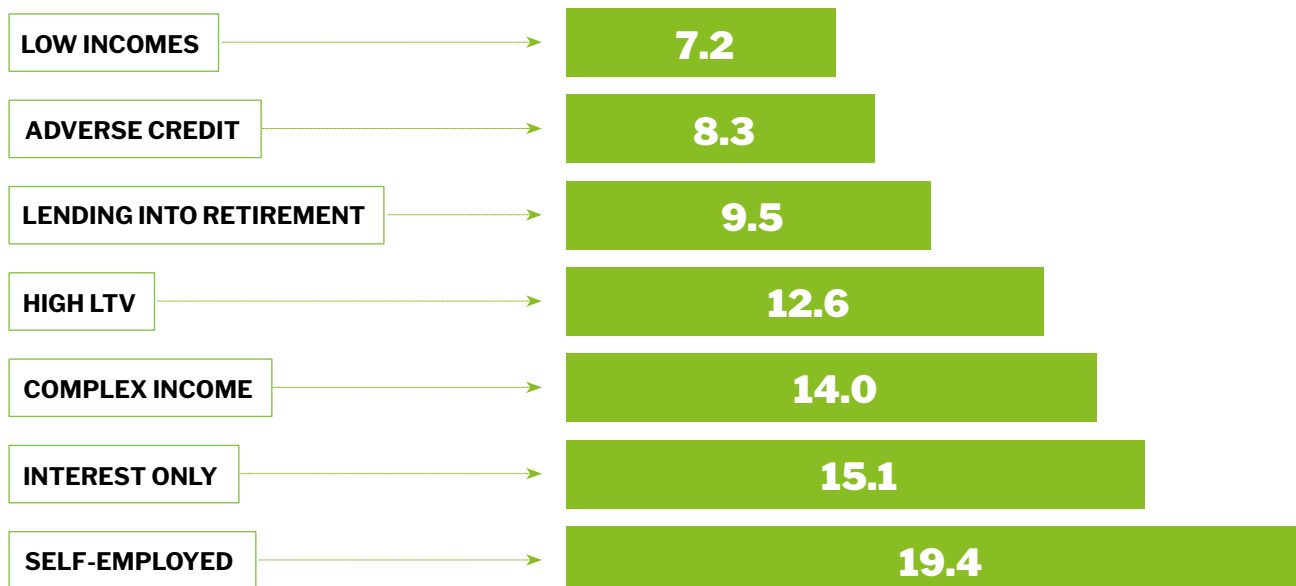


SPECIALIST CUSTOMER TYPES

The most significant source of demand for specialist residential mortgages come from self-employed customers (19%), customers looking for interest only products (15%) and those who have complex incomes (14%).

FAST FACT:
1 in 10 specialist mortgages are for retired customers

PROPORTION OF SPECIALIST BUSINESS BY CUSTOMER TYPE - %



BUY-TO-LET MORTGAGE MARKET

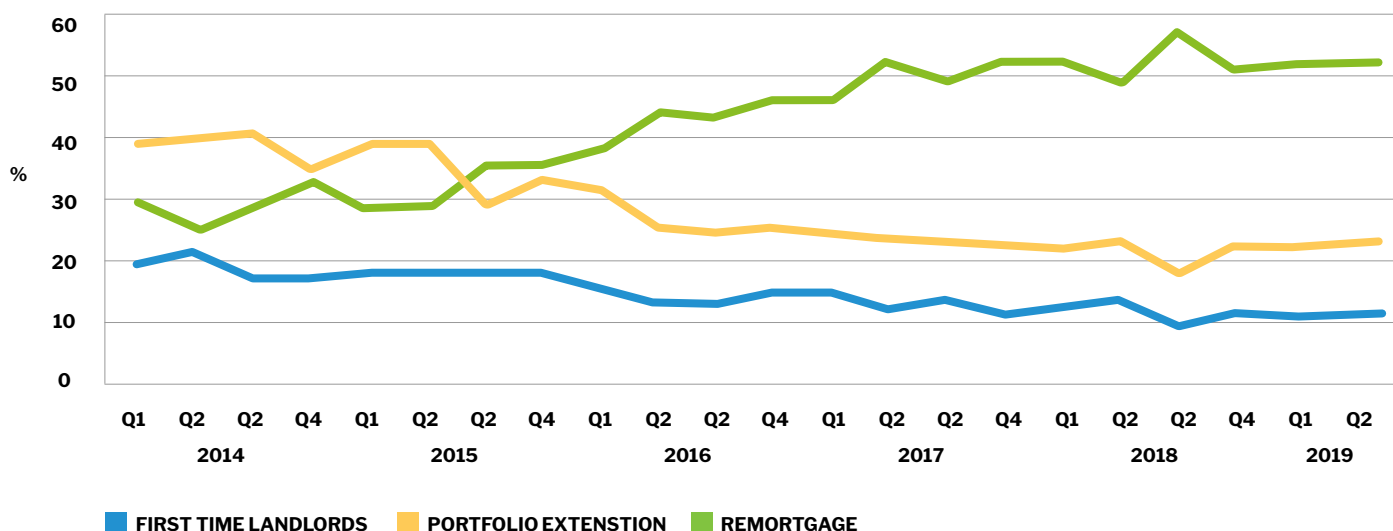
REASONS FOR OBTAINING BUY-TO-LET MORTGAGES

In the buy-to-let mortgage market, remortgaging makes up an even larger proportion of business than for the wider market, comprising over half of all cases (52%) in Q2 2019 compared with 30% of business five years ago.

FAST FACT:
1 in 2 buy-to-let mortgage applications are remortgages

This increase in remortgaging highlights how landlords have been taking action to reduce their finance costs and mitigate the impact of rising tax and regulatory costs.

REMORTGAGE VS FIRST TIME LANDLORDS

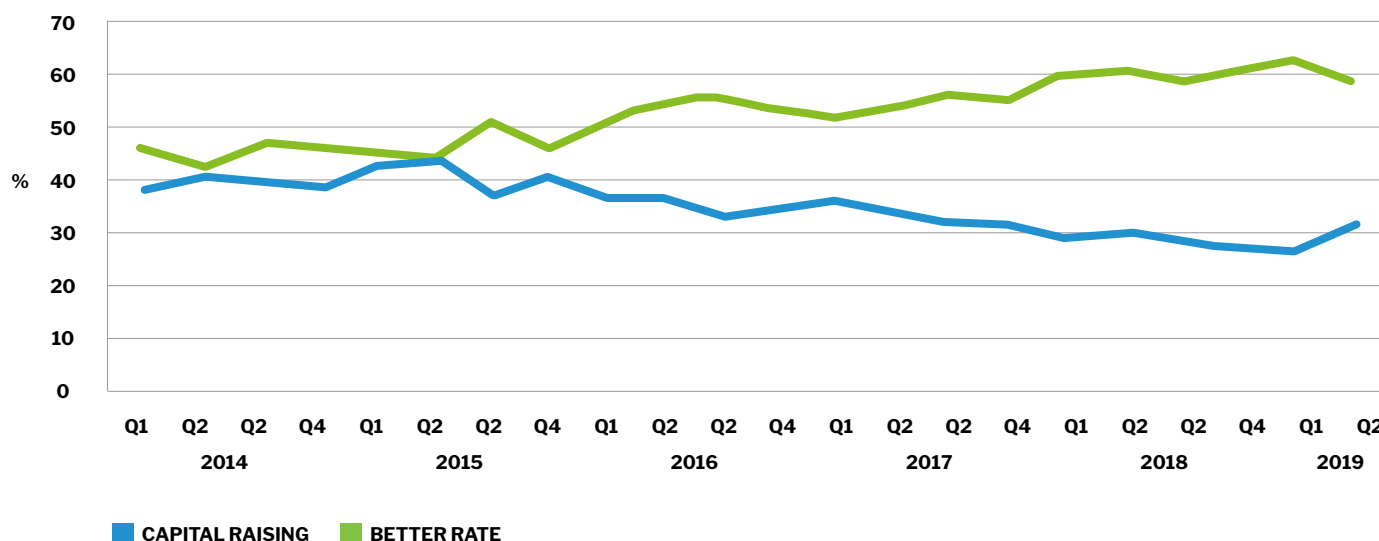


PURPOSE OF BUY-TO-LET REMORTGAGES

Interestingly, a higher proportion of buy-to-let remortgage cases were for capital raising this time round, up from 28% to 32%, perhaps indicating an uptick in landlords looking to expand.

FAST FACT:
1 in 3 landlords
remortgage
to raise capital

BREAKDOWN OF BUY-TO-LET REMORTGAGE CASES

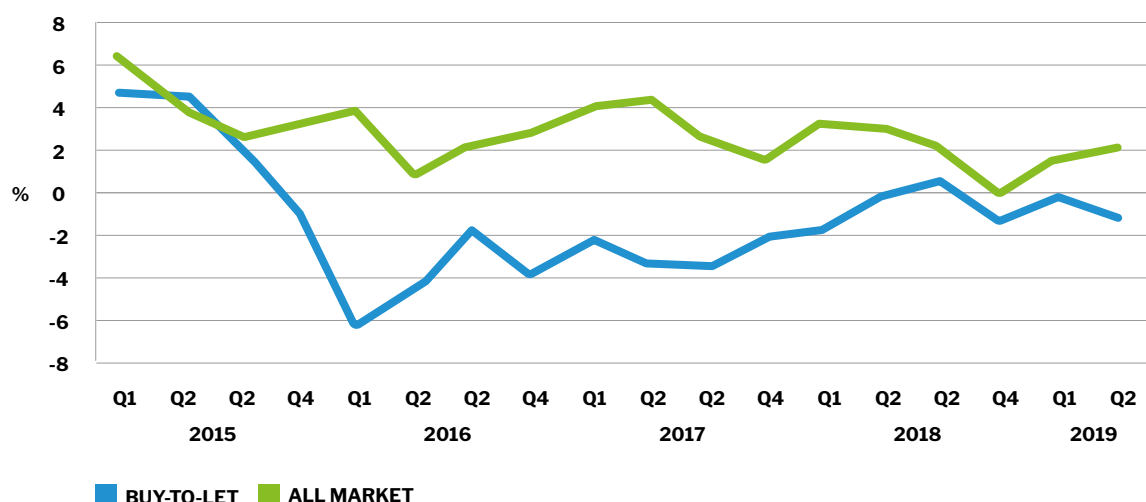


MORTGAGE MARKET FORECAST

Looking ahead, intermediaries continue to forecast a relatively stable market, anticipating a 2.0% pick up in the general mortgage market in Q3 2019 and a 1.5% decline in buy-to-let.

FAST FACT:
Modest growth -
outlook for general
mortgage market

BREAKDOWN OF BUY-TO-LET REMORTGAGE CASES



ABOUT FACT

Established in 1995, Paragon's quarterly Financial Advisor Confidence Tracking Index (FACT) highlights intermediaries' general views on the performance of the mortgage market and on developing trends. Our FACT index summary report provides a snapshot of the survey's key findings.

ABOUT PARAGON

Paragon is a leading provider of buy-to-let mortgages for landlords with property portfolios, both big and small, through its portfolio and non-portfolio range.

Paragon lends to private individuals and limited companies and has mortgages suitable for single, self-contained properties, as well as HMOs and multi-unit blocks. Paragon can accommodate higher aggregate lending limits and more complex letting arrangements including local authority leases and corporate leases along with standard ASTs.

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

Paragon Bank PLC a subsidiary of the Paragon Banking Group PLC which is a FTSE 250 company based in Solihull in the West Midlands. Established in 1985, Paragon Banking Group PLC has over £12 billion of assets under management and manages over 450,000 customer accounts.

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