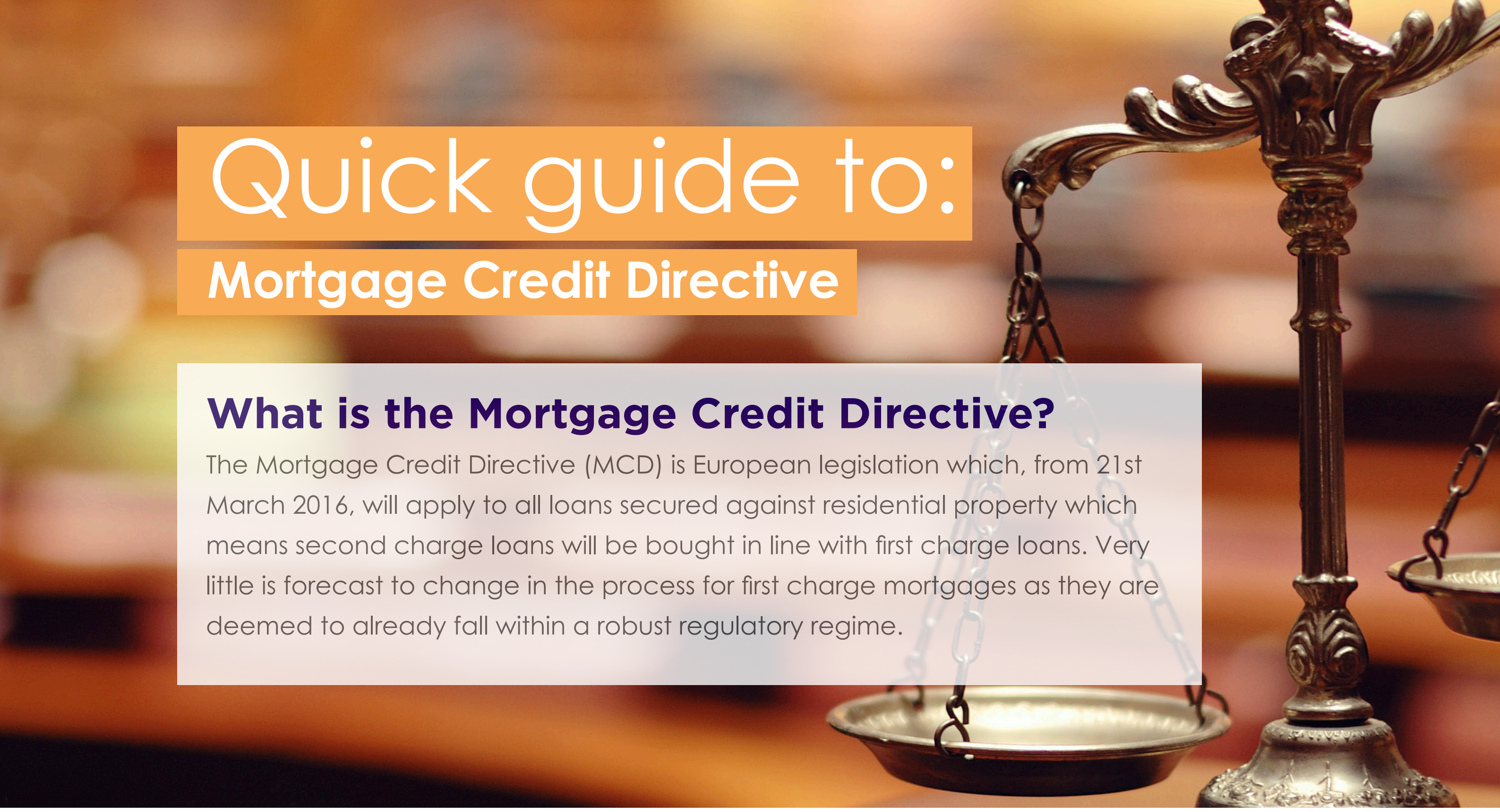

Quick guide to:

Mortgage Credit Directive

What is the Mortgage Credit Directive?

The Mortgage Credit Directive (MCD) is European legislation which, from 21st March 2016, will apply to all loans secured against residential property which means second charge loans will be bought in line with first charge loans. Very little is forecast to change in the process for first charge mortgages as they are deemed to already fall within a robust regulatory regime.

How will the forthcoming MCD affect secured loans?

The pending legislation changes will affect anyone who operates within the first and/or second charge lending sector. The MCD will apply equally to first and second charge mortgages meaning there will be better client protection and more consistent standards across the industry. This is good news for you and your client – it means you can widen your product offering and provide a thorough service to your client, and they can benefit from knowing they will be offered the right solution for their requirements, all fully compliant and in a fair and transparent manner.

Do I have to provide a quote for a secured loan for each remortgage?

This is dependent on if you decide to offer advice or not (in respect to the option of a second charge loan). If you choose not to, then in your advice regarding a possible remortgage you will need to highlight the other funding options a client will have, and that they need to speak to someone who can provide advice on this, should they wish to explore that option.

If you do provide advice on all facets then both a remortgage quote and a secured loan quote should be provided or discussed – the same advice process will apply to the second charge as you would give on the first charge.

Being aware and prepared in advance will help put you at the forefront with your clients by having the capacity to offer them the most suitable product for them.

CLEVER LENDING

What are the implications of the affordability assessment?

Lenders will be required to conduct affordability assessments looking at clients' income and expenditure – this will be required for remortgages (with a different lender) and secured loans. The affordability assessment must be fully documented with evidence the client meets affordability criteria. This will be particularly important in regards to debt consolidation and the evidence around this must be very robust due to the potentially vulnerable nature of the client.

The affordability assessment will support the sales process which must be documented with advice meeting MCOB rules.

What is the ESIS?

The European Standardised Information Sheet (ESIS) will replace the KFI (fully from March 2019) and must be completed to enable the client to 'shop around'. The ESIS will provide the client with recommendations from which they can make a decision as to their next steps.

What will be the impact on fees and charges?

The FCA consultation paper has made reference to excessive fees being charged within the second charge market, and as it is deemed that two thirds of this market is for clients requiring debt consolidation then the suggestion is that firms may need to review their charging structure.

There is also the difference in fees between a remortgage and a secured loan for the broker and the industry is currently waiting to see how lenders approach this aspect in regards to possibly closing the gap.

What training and qualification considerations do I need to be aware of?

In regards to second charge loans, then qualification requirements will mirror first charge requirements with a CEMAP or equivalent qualification to level 3. Firms will also have to consider the ongoing impact of continual supervision and monitoring of competence of the adviser(s).

Why secured loans should be on your radar now

Regulation is happening and there is no avoiding it – to be prepared now will put you at the forefront of your peers.

Secured loans will be aligned with the first charge marketplace and everyone involved (including lenders and master brokers) will have to adhere to higher standards benefiting your clients.

Ultimately secured loans are a genuinely viable option that your client should have the option of considering – why wait until March 2016 when they could be benefiting now.

What help is available for me in the lead up to and past regulation?

There is a vast amount of information around regarding the MCD and what it means for brokers, lenders and clients.

Ultimately lenders and master brokers need to work together to ensure that brokers have easy access to products and criteria in order to enable sourcing the correct product more efficiently.

Technology will be a key aspect in this and Clever are investing in this area as part of a long-term commitment to providing brokers with a trusted and reliable system that delivers and meets broker and client needs.

This is just a quick guide to MCD – if you have any questions please contact the Clever Lending team on **0800 316 2224**, email **enquiries@cleverlending.co.uk** or visit **www.cleverlending.co.uk**.