

Workshop: the role and diversity of niche products

CML Mortgage Sales & Distribution Conference

9 May 2011

iangiles marketing

Experience

- Mortgage marketing for 20 years



- Marketing & Communications Director



largemortgageloans.com



Themes

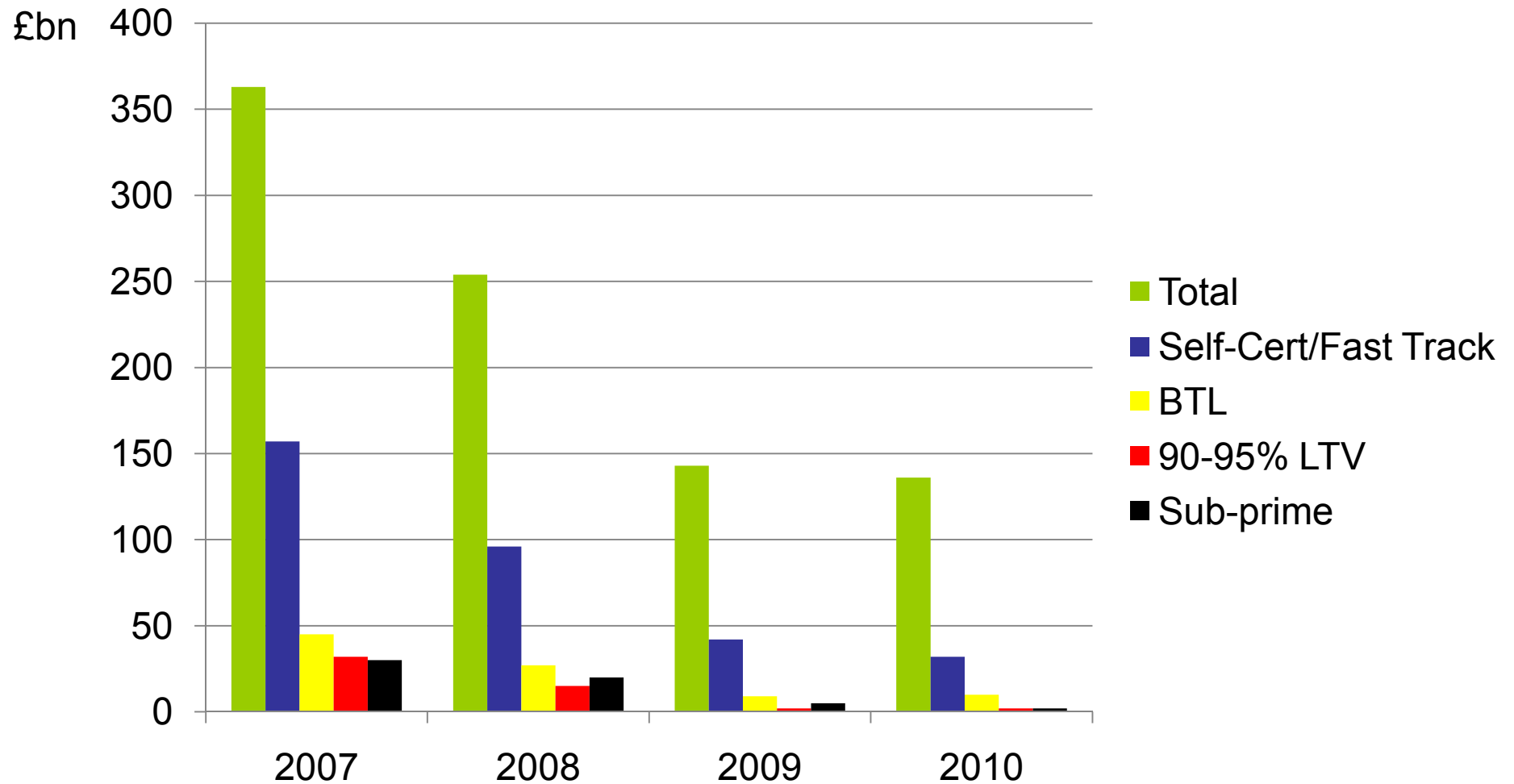
- Current product mix
- Growth areas for niche products
- New products for consideration
- Interactive session

Current situation

- “Product numbers doubled”
 - 10,000 v. 4,600 a year ago
 - Just rate and fee variations, plus some stretching of LTV
- Market size still stagnant
 - £143bn 2009, £136bn 2010, £140bn 2011?
 - Compared with £363bn in 2007
 - Forgotten clients with specialist needs



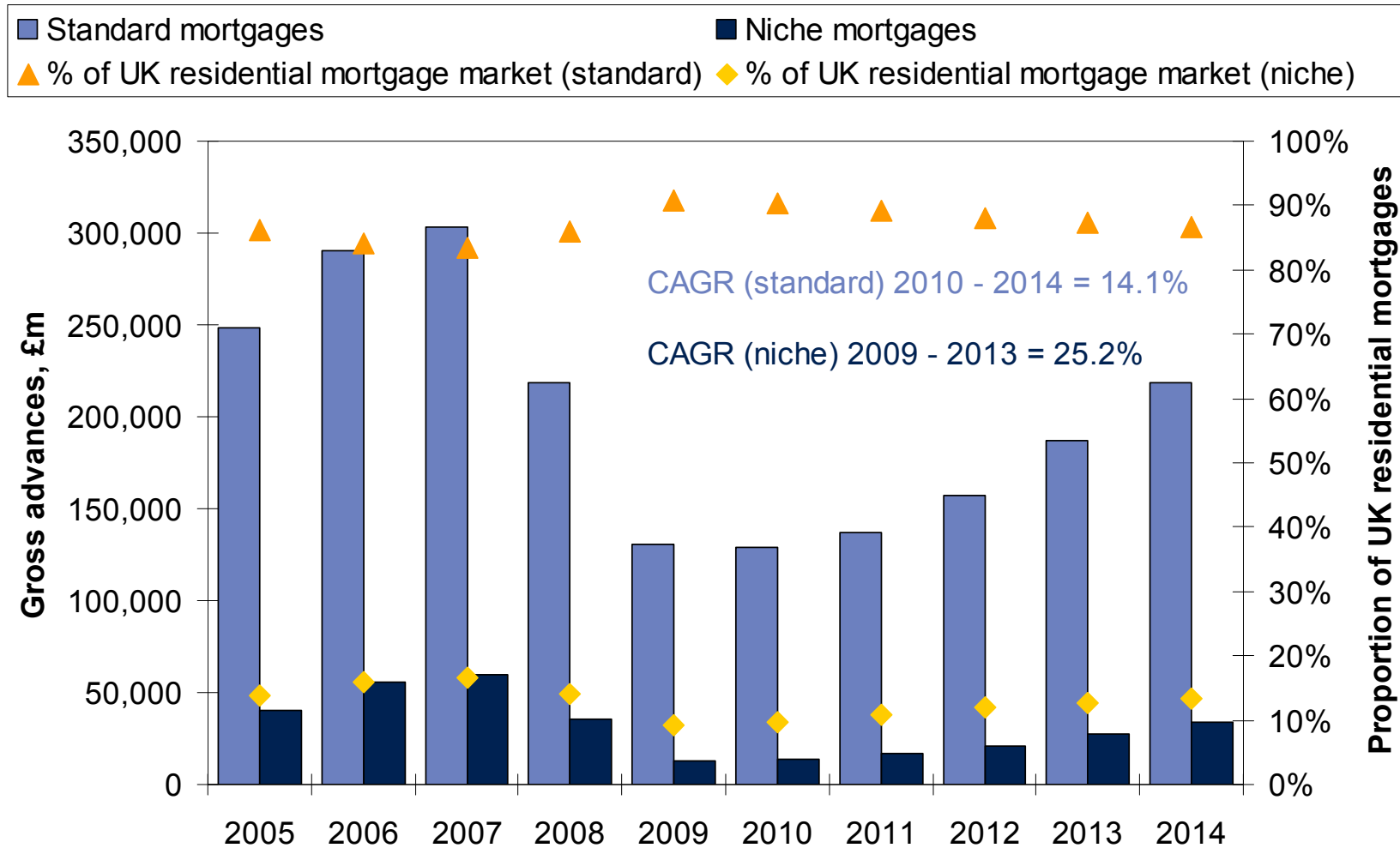
Changes in product sectors



Product mix Q1 2011

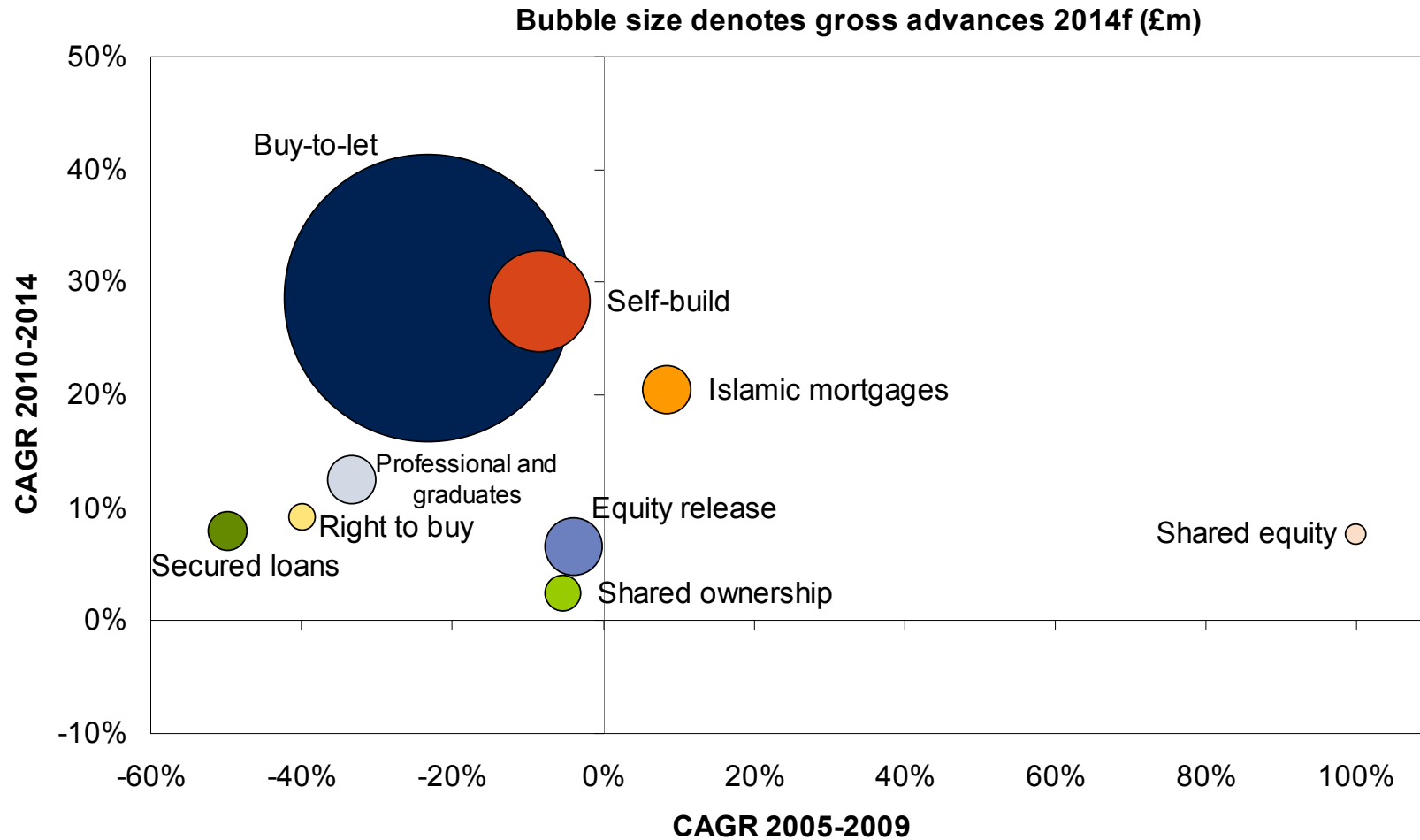
- Residential mortgage market caters mainly for the mainstream now,
- CML estimates that around 2.2 million mortgage holders would not be offered a loan if they were to apply now
- But being 'trapped' on a high LTV, variable rate interest only mortgage doesn't matter until rates start to rise.....
- CML estimates 2% rise in rates = 2.9 million borrowers unable to pay (based on FSA affordability calculations)

'Niche' sector growth to 2014

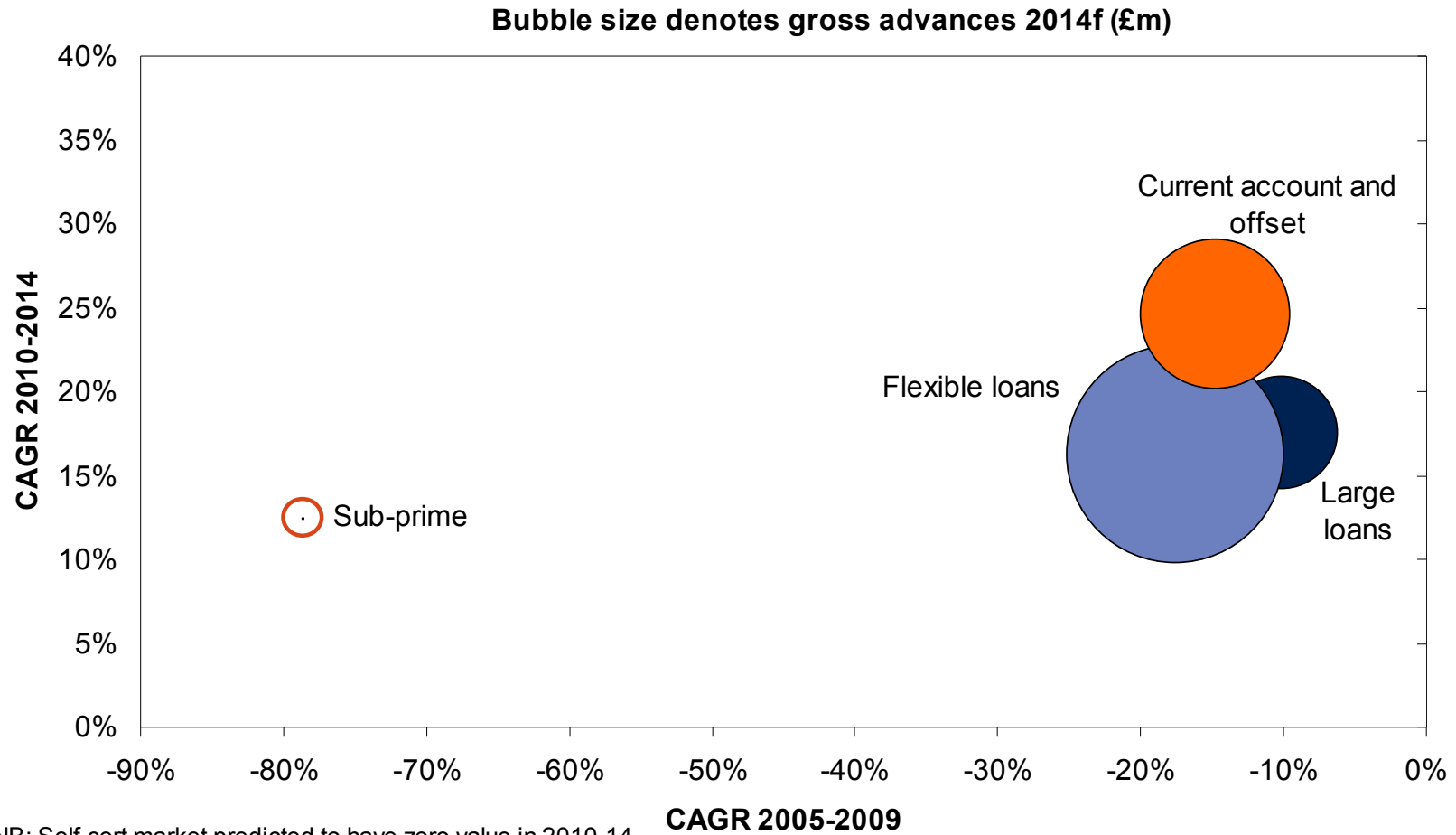


Source: Datamonitor

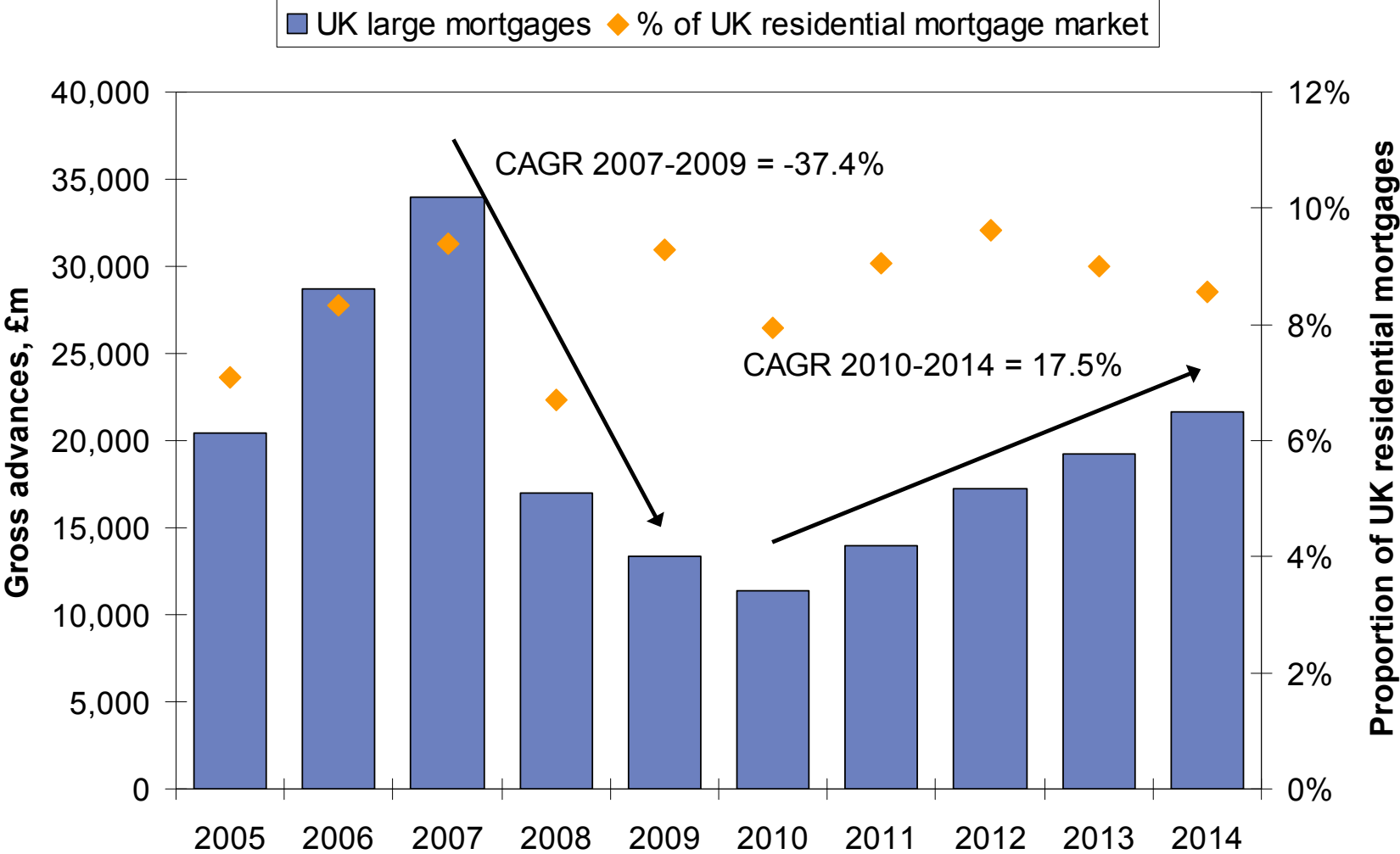
Key product niches (1)



Key product niches (2)



Large loans



Source: Datamonitor

Interest Rate Protection



Interest Rate Protection

- Also known as rate capping insurance
- 2.9 million homeowners exposed to interest rate risk
- 2.2 million borrowers would not get a mortgage now
 - First Time Buyers (little equity), Self-Employed, Buy to Let, Sub-prime
- 2 million borrowers would not want to remortgage to a fix and lose their 'super-low' SVR or lifetime tracker
- 2 year policy that costs around £30 per £100k mortgage

Niche products most likely to grow in market share in 2011



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