



Changes to the FSA Statistics on Mortgage Lending following the creation of the PRA and FCA

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This article describes the Statistics on Mortgage Lending currently published by the FSA. It outlines how the PRA and the FCA expect to co-operate following their establishment on 1 April 2013. The article notes some proposals for the future development of the release.

Introduction and background

The FSA's Statistics on Mortgage Lending¹ are derived from supervisory data collected through the Mortgage Lenders & Administrators Return (MLAR²). Mortgage lending can give rise to both prudential and conduct risks and thus much of the MLAR data will be of interest to both the PRA and the FCA.

Upon the commencement of the Financial Services Act 2012, responsibility for the prudential supervision of MLAR reporters will be split between the PRA and FCA. The PRA will be responsible for the banks, building societies, credit unions and insurers. The FCA will be responsible for prudential supervision of all other types of firm including mortgage administrators and other lenders which do not take deposits.

While banks and building societies predominate in terms of total stock of lending and gross advances, the numbers of reporters and net advances are generally more evenly split between the PRA and FCA-supervised firms.

Following the split, the PRA and FCA will co-operate in some areas under a Memorandum of Understanding (MoU) between the two organisations. The MoU will set out principles for the sharing of information, including MLAR data, between the organisations.

¹ http://www.fsa.gov.uk/library/other_publications/statistics

² The MLAR form can be found at http://fsahandbook.info/FSA/docs/sup/sup_chapter16_annex19ar_20101006.pdf

Coverage and content of the Statistics on Mortgage Lending

Firms have been reporting the MLAR since 2005, with banks and building societies reporting from 2007. Currently around 320 regulated mortgage lenders and administrators are required to submit the MLAR each quarter, providing data on their mortgage lending activities. The FSA published the first set of statistics based on these data in August 2008.

The MLAR covers both regulated and non-regulated residential lending to individuals. Regulated loans are secured by a first charge on residential property, where the property is for the use of the borrower or a close relative. Non-regulated lending includes buy-to-let, second charge loans and, in some cases, further advances on loans that were originally taken out before regulation came into effect.

Firms which undertake regulated mortgage lending are required to complete the MLAR with regards to all the lending (regulated and non-regulated) that they do. Firms which only undertake non-regulated mortgage lending are not required to complete the MLAR return and are thus not included in the Statistics on Mortgage Lending.

The Statistics on Mortgage Lending provide a range of information on lending activities, including:

- balances of all outstanding loans

- new advances and commitments, including purpose of loans
- unsecuritised and securitised loans
- interest rates on loans
- lending criteria, including loan to value (LTV) and income multiples
- lending to those with impaired credit histories; and
- arrears and possessions

The Statistics on Mortgage Lending are divided into summary and detailed tables. The summary tables provide statistics on the volume and characteristics of new business as well as total data about the loan book, arrears and provisions position of the sector aggregated across regulated and non-regulated mortgages. The detailed tables cover the current stock of lending with breakdowns according to interest rates, loan to value ratios and the nature and purpose of the residential loan, among others. In addition, most of the detailed tables are separated into regulated and non-regulated loans.

Future joint publication of the Statistics on Mortgage Lending

In order to maintain a complete picture of the regulated mortgage sector, going forward the PRA and FCA will produce the Statistics on Mortgage Lending as a joint publication.

The statistics will be published on the websites of both organisations around 2 1/2 months after the end of quarter reporting date. This is in line with the publication schedule set out by the FSA. The first joint PRA/FCA release will contain 2013 Q1 statistics and be published in June 2013.

The MLAR return will continue to be collected through the FSA's GABRIEL regulatory reporting system, which will be operated by the FCA. In producing the Statistics on Mortgage Lending, the PRA and FCA will be responsible for quality assuring the data from those firms for which they are the prudential supervisor. The arrangements for joint production of the Statistics on Mortgage

Lending will be subject to review after approximately twelve months of operation.

Further development of the Statistics on Mortgage Lending

There are no proposals to alter the format of the published releases in the short-term. However, the PRA and FCA will discuss the potential for some limited changes, which would be jointly agreed. One proposal is to publish the full back run of each of the series. Another is to shorten the delay between reporters submitting the MLAR return and the publication of the Statistics on Mortgage Lending by around two weeks.