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Mortgage Specialists

# Target Reduction For Mortgage Specialists - But Not Until 2008

At the Mortgage Specialist Conference earlier this week MSp's were told that the overall mortgage target for next year will be reduced from £9.3 billion in 2007 to £8.1 billion in 2008. That is good news for Mortgage Specialists and branches and how that will be translated into individual targets will be the subject of further discussions over the next few weeks. But that only deals with next year and not what's happening now.

## It's the Economy Stupid

Higher interest rates, subdued real earnings growth, slowing economic growth, the sub-prime mortgage melt down and the Northern Rock disaster have all had a negative impact on the financial services industry generally and the Bank's mortgage business in particular has steadily got worse against target since the beginning of the year.

In Q1 Mortgage Specialists had a good start to the year, compared to the disaster of the previous 12 months when only 25% of Mortgage Specialists earned a bonus in 2006, with just over 50% of Mortgage Specialists earning a bonus. But Q1 was relatively easy and since then targets have got progressively got more difficult and seller performance against target is getting worse with each passing month. The figures show that only 38% of Mortgage Specialists earned a bonus in Q2 and we would expect the figures to have fallen in Q3. In Q4 Mortgage Specialists are being expected to achieve weekly sales of 2.45 mains and 1.5 further advances to achieve target and that at a time when the mortgage market is experiencing the kind of instability not seen for a generation.

## Why Wait For 2008?

At the Conference Senior Management from the Bank said that it was reducing the target for next year because " In recent weeks the financial conditions in the mortgage market have changed as a result of issues with the US sub prime lending. The current view is that a reduction in the supply of mortgages coupled to an increase in the mortgage rates as the increased costs of funds is passed on is likely for the short to medium term. In addition house price inflation is not expected to continue growing at the same rate as in the past." **But all of those reasons for reducing the target next year are applicable to the mortgage market today.** The Halifax house price index shows that house prices fell by 0.6% in September and the Nationwide has said that the housing market is slowing down. **According to research by MoneyExtra almost one in three mortgage applications are being rejected as the credit crunch impacts on home buyers. In that kind of environment the Bank should be seeking to alleviate some of the pressures on Mortgage Specialists by reducing targets now rather than just offering jam tomorrow.**

## Tell Us What You Think

Mortgage Specialists with any comments on this Newsletter can either contact me directly at Mark.Brown@ltu.co.uk or phone the Union's Bedford Office on 01234 262868.

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