

MMR: right policy at the wrong time

Last week the Financial Service Authority (FSA) published its long awaited final policy rules in relation to mortgage regulation.

No one can argue with the intent of the Mortgage Market Review (MMR) with its overall aim of "ensuring continued access to the mortgage market for the vast majority of customers who can afford it, while addressing the tail of poor mortgage lending seen in the past."

However, to me the issues has never been if the policy is right, but rather the timing of the regulation. The content of the MMR can be summarised into two categories:

- 1) Rules that are needed now to address poor mortgage lending (affordability)
- 2) New rules which are designed to prevent a future crisis (all advised market)

Following the credit crisis many lenders have already restricted lending policies and reduced exposures to higher risk products. The FSA have also already implemented new arrears regulations which have addressed the most pressing issues in the market and so with the UK just emerging from a double dip recession and additional European regulation on the horizon (Mortgage Credit Directive) why is there such a rush to implement the new rules by April 2014?

With the FSA estimating costs of implementing the regulation potentially reaching £67m with up to £172m in yearly compliance costs the proposals could restrict any signs of recovery in the UK housing market.

Furthermore, the MMR will stifle innovation in the market as lenders invest in regulatory compliance rather than using those funds to invest in new mortgage products, technology, or more lending to first time buyers.

Only time will tell if the MMR is the right policy at the wrong time, and if it would have been better for the FSA to have proposed a two-phased delivery with affordability and responsible lending rules implemented in 2014 and the remainder in 2016 or beyond when the economy, housing and mortgage market is out of intensive care.

There is however one certainty, lenders will need to comply with the new rules by 29 April 2014.

This article was first published in Mortgage Solutions, 30th October