The politics of a rationed housing market

July 2016

Executive summary

- **Need for policy stability.** The UK needs a more joined up approach to housing policy where government lays out its long term objectives and outlines the policies that it believes will deliver these outcomes. Instead we have recently seen unpredictable shifts in policy that make it difficult for those involved in housing to plan for future. The risk is that long term investment in housing could be jeopardised if different kinds of investor (e.g. buy-to-let landlords, institutional investors and housing associations) cannot invest with confidence.

- **Policy has shifted to managing demand.** In 2015 we got a glimpse of such unpredictable policy changes and how inadequate housing supply is reshaping the political environment. New taxes on buy-to-let and second homeowners amounted to a tacit admission by government that the previous policy of stimulating supply as the primary policy measure had failed to address the housing shortage. Instead government is now set on a path of managing demand, as well as trying to stimulate supply, to meet its over-riding policy objection of sustaining owner-occupation.

- **Investment property now heavily taxed.** In total the exchequer is set to raise about £1.7 billion a year when the new taxes on landlords and second homeowners are fully implemented. The additional *income* tax burden on landlords of around £870 million (from the restriction of the mortgage interest deduction and the end of the wear and tear allowance) is equivalent to 1.8% of the £50 billion estimated revenues of the private rented sector (PRS) as a whole. This is not enough to fundamentally alter average landlord returns but it could be ruinous for some landlords and coupled with existing taxes is enough to allow the IFS to comment that 'rental housing looks set to become easily the most tax disadvantaged of the major asset classes'.

- **Tenants will suffer cost of higher taxes through higher rents.** We do not expect the tax increases aimed at buy-to-let investors to reverse the growth of the PRS or the buy-to-let mortgage market, although they are likely to slow the rate of growth of buy-to-let lending. The indications are that tenant demand will continue to rise and landlords are likely to respond to this rising demand. But there is likely to be significant upward pressure on rents, meaning that tenants will bear a sizeable share of the cost of higher taxes on the PRS.

- **Government wants to advantage first time buyers.** Implicit in the government's decision to raise the tax burden on landlords is the view that it will reduce landlords' appetite to acquire more property, lessening competition for first time buyers and other owner-occupiers and thereby improving their housing affordability. The government's hope must be that the estimated 2.2 million shortfall in first time buyer numbers between 2007 and 2015 will start to reverse. But with home buyers' mortgage affordability already at record highs, relative affordability does not appear to be the main barrier holding first time buyers back.

- **The deposit remains first time buyers' biggest barrier to entry.** Research suggests that the need to save for a substantial deposit remains the largest barrier to prospective first time buyers. In responses to the Building Society Association's (BSA) Property Tracker survey of March 2016, 61% of aspiring first time buyers cited raising a deposit as a barrier to being able to buy. In contrast, only 34% cited affordability of mortgage payments. Prudential Regulatory Authority (PRA) data shows that after rising to a post-financial crisis high of 5.3% in Q2 2014, the proportion of buyers borrowing more than 90% LTV had fallen to 3.8% by Q4 2015, suggesting that the availability of high LTV loans remains heavily constrained.

- **Proposed Basel rules changes could reduce high LTV lending further.** Availability of high LTV mortgage finance has been adversely effected by the Basel 3 rule changes, which have required lenders to hold much more capital against high LTV loans. The latest Basel proposals on the standardised approach, if they are implemented as currently proposed, would require the affected lenders to hold even more capital against high LTV loans, acerbating the situation.

- **The mortgage market review (MMR) has made it more difficult to obtain a mortgage.** The BSA Property Tracker showed that access to a mortgage of sufficient size was cited as a barrier by 39% of prospective first time buyers, the second largest barrier after raising a deposit.

- **Government policy would be better directed at addressing the main barriers to homeownership.** The Help to Buy guarantee scheme could be extended beyond 2016, with lenders given a more appropriate capital treatment. Also, the regulator could be asked to ease lending restrictions, for example allowing lenders to take account of a prospective first time buyer's track record of making rent payments over an extended period when assessing affordability. The mortgage rules take too little account of the potential consumer detriment from being excluded from homeownership.

- **Less competition from buy-to-let will not help most first time buyers.** The decision not to extend the Help to Buy guarantee scheme sits uneasily alongside efforts to manage landlord demand to open up space for first time buyers. For a prospective first time buyer less competition from landlords is of no help if you do not have the required cash deposit while less supply in the PRS will making saving that deposit even harder for tenants whose rent could be pushed up as a result.

1. Introduction

Politics has always played a pivotal role in determining the shape of the UK housing market and in particular the relative size of different tenures. During the post-war period a changing political environment at first drove a huge increase in the public rented sector as governments vied with each other to build more council housing to tackle the huge postwar housing shortage. Then from 1979, the Thatcher government made the promotion of homeownership a signature objective, underpinned by a policy of incentives for tenants to buy their council houses.

The final abolition of mortgage interest tax relief by Gordon Brown in 2000 coupled with the Labour government's lack of commitment to funding new public housing and light touch regulation of the PRS marked a shift to a more tenure neutral stance – one where government was not seeking to favour any one tenure over the others. In response to a collapse in housebuilding in the wake of the financial crisis priority was given to supporting building for owner-occupation, with the introduction of the HomeBuy Direct scheme, but this reflected the imperatives of the time rather than a fundamental change of policy direction.

From 2010, the coalition government seemed content to continue broadly the same approach to housing. And the election of a Conservative government in May 2015 was not expected to herald a significant change of direction. But from the July 2015 budget it has become clear that a radical policy change was indeed underway.

In a tacit recognition that the policy of stimulating housing supply had failed, the government now seems committed to managing demand to meet the policy objective of sustaining owner-occupation. As a result, the broadly supportive political environment that has existed for private landlords since the 1988 Housing Act appears to have come to an end as the government announced policies designed to disadvantage buy-to-let investors and other landlords.

There is no consensus on why the new housing supply response has been so weak in recent years. The government has attempted to tackle the constraint imposed by the planning system and provided hefty subsidies targeted mainly at first time buyers through Help to Buy and similar schemes but house building remains stuck at around two thirds of the level considered adequate to match demand.

It is perhaps unsurprising that a government faced with such a crisis of cumulative under-supply might seek out new solutions, and perhaps not that surprising that it was a Conservative government that made the shift. Voter intention surveys consistently show much higher support for the Conservatives amongst homeowners than tenants (either private or social).

At the 2015 General Election for example, 46% of outright owners and 39% of mortgaged homeowners voted Conservative against 28% of private sector tenants and only 18% of social tenants[1]. Moreover, the dichotomy of support by tenure widened with Conservative support rising amongst homeowners but falling amongst both social and private tenants since 2010. For the Conservatives, the implications of falling homeownership is the risk of reduced political support as expressed by voting in the 2020 election and beyond.

However, it is by no means clear that managing demand from landlords to open up space for first time buyers will be the most effective strategy. At a time when the largest barrier to first time buyers is the need to accumulate sufficient savings for a deposit, it is surprising that a coalition policy most closely targeted at lowering the deposit gap, namely the Help to Buy guarantee scheme, should not be extended beyond its December 2016 deadline.

Moreover, sudden policy shifts that disadvantage investors can adversely affect the flow of investment capital from the private sector. The government is actively encouraging more institutional investment in the PRS and is reliant on private capital to fund housing associations' activities. Both of these objectives could be put at risk if private investors come to believe that a stable, supportive tax and policy landscape cannot be assured.

[1] Ipsos MORI How Britain voted in 2015.

2. The policy of demand management

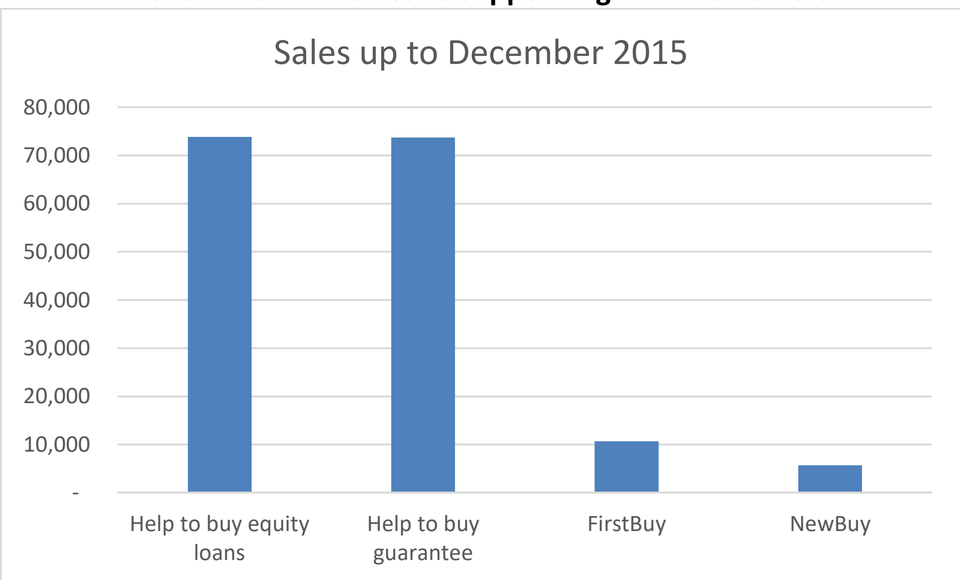
2.1 Unmet political objectives

When the coalition came to power in 2010 it pursued an interventionist approach in the housing market, launching a series of schemes aimed primarily or wholly at first time buyers. These ranged from FirstBuy (with a similar design to the previous government's HomeBuy Direct) to NewBuy and finally Help to Buy, launched in 2013. In 2015 the Conservative government maintained this approach and added to these policies with an extension of the Help to Buy equity loan scheme in London coupled with plans to provide 200,000 homes for first time buyers at discounts to market value of 20% through the Starter Home Initiative. In total there are now 15 schemes listed on the government's Own Your Home website (https://www.ownyourhome.gov.uk/schemes-all/).

These schemes have been designed to meet the government's two key housing objectives of stimulating housebuilding and supporting owner-occupation. However, to date and despite the initiatives and the considerable public subsidy (over £43 billion of grants, loans and guarantees) they involve, there is little sign that progress is being made on meeting either of these objectives.

We have not seen a sustained boost to housebuilding – UK housing starts since Q2 2010 have averaged 36,800 a quarter, virtually unchanged from the total of 36,700 recorded in the final quarter of the last Labour government despite the 90,000 new home sales made under the Help to Buy equity loan, NewBuy and FirstBuy schemes (see chart 1). And the government has failed to stem the decline in homeownership – between 2010 and 2013 (the latest year for which data is available) the number of owner-occupied homes in the UK fell by 270,000.

Chart 1 – Government schemes to support high LTV borrowers



Source: DCLG

2.2 Government's new approach of demand management

In a tacit recognition that its policies had failed to solve the crises of inadequate housing supply and falling owner-occupation, in his July 2015 budget George Osborne announced an unexpected change of tack. In an attempt to manage housing demand from investors, the Chancellor announced two adverse tax changes for landlords:

- Restricting the mortgage interest tax deduction for landlords to the basic rate of income tax.

- Removing the wear and tear allowance for furnished rented property.

In the Autumn Statement two further changes followed:

- Applying a stamp duty surcharge of 3% for rented or second homes.

- Requiring capital gains tax to be paid within 30 days of the sale of a rented property.

The March 2016 budget introduced a further change that disadvantaged property relative to other investment assets with the announcement that the higher rate of capital gains tax would be cut from 28% to 20% and the basic rate from 18% to 10% for other assets but would remain unchanged for residential property.

At the same time, the regulatory environment for buy-to-let lending is under review. The government is consulting on the form of new macro-prudential powers of regulation for the Bank of England to control the buy-to-let market. This would bring it broadly into line with lending for owner-occupiers and allow regulators to limit buy-to-let by LTV and income cover ratio (the equivalent of loan-to-income in the owner-occupied sector). Although new macro-prudential tools to control the buy-to-let market may not be used straight away, it is clear that regulators are concerned about the market. The Bank of England has expressed concern at the rate of growth in buy-to-let lending and sees risks to the stability of the wider housing market if a change in conditions, such as a sharp rise in interest rates, forced large numbers of landlords to sell up.

The enhanced focus on buy-to-let also takes the form of greater micro-prudential supervision. On 29 March the PRA issued a consultation paper on underwriting standards for buy-to-let mortgage contracts. This proposes that lenders must employ an affordability test with consideration given to:

- all costs associated with renting out the property where the landlord is responsible for payment;
- any tax liability associated with the property; and

- where personal income is being used to support the rent, the borrower's income tax, national insurance payments, credit commitments, committed expenditure, essential expenditure and living costs.

It also proposes that an interest rate stress test is applied in the affordability calculation, with a minimum 2 percentage point increase in rates and a minimum stressed rate of not less than 5.5% for any loan that is not fixed for at least five years.

2.3 The relative scale of supply stimulation and demand management

The scale of the tax hikes on landlords is significant. HM Treasury estimates that in its first full year of implementation in 2020-21, restricting the mortgage interest tax deduction to the basic rate will raise £665 million. The 3% stump duty surcharge is expected to raise £625 million in 2016-17, mostly paid by landlords. The reduced window for payment of capital gains tax on residential property is expected to bring in £230 million in 2020-21 and the reform of the wear and tear allowance is expected to bring in £205 million in its first year, 2017-18.

Adding together these measures, the exchequer is set to raise about £1.7 billion a year. This can be compared to the cost of measures to support home buyers. During the first two and a half years of Help to Buy (up to the end of December 2015), the government lent a total of £3.2 billion in equity loans (£1.2 billion a year). No direct funding was provided to the NewBuy scheme or the Help to Buy guarantee scheme as these schemes depend on a government guarantee. The total value of guarantees provided up to the end of December 2015 was £1.6 billion under the Help to Buy guarantee scheme and £60 million under NewBuy.

However, adding the cost of other government interventions to support homeownership such as Help to Buy shared ownership, the Help to Buy ISA and the Starter Home Initiative, the government is still spending more than they are raising in new buy-to-let taxes.

2.4 Likelihood of success of demand management

How likely is it that the government's policy shift towards managing down investment demand will succeed? This will depend on how sensitive landlords' rate of investment in additional stock is to the tax changes and, in turn, on how sensitive first time buyer demand is in the face of any lowering of investor demand.

The additional income tax burden on landlords of around £870 million (from the restriction of the mortgage interest deduction and the end of the wear and tear allowance) is equivalent to 1.8% of the £50 billion estimated revenues of the PRS as a whole. Although significant, this is unlikely on its own to seriously dent landlord ambitions at a time when tenant demand and rents are rising, although some highly leveraged landlords will face much higher tax bills that could call into question their ability to operate.

Moreover, landlords can avoid the restriction on the deduction of mortgage interest on future purchases by incorporating. And, once averaged over the life of a typical buy-to-let investment (which the Association of Residential Letting Agent's landlord survey estimates to be 20 years) the 3% stamp duty surcharge costs a modest 0.15% a year.

For many landlords the relatively modest reductions in net returns implied by the tax changes are likely to be partially offset by the consequent rise in rents resulting from lower investment in the PRS. With low rates of investment in new social housing and tighter controls on mortgage lending through the MMR, it is hard to see the PRS losing its role of the pressure valve that will accommodate most of the increase in population expected over the next few years.

It is possible that the psychological impact of the tax changes coming from a Conservative government might provoke a disproportionate response. And landlords might conclude that, if the tax changes are insufficient to choke back the growth of the buy-to-let sector, the government will tighten the screws further, adding new taxes. And a future government might be tempted to deal with the consequential increase in rents through some form of rent control.

All this can be expected to make landlords cautious but where profitable opportunities exist to invest, it is likely there will be landlords willing to take these up. The surge in buy-to-let purchases ahead of the introduction of the 3% stamp duty surcharge in April certainly suggests there is still an appetite on the part of some landlords to increase their investment.

For the government to meet its objectives lower buy-to-let demand must be replaced by higher first time buyer demand. To determine whether this is likely it is necessary to understand why first time buyer numbers remains depressed by historical standards. Is it, as some commentators conclude, the result of housing being unaffordable in much of the country or is it due to changed attitudes where more people desire the flexibility that renting provides? Or are low first time buyer numbers the product of overly restrictive lending criteria, in part the result of regulations such as the MMR and lack of high LTV loans?

If fewer young households are buying their first property because they cannot obtain a mortgage or do not have a large enough deposit to meet lender requirements, higher taxes on buy-to-let might then have a limited effect of shifting demand to first time buyers. In Section 3 we consider the barriers facing first time buyers in more detail.

3. Barriers to homeownership

We estimate that between 2007 and 2015 the number of first time buyers in the UK was some 2.2 million lower than past demographic trends suggested it should have been. The severe shortfall was triggered by the financial crisis but the subsequent recovery in first time buyer numbers still leaves the annual shortfall at close to 200,000.

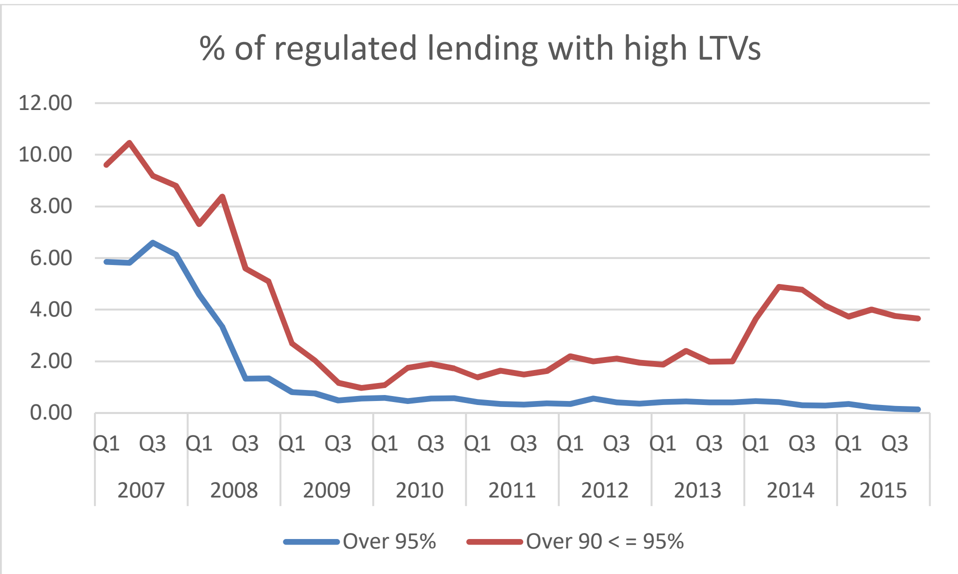
As this state of affairs drags on, concern is growing that we are not simply faced with delayed purchases but that a fundamental shift is taking place where younger people face much lower chances of ever owning their own home. The implications for society and peoples' long term financial security if the latter is true are wide ranging. Understanding what factors are driving this change and whether these can be reversed has thus become a policy imperative.

When in March the BSA asked a sample of aspiring first time buyers what were the main barriers they faced to buying a home, the most popular answers were i) raising a deposit (cited by 61%); ii) access to a large enough mortgage (cited by 39%); and iii) affordability of mortgage payments (cited by 34%). This concurs with the Halifax Generation Rent report of 2015 where prospective first time buyers also cited the size of deposit required as a largest barrier to homeownership.

i) Raising the necessary deposit

Prior to the financial crisis it was possible to borrow 100% of the value of a property. Although relatively few borrowers did not put down any deposit in 2007, according to PRA data around 15% of all home purchasers borrowed more than 90%. Council of Mortgage Lender (CML) data showed that amongst first time buyers the median deposit in 2007 was 10% - meaning that half borrowed 90% or more of the purchase price.

Chart 2



Source: PRA

As Chart 2 shows, the financial crisis saw a dramatic reduction in such high LTV lending. By 2009 the median first time buyer deposit was 25% and by 2011 less than 2% of all borrowers took a loan of more than 90%. These figures subsequently recovered but have fallen back since 2014 (see Chart 2), with the median deposit for first time buyers standing at 17% in February 2016 against 15% in July 2014.

There is a strong link between the availability of high LTV loans and first time buyer activity so it should come as no surprise that the withdrawal of most high LTV mortgages in the financial crisis coincided with a dramatic reduction in first time buyer numbers. But why has high LTV lending remained so depressed by historical standards, even as the health of the financial system has improved? One reason is the overhaul of the Basel capital regulations known as Basel 3.

Lenders are now required to hold more capital against all risk assets and as higher LTV loans already carried higher risk weights they have seen the largest absolute increase in capital requirements. There is also greater regulatory scrutiny of lenders' decisions to make such loans which may have encouraged a more conservative approach to lending at high LTVs.

If the Basel changes are the main reason for the continued low volume of high LTV lending, this may become a permanent feature of the market. Indeed the reduction of high LTV lending since 2014 may not reversed because the Basel 3 changes are still being phased in, meaning that minimum capital levels continue to rise.

Moreover, the recent proposed changes to the standardised approach under Basel would, if implemented, risk a further reduction in high LTV lending. It included the proposal to apply risk weights to mortgages on an untranched basis, meaning that a high risk weight would be applied not only to the highest LTV portion of a high LTV loan but to the whole loan. It also proposes that lenders should not reflect increases in the value of property in the LTV calculation to determine risk weights. This means that high LTV loans will continue to require a high level of capital even where the property has subsequently risen in value.

ii) Access to the required mortgage

In the BSA Property Tracker survey, a higher proportion of aspiring first time buyers (39%) cited access to the mortgage they need than cited the monthly mortgage cost (34%) as a barrier. This suggests that many prospective first time buyers feel they are unable to borrow a sum they consider affordable. Why should this be the case?

There must be a concern that lenders are restricting mortgage availability either because the borrower covenant is not considered robust enough or because the affordability requirements are too restrictive. Although this will often reflect lenders' views about the creditworthiness of the borrower, regulation plays a key role in determining the amount that can be lent.

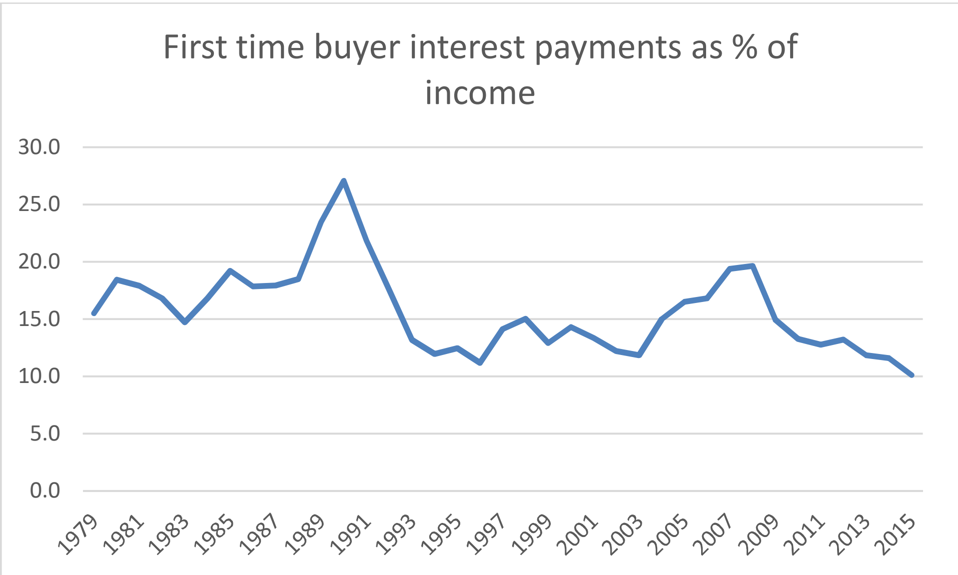
The MMR has imposed tighter restrictions on the amount a consumer can borrow. This takes the form of a more rigorous assessment of other expenditure, the effective omission of uncertain forms of income under most lenders' interpretation of the rules (e.g. future pension income) and the use of higher stressed interest rates to calculate affordability.

Although there may be a good rationale for these restrictions on the amount that can be lent, from the perspective of a borrower who feels they can comfortably afford the mortgage payment associated with a particular size of loan and indeed may have been paying rent at this level for some time, it is frustrating to be denied the ability to purchase a home.

iii) Mortgage affordability

Thanks to falling mortgage rates buyer affordability has reached a new high with average mortgage interest payment for first time buyers down to 9.4% of income in February 2016 (see Chart 3), less than half the level recorded in 2007. And comparisons between the cost of renting and buying suggest it is cheaper to buy in every region of the country even using the full capital and interest payment on a typical repayment mortgage. This helps to explain why mortgage affordability does not rank higher in aspiring first time buyers' lists of barriers to buying.

Chart 3



Source: CML

But even the level of mortgage payments is affected by regulation because of the tighter requirements concerning interest only loans under the MMR. With lenders required to verify a repayment strategy that would not be expected to include the sale of the property, first time buyers are having to factor in the cost of capital repayments. At a mortgage rate of 2.7%, which is typical for a 90% LTV variable rate loan, on a 25 year capital repayment mortgage, 51% of the first month's mortgage payment is capital and only 49% is interest – in other words a capital repayment mortgage more than doubles the monthly payment. This ‘enforced saving’ can make the monthly cost of a mortgage look excessive relative to rental payments for some young households.

4. The right policies to sustain homeownership

The current government has made raising the level of homeownership its most significant housing policy objective alongside raising the rate of new house building. These are laudable objectives but we are concerned that the consistent policy mix needed to meet these objectives is still lacking. Policies to support buyers with small deposits are pushing against regulatory changes that disincentivise lenders from catering for this group. And now, rather than addressing these contradictions the government has targeted buy-to-let investors in the hope of managing this element of demand.

Traditionally, the growth of the owner-occupied housing sector in the UK has been driven by two main phenomena: the construction of affordable housing for sale; and the availability of high LTV mortgage finance. This combination spurred the first great expansion of homeownership in the 1930s, when housebuilding rose from 133,000 in 1931-32 to 293,000 in 1934-35 and 279,000 in 1935-36 and 95% LTV mortgages were widely available[2].

The government hoped to create a similar boost with schemes like Help to Buy equity loans, which combined new build property and high LTV finance. But while most commentators would agree that Help to Buy has been a success, it has not triggered the scale of new home sales that would be required to reverse the decline in the rate of owner-occupation despite the apparent pent-up demand from those that did not enter the market after the financial crisis. Why was it not a greater success?

Although planning restrictions and other limiting factors within the housebuilding industry no doubt played a role, the most glaring absence has been in the availability of mortgage finance and as explained in Section 3 above, this is to a large extent the product of the current constellation of regulations. We believe that re-examining the rules holding back mortgage availability should be the government's priority and that this is far more likely to succeed in boosting homeownership than measures to suppress landlord demand. We would highlight two areas where the government should act:

Capital relief

Loans made under the Help to Buy guarantee scheme should be given capital relief under the substitution rules for unfunded credit protection laid out in BIPRU 5 rather than the securitisation rules under BIPRU 9. A straightforward substitution of a tranche of mortgage risk for government risk when the government guarantees that mortgage tranche is completely justified. By comparison, treating each loan as a securitisation is unnecessarily complex and provides a less appropriate risk weight. The Help to Buy guarantee scheme could then be continued as a mechanism to counteract the high (and potentially rising) capital requirements for high LTV lending.

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[2] See pre-war-housing.org.uk

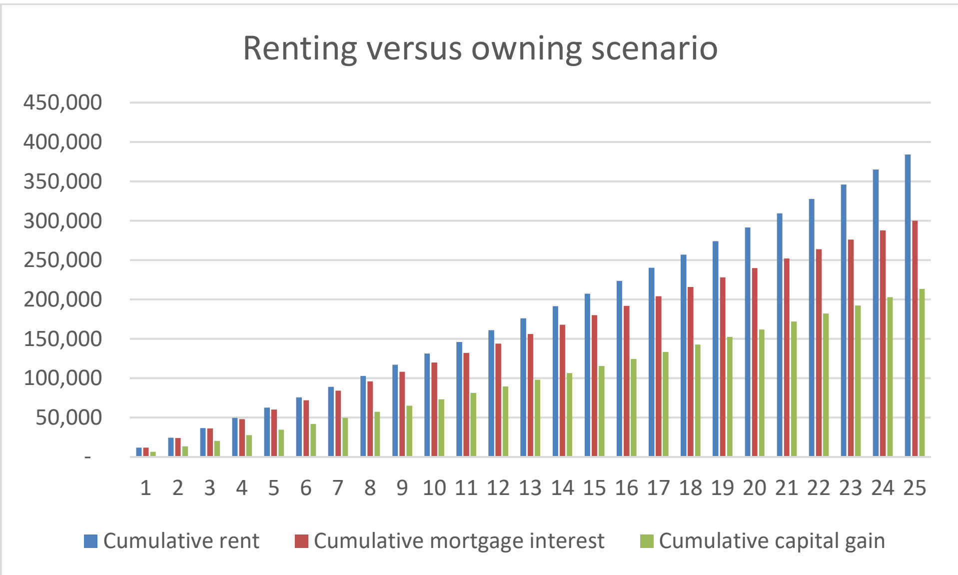
Rethinking consumer detriment

The MMR identified the potential for consumer detriment where mortgages were large relative to income and in arears like interest only lending. But the shortfall in first time buyer numbers relative to previous generations raises a question. Is the current operation of the UK mortgage market creating a barrier to prospective first time buyers that is itself giving rise to consumer detriment?

Consider the following hypothetical example. A young couple pay monthly rent of £1,000 and they consider this a comfortable initial cap on any future mortgage payment. On an interest only basis a mortgage payment of £1,000 a month, together with their modest savings, would allow them to buy a property that is adequate for their needs and they can fix their mortgage payments for 5 or even 10 years, something they cannot do with their rent. For the same property, a capital repayment mortgage would cost them c.£1,900 a month at an interest rate of 3%, a sum they may well consider unaffordable.

Under the current mortgage rules this couple is likely to remain in rented accommodation because they can only take an interest only loan if they also make substantial payments into a savings vehicle, which is equally unaffordable for them. In 25 years, if they continue to rent and their rent rises by 2% a year, they will have made total rental payments of £384,000 (see Chart 4). If they were able to buy on an interest only basis at an interest rate of 4% which remained constant over the term of the loan, after 25 years they would have paid £300,000 in interest, a savings of £84,000.

Chart 4



Assuming they had purchased a property of £333,000 with a 10% deposit, if property prices rise by an average of 2% per annum, they would also have seen the value of their property rise by £203,000. So on the face of it, this couple would be £287,000 better off in total if they had had the opportunity to buy with an interest only loan.

Of course there is uncertainty about the future course of house prices and interest rates, which could make homeownership less advantageous but as renters the couple will face the risk of higher rents or the requirement to move home if their landlord wishes to sell. On the face of it, this couple faces serious potential detriment from being denied the interest only option.

The problem is exacerbated when the buyer is less than 25 years from retirement – which for someone planning to retire at 65 would be anyone over 40. As most lenders' assess that projected post-retirement income is too uncertain to form the basis of the affordability assessment under MMR, loans must be repaid before expected retirement, which concertinas capital repayments into a shorter period, which in turn raises the monthly mortgage payment and thereby reduces the amount that can be borrowed. For aspiring homeowners in their forties, this makes buying even more challenging.

Time for a rethink?

In summary, while the government's objectives of sustaining homeownership and raising the level of housebuilding are laudable, there is a case for re-examining the policy mix to achieve these objectives. The evidence suggests that a greater emphasis on ensuring mortgage availability, particularly at high LTVs, is more likely to bring forth more first time buyers than seeking to choke off buy-to-let demand.

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About IMLA

IMLA is the specialist trade body representing the interests of mortgage lenders who market their products through brokers, rather than solely direct or through a branch network. Its directors and members are drawn from the senior ranks of mainstream banks, building societies, ‘challenger’ banks and specialist lenders.

IMLA provides a unique opportunity for senior industry professionals to meet on a regular basis to discuss key current initiatives and contribute actively through IMLA and other industry forums.

IMLA was formed in 1988 as the Association of Mortgage Lenders and was instrumental in the creation of the Council of Mortgage Lenders (CML). It changed its name to IMLA in 1995. Subsequently IMLA helped bring the Association of Mortgage Intermediaries (AMI) into being and was instrumental in bringing the mortgage advisers qualification CeMAP to fruition. For more information, please visit www.imla.org.uk

About the author

Rob Thomas is a director of research at Instinctif Partners. He previously served as an economist at the Bank of England (1989-1994), a high profile analyst at the investment bank UBS (1994-2001) and as senior policy adviser to the Council of Mortgage Lenders (2005-12). He was also the project originator and manager at the European Mortgage Finance Agency project (2001-05) and created the blueprint for the government’s NewBuy mortgage scheme.