

HOUSING CORPORATION

CIRCULAR

Compliance with Mortgage Sales Guidance

December 2005

07/05

SUMMARY

This circular outlines the Housing Corporation's expectations of how housing associations will comply with Mortgage Sales Guidance, published by ODPM, and how compliance with this circular and the guidance will be assessed.

1 LEGISLATION, REGULATION AND POLICY REQUIREMENTS

- The Financial Services and Markets Act 2000 (Exemption) (Amendment) (No2) Order 2003.
- ODPM's Mortgage Sales Guidance
- Housing Corporation's 'How We Regulate 3: How we appraise housing associations' self assessment compliance statements'

2 DEFINITIONS

■ BACKGROUND

The Financial Services and Markets Act 2000 introduced mortgage regulation. Subsequently, since 31 October 2004, the Financial Services Authority (the FSA) has regulated the sale of first charge mortgages by mainstream lenders.

Housing associations registered with the Corporation are exempt from the new FSA regulatory regime on condition that a comparable quality of service to that required by the FSA is provided.

ODPM have published 'Mortgage Sales Guidance' (the Guidance) which sets out the standards which must be met to ensure the condition is met.

■ MORTGAGE FINANCE COVERED BY THE MORTGAGE SALES GUIDANCE

The Mortgage Sales Guidance applies only to the provision of mortgage finance to a customer where the loan is secured by a first legal charge over the property and the customer is living or intends to live in the property. Other legislation may apply to other financial products provided by associations.

3 CORPORATION EXPECTATIONS

Housing associations must comply with the requirements set out in the Guidance, where they provide mortgage finance covered by it.

The requirements are presented as four core mortgage administration standards which are applicable throughout the mortgage sale

process. In addition, there are a number of more specific requirements relating to each stage.

The core mortgage administration standards that must be applied at all times are:

- Lending business must be conducted in an honest and responsible way, with due care and skill.
- Lending procedures must recognise the interests of the customer and treat them fairly.
- All contact and communication with customers must be clear, fair and not misleading.
- Reasonable care must be taken to ensure that any mortgage offered to the customer is suitable for them, based on their needs and circumstances

The Housing Corporation expects associations to ensure that all their staff involved in mortgage sales are suitably skilled in order to be able to comply with the requirements of the Guidance.

All associations providing mortgage finance must include a statement demonstrating compliance with this circular in their annual self assessment compliance statement

4 ASSESSING COMPLIANCE

Compliance with this circular will be assessed as part of the review of the association's annual self assessment compliance statement.

5 ENQUIRIES ABOUT THIS CIRCULAR SHOULD BE DIRECTED TO:

The housing association's local Housing Corporation field office.

