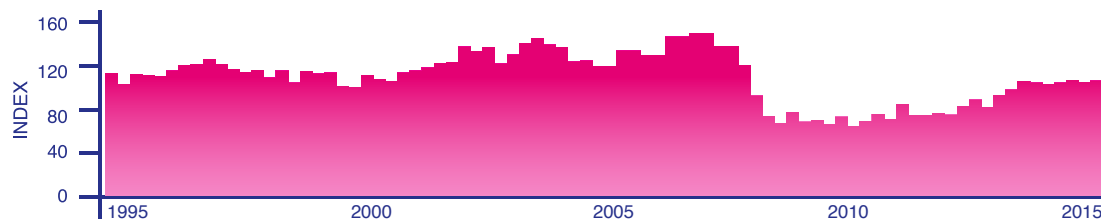
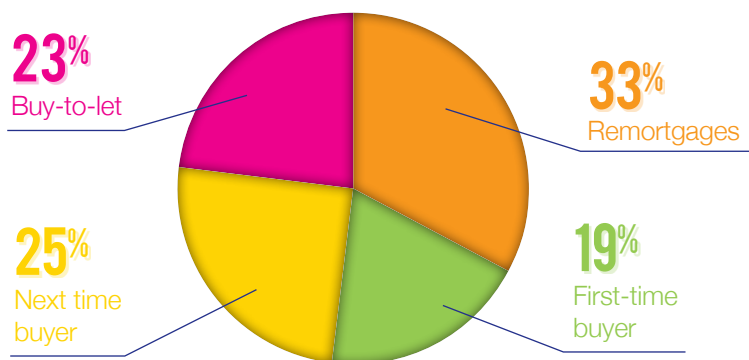


GENERAL MORTGAGE MARKET

Borrower types

In terms of borrower types, a third (33%) of mortgage cases introduced in Q3 were remortgages, a figure that remains within the average of the past 12 months. In comparison, a quarter of applications were for next-time buyers and more than two out of ten cases (23%) were buy-to-let.



FACT index

The FACT survey has been conducted quarterly since 1995. Its objective is twofold: to provide an analysis of current mortgage market trends and to index levels of confidence among mortgage brokers. It uses the number of mortgages introduced in the previous three months, and the average expected change in the next three months, to determine an index rating. The Q3 rating is 104.7 and – with the exception of the Q1 2015 index (105.2) – is the highest recorded since 2008.

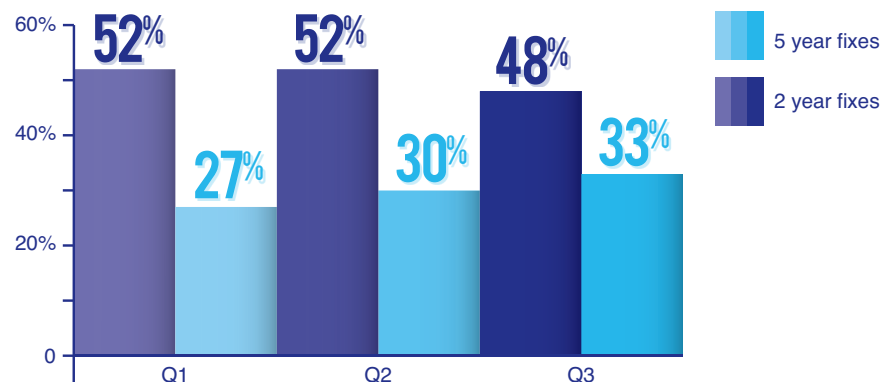
Mortgage products

Of all mortgage products selected in Q3, the overwhelming popularity of fixed rate mortgages remains unchanged.

However, the up-tick in long-term tracker products experienced in Q2 has all but reversed, with trackers falling marginally to 14%. Fixed rate products, meanwhile, account for more than eight out of ten mortgage cases in Q3 (83%).

In terms of repayment, Q3 responses are in line with 2015 averages, with capital and interest accounting for 80% of mortgage cases and interest only mortgages remaining static at 19%.

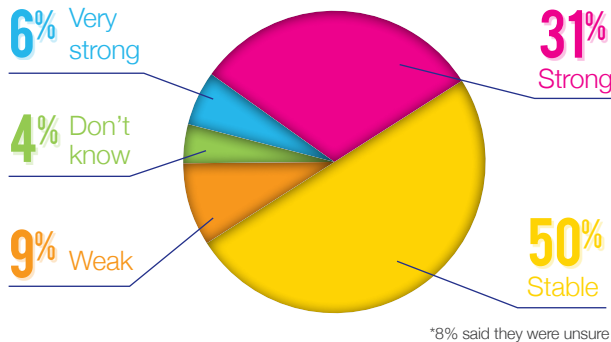
The demand for longer-term fixes continues to rise in preference to shorter-term fixes. Specifically, the proportion of five year fixes rose by 3% to account for a third of mortgage cases in Q3. Nevertheless, two year fixes still contribute almost half of all mortgage cases (48%).



BUY-TO-LET MORTGAGE MARKET

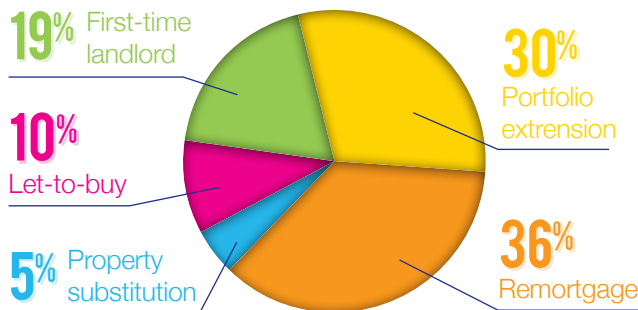
Landlord demand

Less than one in ten of respondents reported landlord demand as weak (9%). The proportion of intermediaries who viewed landlord demand as strong fell by (7%) but was compensated for by the rise of those who considered landlord demand to be stable (50%).



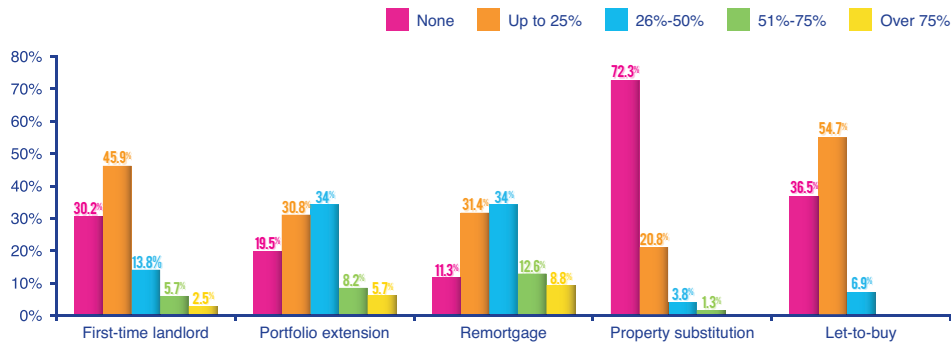
Buy-to-let mortgages

Of all buy-to-let mortgages in Q3, more than a third (36%) were remortgages - the highest proportion since 2012. Two out of ten cases were for first-time landlords.



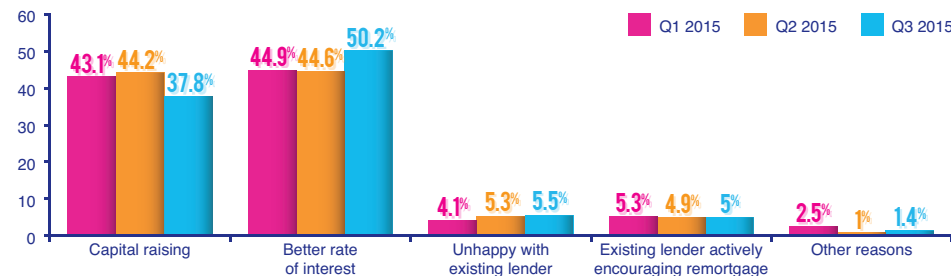
Reasons for obtaining buy-to-let mortgages

In Q3 the most prevalent reason for obtaining a buy-to-let mortgage has been to remortgage with more than a fifth of respondents (21%) saying that more than half of their buy-to-let business was for this purpose. 14% of respondents indicated that buy-to-let mortgages were arranged for the purposes of expanding a property portfolio, while 8% of financial advisors said more than half of their business was with first-time landlords.



Distribution of buy-to-let remortgages by purpose

Capital raising and securing a better rate of interest were the dominant reasons for remortgaging in Q3 accounting for 38% and 50.2% of financial advisors businesses respectively. These figures are largely in-line with previous quarters and the trend throughout 2015, although capital raising has dipped slightly since Q2, while the percentage of applicants seeking a better rate of interest has grown.



About FACT

Established in 1995, Paragon's quarterly Financial Adviser Confidence Tracking Index (FACT) highlights intermediaries' general views on the performance of the mortgage market and on developing trends. Our FACT Index summary report provides a snapshot of the survey's key findings.

About Paragon

Paragon is a leading specialist lender of buy-to-let mortgages to landlords and residential property investors in the UK, a loan servicing provider for third party clients and an active acquirer of loan assets and portfolios. Paragon has most recently established a banking subsidiary, Paragon Bank.

Paragon has £10.5 billion of loan assets under management. Since being established in 1985, it is the only specialist lender to maintain an independent position within the UK mortgage market.

The Group is a member of the Council of Mortgage Lenders, the Intermediary Mortgage Lenders Association, the National Landlords Association and the Association of Residential Letting Agents Lender Panel.