

Form MM

Specialist Mortgage Institutions

Analysis of Secured Lending to Individuals & Individual Trusts

General

This form provides analysis of sterling and euro secured lending to individuals and individual trusts and is to be completed monthly by institutions specifically asked to do so by the Bank of England, within ten working days of the end of the month.

The Bank of England requires this information for monetary policy purposes. The Bank publishes the secured lending data in a monthly press release on lending to individuals; and these and the data collected on the form MQ contribute to the UK national and financial accounts statistics compiled and published by the Office for National Statistics.

The reports should be returned to the Bank's Monetary and Financial Statistics Division within ten working days of the month end to which the report refers.

Form MM – Analysis of secured lending to individuals and individual trusts sector.

This form covers the mortgage business undertaken by all members of the reporting group. The reporting institution is requested to list on the form (below supplementary information) those parts of the group whose business is included on the return (and those companies excluded, if any). Institutions are requested to pay particular attention to the treatment of securitisations held by companies within the reporting group and those held by companies outside the reporting group.

Lending includes:

Mortgage loans (in sterling and euro) to individuals and individual trusts (excluding housing associations) secured by mortgage on residential properties (both freehold and leasehold) which are or will be occupied by the borrower, or which are rented (ie let to others). If any part of the property is used for non-residential purposes, the mortgage loan should not be reported in this form. However, mortgage loans secured on property where the occupier works at home but no structural alterations are required to return the property to full residential use may be reported here.

Include bridging finance (both secured and unsecured)

Reporters should note:

The data include all loans secured by mortgage on residential properties, irrespective of their purpose (e.g. house purchase, home improvements, or car loan). Reporters are required to separate mortgages into first and other mortgages. First mortgages cover mortgages where the reporting group holds the first charge on the security and further advances where the reporting group already holds the first charge. Other mortgages cover loans where the reporting group holds only a second or subsequent charge on the security.

The treatment for specific negative equity products is as follows: where banks can separately identify the element of negative equity which is not fully secured, this amount should be included under 'other' advances to individuals on the form MQ item 18b and the fully secured element should be included under loans secured on residential property on the form MM under item 2. Where these two elements cannot be separately identified, the WHOLE amount of the loan should be regarded as secured and included under loans secured on residential property on the form MM.

Do not deduct provisions for bad and doubtful debts. Instead, show all loans and advances gross and include any resulting provisions in item 10 on the MQ.

Secured lending includes flexible mortgage loans which are defined as having some or all of the following options -

- (a) The original loan can be increased up to an agreed limit by:-
- Making reduced monthly payments
 - Making no monthly payments for up to eg two months per year or for six months throughout the life of the loan
 - Taking further advances to replace other debts, or for home improvements, cars, holidays etc
- (b) Repayments can be accelerated by
- Increasing monthly payments
 - Making lump sum payments
- (c) Overpayments can be re-drawn
- (d) The standard 12 months' repayments can be repaid in 10 monthly installments.

MM form details

Item no	Analysis of secured lending to individuals and individual trusts
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1	Amount outstanding at the previous reporting date
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Include here the amount outstanding at the previous month-end (as would have been reported under item 9).

2	Gross advances completed during the month
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This item should include only gross new loans (ie should not include repayments and other adjustments) which contribute to the amount outstanding in item 9. It therefore comprises new loans advanced in the month, further advances made on existing loans, together with further payments on draw-down products and sundry debits. Where a retention is being made only the actual money lent should be reported ie if the loan is made in instalments further sums lent under such an arrangement should be recorded as

they occur. It also includes bridging loans. Any packages of loans secured on residential property acquired from other lenders should be excluded from this item and entered under item 7 below. In the case of an existing borrower who increases a loan with the same institution, only the additional amount of the new loan should be reported.

Added o/a Stats
Notice 2010/06

However, for customers with flexible mortgages where the facility increases automatically when overpayments are made, any drawdowns of those overpayments should not be reported in item 2, but instead should be reported as a negative amount in item 4. Wherever possible, internal refinancing (remortgaging with the same lender) should also be excluded from this item, unless it also gives rise to an increase in the amount of the loan in which case, again, only the additional amount of the new loan should be reported. It does not matter whether or not the loan is for the purpose of house purchase. **Any advances reported here will have had corresponding approvals reported within item 11, either in the same month or in a previous month.**

Added o/a Stats
Notice 2010/06

3 Full redemptions of principal during the month (where identifiable)

Include here all repayments representing full redemption of principal (where these can be identified). Where full repayment arises from the maturing of an endowment policy or when a re-mortgage to another lender takes place, the amount of the full redemption should be reported here. If these cannot be separately identified, they should be included within item 6 below.

4 Partial redemptions of principal during the month (where identifiable)

Include here only partial lump-sum repayments (where these can be identified) of principal which take place outside the normal repayment schedule. This includes that part of total monthly repayments of flexible mortgages in excess of the sums shown in indicative repayment plans provided by the lender (which advise the borrower eg how much would need to be repaid each month to clear the debt by normal retirement age). If these cannot be separately identified, they should be included within item 6 below.

Added o/a Stats
Notice 2010/06

Additionally, for customers with flexible mortgages where the facility increases automatically when overpayments are made, any drawdowns of those overpayments should be reported as a negative amount in item 4.

5 All other repayments of principal during the month (where identifiable)

Include under this item all regular repayments of principal, including repayments of flexible mortgages up to the sums shown in indicative repayment plans provided by the lender (see previous paragraph). If it is difficult to divide regular payments between principal (which should be entered here) and interest (which should be entered under item 6) then estimates are sufficient. Exclude from this item amounts written-off (which should be entered under item 6) and any mortgage portfolios disposed of (which should be entered under item 8).

6 Unanalysed repayments during the month

Institutions who are unable to separately identify repayments for items 3, 4 or 5 above should enter the total amount of repayments during the month under item 6.

Also include under this item all changes to the amount outstanding which are not included elsewhere (e.g. interest charged during the month less interest paid, all fees charged, write-offs, etc). Reductions should be reported as negative figures, and increases as positive figures. It should be understood that a degree of estimation in completing item 6 is entirely acceptable within the statistical context for which the information is required.

7 & 8 Mortgage portfolios acquired and/or disposed

Mortgage portfolios acquired represents balances on any relevant loan book acquired during the month from another lender. Books sold represents balances on any relevant loan book (ie packages of loans) sold during the month to another lender. It should cover only that business which is taken onto/removed from the reporting group's own balance sheet. Business which is administered on behalf of a third party should be excluded (these should be reported in item 10). Transfers of packages of mortgages between companies within the reporting group should be excluded. Securitisation of any mortgages should be included within mortgage portfolio disposed of (unless the securities continue to be held within the reporting group).

9 Amount outstanding at current reporting date

The outstanding mortgage book records the total amount of mortgages outstanding at the end of the month. Include only lending that is on the balance sheet of the reporting group. Business that is administered but not on the reporting group's own balance sheet should be included in item 10. Securitised mortgages should be included if the vehicle company issuing the securities and holding the mortgage assets is included among the companies reporting the form.

Item 9 is equal to the amount outstanding at the previous reporting date (item 1) *plus* items 2, 6 and 7, *minus* items 3,4,5, and 8. At end-quarters item £9F will equal £18A on Form MQ, while £9O will contribute to £18B on the MQ form. This item should also equal item 1 on the following month's form.

10 Other mortgage balance managed

This represents the total amount of mortgage loans outstanding which are administered by the reporting group but are not on the reporting group's own balance sheet.

11 Value and number of approvals made in the month

These items look at approvals made since the end of the previous month for loans which may eventually be included in items 2 and 9, ie loans to individuals and individual trusts secured on residential property in the UK. An approval for house purchase refers to the firm offer (usually after a survey has been conducted) to a customer of a credit facility linked to a specific house or other dwelling (including second properties). Institutions should include the total of agreed advances (whether or not the mortgage offer has been accepted by the prospective borrower), along with amounts recommended for retention, all instalment elements and further advances. They should exclude any loans secured

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Stats Notice
2009/07

on residential property acquired as a package from other lenders.

Data on approvals (and cancellations) should be further split into those for house purchase, for identified remortgaging, and for all other advances. Where they cannot be analysed, they should be entered in the unanalysed box.

House purchase (item 11a) includes new mortgage lending where the borrower is moving property, and lending to first-time purchasers. Where identifiable, it should exclude any sum approved in excess of that required to finance a house purchase in order simultaneously to replace non-mortgage debts, or to finance home improvements, cars, holidays, etc, which should be included in item 11c.

Identified remortgaging (item 11b) occurs when a borrower who is the existing owner-occupier redeems his/her current mortgage in favour of an alternative form of borrowing secured on the same property. A remortgage would represent the financing of an existing property by a different mortgage lender. Where a borrower changes mortgage arrangements with the same lender (internal refinancing), this should be excluded in the approvals analysis wherever possible, except when the borrower is increasing the overall mortgage debt in which case the net increase should be reported as a further advance in item 11c. Any re-mortgaging for other purposes (eg home improvements) should also be excluded from these lines and be reported instead under other advances (see below). Similarly, where identifiable, these items should exclude any sum approved in excess of that required to refinance a mortgage loan from another lender in order simultaneously to replace non-mortgage debts, or to finance home improvements, cars, holidays, etc, which should be included in item 11c

Approvals for all other advances (item 11c) include any loans secured on residential property which are for home improvements, cars, boats, etc.

Where identifiable, they should include any sum approved in excess of that required to finance a house purchase, or to refinance a mortgage loan from another lender, in order simultaneously to replace non-mortgage debts, or to finance home improvements, cars, holidays, etc. Where a customer with a flexible mortgage is granted a facility other than for house purchase or remortgaging, either at the same time as they are granted a facility for one of these purposes, or separately on application to the reporting institution, the approval should (where identifiable) be included here. However, where their undrawn facility increases automatically by the sum of overpayments that they make, no approval should be included here.

Where the purpose of the approval cannot be identified, the value and number of such approvals should be entered in item 11d.

Added o/a Stats
Notice 2010/06

12 Value and number of cancellations identified during the month

Include here the value and number of cancellations of approvals which have been identified during the month by the reporting institution, where an approval has been made

(and included in this return, either this month or in a previous month) but not taken up, and the outstanding approval has then been cancelled by the reporting institution. The further breakdown of these items is set out in the preceding definitions for item 11.

Reporters are requested to check that the following relationship applies to both the amount of mortgage book outstanding and the number of mortgage loans outstanding in consecutive months:

LOANS TO INDIVIDUALS SECURED ON RESIDENTIAL PROPERTY

1	Amount outstanding at previous month	
9		
2	Gross advances in the month	<u>Includes :</u> New lending Increased lending Remortgaging <u>Excludes :</u> Acquisition of packages of loans Internal refinancing Capitalised/deferred interest and sundry debits
-		
3 to 5	Redemptions during the month	<u>Includes :</u> Full or part redemptions Repayments of capital on repayment/annuity mortgages <u>Excludes :</u> Sale of mortgage portfolios
9		
6	Unanalysed repayments during the month	<u>Includes:</u> All changes to amounts outstanding not included elsewhere (e.g. write-offs)
9		
7	Mortgage portfolios acquired	
-		
8	Mortgage portfolios disposed	
=		
9	Amount outstanding at current reporting date	<u>Includes :</u> Capitalised interest Deferred interest Sundry debits/credits (which are not added to loan) Write-offs

Accurate and timely reporting

The Bank attaches great importance to timely and accurate reporting. All institutions should ensure that they have adequate staffing, internal controls and other arrangements in place so that they can provide accurate information in accordance with these requirements (estimates are acceptable where indicated) and reporting timetables.

The Bank of England Act 1998 makes it an offence to fail without reasonable excuse to comply with the information requirements imposed under the Act, or to knowingly or recklessly provide information that is false or misleading in a material way. It is therefore important that those involved in completing returns should seek advice from the Bank if they have any difficulties and, if they are unable to resolve those difficulties, add any necessary qualifications to the returns. Where there are such problems, institutions should not delay submitting the returns. It is also essential that institutions should not feel deterred from correcting, qualifying or adding to information already provided.

Information powers of the Bank; offences; restrictions on onwards disclosure of information

(a) The Bank of England Act 1998

The Bank of England Act 1998 gives the Bank powers to obtain information, in Section 17 (for the Bank's monetary policy function) the Bank of England (Information Powers) Order 1998, which came into force on 1 June 1998, specifies the types of financial affairs about which the Bank may require information under Section 17 of the Act¹.

Sections 38 and 39 of the Act define the offences of failing to supply the information "without reasonable excuse", and of knowingly or recklessly supplying information which is "false or misleading in a material particular", and the penalties. Given the good reporting record of most institutions, we do not envisage that it will be necessary to invoke these sections of the Act; and we would intend to issue written warnings to poor reporters, before taking any legal action.

Schedule 7 of the Act¹ restricts the onwards disclosure of information relating to the business or affairs of any person obtained by the Bank under these powers, unless (a) the information has been made available to the public from other sources or (b) is summarised or collected in a form so that no information on a particular person can be ascertained from it or (c) the Bank has gained the consent of the supplier of the information and, if different, the person to whom the information relates. The Bank may nonetheless disclose the restricted information to enable or assist it to discharge its functions as a monetary authority or as a supervisor of payment systems. The Bank may also disclose the information for certain other purposes specified in Schedule 7; for example it may disclose information to other authorities listed in paragraph 3 of Schedule 7 (e.g. the Financial Services Authority and the Office for National Statistics) to enable or assist those authorities to discharge certain specified functions.

(b) The Data Protection Act 1998

The personal details of the contact person(s) at your institution are held in accordance with current data protection legislation. Monetary & Financial Statistics Division may share this information with other parts of the Bank and the Financial Services Authority. Individuals have the right to ask for a copy of information held about them in our records, for which they may be charged a small fee, and to require us to correct any inaccuracies, by writing to the Data Protection Officer, Bank of England, Threadneedle Street, London EC2R 8AH.

¹ Section 17 and Schedules 2 and 7 of the 1998 Act and the Information Powers Order were subject to certain consequential amendments with effect from 1 December 2001 to reflect the coming into force of the principal provisions of the Financial Services and Markets Act 2000 on that date.
May 2004