

# Fair Value Assessment

Information for Distributors

*Professional*



# Introduction

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## Our approach to meeting the Products & Services Outcome and Price & Value Outcome – Information for distributors of the Product.

It is designed to support your compliance with your responsibilities under PRIN 2A.3.16 R and PRIN 2A.4.16 R. You are ultimately responsible for meeting your obligations under 'The Consumer Duty'.

This information is intended for intermediary use only and should not be provided to customers.

## 1. Summary of our assessment

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We have assessed that:

- Our Professional mortgage product range continues to meet the needs, characteristics, and objectives of customers in the identified target market
- The intended distribution strategy remains appropriate for the target market
- The Product provides fair value to customers in the target market (i.e. the total benefits are proportionate to total costs).

## 2. Product characteristics and benefits

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The Hodge Professional mortgage is a residential mortgage for individual or joint borrowers who are at least 21 years old at the point of application, who are either a current residential property owner or are preparing to purchase a residential property. The Product is designed to suit the needs of qualified career professionals that are likely to have complex incomes that require a more bespoke understanding from both the lender and advisor. The product features and criteria are designed to support these needs.

For Professional products, value is derived from product attributes, such as:

- The product being portable
- Offering legal fee assistance for re-mortgaging
- The annual Flexible Repayment Option (FRO) allowance
- The ability to consider multiple and complex income streams to support affordability
- The ability to apply for contract (mid-term) variations.

Full eligibility criteria can be accessed on our intermediary website via [this link](#).

## 3. Target market assessment and distribution strategy

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This target market assessment matrix segments the target customers for the Product, recognising their different needs to enable you to tailor the services you provide when you distribute the Product.

### 3. Target market assessment and distribution strategy (continued)

The Product is not designed for customers who:

- Are under the age of 21 or over the age of 75 at the point of application
- Are purchasing a property to let
- Are credit impaired borrowers
- Require a part and part mortgage
- Do not meet our lending or property criteria
- Are not a qualified professional as per our defined criteria set

Customer Circumstances	Distribution Strategy	Customer Needs and Objectives
<p>Individual or joint borrowers who are at least 21 years of age and no older than 75 at the point of application, who are either a current residential property owner or are preparing to purchase a residential property.</p> <p>Borrowers requiring either an Interest Only or Capital Repayment mortgage with the flexibility of being able to make annual capital overpayments.</p> <p>Borrowers that require a higher Loan to Income (LTI) or Loan to Value (LTV) to meet their needs.</p>	<p>Available through Intermediary* channels only.</p> <p>Available through advised sale only.</p>	<p>Borrowers needing to use earned income to the earliest of age 80 or planned retirement age.</p> <p>Borrowers that may not have more standardised income validation.</p> <p>Borrowers that need higher than standard income multipliers (i.e. &gt;4.5) but have an upward career path leading to higher future income.</p> <p>A dedicated product set for career Professionals where we consider 100% of all validated incomes.</p>
<p>*Intermediary distribution through:</p> <ul style="list-style-type: none"> <li>• Networks and their Appointed Representatives</li> <li>• Mortgage clubs</li> <li>• Directly authorised mortgage intermediaries.</li> </ul> <p>All intermediaries must be registered to place business with us and have the appropriate regulatory permissions.</p>		

### 4. Customers with characteristics of vulnerability

Professional customers have complex incomes that require a more bespoke understanding. Our initial research showed that they may be more time poor than other customer segmentations and therefore require a greater degree of support. They may also have less financial experience as they are predominantly either first time buyers or in the earlier stages of their careers, and it is likely to include some customers with characteristics of vulnerability or who will experience vulnerability over time.

Together with additional credit requirements, such as enhanced income multiples to support higher lending requirements of this demographic, this can impact on the amount of loan requested in comparison to a more mainstream 'term' mortgage available in the market and therefore the Professionals mortgage will not be suitable for everyone. Specialist mortgage advice should be obtained, and Hodge only accepted advised business from suitably qualified intermediaries.

We considered the needs, characteristics, and objectives of customers with characteristics of vulnerability at all stages of the design process for this Product to ensure the Product meets their needs.

## 4. Customers with characteristics of vulnerability (continued)

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We have also tested the Product, at outset and throughout the lifecycle of the Product to assess whether it will meet the identified needs, characteristics, and objectives of the target market, including customers in the target market who have characteristics of vulnerability.

We have in place a framework to achieve good outcomes for vulnerable customers, which includes:

- Education and training for our staff to ensure they have the appropriate skills and experience to recognise and respond to the needs of vulnerable customers
- Suitable customer service provision and communications including regular review of customer feedback and testing of communications to ensure they are clear and not misleading
- Flexible policies, where appropriate, to support vulnerable borrowers
- Monitoring to ensure we continue to meet and respond to the needs of customers with characteristics of vulnerability.

Intermediaries should continue to comply with your obligations to ensure that you treat customers in vulnerable circumstances fairly.

Please get in touch if you need any further information about how we support the needs of all our customers in relation to the Product.

## 5. Our assessment of value

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We have developed a comprehensive and robust assessment process which evaluates several aspects of our business to determine the value of our mortgage product. This analysis is used to ascertain whether the Product delivers fair value for customers.

The outcomes of the assessment process are presented to the Product Committee, allowing for challenge and further investigation before we sign-off the outcomes and share the summary of our assessment with you.

Our fair value assessment has considered the following:

Benefits	Price	Costs	Limitations
The range of features that the Product provides, monitoring of how customers utilise the features, the quality of the Product, the level of customer service that is provided and any other features that the Product may offer.	The interest rates, fees and charges customers pay for the Product, comparable market rates, advice fees paid to intermediaries and non-financial costs associated with operating the Product.	The cost of funding and servicing the Product.	Any limitations on the scope and service we provide or the features of the Product.

## Results of our assessment

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Based on the information detailed above and full review of all key considerations it is our conclusion that, at this time the Professional mortgage continues to deliver fair value for customers in the defined target market for the Product.

We will continue to monitor in line with our obligations and commitment to supporting you to deliver good customer outcomes and should our conclusion change we will inform you accordingly.

**We appreciate every case is as unique as the mortgages we provide so if you've got a case with a story, get in touch today, we'll work with you and be your voice at Hodge to help you get the most for your customer.**

**Contact our BDM's today: 0800 138 9109**



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