

## Living on the frontline (as a risk officer)

Team

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Jason Shead likes to describe his new role at Hertfordshire-based bridging lender, TAB, as “a second line of support” for underwriters, to use a military analogy.

As the chief risk officer tasked with the development of lending policy and procedures at the firm, his job also involves identifying potential red flags for both brokers and investors. Shead (pictured) describes his role in more stark terms, however, particularly in light of the market's current volatility.

"The way of the world and its craziness at the minute, a risk person is needed now more than ever," he told *Mortgage Introducer*.

With ballooning inflation, a cost-of-living crisis as severe as any in recent memory and soaring interest rates (by the time you read this, the base rate may have climbed another 75 bps, courtesy of the Bank of England's monetary policy committee), chief risk officers know the months ahead will be hard for the mortgage industry, mostly because uncertainty has crept into the equation.

"When you're looking at specialist lending, it's certainly more about having an eye on where your development project might end up," he revealed. "House prices are obviously uncertain, so when you're looking at an end value of a project in 18 months' time, it might not actually be that value."

He went on: "If you're doing a short-term bridging (loan), the client might want to obtain a buy-to-let mortgage later on – say in six or nine months' time – but by then the market rate for that might be significantly higher than it was, so you question whether they can obtain that mortgage. You really do need to understand your exits in a more granular fashion... like trying to predict the future".

Shead started his new role at the beginning of October, shortly after the mayhem unleashed on the housing sector by the Liz Truss government's ill-conceived mini budget, which caused borrowing costs to jump even higher.

It begged the question of why he decided to start afresh at this critical juncture. The answer lies partly in the close ties he shares with TAB's CEO and founder, Duncan Kreeger, having previously worked for him, and his ambitions for the firm.

"I understand where Duncan would like to go in the future - he has quite aggressive scaling plans - and I feel I can play a really significant part in that," Shead replied.

With two decades of experience in the financial services sector, Shead witnessed the last financial crisis from a unique vantage point as he was working at Lehman Brothers at the time of the 2008

crash. Inevitably, he was asked if today's crisis felt in any way similar.

"It certainly doesn't feel as severe," he said. "The uncertainty is more protracted this time around. (In 2008) it was an immediate shock - things just erupted. Everyone in that sphere was lending at 90%-95% with no income - it was cavalier at best, but lessons were learned from that, and I think that's helped with having more stability now."

But while banking standards have no doubt improved, the road ahead for the mortgage industry is unclear, thanks to an economy that's plagued with mounting debt and - that word again - uncertainty.

That's now spilling onto the lending market as funding costs are rising and will ultimately have to be passed on to clients. But despite the turmoil, there are still products that are proving their worth with lenders, namely in development/heavy refurbishment and with high net worth transactions.

"We're able to deploy large amounts of capital - it might be a £50 million asset and they need a few million for other reasons. There's a lot of that around at the moment where we've got asset rich, cash poor customers."

As for brokers, what advice could he give them?

"It's about finding lenders that have multiple funding lines, rather than relying on a single one or two. Find your funding partner that can be open and honest - there are many out there that are suffering from liquidity issues or who have funding lines that are not profitable anymore. At TAB we do have that luxury of being able to fund without too much of a concern."

*As seen in the press: Mortgage Introducer*

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