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> Chain Mender Limited

Quantitative Research Results

04/09/07

Method

- 156 interviews were conducted on-line between Thursday August 23rd and Tuesday August 28th, 2007
- All respondents were recruited from Research Now's on-line panel
- All currently live in a freehold property with a garden and mortgage
- All had sold and bought their property in the last 12 months or were planning to sell their property and buy another in the next 12 months
- With, in both cases, the value of the property owned being less than £500,000 and greater than £90,000



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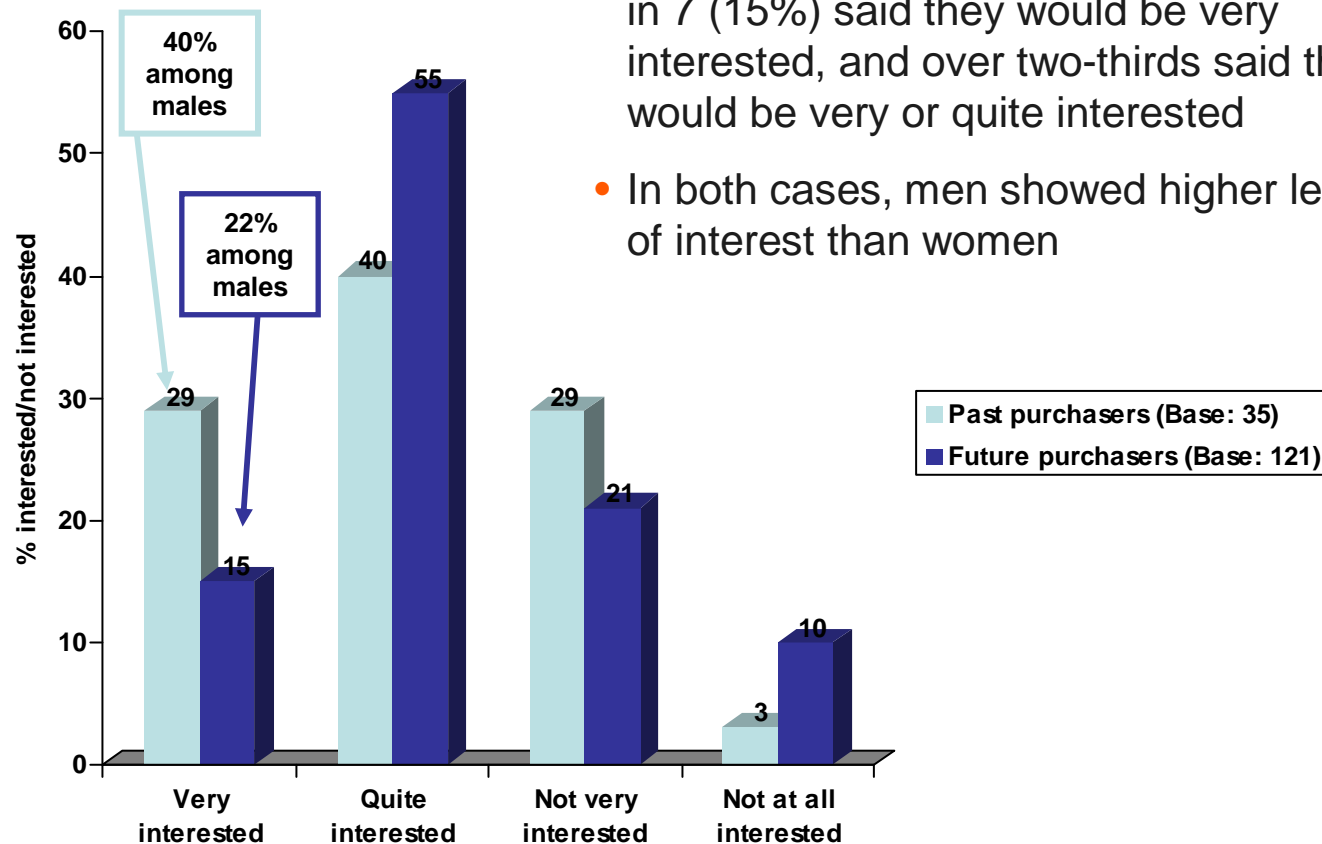
> Main Findings

Q6/Q7/Q11/Q12 Price of house sold and house bought

	Average price of sale	Average price of purchase	% Increase
Past Purchaser	£150,400	£189,900	+26%
Future Purchaser	£174,300	£193,900	+12%

Q8/Q13 Interest in ChainMender™ (in response to concept – see appendix)

- More than 1 in 4 (29% of) past purchasers said they would have been very interested, and over two-thirds said they would be very or quite interested (NB 'very' is a more reliable indicator of behaviour than 'quite')



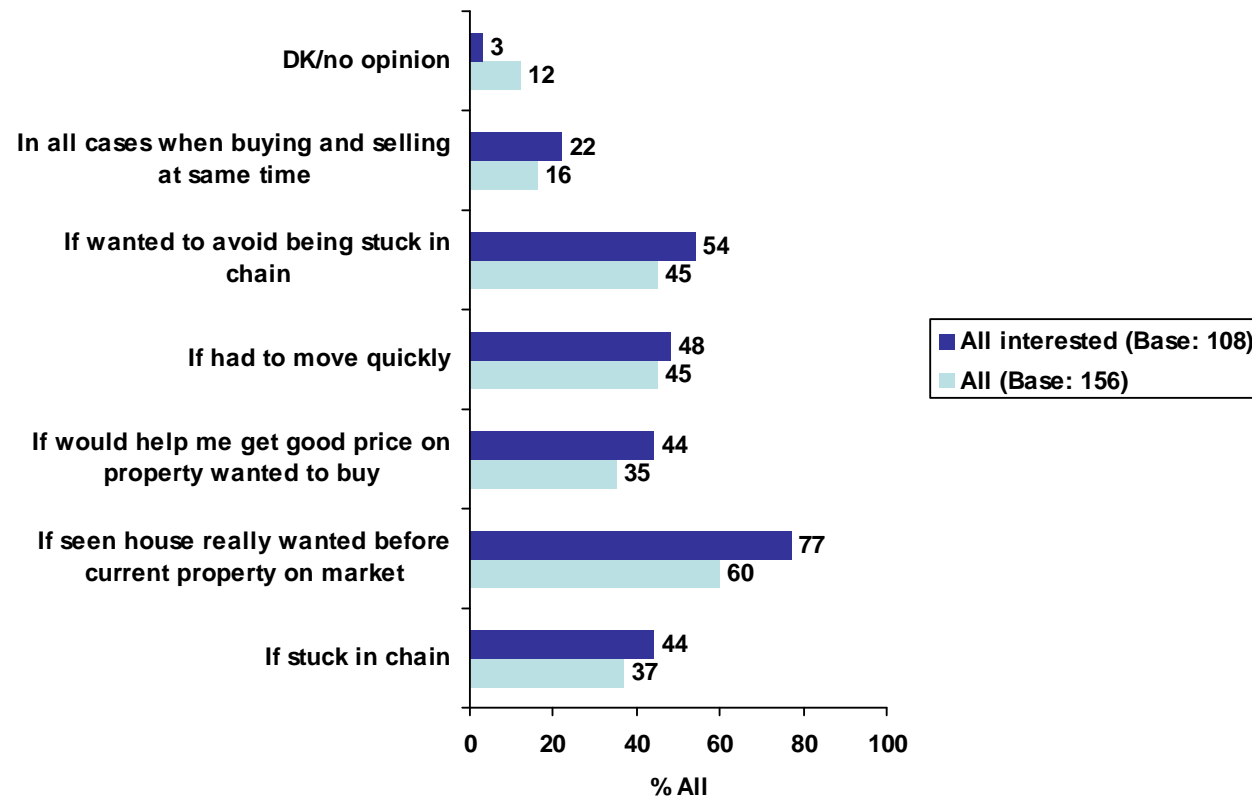
- Future purchasers were less sure, but 1 in 7 (15%) said they would be very interested, and over two-thirds said they would be very or quite interested
- In both cases, men showed higher levels of interest than women

Q15/Q17 Spontaneously expressed reasons for interest

- Main spontaneously expressed reasons for interest were (in order of mention) :
 - Speed
 - The ability to buy/make a serious offer on a new property before selling their current property
 - Ease/convenience
 - The lack of a chain
 - Flexibility
 - And reduced stress
- Main spontaneously expressed reasons for a lack of interest were (in order of mention) :
 - Lack of trust in this very different concept from an unknown company
 - The amount of information which they found hard to understand
 - The additional cost
 - The desire to receive 100% of the value, not 90%
 - And the fact that they had sold/were planning to sell before looking for somewhere to buy
- Verbatim responses are given in the appendix

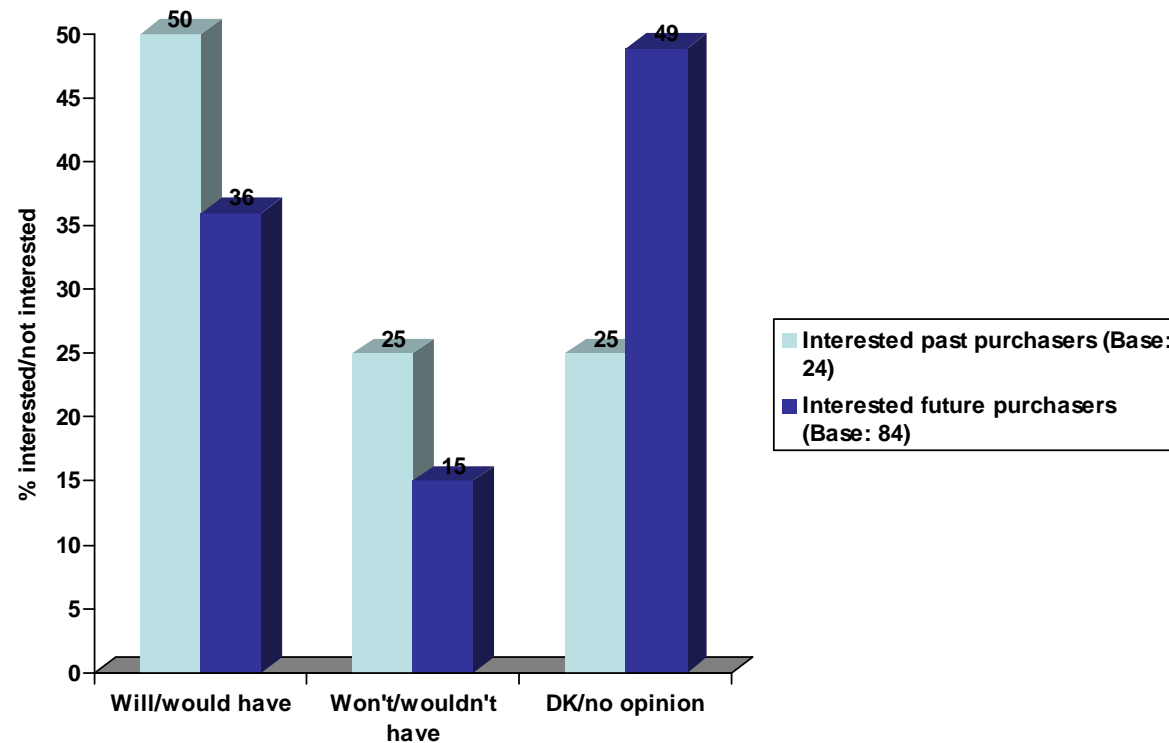
Q18 Under what circumstances would you consider ChainMender™? (Prompted reasons for interest)

- The main motivation for considering ChainMender™ would be to help secure a house they really wanted before their current house was on the market
- Other important motivations were chain avoidance, and the need to move quickly



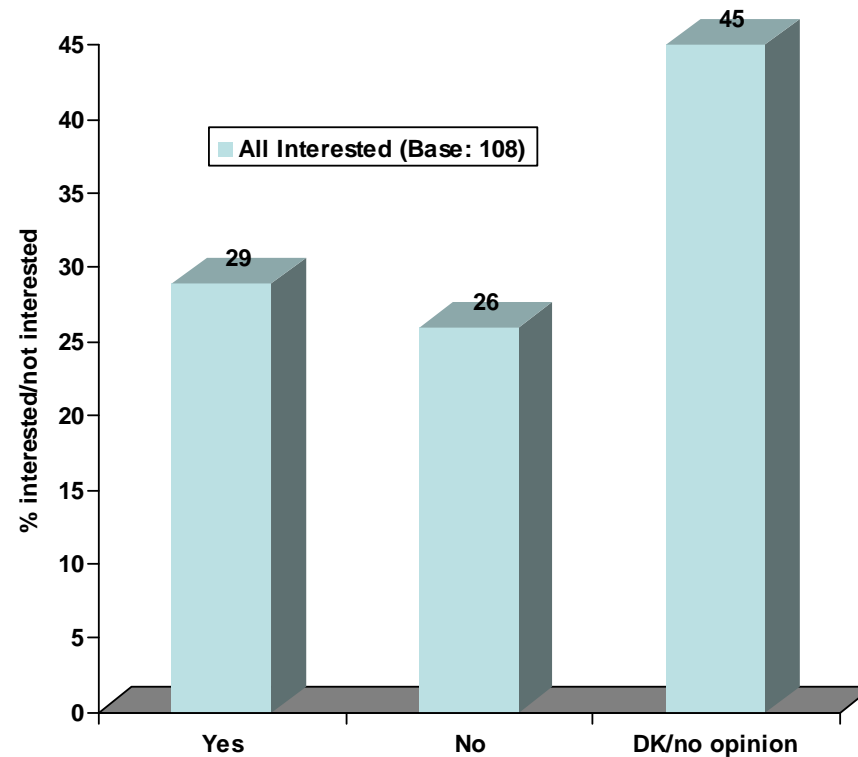
Q9/Q14 Would you have/will you draw down the loan?

- Half of those who had bought and sold in the last 12 months (and claimed to be interested in the product description) claimed they would have drawn down the loan.
- Those 'looking into the crystal ball' were less clear about their intentions (half had no views on their likely action), but one third did feel that they would be likely to draw down the loan.



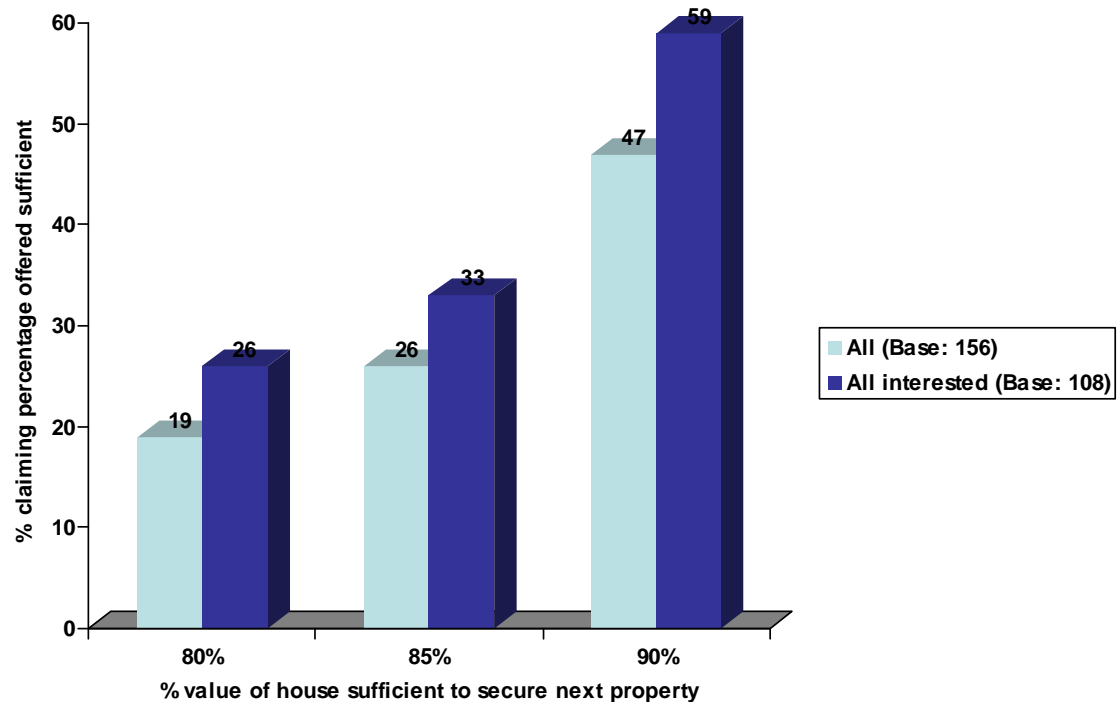
Q16 Would you still be interested if there was no profit share?

- Almost half found it difficult to say whether they would be interested or not if there was no profit share
- Just over half of the remainder said they would still be interested, just under half said they would no longer be interested.



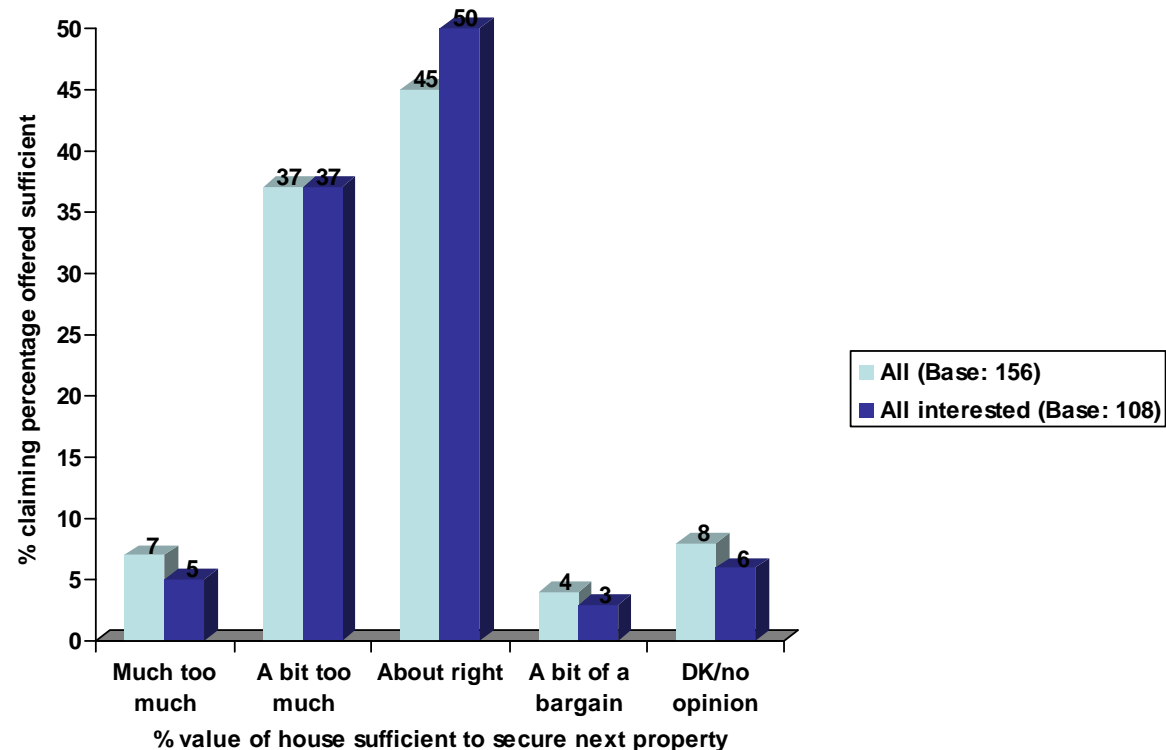
Q19-Q21 Will the stated percentage of the house value will be sufficient to secure their next property against competition?

- Nearly half felt 90% would be/would have been sufficient (well over a half of those interested), but only a quarter felt 85% would be sufficient (one third of those interested)
- And only a fifth felt 80% would be sufficient (a quarter of those interested)



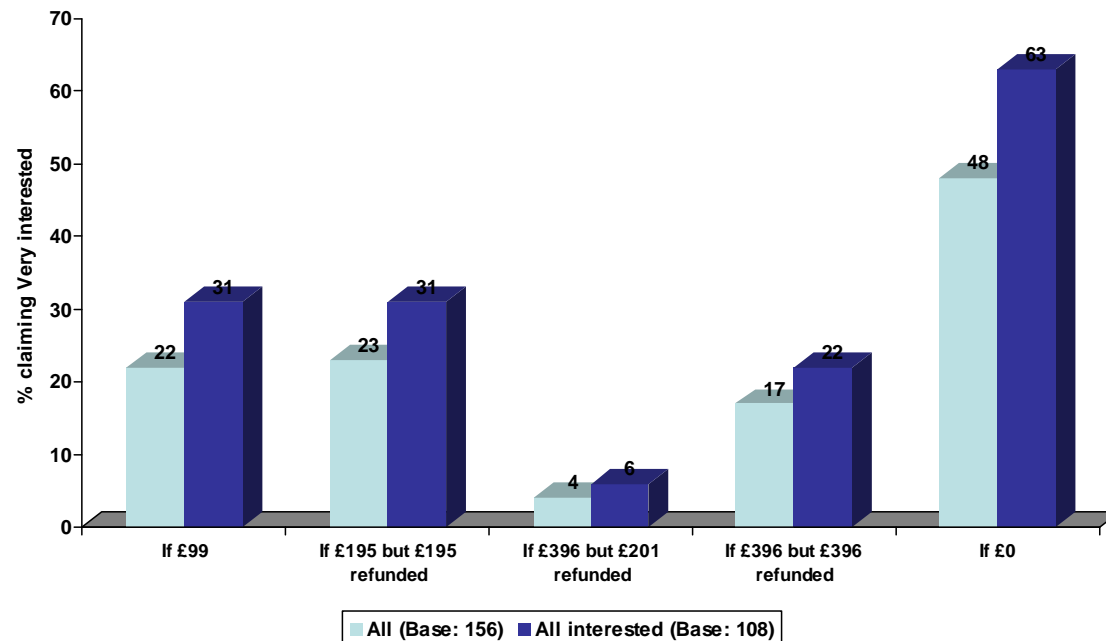
Q22 Attitudes towards the £195 Arrangement Fee

- Just under half of those expressing an opinion felt the £195 Arrangement Fee was about the right amount (half of those interested) ... but almost as many felt it was too much (a bit too much or much too much)



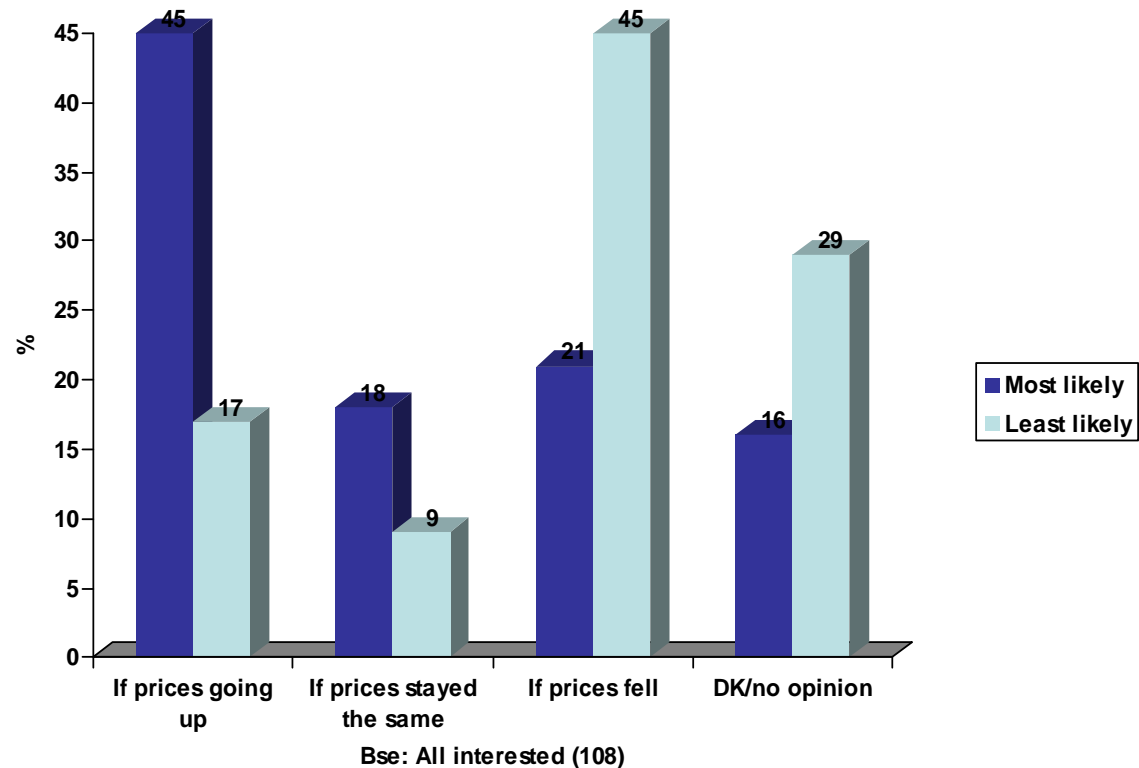
Q23-Q27 Attitudes towards different Arrangement Fees

- Inevitably interest was highest when there was nothing to pay at the application stage
- Dropping the Arrangement Fee from £195 to £99 raises the % claiming to be very interested from 18% of the total sample to 22% (however, given the sample size, this increase is not statistically significant)
- Changing it from £99 to £195 with a refund of £195 when the Terms and Conditions are signed has little effect on interest, but raising it further to £396 significantly reduces the level of interest (even when £396 is refunded if and when they sign the Terms and Conditions)



Q28 Circumstances most/least interested in ChainMender™

- Respondents claimed they would be most likely to be interested in ChainMender™ if prices were going up, and least likely if they were going down (hence prices staying the same was the 2nd most likely option)





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> Conclusions

Conclusions

- Taking all those claiming to be very interested and half of those claiming to be quite interested, the data suggests that approximately 45% will in reality be interested in ChainMender™ once launched (NB this is a typical approximation for new products).
- The main reasons for interest are the ability to secure the property they want to buy before selling, speed and chain avoidance.
- The main factors putting people off are lack of trust in ChainMender™ and the complexity of the product offer (with the latter feeding the former). Anything you can do to present the product in an easy, quick to read, and easy to understand way will raise trust and hence interest. In addition trust will be raised by estate agent recommendations when the estate agent is known and trusted.
- Inevitably lack of a profit share reduces interest, as does any suggestion that you will cover less than 90% of the valuation.

Conclusions (cont)

- Just under half felt the Arrangement Fee of £195 was about right (although many felt £195 was a bit too much or too much to pay):
 - Reducing it to £99 raised the level of interest slightly but not significantly
 - Raising it to £396 significantly reduced interest if there was no promise of any refund, but made no difference to the level of interest if there was a promise of a full refund when the Terms & Conditions were signed
 - Interest only rose when there was no arrangement fee to pay
- Respondents felt interest would be highest when prices were rising and lowest when prices were falling:
 - However, most will have limited experience of a falling market and may be unaware of the problems such a market might present
 - Conversely they will find it easier to understand the problems presented by a rising market



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- > Appendix 1:
 - Spontaneous reasons for interest/lack of interest
 - Product description

Spontaneously expressed reasons for interest

- *Breaking chain and being in a better position to make a purchase much quicker.*
- *I could move quicker*
- *Easier than estate agents*
- *Everything*
- *Interesting*
- *Flexibility, instead of being tied up waiting for the house to sell and possibly losing the house I want to buy.*
- *Being able to buy a property and not losing it because you haven't sold your own and they won't accept an offer.*
- *Move quickly*
- *The facility to be a cash buyer and it could speed up the buying process*
- *Cash price and very high chance of sell*
- *Turning me into a cash buyer which is a good bargaining position*
- *You can be a cash buyer*
- *Convenience*
- *Hassle free*
- *Less stress*
- *Low fee and more credibility*
- *Not getting stuck in a chain*
- *The ease of selling without the heartache of being let down*
- *I will do it*
- *Flexibility*
- *Being able to get an offer accepted on a house without losing it as haven't sold ours or it goes to a cash buyer.*
- *As 1 in 3 chains collapse it would provide more security when buying and selling that don't lose out on house want.*
- *Don't have to wait to sell your house to be able to buy the one you want*
- *Reduction of hassle and stress.*
- *I think that this takes a lot of the stress out of buying and selling, from the possibility of people pulling out. Also it makes you a more desirable purchaser, and may put you in the position of being able to negotiate a better price for a cash purchase.*
- *The ability to sell without getting into a chain.*
- *Fast buying*
- *Nothing*
- *Flexibility*
- *No worries about chains and being a cash buyer means a better deal could probably be made on the property I intend to buy.*
- *Good offer*
- *It seems to help organise the purchase of the new property/selling of the old property. And What it says makes a lot of sense.*
- *I am planning on moving abroad and this would really take away the stress of selling within a time frame and also give me funds to organise the move abroad and settle my debts here*

Spontaneously expressed reasons for interest (cont)

- *Speed*
- *Being able to secure the property we want without the worry of having to sell ours first*
- *Not getting tied up in a never ending chain*
- *Freedom of buying without a chain*
- *Allows you to move things quicker on the property ladder*
- *Flexibility*
- *The possibility of being able to buy the property I want without waiting to sell my home and at a reasonable cost*
- *Being a "cash buyer"*
- *Looks simple*
- *The idea that i would most like about it that there would be no hold up*
- *Flexibility*
- *The fact you can get it within 7 days*
- *It would give me a chance to purchase something I saw before my own house was sold.*
- *Being able to buy the house you want- not losing out because of waiting to sell present house- negotiating better price - cash buyer*
- *Not having to worry about selling our house before buying another*
- *Avoiding costly delays and breaks in the chain*
- *It's quick*
- *Seems like a low risk method of selling - would like to see full info first...*
- *Ability to act if you see the perfect house before having sold your own*
- *Ability to avoid a chain when purchasing a property.*
- *Easiness*
- *Being free to move*
- *Less hassle*
- *Less stress*
- *It is secure and guaranteed and lets you get the best price for your house*
- *Everything*
- *Flexible*
- *Quick time*
- *Allows you to move onto your new home without having to sell immediately*
- *Been able to buy the house you want without the risk of losing it to someone else if your house doesn't sell quickly*
- *Opportunity to secure a property without the risk of being entangled in a chain*
- *Ease of moving*
- *It's quick and easier buy than when in a chain and has less hassle*
- *Able to secure desired new property before completing sale of present property*

Spontaneously expressed reasons for interest (cont)

- *Being stuck in a chain can mean losing the home you want this option could avoid disappointment.*
- *This could give you the freedom to move when you want to.*
- *Get cash fast and do a quick sale with minimum amount of money*
- *The ability to look before you sell*
- *Can get the house you want before selling your own*
- *It seems an interesting and new idea, something I haven't come across before*
- *No worries of gazumping and losing the house I want*
- *The ability to move on a purchase before having funds from selling our present home*
- *Getting the house I want quicker*
- *Able to act like a cash buyer*
- *Save money*
- *Good new concept*
- *Easier to buy*
- *Less hassle as then you don't have to wait as long*
- *Quicker sale*
- *The ability to move quickly on a house purchase.*
- *The fact it gives you freedom from the chain*
- *Easy to buy and sell with not much to arrange in the transition period*
- *Quicker to sell*
- *The ability to get an offer in on a house posing as a cash buyer*
- *Quickness*
- *The concept of buying/selling is very stressful, chain free will not necessarily take away that stress, but the involvement time should be less.*
- *Not waiting*
- *Selling without using agents*
- *It gives you a little flexibility when buying*
- *Cash buying*
- *Removing us from housing chains*
- *It would enable me to secure a house before selling mine, giving me peace of mind that I would not get gazumped*
- *Taking the waiting out of the process*
- *Works to my advantage*
- *People selling their homes prefer chain free because it means they can sell them quicker.*
- *Frees up your cash*
- *No last minute back out further down the line*
- *It's easy and quick*

Spontaneously expressed reasons for not being interested

- *You would still have to find the other 10% of your home cost whereas most people rely on the selling of their previous home to pay the new home costs*
- *Too much information got bored reading it.*
- *Another additional cost, it's already expensive to move house.*
- *I'm going to sell before buying again so I will be in a good position to buy*
- *Because it sounds a bit dodgy*
- *Expensive*
- *Sorry, too much information and if you accept our terms, there are too many catches sometimes you have to be careful*
- *I'm getting a divorce and the money from my house will be split into 2 so it wouldn't be a viable option*
- *Do not see the need for an extra expense*
- *It is not a recognized brand and I am nervous about working with someone that is not known to me and would rather work with existing contacts.*
- *Not in hurry to sell*
- *House being sold due to separation/divorce.*
- *I have a buyer, and the transaction is already chain free. Otherwise I might be, but would want some more [independent] advice on it.*
- *Dont like the sound of it at all*
- *Want full price for my house*
- *Wouldn't trust anyone to give me a current acceptable offer on my house other than my estate agent*
- *Prefer to sell myself*
- *We sold our house and went into rented accommodation to avoid a chain and maximise our bargaining power.*
- *Am happy with current method of financing*
- *Never had a problem buying and selling before*
- *It is not appropriate for me*
- *Because having experienced how things can so easily go wrong I would prefer for a chain to flow smoothly than to get my hopes up in the first instance.*
- *It all sounds a bit too good to be true and if it was that clever, surely someone would have come up with the idea before now. Also, if I want to buy a house for more than 90% of the value of mine and I do not have the savings, what do I do?*
- *I didn't understand it*
- *I don't like loans - too much risk for me. I'd rather save up myself securing payment before I incur selling costs etc. or if I need to borrow I would ask the family.*
- *Don't trust the company - would need more details*

Spontaneously expressed reasons for not being interested (cont)

- *Don't trust the company - would need more details*
- *Need to keep 100% of value*
- *Just sounds a little risky, plus in the area we live in there is not the stiff competition for houses like there is in other places so it's not as big a problem to sell/buy*
- *Because we bought this house with resale in mind and we are for ever getting estate agents asking us to sell.*
- *I don't believe I will need the service*
- *Because you sell our house for less than its worth*
- *Sounds quite complicated*
- *When buying another property 90% wouldn't be sufficient , as I would want to put down 100% of the house sale on to the next property , without using another source of finance*
- *Not sure, would need to know a lot more*
- *Too much hassle*
- *Not sure I understood what it was about*
- *Seems a bit too good to be true and I've never heard of anyone doing this before*
- *Would prefer more traditional transaction*
- *Sound like they are going to make a lot of money out of me selling my house for little gain to me*
- *I am a cash buyer*
- *You are not offering the full market value of the house, and are making a substantial charge*
- *Because i am not comfortable with the concept. If it was suggested to me by my FSA, then fair enough, but "finding" this myself, I would not be sure...*
- *It does not appeal to me and in view of my age I would not apply for a mortgage*
- *I would like to receive the full market value for my house.*
- *Because I will be part exchanging*
- *Sounds not much different to a bridging loan which itself brings pressure to sell as fast as possible to avoid high charges...of one sort or another. In the meantime the lending company has very little risk in the whole transaction and stand to make lots of easy money. I'd have to be very desperate and slightly bonkers to go for this.*
- *Extra costs*
- *Sounds too much like a scam*

Product Description

CHAIN FREE™ allows you to become an effective '**cash buyer**' within **7 days** for up to 90% of the market value of the house you're selling whilst still enabling you to sell your existing property through your estate agent for the highest possible price.

CHAIN FREE™ enables you to:

- Quickly secure your next property (at home or abroad) against competition for the lowest price (every one prefers to sell to a cash buyer):
 - **Before** your estate agent starts selling your property
 - **Without** incurring any abortive fees
- Avoid or mend a chain.

CHAIN FREE™ costs just £195 (no VAT) if you accept our terms and conditions (i.e. using our estate agent to sell your house and agreeing to pay us a Facility Fee).

If you accept our terms and conditions you will receive a letter confirming that you have a loan facility you can draw down at any time during a 15-week facility period. This facility letter turns you into an effective '**cash buyer**' for up to 90% of the market value of the house you're selling (valued by our valuer).

If you sell your property within the 15-week facility period (which you will try and do for the highest possible price), you pay us a Facility Fee (1.25% of the Facility Amount or £1,500 – whichever is the greater) for keeping the facility available to you to draw down if and when you want it. If you don't sell your property, you can choose to draw down the loan facility (again you pay the Facility Fee) at any time. If you draw down the loan you must pay off the mortgage on the property you are selling with our loan (so that you can give us a first charge over that property as security for our loan). We then recover our loan by selling your house.

The loan is **interest free** and **no** personal guarantees are required. From the time you draw down the loan we pay all property costs (i.e. agents selling fees, maintenance, gardening, insurance, light and heat). The loan is a **non-recourse** loan, which means we can **only** recover the loan amount and no more. If we can't sell your property or if we sell it for less than the loan amount the loss is ours not yours.

If we sell your house for a sum between the loan amount and our valuation we keep the difference. If we sell it for more than our valuation you will receive 90% of the extra we sell it for with **no** deductions whatsoever. If you decide **not** to sell after all, that's fine and there will be **no** Facility Fee to pay.

In a rising market CHAIN FREE™ will help you secure your next home against competition, and in a flat or falling market it will give you a "**fall back**" if your sale falls through.



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- > Appendix 2:
 - Comparison with previous HPD Research

Interest in ChainMender™ v Interest in previous HPD products

- Interest in ChainMender™ is far higher than levels of interest expressed in previous HPD products researched in 2000
- The HPD research suggested that levels of interest were significantly higher if it was the only way of buying the property they'd set their heart on – and this research again suggested the key motivation was the ability to secure the house they wanted to buy before selling their current property

