negotiate exclusive products and terms because of the concentrated volumes they represent. Indeed, one new lender, Beacon Home Loans, declared on launch that it would only be distributing its products through RAMP members. PMPA also has its own exclusive deals. Tony Hughes, Director at Pavillion puts it this way:

"Packager alliances are a major opportunity, improving access to exclusive products".

Michael Clapper of Enterprise Group concurs:

"RAMP and PMPA are two bodies which are now adding real value to packagers, lenders, brokers and their clients through additional regulatory safety and exclusive schemes negotiated by the bodies themselves, on behalf of their members".

If PMPA and RAMP continue to develop in ways that promote higher and higher standards, I can see a role for them to play in helping the FSA achieve the appropriate regulation for packagers. It is interesting how markets create an opportunity that businesspeople then fulfil.

It is only because packagers have maintained their influence and status, shrugging off much of the criticism that has come their way, that bodies like PMPA and RAMP have a job to do. It will be interesting to see if they merge or remain separate.

If they become lenders of course - and both bodies have floated this idea - they will just become commercial players like the rest of us. Their trade body status will go and others will have to come and fulfil that role.

The future

As I see it, the future for packagers has the same ingredients as the future for mortgage lenders and all other players in the market, namely uncertainty; threats to those without robust business plans; opportunities for those that are preparing well, and a real chance to build substantial organisations, rather like the mortgage bankers we see in the US.

Branded lending, which promotes the packager's own brand, and which delivers control of the application through to completion will be an important status to acquire. Building from this, I can see some packagers establishing their own warehouse lines, either becoming regulated lenders in their own right or using the umbrella of a lending organisation like The Money Partners have done in partnership with Kensington.

In the case of the warehouse line approach, the security for bank borrowing is largely provided by the mortgage assets being generated. There is a small requirement for additional capital, but this may not be too onerous for a large packager set-up. This is the way that mortgage bankers have evolved in the US, albeit without the same type of regulation we have in the UK, and I see this as an important opportunity. So does John Rice:

"If lenders outflank packagers to go direct to the intermediary or consumer, what stops packagers outflanking their suppliers by going direct to the funding markets?"

Some packagers see the future enshrined in more IT investment, producing better and more sophisticated services and choices for intermediaries. Others feel that close association with certain lenders could drive the way forward.

Most of those researched do not necessarily agree with me that building societies and mainstream lenders pushing along the risk curve, and introducing sub prime for their members and regular brokers, is a particular threat. Paul Robinson of Solent Mortgage Services comments:

"I think there will always be the need for the role of a packager. Building societies and mainstream lenders do not have the relationships in the B2B market that most packagers have. Companies like us that have been around 15 or 20 years have built their distribution on relationships, and I don't see this changing".

David Wylie, Managing Director of C2 agrees:

"Packagers have demonstrated that against all odds they can adapt and thrive. The entry of building societies and mainstream lenders into the BC market will, although bringing additional pressure to bear, ultimately not endanger the packager. We would see this as a further maturing of the market and the raising of consumer awareness where such products are in existence".

There's something in this. The more building societies and mainstream lenders get into sub prime, the more the product will become "mainstream". That is a two-edged sword, however, because this will have the effect of commoditising the products and bringing down margins to a level that might not be able to sustain the current level of packager payment. The increasing willingness to outsource right across the economy generally is another factor in favour of packagers, according to Vic Jannels, Group Managing Director of All Types of Mortgages Limited. He says:

"A major potential benefit for packagers will result from the desire of all parties in the mortgage food chain to consider outsourcing requirements. Lenders will find that their market suffers peaks and troughs. A packager will provide a steady distribution outlet with minimal cost to the lender, who does not have to recruit and dispose of staff simply to manage these variations in market forces".

Tony Jones, Managing Director of Pink Home Loans also has strong views about how packagers need to prepare for the future:

"The future of packagers is in their own hands. The market will continue to evolve rapidly and packagers must ensure that they continue to add value to their customers. Some may specialise in pure packaging operations, but this is a dangerous strategy as it is likely that lenders will use their own or outsourced systems to achieve economies of scale. Other packagers may seek to broaden their offering through providing network services; if they choose this strategy they will need to ensure that, when consolidation occurs, they will be one of the winners".

A pattern for future success is therefore starting to emerge:

- Increased investment to provide enhanced services to brokers
- More control of the lending
- Closer associations with lenders
- Stressing the power of outsourcing
- Greater status through regulation and/or association with packager alliances
- No one model dominating

These are all good possibilities, in varying shapes and sizes, which could contribute to the future success of packagers. The critical point so far as I am concerned is one that does not appear in that list. It is the reason why so many brokers want packagers to sort out their problems for them, and why so many packagers are able and happy to do this.

It is why, against all odds, so many packagers have survived and thrived, even when nasty attacks have been made on them. It is the "secret sauce" of the packager world which institutionalised lenders may never fully appreciate. It is put better than I ever could by Paul Fletcher, Director of Zebra Home Loans:

"Most intermediaries and packagers are owner-operator organisations and this proprietor-to-proprietor relationship is powerful and persuasive".

Brokers and packagers are both owner-managers, trying to make a living by their own enterprise. The vast majority of those working for lending institutions have not risked their own money and are working for a salary. Therein lies your secret sauce.

Wrap up

Packagers have actually been around for more than 18 years, starting with Private Label's launch in 1987. The first group of packagers distributed mainstream products. The packager sector only really exploded in terms of increased supply when Kensington launched into sub prime in 1995.

Packagers have evolved the services they offer to brokers. Technology now plays a massive part in that. Regulation can help, or it may hinder: it depends on how and if the regulator extends its supervisory control into the packager world.

Packagers should worry less about channel conflict and concentrate more on accentuating the positives, of which there are many. New lenders coming into the sub prime market might be a threat, but they also represent an opportunity of more funding for this mature, outsourced market.

Will packagers survive? Never bet against a good entrepreneur.