

INFLATION, AFFORDABILITY AND HOW IT'S IMPACTING THE MORTGAGE MARKET

ELOISE HALL - INTERIM HEAD OF NATIONAL ACCOUNTS



We're regularly hearing updates about interest rates and inflation in the news, and with statistics such as 'it's the first time that the base rate has risen above 1 per cent since the 2008 financial crisis', you can't help but wonder what this means for you and your clients. It seems that just as the Covid pandemic has begun to ease, a string of economic shocks has taken its place and led to uncertainty and worry among many homeowners and potential buyers.

So how can we navigate through these challenging times? That was the main question I posed to Stephanie Charman, Head of Strategic Relationship at Sesame Bankhall Group, Robert Sinclair, Chief Executive of the Association of Mortgage Intermediaries, Alex Maddox, our Capital Markets Director, and Craig McKinlay, our New Business Director.



Market update

Alex began the webinar by outlining the volatile economic outlook we are currently facing. The cost of essential items such as energy and food has soared in recent months, sending inflation rocketing towards levels not seen since the late 1980s and putting considerable pressure on the Bank of England to raise interest rates.

Despite this, Alex explained that demand for new mortgages remains high. This is most likely because customers are trying to lock in new rates before the anticipated base rates increase costs further. So his message was clear... If your customers need to get a new loan, the sooner they do so the better.

Alex also outlined what this uncertainty means for Kensington customers. His belief is that, given the affordability assessments they undergo when taking out a mortgage with us, they enjoy greater borrowing power than is typically seen in the wider market and are very well placed to withstand the impact of this squeeze on incomes.



The challenge for first time buyers

Our panel kicked off by discussing the perfect storm which first time buyers are currently facing: economic uncertainty, rising interest rates, the end of help to buy and very low availability of housing stock. Given that renters are often forced to spend up to half their income on rent, it is increasingly difficult for anyone on an average salary to save for a deposit. For those who cannot rely on the bank of mum and dad, what options are there?

With no easy solutions available, our panel agreed that lenders must be flexible and look beyond the obvious. One such option from Kensington is our Flexi Fixed for Term product, which offers up to 95% LTV and an income stretch of up to 6x. With a range of 11-40 year fixed terms and flexible ERCs, this product has been designed especially to help those people who need to boost their borrowing and enjoy peace of mind about their repayments.



Your clients need you more than ever

As Craig highlighted, our lives - and finances - have become much more complex in recent years. As a result of Covid the number of self-employed has grown, while millions have relied on furlough payments. Others have taken career breaks or had significant changes in their income and, as a result, some people with otherwise good credit scores have, through no fault of their own, missed mortgage payments and experienced credit blips.

That means that the traditional products offered on the high street or through an aggregator may no longer be suitable for many. Advisors now play a crucial role in helping to cut through the confusion and provide clear, simple, personal advice.



Kensington Business Update

All our panellists underlined the importance of recognising and adapting to this new market reality. That is why it was even more important for us to close the webinar by highlighting the different customers we can offer enhanced affordability for:

- **Customers looking for long-term peace of mind**, and that security of a regular monthly payment that won't change over the course of their fixed term. Including first time buyers and remortgagers, our Flexi Fixed for Term product mentioned earlier offers up to 6x income
- **Higher earners**, applications where the income exceeds £100k can also benefit from up to 6x income, regardless of age or employment type
- **Our Hero mortgage range**, designed for specific key worker roles, offers up to 5x income, and
- **Our Professional mortgage range**, for certain academic professions, offers up to 6x income.

There are also other ways in which we can help buyers with a smaller deposit, especially as Help to Buy comes to an end. For example, we have partnered with new equity lenders Even and Propportunity to offer bespoke loan products, which we hope will help open the door for a whole new generation of first time buyers.

Thanks to our focus on developing innovative new propositions and partnerships, we have enjoyed record levels of business over the past six months. But we know we can't stand still. Among the many investments we're making across every part of the company, we have tripled the size of our underwriting team to ensure we can continue to offer exceptional levels of service. We have also been listening to what you have been asking for, and will very soon be launching a pre-offer live chat function, as well as having recently launched our fully digital product transfer portal.

My takeaway

The message from our panellists could not be clearer: We are now entering a very different economic environment to that which we have enjoyed over the past decade, and no one knows how long this uncertainty will last or how difficult things are going to get.

Just as the world is changing, so too must lenders and intermediaries change with it. Clients need more than just a standard 2 or 5 year fix, and they need more than the usual high street solutions. They need flexible, customised options, and they need a trusted advisor who can offer guidance, support and reassurance through the choppy waters that lie ahead.

For intermediaries therefore, now is the perfect time for you to add value, build a loyal client base and truly make a difference.



Eloise Hall - Interim Head of National Accounts .

Eloise joined Kensington Mortgages as National Account Manager in 2019, bringing a wealth of experience from both Leeds Building Society and Principality Building Society, and has worked with many accounts throughout the UK. Eloise has continued to grow Kensington's brand as an innovative and forward-thinking specialist lender, and in 2021 won the British Specialist Lender award for Lender: Business Development.

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