

HOW CUSTOMERS NEEDS HAVE EVOLVED AND THE IMPACT ON THE MORTGAGE INDUSTRY



I think it is safe to say that our lives now look quite different from how they were in March 2020.

Many of us have used this period to change the way we view our careers or our ambitions. Some have moved homes, cities and countries to enjoy new beginnings. Countless more have experienced financial pressures which have altered their outlook on life.

That's why this webinar is so important. It's crucial that everyone involved in the mortgage industry understands how customers' needs have evolved over the past 18 months, and what this might mean in the long term. Joining me for this conversation were Lawrence Bowles, Sales Director at Savills, Richard Merrett, Head of Strategic Development at SimplyBiz Mortgages, Danny Belton, Head of Lender Relationships at Legal & General, and our very own New Business Director Craig McKinlay.

Lawrence kicked off the webinar by giving an update on the current housing market.



Market Update

Over the summer we saw transactions around 10% higher than normal, and it is likely that September will record even stronger numbers as buyers rushed to beat the October 1st Stamp Duty Holiday deadline.

Yet while the Stamp Duty Holiday has undoubtedly encouraged many people to move homes over the past 18 months, there is much more to the current housing market than just this tax incentive. Lots of families have taken the opportunity afforded by lockdown to look for bigger homes away from the cities and in more affordable regions of the country. As a result, transactions

and rental rates in the major cities have tumbled over the past 18 months and there has been tremendous growth in areas such as Scotland, the North West and Wales. We expect that prices in the cities will inevitably pick up again as the pandemic eases, entertainment and leisure venues reopen and people once again return to work and their offices.

We've also seen a growing split in the market between those buyers who have large deposits saved up and those who don't. For those with significant equity lenders have been offering record low mortgage rates, while buyers with low deposits have faced significant affordability hurdles.



Going Green

The panel began by discussing whether green mortgages are having the desired impact on the market.

There is no doubt that more of these products are becoming available, as banks move towards more sustainable lending and buyers prioritise environmentally-friendly lifestyles and homes. However, while these green mortgages are sure to become even more mainstream over the coming years, both consumers and brokers need to be better educated about the benefits they offer.

In addition, everyone agreed that lower rates alone are not the answer. While a few hundred pounds off the monthly mortgage cost is of course welcome, it pales into insignificance if thousands must be spent improving the property's EPC rating. That's why [Kensington developed the eKo £1,000 Cashback Mortgage](#) to encourage the upgrade of older properties. It gives £1,000 cashback if the homeowner improves the EPC rating by 10 points within 12 months from completion. Other green mortgage products available from Kensington include the New Build eKo Reward mortgage, offering double the cashback of the standard range, on new build properties with an A or B rating.



First time buyers need more help

With the average age of a first time buyer (FTB) risen to 34, the required deposit touching almost £60,000 and Help to Buy soon to end, the panel all agreed that FTB urgently need help. And with them making up 40% of the market, it's vital that we find a solution.

The only way this can happen, though, is for lenders to think differently. Times have changed, and much more innovation is needed right across the market. The panel discussed the possibility of increasing the LTV on new build flats (which are often the only option for new buyers), as well as encouraging lenders to be more open to accepting second charges. We also heard a plea from Richard for a greater choice of products (such as interest-only and offset) for those approaching retirement. This would allow them to release some equity and help their children with deposits while they are still around to see them enjoy it.

Craig also highlighted that Kensington has been developing products with fixed rates for the entirety of the mortgage, providing buyers with an affordability boost and the ability to plan with certainty for their future mortgage payments. This is just one example of the innovation which is urgently required.



The specialist market is more important than ever

The final issue discussed by the panel was the increased demand for specialist mortgages as a result of Covid. Specialist mortgages comprise 25% of all new mortgages, and this number will likely increase as the economy recovers from the

pandemic. So it is vital that lenders provide the right support to customers who have experienced fluctuations in their employment or financial situation over the past 18 months.

Of course, specialist lending is what Kensington Mortgages are best known for, and Craig explained how we have adapted our lending criteria to help people in a post-Covid world, particularly the self-employed. Alongside our standard products, our new Income Recovery for the Self-Employed range uses the average of the previous two years' income to calculate affordability, supporting those who have seen a dip in their 2020/21 income.



My takeaway

To my mind, one word connects everything that the panel discussed: opportunity. While Covid has been a tremendous shock to us all, in so many areas of our lives it has also encouraged us to re-evaluate our long-held beliefs and embrace creativity, innovation and modernisation.

So too in the housing market.

Now is the perfect time for lenders and brokers to think differently about the challenges that lay ahead:

To find new ways to help those who would benefit from a more flexible approach to lending. To ensure that UK homes are fit for the challenges of climate change. And to help create a sustainable, healthy housing market that meets the needs of our changing demographics for many years to come.

Looking to the future

As we look ahead to the remainder of 2021 and beyond, Nicola made a poignant point: we've been here before! Post-credit crunch, self-employment figures shot up as people sought out new ways through which to secure income. We're anticipating a similar trend post-Covid and the mortgage industry must be ready for the rise of the self-employed.

The changes in the marketplace present great opportunity across the industry and we are looking forward to working with customers and intermediaries to secure the outcomes that so many self-employed people deserve as we move forward into a new era of mortgages.



Eloise Hall – Key Account Manager Kensington Mortgages.

Eloise joined Kensington Mortgages as Key Account Manager in 2019. She brought with her 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 amongst her wide network of intermediaries.

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