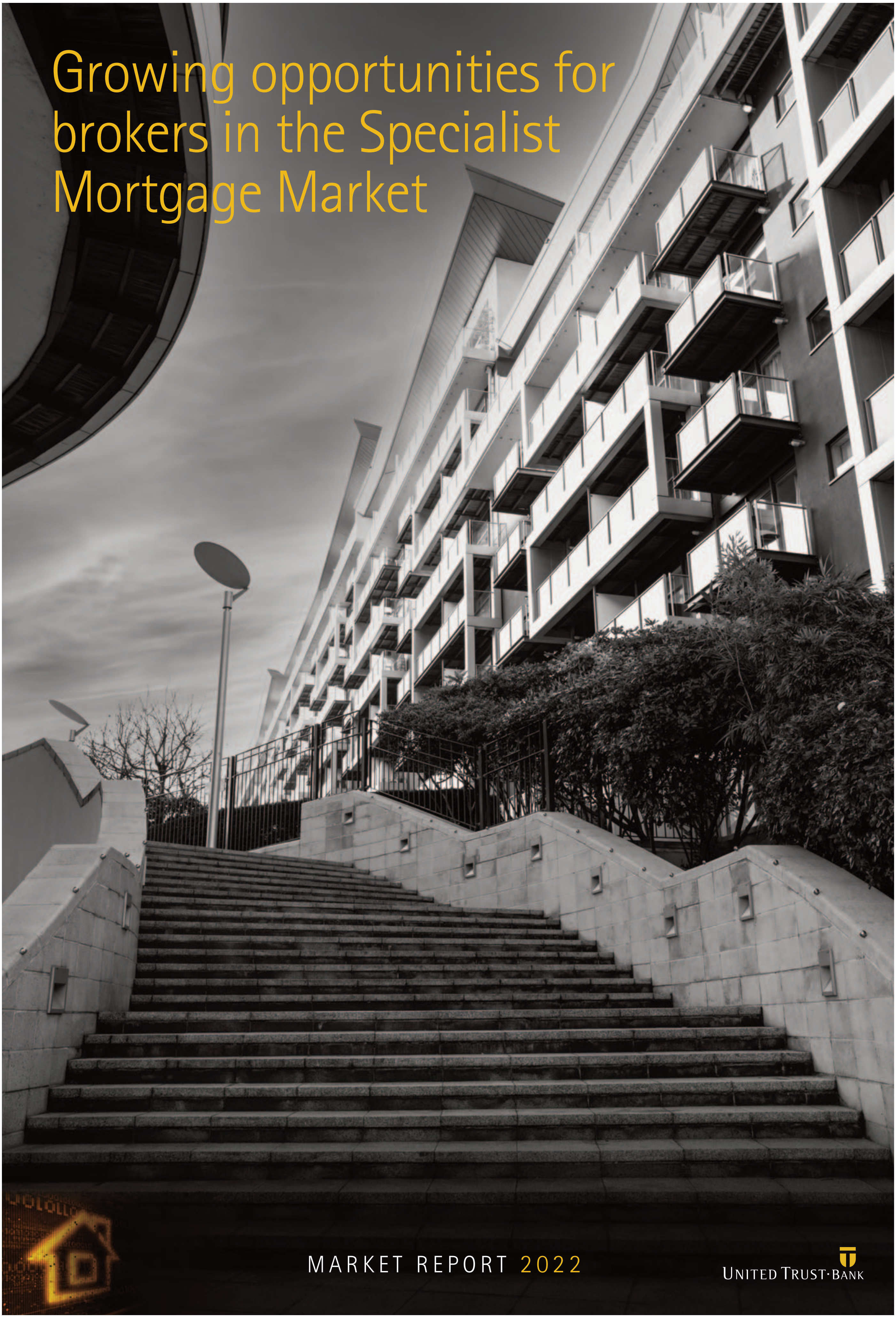
# Growing opportunities for brokers in the Specialist Mortgage Market



MARKET REPORT 2022

UNITED TRUST·BANK

# Contents

# Foreword

**The UK Specialist Mortgage Market – the cake is only going to get bigger!**

The specialist mortgage market exists to serve borrowers who for one reason or another find themselves on the wrong side of mainstream lenders' criteria. I'm not surprised that more than three quarters of brokers who took part in the research for this paper believe it offers a greater opportunity now than ever before. I absolutely agree that it does, and what's more, I believe that what many might describe as something of a niche market is going to grow significantly.

Some brokers look back to the run up to the 2008 Credit Crunch fondly. It was an undeniably busy period in specialist lending. But the world is a very different place now to even just a few years ago. Covid-19 has changed how we work. Many people have become self-employed. What started out as a 'side hustle' may have become a significant second income. House price increases have prompted lenders to stretch income multiples and find new ways to accommodate affordability tests. Current and future stresses on personal finances, dubbed the cost-of-living crisis by media, will inevitably hit some people where it hurts most where borrowing is concerned - in their credit score. Everyone who finds themselves affected by these circumstances should still have the opportunity to own or remortgage their home or buy another one (or two!) for investment if they so wish. Mainstream lenders don't disagree with the sentiment, they just don't want, or need, to support them with their money.

My thanks to Jeff Knight for completing the research and compiling this report, and also to the industry experts who kindly gave up their time to share their valued opinions and insight. The specialist mortgage market is a vibrant, dynamic and exciting place to hang out and is vital for a growing number of borrowers who need lenders which are flexible, pragmatic and want to help them achieve their goals. It is also full of opportunity for brokers and lenders. As long as we all continue to strive to give customers what they need and we as lenders continue to give brokers quicker, easier and more efficient ways of dealing with us, we can all take a decent slice of a cake which is only going to get bigger.

**Buster Tolfree**
Director – Mortgages
United Trust Bank

# Executive Summary

Since emerging in the 1990s, the specialist mortgage market has been continually adapting, driven by both economic fluctuations and wider changes in society's approach to employment, home ownership and financial products in general. What was classed as a specialist mortgage 30 years ago, is markedly different to what we see it as today. Whilst it remains a dynamic market where innovation and complex scenarios abound, the difference is that today we consider it a mature one, with a diverse range of lenders catering for a diverse range of customers.
Excitingly for those involved in the sector, the research we have carried out highlights that brokers believe specialist lending represents more opportunities today than ever before.

In a mortgage market that has forever competed on price, what can we now expect with base rate rises at a generationally high velocity? This report highlights some of the key elements that are important to brokers, and that lenders should be trying to deliver to successfully meet their needs.

The UK is jumping from the frying pan of the Pandemic to the fire of rising inflation and a cost-of-living crisis; the need for specialist lenders, and brokers to find them, has never been higher! How important is non-rate innovation, service and consumer education in this environment? This report tackles such challenges, with opinions from industry leaders.

Our view is that this is the perfect time for the specialist sector to once again stand up and be counted, helping those customers with complex scenarios, just like it has for the last 30 years. We hope you agree and enjoy some of the insights.

# Methodology

This report has been put together based on a mixture of qualitative and quantitative research carried out over the first 6 months of 2022.

This was commissioned by United Trust Bank and carried out independently by Jeff Knight, director at Grey Matter Marketing Solutions who has been working in the mortgage market since 1997.

The research sought to understand the role and importance of the specialist mortgage market, how it has changed through the pandemic and how brokers view the future and how they view lenders.

From all the research and findings, it was clear just how important the specialist mortgage market is.

The research consisted of a broker survey completed by 100 brokers, followed by 16 in-depth follow up one to one interviews with brokers. The research also had significant contributions from:

**Rob Jupp**
CEO Brightstar

**Matthew Arena**
Director at Brilliant Solutions

**Jane Benjamin**
Director at Connect for Intermediaries

**Dale Jannels**
Director at Impact

**Danny Belton**
Head of Lender Relationships at L&G Mortgage Club

# The Specialist Mortgage Market in 2022

# The Specialist Mortgage Market in 2022

## The specialist mortgage market today is mature

The specialist mortgage market has come a long way in the last 30 years. Regulation has helped, as has experience gained from the global credit crisis and its aftermath. There are now many different lenders offering different perspectives on a traditionally underserved market.

Rob Jupp (CEO of Brightstar) sums up today's market most succinctly, when he says:
*"After 30 years, the market is functioning really well. It has decent lenders, decent schemes, and decent criteria. The market is mature and modern".*

Mortgage brokers overall agreed with this sentiment, as one broker said *"The market is mature with a good choice of lenders. Lenders have a good market knowledge, good products and good criteria."* Mortgage broker, South Wales

This mature market offers brokers a number of opportunities and their clients a number of solutions.

## There is a more diverse choice of lenders now – but more is needed

In this mature specialist mortgage market, there is a more diverse range of lenders, each offering a wide range of products. However, whilst there may be plenty of lender choice, many brokers claim the market craves some fresh thinking and dare we say product innovation. Whilst there is a lot of competition, there is too much market following and less market leading, which is something for lenders to observe.

Clayton Shipton, Managing Director at CLS Money, says
*"Lenders have been slow to react to the changing dynamics of the market, mainly because they tend to simply follow each other. This slowness has been compounded by the pandemic when some lenders withdrew temporarily and then we saw an over-heated market."*

Dale Jannels, Managing Director at Impact Specialist Finance reinforces this with his simple observation
*"There appears to be no true market innovation."*

Whilst the specialist lending landscape offers brokers more opportunities and choice than in the past, which is important for the mortgage market, the conclusion is that there is still room for improvement and more product solutions.

## Defining the specialist mortgage market

Specialist mortgages appears to be a term used more by lenders rather than brokers; whilst consumers are very unlikely to use the term.

As Jane Benjamin, Director at Connect for Intermediaries, says
*"a borrower does not know what a specialist mortgage is – it is an industry term."*

For brokers, they simply see specialist mortgage cases as "just another case" for them to solve, and typically don't apply a term for it.
As one broker put it: **"A case is a case is a case".** Everyone has their own way of defining the market. One broker said a borrower who would need to use a specialist lender will be someone who does not fit mainstream lenders' risk appetite in one or more areas - and typically, it will be not meet 'High Street' criteria in one or two of these elements.

- Credit history
- Credit score
- Income complexity
- Loan size
- Property type.

Rob Jupp refers to such cases as *"anything not covered by mainstream banks".*

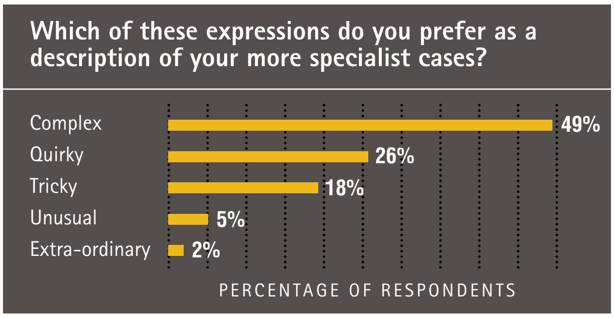
Clayton Shipton suggests that these types of cases are *"simply just not straightforward and the clients have a range of "quirky" requirements, not just one."*

### Brokers call it Complex (but not all of them)

We all like labels, so the research sought to understand the preferred term of such "specialist cases".

The most preferred term was 'complex' at 49%, but 'quirky' was also commonly used.

Perhaps it is time to stop trying to label the sector and enjoy the range of terms used; at the end of the day, it is a mortgage for a borrower. As Jane Benjamin said *"A borrower just wants a mortgage ...and at the end of the day, you could argue that all mortgages are complex!"*



## Income is far more complex now

### Specialist cases need expert humans

As we discovered, there are plenty of terms and definitions of the wonderfully diverse specialist market and as it is a mature market, this terminology has become established and understood in its context.

Moreover, the key component of the mechanics of the specialist mortgage market is the requirement of the skill and expertise of a human to interpret the case and make an informed decision; when AI solutions can only provide part of the solution.

It is this key point that sets specialist mortgages apart from its vanilla cousins; it needs someone to take that all important view. Matthew Arena, Managing Director at Brilliant Solutions, puts this quite brilliantly:

*"Quite simply, the more specialist cases are defined by the solution offered by lenders. Whereas a more mainstream case can be tackled with technology and automation, these cases need a human to have a reason to do the deal. Whilst there is still a need for technology and automation, it needs the human to sit in the middle of the application to be able to make an informed view and decision."*

In short, the more specialist mortgage cases require a flexible approach and a human solution that is bookended by technology.  The human is there to take a view to lead to an informed decision.

### The specialist market presents greater opportunities for brokers

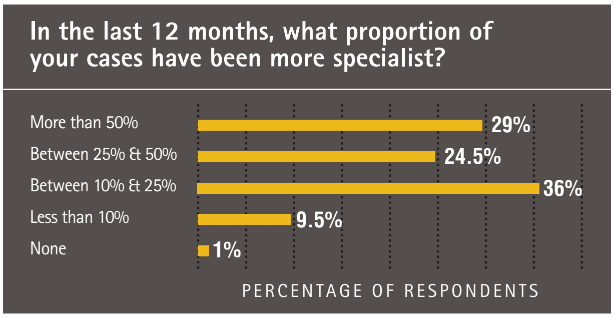
78% of brokers believe the specialist mortgage market represents a bigger opportunity today than in the past. So how big is this opportunity and where does it really lie?

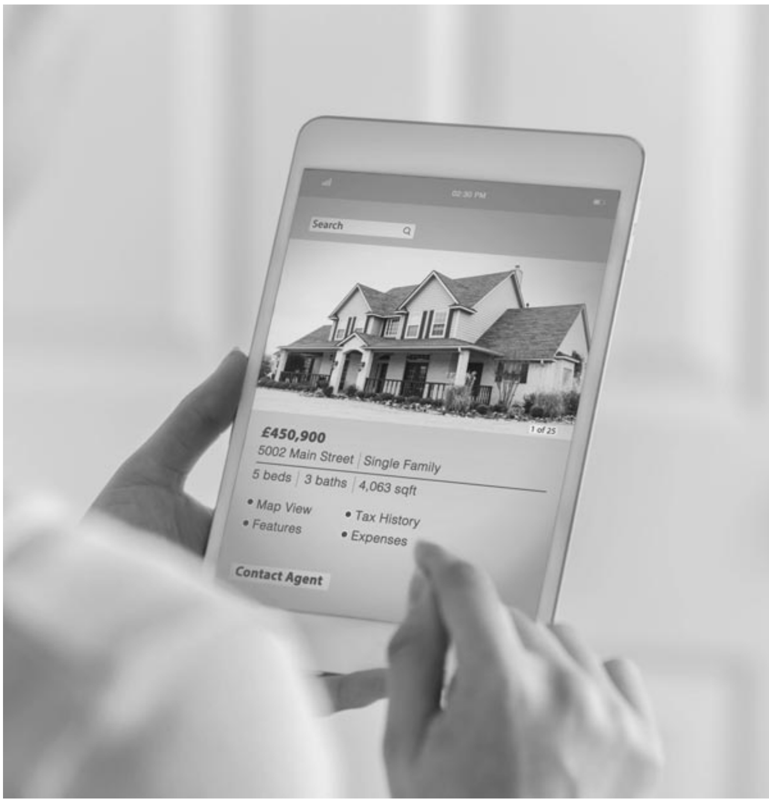
#### How Big Is The Market?

Rob Jupp estimates the market size to be between *"15-25% of all lending"*.

Our research showed that over the last 12 months, 36% of brokers said that between 10% and 25% of the overall business they had placed had been specialist. Some had placed more than this, others less.

Each broker works differently, with some very proactive in the specialist market, others more focused on mainstream and this is something that good lenders should factor-in when dealing with different brokers.



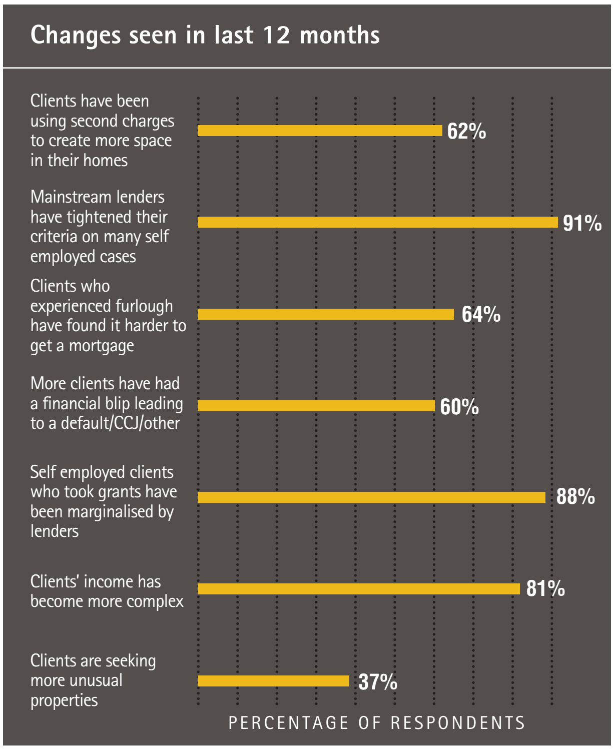
# Self employed cases are difficult to systemise

## There has been a lot of change in 12 months

The pandemic created several changes in the market, some of which may be short lived, whilst others are likely to remain.

The self-employed and those with complex incomes were the areas most brokers had seen changes.

However, what is most striking is that Brokers have recognised that changes impacting the specialist mortgage market have occurred in all areas shown in the chart not just one or two.




## Clients income has become more complex

In our research, we discovered that 81% of brokers said they agreed with the point that clients' income had become more complex over the last 12 months.

Examples include: NHS staff working additional shifts and more varied work patterns; Contractors and those working in the Live Entertainment industry; borrowers whose bonus, commission and overtime forms a big part of their pay; or those with pensions, or investments and buy to let incomes.

We are seeing shifts in employment as organisations and employees seek more flexible working arrangements, which need not be restricted to working from home. This flexibility could lead to more complex incomes and with inflation pressures, perhaps more people will seek second jobs.

The message is clear though – more people are having more complex income structures as the traditional 9 to 5 fades out.

## Self-employed have been hit hard

The self-employed have been clearly hit hardest in the pandemic years. In our research, we covered two areas where the self-employed have been impacted:

- 91% of brokers agreed that mainstream lenders had tightened criteria for self employed
- 88% of brokers agreed that self-employed had been marginalised by lenders

It has been widely reported how certain elements of the self-employed market were impacted through lockdowns. Experian, for example, reported this trend and that nearly 25% of businesses were forced to pause trading because pf the pandemic, with many of these being small sole traders.

### Fewer Self-Employed Workers

Interestingly, ONS data shows that the number of self-employed workers was 17% lower at the end of 2022 compared to the number of self-employed at the end of 2019.

In certain cases the pandemic forced people to adapt and seek work in other avenues where business was unaffected (large distribution outlets for example). It will be interesting to note if the easing of the pandemic sees more self-employed workers return.

### Better understanding is needed

Many brokers bemoaned the fact that lenders had struggled to take a view on those clients who had used a legitimate government grant. They felt they should have been able to apply an objective assessment of the impact that the lockdowns had had on certain, previously successful businesses.

According to Matt Arena, the self-employed are the hardest type of borrower to systemise, so it is fair to assume they will continue to form a growing part of the specialist lending sector, irrespective of whether it grows or not.

As a result, a better understanding of this market – which is not homogenous – is required. Greater ability to read accounts and understand the different professions and the risk of each one is required.

After all, not all self-employed are alike. This is demonstrated by two of the biggest self-employed groups being those that work within construction and those whose classification is professional, scientific & technical activities (source ONS).

## Second charges gave a useful market solution

In the pandemic, we saw the so-called 'race for space' as many people were either moving or extending their homes to cater for working and schooling at home. Second Charge loans could well have provided a useful option for funding home improvements.

Whatever the reason, second charges have grown in popularity to fund such projects. With interest rates rising, this trend will continue as consumers will choose not to remortgage if currently on a 5-year fixed rate, say, taken out in 2020 or 2021. With affordability getting tighter, this is also going to keep this trend going. Some brokers even went as far as suggesting that the market could see more mortgage prisoners too.

Matt Arena believes the flexibility of second charge lenders was applauded by brokers and that they needed to go one step further and "apply second charge mentality and flexibility to first charge lending."

## Unusual properties in unusual times

When it comes to buying unusual properties, 37% of brokers said they agreed that clients were buying more unusual properties. This is a very high percentage which has perhaps just been overshadowed by other notable changes.

This is partly also driven by that change in lifestyle and race for space. As we see more working flexibility and a continued shortage of homes and the potential development of commercial property to residential, this is an area that is here to stay.

Some of the examples mentioned included:

- Conversion of houses into flats under one title
- Hybrid residential and commercial
- A complex case where clients moved to the countryside for more land to a property with an annex used as a holiday let.
- Modular builds
- Self builds

**Furloughed workers experienced challenges getting a mortgage**

According to Experian, 34% of the workforce was placed on furlough during the pandemic.

This is a large proportion of the workforce and the challenges experienced by furloughed workers should, one hopes, be a one-off. Such consumers will now be the other side of any furlough schemes, but it will be interesting to discover how many were made redundant later.

With 64% of brokers saying they agreed that furloughed workers had had trouble getting a mortgage, it will also be interesting to see any impact on furloughed workers in terms of attitudes to credit and employment in the longer term – and if being made furloughed caused other areas of financial strain.

## More clients had a financial blip

The other major, significant observation alongside the growth in unusual property purchases was that 60% of brokers agreed that they had seen more clients experiencing a blip on their credit rating.

This is a market that has been around since the mid-1990s and changed dramatically since the days before the credit crunch. A lot of adverse credit now, compared to the past, is driven by mobile phone companies handing out defaults quickly, as people switch phones and networks. A similar issue exists with utility providers, and with energy prices hitting record levels (at the time of writing) there will be further challenges for consumers and more defaults issued.

In terms of other financial blips, these still occur because of a life changing event, be it redundancy, divorce, or illness. For others, credit blips occur simply because they are not particularly good at managing their finances.

*"If they have had a financial blip in the past, they will have it again"*
Mortgage Broker, Derby

Brokers also believe the market needs to adapt to consumer behaviour, particularly the buy-now-pay-later (BNPL) culture that exists.

A report by Experian, showed that lockdown restrictions had fuelled BNPL, which is proving to be popular amongst Millennials and the Gen Z population. It has benefitted from the boom in online shopping and using the likes of PayPal to spread payments to fit the monthly expenditure mind-set of consumers. The ability to spread the cost of a purchase using interest-free instalments means consumers have an easy and convenient way to pay without the commitments associated with credit cards. For many this should be fine to manage, but for others this could have an impact particularly as some mainstream lenders look unfavourably on BNPL.

# Affordability is a big challenge

Looking at CCJs, according to the Registry Trust, the number of registered judgments in 2021 grew, following a plummet in 2020 created by the onset of the pandemic due to forbearance measures and court closures. As forbearance measures are completely removed, borrowing returns to pre-pandemic levels, and the impact of the current cost of living crisis is felt, it is expected that the number of judgments registered in 2022 will continue to increase.

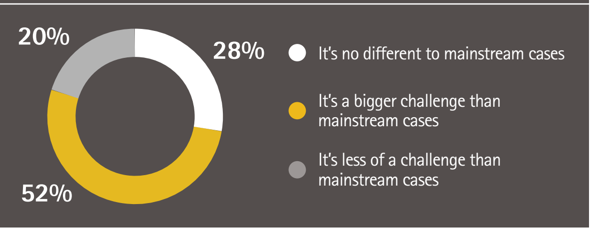
The conclusion is that the specialist market is likely to see more growth with more borrowers experiencing financial blips on their credit rating.

## Affordability is a greater challenge in specialist lending

Mortgage affordability is a challenge for the market and with economic changes, it is expected that this challenge will be heightened. Interestingly, the research highlighted that whilst views were mixed, 52% of brokers believe mortgage affordability is a bigger challenge for such cases, compared to mainstream ones.

The specialist sector is all about providing flexible solutions, so the market will need to work together on the 'affordability issue' to find some answers.

**How much of a challenge is affordability for specialist mortgage cases?**




## Specialist lending cases take more time

When asked if specialist cases consume more time for brokers, the clear message was YES.

The amount of extra time required varies, as a lot depends on the case, but typical case would take up to 25% to 30% more time compared to the more vanilla ones.

The reasons cited for this centred around researching, with different lenders having different criteria, causing the research phases to take longer. As an example, one Mortgage Broker in Yorkshire noted that 'getting information from accountants' could often slow things down.

Lenders themselves were also blamed for this, by asking excessive questions and requiring more documentation, as getting information from clients takes time.

Technology is the solution to this. The more complex the case, the more likely it is that it will take a bit more time. However, technology can really help speed up the front and back end process, with the likes of easy document uploads and AVMs for example.

*"Use technology to speed up the process"* is the simple message from a mortgage broker in Avon.

Certain lenders for example provide a rapid remortgage product that uses AVMs and Title Insurance to help speed up the application process.

# There is a lot more confidence in the market now and a lot more choice

## It's a competitive landscape

The specialist mortgage market is well served by a vast number of diverse lenders. These range from banks to regional building societies, through to non-balance sheet lenders who rely on external funding and securitisation.

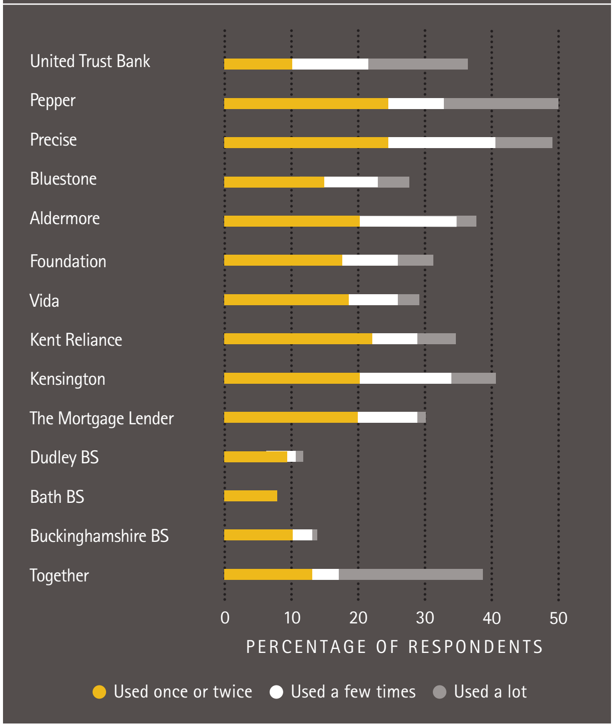
Clayton Shipton said he has used over 60 lenders in the last 12 months, including regional building societies such as Buckinghamshire and Dudley.

The research asked brokers to name those lenders they have used, whether just once or several times over the last 12 months. Many lenders were mentioned, with the Top 7 being:

- Pepper
- Precise
- Kensington
- Together
- Aldermore
- United Trust Bank
- Kent Reliance

The diverse range of lenders in the market is sign of its maturity and will ensure that lenders adapt their offers to provide other benefits beyond the short-term tactic of price competition.

**Lenders used**




## Are all needs being met?

In today's competitive and mature market, there is a huge range of lenders from which a broker can find a home for their more complex cases. However, contrary to the belief of some commentators, there does appear to be cases that brokers have been unable to place in the last 12 months.

Here are some examples of such cases:

- Client's looking for finance for barn conversion needing 100% of land purchase price
- Mixed regulated and commercial properties
- Severe adverse
- Due to affordability or needing higher LTV with adverse credit
- Self-employed where lenders insist on considering a client's 2020-2021 income not got full residency rights in UK
- Right to buy with credit blips, along with higher LTV client returning to the UK after living abroad for just 2 years
- Shared ownership cases with IVA being settled one year
- Bankruptcy cases mainly with higher LTV
- People who have changed profession recently
- Clients with foreign income - particularly foreign trust income.
- CCJ in last 12 months, missed mortgage payment in last 3 months.
- Lower self-employed income in 2021
- Self-employed who have taken grants.
- Ltd Company Contractors. Gaps in Contracting.
- Client with historical CCJ and minor recent default or CCJs

# Specialist Market Opportunities

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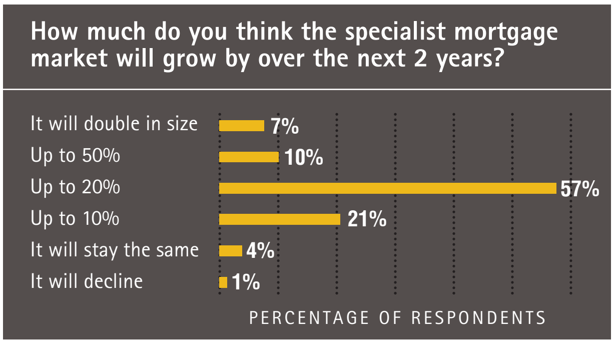
# Specialist Market Opportunities

### 94% of brokers expect the specialist lending market to grow in the next 2 years

It is clear that Brokers expect the specialist mortgage market to grow, with just 5% thinking it will decline or stay the same. The level of expectations vary, but the majority (just over half) expect growth of up to 20%.




### Growth will be driven by all niches

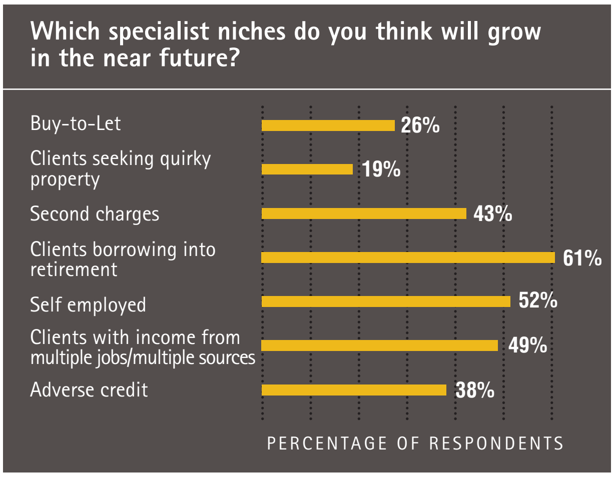
Notwithstanding the point about the scale of growth, mentioned above, brokers were asked which areas are likely to grow in the near future.

More specifically, growth, is expected to occur in all the areas shown on the table opposite, with clients borrowing into retirement being the area brokers expect to grow the most.

In addition:

- 52% of brokers expect growth within the self-employed sector
- 49% expect growth with clients with income from multiple sources
- 43% expect growth within second charges
- 38% expect growth with adverse credit
- 26% expect growth within buy to let
- 19% expect to see growth with clients seeking quirky property

Roughly half the brokers polled believed that the self-employed and complex income areas are the two that will see the most growth.




# 90% of clients had tried somewhere else first – and failed

## The Specialist Mortgage gives more opportunities than you realise

For most brokers, straightforward vanilla cases are their bread and butter. But anecdotally, the lenders that cause the biggest grief to brokers are in this category. Specialist cases take more time but can be more rewarding in the long run.

Our research showed that specialist mortgages are a great way of finding new clients and these clients are very likely to use the services of a broker again.

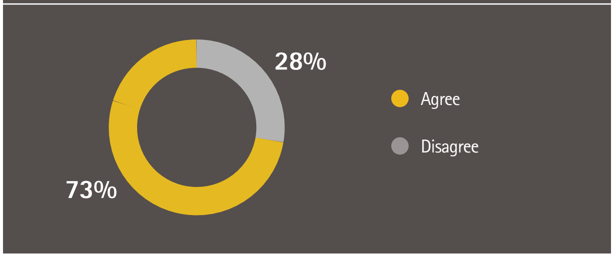
## Specialist cases are more likely to be from new clients

73% of brokers agreed that clients who fall into the "specialist market" are more likely to be new clients.

With the majority of Google search traffic monopolised by some larger brokers and challenger lenders, targeting the more specialist niches online through smarter SEO tactics can be of real value to brokers.

Specialist cases, by virtue of their complexity, give brokers a real opportunity to demonstrate their knowledge and expertise online, through the likes of blogs and other content and find new clients.

**They are more likely to be NEW clients**




## Specialist clients are likely to have been rejected elsewhere

Most respondents (98%) mentioned that they had clients reach out to them AFTER they had been rejected by a mainstream lender. And just over half of broker said this happens a lot and some brokers claimed that sometimes the client had been turned away by another broker.

*"90% of clients had tried somewhere else first – and failed."*
Said mortgage broker, Surrey.

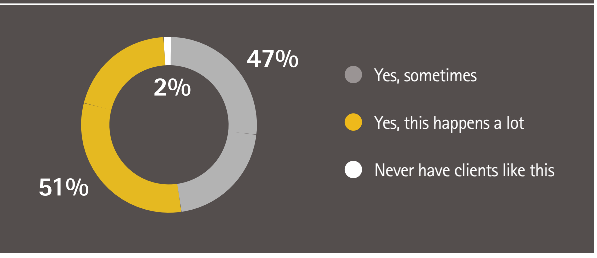
Because of the previous rejection this gives food for thought.

**Time Is crucial for brokers**
With the client already having been rejected, time becomes even more critical – especially where a property purchase is involved. This places extra pressure on the broker. Therefore, lenders catering for such cases can't hang around either.

**Brokers look like heroes**
Helping someone who has been turned away elsewhere makes the broker look like a superhero. It is not a case of being second choice but best choice.

*"Brokers are carrying their hopes and dreams"*, said one broker.

**Do you have clients come to you who have been rejected by a mainstream lender before reaching out to you?**



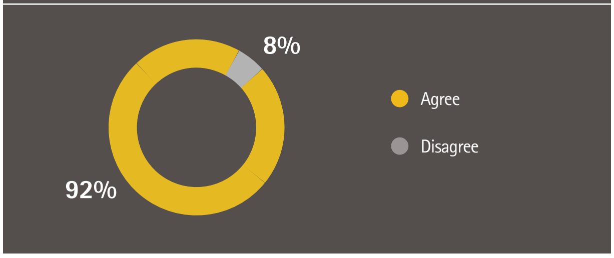

## Specialist mortgages are a great source of repeat business

With the more complex cases, it really gives the opportunity for brokers to demonstrate their value. Perhaps this is why 92% of brokers said that such clients are more likely to use their services again.

Relationships are crucial for any business, and for brokers they can build strong relationships with clients through regular communication and contact. This communication can be a way of re-affirming the broker's expertise as this not only helps keep the client, but can also increase the chances of referrals.

*"It's very important to stay in touch with your more specialist clients"* mortgage broker, North London

**They are more likely to use your services again**



# The Future State of the Specialist Mortgage Market

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# The Future State of the Specialist Mortgage Market

## The future is bright & the future is flexibility

*"More flexibility is needed"*, says a mortgage broker in Yorkshire.

Specialist lending offers many opportunities for brokers. This is important as the mainstream world is likely to see more business going direct. Some of this may be product transfers. In other cases it may be first time buyers being enticed by technological advances from big lenders and newer entrants.

To capitalise on these opportunities, more flexibility will be required from lenders both in terms of their approach and their criteria.

In short, lenders will need to be able to take a view with flexible thinking and an appetite to lend.

*"It's a bigger opportunity for brokers now we are coming out of Covid"* said a broker in London.

## Who will have the upper hand?

Brokers believe that the lenders that will take advantage of the market will be those willing and able to listen to brokers with an open mind and have a creative mindset with their approach to lending and product development.

Brokers mentioned that they want lenders to get closer and listen to them more – particularly for product development.

A number of brokers believe that Bank owned lenders have the upper hand in the market, as they may well be able to provide more flexibility here. Matt Arena backs this point up and says lenders that securitise will find it harder to compete.

*"Banks like UTB could make all the difference"*, says Matt Arena

## The only certainty is uncertainty

Flexibility of thinking must also be applied to how lenders operate. The history of the specialist mortgage market has shown how things can change quickly and sometimes unexpectedly. The credit crunch, financial crisis and pandemic highlighted that. The economy has highest inflation for 30 years, interest rates have risen and there remains huge uncertainty with environmental challenges and events in Eastern Europe.

We can say with great certainty though that the specialist market is resilient and will continue to give brokers opportunities and solutions, as long as it continues to offer flexibility.

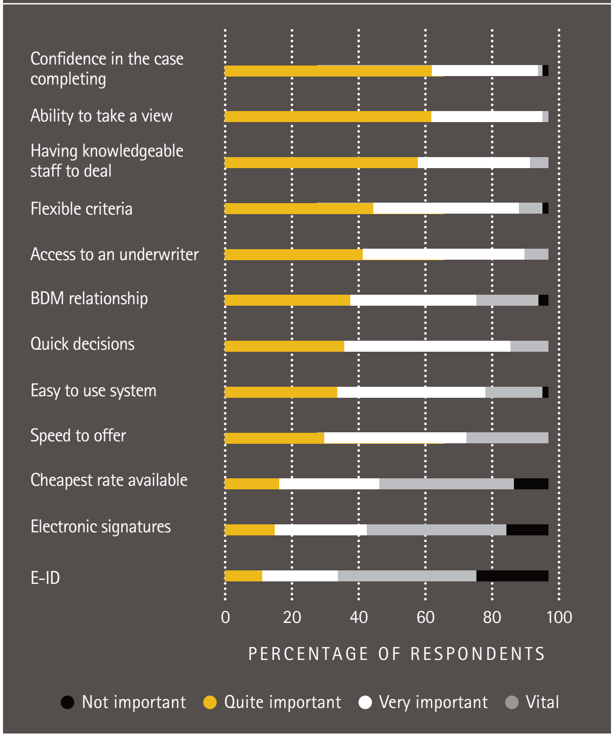
As a mortgage broker in Hertfordshire said *"Flexibility is a mindset, and we need more flexibility with criteria and thinking"*

## What brokers want from lenders

In the research, brokers were asked to rank various features of specialist lenders as being vital, very important, quite important and not important. Opinions were mixed, but the top 3 features that were seen as most important were:

- The ability to take a view
- Giving confidence that the case would complete
- Having knowledgeable staff to deal with

**How important are the following features of specialist lenders?**




### Take a view

The ability to take a view is where lenders can apply flexible thinking. It is where they find a reason to do the case and use criteria as a guide not a rule. This will often require a human to take a big picture view of a case to piece together all the information and make an informed decision.

The more complex the case, the more flexibility of thought is required.

However, many brokers believe that although lenders say they take a view, they do not - or it depends on the mood of the underwriter.

# It's a bigger opportunity for brokers now

The broker message is clear: collaboration and communication are the key. Jane Benjamin recognises that in order for lenders to be able to take a view and for underwriters in particular not to be on the backfoot but instead feel able to make a quick decision, it is important that they hear the whole story from brokers.

Taking a view can translate to simply meaning that not everything has to fit.

### Confidence in the case

Brokers want to know the case will complete; they don't want to discover part way through the case that the lender has changed their mind – something which brokers complain happens a lot. After all, they may have taken more time on the case and the client may have already ventured down the road before contacting the broker. Whilst the question centred around confidence of completion, many brokers mentioned that they really need to be confident of the offer.

As Clayton Shipton says *"I want to be certain that the case will get offered"*

To have confidence requires trust building and many brokers were critical of lenders "over-promising "within marketing and sales messages, and then not delivering.

### Knowledgeable staff

The third ranked feature was knowledgeable staff. Knowledge covers many areas, from a knowledge of the case, knowledge of the lender's own criteria and knowledge of the market. Moreover, it applies to all members of staff that the broker interacts with, not just their local BDM.

Dale Jannels says, *"I believe some underwriters have been running scared, go exactly by the book and working from home has not helped this"*

Jane Benjamin explains that the knowledge and experience of the underwriter is crucial, with the ability to take a flexible approach to underwriting and risk.

There is a discrepancy in market knowledge, according to many brokers. One common area of knowledge weakness is within understanding the self-employed market, with brokers critical of lenders being unable to read accounts properly. This is due to a lack of training or simply staff have never been self-employed and do not empathise sufficiently.

However, the changes to working patterns have not helped this as lenders worked from home.

As Rob Jupp says *"WFH made this harder, as knowledge was spread around different homes rather than in just one office, where it can be shared and where people can ask and answer questions quickly."*

Recruitment and training are therefore important for lenders going forward.

Matt Arena suggested that lenders like to recruit staff from the high street, but the skill set of such underwriters is different; it does not work.

The message is clear: lenders need to increase their market knowledge.

### Quick decisions

Brokers simply want a quick yes or no, not a maybe. This is linked to confidence.

### Access to underwriters

Access to underwriters continues to be important to brokers, who want to have sensible conversations with decision makers to help explain the story of the case.

### BDMs

Clayton Shipton will see 3 to 4 BDMs in the office each week. Other brokers were critical of BDMs having meetings with nothing to say. Nonetheless, the importance of BDMs is more prominent today. However, brokers don't want BDMs to deliver messages of rate changes, they want them to return calls quickly and help with the case; it's about relationships.

### Flexible criteria

Some brokers feel overwhelmed by the amount of criteria offered by lenders, whereas Clayton Shipton believed it is the lack of criteria that can often make lenders more rigid.

The key for brokers is flexibility of the criteria. Good lenders should, for example, use criteria as a steer and take a flexible approach, rather than sticking rigidly to the rule book. The flexibility to lend outside of certain criteria where most other boxes are being ticked will be viewed positively by brokers.

### Rates

Brokers always balance affordability, criteria, rates, and service in their quest for finding a suitable lender. Having the cheapest rate is not as vital as other factors, but the rate must still be competitive.

### Technology elements

Having an easy-to-use system is important to brokers. However, certain technology elements were seen as less important than above.

According to Rob Jupp, *"Electronic ID and electronic signatures can really help to speed up the process, so it is likely that these will be seen as more important in the future."*

### Speed to Offer

The quicker the offer the better, often because the client has been rejected already and the proverbial clock is ticking.

### More consumer education is needed

In many cases the client had gone directly to a lender and been rejected. More education is still required that brokers should always be the first point of call as not everyone will have that second bite of the cherry.

Dale Jannels said, *"More education is required - just because you have been declined a mortgage does not mean it is a problem. They need to know there are options".*

Also, what we do not know is how many consumers got rejected and left it at that and did not reach out to a broker for a solution. And there may be consumers who do nothing and stick on a SVR because they have become complex and believe a mortgage is out of each.

Therefore, consumer education is needed that rejection or complexity need not hinder people. The mortgage market is a beautifully diverse market with a range of lenders who can work with brokers – and there needs to be more awareness of this to deliver greater consumer outcomes.

> Consumers need to know there are options

## Conclusion

- **A mature market**
  The specialist mortgage market is mature, with a vast and diverse range of lenders.

- **More opportunity**
  Brokers believe the specialist mortgage market presents more opportunities than in the past and will continue to grow with the macro-economy a key influencing factor.

- **Tech has its place, so do people**
  There are many definitions of the specialist mortgage market, but the one common theme is that alongside the advances in automation, it requires a human being to be able to take a view on a case and use common sense to make a decision. Humans are a vital part of the machine.

- **Taking a knowledgeable view**
  Taking a view is seen by brokers as a key attribute of specialist lenders. Other important attributes lenders must offer are knowledgeable staff and quick decisions.

- **Flexibility is king**
  With no one specialist case being the same, brokers believe that flexibility is the key differentiating factor in determining where they place business

- **Differentiate through flexibility**
  Lenders should have a flexible interpretation of criteria, allowing them to make balanced decisions that take the bigger picture in to account - i.e. the ability to 'take a view'.

- **More understanding**
  The self-employed market has been the area most impacted by the pandemic and brokers believe lenders need a better understanding of this sector.

- **Leaders not followers**
  Brokers also believe that now the market is mature, lenders should stop being followers and have the confidence to innovate independently.

- **Educate your customers of the future**
  More consumer education is needed to ensure borrowers seek help from brokers. Specialist borrowers represent one of the best opportunities for repeat business.

- **Adapt and adopt**
  Whilst the mortgage market has some uncertainty, if the key players continue to adapt to evolving markets and adopt effective user-focused solutions, the future of the specialist sector is bright.

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