

# Growing opportunities for brokers in the specialist mortgage market

MARKET REPORT 2024



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# Foreword

Welcome to the second edition of United Trust Bank's Specialist Mortgage Lending research paper. In the last 2 years, what can clearly be seen is just how much the market has evolved in such a short period of time, albeit with significant economic factors pushing it along.

Specialist mortgage lending has certainly grown in importance, and its place in the market is only going to grow. For many it will be their only route to reaching their property-owning aspirations. Particularly as mainstream lenders are more frequently unable or unwilling to serve customers with more complex needs.

The higher costs-of-living combined with higher interest rates continue to bite UK households as millions of people build up debt and fall behind on their payments. Customers with even slightly impaired credit will probably need the help of a broker and the support of a specialist lender to meet their needs in future.

The workforce is also changing. More people have switched from the 9-5 to self-employment and contracting or perhaps multiple incomes. Landlords are seeking higher yields from unusual properties and by switching from the traditional BTL model to HMOs or MUBs. Again, these cases require more care and skills than most mainstream lenders wish to offer.

Specialist lenders may once have been perceived as choice of last resort. But that is changing, and fast. Nowadays 'specialist' is just a segment of the market which deals with more unusual customers, and there are more of them than ever before!

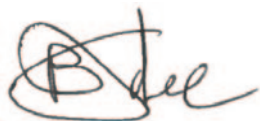
Education is vital to the continued success of the sector. Lenders can learn from brokers and vice versa. As a lender community we can do more to help brokers recognise and then take full advantage of the opportunities the specialist lending market has to offer. My colleagues and I at UTB are committed to doing just that.

A huge thank you to Jeff Knight for undertaking the research across hundreds of Introducers and to the industry experts who kindly gave up their time to share valued opinions and insight.

I hope you find the study interesting and insightful, and it inspires you to think about your own business and how it too might grow and evolve in the next few years.

The specialist mortgage market is a vibrant, dynamic, and exciting place, vital to a growing number of our population. It is also a market full of opportunity for brokers and lenders, more so when we work together.

United, we go further.



**Buster Tolfree**

## Introduction

In 2022, United Trust Bank (UTB) created a report looking at the Specialist Mortgage sector. With so much having changed in the mortgage market since then, we wanted to refresh our understanding of the sector, examine the implications of its evolution and to share our findings with mortgage brokers.

Therefore a huge thank you to Grey Matter Marketing for undertaking the research across hundreds of Introducers and to the industry experts who kindly gave up their time to share valued opinions and insight.

The report comprises three sections:

- **Part One:** Overview of the Specialist Mortgage market
- **Part Two:** The Changing Landscape of The Specialist Mortgage market
- **Part Three:** Market Opportunities, Education & Partnerships

## Executive Summary

The specialist mortgage market has been in existence as a market definition since the mid to late 1990s and has seen many changes over that time. Many factors have impacted the mortgage industry as a whole and these have naturally rippled out to the specialist mortgage sector. Higher interest rates, recent high inflation, a cost-of-living crisis and society embracing more hybrid and other flexible ways of working have all prompted change amongst lenders and helped to drive the growth of the specialist mortgage market.

Brokers often have varying terms for the specialist lending market, but one thing is clear – this sector offers bigger opportunities today than ever as it continues to evolve. And these opportunities are spread across several different niches, which are often not mutually exclusive.

Whilst most mortgage cases in the UK market are more mainstream, and dominated by a few lenders, the specialist sector is smaller with a larger variety of lender choices for brokers. Some brokers specialise in these sectors whilst others just tackle the cases as and when they need to.

## Specialist Sectors

The specialist residential sector is a great way of attracting new clients – ones that are more likely to use the services of brokers again.

Buy to let landlords are adapting. Whilst some more ‘amateur’ landlords may be seeking a market exit, the more experienced portfolio landlord is looking to expand, sometimes by investing in more unusual property with a greater rental yield.

In many respects second charges remain an untapped market for some brokers. However, those active in the sector realise that second charges are a flexible and versatile product option which should receive greater consideration for some clients.

## Education

As the market continues to change, there is a growing role for more strategic partnerships, particularly for brokers who are less active within the specialist sector. At the heart of this is a need for greater education. Brokers see this as a crucial, two-way process. Lenders need to understand brokers more and brokers need to understand the sector more.

## Methodology

For this report, UTB focused on specialist residential, buy to let and second charge mortgages.

We commissioned an external consultant to undertake a mix of qualitative and quantitative research. Firstly, mortgage brokers were invited to complete a survey, sent out by third parties including Mortgage Strategy and The Intermediary. To ensure the surveys were answered objectively and without bias, the survey did not mention that it was from UTB.

In total, over 130 brokers completed the survey. This was followed by a series of deep dive telephone calls, which lasted from 30 minutes to an hour. Calls were made to a cross section of survey respondents to obtain a more detailed understanding of broker views.

To supplement the views of mortgage brokers, this report also includes data from external sources such as the Office for National Statistics. The report also includes verbatim comments from mortgage brokers, but we have deliberately not attributed these comments to individuals. However, we do have comments from representatives of distributors in the industry, who kindly gave us their permission to be named.



## In this section

- The health of the market
- Who writes specialist business?
- Is the market growing?
- Are brokers well served?
- Direct or packaged?
- Why clients come to brokers

# Overview of the specialist mortgage market in 2024



# Part 1

# Overview of the specialist mortgage market in 2024

## 1.1 The Market is Busy and Evolving

As part of this study, we spoke to many brokers and it was clear that they are busier than ever, working harder and for longer hours. In just a few years we have seen significant changes to the UK economy and the mortgage market. High inflation and higher interest rates have driven a cost-a-living crisis and brief recession, and the mortgage market has had to manage a frequently changing environment.

According to brokers, specialist lenders have been quick to adapt, making criteria and rate changes to remain competitive as they fight for market share. Brokers also suggest that specialist lenders have become more approachable, making it easier for brokers to be active in the specialist market.



**I see the market as 4 levels. High street for mainstream borrowing, specialist for more complex (which some high street are also trying to do), super specialist for the very complex and finally Commercial.**

**Liz Syms, Connect Mortgages**

Whilst the specialist lending market continues to evolve, it is clear that brokers have different interpretations and definitions of what specialist lending is, with broker views often based on the type of business they typically write. In general, brokers believe that the specialist market caters for unusual property types, complex income, adverse credit and offers manual underwriting. In reality, specialist cases can involve all of these elements.

However, brokers don't refer to their clients as "specialist" and don't always label lenders in this category either; they talk about the case, not the label. Nonetheless, the definition of specialist lending which appears most frequently is simply those cases that can't be placed with "high street lenders".

As the market continues to change, fewer people meet 'high street' credit scoring, become self-employed or develop multiple income streams, and look beyond traditional property types, 'specialist' may just be too limiting for a sector of the market which appears more likely to grow than shrink.

Whatever the terminology, it is clear that the market has changed, that the circumstances and needs of applicants will continue to evolve, and this will give brokers more opportunities, or perhaps even a necessity, to delve into the 'specialist' sector in the future.

**"It's non high street; it's niche."**  
*Mortgage Broker, Bedfordshire*

**"It's cases that are out of the norm."**  
*Mortgage Broker, West Yorkshire*

**"It's all about unusual circumstances that require manual underwriting."**  
*Mortgage Broker, Northeast*

**"I see it as more about adverse, complex income and unusual properties."**  
*Mortgage Broker, Bristol*

**"I just see these cases as normal."**  
*Mortgage Broker, Surrey*

**"We talk about specialist lenders in the office but would never refer a client as specialist."**  
*Mortgage Broker, Somerset*

**NB. For the purposes of this report, the specialist mortgage market comprises complex and multiple income, adverse credit, unusual property, complex buy to let and second charge loans.**

## 1.2 Who writes specialist business?

Brokers who participated in the research wrote varying levels of specialist business; some were more focused on the more vanilla cases (mainly because that is where the bulk of the UK mortgage market exists) whilst others actively targeted this sector – or elements within it.

Over 1 in 5 brokers (Chart 1.2) said that all of their business was within the specialist sector. This reflects a clear strategy by a number of brokers whose target market is clients with more specialist requirements and have a clear market proposition.

Beyond these brokers who are extremely proactive in this sector, a further 17% indicated that more than half of their business required a specialist lender.



At the opposite end of the spectrum, around a quarter said that specialist cases made up less than 10% of their business and are not necessarily targeting such clients, it is simply that sometimes clients' circumstances dictate this.

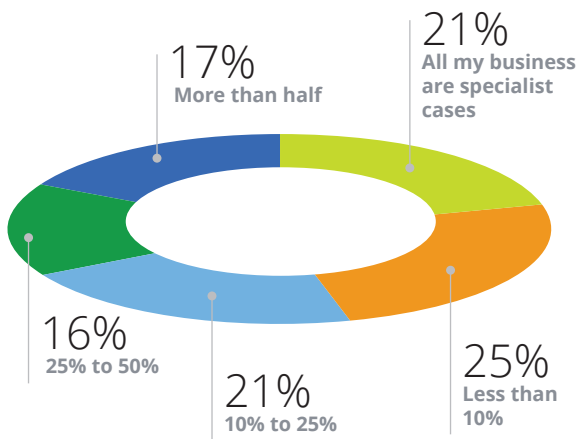


**These cases just come along.**  
**Mortgage Broker, Surrey**

This mix shows the diversity of the market and reflects how some brokers are specifically targeting customers who may need the specialist mortgage sector, whilst others tend to deal with specialist business reactively, only dealing with these more difficult cases as and when they present themselves.

**Chart 1.2 Proportion of Specialist Cases Written**

**Q. In the last 12 months, approximately what proportion of your cases were specialist?**



**1.3 Is the market growing?**

A majority (60%) of brokers reported that they had written more specialist mortgage business in the last 12 months as a proportion of their overall business than previously (Chart 1.3). Another 35% claimed to have written around the same proportion as before, whilst just 5% said that their proportion of specialist business had fallen.

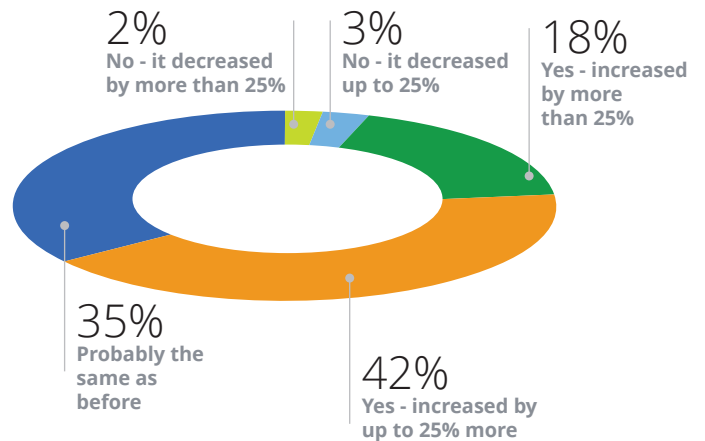


**The increase in specialist cases sort of crept up on us. When you are in the thick of it, you don't notice it. It was only when we looked at our figures we realised.**  
**National Mortgage Broker**

This indicates how the market is changing, with the specialist sector potentially giving more opportunities to brokers, as will be examined later in this report.

**Chart 1.3 Change in the proportion of specialist business written.**

**Q. In the last 12 months, have you seen an increase or decrease in the amount specialist cases you wrote - as a proportion of your overall business?**



**1.4 Are brokers well served?**

For brokers placing specialist cases, it is clear there is a wide range of lender options available and strong support from packagers, networks and mortgage clubs. The market is embracing this sector.

Brokers spoke about the range of lenders they typically use, from banks to a variety of regional building societies.

*"I will often have 3 or 4 lenders in mind and then filter from there."*  
 Mortgage Broker, Bedfordshire

*"Nine out of 10 cases I would try a mainstream lender first anyway"*  
 Mortgage Broker, Sussex

*"We are now just getting more and more used to dealing with more and more lenders - and gives us the confidence to use them more"*  
 National mortgage broker

*"We have seen more building societies step up the risk curve and into this market, which is increasing the options available for brokers and their customers."*  
 Stephanie Charman, Sesame Bankhall Group

*"There are a lot of lenders in a small piece of the market"*  
 Liz Syms, Connect Mortgages

*"The competition on risk has reduced"*  
 Matthew Arena, Brilliant Solutions

### 1.5 Direct or packaged?

A majority of brokers (82%) stated that they prefer to submit their cases directly to a lender, as their perception is that this gives them control of the case.

As will be seen later in this report, this figure may reduce in the future as more distributors provide solutions for different brokers as the market continues to evolve.

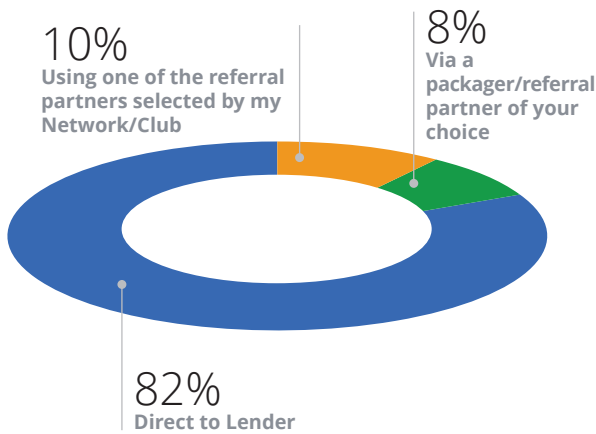
For now, most brokers prefer the direct route to retain control, whether dealing with a specialist or mainstream case. Brokers who write small levels of specialist cases are not more or less likely to use a distribution partner.

*"I like to use the Building Society Collective, set up by my mortgage club"*  
Mortgage Broker, Surrey

*"I prefer to stay in control"*  
Mortgage Broker, Birmingham

Chart 1.5 Submission Routes

Q. How do you submit specialist mortgage cases?



### 1.6 Why clients come to brokers

Most brokers (87%) said that often clients approached them having been turned away by a mainstream lender or their local bank, whilst others have visited another broker who said they were unable to help them.

In fact, more than half of brokers (53%) surveyed claimed this "happens a lot", reflecting a need for more education and partnerships in the industry, an issue explored later in this report.

In addition, many brokers held a view that there are consumers who are simply not reaching out to a broker, for fear of rejection.

*"I know of brokers who have turned clients away and told them that they can't help them"*

*"Some brokers try the high street, get rejected, then tell client that they can't help them"*

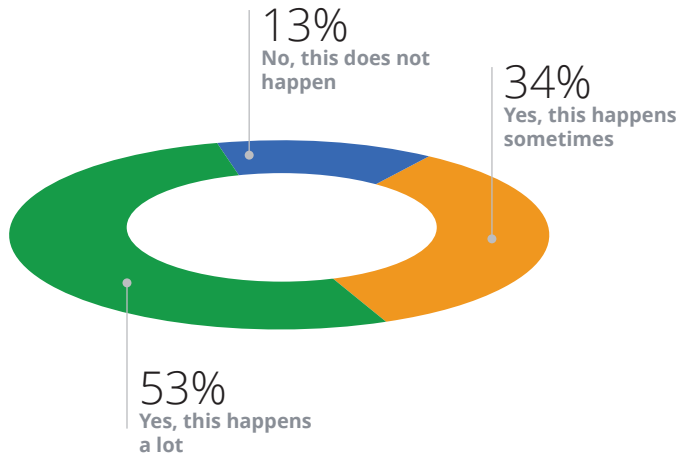
*"Instead of turning clients away, brokers need to find a different solution"*  
Mortgage Broker, Bristol

*"There are more clients that need help but not reaching out"*

*"We often have clients tell us that they approached a (high street) lender and got rejected. And sometimes a broker has been unable to help, but only because they did not understand the case enough"*  
Mortgage Broker, National

Chart 1.6 Proportion of Brokers Whose Clients Had Been Rejected Elsewhere First

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



#### Key Takeaways

The specialist mortgage market continues to evolve, due to changes in the socio-economic environment. Despite the specialist sector being in existence for a very long time, it still lacks a universally accepted definition. Whilst lenders will often call the sector 'specialist' brokers have their own, varying, definitions for it.

Different brokers are writing varying levels of specialist cases, depending on their client profile and strategies. Nonetheless, a majority of brokers have seen an increase in the amount of specialist cases they are writing.

Brokers are well served by the market, with a wide range of lenders and products available. On the whole, brokers will tend to submit cases direct to lenders.

Clients can often be rejected elsewhere before obtaining the help of their broker.

## In this section

### Specialist Residential Mortgages

- Is the specialist residential mortgage sector still growing?
- Have specialist residential customers been more impacted by Cost-Of-Living challenges?
- Has there been growth in adverse?
- The challenges for self-employed borrowers
- The rise of complex incomes
- Seeking the unusual
- How brokers are impacted by changes in the market
- The challenge of affordability
- Time well spent?
- Sourcing – easier for some than others
- Opportunities for brokers

### The Buy to Let Market

- Is the Buy-to-Let market adapting
- Are brokers writing less BTL business?
- Product transfers
- Are landlords coming or going?
- How landlords are seeking higher yields

### Second Charges

- The changing Second Charge market
- Uses, flexibility and more options for borrowers

# The Changing Landscape of The Specialist Mortgage Market



# Part 2

# The Changing Landscape of The Specialist Mortgage Market

Many factors have impacted the mortgage industry as a whole and these have naturally rippled out to the specialist mortgage sector. Higher interest rates, recent high inflation, a cost-of-living crisis and society embracing more hybrid and other flexible ways of working have all prompted change amongst lenders and helped to drive the growth of the specialist mortgage market.

In this section, we will explore some of these changes, reported by brokers and supported by external data, and how they are impacting introducers.

## The Specialist Residential Sector

### 2.0 Is the specialist residential mortgage sector still growing?

During the period of benign interest rates which followed the 2008 financial crisis (and lasted all the way up to 2022) consumers became accustomed to certain lifestyles with easy access to credit at low rates of interest. As the economy changed and interest rates rose, along with fuel, food and other prices, many people found their finances coming under increasing pressure.



The sheer availability of credit has meant people get overstretched and impact their credit score.

**National mortgage broker**

Economic change has undoubtedly impacted the mortgage market, with knock on effects to the specialist sector. As the diverse and dynamic specialist residential sector continues to evolve to meet the demands of changing customer circumstances, there are lots of opportunities for brokers emerging.

- More clients have experienced a financial blip leading to defaults or CCJs
- Self-employed clients are finding it harder to get a mortgage
- Many clients now have more complex incomes
- Clients whose circumstances are more 'specialist' have been impacted even more by the cost-of-living crisis

*"I am seeing more debt consolidation in this area"*  
Liz Syms, Connect Mortgages

*"The shift to debt consolidation continues, which is a steady journey."*  
Matthew Arena, Brilliant Solutions

### Chart 2.0 Broker views of market changes

#### Q. To what extent do you agree or disagree with these statements for your specialist residential cases in the last six months?



### 2.1 Have specialist residential customers been more impacted by Cost-Of-Living challenges?

The cost-of-living crisis has hit much of the population, which continues to be highlighted in the Office for National Statistics Reports- Public opinions and social trends, Great Britain. Within the last Report (June 2024) it was shown:

- 87% of people believed the cost-of-living crisis is an important issue facing the UK today
- 54% of people said their cost-of-living had increased in just one month, to June 2024
- Around 4 in 10 (41%) of adults currently paying rent or mortgage reported that they were "finding it very or somewhat difficult affording these payments"

(Source: ONS: Public opinions and social trends, Great Britain)

Interestingly, 77% of brokers said that their specialist residential clients had been more impacted by the cost-of-living crisis (than mainstream clients). This has become a real chicken and egg conundrum. In some cases, the cost-of-living crisis had effectively shifted the client from mainstream to specialist. In other circumstances, the cost-of-living crisis hit certain clients harder, such as the self-employed.

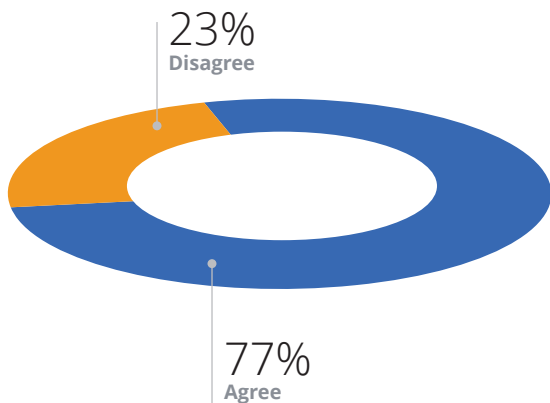


**There are now more clients here through no fault of their own. We have seen soaring bills, rising rates; the cost-of-living has hit them.**

**Will Lloyd-Hayward, Brightstar**

**Chart 2.1** Brokers agree that clients have been impacted more by cost-of-living crisis

*Q. Client have been impacted more by the financial crisis*



**77% of brokers state that specialist residential clients have been more impacted by the financial crisis.**

**2.2 Has there been growth in adverse?**

Our research has found that more brokers expect the "Adverse Credit" sector to grow than any other sector. This has largely been driven by the cost-of-living crisis, but other causes of financial blips, such as divorce and redundancy, still occur.

81% of brokers surveyed agreed that more of their customers are experiencing defaults and other negative entries on their credit files, moving them away from high street lenders and into the specialist market.

This growth is being driven by the cost-of-living crisis, but there are other factors too which have always existed in the sector. For example, life changing events such as divorce and redundancy continue. Plus, people are just neglectful and forget to pay bills and sometimes get hit by little things like parking fines.

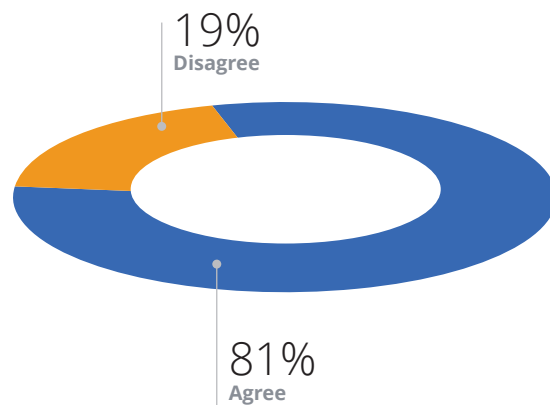
"FTBs are often surprised with what is on their credit file"  
*Mortgage Broker, Kent*

"I have had clients with CCJs due to parking fines that they did not know about" anyway"  
*Mortgage Broker, Hampshire*

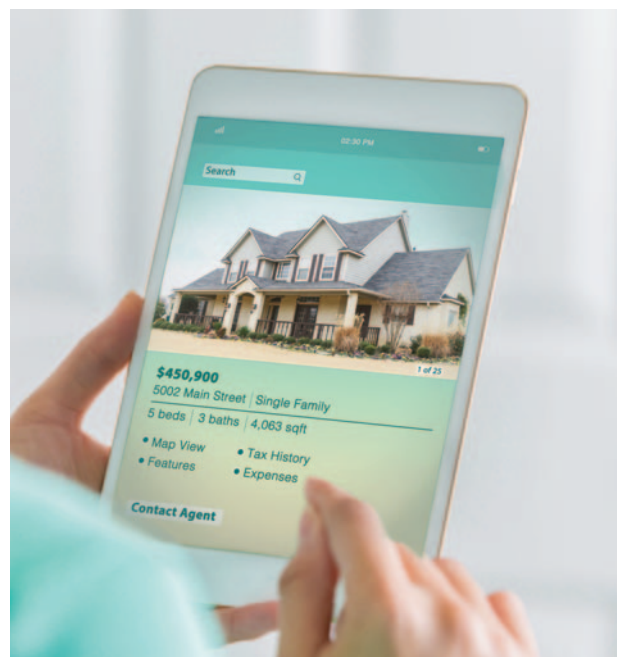
"Cost-of-living is driving more adverse"  
*Mortgage Broker, Yorkshire*

**Chart 2.2** Brokers agree that more clients have had a financial blip

*Q. More clients have had a financial blip leading to a default/CCJ/other*



**81% of brokers state that more clients are experiencing financial blips.**



2.2.1 The Rise in CCJs

According to data from Registry Trust, the number of County Court Judgments (CCJs), or equivalent, have been rising in England and Wales and Northern Ireland. This change reflects the challenges on finances for some and for those seeking a mortgage, it will move them from the high street to the specialist arena.

Consumer judgments in England and Wales:

- The total number of judgments registered against consumers increased by 21%, from 175,276 in Q4 2022 to 211,202 in Q4 2023. The value of debt against consumers also increased by 15%, from £303 million to £348 million. However, the average value of debt against consumers decreased by 5%, from £1,730 to £1,648.

Consumer judgements (decrees) in Scotland:

- The total number of decrees registered against Scottish consumers has decreased by 21%, from 3,488 in Q4 2022 to 2,758 in Q4 2023. The total value of consumer debt has seen a small decrease of 3%, from £5.5 million in Q4 2022 to £5.3 million in Q4 2023. However, the average value of consumer debt increased by 23%, from £1,588 in Q4 2022 to £1,945 in Q4 2023.

Source: Registry Trust

2.2.2 The Rise In Arrears

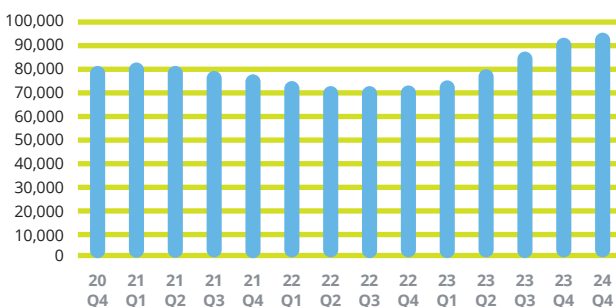
The most recent research by the Government showed that, as of May 2024, 36% of people said that it was difficult to repay their mortgage.

(Source: Public opinions and social trends, Great Britain: household finances)

Whilst this does not automatically lead to arrears, we can see from UK Finance data how mortgage arrears are rising, as the cost-of-living crisis bites.

Chart 2.2.2 UK Mortgage Arrears (Source: UK Finance)

All arrears of over 2.5% of balance

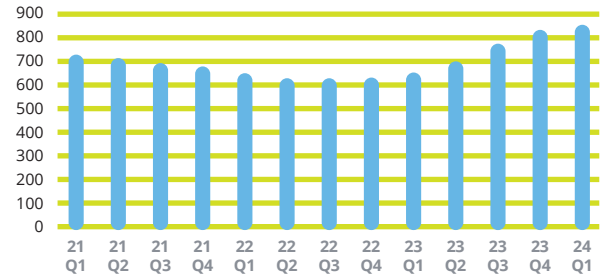


2.2.3 The Rise In Repossessions

UK Finance also report a rise in the number of repossessions now taking place.

Chart 2.2.3 Repossessions (Source : UK Finance)

Repossessions



2.2.4 IVAs and Bankruptcies

Data from the Insolvency Service shows that economic pressure since the pandemic has seen IVAs and bankruptcies (Individual and Corporate) continue, with a real spike during the beginning of the pandemic. Whilst Individual numbers are unchanged to a degree, there has been a rise in corporate liquidations which will impact directors' credit scores.

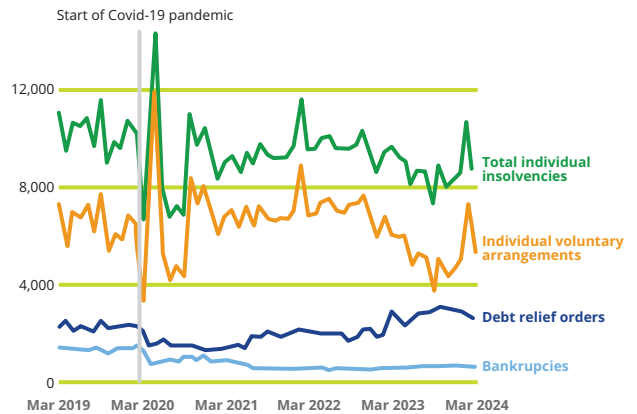


Chart 2.2.4a Individual Insolvencies (source: Insolvency Service)

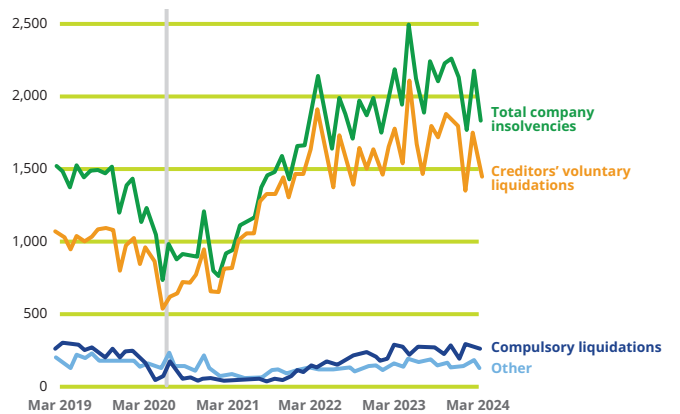


Chart 2.2.4b Company Insolvencies (source: Insolvency Service)

### 2.3 The challenges for self-employed customers

Whilst the number of self-employed has not changed too much in the last 10 years (according to ONS Employment Trends data), what is changing is the difficulty self-employed clients are having when it comes to obtaining a mortgage.

*“For self-employed cases, lenders have not all adapted criteria to cater for how some people had to navigate the pandemic.”*  
Mortgage Broker, Northwest

*“We have seen a lot of clients who only want to use most recent accounts”*  
National Mortgage Broker

Our research shows that 72% of brokers believe it is harder now for their self-employed clients to obtain a mortgage. The impact of Brexit, the pandemic and the cost-of-living crisis has and is having varying impacts on the self-employed. Also, anecdotally, brokers believe this is more to do with changes within (high street) lenders’ approach to this sector, rather than their clients’ circumstances.

Some brokers suggest that not all lenders have adapted their criteria to the evolving the market, and some have tightened their criteria. Other brokers suggest some lenders don’t understand the self-employed sector enough or know how to read accounts or understand how self-employed applicants remunerate themselves.

Whatever the reason, this does make it harder for brokers to find a solution, and this is one element of the further education needed, which is explored later in this report.



**We need lenders to be more flexible on income and recognise director’s loans.**

**Liz Syms, Connect Mortgages**

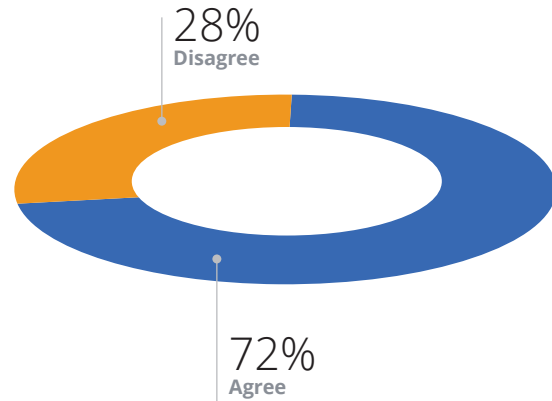


**Self-employed market is underserved; they have gone through a torrid time.**

**Danny Belton, MAB**

**Chart 2.3 Brokers agree that self-employed clients are finding it harder to get a mortgage**

**Q. Self-employed clients are finding it harder to get a mortgage**



**72% of brokers state that it is harder now for the self-employed to get a mortgage.**

### 2.4 The rise of complex incomes

When it comes to the more specialist residential mortgage cases, 84% of brokers stated that their clients’ incomes had become more complex.

There are different reasons behind this, such as more people taking a second job, as the chart below shows. However, whilst the number of people taking second jobs has been increasing since 2020, it has declined slightly since 2023.

*“I have more clients with second jobs, so can be employed and self-employed”*  
Mortgage Broker, Midlands

Other reasons cited by brokers were linked to affordability challenges, whereby people were using other income to satisfy the calculations. This may be increased bonuses, overtime or, for some who are continuing to work in retirement, mixing pension and employment income.

Although there’s no formal data to support this trend, brokers are clear that more of their clients’ incomes are becoming more complex.



People need additional income and turn to the likes of Etsy.

William Lloyd –  
Hayward, Brightstar

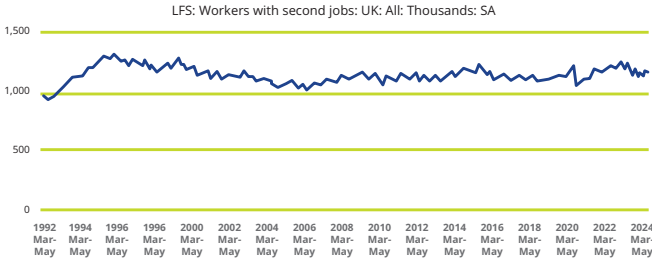
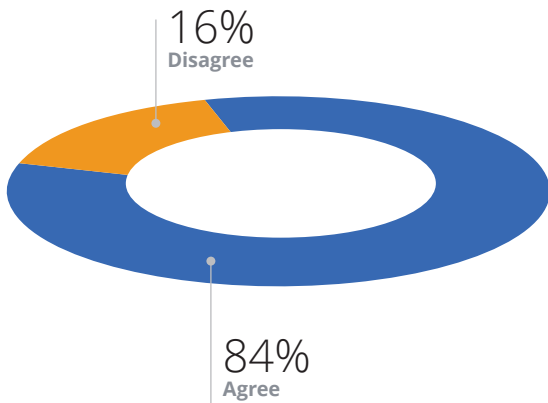


Chart 2.4 People with second jobs (source: ONS)

Q. Clients' income has become more complex



84% of brokers state that clients' incomes are getting more complex.

### 2.5 Seeking the unusual

One of the changes that the market saw post pandemic was a desire by many people to move to the country in a search for more space and to improve their work/life balance. This included a move to more unusual homes.

35% of brokers have experienced clients seeking more unusual properties, which is broadly the same as two years ago (37%) when this study was first carried out.

"Some clients are still yearning for unusual properties post COVID"  
*Mortgage broker, Yorkshire.*

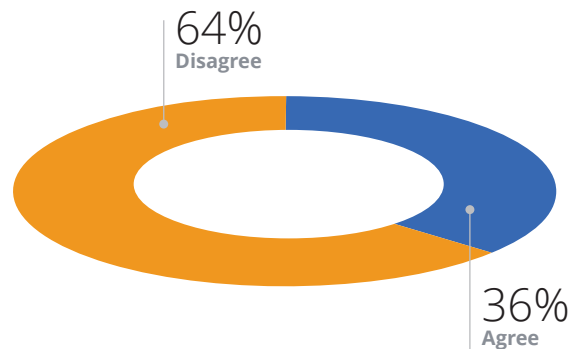
"With a shortage of homes on the market, people are looking for alternative homes"  
*National mortgage broker.*

As well as considering more unusual country homes such as barn conversions or non-traditional ex-Local

Authority or ex-military homes which tend to offer more living space and gardens than their modern equivalents, brokers who took part in the study talked about the lack of affordable housing. This is leading house-hunters to widen their property searches to get on the property ladder or move up it and to consider some property types, such as high-rise flats or properties touching commercial premises, which may be difficult to mortgage with high street lenders. This is an area where specialist lenders can really make a difference.

Chart 2.5 Are brokers seeing clients seek unusual properties

Q. Clients are seeking more unusual properties



35% of brokers agreed that clients are seeking unusual properties.

### 3.0 How brokers are impacted by changes in the market

In this section we look more closely at the impact the changing specialist mortgage market is having on mortgage brokers. We will also explore what it is like to deal with more specialist residential cases, where we see:

- Sourcing a mortgage for clients is harder for some brokers.
- Affordability is a big challenge.
  - Cases are more time consuming – but more satisfying.
  - And, if successful, clients are more likely to use the services of that broker again.
  - The specialist market is actually a great source of business for brokers.





### 3.1 The challenge of affordability

With the sharp increase in interest rates, affordability has become a big challenge to the mortgage market and particularly in the specialist sector where rates are generally higher anyway. 62% of brokers stated that affordability is more of a challenge for specialist cases than mainstream cases.

**"Affordability is a problem"**  
Mortgage broker, Essex.

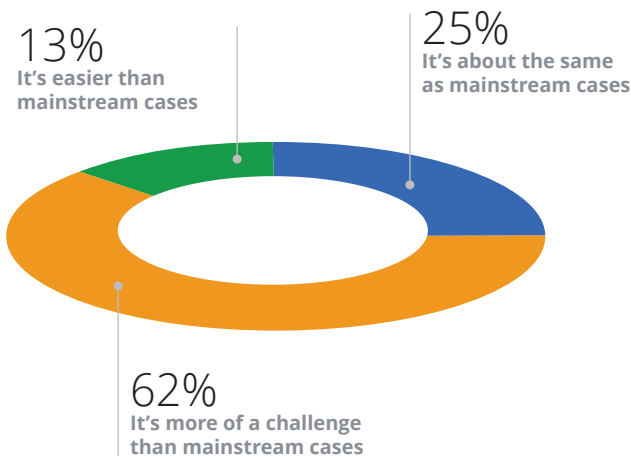
**"Affordability is so tight"**  
Mortgage Broker, West Yorkshire.



**Affordability and pricing have held the market back. It's impacted on people's ability to move or remortgage.**

**Stephanie Charman,**  
Sesame Bankhall Group

**Q. How much of a challenge is affordability for your specialist residential cases?**



**62% of brokers state that affordability (for specialist residential cases) is more of a challenge compared to mainstream ones.**

### 3.2 Time well spent?

From the Study, it was found that 91% of brokers typically spend more time on specialist cases than mainstream ones. Delving deeper into the data, there was no correlation between time spent on cases and the level of specialist cases a broker writes.

The study identified that just over half of brokers (51%) spend around 30% or more time on a specialist case

than a mainstream case. Given that brokers are busy anyway, this does put more pressure on brokers.

Brokers cited different reasons for this. Brokers mentioned that some mainstream cases can be quick and easy, for example is a client has no adverse credit and big deposit. However, brokers also mentioned that there are mainstream cases that can be more time consuming.

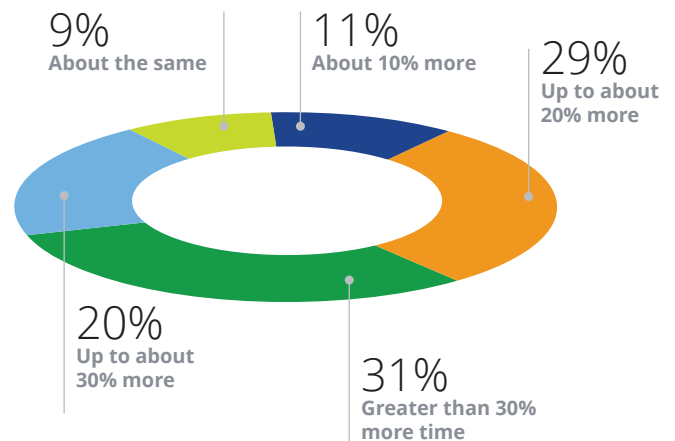
There is also an element of perception, that specialist cases take longer.

Nonetheless, brokers claimed that specialist cases are by their very nature, more complex, and therefore would expect them to take longer and brokers do not see this as an issue. Sometimes this is due to the need to get more information from a client because specialist cases tend to generate more questions from lenders.

**"It is easier to find a home for these cases nowadays, it is just that it takes more time"**  
Broker, Surrey.

**Chart 3.2 Relative Time Spent on Specialist Residential Cases**

**Q. How much more time do you spend on specialist residential cases compared to mainstream cases?**



**About half of brokers say they spend 20% more time on specialist residential cases (than more vanilla cases).**

### 3.3 Sourcing – easier for some than others

There were mixed responses from brokers about whether it was easier or harder to source a specialist residential case, with 28% stating it was easier compared to 30% stating it was now harder. There was no real correlation between the volume of specialist business written and the ease or difficulty of sourcing.

For those stating it was easier, they put this down to getting to know more specialist lenders, lenders being more flexible with criteria and the role of sourcing systems and affordability platforms. Brokers often rely on such systems as a starting point rather than an end point. They look at lenders with the best rates as a start, then criteria.

On the other hand, those brokers that claimed it was now harder (30%) stated that this was down to a variety of factors, such as sourcing systems not always being able to cater for more complex cases, or not being up to date. Brokers also mentioned that some lenders' websites were less helpful and getting hold of BDMs (who are a useful source) is often difficult.

Brokers were complimentary about the range of tools that exist to help them. These included Knowledge Bank, MBT, OMS, Ignite and Twenty7Tec sourcing systems.

However, even with these tools, 9 out of 10 brokers still spend considerably more time on a specialist case.

*"Each lender assesses things differently, which makes it more of a challenge"*  
Mortgage Broker, Somerset

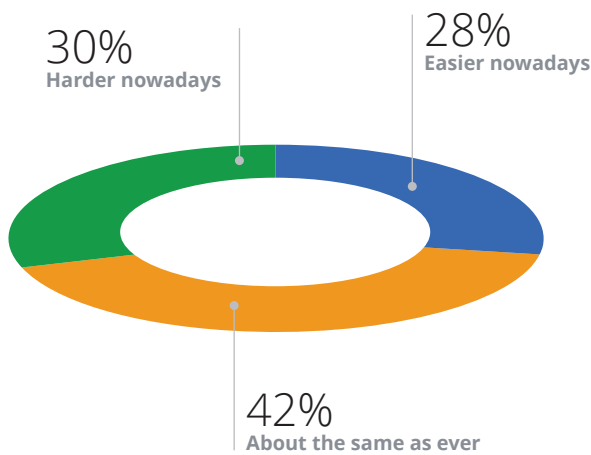
*"OMS has so much about it"*  
Mortgage Broker, Surrey

*"I will start with affordability and see who will offer the most"*  
Mortgage Broker, Sussex

*"Using technology means less calls, saves us time"*  
Mortgage Broker, Surrey

**Chart 3.3** Ease of sourcing specialist residential mortgages

*Q. Compared to the past, is it easier or harder to source a mortgage for a specialist residential case nowadays?*



**30% of brokers state that it is harder to source a specialist mortgage nowadays.**

### 3.4 Opportunities for brokers

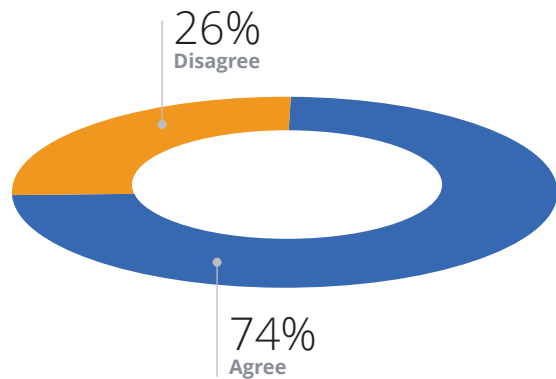
Whilst specialist cases can be more time consuming, it is clear that brokers see the specialist lending sector as a good source of business.

74% of brokers stated that clients requiring a specialist mortgage are more likely to be new clients (see Chart 3.4 (a)). Based on telephone interviews with brokers, it was clear that some brokers did believe (or had the perception) that some brokers with a big pool of clients do not really want or need additional clients, which is why some clients get turned away – hence the need for stronger partnerships, which is discussed later.

However, for those brokers who do like new clients, the specialist sector gives opportunities, particularly as a staggering 96% of brokers state that such clients are more likely to use their services again (see Chart 2.1.4(b)). This is in part due to the extra work they put in, and often because they are helping clients who think they have no chance of success, especially if they have been previously rejected elsewhere.

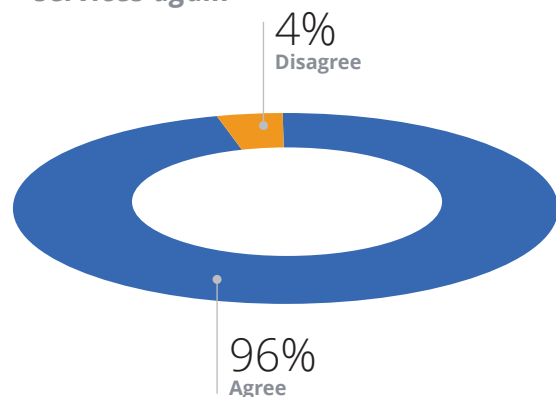
**Chart 3.4a** Likelihood of specialist residential cases being with new clients

*Q. Specialist residential clients are more likely to be new clients*



**Chart 3.4b** Likelihood of specialist residential clients using brokers again

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



## The Buy-to-Let Market

### 4.0 Is the Buy-to-Let market adapting?

Rapidly rising interest rates had an instant shock to the buy-to-let market, due to stress tests. Remortgaging and the purchase of new investment properties became more difficult.

**“Lots of landlords are changing strategies”**  
Mortgage Broker, Tyne & Wear

**“Seasoned landlords see market as this is just what happens”**  
Mortgage Broker, London

Data from UK Finance shows that the average interest rate across all new buy to let loans in the UK rose to 5.7 per cent in Q4 2023, up from 3.67 per cent a year previously. It also shows that the average buy-to-let interest cover ratio (ICR) for the UK in Q4 2023 fell to 180 per cent, compared with 238 per cent the year before.

**“Savvy landlords are looking at the numbers and adapting their strategies”**  
Mortgage Broker, East Midlands

**“The buy to let market (which is the sector I specialise in), is becoming more specialist by the day and the need for good advice by brokers who know lending policy is increasingly paramount to value.”**  
Mortgage Broker, Yorkshire

**“We have adapted to the market and now consider bridging for clients”**  
Mortgage Broker, East Midlands

However, the initial shock of the rapid rate increase has eased, and it would appear, anecdotally at least, that landlords are adapting to the changing environment. Some are incorporating into limited companies, some exploring different property types offering better yields than traditional rental stock, some are exploring alternative funding options, such as bridging. Some are selling up.

**“We have seen the biggest change in the market in last 12 months. Now landlords have become more accustomed to the market and realise this is it, the new normal.”**  
Mortgage Broker, London

**“Expat and foreign nationals BTL seem to be on the increase, many are seeking investment in the UK”**  
Mortgage Broker, Bedfordshire

**“Local authorities are reaching out to landlords to help”**  
Mortgage Broker, West Midlands

Whilst the market may not be as buoyant as before when interest rates were much lower, many brokers still

believe it is a market full of opportunities, and not the doom and gloom often reported in the press.



**Landlords are adapting to affordability challenges, and some look for other routes, like bridging.**

**Kevin Roberts, L&G**



**BTL is a sludgy market; It is not a promised land of opportunities right now.**

**William Lloyd-Hayward, Brightstar**

### 4.1 Are brokers writing less BTL business?

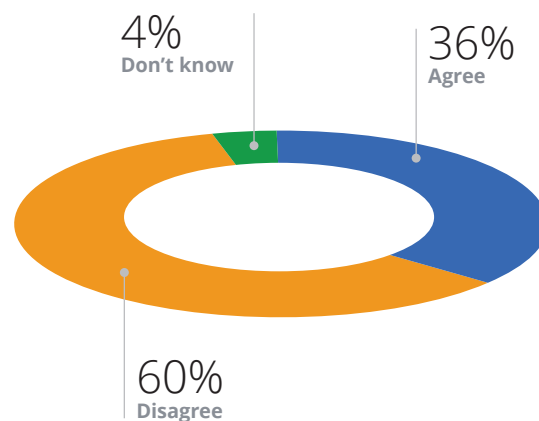
According to UK Finance, the value of new remortgage and purchase business is down. However, 60% of the brokers who participated in this study have not seen a decline in their BTL business.

However, brokers did talk about a growing number of new enquiries on BTL that hit a dead end, for various reasons.

**“I see a lot of enquiries that go nowhere”**  
Mortgage Broker, Hampshire

**Chart 4.1 Has broker BTL business declined?**

**Q. My buy to let business has declined in the last 6 months**



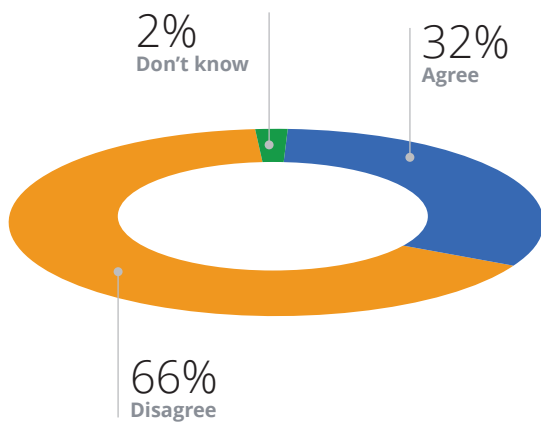
### 4.2 Product transfers

Only 32% of brokers who took part in the study stated that most of their buy-to-let business is product transfers.

**“PTs tend to be where BTL in own name, rather than Limited Company”**  
*Mortgage Broker, London*

**Chart 4.2 Product Transfers & BTL**

**Q. Specialist residential clients are more likely to be new clients**



### 4.3 Are landlords coming or going?

58% of brokers who took part in the study reported that they have more clients wanting to buy BTL properties than sell them as opposed to 32% who claimed the opposite.



There is a reduction in the amateur landlord whilst professional landlords want to expand.

**Danny Belton, MAB**



Larger portfolio landlords are very positive; they are cash rich and waiting (for opportunities).

**Matthew Arena, Brilliant Solutions**

According to broker comments, they are seeing more smaller, perhaps amateur landlords looking to exit (see Chart 5.3b), whilst larger portfolio landlords are looking for opportunities.

**“Investors are not leaving the market”**  
*Mortgage Broker, Essex*

**“Anecdotally, smaller landlords may be selling, however the larger portfolio landlords are very positive and are cash rich and waiting for opportunities.”**  
*Mortgage Broker, Bedfordshire*

**“There are landlord groups who all talk to each other about the market, deals and properties to sell and buy”**  
*Mortgage Broker Nottingham*

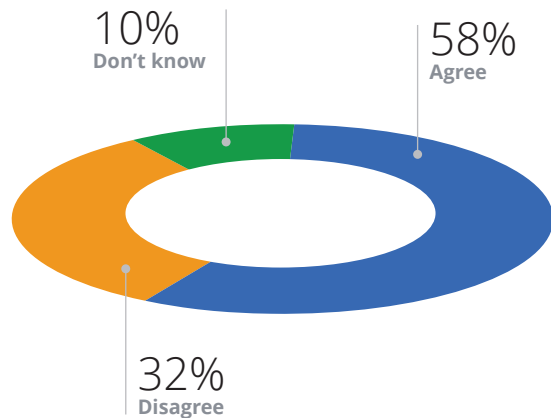
**“Accidental landlords want to sell up.”**  
*Mortgage Broker, Somerset*

**“A lot of landlords are selling up due to rate increases or are increasing the rent.” opportunities.”**  
*Mortgage Broker, South Wales*

**“People are still buying, and we are still remortgaging”**  
*Mortgage Broker, Devon*

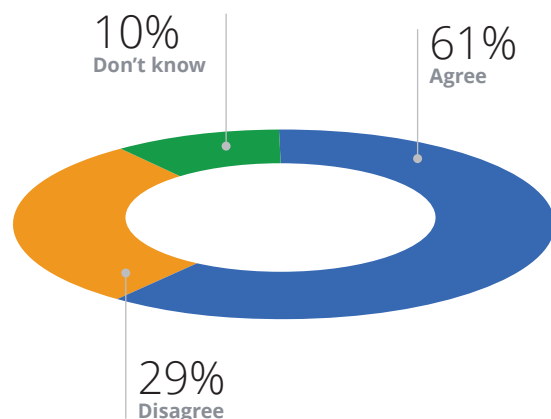
**Chart 4.3a Are landlords expanding or selling up?**

**Q. I have more clients who want to expand their portfolio than sell properties**



**Chart 4.3b Are smaller landlords leaving the market?**

**Q. Landlords with just one property are more likely to exit the market than other landlords**



#### 4.4 How landlords are seeking higher yields

64% of brokers in the study stated that landlords who do want to expand their portfolios are considering more unusual and higher yielding properties. This includes Houses of Multiple Occupancy (HMOs) and Multi Unit Blocks (MUBs) for example.

“Clients are looking for more quirky properties.”  
*Broker, Surrey*

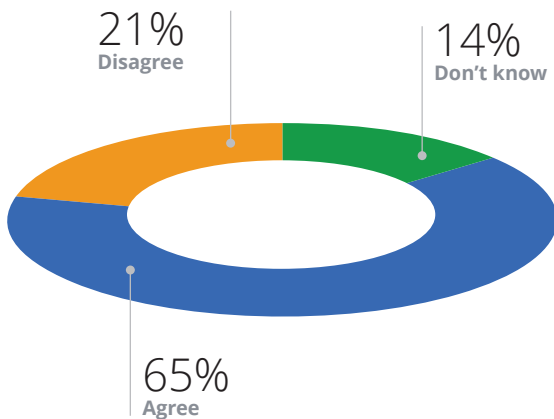
“I am seeing growth within complex portfolios and intercompany loans”  
*Mortgage Broker, Devon*

“Corporate Lets - this market is growing”  
*Mortgage Broker, Bucks*

Data from UK Finance shows that the average interest rate across all new buy to let loans in the UK rose to 5.7 per cent in Q4 2023, up from 3.67 per cent a year previously. It also shows that the average buy-to-let interest cover ratio (ICR) for the UK in Q4 2023 fell to 180 per cent, compared with 238 per cent the year before.

**Chart 4.4** Are landlords buying higher yield properties?

*Q. Landlords are looking to buy more unusual properties that have a higher rental yield*



### Second Charges

#### 5.0 The changing Second Charge market

One beneficiary of the economic changes appears to be the Second Charge Loan market, which can present an alternative solution to brokers and their clients. Although some brokers believe there is still an unwarranted stigma attached to second charge loans, the market nonetheless offers brokers considerable opportunity.



**Seconds provide a genuine solution.**

**William Lloyd-Hayward,**  
**Brightstar**

#### 5.1 Uses, flexibility and more options for borrowers

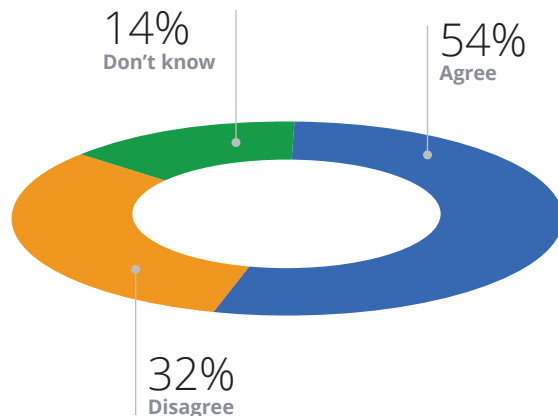
As people look for more space, whether for working from home or as an alternative to moving to gain extra rooms, second charges are becoming an increasingly popular solution.

54% of brokers are seeing clients using second charge loans to fund home extensions.

“Clients wishing to extend houses while on low initial rates whilst not giving up the first charge mortgage, on lower initial rates.”  
*Mortgage Broker, Essex*

**Chart 5.1** The use of second charges for space creation

*Q. I am seeing more clients using second charges to create more space in their homes*



#### 5.2 More options and flexibility for borrowers

Many mortgage borrowers are still benefitting from low fixed rates and are rightly reluctant to lose them. When releasing capital, a second charge loan enables them to retain the great rate on the majority of their borrowing and pay the higher rate only on the extra capital they need to release.

72% of brokers said they have had clients use this option.

With more people having experienced financial blips impacting their credit rating, some borrowers are electing to take a second charge rather than a remortgage, with 60% of brokers coming across such cases.

"I am seeing more people looking at second charges, as they want to keep the main rate"  
*Mortgage Broker, Northwest*

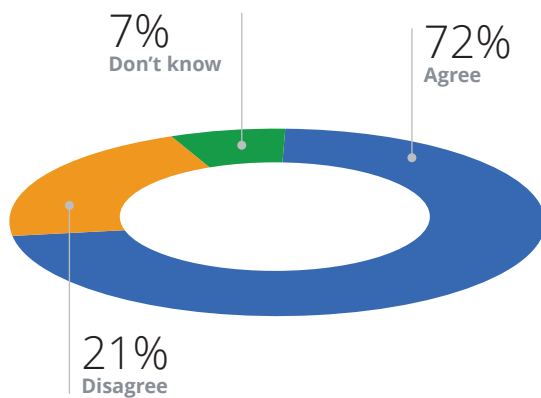
"Second charge mortgages (can be used) for the purpose of helping out their children reduce debt on their expensive residential mortgages or to provide gifted deposit for property purchase."  
*Mortgage Broker, Kent*

"I mainly use these for when clients are tied into their existing lender where further advances are not available"  
*Mortgage Broker, East Midlands*

"Clients are using second charges for debt consolidation"  
*Mortgage Broker, Wales*

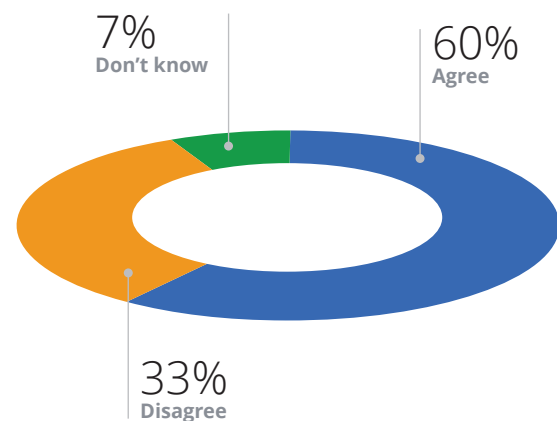
**Chart 5.2a** Use of second charges to maintain main rate

**Q. Clients have taken a second charge, rather than remortgage, to keep the primary mortgage at a lower rate**



**Chart 5.2a** Use of second charges for credit reasons

**Q. Clients have taken a second charge, rather than remortgage, due to their credit rating**



## In this section

- How big an opportunity is the Specialist Mortgage sector?
- Where will the growth come from?
- The role of Referral Partnerships
- Education, education, education

# Market Opportunities, Education & Partnerships



# Market Opportunities, Education & Partnerships

## 6.1 How Big an Opportunity Is the Specialist Mortgage Sector?

According to 72% of brokers who participated in the study, the specialist market gives brokers a bigger opportunity now than ever. As shown earlier in the report, drivers for this expanding opportunity are centred around changes to the economy which are subsequently causing the mortgage market to evolve and the specialist sector to grow.

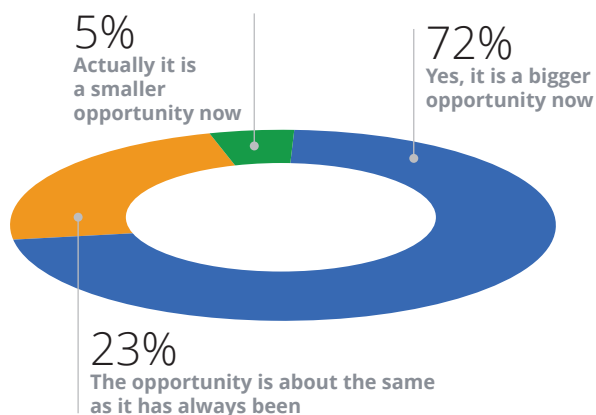
There were some brokers (23%) who felt the opportunity was no different to the past and a minority (5%) even claimed the opportunity was smaller. The perception about a lesser opportunity appeared to be more about an ability to seize the opportunity than a belief that the market was not growing. Sometimes the responses related to the experience of specific cases that were hard to place or not having access to lenders.

**"It is a market that is getting bigger."**  
Mortgage Broker, Essex

**"I believe it is an area for expansion and growth."**  
Mortgage Broker, Birmingham

**Chart 6.1: Will the specialist mortgage market give bigger opportunities now?**

**Q. Do you think the specialist mortgage market gives intermediaries a bigger opportunity now than in the past?**



## 6.2 Where Will the Growth Come From?

The cost-of-living crisis has caused more people to experience financial blips. Even though the rate of inflation has fallen, and base rate is expected to come down later this year, higher prices, rents and mortgages continue to hit pockets.

It is no surprise then that adverse credit is seen by brokers as the niche of lending most likely to grow in the future, closely followed by clients borrowing into retirement.

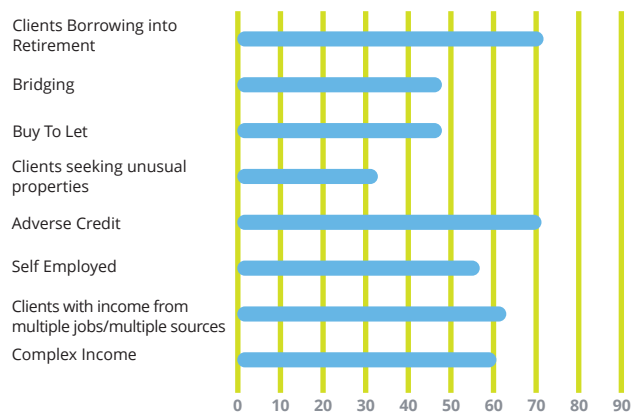
**"Missed payments in last 12 months is where it is all happening"**  
Mortgage Broker, East Anglia

**"Clients with minor credit blips and complex incomes finding they are not welcome with mainstream lenders." purchase."**  
Mortgage Broker, Devon

**"Need to look at clients differently, beyond putting them in a box. Can they afford it? Will they repay? Those are the questions. Not, do they fit the boxes."**  
Mortgage Broker, Northeast

**"First time buyers with small adverse. Huge potential over the next few years."**  
Mortgage Broker, Essex

**Chart 6.2: Predicted Growth Sectors**





### 6.3 The Other Key Areas of Growth

Broker opinions may differ on where the greatest opportunities lie, but 72% of brokers believe there are opportunities for growth in a number of areas.



**As the options increase then so to do the opportunities for brokers to embrace this sector and discuss with more of their customers.**

**Stephanie Charman, Sesame Bankhall Group**



**Other areas of growth- Foreign Nationals and Expats.**

**Danny Belton, MAB**

After adverse credit, the niches most cited for growth were:

- Clients borrowing into retirement.
- Clients with income from multiple sources
- Clients with complex income (e.g. trusts, pensions)
- Self-employed

“The biggest opportunity in the specialist residential sector is self-employed applicants and retirement planning”  
*Mortgage Broker, West Midlands*

“The biggest opportunity is to consider income beyond 70. More people will be working longer and are choosing to do so.”  
*Mortgage Broker, Glasgow*

“Corporate lets. New BTL landlords not suffering from past baggage and who have researched thoroughly prior to purchase.”  
*Mortgage Broker, Sussex*

“Complex income structures and increasing low level adverse”  
*Mortgage Broker, Hampshire*

“Self-employed and the Gig economy - approx. 4.3 million people in the UK are self-employed.”  
*Mortgage Broker, Greater London*

“Debt consolidation is another area of growth”  
*Mortgage Broker, Hampshire*

“Commercial and semi commercial will be growth areas”  
*Mortgage Broker, Dorsey*

“Clients who purchase below market value, or at auction with a view to bridge first then following refurbishment flip to BTL.”  
*Mortgage Broker, Northwest*

### 7.0 The Role of Referral Partnerships

Earlier in this report, we discussed that the majority (82%) of brokers who took part in this research preferred to submit cases directly.

In the future, this may change as distributors place more emphasis on encouraging referral arrangements.

These referral partners can be distribution firms, often known as packagers, solutions provided by mortgage clubs and networks, and brokers working collaboratively together to refer business rather than turn it away.



**Refer it, don't ignore it.**

**Kevin Roberts, L&G Mortgage Club**



**It will be difficult for brokers without partners. Brokers should know the opportunities and what they can and can't do. Know your strengths.**

**Matthew Arena, Brilliant Solutions**

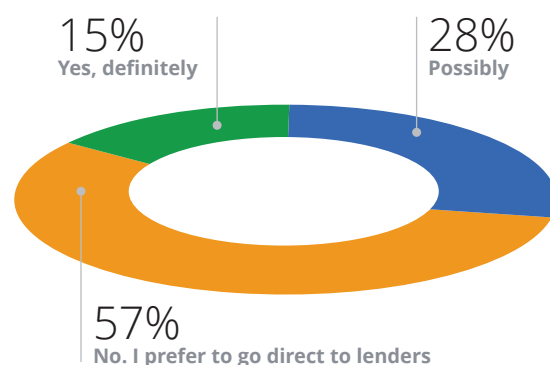


**Don't try and be an expert in everything. It is easier to build relationships with a partner than try and know all the criteria that exists.**

**William Lloyd-Hayward, Brightstar**

**Chart 7.0: Use of referral partners in the future**

**Q. Do you think you will use referral partners more in the future?**



## 7.1 Why referral partnerships are important

Brokers who are less active in the specialist market do not need to turn clients away. They can instead find a referral partner to help them diversify into the sector. This entails finding the right partnership route and, most importantly, one they can trust. With the specialist sector growing, the sooner a broker starts, the sooner they will reap the benefits, or they may get left behind.

**"If you can't do specialist cases, find a partner"**  
*Mortgage Broker, Bristol*

**"I use a very good packager 20% of the time"**  
*Mortgage Broker, London*

This can be set up so that the referring broker hands over control of the client and the case. Then, over time, as the broker increases their knowledge and confidence, they may choose to gradually retain more control of their cases.

For brokers more active in the market, there are strategic growth opportunities by becoming a referral partner for other brokers. This should be developed as a win: win scenario.

Referral partners will be important to help brokers expand their business and help more clients, which should lead to more referrals and repeat business.



**Brokers need to be more curious about sources of business now.**

**Kevin Roberts,**  
**L&G Mortgage Club**



**If the adviser's volume of specialist lending is low or they have no appetite to write this type of business, they can find a partner. If they are keen on the market, they should immerse themselves.**

**Liz Syms, Connect Mortgages**

## 8.0 Education, education, education

One of the key conclusions from this study is the need for education, education, and education.

Lenders need to understand brokers more. Brokers need more education from lenders on their approach, criteria, processes and strategies. Inexperienced brokers need more education and support to give them greater confidence to navigate the specialist lending sector. The final piece of the education puzzle is that brokers believe lenders need to get to grips with the market themselves, to have a better understanding of the self-employed market for example, to be able to create better products and underwrite accordingly.



**Education and support lead to greater confidence. It is harder for brokers who are less active in the specialist market as they have limited market knowledge or exposure. When you immerse yourself, you see the opportunities and how attractive the market is.**

**Liz Syms, Connect Mortgages**



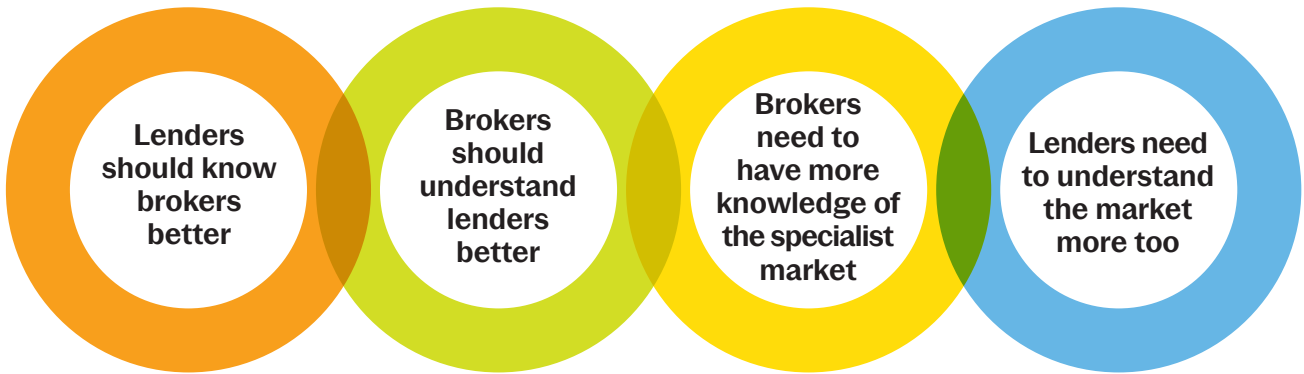
**We need tangible information and support to help brokers help clients; Being open to education will help brokers to open doors into the specialist market.**

**Stephanie Charman,**  
**Sesame Bankhall Group**



**Education is needed to break habits so more opportunities can be explored.**

**Kevin Roberts,**  
**L&G Mortgage Club**



“Brokers are scared of specialist cases if they are not experienced in them. We perceive it to be a lot of hard work dealing with specialist lenders”  
*Mortgage Broker, Kent*

“Lead with education... monthly trends, when to recognise an opportunity and how this can comply with Consumer Duty”  
*Mortgage Broker, Sussex*

“More specific education. Lenders are not very good at doing the finite detail needed in the education of the mortgage advisors who submit their products and ultimately give the advice. There’s so much more that lenders could do to support the intermediary through specific education”  
*Mortgage Broker, East Midlands*

“Brokers need to know how to read credit reports”  
*Mortgage Broker, Northwest*

“Brokers should look at Check my file which is good” intercompany loans”  
*Mortgage Broker, Essex*

“More listening to brokers – as we work on the shopfloor”  
*Mortgage Broker, West Yorkshire*

“Lenders need to understand that IVAs and bankruptcies are not the same”  
*Mortgage Broker, Bedfordshire*

“Estate agent brokers don’t get it”  
*Mortgage Broker, East Midlands*

“We all need a better understanding of adverse”  
*Mortgage Broker, Bedfordshire*

## Key Takeaways

The specialist mortgage sector is a bigger opportunity now for mortgage brokers and one of growing importance to them and their clients.

Brokers believe that growth within the market will come from a wide range of areas. However, Adverse Credit is seen by brokers as the biggest area of growth.

In the changing market, there is a growing role for partnerships, particularly for brokers who are less active within the specialist sector.

Education is seen as crucial, which is a two-fold: lenders need to understand brokers more and brokers need to understand the sector more.

### Specialist Residential

- This sector is growing and offers real opportunities for mortgage brokers.
- There are varying factors driving its growth, such as the cost-of-living crisis
- As a result of the cost-of-living crisis, more clients are experiencing financial blips
- Self-Employed clients are finding it harder to get a mortgage
- Incomes have become more complex
- The market has seen a big impact on brokers, with affordability is a big challenge
- There is the perception that specialist cases are more time consuming and some brokers are finding sourcing harder now.
- This is a sector where brokers can find new clients, and clients that are more likely to use their services again in the future.

## Key Takeaways

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### Buy To Let

- Despite the stories in the press, brokers are NOT writing less business in this sector
- Landlords are adapting. Whilst some do plan to exit the market, larger landlords want to expand their portfolios.
- Landlords are adapting by looking to buy more unusual properties that can deliver higher rental yields

### Second Charges

- Second Charges are giving more flexible options for clients
- Flexibility can help with property expansion or debt consolidation, whilst preserving their first charge loan.

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## Key Findings of This Report

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The specialist mortgage market continues to evolve and offers some real opportunities for mortgage brokers.

Most brokers believe the specialist mortgage sector is a bigger opportunity now and one of growing importance to them and their clients.

Most brokers have seen an increase in the amount of specialist cases they are writing.

Brokers believe that growth of the sector will come from a wide range of areas. However,

adverse credit is seen as the biggest opportunity.

There is a growing role for partnerships, particularly for brokers who are less active within the specialist sector.

Education is crucial. Lenders must do more to understand brokers and brokers need to do more to understand the sector.





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