

INDUSTRY INSIGHTS

Challenges in the Mortgage Industry

Before the market has been able to digest the implications of Brexit, the Covid-19 pandemic has pushed all other considerations aside, and slowed the economy as a whole. The mortgage industry has been significantly affected by this with repeated occurrences of lenders pulling products from the market, sometimes mere days after they were first announced.

The industry has been hard pressed to adapt to the challenges of social distancing and lockdown. Buying a property means travel and visiting, not just for the purchasers but also the other parties involved such as agents, valuers and surveyors. While the property market has gradually begun to rebound, a great deal of uncertainty still remains.

WHAT HAS BEEN THE EFFECT ON MORTGAGE LENDERS?

Initially, banks began pulling their mortgage products due to the uncertainty about the length of the lockdown and the stalling of the housing market. The wave of mass redundancies and furloughed employees also sparked lenders' concerns. Indeed, there are still potential risks that homeowners may be unable to fulfil the terms of their mortgage after unexpected reductions in income.

Additionally, the increase of local lockdowns in recent weeks and the looming threat of a second national lockdown may once again lead property price to slump. There is therefore a concerns that buyers may quickly fall into negative equity which makes high-LTV products an increased risk.



HOW HAS THIS AFFECTED PRODUCTS ON THE MARKET?

Some lenders have reviewed and changed their pricing options and LTVs meaning customers are no longer able to use their services. According to price comparison site Moneyfacts, the number of 95% LTV mortgages fell from 162 at the start of April to just 14 at the start of June. The number of 90% LTV mortgages shrunk from 326 in April to 72 at the start of July. Many LTV products were pulled from the market after a matter of days as providers struggle to balance demand versus risk.

Reductions or loss in income have also meant some customers have been unable to continue their mortgage applications with certain lenders as they no longer meet the product requirements.

At Harpenden, we've experienced a surge of customers making inquiries as the unique nature of their applications have led to automatic rejection from other lenders. Reasons for this include failed affordability on a repayment basis (many lenders will not consider interest only loans) and complexities regarding their income (such as freelance workers or gaps in income).

HARPENDEN'S RESPONSE

Throughout the initial stages of the pandemic, Harpenden supported Covid-19 mortgage payment holiday of up to three-months, as long as the applicant was currently up to date with repayments. We have worked diligently to come up with solutions throughout this period of uncertainty with clients and brokers alike.

The nature of how we operate means we are used to dealing with unique applications that may not fit traditional lending requirements. Throughout the pandemic, our product range has remained stable and consistent and we know this has been especially important for our brokers in this time of chaos and upheaval. All our underwriters assess applications manually, in lieu of computer algorithms, which means we are able to garner a far more accurate portrait of risk and avoid issuing outright rejections. We aim to work with brokers to flexibly find solutions to the challenges and complex financial situations created by the pandemic. It has been BAU for the Society as we continue to offer our full range of products without exception.



COUNT ON US

As we continued to navigate through the effects of the pandemic, please remember that we're only a phone call away, so you can be confident that we'll still be able to provide brokers with the sterling support you have come to expect from us over so many years.

Nobody can say with any confidence what the long term view of the housing market will look like and how the economy might recover. Now, more than ever, people need steady and reliable advice - be assured that HBS can provide that support.



Craig Middleton

Craig Middleton, Mortgage Sales & Distribution Manager,
Harpenden Building Society



We individually assess and approach applications.



We offer a manual underwriting process, no credit score involved.



A flexible view on merits of all cases - we're very accommodating.



We provide clear, fair and transparent charges for all cases.



Many types of income are considered when assessing affordability.