WINTER
2022/23

Mortgage Intermediary

INSIGHT REPORT

A testing economic environment has dented confidence amongst consumers and businesses alike and mortgage intermediaries are no different. But, with strong mortgage lending throughout 2022, driven by demand that remains in residential and buy-to-let markets, intermediaries are adapting and will be well placed to overcome any challenges that their businesses may face in future.

Moray Hulme
Director - Mortgage Sales

Mortgage business mix

In the time since the previous Mortgage Industry Insight Report (MIIR), published in June 2022, there has been a slight increase in the average annual number of mortgage cases placed by each broker, 93 to 96, reflecting the buoyancy of the property market during the year.

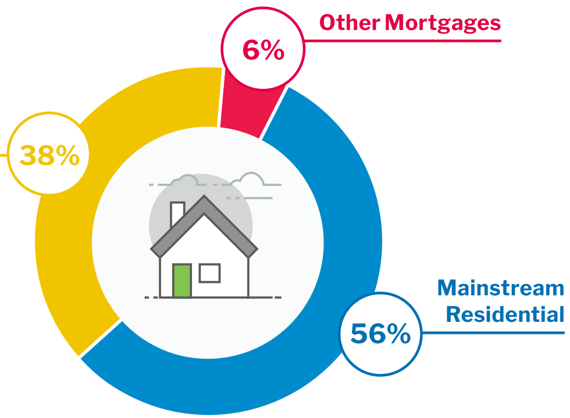
During the past 12 months, mainstream residential mortgages have been the primary driver of business. With each broker placing an average of 54 cases per year, one fewer than reported in the last MIIR, this accounts for over half of all business placed at 56%. Buy-to-let followed, contributing over one third of business (38%) after brokers placed an average of 36 cases this wave, up from 34 in H1 2022. Other mortgages such as bridging finance and later life lending made up the remaining 6%.

MORTGAGE BUSINESS MIX

Source: BVA BDRC

Buy-to-let

Limited company portfolio	27%
Limited company non-portfolio	13%
Portfolio	22%
Non-Portfolio	38%



Looking at buy-to-let mortgages specifically, we see that non-portfolio represents the highest proportion of intermediary business. This is to be expected, given that the Government's most recent English Private Landlord survey shows that 43% of landlords own just one property, while a further 39% own between two and four.

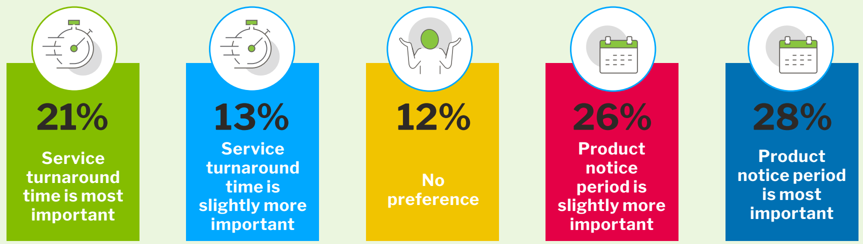
Notice vs service – are lenders striking the right balance?

The volatility of this year's market has forced many lenders to quickly withdraw products. In some instances where longer notice was given, a surge in applications impacted service or resulted in increased turnaround time.

To find out if lenders are striking the right balance between notifying the market of changes and servicing cases within timeframes generally considered acceptable across the industry, we asked brokers what they feel is most important.

NOTICE VS. SERVICE

Source: BVA BDRC



Mortgage Intermediary outlook

Given the widely publicised economic challenges facing the UK it is unsurprising to see that since the previous edition of MIIR, optimism has dropped amongst mortgage intermediaries.

Despite this, more than eight in 10 (85%) are either 'very confident' or 'fairly confident' in the outlook for their own firm, while two thirds (66%) indicated that they are either 'very confident' or 'fairly confident' in the outlook for the intermediary sector of the mortgage industry.

CONFIDENCE IN OUTLOOK FOR...

Source: BVA BDRC

Please note: Where percentages don't total 100 it is due to rounding.

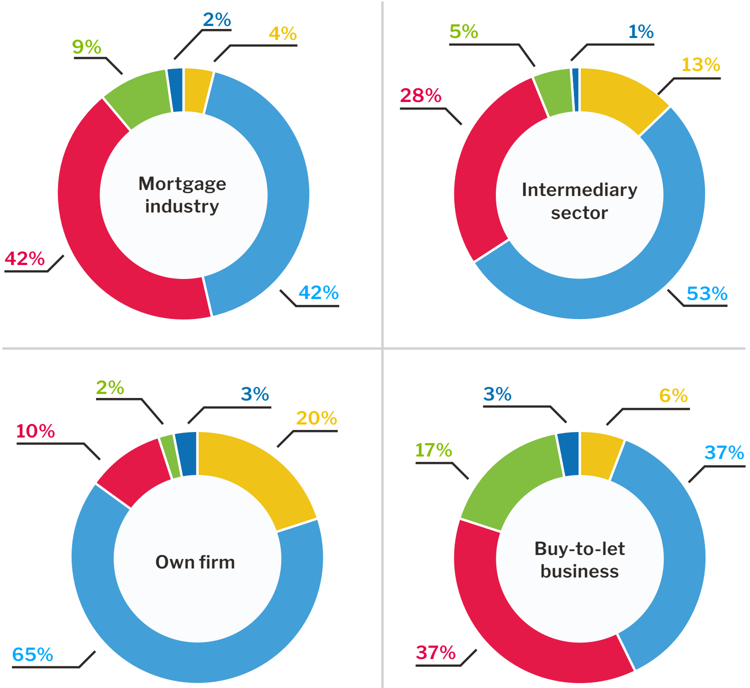
Very confident

Fairly confident

Not very confident

Not at all confident

Don't know

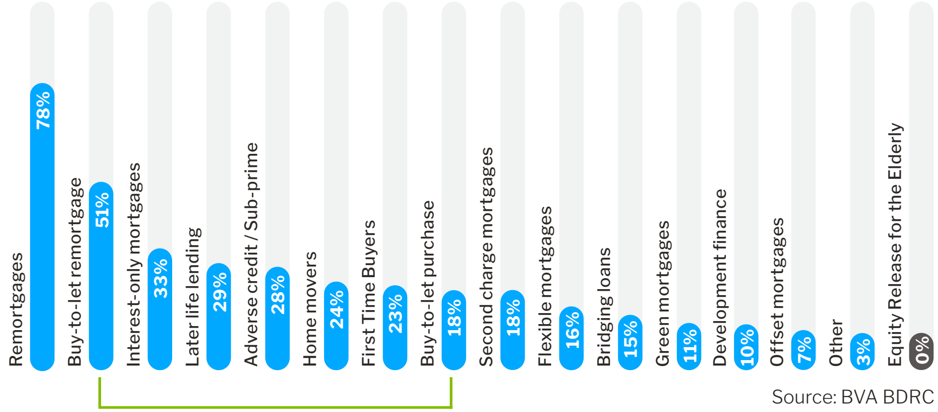


A lower proportion of brokers shared this level of optimism in the buy-to-let market and mortgage market more broadly, with 43% and 44% feeling very confident or fairly confident respectively.

Future strengths of the mortgage market

Intermediaries anticipate remortgaging, across both the residential and buy-to-let markets, to be the most substantial driver of business over the next 6-12 months.

ANTICIPATED DRIVERS OF BUSINESS



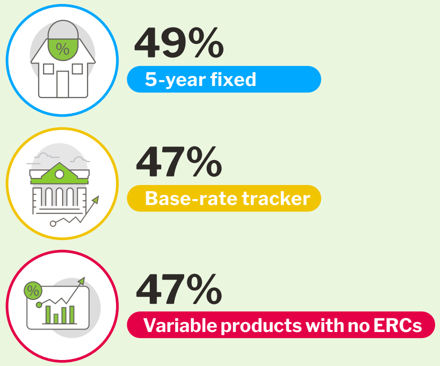
Buy-to-let business

Just under half (49%) of brokers think that they may see more Ltd. Co buy-to-let business due to favourable tax treatment of incorporated businesses.

Mortgage intermediaries also felt that interest-only mortgages, later life lending and adverse credit/sub-prime lending would also be key contributors of business in future.

Looking at products specifically, intermediaries feel that 5-year fixed rate mortgages will be the most popular with borrowers over the forthcoming year.

Despite this, higher interest rates and an unsettled economy appear to lead brokers to expect a significant shift in borrower behaviour, with variable rate mortgages forecasted to account for similar levels of business as fixed-term products.



2-year fixed	44%
Interest-only mortgages	28%
SVR discounts	25%
Further advances	13%
3-year fixed	10%
Bridging loans	10%
Second charge mortgages	9%
Greater than 5-year fixed	8%
Offset mortgages	8%
Green mortgages	8%
1 year fixed	6%

Future threats to business

In addition to identifying future opportunities that may exist in the mortgage market, intermediaries pinpointed scenarios that have the potential to disrupt their business.

ANTICIPATED BUSINESS THREATS

Source: BVA BDRC

76% Interest rate changes

69% Cost of living crisis (fuel, utilities, groceries etc)

67% UK economy turning down / recession

Slowing housing market	61%
Changes to EPC regulation	38%
Changes to tax regulation	36%
Regulation of the BTL market	33%
Automated mortgage switching/re-mortgage systems	27%
Lenders improving their direct mortgage offering / service	23%
Rising unemployment	21%
Tighter regulation of broker activity	17%
Robo-advisers / online & digital brokers	17%
Brexit	12%
Other	8%
Lasting impact of the Covid 19 pandemic	7%
Retirement / ageing mortgage intermediary base	5%
Lack of new / young intermediaries coming through	5%
No / Don't know	2%
GDPR	1%
Open banking	1%

Brokers' perception of these threats has changed since the previous MIIR, with the economic downturn and its effect on the housing market dominating concerns.

Mitigating threats

Intermediaries are adopting a variety of strategies to mitigate these threats, but some common themes are evident – communicating with clients and lenders, monitoring the market and providing the best possible customer service so they are the advisers of choice amongst borrowers.

"Educating clients on the new terms and engaging with them early in the process."

"We are ensuring we provide a quality service and are looking for both repeat business and referrals."

"Communication with clients and staying in the loop with lenders as best as possible."

"We are contacting all of our existing clients to check that their needs are being met and to provide them guidance through these trying times. We also reserve remortgage rates for them ASAP and then monitor the market for them until completion, so they don't miss out."

Growth plans

Despite economic pressures, almost four in 10 (38%) intermediary firms say that they are expanding while only 3% are reducing in size. The majority, 53%, are staying the same.

Amongst those firms that are planning on expanding, additional resource seems to be fairly evenly split between personnel, technology and marketing. Three in 10 firms plan to hire more experienced advisers, making it the most popular way to bolster capability. Other workforce additions include trainee advisers and paraplanners to assist with paperwork and other tasks to help free-up adviser capacity, with 19% and 22% seeking to recruit them, respectively.

30% Experienced advisers

28% No extra resources added

25% Additional technology

24% New or enhanced marketing

22% Paraplanners (assistants that help advisers with paperwork and other similar tasks)

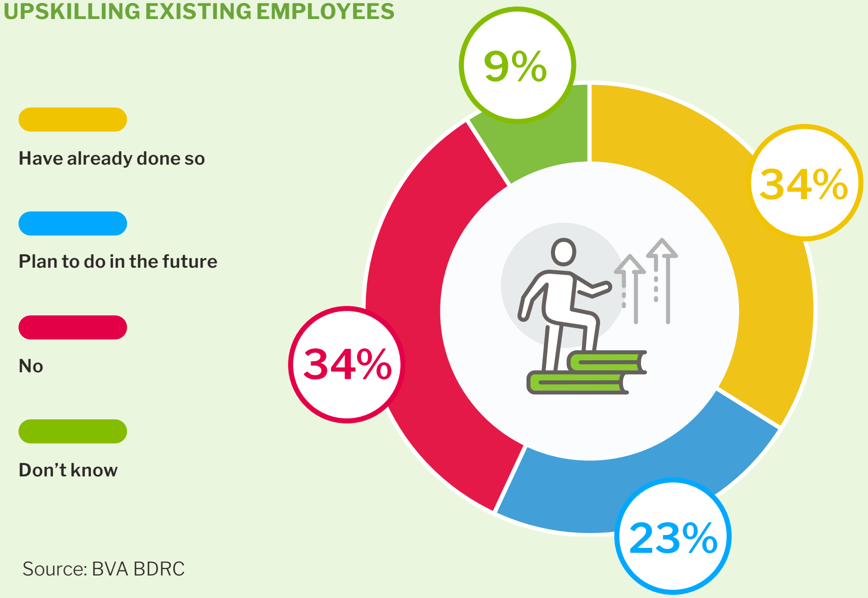
19% Trainee advisers

13% Other staff

Over half **(51%)** of respondents said that it is either fairly or very difficult to hire experienced advisers, dropping to just over one third **(34%)** when taking on trainee advisers.

Some businesses are working to mitigate this workforce challenge and ensure they have the capability to take on more or different types of work by upskilling existing employees.

UPSKILLING EXISTING EMPLOYEES



Source: BVA BDRC

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