MAXIMISING THE REMORTGAGE OPPORTUNITY

ELOISE HALL - HEAD OF NATIONAL ACCOUNTS

As we reach the final weeks of 2023, mortgage brokers are continuing to face the triple challenge of inflation, the rising cost of living, and interest rate increases that have been dominating UK news headlines all year. With the potential for further increases, it is understandable that many customers are worried about either getting a mortgage or remortgaging. In this challenging environment, retention is more important than ever, and mortgage brokers need to be equipped with the right tools to support their customers and grow their business.

Although the UK's property market has been slowing, the remortgage market continues to see the predicted remortgage growth, driven by the maturity of five year fixed rate deals taken out in 2016/2017. In recent years, the mortgage landscape in the UK has witnessed a significant shift in preferences among homeowners, with five year deals becoming more prevalent as homeowners race to secure deals before the next rate rise. This article delves into the latest figures and insights to provide a comprehensive overview highlighting the importance of retaining customers in the changing market.

The mortgage market has seen many changes in 2023, with an estimated 800,000 fixed rate mortgages set to expire by the end of this year. Looking ahead to 2024, an additional 1.6 million mortgages are expected to reach the end of their terms[1]. These numbers do not reflect any tracker, variable or buy to let customers with product deadlines, so this could in fact be an even greater remortgage market when including these potential customers.

The increased need for product transfers

These impending expirations create an environment ripe for mortgage refinancing activities. UK Finance predicts that product transfers in 2023 will amount to an impressive £212 billion, representing a remarkable 30% increase from the figures recorded in 2020[2]. The data continues to suggest the rise of product transfers, as UK Finance also confirms a staggering 87% of remortgagers are opting to stay with their existing lenders rather than exploring options elsewhere.

This marks a substantial increase from 80% in 2021 and 73% in 2019[3]. The allure of product transfers lies in their convenience and security, as homeowners can avoid the complexities of moving to a new lender, which with current affordability challenges could be a concern for some individuals. The impact of the pressure customers are feeling, to fix a rate as quickly as possible, could also be playing a large part in this trend.

Although product transfers are an effective solution for customers, it is important that lenders don't forget their brokers still must complete extensive work for their customers, to ensure they're placing the right deal and complying with regulatory requirements.

The lingering impact of the pandemic

For those looking to remortgage and capital raise, a common driver is home improvements. The Covid-19 pandemic changed a lot more than any of us could have predicted, but one of the biggest trends that arose from the lockdowns was the importance of making the most of our homes and gardens. According to recent research, nearly half of all UK homeowners spent money on home improvements during the pandemic, with an average spend of almost £2,000. For those with equity in their properties, remortgaging to free up money to renovate has become a popular option[4].

Then there are the customers who were financially affected by the pandemic, who have been joined by the many people affected by the rising cost of living. Some will need to remortgage for debt consolidation. The latest criteria index from Knowledge Bank provides valuable insights into the financial challenges faced by many in the UK. A trend of "missed or late payments" searches continues to dominate the residential remortgage sector, reflecting the ongoing financial burdens carried by homeowners. The index also reveals a notable increase in searches for lenders who support in 'capital raising for debt consolidation'[5]. This insight is also echoed in StepChange's May Data Report which highlights the cost-of-living increase being the most cited reason for debt (27%)[6], which many are trying to tackle by seeking better advice and taking control of their finances, with options such as debt consolidation. Considering the cost-of-living crisis, we are very likely to see this increase further, with customers seeking out brokers for their advice on how to better manage their outgoings and finances.

These trends present significant opportunities for mortgage brokers, with customer retention more important than ever.

Suggestions for retaining your customers

1. **Keep in touch with your customers:** Regularly contacting them, especially those who are nearing the end of their fixed rate term, will keep you top of mind and help to build a relationship of trust. Many brokers now approach their customers 6 months in advance, and Kensington Mortgages will email you to let you know of any eligible customers you have up for renewal, to help facilitate those conversations. You can reach out to your customers periodically or on the back of significant market news, to check on their mortgage status and inquire about any changes in their financial situation. The introduction of the government's Mortgage Charter, which Kensington Mortgages is proud to be part of, provides a great reason to reach out to your customers as there are likely lots of questions about what the right decision is for their mortgage, and a broker's advice throughout this uncertainty will go a long way and may offer more business opportunities.

2. **Stay informed about market trends:** The mortgage market is constantly evolving, with interest rates, regulations, and lending criteria changing over time. By staying close to your lender partners, you can keep up to date with these changes and provide your customers with well-informed advice. You can use this opportunity to educate them about remortgage options and the potential benefits of remortgaging with a specialist lender, such as - did you know Kensington Mortgages can consider remortgaging for debt consolidation up to 90% LTV? Being close to your lender also provides you with insight and updates through data in a way that is convenient for you. At Kensington, our BDMs work with you to identify opportunities and our webinar series educates and informs on relevant topical subjects.

3. **Use technology to streamline the remortgage process:** Kensington Mortgages offers automated valuations for like-for-like remortgage cases, which can speed up the process for both you and your customers. We have a fully digital Product Transfer portal, which considering Consumer Duty regulation, helps you to feel confident that we can continue to support your customers throughout their mortgage lifetime. This process offers an efficient way to retain your customer and still earn commission, without going through a full remortgage.

4. **Understanding the offering from specialist lenders:** Specialist lenders like Kensington Mortgages can offer bespoke solutions for customers with variable income, credit blips, or those who have moved from PAYE to self-employment. By leveraging the expertise of specialist lenders, you can help those who may need a non-traditional mortgage solution. When we consider how the cost-of-living crisis has been a catalyst for many specialist drivers in the marketplace, it is likely that more customers than ever before may need a specialist solution.

My thoughts

In conclusion, it is important for mortgage brokers to focus on retaining their existing customers and growing their remortgage business, especially as the current economic climate of rising costs and high inflation levels are not expected to return quickly to pre-Trussonomics figures. By understanding their customers' needs and circumstances, brokers can provide tailored solutions and support for remortgaging and product transfers. Although we continue to be faced with challenges in the mortgage market, with the right approach and support, mortgage brokers can thrive in the remortgage market, and build long-lasting relationships with their customers.

1 https://www.mpamag.com/uk/mortgage-industry/market-trends/is-the-remortgage-market-heating-up/454633
2 https://www.ukfinance.org.uk/system/files/2022-12/UK%20Finance%20Mortgage%20Market%20Forecasts%202023-2024_0.pdf
3 https://www.mortgagefinancegazette.com/lending-news/more-remortgagers-choosing-to-stay-with-existing-lender-uk-finance-18-04-2023/
4 48% of Brits made home improvements in lockdown - spending nearly £2k on average! - Professional Builder (probuildermag.co.uk)
5 https://www.mortgagestrategy.co.uk/news/homeowners-looking-at-ways-to-consolidate-debt/
6 https://www.stepchange.org/policy-and-research/personal-debt-statistics-in-the-uk/monthly-client-report-may-2023.aspx#:~:text=Our%20key%20findings%20from%20May%202023%3A&text=The%20StepChange%20debt%20charity%20website,and%20May%202023%20(27%25)

Eloise Hall – Head of National Accounts.

Eloise joined Kensington Mortgages in 2019, bringing a wealth of experience from both Leeds Building Society and Principality Building Society, she has supported, nurtured and grown many of our key account relationships across the UK. Eloise has continued to grow Kensington's brand as an innovative and forward-thinking specialist lender and has won an array of awards in her tenure at Kensington Mortgages including British Specialist Lender award for Lender: Business Development in 2021. Since Eloise's promotion to Head of National Accounts she has also been awarded the 2022 Woman in Specialist Lending award at Financial Reporter Women's Recognition Awards, Head of National Accounts at the 2022 British Specialist Lender awards, Relationship Account Manager of the Year at the Fintel Partnership Event in 2023 and Head of National Account at the 2023 British Specialist Lender awards.

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