

# HOW BROKERS CAN USE SPECIALIST MORTGAGES TO HELP NEW KIND OF ADVERSE CUSTOMER

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In the wake of the cost-of-living crisis, many customers are still struggling with their outgoings – but not in the way you might expect.

The FCA Financial Lives Survey found that consumers have been prioritising rent or mortgage payments over other charges. Utility bills were the most commonly missed payments over the six months to January 2024, followed by credit card bills and council tax.

The prioritisation of their mortgage payments over other bills isn't to say that people aren't struggling to meet the increased costs of mortgage payments. More than one in three mortgage holders had seen their mortgage payments increase in the previous 12 months. There has also been an increase in the proportion of mortgage holders who asked their provider to reduce their monthly payments or provide a payment holiday. 0.4% did so in the six months to January 2023, rising to 1.6% in the 12 months to January 2024\*.

People tend to prioritise mortgage payments because they don't want to risk losing their home. But many don't realise that missing payments on other commitments could affect their credit profile and negatively impact their credit score. When they next look to move or remortgage, these customers may no longer meet the high street standard lending criteria – and they may therefore struggle to find a mortgage without the use of a broker.

This chimes with brokers' increasing concerns about customers' credit ratings. Our website analytics show that the top lending criteria brokers are looking for are defaults, income and arrears, and we've received anecdotal feedback from mortgage club and network desks that the number one topic brokers are querying is adverse credit.

These customers – who think they're doing the right thing by prioritising their mortgage bills, but are actually being penalised for missing other payments – often feel upset, confused and uncertain when they want to move home or remortgage. They can't understand why they're not eligible for the mortgage products they want, and they're worried there might not be any alternatives available to them.

## Supporting customers through adversity

This is where mortgage brokers come in. They play a crucial role in guiding customers with adverse circumstances towards mortgages that meet their needs without overstressing them. Customers depend on brokers' expertise to help them find the best possible deals. They can do this by:

1. **Assessing the needs of their customers.** By thoroughly understanding their customers' financial situations, goals and priorities for their mortgage, brokers can help them identify the most suitable lender and mortgage products
2. **Providing support for confused customers.** This has quickly become another layer to the mortgage process for brokers to navigate. Brokers are an invaluable support to their customers and can explain the benefits of a specialist lender to those customers who may have been declined by the high street. A broker can discuss documentation requirements, expectations, and turnaround times with their customers, in a way they understand.

3. **Collaborating with specialist lenders.** Working closely with lenders and their BDM teams, a broker can navigate this complex market and offer the best support for their customers' needs and circumstances.

### What are the benefits of specialist mortgages?

Specialist mortgages offer flexible criteria and specific solutions that consider the unique circumstances of each customer. This flexibility is crucial for the increasing number of customers who have been excluded from traditional lending due to credit issues.

Unlike traditional mortgage providers, specialist lenders don't just rely on credit scores. Instead, we consider the entire financial situation of the applicant and any complex circumstances they may have, such as multiple income streams and the reasons behind past financial difficulties. This brings several advantages to customers:

1. **Accessibility:** By considering a wider range of factors, specialist lenders can make mortgages accessible to a broader spectrum of customers. This is particularly important for customers with a credit blip who may otherwise be locked out of the housing market.
2. **Flexibility:** The lending criteria of specialist mortgages is often more flexible, providing more solutions for customers' circumstances.
3. **Choice:** Specialist lenders can provide different solutions that customers may not be aware of, such as products designed with complex credit in mind.

4. **Opportunity:** Successfully managing a mortgage can help adverse customers improve their credit score over time, making more options available to them in the future.

Kensington's innovative products and flexible criteria, designed with complex credit circumstances in mind, put us in the perfect position to help these customers. For example, our [Resi 6](#) and [Resi 12](#) products are designed for those who have experienced a credit blip over 6 or 12 months ago. Both offer our new Step Down fixed rate option, which applies two fixed rates over a duration of a five-year fixed term. The first rate is applied for two years of the loan, followed by a lower rate for the remaining three years of the loan. This reassures customers, providing them with the security of a five-year fixed term and the knowledge that those payments will reduce after two years.

### Supporting a new kind of adverse customer

One of the long-term impacts of the cost-of-living crisis is that many customers are struggling with blips on their credit file. This new group of adverse customers are likely to require a specialist mortgage when they decide to buy, move or remortgage - and they will need knowledgeable, empathetic and engaged brokers to help them navigate this unfamiliar market. By working with specialist lenders, who provide flexible, accessible, and supportive mortgage options, brokers can grow their business by diversifying into this area of the market - delivering exceptional support to their customers and helping them purchase the property that's right for them and their circumstances.



#### 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 won an array of awards in her tenure at Kensington Mortgages, including Woman in Specialist Lending at Women's Recognition Awards and Head of National Accounts at both the 2022 and 2023 British Specialist Lending Awards. Most recently Eloise has been recognised in the Mortgage Introducer Global Top 100 Mortgage Professionals and named as an Elite Woman in 2024.

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