

HODGE 2023: The year of the specialist

The specialist lending market is growing at a spectacular rate. Why? Because specialist borrowers are becoming more prevalent in today's society.

The rise of the gig economy and the trend towards flexible working are altering our housing needs. This, coupled with the current cost of living crisis means a shift in customer need is emerging. The stars are aligning for 2023 to be the year of the specialist and as changing needs accelerate, the sector is on target to triple its lending volume by 2030.

Emma Graham, business development director at Hodge, looks deeper into why specialist lending is on the cusp of a golden era.



Despite geopolitical and economic uncertainty, the mortgage market remained resilient throughout 2022. We saw high levels in both remortgaging and holiday-lets, topped off by a record year for the buy-to-let market's gross lending value.

The theme, for at least the first few months of 2023, will be remortgaging. Predicted volumes could see a 30% increase compared to 2021 as homebuyer demand wanes. But the economic backdrop for 2023 remains in flux. Pressures on household incomes as outgoings continue to rise are putting tremendous strain on borrowers finances, resulting in more people falling outside of the 'mainstream' and therefore many high-street lenders' criteria. As the numbers of non-standard borrowers grow, specialist lenders will have an even bigger part to play over the next 12 months.

What is specialist lending?

Since the 1980s specialist lenders have been a force in the market, driving innovation and widening the range of customers who have access to a mortgage. This segment of the market provides alternative mortgage solutions to borrowers who don't meet the relatively rigid criteria of many mainstream high-street lenders. Specialist lenders, such as Hodge, generally take a case-by-case view of mortgage applications, helping to find solutions for those who might be rejected for a standard mortgage or are unable to find the right fit with a high-street lender.

The growth of the specialist borrower

Experian reported that despite lenders tightening eligibility criteria amid rising interest rates and a cost of living crisis, demand for borrowing remains elevated. In the past, this would mean applicants would need to mould their lifestyle correctly to fit the lender's parameters. Today, it's often a different picture. Alternative, specialist mortgage products cater for today's evolving borrower, who now accounts for 53% of applicants, all falling outside of mainstream mortgages' shrinking parameters.

With mainstream, lenders can often be more constrained and have a muted appetite for the non-conventional customer. Specialist lenders are stepping up to the plate, supporting customers with

non-standard profiles when applying for a mortgage. For example, multiple and complex incomes or being self-employed, was cited in a recent study by Together, as the reason 22% of applicants were rejected for a mortgage by a high-street lender. In 2022, 23% of Hodge's written mortgages across our full mortgage range were to self-employed applicants. The numbers stack up. Specialist lenders are bridging the widening gap between what mainstream lenders offer and what today's specialist borrower requires.

Remortgaging: the central theme

Remortgaging will be central to the mortgage and housing landscape in 2023. According to UK Finance, remortgaging is set to reach around £89 billion this year, a jump of £7 billion from 2021 and £24 billion compared to 2020.

The 1.4 million homeowners set to renew their mortgage deals this year are being encouraged to shop around to find the best deal available in a very different marketplace. For the half of all borrowers with non-standard circumstances, using the expertise of their broker will be critical. And with even more borrowers in the specialist category and Consumer Duty leading a major shift in financial services, brokers with excellent specialist knowledge will be those who deliver for their clients.

A brokered market

IMLA reported 84% of mortgages are now through brokers and expect this to hit 90% by 2024. An impressive shift from ten years ago when brokers accounted for less than half of all residential mortgages written in the UK.*

Crucial to the growth of specialist lending is the broking community. Good brokers understand the needs of their clients and support them to secure the most appropriate solution for their circumstances, now more than ever, that means getting to know the specialist market and what's available.

We're here to help you navigate this new landscape. From the complexities of a professional mortgage or holiday let to those with non-standard needs such as those over 50 or the self-employed, we'll work with you so you can help your clients achieve their goals.

Always working with you

At Hodge, we've been supporting customers with their financial future since 1965. With innovative products, a common-sense approach to lending and years of expertise in specialist mortgages, we have the knowledge and experience to help take the complicated out of complex borrowing.

The outlook for the year ahead has its challenges but with these come great opportunities. If you're looking for more information about specialist lending and how to deliver the best outcomes for your clients in the changing marketplace, speak to one of our BDMs

today.* <https://www.mortgagestrategy.co.uk/analysis/brokers-have-to-grow-market-share-in-2012/>

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