KM WEBINAR: COVID-19 ONE YEAR ON: THE IMPACT ON THE MORTGAGE MARKET

FRANCES TAYLOR
HEAD OF NATIONAL ACCOUNTS

It's lockdown day 365 – and I still can't quite get my head around the fact that we've been living through this pandemic for a whole year. In March 2020, our worlds were turned upside down by the arrival of Covid-19: a virus that, at the time, we knew so little about, forcing us to stay at home and protect lives.

Fast forward a year and the outlook is thankfully so much brighter, with the vaccination programme and ongoing lockdown bringing case numbers down quickly – and the prospect of a summer of seeing friends and family once again bringing hope and joy after a year that has been incredibly challenging for us all.

Every industry has been affected by the pandemic differently and as part of the webinar series we've been hosting across the year, we wanted to take a look back at the impact it has had on the mortgage market.

Having conducted our own broker research at the beginning of the pandemic and more recently, we had some great sets of data to compare, contrast and discuss with our brilliant panel: Sarah Tucker, Founder and Managing Director at The Mortgage Mum, Lisa Martin, Group Development Director at LSL Financial Services - TMA and our New Business Director, Craig McKinlay.

Before we kicked things off, Alex Maddox, Capital Markets and Digital Director at Kensington provided an economic update and an overview of the housing market.

Market update: the headlines

Last year, most of us didn't manage to go on the sunny beach holiday that we were hoping for. Instead, payment holidays were on people's minds, as lenders helped customers whose income was affected by the pandemic. We saw rates peaking in June and steadily declining over the course of the summer, with a slight rise in new requests during lockdown two and three.

With crisis comes cost and we saw securitisation funding costs increase rapidly in line with most capital market instruments, which led to short-term funding limits for non-bank lenders like Kensington. Fortunately, the market started stabilising over the summer and we're now back to pre-Covid levels. We also saw the availability of mortgage products rapidly fall, with higher LTV products the slowest to recover from the impact of market uncertainty.

One of the biggest challenges of lockdown was its impact on property viewings. Put simply, they couldn't happen, which meant that people were less keen to purchase a potential new home and valuations were put on hold. Fortunately, the extension of the Stamp Duty Holiday means that demand has bounced back.

Finally, the resilience of the UK housing market is something we should all recognise and celebrate. There was a lot of doom and gloom when it came to predictions about house prices, but after an inevitable fall at first, house prices have performed well and increased beyond pre-Covid levels in many areas. This – combined with the V-shaped economic recovery that we've witnessed – means that the future looks bright for the mortgage market as we emerge from the pandemic.

Changing interactions with customers and lenders

We kicked the panel off with a discussion around how Covid-19 forced a change in customer interaction and whether this was here to stay. Thanks to our research, we know that calls, emails and virtual interaction is now the norm and there are many benefits for both customers and brokers – not least because, as Sarah pointed out, customers really appreciate being able to get a mortgage from the comfort of their home whilst wearing their PJs, rather than putting something smart on and going down to the bank. But the lack of face-to-face interaction has really challenged organisations and their teams' mental wellbeing, and it was fantastic to hear from Lisa about TMA's 'virtual mortgage gym', equipped with seven workout areas for members of her team to get stuck into, from broker strength training to boxing your way back to a positive mindset.

Meanwhile, it's clear that intermediaries have benefitted from the open and honest dialogue that has taken place with lenders. As Lisa points out, the pandemic cultivated a 'we're in this together' spirit and encouraged lenders and intermediaries to work even closer to share information and keep customers informed.

Product & policy, price or service?

Price has historically been the biggest driver when it comes to what brokers want from lenders. Interestingly, our research shows that product and lending criteria has knocked it off the top slot, putting price in second place, followed by service at third. All our panellists agreed with these findings, citing the huge change in people's personal and financial circumstances over the past year and the increasing value that's placed on the top-quality advice and service brokers can provide – and that robo advisors and online aggregators just can't offer.

The overserved & underserved
Our research showed the self-employed customers were the most underserved, followed by older borrowers, whilst landlords and new build customers were the most overserved. All our panellists agreed that the impact of the pandemic has further complicated mortgages for the self-employed and strengthens the importance of the specialist market. Meanwhile, older borrowers face challenges around longer life and healthcare costs, but the rise in lifetime equity release and interest-only products are promising signs that we can support this group better moving forward.

My personal takeaway
The element of the discussion I found most interesting was the power of the reach that digital offers and how this has been pushed into the spotlight thanks to Covid-19. From webinars that reach thousands rather than physical events that house hundreds and the surge in effective digital sales that has benefitted from the lack of time lost from travelling from one place to another, it's clear that there's a big upside to moving our industry online.

Yet according to our research, 80% of brokers want to attend physical events post-lockdown and lots are keen to get back out into the world and interact face to face once again. Whilst only time will tell, it's likely that a hybrid model will emerge, where we seem a combination of in-person and online interaction between customers, lenders and intermediaries. Humans are inherently social beings and I know I'm not the only one suffering from Zoom fatigue!

What does the year ahead hold?
We finished the discussion with a look ahead from Craig. The tone was optimistic and definitely reflected the mood of both the webinar and our research findings. Whilst the last year has been tough, the market outlook is good and we've got big growth plans at Kensington. We've recruited more people, invested in new tech and are ready to respond to the changing needs of brokers and customers. And we'll be continuing with our webinars – which I'm so excited about! So watch this space for even more insights and discussion as we move into a new chapter post-pandemic.

Frances Taylor - Head of National Accounts
Frances joined Kensington Mortgages in January 2019 as Head of National Accounts, with responsibility for building the National Accounts strategy and managing key intermediary partner relationships. With over 15 years' experience in financial services, working for Chelsea Building Society, Countrywide PLC and Principality, Frances has a wealth of industry knowledge.

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