THE LATEST SPECIALIST LENDING NEWS AND CLIENT TRENDS

BRIGHT INSIGHTS

brightstarfinancial.co.uk
siriusfinance.co.uk
March 2024

This publication is for mortgage professionals and is not intended for the general public.

CONTENTS:

2024.
THE FIGHT BACK BEGINS

Give me Q1 2024 over Q1 2023 every day of the week... and what a first quarter it has been so far! It's fair to say that the mood music in the specialist sector has improved from a slow ballad to a dance anthem – phones are ringing off the hook, activity is up and, most notably, timescales to fund a deal have improved dramatically. Don't get me wrong, there are still hurdles to overcome, but that's specialist for you.

Much of 2023 was characterised by lenders being cautious about lending due to the volatile cost of funding. Now that the outlook is at least a little more certain, lenders are keen to make up for lost time and have an appetite to lend – you only need to look at the frequent rate cuts across all areas of the market for evidence of this. So, while there continues to be challenges, there is greater opportunity for brokers in 2024.

One consideration is that many customers will have missed credit payments or run up higher levels of unsecured debt during the ongoing cost-of-living crisis, which could see their mortgage application declined by mainstream lenders. So, the specialist market will have a big role to play in helping people meet their objectives this year.

At Brightstar, we have been busy investing in tech with the reveal of our LaunchPad system at the start of the year, making it even easier to transact with us as an Introducer or customer. Often with specialist lending, speed is a key driver, and our new system will certainly help to deliver the most efficient case management for all of the areas we specialise in.

Brokers now have a huge amount more to do on every application to meet their obligations under Consumer Duty in a constantly changing market. Many will find they are at capacity even if they are writing fewer cases than they had previously. So, for those who don't work with specialist cases on a regular basis, why tie up your time in a sector with which you are unfamiliar? If you work with a specialist partner like us, you can leverage our expertise and experience, be confident you are securing the best solution for your clients and earn a fee in the process.

I hope all our Brokers, old and new, have started 2024 in the same positive way that we have and that 2024 will be a year we can all look back on fondly.

Written by:
Bradley Moore

Group Deputy CEO & MD of Brightstar Financial

SECOND CHARGE MORTGAGES

You don't need to be an expert.

SUBMIT AN ENQUIRY

Client demand for second charge mortgages is very high at the moment, for a number of reasons.

UK Finance data reports that in Q2 2023, 88% of mortgage renewals were product transfers, compared to an average of 77% the previous year. As a like-for-like swap, a product transfer doesn't provide a customer with any opportunity to raise additional capital, but many will still have an appetite to do so to help them achieve what they want to achieve. At the same time, second charge mortgage rates have started to fall, making the route a more attractive option for potential borrowers.

The main areas of demand continue to be to fund home improvements and debt consolidation. With the ongoing squeeze on household finances, many of those looking for more living space are choosing to carry out work on their existing property rather than incur the costs of moving home. The added advantage of this is that home improvements can add value when they do come to sell, or perhaps remortgage at a lower LTV.

We're also seeing more brokers helping their clients to prepare for the future, which in some cases involves debt consolidation. This can be a sensible tool for a client to use to put themselves in a stronger position to remortgage and overcome this affordability challenge. If a borrower holds a number of disparate debts, they could be paying premium interest rates on each of them with no end in sight.

A second charge mortgage may be suitable to streamline their debts into one monthly amount, and it can help to lower their monthly outgoings as well as decreasing the chance of accidentally missing a monthly payment.

Used sensibly and effectively, debt consolidation can be a realistic route for a client to becoming debt free and, used correctly, it can be smart financial planning by eventually paying off the balance of the longer term or open-ended facilities.

Working in partnership with Brightstar can empower you to engage with the second charge market and offer products to your clients in confidence that you are leveraging the experience and expertise of professionals who are immersed in this market day-in, day-out. This means you don't need to be a second charge expert to open up this route for your clients, you just need to speak to us.

Written by:

Georgia Walton

Second Charge Mortgage Specialist
Brightstar Financial

Call | Email

Brighter, faster, stronger

Here at UTB, with spring now just around the corner, the office is a hive of activity and positivity, both for our strong start in January and February and because the economic outlook appears to be getting even brighter. Data provided by members of the Association of Short Term Lenders showed an increase in bridging completions in the fourth quarter of 2023, rising by 18.4% on the third quarter of the year to reach £1.69 billion. This helped to push bridging loan books to a new high of £7.6 billion by the end of 2023.

This is great news for all bridging market participants, and we have seen this upturn in activity for ourselves. Having started this year with strong demand for all types of bridging loans, I believe there's more confidence in the market now than I have seen for nearly 18 months.

In response to this increasing demand, we are employing our common-sense approach and encouraging our skilled and knowledgeable people to create competitive bespoke solutions for customers' short-term borrowing needs. In the second half of last year, we took the bold step of restructuring bridging underwriting into two dedicated unregulated and regulated teams, staffed and managed by people who possess the right knowledge and skills to best deliver two very different types of bridging loan with speed and efficiency.

We also reviewed our products to ensure that our offering, our service and our processes are improving broker and borrower journeys and outcomes.

As a result...

- we now have a dedicated and appropriately skilled underwriting team for unregulated bridging
- we implemented and work to a set of strong SLAs
- we refreshed and relaunched a competitive product offering to customers in England, Wales & all mainland Scotland postcodes
- we implemented enhancements to our Servicing team
- and set ourselves stretching targets for new business and service level improvements this year

Of course, we won't succeed alone. Our intermediary partners are key to growing our business and, ultimately, we can all be more successful by working together. Close collaboration will help us to address any challenges that emerge and enable us to capitalise on opportunities. We are committed to strengthening and growing our broker relationships in 2024.

One of the things I love about working in the bridging industry is the diversity of deals which flow through the team. Whether they're regulated or unregulated, for refurb projects or downsizing, we get a great sense of satisfaction assisting all kinds of customers achieve their property goals. Working with skilled and knowledgeable brokers, we pool our resources and expertise, continually improving our service to customers and driving sustainable growth in this exciting and dynamic industry.

£464,000 facility enables developers to complete acquisition and refurbishment project with zero cash

- SPV Borrower
- £464,000 net loan – 120% of purchase price
- 63% LTV
- Loan offered at competitive standard pricing

Matt Jarrett at Chartwell Funding discussed this case with our own Craig Taylor.

Although Matt's clients were experienced property developers, they had no cash to be able to seize an opportunity and therefore wished to borrow enough money to complete the acquisition and fund the £55,000 of works proposed to improve the property. The loan required was 120% of the £385,000 purchase price with an estimated GDV of £650,000 once the improvements were complete.

Matt had suggested that although the developers wished to purchase the property through an SPV, they could offer second charges on their own homes to increase the security. This would enable them to borrow all the money they needed for the scheme and reduce the LTV to a level where they would benefit from our competitive standard pricing. UTB's unregulated underwriting team swiftly agreed the loan and the borrowers completed their purchase and started work transforming the run-down property into a desirable home, adding considerable value along the way.

SIPP provides the exit for a £175k regulated bridging loan

- Consumer borrowers
- £175,000 regulated bridging loan
- 49% LTV
- Proposed exit via borrower's SIPP tax-free lump sum

Regulated bridging loans usually keep to the vanilla end of the spectrum, but that doesn't mean we only see traditional exits, dependent on the sale of a property.

Matt Dilks from Clever Lending approached Paul Delmonte at UTB to assist their customers who, having travelled the world for the last three years, were returning to reside once again in the UK. The customers were purchasing a property for £395,000 and were using £220,000 from the sale of their previous home, sold in 2020, to provide the majority of the funds required. The customers therefore needed to borrow a further £175,000 net to make up the difference. The challenge was that they didn't have the time or income required to apply for a mortgage and simply wanted to get a move on.

We were offered a first charge over the couple's new home with the proposed exit coming from the tax-free lump sum one of the borrowers would be eligible to access from their substantial pension savings a few months after completing the purchase. They evidenced that the 25% they were able to withdraw tax-free would be more than sufficient to repay the bridging loan, interest and charges and we quickly agreed and completed the loan.

Sundeep Patel
Director – Bridging Finance

EXPAT INVESTORS

Growing dem from overseas

For expats living abroad, buying an investment property in the UK can be a sensible move, both in terms of establishing a position on the property ladder and planning for their financial future.

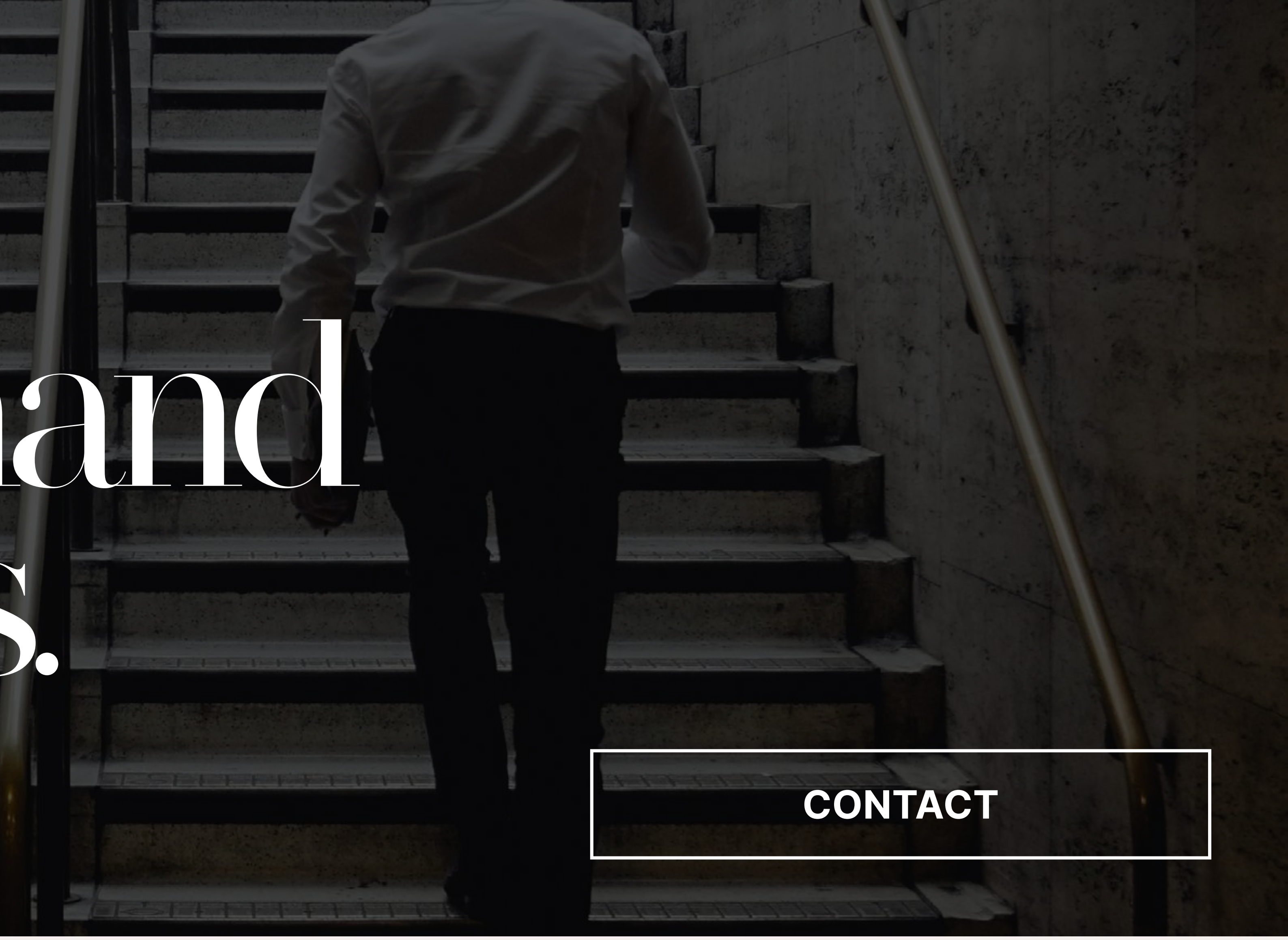
The UK has always been popular amongst property investors from overseas, given the long-term structural imbalance between the demand for housing and supply of accommodation, as well as the robust legal system and title laws, which compare very favourably to those around the world. Exchange rate fluctuations can also present opportunity for investors to take advantage of currency movements.

At Sirius, we work with agents who have offices in a number of locations popular with British expats, particularly countries like Hong Kong, Singapore and Dubai, and we're currently seeing a lot of demand from expat investors.

This would make sense in terms of the current property market cycle. Whilst some mortgage rates have risen in recent weeks, it's widely expected that we are at, or nearing, the top of the interest rate cycle and it is anticipated that property prices will begin to rise again soon.

The mortgage market for expat investors is also improving, both for first-time buyers and investors with a track record in this country. First-time buyers might generally find they are able to access rates between 0.2% and 0.5% more expensive than those available to UK residents, and once an investor has 12 months of buy to let experience, they can often compete with UK residents on rate.

When it comes to finding the right solution for an expat investor, in-depth knowledge of criteria, lending appetite and what a lender will and won't accept in reality is important, as is an established relationship and ongoing dialogue with the lender.



At Sirius, not only do we have the expertise and relationships to ensure a successful application, we also have experience of negotiating any potential legal issues to ensure a smoother completions process and we often work with leading UK law firms, so that no stone is left unturned in providing the client with a hassle-free, slick service.

Written by:
Kelly Rule
Senior Associate
Sirius Finance

Call Email

This publication is for mortgage professionals and is not intended for the general public

SOLSTAR
INSURANCE BROKERS

There are often many hurdles to overcome when it comes to arranging specialist finance and some of these can be as a result of the complex insurance requirements around the deal, rather than the loan itself.

By partnering with Solstar, the specialist commercial and property insurance division of The Brightstar Group, you don't need to let these hurdles become an insurmountable obstacle. Our team of experts are on hand to source the right cover specified by a lender. These requirements are often not fully known until quite late in the finance journey, but we are proficient in resolving these issues. We have already worked on many cases where we have saved the deal at the eleventh hour.

Here are just three examples of cases where we have helped:

Two commercial warehouse units

As a result of buying out their business partner, this client recently needed to remortgage their two commercial warehouses. The existing insurer would not note the lender's interest, they therefore needed to obtain a new insurance policy.

We sourced a policy which covered both units, whilst noting the lender's interest and at a lower cost than their existing policies.The client was extremely happy with the outcome as this enabled completion of the remortgage without any delays.

Hospitality premises covering light refurb

This client was purchasing a pub/restaurant which needed light refurbishment work before the grand opening. Solstar sourced the perfect insurance solution which covered the premises whilst it was unoccupied, enabling the final works to be completed ahead of the cover being switched once the business was trading.

Listed building holiday let

This client was entering the holiday let market for the first time and was seeking cover for their Grade II Listed Building, including fixtures and fittings, prior to completing on the purchase.

We identified that accidental damage, landlords' contents, legal expenses, home emergency and public liability would be beneficial to cover all eventualities and found the perfect comprehensive cover in just 24 hours from initial enquiry.

As a first-time holiday let landlord, the client was thrilled that the stress of searching for the correct policy had been taken away from them, and that they could now embark on their new venture.

Speak to our team!

T 0203 836 1888

E insurance@solstarinsurance.co.uk

BRIDGING FINANCE

Leveraging refurb projects.

SUBMIT AN ENQUIRY

Buying a renovation project to increase capital and rental value is a growing trend amongst property investors, with opportunities ranging from decoration, fitting new bathrooms and kitchens, through to converting an existing commercial building to residential use.

Leverage is always important for investors, particularly when it comes to a renovation project, as they need to cover the costs of buying the property and the works. The good news is that the number of options for investors who want to achieve greater leverage is growing.

We work with a lender that offers light and heavy refurbishment bridging products available up to 80% LTV, with the ability for fees and interest to be added to the loan above the maximum net LTV. The rate on this product is good, just 0.85% per month (0.95% for heavy refurb), but there is a hurdle for some clients as the minimum loan size is £200k.

The same lender also offers a heavy refurb product, available up to 75% LTV net of fees and interest, that can be used in advance of planning permission being agreed. The rate on this is 0.95% per month.

For those looking for a lower loan size, we work with another lender that offers 73% net LTV, with a minimum of £10k work and a rate of 1.09%. And there is another option where the lender uses a calculation for the cost of buying the property, the cost of works and the Gross Development Value (GDV) to lend up to 76% net.

The rate on this product is 0.94%, the minimum loan is £50k and minimum property value is £75k. While the calculation on this uses GDV, all of the funds are available to be drawn down on day one of the loan completion.

Many of the options that offer investors greater leverage on refurb products are only available through specialist distributors. At Brightstar, not only do we have access to products you may not be able to get direct, we also have a team packed full of expertise and strong lender relationships to help your clients secure the leverage they need for a successful refurb project.

Written by:
Neal Telford
Bridging & Development Finance Specialist
Brightstar Financial

Call **Email**


yes

CARE & HOSPITALITY

The growing c of purchasing freeholds.

There is a growing trend in the hospitality world for publicans to buy the freehold from their landlords. It's the dream of most publicans to be the master of their own destiny, and for many of the large pub companies and breweries, it can also align with their strategy and commercial objectives.

Buying the freehold of a pub, rather than leasing the business can provide several advantages, such as cheaper loan payments compared to renting the premises and greater freedom in the choice of drinks the pub can offer.

In fact, by purchasing the freehold, publicans can increase 10% to 25% on gross profit margins as they are no longer tied to the brewery. They can also keep 100% of the machine income, which can be a significant amount. Additionally, many publicans live in the pub, so buying the freehold enables them the opportunity to own their home.

The cost of purchasing the freehold will depend on the value of the business, the bricks and mortar, and any goodwill and could range from a couple of hundred thousand pounds to millions.

A deposit of between 15% and 30% is generally required, and buying the freehold may not be an option available to every publican, but it's being taken up by a growing number.

opportunity pub

At Sirius we are growing our hospitality team to deliver specialist expertise in the purchase of pub freeholds. Every deal is unique, each with its own challenges, opportunities and considerations, and our team built on my own experience in the Care & Hospitality sector, will be at the forefront of helping publicans to achieve their dream.

Written by:
Chris Field

Head of Care & Hospitality
Sirius Finance

Call Email

See what people are saying

Excellent

Based on 3,065 reviews

Trustpilot

Excellent!

Friendly, helpful and informative service. Special thanks to Paul Killington who made it happen for us by the deadline we needed...

Nicola Turner, 15 March

Went the extra mile!

Richard Barham went the extra mile to place the case and help the client...

Helen, 12 March

Amazing Service

I cannot rate the service highly enough, that my client's and I received from Brightstar when arranging...

Joanne Whitehead, 4 March

Showing our latest reviews

RESIDENTIAL MORTGAGES

Opening up shared ownership to customers with adverse credit.

SUBMIT AN ENQUIRY

Shared ownership is one of the major growth areas in the residential mortgage market, providing an accessible way for first-time buyers to take a first step onto the housing ladder.

The scheme allows a first-time buyer to purchase between 25% and 75% of a home, with the rest being owned by a housing association. The buyer pays rent on the proportion of the house they don't own, but a greater share of the house can be bought over time in a process known as staircasing.

One of the reasons that shared ownership has become so popular is that in a higher mortgage rate environment, the payments on the rental proportion of the property are often cheaper than the rate a buyer would be able to achieve on a mortgage.

The growth of shared ownership is encouraging more housing associations to embrace the scheme and, whereas it may have been difficult for someone with adverse credit to be accepted by a housing association for a shared ownership property historically, there is now more opportunity for a wider range of potential buyers.

We've seen a number of lenders move into this space to meet the demand, often enabling buyers to purchase a shared ownership property without the need for a deposit, and many are happy to accept benefit income.

For those that do have a deposit, from as little as 10%, there are options for customers with CCJs and Defaults, and even for customers who have taken up to three payday loans within the last year.

Some of these options for shared ownership clients are only available through a specialist distributor like Brightstar, and our team of experts is just a phone call away to help your clients secure a share of their first home, even if they have adverse credit.

Written by:
Stephanie Healey
Specialist Mortgage Consultant
Brightstar Financial

Call **Email**

CONTACT US TODAY

WE WOULD LOVE TO HEAR FROM YOU

INFO@SIRIUSFINANCE.CO.UK

SEE WHAT PEOPLE ARE SAYING

EXCELLENT

Based on 779 reviews

Trustpilot

Great experience

Kelly and her team really knew their job and their lenders and surveyors. They were of great support all along...

Walid Gueriri, 1 March

Responsive, experienced and trusted

This is the second occasion we have collaborated with Sirius, and I would certainly endorse their services...

Remco, 29 February

A very good experience working with Sirius

A very good experience working with Sirius and good result was achieved in a very dynamic mortgage market...

Stuart Archer, 2 January

Showing our latest reviews

Working smarter not harder

It's good to see there is still a plethora of products available from lenders, but the key question to consider is "what is my threshold on time spent trying to find my client's solution?" How much time can you allocate before the case becomes non-profitable for you? Furthermore, are you exploring only one product offering, or are there alternatives worth considering?

If your options are limited to a single solution and this hits a dead end due to timing issues, unfavourable outcomes, or simply declined, the client's borrowing needs will remain unchanged. In a market where costs are escalating and financial pressures are mounting, borrowers will persist in seeking solutions independently.

So, once you've exhausted your time threshold or encountered a dead end, what choices remain, and how do they impact your long-term business strategy?

Pick up the phone and contact Brightstar. We can swiftly determine if there are solutions available for your client. Our extensive scope of services allows us to adopt a holistic approach, meaning if an enquiry doesn't clearly align in one area, we will explore alternative avenues which may prove suitable. With a panel of over 150 lenders, if the case does not materialise, you can confidently inform your client that a solution is currently unavailable.

Remember, it's not always the biggest cases that consume most of your time and often small wins lead to big gains. Helping your client in their hour of need can significantly boost your best marketing tool – word of mouth referrals.

This publication is for mortgage professionals and is not intended for the general public

Short term lending has undoubtedly been our busiest area over the last 16-18 months. Whereas bridging finance was traditionally used reactively for chain breaks and similar scenarios, it is now being used proactively. Change of property usage is a popular motivation among bridging clients, along with purchases of unmortgageable, low-cost properties with development potential.

Another popular scenario – empty nesters seeking to downsize stumble upon their dream home. Bridging finance allows them to secure the property without delay, exiting upon selling their current residence.

The good news is, all it takes is recognising an opportunity and referring it to us – we'll handle the rest. Our specialist brokers are experts in matching your client's needs with the best solution and once the application process starts, our excellent case management team will take over, gathering all documentation to provide a well-packaged deal.

We view our relationship with brokers as a partnership and are here to help your business work smarter, not harder.

Written by:

Andrew Cappaert

Group Head of National Accounts

DIRECTORY

Andrew Cappaert

Group Head of National Accounts

07540 003 897

andrew.cappaert@thebrightstargroup.co.uk

Book an appointment with one of our National Account Managers today!

Book with Andrew | **Book with Lee**

Lee Payne

Group National Account Manager

07754 559 653

lee.payne@thebrightstargroup.co.uk