**WHAT DOES THE RETURN TO NORMAL LOOK LIKE?**

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The question at the front of most people’s minds at the moment is ‘what does normal look like?’ and it’s a very difficult question to answer. The scale of the impact of COVID-19 on the economy is beyond doubt, but unlike previous recessions which have been caused by some sort of structural fault or problem that has needed to be rectified, this recession has been artificially induced by the government closing down virtually the entire economy. This has been with good reason of course, in the battle against the pandemic, but a total lockdown of the population is unprecedented, and without precedent, there are few clues as to what shape the recovery might take.

Initial feedback shows that the property market has bounced back very quickly since it was allowed to reopen at the beginning of May. In fact, property website Rightmove recorded its busiest ever day on Wednesday 27th May, surpassing six million visits for the first time and up 18% on the same Wednesday in May last year.

Now, however, is not the time to get carried away and most commentators recommend a cautious outlook on the market as job losses are expected later in the year when the furlough scheme comes to an end.

This caution has been reflected by lenders and the number of options for customers borrowing at higher LTVs has fallen. Lenders are also taking a more watchful approach in lending to the self-employed and employees working in sectors that have been particularly impacted by COVID-19. There remains appetite to lend and opportunities for your clients to borrow, but with much still uncertain about the future lenders, in general, are taking a more vigilant approach to managing their risk. And, with the effects of the pandemic expected to last at least into next year, you could argue that this vigilant approach is the new normal.

Consequently, there is greater emphasis on brokers clearly presenting cases to tell a coherent story that helps lenders in their decision-making process and this should encourage more open communication between lenders and intermediaries and stronger relationships, which will put the market in a good place for when growth does return.

In today’s market, complex is the new normal. During COVID-19, more than one in four workers were furloughed and one in six mortgages were subject to a payment holiday. Some small businesses have thrived, others have suffered, and many thousands have accessed government support. Very few people have straight forward circumstances anymore and so professional independent advice is more important than ever before.

A recent UK Finance blog said that once the support mechanisms from the government are withdrawn, we should expect there to be four types of customer, each with their own complex needs. These are categorised as:

**Uncertain**: Employees who are in fear of redundancy, as well as the self-employed and business owners. This group faces uncertainty on what income they expect over the next six to 12 months following a period of no work or limited trading.

**Curtailed:** These customers may have been furloughed or received lower levels of income for a short period and may have requested payment deferrals during this period.

**Troubled:** Customers who are likely to have experienced an unexpected redundancy, perhaps after a period of being furloughed. They may have found new employment but at a lower income level.

**Fortuitous:** A unique segment, as these people have been unaffected financially during the crisis. They may actually have some surplus income, since their spending may have reduced during lockdown.

Whatever group your clients fall into, it is clear that they will needs a hands-on approach to their mortgage application to ensure that it is appropriate to their individual circumstances. This comes not just in the advice process, but also in the underwriting and whereas technology has been so important during lockdown, and will continue to be important to speed communication and information transfer, it will be a pragmatic and human approach to underwriting that becomes most important to the success of your clients’ mortgage applications.

It is impossible to know exactly what the new normal will look like, but we can identify trends that are happening now and base assumptions on those. And based on those assumptions, there will be plenty of opportunity for mortgage brokers to help their clients and build their own businesses.

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