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How is the UK property investment market going to look after the coronavirus?

By Karl Griggs, Director, CPC Finance

The global coronavirus pandemic has impacted every single industry, including property and the market is going to look different in the coming months. Here are some considerations for property investors to bear in mind now, which will affect how lenders treat them in the future.

What changes do you think we will see in how lenders operate post-lockdown?

I anticipate that we will continue to see fewer products than before on the market and longer processing times for underwriting. I think that manual underwriting will become more important as lenders really try to get to know their investor customers. This has the advantage of greater flexibility from lenders as it is a more pragmatic approach, but it will also lengthen the underwriting processing times.

In any case, we are going to see more paperwork for investors to manage. This is something that CPC Finance helps our clients with. We collate and keep updated all the information within our clients' portfolios. This way, when you purchase or re-mortgage a property, it's ready for the lender to review.

Are payment holidays or bounce back loans a red flag to lenders?

We are not yet completely clear on how lenders will react to a mortgage payment holiday, even if it will not appear on your credit file. I anticipate that lenders will be looking closely at all pandemic-related financing, such as mortgage payment holidays and bounce back loans.

They will be looking at why you needed to apply for a mortgage payment holiday or bounce back loan and if it was the result of a poor business plan that did not adequately take into account void periods. Lenders are going to be looking very carefully at business plans going forward and plans in the event of a second lockdown.

They will definitely look negatively on any investor who has misused these offerings. They are very likely to be checking bank statements from the pandemic period (probably March 2020 onwards) to check your activity. For example, if you took a mortgage payment holiday, but you were still receiving rent, this will show up and that will definitely be a red flag to lenders.

With an HMO property, will void periods due to the pandemic be looked at negatively by lenders for future lending?

Actually, if you have had void periods and were able to carry on operating as usual, without a mortgage payment holiday, this will be looked on as a sign of a strong business model. It means that you have built your business model in a responsible way, taking into account inevitable void periods. The stress rates were intended to cover void periods and therefore continuing activity despite voids is a positive signal to a lender.

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