Welcome to Market Financial Solutions’ training video on specialist lending. Stay tuned to learn the basics of how specialist finance can be factored into a property investment strategy, and how it may affect your client base. So, without further ado, let’s get started.

**What is specialist lending?**

Specialist lending refers to a specific segment of the lending landscape that caters to borrowers with unique circumstances and investment strategies.

Typically, property investors will turn to specialist lenders when they require a bespoke and quick solution that is tailored to their needs, or when they have struggled to attain funding from mainstream, or high-street providers due to rigid tick-box lending criteria.

While there are many varieties of specialist loans in the market, there are two main types of specialist lending products that will typically come to mind for most brokers and borrowers. They are bridging loans and tailored buy-to-let mortgages.

A bridging loan is a form of capital that provides borrowers with flexible funding for their property investments. They are usually short-term in nature, and are typically used for a handful of common scenarios where capital might need to be raised quickly, such as bridging the gap between payments within a property chain, securing an asset quickly, or supporting a refinancing strategy.

Specialist mortgages are those which bring the speed and flexibility of bridging finance to the mortgage market. Specialist buy-to-let mortgages are bespoke products that are designed for landlords who may have circumstances which are not suitable for more traditional products.

Across these products, there will be a range of options for residential, commercial, and mixed-use properties. There will also be specific routes available for different borrower profiles and business structures. Also, while there may be some specialist products in the market that allow borrowers to live in the underlying property they’re purchasing, most specialised loan products, including our loans, will solely be used for investment properties.

If we use Market Financial Solutions’ suite of products to illustrate, we can see that specialist lending is primed to support a broad range of circumstances, and investment end-goals.

**Purchases**

A purchasing loan is arguably the easiest to get our heads around. An investor may want to expand their portfolio with either a residential, or commercial property. They may plan to sell these assets on for a higher price, utilise them for their rental potential, or otherwise profit from them.

We have loans designed from the ground up to help with these plans, and push through any potential challenges that may emerge. Our Buy-To-Let and Residential Bridging Loans can be used for a variety of residential properties, including flats, houses, and/or HMOs.

Often, residential homes are bought for their rental potential. However, fix-and-flip strategies can also be utilised, where a rundown house is upgraded, and sold on for a profit.

Commercial properties may be invested in for similar reasons. Semi-Commercial and Commercial Bridging loans are there for commercial investments across a number of sectors and industries. Offices, shopping centres, warehouses, and more can all be purchased with specialised commercial funding.

Semi-commercial finance is also available for purchases of mixed-use property. These are buildings that feature both residential and commercial elements, with certain maximum proportions of each element. A common example is a pub with a small flat situated above it.

**Unique circumstances and strategies**

Outside of standard purchases, specialist finance can be used to support more complex investments. Some specialist lenders may provide loans for ground up development, and while we don’t offer this type of funding at Market Financial Solutions, we do have Development Exit Finance available.

Development exit funding would be used by developers who need to cover their initial facility, and get some breathing space to finalise the completion of their development.

Or, perhaps specialist finance can help with a niche transaction. Auction houses, for example, are popular with some investors for their ability to locate diamonds in the rough. Often, neglected or debilitated properties turn up at auction as their owners need a quick sale. These properties may be relatively cheap given their state, but could easily see their values increased with a bit of TLC and the right financing.

Investors may want to jump on these opportunities, but auctions move quickly, and payment is usually required within 28 days of a winning bid. Fortunately, Auction Bridging Finance was created to keep up with the rapid pace of the auction world, and be with investors ahead of their deadlines.

**Non-acquisition purposes**

Specialist finance can also be there for property investors who want to improve or organise their portfolio, without actually adding to it. For instance, Refinancing Bridging Loans can allow borrowers to keep an existing investment from falling through, or get their affairs in order to secure better terms.

A refinancing loan may be used where an existing facility is coming to the end of its term, before the borrower can complete their plans. Or, perhaps their exit strategy has fallen through, and additional time is needed to find alternatives. By refinancing, borrowers can tide things over until everything is back on track, and once again focus on their long-term goals.

Investors may also turn to the specialist finance market to raise capital for other investments or purchases. Maybe a borrower wants to utilise their property assets to raise capital for a business expansion plan. Or perhaps they simply need to consolidate their debts. A Second Charge Bridging Loan can help with this.

Permitted & Light Development Bridging Loans can be put towards various refurbishment, renovation, and/or conversion strategies. For some investors, a more profitable strategy may involve light touch refurbishment of one of their residential assets and seeing its value grow, rather than purchasing a high-priced top-notch property with limited potential for further growth.

**Comparison of specialist vs high street**

Generally, borrowers will turn to either high street lenders or the specialist market for different reasons. A person looking for finance to purchase a home they’ll be living in will probably seek a bog-standard residential mortgage. A property investor with a few historical missed payments in their background who needs to jump on an opportunity that may not be around for long, will likely require a bridging loan.

High-street lenders, and their specialist lending counterparts, should not be viewed as being in direct competition with each other. Rather, they both play their part in keeping the property market moving, and supporting borrowers.

High street borrowers looking for residential mortgages and other similar options are typically making lifestyle decisions (like buying their home, a family car, taking out a credit card etc) when turning to banks and building societies. This is why applicants in this field must meet very strict criteria. If things go wrong, the ramifications could be very costly. This heightened criteria however can lead to inflexibility from high street lenders.

Unregulated, specialist lenders on the other hand can assess deals on a case-by-case basis, and embrace much more flexibility. Where a historic CCJ or historic hampered credit record may limit how far a borrower could get with a high-street bank, it is not necessarily the same with bespoke specialist lenders, who can be more flexible in certain circumstances.

What’s more, high street mortgages are primarily reviewed on the borrower’s income level, amongst other factors. Whereas with bridging loans, the case may be assessed primarily on a property’s value, alongside the investment’s potential return, and the borrower’s exit strategy along with other factors.

The state of the economy can also highlight the symbiotic relationship between the two types of lenders. When the economy is solid, rates are stable, inflation is under control, and the outlook looks promising, high-street lenders will likely be very keen to deliver financing for a broad range of borrowers.

But, as we’ve seen, when the economy takes an unwelcome turn for the worst, banks have been known to pull their riskier products, and limit lending to only the most vanilla of cases. During these times, specialist lenders, who can usually adapt to heightened risk well, can be useful for ambitious borrowers.

**Regulated vs. unregulated lending**

Another key difference between specialist lenders and high-street banks is regulation. Most mainstream, high-street lenders are regulated by the Financial Conduct Authority (FCA). However often specialist lenders are unregulated, although they still need to register with the Financial Conduct Authority for the purpose of Anti-Money Laundering and need to adhere to Financial Crime prevention rules.

This difference can also be boiled down to the types of products available, and what the underlying borrower will be using the funding for. A person after capital for a home they’ll be living in will need a regulated lender for a mortgage. A property investor needing funding for a complex investment may be better suited for an unregulated lender and their products. Unregulated lending is more suited to sophisticated investors who need less statutory protection.

The processes between these two options will also likely be substantially different. Regulated lenders tend to follow very rigid tick-box lending criteria. This is required given the areas they operate in, but it can lead to a slower lending process. It may also mean they’re only willing to work with a specific number and type of brokers and borrowers.

As specialist lenders are normally unregulated, they can embrace much more flexibility in their underwriting. This allows our market to handle cases that may face obstacles or be subject to a lengthy process on the high street. Being unregulated also allows us to move more quickly. Where everything is accounted for, and our requirements are met, we can have funding delivered in mere days if needed.

Again, while regulated and unregulated lenders make up two distinct parts of the landscape, they can work in tandem. To illustrate, a borrower may turn to specialist finance for short term finance to tidy-up their financial obligations, and get their affairs in order. Once this is accomplished, and their cash flow is in a healthier position, they may then be able to move onto a regulated, long-term product for the exit strategy.

**Situations where an investor may seek specialist finance**

As discussed, there are two key reasons why an investor may turn to the specialist market in the first place – for their circumstance, they require speed, and/or flexibility. But beyond this, there are many other situations in which specialist lending may specifically be sought out.

Borrowers with adverse credit histories may have better luck with specialist lenders than high street banks. A historic CCJ, irregular cash flow, or a minor historical default on previous financing may exclude some borrowers from many of the mainstream market’s products. But, in certain circumstances, we are able to assist with bridging loans that are designed to accommodate these real-life challenges, and find ways forward.

A property investor expanding their portfolio from overseas, via a trust, and with a tight deadline looming may prove tricky to handle on the high street. Thankfully, Complex Bridging Loans could potentially accommodate this.

The economic picture, or investment landscape may also lead to an embracing of the specialist market. As mentioned, when the economy takes a bad turn, specialist lenders tend to have a higher lending appetite than their mainstream counterparts. Also, first-time buyers who have yet to build up much financial credence are unlikely to easily access a bank’s investment products. Whereas specialist lenders on the other hand are happy to hear from new landlords, as well as experienced pros.

**What exactly do specialist products look like?**

Bridging loans, evidently, can cover the gamut of the property investment landscape. At Market Financial Solutions alone, we have just shy of 15 individual types of bridging loans available. There is a lot of variety spread across all these types of loans, but there are a few key identifiers to note.

Across all our bridging products, loan sizes of one hundred thousand pounds to fifty million pounds are available. All have a max Loan to value (or LTV) of 75%, except for our 2nd charge loans which are capped at 70%. Terms range from 3 months, to 18 months, and arrangement fees start from 1%. Also, both variable and fixed rates are available.

All of our bridging products can be accessed by a wide spectrum of set ups. We can work with self-employed individuals, limited companies which may be SPVs, LLPs, trusts, and more. Those aged between 21 and 85 will be considered for one of our bridging loans, as will foreign nationals and overseas entities from countries that are not sanctioned, or sit outside of our risk parameters.

Our loans can be used for investments spread across England and Wales, and borrowers can utilise a number of interest payment plans, such as fully retained plans, serviced monthly, and part retained and serviced monthly.

Our bespoke buy-to-let mortgages offer similar features, with a few differences. Residential loan sizes start from 150,000 pounds and go up to 3 million pounds. 10 million pounds is available to professional landlords and/or portfolio investments. Terms for our residential buy-to-let mortgages are up to 10 years, with incremental tracker and fixed options available. Commercial buy-to-let mortgages, our relatively new offering, are also available.

All our buy-to-let mortgages have various affordability tools behind them, such as “pay later” interest options to boost loan size/ICR, top slicing, seasonal projections for holiday lets, and more. What’s more, our mortgages can be used for particularly niche assets including no limit HMOs or MUFBs, purpose-built student accommodation, and mixed-use properties.

LTVs of up to 75% are available for residential investments, or 70% for commercial, and both offer no early repayment charge after an initial rate period. Admin fees are usually capped for portfolios, and our mortgages are split across multiple tiers, which are determined by the borrower’s circumstances, and their investment plan.

Finally, there is Bridge Fusion. Launched in mid-2024, our Bridge Fusion product combines the best qualities of our bridging loans and our buy-to-let mortgages for those who may need medium-term solution for their investment plans.

It was designed for borrowers whose circumstances wouldn’t quite work with a bridging loan, with lower rates over longer time frames that could delay servicing interest. Bridge Fusion loans can stretch up to 24 months, with an optional 12-month extension. This can allow borrowers to embrace a cautious “wait-and-see” approach in the midst of an uncertain market or timeline.

Of course, these are only some of the key details of our various specialist products. To fully get to grips with them, brokers and borrowers should reach out to us directly to discuss their cases further.

**Property types that can be purchased with specialist finance**

Broadly, specialist finance can be put towards residential, commercial, and mixed-use properties. Within these categories, there is huge variety.

Residential properties, of course, include all manner of houses. There are:

* detached homes, which stand on their own and do not share walls with neighbours.
* Then there are semi-detached houses sharing a party wall with a neighbouring home.
* The next obvious option that may come to mind is a terraced home, which shares walls on both sides. These make up long rows of properties, and are among the most prevalent in the residential market, as are flats.

Beyond this, there are more niche options available to borrowers. There are bungalows and cottages, which may appeal to some tenants such as retirees and holiday makers respectively. Those with larger budgets could instead be tempted by mansions, prime houses, and/or stately homes for their prime tenants.

Arguably, the commercial market may offer even more variety for property investors. There are numerous sectors, and sub-sectors to explore.

This includes the obvious options, which most will easily be able to wrap their heads around. Retail properties such as shops come to mind, as do offices. Those willing to take on a bit more of a challenge may instead look into industrial, or hospitality assets.

For those wanting to embrace both the commercial and residential market in a single investment, mixed-use properties may be ideal. These are buildings which contain both residential and commercial elements in the same space. A prior example given was a pub with a small flat above it, but it can also include a multi-unit freehold block with a supermarket at the bottom, or perhaps even residential units designed with extra space for small businesses or offices.

What’s important to remember is that with all these examples and more, specialist finance can help.

**Final thoughts**

Clearly, specialist lenders have a lot to offer brokers and their borrowers, especially during times of uncertainty. But, to ensure the process runs as smoothly as possible, specialist lenders and their customers need to embrace an open working relationship. Lenders need to know as much as possible about a borrower’s circumstances to make sure they get the best outcome.

The underwriters involved will play a big part in keeping the ship steady. Still, there are a few key details that brokers should have at the ready when reaching out to a specialist lender – aside from their client’s basic details.

To start with, specialist lenders will need details on the property their loans are being secured against. At Market Financial Solutions specifically, all our products are secured loans, and we will not secure our funding against any non-property asset.

There are some specialist lenders that will lend against more niche assets, such as artwork or classic cars, but most will likely require property for their products. It’s also possible to attain unsecured finance in the specialist market, and these products come with their own pros and cons. At Market Financial Solutions specifically, we do not lend in either of these cases.

Another crucial element of the process involves the exit strategy. An exit strategy can be defined as the plan that borrowers put in place to cover their specialist loans. Bridging and specialist buy-to-let mortgages are generally short-term products, so a longer-term plan will be required. Common exit strategies involve the selling of an asset to cover the loan, or refinancing with an external long-term lender. At Market Financial Solutions specifically, we will not lend without a clearly defined exit strategy.

For those who are new to the specialist market, we understand it can all seem a bit intimidating at first glance. Assessing how your circumstances fit in within a property market that’s always in flux may be daunting.

This is why we’re keen to do everything we can to help our brokers and borrowers keep up with the market, and make better sense of their situation. While we cannot provide financial advice, we do have a range of insightful resources at the ready, alongside numerous free-to-use tools.

For all our products, we have interactive digital calculators that can help break down what our clients may be able to borrow, and how a bespoke loan can fit in with their budget. On top of this, we have blogs, independent research reports, comprehensive guides, case studies, and podcast episodes on a huge variety of economic and property-related topics.

The specialist lending market has a lot to offer property investors. We want to make sure they’re aware of that.

Congratulations! You’ve now reached the end of the training video. Thank you for tuning in to Market Financial Solution’s Specialist Finance Training Certification! Don’t forget to test your understanding with the questions at the end. See you next time.