

The LMS Remortgage Report

"The most up to date analysis of remortgage lending available"

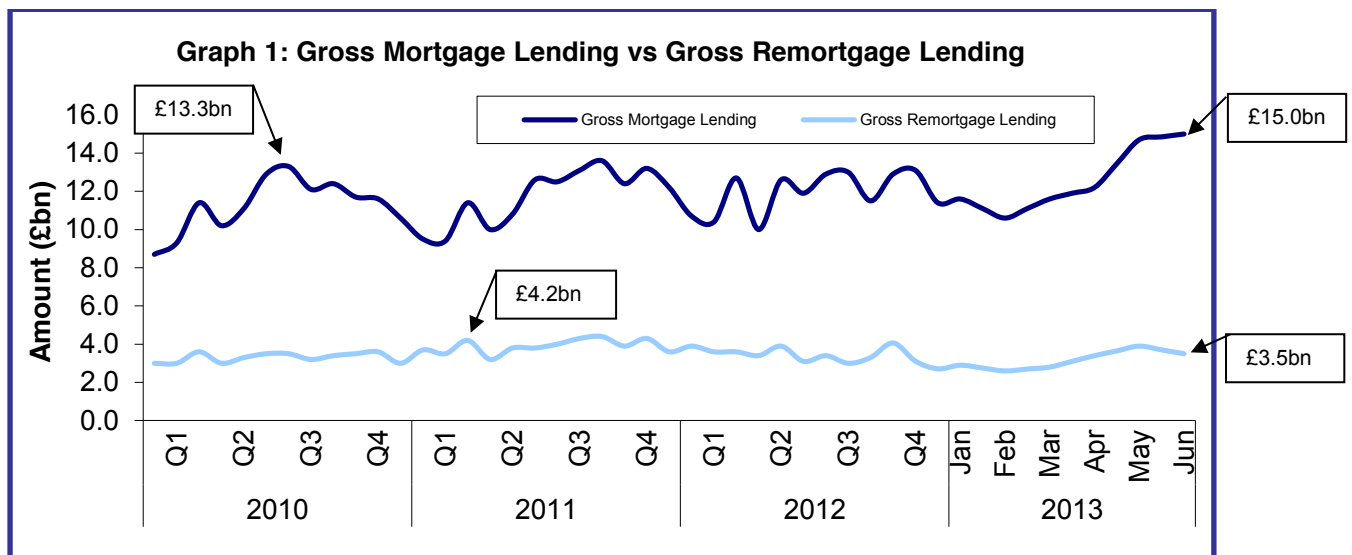
Remortgagers releasing record amounts of equity in June

A fifth remortgaged to fund home improvements

- June remortgage lending fell to £3.5bn, down 11.7% on May's £3.9bn; however, the average remortgage loan amount is the **highest it has ever been** (£149,514).
- Total gross mortgage lending has **risen 2.0%** to £15.0bn; remortgaging now accounts for 23% of the total market.
- Those remortgaging are each taking out an average of **£22,615** in extra equity (above the value of the redeeming loan) – the highest amount per individual since January 2012.
- This implies a total of **£527.3m equity withdrawal** by remortgaging in June - the largest total amount of equity being released from remortgaging for over **one year** (since May 2012).

| Table 1 | 2013 | | | 2012 | |
|-------------------------------|----------|----------|----------|----------|----------------------------|
| | June* | May** | % change | June** | % annual change to present |
| Gross Remortgage Lending (£m) | 3,486 | 3,948 | -11.7 | 3,100 | +12.5 |
| No. of Remortgages | 23,316 | 27,087 | -13.9 | 23,811 | -2.1 |
| Average Loan Amount | £149,514 | £145,754 | +2.6 | £130,192 | +14.8 |

Source: * LMS estimates, ** CML actuals



Source: CML, LMS estimates for June

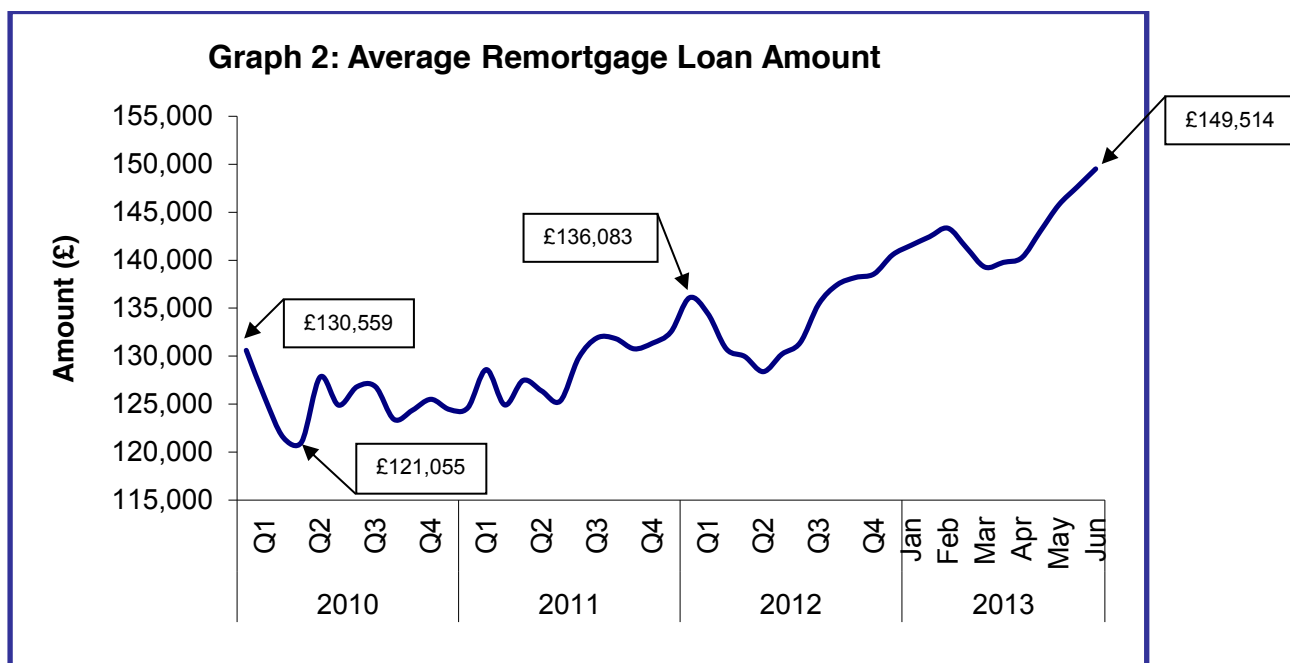
LMS figures reveal that monthly gross remortgage lending decreased by £462m in June to £3.5bn. This is down 11.7% on May's £3.9bn reported by the Council for Mortgage Lenders (CML) last week.

The CML has also reported that total gross mortgage lending rose 2.0% in June to £15.0bn, from £14.7bn in May. As a result, remortgages now represent 23% of the market.

LMS processes over 28% of all remortgage transactions in the UK and the report is compiled using this data.

LMS estimates that the total number of remortgage loans in June decreased by 13.9% to 23,316 compared with 27,087 in May. This figure is also down 2.1% on this time last year.

The average remortgage loan amount has risen by 2.6% over the past month and now stands at £149,514. This is the **highest** figure LMS has on record.



Source: LMS

Commenting on the latest figures, Andy Knee, Chief Executive of LMS says:

“Both the value of remortgage lending and the number of remortgagers fell for the first time since the beginning of the year in June. In contrast, gross mortgage lending continued to rise and as a result, remortgaging accounted for under a quarter (23%) of all transactions.

“However, remortgage customers were taking out a record amount of equity – the highest amount since January 2012. A fifth (20%) said they did so to fund home improvements, whilst a further 9% used the additional funds to pay off debts.

“With Mark Carney confirming that interest rates will not be rising for the time being, others who are considering remortgaging would do well to take advantage of the current deals, as there will be an avalanche of remortgage activity once interest rates do eventually increase.”



Analysis of Frequency and Amount of Equity Released as part of Remortgage Lending

| Table 2 | June 2013 | May 2013 | % increase month | Change from last year |
|-------------------------------------------------------------------|--------------------|-------------------|------------------|-----------------------|
| Term of previous mortgage (years, months) | 4 years, 10 months | 4 years, 6 months | +7.4 | - |
| LTV new (%) | 59 | 58 | +1.7 | Up 2 points |
| LTV old loan (at time it was taken out) | 70 | 68 | +2.9 | Down 2 points |
| Increase (+)/decrease (-) New loan balance minus old loan balance | £22,615 | £19,325 | +17.0 | +58.0% |

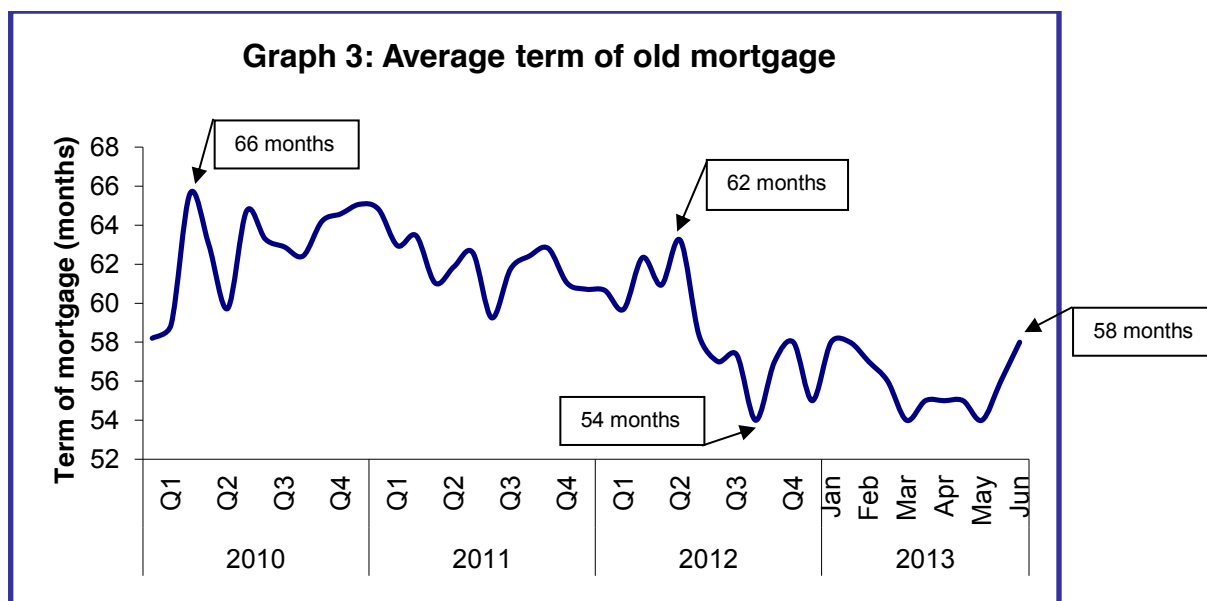
Source: LMS

Borrowers in June were remortgaging every 4 years 10 months on average (see Table 2); this has been a decrease in frequency by 7.4% over the past month (see Graph 3). However, the current average of 4 years 10 months remains below the 5 years 2 months recorded back in March 2012 (see Graph 3). At the height of the market, back in August 2008, remortgaging took place as frequently as every 3 years 1 month.

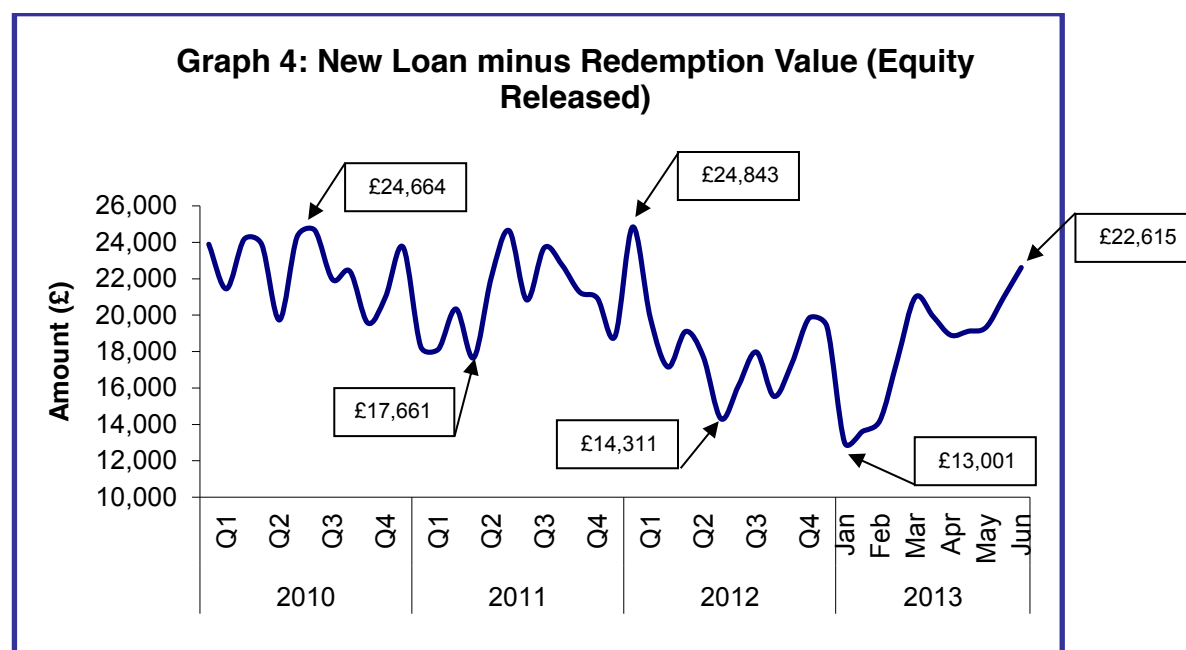
The average loan to value (LTV) for remortgages has remained constant over the past month, rising by just 2%. In fact, the average LTV has only fluctuated by 4% over the past two years. The LTV of the original purchase loan, at the time when the mortgage was taken out, now stands at 70% (see Table 2).

The average amount by which the new remortgage value exceeded the redeeming mortgage value in June is £22,615, 17.0% higher than in May (£19,325). This is the highest it has been since January 2012 – when the average equity released was £24,843 (see Graph 4 and Table 3).

These latest figures imply a total of £527.3m equity withdrawal in June from remortgaging, up £3.8m on the previous month (£523.5m – May 2013).



Source: LMS



Source: LMS

| Table 3 | | | | | |
|--------------------------------|------------------|-----------------|-----------------|------------------|-----------------------------------|
| | June 2013 | May 2013 | % change | June 2012 | % annual change to present |
| New Loan Amount (£) | £149,514 | £145,754 | +2.6 | £130,192 | +14.8 |
| Old Loan Amount (£) | £126,899 | £126,429 | +0.4 | £115,881 | +9.5 |
| Net Equity Released (£) | £22,615 | £19,325 | +17.0 | £14,311 | +58.0 |

Source: LMS

Regional Analysis

The average remortgage loan amount varies considerably across the UK regions and is broadly in line with the average house price in these areas.

London had the largest average remortgage value in June of £261,886, compared to £93,649 in North East (see map opposite). The South West currently has the lowest remortgage LTV at 59%, compared with the highest of 69% in the North West.

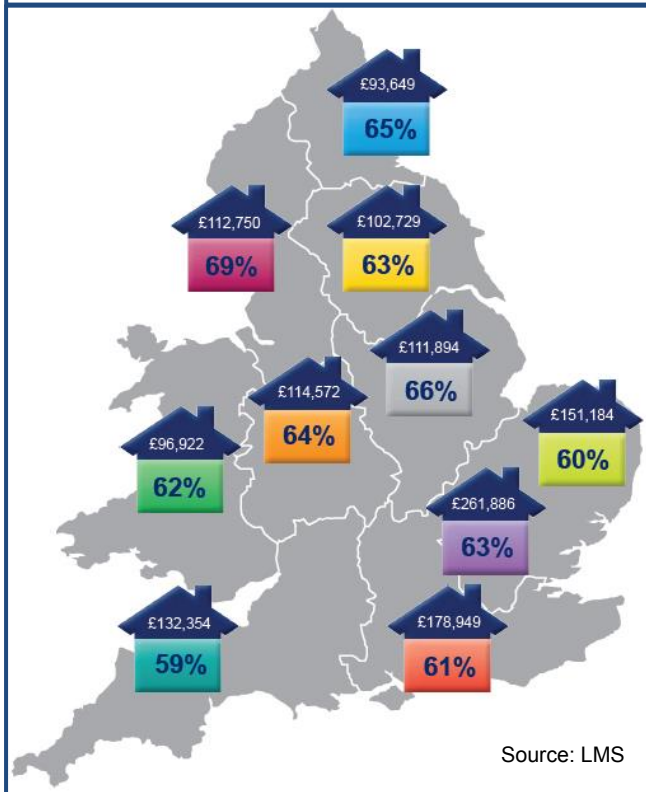
Regional variations in the frequency of remortgaging are reasonably small, ranging from 5.33 years in the North West to 4.51 years in London (see map below opposite).

The North East is the only region that has seen an increase in the frequency of remortgaging over the last month. All of the other regions in the UK have witnessed a decrease.

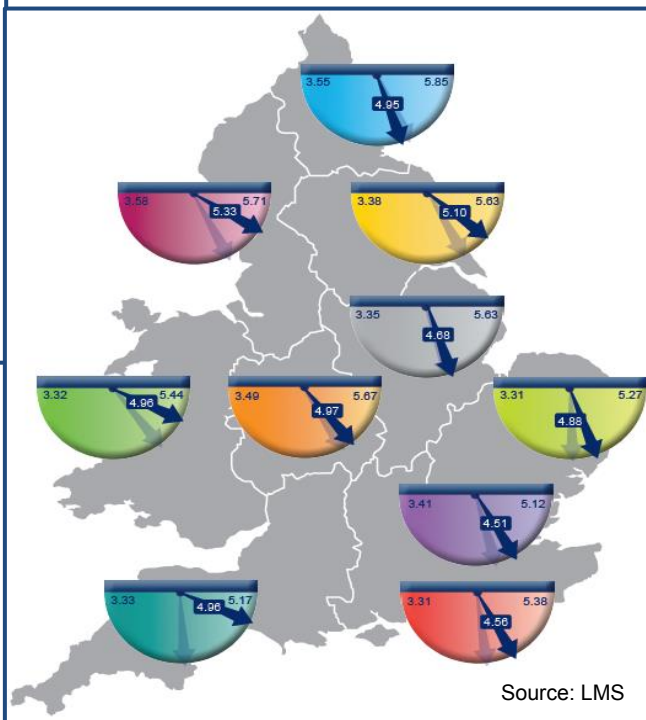
Note that a fall in the frequency of remortgaging implies a lengthening of the time between remortgages.

More detailed regional data is available on application.

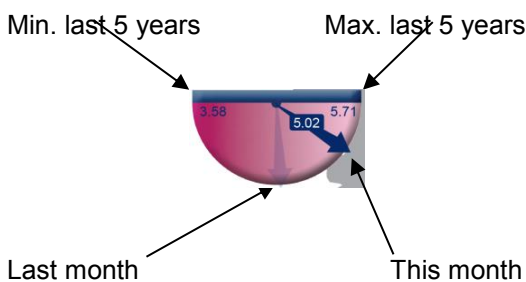
Average Remortgage Loan Amount and LTV – June 2013



Frequency of Remortgaging: Term of Redeeming Mortgage (years) – June 2013



Key:



Remortgage Affordability Analysis

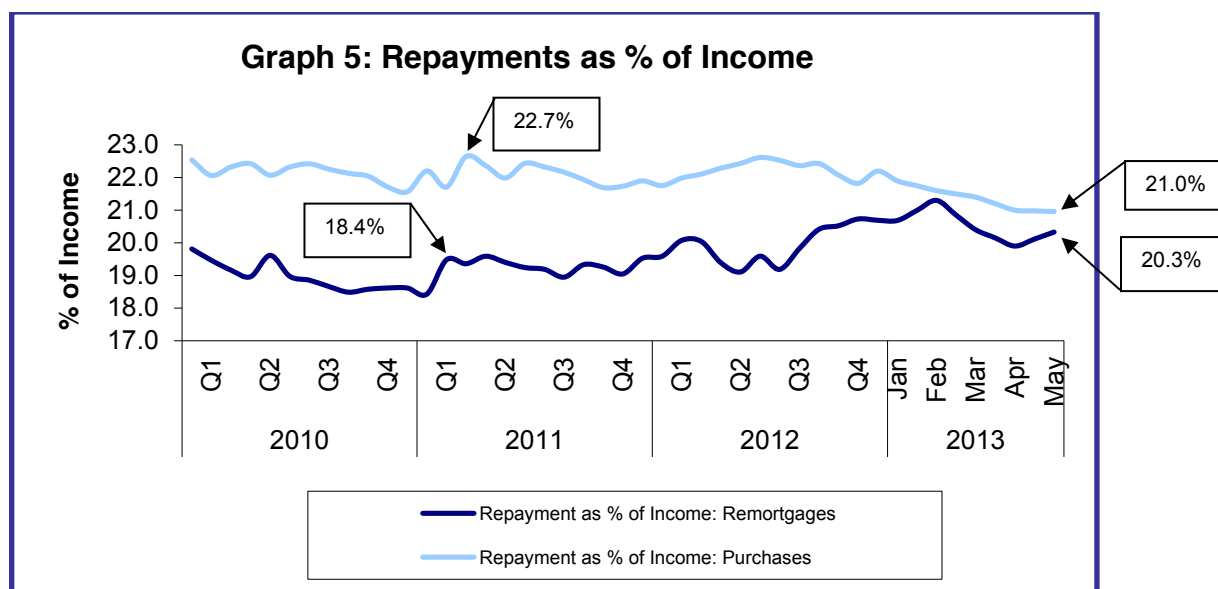
Affordability of new mortgages

| Table 4 | Household Income* | Interest Rate* | Annual Repayment (£)** | Annual Repayment as % of Income** |
|------------|-------------------|----------------|------------------------|-----------------------------------|
| May 2013 | £42,422 | 3.27 | £8,624 | 20.3% |
| April 2013 | £41,813 | 3.31 | £8,336 | 19.9% |
| May 2012 | £41,839 | 3.74 | £7,994 | 19.1% |

Source: *CML, **LMS calculations

The average monthly household income for all new mortgages rose slightly to £42,422 in May according to the CML. This is up 1.4% on the May 2012 average of £41,839 (see Table 4).

At the same time, the average interest rate has continued to fall, from 3.31 in April to 3.27 in May. Mortgage affordability (which is expressed as the average mortgage repayment as a percentage of average annual household income) has risen slightly over the past month, currently standing at 20.3%. Although it is considerably higher than in May last year (19.1%), it remains well below the peak of 25.6% in August 2008. It is still lower than the current typical rate for a new purchase mortgage (see Graph 5).



Source: CML (LMS estimates for May)

For further information

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About LMS

LMS's UK remortgage lending estimates are based on LMS's up to date internal conveyancing data, which, every month, covers many thousands of remortgage completion transactions.

Notes to Editors

- LMS is one of the UK's largest providers of outsourced property services, including conveyancing, remortgage, and IT services.
- Each year LMS successfully manages some 130,000 transactions, helping to enable more than £15 billion in loans for intermediaries and lenders.
- The LMS system is based on the company's unique STARS (Servicer Tracking & Reporting System) technology which manages transactions electronically on-line to ensure speed, cost efficiency and quality of service.
- To find out more about LMS, visit www.lms.com