

The LMS Remortgage Report

“The most up to date analysis of remortgage lending available”

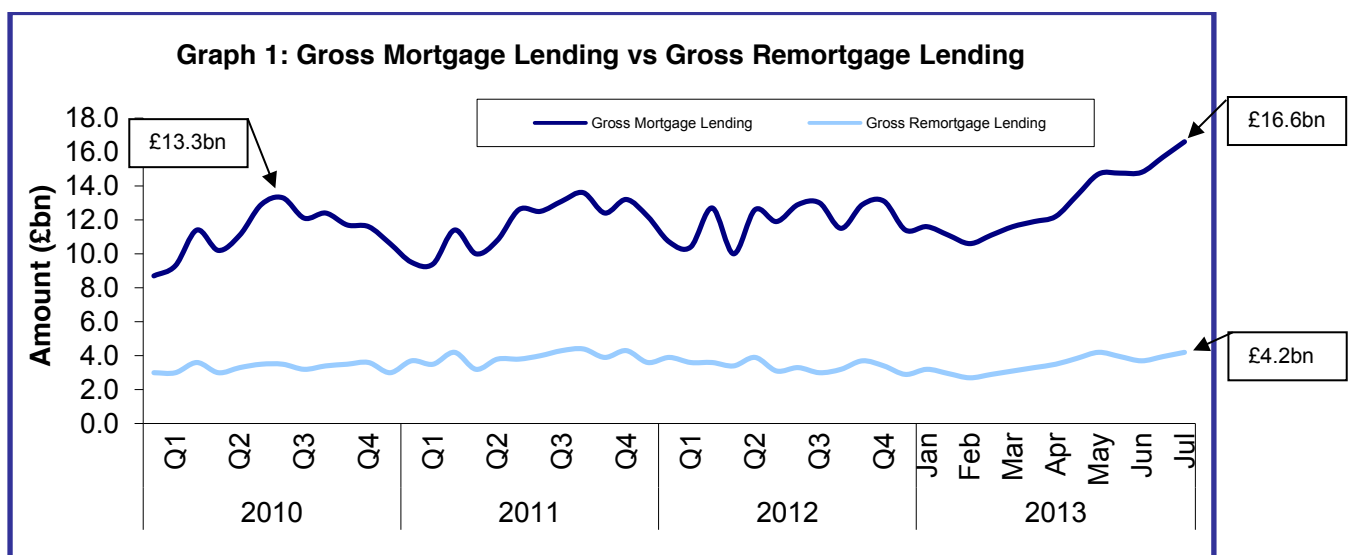
Remortgage lending jumps 13% in July

The highest July figure since 2008

- July remortgage lending **rose** to £4.2bn, **up 12.7%** on June’s 3.7bn. This is the highest gross remortgage lending figure for this time of year since 2008.
- Total gross mortgage lending has **risen 11.9%** to £16.6bn; remortgaging now accounts for a quarter (25%) of the total market.
- Those remortgaging are each taking out an average of **£20,425** in extra equity (above the value of the redeeming loan). Although this is 9.7% **lower** than in June (£22,615), the total amount of equity withdrawn by remortgaging in July (£584.0m) was the **largest** figure since **May 2012**.

| Table 1 | 2013 | | | 2012 | |
|-------------------------------|----------|----------|----------|----------|----------------------------|
| | July* | June** | % change | July** | % annual change to present |
| Gross Remortgage Lending (£m) | 4,171 | 3,700 | +12.7 | 3,300 | +26.4 |
| No. of Remortgages | 28,590 | 26,800 | +6.7 | 25,100 | +13.9 |
| Average Loan Amount | £145,887 | £149,514 | -2.4 | £131,410 | +11.0 |

Source: * LMS estimates, ** CML actuals



Source: CML, LMS estimates for July

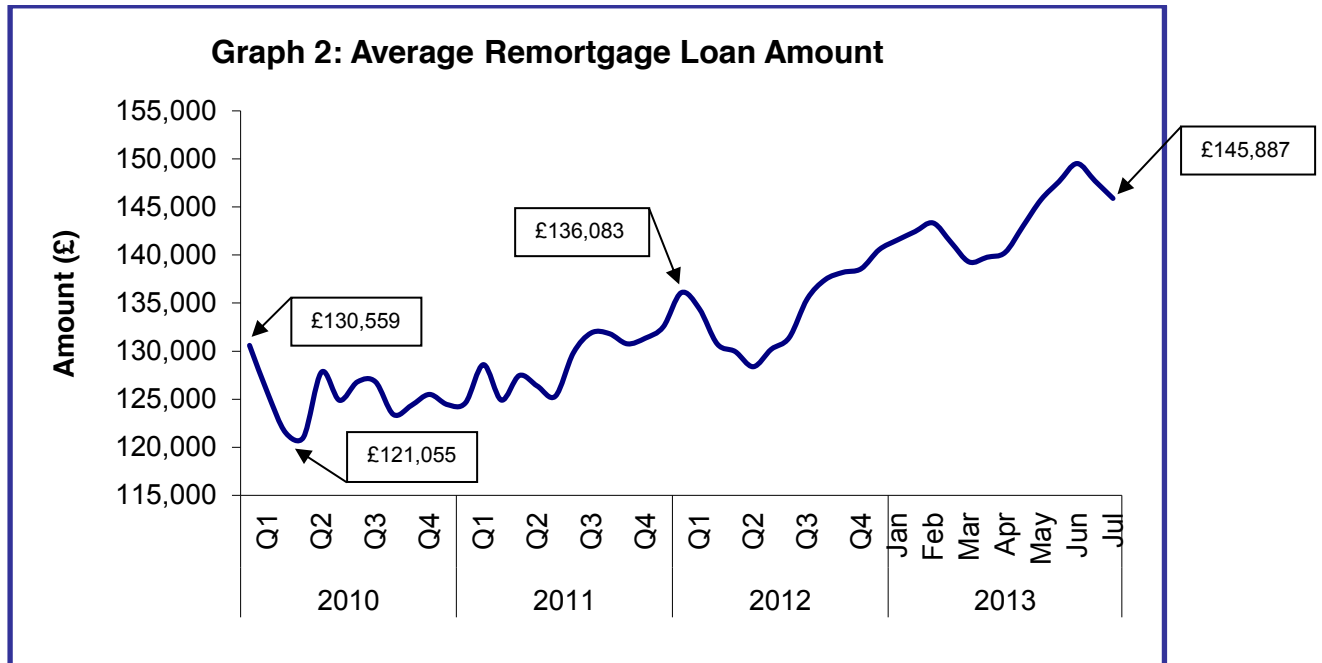
LMS figures reveal that monthly gross remortgage lending increased by £471m in July to £4.2bn. This is not only up 12.7% on June’s £3.7bn reported by the Council for Mortgage Lenders (CML) last week, but is also the highest July figure since 2008.

The CML has also reported that total gross mortgage lending rose 11.9% in July to £16.6bn, from £14.8bn in June. As a result, remortgages now represent a quarter (25%) 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 July increased by 6.7% to 28,590, compared with 26,800 in June. This figure is also up 13.9% on this time last year (25,100).

The average remortgage loan amount has fallen by 2.4% over the past month and now stands at £145,887. However, this figure is 11.0% higher than this time last year.



Source: LMS

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

“Following subdued remortgage activity in June this month’s figures show a significant boost, with both gross remortgage lending and the number of remortgages both increasing significantly. In fact, the total remortgage lending figure marks the most successful July we have seen since 2008.

“The average amount of equity being released has fallen this month from its 13-month high in June but due to the increase in the number of customers, the total amount of equity being released by remortgaging is continuing to grow month by month.

“Despite Carney’s tying of an increase in interest rates to unemployment figures, more than one in seven (14%)* of our customers in July said they believed rates were going to rise. It is a good idea to take advantage of these deals whilst they are still around.”



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

| Table 2 | July 2013 | June 2013 | % increase month | Change from last year |
|---|-------------------|--------------------|------------------|-----------------------|
| Term of previous mortgage (years, months) | 4 years, 8 months | 4 years, 10 months | -3.4 | -1.8 |
| LTV new (%) | 59 | 58 | +1.7 | +1.7 |
| LTV old loan (at time it was taken out) | 68 | 70 | -2.9 | -1.4 |
| Increase (+)/decrease (-) New loan balance minus old loan balance | £20,425 | £22,615 | -9.7 | +26.5 |

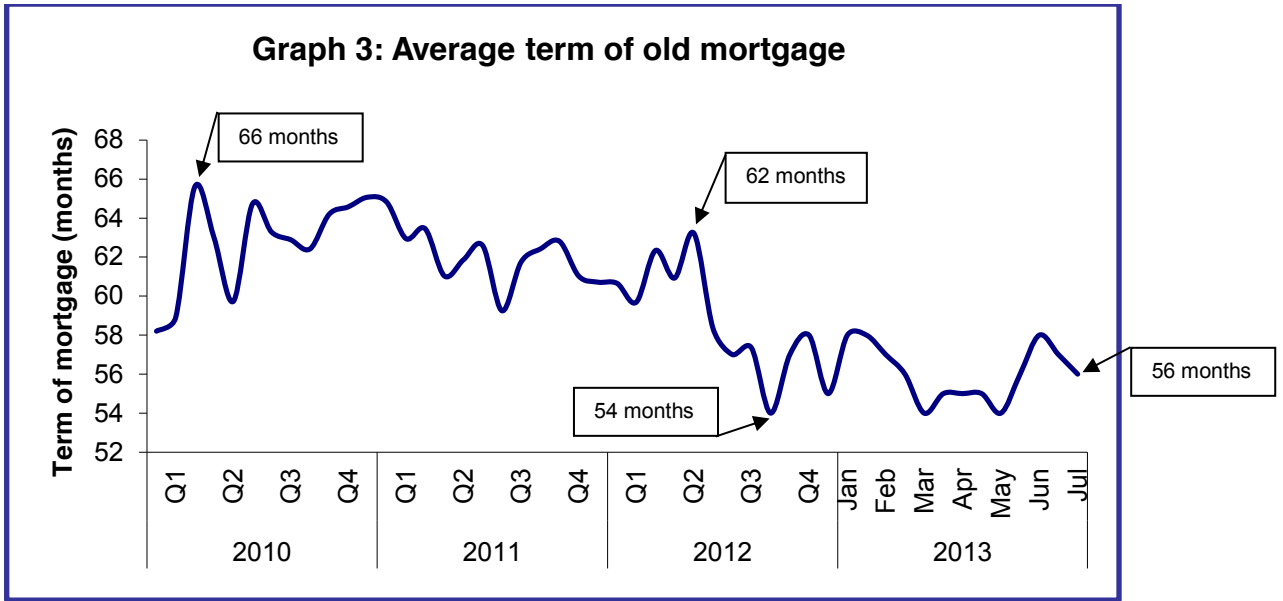
Source: LMS

Borrowers in July were remortgaging every 4 years 8 months on average (see Table 2); this illustrates that there has been an increase in frequency by 3.4% over the past month (see Graph 3). The current average of 4 years 8 months remains below the 5 years 2 months recorded back in March 2012 (see Graph 3), but it will be a long time until we see remortgages occurring as frequently as they did at the height of the market. Back in August 2008, remortgaging took place as frequently as every 3 years 1 month.

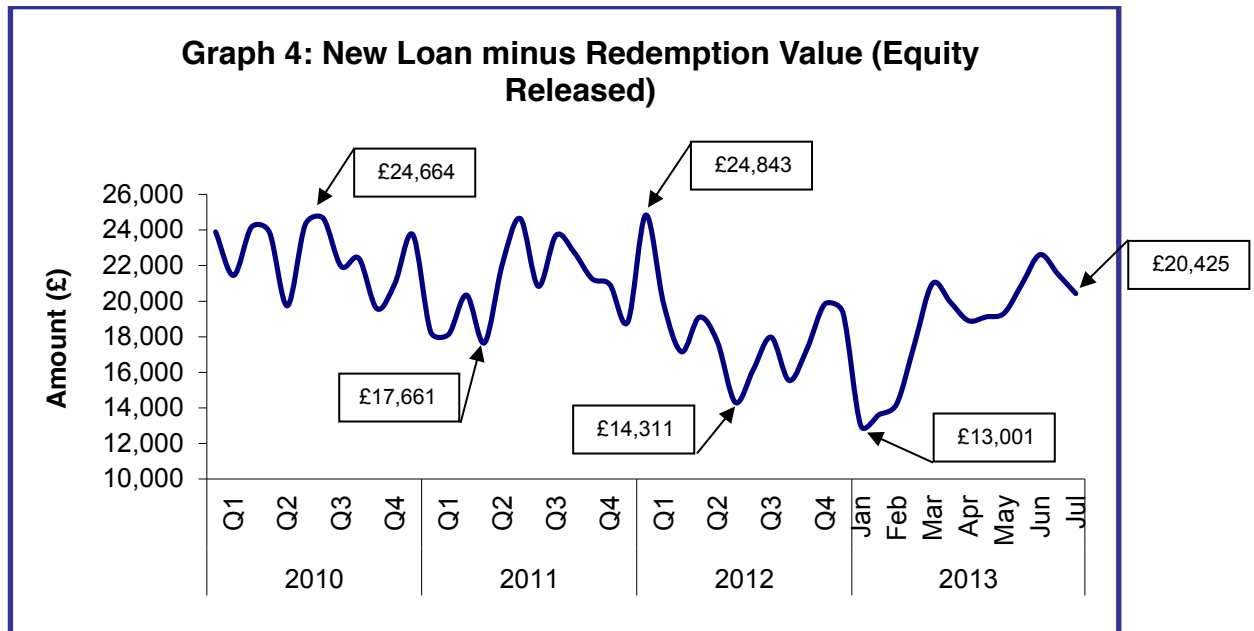
The average loan to value (LTV) for remortgages has remained constant over the past month, rising by just 1.7%. In fact, the average LTV has only fluctuated by 4% over the past two years. The LTV of the original purchase loan, at the time when the mortgage was taken out, now stands at 68% (see Table 2).

The average amount by which the new remortgage value exceeded the redeeming mortgage value in July is £20,425, 9.7% lower than in June (£22,615). However, this figure is 26.5% higher than this time last year (see Table 3 and Graph 4).

These latest figures imply a total of £584.0m equity withdrawal in July from remortgaging, up £56.7m on the previous month (£527.3m – June 2013).



Source: LMS



Source: LMS

| | July 2013 | June 2013 | % change | July 2012 | % annual change to present |
|--------------------------------|-----------|-----------|----------|-----------|----------------------------|
| New Loan Amount (£) | £145,887 | £149,514 | -2.4 | £131,410 | +11.0 |
| Old Loan Amount (£) | £125,462 | £126,899 | -1.1 | £115,265 | +8.8 |
| Net Equity Released (£) | £20,425 | £22,615 | -9.7 | £16,145 | +26.5 |

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 £250,369, compared to £97,808 in Wales (see map opposite). The South West and East Anglia currently has the lowest remortgage LTV at 57%, compared with the highest of 70% in the North East.

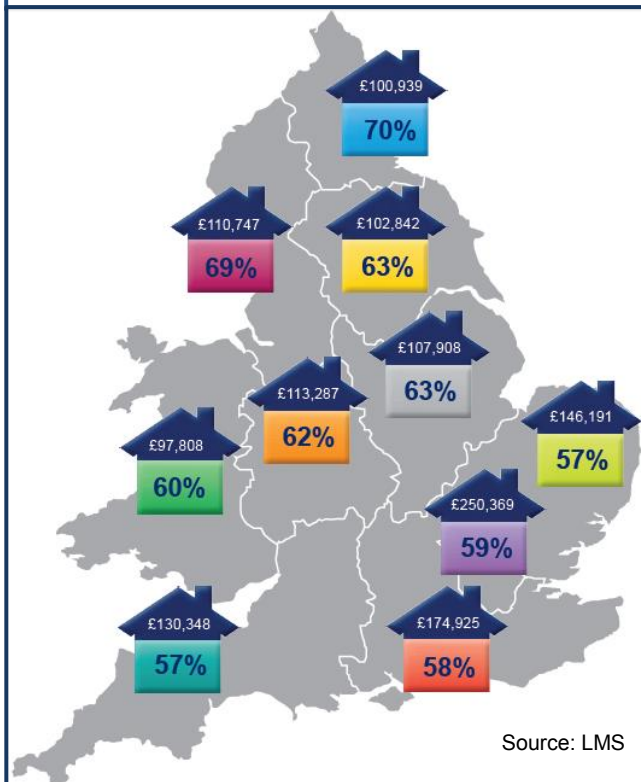
Regional variations in the frequency of remortgaging are reasonably small, ranging from 5.18 years in Wales to 4.43 years in the East Midlands (see map below opposite).

All regions apart from the South East and Wales have seen an increase in the frequency of remortgaging over the last month.

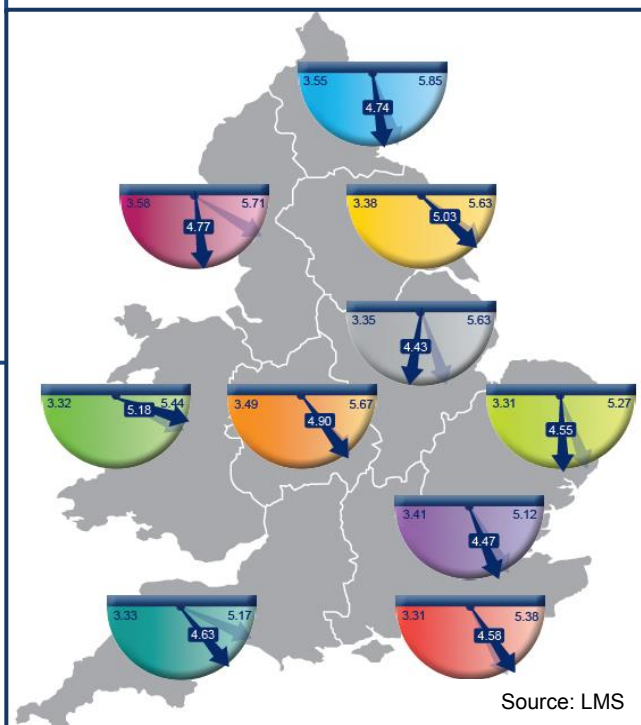
Note that a fall in the frequency of remortgaging implies a lengthening of the time between remortgages.

More detailed regional data is available on application.

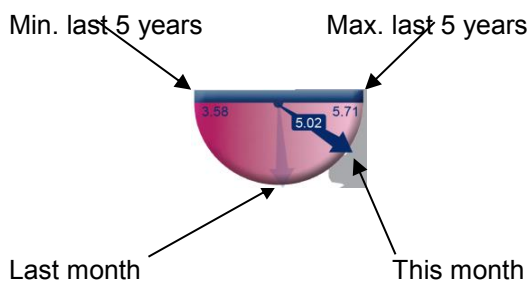
Average Remortgage Loan Amount and LTV – July 2013



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



Key:



Remortgage Affordability Analysis

Affordability of new mortgages

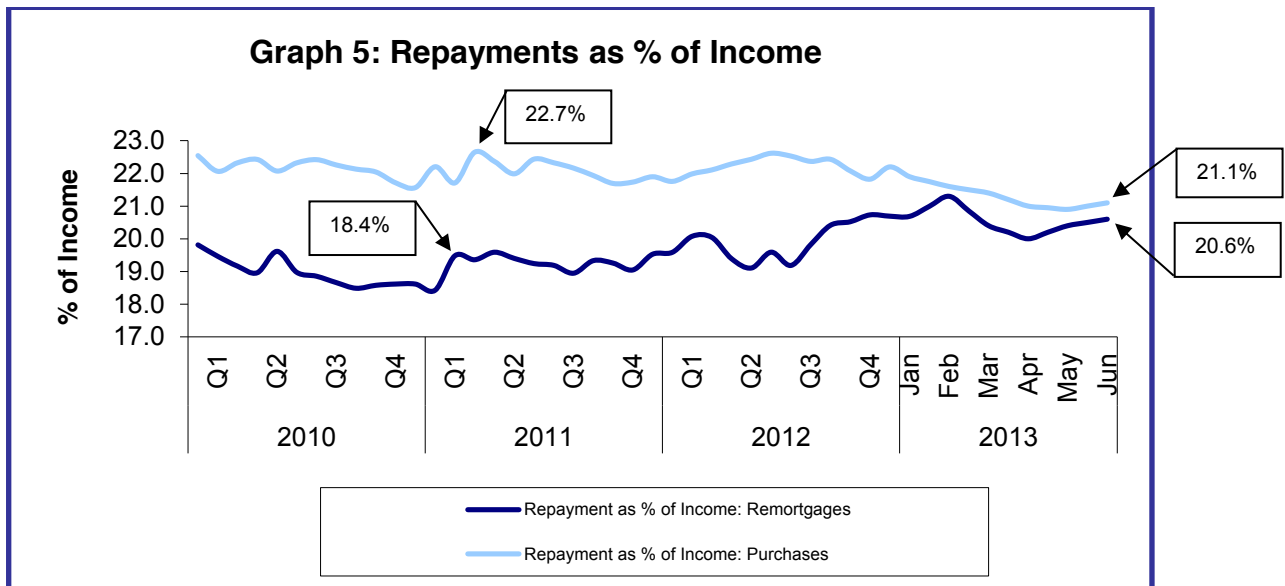
| Table 4 | Household Income* | Interest Rate* | Annual Repayment (£)** | Annual Repayment as % of Income** |
|-----------|-------------------|----------------|------------------------|-----------------------------------|
| June 2013 | £42,809 | 3.23 | £8,808 | 20.6% |
| May 2013 | £42,264 | 3.27 | £8,624 | 20.4% |
| June 2012 | £41,727 | 3.82 | £8,176 | 19.6% |

Source: *CML, **LMS calculations

The average monthly household income for all new mortgages rose slightly to £42,809 in June according to the CML. This is up 2.6% on the June 2012 average of £41,727 (see Table 4).

At the same time, the average interest rate has continued to fall, from 3.27 in May to 3.23 in June. 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 20.6%. Although it is higher than in June last year (19.6%), 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, just (see Graph 5).

The average repayment has increased in June despite interest rates falling due to increased levels of borrowing over the period.



Source: CML (LMS estimates for June)

-ENDS-

For further information

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Notes to editors

*This result is taken from the findings of a survey that was answered by 525 LMS customers during July 2013. Further findings available upon request.

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