

The LMS Remortgage Report

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

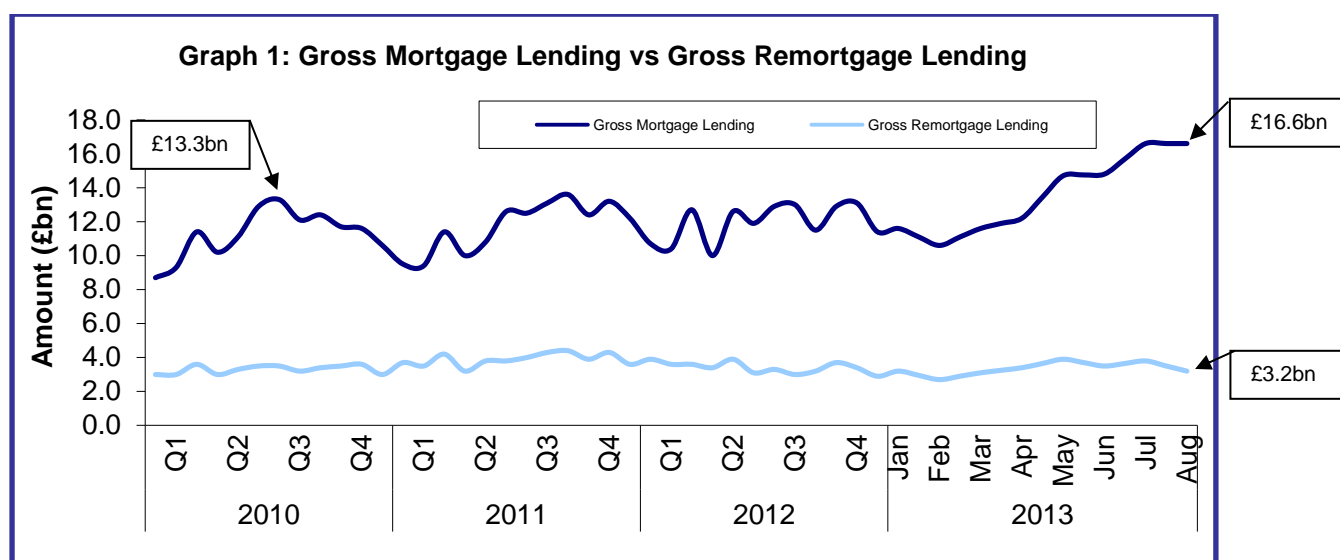
Remortgage lending in August stronger than last year, despite fall in activity

Customers released £27.1m more cash from remortgaging than in August 2012

- August remortgage lending **fell** to £3.2bn, **down** 14.8% on July’s £3.8bn. However, August’s figure is still **8% higher** than this time last year.
- Total gross mortgage lending has remained stable at £16.6bn; remortgaging now accounts for a fifth (20%) of the total market.
- Those remortgaging are each taking out an average of **£20,070** in extra equity (above the value of the redeeming loan). This implies a total amount of equity withdrawn by remortgaging in August to be £435.2m. In August 2012, customers withdrew a total of £408.1m – which means that customers this year are releasing £27.1m more.

Table 1	2013			2012	
	August*	July**	% change	August**	% annual change to present
Gross Remortgage Lending (£m)	3,239	3,800	-14.8	3,000	+8.0
No. of Remortgages	21,682	27,000	-19.7	22,700	-4.5
Average Loan Amount	£149,367	£145,887	+2.4	£135,427	+10.3

Source: * LMS estimates, ** CML actuals



Source: CML, LMS estimates for August

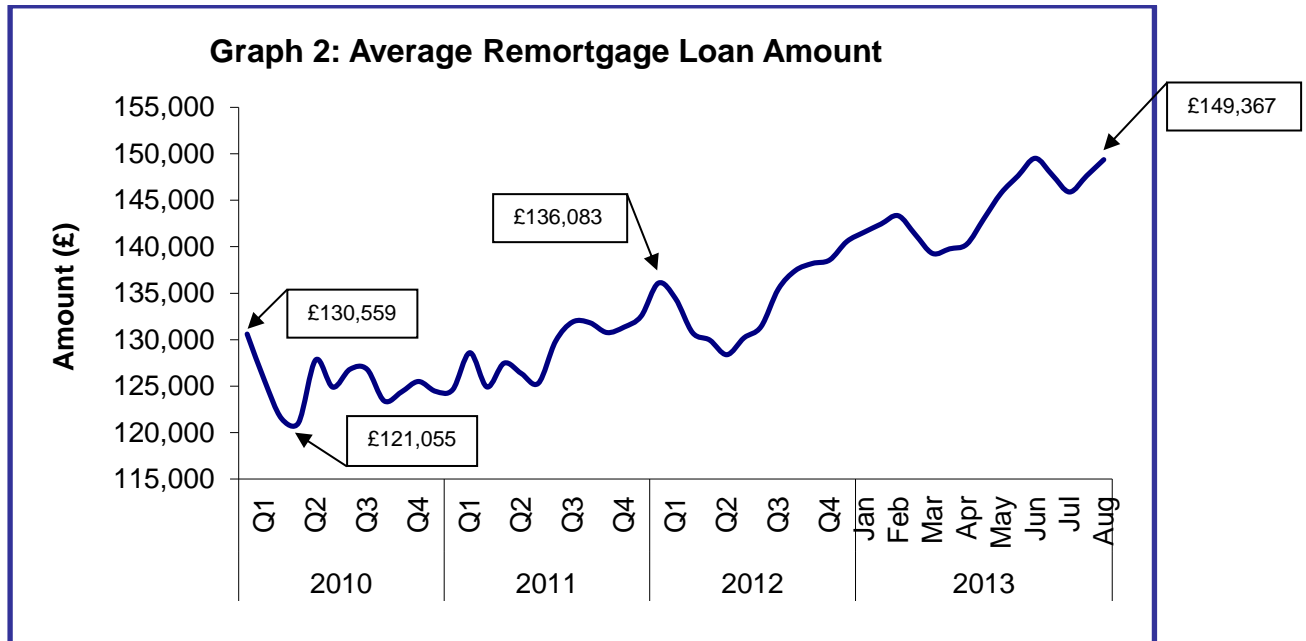
LMS figures reveal that monthly gross remortgage lending decreased by £561m in August to £3.2bn. Although this is down 14.8% on July’s £3.8bn reported by the Council for Mortgage Lenders (CML) last week, it is 8.0% higher than this time last year.

The CML has also reported that total gross mortgage lending held steady at £16.6bn in August. As a result, remortgages now represent a fifth (20%) 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 August decreased by 19.7% to 21,682, compared with 27,000 in July. This figure is also down 4.5% on this time last year (22,700).

The average remortgage loan amount, however, has risen by 2.4% over the past month and now stands at £149,367. This figure is also 10.3% higher than this time last year (£136,083).



Source: LMS

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

“Although remortgage lending has experienced a noticeable knock in August there is no need to be despondent as the figures compare favourably year-on-year.

“We all knew that recovery following the downturn in 2008 was going to be a long and bumpy road, so when presented with a fall such as this, it is always best to take a step back and consider them in terms of the bigger picture.

“It would appear that the entire market has reached a plateau in August, with the CML reporting that gross mortgage lending has held steady at £16.6bn. The remortgage market’s contraction means that remortgages only represented a fifth of the market in August, but we will no doubt see further reshuffles in the months to come.”



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

Table 2	August 2013	July 2013	% increase month	Change from last year
Term of previous mortgage (years, months)	4 years, 11 months	4 years, 8 months	+5.4	+3.5
LTV new (%)	59	58	+1.7%	Up 2 points
LTV old loan (at time it was taken out)	69	68	+1.5	-2.8
Increase (+)/decrease (-) New loan balance minus old loan balance	£20,070	£20,425	-1.7	+11.6

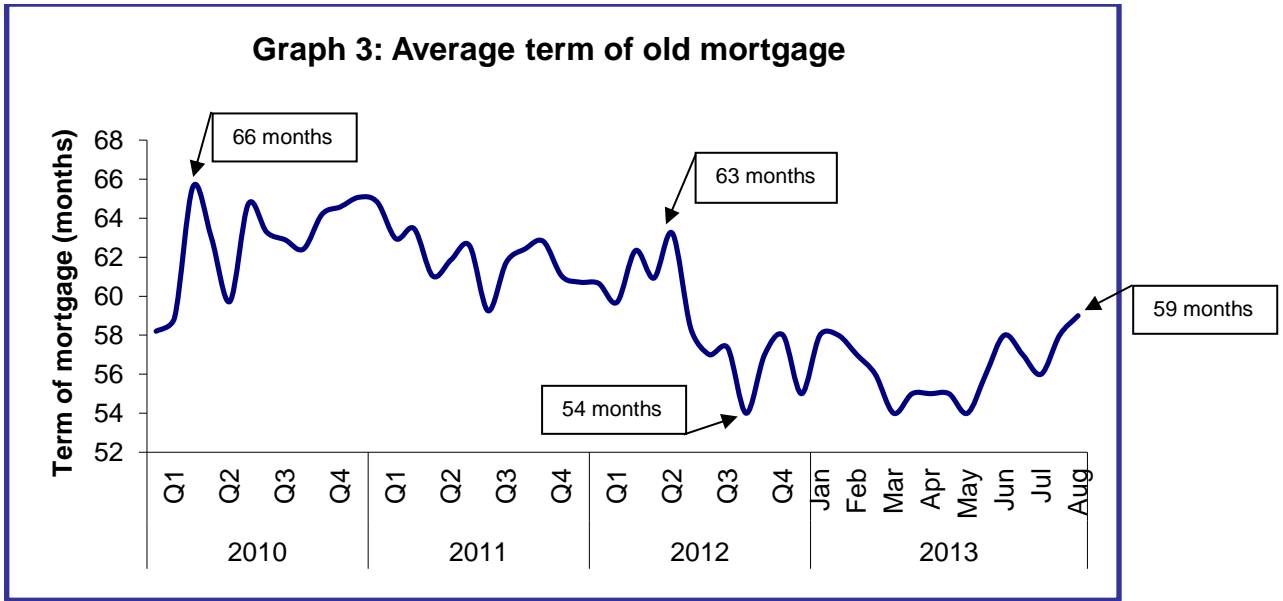
Source: LMS

Borrowers in August were remortgaging every 4 years 11 months on average (see Table 2); this shows that there has been a decrease in frequency of 5.4% over the past month (see Graph 3). Despite this, the current average of 4 years 11 months is still 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.

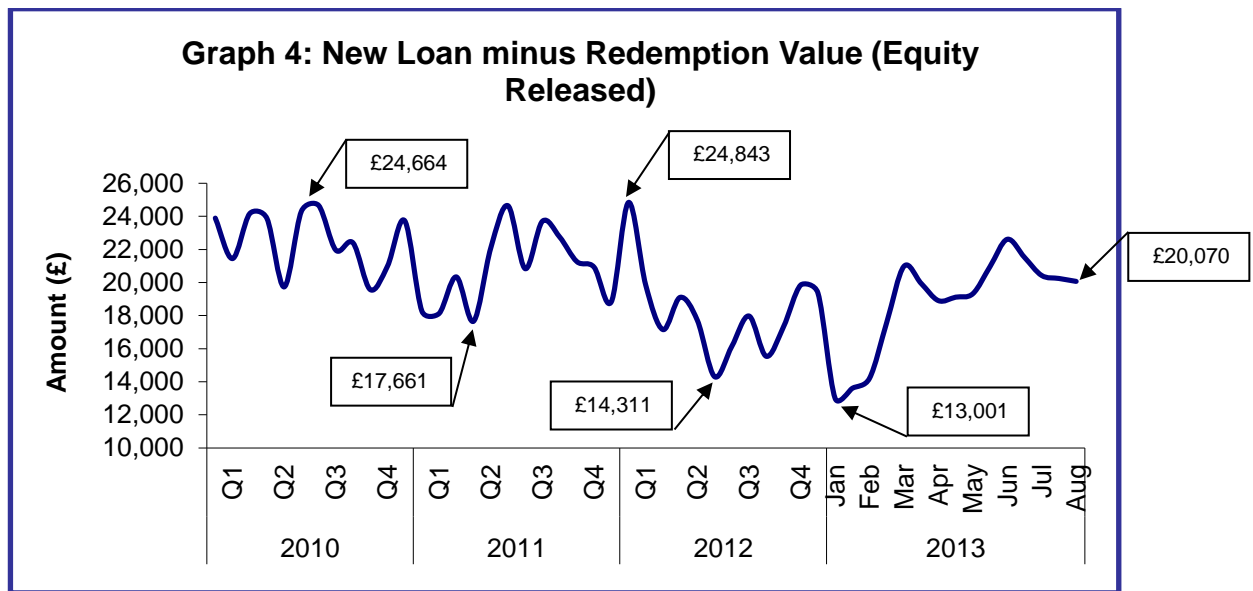
The average loan to value (LTV) for remortgages has remained constant over the past month, rising by just 1.7%. In fact, the average LTV has only fluctuated by 4% over the past two years. The LTV of the original purchase loan, at the time when the mortgage was taken out, now stands at 69% (see Table 2).

The average amount by which the new remortgage value exceeded the redeeming mortgage value in August is £20,070, 1.7% lower than in July (£20,425). However, this figure is 11.6% higher than this time last year (see Table 3 and Graph 4).

These latest figures imply a total of £435.2m equity withdrawal in August from remortgaging, down 25.5% on the previous month (£584.0m – July 2013).



Source: LMS



Source: LMS

	August 2013	July 2013	% change	August 2012	% annual change to present
New Loan Amount (£)	£149,367	£145,887	+2.4	£135,427	+10.3
Old Loan Amount (£)	£129,297	£125,462	+3.1	£117,451	+10.1
Net Equity Released (£)	£20,070	£20,425	-1.7	£17,976	+11.6

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 August of £262,442, compared to £97,361 in the North East (see map opposite). The South West currently has the lowest remortgage LTV at 54%, compared with the highest of 72% in the West Midlands.

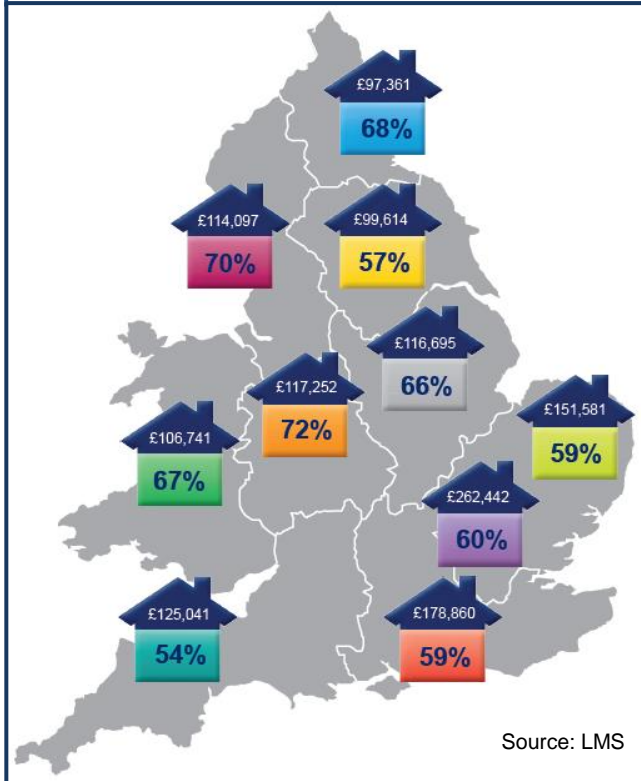
Regional variations in the frequency of remortgaging are reasonably small, ranging from 5.55 years in Wales to 4.7 years in East Anglia (see map below opposite).

All regions apart from Yorkshire have seen a decrease in the frequency of remortgaging over the last month.

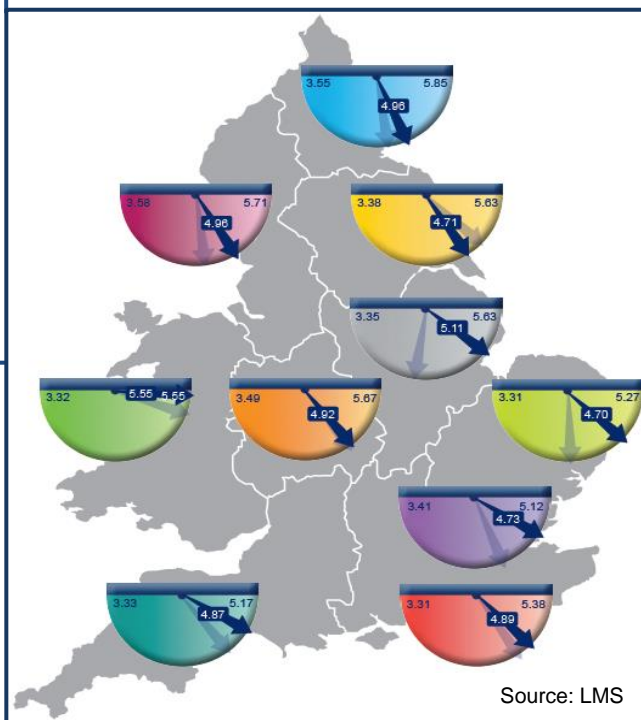
Note that a fall in the frequency of remortgaging implies a lengthening of the time between remortgages.

More detailed regional data is available on application.

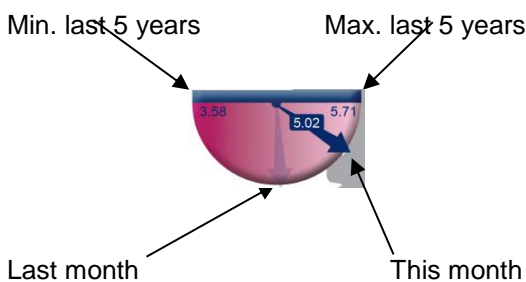
Average Remortgage Loan Amount and LTV – August 2013



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



Key:



Remortgage Affordability Analysis

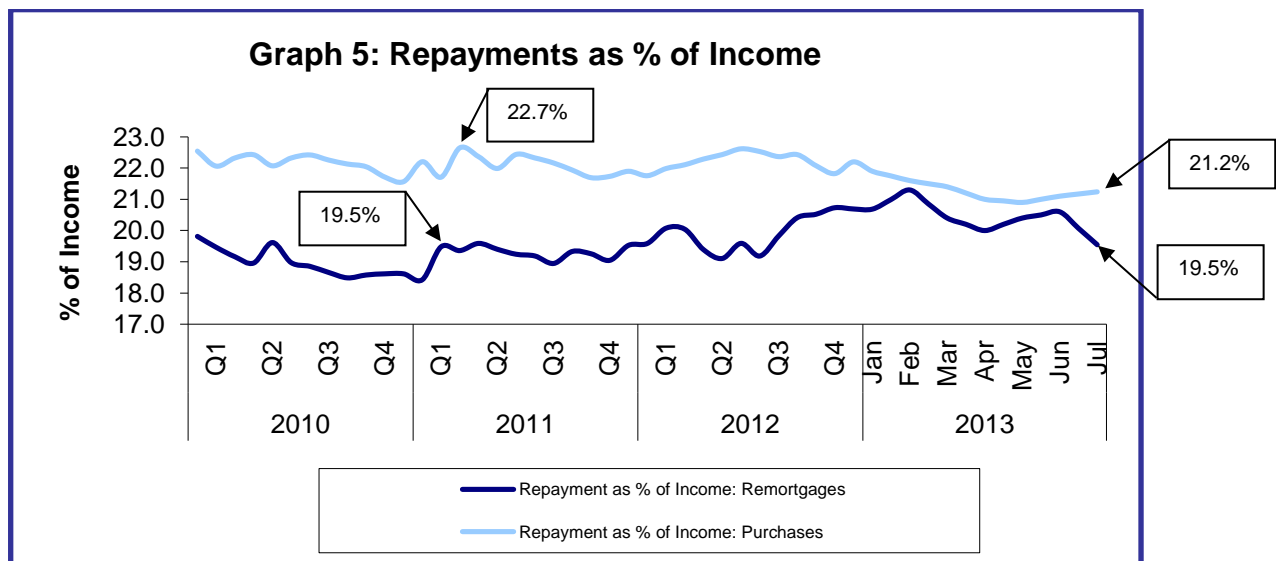
Affordability of new mortgages

Table 4	Household Income*	Interest Rate*	Annual Repayment (£)**	Annual Repayment as % of Income**
July 2013	£43,680	3.17	£8,537	19.5%
June 2013	£42,824	3.23	£8,808	20.6%
July 2012	£43,018	3.82	£8,253	19.2%

Source: *CML, **LMS calculations

The average monthly household income for all new mortgages continued its upward trend to £43,680 in July, according to the CML. This is up 2% on the previous month, but is reasonably similar figure when compared to this time last year (see Table 4).

At the same time, the average interest rate has continued to fall, from 3.23 in June to 3.17 in July. Mortgage affordability (which is expressed as the average mortgage repayment as a percentage of average annual household income) has fallen slightly, currently standing at 19.5%. Despite this, it is still higher than this time last year (19.2%), and it is still noticeably lower than the current typical rate for a new purchase mortgage (see Graph 5).



Source: CML (LMS estimates for July)

-ENDS-

For further information

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Notes to editors**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