

The LMS Remortgage Report

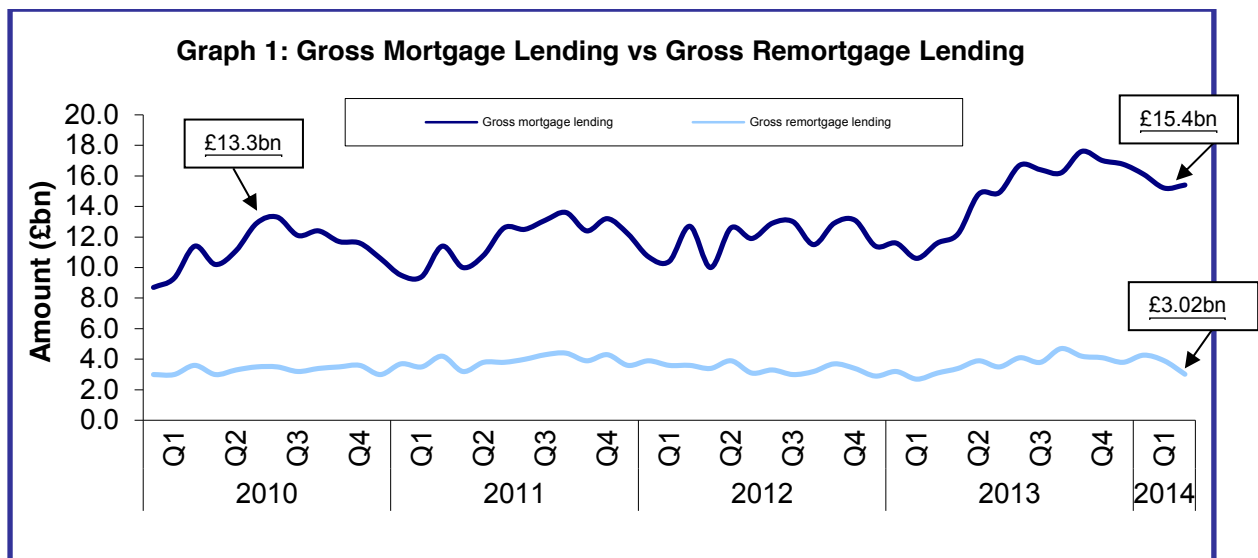
“The most up to date analysis of remortgage lending available”

March sees fewest remortgage loans since 2005, as lenders begin hiking rates and tighten up for MMR

- Number of remortgage loans **drops** by a fifth (19%) in March to **19,287** – the lowest number recorded since 2005, as lenders tighten up ahead of the Mortgage Market Review (MMR)
- The value of remortgage lending fell **14%** in March and 3% from last year to **£3.02** billion – the **lowest** total since December 2012
- As a result remortgaging market share fell from nearly a quarter (24%) to a fifth in March
- However, average net equity released **increased** by 20% since February to an average of **£16,597**

Table 1	2014			2013	
	March*	Feb**	% change	March**	% annual change to present
Gross Remortgage Lending (£m)	3,021	3,500	-14%	3,100	-3%
No. of Remortgages	19,287	23,800	-19%	23,900	-19%
Average Loan Amount	156,626	155,616	1%	139,280	12%

Source: * LMS estimates, ** CML actuals



Source: CML, LMS estimates for March

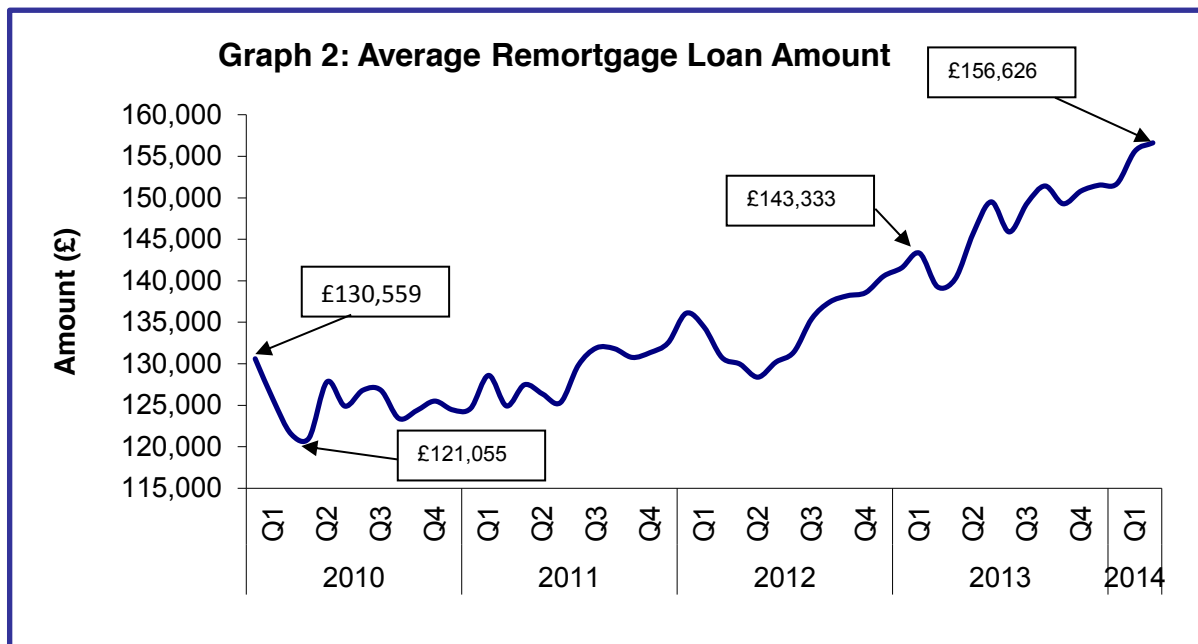
LMS figures reveal that monthly gross remortgage lending saw a monthly fall of 14%, down to £3.02bn from February’s £3.5bn reported by the Council for Mortgage Lenders (CML) last week as the effects of MMR comes into play with lenders reducing rates and remortgaging feeling the initial result from this.

LMS also estimates that the number of remortgage loans fell by almost a fifth (19%) to 19,287 in March. This represents the lowest number recorded since 2005 and is down from 23,000 in February. This figure is also down by 19% from this time last year, when there were 23,900 remortgage loans recorded.

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

The remortgage market share has subsequently dropped to one fifth of the total market (20%) down from 24% last month and 27% in March last year.

However, the average remortgage loan amount has seen a continued increase over the past month and now stands at £156,626 (a 1% increase from last month). This figure is 12% higher than March 2013 and is the highest since CML monthly records began in 2002.



Source: LMS

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

“With the onset of the game changing Mortgage Market Review, we’ve seen lenders tighten up in anticipation and get their systems in place during March. Remortgaging felt the brunt of these effects with fewer loans due to tighter criteria and a creeping up of mortgage rates.

“This fallout has occurred slightly ahead of the rest of the mortgage market, as house purchase decisions typically take longer. We therefore expect the rest of the market to follow suit in April as lenders turn the tap off.

“However despite a decrease in the number of remortgage loans in March, the average amount of equity released increased by 20%. This indicates that savvy borrowers are still benefiting from the remaining competitive deals on offer.

“Borrowers are clearly adept at searching for the best deals around with 61% remortgaging to take advantage of a new, lower mortgage rate, yet 10% are remortgaging to pay off other debts – a signal that many households budgets are still squeezed*.

“The introduction of MMR and continued debate about a Bank of England interest base rate rise will have significant implications for homeowners and will drastically reduce the offers currently available as has already been shown and the fluidity of the market is tested, further stretching already hard-pressed purse strings.”



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

Table 2	March 2014	February 2014	% increase month	Change from last year
Term of previous mortgage (years, months)	4 years, 6 months	4 years, 7 months	-2%	0
LTV new (%)	60	59	1.7%	2%
LTV old loan (at time it was taken out)	70	70	0%	1%
Increase (+)/decrease (-) New loan balance minus old loan balance	16,597	13,833	20%	-21%

Source: LMS

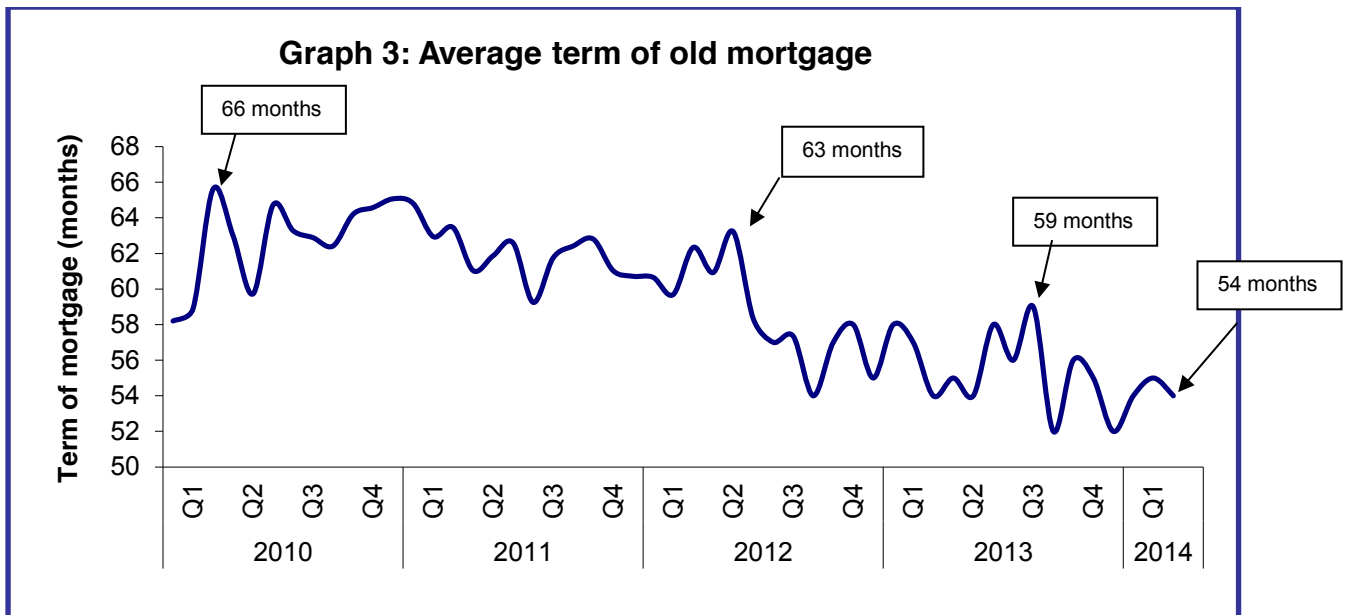
Borrowers in March were remortgaging every 4 years and 6 months on average (see Table 2); this is slightly more frequent than February 2014 when the average rate of remortgaging was 4 years 7 months (see Graph 3).

The rate of remortgaging has remained fairly consistent for the last five months, only fluctuating between 4 years 6 months and 4 years 7 months. This is in marked contrast to during the recession when the typical borrower remortgaged far less frequently, for example, in June 2012 borrowers only remortgaged every 5 years and in the depths of the recession it only occurred every 5 years 6 months (March 2010).

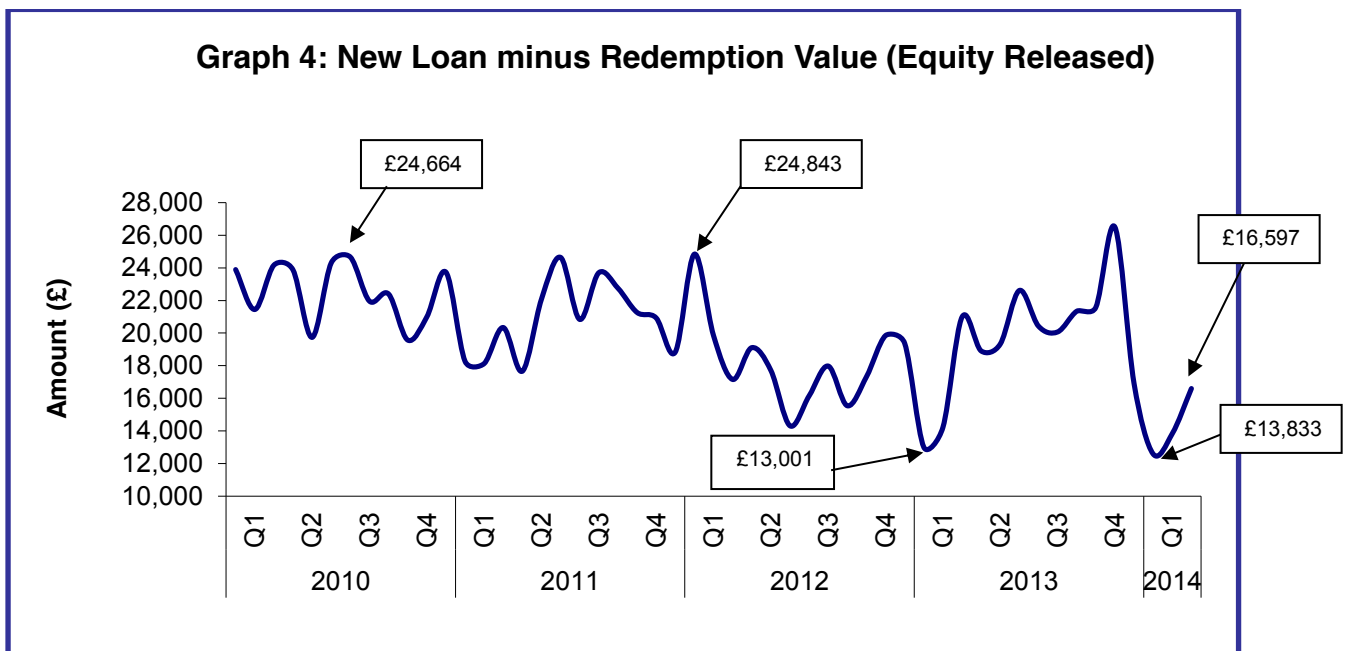
The average loan to value (LTV) remortgage has risen by 1.7% over the past month, climbing to 60%. The LTV of the original purchase loan, at the time when the mortgage was taken out remains constant at 70% (see Table 2).

However, the average amount by which the new remortgage value exceeded the redeeming mortgage value rose to £16,597 in March. This is 20% higher than a month ago but down by 21% from last year (see Graph 4).

As a result, the total amount of equity withdrawal in March from remortgaging stood at approximately £320m, down from £355m in February



Source: LMS



Source: LMS

Table 3					
	March 2014	Feb 2014	% change	March 2013	% annual change to present
New Loan Amount (£)	£156,626	£155,616	1%	£139,280	12%
Old Loan Amount (£)	£140,029	£141,783	-1%	£118,298	18%
Net Equity Released (£)	£16,597	£13,833	20%	£20,982	-21%

Source: LMS

Regional Analysis

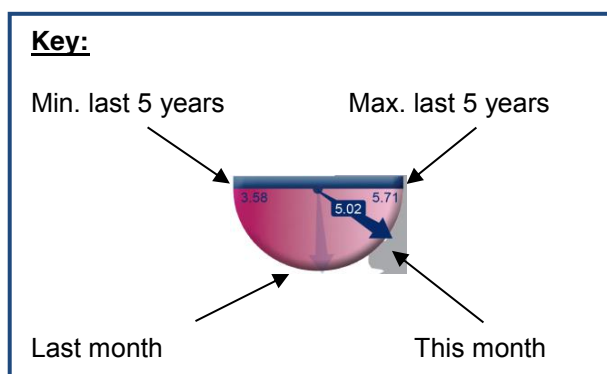
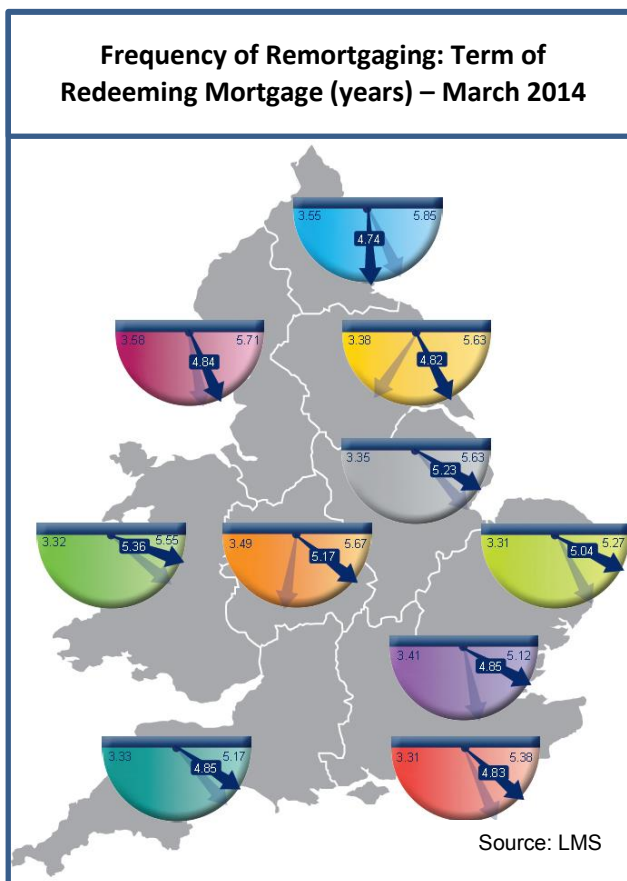
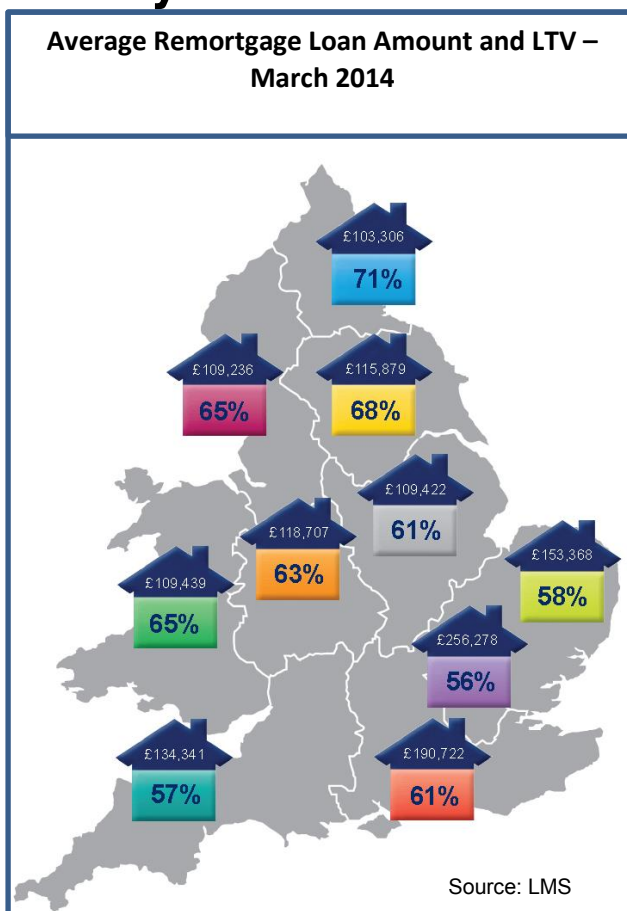
The average remortgage loan amount varies considerably across UK regions and is broadly in line with the average house price in these areas.

London had the largest average remortgage value in February of £256,278 slightly less than last month but significantly more than the £103,306 in Scotland (see map opposite). However, London also had the lowest remortgage LTV at 56% followed by 57% in the South West, compared with Scotland who had the highest LTV at 71% and the North East who followed at 68%.

LTV fluctuations across the UK remained fairly consistent from last month, with the exception of the North West which saw a decrease of 6% dropping to 65%.

Regional variations in the frequency of remortgaging remain reasonably small, ranging from 4.74 years in Scotland to 5.36 in Wales (see map below opposite). All of which are notably less frequent than in February when the terms ranged from 4.21 to 4.98 years.

More detailed regional data is available on application.



Remortgage Affordability Analysis

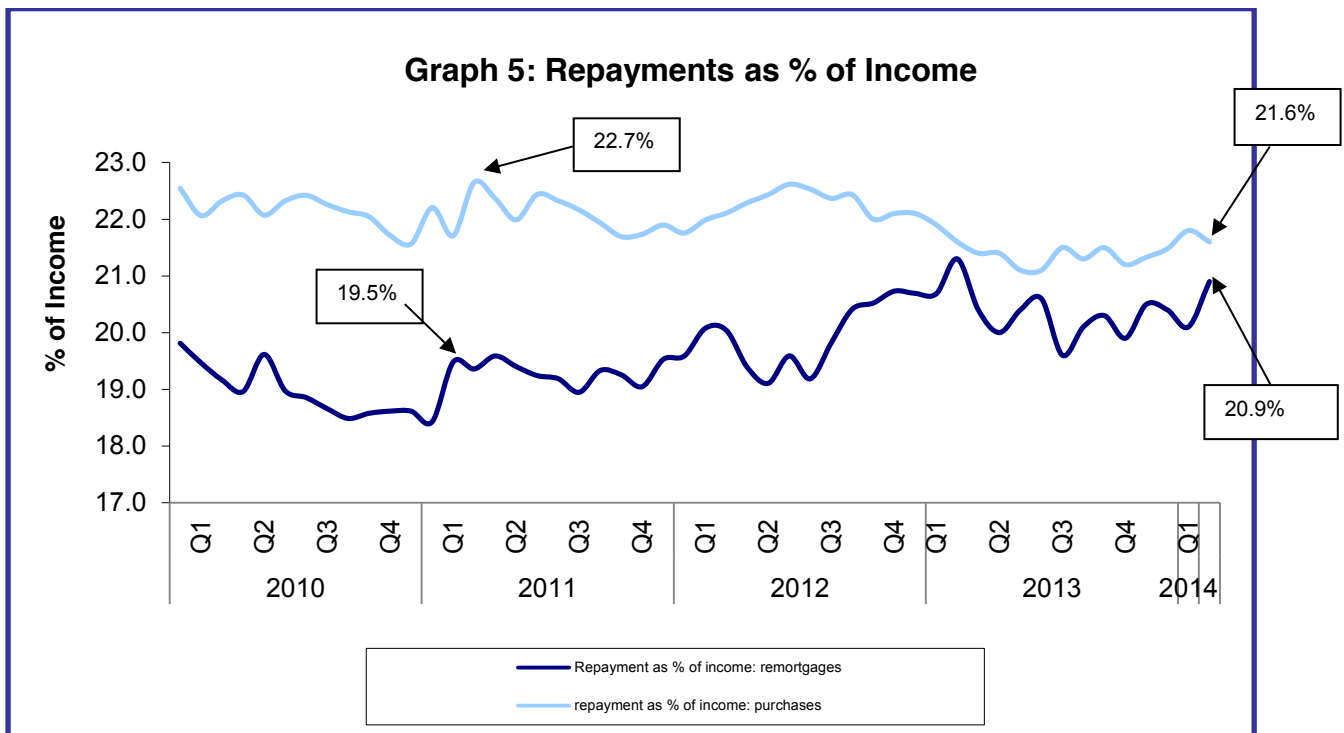
Affordability of new mortgages

Table 4	Household Income*	Interest Rate*	Annual Repayment (£)**	Annual Repayment as % of Income**
February 2014	£43,000	3.05	£8,987	20.9
January 2014	£43,479	3.01	£8,722	20.1
February 2013	£40,872	3.50	£8,697	21.3

Source: *CML, **LMS calculations

The average monthly household income for all new mortgages decreased by 1% in February, to an average income of £43,000 according to the CML. February's average income is, however, 5% higher than this time last year (see Table 4).

At the same time, the average interest rate has seen an increase from 3.01 in January to 3.05 in February. Based on this mortgage rate, annual repayments now account for over a fifth (20.9%) of household income slightly more than last month when they accounted for 20.1%. This does however remain lower than the typical rate for a new purchase mortgage, which is currently 21.6% (see Graph 5). Average interest rates remain down from this time a year ago (3.50).



Source: CML (LMS estimates for February)

-ENDS-

For further information

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Notes to editors

*The full findings of the latest LMS customer survey are available on request, of which there were 410 respondents.

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 (Legal Marketing Services) 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