

# mortgage monitor

tomorrow's mortgage data today

**UNDER EMBARGO UNTIL 00:01 HRS ON FRIDAY 14<sup>TH</sup> MARCH 2014**

## HIGH LTV LENDING HITS SIX-YEAR HIGH – UP 74% YEAR-ON-YEAR

*Monthly high LTV loans top 11,000 for the first-time since April 2008*

- High LTV loans rise 74% year-on-year in February 2014
- Average LTV climbs to 63.5% – highest since August 2007
- Total house purchase approvals increase 37% year-on-year
- North-south divide in high LTV lending: high LTV loans made up 25% of February home loans in the North East & Cumbria, 24% in North West, 24% in Yorkshire, but just 6% in London

Lending to high LTV borrowers reached a six-year high in February, as monthly high LTV loans topped 11,000 for the first time in six years, according to the latest Mortgage Monitor from e.surv, the UK's largest chartered surveyor.

In February, just over a sixth of all house purchase loans were to borrowers with a deposit worth 15% or less of the total value of their property. There were 11,138 high LTV loans, 6% more than the 10,465 in January 2014 – despite the overall number of home loans falling over the same period. It was the highest monthly number of high LTV loans since April 2008 (when there were 12,489). And the average LTV climbed to 63.5% as a result – its highest level since August 2007.

House purchase lending rose 37% year-on-year in February 2014, from 52,023 approvals to 71,396 approvals. It was the strongest February for house purchase lending since the financial crisis (2007). However, on a monthly basis, the number of house purchase approvals fell 7.2% from 76,947 in January 2014, in part due to adverse weather conditions discouraging movers in the short term.

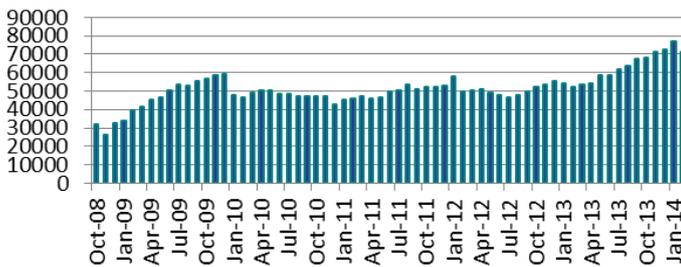
Richard Sexton, director of e.surv chartered surveyors, explains: "A bumper crop of high LTV deals is tempting more buyers back to the market. Banks are far more willing to lend to borrowers with a limited savings pot. New buyers are keen to get on the ladder before house prices rise beyond their reach, and they are utilising the Help to Buy Scheme to get an initial foothold. The result, the number of monthly home loans is slowly winding its way back into pre-recession territory."

**High LTV Loans for house purchase since 2008  
(seasonally adjusted)**



*“The countdown to the introduction of MMR regulations has begun. The new rules will demand rigorous stress testing of buyers, which could further tighten regulation, and could make it more difficult to get on the ladder. We are seeing both banks and buyers pushing ahead with lending ahead of this cut-off.”*

**Loans for house purchase since October 2008  
(seasonally adjusted)**



**LTV RATIO (for home purchases)**



### More first-time buyers

There were 14,993 loans on typical first-time buyer properties – with a purchase price of £125,000 or under – in February 2014, a quarter more (+25%) than in February 2013. On a monthly basis, home loans on first-time buyer stock increased 3% from 14,620, as first-time buyers continued driving the market forward.

However, with house prices rising quickly, the supply of London first-time buyer stock is becoming rapidly depleted. The average purchase price in London was £282,537 in January, according to the latest LSL First Time Buyer Tracker. The average first-time buyer in London must now save a deposit of £64,160, with the average purchase price £282,537.

Data from estate agency chains Your Move and Reed Rains showed the average first-time buyer purchase price rose by £5,000 in the month to January. The average purchase price climbed 16% over the space of twelve months, reaching £155,832. Meanwhile, deposits rose as a proportion of income for the first time in seven months, as real wages stayed flat. Despite this, the number of first-time buyers rose by a third year-on-year in January, as a result of the increase in high LTV lending, which is propping up the market despite the price rises.

**Richard Sexton, director of e.surv chartered surveyors, explains:** *“First-time buyers are the life-blood of the market. With unemployment falling and real wages potentially set to rise in the next few months, more young buyers are choosing to get onto the property ladder. But we still need to do more to support the bottom of the market. The demand for property far outstrips the supply of new homes, which is creating a dog-eat-dog property market in which new buyers are placed under even more strain. If not handled correctly, rising prices could effectively remove the bottom rung of the property ladder. We need much more home-building to keep the market accessible.”*

## North-South divide in high LTV lending

There was a prominent north-south divide in high LTV lending in February. The North East & Cumbria (25%), North West (24%) and Yorkshire (24%) all contained a higher proportion of high LTV borrowers than the UK average (16%), while London (6%) and the South East (10%) contained a lower proportion.

Region	Proportion of loans that are high LTV
North East & Cumbria	25%
Northwest	24%
Yorkshire	24%
Midlands	18%
Eastern	16%
<b>UK Average</b>	<b>16%</b>
Northern Ireland	15%
South/South Wales	15%
Scotland	12%
South East	10%
London	6%

Richard Sexton, director of e.surv chartered surveyors, explains: “Help to Buy is needed the length and breadth of the country. In the North, buyers typically have less equity, and they are using the scheme to help them access the market with a smaller deposit saved. But Help to Buy is also essential in the South. House prices are painfully high in London and the South East, meaning buyers must save a large pot of money to qualify for a loan. Without high LTV lending, the capital could become the preserve of the cash-rich only.”

## LOANS FOR HOUSE PURCHASE - seasonally adjusted

Month	Number	Monthly change	Annual change
September	67,211	5.8%	34.8%
October	68,359	1.7%	30.4%
November	71,329	4.3%	33.6%
December	72,798	2.1%	31.4%
January	76,947	5.7%	42.4%
February	71,396	-7.2%	37.2%

– ENDS –

## Notes to Editors

### Methodology

e.surv analyses detailed data on over one million mortgage valuations the firm carried out between August 2006 and today. Each month, the researchers analyse tens of thousands of valuations and use these trends to extrapolate from the Bank of England's mortgage data to publish mortgage approval numbers for the whole of the UK, weeks before the BBA, CML and Bank of England.

### About e.surv

e.surv is a firm of chartered surveyors, directly employing over 380 chartered surveyors, a similar number of consultants, and over 50 graduate surveyors in training. The business is the largest distributor and manager of valuation instructions in the UK and is appointed as panel manager for more than 25 mortgage lenders and other entities with interests in residential property. The business also provides a number of private survey products direct to the home-buying public. e.surv is owned by LSL Property Services plc. For further information, see [www.lslps.co.uk](http://www.lslps.co.uk)

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