

# mortgage monitor

tomorrow's mortgage data today

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

## **JANUARY LENDING SURGE AS HOME LOANS SOAR BY A QUARTER**

*Lenders create a pipeline in advance of MMR*

- **Best January for lending in seven years, as monthly house purchase approvals climb to 65,142**
- **Driven by lenders creating a pipeline ahead of MMR regulations in April**
- **Monthly home loans increase by 24% in the month to January, and 75% year-on-year**
- **Average LTV climbs to 62.3% - highest since August 2007**
- **North the home to high LTV lending: high LTV loans made up 25% of January home loans in the North East & Cumbria, 23% in North West and 21% in Yorkshire**

Monthly home loans have risen between December and January for the first time in twelve years, according to the latest Mortgage Monitor from e.surv, the UK's largest chartered surveyor.

The non-seasonally adjusted number of approvals rose 24%, from 52,619 in December 2013 to 65,142 in January 2014. It was the **first time since 2002** in which the number of loans has increased between December and January, resulting in the strongest January for house purchase lending in seven years.

Two main factors were behind the seasonal anomaly. Lenders are pushing ahead with lending targets in advance of Mortgage Market Review (MMR) regulations, due to be introduced on 26<sup>th</sup> April. The regulation will see tighter affordability checks come into play. Although most lenders are well prepared for the changes, they cannot ensure that all intermediaries are equally ready, and may therefore be aiming to get ahead of target as a precaution.

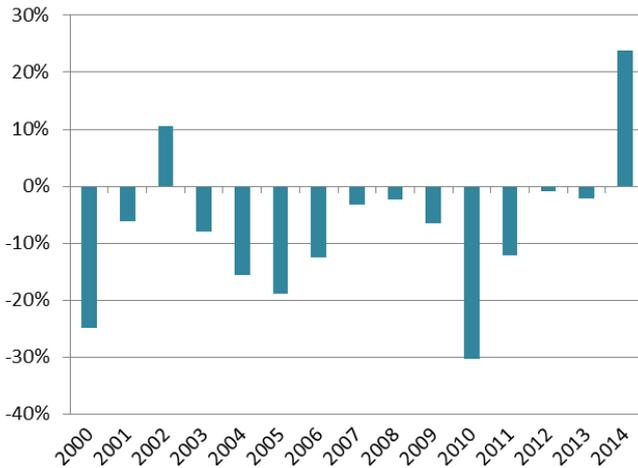
Sitting alongside this is an unprecedented demand for homes. The unemployment rate has fallen to 7.1%, which has spurred action as buyers look to confirm fixed-rate deals before any base rate rise comes into play. The result – non-seasonally adjusted approvals have jumped 75% compared to January 2013.

*Richard Sexton, director of e.surv chartered surveyors, explains: "January was something of an anomaly in the mortgage market. We normally witness a January slowdown in the mortgage market, in which borrowers choose to pay down Christmas debt rather than invest in property, but this year both banks and buyers have continued full steam ahead."*

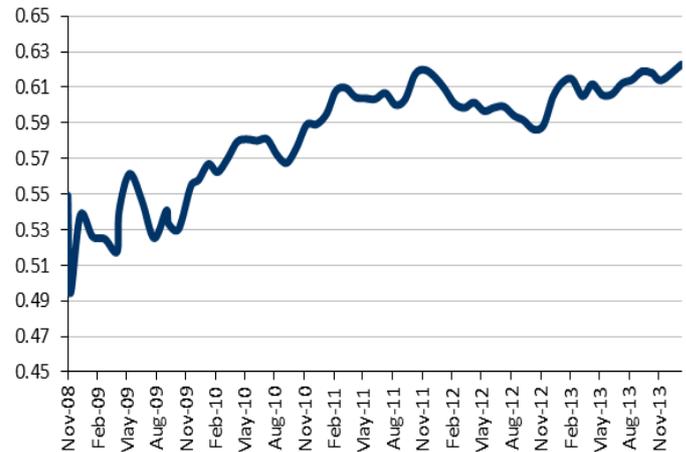
*"Demand is strong from the top to the bottom of the market. First-time buyers are keen to lock into cheap deals and get on the ladder, especially with recent talk around a potential base-rate rise and the revision of forward guidance."*

And lenders are actively trying to keep volume high, to get business through the door before MMR puts a cap on the volumes they can process."

Loans for house purchase - monthly change between December and January (non-seasonally adjusted)



LTV RATIO (for home purchases)



### High LTV lending leading the way

The average LTV rose to 62.3% in January 2014 – the highest since August 2007 – as banks continue to lend more to borrowers with smaller deposits. Just under one in seven (14%) of loans were to high LTV borrowers in January – up from one in eight (12%) in December.

The North remained the home of high LTV lending. In the North East & Cumbria, a quarter of all home loans in January were to borrowers with a deposit worth 15% or less of the total value of their property – the highest proportion of any region. The North West and Yorkshire came second and third, with 23% and 21% of home loans in the high LTV bracket in January. London was the region with the smallest proportion of high LTV lending – just 6%.

Region	Proportion of loans that are high LTV
North East & Cumbria	25%
Northwest	23%
Yorkshire	22%
Midlands	17%
<b>UK average</b>	<b>14%</b>
Eastern	12%
South East	11%
Northern Ireland	11%
Scotland	11%
South/South Wales	10%
London	6%

The Help to Buy scheme is also encouraging more high LTV borrowers to the market. A third of tenants said they were more likely to buy because of the scheme, according to the latest LSL First Time Buyer Opinion Barometer. The research also revealed that the number of first-time buyers hit a six year high of 29,100 in December 2013. The average first-time buyer deposit size decreased 3.6% over the year, as banks increase lending to high LTV borrowers.

*Richard Sexton, director of e.surv chartered surveyors, explains: "Lenders are welcoming high LTV borrowers back to the market, which has opened the flood gates to first-time buyers. Help to Buy is encouraging renters to get onto the property ladder. In the North East & Cumbria and the North West in particular, the scheme is needed to help cash-strapped borrowers get on the ladder. But Help to Buy is still needed in the capital, where deposit requirements are painfully high.*

*"House prices are rising quickly in many areas, and the increase in high LTV loans is keeping the life-blood flowing in the market – by stopping a host of buyers being priced out of the market entirely."*

**– 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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