January Remortgage Market’s Resurgence Counters Purchase Market Trends

- January remortgage lending rises to £2.9bn, up 6.2% on December’s £2.7bn.
- Contrasts with total gross mortgage lending, which is down 8.8% in January to £10.4bn from £11.4bn.
- Remortgage lending now accounts for 28% of gross mortgage lending total, the highest proportion since October 2012.
- **Prospects:** Remortgage market to continue to grow over the next few months due to seasonal recovery and competitive rates and better deals encouraged by FLS.

**Table 1**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Remortgage lending (£m)</td>
<td>Jan*</td>
<td>Dec**</td>
<td>+6.2</td>
</tr>
<tr>
<td>No. of remortgages</td>
<td>20,332</td>
<td>19,281</td>
<td>+5.5</td>
</tr>
<tr>
<td>Average Loan Amount</td>
<td>£141,548</td>
<td>£140,553</td>
<td>+0.7</td>
</tr>
</tbody>
</table>

Source: * LMS estimates, ** CML actuals

**Graph 1: Gross Mortgage Lending vs Gross Remortgage Lending**

Monthly gross remortgage lending rose by £168m in January to £2.9bn. This is up 6.2% on the £2.7bn reported by the Council for Mortgage Lenders (CML) for December and marks the first monthly growth since October.

However, according to the latest figures released from the CML, total gross mortgage lending fell 8.8% in January to £10.4bn, from £11.4bn in December. This is the lowest it has been since April 2012. Bad weather over the last two months has discouraged customers from taking out a mortgage, but clearly this has not had the same impact on those remortgaging.

Remortgaging now represents a larger percentage of the total market – 28% - which is the highest proportion since October 2012 (31%).

**LMS processes over 15% of all remortgage transactions in the UK and the report is compiled using this data.**
Although the £2.9bn of gross remortgage lending in January is 6.2% higher than in December it is still 26.2% lower than the same time last year (£3.9bn – January 2012). This time last year the market was fuelled by borrowers taking action as lenders began to increase their SVRs.

LMS estimates that the total number of remortgage loans in January increased by 5.5% to 20,332 compared with 19,279 in December.

The average remortgage loan amount has risen consistently since May 2012 and now stands at £141,548. On an annual basis it is only 4% higher than the same time in 2012 (£136,083 – January 2012).

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

“Seasonal factors and bad weather in December had a severe impact on purchase lending in January, but the same cannot be said about remortgaging.

“The remortgage market has resisted a normal seasonal downturn, reaping the benefits of competitive rates which are now available because of the Government’s Funding for Lending Scheme (FLS).

“We expect this growth to continue into February and March.”
Borrowers in January were remortgaging every 4 years 10 months on average (see Table 2). This is an increase in the average frequency of remortgaging of 5.5% compared with December but down 7.9% on the recent high of 5 years 3 months in May 2012 (see Graph 3). However, the market is not nearly as active as it was before the credit crunch in 2008, when remortgaging took place as frequently as every 3 years 7 months.

The average loan to value (LTV) for remortgages remained unchanged in January at 56%. The average LTV has remained relatively constant over the last two years and only fluctuated by 4% in 2012. The LTV of the original purchase loan, at the time when the mortgage was taken out, has also remained unchanged over two months for those remortgaging at 69% (see Graph 3).

The average amount by which the new remortgage value exceeded the redeeming mortgage value in January is £13,001, 32.9% lower than in December (£19,373) and considerably less than the January 2012 (£24,843) as illustrated in Graph 4 and Table 3. This implies a total of £264.3m equity withdrawal in January from remortgaging, down £109.2m on the previous month.

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**Table 2**

<table>
<thead>
<tr>
<th>Term of previous mortgage (years, months)</th>
<th>January 2013</th>
<th>December 2012</th>
<th>% increase month</th>
<th>Change from last year</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTV new (%)</td>
<td>56</td>
<td>56</td>
<td>-</td>
<td>Down 1 point</td>
</tr>
<tr>
<td>LTV old loan (at time it was taken out)</td>
<td>69</td>
<td>69</td>
<td>-</td>
<td>Down 3 points</td>
</tr>
<tr>
<td>Increase (+)/decrease (-) New loan balance minus old loan balance</td>
<td>£13,001</td>
<td>£19,373</td>
<td>-32.9%</td>
<td>-47.7%</td>
</tr>
</tbody>
</table>

Source: LMS
Table 3

<table>
<thead>
<tr>
<th></th>
<th>Jan 2013</th>
<th>Dec 2012</th>
<th>% change</th>
<th>Jan 2012</th>
<th>% annual change to present</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Loan Amount (£)</td>
<td>141,548</td>
<td>140,553</td>
<td>+0.7</td>
<td>136,083</td>
<td>+4.0</td>
</tr>
<tr>
<td>Old Loan Amount (£)</td>
<td>128,547</td>
<td>121,180</td>
<td>+6.1</td>
<td>111,240</td>
<td>+15.6</td>
</tr>
<tr>
<td>Net Equity Released (£)</td>
<td>13,001</td>
<td>19,373</td>
<td>-32.9</td>
<td>24,843</td>
<td>-47.7</td>
</tr>
</tbody>
</table>

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 January of £227,572, compared to £93,543 in the North East (see map opposite). The South East currently has the lowest remortgage LTV at 56%, compared with the highest of 68% in the North West and Wales.

Regional variations in the frequency of remortgaging are reasonably small, ranging from 5.60 years in the North East to 4.20 years in East Anglia (see map below opposite).

All of the regions apart from the South East have seen a fall 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.
Affordability Analysis

Affordability of new mortgages

<table>
<thead>
<tr>
<th>Table 4</th>
<th>Household Income*</th>
<th>Interest Rate*</th>
<th>Annual Repayment (£)**</th>
<th>Annual Repayment as % of Income**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec 2012</td>
<td>£41,877</td>
<td>3.65</td>
<td>£8,667</td>
<td>20.7%</td>
</tr>
<tr>
<td>Nov 2012</td>
<td>£41,772</td>
<td>3.72</td>
<td>£8,610</td>
<td>20.6%</td>
</tr>
<tr>
<td>Dec 2011</td>
<td>£41,000</td>
<td>3.46</td>
<td>£8,006</td>
<td>19.5%</td>
</tr>
</tbody>
</table>

Source: *CML, **LMS calculations

The average annual household income for all new mortgages rose slightly to £41,877 in December according to the CML. This is up 2.1% on the same time the previous year (£41,000 – December 2011) (see Table 4).

At the same time, the average interest rate continued to fall in December from 3.72 in November to 3.65. Although it has fallen, mortgage affordability (which is expressed as the average mortgage repayment as a percentage of average annual household income) has remained reasonably constant over the last two months and is now just over a fifth (20.7%). This is up 6.2% on this time last year (19.5% - December 2011) but remains below the peak of 25.6% in August 2008. It is also lower than the current typical rate for a new purchase mortgage, which is currently 21.9% (see Graph 5).
For further information
Please call Sinead Meckin, Laura Scarrott or John Wriglesworth on 02074271400 or LMS@wriglesworth.com

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 survey 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