

UNDER EMBARGO UNTIL 00:01 HRS FRIDAY 11TH NOVEMBER 2011

MORTGAGE APPROVALS SLUMP IN OCTOBER AS LENDERS PULL BACK

- Approvals for home purchase fall for second successive month
- Loan-to-values at lowest level since February
- Loans with 10% deposit or under account for just 1% of total lending
- Lower income buyers hit the hardest

The number of loans for home purchases fell for the second successive month in October, as mortgage lenders focused on targeting wealthier borrowers with bigger deposits. Purchase approvals fell from 50,967 in September to 50,382 in October; a 1.1% decline (although approvals rose 6.7% year-on-year, 2010 was a relatively weak comparator).

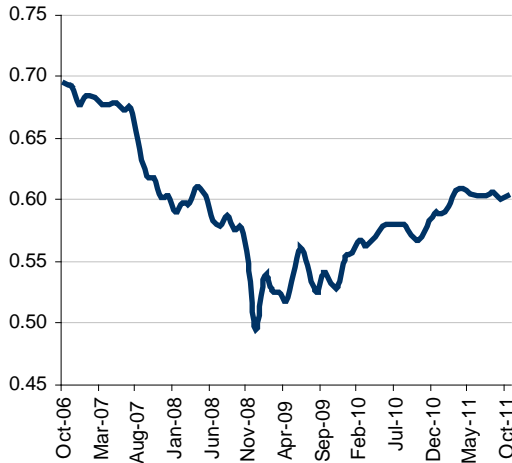
The month-on-month fall was triggered by the tightest lending conditions seen since February. The average deposit size was 40% in October, with lower income buyers struggling to meet criteria for high loan-to-value (LTV) products (43% in October 2010). Loans with a deposit of 15% or under accounted for less than one tenth of all lending in October, compared to almost a quarter in 2007. Lenders are targeting low LTV borrowers because of their fears over restricted credit conditions, and the protracted crisis in the eurozone.

This has sparked a fall in the number of lower income buyers, with purchase approvals falling fastest in the cheapest property brackets. Loans for purchases below £250,000 fell from 36,187 in September to 35,772 in October. Loans with a deposit of 10% or under – a typical deposit size for first time buyers – accounted for just 1% of total lending for house purchases in October. By way of contrast, this figure was 13% in October 2007.

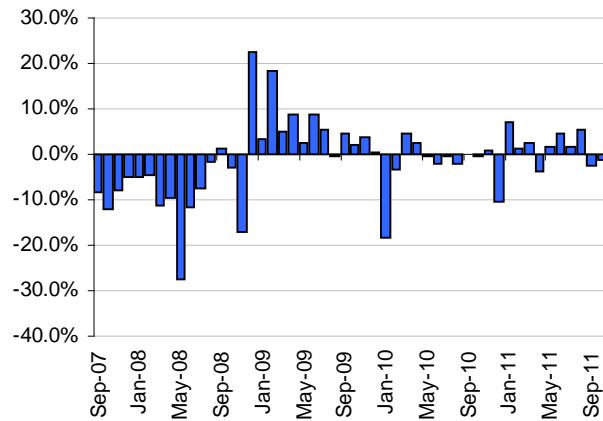
The overall decline was cushioned by consistent activity in the wealthier price brackets. The number of loans for properties over £375,000 remained stable thanks to wealthier buyers' greater immunity to tightening lending conditions, mainly due to their larger supply of equity. As a result, these wealthier buyers continue to represent a disproportionate share of the market.

October's figures confirmed the reversal of the positive summer trend of higher LTV lending and increasing numbers of first time buyers. They also help justify the latest Credit Conditions Survey from the Bank of England, which said a sustained period of tight funding conditions would prevent lenders from growing their loan books in Q4 2011.

LTV RATIO (for home purchases)



MORTGAGE APPROVALS (for home purchases) - MONTHLY CHANGE



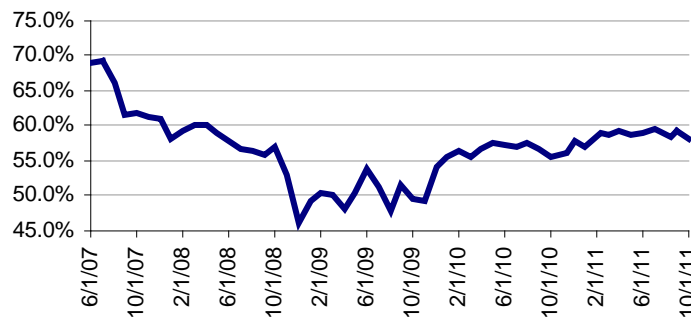
LONDON

Loans for home purchases in London fell 13% on a non-seasonally adjusted basis. This followed an unusually strong September when approvals jumped 20%. The decline was triggered by a sharp fall in loans for purchase of expensive property.

Despite this, the number of approvals for first time buyers in London increased markedly, bucking the national trend. Loans on property below £250,000 – typical first time buyer homes – accounted for 64% of all purchase approvals, shooting up from 42% in September, and up from 43% in October 2010.

The increase came despite the average LTV falling marginally from 59% to 58%. The larger pool of wealthier buyers in London means the capital is less reliant on high LTV lending than the rest of the country. Loans with a deposit of 15% or under accounted for just 4% of all purchase approvals. Buyers in London typically have larger deposits so don't require access to higher LTV products, and because even a small percentage deposit represents a very large sum due to higher house prices in the capital.

London LTV ratio (for home purchases)



Richard Sexton, director of e.surv, said, *“With perhaps the notable exception of BTL lending, lenders are in no position to begin growing their loan books in the current climate, although noises coming from some sections of the market would have you believe otherwise. Credit conditions are sclerotic, and banks are under intense pressure on capital. The market is actually showing remarkable resilience against the economic tidal waves battering our shores from the eurozone.”*

“Banks are becoming more cautious, having upped their high LTV lending over the summer in a bid to increase their marketshare. They are now focusing on wealthier borrowers. It looks like they are still pushing high LTV mortgages, but the truth is the criteria are so strict, most first time buyers aren't eligible. These tightening credit conditions are threatening to widen the vacuum at the bottom of the market.”

“That vacuum is being filled by wealthier buyers and buy-to-let investors, who are propping up the figures. They are being seduced by excellent value fixed rate mortgages and high rental yields. Lenders are now falling over themselves trying to offer the lowest fixed rate deals, which is great news for borrowers who can build the deposit required to access these great rates.”

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Notes to Editors

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About e.surv

e.surv are a firm of Chartered Surveyors, directly employing over 350 chartered surveyors and a similar number of consultants. 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 Homebuying public. e.surv is owned by LSL Property Services plc. For further information, see www.lslps.co.uk

Methodology

e.surv analysed 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 weeks before the BBA, CML and Bank of England. The typical margin of error on a monthly basis is 1% compared to the Bank of England final approvals data.