UNDER EMBARGO UNTIL 00:01 HRS FRIDAY 14TH OCTOBER 2011

MORTGAGE LENDING CONDITIONS TIGHTEN AS ECONOMY STALLS

- **First time buyer numbers at lowest since November 2010**
- **High LTV lending declines to lowest level since February**
- **Lenders focus on targeting borrowers with larger deposits**
- **Wealthier buyers and London propping up the market**

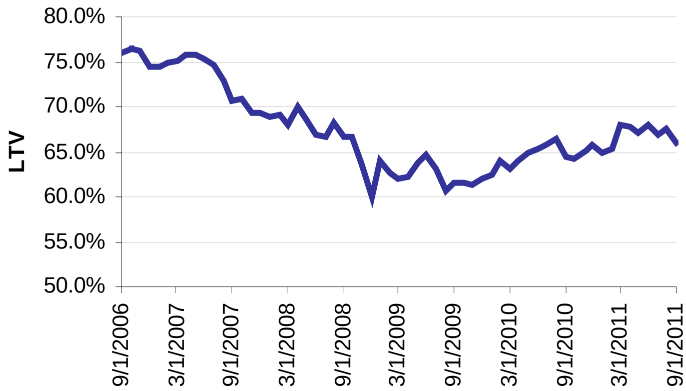
First time buyer numbers in September fell to their lowest since November 2010 thanks to tightening mortgage lending conditions, reversing the positive summer trend of higher LTV lending and increasing numbers of first time buyers. Lenders focused more on targeting wealthier borrowers as fears over a stagnant economy and constricted credit conditions grew.

Approvals with a deposit of 25% or under fell to their lowest number since February, accounting for less than half of all lending, compared to almost two-thirds in September 2007. Approvals in the highest LTV brackets fell at over double the pace of the total market because of lenders' desire to target low LTV borrowers.

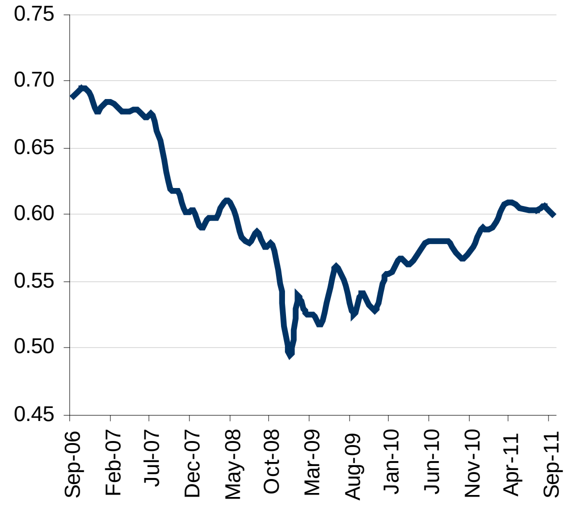
This sparked a decline in the number of lower income buyers, with lending conditions tightening most on the cheapest price brackets. Approvals in the cheapest price bracket – typical first timer property – accounted for only 22% of the total market, the lowest level since November 2010. By way of contrast, this figure was 30% in 2006. The average LTV on the cheapest price bracket fell to 66%, the lowest since February this year, and well short of the 76% seen in September 2006, as borrowers found it harder to secure mortgages with a smaller deposit.

The decline in lower income buyers fuelled a 1.7% fall in purchase approvals in September, down from 52,410 in August to 51,524. Approvals held steady on all price brackets above £250,000, thanks to wealthier buyers' greater immunity to tightening lending conditions because of their larger supply of equity. As a result these wealthier buyers continue to represent a disproportionate share of the market. The pace of year-on-year growth slowed from 10.7% to 8.8%. The figures confirmed the Bank of England's view that a period of sustained tight funding conditions will prevent lenders from growing their loan books.

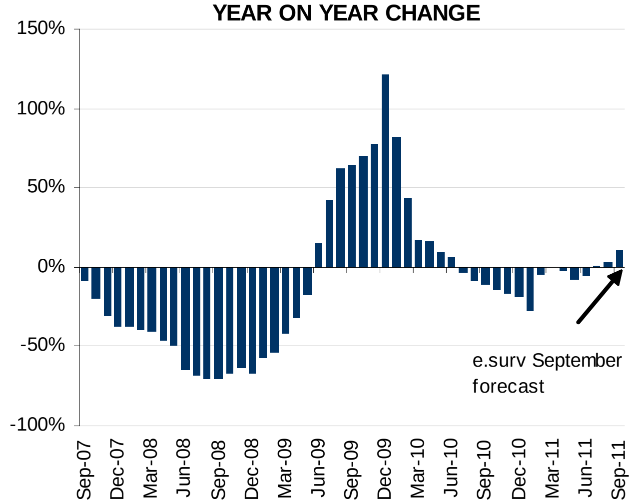
LTV RATIO - APPROVALS UP TO £125K



LTV RATIO (for home purchases)



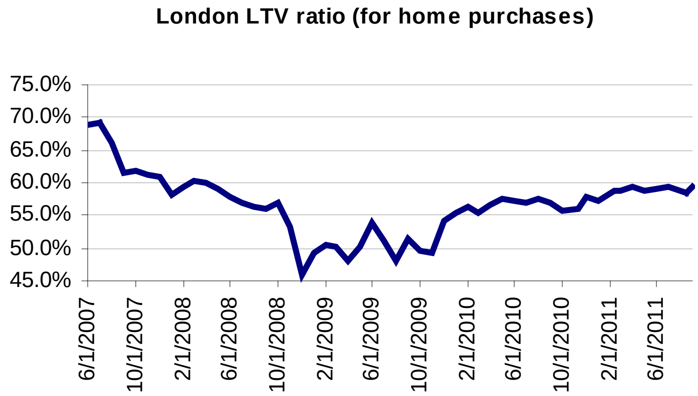
MORTGAGE APPROVALS (for home purchases) - YEAR ON YEAR CHANGE



London bucked the national trend, and cushioned the overall decline in approvals experienced throughout the UK, with an increase of 20% (non-seasonally adjusted), thanks to the bigger pool of wealthier buyers in the capital who are less constrained by tighter lending conditions. In the capital first time buyer numbers rose to their highest level since June, with approvals on price brackets up to £250,000 – typical first timer property – accounting for 42% of the total London market, compared to 40% in August.

The uptick can be attributed to buyers in London being much less dependent on high LTV lending than the rest of the country. Approvals with an LTV of over 75% accounted for just a quarter of all lending in September, compared to over a third nationally, because the wealthier pool of 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.

The market outside London was much more subdued. The North West (11%), North East & Cumbria (10%), and the Midlands (4%) saw the biggest falls. Yorkshire (3%), the South East (1%), and the South & South Wales (1%), all saw marginal increases in purchase approvals.



Richard Sexton, business development director of e.surv said, *"Even throughout the summer when banks increased their lending to meet short term targets and garner market share, high LTV lending was still painfully depressed compared to pre-2008. Now with the economy in peril from every angle, lenders are playing it safe and training their sights on wealthier borrowers."*

"The Bank of England has repeatedly warned many high street lenders already have a high percentage of high or very high LTV lending on their books, and provisions may not adequately cover lenders current level of tolerance for struggling borrowers. With banks under such intense pressure on capital, they are in no position to increase their loan books. These restricted credit conditions will be like a leach sucking the life from the bottom of the market, with the knock-on effects reverberating throughout the market."

"But for those who can access mortgage finance, life is particularly sweet. Lenders are falling over themselves trying to offer the lowest fixed rate deals, and the good news is that they look odds on to remain particularly cheap for the foreseeable future. But that won't be of much comfort to first time buyers who can't build the big deposit required to access these rates."

- Ends -

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.