

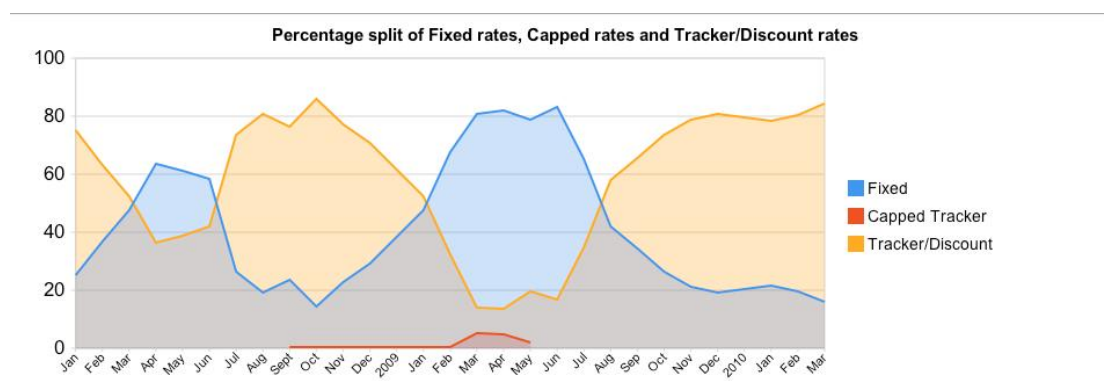
26<sup>th</sup> April 2010

## VARIABLE RATES CONTINUE TO DOMINATE THE MORTGAGE LANDSCAPE

- 84% of mortgages were variable rates in March 2010 according to John Charcol
  - First time buyer mortgages just 7%
- Full charts available at [www.charcol.co.uk/knowledge-resources/john-charcol-index](http://www.charcol.co.uk/knowledge-resources/john-charcol-index)

The latest **John Charcol Mortgage Index** reveals that 84% of borrowers took a variable rate mortgage in March 2010, the highest figure since October 2008. The index also revealed that just 7% of mortgages arranged were for first time buyers.

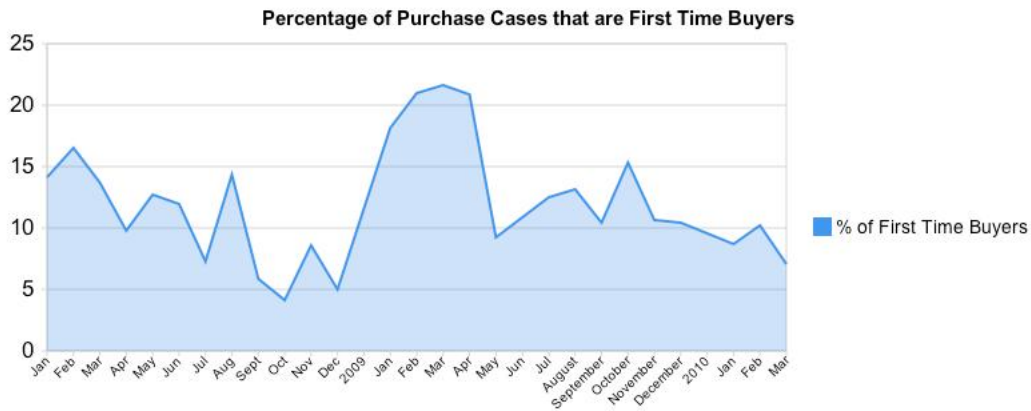
“At first glance, the difference between variable and fixed rates is nothing short of monumental. Yet, when you look below the surface, with the large premium that borrowers have to pay for a fixed rate mortgage and the expected future movement of bank rate, it is little surprise that variable mortgages dominate their fixed counterparts,” comments Drew Wotherspoon, Director of Marketing at John Charcol.



“During March the difference between comparable variable and 5 year fixed rates was around 2.5%, so the right advice for most clients was to float and not fix. Interestingly, as we pass the half way point in April, with the differential between variable and fixed rates decreasing, our own statistics point to more fixed rates being taken out than a month ago.”

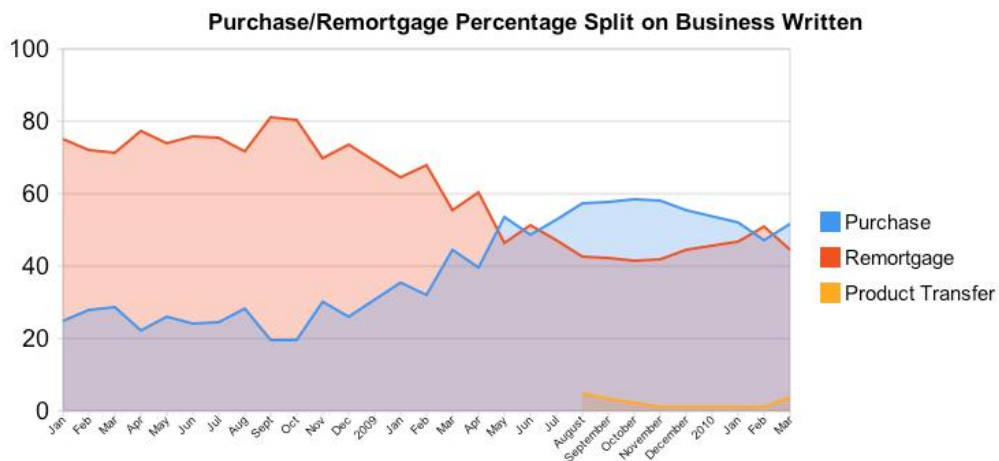
### First time Buyers at lowest level for a year

“The prolonged issues faced by first time buyers for a decade now are well publicized, but the economic downturn had provided a small glimmer of hope for the army of would be homeowners. As house prices continue to rise, it seems that first timers are again disappearing from the market, with just 7% of the mortgages we arranged in March were for first time buyers. With the stamp duty move announced in the budget perhaps this number may increase gradually, but it was hardly the panacea for a bruised and battered brigade,” comments Wotherspoon.



### Purchases edge ahead of remortgage again

“In February, remortgage business just snuck ahead of purchase cases, but this has reversed in March. Purchases accounted for 52% of John Charcol’s business last month and we would now expect these figures to hover around the 50% mark for some time. This is because there are a number of factors, including rising Standard Variable Rates (SVRs) and an increased availability of mortgages with higher loan-to-values (LTVs), which mean that remortgaging is a viable option for more and more borrowers,” Wotherspoon concludes.



**The John Charcol Mortgage Index** is published monthly, tracking three important statistics, based on mortgage business written by John Charcol. The index is a leading indicator of trends being based on mortgage applications submitted to lenders, whereas figures reported by the Council of Mortgage Lenders (CML) and the Bank of England (BoE) are based on completions, which typically take place 2-3 months after the mortgage application is submitted.

The three statistics tracked each month, based on the number of cases submitted rather than the mortgage amount, are the percentage split:

- Between Fixed rates, Capped rates and Tracker/Discount rates\*\*
- Between Purchases, remortgages and product transfers\*\*\*
- Of First Time Buyers compared to all Purchasers

## ENDS

**Borrowers should contact John Charcol on 0800 71 81 91 or visit [www.charcol.co.uk](http://www.charcol.co.uk)**

For further information, please contact:

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### Notes to editors:

'Borrowers' is based on John Charcol clients.

\*\* The fixed/capped/tracker split is heavily influenced by the advice given by John Charcol and it is to be expected that the swings between fixed and variable rates will be much greater than the figures from sources such as CML and BofE. Their statistics are made up of a mixture of advised and non advised sales and the advice offered by different brokers and lenders will vary.

\*\*\* From August 2009 onwards a further split of mortgage type is included in the figures. Up to then product transfers, i.e. where instead of remortgaging the borrower takes another deal from their existing lender, have been combined with the remortgage figures. However, as product transfers now represent over 10% of the combined remortgage / product transfer business these figures are shown separately. The amount of product transfer business is not published anywhere else, and it is not collected by the CML. Because the lending figures produced by the Bank of England and the CML do not include product transfers (for the very good reason that it is not new lending) the John Charcol Index split between purchase and remortgage/product transfer business can not be directly compared with their figures.

### Definition of First Time Buyers

The percentage of the purchase market taken by FTBs varies depending on definition. The Council of Mortgage Lenders treats any purchaser who is not simultaneously selling a property as being a FTB. This means that, for example, anyone who is returning to the property market after renting for a period or after a spell working as an expat will be treated as a FTB, as will someone acquiring a second property. As a result the CML estimates that it overstates the number of FTBs by about 25%, although their method of calculation is consistent and so its figures still provide a good indication of trends.

At one time many lenders offered some additional, and usually cheaper, mortgages for FTBs to choose from and lenders' definition of a FTB varied. A few lenders still offer special FTB mortgages but most don't and so there is now less reason for borrowers to want to be classified as FTBs in marginal cases in order to qualify for a particular mortgage deal. At John Charcol only genuine FTBs are classified as such but there are situations where it is possible to argue as to whether or not a purchaser is a FTB. The most obvious is where a couple are buying and one is a genuine FTB, but the other either currently or previously owned a property. In this situation John Charcol would not normally classify the purchasers as FTBs, with the possible exception being where the actual FTB is the sole or principal earner.

<b>Percentage split of Fixed rates, Capped rates and Tracker/Discount rates</b>			
<b>2008</b>	<b>Fixed</b>	<b>Capped Tracker</b>	<b>Tracker/Discount</b>
Jan	25.0	-	75.0
Feb	36.8	-	63.2
Mar	47.6	-	52.4
Apr	63.7	-	36.3
May	61.2	-	38.8
Jun	58.2	-	41.8
Jul	26.5	-	73.5
Aug	19.2	-	80.8
Sept	23.4	0.2	76.4
Oct	14.2	-	85.8
Nov	22.9	-	77.1
Dec	29.1	-	70.9
<b>2009</b>			
Jan	47.8	-	52.2
Feb	67.4	0.3	32.3
Mar	80.9	5.1	14.0
Apr	82.0	4.6	13.4
May	78.7	1.8	19.5
Jun	83.1	-	16.9
Jul	65.3	-	34.7
Aug	41.9	-	58.1
Sept	34.3	-	65.7
Oct	26.3	-	73.7
Nov	21.3	-	78.7
Dec	19.1	-	80.9
<b>2010</b>			
Jan	21.7		78.3
Feb	19.4		80.6
Mar	15.8		84.2

<b>Purchase/Remortgage Percentage Split on Business Written</b>			
<b>2008</b>	<b>Purchase</b>	<b>Remortgage</b>	<b>Product Transfer</b>
Jan	24.9		75.1
Feb	27.9		72.1
Mar	28.5		71.5
Apr	22.4		77.5
May	26.0		74.0
Jun	24.2		75.8
Jul	24.5		75.5
Aug	28.4		71.6
Sept	19.7		81.3
Oct	19.7		80.3
Nov	30.1		69.9
Dec	26.2		73.4
<b>2009</b>			
Jan	35.3		64.7
Feb	31.9		68.1
Mar	44.5		55.5
Apr	39.8		60.2

May	53.4	46.6	
Jun	48.7	51.3	
Jul	53.0	47.0	
Aug	57.4	37.7	4.9
Sept	57.8	38.8	3.4
Oct	58.5	38.4	2.3
Nov	58.1	40.8	1.1
Dec	55.6	43.2	1.2
<b>2010</b>			
Jan	52.2	46.7	1.1
Feb	47.3	51.1	1.0
Mar	51.6	45.5	2.9

<b>Percentage of Purchase Cases that are First Time Buyers</b>	
<b>2008</b>	
Jan	14.1
Feb	16.5
Mar	13.7
Apr	9.8
May	12.7
Jun	12.0
Jul	7.3
Aug	14.4
Sept	5.9
Oct	4.1
Nov	8.6
Dec	5.0
<b>2009</b>	
Jan	18.1
Feb	21.0
Mar	21.6
Apr	20.9
May	9.2
Jun	10.9
Jul	12.5
Aug	13.1
Sept	10.4
Oct	15.3
Nov	10.7
Dec	10.4
<b>2010</b>	
Jan	8.7
Feb	10.2
Mar	7.