

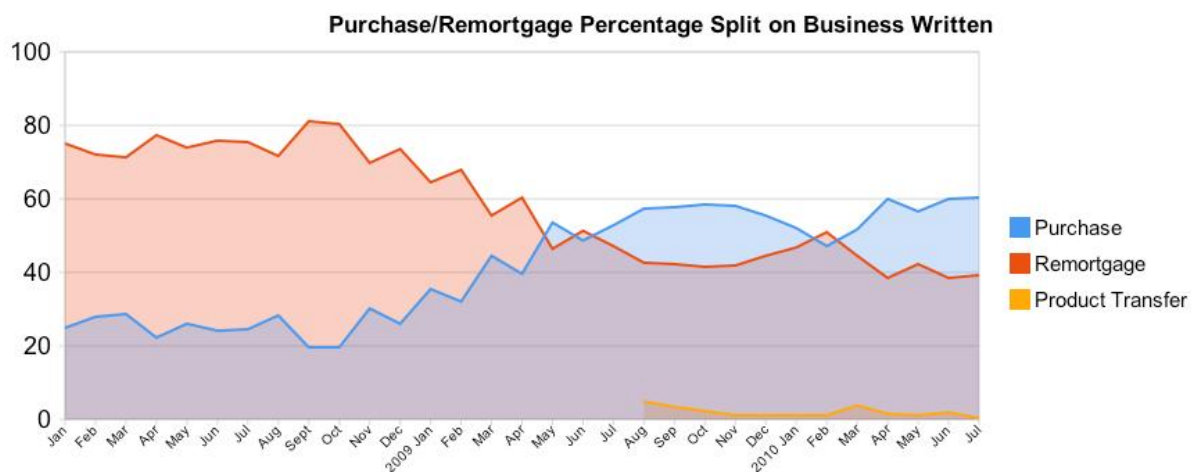
PURCHASE MORTGAGES AT HIGHEST LEVEL FOR MANY YEARS

- More than 6 in 10 mortgages in July were for purchases
 - Initial signs reveal August will be even higher
- Full charts available at www.charcol.co.uk/knowledge-resources

The latest mortgage index from Charcol.co.uk reveals that the proportion of mortgage purchases is at its highest level for many years. Drew Wotherspoon, director of marketing at Charcol.co.uk, comments on this and other findings.

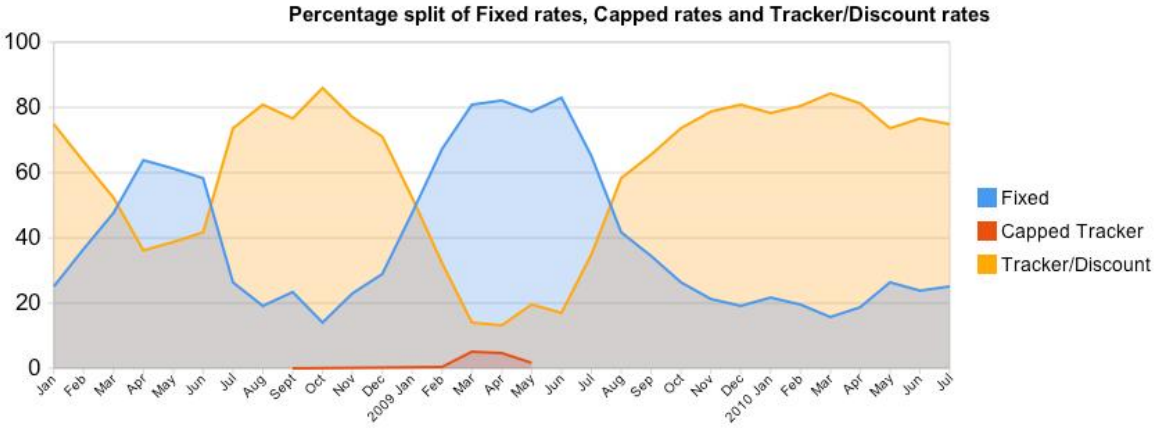
“For the first time in what we believe is decades, the proportion of mortgages for purchases broke the 60% barrier in July, revealing a certain confidence in the future of the market. There is much talk of a double dip and a large correction in the housing market still to come, but these figures would certainly go some way towards questioning this theory. The rule book may well have been ripped up when the crunch began, but the old adage of supply and demand still holds true. Whilst we have limited new stock demand will always outstrip supply in the UK. The last few years have taught us to expect anything, but a further large drop in prices looks very unlikely, unless the FSA’S proposed rules on affordability are implemented as currently drafted.

“At the same time we see remortgaging still remaining in the doldrums. Just two years ago it accounted for 75% of the market, whereas it is now just 40%. With tightening of lender criteria and many people reverting to reasonably attractive rates there is little surprise in this, but borrowers should definitely keep their eyes on the ball. Logic dictates that a move in bank rate will spur some people into action, but many shouldn’t wait for that. Increasing numbers of borrowers would be better off if they moved. As ever, getting advice on your own situation from an independent broker is *the* best advice.”



Variable rates still dominant

“Even with the improvement in pricing of fixed rates recently, borrowers are showing little signs that they believe it is time to take long term security. Despite the best attempts of some market commentators to scare the entirety of UK borrowers by suggesting we could have 8% interest rates soon, variable rates are still, in our opinion, the product of choice. For the record, we would be surprised if bank rate was anywhere near that level by the end of 2015.



Number of first time buyers increases by 80% in one month

“This is the highest level since February this year and perhaps suggests that first timers are willing to dip their toe into the market again after sensibly putting any plans on hold pending the outcome of the election and subsequent emergency budget. However, one month doth not make a trend, so John Charcol is wary in drawing too many conclusions from this figure. That said, it will be interesting to see over the coming months if the trend does continue.”



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



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For further information, please contact:
Drew Wotherspoon
0845 413 1010

Notes to editors:

Your initial consultation is obligation free. There will be a minimum fee for our service of £450, of which £150 is payable when you apply, and we will retain the commission from the lender. Alternatively, you can choose the fee only option which is typically 0.65% of the amount borrowed. The precise amount will depend on your circumstances and loan amount, and will be discussed and agreed before you make an application.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR ANY DEBT SECURED ON IT

'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.

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.

Percentage split of Fixed rates, Capped rates and Tracker/Discount rates			
	Fixed	Capped Tracker	Tracker/Discount
2009			
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
2010			
Jan	21.7		78.3
Feb	19.4		80.6
Mar	15.8		84.2
Apr	19.0		81.0
May	26.2		83.8
June	23.7		76.3
July	25.2		74.8

Purchase/Remortgage Percentage Split on Business Written			
	Purchase	Remortgage	Product Transfer
2009			
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
2010			
Jan	52.2	46.7	1.1
Feb	47.3	51.1	1.0
Mar	51.6	45.5	2.9
Apr	60.8	38.3	0.9
May	56.6	42.4	1.0
June	59.9	38.4	1.7
July	60.5%	59.2	0.3

Percentage of Purchase Cases that are First Time Buyers	
2009	
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
2010	
Jan	8.7
Feb	10.2
Mar	7.0
Apr	8.2
May	6.3
June	5.4
July	9.7