

10th March 2010

REMORTGAGE ACTIVITY BEGINS TO RECOVER

- Fixed / Tracker split for John Charcol clients stabilizes at 20/80% over last three months
 - Remortgage percentage rises to over 50%
- Full charts available at www.charcol.co.uk/knowledge-resources/john-charcol-index

The main stories from the John Charcol Index for the first two months of 2010 are the beginning of a revival in the remortgage market and the stabilization of fixed rate take up, but at the very low level of around 20%. The **John Charcol Index** revealed that the market share taken by remortgages (including product transfers) increased for the third month running and the dramatic fall in the take up of fixed rates since the middle of last year has come to an end.

The remortgage market returns

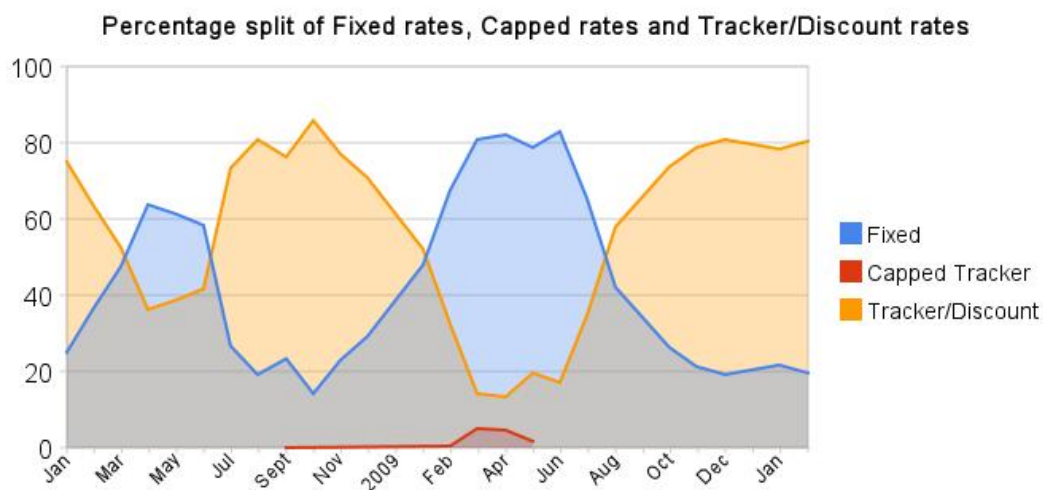
“Purchases took only 47.3% of mortgages sold by John Charcol in February, down from a peak of 58.5% in November. The February figure is the lowest market share taken by purchases since April of last year and provides evidence that activity in the remortgage market has bottomed out. After the normal seasonal lull in December John Charcol placed significantly more business in January and February, adding to the other evidence that the downturn in mortgage approvals and lending reported by the Bank of England and the Council of Mortgage Lenders for January will be reversed when the February figures are released,” comments Ray Boulger of John Charcol.

“Both purchase and remortgage activity has increased this year, but remortgages have increased more. However, detailed analysis of the figures shows that all of the increase in remortgage activity over the last two months is due to a particularly sharp increase in Buy to Let remortgages. Therefore, although mortgage rates have been steadily improving over the last few months, and in the residential market there are now even decent rates available up to 85% LTV - which makes remortgaging worthwhile for many more people - it is too early to be confident of an ongoing increase in remortgage activity. Nevertheless there are good reasons to think that the decline in remortgage activity has reached its nadir for the following reasons:

- More competition and a modest reduction in some funding costs for lenders resulting in lower rates for both new fixed and tracker mortgages.
- Several building societies increasing their SVRs, which also focused attention on the fact that many SVRs are over 5%.
- A significant improvement in the rates and choice available to borrowers with only 15% or 20% equity in their property.
- The bounce in property prices since the low nadir early last year, increasing some borrowers' equity sufficiently to make remortgaging worthwhile.

Most, and maybe all, of these factors are likely to continue to influence the market in 2010.

“Whilst the 80/20 split between variable and fixed may seem dramatic, trackers have certainly offered the better value since the middle of last year, although a caveat now is that the political risk, particularly of a hung parliament, can’t be ignored. It is also worth noting that due to the market reassessing the future path of interest rates the gap between fixed and tracker pricing has narrowed recently. If this trend continues fixed rates may well come more into the reckoning in the not too distant future,” concludes Ray Boulger.

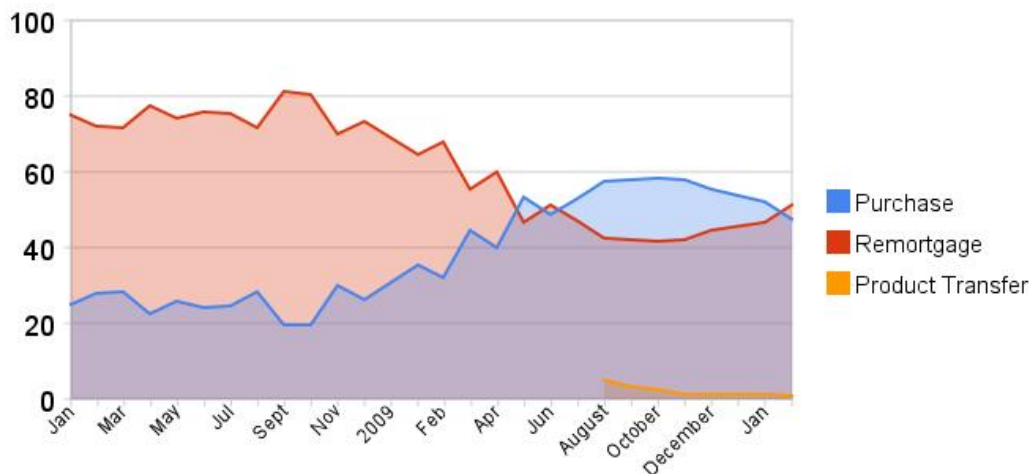


The John Charcol Mortgage Index is published monthly, tracking three important statistics, based on mortgage business written by John Charcol. The index is a leading indicator of trends being based on mortgage applications submitted to lenders, whereas figures reported by the Council of Mortgage Lenders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

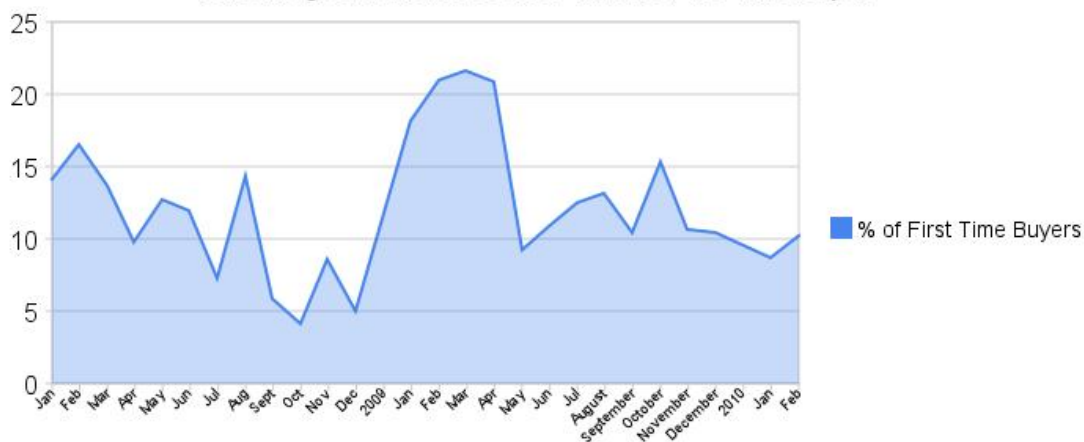
The three statistics tracked each month, based on the number of cases submitted rather than the mortgage amount, are the percentage split:

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

Purchase/Remortgage Percentage Split on Business Written



Percentage of Purchase Cases that are First Time Buyers



ENDS

Borrowers should contact John Charcol on 0800 71 81 91 or visit www.charcol.co.uk

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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.

Percentage split of Fixed rates, Capped rates and Tracker/Discount rates			
2008	Fixed	Capped Tracker	Tracker/Discount
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
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

Purchase/Remortgage Percentage Split on Business Written			
2008	Purchase	Remortgage	Product Transfer
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
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

Percentage of Purchase Cases that are First Time Buyers	
2008	
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
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