

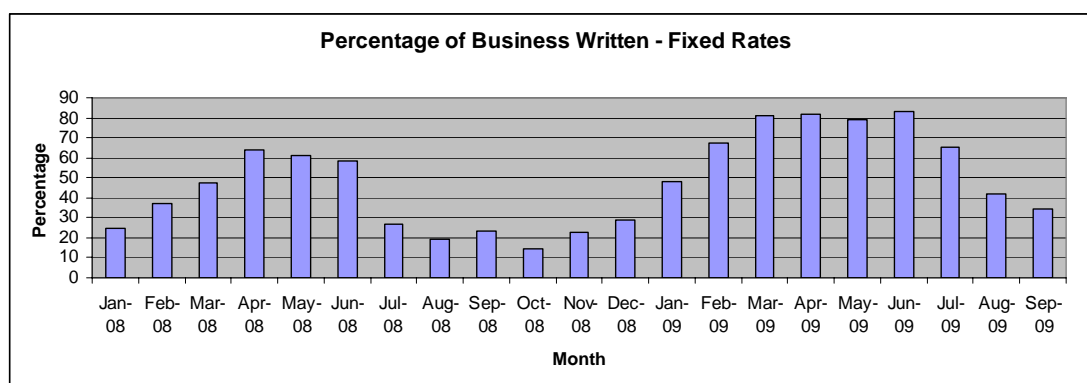
FIXED RATE MORTGAGES BECOME EVEN LESS POPULAR

- Tracker / discount share of market for John Charcol clients now almost two thirds
- Charts available at www.charcol.co.uk/knowledge-resources/john-charcol-index/

In a continuation of the recent trend, fixed rate mortgages continued to lose popularity in September, with variable rates now taking almost two thirds of the market. Just over a third (34.3%) of borrowers chose a fixed rate in September, the smallest proportion this year, and there is no sign of the trend changing in October, according to the **John Charcol Index**, the monthly mortgage activity monitor from John Charcol, the UK's leading independent mortgage adviser.

Ray Boulger of John Charcol comments, "Most fixed rates still look too expensive. However, the best fixed and variable rates have got cheaper this month, with some real competition now emerging in some sectors of the market. Yesterday saw Northern Rock launch a 4.99% 5 year fix up to 70% LTV with a relatively low fee of £595 for purchases (£995 for remortgages, but with a free valuation and free legals) and this new aggressive stance is helping drive some value back to the fixed rate market.

"Nothing has happened over the last few weeks to change our view that interest rates will remain low well into 2011 and last week's weak GDP figures, showing that we are now in the longest recession since records began, supports this view. Consequently we have continued to advise the majority of our clients to take a variable rate mortgage, as the differential between fixed and variable rate pricing still means that fixed rates are discounting a quicker and larger rise in interest rates than looks likely."



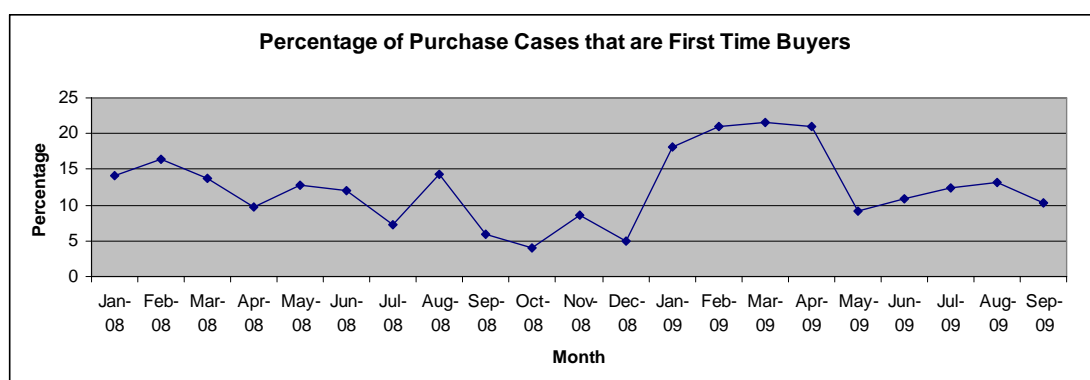
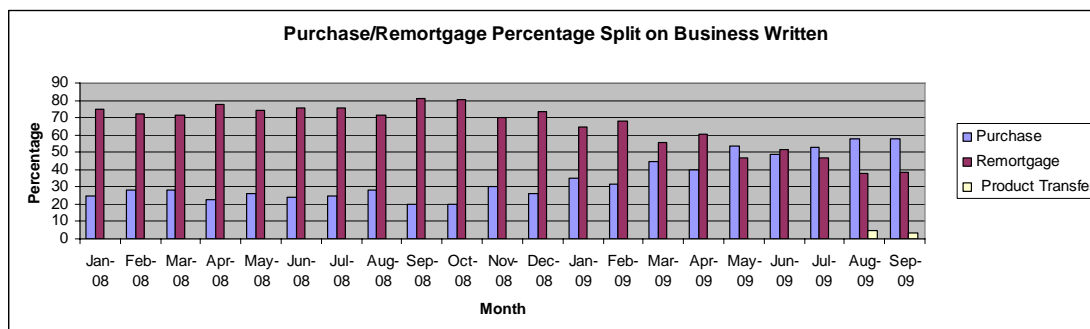
Boulger continues, "The proportion of purchases increased marginally last month, to 57.8%, a record percentage for the year. First Time Buyer (FTB) activity as a percentage of total purchases remained subdued in the low double digits at 10.4%, with many potential FTBs still either struggling to find a deposit or failing to meet lenders' onerous credit score requirements for high LTV mortgages. The FTB market has largely become one divided between those with parents able and willing to help and those who are not so lucky. Recent figures from the Council of Mortgage Lenders show that 80% of FTBs now get parental help with their mortgage. For those without access to such help often the only options are either saving for many years or one of the Government's Homebuy schemes, if they qualify.

If FTBs had anticipated having to save for a deposit no doubt many would have cut back on discretionary spending and started saving earlier, but with 100% mortgages being readily available to those with good credit until early last year the need to save was not such an obvious necessity until then, even though it was always the sensible thing to do."

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 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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Notes to editors:

* 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

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

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

About John Charcol

Your initial consultation is obligation free. There will be a minimum fee for our service of £350, 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 0.63% 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 YOUR MORTGAGE

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