

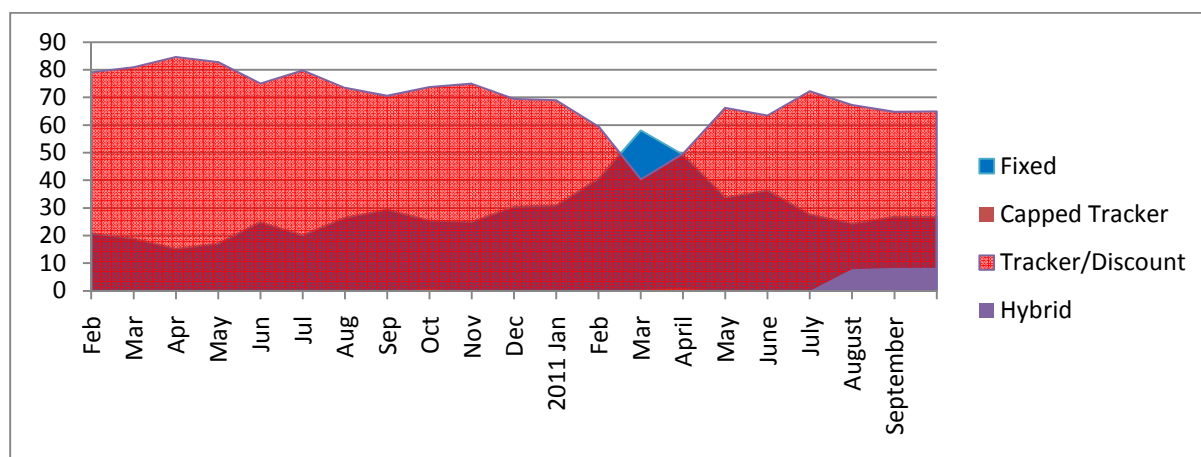
For immediate release, 19th October 2011

IS THIS THE END OF THE TWO YEAR MORTGAGE MARKET?

- Longer term products more popular than outmoded headline grabbing deals

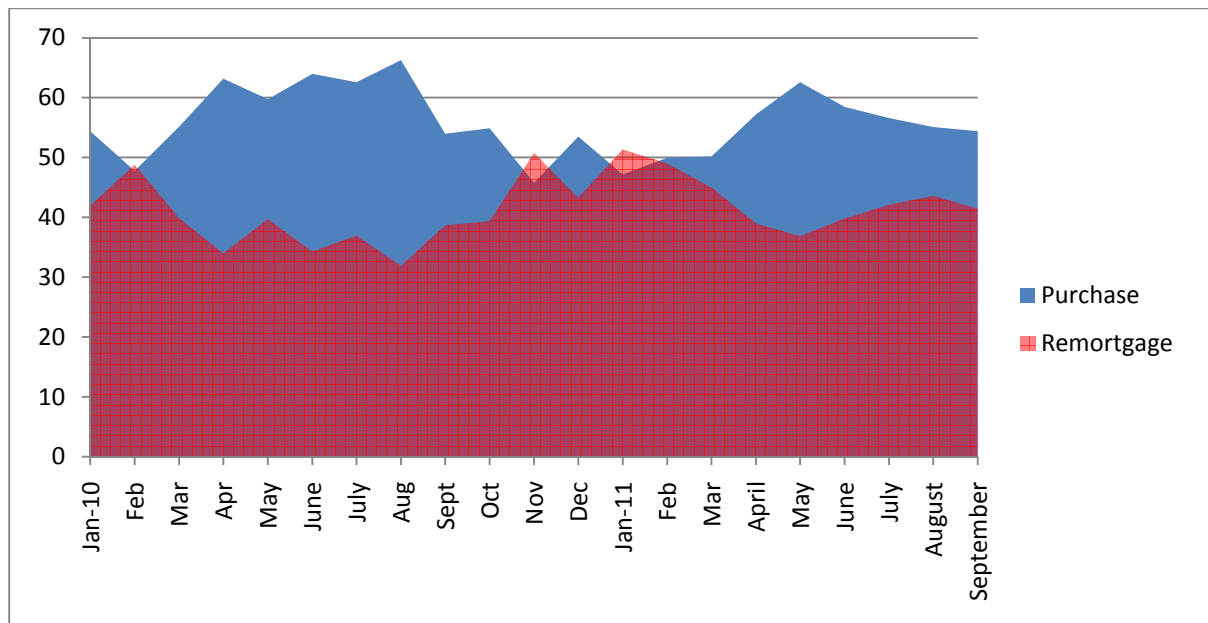
September's John Charcol Index, showed once again that as the likelihood of a bank rate rise gets further and further away, variable rates were still the favourite option with the majority of borrowers. Some 65% of cases in the month took a variable rate, and by far the most popular with the more discerning borrowers were Term Trackers (34%), who are eschewing the headline grabbing 2 year rates much favoured by some lenders, in favour of longer term margin security.

Simon Collins, Technical Manager at John Charcol, comments: "Savvy clients are preferring to sacrifice a few basis points in the first couple of years of their mortgage, in order to give themselves the option of either being ERC free or remortgaging when the early repayment charge period ends, but staying on the same margin if more beneficial, rather than having to remortgage before the payment shock of going onto their lender's much higher Standard Variable Rate.



"Remortgaging is increasing in popularity as more borrowers reach the end of deals they took out 2 years ago and unlike their predecessors, they now find themselves facing far higher payments, as those lenders who had guarantees that their Standard Variable Rates would be no more than 2% over the Bank Rate have now removed them. These guarantees have now been abolished in favour of 'managed rates' which means that the lender can set

them at whatever levels they wish. These 'managed rates' are another reason why rates that track the bank rate for the term of the mortgage have become increasingly popular.



“With more and more uncertainty creeping into the market, shorter term deals are proving less popular, as future restrictions in credit availability, tightened lending criteria, potential falls in property prices, poor job security, all mean that clients can no longer be sure of being able to pick up another low deal when their current one ends. This is driving more borrowers towards either term trackers or longer term fixed rates. Throughout the past 18 months the attractiveness of term trackers to borrowers has increased, particularly when the margin between these and 5 Year Fixed Rates hit almost 2%. With the threat of any imminent rise in the bank rate still far in the distance, the margin has narrowed to the point where some borrowers are happy to pay the relatively small premium for 5 year payment security.

“However there is one other product that has increased in popularity every month since its launch, which is the 5 Year Hybrid “Golden Hello” product. This innovative deal combines a low tracker pay rate in the first 2 years of the loan, followed by the security of the final 3 years being on a very competitive fixed rate. With many economists saying that the bank rate is unlikely to move very far (if at all) in the next 2 years, it is the ideal product for the uncertain times we find ourselves in.

“Last month saw just over 40% of John Charcol cases on either the Hybrid or a Term Tracker. Between the innovative Hybrid and the longer term competitiveness of the term

trackers, has the 2 Year market much favoured in the past, had it's day? For now, quite possibly.”

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 (available on request)

ENDS

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



follow us at twitter.com/johncharcol

For further information, please contact:

Simon Collins

020 7933 9704 or 07918 695120

Or

Drew Wotherspoon

020 7993 7659

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.

Percentage split of Fixed rates, Capped rates and Tracker/Discount rates			
	Fixed	Capped	Tracker/Discount
2009			
Jan	44.4	-	55.6
Feb	67.6	0.7	31.7
Mar	76.3	5.1	18.6
Apr	81.4	5.1	13.5
May	79.1	2.2	18.7
Jun	81.2	-	18.8
Jul	62.8	-	37.2
Aug	39.0	-	61.0
Sept	32.1	-	67.9
Oct	25.6	-	74.4
Nov	20.2	-	79.8
Dec	22.9	-	77.1
2009 TOTALS	56.6	1.4	42.0
2010			
Jan	20.9	0	79.1
Feb	19	0	81
Mar	15.3	0	84.7
Apr	17.2	0	82.8
May	24.9	0	75.1
June	20.2		79.8
July	26.5	0	73.5
August	29.4	0	70.6
September	25.5	0.7	73.8
October	25	0	75
November	30.5	0	69.5
December	31	0	69
2010 TOTALS	25.6	0.1	74.3
2011			
January	40.6	0	59.5
Feb	58.1	0.5	40.4
Mar	49.3	0.9	49.7
April	33.8	0	66.3
May	36.4	0	63.5
June	27.7	0	72.3
July	24.4	0.4	67.3
August	26.9	0	64.8
September	26.7	0	65.0

Purchase / Remortgage Percentage Split on Business Written (Excluding Bridging Loans, Further Advances and Second Charges)			
	Purchase	Remortgage	Product Transfer
2009			
Jan	34.5	58.4	7.1
Feb	31.8	63.5	4.7
Mar	44.6	46.5	8.8

Apr	40.9	49.3	9.8
May	51.1	39.8	9.1
Jun	50.0	44.3	5.7
Jul	52.6	39.0	8.4
Aug	56.0	37.3	6.7
Sept	55.1	38.8	6.1
Oct	58.7	37.7	3.6
Nov	56.3	42.1	1.6
Dec	53.8	44.4	1.8
2009 TOTALS	48.0	45.5	6.5
2010			
Jan	54.4	42.0	2.4
Feb	47.8	48.8	1.4
Mar	55.2	39.9	4.4
Apr	63.2	34.0	1.0
May	59.8	39.7	0
June	64.0	34.3	0.6
July	62.6	37.0	0.5
August	66.3	31.9	1.3
September	54.0	38.7	2.9
October	54.9	39.4	3.6
November	45.8	50.8	1.7
December	53.5	43.3	2.4
2010 TOTALS	56.79	39.98	1.85
2011			
January	47.2	51.4	0.7
Feb	50	49	0
Mar	50.2	45	0
April	57.2	39	1.1
May	62.6	36.9	0
June	58.5	39.8	0
July	56.6	42.1	0
August	55.1	43.6	0
September	54.4	41.5	0