

**PRESS RELEASE**

**9 JULY 2009**

**TIGHTENING IN LENDING CRITERIA ABATES: CML**

New estimates from the Council of Mortgage Lenders suggest that a higher proportion of young first-time buyers than ever before are getting help from parents to enter the market. But more positively, the CML's latest data shows signs that lending criteria stopped tightening in May. Since reaching a record 25% in February, the average first-time buyer deposit has remained unchanged. And the typical first-time buyer income multiple has held at 2.97 from April.

Home movers typically borrowed 67% of the value of the property in May, unchanged from April, and borrowed 2.68 times their income, up from 2.63 in April.

We might expect to see a modest easing in these measures over the summer, as some higher loan-to-value products came on to the market in recent months and lenders reported that they intend to increase lending at higher loan-to-value ratios in the Bank of England's recent Credit Conditions Survey.

**Table 1: Loans for house purchase and remortgage**

	<b>Number of house purchase loans</b>	<b>Value of house purchase loans £m</b>	<b>Number of remortgage loans</b>	<b>Value of remortgage loans £m</b>
<b>May 2009</b>	<b>37,400</b>	<b>4,700</b>	<b>29,000</b>	<b>3,300</b>
<b>Change from April 2009</b>	+4%	+2%	-9%	-8%
<b>Change from May 2008</b>	-28%	-39%	-63%	-68%

The number of loans for house purchase edged up 4% from April to 37,400 (worth £4.7 billion), but this is 28% lower than the number of loans in May 2008. House purchase lending is still depressed by historical standards: in the last seven years the May average was 96,000 house purchase loans.

Remortgaging volumes remain extremely weak with 29,000 loans in May, a 9% fall from April and a 63% decline from a year earlier. Demand for remortgage is falling away as many borrowers exiting fixed rate periods find themselves reverting to relatively attractive standard variable rates. In addition, lower house prices and tighter loan-to-value constraints continue to limit access to the better priced remortgage products.

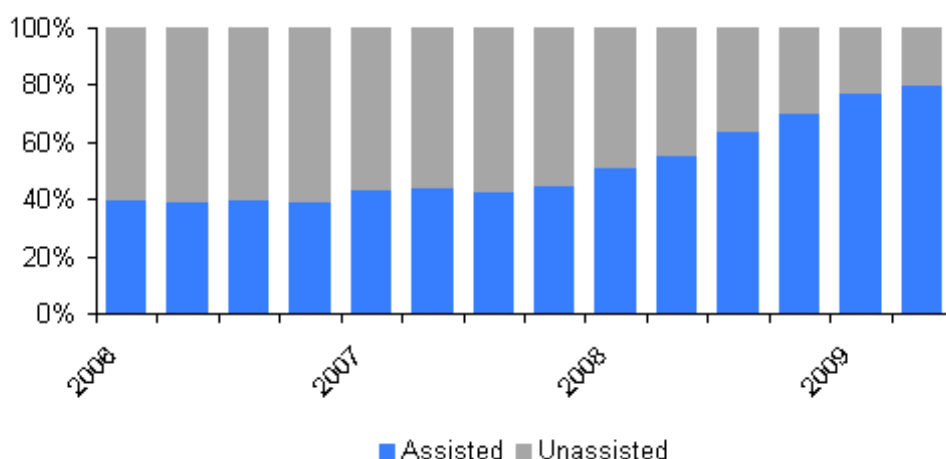
**Table 2: First-time buyers, lending and affordability**

	<b>Number of loans</b>	<b>Value of loans</b>	<b>Average loan to value</b>	<b>Average income multiple</b>	<b>Proportion of income spent on interest payments</b>
<b>May 2009</b>	<b>14,000</b>	<b>1,500</b>	<b>75%</b>	<b>2.97</b>	<b>14.9%</b>
<b>Change from April 2009</b>	2%	+1%	75%	2.97	15%
<b>Change from May 2008</b>	-29%	-42%	89%	3.35	19.7%

First-time buyer numbers were little changed with 14,000 loans worth £1.5 billion in May, compared with 13,700 loans worth £1.5 billion in April.

But that doesn't mean the challenges for first-time buyers are over. Newly updated CML analysis suggests that around 80% of first-time buyers aged under 30 are likely to be receiving help from parents as they are unlikely to have been able to build up the deposits needed to enter the market from their own resources.

**Chart 1: Financial help for first-time buyers under 30**



There was a slightly larger increase in activity amongst home movers with 23,500 loans worth £3.3 billion, compared with 22,300 loans worth £3.1 billion in April.

**Table 3: Home movers, lending and affordability**

	Number of loans	Value of loans	Average loan to value	Average income multiple	Proportion of income spent on interest payments
<b>May 2009</b>	<b>23,500</b>	<b>3,300</b>	<b>67%</b>	<b>2.68</b>	<b>11.3%</b>
<b>Change from April 2009</b>	+5%	+6%	67%	2.63	11.3%
<b>Change from May 2008</b>	-27%	-37%	72%	2.97	17.1%

Fixed rate deals continued to take an increasing proportion of new business as borrowers may be seeking certainty over future payments at a time of wider economic uncertainty. Fixed rate products accounted for 74% of all loans in the month, the highest share since August 2007, while 16% of new loans were tracker products.

CML economist Paul Samter said:

"Lending remains at very low levels, with the modest increase in house purchase activity off-set by a fall in remortgaging. The trend of tightening lending criteria seems to have subsided and we may see a modest easing in these measures over the summer, which will help some borrowers. But overall, access to mortgage finance will still be constrained by the diminished number of active lenders and shortage of funding available to them.

"Meanwhile the Bank of Mum and Dad remains an apparently important source of help for young first-time buyers. Some mortgage products specifically reflect this fact, and again we may begin to see more products that echo this phenomenon."

### **Notes to editors**

1. The Council of Mortgage Lenders' members are banks, building societies and other lenders who together undertake around 98% of all residential mortgage lending in the UK. There are 11.1 million mortgages in the UK, with loans worth over £1.1 trillion.

2. Source: CML/Banksearch.

3. The June RMS data will be published on Tuesday 11 August 2009.

4. The data on assistance to first-time buyers is a new update of estimates first published [here](#) in 2006. Essentially, the article looks at the deposit a first-time buyer might reasonably be expected to build up from their own earnings compared with the characteristics of first-time buyer lending and infers the proportion of borrowers receiving outside assistance.

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