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Statistical release

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Mortgage Lenders and Administrators Statistics: Q1 2013
(derived from the Mortgage Lenders & Administrators Return (MLAR))

Residential loan amounts outstanding

The overall value of the residential loan amounts outstanding was £1,228 billion in Q1 2013, a decrease of 0.1% compared with Q4. This was the first decrease in the amounts outstanding since Q1 2011 and over the past four quarters there was an increase of 0.5% in the total amounts outstanding.

Within the Q1 2013 total, amounts outstanding on regulated loans increased slightly to £957 billion, accounting for 78% of the total. Non-regulated loans, predominantly buy-to let lending, continued to decrease, reducing by a further 0.5% in the quarter to £271 billion.

The value of securitised amounts outstanding continued a declining trend which started in 2009, reducing by a further 3.4% in Q1 2013 to £118 billion. Un-securitised amounts outstanding, however, continued to increase to £1,110 billion in Q1 2013. Consequently, the proportion of overall amounts outstanding that securitised balances account decreased for the second quarter in succession, recording a historical low of 9.6%.

Table A: Securitised and unsecuritised residential loan balances
Regulated and non-regulated mortgages
£ billions
Not seasonally adjusted

	2011 Q4	2012 Q1	Q2	Q3	Q4	2013 Q1
Regulated:						
Unsecuritised	847.0	848.5	853.4	860.8	867.4	871.4
Securitised	89.7	93.9	93.5	92.1	88.8	85.4
Subtotal	**936.7**	**942.4**	**946.9**	**952.9**	**956.2**	**956.8**
Non regulated:						
Unsecuritised	249.8	247.0	246.5	241.7	238.8	238.2
Securitised	31.9	32.0	30.0	32.7	33.3	32.6
Subtotal	**281.7**	**279.0**	**276.6**	**274.4**	**272.1**	**270.8**
Total: (Regulated + Non regulated):						
Unsecuritised	1,096.8	1,095.6	1,099.9	1,102.5	1,106.2	1,109.6
Securitised	121.6	125.9	123.6	124.8	122.1	118.0
Total	**1,218.5**	**1,221.5**	**1,223.5**	**1,227.3**	**1,228.4**	**1,227.6**

New business volumes

Gross advances of £34.0 billion in Q1 2013 were 6.8% lower compared with Q1 2012 – a downward movement usual in the first quarter in the year. This was the lowest amount advanced in any quarter since Q1 2011.

Net advances were 52%lower compared with Q1 2012, at £1.3 billion. This was the second lowest quarterly amount since the series began in Q1 2007, with only Q4 2010 being lower.

There was a 4.3% reduction in the value of new commitments to £35.5 billion when compared with Q1 2012.

Next release – 10 September 2013. Release available online at www.bankofengland.co.uk/statistics/Pages/calendar/default.aspx and http://www.fca.org.uk/firms/firm-types/mortgage-brokers-and-home-finance-lenders.

Table B: Residential loans to individuals flows and balances
Regulated and non-regulated mortgages
£ billions
Not seasonally adjusted

	2011 Q4	2012 Q1	Q2	Q3	Q4	2013 Q1
Business flows						
Gross advances	40.1	36.4	36.9	39.6	39.4	34.0
Net advances	4.1	2.7	4.7	5.6	4.4	1.3
New commitments	37.0	37.1	39.8	35.9	36.9	35.5
Balances outstanding						
Loans (exc overdrafts)	1,096.8	1,095.6	1,099.9	1,102.5	1,106.2	1,109.6
Commitments	66.4	67.6	70.8	67.4	52.6	67.1

Chart 1: Residential loans to individuals: Gross Advances and New Commitments

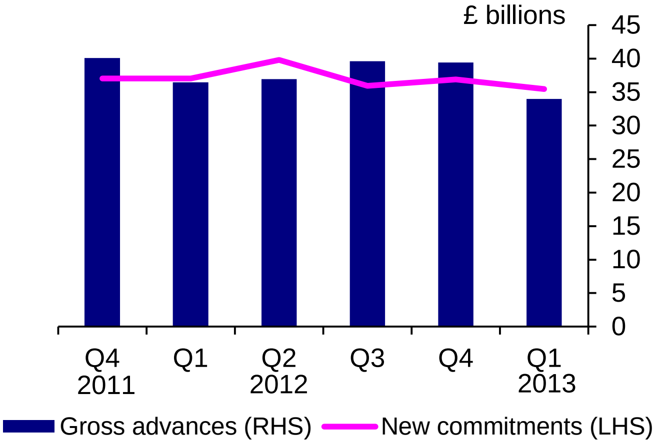
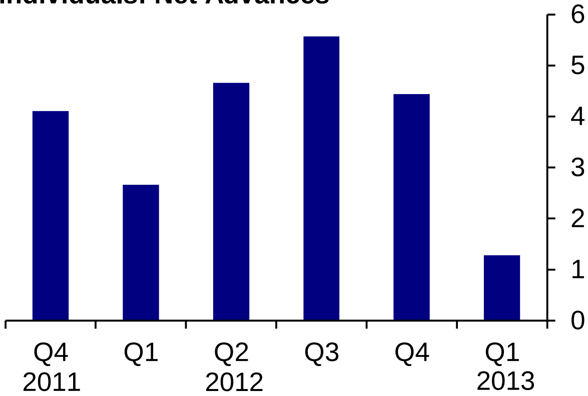


Chart 2: Residential loans to individuals: Net Advances



Lending characteristics of gross advances

Interest rate trends on residential lending

The proportion of amounts outstanding accounted for by fixed rate loans was 28.4%, which continued to be much lower than for new lending. The proportion of gross advances at fixed rates increased in Q1 2013 to 70.7% -- the first time since the series began in Q1 2007 this has been higher than 70%.

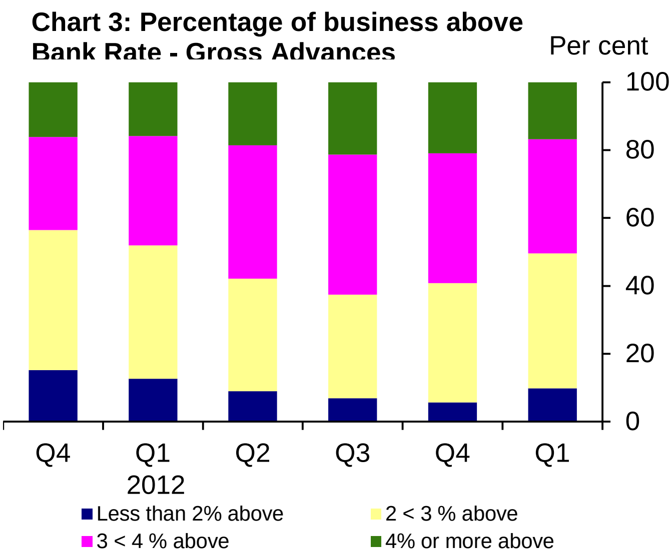
The overall average interest rate on gross advances decreased by 16bps in Q1 2013 to 3.65% driven by fixed rate loans average rates decreasing by 30bps to 3.80% and variable rate loans average rates decreasing by 2bps to 3.28%. The rate on fixed rate loans was the lowest since the series began at 3.80%.

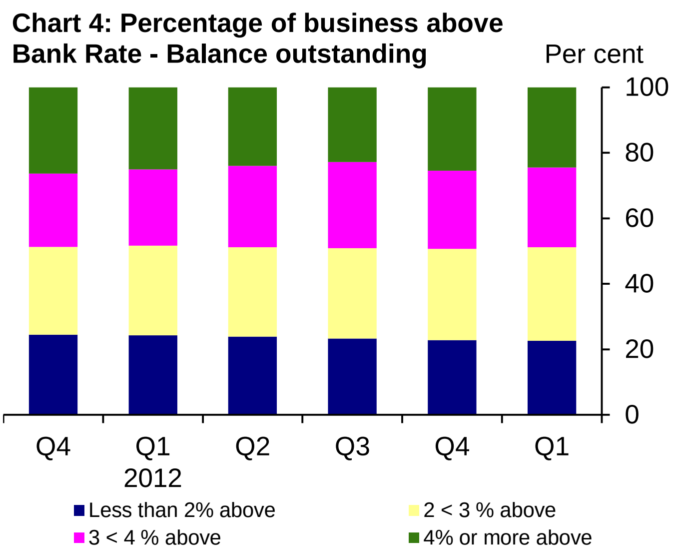
The overall average interest rate on total amounts outstanding decreased by 2bps to 3.46% in Q1 2013. Within this, the average interest rate for fixed rate balances (4.37% in Q1 2013) is the lowest since the series began in Q1 2007. In contrast, the interest rate on variable rate loans increased slightly by 1bps in Q1 2013 to 3.10%.

Next release – 10 September 2013. Release available online at www.bankofengland.co.uk/statistics/Pages/calendar/default.aspx and http://www.fca.org.uk/firms/firm-types/mortgage-brokers-and-home-finance-lenders.

Table C: Interest rates
Regulated and non-regulated mortgages
Percent
Not seasonally adjusted

Interest rate basis	2011 Q4	2012 Q1	Q2	Q3	Q4	2013 Q1
Percent of business at fixed rates						
Gross advances	53.5	55.1	56.4	56.0	63.5	70.7
Balances outstanding	28.1	27.9	27.9	27.5	27.9	28.4
Weighted average interest rates						
Gross advances						
Fixed rate loans	3.94	3.99	4.22	4.33	4.10	3.80
Variable rate loans	2.96	2.90	3.20	3.32	3.30	3.28
All loans	3.48	3.50	3.78	3.89	3.81	3.65
Balances outstanding						
Fixed rate loans	4.83	4.74	4.65	4.59	4.49	4.37
Variable rate loans	2.89	2.93	2.99	3.01	3.09	3.10
All loans	3.44	3.44	3.46	3.45	3.48	3.46





Breakdown by purpose of new lending

The proportion of lending for house purchase in Q1 2013 was 63.4% - 2.6 percentage points lower than in Q4 2012. Within this, the proportion of lending to first time buyers decreased to 18.2% in Q1 2013, the same level as in Q3 2012. The amount of gross advances for house purchase in Q1 2013 decreased by £0.1 billion compared to Q1 2012, to £21.5 billion. The value of residential loans advanced to first time buyers decreased by 17.6% over the quarter to £6.2 billion and was 5.3% lower than in Q1 2012.

The proportion of re-mortgage business increased in Q1 2013, to 29.4%. However, the value of re-mortgage advances decreased from £11.0 billion in Q4 2012 to £10.0 billion in Q1 2013.

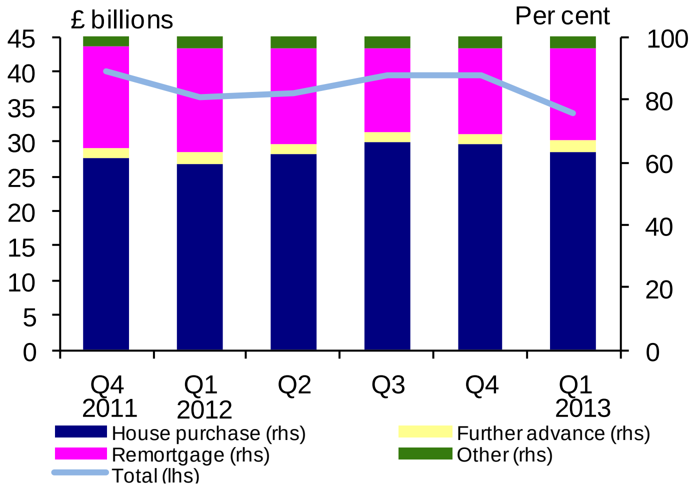
The proportion of new lending for buy to let (BTL) continued its upward trend and increased to 12.1% in Q1 2013. This was 1.1 percentage points higher than in Q4 2012 and the highest since Q1 2008. There was an increase in value terms over the past year – up from £3.6 billion advanced in Q1 2012 to £4.1 billion in Q1 2013, though down on the £4.3 billion advanced in Q4 2012.

The proportion of other new lending (including lifetime and equity release mortgages) continued its gradual upward trend to 3.7%, an increase of 0.4 percentage points on Q4 2012.

Table D: Residential loans to individuals by purpose of loan
Regulated and non-regulated mortgages
Not seasonally adjusted

By purpose of loan:	2011 Q4	2012 Q1	Q2	Q3	Q4	2013 Q1
Advances						
Per cent						
House purchase:	61.2	59.3	62.4	66.2	66.0	63.4
Owner occupation:						
FTBs	16.6	18.0	16.5	18.2	19.1	18.2
Other	35.2	31.4	35.3	37.6	35.9	33.1
Buy to let	9.4	9.9	10.6	10.4	11.0	12.1
Further advance	3.6	3.7	3.4	3.2	2.8	3.5
Remortgage	32.2	33.5	30.9	27.2	27.9	29.4
Other	3.0	3.5	3.3	3.4	3.3	3.7
Amount (£ billions)						
House purchase:	24.6	21.6	23.0	26.2	26.0	21.5
Owner occupation:						
FTBs	6.6	6.5	6.1	7.2	7.5	6.2
Other	14.1	11.5	13.1	14.9	14.1	11.2
Buy to let	3.8	3.6	3.9	4.1	4.3	4.1
Further advance	1.4	1.3	1.3	1.2	1.1	1.2
Remortgage	12.9	12.2	11.4	10.8	11.0	10.0
Other	1.2	1.3	1.2	1.4	1.3	1.3
Total	**40.1**	**36.4**	**36.9**	**39.6**	**39.4**	**34.0**

Chart 5: Residential loans to individuals: breakdown of gross advances by purpose of loan



New commitments for re-mortgaging as a proportion of total commitments remained constant in Q1 2013 at 30.8%, but decreased in value terms, at £10.9 billion in Q1 2013 compared to £11.4 billion in Q4 2012. This was a 13.4% reduction in value compared with Q1 2012.

There was a further decrease in the proportion of new commitments for house purchase, down from 63.5% of the total in Q4 2012 to 62.9% in Q1 2013, though remaining above the 58.2% they accounted for in Q1 2012. The value of new commitments for house purchase increased by 3.4% to £22.3 billion compared with Q1 2012.

Table E: New commitments by purpose of loan
Regulated and non-regulated mortgages
Not seasonally adjusted

By purpose of loan:	2011 Q4	2012 Q1	Q2	Q3	Q4	2013 Q1
New commitments in quarter						
Per cent						
House purchase	57.8	58.2	64.6	65.5	63.5	62.9
Remortgage	34.5	34.0	28.9	29.2	30.8	30.8
Other (inc further advances)	7.7	7.8	6.6	5.3	5.7	6.4
Amount (£ billions)						
House purchase	21.4	21.6	25.7	23.5	23.4	22.3
Remortgage	12.8	12.6	11.5	10.5	11.4	10.9
Other (inc further advances)	2.9	2.9	2.6	1.9	2.1	2.3
Total	**37.0**	**37.1**	**39.8**	**35.9**	**36.9**	**35.5**

Lending criteria

The proportion of gross advances at a high LTV (i.e. over 90%) remained at 2.1% in Q1 2013.

The proportion of gross advances to high single income multiple borrowers (i.e. more than 4.00x) decreased in Q1 2013 by 0.6 percentage points to 10.1% compared with Q4. The proportion of gross advances to high joint income multiple borrowers (i.e. more than 3.00x) also decreased in Q1 2013 by 0.6 percentage points to 23.1% compared with Q4. Overall, the proportion of new lending done at a combination of high LTV and high income multiple increased to 1.3%.

Table F: Gross advances by income multiple and loan to value (LTV) ratios
Regulated and non-regulated mortgages
Percent of gross advances
Not seasonally adjusted

	2011 Q4	2012 Q1	Q2	Q3	Q4	2013 Q1
Single income multiple:						
Less than 2.50	10.1	10.3	10.7	10.5	10.4	10.5
2.50 < 3.00	5.1	5.0	5.1	5.0	4.9	4.9
3.00 < 4.00	11.9	11.7	11.6	11.6	11.5	11.5
4.00 or over	10.1	10.6	10.2	10.4	10.7	10.1
Other	10.7	11.2	11.4	11.7	12.1	13.1
Total on Single income	**48.0**	**48.7**	**48.9**	**49.2**	**49.6**	**50.0**
Joint income multiple:						
Less than 2.00	9.5	9.7	10.0	9.8	9.3	9.5
2.00 < 2.50	7.5	7.3	7.4	7.4	7.1	7.1
2.50 < 3.00	9.4	9.1	9.5	9.5	9.2	9.0
3.00 or over	24.6	24.0	23.0	23.0	23.7	23.1
Other	1.1	1.3	1.2	1.0	1.1	1.2
Total on Joint income	**52.0**	**51.3**	**51.1**	**50.8**	**50.4**	**50.0**
LTV						
< = 75%	67.6	68.3	67.3	68.1	66.3	67.0
Over 75 < = 90%	30.5	29.4	30.3	29.6	31.7	30.9
Over 90 < = 95%	1.5	1.9	1.8	1.9	1.7	1.6
Over 95%	0.4	0.4	0.6	0.4	0.4	0.5
LTV and income multiple						
High LTV (All over 90%)						
Total HIM	1.0	1.3	1.3	1.4	1.2	1.3

Arrears and possessions

The number of new arrears cases in Q1 2013 was 5.8% higher than in Q4 2012 at 36,700. The total number of loan accounts with reportable arrears however, decreased slightly - from 297,600 in Q4 2012 to 296,400 in Q1 2013. This was also a reduction of 2.2% compared with the same quarter last year.

The proportion of the residential loan book that is in arrears was at 2.4% in Q1 2013, unchanged from Q4 2012.

The performance of loans in arrears – payments received as a percentage of payments due – improved for the third quarter in succession to 58.3% in Q1 2013.

The proportion of accounts that are 5% or more in arrears remained little changed compared with Q4 2012 and was 0.76% in Q1 2013.

Table G: Arrears
Regulated and non-regulated mortgages
Not seasonally adjusted

Loans in Arrears	2011 Q4	2012 Q1	Q2	Q3	Q4	2013 Q1
New cases in the quarter						
(ie moving into 1.5 < 2.5% band)						
Number of loan accounts	34,558	35,336	34,456	35,923	34,722	36,746
Amount of arrears (£ millions)	66	68	67	68	66	68
Balance outstanding (£ millions)	3,543	3,673	3,598	3,653	3,551	3,657
Arrears cases at end of quarter						
Number of loan accounts	313,224	302,976	296,484	303,163	297,573	296,363
Amount of arrears (£ millions)	1,840	1,792	1,765	1,781	1,766	1,753
Balance outstanding (£ millions)	31,855	30,736	29,927	30,140	29,558	29,324
Balances as % of total loan balances (per cent)	2.61	2.52	2.45	2.46	2.41	2.39
Performance of arrears cases in Qtr (per cent)	58.24	56.08	56.05	56.62	57.59	58.34
Arrears cases by severity						
Balances on cases in arrears as						
per cent of total loan balances						
1.5 < 2.5% in arrears	0.77	0.76	0.76	0.76	0.74	0.74
2.5 < 5.0% in arrears	0.86	0.82	0.80	0.80	0.79	0.79
5 % or more in arrears	0.80	0.74	0.71	0.71	0.71	0.70
In possession	0.18	0.19	0.18	0.18	0.16	0.15
Total	**2.61**	**2.52**	**2.45**	**2.46**	**2.41**	**2.39**
Number of cases in arrears as						
per cent of total number of loans						
1.5 < 2.5% in arrears	0.57	0.56	0.56	0.57	0.59	0.59
2.5 < 5.0% in arrears	0.64	0.62	0.61	0.62	0.64	0.64
5 % or more in arrears	0.77	0.73	0.71	0.73	0.77	0.76
In possession	0.10	0.10	0.10	0.10	0.09	0.09
Total	**2.09**	**2.02**	**1.98**	**2.01**	**2.09**	**2.09**

Arrears totalling £29 million on 8,106 accounts were capitalised in Q1 2013 - an increase of 4.7% by amounts of arrears compared with Q1 2012 but a reduction of 0.1% by number in the same period.

New cases taken into possession totalled 8,092 in Q1 2013, an increase of 3.9% compared to Q4 2012, but a 15.1% reduction from Q1 2012. Sales of possession cases in the quarter decreased by 10% to 8,499, reversing the 8.7% increase experienced in Q4 2012. Although possession sales decreased, as repossession sales outstripped new possessions, the stock of possession cases remaining unsold reduced for the seventh quarter in succession, down to 12,883 in Q1 2013 and the lowest level since Q3 2007.

Table H: Possessions
Regulated and non-regulated mortgages
Not seasonally adjusted

Possession cases: movements & stocks	2011 Q4	2012 Q1	Q2	Q3	Q4	2013 Q1
New possessions	8,924	9,531	8,695	8,521	7,792	8,092
Possession sales	9,456	9,549	9,089	8,687	9,447	8,499
Stocks of possessions at end quarter	15,457	15,385	14,953	14,889	13,321	12,883
Capitalisations of arrears cases						
Number in quarter	9,813	8,118	7,868	7,644	8,773	8,106
Amount of arrears capitalised in quarter (£ millions)	36	28	27	27	33	29
Balance outstanding at end quarter (£ millions)	983	894	813	813	953	889

Chart 6: Balance on cases in arrears as % total loan balances

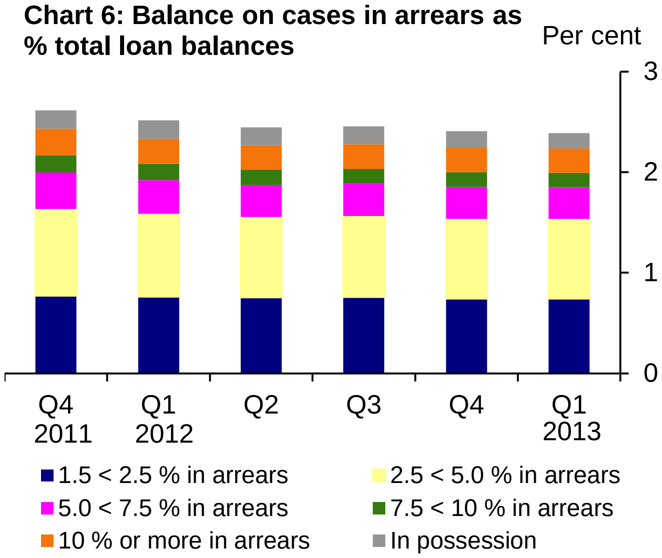
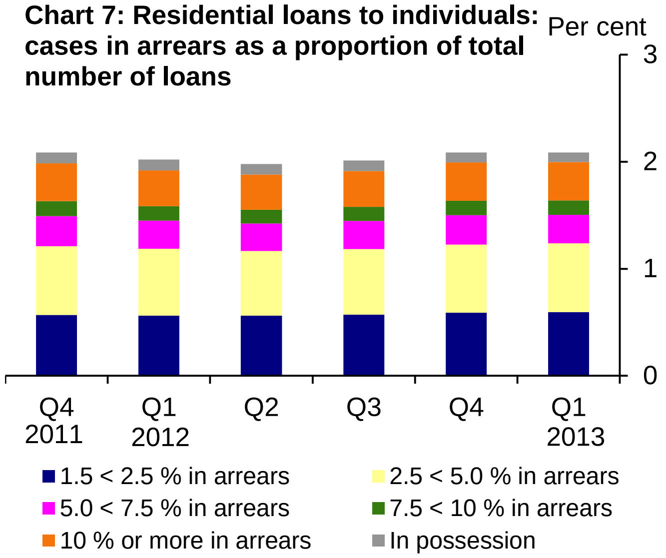


Chart 7: Residential loans to individuals: cases in arrears as a proportion of total number of loans



About these data:

As noted in the March 2013 article, with effect from June 2013, this Bank of England and FCA Statistical Release on Mortgage Lenders and Administrators Statistics replaces the Statistics on Mortgage Lending release previously published by the FSA. There is some overlap in the data covered in this release and with the Bank of England releases on Money and Credit and on Effective Interest Rates, and also with statistics published by the Council of Mortgage Lenders. It should be appreciated that differences in reporting populations, definitions and seasonal adjustment will affect any direct comparisons of data series reported across these releases.

Further information can be found in the explanatory notes, available at
www.bankofengland.co.uk/statistics/Pages/iadb/notesiadb/mlar.aspx

If you have any queries with regards to these data please contact either the PRA (email MLAR@bankofengland.co.uk or call 020 7601 4881) or FCA (email mlarstatistics@fca.org.uk) as required.

Technical notes

General

1 Around 300 regulated mortgage lenders and administrators are required to submit a Mortgage Lenders & Administrators Return (MLAR) each quarter, providing data on their mortgage lending activities and covering both regulated and non-regulated residential lending to individuals. Following the creation of the Bank of England Prudential Regulation Authority (PRA) and of the Financial Conduct Authority (FCA) on 1 April 2013, these mortgage lending statistics are compiled and published jointly by the two regulators.

2 Please note that tables in this release are summaries of more detailed data tables. The linkages between these information sets in each case are as follows:

Release Table	Underpinning Data
A	Table 1.11
B	Table 1.21
C	Table 1.22
D	Table 1.33
E	Table 1.33
F	Table 1.31
G	Table 1.7
H	Table 1.7

Regulated and non-regulated loans

3 A regulated loan is a loan to an individual, secured by a first charge on residential property, and where the property is for the use of the borrower or a close relative.

4 A non-regulated loan for MLAR purposes is all other mortgage lending to individuals that is not regulated. It includes buy-to-let lending, second charge lending and, in some cases, further advances on loans that were originally taken out before regulation came into effect on 31 October 2004.

5 All mortgage loans extended before 31 October 2004 are classified as non-regulated. This means that there will be a gradual shift over time in numbers and amounts outstanding from the non-regulated to regulated mortgage lending categories, as older mortgages are paid off or are subject to re-mortgaging. Flows of non-regulated mortgage lending have been modest compared to regulated mortgage lending since that date.

Securitisations

6 Some lenders parcel up loans into a special purpose vehicle (SPV), and create Loan Notes secured on the parcel of loans ("securitisation"). They sell the Notes to third party investors; thereby raising funding that broadly matches the loans, with the risks attached to the loans passing from the lender to the Note holders.

7 Additional guidance has been given on the classification of securitised loans where that security has subsequently been used as collateral for Bank of England liquidity schemes, such as the Special Liquidity Scheme. For more details see http://www.fca.org.uk/firms/systems-reporting/gabriel/help/mla. In such circumstances the risks attaching to the performance of the underlying pool of loans remains with the lender and no risk transfer has taken place to the Bank of England; these loans should therefore be reported on the MLAR as un-securitised loans. Due to this there has been some reclassification between the securitised and un-securitised portfolios. This affects the series in tables 1.4 and 1.6 in particular.

New business volumes

8 Data are collected on three prime measures for the unsecuritised loan book:

- Gross advances: the amount of new loans to borrowers.

- Net advances: the amount of gross advances less borrower repayments (including normal periodic repayments on capital repayment loans; repayment of existing loans at time of re-mortgage or house move etc.).

- New commitments: the amount of new lending that a lender has agreed to advance in coming months to house movers, re-mortgagers, first time buyers, and those seeking a further advance.

Lending criteria

9 The two main measures within the dataset of lending criteria are loan to value (LTV, the loan as a percentage of the value of the property) and income multiple (the loan advance as a multiple of income, defined as the borrower's main income, pre-tax). Income multiple calculations are reported separately for single income and for joint income loan applications.

10 Another characteristic of new lending is information about whether a borrower had an impaired credit history at the time of the new loan application. The MLAR definition of an impaired credit history includes borrowers with any of the following: arrears of three months or more on a previous loan in the last two years; county court judgement (CCJ) over £500 in the last three years; or being subject to a bankruptcy order or IVA at any time in the last three years.

Interest rate analysis

11 MLAR classifies mortgage lending by fixed or variable rate basis, and collects data on average interest rate margins defined as the margin of the interest rate over the Bank of England Bank Rate (BBR). Fixed rate includes all products subject to a fixed interest rate for a stated period or subject to a cap or collar arrangement, but not variable rate products subject to annual review payment arrangements. Variable interest rates cover all other interest bases, including those at a premium or discount to an administered rate.

12 Weighted average interest rates are calculated by weighting the relevant nominal interest rates applying over the quarter by amounts outstanding at the previous reporting date, by individual products.

Arrears and possessions

13 Arrears are defined as instances when any contractual payments, of capital, interest fees or other charges, are overdue at the reporting date. Arrears reported in the MLAR data relate only to loans where the amount of actual arrears is 1.5% or more of the borrower's current loan balance. For example, if the loan balance is £100,000 arrears in respect of the loan will only be captured in MLAR once they have reached £1,500 or more.

14 For accounts in arrears, a temporary concession is defined as an agreement with the borrower whereby the monthly payments are either suspended or less than they would be on a fully commercial basis. A formal arrangement is defined as either an agreement to capitalise all or part of past arrears or an agreement to make increased monthly payments to reduce some or all of the existing arrears. Amounts in arrears subject to temporary concessions continue to be classified as arrears. Amounts in arrears subject to capitalisation arrangements are reported as arrears until the criteria for 'fully performing loans' are met, which include that the revised schedule of loan repayments has been met for at least six months.

15 Information on accounts with temporary concessions or formal arrangements relates only to those cases which have arrears over the reportable threshold. There may be other types of forbearance in place for some borrowers which are not captured in these figures as they are either not yet in arrears, or the arrears are not sufficiently large to be reportable.

16 Data are collected on the performance of loans in arrears. Performance is measured as payments received in the quarter expressed as a percentage of payments due (i.e. under normal commercial terms to fully service the mortgage debt).

17 For accounts in arrears, data on capitalisations are also collected and published. Capitalisations are defined as formal arrangements to add all, or part of, a borrower's arrears to the amount of outstanding principal.

18 A 'possession' relates to any method by which, in an arrears case, the lender takes the secured property into their possession (including by a court Possession Order, or by voluntary surrender by the borrower). This also

includes cases where Receivers of Rent have been appointed. MLAR possessions data relate to individual loan accounts in possession.

Arrears as a percentage of balances approach

19 The 1.5% threshold used in the "arrears as a percentage of balances approach" was adopted to replace an earlier 2.5% threshold that had been used in analysis of building society arrears from the early 1990s. At that time, 2.5% was judged to be broadly equivalent to three months of arrears, a traditional yardstick, given prevailing interest rates of around 10%. The 1.5% threshold would represent a rough equivalent to three-months arrears for interest rates at levels around 6%.

20 For ease of comparison, sub-totals for a 2.5% threshold as well as for the 1.5% threshold are presented in the Detailed Tables on arrears. More detail is available in the Frequently Asked Questions (FAQs) relating to the MLAR on the FSA website at http://www.fca.org.uk/firms/systems-reporting/gabriel/help/mla

Loan accounts in arrears

21 It should be noted that numbers of loan accounts in arrears, which is the basis on which these data are reported in the MLAR statistics, need not equate to the number of borrowers in arrears. Numbers of individual loan accounts in arrears will include arrears rising on:

- First charge loans;
- Second and subsequent charge loans (where the borrower takes an extra loan from another lender); and
- Some further advance loans (cases where the first charge lender establishes a further advance on the original mortgage as a separate loan account, but is unable to combine the two accounts for MLAR reporting purposes).

22 As a result, arrears numbers on the MLAR are reported on a different basis from, and are materially higher than the corresponding data published by the Council for Mortgage Lenders (CML), on numbers of first charge mortgages in arrears. A second, more significant, difference between these datasets which adds to this effect is the use of a higher percentage of balances threshold for arrears, 2.5% in the case of CML data, compared to 1.5% in the case of MLAR data.

Loan accounts in possession

23 This number does not represent the number of borrowers that have been subject to possession. It represents the number of individual loan accounts in possession, and covers possessions arising on:

- First charge loans
- Second and subsequent charge loans (where the borrower takes an extra loan from another lender)

24 In practice however, where a borrower has first and second charge loans with separate lenders, it will not always be the case that both lenders report their loan accounts as a possession. MLAR possession figures also include cases where a Receiver of Rent has been appointed.