Financial Services Authority

Mortgages

Product Sales Data (PSD)

Trend Report | 2005-2010

August 2010

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Trend Report 2005-2010

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Contents

1. Highlights 2009-2010

All figures relate to reported mortgage sales transacted between 1 April 2009 and 31 March 2010, unless stated otherwise.

Sales	0.93m mortgage sales with a total value of £123 billion have been reported using mortgage product sales data (PSD) (2008/09 – 1.2m sales with a value of £171 billion). Average loan value as reported was £133,000 (2008/09 – £138,000). 38% of all transactions were remortgages (2008/09 – 60%); 36% were home movers (2008/09 – 23%); and 22% were first-time buyers (2008/09 – 13%). Mortgage sales for house purchases (i.e., excluding remortgages) were 37% lower in Q1 2010 than in Q1 2009. Ten mortgage lenders accounted for about 85% of the market by sales volume.
Interest rates	64% of all sales were fixed-rate mortgages (2008/09 – 59%). 78% of first-time buyers opted for a fixed-rate mortgage (2008/09 – 74%). Average initial interest paid for all types of mortgages (where recorded) was 4.2% (2008/09 – 5.4%). The average mortgage spread over the Bank of England base rate was 3.7% (2008/09 – 2.2%).
Advice	70% of all mortgage transactions made were advised sales (2008/09 – 67%). 90% of all mortgages sold by intermediaries were advised sales compared to 89% in 2008/09.
Repayment methods	72% of customers chose capital and interest as their mortgage repayment method (2008/09 – 63%). 19% of mortgages sold were interest-only mortgages where the borrower did not have a dedicated repayment vehicle or the lender was not aware of the repayment vehicle (2008/09 – 15%).
Loan-to-value ratios	74% of mortgage lending was to borrowers requiring loan-to-value ratios of less than 75% (2008/09 – 69%). For first-time buyers the figure is 48%, up from 36% in 2008/9. Mortgage lending with loan-to-value ratios in excess of 90% accounted for 1.8% of all mortgage sales (2008/09 – 6.5%).
Credit to customers with impaired credit history	0.4% of all mortgages advanced were impaired credit mortgages (2008/09 – 1.5%). Sales of impaired credit mortgages in Q1 2010 were 38% lower than Q1 2009.

2. Introduction

In December 2005, we made a commitment to the industry to publish aggregate product sales data (PSD). We first published data in June 2007 covering the period April 2005 to March 2007. The last annual trends report was published in August 2009. We are also publishing PSD trends reports covering retail investments and pure protection insurance contracts.

This year, in line with our commitment to greater transparency, we are publishing the underlying data in accompanying tables on our website. These tables cover the five-year history of the dataset (from April 2005 until March 2010).

Because this year we are presenting the full five-year time series for the first time, we have also increased the depth of our commentary. However, please note that we do not intend to run an exhaustive analysis on all information available either in this publication or in future. Instead, we will focus on interpreting the trends we deem more insightful within the mortgage market.

If you have any comments on the content of this report, or suggestions on how we might improve future issues of the PSD reports, please contact us at: product.sales@fsa.gov.uk. We welcome your feedback.

3. What is product sales data (PSD)?

Since 1 April 2005, product providers have been required to provide us with transaction level data on all sales of regulated mortgage contracts, retail investment products and certain pure protection products to retail and private customers. This covers direct sales by firms' own sales forces and sales made by intermediaries. Between April 2009 and March 2010 some 534 firms provided PSD reports, with 180 reporting mortgages, 364 reporting retail investment products and 65 reporting pure protection products. Some firms report on more than one product area and a number of firms provide nil returns.

Reporting firms are required to submit PSD reports quarterly. By 31 March 2010 we received PSD for 20 calendar quarters, covering over 26m transactions.

PSD provides an important source of information that helps our risk-based supervision strategy in relation to retail firms and markets. The nature of the data means we can use it at the detailed level to identify individual sales by firms and at the aggregate level to monitor product and market sales patterns. The dataset supports identifying risk in individual firms and the wider market and supports our policymaking.

4. Interpreting the data

Please note the following points.

1. This report focuses on the volume of transactions, not the value.
2. Some totals may show slight discrepancies due to rounding of figures.
3. Since 1 April 2006, all PSD reporting firms have been required to state whether customers received advice at the point of sale, therefore all analysis involving advised sales will be from this date onwards. For more information on what constitutes an advised sale, please refer to the appendix.
4. PSD only captures new sales; transfers, top-ups, alterations, increments and renewals are generally not included.
5. Some of the figures may be seasonally adjusted and can be identified by the abbreviation '(s.a.)' after any figure it applies to. We have adjusted for seasonality because sales of several products present clear seasonal patterns. Once adjusted, we can extract directional trends better and compare consecutive quarters. As a result, when adjusted for seasonality, the data are not comparable with the figures which appeared in previous PSD publications, even if referred to the same period.[1]

5. What information is available from mortgage PSD?

Details of loans for house purchases and remortgages are captured by mortgage PSD, but data relating to further advances is not. Mortgage PSD also only covers regulated mortgage contracts and therefore excludes products such as second-charge lending, commercial and buy-to-let mortgages.

A reportable mortgage transaction applies where the transaction has completed (i.e., the funds have been transferred from the lender to the borrower).

Definitions of terms relating to mortgage PSD are included in the appendix.

6. How does mortgage PSD compare to other published data?

The data submitted by each lender for mortgage PSD is the same as the data submitted to the Council of Mortgage Lenders (CML) for their Regulated Mortgage Survey. However, the figures published from the Regulated Mortgage Survey will differ from mortgage PSD because a small number of mortgage lenders do not submit data to the CML.

We may publish other sources of mortgage data, such as those derived from the Mortgage Lending and Administration Return (MLAR) which may not be directly comparable to mortgage PSD due to differences in data coverage. For example, further mortgage advances are included in the MLAR but not in the PSD. Users of this report are therefore advised to take care in comparing mortgage PSD with other such data.

7. The overall trend in mortgage sales

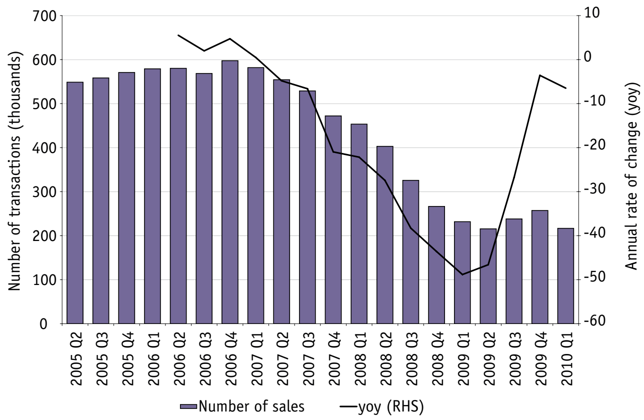
Mortgage sales of 0.93m were reported between 1 April 2009 and 31 March 2010 (versus more than 1.2m a year ago). Of all lenders that reported mortgages sales using PSD, the top ten accounted for about 85% of all sales by volume.

During the year between 1 April 2009 and 31 March 2010, mortgage sales reached their lowest level since we started to record this data in Q2 2005. Economic uncertainty, reduced mortgage funding, falling house prices, poor economic data and tighter lending criteria have all contributed to this decline. However, the rate of decline in mortgage sales has slowed since Q2 2009. Although still in negative territory (mortgage sales contracted again in Q1 2010), the rate of contraction is currently less pronounced than last year (6.5% yoy[2] versus 48.8% yoy in Q1 2009, see Figure 1).

1 We adjust the data for seasonality by applying the x12 filter (see www.census.gov/srd/www/x12a/).

2 From now onwards, yoy stands for annual rate of change (year over year) and qoq stands for quarterly rate of change (quarter over quarter).

Figure 1: Trend in mortgage sales – April 2005 to March 2010



Source: FSA Mortgage PSD.
Notes: RHS stands for right hand side. Data are seasonally adjusted.

Table 1: Selected macroeconomic indicators – Q1 2009 to Q1 2010

	RICS Survey*, average sales per chartered surveyor, % yoy	UK Halifax, House Price Index: all houses: all buyers, % yoy	GfK Consumer Confidence Barometer , s.a., % balance	UK FTSE all share price index	GDP growth, % qoq	Unemploy -ment rate
Q1 2009	-57%	-17%	-34%	1,998	-2.3%	7.1%
Q2 2009	-29%	-15%	-26%	2,199	-0.7%	7.8%
Q3 2009	33%	-7%	-22%	2,503	-0.3%	7.9%
Q4 2009	79%	2%	-16%	2,664	0.4%	7.8%
Q1 2010	78%	5%	-15%	2,769	0.3%	7.9%

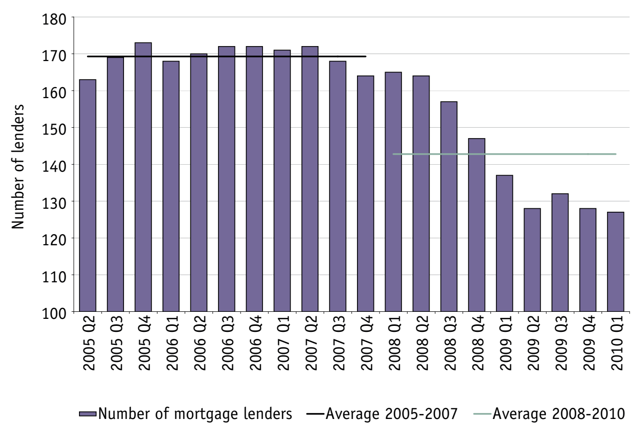
Sources: Royal Institution of Chartered Surveyors (RICS), Halifax, GfK NOP, Financial Times, Office of National Statistics, Haver Analytics.
Note: * Completed sales per surveyor.

Total sales in Q1 2010 contracted by 15.8% (s.a.) qoq[3] compared to an expansion of 8.1% (s.a.) qoq the previous quarter. There are, however, technical factors which may have contributed to this decline. In particular, some homebuyers had brought forward house purchases before the removal of stamp duty relief on 1 January 2010 (and thus the expansion in Q4 2009 followed by a contraction in Q1 2010). Also, the severe weather conditions around the turn of the year are likely to have reduced house sales (and therefore mortgages) further.[4] The trends in PSD mortgage sales are in line with a range of other indicators correlated with the housing market (see Table 1). Although still well below historical averages, most of these data improved during 2009. Only the labour market, as a lagging indicator of the business cycle, did not show signs of improvement.

Overall mortgage market trends will reflect both supply (lenders) and demand (consumers) side factors. The PSD cannot differentiate these. However, evidence from the Bank of England Credit Conditions Survey on Secured Lending suggests that both factors have played a role. On the supply side, credit was less easily available to households in 2008 and early 2009 than in late 2009 and Q1 2010. The net balance of response on the approval rate for credit applications (comparing the quarter in question with the previous quarter during the past three months) averaged -20 in Q1 2008 to Q4 2009, rising to -4 in Q1 2010. On the demand side, the survey also records a sustained increased in secured credit demand from the lowest point in Q3 2008 up to Q3 2009 with a reduction thereafter.

The number of mortgage lenders in the market[5] has declined significantly since 2008 and is now at its lowest (127) since firms started reporting PSD. However, during the period between April 2009 and March 2010, this number has not changed significantly, oscillating between 132 and 127 (see Figure 2). This compares with the previous year (April 2007 to March 2008), when the number of mortgage lenders dropped from 164 to 137.

Figure 2: Number of mortgage lenders – April 2005 to March 2010



Source: FSA Mortgage PSD.

3 We adjust the data for seasonality by applying the x12 filter (see www.census.gov/srd/www/x12a/).

4 See e.g. Bank of England (see 'Trends in Lending' March 2010 or May 2010).

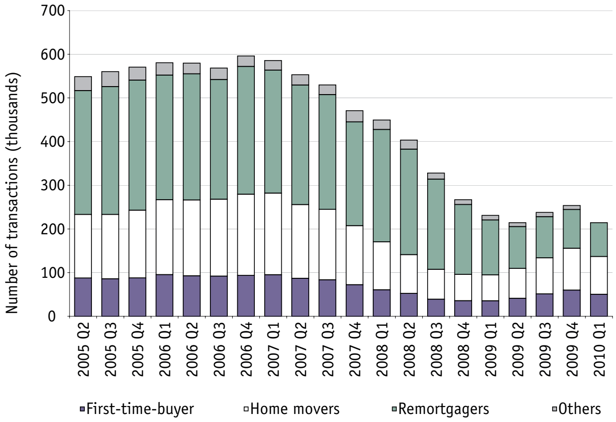
5 These figures include all mortgage lenders which have underwritten at least one mortgage in each period.

8. The characteristics of new mortgage sales

8.1 Purpose of loan

Purchases by first-time buyers and home movers were the two categories which expanded in Q4 2009 (by 16.9% (s.a.) qoq and 16.1% (s.a.) qoq respectively). Remortgages as a proportion of total new mortgage sales during this quarter were significantly lower than previous quarters (around 35% (s.a.) in Q4 2009 versus 60% (s.a.) during Q4 2008). This decrease in remortgaging may reflect increased lending in net terms as identified by the Bank of England in its March 2010 report 'Trends in Lending' when looking at several datasets.[6] However, all categories contracted in Q1 2010, affected by the factors mentioned previously.

Figure 3: Mortgage sales by purpose of loans – April 2005 to March 2010



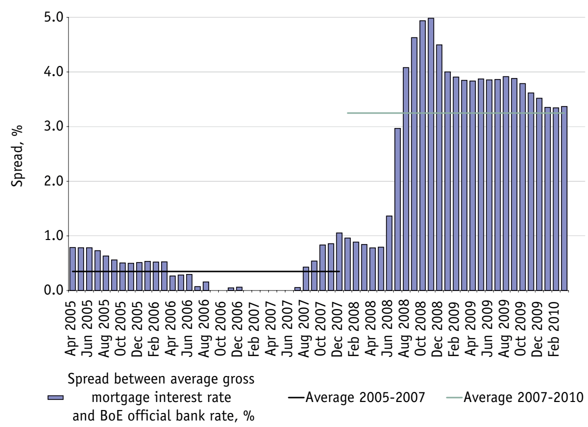
Source: FSA Mortgage PSD.
Note: Data have been seasonally adjusted.

While there has been a significant contraction in lending to all types of buyers since Q2 2005, the period from Q2 2009 to Q1 2010, saw an expansion of new mortgage sales for first-time buyers (22.4% (s.a.)) and a contraction for remortgagers (-19.0% (s.a.)). The decline in remortgages reflects an end to the decline in interest rates. The average initial interest rate paid by all borrowers in 2009/10, where recorded, was 4.2% compared to 5.4% in 2008/09. This reduction in remortgage lending followed the reduction in base rates in 2008 and 2009. Furthermore, the rise in spreads on new mortgage deals since the financial crisis has greatly reduced the incentive to re-mortgage.[7]

8.2 Lending spreads

Despite this sustained reduction in interest rates, mortgage spreads (computed as the difference between mortgage rates and the Bank of England base rate) have significantly widened since mid-2008 and remain high by historical standards. The spread has declined slightly to 3.4% from its November 2008 peak of 5%. While the average mortgage spread during the period 2005-2007 was 0.35%, this figure rose to 3.25% for the period 2008-2010. This widening in spreads reflects a rise in the marginal costs driven by two main factors. The first is that perceptions of credit risk and their required risk premium has increased. And the second is that as volumes have declined, lenders have had to recover fixed costs from a smaller number of sales, increasing the margin required per sale. It is unclear, therefore, whether the increase in spreads has resulted in any gain in lender profitability, because lenders' funding costs have also been rising relative to the base rate.[8]

Figure 4: Mortgage spreads over time – April 2005 to March 2010



Source: FSA Mortgage PSD.

8.3 Types of interest rate

The reduction in the number of mortgage sales which took place between Q4 2007 and Q2 2009 has been more pronounced for discount variable rates than for fixed rate mortgages and trackers (-77.3% (s.a.) versus -52.9% (s.a.) and -59.3% (s.a.) respectively). This is likely to reflect consumers' eagerness to lock in deals at low rates at a time when further interest rate reductions were perceived as unlikely. From mid-2008, high economic uncertainty has also worked towards rendering fixed rate deals more attractive. However, this trend changed during Q4 2009 and Q1 2010, with discounted variable rates and trackers expanding (by an average of 35% (s.a.) qoq and 43.9% (s.a.) qoq

6 The increase in net lending would refer to January 2010.

7 See '*The outlook for mortgage funding markets in the UK in 2010-2025*', Council of Mortgage Lenders.

8 See '*The outlook for mortgage funding markets in the UK in 2010-2025*', Council of Mortgage Lenders.

per quarter respectively) while fixed rates have contracted (by 20.5% (s.a.) qoq per quarter). This may reflect either expectations on the part of consumers that interest rates will remain low.

Despite this recent contraction, fixed interest rate mortgages are still by far the most popular, accounting for about 63% (s.a.) of all mortgages sold in the last year.

8.4 Repayment method

Another trend is the move away from interest only products towards more conservative (e.g. capital and interest) repayment methods. Indeed, sales of new mortgages with capital and interest repayment methods have expanded by 6.4% (s.a.) between Q2 2009 and Q1 2010 versus a contraction of 8.7% (s.a.) for interest only mortgages.[9] Equally, the proportion of interest only mortgages with an unknown repayment vehicle has decreased significantly from 24.1% in Q1 2008, to 16.5% in Q1 2009 and 14.9% in Q1 2010. These developments also reflect increased conservatism in the wake of the US mortgage backed securities crisis, leading both lenders and borrowers away from lending which relies heavily on equity gains.

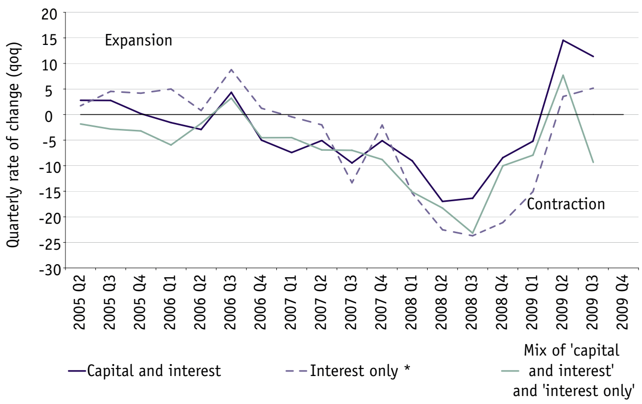
The PSD also allows us to examine how the repayment method varies according to the purpose of the loan. Table 2 shows that capital and interest repayment method is particularly popular among right to buy buyers and first-time buyers (86% and 89% respectively chose this method). Both proportions have increased since last year (78% and 73% respectively). The increased reliance of remortgagers on interest only mortgages, combined with the decline in lending for this purpose (see Table 2), helps explain the overall pattern of a relative decline in interest only lending.

Table 2: Mortgage sales by repayment method type of borrower – April 2009 to March 2010

	Capital and interest	Interest only with an unknown repayment vehicle	Interest only with a repayment vehicle	Mix of 'capital and interest' and 'interest only'	Unknown repayment method
Total	666,553	135,188	66,475	52,982	8,853
Remortgagers	65%	18%	8%	8%	1%
Home movers	70%	15%	8%	6%	0%
First-time buyer	89%	5%	4%	2%	0%
Right to buy	86%	5%	7%	2%	0%
Other	52%	26%	5%	2%	15%

Source: FSA Mortgage PSD.

Figure 5: Mortgage sales by repayment method – April 2005 to March 2010



Source: FSA Mortgage PSD.
Notes: Data have been seasonally adjusted. * Interest only consists of interest only with and without repayment vehicles.

8.5 Income verification and higher risk lending

Increasingly conservative market outcomes are also apparent in the trends relating to income verification. While until 2008 new mortgages sales where the borrower's income was not verified were expanding the fastest, this changed after the crisis. In Q1 2010 sales of non-income verified mortgages contracted by 25.3% (s.a.) yoy, while sales of income verified mortgages expanded by 15.0% (s.a.) yoy (see Figure 6). A similar observation can be made concerning mortgages to impaired and non-impaired credit customers. The former contracted by 25.3% (s.a.) yoy in Q1 2010 while the latter expanded by 15.0% (s.a.) yoy. And yet again, mortgage sales to self-employed customers[10] have contracted the most since the bottom of the cycle in

9 Including interest only mortgages with known repayment vehicles (ISAs, endowments and pensions) and unknown repayment methods.

10 Loans to self-employed are statistically more risky than those to the employed. See e.g. Mortgage Market Review: Responsible Lending, Consultation Paper 10/16 Exhibit 3.1. Self-employment is just one of a number of risk factors.

Q2 2009, falling by 11.7% (s.a.) versus an expansion of 2.9% (s.a.) for employed people and of 8.3% for retired persons.

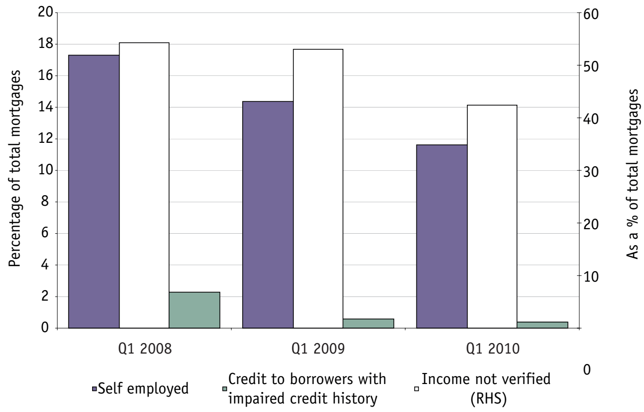
Figure 6: Mortgage sales by income verification – April 2006 to March 2010

Source: FSA Mortgage PSD.

Note: Data have been seasonally adjusted.

An alternative way of seeing this trend is by looking at the proportion of mortgage sales with specific characteristics over time (see Figure 7). Here we focus on the relative importance of mortgages which may be perceived as more risky.[11] This is either because they are highly responsive to the business cycle (such as those offered to self employed people), because customers' income has not been verified or because the credit history of the person contracting the new mortgage is impaired. Figure 7 shows that the trend has been towards reducing the relative share of mortgages with 'risky' characteristics.

Figure 7: Mortgages with specific characteristics as a proportion of total mortgages in selected quarters



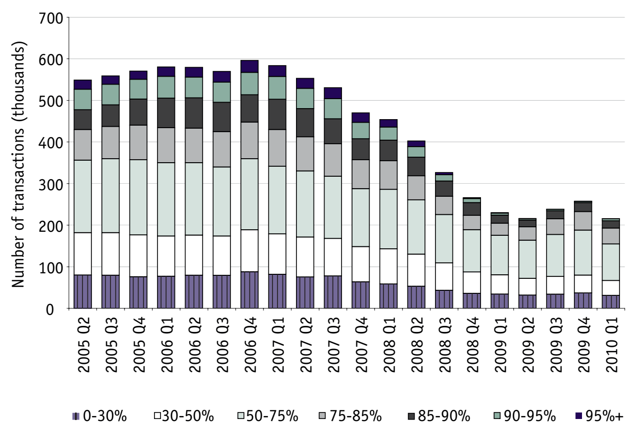
Source: FSA Mortgage PSD.

Note: RHS stands for right hand side axis.

8.6 Loan to value ratios

Figure 8 shows the evolution of mortgage sales by loan to-value ratios (LTV). Note that the decline in mortgage sales has not affected all LTV bands equally. Mortgage lenders virtually stopped offering mortgages with a LTV at or above 95% in late 2008. In Q1 2010, the most popular LTV ratio continued to be the 50-75% band. However, while 76% (s.a.) of all new mortgage sales had a LTV of below 85% in Q4 2007, by Q1 2010 this figure had increased to 89% (s.a.).[12] Yet again, there is a trend for mortgage lenders to act in a more conservative manner, with tighter lending criteria and the need for borrowers to put up more significant deposits.

Figure 8: Mortgage sales by loan-to-value ratios – April 2005 to March 2010



Source: FSA Mortgage PSD.

Note: Data have been seasonally adjusted.

11 These are well-established risk indicators, see e.g. *'Relative Indicators of Default Risk Among UK Residential Mortgages'*, Rida Zaidi and Atanasios Mitropoulos, 2009.

12 Following Basel II, there is an incentive for Banks and Building Societies to reduce their average LTV ratio because of capital requirements for loans with LTV greater than 80%.

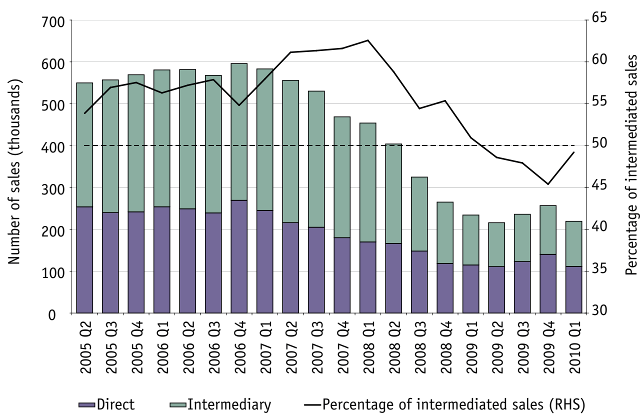
8.7 *Lifetime mortgages*

The trend towards more conservative mortgage practices continues when we look at data on lifetime mortgages. From the bottom of the market in Q2 2009, lifetime mortgages have contracted by 4.0% (s.a.), while non life-time mortgages have expanded by 0.6% (s.a.) yoy.

8.8 *Sales channels*

Looking at the evolution of the proportion of intermediated sales in the mortgage market we can easily differentiate two sub-periods: between Q2 2005 and Q1 2008 most mortgage products were sold through intermediaries, with the proportion consistently increasing during the same period (from 54% to 63%, s.a.). From Q1 2008, the trend was for a consistent decline in this ratio, with the result that, between Q2 2009 and Q1 2010, intermediated sales were no longer the majority (the ratio ranging between 45-49% s.a.). This strong preference for direct sales may reflect a concern from investors following the economic crisis and ensuing financial turmoil. This trend reversed in Q1 2010.

Figure 9: Mortgages by sales channel – April 2005 to March 2010



Source: FSA Mortgage PSD.
Note: RHS stands for right hand side. Data have been seasonally adjusted.

8.9 *Advised sales*

Customers of new mortgages typically receive advice when buying these products. The proportion of mortgage sales with advice has increased in the last two years (from 69% (s.a.) in Q1 2008 to 72% (s.a.) in Q1 2010). This may reflect that increased uncertainty and increased awareness of the risks has prompted potential customers to seek advice more often when contracting new mortgages.

9. A closer look at first-time buyers

Possibly the most interesting category of borrowers is first-time buyers. The flow of new buyers is key to the overall health of the market.

Table 3 shows that 78% of first-time buyers opted for fixed rate mortgages, an increase of 4 percentage points since last year (74%). In line with the overall trend observed in the market, first-time buyers also seem to choose (or to be offered) more traditional repayment methods.

Table 3: Mortgage sales by type of borrower and type of interest rate – April 2009 to March 2010

	Remortgagers	Home movers	First-time buyer	Right to buy	Other
Borrower type total	357,374	332,783	202,662	3,000	34,232
Fixed	63%	58%	78%	77%	53%
Tracker	24%	25%	16%	20%	15%
Discounted variable	6%	6%	4%	1%	1%
Standard variable	6%	10%	2%	2%	13%
Capped	0%	0%	0%	0%	0%
Other	0%	0%	0%	0%	17%

Source: FSA Mortgage PSD.

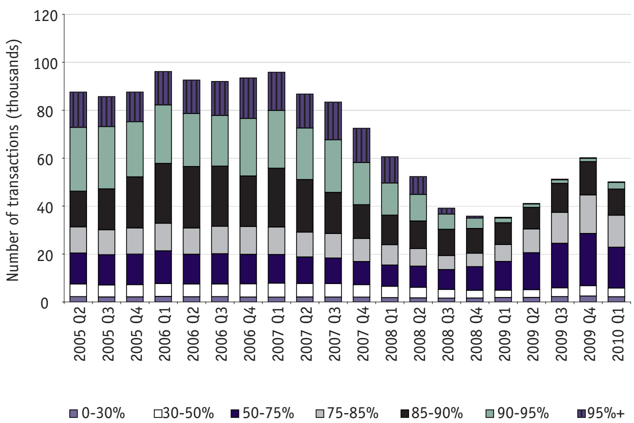
First-time buyers are more likely to take a sole income than a joint income mortgage. The difference between the proportion of sole income and joint income new mortgages has been widening consistently since 2008 Q2.

Figure 10: First-time buyers by type of income – April 2005 to March 2010

Source: FSA Mortgage PSD.
Note: Data have been seasonally adjusted.

When looking at LTV bands, mortgages for first-time buyers show the same trends as we observe for all types of buyers, but are much more pronounced. As expected, first-time buyers need relatively higher LTV ratios than other type of borrowers. This can be better appreciated by comparing Figure 8 and Figure 11. For first-time buyers, the proportion of new mortgages with an LTV of 75% or above is significantly higher. Indeed, before the crisis began in 2007, the top two LTV bands (90%-95% and 95%+) represented a significant portion of new mortgage sales among first-time buyers (25% and 18%). This compares with 9% and 5% respectively for all types of borrowers. After the crisis began, first-time buyers have been obtaining loans with lower LTV ratios, with the bands 50%-75% and 75%-85% increasing the most in recent years. Overall, the proportion of first-time buyers obtaining mortgages with LTV of over 75% has declined from 64% in 2008/9 to 52% in 2009/10.

Figure 11: First-time buyer mortgage sales by loan-to-value ratios – April 2005 to March 2010
Source: FSA Mortgage PSD.

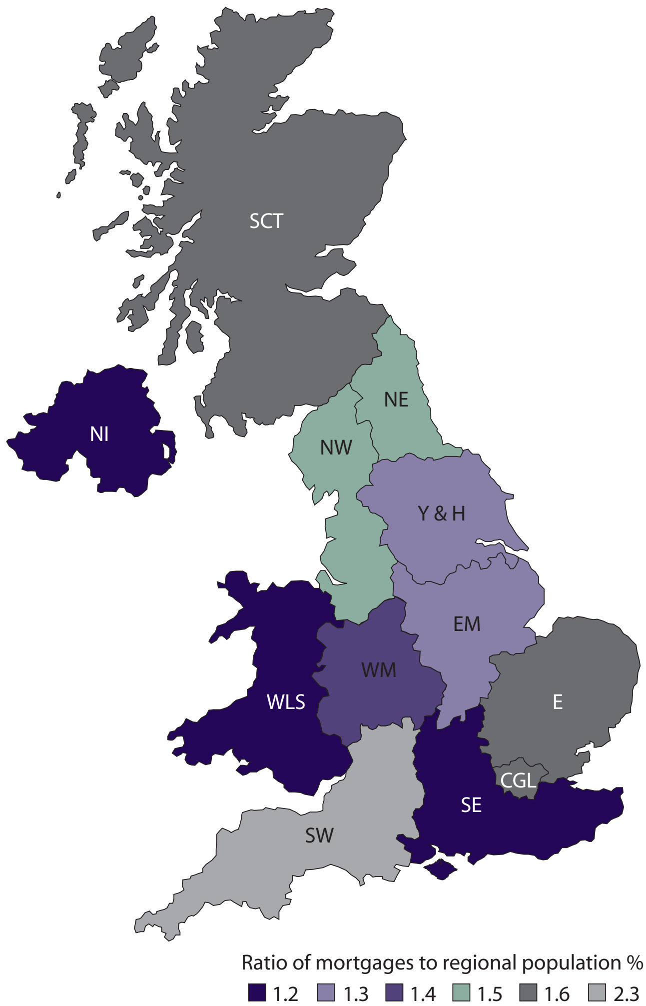


Note: Data have been seasonally adjusted.

10. Regional analysis

PSD also provides information on mortgage deals by postcode areas across the UK. Ever since the beginning of the PSD there has been a sustained decline in sales of new mortgages (between 54%-89% depending on the region). During the last year, the regions which are still losing in relative terms (i.e. where the proportion of new sales over total sales has declined the most) include the North West, Northern Ireland and Scotland. Areas which increased their share of new mortgages include the East and the South West.

Figure 12: Ratio of mortgages to the UK regional population – April 2009 to March 2010



Sources: FSA Mortgage PSD and Office of National Statistics.
Note: CGL stands for Central & Greater London, EM stands for East Midlands, E stands for Eastern, NE stands for North East, NW stands for North West, NI stands for Northern Ireland, SCT stands for Scotland, SE stands for South East, SW stands for South West, WLS stands for Wales, WM stands for West Midlands, Y & H stands for Yorkshire and The Humber.

Appendix

PSD definitions[13] – mortgages[14]

Advised/ non-advised sales An advised sale occurs when an advisor of a regulated firm gives a personal recommendation to the customer after assessing the customer's needs and circumstances. This is specific and individual advice to the customer and is not generic.

A non-advised sale occurs when no personal recommendation is made to the customer. The customer receives information on the product to enable them to make an informed decision about whether it meets their own needs and circumstances. Non-advised sales include 'execution only' and 'direct offer transactions'.

Capped and collared A variable interest rate that is guaranteed not to exceed a stated maximum rate (the capped rate) for a specific period of time. Also includes products where the interest rate is subject to a minimum rate (the collared rate).

Discounted rate Where a discount is applied to the lender's standard variable rate, usually for a limited period.

Fixed rate Where the interest rate is fixed for a stated period.

Home reversion plan An equity release arrangement where the occupier of a property sells the property (or a part interest in it) to the reversion provider and receives a lump sum and/or an income in return. The occupier retains the right to live in the property under a lease of life or until a specified event occurs.

Where the interest rate is fixed for a stated period.

Lifetime mortgage A regulated mortgage contract, which is targeted at older customers and is repaid by selling the property when the customer dies, goes into long-term care or otherwise vacates the property.

Impaired credit mortgage Mortgage lending to a borrower who does not have a standard credit history, ie a recent history of either:

(a) arrears on a mortgage or secured loan. This applies to secured loans where the borrower(s) has arrears on a previous (or current) mortgage or other secured loan within the last two years, where the cumulative amount overdue at any point reached three or more monthly payments; or

(b) arrears on an unsecured loan. This applies to unsecured loans where the borrower(s) has arrears on a previous (or current) mortgage or other secured loan within the last two years where the cumulative amount overdue at any point reached three or more monthly payments; or

(c) Individual Voluntary Arrangement (IVA). This applies where the borrower(s) has been subject to an IVA at any time within the last three years; or

(d) bankruptcy. This applies where the borrower(s) has been subject to a bankruptcy order at any time within the last three years.

(e) County Court Judgement (CCJ). This applies where the borrower(s) has been subject to a CCJ greater than £500 within the last three years.

Standard variable rate The rate that is the lender's underlying variable interest rate. This rate is a basic variable rate charged to borrowers with no discounts or other special deals. It is also the rate used by the lender as a reference rate when defining a discounted variable rate product (eg, discounted product ABC is 0.50% below the lender's standard variable or basic rate). This is the rate that mortgage deals will often revert to after a special rate period.

13 The definitions in this appendix have been compiled from various sources including the FSA Handbook Glossary, FSA Policy, Supervision Manual, Chapter 16 Annex 20G and the Council of Mortgage Lenders Housing Finance Issue, July 2005 and November 2006.

14 Mortgage PSD includes regulated mortgage contracts only, therefore excludes unregulated products such as second charge lending, commercial and buy-to-let mortgages.

Total gross income	This is the total of the gross annual incomes (before tax or other deductions) of each of the individual borrowers whose incomes were taken into account when the lender made the lending assessment/decision. For these purposes, each borrower's gross income is the sum of that person's main income and any other reckonable income (eg, overtime and/or income from other sources, to the extent that the lender takes such additional income into account in whole or in part).
Tracker	Where the interest rate is guaranteed to move in line with either the Bank of England Base Rate (BBR) or another index such as London InterBank Offered Rate (LIBOR). The rate can track above, below, or at the same level as the index rate.