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Statistical release

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

Residential loan amounts outstanding

The overall value of the residential loan amounts outstanding was £1,234 billion in Q3 2013, an increase of 0.3% compared with Q2 and an increase of 0.5% over the past four quarters.

Within the Q3 2013 total, amounts outstanding on regulated loans continued its upward trend, increasing to £966 billion. Amounts outstanding on regulated loans accounted for 78% of total loans. Non regulated loans decreased by 0.7% in the quarter to £267 billion.

The value of securitised amounts outstanding continued the recent declining trend, reducing by a further 4.2% in Q3 2013 to £111 billion. Unsecuritised amounts outstanding, however, continued to increase to £1,123 billion in Q3 2013. Consequently, the proportion of overall amounts outstanding accounted for by securitised balances decreased for the fourth quarter in succession to 9.0%, the lowest since the series began in 2007.

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

	2012 Q2	Q3	Q4	2013 Q1	Q2	Q3
Regulated:						
Unsecuritised	853.4	860.8	867.4	871.4	876.5	886.2
Securitised	93.5	92.1	89.1	85.7	84.1	80.3
Subtotal	**946.9**	**952.9**	**956.5**	**957.1**	**960.6**	**966.4**
Non regulated:						
Unsecuritised	246.5	241.7	238.8	238.2	237.2	236.5
Securitised	30.0	32.7	33.3	32.6	31.9	30.8
Subtotal	**276.6**	**274.4**	**272.1**	**270.8**	**269.1**	**267.3**
Total: (Regulated + Non regulated):						
Unsecuritised	1,099.9	1,102.5	1,106.2	1,109.6	1,113.7	1,122.7
Securitised	123.6	124.8	122.4	118.3	116.0	111.1
Total	**1,223.5**	**1,227.3**	**1,228.7**	**1,227.9**	**1,229.7**	**1,233.8**

New business volumes

Gross advances of £49.5 billion were recorded in Q3 2013, which was 25% higher compared with Q3 2012. While an upward movement in gross advances is usual in the third quarter of the year, this was the highest amount advanced in a quarter since Q3 2008.

Net advances were 29% higher compared with Q3 2012, at £7.2 billion, a level last seen in Q2 2011.

There was a 40% increase in the value of new commitments to £50.5 billion when compared with Q3 2012. This is also the largest quarterly amount of new commitments since Q2 2008.

Next release – 11 March 2014. Release available online at www.bankofengland.co.uk/statistics/Pages/calendar/default.aspx and www.fca.org.uk/firms/systems-reporting/mortgage-lending-stats.

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

	2012 Q2	Q3	Q4	2013 Q1	Q2	Q3
Business flows						
Gross advances	36.9	39.6	39.4	34.0	41.6	49.5
Net advances	4.7	5.6	4.2	1.2	5.1	7.2
New commitments	39.8	35.9	36.9	35.5	47.5	50.5
Balances outstanding						
Loans (exc overdrafts)	1,099.9	1,102.5	1,106.2	1,109.6	1,113.7	1,122.7
Commitments	70.8	67.4	52.6	67.1	67.9	69.2

Chart 1: Gross Advances and New Commitments

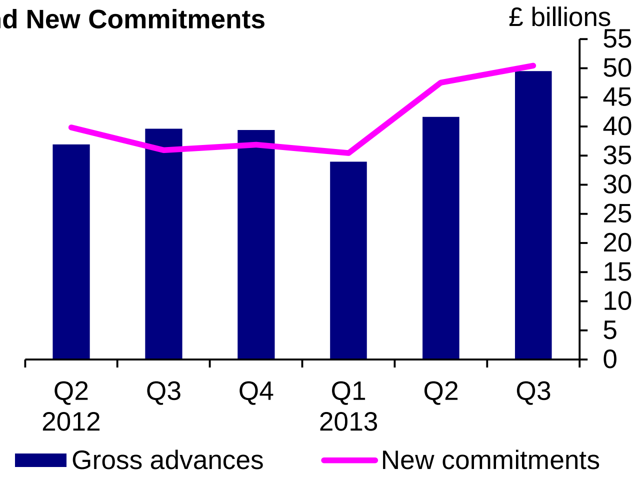
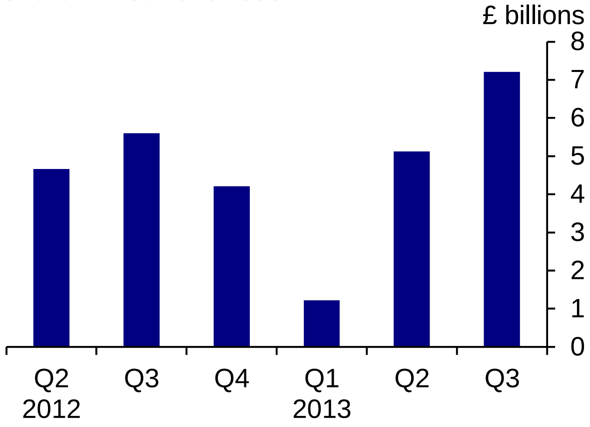


Chart 2: Net Advances



Lending characteristics of gross advances

Interest rate trends on residential lending

The proportion of gross advances at fixed rates increased for the fourth quarter in succession to 77.3% in Q3 2013, an increase of 2.0 percentage points compared to Q2 2013 and the highest percentage since the series began in 2007. The proportion of amounts outstanding accounted for by fixed rate loans increased by 1.4 percentage points since Q2 2013 to 30.7%.

The overall average interest rate on gross advances continued the downward trend experienced since Q3 2012 and decreased by 15bps in Q3 2013 to 3.32%, the lowest interest rate recorded since the series began in 2007. This was driven by fixed rate loan average rates decreasing by 18bps to 3.40% and variable rate loan average rates decreasing by 7bps to 3.07%.

The overall average interest rate on total amounts outstanding decreased slightly by 3bps to 3.40% in Q3 2013, the lowest since the series began in 2007. Within this, the average interest rate for fixed rate balances decreased by 19bps to 4.03%. In contrast, the interest rate on variable rate loans increased slightly in Q3 2013 to 3.12%.

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

	2012 Q2	Q3	Q4	2013 Q1	Q2	Q3
Interest rate basis						
Percent of business at fixed rates						
Gross advances	56.4	56.0	63.5	70.7	75.3	77.3
Balances outstanding	27.9	27.5	27.9	28.4	29.3	30.7
Weighted average interest rates						
Gross advances						
Fixed rate loans	4.22	4.33	4.10	3.80	3.58	3.40
Variable rate loans	3.20	3.32	3.30	3.28	3.14	3.07
All loans	3.78	3.89	3.81	3.65	3.47	3.32
Balances outstanding						
Fixed rate loans	4.65	4.59	4.49	4.37	4.22	4.03
Variable rate loans	2.99	3.01	3.09	3.10	3.10	3.12
All loans	3.46	3.45	3.48	3.47	3.43	3.40

Chart 3: Percentage of business above Bank Rate - Gross Advances

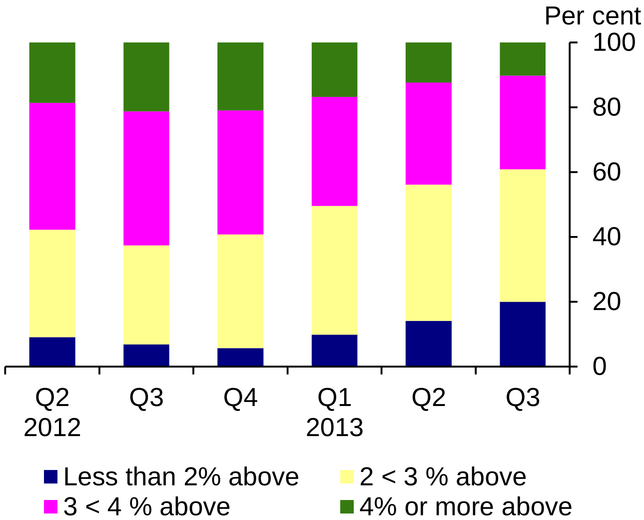
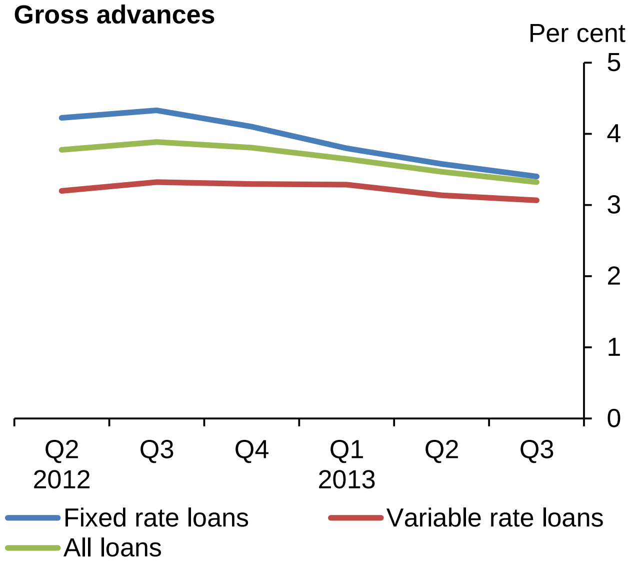


Chart 4: Weighted average interest rates - Gross advances



Breakdown by purpose of new lending[1]

The proportion of lending which was for house purchase in Q3 2013 was 67.6%, 2.6 percentage points higher than in Q2 2013. The amount of gross advances for house purchase in Q3 2013 was 28% higher compared to Q3 2012, at £33.5 billion.

The proportion of lending to first time buyers increased to 20.0% in Q3 2013, the highest proportion since the series began in 2007. The value of residential loans advanced to first time buyers increased by £2.7 billion over the past year to £9.9 billion, an increase of 37% and the highest since Q4 2007.

The proportion of lending which was for remortgage business fell back in Q3 2013, to 26.6%. The value of re-mortgage business increased from £10.8 billion in Q3 2012 to £13.1 billion in Q3 2013, an increase of 22%.

The proportion of lending which was for buy to let (BTL) fell back slightly to 11.8% in Q3 2013. However, there was a large increase in value terms over the past year – up from £4.1 billion advanced in Q3 2012 to £5.9 billion in Q3 2013, which was the highest quarterly amount since Q2 2008 and an increase of 42%.

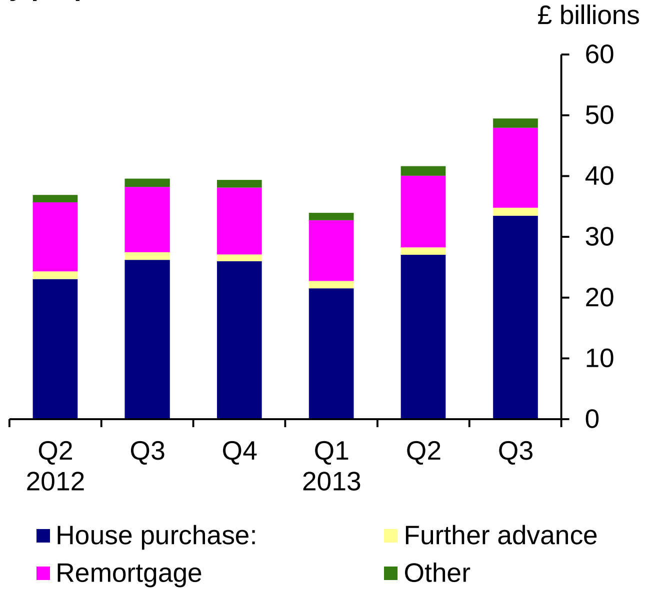
The proportion of other new lending (including lifetime and equity release mortgages) fell back to 3.2%, reversing the gradual upward trend experienced in previous quarters.

[1] All proportions noted are proportions of total residential loans to individuals.

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

By purpose of loan:	2012 Q2	Q3	Q4	2013 Q1	Q2	Q3
Advances						
Per cent						
House purchase:	62.4	66.2	66.0	63.4	65.0	67.6
Owner occupation:						
FTBs	16.5	18.2	19.1	18.2	19.1	20.0
Other	35.3	37.6	35.9	33.1	33.7	35.7
Buy to let	10.6	10.4	11.0	12.1	12.1	11.8
Further advance	3.4	3.2	2.8	3.5	3.0	2.7
Remortgage	30.9	27.2	27.9	29.4	28.3	26.6
Other	3.3	3.4	3.3	3.7	3.8	3.2
Amount (£ billions)						
House purchase:	23.0	26.2	26.0	21.5	27.1	33.5
Owner occupation:						
FTBs	6.1	7.2	7.5	6.2	8.0	9.9
Other	13.1	14.9	14.1	11.2	14.1	17.7
Buy to let	3.9	4.1	4.3	4.1	5.0	5.9
Further advance	1.3	1.2	1.1	1.2	1.2	1.3
Remortgage	11.4	10.8	11.0	10.0	11.8	13.1
Other	1.2	1.4	1.3	1.3	1.6	1.6
Total	**36.9**	**39.6**	**39.4**	**34.0**	**41.6**	**49.5**

Chart 5: Breakdown of gross advances by purpose of loan



There was a decrease since Q2 2013 in the proportion of new commitments for house purchase to 64.9%. However, the value of new commitments for house purchase increased from £23.5 billion in Q3 2012 to £32.8 billion in Q3 2013, an increase of 39%.

New commitments for re-mortgaging as a proportion of total commitments increased in Q3 2013 to 30.1%. It also increased in value terms to £15.2 billion in Q3 2013 compared with £10.5 billion in Q3 2012, an increase of 45%.

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

By purpose of loan:	2012 Q2	Q3	Q4	2013 Q1	Q2	Q3
New commitments in quarter						
Per cent						
House purchase	64.6	65.5	63.5	62.9	67.1	64.9
Remortgage	28.9	29.2	30.8	30.8	27.5	30.1
Other (inc further advances)	6.6	5.3	5.7	6.4	5.5	5.0
Amount (£ billions)						
House purchase	25.7	23.5	23.4	22.3	31.9	32.8
Remortgage	11.5	10.5	11.4	10.9	13.1	15.2
Other (inc further advances)	2.6	1.9	2.1	2.3	2.6	2.5
Total	**39.8**	**35.9**	**36.9**	**35.5**	**47.5**	**50.5**

Lending criteria

The proportion of gross advances at a high LTV (i.e. over 90%) decreased from 2.5% in Q2 2013 to 2.2% in Q3 2013. The proportion of gross advances to high single income multiple borrowers (i.e. more than 4.00x) increased in Q3 2013 by 0.3 percentage points to 10.5% compared with Q2 2013.

The proportion of gross advances to high joint income multiple borrowers (i.e. more than 3.00x) also increased in Q3 2013 by 2.4 percentage points to 27.2%, the highest since the series began in 2007. Overall, the proportion of new lending at a combination of high LTV and high income multiple fell back to 1.3%, the same level as Q1 2013.

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

	2012 Q2	Q3	Q4	2013 Q1	Q2	Q3
Single income multiple:						
Less than 2.50	10.7	10.5	10.4	10.5	10.1	9.3
2.50 < 3.00	5.1	5.0	4.9	4.9	4.7	4.3
3.00 < 4.00	11.6	11.6	11.5	11.5	11.1	10.5
4.00 or over	10.2	10.4	10.7	10.1	10.2	10.5
Other	11.4	11.7	12.1	13.1	12.1	12.1
Total on Single income	**48.9**	**49.2**	**49.6**	**50.0**	**48.1**	**46.7**
Joint income multiple:						
Less than 2.00	10.0	9.8	9.3	9.5	9.4	8.8
2.00 < 2.50	7.4	7.4	7.1	7.1	7.4	7.7
2.50 < 3.00	9.5	9.5	9.2	9.0	9.2	8.5
3.00 or over	23.0	23.0	23.7	23.1	24.8	27.2
Other	1.2	1.0	1.1	1.2	1.1	1.0
Total on Joint income	**51.1**	**50.8**	**50.4**	**50.0**	**51.9**	**53.3**
LTV						
< = 75%	67.3	68.1	66.3	67.0	65.2	65.1
Over 75 < = 90%	30.3	29.6	31.7	30.9	32.3	32.7
Over 90 < = 95%	1.8	1.9	1.7	1.6	2.0	1.7
Over 95%	0.6	0.4	0.4	0.5	0.5	0.5
High LTV (Over 90%) and High income multiple	1.3	1.4	1.2	1.3	1.6	1.3

Arrears and possessions

The number of new arrears cases in Q3 2013 was 7.9% lower than in Q2 2013 at 29,900, the lowest quarterly number of new cases since the series began in 2007. The amount of new arrears also fell in Q3 2013 to £56 million which was 18% lower than in Q3 2012.

The total number of loan accounts with reportable arrears also decreased - from 292,200 in Q2 2013 to 278,400 in Q3 2013, a reduction of 4.7% and the lowest since Q3 2007.

The performance of loans in arrears – payments received as a percentage of payments due – improved for the fifth quarter in succession to 61.3% in Q3 2013.

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

Loans in Arrears	2012 Q2	Q3	Q4	2013 Q1	Q2	Q3
New cases in the quarter						
(ie moving into 1.5 < 2.5% band)						
Number of loan accounts	34,456	35,923	34,721	36,935	32,516	29,947
Amount of arrears (£ millions)	67	68	66	68	61	56
Balance outstanding (£ millions)	3,598	3,653	3,551	3,657	3,286	3,004
Arrears cases at end of quarter						
Number of loan accounts	296,484	303,163	297,572	299,520	292,178	278,355
Amount of arrears (£ millions)	1,765	1,781	1,766	1,750	1,718	1,687
Balance outstanding (£ millions)	29,927	30,140	29,558	29,336	28,472	27,039
Balances as % of total loan balances (per cent)	2.45	2.46	2.41	2.39	2.32	2.19
Performance of arrears cases in Qtr (per cent)	56.05	56.62	57.59	58.31	60.50	61.26
Arrears cases by severity						
Balances on cases in arrears as						
per cent of total loan balances						
1.5 < 2.5% in arrears	0.76	0.76	0.74	0.74	0.72	0.68
2.5 < 5.0% in arrears	0.80	0.80	0.79	0.79	0.77	0.73
5 % or more in arrears	0.71	0.71	0.71	0.70	0.69	0.66
In possession	0.18	0.18	0.16	0.15	0.14	0.13
Total	**2.45**	**2.46**	**2.41**	**2.39**	**2.32**	**2.19**
Number of cases in arrears as						
per cent of total number of loans						
1.5 < 2.5% in arrears	0.56	0.57	0.59	0.60	0.58	0.55
2.5 < 5.0% in arrears	0.61	0.62	0.64	0.65	0.63	0.61
5 % or more in arrears	0.71	0.73	0.77	0.77	0.76	0.73
In possession	0.10	0.10	0.09	0.09	0.08	0.08
Total	**1.98**	**2.01**	**2.08**	**2.11**	**2.06**	**1.97**

Arrears totalling £29 million on 8,012 accounts were capitalised in Q3 2013, an increase of 4.8% by number compared with Q3 2012.

New cases taken into possession totalled 7,349 in Q3 2013, a 14% reduction from Q3 2012. Sales of possession cases fell to 7,974, which was a decrease 8.2% over the past year.

As possession sales outstripped new possessions, the stock of possession cases remaining unsold reduced for the ninth quarter in succession, down to 11,326 in Q3 2013 and the lowest level since the series began in 2007.

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

Possession cases: movements & stocks	2012 Q2	Q3	Q4	2013 Q1	Q2	Q3
New possessions	8,695	8,521	7,792	8,092	7,795	7,349
Possession sales	9,089	8,687	9,447	8,499	8,506	7,974
Stocks of possessions at end quarter	14,953	14,889	13,321	12,877	12,034	11,326
Capitalisations of arrears cases						
Number in quarter	7,868	7,644	8,773	8,139	7,556	8,012
Arrears capitalised in quarter (£ millions)	27	27	33	29	27	29
Balance outstanding at end quarter (£ millions)	813	813	953	892	810	868

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

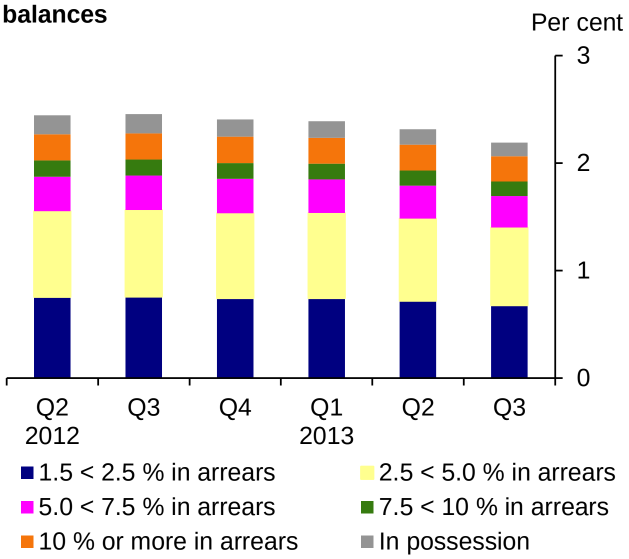
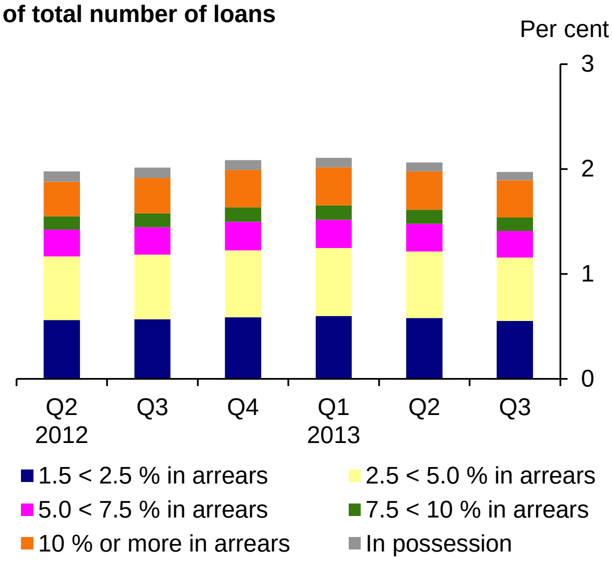


Chart 7: Number of cases in arrears as a proportion of total number of loans



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 http://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 available at http://www.bankofengland.co.uk/pra/Pages/regulatorydata/mlar/2013/q3publication.aspx. 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.

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.