

Legal & General Mortgage Purchase Index Q4 2009

Borrowers on the right track

Both residential and buy-to-let borrowers more inclined to take a tracker



Stephen Smith,
Director of Housing at
Legal & General said:

“There has been a distinct shift towards tracker rates, most likely because fixed rates are looking relatively expensive and because fears of imminent base rate rises are receding. Most commentators are still expecting the base rate to stay low for some

time to come, so this is a golden opportunity for people to think about paying off some of their debt. The low interest rate environment has led to a fair bit of innovation in tracker products, what with capped trackers, reverse stepped trackers and lifetime trackers all featuring recently.”

“Average two year fixed rates have remained roughly in line with last quarter, but three and five year fixed rates are down 40 basis points and 62 basis point respectively. Furthermore, in the last week or so quite a few lenders have been cutting their fixed rates, so it will be interesting to see how this feeds through to our figures for next quarter. Fixed rates are now being cut because lenders are starting to become more comfortable with the outlook for the sector and because of increased competition. The industry seems to have shrugged off the concerns of 2009 and is starting the New Year with fresh optimism.”

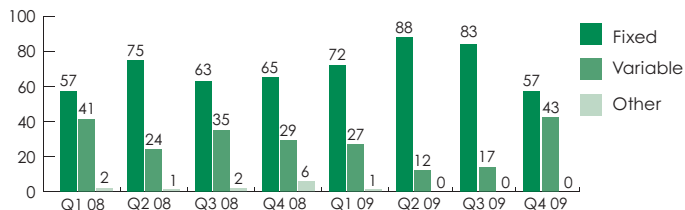
Legal & General’s quarterly ‘Mortgage Purchase Index’ analyses trends from thousands of mortgage applications made through its Mortgage Club.

Q4 2009 Key Findings

- Big shift towards tracker rate mortgages – 43% of residential mortgages were tracker rates, up from 17% last quarter
- 57% of buy-to-let borrowers chose a tracker compared to 30% last quarter
- Average two year fixed rate broadly static, dropping slightly from 4.99% to 4.98%
- Average three year fixed rates down from 5.86% to 5.46%; average five year fixed rate down from 6.42% to 5.80%

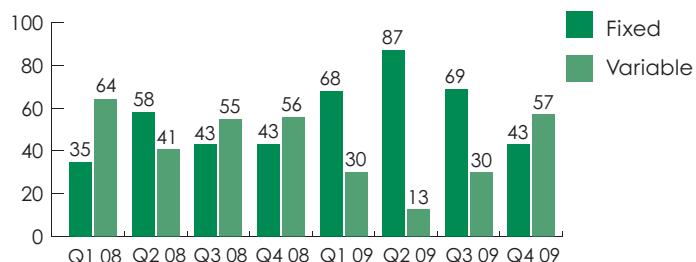
Report findings in more detail:

• **Rate type (residential)** – We're now close to an equal balance between fixed rates and tracker rates.



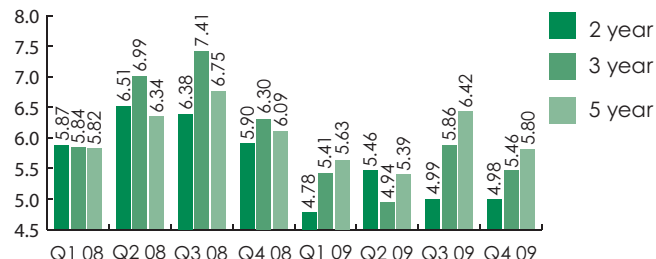
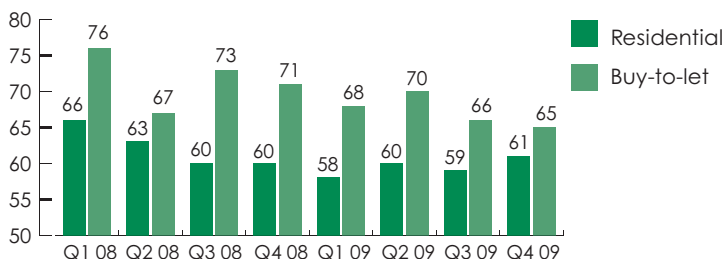
Some residential borrowers still prefer the security of a fixed rate. The split is now almost exactly the same as two years ago.

• **Rate type (buy-to-let)** – 43% of landlords chose fixed rates, which again is a fairly big drop from the previous quarter.



Loan-to-value – average LTVs were broadly the same as last quarter.

Average rates – average 2 year fixed rates were 4.98% (almost the same as last quarter).



Data based on over 12,000 mortgage applications through the Legal & General Mortgage Club from September to December 2009.

The Legal & General Mortgage Club is one of the biggest mortgage clubs in the country which acts as a one-stop-shop for mortgage advisers to access lenders. With over 8,000 members who are either directly authorised or appointed representatives of the mortgage network, the Legal & General Mortgage Club has the weight to negotiate the best exclusive deals with lenders. Advisers can use the Club to access almost all lenders in the UK market from one portal.