

## **Mortgage Loan Approvals Fall By Half**

*With widespread concerns over the stability of the housing market escalating in recent months, new statistics have shown that approval rates for mortgage loans fell by 50 per cent during March 2008.*

April 27, 2008 (FPRC) -- According to the British Bankers Association, figures for all major high street banks showed a downturn in the availability of mortgage loans, with personal loans also being reported as weakening. Total figures for mortgage lending among all major banks stood at 5.1 billion pounds, down from 5.5 billion pounds in February. This amounts to just 35,417 new mortgages being approved during the course of the month, an 18 per cent decrease from the previous month. Consumer credit approvals also fell by 200 million pounds to stand at 500 million pounds.

The decline in mortgage loan availability was experienced across all forms of applications, with approvals for house purchases standing at its lowest level since 1997. Furthermore, close to 50 per cent of successful applications came from homeowners looking to secure remortgaging deals, although fewer of these types of loans were successful than in previous months.

Over the period of the month, 2.7 billion pounds' worth of new personal loans were approved, a stable figure against February's result and up 100 million pounds from the previous six-month average. The BBA reports that consumer spending has shown signs of recovery in early 2008, with deposits now in line with long-term averages. During the final quarter of 2007, total UK deposits fell to below one billion pounds, with this month's figures showing a climb towards three billion pounds, slightly above the trend trajectory.

BBA statistics director David Dooks said of the latest data: "The consequences of low banking sector liquidity show up clearly in March data; reduced product ranges and tighter criteria resulted in slower mortgage lending and significantly fewer loan approvals. Pressures on personal finances are also constraining demand, not only for mortgages, but also for personal loans and borrowing on cards."

Elsewhere, Simon Rubinsohn, spokesperson for the Royal Institution of Chartered Surveyors, told the BBC: "The tightening in the credit crunch is continuing to take its toll on the residential property market ... The Bank of England's latest 'swap' arrangement with the banking sector should help provide a little more liquidity for lenders but is not going to turn around the current challenging environment overnight."

The Bank of England has recently announced a relaxation in the types of securities it will accept as collateral in an effort to encourage borrowing among mortgage providers. The BBC reports that even if such measures are successful, it is unlikely that consumers will be able to obtain mortgage loans of 100 per cent of property value or more, as was the case last year. It predicts that a ten per cent deposit on all mortgage loan applications is likely to become the norm for homeowners. For people struggling to save money towards their deposit, a personal loan may be of assistance in helping to produce the funds necessary for an application.

The BBA figures follow an announcement by the Bank of England monetary policy committee earlier this month of its decision to cut the base rate of interest a quarter of a percentage point to stand at

an even five per cent. It was the second rate cut of the year so far.

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**Contact Information**

For more information contact Abbi Rouse of All About Loans (<http://www.allaboutloans.co.uk>)

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