

Credit crunch hits smaller lenders

Over the last few weeks we have seen more changes in the mortgage market time than ever before. **Denise Harvey**, mortgage analyst from **moneyfacts.co.uk**, looks at what has been going on.

“It seems that there is no stopping it. Over the last two weeks, lenders have been even more ruthless in withdrawing products from the market and/or tightening their criteria. Over the last month alone we have seen the number of mortgage products available across residential and buy-to-let plunge from 7726 to 5700, a staggering drop of **2026** products.

“Until a couple of weeks ago it seemed that smaller building societies had escaped the worst. By funding their lending through deposits, they appeared to be immune from the problems facing the money markets. The last two weeks, however, have shown a very different story.

“Instead of increasing rates or tightening criteria, the smaller building societies such as Bath BS and Tipton and Coseley BS have either been withdrawing their products from the market completely or restricting their lending to direct business or local areas.

“Due to larger institutions increasing rates and becoming more reluctant to appear competitive, smaller lenders have seen an increase in demand; something they neither want nor can cope with.

“Traditionally, local building societies have attracted the majority of their business from the local area. In order to maintain presence and competitiveness in that area, they are having to close their doors to those from outside the region who are unable to secure a mortgage from the larger lenders.

Lenders who have withdrawn their mortgage range	Lenders who have restricted their lending area	Lenders who have restricted their criteria
Bath BS – range withdrawn	Holmesdale BS – restricted to local area	Coventry BS – max LTV within self-cert range now 65%
Dunfermline BS - 100%, 105% & 110% range & 2 & 5 year fixed rates withdrawn	Mansfield BS – restricted to direct business only	Intelligent Finance – max loan to value within range reduced to 90%
Bradford & Bingley – 100% range withdrawn	Melton Mowbray – intermediary applications within 30 mile radius, direct applications within 50 mile radius	Manchester BS – LTV reduced to max 60% on selected trackers and fixed rates
Buckinghamshire BS – tracker rates withdrawn	Newbury BS – restricted to local area	Newbury BS – restricted max advance on discounts & trackers to £500K
Earl Shilton BS – range	Tipton & Coseley BS –	Newcastle BS –

withdrawn	restricted to direct business only within local area	reduced max LTV to 90%
Mansfield BS – short term discounted rates withdrawn		National Counties BS – Max LTV reduced to 75%, min property valuation £125K
Monmouthshire BS – range withdrawn		Standard Life Bank – Max advance on any application £500K
Shepshed Bank – range withdrawn		Halifax – reduced max LTV from 97% to 95%
Standard Life Bank – 2 year trackers, 2 year fixed, 2 & 3 year professional rates all withdrawn. 95% products within 3, 5 & 10 year range withdrawn		
Bristol and West – All products for professionals withdrawn		
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“Not only is this withdrawal of products shocking in itself, the speed at which the products are coming off the shelves has also been surprising. In one day we heard from 19 lenders that have made the decision to withdraw products or restrict criteria. Who knows what tomorrows news will bring?

“These changes show that no one has escaped the effects of the credit crunch this time. Whether you are a prospective first time buyer or an existing borrower coming off a deal, there will certainly be less choice out there, especially from the smaller building societies.

Note to Editors:

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