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Mortgage approvals make the housing gloom murkier

Mortgage approval in the housing sector is now at its lowest ebb. Unavailability of easy credit has reduced the volume of house selling.

/24-7PressRelease/ - LONDON, UK, May 03, 2008 - Mortgage approvals for house purchases were reduced in March to their lowest level. This reduction may be taken as a signal of a housing market downturn in process. Figures from the Bank of England(BOE) on Tuesday showed mortgage approvals dropped to 64,000 last month from a downwardly revised 72,000 in February. Mortgage approval is a leading indicator of housing demand.

That was the lowest number since the process started by BOE in January 1999. It was also the lowest since monthly records started in April 1993, although at that time remortgaging approvals by banks were also included in the final figure."If this trend continues it may tend to point to rate cuts despite the fact that the Monetary Policy Committee (MPC) is known to be walking the tightrope at the moment," said Philip Shaw, chief economist of Investec."The decline in mortgage approvals for home purchase is still extremely weak and to some extent quantify the impact of the credit crunch." added Shaw.

House prices in the UK have been falling on a monthly basis since the end of 2007 as tighter credit conditions have made it more expensive for people to borrow.

The BOE said that on a comparable basis, approvals in the first quarter of 2008 were the lowest since the fourth quarter of 1992 when the British economy was emerging out of the deadly recession. A scarcity of credit means mortgage rates for many borrowers are now higher than they were before the Bank of England began to cut interest rates at the end of 2007. The Bank has cut rates three times since December and is expected to cut again by the middle of 2008.

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