

Further declines in mortgage lending

The Central Bank said residential mortgages (including securitised mortgages) declined by €352m during the month, and stood at €145.8bn at end-May 2010. The annual rate of change in mortgage lending fell to minus 1.8 per cent. Repayments on personal credit cards were approximately €56m higher than new spending on credit cards during the month. The year-on-year change in personal credit card indebtedness fell in May to minus 0.4 per cent. The number of personal credit cards in issue has declined by over two per cent over the twelve months ending May 2010, and this has driven a rise in the average outstanding debt on personal credit cards of 1.8 per cent over the period. The combined developments in both mortgage and non-mortgage credit during May, excluding valuation effects and the impact of NAMA transfers, led to a reduction of 0.2 per cent in total household credit during the month, with the net flow of credit transactions being minus €274m. On a year-to-year basis, household credit declined by 1.5 per cent in May 2010, following year-on-year declines in March and April 2010 of 1.5 per cent and 1.4 per cent, respectively.

New Mortgage Arrears Resolution Process?

An expert group on mortgage arrears has recommended the introduction of a new Mortgage Arrears Resolution Process to help struggling homeowners.

Minister for Finance Brian Lenihan said the Government had accepted all of the recommendations of an interim report by the Mortgage Arrears and Personal Debt Expert Group.

The Financial Regulator also committed itself to acting quickly to implement the most important recommendations. The report recommends that lenders cannot apply penalties to borrowers who are taking part in MARP, a framework to

be developed by all lenders to handle cases where homeowners are struggling to pay mortgages. It also says the current Code of Conduct on Mortgage Arrears should be amended to enable the MARP to be implemented.

Lenders should not be allowed to encourage homeowners to switch from mortgage products such as trackers, if it would put them at a financial disadvantage, or encourage borrowers to change mortgage products if it would put the borrowers at a financial disadvantage. Lenders will also not be allowed to use forbearance measures, or MARP, to move borrowers to less favourable terms. Lenders are also required to engage in increased and improved communications with borrowers. All lenders must have a dedicated section on their website for those who get into financial difficulties.

Information about State supports must also be provided to borrowers in distress, and assistance must be given if applying for support through the MARP process.

Frank Conway of the Irish Mortgage Corporation said he thought the figure for arrears was probably higher than the one in 25 reported last week, and that the problem was wider and deeper than suggested by the arrears figures.

He said home-owners were often confused about the protocols surrounding the treatment of arrears.

Mr Conway said the mortgage market had changed dramatically over the past couple of years, with the number of mortgage products on the market falling from 283 to around 170. He said many products previously available, such as tracker mortgages, had been eliminated.

He said many existing home-owners were in negative equity - their mortgage was greater than the value of the property - but first-time buyers were also having problems qualifying for mortgages, as they were not in permanent employment or had had their wages cut.



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