

Homeowners to get negative equity loans?

It has been reported that a number of lenders are planning 'negative equity' mortgages for homeowners, in a desperate bid to kick-start the crashed housing market. The radical move will allow people to move house, despite owing more to the lenders than their current home is worth. Under the deal, buyers will take the negative equity portion of their current mortgage on to a new one when they move house. As many as one-third of mortgage holders are expected to be in negative equity by the end of this year. However, there are fears the new push by lenders could encourage homeowners to throw good money after bad, as the property market slump is considered far from over. The Irish Independent has learned that state-backed Irish Nationwide and Bank of Ireland, plus Permanent TSB, are all preparing to launch the controversial products - as well as two other institutions who are already offering extremely limited versions. It could help revitalise the listless property market and provide a lifeline for homeowners trapped in a location where they no longer want to live. But it would effectively mean that homeowners are moving straight into negative equity once again, albeit in a new location

KBC: mortgage market may be at rock bottom

Activity in the Irish mortgage market remains depressed, but there are signs that some market segments may be close to a turning point, according to a survey of mortgage brokers in Ireland carried out by KBC Bank Ireland. The survey suggests new mortgage levels have remained soft of late. The Spring/Summer 2010 survey indicated that 'needs-based' purchasers were dominating mortgage trends in recent months. More

than 90pc of respondents said first time buyers (FTBs) had been the strongest market segment over the last three months, while no fewer than 96pc of brokers believe FTB's will be the strongest segment of the market over the coming quarter.

In terms of house price declines, a majority of brokers - around 62% - reported that price declines had become smaller over the last three months, while just 4% said that price declines had become greater. The remaining 34% said they believed prices had 'stabilised'. The survey showed that, overall, house prices are estimated to have dropped by about 40% from their late 2006 peak.

The results of the Spring/Summer 2010 KBC Bank Ireland Mortgage Sentiment survey showed that 63% of mortgage brokers expect business volumes to increase over the coming six months, while just 6% anticipate a fall during this time.

Brokers were also asked about the main constraints on the mortgage market at present. Two key concerns emerged. The first, fear of job loss, is regarded as the main constraint, as potential homeowners weigh up a long term financial commitment against continuing uncertainty about employment and income prospects. The second, problems accessing credit, was also identified as a key constraint.

The survey also provided an indication of how mortgage brokers believe the National Asset Management (NAMA) will impact on the mortgage market in Ireland. About two thirds of brokers believe that NAMA will have little impact on the market within the current year, but, of the remainder, virtually all see NAMA contributing to a modest improvement in the mortgage market before the end of 2010.



■ Donal Carey

For further information please contact

Carey Corbett
Financial Solutions

on 065 - 6893540 or at info@careycorbett.com



■ Tom Corbett