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MORTGAGE RULES CHANGES DO NOT GO FAR ENOUGH – IPAV

While welcoming the changes to be made to the Central Bank macroprudential mortgage rules, as announced today, IPAV, the Institute of Professional Auctioneers & Valuers, said they do not go far enough, especially for wage earners on under €60,000.

Pat Davitt, IPAV Chief Executive said his organisation supports the stated core objectives of the mortgage measures but has been lobbying for the past four years for changes that would enable average wage earners to borrow enough money to actually purchase a property, something higher earners do not need.

“However, we believe retaining the 3.5 times gross income limit for second and subsequent buyers is not justified.

“Further, the rules, including the changes now to take place, do not recognise the changed environment of recent times for borrowers, in particular the advent of better value mortgage products, whereby low interest fixed rate mortgages can be secured for periods of up to 30 years,” he said.

He said this contrasts sharply with the scenario a few years ago whereby a typical fixed rate period was three or five years, after which time there would be a risk that the borrower could emerge into a market with higher than anticipated interest rates.

“With interest rates now on an upward trajectory it is a matter of concern for us that aspiring buyers, many of whom are paying rents substantially higher than the cost of servicing a mortgage will miss out on the best interest rates available historically in Ireland, because of the over-zealous rules.”

He said house prices in Ireland have increased by about 60 per cent since the introduction of the measures in 2015.

“The ambition of becoming a home owner has been thwarted for many by what is effectively a moving target,” he said.

Mr Davitt said overall it was the view of IPAV that the mortgage rules are weighted more in favour of protecting lenders, with an over emphasis on the financial crisis of 2008 to 2010.

“They have not in the past and do not, with the changes announced today, have sufficient regard to the needs of aspiring buyers or the changed market conditions of recent years.

“That said, the Central Bank macroprudential mortgage rules are but one element of the property market. The market remains in dysfunctional territory and needs more urgent surgery to further increase supply, improve affordability and built sustainability into the future,” he said.

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