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Ireland Likely To Have the Most Severe Mortgage Lending Restrictions in Europe

German Representative Says EU Legislation Should Be Sufficient to Curb Reckless Lending

Ireland looks set to create one of the most restrictive mortgage lending regimes in Europe at a time when the country is barely recovering from Europe's worst property crash, a gathering of European Estate Agents in Dublin were told today.

As the European Confederation of Real Estate Agents conference takes place in the Ballsbridge Hotel, Dublin,(Thursday) delegates from 14 countries will hear:

> How Ireland's Loan to Value (LTV) proposal by the Irish Central Bank requiring most buyers to fund 20pc of the value of a property contrasts with countries across Europe where there are no LTV restrictions by national banks. In Germany for example a 100 % financing of the purchase of a residential home is generally possible and not prohibited. But banks consider the risk of a client and a mortgage and make their decision on the basis of the international banking regulation rules. LTVs do not exist in Germany, Italy or France and so far, not in the UK, although the Chancellor of the Exchequer plans to give such power to the Bank of England in circumstances where "a dangerous housing bubble is developing."
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> Ireland's interest rates are among the highest in Europe
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> In Ireland, in contrast to many other countries, it is difficult to get fixed interest rates and long-term fixed interest rates don't exist. In the UK fixed rates for five years are available at 2 to 3pc and in Germany at 2.5pc
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> In contrast to Ireland's property crash, in Germany house prices increased during the financial crisis.

Pat Davitt, Chief Executive of the Institute of Professional Auctioneers & Valuers and Ireland's representative at today's event called for a more in-depth analysis by the Government before "isolated and dramatic measures" are introduced. The Government should set up a Property Council with all stakeholders to plan urgently for a sustainable property market.

"Priority needs to be given to addressing the real problem, the shortage of property in Dublin and some other cities. The counter cyclical principle holds that lending should increase in the aftermath of a crisis, especially one so prolonged where there is pent-up demand, and should properly be restricted when it shows signs of overheating," he said.

Sven Johns, Counselor of the Board of CEI, said in his country, Germany, in the year to date the increase in house prices is slowing compared with 2013. "We have been applying the European Capital Requirements Regulation (CRR) and we think if this works properly across Europe it should not be necessary to extend Loan to Value restrictions."

Note for Editors on CEI: The European Confederation of Real Estate Agents represents 66,000 members across 14 countries, including Germany, France, Spain, the UK, Italy, the Netherlands and Portugal.

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