

Financial Services Consultative Consumer Panel

21 Northumberland Road

Dublin 4

01 603 0891

burgess7@eircom.net

Mr Pat Neary
Chief Executive
Financial Regulator

(by email)

20 April 2007

Dear Pat

Thank you for your prompt reply to our letter on mortgages.

We are pleased to hear that you have assessed the arrears handling practices of the lenders.

In this regard it should be noted that in 2006 we undertook a survey of industry practices with respect to arrears, particularly the application of arrears interest and the handling of repossessions.

- 1) What were the results of this survey?
- 2) Would it not be in the public interest to know which lenders charge penalty interest and at what rates?
- 3) Do all mortgage lenders capitalise their legal costs when seeking a repossession and do they charge interest on their legal costs?
- 4) Do the sub-prime lenders have different arrears practices and penalties than the normal lenders?
- 5) What form did the survey take? You mention it in the same paragraph as themed inspections. Did you actually physically carry out inspections on the premises of the lenders? Did you check that their calculations of arrears and interest on arrears were correct?
- 6) Have you asked the Ombudsman for any information about cases involving arrears to ensure that the arrears handling practices are in line with the Consumer Protection Code?
- 7) We formally suggest that you produce a booklet for customers on what to do if they are in arrears.

8) *The overall theme of all our work in this area is affordability - warning consumers only to take on mortgages that they can afford*

Although we appreciate that every case is different, you might consider if it is appropriate to provide guidelines on affordability e.g. percentage of net income.

9) *...as part of our prudential supervision of banks, already obtains general information on asset quality and 'non-performing' assets in relation to residential mortgages....*

We formally suggest to you that you compile and publish statistics on mortgage lending, arrears and repossessions. In the Appendix to this letter, we suggest some of the information which might be useful.

10) We formally suggest that you do a themed inspection of the sub-prime market in particular and produce a booklet for potential borrowers. We believe that borrowers are not fully aware of higher interest rates and arrangement fees applying to these loans.

We would ask that you respond to this letter using the numbered points system above.

Yours sincerely

Brendan Burgess
Chair

Appendix Some statistics which might be collated by the Financial Regulator

- * How many residential mortgages are outstanding
- * What is the value of outstanding residential mortgages
- * What percentage of mortgage holders by number and by value are in arrears for more than 3 months, for more than 6 months, for more than 9 months etc
- * What percentage of mortgage holders have received legal correspondence in relation to mortgage arrears in the most recent quarter, half year, full year etc
- * What percentage of mortgage holders by number and by value are facing legal action from financial institutions seeking to repossess their homes in the most recent quarter, half year, full year etc
- * What percentage of mortgage holders have had their homes repossessed following legal action in the most recent quarter, half year, full year etc
- * What percentage of mortgage holders have agreed to sell their homes at the request of the banks to meet mortgage arrears without the need for the banks to take legal action
- * Are repossessions more likely where mortgage holders have borrowed from a sub-prime lender or where the borrower took out a 100 per cent mortgage