

**Financial Services Consultative Consumer Panel**

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Mr Pat Neary  
Chief Executive  
Financial Regulator

(by email)

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Long term fixed rate mortgages

Dear Pat

The Consumer Panel has discussed the very low take-up of long term fixed rate mortgages in Ireland compared with other ECB countries e.g. France and Germany in particular. It has been suggested that this is because 20 year fixed term mortgages in Ireland are significantly more expensive than they are in France and Germany. If true, we find this odd as there is no such differential in the variable rate market. Cheaper long term fixed rate mortgages would be a useful additional option for Irish consumers, although we appreciate that many consumers will opt for the flexibility of variable rate mortgages.

In our limited research to date, we found that there was very little information on the subject. We would like to ask you the following questions and make the following suggestions. We are not interested in data relating to periods of less than 10 years.

- 1) We suggest that you do a cost comparison of long term fixed rates across the main ECB countries to establish if there is a cost differential. If there is such a differential, we suggest that you examine the reasons for this.
- 2) Are there any regulatory barriers to the provision of long term fixed rate mortgages in Ireland? Such barriers would include any regulatory requirements which impose an additional cost on the providers which might lead to higher rates.
- 3) Are there any structural issues in other jurisdictions which make the provision of fixed rate mortgages cheaper? For example, we believe that the funding structure in Germany may lead to cheaper mortgages, but we don't understand why this should be so in a single currency area.

4) We suggest that you do an information booklet comparing the pros and cons of variable rate mortgages, short term fixed rate mortgages and long term fixed rate mortgages. This should be backed up by a publicity campaign on the subject.

5) One problem that we believe might exist is the penalties facing mortgage holders who change their homes. If a person with a long term fixed rate mortgage moves home, they have to pay off the mortgage on their old home even if they are taking out a bigger mortgage on their new home. This would lead in most cases to an early repayment penalty. We suggest that you investigate this issue to see what legislative or other steps need to be taken to avoid the need to terminate the mortgage when they are effectively simply transferring it to another property. We must stress that the Consumer Panel fully understands the need for early repayment penalties when borrowers pay off fixed rate mortgages early.

I attach a copy of an article by Kathleen Barrington which discusses some of these issues further. In particular, it refers to a study of the supply of fixed rate mortgages in the UK market by Professor David Miles, which you will find useful.

Yours sincerely

Brendan Burgess  
Chair