

Financial Services Consultative Consumer Panel

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Mr Pat Neary
Chief Executive
Financial Regulator

By email 28th March 2007

Dear Pat

There have been some very dramatic changes in the housing and mortgage market recently and we are concerned that the consumer is not fully aware of the potential cumulative impact of all these changes. We recommend that the Financial Regulator should run a publicity campaign to highlight these changes and the implications for consumers.

The factors we refer to are:

- 1) The increase in the mortgage rate from an average of around 3.5% to 4.75% which is a 50% increase. This and any future increases will have serious implications for borrowers.
- 2) The relatively high level of house prices has resulted in a very high level of borrowings by individuals. It also increases the risk of a fall in house prices.
- 3) The advent of 100% mortgages which has removed the requirement to save for the deposit and the requirement to show a history of such saving to the lender.
- 4) The mortgage term used to be 20 years and now this has been extended to 35 years, 40 years and to an indefinite term, in the case of interest only mortgages.
- 5) The increase in sub-prime lending
- 6) The recent spate of job losses, especially in the manufacturing sector.

The cumulative effect of these factors is likely to be an increase in borrowers getting into difficulty.

We suggest that the Financial Regulator should give information to consumers about how best to handle such situations. The key advice to such borrowers is to approach their

lenders early and not to avoid the issue. (The Financial Services Authority in the UK has an excellent leaflet entitled [*What to do when you can't meet your mortgage repayments*](#))

The Financial Regulator should also assess the arrears handling practices of the lending institutions to ensure that they are complying with the Consumer Protection Code at the time when the consumers are most vulnerable and need most protection.

The Financial Regulator should consider compiling statistics on mortgage arrears and repossessions to track the impact of the above factors on consumers. It would also allow you to track the impact of these factors on the financial stability of the lenders.

Yours sincerely

Brendan Burgess
Chair