

Mr Brendan Burgess
Chairman
Financial Services Consultative Consumer Panel
c/o Financial Regulator
PO Box No 9138
College Green
Dublin 2

13 April 2007

Dear Brendan

I am responding to your letter of 28 March suggesting that the Financial Regulator run a publicity campaign to highlight the impact of changes in the housing and mortgage market. We welcome this suggestion.

For some time, we have been working to highlight some of the issues that may affect mortgage holders now and in the future. The overall theme of all our work in this area is affordability - warning consumers only to take on mortgages that they can afford, both now and into the future, should their circumstances change.

I would like to mention some specific work we have undertaken in this area:

- in February 2006 we published a new guide, 'Mortgages made easy'. Our press release (copy enclosed) focussed on the key message of affordability. The launch of the publication gave us the opportunity to air these issues through television and radio interviews and the press.

'Mortgages made easy' contains information on many of the issues you have raised, including 100% mortgages, the additional costs of extending a mortgage term and potential interest rate increases.

- in March 2006, we warned consumers to weigh up all the consequences before remortgaging their home to pay off existing debts. I enclose a copy of this press release also.
- we have been closely monitoring interest rate increases since November 2005 and issued information for consumers highlighting the effect of the increases on the 'typical' mortgage and pointing out that people may need to adjust their household budgets to cope with these increases. Our message on budgeting has been consistent – leave yourself some room to cope with the unexpected - and we will continue to reinforce that message.

We will continue to work throughout 2007 to highlight issues for consumers around mortgages.

Your letter will also form part of the market intelligence that we use in considering which areas to focus on in our themed inspections. 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. Our Consumer Protection Code contains a requirement that regulated entities must have in place procedures for the handling of arrears cases.

The Financial Regulator, as part of our prudential supervision of banks, already obtains general information on asset quality and 'non-performing' assets in relation to residential mortgages, other mortgages and other credit.

Yours sincerely