



Call for a ban on split mortgages that are 'inequitable and misleading'

by Geoff Percival
and John Walsh

Some of the split mortgage products being offered by the banks to distressed borrowers are unfair and inequitable and should be banned, one industry body has claimed.

The **Association of Expert Mortgage Advisors** has said that such mortgage offerings with accruing interest are no different to interest-only extension periods.

The association is calling for a ban on such split mortgages, saying they are potentially misleading

homeowners into believing they have secured a long-term viable solution to their financial woes, but are instead taking on further debt.

"While we believe in the concept of split mortgages, some of the versions being presented to homeowners are far from equitable," said DJ O'Donovan of the association.

"There are particular split mortgage terms being offered that — rather than relieve struggling mortgage holders from their financial predicament — could actually make their long-term

position worse. We have reviewed the market and this is our view: there are good split mortgages, reasonable split mortgages, and really bad split mortgages."

He noted that the key components of any split mortgage must include a genuine incentive and a clear long-term capacity to repay and said his association had been "disturbed" to see some lenders trying to charge interest on the parked piece of the debt.

"The forecasted payments must be realistic and not dependent on the homeowner doubling their income over

the 10 years or winning the lottery," he said.

However, the Central Bank said yesterday that lenders may decide to charge interest on the warehoused portion of the loan.

However, the Central Bank will only treat such split mortgages as sustainable if the lender agrees there is no recourse to any shortfall at the end of the term of the mortgage after the sale of the property.

The Central Bank reiterated that it believes split mortgages should prove a valuable approach to dealing with mortgage arrears.