



The Irish mortgage market has been showing signs of returning to some kind of normality after a very challenging period, with all the banks looking to attract new business.

SWITCHERS

According to the Competition and Consumer Protection Commissions's price comparison website Consumerhelp.ie, the best rates available are from AIB (3.55pc) followed closely by KBC (3.65pc), meaning that you would save around €30,000 on the cost of your mortgage with either provider.

If your outstanding mortgage amount:

was €120,000 over 10 years, (meaning a 48pc LTV), the best rates would come from EBS and AIB (3.3 and 3.35pc) and KBC (3.45pc), making you around €14,000 better off.

There are several factors that will weigh heavily on your bargaining power in this regard but the most important of them is the LTV, according to Ken Murray of the Irish Association of Mortgage Experts.

"It stands to reason that banks strongly favour lower LTV rates. And those who have bought a property in which the value has risen, or they have made a significant dent in paying down the mortgage – or a combination of both – are in a really good position when it comes to shopping for a lender to which to switch.

"The 80pc LTV threshold is a particularly important one – anything under 80pc will see banks slash the interest they charge significantly."

In general, the greatest benefactors of switching mortgages are likely to be those that those borrowers in the 35-40 age bracket, those with young families, big financial outlay i.e. those who need it most, he said.

WHAT'S AN MVR?

Permanent TSB recently announced that, rather than reducing its standard variable rates, it was offering more than 70,000 of its customers the opportunity to move from their standard variable rate to a new 'managed variable rate' (MVR).

The new interest rate being offered to customers depends on their LTV. Put bluntly, the less owed as a percentage of the home value, the better the interest rate the bank will offer. Customers with a LTV of 50pc or less will be offered a rate of 3.7pc, rising to 4.3pc for LTVs of 90pc or more.

But even 4.3pc is better than PTSB's current SVR of 4.5pc so, on the face of it, any customers offered the MVR will benefit.

There's no catch to this offer, says Mr Murray, but it "undoubtedly comes as a result of the pressure being put on all lenders to reduce rates".

He spoke of a client who had €130,000 outstanding on their mortgage their house was valued at around €400,000. "The offer from PTSB means that their rate would drop from 4.5pc to 3.7pc if they moved from standard to managed."

"Regardless of whether or not you're a PTSB mortgage holder, these offers should prompt people to reassess the value of their standard variable mortgage rate and perhaps look for a better deal if there's one available on the market."

Many of those on standard rates could save themselves thousands in the process,

he said.

As always, it makes sense to discuss this rate with an advisor or someone knowledgeable to make sure that the offer will add up to savings over the lifetime of the mortgage rather than just over a short period of time.

All the same, Karl Deeter of Irish Mortgage Brokers says to always take a discount if it's on the table and not to "worry about later on, because if you can get a discount due to your LTV then you are also in a position to switch your mortgage further down the line and that's really where the customer can stay in the driving seat on this".

Needless to say, if you're on a tracker and don't need to move, you will have little to gain by switching either your mortgage or your provider.

"At this point in time switching should only be considered by those on standard variable rate mortgages," says Mr Murray. "Those on trackers should guard them with their lives!"

FIXED RATES

If you are on a high variable rate and things are tight enough that you'd prefer to have the security of knowing that the rate won't rise for the next 1-5 years or more, you could consider moving to a fixed rate.

Interest rates on a three-year fixed rate for €200,000 mortgage range from 3.6pc to 3.85pc.

However, the downside with a fixed rate is that the flexibility to change things is in the future is more limited. If you want to get out of a fixed rate early, you may have to pay a penalty fee, for instance.

"As it stands, lenders take a much too hard-line approach when it comes to fixed mortgage products," said Mr Murray.

"At the moment KBC is the only lender in Ireland that demonstrates any degree of flexibility. They allow 10pc redemption of the balance outstanding during a fixed rate period."

The other issue with fixed rates is that in most cases there is usually less scope to over-pay so that you can reduce the mortgage term and therefore interest that you pay on it.

Some banks may charge a penalty if you want to overpay on a fixed rate but others may allow overpayment on a fixed rate mortgage to a restricted degree. For instance, the Bank of Ireland permits overpayments on fixed rate options of up to 10pc of a normal monthly repayment.

PAYING EXTRA

If you're in a position to, making overpayments on your mortgage is highly recommended.

For example, if you have a KBC mortgage of €200,000 over a 25 year term with a standard variable rate of 4.5pc, paying €100 per month more than your standard repayment amount after the third year will reduce the term of your mortgage by 38 months and save approximately €18,400 in interest payments.

You can save a bit more with a lump sum repayment of €15,000, which would reduce the term by 34 months and save you nearly €23,000 on the same mortgage.

If you do go down this route, make sure to tell your lender that you want the lump sum to be paid off against the capital on the mortgage, rather than the interest.

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