



Switching mortgage is now an option

John Hearne gets behind the headlines in the evolving mortgage market and finds that there is value for consumers who meet the right criteria

Consumer interests

Earlier this year, Central Bank research suggested that a fifth of mortgage-holders could benefit from switching provider, and that within a year 70% of them would have covered the net financial cost of having switched.

The mortgage market is unrecognisable from seven years ago. In the aftermath of the property collapse, retail banking imploded. Getting a mortgage was difficult, and switching mortgage provider was impossible.

Over the last few months, however, there have been successive rate cuts, while the banks have got their switcher deals out of mothballs. Because the Central Bank's first-time buyer rules have squeezed many would-be borrowers out of the market, the banks have moved their battleground to switchers.

Ken Murray is director at the **Association of Expert Mortgage Advisers**. "If you're on anything other than a tracker rate," he says, "it would be lunacy not to take a look at what's on offer."

"We've had an uplift of property valuations over the last couple of years," he says. "That's had the impact of potentially opening up better

rate options to people who have been sat on standard, variable rates. If your mortgage value has dropped below 80% of the value of your house, then you should definitely be able to save money."

For example, if you're paying 4.5% and there's €150,000 left to pay over 15 years, switching to a 3.55% rate with, for example, AIB, would save you €71 a month, and €12,800 over the life of the mortgage.

AIB has done much of the running here, with three quarter-point rate cuts in its variable rate this year. Maybe these have come in response to government pressure to bring rates into line with Eurozone norms, or it could be because pre-tax profits in the first half of the year were up 50% on the first half of 2014.

Whatever the motivation, mortgage holders are the clear winners. AIB is offering 3.75% to switchers whose loan-to-value (LTV) rate is above 80%, 3.55% to those whose LTV is between 50% and 80%, and 3.35% to borrowers whose LTV is below 50%.

KBC is also offering increasingly attractive rates to switchers, with rates of between 3.45% and 3.85%, de-

pending on your LTV ratio. Switch your current account to the bank and you can pick up a further 0.2% discount — bringing their lowest variable rate to 3.25%.

The Belgian bank has also been tricking out its mortgage offers with a range of sweeteners.

Earlier this year, they doubled their contribution to switcher legal fees. Move

your mortgage to KBC and you'll get €2,000 wired to your account within 30 days of mortgage draw-down, while you can also avail of KBC home insurance at a 50% discount. Note, however, that, as with many of these switcher offers, the buy-to-let market is excluded.

Bank of Ireland is targeting switchers with a serious cashback offer, and it's open to everyone — from first-time buyers to movers, switchers and even investors.

Draw down a mortgage before the end of the year and you'll get 2% of the value of the transaction wired to your account within 45 days. That's €3,000 on a €150,000 mortgage, or €7,000 on a €350,000 mortgage.

Bank of Ireland's variable rates aren't as good as their competitors', ranging from 3.9% up to 4.5%, depending on loan-to-value. But the bank's fixed rates do offer considerable value.

If you want long-term cer-

tainty about your mortgage repayments, you can pick up a ten-year fixed rate from Bank of Ireland for between 4.2% and 4.4%, again depending on your LTV.

Some of the cashback offers are eye-catching, but don't be seduced by them. The rate is the thing. The key figure is how much you save over the life of the mortgage.

Remember, too, that switching mortgage provider isn't as straightforward as changing electricity or phone provider.

There will be legal costs, on top of which there may also be redemption fees, valuation fees, product fees, broker fees and administration fees. You will need to study the options carefully and you may well benefit from taking financial advice. Switching your mortgage is a big deal.

Switching won't be an option for everyone. If you have a low outstanding balance on your mortgage — certainly anything below €30,000 — no bank is likely to want the business; they won't make enough out of you to justify the work involved.

You'll also have to meet the new bank's income criteria. If your circumstances have changed since you took out the loan, you may have trouble switching. Also, if you've had trouble making payments over the past year, if you're in arrears, or if your house remains in negative equity, switching may also be difficult.

If you've entered into a fixed contract with your existing lender, breaking it to move to another lender may be too costly to justify.

And if you're on a tracker, don't even think about moving, says **Ken Murray**. "Anybody on a tracker, forget the conversation. There is absolutely no reason to ever think about changing that."

For a good overview of the rates available, check the Competition and Consumer Protection site, consumer-

help.ie. There, you'll find a calculator that allows you to plug in the details of your mortgage.

It will then suggest the best deals out there. The tool looks across all providers, including the ones mentioned above, as well as PTSB, Ulster Bank and EBS.

The other good news is that competition in the industry is likely to get fiercer. Back in the heady days of the boom, the mortgage market stood at a whopping €40bn. Today, it's €4.5bn.

"It's still light years away from those crazy days," says **Ken Murray**, "and it will never go back to that, but we would anticipate that the mortgage market in Ireland should plateau in the region of €8bn to €10bn."

That will only happen if we start addressing the housing crisis and build what we need for the years ahead.

“Over the last few months however, we have seen successive rate cuts, while the banks themselves have got their switcher deals out of mothballs



Some of the enhanced deals and new packages on offer in the mortgage market could see a revival in people buying new homes.