



# **REJECTED** How the banks face a mortgage lockdown

## Mortgage lockdown

- Central Bank rules could stymie market at end of year
- Lending rules create 'false credit rationing'

BY EMMA KENNEDY

The mortgage market is poised to grind to a halt over the coming months as banks run up against Central Bank limits on lending to homebuyers, it has emerged.

Mortgage experts are now warning that a number of lenders have already maxed out the number of exemptions they can grant for the year under new rules.

New Central Bank mortgage rules in force since February mean borrowers need bigger deposits and are restricted by tighter income multiples.

Banks are allowed to breach the rules in a limited number of cases, however, there are fears some lenders have already run out of room to allow exemptions to the rules, banking and mortgage market sources told *The Sunday Business Post* last week.

The exemptions are particularly needed in Dublin and other urban centres, where house prices are highest. And

there are concerns that some buyers have secured exemptions to the rules but have yet to buy, and are preventing others looking to climb on to the housing ladder.

A number of lenders are already "closed to exemptions", according to Ken Murray, director of the Association of

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**Expert Mortgage Advisers.** He said that would-be buyers who wanted to be considered for an exemption from the lending rules now faced "a narrowed field".

Fianna Fáil's finance spokesman, Michael McGrath, said there was a "growing concern that the banks may exhaust the quota of loans they can issue strictly outside the rules before the year end".

"This could have a devastating impact on the availability of loans for the remainder of the year," McGrath said.

Marian Finnegan, chief

economist at Sherry FitzGerald, said there was a concern about what would happen for the remainder of the year "if banks used up their quota of exemptions".

"That's a possibility, and it could stymie the market in the fourth quarter if people feel they'd get a better deal at the start of next year," she said.

Adhering to the lending limits is "a guessing game" for banks, according to Karl Deeter, a financial analyst and adviser at Irish Mortgage Brokers. "People who already have exemptions but who aren't using them are depriving others of them," he said. "It is difficult for lenders to adhere to the rules without creating false credit rationing."

Banks said they were monitoring lending and would report on their position at the end of the year.

Lenders have already submitted detailed reports to the Central Bank on lending activity since the introduction of

the rules. But a Central Bank spokeswoman said that "compliance with the regulations will be measured as at end December 2015".

"We will not be publishing or commenting on interim data," she said.

Banking sources pointed to concerns within the industry. "As we move into the latter part of the year, this is likely to be a problem," one banker said.

He said it was too early to suggest a mortgage market shutdown. "It's a moving target, but there's unease."

Experts said borrowers could still secure exemptions. "I'm not seeing evidence yet that the exemptions are used up," said Michael Dowling of the Independent Mortgage Advisors Federation.

The Central Bank's spokeswoman said it was "continuing to monitor the implemented measures on an ongoing basis".