Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

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Enhanced Mortgage Measures: Transparency and Switching

Consultation Paper CP112

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Enhanced Mortgage Measures: Transparency and Switching

1. Introduction

The decision to take out or switch a mortgage is one of the most important financial decisions that consumers will make in their lives. It is, therefore, essential that these decisions are made as part of a clear and transparent process that protects their interests. Maintaining a strong consumer protection framework for mortgage borrowers is a key priority of the Central Bank. To that end, in 2016, as well as introducing enhanced transparency measures for standard variable rate mortgage holders,[1] the Central Bank also decided to consider whether further measures were required to facilitate mortgage switching. In choosing to focus on the development of measures on mortgage switching, the Central Bank is mindful of the significant savings a consumer can make by ensuring they are on the best rate available to them, as evidenced by the Central Bank's own research.[2] The Central Bank is also mindful that, to support consumers in this, switching activity needs to take place within a transparent framework that seeks to ensure the best interests of consumers are protected.

To inform this work, in late 2016, the Central Bank commissioned research[3] into consumer perceptions and attitudes to mortgage switching, as well as the experience of those who had switched. The research contained several positive findings from consumers who had switched their mortgage. However, it also highlighted the need for greater transparency for consumers, both about the potential savings they could make by switching and the switching process itself. The Central Bank has also reviewed current lender practices in the market and had regard to the recent review of the Irish mortgage market by the Competition and Consumer Protection Commission (CCPC)[4].

Having concluded the above work, the Central Bank is now proposing measures to:

- inform consumers about other available mortgage options that could save them money and about the impact of mortgage-related incentives;
- help consumers to compare their existing mortgage to other mortgage options;
- standardise switching information for consumers; and
- impose on lenders a time-bound switching process.

[1] Central Bank, (2016), "Introduction of additional consumer protection measures for variable rate mortgage holders", https://www.centralbank.ie/news-media/press-releases/additional-consumer-protection-measures-variable-rate-mortgage-holders

[2] Devine, Frost & McElligott, (2015), "Switch and Save in the Irish Mortgage Market?", https://www.centralbank.ie/docs/default-source/publications/economic-letters/economic-letter---vol-2015-no-8.pdf

[3] Central Bank, (2017), *Mortgage Switching Research,* https://www.centralbank.ie/docs/default-source/Regulation/consumer-protection/compliance-monitoring/reviews-and-research/mortgage-switching-research.pdf?sfvrsn=7

[4] [4] CCPC, (2017), *Options for Ireland's Mortgage Market*, https://www.ccpc.ie/business/wp-content/uploads/sites/3/2017/06/CCPC-Mortgages-Options-Paper.pdf

Of course, when 'switching' mortgage, a consumer is in fact taking out a new loan. Accordingly, we concluded that a number of the new measures proposed in this Consultation Paper should apply equally to all consumers engaged in the mortgage application process, whether a first time buyer, switcher, mover or consumer applying for a top-up mortgage.

As context, this Consultation Paper briefly outlines the wider consumer protection framework for mortgage borrowers and highlights a number of other relevant initiatives by the Department of Finance and the CCPC on this topic. Finally, it describes the proposed new measures and the accompanying draft amendments to the Central Bank's Consumer Protection Code (the Code). A number of questions are set out below in relation to the proposed new measures and we would welcome views from interested parties on any, or all, of the individual questions included in this Consultation Paper.

2. The consumer protection framework for mortgage borrowers

The measures proposed in this Consultation Paper continue the Central Bank's work to maintain a strong consumer protection framework for mortgage borrowers. The key elements of the existing framework of consumer protections for mortgage borrowers include the Code (including the 2016 enhanced protections for variable rate mortgage holders), the European Union (Consumer Mortgage Credit Agreements) Regulations 2016 (the Mortgage Credit Regulations) and the Code of Conduct on Mortgage Arrears (CCMA). Appendix 1 provides a more detailed overview of the existing framework.

Of particular note in the context of mortgage switching between lenders, is the requirement in the consumer protection framework to assess a consumer's creditworthiness.[5] This means that the new lender must assess the consumer's creditworthiness at the point in time in which they are seeking to move to the new lender. The documentation provided by the consumer when they applied for the original mortgage would not be sufficient to determine the consumer's current creditworthiness. Mortgage 'switching' differs, therefore, from the process of switching between payment accounts where information can be passed between payment account providers, and from switching other services such as utilities.

[5] Requirements relating to creditworthiness exist in the Mortgage Credit Regulations, the Consumer Protection Code 2012 and the European Banking Authority (EBA) Guidelines on creditworthiness assessment.

In addition to the consumer protection framework, the legal process is also relevant to mortgage switching. The legal process in this context comprises the transfer of the legal title/deed from one lender to another and the associated legal steps. The results of our consumer research found that 28% of those consumers who had switched mortgage indicated delays with the legal process during their switch. However, the legal process is outside the remit of the Central Bank and it is consequently not within the scope of this Consultation Paper. Given the results of our consumer research, the Central Bank would welcome any initiatives or developments that would enhance the legal process in the context of consumers switching their mortgage.

3. Mortgage switching – what else is happening?

Mortgage switching has also been the subject of a number of other initiatives by Government or other statutory bodies. The 2016 Programme for Partnership Government[6] announced the commitment to establish "a new code of conduct for switching mortgage provider, administered by the Central Bank and the development of a new, easy-to-use standardised and dedicated switching form."[7] The Department of Finance has recently facilitated a public awareness campaign which encourages consumers to consider switching existing financial products including mortgages. It includes a dedicated website for consumers, www.switchyourbank.ie

The CCPC also hosts a mortgage comparison tool[8] on its website. In addition, it published a report, *Options for Ireland's Mortgage Market*[9], in June 2017. Mortgage switching was included in this report and a number of options put forward as part of the consumer choice options that the CCPC suggested would help to "unlock competition in the market."[10]

4. Proposed new mortgage transparency and switching measures

To inform consumers about other available mortgage options that could save them money and to facilitate them in switching mortgages, the following measures have been identified for consultation and are set out below:

[6] Programme for Partnership Government, (2016), http://www.merrionstreet.ie/MerrionStreet/en/ImageLibrary/Programme_for_Partnership_Government.pdf
[7] Programme for Partnership Government, (2016), http://www.merrionstreet.ie/MerrionStreet/en/ImageLibrary/Programme_for_Partnership_Government.pdf
[8] https://www.ccpc.ie/consumers/financial-comparisons/mortgage-comparisons/
[9] CCPC, (2017), *Options for Ireland's Mortgage Market*, https://www.ccpc.ie/business/wp-content/uploads/sites/3/2017/06/CCPC-Mortgages-Options-Paper.pdf
[10] CCPC, (2017), "CCPC publishes Mortgages Options Paper", https://www.ccpc.ie/business/ccpc-publishes-mortgages-options-paper/

- enhanced transparency measures for fixed rate and variable mortgage rates based on LTV and for incentives related to mortgages;
- new transparency measures on potential switching savings;
- standardised switching information; and
- a time-bound switching process with specified timelines.

For ease of reference, we have set out, for each category of measures, the relevant research findings and a summary of the proposed policy measures. Appendix 2 of this Consultation Paper sets out the proposed wording for new Code provisions or changes to existing Code provisions to implement these policy proposals.

When developing these proposals, we considered whether a separate Mortgage Switching Code should be developed. However, we believe that amending the existing Code is the more appropriate option. Many of the identified measures relate to enhancing existing transparency requirements in the Code. Also, several proposed new requirements will be applicable to all mortgage applicants, not just those seeking to switch their mortgage.

4.1 Enhanced transparency measures for fixed rate and variable mortgage rates based on LTV and incentives related to mortgages

Relevant consumer research findings

- *32% of mortgage holders surveyed who switched their mortgage disagreed that it was easy to compare mortgages from different lenders.*
- *30% of those surveyed who have switched mortgages disagreed that mortgage products were simple to understand.*
- *37% of mortgage holders surveyed who switched their mortgage and 34% of mortgage holders surveyed who considered switching but did not, reported that a website to compare the offers of all mortgage lenders would have made the switching experience smoother.*

Summary of proposed policy measures

Fixed interest rates

Lenders to:

- notify the consumer 30 days before the expiry of a fixed interest rate and include details of the new rate applicable from the expiry date;
- where the new rate applicable on expiry of a fixed rate is not a tracker interest rate, provide information about other available interest rates and mortgage products and a link to the online CCPC mortgage comparison tool and switching information.

Enhanced Mortgage Measures: Transparency and Switching

Variable interest rates based on Loan-to-Value (LTV) (excluding tracker interest rates)
Lenders to notify consumers on an annual basis of whether they can, or cannot, move LTV interest rate bands subject to the provision of an up-to-date valuation to their lender and, at the same time:

- if the lender does permit movement between LTV bands, include an invitation to the consumer to contact the lender to discuss further; or
- if the lender does not permit movement between LTV bands, the lender must notify the consumer that lower rates based on LTV may be available from other lenders and provide a link to the online CCPC comparison tool and switching information.

Incentives related to mortgages
Lenders to:

- notify the consumer prior to the purchase of a mortgage of the potential impact of an associated incentive on the cost of their mortgage and any other key information that the consumer should have available to them when considering such an incentive.

In 2016, the Central Bank introduced a number of enhanced protections for variable rate mortgage holders[11] (excluding tracker rate holders). We are now proposing additional transparency measures for holders of mortgages with a fixed interest rate or variable interest rate based on LTV to complement the 2016 measures. We are also proposing to extend the Code protections for incentives related to mortgages. In addition to enhancing transparency for mortgage holders, the proposed measures will also facilitate mortgage holders who are minded to switch their mortgage provider by allowing for a more informed comparison between their existing mortgage and offerings from other lenders.

4.1.1 Fixed interest rates

For fixed rate mortgage holders the proposed enhanced transparency measures would be triggered at a particularly relevant time in the mortgage cycle i.e. when the fixed interest rate period is due to expire. This is an opportune time for a fixed interest rate mortgage holder to consider the available options with their current lender, or with other lenders.

4.1.2 Variable interest rates based on LTV

Mortgage providers are increasingly offering consumers variable interest rates that are linked to their LTV. While it is likely that a consumer's LTV will change over the lifetime of their mortgage, consumers may not know if they can move between interest rate bands as their LTV changes, and what their lender's policy is on movement between bands. We are also concerned about whether lenders are informing consumers about their policy on movement

[11] https://centralbank.ie/docs/default-source/Regulation/consumer-protection/other-codes-of-conduct/1-gns-4-2-7-addendum-to-the-code.pdf?sfvrsn=4

between LTV bands at important times during the life of the mortgage. We are aware that there is a wide variation in how variable interest rates based on LTV operate. Some lenders permit, and even promote, movement between LTV bands on interest rates while other lenders set the LTV band at the point of drawdown without permitting change later.

The Code already requires that key information is provided to consumers[12] in a way that clearly informs the consumer. However, given the variation in the mortgage landscape outlined above, we propose to enhance the transparency provisions in relation to these interest rates. Specifically, we are proposing that, on an annual basis, consumers should be notified/reminded by their lender of whether it is possible for them to move between LTV bands subject to the provision of an up-to-date valuation. Where the consumer can change their interest rate as they move LTV bands, we are proposing that the lender includes a statement that the consumer may have moved between LTV bands and to contact the lender to discuss what other options may be available. Where consumers cannot change their rate as they move between LTV bands, they should also be informed/reminded of this on an annual basis by the lender, and notified that lower rates may be available from other lenders based on their lower LTV. Given that a borrower already receives an annual statement on their mortgage, we propose that this notification is included in that annual statement. We also propose that lenders provide mortgage borrowers with a link to the CCPC's online mortgage comparison tool.

There are also fixed interest rates based on LTV in the market. We believe that transparency will be enhanced for these rates through the proposal above for fixed rate mortgages. The proposal will require that a lender notifies the consumer 30 days before the expiry of the fixed interest rate and include details of the new rate applicable at the expiry date. It also requires that the lender provide information about other available interest rates and mortgage products, along with a link to the CCPC online comparison tool and switching information. This proposed provision, coupled with existing Code Provision 2.6, would require that lenders disclose any "relevant material information" about the other available interest rates and

[12] Provision 2.6, for example, in Chapter 2 (General Principles), states that regulated entities must make "full disclosure of all relevant material information, including all charges, in a way that seeks to inform the customer." Chapter 9 of the Code (Advertising) also states in Provision 9.6 (a) that a regulated entity must "ensure that key information in relation to the advertised product or service is prominent and is not obscured or disguised in any way by the content, design or format of the advertisement."

mortgage products, including the possibility for the consumer to avail of a rate based on a different LTV.

4.1.3 Use of incentives related to mortgages

A number of mortgage lenders offer incentives to consumers who are seeking mortgage credit. These range from offers of a percentage of the mortgage directly back as cash to the consumer to cash advances towards a consumer's legal or professional fees. Some of the offers are open to all prospective mortgage holders while others specifically target certain categories of mortgage borrowers such as mortgage switchers. In its recently published *Options for the Mortgage Market*[13] *the* CCPC raised this issue and indicated that it will undertake further research on the matter.

A number of existing provisions in the Code are pertinent here, including the general requirements in Chapter 9 (Advertising)[14] to ensure that advertisements are clear, fair accurate and not misleading. In addition, guidance issued by FinCoNet,[15] the International Financial Consumer Protection Organisation, on sales incentives and responsible lending also includes provisions on promotional incentives to consumers. The FinCoNet guidance states that supervisors' oversight should include consideration of the benefit of promotional incentives offered to consumers versus the cost of the credit product. This oversight should consider whether the benefit is significantly outweighed by the cost of the credit, including having regard to how that cost of credit compares to other equivalent credit products; whether specific disclosures or warnings are required; the timing and nature of the presentation of the promotional incentive and how such timing and presentation may influence the consumer's decision; and when to restrict or prohibit this practice on the grounds that the apparent benefit of the promotional incentive is in fact illusory.[16]

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[13] CCPC, (2017), *Options for Ireland's Mortgage Market*, https://www.ccpc.ie/business/wp-content/uploads/sites/3/2017/06/CCPC-Mortgages-Options-Paper.pdf

[14] For example Provision 9.2 states that a regulated entity must ensure that, "a) the design, presentation and content of an advertisement is clear, fair, accurate and not misleading; b) the advertisement does not seek to influence a consumer's attitude to the advertised product or service or the regulated entity either by ambiguity, exaggeration or omission; c) the nature and type of the advertised product is clear and not disguised in any way." 9.6 (a) also states that a regulated entity must "ensure that key information, in relation to the advertised product or service, is prominent and is not obscured or disguised in any way by the content, design or format of the advertisement"

[15] http://www.finconet.org/Guidance_SS_Sales_Incentives_Responsible_Lending.pdf

[16] http://www.finconet.org/Guidance_SS_Sales_Incentives_Responsible_Lending.pdf

The Code already includes a specific requirement on lenders when offering incentives to their existing mortgage holders [Provision 6.12].[17] To ensure that consumers are also protected when offered incentives on a new mortgage or a mortgage switch, we propose to extend this provision and apply the same protections to all mortgage holders i.e. for new, existing and switching mortgages.

Question 1 Do you have any views on the proposals to enhance the transparency measures for fixed interest rates and for variable interest rates based on LTV? Please explain your answer.

Question 2 Do you have any views on the proposal to extend the existing Code protection on incentives linked to mortgages for existing mortgage holders to all mortgage holders i.e. for new, existing and switching mortgages? Please explain your answer.

Question 3 What are your views on the impact of lenders offering incentives linked to mortgages to consumers, whether in terms of risks or benefits to consumers? Please explain your answer(s).

4.2 New transparency measures on potential switching savings

Relevant consumer research findings

- *52% of mortgage holders surveyed were uncertain about the amount of money that could be saved by switching, and the qualitative research revealed that the true extent of potential savings over the lifetime of the mortgage needs to be highlighted to encourage switching.*
- *42% of mortgage holders surveyed who had never switched said that lower interest rates would encourage them to switch.*
- *32% of mortgage holders surveyed who switched their mortgage disagreed that it was easy to compare mortgages from different lenders.*

[17] Provision 6.12 in the Code requires that "Where a regulated entity offers an incentive to a personal consumer on an existing mortgage, the regulated entity must provide the personal consumer, on paper or on another durable medium, with the information needed to consider the incentive offered. This information must:
a) quantify the implications for the personal consumer of availing of the incentive including an indicative cost comparison of the total cost of the existing mortgage if they do not avail of the incentive and the total cost of the mortgage if they avail of the incentive;
b) clearly set out the length of time during which the incentive will be available;
c) clearly set out any assumptions used, which must be reasonable and justifiable;
d) set out the advantages and disadvantages to the personal consumer of availing of the incentive;
e) include other key information which the personal consumer should have available to them when considering the incentive; and
f) include a statement that the personal consumer may wish to seek independent advice prior to availing of the incentive."

Enhanced Mortgage Measures: Transparency and Switching

Summary of proposed policy measures

To assist consumers in comparing their existing mortgage to a different mortgage, all lenders to provide on request, an indicative comparison of the total interest payable on the consumer's existing mortgage and the interest payable on the new mortgage or alternative interest rate.

We are proposing that lenders should, on the request of the consumer, set out an indicative comparison of the total interest payable if the consumer continues with their existing interest rate and the total interest payable on the new mortgage or alternative interest rate. The new lender would have to give consumers an indication of the possible savings that could be made over the lifetime of their mortgage if they were to move lender. Separately, the existing lender would have to provide the consumer with an indication of the possible savings if they moved to a different interest rate with that same lender. This will facilitate the comparison of products and highlight the potential savings available to a consumer in relation to other interest rates and products.

Question 4 Do you have any views on the proposal to introduce a transparency measure on potential mortgage switching savings? Please explain your answer.

4.3 Standardised Switching Information

Relevant consumer research findings

- *37% of mortgage holders surveyed who switched their mortgage and 34% of mortgage holders surveyed who considered switching but did not, reported that a website to compare the offers of all mortgage lenders would have made the switching experience smoother.*
- *44% of all mortgage holders surveyed felt that the switching process would be too complex.*
- *28% of mortgage holders surveyed who considered switching but had not said that a less time consuming process would encourage them to switch.*
- *27% of mortgage holders surveyed who switched their mortgage reported no obstacles to switching their mortgage.*
- *81% of mortgage holders surveyed who switched their mortgage agreed that they understood what was going on at each stage of the process.*

Enhanced Mortgage Measures: Transparency and Switching

Summary of proposed policy measures

All lenders to provide standard information on the mortgage process and a link to the mortgage section on the CCPC's website.[18] The standardised suite of information from the lender is to at least include:

- the lender's mortgage switching guide, including specified information;
- application forms; and
- information on timelines, mortgage process and documents required from the consumer.

Enhancing the information available to consumers on available mortgage interest rates and the switching/mortgage process itself is an important measure to assist consumers who are considering switching their mortgage. This is strongly brought out in the findings from the consumer research highlighted above, in relation to the perceived complexity of switching and the perceived lack of a facility to compare mortgage rates and consumers' possible switching options. During our consumer research, consumers indicated their interest in the CCPC's website as an information tool but only 31% of those surveyed were already aware of the website, 11% had visited the site and just 6% had used the mortgage comparison tool. We are proposing that lenders make consumers aware of the CCPC's website and the information and tools contained therein, at trigger points throughout the life of the mortgage.

Many lenders in the Irish market already provide a range of mortgage-related information for consumers. However, the measures proposed here would ensure that lenders would be required to include a standard suite of information for consumers on the mortgage application process and, switching, in particular. The measures would also put a clear onus on the lender to inform consumers about the other interest rates and products that are available to them. The suite of information would include at a minimum:

- a guide to the lender's switching process including an explanation of the legal process and how the lender will engage with a consumer's legal representative, the requirements in relation to insurance policies, and the steps a personal consumer can take to maintain existing insurance policies;
- all relevant mortgage application forms including application forms for top-up mortgages;

[18] See www.ccpc.ie/consumers/money/mortgages/

- the timelines which apply to the assessment of a mortgage application as set out in the regulated entity's policies and procedures;
- the information required from a borrower in order for the lender to assess the borrower's application for a mortgage;
- a statement confirming whether a refused mortgage application will result in a negative impact on the borrower's credit rating; and
- a link to the relevant section on the CCPC's website relating to mortgages.

Question 5 Do you have any views on the proposal to require lenders to provide a suite of standardised switching information to consumers?

Question 6 Do you have any views on the proposed standardised information for consumers or what other information should be provided? Do you have any views on whether lenders should be required to provide this standardised information in a specific format, for example, digitally? Please explain your answer.

4.4 Time-bound Switching Process with Specified Timelines

Relevant consumer research findings

- *36% of those surveyed who switched their mortgage reported that they had to chase their lender to be kept informed during the mortgage switching process.*
- *19% of those surveyed who switched mortgage lender reported delays with the new mortgage lender approving the mortgage application as an obstacle in the switching process.*
- *38% of those surveyed who switched their mortgage reported that a reduction in the amount of paperwork/documentation required for the mortgage switching process would improve the process.*
- *The feedback from the qualitative research was that a single point of contact, or dedicated switching teams who would assist consumers throughout the switching process, would be beneficial to the switching process.*

Summary of proposed policy measures

I. **Original lender:** Provision of redemption figures to the consumer or their legal representative within three business days of request.

II. **New lender** to keep the consumer up to date throughout the process, including:
   - information and documents required from the consumer to switch a mortgage;
   - next steps in the process, e.g. notify consumer of outstanding documents,

etc.

Achieve this with specific timelines for:

- acknowledgement within three business days of receipt of individual items/documents required to complete the mortgage application;
- acknowledgement within three business days of receipt of all documentation required for the mortgage application;
- decision within 10 business days following receipt of all required information for assessment of mortgage application.

III. Switching Point of Contact

Both original and new lender to establish mortgage switching point of contact/switching team.

The evidence from the consumer research underlines the scope for enhancing the transparency of the mortgage application and switching process for consumers, and the timeline therein. There are a number of practical measures and specific timelines being proposed here to achieve this objective.

Firstly, we are proposing that the original lender should provide redemption figures once requested to do so within three business days. This is a key piece of information for consumers who wish to switch their mortgage and it is important that they have confidence that they can access this information in a timely fashion to facilitate the switching process. As can be seen above, the research also highlighted that consumers found that the switching process could be onerous and beset by delays either in the interaction with the lender or with the legal process. For this reason, we are proposing that the new lender is required to keep the consumer up to date throughout the process, by acknowledging receipt of documents and informing consumers of outstanding documents within specified timeframes. This is part of a wider suite of measures in this category that will establish a time-bound switching process, with specific timelines to facilitate key elements of the consumer's interaction with the new lender during the mortgage application process (whether switching or otherwise).

Furthermore, once all necessary documents have been received by the lender to complete the application, the lender should make a decision on the application within 10 business days. If the lender cannot make a decision on the application within that timeframe, they must inform the consumer and indicate the estimated timeframe for the decision, as set out in the proposed amendment below. Given that the mortgage application and the mortgage drawdown process are distinctly referenced in the Code, we have proposed specific timelines for both the application and the drawdown stages. In the research, a dedicated point of contact for switching was cited as potentially beneficial for those consumers considering switching. For this reason, we are also proposing a requirement for lenders to have a switching point of contact/switching team to facilitate any consumer who is minded to switch their mortgage.

Question 7 Do you have any views on the proposal to introduce a three business day timeline for the provision of redemption figures? Please explain your answer.

Question 8 Do you have any views on the proposals to introduce a time-bound switching process, and in particular, on proposed specific timelines for:

a) acknowledgement within three business days of receipt of each item/documents required to complete the mortgage application;

b) acknowledgement within three business days of receipt of completed mortgage application;

c) decision within 10 business days following receipt of all required information for assessment of mortgage application?

Please provide reasons for your answer(s).

Question 9 Do you have any views on the proposal to require lenders to establish a switching point of contact/switching team? Please explain your answer. What are your views, if any, on whether the format for the switching point of contact should be prescribed, for example, a digital contact point or hub in addition to a person?

5. Making a Submission: Practical Information

Comments from all interested parties are welcome. There are a number of questions included. It is important to note that although you may not be able to respond to each and every question, the Central Bank would encourage partial responses from stakeholders on those questions that they believe are most relevant to them.

We intend to make submissions received available on our website after the deadline for receiving submissions has passed. Because of this, please do not include confidential or commercially sensitive material in your submission, unless you consider it essential. If you do include such material, please highlight it clearly so that we may take reasonable steps to avoid publishing that material. This may involve publishing submissions with the sensitive material deleted and indicating the deletions.

While as indicated above, the Central Bank will take reasonable steps to avoid publishing confidential or commercially sensitive material, the Central Bank makes no guarantee that it will not publish any such information and accepts no liability whatsoever for the content of stakeholders' consultation responses that are subsequently published by the Central Bank. Therefore, please be aware that you are making a submission on the basis that you consent to us publishing it in full.

This paper will be open for comment until 1 November 2017. Submissions should be made to consumerprotectionpolicy@centralbank.ie clearly labelled with the subject title "Mortgage Switching Measures."

In the event that you are unable to send your response electronically, please mark it for the attention of Consumer Protection: Policy and Authorisations, and forward by post to:

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Appendix 1: The consumer protection framework for mortgage borrowers

Framework	Description
Consumer Protection Code 2012	• In the context of mortgages, the Code applies to credit institutions, retail credit firms, credit servicing firms and mortgage credit intermediaries. • The Code includes requirements in the area of advertising and the provision of pre- and post-contractual information, including information to be provided annually to the consumer. • The Code places specific requirements on regulated entities to gather and record sufficient information from consumers prior to offering, recommending, arranging or providing a product or service. • A regulated entity must ensure that any product or service offered to a consumer is suitable for that consumer. Under the suitability requirements, regulated entities must, in terms of the provision of credit, assess the affordability of credit, including a 2% stress test. • The Code also includes arrears handling requirements that can apply to mortgages outside of the scope of the Code of Conduct on Mortgage Arrears (CCMA).
	New protections for variable rate mortgage holders • By way of addendum to the Code, a number of increased protections for variable interest rate mortgage holders were introduced in 2016. • The objective of these measures is to enhance transparency and facilitate consumer choice. • They became effective in February 2017 and require lenders to explain to borrowers how their variable interest rates have been set, including in the event of an increase. They also improve the level of information that lenders are required to provide to variable interest rate mortgage holders about other products. • This includes details of where the borrower can get more information and a link to the relevant section of the website of the CCPC. • Where there is an increase in a variable interest rate, lenders are now required to include the reason for the rate increase in the notification provided to variable interest rate mortgage holders. The reason should reflect and make specific reference to the lender's variable rate policy statement.
European Union (Consumer Mortgage Credit Regulations) 2016	• The Mortgage Credit Directive (MCD) was transposed in Ireland via the European Communities (Consumer Mortgage Credit Agreements) Regulations 2016 (the Mortgage Credit Regulations) on 21 March 2016, • The objective of the MCD is to provide for a more harmonised mortgage credit market containing a high level of consumer protection. • The Mortgage Credit Regulations include consumer protections in the areas of advertising and provision of pre- and post-contractual information, including information about interest rate charges. • The Mortgage Credit Regulations introduced a standardised form, the European Standardised Information Sheet (ESIS). • The ESIS standardises, across all EU Member States, the content, layout and presentation of personalised information thus, facilitating greater cross-border comparability of mortgage credit agreements. • The ESIS must be provided to the consumer, before or at the latest, at the same time, as the creditor issues a binding offer of credit to the consumer. • Before providing credit, creditors must assess the consumer's creditworthiness to verify the prospect of the consumer meeting his/her obligations under the credit agreement. • The Mortgage Credit Regulations also include consumer protections where the credit agreement has been designated a foreign currency loan.
Code of Conduct on Mortgage Arrears	• The CCMA is a statutory code that was first introduced in February 2009. • The existing CCMA has been revised three times since 2009, with the current CCMA becoming effective from 1 July 2013. • The overriding objective of the CCMA is to ensure the fair and transparent treatment of consumers in mortgage arrears or pre-arrears, and that each case of mortgage arrears is unique and needs to be considered on its own merits. • The CCMA recognises that it is in the interests of borrowers and regulated entities to address financial difficulties as speedily, effectively and sympathetically as circumstances allow. It sets out the Mortgage Arrears Resolution Process (MARP), a four-step process that regulated entities must follow as: Step 1: Communicate with borrower; Step 2: Gather financial information; Step 3: Assess the borrower's circumstances; and Step 4: Propose a resolution.

Appendix 2 – Proposed enhanced requirements

We are proposing to introduce the measures described in this paper by amending the Code. Set out below for each policy measure are proposed new additions or amendments to existing Code provisions, as appropriate.

Proposed Policy Measure	Proposed Code Requirement
	New Provision
Enhanced transparency measure for fixed interest rate mortgage holders	"6.6 (f) in the case of a mortgage with a fixed interest rate, 30 days prior to the expiry of that fixed interest rate: a) a notification of the default rate of interest applicable from the expiry of the fixed rate period; and b) where the new rate applicable on expiry of a fixed rate is not a tracker interest rate: i) a summary of other mortgage rates provided by the regulated entity that could provide savings for the personal consumer compared to the default rate of interest at the time of notification; ii) details of how the personal consumer can obtain further information on the mortgage rates outlined in paragraphs 6.6 (f) (a) and 6.6 (f) (b) (i); iii) a statement that the personal consumer should keep their mortgage arrangements under review as there may be other options that could provide savings for the personal consumer; iv) a link to the relevant section on the Competition and Consumer Protection Commission's website relating to switching lenders or changing mortgage type; and v) a reminder that the regulated entity's summary statement produced in accordance with Provision 4.28a is available on its website."
	Amended Provision
Enhanced transparency measure for variable mortgage rates linked to LTV	6.5 (g) in the case of a mortgage with a variable interest rate, excluding a tracker interest rate: […] "vi) if the variable interest rate is based on Loan-to-Value, a notification as to whether the personal consumer can, or cannot, move between Loan-to-Value interest rate bands subject to the provision of an up-to-date valuation; vii) if the personal consumer is permitted to move between Loan-to-Value interest rate bands, an invitation to the personal consumer to contact the lender to discuss further; and viii) if the personal consumer is not permitted to move between Loan-to-Value interest rate bands, a notification that the personal consumer may be able to avail of other options available at a lower Loan-to-Value interest rate from another regulated entity based on an up-to-date valuation."
	Amended Provision

Enhanced Mortgage Measures: Transparency and Switching	
Extension of Code Provision 6.12 on incentives related to mortgages	"6.12 Where a regulated entity offers an incentive to a personal consumer on an existing mortgage, or prior to mortgage credit being approved, the regulated entity must provide the personal consumer, on paper or on another durable medium, with the information needed to consider the incentive offered. This information must: a) quantify the implications for the personal consumer of availing of the incentive including an indicative cost comparison of the total cost of the existing mortgage or new mortgage credit if they do not avail of the incentive and the total cost of the mortgage if they avail of the incentive; b) clearly set out the length of time during which the incentive will be available; c) clearly set out any assumptions used, which must be reasonable and justifiable; d) set out the advantages and disadvantages to a personal consumer of availing of the incentive; e) include other key information which the personal consumer should have available to them when considering the incentive; and f) include a statement that the personal consumer may wish to seek independent advice prior to availing of the incentive."
	New Provision
Requirement on lender to provide standardised switching information	**Credit** "4.22a A regulated entity shall publish the following information on its website, and shall provide paper copies on request: (a) a guide to mortgage switching to include at least the following information: (i) the switching process the regulated entity has in place; (ii) an explanation of the legal process and how the regulated entity will engage with the personal consumer and/or the personal consumer's legal representative; (iii) the requirements in relation to insurance policies and the steps a personal consumer can take to maintain existing insurance policies; (b) mortgage application forms including application forms for top-up mortgages; (c) the timelines which apply to the assessment of a mortgage application as set out in the regulated entity's policies and procedures; (d) the information required from a personal consumer in support of a personal consumer's mortgage application; (e) a statement confirming whether a refused mortgage application will result in a negative impact on the personal consumer's credit rating;

	(f) a link to the relevant section on the Competition and Consumer Protection Commission's website relating to switching lenders or changing mortgage type."
	New Provision
Provision of indicative switching savings	"4.22b On request, a regulated entity shall provide the personal consumer, on paper or another durable medium, with an indicative comparison of the total interest they will pay if they continue the existing mortgage and the total interest payable over the term of the new mortgage or alternative interest rate. Any assumptions used must be reasonable and justifiable and must be clearly stated."
	New Provision
Prescribed timeline for lenders for the provision of redemption figures	"4.29a A regulated entity shall on request provide the redemption figure related to a current mortgage loan to a personal consumer or their legal representative within 3 business days."
	New Provision
Prescribed timeline for switching process –receipt of supporting documentation during the application process and decision by lender on the mortgage application process	"5.6a A regulated entity shall: a) acknowledge receipt of a mortgage application within 3 business days of receipt of the completed application; b) notify the personal consumer of the documentation evidencing the personal consumer's identity and ability to repay required to assess the application and complete the mortgage drawdown process; c) acknowledge each document or item of evidence received within 3 business days of the receipt of the document or item of evidence and notify, at the same time, the personal consumer of outstanding documents or items of evidence to complete the application process; d) inform the personal consumer of the decision on the mortgage application within 10 business days of receipt of all documents or items of information necessary to assess the application; e) if it cannot make a decision within 10 business days of receipt of a completed mortgage application on whether it will grant or refuse the application, inform the personal consumer of the reasons why the lender's assessment of the application will take longer than 10 business days and the expected timeframe within which a decision will be made; f) ensure that it has clear points of contact for any enquiries from a personal consumer who is considering switching their current mortgage and for any other enquiries relating to mortgage lending."
	New Provision
Prescribed timeline for the switching process –completion of the application process during the mortgage drawdown process	"**TIMELINES FOR MORTGAGE DRAWDOWN PROCESS** 5.25 A regulated entity shall: a) notify the personal consumer of the documentation required to complete the mortgage drawdown process; b)acknowledge each item to complete the mortgage drawdown within 3 business days of receipt and at the same time notify the personal consumer of outstanding items to complete the mortgage drawdown

	process; c) ensure that it has clear points of contact for any enquiries from a personal consumer during the mortgage drawdown process or any other matters relating to mortgage lending.”

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