



**TERENCE FLANAGAN TD**  
Dublin North East  
Dáil Éireann, Leinster House,  
Kildare Street, Dublin 2.  
Tel: 01 618 3634  
Fax: 01 618 4571  
E Mail: Terence.Flanagan@oir.ie

**Consumer Protection Codes Department  
Financial Regulator  
PO Box 9138  
6 – 8 College Green  
Dublin 2**



RE: Submission on Code of Conduct on Mortgage Arrears

2<sup>nd</sup> September 2010

To Whom It May Concern:

Fine Gael welcomes the development of a new Code of Conduct on Mortgage Arrears as organised by the Financial Regulator. This process should be completed and implemented as a matter of urgency as unprecedented numbers of honest homeowners are now facing the prospect of repossession of their family home. The growing figures of mortgage arrears demonstrate the human consequences of the recession which are taking an ever increasing toll on Irish homeowners.

I believe that as a general principle for new rules on lenders that every opportunity should be given to honest homeowners to restructure their debts with a lender before any action is taken to initiate a repossession order. With the housing market and the wider economy in its current condition, there is nothing to be gained for the banks by initiating wide scale family home repossessions. To do so could cause an even greater exposure to the taxpayer and be socially reprehensible at a time of massive public financial support for the financial institutions.

It is in this context that Fine Gael welcomes various policy proposals of the Financial Regular, such as:

- A one year moratorium on family home repossessions where a borrower enters into a mortgage arrears resolution process with their lender in good faith;
- Not requiring a borrower to transfer from a tracker mortgage as part of the mortgage restructuring process;
- Guidelines on clear communication between a lender to a borrower in arrears;

However, some type of debt forgiveness programme is essential and needs to be urgently considered so that we can deal comprehensively with the escalating Mortgage arrears problem in this country. Fine Gael published a 'Homeowner Support Scheme' when NAMA was being discussed in the Dáil (details on Finegael.org) to help those in dire need and to protect the thousands of Irish families facing repossession of their family home. Our scheme would allow NAMA to take an equity



**FINE GAEL**

share in a property after negotiating a write-down in the outstanding debt with the relevant financial institution. The property owner would then service his or her remaining share of the debt and pay a rental fee to NAMA for the equity share taken by the Agency. The homeowner will have an option to buy back the NAMA equity share and if the property is sold, NAMA will receive its share of the sale.

There are also a number of other issues relating to mortgage arrears that should be considered by the Financial Regulator. Namely:

- New guidelines for lenders are needed as to how much of a homeowner's income a lender can reasonably request. This means that a homeowner can be squeezed by as much as the lender decides. Leaving enough flexibility for a lender to decide could undermine the goals of the code of conduct.
- As this crisis continues to rapidly unfold I believe that reporting of mortgage arrears should be done by the Regulator on a monthly basis. The reporting presentation of the Financial Regulator should also be amended to include the additional following information:
  - The number of borrowers on payment moratoriums;
  - The number of borrowers that have restructured their mortgage;
  - The number of borrowers on interest-only;
  - The number of borrowers that haven't paid their mortgage in 12 months or longer;
  - The number of borrowers paying their credit card bill but not their mortgage;
  - The number of borrowers also in arrears on their personal loans?
  - The number of borrowers also in arrears on their credit card?

There is a growing level of anxiety and concern among homeowners as more and more creep towards mortgage arrears. I urge the Financial Regulator to complete this process as soon as possible in order to provide a level of security and relief for honest homeowners struggling in this recession.

Yours sincerely,

  
Terence Flanagan T.D.  
Fine Gael Spokesman on Housing