



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Philip Lane *Governor*

T +353 1 224 6001 F +353 1 671 5550

Bosca OP 559, Sráid Wapping Nua, Cé an Phoirt Thuaidh,
Baile Átha Cliath 1, Éire.

*Po Box No. 559, New Wapping Street, North Wall Quay,
Dublin 1, Ireland.*

www.centralbank.ie

Mr. Michael McGrath T.D.
Leinster House
Kildare Street
Dublin 2

02 April 2019

Re: Rebuilding Ireland Home Loan Scheme

Dear Deputy McGrath,

I refer to your letter of 19 March on the Rebuilding Ireland Home (RIHL) Loan Scheme.

I understand the Department of Housing Planning and Local Government is carrying out an internal review of the RIHL Scheme, also in consultation with the Departments of Public Expenditure and Reform, and Finance. Given the level of demand, the possibility of increasing the size of the Scheme beyond €200 million is part of this review.

To inform the review, the Central Bank has been asked to prepare a paper for the Financial Stability Group (FSG) to examine the financial stability and macro-prudential impacts of the Scheme, including the potential impact on the residential property market of an increase in its size.



A preliminary assessment given available data was discussed at the FSG on 22 March. This preliminary assessment points towards the following conclusions:

- Given the current scale and scope of the RIHL Scheme, it is not immediately apparent that material financial stability concerns arise across borrower resilience, credit risk and the financing of the Scheme. Based on the information that we have available:
 - The number of RIHL loans issued during 2018 was equivalent to 3 per cent of first-time buyer (FTB) loans issued by regulated financial service providers.
 - No data has been provided to the Central Bank at this stage on the distribution of loan-to-value (LTV) and loan-to-income (LTI) metrics across the RIHL Scheme loans. However, over €130 million of RIHL loans would have had to been issued at an LTI above 3.5 for the overall volume of FTB lending in 2018 above the proportionate LTI limit of 20 per cent in the macroprudential mortgage market measures.
 - While the activity related to the RIHL Scheme is reflected in the General Government fiscal position, at the current level of €200 million, the Scheme amounts to 0.1% of the current very high nominal level of gross debt. It would take a substantial increase in the magnitude of financing provided to have any sort of notable impact on the debt ratio.
- However, borrowers that receive loans under the scheme are likely a higher credit risk than those financed through banks. Indeed, lending outside of the limits considered prudent for the market generally as part of the Central Bank's macroprudential measures could pose particular challenges for those borrowers in case of any future distress.
- Any material change in the scale or scope of the RIHL Scheme which led to an increase in its market share and where more than 20% of the total value of First-Time Buyer lending (irrespective of provider) being above 3.5 LTI, would warrant consideration from a financial stability perspective.

The Central Bank will in due course complete the analysis on this issue and finalise the requested report for the FSG.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Philip Lane'.