

Housing Briefing – April 2025

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Key Speaking Points

- * Many thanks for your time Minister. Housing is a really challenging and complex issue, which will take time to solve. In our role as Central Bank we are keen to provide advice to support national economic policy development in this area.
- * In that regard we did an important piece of work on housing challenges in Ireland last September, to help inform the response to this challenge. **Financing, and indeed financing for development, was only one of the issues outlined – and without solving structural issues related to planning, serviced land and productivity of construction sector, will not address the housing challenge alone.**
- * On the specifics of development finance the work in the QB gave an estimate of development financing to support 2023 housing supply, broken down as: **€2.3bn from banks** (in the form of debt financing); and €3.6bn from non-bank financial intermediaries (providing a blend of debt and equity financing). This in addition to state finance for social housing, and wider Bank financing for mortgages and credit to developers. **The main Irish banks have been actively lending for development for a number of years; and have capacity to lend more within their risk appetite.**
- * Looking at the financing needed for an additional 20,000 houses a year, **our analysis in September showed there is substantial balance sheet capacity for the Banks to increase development financing.** But the ultimate allocation of banks' capital towards residential development remains a commercial matter for the banks, taking into account the risk profile of the lending, related capital costs and adhering to prudential standards.
- * **Banks have to hold higher capital requirements against this type of lending, because it is a riskier form of lending.** This is how the European framework works. **Notwithstanding that, the Banks have capital headroom to do more lending in this space** – though I would reiterate it is a commercial decision for themselves.
- * It is important to remember that previous bank lending practices to developers did not serve this country well; however as I said we do think there is **capacity for the sector to do more, including within their current risk appetite, and indeed the banks have stated ambitions to do so.**
- * But banks naturally have underwriting standards in place which requires a level of equity investment to support this type of lending so as to ensure that there is prudent risk management and long-term lending standards. It is important that we do not interfere with this, and the Central Bank does not direct banks in their lending decisions.
- * Measures to crowd in, or attract more equity to this market may have merit, but I think it is important to consider their design and their interaction with existing interventions.
- * One of the number one issues with regard to construction in Ireland is speed and efficiency. Policy interventions that could be designed in a manner to incentivise quicker and more completions would be worth exploring.

Overview

The ongoing deficit in housing, arising in part from economic capacity constraints, relative to underlying demand, continues to drive significant residential property price growth. The CSO's Residential Property Price Index increased by 8.1 per cent in the 12 months to January 2025, down slightly from a recent peak of 10.1 per cent last August but still above the equivalent figure of 5.4 per cent in the opening month of 2024. Survey evidence suggests market participants anticipate further increases in residential property prices, with the housing supply shortage cited as the main driver of expected RRE price inflation.

The renewed pick-up in RRE price growth during 2024 occurs against the backdrop of a persistent imbalance in the supply and demand of housing. Annual RRE completions dropped 6.7 per cent in 2024 to 30,330, well below the required 52,000 new dwelling per year estimated by the Central Bank¹ to meet underlying housing demand out to 2050.² Nominal income growth, supported by strong employment dynamics, coupled with fiscal supports, population growth and expectations of a loosening of monetary policy are likely to support housing demand over the near to medium term.

In terms of financing for development our analysis suggests that an estimated €6.5bn to €7bn of additional development finance over and above the maintenance of existing levels would be required to fund 20,000 additional homes per annum (*DoF's number is c. €10bn required – but important to stress that these are estimates with inherent uncertainty*). This

¹ See "[Economic policy issues in the Irish housing market](#)", Quarterly Bulletin 03, September 2024, signed article for more details

² Annual housing starts, in contrast, increased by 84 per cent in 2024 to around 62,200 units, which should provide a boost to completions over the next couple of years.

additional finance will require a diverse set of domestic and international sources. Our analysis suggests that key debt financing sources – including bank and non-bank lenders – have the potential capacity to extend additional financing.

The ability of the construction sector to generate or attract equity capital may be more challenging however, in light of the two dimensions outlined above. Policy measures to crowd in or attract equity [REDACTED] may have merit, but lower bank lending standards should not be the answer.

In terms of the Banking sector, it is well capitalised and has capital in excess of Regulatory Requirements. This means that from a balance sheet perspective they have substantial capacity to grow their loan books over the next few years, subject to their own risk appetite and prudent underwriting standards.

[Central Bank of Ireland Analysis - Economic policy issues in the Irish housing market QB3 Signed Article – September 2024](#)

The capacity of housing supply to meet underlying demographic needs is a key driver of sustainable growth in living standards. Following the Global Financial Crisis, the Irish housing market has been subject to more than a decade of under-supply. Over this period, house price and rental growth have outstripped income growth, stretching affordability. While these challenges have a global dimension, housing output as a share of national income here has been significantly below the euro area average for a prolonged period.

At its core, the underlying challenge relates to the housing system’s ability to produce viable housing projects at the required scale. Viability refers to producing housing units at sale or rental prices that are consistent both with the costs of production and within the reach of Irish households, given income levels. Sustainably bridging the gap between purchaser affordability and viability for the construction sector is a priority for public policy, with increasing economic implications both now and into the future, if not achieved.

Policy has already responded to this challenge. From a fiscal perspective, the State has increased spending on housing from an estimated €1bn to €6.5bn per year over the past decade, with around three quarters now devoted to capital and one quarter to current spending. Irish government housing expenditure is now the second highest proportionately in the EU, and close to its 2007 peak. In that context, our analysis points to the need to consider how the State uses its wider policy tools, as well as its financial resources, to most efficiently enable higher housing supply.

Housing supply has increased meaningfully in recent years but remains well below estimated demand based on population growth. Population growth has exceeded previous expectations in recent years, meaning that previous estimates must be revised upwards and incorporated into the new National Planning Framework. Further, the under-delivery of homes relative to underlying demand over more than a decade has meant that significant “pent-up” demand has accumulated. Based on the most recent QB forecasts (March 2025), housing completions are forecast to increase to 35,000, 40,000 and 44,000 in 2025, 2026 and 2027, respectively – still below estimated demand.

Estimates of the underlying need for housing have increased. Updated estimates by Central Bank staff based on new population projections by the CSO – and taking into account the accumulated pent up demand – indicate that around 52,000 new homes could be needed per year out to the middle of the century, or a 20,000 unit increase relative to 2023 supply. Of course these estimates rely on assumptions and are subject to uncertainty, as was evident for example in the faster than expected population growth since the last set of population projections in 2018.

There are **three overlapping dimensions** that will have a bearing on construction viability and the ability of the market to deliver additional housing supply to the scale envisaged in this Article:

1. **Planning, building regulation and serviced land:** A complex and protracted planning environment, alongside issues relating to the size and specifications of housing units, add to the costs of delivering housing. Capacity to deliver the necessary enabling infrastructure, as well as zoned land, in areas where demand is highest also remains a source of uncertainty.
2. **Capacity and productivity of the construction sector:** The financial crisis has left long-lasting scars on the construction sector. Its productivity is low, both by historical and cross-country standards. In part, this relates to an over-reliance on small enterprises, not able to benefit from economies of scale and suffering from over a decade of relative under-investment in machinery, equipment and more widespread adoption of modern technologies. This leads to comparatively lower output per worker and will pose challenges in scaling towards higher delivery requirements. It also means that the sector is less well placed to absorb higher costs of labour and more globally determined raw material inputs needed to produce housing.
3. **Access to development finance:** Delivery of circa 50,000 units per annum would require sustainable access to financing of sufficient scale. Our analysis suggests that an estimated €6.5bn to €7bn of additional development finance over and above the maintenance of existing levels would be required to fund 20,000 additional homes per annum. This additional finance will require a diverse set of domestic and international sources. Our analysis suggests that key debt financing sources – including bank and non-bank lenders – have the potential capacity to extend additional financing. The ability of the construction sector to generate or attract equity capital may be more challenging however, in light of the two dimensions outlined above.

These dimensions overlap and re-enforce each other. Additional financing alone cannot rectify housing imbalances. Construction firms are more likely to achieve scale in a setting where adequate amounts of zoned and serviced land are available, in locations where the demand for housing is highest. At the same time, addressing viability challenges and improving productivity will strengthen the construction sector's ability to attract equity capital, which will in turn improve its capacity to raise debt and maintain an essential diversity of financing.

Our macroeconomic scenario analysis highlights the economic costs of prolonging the imbalance between housing demand and supply. These amount to a higher cost of living, and in turn, a higher cost of doing business in Ireland, ultimately damaging competitiveness and the sustainable growth in living standards of Irish residents over the medium-term. However, **transitioning to produce an additional 20,000 residential properties also comes with risks to the economy and public finances that need to be carefully managed.** It presents trade-offs which policy needs to actively consider, especially in the context of an economy that is operating at, or around, capacity, and also faces additional needs for broader infrastructure investment.

The analysis highlights the importance of policy interventions that **seek to close the gap between affordability and viability, through reducing the cost of housing delivery.** Further addressing the viability of housing delivery requires a multifaceted approach encompassing fiscal and non-fiscal policy interventions. In this respect, over and above the appropriate role of the State in directly meeting the housing need of those in the lower end of the income distribution, the relative balance of public policy action should focus more on enabling measures, including:

- (1) Addressing challenges and providing policy certainty in the planning and building regulation process;
- (2) Focusing additional direct capital investment on necessary infrastructure and appropriately funding the provision of more serviced land in areas of high demand;
- (3) Incentivising greater scale and productivity in the construction sector through initiatives that lead to enhanced adoption of modern construction methods, standardisation of designs, and other innovations within the procurement process;
- (4) Using policy levers to further incentivise and crowd-in private investment, in particular equity investment, into the construction sector.

Key Questions

Q: If not Bank finance, what does Central Bank think is holding back apartment building in Dublin?

A: Several factors are constraining apartment construction at present, including construction costs, the higher interest rate environment and uncertainty over the policy environment, in particular in relation to rent controls.

- **Construction costs:** The construction of apartments and high-density housing in Dublin faces particular viability challenges. Apartments are more expensive to deliver in Dublin than most comparator cities, driven more by the specifications, scope and size of units delivered than the cost of inputs. Comparing specifications typically provided to the market, Dublin (and Birmingham) have delivery costs up to 30% higher (on a cost per square metre basis) than other cities studied – Berlin, Copenhagen, Utrecht – driven by higher specifications and larger units. Factors

constraining the delivery of dwellings more generally also apply to apartment construction - including low productivity in the sector, delays in utility connection, delays in the planning system and a shortage of zoned and serviced land in high-demand areas.

- **Rental market policy:** The private rental sector (PRS) has been a key driver of the growth in apartment building in recent years. Industry sources note that transactions of new builds in the resident investment/PRS market have declined in recent years, from over 4,000 units in 2021, to 2,700 units in 2022 to less than 200 units in 2023, owing to a combination of global financial factors and increased uncertainty surrounding elements of domestic rental market policy.
- **Institutional investment:** Looking at the residential component of CRE investment, this has fallen notably in recent years, from a recent high of €2.3bn in 2021 (~40 per cent of total investment), to below €500mn in both 2023 and 2024 (making up less than one fifth of overall investment last year).
- **Planning system / judicial reviews (JRs).** Recent data from An Bord Pleanála highlight the dramatic increase in the instance of JRs being brought to housing and infrastructural development in recent years. Data from Mitchell-McDermott suggest that up to 8,000 units were currently subject to delay due to JRs. Planning decisions on these units were an average of 16 months late at the end of 2023. Delays of this nature increase the cost of construction as well as likelihood of certain residential developments not proceeding due to the expiration of the planning permissions associated with these developments.

For info: Dublin apartment completion figures over 2021 to 2024 are 4,000, 6,900, 9,000 and 6,600 respectively. At the same time, the other major element of RRE construction, scheme housing, appears to have held up.

Q: Are the Banks required to hold too much capital for Development Finance?

A: The regulatory framework for banks that determines the level of capital a bank must hold is calibrated in a risk sensitive manner. The riskier the type of the lending, generally speaking the more capital a bank will be required to hold in order to protect against unexpected losses arising from that exposure. Riskier lending means there is a greater chance of a borrower defaulting on its repayment obligations and, consequently, losses on bank lending occurring. The availability of sufficient capital is imperative to absorb such losses on loans, should they materialise, and indeed protect customer deposits and the stability of the banking system.

Lending by banks for speculative property development has historically proven to be a relatively high risk lending activity, meaning the regulatory framework requires banks to hold higher capital than for other safer types of lending (e.g. mortgages / secured loans).³

³ Typically, commercial lending has standardised risk weights of around 100%, for example Leveraged Asset Finance and unrated Corporates.

Our domestic banks active in development finance should apply the standard requirements set out in EU legislation, and so this is primarily what determines how much capital they must hold – rather than the historic losses seen on this type of lending in Ireland.

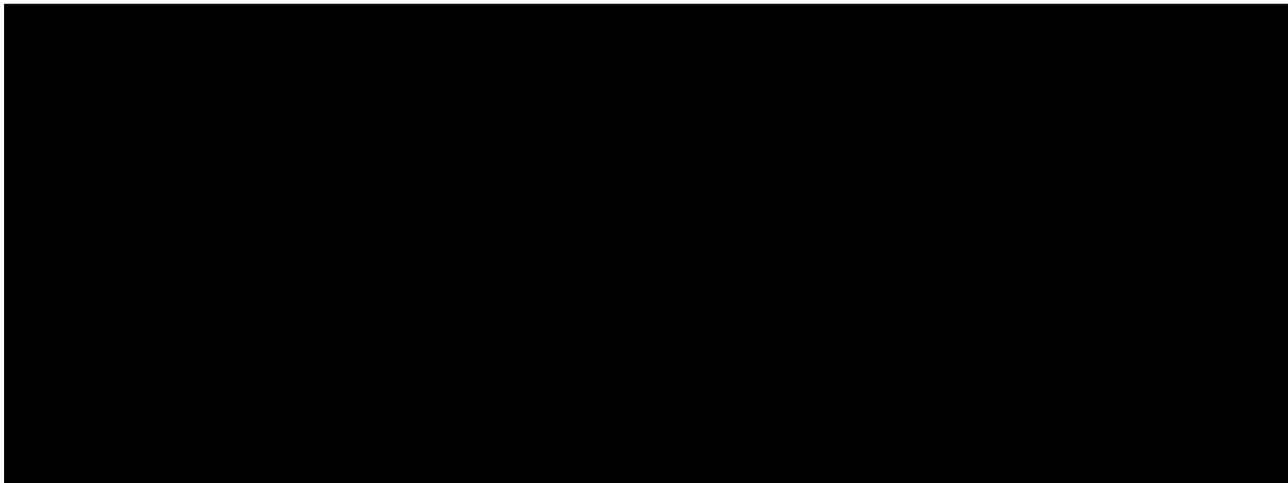
Notwithstanding the amount of capital required for development finance, the domestic retail banks have ample capital and liquidity buffers above regulatory requirements to expand lending in this space, should they wish too. And indeed the banks in question forecast material growth in new business for residential development.

Q: Could the banks lend to developers with lower equity?

A: The regulatory framework does not prevent banks from lending to developers for construction of residential property with a lower equity contribution. Whether a bank decides to provide this type of lending is a commercial decision for a bank to take. However, this type of lending is considered by the regulatory framework as more risky and a lower equity contribution by a developer increases the risk exposure of the bank. Therefore, a bank's loans to developers with a lower equity contribution may be subject to a higher capital risk weight (thresholds to be outlined in the new EBA guidelines on Acquisition, Development and Construction (ADC) exposures to residential property – see sections below).

Domestic banks' residential development policies already facilitate lending on a graduated basis (risk dependent), covering site costs, development (construction costs) and financing of social housing. The ability to increase the debt and lessen the equity from the developer would be a commercial decision for the individual banks and we note that pursuing lending subject to higher risk will have knock on implications for returns and pricing.

These considerations must be balanced to ensure the lending is sustainable for the firms and sensitive to the risks associated with this lending. While our domestic banks have an important role to play in financing economic development in Ireland, they equally have their own risk appetites and a responsibility to their depositors and shareholders for prudent lending. This is especially important considering the losses incurred in the past on this type of lending.



Q: Are the Central Bank’s Mortgage Measures preventing downsizing by deterring bridge financing?

A: The main deterrent to downsizing is likely the availability of housing of the appropriate size and type in the right areas in the current market. The banks have shown no appetite for bridging finance post crisis, so these products have not been available. As some non-bank lenders look to introduce these products, we are reviewing how they interact with the mortgage measures and will consider any unintended consequences over the course of this year.

[More detail if necessary]

The main driver of dynamics in the housing market continues to be the imbalance between supply and demand for housing. Stock available for sale in the second hand market remains at record low levels, as overall supply levels remain constrained. The available mix of housing stock (e.g. apartments vs houses, availability of smaller dwellings) affects people’s ability to downsize, as do the level of mortgage interest rates available and prevailing mortgage fixation periods.

In relation to bridging finance, this was a lending product that was available in Ireland prior to the crisis, but which has not been offered since this time. There are some non-bank lenders starting to offer some limited products in this market, [REDACTED]



It is worth noting that within the framework a certain proportion of lending by institutions above the headline limits is provided for. This flexibility, provided by the proportionate allowances, gives lenders discretion for cases where, in line with their own lending policies and criteria, lending above the headline limits may be deemed appropriate. In recent years, at an aggregate level the proportion of lending above the limits has been considerably lower than that provided for within the framework. This is applicable for general lenders but not

for any specialised lender that would plan to offer only particular products that outside the mortgage rules.

The Central Bank's mortgage measures support sustainable lending standards in the mortgage market. An in-depth review was carried out of the measures in 2022, which considered whether the measures and their calibration were fit for purpose and to monitor for any unintended consequences. The review found that the measures were fulfilling their objectives and supporting the resilience of borrowers and lenders, but did introduce a targeted recalibration of the measures to ensure they remain fit for purpose into the future. This recalibration included a decrease in the deposit requirement for second time buyers to 10%.

Q: Have the recent changes to the Central Bank's Mortgage Measures led to higher house prices?

A: The main driver of house prices in the current environment is the continued imbalance between supply and demand for housing. The mortgage measures play an important role in this type of market, by ensuring sustainable lending standards in the mortgage market. Since their introduction in 2015, the measures have strengthened the resilience of borrowers, lenders and the economy overall. By guarding against very high levels of indebtedness and unsustainable lending in the housing market, the economy as a whole is in a better position to withstand adverse shocks than in the past, including shocks stemming from interest rate increases or cost of living pressures.

A review of the measures in 2022 did introduce a targeted recalibration of the measures to re-balance the benefits and costs of the calibration of the measures and to ensure they remain fit for purpose into the future. Since then, new mortgage lending has adjusted to the changes but the refreshed framework continues to support sustainable lending standards in the mortgage market. Average LTIs and the share of PDH lending taking place at higher LTIs continues to be materially below the levels seen during the mid-2000s.

If pressed specifically on the impact of the changes on house prices: There is significant uncertainty in seeking to estimate the impact of recent targeted changes to the mortgage measures (which came into effect at the start of 2023⁴) on house prices.

Mortgage credit growth remains modest overall and there are no signs of excessive risk-taking in mortgage credit.

House prices in Ireland have been supported by the strength of household incomes and the continued long-standing imbalance of demand over housing supply. While house prices are not the target of our measures, we continue to deepen our own analytical understanding of this market to assess costs and benefits of the measures in line with their overall aims and to support national economic assessments of this market.

⁴ The changes included an increase in the LTI limit for FTBs from 3.5x to 4x income

Q: In the new Programme for Government (PfG) there is a target of delivering over 300,000 new homes by the end of 2030. Is this feasible? Is this sufficient?

A: Recent estimates by Central Bank staff suggest that around 52,000 new homes per year could be needed to meet underlying housing demand out to the middle of the century. The delivery of over 300,000 units in the 6 years out to the end of 2030, is consistent with these projections and if achieved would certainly help meet the estimated housing requirement over that period as well as helping to address the current level of unmet demand.

In terms of feasibility, it's worth noting that the completion of an average ~50,000 units per annum out to 2030 represents a substantial increase on the delivery of just over 30,000 dwellings in 2024. The achievement of this target will likely hinge on the degree to which a number of structural issues, such as those identified in a recent QB article on the Irish housing market¹, (issues pertaining to planning, building regulations and the provision of adequate amounts of zoned and serviced land, (ii) capacity and productivity of the construction sector, and (iii) access to development finance) are successfully addressed during the lifetime of the current government. The resolution of some (or all) of these existing constraints could result in a significant ramping up of housing output.

Q: Should the Government move away from using Rent Pressure Zones to control rent inflation?

A: It's clear that there is significant investment needed to fund delivery of the scale of housing needed, with our own analysis back in September pointing to an additional €6 to €7 billion needed to bring completions up to about 50,000 units per year.

The most part of that investment will come from private sources, individuals and institutions.

The fundamental issue is that they must have an “investable” sector – where housing that is affordable for renters and buyers alike is delivered at viable cost.

Making residential development an investable sector comes back to the same issues – seeing more productivity and scale, more active use of available land, and maximising available land in areas of high demand.

Individual tax and expenditure measures are a matter for the Government to decide, and the Housing Commission, who are better placed to reflect on specifics, have made proposals around rent regulation which are reasonable to consider.

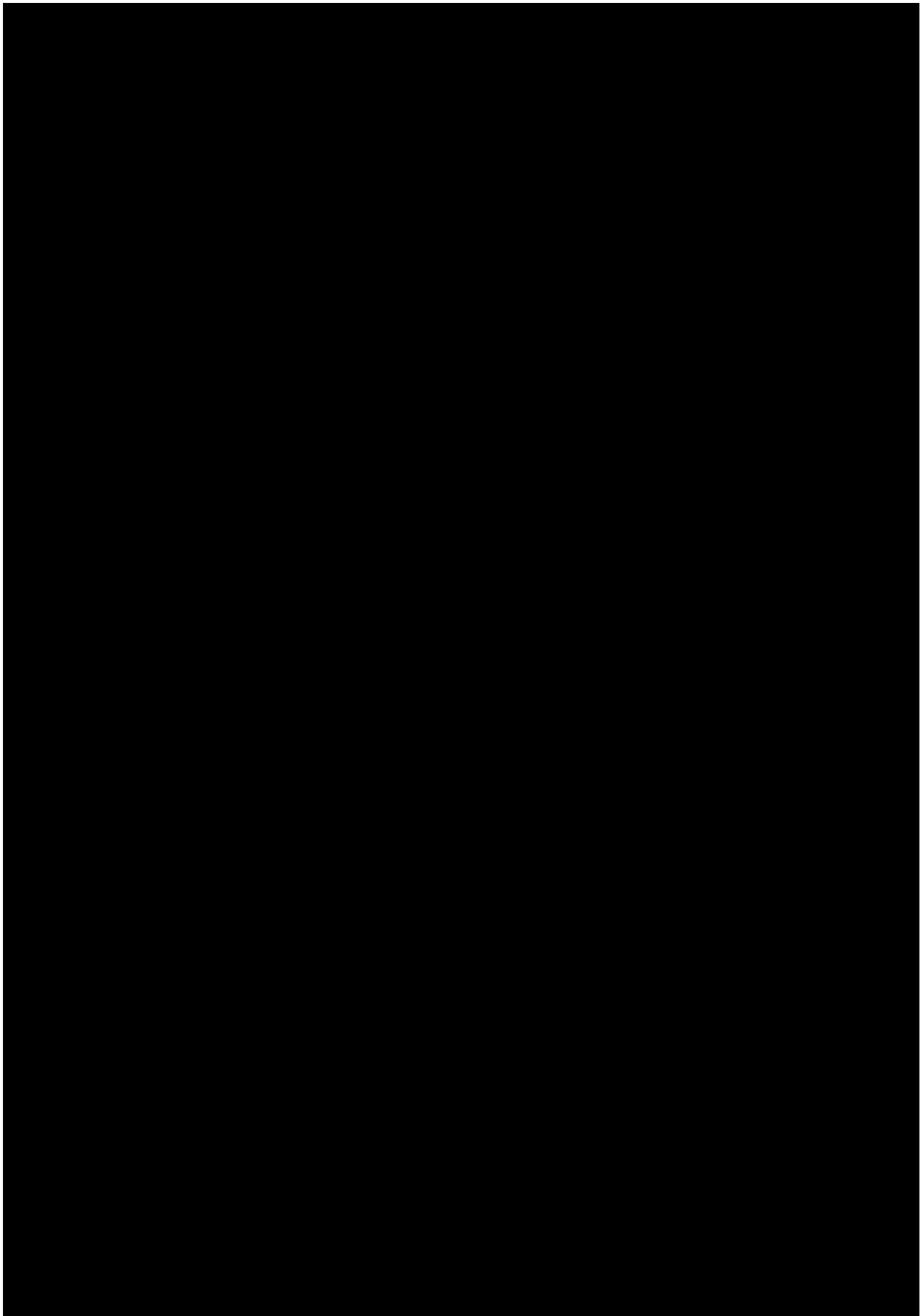
Q: Can you explain the Central Bank’s recent macropru measures on Irish property funds?

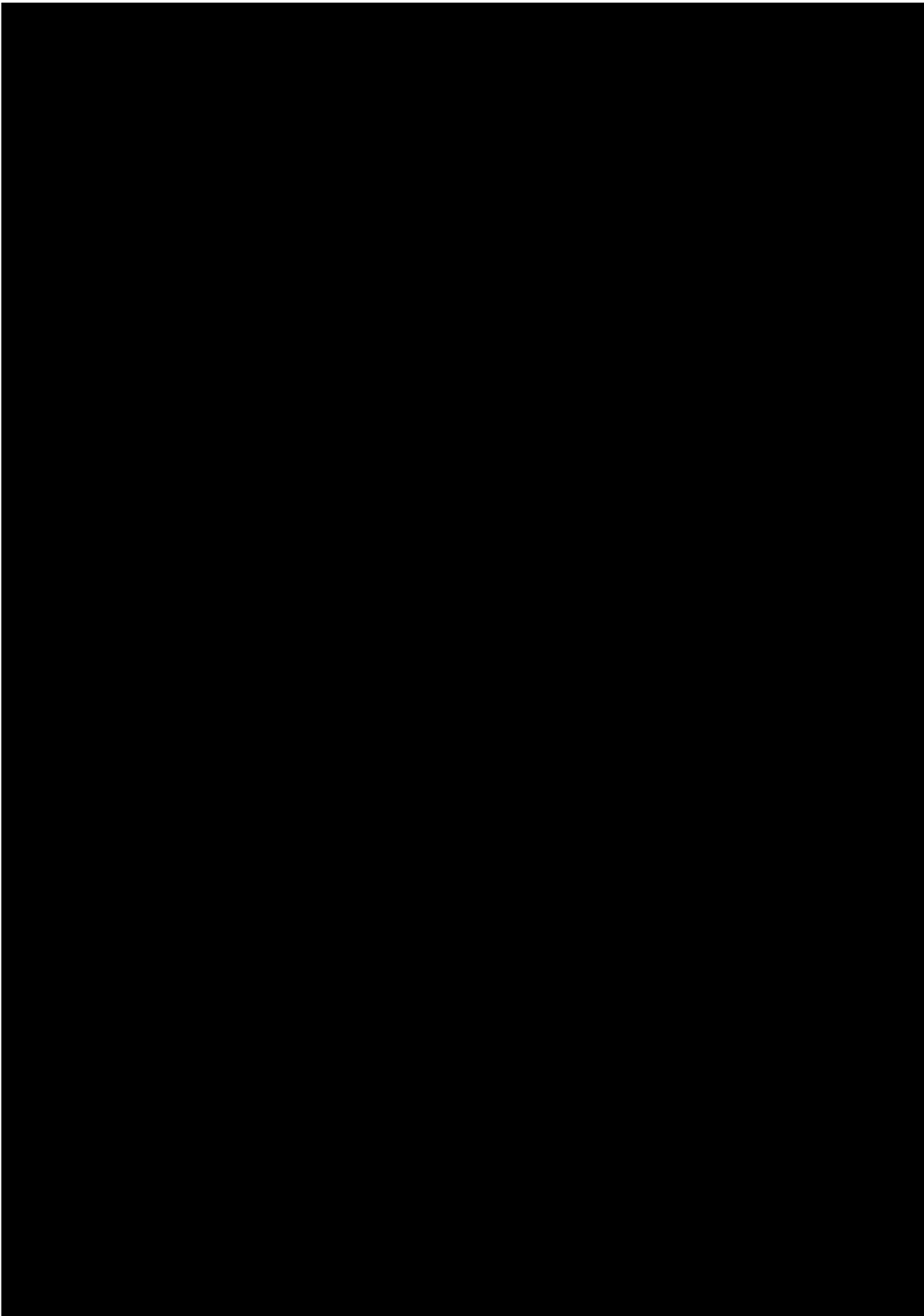
A: The Central Bank is currently focused on monitoring the phased implementation of the macroprudential measures for Irish property funds, which were announced in November 2022 (i.e. a 60% leverage limit and Central Bank Guidance on liquidity timeframes). Property funds have until 22 November 2027 to comply with the leverage limit. These funds currently hold €8.7bn or approximately 30% of their total exposures in Irish residential property assets at end-2023. The average leverage in residential property funds (i.e. with more than 50% of their exposures in Residential properties) was 47.1% at end-2023, a slight increase of 1.5 percentage point from end 2022.

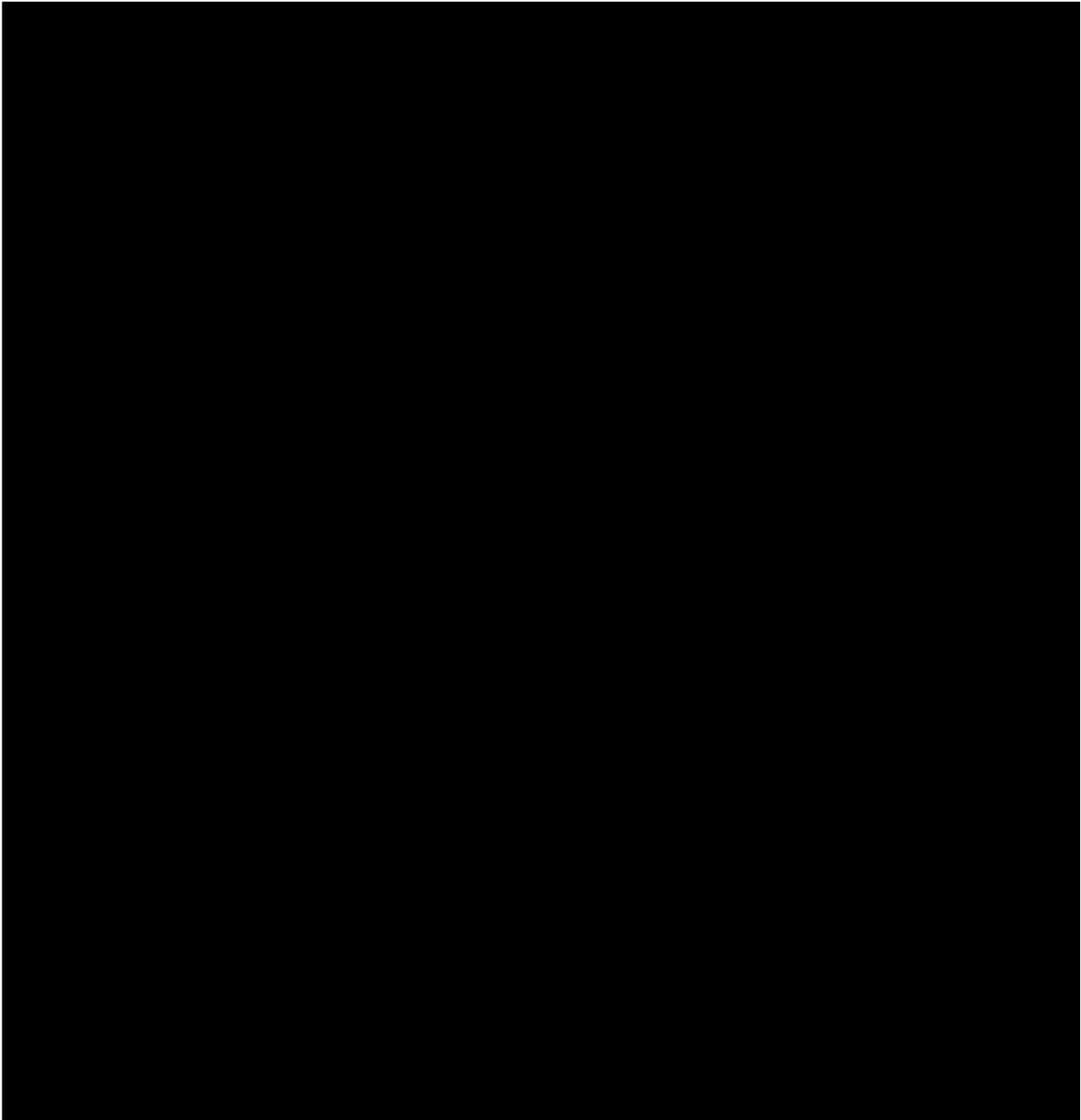
Property funds generally hold residential property for investment purposes rather than development. However, as at end-2023, property funds held €1.1bn in residential development assets (13% of total residential exposures).

Property funds pursuing development activity may use a different methodological framework for the purposes of calculating leverage on development assets. This reflects the fact that the cost-based valuation does not account for the value-added of a completed asset that development activity generates. As such, property funds are permitted to apply a margin to the value of development assets (which are usually accounted for at cost) for the purposes of the calculation of the leverage limit. Once an asset which had been the subject of development activity becomes an investment asset, the standard calculation framework, in-line with 60% limit would apply. Based on a range of data sources, the Central Bank has judged that this margin be set at 20%.

The Central Bank is currently engaging closely with fund managers to ensure leverage in property funds is reduced in a gradual and orderly manner over the implementation period. In this respect, further progress to gradually reduce leverage primarily through adjustments to funds’ liability mix – as it has been the case to date – is more likely to facilitate an orderly adjustment. Irish property funds can seek to adjust their liabilities by, for example, converting shareholder loans to equity, which would significantly reduce excess debt in property funds without the need to sell property assets.







Topics in more detail

1. Insights on the domestic retail banks activity

The domestic retail banks are supporting the housing market through the financing of: 1) residential development initiatives, as well as 2) mortgage lending to new homeowners.

Residential development initiatives

[REDACTED]

Irish retail banks are active in lending to all types of residential development finance, including social housing, Private Rented Sector (PRS) and Student Housing, residential development for open market and corporate lending to house building (additional detail in Annex). [REDACTED]

[REDACTED]

[REDACTED]

Indications from market sources suggest a lack of equity in the homebuilding sector is a challenge to growth. The availability of debt and equity are inherently interrelated, with stronger equity likely to unlock greater debt volumes for developers. The lack of equity (both from internally generated retained earnings and from external private investment) among real estate development and construction firms may be an impediment to the financing of new home supply in the near term.

As per the Central Bank's Signed Article published alongside the quarterly bulletin in September 2024, the domestic banks have balance sheet capacity to provide part of the additional debt finance which is forecast to deliver 50k homes per year. [REDACTED]

[REDACTED]

[REDACTED] The ultimate allocation of banks' capital towards residential development remains a commercial matter for the banks, taking into account the risk profile of the lending.

[REDACTED]

Mortgage lending to new homeowners

A key enabler of residential development is the provision of adequate residential mortgage lending, and strong competition in the mortgage sector. The retail banks remain the key providers of mortgage credit in the state and mortgage completions in Ireland amounted to €12.6bn in 2024, which increased by 4% compared to 2023 (€12.1bn). First Time Buyer (FTB) lending increased year-on-year by 8%, driven in part by Government initiatives to support this cohort. Despite excess housing demand, there are no signs of significant increases in mortgage credit growth, which remains relatively moderate at present.

Mortgage lending is a core market for the retail banks and they continue to have appetite to increase their mortgage lending portfolios, in line with their underwriting standards, to accommodate the increased housing supply.

Capital Framework for Banks

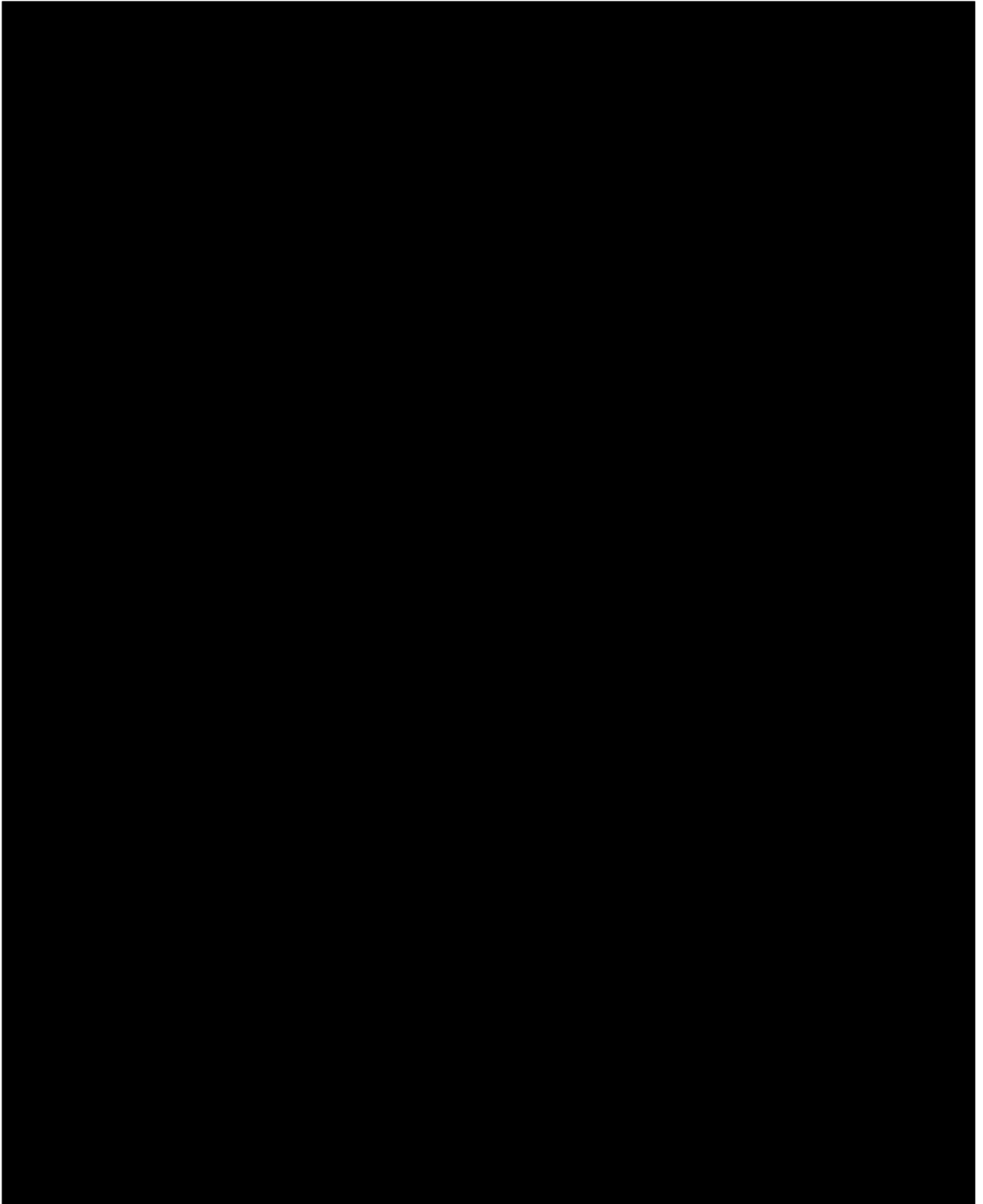
The regulatory framework for banks that determines the level of capital a bank must hold is calibrated in a risk sensitive manner. The riskier the type of the lending, generally speaking the more capital a bank will be required to hold in order to protect against unexpected losses arising from that exposure. Riskier lending means there is a greater chance of a borrower defaulting on its repayment obligations and, consequently, losses on bank lending occurring. The availability of sufficient capital is imperative to absorb such losses on loans, should they materialise, and indeed protect customer deposits/depositors funds.

Lending by banks for speculative property development has historically proven to be a relatively high risk lending activity and received a 150% risk weight under the Standardised Approach to capital calculation (typically used by banks operating in Ireland) – with some exemptions qualifying for 100% risk weight. This roughly means that for every €100,000 lent for this type of activity, a bank would have to hold roughly €18,000 worth of CET1 capital.⁵

The recently introduced Basel III rules have created a more risk sensitive definition of lending for speculative property development, now known as Acquisition, Development or

⁵ Assuming CET1 capital demand of ca 12% (excluding P2G)

Construction, which still receives a 150% risk weight, with more constraining rules but permits a 100% risk weight where exposures can meet certain risk mitigating factors, such as level of pre-sale and level of obligor contributed equity. These risk mitigating factors are being defined in Guidelines that will be shortly published by the EBA. The Guidelines allow for specific consideration for lending to public housing or non-profit entities for the development of social housing.



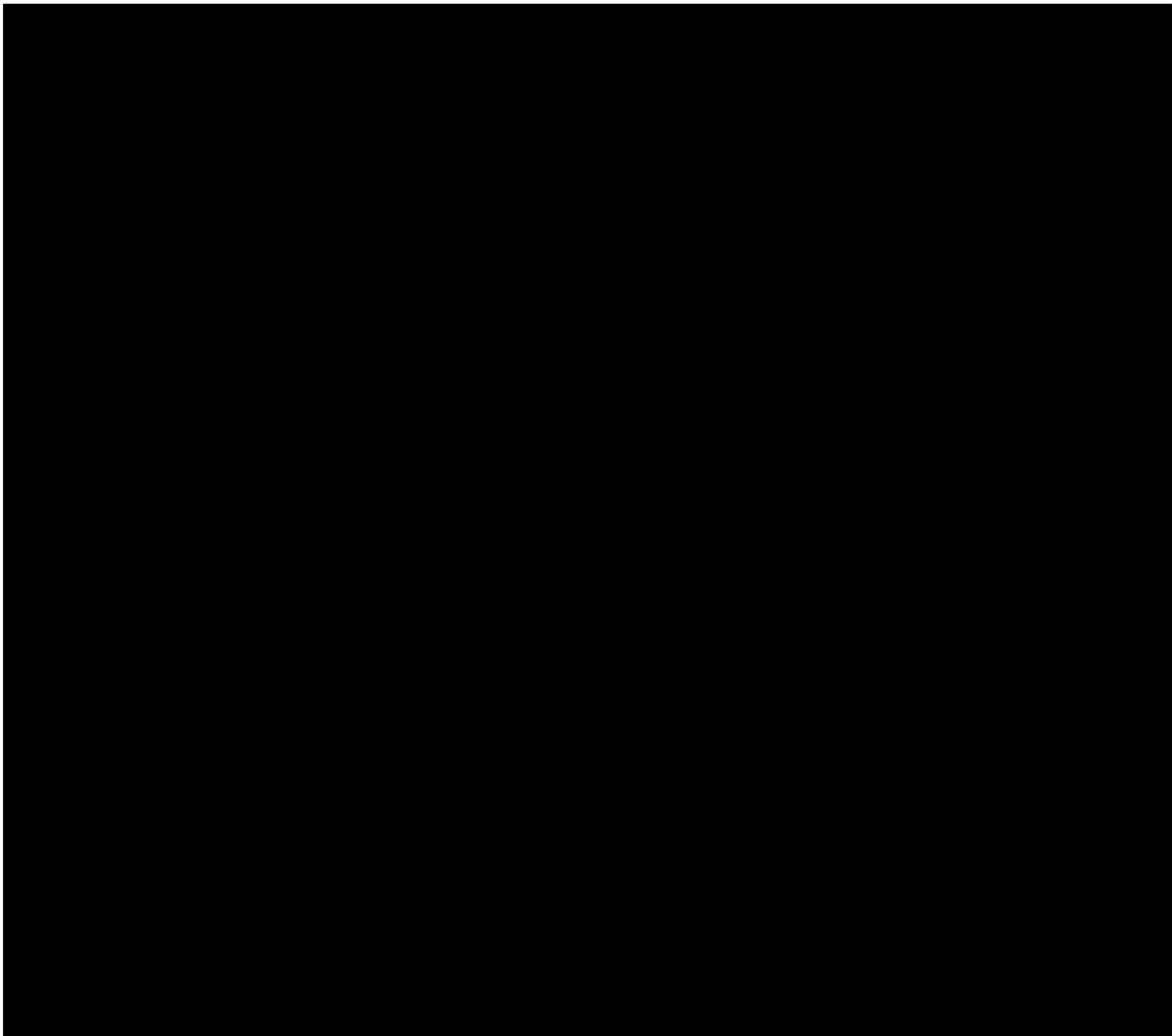
2. Mortgage to Rent Scheme

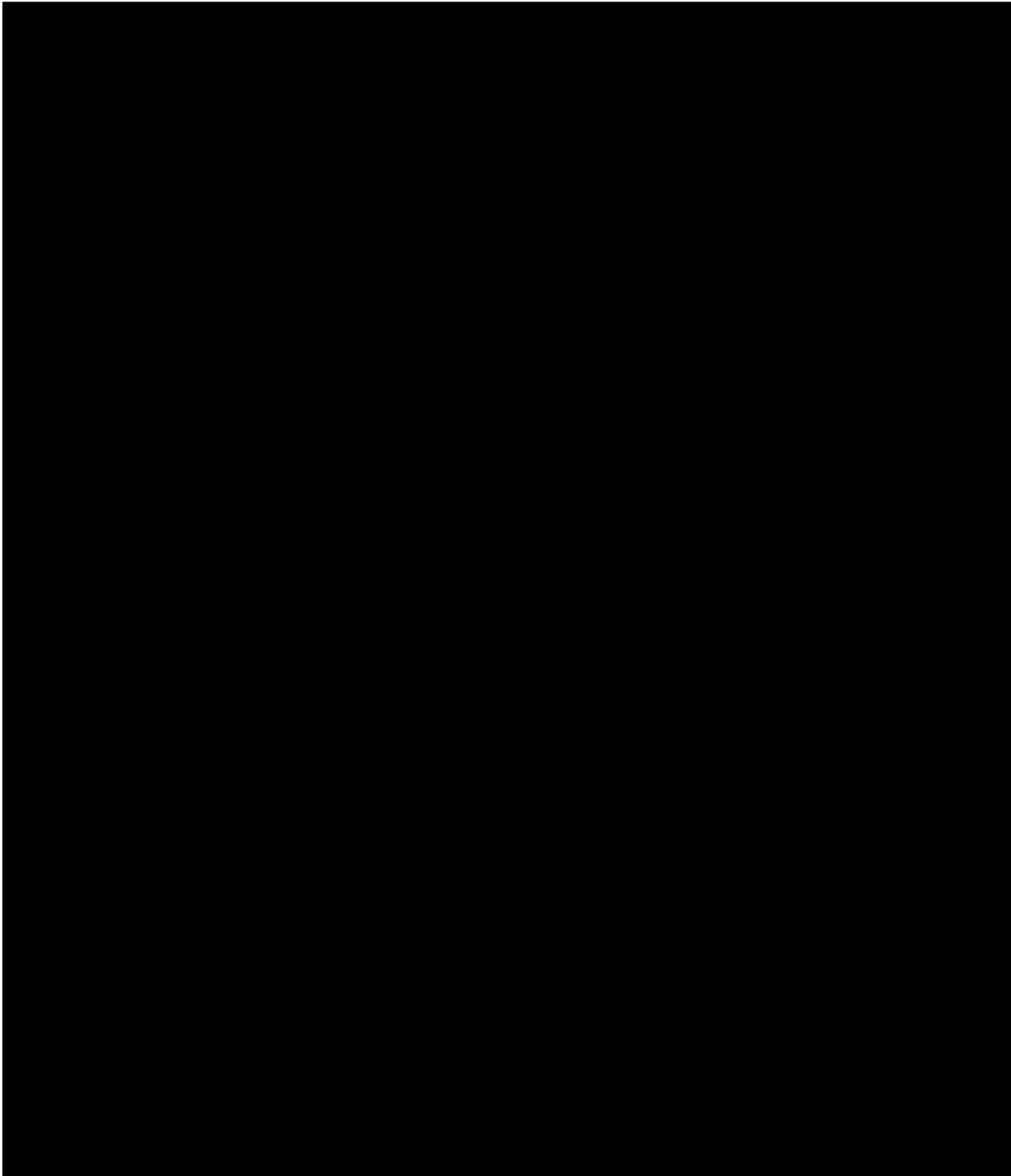
Key Points

- The Mortgage to Rent (MTR) Scheme (the Scheme) is a **state-led scheme** introduced to help mortgage borrowers in arrears, in particular in long-term arrears. It is operated by the Department of Housing, Local Government and Heritage (DHLGH) and also involves the Housing Agency and Local Authorities.
- **To be eligible for MTR, a borrower has to be assessed as outside of MARP**, i.e. the mortgage is deemed unsustainable or the borrower is classified as not cooperating. In addition, a borrower must meet strict criteria such as property value, being in negative equity (a small allowance for positive equity is allowed), occupancy criteria, income thresholds among others. The scheme is linked to social income and housing criteria.
- **Under the scheme, a borrower goes from being a homeowner to becoming a tenant of either an Approved Housing Body (AHB), which is a charity, or a local authority via a private entity, but crucially the borrower remains in their home.**
- **The Central Bank's view of the scheme is one of support.** It is a solution for a cohort of borrowers in long-term mortgage arrears (LTMA) that have no way to repay their mortgage, but allows them to remain in their homes. Through our regular engagement with the firms that hold a significant portion of LTMA accounts, we have encouraged firms to engage as openly as possible with the scheme and our understanding is that firms see MTR as a viable solution for borrowers and actively support the scheme.
- **Up to end-December 2024, a total of 7,395 cases have been submitted.** Of this, **2,583 were completed**, 429 are being progressed and 4,383 were deemed ineligible or not completed.
- **It can take a significant length of time for a borrower to be progressed through the scheme.** This can be due to a number of factors, such as the purchasing AHB or

private entity looking to secure funds to purchase the property. A borrower's eligibility for the scheme can also change during this time, which may make them ineligible for the scheme as time progresses.

- **The Central Bank has also had ongoing engagement with the Department on the operation of the scheme.** The Central Bank actively engages with any consultations on the criteria of the scheme and meets periodically with the DHLGH and also through the inter-agency group, the Mortgage Arrears Forum.
- During 2023, the DHLGH opened a new expression of interest for participants (AHB and private entities). This resulted in a long pause, which regulated entities engaged with the Central Bank on. In January 2024, the DHLGH launched a new iteration following the appointment of two AHBs and three private companies as large-scale providers. These appointments are valid for three years. Budget 2024 allocated €18m to MTR.
- **The DHLGH monitors the Scheme and this led to a broadening of eligibility criteria in Q4 2024,** with new limits on the value and a further increase to the positive equity threshold. This is a positive development which reflects increasing house prices.
- In a report by the DOF's Mortgage Arrears Group, a recommendation is for DHLGH to do a high level review in 2026.





About the Scheme

Further information: [Citizens Information](#) | [Housing Agency](#) | [Section 8 of the Mortgage Arrears Group Report](#)

3. Resolving long term mortgage arrears

Key Points

- The protection of mortgage loan borrowers, including those in arrears, is a key priority of the Central Bank. The Central Bank has undertaken a significant number of policy interventions since the onset of the last financial crisis, such as the Mortgage Arrears Resolution Targets (MART) introduced in 2013.
- There is a dedicated consumer protection framework in place to dealing with accounts in or facing arrears, and firms are required to have the arrears supports units in place to deal with those accounts professionally in line with regulatory requirements.
- All regulated firms, including banks and credit servicing firms, are obliged to comply with the Consumer Protection Code 2012 (the Code) and the Code of Conduct on Mortgage Arrears 2013 (the CCMA) in addition to a range of other provisions of Irish financial services law.
- The Central Bank has reviewed, advocated for and strengthened, where necessary, these rules to ensure that the regulatory framework remains fit for purpose and continues to ensure the protection of all consumers in their dealings with regulated firms.
- The hard work and sacrifices of those borrowers in distress that have engaged, the pressure and the requirements of the Central Bank, firms willingness to sustainably restructure mortgages (enforced by the Central Bank's requirements that legal action can only be done as a last resort), all underpinned by economic growth, has resulted in a substantial reduction of the number of accounts in arrears.
- From our engagement with firms on LTMA, we are continuing to see progress. In total, over 10k accounts have been removed from LTMA over the past 3 years. Over the year to September 2024, a further 6 per cent reduction was recorded. As the rate of decline slows, challenges remain.
- However, there remains a substantial cohort of borrowers in long-term mortgage arrears, and a heightened risk that additional borrowers will experience financial distress as a result of the rising cost of living and rising mortgage interest rates.
- The Bank recognises that there is a proportion of mortgages in long-term arrears, and resolution of these arrears will require system-wide initiatives.
- Our work continues to:
 - Review, advocate and strengthen the regulatory framework to ensure it remains fit for purpose and ensures the protection of all consumers in their dealings with regulated firms, including where loans are sold. The updated CPC and new guidance issued to industry are examples of recent work.

- Assertively supervising all regulated firms that deal with borrowers in mortgage arrears, to ensure regulatory requirements and our expectations are fully complied with.
- We continue to inform the public and stakeholders by generating and sharing economic and statistical insights and information and by actively participating in the inter-agency group.
- Working with other stakeholders across the system seeking to implement tangible improvements, learn lessons from the past and preventing the build-up of arrears and implementing successful restructures.

Key Questions

Q: Does the Central Bank support more repossessions?

A: This is a complex issue, requiring real sustainable solutions for the borrower and lender. Every borrower has individual circumstances, and there is not a ‘one size fit all’ solution, or unlimited financial resources to resolve the issue.

Lenders are required to focus on resolving longer-term arrears and recent data has shown a reduction in the number of borrowers in long-term mortgage arrears as lenders and borrowers agree solutions. This shows that there are options for borrowers in long-term arrears for those borrowers that are engaging with their lenders.

However, if we, economically and societally, want a functioning mortgage market, and for secured lending to be priced in a different way to unsecured, repossession must be a possible and plausible option. Notwithstanding the extensive use of forbearance and restructuring, there will continue to be cases where the lender will need to make alternative choices, including repossession.

The Central Bank said that mortgage holders whose loan was sold to a vulture fund would retain their consumer protections, yet now many are paying double the average rate - how did you get it so wrong?

This consumer protection framework seeks to ensure that lenders are transparent and fair in all their dealings with borrowers and that borrowers are protected from the beginning to the end of the mortgage life cycle, regardless of the regulated entity that their loan is with.

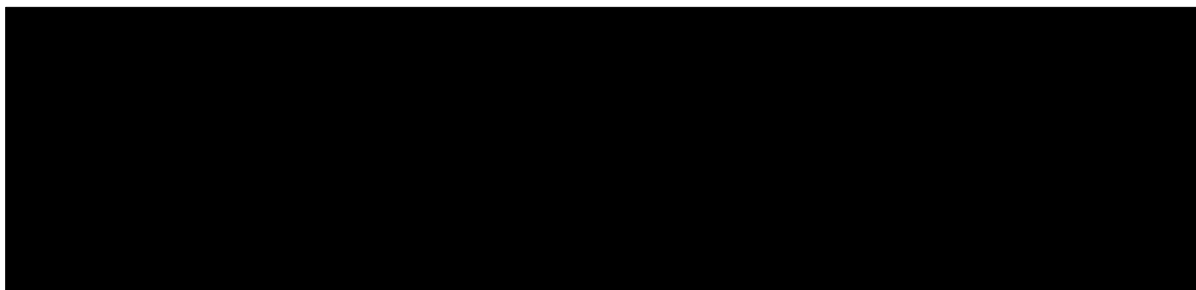
The regulatory framework provides a significant number of protections and supports for borrowers in or facing mortgage arrears, in recognition of the distress and, in the case of mortgages secured on a borrower’s primary residence, the vulnerability of borrowers at risk of losing their home. When a loan is sold, the relevant Irish and EU consumer protections provided by this framework continue to apply.

All regulated firms, including banks, retail credit and credit servicing firms, are obliged to comply with the Consumer Protection Code 2012 (the Code) and the Code of Conduct on Mortgage Arrears 2013 (the CCMA) in addition to a range of other provisions of Irish financial services law.

4. Mica /Defective concrete blocks

Key Points

- We know that this is a very challenging time for the people and families affected by defective concrete blocks. The Central Bank has met with, and had ongoing correspondence, with a representative group for affected homeowners so we are aware of the homeowners concerns. The information we have received from the Group has informed our ongoing engagement with the financial sector and industry representatives on this issue.
- The Central Bank is also engaged with the Banking and Payments Federation Ireland (BPF) and Insurance Ireland to ensure the financial services sector plays its proper role in supporting the resolution of the situation for affected homeowners on issues as they relate to the financial sector, and to support the implementation of the government scheme to that end. The BPF is engaged with the representative group and the retail banks have put a number of measures in place to support affected customers.
- In May 2024, the Central Bank attended an Oireachtas Finance Committee meeting on this issue – the meeting was also attended by the Department of Housing and Department of Finance (the Committee also met with Insurance Ireland, BPF and Engineers Ireland). Arising from the Committee hearings it is clear that a key outstanding issue relates to a review of the NSAI’s assessment protocol IS465 on which the certificates of remediation are based. In December 2024, the NSAI set out an updated position in which it advised that it will proceed to the development of a fully revised 2nd edition of I.S. 465 which will be issued for public consultation in Q1 2025. The outcome of this consultation will have an impact on the standards and certification that is provided to homeowners. At the Committee meetings the BPF and Insurance Ireland stated that where certification exists, affected homeowners and potential buyers of remediated homes will be able to access bank funding and insurance cover can be provided.
- The Central Bank has been contacted by [REDACTED] and members of the homeowners representative groups asking for support to ‘accelerate’ this process. We have responded that we cannot intervene in this process as it is being overseen by the Department of Housing and the NSAI. We will review the public consultation when the details of the process are published in the context of our remit and the financial services sector, and will engage with industry representative bodies as appropriate at the time.



Key Questions

Q: Are you aware of homeowners affected by defective blocks being refused home insurance in Ireland?

A: While not being an insured peril, firms do require consumers to confirm that their property is in a good state of repair and will be maintained as such. While the existence of defective blocks does raise the risk profile of a home from an insurance perspective given the use of defective materials, all insurers have confirmed that once the house is still deemed habitable that they will continue to provide home insurance for existing customers at renewal.

The Central Bank has engaged with Insurance Ireland, and continues to engage with the eight main home insurance providers in the State, covering approximately 96% of the home insurance market. We have not seen any evidence to date of different treatment of these homeowners when compared to how others in similarly difficult situations e.g. other building defects, flood insurance are treated. Where we have been made aware of individual issues or concerns, we have reviewed in detail and followed up with individual firms as required. We have been very clear with firms in relation to the treatment of customers at this difficult time for them.

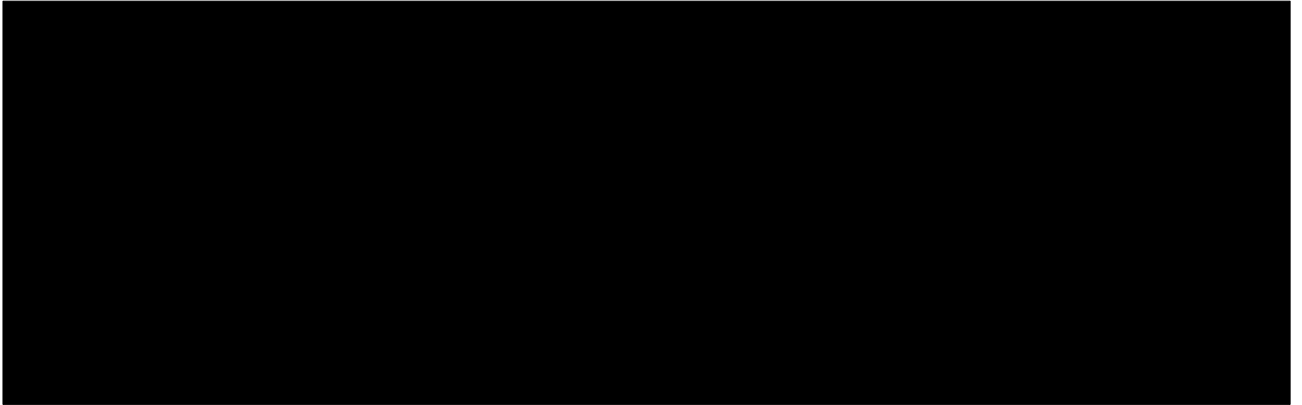
What action is the Central Bank taking on the mortgageability of these homes following remediation – including the ability to sell the properties in the future?

The Central Bank's mandate and role does not extend beyond issues directly related to the financial sector/financial services, however, we note the discussions at the recent meeting on the review of existing standards and support the calls to complete this review as soon as possible.

Issues related to mortgageability are one of a number where a multi-stakeholder approach is needed as it is linked to structural certification and engineering standards and the effect of this on the future 'mortgageability' of remediated properties.

At the Oireachtas Committee meetings in May the BPF and Insurance Ireland stated that where certification exists, affected homeowners and potential buyers of remediated homes will be able to access bank funding and insurance cover can be provided. The primary issue now relates to a review of the NSAI IS465 on which the certificates of remediation are based. The outcome of this review (due by year end) will have an impact on the standards

and certification that is provided to homeowners. We will review the public consultation when the details of the process are published in the context of our remit and the financial services sector, and will engage with industry representative bodies as appropriate at the time.



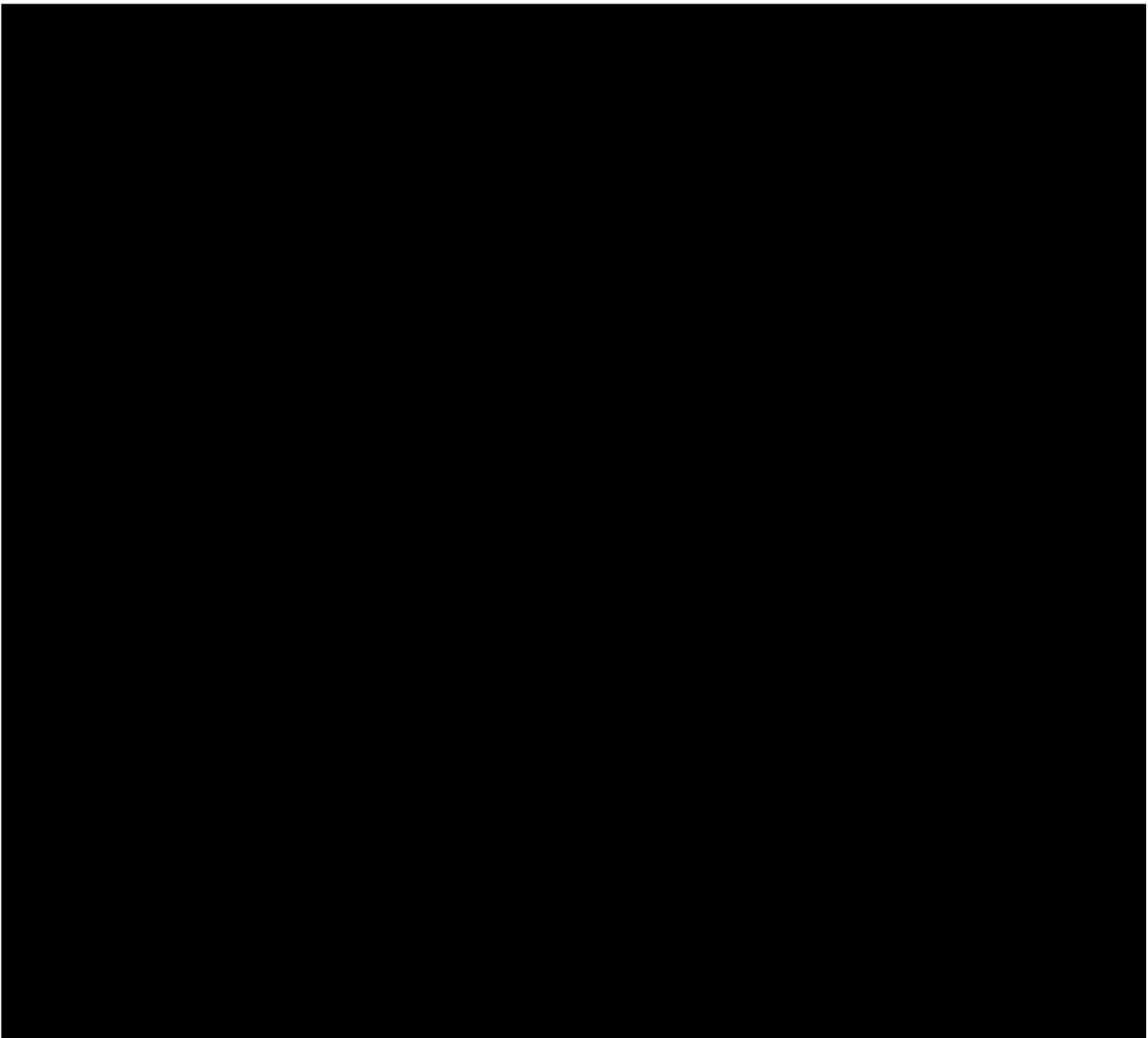
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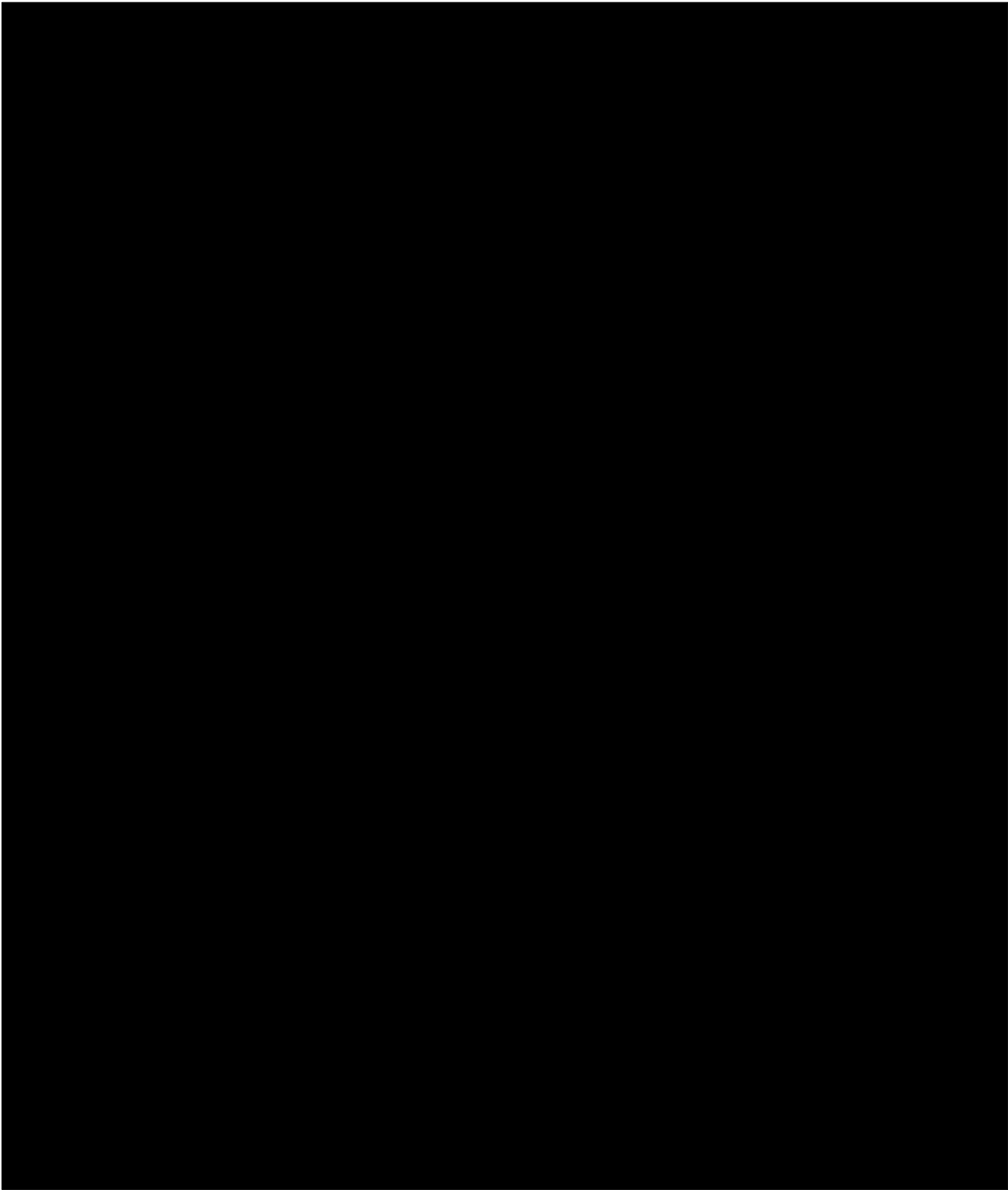
Retail Banks Background Information

Residential development lending can take various forms:

1. Social housing: purchased by approved housing bodies and local authorities. Properties are forward purchased, resulting in lower risk for lenders.
2. Private Rented Sector (PRS) and Student Housing: Properties are purchased by private sector institutional capital, with demand subdued currently due to elevated interest rates. Lending here is considered medium risk.
3. Residential development for open market: Residential housing developments and apartments not forward purchased, but put on sale in the open market. For this reason, considered higher risk, but supported by a number of government initiatives and excess demand.
4. Corporate lending to House builders: lending to a limited number of Irish home builders who purchase land and develop residential housing for sale. These include the likes of Cairn Homes, Park Developments, Ballymore and Glenveigh Homes.

Public Statements on Housing:





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