



Banc Ceannais na hÉireann  
Central Bank of Ireland

Eurosystem



# Explainer

Mortgage Measures  
Framework Review

## What are the Central Bank’s Mortgage Measures?

The [mortgage measures](#) support sustainable lending practices, preventing the widespread financial difficulties that we saw over a decade ago due to unaffordable and unsustainable debt levels. They are a permanent feature of the Irish mortgage and housing market.

The mortgage measures were first introduced in February 2015. They constrain the amount of new lending that can happen at high loan-to-income (LTI) and high loan-to-value (LTV) ratios. Since their introduction, a review of the limits and the operation of the measures has been conducted on an annual basis. The most recent review was [announced in November 2021](#).

Over the course of 2021 and 2022, we are also conducting a review the overarching mortgage measures framework.

## What is the Mortgage Measures Framework Review?

As the mortgage measures have been in operation for nearly seven years, it is important that we not only review the operation of the measures and the setting of the limits annually, but that we also consider the overarching framework. This is good policy practice.

As part of this review, we are reviewing the overall objectives of the measures, the precise tools that we use to guard against excessive levels of indebtedness and the factors that we take into account when setting the limits. This is to ensure that the mortgage measures continue to remain fit for purpose, in light of changes to our financial system and economy since the measures were first introduced in 2015.

## What has this involved to date?

As part of the review process, we wanted to hear directly from the public. In the summer of 2021, we conducted an online survey and a series of listening events, where we asked the public and other stakeholders to share views and experiences on the functioning of the mortgage measures, as well as perspectives on what a sustainable mortgage market looks like.<sup>1</sup> This listening exercise helped ensure that our review covers the right areas.

In addition, we have conducted extensive research and analysis during 2021 to inform our thinking around the strategy and implementation of the mortgage measures. Among others, this has entailed studying the evolution of the housing and mortgage markets since the measures were introduced as well as learning lessons from the experience of other jurisdictions that have introduced similar measures.

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<sup>1</sup> See [Summary Report of Listening Event](#) and [Summary Report of the Online Public Engagement Survey](#).

Our own research, along with analysis of the feedback gathered through the listening and engagement events, forms the basis for the public consultation paper.

## What is the consultation paper?

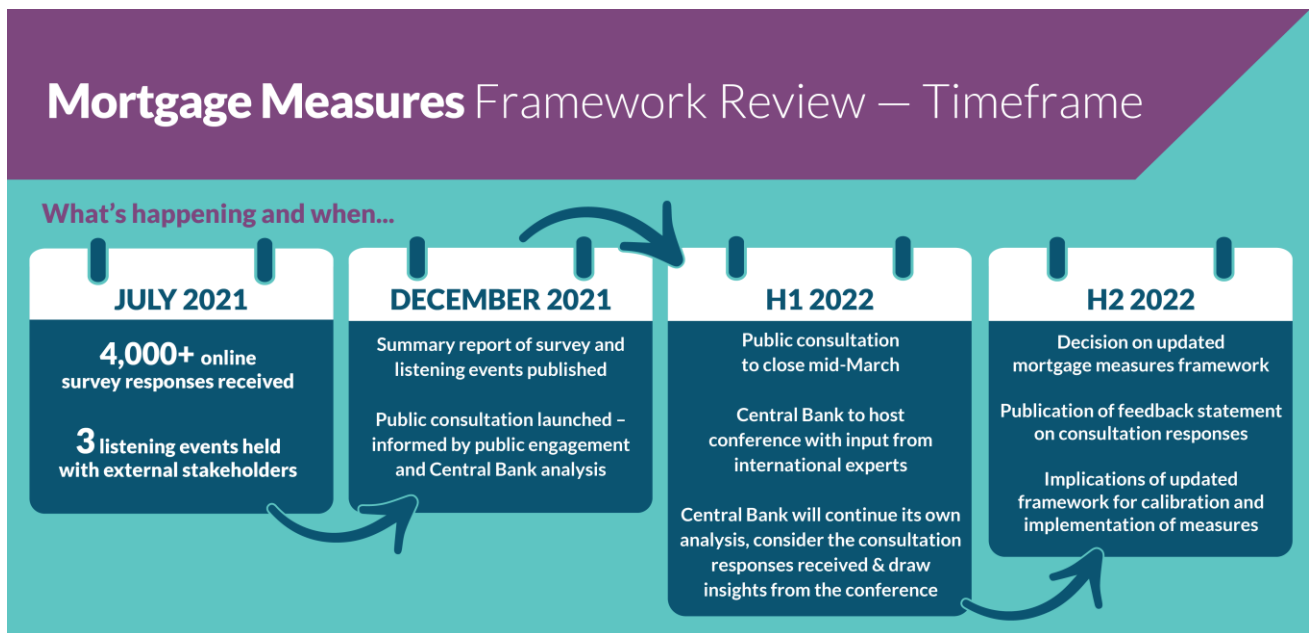
The consultation paper marks the second step in the public engagement as part of the framework review. The consultation paper seeks feedback from external stakeholders on specific proposals around the mortgage measures framework on a range of issues, including:

- **The objectives of the mortgage measures:** The Central Bank has been evolving the stated objectives of the mortgage measures and feedback is sought on the proposed principles underpinning these objectives.
- **The number of limits:** The current framework limits of the size of mortgage loans both in relation to the value of the house (LTV) and in relation to the income of borrowers (LTI). Feedback is sought on the Central Bank's view that such a dual-limit approach continues to be appropriate within the mortgage measures framework.
- **The choice of an income-based limit:** Feedback received from the public engagement and the listening events highlighted different options for an income-based limit. The Central Bank has reviewed the relative merits of loan-to-income (LTI), debt-to-income (DTI) and debt-service-to-income (DSTI) limits and is seeking views on the relative appropriateness of each.
- **The role of allowances:** The Central Bank has examined the role of allowances, or new lending that takes place above the LTV and LTI limits, in the framework. We are seeking feedback on the role of the allowances in maintaining flexibility in the mortgage measures framework as well as the proposal that the Central Bank consider further the balance between the calibration of the limits and the level of the allowances.
- **The differentiated limits by borrower type:** The differential LTV limit between first time and second time borrowers has been a key area of focus, in light of feedback received from the online public engagement survey. We are seeking views on the merits of differential treatment across first time and second time borrowers and the most appropriate way in which to implement this.

## What Happens Next?

The Central Bank invites all stakeholders to provide comments on the questions raised in the Consultation Paper. Please provide feedback by filling in the response form, available at <http://www.centralbank.ie/cp146>. The deadline for receiving feedback is Wednesday 16 March 2022.

The Central Bank will consider the feedback it receives on the questions asked in the consultation paper. A conference will also take place in 2022, with insights gained from international experts. This feedback and insights, in addition to further research and analysis by the Central Bank, will inform the final conclusions on the design of the framework. The Central Bank will then consider the implications of the updated framework for the calibration and implementation of the mortgage measures. The framework review is due to be concluded in the second half of 2022.



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