

Key ways to keep hold of your home

Don't lose hope if you've fallen behind on your mortgage repayments. As **Niall Brady** reports, deals can be done

A SECOND wave is about to break in the mortgage crisis, as rising home loan rates push more households into arrears, joining the 30,000 who have already fallen behind on repayments because their incomes have dried up.

The mortgage hikes are stoking inflation, with the consumer price index up 0.2% in April, even though prices of most household items are falling. Rossa White, the chief economist at Davy Research, said: "The domestic economy is experiencing no price inflation whatsoever, bar energy prices and mortgages, as banks push up their margins."

Allied Irish Banks and Permanent TSB reported last week that there had been no let-up in the number of households struggling with debt.

AIB said: "Arrears continue to increase and future [loan] losses will largely be determined by unemployment."

The bank's stockbroking subsidiary, Goodbody, said last week that Ireland's economic recession was over, but it warned of a jobless recovery. Dermot O'Leary, the chief economist at Goodbody Stockbrokers, said: "The question is, what type of recovery will emerge? Given that it will be led by exports, it is unlikely to be employment-intensive."

Here are your options if your mortgage has become a burden.

KNOW YOUR RIGHTS

The Money Advice and Budgeting Service (Mabs) has an information website for those worried about falling behind with mortgage or rent payments at keepingyourhome.ie.

It advises you to offer lenders what you can afford to pay, giving priority to car finance commitments and utility bills to ensure that you are not left without transport or power.

Depending on the size of your offer, lenders may propose temporary measures such as mortgage holidays or interest-only payments. Permanent solutions include stretching the mortgage over a longer period and treating arrears as a mortgage top-up.

Michael Culloty of Mabs said: "Don't adjust your offer in response to a lender's demands. If your negotiation isn't successful, don't be afraid of the threat of court action if you have made every effort to repay what you can afford. It will help your case if you can show you have made a genuine effort."

Handing your house keys to a lender is not an option because it will pursue you for any shortfall between what you owe and the price the property fetches on the market. Voluntary surrender will also deprive you of entitlements to local authority housing.

THINK LIKE A BANKER

Getting the best deal from your banker will depend on your negotiating skills. Iain Cahill,

of Survivingtwin.com, which gives advice to those trying to reschedule their debts, said: "Whether you are cancelling your cable television account or in negotiations involving millions of euros, keep everything in writing — you never know what you may need to prove in the future."

"If you have a phone conversation or meeting, send an email or registered letter afterwards detailing the key points and decisions. Ask the person on the other side to respond in writing that they agree with your record of the meeting or conversation."

If there is a personality clash, ask to deal with somebody else. "Changing the point of contact has made all the difference for some of our clients," said Cahill. "Do all you can to remain pleasant and polite if relationships become strained. Don't be intimidated, though, just because you are dealing with someone from a large institution."

PROTECT YOURSELF

Lenders insist that you have mortgage protection insurance, which would clear your debt if you died before the end of the mortgage. Illness and unemployment, though, are much more common threats, yet few homeowners are covered for them.

Karl Deeter of Irish Mortgage

Brokers points out that mortgage protection currently costs a lot less than insurance for accident, sickness and unemployment (ASU). "The priority is currently on insuring for death — the event that's least likely to happen," he said. "Mortgage protection costs less, but it's important not to confuse price with value."

Mortgage protection currently costs €12.16 a month from Friends First for a man, aged 30, borrowing €250,000 over 20 years. ASU insurance from Assurant would cost €141 — more than 10 times more — and would cover his mortgage payments of €1,450 for up to a year.

Deeter said ASU insurance would be more affordable if more borrowers took out cover. He believes lenders should meet part of the cost because their business would be less risky, reducing the cost of funding their loan books. The state should contribute too, he believes, because it would save on social welfare payments if more people were insured for illness and unemployment. "A scheme to which all the beneficiaries contributed would be much cheaper than the current system," said Deeter.



Harte had to appear in court twice in her fight to keep her apartment in Navan, Co Meath

'Court gave me time to pay, but lenders wanted more'

MORE than a year after Gráinne Harte, 43, tried to cut a deal with Start Mortgages, the subprime lender finally agreed to capitalise the arrears of €21,000 on her apartment in Navan, Co Meath. It has been a rough ride, involving two appearances before the High Court — with another due in July.

"I'm angry because they wouldn't give an inch when I initially asked for interest-only payments or to have some of the arrears added to the mortgage," she said. "The tactics they used were outrageous, with relentless phone calls."

"It's so frustrating when the person on the other end of the line has no understanding of what it's like when you've no idea where your next euro will come from."

Start Mortgages said: "We are committed to working with customers in this situation to ensure all options are

fully explored. We have been in contact with the customer concerned and have suggested a meeting with her in the coming days to ensure that everything is done to deal comprehensively with the issues raised."

Harte's problems started when work dried up in advertising and public relations as the economy entered a tailspin in 2008 — sending her mortgage and other debts into arrears.

After an initial period of panic, she turned for help to Iain Cahill of SurvivingToWin.com, which advises those with debt problems how to deal with banks. "He helped me think straight by working through the numbers," she said. "I prioritised the car loan because I needed transport in order to find work. The apartment had to be a lower priority — even if it meant losing it."

Harte vacated the property so that it could either be sold or used to generate

a rental income. The apartment was rented from May 1, 2009.

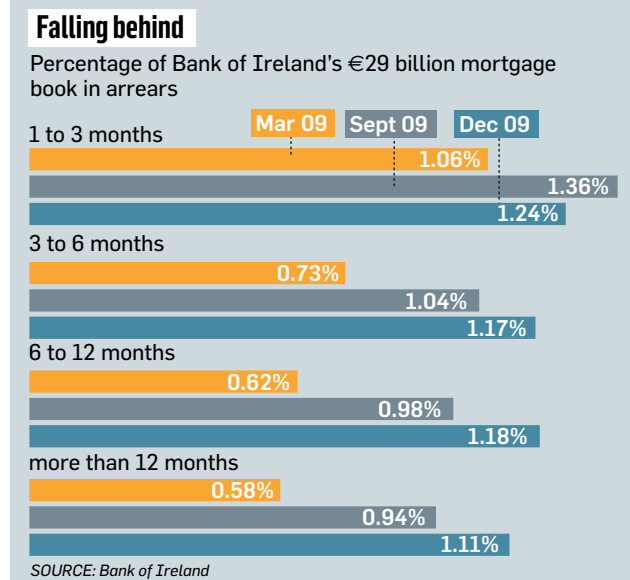
Ten days later, though, Start Mortgages began legal proceedings for repossession.

Harte represented herself in court. "Luckily, the judge was reasonable," she said. "He gave me the time to get back on my feet that my lender didn't."

She offered to pay €1,000 a month — just short of the €1,200 a month she owed. The court directed Start to accept the offer for six months and then review it. By her second court appearance, Harte was able to improve her offer, which the courts again accepted. The following day, Start finally offered to capitalise the arrears from July.

"It's vital to be able to get an income from somewhere, no matter how small, because this demonstrates an ability to repay what you owe," she said.

Niall Brady



Place your faith in gold — and buy some Canadian dollars

YOU need nerves of steel these days to watch the evening news reports about the state of our economy, the eurozone and all the other indebted countries where the only solution that politicians and central bankers can come up with is more debt-fuelled bailouts.

The fear and uncertainty over the Greek debt contagion continues and a crisis caused by historic national debt levels, acquired over the past 60 years, won't be solved unless we, the indebted, undertake unpalatable reforms.

Nothing has really changed for the euro, either, since the €750 billion loan guarantee was announced. It's a currency that, like the club of nations using it, is only as strong as its weakest member.

If that doesn't cause a frisson of fear, how about this fact: the euro has lost 10%-12% of its value against the dollar and sterling so far this year. These two currencies are nearly as "fiscally challenged" as the euro, especially when valued against real money, like gold.

The euro, says exporters, needs to lose another 15%-20% to regain competitiveness against the dollar and the pound, yet stopping the euro from going into freefall was the other purpose of the European Central Bank/International Monetary Fund bailout pact.

As an ordinary person, with savings and a pension denominated in euros, what should you do?

Don't leave all your wealth in cash, for one thing. The analysts and commentators I read every day — who are not in the pay of banks, stockbrokers or politicians — suggest we should hold real assets, with genuine intrinsic value, that can't be printed into existence at a whim.

They include things like gold and silver, arable land and shares in well-run global companies — world dominators as they are known — that reward their investors with steady dividends.

Savers also need to get over their fear of emerging markets in India and the Far East, they say, and start buying shares in their top companies.

If you do insist on keeping your wealth in the form of paper and ink currency, then you might consider some of it being

JILL KERBY COMMENT



in the currencies of countries that are not as likely to default on their debts: Canadian dollars, Norwegian kroner, Swiss francs and Singapore dollars come high on ranks of safer, fiat currencies.

Since 2005, the price of gold is up an average of 24% per year as denominated in sterling, 20% in euro, 18.5% in US dollars and 15.6% in Canadian dollars, reflecting the strength of the Canadian economy. One ounce cost about €330 then.

Gold prices go up and down, but it has been on an upward trajectory for the past decade. So far this year, the price has risen by 22.9% in euro terms, 18.3% in sterling and by just 8.6% in Canadian dollars. As I write, the spot price of an ounce of gold was just over €982. That should tell you something.

Elderfield must call out VHI

Matthew Elderfield, the financial regulator, didn't mention the VHI by name in his speech to the Irish Insurance Federation (IIF) annual lunch last Monday. But he should have. Elderfield strenuously urged the IIF members to make the implementation of the strict Solvency II directive for the industry their top priority, which sets out solvency ratio standards for the insurance industry.

"Please don't underestimate the impact of the directive," he said. "The changes to solvency standards will impact the economics of particular business lines in ways that are both dramatic and subtle... The scale of change that is coming means that this is

not just a regulatory challenge but a profound commercial one, too."

How the representatives from the VHI must have laughed. The state-owned health insurance company has secured yet another extension from meeting its solvency requirements until January 1, 2012 — that's the sixth since 1999.

The VHI's solvency ratio, which should be 40%, is just 21%. It needs a €100m bailout from the state, is haemorrhaging members and is the sole beneficiary of the €168 and €55 health levies that every adult and child member of its two smaller rivals, Quinn and Aviva, must pay to keep it from folding.

How long is Elderfield going to remain silent about this travesty?

Can't break free of the debt

May 30 is Tax Freedom Day in Britain, as calculated by the Adam Smith Institute.

The Americans have already celebrated their day of freedom — April 9 — after which their taxpayers work for themselves and not Uncle Sam for the rest of 2010. The last time the Institute did a survey that included us, was 2007 when our tax freedom day was May 11.

All these different surveys are based only on income tax receipts and don't take into account budget deficits or the size of a country's national debt.

That is just as well. If they did, we would all be horrified to see how we would probably have to work every day into the next century to meet the true cost of running our indebted states.

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