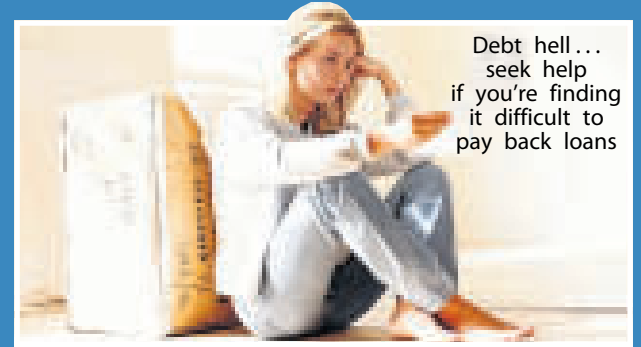




KARL DEETER

Ireland's money expert



Q&A

Best staying on the right track

Q CAN my bank take my tracker mortgage away from me? I've heard they lose money on these types of loans and will do anything to get you to give it up.

A IF you have a tracker mortgage, rest assured the bank can't take it back from you.

But if you switch to a fixed rate, top up,

change the terms or the names on the deeds, you won't get your tracker back.

So hold on to it and always get professional advice if you're considering giving it up.

Whatever you do, don't let a person in a bank give you financial advice on this issue. Talk to a qualified independent financial advisor, an accountant or other specialist.

Making sure you're properly protected

IF you're in arrears or having difficulty paying your loans, we can suggest a few contacts that may help in solving the problem.

In our main article, we mentioned the Code of Conduct on Mortgage Arrears, and part of making sure you're protected involves being in touch with your lender.

By arranging a consultation with the likes of the Money Advice & Budgeting Service (MABS), you're taking the first step towards sorting out your affairs.

This is key to getting protection from the banks.

You can also seek help privately from debt management firms.

However, it's worth keeping in mind

that they'll charge a fee, whereas the services of MABS are free.

If, on the other hand, you have a complaint to make about a bank, you should write to them directly, explaining the issues you have.

If their response is not to your liking, you should call the Financial Services Ombudsman.

Experts there can let you know if it's something they'll be able to deal with.

● Money Advice & Budgeting Service: 1890 283 438, mabs.ie

● Financial Regulator: 1890 777 777, financialregulator.ie

● Financial Services Ombudsman: 1890 882 090, financialombudsman.ie

LAST year mortgage credit was down 87 per cent from its 2006 peak, and the number of loans granted was down 85pc.

On the other hand, interest rates rose an average of 1pc as banks pushed up prices to make up for the losses they made everywhere else.

This meant that about 250,000 households had to bear the brunt of rate hikes and, unfortunately for them, it will be the same again this year.

WHAT CAN WE EXPECT? Price increases on variable rate mortgages offered to new borrowers, and held by existing customers, will rise by another 1pc this year. This will cost an extra €1,280 a year on a mortgage of €200,000 over 25 years.

If you earn the average industrial wage, between last year and this year it'll be like having a full month's wages stripped away from you by the banks.

It's sickening, and all of this at a time when the Government's finding new ways of taking yet more money out of your pocket to fund itself.

What can you do?

Well, one option is to take a fixed rate — call your lender and find out what rates are available.

Then you just need to have them let you know the difference between the price of the fixed rate and what you're paying now.

If it's less than or equal to €1,280 in the example above, it probably makes sense to go for it as a form of insurance against rate hikes.

MORE REPOSSESSIONS: In 2010 there were just 311 repossessions, even though between 70,000 and 100,000 people are not making full — or in many cases any — payments.

In fact, about 12,000 households have paid nothing on their mortgage in over a year.

Is this situation set to continue? In a word, no.

We can expect at least a 300pc increase in repossessions this year as banks start to play hard ball with hard-pressed borrowers.

If you can't pay your loan, make sure you protect yourself. Every lender must comply with the CCMA (Code of Conduct on Mortgage Arrears) 2010, and that means having a Mortgage Arrears Resolution Process (MARP).

If you engage with the lender, they can't start proceedings against you for at least a year.

If you've gone beyond that point, or you don't believe your situation will change, it's worth talking to them about a voluntary possession so you won't end up piling more interest and costs on to the bill.

FIXED-RATE OFFERS WILL GO THE WAY OF THE DODO: If you're considering a fixed-rate mortgage, or if you already have one and are coming to



Mortgage mayhem

AGONY TO CONTINUE

the end of it, you might be in for a bit of a shock.

Banks are going to increase the prices they charge and some may even stop offering them.

Fixed rates are costing too much at the moment, and for that reason they may go the same way tracker mortgages went.

Any bank that wasn't bailed out is already charging more. In fact, the best fixed rates are being offered by banks that were saved by the taxpayer.

This means taxpayers are saving banks who in turn are giving out loss-making loans. It's not fair and won't continue.

For that reason you can still talk to your bank or financial advisor about a fixed rate now. If you have to switch, it may be tricky, as some of the banks

offering the best rates won't accept switcher business, such as AIB.

MORTGAGES WILL BE VERY TOUGH TO GET: Lending hit a peak in 2006 at about €40 billion and, while that's too much credit, the €5 billion we expect as a final figure for 2010 is perhaps too low. It won't be much higher in 2011, either.

Don't be surprised when the banks trot out every excuse in the book not to lend to you. It seems €50,000,000,000 (about what we've given them to date) just doesn't stretch too far when they need to cover up for the myriad mistakes they've made.

If you're thinking of looking for a mortgage, concentrate on having a healthy savings and current account.

A good piece of advice is to prove you can support the payment by showing you can either save or pay rent at an equivalent rate to what the mortgage will cost. Clear any small debts, and don't go into overdraft.

Banks are getting forensic in their underwriting, so don't give them any reason to say no.

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