Broker News

6th January 2023

The Mortgage Store
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Credit Policy Amendments

Important Notice – Changes have been made to the Mortgage Affordability Calculator

These changes reflect:

1. Changes to Tax Credit / Tax Band / USC changes announced in the most recent budget
2. Revised CBOI Macro Prudential Rule ('MPR') lending definition of First Time Buyer ('FTB') and Loan To Income ('LTI') limits (effective from 1st Jan 2023)
3. Adjustments to our Credit Policy (effective from 10th Jan 2023) reflecting continued challenging macro-economic conditions for our customers

1. Changes to Tax Credit / Tax Band / USC changes announced in the most recent budget

The calculator has been updated to reflect the improved net income position arising from the recent budget, this will positively impact the net disposable income of applicants.

2. Revised CBOI Macro Prudential Regulation Lending definition of FTB and LTI limits

Calculator updates relate to the revised macro prudential rules

a. Movers to borrower up to 90% LTV (formerly 80%).
b. FTB to borrower up to 4.0x LTI (formerly 3.5x)

All loans are subject to BOI LTI and LTV Policy – please ensure to check against BOI Policy as we may not lend 4x LTI or 90% LTV in certain circumstances.

The First Home Scheme mortgage lending cap of 3.5x LTI has been amended to 4x LTI.

The CBOI also revised their definition of FTB to include borrowers who are separated/divorced/ formerly bankrupt or insolvent **provided, that** they no longer have an interest in any other property. Additionally, they have confirmed that where a customer remains in their original FTB property they remain FTB for purposes of the regulations.

<u>For new property purchase</u> applications, please submit as FTB mortgage segment and detail in your memo the circumstances. In line with the existing process for FTB, we will review the Central Credit Register which should confirm that they have no other mortgages/property borrowing.

Credit Policy Amendments continued

Additionally for Switcher applications where the customer remains in their first property they remain a FTB. Please note clearly on the Memo that the application is a Switcher for a FTB under MPR criteria.

3. Credit Policy Changes – Live from 10th January 2023

Increase in Minimum NDIs across all income bands:

To protect customers in a rising inflationary environment, we have increased our Net Disposable Income (NDI) thresholds. The average change is c.5% across the thresholds.

Change in variable pay allowable in mortgage affordability:

Where variable pay is unguaranteed (e.g. bonus or overtime), the maximum amount that can be used in affordability assessment is ***50%*** (formerly 100%). For public sector employees where additional income is likely to continue eg Nurse, Guard and Doctors 100% will continue to be used (2 year track record is required).

DRA where LTI is ≤/>3.5x:

- If LTI is greater than 3.5x income the customer must establish DRA of *at least 100%* of the proposed mortgage repayment (plus any shortfall on the actual repayments for a retained PDH in the case of a Mover Retainer)
- If LTI is less than or equal to 3.5x income, a lower percentage of DRA of >85% may be considered where
  - the Info note explains what changes the customer will make in their spending so they can afford the mortgage
  - the customer must have surplus Net Disposable Income ('NDI') to cover at least double the DRA shortfall amount. For example, if the customer can demonstrate DRA of €850p.m. and the actual mortgage repayment is €1,000p.m. then they require surplus NDI of at least €300 in addition to their minimum allowable NDI based on household type and income band.

Owner Occupier Stress Rate Floor:

The stress rate floor has been increased, this will impact affordability assessment by c€15 per €100,000 (x 30 year term).

Credit Policy Amendments continued

Important points to note;

- For existing applications in the pipeline, assessments will be based on the new calculator from 10th January. We may still be able to support existing cases on our old assessment calculator as an exception on a case by case basis.

- For existing pipeline cases such as under negotiation not yet approved, Househunter change in proposals and property specific change in proposals, updated assessments post 10th January will be based on the new calculator from 10th January. We may still be able to support as an exception on a case by case basis.

- Minor changes on Property Specific AIP's will continue to be supported based on the original approval.(max 6 months post approval), providing income documents are still valid.

- Please be mindful for marginal pipeline cases where a move from a 5/7/10 yr fixed rate to 1/2/3 year is proposed, calculator should be rerun. It's important to ensure that these applications continue to be reviewed for changes in a customer's income or financial circumstances.

- New Builds: Where completion has been delayed and LOF is out of date – when requesting new LOF please ensure that the income documents are still valid and provide up to date documents if required and case will be reassessed.

You can contact your Broker Relationship Manager for any queries you may have relating to the policy changes mentioned in this communication.