



Oifig an Aire Tithíochta agus Seirbhísí Áitiúla
Office of the Minister for Housing and Local Services



Comhshaol, Oidhreacht agus Rialtas Áitiúil
Environment, Heritage and Local Government

31 May, 2010.

Ms Mary Maguire,
Meetings Administrator,
South Dublin County Council,
County Hall,
Tallaght,
Dublin 24.



RE: REP354/MF/10

Dear Ms Maguire,

Mr Michael Finneran, T.D., Minister for Housing and Local Services, has asked me to reply to your recent correspondence regarding a resolution passed by South Dublin County Council.

The Government has put in place a range of measures to provide advice and financial supports to households who may experience difficulties in meeting their mortgage payments.

The Mortgage Interest Supplement, administered by the Community Welfare Service of the Health Service Executive on behalf of the Department of Social and Family Affairs, provides direct financial assistance where the mortgage relates to a person's sole place of residence. People in debt or in danger of getting into debt can also avail of the services of the Money Advice and Budgeting Service (MABS). This is a national, free, confidential and independent service.

It is a particular priority of the Government to ensure as much as possible that difficulties in relation to mortgage arrears do not result in legal proceedings for home repossession. Home repossession should be, and generally is, the last resort for the lender and the preferred method of dealing with arrears cases should be early engagement between the borrower and their financial institution.

The Government's new Programme for Government sets out a clear commitment to review existing arrangements such as the Statutory Code of Conduct on Mortgage Arrears and the recently agreed protocol between the Irish Bankers Federation (IBF) and the Money Advice and Budgeting Service (MABS) on debt default with a view to expanding the options available for dealing with debt situations through the use by banks and lenders of more flexible mechanisms to avoid foreclosure in appropriate circumstances.

An Roinn Comhshaol, Oidhreacht agus Rialtais Áitiúil, Teach an Chustaim, Baile Átha Cliath 1
Department of the Environment, Heritage and Local Government, Custom House, Dublin 1

Tel/Teil: 353 1 888 2591 LoCall/GlaochÁitiúil: 1890 20 20 21 Fax/Faics: 353 1 878 6676
e-Mail/Ríomhphost: michael.finneran@environ.ie Web/Idirlión: www.environ.ie



Páipéar 100% Athchúrsáilte
Printed on 100% recycled paper

It is important to note that there is no causal link between negative equity and mortgage arrears and that negative equity only becomes a problem in practice for a household where they must sell their home for whatever reason. For the vast majority of mortgage holders in negative equity it is a problem in theory – their homes have lost some notional value.

Therefore, it does not automatically follow that households in negative equity are in mortgage arrears or in danger of becoming in arrears. The Financial Regulator estimates that only a small proportion of borrowers who are in negative equity are in arrears on their payments.

Conflating negative equity with arrears or repossessions is counter productive for people who have difficulties in meeting mortgage repayments and may actually serve to discourage distressed borrowers from engaging early in the process with their lender. The Government is focused on assisting those households remain in their homes. To this end, it has set up an interdepartmental group to collect information and examine options on the matter of indebtedness and mortgage arrears under the Chairmanship of Mr Hugh Cooney. The group will focus initially on exploring the feasibility of a range of possible options for improving the level of mortgage support to homeowners in difficulty. Proposals will be based on factual information gathered by the group and will take into account the findings of existing reports and mortgage support schemes in operation in other jurisdictions. This group will make recommendations to the Minister for Finance with a final report on this phase of the review expected by end June 2010.

I trust the above meets the concerns of the members of South Dublin County Council.

Yours sincerely,



Tom Gallagher
Rúnaí Aire Stáit

