

Briefing
November 2017

Minor changes to Central Bank Mortgage Regulations following annual review

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The Central Bank has published its [2017 Review of Residential Mortgage Lending Requirements](#), and announced that it will be making very minor changes to its Residential Mortgage Regulations from 1 January 2018.

The key aspects of the Residential Mortgage Regulations will remain the same, but separate loan-to-income allowances will be introduced for first-time buyers, and for second-time buyers.

BACKGROUND

The Central Bank's Residential Mortgage Regulations were first published in 2016, and the Central Bank committed to reviewing those Regulations annually.

Last year, the Central Bank introduced a number of changes to the Regulations which took effect on 1 January 2017. For further information on last year's changes, read our November 2016 briefing: [Central Bank Mortgage Regulations: Results of review announced](#).

2017 REVIEW

The 2017 Review notes that the risk profile of new mortgage lending has broadly developed in line with market developments over the last year. As a

result, the loan-to-value (LTV) and loan-to-income (LTI) limits are not being changed. However, the LTI allowances are being refined to differentiate between first-time buyers (FTBs) and second-time and subsequent buyers (SSBs).

The table on the following page summarises the changes which will come into force on 1 January 2018.

The valuation provisions are also being refined. When calculating the value of collateral for a loan issued for construction purposes, the lender must take the lower of (a) the estimated market value of the property after the works are completed and (b) the site cost plus the cost of works (estimated at the time that the mortgage loan is entered into).

RULE	2017 POSITION	2018 POSITION
LOAN-TO-VALUE RESTRICTIONS		
FTBs	Cap: 90% Minimum deposit: 10%	No change
SSBs	Cap: 80% Minimum deposit: 20%	No change
Buy-to-Let (BTL)	Cap: 70%	No change
Exemptions	Negative equity mortgage loans Refinancing/switcher mortgages Alternative repayment arrangements (ARAs)	No change
Lending Caps	FTBs: Up to 5% of new lending can exceed 90% cap SSBs: Up to 20% of new lending can exceed 80% cap BTLs: Up to 10% of new lending can exceed 70% cap	No change
LOAN-TO-INCOME RESTRICTIONS		
FTBs	Ceiling: 3.5 x borrower's income	No change
SSBs (incl. negative equity)	Ceiling: 3.5 x borrower's income	No change
Exemptions	BTL investors Refinancing/switcher mortgages ARAs	No change
Lending Caps	FTBs: Up to 20% of new lending for can exceed the cap SSBs: Up to 20% of new lending for can exceed the cap	FTBs: No change SSBs: Up to 10% of new lending can exceed cap



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