Outcome of the 2018 Review – No change in calibration of the measures

First Time Buyers 2019
- 3.5 TIMES INCOME
- For most people, MORTGAGE CAPPED AT 3.5 TIMES INCOME
- 20% of mortgages can be above cap
- 5% of mortgages can have a lower deposit
- DEPOSIT REQUIRED 10%

Second & Subsequent Buyers 2019
- 3.5 TIMES INCOME
- For most people, MORTGAGE CAPPED AT 3.5 TIMES INCOME
- Mortgage up to 90%
- Deposit minimum 10%

Buy-to-Let 2019
- DEPOSIT REQUIRED 30%
- 10% of mortgages can have a lower deposit
- Mortgage up to 70%
- Deposit minimum 30%

Other Exemptions
- Negative equity mortgages exempt from Loan-to-Value (LTV) limit
- Buy-to-Let mortgages exempt from Loan-to-Income (LTI) limit
- Switcher mortgages exempt from LTI and LTV limits
Summary of 2018 Review

The measures as currently calibrated are achieving their objectives and are contributing to overall financial stability.

- Strengthening both bank and borrower resilience.
- Reducing the likelihood and impact of a credit-house price spiral emerging.

Promoting a sustainable role for mortgage financing in the wider housing market

- A fully functioning and sustainable housing market is not achieved by excessive leverage in the household sector and imprudent lending standards by banks.

The pace of growth in new mortgage lending remains strong, but there is scope for further sustainable increases in mortgage activity.

Mortgage lending is not generating a substantial divergence between house prices and underlying fundamentals (housing supply, income, interest rates) and there is little evidence of a credit-price spiral emerging. [Slide]

- A significant and sustained expansion in housing supply key to addressing affordability problem.

While there have been shifts in the distribution of LTVs and LTIs in new lending, indicating the measures are more binding, there has been little change in average LTVs and LTIs and no sign of a generalised deterioration in lending standards at present. [Slide]

The resilience of the Irish financial system to mortgage lending and housing market developments has been reinforced by the activation of the countercyclical capital buffer (CCyB), which will become effective in July 2019. [Slide]
Growth in value of new lending remains significant, but moderating...

Volume of mortgage drawdowns, approvals, and average drawdown value (4 quarter rolling total)

Annual growth rate in value of mortgage drawdowns, approvals, and average drawdown value

Source: BPFI
Notes: Data refer to new loans only for FTB, SSB, and BTLs.
Last observation: 2018Q3

Source: BPFI
Notes: Data refer to new loans only for FTB, SSB, and BTLs.
Last observation: 2018Q3
Scope for further sustainable increases in both volume and value of new mortgage lending as housing supply rises...

**New mortgage lending by borrower type (4 quarter rolling total)**

- FTB
- SSB
- BTL

**New mortgage lending to disposable income (NMDI) ratio**

Source: BPFI
Last observation: 2018Q3

Source: Central Bank of Ireland calculations
Notes: The black dotted line denotes a NMDI ratio threshold derived based on long-run structural determinants. Last observation 2018Q2
Divergent developments in house price growth regionally, with the moderation evident recently expected to persist...

**Regional residential property price growth**

<table>
<thead>
<tr>
<th>Year</th>
<th>National</th>
<th>Dublin</th>
<th>Regional Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: CSO
Notes: Last observation August 2018

**Median expected change in national and Dublin residential property prices over selected time horizon**

<table>
<thead>
<tr>
<th>Time Horizon</th>
<th>National</th>
<th>Dublin</th>
</tr>
</thead>
<tbody>
<tr>
<td>+1Qtr</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+1Yr</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+3Yrs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: CBI/SCSI Residential Property Survey 2018Q3
Notes: Chart provides details of the results from the past 16 surveys (2014Q3 to 2018Q3). Number of observations vary from survey to survey. 2018Q1 survey did not occur.
Overall price growth driven by developments in lower-priced segments of the market, where mortgage financing is less prevalent...

**Annual growth rates of average residential property price in each decile**

Source: PPR and Central Bank of Ireland calculations
Notes: 2018H1 annual growth rate since 2017H1 only.
Last observation 2018H1

**Residential property purchases by buyer type**

Source: PPR, Central Bank of Ireland supervisory data and calculations
Notes: 2018H1 annual growth rate since 2017H1 only.
Last observation 2018H1
Increase in housing market activity, with the share of non-mortgage financed transactions marginally lower but still significant...

**Market-based household transactions (12 month rolling total)**

<table>
<thead>
<tr>
<th>Year</th>
<th>FTB</th>
<th>BTL</th>
<th>% FTB of new (rhs)</th>
<th>SSB</th>
<th>non-HH</th>
<th>% FTB of existing (rhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2016</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2017</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Notes: Last observation August 2018

**Share of non-mortgage financed transactions**

<table>
<thead>
<tr>
<th>Year</th>
<th>% cash buyers (all household market transactions)</th>
<th>% cash buyers (all market transactions)</th>
<th>% cash buyers (all transactions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>80</td>
<td>60</td>
<td>50</td>
</tr>
<tr>
<td>2016</td>
<td>80</td>
<td>60</td>
<td>50</td>
</tr>
<tr>
<td>2017</td>
<td>80</td>
<td>60</td>
<td>50</td>
</tr>
<tr>
<td>2018H1</td>
<td>80</td>
<td>60</td>
<td>50</td>
</tr>
</tbody>
</table>

Source: CSO, BPFI, and Central Bank of Ireland calculations
Continued increase in housing supply and turnover should facilitate more sustainable mortgage lending and moderate house price growth...

**CSO New Dwellings**

- **New Dwelling Completions**
- **UFHD**
- **Non-Dwellings**

**Stock available to rent or buy on Daft.ie**

- **Nat’l stock for sale (lhs)**
- **Nat’l stock for rent (lhs)**
- **Dublin stock for sale (rhs)**
- **Dublin stock for rent (rhs)**

Source: CSO
Notes: UFHD refers to unfinished housing developments

Source: Daft.ie
Notes: Last observation 2018Q2

Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosistem
Simple indicators of house price misalignment are above long-run averages...

**Deviations of statistical house price deviation indicators from long run average values**

![Graph showing deviations from trend](image1)

- % deviation from trend (1980Q1 - 2018Q2): price-to-rent
- % deviation from trend (1980Q1 - 2018Q2): price-to-income

Source: CSO and Central Bank of Ireland calculations

**Annual house price growth and the deviation of house price-to-income ratios from trend**

![Graph showing annual house price growth and deviations](image2)

- 5% dev.
- 10% dev.
- 15% dev.
- 20% dev.
- 30% dev.

Source: OECD and Central Bank of Ireland calculations

Notes: Calculations are based on OECD house price-to-income data for a sample of 19 countries, between 1980Q1 and 2018Q2 for most countries. Data for DK, KO, NZ and UK available from 1981, 1986, 1986 and 1987 respectively.
Model-based estimates suggest mortgage lending is not driving a substantial divergence between house prices and underlying fundamentals...

**Model based measure of Irish house price misalignment**

- Per cent

Source: Central Bank of Ireland calculations

**Drivers of house price growth**

- Per cent

Source: CSO, BPFI and Central Bank of Ireland calculations.

Notes: Forecast error is the difference between the forecast price growth from an empirical model and actual house price growth. A positive forecast error implies actual house prices growth was higher than the model forecast. The bars represent the contribution of shocks to the other variables in the model to the forecast error.
Measures are more binding in a rising market, with more borrowers clustering at the LTI limit, but little change in average LTI...

FTB LTI H1 2017 vs H1 2018

SSB LTI H1 2017 vs H1 2018

Source: Central Bank of Ireland. Excluding observations at the 1st and 99th Percentile. New Property Purchase and Self-Build loans only.
Distribution of LTVs also more clustered at the limits, but more risky higher LTV lending remains contained...

FTB LTV H1 2017 vs H1 2018

Source: Central Bank of Ireland. Excluding observations at the 1st and 99th Percentile. New Property Purchase and Self-Build loans only.

SSB LTV H1 2017 vs H1 2018

Source: Central Bank of Ireland. Excluding observations at the 1st and 99th Percentile. New Property Purchase and Self-Build loans only.
Measures are more binding in Dublin, consistent with higher price levels, but Dublin borrowers also more likely to receive an allowance...

FTB LTI H1 2017 vs H1 2018 - Dublin

FTB LTI H1 2017 vs H1 2018 - Non Dublin

Source: Central Bank of Ireland.
Note: Excluding observations at the 1st and 99th Percentile. In-scope new PP and self builds only.
LTI measure also more binding for SSBs in Dublin than outside Dublin...

Source: Central Bank of Ireland.
Note: Excluding observations at the 1st and 99th Percentile. In-scope new PP and self builds only
Portfolio-level developments in LTV and LTI ratios do not point to a deterioration in bank-level resilience...

**Balance-weighted average OLTV by half-year and group**

<table>
<thead>
<tr>
<th>Per cent</th>
<th>1H</th>
<th>2H</th>
<th>3H</th>
<th>4H</th>
<th>Originating Half-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>85</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>BTL</td>
</tr>
<tr>
<td>75</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>FTB</td>
</tr>
<tr>
<td>65</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>SSB</td>
</tr>
</tbody>
</table>

Source: Central Bank of Ireland.

**Balance-weighted average OLTI by half-year and group**

<table>
<thead>
<tr>
<th>Times</th>
<th>1H</th>
<th>2H</th>
<th>3H</th>
<th>4H</th>
<th>Originating Half-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>BTL</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>FTB</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>SSB</td>
</tr>
</tbody>
</table>

Source: Central Bank of Ireland.
The mortgage measures in the context of the Central Bank’s macroprudential framework...

Source: Central Bank of Ireland. The chart presents the various macroprudential policy instruments based on the nature of systemic risk they are designed to mitigate (structural to cyclical), the relevant exposures through which the policies becomes effective (stock to flow) and the objective or impact of the measures ("Building resilience" to "Leaning against the wind"). All three dimensions are, to an extent, not mutually exclusive. This is especially the case for the latter dimension where there is significant overlap and complementarity.
centralbank.ie/mortgagemeasures