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Rebuilding Ireland
Action Plan for Housing and Homelessness

Review of the Mortgage to Rent Scheme for borrowers of commercial private lending institutions

Rebuilding Ireland – Action Plan for Housing and Homelessness

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Contents

1. Executive summary

The Government is acutely aware of the challenges being faced by households in mortgage arrears and who potentially are at risk of losing their homes. There is positive news, in that recent Central Bank statistics on mortgage arrears show that the level of arrears is declining. As the financial system and the economy has recovered, measures introduced by the Government to date to tackle mortgage arrears have provided the foundation for continued arrears reduction and this momentum needs to be maintained.

The Government fully recognises, however, that there is a cohort of borrowers in long-term mortgage distress who have no prospect of returning to solvency. In this regard, a number of measures to tackle mortgage arrears are included in the Rebuilding Ireland – Action Plan for Housing and Homelessness[1].

This Review recommends a number of changes to the current Mortgage to Rent scheme for borrowers of private commercial lending institutions.

These changes are required to enable the scheme to operate more efficiently, to improve communication between stakeholders at all stages of the processing of an MTR application and fundamentally to ensure that the borrower's best interests remain at the centre of the scheme.

The actions identified in this Review fall into 3 categories:

(1) Eligibility – more households will be eligible for the scheme in terms of both the suitability of the property size to the household, as well as the value of the property itself.

(2) Processing and administration of the scheme – the process will be quicker, easier and more accessible to households in mortgage distress, as well as the other participants, including the lenders, local authorities and Approved Housing Bodies (AHBs).

(3) Knowledge and understanding of the scheme - borrowers will become more familiar with the scheme and how they can access and benefit from it. A range of state agencies will be facilitated to assist and guide borrowers, who could benefit from the scheme.

The Review also concludes that the current financial model of the scheme may not be capable of delivering the scale of successful cases that could benefit from the scheme over time. Alternative funding options are available, including the off-balance sheet potential of private institutional investment. However, these alternatives require detailed and careful evaluation. As part of this consideration, a number of pilot projects will be progressed with several lenders, investors and local authorities to test the operability of these alternative arrangements. The progress of these pilots, together with the early impact of the other measures detailed here will inform a complete review of the funding arrangements underpinning the scheme

[1] Actions 1.18, 1.19, 1.20, 1.21
http://rebuildingireland.ie/Rebuilding%20Ireland_Action%20Plan.pdf

ahead of the budgetary process for 2018. The objective is to ultimately enable the scheme to operate at scale and meet the needs of more borrowers who require long-term support with their housing needs, while at the same time balancing the parallel Government objective to deliver new social housing for those households on local authority waiting lists.

It should be noted, however, that there remains the fact that not all applications will develop into fully completed transactions given the understandable reluctance of those in mortgage arrears to lose ownership of their houses. However, the Review has explored the avenues and impediments to participation in the scheme and the implementation of the resulting actions will mean that MTR can be a long-term solution for more households in mortgage distress.

A detailed table of actions arising from this review are reflected at pages 22-26 (Appendix 1: Table of key review actions).

2. Introduction

The Government is committed to dealing with the difficulties posed by the mortgage arrears challenge and to ensuring that a full range of options are available to distressed borrowers, including keeping as many people in their homes wherever possible.

Data released by the Central Bank (December 2016) in relation to private dwelling house (PDH) mortgages indicates that the number of households in mortgage arrears is decreasing. At end-September 2016, 79,562 PDH accounts were in arrears representing 11% of the total number of mortgage accounts. Some 56,350 PDH accounts (8%) were in arrears of more than 90 days, marking the twelfth consecutive decline in arrears over 90 days. The number of accounts in arrears over 360 days fell to 43,643 at end-September 2016, equivalent to 6% of the total stock of mortgage accounts. Accounts in arrears of between 361 days and 720 days saw a decline of 8.1%.

The number of accounts in arrears over 720 days declined by 429 accounts in Q3 2016, or 1.2%; this was the fifth consecutive decline in this category and follows a 2.3% fall in the previous quarter. This represents a year-on-year decline of 7.4% for accounts in arrears over 720 days. This contrasts significantly with Q3 2014 when the equivalent figure was an increase of 17.7%. Accounts in arrears over 720 days now constitute 43% of all accounts in arrears, and 88% of arrears balances outstanding.

121,140 PDH mortgage accounts were categorised as restructured at end-September 2016, the highest number since the Central Bank series began in 2010. Arrears capitalisations and permanent split mortgages showed the most significant increases and continued to account for the largest shares of restructured accounts at 31% and 22%, respectively, at end-September 2016. A total of 8,474 new restructure arrangements were agreed during the third quarter of 2016.

The total number of Civil Bills for Repossession lodged in 2016 to end Q3 2016 is 2,857, a monthly average of 317 applications. The general trend in numbers of applications being lodged is downward from a monthly average of over 600 in 2013, to 566 in 2014, to 418 in 2015 and 317 in 2016 to Q3.

While the mortgage arrears numbers are decreasing, there remains a sizeable cohort of borrowers in long term mortgage arrears of more than 720 days. The majority of borrowers in long-term mortgage arrears are at greater risk of losing their homes without borrower engagement to seek a restructure or an insolvency arrangement. The Government is committing to supporting borrowers eligible for social housing support to remain in their homes thus avoiding additional pressures on the rental or social housing sectors. For those borrowers in danger of losing their home who are ineligible for the MTR scheme but qualify for social housing support, it is recommended that they engage as early as possible with their housing authority regarding their housing needs. A household may be determined by their housing authority to be in need of housing if it has a mortgage that is deemed to be unsustainable under the Mortgage Arrears Resolutions Process (MARP), even though the household may, at that time, remain the legal owner(s) of the dwelling concerned. There are other housing support options available immediately from the housing authority for these borrowers such as the Housing Assistance Payment (HAP) programme whereby the prospective HAP tenant can source a HAP property to rent, within rent limits.

The MTR scheme for borrowers of private lending institutions is targeted at those households in arrears who are eligible for social housing support, whose mortgage is unsustainable. The MTR scheme has made a significant difference to those households who have successfully completed the MTR process and who are now secure in their homes. However, the Government is concerned that the rate of uptake on the scheme has remained relatively low despite amendments to the scheme introduced in July 2015. This MTR Review examines the difficulties with the current scheme and proposes measures to deal with the difficulties highlighted, where possible.

While it is clear from stakeholder engagement during the review process that many view the MTR process as protracted, it is also clear that the scheme is viewed as offering a good solution to a complex problem.

The outcome of the review coupled with continued and renewed stakeholder commitment and participation should lead to an increase in the number of households availing of the scheme. The operation of scheme will be kept under ongoing review to ensure that it remains relevant.

3. Background to the development of the Mortgage to Rent scheme

In 2011, the Government established an Inter-departmental Mortgage Arrears Working Group, led by Mr. Declan Keane. It was tasked with assessing the existing mortgage arrears resolution processes and researching and developing advanced forbearance options for borrowers in mortgage difficulty. Among the key recommendations of the Final Report (the Keane Report, 2011) published on 30 September 2011, was the introduction of a Mortgage to Rent scheme.

The Keane Report recommended that a Mortgage to Rent scheme be introduced aimed at those mortgage holders who would qualify for social housing if they lost their home and where the house is appropriate to social housing.

As part of the implementation of the recommendations in the Keane Report, the Department set about developing a Mortgage to Rent scheme for households that:

- *had their mortgage position deemed unsustainable under a Mortgage Arrears Resolution Process (as provided for under the Central Bank's Code of Conduct on Mortgage Arrears);*
- *are willing to agree to the voluntary surrender of their home;*
- *do not have significant positive equity; and*
- *qualify for social housing support in accordance with the Social Housing Assessment Regulations 2011[2].*

Under the MTR scheme that was developed and introduced in 2012, a household with mortgage arrears goes from being a homeowner to becoming a social housing tenant of an Approved Housing Body (AHB). The borrower voluntarily surrenders their property to their lender who in turn sells the property to an AHB. The AHB becomes the landlord and the household gets to remain in the family home as social housing tenants with the AHB receiving approved payments monthly in accordance with the Payment and Availability Agreement from the local authority for the length of the lease agreement with the local authority. The tenants pay a differential rent to the AHB based on their income which is designed to be affordable.

The scheme is administered on the Department's behalf by the Housing Agency. Funding for MTR transactions is provided through (1) capital advanced through the Capital Advance Leasing Facility (CALF), (2) the AHB's own finance and (3) a payment and availability agreement executed between the AHB and local authority. The CALF facility is exclusively available to AHBs to assist them in accessing private or Housing Finance Agency (HFA) finance to purchase units, which will then be made available for social housing purposes.

A Protocol was agreed between the various bodies involved in June 2014 to ensure that MTR applications could be dealt with expeditiously. The aim of the Protocol was to agree timescales for carrying out the various steps within the MTR process.

[2] Social Housing Assessment Regulations 2011 (S.I. No. 84 of 2011) http://www.irishstatutebook.ie/eli/2011/si/84/made/en/pdf

The Department has recognised from the outset that participating in the MTR scheme involves a major change in tenure for the homeowner as they go from owning to renting their property. Such a decision cannot be taken lightly and so the potential MTR candidate has to be given enough time to consider the option. If a householder agrees to pursue the scheme, they are entitled to a 'cooling off period' during which they can change their mind. In addition, the MTR process has to be carefully implemented with so many parties involved including the homeowner, the lender, the relevant local authority and the AHB.

The criteria used to select households suitable for participation in the scheme was aligned with the Mortgage Arrears Resolution Process (MARP) and the assessment process for social housing support as set down in section 20 of the Housing (Miscellaneous Provisions) Act 2009, as amended, and the associated Social Housing Assessment Regulations.

The borrower selection criteria at the time of the introduction of the scheme included:

i. *Borrower must be engaging in the Mortgage Arrears Resolution Process with their lender and they must be deemed by their lender to be unable to pay their mortgage and that this is unlikely to change in the future.*
ii. *A maximum household income of between €25,000 and €35,000 net per annum depending on the part of the country, with additional allowances for children.*
iii. *Maximum value of the property was €220,000 in the Dublin region and €180,000 in other parts of the country.*
iv. *Borrower must not own any other property or have capital assets worth more than €20,000.*
v. *Property must suit the borrower's needs i.e. not be over or under-accommodated as defined by the local authority allocation scheme prepared under the Social Housing Allocation Regulations 2011 (S.I. Nos. 84 and 198 of 2011 as amended by S.I. Nos. 136 and 321 of 2011), which requires the local authority to determine eligibility for social housing supports by way of its allocation scheme.*

A pilot scheme was trialled initially to ensure that the proposed MTR model would work and provide assistance to those families with unsustainable mortgages. The scheme was made available nationally from 28 June 2012. Funding for MTR transactions at the time of the scheme's introduction was a minimum of 70% of the purchase price of the property funded through a private loan raised by the AHB with up to 30% provided through a State loan via the Capital Advance Leasing Facility (CALF).

An important aspect to the MTR scheme is that it targets **only** the most acute arrears cases where a mortgage is clearly unsustainable and the household has very limited options – if any – to provide for itself. From the perspective of the household, the scheme sought to prevent people from losing their homes and having to deal with family upheaval. From the State's perspective, the State would not have to provide alternative housing for such households in a period of acute supply difficulties. Households can buy out the property at open market value after a period of 5 years.

Other measures introduced by Government to deal with the mortgage arrears challenge subsequent to the Keane report included:

- a new Code of Conduct on Mortgage Arrears (CCMA) introduced in 2011 and reviewed in 2013 placed an obligation on all lenders to put in place a Mortgage Arrears Resolution Process (MARP). The CCMA includes requirements that arrangements be sustainable and based on a full assessment of the individual circumstances of the borrower and that repossession be used only as a last resort. Borrowers who engage with the Mortgage Arrears Resolution Process can expect that their specific circumstances will be considered, enhancing their chances of remaining in their homes;
- the Mortgage Arrears Information and Advice Service (MAIAS) established by the Department of Social Protection in 2012 and enhanced in December 2015 to include a Dedicated Mortgage Arrears MABS across the MABS network of services and the establishment by MABS of a national network of Court Mentors to attend relevant Courts nationwide, where repossession hearings are listed, to provide support to distressed borrowers; and
- the Insolvency Service of Ireland established as an independent statutory body in 2013.

More recent developments

- As required under Action 1.19 of Rebuilding Ireland – Action Plan for Housing and Homelessness, the Central Bank undertook an assessment of existing sustainable restructuring options offered by both bank and non-bank entities that may affect borrowers' capacity to remain in their primary residences, and whether these are addressing the requirements of over-indebted borrowers. The Report on Mortgage Arrears[3] published in December 2016 found that there is a comprehensive range of available restructures offered and delivered by both bank and non-bank entities and considerable progress in addressing mortgage arrears has been made since the June 2013 arrears peak.
- In the Report on Mortgage Arrears referred to under Action 1.19 above, the Central Bank also examined the implementation of the Code of Conduct on Mortgage Arrears (CCMA)[4], the Mortgage Arrears Resolution Process (MARP) and the application of guidelines for sustainable mortgage arrears solutions in the context of its consumer protection, prudential and financial stability mandate (Action 1.20 of Rebuilding Ireland – Action Plan for Housing and Homelessness). In its report, the Central Bank confirms that it considers the range of resources offered by banks to be broadly appropriate in balancing consumer protection imperatives, and maintaining a mortgage market for all borrowers, and a functioning banking system. The Central Bank undertook an extensive programme of supervisory work to confirm whether regulated

[3] http://www.finance.gov.ie/sites/default/files/Mortgage%20Arrears%20Report%20-%20FINAL.pdf
[4] Provisions 45(a) and 47(a) of the Code of Conduct on Mortgage Arrears (CCMA) indicate that where a lender does not offer an alternative repayment arrangement or where a borrower is unwilling to enter into an alternative repayment arrangement offered by the lender, the borrower must be informed of the options available, including MTR.

entities were demonstrating compliance with the measures introduced for the resolution of mortgage arrears. The report has not identified the need for any further refinement of the CCMA.

- A new Mortgage Arrears Resolution Service – Abhaile – was launched by the Government in October 2016. The objective of the Abhaile scheme (Action 1.18 of Rebuilding Ireland – Action Plan for Housing and Homelessness) is to ensure that a person who is at risk of losing their home due to their mortgage arrears can access independent, expert financial and legal advice which will help them to identify their best options for returning to solvency – with priority to their remaining in the home, where that is a sustainable option. A communications campaign is scheduled to commence in January 2017.

4. Implementation of the MTR scheme since its introduction in 2012

In order to deal with issues around delays in the MTR process which had arisen following its roll-out nationally, a protocol between all stakeholders came into operation in June 2014. Under the protocol, the borrower is involved from the outset and is requested to give their consent to the sharing of their full information at the start of the process to ensure that there is no ambiguity for stakeholders.

A number of amendments were subsequently made to the scheme with effect from July 2015, to enable more properties to qualify for the scheme. These amendments included:

- the valuation threshold for properties was increased in line with the acquisition thresholds for social housing generally[5];
- flexibility was provided in relation to the size of the properties which qualify for the scheme and one spare bedroom is now allowable under the scheme. In the early stages of the development of the scheme, the eligibility criteria in relation to the suitability of the household size to the property were implemented more rigidly than is currently applied. It is currently the case that a local authority must assess and determine whether, taking account of the availability of housing in a particular area, the accommodation is appropriate to the household size;
- the requirement for the borrower to be qualified for social housing support was not changed; however, a borrower who has completed the MARP process and is applying for the scheme was to have their eligibility for social housing assessed by the local authority concerned without delay;
- the general rule of the borrower being in negative equity was not changed; however, some flexibility was provided, on a case by case basis, to allow for a borrower who is in marginal positive equity to avail of the scheme. Cases where the positive equity is no more than 10% of the Open Market Value (OMV) to a maximum €15,000 can be considered under the scheme;

[5] €350,000 for a house or €300,000 for an apartment/townhouse in Cork, Dublin, Galway, Kildare, Louth, Meath and Wicklow and €250,000 for a house or €190,000 for an apartment/townhouse in the rest of the country.

- in addition, the ceiling on CALF percentage allowable was increased from 30% to 40% for MTR cases only, to reflect the particular characteristics of MTR, which is a targeted scheme of assistance.

Progress with MTR to date

From June 2012 to end December 2016, 217 AHB MTR transactions have negotiations completed. To date, there have been 12 lenders and 7 AHBs participating in the scheme.

Table 1: AHB Mortgage to Rent (MTR) transactions 2013-2016

Year	**No. of MTR transactions**
2012	1
2013	21
2014	29
2015	96
2016	70
Total	**217**

A total of 3,575 cases have been submitted to the end of Q4 2016 under the scheme. Of these, 2,723 were ineligible or terminated/withdrawn during the process, 217 have been completed with 635 being actively progressed. It should be noted that in the earlier stages of the introduction of the scheme, when lenders were not familiar with the scheme, 500 cases were incorrectly submitted by lenders. Likewise, 233 of cases were submitted in duplicate. By its nature, the scheme also lends itself to a large withdrawal rate. To date, 1,048 applications have been withdrawn. If other options rather than losing home ownership are put forward by the lender, a borrower is more likely to avail of these other options. This is particularly the case in the context of a now improving economy.

Of the 217 cases completed, 70 (32%) were completed in 2016 and 96 (44%) in 2015. There has been an increase in the number of applications for MTR received from lenders since the amendments were introduced in July 2015. This is most likely due to the widening of the eligibility criteria. The increase in the number of completed cases now coming through is a welcome development and confirms that the 2015 refinements to the scheme have had a positive impact.

Graphs 1, 2 and 3 (Appendix 2) illustrate the number of completed MTR cases by lender, by AHB and by County up to 31 December 2016 and there are certain trends emerging from this data. When the number of completed MTR cases per lender is examined, it is a non-bank that has the highest number of completed cases (107). Other non-banks are responsible for completing 39 cases. Three banks have completed 54 cases between them and building societies account for 17 cases.

In terms of AHB participation in the scheme, one AHB accounts for 130 completed cases. Two AHBs are responsible for completing 49 and 29 cases, respectively. One AHB has completed 6 cases and the remaining three AHBs participating in the scheme have completed 1 case each.

The highest number of completed MTR cases is unsurprisingly to be found in Dublin, accounting for 67 of cases (31%), and the commuter belt counties of Kildare, Meath and Louth accounting for 53 cases (24%). Cork, Galway, Limerick and Waterford cities and counties account for 29 cases (13%). There has been no uptake on the scheme in 5 counties: Donegal, Mayo, Monaghan, Roscommon and Sligo. However, when the lack of participation in the scheme in these 5 counties is examined, there does not appear to be one particular reason that is at variance with failure rates in other counties.

Arising from the existing operation of the scheme and the manner in which MTR is made available to borrowers, it is not possible for the Department or the Housing Agency to determine how many borrowers have been offered the scheme by the lenders in the first instance.

The varied reasons as to why applications have failed to complete the MTR process are detailed in the table below.

Table 2: Unsuccessful AHB MTR applications 2013-2016

Reason	**No. of MTR applications**
Borrower consent to share information in order to participate in the scheme is not received.	261
Duplicate application (due to the fact that information was submitted in an anonymised format prior to 2014 this gave rise to a high level of duplicate applications. This is not the case currently).	233
Property not suitable for social housing.	158
Open Market Value (OMV) not supported by the market rent. The market rent is not at a level that allows the AHB to repay the private finance required for the purchase.	53
No AHB interested in purchasing the property. This can be for a variety of reasons: financial viability, location, activity of AHB in the area, type of property.	155
AHB declined following inspection of the property. This can be due to the condition of the property, existence of planning or other compliance issues.	332
Sale not agreed where the lender does not accept the offer made by the AHB.	82
Application withdrawn either by the lender or the borrower. This can be due to the borrower or property circumstances but more	1,048

notably was the withdrawal of almost 500 cases in 2014/5 that had been incorrectly submitted by two lenders.	
Under / over accommodated, where the property does not meet the needs of the household.	292
Income in excess of SHS limits; the borrower's income is in excess of that allowable under the income limits set down for Social Housing Support (SHS).	49
Lender value excess; cases where the lender has indicated that the value of the property was in excess of the limits allowable under the scheme.	53
Other	7
Total	**2,723**

There appears to be uncertainty around the treatment by banks of the remaining negative equity, i.e. the portion of the mortgage debt that exceeds the market value of the property acquired by the AHB. Any debt remaining after the sale of the property is a contractual matter between the lender and the borrower. Where a sale proceeds with residual debt remaining and the borrower subsequently struggles with that debt, there are a number of debt solution options available to the borrower depending on their particular circumstances.

When the MTR scheme was initially introduced, it was a requirement of the scheme that the borrower's property had to be in negative equity. When the scheme was reviewed in 2015, the criterion of the property being in negative equity was retained but marginal positive equity of up to 10% of the OMV up to a maximum of €15,000 was allowed on a case by case basis. There are calls to further increase the amount of positive equity allowable under the scheme in view of increasing house prices particularly in certain areas. However, to further increase the level of positive equity allowable under the scheme would undermine the rationale underpinning the MTR scheme. The fundamental principle of the scheme is that it is targeted at only the most acute arrears cases where a mortgage is clearly unsustainable and the household has very little options – if any – to provide for itself. Where property values are increasing, resulting in a property exiting negative equity, this represents a change in borrowers' circumstances to the extent that there may be an alternative to voluntarily surrendering their home, as is required under the MTR scheme. Such a development must be viewed as being in the borrower's best long-term interests.

5. Issues arising with the current MTR scheme

In undertaking this Review, the Department invited key stakeholders to submit views on the current scheme. The views submitted have been considered and taken into account in arriving at the key review actions detailed in Appendix 1 (Table of key review actions). The MTR scheme involves multiple stakeholders, all of whom play an important role. Ongoing stakeholder commitment to the scheme is essential if the scheme is to achieve its objective of facilitating more eligible borrowers in serious mortgage distress to remain in their homes.

It is clear that amendments are required to the current scheme to enable the scheme to operate more efficiently, to improve communication between stakeholders at all stages of the processing of an MTR application and fundamentally to ensure that the borrower's best interests remain at the centre of the scheme.

The actions identified in this review fall into 3 categories:

(1) Eligibility
(2) Finance, processing and administration of the scheme
(3) Knowledge and understanding of the scheme

Eligibility

Role of lenders in making MTR scheme available to borrowers in long-term mortgage arrears

The successful implementation of the scheme relies on the lender making the scheme available to the borrower. In addition, the lender acts as the point of contact for the borrower during the process. The Code of Conduct on Mortgage Arrears sets out how mortgage lenders must treat borrowers in, or facing, mortgage arrears on their primary residence with due regard to the fact that each case of mortgage arrears is unique and needs to be considered on its own merits. All cases are required to be handled sympathetically and positively by the lender, with the objective at all times of assisting the borrower to meet his / her mortgage obligations. The Mortgage Arrears Resolution Process (MARP) sets out the steps that lenders must follow when dealing with borrowers in mortgage arrears or pre-arrears:

- Step 1: Communications with borrowers;
- Step 2: Gather financial information;
- Step 3: Assess the borrower's circumstances; and
- Step 4: Propose a resolution.

In order to determine which options, if any, for alternative repayment arrangements (ARAs) are viable in each particular case, a lender must explore all of the options for ARAs that they offer. It is only at Step 4 of the MARP where a borrower will be offered an ARA or informed that no ARA is being offered (for example where it is concluded that the mortgage is not sustainable and an ARA is unlikely to be appropriate). In the event that an ARA is offered but rejected by the borrower, the lender must inform the borrower of, inter alia, other options available to the borrower, such as voluntary surrender, trading down, mortgage to rent or voluntary sale, and the implications of these for the borrower and the borrower's mortgage loan account. Similarly, this information must be provided to borrowers where no ARA is being offered.

It appears, anecdotally at least, that a borrower whose mortgage has been deemed unsustainable may not always be made aware of the fact that they have been assessed under the MTR scheme and the reason(s) as to why the lender deems the borrower to be ineligible for the scheme. The matter of raising the awareness of the scheme generally amongst borrowers and other stakeholders is dealt with below.

Proposed action

It is proposed that a borrower who has not been offered an alternative repayment arrangement, or where a borrower is unwilling to enter into an alternative repayment arrangement, and requests the lender to consider them for the MTR scheme and the lender assesses the borrower as being ineligible for MTR, the lender will be required to notify the borrower in writing of the reason(s) for ineligibility in a timely manner.

Housing need criteria

- **Social Housing Support (SHS) income eligibility**

Views have been expressed that the income eligibility for SHS should be increased which would have the effect of making the scheme available to a much wider cohort of borrowers. The Social Housing Assessment Regulations 2011 prescribe maximum net income limits for each housing authority in different bands according to the area. Income is also defined and assessed according to a standard Household Means Policy. The Household Means Policy issued in March 2011 under Regulation 17 of the Social Housing Assessment Regulations 2011 defines income for the purposes of determining an applicant's compliance with the income eligibility criterion for social housing support and applies in all housing authorities. The Policy lists the sources of income that are assessable and non-assessable for determining a household's compliance with the income eligibility criterion.

It is a matter for individual housing authorities to assess a household's income for social housing support eligibility in accordance with the Policy, and in assessing a household's income, authorities have discretion to decide to disregard income that is once-off, temporary or short-term in nature and which is outside the regular pattern of a person's annual income.

Proposed action

The MTR scheme is a social housing option and therefore it will continue to be targeted at those borrowers in arrears who qualify for social housing support. The Social Housing Assessment Regulations 2011 will continue to apply, as will any future amendments to those Regulations or policies issued thereunder.

- **Suitability of the property for the household**

It is currently the case that a local authority must assess and determine whether, taking account of the availability of housing in a particular area, if the accommodation proposed for the MTR scheme is suitable to the household's needs, i.e. not to be over or under accommodated in accordance with local authority guidelines. Currently under the scheme, one spare bedroom above the actual needs of the household is allowable.

As the MTR scheme has been implemented, it has become clear that the current over / under accommodation limits may not be inclusive of some borrowers who may be eligible in all other respects for MTR. It is proposed to amend the scheme to allow flexibility on a case by case basis to include a maximum number of 2 spare bedrooms above the current needs of the household, subject to the local authority reserving the right to re-accommodate households should more suitable accommodation in the locality be identified and where a housing need is identified for the MTR property. Such an approach would allow borrowers to stay in their homes for the present time but will also ensure appropriate management of the social housing stock into the future.

Proposed Action

The scheme is to be amended to allow a maximum of 2 spare bedrooms above the current needs of the household, subject to the local authority reserving the right to accommodate the household in more appropriate accommodation, if available, and where there is a more appropriate need for the MTR property.

Property acquisition cost limits

The purchase price threshold for properties under the MTR scheme is aligned to the Department's acquisition thresholds for social housing generally. The current thresholds were last reviewed and updated in July 2015. Following a review of the current market conditions, the property price thresholds have now been updated and are included in the table below. All thresholds have been revised upwards. It is important to note that these are thresholds for eligibility to the scheme but actual acquisition costs will be based on the OMV value determined by an independent valuation commissioned by the Housing Agency.

Table 3: Property acquisition cost limits (February 2017)

Property Type	**Higher Threshold Area (Cork, Dublin, Galway, Kildare, Louth, Meath, Wicklow)**	**Normal Threshold Area (Rest of Country)**
House	€365,000	€280,000
Apartment/Townhouse	€310,000	€215,000

Proposed Action
Following assessment of the current market conditions, the valuation thresholds have been updated. These will continue to be reviewed annually.

Financing, processing and administration of MTR scheme

Financial viability of individual MTR cases from differing stakeholder perspectives

The current operation of the MTR scheme relies on AHBs to purchase from lenders, properties that have been voluntarily surrendered by eligible borrowers. The price at which a lender is prepared to sell the property to the AHB is directly related to the open market value of the property and the amount outstanding on the corresponding mortgage. The underlying objective is to clear the maximum amount of the outstanding debt for the borrower by maximising the sale price. In the case of some MTR cases, an assessment by the AHB of the proposal may reveal that it is not financially viable to pursue. AHBs are funding the cost of purchasing these units from a combination of low interest borrowings under the Capital Advance Leasing Facility (CALF) administered by the Department, and private finance or other borrowings. While the value of the CALF debt is not required to be paid back to the State for a further 20-30 years, the private finance must be repaid over that period. This debt (and the ongoing maintenance and management cost of the unit) is financed from the income from the payment and availability payments made by the local authority (and recouped from the Department). These availability arrangements are related to the market rent of the property. There are cases where the market rent is not high enough to support the borrowing and other costs to the AHB. It is clear from the data on page 11 that lower cost market rents, in some rural areas, have made a number of properties unviable for AHBs to purchase under the scheme.

The low number of cases completing in certain areas of the country is also related to limitations in the geographical areas covered by AHBs, the physical location of certain properties and the AHBs' other ongoing commitments to housing delivery. The number of cases where no AHB indicates an interest in the property is a matter of concern.

Rebuilding Ireland acknowledges the scale of the current pressures in terms of new social housing supply and proposes more direct intervention by local authorities to expand and accelerate overall social housing supply particularly in the short term. Under the Action Plan, targeted social housing delivery is being increased to 47,000 units in the period to 2021. Significant Exchequer support has been provided by Government to support this endeavour. In this way, the Government is committed to creating new social housing supply by facilitating local authorities and AHBs to build and acquire new properties in order to provide long-term housing for those who have been waiting for social housing for many years. While there are obvious social and economic benefits to be derived from the MTR scheme, most significantly by facilitating individual households in mortgage arrears to remain in their home, detailed consideration needs to be given to the impact on the capacity of local authorities and AHBs to meet the ambitious targets around new social housing supply in respect of any proposal to intensify their investment and involvement in the MTR scheme.

In parallel, the Government has been actively exploring potential mechanisms that would facilitate investment into the residential market, including in particular the provision of social and affordable rental housing, in a manner that does not impact on the General Government Balance. These 'off-balance sheet' mechanisms seek to bring additional investment into the sector, in addition to the funding being provided by the State, to facilitate increased delivery. A number of private equity firms have expressed an interest in purchasing mortgage debt portfolios from commercial banks with a view to exploring the potential for them to access the MTR model for the borrowers in occupation of mortgaged property. They are seeking an alternative arrangement that would see the mortgaged property staying in the funding firm's ownership (as opposed to the traditional MTR model that sees the unit purchased by an AHB) and the unit itself leased-back to the local authority in circumstances where the borrower is eligible for MTR and the borrower would therefore remain in their own home. The contractual and lease arrangements that would be required in order to secure the units from the local authority perspective and ultimately for the security of the household, requires detailed consideration and agreement by all parties. AHBs and local authorities have a proven track record in managing social housing and tenancies and therefore any move to explore an alternative landlord / tenant relationship within the MTR scheme would need to take account of this. However, the benefits are that certain private funders are signalling a willingness to conduct transactions on multiple properties simultaneously meaning that a greater number of households could potentially be assisted more quickly. Similarly, the capital outlay to purchase these properties would be provided in an 'off-balance sheet way', therefore not competing for capital resources within the overall funding available for social housing.

Proposed Action

In order to test the operability of this model a number of pilot projects involving a minimum of 200 properties will be initiated by the Housing Agency, working with several lenders, local authorities and investors interested in engaging in a long-term lease arrangement. In advance of the pilot, a targeted market testing exercise will be carried out by the National Development Finance Agency, on behalf of the Department, to test the suitability of the proposed enhanced leasing arrangements to ascertain if they would be viable for a mortgage to rent cohort.

A detailed financial assessment of the structure of the funding of the MTR scheme will be undertaken in advance of the budgetary process for 2018. The assessment will be informed by the early impact of the other actions proposed by the review, as well as the outcome of the experience with the pilot lease arrangements, and the availability of financial resources overall.

Social Housing Support (SHS) Assessment

The Department recognises that the assessment for social housing support currently takes place at too late a stage in the MTR process. A fundamental principle of MTR is that it is a social housing option and therefore is targeted only at households who qualify for social housing support. The scheme will be amended to provide that the application for social housing support shall be made by the borrower in advance of an MTR application being made to the Housing Agency. Only cases where the household is deemed by the local authority to qualify for social housing support will be submitted to the Housing Agency. Such a change will provide clarity to the borrower at the outset whether MTR is a realistic option or not in his / her particular case. If not, such clarity will allow the borrower to focus attention on other available alternative remedies applicable to his / her particular circumstances.

Proposed action

Where the lender has assessed a borrower as being suitable for MTR, the borrower should then submit an application for SHS to their local authority. The local authority will be required to expedite the assessment of the application and in any event to reach its decision within 4 weeks of receipt and inform the borrower of its decision.

Repairs

The condition of the property and the value of remedial or refurbishment works required to bring the property up to private rental standards[6] as is legally required, is a factor that may impact on the viability of an AHB purchasing a property. As the households applying for MTR will have been in a position of acute financial hardship, possibly for a number of years, prior to applying for the scheme they may not have had the means to carry out necessary repairs on the property.

Under the current scheme, repairs of up to a maximum of €10,000 (to include such repairs as upgrade of windows, insulation, electrical work and other health and safety works) can be approved by the Housing Agency. Repairs above that amount have to be approved by the local authority concerned in terms of the extent of the repairs proposed and the cost of the works. However, it appears that what constitutes essential repairs can be a matter of debate between the local authorities and the AHBs.

To bring clarity to the issue, a schedule of repair works with indicative cost ceilings will be prepared by the Department, in line with similar approaches to the implementation of other social housing schemes, for agreement with the AHBs and local authorities. Where the proposed repairs fall within the schedule and indicative cost ceilings to be agreed, this should expedite this stage of the MTR process.

Proposed Action

The value of repairs that can be approved by the Housing Agency will be increased from €10,000 to €15,000 inclusive of VAT.

A detailed schedule of essential repair works together with indicative cost ceilings will be prepared and agreed with the AHBs and local authorities.

Property valuation process

[6] The Housing (Standards for Rented Houses) Regulations 2017 (SI No. 17) specifies requirements in relation to a range of matters in rented accommodation such as structural repair, sanitary facilities, heating, ventilation, light and safety of gas and electrical supply.

Given the nature of the property transaction underpinning MTR several stakeholders require the property to be valued. Under the agreed protocol governing the scheme, the Housing Agency, with the agreement of the lenders and the AHBs, commissions an independent property valuation. The Housing Agency, with the lenders and AHBs, reviews the list of valuers periodically to ensure the efficiency of the process, the accuracy of the OMV, the quality of the valuation reports and value for money. However, a number of lenders are commissioning their own valuations outside of the independent valuation commissioned by the Housing Agency which can then lead to protracted discussions regarding the asking price of the property and has the effect of undermining the agreed valuation process.

In addition, the independent valuations commissioned by the Housing Agency are taking longer to be completed and supplied than has been set out in the agreed protocol, with just over 50% of valuations commissioned by the Housing Agency carried out within the agreed timeline. There can be genuine reasons as to why delays occur such as the borrower not being in a position to facilitate the valuation within the time specified. In addition, where delays are incurred during other aspects of the MTR process this then can have implications on the valuation process with valuations needing to be repeated. Overall, the process is not operating efficiently. While streamlining of the MTR process overall will have positive impacts on the valuation process, some specific improvements to the valuation process will also be introduced.

Proposed Action
Independent property valuations will continue to be commissioned by the Housing Agency and invoiced to the lenders. Valuations must be returned to the Housing Agency within 10 days and failure to do so will result in the valuer concerned not being used again by the Agency. Any request for a new valuation will be by means of updating the original valuation. The valuer concerned will be afforded 5 working days to complete and submit the updated valuation.

Conveyancing

By its nature, no two conveyancing transactions will be the same, but there are a series of steps to be taken that are common to all transactions. It appears that there are a number of issues which are commonly causing delays in the conveyancing transaction such as planning and title issues and variations in Contracts for Sale. All parties to the scheme are committed to working to resolving issues that arise during conveyancing. There may be scope for standardising Contracts for Sale and supporting documentation within the MTR scheme insofar as is possible to avoid delays. Such an approach will be explored with the stakeholders concerned as consensus will be required.

Proposed Action
The Housing Agency will convene a forum of AHBs and lenders to explore the common conveyancing issues arising with a view to identifying what actions are possible to expedite the conveyancing stage of the MTR process.

Coordination of the scheme and progressing cases

The very nature of the MTR scheme is that it involves multiple stakeholders: borrower, lender, AHB, local authority, Housing Agency. Given the need for agreement from a multiplicity of stakeholders, the scheme is time-intensive and care has to be taken to ensure that cases are actively managed and brought to a conclusion in as short a timeframe as is possible. The Housing Agency will develop a new MTR process map and revise the MTR protocol to take account of the process changes put forward in this review.

Under *Rebuilding Ireland*, a one-stop-shop has been established within the Housing Agency to support better coordinated delivery by AHBs under various funding streams across all local authority areas, and enhanced cooperation between AHBs and local authorities to maximise potential yield from local authority lands. This one-stop-shop will be expanded to subsume the Housing Agency's role in relation to the coordination of the MTR scheme. In this regard, the Housing Agency will undertake the drafting and co-ordinating the execution of the Payment and Availability Agreements by the local authorities and the AHBs. Consistency at this end stage of the MTR process will be beneficial for both the AHBs and the local authorities.

Proposed Action

It is proposed that each local authority would provide one dedicated MTR contact to whom MTR queries insofar as the local authority is involved in the MTR process can be directed.

The purpose of the one-stop-shop, established within the Housing Agency, will be expanded to subsume the Housing Agency's role in relation to the coordination of the MTR scheme.

A new communication protocol will be developed to cover communications between stakeholders at all stages of the MTR process and will include specific new requirements for stakeholders to report progress / milestones relating to individual cases. These will then be used to assist in providing regular updates to the MTR applicants.

Knowledge and understanding of the scheme

Awareness and Training

It is clear that there is a need to raise awareness of the scheme amongst those in mortgage arrears who may be eligible for the scheme and also increase all stakeholders' understanding of all aspects to the scheme. Ideally, prospective participants in the scheme should only embark on the MTR application process if they have a reasonable chance of being successful.

The objective of the new Mortgage Arrears Resolution Service, 'Abhaile', is to ensure that a person who is at risk of losing their home due to mortgage arrears can access independent expert financial and legal advice, which will help them to identify their best options for returning to solvency – with priority to their remaining in their home, where that is a sustainable option. The Abhaile scheme is ideally placed to assist in communicating the availability of the MTR scheme and the eligibility criteria to borrowers in arrears.

There is a level of training required for all stakeholders involved. As each stakeholder has a different role within the MTR process, targeted training may be required.

Proposed Action

The Housing Agency will deliver a training programme relating to the operation of the new revised MTR to lenders, AHBs and insolvency practitioners.

Information on the MTR scheme will be disseminated via the Abhaile scheme with a particular focus on those borrowers in arrears of more than 2 years.

An MTR seminar / workshop for CIB, MABS, ISI and Legal Aid Board staff will be held.

The Housing Agency, in consultation with MABs and the new Abhaile Service, will prepare a Step-by-Step guide to the MTR process for borrowers which will provide clarity, on a first reading, whether MTR is a realistic option in a borrower's particular circumstances.

Implementation of review actions

Some of the actions around eligibility to access the scheme will be implemented at the earliest possible date in Q1 2017. The increased flexibility in terms of the suitability of the accommodation to the household size and the increase in property price thresholds for eligibility under the scheme will be applied from Q1 2017. The increased flexibility in terms of the accommodation size alone should have an immediate impact in terms of the number of households seeking to avail of the scheme. New information and guidance on the scheme will be made available to borrowers from end Q1 2017 to aid borrowers' understanding of the scheme.

The majority of the Q2 2017 actions primarily involve improvements to the MTR process and these actions will be implemented as early as possible in Q2 2017. The detailed financial appraisal of the scheme is a Q4 2017 action which will be undertaken in the context of the 2018 budget and will take into account the impacts of the revisions to the current scheme evident by that time.

Under the current scheme it can take between 12 and 18 months to process a MTR application, with some exceptional and less complex cases being concluded in a shorter timeframe. The revisions proposed to the scheme in the review aim to bring the timeframe for concluding each case down to less than 9 months. This is considered to be the optimum achievable timeframe given the number of stakeholders, the number of steps within the MTR process and also bearing in mind that it is a significant decision for the borrower.

The impact of the revisions to the MTR scheme proposed in this Review will be measured by (1) the number of cases submitted under the scheme and ultimately (2) the number of households who are successful in securing MTR thereby remaining in their own homes. The Department will monitor the implementation of the revisions and the impacts arising.

Appendix 1: Table of key review actions

Action No.	Description of action	Objective	Timeline	Owner
1. Eligibility				
1.1 Lender to inform the borrower in writing of the reason(s) the lender deems MTR not to be an option.	Where a lender assesses the borrower for MTR and deems MTR not to be an option then the lender shall notify the borrower in writing in a timely manner of the reason that it deems MTR not to be an option.	To ensure borrowers are fully informed of the reason(s) that MTR is not an option in their particular case.	Immediate	Lenders
1.2 Social Housing Support (SHS) assessment	The application by the borrower for SHS will be made prior to submitting the MTR application to the Housing Agency.	To ensure that only cases where the household qualifies for SHS are submitted to the Housing Agency for consideration.	Q1 2017	Lenders, Borrowers, Local authorities.
1.3 Suitability of the property for the household	The suitability of the accommodation for the household concerned will be assessed in line with Local Authority Allocation Policies with a maximum 2 spare bedroom flexibility.	To make the scheme accessible to more households in mortgage distress.	Q1 2017	DHPCLG, Housing Agency.

1.4 Property acquisition cost limits	Limits increased in line with the current market conditions. Limits will be reviewed annually.	To ensure that the property acquisition cost limits are in line with current market conditions.	Immediate	DHPCLG.
2. MTR process, financing and administration				
2.1 Financial viability – financing of MTR scheme	The Housing Agency will work with a number of financial entities who have come forward with an interest in working with the MTR scheme to progress a minimum of 200 units based on alternative lease arrangements. A detailed financial assessment of the structure of the funding of the MTR scheme will be undertaken. The assessment will be informed by the early impact of the other actions proposed by the review, as well as the outcome of the experience with the pilot alternative lease arrangements, and the availability of financial resources overall.	To explore what is available within the current market and to determine if this alternative model will benefit a greater number of households. To ensure that the scheme is appropriately orientated to enable it to operate at scale and meet the needs of more borrowers who require long-term support with their housing needs.	Q4 2017	DHPCLG; Housing Agency; Lenders; AHBs; LAs
2.2 Repairs	Increase level of repairs that can be approved by the Housing Agency to €15k incl. VAT.	To take account of increasing repair costs.	Q1 2017	DHPCLG, Housing Agency
	Allow approved schedule of repairs to bring properties up to private rental standards where required.	To speed up reaching agreement on the level of repairs required to the	Q2 2017	DHPCLG; Housing Agency;

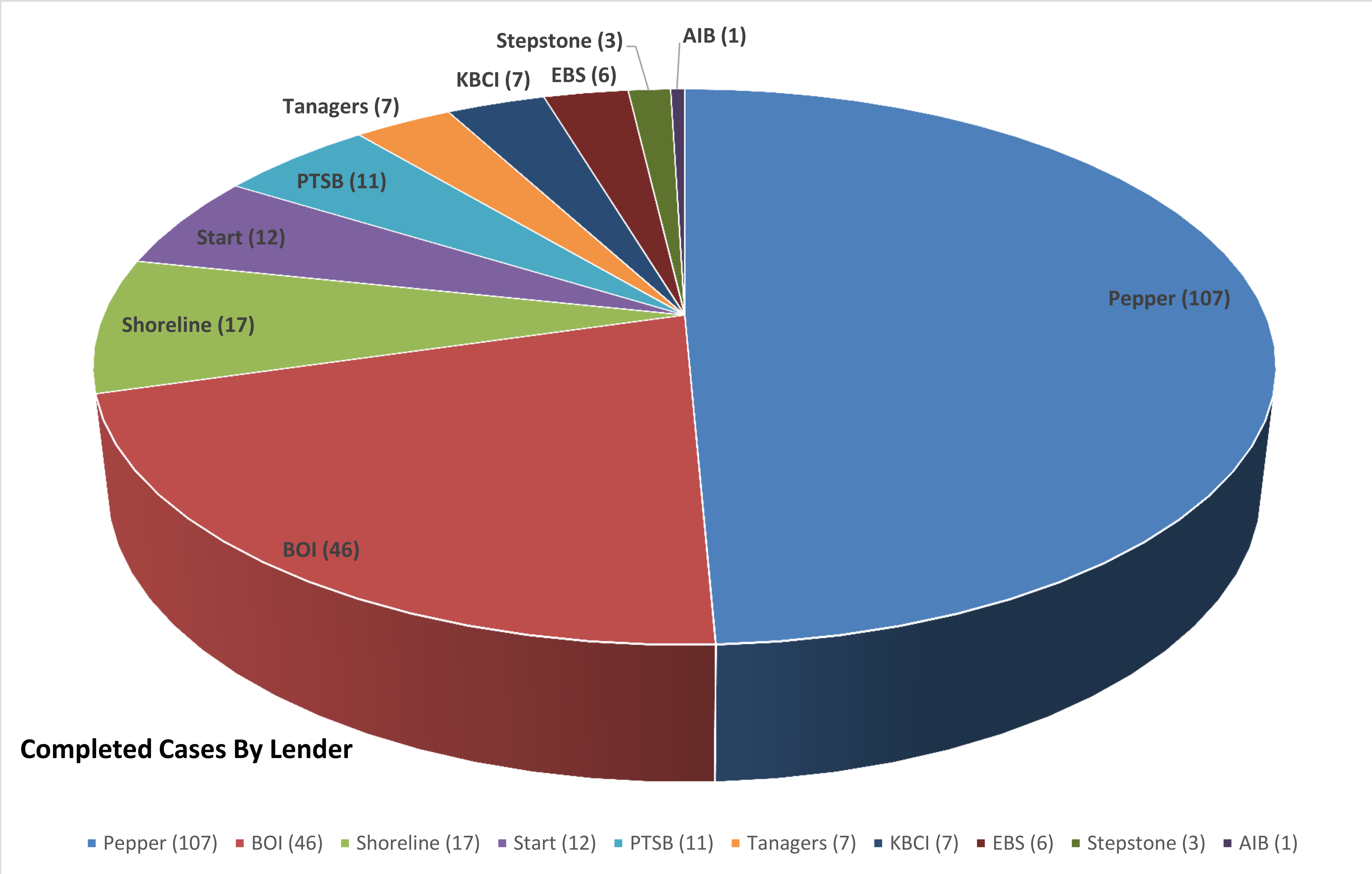
		property.		Lenders; AHBs; LAs
2.3 Valuation	New valuation procedures will be put in place.	To streamline and avoid delays in the process.	Q1 2017	Housing Agency, AHBs, Lenders.
2.4 Conveyancing	Housing Agency will convene a forum to be attended by AHBs and lenders to explore how the property conveyancing stage of the MTR process can be improved.	To create efficiencies at the property conveyancing stage where legally permissible.	February 2017	DHPCLG, Housing Agency, Local authorities
2.5 Coordination of the MTR process	The Housing Agency will develop a new MTR process map which will be subject to ongoing refinement. The One Stop Shop being developed by the Housing Agency to support the coordination of activities between AHBs and LAs will be expanded to include the Agency's existing role in relation to MTR. Specific new requirements to report progress/ milestones relating to individual cases will provided to LAs, AHBs and lenders by the Housing Agency. These will be used to assist in providing regular updates to the relevant borrowers.	To remove the existing delays with cases progressing from initiation to completion and ensuring that each stakeholder is kept informed throughout the process.	Q1 2017	Housing Agency, Local Authorities; AHBs

	Local authorities will be required to nominate a specific member of Housing Staff responsible for implementing the MTR scheme and progressing cases at a local level.			
3. Communication and Awareness raising				
3.1 Information and guidance for borrowers	Information and guidance will be disseminated via the Abhaile Service, MABS, CIB.	MTR as an option for borrowers with unsustainable mortgages to be communicated effectively to those families and individuals in this category worried about or at risk of losing their homes.	Q1 2017	Housing Agency, DHPCLG, Lenders
	A Step by Step guide to the MTR process for borrowers will be published.		Q2 2017	Housing Agency, DHPCLG, MABS, CIB

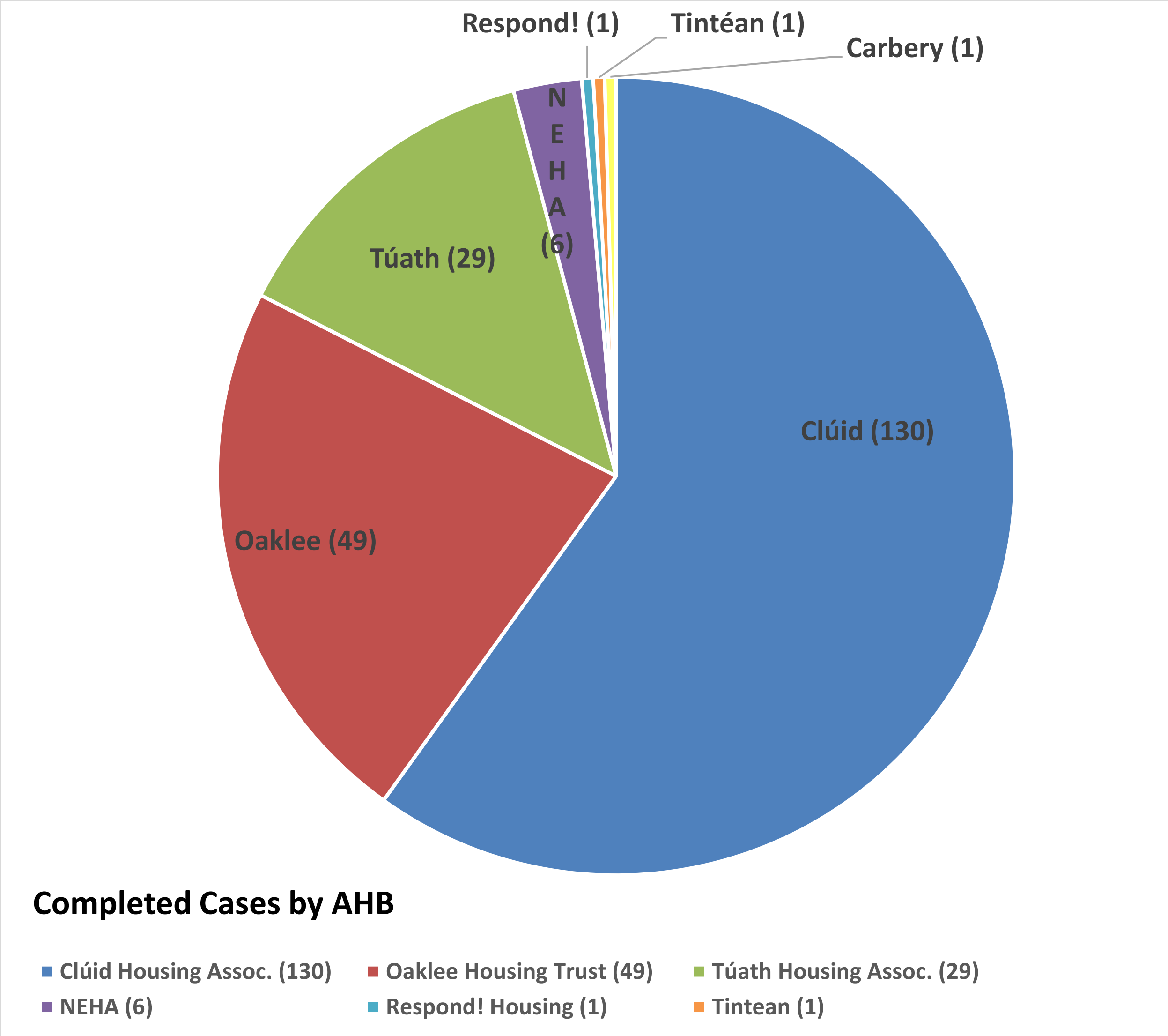
3.2 Communication protocol	A new communication protocol applying to all parties to the MTR scheme will be agreed and implemented.	To improve communications between the Housing Agency, AHBs, Lenders and Local Authorities.	Q2 2017	Housing Agency, AHBs, Lenders, Local Authorities.
3.3 Training	Provide targeted training / information to lenders, AHBs and insolvency practitioners.	To improve knowledge and understanding of the scheme among key parties, particularly in the context of these revisions	Q2 2017, ongoing thereafter	Housing Agency, DHPCLG
	An MTR seminar / workshop for CIB, MABS, ISI, Legal Aid Board staff will be held. Information on the MTR scheme will be disseminated via the Abhaile scheme with a particular focus on those borrowers in arrears of more than 2 years.	To improve awareness of and familiarity with the MTR scheme.	Q2 2017	Housing Agency, DHPCLG

Appendix 2: Infographic Key Statistics on MTR

Graph 1: Percentage of MTR completed cases by Lender to 31 December 2016



Graph 2: Number of MTR completed cases by AHB to 31 December 2016



Graph 3: Number of completed MTR cases by County to 31 December 2016