Rialtas na hÉireann
Government of Ireland

2021 Review of the Mortgage to Rent Scheme for Borrowers of Commercial Private Lending Institutions

Prepared by the Department of Housing, Local Government and Heritage

gov.ie/housing

Contents

Executive Summary **1**

1. Mortgage Arrears **6**

2. Background to Scheme **8**

3. Progress within the MTR Scheme **11**

4. Recommendations **16**

4.1 Eligibility 17

4.2 MTR Scheme Process, Structure and Financing 20

4.3 Communications and Awareness Raising 22

4.4 Monitoring and Responding to Developments around Long-Term Mortgage Arrears Solutions 23

Appendix 1 Table of Review Actions **24**

Appendix 2 Table of Previous Amendments to the MTR Scheme **29**

Appendix 3 List of Submissions Received **31**

Success & Impact of the Mortgage to Rent scheme

The Mortgage to Rent scheme has helped **1,682** families remain in their homes since 2012.

5,012 people are currently benefiting from the scheme - **2,738** adults & **2,274** children.

40% of total MTR cases completed in **2021**.

A **year on year increase** in completed cases achieved since 2017.

Approved Housing Bodies have completed **60%** of all Mortgage to Rent scheme cases.

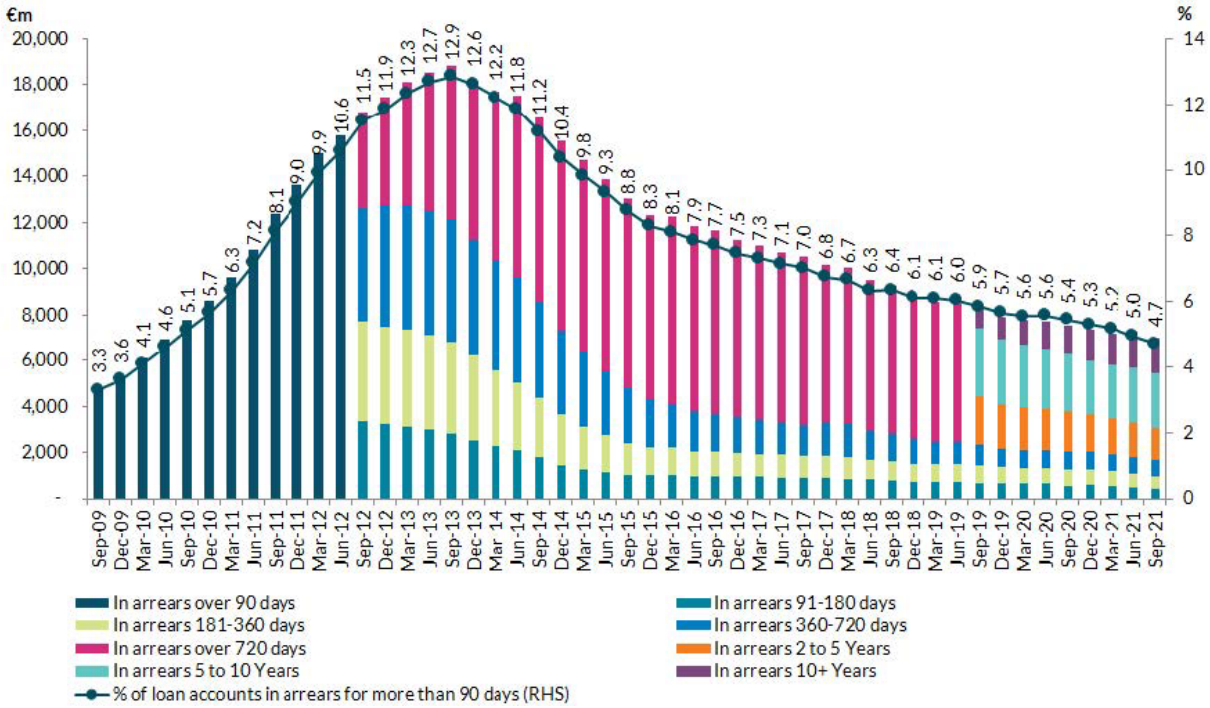
Improvements to the scheme in 2022 will **widen accessibility** and allow more people to benefit.

Executive Summary

The Government's focus is to ensure that as many households as possible in mortgage arrears remain in their homes where that is a sustainable option. In keeping with this objective a range of measures have been implemented across Government Departments and agencies. These measures have provided the foundation for a continual mortgage arrears reduction since the arrears peak in June 2013 and focus on encouraging those in mortgage distress to reach a long term debt resolution, to avoid repossession and remain in their homes if possible.

Figure 1 from the Central Bank shows the trends of Principal Dwelling House (PDH) mortgage accounts in arrears over 90 days from September 2009 to end September 2021.

Figure 1. PDH Mortgages Accounts in Arrears Over 90 Days[1]



*The breakdown of arrears greater than 90 days is not available pre-September 2012. The breakdown of arrears greater than 720 days is not available pre-September 2019.

Despite the downward trend in mortgage arrears, there remains a sizeable cohort of borrowers in arrears of over one year. It is those households within this long-term mortgage arrears (LTMA) cohort who are struggling to return to solvency that are most likely to require a level of State support with their long-term housing needs.

[1]Residential Mortgage Arrears and Repossessions Statistics – Q2 and Q3 2021- Figure 1 http://www.centralbank.ie/docs/default-source/statistics/data-and-analysis/credit-and-banking-statistics/mortgage-arrears/2021q2-q3_ie_mortgage_arrears_statistics.pdf?sfvrsn=5

Undertaking this review during the Covid-19 pandemic, the Department is acutely aware of the effects of the Covid-19 pandemic on household income levels and accordingly how this has impacted on the repayment of mortgages. It is as yet, too early to draw firm conclusions in relation to any long term impacts for mortgage arrears, but the Central Bank's **Financial Stability Review**[2] has highlighted on more than one occasion since the start of the pandemic that mortgage borrowers have been more insulated than other households, due to them being more likely to be employed in sectors unaffected by the public health measures. Furthermore, information on forbearance after payment breaks suggests that the vast majority of mortgage borrowers have remained capable of making mortgage repayments in full during the pandemic. This issue will be kept under review. The Central Bank's report **The Impact of Covid-19 on the Incomes and Debt Sustainability of Irish Households**[3] found that the Covid-19 income supports have prevented larger income falls. Without these supports, and assuming no other out-of-work support, the Central Bank report estimates that median gross income would have fallen by 20% in Q2 and 6% in Q3 2020.

When the Mortgage to Rent (MTR) scheme was previously reviewed in 2017, a commitment was given that the scheme would be kept under ongoing review to ensure that it remains relevant. In 2021, taking account of the operation of the scheme to date, the impact on those households who have benefited from the scheme and the number of borrowers still in long-term mortgage arrears, it continues to be the case that the MTR scheme is both a relevant and an important part of the Mortgage Arrears Resolution Process (MARP). In addition, the scheme is now an established part of the overall suite of social housing options.

Both the Programme for Government and Housing for All commits to strengthening the MTR scheme and ensuring that it is helping those who need it. Building on the significant amendments already made to the scheme in 2017, this Review examined the impact of these changes and what further changes would benefit those in need of the scheme. This Review concludes that the implementation of the 2017 Review actions has enabled the scheme to begin operating at scale which is clearly evidenced by the increasing numbers of both MTR applications and successfully completed MTR cases. Also, in preparing this Review, developments in the Personal Insolvency regime were monitored and consideration given to information that became available in the Central Bank's report **Long-term mortgage arrears: Analytical Evidence for Policy Considerations**[4].

---

[2] https://www.centralbank.ie/publication/financial-stability-review

[3] https://www.centralbank.ie/docs/default-source/publications/economic-letters/the-impact-of-covid-19-on-the-incomes-and-debt-sustainability-of-irish-households.pdf

[4] https://www.centralbank.ie/docs/default-source/publications/financial-stability-notes/long-term-mortgage-arrears-analytical-evidence-for-policy-considerations.pdf?sfvrsn=4https://www.centralbank.ie/docs/default-source/publications/financial-stability-notes/long-term-mortgage-arrears-analytical-evidence-for-policy-considerations.pdf?sfvrsn=4

While the scheme is performing well, it is considered that some further enhancements are needed to enable more households in need of State support with their long-term housing needs to avail of this scheme.

There are four broad categories of actions identified in this Review:

1) **Eligibility** – more households will be eligible for the scheme through:
   - increases in the amount of positive equity allowable under the scheme;
   - revised property acquisition cost limits for eligibility to the scheme; and
   - flexibility around the property size having regard to the specific needs of the household.

2) **Improving the scheme process, structure and financing through**:
   - the establishment of a Cross-Sectoral Working Group co-chaired by the Department and the Housing Agency to address ongoing administrative and operational issues as they arise;
   - continued engagement with the Central Bank, Department of Finance and lenders to ascertain the ongoing potential demand for the scheme;
   - consideration of policy options and how the scheme will be funded to ensure its continued operation and value for money for the State; and
   - working closely with the AHB sector to help build AHB capacity in dealing with MTR to ensure that the integral role that AHBs play in the scheme is further strengthened.

3) **Communication and awareness raising** - continued engagement with Abhaile, the Insolvency Service of Ireland (ISI) and Money Advice and Budgeting Service (MABS) to disseminate information on the MTR scheme and targeted training for stakeholders on the MTR process.

4) **Developments around mortgage arrears solutions** –
   - the Department will closely monitor any implications around personal insolvency legislation, in terms of both emerging case law and the current review by the Department of Justice, to see if they provide wider options for borrowers and have any impact on demand for State supports such as the MTR scheme; and
   - the Department will work to identify any new measures in addition to the State supports already in place (including MTR), aimed at ensuring people stay in their homes where that is a sustainable option.

As previously noted in the 2017 review, it remains the case that not all MTR applications will develop into fully completed transactions for a variety of reasons. However, the scheme is well positioned to assist those who need it.

The implementation of the 2021 review actions, particularly in terms of the refinements to the eligibility criteria, will mean that the scheme can provide a long-term housing solution for more borrowers with specific housing needs.

The MTR scheme continues to provide a good solution to what is a complex problem. At the end of 2021, 1,682 families had been supported to remain in their home through the MTR scheme and 720 further MTR cases were being actively progressed. A total of 5,012 individuals are benefitting from the scheme: 2,738 adults and 2,274 children. The availability of the MTR scheme means that people can avoid losing their homes and associated family upheaval. It also ensures that the State is not required to provide alternative housing for such households at a time when supply continues to be constrained.

A detailed table of actions arising from this Review are reflected in Appendix 1: Table of Review Actions. These review actions are summarised in the Table 1 below and the rationale for each action is outlined under (5) Recommendations.

Table 1. Summary of Key Review Actions

Summary of Key Review Actions	
Action 1.1	Increase and adjust the positive equity limit, where applicable, to better align with the range of house prices across the country broken down into three regions.
Action 1.2	Update the purchase price thresholds for properties eligible for the MTR scheme.
Action 1.3	Additional flexibility in terms of bedroom numbers for borrowers aged 65 and over or where the borrower, one of the joint borrowers or dependents has a disability and the property has had to be significantly and permanently adapted to their needs or the property is specifically suitable to their needs without adaptations.
Action 2.1	Establish a Cross-Sectoral Working Group co-chaired by the Department and the Housing Agency and comprising of lenders, MTR providers and the local authority sector.
Action 2.2	Model the future demand for the MTR scheme.
Action 2.3	Depending on the estimate of the future demand for the MTR scheme, consider the policy options for those in long-term mortgage arrears and how the MTR scheme might be funded to ensure its continued operation and value for money for the State.
Action 2.4	Continue to work with AHBs, both within the Cross-Sectoral Working Group and bilaterally, to assist in improving their capacity and involvement in the MTR scheme.
Action 3.1	Provide information and guidance for borrowers.
Action 3.2	Targeted training for lenders, MTR providers, local authorities, Citizens Information Board (CIB) / Mortgage Advice and Budgeting Service (MABS), Insolvency Service of Ireland, Legal Aid board staff and insolvency practitioners.
Action 3.3	Ensure that the Housing Agency is sufficiently resourced to administer the increasing demands of the MTR scheme.
Action 4.1	The Department will closely monitor any implications around personal insolvency legislation, in terms of both emerging case law and the current review by the Department of Justice, to see if they provide wider options for borrowers and have any impact on demand for State supports such as the MTR scheme.
Action 4.2	Identify any new measures in addition to the State supports already in place (including MTR) aimed at ensuring people stay in their homes where that is a sustainable option.

1. Mortgage Arrears

While all categories of arrears, including accounts in long-term arrears, continue to decline, there remains a sizeable number of borrowers in long-term mortgage arrears (LTMA) even though it is over 10 years on from the 2008 financial crisis.

The Central Bank's most recent data release (Q3-2021[5]) on mortgage arrears in relation to Principal Dwelling House (PDH) mortgages indicates that the number of households in mortgage arrears (47,681 accounts) is decreasing. Of the total number of PDH accounts in mortgage arrears:

- 9% (4,332 accounts) were overdue by between 1 and 2 years
- 16% (7,653 accounts) were overdue by between 2 and 5 years
- 20% (9,648 accounts) were in arrears by between 5 and 10 years
- 11% (5,430 accounts) were in arrears greater than 10 years

Of the PDH accounts in arrears, 6,650 PDH accounts (14%) were part of a legal process at the end of Q3 2021. 70% of these (4,667 accounts) have been in the legal system for over 2 years and over 30% (2,169 accounts) have been in the system for over 5 years.

The Central Bank define long-term mortgage arrears as arrears of more than one year. At the end of Q3 2021, 27,063 accounts were in long-term mortgage arrears, which is a reduction of 1,180 accounts from the previous quarter (Q2-2021).

At end-September 2021, while non-banks held 14% of the total stock of PDH mortgages outstanding, they held 67% (18,187) of all PDH accounts in arrears over 1 year. This is reflective of the on-going sale of non-performing loans by the pillar banks. It is expected that this trend in loan sales will continue and could potentially contribute to additional demand for MTR.

A total stock of 68,718 PDH mortgage accounts were categorised as restructured at the end of September 2021, representing 10% of total PDH mortgages outstanding. Split mortgages accounted for the largest share of restructured mortgage accounts at 30%, while the share of accounts on temporary restructure arrangements was low at 11%.

Borrower engagement is essential if a successful resolution to mortgage arrears is to be achieved. Of the 27,063 PDH accounts in arrears over 1 year, 15% (3,928) of accounts have a restructure arrangement in place, while 39% (10,504) of accounts were not in a restructure and the remaining 47% per cent (12,631 accounts) were not in a restructure nor co-operating with their lender. Legal proceedings have been issued in just under half (47%) of this 'not in a restructure nor co-operating' cohort.

[5] Residential Mortgage Arrears and Repossessions Statistics – Q2 and Q3 2021 https://www.centralbank.ie/docs/default-source/statistics/data-and-analysis/credit-and-banking-statistics/mortgage-arrears/2021q2-q3_ie_mortgage_arrears_statistics.pdf?sfvrsn=5

Other complementary measures introduced by Government to deal with mortgage arrears include the Abhaile Service and the Insolvency Service of Ireland. In order to ensure that an indebted borrower can access independent expert financial and legal advice, the State funded service Abhaile was introduced in 2016 to provide mortgage arrears support, free of charge, to borrowers who are in danger of losing their homes due to mortgage arrears. As part of the service provided by Abhaile, borrowers can avail of a free consultation with a Personal Insolvency Practitioner (PIP) to identity the best solution for their particular circumstances with priority given to them remaining in their home, where that is a sustainable option. Access to this free advice is by way of a voucher which is issued by the Money Advice and Budgeting Service (MABS).

Overall, progress is being made in raising homeowner awareness and understanding of the options to deal with their debt. Take up of the Abhaile service has been high, with 27,302 vouchers for consultations issued between the start of the scheme in July 2016 to end of Q3-2021.

The Insolvency Service of Ireland was established as a statutory body in 2013 and aims to restore insolvent persons to solvency. From its inception and up to the end of Q3-2021, the Insolvency Service has returned over 9,007 debtors to solvency with over 5,860 of those cases being Personal Insolvency Arrangements (PIAs), which deal with mortgage debt as well as other debt.

2. Background to Scheme

The Department's development of the MTR scheme in 2012 followed through on a key recommendation of the Final Report of the Inter-Departmental Mortgage Arrears Working Group, led by Mr. Declan Keane, published in 2011. As the State is required to provide housing to those borrowers in mortgage arrears who would qualify for social housing if they lost their home, the group recommended the introduction of a MTR scheme aimed at keeping people in their homes.

The scheme was introduced in 2012 and is administered on the Department's behalf by the Housing Agency. The MTR scheme targets cases where the mortgage is unsustainable and the household has very limited options – if any – to provide for itself.

The main eligibility criteria underpinning the scheme is that the borrower must:

- have had their mortgage deemed unsustainable under a Mortgage Arrears Resolution Process as set down by the Central Bank;
- qualify for Social Housing Support; and
- agree to the voluntary surrender of their home.

The criteria used to select households suitable for participation in the scheme was aligned with 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 current eligibility criteria, some of which have been amended since 2012 and will change following this Review, are as follows:

a. The borrower must be unable to meet mortgage repayments and the lender must have decided that this situation is unlikely to change in the future.

b. The borrower must be engaging with their lender to try to find a solution.

c. The borrower must have completed the Mortgage Arrears Resolution Process (MARP) with their lender.

d. The property must be in negative equity; however, a property that may have a marginal positive equity may be considered for inclusion in the scheme where that equity is no more than 10% of the Open Market Value to a maximum of €15,000.

e. The borrower must not own any other property.

f. The borrower must be living in a property that suits his or her needs i.e. not be over or under-accommodated, in accordance with Local Authority guidelines, plus two bedrooms.

g. The borrower must be living in a property with a value of no more than €395,000 for a house and €310,000 for an apartment or townhouse in the areas of Dublin, Kildare, Meath, Wicklow, Louth, Cork and Galway, and €305,000 for a house and €220,000 for an apartment or townhouse in the rest of the country.

h. The borrower must be eligible for Social Housing Support in the local authority in whose area the property is located.

i. The net household income must not exceed €25,000*, €30,000* or €35,000* a year, depending on what part of the country the borrower lives in (net household income is the household income after taxes and social insurance (PRSI) have been deducted). (*Additional allowances for children).

j. The borrower cannot have capital assets worth in excess of €20,000.

k. The borrower must have a long-term right to remain in Ireland.

The concept of the scheme is that a household with an unsustainable mortgage goes from being a homeowner to being a social housing tenant. The borrower surrenders their property to their lender who sells it to a MTR provider which can be either an Approved Housing Body (AHB) or since 2018, a private company. The AHB or local authority (in the case where the property is sold to a private company) becomes the landlord and the borrower remains in the property paying a differential rent to the landlord based on his or her income. As the households applying for MTR will have been in a position of 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 to the property. MTR providers, both AHB and non-AHB, are obliged to undertake the necessary remedial or refurbishment works to bring the properties that they acquire under the scheme up to statutory private rental standards.

AHBs fund the cost of purchasing these units and undertaking repairs to the units acquired from a combination of low interest borrowings under a Payment and Availability Agreement with Capital Advance Leasing Facility (CALF) administered by the Department, and private finance or other borrowings. The AHBs make the unit available to the Local Authority for social housing under a Payment and Availability agreement receiving monthly payments from the Local Authority for the duration of the agreement. This income finances the private debt and the maintenance and management of the unit.

In the initial years of the scheme, the scheme relied solely on AHBs to purchase from lenders, properties that have been voluntarily surrendered by borrowers. However, in the 2017 Review it was acknowledged that consideration needed to be given to the capacity of AHBs to intensify their involvement in the MTR scheme given the ambitious targets for the AHB sector around delivering new social housing supply.

The 2017 Review committed to exploring the potential of private institutional investment in MTR in order to allow the MTR scheme to deliver at scale. The capital outlay to purchase these properties could be provided through private finance to avoid competing for upfront exchequer capital resources within the overall funding available for social housing. The Housing Agency on behalf of the Department conducted an Expressions of Interest (EOI) process inviting parties from the private sector to express their interest in participating in an alternatively funded long-term MTR leasing arrangement.

The concept of MTR using the long-term lease arrangement is that a participant from the private sector purchases a property or properties from lenders subsequent to their voluntary surrender by borrowers that meet the MTR eligibility criteria. The participant then enters into a long-term lease arrangement with the local authority in whose area the property is situated, for a defined term at an agreed rent. This enables the borrower to remain living in his or her own home as a social housing tenant.

The National Development Finance Agency (NDFA) acted as financial advisor during the process, undertaking due diligence on the financial capacity of the proposers to commit to the long-term undertaking of the scheme. It was critical that the entity (or entities selected) were capable of purchasing the required number of MTR cases, demonstrated the appropriate understanding of the MTR process and the position of borrowers in long-term mortgage arrears, as well as the capacity to undertake the management and structural maintenance of properties over the lifetime of the lease agreement. The outcome of the Expressions of Interest process is that since 2018, a private entity is participating in the MTR scheme. The inclusion of a private entity in addition to the existing AHBs who continue to be an integral part of the MTR scheme, gives opportunities to achieve greater scale and assist a greater number of borrowers who have unsustainable mortgage arrears.

3. Progress within the MTR Scheme

Since its introduction in 2012, the MTR scheme has been the subject of ongoing review and refinement in terms of its operation. A number of amendments were made to the scheme in 2015 to enable more properties to qualify for the scheme. While these amendments did have a positive effect in terms of increasing the number of MTR applications and case completions, the number of MTR cases completing was still considered to be comparatively low. Consequently, a more fundamental review of the scheme was carried out in 2017 and introduced a range of amendments to the eligibility criteria and the administration of the MTR scheme, in order to make it work better for borrowers. In addition, private funding was brought into the scheme in 2018 to enable the scheme to achieve greater scale.

The amendments already made to the scheme are detailed in Appendix 2: Table of previous amendments to the MTR scheme.

From the commencement of the scheme in 2012 to the end of 2021, a total of 1,682 households have benefited and continue to benefit from the MTR scheme. These 1,682 households comprises of 2,738 adults and 2,274 children. As of Q4 2021, there were 720 cases being actively progressed.

Table 2: Yearly Comparison of Completed MTR Cases from 2012 to 2021

Yearly Comparison of MTR Cases			
Year	**Completed MTR Cases**	**% of Overall Completion**	**Year on Year Change (%)**
2012	1	0.05%	-
2013	21	1.2%	2,000% ↑
2014	29	1.7%	38% ↑
2015	96	5.7%	231% ↑
2016	70	4.2%	27% ↓
2017	91	5.4%	30% ↑
2018	137	8.1%	51% ↑
2019	196	11.7%	43% ↑
2020	363	21.6%	85% ↑
2021	678	40.3%	87% ↑
Total	**1,682**	**100%**	**-**

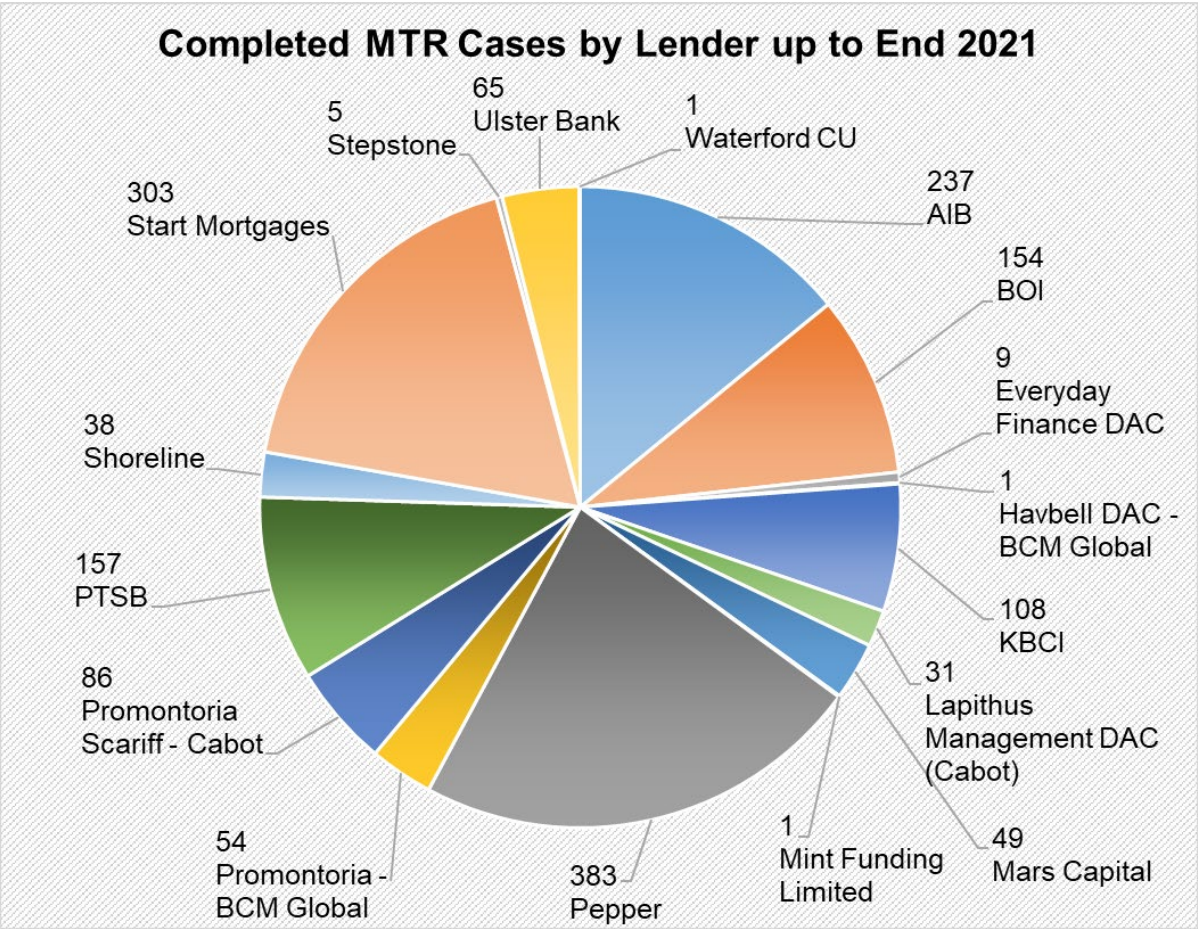
At the end of 2021, there were 24 lenders, 12 AHBs and 1 private company participating in the MTR scheme. AHB participation in the scheme has reduced in more recent years and efforts will be made following this review to enhance their involvement in the scheme. AHBs have contributed significantly to the scheme with 1,010 MTR cases being completed by them. iCare Housing has the most substantial share of completed cases within the AHB Sector with almost 24% of all MTR cases (400 cases).

A total of 6,089 cases have been submitted to the end of 2021 under the scheme. Of the 6,089 cases submitted, 3,687 were ineligible or terminated and included in this number are 621 cases that were submitted in duplicate. In the early stages of the scheme approximately 500 cases (8% of all cases) were incorrectly submitted by lenders due to unfamiliarity with the scheme. 1,474 applications were withdrawn during the process reflecting the fact that the scheme lends itself to a high withdrawal rate if options other than losing home ownership present to the borrower during the MTR process.

As can be seen from Table 2 above, a year on year increase in completed cases of 30% or over has been achieved in every year apart from 2016. Also seen in this table, just over 40% (678 cases) of the total number of completed MTR cases were recorded in 2021. The upward trend in the completion of MTR cases since 2018 is directly linked to the significant improvements made to the scheme following its review in 2017 with over 81% of all cases completing since 2018 (1,374 cases). The inclusion of a participant from the private sector (Home for Life) has had a positive impact on the number of completed cases since its entry into the scheme with 672 cases completed (40% of all MTR cases).

When the number of completed cases by lender is reviewed, certain trends are emerging. In total non-banks are responsible for 960 completed cases while the banks and building societies together have completed 721 cases, and a credit union had completed 1 case. The trend of non-bank entities completing an increasing number of cases is reflective of the number of sales of loans by pillar banks to these entities in recent years. Figure 2 below illustrates the number of completed MTR cases by lender to the end of 2021.

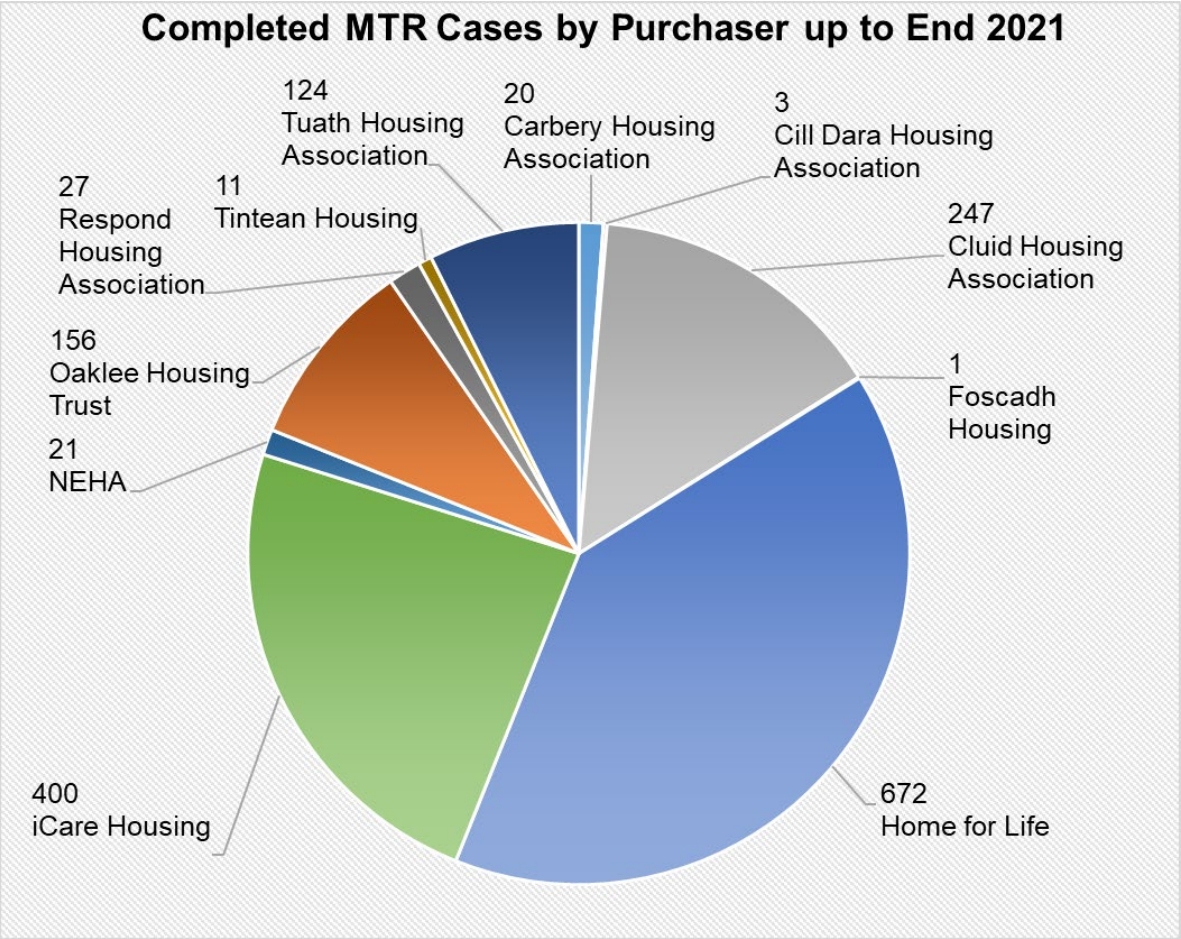
Figure 2. No. of Completed MTR Cases by Lender to End of 2021



*Please note in the above table the figure for AIB includes EBS and Haven Mortgages

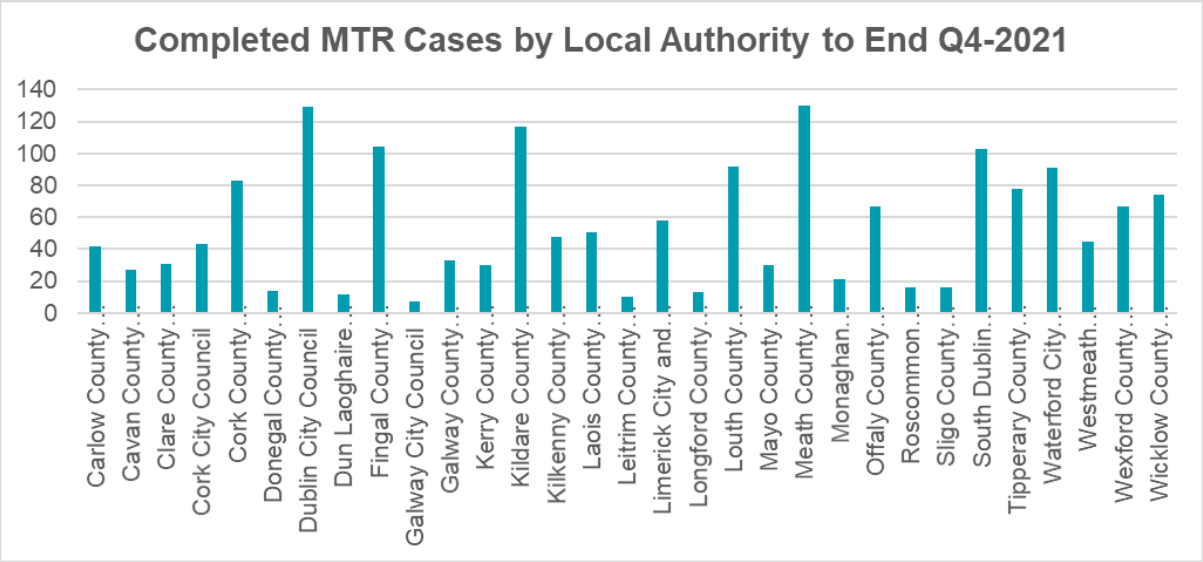
In terms of AHB participation in the scheme, AHBs are responsible for completing 1,010 cases. Of these 1,010 cases, iCare Housing is responsible for completing 400 of these cases and Clúid Housing have completed 247 cases. Home for Life, the private entity participating in the scheme since 2018, has completed 672 cases. Figure 3 below illustrates the number of completed cases by MTR provider to the end of 2021.

Figure 3: No. of Completed MTR Cases by Purchaser (AHBs and Private Funder) to End 2021



As is to be expected, the highest number of case completions is in Dublin (348) with surrounding counties Meath (130) and Kildare (117) following next. Of significance is that at the time of undertaking the previous review in 2017, there had been no uptake on the scheme in 5 counties. However since then, that position has changed with MTR cases now completed in all 5 of these counties as follows – Donegal (14), Mayo (30), Monaghan (21), Roscommon (16) and Sligo (16). Figure 4 below illustrates the number of completed cases broken down by local authority to the end of 2021.

Figure 4: No. of Completed MTR Cases by Local Authority to End 2021



It is now clear from the upward trend in both the number of MTR applications and successfully completed MTR cases that previous reviews and amendments, most notably the 2017 review, have enabled the scheme to perform well and to be made available to more borrowers. It is also clear following the research in the Central Bank report **Long-term mortgage arrears: Analytical evidence for policy considerations**[6], that a certain cohort[7] with little capacity to service their mortgage will add to the growing demand for the scheme.

[6] https://www.centralbank.ie/docs/default-source/publications/financial-stability-notes/long-term-mortgage-arrears-analytical-evidence-for-policy-considerations.pdf?sfvrsn=4

[7] Table 2 – Cohorting of LTMA group based on debt service capacity

4. Recommendations

Building on the significant improvements already made to the scheme, this review considered what further amendments are required to ensure that the scheme is meeting the needs of those who need it most. It is assessed that there will be continued demand for the scheme and this is recognised in Housing for All with the commitment to provide an average of 1,000 completed MTR cases per year.

In carrying out the review, the Department has worked closely with the Housing Agency as the administrators of the scheme, and also invited key stakeholders to submit their proposals to further improve the scheme. The Department also considered the evolving situation regarding certain Personal Insolvency Arrangements (PIAs) negotiated within the framework of the Personal Insolvency legislation which involved mortgage debt. This aspect was discussed with both the Personal Insolvency Practitioners (PIP) involved in the PIAs and with the Insolvency Service of Ireland. A list of the submissions received is attached at Appendix 3.

Anticipated scale*:* Having regard to all factors, and subject to annual funding being agreed in the annual Estimates process, it is considered that the scheme could be well placed to cater for an annual case completion rate of 1,000 cases from the year 2022. This represents a prospective 48% increase on completed cases in 2021 and a five-fold increase on the average number of cases completed between 2017 and 2020. The funding and the demand for the scheme will be kept under ongoing review. Recognising the integral role that AHBs play in the scheme, the Housing Agency will work closely with the AHB sector to help build their capacity and further strengthen their role to enable them to complete a higher percentage of cases in the MTR scheme. The eventual aim would be that this sector would complete 50% of all cases in the MTR scheme.

4.1 Eligibility

Positive Equity

When the MTR scheme was originally introduced, it was a requirement that the borrower's property was in negative equity. This rule was relaxed somewhat in 2015 in that while the criterion of the property being in negative equity was still the underlying principle, marginal positive equity of up to 10% of the Open Market Value (OMV) up to a maximum of €15,000 was allowed on a case by case basis. This positive equity limit applied nationally and did not take into account the location of the property. No change was made to this criterion in the 2017 review.

There have been many requests to review and consider an increase to the positive equity threshold in view of house prices increasing in recent years. While it should be the case that where property values are increasing borrowers have more options available to deal with their mortgage debt, for some borrowers their ability to repay their mortgage has not improved and that position is unlikely to significantly change.

It remains the case that MTR is only targeted at the mortgage arrears cases where a household has very few options to provide for itself. Social Housing Support Income Bands are differentiated across 3 geographical regions and taking into account the principles underpinning that model, it is considered that a more equitable method would be to use a regional approach (and the differentiation across regions reflected in Social Housing Support Income Bands) as a general guide to setting new positive equity limits that take account of the location of the property.

Action 1.1: Introduce new positive equity limits differentiated across 3 regions of the country:

Band	Local Authority Areas	Allowable Positive Equity
Band 1	Cork City, Dublin City, Dún Laoghaire Rathdown, Fingal, Galway City, Meath, South Dublin, Kildare, Wicklow	€35,000
Band 2	Cork County, Kerry, Kilkenny, Limerick City and County, Louth, Wexford, Waterford City and County	€30,000
Band 3	Carlow, Cavan, Clare, Donegal, Galway County, Laois, Leitrim, Longford, Mayo, Monaghan, Offaly, Roscommon, Sligo, Tipperary, Westmeath	€25,000

Property Acquisition Cost Limits

The current purchase price thresholds were last reviewed and updated in July 2019. Taking account of current market conditions and the recent research by the Central Bank, the thresholds have now been reviewed and are included in the table below. The price thresholds are divided into two categories: (i) Higher Threshold Areas (Cork, Dublin, Galway, Kildare, Louth, Meath and Wicklow) and (ii) Normal Threshold Areas representing the rest of the country. It is important to note that these are thresholds for eligibility to the scheme but actual acquisition costs are agreed between the lender and MTR provider and cannot exceed these limits. These limits will be kept under review.

Action 1.2: Updated Mortgage to Rent Property Acquisition Cost Limits

Property Type	Higher Threshold Area (Cork, Dublin, Galway, Kildare, Louth, Meath, Wicklow)	Normal Threshold Area (Rest of Country)
House	€450,000 (up 14% from July 2019 limit of €395k)	€345,000 (up 13% from July 2019 limit of €305k)
Apartment / Townhouse	€335,000 (up 8% from July 2019 limit of €310k)	€230,000 (up 4.5% from July 2019 limit of €220k)

Suitability of the Property for the Household

Since 2017, a maximum of 2 spare bedrooms above the current needs of the household is allowable, 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.

To take account of cases where vulnerable borrowers qualify on all other grounds, other than the fact that they are over accommodated in their property, it is proposed that some additional flexibility should be provided for those aged 65 and over, and for those with a disability where the property has been significantly and permanently adapted, or where the property has not been adapted but is specifically suitable to their particular needs. The household must also qualify for Social Housing Support on disability, medical or compassionate grounds in line with the local authority's allocation policy.

Action 1.3: Additional flexibility for over accommodated borrowers aged 65 and over and those with a disability.

The scheme is to be amended to allow flexibility where the household concerned is over accommodated (i.e. has more than 2 spare bedrooms above the current needs of the household). Flexibility on over accommodation may be allowed where:

a. the borrower or one of the joint borrowers is aged 65 and over

b. the borrower, one of the joint borrowers or one of the borrower's dependents has a disability and the property has been significantly and permanently adapted to their needs

c. the borrower, one of the joint borrowers or one of the borrower's dependents has a disability and the property is specifically suitable to their needs without adaptations

In the case of (b) and (c) above, the household must also qualify for Social Housing Support on disability, medical or compassionate grounds in line with the local authority's allocation policy. Such flexibility is subject to the local authority or AHB (as appropriate) reserving the right to accommodate the household in more appropriate accommodation, if available, in the future.

4.2 MTR Scheme Process, Structure and Financing

Cross-Sectoral Working Group

The MTR process by its very nature is complex involving many stakeholders including borrower, lender, MTR provider, local authority, Housing Agency and each stage in the process takes time. Safeguards are also built into the process to give borrowers allocated time to consider if MTR is the correct decision for them. While significant improvements have been made to the MTR process since 2017, it is considered that a Stakeholder Cross-Sectoral Working Group co-chaired by the Department and the Housing Agency could build on the momentum that has been achieved and also provide an ideal forum where all stakeholders could participate on issues arising.

Action 2.1: Establish a Cross-Sectoral Working Group

Establish a Cross-Sectoral Working Group co-chaired by the Department and the Housing Agency and comprises of lenders, MTR providers and the local authority sector.

Identify the Future Possible Demand for the Scheme

Since the inception of the MTR scheme, which is demand led, an ongoing challenge has been to forecast the likely future demand for the scheme. While the Central Bank publishes mortgage arrears statistics on a quarterly basis, the data published does not detail borrowers' income levels. As MTR is only available to borrowers who qualify for social housing support, the income levels are of particular relevance. It is proposed that the Department will engage with the Central Bank and lenders in an effort to obtain the data necessary to model the future demand not only for the MTR scheme but to identify those borrowers who may require support with their long-term housing needs.

Action 2.2: Model the future demand for the MTR scheme

Engage with the Central Bank, Department of Finance and lenders to gather, contribute to and analyse ongoing research of the cohort of borrowers in long-term mortgage arrears.

Consider the Policy Options

As with all Exchequer funded schemes, it is essential that the MTR scheme is kept under ongoing review to ensure that value for money is achieved. Given that the MTR scheme is only available to eligible applicants from the long-term mortgage arrears cohort and this cohort is not homogeneous, there may be different options that need to be considered as the various data streams are analysed.

Identifying the potential future demand for the MTR scheme will be informed by the availability of detailed data on the income levels of borrowers in long-term mortgage arrears.

As outlined earlier, the scheme will also need to be cognisant of other developments that may occur in the treatment of mortgage arrears more broadly.

Action 2.3: Consider the policy options

Depending on the findings of Action 2.2 and the estimation of the future demand for the MTR scheme, consider the policy options for the long-term mortgage arrears cohort, and how the scheme might be funded to ensure its continued operation, and value for money for the State.

AHB Participation in the MTR Scheme

Since the introduction of the MTR scheme in 2012, AHBs have been an integral part of the scheme and have significantly contributed to its success. To the end of 2021, AHBS have enabled the delivery of long-term housing solutions to 1,010 households. In order to ensure that demand for the scheme can be met, and that there is a range of providers active within the scheme, it is essential that the AHB sector continues to engage with the MTR scheme and both the Department and Housing Agency are committed to ensuring that AHBs remain active in the MTR scheme.

Action 2.4: Increase AHB participation in the MTR scheme

Continue to work with AHBs, both within the Cross-Sectoral Working Group and bilaterally to assist in improving their capacity and involvement with the eventual aim that this sector would complete 50% of all cases in the MTR scheme.

4.3 Communications and Awareness Raising

Borrower engagement particularly by those in long-term mortgage arrears is critical in addressing the mortgage arrears challenge. Borrowers need to be both aware of and understand the MTR scheme in order to take an informed decision as to whether the scheme is an option for them and, if so, if it is the correct decision having regard to their own particular circumstances. Much work has been done on increasing public awareness regarding where borrowers can access information on all options to deal with their mortgage arrears.

Significant communications campaigns have been undertaken in this area particularly by Abhaile and the Insolvency Service of Ireland. Increasing awareness and understanding of the MTR scheme continues to be a priority. The MTR website - www.mortgagetorent.ie – developed to guide and advise borrowers on the MTR scheme will continue to serve as the national information source on MTR, and will be further expanded and developed. The Department and Housing Agency will continue to work closely with stakeholders who are ideally placed to disseminate information and guidance for borrowers on the MTR scheme.

There is an ongoing requirement for training for the many stakeholders involved in the MTR process. In addition, targeted training is required where a stakeholder has a particular role to play in the scheme.

Action 3.1: Information and guidance for borrowers

The Department and Housing Agency to continue to work closely with Abhaile, the Insolvency Service of Ireland, Citizens Information Board (CIB) and Mortgage Advice and Budgeting Service (MABS) on disseminating information and guidance for borrowers on the MTR scheme. Ensure that www.mortgagetorent.ie is fully utilised to reach the target audience of borrowers in long-term mortgage arrears.

Action 3.2: Training

The Housing Agency will deliver a programme of targeted training to lenders, MTR providers, local authorities, Citizens Information Board / Mortgage Advice and Budgeting Service, Insolvency Service of Ireland and Legal Aid board staff and insolvency practitioners.

Action 3.3: Resourcing

The Housing Agency will be sufficiently resourced to administer the increasing demands of the MTR scheme.

4.4 Monitoring and Responding to Developments around Long-Term Mortgage Arrears Solutions

The Personal Insolvency Act 2012 introduced a new system for dealing with personal insolvency in Ireland. As the MTR scheme requires borrowers to lose ownership of their homes, and given the understandable reluctance of some in mortgage arrears to lose home ownership, it is important that all options be fully explored by borrowers before taking a decision to proceed with MTR. This is in keeping with the Government's objective of keeping people in their homes where that is a sustainable option. It is important therefore that alternative repayment arrangements and where appropriate, personal insolvency solutions, are fully utilised by borrowers when these present a sustainable mortgage arrears solution.

Action 4.1:

The Department will closely monitor any implications around personal insolvency legislation, in terms of both emerging case law and the current review by the Department of Justice, to see if they provide wider options for borrowers and have any impact on demand for State supports such as the MTR scheme.

Action 4.2:

To identify any new measures in addition to the State supports, including MTR, already in place aimed at ensuring people stay in their homes where that is a sustainable option.

Appendix 1 Table of Review Actions

<table>
<tr><th>Action No.</th><th>Description of Action</th><th>Objective</th><th>Timeline</th><th>Owner</th></tr>
<tr><td colspan="5">1. Eligibility</td></tr>
<tr><td>1.1 Positive Equity</td><td>Expand the existing limit for the level of positive equity allowable under the MTR scheme. New limits will apply depending on the location of the property, which is more reflective of the differences in house prices across the country as follows:
<table>
<tr><th>Band</th><th>Local Authority areas</th><th>Allowable Positive Equity</th></tr>
<tr><td>1</td><td>Cork City, Dublin City, Dún Laoghaire Rathdown, Fingal, Galway City, Meath, South Dublin, Kildare, Wicklow</td><td>€35,000</td></tr>
<tr><td>2</td><td>Cork County, Kerry, Kilkenny, Limerick City and County, Louth, Wexford, Waterford City and County</td><td>€30,000</td></tr>
<tr><td>3</td><td>Carlow, Cavan, Clare, Donegal, Galway County, Laois, Leitrim, Longford, Mayo, Monaghan, Offaly, Roscommon, Sligo, Tipperary, Westmeath</td><td>€25,000</td></tr>
</table></td><td>To ensure that the MTR scheme is helping those who need it.</td><td>Q1 2022</td><td>DHLGH, Housing Agency, Lenders</td></tr>
<tr><td>1.2 Property Acquisition Limits</td><td>Implement the new property acquisition limits to ensure that the property acquisition cost limits are in line with current market conditions and other relevant research.</td><td>To ensure that the MTR scheme is helping those who need it.</td><td>Q1 2022</td><td>DHLGH</td></tr>
</table>

1.3 Suitability of the Property for the Household	Where the household concerned is over accommodated (i.e. has more than 2 spare bedrooms above the current needs of the household) and is in one of the three categories below and qualifies on all other grounds for MTR, consideration will be given to admitting them into the MTR Scheme: **a.** the borrower or one of the joint borrowers is aged 65 and over **b.** the borrower, one of the joint borrowers or one of the borrower's dependents has a disability and the property has been significantly and permanently adapted to their needs **c.** the borrower, one of the joint borrowers or one of the borrower's dependents has a disability and the property is specifically suitable to their needs without adaptations **Notes**: In respect of (b) and (c) above the household must also qualify for Social Housing Support on Disability, Medical or Compassionate grounds in line with the local authority's allocation policy. In all cases, the local authority or AHB reserves the right to accommodate the household in more appropriate accommodation, if available, in the future.	To ensure that the MTR scheme is helping those who need it.	Q1 2022	DHLGH, Housing Agency, Lenders, Local Authority
2. MTR Scheme Process, Structure and Financing				
2.1 Establish a Cross-Sectoral Working Group	A Cross-Sectoral Working Group will be established with the purpose of addressing ongoing administrative and operational issues as they arise. This formal structure will aim to ensure that the MTR scheme functions effectively and there is on-going communication and co-operation in the operation of the scheme, especially in light of the increased throughput of cases. The membership of the Cross-Sectoral Working Group, which will be co-chaired by DHLGH and the Housing Agency, will be lenders, (both bank and non-bank), MTR providers (AHBs and non-AHB) and the Local Authority sector.	To streamline and avoid delays in the MTR process.	Q1 2022	DHLGH, Housing Agency

2.2 Modelling the potential future demand for the MTR scheme	Continue our engagement with the Central Bank, Department of Finance and lenders to gather, contribute to and analyse ongoing research of the cohort of borrowers in long-term mortgage arrears (LTMA). This will allow us to estimate how many in the LTMA cohort might be eligible to avail of MTR, or another social housing support.	To inform the future direction of the MTR scheme.	Ongoing	DHLGH, Central Bank, Lenders, Dept. of Finance
2.3 Consider the policy options	Depending on the findings of Action 2.2, consider the policy options for the long-term mortgage arrears cohort and how the MTR scheme might be funded to ensure its continued operation, and value for money for the State.	To inform the future direction of the MTR scheme.	Ongoing	DHLGH, Dept. of Finance
2.4 Actions to Increase AHB participation in the MTR scheme	Continue to work with AHBs, both within the Cross-Sectoral Working Group and bilaterally, to assist in improving their capacity and involvement in the MTR scheme.	To ensure that a sufficient number of MTR providers are active in the scheme to meet the demands of the scheme.	Ongoing	DHLGH, Housing Agency, AHBs

3. Communication and Awareness Raising				
3.1 Information and guidance for borrowers	Continue to work closely with Abhaile, the Insolvency Service of Ireland, Citizens Information Board and Money Advice and Budgeting Service on disseminating information and guidance for borrowers on the MTR scheme. Ensure that www.mortgagetorent.ie is fully utilised to reach the target audience.	To ensure that borrowers in long-term mortgage arrears are aware of MTR as an option.	Ongoing	DHLGH, Housing Agency
3.2 Training	Provide targeted training to Lenders, MTR providers, local authorities, Citizens Information Board / Mortgage Advice and Budgeting Service, Insolvency Service of Ireland, Legal Aid board staff and insolvency practitioners.	To improve knowledge and understanding of the scheme processes among key parties.	Ongoing	Housing Agency, DHLGH
3.3 Resourcing	Ensure that the Housing Agency is sufficiently resourced to administer the increasing demands of the MTR scheme.	To ensure the scheme continues to operate efficiently.	Ongoing	Housing Agency, DHLGH

4. Developments Around Mortgage Arrears Solutions				
4.1 Personal Insolvency	The Department will closely monitor any implication around personal insolvency legislation, in terms of both emerging case law and the current review by the Department of Justice, to see if they provide wider options for borrowers and have any impact on demand for State supports such as the MTR scheme.	To keep people in their homes.	Ongoing	DHLGH, Housing Agency, ISI, Dept. of Justice, CIB/MABS
4.2 Identify any new measures to keep people in their homes	To identify any new measures in addition to the State supports, (including MTR), already in place aimed at ensuring people stay in their homes where that is a sustainable option.	To keep people in their homes.	Ongoing	DHLGH, Housing Agency, Dept. of Finance, Central Bank, Dept. of Justice, Dept. of Social Protection

Appendix 2 Table of Previous Amendments to the MTR Scheme

Date	Scheme Improvement Measures
July 2015	• The valuation threshold for properties was increased in line with the acquisition thresholds for social housing generally – (€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); • Flexibility was provided in relation to the size of the properties which qualify for the scheme and one spare bedroom was then allowable under the scheme; • The requirement for the borrower to be qualified for social housing support was not changed; however, a borrower who had completed the MARP process and was 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 was in marginal positive equity to avail of the scheme. Cases where the positive equity was no more than 10% of the Open Market Value (OMV), to a maximum of €15,000 could be; considered under the scheme; • 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.

February 2017	• The valuation threshold for properties was increased in line with the acquisition thresholds for social housing generally (€365,000 for a house or €310,000 for an apartment/townhouse in Cork, Dublin, Galway, Kildare, Louth, Meath and Wicklow and €280,000 for a house or €215,000 for an apartment/townhouse in the rest of the country); • Where the lender deems that MTR is not an option, the lender to notify the borrower of the reason it deems MTR not to be an option; • Borrower's application for social housing support to be made prior to submitting a MTR application to the Housing Agency; • Further flexibility was provided in relation to the size of the properties that qualify for the scheme and two spare bedrooms were now allowable under the scheme; • Improvements to the administration of the scheme; • Communications and awareness raising actions; • Commitment to explore the potential of off-balance sheet investment in the scheme, to bring additional investment into the scheme.
July 2018	• Following an expressions of interest process inviting parties from the private sector to express their interest in participating in a new alternatively funded long-term MTR lease arrangement, Home for Life were announced as a new MTR provider in 2018.
June 2019	• A new dedicated MTR website - www.mortgagetorent.ie – was launched to serve as the national portal for the MTR scheme to improve awareness and understanding of the scheme.
July 2019	• The valuation threshold for properties was increased in line with the acquisition thresholds for social housing generally (€395,000 for a house or €310,000 for an apartment/townhouse in Cork, Dublin, Galway, Kildare, Louth, Meath and Wicklow and €305,000 for a house or €220,000 for an apartment/townhouse in the rest of the country).

Appendix 3 List of Submissions Received

- Banking and Payments Federation of Ireland
- Central Bank
- County and City Management Association (CCMA)
- Clúid Housing
- Home for Life
- Irish Council for Social Housing
- Irish Mortgage Holders Organisation
- Insolvency Service of Ireland
- Mortgage Advice and Budgeting Service
- www.askaboutmoney.ie

gov.ie/housing

Department of Housing, Local Government and Heritage

Rialtas na hÉireann
Government of Ireland