

EBS to lend at least €400m in mortgages in 2013

EBS DKM Affordability Index showed housing affordability returning to levels last seen in the mid 1990s

EBS, today, (Wednesday, 27th February 2013) announced its intention to lend at least €400 million to customers seeking mortgage finance in the coming year. Confirmation of these plans comes with the publication of the latest *EBS DKM Affordability Index* which showed that affordability levels at the end of 2012 had returned to those of the mid 1990s.

The cost of funding a mortgage, nationally, at the end of 2012, for the average first time buyer (FTB) working couple stood at 11.7% of their joint disposable income. This figure increased to 14.1% of net income with the ending of the mortgage interest relief last month, but is still significantly lower than the 26.4% recorded at the peak of the boom in 2006.

In addition, the average FTB property price nationally was estimated at €134,051 in December 2012 or 3.69 times average earnings. The corresponding estimate for Dublin was €170,114 or 4.25 times average earnings for Dublin FTBs.

Director at DKM Economic Consultants, Annette Hughes, said: *“The significant improvement in housing affordability continued throughout last year, with the proportion of net income required to fund a mortgage for the average FTB working couple remaining stable through 2012. However, with the ending of mortgage interest relief for first-time buyers in December, average mortgage repayments increased by c.19% in January 2013, causing an adjustment in affordability to 14.1% of net income. It is encouraging that FTBs who purchase a property in 2013 will be exempt from paying local property tax until 2016.”*

Speaking about EBS’ mortgage lending commitment, EBS Head of Mortgages, Conal Clerkin said: *“Further evidence of stabilisation in the market will encourage those wishing to purchase homes to seek mortgage approval and EBS is delighted to announce its intention to lend at least €400 million in the coming year. EBS is committed to supporting customers who wish to purchase a home and we will continue to take further steps to demonstrate this support throughout the year. Obtaining a mortgage can seem like a daunting prospect, however, our mortgage advisors, who have helped thousands of people buy their own homes over the years, will take customers through the process from start to finish, for first time buyers, movers or those planning to extend or refurbish their existing homes.”*

EBS is providing the following support for customers:

- Dedicated mortgage advisors in our 79 branches nationwide
- Mortgage information evenings for customers throughout the country
- Comprehensive mortgage guides, with information on preparing to buy to making an offer on a home
- A specific mortgage section on www.ebs.ie, providing support, advice and tools
- Money advisors to help those seeking to put a savings plan in place for a future purchase
- Competitive mortgage products at a Loan To Value (LTV) of up to 92%

The latest *EBS DKM Affordability Index* can be found at www.ebs.ie or www.dkm.ie

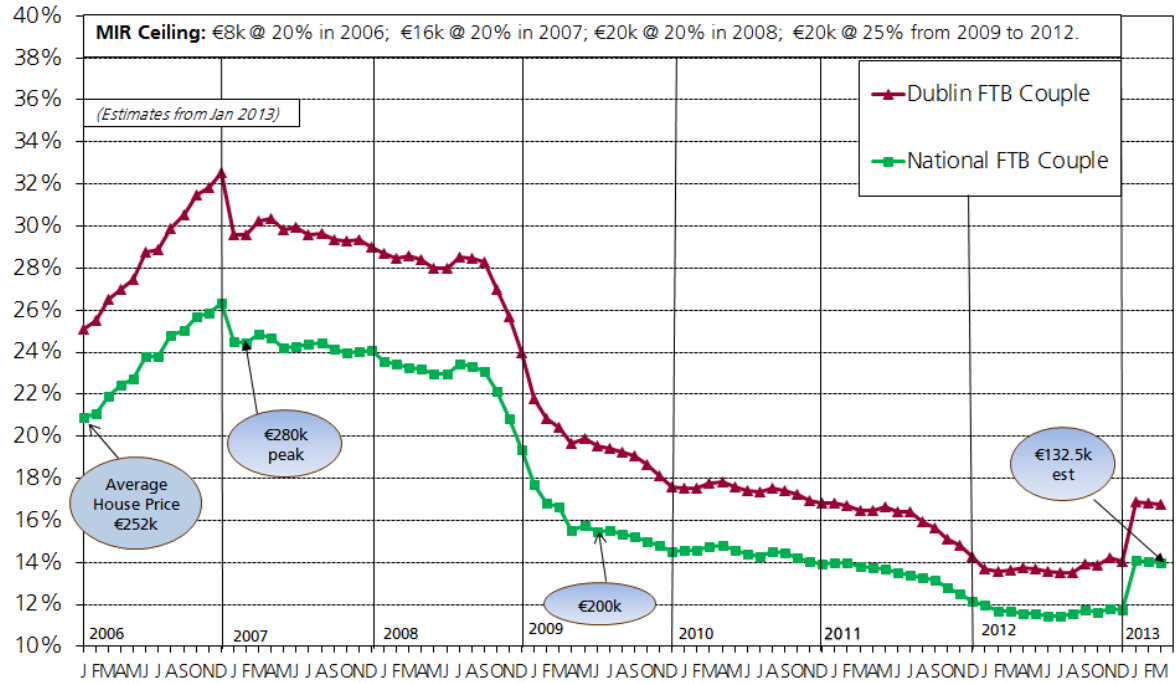
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Notes for editors:

Figure 1: The proportion of net income for a FTB working couple required to meet net mortgage repayments on the 'average' FTB property price based on a 90% loan to value ratio and a 25-year mortgage.



**Figure 2: Housing Affordability Trends for a FTB Couple and Single Person
December 2006 – December 2012 with Projections to March 2013**

	Dec- '06	Dec- '07	Dec- '08	Dec- '09	Dec- '10	Dec- '11	Dec- '12	Jan- '13 Estimate	Mar- '13 Forecast
Average Variable Mortgage Rate	4.81%	5.37%	4.80%	3.32%	4.02%	4.24%	4.37%	4.37%	4.37%
National FTB Working Couple - both working on average earnings									
Monthly Repayments	1,323	1,230	1,008	722	683	579	559	666	661
As % of Net Income	26.4%	24.1%	19.4%	14.5%	13.9%	12.2%	11.7%	14.1%	14.0%
Ave. House Price (000s)	279.0	260.8	224.2	188.1	168.4	140.3	134.1	133.5	132.5
National Single FTB - on average earnings									
Monthly Repayments	1,390	1,306	1,008	722	683	579	559	666	661
As % of Net Income	55.4%	51.1%	38.7%	29.0%	27.8%	24.4%	23.5%	28.2%	27.9%
Ave. House Price (000s)	279.0	260.8	224.2	188.1	168.4	140.3	134.1	133.5	132.5
Dublin FTB Working Couple									
Monthly Repayments	1,741	1,577	1,326	929	877	720	710	847	844
As % of Net Income	32.5%	29.0%	24.0%	17.6%	16.9%	14.3%	14.0%	16.9%	16.8%
Ave. House Price (000s)	359.0	333.9	294.9	241.9	216.1	174.4	170.1	169.8	169.1

ASSUMPTIONS:

Monthly FTB Property Prices: ptsb/ESRI FTB up to July 2009. Data from August 2009 derived by assuming that FTB prices fall in line with the CSO's *Residential Property Price Index* up to December 2012. Post December 2012, assume average FTB property prices decline nationally (-0.4% per month) and in Dublin (-0.2% per month) until March 2013. This % reduction represents the average monthly fall in 2012. The average Dublin FTB property price is assumed to be equal to 84% of the average Dublin price, based on the permanent-tsb/ESRI dataset.

Loan to value ratio: 90% **Mortgage term:** 25 years.

Average Variable Mortgage Rate: is an average of the standard variable mortgage rates for Mortgage Lenders reporting to the Central Bank & Financial Services Authority of Ireland (CSO/CB data). Latest published figure is 4.37% for December 2012. Average rates are unchanged at 4.37% up to March 2013.

Maximum Mortgage Interest Relief for FTBs: €20,000 max MIR available for married couples at 25% since Jan 2009 = max of €417 per month and held at this level for FTBs in 2012. MIR abolished from January 2013.

Average Gross Earnings: Gross income figures represent average earnings according to the CSO's *Earnings, Hours and Employment Costs Survey* (up to Q3, 2012). The FTB working couple started out earning €70,000 in June 2005. Gross earnings for the FTB couple were increased by 8.2% by 2007 (€75,754) and fell thereafter by 5.2% by 2011. Total gross earnings are estimated to have increase by 0.7% to €72,309 in 2012 compared with 2011 and are projected to increase by 0.6% between December 2012 and March 2013.

Incomes of Dublin buyers are assumed to be 10% higher than for buyers across the State as a whole. Income and health levies replaced by the new Universal Social Charge from January 2011.

Disposable Incomes derived by adjusting gross incomes for tax bands and credits, PRSI and USC rates announced in successive budgets.

NOTE: Information in this report is based on the latest data available at 25th February 2013.