

Mortgage rates 'are fairly priced and won't drop any time soon'



1

Mortgage rates are unlikely to come down further despite being the second highest in the eurozone. Stock: Getty Images



[Charlie Weston Twitter Email](#)

January 26 2019 2:30 AM

- [Email](#)

Mortgage rates are unlikely to come down further despite being the second highest in the eurozone.

An analysis by stockbroker Goodbody has concluded that mortgage rates are "fairly" priced as banks in Ireland have to set aside €50 of capital for every €1,000 of lending, compared with just €16 in other eurozone countries.

The conclusion that rates are unlikely to fall further comes after recent comments in Dublin by European Central Bank president Mario Draghi, who blamed a "quasi-monopoly" among banks here for the high rates.

Goodbody banking analyst Eamonn Hughes noted that new customer mortgage rates in Ireland are the second highest in the euro area.

There has been extensive debate about why this is the case "bringing unwelcome political pressure on the banks and concerns about potential further competition".

[Privacy settings](#)

The banking analyst argues that it is too simplistic to focus on headline rates alone.

In a review of the rates charged by 36 banks, across 14 countries, he concluded that mortgage rates here are 1.7 times higher than the average in the eurozone.

But banks here have to make much higher capital provisions when they issue mortgages. This reflects high mortgage default rates since the economic collapse.

The return on equity for banks here, a key measure of profitability, is also low in eurozone terms.

Despite this, Goodbody is forecasting AIB to report pre-tax profits of €1.26bn for last year, and €992m for Bank of Ireland. Permanent TSB is expected to have made profits of €94m last year.

Mr Hughes does not see any escalation in last year's rates war, which saw Ulster Bank offer a rate on a two-year fixed rate of as low as 2.3pc.

"Our analysis shows Irish rates are 'fairly' priced for the raw material inputs, which should ease pricing concerns.

"Rates will remain elevated for some time," he said.

Meanwhile, mortgage lender EBS has been identified as the institution forced to pay €90,000 in compensation by the financial services ombudsman.

The ombudsman made the ruling after EBS adopted an "unreasonable and obstructive approach" when a couple went into arrears on their buy-to-let mortgage.

Ombudsman Ger Deering found EBS had acted in an unfair manner after he carried out an investigation.

The lender was not named when Mr Deering published full details of decisions he made in the last year. But this publication has established that EBS was the lender.

Irish Independent

Follow @Indobusiness