

# Negative equity home movers

Guiding you through  
your next move

**EBS**



## WHAT IS NEGATIVE EQUITY?

Negative equity occurs when the value of your house is less than the amount you owe on the mortgage. That means that the amount you'd get if you sold your house would be less than you'd need to fully clear the mortgage on it.

## IS IT POSSIBLE TO MOVE HOUSE IF YOU'RE IN NEGATIVE EQUITY?

Yes it is! If you are an existing EBS mortgage customer and you want to buy a new home.

## WHAT IS A NEGATIVE EQUITY MORTGAGE?

A negative equity mortgage is a mortgage that allows you to add the outstanding balance you owe on your existing home onto the mortgage required for the new property you wish to purchase.

## HOW DOES A NEGATIVE EQUITY MORTGAGE WORK?

A negative equity mortgage simply transfers the outstanding balance of your existing mortgage onto a new loan for a new property. In the majority of cases, this means that your new property will also be in negative equity as your new mortgage will include the balance owed from your previously owned property.

## TRADING UP OPTION

Trade up involves moving to a property of greater value than the value of the existing property.

Typically you might want to trade up if your family is growing or you need to relocate. If you need to use the trade up option to move to a property of greater value, you will increase your outstanding loan balance.

Up to 90% loan to value (LTV) finance is available to you towards the purchase price of your new property:

- Max 80% LTV for one-bedroom properties;

The combined balance of the residual debt and the new mortgage must be of a lower LTV than the LTV of the existing property.

The maximum loan to value of the new property including the residual debt cannot be more than 175%, subject to a maximum loan balance of €700,000.

## TRADING DOWN OPTION

Trade down involves moving to a property of lesser or equal value than the existing property.

If you need to use the trade down option to move to a property of lesser value, you will maintain or decrease your outstanding loan balance.

You may apply for an LTV of up to 100% on the new property, subject to a maximum LTV of 175% including the outstanding balance on the original mortgage loan.

It is important to note that, although we will lend up to 100% LTV, you will require your own personal funds to secure the new property in advance of drawing down the new loan.

The total balance of the new mortgage loan must be less than or equal to the existing mortgage balance. There is no maximum loan amount.

### FOR MORE INFORMATION

Drop by your local EBS or phone us on 1850 654 321.

## EXAMPLES

Your home is currently in negative equity and you wish to trade up to a more expensive home.

Existing Property:	
Current Mortgage	€240,000
Current Value of Property	€200,000
Negative Equity	€40,000
Loan-to-Value	120%
Term Remaining (Years)	20
Existing rate	3.7%
Monthly Repayment Amount (Capital & Interest)	€1,416.69

New Property:	
Purchase Price	€300,000
Less Minimum Deposit Required (10%)	€30,000
Mortgage on New Property	€270,000
Plus Negative Equity	€40,000
Total New Mortgage	€310,000
Loan-to-Value	103%

Variable Interest Rate 3.7% (APR 3.8%)	
Mortgage Balance	€310,000
Term (Years)	20
Monthly Repayment Amount (Capital & Interest)	€1,829.90
Total Repayment Amount	€1,829.90

Rates correct as at 20.02.16. Example is for illustrative purposes only.

## Example 1

Your Home is currently in negative equity and you want to trade down to a less expensive property.

### Existing Property:

Current Mortgage	€200,000
Current Value of Property	€180,000
Negative Equity	€20,000
Loan-to-Value	111%
Term Remaining (Years)	15
Existing rate	3.7%
Monthly Repayment Amount (Capital & Interest)	€1,449.49

### New Property:

Purchase Price	€150,000
Less Minimum Deposit Required (0%)*	€0
Mortgage on New Property	€150,000
Plus Negative Equity	€20,000
Total New Mortgage	€170,000
Loan-to-Value	113%

\*It is important to note that, although we will lend up to 100% LTV, you will require your own personal funds to secure the new property in advance of drawing down the new loan.

### Variable Interest Rate 3.7% (APR 3.8%)

Mortgage Balance	€170,000
Term (Years)	15
Monthly Repayment Amount (Capital & Interest)	€1,232.07
Total Repayment Amount	€1,232.07

Example is for illustrative purposes only.

## Example 2

# GETTING YOUR NEGATIVE EQUITY MORTGAGE

1

## STEP 1

You will need to complete an EBS Mortgage Application form and EBS will arrange for a qualified valuer to complete a valuation on your current primary residence. This will be at your own expense and it will cost you €150. If the valuation is carried out more than four months before the requested date of drawdown, a re-valuation will be required which will cost you €65.

2

## STEP 2

- EBS will then review your property valuation and mortgage application.
- If approved, EBS will provide you with a Letter of Agreement to be reviewed and accepted by you, signed and returned to EBS.

The Letter of Agreement will provide you with approval to sell your property at an agreed figure (the “Valuation Amount”).

It will outline the repayment schedule in relation to the estimated amount of debt which will remain once your property has been sold.

It will tell you the interest rate and term on the existing account(s) and it will let you know about any special conditions that may apply.

Following the Letter of Agreement, EBS will give you an Approval in Principle letter, which will provide you with an estimate of the total amount you may be able to borrow if you sell your house at the Valuation Amount. This figure is the total amount that you may borrow, which includes the negative equity on your existing property.



If the actual sale price looks like it will be less than the Valuation Amount, let EBS know and subject to approval, EBS may be able to amend the Letter of Agreement and Approval in Principle to reflect this.

## 3

### STEP 3

- After you have reviewed, signed and returned the Letter of Agreement and instructed a solicitor to assist with the sale of your property, you may proceed to sell your property.
- Once your existing property is sold, at a figure greater or equal to the Valuation Amount, the full sale amount must be forwarded to EBS to be paid against the outstanding debt on your existing Mortgage Loan(s).
- Following this, EBS will send you a confirmation letter detailing the amount of residual debt remaining (the amount remaining on your Mortgage Loan(s) after the full sale amount has been applied) and the new repayment schedule to repay the residual debt.
- You will need to pay all legal, moving and auctioneering fees (these cannot be deducted from the sale proceeds). If you have a fixed interest rate mortgage account, an early redemption charge may be payable by you.

## 4

### STEP 4

So, you've sold your house and have found a new home you want to buy.

- The first thing to remember is that you must continue to meet your monthly repayments as outlined in the Letter of Agreement.

- Next, the new house will have to be valued by an independent valuer from the EBS Valuation Panel. This is at your own expense and will cost you €150. If the valuation is carried out more than four months before the requested date of drawdown, a re-valuation will be required which will cost you €65.
- Once the property and valuation are accepted by EBS, we have to carry out a full loan assessment and you will need to meet EBS standard lending conditions. You will be given a Letter of Offer outlining the conditions.
- The new mortgage will be made up of the outstanding debt from your old home and the money required to purchase the new property.
- This is a new mortgage, so you will have the option of choosing from EBS's new business rates. If your previous mortgage was a fixed interest rate, this rate will not be transferred onto the new mortgage loan and an early redemption charge may be payable by you.
- If your previous mortgage was a Tracker Interest Rate you may apply to transfer this to the existing balance and time frame of the current mortgage, with the addition of 1%. (Please see the Tracker Interest Rate Retention Offer brochure.)

The standard Loan to Value criteria will be applied to the new aspect of the new loan. For further information, please see key features below.

## 5

### STEP 5

Once the conditions in the Letter of Offer have been met, EBS will clear the remaining balance of the existing loan (residual debt) and forward the balance to your solicitor to complete the purchase of the new property.

# WHAT ARE THE KEY FEATURES AND RESTRICTIONS OF A NEGATIVE EQUITY MORTGAGE

- Your existing mortgage must be in negative equity.
- The new property needs to be your primary residence
- You must not be in arrears or experiencing difficulty making existing mortgage repayments
- When trading up, the maximum total mortgage loan amount including the residual debt from your old home is €700,000
- When trading up, up to 90% loan to value (LTV) finance is available to you towards the purchase price of your new property:
  - Max LTV finance is available of up to 80% for one bedroom properties
- When Trading Down to a property of less or equivalent value up to 100% loan to value finance is available towards the purchase price of your new property subject to a maximum LTV of 175% including the outstanding balance on the original mortgage loan.
- It is important to note that, although we will lend up to 100% LTV, you will require your own personal funds to secure the new property in advance of drawing down the new loan.
- The current EBS new residential home loan business rates will apply to your total mortgage loan (unless you currently have a tracker interest rate, please see the EBS Tracker Interest Rate Retention brochure for further information)

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## WHAT IS A PRIMARY RESIDENCE?

A person's primary residence or main residence is the dwelling where they usually live in the state. A person can only have one primary residence at any given time. It can also be referred to as a principal private residence, Home, or PDH – Private Dwelling House.

- The maximum loan to value of the new property, including residual debt, cannot be more than 175%.

For example, if your new property is valued at €300,000 and you are borrowing €330,000 (including residual debt from your old home of €50,000) your LTV is 110%.

Negative Equity Mortgage Examples	Trade Up	Trade Down
Mortgage on Current Property	€250,000	€250,000
Less Current Property Value	€200,000	€200,000
Residual debt/Negative equity	€50,000	€50,000
Proposed Purchase 3 bed house	€275,000	€175,000
EBS will consider funding up to 90% LTV for Trade up. 100% LTV for trade down:	€247,500	€175,000
Plus Residual debt:	€50,000	€50,000
New Loan approved	€297,500	€225,000
Less Residual debt	€50,000	€50,000
New Mortgage amount	€247,500	€175,000
Own Funds required	€27,500	€0*

\*It is important to note that, although we lend up to 100% LTV, you will require your own personal funds to secure the new property in advance of drawing down the new loan

**Once your new mortgage is in place, you will need to make repayments as outlined in the new Letter of Offer.**

## IMPORTANT POINTS TO NOTE FOR THE NEGATIVE EQUITY MORTGAGE:

- EBS strongly recommends that you seek independent legal, tax and financial advice before proceeding with the Negative Equity Mortgage.
- The Approval in Principle regarding how much money you may be able to borrow for the new property, is subject to change based on your financial circumstances at the time of purchase of the new property and the actual sale price for your existing property.
- After the sale of your existing property, it may be necessary for you to amend/cancel your existing insurance policies.
- You should speak to your financial adviser about amending your existing life cover and/or taking out additional life cover.
- Prior to the drawdown of your new mortgage, you will be required to have adequate life cover in place.
- Any arrangements or modifications to your existing EBS Loan Account(s) may be reported to the Irish Credit Bureau and may appear on your credit report.
- You will be responsible for the cost of any property valuations and any other associated costs of buying and selling the properties.

## NEGATIVE EQUITY MORTGAGE GENERAL AND REGULATORY INFORMATION

**Warning: If you do not keep up your repayments you may lose your home.**

**Warning: You may have to pay charges if you pay off a fixed-rate loan early.**

**Warning: If you do not meet the repayments on your loan, your account will go into arrears. This may affect your credit rating, which may limit your ability to access credit in the future.**

**Warning: This new loan may take longer to pay off than your previous loans. This means you may pay more than if you paid over a shorter term.**

**Warning: The cost of your monthly repayments may increase.**

**Warning: The entire amount that you have borrowed will still be outstanding at the end of the interest-only period.**

**WARNING: YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP PAYMENTS ON A MORTGAGE OR ANY OTHER LOAN SECURED ON IT.**

**THE PAYMENT RATES ON THIS HOUSING LOAN MAY BE ADJUSTED BY THE LENDER FROM TIME TO TIME.**

**(Note: Applies to variable rate loans only)**

### About Us

We are EBS d.a.c.. We provide mortgage loans. If you engage with us through one of our network offices you are dealing with a Tied Mortgage Agent of EBS. EBS d.a.c. is an authorised agent and servicer of EBS Mortgage Finance (a wholly-owned subsidiary of EBS d.a.c.).

Our address is The EBS Building, 2 Burlington Road, Dublin 4, D04 WV00.

EBS Mortgage Finance is regulated by the Central Bank of Ireland. EBS d.a.c. is regulated by the Central Bank of Ireland.

### Purpose of the mortgage loan

Negative equity mortgage loans enable existing mortgage customers who are in negative equity to purchase a new home. Negative equity mortgage customers may be able to avail of one of the following mortgage options:

- Trade up: moving to a property of greater value than the value of the existing property
- Trade down: moving to a property of lesser or equal value than the existing property

### How much can you borrow?

When you ask us to lend you money we will make a decision based on your ability to repay (including capacity to repay at higher interest rates). When you apply for a loan we will ask you for information such as your income, expenditure, assets and liabilities. We may ask you for evidence of this information.

- **Negative Equity Movers:**

- **Trade Up:** 90% loan to value (LTV) of the purchase price or valuation, whichever is lower. The maximum LTV of the new property including the residual debt cannot be more than 175% subject to a maximum loan balance of €700,000. Maximum LTV of 80% on one bed properties.
- **Trade Down:** 100% LTV of the purchase price or valuation, whichever is lower, subject to a maximum LTV of 175% including the outstanding balance on the original mortgage loan. The total balance of the new mortgage must be less than or equal to the existing mortgage balance. There is no maximum loan amount.

Lending levels are subject to monthly repayment burden, typically not exceeding c. 35% of borrower's disposable income and will vary according to individual circumstances.

Mortgage loan requests are considered on the basis of proof of income, financial status and demonstrated repayment capacity (including capacity to repay at higher interest rates). Mortgage loans are not available to people under 18 years.

**If you do not provide us with the requested documentation, we will not be able to assess your application and credit cannot be granted.**

### **How long it takes us to deal with your application**

Once we receive your application and any other information we ask you to give us as set out in the mortgage application checklist we will contact you within three business days to say we have received it.

- a) If there is any information missing we will tell you, within three business days;
- b) We will let you know our decision on your mortgage application within ten business days of receiving all the information we need;
- c) If we cannot make a decision within ten business days we will tell you why and when we are likely to make a decision.

### **Repayment terms**

We offer negative equity mortgage customers terms of up to 35 years, subject to the age of the borrowers.

### **Security for the mortgage loan**

Mortgage loans are secured by a first legal mortgage/charge over your property. The property must be within the Republic of Ireland.

### **Foreign currency mortgage loans**

The currency of your loan and repayments will be euro. If the currency of some or all of the income or assets you intend to use to repay the mortgage loan is not euro, and/or you live in a European Economic Area (EEA) state that is not in the euro zone, the mortgage loan is a foreign currency loan.

**You should be aware that fluctuations in the relevant currency exchange rates may affect the value of your outstanding mortgage balance and/or your repayment.**

This could mean that you may find it difficult to afford your mortgage repayments.

## Our mortgage interest rate options

Your EBS Mortgage Coordinator can tell you exactly what our current interest rates are and how they translate into monthly repayments. Here is a brief description of the types of interest rates available:

### (i) Variable interest rate

- A variable interest rate can go up and/or down resulting in your monthly repayments rising and/or falling over the life of your mortgage loan.
- A variable interest rate gives you more flexibility. You can make extra mortgage repayments or clear your mortgage earlier than agreed without having to pay any penalties.
- You may have the option of switching to a fixed interest rate (if offered by us at that time).
- Our Loan to Value (LTV) variable rate is available to owner occupier mortgage loans. We have a range of LTV variable rates depending on the amount you are borrowing relative to the value of your home.
- As your loan to value may decrease over the term of your mortgage, you may be able to move between LTV rate bands.
- LTV rates are not available to owner occupier customers at the drawdown of a new top up loan.

### (ii) Fixed interest rate

- While on a fixed interest rate, the interest rate and mortgage repayment remains the same for the agreed fixed interest rate period (typically 1 to 5 years). During this time the interest rate will not change. This gives you budget certainty.
- An early redemption charge is payable in the following cases where the fixed interest rate period has not expired:
  - a) if a capital payment or full repayment is made to the Loan, or
  - b) if the Loan is converted to a variable interest rate, or
  - c) if the Loan is converted to another fixed interest rate.
- The formula to calculate the early redemption charge is:  $\text{amount (A)} \times \text{remaining term in days} \div 365 \text{ (U)} \times \text{difference in cost of funds (D\%)}$

Definition of terms used in this formula:

**(A) amount** – The amount being repaid early or the amount being converted to a variable rate or another fixed rate term.

**original cost of funds** – The cost of funds for EBS for the fixed rate period at the time the fixed rate period commenced.

**cost of funds for the fixed rate period remaining** – Fixed rate period. The cost of funds used will be as of 5pm the day previous to the request to calculate the early redemption charge.

**(U) remaining term in days** – Remaining number of days left before the fixed rate is due to expire, divided by 365.

**(D) difference in cost of funds** – The difference between the original cost of funds and the cost of funds for the fixed rate period.



### Worked example:

Assume a 5 year fixed rate loan. Full repayment of €100,000 after 3 years (A); remaining term 2 (U); difference in cost of funds 2% (D). The early redemption charge would be as follows:  $(A) 100,000 * (U) 2 * (D) 2\% = €4,000$ .

- At the end of a fixed interest rate period, the interest rate on your loan will default to the standard variable interest rate then offered by EBS at that time unless you choose an alternative interest rate, if on offer by EBS to you at that time. Our standard variable interest rate is a variable interest rate. If the interest rate on your loan defaults or otherwise converts to a variable interest rate then offered by EBS, your interest rate and the amount of your instalments could increase or decrease during the term of your loan and your interest rate could be higher than the fixed interest rate that applied during any fixed interest rate period.

### **(iii) Split interest rate**

You may choose to have a portion of your mortgage loan on a fixed interest rate and the other portion on a variable interest rate. This will enable you to benefit from the advantages of each interest rate in whatever proportions you choose.

Please note that due to the changeability of variable rates, it is not possible to determine at loan offer stage whether a fixed or variable rate will have the lowest repayment amount over the course of the loan.

**(iv)** You or your legal representative can ask us to give you an idea of how your current or existing mortgage interest rate compares to any other rate we may offer at that time.

### **Flexible features**

You can speak to us about the following flexible repayment options that may be available to you:

- Term extension - You may be able to increase the term of your mortgage loan once affordability criteria has been met.
- Interest Only – You may be able to apply for interest only repayments for a specified duration during the term of your mortgage loan.

These options are subject to you meeting the eligibility criteria and terms and conditions and, if granted, may affect the repayment amount and/or the term of the mortgage loan.

### **Fees and charges**

You will have some expenses to pay in connection with the mortgage loan. Here are some examples of the expenses that may be payable:

#### **(i) Valuation Report**

A valuation of the property must be carried out by a valuer on our panel of valuers prior to loan approval. This valuation will cost you €150 which will be refunded to you if your loan application is unsuccessful.

If the valuation of the property is undertaken more than four months before the requested date of drawdown, a re-valuation will be required which will cost you €65. If the conditions of your loan require a final valuation following completion of the building of the property, renovations or repairs to it, this will cost you €65.

#### **(ii) Your own advisors' fees**

You will pay any fees, charges and expenses that you are charged by any of your own advisors in connection with the mortgage loan.

#### **(iii) Stamp Duty**

Stamp duty is payable on your new home. Your solicitor will work out how much stamp duty you owe.

#### **(iv) Our solicitors' fees**

If the security includes a new mortgage over property that is not your private dwelling place or holiday home, you will have to pay our solicitors' fees in connection with the mortgage loan.

#### **(v) Insurance**

##### **• For your property**

For your own protection as well as ours, it will be a condition in your letter of offer that your property is adequately insured, at your own cost, for the full re-instatement value (i.e. rebuilding costs) specified in your valuation report (you can seek this insurance through us or from other sources). EBS Home Insurance is brought to you by EBS d.a.c. and is solely underwritten by Allianz p.l.c.

##### **• Life assurance**

If you or your dependants intend to use the property as a principal place of residence, you must show evidence of mortgage protection insurance, unless you are exempt under the Consumer Credit Act 1995. These policies are designed to pay off your mortgage in full if you or your co-borrower die unexpectedly. The correct type of life assurance will depend on the amount, term and type of borrowing (you can seek this insurance through us or from other sources).

Life Term Cover is provided by Irish Life Assurance plc. EBS d.a.c. is a tied insurance agent of Irish Life Assurance plc for life insurance products.

#### **Paying the mortgage loan**

Your letter of loan offer will detail the number, frequency and amount of your mortgage repayments.

If you choose a variable interest rate, there is no guarantee that repaying the monthly repayments detailed in the credit agreement will be sufficient to pay the full amount (including interest) that you owe us under the credit agreement. This is because the detailed monthly repayments are only correct as of the date of the credit agreement and variable interest rates can go up resulting in your monthly repayments rising over the life of your mortgage loan. However, variable interest rates may also go down resulting in your monthly repayments falling over the life of your mortgage loan.

**If you cancel or make a claim for reimbursement of a direct debit repaying your mortgage account, and fail to make alternative arrangements for payment, your account will go into arrears.**

**If you do not repay the mortgage loan when due then you will be in breach of the terms and conditions of your mortgage and EBS will take the appropriate steps to recover the amount due. This could mean that EBS will commence legal proceedings seeking an order for possession against you, which will put your home at risk and affect your credit rating, and limit your ability to access credit in the future. All of your obligations in connection with the mortgage loan will be detailed in your credit agreement.**

### **Can I make additional payments and/or repay my mortgage loan early?**

If your loan is on a variable rate, you may repay the mortgage loan, in part or in full, at any time without incurring any additional charges payable to EBS.

A fixed rate mortgage loan may be repaid in full, or in part, subject to an early breakage charge. The formula to calculate the early breakage charge is detailed above.

### **What is the total amount I will have to pay?**

The following example may give you an indication of the total amount payable at the end of a typical mortgage.

### **Negative Equity Mortgage**

A typical €100,000, 20 year mortgage for an Owner Occupier Residential Property with LTV greater than 80% will have a variable interest rate of 3.7% and APR 3.8%, and 240 monthly repayments of €590.29. If the APR does not vary during the term of the mortgage, the total cost of credit i.e. the total amount repayable less the amount of the loan would be €41,884.48 (inclusive of valuation report fees of €215). The total amount repayable would be €141,884.48. The effect of a 1% increase in interest rates for such a mortgage will add €53.21 to the monthly repayments.

**Additional information relating to switching lender or changing mortgage type can be found on the [www.ccpc.ie](http://www.ccpc.ie) website.**

The EBS logo consists of the letters 'EBS' in a bold, white, serif font, centered within a red square. The red square is positioned in the bottom left corner of the page.

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