



NAMA launches pilot for 80:20 Deferred Payment Initiative

Embargo: 11.30am Tuesday 8 May 2012 - The National Asset Management Agency (NAMA) has today launched its residential mortgage **80:20 Deferred Payment Initiative** on a pilot basis.

The initiative is one of a range of measures planned by the Agency to facilitate first time buyers and other owner occupiers who wish to purchase a home and encourage activity in the housing market. The pilot phase will see the initiative available on more than 115 houses located in 12 developments in Dublin, Meath, and Cork (see note 1).

There are a range of house types available suitable for first time buyers and owner occupiers.

The initiative may be rolled out to further properties in due course.

Key features

- NAMA does not own the properties and is not itself issuing the mortgages.
- This is a targeted initiative aimed solely at potential home buyers who may have a concern that house prices may fall further and are consequently postponing their purchase.
- It offers potential buyers the ability to own and move into a new home now instead of renting while they wait for the market to stabilise.
- The product will protect buyers from decreases of up to 20% in the value of their property over the next five years.
- Three banks – Bank of Ireland, AIB [through their subsidiary EBS] and permanent tsb bank – will participate in the pilot initiative. Buyers should approach these banks to obtain a mortgage, which will be subject to typical lending criteria.
- 80% of the agreed sale price of the property will be paid over upfront. The remaining 20% will only be due in five years' time. How much, if any, of that 20% is then due will be calculated on the basis of an independent assessment of the property's value at that point (see note 2).
- As normal, each of the three lenders will require buyers to part-fund their purchase with a deposit of at least 10% of the value of the house.

- A key benefit for buyers is that, for the first five years, their repayments can be calculated based on a mortgage that includes the deferred payment element. If the price of their house falls over the five years and they may not be liable for the deferred payment element, they will have, in effect, been accelerating their mortgage repayment and achieving considerable savings on the interest accruing on their mortgage.
- This is a targeted, limited pilot initiative supported by NAMA.
- The initiative is not aimed at buyers who cannot get a mortgage or at investors.

Speaking at the launch of the Deferred Payment Initiative, **Brendan McDonagh, NAMA Chief Executive, said:**

“Based on market research which we have carried out, concern about potential decreases in house prices in the future is a significant factor for house buyers in the current market.

We are piloting this initiative to allow some buyers, who are putting off their purchase in the expectation that prices may fall further, to buy now with the knowledge that they may not lose out even if the value of their home falls by up to 20% over the next five years.

Together with initiatives introduced in the recent budget, we believe that this measure will help encourage greater activity in the housing market.”

Mr McDonagh said the initiative aimed to generate more activity in the Irish housing market and facilitate greater price discovery. Selling homes that are currently unoccupied will save money in maintenance costs and will also help to increase occupancy in developments that are currently partially-occupied, he said.

A listing of the properties that are eligible for the initiative is attached. Details of these properties can also be viewed on **www.nama.ie**.

Information for potential buyers

Potential buyers who wish to consider availing of the **80:20 Deferred Payment Initiative** should do the following:

- Get details on the houses that qualify and their selling agents at www.nama.ie
- Contact the selling agent of the house(s) they would like to view
- Apply to their local branch of Bank of Ireland, EBS or Permanent TSB for Deferred Payment Initiative loan approval
- Consult the Frequently Asked Questions document at www.nama.ie to find out more

Note 1: List of qualifying developments:

Development	Units
Delvin Banks, Naul Village, Co Dublin	29
Loughmore Square, Killeens Castle, Dunshaughlin, Co Meath	18
Browns Barn Wood, Dublin 22	2
Carrickmines Manor, Glenamuck Road Dublin 18	4
Cul Ard, Carrigtwohill, Co Cork	13
Old Quarter, Ballincollig, Cork	14
Drakes Point, Crosshaven, Co Cork	3
Brightwater, Crosshaven, Co Cork	11
Rowan Hill, Mount Oval, Rochestown, Cork	10
Inis Alainn, Carrignafof, Cobh, Co Cork	7
Highfield Park Development, Ballincollig, Co Cork	1
Ardfield, Grange, Douglas, Co Cork	3
	115

Note 2: Sample purchases using the 80: 20 Deferred Payment Initiative

Based on a property currently valued at €200,000 and a buyer with a €20,000 (10%) cash deposit:

Today				
Property Purchase Price	200,000			
<i>Financed By:</i>				
70% Mortgage (Tranche A)	140,000			
10% Purchaser Deposit	20,000			
20% Deferred Payment	40,000			
Year 5	Value Unchanged	Value Down 20%	Value Down 10%	Value Up 10%
Property Valuation	200,000	160,000	180,000	220,000
Change in Value	0	(40,000)	(20,000)	20,000
<i>Financed By:</i>				
Existing 70% Mortgage	140,000	140,000	140,000	140,000
Existing Purchaser Deposit	20,000	20,000	20,000	20,000
Deferred Mortgage (Tranche B)	40,000	0	20,000	40,000
Cost to buyer	200,000	160,000	180,000	200,000