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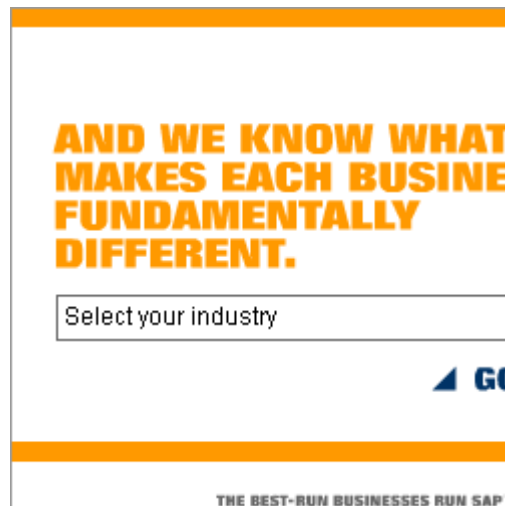
## Are 100% mortgages a fraud risk?

31 July 2005

Bank of Ireland has launched a 100 per cent mortgage for first-time buyers, becoming the fourth lender to offer the product. Ulster Bank was the first bank to offer the 100 per cent mortgage followed by First Active, which launched one earlier this month.

Permanent TSB plans to offer one soon.

The greater availability of 100 per cent mortgages has increased concern about the level of debt that first-time buyers are contracting when buying a home. There is also a concern that the mortgages will further foster a culture of credit among young people, giving them no incentive to save for a deposit.



The Central Bank's summer bulletin, published last week, did nothing to alleviate these concerns.

In May, private sector credit rose at its fastest rate in over five years.

From March 2004 to March 2005 residential mortgage lending accounted for half of the increase in credit.

But according to Michael Dowling, president of the Independent Mortgage Advisers Federation, banks who offer 100 per cent mortgages are unlikely to be more vulnerable to mortgage fraud.

"With the ultimate mortgage fraud, the actual value of the property won't reflect the value stated in the mortgage application anyhow," said Dowling.

People involved in mortgage fraud could already be borrowing 100 per cent or more of the property price, he said.

Peter Oakes, a partner with training firm Compliance Ireland said: "With 100 per cent mortgages, the propensity of borrowers to lie about their earnings and savings could drop.

"As people will no longer have to save the 8 per cent deposit, a lot more people will be



able to actually buy the property.

"My concern would be that 100 per cent mortgages will push up the price of properties – having the same effect as the introduction of the stamp duty exemption for first-time buyers last December."

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