An Roinn Coimirce Sóisialaí
Department of Social Protection

Review of the Mortgage Interest Supplement Scheme

July 2010

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Glossary of Abbreviations

AIE	Average Industrial Wage
BTEA	Back to Education Allowance
BTWA	Back to Work Allowance
CB	Child Benefit
CCMA	Code of Conduct on Mortgage Arrears
CDA	Child Dependent Allowance
CE	Community Employment
CIB	Citizens Information Board
CIPS	Citizen Information Phone Service
CIS	Citizens Information Service
CWO	Community Welfare Officer
CWS	Community Welfare Service
D/EHLG	Department of Environment, Heritage and Local Government
D/Finance	Department of Finance
DA	Disability Allowance
DOHC	Department of Health and Children
DPA	Direct Provision Allowance
DSP	Department of Social Protection
EEA	European Economic Area
EFT	Electronic Funds Transfer
ENPs	Exceptional Needs Payments
ERHA	Eastern Regional Health Authority
ESRI	Economic and Social Research Institute
FIS	Family Income Supplement
FLAC	Free Legal Advice Centres
HSE	Health Service Executive
HB	Health Board
HBI	Health Board Index
HRC	Habitual Residency Condition
IB	Illness Benefit
IBF	Irish Banking Federation
ICTU	Irish Congress of Trade Unions
INFOSYS	Information system
IR	Industrial Relations
ISTS	Integrated Short Term System
IT	Information Technology
JA	Jobseekers Allowance
JB	Jobseekers Benefit
LA	Local Authority
LAMO	Local Authority Mortgage
LTUA	Long Term Unemployment Assistance
MABS	Money Advice and Budgeting Service
MIS	Mortgage Interest Supplement
NAPincl	National Action Plan against Poverty and Social Exclusion

NAPS	National Anti-Poverty Strategy
NESC	National Economic and Social Council
NMW	National Minimum Wage
OPFP	One-Parent Family Payment
PPSN	Personal Public Service Number
PRSI	Pay Related Social Insurance
RMIS	Rent and Mortgage Interest Supplement
RS	Rent Supplement
RAS	Rental Accommodation Scheme
SCWO	Superintendent Community Welfare Officer
SI	Statutory Instrument
STIS	Short Term Information System (DSFA Statistical Information System)
SW	Social Welfare
SWA	Supplementary Welfare Allowance
SWAO	Social Welfare Appeals Office
SWLO	Social Welfare Local Office (Department of Social Protection)
UNP	Urgent Needs Payment
VFM	Value for Money

Executive Summary

The Group has considered the MIS scheme in terms of its policy objectives, administrative arrangements, legal issues and the scheme's overall efficiency and effectiveness. The basic purpose of MIS, when established, was to ensure that a person who suffered a short-term loss of income would not have the family home repossessed due to an inability to meet the mortgage repayment. This objective remains valid even though recent forbearance policies ensure that repossessions are far less likely in the current climate.

The Group consulted with a wide range of interested parties and has carried out extensive analysis of the scheme and its role within the broader housing area. The Group notes that MIS is only one element of the range of supports required by those in difficulty, and in this context has consulted with, and been informed by, the work of the Mortgage Arrears and Personal Debt Review Group.

The Group sets out a number of recommendations for fundamental reform of the MIS scheme. This reform aims to deliver significant customer improvement by ensuring that State support for those unable to deal with mortgage arrears is better targeted, consistent and easily understood. It also seeks to ensure that lending institutions and borrowers share responsibility with the State in a balanced way.

The key findings and recommendations for reform are set out below and described more fully in Chapter 7 of this report, with references to the main text as appropriate. Chapter 7 also includes a number of the wider housing policy issues for consideration of the Expert Group on Mortgage Arrears and Personal Debt. The Group acknowledges that these wider issues are outside its terms of reference but could have direct impact on the future efficiency and operation of the MIS.

Key Findings

1. The MIS provides a valuable State support to those experiencing mortgage difficulties.
2. The scheme has grown very substantially since 2007, both in terms of numbers which increased by 268% to the end of 2009, and expenditure which will be almost €64 million in 2010, an increase of 424%.
3. Evidence suggests that a high number of claimants are not contacting their lenders to renegotiate the terms of their mortgages in advance of applying for MIS support.
4. MIS could act as a disincentive to seeking or retaining employment due to high replacement rates.
5. The overall objective of the scheme to provide short-term income support remains valid in the current mortgage market and economic conditions, even with current forbearance policies.
6. Expenditure on MIS is still relatively low when compared to other State supports for housing such as rent supplement and local authorities spend.
7. The rules governing entitlement to MIS are too complex and can lead to lengthy delays in decisions.

8. The scheme as currently operated does not deliver a consistent and equitable approach to customers and requires both changes to the scheme rules and the way in which it is administered.
9. Some people may not be able, even with MIS support, to sustain their mortgage in the longer-term. In these cases, other housing solutions appropriate to their need must be found. This matter is being explored by the Expert Group on Mortgage and Personal Debt.
10. The current data collection does not provide adequate statistical and management information to monitor the effectiveness of the scheme.

Key Proposals for Reform

The proposals put forward in this review are intended to be revenue neutral. For example the cost of expanding the scheme to include couple households where one person is working should be offset by a 6 month period of forbearance and a standard rate of interest for mortgages where MIS is provided by the State. However, it is recognised that there is potential for costs to increase, particularly if the conditions regarding time limits are not introduced. Any changes will require careful monitoring and a flexible approach. The key proposals are as follows:

Policy Changes

1. The rule preventing payment of MIS to couples where one person is working in excess of 30 hours should be removed on the basis that:
    a. the person suffered a substantial loss of income due to an observable change in circumstances;
    b. a revised means test is developed; and
    c. MIS will be a time bound support
2. The rule excluding MIS where a property is offered for sale is unduly restrictive in the current market and should be suspended and re-introduced when the housing market recovers.
3. MIS should not be provided where repayments of the capital element of the loan are being made to the lender. This will insure the borrower is not placed under additional financial stress.
4. The applicant must renegotiate a six month period of forbearance with the lender before the State intervenes in providing MIS.
5. An overall time limited period in the region of 2 years should be introduced to ensure that MIS does not impact on behaviour in terms of seeking or retaining work and that it remains as a short term scheme
6. The current provision that allows for payment of an exceptional rate or amount of interest for a 12 month period will be reconsidered in light of any recommendations from the Expert Group in relation to standardising the rate of interest provided by the State or in light of any future State support solutions.
7. MIS should not be payable in respect of any housing loans of other State agencies or housing authorities
8. MIS support should not become a medium or long term housing solution.

9. Successful applicants must be assisted to ensure that their long term housing support needs, if any, are met prior to the cessation of MIS payment.

Scheme Conditions

1. The minimum contribution amount should reflect individuals' financial circumstances and be consistent with the differential rent calculations established by local authorities for social housing supports.
2. The current legal definition of mortgage interest to mean interest on loans for the purchase, repair or essential improvement of the sole or main residence of the person should remain
3. There should be no extension of MIS to cover interest payments other than those related to the principal private residence of the individuals concerned. The current capital assessment model should be augmented to include an income / expenditure calculation for MIS applicants with investment properties
4. The capital element of the mortgage repayment should not be taken into account in calculating the amount of supplement payable. MIS will remain a payment in respect of the interest portion of the mortgage
5. The MIS assessment process will be amended to ensure, whereby applicants have 'positive net worth' in properties other that their principal private residence, this will be taken into consideration when determining any amount of MIS payable
6. The exemption of home help earnings from the MIS means test should be removed.

Scheme Administration

1. MIS should be integrated as part of a single income support scheme.
2. A centralised MIS Approval and Payments Unit should be established within the Department of Social Protection
3. The eligibility conditions regarding ability to meet loan repayments when the mortgage was commenced should be revised
4. Guidance on the issue of ownership needs to be revised to reflect the diversity of ownership and to deal with circumstances where couples are separating and where the future ownership of the property is uncertain
5. There should be a significant improvement in the collection and analysis of data
6. Any amendments in relation to the conditions for MIS must be provided for, as appropriate, in primary legislation.

Other Areas of Work

The Group also consulted with the Expert Group on Mortgage Arrears and Personal Debt in order to ensure MIS coherence in relation to the Code of Conduct on Mortgage Arrears and the mortgage arrears assessment process. Specific areas examined include:

1. Postponement of legal action by the lender while MIS is in payment
2. Development of a Standard Financial Statement to be used by lenders and the State
3. The standardising of the rate of interest provided by the State
4. The payment of MIS directly into the mortgage account of the borrower.

CHAPTER 1 - Introduction

1.1 Overview of Scheme

The Supplementary Welfare Allowance (SWA) scheme was introduced in 1977 as the scheme of last resort to provide financial and other assistance on the basis of need with the objective of breaking the cycle of poverty in Ireland. The scheme is the "*safety net*" within the overall social welfare system in that, subject to qualifying conditions, it provides assistance to any persons in the State whose means are insufficient to meet their needs and those of their dependants. Those eligible for assistance under the SWA scheme are normally in receipt of a social welfare payment.

The SWA scheme provides a minimum weekly allowance to eligible people who have insufficient means. Certain qualified persons with low incomes may also be entitled to a weekly supplement to meet specific needs such as rent, **mortgage interest payments**, prescribed diet costs or special heating requirements. A discretionary once off payment, known as an ‘exceptional needs payment’ or an ‘ENP’, may also be made to help with the cost of any exceptional needs which a person could not reasonably be expected to meet from his/her own resources. In the aftermath of a fire or flood or other major emergency, assistance may also be given to meet immediate needs such as food, shelter, clothing, household goods, to persons who would not normally qualify for SWA. Such assistance is referred to as an ‘urgent needs payment’ or ‘UNP’ and may be recoverable where it is made to a person in full-time employment.

The SWA scheme is administered by the Health Service Executive (HSE) on behalf of the Department of Social Protection under the general direction and control of the Minister for Social Protection in accordance with the relevant legislation provisions and guidelines issued by the Department. The Department has no function in deciding entitlement in individual cases.

The purpose of the Mortgage Interest Supplement (MIS) scheme, working within the overall social welfare framework, is to provide short term support to eligible people who are unable to meet their mortgage interest repayments in respect of a house which is their sole place of residence. The supplement assists with the interest portion of the mortgage repayments only. Chapter 2 of this report describes the history, development and the current administration of the MIS scheme.

1.2 Background of this Review

The Department of Social Protection decided in January 2009 to carry out a review of the administration of the Mortgage Interest Supplement (MIS) Scheme. The following were the principal motivating factors for the review:

- The significant increase in uptake and expenditure on MIS in the previous 12 months:
    - Expenditure on the scheme had increased from €12.2 million at the end of 2007 to €27.7 million at the end of 2008 –expenditure in 2010 is projected to be almost €64 million
    - The number of recipients of mortgage interest supplement increased from 4,111 at the end of 2007 to over 8,000 at the end of 2008 i.e. an increase of 97% - recipients increased to 16,700 in June 2010;

- Economic forecasts indicating that there would be further significant movement in 2009 as unemployment continues to increase;

- Policy, legislative and operational issues in the administration of the mortgage interest supplement scheme raised in submissions from external stakeholders - administration of the scheme perceived to be unduly rigid and giving rise to inconsistencies in the treatment of similar households;

- A need to consider whether alternative approaches to achieving the scheme's objectives are warranted in the light of changes in the economic climate and the mortgage market and in particular the need to meet the objective of providing income support on a short-term basis only while longer-term housing needs are met in a more appropriate manner.

1.3 Terms of Reference for the Review

The terms of reference for the Review are as follows:

Current Objectives of the Mortgage Interest Supplement Scheme (MIS)

1. Evaluate the extent to which the original objectives of the mortgage interest supplement scheme remain valid and are being achieved.

MIS programme and Administrative Costs

2. Identify MIS programme and administrative costs, identifying the factors underlying the increase in MIS numbers and cost and identifying likely future trends etc.

Operational Issues

3. Identify any specific and immediate operational issues which need to be addressed.
4. Identify any need for new legislative provisions or the strengthening of existing legislative provisions to meet the objectives of the scheme.

Policy, Legislative and Organisational Approaches

5. Examine the need for alternative policies and objectives for the scheme in the light of changes in recent years in the economic climate, the mortgage market and family structures.

6. Consider the most cost effective and efficient method for assisting people to meet mortgage interest costs distinguishing between those with short and longer term housing needs.

7. Examine the need for alternative organisational approaches to achieve the objectives of the scheme.

Recommendations

8. Make recommendations as appropriate.

1.4 The Review Group

A Review Group was established to carry out a review of the administration of the MIS scheme comprised of:

- Chair nominated by the Department of Social Protection (DSP)
- DSP representatives (3)
- Superintendent Community Welfare Officers (SCWOs) representatives (2)
- Community Welfare Officers (CWOs) representatives (3)

As part of the initial review, revised guidelines on specific and immediate operational issues were drawn up and circulated to the CWOs operating the scheme. These guidelines are available on the Department's website www.welfare.ie.

Membership of the Review Group was subsequently widened to include a representative of the Department of Environment, Heritage and Local Government (D/EHLG), Department of Finance (D/FIN) and a representative of the Financial Regulator to reflect the broader policy implications of the rapidly increasing number of people facing medium term difficulty in funding the current mortgages on their homes which would necessarily involve issues within the remit of all three departments. It was also decided that an ad hoc Steering Group comprising representatives from the three departments represented on the Review Group would be established to monitor progress on the review.

The members of the Review Group were:

- Mr Kieran O'Dwyer[1] — Chairman, Department of Social Protection
- Mr Joseph Meehan[2] — Secretary, Department of Social Protection
- Mr Pat Leahy — Department of Finance
- Mr Alan Carroll — HSE, Kildare/West Wicklow
- Ms Mandy Cosgrave — HSE West
- Mr Joe McSweeney — HSE South
- Mr Brendan Nealis — HSE Dublin/Mid Leinster

[1] replaced Ms Ursula Gilhawley – Department of Social Protection
[2] replaced P.J. Timmins – HSE/ Seconded to DSP

- Mr Philip Nugent — Department of Environment, Heritage and Local Government
- Mr Adrian O'Brien — Office of Financial Regulator
- Ms Kasey Treadwell Shine — Department of Social Protection

The members of the ad hoc Steering Group were:

- Dr Orlaigh Quinn[3] — Chairman Department of Social Protection
- Mr Michael Layde[4] — Department of Environment, Heritage and Local Government
- Mr John Conlon — Department of Finance

The Group would like to take this opportunity to acknowledge the contributions made to this Review by Ms Ursula Gilhawley, Principal Officer, Supplementary Welfare Allowance Section, who chaired the Review until her retirement in January 2010 and Mr. P.J. Timmins, Superintendent Community Welfare Officer, on secondment from the Health Service Executive to the Department of Social Protection who acted as Secretary to the Review until his retirement in May 2010.

1.5 Recent Government Response on Mortgage Debt

1.5.1 The Renewed Programme for Government

In October 2009 the review of the Programme for Government was published in a document entitled "*The Renewed Programme for Government*. The Renewed Programme stated that the Government:

- Will be introducing new measures to protect families having difficulties with their home mortgage payments;
- Will reform debt enforcement in light of the deliberation of the Law Reform Commission, which had published a consultation paper on the matter. Debt collection agencies will be regulated and a new system of personal insolvency regulations allowing for a statutory non-court-based debt settlement system will be created.
- With reference to the measures adopted in other jurisdictions, would examine ways of expanding its own mortgage-support measures.

1.5.2 Mortgage Arrears and Personal Debt Review Group

At the end of 2009 an Interdepartmental Group on Mortgage Arrears was established comprised of representatives from the Departments of Finance, Environment, Heritage and Local Government, Justice, Equality and Law Reform, Communications, Energy and Natural Resources, Social Protection and the Department of the Taoiseach. The Group was chaired

[3] repl. Mr Tom Mulherin
[4] repl. Mr John McCarthy

by the Department of Finance and was charged with bringing together the latest information held by Government Departments on mortgage arrears for owner occupied homes in the Republic of Ireland.

On the 25th February 2010 the Minister for Finance announced that the Group would be revamped under an independent Chair, and expanded to bring in additional expertise. This Expert Group is chaired by Mr. Hugh Cooney. Accordingly, the review group is referred to in this report as the 'Expert Group' and, where appropriate, the review is referred to as the 'Expert Review'.

The terms of reference for the Expert Review are based on the Renewed Programme for Government, with an emphasis on protecting the family home. The Group will consider the existing statutory Code of Conduct on Mortgage Arrears, the recently agreed protocol between the Irish Bankers Federation (IBF) and the Money Advice and Budgeting Service (MABS) on debt default with a view to expanding the options available for dealing with debt situations, including the use by banks and lenders of more flexible mechanisms to avoid foreclosure in appropriate circumstances.

The Review Group noted that the terms of reference for the Expert Review also includes an examination of State support schemes and will make recommendations as appropriate for improvement having taken into account mortgage support schemes in operation in other jurisdictions. Proposals will be based on factual information gathered by the Group and will take into account the findings of existing reports and mortgage support schemes in operation in other jurisdictions.

Recommendations will be made to the Minister for Finance on a rolling basis as the Group progresses with its findings and it is expected that an interim report will be presented before the end of June. The Department is represented on the Expert Group and it is expected that a coherent approach will be developed such that the conclusions and findings of both reviews will inform the future operation of the MIS scheme.

1.6 Methodology, Review and Consultation Process

As part of the initial review, five meetings of the Review Group were held. The first meeting of the widened Review Group took place on the 23rd July 2009 and the Group met on five further occasions. The ad hoc Steering Group met on three occasions.

A widespread consultation had been carried out in the context of the SWA Expenditure Review[5] which was completed in 2006 and it was decided therefore that a further consultation process would not be undertaken for the purpose of the MIS Review. However, views and submissions received and considered in the context of the SWA Expenditure Review, in so far as they relate to the MIS scheme, were examined and considered in the course of the MIS Review.

[5] Report of the working Group on the Review of the Supplementary Welfare Allowance Scheme, Phase II, November 2006.

Over the course of the Review the role of the MIS scheme and issues arising in the administration of the scheme have featured significantly in the public domain:

- discussion and analysis in the media;
- published reports, and;
- debates of the Joint Oireactas Committee on Social Protection on mortgage arrears and personal debt problems.

In response to the announcement that a review of the MIS Scheme was being undertaken a number of external stakeholders contacted the Department requesting a meeting in order to put forward views and submissions in relation to the operation of the scheme. In this context, discussions took place with the following:

- Free Legal Advice Centres (FLAC) and Northside Community Law Centre;
- Money Advice and Budgeting Service (MABS);
- The Irish Banking Federation (IBF);
- GE Money (Ireland)

Representatives of the Review Group, in conjunction with a representative from MABS, also met with the Office of the Financial Regulator to discuss and clarify issues relating to the impact of the Code of Conduct on Mortgage Arrears.

Issues relating to the administration of the MIS scheme have also been raised in submissions received by the Department from a number of interest groups and were referred for examination and consideration by the Review Group. The source of these submissions, and other reports relating to the administration of the MIS scheme which were examined in the context of the methodology and consultation process, are set out in Appendix A.

Appendix A also contains the issues identified from the review and consultation process which were taken into account in the course of the review.

1.7 Case Study and Survey

A case study of those awarded and those refused mortgage interest supplement was carried out as part of the Review in a selection of Community Welfare Officer districts. The aim of the study was to capture individual claim data not held electronically to determine key characteristics of claimants and claims and also to capture overall claim activity data not held electronically, particularly data relating to number of claims, refusals, appeals, processing times and reviews. This analysis is attached as an addendum to this report. Relevant findings from the case study and survey are referred to, where appropriate, in the main report.

1.8 Outline of the Report

Chapter 1: Introduction

This chapter provides an overview of the Supplementary Welfare Allowance and the MIS Schemes. The background for the review is outlined and the Review Group membership, terms of reference, methodology and consultation process, are described.

Chapter 2: The MIS Scheme

This chapter describes the history and development of the MIS Scheme. The chapter includes information on scheme costs, and profiles of recipient numbers.

Chapter 3: The Housing and Mortgage Markets Issues

This chapter provides an overview of the mortgage market in Ireland, the Statutory Code of Conduct on Mortgage Arrears and other supports for mortgage holders provided by the Citizens Information Board (CIB), the Money Advice and Budgeting Service (MABS) and the IBF/MABS Protocol are described.

Chapter 4: Policy Objectives, Effectiveness and Efficiency of the MIS Scheme

In this chapter the policy objectives of the MIS scheme are identified and the achievements of the objectives, effectiveness and efficiency are examined.

Chapter 5: Objectives, Legislative and Operational Issues

This chapter also contains a review of policy, objectives, legislative and operational issues in the administration of the MIS scheme, taking into account in particular, issues which were raised in the course of meetings with external stakeholders and in various submissions and reports.

Chapter 6: Alternative Policy, Legislative and Organisational Approaches

This chapter considers what alternative policies, objectives and organisational approaches might be appropriate in order to provide greater clarity and consistency in the administration of the MIS Scheme with a view to restoring the MIS scheme to its original objective of providing short-term income support.

Chapter 7: Summary of Recommendations and Areas of Note for the Mortgage Arrears and Personal Indebtedness Expert Review Group.

This contains a summary of recommendations made by the MIS Review Group and areas for consideration for the Expert Group on Mortgage Arrears and Personal Indebtedness.

CHAPTER 2 - The MIS Scheme

2.1 History and Development of the MIS scheme

The history and development of the Supplementary Welfare Allowance (SWA) Scheme is comprehensively described in the Report of the Working Group on the Review of the Supplementary Welfare Allowance Scheme, Phase II which was published in November 2006. The report traces the development of poor relief schemes in Ireland dating back to the early 1800's up to 1977 when the SWA Scheme came into operation and replaced the Home Assistance Scheme which had been in operation from 1939. The original intention and objectives of the SWA scheme are also described in detail in the Report of the Working Group[6].

The main rules concerning the operation of the SWA scheme, under which mortgage interest supplements are paid, were initially set down in the Social Welfare (Supplementary Welfare Allowances) Act, 1975.

In 1981 the first Social Welfare Consolidation Act was passed. The purpose of the Consolidation Act was to draw together, in one accessible Act, all the provisions of primary social welfare legislation, including the Supplementary Welfare Allowance Act, 1975. The Social Welfare Acts have been consolidated on two further occasions i.e. 1993 and 2005.

The legislative basis for the SWA scheme is now contained in Chapter 9 of Part 3 of the Social Welfare (Consolidation) Act 2005, as amended.

Under Section 192 of the Act a person shall not be entitled to SWA, other than an exceptional or urgent needs payment, unless he or she is habitually resident in the State at the date of the making of the application for an allowance. The Habitual Residence Condition (HRC) for SWA purposes is determined in accordance with Section 246 of the Principal Act. Further guidance is provided in DSFA Guidelines on HRC and SWA Circular 08/09.

In addition to primary legislation, further rules on the operation of the SWA scheme were laid down in the Social Welfare (Supplementary Welfare Allowance) Regulations, 1977 (S.I. 168 of 1977). The 1977 regulations were revoked by the Social Welfare (Consolidated Supplementary Welfare Allowance) Regulations, 1995, (S.I. 382 of 1995) which in turn were revoked by the Social Welfare (Consolidated Supplementary Welfare Allowance) Regulations, 2007 (S.I. 412 of 2007). S.I. 412 of 2007, as amended, now contains the main regulations relating to the SWA scheme.

In addition to the primary and secondary legislation, guidelines on the Rent and Mortgage Supplement Schemes were issued in May 1977 prior to the coming into operation of the

[6] Report of the Working Group on the Review of the Supplementary Welfare Allowance Scheme, Phase II, November 2006, pages 29 to 32.

SWA Scheme in July 1977. These guidelines were supplemented over the years by circular letter and by detailed Rent and Mortgage Guidelines which issued in June 1988. As mentioned in Chapter 1, as part of an initial review, new guidelines on specific and immediate operational issues were drawn up and circulated to the Community Welfare Officers operating the scheme in June 2009. The 2009 guidelines superseded the 1988 guidelines.

2.2 Eligibility Criteria and Means Test

The SWA Scheme is the safety net within the overall social welfare system in that it can, subject to conditions, provide assistance to persons in the State whose means are insufficient to meet their needs or those of their dependents. The main components of the Scheme are:

- Basic Weekly Payments;
- Rent Supplements;
- Mortgage Interest Supplements (MIS);
- Diet Supplements;
- Other Supplements;
- Exceptional Need Payments;
- Urgent Need Payments.

The primary legislative basis for the payment of MIS is provided for in Section 198, as amended, of the 2005 Consolidation Act. The class or classes of persons to whom and the conditions and circumstances under which a mortgage interest supplement may be made, and the amount of such a payment, are prescribed in Regulations.[7] It should be noted that the rules for assessing entitlement and the method for calculating the amount of payment for MIS are, for all intents and purposes, the same as for rent supplement. Accordingly the two schemes are often referred together under the acronym 'RMIS' (rent and mortgage interest supplement).

Article 10 of the Regulations provides that a person may be entitled to a supplement towards the amount of mortgage interest payable in respect of his or her residence provided that:

- *The loan agreement was entered into at a time when, in the opinion of the Health Service Executive, the person was in a position to meet the repayments.*
- *The residence in respect of which the loan is payable, is not offered for sale.*

The Regulations also provide that;

"it shall be a condition of any claimant's entitlement to a supplement that the Executive is satisfied that:

[7] The Social Welfare (Consolidated Supplementary Welfare Allowance)Regulations 2007 (S.I. No 412 of 2007)

- *the amount of the mortgage interest payable by the claimant does not exceed such amount as the Executive considers reasonable to meet his or her residential and other needs, and*
- *it is reasonable to award a supplement having regard to the amount of any arrears outstanding on the loan.*

Where the amount of mortgage interest payable exceeds what is considered to be a reasonable level of interest the regulations give the Executive the power to award a mortgage interest supplement for a period of not more than 12 months from the date on which the claim is made.[8]

In accordance with the statutory qualifying conditions, mortgage interest supplement is normally paid for the duration of the period for which entitlement exists provided that the beneficiary resides continuously in the residence in respect of which the supplement is awarded. This may result in situations where an applicant who remains within the rules of the scheme may continue to be entitled to receive the supplement for a period of unlimited duration.

Under primary legislation a person is disqualified for payment of mortgage interest supplement while s/he or her/his spouse is engaged in remunerative full-time work. In accordance with regulations, fulltime employment is deemed to be employment of 30 hours a week or more.[9]

Under standard SWA rules mortgage interest supplements are normally calculated to ensure that a person, after the payment of mortgage interest, has an income equal to the rate of SWA appropriate to their family circumstances less a minimum contribution, currently €24, which recipients are required to pay from their own resources. Many recipients pay more than €24 because they are also required, subject to income disregards, to contribute any additional assessable means that they have over and above the appropriate basic SWA rate towards their accommodation costs.

In addition, SWA regulations provide that, where a person, other than a qualified adult or a qualified child of the claimant, resides with the claimant other than as a sub-tenant, the Executive shall reduce the amount of the supplement payable, by such amount, which in the opinion of the Executive, is reasonably attributable to that other person.[10] In practice, a deduction of €24 is made for every €196 of income in respect of a non-dependant household member residing with the claimant. Where the non-dependant household member is in employment, assessable income for the purpose of determining the amount of contribution to MIS of a non-dependant household member is gross income less PRSI (including income and health levies) and travel costs to work.

[8] Social Welfare (Consolidated Supplementary Welfare Allowance)Regulations 2007 (S.I. No 412 of 2007), Article 10 (3)
[9] *ibid* Article 6 (3).
[10] *Ibid* Article 12 (3)

The assessment for entitlement to a mortgage interest supplement provides for a gradual withdrawal of payment as hours of employment or earnings increase. Those availing of part-time employment (up to 30 hours a week), and/or training opportunities, can continue to receive mortgage interest supplement subject to the standard means assessment rules being satisfied.

From June 2007, the first €75 of additional income from certain sources as prescribed,[11] that is, income above the standard rate of supplementary welfare allowance appropriate to a person's circumstances, is disregarded for mortgage interest supplement purposes, with any additional income above €75 assessed at 75%. Clarification and guidance in regard to the assessment of means, application of income disregards, assessment of property and savings and retention of entitlement to mortgage interest supplement is contained in the Guidelines on the Administration of the Mortgage Interest Supplement (MIS) Scheme which are available at www.welfare.ie.

Entitlement to MIS, with particular regard to replacement rates and potential for poverty traps, is examined in Chapter 5.

2.3 Administration of the SWA Scheme

2.3.1 *Legislative Provision*

Under social welfare legislation,[12] the Health Service Executive (HSE) has statutory responsibility for the administration, control and management of the SWA scheme. The Minister for Social Protection determines overall scheme policy which is relayed to the HSE's Community Welfare Service (CWS) through legislation, by circulars/guidelines and by operational liaison group meetings held from time to time.

All aspects of service delivery, including work management and control are matters entirely for the HSE. DSFA has no scope for direct intervention at an operational level nor does it have any function in deciding entitlement in individual cases.

2.3.2 Service Delivery

The Management structure of the CWS is based on a geographical arrangement. Each CWS area is supervised by a Superintendent Community Welfare Officer (SCWO) and is sub-divided into CWO districts. CWOs have responsibility for the administration of the SWA scheme in his or her district subject to the general direction and control of the SCWO.

In addition to the administration of the SWA Scheme, the CWS is a community based service providing key information, advice, advocacy and referral links between agencies. Participation in structured specialist areas such as money advice, homeless services and

[11] Rule 2 of Part 4 of Schedule 3 to the Social Welfare (Consolidation) Act, 2005, as amended.
[12] Section 322 of the Social Welfare (Consolidation) Act, 2005.

asylum seekers is a key feature of the service. In some areas, particularly outside the Dublin area, CWOs may also be responsible for other non SWA duties relating to assessments for a range of HSE schemes and services, in particular, medical card applications.

In support of the above activities there is a necessity for:-

- Home visitation
- Engagement with DSP, Local Authorities other Government and non Government Agencies
- Engagement with Health Service Professionals
- Wide ranging engagements relating to poverty, social inclusion and welfare supports.

Each CWO district has a distinct location code and, based on the latest information available, there are 520 CWO districts nationwide. Within these districts, clinics are held at approximately 1050 sites with different arrangements applying in different districts varying from a clinic for several hours on a number of days each week to a daily clinic of one to two hours or more depending on the needs of the particular location. In order to ensure the continuity of the service, each SCWO area has a complement of locum CWOs to cover for absences such as sick leave, annual leave, maternity leave, term-time leave.

In administering the SWA scheme, the CWO initially engages with the customer advising as to entitlement and, where appropriate, may visit the client in their home. The CWO investigates the case and carries out an assessment as to whether the statutory conditions of entitlement are met. Where the CWO is satisfied that the statutory conditions of entitlement are met s/he carries out the appropriate means test and decides on eligibility following consultation, where appropriate, with the SCWO. In exceptional or urgent cases the CWO has power to make an immediate discretionary payment.

2.3.3 *Appeals process*

A person who is unsuccessful in his or her application must be advised in writing as to why the application is being refused and of his or her right to appeal against the decision to the Appeals Officer in the Health Service Executive.

If a person is not happy with the outcome of his or her appeal s/he can request that the case be forwarded to the Social Welfare Appeals Officer for further adjudication.

2.3.4 *IT Systems*

CWOs have access to the same computer systems as are available to DSP staff. The systems used by the CWO to process and manage SWA claims are the ISTS (Integrated Short Term Schemes) and INFOSYS systems, an office server email system, known as ‘All-in-One’ and HBI (Health Board Index) warning reports. The use of ISTS is subject to an interaction agreement between the HSE and DSFA which covers the responsibilities of both parties in relation to data entered and maintained on ISTS.

The ISTS system maintains the electronic records relating to SWA claims, processes the payments and triggers warning reports.

The 'All-in-One' system facilitates communication and delivery of additional information when required and is generally used by both CWS and DSFA staff to communicate information in relation to clients where there are no dedicated reports, for example, to advise of a pension coming into payment.

The Health Board Index (HBI) warning reports provide automated information relating to payments issued, certifications required and the status of both SWA claims and other ISTS DSFA claims that may have an impact on the SWA claim.

Through the IT system, CWOs have the facility to make enquiries on other DSFA payments on the ISTS, INFOSYS and Penlive systems for the purpose of assessing claims and for control and claim maintenance purposes.

All SWA payments are made on the ISTS system and at each stage of service delivery there are a range of requirements which include:

- Completion of forms and data verification
- Compiling documentation necessary to the claim
- Referral and engagement with other departments and agencies.
- Setting up the entitlement/if no entitlement exists advising as appropriate
- Discharging the payment either on the system or, in exceptional cases, manually
- Overseeing the continued entitlement
- System amendments and maintenance
- Warning report processing
- Certification and re-certification of claims
- Ongoing checks and reviews
- Closure or suspension of payment.

2.3.5 *Claim processing times*

Claim processing times for the MIS scheme can be long compared to other schemes as the rules for determining entitlement are complex and a considerable amount of documentation and supporting information is required from the applicant and lending institution in order that entitlement can be established. As well as establishing whether the statutory conditions for entitlement are met, the CWO is required to identify the ownership of the home, determine the interest portion of the loan and, in the case of consolidated or top-up loans, determine the amount of interest referring to the purchase, repair or improvement of the home.

The case study and survey carried out as part of the review sought to capture processing times and delays both for assessing claims, and for reviews and appeals. However, it was noted that processing times and delays do not always tally especially where delays might be expected (e.g. delay in getting documentation for assessment). Taking this into account, the case study showed that in general the majority of cases took up to 2 weeks to process, with an additional 26 percent taking between 2 and 3 weeks. Only 2 claims were recorded as taking longer than 6 weeks to process with delays of 24 and 40 weeks respectively. Getting documentation and/or further clarification on the original loan application details accounted for most of these delays[13].

2.3.6 *Statistical information*

Claim details are recorded electronically but generally only where it is established that mortgage interest supplement is payable. Due to time constraints and work pressures, refused claims are not always recorded electronically. This makes it difficult to arrive at a figure for the number of mortgage interest supplement claims that are refused. However, statistical information can be extracted from the ISTS system on recipient numbers, profile of recipients and claim activity relating to awarded claims.

In addition, there are a large number of cases where a person will call to a CWO requesting assistance. The person will be informed of his/her eligibility to a scheme, given a form to complete and return with relevant supporting information. In many cases, the person does not return to make a claim. Cases such as these are not registered as claims.

As stated above, statistical information on refusals and appeals is not readily available. The case study and survey carried out as part of the Review sought to capture information on claim activity including refusals, reasons for refusal and appeals. However, as only four surveys capturing overall claim were returned, these were not analysed given the small sample size and the amount of unknown information. However, the analysis of case study forms returned showed that, in 74 percent of the refused cases, the reason given was due to income and/or employment characteristics. A further 20 percent of these cases were refused on the basis that the interest payable was less than the minimum contribution[14].

The case survey data showed that five claims were awarded after appeal. Four of these were appealed to the HSE Appeals Officer only, with the fifth appealed to the Social Welfare Appeals Office. Two claims were originally refused on the basis of a determination of interest not being reasonable, while a third claim was refused on the basis of original loan documentation not being available. In this case the Appeals Officer accepted loan offer forms to award the claim[15] (see section 2, paragraph 2.8 of Addendum).

In 2009, based on figures provided by the Social Welfare Appeals Office (SWAO), 153 appeals relating to refusal of mortgage interest supplement were decided by the SWAO representing 19.9% of the total SWA appeals handled by the office. Of the MIS appeals, 112 were disallowed, 26 were allowed and 15 were partially allowed.

[13] Section 2.6 of MIS Scheme Review Case Study Report; included in appendices.
[14] Section 2.2 of MIS Scheme Review Case Study Report.
[15] Section 2.8 of MIS Scheme Review Case Study Report.

2.3.7 *SWA claim caseloads*

Table 1 below sets out the number of SWA claims in payment by scheme type at 31st December 2007, 2008 and 2009. The table also shows the percentage increase in claims at the end of 2009 compared to the end of 2007.

Table 1: SWA Claims in payment 2007 – 2009

Scheme	**Claims in payment @**			**% increase 07 - 09**
	31/12/2007	**31/12/2008**	**31/12/2009**	
Basic SWA	27,245	33,465	42,745	+56.9
Rent supplement	59,726	74,038	93,211	+56.1
Mortgage interest supplement	4,111	8,091	15,101	+267.6%
Diet supplement	10,174	9,423	8.625	-15.2%
Other supplements	7,570	7,619	7.166	-5.3%
Total	**108,826**	**134,636**	**166,880**	**53.3%**

From the above table it will be noted that, although the MIS scheme only accounts for 9% of the SWA case load at the end of December 2009, the percentage increase in the MIS caseload between 2007 and 2009 is 268%. It should be noted that this figure does not represent the total activity in relation to the MIS scheme because, as pointed out earlier, statistical information on the number of claims refused or claims not pursued/withdrawn is not maintained.

The Review Group concluded that, the increase in the number of MIS claims in payment combined with the complexity of the scheme and having regard to the considerable amount of documentation required at claim stage, raises the question as to whether an alternative organisational approach to the assessment of MIS claims and administration of MIS is now required. This is considered further in Chapters 5 and 6.

2.4 Administration Costs and Scheme Expenditure

2.4.1 *Administration costs*

The Department of Social Protection funds the HSE for the administration of the SWA scheme with the level of funding determined on the basis of commitment to SWA measured by the amount of CWO time spent administering the SWA scheme. A provisional allocation to the HSE of €58.6m was approved by DSFA towards the administration costs of the SWA scheme for 2009.

Based on an examination of CWS staffing levels the whole time equivalent number of SCWOs and CWOs in the CWS is 64.5 and 737.5 respectively. There are also 231 staff who are involved in administrative support work, appeals and co-ordination/training.

The Report of the Working Group on the Review of the SWA Scheme (2006)[16] found that the administration costs of the SWA Scheme are significantly higher than that of the schemes administered by the Department. Based on 2004 figures, administration to scheme costs for the Department schemes was 3.81% while, in the case of SWA, based on provisional 2005 figures, the percentage was 7.47%. The working Group found however that SWA administration costs to scheme expenditure vary from HSE area to area.

Having identified factors that account for the high administration costs associated with the SWA scheme e.g. the grading structure, the high level of individual means assessment, the short term nature of claim the SWA Review Working Group concluded that there were valid reasons why the administration costs of the SWA scheme were higher than those of the schemes administered by the Department. In addition the SWA Review Working Group found that it was not possible to accurately apportion administration costs to individual elements of the SWA scheme which is also the case with the schemes administered by the Department.

2.4.2 *Scheme Expenditure*

Expenditure on Mortgage Interest Supplement increased from €12.2m in 2007 to almost €27.7m in 2008, an increase of 127% between 2007 and 2008. Expenditure in 2009 was €60.7m, an increase of 119% over 2008. Provision has been made for expenditure of €63.9m on the MIS scheme in 2010.

Table 2 below contains details and comparisons for scheme expenditure and average weekly payment for the MIS scheme for each year from 1999 to 2009.

Table 2: MIS Expenditure 1999 to 2009

	Expenditure			Average Weekly Payment		
Year	**€000**	**Change**	**% Change**	**Average Weekly Payment**	**Change**	**% Change**
1999	8,187			N/A		
2000	5,878	-2,309	-28.2%	N/A	N/A	N/A
2001	6,343	465	7.9%	32.50	N/A	N/A
2002	7,658	1,315	20.7%	35.06	2.56	7.88%
2003	7,663	5	0.1%	N/A	N/A	N/A
2004	6,333	-1,330	-17.4%	35.24	N/A	N/A
2005	6,339	6	0.1%	38.61	3.37	9.56%
2006	7,873	1,534	24.2%	49.45	10.84	28.08%
2007	12,198	4,325	54.9%	70.42	20.97	42.41%
2008	27,675	15,477	126.9%	96.63	26.21	37.22%
2009[17]	60,695	33,020	119.3%	78.78	-17.85	-18.47%

[16] Report of the Working Group on the Review of the Supplementary Welfare Allowance Scheme, Phase II, November 2006, p.40

[17] Expenditure for 2009 is provisional

The decrease in expenditure which occurred each year between 1999 and 2006 is consistent with the decrease in the number of recipients as shown in Table 3 below. The increase in expenditure from 2007 to 2009 is also consistent with the increase in the number of recipients from 4,111 to 15,101 during this period.

There are number of factors which affect the level of the average payment including interest rate changes, the level of interest being paid by new recipients and the amount of the claimant's contribution having regard to the rate of the minimum contribution and household income.

2.5 Profile of MIS Recipients

2.5.1 *Number of recipients*

For the purpose of compiling a claim profile of current recipients the Review Group examined data extracted from the ISTS system and from the case study and survey analysis.

Table 3 below sets out the number of recipients from 1999 to 2009. The table also shows the change in the number of recipients and the percentage change compared with the percentage change in the Live Register year on year.

Table 3: MIS Recipient Numbers 1999 to 2009

	MIS recipients			Live Register		Ratio
Year	Recipients	Change	% Change	Number	% Change	MIS Recipients to Live Register
1999	5,108			176,539		2.89%
2000	4,233	-875	-17.1%	141,586	-19.8%	2.99%
2001	4,064	-169	-4.0%	152,406	7.6%	2.67%
2002	4,359	295	7.3%	166,142	9.0%	2.62%
2003	3,933	-426	-9.8%	170,604	-2.7%	2.31%
2004	3,318	-615	-15.6%	158,800	-6.9%	2.09%
2005	3,220	-98	-3.0%	155,800	-1.9%	2.07%
2006	3,424	204	6.3%	155,400	-0.3%	2.20%
2007	4,111	687	20.1%	170,400	9.7%	2.41%
2008	8,091	3,980	96.8%	290,000	70.2%	2.79%
2009	15,101	7,010	86%	423,600	46.1%	3.56%

At the end of 2009 there were 15,101 people in receipt of MIS, an increase of 268% over those in payment at the end of 2007 and an increase of 86% over those in payment at the end of 2008. The increase in the number of recipients from 2007 coincided with an increase in the Live Register while the decrease in the number of recipients from 2003 to 2005 also coincided with a decrease in the Live Register. The significance of the link between the number of MIS recipients and the Live Register in the last column of the table above is examined further at paragraph 2.5.8 below in the context of projections on recipients and scheme expenditure having regard to future unemployment forecasts.

2.5.2 *MIS Recipients by primary payment 2008 and 2009*

Table 4 below provides a breakdown of the number of recipients by primary payment type at the end of 2008 and at the end of 2009 showing the increase in number of recipients and percentage change for each primary payment type.

Table 4: MIS recipients by primary payment 2008 to 2009

Payment Type	End 2008	End 2009	Change	% Change
State Pensions	20	18	-2	-10.0%
Pre-Retirement Allowance	5	5	0	0.0%
Widows and Widower's Pensions	67	71	4	6.0%
One-Parent Family Payment	574	706	132	23.0%
Invalidity Pension	216	227	11	5.1%
Illness Benefit	1,216	1,483	267	22.0%
Disability Allowance	462	484	22	4.8%
Long-Term Jobseekers Allowance	625	1,764	1,139	182.2%
Short-Term Jobseekers Allowance	640	1,824	1,184	185.0%
Jobseekers Benefit	2,130	4,730	2,600	122.1%
Supplementary Welfare Allowance(1)	1,221	2,335	1,114	91.2%
Employment Support Services (2)	213	419	206	96.7%
DSS (UK)	8	11	3	37.5%
Other	694	1,024	330	47.6%
Total	**8,091**	**15,101**	**7,010**	**86.6%**

Notes:

(1) Supplementary Welfare Allowance includes payments being made on an interim basis while a person is awaiting payment of another social welfare payment such as Jobseeker's Benefit/Allowance.

(2) Includes Back to Work Allowance, Community Employment, Back to Education Allowance, VTOS and FAS

Of the total increase in the number of recipients, i.e. 7,010, those whose payment type is Jobseekers Allowance/Benefit (4,923) account for 70.2% of the total increase. In addition a significant percentage of the number of MIS recipients in the primary payment type 'Supplementary Welfare Allowance' are persons who are being paid on an interim basis while awaiting payment of an employment support payment. Therefore it is reasonable to conclude that, of the total increase in the number of recipients from end of 2008 to end of 2009, in excess of 70% is attributable to the increase in the live register.

2.5.3 *Percentage of recipients by primary payment*

Table 5 below provides a breakdown and a comparison of the number of recipients at end of 2008 and at end of 2009 by primary payment type as a percentage of the total number of recipients

Table 5: Percentage of recipient by primary payment

Payment type	End 2008	As % of Total	End 2009	As % of Total
State Pensions	20	0.2%	18	0.1%
Pre-Retirement Allowance	5	0.1%	5	0.0%
Widows and Widower's Pensions	67	0.8%	71	0.5%
One-Parent Family Payment	574	7.1%	706	4.7%
Invalidity Pension	216	2.7%	227	1.5%
Illness Benefit	1,216	15.0%	1,483	9.8%
Disability Allowance	462	5.7%	484	3.2%
Long-Term Jobseekers Allowance	625	7.7%	1,764	11.7%
Short-Term Jobseekers Allowance	640	7.9%	1,824	12.1%
Jobseekers Benefit	2,130	26.3%	4,730	31.3%
Supplementary Welfare Allowance(1)	1,221	15.1%	2,335	15.5%
Employment Support Services (2)	213	2.6%	419	2.8%
DSS (UK)	8	0.1%	11	0.1%
Other	694	8.6%	1,024	6.8%
Total	**8,091**	**100.0%**	**15,101**	**100.0%**

Notes:

(1) Supplementary Welfare Allowance is paid on an interim basis while a person is awaiting payment of another social welfare payment such as Jobseeker's Benefit/Allowance.

(2) Includes Back to Work Allowance, Community Employment, Back to Education Allowance, VTOS and FAS

Persons in receipt of Jobseekers Allowance/Benefit, at the end of 2008 numbered 3,395 and accounted for 42.0% of the total number of MIS recipients. At the end of 2009 this category of recipient had increased to 8,318 and accounted for 55.1% of the total number of recipients. As 50% of those in receipt of payment type 'Supplementary Welfare Allowance' are awaiting payment of a job seekers payment it can be concluded that the number of MIS recipients currently in receipt, or awaiting a job seekers payment is in excess of 60% the total number of recipients.

The analysis of the case study and case survey data also found that the most common social welfare income sources were jobseekers benefit/allowance; one parent family payment, illness benefit and basic SWA[18].

2.5.4 *Age and gender of recipients*

Table 6 below provides an analysis of the number of recipients at the end of 2009 by age and gender and a comparison with the same figures for the end of 2008.

[18] Section 3 MIS Scheme Review Case Study Report; included in appendices.

Table 6: MIS Age and gender profile

	End 2008			End 2009			Change			% Change		
Age Group	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Under 20	1	0	**1**	0	0	**0**	-1	0	**-1**	-100.0%	100.0%	**0.0%**
20 - 24	64	29	**93**	108	46	**154**	44	17	**61**	68.8%	58.6%	**165.6%**
25 - 29	424	224	**648**	992	420	**1,412**	568	196	**764**	134.0%	87.5%	**217.9%**
30 - 34	814	461	**1,275**	1,967	837	**2,804**	1,153	376	**1,529**	141.6%	81.6%	**219.9%**
35 - 39	1,125	522	**1,647**	2,497	931	**3,428**	1,372	409	**1,781**	122.0%	78.4%	**208.1%**
40 - 44	1,085	546	**1,631**	2,226	810	**3,036**	1,141	264	**1,405**	105.2%	48.4%	**186.1%**
45 - 49	792	389	**1,181**	1,504	536	**2,040**	712	147	**859**	89.9%	37.8%	**172.7%**
50 - 54	516	258	**774**	895	333	**1,228**	379	75	**454**	73.4%	29.1%	**158.7%**
55 - 59	326	173	**499**	446	176	**622**	120	3	**123**	36.8%	1.7%	**124.6%**
60 - 64	178	80	**258**	213	88	**301**	35	8	**43**	19.7%	10.0%	**116.7%**
65 - 69	36	23	**59**	43	17	**60**	7	-6	**1**	19.4%	-26.1%	**101.7%**
70 plus	8	17	**25**	5	11	**16**	-3	-6	**-9**	-37.5%	-35.3%	**64.0%**
Total	**5,369**	**2,722**	**8,091**	**10,896**	**4,205**	**15,101**	**5,527**	**1,483**	**7,010**	**102.9%**	**54.5%**	**186.6%**

The above table shows that the largest % change in the number of recipients in the period from the end of 2008 to the end of 2009 occurred in the 30 – 34 age group with an increase of 219.9%. In terms of numbers however the biggest change i.e. 1,781, occurred in the 35 – 39 age group representing a change of 208.1%. The change in number of recipients for the age cohort 20 -39 indicates that this cohort accounts for an increase of 4,135 in the number of recipients representing almost 59% of the total change in number of recipients between end of 2008 and the end of 2009. The number of males in this cohort i.e. 3,137, accounted for 44.8% of the total change in numbers while the number of females in the cohort i.e. 998, accounted for 14.2%.

In table 6 above, of the total number of recipients at the end of December 2009, 6464 (43 percent) were in the 35-44 age category. The analysis of the case study and survey data found that claimant's age ranged from 24 to 60, with the bulk of the valid cases (42 percent) in the 35-44 age category. The data in table 6 shows 4216 or 28 percent of recipients in the 25-34 age category while, of the cases surveyed, 32 percent were in this age category.

2.5.5 *Claim duration*

Currently over 60% of the number of recipients are in payment for less than a year and 5,929 (39.3%) are in payment for 12 months or more.

Table 7 below provides an analysis of recipients of MIS at the end of 2008 and at the end of 2009 by claim duration. The table also contains a comparison of the change in numbers and % change for each claim duration period

Table 7: Claim Duration 2008 – 2009

Claim Duration	End 2008	End 2009	Change	% Change
0 to 3	1,607	1,234	-373	-23.21%
3 to 6	1,869	2,315	446	23.86%
6 to 9	1,045	2,626	1,581	151.29%
9 to 12	788	2,997	2,209	280.33%
12 to 24	1,250	4,124	2,874	229.92%
24 to 36	593	830	237	39.97%
36 to 48	290	417	127	43.79%
48 to 60	176	177	1	0.57%
60 to 72	139	112	-27	-19.42%
72 plus	334	269	-65	-19.46%
Total (1)	**8,091**	**15,101**	**7,010**	**86.64%**

(1) Claims with duration of precisely 3 months are recorded under the 3-6 months heading, claims with duration of precisely 6 months are recorded under the 6-9 months heading and so on.

Of the total number of recipients, 13,296 (88%) are in receipt of a supplement for up to 24 months with 1805 (12%) in receipt for over 24 months. This accords with the analysis of the survey data which found that 86.5 percent of valid responses i.e. valid claims have been open less than two years. However, the survey data also indicated that 27 claims (13.5% of all valid claims) have been open longer than two years, with four claims open longer than five years. The data in Table 7 above indicates that 1805 (12%) of claims are in payment for two years or more

In 2005 the total number of recipients was 3220[19] of which 58.5% were in receipt of a supplement for up to 24 months. The number of recipients for the claim duration period 0 to 12 months represented 38.9 of the total recipients in 2005 while, in 2009, the number of recipients for this claim duration represented 60.7% of the total. These figures indicate a changing profile in terms of claim duration and that, as it is currently operating; the MIS scheme is predominantly a short-term income support. The Group concluded however that this may change and MIS may become a medium to long term scheme depending on broader economic conditions.

[19] Report of the Working Group on the Review of the Supplementary Welfare Allowance Scheme , Phase II, November 2006, p.90, table 5.9

The case study analysis[20] compared the duration of claims against duration of mortgages to see if some patterns can be discerned. Looking first at mortgages of three year's duration or less (approximately since the start of 2007 and the height of the housing boom), 90 percent of mortgages of this duration have run into difficulty in the last 18 months. This drops to 77 percent of these mortgages with claim durations of less than one year. Looking at mortgages of longer durations (five to 15 years), the case study analysis found that 74 percent of these mortgages have run into difficulty in the last 18 months. However, this drops to 48 percent when comparing these mortgages against claims of less than one year's duration. This suggests that all mortgages in the survey, regardless of duration, have got into difficulty sooner into the economic crisis (i.e. longer than one year ago).

The survey data also shows that there is a connection between the most recent mortgages (of 3 years or less duration) and the most recent claims (of up to 18 months in duration): 37 percent of all claims of this duration correspond to mortgages of 3 years or less. Long-term claims, of two years or more, generally correspond to mortgages of longer duration. However, no clear pattern can be discerned between duration of claim and duration of mortgage.

2.5.6 *Household characteristics*

The analysis of the case study and survey data found that**,** of awarded claims, nearly a quarter of all claimants were single. 61 percent were married or co-habiting, and 14 percent were separated or divorced. 72 percent of claimants were male and 70 percent of claimants had children. Households with married / co-habiting couples with 1-2 children (31 percent) and with 3 or more children (20 percent) made up just over half of all awarded claimants. Single adult households accounted for 18 percent of all claimants. Lone parent households accounted for 5.4 percent of all claimants, while separated/divorced households with children accounted for 8 percent of claimants. There was one household with a widow / widower and children.

2.5.7 *Nationality of recipients*

Based on an analysis of recipients at the 2nd of April 2010, 97.5% or 15, 728 out of a total of 16,129 recipients are EEA nationals. Of these 83.5% or 13,471 are coded as Irish nationals. In addition 5.6 % or 909 cases coded as 'Other' refer to claims registered prior to the nationality code being recorded. It is assumed that these are primarily Irish nationality cases. Cases coded as non-EEA nationals account for 2.5% or 401 of the total. In terms of expenditure approximately 87.9% is attributable to Irish nationals with 9% and 3.1% attributable to other nationalities within the EEA and outside the EEA respectively. Appendix B contains an analysis of numbers and expenditure.

2.5.8 *Projected increase in MIS recipients*

The analysis of the increase in the number of MIS recipients and the increase in the Live Register at paragraph 2.5.1 above indicates that there is a link between the increases and

[20] Section 2.3 MIS Scheme Review Case Study Report; included in appendices.

decreases in the number of MIS recipients and the Live Register. The ratio of MIS recipients, in all primary payment categories, to the Live Register was 2.07% in 2005 when the number of MIS recipients and Live Register figures were at the lowest level. As the number of MIS recipients and the Live Register figures began to increase from 2006 the ratio also increased and at the end of 2009 it was 3.56%.

At the end of 2009 there were 423,600 people on the Live Register. It is not possible to accurately calculate the number of MIS recipients who are on the Live Register as persons with a primary payment other than JB or JA, in particular basic SWA, may also be included on the Live Register.

In preparing annual estimates for the MIS scheme a ratio of 2.25% for MIS recipients who are on the Live Register is used on the basis that this ratio has remained relatively constant in the past. Applying this ratio to the number on the Live Register at the end of December 2009, i.e. 423,600, gives a figure of 9531 MIS recipients who are on the Live Register. Using only the number of MIS recipients with a JB/JA primary payment at the end of December 2009 (8318) gives a ratio of almost 2%. Therefore the 2.25% ratio is likely to be more accurate given the fact that other payment category types, in particular persons in receipt of basic SWA pending JB/JA, will also be included on the Live Register.

The Department of Finance Live Register projection for the end of 2010 is that there will be an average of 458,000 people on the Live Register at that time. Applying the ratio of 2.25% to this figure means that there will be 10,305 MIS recipients who are on the Live Register i.e. an increase of 774 cases over the number at the end of December 2009. In addition, between the end of 2008 and end of 2009 there was an average increase of 20% in the number of MIS recipients with a primary payment of Illness Benefit (IB), One Parent Family Payment (OPFP) and Disability Allowance (DA). A similar increase in 2010 would mean an additional 534 MIS recipients in the IB, OPFP and DA primary payment category at the end of 2010. The Review Group concluded that, based on current trends, the total projected increase in MIS recipients in 2010 is in excess of 1,300.

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The projection of the increase in the number of MIS recipients above is based on an assumption that there will be no changes to the conditions of entitlement or the means assessment rules for MIS.

Table 2 above shows that, at the end of 2009, the average weekly MIS payment is €78.78 or €79.00 when rounded up to the nearest euro. This gives an estimated average annual cost of €4108 for a recipient of MIS. The cost per 1,000 MIS recipients, assuming no significant change to the average weekly MIS payment, is €4.1m.

It is estimated therefore that an increase in the number of MIS recipients arising from a projected increase in the live register from 423,600 to 458,000 and a projected increase of 20% in MIS recipients in the Illness Benefit, OPFP and Disability Allowance primary payment categories may result in an increase in expenditure on the MIS in 2010 scheme of €5.4m, not including administration costs. It should also be noted that increases in interest rates will be borne in full via the mortgage interest supplement scheme for existing customers thereby increasing the average weekly payment. For example a 1% increase in interest rates on a 20 year mortgage would result in an increase of €215 per month in interest on a €260,000 loan.

In projecting the likely future demand on the MIS scheme the Review Group also examined figures published by the Financial Regulator which showed that the total residential mortgage loan accounts outstanding as at December 2009 was 793,000 of which 28,603 or 3.6% were in arrears. Of the total mortgage accounts in arrears 19,185 or 2.4% were more than 180 days in arrears. It is not known how many of the accounts in arrears are currently in receipt of MIS, how many may be eligible for MIS but have not applied, or how many have applied but were deemed to be not eligible. The Review Group agreed therefore that, in the absence of this information, the number of mortgage accounts in arrears cannot be used as an indicator as to likely future demands on the MIS scheme.

The Department of Finance expect that the Live Register will fall over the next few years. While a fall in the Live Register is likely to result in a decrease in the number of MIS recipients with a Live Register primary payment there has also been a trend increase in OPFP and DA which in the past has shown to drive corresponding increases on MIS even when the Live Register might be falling. Having regard also to wider economic conditions and the possible disincentive effect of MIS on employment due to the absence of a time limit on payment of the supplement, the Review Group concluded that further examination is required before any projections can be made as to the effect on the number of MIS recipients in the event of a fall in the Live Register.

2.6 Conclusions

- The increase in the number of MIS claims in payment, combined with the issues to be considered in terms of entitlement and the considerable amount of documentation to be sought and examined at claim stage, points to the need to consider an alternative organisational approach to the assessment of MIS claims and administration of the scheme. It also raises questions about the complexity of the existing scheme.

- The changing profile of mortgage interest supplement recipients in terms of claim duration show that, as it is currently operating, the MIS scheme is predominantly a short-term income support. However, this may change and the scheme may become a medium to long term support depending on broader economic conditions.

- Of the total increase in the number of recipients from end of 2008 to end of 2009, in excess of 70% refer to those in receipt of a job seekers payment.

- The number of MIS recipients currently in receipt, or awaiting payment of a job seekers payment is in excess of 60% of the total number of recipients.

- The total projected increase in MIS recipients in 2010 is in excess of 1,300. The estimated additional cost of this increase, not including administration costs, is over €5.4m.

- Having regard to wider economic conditions, possible disincentive effect of MIS on employment due to the absence of a time limit on payment of the supplement, the Review Group concluded that further examination is required before any projections can be made as to the effect on the number of MIS recipients in the event of a fall in the Live Register.

2.7 Conclusions from case study

- The analysis of the overall picture of MIS awarded and refused claims show a wide range of MIS payable, and few patterns or relationships between MIS payable, household income, household composition, or marital status and gender of claimants. Most claims have been open up to 18 months and comparisons of duration of mortgages to claim duration show that most mortgages regardless of duration got into difficulty within the past 18 months. This suggests that the economic climate rather than mortgage, household or income characteristics *per se* are the main driver in the increase in claims over the last 18 months. However, there are some indications that there are vulnerabilities in these characteristics insofar as a greater number of mortgages appear to fall into difficulty sooner into the crisis (i.e. longer than one year ago).

- One of the more pronounced factors emerging from the analysis of sample claimants is the change in employment status. It is noteworthy that two households had no one at work at the time their mortgage was taken out. By the time, applicants claimed the MIS the number of households with no one at work had risen to 164. This number rises to 192 when those applicants and their spouses who are working part-time are included[21]. This would suggest that a significant proportion of the increase in MIS is due to the economic downturn, reduced working hours, job losses and redundancies. The key questions this raises is to what extent economic recovery will reduce numbers dependent on MIS, what kind of timeframe (long or short term) can we expect for this to happen and what will be the consequences in the interim[22].

- Recent research from the ESRI[23] profiling the unemployed in Ireland found that factors, such as age; children; made claim in last five years and had been signing on for 12+ months; on CE scheme for 12+ months; number of claims (females only); jobseekers assistance (females only); literacy/numeracy problems; casual employment; and health status, increase the probability of remaining on the live register or being welfare dependent. Given this, there is a danger that a prolonged period out of employment, without re-training and up-skilling, will mean claimants will be dependent on MIS payments for a longer timeframe.

[21] Section 2, Table 3, MIS Scheme Review Case Study Report; included in appendices
[22] Section 3.9 MIS Scheme Review Case Study Report
[23] O'Connell, P., McGuinness, S. and Kelly, E. (2009). Profiling the Unemployed in Ireland: Predicting Stayers and Leavers. In ESRI, *The Labour Market in Recession.* Dublin, Ireland, 30th April, 2009. Dublin: ESRI.

- Another factor that has emerged from the analysis is the proportion of claimants with high ratios of borrowings to incomes. This echoes earlier findings in the analysis[24] relating to the ratio of monthly mortgage repayments to monthly MIS payable. While higher ratios would be expected during times of economic boom, the change in the economic situation raises related concerns over issues such as over-indebtedness; negative equity; debt resolution; renegotiation of terms and arrears; and repossession of properties.

- There is a high degree of variability and non-response to the questions on the survey forms relating to the assessment of means, disregards and contributions. This made the task of identifying indicative trends impossible and underlines the complexity of the assessment process.

[24] Section 2.4 MIS Scheme Review Case Study Report

CHAPTER 3 - Housing and Mortgage Markets Issues

3.1 *Introduction*

The terms of reference for this review are to *'examine the need for alternative policies and objectives for the scheme in the light of changes in recent years in the economic climate, the mortgage market and family structures'*

Before examining the efficiency, effectiveness, policy objectives and legislative issues in the administration of the MIS scheme the Review Group were of the view that the difficult economic and market conditions in which the scheme is currently operating and significant features of the housing and mortgage markets in Ireland such as the decrease in house prices and activity, level of mortgage debt, accumulation of mortgage arrears, sub-prime mortgages, negative equity and repossession should be examined and considered.

Other aspects to be considered are the Statutory Code of Conduct on Mortgage Arrears, other supports available for mortgage holders such as MABS, the Government response to mortgage debt and the role of the Department of Environment, Heritage and Local Government (D/EHLG).

3.2 General Overview of the Housing Market

According to the Permanent TSB/ESRI House Price Index - end of year figures, average national house prices were down 18.5% in 2009. The average price for a house nationally in December 2009 was €213,183, compared with €261,573 in December 2008 and a peak of €311,078 in February 2007. Average national prices have decreased by 31.5% since the peak in February 2007 and are now at April 2003 levels. Other measures provide a similar picture although anecdotal evidence suggests that the fall in underlying prices could be higher and possibly between 30 and 45 percent in some areas.

Contrasting the decline in house prices from 2007 with the 10 year period up to 2006 provides a context for the significant change which has occurred in the housing market in the period 2007 to 2009. A Special 10th Anniversary Edition of the permanent TSB House Price Index, compiled in association with the ESRI, was published in June 2006.
Headline figures from the special 10th Anniversary Index revealed the following:

- National house prices had increased by 270% over the previous ten years – compared to a total rise of just 30% in the consumer price index.
- The average cost of a house in 1996 was just €75,000. Ten years later (2005) the average cost had increased to €280,000.
- On average national prices rose by an average of 14.9% each year for those ten years.
- In one year (1998) average national prices grew by a massive 30%.

- In 1996 the average difference between buying a house in Dublin or outside of Dublin was just €10,000. In 2006 that figure had grown to some €130,000.
- A third of the total number of houses in Ireland in 2006 (547,000 houses – known as "the housing stock") had been built in the previous ten years.
- The value of all the houses in Ireland in 2006, estimated at some €412 billion, represented a four-fold increase on the figure ten years before.
- The rise in the number of house completions each year rose from 33,700 (1996) to 81,000 (2005).

Predictions are that house prices in Ireland will fall further as loan arrears continue to rise. Falls of between 10 to 15% have been predicted before the market bottoms out in 2011.

The economic downturn has had a severe impact on the property market in terms of sales and increasing number of borrowers who are in negative equity. Recent data from the IBF/PwC Mortgage Market Profile, published by the Irish Banking Federation (IBF)[25] on the 15th February 2010, showed that mortgage lending fell by almost 50 percent last year and it is clear therefore that the level of activity in the property market, in terms of sales, has declined significantly.

3.3 General Overview of the Mortgage Market

According to the Central Bank[26] the interrelationship between house prices and mortgage lending, evident across many OECD countries, was particularly pronounced in the case of the Irish property boom. While house price increases in Ireland, over the period 1995 to 2007, were significantly determined by the performance of key fundamental variables within the economy, a growing body of opinion is now of the view that some of the price increases were partly fuelled by the significant increases in credit provision enabled by innovation in the Irish financial sector.

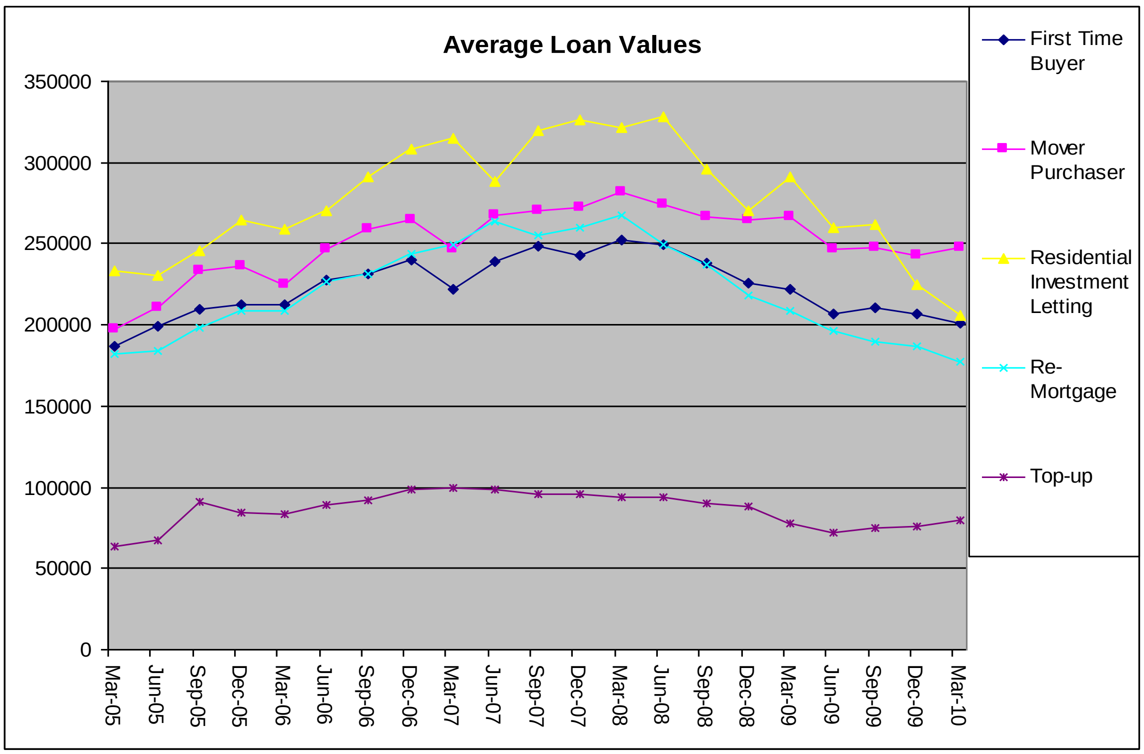
Between 2005 and 2009, there were 719,334 mortgages taken out to the value of €138,919 billion. The annual number of mortgages taken out peaked in 2006 at 203,953 and has declined since that date. In 2009 the total number of mortgages taken out was 45,818. The following table and graph, compiled from data published by the IBF[27], highlights the changes which occurred in the mortgage market in the period 2005 to 2009:

[25] http://www.ibf.ie/mediaset.html
[26] Modelling Credit in the Irish Mortgage Market
http://www.centralbank.ie/frame_main.asp?pg=results.asp
[27] http://www.ibf.ie/pdfs/IBF%20PwC%20mortgage%20stats%20web.xls

Table 9: Number and Value of Loans 2005 – 2009

Number and value of loans secured on residential property		
Year	No. of residential mortgage loans	Value of residential mortgage loans (€m)
2005	201,260	34,114
2006	203,953	39,872
2007	158,098	33,808
2008	110,305	25,049
2009	45,818	8,076
2010 (Q1)	6,954	1,220

Graph 1: Average Loan Values 2005 - 2009



1. The average loan for first time buyers at the first quarter of 2005 was €187,309. The average for this cohort peaked at €251,831 in Q1 2008 and at the end of Q1 2010 had reduced to €201,516.
2. For mover purchases the average loan in Q1 2005 was €197,756. The average loan for this cohort also peaked in Q1 2008 at €281,944 and at the end of Q1 2010 was at €247,844.
3. For residential investment letting loans the peak occurred at the end of Q2 2008 at €327,927 from a low of €223,544 at Q1 2005. At the end of Q1 2010 the average loan for this cohort has dropped to €206,294.

4. For re-mortgages the average loan peaked at €267,327 in Q 1 2008 from a low of €182,089 at Q1 2005. The average loan for this cohort was €177,101 at the end of Q1 2010.
5. Top up loans peaked at €99,171 in Q1 2007 from a low of €63,820 at Q1 2005. At the end of Q1 2010 the average top-up loan stands at €80,036.

From the IBF mortgage market profile it can be seen that the number and average loan value for all mortgage classes, in particular, first-time buyers and mover purchasers has fallen significantly in 2009. Therefore whatever issues there are with mortgages and ability to repay them may be limited to the period 2005 to 2008 after which the number and average loan values declined significantly. It should be noted however that the IBF market profile does not include sub-prime mortgages. The impact of sub-prime mortgages for MIS is examined separately at paragraph 4.5 below.

The figures also show that, as at end December 2009, there were almost 793,000 private residential mortgage accounts in Ireland to a value of €118.3 billion. The overall mortgage debt for private residential mortgages has decreased by €306 million in the last quarter of 2009. The average owed by each household is about €149,500.

Of the total number of private residential mortgage accounts as shown by the data above there were 15,101 in receipt of MIS at the end of December 2009 which represents 1.9% of total mortgages.

Findings and conclusions from the case study and survey analysis on mortgage and property details of MIS claimants surveyed, which are contained in section 4 of the analysis report, are:

- In terms of the profile of claimants' properties, in most cases they were built since 2000; second-hand houses were most popular; most were semi-detached and had three bedrooms. Given this it is unsurprising that 97.1 percent of mortgages were taken out between 2000 and 2005.
- There were a variety of lenders with Permanent TSB and First Active holding the highest number of claimant mortgages and the highest number of 91-100 percent mortgages.
- In terms of mortgage duration, a third of cases were in existence for five years or less.
- For the sample of joint mortgage holders reviewed during the case study, that is, where an MIS claim has been made by a person in a joint mortgage with another party, 45 percent of these the other contributor to the mortgage has also ceased paying their respective share.
- There was evidence that 97.4 percent had no mortgage protection policy making lenders and borrowers vulnerable to external shocks.
- The high ratios of total original mortgages to total earnings at the time the mortgage was taken out echoes earlier findings about borrowing to earnings ratios.
- Related to this is the volume of 91-100 percent mortgages taken out by claimants (49 percent). It reinforces concerns about the long-term viability of claimants retaining

their homes and questions the ability of the MIS to mitigate against these types of wider financial issues.

- Associated analysis shows that these 91-100 percent mortgages are largely connected with mortgages taken out between two and five years ago.
- The majority of claimants (83 percent) have not taken out top-up loans. Those that had were related to personal and home improvements; debt consolidation; equity release and the second property purchase.
- In 87 percent of cases the mortgage type opted for by claimants was annuity.
- Variable rates were the most popular interest rate payable at the time of the survey. The issue of affordability of mortgage repayments and housing may also be impacted upon by rising variable rates.
- Mortgage terms range from 10 to 40 years with almost a third lasting between 31 and 40 years.
- There is a lack of data available on arrears – a question on this would be a useful addition to any future MIS surveys.

3.4 Mortgage Arrears

Another indicator of the state of the mortgage market and the potential for future difficulties for individuals is the number of mortgages in arrears. The Financial Regulator indicated that by the end of 2008 almost 14,000 accounts were three or more months in arrears – an increase of 25% from the equivalent figure at the end of 2006.

Figures published by the Financial Regulator for the quarter ended December 2009 show that the total residential mortgage loan accounts outstanding at the end of the quarter was 792,893. Of these the total mortgage accounts in arrears were 28,603, or 3.6% of the total. Of the total mortgage accounts in arrears 19,185 or 2.4% were more than 180 days in arrears. Thus the figures show that, while there are problems for some, the majority are servicing their mortgages.

3.5 Sub-prime mortgages

'Sub-prime' lending is a financial term that involves financial institutions providing credit to borrowers who do not meet the usual mortgage lending criteria. These mortgages are offered at a rate above traditional interest rates to individuals who do not qualify for loans from traditional lenders and this can result in significant interest costs over the lifetime of the loan. The higher rate of interest on these loans, as compared with loans from mainstream financial institutions, is associated with the heightened risk of default as 'sub-prime' borrowers may include people with a history of loan default, a recorded bankruptcy or those with a poor credit history because they are self employed or have erratic income streams.

Anecdotal evidence suggests that there are significant difficulties with these mortgages relative to the overall number of mortgages in the State. The Master of the High Court suggested in February 2009 that up to 80 percent of house repossession applications were coming from sub-prime lenders with only 20 percent coming from the main banks.[28]

While 'sub-prime' mortgages never became a significant part of the mortgage market in Ireland it is estimated that they account for approximately 3%, by value, of the mortgage market. Only one subprime lender is believed to offer mortgages at present, the others continue to manage their existing accounts. It can be estimated that there are about 14,000 home-owners currently on the books of subprime lenders. The returns made to the Financial Regulator show nearly 17,000 accounts as opposed to home owners but the difference could possibly be largely explained by multiple accounts, top-ups, etc.

'Subprime' mortgages pose particular challenges in terms of assessment for entitlement to MIS. Firstly, because of the higher level of interest charged and the fact that the mortgage may be relatively new, the amount of interest being paid by the applicant is often considered to be in excess of what is considered reasonable to meet the person's accommodation needs. GE Money (Ireland) has pointed to inconsistencies in the application of this rule between different CWS areas.

Secondly, as outlined above, 'sub-prime' borrowers may include people with a history of loan default, a recorded bankruptcy or those with a poor credit history because they are self employed or have erratic income streams. Complex issues often arise in the assessment of MIS claims for person's with 'subprime mortgages' as to whether the person was in a position to meet the loan repayments when the loan agreement was entered into.

In some cases, sub prime mortgages were taken out to refinance or consolidate existing debts which requires the CWO to carry out a forensic examination of the original loan documentation to disaggregate interest payments in order to determine the amount of interest allowable for the purpose of MIS

3.6 Negative equity

Negative equity occurs where the loan amount outstanding exceeds the market value of the property.[29]

A Working Paper published by the ESRI[30] estimates that by the end of 2009, 116,000 home owners could be in negative equity. About three-quarters of these would be First Time Buyers. The figures are quite sensitive to the assumptions used in the estimate. If house prices fall by a further 14% in 2010, the number in negative equity is estimated to rise to 196,000.

Negative equity is not a difficulty in itself if the mortgage is affordable. Nevertheless negative equity results in difficulties for individuals in selling the property to seek employment opportunities/engage in family formation. Negative equity impacts on the

[28] http://www.courts.ie/offices.nsf/(WebFiles)/
[29] http://www.lifestylemortgages.ie/mortgages_explained.html
[30] Negative Equity in the Irish Housing Market, David Dufy, October 2009

housing market as it makes property difficult to sell and this can impact on the ability of individuals to resolve their mortgage difficulties by selling the property.

Also, a concentration of negative equity, and other issues relating to mortgage repayment in specific areas, makes the resolution of the problems associated with negative equity even more difficult.

According to research in the US, Foote et al (2006) found that around 10% of households that fall into negative equity default on their loans. It is not clear that the same would apply in Ireland given the different characteristics and legal underpinning of the US housing market. The Review Group noted that the Expert Group will be taking account of the ESRI report on negative equity in the Irish housing market in its review and therefore the Review Group considered that the issue of default due to negative equity does not come within the remit of the MIS Review.

In terms of the impact of negative equity on the MIS scheme there may be implications where current or future MIS recipients are in negative equity in terms of incentives to return to employment and assume responsibility for mortgage repayments. The issue may arise particularly in the case of newer mortgages which have a high element of interest, as opposed to capital, repayments.

3.7 Repossessions

In general, residential property can be either repossessed through the Courts or the borrower can surrender the property voluntarily. Historically there has tended to be less repossession of private houses or apartments in Ireland than in other jurisdictions such as the UK. In the current property market there is no incentive for lenders to repossess a bad property debt, since at that point they may have a property worth less than what they lent for it. Almost all borrowers do come to some acceptable arrangement with a lender, even if on a very modest scale of repayment, whether by extending the term of the loan, paying interest-only, or a variety of other methods. As a result, it is exceptionally rare that a sheriff or county registrar ever has to repossess an occupied home. Given the extent of the current problem, it is not clear whether the historical approach to repossessions will be maintained, given that the level of indebtedness is significantly higher than the past and negative equity and inability to repay mortgages is a bigger problem.

Figures for special summonses being issued over the past few years seem to corroborate the view that the volume of Irish repossession cases is rising. In 2004, some 134 High Court repossession actions were issued but by 2008 this had risen to 758 such summonses, with nearly 40% of those issued in the last 3 months of 2008. However, there are conflicting reports as to the trend in repossessions. Reports suggest that some 331 houses were repossessed in 2009, while end-of-year figures show that almost 1,000 new repossession orders were initiated in the High Court, a 27% increase on 2008.

At the end of December 2009 there was an aggregate of just over 3,200 cases in total where court proceedings had been issued to enforce the debt/security on the mortgage compared with about 3,300 cases at the end of September 2009. In these cases at end year the level of arrears in these cases amounted to €88.2 million on outstanding mortgages to the value of €677 million. There is no information available to establish if MIS had been or was still in payment in any of these cases.

It is also being suggested that struggling homeowners face renewed pressure following the expiry of the 12 month waiting period required of all lenders by the Mortgage Arrears Code as these lenders will be able to begin new legal proceedings against homeowners who have failed to pay their mortgage for a year or failed to come to a revised payment agreement.

When examining the efficiency and effectiveness of the MIS scheme in Chapter 4 it is noted that at the end of 2009 that there were over 28,600 mortgage accounts in arrears and that there were 15,101 recipients of mortgage interest supplement compared to 4,111 at the end of 2007. While other factors such as property values, in particular, may be contributing to the low level of repossessions, nevertheless it is not unreasonable to assume that the MIS scheme is also helping individuals to remain in their homes.

3.8 Voluntary Surrenders

There is some evidence that instead of court ordered repossessions, there is an increasing number of repossession by voluntary agreement or by abandonment. Voluntary surrender, also known as voluntary possession, is where a borrower enters into an agreement with their lender whereby they take the house with the consent of the borrower and the lender then handles the sale of the property.

Figures published by the Financial Regulator in March 2010 show that, during the quarter ended December 2009, 375 enforcement proceedings were concluded. In 152 cases the Courts granted repossession orders which included 17 properties that were voluntarily surrendered and 11 that were abandoned. Of the remaining 223 cases, where no order was granted by the Courts, 180 were settled by renegotiating the terms and/or other conditions of the mortgage. The remaining 43 cases were concluded by voluntary surrender, abandonment or on other terms. It would appear from these figures that up to approximately 64 properties are being repossessed each quarter by voluntary surrender or abandonment.

One of the difficulties of voluntary surrender is that the borrower will continue to owe the balance of the mortgage on properties they no longer own when the property is sold (presumably at a lower price than the value of the mortgage in the light of the current property market).

3.9 Housing Policy

The Department of the Environment, Heritage and Local Government is the Department primarily responsible for the formulation and implementation of policy and for the preparation of legislation in relation to housing.

The Department maintains links with a number of other Government departments in relation to housing matters and particularly the Department of Social Protection on income supports for housing through the rent and mortgage interest supplement schemes.

The overall objective of housing policy is to "enable every household to have available an affordable dwelling of good quality, suited to its needs, in a good environment and as far as possible at the tenure of its choice". The general principle underpinning the housing objective is that those who can afford to provide for their housing needs should do so either through home ownership or private rented accommodation and that targeted supports should be available to others having regard to the nature of their need.[31]

The Government's vision for housing policy over the coming years is set out in The Housing Policy Framework – Building Sustainable Communities (2005). The key objective outlined in the policy framework is to build sustainable communities, and to meet individual accommodation needs in a manner that facilitates and empowers personal choice and autonomy.

The vast majority of housing services for which the Department is responsible are delivered through the local authorities. A limited range of services are provided directly to the public including grants towards the renovation and repair of thatched roofs.

In terms of provision of housing, the services for which the Department provides the legislative basis and, as appropriate, financial supports include:

- Loans for house purchase and improvement, low cost housing sites,
- Mortgage allowance scheme for tenants surrendering local authority or rental subsidy accommodation and purchasing or building a house for their own occupation,
- Provision, maintenance, and management of local authority housing and traveller accommodation,
- Rental accommodation scheme known as RAS for long term rent supplement recipients,
- The sale of local authority houses to tenants, otherwise known as "Tenant Purchase",
- Shared ownership scheme,
- Support for the provision of social housing projects by voluntary housing bodies under the Capital Assistance and Rental Subsidy schemes,
- Various types of affordable housing schemes.

Improvement works may also be carried out to privately owned houses in lieu of local authority housing,

It should be noted that, under current legislation, interest on local authority loans for house purchase and improvements and loans under the tenant purchase and shared ownership schemes may be considered for assistance under the MIS scheme subject to the statutory conditions of entitlement being satisfied and the means test. At the end of December 2009

[31] http://www.environ.ie/en/DevelopmentandHousing/Housing/HousingPolicy/

there were 385 local authority mortgage (LAMO) supplements in payment. The Review Group is of the view that it is not appropriate that one Government Department should provide support by way of a payment to individuals to pay off a loan to another State agency or body. Therefore persons who get into difficulties with repayments on local authority loans should be facilitated by local authorities in a reduction of their repayments or by other measures which will obviate the need to have recourse to support under the MIS scheme.

3.10 *Impact of Housing and Mortgage Markets on MIS Scheme*

The effect of the significant decline in market activity in conjunction with ongoing declines in house prices has an impact on the operation of the MIS scheme. The current scheme allows for individuals who have properties which are considered to be in excess of what they need to be paid a supplement for up to 12 months. Under normal market conditions, it would have been possible for the individual to sell the property or to trade down to more affordable accommodation. However given a slow housing market and significant falls in prices from their peak means that alternatives available to the householder are limited. In a more buoyant market this issue would be more manageable and less contentious.

It is clear that there was an increase in loan values in particular between 2006 and 2008. Often the repayment of these loans was contingent on two incomes. In some cases one or both wage earners have lost their jobs making repayment of the mortgage difficult. The existence of the 30 hour rule (as part of the SWA scheme) prevents a couple with only one earner from accessing MIS. However, given that the number and average loan value for all mortgage classes - in particular first-time buyers and mover purchasers - has fallen significantly in 2009, the repayment issues for some groups may be limited to the period 2005 to 2008. Nevertheless, there is a need to consider the limit on payment of MIS imposed by the 30 hour rule. This is examined further in Chapter 5.

Total mortgage accounts in arrears at the end of 2009 were 28,603, or 3.6% of the total. Of the total mortgage accounts in arrears 19,185 or 2.4% were more than 180 days in arrears. The increasing number of mortgages in arrears will result in a higher number of MIS refusals if the condition for entitlement to MIS, where a mortgage is in arrears, is applied rigorously and consistently. The application of this condition is considered further in Chapter 5.

'Subprime' mortgages pose particular challenges in terms of assessment for entitlement to MIS because of the higher rate of interest charged, the amount of interest being paid because the mortgages are relatively new, poor credit history of subprime borrowers and the fact that a number of such mortgages were taken out to refinance or consolidate existing debts.

Negative equity could have an impact in terms of incentives to return to employment particularly in the case of borrowers with newer mortgages which have a high element of interest, as opposed to capital, repayments. The analysis of the case survey data found that the volume of 91-100 percent mortgages taken out by claimants was 48.5 percent of the sample. Associated analysis shows that these 91-100 percent mortgages are largely connected with mortgages taken out between two and five years ago. This reinforces concerns about the long-term viability of claimants retaining their homes and questions the ability of the MIS to mitigate against these type of wider financial issues.

Having regard to the condition for entitlement to MIS that the HSE must be satisfied that it is reasonable to award a supplement having regard to the amount of arrears outstanding on the loan a supplement would not generally be awarded where repossession proceedings have been commenced. In a case where MIS had been in payment, the claim would normally be suspended when the CWO becomes aware of the commencement of repossession proceedings.

In examining the impact of repossession proceedings on the MIS scheme it was brought to the attention of the Review Group that cases were presenting for MIS where repossession proceedings had commenced but a stay on the repossession order was being granted by the courts to allow the borrower and lender to arrive at a negotiated agreement in relation to mortgage repayments. Where a claim for MIS is made in such circumstances, the CWO is placed in the position where refusal of MIS because of the amount of arrears on the loan could result in the stay on the repossession order being lifted and the property being repossessed. The issue of payment of MIS where arrears have arisen is examined in Chapter 5. The issue is also considered in Chapter 6 in terms of an alternative organisational approach to the conditionality assessment process for the MIS scheme.

In terms of the impact of voluntary surrenders for the MIS scheme the main concern relates to cases where MIS payments had been made for a period of time but the effect of the voluntary surrender means that the household will then have to have their accommodation needs met through social housing or through the rent supplement scheme. However a further difficulty arises in this regard in that the household, by virtue of surrendering their accommodation, may be deemed ineligible for local authority housing and may also be excluded for receipt of rent supplement because of a new requirement recently provided for in primary legislation which provides that a person must have been assessed by a local authority as in need of social housing in order to be assessed for a rent supplement. The Review Group concluded that there is a need to ensure that individuals do not fall between the cracks and if this involves changes to the rules underpinning access to social housing for those who have surrendered their property, including short-term housing under the rent supplement scheme, this will need to be considered by D/EHLG.

3.11 Regulation of Financial Service Providers

3.11.1 *Role of Financial Regulator*

The Financial Regulator was established on 1 May 2003 following a Government decision to set up the Central Bank of Ireland as the Central Bank and Financial Services Authority of Ireland.

The Financial Regulator’s remit includes monitoring the financial soundness of individual institutions, in addition to wide-ranging consumer protection powers.
The role of the Financial Regulator is:

- to help consumers to make informed decisions on their financial affairs in a safe and fair market; and
- to foster sound dynamic financial institutions in Ireland.

The Financial Regulator undertakes its role in a number of integrated ways:

- Rigorous authorisation procedures for entrants to the financial services market
- Supervision of financial service providers which focuses on their solvency and risk management processes
- Reviewing compliance with the Consumer Protection Code so that financial service providers act in a fair and transparent manner in their dealings with consumers
- Provision of independent information to consumers to raise awareness of the costs, risks and benefits of various financial services.

The Financial Regulator has introduced a number of statutory codes of conduct. These codes of conduct are now described.

3.11.2 Consumer Protection Code

The Consumer Protection Code ('code') which came fully into effect on 1 July 2007 applies, *inter alia*, to all home loan providers operating in Ireland. The code provides that the lending agency must:

- Contact the borrower as soon as it becomes aware that a mortgage account is in arrears even if the arrears are quite small
- The lending agency must have in place a procedure for handling accounts which are in arrears.

3.11.3 Statutory Code of Conduct on Mortgage Arrears

The Code is imposed under Section 117 of the Central Bank Act, 1989. Contraventions of the Code may be subject to the imposition of administrative sanctions.

The Code is to be read in conjunction with the Financial Regulator's Consumer Protection Code and came into effect from 27th February 2009 to replace the IBF voluntary guidelines which were in place up until that time. However, unlike the IBF code**,** it applies to all mortgage lenders operating in the State (whether authorised here or operating on a passport from another EU member state). The Code imposes specific requirements with regards to the handling of arrears in respect of a consumer's mortgage on a principal private residence.

The Code of Conduct says lenders must adopt flexible procedures for handling mortgage arrears and assist the borrower as far as possible with deferral of payments, extending term of mortgage, changing type of mortgage, or capitalising arrears and interest. Therefore, repossession is seen by the Code as a last resort**.**

When the Code was first introduced lenders were required to wait at least six months from the time of arrears first arising before applying to the court to commence legal action for repossession. The period was 12 months for AIB and Bank of Ireland under the bank recapitalisation scheme. On 17th February 2010 the Financial Regulator ordered the extension of the moratorium from 6 months to 12 months on legal repossessions for all lenders regulated by the Financial Regulator, including subprime lenders.

The Code states that a mortgage arrears problem arises as soon as the borrower fails to make a mortgage repayment by the due date. As soon as an arrears situation develops, the lender must communicate promptly and clearly with the borrower to establish in the first instance why the repayment schedule has not been adhered to and, secondly, how the situation may be rectified. Where such action is unsuccessful - for whatever reason - and the arrears situation continues, the lender must continue in its endeavours to make contact with the borrower. This can be by way of further correspondence, telephone contact or a meeting with the borrower.

Once contact has been established, and assuming co-operation from the borrower, a plan for clearing the mortgage arrears can be developed that is consistent with the interests of both the lender and the borrower. In this regard, all viable options open to the borrower must be examined during which consideration must be given to his/her repayment capacity, previous payment history and any equity remaining in the property. All genuine cases (e.g. where there has been a change in the borrower's circumstances) must be handled sympathetically and positively by the lender with the objective of assisting the borrower to meet his/her obligations. Other than where the borrower is deliberately not engaging with the lender, the lender must make every reasonable effort to agree an alternative repayment schedule where a borrower is in difficulty.

While a consumer will be regarded as having fallen into arrears once the first repayment has been missed, under the Code a formal demand must not be issued until the third repayment is outstanding. This formal demand must be accompanied by certain specified information (i.e. total amount of arrears, any excess interest that may be charged etc).

The Code does not however prevent repossession by voluntary agreement or where the property has been abandoned. Where a repossession action is commenced the lender must maintain contact with the borrower and must inform the borrower of any liability for costs, accrued interest or outstanding debt.

3.12 Other DSP Supports for Mortgage Holders

3.12.1 Citizens Information Board (CIB)[32]

The CIB is the statutory body which supports the provision of information, advice and advocacy on a broad range of public and social services. The Board comes under the remit of the Department of Social Protection. It also funds and supports the Money Advice and Budgeting Service (MABS).

The Citizens Information Board supports the delivery of information through:

[32] http://www.citizensinformationboard.ie/about/

- The Citizens Information website provides information on public services for the general public and information providers.
- The national Citizens Information Phone Service answers queries by telephone or through a variety of other channels, including email or SMS.
- Citizens Information Services provide a face-to-face service to the public through a network of Citizens Information Centres. Citizens Information is provided by 42 Citizens Information Services from 268 locations. Citizens Information Services provide free, impartial and confidential information.

The CIB also produces a range of booklets and publications for various groups, including publications for older people and people with disabilities. In relation to mortgages, a special edition of Relate was published in February 2010 providing information on a range of mortgage issues and the supports available to people who are having difficulty paying their mortgages.

A website, http://www.keepingyourhome.ie/, which is provided by the CIB and MABS, aims to provide comprehensive information on the services and entitlements available if a person is having difficulties paying rent or mortgage repayments.

CIB publishes Social Policy Quarterly Reports which synthesise feedback from Citizens Information Services (CISs) and the Citizens Information Phone Service (CIPS) and highlight issues deemed to have social policy implications. These reports are published on the CIB website and are used in various submissions to Government.

The CIB quarterly report for October to December 2009, which is based on 717 returns submitted in the period, show that 55% of the returns from centres relate to social welfare (including issues relating to MIS), 16% relate to employment rights, 7% relate to health and 7% to housing.

The overall CIB budget for 2010 is 45.8m which includes a budget of €18m for the Money Advice and Budgeting Service.

3.13 Money Advice and Budgeting Service (MABS)

MABS Money Advisors provide practical assistance, advice and support to people who have financial difficulties by:

- working out a budget suited to the individual or family.
- negotiating on behalf of clients with all creditors including banks, financial institutions, insurance companies, utility companies and credit unions to secure better terms for the client in managing the repayment of their debts.
- assisting, where appropriate, with setting up a special account with their local Credit Union into which an agreed amount of money is lodged regularly and from which each month the Money Advisor makes the repayments to the creditors on behalf of the client and
- providing ongoing support to people who successfully overcome their financial

difficulties.

MABS operate an appointments system for meeting clients. Clients with urgent difficulties are prioritised for attention and dealt with promptly. Less urgent cases are referred to the Telephone Helpline. Over 90% of callers to the Helpline find that their money management and budgeting issues can be resolved with the assistance of the helpline advisor. Some 10% of callers are referred to the local MABS for appointment. The Helpline is further assisting local services manage their appointment lists by providing an initial preliminary MABS service to clients and ongoing support while they await their appointment with their local money advisor.

MABS has produced an information leaflet which provides advice to borrowers who have already fallen behind with their mortgage repayments (are in arrears) on their family home or who expect that, because of a fall in income, they will not be able to make repayments in full in the future. This is available on the MABS website at http://www.mabs.ie/publications/leaflets/home_loans.pdf.

3.14 IBF/MABS Protocol

A protocol agreed between the IBF and MABS, which came into operation in September 2009, set up a formal process for debt recovery designed to avoid foreclosure if possible, and delay it if not. The protocol requires banks to adopt a partnership approach with MABS when pursuing debts. It also lays out a five-step process leading to a formal payment plan for troubled borrowers which is then monitored and reviewed on a six-month basis. Under the Protocol the IBF Member and the MABS Advisers have adopted a number of operating principles including:

- IBF/MABS committed to working to resolve client debt problems – seeking to agree an affordable sustainable repayment plan.
- Legal action will not commence as long as there is compliance with the repayment plan – distinction between unable to pay and unwilling to pay.
- Agreement that priority debts will be prioritised for payment.

Fourteen IBF members have signed up to the protocol. MABS is in discussions with a major sub-prime lender with a view to establishing whether the principles and approaches outlined in the MABS/IBF Protocol could also apply to their work.

MABS discussions with the Irish League of Credit Unions about the development of a similar protocol are ongoing.

CHAPTER 4 - Policy Objectives, Effectiveness and Efficiency of the MIS Scheme

4.1 Introduction

This chapter examines the policy objectives of the MIS Scheme, the achievement of the objectives and efficiency and effectiveness. Effectiveness is concerned with the extent to which the objectives of the scheme have been achieved. Efficiency is about delivering service at optimum cost. It can be defined as the relationship between input and output of an activity and the extent to which it is possible to maximize output from the input available or to minimize the levels of input for the given level of output. In examining these aspects of the scheme the Review Group will draw conclusions, which will be further addressed in chapter 5.

4.2 Objective of MIS Scheme

A comprehensive examination of the original objectives of the SWA scheme was carried out as part of the Review of the Supplementary Welfare Allowance scheme which was completed in 2006. Chapter 2 of the Phase 2 Report on the Review describes the Working Group's findings in relation to its examination of the objectives of the SWA Scheme.

The SWA Review (2006) defined the objective of the MIS Scheme to:

> *provide short-term income support to eligible people who are unable to meet their mortgage interest repayments in respect of a house which is their sole place of residence*.[33]

4.3 Achievement of Scheme Objectives

Using the analysis of the MIS recipient profile contained in Chapter 2 and the case study and survey analysis the following were examined as indicators of the extent to which the MIS scheme is meeting its objective of providing short-term income support:

- The significant increase in numbers on MIS measured against the increase in Live Register to determine the extent to which the scheme is responding to and meeting the needs of people in difficulty with mortgage repayments due to loss of employment.
- The increase in the number of persons in receipt of MIS by primary payment type at the end of 2008 and 2009.

[33] Report of the Working Group on the Review of the Supplementary Welfare Allowance Scheme , Phase II, November 2006, page 89, paragraph 5.8

- The number of MIS recipients currently in receipt of, or awaiting payment, of an employment support payment as a % of total recipients at the end of 2009.
- The number of recipients of mortgage interest supplement at the end of 2008 and at the end of 2009 by claim duration.
- The duration of awarded claims and time limits.

The Review Group also sought to examine claim activity in terms of the total number of MIS claims closed in 2009 by claim duration and claim payment type as a further indicator as to whether the support being provided under MIS is short or medium to long-term. The availability of data on closed claims from ISTS did not allow an analysis of total closed claims for 2009 to be carried out. However it was possible to extract data on claims closed in the month of June, September, December 2009 and March 2010.

An analysis of this data to determine the duration of claims in which payment was being made and which were closed in each of the 4 months gave the following results:

Table 8: Claims Closed June 2009 – March 2010

Month	**Claims in payment closed in the month**	**Duration of payment**		
		0 -12mths	**12 – 18mths**	**18mths +**
June 2009	579	414 (71.5%)	53 (9%)	112 (19.3%)
September 2009	572	434 (76%)	65 (11.4%)	73 (12.8%)
December 2009	516	382 (74%)	66 (12.8%)	68 (13.2%)
March 2010	615	383 (62%)	144 (23.4%)	88 (14.3%)

It can be seen from the above analysis that the percentage of closed claims in the three selected months in 2009 which were in payment for 0 to 12 months ranged from 71.5% to 74%. When the percentage in the duration period 12 to 18 months are added in the range is 80 to 86.8%. In March 2010, while the percentage in the 0 to 12 months is lower at 62%, the percentage increases to 85.4% when the 12 -18 months duration period is added.

An analysis of closed claims in the selected months by primary payment type was also carried out to determine the percentage of claims closed where the primary payment was a short-term payment i.e. JB/JA/IB/SWA. It should be noted that these percentages are based on all closed claims in the selected months and includes claims which were closed where no payment had been made. However the majority of claims closed were claims which had been in payment.

The analysis showed that the percentage of claims where the primary payment was a short-term payment was remarkably consistent. The percentages were 58.2% (June), 60% (September), 60.1% (December) and 58.5% (March 2010).

From the examination of the above indicators and the analysis of closed claims the Review Group concluded that, in the current economic environment, the MIS scheme is predominantly a short-term income support as indicated by the fact that:

- An increase the Live Register in 2008 of 70.2% coincided with an increase in the number of MIS recipients of 96.8% in 2008. A further increase in the Live Register of 46.1 at the end of 2009 also coincided with an increase in the number of MIS recipients of 86.6% over the 2008 figure.
- The analysis of the increase in the number of recipients between the end of 2008 and the end of 2009 shows that more than 70% of the total increase in the number of recipients from the end of 2008 to end of 2009 is attributable to the increase in the live register.
- Up to 60.7% of the total number of recipients currently in receipt of a supplement have been in receipt for not more than 12 months while up to 88% are in receipt for up to 2 years;
- in excess of 55% of MIS recipients are in receipt of, or awaiting payment, of a short-term employment support payment i.e. Job Seekers Benefit/Allowance.
- Over 80% of claims which are closed were in payment for up to 18 months.
- Approximately 60% of claims which were closed were in receipt of a short-term primary payment.

The Review Group noted however that, when the review of the SWA scheme was being carried out in 2006, 61% of the total number of MIS recipients (3,220) were in receipt of the payment for more than 12 months indicating that the MIS scheme at that time was primarily catering for persons with a medium to long term need rather than those with a short-term need. While there are some individuals on the scheme for a long period of time, in general the situation is now changed due to the significant growth in numbers in the scheme in 2008 and 2009. However, depending on future economic conditions, this may change and the scheme could again become a medium to long term support.

In the SWA Review Report (2006) the Working Group recommended that, on the basis that the mortgage interest supplement is intended to address short-term need, long-term cases should be reviewed with a view to putting procedures in place to address their long-term need. This might take the form of a legal charge to give the State an interest in the property in the event of it being sold or the individuals in question engaging with the Local Authority to assess and provide for their housing need.[34]

The Review Group concluded that options to allow individuals who cannot redeem their mortgage a path out of the MIS scheme are outside the remit of this Review and needs to be considered by the Expert Group.

The Review Group also considered the extent to which the scheme helped individuals remain in the family home. In considering the extent to which this principle is being achieved the

[34] Report of the Working Group on the Review of the Supplementary Welfare Allowance Scheme , Phase II, November 2006, page 109

Review Group examined figures published by the Financial Regulator which show that, in the Quarter ended December 2009, the courts granted 152 repossession orders which included 17 properties which were voluntarily surrendered and 11 that were abandoned. The Review Group noted that the total residential mortgage loan accounts outstanding at the end of the quarter was 793,000. Of these the total mortgage accounts in arrears were 28,603, or 3.6% of the total. Of the total mortgage accounts in arrears 19,185 or 2.4% were more than 180 days in arrears.

It appears that the number of court proceedings and the number of orders for sale /possession, when compared against the total number of residential mortgage loan accounts and the number of mortgages in arrears, may be attributable, to a large extent, to the moratorium provided for in the Statutory Code of Conduct on Mortgage Arrears. Other factors such as property values may also be acting as a deterrent to repossessions. However, the Review Group is satisfied that given the major increase in the numbers and expenditure on the MIS scheme, that is has also made a major contribution in helping individuals who have suffered a loss of income to remain in the family home.

4.4 Effectiveness

The Review Group noted that the Working Group on the Review of the Supplementary Welfare Allowance Scheme carried out a comprehensive review of the effectiveness of rent and mortgage interest supplements.[35] In order to determine the effectiveness of the scheme at that time, the Working Group decided to examine the following effectiveness indicators:

- Identification of the target group for the scheme
- The level of take up of the scheme by eligible claimants
- The continued appropriateness of eligibility criteria
- The adequacy of payments considering the needs of the person
- Duration of payment
- Benefit and privilege
- Housing need
- Access and standards
- Awareness of scheme
- Data requirements

Following the examination of the effectiveness of the MIS scheme the overall conclusions of the Working Group,[36]with particular reference to the MIS Scheme were that:

- it was apparent that the majority in receipt of mortgage interest supplement were long-term recipients and, on the basis that the mortgage interest supplement is intended to address short-term need, that these cases should be reviewed with a view

[35] Report of the Working Group on the Review of the Supplementary Welfare Allowance Scheme , Phase II, November 2006, pages 79-113.
[36] Report of the Working Group on the Review of the Supplementary Welfare Allowance Scheme , Phase II, November 2006, p.203

to putting procedures in place to address their long-term need. This might take the form of a legal charge to give the State an interest in the property in the event of it being sold or the individuals in question engaging with their Local Authority to assess and provide for their housing need.

- The promotion of mortgage protection policies should reduce recourse to mortgage interest supplement.
- Consideration should be given to restating the linkage of mortgage interest supplement limits to rent supplement limits.
- The position that the capital element of the mortgage repayment is not taken into account in calculating the amount of supplement payable needs to be restated as it is not appropriate that the Exchequer should repay part of the initial loan and thereby provide assistance towards the accumulation of a capital asset on the part of the individual concerned.
- The level of analysis of internal data could be improved if data were available on the application of disregards, level of deductions, household income, family composition, and accommodation occupied by family size.

In making recommendations for the future policy and organisational approaches for the RMIS scheme the Working Group concluded[37] that the rent and mortgage interest supplement schemes have characteristics similar to those of a mainstream income support scheme and, therefore, the Working Group considered that the response to the needs arising in these schemes should be delivered through structures which are designed to provide mainstream response to a particular need.

Having noted that the needs arising through both the rent and mortgage interest supplement schemes require both a housing and an income support response, the Working Group considered that delivery of the short-term housing-related income support needs should be delivered by the Department of Social Protection which has responsibility for the delivery of the primary qualifying income support payment. The Working Group therefore recommended that the administration and management of the rent and mortgage interest supplement schemes be relocated to the Department of Social Protection. These schemes could then be integrated as part of a single income support system.

The Review Group is of the view that MIS should become a time bound payment. That is, claimants can only receive MIS for a set period of time, and in this timeframe individuals should address their long term housings needs. Under the current MIS rules, individuals can be in receipt of the allowance for an extended period of time. MIS as a long term support is not appropriate as it reduces the incentives to find employment and lessens the likelihood that individuals would consider selling their property, suitable downsizing and moving to more suitable and affordable accommodation etc. This is addressed further in more detail in Chapter 6.

The Review Group agreed that, while the MIS scheme may be effective as a short term support, it is not clear how it will deal with a significantly changed housing and mortgage

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[37] *ibid* p.103

market in the future and that other ancillary supports to the scheme may be necessary to resolve mortgage difficulties.

In relation to the role of mortgage protection policies the Review Group concluded that where a mortgage protection policy was purchased by the borrower, MIS should not be applicable until the mortgage protection policy's cover has elapsed. If the borrower has recourse to MIS at this time the normal forbearance and MIS rules will begin at this date, i.e., when a borrower does not have any assistance in paying his/her mortgage through a mortgage protection policy forbearance and MIS support applies from this date. Whether mortgage protection policies should become compulsory for all new mortgages as a matter of policy should be considered by the Expert Review Group.

The Review Group agrees with the conclusion of the SWA Working Group that the capital element of the mortgage repayment should not be taken into account in calculating the amount of supplement payable and that it is not appropriate that the Exchequer should repay part of the initial loan and thereby provide assistance towards the accumulation of a capital asset on the part of the individual concerned.

The need to link mortgage interest and rent supplement limits is examined in Chapter 5 and the question of a legal charge and the level of analysis of internal data are dealt with in Chapter 6.

4.5 Efficiency

Chapter 2 already described the administration of the SWA scheme including service delivery, access to IT systems, SWA caseloads, scheme expenditure and recipient profile.

A comprehensive review of the efficiency of the rent and mortgage interest supplement scheme *per se* was carried out by the Working Group on the Review of the Supplementary Welfare Allowance Scheme. In order to determine the efficiency of the scheme at that time, the Working Group decided to examine the following efficiency indicators:

- Duplication in the overall administrative arrangements
- Delivery of service
- Payments being made in a timely manner
- Control of the scheme

Following the examination of these indicators the overall conclusions of the Working Group on the rent and mortgage interest supplement scheme were that the scheme was being delivered in a reasonably efficient manner. The Working Group referred however to the need for structures which would address issues raised in relation to control and the level of clerical content in the processing and maintenance of claims which would enhance efficiency. The Working Group found that, from a broader perspective, there is unnecessary duplication in the delivery of income support to the customer and that this duplication is apparent in the range of organisations and assessments which the customer must undertake to secure a response to their income and housing need. The Working Group expressed the view that, under current arrangements, the income support needs of the customer are being responded to through two separate delivery structures and that rent and, to a lesser extent, mortgage interest supplement, have all the characteristics of a mainstream scheme and would therefore be amenable to delivery through the primary income support structure.[38]

In this regard it should be noted that Government in its decision of 28 February 2006 accepted the recommendations of the working group, on Core Functions for the Health Service. The report recommended the transfer of certain functions from the HSE to other agencies, principally to the Department of Social Protection. Detailed plans for the transfer of the CWS to the Department have been prepared and the final date for completion of the transfer will be subject to conclusion of the negotiations with the relevant unions.

The Review Group is of the view that the transfer of the CWS is fundamental to the achievement of progress on the recommendations in the SWA Review, in particular, the integration of the MIS scheme as part of a single income support system.

4.6 Findings from case study and survey analysis.

The analysis highlighted apparent discrepancies in MIS payable by household composition, especially where single adult households appear to be getting a higher range of MIS payments; and where separated/divorced households with children appear to be particularly disadvantaged, in that so many of these receive under or equivalent to the median MIS payment. However, this could be related to the age of the mortgage, the level of interest being paid, the income basis being used for these applicant groups.

Further issues requiring further exploration are that of reviews and appeals. Where reviews are conducted, income changes feature prominently in reasons for these reviews (and are often the driver for changes to the MIS payment). Despite a high number of surveys stating ‘twice-yearly cycle of reviews’ being conducted, it is clear that many reviews are not being undertaken this frequently. This is in part due to work demands, and there may be scope to consider other means of conducting reviews and/or streamlining some aspects, e.g. through better data collection or additional supports, to enable quicker reviews. The feasibility and details of this would require further consideration in the context of any changes to the operational arrangements for the future delivery of the scheme. This underlines the need to include monitoring, evaluation and sufficient levels of oversight to any new MIS Scheme proposal.

[38] Report of the Working Group on the Review of the Supplementary Welfare Allowance Scheme , Phase II, November 2006, p.114

4.7 Conclusions – Effectiveness and Efficiency

In drawing conclusions on the effectiveness of the rent and mortgage interest supplement schemes the SWA Working Group considered that delivery of the short-term housing-related income support needs should be delivered by the Department of Social Protection (DSP) which has responsibility for the delivery of the primary qualifying income support payment. The Working Group therefore recommended that the administration and management of the rent and mortgage interest supplement schemes be relocated to the Department but with the improvements and changes recommended by the Review and that these schemes could then be integrated as part of a single income support system.

The Review Group supports the conclusion of the SWA Working Group that it is appropriate to have the MIS scheme as mainstream income (non SWA) support administered by the Department with agreed rules and procedures. The Review Group concluded however that reform or changes to the MIS should not await transfer of the scheme to the Department's control.

The transfer of the CWS is fundamental to the achievement of progress on the recommendations in the SWA Review, in particular, the integration of the MIS scheme as part of a single income support system.

Chapter 5 - Objectives, Legislative and Operational Issues

5.1 Validity of objectives

In both the Phase 1 and Phase II Reports of the Review of the SWA Scheme the objectives of the SWA scheme and the need for the continued allocation of resources were considered by the Working Group. Each of the main component parts of the scheme – basic supplementary welfare allowance, rent and mortgage interest supplements and ENPs/UNPs and other supplements - were examined in this context.

The SWA Working Group concluded that the objectives of the SWA scheme at that time were compatible with the Statements of Strategy of the Department of Social Protection and the Department of Health and Children and with the policy objectives as contained in the National Anti-Poverty Strategy (NAPS), National Action Plan against Poverty and Social Exclusion (NAPincl), Programme for Government and Sustaining Progress. The Working Group also concluded that the objectives of the SWA scheme remained valid and that the scheme warranted the allocation of resources on a current and ongoing basis.

In Chapter 4 of this report the Review Group, having examined the profile of recipients and having taken into consideration, in particular, the fact that more than 70% of the total increase in the number of recipients from end of 2008 to end of 2009 is attributable to the increase in the live register, concluded that the objective of the MIS Scheme to provide short-term income support was being achieved.

While the original objectives of the MIS scheme are being achieved the Review Group considered whether the objective i.e. "*to provide short-term income support to eligible people who are unable to meet their mortgage interest repayments in respect of a house which is their sole place of residence*" remained valid in the current mortgage market and economic conditions.

In considering the validity of the objective of MIS the Review Group decided to examine replacement rates with a view to the determining the potential disincentive effect of MIS payment on return to work. The group then went on to examine legislative and operational issues arising in the administration of the scheme, in particular, issues which were brought to its attention in the course of the review and consultation process as outlined in Chapter 1 and Appendix A.

5.2 Replacement Rates

5.2.1 Introduction

Replacement rates measure the financial incentive to work by expressing out-of-work income as a percentage of in-work income. A replacement rate above 70 percent is an indicator that there may be more to be gained from benefits than seeking work. The Review Group examined the potential impact of MIS payment on replacement rates and the extent to which the payment could impact on incentives to return to work. This is because the only practical way for most individuals to fund their mortgages is to return to work.

5.2.2 Analysis

The analysis relates to potential disincentive effects for a variety of jobseeker households. Replacement rates were produced for single persons and one-earner couples with/without children across a range of in-work income levels from National Minimum Wage (NMW) up to 200 percent Average Industrial Earnings (AIE). NMW is €17,542 and AIE is estimated at €33,455. Along with a table giving set of standard replacement rate figures (Table 10), three further tables giving three different sets of replacement rates were produced to illustrate the potential impact of MIS. Relevant data from the report on the survey/case study is also incorporated in the analysis, where appropriate.

Table 10 shows that in the absence of a payment of MIS, single persons do not face replacement rates above 70 percent at any of the in-work income levels. For couples with no children the replacement rate only reached 70 percent at NMW. For couples with children high replacement rates are seen at the lower in-work income levels with replacement rates close to or over 70% faced by most couples with children earning up to AIE.

Table 10: Standard replacement rates - MIS not included

	NMW	**67% AIE**	**AIE**	**150% AIE**	**200% AIE**
	€17,542	**€22,415**	**€33,455**	**€50,183**	**€66,910**
Single	64%	53%	40%	30%	25%
Couple	70%	65%	60%	44%	37%
Couple + 1Child	73%	69%	63%	49%	42%
Couple + 2 Children	76%	72%	66%	55%	46%
Couple + 3 Children	78%	75%	69%	61%	51%
Couple + 4 Children	79%	76%	70%	64%	56%

MIS has been incorporated into the replacement rate figures in three ways. Firstly Table 11 presents replacement rates where a flat rate weekly payment of €80 is included in out-of-work income for all household types. €80 was used as it is close to the average weekly MIS payment in 2009 and it is assumed that in-work income is based on working full-time and therefore not qualifying for MIS.

Table 11: Replacement rates with average MIS payment of €80 - MIS included for out-of-work income only (assumes in-work income based on full-time work)

	NMW	67% AIE	AIE	150% AIE	200% AIE
Single	88%	74%	55%	42%	34%
Couple	86%	81%	74%	55%	46%
Couple + 1Child	87%	83%	75%	59%	50%
Couple + 2 Children	89%	85%	77%	64%	54%
Couple + 3 Children	90%	86%	79%	69%	59%
Couple + 4 Children	89%	85%	79%	72%	63%

Table 11 shows, as would be expected, that the inclusion of MIS in this way increases replacement rates for all categories and at all in-work income levels. Replacement rates of over 70 percent are now shown for 18 of the 30 cases produced. These are almost all at income levels of AIE or below but even at 150% AIE some larger families may face high replacement rates (72 percent for a couple with 4 children and 69 percent for a couple with 3 children). It is clear from this example that payment of the MIS has implications for replacement rates and indicates possible disincentive effects for a household to increase their income through employment.

Table 12 presents replacement rates where MIS has been calculated for the out-of-work household for a sample mortgage. This sample mortgage assumes it is year 4 of a €250,000 mortgage and an interest rate of 4% applies. The average monthly mortgage payment is thus €1319.58 made up of €558.33 principal and €761.25 interest. (note that this does not take mortgage interest relief into account). This results in MIS of €657.25 payable monthly or €151.67 weekly for each of the households. MIS included for out-of-work income only as again we assume that in-work income is based on full-time work).

Table12: Replacement Rates with MIS based on a sample mortgage and full-time work - MIS included for out-of-work income only (assumes in-work income based on full-time work)

	NMW	67% AIE	AIE	150% AIE	200% AIE
Single	110%	92%	69%	52%	42%
Couple	100%	95%	87%	64%	53%
Couple + 1Child	100%	95%	86%	68%	57%
Couple + 2 Children	100%	96%	87%	73%	61%
Couple + 3 Children	100%	96%	89%	77%	66%
Couple + 4 Children	98%	94%	87%	80%	70%

Table 12 again shows replacement rates to increase across the board when included in this way. Effects are more pronounced than at Table 11 as the MIS amount payable is almost twice the €80 average figure assumed for that example. In Table 12, 21 of the 30 cases have replacement rates over 70%.

Table 13 incorporates a MIS payment into the calculations for both in-work and out-or-work income. Here the same total in-work income levels are assumed but these are taken to be achieved by working less than 30 hours per week. The same sample mortgage applies as used in Table 12. This results in MIS of €151.67 weekly for all out-of-work household calculations and varied MIS payments to in-work households at particular income levels.

Table 13: Replacement Rates with MIS based on a sample mortgage and part-time Work - MIS is included for both out-of-work and in-work incomes (assumes in-work income is based on part-time work of less than 30 hours.)

	NMW	67% AIE	AIE	150% AIE	200% AIE
Single	84%	83%	69%	52%	42%
Couple	89%	88%	87%	64%	53%
Couple + 1Child	91%	89%	86%	68%	57%
Couple + 2 Children	92%	91%	87%	73%	61%
Couple + 3 Children	94%	92%	89%	77%	66%
Couple + 4 Children	90%	90%	87%	80%	70%

All households with in-work income at NMW and 67% AIE are shown to qualify for MIS but this may be quite a small amount e.g. €30.74 MIS weekly for a couple with 3 children where one spouse is working and earning 67% AIE (€22,415 gross over less than 30 hours per week) and the other spouse in receipt of JA.

Replacement rates at NMW and 67% AIE are particularly high – all are well over 80%. Even at AIE replacement rates for all couples are well over 80%. Despite the assumption that in-work income is based on working for less that 30 hours a week and thus the working household may qualify for MIS, replacement rates are still shown to be very high for most household types examined even at earnings of 150% AIE (€50,183).

5.2.3 Conclusions on replacement rate issues and MIS

Firstly, it is important to set out a caveat regarding the use of replacement rates. Care is always needed in examining replacement rates as they can vary considerably depending on what is included in in-work and out-of-work income. In-work income can include significant contributions from social welfare (e.g. FIS, Spousal Jobseekers Allowance) which improve the replacement rate by increasing in-work income relative to out-of-work income but may actually represent disincentives for a household to increase their income from employment. In addition the hypothetical cases chosen only cover certain family types.

Secondly it is not appropriate to assume that everyone is getting the average MIS payment of €80 – the survey indicated a range of payments from €6.44 to €380 a week so unlike any other benefits there is no specific average or indeed a possible range of payments. However the figures produced using the €80 and also the €151.67 which resulted from the sample mortgage (€151.67 could be considered a reasonable median value given the survey findings) both indicate possible disincentive effects associated with MIS.

However, irrespective of the payment of MIS, there is the question as to whether the mortgage is affordable for individuals reliant wholly on social welfare payments in the longer term. Taking the examples above, while MIS may support the interest payments, it is not clear how an individual could fund the payment of the principal for any extended period on a social welfare income.

The Review Group concluded that overall the results of the examination of replacement rates suggests that behaviour in terms of seeking work may be impacted on by payment of a benefit such as MIS and strongly supports the argument for a time limit for any form of mortgage interest support. The issue of a time limit on payment of MIS is considered further in Chapter 6.

5.3 Legislative Issues

The legislative issues examined were:

- The current definition of mortgage interest, including ownership issues;
- Exclusion of persons in full-time employment (i.e. 30 hour rule);
- The condition for entitlement that the person must have been in a position to meet the loan repayments when the loan agreement was entered into, including issues relating to guarantors and the rent a room scheme;
- The condition for entitlement that the residence in respect of which the loan is payable is not offered for sale;
- The condition for entitlement that the amount of mortgage interest payable does not exceed such amount as the HSE considers reasonable;
- The condition for entitlement that the HSE is satisfied that it is reasonable to award a supplement having regard to the amount of any arrears outstanding on the loan;
- Whether there is a need for the conditions for entitlement to mortgage interest supplement to be legislated for in primary legislation;
- Means assessment issues i.e. assessment of capital and property, home help income, amount of minimum contribution and issues arising from introduction of age-related social welfare payments;
- Legal basis for discretionary payments;
- Legal basis for appeals to the Social Welfare Appeals Office.

5.3.1 Definition of Mortgage Interest

Section 187 of the Social Welfare (Consolidation) Act 2005 Principal Act, as amended, provides that *"'mortgage interest' means the proportion of any amount payable by a person to a mortgage lender which is for the time being attributable to interest payable under an agreement entered into by that person with the mortgage lender for the purpose of defraying money employed in the purchase, repair or essential improvement of the sole or main residence of that person or to pay off another loan used for that purpose but does not include-*

(a) interest payable in relation to such agreement by virtue of a delay or default in making a repayment under that agreement, or

(b) the aggregate of—

(i) any relief for interest due to the person under section 244 (as amended by section 3 of the Finance Act 2009) of the Act of 1997, and

(ii) any mortgage allowance or mortgage subsidy attributable to interest which may be payable by a local authority on behalf of the person under the Housing Acts 1963 to 2009".

In accordance with the above definition a mortgage interest supplement is not intended to cover the capital element of the repayment as it is not considered appropriate that the Exchequer should pay part of a mortgage thereby providing assistance towards the accumulation of a capital asset on the part of the individual concerned. In addition, arrears of mortgage repayments or interest on capitalised arrears are not included in a MIS payment.

The CWO must therefore carefully examine the components of monthly mortgage repayments to determine the amount of the interest payments which are allowable for the purpose of processing the MIS claim.

A further issue which often arises in relation to the above definition is that a supplement is only payable on the full amount of interest where the loan has been taken out for the purchase repair or essential improvement of the sole or main residence or to pay off another loan used for that purpose. Guidance on this issue is contained in the MIS Guidelines to the effect that, where a loan has been used for expenditure not associated with the sole or main residence of the person i.e. for car, investment, holiday home or business purposes, the interest on the loan is not allowable for the purpose of mortgage interest supplement.

Where a portion of the loan has been used for expenditure not associated with the sole or main residence the CWO must carry out an assessment of the proportion of the mortgage or loan applicable to the sole or main residence in order to determine the amount of interest allowed for the purpose of mortgage interest supplement. For example, if the claimant borrowed €200,000, and €30,000 has been used for expenditure not associated with the sole or main residence, the percentage of the loan that qualifies for MIS is calculated as follows:

Total amount borrowed = €200,000
Amount used on main residence = €170,000
Percentage of loan eligible for MIS = €170,000 divided by €200,000 X 100 = 85%

The interest allowed for the purpose of MIS will therefore be assessed at 85% of the monthly interest payable.

The exclusion of a portion of the interest can give rise to an entitlement to a supplement which is substantially less than the monthly mortgage repayments leaving the borrower in a position of having to make up the difference in the mortgage repayments from his or her own resources. There has been considerable criticism of this rule and calls for a change in policy. In a submission by Free Legal Advice and Law Centres and Northside Community Law Centre [39], it was argued that a new definition of mortgage interest should be inserted into legislation to include all loans, irrespective of their purpose, provided the loans are secured against the family home.

While a simplified definition of mortgage interest to include all loans would have significant advantages in terms of administration, the review Group noted that this would result in the payment of a supplement towards interest on a loan for purposes other than the purchase, repair or improvement of a residence such as equity release for investment purposes, loan consolidation and re-financing.

It should be noted also that the definition refers specifically to the purchase, repair or essential improvement "*of the sole or main residence of that person"*. For the purpose of entitlement to mortgage interest supplement complex issues may arise where the property is jointly owned and the owners are:

- two or more single people who entered into an arrangement to purchase a property together;
- a married couple who are separating;
- a cohabiting couple where there has been a breakdown of the relationship.

Conclusions and recommendations

The Review Group are of the view that the current legal definition of mortgage interest to mean interest on loans for the purchase, repair or essential improvement of the sole or main residence of the person, while giving rise to operational difficulties, do remain valid for the purpose of the MIS scheme.

The Review Group also considers that an extension of the MIS to cover interest payments other than those related to housing, as recommended in a number of submissions and reports, would result in the State funding interest costs on personal borrowings and this would not be an appropriate use of Exchequer resources.

As stated in Chapter 3, it is not appropriate that one Government Department should provide support by way of a payment to individuals to pay off a loan to another State agency or body. The Review Group is of the view therefore that the Department should engage with D/EHLG with a view to local authorities putting arrangements in place for local authority mortgage (LAMO) recipients to enter into negotiations in relation to their housing needs.

The Review Group are of the view that there is a need to consider alternative organisational approaches to alleviate the difficulties for CWOs in attempting to establish the amount of interest which meets the definition and can therefore be considered for the purpose of

[39] Submission in response to the Social Welfare (Miscellaneous) Provisions Bill 2008

determining entitlement to MIS. The alternative organisational approaches which are considered are described in Chapter 6.

While guidance on the issue of ownership is contained in the MIS Guidelines, the Review Group is of the view that the guidelines need to be re-visited and appropriate policy set down to reflect the diversity of ownership and to deal with circumstances where couples are separating and where the future ownership of the property is uncertain.

5.3.2 Exclusion of persons in full-time employment

The legislative provision which provide for payment of rent and mortgage interest supplement i.e. section 198 of the Social Welfare (Consolidation) Act 2005, was amended in 2003 to exclude entitlement to rent and mortgage interest supplement where a person, or his or her spouse, is engaged in remunerative full-time work.

Under SWA Regulations (S.I. No. 412 of 2007) a person is regarded as being engaged in remunerative full-time work where he or she is so engaged for not less than 30 hours per week.

Prior to the amendment to the primary legislation being made in 2003, a practice had been developing whereby the rule (excluding entitlement to a rent or mortgage interest supplement where a person was in full-time employment) was not operating effectively as it could be avoided where a spouse, who was not in full-time employment, made the claim. As a result households, where one of the spouses was in full-time employment, could be eligible to receive a rent or mortgage interest supplement subject to satisfying the means test and other statutory conditions of entitlement. This is no longer the case.

In the context of the MIS review consideration was given to the removal of the 30 hour working limit for the purpose of entitlement to mortgage interest supplement i.e. the removal of the legislative restriction excluding entitlement to mortgage interest supplement where a person, or his or her spouse, is engaged in full-time employment. The Group acknowledges that in recent years many mortgages were taken out on the basis that there were two earners to fund the mortgage and with one person no longer in employment, it is not always possible for the other person to fund the mortgage on one salary.

However, the Review Group noted that removing the 30 hour working limit for MIS, without any additional conditions, would have significant cost implications as households previously excluded from the scheme may then have an entitlement to a supplement. For example:

- a married couple with one dependent child paying mortgage interest of €1,500 a month previously excluded from the scheme could earn up to €850.00 a week (net of PRSI and income levy) and still be entitled to a mortgage interest supplement of €7.83 per week
- a single person paying mortgage interest of €1,357 a month (€ 313.15 per week), could earn up to €650.00.a week (net of PRSI and income levy) and be eligible for a mortgage interest supplement of €4.90 per week (up to a limit of 12 months).

Appendix C sets out in detail the basis on which entitlement to a mortgage interest supplement would be assessed in these two examples.

In estimating the cost implications of the removal of the 30 hour working limit a number of factors were taken into consideration as follows:

- The amount of supplement payable in any particular case and the number of additional households that are likely to become eligible at the time the limit is removed, and into the future, would be subject to a number of variables viz. the amount of the household income, the amount of the 'additional income disregard' that will apply in the means test, interest charges, interest rate changes and whether other statutory conditions of entitlement are satisfied.

- Additional costs which may arise will also be determined by the rate of uptake which will be affected by factors such as the extent and nature of communication of the change in the rules for entitlement, implementation arrangements as well as other factors such as use of savings and people availing of support from other sources such as mortgage repayment protection policies.

- There is no reliable estimate of the existing level of take-up of mortgage interest supplement so there is no reliable basis for estimating the extent to which eligible people would actually apply and qualify for mortgage interest support.

By using Census, Survey on Income and Living Conditions (SILC) and Quarterly National Household Survey (QNHS) data and subject to the qualifications as outlined above, it is estimated that up to 27,000 additional households may become eligible for mortgage interest supplement, if the 30 hour working limit was removed. This figure is based on an estimate of the number of owner occupiers with children, at work, with household income below €750.00 per week. The following qualifications need to be borne in mind however in estimating the additional take-up:

- Couples at work with no children or single people are not included in the figure of 27,000. More work would need to be done to arrive at estimated potential qualifiers for this cohort of claimants.
- The €750 household income figure is used on the basis of an assumption that an income above this level would be likely to result in no entitlement to a supplement. As can be seen from the examples included in Appendix A, this may not necessarily be the case and a person on a higher level of income could also become eligible where a high level of interest is being paid.

The additional costs involved as a result of the increased number of recipients are estimated to be in the region of €40 - €60 million per annum based on estimated average weekly supplements for this new client group of €30.00 to €45.00 per week.

In addition to the estimated additional scheme costs, depending on the level of take up, administrative costs for additional resources in the region of €5 to €10 million per annum would be required

The Review Group also noted that interest rates may increase in 2010 and if this arises, it could add significantly to the cost of the scheme, not just for existing recipients, but for new cases. Because there is currently no actual limit on the amount of interest for which a supplement can be paid, as interest rates increase, more people may become eligible.

Other considerations noted by the Review Group in relation to the issue of removal of the 30 hour working limit are:

- The removal of the limit could create a dependency culture on income support payments for those in full-time employment and turn the mortgage interest supplement scheme into a long-term support.
- The removal of the limit could be seen as assisting people in employment with their mortgage repayments while others less well off on social welfare payments may be facing cuts in their payments.
- Comparisons would be made with rent supplement claimants who would still be subject to a weekly 30 hour employment limit. Property owners with a mortgage would be seen to be treated much more favourable than those renting thereby putting pressure to apply the change to the rent supplement scheme as well. This could have cost implications for rent supplement.

Conclusions and Recommendations

From the analysis of replacement rates and the potential impact of MIS, the Review Group concluded that the receipt of MIS may act as a disincentive to persons seeking or returning to full-time and there is significant potential long term cost to paying MIS on indefinite basis. The Review Group strongly recommends that a time limit for the payment of the supplement is established as part of any revised MIS scheme.

However, having regard to the above considerations, the Review Group recommends the removal of the 30 hour rule of the current MIS scheme in order to ensure a balanced approach for all people experiencing difficulties with the mortgage. This major change in the scheme should only take place on the basis that:

- MIS will become a time bound support,
- , and the person suffered a substantial loss of income due to an observable change in circumstances (see 5.3.3 below); and
- a revised means test is developed.

The Group also strongly recommended that MIS recipients must be assisted to ensure that their long term housing support needs are met prior to the cessation of MIS payment.

5.3.3 Ability to meet loan repayments

Article 10 (1) (b) of the SWA Regulations provides that "*a person may be entitled to a supplement towards the amount of mortgage interest payable in respect of his or her residence provided that:*

- *The loan agreement was entered into at a time when, in the opinion of the Health Service Executive, the person was in a position to meet the repayments"*
- *The residence in respect of which the loan is payable, is not offered for sale."*

The original intention for the inclusion of the condition for entitlement to a mortgage interest supplement at Article 10 (1) (b) (i) was to ensure that the scheme would not be open to an abuse whereby a person could enter into a loan agreement and immediately apply for assistance towards the repayments without any change in circumstances having occurred.

The application of this rule can be particularly contentious and there has been criticism that the rule is often applied arbitrarily, unfairly and inconsistently.

The MIS Guidelines drawn up and circulated to CWOs as part of this review included guidance to the effect that, when forming an opinion as whether a person was in a position to meet the loan repayments when the loan agreement was entered into the following criteria should be considered in the first instance:

- Date when loan was advanced.
- Has there been a change in circumstances since the loan was taken out i.e. unemployment, redundancy, illness, separation.
- Whether the claimant's income at the time the loan was advanced can be confirmed on INFOSYS or by other documentary evidence.
- Prior to the change in circumstances, had the claimant a repayment track record of a minimum of 12 continuous monthly repayments. In the case of a loan which was advanced within 12 months of the MIS claim, that no arrears have accrued and monthly repayments were being made in full for a minimum of 6 months prior to the change in circumstances.

The original loan application and all supporting documentation is examined and if it is clear that there is no record of regular repayments, even before unemployment or there was no capacity to make a long term repayment commitment, then mortgage interest supplement may be refused. On the other hand if the person can show that they were in a position to meet the repayments which they agreed with their mortgage lender, by producing documentation which showed regular agreed repayments until their circumstances changed through unemployment etc., the person's entitlement to mortgage interest supplement will be examined taking account of the other qualifying conditions of the scheme.

The Review Group is of the view that there is the potential for different interpretations of this condition notwithstanding the clarification provided by the MIS Guidelines.

The Review Group notes the amendment contained in the Social Welfare and Pensions (No. 2) Act, 2009 relating to entitlement to a rent supplement to the effect that, where a person may qualify for a rent supplement on the basis of being a *bona fide* tenant and has resided for the period that is prescribed in rented accommodation, the Executive must also be satisfied that:

(i) the person was in a position to pay the rent at the commencement of the tenancy,
(ii) there was at the commencement of the tenancy, an expectation that, in so far as was reasonable in all the circumstances, the person could pay the rent into the future, and
(iii) subsequent to the commencement of the tenancy the person has experienced a substantial change in his or her circumstances and is unable to pay the mortgage and such change in circumstances has not been caused by that person.

The Review Group is of the view that, expressed in the above terms, the issue of any loss of income due to change in circumstances, including income under the rent a room scheme, can be more objectively decided.

Conclusion and Recommendation

The Review Group concluded that, notwithstanding the clarification provided by the MIS Guidelines, there is the potential for different interpretations of the regulation requiring the HSE to form an opinion that a person was in a position to meet the loan repayments when the loan agreement was entered as a condition for entitlement to MIS. The Review Group recommends that Article 10 (1) (b) (i) should be amended to provide assurance that there was, at the commencement of the mortgage agreement, the following;

(i) that the person was in a position to repay the mortgage at the commencement of the agreement, and;
(ii) an expectation that, in so far as was reasonable in all the circumstances, the person could repay the mortgage into the future, and;
(iii) subsequent to the commencement of the mortgage that the applicant has experienced a substantial change in their circumstances and is now unable to meet the mortgage repayments, and;
(iv) that the substantial change in circumstances occurred after a specified time limit for which full mortgage repayments began to the time when the person suffered a loss of income (e.g. via unemployment, illness, failure of a business etc.).

5.3.4 Guarantors

A complex issue which often arises when determining whether a claimant was in a position to meet the loan repayments when the loan agreement was entered into is where the claimant has obtained a mortgage on the basis of a guarantee or indemnity by another party. Where the income of the borrower on its own is insufficient to meet the criteria for the mortgage amount required lenders may allow another party (usually a parent) to provide a guarantee or become a co-party to the loan. In situations such as this, apart from the question as to whether the person was in a position to meet the loan repayments when the loan agreement was entered into, there is the further question as to the guarantor's responsibility where the borrower is not in a position to make the scheduled repayments. In accordance with the MIS Guidelines, if the terms of the guarantee make the guarantor legally liable to take over the repayments it is not appropriate to award a mortgage supplement.

From a policy perspective the Review Group considers that guarantees should be enforced and that it is not appropriate that the State (via the MIS scheme) should step into a guarantor's shoes and give financial assistance. It should only do so in exceptional circumstances. The Review Group appreciate the complex legal issues associated with a guarantor's liability and considered that legal advice needs to be obtained in respect of the position of guarantors prior to any policy and legislative changes being introduced.

Conclusions
The Review Group concluded therefore that there are complex legal issues associated with a guarantor's liability and that legal advice needs to be obtained in respect of the position of guarantors prior to any policy and legislative changes being introduced. The Review Group are of the view that this is an issue which should be examined in the context of the Expert Review.

5.3.5 Rent a Room Scheme

Many first time buyers seek to add to income by renting out rooms in their newly acquired houses. Most lenders will take the potential for such income into account when assessing borrowing capacity. Where this is the case and the person claiming MIS has not declared receipt of any such income the MIS Guidelines provide that it may be appropriate to determine that the condition that s/he was in a position to meet the loan repayments when the mortgage agreement was entered is not satisfied in the absence of an arrangement to rent a room and the provision of documentary evidence of such income.

The MIS Review Group is of the opinion that the existence of any potential income from the rent a room scheme declared by an applicant in the original mortgage application maybe considered as part of the assessment to determine the applicant's original ability to repay the mortgage. That is, did they rent out a room in the past, per their mortgage agreement or did not rent a room, but used this declaration so as to receive a higher mortgage than they could have afforded based on the stress test conducted by the bank at the time.

The Review Group considered also that it may be no longer possible to attract individuals into sharing an owner occupier's house, given the wider availability of rental properties and lower rental levels. Applicants may not be able, due to radically altered rental market, to rent out a room as originally agreed with their mortgage service provider.

Conclusion
'Rent-a-Room scheme' as a potential disqualification should be considered within the overall context of person's long term housing support and should be referred to the Expert Review Group.

5.3.6 Sale of residence condition

A qualifying condition for entitlement to mortgage interest supplement, as provided for in the regulations, is that the residence in respect of which a loan is payable, is not offered for sale.[40]

The purpose of the condition is to exclude entitlement where a person had placed a property on the market prior to making an application for mortgage interest supplement. In a buoyant property market, the existence of the rule could be justified on the basis that the borrower could come to an arrangement with the lender for the deferral of payments pending the outcome of the sale. It was also the case that it would be possible to sell the property more easily in a buoyant market. The other reason for this rule was to prevent owners acquiring MIS in order to delay a sale to get an improved price for the property.

For the purpose of providing guidance to CWOs operating the scheme, the MIS Guidelines provide that the requirement that the property should not be offered for sale may be interpreted and applied on the basis that it excludes entitlement only where the property was already placed on the market for sale by auction or private treaty at the time the claim for MIS is made.

In the course of the MIS Review it was noted that, based on anecdotal evidence, the rule is very rarely invoked to exclude a claim for mortgage interest supplement.

The Guidelines state that, in the case of a person in receipt of MIS who has come to an arrangement with the lending institution or has been advised to consider the option of the sale of the property, this provision should not be applied in such a way as would hinder or restrict the person from pursuing that course of action.

The Guidelines also state that, in cases, where the property has been placed on the market for sale by auction or private treaty, payment of a supplement may be continued for a maximum period of 12 months subject to on-going review having regard to prevailing market conditions and subject to any limits imposed or agreed with the lending institution.

The Review Group noted that the exclusion of entitlement to mortgage interest supplement where a property is offered for sale has attracted a significant amount of negative comment from a number of interest groups. This rule has also been identified as giving rise to particular difficulties in the administration of the scheme. This is the case in the current market where there have been significant reductions in house prices and many home owners are in negative equity. It is also considered to be unduly restrictive where a recipient of mortgage interest supplement may be considering, or may be advised to consider, the option of the sale of the property for the purpose of trading down.

Recommendation

[40] (Article 10 (1) (b) (ii) of the Social Welfare (Consolidated Supplementary Welfare Allowance) Regulations 2007, S.I. 412 of 2007).

The Review Group recommends that the sale of residence condition should be suspended in the current market.

5.3.7 Reasonable amount of interest

Article 10 (2) of S.I. 412 provides that "*subject to sub-article (3), it shall be a condition of any claimant's entitlement to a supplement under sub-article (1) that the Executive is satisfied that—*

- *the amount of the mortgage interest payable by the claimant does not exceed such amount as the Executive considers reasonable to meet his or her residential and other needs, and*
- *it is reasonable to award a supplement having regard to the amount of any arrears outstanding on the loan."*

There is currently no statutory guidance to assist CWOS in determining what is a reasonable amount of mortgage interest payable by a claimant to meet his or her residential and other needs. Prior to the setting down of rent limits in regulations for rent supplement purposes in 2002, limits were applied to both rent and mortgage interest supplements by CWOs on an administrative basis. When rent limits were prescribed in regulations in 2002, no statutory limits were set for mortgage interest purposes at that time or since.

The guidelines which were drawn up as part of the initial review on specific operational issues contain guidance to be used by CWOs for the purpose of determining what is a reasonable level of interest to meet a person's residential needs.

A decision as to whether the amount of interest payable by the claimant is considered reasonable is of particular significance, not just in terms of deciding whether a person will qualify for a supplement, but also in terms of Article 10 (3) (a) of S.I. 412 which provides that "*notwithstanding sub-article (2) and subject to paragraph (b), the Executive may award a supplement where the amount of mortgage interest payable by the claimant exceeds such amount as the Executive considers reasonable to meet his or her residential and other needs."*

However, paragraph (b) of Article 10 (3) states that "*no supplement referred to in paragraph (a) shall be paid in respect of any period more than 12 months from the date on which the claim therefore is made."* Therefore where the amount of interest payable by claimant is deemed to be in excess of what is considered a reasonable amount of interest to meet his or her residential needs but a supplement is awarded notwithstanding, the supplement can only be paid for a maximum period of 12 months.

It can be assumed that these provisions are intended to allow a reasonable period of time for the claimant to either improve their financial position or to make alternative arrangements in relation to their accommodation needs. It may also have been in the mind of the legislators that it would not be equitable, in such cases, to continue payment of a mortgage supplement indefinitely. In this regard it should be noted that the Guidelines on Rent and Mortgage Supplement, which issued in 1988, contained the following paragraphs:

"The length of time a mortgage supplement should continue in payment is something which should be viewed in the following way:

- where the mortgage supplement payable is on a par with the likely rent supplement which the same family would ordinarily be entitled to an allowance can be paid for as long as deemed necessary
- where the mortgage supplement payable is significantly above this level a supplement should only be paid for a period of 6 months and then reviewed. If it is considered warranted a further extension of 6 months can be sought. The claimant should be advised from the outset that a high mortgage supplement will not be paid indefinitely and that he should consider seeking alternative accommodation. Only in exceptional cases should such a supplement be continued after 12 months."

The Review Group noted that there are a number of issues which arise in relation to the issue of reasonable level of interest and the application of the 12 month limit which also have been the subject of criticism by a number of commentators as giving rise to a certain amount of confusion and accordingly, inconsistencies, when eligibility for MIS is being determined. The issues are as follows:

- In some CWS areas rent limits have been used as the basis for deciding what is a reasonable level of interest and payment of a mortgage supplement may often be refused where the limit is exceeded although this is not supported by legislation;
- Some CWS areas award a supplement based on the rent limit although the amount of interest may be in excess of the limit which leaves the claimant in the position of having to pay the minimum contribution, the balance of the interest and the capital element of the loan repayment form his or her own resources.
- Where a supplement is awarded and paid for a period up to 12 months in accordance with Article 10 (3) (b) it is not clear whether no further supplement can then be paid at the end of the period or whether a reduced supplement can be paid based on what may be considered to be a reasonable level of interest i.e. the appropriate rent limit.
- While the regulations refer to "residential and other needs" it is not clear what "other needs" refer to.

Conclusions

The Review Group concluded that:

- the wording of Articles 10(2) and 10(3) is unclear and provides too little certainty as to what an individual applying for MIS can receive. The Group considers that this needs to be made clearer and suggests that an interest limit (possibly linked to level of interest rates, household size and/or mortgage size) would be more appropriate. This would remove the discretionary element and standardise the amount of expected MIS payment. This would also reduce the need to have the provision for exceptional payments contained in Article 10(3).

- there is no rationale in the current market, where it is difficult to dispose of properties and downsize, for having a provision for an exceptional payment for 12 months.

- although the SWA Working Group believed that it was appropriate to link mortgage interest supplement payments and rent supplement limits, that the linking of rent limits to mortgage interest supplements is not now viable as rents have fallen significantly but mortgage payments are based on the person's original mortgage.

The overall conclusion of the Review Group was that the introduction of time limits for making payments of MIS would resolve some of the difficulties with these legislative provisions. This is considered further in chapter 6.

The Review Group also concluded that there should be a requirement that an applicant must have engaged with the lending institution prior to seeking MIS consistent with the requirements placed on lenders in the Code of Conduct on Mortgage Arrears as a condition of seeking mortgage interest supplement. This is also considered further in chapter 6.

5.3.8 Outstanding arrears

Under Article 10 (2) (b) of the SWA regulations it is a condition for entitlement to mortgage interest supplement that the Health Service Executive is satisfied that it is reasonable to award a supplement having regard to the amount of any arrears outstanding on the loan.

Guidance in relation to the application of this condition is contained in the MIS Guidelines with specific reference to the Statutory Code of Conduct on Mortgage Arrears which came into effect on the 27th February 2009.

In Chapter 3 it was noted that the total mortgage accounts in arrears, based on figures published by the Financial Regulator for the quarter ended December 2009, were 28,603, or 3.6% of the total. Of the total mortgage accounts in arrears 19,185 or 2.4% were more than 180 days in arrears. A rigorous application of this condition therefore could result in a significant number of MIS claims being refused.

Conclusions

Again, the Review Group concluded that, in the current economic environment it would be more appropriate, as an alternative to this condition, to have a condition requiring a person to renegotiate with a lender consistent with the requirements placed on lenders in the Statutory Code of Conduct on Mortgage Arrears as a condition precedent for entitlement to MIS.

The Review Group were agreed however that there are issues which would need to be addressed prior to the introduction of a condition of this nature which are not within the remit of the MIS Review. Accordingly, the Review Group concluded that any final recommendation on this matter should await the completion of the Expert Review.

5.3.9 Changes to Legislation.

Section 198 of the Social Welfare (Consolidation) Act 2005, as amended provides that in the case of a person whose means are insufficient to meet his or her needs, regulations may provide for a weekly or monthly payment to supplement that person's income. The regulations may prescribe the class or classes of persons to whom a supplement may be paid and the conditions and circumstances in which a supplement may be paid. Supplements can be paid in relation to rent, mortgage, and diet costs and in 'exceptional circumstances'.

Section 198 reflects the original wording of the provision contained in the Social Welfare (Supplementary Welfare Allowances) Act, 1975. However, it is now generally accepted that, by law, primary legislation must set out general objectives of policy with only the details set out in Ministerial regulations**.**

The Review Group recommends therefore that any amendments in relation to the conditions for entitlement to the current MIS scheme should be provided for in primary legislation.

Means assessment issues

5.3.10 Capital means assessment

Under current social welfare legislation[41], any income received from property owned, but not personally used or enjoyed, is assessed on a capital value basis. The most common example is where a person owns a second/third house. The owner is assessed with the capital value of the property, less any outstanding mortgage on the property (whether the house is let or is vacant) and not on any income generated from the property.

In accordance with reference 3 of Table 1 to Part 4, Schedule 3, of the Principal Act, the following formula is used in the assessment of capital and property to establish weekly means for SWA purposes:

First €5,000	Nil
Next €10,000	€1 per €1,000
Next €25,000	€2 per €1,000
Excess of €40,000	€4 per €1,000

It should be noted that the above formula for calculating weekly value of capital/property for SWA purposes differs from the formula used for other social welfare schemes. The standard formula for social welfare schemes (excluding disability allowance) is as follows:

First €20,000	Nil
Next €10,000	€1 per €1,000
Next €10,000	€2 per €1,000
Excess of €40,000	€4 per €1,000

In the case of disability allowance the first €50,000 is not assessed and the €4 per €1,000 assessment only applies to capital/property in excess of €70,000.

[41] Part 4 of Schedule 3 to the Social Welfare (Consolidation) Act, 2005, as amended.

When assessing the weekly means for the purpose of entitlement to SWA in respect of property valued at, say €100,000, with no outstanding mortgage, the following calculation is used:

Property Value	**€100,000**
Disregard first €5,000	-
Next €10,000 @ €1 per €1000	10.00
Next €25,000 @ €2 per €1000	50.00
€60,000 @ €4 per 1000	240.00
Means Under Capital Assessment	300.00

Due to the economic downturn many properties are in negative equity i.e. the current market value of the property is less than the outstanding mortgage. In such cases no capital value is assessable for means purposes. However, it has been brought to the Review Group's attention by the CWS representatives that cases frequently arise where a property is not in negative equity and, because of low mortgage interest rates, the net income from rental of the property (income in excess of the mortgage repayments and expenses) may be greater than the capital value assessment on the property. However under the current rules for assessment of means the rental income is not assessable. The Review Group is of the view that it is inappropriate that individuals should be entitled to qualify for MIS based on the above method of assessing capital value.

Assessing an investment property on an income/expenses basis may result in the property yielding a profit which could be assessed as means against a client. The Review Group recommends that the means assessment rules for the existing MIS scheme be amended to provide for two assessments and take the power to apply whichever yields the greater income, that is:

(a) on the capital value of the property less any mortgage on the property, or;
(b) assess an income from the investment property on an income/expenses basis.

While there would be some additional administrative requirements with such an approach, it is expected that only a small number of persons who are eligible for MIS would have investment properties.

Given that SWA is a scheme of last resort, the Review Group recommends that the current capital assessment criteria for SWA should remain.

The Review Group also considered whether, as an alternative to the capital assessment approach and having regard to the needs based nature of the MIS scheme, ownership of other property or properties should preclude an applicant for consideration for MIS. In particular the Group considered whether the amount of the outstanding mortgage on the person's sole or main residence should be reduced by the amount of equity in other property or properties available to the applicant which could be applied for the purpose of redeeming or reducing the mortgage on the sole or main residence before entitlement to MIS will be considered.

Conclusions

The Review Group concluded that, to ensure fairness, that the current capital assessment model is augmented to include an income / expenditure calculation for MIS applicants with investment properties. Furthermore to ensure consistency, that persons with investment properties which have 'positive net worth' are incentivised to dispose of these assets whilst attempting to remain in their principal private residence. Allied to this, the current SWA capital assessment calculation, which is more onerous than other social welfare payment schemes, remains as is, reflecting the scheme's purpose as that of 'last resort'.

5.3.11 Home help income

Part 4, Schedule 3 to the Social Welfare (Consolidation) Act 2005, sets out the cash income to be taken into account, in the assessment of means for SWA purposes. Rule 1(2) of Part 4, Schedule 3 provides as follows -

> *"all income in cash, including the net cash value of any non-cash earnings derived from personal exertions and the non-cash benefits that may be prescribed and the actual or estimated amount of any household income, whether as contributions to the expenses of the household or otherwise, …"*

The income taken into account under this rule is the full household income subject to certain excluded categories of income.

Legislative provision in relation to assessment of income from home help is provided for in Table 2, reference 9 of Part 4, Schedule 3 which provides that the amount excluded in calculating means includes:

> *"the amount that may be prescribed of income from employment by the Health Service Executive or by a person approved by the Health Service Executive, as a home help"*

No amount has ever been prescribed under this provision.

In the main, the exemption is applied to earnings from part-time employment as a home help, as those working in excess of 30 hours a week (including spouses) are disqualified from receipt of rent /mortgage interest supplement. However, significant earnings as a home help, even on a full time basis, are being exempt from the means test for SWA payments where the spouse of a claimant is claiming SWA. There is no limitation on the amount of hours that a spouse can work as a home help for the HSE or on earnings where the other party is claiming SWA.

The exclusion of home help income in the assessment of means for SWA was considered by the SWA Review Working Group (2006)[42] which was of the view that this disregard needed

[42] Report of the Working Group on the Review of the Supplementary Welfare Allowance Scheme , Phase II, November 2006, page 160.

to be amended or removed altogether in the light of the changes to the home help scheme in recent years, and in particular to the greatly improved rates of remuneration payable to home helps. The Working Group could see no valid reasons for a continuation of the disregard given the level of unemployment at that time and the fact that the HSE should not have any difficulty in recruiting home helps.

Conclusion and Recommendation

The Review Group concluded that there is no rationale as to why earnings from home help employment should continue to be exempt from the MIS means test. The Review Group recommends that the rules for assessing means for the purpose of entitlement to MIS be amended to remove the exemption of Home Help income.

5.3.12 Minimum contribution

Currently the minimum contribution which a claimant must make towards mortgage interest payments is €24. The same minimum contribution applies to the rent supplement scheme. In addition, under SWA regulations a deduction may be made from the amount of mortgage supplement payable of €24 per week for every €196 of income of a non-dependant household member.

Two issues which were noted by the Review Group in relation to the rate of the minimum contribution are:

- The same rate applies whether the claimant is a single person or one of a couple;
- The minimum contribution is significantly less than the average amount of differential rent paid by tenants of local authority accommodation.

Recommendation and Conclusion

The Review Group recommends that the Minimum Contribution amount and the calculation thereof is reviewed to ensure that it reflects individuals' financial circumstances and that it is consistent with the differential rent calculations established by local authorities for social housing supports.

5.3.13 Age related social welfare payments

Under standard SWA rules, and as provided for by Article 12(1) of the Regulations, mortgage interest supplements are normally calculated to ensure that a person, after the payment of mortgage interest, has an income equal to the rate of SWA appropriate to their family circumstances less a minimum contribution, currently €24, which recipients are required to pay from their own resources.

Due to the introduction of age related social welfare payments provided for in Budget 2009 (€100.00 for 18 – 19 year old claimants) and Budget 2010 (€100.00 for 20 – 21 and €150.00 for 22 – 24 year old claimants) issues have now arisen as to the appropriate SWA rate to be applied in the assessment of rent and mortgage interest supplements.

Recommendation and Conclusion

The Review Group recommends that the MIS payment to individuals who are in receipt of age related social welfare payment is aligned with overall Departmental policy and that this is communicated effectively.

5.3.14 Legal basis for discretionary payments

Article 38 of S.I. 412 of 2007 is intended to enable the HSE to deal with exceptional cases by providing for general discretion in paying a supplement under the SWA scheme in exceptional circumstances.

The MIS Guidelines state that the discretionary power provided under Article 38 is for exceptional individual circumstances and is not intended to deal with a generality or category of cases where no particular special circumstances exist. The Guidelines also state that it is expected that very few such cases should arise and that such payments would be of short duration and not intended to be paid on a long-term basis. The Guidelines also emphasise the importance of ensuring that the claimant is made fully aware that s/he does not have an entitlement to MIS and that any conditions which apply, in particular the duration of the discretionary payment, are clearly set out when the payment is being awarded.

In a submission in response to the Social Welfare (Miscellaneous) Provisions Bill 2008, FLAC and Northside Community Law Centre have proposed that the discretionary power to award MIS in any case where the Executive considers it reasonable should be provided for in primary legislation.

Recommendation and Conclusion

The Review Group concluded that the Department should consider this matter further in the context of a revised scheme.

5.3.15 Legal basis for appeals process

Under existing arrangements, in accordance with SWA Regulations, an appeal against a decision on entitlement to mortgage interest supplement is made in the first instance to a designated appeals officer in the HSE. A person may, if they so wish, make a further appeal to the Social Welfare Appeals Office, if they are dissatisfied with the decision of the HSE appeals officer. If a claimant wishes to exercise this further right of appeal they are required to submit a notice of appeal to the HSE Appeals Officer outlining the grounds of their appeal. The HSE Appeals Officer is then required to forward the case to the Social Welfare Appeals Office.

This process has been criticised by both MABS and FLAC as being unfair to claimants and giving rise to lengthy delays. In their submission FLAC and Northside Community Law Centre[43] have pointed out that the difficulty with this approach is that it places the appellant at a disadvantage in that the HSE, having already decided on the claim, is afforded an opportunity to try the case again, based on new submissions made by the client before the appeal is forwarded to the Social Welfare Appeals Office. They have also pointed out that the

[43] Section 312 of the Social Welfare(Consolidation) Act 2005

process often results in lengthy delays in having appeals forwarded to the Social Welfare Appeals Office.

FLAC and Northside Community Law Centre propose that the relevant legislation be amended to ensure that decisions of officials of the HSE are appealed in the same manner as the appeals process applicable to decisions of deciding officers i.e. notice and grounds of appeal are submitted to the Social Welfare Appeals Office. The Review Group noted that provision has been made in legislation for SWA appeals to be made direct to the CAO as part of the transfer of the CWS to DSP.

Conclusion
The Group have concluded that this matter will be resolved in the context of the transfer of functions from the Health Service Executive to the Department of Social Protection.

5.4 Operational Issues

Following on from the examination of legislative issues the Review Group examined operational issues which were brought to its attention in the course of the review and consultation process as outlined in Chapter 1 and Appendix A.

The operational issues considered were:

- Provision of supporting documentation and claim processing.
- Payment of MIS i.e. verifying mortgage repayments, whether payment should be made direct to the lender.
- Statistical information and requirement to record all new claims, refusals and reason for refusal, claims withdrawn or not pursued, information on appeals, both HSE and SWAO appeals.

5.4.1 Provision of supporting documentation

When processing claims for mortgage interest supplement CWOs generally request claimants to furnish along with the relevant claim forms a copy of the original loan application and evidence of income at the time the loan agreement was entered into in order to establish;

- the purpose for which the loan was taken out, and
- that the person was in a position to meet the loan repayments when the loan agreement was entered into.

There has been criticism of this practice from various sources, particularly the IBF, who state that the retrieving of such documentation carries a cost in the form of employing document storage and can also delay the process of completing relevant sections of the claim form by up to ten days to the inconvenience of the customer.

The CWS have drawn attention to the fact some lenders have refused to supply the documentation. One lender has recently offered to supply information in an alternative format. The issue has also been raised with the Financial Regulator who has issued a direction to mortgage lenders to the effect that, under the Consumer Protection Code, their staff are required to act "with due skill, care and diligence in the best interests of its customer" and that accordingly, all requests for documentation and information should be processed promptly.

The Review Group reiterates that it is particularly important that this documentation is provided in order to:

- establish and verify the purpose for which the loan was taken out. In cases where re-finance or top-up loans have been taken out, sight of the original loan documentation is the only way to obtain independent verification of the proportion of the interest allowable for the purpose of the MIS scheme.
- to determine whether the person was in a position to meet the loan repayments when the loan agreement was entered into. Social welfare records often indicate significant variances in the amount and source of income at the time loan agreements are entered into as against information provided to the lender.

The Review Group acknowledges that the requirement to furnish copies of original loan documentation creates some difficulties for the lenders and borrowers in the context of access to the MIS scheme. However, the need to examine in detail the documentation provided by the lender also creates difficulties for CWOs in terms of complexity and variation of documentation provided, or indeed the lack of adequate information, when attempting to disaggregate loans on the principal residence from other loans.

However, the receipt and examination of such documentation is an important requirement in terms of the need for the CWO to establish that the loan for which MIS is being claimed relates directly to the principal residence and not other borrowings and that the person was in a position to meet the loan repayments when the loan agreement was entered into.

In a case where an opinion is formed that the conditions are not met there is also the additional work of explaining the basis for the decision and responding to the appeals which often follow.

There is no statistical information currently available in relation to number of refusals or reasons for refusal of MIS claims or on the number of appeals and outcome of appeals. However, based on anecdotal information from FLAC and other sources it appears that a significant number of decisions relating to the purpose of the loan, and the ability of the person to make the mortgage repayments when the mortgage agreement was entered into, are being appealed.

Because of the difficulties in accessing documentation and given the complex nature of the conditions for entitlement to MIS, the processing of a claim can be time consuming when compared to other aspects of the SWA scheme. Therefore, the Review Group is of the view that simplifying the operation of the scheme as well as flanking administrative measures should help reduce the work of CWOs in managing the scheme. However, the basic requirement for relevant documentation must remain as a condition of the scheme. The matter is discussed further in Chapter 6 in the context of proposals for alternative organisational approaches.

5.4.2 Payment of MIS

The Review Group considered the need to have appropriate control measures in place to verify that mortgage supplement payments are being paid to the lender. SWA Regulations allow payment to a nominated third party but only at the request of the lender. In the course of discussions with the IBF and with GE Money (Ireland) it was alleged that some MIS recipients are not making mortgage repayments despite being in receipt of mortgage supplement. The IBF and GE Money both questioned the appropriateness of MIS payments being paid to the borrower and not directly to the lender. However, payment of MIS directly to a lender on behalf of a borrower could result in result in overpayments without appropriate controls or sanctions to recover such overpayments.

However, the Review Group is of the view that there is need for clear lines of communication between the financial institutions and the CWS in relation to the status of MIS recipients at all times. In particular, there should be a requirement on the financial institution to notify the CWS when a recipient of MIS has defaulted on the mortgage repayments with a view to suspending the MIS payment until the investigation of the reason for default has been completed.

Conclusions

The Review Group concluded that any proposed change in policy in relation to payment of MIS and the interaction between the financial institutions and the CWS should await the completion of the Expert Review.

5.5 Recommendation and Conclusion

The Review Group concluded that, overall, the results of the examination of replacement rates suggests that behaviour in terms of seeking work may be impacted on by payment of a benefit such as MIS and strongly recommends that Mortgage Interest Supplement payments should be time bound, that MIS support should not become a medium or long term housing solution.

Having regard to the current mortgage and property market and the legislative and operational issues which are arising in the administration of MIS, the Review Group concluded that there are significant legislative and operational changes required to ensure that MIS will be administered as a short term support in a manner that it is consistent, transparent and fair. The Review Group recommends however that the Department await the completion of the Expert Review prior to proceeding with any legislative or operational changes to the current MIS scheme.

Chapter 6 Alternative Policy, Legislative and Organisational Approaches

6.1 Alternative Policy and Legislative Approaches

For the purpose of informing the Expert Review, the Review Group considered what alternative policies and objectives might be appropriate to restore the MIS scheme to its original objective of providing short-term income support.

The Review Group noted commentary contained in a report of the 16th February 2010 to the Joint Committee on Social Protection on High Levels of Indebtedness in Irish Society. In reference to the MIS scheme the report noted that:

> *"There are a number of serious difficulties with the way in which the scheme is operated at present. Claimants are not eligible for Mortgage Interest Supplement if their mortgage is considered to be too expensive, however there does not seem to be uniformity in the administration of this and discretion as to what is considered too expensive seems to rest with the Social Welfare Officer. It also ignores the fact that the personal circumstances were different when they took out the mortgage and it may have seemed affordable at that point in time.*
>
> *Regardless of the cost of the mortgage, if it is granted on the basis of two incomes and one income is lost through unemployment, illness or disability, the household is not eligible for mortgage interest supplement based on the fact that there is one income coming in regardless on whether or not they are in mortgage arrears and are unable to pay. There are also extreme difficulties for those who are self employed and now find themselves unemployed, particularly as they are required to produce up to date accounts and the fact that the previous years accounts are generally taken into consideration and these accounts may be quite healthy compared to the current situation.*
>
> *While we can find out the number of people who are availing of mortgage interest supplement, the Department of Social & Family Affairs does not itself collect figures of people who want to apply for mortgage interest supplement so we do not have any substantive details on the numbers who are turned down. This makes it more difficult to judge the fairness and availability of the system. The Community Welfare Officers actually have this information. However, the Department does not collate it.*
>
> *Lack of awareness of mortgage interest supplement availability still seems to be a difficulty and is something which needs to be addressed."*

6.1.1 Mortgage Repayment/ Income Protection Policies

In the light of the increasing number of MIS claimants the Review Group considered the need for other policy and objectives which may alleviate the need for borrowers to have recourse for support from the State in the form of mortgage interest support.

The Review Group noted the recommendation contained in the report dated 16th February 2010 to the Joint Committee on Social Protection on the High Levels of Indebtedness in Irish Society to the effect that mortgage indemnity insurance should be compulsory to be paid by all banks for all mortgages over 70% loan to value. The Joint Committee recommended that this as an issue to be taken up by the Joint Committee on Finance and the Public Service.

The Review Group recognises that a policy of requiring mandatory insurance coverage to cover long periods of unemployment could have a significant cost for future and existing house purchasers given its potential impact on insurance rates**.**

Conclusion

The Review Group concluded therefore that the implementation of a new policy for making mortgage repayment or income protection policies compulsory for all new mortgages is not within the remit of the MIS Review Group but should be considered in the context of the wider remit of the Expert Review Group on Personal Indebtedness and Mortgage Arrears.

6.1.2 Legal Charge

Having regard to the number of recipients in receipt of MIS on a medium to long-term basis (see table 3,Chapter 2) and the likelihood of an increase in this number as dependency on the scheme increases, the Review Group considered the need for other forms of intervention including a charge on the property after a specified period.

The Report of the SWA Working Group (2006) stated that, on the basis that the mortgage interest supplement is intended to address short-term need, cases where MIS is being paid on a long-term basis should be reviewed with a view to putting procedures in place to address their long-term need. The SWA Working Group concluded that this may take the form of a legal charge by the State in the event of it being sold or the individuals in question engaging with the local authority to assess and provide for their housing need.

Introducing a legal charge could create difficulties for the State, with part ownership of properties with all the responsibilities that may incur. Additionally it would be difficult for the State to redeem any charge that it might incur on existing properties. There may also be significant opposition from existing home owners to such a charge.

Conclusions

The Review Group recommended that MIS policy should be reviewed to consider the limited circumstances were a partial charge may be created on property in respect of MIS payments.

6.1.3 Time limit for payment of MIS

Other than in a case where a supplement is being paid under article 10 (3) of the SWA Regulations (see Chapter 2, paragraph 2.5), there is no time limit on the payment of mortgage interest supplement. In accordance with the statutory qualifying conditions, mortgage interest supplement is normally paid for the duration of the period for which entitlement exists provided that the beneficiary resides continuously in the residence in respect of which the supplement is awarded.

The analysis of the profile of recipients in chapter 2 showed that, of the total number of recipients at the end of December, 2009, 1805 (12%) are in receipt of the supplement for over 24 months. However, the percentage of recipients in receipt of a supplement for over 24 months is affected by the rate of new claims coming into payment and, given the significant increase in claims in 2008 and 2009 and the current economic outlook, this figure is likely to change into the future.

The Review Group considered whether MIS should be a time bound scheme as an alternative, or in addition to, the imposition of a legal charge on a property where MIS is being paid. A number of possible options were examined viz.

- MIS would be a time bound payment (up to five years) and no supplement would be payable when the appropriate time limit has expired.
- A time limit would apply followed by a phased withdrawal of supplement in the last year (e.g. reduced by 25 percent in the last year).
- A time limit would apply following which further payment of a supplement would be subject to a legal charge on the property.

Setting a time limit for payment of a mortgage interest supplement would have implications for current MIS recipients who may require assistance on a medium to long term basis and for the mortgage market in general. Table 7, chapter 2 shows that 3.6 percent or 558 out of the total number of recipients at the end of December 2009 are in receipt for 4 years or more.

However, it is not practical or desirable that MIS should continue as a medium to long term payment. Receipt of MIS may act as a disincentive to persons seeking or returning to full-time and there is significant potential long term cost to paying MIS on an indefinite basis. Also, in the long term, payment of MIS may not result in individuals retaining the family home if they cannot meet their own liability for the principal and future interest repayments. In such cases, the support provided by the State to the individual and the financial institution may be unjustified in the long term.

Setting a time limit should allow individuals to assess if there is a realistic possibility of their ability to afford to pay their mortgage in the medium and long-term and what option they might have in the event that this is not possible. It would also allow for other support options to be developed for those who require assistance on a medium to long term basis. A proposal to set a time limit for payment of MIS would also be consistent with the original objective of providing short term income support.

Recommendation
The Review Group recommended that the setting of a time limit on the payment of MIS should be established within any new MIS scheme arrangements. The provision of alternative support for those who require assistance on a medium to long term basis are matters which could usefully be addressed in the context of the Expert Review. When these arrangements have been put in place the payment of MIS, limited to a 2 year period would be consistent with the schemes short terms objectives.

6.1.4 Re-negotiation of mortgage terms

The Review Group noted that the Financial Regulator has written to all mortgage lenders informing them that with effect from 17 February 2010, the Statutory Code of Conduct on Mortgage Arrears has been amended to require that a regulated firm must wait at least twelve months from the time arrears first arise before applying to the courts to commence enforcement of any legal action on repossession of a borrower's primary residence. This twelve-month requirement does not apply where the borrower is deliberately not engaging with the lender. In this regard, the Financial Regulator expressed the view that lenders should only seek repossession in less than twelve months in very exceptional circumstances and when all reasonable attempts to encourage engagement by the borrower have failed.

The case study and survey analysis (section 5, paragraph 5.3) shows that 88.4 percent of claimants did not renegotiate the terms of their mortgage before claiming MIS. 73 percent of those who did renegotiate the terms of their mortgage did so, on their own initiative, dealing directly with their mortgage lender. 59 percent of this group moved to interest only repayments. The remaining 41 percent invoked their moratorium agreements of their mortgages. One person renegotiated the terms of the mortgage following advice from a MABS money advisor. Two claimants indicated that they were already on interest only mortgages before applying for MIS.

The Review Group found it surprising that the proportion of claimants not contacting their lenders to renegotiate the terms of their mortgages is so high. Given the financial strains people are under, particularly with changes in employment status and working hours, renegotiating the mortgage payment type and repayment amounts would have been anticipated. It is also the case that in the context of a long-term financial commitment, such as a mortgage, it is not unreasonable for a borrower to engage with the lender and apply for a period of forbearance for a period of time before applying for State support.

A question on the case study form asks whether there are any other supports currently in place for the claimant to help manage the mortgage payments additional to MIS or other debts and/or planned supports once the claim is closed. In 97.9 percent of cases no such supports are in place. In the remaining cases, claimants have either been referred to and/or advised about MABS. The overriding sense from the analysis is that there is a lack of information / understanding around how to handle mortgage payment difficulties and in referrals to MIS and other supports (e.g. MABS; FLAC etc.).

This raises questions as to when and how people become aware of MIS; could earlier actions be taken (e.g. renegotiation of mortgage terms); how responsive is MIS to changes (e.g. income; employment); how well does MIS connect to wider societal issues, such as affordability/ indebtedness; and are there changes that could be made to improve the interconnectedness of MIS with other supports.

Also, the main findings from the case study and survey analysis show a lack of renegotiation /change of mortgage terms. This suggests a breakdown in the relationship between claimants and lenders and a lack of awareness of steps to take when facing difficulties with mortgage repayments and debt more generally. The high non-response rate and lack of referrals to the MIS suggests that an awareness/ information initiative would be useful e.g. with money advisors, in citizens information centres. The analysis also points to a lack of referrals or other supports being suggested to claimants.

From the case study and survey analysis it appears that there are three broad cohorts of borrowers who require assistance:

1. Those in need of short-term assistance. They tend to have reasonable mortgages and are in a good position to get back on their feet. In this case following a period of forbearance MIS is the appropriate support.
2. Those who need assistance into the medium-term. These are more complex cases where MIS may help but other supports/advice may also be required.
3. For those who require long-term assistance; claimants tend to have mortgages whose levels are beyond reasonable repayment thresholds. There is little likelihood that MIS will change their situation. Claimants' employment and financial status may be compromised. In these cases, more active interventions are required such as the renegotiation of mortgage terms; the involvement of lenders and other supports, debt resolution/arrears; and other State supports such as social housing.

Conclusions

The Review Group concluded therefore that, consistent with the requirements placed on lenders under the Code of Conduct on Mortgage Arrears, it may be appropriate to introduce a policy requiring a borrower who has experienced a significant change in circumstances, as an alternative to claiming MIS for an initial 6 month period to:

- enter into negotiations with the lending institution in an attempt to renegotiate affordable mortgage terms including, if necessary and appropriate in the particular circumstances, a moratorium on repayments; and,
- where short-term mortgage interest support may not be an appropriate option, to engage with their local authority during the initial period to have their long term housing needs assessed.

6.2 Alternative organisational approach

6.2.1 Claim process

There has been a significant increase in the workload of CWOs in the management of SWA claims in general. Table 1 in chapter 2 shows that the number of SWA claims in payment increased from 108,826 at the end of 2007 to 166,880 at the end of 2009 representing a 53% increase. During this period the number of MIS claims increased by over 268%.

The Review Group considered the need for an alternative claim assessment process, particularly in complex cases involving different forms of loan and debt, in order to verify the amount of interest which meets the definition for the purpose of the MIS Scheme, the basis on which the loan was approved by the lender and issues relating to arrears.

A specialised approach to the claim assessment process would provide greater consistency in the administration of the MIS scheme. A centralised MIS Approval and Payments Unit could facilitate this requirement more effectively. It is envisaged that the Unit would work with the applicant's mortgage service provider possibly with the assistance of a financial intermediary such as MABS. One of the primary roles would be to ensure that claimants for mortgage interest supplement have engaged with the lender prior to making the claim for MIS. A centralised Unit would also provide for a more efficient interaction with mortgage service providers, providing consistency of approach and clearer lines of communication. Documentation flow between the Unit and mortgage service providers could be more easily defined, for example, it could include a legal declaration from the financial institution that the amount of interest related to the principal private residence only and not to any other loans. The interrelationships with the MIS Approval and Payments Unit, Banks and the assigned financial intermediary would have to be agreed and formalised. Dispute resolution procedures would also be a requirement for the MIS Unit to be effective, again for example, where errors arose which resulted in MIS overpayments, recovery of any overpaid MIS payments from the lending institution could be enforced etc.

The case workload of MIS applications currently undertaken by CWOs would be transferred to this unit on a phased basis. Once the MIS Unit has been established all new MIS claims would be routed to this Unit by the CWS or the Department's local offices. It is envisaged, barring the initial point of contact, or assistance with an MIS application that CWOs work flows for MIS would be reduced significantly. CWOs could still be the first point of contact when a person's circumstances change, though the MIS Unit would liaise with the financial institutions and calculate the person's entitlement.

When a person presents to the CWO for MIS support, the applicant would be referred to the MIS Approval and Payments Unit and a financial intermediary as appropriate.

Conclusion and Recommendation

The Review Group recommends that the MIS business delivery model should be reconfigured with the establishment of a centralised MIS Unit Approval and Payments Unit.

It is the view of the Review Group that, if this proposal is accepted, account should be taken of existing expertise within the CWS and this should be utilised as much as possible.

6.2.2 Role of financial intermediaries

It is possible also that, as part of the process of determining eligibility for MIS, that a financial intermediary, such as MABS, could be used as a way of assisting the process.

Conclusion

The Review Group noted that the terms of reference for the Expert Review includes an examination of the State support schemes and to make recommendations as appropriate for improvement having taken into account mortgage support schemes in operation in other jurisdictions**.** The Review Group recommends therefore that Expert Group consider the possible role of financial intermediaries and the procedures and facilities which might be put in place to support the process of assisting borrowers, particularly in complex cases involving different forms of loan and debt, in their negotiations with the lending institutions and in identifying the appropriate options to resolve their difficulties in meeting their mortgage repayments**.**

6.2.3 Statistical information

There is no statistical information readily available in relation to the total number of MIS claims being made, the number of refusals or reasons for refusal or on the number of appeals and outcome of appeals. However, based on anecdotal information from FLAC and other sources it appears that a number of decisions relating to the purpose of the loan, and the ability of the person to make the mortgage repayments when the mortgage agreement was entered into, are being appealed.

Comprehensive statistical information on claim activity - particularly in relation to the number and reasons for refusals, appeals and outcome of appeals - is essential, not just in relation to the operation of the MIS scheme but also to inform relevant stakeholders on the MIS role in the mortgage market and the needs of mortgage holders who are experiencing difficulties with their mortgage repayments.

Conclusion and Recommendation

In terms of the need for better collection of MIS claim activity data, including in particular: data in relation to number of refusals; reasons for refusal; appeals; and outcome of appeals, the Review Group recommends that the establishment of a centralised MIS Approvals and Payments Unit would facilitate significant improvement in the collection and analysis of appropriate statistical information in relation to the profile of mortgage holders experiencing difficulties with their mortgage repayments and the efficiency and effectiveness of state supports available.

6.2.4 Monitoring and Evaluation

In terms of monitoring and evaluating the operation of the MIS scheme the Review Group noted the conclusions in the Report of the SWA Working Group (2006) to the effect that **"***The level of analysis of internal data could be improved if data were available on the* *application of disregards, level of deductions, household income, family composition, and accommodation occupied by family size.''*[44]

In addition to the improvement in the level of analysis of internal data as identified by the SWA Working Group there is also a need, in the view of the MIS Review Group, in terms of monitoring and evaluating the MIS scheme into the future to:

- Set down clearly defined objectives for the Scheme
- Set down key performance indicators
- Establish indicators to measure administration costs
- Consider the setting up of a Steering Group to monitor the MIS scheme involving key stakeholders i.e. Department of Socal Protection, financial institutions, the Financial Regulator, MABS and the Department of Enviroment, Heritage and Local Government.

The Review Group concluded that the issue of monitoring and evaluation of the MIS Scheme can only be progressed when the Expert Review is completed and the role which the MIS scheme will play, as part of a range of measures for improving the level of mortgage support to homeowners in difficulty with mortgage repayments in line with the commitment on protecting the family home in the Renewed Programme for Government, has been clearly identified and articulated.

Notwithstanding, the Review Group considers that initial preparatory work should be commenced as soon as possible with a view to improving the level of analysis of internal data on the MIS scheme.

[44] Report of the Working Group on the Review of the Supplementary Welfare Allowance Scheme , Phase II, November 2006, p.203

Chapter 7 Summary of Key Recommendations, Conclusions and Referrals to the Expert Review Group on Mortgage Arrears and Personal Indebtedness

7.1 Key MIS Review Group Recommendations

The following table outlines recommendations raised by the Mortgage Interest Scheme Review Group which, though should inform the wider scope of the Expert Review Group on Personal Indebtedness and Mortgage Arrears, should be seen as standalone recommendations and can be addressed as soon as practicable.

Ref	Summary	Full Text – Main Body	Main Doc Ref
7.1	• New Scheme Required • Reorganisation of Delivery of Scheme End Points. • Simplify Current Scheme	The increase in the number of MIS claims in payment, combined with the issues to be considered in terms of entitlement and the considerable amount of documentation to be sought and examined at claim stage, points to the need to consider an alternative organisational approach to the assessment of MIS claims and administration of the scheme. It also raises questions about the complexity of the existing scheme.	**2.6**
7.2	• Mortgage Protection Policies – when should MIS become payable.	In relation to the role of mortgage protection policies the Review Group concluded that where a mortgage protection policy was purchased by the borrower, MIS should not be applicable until the mortgage protection policy's cover has elapsed. If the borrower has recourse to MIS at this time the normal forbearance and MIS rules will begin at this date, i.e., when a borrower does not have any assistance in paying his/her mortgage through a mortgage protection policy, forbearance and MIS support applies from this date.	**4.4**
7.3	• Relief should remain on Interest portion of the loan only.	The Review Group agrees with the conclusion of the SWA Working Group that the capital element of the mortgage repayment should not be taken into account in calculating the amount of supplement payable and that it is not appropriate that the Exchequer should repay part of the initial loan and thereby provide assistance towards the accumulation of a capital asset on the part of the individual concerned.	**4.4**
7.4	• MIS should be run by Dept but as primary scheme (not within SWA) • Changes should not wait until CWS transferred to DSP.	The Review Group supports the conclusion of the SWA Working Group that it is appropriate to have the MIS scheme as mainstream income (non SWA) support administered by the Department with agreed rules and procedures. The Review Group concluded however that reform or changes to the MIS should not await transfer of the scheme to the Department's control.	**4.7**

7.5	• Some MIS recommendations would require full CWS transfer – CWS must transfer to DSP.	The Review Group is of the view that the transfer of the CWS is fundamental to the achievement of progress on the recommendations in the SWA Review, in particular, the integration of the MIS scheme as part of a single income support system.	**4.5**
7.6	• MIS as a disincentive for work - MIS should be time bound	From the analysis of replacement rates and the potential impact of MIS, the Review Group concluded that the current MIS scheme arrangements may act as a disincentive for those wishing to return to full-time employment especially considering that there is no current time limit for MIS. In this respect, the Review Group strongly recommends that a time limit is considered for any new MIS scheme proposal.	**5.3.2**
7.7	• MIS relief should remain limited to loans for 'purchase, repair … etc'	The Review Group are of the view that the current legal definition of mortgage interest to mean interest on loans for the purchase, repair or essential improvement of the sole or main residence of the person, while giving rise to operational difficulties, do remain valid for the purpose of the MIS scheme.	**5.3.1**
7.8	• MIS should not be extended to cover interest payable on "other loans"; i.e., not related to the Principal Private Residence.	The Review Group also considers that an extension of the MIS to cover interest payments other than those related to housing, as recommended in a number of submissions and reports would result in the State funding interest costs on personal borrowings and this would not be an appropriate use of Exchequer resources.	**5.3.1**
7.9	• MIS should not be payable for Local Authority Mortgages (LAM) • LAM recipients to Negotiate with LA's regarding the costs of their long term housing needs. • Legislative changes are required to remove MIS entitlement to LAM holders.	It is not appropriate that one Government Department should provide support by way of a payment to individuals to pay off a loan to another State agency or body. The Review Group is of the view therefore that the Department should engage with D/EHLG with a view to that Department putting arrangements in place for local authority mortgage (LAM) recipients to enter into negotiations with their local authority in relation to their housing needs. When the necessary arrangements are in place the Review Group recommends that an appropriate amendment be made to the legislation to exclude local authority mortgages from the MIS scheme.	**3.9** **5.3.1**
7.10	• Revise current guidelines to address ownership issues - New guidelines required due to different ownership models.	While guidance on the issue of ownership is contained in the MIS Guidelines, the Review Group is of the view that the guidelines need to be re-visited and appropriate policy set down to reflect the diversity of ownership and to deal with circumstances where couples are separating and where the future ownership of the property is uncertain.	**5.3.1**

7.11	• 30 Hour Rule Removal only in the context of MIS Time Bound Payments and that a material change in circumstances has occurred.	From the analysis of replacement rates and the potential impact of MIS, the Review Group concluded that the receipt of MIS may act as a disincentive to persons seeking or returning to full-time and there is significant potential long term cost to paying MIS on indefinite basis. The Review Group strongly recommends that a time limit for the payment of the supplement is established as part of any revised MIS scheme. Furthermore, having regard to the above considerations, and also replacement rate issues outlined earlier in this chapter, the Review Group also recommends the removal of the 30 hour rule of the current MIS scheme on the basis that: ➢ MIS will become a time bound support; ➢ A revised means test will be developed; and ➢ the person suffered a substantial loss of income as a result of an observable change in circumstances (see 7.12 below). MIS recipients must be assisted to ensure that their long term housing support needs are met prior to the cessation of MIS payment.	**5.3.2**
7.12	• Change regulations regarding whether a person was in a position to meet the loan repayments when the loan agreement was entered	The Review Group concluded that, notwithstanding the clarification provided by the MIS Guidelines, there is the potential for different interpretations of the regulation requiring the HSE to form an opinion that a person was in a position to meet the loan repayments when the loan agreement was entered into as a condition for entitlement to MIS. The Review Group recommends that Article 10 (1)(b)(i) should be amended to provide the executive assurance that there was, at the commencement of the mortgage agreement, the following; (i) that the person was in a position to repay the mortgage at the commencement of the agreement, and; (ii) an expectation that, in so far as was reasonable in all the circumstances, the person could repay the mortgage into the future, and; (iii) subsequent to the commencement of the mortgage that the applicant has experienced a substantial change in their circumstances and is now unable to meet the mortgage repayments, and; (iv) that the substantial change in circumstances occurred after a specified time limit for which full mortgage repayments began to the time when the person suffered a loss of income (e.g. via unemployment, illness, failure of a business etc.).	**5.3.3**
7.13	• Removal of Sale of Property Condition	The Review Group considers that the rule excluding entitlement to mortgage interest supplement where a property is offered for sale is unduly restrictive where a recipient of mortgage interest supplement may be considering, or may be advised to consider, the option of the sale of the property for the purpose of trading down. The Group recommends that the sale of residence condition should be suspended in the current market.	**5.3.6**
7.14	• Definition of 'reasonable level of Interest' is unclear – needs to be reconsidered with reference to MIS	The Review Group concluded that the regulation on the issue of a reasonable level of interest and the provision for payment of an exceptional payment for 12 months is unclear and has created inconsistency and uncertainty for applicants and mortgage service providers. The Review Group recommends that the reasonable test for mortgage interest support should be more detailed within the MIS Guidelines – the test for reasonableness should be	**5.3.7**

	being time-bound.	reviewed with reference to MIS becoming a time bound support.	
7.15	• New legislative requirement for applicant to approach vendor under Statutory Code of Conduct regarding Arrears	The Review Group concluded that, in the current economic environment it would be more appropriate, as an alternative to the condition that the HSE is satisfied that it is reasonable to award a supplement having regard to the amount of any arrears outstanding on the loan, that the applicant must renegotiate with a lender consistent with the requirements placed on lenders in the Statutory Code of Conduct on Mortgage Arrears as a condition for entitlement to MIS. The Review Group were agreed however that there are issues which would need to be addressed prior to the introduction of a condition of this nature which are not within the remit of the MIS Review. Accordingly, the Review Group concluded that any final recommendation on this matter should await the completion of the Expert Review	**5.3.8**
7.16	• Amendments to MIS Scheme should be applied using primary legislation	The Review Group recommends that any amendments in relation to the conditions for entitlement in the existing MIS scheme be provided for, as appropriate, in primary legislation.	**5.3.9**
7.17	• Amend Capital Assessment: ○ Adopt dual assessment ○ 'Positive Net Worth Clause' on MIS payments.	The Review Group concluded that, to ensure fairness, that the current capital assessment model is augmented to include an income / expenditure calculation for MIS applicants with investment properties. Furthermore to ensure consistency, that persons with investment properties which have 'positive net worth' are incentivised to dispose of these assets whilst attempting to remain in their principal private residence. Allied to this, the current SWA capital assessment calculation, which is more onerous that other social welfare payment schemes, remains as is reflecting the scheme's purpose as that of 'last resort'	**5.3.10**
7.18	• Remove exemption of Home Help under assessment	The Review Group concluded that there is no rationale as to why earnings from home help employment should continue to be exempt from the MIS means test. The Review Group recommends that the rules for assessing means for the purpose of entitlement to MIS be amended to remove the exemption of Home Help income.	**5.3.11**

7.19	• Minimum Contribution: single / couples differential; age-related social welfare payments; and alignment to differential rents charged by local authorities.	The Review Group recommends that the Minimum Contribution amount and the calculation thereof is reviewed to ensure that it reflects individuals' financial circumstances and that it is consistent with the differential rent calculations established by local authorities for social housing supports and that the MIS payment to individuals who are in receipt of age related social welfare payment are aligned with overall Departmental policy and that this is communicated.	**5.3.12 & 5.3.13**
7.20	• Discretionary payment (CWOs paying above rent limits) should be provided for in primary legislation.	The Review Group concluded that the Department should consider the implications of such a change from a policy perspective.	**5.3.14**
7.21	• Time-bound Mortgage Support to avoid MIS becoming a disincentive to find employment.	The Review Group concluded that, overall, the results of the examination of replacement rates suggests that behaviour in terms of seeking work may be impacted upon by payment of a benefit such as MIS and strongly recommends that Mortgage Interest Supplement payments should be time bound: MIS support should not become a medium or long term housing solution. The Review Group recommended that the setting of a time limit on the payment of MIS should be established within any new MIS scheme arrangements. The provision of alternative support for those who require assistance on a medium to long term basis are matters which could usefully be addressed in the context of the Expert Review. When these arrangements have been put in place the payment of MIS, limited to a 2 year period would be consistent with the schemes short terms objectives. The Review Group concluded therefore that, consistent with the requirements placed on lenders under the Code of Conduct on Mortgage Arrears, it may be appropriate to introduce a policy requiring a borrower who has experienced a significant change in circumstances, as an alternative to claiming MIS for an initial 6 month period to: ➢ enter into negotiations with the lending institution in an attempt to renegotiate affordable mortgage terms including, if necessary and appropriate in the particular circumstances, a moratorium on repayments; and, ➢ where short-term mortgage interest support may not be an appropriate option, to engage with their local authority during the initial period to have their long term housing needs assessed.	**4.4** **5.5** **6.1.3** **6.14**

7.22	• Partial Legal Charge on property has merit	The Review Group recommended that MIS policy should be reviewed to consider the limited circumstances whereby a charge may be created on property in respect of MIS payments.	**6.1.2**
7.23	• Centralised MIS Unit	The Review Group recommends that the MIS business delivery model should be reconfigured with the establishment of a centralised MIS Unit Approval and Payments Unit. It is the view of the Review Group that, if this proposal is accepted, account should be taken of existing expertise within the CWS and this should utilised as much as possible.	**6.2.1**
7.24	• Improve data capture – registration of all claims – separation of conditionality assessment and MIS Unit within DSP.	In terms of the need for better collection of MIS claim activity data, including in particular data in relation to number of refusals, reasons for refusal, appeals and outcome of appeals, the Review Group concluded that the establishment of a centralised MIS Approvals and Payments Unit would facilitate significant improvement in the collection and analysis of appropriate statistical information in relation to the profile of mortgage holders experiencing difficulties with their mortgage repayments and the efficiency and effectiveness of state supports available.	**6.2.3**
7.25	• Monitoring and evaluating function to be embedded into new MIS scheme adding value and ensuring oversight of new scheme • Groundwork required in advance of Expert Review	The Review Group concluded that the issue of monitoring and evaluation of the MIS Scheme can only be progressed when the Expert Review is completed and the role which the MIS scheme will play, as part of a range of measures for improving the level of mortgage support to homeowners in difficulty with mortgage repayments in line with the commitment on protecting the family home in the Renewed Programme for Government, has been clearly identified and articulated. Nevertheless, the Review Group considers that initial preparatory work should be commenced as soon as possible with a view to improving the level of analysis of internal data on the MIS scheme.	**6.2.4**

7.2 Areas of Concern Raised which require resolution by Expert Group

The following table outlines the areas of concern, though they have direct reference on how the Mortgage Interest Supplement will be structured and administered, were considered to fall outside the MIS Review Group's terms of reference. Each area noted will affect Mortgage Implement Supplement's effectiveness in remaining a short-term income support.

Ref	Summary	Full Text – Main Body	Main Doc Ref
7.26	• Persons who cannot meet their mortgage payments and have a long term housing support need should be addressed. • MIS Time Bound	The Review Group recommended that the setting of a time limit on the payment of MIS should be established within any new MIS scheme arrangements. The provision of alternative support for those who require assistance on a medium to long term basis are matters which could usefully be addressed in the context of the Expert Review.	**4.3** **6.1.3**
7.27	• Implications of increasing incidence of negative equity within the Irish economy, and specifically its impact on the amount Mortgage defaults which could arise.	According to research in the US, Foote et al (2006) found that around 10% of households that fall into negative equity default on their loans. It is not clear that the same would apply in Ireland given the different characteristics and legal underpinning of the US housing market. The Review Group noted that the Expert Group will be taking account of the ESRI report on negative equity in the Irish housing market in its review and therefore the Review Group considered that the issue of default due to negative equity does not come within the remit of the MIS Review.	**3.6**
7.28	• MIS should continue to form part of an overall solution for persons' housing needs being met.	Having noted that both MABS and FLAC have pointed to the need for State initiatives to assist people in long term difficulty with their mortgages, as has already been done by the UK and USA governments, the Review Group concluded that, whatever form of intervention is appropriate and how it might be structured and administered, is a matter for the Expert Review Group to consider and this should include MIS as part of the suite of options available to distressed mortgage holders.	**3.10**
7.29	• Guarantor's liability on a mortgage – should it be enforced?	The Review Group concluded that there are complex legal issues associated with a guarantor's liability and that legal advice needs to be obtained in respect of the position of guarantors prior to any policy and legislative changes being introduced. The Review Group are of the view that this is an issue which should be examined in	**5.3.4**

		the context of the Expert Review	
7.30	• Rent-a-room scheme disqualification	'Rent-a-Room scheme' as a potential disqualification should be considered within the overall context of person's long term housing support and should be referred to the Expert Review Group.	**5.3.5**
7.31	• Alteration of CWS & financial institutions interaction should await completion of Expert Review	The Review Group concluded that any proposed change in policy in relation to payment of MIS and the interaction between the financial institutions and the CWS should await the completion of the Expert Review.	**5.4.2**
7.32	• Significant legislative & operational changes required to ensure MIS is a short-term support • Implement post Expert review	Having regard to the current mortgage and property market and the legislative and operational issues which are arising in the administration of MIS, the Review Group concluded that there are significant legislative and operational changes required to ensure that MIS will be administered as a short term support in a manner that it is consistent, transparent and fair. The Review Group recommends however that the Department await the completion of the Expert Review prior to proceeding with any legislative or operational changes to the scheme.	**5.5**
7.33	• Enforcing compulsory mortgage or income protection policies	The Review Group concluded therefore that the implementation a new policy for compulsory mortgage repayment or income protection policies for all new mortgages is not within the remit of the MIS Review Group but should be considered in the context of the wider remit of the Expert Review Group on Personal Indebtedness and Mortgage Arrears.	**4.4** **6.1.1**
7.34	• MIS/short-term support appropriate after 6 month forbearance granted by mortgage provider and MIS paid for a set period Or • Fixed term MIS support not appropriate: local authority engagement during 12 month forbearance period with mortgage service provider.	The Review Group concluded that, consistent with the requirements placed on lenders under the Code of Conduct on Mortgage Arrears, it would be appropriate to introduce a policy requiring a borrower who has experienced a significant change in circumstances, as an alternative to claiming MIS for an initial month period, to: (a) enter into negotiations with the lending institution in an attempt to renegotiate affordable mortgage terms including, if necessary and appropriate in the particular circumstances, a moratorium on repayments; and, (b) where short-term mortgage interest support may not be an appropriate option, to engage with their local authority during the initial period under the Mortgage Arrears Code to have their long term housing needs assessed. From the case study and survey analysis there appear to be three broad cohorts of borrowers who require assistance: 4. Those in need of short-term assistance. They tend to have reasonable mortgages and are in a good position to get back on their feet. In this case following a period of forbearance MIS is the appropriate	**6.1.4**

		support. 5. Those who need assistance into the medium-term. These are more complex cases where MIS may help but other supports/advice may be required. 6. For those who require long-term assistance; claimants tend to have mortgages whose levels are beyond reasonable repayment thresholds. There is little likelihood that MIS will change their situation. Claimants' employment and financial status may be compromised. In these cases, more active interventions are required such as the renegotiation of mortgage terms; the involvement of lenders and other supports, debt resolution/arrears;	
7.35	• Examine the need and role for MABS or other financial advisors	The Review Group recommends that the Expert Group consider the possible role of financial intermediaries e.g. MABS and the procedures and facilities which might be put in place to support the process of assisting borrowers, particularly in complex cases involving different forms of loan and debt in their negotiations with the lending institutions and in identifying the appropriate options to resolve their difficulties in meeting their mortgage repayments.	**6.2.2**

Appendices

A. **Review Methodology and Consultation Process**

B. **MIS Headcount and Expenditure by Nationality**

C. **Example of MIS Assessments**

D. **Case Study and Survey Analysis Report**

Appendix A – Review Methodology and Consultation Process

1. Introduction

1.1 This appendix contains a summary of policy, legislative, operational and other general issues identified in the context of the methodology and consultation process described in Chapter 1, paragraph 5 of the Report. The source of the submissions and reports relating to the administration of the MIS scheme is set out at paragraph 3 below.

2. Summary of issues

2.1 MIS policy and legislative issues:

- In the current housing market the application of the rule that a mortgage interest supplement is not payable where a property is offered for sale gives rise to difficulties where a person may be considering or is advised to trade down.
- The definition of mortgage interest supplement excludes interest due to a delay or default in making a payment. Where a default is due to a delay in applying for MIS there should be a protection in the definition for late claims where the person was not aware/not informed of MIS.
- The application of the rule that a person must have been in a position to meet the mortgage repayments when the loan is taken out is complex, can often be difficult to establish and open to interpretation.
- The provision which excludes people in full-time employment (i.e. 30 hours per week or more) from entitlement to MIS particularly where the primary earner becomes unemployed needs to be amended.
- There are inconsistencies in the interpretation and application of the 12 month rule limiting the duration of payment of a supplement where the amount of interest being paid is considered excessive.
- Concerns were expressed that the provisions inserted by Social Welfare (Miscellaneous Provisions) Act 2008 were unnecessary and will:
  - restrict the time and duration of payment;
  - will exclude specific mortgages from payment having regard to the new definition of "mortgage interest"
  - will allow for the delegation of additional power to the Health Service Executive in relation to determination of entitlement to MIS.
- The power to make a discretionary payment, currently contained in SWA regulations, should be provided for in primary legislation.
- There is a need to clarify, if necessary in legislation, the liability of a guarantor to make repayments when a borrower gets into difficulties.
- Difficulties arise in the interpretation and application of the condition that MIS may not be payable having regard to the amount off any arrears on the loan.
- The definition of mortgage interest should be amended to include all loans secured against the family home.
- In the case of re-finance, equity release or consolidation loans the amount of mortgage supplement payable may be substantially less then the scheduled monthly repayments which raises the question as to whether the mortgage repayments can be sustained into

the future and the appropriateness of payment of a mortgage supplement in such circumstances.
- The need to amend legislation so that decisions of officials of the HSE can be appealed in the same manner as decisions of deciding officers.

2.2 MIS operational issues

- There are significant issues in relation to the administration of MIS in terms of access, clarity of rules for entitlement, delays in decision making and appeals which are causing difficulties for MABS.
- There are inconsistencies in the interpretation and application of the "reasonable level of interest "condition by the use of rent limits to decide what is a reasonable level if interest.
- There is evidence that applications are being refused because the rate of interest is considered to be too high.
- Cases of joint ownership where one person has moved out of the property due to a relationship breakdown causes problems in the assessment of MIS entitlement.
- Problems arise in providing copies of original loan documentation by lenders and there is a lack of a standard approach across welfare offices as to the type of information being sought and accepted.
- Complexities in assessing MIS claims and the need for an alternative approach to the provision of copies of original loan documentation.
- The need for CWOs to advise people applying for MIS to discuss their circumstances with the lender as soon as possible.
- The need for CWOs to point out to applicants that the MIS claim form should be properly completed and signed before being presented to lenders for completion.
- CWOs should confirm with the claimant that the mortgage is on the family home and not an investment property before providing the claim form for completion.
- Whether payment of MIS should be made directly to the lender as there is anecdotal evidence that people in receipt of MIS are defaulting on mortgage repayments.
- Figures are not available on the numbers applying for MIS and the numbers being turned down.
- Applications for secondary benefits such as MIS must be processed as a matter of urgency as time delays in processing applications can result in mortgage arrears.
- The need for more information to assist people applying for MIS and the information to be supplied when supporting a claim.
- CWOs should be equipped with information about the various support services available to people having difficulty with their mortgage repayments such as MABS.
- The need to promote a greater awareness of the appeals mechanism within SWA and to the SWAO.
- Delays in forwarding appeals to the Social Welfare Appeals Office (SWAO).
- The need for a "fast track" system to determine appeals.

2.3 MIS general issues

- The ability of MIS applicants to meet the balance of the mortgage repayments, including, in the case of older mortgages, the capital repayments and the appropriateness of payment of MIS where this may not be the case.
- Whether applicants for MIS should be required to consider the option of sub-letting.

- Where the re-mortgage has been taken out other than for the purchase, repair or essential improvement of the person's residence a short-term payment to allow the household to get his/her affairs in order should be considered.
- Whether persons experiencing difficulty with mortgage repayments should be required to re-negotiate with the lender before making an application for MIS.
- Not all lenders are very sympathetic to the plight of their customers and there may be a need for assistance for clients in re-negotiating the mortgage.
- The need for a guideline that, where a household is in receipt of MIS, the lending institution should be obliged to accept interest only repayments on the loan.
- There should be a facility to allow lenders to provide information to CWOs where they are aware that MIS is in payment but mortgage repayments are not being made.
- Payment of a supplement in the medium and long term to be conditional on the State having a financial interest in the property.
- There is a strong rationale for a Mortgage Rescue Scheme to broaden the array of options for families at risk of repossession.
- The need for an expert group to consider strengthening entitlement to MIS in the short term.
- MIS is intended as a short-term crisis measure and is not an answer to deal with the prolonged and severe problems that many households face.
- The long-term needs of MIS recipients and the role of the Department of Environment, Heritage and Local Government and local authorities to help people remain in their own homes should be examined.
- There is a need for the SWA unit of DSFA and to engage in a consultation process with MABS and the CWS to agree a consistent approach to decision making in the case of MIS applications.
- Consideration should be given to the establishment of a Mortgage Task Force, incorporated within or separate to MABS, dedicated to people with mortgage arrears or those who fear they will get into arrears.
- The role of mortgage repayment protection policies, and whether such policies should be compulsory for all new mortgages, should be examined.
- Persons who may be entitled to MIS should be proactively encouraged to avail of it when first registering for Job Seekers Benefit/Allowance.
- Self-employed people who are now unemployed are experiencing particular difficulties as they are not entitled to JB and find it very difficult to pass the means test for JA as previous years accounts are generally taken into consideration.

3. Source of submissions and reports

- Free Legal Advice Centres(FLAC) and Northside Community Law Centre, Submission in response to Social Welfare (Miscellaneous Provisions) Bill, 2008 (November 2008);
- MABS, Submission on the Social Welfare (Miscellaneous Provisions) Bill, 2008 (December 2008);
- MABS Submission to the Minister for Social Protection on Mortgage Debt, "Keeping the Roof Over your Head", (April 2009).
- Submissions from SCWOs/SCWO Groups, Community Welfare Service (CWS)
- Correspondence from IBF dated 29th April '09;
- Citizens Information Board, Mortgage Problems Identified by Citizens Information Service, (December 2009);
- Citizens Information Board, Social Policy Quarterly Reports (June to September and October to December 2009);

- Correspondence from Mr. Liam Croke, Mortgage and Financial Advisor, (January 2010);
- Joint Committee on Social Protection, Report on Indebtedness (February 2010);
- Correspondence from Focus Ireland (March 2010).

Appendix B: MIS Numbers and Expenditure by Nationality

Table 1: Irish / EEA / Non-EEA Nationals

Nationality	No Cases	% Cases	Monthly Expenditure	Average Monthly Cost
Irish Nationals	13,471	83.5%	4,260,241	316
Other European Economic Area Nationals	2,257	14.0%	797,095	353
Non-European Economic Area Nationals	401	2.5%	165,928	414
Total	16,129	100.0%	5,223,264	324

Appendix C – Example of MIS Assessments

Example 1

Couple with 1 child, income from employment of €850 per week (net of PRSI and income levy) paying mortgage interest of €1500 per month or €346.15 per week

Income (€)	850.00
Less Prescribed SWA Rate	355.90
= Income in Excess of Prescribed SWA Rate	494.10
Less SWA Part Time Earnings Disregard	179.78
Assessable Income for MIS Purposes	314.32
Plus Minimum Contribution	24.00
= Applicant's Contribution to Mortgage Interest Supplement	338.32
Weekly Mortgage Interest Payable	346.15
Less Applicant's Contribution to Mortgage Interest Supplement	338.32
= Mortgage Interest Supplement Payable Weekly	7.83

Calculation of Additional Income Disregard

Income in Excess of Prescribed SWA Rate (€)	494.10
Disregard First €75	75.00
Remaining Assessable Income	419.10
Less Disregard Balance @25%	104.78
Total Income Disregard	179.78

Example 2

Single person with income of €650.00 per week (net of PRSI and income levy) paying mortgage interest of €1,357.00 per month.

Income (€)	650.00
Less Prescribed SWA Rate	196.00
= Income in Excess of Prescribed SWA Rate	454.00
Less SWA Part Time Earnings Disregard	169.75
Assessable Income for MIS Purposes	284.25
Plus Minimum Contribution	24.00
=Applicant's Contribution to Mortgage Interest Supplement	308.25
Weekly Mortgage Interest Payable	313.15
Less Applicant's Contribution to Mortgage Interest Supplement	308.25
= Mortgage Interest Supplement Payable Weekly	4.90

Calculation of Additional Income Disregard

Income in Excess of Prescribed SWA Rate (€)	454.00
Disregard First €75	75.00
Remaining Assessable Income	379.00
Less Disregard Balance @25%	94.75
Total Income Disregard	169.75

Notes regarding conditions of entitlement:

1. Amount of interest may be deemed to be in excess of claimant's accommodation needs. Supplement could be awarded however for a period not exceeding 12 months.

2. Interest of €1357 per month could indicate an initial mortgage of approximately €329,000 with a rate of interest of 4.95%. In this example it can be assumed that there has been a significant reduction in the person's income since the mortgage was taken out.

Appendix D – Case Study and Survey Analysis Report

Mortgage Interest Supplement Scheme Review

Addendum

Case Study and Survey Analysis Report

June 2010

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Key findings

- *Impact of the economic climate*: The analysis of MIS awarded and refused cases shows that most mortgages, irrespective of duration, got into difficulties within the past 18 months. Thus implying a direct link to the economic downturn.
- *Impact of employment status*: The analysis suggests that a significant proportion of the increase in MIS is due to the economic downturn, reduced working hours, job losses and redundancies.
- *Broader Housing and Financial Issues*:
  - 97.4 percent of claimants have no *mortgage protection policy* making lenders and borrowers vulnerable to external shocks.
  - The volume of *91-100 percent mortgages* taken out by claimants (48.5 percent) reinforces concerns about the long-term viability of claimants retaining their homes and questions the ability of the MIS to mitigate against these types of wider financial issues.
  - *Ratios of MIS payable to total monthly mortgage payments and total loans to earnings* leads to questioning whether MIS can help claimants retain home ownership and minimise debt/arrears accumulation.
  - The main findings show a *lack of renegotiation /change of mortgage terms* suggesting a breakdown in the relationship between claimants and lenders and a lack of awareness of steps to take when facing difficulties with mortgage repayments and debt more generally.
  - The majority of claimants are currently on *variable interest rates*. Potential impact of rising interest rates on affordability of mortgage repayments and housing.
  - Mortgage terms range from 10 to 40 years with almost a third lasting between 31 and 40 years.
- *Lack of information/understanding*: Analysis of data on supports and mortgage changes leads to a sense that there is a lack of information / understanding around how to handle mortgage payment difficulties; in referrals to MIS and other supports (e.g. MABS; FLAC etc.).
- *Further investigation*:
  - apparent discrepancies in MIS payable by household composition, particularly separated/divorced households with children
  - qualifying conditions especially where these are determined on the basis of income – evidence comparing household income of refused against awarded applicants show a high degree of overlap
  - review cycles – evidence suggests that reviews are not being conducted as regularly as stated on survey forms due in part to work demands. Consider alternate review approaches including streamlining the process.

– Complexity of the assessment process: the high degree of non-response and variability in the assessment of means, disregards and contributions questions on the survey forms makes indicative trends impossible to identify and underlines the complexity of the assessment process.

1. Introduction and Research Methodology

1.1 Introduction

The purpose of the Review is to consider how the mortgage interest supplement (MIS) scheme can best meet its objective of catering for those who require assistance on a short-term basis, where they are unable to meet mortgage interest repayments on their sole place of residence. Departmental data on MIS recipients is being used by the Review group to gauge the take-up levels of the scheme, build a profile of those claiming the supplement and judge the degree to which the supplement is meeting its objective. Information available from the Department's ISTS system includes recipients' PPSN, date of birth, marital status, CWO location, weekly MIS amount, payment frequency and method, the claim category, date of claim commencement and the total supplement paid to date. In order to supplement this data, it was decided to undertake an analysis of claim activity of those awarded and those refused MIS, in a selection of CWO districts. The aim of the survey was to capture claim activity data not held nationally including data on key income variables, mortgage details and claimant characteristics. This will allow the Review Group build a detailed profile of those claiming MIS. The survey forms will provide indicative details of mortgage information; claimant and household information; some income information, mostly based on MIS assessment; and information on the reasons for awarding claims, appeals, refused cases. The timeframe for collection of survey data, data input and analysis of the findings was from November 2009 to May 2010. It should be noted that the survey is not a statistically representative sample of the entire mortgage interest supplement scheme, either in terms of population or data. The research methodology is discussed in Section 1.2.

1.2 Methodology and data analysis

The purpose of the survey was to capture claim activity particularly information not available from other data sources. The development of questionnaires for awarded and refused claims was the first step in this process. A member of the Review group visited a CWO district to view claimant and applicant files in order to get an overview of the available data. Initial survey forms were developed and piloted in a small sample of CWO districts. Given the confidential nature of the data CWOs completed the pilot survey forms and returned them to the Review group research personnel. Email and telephone support was available from the group were CWOs had queries with the pilot questionnaires. CWOs completed the survey forms with reference to the original loan documentation and MIS application details. The next step in the process was to analyse the pilot responses, take on board the CWOs feedback on the questionnaires and then to revise and refine the survey questions. A decision was taken to supplement the awarded and refused MIS survey forms with a case activity form. This would give an overview of the volume of claims being applied for and dealt with. A similar process of developing, piloting and revising the case activity forms was undertaken.

The three types of survey forms aimed to capture:

1. the overall claim activity statistics for 2008 and 2009 for eight CWO districts
2. information on a selection (target: 40 current cases) of awarded claims in the relevant district in 2009
3. information on a selection (target: 15-30 cases) of refused claims in 2009 in the relevant district

The survey forms were issued in December 2009. Given the time of year and work volume in CWO districts, it was necessary to target the survey forms at a limited sample. While the sample size is small, the survey is not intended to be statistically representative of the entire MIS scheme population or claim activities. The analysis is intended to provide indicative trends and data on current claim activity and claimant characteristics and information on the MIS Scheme, which has not been available to date. The forms were circulated to CWOs and SCWOs who were members of the MIS Review Group. Eight CWO districts were represented in the sample, from several regions (West, Midlands, East and Southeast) of the country. Most of these districts cover either urban populations or small to medium sized towns and their hinterlands. Some of these hinterlands could include rural populations.

In terms of the response rate, survey forms were returned from six districts. In all, 202 cases of awarded claims and 35 cases of refused claims were completed. Four surveys capturing overall claim activity were returned. The total number of claims made in these four districts amounted to 132. However, these were not analysed, given the small sample size, and the amount of unknown information.

Analysis of the survey results allows some conclusions to be drawn about the effectiveness, efficiency and operation of the MIS scheme. It is clear from the surveys, however, that a great deal of potentially relevant data is not captured and there is a high degree of variability in terms of capturing and reporting income, income sources and household characteristics. There are two issues that are particularly relevant. First, there is a degree of variability associated with social welfare payments as some were inputted at the level they were at the time the claim was opened whilst others at 2010 levels even where claims were opened pre-2010. To preserve accuracy of the reported data, all income amounts have been analysed as they were reported in the surveys. Second, it is clear that reporting of social welfare payments reflects assessable income, primarily means-tested benefits, and so does not generally include other benefits (e.g. child benefit) or other non-means tested benefits. In most cases these issues do not affect overall indicative trends and data. However, this does affect the potential to draw robust conclusions about the horizontal and vertical equity of the MIS scheme especially. It is noted below where such issues require caveats about the conclusions being drawn and/or trends being discussed. Finally, results and analyses unless otherwise noted are based on valid responses only, excluding missing or unknown cases. Not applicable cases are also excluded, where appropriate. However, they can represent a significant number of all responses and in such cases the size of the not applicable responses is noted.

1.3 Report format

The results and analysis of the surveys (awarded and refused cases) are presented and discussed below. Section Two gives an overview of the broad details of the sample cases applying for MIS. This includes reasons for awarding and refusing claims; for awarded claims, amounts of Mortgage Interest Supplement payable, and as compared against ratios of total monthly payments; household characteristics of both awarded and refused claims; and duration of claims. Review and appeals activities are also discussed. Results are also analysed to examine qualifying conditions and potential discrepancies between these; and by duration of claims and mortgages to examine any differences between older and more recent claims and/or mortgages.

Section Three, drawing specifically on awarded claims, discusses more detailed analyses of claimant and household employment characteristics and income, income sources and comparisons of earned versus social welfare income. It also examines sources and amounts of contributions, assessment of means and additional household income disregards. These help to draw conclusions (where possible) about the effectiveness, efficiency and operation of the MIS scheme.

Section Four, again drawing on awarded claims, presents and analyses mortgage details, including lenders; ratios of previous earnings to original loans; percentage mortgages; interest rate characteristics; additional/top-up loans; and provision of documentation for MIS assessment. There is also a brief analysis of arrears data from refused MIS applicants.

Section Five discusses the dynamics of the MIS Scheme in terms of mortgage term and claim changes pre- and post application for MIS; sources of referrals; what supports are available; and other related issues.

Section Six summarises the key findings from the surveys.

2. Overview of Sample Cases applying for the MIS

2.1 Introduction

This section gives an overview of applicants applying for the MIS. Data is analysed from refused and awarded cases. Consideration is given to the reasons for refusing / awarding claims; the duration of claims; amounts of MIS payable; household characteristics; processing times; reviews; and appeals. It concludes by outlining the main issues for the MIS Review Group requiring further thought.

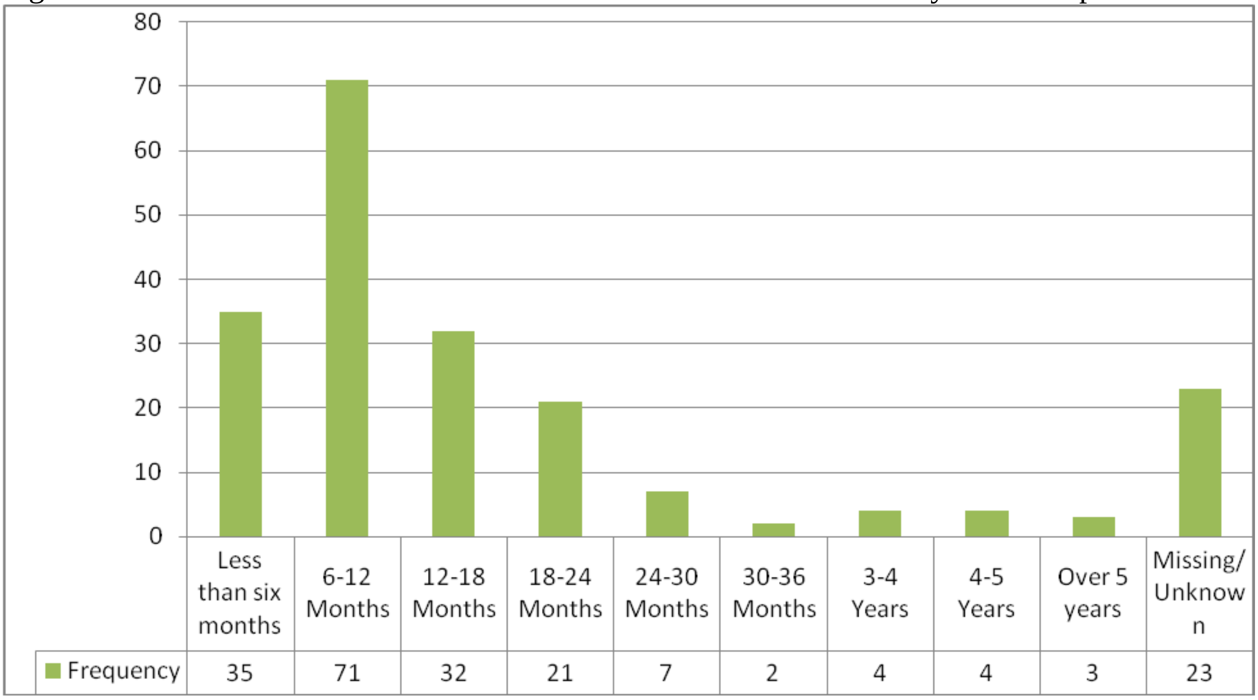
2.2 Main reasons for awarding/refusing claim

In 61 percent of cases where people were awarded the MIS, the reason given was that they satisfied the conditions of the scheme including means criteria. Broadly speaking, the reasons for awarding claims were either income-related (including loss of income due to recent unemployment) or due to a determination that the interest on the claimant's home was 'reasonable'. In 74 percent of the refused cases, the reason given was due to income and/or employment characteristics. A further 20 percent of these cases were refused on the basis that the interest allowable was less than the minimum contribution.

2.3 Duration of awarded claims and time limits

Figure 1 below outlines the duration of awarded claims. The majority of which (i.e. 88.8 percent of valid responses) have been open less than two years, with nearly 59.2 percent open for one year or less. 20 claims (11.2 percent of all valid claims) have been open longer than two years, with three claims open longer than five years. This corresponds with the fact that 86 percent of claims did not have a time limit placed upon them. Where time limits were applied nearly half of these were extended, mostly due to interest rate reductions or a determination that the interest levels were 'reasonable'. 12 percent of claims were reduced after review, but it is not possible to determine how many of these may have been reduced on the basis of interest rate reductions as opposed to other changes e.g. in the claimant's circumstances.

Figure 1 - Duration of claim from date of claim commencement to survey form completion



Comparing the duration of claims against duration of mortgages some patterns can be discerned. Looking first at mortgages of three year's duration or less (approximately since the start of 2007 and the height of the housing boom), 89.6 percent of mortgages of this duration have run into difficulty in the last 18 months (see table 1 below). This drops to 77.1 percent of these mortgages with claim durations of less than one year. Looking at mortgages of longer durations (five to 15 years), 73.8 percent of these mortgages have run into difficulty in the last 18 months. However, this drops to 47.6 percent when comparing these mortgages against claims of less than one year's duration. This suggests that all mortgages in the survey, regardless of duration, have got into difficulty sooner into the economic crisis (i.e. longer than one year ago).

Table 1 - Duration of claim against duration of mortgage

		Mortgage Duration from Date Loan Agreement Signed to Survey Form Completion Date					
		0-24 Months	24-36 Months	3-4 Years	4-5 Years	5-15 Years	**Total**
Claim Duration from Date of Claim Commencement to Survey Form Completion Date	Less than 12 Months	17	20	17	14	20	**88**
	12-18 Months	1	5	8	2	11	**27**
	18-24 Months	0	4	8	1	4	**17**
	24-30 Months	0	1	3	0	3	**7**
	30-36 Months	0	0	1	0	0	**1**
	3-4 Years	0	0	0	1	1	**2**
	4-5 Years	0	0	0	1	2	**3**
	Over 5 years	0	0	0	0	1	**1**
	Total	**18**	**30**	**37**	**19**	**42**	**146**

The survey data also shows that there is a connection between the most recent mortgages (of 3 years or less duration) and the most recent claims (of up to 18 months in duration): 37.4 percent of all claims of this duration correspond to mortgages of 3 years or less. This connection is strengthened when analysing mortgages compared to claims of 4 years or less duration: 59.1 percent of all such claims correspond to mortgages of this duration. Long-term claims, of two years or more, generally correspond to mortgages of longer duration. However, no clear pattern can be discerned here between duration of claim and duration of mortgage.

The fact that all mortgages are more likely to have claims of up to 18 months duration suggests that it is not the household or mortgage characteristics of the claimant *per se* that are the primary driver of MIS claims. If this were the case, one would expect longer-term mortgages to correspond more closely with the same claim duration, perhaps with some time lag as other resources/avenues are used to support the mortgage payments for a time. At the same time, from a claim duration perspective, it is not clear that more recent mortgages have got into difficulty more quickly than longer-term mortgages; only 19 of the 68 claims of less than one year's duration correspond to mortgages of three years or less. This supports a conclusion that it is the economic crisis that is the significant driver in most recent claims rather than the mortgage or household characteristics *per se*, although there may be vulnerabilities in these characteristics that could account for why claimants got into difficulties sooner into the crisis and/or may shed further light on more recent mortgages. This is examined in more detail in later sections.

2.4 Amounts of Mortgage Interest Supplement payable

There is no clear categorisation of the amounts of Mortgage Interest Supplement payable. That is, nearly all awarded claims had a unique amount of MIS. The median payment was €72.80 per week. While the variability in amounts payable is not surprising given that the MIS is calculated on the basis of claimant and household characteristics, the range of amounts is perhaps surprising. The minimum MIS recorded in the surveys was €6.44 per week, while the maximum was €379. 74.

There is also no clear discernable pattern of MIS payable against household income. Again, this is perhaps not surprising. However, comparisons of awarded cases against refused cases by income do raise some queries about the equity of the scheme at least on income assessment grounds, particularly given that income characteristics were a significant reason for refusing claims. This is examined further in section 2.8.

Ratios of MIS payable (calculated on a per month basis[45]) against total monthly payments (i.e. original and top-up loans) due also raise some queries about the effectiveness of the scheme in sustaining the tenancy of the claimant/household in their own home. The minimum ratio of monthly MIS to total monthly payments due is 1.03; the maximum, 21.3. Almost 30 claims have a ratio above 6: that is, the total monthly payments due are 6 or more times greater than the monthly MIS. The median is 2.67. This means that where someone is receiving MIS of €100 then their total monthly mortgage payment is €267. The median does not change significantly when only the total monthly repayment on the original loan (i.e. excluding top-up loans) is considered: here the median is 2.56.

Looking even at the monthly interest repayments, there are still gaps between MIS payable per month. For total monthly interest repayments, the ratios range from just under three-quarters (that is, the MIS appears to be greater than the monthly interest repayments due; while this may be an error in the original survey data, four such claims are recorded) to 13.38 times. The median is 1.48 and reflects the fact that additional loan interest repayments are often not included as part of the allowable MIS. However, there are a sizeable number of claims (15) where the ratio is above 4.

Looking finally at the interest portion of the original loan monthly repayment only, one would expect there to be a more or less exact correspondence between this and the MIS payable. Yet survey data again shows a range of ratios, from under one (5 claims, i.e. MIS is more than the monthly interest repayment on the original loan) to 13.38. The median is 1.46. It is possible here that incomplete or inaccurate survey data is skewing results. Although the surveys attempted to capture details of additional loans as well as the original loans these were not always known or entered on the form. Furthermore, in some cases the monthly interest repayments reflect the fact that the outstanding balance on the original loan is slightly higher that the original loan amount, possibly incorporating a small additional loan and/or arrears (although the survey did not capture these changes). This in turn could affect how the MIS was calculated. Even so, if these trends are broadly accurate then there needs to be a further examination of why in many cases the MIS does not match what should be the most clearly applicable category of repayment, i.e. interest portion only of the original loan, and indeed why there appears to be cases where MIS is greater than the monthly repayment amounts. On the basis of the ratios between total monthly payments and MIS payable alone it is clear that wider issues, such as debt resolution, renegotiation of terms and arrears, will become an issue in many cases if they are not already an issue, regardless of other changes in household or income characteristics.

2.5 Household characteristics

Of awarded claims, nearly a quarter of all claimants were single. 61 percent were married or co-habiting, and 14 percent were separated or divorced. 72 percent of claimants were male. 70 percent of claimants had children. Households with married / co-habiting couples with 1-2 children (31 percent) and with 3 or more children (20 percent) made up just over half of all awarded claimants. Single adult households accounted for 18 percent of all claimants. Lone parent households accounted for 5.4 percent of all claimants, while separated/divorced households with children accounted for 8 percent of claimants. There was one household with a widow / widower and children. Claimant's age ranged from 24 to 60, with the bulk of claimants (42 percent[46]) in the 35-44 age category. 32 percent of claimants fell into the 25-34 age category.

45 Calculated as (MIS payable per week*52)/12.
46 Valid cases only. Missing cases = 11.

Of refused claims, 14 percent of all potential claimants were single; nearly 70 percent were married/co-habiting; and 14 percent were separated / divorced. 70 percent of refused claimants were male. Household composition characteristics of refused claimants was similar to awarded claims, with the exception of single adult households at 8 percent of the total and separated / divorced household with children which accounted for 14 percent of all refused claimants. The age profile was again broadly similar to awarded claimants, although proportionally fewer fell into the 25-34 age category (23 versus 32 percent) and there was a higher percentage in the 55-64 age category (double that of awarded claimants at 12 percent).

Comparing marital status, gender and household composition characteristics by Mortgage Interest Supplement payable, a few distinct patterns emerge. 25 percent of single adult households receive MIS payments of between €200 to €300, with an additional 33 percent receiving between €100 and €200. All of the single adult households are recorded as currently not in employment[47] and most receive between €180 and €220 per week. The highest recorded payment was for a married / co-habiting couple without children. Perhaps not surprisingly married / co-habiting couples with children tended to fall into the higher ranges of MIS payments, although a sizeable number (37 percent) of these households receive under or approximately equivalent to the median MIS payment (of €78.20).

Almost 95 percent of separated / divorced households with children receive under or approximately equivalent to the median MIS payment (of €78.20). A quarter of these households receive maintenance as well as social welfare payments and 15 percent are in part-time employment. This may partly explain why so many of these households receive relatively lower MIS payments. At the same time, nearly a quarter of the households with 1-2 children record incomes of between €200 and €220 per week, with an additional 30 percent record incomes of €240-€260 per week. Of single adult households with children, just under 20 percent receive under or approximately equivalent to the median MIS payment (of €78.20), while an additional 45 percent receive a payment between €80 and €100. Recorded incomes and sources for these households varied greatly and no clear pattern can be established.

2.6 Processing times and delays

The surveys sought to capture processing times and delays both for assessing claims, and for reviews and appeals. However, the response rate to these questions was quite low. It should also be noted that processing times and delays do not always tally especially where delays might be expected (e.g. delay in getting documentation for assessment). Also, the question on processing times was asked in the context of whether recipients had experienced considerable delays in the awarding of this claim. The majority of respondents (61.7 percent) indicated that this question was not applicable to their experience. 20 percent of claimants indicated that it took up to 2 weeks to process, with an additional 12 percent taking between 2 and 3 weeks[48]. Only 2 claims are recorded as taking longer than 6 weeks to process. Only 27 claims were recorded as having any delays[49] and of these most were less than 4 weeks delay. However 2 claims were recorded as having delays of 24 and 40 weeks, respectively. Getting documentation and/or further clarification on the original loan application details accounted for most of these delays.

2.7 Reviews

44 percent of claims had not been reviewed. Of the remainder (113 claims), 45 percent had been reviewed once. 20 percent had been reviewed 4 or more times, with four claims subject to seven or

[47] Missing Cases = 1.
[48] Missing cases = 61.Not applicable cases = 87. Valid cases = 54.
[49] Missing cases = 63. Not applicable cases = 112.

eight reviews. Yet nearly 40 percent of surveys stated that reviews were part of a twice-yearly cycle. Given that the bulk of claims are of up to 18 months duration, one would expect there to be a greater number and frequency of reviews. A small proportion of surveys recorded ‘other cycle of reviews’ (10 claims) or ‘due to be reviewed’ (9 claims) and of the former most noted that claims were reviewed on the basis of income changes with respect to the claimants or within claimants’ households. Where processing times for reviews were recorded[50] (28 claims) 80 percent took between four and 6 weeks. Only one review was recorded as being delayed, but elsewhere delays due to work demands were noted as a reason for why reviews had not taken place.

2.8 Appeals

5 claims were awarded after appeal[51]. Four of these awarded cases were appealed to the HSE Appeals Officer only, with the fifth appealed to the HSE Appeals Officer then Chief Appeals Officer. Two claims took between three and four weeks to appeal; another two took 12 weeks while the processing time for the fifth appeal is omitted from the survey. The reasons given for initially refusing these awarded claims were on the basis of a determination of interest not being reasonable (two cases); and on the basis of original loan documentation not being available (one case). In this case, the Appeals Officer accepted loan offer forms to award the claim. No reasons were listed on the survey form for why the other two awarded cases were initially refused.

In terms of refused MIS cases[52], only one claim was appealed, to the HSE Appeals Officer. In this case the decision to refuse was upheld. It took six weeks to process this appeal.

[50] Missing cases = 25. Not applicable cases = 149.
[51] Valid cases = 201. Missing cases = 1.
[52] Valid cases = 34. Missing = 1.

3. Employment and Income Characteristics: Awarded Claims

3.1 Introduction

This section explores employment and income characteristics of claimants, focusing specifically on awarded claims. It examines the work status of households in the past and present; sectors of employment; relationships between employment and income, and where possible, how these interact with MIS payments. It also explores the relationship between incomes and monthly payments.

As noted, reporting of income sources and related issues such as assessments of the total incomes of the claimant, spouse and household (claimant and spouse) at the time of the claim shows a great deal of variability. It should also be noted that the income levels reported in the survey questionnaire reflect assessable income. Results presented in the following sections should be read with this in mind. However, even accepting a wide margin of error clear indicative trends and data do emerge that shed further light on some of the issues raised in Section Two.

3.2 Work status of household at time of loan and now

Only two households had no-one at work at the time of the loan. A quarter of households had both the applicant and spouse in full-time employment[53]; another 70 percent of households had at least the applicant in full-time employment. At the time of the claim, only 15 percent of households had someone in part-time employment and of these nearly three-quarters had only the spouse in part-time employment[54]. 164 households – 85 percent of claims – had no-one at work at the time of the MIS claim. This represents a massive change in the work status of households (see table 2 below)

Changes in the overall work status of households of refused cases are (broadly speaking) not as severe. Nevertheless, over half of applicants and one quarter of spouses who were in full-time employment at the time of the loan were not in employment at the time of applying for MIS. It is perhaps surprising that these changes appear not to influence refusals, insofar as employment was a significant reason for refusing claims.

[53] Valid cases only = 132. Not Known/Missing cases = 70.
[54] Missing cases = 10.

Table 2 – Comparison of household work status (awarded cases)

		Current Work Status of Households				Total
		Missing	No-one at work	Applicant in Part-time Employment	Spouse in Part-time Employment	
Work Status of Households at time of Loan	Missing / Not known	7	56	2	5	**70**
	No-one at work	0	2	0	0	**2**
	Applicant in Part-time Employment	0	3	0	0	**3**
	Applicant in Full-time Employment	0	64	3	3	**70**
	Spouse in Full-time Employment	0	1	1	0	**2**
	Applicant and Spouse in Full-time Employment	1	27	0	6	**34**
	Applicant in Full-time Employment and Spouse in PTE	1	11	1	6	**19**
	Applicant in Part-time Employment and Spouse in FTE	1	0	1	0	**2**
Total		**10**	**164**	**8**	**20**	**202**

3.3 Employment sectors and self-employment

Examining more closely employment sectors of awarded claimants and spouses (where applicable), it is clear that these reflect wider changes e.g. representation of certain sectors on the Live Register. Nearly 30 percent of claimants recorded previous employment in the construction sector[55] while an additional 9 percent are recorded as being self-employed (this does not necessarily reflect instances where claimants were self-employed in other sectors). Other significant sectors of claimant's previous employment are skilled crafts/trades, retail, and professional/technical, which together account for another 20 percent of all sectors of employment. Where applicable the previous employment sectors of spouses are more varied, with retail, general services and professional/technical being the top three sectors.

3.4 Income amounts

The median income of awarded claimants was €252.90 per week, with a range from €93.90 to €528.81. The median income of spouses of awarded claimants (where applicable) is €204.30, with a range of €66.54 to €710.30. Taken together (where applicable) the median household income is €373.50, with a range of €165.80 to €936.90 (excluding contributions from other household members as their income is not always recorded and/or used directly in the assessment of means for MIS).

3.5 Income sources

A range and in many cases multiple income sources were recorded, where applicable, for claimants and their spouses. The most common social welfare income sources were jobseeker's benefit/allowance (formerly unemployment benefit/ assistance); one parent family payment; disability benefit; and basic social welfare. One claimant recorded FIS as an income source. Part-time employment earnings, a small number of which were through CE schemes (2 cases), were also a frequent income source. A very small number were recorded as receiving income from FÁS or

[55] Valid cases only = 126. Missing/Not Known = 71; Not applicable = 5.

other training/education courses (3 cases). Nearly 60 percent of single adult households received some form of jobseeker's benefit or allowance. Only half of single adult households with children, and 30 percent of all separated / divorced households with children, recorded one parent family payment as an income source (again, this may reflect variability in accounting/recording income sources).

3.6 Ratio of current monthly income to mortgage interest repayment

Banks and lending institutions often calculate housing and/or debt ratios[56] in order to determine peoples' ability to repay their debts, loans and/or mortgage repayments. This section considers the issue of affordability in terms of the ratio of claimants' current income to their monthly mortgage interest payments[57]. The results show that 24.3 percent of claimants surveyed spend less than a quarter of their income on their monthly interest payments. 44.1 percent of claimants spend between one quarter and a half of their income on their monthly interest only repayments. While this proportion is high, particularly given the exclusion of other outgoings, it is unsurprising that during times of economic boom the ratio of borrowings to incomes rise. What is of concern is the proportion of claimants (26.6 percent) spending a half to all their incomes on their monthly mortgage interest payment and particularly those (5.1 percent) spending between 1 and 2 times their incomes on these payments. It is important to recall that income measured in this survey is assessable income so may be under-reported, even so indicative trends would be of concern. They suggest that households will face, if they are not already, wider issues of over-indebtedness, negative equity, debt resolution, and renegotiation of terms and arrears.

3.7 Income and household/claimant characteristics[58]

Two-thirds of single adults surveyed have a total household income of between €200.01 and €250. It is unsurprising that married / co-habiting couples with children have higher levels of household income. 66 percent of married / co-habiting couples with 1-2 children have a total household income of between €350.01 and €400.00. 55 percent of married / co-habiting couples with 3 or more children earn a household income of between €400.01 and €450. In terms of separated / divorced households, 48 percent have a total household income of between €200.01 and €250. Given the employment status of the households surveyed is largely unemployed, it is to be expected that income levels would be close to the levels of social welfare rates.

3.8 Assessment of means, disregards and minimum and household contributions

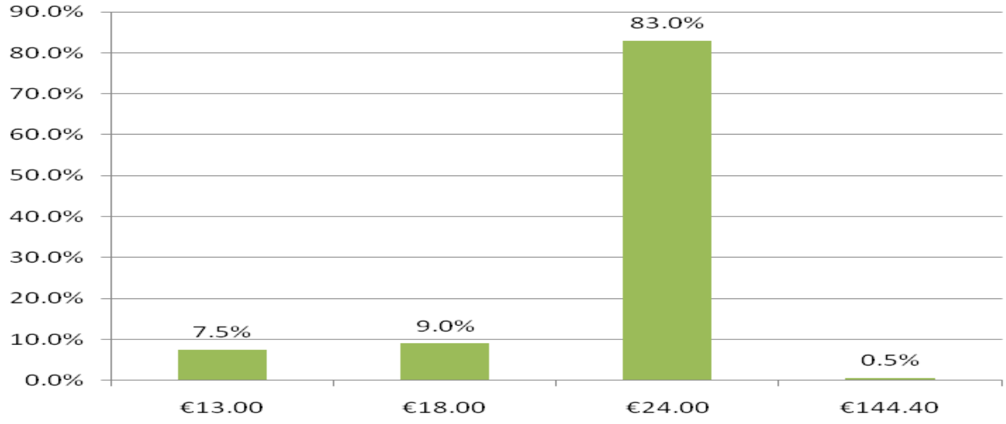
There was a high level of non-response (missing, not known or not applicable) to the assessment of means, disregards and contributions questions on the survey forms. Also, for those claimants where details were available there was a large degree of variability making indicative trends impossible to identify. For example, the total amount of additional household income disregard varied from €0 to €134.16[59]. In terms of the assessment of means for rent/mortgage interest supplement the value ranged from €0 (n=90) to €196 (n=1)[60].

Figure 2 below provides a breakdown of claimants' contributions. 83 percent of claimants contributed €24 towards their mortgage interest payment[61].

[56] Housing ratio = total monthly outgoings divided by monthly income (gross). Debt ratio = total monthly debt repayments (e.g. mortgage, credit card, loans) divided by monthly earnings (gross).
[57] Valid cases = 177. Missing/Not Known = 25.
[58] It is important to recall that income measured in this survey is assessable income so may be under-reported.
[59] Valid cases = 26. Missing = 2. Not Applicable = 174.
[60] Valid cases = 124. Missing = 28. Not Applicable = 50.
[61] Valid cases = 201, including Not Applicable = 1. Missing = 1.

In the majority of cases (n=187) contributions from others was not applicable. In the cases where contributions from others was applicable, 46 percent (n=13) were assessed at the €24 level.

Figure 2 – Claimants' contribution towards their mortgage interest payment



4. Mortgage and Property Details

4.1 Introduction

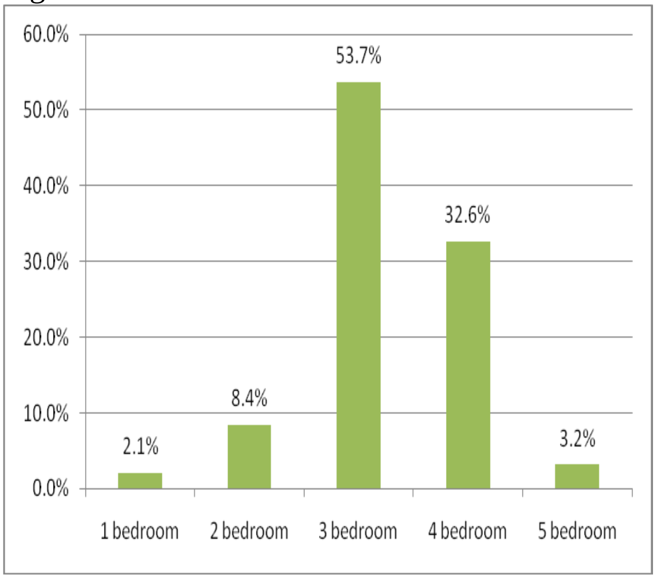
In this section consideration is given to the mortgage and property details of claimants. The initial focus is on the details of the property and lender. It then examines the details of joint mortgage holders or guarantors and the existence of mortgage repayment policies. Analysis then focuses on the types and amounts of mortgages including any additional/top-up loans. It goes on to explore ratios of original loan to previous earnings; and percentage mortgages. A brief mention is made of arrears data collected on the refused MIS survey forms. The final part of this section looks at documentation and MIS assessment implications.

4.2 Property details

The majority (58.1 percent) of claimants' houses were built since 2000[62]. 18.6 percent were built in the 1990s. 9.3 percent were built in the 1980s. The remainder (14 percent) are older housing stock built between the 1930s and 1970s. Claimants tended to buy second hand houses (60.4 percent) over new builds[63]. Figure 3 gives an overview of the types of property purchased by claimants[64]. 40.8 percent of claimants bought semi-detached houses with a further 26.2 percent living in detached houses, 20.4 percent in terraced houses and 12.6 percent in apartments. Figure 4 shows the number of rooms in claimants' properties[65]. Three (53.7 percent) and four (32.6 percent) bedroom houses were the most common amongst claimants.

Figure 3 – Property type

Figure 4 – Number of rooms

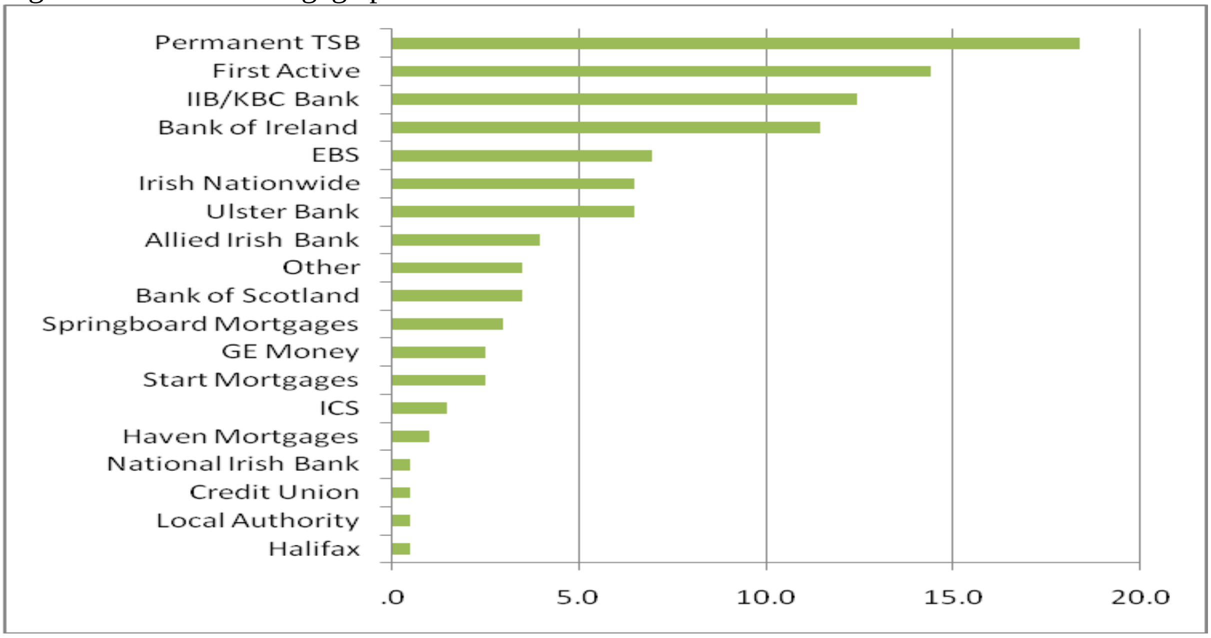


4.3 Lender details

The graph below gives an overview of the lenders that claimants have taken their mortgages out with[66]. The majority of claimants' mortgages (18.4 percent) are held by Permanent TSB. They are closely followed by First Active (14.4 percent); IIB/KBC Bank (12.4percent) and Bank of Ireland (11.4 percent). EBS (7 percent); Irish Nationwide (6.5 percent) and Ulster Bank (6.5 percent) follow on from this group. The remainder have a share of claimants' mortgages ranging from 4 percent down to 0.5 percent.

[62] Valid cases = 43. Missing/Not Applicable = 17. Not Known = 142.
[63] Valid cases = 102. Missing/Not Applicable = 2. Not Known = 98.
[64] Valid cases = 103. Missing/Not Applicable = 14. Not Known = 85.
[65] Valid cases = 95. Missing = 2. Not Known = 105.
[66] Valid cases = 201. Missing = 1.

Figure 5 – Lender/mortgage profile



4.4 Mortgage details including joint mortgages and mortgage repayment policies

The survey form asks a number of questions in relation to different aspects of claimants' mortgages, from date of purchase of property to mortgage duration. In terms of date of purchase of property, 32.6 percent of claimants purchased their houses in 2002[67]. Grouping individual years together shows that 3 percent of properties were bought from 1969 to 1999; 65.2 percent of properties between 2000 and 2005 and 31.9 percent were bought since 2006. This indicates that the majority of mortgages were taken out in the last ten years.

Analysis of the purchase prices of claimants' properties shows that 21.8 percent cost up to €160,000; 36.6 percent cost between this and €260,000; 27.7 percent cost between this and €360,000; 8.9 percent cost between this and €450,000; and the remainder (5 percent) cost above €450,000[68].

Loan agreement dates on claimants' properties have been grouped into year bands for analysis purposes. 1.2 percent ranged from 1998 to 1999; 41.2 percent were agreed between 2000 and 2005; and the remainder (57.6 percent) have been agreed since 2006[69]. There is a slight difference between the property purchase date discussed above and the loan agreement dates. This may be due to the different response rates, a higher proportion of not known responses were provided under the question on property purchase date. The other explanation is that claimants have switched mortgage provider in the last ten years.

Figure 6 provides an overview of the duration of claimants' mortgages from date of loan agreement to survey form completion date. 71.4 percent are five years duration or less; 27.9 percent are between five and ten years duration; and the remainder (0.7 percent) are above ten years[70]. This correlates with the earlier analysis in section 2.3 that showed that 88.8 percent of MIS claims were open less than two years and that 89.6 percent of mortgages of three years duration or less have run into difficulty in the last 18 months.

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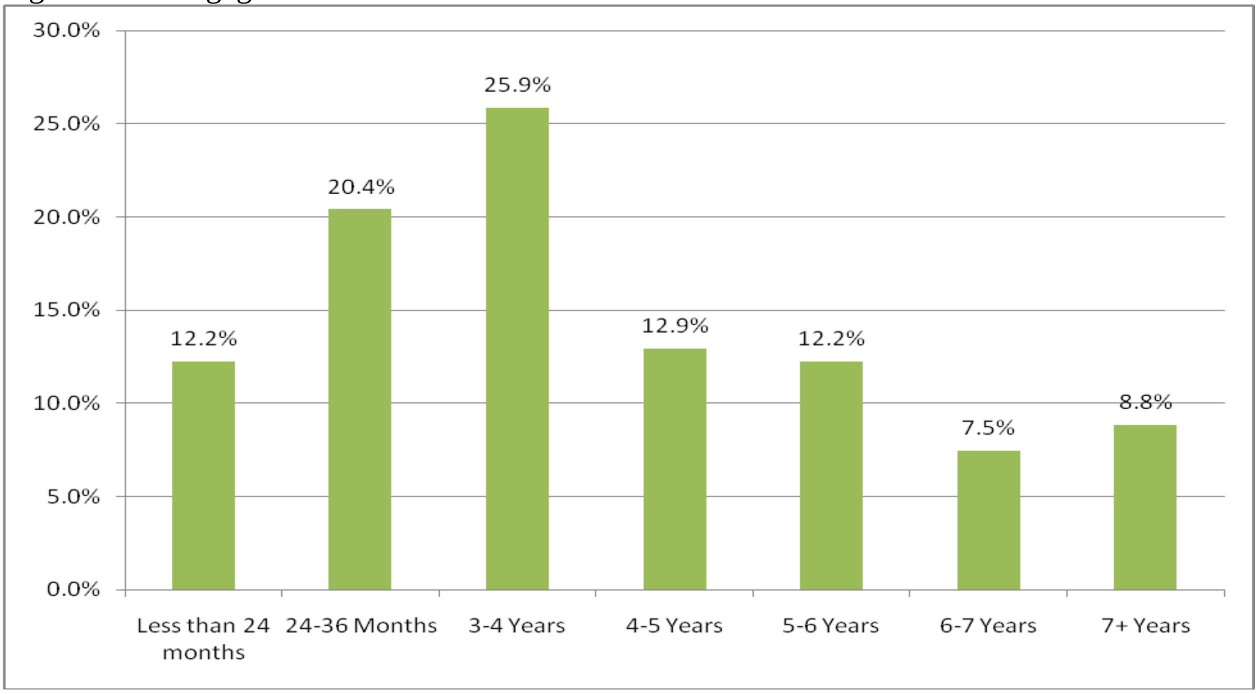
[67] Valid cases = 135. Missing = 2. Not Known = 65.
[68] Valid cases = 101. Missing = 8. Not Known = 93.
[69] Valid cases = 170. Missing = 30. Not Known = 2.
[70] Valid cases = 147. Missing = 53. Not Known = 2.

Figure 6 – Mortgage duration



An assessment of whether claimants have taken out mortgage repayment policies finds that 97.4 percent of claimants hadn't with only 2.6 percent that had[71]. Where policies were taken out most were straightforward mortgage protection policies but in one case a death and sudden illness policy protected mortgage payments. This lack of protection against unforeseen circumstances has left borrowers and lenders vulnerable to external shocks (e.g. reduced working hours; redundancy and job loss in the case of borrowers and lending portfolios with high proportions of housing stock).

The final questions in the mortgage details section of the survey ask about joint mortgage holders. In terms of the relationship of joint mortgage holders[72], 35.3 percent of cases were not applicable; 1.1 percent had no relationship; 54.5 percent was with a spouse/partner; 4.2 percent was with an ex-spouse/partner; 3.2 percent was with their brother/sister; 1.1 percent with their mother and 0.5 with an adult daughter.
A follow-up question found that 44.7 percent of joint mortgage holders are no longer contributing towards mortgage payments, while the remainder (55.3 percent) are currently making repayments[73].

4.5 Types and amounts of mortgages, including additional/top-up loans

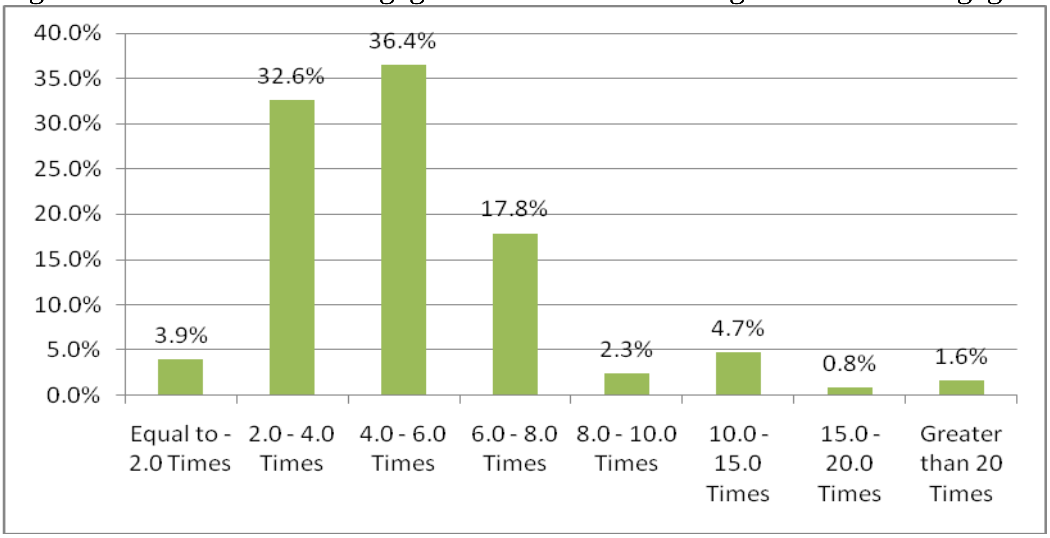
Analysis of the total amount of original loans, including any top-up loans, taken out by claimants shows that 31.5 percent were up to €160,000; 44 percent were between this and €260,000; 21.5 percent were between this and €360,000; 2.5 percent were between this and €460,000; and the remainder (0.5 percent) cost above €460,000. This trend differs from the analysis in section 4.4 above on the purchase prices of claimants' properties. The amount of 91-100 percent mortgages held by claimants would indicate these figures should be closer together. One explanation for this is the difference in valid responses, there are only 2 missing responses in the total loan amount category as compared with 8 missing and 93 not known in the property purchase price question. The inclusion of top-up loans in the calculation of total original loans will also contribute to the divergence between figures. In the next paragraph, the analysis will help to assess to what degree this is the case.

[71] Valid cases = 195. Missing = 4. Not Known = 3.
[72] Valid cases = 187, including Not Applicable = 66. Missing = 15.
[73] Valid cases = 168, including 65 Not Applicable. Missing = 33. Not Known = 1.

Looking at the total amount of original loans, excluding top-up loans, shows that 34.8 percent came up to €160,000; 42.3 percent amounted to between this and €260,000; 20.4 percent were between the latter and €360,000; 2 percent were between this and €450,000 and the remainder (0.5 percent) were above €450,000. The trend is quite similar to that outlined above for the total amount of original loans with top-up loans included. This suggests that the volume of non response explains the biggest part of the difference between the total amount of original loans, including top-up loans, and the property purchase price question.

An analysis of the ratio of total original mortgages to total earnings at the time the mortgage was taken out (see figure 7 below) indicates that in 32.6 percent of cases mortgages were 2-4 times claimants' salaries[74]. In a further 36.4 percent of cases mortgages were 4-6 times the claimants' earnings. 17.8 percent of cases saw a ratio of 6-8 times claimants' earnings. The high ratios are unsurprising given the earlier findings about borrowing to earnings ratios.

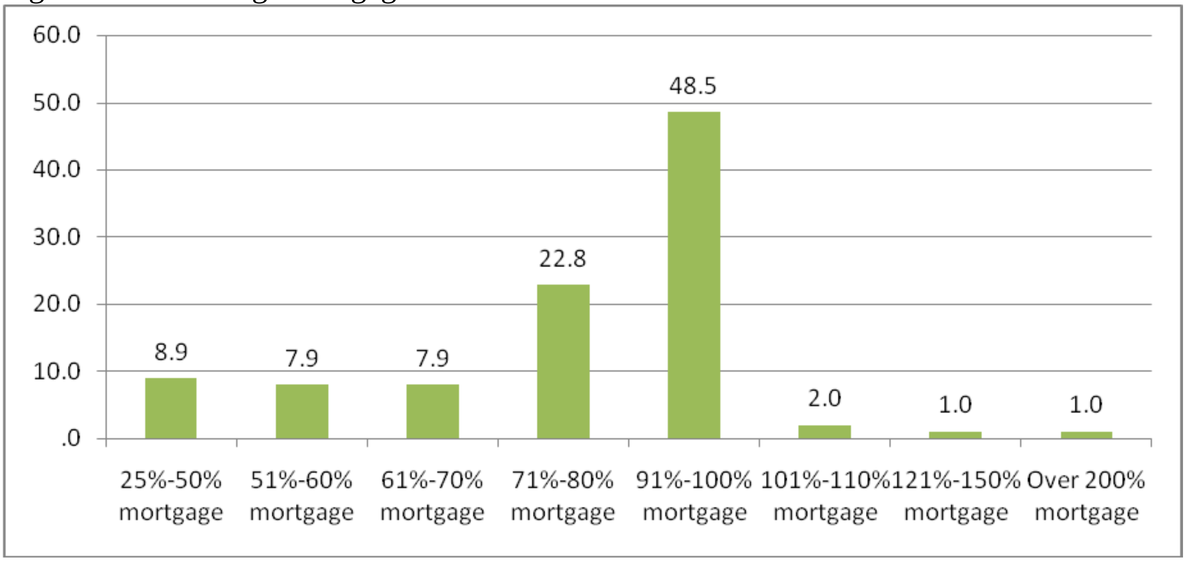
Figure 7 – Ratio of total mortgage amount to total earnings at time of mortgage



The next graph (figure 8) assesses the percentage mortgage[75] that claimants' have taken out. 48.5 percent of claimants' have taken out 91-100 percent mortgages, while 22.8 percent have taken on 71-80 percent mortgages. This reinforces concerns about over-indebtedness and the long-term viability of claimants retaining their homes.

[74] Valid cases = 130. Not known = 16. Missing = 56.
[75] The ratio of original mortgage amount to purchase price

Figure 8 – Percentage mortgage of claimants



Following on from the analysis of claimants' percentage mortgages, a further assessment was undertaken comparing them with the duration of mortgages. The highest concentration of 91-100 percent mortgages are associated with claimants' mortgages agreed 2 to 5 years ago (i.e. during the economic boom between 2005 and 2008). Table 3 compares lenders with percentage mortgages. First Active and Permanent TSB issued the highest number of 91-100 percent mortgages to claimants.

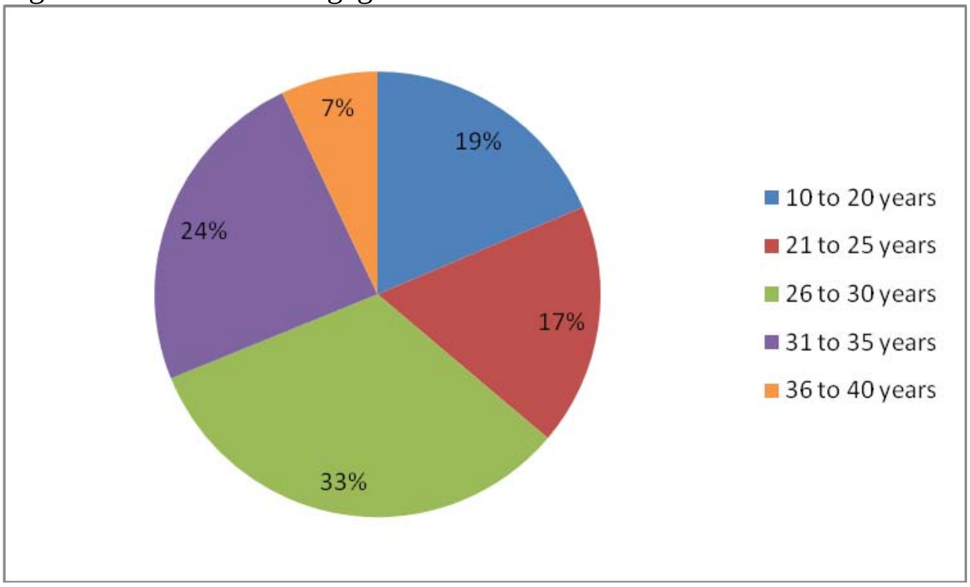
Table 3 – Lender compared with percentage mortgage

		Percent Mortgage (Original Loan Amount against Purchase Price)								
		25%-50%	51%-60%	61%-70%	71%-80%	91%-100%	101%-110%	121%-150%	Over 200%	**Total**
Name of Lender	Allied Irish Bank	1	0	0	2	1	0	0	0	**4**
	Bank of Ireland	2	1	2	2	4	0	0	0	**11**
	Ulster Bank	0	0	0	3	3	0	0	0	**6**
	First Active	1	1	2	2	10	0	0	1	**17**
	Start Mortgages	0	0	1	0	1	0	0	0	**2**
	EBS	0	3	0	0	8	0	0	0	**11**
	ICS	0	0	0	1	0	0	0	0	**1**
	Irish Nationwide	2	1	0	1	0	1	0	0	**5**
	Bank of Scotland	0	0	1	1	2	1	0	0	**5**
	Local Authority	0	0	0	0	1	0	0	0	**1**
	IIB/KBC Bank	1	1	1	4	6	0	0	0	**13**
	Permanent TSB	2	1	1	4	11	0	0	0	**19**
	Credit Union	0	0	0	0	0	0	1	0	**1**
	Springboard Mortgages	0	0	0	1	0	0	0	0	**1**
	Other	0	0	0	2	2	0	0	0	**4**
	Total	**9**	**8**	**8**	**23**	**49**	**2**	**1**	**1**	**101**

In terms of top-up loans, amounts borrowed vary from €4,000 to €100,000. It should be noted that the majority of claimants (83 percent) have not taken out top-up loans. The main reasons given for taking out these loans were personal and home improvements; debt consolidation; equity release and the purchase of another property. In two cases second top-up loans have been taken out for values of €14,000 and €30,000. The reasons given for these were debt consolidation and home improvements.

At the time of the initial mortgage application 87 percent of the cases sampled the mortgage type chosen by claimants was annuity with 10.4 percent opting for interest only. The current interest rate applicable on claimants' mortgages was also analysed. 77.5 percent of them were considered other variable rates; 3.9 percent were tracker rates; and 18.7 percent were various fixed term rates. Mortgage terms range from 10 to 40 years with 32.7 percent falling between 26 to 30 year and a further 31.1 percent between 31 and 40 years.

Figure 9 – Terms of mortgage



There were two questions on the refused awards survey form which focused on whether MIS applicants were in arrears and if so, by how much. As mentioned in the introduction the sample size of refused MIS cases is quite small so the analysis of the questions must be considered in this light. 12.1 percent (n=4) of refused MIS applicants were in arrears[76] of amounts ranging from €668.40 to €2,461.25. In hindsight similar arrears questions would have been a useful addition to the MIS awarded claimants survey form. In terms of the latter cases, earlier analysis (see section 2.4) of the interest portion of the original loan monthly repayment only against MIS payable showed a range of ratios, from under one to 13.38. One of explanations for this is that, in some cases, the monthly interest repayments reflect the fact that the outstanding balance on the original loan is slightly higher than the original loan amount, possibly incorporating a small additional loan and/or arrears.

4.6 Documentation and MIS assessment implications

This section considers the availability of claimants' mortgage and support documentation for assessment of MIS entitlement. The analysis shows that 81.9 percent of claimants' furnished their documentation immediately. A further 6.2 percent forwarded the documentation after a considerable delay. 8.3 percent supplied alternate documentation. In a small proportion of cases (i.e. 3.1 percent) documentation was not requested from the claimant. No further details are supplied for these cases to understand how assessments were made.

[76] Valid cases = 33. Missing = 2.

A supplementary question asked about the extent of the delay in documentation being produced. In 93.8 percent of cases this was not applicable. Delays in the remainder of cases ranged from 5 to 76 weeks.

This implies that in the majority of cases documentation is provided by claimants on a timely basis in order for CWOs to assess applications in good time and for any delays to be minimised.

5. Other Supports and Changes

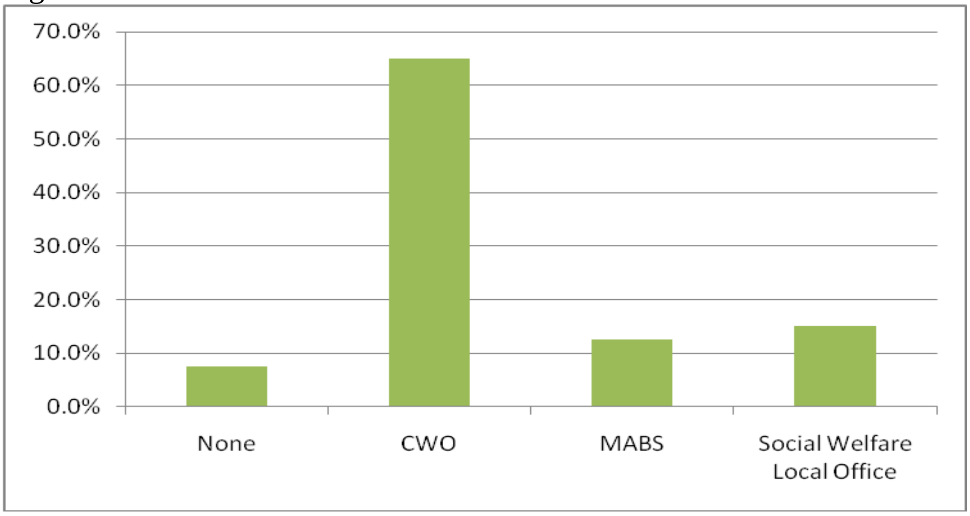
5.1 Introduction

This section explores the supports and changes pre- and post-application for the MIS. It explores the sources of referrals to MIS; the dynamics of the MIS Scheme in terms of mortgage term and claim changes; other supports claimants have availed of; and other related issues.

5.2 Sources of referral

Figure 10 shows the sources of reported referrals. 65 percent of them came from CWOs who were dealing with claimants in relation to another issue. A further 15 percent came from local social welfare offices. 12.5 percent were referred from MABS. The remainder (7.5 percent) were not referred by anyone. However, it should be noted that there was a high non-response[77] level to this question.

Figure 10 – Source of referral for MIS



5.3 Changes pre-application: renegotiation of terms and details

88.4 percent of claimants did not renegotiate the terms of their mortgage before claiming MIS[78]. 73 percent of those who did renegotiate the terms of their mortgage did so, on their own initiative, dealing directly with their mortgage lender. 59 percent of them moved to interest only repayments. The remaining 41 percent had invoked their moratorium agreements of their mortgages. One person renegotiated the terms of the mortgage following advice from a MABS money advisor. Two claimants indicated that they were already on interest only mortgages before applying for MIS.

5.4 Consideration of other issues when assessing MIS

In the majority of cases analysed (82.6 percent) no other issues emerged when assessing MIS[79]. Joint ownership was cited as a consideration in 8.7 percent of cases. 6.1 percent mention marital separation as an issue. In 1.7 percent of cases illness and in 0.9 percent the rent a room scheme is noted.

[77] Valid cases only = 40. Missing/Not Known = 162.
[78] Valid cases = 189. Not Known = 13
[79] Valid cases only = 115. Missing = 87.

5.5 Changes post-application: review/appeal outcomes and other changes

Two claimants renegotiated the terms of their mortgage post MIS claim. One moved to an interest only mortgage and the other changed from a fixed rate to a tracker rate on their mortgage thus reducing the amount of MIS being paid.

Another question on the survey asks whether there have been significant changes in the claimant's circumstances and/or changes to MIS overall, which resulted in changes to the claimant's MIS payment or closing of the claim. 24.9 percent of claimant cases experienced these changes. A description of the reasons for the changes include changes in the minimum contribution; move to interest only mortgage; reduction in the mortgage interest rate; change in employment status; partner returning to education; the rent a room scheme; on an appeals outcome and as means not disclosed MIS was suspended.

5.6 Other supports in place or put in place

The final question on the survey form asks whether there any other supports currently in place for the claimant to help manage the mortgage payments additional to MIS or other debts and/or planned supports once the claim is closed. In 97.9 percent of cases no such supports are in place. In the remaining cases, claimants have either been referred to and/or advised about MABS.

Appendix

7.1 Survey Cover Letter / Guidelines

Review of Mortgage Interest Supplement Scheme – Claim Activity and Case Study Survey

Information and Explanatory Notes

As part of the review of the Mortgage Interest Supplement (MIS) Scheme, a claim activity survey and a case study survey of those awarded and those refused MIS, in a selection of CWO districts, is being undertaken. The aim of the surveys is to capture information on overall claim activities and individual claim data not held nationally to determine key characteristics of claims activity and claimants for the MIS scheme.

Firstly, a claim activity survey form to capture claim activity information not held nationally is attached for completion. Secondly, two case study forms to be completed i.e. one for awarded cases and one for refused cases, are being sent as separate attachments. The case study forms will need to be printed down for completion in respect of each awarded or refused case included in the survey.

To ensure the validity and completeness of the information please ensure that **all boxes are filled in**, even if information is not available or not known. Where this is the case, please fill in 'N/A (Not Available)' or 'Not Known', as appropriate. Please note that all information provided, including any reference to 'current' details, should be on the basis of the most recent information available on the file.

Selection of cases for case study

(a) *Awarded cases*: The intention of the case study survey is to gather information, if possible, for all awarded claims i.e. current MIS recipients, in the selected districts to end December 2009. However, where the number of awarded claims is in excess of 40, the case study form should be completed for a random sample of not more than 40 cases.

(b) *Refused cases:* In relation to the case study of refused cases, the form should be completed, if possible, for all refused cases in 2009 only. If the number of refused cases in 2009 is more than 30, the forms may be completed for a random sample of not less than 15 and not more than 30 refused cases.

Some additional explanatory notes are set out below.

***(1) Mortgage Interest Supplement details*:**

- Please note that all information should be based on the **original application details.** Separate questions capture any subsequent changes to the claim.
- Please note **most but not all** details under this section of the awarded and refused claims form are the same as the blue SWA calculations form. **If available**, **please attach a copy of that form** to the survey and there is no need to fill out the same details on the survey form. If the original SWA calculations form is **not available,** please fill in relevant details **on the survey form.**
- Where refused claims may not have had a full SWA Calculations form completed, please fill in as many details as are available and/or attach partially completed form.

***(2) Other details*:**

- **In all cases**, please fill in the **additional information** regarding weekly net pay details; the full amount of weekly mortgage interest due; if full amount is not allowable, the reason for this; and any other considerations taken into account when assessing the claim.

(3) Overall claim statistics:

- Please note that under 'number of cases reviewed' the survey is looking for two pieces of information: a) Total number of reviews, i.e. the count of **all reviews** undertaken in the relevant period **including** multiple reviews of the same claim; b) Total number of claims reviewed, i.e. the count of **all claims** that were reviewed in the relevant period.

(4) Privacy and Confidentiality:

- Only the PPS number of the claimant should be entered on the case study forms. Additional necessary details will be extracted, as required, from ISTS. To protect the security of the PPSN and the confidentiality of the claim, and the claimant's personal details, please do not enter any information on the case study form which might identify the name or address of the claimant.

Finally, each form has a section at the end for the name of the person who completed the form and the person's contact details to be provided along with the date of completion of the form. However, it is not necessary to give contact details on every form for the selected district as long as the same person has completed all the forms. The name of the person completing the form and the date of completion will suffice.

It would be very much appreciated if the survey could be completed no later than January 22nd 2010 so that the review of the MIS scheme can proceed.

When the survey forms have been completed please email either pj.timmins@welfare.ie or kasey.shine@welfare.ie so that arrangements can be made for collection, or delivery, as appropriate. For security reasons, please do not return completed forms by post.

We are aware that CWS staff are under a considerable amount of pressure and we wish to take this opportunity to express our gratitude and appreciation to all those staff for their time and cooperation in gathering the information for the survey and filling out the survey forms.

Yours sincerely,

P J Timmins
Secretary
MIS Review Group

Dr. Kasey Treadwell Shine
Senior Researcher
Social Inclusion Division,
Department of Social and Family Affairs

7.2 Claim Activity Survey Form

SURVEY OF MORTGAGE INTEREST SCHEME: CLAIM ACTIVITY AND DETAILS

A. Overall claim activity statistics

		1st January 2008 to 31st December 2008	1st January 2009 to 31st December 2009
Total Number of Applications/ Claims			
Number of New Claims Awarded			
Number of New Claims Refused			
Number of Claims Appealed			
Number of New Claims Being Processed (received but no decision made as yet)			
Number of Claims Open and awarded up to 31st December of previous year			
Reviews conducted:	A) Total Number of Reviews		
	B) Total Number of Cases Reviewed		
Number of Awarded Claims Closed			

B. Awarded Claims Closed: Details

Of those awarded claims closed in the period 1st January to end December 2009, please indicate the **main** reason for closing the claim.

Reason Claim Closed	Number of claims	Percent Total of all claims closed
Time limit expired		
Claimant returned to full time employment		
Spouse/other household member returned to full time employment		
Mortgage repayments discontinued		
Mortgage payment in arrears		
Inability to meet loan repayments/other debts against mortgage		
Claim in suspension due to failure to submit review documentation		
Property offered for sale		
Property repossessed/ Claimant undergoing legal action for repossession		
Claimant has surrendered house/left district (emigrated)		
Other change in circumstances		

Form completed by: ________________________________

Name in block capitals: ________________________________

Date of completion: ________________________________

CWO district number: ________________________________

Email address: ________________________________

Contact Number: ____________________________**(landline)**

____________________________**(mobile)**

7.3 Case Study of Awarded MIS Claims

Review of Mortgage Interest Supplement Scheme

Case Study of Awarded MIS Claims

Claimant's PPSN:
Date of most recent information on MIS file:

Claimant details	
Individual and Family Details	Single ☐ Married/Co-habiting ☐ Separated/Divorced ☐ Widow/Widower ☐ Gender Male ☐ Female ☐ Number of children____________(please put 0 if none) Age of claimant (if known) ________________
Property details	No. of bedrooms ____________________ Size of house, if known ______________sq metres Detached House ☐ Semi-Detached House ☐ Terraced House ☐ Apartment ☐ When was property built (if known)___________ Was property bought New ☐ Second Hand ☐
If known, please state source of referral for mortgage interest supplement	

Claim details	
Date of claim application *(see explanatory note 1 below)*	
Date awarded (*see explanatory note 2 below)*	
Commencement date (*see explanatory note 3 below)*	
Is claim subject to a 12 month limit i.e. Article 10 (3) (b)	Yes ☐ No ☐
What were the main reason(s) for awarding the claim?	______________________ ______________________ ______________________
Was claim subject to a prior 12 month limit but has now been extended? If yes, please state reason why supplement has been continued	Yes ☐ No ☐ ______________________ ______________________ ______________________
Mortgage details	
Date of purchase of property	
Purchase price	
Date loan agreement signed	
Was a mortgage repayment protection policy taken out and if yes, what type and for how long? Weekly repayment protection policy payment	No Repayment Policy ☐ Repayment Policy Type/ Duration: ______________________ €______________
If Mortgage is jointly held, please give joint holder name and relationship, if any, to claimant	Relationship:______________ No relationship: ☐
If the property is jointly owned, is the joint holder currently making mortgage repayments	Yes ☐ No ☐

Explanatory notes:
(1) Date of claim application refers to date application was received, not when application form is first made available to, or requested by, the claimant.
(2) Date decision to award claim was made.
(3) Commencement date is the date on ISTS when the supplement commenced.

If the applicant or spouse was in employment **at the time** of the mortgage application, please state full or part-time (if known).	Applicant not in employment ☐ Applicant in employment: Full-Time ☐ Part-time (less than 30 hrs/wk) ☐ Nature of employment (sector/type) ________________________ Not known ☐
	Spouse not in employment ☐ Spouse in employment: Full-Time ☐ Part-time (less than 30 hrs/wk) ☐ Nature of employment (sector/type) ________________________ Not known ☐
What were the total earnings per year?	Applicant: €____________ Spouse: €_____________
Name of lender	
Amount of original loan	
Amount of further loan(s), if any	
Purpose of further loan(s)	
Term of loan	
Type of loan i.e. annuity, interest only	
Current interest rate and type i.e. % variable, % fixed interest, etc	
Current balance outstanding (most recent information on file)	
Current scheduled monthly repayments	
Current interest content of monthly repayments	

Did the claimant renegotiate their mortgage terms prior to the claim for mortgage interest supplement?	Yes ☐ No ☐
If yes, please state if the mortgage terms were renegotiated on the claimant's behalf by: a) a MABS money advisor, b) a debt consultant, c) other third party (please specify); or d) by the claimant negotiating directly with the lender.	______ ______ ______
Please state the basis on which the mortgage terms have been renegotiated i.e. a) interest only repayments, b) extension of mortgage term, or c) other change to mortgage agreement.	______ ______ ______
Have there been any further changes to the mortgage terms since the claim was awarded?	Yes ☐ No ☐
If yes, please state a) who negotiated the change in terms; and b) what these terms are.	______ ______ ______

Mortgage Interest Supplement (MIS) details

(Based on original application details)

Was the original loan application requested and furnished?	Requested and furnished immediately ☐ Requested but furnished only after considerable delay (If so, please specify **approximate duration** of delay: ______________ weeks) ☐ Requested/Not furnished and alternative documentation accepted ☐ Not requested/ alternative documentation accepted ☐

Assessment of Mortgage Interest Supplement Payable

(Based on blue SWA Calculations form with *additional information requested as below.* **See also explanatory notes.**)

Total means:	€________________			
Income source(s) and amounts	**Claimant**	**Source**	**Spouse**	**Source**
Cash				
Capital				
Benefit in Kind				
Benefit/Privilege				
Deprived means				
Liable Relative(s)				
Subtotals				
Less:				
Travel, PRSI, etc.				
Subtotals				
TOTAL				
Is claimant **currently** in part-time employment (less than 30 hours/week)? If yes, please state weekly net pay:	Yes ☐ No ☐ €________________			
Is spouse **currently** in part-time employment (less than 30 hours/week)? If yes, please state weekly net pay:	Yes ☐ No ☐ €________________			

Non-assessable income/income disregards and amounts (Subsidiary Calculations)

Capital Assessment

Capital (round down to nearest €1,000)	
Less first €5,000 disregarded	
Next €10,000 @ €1 per €1,000	
Next €25,000 @ €2 per €1,000	
Balance @ €4 per €1,000	
Total weekly means	

Pensioner (65+) Disregard

Relevant amounts of State CP	
Total	
Less relevant SWA rate	
Equals pensioner disregard	

Carer's Allowance/Benefit Disregard

Personal Rate of Carer's A/B	
Less relevant SWA rate	
Equals Carer's A/B disregard	

Additional Household Income Disregard

Income greater than SWA rate		
Less Total of:		
First €95.23 maintenance		
Non-assessable AHI (incl. means from capital)		
Total		
Equals AHI		

If the above total is less than or equal to €75.00, it is disregarded. If it is above €75.00, the following calculation should be completed.

Total AHI		
Less	€75.00	
Equals subtotal		
25% of subtotal		
Plus		€75.00
Equals AHI Disregard		

Calculation of Allowable Mortgage Interest Supplement (RENT/MORT INTEREST SUPP)		
Means		
Less total of:		
Pensioner disregard		
Carer's disregard		
SWA rate		
Total		
Income greater than SWA		
Less AHI (or Rehab) disregard		
Means for Rent/MI Supp		
Rent/MI allowed		
Less Total of:		
Means for Rent/MIS		
Claimant's contribution		
Other's contributions		
Total means/contributions		
RENT/ MI SUPP PAYABLE		

Please provide further details about other's contributions (from non-dependent household members), if any, including: a) Relationship to claimant; b) Income type and source; c) Amount of contribution	a) Daughter: Y ☐ N ☐ b) Income type/ source:____________________ c) Amount: €________________ a) Son: Y ☐ N ☐ b) Income type/ source:____________________ c) Amount: €________________ a) Other: Y ☐ N ☐ Please specify: ____________________ b) Income type/ source:____________________ c) Amount: €________________
What is the full weekly interest payment due on the mortgage? If the full amount due was not allowed, please state reason(s) why	€________________________ ______________________________ ______________________________ ______________________________

Please indicate if any other considerations were taken into account when assessing the claim	(a) Marital separation ☐ (b) Joint ownership ☐ (c) Guarantor ☐ (d) Rent a room scheme ☐ (e) Other (please specify)________________
Additional Information about the claim/claim activity	
Was the supplement awarded following an appeal?	Yes ☐ No ☐
If yes, who was the claim appealed to?	To HSE Appeals Officer only ☐ To HSE Appeals Officer then Chief Appeals Officer ☐ To Chief Appeals Officer only ☐ Not known ☐
About how long did the appeals process take?	Not known ☐ _________________ weeks
What was the main reason for the original refusal of the claim?	______________________________ ______________________________ ______________________________
If there were considerable delays in the awarding of this claim, as against typical processing times, please state: a) Estimated 'typical' processing time for most claims; b) Approximate duration of delay for processing this claim; c) Main reason(s) for delay	a) 'Typical' processing time _____________________ weeks b) Approximate duration of delay _____________________ weeks c) Main reasons for delay: ______________________________ ______________________________ ______________________________
Review Activity	
Has this case been reviewed?	Yes ☐ No ☐
If yes, how often has this case been reviewed?	Once ☐ Twice ☐ Three times ☐

	Four times ☐ More than four times (please specify no.)_________
When, approximately, did these happen?	All reviews part of a Once-yearly cycle of reviews; ☐ Twice-yearly cycle of reviews; ☐ Other cycle of reviews (please specify frequency) ________________________ Reviews part of a mixture of cycle of reviews and other reasons (please specify reason for **each** review) ____ ____ ____
If there were considerable delays in the reviewing of this claim at any point, as against typical reviewing times, please state: a) Estimated 'typical' time for **one review** for most claims; b) Approximate duration of delay for **any review** for this claim, as against typical times; c) Main reason(s) for delay	a) 'Typical' time taken for one review _________________________ weeks b) Approximate duration of delay _________________________ weeks c) Main reasons for delay: ____ ____ ____
Were there significant changes in the claimant's circumstances and/or changes to MIS overall, which resulted in changes to the claimant's Mortgage Interest Supplement payment or closing of the claim? If yes, please state what a) changes in circumstances/MIS overall; and b) changes in the claimant's MIS.	Yes ☐ No ☐ ____ ____ ____

Are there any other supports currently in place for the claimant to help manage the mortgage payments additional to MIS or other debts; and/or planned supports once the claim is closed? (please state none if none in place/planned, or not known if not known).	____ ____ ____

Form completed by: _______________________________________

Name in block capitals: _______________________________________

Date of completion: _______________________________________

CWO district number: _______________________________________

Email address: _______________________________________

Contact Number: ________________________________**(landline)**
________________________________**(mobile)**

7.4 Case Study of Refused MIS Claims

Review of Mortgage Interest Supplement Scheme

Case Study of Refused MIS Claims

Claimant's PPSN:
Date of most recent information on MIS file:

Claimant details	
Individual and Family Details	Single ☐ Married/Co-habiting ☐ Separated/Divorced ☐ Widow/Widower ☐ Gender Male ☐ Female ☐ Number of children____________(please put 0 if none) Age of claimant (if known) ________________
Property details	No. of bedrooms __________________ Size of house, if known _____________sq metres Detached House ☐ Semi-Detached House ☐ Terraced House ☐ Apartment ☐ When was property built (if known)__________ Was property bought New ☐ Second Hand ☐
If known, please state source of referral for mortgage interest supplement	

Claim details	
Date of claim application *(see explanatory note 1 below)*	
Date claim refused	
How was decision notified to claimant	Written refusal ☐ Verbal refusal ☐
Reason for refusal (please tick main reason)	
a) (i) Claimant in full-time employment (ii)spouse in full-time employment	☐ ☐
(b) HRC grounds	☐
c) Income in excess	☐
d) Amount of interest is in excess of what is considered reasonable	☐
e) Property offered for sale	☐
f) Inability to meet loan repayments when loan agreement entered into	☐
g) Mortgage in arrears	☐
h) Combination of (f) and (g)	☐
i) Original loan application not provided	☐
(j) Re-possession proceedings commenced	☐
k) Other reasons	Please specify__________________________
Mortgage details	
Date of purchase of property	
Purchase price	
Date loan agreement signed	
Was a mortgage repayment protection policy taken out and if yes, what type and for how long?	No Repayment Policy ☐ Repayment Policy Type/ Duration: ____________________________________

Weekly repayment protection policy payment	€______________

Explanatory notes:

1) Date of claim application refers to date application was received, not when application form is first made available to, or requested by, the claimant

If Mortgage is jointly held, please give joint holder name and relationship to claimant	Relationship:_____________ No relationship: ☐
If the applicant or the applicant's spouse/partner was in employment **at the time** of the mortgage application, please state full or part-time (if known)	Applicant not in employment ☐ Applicant in employment: Full-Time ☐ Part-time (less than 30 hrs/wk) ☐ Nature of employment (sector/type) ______________________________ Not known ☐ Spouse not in employment ☐ Spouse in employment: Full-Time ☐ Part-time (less than 30 hrs/wk) ☐ Nature of employment (sector/type) ______________________________ Not known ☐
What were the total earnings per year?	Applicant: €_____________ Spouse: €_____________
Name of lender	
Amount of original loan	
Amount of further loan(s), if any	
Purpose of further loan(s)	

Balance outstanding at date of claim	
Term of loan	
Type of loan i.e. annuity, interest only	
Interest rate and type i.e. % variable, % fixed interest, etc	
Amount of scheduled monthly repayments	
Interest content of monthly repayments	
Was the loan in arrears at the date of claim for MIS If yes, what was the amount of arrears?	Yes ☐ No ☐ €________________
Did the claimant renegotiate their mortgage terms prior to the claim for mortgage interest supplement? If yes, please state if the mortgage terms were renegotiated on the claimant's behalf by: a) a MABS money advisor, b) a debt consultant, c) other third party (please specify); d) by the claimant negotiating directly with the lender, or e) not known. Please state the basis on which the mortgage terms were renegotiated i.e. a) interest only repayments, b) extension of mortgage term, c) other change to mortgage agreement, or d) not known.	Yes ☐ No ☐ ____ ____ ____ ____ ____ ____
Mortgage Interest Supplement (MIS) decision details	
Was the original loan application requested and furnished?	Requested and furnished immediately ☐ Requested but furnished only after considerable delay ☐ (If so, please specify **approximate duration** of delay: _____________ weeks)

	Requested/Not furnished and alternative documentation accepted ☐ Not requested/ alternative documentation accepted ☐

Assessment of Mortgage Interest Supplement Payable

(Based on blue SWA Calculations form with *additional information requested as below.* **See also explanatory notes.**)

Total means:	€________________			
Income source(s) and amounts	**Claimant**	**Source**	**Spouse**	**Source**
Cash				
Capital				
Benefit in Kind				
Benefit/Privilege				
Deprived means				
Liable Relative(s)				
Subtotals				
Less:				
Travel, PRSI, etc.				
Subtotals				
TOTAL				
Is claimant **currently** in part-time employment (less than 30 hours/week)? If yes, please state weekly net pay:	Yes ☐ No ☐ €________________			
Is spouse **currently** in part-time employment (less than 30 hours/week)? If yes, please state weekly net pay:	Yes ☐ No ☐ €________________			

Non-assessable income/income disregards and amounts (Subsidiary Calculations)

Capital Assessment	
Capital (round down to nearest €1,000)	
Less first €5,000 disregarded	
Next €10,000 @ €1 per €1,000	
Next €25,000 @ €2 per €1,000	
Balance @ €4 per €1,000	
Total weekly means	

Pensioner (65+) Disregard	
Relevant amounts of State CP	
Total	
Less relevant SWA rate	
Equals pensioner disregard	

Carer's Allowance/Benefit Disregard	
Personal Rate of Carer's A/B	
Less relevant SWA rate	
Equals Carer's A/B disregard	

Additional Household Income Disregard		
Income greater than SWA rate		
Less Total of:		
First €95.23 maintenance		
Non-assessable AHI (incl. means from capital)		
Total		
Equals AHI		

If the above total is less than or equal to €75.00, it is disregarded. If it is above €75.00, the following calculation should be completed.

Total AHI		
Less	€75.00	
Equals subtotal		
25% of subtotal		
Plus		€75.00
Equals AHI Disregard		

Calculation of Allowable Mortgage Interest Supplement (RENT/MORT INTEREST SUPP)		
Means		
Less total of:		
Pensioner disregard		
Carer's disregard		
SWA rate		
Total		
Income greater than SWA		
Less AHI (or Rehab) disregard		
Means for Rent/MI Supp		
Rent/MI allowed		
Less Total of:		
Means for Rent/MIS		
Claimant's contribution		
Other's contributions		
Total means/contributions		
RENT/ MI SUPP PAYABLE		
Please provide further details about other's contributions (from non-dependent household members), if any, including: d) Relationship to claimant; e) Income type and source; f) Amount of contribution	d) Daughter: Y ☐ N ☐ e) Income type/ source:________________________ f) Amount: €__________________ d) Son: Y ☐ N ☐ e) Income type/ source:________________________ f) Amount: €__________________	

	d) Other: Y ☐ N ☐ Please specify: ________________________ e) Income type/ source:______________________ f) Amount: €_________________
What is the full weekly interest payment due on the mortgage? If the full amount due was not allowed, please state reason(s) why	€_____________________________ ____ ____ ____
Please indicate if any other considerations were taken into account when assessing the claim	(f) Marital separation ☐ (g) Joint ownership ☐ (h) Guarantor ☐ (i) Rent a room scheme ☐ (j) Other (please specify)_______________

Appeals Information (if any)	
Was there an appeal against the decision to refuse?	Yes ☐ No ☐
If yes, who was the claim appealed to?	To HSE Appeals Officer only ☐ To HSE Appeals Officer then Chief Appeals Officer ☐ To Chief Appeals Officer only ☐ Not known ☐
Outcome of appeal	Decision upheld ☐ Appeal allowed ☐ Appeal not decided ☐
About how long did the appeals process take?	Not known ☐ ________________ weeks

Form completed by: ______________________________________

Name in block capitals: ______________________________________

Date of completion: ______________________________________

CWO district number: ______________________________________

Email address: ______________________________________

Contact Number: _______________________________(landline)
_______________________________(mobile)