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RUEPOINTMEDIA

HOME *economics*

Sinead Ryan answers your property questions

Q We're in the process of getting a mortgage on our first home and money is tight. Although we know mortgage protection cover is mandatory, our broker is suggesting a more expensive product called 'dual cover'. Is it much better than the ordinary insurance and why should we spend more money on it? He says it offers more protection, but I thought the mortgage would be paid off anyway if one of us dies. We are in our thirties and have a two-year-old with one on the way.

Traditionally, there used to be only one way to set up mortgage protection for a couple which was on a Joint Life basis, with the amount of the cover decreasing each year in line with the mortgage. This is the simplest and cheapest kind of cover available and pays out only once, on the death of either person and pays off the loan. The bank will normally insist as a minimum that borrowers have this type of policy in place.

Sara Murphy of Royal London Assurance adds: "It is possible to set up your mortgage protection on a Dual Life basis. It also covers both people on the mortgage but the key difference is that the policy would pay out on both deaths. So, if one of the policyholders died, say five years into the policy, their life cover would go towards paying off the mortgage. And life cover would continue for the other person insured.

"Then, if they were to pass away say five years later, the policy would pay out their life cover to the next of kin, providing financial protection to children. If both people were to be in an accident and die at the same time, the policy would pay out twice the amount compared to Joint Life cover."

The good news is that this option doesn't have to cost you more. It can cost the same as Joint Life if you ask your broker to quote you from a range of insurers.

Q My father and mother separated many years ago and she came to live with me. My dad and his partner live in what was my parents' home. Mum now needs a nursing home. I can't afford this, and it would need to be under Fair Deal. However, the problem is that the house technically still belongs to Mum and Dad, as they never legally separated and the HSE is saying it has to be included in the costings. But Dad and his partner are avidly refusing this and I'm caught in the middle. What advice can you give?

Once the Needs Assessment is met, a patient's annual contribution to the Fair Deal scheme is in two components: 80pc of income plus 7.5pc of all assets, including the family home for three years, but excluding the first €36,000 of savings (€72,000 for a married couple).

The family home would be taken into consideration for the calculation as it is still half-owned by your mother, but as your father still lives in it, only 50pc of its value is assumed. For example, if the property is worth €500,000, than 7.5pc x €250,000 is the sum used for your mother's contribution toward her care. This bill is presented each year, but can be deferred until after her, and your father's passing, under a loan arrangement with the HSE or on earlier sale of the house. Your father's partner has no legal right under any arrangement.

Susan Cosgrove of Cosgrove Gaynard Solicitors agrees the HSE is correct to include it. "As matters stand, the property is still legally that of your parents and therefore should be included in the costings. There are a number of assumptions being made on this though, and items that your mother's solicitor will need to confirm ie, that the title to the property is in fact in your mother and father's names and jointly held by them; what claim your father and his partner are making over the property and that definitely no separation agreement was ever reached."

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The Ryan Review

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TREADING a fine line between getting your balance sheet ship-shape and running the risk of punters and politicians inexplicably complaining when you do so, is the gauntlet every bank has to run these days.

Flogging non-performing loans is what State-owned banks must do to return them to a condition worthy of sale. AIB's call not to include Primary Dwelling Homes (PDHs) in their recent book of sale meant it avoided turgid headlines, but got the job done — for now. Nobody really cares about investors losing out.

Ulster Bank took a harder line putting 6,500 mortgages on the market, 3,600 of which are PDHs. Many were in deep arrears of up to nine years but of course, the Irish taxpayer didn't bail them out. Permanent TSB's chairman acknowledges the tightrope banks are walking and claimed the cost of inaction was sometimes the greater of two evils. Nevertheless its recent proposal to offload 18,000 properties was tempered at the last minute with the withdrawal of 4,300 of them which were 'restored' to performing after split-mortgages were permitted and being adhered to by customers.

Of course, the vulture funds which will eventually own what's left don't "do" split mortgages, or indeed, any other forbearance arrangements.

You pay up, you buy out or you lose.

Loan offloads continue to be a game of Who Blinks First.