Lapithus

Lapithus Management DAC
PO Box 12714
Dublin 24

T: 0818 555390 (lo-call)
T: 00353 818 8203202 (calling from abroad)

20 December 2017

We are writing to inform you of a change to our practice when calculating the monthly repayments on your mortgage account.

As you may be aware, to date the monthly repayments on your mortgage loan are calculated based on you repaying the outstanding loan balance over the remaining life of your loan.

The monthly repayment amount is recalculated following certain events, including a change in the underlying interest rate for your loan. Because the monthly repayment is calculated based on the outstanding balance, if there was an arrears balance on your account on the date of recalculation, your repayments would have increased to include the repayment of those arrears over the remaining life of your loan. This practice did not result in you being overcharged interest or fees, however, it did result in higher monthly repayments than you would otherwise have been due to pay. All repayments made did correctly reduce the total amount owed.

Following consideration of this practice we are updating the practice used to recalculate the monthly repayments on your mortgage loan, they will be calculated based upon the scheduled capital repayments and the interest due for each repayment period. This change will be implemented in early 2018, we will write to you in January with more detail on the specific changes that will be made to your account.

We enclose a sample story to clearly explain how your monthly repayments have been calculated and how the new calculation will work.

What this means for you.

As your arrears balance will reduce as part of this change, Tanager has decided to withdraw its legal proceedings against you. Tanager intends to apply to the Dublin Circuit Court to withdraw its proceedings in the coming days and Tanager will pay your out-of-pocket cost of court proceedings.

There is no requirement for you to attend court for this application.

We would welcome the opportunity to discuss this matter with you and would be grateful if you would contact us at the address above or call the below number to arrange an appointment where we may review your personal circumstances and consider what further action is appropriate.

0818 555 390 (Lo-call)
00 353-81-820 3202 (Calling from abroad)

Opening Hours:
9am – 8pm (Monday to Thursday except public holidays)
9am – 5pm (Friday except public holidays)
Saturday - Closed.

Yours sincerely

Dara Kiernan
Head of Customer Operations on Behalf of Lapithus Management DAC

***The total debt outstanding quoted above is not a redemption amount and is subject to a daily accrual of interest and may not include other sums due under the mortgage.**

The loan facilities referred to in this written correspondence are managed by Lapithus Management DAC as service provider for and on behalf of and in accordance with the instructions of Tanager DAC

Warning:
If you do not keep up your repayments, you may lose your home or property.

Warning:
Your property is at risk if you do not keep up payments on a mortgage or any other loan secured on it.

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

Warning:
The payment rates on this housing loan may be adjusted by the lender from time to time.

The Change in Monthly Repayment Calculations

Understanding what it means for you and your mortgage

If you have been advised of a change to your monthly repayment calculation, you may have questions on what this change means for you, what the old calculation meant for your mortgage and what the new method will mean. Below we set out an example and describe the differences under the two calculations, to explain how this works.

This is Mary, she is a working mother. Mary has in the past struggled to meet her mortgage repayments but is finding it easier now. Due to her financial difficulties in the past, however, Mary has an arrears balance on her loan.

Below we illustrate the affect that the method of calculating her repayments on the full balance of her loan has had on Mary's loan repayments over the last 10 years.

Mary took out a loan for €250,000 10 years ago to purchase her current family home, her loan was for a term of 20 years. Mary's mortgage loan is on a tracker rate linked to the European Central Bank (ECB) rate.

Mary suffered some financial difficulty in 2010 – 2014, her hours were reduced at work and she faced a lot of medical bills as her daughter was ill. During that time Mary missed a number of repayments, which resulted in an arrears balance of approximately €15,000 by June 2014 (a balance of missed payments). Her difficulties continued to the end of 2014, at the end of that year Mary's arrears balance was over €20,000.

Although Mary has recovered financially to the extent that she can again meet the repayments on her mortgage, she is not in a position to address the arrears balance.

At the moment Mary's outstanding balance is a little over €160,000. She has a reported arrears balance in excess of €20,000 and the capital balance is approximately €140,000 (the remaining balance of the amount originally borrowed). There are 10 years left on her loan.

There has been one reduction to the ECB interest rate during the life of Mary's mortgage, resulting in a reduction to her mortgage rate and a recalculation of her monthly repayments.

Overleaf we illustrate the difference in Mary's monthly repayments under the calculations of her repayments based on the current practice and the new practice.

This is an illustration of the practice and its impact on Mary's account, it does not describe any resolution that might be offered to Mary.

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Calculation 1
Old Method of Recalculation based on Full Balance Plus Interest Repayments:

When Mary originally drew down her mortgage loan, her repayments were €1,324.76 per month. Her rate was 2.5%.

In **March 2016,** there was a reduction in the interest rate. At that time Mary's arrears balance was €21,196

Under calculation 1, Mary's repayments were recalculated based on the full balance of her loan, this included the arrears, plus interest.

The interest rate was reduced from 2.5% to 2%, however Mary's repayments increased to €1,450.06

The bank, although adding the arrears to her monthly repayments, retained a reported arrears balance.

By **November 2017**, Mary has been meeting the mortgage repayments for four years. Despite the fact that she is paying the higher repayments, her arrears have not reduced. They remain at €21,196.

By the end of **November 2017**, the full balance outstanding on Mary's loan is €161,043. As all repayments are applied to the loan under both calculations, the balance is the same.

Calculation 2
New Method of Recalculation based on Scheduled Capital and Interest Repayments

The repayments at commencement of the loan are the same under both repayment calculation methods.

Under calculation 2 when a rate change is applied on a loan the repayments are calculated based on the remaining capital balance (not including the arrears) plus interest.

In **March 2016**, the capital balance (the remaining balance of the amount borrowed) on Mary's mortgage was €159,733 and her arrears balance was €21,196.

If her repayments were calculated based on calculation 2 in **March 2016**, Mary's repayments would have reduced to €1,280.18

As Mary's repayments have been calculated under Calculation 1, she has been making higher repayments than she would have done under calculation 2. If the additional amount paid had been used to reduce her arrears balance, by **November 2017** Mary's arrears balance would be reduced to €17,798.

By the end of **November 2017**, however, the full balance outstanding on Mary's loan is €161,043, the same as under calculation 1.

The Effects of Higher Repayments.

- Mary was required to pay more per month to meet her repayments.
- As the additional amount was not used to reduce her arrears balance, rather it was allocated to the capital balance. In order to reduce her arrears balance, Mary would have had to make payments in excess of the higher monthly repayments under calculation 1 each month.
- Therefore this calculation method made it harder for Mary to address her arrears balance.
- The outstanding balance on the loan was not affected by the calculation of repayments based on the full balance outstanding, as all payments made on the loan were deducted from the outstanding balance under both calculations.