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# NAMA 80:20 Deferred Payment Initiative to end as housing market stabilises

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Initiative “achieved its objectives” – NAMA Chief Executive Brendan McDonagh

€44 million was generated from the sale of houses included in the Initiative, with approximately half of the purchasers benefitting from the price protection offered by the initiative.

Feedback from buyers suggests fear of falling prices no longer a significant factor

Protection of up to 20% of purchase price will remain in place for all existing buyers and new buyers who contract to buy before the end of May 2014

The National Asset Management Agency (NAMA) has announced that the 80:20 Deferred Payment Initiative will be closed to new entrants with effect from 31 May 2014.

Purchasers who have already bought houses in the scheme, together with those who contract to buy a qualifying property before the end of May, will continue to benefit from the Initiative, which protects buyers from price falls of up to 20% for up to 5 years after purchase.

NAMA Chief Executive Brendan McDonagh said:

“The 80:20 Deferred Payment Initiative has achieved its objectives. €44 million has been generated from the sale of houses included in the 80:20 Initiative. The Initiative was only ever intended as a short-term measure to remove the fear of negative equity for buyers at a time when there were few residential property transactions in the Irish market.

Feedback from buyers suggests fears of price falls have abated considerably in recent months. Many buyers cite evidence from the CSO and the market that house prices are rising in Dublin and stabilising in other parts of the country.

The fact that buyers are no longer actively seeking protection from price falls is a welcome sign that the housing market is stabilising and returning to more sustainable, normalised conditions.”

NAMA launched the 80:20 Deferred Payment Initiative in 2012 to generate more activity in the Irish housing market and facilitate greater price discovery. The Initiative will have been operational for two years by May 2014. To date, 224 homes that were included in the Initiative have been sold since launch, with some developments selling out of all participating properties. Of those properties sold to date, 50% of the purchasers have availed of the 80:20 Deferred Payment Initiative through one of the participating mortgage providers (see Note 3 below).

The protection available under the 80:20 Deferred Payment Initiative will continue to be made available to buyers who sign contracts before the end of May 2014.

ENDS

Note 1: Sample purchase using the 80:20 Deferred Payment Initiative

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

Today

Property Purchase Price	200,000
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Financed By:

70% Mortgage (Tranche A)	140,000
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10% Purchaser Deposit	20,000
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20% Deferred Payment	40,000
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Year 5	Value Unchanged	Value Down 20%	Value Down 10%	Value Up 10%
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Property Valuation	200,000	160,000	180,000	220,000
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Change in Value	0	(40,000)	(20,000)	20,000
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Financed By:

Existing 70% Mortgage	140,000	140,000	140,000	140,000
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Existing Purchaser Deposit	20,000	20,000	20,000	20,000
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Deferred Mortgage	40,000	0	20,000	40,000
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(Tranche B)

Cost to buyer	200,000	160,000	180,000	200,000
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Note 2:

In total, 33 developments participated across 13 counties.

In total, of the 412 properties made available under this initiative, 224 or 54% have been sold. The combined value of sales under the Initiative is €44 million.

Note 3:

The take-up rate of the 80:20 Deferred Payment Initiative is now approximately 50%. This has declined from September 2012 when approx. 68% of purchasers were availing of the scheme. This can be attributed to a decline in purchasers' concerns about future declines in value, instead focussing on available mortgage interest rates and credit conditions, and the continued prevalence of cash buyers (which has not dissipated since commencement).

Note 4:

A list of participating developments is available on the NAMA website, [www.nama.ie](http://www.nama.ie).

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