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Central Bank of Ireland is amending the mortgage measures to exempt certain types of bridging loans from the Loan-to-Income (LTI) limit that applies to lending for principal home purposes.

While currently a small element of the market, bridging finance products have begun to re-emerge in the Irish mortgage market. As part of its regular monitoring of the mortgage market, the Central Bank has considered these products in relation to the objective of the mortgage measures – to ensure sustainable lending standards in the mortgage market – and the functioning of the measures.

In the principal home market, bridging products can provide existing homeowners with the finance to purchase a new home prior to sale of their existing home. For these products, the repayment of bridging loans is related to the proceeds from the sale of the original property (rather than through regular loan repayments as in the case of a standard mortgage). For this reason, an LTI restriction, which has the main aim of promoting affordability, is less relevant to achieving the objectives of the mortgage measures for this type of loan. A more important consideration related to the nature of this product is the loan-to-value (LTV) requirement, as this reduces the potential for negative equity at the time of settlement.

As such, the Central Bank is amending the mortgage measures to exempt certain types of bridging loans – to be defined as “principal home bridging loans” – from the LTI limit that applies to FTB and SSB lending. A “principal home bridging loan” is a loan to facilitate the purchase of a property intended as a principal home, prior to the sale of an original principal home. The loan must have a term of no more than 18 months in duration and not

impose an obligation on the borrower to repay the capital/principal on the loan during its term. The FTB/SSB LTV limit will apply to these bridging loans.¹

Bridging loans can also be used when purchasing a house for investment purposes. The mortgage measures already have specific limits applying to buy-to-let (BTL) buyers. As the measures only impose an LTV limit for BTL lending (with no LTI limit applying) no changes are being made to the measures in this case.

In considering the appropriateness and design of the exemption, the Central Bank engaged with and sought views from both industry representatives and wider civil society stakeholders. Taking these insights into account as well as the Central Bank's own assessment, amending the mortgage measures in this way was judged to be appropriate, ensuring that the measures continue to meet their stated objective while evolving in line with the broader mortgage market.

As part of the Central Bank's regular assessment of the mortgage measures the operation of the exemption will be monitored to ensure it is functioning as intended and to identify any potential unintended consequences.

Further information on the mortgage measures, including [an FAQ](#), can be found on the Central Bank's [website](#), .

The mortgage measures are not a replacement for responsible lending standards by lending institutions nor the application of suitability requirements. Lenders are required to meet broader supervisory and consumer protection rules. Lenders must secure their customers' interests in their lending practices, be satisfied that mortgages are suitable and affordable for each individual borrower and effectively inform consumers to enable them to make informed decisions.²

Assessment of costs and benefits

Section 50A(1) of the Central Bank (Supervision and Enforcement) Act 2013 (the 2013 Act) requires the Central Bank, before making regulations under section 48, to carry out

¹ In the case of FTB or SSB lending, the calculation of the LTV for a principal home bridging loan for the purpose of compliance with the mortgage measures shall be based on the original principal home.

² [Consumer Protection Code](#)

an assessment of the costs and benefits of the proposed regulations, including the potential impacts on customers and on fair competition in financial markets in the State.

The Central Bank has considered the costs and benefits of amending the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Housing Loan Requirements) Regulations 2022 (the “proposed Regulations”) to implement this change to the mortgage measures. Costs and benefits of the amendment to the mortgage measures are considered in relation to the objectives of the mortgage measures, which aim to:

- Prevent the emergence of an unsustainable relationship between credit and house prices
- Support the resilience of borrowers, lenders and the broader economy
- Take into account both the economic benefits and costs that the measures pose.

Overall, it is judged that amending the mortgage measures to exempt “principal home bridging loans” from the LTI limit is an appropriate course of action, as the amendment reflects the evolution of the mortgage market in Ireland at little cost to the objectives of the measures, including the resilience of borrowers, lenders, and the broader economy.

The benefits of the exemption to the LTI limit for principal home bridging loans relate to the functioning of the mortgage market. Bridging finance products can play a role in supporting wider housing market functioning in terms of supporting liquidity in the second-hand market and provide additional options to people who may be looking to move to a home more suitable to their needs. By introducing this targeted exemption for bridging finance, the Central Bank is ensuring that the mortgage measures are not inadvertently impeding the provision of or competition in this type of lending, in particular by smaller or specialised lenders who have less flexibility to lend above the limits under the current framework. This should act to support fair competition and indeed the range of potential product offerings and choice for customers.

The *costs* of the exemption are judged to be low, as the LTI limit is a less relevant metric given the nature of this type of lending and the LTV limit will continue to apply. It is already possible for lenders to issue bridging finance products under the current

framework, as they have a certain amount of flexibility to lend above the limits (up to 15% of new lending for FTBs and SSBs). It is the case that, as with all mortgages, a bridging loan carries risks. As such, it is important that lenders lend responsibly, and borrowers are informed and aware of the risks when entering into a bridging loan agreement.

The Central Bank will monitor closely bridging finance loans that avail of the exemption in order to assess the impact of these loans on the overall resilience of the Irish mortgage market. But it is expected that the impact of the amendment on the overall resilience of lenders and borrowers will be low.

Stakeholder feedback received by the Central Bank on the issue was generally supportive with a broad perspective that bridging finance should be seen as one element of a functioning mortgage market, and that the design of the mortgage measures should not inadvertently hinder the development of this segment of the market. The risks of bridging loans, as with all mortgages, were noted and stakeholders acknowledged the important role and responsibilities for lenders in managing those risks.