

NAMA

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According to the Daily Mail's 30 second guide to NAMA: *"The National Asset Management Agency. Sounds pretty innocuous, but NAMA is in fact one of the most toxic financial institutions in the world. ...It's the vast "bad bank" into which the Irish government is placing all of the radioactive debt written during its disastrous property booms. NAMA will eventually mop up reckless loans with a face value of a whopping £65bn or £14,444 for each and every inhabitant of the Emerald Isle."*

In fact NAMA is not a bank. According to NAMA itself: *"The National Asset Management Agency is a key part of the solution to the current banking difficulties in Ireland"*. It has acquired good and bad loans from participating banks (so not all of its debt is toxic) and it is managing these assets with the aim of achieving the best possible return for the tax payer over 7 – 10 years.

NAMA has bought loans on development land and property at a discount from participating banks, the discount being based on the current market value of the property adjusted to NAMA's view of its long term economic value in accordance with methodology approved by the European Commission. In most cases, the long term value of the property will be less than the original loan; however, the borrower will continue to owe the full amount to NAMA.

If NAMA ultimately makes a profit, the profit will be returned to the tax payer, but if it makes a loss a levy will be applied to the participating banks.

When a loan is transferred to NAMA, the borrower must submit a repayment plan. If the plan is approved, NAMA will monitor the borrower's performance to ensure targets are met. If the plan is rejected, NAMA will take whatever action it considers necessary to protect the tax payer's interests. Some borrowers will not survive this process and their businesses will be liquidated.

Ironically, the loans transferred into NAMA include those secured against the headquarters of the Allied Irish Bank, now seen as a symbol of Ireland's financial collapse, and NAMA's own headquarters. NAMA has acquired a substantial loan portfolio in the UK and the US as well as in Ireland. As the UK has a more liquid property market than Ireland, it is likely that UK properties will be refinanced or sold first, with controversy currently raging over whether NAMA plans to sell all of its UK properties by 2013. Both Claridge's and Battersea Power Station have been sold or refinanced in recent months.

In some cases, NAMA has raised issues about property valuations and title. As its powers include the ability to take the same legal action that the banks could have taken to protect their rights, it is widely expected to bring negligence actions against solicitors and valuers in the UK where work has been substandard.

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