

Residential Mortgage Arrears and Repossessions Statistics: Q2 2017

Summary

- The number of mortgage accounts for principal dwelling houses (PDH) in arrears fell further in the second quarter of 2017; this marks the sixteenth consecutive quarter of decline. A total of 73,706 accounts (10 per cent) were in arrears at end-June, a decline of 3.6 per cent relative to March 2017.
- The number of PDH accounts in arrears over 90 days at end-June was 51,750 (7 per cent of total), reflecting a quarter-on-quarter decline of 2.5 per cent. This represents the fifteenth consecutive decline in the number of PDH accounts in arrears over 90 days.
- All maturity categories of arrears, including the over 720 days' category, declined in Q2 2017. This category recorded an eighth consecutive decline, having declined for the first time in Q3 2015. The decline of 2.4 per cent in Q2 2017 contributed to an annual decline of 8 per cent.
- The number of PDH mortgage accounts that were classified as restructured at end-June was 120,398. Of these restructured accounts, 87 per cent were deemed to be meeting the terms of their current restructure arrangement, up slightly from the previous quarter. There was a continued reduction in short-term restructure arrangements such as Interest Only and Reduced Payments, which was partly offset by an increase in longer-term arrangements such as Split Mortgages.
- Buy-to-let (BTL) mortgage accounts in arrears over 90 days decreased by 1.9 per cent during the second quarter of 2017. At end-June there were 14,084 BTL accounts in arrears over 720 days, with an outstanding balance of €4.1 billion, equivalent to 18 per cent of the total outstanding balance on all BTL mortgage accounts.
- Rent receivers were appointed to 430 BTL accounts during second quarter of 2017; this is down from 550 accounts in the previous quarter and continues the downward trend evidenced in recent quarters.
- Non-bank entities now hold 48,199 mortgage accounts for PDH and BTL combined. Of this number, 63 per cent are held by regulated retail credit firms, with the remainder held by unregulated loan owners. Some 41 per cent of PDH accounts held by unregulated loan owners are in arrears of over 720 days, compared to 17 per cent of accounts held by retail credit firms.

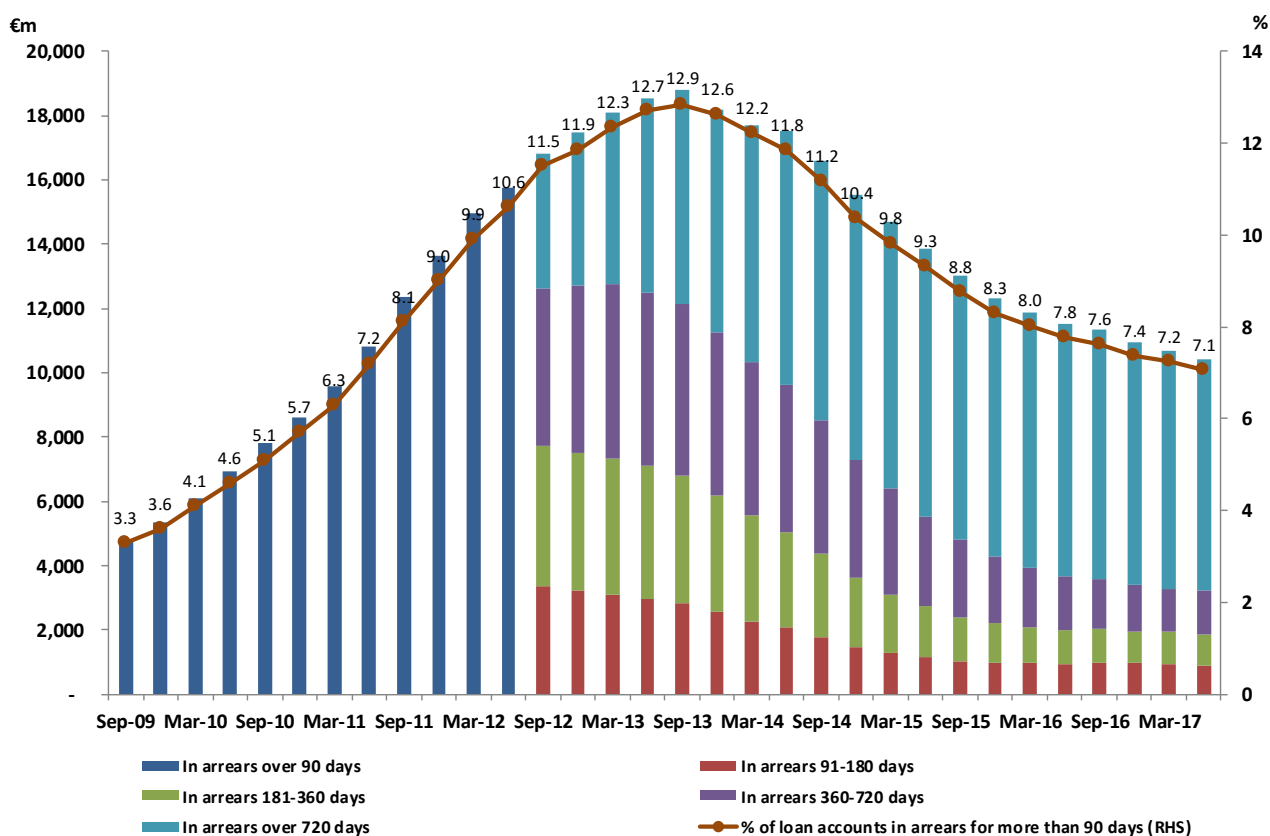
Residential Mortgages on Principal Dwelling Houses

Arrears

At end-June 2017, there were 732,439 private residential mortgage accounts for principal dwellings held in the Republic of Ireland, to a value of €98.7 billion. Of this total stock, 73,706 accounts were in arrears, representing a fall of 2,716 or 3.6 per cent over the quarter. Some 51,750 accounts (7 per cent) were in arrears of more than 90 days.¹

The number of accounts in arrears over 90 days fell by 2.5 per cent over the quarter, marking the fifteenth consecutive decline in this category. The outstanding balance on all lenders' PDH mortgage accounts in arrears of more than 90 days was €10.4 billion at end-June, equivalent to 11 per cent of the total outstanding balance on all PDH mortgage accounts.

Figure 1: PDH Mortgage Accounts in Arrears over 90 Days



Note: The breakdown of arrears greater than 90 days is not available pre-September 2012.

¹ The figures published here represent the total stock of mortgage accounts in arrears of more than 90 days, as reported to the Central Bank of Ireland by mortgage lenders and credit service providers. They include mortgages that have been restructured and are still in arrears of more than 90 days, as well as mortgages in arrears of more than 90 days that have not been restructured.

Accounts in arrears of up to 90 days decreased by 1,366 accounts, or 5.9 per cent, in the first quarter of 2017, reversing two consecutive quarters of small increases in this category. The number of accounts in arrears over 360 days fell to 40,039 at end-June, equivalent to 5 per cent of the total stock of PDH mortgage accounts and representing a fall of 1,031 accounts over the quarter. Accounts in arrears of between 361 days and 720 days saw a decline of 3.0 per cent.

The number of accounts in arrears over 720 days also declined by 784 accounts in Q2, or 2.4 per cent; this was the eighth consecutive decline in this category and follows a 1.5 per cent fall in the previous quarter. This represents a year-on-year decline of 8 per cent for accounts in arrears over 720 days. Accounts in arrears over 720 days now constitute 44 per cent of all accounts in arrears, and 90 per cent of arrears balances outstanding. For all institutions, the value of accounts in longer-term arrears over 360 days remains large, amounting to just under €8.6 billion at end-June 2017.

Restructuring Arrangements

Forbearance techniques include: a switch to an interest only mortgage; a reduction in the payment amount; a temporary deferral of payment; extending the term of the mortgage; and capitalising arrears amounts and related interest². The figures also include advanced modification options such as split mortgages and trade-down mortgages, which have been introduced to provide more long-term solutions for customers in difficulty.

A total stock of 120,398 PDH mortgage accounts were categorised as restructured at end-June 2017. This reflects a reduction of 496 accounts compared to end-March 2017. The share of interest only arrangements and reduced payment arrangements fell further during Q2, to 10 per cent, indicating a continuing move out of short-term arrangements. In contrast, arrears capitalisations and permanent split mortgages increased over the quarter and continued to account for the largest shares of restructured accounts at 33 per cent and 23 per cent, respectively, at end-June. A breakdown of restructured mortgages by type is presented in Figure 2.

A total of 7,060 new restructure arrangements³ were agreed during the second quarter of 2017, the lowest figure recorded since end-September 2012. The data on arrears and restructures indicate that of the total stock of 73,706 PDH accounts that were in arrears at end-June, 25,555 (35 per cent) were classified as restructured at that time. Of the total stock of 51,750 PDH accounts that were in arrears of more than 90 days, 27 per cent were classified as restructured; unchanged over the quarter.

Some 79 per cent of restructured accounts were not in arrears at end-June 2017. Restructured accounts in arrears include accounts that were in arrears prior to restructuring where the arrears balance has not yet

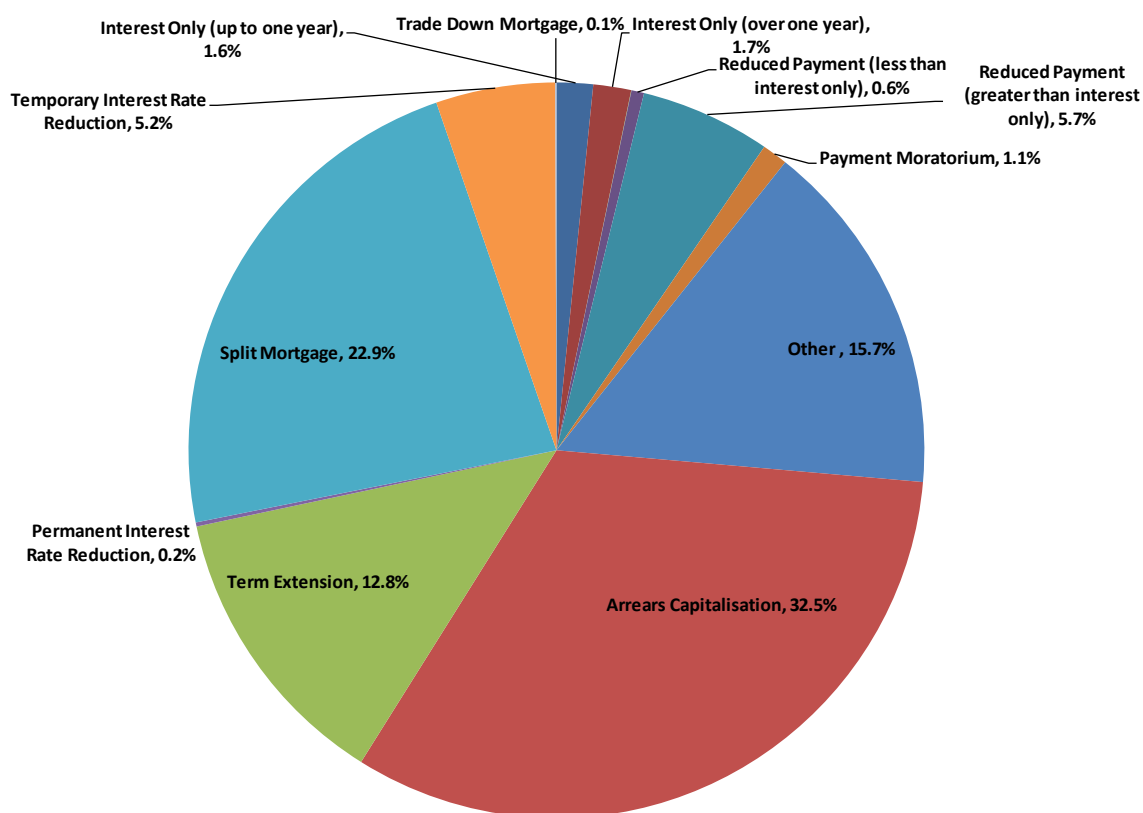
² Arrears capitalisation is an arrangement whereby some or all of the outstanding arrears are effectively added to the remaining principal balance, to be repaid over the life of the mortgage.

³ This includes first-time restructures and further modifications of existing restructures.

been eliminated, as well as accounts that are in arrears on the current restructuring arrangement. At end-June, 87 per cent of restructured PDH accounts were deemed to be meeting the terms of their arrangement. This means that the borrower is, at a minimum, meeting the agreed monthly repayments according to the current restructure arrangement.

It is important to note that ‘meeting the terms of the arrangement’ is not a measure of sustainability, as not all restructure types represent longer-term sustainable solutions as defined within the Mortgage Arrears Resolution Targets⁴. For instance, short-term interest only restructures are, in general, not part of longer-term sustainable solutions. The MART sustainability targets also include a significant number of accounts in arrears which are part of a legal process. These accounts are not classified as restructured within the Mortgage Arrears Statistics. Arrears associated with such accounts are recorded in full in the data.

Figure 2: Restructured PDH Mortgage Accounts by Restructure Type, end-June 2017



Inability to meet the terms of the arrangement implies that the restructure agreement put in place may not have been suitable. Table 1 shows the percentage of restructured accounts that were deemed to be meeting the terms of their arrangement at end-June 2017, broken down by arrangement type. Lower numbers

⁴ Further details on the Mortgage Arrears Resolution Targets can be found [here](#).

indicate a greater number of borrowers are not currently meeting terms of new arrangement; this is particularly evident amongst cases in which a permanent interest rate reduction has been granted. As the figures in Table 1 only reflect compliance with the terms of the *current* restructure arrangement, we should expect to see a higher percentage of compliance among the restructure types that are likely to be shorter-term.⁵ Accordingly, the figures show that of the total stock of accounts in the arrears capitalisation category, just under 22 per cent of PDH accounts are not meeting terms of current restructure arrangement, i.e. the arrears balance has increased since the arrangement was put in place.

Table 1: Percentage of Restructures 'Meeting the Terms of the Arrangement': end-June 2017

%	PDH	BTL
Total	87.0	86.9
Interest Only - up to one year	89.9	82.8
Interest Only - over one year	94.8	93.2
Deferred Interest Scheme	72.2	n/a
Reduced Payment (less than interest only)	76.9	67.2
Reduced Payment (greater than interest only)	90.6	93.1
Temporary Interest Rate Reduction	92.0	96.7
Payment Moratorium	94.1	97.9
Arrears Capitalisation	78.2	69.2
Term Extension	92.9	94.5
Permanent Interest Rate Reduction	75.5	50.0
Split Mortgage	93.7	93.4
Other	86.7	89.6

Legal Proceedings and Repossessions

During the second quarter of 2017, legal proceedings were issued to enforce the debt/security on a PDH mortgage on 1,262 accounts. During Q2 2017, there were 429 mortgage accounts where court proceedings concluded but arrears remained outstanding. In 281 accounts, the Courts granted an order for repossession or sale of the property. There were 1,740 properties in the banks' possession at the beginning of the second quarter. A total of 340 properties were taken into possession by lenders during the quarter, down from 370 properties in the previous quarter. Of the properties taken into possession during the quarter, 109 were repossessed on foot of a Court Order, while the remaining 231 were voluntarily surrendered or abandoned. During the quarter, 340 properties were disposed of. The number of properties in possession at the end of the quarter is also impacted by reclassifications. As a result, lenders were in possession of 1,739 PDH properties at end-June 2017.

⁵ It should also be noted that some categories reflect only a small number of arrangements, particularly in the case of BTL accounts.

Table 2: PDH Mortgage Arrears Repossessions and Restructures	Q1 2017			Q2 2017		
	Number	Balance €000	Arrears €000	Number	Balance €000	Arrears €000
Mortgages						
Total residential mortgage loan accounts outstanding	734,106	98,951,232	-	732,439	98,664,069	-
Arrears						
Total residential mortgage arrears cases outstanding	76,422	14,038,418	2,705,552	73,706	13,592,569	2,738,089
<i>of which:</i>						
in arrears up to 90 days	23,322	3,340,336	31,687	21,956	3,151,082	33,561
in arrears 91 to 180 days	5,964	947,686	31,947	5,758	894,118	27,712
in arrears 181 to 360 days	6,066	977,616	65,611	5,953	972,862	63,227
in arrears 361 to 720 days	8,117	1,367,464	147,317	7,870	1,340,444	152,709
in arrears over 720 days	32,953	7,405,316	2,428,990	32,169	7,234,063	2,460,880
Total arrears cases over 90 days outstanding	53,100	10,698,082	2,673,865	51,750	10,441,487	2,704,528
% of loan accounts in arrears for more than 90 days	7.2%	10.8%		7.1%	10.6%	
Repossession						
Residential properties in possession - at the beginning of quarter	1,693			1,740		
Residential properties repossessed on foot of an Order during quarter	142			109		
Residential properties voluntarily surrendered/abandoned during the quarter	228			231		
Residential properties disposed of during this quarter	313			340		
Residential properties in possession – at end of quarter ¹	1,740			1,739		
Total residential mortgage accounts restructured						
Restructures	120,894	16,777,459	301,363	120,398	16,572,234	346,391
Restructures not in arrears	94,450	12,378,020		94,843	12,319,926	
Total restructures by type:						
Interest Only - up to one year	2,140	326,700	20,127	1,925	312,371	33,246
Interest Only - over one year	2,064	415,774	3,320	1,999	398,437	2,825
Reduced Payment (greater than interest only)	7,724	1,620,536	61,291	6,896	1,430,697	60,746
Reduced Payment (less than interest only)	754	145,489	11,779	668	131,817	9,958
Term Extension	15,089	1,630,184	36,556	15,371	1,636,987	45,201
Arrears Capitalisation	38,807	6,024,149	91,394	39,167	6,056,647	111,366
Payment Moratorium	1,124	184,467	10,099	1,355	215,602	11,018
Deferred Interest Scheme	20	3,418	513	18	3,593	564
Permanent Interest Rate Reduction	170	29,852	732	216	35,054	829
Split Mortgage	27,304	2,752,854	6,762	27,512	2,767,652	8,507
Trade Down Mortgage	61	9,826	1	61	9,751	1
Temporary Interest Rate Reduction	6,554	1,325,989	17,823	6,313	1,267,013	18,348
Other	19,083	2,308,221	40,966	18,897	2,306,613	43,782

*Note that the 'Other' category mainly comprises accounts that have been offered a long-term solution, pending the completion of six months of successful payments. When these accounts transition into their permanent arrangement, the figures will be updated accordingly. The 'Other' category also includes a small number of simultaneously-agreed term extensions and arrears capitalisation arrangements.

¹ The number of properties in possession at the end of the quarter can also be impacted by reclassification issues.

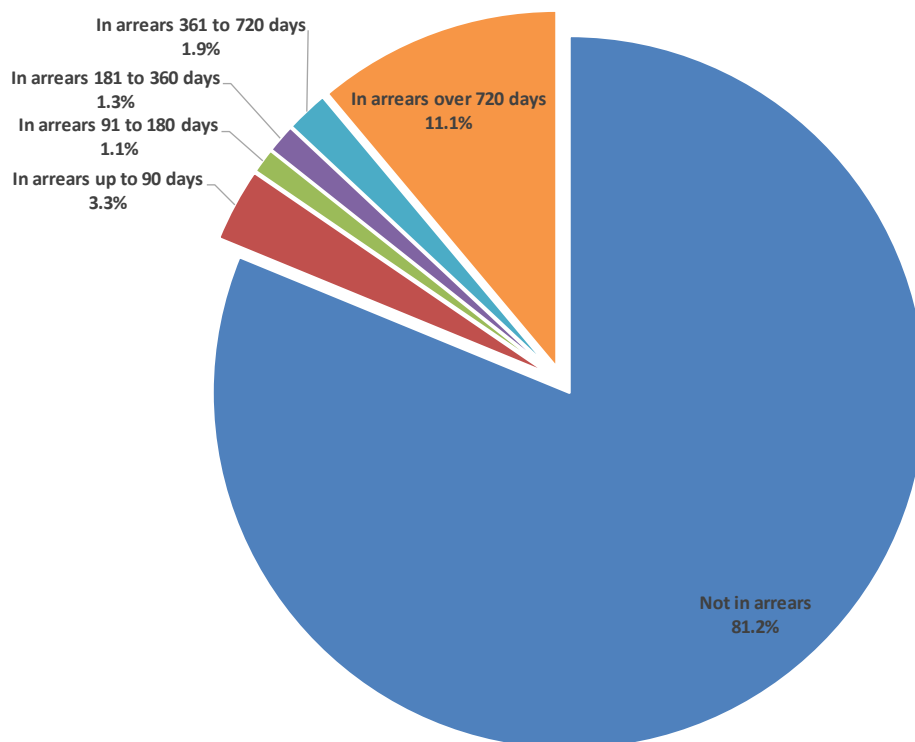
Residential Mortgages on Buy-to-Let Properties

Arrears

At end-June 2017, there were 126,995 residential mortgage accounts for buy-to-let properties held in the Republic of Ireland, to a value of €23 billion. Some 23,862 (19 per cent) of these accounts were in arrears, compared to 24,553 accounts at end-March 2017, reflecting a decrease of 2.8 per cent over the quarter. Of the total BTL stock, 19,627 or 15 per cent were in arrears of more than 90 days, reflecting a decrease of 1.9 per cent over the quarter. The outstanding balance on all BTL mortgage accounts in arrears of more than 90 days was €5.4 billion at end-June, equivalent to 23 per cent of the total outstanding balance.

The number of BTL accounts that were in arrears of more than 180 days was 18,188 at end-June 2017, reflecting a quarter-on-quarter fall of 1.8 per cent. BTL accounts in arrears greater than 720 days decreased by 2 per cent in the second quarter of 2017, reversing an increase of 2.4 per cent recorded in the first quarter of 2017. Accounts in arrears of over 720 days now number 14,084 or 11 per cent of the total stock of BTL mortgage accounts. The outstanding balance on these accounts was €4.1 billion at end-June, equivalent to 18 per cent of the total outstanding balance on all BTL mortgage accounts.

Figure 3: BTL Mortgage Accounts by Arrears Category, end-June 2017



Restructuring Arrangements

A total stock of 23,623 BTL mortgage accounts were categorised as restructured at end-June 2017, reflecting a decrease of 833 accounts over the quarter. Of the total stock of restructured accounts recorded at end-June, 79 per cent were not in arrears, while 87 per cent were meeting the terms of their current restructure arrangement. A total of 1,565 new restructure arrangements were agreed during the second quarter of the year, the lowest number of new restructures agreed in a quarter since this series began in 2012. On the BTL side, the largest cohort of restructured mortgages was in reduced payment (greater than interest only) arrangements, which represented 23 per cent of all restructure arrangements. The data on arrears and restructures indicate that of the total stock of 23,862 BTL accounts that were in arrears at end-June, 4,873 (or 20 per cent) were classified as restructured at that time.

Legal Proceedings and Repossessions

During the second quarter of 2017, rent receivers were appointed to 430 BTL accounts, bringing the stock of accounts with rent receivers appointed to 5,879; this is down from 6,025 accounts in the previous quarter. There were 625 BTL properties in the banks' possession at the beginning of Q2 2017. A total of 207 properties were taken into possession by lenders during the quarter. Of the total BTL repossessions in the quarter, 77 were repossessed on foot of a Court Order, while the remaining 130 were voluntarily surrendered or abandoned. During Q2 2017, 195 properties were disposed of. As a result, lenders were in possession of 635 BTL properties at end-June 2017.

Table 3: BTL Mortgage Arrears Repossessions and Restructures	Q1 2017			Q2 2017		
	Number	Balance €000	Arrears €000	Number	Balance €000	Arrears €000
Mortgages						
Total residential mortgage loan accounts outstanding	128,149	23,419,581	-	126,995	23,039,255	-
Arrears						
Total residential mortgage arrears cases outstanding	24,553	6,447,759	1,912,853	23,862	6,243,980	1,908,354
<i>of which:</i>						
in arrears up to 90 days	4,544	942,119	32,801	4,235	871,976	37,733
in arrears 91 to 180 days	1,485	357,552	24,983	1,439	320,668	33,627
in arrears 181 to 360 days	1,689	367,761	58,680	1,663	376,443	49,960
in arrears 361 to 720 days	2,468	623,421	125,220	2,441	593,016	109,728
in arrears over 720 days	14,367	4,156,906	1,527,143	14,084	4,081,877	1,677,306
Total arrears cases over 90 days outstanding	20,009	5,505,640	1,876,059	19,627	5,372,004	1,870,621
% of loan accounts in arrears for more than 90 days	15.6%	23.5%		15.5%	23.3%	
Repossessions						
Residential properties in possession - at the beginning of quarter	596			625		
Residential properties repossessed on foot of an Order during quarter	117			77		
Residential properties voluntarily surrendered/abandoned during the quarter	122			130		
Residential properties disposed of during this quarter	210			195		
Residential properties in possession – at end of quarter ¹	625			635		
Total residential mortgage accounts restructured						
Restructures	24,456	5,680,662	168,617	23,623	5,462,593	179,869
Restructures not in arrears	19,138	4,389,560	-	18,750	4,259,999	-
Total restructures by type:						
Interest Only - up to one year	1,327	290,630	26,532	1,214	267,196	22,808
Interest Only - over one year	1,717	448,908	4,060	1,558	415,763	16,320
Reduced Payment (greater than interest only)	5,919	1,710,302	22,210	5,521	1,598,248	20,666
Reduced Payment (less than interest only)	81	22,589	2,077	61	16,586	1,496
Term Extension	3,621	601,230	16,307	3,646	608,964	21,977
Arrears Capitalisation	5,465	1,144,983	79,047	5,273	1,086,998	79,373
Payment Moratorium	302	59,613	3,869	286	46,860	1,208
Deferred Interest Scheme	1	406	19	0	0	0
Permanent Interest Rate Reduction	3	1,206	342	4	1,179	353
Split Mortgage	2,071	274,203	370	2,067	275,593	455
Temporary Interest Rate Reduction	122	25,949	369	120	25,155	203
Other	3,827	1,100,643	13,415	3,873	1,120,051	15,010

*Note that the 'Other' category mainly comprises accounts that have been offered a long-term solution, pending the completion of six months of successful payments. When these accounts transition into their permanent arrangement, the figures will be updated accordingly. The 'Other' category also includes a small number of simultaneously-agreed term extensions and arrears capitalisation arrangements.

¹ The number of properties in possession at the end of the quarter can also be impacted by reclassification issues.

Residential Mortgages held by Non-Bank Entities⁶

Arrears

At end-June 2017, non-bank entities accounted for 5 per cent of the total stock of PDH mortgage accounts outstanding. For BTLs the proportion was higher at just under 8 per cent. Overall, non-bank entities accounted for just under 6 per cent of the total stock of residential mortgage accounts outstanding (PDH and BTL) at end-June 2017 (7 per cent in value terms).

In terms of PDH mortgages held by non-bank entities, 69 per cent were held by regulated retail credit firms at end-June 2017. For retail credit firms, 25 per cent of accounts were in arrears over 90 days, with 17 per cent in arrears of 720 days (Table 4). The equivalent figures for unregulated loan owners was 51 per cent and 41 per cent, respectively. Restructuring activity was higher among retail credit firms, with 25 per cent of loans restructured at end-June, compared to 21 per cent for unregulated loan owners.

In terms of BTL mortgages held by non-bank entities, a higher number of BTL accounts are held by unregulated loan owners compared with retail credit firms. Unregulated loan owners account for 58 per cent of total loan accounts held by non-bank entities. The number of BTL accounts in arrears for unregulated loan owners was particularly high, with 3 out of every 4 accounts in arrears, and over 64 per cent of all accounts in arrears over 720 days at end-June 2017. For retail credit firms, 41 per cent of accounts were in arrears, with 26 per cent of accounts in arrears of 720 days.

A breakdown of PDH and BTL mortgages held by regulated and unregulated non-bank entities are presented in Table 4 and Table 5 below.

⁶ Non-bank entities comprise regulated retail credit firms and unregulated loan owners. Unregulated loan owners include owners of mortgages not regulated by the Central Bank of Ireland, that have purchased mortgage loans secured on Irish residential properties. The Consumer Protection (Regulation of Credit Servicing Firms) Act, 2015 was enacted to ensure that relevant borrowers, whose loans are sold to third parties, maintain the same regulatory protections they had prior to the sale.

Table 4: PDH Mortgage Arrears Repossessions and Restructures of Non-Bank Entities	Non-Bank Entities Q2 2017					
	Retail Credit Firms			Unregulated loan owners		
	Number	Balance €000	Arrears €000	Number	Balance €000	Arrears €000
Mortgages						
Total residential mortgage loan accounts outstanding	26,354	4,538,097		11,894	2,241,610	
Arrears						
Total residential mortgage arrears cases outstanding	8,198	1,715,002	405,099	6,834	1,540,184	629,895
<i>% of total</i>	31%	38%		57%	69%	
<i>of which:</i>						
in arrears over 90 days	6,617	1,477,534	403,386	6,013	1,425,237	629,157
<i>% of total</i>	25%	33%		51%	64%	
in arrears over 720 days	4,466	1,131,825	375,574	4,875	1,248,415	612,239
<i>% of total</i>	17%	25%		41%	56%	
Repossessions						
Residential properties in possession – at end of quarter	153			186		
Total residential mortgage accounts restructured						
Restructures	6,695	1,131,888	27,516	2,547	383,610	40,581
<i>% of total</i>	25%	25%		21%	17%	
Meeting the terms of the arrangement	4,932	822,355	8,295	2,024	300,174	19,558
<i>% of total restructures</i>	74%	73%		79%	78%	
In arrears over 90 days, of which restructured	1,083	200,543	26,262	776	161,485	40,279
<i>% of total in arrears > 90 days</i>	16%	14%		13%	11%	

Note: See footnote 6.

Table 5: BTL Mortgage Arrears Repossessions and Restructures of Non-Bank Entities	Non-Bank Entities Q2 2017					
	Retail Credit Firms			Unregulated loan owners		
	Number	Balance €000	Arrears €000	Number	Balance €000	Arrears €000
Mortgages						
Total residential mortgage loan accounts outstanding	4,222	726,227		5,729	1,580,654	
Arrears						
Total residential mortgage arrears cases outstanding	1,722	440,405	248,957	4,216	1,234,676	434,149
<i>% of total</i>	41%	61%		74%	78%	
<i>of which:</i>						
in arrears over 90 days	1,487	410,641	248,097	4,032	1,186,410	432,988
<i>% of total</i>	35%	57%		70%	75%	
in arrears over 720 days	1,083	344,173	231,781	3,679	1,090,697	424,687
<i>% of total</i>	26%	47%		64%	69%	
Repossessions						
Residential properties in possession – at end of quarter	14			72		
Total residential mortgage accounts restructured						
Restructures	318	60,884	5,166	472	158,021	15,073
<i>% of total</i>	8%	8%		8%	10%	
Meeting the terms of the arrangement	252	46,330	2,095	294	94,891	8,604
<i>% of total restrutures</i>	79%	76%		62%	60%	
In arrears over 90 days, of which restructured	103	19,911	4,959	277	86,512	14,649
<i>% of total in arrears > 90 days</i>	7%	5%	2%	7%	7%	3%

Note: See footnote 6.

Annex 1: Mortgage Arrears Data and Further Information

The mortgage arrears data, along with a set of explanatory notes, are available in the Mortgage Arrears section of the Statistics portal of the Central Bank of Ireland website: <http://www.centralbank.ie/polstats/stats/mortgagearrears/Pages/Data.aspx>.

The Central Bank of Ireland has produced a number of consumer guides to assist consumers who are in arrears or facing arrears, including

- Mortgage Arrears - A Consumer Guide to Dealing with your Lender;
- Mortgage Arrears - Frequently Asked Questions; and
- Guide to Completing a Standard Financial Statement.

The above guides, that include information on the protections that are available to consumers in financial difficulty, are available to download from the [consumer information section](#) of the Central Bank website.