



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem



Household Credit Market Report 2019



Household Credit Market Report 2019¹

The Central Bank of Ireland's *Household Credit Market Report* (HCMR) collates information from a wide range of internal and external sources to give an up-to-date picture of developments in the household credit market in Ireland.² The report is structured as follows: Section 1 provides an overview of developments in total household debt. Section 2 focuses on outstanding mortgage lending, whereas Section 3 provides information on new mortgage lending. Section 4 focuses on household vulnerability and mortgage arrears. Section 5 highlights developments in non-mortgage credit. Finally, a number of boxes focus on Green Finance, Refinancing after Fixed Rate Expiry and Characteristics of Renter and Mortgaged Households.

Overview



€28,186

Household debt per capita, Q1 2019



€2.25 billion

The value of new mortgage lending in Q2 2019



34 years old

Average age of FTBs in H1 2019



€89,049

Average household income of FTBs in Dublin, H1 2019



17%

Self-Builds as a share of non-Dublin FTB Lending, H1 2019



40%

Share of FTBs with a loan term of greater than 30 years, H1 2019



5.6%

The growth rate on consumer credit as at August 2019



58%

Average CLTV for performing loans originated in 2007

Ireland's Debt-to-Income ratio is the fifth highest in the EU.

First Time Buyers (FTBs) accounted for almost half of new mortgage lending. Refinanced mortgages accounted for circa 14 per cent.

The share of new lending originated to borrowers aged 30 and under has declined from just under a third in 2006 to 14 per cent in H1 2019.

On average, Dublin FTBs spend a quarter of their net monthly income on mortgage repayments while FTBs outside Dublin spend a fifth.

Approximately 40 per cent of new FTB lending outside Dublin was for a detached property compared to 5 per cent in Dublin.

The share of new lending fixed for 5 years or more increased from 15 per cent in 2017 to 33 per cent in H1 2019.

The most popular term for consumer credit is 1 to 5 years (two-thirds of lending).

By December 2018, these borrowers represented 10 per cent of outstanding performing mortgages.

¹ Please address any queries on this publication to mfdadmin@centralbank.ie

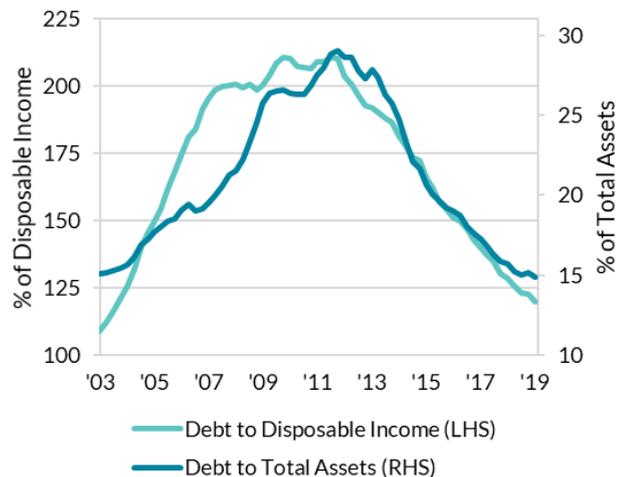
² Appendix A provides information on all data sources used in the report. Appendix B provides a glossary of key terms and abbreviations. Appendix C provides supplementary information applying to each chart, where applicable. Figures may differ from previous HCMR versions where revisions have taken place or where underlying data samples have changed. Figures are compiled on a 'best effort' basis.

1. Household Debt

Household Debt-to-Income (DTI) continues to decline.

Figure 1 presents the household DTI and the Debt-to-Asset ratio (DTA). The DTI declined from 128.8 per cent in Q1 2018 to 119.8 per cent in Q1 2019, the lowest level since 2003. Active deleveraging by households has reduced the debt burden by €43 billion over the last ten years while the stock of debt has fallen by €64 billion.³ The DTA has also declined year on year, decreasing from 15.7 per cent in Q1 2018 to 14.9 per cent in Q1 2019. Both indicators suggest a continued improvement in the sustainability of household balance sheets. At end-Q1 2019, household debt stood at €136.9bn, or €28,186 per person.⁴

Figure 1: Household DTA and DTI Ratios, Q1 2003-Q1 2019

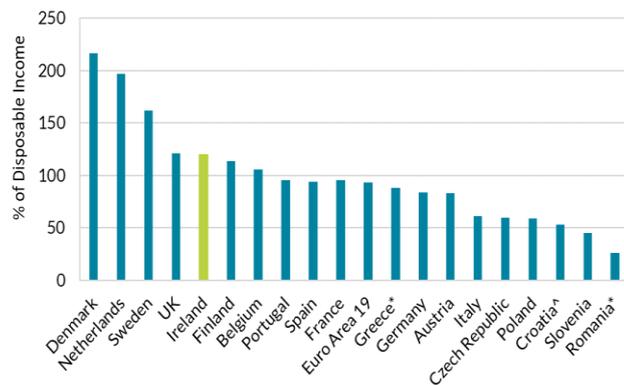


Source: Central Bank, Quarterly Financial Accounts.

Ireland's DTI ratio is the fifth highest in the EU.

Figure 2 shows the DTI ratio across EU countries. Notwithstanding the significant reduction in recent years, Ireland's DTI ratio remains the fifth highest in the EU.

Figure 2: DTI Ratios across Countries, Q1 2019



Source Central Bank, Quarterly Financial Accounts and ECB SDW. Note: DTI ratios excluding Ireland taken from the ECB SDW. * indicates most recent data is for Q4 2018 ^ indicates most recent data is for Q4 2016. EU 19 countries.

³ See 'A New High in Irish Household Wealth: What is Different this Time?'

⁴ See 'QFA Key Points, Q1 2019'

2. Outstanding Mortgage Lending

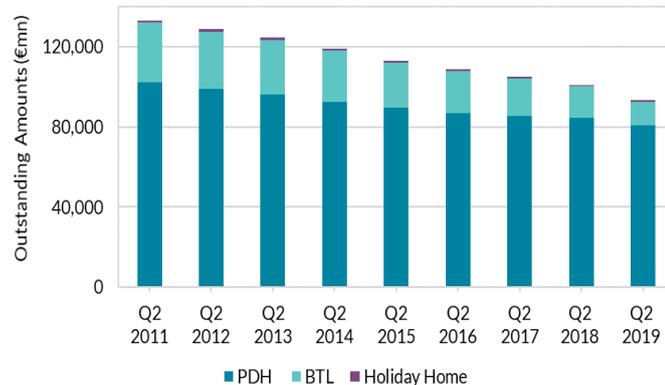
Lending for Primary Dwelling House (PDH) Purposes accounted for almost 90 per cent of all outstanding mortgage lending, as at Q2 2019.

Figure 3 displays the amount of outstanding credit advanced for house purchase between Q2 2011 and Q2 2019. The total amount of outstanding lending is divided into PDH, Buy to Let (BTL) and Holiday Home Purchases. Total outstanding lending amounts have decreased year-on-year since 2011 and stood at €93,076 million as at Q2 2019. PDH lending accounted for between 70-90 per cent of this lending, with the share of lending for BTL properties and holiday homes declining over time.

The growth rate in PDH mortgage credit has increased following a period of prolonged deleveraging.

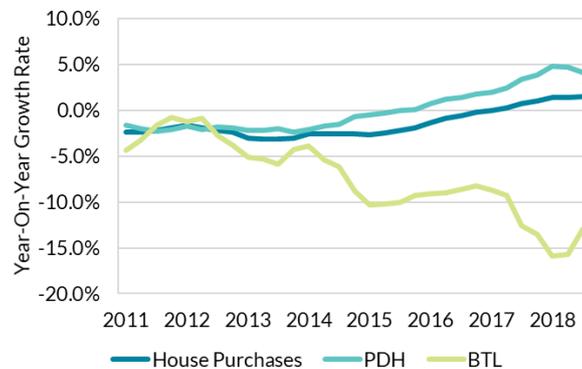
Figure 4 shows that mortgage credit advanced to Irish resident households for PDH mortgages by resident credit institutions increased at an annual rate of 4.1 per cent in Q2 2019. PDH mortgage credit growth became positive in Q3 2016 following a period of prolonged deleveraging. The growth rate in loans for BTL purposes was negative at -13.0 per cent in Q2 2019. The corresponding figure for overall house purchase was positive at 1.5 per cent.

Figure 3: Outstanding Lending Amounts, by Lending Type, Q2 2011 - Q2 2019



Source: Central Bank, Private Household Credit and Deposits. Table A.18.1 and Table A.18.2 - on balance sheet and securitised. This relates to Bank Credit.

Figure 4: Per cent y-o-y change in Mortgage Credit by Dwelling Type, Q4 2011 - Q2 2019

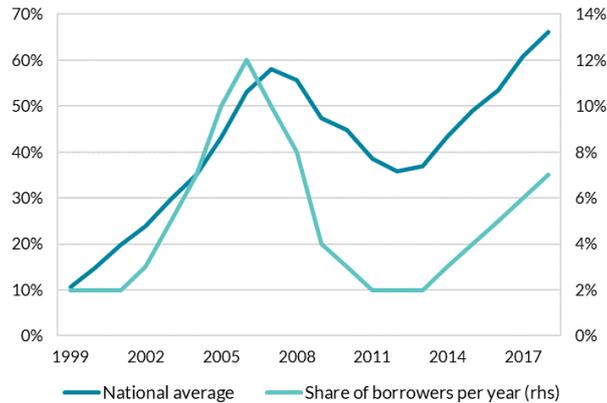


Source: Central Bank, Private Household Credit and Deposits. Table A.18.1; Credit and Banking Statistics - on balance sheet only.

Current Loan-to-Values (CLTV) remain high for PDH loans originated in 2007/2008.

Figure 5 illustrates the national average CLTV as at December 2018 for performing PDH loans originally issued between 1999 and 2018 and their share of outstanding lending. The national average CLTVs remain high for performing loans originated in 2007/2008 (58 and 56 per cent respectively). These borrowers represent around a fifth of loans outstanding (10 per cent in 2007 and 8 per cent in 2008).

Figure 5: Average CLTV for PDH Loans as at December 2018, per Origination Year, 1999 - 2018

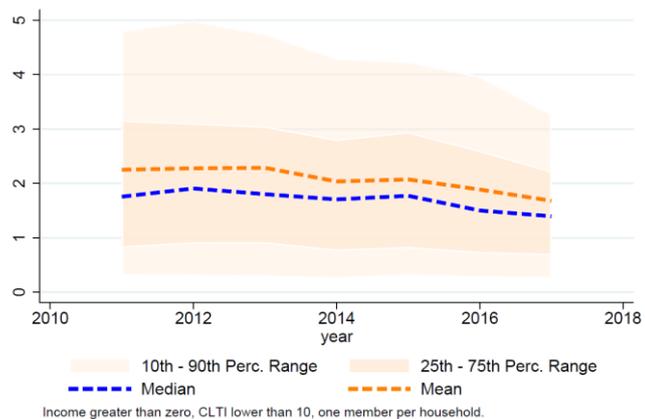


Source: Central Bank loan-level data. See Appendix C for further information.

The average ratio of current mortgage loan to current gross income has fallen over time.

Figure 6 plots Current Loan-to-Income (CLTI) ratios over time for households in the CSO SILC survey. This is the value of the loan relative to the households' gross income at the time of the SILC survey year. Both the loan and income may have changed from the time of origination. The average CLTI has decreased from 2.3 in 2011 to 1.7 in 2017. The top end of the distribution has also narrowed. The average loan to income ratio for the top 10 per cent of borrowers has fallen from 4.8 times income in 2011 to 3.3 times income in 2017.

Figure 6: CLTIs over Time, 2011 - 2017

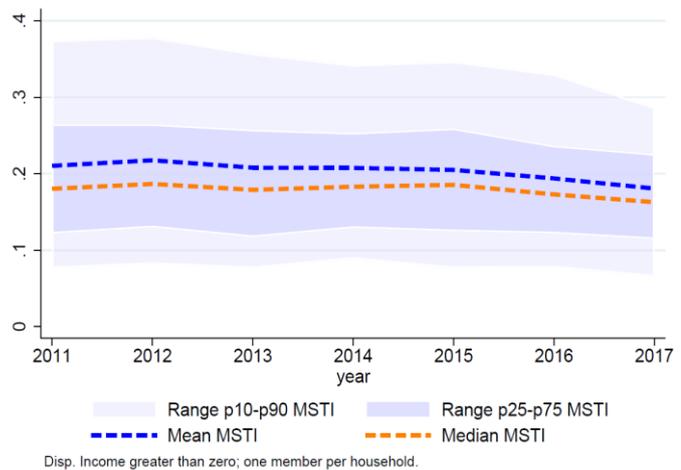


Source: CSO SILC Data and authors calculations.

Households appear to be spending less on servicing their mortgage debt over time, at 18 per cent on average.

Figure 7 plots Current Mortgage-Service-to-Income (CMSTI) ratios over time for households in the CSO SILC survey. This is the fraction of current net (after tax and social contributions) income that households spend on their monthly mortgage payment. Households appear to be spending less on servicing their mortgage debt over time, at 18 per cent on average, with the top 10 per cent of the distribution spending 29 per cent compared to almost 37 per cent in 2011.

Figure 7: CMSTI over time, 2011-2017

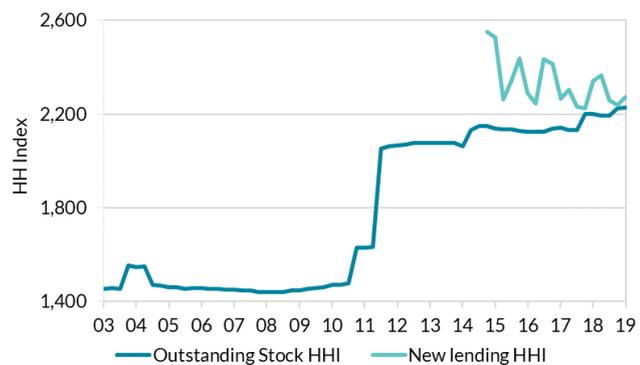


Source: CSO SILC Data and authors calculations.

The HHI indicates that the Irish market is highly concentrated.

Figure 8 presents a Herfindahl-Hirschman index (HH Index) for the stock of outstanding Irish mortgages. The index has increased since the onset of the crisis and is currently high in a historical Irish perspective. The sharp increases in 2011 relate to market exits, mergers (such as AIB and EBS) and loan transfers. A HHI indicator based on new mortgage lending also indicates a high level of concentration.

Figure 8: Concentration Index for Irish Mortgage Lending, Q1 2003 – Q2 2019



Source: Central Bank, HHI indicators, Table A.22. See Appendix C for further information on data composition and definition of the HHI.

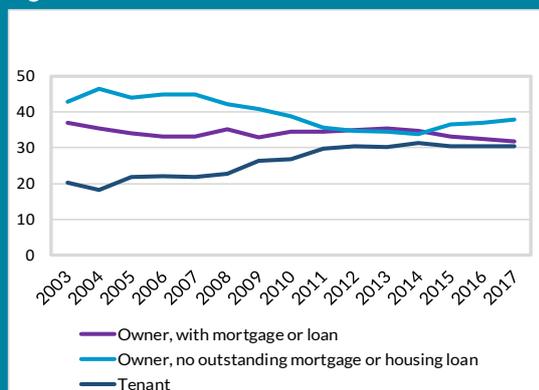
Box 1: Profile of renter and mortgaged households¹

This box examines changes in the composition of households in the rental and mortgage markets in recent years and compares their socioeconomic profile over time. It draws on Eurostat housing Statistics and microdata from the CSO Survey of Income and Living Conditions (SILC). The share of renter households has increased from around a fifth to just under a third between 2003 and 2017, with a commensurate reduction in the share of owner-occupiers (Figure A). The share of both mortgaged and outright owners has fallen during this period, reaching 32 per cent and 38 per cent respectively in 2017.

Table A compares the characteristics of private renters and mortgaged owners in 2014 and 2017, focusing on typical home buying age cohorts. Some characteristics remain stable within the two groups over time, confirming the different composition of the pool of renters and mortgaged owners. Among households aged 45 and under, the vast majority of mortgaged households are concentrated in the highest income band (59 per cent earned over €70,000 in 2017), whereas the largest share of renters are concentrated in the lowest income band (<=€35,000).² Among the typical FTB cohort (aged 25 – 45 years), a higher share of mortgaged owners are married (73 percent of owners versus 43 percent of renters), have more children, work in public sector jobs (40 percent of owners versus 16 percent of renters) and live in detached or semi-detached homes. By comparison, almost a third of renters live in apartments.

Over time, in line with global urbanisation trends, we observe a shift towards more densely populated areas across both household types. This share has increased from 38 per cent in 2014 to 47 per cent in 2017 among mortgaged owners and from around a half to two thirds among private renters. Nonetheless, a non-negligible share of mortgaged households live in thinly populated areas (around a quarter down from a third in 2014). We also observe a higher share of over 45s in both sectors over time and a slightly lower share of 25-45 year olds.

Figure A: Tenure Status over time in Ireland



Source: Eurostat EU-SILC Survey

Table A: Household Characteristics *

	Private renter HHs		Mortgaged Owner HHs	
	2014 [†]	2017	2014	2017
All HHs members over 18, age distribution				
Over 18 to 25	14.3%	14.7%	9.4%	8.8%
Between 25 and 45	69.7%	66.9%	51.9%	46.8%
Over 45	16.0%	18.4%	38.7%	44.4%
Total HH income for <=45years:				
<= 35000	40.4%	38.6%	13.5%	7.7%
>35000 & <= 70000	37.9%	35.0%	33.5%	32.8%
>70000	21.7%	26.4%	53.0%	59.4%
Demographics for 25-45 year age cohort*				
married	40.8%	42.8%	73.5%	72.6%
Any HH member works in public sector	16.2%	16.1%	40.0%	40.4%
Densely pop. Area	49.5%	63.5%	38.2%	46.7%
Thinly pop. Area	17.6%	12.8%	33.3%	25.8%
Average no. of children	0.99	1.22	1.47	1.63
Detached House	17.1%	13.0%	34.5%	35.2%
Semi-detached or Terrace	54.1%	55.1%	60.4%	64.8%
Apartment	28.8%	31.9%	5.0%	**

Source: CSO SILC data and authors' calculations. See Appendix C for notes.

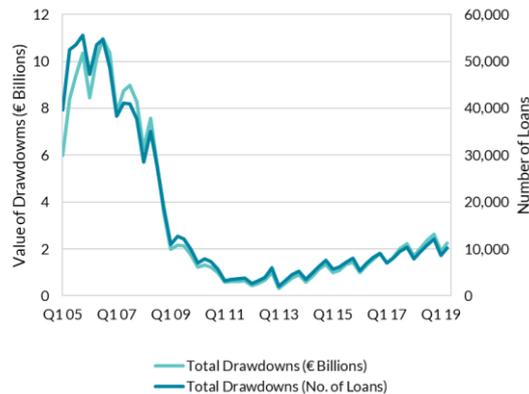
¹Box Author: Jane Kelly and Elena Mazza. Email: MFDadmin@centralbank.ie ² In terms of population income quartiles, this equates to almost half of mortgaged households being from the top quartile, while the biggest share of private renters are in quartiles 2 and 3.

3. New Mortgage Lending

Lending volumes have increased since the lows observed around Q2 2014.

Figure 9 displays data on new mortgage lending from the Banking & Payments Federation of Ireland (BPF). The value of new lending stood at €2.25bn in Q2 2019. This increased from €2.01bn in Q2 2018, an increase of 12 per cent. The number of new loans increased from 9,339 in Q2 2018 to 10,157 in Q2 2019. This represents a 9 per cent expansion. Lending volumes have increased since the lows observed around Q2 2014.

Figure 9: New Mortgage Lending by Loan Count and Balance, Q1 2005 – Q2 2019

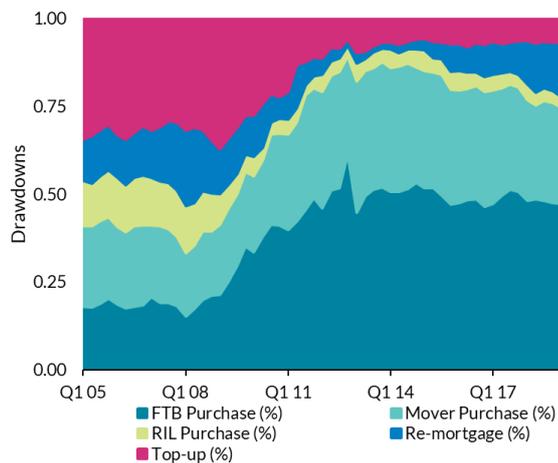


Source: Banking & Payments Federation Ireland.

FTBs account for the highest share of new mortgage borrowing.

Figure 10 illustrates the share of new mortgage lending by credit type. In Q2 2019, FTBs accounted for 49.6 per cent of new loans, Movers accounted for 26 per cent of new loans with 3 per cent for Residential Investment Lettings (RIL), 14.2 per cent for re-mortgages and 7.1 per cent for Top-ups. An increasing number of re-mortgage loans have been issued since 2014.

Figure 10: Breakdown of New Mortgage Lending by Credit Type, Q1 2005 – Q2 2019

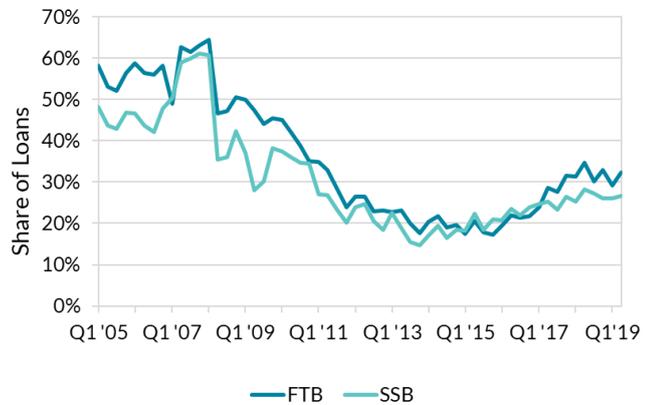


Source: Banking & Payments Federation Ireland. Share of loans is based on number.

The share of lending for newly constructed properties was 32 per cent for FTBs and 27 per cent for Second-and-Subsequent Borrowers (SSBs) in Q2 2019.

Figure 11 presents the share of lending for newly constructed properties, by borrower type. Approximately 32 per cent of purchases by FTBs were for a new property in Q2 2019, in comparison with 27 per cent for SSBs. The highest share of lending for new properties was in Q1 2008, where 64 per cent of purchases by FTBs and 61 per cent of purchases by SSBs were for a new property.

Figure 11: Share of Purchases for Newly Constructed Property by Borrower Type, Q1 2005 – Q2 2019



Source: Banking and Payments Federation Ireland. Note: new property purchases refer to the purchase of a newly constructed property. Share of loans is based on number.

3.1 Borrower Characteristics and Regional Trends

Average loan sizes, property values and incomes were higher for FTBs and SSBs purchasing in Dublin than those purchasing outside of Dublin.

Table 1 describes new lending, both in and outside of Dublin, by borrower type. Across both borrower types, the average loan size, property value and income were higher for borrowers purchasing properties in Dublin, compared to those purchasing outside of Dublin. The average Originating Loan-to-Income (OLTI) was also higher for Dublin borrowers, with an average OLTI for FTBs of 3.4, close to the 3.5 limit of the mortgage measures. The corresponding OLTI for Dublin SSBs was 2.9. In contrast, borrowers outside Dublin had a slightly higher average Originating Loan-to-Value (OLTV) compared to those in Dublin. The most common property type purchased was a semi-detached or terraced house with over 50 per cent of PDH lending to purchase this type of property. Borrowers outside of Dublin purchased a much higher share of detached houses and larger properties, compared to those in Dublin. Almost a fifth of loans outside Dublin were for a self-build property.

Table 1: Overview of New Lending, H1 2019

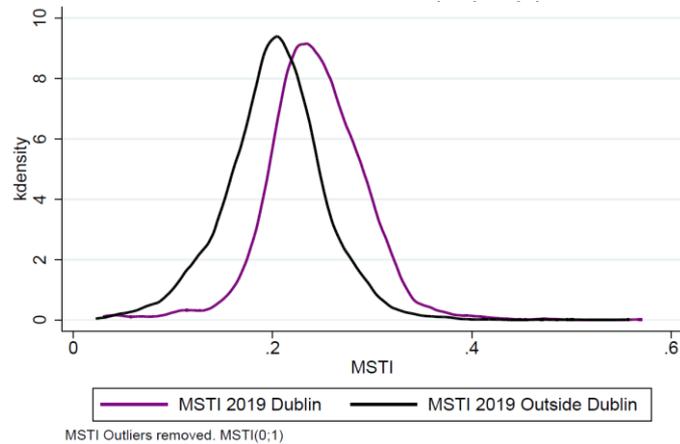
	All PDH	FTB Dublin	FTB Non-Dublin	SSB Dublin	SSB Non-Dublin
Average Loan Characteristics					
Loan Size (€)	245,846	291,701	198,980	369,914	226,061
Property Value (€)	333,269	370,666	248,511	562,550	340,181
OLTV (%)	76.4	79.7	81.2	67.6	68.4
OLTI (%)	2.9	3.4	2.9	2.9	2.4
Loan Term (Years)	27	29	29	24	23
Average Borrower Characteristics					
Income (€)	87,719	89,049	68,454	136,996	98,090
Age (Years)	37	34	34	42	42
Deposit (€)	86,921	78,728	49,398	192,028	112,643
Average Property Characteristics					
Property Size (Sq. feet)	1,688	1,144	1,619	1,513	2,476
Apartment/Other (%)	10.1	21.4	6.7	8.8	6.7
Detached (%)	35.6	5.3	41.4	18.6	63.5
Semi-Detached/Terraced (%)	54.3	73.3	51.9	72.6	29.8
Share of New Properties (%)	31.4	29.3	35.4	18.2	32.6
Share of Self-Builds (%)	12.2	1	17	2	19
Number of Loans	13,582	2,916	6,069	1,680	2,917
Share of Total PDH Lending (%)		21.5	44.7	12.4	21.5

Note: Central Bank calculations using MT Data. Sample used is new property purchase/self-build loans only. For further information on new lending in H1 2019, please see [here](#).

Dublin FTBs spend a higher share of net income on mortgage repayments than non-Dublin FTBs.

Figure 12 presents H1 2019 distributions of estimated Mortgage-Service-to-Net-Income ratios (MSTI) at origination for Dublin and non-Dublin FTBs. The distributions show more Dublin FTBs spend a higher share of net income (between 0.3-0.35) than non-Dublin FTBs at origination. Very little new lending occurs where the MSTI exceeds 0.35. On average, Dublin FTBs spend 24.3 per cent of their net monthly income on mortgage repayments while FTBs outside Dublin spend 20 per cent.

Figure 12: Distribution of MSTI for FTB New Lending – Dublin and Non-Dublin, H1 2019

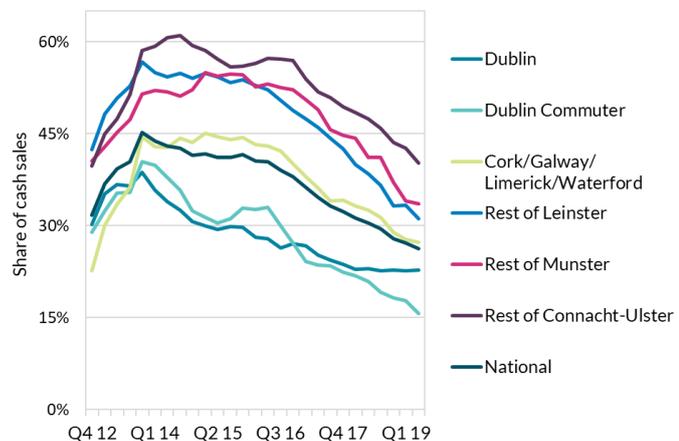


Source: Central Bank Calculations using MT Data. Note: Outliers removed.

Cash sales in Dublin accounted for 22.8 per cent of sales in Q2 2019, decreasing slightly in comparison to Q2 2018 and lower than other regions.

Figure 13 presents the cash sales ratio for new properties by region. Cash sales in Dublin accounted for an estimated 22.8 per cent of sales in Q2 2019. The highest share of cash sales was found in the 'Rest of Connacht and Ulster' category at 40.2 per cent. However, across all regions, the share of cash sales in Q2 2019 decreased compared to Q2 2018.

Figure 13: Cash Sales Ratio by Region, Q4 2012 – Q2 2019

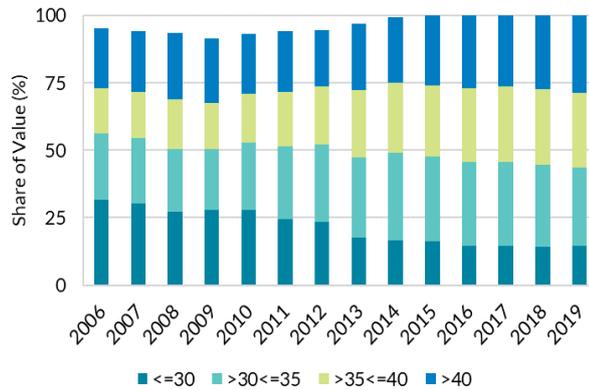


Source: Banking and Payments Federation Ireland Housing Market Monitor / CSO.

The share of new lending originated to borrowers aged 30 years and under has declined steadily since 2006.

Figure 14 displays the share of total new lending value originated by borrowers in different age groups, between 2006 and H1 2019. The share of lending originated to borrowers aged 30 and under was almost a third of total new lending value in 2006, however lending to borrowers in this age group has declined steadily since 2006 to 14 per cent in H1 2019. Almost 60 per cent of the value of total new lending in H1 2019 was originated to borrowers between the ages of 31 to 40.

Figure 14: Share of New PDH Lending Originated by Borrower Age, 2006 – H1 2019

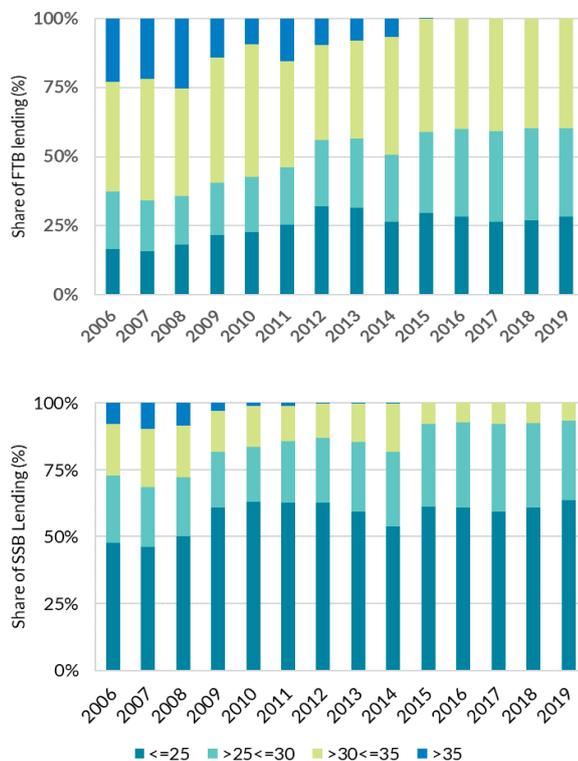


Source: Central Bank calculations using MT and loan-level Data. Note: Where borrower age is missing, the columns will not sum to 100%.

40 per cent of FTBs had a loan term between 31 to 35 years.

Figure 15 shows the percentage of new loans (by number) for FTBs and SSBs who have a loan term of less than or equal to 25 years, 26 to 30 years, 31 to 35 years and greater than 35 years. For FTBs (top chart), loan terms of between 31 and 35 years were the single biggest category of loans in H1 2019, at 40 per cent. For SSBs (bottom chart), loan terms of less than or equal to 25 years were the single most common category, at over 63 per cent in H1 2019. Loan terms of over 35 years have not generally been agreed since 2015 for either borrower type.

Figure 15: Loan Terms over Time for FTBs and SSBs, 2006 – H1 2019



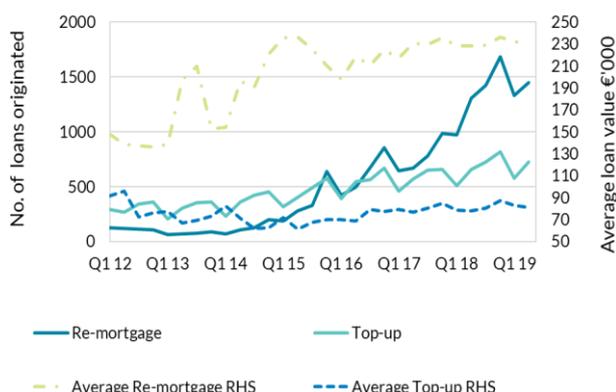
Source: Central Bank calculations using MT and loan-level Data. Share of loans based on number.

3.2 Refinancing and Top-up Activity

The numbers of re-mortgage loans has been increasing each year since 2014.

Figure 16 displays the trend in the number of re-mortgage and top-up loans between Q1 2012 and Q2 2019. We observe an increasing trend in the number of re-mortgage loans from Q2 2014 onwards. The number of re-mortgaged loans in Q2 2019 was 1,447 compared to 1,304 in Q2 2018. An increasing trend is also evident for top-up loans albeit at a slower rate. The number of top-up loans in Q2 2019 was 723, compared to 654 in Q2 2018. The average value of re-mortgage loans has also increased (right axis).

Figure 16: Number and Average Value of Re-Mortgage and Top-up loans, Q1 2012 – Q2 2019



Source: Banking and Payments Federation Ireland (BPII).

The average loan size of new refinanced mortgages was **€236,777**.

Table 2 presents summary statistics for refinancing (switcher) mortgage lending for H1 2019 compared to H1 2018. The average loan size of new refinance mortgages was €236,777. Average property values of refinanced mortgages decreased between H1 2018 and H1 2019 and average LTV increased to 58.9. The share of Dublin refinanced mortgages decreased slightly from 46.9 per cent to 43.5 per cent. The average LTI was 2.3 and the average gross income of borrowers with refinanced PDH mortgage loans was €106,521. The average borrower age was 40 with an average loan term of 22 years.

Table 2: Refinanced Mortgage Overview, H1 2018 vs H1 2019

	H1 2018	H1 2019
Loan Characteristics		
Loan Size (€)	238,308	236,777
Property Value (€)	433,094	415,423
OLTV (%)	57.6	58.9
OLTI (%)	2.4	2.3
Loan Term (Years)	22	22
Interest Rate (%)	3.0	2.8
Borrower Characteristics		
Income (€)	104,135	106,521
Age (Years)	41	40
Dublin (%)	46.9	43.5

Source: Central Bank calculations using MT Data.

1,482 equity releases/top-ups originated during H1 2019 with a total value of €135.7mn.

Table 3 presents an overview of the equity releases and top-ups granted in H1 2019 with a comparison to H1 2018. The average loan size of equity releases/top-ups was €91,575. The average new facility LTV (taking into account the borrower's total exposure following the equity release/top-up) was 56.7 per cent and the average LTI at the facility level was 2.3. The average gross income of borrowers with equity releases/top-ups was €113,034 and the average borrower age was 42 years. Approximately 33 per cent of these loans originated in Dublin and almost 80 per cent were for home renovations. With the exception of average property value and the share of loans in Dublin, both of which decreased compared to H1 2018, these characteristics are similar across both time periods.

Table 3: Equity Release/ Top-up Overview, H1 2018 vs H1 2019

	H1 2018	H1 2019
Loan Characteristics		
Loan Size (€)	90,247	91,575
Property Value (€)	479,240	451,973
OLTV (%)	55.6	56.7
OLTI (%)	2.4	2.3
Loan Term (Years)	21	21
Interest Rate (%)	3.3	3.1
Borrower Characteristics		
Income (€)	111,488	113,034
Age (Years)	42	42
Dublin (%)	36.2	32.5
Loan Purpose		
Renovation	75.6	79.5
Other	24.4	20.5

Source: Central Bank calculations using MT Data.

Box 2: Going Green – Sustainable finance in the mortgage market¹

The role of the financial sector in facilitating a transition to a low-carbon economy is increasingly recognised ([Lane 2019](#) and [Carney 2015](#)). Given that the EU's building stock accounts for 40 per cent of EU energy use, this box discusses a new product of relevance for households – green mortgages ([Hypostat 2019](#), [Bertalot et al., 2019](#)).

A green mortgage is a loan for the purchase or renovation of a property that has or acquires a satisfactorily high energy efficiency rating. These loans typically offer discounted interest rates that proponents suggest reflect a lower probability of mortgage default due to lower household energy costs (freeing up disposable income) and increased resilience in their property values.

As of 2019Q3, **80 European institutions** (including 47 lenders representing 50 per cent of EU mortgages outstanding as at July 2019) have committed to introduce green mortgages on a trial basis. In Ireland, households can avail of a mortgage product offering a 20 basis point interest rate discount if a property satisfies a BER rating of A3 or higher. For context, the [Sustainable Energy Authority of Ireland](#) estimate that an average household living in a 4-bed semi-detached home with a BER rating of A would save €2,290 per year in fuel costs in comparison to a D rated property. This is a non-trivial amount relative to an average yearly mortgage instalment of €11,584 for a PDH in H1 2019 (Source: Central Bank own calculations using MTD data).

Empirical research on green mortgages is only just emerging. A [report](#) by the Energy efficient Mortgages Action Plan (EeMAP) project – an initiative supported in part by the European Mortgage Federation – finds a negative correlation between the probability of mortgage default and property energy rating. The authors acknowledge that this is not causal evidence – other factors may be driving both the household's investment decision and the lower probability of default. Staff at the [Bank of England](#) have examined UK borrower-level data on mortgage arrears and linked these data to household energy ratings. They find that borrowers living in homes with high energy efficiency ratings have lower observed rates of arrears. Interestingly, they find that household income at origination, loan characteristics, and other property characteristics can only account for half of the observed difference in arrears rates between high and low rated homes. They suggest that the remaining difference could be due to lower energy costs and resilient property values.

The [ESRI](#) has published work showing that the high energy efficiency ratings have a positive effect on both purchase and rental prices. The authors also find that this effect is stronger during periods of relatively low prices. This supports the narrative of energy efficient homes having a “green premium” and prices that are more resilient over time.

More research is needed to better understand the risk profile of green mortgages. To this end, a [consortium of banks](#) are leading a large-scale data collection exercise relating to the financing of energy efficient properties.

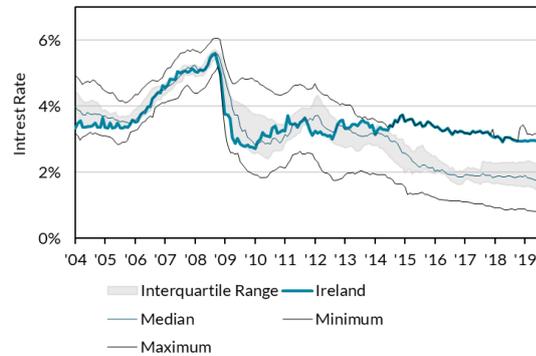
¹Box Author: Eoghan O'Brien. Email: MFDadmin@centralbank.ie

3.3 Mortgage Pricing and Contract Features

As of August 2019, Ireland had the second highest interest rate among EU countries where data is available.

Figure 17 presents interest rates on new loans for house purchase for Ireland and the median across a group of European countries with available data. Percentiles and the sample maximum and minimum are also presented. The interest rate in Ireland as of August 2019 was 2.9 per cent, the second highest after Greece. The composition of loan types and risk characteristics are different in each country, making like-for-like comparisons difficult.

Figure 17: Interest Rates on New House Purchase Loans, Jan 2003 – August 2019

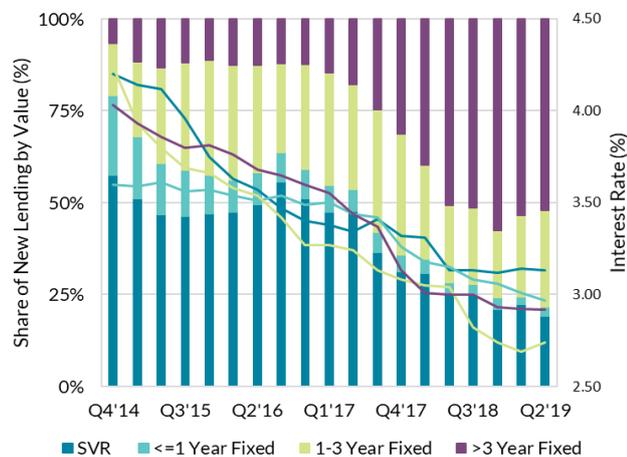


Source: European Central Bank, MIR. Countries are selected on the basis of data availability. See Appendix C for further information.

The share of PDH lending rates fixed for over 3 years was 52 per cent in Q2 2019.

Figure 18 depicts the average interest rates on new PDH mortgages along with the accompanying share of new lending by value. As of Q2 2019, the average rate on new PDH standard or LTV variable rate loans was 3.13, unchanged from Q2 2018. For fixed rate loans of 1 to 3 years, the average rate was 2.74. This rate declined by 30 basis points compared to the same quarter in 2018. The share of new PDH lending fixed for over 3 years was 52 per cent in Q2 2019, up from 51 per cent one year earlier.

Figure 18: Average Interest Rates and Share of New Lending by Interest Rate Type, Q4 2014- Q2 2019

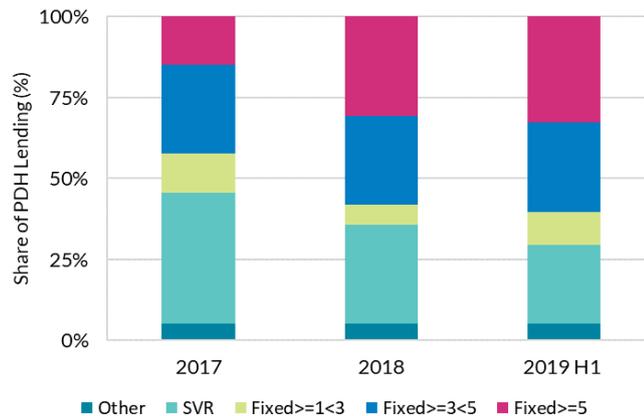


Source: Central Bank, Credit and Banking Statistics. Retail Interest rate statistics Table B.3.1.

The share of new PDH lending originated on a fixed rate greater than or equal to 5 years increased from 15 per cent in 2017 to 33 per cent in H1 2019.

Figure 19 provides a more granular view of interest rate fixation periods, using MT data on new lending between 2017 and H1 2019. The share of lending fixed for 3 to 4 years was 27 to 28 per cent from 2017-H1 2019. In contrast, the share of lending fixed for greater than or equal to 5 years increased from 15 per cent in 2017 to 33 per cent in H1 2019.

Figure 19: Interest Rate Fixation Periods on New PDH Lending over Time, 2017 – H1 2019

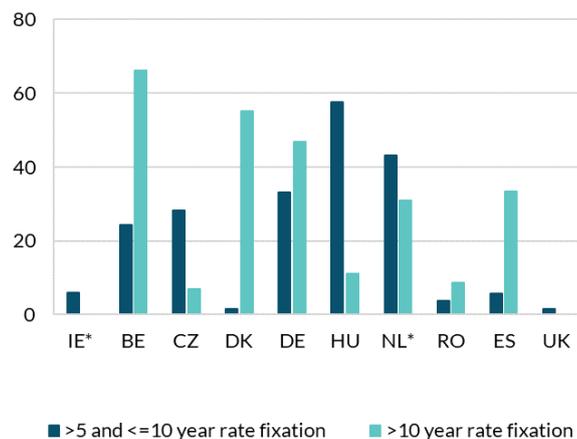


Source: Central Bank calculations using MT Data. Note: 'Other' refers to loans on a Hybrid/Tracker interest rate type.

The percentage share of longer term fixed rates in Ireland is low, in comparison to some other European countries

Figure 20 provides a snapshot of the share of longer fixed term rates (>5 years and <=10 years fixation and >10 years fixation) for a selection of European countries as at Q1 2019. Although Ireland's share of longer fixed term loans has increased in recent years, these shares remain low and are much smaller than those observed in countries such as Belgium, Germany and the Netherlands.

Figure 20: Longer Term Fixed Rates across Countries (percentage share), Q1 2019



Source: Hypostat and Central Bank of Ireland. * Irish data from Central Bank MT Data as at Q1 2019. Netherlands data as at Q4 2018. Countries selected on the basis of data availability.

Box 3: Mortgage Refinancing at Fixed Period End Dates

Most mortgage borrowers now choose fixed interest rates, but after less than five years, almost all these rates are scheduled to expire ([Myers & Kelly, 2019](#)). Borrowers could be vulnerable to higher repayment burdens on a standard variable rate (SVR) when an introductory fixed offer expires, especially if they are not aware of the option to refinance.

This box examines the behaviour of borrowers facing the option to refinance at the end of a fixed mortgage interest rate. It shows that borrowers were more likely to re-fix their interest rates when the fixed rate was lower than the SVR. The evidence comes from Central Bank records of 133,255 mortgage accounts at Irish retail banks from 2012 to 2018 that came to the end of a fixed rate and were scheduled to move to SVR.

Figure A shows how borrowers behaved at the end of fixed interest rate periods. Re-fixing rose from less than 25 per cent of borrowers up to 2014 to over 60 per cent in late 2018. The most popular length of the new fixed rate was 1 to 3 years. However, longer fixations of up to 5 years became more popular from 2017 on, rising to just over 20 per cent in 2018. The share re-fixing for more than 5 years was only 3 per cent in 2018.

Figure B suggests that more competitive fixed-rate pricing encouraged borrowers to re-fix, as opposed to moving onto SVR rates. It compares the share of borrowers who re-fixed instead of moving to SVR, and the average difference in interest rates that results after borrowers move to SVR or fixed rates. Re-fix interest rates are now lower than the typical SVR paid by these borrowers, whereas until 2015, re-fix rates were above SVR. When fixed rates were higher than SVR, re-fixing was much less common. On average, borrowers who move to SVR now pay over 0.5 per cent more than re-fixed rates. All else equal, this could mean an average difference in repayments of around €50 per month (for borrower owing €200,000) between the two offers.

Figure A: Behaviour of Borrowers scheduled to move from Fixed Rates to SVR

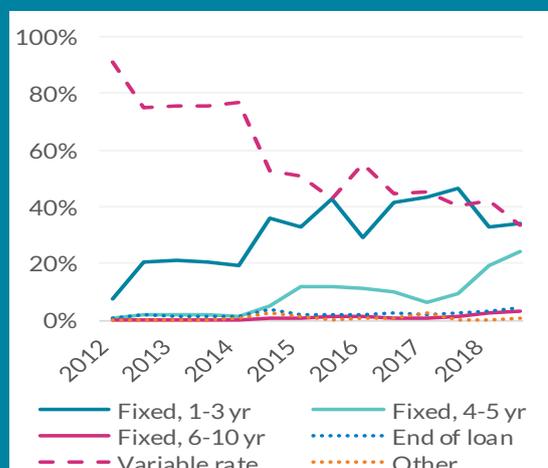
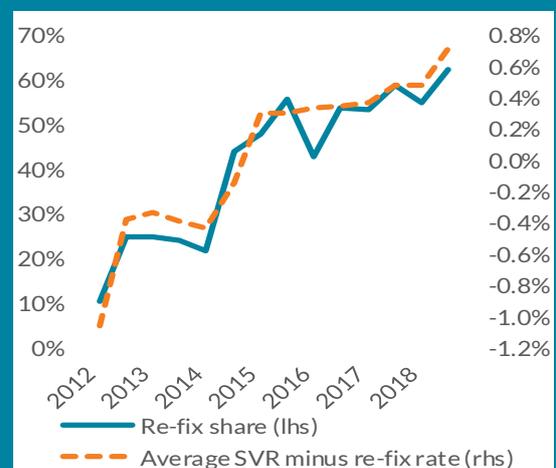


Figure B: Share of loans that re-fix and mean difference between outcome SVR and Re-Fix Rates



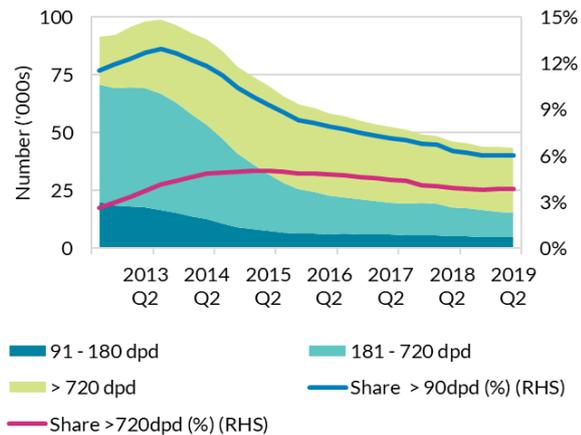
¹Box Author: Edward Gaffney. Email: MFDadmin@centralbank.ie

4. Household Vulnerability and Mortgage Arrears

The number of PDH mortgages in arrears has declined but a significant share remain in long term arrears.

Figure 21 presents the total number, share and depth of outstanding PDH mortgage balances in arrears over 90 days past due (dpd). As of Q2 2019, the number of PDH mortgages in arrears over 90dpd amounted to 43,303 (left-axis). The number of mortgages in arrears over 90dpd peaked at 98,736 in Q3 2013 or 12.9 per cent of the outstanding stock of PDH mortgages by number. Despite the overall decline in the total number of PDH arrears, a large percentage of loans in arrears are in long-term arrears (6.0 per cent over 90dpd and 3.8 per cent over 720dpd).

Figure 21: Number, Share and Depth of PDH Mortgage Arrears, Q3 2012 – Q2 2019

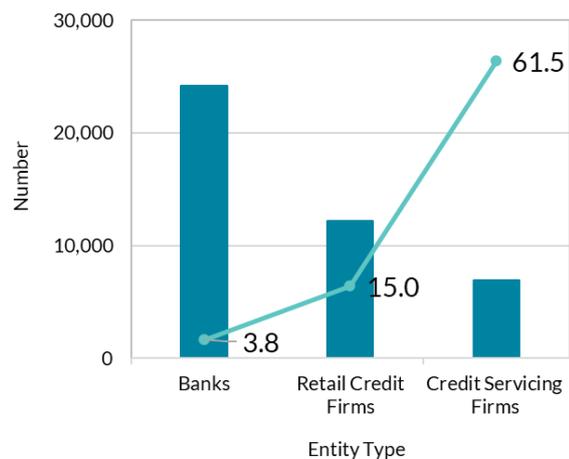


Source: Central Bank Mortgage Arrears Statistics.

Retail Credit Firms and Credit Servicing Firms hold a small number of mortgages relative to banks but have higher arrears rates.

Figure 22 presents the number of outstanding PDH mortgages in arrears of over 90 days along with the share of PDH mortgage arrears by the type of entity. As at Q2 2019, there were 24,210 outstanding PDH mortgages at banks that were in arrears over 90 days, with 12,172 at retail credit firms (RCFs) and 6,921 at Credit Servicing Firms (CSFs). These figures correspond to approximately 3.8 per cent of outstanding PDH mortgages at banks being in arrears over 90 days, with the figures for RCFs and CSFs at 15.0 and 61.5 per cent respectively.

Figure 22: PDH Mortgage Loan Accounts in Arrears over 90dpd and Share of PDH Mortgages in Arrears over 90dpd by Entity Type, Q2 2019



Source: Central Bank Mortgage Arrears Statistics.

The most common arrangement type for restructured PDH mortgages was an arrears capitalisation, with 32,571 loans on this mortgage modification. 79.4 per cent of borrowers on an arrears capitalisation were meeting the terms of this arrangement.

Table 4 displays the six most common arrangement types for restructured mortgages, along with the number, value and share of total outstanding lending in each of these categories and the share of these restructured loans who are meeting the terms of their arrangement. As at Q2 2019, the most common arrangement type was an arrears capitalisation, followed by a split mortgage. Approximately 79.4 per cent of loans with an arrears capitalisation were meeting the terms of their arrangement. The corresponding figure for split mortgages was 93.4 per cent. Arrears capitalisations represented 5.1 per cent of the value of total outstanding mortgage loan amounts (performing and non-performing), with split mortgages representing 2.2 per cent.

Table 4: Restructured PDH Loans – Number, Value and Share, Q2 2019

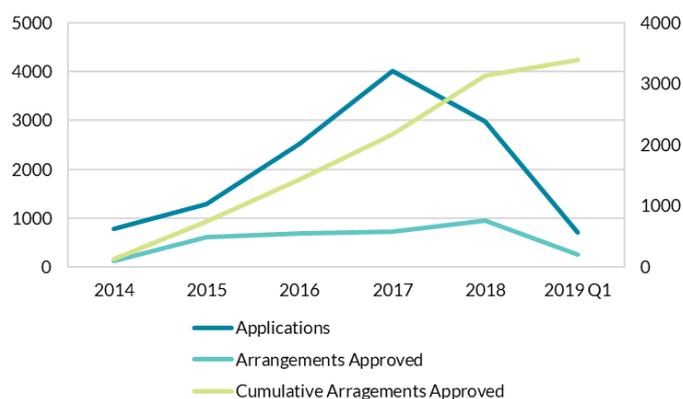
Restructure Type	Number	Value (€MN)	Share of Market (%)	Share Meeting Terms (%)
Arrears Capitalisation	32,571	4,960	5.08	79.4
Split Mortgage	21,291	2,126	2.18	93.4
Term Extension	11,333	1,196	1.23	93.2
Other	17,014	2,050	2.10	84.1
Reduced Payment (Greater than interest only)	4,433	911	0.93	80.2
Temporary Interest Rate Reduction	3,687	658	0.67	89.7

Source: Central Bank, Mortgage Arrears Statistics. Note: The Central Bank statistics methodology treats the main and warehoused components of split mortgages as two separate loans.

In Q1 2019, 717 personal insolvency applications were made and 257 were approved.

Figure 23 displays the number of personal insolvency applications made between 2014 and Q1 2019 along with the number of personal insolvency arrangements (PIA) approved. The highest number of applications was in 2017, with 4,001 applications made. In comparison, 2,970 applications were made in 2018 and 717 in Q1 2019. Between 2014 and Q1 2019, 3,391 arrangements were approved. Only a small number of loans in arrears apply for a personal insolvency arrangement. For example, the total number of PDH loans in arrears greater than 720 dpd was 27,792 in Q2 2019.

Figure 23: Number of PIA Applications and Arrangements Approved, 2014 – Q1 2019



Source: Insolvency Service of Ireland.

5. Non-Mortgage Household Credit

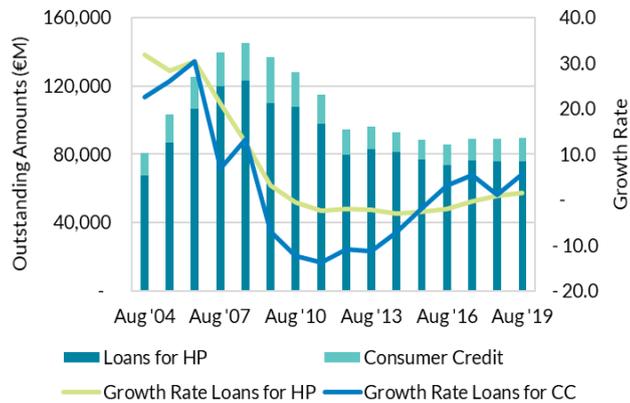
The value of consumer credit represents a small fraction of outstanding debt for Irish households.

Figure 24 displays the outstanding value in euro millions of loans for house purchase and consumer credit between August 2004 and August 2019, alongside the growth rates in mortgage and consumer credit during this time. The outstanding value of loans for house purchase as at August 2019 was €75,646m and the corresponding figure for consumer credit was €13,685m. The growth rate on consumer credit reached 5.6 per cent in August 2019, the highest since September 2017. This compares to 1.5 per cent for loans for house purchase.

Almost two-thirds of consumer credit has an origination term of 1 to 5 years.

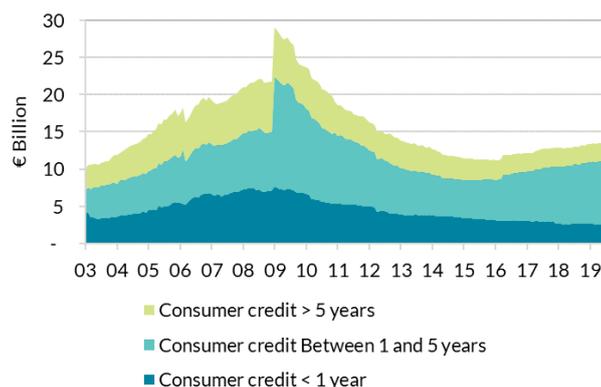
Figure 25 presents the stock of credit outstanding for consumer lending by Irish resident credit institutions by duration of the loan. Loans originated with terms of 1 to 5 years stood at approximately €8.7bn in August 2019, or 64 per cent of consumer credit up from an average of 45 per cent over the full period. Consumer credit of less than one year and over 5 years stood at €2.6bn and €2.4bn respectively in August 2019. Differences across time periods may be affected by portfolio re-balancing and other compositional issues.

Figure 24: Share of Mortgage Debt and Consumer Debt, August 2004 – August 2019



Source: Central Bank, Credit and Banking Statistics, Table A.5.1. See Appendix C for further information.

Figure 25: Outstanding Stock of Consumer Credit, January 2003 – August 2019

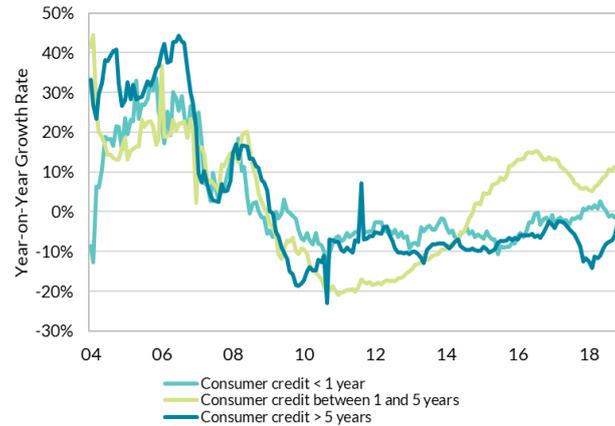


Source: Central Bank, Credit and Banking Statistics, Table A.5.1. See Appendix C for further information.

The growth rate on consumer loans of 1 to 5 year maturity is just over 10 per cent.

Figure 26 shows the growth rates in consumer credit from 2004 onwards for different lending terms. The growth rate on loans of between 1 and 5 years duration became positive from early 2015 and increased to 10.1 per cent in August 2019. This segment had slowed somewhat during 2018 but the growth rate has reaccelerated to just over 10 per cent since March 2019. The growth rate on other maturities remains negative.

Figure 26: Growth Rate in Consumer Credit, January 2004 – August 2019

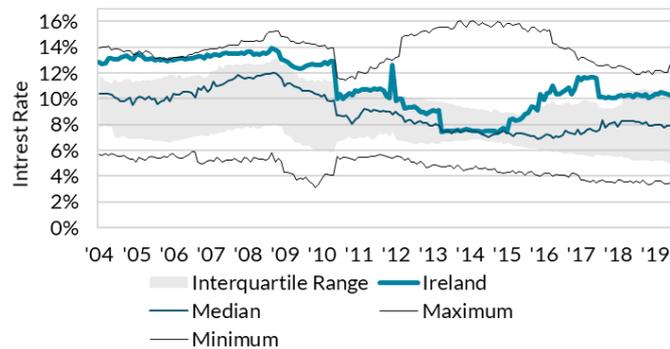


Source: Central Bank, Credit and Banking Statistics, Table A.5.1. See Appendix C for further information.

The interest rate on consumer credit in Ireland was the fourth highest relative to other European countries where data is available for comparison.

Figure 27 presents interest rates on consumer credit (comprising revolving loans and overdrafts and convenience and extended credit card debt) for Ireland and the median across a group of selected European countries with data available for comparison. Percentiles and the sample maximum and minimum are also displayed. As of August 2019, the interest rate on consumer credit in Ireland was 10.32 per cent, the fourth highest relative to the other European countries included. The composition of consumer credit types and additional fees may differ across countries, making like-for-like comparisons difficult.

Figure 27: Interest Rates on Consumer Credit, European comparison, January 2004 – August 2019

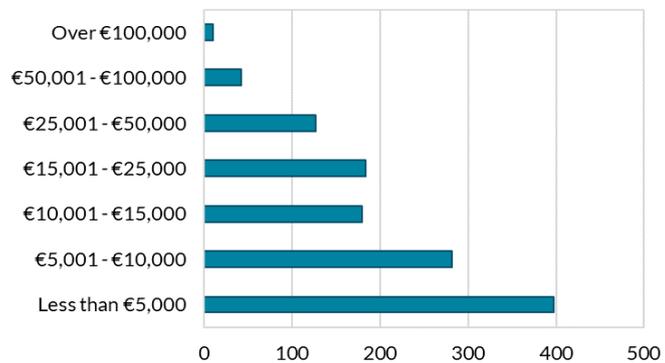


Source: European Central Bank, MIR. Countries are selected on the basis of data availability. See Appendix C for further information.

Credit unions advanced €1,220 million of credit in the six months to March 2019.

Figure 28 presents the value of new loans advanced by credit unions. Credit unions advanced more small loans than large loans. In the six months to March 2019, credit unions advanced €397 million of loans for less than or equal to €5,000. Loans of over €100,000 advanced by credit unions amounted to €10 million. The total amount of credit advanced by credit unions during this time period was €1,220 million. Credit unions accounted for 34 per cent of the consumer credit market as at March 2019.

Figure 28: Credit Union Lending, Value of New Loans Advanced by Amount of New Loans (euro millions), March 2019

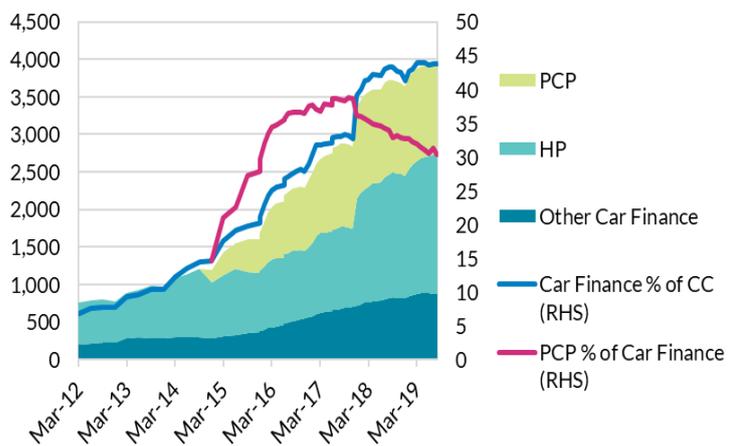


Source: Central Bank Data. Data on new loans is year-to-date and represents new lending for the six months to March 2019.

Car finance represents 44 per cent of consumer credit as at August 2019.

Figure 29 presents the stock of car financing by type of financing. As at August 2019, hire purchase financing consisted of the largest amount of personal financing by value at approximately €3.1bn, of which €1.2bn was for personal contract plan (PCP) financing. Other car finance stood at €0.9bn. Personal contract plan financing represented 30 per cent of car financing as of August 2019. Total car finance as a share of consumer credit has increased from 8 per cent in June 2012 to 44 per cent in August 2019.

Figure 29: Stock of Car Finance, March 2012 – August 2019



Source: Central Bank Data. See Appendix C for further information on data composition. This relates to bank credit.

Appendix A: Data Sources

Data Sources and Definitions:

- Central Bank of Ireland Credit and Banking Statistics, Interest Rate Statistics and Quarterly Financial Accounts aggregate statistics, loan-level data collected by the Central Bank of Ireland from the Irish domestic banks, the Banking and Payments Federation Ireland and the Central Statistics Office. For cross-country comparisons, the report also draws on data from the European Central Bank, Monetary Financial Institution (MFI) Statistics.
- The loan data presented from the Credit and Banking Statistics represents securitised and non-securitised loans from Irish resident financial institutions. This is a lower bound figure, as it does not include Irish banks that were previously in the reporting population to the Central Bank but have since left the market and banks whose mortgage loan books have been sold to non-banks or sub-prime mortgages.
- Central Bank of Ireland Loan-Level Data (LLD): This data set provides information on a wide range of loan characteristics including outstanding balances, loan terms and loan repayment for the population of mortgage loans at AIB, BOI, KBC, Ulster Bank and PTSB. The data are included in this report on a best efforts basis. Figures and tables based on the LLD may differ from previous HCMR versions where revisions have taken place or where underlying data samples have changed. Time series comparisons across reports are not advised and will be presented within specific reports where possible.
- Central Bank of Ireland loan-level data from the Monitoring Template Data: This data provides information on a wide range of loan and borrower characteristics including outstanding balances, loan terms and loan repayment for the population of mortgage loans at AIB, BOI, Ulster Bank, KBC, Finance Ireland and PTSB. Figures and tables based on the MTD may differ from previous HCMR versions where revisions have taken place or where underlying data samples have changed
- Central Bank of Ireland Residential Mortgage Arrears and Repossession Statistics.
- Banking and Payments Federation Ireland, Mortgage Drawdowns Report and Housing Market Monitor.
- SILC data from the Survey on Income and Living Standards provided by the CSO.
- Hypostat data: Hypostat is the European Mortgage Federations Annual Statistical Report, encompassing data on recent developments in housing and mortgage markets.
- Data on credit unions collected by the Registry of Credit Unions, Central Bank.
- ISI Data: Data from the Insolvency Services of Ireland, Q1 2019 Statistics Report.
- This report has been compiled including published data available at, or before, the **21st October 2019**.

Appendix B: Glossary of Key Terms and Abbreviations

The following are key terms used in this document:

- BTL Buy-To-Let
- CC Consumer Credit
- CLTV Current Loan-to-Value
- CLTI Current Loan-to-Income
- MSTI Mortgage-Service-to-Income Ratio
- CMSTI Current Mortgage -Service-to-Income Ratio
- ECB European Central Bank
- FTB First Time Buyer
- LLD Loan Level Data held by Central Bank of Ireland
- MTD Monitoring Template Data held by Central Bank of Ireland
- OLTV Originating Loan-to-Value Ratio
- OLTl Originating Loan-to-Income Ratio
- PIA Personal Insolvency Arrangement a formal agreement with creditors that will write off some unsecured debt and restructure any remaining secured debt, while keeping the person in their home where possible
- PDH Principal Dwelling House
- REV Revolving Loan such as Overdraft or Credit Card
- RIL Retail Investment Loan for Residential Property Purchase
- SSB Second and Subsequent Borrowers
- SVR Standard Variable Rate
- MIR Mortgage Interest Rate
- Tracker Mortgage interest rate that automatically changes in line with the a contracted policy rate
- LTMA Long Term Mortgage Arrears
- HCMR Household Credit Market Report
- RCF Retail Credit Firms
- DPD Days Past Due

Appendix C: Information on Charts and Data Composition

- **Figure 1:** Assets refers to total financial assets plus estimated housing assets. The latter estimate is based on the size and value of the housing stock. Data on the value of housing is obtained from the CSO's 'Residential Property Price Index'. Disposable income is the annualised four quarter moving average of quarterly disposable income adjusted for the change in net equity of households in pension funds reserves.
- **Figure 2:** Debt-to-income ratios excluding Ireland taken from ECB SDW.
- **Figure 5:** These series cover all performing PDH borrowers with known mortgage origination dates, with collateral known to be located in the State, and whose loan-to-value is known to be below 300 per cent. In facilities where loans were originated in different years, the earliest year is chosen. LTV is a simple average across all borrowers per origination year.
- **Figure 8:** Herfindahl-Hirschman Indices are calculated using the bank-level data used to compile the Central Bank of Ireland's Credit and Banking Statistics.
- **Figure 17:** Countries are selected on the basis of data availability. Included countries are: AT, DE, ES, FI, FR, GR, IE, IT, NL, and PT. Note: Data include within-bank restructured mortgage contracts and renegotiated loans (mortgage switchers) and do not only capture the interest rates on new mortgage agreements. Interest rate data type is the Annualised Agreed Rate (AAR), defined as 'the interest rate that is individually agreed between the reporting agent and the household or non-financial corporation for a deposit or loan, converted to an annual basis and quoted in percentages per annum'.
- **Figure 25:** Please note that these data are compiled from resident credit institutions only. Note: The increase in the series in Q1 2009 reflects the inclusion of credit unions in the reporting population. Note: These data are taken from the Central Bank Credit, Money and Banking table A.5.1. Credit Unions entered the reporting population in January 2009.
- **Figure 26:** These data are taken from the Central Bank Credit, Money and Banking table A.5.1. Note: These growth rates have been adjusted to account for compositional issues.
- **Figure 27:** Countries are selected on the basis of data availability. Included countries are: AT, DE, ES, FI, FR, GR, IE, IT, NL, and PT. Interest rate data type is the ARR, defined as 'the interest rate that is individually agreed between the reporting agent and the household or non-financial corporation for a deposit or loan, converted to an annual basis and quoted in percentages per annum'.

Appendix C: Information on Charts and Data Composition

- **Figure 28:** Data on new loans is year-to-date and represents new lending for the six months to March 2018.
- **Figure 29:** Outstanding amounts of Hire Purchase (HP), Personal Contract Plan (PCP) and Other Car Finance plotted on the left hand side, Car finance share of Consumer Credit (CC) and PCP share of car finance plotted on the right hand side Please note that this data is compiled from resident credit institutions only. Some credit providers, that do not fall under the authority of the Central Bank, may be providing car financing operations, such as Personal Contract Plans (PCPs) or direct-from dealer-financing. This data may not have been reported to the Central Bank under this return, and as such may not be captured by these figures. In addition, the car finance data in A.19 does not include non-banks, some of whom have a large amount of car lending relative to total lending or credit unions lending who would be likely to have a large amount of lending for car finance. Some changes to the population of lenders in this data has also changed over time such as where portfolios of car finance are transferred to banks or when non-banks become licenced.
- **Table 1:** Note: Income refers to the total gross income of all borrowers on the mortgage. Sample is new property purchase loans and self-builds only.
- **Box 1 Table A:** Analysis based on over 18s, *demographics based on one adult member per household, **apartment percentages cannot be reported due to sample size restrictions.