

### ***Residential Mortgage Arrears and Repossessions Statistics: Q4 2016***

#### ***Summary***

- The number of mortgage accounts for principal dwelling houses (PDH) in arrears fell further in the fourth quarter of 2016; this marks the fourteenth consecutive quarter of decline. A total of 77,493 (11 per cent) of accounts were in arrears at end-December, a decline of 2.6 per cent relative to September 2016.
- The number of accounts in arrears over 90 days at end-December was 54,269 (7 per cent of total), reflecting a quarter-on-quarter decline of 3.7 per cent. This represents the thirteenth consecutive decline in the number of PDH accounts in arrears over 90 days.
- The majority of maturity categories of arrears, including the over 720 days' category, declined in Q4 2016. This category recorded a sixth consecutive decline, having declined for the first time in Q3 2015. The decline of 3.2 per cent in Q4 2016 was the largest decline in this category to date.
- The number of PDH mortgage accounts that were classified as restructured at end-December was 120,944. Of these restructured accounts, 87 per cent were deemed to be meeting the terms of their current restructure arrangement, down slightly from 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 4.4 per cent during the fourth quarter of 2016. At end-December there were 14,028 BTL accounts in arrears over 720 days, with an outstanding balance of €4.1 billion, equivalent to 17 per cent of the total outstanding balance on all BTL mortgage accounts.
- There was a slight decrease of 0.5 per cent in the number of BTL accounts where a rent receiver was appointed; this follows on from an increase of 5.4 per cent in the previous quarter.
- Non-bank entities now hold 48,562 mortgage accounts for PDH and BTL combined. Of this number, almost 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 18 per cent of accounts held by retail credit firms.

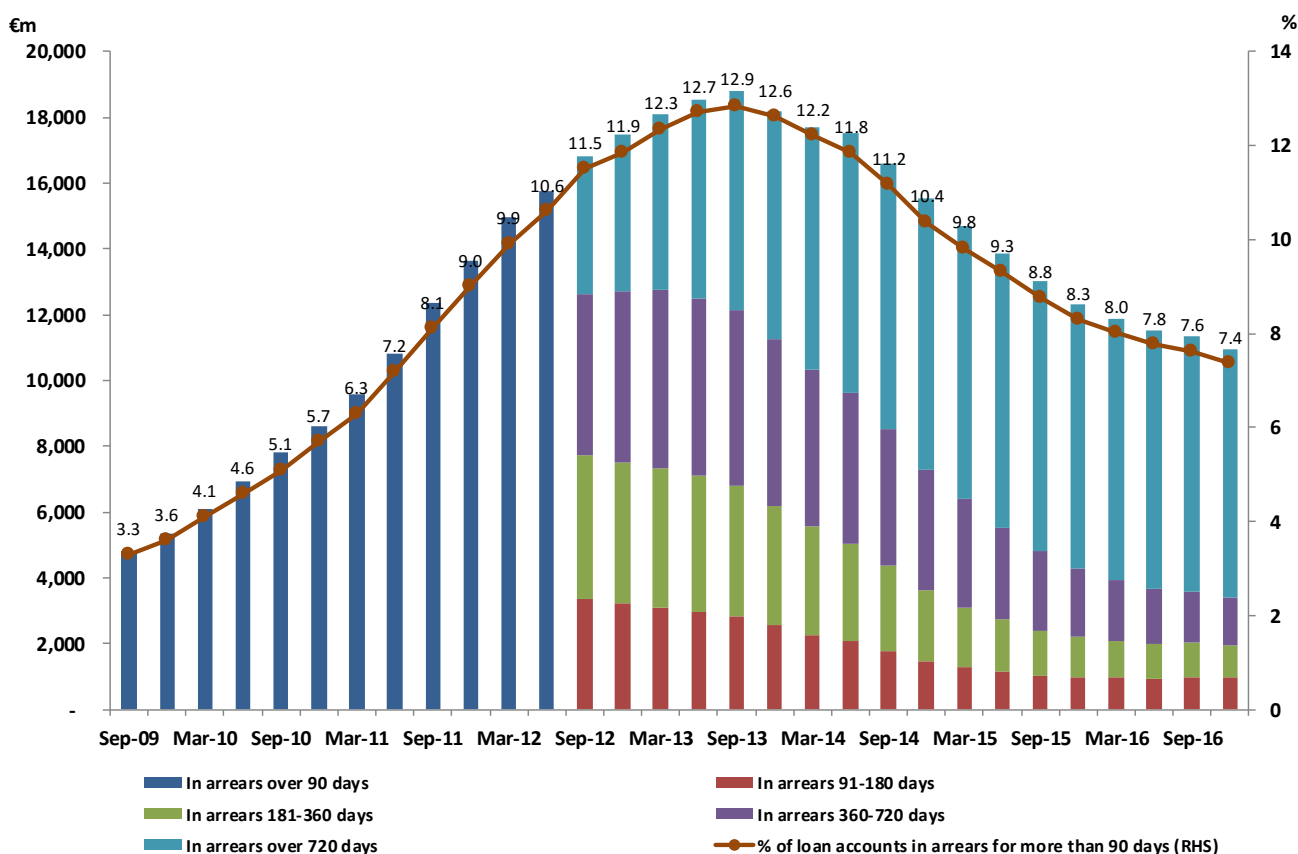
## Residential Mortgages on Principal Dwelling Houses

### Arrears

At end-December 2016, there were 736,894 private residential mortgage accounts for principal dwellings held in the Republic of Ireland, to a value of €99.6 billion. Of this total stock, 77,493 accounts were in arrears, representing a fall of 2,069 or 2.6 per cent over the quarter. Some 54,269 accounts (7 per cent) were in arrears of more than 90 days.<sup>1</sup>

The number of accounts in arrears over 90 days fell by 3.7 per cent over the quarter, marking the thirteenth consecutive decline in this category. The outstanding balance on all lenders' PDH mortgage accounts in arrears of more than 90 days was €11 billion at end-December, 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.

<sup>1</sup> 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. 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 increased slightly in the fourth quarter of 2016, marking the first increase in this category since end-September 2012. However, this increase in early arrears is offset by significant reductions in longer-term arrears categories. The number of accounts in arrears over 360 days fell to 42,031 at end-December, equivalent to 6 per cent of the total stock of PDH mortgage accounts and representing a fall of 1,612 accounts over the quarter. Accounts in arrears of between 361 days and 720 days saw a decline of 5.6 per cent.

The number of accounts in arrears over 720 days also declined by 1,104 accounts in Q4, or 3.2 per cent; this was the sixth consecutive decline in this category and follows a 1.2 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 43 per cent of all accounts in arrears, and 88 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 over €9 billion at end-December 2016.

### **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 interest<sup>2</sup>. 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 120,944 PDH mortgage accounts were categorised as restructured at end-December 2016. This reflects a reduction of 196 accounts compared to end-September 2016. The share of interest only arrangements and reduced payment arrangements fell further during Q4, to 11 per cent, indicating a continuing move out of short-term arrangements. Arrears capitalisations and permanent split mortgages showed the most significant increases and continued to account for the largest shares of restructured accounts at 32 per cent and 22 per cent, respectively, at end-December. A breakdown of restructured mortgages by type is presented in Figure 2.

A total of 8,475 new restructure arrangements<sup>3</sup> were agreed during the fourth quarter of 2016. The data on arrears and restructures indicate that of the total stock of 77,493 PDH accounts that were in arrears at end-December, 26,503 (34 per cent) were classified as restructured at that time. Of the total stock of 54,269 PDH accounts that were in arrears of more than 90 days, 26 per cent were classified as restructured; this is unchanged from the previous quarter.

Some 78 per cent of restructured accounts were not in arrears at end-December 2016. Restructured accounts in arrears include accounts that were in arrears prior to restructuring where the arrears balance has not yet

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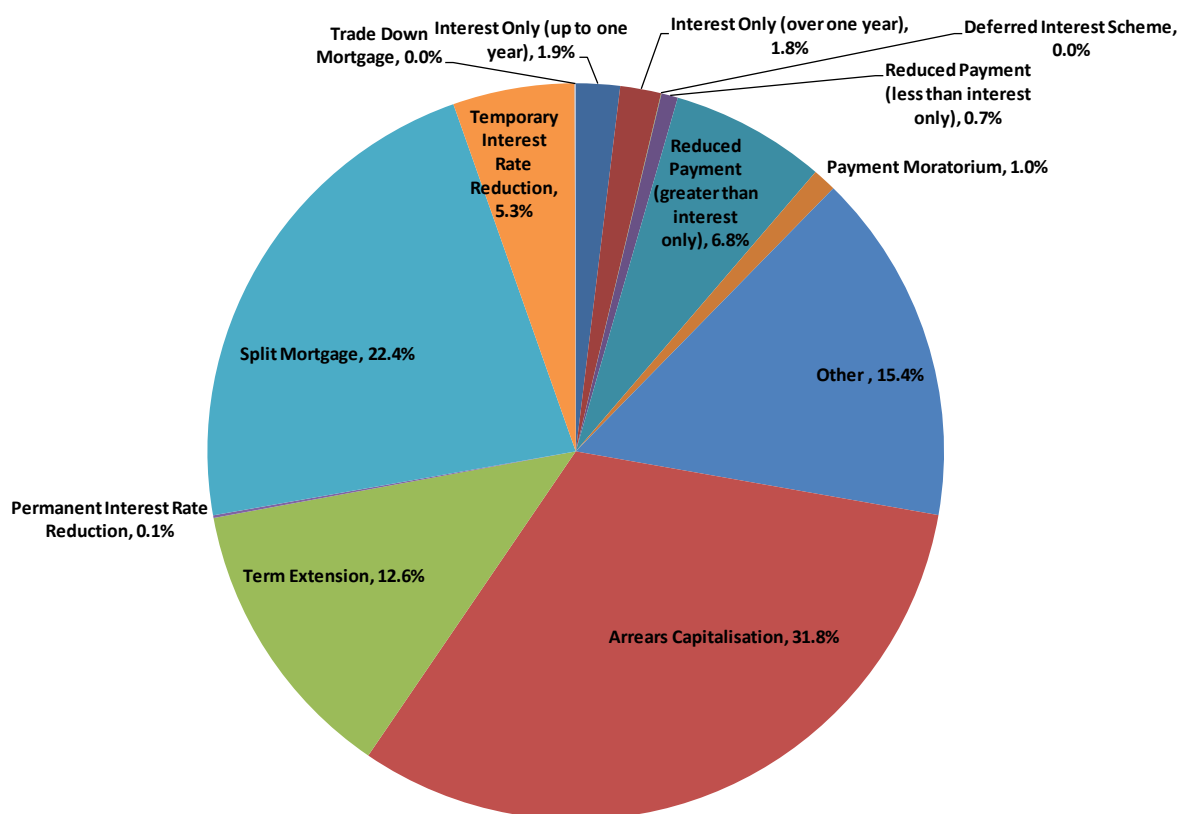
<sup>2</sup> Arrears capitalisation is an arrangement whereby some or all of the outstanding arrears are added to the remaining principal balance, to be repaid over the life of the mortgage.

<sup>3</sup> 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-December, 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 Targets<sup>4</sup>. 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-December 2016**



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-December 2016, broken down by arrangement type. Lower numbers indicate a higher incidence of ‘re-default’, which 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

<sup>4</sup> Sustainable solutions are defined on Page 25 of the [Mortgage Arrears Resolution Targets](#) document.

restructure types that are likely to be shorter-term.<sup>5</sup> Nonetheless, the figures imply that of the total stock of accounts in the arrears capitalisation category, just over 23 per cent of PDH accounts have 're-defaulted', 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-December 2016**

%	PDH	BTL
<b>Total</b>	<b>86.9</b>	<b>86.4</b>
Interest Only - up to one year	87.3	79.5
Interest Only - over one year	94.8	93.9
Deferred Interest Scheme	73.1	100.0
Reduced Payment (less than interest only)	72.5	87.3
Reduced Payment (greater than interest only)	90.9	94.4
Temporary Interest Rate Reduction	92.3	94.7
Payment Moratorium	94.0	95.9
Arrears Capitalisation	77.5	65.8
Term Extension	92.9	93.5
Permanent Interest Rate Reduction	56.7	0.0
Split Mortgage	93.9	94.6
Other	87.2	90.0

### Legal Proceedings and Repossessions

During the fourth quarter of 2016, legal proceedings were issued to enforce the debt/security on a PDH mortgage in 1,397 cases. During Q4 2016, there were 482 cases where court proceedings concluded but arrears remained outstanding. In 273 cases, the Courts granted an order for repossession or sale of the property. There were 1,704 properties in the banks' possession at the beginning of the fourth quarter. A total of 455 properties were taken into possession by lenders during the quarter, the highest recorded since the series began. Of the properties taken into possession during the quarter, 112 were repossessed on foot of a Court Order, while the remaining 343 were voluntarily surrendered or abandoned. During the quarter 462 properties were disposed of. The number of properties in possession at the end of the quarter are also impacted by reclassifications. As a result, lenders were in possession of 1,693 PDH properties at end-December 2016.

<sup>5</sup> 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	Q3 2016			Q4 2016		
	Number	Balance €000	Arrears €000	Number	Balance €000	Arrears €000
<b>Mortgages</b>						
<b>Total residential mortgage loan accounts outstanding</b>	738,506	99,856,266	-	736,894	99,553,287	-
<b>Arrears</b>						
<b>Total residential mortgage arrears cases outstanding</b>	79,562	14,669,200	2,497,993	77,493	14,281,750	2,490,546
<i>of which:</i>						
in arrears up to 90 days	23,212	3,331,812	33,381	23,224	3,322,595	33,354
in arrears 91 to 180 days	6,202	974,317	36,689	5,990	954,726	32,728
in arrears 181 to 360 days	6,505	1,054,210	63,250	6,248	1,002,189	60,499
in arrears 361 to 720 days	9,092	1,542,363	166,839	8,584	1,449,754	159,978
in arrears over 720 days	34,551	7,766,498	2,197,834	33,447	7,552,486	2,203,987
Total arrears cases over 90 days outstanding	56,350	11,337,388	2,464,612	54,269	10,959,155	2,457,192
% of loan accounts in arrears for more than 90 days	7.6%	11.4%		7.4%	11.0%	
<b>Repossessions</b>						
Residential properties in possession - at the beginning of quarter	1,678			1,704		
Residential properties repossessed on foot of an Order during quarter	141			112		
Residential properties voluntarily surrendered/abandoned during the quarter	280			343		
Residential properties disposed of during this quarter	400			462		
Residential properties in possession – at end of quarter <sup>1</sup>	1,698			1,693		
<b>Total residential mortgage accounts restructured</b>						
<b>Restructures</b>	121,140	17,091,457	336,468	120,944	16,910,800	327,320
<b>Restructures not in arrears</b>	94,609	12,631,946		94,441	12,502,566	
<b>Total restructures by type:</b>						
Interest Only - up to one year	2,584	410,166	28,151	2,336	363,397	24,565
Interest Only - over one year	2,311	482,403	5,290	2,168	447,981	5,863
Reduced Payment (greater than interest only)	9,195	1,934,361	84,083	8,242	1,730,418	71,988
Reduced Payment (less than interest only)	1,038	208,504	19,809	876	174,545	14,678
Term Extension	15,360	1,656,468	37,423	15,212	1,641,422	38,374
Arrears Capitalisation	37,555	5,861,607	98,227	38,406	5,989,157	100,886
Payment Moratorium	1,218	204,185	9,701	1,263	207,154	11,004
Deferred Interest Scheme	27	4,479	480	26	4,235	526
Permanent Interest Rate Reduction	115	20,393	674	141	24,783	869
Split Mortgage	26,652	2,688,836	5,486	27,079	2,728,662	6,492
Trade Down Mortgage	53	8,119	0	59	9,236	1
Temporary Interest Rate Reduction	6,682	1,381,330	18,030	6,461	1,324,031	17,894
Other	18,350	2,230,606	29,114	18,675	2,265,779	34,180

\*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.

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

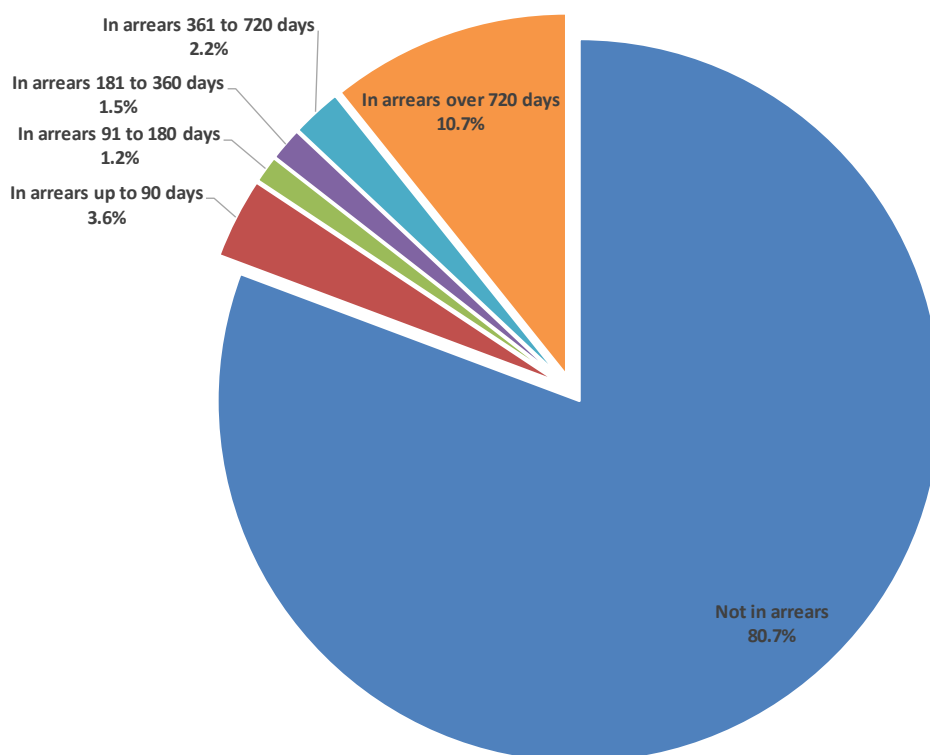
## ***Residential Mortgages on Buy-to-Let Properties***

### **Arrears**

At end-December 2016, there were 130,710 residential mortgage accounts for buy-to-let properties held in the Republic of Ireland, to a value of €24 billion. Some 25,218 (19 per cent) of these accounts were in arrears, compared to 26,041 accounts at end-September 2016, reflecting a decrease of 3.2 per cent over the quarter. Of the total BTL stock, 20,499 or 16 per cent were in arrears of more than 90 days, reflecting a decrease of 4.4 per cent over the quarter. The outstanding balance on all BTL mortgage accounts in arrears of more than 90 days was €5.6 billion at end-December, 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 18,905 at end-December 2016, reflecting a quarter-on-quarter fall of 4.3 per cent. BTL accounts in arrears greater than 720 days declined by 3.4 per cent in Q4; this represents the largest decline in this category since this series began and marks nine consecutive quarters of decline. Accounts in arrears of over 720 days now number 14,028 or 11 per cent of the total stock of BTL mortgage accounts, and 87 per cent of outstanding arrears. The outstanding balance on these accounts was €4.1 billion at end-December, equivalent to 17 per cent of the total outstanding balance on all BTL mortgage accounts.

***Figure 3: BTL Mortgage Accounts by Arrears Category, end-December 2016***



### **Restructuring Arrangements**

A total stock of 25,292 BTL mortgage accounts were categorised as restructured at end-December 2016, reflecting a decrease of 859 accounts from the stock of restructured accounts reported at end-September 2016. Of the total stock of restructured accounts recorded at end-December, 77 per cent were not in arrears, while 86 per cent were meeting the terms of their current restructure arrangement. A total of 2,134 new restructure arrangements were agreed during the fourth quarter of the year, up from a low of 1,870 new agreements in the previous quarter. On the BTL side, the largest cohort of restructured mortgages was in reduced payment (greater than interest only) arrangements, which represented 25 per cent of all restructure arrangements. The data on arrears and restructures indicate that of the total stock of 25,218 BTL accounts that were in arrears at end-December, 5,873 (or 23 per cent) were classified as restructured at that time.

### **Legal Proceedings and Repossessions**

During the fourth quarter of 2016, rent receivers were appointed to 562 BTL properties, bringing the stock of accounts with rent receivers appointed to 6,023; this is down from a stock of 6,051 in the previous quarter. There were 631 BTL properties in the banks' possession at the beginning of Q4 2016. A total of 259 properties were taken into possession by lenders during the quarter. Of the total BTL repossessions in the quarter, 110 were repossessed on foot of a Court Order, while the remaining 149 were voluntarily surrendered or abandoned. During Q4 2016, 287 properties were disposed of. As a result, lenders were in possession of 596 BTL properties at end-December 2016; this was the lowest number of BTL properties in possession since end-March 2014.



Table 3: BTL Mortgage Arrears Repossessions and Restructures	Q3 2016			Q4 2016		
	Number	Balance €000	Arrears €000	Number	Balance €000	Arrears €000
<b>Mortgages</b>						
<b>Total residential mortgage loan accounts outstanding</b>	132,571	24,613,473	-	130,710	24,035,043	-
<b>Arrears</b>						
<b>Total residential mortgage arrears cases outstanding</b>	26,041	6,874,594	1,800,209	25,218	6,637,293	1,789,217
<i>of which:</i>						
in arrears up to 90 days	4,606	928,485	32,801	4,719	1,002,098	34,501
in arrears 91 to 180 days	1,679	367,063	24,983	1,594	338,290	24,825
in arrears 181 to 360 days	2,052	470,967	58,680	1,946	440,676	48,168
in arrears 361 to 720 days	3,186	792,424	125,220	2,931	708,804	126,908
in arrears over 720 days	14,518	4,315,655	1,527,143	14,028	4,147,425	1,554,815
Total arrears cases over 90 days outstanding	21,435	5,946,109	1,772,388	20,499	5,635,195	1,754,716
% of loan accounts in arrears for more than 90 days	16.2%	24.2%		15.7%	23.4%	
<b>Repossessions</b>						
Residential properties in possession - at the beginning of quarter	640			631		
Residential properties repossessed on foot of an Order during quarter	148			110		
Residential properties voluntarily surrendered/abandoned during the quarter	140			149		
Residential properties disposed of during this quarter	298			287		
Residential properties in possession – at end of quarter <sup>1</sup>	631			596		
<b>Total residential mortgage accounts restructured</b>						
<b>Restructures</b>	26,151	6,135,191	211,553	25,292	5,891,440	204,927
<b>Restructures not in arrears</b>	20,019	4,605,767	-	19,419	4,467,963	-
Total restructures by type:						
Interest Only - up to one year	1,513	350,512	39,120	1,433	322,474	37,184
Interest Only - over one year	2,207	552,221	6,424	1,942	501,497	5,638
Reduced Payment (greater than interest only)	6,596	1,871,510	36,783	6,270	1,794,820	31,056
Reduced Payment (less than interest only)	107	29,682	2,861	102	29,878	2,454
Term Extension	3,675	596,787	16,092	3,709	610,978	18,452
Arrears Capitalisation	5,514	1,175,806	89,054	5,559	1,171,138	90,501
Payment Moratorium	449	87,348	4,816	369	69,735	4,668
Deferred Interest Scheme	1	407	20	1	407	19
Permanent Interest Rate Reduction	6	1,489	594	3	1,194	316
Split Mortgage	2,010	267,715	549	2,037	272,690	305
Temporary Interest Rate Reduction	142	34,438	759	133	30,350	719
Other	3,931	1,167,276	14,481	3,734	1,086,279	13,446

\*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.

<sup>1</sup> 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 Entities<sup>6</sup>***

### **Arrears**

At end-December 2016, 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 more than 6 per cent of the total stock of residential mortgage accounts outstanding (PDH and BTL) at end-December 2016 (8 per cent in value terms).

In terms of PDH mortgages held by non-bank entities, over 68 per cent were held by regulated retail credit firms at end-December 2016. For retail credit firms, 28 per cent of accounts were in arrears over 90 days, with 18 per cent in arrears of 720 days (Table 4). The equivalent figures for unregulated loan owners was 53 per cent and 41 per cent, respectively. Restructuring activity was higher among retail credit firms, with 24 per cent of loans restructured at end-December, 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 55 per cent of all accounts in arrears over 720 days at end-December 2016. For retail credit firms, 43 per cent of accounts were in arrears, with 25 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.

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<sup>6</sup> 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 Q4 2016					
	Retail Credit Firms			Unregulated loan owners		
	Number	Balance €000	Arrears €000	Number	Balance €000	Arrears €000
<b>Mortgages</b>						
<b>Total residential mortgage loan accounts outstanding</b>	26,038	4,491,248		12,234	2,381,425	
<b>Arrears</b>						
<b>Total residential mortgage arrears cases outstanding</b>	9,178	1,898,272	397,319	7,445	1,712,048	445,107
<i>% of total</i>	35%	42%		61%	72%	
<i>of which:</i>						
in arrears over 90 days	7,368	1,629,896	393,598	6,425	1,566,228	444,016
<i>% of total</i>	28%	36%		53%	66%	
in arrears over 720 days	4,772	1,210,728	358,393	5,054	1,339,886	424,135
<i>% of total</i>	18%	27%		41%	56%	
<b>Total residential mortgage accounts restructured</b>						
<b>Restructures</b>	6,136	1,040,689	22,637	2,553	403,684	26,839
<i>% of total</i>	24%	23%		21%	17%	
<b>Meeting the terms of the arrangement</b>	4,268	720,921	6,175	1,927	299,389	17,461
<i>% of total resturctures</i>	70%	69%		75%	74%	
<b>In arrears over 90 days, of which restructured</b>	1,051	186,101	20,078	899	184,110	26,482
<i>% of total in arrears &gt; 90 days</i>	14%	11%		14%	12%	

Note: See footnote 6.

Table 5: BTL Mortgage Arrears Repossessions and Restructures of Non-Bank Entities	Non-Bank Entities Q4 2016					
	Retail Credit Firms			Unregulated loan owners		
	<i>Number</i>	<i>Balance €000</i>	<i>Arrears €000</i>	<i>Number</i>	<i>Balance €000</i>	<i>Arrears €000</i>
<b>Mortgages</b>						
<b>Total residential mortgage loan accounts outstanding</b>	4,335	748,514		5,955	1,670,439	
<b>Arrears</b>						
<b>Total residential mortgage arrears cases outstanding</b>	1,868	474,445	249,886	4,494	1,332,188	349,855
<i>% of total</i>	43%	63%		75%	80%	
<i>of which:</i>						
in arrears over 90 days	1,562	427,597	248,634	4,280	1,280,395	349,251
<i>% of total</i>	36%	57%		72%	77%	
in arrears over 720 days	1,096	343,609	221,600	3,272	1,037,665	328,437
<i>% of total</i>	25%	46%		55%	62%	

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.