Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Statistical Release

17 December 2020

Residential Mortgage Arrears & Repossessions Statistics - Q3 2020

Key Points

- The number of principal dwelling houses (PDH) accounts in arrears fell by 1,344 accounts in the third quarter of the year (Table 1). This development in arrears was supported in part by the continued availability of payment breaks for borrowers impacted by Covid-19. The decline was driven largely driven by a decline in the number of accounts in early-arrears of less than 180 days past due.

Table 1: Quarterly & Yearly change in PDH accounts in arrears

	Number of accounts	Q on Q change	Y on Y Change
Total PDH mortgage accounts	733,301	-3,006	-9,225
Number of accounts in arrears	55,448	-1,344	-6,354
Of which days past due:			
- up to 90 days	15,531	-200	-2,753
- 91 to 180 days	4,159	-669	-724
- 181 to 365 days	4,720	-25	-518
- 1 to 2 yrs	5,267	+7	-238
- 2 to 5 yrs	9,268	-323	-1,917
- 5 to 10 yrs	11,489	-447	-1,768
- over 10 yrs	5,014	+313	+1,564

- Some 5.4 per cent of all PDH mortgage accounts were in arrears over 90 days at end-September, representing 39,917 accounts, which is down slightly on the previous quarter.
- Of the total number of PDH accounts in arrears, 17 per cent (or 9,268 accounts) were overdue by between 2 and 5 years, 21 per cent (or 11,489 accounts) were in arrears by between 5 and 10 years, while 9 per cent (or 5,014) were in arrears greater than 10 years.
- 7,938 PDH accounts (14 per cent of total PDH account in arrears) are currently part of a legal process. The majority (5,466 accounts) of these have been in the legal system for over 2 years, with some 2,304 of those accounts in the courts system for over 5 years.
- Non-bank entities[1] held 13 per cent of all PDH mortgage accounts at end-September 2020; however, they held 57 per cent of all PDH mortgages in arrears over 2 years.
- Including buy-to-let (BTL) accounts, non-bank entities accounted for 14 per cent of the total stock of mortgage accounts at end-September 2020.

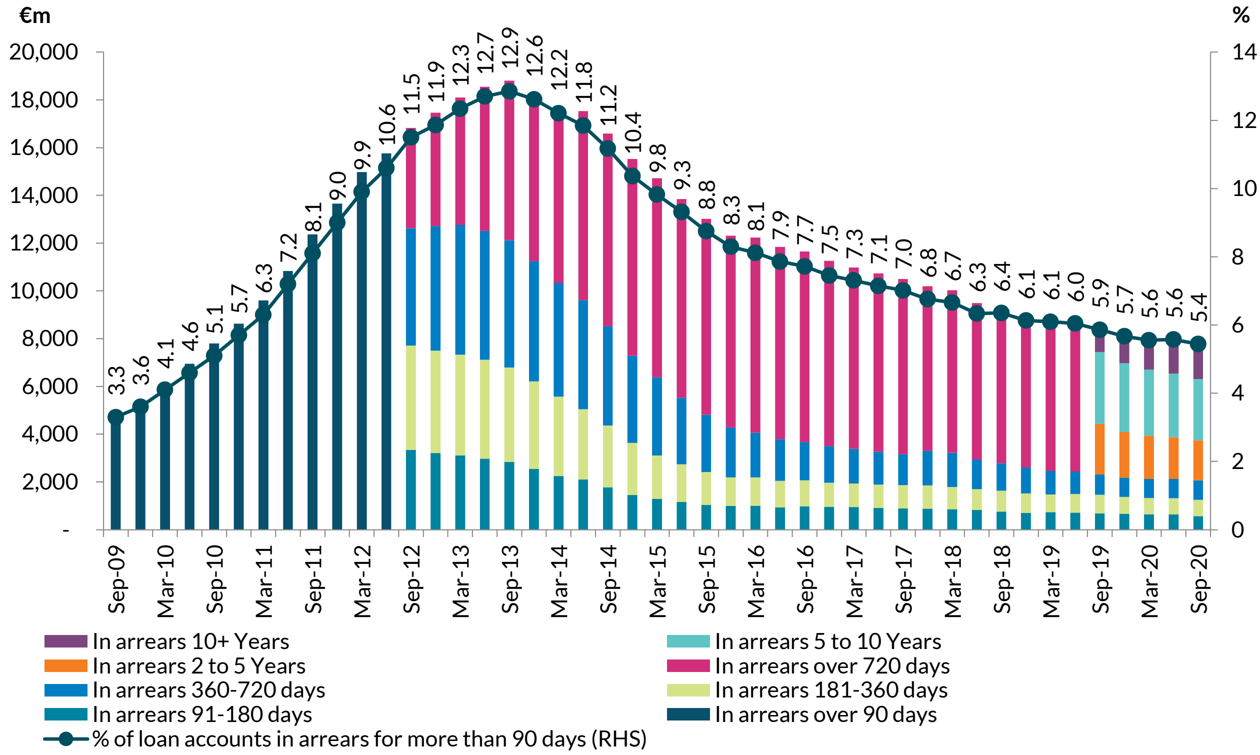
[1] Non-bank entities comprise of Retail Credit Firms and Credit Servicing Firms. More detailed information on these institution groups is available on the Central Bank website here.

Residential Mortgages on Principal Dwelling Houses

Arrears

At end-September 2020, there were 733,301 private residential mortgage accounts for principal dwellings held in the Ireland, with a value of €98 billion. Of this total stock, 55,448 accounts were in arrears, representing a decrease of 1,344 accounts (or 2 per cent) over the quarter. At end-September 2020, some 39,917 accounts (5.4 per cent) were in arrears of more than 90 days (Chart 1).[2]

Chart 1: PDH Mortgage Accounts in Arrears over 90 Days



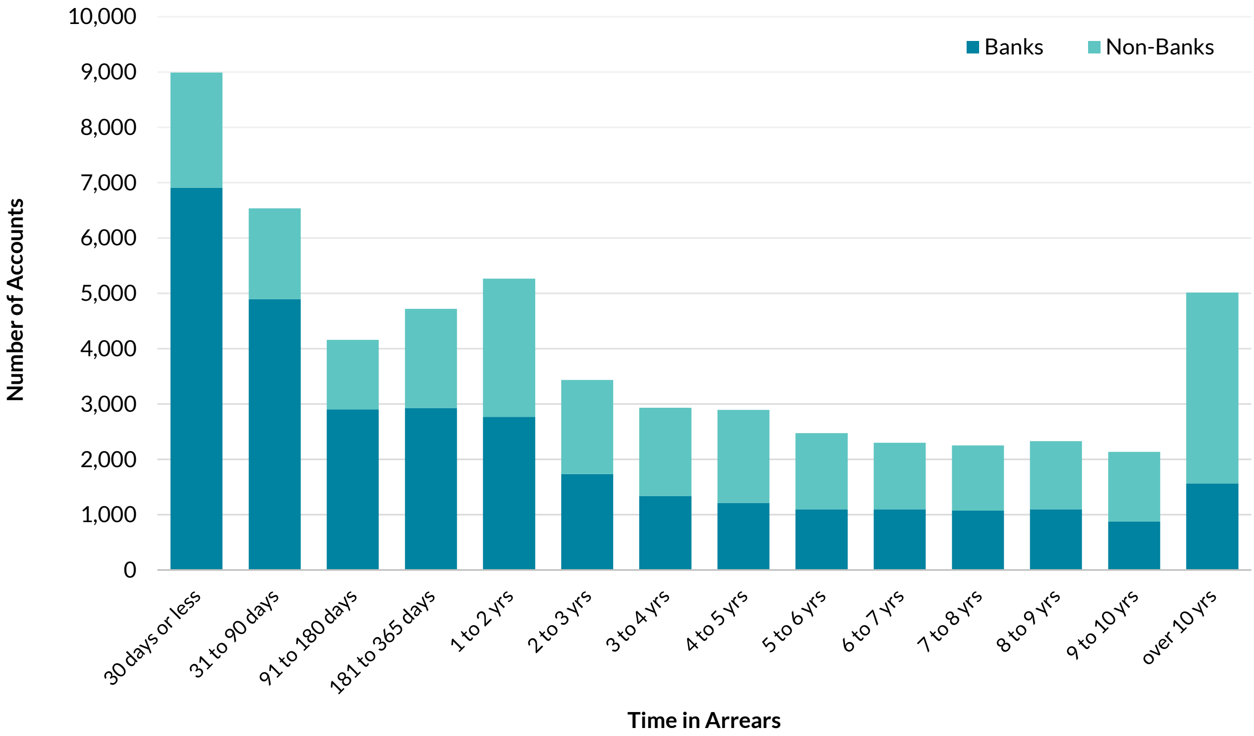
Note: The breakdown of arrears greater than 90 days is not available pre-September 2012. The breakdown of arrears greater than 720 days is not available pre-September 2019.

The outstanding balance on PDH mortgage accounts in arrears of more than 90 days was €7.6 billion at end-September, equivalent to 8 per cent of the total outstanding balance on all PDH mortgage accounts. Accounts in arrears over two years accounted for 46 per cent of all accounts in arrears at end-September. Of the total number of PDH accounts in arrears, 17 per cent (or 9,268 accounts) were overdue by between 2 and 5 years, 21 per cent (or 11,489 accounts) were in arrears by between 5 and 10 years, while 9 per cent (or 5,014) were in arrears greater than 10 years.

[2] 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.

At end-September 2020, non-bank entities accounted for 13 per cent of the total stock of PDH mortgage accounts outstanding. A total of 22 per cent of these accounts were in arrears over 90 days, and 16 per cent were in arrears of over 720 days. For non-banks, a greater proportion of total PDH accounts held are in deep arrears when compared to banks, with 57 per cent of total PDH accounts held in arrears over two years and 69 per cent of PDH accounts with arrears over ten years (Chart 2).

Chart 2: PDH mortgage accounts in arrears, as held by banks and non-banks, as at end-September



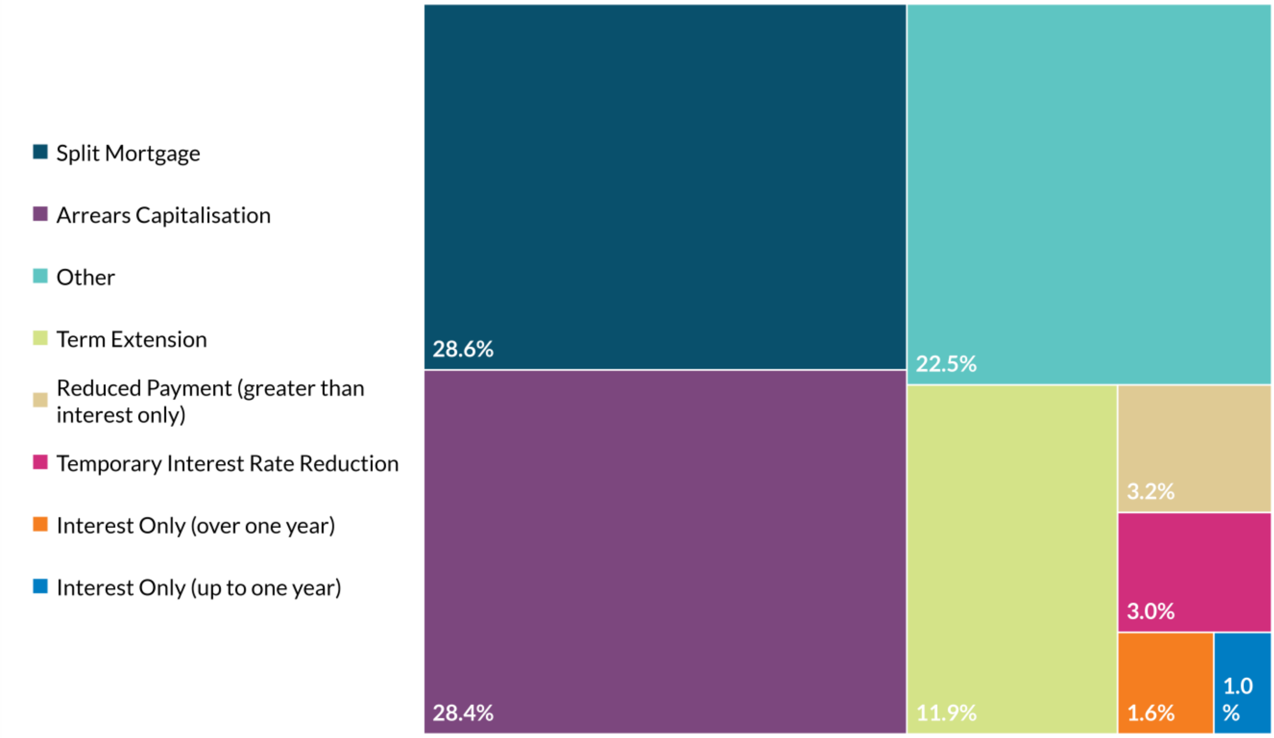
Restructuring Arrangements[3]

A total stock of 76,305 PDH mortgage accounts were categorised as restructured at end-September 2020. Split Mortgages[4] accounted for the largest share of restructured accounts at 29 per cent at end-September (Chart 3), while the share of accounts on temporary restructure arrangements remained low at 10 per cent.

[3] See Annex 2 for further information on restructuring arrangements/forbearance techniques and meeting the terms of the arrangement.

[4] Where a borrower is on a split mortgage restructure arrangement, the mortgage will be split into two parts. Repayments are made on one part (Part A), while the remainder is warehoused (Part B) to be repaid / reviewed at a later date. This implies that one split mortgage arrangement will be reported as two mortgage accounts within the statistics.

Chart 3: Restructured PDH Mortgage Accounts by Restructure Type, end-September 2020



There were 3,954 new restructure arrangements[5] agreed during the third quarter of 2020. The data on arrears and restructures indicate that of the total stock of 55,448 PDH accounts that were in arrears at end-September, 13,942 accounts (25 per cent) were classified as restructured. The remaining 75 per cent of accounts in arrears were not part of a restructure arrangement at end-September 2020. Some 82 per cent of restructured accounts were not in arrears at end-September 2020.[6] At end-September, 87 per cent of restructured PDH accounts were deemed to be meeting the terms of their arrangement.[7] This means that the borrower is, at a minimum, meeting the agreed monthly repayments according to the current restructure arrangement.

Table 2 shows the percentage of restructured accounts that were deemed to be meeting the terms of their arrangement at end-September 2020, broken down by arrangement type.[8] The figures show that of the total stock of accounts in the arrears capitalisation category, some 20 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. As the figures in Table 2 only reflect compliance with the terms of

[5] This includes first-time restructures and further modifications of existing restructures.
[6] Restructured accounts in arrears include accounts that were in arrears prior to restructuring where the arrears balance has not yet been eliminated, as well as accounts that are in arrears on the current restructuring arrangement.
[7] Meeting the terms includes restructured accounts not in arrears and accounts in arrears but meeting the terms of the current restructure arrangement.
[8] It should also be noted that some categories reflect only a small number of arrangements, particularly in the case of BTL accounts.

the current restructure arrangement, a higher percentage of compliance among shorter-term restructures could be expected.

Table 2: Percentage of Restructures 'Meeting the Terms of the Arrangement' (end-September 2020)

%	PDH	BTL
Total	**87.0**	**84.5**
Interest Only - up to one year	80.7	75.9
Interest Only - over one year	91.6	83.4
Deferred Interest Scheme	66.7	n/a
Reduced Payment (less than interest only)	76.0	78.6
Reduced Payment (greater than interest only)	86.3	77.9
Temporary Interest Rate Reduction	84.9	95.2
Payment Moratorium	97.6	99.2
Arrears Capitalisation	80.2	73.2
Term Extension	92.4	92.3
Permanent Interest Rate Reduction	91.3	76.9
Split Mortgage	93.3	90.0
Other	85.0	88.0

Non-bank entities held 19,397 restructured PDH mortgage accounts at end-September 2020. Of these restructured accounts, 83 per cent were meeting the terms of the arrangement.

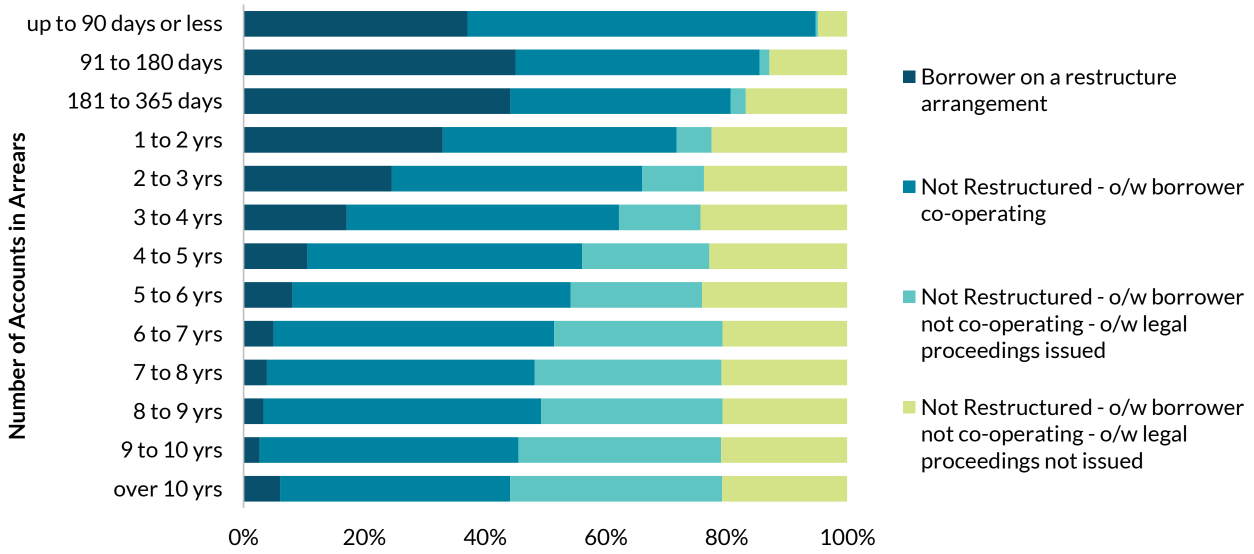
Borrower Engagement and Legal Status

Engagement between borrowers in mortgage arrears and the holder of their loans has proven to be an important step in the successful resolution of mortgage arrears. To assess the current level of engagement, data is collected on restructured and non-restructured borrowers, and whether such borrowers are co-operating or not co-operating with their loan holder in order to agree a resolution. For non-co-operating borrowers, the data is further broken-down to identify whether legal proceedings have commenced or not.

Chart 4 below, illustrating PDH borrower engagement by arrears cohort, shows that the higher the arrears accumulated, the more likely it is that a borrower is not in a current restructure arrangement, and is classified as not co-operating.

Of the 25,771 PDH account in arrears over 2 years, 10 per cent (or 2,487) of accounts have a restructure arrangement in place, while 43 per cent (or 11,173) of accounts were not in a restructure, but were classified as co-operating. The remaining 47 per cent (or 12,111) of accounts were not in a restructure nor co-operating with their lender, and legal proceedings have been issued in just over half this 'not in a restructure nor co-operating' cohort.

Chart 4: PDH borrower engagement by arrears cohort, as at end-September 2020



Note: 'Co-operation' status is defined in line with the Code of Conduct on Mortgage Arrears (CCMA), which sets out strict criteria in relation to when loan owners can classify borrowers as not co-operating. In such cases, loan holders must formally notify the borrower of the implications of being classified as not co-operating, including that it may commence legal proceedings for repossession of the property.

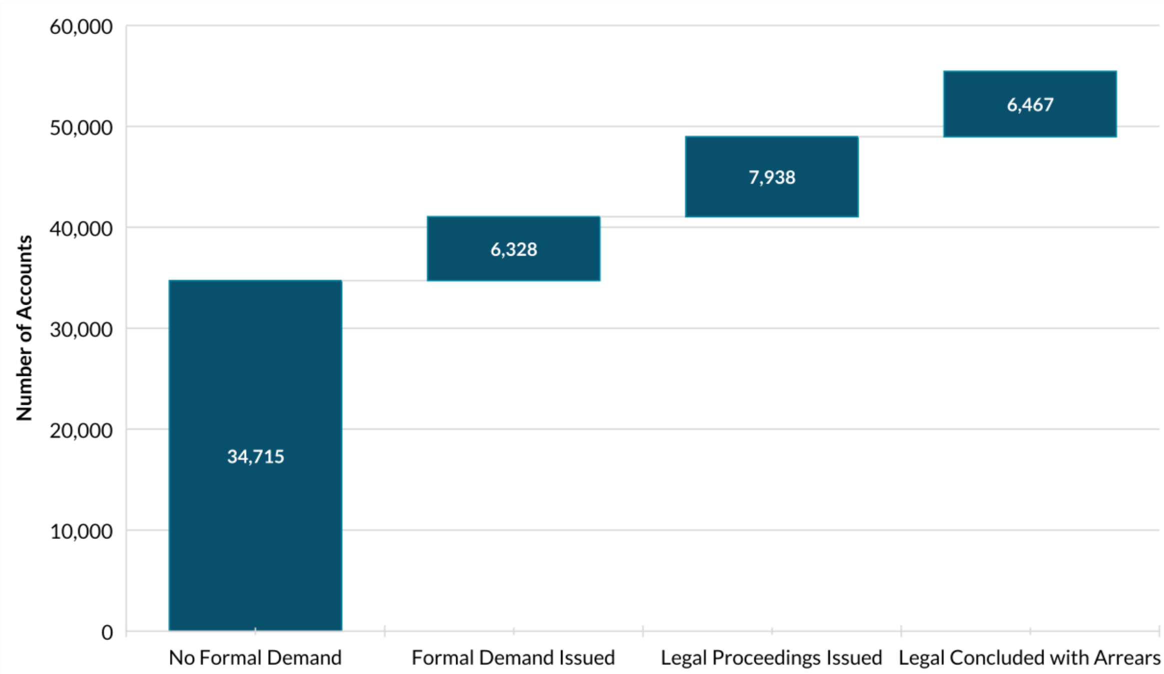
Legal Activity and Repossessions[9]

The majority of mortgage accounts in arrears are not currently subject to legal proceedings. Some 34,715 accounts (63 per cent) in arrears had no formal demand issued at end-September. A further 6,328 accounts (11 per cent) were at the formal demand issued stage, but legal proceedings had not yet commenced. Some 7,938 PDH accounts (14 per cent) are currently part of the legal process, this includes cases at Civil Bill lodgement stage and where the case is still active in the courts system (Chart 5). The reduction of 1,359 accounts since June is in part due to one reporting bank reclassifying 840 cases that have been previously been withdrawn from the courts system. This bank is continuing to review their legal activity data and any further revisions will be included in future updates.

Of the cases currently in the legal system, the majority (5,466 accounts) have been in the legal system for over 2 years, with some 2,304 of those accounts in the courts system for over 5 years. Some 977 accounts have been in the legal system for between 1 and 2 years (Chart 6).

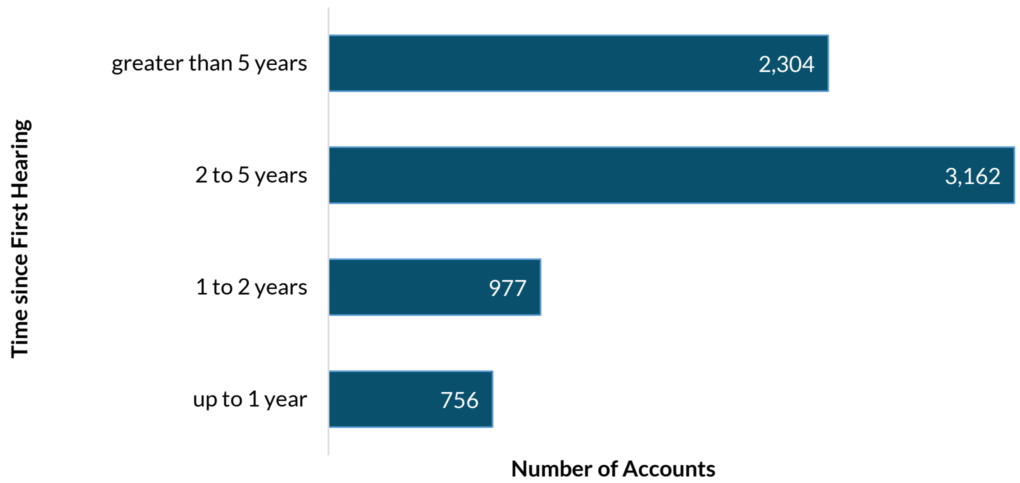
[9] Legal proceedings record steps to repossess a property and include cases where a formal application has been made to a court to begin repossession proceedings, along with subsequent adjournments and judgement proceedings.

Chart 5: Legal status of current PDH mortgage accounts in arrears



Note: Formal demand refers to the issuing of a legal letter for demand[10]. Legal concluded with arrears refers to those who have concluded legal proceedings, and currently have an outstanding arrears balance.

Chart 6: Period accounts have been in the legal system



During Q3 2020, the Courts granted an order for repossession or sale of the property affecting 59 accounts. A total of 35 properties were taken into possession by lenders during the quarter, up from 30 properties in the previous quarter. Non-bank entities accounted for 10 properties. Of the total properties taken into possession during the quarter, the majority of properties, at 30, were voluntarily surrendered or abandoned, with the remaining 5 repossessed on foot of a Court Order. During the

[10] More detail is available in the Residential Mortgage Arrears and Repossessions Statistics Explanatory Notes here.

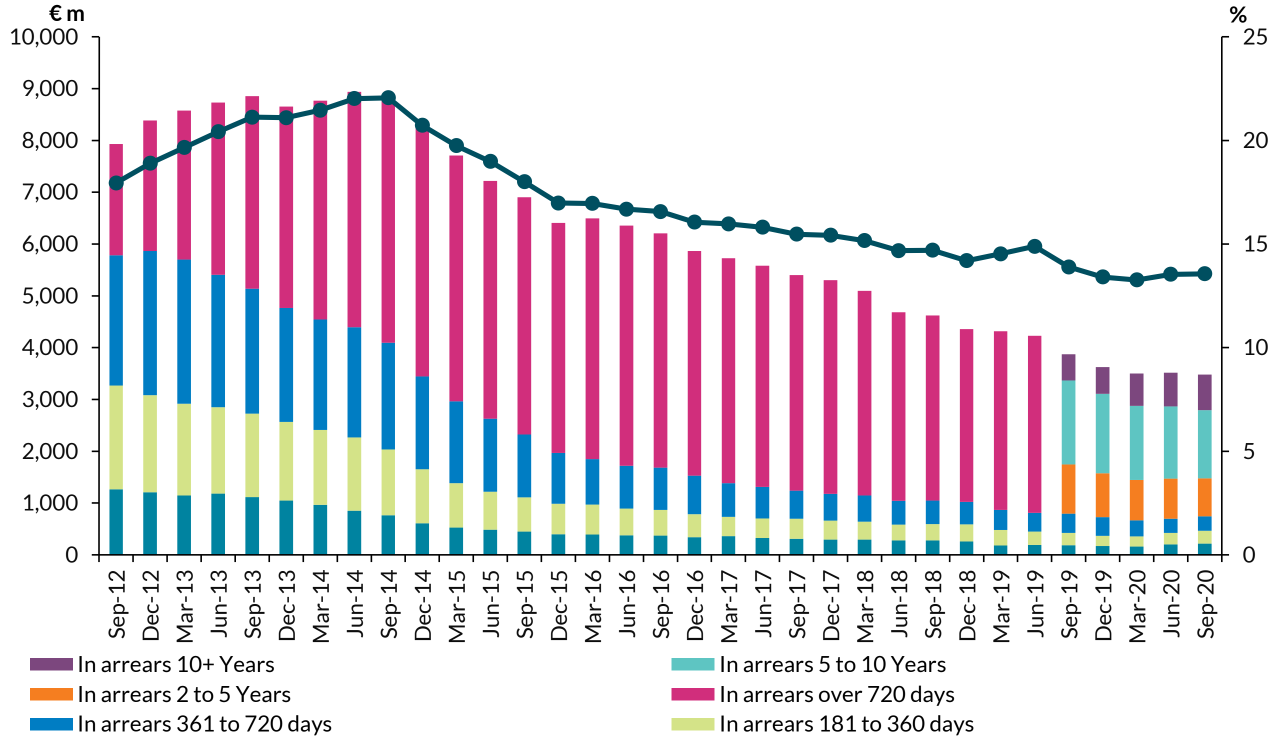
quarter, 71 properties were disposed of by lenders, of which non-banks accounted for 31 properties. As a result, lenders were in possession of 801 PDH properties at end-September 2020.

Residential Mortgages on Buy-to-Let Properties

Arrears

At end-September 2020, there were 98,521 residential mortgage accounts for Irish buy-to-let (BTL) properties, with an outstanding balance of €15.9 billion. Some 15,797 BTL accounts were in arrears at end-September, a decrease of 291 accounts or 2 per cent over the quarter. Of the total BTL stock, 13,363 accounts or 13.6 per cent were in arrears of more than 90 days (Chart 7), reflecting an decrease of 1.4 per cent over the quarter. The outstanding balance on all BTL mortgage accounts in arrears of more than 90 days was €3.5 billion at end-September, equivalent to 22 per cent of the balance outstanding on BTL accounts.

Chart 7: BTL Mortgage Accounts in Arrears over 90 Days



Note: The breakdown of arrears greater than 90 days is not available pre-September 2012. The breakdown of arrears greater than 720 days is not available pre-September 2019.

BTL accounts in arrears of over 730 days numbered 9,888 or 10 per cent of all BTL accounts. The outstanding balance on these accounts was €2.7 billion at end-September, equivalent to 17 per cent of the total outstanding balance on all BTL mortgage accounts.

Of the total number of BTL accounts in arrears, 20 per cent (or 3,161 accounts) were overdue by between 2 and 5 years, while 30 per cent (or 4,759 accounts) were in arrears by between 5 and 10 years and 12 per cent (or 1,968) were in arrears over 10 years.

At end-September 2020, non-bank entities accounted for 27 per cent of the total stock of BTL mortgage accounts outstanding. A total of 38 per cent of these accounts were in arrears over 90 days, and 30 per cent of accounts in arrears of over 720 days. Non-banks hold 79 per cent of BTL accounts with arrears over 720 days and 88 per cent of BTL accounts with accumulated arrears greater than ten years.

Restructuring Arrangements

A total stock of 11,202 BTL mortgage accounts were categorised as restructured at end-September 2020, reflecting a decrease of 320 accounts over the quarter. Of the total stock of restructured accounts recorded at end-September, 81 per cent were not in arrears, while 85 per cent were meeting the terms of their current restructure arrangement[11]. On the BTL side, the largest two cohorts of restructured mortgages were in term extensions and arrears capitalisation arrangements, which combined represented circa 40 per cent of all restructure arrangements. The data on arrears and restructures indicate that of the total number of BTL accounts that were in arrears at end-September, 2,115 (or 13 per cent) were classified as restructured.

Non-bank entities held 3,315 restructured BTL mortgage accounts, which accounted for 30 per cent of all restructured BTL mortgage accounts. Some 71 per cent of non-bank BTL mortgages were meeting the terms of the restructuring arrangement.

Rent Receivers and Repossessions

During the third quarter of 2020, rent receivers were appointed to 152 BTL accounts, bringing the stock of BTL accounts with rent receivers appointed to 5,322 at end-September. There were 421 BTL properties in the lenders' possession at the beginning of Q3 2020. A total of 13 properties were taken into possession by lenders during the quarter. Of the total BTL repossessions in the quarter, 1 was repossessed on foot of a Court Order, while the remaining 12 were voluntarily surrendered or abandoned. During Q3 2020, 43 properties were disposed of. As a result, lenders were in possession of 391 BTL properties at end-September 2020.

[11] Meeting the terms includes restructured accounts not in arrears and accounts in arrears but meeting the terms of the current restructure arrangement.

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.

Annex 2: 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. 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.

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 (MART). 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