



## Residential Mortgage Arrears & Repossessions Statistics: Q4 2018

### Summary<sup>1</sup>

- The number of mortgage accounts for principal dwelling houses (PDHs) in arrears over 90 days continued to decline in Q4 2018, marking the twenty-first consecutive quarter of a fall in the number of accounts in this category.
- The number of accounts in arrears over 720 days also continued to fall, and Q4 2018 marked the fourteenth consecutive decline. Accounts in arrears over 720 days accounted for 44 per cent of all accounts in arrears at end-December, and at €2.3 billion, represented 88 per cent of arrears balances outstanding.
- The number of PDH mortgage accounts that were classified as restructured at end-December was 111,504. Of these restructured accounts, 87 per cent were deemed to be meeting the terms of their current restructure arrangement, the same as last quarter.
- Non-bank entities<sup>2</sup> held 12 per cent of all PDH mortgage accounts outstanding at end-December 2018; 8.1 per cent were held by regulated retail credit firms with the remaining 3.5 per cent held by unregulated loan owners. Unregulated loan owners held 22 per cent of all PDH mortgages in arrears over 720 days (Table 1).

Table 1: Breakdown of PDH Mortgages and Arrears Profile held by Banks and Non-Bank Entities

	Banks	Non-Bank Entities	
		Retail Credit Firms	Unregulated Loan Owners
% of all PDH loans	88%	8%	3.5%
% of all PDH mortgages in arrears	73%	13%	14%
% of all PDH mortgages in arrears over 90 days	70%	13%	17%
% of all PDH mortgages in arrears over 720 days	67%	12%	22%

<sup>1</sup> Full data tables are available in [Annex 3](#).

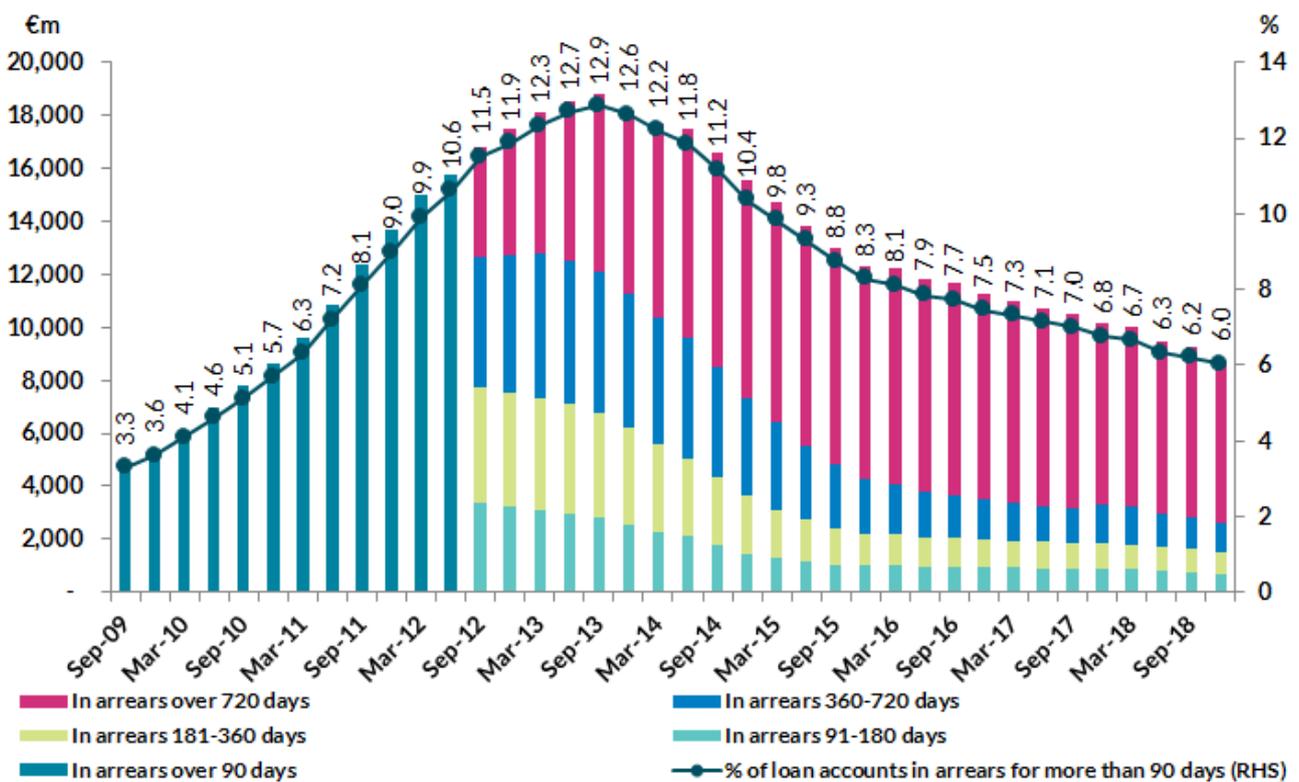
<sup>2</sup> Non-bank entities comprise regulated retail credit firms and unregulated loan owners. Unregulated loan owners include owners of mortgages not regulated by the Central Bank of Ireland, that have purchased mortgage loans secured on Irish residential properties. The Consumer Protection (Regulation 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.

## Residential Mortgages on Principal Dwelling Houses

### Arrears

At end-December 2018, there were 728,168 private residential mortgage accounts for principal dwellings held in the Republic of Ireland, to a value of €98.1 billion. Of this total stock, 63,246 accounts were in arrears, representing a decrease of 1,264 accounts or 2.0 per cent over the quarter. Some 44,009 accounts (6.0 per cent) were in arrears of more than 90 days.<sup>3</sup>

**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.

The number of accounts in arrears over 90 days fell by 2.6 per cent over the quarter, marking the twenty-first consecutive decline in this category. The outstanding balance on all lenders' PDH mortgage accounts in arrears of more than 90 days was €8.7 billion at end-December, equivalent to 8.8 per cent of the total outstanding balance on all PDH mortgage accounts. The number of accounts in arrears over 720 days declined by 447 accounts or 1.6 per cent, in December. This was the fourteenth consecutive decline in this category.

<sup>3</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 and credit service providers. They include mortgages that have been restructured and are still in arrears of more than 90 days, as well as mortgages in arrears of more than 90 days that have not been restructured.

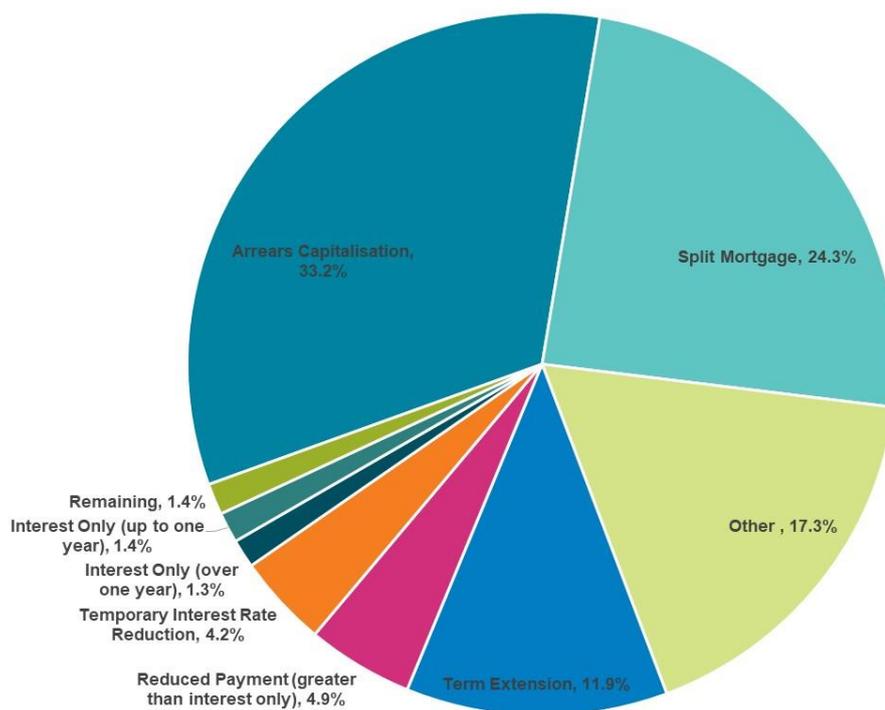
Accounts in arrears over 720 days accounted for 44 per cent of all accounts in arrears at end-December, and at €2.3 billion represent 88 per cent of arrears balances outstanding.

### Restructuring Arrangements<sup>4</sup>

A total stock of 111,504 PDH mortgage accounts were categorised as restructured at end-December 2018. This reflects a reduction of 2,367 accounts compared to end-September 2018. Arrears capitalisation<sup>5</sup> accounted for the largest share of restructured accounts at 33 per cent at end-December, while the share of accounts on short-term arrangements such as interest only and reduced payment remained low at a combined 8 per cent.

There were 4,251 new restructure arrangements<sup>6</sup> agreed during the fourth quarter of 2018, bringing the total number of new restructure arrangements in 2018 to 22,171. The data on arrears and restructures indicate that of the total stock of 63,246 PDH accounts that were in arrears at end-December, 22,248 (35 per cent) were classified as restructured at that time.

**Figure 2: Restructured PDH Mortgage Accounts by Restructure Type, end-December 2018**



<sup>4</sup> See [Annex 2](#) for further information on restructuring arrangements/forbearance techniques and meeting the terms of the arrangement.

<sup>5</sup> Arrears capitalisation is an arrangement whereby some or all of the outstanding arrears are effectively added to the remaining principal balance, to be repaid over the life of the mortgage.

<sup>6</sup> This includes first-time restructures and further modifications of existing restructures.

Some 80 per cent of restructured accounts were not in arrears at end-December 2018. 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. 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.

Inability to meet the terms of the arrangement implies that the restructure agreement put in place may not have been suitable. Table 2 shows the percentage of restructured accounts that were deemed to be meeting the terms of their arrangement at end-December 2018, broken down by arrangement type. Lower numbers indicate a greater number of borrowers are not currently meeting terms of new arrangement.<sup>7</sup> The figures show that of the total stock of accounts in the arrears capitalisation category, some 21 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 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-December 2018**

%	PDH	BTL
<b>Total</b>	<b>86.7</b>	<b>86.9</b>
Interest Only - up to one year	84.2	75.8
Interest Only - over one year	94.5	87.7
Deferred Interest Scheme	100.0	n/a
Reduced Payment (less than interest only)	77.0	89.8
Reduced Payment (greater than interest only)	84.2	84.9
Temporary Interest Rate Reduction	91.5	97.8
Payment Moratorium	97.8	98.5
Arrears Capitalisation	79.3	75.8
Term Extension	93.4	94.7
Permanent Interest Rate Reduction	87.0	50.0
Split Mortgage	93.3	93.0
Other	85.4	89.9

<sup>7</sup> It should also be noted that some categories reflect only a small number of arrangements, particularly in the case of BTL accounts.

## **Legal Activity and Repossessions<sup>8</sup>**

During the fourth quarter of 2018, there were 405 PDH mortgage accounts where legal activity was recorded to either begin repossession proceedings or to continue legal proceedings to enforce the debt/security. During Q4 2018, there were 364 mortgage accounts where legal proceedings concluded but arrears remained outstanding. The Courts granted an order for repossession or sale of the property affecting 236 accounts. A total of 166 properties were taken into possession by lenders during the quarter, up from 161 properties in the previous quarter. Of the properties taken into possession during the quarter, the majority of properties, at 138, were voluntary surrendered or abandoned. The remainder, at 28, were repossessed on foot of a Court Order. During the quarter, 242 properties were disposed of by lenders. As a result, lenders were in possession of 1,500 PDH properties at end-December 2018.

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

### **Arrears**

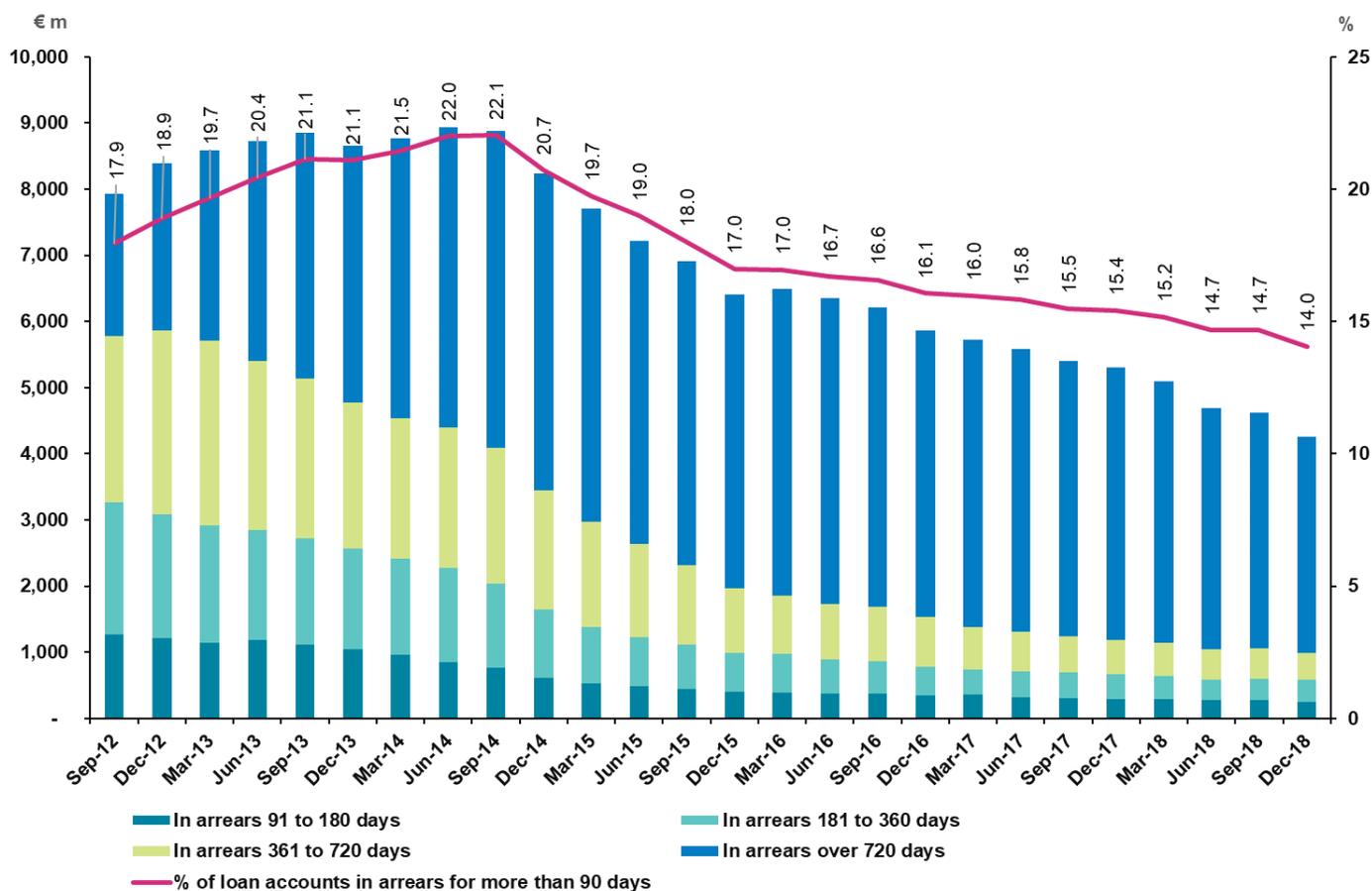
At end-December 2018, there were 111,141 residential mortgage accounts for buy-to-let (BTL) properties held in the Republic of Ireland, to a value of €19.1 billion. Some 18,999 (17 per cent) of these accounts were in arrears, compared to 20,579 accounts at end-September 2018, reflecting a decrease of 7.7 per cent over the quarter. Of the total BTL stock, 15,608 or 14 per cent were in arrears of more than 90 days, reflecting a decrease of 8.4 per cent over the quarter. The outstanding balance on all BTL mortgage accounts in arrears of more than 90 days was €4.3 billion at end-December, equivalent to 22 per cent of the total outstanding balance.

BTL accounts in arrears greater than 720 days decreased by 9.5 per cent in the fourth quarter of 2018. Accounts in arrears of over 720 days numbered 11,240 or 59 per cent of all BTL accounts in arrears. The outstanding balance on these accounts was €3.3 billion at end-December, equivalent to 17 per cent of the total outstanding balance on all BTL mortgage accounts.

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<sup>8</sup> 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.

**Figure 3: BTL Mortgage Accounts in Arrears over 90 Days**



### Restructuring Arrangements

A total stock of 16,892 BTL mortgage accounts were categorised as restructured at end-December 2018, reflecting a decrease of 2,111 accounts over the quarter. Of the total stock of restructured accounts recorded at end-December, 81 per cent were not in arrears, while 87 per cent were meeting the terms of their current restructure arrangement. A total of 714 new restructure arrangements were agreed during the fourth quarter of the year. On the BTL side, the largest cohort of restructured mortgages was in arrears capitalisation arrangements, which represented 22 per cent of all restructure arrangements. The data on arrears and restructures indicate that of the total stock of 18,999 BTL accounts that were in arrears at end-December, 3,150 (or 17 per cent) were classified as restructured.

### Rent Receivers and Repossessions

During the fourth quarter of 2018, rent receivers were appointed to 308 BTL accounts, bringing the stock of accounts with rent receivers appointed to 5,603. There were 1,615 BTL properties in the banks' possession at the beginning of Q4 2018. A total of 85 properties were taken into possession by lenders during the quarter. Of the total BTL repossessions in the quarter, 20 were repossessed on foot of a Court Order, while

the remaining 65 were voluntarily surrendered or abandoned. During Q4 2018, 359 properties were disposed of. As a result, lenders were in possession of 1,311 BTL properties at end-December 2018.

## **Residential Mortgages held by Non-Bank Entities<sup>9</sup>**

### **Arrears**

At end-December 2018, non-bank entities accounted for 12 per cent of the total stock of PDH mortgage accounts outstanding. For BTLs the proportion was higher at 19 per cent. Overall, non-bank entities accounted 13 per cent of the total stock of residential mortgage accounts outstanding (PDH and BTL) at end-December 2018 (16 per cent in value terms).

In terms of PDH mortgages held by non-bank entities, 70 per cent were held by regulated retail credit firms at end-December 2018. For retail credit firms, 10 per cent of accounts were in arrears over 90 days, with 5 per cent in arrears of over 720 days (Table 5). The equivalent figures for unregulated loan owners was 29 per cent and 23 per cent, respectively. Restructuring activity continued to be lower among retail credit firms, with 13 per cent of the stock of mortgage accounts restructured at end-December, compared to 61 per cent for unregulated loan owners.

In terms of BTL mortgages held by non-bank entities, 62 per cent of BTL accounts were held by retail credit firms. For retail credit firms, 22 per cent of accounts were in arrears, with 15 per cent of accounts in arrears of 720 days. The number of BTL accounts in arrears for unregulated loan owners was particularly high, with 77 per cent of accounts in arrears, and 52 per cent of all accounts in arrears over 720 days at end-December 2018.

Non-bank entities held 23,023 restructured PDH mortgage accounts at end-December 2018. Of those accounts held by retail credit firms, 76 per cent were meeting the terms of the arrangement. For unregulated loan owners, this was higher at 90 per cent. Non-bank entities held 1,987 restructured BTL mortgage accounts, which accounted for 12 per cent of all restructured BTL mortgage accounts. For retail credit firms, 81 per cent of BTL mortgages were meeting the terms of the restructuring arrangement, whereas the figure for unregulated loan owners was 70 per cent.

### **Repossessions**

There were 456 PDH and BTL properties in non-bank entities' possession at the end of the fourth quarter, with 111 properties held by retail credit firms, and 345 held by unregulated loan owners. Some 32 PDH

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<sup>9</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.

properties were taken into possession by non-bank entities during the quarter, up slightly on the previous quarter. Of the properties taken into possession during the quarter, 5 were repossessed on foot of a Court Order, while the remaining 27 were voluntarily surrendered or abandoned. During the quarter, 38 PDH properties were disposed of.

## **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. 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.

### Annex 3: Data Tables

Table 3: PDH Mortgage Arrears Repossessions and Restructures	Q3 2018			Q4 2018		
	Number	Balance €000	Arrears €000	Number	Balance €000	Arrears €000
<b>Mortgages</b>						
<b>Total residential mortgage loan accounts outstanding</b>	728,075	98,184,958	-	728,168	98,133,040	-
<b>Arrears</b>						
<b>Total residential mortgage arrears cases outstanding</b>	64,510	11,902,417	2,602,706	63,246	11,313,398	2,629,608
<i>of which:</i>						
in arrears up to 90 days	19,332	2,634,867	32,132	19,237	2,656,889	101,875
in arrears 91 to 180 days	5,086	758,938	27,509	4,716	701,834	25,953
in arrears 181 to 360 days	5,373	871,101	58,756	5,177	830,717	67,371
in arrears 361 to 720 days	6,721	1,159,876	130,269	6,565	1,084,311	125,757
in arrears over 720 days	27,998	6,477,635	2,354,040	27,551	6,039,647	2,308,652
Total arrears cases over 90 days outstanding	45,178	9,267,550	2,570,574	44,009	8,656,509	2,527,733
% of loan accounts in arrears for more than 90 days	6.2%	9.4%		6.0%	8.8%	
<b>Repossessions</b>						
Residential properties in possession - at the beginning of quarter	1,682			1,689		
Residential properties repossessed on foot of an Order during quarter	68			28		
Residential properties voluntarily surrendered/abandoned during the quarter	93			138		
Residential properties disposed of during this quarter	202			242		
Residential properties in possession – at end of quarter <sup>1</sup>	1,641			1,500		
<b>Total residential mortgage accounts restructured</b>						
<b>Restructures</b>	113,871	15,249,455	418,670	111,504	14,723,702	388,475
<b>Restructures not in arrears</b>	90,663	11,426,272		89,256	11,156,516	
<b>Total restructures by type:</b>						
Interest Only - up to one year	1,582	250,206	18,220	1,460	221,453	15,483
Interest Only - over one year	1,654	273,593	3,156	1,568	258,881	2,891
Reduced Payment (greater than interest only)	5,752	1,238,196	156,398	5,413	1,140,352	144,899
Reduced Payment (less than interest only)	518	103,816	8,735	396	82,215	6,151
Term Extension	13,653	1,441,941	50,900	13,296	1,385,821	50,026
Arrears Capitalisation	37,762	5,788,183	95,505	36,985	5,623,034	97,374
Payment Moratorium	1,005	153,905	3,308	1,007	152,318	3,051
Deferred Interest Scheme	14	3,070	543	7	2,249	494
Permanent Interest Rate Reduction	122	20,736	176	123	21,009	182
Split Mortgage	27,339	2,699,973	14,375	27,143	2,661,025	14,906
Trade Down Mortgage	65	9,624	2	64	9,265	1
Temporary Interest Rate Reduction	5,039	959,571	14,251	4,719	883,240	12,425
Other	19,366	2,306,641	53,101	19,323	2,282,840	40,592

\*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.

Table 4: BTL Mortgage Arrears Repossessions and Restructures	Q3 2018			Q4 2018		
	Number	Balance €000	Arrears €000	Number	Balance €000	Arrears €000
<b>Mortgages</b>						
<b>Total residential mortgage loan accounts outstanding</b>	116,129	20,345,647	-	111,141	19,064,085	-
<b>Arrears</b>						
<b>Total residential mortgage arrears cases outstanding</b>	20,579	5,327,898	1,985,912	18,999	4,888,287	1,906,035
<i>of which:</i>						
in arrears up to 90 days	3,547	702,051	27,508	3,391	635,246	29,893
in arrears 91 to 180 days	1,234	280,315	36,307	1,076	253,245	22,877
in arrears 181 to 360 days	1,485	312,013	56,915	1,467	323,292	59,848
in arrears 361 to 720 days	1,889	459,155	116,100	1,825	417,768	112,717
in arrears over 720 days	12,424	3,574,364	1,749,082	11,240	3,258,736	1,680,700
Total arrears cases over 90 days outstanding	17,032	4,625,847	1,958,404	15,608	4,253,041	1,876,142
% of loan accounts in arrears for more than 90 days	14.7%	22.7%		14.0%	22.3%	
<b>Repossessions</b>						
Residential properties in possession - at the beginning of quarter	1,767			1,615		
Residential properties repossessed on foot of an Order during quarter	36			20		
Residential properties voluntarily surrendered/abandoned during the quarter	60			65		
Residential properties disposed of during this quarter	260			359		
Residential properties in possession – at end of quarter <sup>1</sup>	1,603			1,311		
<b>Total residential mortgage accounts restructured</b>						
<b>Restructures</b>	19,003	4,345,696	164,717	16,892	3,679,618	141,761
<b>Restructures not in arrears</b>	15,628	3,513,087	-	13,742	2,930,421	-
Total restructures by type:						
Interest Only - up to one year	656	153,299	16,578	554	131,734	13,015
Interest Only - over one year	1,084	306,309	13,974	791	223,365	13,583
Reduced Payment (greater than interest only)	3,738	1,133,475	50,031	2,419	675,201	45,628
Reduced Payment (less than interest only)	62	14,361	1,209	49	11,872	952
Term Extension	3,541	592,117	26,146	3,420	558,763	16,269
Arrears Capitalisation	4,028	786,430	36,281	3,771	722,630	32,124
Payment Moratorium	145	22,453	961	132	19,872	938
Deferred Interest Scheme	0	0	0	0	0	0
Permanent Interest Rate Reduction	2	130	2	2	123	2
Split Mortgage	1,891	234,971	550	1,854	230,352	596
Temporary Interest Rate Reduction	97	19,326	96	91	18,177	81
Other	3,759	1,082,825	18,889	3,809	1,087,529	18,573

\*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.

Table 5: PDH Mortgage Arrears Repossessions and Restructures of Non-Bank Entities	Non-Bank Entities Q4 2018					
	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>	59,189	9,782,971		25,469	4,135,712	
<b>Arrears</b>						
<b>Total residential mortgage arrears cases outstanding</b>	8,144	1,701,373	390,031	8,735	2,213,505	790,091
<i>% of total</i>	14%	17%		34%	54%	
<i>of which:</i>						
in arrears over 90 days	5,776	1,296,449	315,720	7,429	2,022,725	787,189
<i>% of total</i>	10%	13%		29%	49%	
in arrears over 720 days	3,239	855,108	273,076	5,926	1,725,947	760,989
<i>% of total</i>	5%	9%		23%	42%	
<b>Repossessions</b>						
Residential properties in possession – at end of quarter	99			179		
<b>Total residential mortgage accounts restructured</b>						
<b>Restructures</b>	7,592	1,251,225	27,942	15,431	1,903,927	145,170
<i>% of total</i>	13%	13%		61%	46%	
<b>Meeting the terms of the arrangement</b>	5,744	932,411	5,194	13,910	1,560,088	29,496
<i>% of total restrutures</i>	76%	75%		90%	82%	
<b>In arrears over 90 days, of which restructured</b>	1,023	187,502	21,845	1,502	374,003	144,411
<i>% of total in arrears &gt; 90 days</i>	18%	14%		20%	18%	

Table 6: BTL Mortgage Arrears Repossessions and Restructures of Non-Bank Entities	Non-Bank Entities Q4 2018					
	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>	12,788	2,518,580		7,910	2,196,944	
<b>Arrears</b>						
<b>Total residential mortgage arrears cases outstanding</b>	2,768	718,848	380,692	6,112	1,814,389	864,575
<i>% of total</i>	22%	29%		77%	83%	
<i>of which:</i>						
in arrears over 90 days	2,284	636,259	370,507	5,500	1,685,388	855,424
<i>% of total</i>	18%	25%		70%	77%	
in arrears over 720 days	1,866	551,004	345,295	4,145	1,346,906	798,165
<i>% of total</i>	15%	22%		52%	61%	
<b>Repossessions</b>						
Residential properties in possession – at end of quarter	12			166		
<b>Total residential mortgage accounts restructured</b>						
<b>Restructures</b>	949	167,008	6,825	1,038	282,843	55,056
<i>% of total</i>	7%	7%		13%	13%	
<b>Meeting the terms of the arrangement</b>	769	136,348	1,717	727	190,075	15,631
<i>% of total restrutures</i>	81%	82%		70%	67%	
<b>In arrears over 90 days, of which restructured</b>	100	18,355	5,578	432	134,639	54,283
<i>% of total in arrears &gt; 90 days</i>	4%	3%	2%	8%	8%	6%