



Residential Mortgage Arrears and Repossessions Statistics: Q2 2016

Summary

- The number of mortgage accounts for principal dwelling houses (PDH) in arrears fell further in the second quarter of 2016; this marks the twelfth consecutive quarter of decline. A total of 82,092 (11 per cent) of accounts were in arrears at end-Q2, a decline of 4.5 per cent relative to Q1 2016.
- The number of accounts in arrears over 90 days at end-June was 57,571 (8 per cent of total), reflecting a quarter-on-quarter decline of 3.6 per cent. This represents the eleventh consecutive decline in the number of PDH accounts in arrears over 90 days.
- All maturity categories of arrears, including the over 720 days' category, declined in Q2 2016. This category recorded a fourth consecutive decline, having fallen for the first time in Q3 2015.
- 120,614 PDH mortgage accounts were classified as restructured at end-June. Of these restructured accounts, 88 per cent were deemed to be meeting the terms of their current restructure arrangement; the highest level since the series began. The largest increases in restructures were again recorded in the categories of arrears capitalisation and permanent split mortgages.
- Buy-to-let (BTL) mortgage accounts in arrears over 90 days decreased by 2.5 per cent during the second quarter of 2016. At end-June there were 14,828 BTL accounts in arrears over 720 days, with an outstanding balance of €4.4 billion, equivalent to 18 per cent of the total outstanding balance on all BTL mortgage accounts.
- There was an increase of 1 per cent in the number of BTL accounts where a rent receiver was appointed, following a decline of 5 per cent in the previous quarter.
- Non-bank entities now hold 45,949 mortgage accounts for PDH and BTL combined. Of this number, almost 70 per cent are held by regulated retail credit firms, with the balance held by unregulated loan owners. 38 per cent of PDH accounts held by unregulated loan owners are in arrears of over 720 days, compared to 19 per cent of accounts held by retail credit firms.

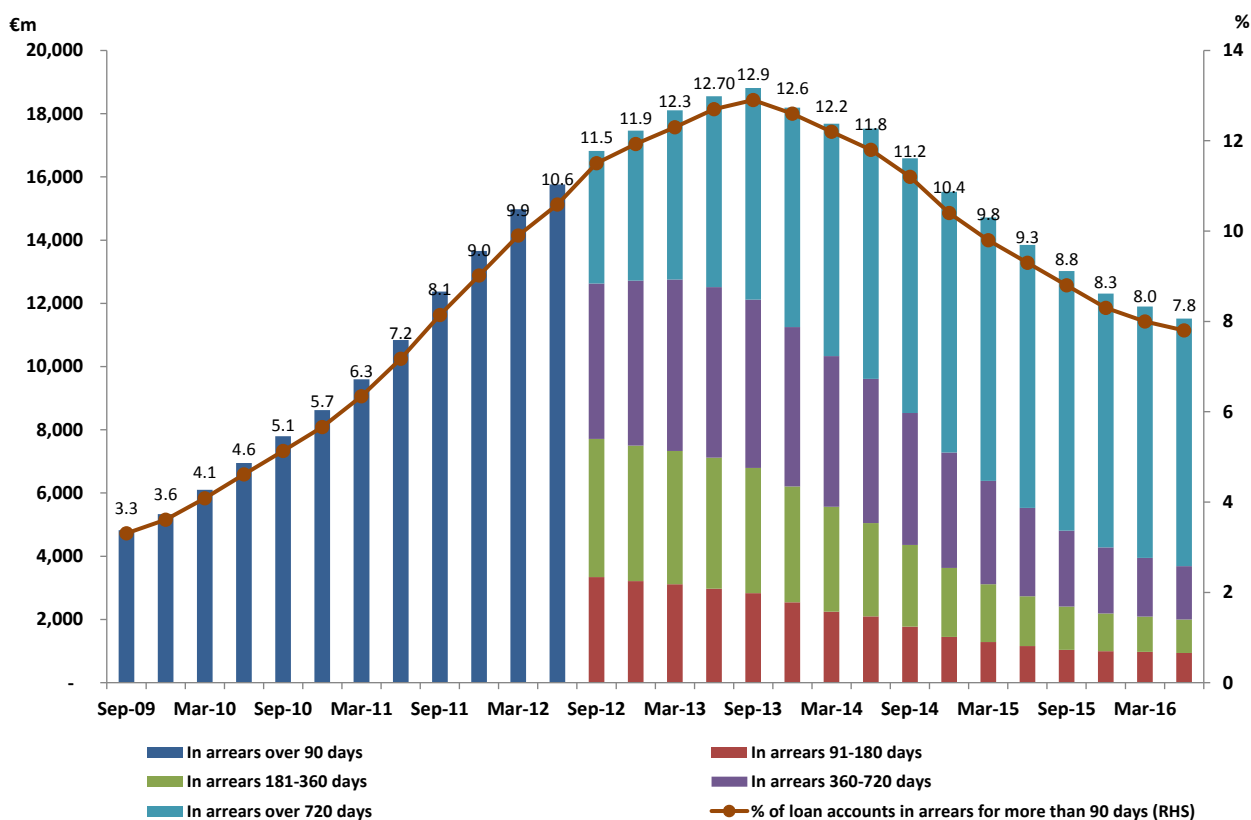
Residential Mortgages on Principal Dwelling Houses

Arrears

At end-June 2016, there were 740,834 private residential mortgage accounts for principal dwellings held in the Republic of Ireland, to a value of €100.3 billion. Of this total stock, 82,092 accounts were in arrears; representing a fall of 3,897 or 4.5 per cent over the quarter. Some 57,571 accounts (8 per cent) were in arrears of more than 90 days.¹

The number of accounts in arrears over 90 days fell by 3.6 per cent over the quarter, marking the eleventh consecutive decline in arrears over 90 days. The outstanding balance on all lenders' PDH mortgage accounts in arrears of more than 90 days was over €11.5 billion at end-June, equivalent to 11 per cent of the total outstanding balance on all PDH mortgage accounts.

Figure 1: PDH Mortgage Accounts in Arrears over 90 Days



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

¹ The figures published here represent the total stock of mortgage accounts in arrears of more than 90 days, as reported to the Central Bank of Ireland by mortgage lenders. 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.

Early arrears declined markedly during the second quarter of the year. There was a quarter-on-quarter fall of 6.7 per cent in the number of accounts in arrears of less than 90 days, which stood at 24,521 at end-June, representing 3 per cent of the total PDH stock. The number of accounts in arrears over 360 days fell to 44,877 at end-June, equivalent to 6 per cent of the total stock of PDH mortgage accounts and representing a fall of 1,613 accounts over the quarter. Accounts in arrears of between 361 days and 720 days saw the largest quarter-on-quarter decline, of 7.5 per cent.

The number of accounts in arrears over 720 days also declined by 812 accounts in Q2, or 2.3 per cent; this was the fourth consecutive decline in this category since the series began and follows a 1.5 per cent fall in the previous quarter. This represents a year-on-year decline of 8.1 per cent for accounts in arrears over 720 days. This contrasts significantly with Q4 2014 when the equivalent figure was an increase of 12.5 per cent. Accounts in arrears over 720 days now constitute 43 per cent of all accounts in arrears, and 87 per cent of arrears balances outstanding. For all institutions the value of accounts in longer-term arrears over 360 days remains large, amounting to €9.5 billion at end-June.

Restructuring Arrangements

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

A total stock of 120,614 PDH mortgage accounts were categorised as restructured at end-June 2016. This reflects an increase of 168 accounts compared to end-March 2016. The share of interest only arrangements and reduced payment arrangements fell further during Q2, to 13 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 30 per cent and 22 per cent, respectively, at end-June. A breakdown of restructured mortgages by type is presented in Figure 2.

A total of 9,663 new restructure arrangements³ were agreed during the second quarter of 2016. The data on arrears and restructures indicate that of the total stock of 82,092 PDH accounts that were in arrears at end-June, 26,704 (33 per cent) were classified as restructured at that time. Of the total stock of 57,571 PDH accounts that were in arrears of more than 90 days, 24 per cent were classified as restructured; largely unchanged from the previous quarter.

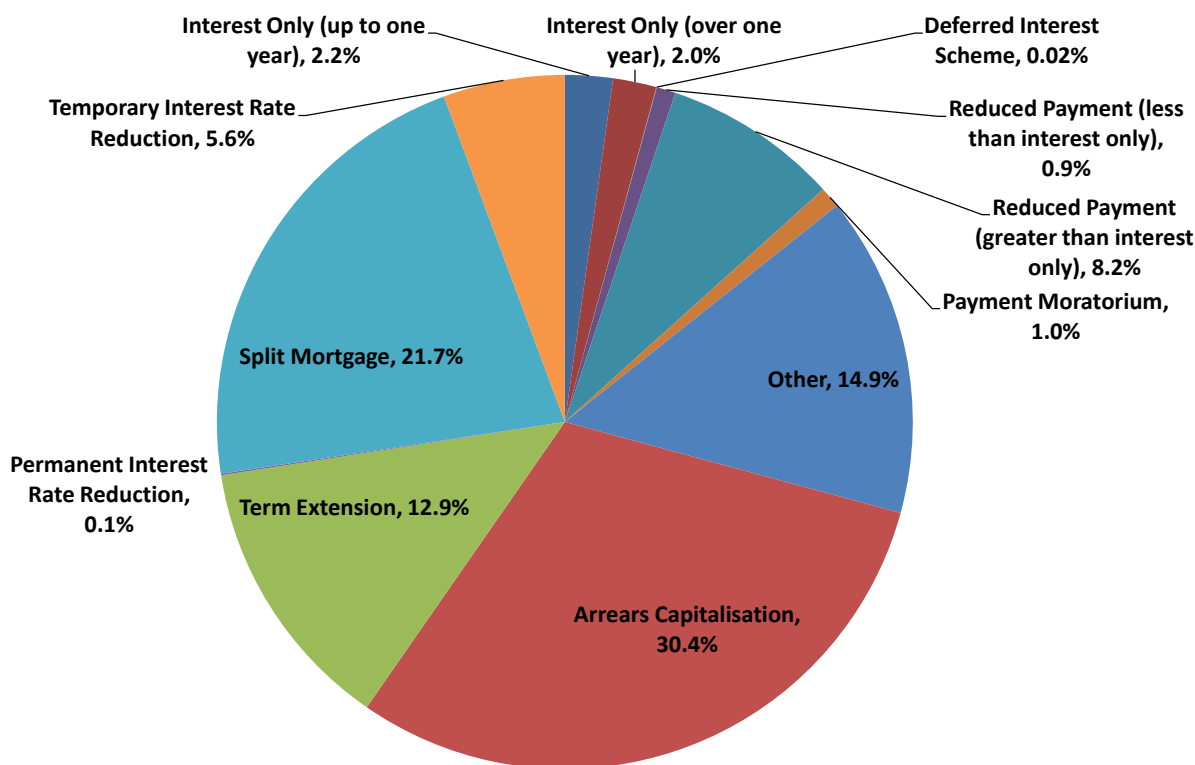
² Arrears capitalisation is an arrangement whereby some or all of the outstanding arrears are added to the remaining principal balance, to be repaid over the life of the mortgage.

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

Some 78 per cent of restructured accounts were not in arrears at end-June 2016. 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-June, 88 per cent of restructured PDH accounts were deemed to be meeting the terms of their arrangement. This means that the borrower is, at a minimum, meeting the agreed monthly repayments according to the current restructure arrangement.

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

Figure 2: Restructured PDH Mortgage Accounts by Restructure Type, end-June 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-June 2016, broken down by arrangement type. Lower

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

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 restructure types that are likely to be shorter-term.⁵ Nonetheless, the figures imply that of the total stock of accounts in the arrears capitalisation category, close to 22 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-June 2016

%	PDH	BTL
Total	87.9	86.3
Interest Only - up to one year	87.4	81.4
Interest Only - over one year	94.7	92.6
Deferred Interest Scheme	64.0	100.0
Reduced Payment (less than interest only)	73.7	85.1
Reduced Payment (greater than interest only)	91.5	94.4
Temporary Interest Rate Reduction	93.8	96.1
Payment Moratorium	94.4	97.8
Arrears Capitalisation	78.1	63.2
Term Extension	93.0	94.1
Permanent Interest Rate Reduction	48.9	25.0
Split Mortgage	95.0	94.1
Other	88.4	89.7

Legal Proceedings and Repossessions

During the second quarter of 2016, legal proceedings were issued to enforce the debt/security on a PDH mortgage in 1,243 cases. During Q2 2016, there were 769 cases where court proceedings concluded but arrears remained outstanding. In 372 cases the Courts granted an order for repossession or sale of the property. There were 1,783 properties in the banks' possession at the beginning of the second quarter. A total of 397 properties were taken into possession by lenders during the quarter, of which 101 were repossessed on foot of a Court Order, while the remaining 296 were voluntarily surrendered or abandoned. During the quarter 494 properties were disposed of. The number of properties in possession at the end of the quarter are also impacted by reclassifications and the return of a small number of properties to the borrower. As a result, lenders were in possession of 1,683 PDH properties at end-June 2016.

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

Table 2: PDH Mortgage Arrears Repossessions and Restructures	Q1 2016			Q2 2016		
	Number	Balance €000	Arrears €000	Number	Balance €000	Arrears €000
Mortgages						
Total residential mortgage loan accounts outstanding	743,700	100,870,001	-	740,834	100,292,569	-
Arrears						
Total residential mortgage arrears cases outstanding	85,989	15,677,655	2,440,668	82,092	15,044,769	2,459,524
<i>of which:</i>						
in arrears up to 90 days	26,293	3,780,767	38,302	24,521	3,526,738	40,161
in arrears 91 to 180 days	6,213	978,144	29,443	6,014	937,525	29,630
in arrears 181 to 360 days	6,993	1,117,019	63,413	6,680	1,065,131	64,027
in arrears 361 to 720 days	10,698	1,852,825	203,386	9,897	1,687,210	186,364
in arrears over 720 days	35,792	7,948,900	2,106,124	34,980	7,828,165	2,139,342
Total arrears cases over 90 days outstanding	59,696	11,896,888	2,402,366	57,571	11,518,031	2,419,363
% of loan accounts in arrears for more than 90 days	8.0%	11.8%		7.8%	11.5%	
Repossessions						
Residential properties in possession - at the beginning of quarter	1,760			1,783		
Residential properties repossessed on foot of an Order during quarter	139			101		
Residential properties voluntarily surrendered/abandoned during the quarter	282			296		
Residential properties disposed of during this quarter	391			494		
Residential properties in possession – at end of quarter ¹	1,784			1,683		
Total residential mortgage accounts restructured						
Restructures	120,446	17,300,796	374,861	120,614	17,149,550	338,134
Restructures not in arrears	92,303	12,515,084		93,910	12,640,936	
Total restructures by type:						
Interest Only - up to one year	2,780	446,951	35,496	2,675	421,238	30,879
Interest Only - over one year	2,512	525,757	6,703	2,435	506,583	5,851
Reduced Payment (greater than interest only)	10,284	2,186,400	88,138	9,846	2,091,888	87,376
Reduced Payment (less than interest only)	1,214	258,675	26,876	1,069	219,643	21,047
Term Extension	16,004	1,721,319	37,102	15,550	1,677,679	33,312
Arrears Capitalisation	35,998	5,685,544	109,481	36,672	5,733,490	96,279
Payment Moratorium	1,167	185,740	9,637	1,180	190,780	10,081
Deferred Interest Scheme	30	4,852	438	25	4,379	424
Permanent Interest Rate Reduction	75	14,008	936	88	14,724	906
Split Mortgage	25,649	2,584,534	4,030	26,209	2,642,240	4,721
Trade Down Mortgage	51	8,086		52	8,147	
Temporary Interest Rate Reduction	7,000	1,475,166	19,431	6,809	1,425,612	18,959
Other	17,682	2,203,764	36,593	18,004	2,213,147	28,299

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

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

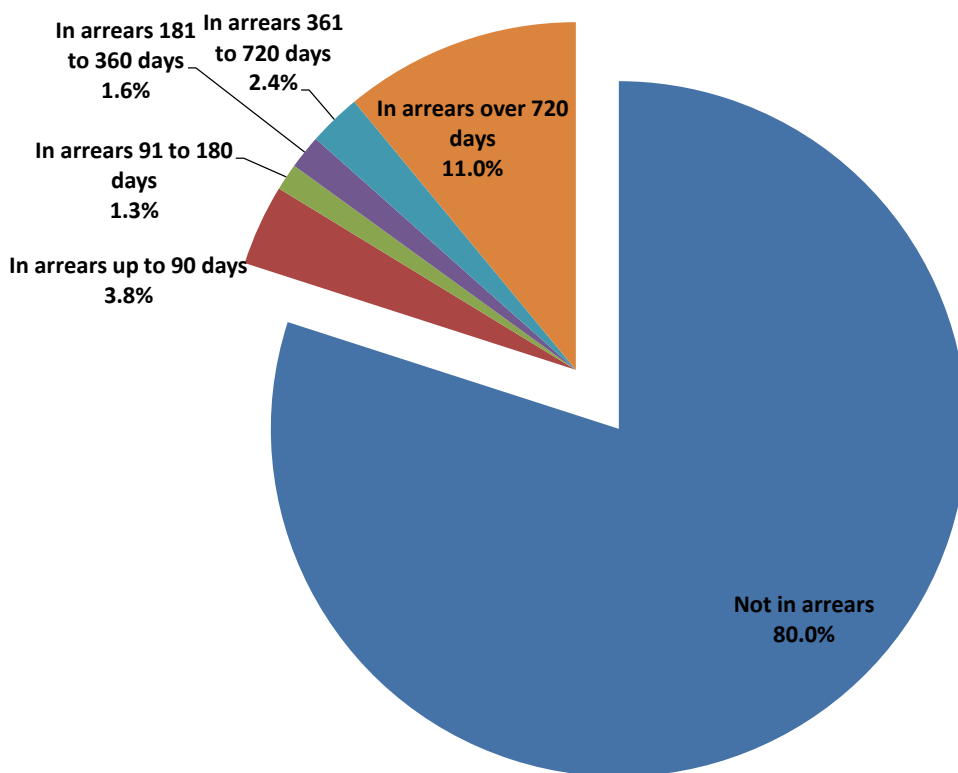
Residential Mortgages on Buy-to-Let Properties

Arrears

At end-June 2016, there were 134,993 residential mortgage accounts for buy-to-let properties held in the Republic of Ireland, to a value of €25.2 billion. Some 27,042 (20 per cent) of these accounts were in arrears, compared to 27,891 accounts at end-March 2016; reflecting a decrease of 3 per cent over the quarter. Of the total BTL stock, 21,962 or 16 per cent were in arrears of more than 90 days, reflecting a decrease of 2.5 per cent over the quarter. The outstanding balance on all BTL mortgage accounts in arrears of more than 90 days was €6.1 billion at end-June, equivalent to 24 per cent of the total outstanding balance.

The number of BTL accounts that were in arrears of more than 180 days was 20,269 at end-June 2016, reflecting a quarter-on-quarter fall of 2.8 per cent. BTL accounts in arrears more than 720 days declined by 0.6 per cent in Q2, marking seven consecutive quarterly declines. Accounts in arrears of over 720 days now number 14,828 or 11 per cent of the total stock of BTL mortgage accounts, and 86 per cent of outstanding arrears. The outstanding balance on these accounts was €4.4 billion at end-June, equivalent to 18 per cent of the total outstanding balance on all BTL mortgage accounts.

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



Restructuring Arrangements

A total stock of 26,930 BTL mortgage accounts were categorised as restructured at end-June 2016, reflecting a decrease of 292 accounts from the stock of restructured accounts reported at end-March 2016. Of the total stock of restructured accounts recorded at end-June, 76 per cent were not in arrears, while 86 per cent were meeting the terms of their restructure arrangement. A total of 2,457 new restructure arrangements were agreed during the second quarter of the year. On the BTL side, the largest cohort of restructured mortgages was in reduced payment (greater than interest only) arrangements. The data on arrears and restructures indicate that of the total stock of 27,042 BTL accounts that were in arrears at end-June, 6,582 (24 per cent) were classified as restructured at that time.

Legal Proceedings and Repossessions

During the second quarter of 2016 rent receivers were appointed to 991 BTL properties, bringing the stock of accounts with rent receivers appointed to 5,741; this is up 1 per cent from end-March. There were 685 BTL properties in the banks' possession at the beginning of Q2 2016. A total of 305 properties were taken into possession by lenders during the quarter, which represented the highest volume of repossessions in a quarter since the series began in 2012. Of the total BTL repossessions in the quarter, 171 were repossessed on foot of a Court Order, while the remaining 134 were voluntarily surrendered or abandoned. During Q2 2016 337 properties were disposed of. The number of properties in possession at the end of the quarter was also impacted by reclassification issues and the cessation of repossession proceedings affecting nine BTL accounts. As a result, lenders were in possession of 644 BTL properties at end-June 2016.

Table 3: BTL Mortgage Arrears Repossessions and Restructures	Q1 2016			Q2 2016		
	Number	Balance €000	Arrears €000	Number	Balance €000	Arrears €000
Mortgages						
Total residential mortgage loan accounts outstanding	136,295	25,623,071	-	134,993	25,217,242	-
Arrears						
Total residential mortgage arrears cases outstanding	27,891	7,350,123	1,732,045	27,042	7,133,506	1,768,702
<i>of which:</i>						
in arrears up to 90 days	5,375	1,153,471	28,607	5,080	1,056,642	32,801
in arrears 91 to 180 days	1,654	363,917	35,917	1,693	372,724	24,983
in arrears 181 to 360 days	2,294	549,091	48,726	2,134	487,591	58,680
in arrears 361 to 720 days	3,644	871,233	140,014	3,307	802,496	125,095
in arrears over 720 days	14,924	4,412,411	1,478,781	14,828	4,414,053	1,527,143
Total arrears cases over 90 days outstanding	22,516	6,196,652	1,703,438	21,962	6,076,864	1,735,901
% of loan accounts in arrears for more than 90 days	16.5%	24.2%		16.3%	24.1%	
Repossessions						
Residential properties in possession - at the beginning of quarter	668			685		
Residential properties repossessed on foot of an Order during quarter	141			171		
Residential properties voluntarily surrendered/abandoned during the quarter	161			134		
Residential properties disposed of during this quarter	284			337		
Residential properties in possession – at end of quarter ¹	685			644		
Total residential mortgage accounts restructured						
Restructures	27,222	6,444,978	220,745	26,930	6,341,560	211,731
Restructures not in arrears	20,381	4,698,906		20,348	4,692,741	-
Total restructures by type:						
Interest Only - up to one year	1,624	366,494	37,032	1,627	385,851	38,259
Interest Only - over one year	2,751	680,723	7,961	2,459	608,725	5,988
Reduced Payment (greater than interest only)	7,085	2,030,508	45,933	6,957	1,967,109	42,049
Reduced Payment (less than interest only)	121	32,671	2,919	121	33,939	3,227
Term Extension	3,647	590,003	18,644	3,634	586,796	16,628
Arrears Capitalisation	5,497	1,193,487	91,802	5,567	1,195,295	90,588
Payment Moratorium	564	106,663	6,240	502	90,334	5,710
Deferred Interest Scheme	1	408	21	1	407	20
Split Mortgage	1,911	255,867	270	1,980	263,704	463
Temporary Interest Rate Reduction	167	39,365	868	153	36,822	700
Other	3,854	1,148,789	9,055	3,925	1,171,370	7,748

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

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

Residential Mortgages held by Non-Bank Entities⁶

Arrears

At end-June 2016 non-bank entities accounted for 5 per cent of the total stock of PDH mortgage accounts outstanding. For Buy-to-Lets the proportion was higher at just under 7 per cent. Overall, non-bank entities accounted for more than 5 per cent of the total stock of residential mortgage accounts outstanding (PDH and BTL) at end-June 2016 (7 per cent in value terms).

In terms of PDH mortgages held by non-bank entities, over 70 per cent are held by regulated retail credit firms as of June 2016. For retail credit firm, 37 per cent of accounts are in arrears over 90 days, with 19 per cent in arrears of 720 days (Table 1). The equivalent figures for unregulated loan owners are 59 per cent and 38 per cent, respectively. Restructuring activity is higher among retail credit firms, with 23 per cent of loans restructured compared to 19 per cent for unregulated loan owners as of end-June.

Relatively similar numbers of BTL accounts are held by retail credit firms and unregulated loan owners. The number of BTL accounts in arrears for unregulated loan owners is particularly high at 71 per cent, with 60 per cent of all accounts in arrears over 720 days. For retail credit firms, 42 per cent of accounts are in arrears, with 26 per cent of accounts in arrears of 720 days.

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

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

Table 4: PDH Mortgage Arrears Repossessions and Restructures of Non-Bank Entities	Non-Bank Entities Q2 2016					
	Retail Credit Firms			Unregulated loan owners		
	Number	Balance €000	Arrears €000	Number	Balance €000	Arrears €000
Mortgages						
Total residential mortgage loan accounts outstanding	26,878	4,556,625		10,185	1,910,296	
Arrears						
Total residential mortgage arrears cases outstanding	10,050	2,075,309	407,939	6,010	1,315,006	312,022
<i>% of total</i>	37%	46%		59%	69%	
<i>of which:</i>						
in arrears over 90 days	8,413	1,832,450	406,238	5,183	1,203,732	310,505
<i>% of total</i>	31%	40%		51%	63%	
in arrears over 720 days	5,141	1,294,980	359,225	3,899	1,010,015	295,435
<i>% of total</i>	19%	28%		38%	53%	
Total residential mortgage accounts restructured						
Restructures	6,071	1,023,776	26,358	1,899	309,278	24,713
<i>% of total</i>	23%	22%		19%	16%	
Meeting the terms of the arrangement	4,428	734,086	8,273	1,480	242,515	17,078
<i>% of total resturctures</i>	73%	72%		78%	78%	
In arrears over 90 days, of which restructured	1,214	213,098	25,370	773	156,959	24,454
<i>% of total in arrears > 90 days</i>	14%	12%		15%	13%	

Note: See footnote 6.

Table 5: BTL Mortgage Arrears Repossessions and Restructures of Non-Bank Entities	Non-Bank Entities Q2 2016					
	Retail Credit Firms			Unregulated loan owners		
	Number	Balance €000	Arrears €000	Number	Balance €000	Arrears €000
Mortgages						
Total residential mortgage loan accounts outstanding	4,636	816,998		4,250	1,302,608	
Arrears						
Total residential mortgage arrears cases outstanding	1,962	506,531	260,200	3,010	985,626	231,692
<i>% of total</i>	42%	62%		71%	76%	
<i>of which:</i>						
in arrears over 90 days	1,759	477,215	259,062	2,889	957,571	231,200
<i>% of total</i>	38%	58%		68%	74%	
in arrears over 720 days	1,196	368,038	225,626	2,553	849,977	222,649
<i>% of total</i>	26%	45%		60%	65%	

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.