

### ***Residential Mortgage Arrears and Repossessions Statistics: Q3 2016***

#### ***Summary***

- The number of mortgage accounts for principal dwelling houses (PDH) in arrears fell further in the third quarter of 2016; this marks the thirteenth consecutive quarter of decline. A total of 79,562 (11 per cent) of accounts were in arrears at end-Q3, a decline of 3.1 per cent relative to Q2 2016.
- The number of accounts in arrears over 90 days at end-September was 56,350 (8 per cent of total), reflecting a quarter-on-quarter decline of 2.1 per cent. This represents the twelfth 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 Q3 2016. This category recorded a fifth consecutive decline, having declined for the first time in Q3 2015.
- The number of PDH mortgage accounts that were classified as restructured at end-September was 121,140. Of these restructured accounts, 88 per cent were deemed to be meeting the terms of their current restructure arrangement, down slightly from previous quarter. 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 2.4 per cent during the third quarter of 2016. At end-September there were 14,518 BTL accounts in arrears over 720 days, with an outstanding balance of €4.3 billion, equivalent to 18 per cent of the total outstanding balance on all BTL mortgage accounts.
- There was an increase of 5.4 per cent in the number of BTL accounts where a rent receiver was appointed; this follows on from an increase of 1 per cent in the previous quarter.
- Non-bank entities now hold 45,678 mortgage accounts for PDH and BTL combined. Of this number, almost 70 per cent are held by regulated retail credit firms, with the remainder held by unregulated loan owners. Some 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.

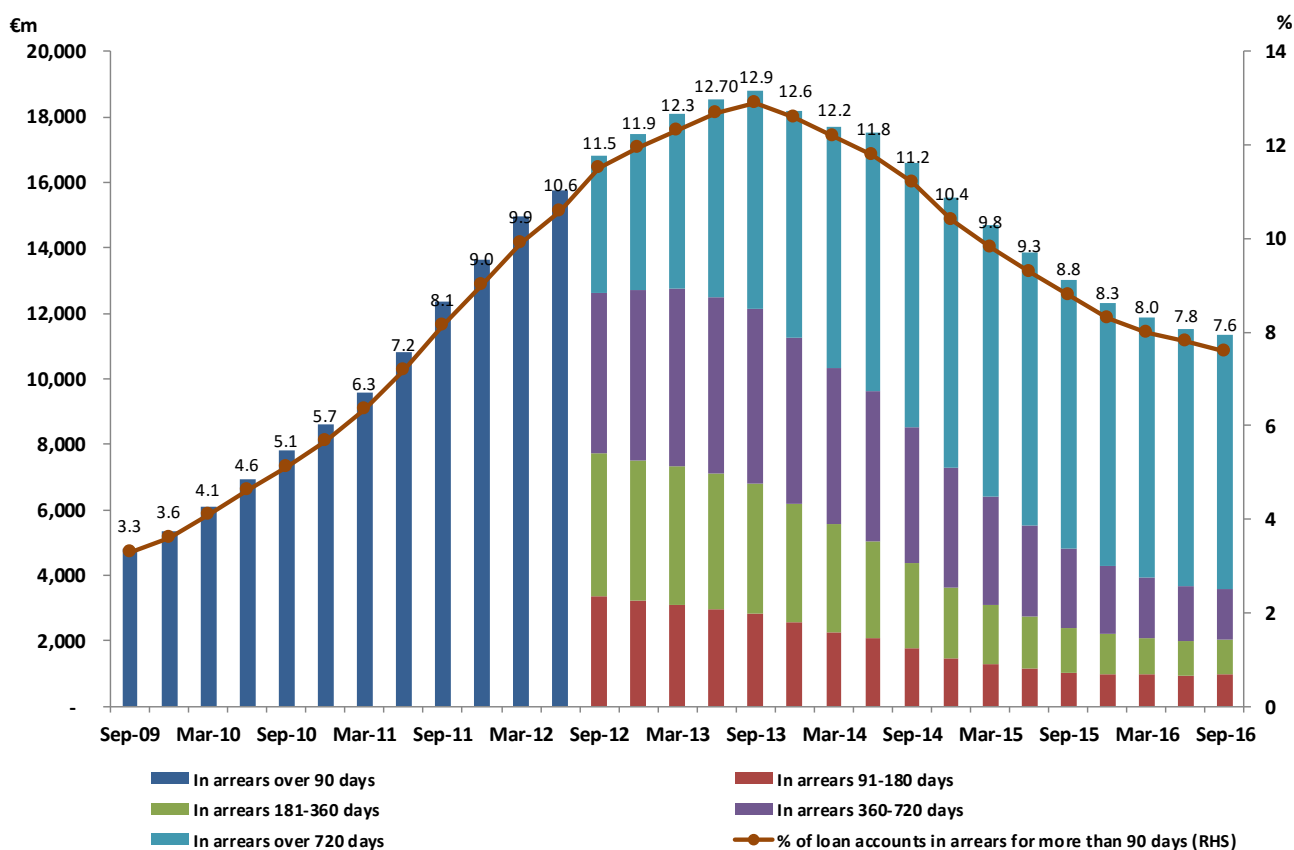
## Residential Mortgages on Principal Dwelling Houses

### Arrears

At end-September 2016, there were 738,506 private residential mortgage accounts for principal dwellings held in the Republic of Ireland, to a value of €99.9 billion. Of this total stock, 79,562 accounts were in arrears, representing a fall of 2,529 or 3.1 per cent over the quarter. Some 56,350 accounts (8 per cent) were in arrears of more than 90 days.<sup>1</sup>

The number of accounts in arrears over 90 days fell by 2.1 per cent over the quarter, marking the twelfth 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 €11.3 billion at end-September, 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.

Early arrears declined markedly during the third quarter of the year. There was a quarter-on-quarter fall of 5.3 per cent in the number of accounts in arrears of less than 90 days, which stood at 23,212 at end-September, representing 3 per cent of the total PDH stock. The number of accounts in arrears over 360 days fell to 43,643 at end-September, equivalent to 6 per cent of the total stock of PDH mortgage accounts and representing a fall of 1,233 accounts over the quarter. Accounts in arrears of between 361 days and 720 days saw a decline of 8.1 per cent.

The number of accounts in arrears over 720 days also declined by 429 accounts in Q3, or 1.2 per cent; this was the fifth consecutive decline in this category and follows a 2.3 per cent fall in the previous quarter. This represents a year-on-year decline of 7.4 per cent for accounts in arrears over 720 days. This contrasts significantly with Q3 2014 when the equivalent figure was an increase of 17.7 per cent. 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 €9.3 billion at end-September 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 121,140 PDH mortgage accounts were categorised as restructured at end-September 2016, the highest number since this series began in 2010. This reflects an increase of 528 accounts compared to end-June 2016. The share of interest only arrangements and reduced payment arrangements fell further during Q3, to 12 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 31 per cent and 22 per cent, respectively, at end-September. A breakdown of restructured mortgages by type is presented in Figure 2.

A total of 8,474 new restructure arrangements<sup>3</sup> were agreed during the third quarter of 2016. The data on arrears and restructures indicate that of the total stock of 79,562 PDH accounts that were in arrears at end-September, 26,531 (33 per cent) were classified as restructured at that time. Of the total stock of 56,350 PDH accounts that were in arrears of more than 90 days, 26 per cent were classified as restructured, largely unchanged from the previous quarter.

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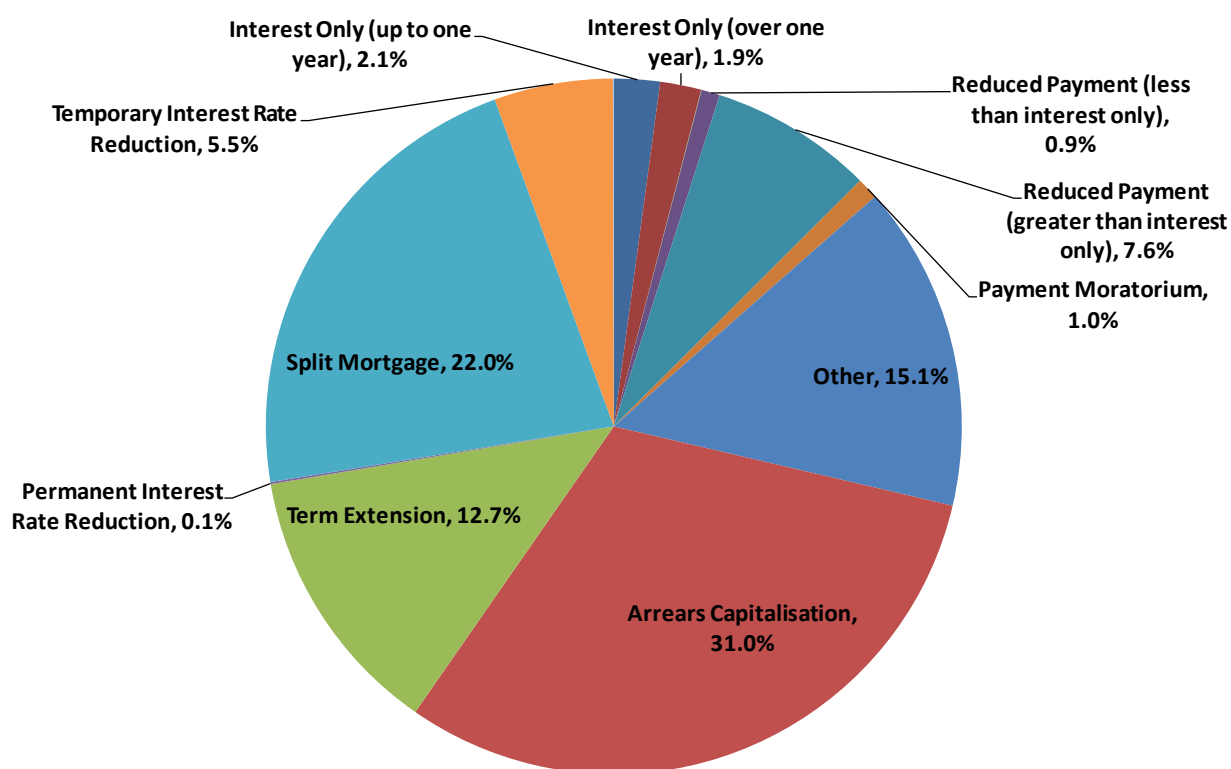
<sup>2</sup> Arrears capitalisation is an arrangement whereby some or all of the outstanding arrears are added to the remaining principal balance, to be repaid over the life of the mortgage.

<sup>3</sup> This includes first-time restructures and further modifications of existing restructures.

Some 78 per cent of restructured accounts were not in arrears at end-September 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-September, 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 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-September 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-September 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

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

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.<sup>5</sup> 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-September 2016**

%	PDH	BTL
<b>Total</b>	<b>87.5</b>	<b>86.2</b>
Interest Only - up to one year	86.3	79.6
Interest Only - over one year	94.7	93.1
Deferred Interest Scheme	70.4	100.0
Reduced Payment (less than interest only)	74.8	82.2
Reduced Payment (greater than interest only)	90.7	94.0
Temporary Interest Rate Reduction	92.2	94.4
Payment Moratorium	92.9	96.9
Arrears Capitalisation	78.2	65.0
Term Extension	92.9	93.9
Permanent Interest Rate Reduction	60.0	16.7
Split Mortgage	94.9	94.9
Other	88.1	88.5

### Legal Proceedings and Repossessions

During the third quarter of 2016, legal proceedings were issued to enforce the debt/security on a PDH mortgage in 1,210 cases. During Q3 2016, there were 481 cases where court proceedings concluded but arrears remained outstanding. In 300 cases the Courts granted an order for repossession or sale of the property. There were 1,678 properties in the banks' possession at the beginning of the third quarter. A total of 421 properties were taken into possession by lenders during the quarter, of which 141 were repossessed on foot of a Court Order, while the remaining 280 were voluntarily surrendered or abandoned. During the quarter 400 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 1,698 PDH properties at end-September 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	Q2 2016			Q3 2016		
	Number	Balance €000	Arrears €000	Number	Balance €000	Arrears €000
<b>Mortgages</b>						
<b>Total residential mortgage loan accounts outstanding</b>	740,833	100,292,011	-	738,506	99,856,266	-
<b>Arrears</b>						
<b>Total residential mortgage arrears cases outstanding</b>	82,091	15,044,211	2,459,400	79,562	14,669,200	2,497,993
<i>of which:</i>						
in arrears up to 90 days	24,521	3,526,738	40,161	23,212	3,331,812	33,381
in arrears 91 to 180 days	6,014	937,525	29,630	6,202	974,317	36,689
in arrears 181 to 360 days	6,680	1,065,131	64,027	6,505	1,054,210	63,250
in arrears 361 to 720 days	9,896	1,686,652	186,240	9,092	1,542,363	166,839
in arrears over 720 days	34,980	7,828,165	2,139,342	34,551	7,766,498	2,197,834
Total arrears cases over 90 days outstanding	57,570	11,517,473	2,419,239	56,350	11,337,388	2,464,612
% of loan accounts in arrears for more than 90 days	7.8%	11.5%		7.6%	11.4%	
<b>Repossessions</b>						
Residential properties in possession - at the beginning of quarter	1,784			1,678		
Residential properties repossessed on foot of an Order during quarter	100			141		
Residential properties voluntarily surrendered/abandoned during the quarter	296			280		
Residential properties disposed of during this quarter	494			400		
Residential properties in possession – at end of quarter <sup>1</sup>	1,678			1,698		
<b>Total residential mortgage accounts restructured</b>						
<b>Restructures</b>	120,612	17,149,532	338,134	121,140	17,091,457	336,468
<b>Restructures not in arrears</b>	93,908	12,640,918		94,609	12,631,946	
<b>Total restructures by type:</b>						
Interest Only - up to one year	2,674	421,238	30,879	2,584	410,166	28,151
Interest Only - over one year	2,435	506,583	5,851	2,311	482,403	5,290
Reduced Payment (greater than interest only)	9,846	2,091,888	87,376	9,195	1,934,361	84,083
Reduced Payment (less than interest only)	1,069	219,643	21,047	1,038	208,504	19,809
Term Extension	15,549	1,677,661	33,312	15,360	1,656,468	37,423
Arrears Capitalisation	36,672	5,733,490	96,279	37,555	5,861,607	98,227
Payment Moratorium	1,180	190,780	10,081	1,218	204,185	9,701
Deferred Interest Scheme	25	4,379	424	27	4,479	480
Permanent Interest Rate Reduction	88	14,724	906	115	20,393	674
Split Mortgage	26,209	2,642,240	4,721	26,652	2,688,836	5,486
Trade Down Mortgage	52	8,147		53	8,119	0
Temporary Interest Rate Reduction	6,809	1,425,612	18,959	6,682	1,381,330	18,030
Other	18,004	2,213,147	28,299	18,350	2,230,606	29,114

\*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.

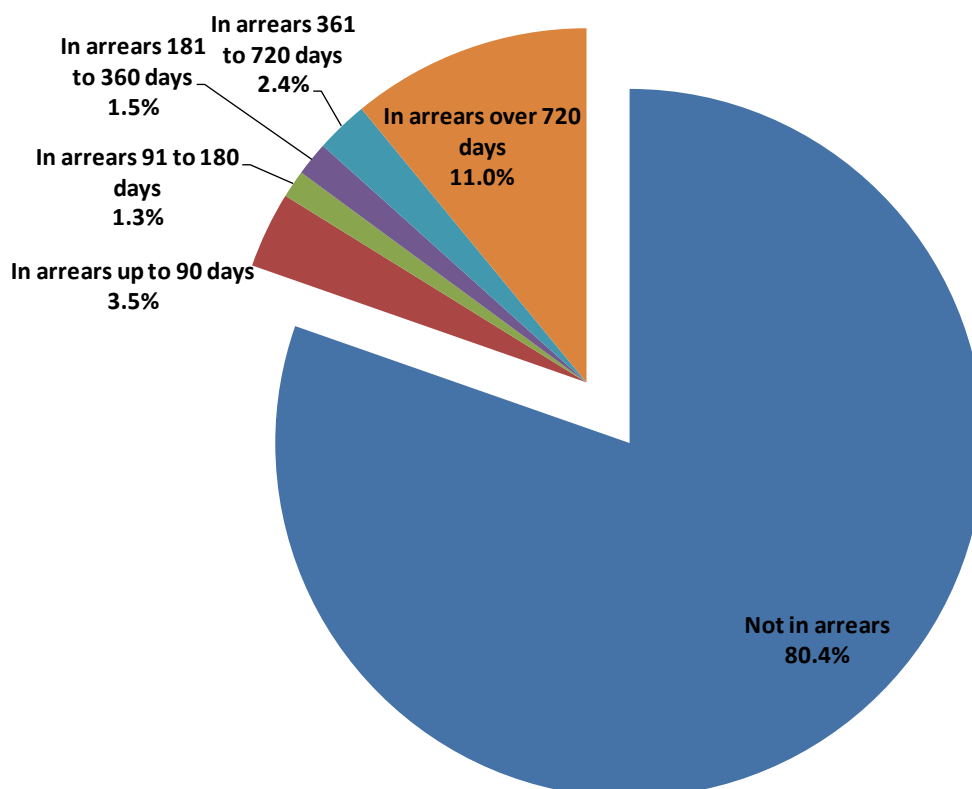
## **Residential Mortgages on Buy-to-Let Properties**

### **Arrears**

At end-September 2016, there were 132,571 residential mortgage accounts for buy-to-let properties held in the Republic of Ireland, to a value of €24.6 billion. Some 26,041 (20 per cent) of these accounts were in arrears, compared to 27,043 accounts at end-June 2016, reflecting a decrease of 3.7 per cent over the quarter. Of the total BTL stock, 21,435 or 16 per cent were in arrears of more than 90 days, reflecting a decrease of 2.4 per cent over the quarter. The outstanding balance on all BTL mortgage accounts in arrears of more than 90 days was €5.9 billion at end-September, 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 19,756 at end-September 2016, reflecting a quarter-on-quarter fall of 2.5 per cent. BTL accounts in arrears more than 720 days declined by 2.1 per cent in Q3, marking eight consecutive quarterly declines. Accounts in arrears of over 720 days now number 14,518 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 €4.3 billion at end-September, equivalent to 18 per cent of the total outstanding balance on all BTL mortgage accounts.

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



### **Restructuring Arrangements**

A total stock of 26,151 BTL mortgage accounts were categorised as restructured at end-September 2016, reflecting a decrease of 779 accounts from the stock of restructured accounts reported at end-June 2016. Of the total stock of restructured accounts recorded at end-September, 77 per cent were not in arrears, while 86 per cent were meeting the terms of their current restructure arrangement. A total of 1,870 new restructure arrangements were agreed during the third quarter of the year; this is the lowest volume of new restructures arrangements agreed in a quarter since 2012. 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 26,041 BTL accounts that were in arrears at end-September, 6,132 (or 24 per cent) were classified as restructured at that time.

### **Legal Proceedings and Repossessions**

During the third quarter of 2016 rent receivers were appointed to 606 BTL properties, bringing the stock of accounts with rent receivers appointed to 6,051; this is an increase of 5 per cent from end-June. There were 640 BTL properties in the banks' possession at the beginning of Q3 2016. A total of 288 properties were taken into possession by lenders during the quarter. Of the total BTL repossessions in the quarter, 148 were repossessed on foot of a Court Order, while the remaining 140 were voluntarily surrendered or abandoned. During Q3 2016 298 properties were disposed of. As a result, lenders were in possession of 631 BTL properties at end-September 2016.



Table 3: BTL Mortgage Arrears Repossessions and Restructures	Q2 2016			Q3 2016		
	Number	Balance €000	Arrears €000	Number	Balance €000	Arrears €000
<b>Mortgages</b>						
<b>Total residential mortgage loan accounts outstanding</b>	134,994	25,217,799	-	132,571	24,613,473	-
<b>Arrears</b>						
<b>Total residential mortgage arrears cases outstanding</b>	27,043	7,134,064	1,768,827	26,041	6,874,594	1,800,209
<i>of which:</i>						
in arrears up to 90 days	5,080	1,056,642	32,801	4,606	928,485	27,821
in arrears 91 to 180 days	1,693	372,724	24,983	1,679	367,063	28,189
in arrears 181 to 360 days	2,134	487,591	58,680	2,052	470,967	58,888
in arrears 361 to 720 days	3,308	803,054	125,220	3,186	792,424	122,241
in arrears over 720 days	14,828	4,414,053	1,527,143	14,518	4,315,655	1,563,070
Total arrears cases over 90 days outstanding	21,963	6,077,422	1,736,026	21,435	5,946,109	1,772,388
% of loan accounts in arrears for more than 90 days	16.3%	24.1%		16.2%	24.2%	
<b>Repossessions</b>						
Residential properties in possession - at the beginning of quarter	685			640		
Residential properties repossessed on foot of an Order during quarter	172			148		
Residential properties voluntarily surrendered/abandoned during the quarter	134			140		
Residential properties disposed of during this quarter	338			298		
Residential properties in possession – at end of quarter <sup>1</sup>	640			631		
<b>Total residential mortgage accounts restructured</b>						
<b>Restructures</b>	26,930	6,341,560	211,731	26,151	6,135,191	211,553
<b>Restructures not in arrears</b>	20,348	4,692,741	-	20,019	4,605,767	-
Total restructures by type:						
Interest Only - up to one year	1,627	385,851	38,259	1,513	350,512	39,120
Interest Only - over one year	2,459	608,725	5,988	2,207	552,221	6,424
Reduced Payment (greater than interest only)	6,957	1,967,109	42,049	6,596	1,871,510	36,783
Reduced Payment (less than interest only)	121	33,939	3,227	107	29,682	2,861
Term Extension	3,634	586,796	16,628	3,675	596,787	16,092
Arrears Capitalisation	5,567	1,195,295	90,588	5,514	1,175,806	89,054
Payment Moratorium	502	90,334	5,710	449	87,348	4,816
Deferred Interest Scheme	1	407	20	1	407	20
Permanent Interest Rate Reduction	4	1,208	351	6	1,489	594
Split Mortgage	1,980	263,704	463	2,010	267,715	549
Temporary Interest Rate Reduction	153	36,822	700	142	34,438	759
Other	3,925	1,171,370	7,748	3,931	1,167,276	14,481

\*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-September 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-September 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 at end-September 2016. For retail credit firm, 29 per cent of accounts are in arrears over 90 days, with 19 per cent in arrears of 720 days (Table 4). The equivalent figures for unregulated loan owners are 50 per cent and 38 per cent, respectively. Restructuring activity is higher among retail credit firms, with 24 per cent of loans restructured at end-September, compared to 21 per cent for unregulated loan owners.

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 70 per cent, with 59 per cent of all accounts in arrears over 720 days. For retail credit firms, 43 per cent of accounts are 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 Q3 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>	27,042	4,589,566		10,007	1,908,477	
<b>Arrears</b>						
<b>Total residential mortgage arrears cases outstanding</b>	9,693	2,003,384	407,316	5,719	1,309,038	338,074
<i>% of total</i>	36%	44%		57%	69%	
<i>of which:</i>						
in arrears over 90 days	7,930	1,740,648	405,281	4,976	1,204,489	337,377
<i>% of total</i>	29%	38%		50%	63%	
in arrears over 720 days	5,035	1,269,798	364,377	3,765	1,003,993	320,422
<i>% of total</i>	19%	28%		38%	53%	
<b>Total residential mortgage accounts restructured</b>						
<b>Restructures</b>	6,357	1,067,176	26,241	2,105	340,287	27,630
<i>% of total</i>	24%	23%		21%	18%	
<b>Meeting the terms of the arrangement</b>	4,728	780,904	9,817	1,631	260,547	18,830
<i>% of total resturctures</i>	74%	73%		77%	77%	
<b>In arrears over 90 days, of which restructured</b>	1,209	211,830	25,195	885	183,673	27,409
<i>% of total in arrears &gt; 90 days</i>	15%	12%		18%	15%	

Note: See footnote 6.

Table 5: BTL Mortgage Arrears Repossessions and Restructures of Non-Bank Entities	Non-Bank Entities Q3 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>	4,477	781,706		4,152	1,297,697	
<b>Arrears</b>						
<b>Total residential mortgage arrears cases outstanding</b>	1,907	489,064	250,803	2,901	983,933	267,716
<i>% of total</i>	43%	63%		70%	76%	
<i>of which:</i>						
in arrears over 90 days	1,666	453,236	249,988	2,763	952,099	267,170
<i>% of total</i>	37%	58%		67%	73%	
in arrears over 720 days	1,122	350,663	218,455	2,460	854,231	259,707
<i>% of total</i>	25%	45%		59%	66%	

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.