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The Irish Mortgage Market: Recent Trends

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Disclaimer: Views of the authors, not the official views of the Central Bank of Ireland.



Presentation Overview

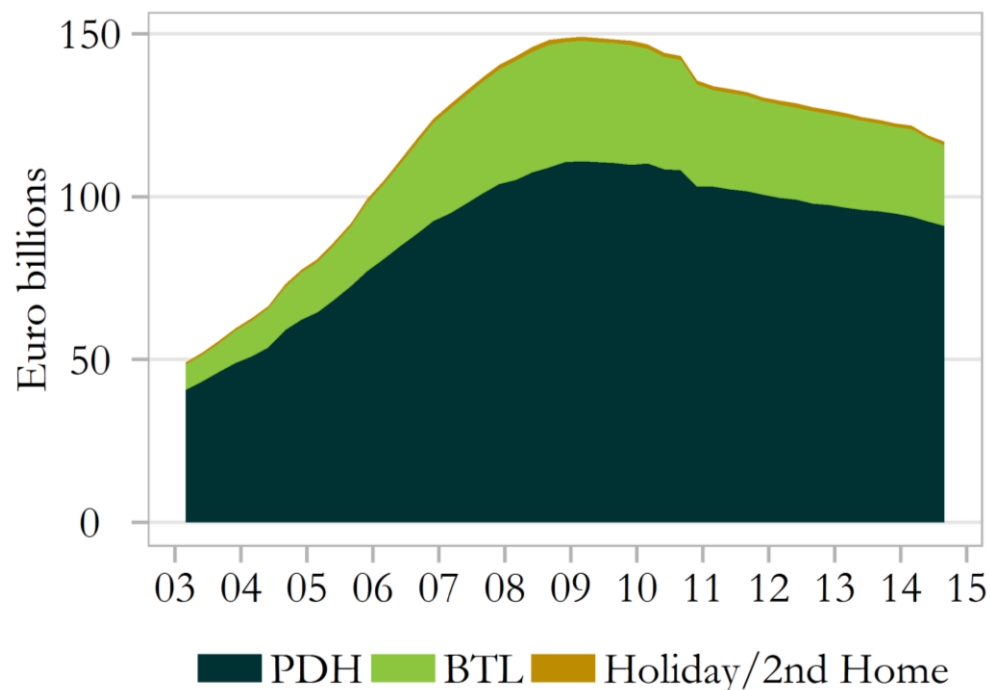
1. Overview of Mortgage Stocks
2. Mortgage Interest Rates
3. Trends in New Lending
4. Current Loan Performance and Modifications
5. Market Structure
6. Concluding Remarks



1.1 Overview of Mortgage Stocks

- Overall mortgage credit stocks continue to decline.
- Stocks peaked at approximately € 149 bn in Q1 2009 falling to approximately € 117 bn by Q3 2014.
- Research highlights impact of deleveraging on consumption (McCarthy and McQuinn, 2014).

Stocks of Credit Advanced to Irish Resident Households for House Purchase, Q1 2003- Q3 2014



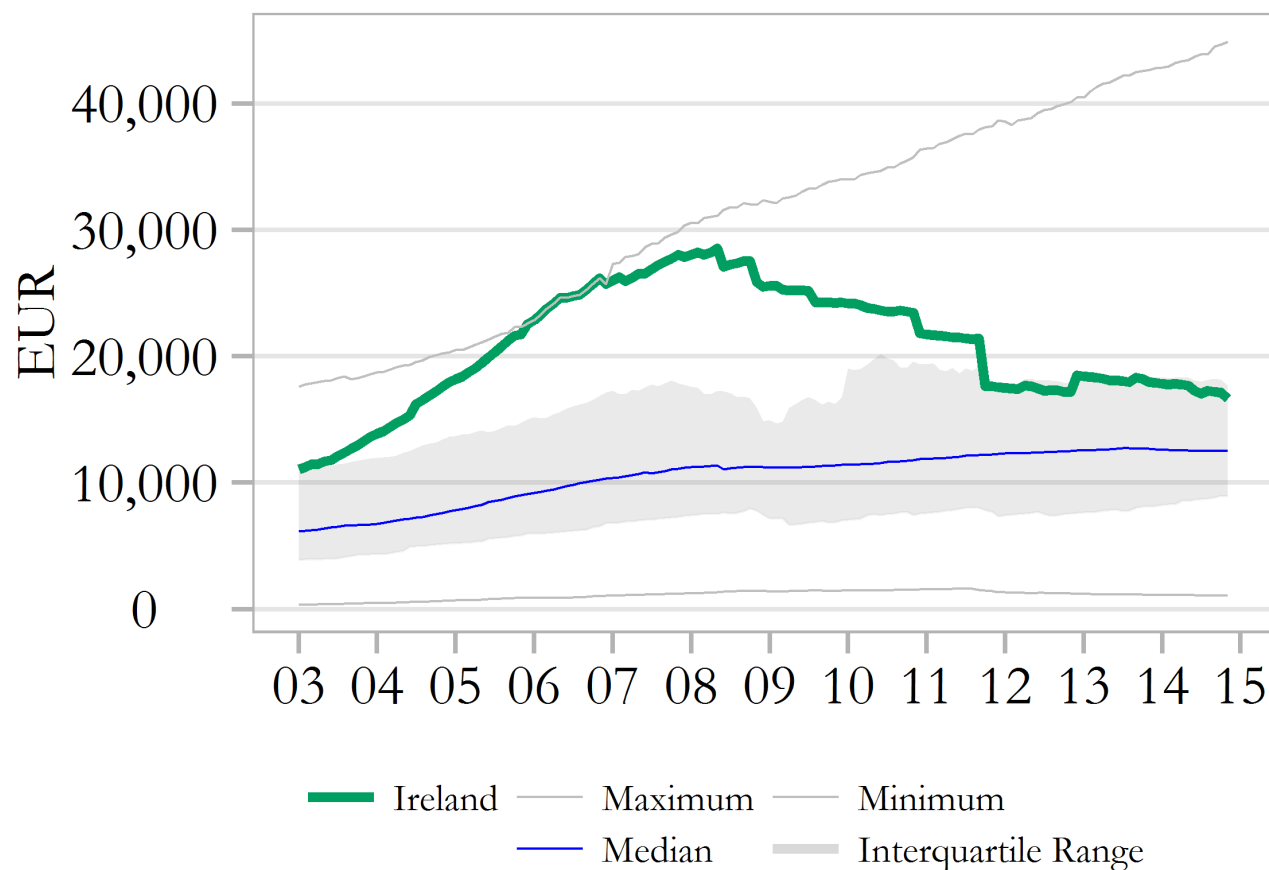
Source: CBI, Credit, Money and Banking Statistics.

The reporting population are all credit institutions resident in Ireland.
Includes securitized loans serviced by Irish resident credit institutions.



1.2 European Comparison of Lending Per Capita

Loans for House Purchase Per Capita, Q1 2003 – Q3 2014

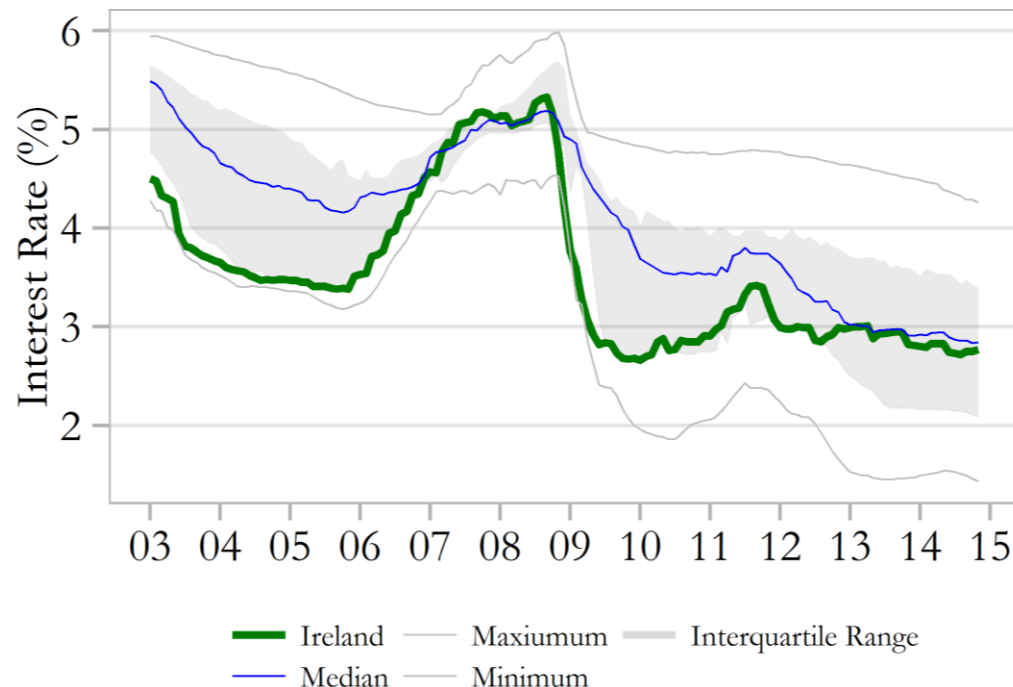




2.1 Interest Rates on Existing Outstanding Mortgages

- Interest rates on outstanding mortgage stocks have declined since onset of crisis
- Fallen from a peak of 5.3 percent in 2008 to approx 2.74 percent in Q3 2014
- Interest rates very close to European median
- Reflect high share of tracker loans

Interest Rate on Outstanding Loans for House Purchase

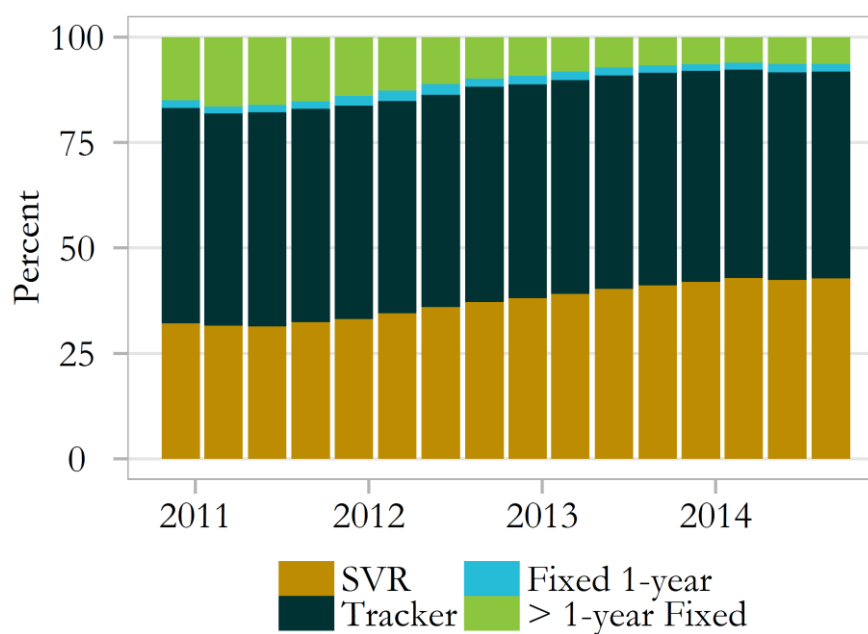


Source: ECB, MFI Interest Rates

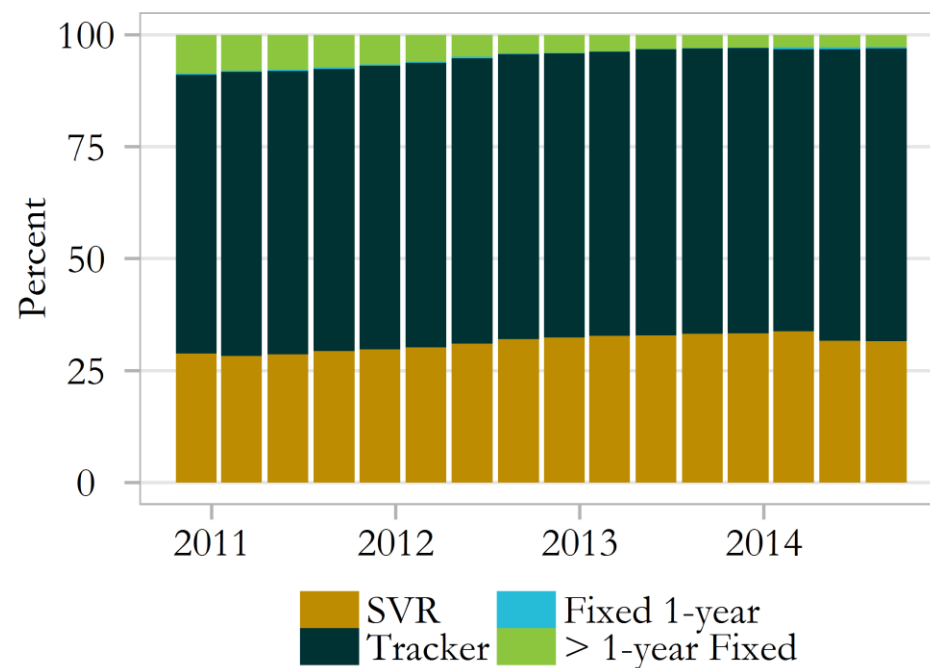


2.2 Interest Rate Types

PDH Mortgage Stock by Rate Type, 2010 - 2014



BTL Mortgage Stock by Rate Type, 2010 - 2014



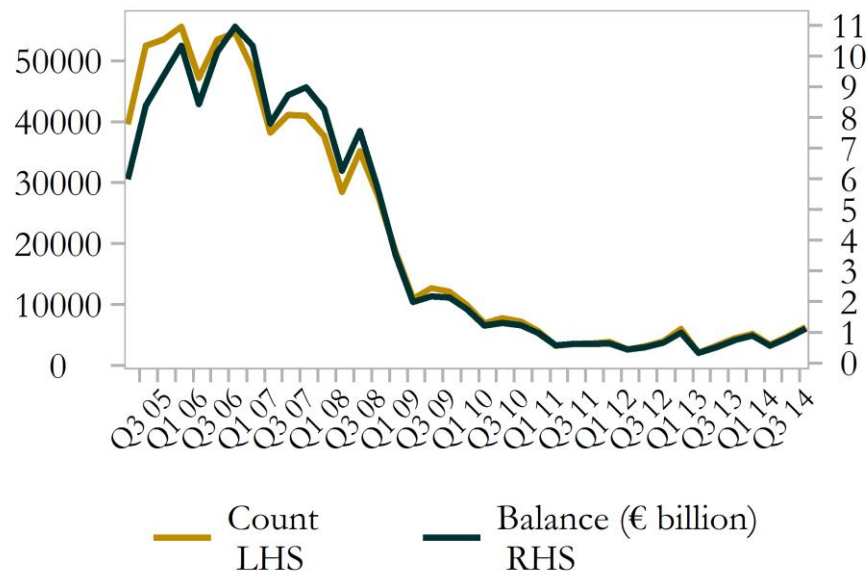
Source: CBI, Credit, Money and Banking Statistics.

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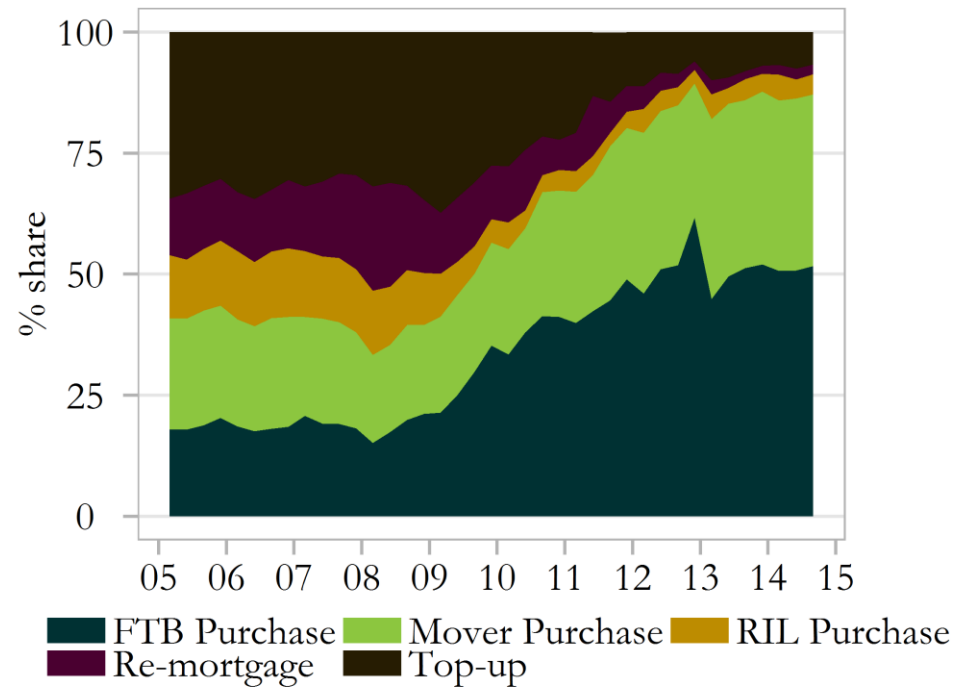


3. Trends in New Lending

Volume and Number of New Loans, Q1 2005-Q3 2014



New Lending by Borrower Type, Q1 2005-Q3 2014

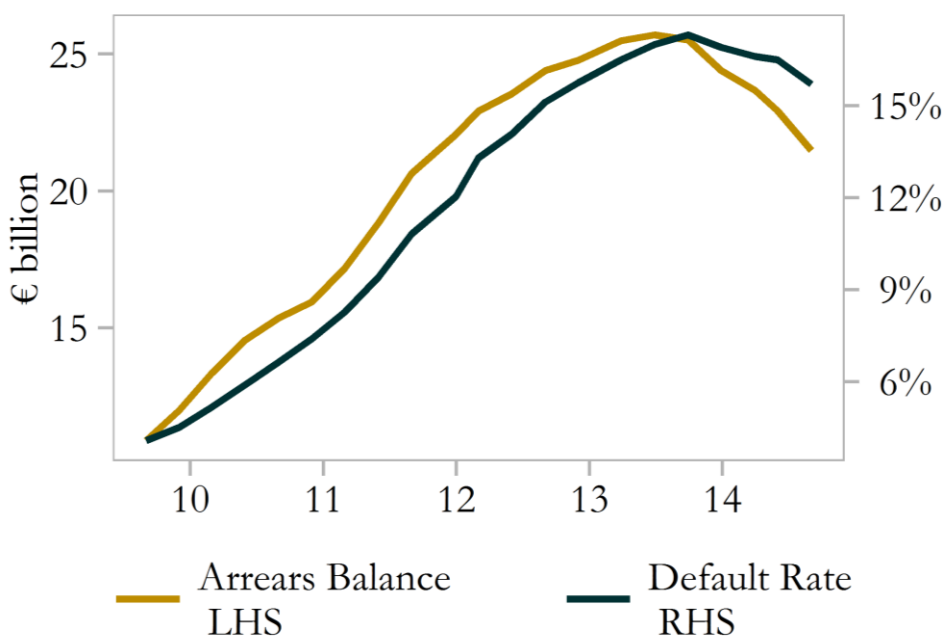


Source: Banking and Payments Federation of Ireland

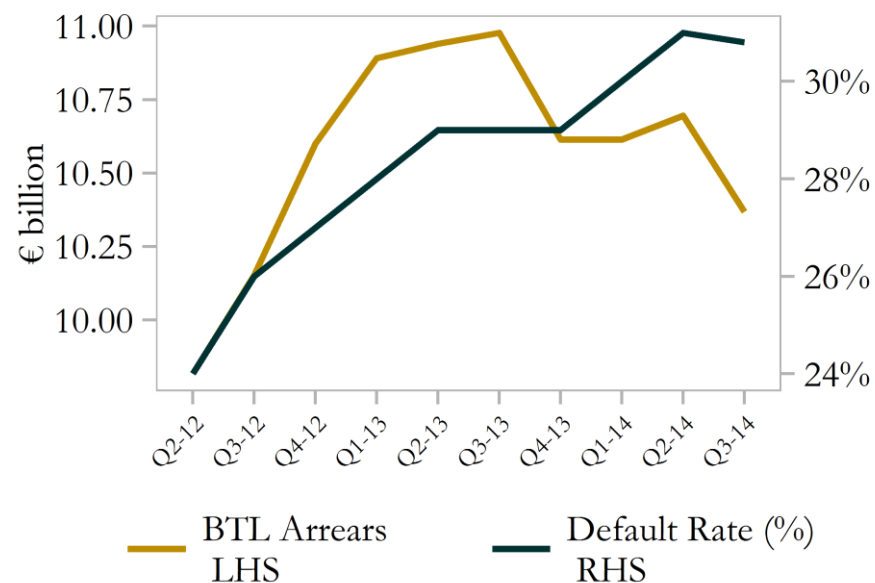


4.1 Loan Arrears

Balance of PDH Mortgages in Arrears, 2009 - 2014



Balance of BTL Mortgages in Arrears, 2009 - 2014



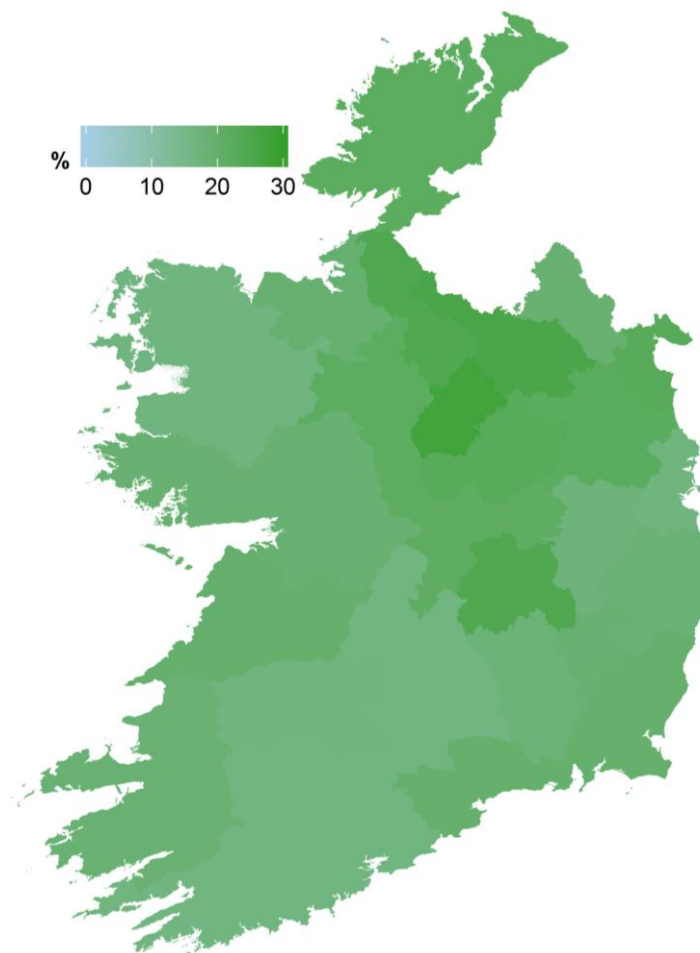
Source: CBI, Mortgage Arrears Statistics.



4.2 County Variation in Arrears

- Large variation in arrears by county
- Research indicates local employment and economic conditions matter for loan performance (Kelly and O'Malley, 2014).
- Variations in recovery and growth across regions (Morgenroth, 2014).

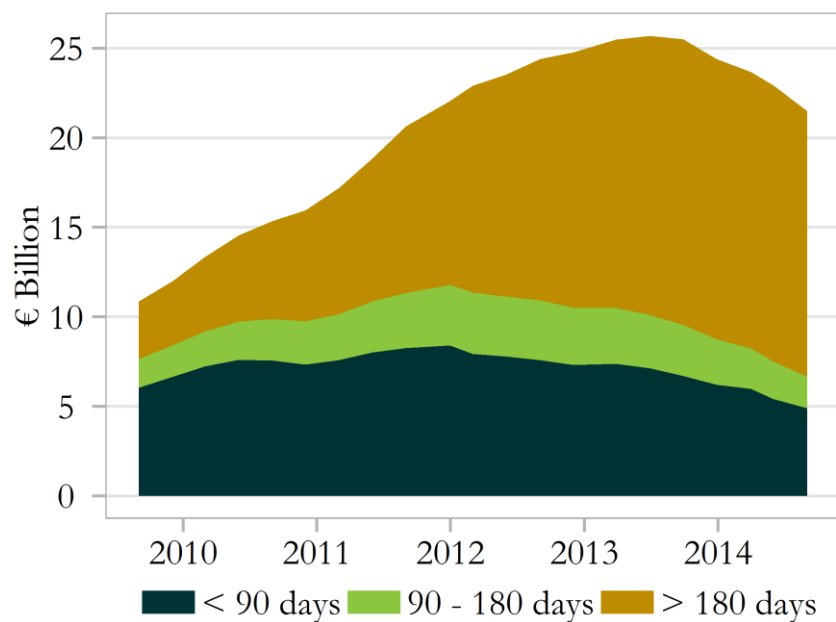
Balance of Mortgages in Arrears (%) , June 2014



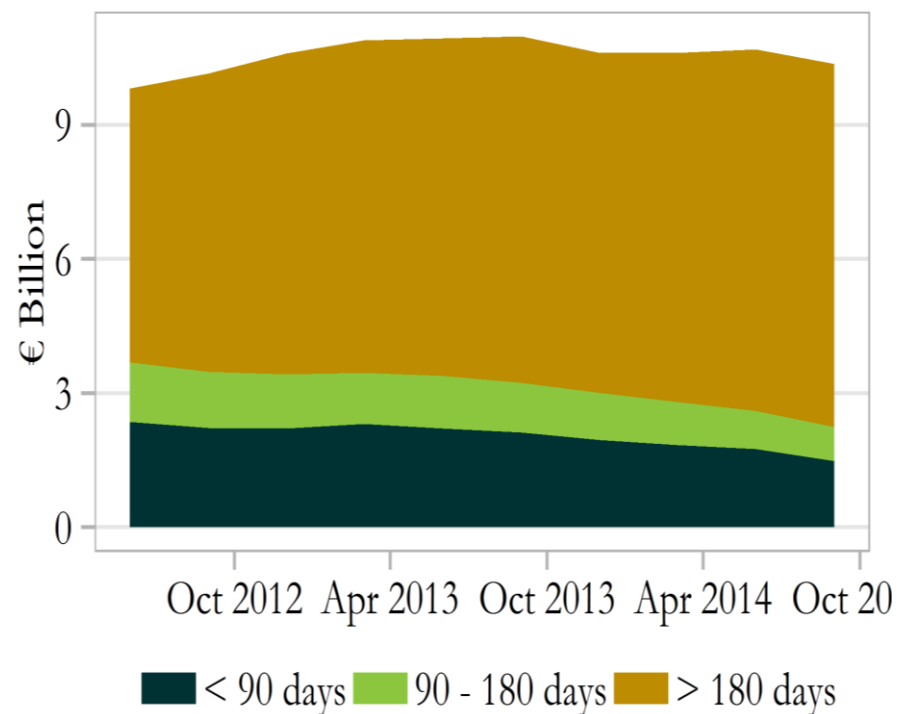


5.3 Depth of Mortgage Arrears

PDH Mortgages in Arrears by Days-Past-Due , 2009 - 2014



BTL Mortgages in Arrears by Days-Past-Due , 2009

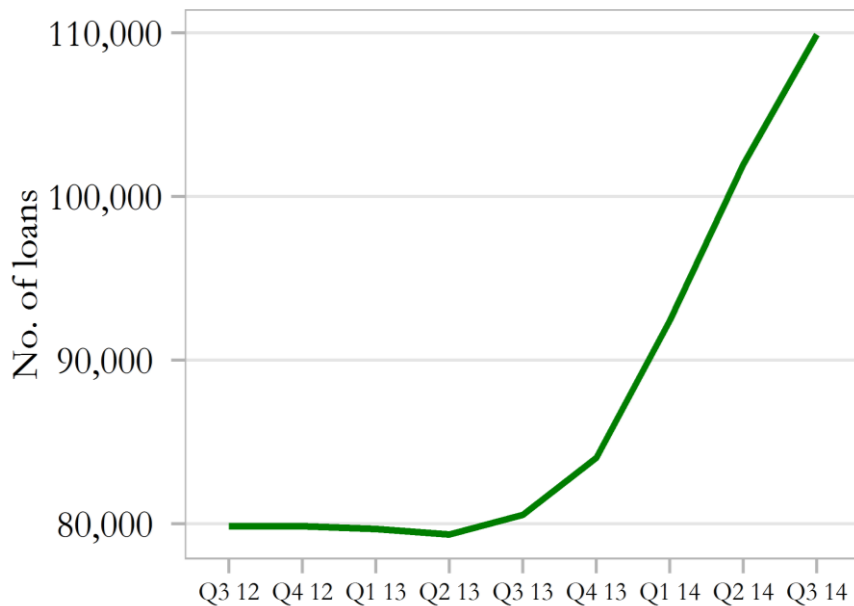


Source: CBI, Mortgage Arrears Statistics

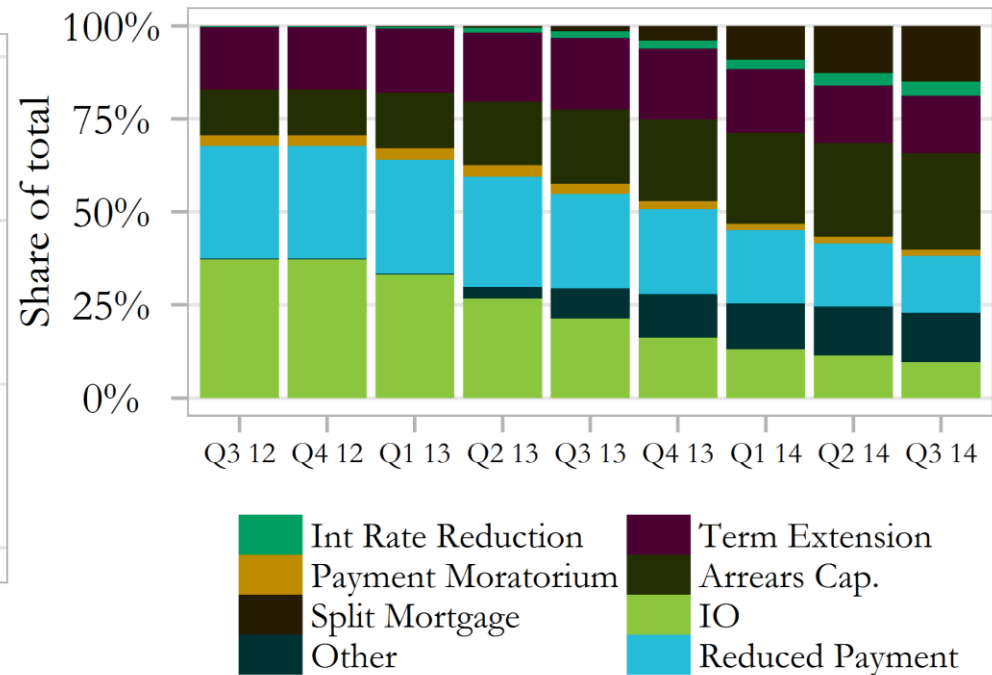


4.4 Mortgage Modifications

Total Number of Modifications, Q3 2012 – Q3 2014



Modifications by Type (%), Q3 2012 – Q3 2014



Source: CBI, Mortgage Arrears Statistics and authors' calculations.



5.6 Mortgage Modifications – Meeting Arrangement Terms

Percentage of Modifications Meeting Arrangement Terms, Q3 2014

Modification	PDH - Q3 2014	BTL - Q3 2014
Overall	82.2	76.6
Interest Only - up to one year	80.5	81.2
Interest Only - over one year	92.1	92.3
Deferred Interest Scheme	71.7	0
Reduced Payment (less than interest only)	68.1	88.1
Reduced Payment (greater than interest only)	88.4	91.4
Temporary Interest Rate Reduction	91.6	88.8
Payment Moratorium	95.9	99.1
Arrears Capitalisation	68	39.9
Term Extension	89	87.7
Permanent Interest Rate Reduction	57.1	n/a
Split Mortgage	95.6	95.5
Other	86.7	89.2

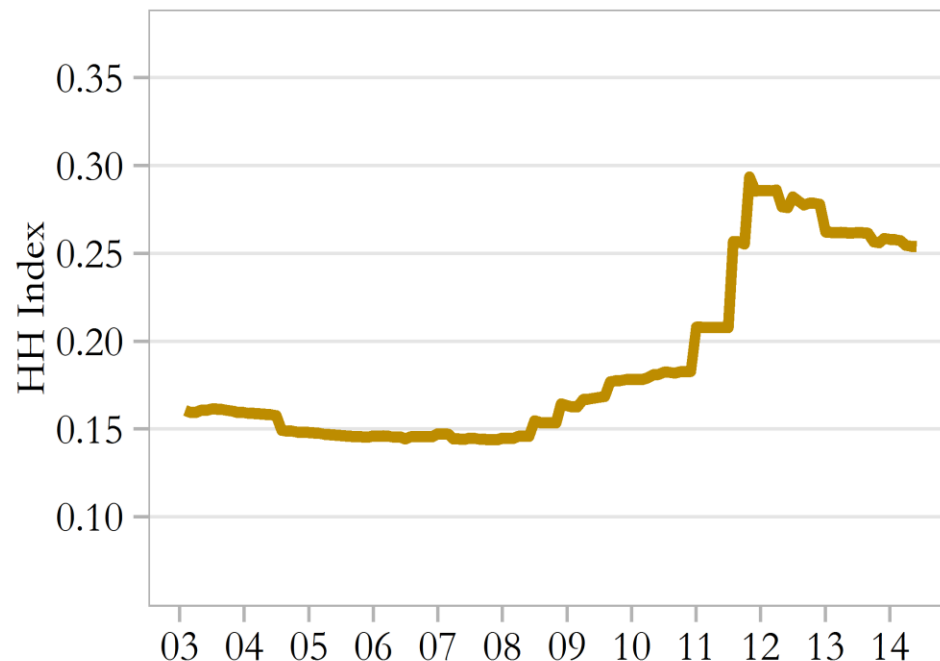
Source: CBI, Mortgage Arrears Statistics



5. Mortgage Market Structure

- Following financial crisis, a number of structural changes to mortgage market
- Exits of foreign banks and mergers
- Increase in concentration in the Irish mortgage market

Herfindahl Index of Concentration in Irish Mortgage Stocks



Source: Authors' calculations using Central Bank of Ireland data.



6. Conclusions

- Outstanding stock of credit continues to decline
- Recent increase in new mortgage lending flows
- Mortgage arrears beginning to decline but share in long term arrears is increasing
- Restructures have increased in recent quarters
- Increases in market concentration following exits and merger activity
- Forthcoming *Household Finance Report* will provide twice yearly review of trends in household credit markets



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