

# Household Credit Market Report



Banc Ceannais na hÉireann  
Central Bank of Ireland  
Eurosystem

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The Central Bank of Ireland's *Household Credit Market Report* (HCMR) is compiled by the Financial Stability Division. It collates information from a wide range of internal and external sources to give an up-to-date picture of developments in the household credit market in Ireland.<sup>1</sup> Data are drawn from Central Bank of Ireland *Credit, Money and Banking*, *Retail Interest Rates*, *Quarterly Financial Accounts*, and *Mortgage Arrears* aggregate statistics, loan-level data collected by the Central Bank of Ireland from the Irish domestic banks, the ECB/Central Bank of Ireland *Bank Lending Survey* and the Banking and Payments Federation Ireland. For cross-country comparisons, the report also draws on data from the ECB (MFI statistics). All data sources are detailed in Appendix 1. Appendix 2 provides a glossary of key terms and abbreviations. Figures may differ from previous HCMR versions where revisions to historical statistics and series have taken place.

The report is structured as follows: Section 1 provides an overview of developments in total household debt. Section 2 focuses on the mortgage credit market. Section 3 highlights developments in non-mortgage credit.

## Executive Summary

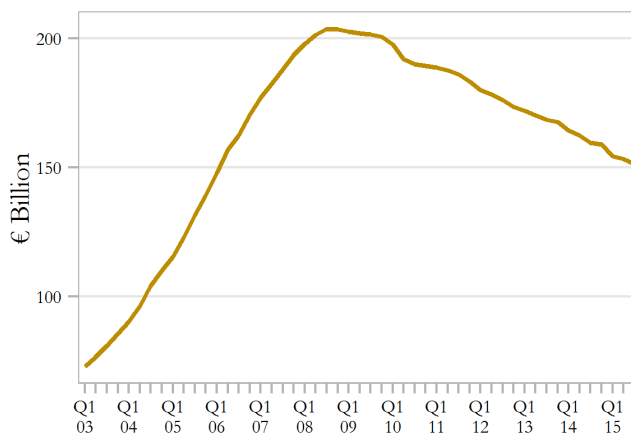
- Household debt sustainability in Ireland continues to improve with both debt-to-income and debt-to-asset levels decreasing. However, Irish household indebtedness remains high in a European context.
- In the mortgage market, the pace of decline in outstanding credit for Private Dwelling Houses (PDH) shows some signs of stabilisation with continued declines for Buy-to-Lets (BTL).
- The value and number of new mortgage loans increased year-on-year to Q4 2015. This continues the trend from 2014. The majority of new lending goes to First Time Buyers (FTBs).
- New mortgage approvals (both value and number) have fallen year-on-year in Q4 2015.
- The average interest rate on outstanding mortgages in Ireland stood at 2.6 per cent in Q4 2015. The rate on outstanding PDH mortgages stood at 3.96 per cent for standard variable rate (SVR) contracts and 1.07 per cent for tracker contracts.
- The standard variable rate on new lending for PDH mortgages stood at 3.76 per cent in Q4 2015, down from 4.13 per cent in Q1 2015.
- The overall value of mortgages in arrears continues on a downward trend, falling to €18.7bn in Q4 2015. This represents approximately 14.7 per cent of total mortgage balances.
- The number of PDH mortgage modifications stood at 120,739 in Q4 2015. There has been an improvement in the percentage of borrowers meeting the terms of the arrangements relative to early 2015.
- Deleveraging is continuing for non-mortgage consumer credit. However, the pace of decline has slowed in recent quarters and growth is evident in certain market segments (3-5 year loans).
- Regarding the performance of non-mortgage loans, the arrears rate is also on a declining trend. As of June 2015, arrears rates ranged from approximately 4 per cent on revolving facilities (credit cards and overdrafts) to 14.4 per cent for unsecured term loans.

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# 1 Overview

While there has been a recovery in the domestic economy, households continue to deleverage. This is displayed in Figure 1 which presents data on total outstanding household loans. Total debt stood at €151.2bn in Q3 2015, down from €159.5bn a year earlier. Total debt at Q3 2015 comprises short-term loans (up to one year or payable on demand) of approximately €5.4bn and long-term loans (greater than one year maturity) of €145.7bn.

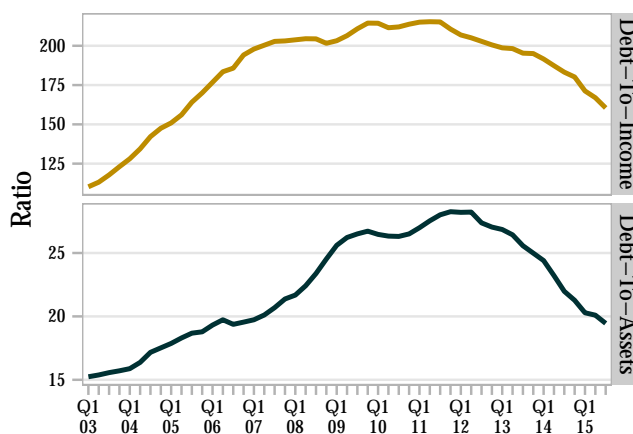
**Figure 1.** Outstanding Household Loans, Q1 2003- Q3 2015



Source: Central Bank of Ireland, *Quarterly Financial Accounts* data.

Figure 2 presents the household debt-to-disposable income ratio and the household debt-to-asset ratio. Household debt-to-income continues to fall suggesting further improvement in the debt sustainability of households. The decline in debt-to-income mainly reflects deleveraging rather than income growth, which has been modest. A downward trend is also evident in the debt-to-asset ratio. These indicators suggest an improvement in the sustainability of household balance sheets.

**Figure 2.** Household Debt-to-Income and Debt-to-Asset Ratios, Q1 2003- Q3 2015

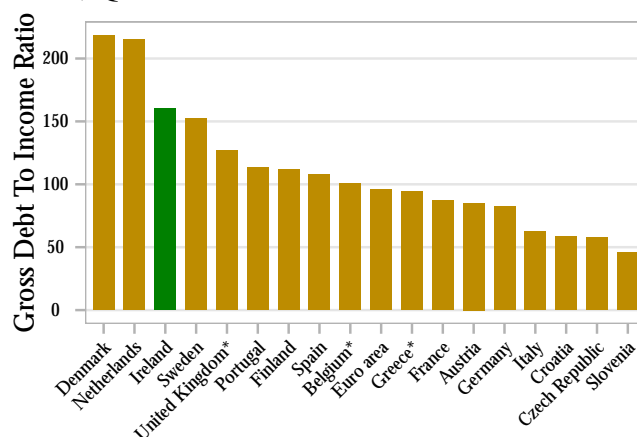


Source: Central Bank of Ireland, *Quarterly Financial Accounts*.



Irish household indebtedness remains high by cross-European comparison. Figure 3 presents the total household debt-to-income (DTI) ratio for selected European countries to provide a benchmark for Ireland’s position internationally. Ireland has the third highest level of DTI behind Denmark and the Netherlands.

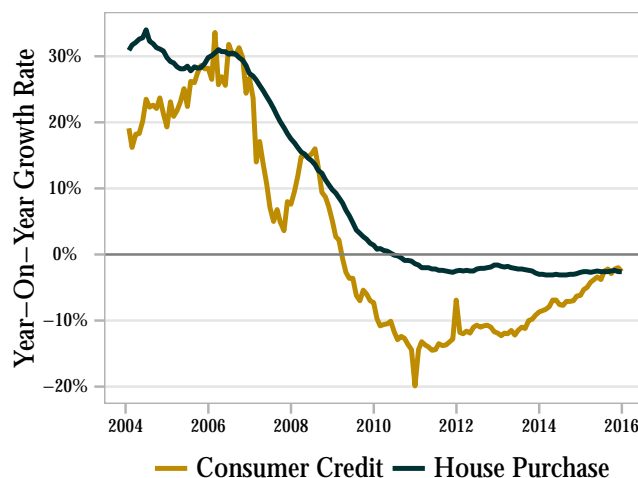
**Figure 3. Debt-to-Income Ratios Across Countries, Q3 2015**



Source: Central Bank of Ireland, Quarterly Financial Accounts and ECB Statistical Data Warehouse (SDW). Note: \* indicates data is for Q2 2015. Note: Debt-to-income ratios excluding Ireland taken from ECB SDW.

To provide some context on the path of deleveraging, Figure 4 presents the growth rate in outstanding credit to Irish resident households from Irish resident credit institutions for both consumer loans as well as loans for house purchase. The growth in loans for house purchase remains negative. The growth in consumer loans is also negative but the pace of reduction has been slowing more recently.

**Figure 4. Growth Rate in Credit for House Purchase and Consumer Credit, Q1 2003- Q4 2015**



Source: Central Bank of Ireland, Credit, Money and Banking Statistics Note: These growth rates are taken from CBI table A.5.1

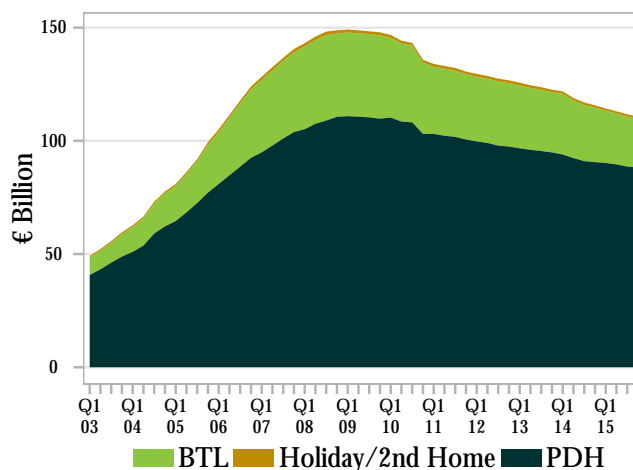


## 2 Developments in Mortgage Credit

### 2.1 Mortgage Credit Stocks Outstanding

Figure 5 presents the evolution of the total outstanding stock of credit for house purchase to domestic resident households by resident credit institutions. These data are split between loans for primary homes (PDH), buy-to-let investments (BTL) and holiday or other second-home loans (Holiday/2nd Home). The majority of lending has historically been for PDH mortgages. The volume of lending for BTL investments increased considerably during the credit boom period as households increased their investment exposure to residential property. Total outstanding PDH house purchase credit amounted to €88.2bn, BTL loans to €21.5bn and holiday or second home loans to approximately €0.9bn in Q4 2015.

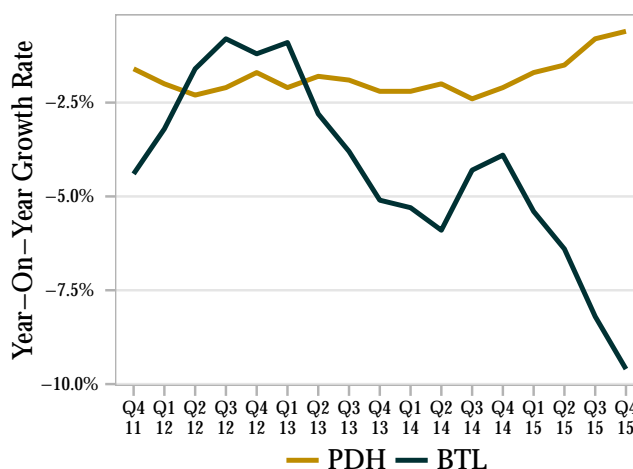
**Figure 5.** Outstanding Mortgage Credit by Dwelling Type, Q1 2003- Q4 2015



Source: Central Bank of Ireland, Credit, Money, and Banking Statistics. Note: Figures related to summation of CBI tables A.18.1 and A.18.2.

Figure 6 shows the growth rate in the stock of credit advanced to Irish resident households for house purchase by resident credit institutions. Deleveraging continued in Q4 2015 in both markets. The pace has declined however in recent times for PDH lending with a continuing decline in BTL. As of Q4 2015, loans for PDH and BTL declined at an annual rate of -0.6 per cent and -9.6 per cent, respectively.

**Figure 6.** Growth Rate in Outstanding Mortgage Stocks by Dwelling Type, Q2 2004- Q4 2015



Source: Central Bank of Ireland, Private Household Credit and Deposits. Note: Data are taken from table A.18.1 of the CBI statistical release.

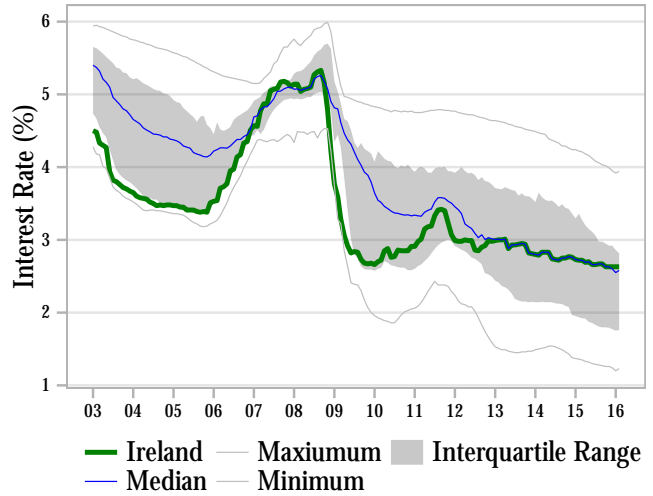


## 2.2 Interest Rates on Outstanding Loans

To provide an international comparison, Figure 7 presents interest rates on the stock of outstanding mortgages for Ireland and the median across a group of selected European countries.\* Percentiles and the sample maximum and minimum are also presented. The outstanding interest rate in Ireland as of February 2016, at approximately 2.63 per cent, is the median of the countries presented. Part of the cross-country variation can be explained by the different shares of variable and fixed-rate mortgages in the stock of loans in each country. It should be noted that these data do not represent the interest rate on new lending. For Ireland, there are also large differences between the outstanding rate on tracker loans and standard variables rates as documented in Table 1. Figure 7 combines these categories, and fixed rates, to a single series.

\*Countries were selected on the basis of data availability. Included countries are: AT, BE, DE, ES, FI, FR, GR, IE, IT, LU, NL, and PT.

**Figure 7.** Interest Rates on Current Outstanding Mortgages, European Comparison, 2003-2016



Source: European Central Bank, MFI Interest Rates.

**Figure 8.** Mortgage Credit Outstanding by Rate Type, Q4 2010-Q4 2015

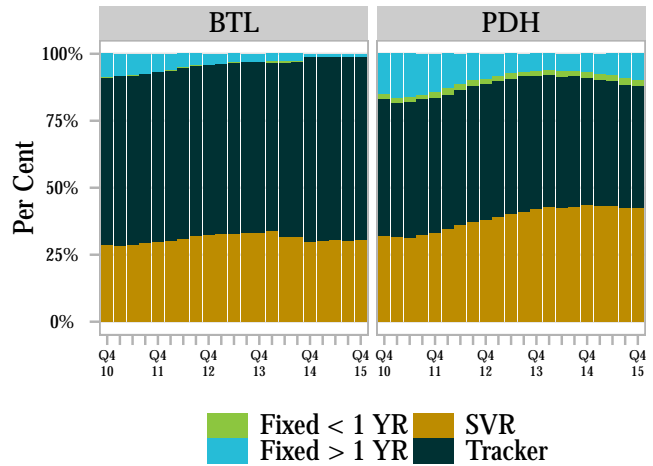


Figure 8 presents the percentage of outstanding PDH and BTL loans that are fixed rate, standard variable rate (SVR) and tracker mortgages. As of Q3 2015, for PDH loans, 43 per cent had an SVR interest rate, a further 45 per cent had tracker rates and the remaining were on fixed-rate contracts (with 2 per cent on short-term fixed and 10 per cent on fixed terms of greater than one year). For BTL loans, a majority are on tracker rate mortgages (68 per cent) with SVR rates being the second largest type of rate structure (30 per cent). There are very few fixed rate BTL loans.

Source: Central Bank of Ireland, Credit, Money and Banking Statistics. Note: SVR relates to loans with a standard variable, floating interest rate.



To provide more granular detail on the interest rates faced by borrowers with different mortgage interest rate types, Table 1 presents the average interest rate on outstanding PDH & BTL mortgages by interest rate type. As of Q4 2015 the average standard variable (SVR) or loan-to-value variable (LTVV) rate on PDH mortgages was 3.96 per cent. This rate has declined year-on-year from 4.18 per cent. The average rate on outstanding tracker mortgages stood at 1.07 per cent in Q4 2015. Meanwhile the tracker rate on BTL mortgages stood at 1.2 per cent in Q4 2015. Fixed rates on PDH and BTL mortgages varied by term duration.

**Table 1.** Interest Rates on Outstanding Loans Q4 2015

	PDH	BTL
Standard or LTV Variable	3.96	4.61
Tracker Mortgages	1.07	1.10
Fixed rate		
1 to 3 Years	3.83	4.68
over 3 years	3.79	4.29

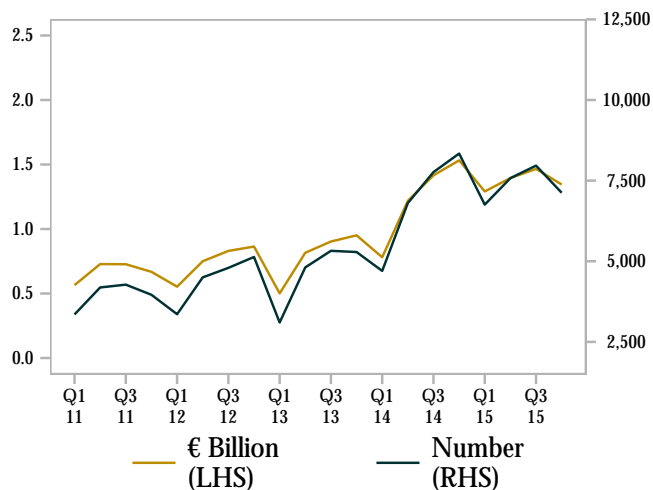
*Source: Central Bank of Ireland, Retail Interest Rates.*



## 2.3 Mortgage Approvals and New Lending

Figure 9 presents data on approvals for new mortgage lending from the Banking and Payments Federation Ireland. There has been a decrease in the value of new mortgage loan approvals between Q4 2014 and Q4 2015 from €1.5bn to €1.3bn. The number of new loan approvals has also decreased from 8,339 in Q4 2014 to 7,124 in Q4 2015.

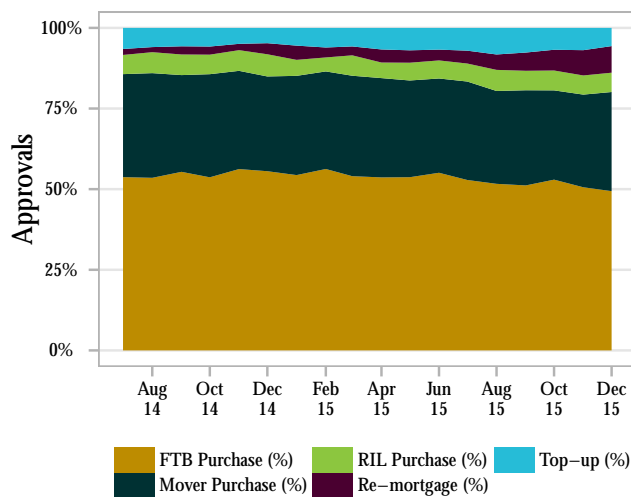
**Figure 9.** New Mortgage Approvals by Count and Balance, Q1 2011-Q4 2015



Source: Banking and Payments Federation Ireland.

Figure 10 presents data on approvals for new mortgage lending by credit-applicant-type across the following categories: First Time Buyers (FTB), Movers, Residential Investment Loans (RIL), Re-mortgaging and equity release (Top-ups). As of December 2015, FTBs accounted for 49.4 per cent of new loans, Movers account for 30.7 per cent of new loans with 5.9 per cent for RIL, 8.2 per cent for re-mortgages and 5.6 per cent for Top-ups.

**Figure 10.** Breakdown of New Mortgage Approvals (Count) by Credit Type, Q2 2014 - Q4 2015



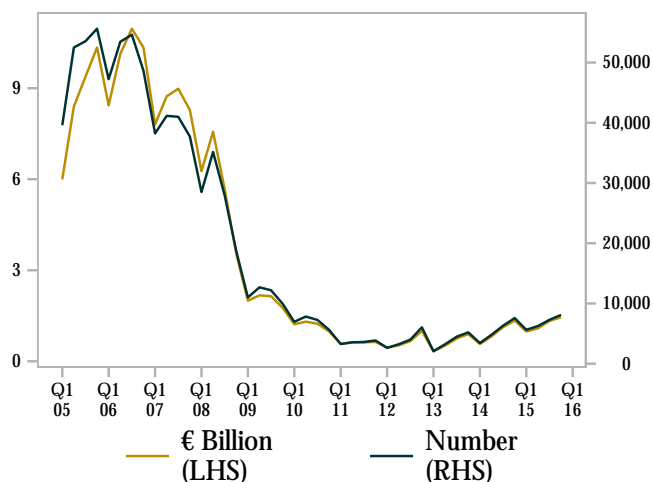
Source: Banking and Payments Federation Ireland.





**Figure 11.** New Mortgage Lending by Loan Count and Balance, Q1 2005-Q4 2015

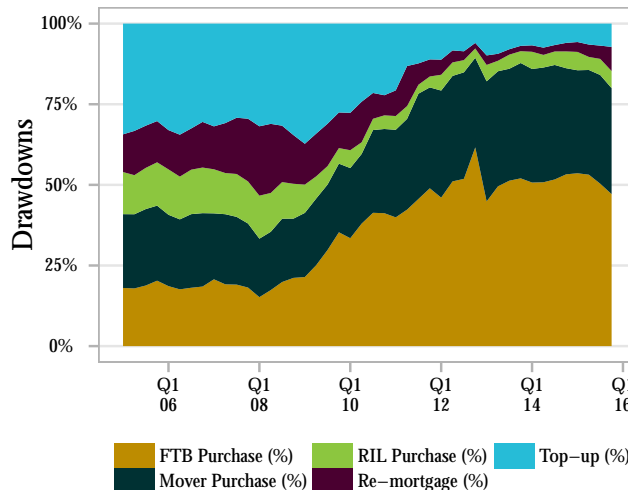
Figure 11 presents data on new lending from the Banking and Payments Federation Ireland. There has been an increase in the value of new lending between Q4 2014 and Q4 2015 from €1.34bn to €1.45bn. The number of new loans has increased from 7,583 in Q4 2014 to 8,103 in Q4 2015. Lending volumes remain below levels seen in the 2005-2007 period.



Source: Banking and Payments Federation Ireland.

**Figure 12.** Breakdown of New Mortgage Lending Count by Credit Type, Q1 2005 - Q4 2015

Figure 12 presents new lending by loan type. The categories used are the same as those for mortgage approvals: FTBs, Movers, RILs, and Top-ups. Prior to the crisis, considerable new lending was allocated for re-mortgaging, equity release and residential investment. Since 2009, the highest share of mortgage borrowing has been undertaken by FTBs. In Q4 2015, FTBs accounted for 47.1 per cent of new loans, Movers account for 32.8 per cent of new loans with 5.3 per cent for RIL, 7.4 per cent for re-mortgages and 7.2 per cent for Top-ups. The share of FTBs in total lending fell marginally in the most recent data.



Source: Banking and Payments Federation Ireland.





Summary statistics for new mortgage lending for the period December 2014 to June 2015 inclusive are shown in Table 2, and are calculated from the loan-level data (LLD) collected by the Central Bank of Ireland. The table presents the statistics for loan balance, originated loan-to-value (OLTV) and mortgage term for PDH and BTL loans. The average balance for all loans was approximately €164,718, median OLTV was 77 per cent and average term was 26 years.

**Table 2.** Overview of New Lending, December 2014 - June 2015 - Loan Level Data

Variable	All	PDH	BTL
Median Balance (EUR)	148500	151200	91000
Mean Balance (EUR)	164718	168784	109536
Median OLTV (%)	77	79	60
Mean OLTV (%)	69	69	60
Mean Term (years)	26	27	17

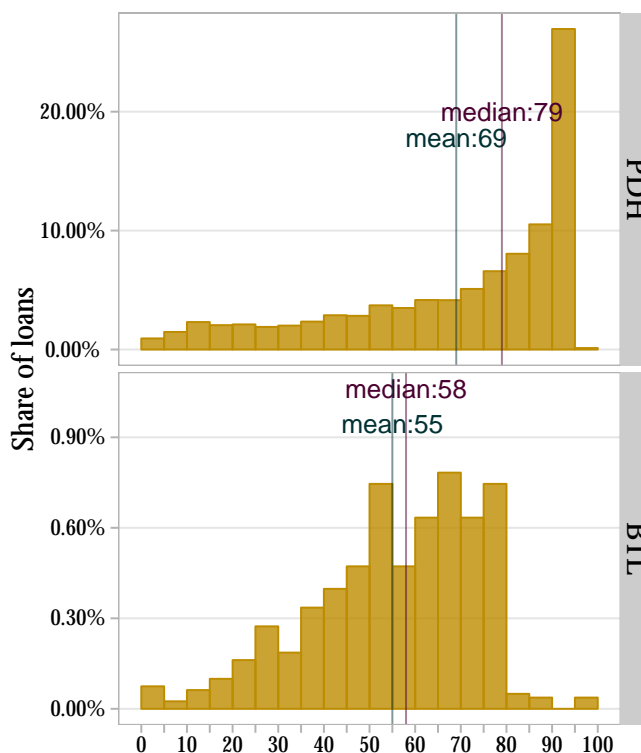
Source: Central Bank of Ireland, LLD.

Note: Data cover Allied Irish Bank (including EBS), Bank of Ireland and Permanent TSB. It does not contain information on the lending activity of other market participants.

**Figure 13.** Distribution of Originated Loan-to-Value Ratios, New Lending Between December 2014 and June 2015

Figure 13 shows the distribution of OLTV ratios for new lending between December 2014 and June 2015 from the CBI LLD sample. The distributions are broken down by PDH and BTL. As with the second half of 2014, lending for the PDH market is clustered around 90 per cent OLTV with lower levels of lending originated with LTVs above 90 per cent. For BTL loans, there was more variation across LTV at origination. It must be noted that a majority of these loans were originated or approved prior to the introduction of the Central Bank of Ireland restrictions on residential mortgage lending which came into force on 9th February 2015.<sup>a</sup>

<sup>a</sup>See <http://www.centralbank.ie/stability/MacroprudentialPol> for details.

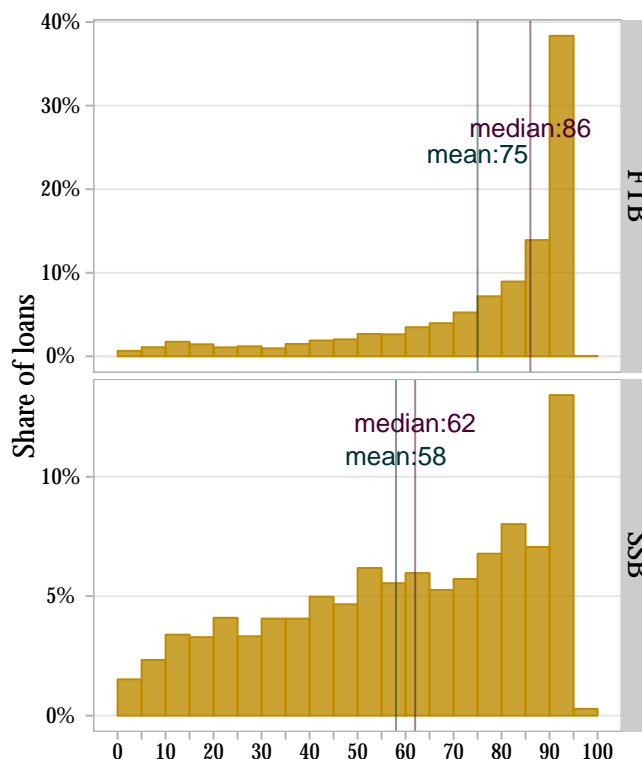


Source: Central Bank of Ireland, LLD. Note: Y axis is per cent count of all loans both PDH and BTL i.e. both panels sum to 100%.



Figure 14 breaks down the PDH distribution of OLV ratios by buyer status for new mortgages from the CBI LLD sample between December 2014 and June 2015. FTB refers to first time buyers, whereas SSB refers to second & subsequent buyers. FTBs have a higher average OLV when compared with SSBs (75% to 59%). The distribution of OLV for FTB lending is concentrated around the higher levels, particularly in the 90%-95% bucket. This might be expected as FTBs generally do not have prior housing equity. There is greater dispersion in the OLV ratios issued to SSBs. That group is more likely to have housing equity in a previous property purchase, though there is also a peak in the 90%-95% bucket.

**Figure 14.** Distribution of Originated Loan-to-Value Ratios by Buyer Status, New Lending Between December 2014 and June 2015



Source: Central Bank of Ireland, LLD. Note: Y axis is per cent count of loans in each panel i.e. each panel sums to 100%.

Table 3 provides the exact LTV ratio for PDH and BTL loans at different points across the LTV distribution. The distribution points included are the mean, median, 60th, 70th, 80th, and 90th percentiles. This table will provide insight into the exact levels at which LTVs are being originated at higher points in the distribution. While the median for PDH is 79, loans at the 80th and 90th percentiles are originated at 90 and 92 LTV respectively. The LTVs for BTL loans are lower at all points of the distribution.

**Table 3.** Summary of Originating LTV Distribution, New Lending Between December 2014 and June 2015

Statistic	PDH			BTL
	All	FTB	SSB	
Mean	69	75	58	55
Median	79	86	62	58
60th percentile	85	90	71	63
70th percentile	90	90	79	67
80th percentile	90	91	85	72
90th percentile	92	92	90	75

Source: Central Bank of Ireland, Loan-Level Data.



Table 4 depicts the average interest rates on new PDH & BTL mortgages. As of Q4 2015, the average SVR or LTVV rate on new PDH mortgages stood at 3.76 per cent, while the rate on equivalent BTL mortgages was 4.92 per cent. These rates have declined by 44 basis points and 30 basis points, respectively, since the same quarter in 2014. For fixed-rate mortgages, shorter-term loans had a slightly lower interest rate than loans with longer periods of fixation. While also following a similar trend, rates on equivalent BTL were highest in the over 3 year category.

**Table 4.** New Mortgage Lending Rates Q4 2015

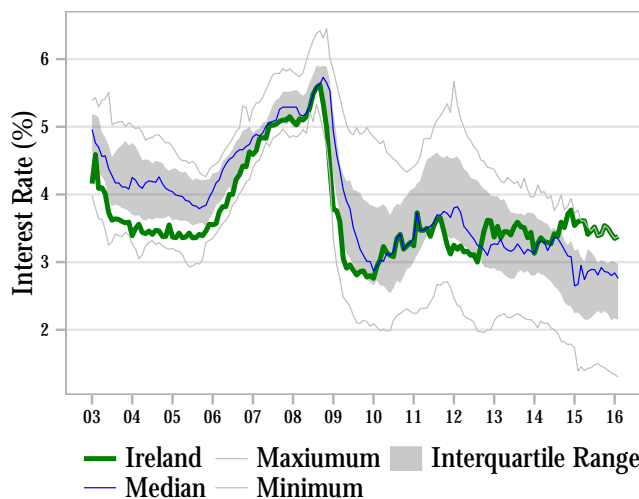
	PDH	BTL
Standard or LTV Variable	3.76	4.92
Fixed rate		
- 1 to 3 Years	3.67	4.75
- over 3 years	3.79	5.11

Source: Central Bank of Ireland, Interest Rate Statistics. Note: These data exclude restructured arrangements.

Figure 15 presents interest rates on new business loans for house purchase for Ireland and the median across a group of selected European countries.<sup>a</sup> Percentiles and the sample maximum and minimum are also presented. It must be noted that these data include restructured mortgage contracts and renegotiated loans (mortgage switchers) so do not only capture the interest rates on new mortgage drawdowns. New mortgage rates (excluding restructures) are provided in table 4. Part of the cross-country variation can be explained by the different shares of variable and fixed-rate mortgages in total new loans in each country. The interest rate in Ireland as of February 2016, at approximately 3.38 per cent, is the highest of the countries presented.

<sup>a</sup>Countries were selected on the basis of data availability. Included countries are: AT, DE, ES, FI, FR, GR, IE, IT, LU, NL, and PT.

**Figure 15.** Interest Rates on New House Purchase Loans, Jan 2003 - Feb 2016

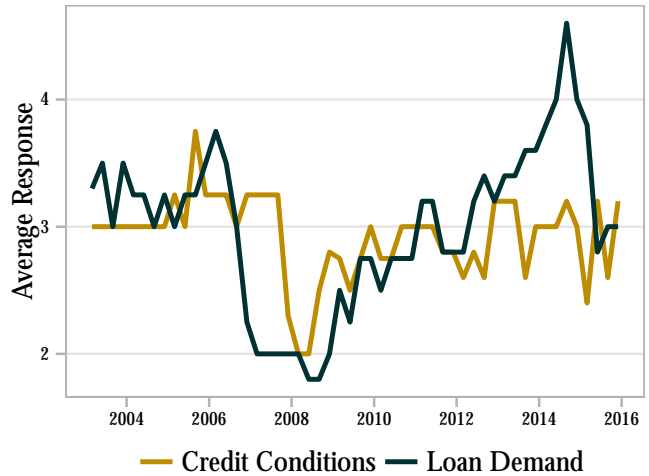


Source: European Central Bank, MIR. Note: These data include restructured mortgage arrangements.



To provide further insight into the credit conditions facing households and their demand for credit, Figure 16 presents the average response from bank loan officers to questions on credit conditions and credit demand for house purchase from the CBI/ECB Bank Lending Survey. Each respondent indicates whether credit conditions have changed in the following manner: 1 = Tightened considerably, 2 = Tightened somewhat, 3 = Remained basically unchanged, 4 = Eased somewhat, and 5 = Eased considerably. For credit demand, respondents answer: 1 = Decreased considerably, 2 = Decreased somewhat, 3 = Remained basically unchanged, 4 = Increased somewhat, and 5 = Increased considerably. The mean responses are then calculated across loan officers. They indicate that credit demand for house purchase increased over the period 2013 to mid-2014 but has since remained relatively stable at this level. Credit conditions have improved marginally in the most recent quarter.

**Figure 16.** Loan Demand and Credit Conditions for House Purchase Loans, Q1 2003 - Q4 2015



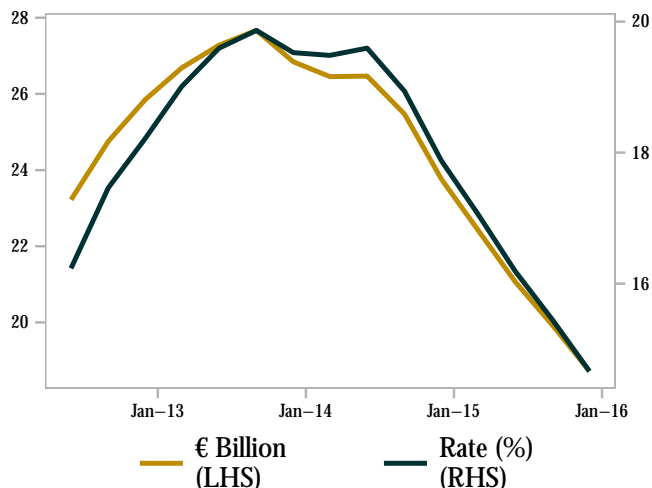
Source: Central Bank of Ireland, LLD.



## 2.4 Mortgage Arrears and Negative Equity

Figure 17 presents the total value of outstanding mortgage balances in arrears across both PDH loans and BTL loans. As of Q4 2015, a total of €18.7bn worth of loans were in arrears, down from €25.5bn in Q3 2014. In Q4 2015, 14.7 per cent of the value of all residential mortgage loans outstanding were in arrears. The overall value of mortgage arrears continues on a downward trend, having peaked at over €27.6bn in Q3 2013 or approximately 21 per cent of all loans.

**Figure 17.** Mortgage Arrears by Rate and Balance, Q2 2012-Q4 2015

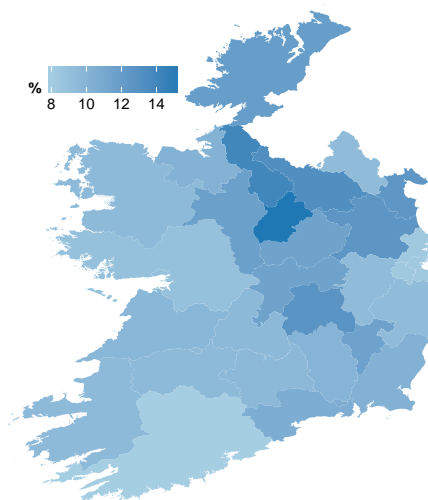


Source: Central Bank of Ireland, Mortgage Arrears Statistics.

**Figure 18.** Arrears Rates on All Residential Mortgages by County (Per Cent of Loans), December 2014

Figure 18 presents the percentage of loans that were in arrears by county in June 2015 from the Central Bank LLD. There is considerable variation across counties in Ireland. Default rates were lowest in Cork, Dublin, and Galway. Arrears rates were high in counties in the Border and Midlands regions.\*

\*Note that as these data are estimated from the Central Bank of Ireland's Loan Level Data they differ from statistics provided as part of the official Mortgage Arrears statistics due to differences in the reporting population. A breakdown of arrears by county from the official returns is not available.

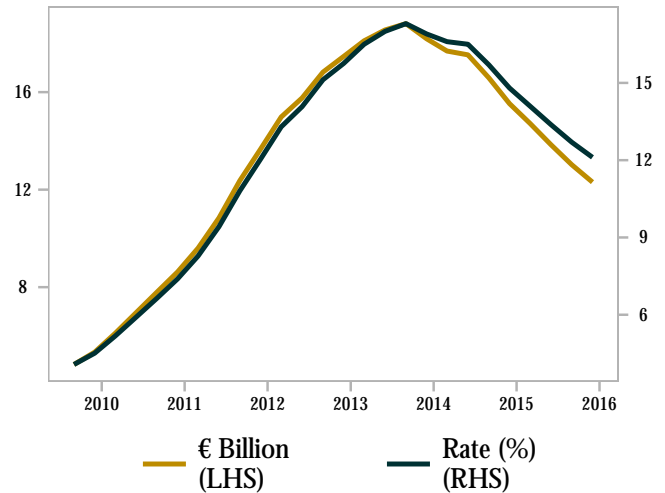


Source: Central Bank of Ireland, Loan Level Data.



**Figure 19.** PDH Mortgage Arrears by Rate and Balance, Q3 2009-Q4 2015

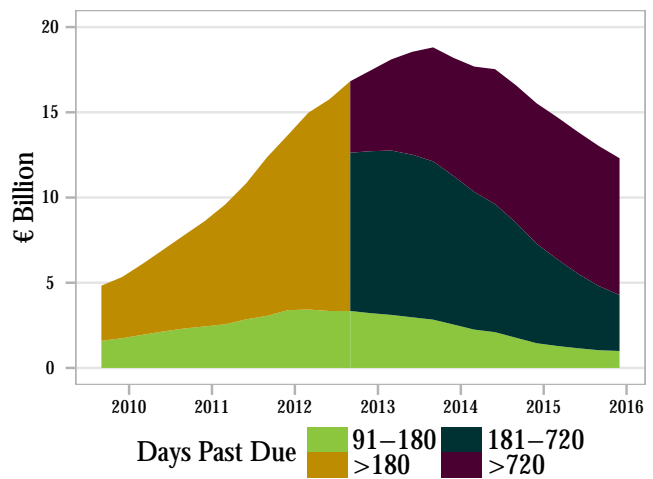
Figure 19 presents the total value of mortgage balances in arrears for PDH loans as well as the share of the total value of outstanding loans that this balance accounts for. The value of mortgages in arrears peaked at just over €18.8bn in Q3 2013. This represented just over 17.3 per cent of the total value of the outstanding stock of mortgages. Since then, there has been a general decline in the value of mortgages in arrears to €12.3bn in Q4 2015. This accounts for 12.1 per cent of the value of the outstanding stock.



Source: Central Bank of Ireland, Mortgage Arrears Statistics.

**Figure 20.** PDH Mortgage Arrears by Depth of Arrears, Q3 2009-Q4 2015

Despite the overall decline in the total volume of PDH arrears, there has been an increasing percentage of loans in long-term arrears. Figure 20 presents the value of mortgages in arrears by the depth of arrears. An increasing share of arrears cases are moving into long-term arrears (more than 720 days-past-due). In Q4 2015, over €8.0bn of total arrears was more than 720 days-past-due (dpd). A further €3.3bn was between 180 and 720 dpd, with approximately €1.0bn in arrears between 90 and 180 dpd.

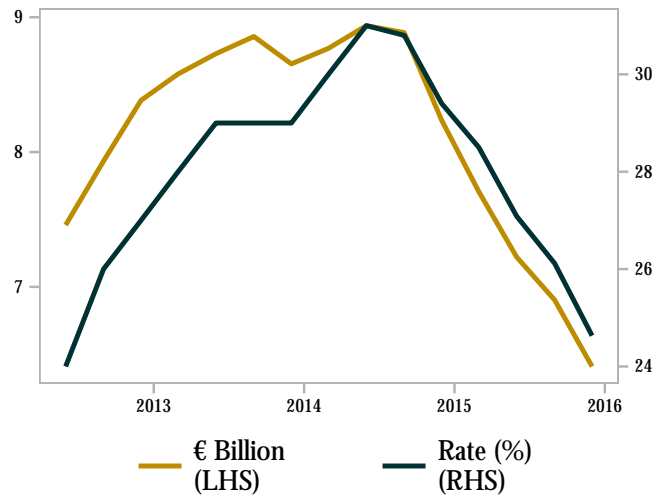


Source: Central Bank of Ireland, Mortgage Arrears Statistics.



**Figure 21. BTL Mortgage Arrears by Default and Balance, Q2 2012-Q4 2015**

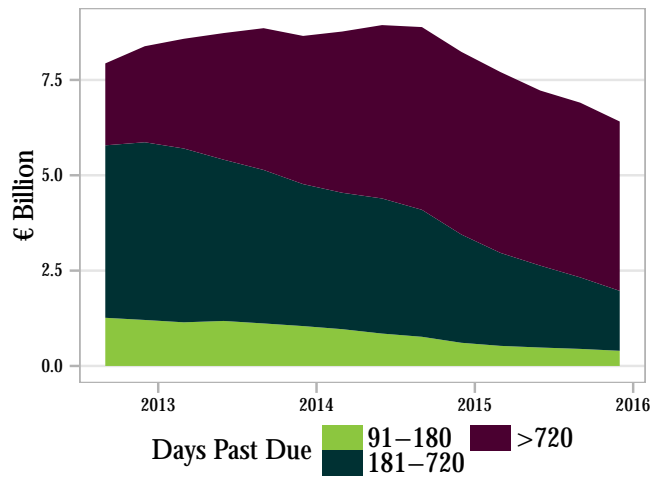
Figure 21 presents the total balance of BTL mortgages that were in arrears as well as the share of total outstanding balance in arrears. As of Q4 2015 the total balance of BTL mortgages in arrears was approximately €6.4bn, representing 24.6 per cent of the total outstanding credit stock for BTLs.



Source: Central Bank of Ireland, Mortgage Arrears Statistics.

**Figure 22. BTL Arrears by Depth of Arrears, Q2 2012-Q4 2015**

Figure 22 presents the balance of BTL loans in arrears by the duration of arrears. As of Q4 2015, approximately €4.4bn is in long-term arrears of greater than 720 dpd. A further €1.6bn is in arrears of between 180 and 720 dpd. Less than €0.4bn are in arrears of between 90 and 180 dpd. The trend is towards an increasing share of mortgages in long-term arrears, which is similar to that for PDH mortgage arrears.



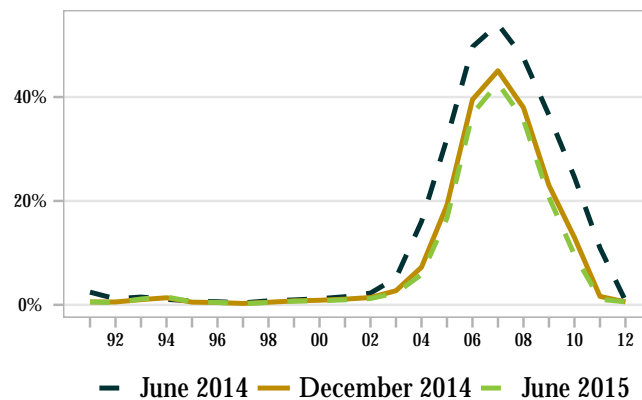
Source: Central Bank of Ireland, Mortgage Arrears Statistics.





Figure 23 presents the percentage of loans in negative equity by the year the loan was originated. Negative equity is estimated using data as at June 2015 and therefore does not reflect changes to loan balances and house prices since this date. Negative-equity calculations in these data only reflect the loans in the LLD which are collected by the Central Bank of Ireland. It can be seen that a large number of loans that were originated between 2004-2008 were in negative equity in June 2015. About 40 per cent of the loans originated in 2007 were in negative equity at June 2015.

**Figure 23.** Percentage of Loans in Negative Equity by Loan Origination Year, June 2015



*Source: Central Bank of Ireland, Loan Level Data.*

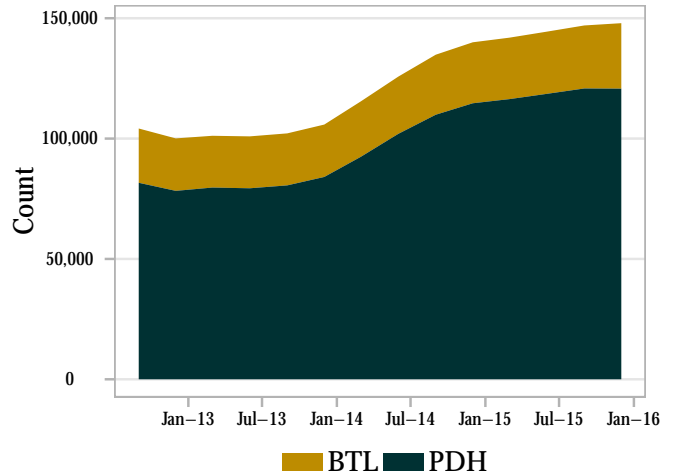
*Note: Data describes negative equity calculated on the whole portfolio of mortgage loans a borrower may have.*



## 2.5 Mortgage Modifications

Figure 24 presents the total stock of mortgage modifications provided by financial institutions to borrowers in arrears or pre-arrears for PDH and BTL loans. In recent quarters there has been an increase in the number of modifications. Up to Q4 2015, there were 120,739 PDH modifications provided by financial institutions to borrowers. This has increased from 92,442 in Q1 2014. The total number of modifications for BTLs stood at 27,209 in Q4 2015.

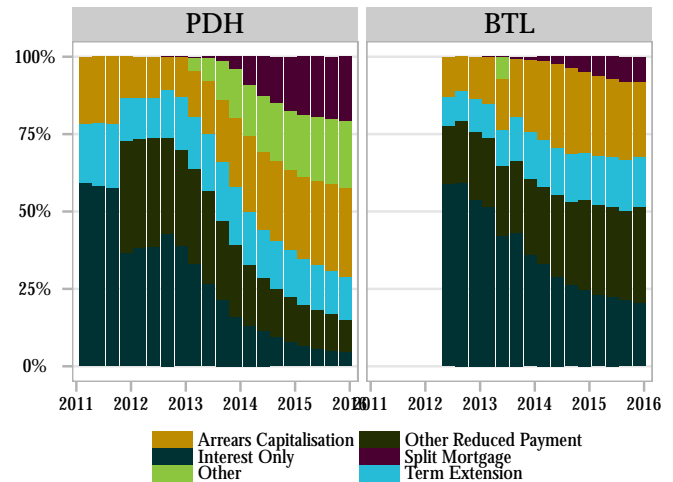
**Figure 24.** Total Restructured Mortgage Accounts, Q3 2012 - Q4 2015



Source: Central Bank of Ireland, Mortgage Arrears Statistics.

Figure 25 presents the total number of mortgage modifications by the type of arrangement up to Q4 2015 for both PDH and BTL mortgages. For PDH loans, the most commonly occurring arrangement types are arrears capitalisations and permanent split mortgages. These arrangement types also posted the fastest growth rates. The share of other reduced payment arrangements has been falling in recent quarters as have the frequency of interest only schemes. For BTLs, the most common arrangement was reduced payment schemes.

**Figure 25.** Total Restructured PDH Mortgage Accounts by Type, Q4 2010 - Q4 2015



Source: Central Bank of Ireland, Mortgage Arrears Statistics.



**Table 5.** Percentage of Modifications Meeting Arrangement Terms, Q4 2015

Table 5 outlines the percentage of modified loans that are meeting the terms of the arrangement, both in total and for each specific type of modification as of Q4 2015. Overall for PDH loans, 86.4 per cent are meeting the terms of the arrangement. The equivalent figure for BTL is 85.1 per cent. The percentage of borrowers meeting the arrangement terms has increased since Q1 2015 as reported in the previous HCMR (H2 2015). There is variation across modification type in the percentage of borrowers meeting the terms of the arrangements.

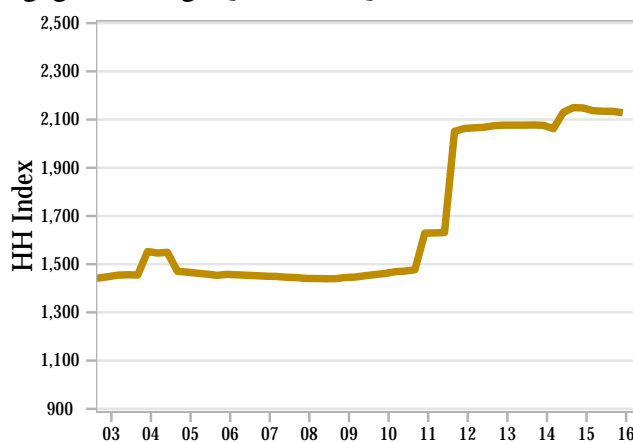
	PDH	BTL
Arrears Capitalisation	76.3	59.2
Deferred Interest Scheme	67.6	n/a
Interest Only - over one year	89.9	90.9
Interest Only - up to one year	84.0	84.8
Other	87.3	89.3
Payment Moratorium	94.2	97.6
Permanent Interest Rate Reduction	49.3	n/a
Reduced Payment (greater than interest only)	88.4	93.3
Reduced Payment (less than interest only)	62.6	85.0
Split Mortgage	95.1	94.6
Temporary Interest Rate Reduction	91.8	95.5
Term Extension	91.5	92.6
<b>Total</b>	<b>86.4</b>	<b>85.1</b>

Source: Central Bank of Ireland, Mortgage Arrears Statistics.

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

## 2.6 Mortgage Market Structure

Figure 26 presents a Herfindahl index (HH Index) for the stock of outstanding Irish mortgages. This measure is the sum of the squares of each institution's market share and is a widely accepted measure of concentration. The index has increased since the onset of the crisis and is currently high in a historical Irish perspective. The sharp increases in 2011 relate to market exits, mergers (such as AIB and EBS) and loan transfers. Values of greater than 1800 are internationally accepted by competition practitioners to be high. As the current Irish level exceeds this threshold, this indicates a highly concentrated market.

**Figure 26.** Concentration Index for Irish Mortgage Lending, Q1 1998 - Q4 2015

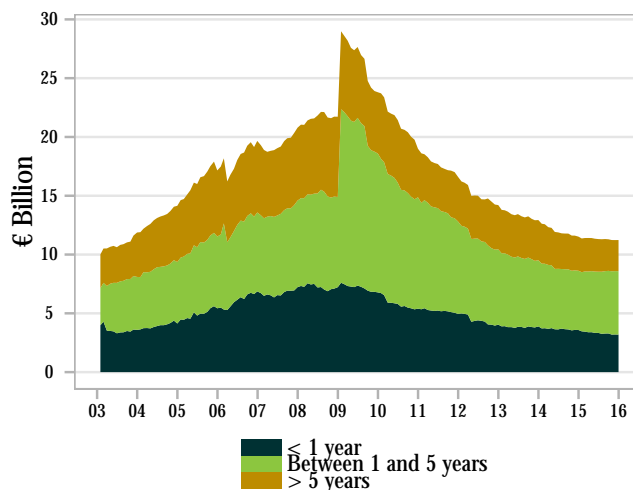
Source: Central Bank of Ireland confidential data.



### 3 Non-Mortgage Household Credit

Figure 27 presents the stock of credit outstanding for consumer lending by Irish resident credit institutions by duration of the loan. Consumer credit of less than one year stood at €3.2bn in December 2015. Loans of 1 to 5 year terms stood at €5.3bn in December 2015. Consumer loans of over 5 years stood at €2.6bn in December 2015. Differences across time periods may be affected by portfolio re-balancing and other compositional issues.

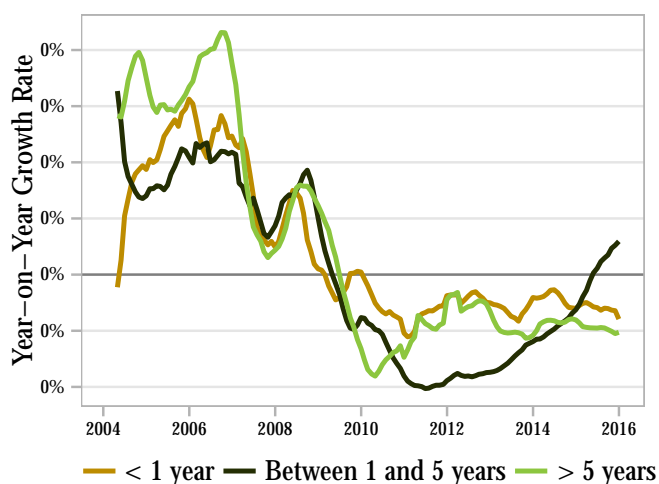
**Figure 27.** Outstanding Stock of Consumer Credit, 2003 - 2015



Source: Central Bank of Ireland, Credit, Money and Banking Statistics. Note: The increase in the series in Q1 2009 reflects the inclusion of credit unions in the reporting population. Note: These data are taken from CBI Credit, Money and Banking table A.5.1.

Figure 28 shows the growth rates in the stock of consumer credit from 2004 onwards for different lending terms. The growth rate in consumer credit of all loan duration turned negative circa Q2 2009 and extensive deleveraging occurred. While the growth rate on loans of < 1 year and > 5 year duration continues to be negative, more recently there has been a recovery in credit of between 1 and 5 year duration. The growth rate on these loans was 6.9 per cent in December 2015, up from -5.3 per cent year-on-year. Loans of < 1 year and > 5 year duration experienced -11 per cent and -8.9 per cent growth rates as of December 2015.

**Figure 28.** Growth Rate in Outstanding Stock of Consumer Credit, 2010 - 2015



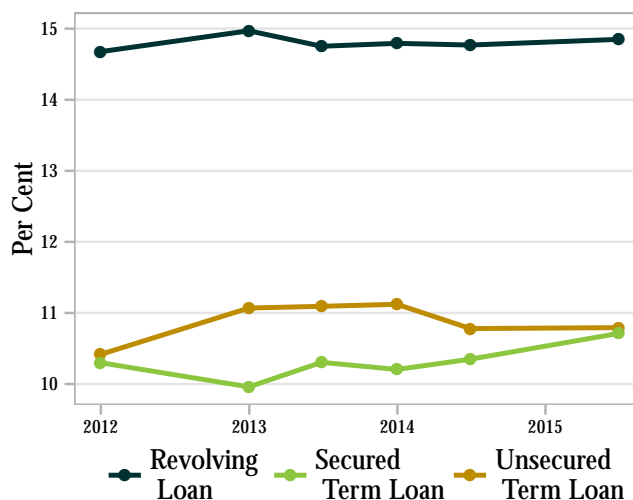
Source: Central Bank of Ireland, Credit, Money and Banking Statistics. Note: These data are taken from CBI statistical table A.5.1. Note: These growth rates have been adjusted to account for compositional issues.



Figure 29 shows the interest rates on outstanding loan amounts of consumer and other loans by loan type over time. These data are taken from the Central Bank of Ireland LLD for the following reporting institutions: Allied Irish Banks (EBS), Bank of Ireland and Permanent TSB. These figures are therefore only representative of these institutions and do not reflect the financing conditions provided by other players in this market.<sup>a</sup> As of June 2015 (the latest available loan-level data), revolving loans (credit cards and overdrafts) have the highest interest rates at 14.7 per cent. Term loans, both secured and unsecured, have lower rates at 10.7 and 10.8 per cent respectively.

<sup>a</sup>This can include credit cards provided by other financial institutions or auto loans provided by car manufacturers own financing arms.

**Figure 29.** Interest Rates on Consumer Credit, December 2011 to June 2015

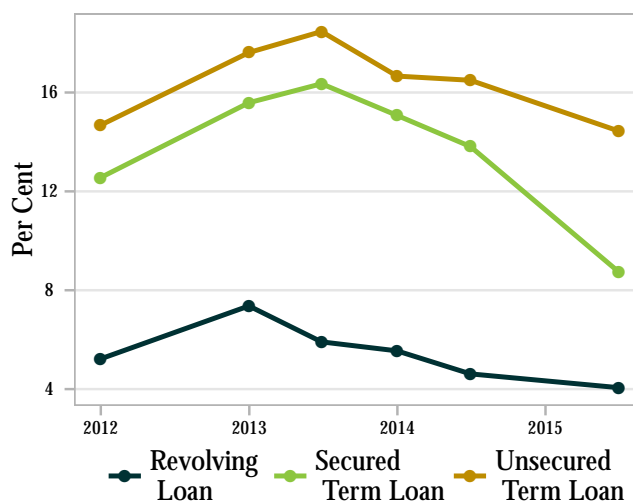


Source: CBI Loan-Level Data.

Figure 30 presents the share of the total number of loans in arrears for revolving facilities as well as secured and unsecured consumer term loans. Arrears rates for consumer loans are on a declining trend. The arrears rate for unsecured term loans was highest at just over 14 per cent of loans. Term secured loans had the second highest arrears rate at approximately 8.75 per cent while revolving loans had an arrears rate of approximately 4 per cent.\*

\*Note that revolving loans may have significantly lower arrears rates by count than term loans due to low utilization rates on revolving facilities i.e. credit card accounts with no usage.

**Figure 30.** Arrears Rate on Consumer Loans by Loan Count, December 2011 to June 2015

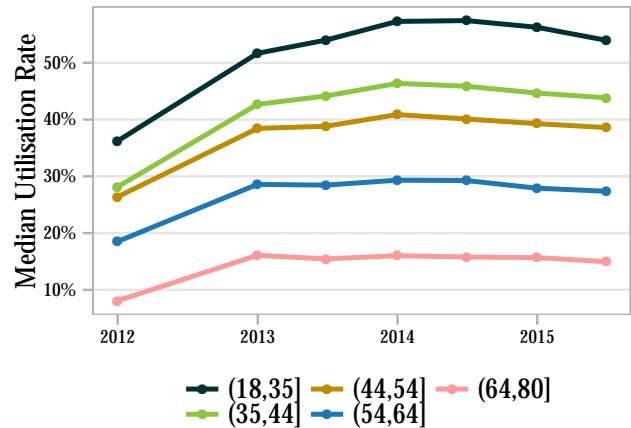


Source: Central Bank of Ireland, Loan Level Data.



**Figure 31.** Credit Card Utilisation Rate by Borrower Age, December 2011 to June 2015

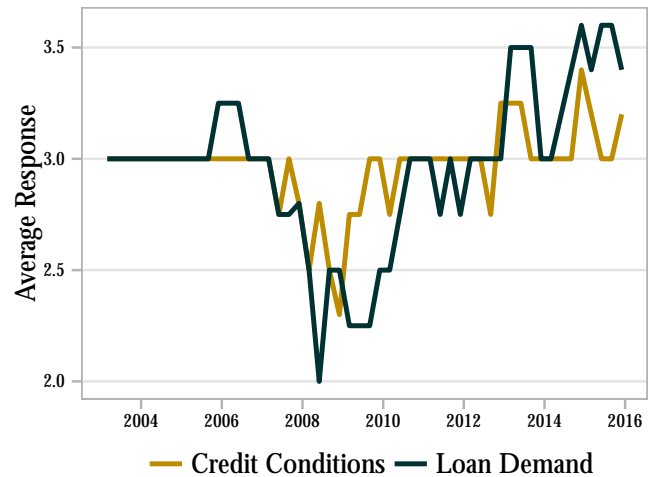
Figure 31 presents the average utilisation rate on credit cards by the age of the borrower. Each data point is calculated at the drop date of the CBI LLD which covers the period December 2011 to June 2015. Credit card utilisation is generally higher for younger borrowers possibly reflecting higher financial sophistication or liquidity constraints. There was also an increase in credit card utilisation between 2012 and 2013 for all age groups.



Source: Central Bank of Ireland, Loan-Level Data.

Figure 32 presents average response from bank loan officers to questions on credit conditions and credit demand for consumer lending from the CBI/ECB Bank Lending Survey. Each respondent indicates whether credit conditions have changed in the following manner: 1 = Tightened considerably, 2 = Tightened somewhat, 3 = Remained basically unchanged, 4 = Eased somewhat, and 5 = Eased considerably. For credit demand, respondents answer: 1 = Decreased considerably, 2 = Decreased somewhat, 3 = Remained basically unchanged, 4 = Increased somewhat, and 5 = Increased considerably. The responses indicate that in recent quarters, credit demand for consumer loans has increased while there has been a loosening of supply conditions since Q4 2014.

**Figure 32.** Loan Demand and Credit Conditions for Consumer Loans, Q1 2003 - Q4 2015



Source: Central Bank of Ireland, Bank-Lending Survey.



## Appendix 1: Data Sources

Information from the following sources is used:

- Central Bank of Ireland: Credit, Money and Banking Statistics, <http://www.centralbank.ie/polstats/stats/cmab/Pages/releases.aspx>. The loan data presented from this source represents securitised and non-securitised loans from Irish resident financial institutions. This is a lower bound figure as it does not include Irish banks that were previously in the reporting population to the CBI but have since left the market and banks whose mortgage loan books have been sold to non-banks or sub-prime mortgages.
- Central Bank of Ireland: Retail Interest Rate Statistics
- Central Bank of Ireland: Quarterly Financial Accounts, <http://www.centralbank.ie/polstats/stats/qfaccounts/Pa>
- Central Bank of Ireland Loan-Level Data: This data set provides information on a wide range of loan characteristics including outstanding balances, loan terms and loan repayment for the population of mortgage and consumer loans at Allied Irish Banks, Bank of Ireland and Permanent TSB. Loans in 'Arrears' are defined as loans greater than 90 days past due and/or impaired.
- Central Bank of Ireland: Mortgage Arrears Statistics, <http://www.centralbank.ie/polstats/stats/mortgagearrears>
- European Central Bank, Monetary Financial Institution (MFI) Statistics.
- Eurostat, Population Statistics are used in calculating per capita values.
- Herfindahl-Hirschman Indices are calculated using the bank-level data used to compile the Central Bank of Ireland's *Credit, Money and Banking* statistics.
- Banking and Payments Federation Ireland, New Lending Statistics, <http://www.bpfi.ie/publications/statistics/new-mortgage-lending/>

This report has been compiled including published data available at, or before, 4th April 2016.





## Appendix 2: Glossary of Key Terms and Abbreviations

The following are key terms used in this document:

<b>BTL</b>	Buy-To-Let
<b>CBI</b>	Central Bank of Ireland
<b>CC</b>	Consumer Credit
<b>CLTV</b>	Current Loan-to-Value
<b>EBA</b>	European Banking Authority
<b>ECB</b>	European Central Bank
<b>FMP</b>	Financial Measures Programme
<b>FTB</b>	First Time Buyer
<b>IO</b>	Interest Only Mortgage
<b>LLD</b>	Loan Level Data held by Central Bank of Ireland
<b>NP</b>	Non-performing loan
<b>OL</b>	Other Loan
<b>OLTV</b>	Originating Loan-to-Value Ratio
<b>PDH</b>	Principal Dwelling House
<b>REV</b>	Revolving Loan such as Overdraft or Credit Card
<b>RIL</b>	Retail Investment Loan for Residential Property Purchase
<b>SSB</b>	Second and Subsequent Borrowers
<b>SVR</b>	Standard Variable Rate
<b>Tracker</b>	Mortgage interest rate that automatically changes in line with the a contracted policy rate

