Residential Mortgage Arrears and Repossessions Statistics Explanatory Notes

December 2020

The Residential Mortgage Arrears and Repossessions Statistics detail quarterly developments in the number and value of mortgages in arrears, restructured mortgages, in legal proceedings and repossessed properties. Data are broken down by principal residences (PDH) and buy-to-let properties. Data are published on a quarterly basis and are subject to revision.

Reporting population:

The reporting population includes all Irish-resident banks, retail credit firms and credit servicing firms that hold or service residential mortgage loans secured on properties located in the Republic of Ireland. A detailed list of authorised institutions in each sector is available here.

Non-bank entities comprise of Retail Credit Firms and Credit Servicing Firms. More detailed information on these institution groups is available on the Central Bank website here.

Definitions:

Mortgage account:

An account which records a loan to an individual for house or apartment purchase, renovation, improvement or own construction of housing, which is fully or completely secured by a mortgage on the residential property. This property is or will be occupied by the borrower or let for residential purposes by the borrower. The mortgage arrears statistics are presented at account level, rather than property level or customer level. For example, two loans secured on the same property (i.e. the original mortgage loan and a subsequent top-up loan) are reported as two separate accounts. Only mortgages secured on properties located in the Republic of Ireland are included.

Outstanding Balance:

The value of the outstanding mortgage including arrears, accrued interest, and any unpaid customer fees and charges. Includes legal costs, where added to the balance outstanding.

Arrears:

Defined in accordance with Section 3(a) of the Central Bank Code of Conduct on Mortgage Arrears (CCMA) which states that "Arrears: arise on a mortgage loan account where a borrower has not made a full mortgage repayment, or only makes a partial mortgage repayment, in accordance with the original mortgage contract, by the scheduled due date".

Arrears 'days past due' calculation:

The arrears figures denote the value of arrears (payments not received by the contractual due date) expressed as equivalent days past due. Arrears of over 90 days past due do not necessarily signify that borrowers have not made mortgage repayments for the last 90 days, or three months. For example, a borrower can be making partial repayments on a monthly basis but may still be in arrears of a value equivalent to over 90 days past due. In the same way, arrears of over 180 days past due does not necessarily signify that borrowers have not made mortgage repayments for the last six months.

The calculation of arrears excludes:

- Accounts in which the value of the property has been realised but an amount remains outstanding on which the lender is seeking repayment;
- Any costs, fees or charges which have not been added to the outstanding loan balance.

Legal status of accounts in arrears:

Four distinct stages of the legal process are captured in the legal status section of PDH mortgage accounts, they are as follows.

No formal demand issued:

Accounts, which are in arrears, but where no formal demand has been issued and hence court proceedings have not been initiated. This includes accounts where a formal demand letter was issued in the past, but this is no longer active or outstanding (e.g. borrower may have engaged and a restructure was put in place).

Formal demand issued:

Includes the issuance of formal demand, by the loan owner or the loan owner's solicitor, either for the full amount due on the mortgage, or for possession of the underlying property.

This does not include cases where an application has been made to a court to begin repossession proceedings or where court proceedings are currently ongoing.

Legal proceedings have been issued:
Means that a formal application has been made to a court to begin repossession proceedings, or that legal proceedings are currently ongoing.

This includes:

- Civil Bill lodged/entered at Circuit Court or High Court: accounts where a Civil Bill has been lodged or entered at the Circuit Court or High Court. This is the first time the Bill has been lodged for a particular account, and has been assigned a unique case number.
- Court Hearings in progress (at least 1 court hearing has taken place): is the number of accounts where at least one court appearance has occurred. Frequently, the first hearing and in some cases the first number of hearings will result in an adjournment. In cases where the first hearing be adjourned, this will still count as a hearing for the purposes of this statistical collection.

Accounts where Legal proceedings are concluded (arrears remain outstanding):
This data reflects the number of accounts for which court proceedings have been concluded. It includes cases for which an order for possession or sale has been obtained, or court proceedings have concluded because:

- Proceedings have been struck out;
- Settlement agreement has been entered on the record;
- Proceedings have been adjourned generally (i.e. proceedings may have been settled, but the settlement remains a matter of agreement between the parties and does not form part of the court record. In such cases the lender will be able to recommence proceedings if the borrower does not comply with the agreement);
- Proceedings have been dismissed;
- Judgement has been entered in favour of the lender, including where an order for possession or sale has been granted by a court (includes orders obtained with a stay of execution).

Restructured mortgages:

A restructure occurs when the repayment term of a loan contract is renegotiated in order to make the repayment more manageable for the borrower. The data collected on restructured loans relate solely to those mortgages restructured due to financial distress.

The data at the end of the quarter is the total stock of restructures to date, while accounts that are restructured but possess arrears are also presented. These restructured loans with arrears outstanding are also included in the over 90 days arrears section of the dataset. It must be noted that the number of restructured accounts possessing arrears at the end of the quarter does not indicate the level of mortgages that have slipped back into arrears after initial restructuring. Restructured accounts that are in arrears are comprised of loans that had arrears both prior to restructuring (but are now performing according to the new arrangement), and those loans that have slipped back into arrears post restructuring.

The quarterly increase in the total stock of restructures is not due exclusively to *new* restructures that took place in the quarter, as some restructuring arrangements that were in place at the end of the previous quarter will have expired by the end of the current quarter. Therefore, those accounts whose arrangements have expired at some point in the current quarter are not included in the overall stock of restructures at the end of the current quarter.

Restructured accounts in arrears are further examined to determine whether or not the terms of the new arrangement are being met. A restructured account that is in arrears is defined as 'meeting the terms of the arrangement' if the borrower is, at a minimum, meeting the contractual monthly repayments, as per the new agreement.

Personal Insolvency Arrangement:

A 'Personal Insolvency Arrangement' (PIA) is an insolvency solution for borrowers with unsecured and secured debts, as defined in the Personal Insolvency Act 2012. It is a formal agreement with a creditor(s) where there is a write-off of some unsecured debt and a restructure of the remaining secured debt.

Status of borrower engagement:

This section was introduced to the statistical collection in 2020, and relates only to accounts that are currently not restructured.

Defined in accordance with the CCMA, which sets out strict criteria in relation to loan owners classifying borrowers as not co-operating. Chapter 2 of the CCMA outlines the circumstance where a borrower can be considered as not co-operating with the lender. Prior to classifying a borrower as not co-operating, a lender must write to the borrower and:

a) Inform the borrower that he/she will be classified as not co-operating if he/she does not undertake specific actions within at least 20 business days of the date of the letter to enable the lender to complete an assessment of the borrower's circumstances; Code of Conduct on Mortgage Arrears.

b) Outline the specific actions that a borrower must take within the period allowed in accordance with Provision 28 a), to avoid being classified as not co-operating;

c) Outline the ongoing actions that a borrower must take to avoid being classified as not co-operating, including a statement that if any of these ongoing actions are not undertaken at any point in the future, the lender may classify the borrower as not co-operating without further warning;

d) Outline to the borrower the implications of not co-operating.

e) Include a statement that the borrower may wish to seek appropriate legal and/or financial advice, for example from MABS; and

f) With regard to the potential for legal proceedings, include a statement that, irrespective of how the property is repossessed and disposed of, the borrower will remain liable for the outstanding debt, including any accrued interest, charges, legal, selling and other related costs, if this is the case.

These data are further broken out into borrowers who are deemed 'not co-operating' and where legal proceedings have been initiated. This sub-set will not match data reported under the 'Legal Status of Accounts in Arrears' section of the dataset as it is a narrower sub-set.