



Macroprudential Measures and Irish Mortgage Lending: An Overview of Lending in 2016

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Abstract

This *Economic Letter* provides an overview of residential mortgage lending in Ireland in 2016 for the five credit institutions reporting loan-level data to the Central Bank of Ireland as part of their compliance with loan-to-value (LTV) and loan-to-income (LTI) macroprudential Regulations. A total of €5.7 billion of mortgage lending was originated by these banks in 2016. The majority of new lending was for the purchase of primary dwelling homes (PDHs); within this group, first-time buyers (FTBs) accounted for 51 per cent of new lending and second and subsequent borrowers (SSBs) for the remaining 49 per cent. The average LTV and LTI ratios of FTBs and SSBs in-scope of the Regulations in 2016 were similar to those observed in 2015. Across the five institutions, 12 per cent of the value of PDH lending exceeded the LTV limit and 13 per cent exceeded the LTI limit for that group. We observe differences in the characteristics of borrowers with and without an allowance to exceed the limits of the Regulations. Specifically, a larger share of SSBs, couples, higher income and Dublin-based borrowers presented among the PDH group with an LTV allowance, relative to those without; SSBs accounted for 61 per cent of that group. In contrast, a larger share of FTBs, single persons, lower income and Dublin-based borrowers presented among the PDH group with an LTI allowance; 70 per cent of that group were FTBs. We find that approximately 66 per cent of FTBs and SSBs in 2016 originated a mortgage with an LTV that was below their regulatory limit. Among FTBs with an allowance to exceed the LTV limit set by the Regulations, the majority had an LTV at or below 90 per cent. This pattern is also evident among SSBs with an allowance to exceed the regulatory LTV limit.

1 Introduction

The Central Bank of Ireland introduced macroprudential Regulations (interchangeably 'measures') to limit the loan-to-value (LTV) and loan-to-income (LTI) ratios applying to new residential

mortgage lending on the 9th February 2015. The Regulations were designed to enhance the resilience of banks and borrowers to future shocks and to reduce the potential for house price-credit spirals from developing in the future. To monitor compliance with the Regulations, the Central

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Bank of Ireland collects detailed loan-by-loan information from financial institutions; the data include a range of information on loan, borrower and collateral characteristics of each loan originated since the Regulations were introduced. The data are collected on a biannual basis and allow for an exploration of lending developments among different borrower groups (first-time buyers (FTBs), second and subsequent buyers (SSBs) and buy-to-lets (BTLs)).

This *Economic Letter* employs the latest available data, which covers lending throughout 2016, to provide an overview of the lending activity that took place in Ireland under the Regulations. It builds on a previous analysis to inform on lending patterns since the 9th February 2015 (see Keenan et al. (2016); Kinghan et al. (2016a)). Following a review of the mortgage measures conducted in 2016, a number of changes to the Regulations were announced and became effective on the 1st January 2017 CBI (2016).² The data employed in this *Economic Letter* cover the period prior to these changes.

The *Economic Letter* proceeds as follows: Section 2 provides an overview of the mortgage measures and the data source employed. An overview of new residential mortgage lending in 2016 is also presented. In Section 3, the characteristics of loans in-scope of the Regulations are presented. A brief comparison to lending in 2015 is also provided. Section 4 discusses lending that was exempt from the Regulations in 2016. In Section 5, allowable lending in excess of the limits of the Regulations is explored and compared to lending within the limits set by the Regulations. Finally, Section 6 concludes.

2 Market Overview

2.1 The Measures

The mortgage measures specify limits on the LTV and LTI ratios applying to new lending for residential purposes. The measures differentiate between borrower types, with different LTV limits applying to FTBs and SSBs for purchases of primary dwelling homes (PDH), and a separate LTV limit for BTLs. Table 1 provides an overview of the measures, as they applied to new lending for resi-

dential purposes from the 9th February 2015 to the 31st December 2016. There are a number of exemptions to the Regulations, and these are shown in the bottom row of Table 1. Under the measures, FTBs were subject to a sliding LTV limit until end-2016, where the first €220,000 of their purchase required a 10 per cent deposit and the balance above €220,000 required a 20 per cent deposit. SSBs were subject to a maximum LTV of 80 per cent on their property purchase under the Regulations, while BTLs were subject to a 70 per cent maximum LTV. The LTI limit was set at 3.5 times gross income, and applied only to borrowers purchasing their primary residence (FTBs and SSBs).

The Regulations allow for a share of new lending above the LTV and LTI limits, referred to as allowances in column 4 of Table 1. This recognises that higher LTV and LTI mortgages can be appropriate in certain circumstances. In 2016, financial institutions were permitted to lend up to 15 per cent of the value of new PDH lending in excess of the LTV limit for PDH borrowers while 10 per cent of the value of new BTL lending was allowed exceed the LTV limit for that group. Regarding the LTI limit, financial institutions could provide up to 20 per cent of the value of their new PDH lending in excess of the LTI limit.

2.2 Data

Financial institutions that advance at least €50 million of new mortgage lending in a six month period (January - June or July - December) are required to submit detailed loan-by-loan data to the Central Bank of Ireland in a return called "SI 47 Monitoring Template". The return is designed to monitor compliance with the mortgage Regulations. Over the period 1st of January to the 31st of December 2016 period, five lenders met the criteria. These were Allied Irish Bank (AIB, including the Educational Building Society (EBS)), Bank of Ireland (BoI), Permanent TSB (PTSB), Ulster Bank Ireland (UBIL) and KBC Bank Ireland (KBC).

This *Economic Letter* analyses data on 29,893 loans from these five institutions to provide insights on lending from the 1st of January to the 31st of December 2016. Figure 1 displays the value and volume of total lending covered by these data on

²The "Review of Residential Mortgage Lending Requirements" is available at: <https://www.centralbank.ie/docs/default-source/macprudential-policy/policy-documents/report-on-the-outcome-of-the-2016-review.pdf?sfvrsn=6>

a monthly basis. In general, lending volumes and values increased throughout 2016.

2.3 Market Overview

Table 2 provides an overview of lending in 2016. This represents the first full calendar year of lending to take place since the introduction of the measures. The total value of all loans extended over the period was €5.7 billion. Lending that was in-scope of the Regulations accounted for 92 per cent of this figure and the bulk of this lending was for the purchase of PDHs. Among in-scope PDH borrowers, 51 per cent of new lending was extended to FTBs while 49 per cent was extended to SSBs.

As discussed in Section 2.1, a certain amount of new lending in excess of the limits of the Regulations is permitted.³ Table 2 shows that at end-December 2016, 12 per cent of the value of new PDH lending at these five institutions exceeded the LTV limit, 13 per cent exceeded the LTI limit and 2 per cent exceeded the LTV limit for BTL borrowers.

Lending that was exempt from the Regulations accounted for 8 per cent of the value of lending in 2016. Among this group, switcher mortgages accounted for 72 per cent of lending, with a total value of €331 million.⁴ Negative equity loans accounted for 22 per cent of exempt lending with a value of €99 million and the 'other' category (primarily restructuring of distressed loans) accounted for the remaining 7 per cent (€31 million in value) of exempt loans. In Section 4, we explore exempt loans in further detail.

3 In-Scope Lending in 2016

In this section, we examine key loan and borrower characteristics of in-scope lending in 2016 for each borrower type.⁵ As shown in Table 2, in-scope loans accounted for 92 per cent of total lending in 2016. This analysis is based on **loans for house purchase and self-builds only**, i.e. to provide an

overview of new mortgages extended in 2016, we exclude borrowers who switched mortgage provider and increased their loan size as well as equity release / top-up loans. We also provide a comparison to lending in 2015 and earlier periods.⁶

3.1 First Time Buyers

Table 3 presents the average loan and borrower characteristics for FTBs in-scope in 2015 and 2016, along with a statistical test for significant differences between the two years. In 2016, the average loan drawn down by FTBs was €185,939 and the average property value was €250,361. In comparison to 2015, we observe higher average loan sizes and property values, however the increase in property values is broadly in line with average property price increases over the period.⁷ The average income of FTBs in 2016 was €67,287, which represents an increase of €2,566 on the average among FTBs in 2015.⁸ There was no marked difference in the average LTV or LTI extended to FTBs in 2016 relative to 2015 (standing at 78.8 per cent and 2.9 respectively in 2016). Approximately 56 per cent of FTBs had a fixed interest rate mortgage in 2016, with 44 per cent on standard variable rates. More FTBs had a standard variable rate in 2016 compared to 2015. The average interest rate for FTBs was 3.6 per cent.

Regarding borrower characteristics, FTBs in 2016 were, on average, 34 years old. This represents a year increase on the average age for FTBs in 2015. The largest share of FTBs in 2016 was accounted for by single borrowers (approximately 56 per cent), while over a third of FTBs resided in Dublin. Almost 90 per cent of FTBs were employees.

To provide further detail on FTB lending, Figure 2 presents the distribution of LTVs for each FTB loan originated in 2016 by corresponding property value. This figure also displays the regulatory implied LTV for each property value. It is clear that many FTBs had LTVs below the maxi-

³Over the period, 15 per cent of the value of each institution's new PDH lending could exceed the LTV limit set by the Regulations, while 20 per cent of new PDH lending could exceed the LTI limit. In the case of BTL borrowers, 10 per cent of new lending could exceed the LTV limit.

⁴Switchers are defined as borrowers refinancing their mortgage with no increase in capital.

⁵All of the borrower characteristics presented in this *Economic Letter* refer to those of the first borrower listed on the loan application.

⁶Lending in 2015 covers the period from 9th Feb 2015 to 31st Dec 2015.

⁷Data from the Central Statistics Office indicates that, in the year to December 2016, residential property prices at a national level increased by 7.9 per cent.

⁸Income refers to the total gross income of all borrowers listed on the mortgage loan.

imum permitted under the Regulations (i.e. below the implied LTV line in Figure 2). Specifically, 66 per cent of FTBs fall into this category.

Finally, Figure 3 presents the evolution of LTV and LTI ratios among FTBs over the period 2006 to 2016. The data for 2015 and 2016 reflect loans in-scope of the Regulations only, while data for the pre-Regulations period includes all loans.⁹ The figure reports the mean, median and distributions of LTV and LTI ratios over the entire period. The average LTV and LTI ratios recorded in 2015 and 2016 are close to those observed over the 2013 - 2014 period.

3.2 Second and Subsequent Buyers

For SSBs, the average loan drawn down in 2016 was €217,602 and the average property value was €390,933, as shown in Table 4. In keeping with the pattern among FTBs, these figures represent an increase on the average values recorded in 2015. Similarly, the average income of SSBs in 2016, at €106,421, was up slightly (by just over €2,000) from the average value recorded in 2015. The average LTV in 2016 was 66.4 per cent and the average LTI was 2.4, which are in line with the average values recorded for these variables in 2015. The average interest rate for SSBs was 3.3 per cent and in contrast to FTBs, over 50 per cent of SSBs had a standard variable rate mortgage in 2016, with 37 per cent on a fixed interest rate. Similar patterns are evident for borrowing in 2015.

Approximately 72 per cent of SSB loans in 2016 was accounted for by couples and almost 42 per cent was extended to borrowers in Dublin. The average age of SSBs borrowers was 41 years old and close to 88 per cent of SSB borrowers were employees. A slightly larger share of SSB borrowers were self-employed, in comparison to FTBs, at 6 per cent.

Figure 2 presents the distribution of LTVs for each SSB loan originated in 2016 by corresponding property value. The 80 per cent regulatory LTV limit is indicated. We observe that many SSB loans in 2016 had an LTV below 80 per cent; specifically, 65 per cent of SSB loans was in this group. Relative to FTBs, there was a larger share of higher value house purchases among SSBs in 2016.

The evolution in LTV and LTI ratios among SSBs are also presented in Figure 3, for the time period 2006 to 2016. The data for 2015 and 2016

reflect loans in-scope of the Regulations only, while data for the pre-Regulations period includes all loans. Similar to the case of FTBs, we observe little variance in average LTV and LTI since the introduction of the measures.

3.3 Buy-to-Let Borrowers

The average characteristics of BTLs are displayed in Table 5. Given the small number of observations, we focus only on loan characteristics. The average loan drawn by BTL borrowers in 2016 was €119,182, the average property price was €235,184 and the average LTV was 55.8 per cent. Relative to 2015, the average loan size and property price were slightly lower in 2016. This differs from the finding of higher average loan sizes and property prices among FTBs and SSBs in 2016.

4 Exempt Loans

In this section, we examine the characteristics of new lending in 2016 that was exempt from the Regulations. Exemptions are permitted for new PDH lending if:

- the borrower is in **negative equity** at the time the loan is advanced (LTV exemption only);
- the purpose of the lending is to facilitate a borrower who is **refinancing** an existing mortgage without any increase in the principal loan amount outstanding (switcher mortgages) or;
- the loan is part of a **mortgage arrears resolution process** to address arrears or pre-arrears on an existing mortgage loan.

Due to the small number of new loans associated with the latter group, we focus here on the first two, namely, negative equity and switcher mortgages. We compare the characteristics of these groups to the average SSB characteristics (for in-scope loans). The results are shown in Table 6.

⁹See Kinghan et al. (2016b) for details of the data underlying the pre-2015 period.

4.1 Negative Equity

Negative equity (NE) borrowers who wish to sell their property and purchase a new one are exempt from the LTV limit set by the Regulations. The rationale for this exemption is to allow mobility of negative equity borrowers. Any debt balances outstanding following the sale of the initial property are added (i.e. carried forward) to the balance of the new mortgage loan. Table 6 compares the average loan and borrower characteristics for new NE lending in 2016 with new SSB lending. A number of findings are noteworthy:

• Loan Characteristics:

- First, there were large and statistically significant differences between the average loan size and property price of NE loans and SSB loans in 2016. NE loans had, on average, almost €42,000 smaller loan balances and approximately €78,000 lower property values;
- Second, the average LTV of NE loans was larger than the average for SSB loans by 24.7 percentage points and this difference is statistically significant. Given that NE borrowers carry residual debt from the sale of their previous property, and this debt would be reflected in their new property LTV, this difference is not unexpected;
- Third, NE loans, on average, had a higher LTI ratio (at 3.0) than SSB loans (2.4);
- Fourth, NE loans had longer loan terms, at an average of 27 years, and a larger proportion of NE loans were on an ‘other’ interest rate type (46.0 per cent compared to 10.2 per cent in the case of SSBs). This group includes hybrid interest rates, where a portion of the loan is on one interest rate type and the other portion is on a different interest rate type (e.g. part fixed and part variable). This group also includes tracker interest rates that move in-line with the ECB main refinancing rate;
- Finally, the average size of a property relating to NE loans was, on average, smaller than the average for SSB loans.

• Borrower Characteristics

- On average, NE borrowers were 38 years old in 2016, 3 years younger than the average SSB borrower in 2016;
- Couples represented a larger share of NE borrowers in 2016 relative to SSB borrowers (86.7 per cent compared to 71.9 per cent);
- There was a larger share of NE loans in the Leinster (excluding Dublin) region relative to SSBs.

Figure 4 compares the LTV and LTI distributions of NE loans to the distributions for SSB loans in 2016. The larger share of high LTV loans among the NE loan group is clearly evident in the leftmost chart. Similarly, the rightmost chart shows that a larger share of NE loans took place at higher LTIs in 2016, particularly in the range of 2.75 to 3.5, compared to SSB loans.

4.2 Switchers

Switcher loans capture borrowers who refinance their mortgage by switching to another financial institution but do not increase the size of their loan balance outstanding upon refinancing. The final three columns of Table 6 provide details on the loan and borrower characteristics associated with switcher loans in 2016. A comparison to SSB lending that took place in 2016 is provided. The following findings emerge:

• Loan Characteristics:

- First, the average property price of switchers, at €405,115 in 2016, was higher than the average SSB value (€390,933) in 2016;
- Second, the average LTV of switchers in 2016, at 57.7 per cent, is lower than that of SSBs (at 66.4 per cent), and this difference is statistically significant;
- Third, the average LTI and mortgage term among switchers, at 2.3 and 22 years respectively in 2016, were slightly lower than the corresponding values for SSBs (2.4 and 24);

- Fourth, a comparison of interest rate types shows a higher share of standard variable rate mortgages among switchers and a lower share of ‘other’ interest rate types compared to SSBs.

- **Borrower Characteristics**

- In terms of borrower characteristics, the results show a larger share of Dublin-based borrowers among switchers compared to SSBs (and a correspondingly lower share of Leinster (ex.Dublin) borrowers among switchers). Switcher borrowers were also, on average, one year younger than SSBs, and there was a slightly lower proportion of self-employed borrowers among the switchers group, relative to SSBs.

Figure 5 compares the LTV and LTI distributions of switcher loans to the distributions for SSBs. Switchers are more broadly dispersed across the LTV distribution compared to SSBs, where we observe a prominent spike around an 80 per cent LTV. The LTI chart on the right shows slightly more loans at the lower end of the LTI distribution among switcher borrowers, relative to SSBs.

5 Allowances to Exceed the Regulatory LTV and LTI limits

In this section we focus on in-scope lending in 2016 and we compare the characteristics of loans with an allowance to exceed the LTV and LTI limits set by the Regulations to loans without an allowance. Specifically, we focus on three groups: 1) loans with an allowance to exceed the LTV limit; 2) loans with an allowance to exceed the LTI limit; and 3) loans with an allowance to exceed both the LTV and LTI limits. For BTLs, given the limited number of observations, we focus only on loan characteristics.

5.1 LTV Allowances

Table 7 presents the results for the LTV allowance by borrower type. Focusing on FTBs (top panel), there are a number of differences between the loans and borrowers with and without an allowance to

exceed the LTV limit. Notably, we observe a statistically larger loan size, property value, LTV, LTI and income level among FTB borrowers with an allowance. Furthermore, there was a higher share of couples and Dublin borrowers among the group of FTBs with an LTV allowance, relative to FTBs without an allowance.

Figure 6 presents the LTV and LTI distributions for FTBs with and without an LTV allowance in 2016. The LTV distribution shows a smaller share of high LTV loans among borrowers without an LTV allowance, relative to the group with an allowance to exceed the limit. Among FTBs with an allowance to exceed the LTV limit, the majority had an LTV at or below 90 per cent. The LTI distribution shows a larger share of borrowers with an LTV allowance with an LTI in the range of 2.5 to 3.5, relative to FTB borrowers without an LTV allowance. The chart also indicates a number of cases with an LTI above 3.5, indicating that some FTB borrowers with an LTV allowance also had an allowance to exceed the LTI limit.

Table 7 also presents results for SSBs with and without an LTV allowance. SSB loans with an allowance to exceed the LTV limit had, on average, a statistically larger loan size, a higher LTV, a higher level of income and a higher LTI, compared to those without an allowance. Regarding borrower characteristics, SSBs with an allowance were younger by three years, on average, than SSBs without an allowance. There was also a higher share of couples among SSBs with an allowance, relative to those without and a higher share of Dublin based borrowers in the ‘with allowance’ group.

Figure 7 displays the LTV and LTI distributions for SSBs with and without an LTV allowance. Regarding the LTV distribution, there was a clustering of loans without an LTV allowance at the LTV limit of 80 per cent. Loans with an LTV allowance were largely grouped between 80 and 90 per cent LTV, with an LTV of 90 per cent being the most common level.

Finally, BTL loans with and without an LTV allowance are compared in the bottom panel of Table 7. There were no statistically significant differences in the loan size or property value of BTL loans with and without an LTV allowance in 2016.

5.2 LTI Allowances

In this section, we provide a description of the loan and borrower characteristics for loans with and without an allowance to exceed the 3.5 LTI limit applying under the Regulations. Differences in loan and borrower characteristics are presented in Table 8. BTL loans are not covered since they are not subject to the LTI limit.

For FTBs, there are a number of differences between the groups. The average loan size and property value were statistically higher for FTBs with an LTI allowance, as was the average LTI. There was no statistically significant difference in the average LTV of FTBs with and without an LTI allowance. However, the average income of borrowers with an LTI allowance was lower than that of borrowers without an allowance. There was also a larger share of single borrowers in the 'with allowance' group, than without. A larger share of FTB borrowers with an LTI allowance were based in Dublin relative to the group without an LTI allowance. The average age of FTB borrowers with an allowance was lower than that of FTBs without an allowance.

For SSBs, the average loan size, property value, LTV and LTI were statistically higher among the group with an LTI allowance. However, the average income of SSB borrowers with an allowance was over €11,000 lower than for borrowers without an LTI allowance. Similarly, SSB borrowers with an LTI allowance were younger, on average, than those without.

The LTV and LTI distributions for FTBs and SSBs with or without an LTI allowance are shown in Figure 8 and Figure 9 respectively. For both FTBs and SSBs, there is a clear divide in the LTI distribution at either side of the 3.5 limit. For borrowers with an allowance to exceed the LTI limit, it is clear that these borrowers had an LTI in the range of 3.5-4.5. Regarding the distribution of LTVs for SSBs, it is evident that some borrowers with an LTI allowance also had an allowance to exceed the LTV limit of 80 per cent.

5.3 LTV and LTI Allowances

Figure 10 depicts the intersection of LTV and LTI by borrower type (FTB or SSB) and by allowance type (LTV only; LTI only; LTV and LTI or no allowance). The majority of new lending for both FTBs and SSBs was within the bounds of the LTV

and LTI limits. As noted earlier, some FTB and SSB borrowers had allowances to exceed both the LTV and LTI limits set by the Regulations. However, these are small in number.

6 Conclusions

This *Economic Letter* provides an overview of new residential mortgage lending that took place in Ireland in 2016. This represented the first full year of new lending under the mortgage Regulations, which were effective from the 9th February 2015. The data cover the period prior to changes to the Regulations arising from the November 2016 review of the measures. These announced changes took effect on the 1st January 2017. The *Letter* describes the characteristics of borrowers and loans that were either in-scope of or exempt from the mortgage Regulations in 2016, and provides a comparison to data from 2015. Finally, the *Letter* also provides details on loans with an allowance to exceed the LTV and LTI limits, as permitted under the Regulations.

A number of findings emerge. First, the total value of new lending by the five main mortgage lending institutions in Ireland in 2016 was €5.7 billion. This represented a total of 29,893 loans. The vast majority of lending was for PDH purchases with limited buy-to-let activity. Second, exploring the credit conditions faced by different borrower groups in-scope of the mortgage Regulations, the data indicate that LTV and LTI ratios were relatively constant across 2015 and 2016. LTV and LTI ratios were higher for FTBs relative to SSBs in 2016. This is unsurprising as SSBs usually carry equity from a previous property when purchasing a new dwelling. Profiling the borrowers in the market, the loan size, property value and income for SSBs were all higher than for FTBs in 2016. There was also a higher proportion of couples among the SSB group (72 per cent) while single borrowers featured more prominently among FTBs (56 per cent). Dublin based borrowers accounted for the largest share of property purchases in 2016.

Third, we find that a relatively small share (8 per cent) of new lending took place in 2016 under the exemptions to the Regulations (negative equity, switcher and mortgage restructuring loans). Compared to SSB in-scope lending, negative equity loans were associated with smaller loan sizes and smaller property values. A higher share of negative

equity loans were in the Leinster (ex-Dublin) region and borrowers were younger, on average, than SSB borrowers. Among borrowers who switched their mortgage provider, we find lower average LTVs while switchers also had lower terms outstanding compared to SSBs. A larger share of those who switched resided in Dublin relative to SSBs.

Fourth, this *Economic Letter* examines loan and borrower characteristics for loans with and without an allowance to exceed the limits set by the Regulations. Among PDH borrowers (both FTBs and SSBs) with an allowance to exceed the LTV limit, we find a higher share of couples, a higher share of borrowers in Dublin, a larger loan size and higher average incomes than those borrowers without an LTV allowance. In the case of FTBs, we also find higher property values than those without an LTV allowance.

Regarding the LTI allowance, for both FTBs and SSBs, we find that the average borrower with an LTI allowance was younger and the average in-

come was lower than the average borrower without an LTI allowance. The average loan size and property value were higher among those with an LTI allowance relative to borrowers without an allowance. We also find a higher share of single and Dublin based borrowers in the group with an LTI allowance. Among SSBs with an LTI allowance, borrowers with an allowance had larger LTVs compared to those without.

The Central Bank remains committed to regularly reviewing the mortgage market measures as part of an ongoing evaluation process embedded in its macroprudential policy framework. Data on new mortgage lending forms an integral part of the review process. The amendments to the Regulations announced in November 2016, following the first review of the measures, became effective for all new lending from the 1st January 2017. This *Economic Letter* covered new lending in 2016. Future data will similarly provide details of new lending under the amended Regulations.

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Tables

Table 1: Overview of Macroprudential Regulations for Mortgage Lending*

Loan-to-value limits	Private dwelling homes	FTBs: Sliding LTV limit from 90%** Non-FTBs: 80%	To be exceeded by no more than 15% of new lending
	Investors	70% LTV limit	To be exceeded by no more than 10% of new lending
Loan-to-income limits	Primary dwelling homes	3.5 times LTI limit	To be exceeded by no more than 20% of new lending
Exemptions	<i>From LTV:</i> Borrowers in negative equity	<i>From LTI:</i> Borrowers for investment properties	<i>From Both:</i> Switcher mortgages; Restructuring of mortgages in arrears

* Note: Prior to January 1st 2017

** Note: FTBs are allowed a 90 per cent LTV up to a house value of €220,000. An 80 per cent LTV applies above this value.

Table 2: Overview of New Mortgage Lending - 1st January to 31st December 2016

	Total Value (mn)	No of Loans	% Value
Total Lending	5,728	29,893	100
In-Scope of Regulations	5,267	27,567	92
<i>of which:</i>			
PDH Lending	5,094	26,159	97
<i>of which FTB:</i>	2,611	13,974	51
<i>of which SSB:</i>	2,482	12,185	49
PDH Over LTV Limit	592	2,058	12
<i>of which FTB:</i>	229	760	39
<i>of which SSB:</i>	362	1,298	61
PDH Over LTI Limit	652	2,602	13
<i>of which FTB:</i>	459	1,887	70
<i>of which SSB:</i>	193	715	30
BTL Lending	173	1,408	3
BTL Over LTV Limit	4	25	2
Exempt from Regulations	462	2,326	8
<i>of which:</i>			
Switcher	331	1,459	72
Negative Equity	99	600	22
Other Exemption	31	267	7

Table 3: Average (Mean) Loan Characteristics for First Time Buyers In-Scope 2015 vs. 2016

	2015	2016	Difference
Loan Characteristics			
Loan Size (€)	172,872	185,939	13,067***
Property Value (€)	234,599	250,361	15,761***
Loan-to-Value (%)	78.7	78.8	0.1
Income (€)	64,721	67,287	2,566***
Loan-to-Income	2.8	2.9	0.1***
Property Size (Sq.feet)	1,309	1,292	-17
Interest Rate (%)	3.8	3.6	-0.2***
Interest Rate Type, of which:			
<i>Fixed (%)</i>	63.2	56.0	-7.2***
<i>SVR (%)</i>	36.6	43.9	7.4***
<i>Other (%)</i>	0.2	0.0	-0.1***
Borrower Characteristics			
Borrower Age (Years)	33	34	1***
Marital Status, of which:			
<i>Couples (%)</i>	41.3	42.6	1.2
<i>Single (%)</i>	57.5	56.1	-1.4
<i>Other (%)</i>	1.1	1.3	0.2
Employment Status, of which:			
<i>Employee (%)</i>	89.7	88.9	-0.8
<i>Self-Employed (%)</i>	2.2	2.5	0.3
<i>Other (%)</i>	8.1	8.4	0.2
Region, of which:			
<i>Dublin (%)</i>	34.2	34.7	0.6
<i>Leinster (%)</i>	26.3	26.1	-0.1
<i>Munster (%)</i>	24.1	24.7	0.6
<i>Connaught (%)</i>	10.7	10.0	-0.7
<i>Ulster (%)</i>	4.7	4.5	-0.3
% of loans	56	57	

Note: *** indicates significance at 1% level, ** at 5% level

Table 4: Average (Mean) Loan Characteristics for Second and Subsequent Buyers In-Scope 2015 vs. 2016

	2015	2016	Difference
Loan Characteristics			
Loan Size (€)	203,539	217,602	14,062***
Property Value (€)	374,644	390,933	16,289***
Loan-to-Value (%)	65.8	66.4	0.5
Income (€)	104,331	106,421	2,090**
Loan-to-Income	2.4	2.4	0.1***
Property Size (Sq.feet)	1,690	1,681	-10
Interest Rate (%)	3.5	3.3	-0.2***
Interest Rate Type, of which:			
<i>Fixed (%)</i>	37.7	37.0	-0.6
<i>SVR (%)</i>	55.3	52.8	-2.5***
<i>Other (%)</i>	6.9	10.2	3.3***
Borrower Characteristics			
Borrower Age (Years)	41	41	0***
Marital Status, of which:			
<i>Couples (%)</i>	72.8	71.9	-0.8
<i>Single (%)</i>	20.0	20.1	0.2
<i>Other (%)</i>	7.2	7.9	0.7
Employment Status, of which:			
<i>Employee (%)</i>	88.6	87.4	-1.2**
<i>Self Employed (%)</i>	6.9	6.0	-0.8
<i>Other (%)</i>	4.5	6.0	1.6***
Region, of which:			
<i>Dublin (%)</i>	40.9	41.8	0.9
<i>Leinster (%)</i>	26.5	26.2	-0.3
<i>Munster (%)</i>	20.9	21.5	0.6
<i>Connaught (%)</i>	8.1	7.5	-0.6
<i>Ulster (%)</i>	3.6	3.1	-0.6
% of loans	38	38	

Note: *** indicates significance at 1% level, ** at 5% level

Note: The above table displays rounded values, however unrounded values are used in t-test calculations.

Table 5: Average (Mean) Loan Characteristics for BTLs In-Scope 2015 vs. 2016

	2015	2016	Difference
Loan Characteristics			
Loan Size (€)	119,778	119,182	-596
Property Value (€)	250,252	235,184	-15,068
Loan-to-Value (%)	54.8	55.8	1.0
% of loans	5.8	5.6	0.0

Note: *** indicates significance at 1% level, ** at 5% level

Table 6: Average (Mean) Loan Characteristics for Exempt Loans in 2016

	SSB In-Scope	Negative Equity	Difference	SSB In-Scope	Switcher	Difference
Loan Characteristics						
Loan Size (€)	217,602	175,652	-41,950***	217,602	218,615	1,013
Property Value (€)	390,933	313,338	-77,594***	390,933	405,115	14,182**
Loan-to-Value (%)	66.4	91.0	24.7***	66.4	57.7	-8.6***
Income (€)	106,421	103,345	-3,076	106,421	104,956	-1,4645
Loan-to-Income	2.4	3.0	0.5***	2.4	2.3	-0.1***
Loan Term (Years)	24	27	3***	24	22	-2***
Property Size (Sq.foot)	1,681	1,494	-187***	1,681	1,627	-53**
Interest Rate	3.3	3.2	-0.1***	3.3	3.3	0.0***
Interest Rate Type, of which:						
Fixed(%)	37.0	21.3	-15.7***	37.0	34.4	-2.6
SVR(%)	52.8	32.7	-20.1***	52.8	64.4	11.7***
Other(%)	10.2	46.0	35.8***	10.2	1.2	-9.0***
Borrower Characteristics						
Borrower Age (Years)	41	38	-3***	41	40	-1***
Marital Status, of which:						
Couples (%)	71.9	86.7	14.7***	71.9	72.8	0.8
Single (%)	20.1	11.8	-8.3***	20.1	21.5	1.3
Other (%)	7.9	1.5	-6.4***	7.9	5.8	-2.1***
Employment Status, of which:						
Employed (%)	87.4	90.3	2.9**	87.4	87.8	0.4
Self-Employed (%)	6.0	4.7	-1.4	6.0	3.5	-2.5***
Other (%)	6.0	4.8	-1.2	6.0	8.1	2.1***
Region, of which:						
Dublin (%)	41.8	33.8	-7.9***	41.8	48.0	6.3***
Leinster, exclu. Dublin (%)	26.2	34.5	8.3***	26.2	21.5	-4.7***
Munster (%)	21.5	24.2	2.7	21.5	20.2	-1.3
Connaught (%)	7.5	5.0	-2.5**	7.5	7.5	0.0
Ulster (%)	3.1	2.5	-0.6	3.1	2.7	-0.3
Number of Loans	9,247	600		9,247	1,459	

Note: *** indicates significance at 1% level, ** at 5% level

Note: The above table displays rounded values, however unrounded values are used in t-test calculations.

Table 7: Average (Mean) Loan Characteristics by Borrower Type With or Without an LTV Allowance, 2016

	Without	With	Difference
First Time Buyer			
Loan Characteristics			
Loan Size (€)	179,622	296,900	117,278***
Property Value (€)	244,494	351,287	106,793***
Loan-to-Value (%)	78.2	89.3	11.1***
Income (€)	65,222	102,548	37,326***
Loan-to-Income	2.9	3.1	0.2***
Borrower Characteristics			
Borrower Age (Years)	34	33	-1
Marital Status, of which:			
<i>Couples (%)</i>	41.9	53.7	11.8***
<i>Single (%)</i>	56.7	45.7	-11.1***
<i>Other (%)</i>	1.4	0.7	-0.7
Region, of which:			
<i>Dublin (%)</i>	33.4	57.5	24.1***
Second and Subsequent Buyer			
Loan Characteristics			
Loan Size (€)	208,283	286,207	77,924***
Property Value (€)	391,867	384,214	-7,653
Loan-to-Value (%)	63.4	87.7	24.3***
Income (€)	103,587	126,896	23,309***
Loan-to-Income	2.4	2.6	0.3***
Borrower Characteristics			
Borrower Age (Years)	41	38	-3***
Marital Status, of which:			
<i>Couples (%)</i>	71.2	77.6	6.5***
<i>Single (%)</i>	20.3	18.9	-1.4
<i>Other (%)</i>	8.5	3.5	-5.0***
Region, of which:			
<i>Dublin (%)</i>	41.3	45.0	3.7**
Buy to Let			
Loan Characteristics			
Loan Size(€)	118,655	147,760	29,105
Property Value(€)	235,630	209,792	-25,838
Loan-to-Value(%)	55.4	75.1	19.7***

Note: *** indicates significance at 1% level, ** at 5% level

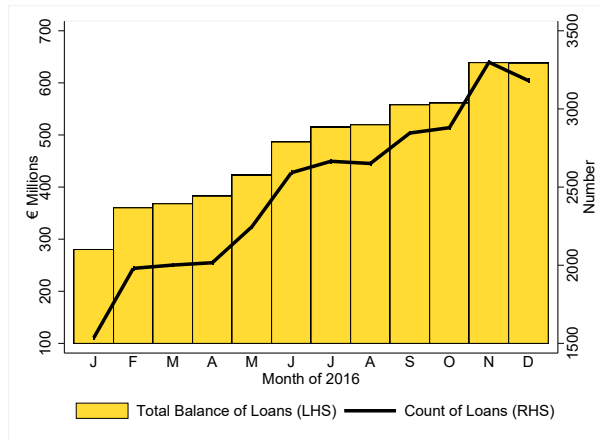
Table 8: Average (Mean) Loan Characteristics by Borrower Type With or Without an LTI Allowance, 2016

	Without	With	Difference
First Time Buyer			
Loan Characteristics			
Loan Size (€)	177,335	241,183	63,848***
Property Value (€)	239,459	319,177	79,718***
Loan-to-Value (%)	78.7	79.4	0.6
Income (€)	67,899	63,431	-4,468***
Loan-to-Income	2.7	3.8	1.1***
Borrower Characteristics			
Borrower Age (Years)	34	32	-2***
Marital Status, of which:			
<i>Couples (%)</i>	44.7	28.9	-15.7***
<i>Single (%)</i>	53.9	70.1	16.2***
<i>Other (%)</i>	1.4	1.0	-0.4
Region, of which:			
<i>Dublin (%)</i>	30.7	60.2	29.5***
Second and Subsequent Buyer			
Loan Characteristics			
Loan Size (€)	213,102	293,116	80,014***
Property Value (€)	383,921	506,018	122,098***
Loan-to-Value (%)	66.1	70.5	4.4***
Income (€)	107,076	95,822	-11,254***
Loan-to-Income	2.3	3.8	1.5***
Borrower Characteristics			
Borrower Age (Years)	41	38	-3***
Marital Status, of which:			
<i>Couples (%)</i>	72.3	65.8	-6.5***
<i>Single (%)</i>	19.4	32.1	12.7***
<i>Other (%)</i>	8.3	2.1	-6.2***
Region, of which:			
<i>Dublin (%)</i>	39.7	75.4	35.7***

Note: *** indicates significance at 1% level, ** at 5% level

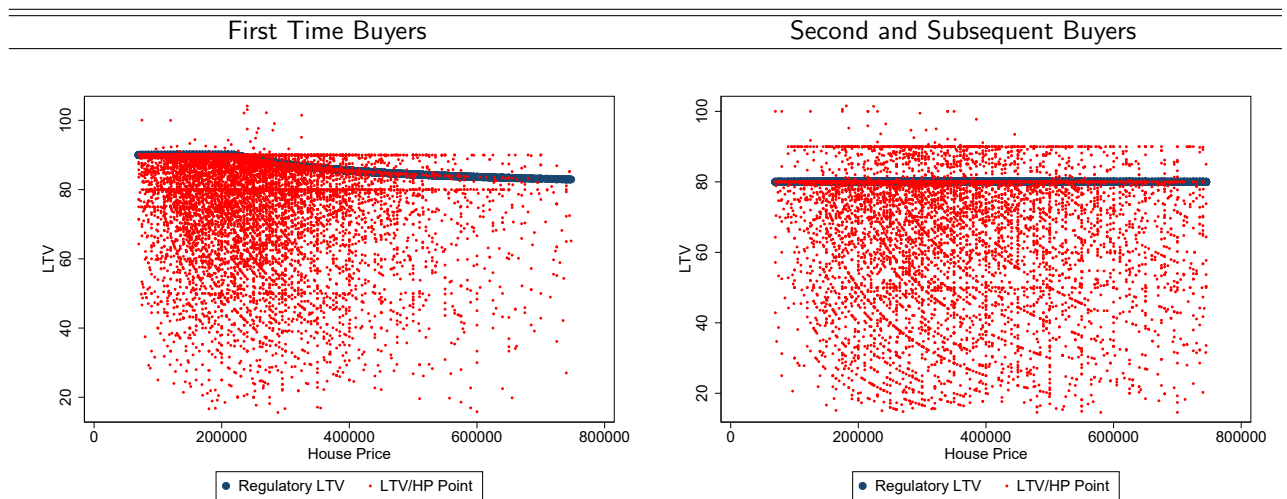
Figures

Figure 1: Monthly Lending by Count and Balance in 2016



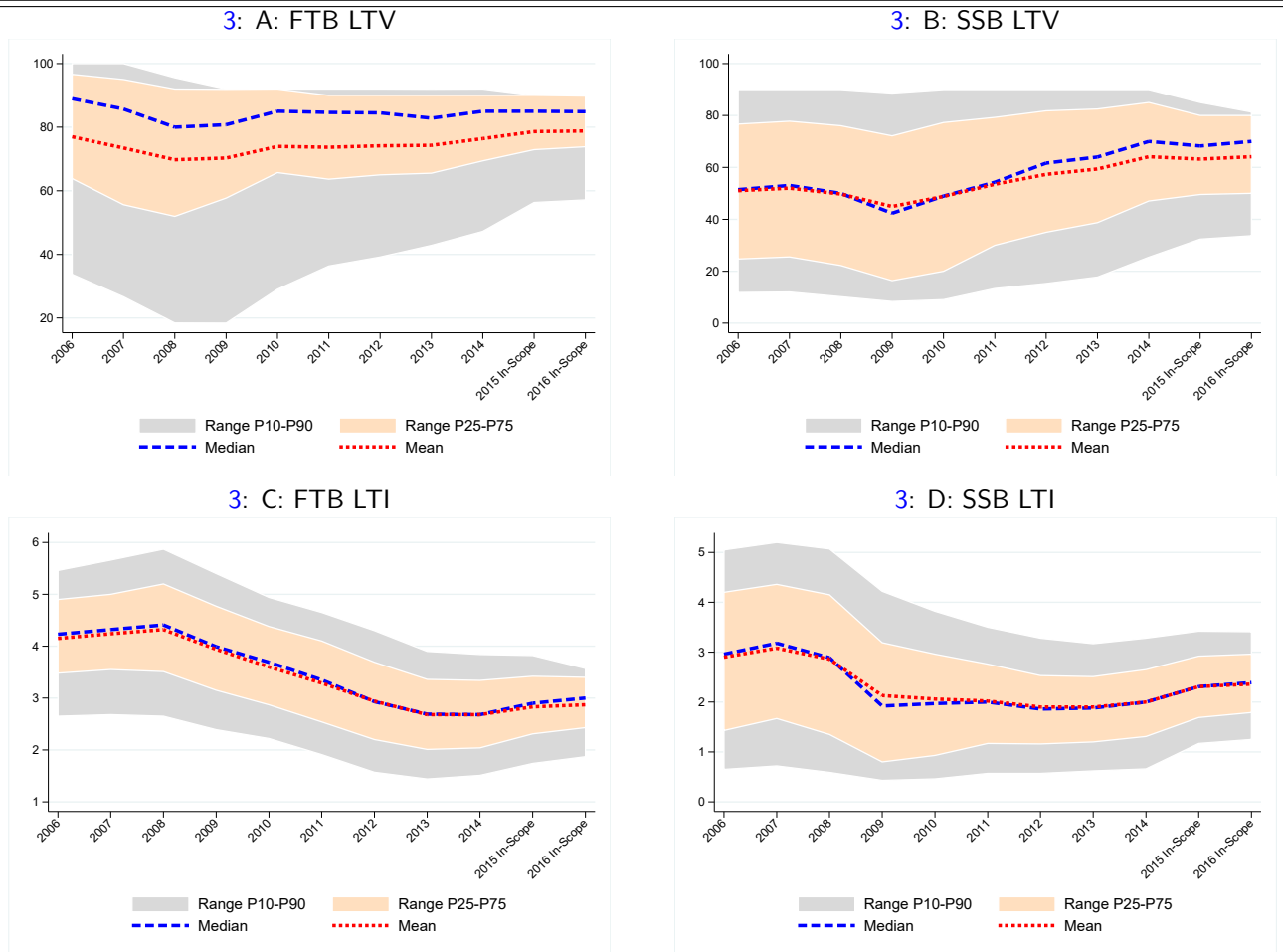
Source: Authors' calculations using Central Bank of Ireland data.

Figure 2: LTV and House Prices by Borrower Type, 2016



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

Figure 3: Trend Over Time in LTV and LTI ratios for FTBs and SSBs

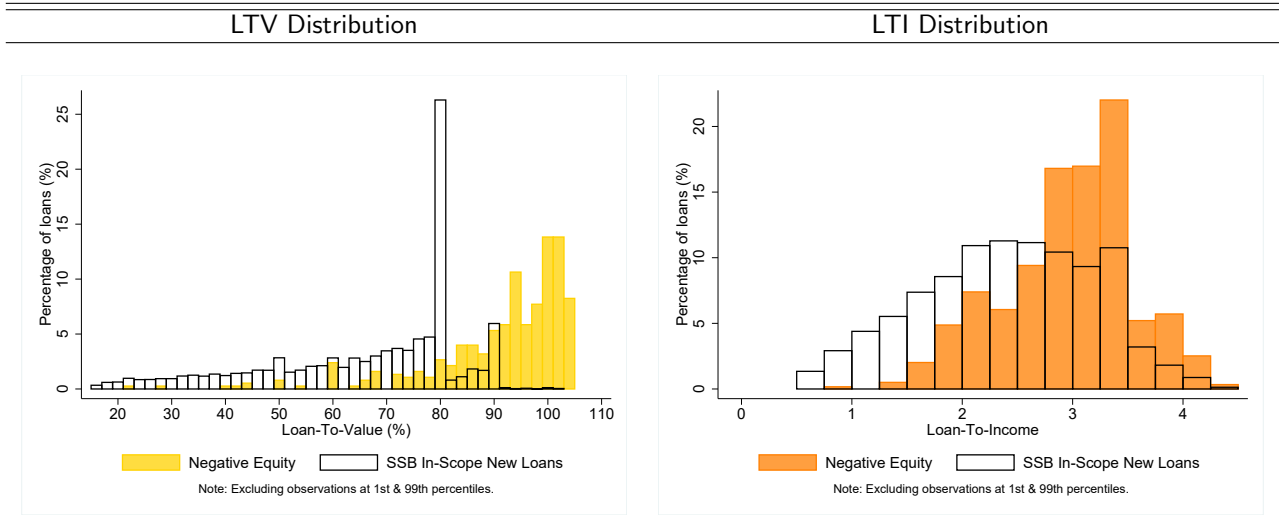


Source: Authors' calculations using Central Bank of Ireland data.

Note that LTI distributions are based on a 4-bank view only.

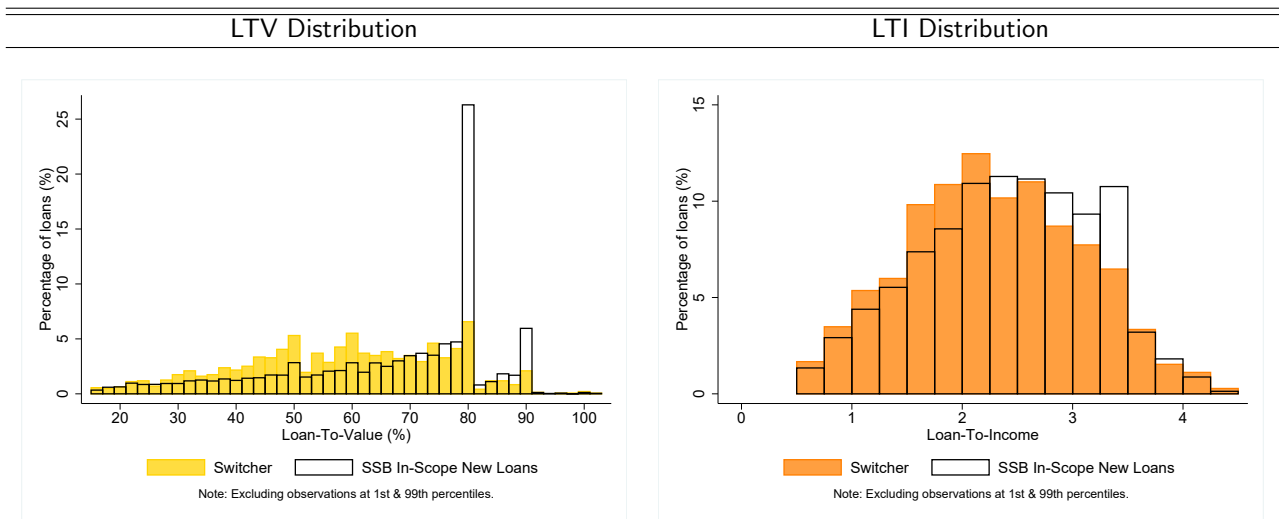
See [Kinghan et al. \(2016b\)](#) for details of the data underlying the pre-2015 period.

Figure 4: Comparison of LTV and LTI Distributions - Negative Equity and In-Scope SSB Loans



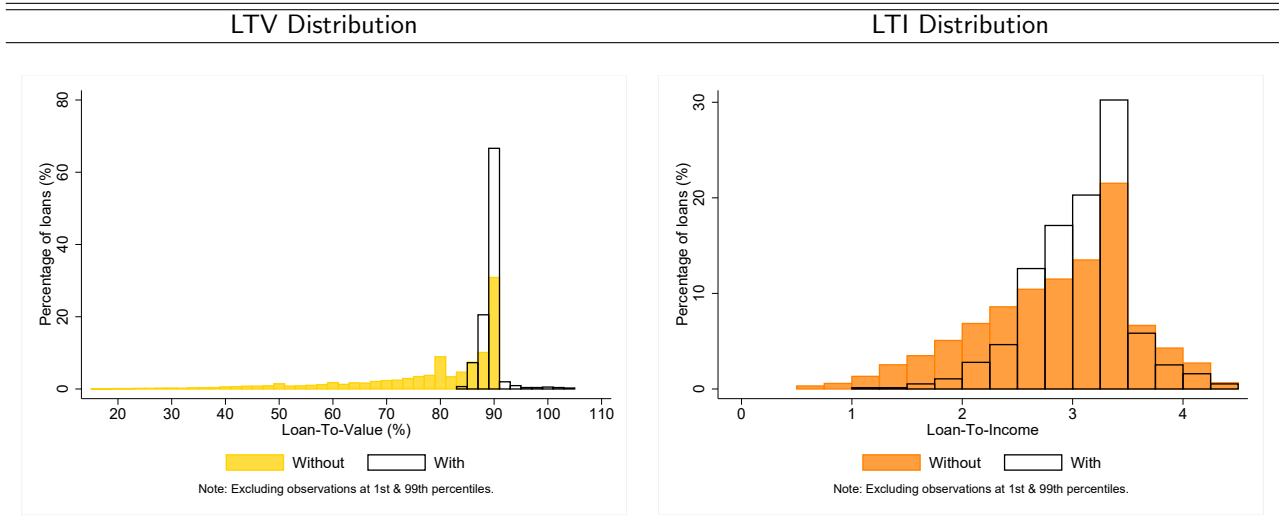
Source: Authors' calculations using Central Bank of Ireland data.

Figure 5: Comparison of LTV and LTI Distributions - Switchers and In-Scope SSB Loans



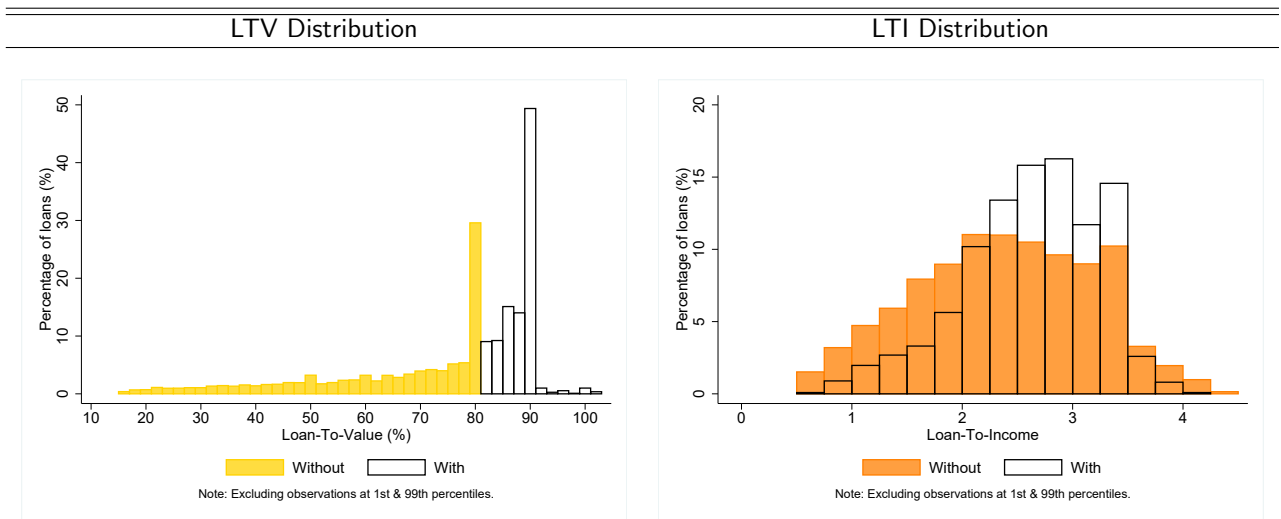
Source: Authors' calculations using Central Bank of Ireland data.

Figure 6: LTV and LTI Distributions for FTBs - With or Without LTV Allowance



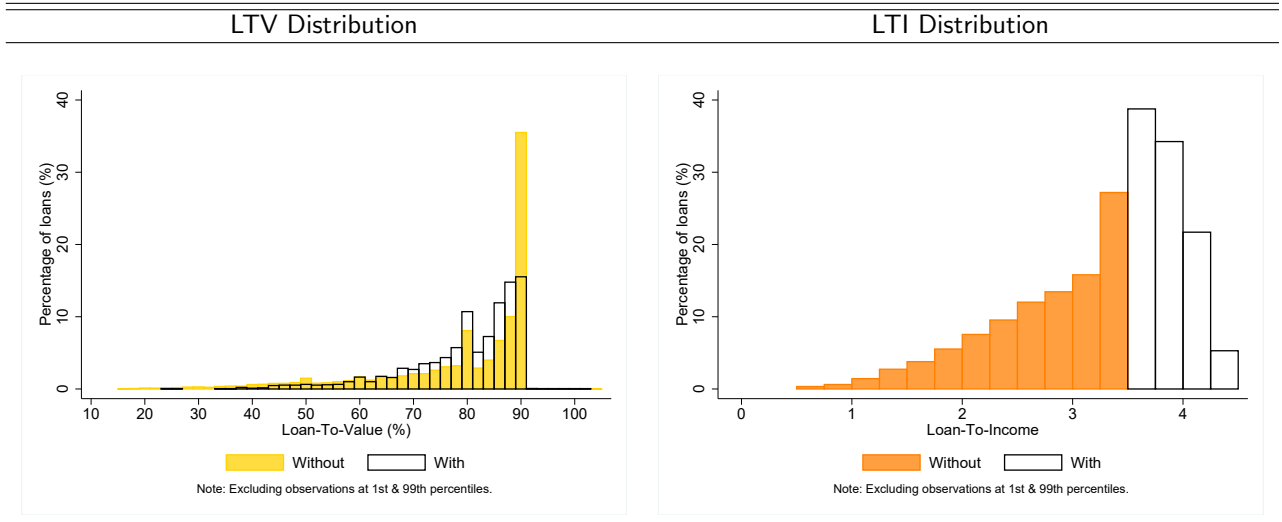
Source: Authors' calculations using Central Bank of Ireland data.

Figure 7: LTV and LTI Distributions for SSBs - With or Without LTV Allowance



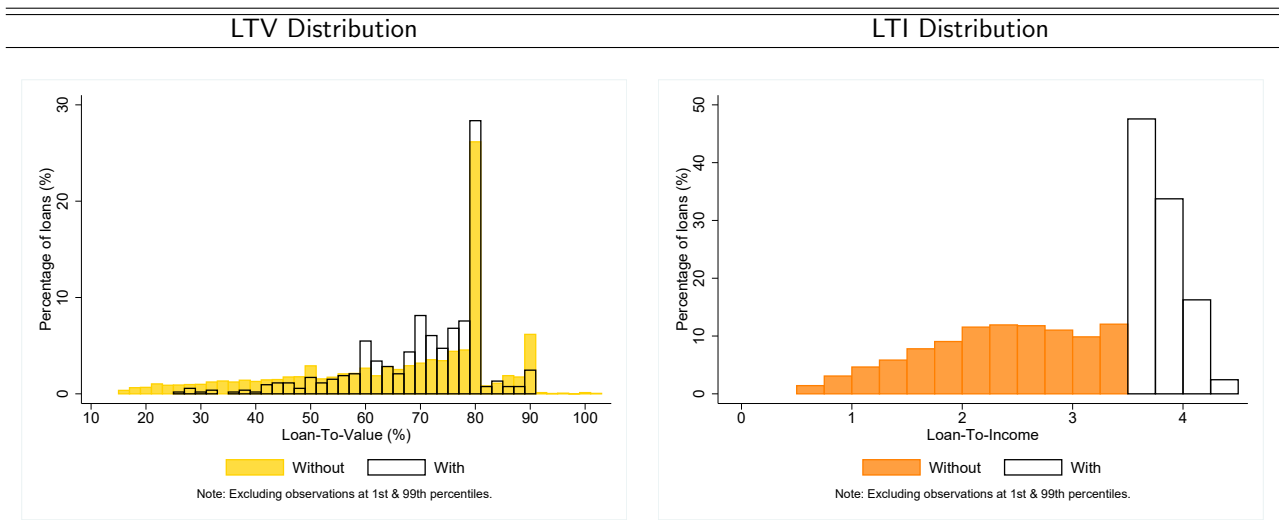
Source: Authors' calculations using Central Bank of Ireland data.

Figure 8: LTV and LTI Distributions for FTBs - With or Without LTI Allowance



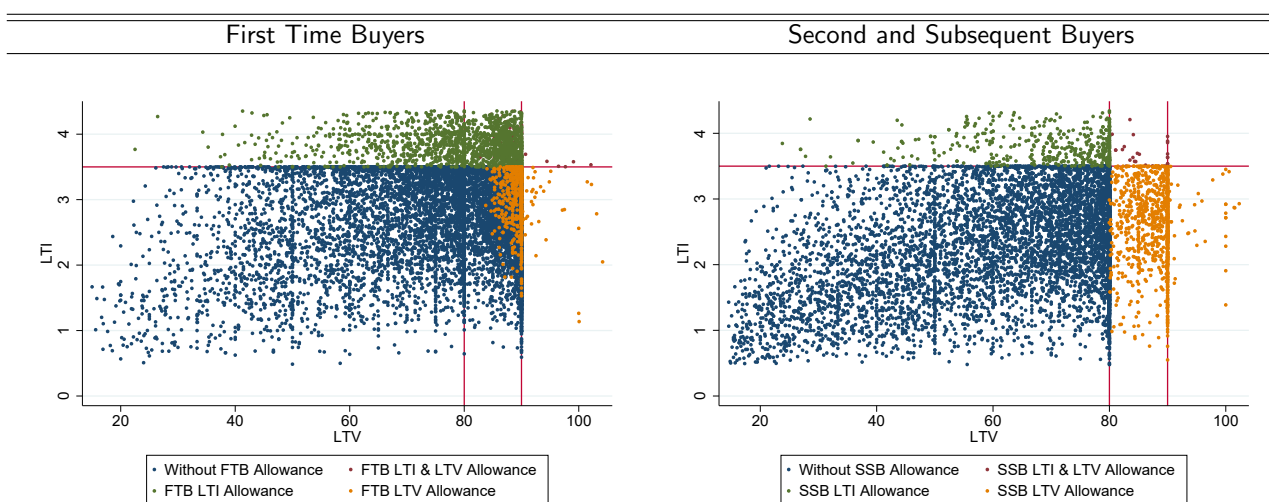
Source: Authors' calculations using Central Bank of Ireland data.

Figure 9: LTV and LTI Distributions for SSBs - With or Without LTI Allowance



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

Figure 10: Allocation of Allowances by Borrower Type 2016



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