



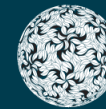
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# Resolving a Non-Performing Loan crisis: The ongoing case of the Irish mortgage market\*

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Sept 2017

\*All charts presented in this slideshow will be published in a research paper with this title in late 2017.

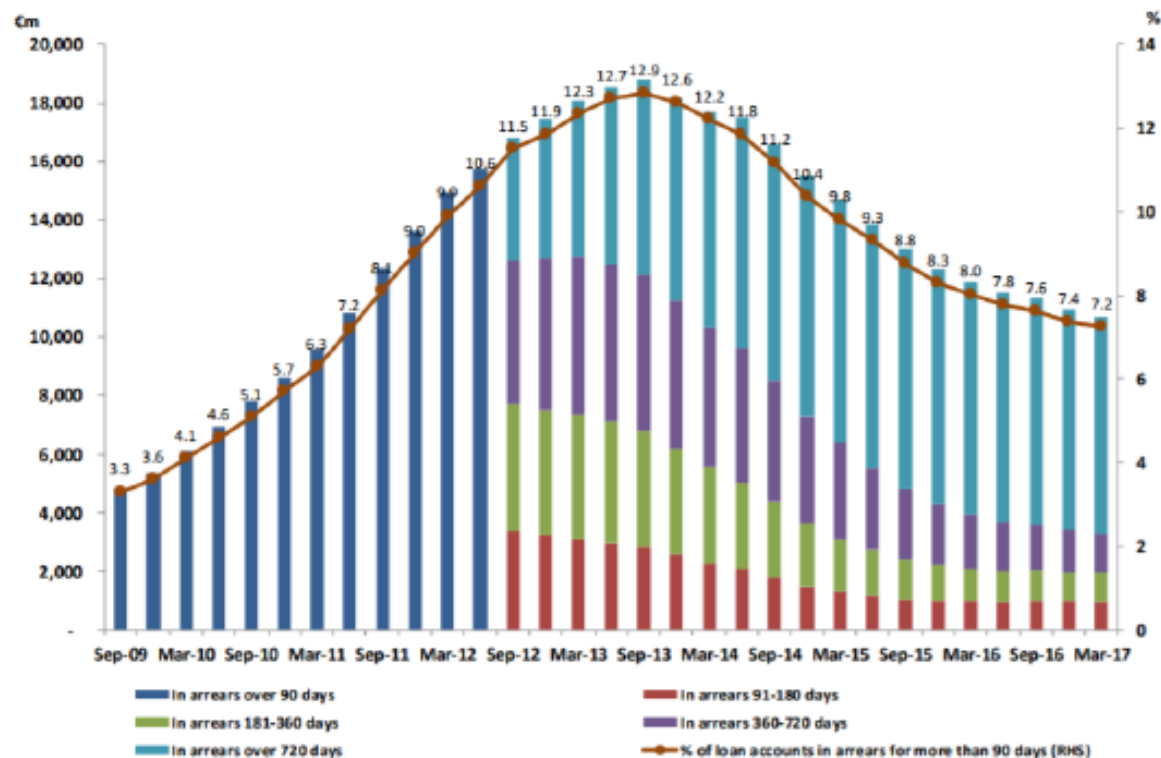


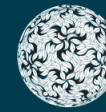
## Overview

- Steady recovery since 2013 peak in mortgage arrears.
- 90+ share has fallen from 12.9 per cent to 7.2.
- Growing preponderance of 720+ in the 90+ group.

Figure 2: Primary Dwelling House Mortgage Arrears 2009-2017

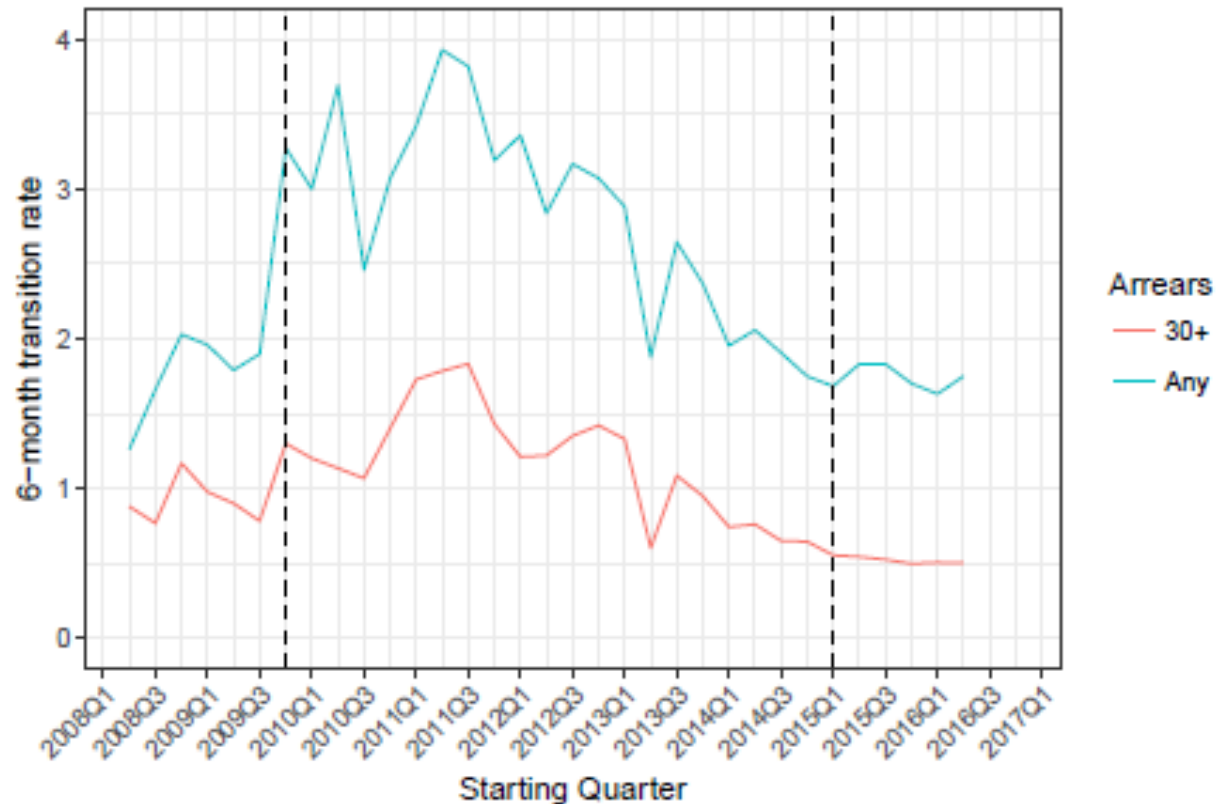
Source: Official Central Bank of Ireland Mortgage Arrears Statistics; Left hand axis: Millions of euro of total loan balances in each arrears category. Right hand axis: Percentage of total outstanding mortgage balances in each category.

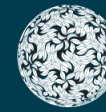




## The six-monthly flow into arrears

- There has been a marked fall in the six-monthly flow of entrants to arrears.
- However the number is not zero in late 2016





## Who entered arrears from Zero DPD in late 2016???

- 69 per cent of those entering arrears either had previous experience of modification or default in the 2009-2016 period.
- Crisis legacy is an important part of current loan performance.
- Regression: Previous Default and Previous Mod very important.
- Other factors **still** matter:
  - Regions, CLTV, Interest Rates, Vintage.

Modified?	Loan ever in 90 DPD default?			
	Loan Count		Share	
	Never	Ever	Never	Ever
Never	1762	308	31.27	5.47
Permanent	633	1827	11.24	32.43
Temp_Now	40	81	0.71	1.44
Temp_Past	669	314	11.87	5.57

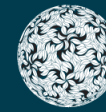


## Share of “engaged borrowers” per DPD bucket

DPD	Loan Count		Share	
	NO	YES	NO	YES
0 dpd	493167	109512	81.83	18.17
1-90	6926	12838	35.04	64.96
91-360	2250	8521	20.89	79.11
361-720	1676	5128	24.63	75.37
720+	9680	15264	38.81	61.19

## Share of loans making full monthly contracted repayments per DPD bucket

DPD_Bucket	Share	Loan_Count
1-30	44.24	12403
31-60	45.02	4154
61-90	46.05	2382
91-180	36.63	5034
181-365	31.09	5455
366-720	29.78	6612
720+	13.97	24512



## Ever defaulted 09-16, where are they at Dec 2016?

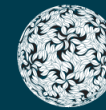
- 66 per cent are not in default

dpd	N	Share
0 dpd	39758	54.24
1-90	6655	9.08
91-360	5112	6.97
361-720	4002	5.46
720+	17768	24.24

## How did they get there?

- “Self cures” were 10 per cent of the total.

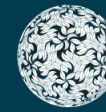
Modified	N	Share
Permanent	35959	77.48
Temp_Past	4821	10.39
Never	4484	9.66
Temp_Now	1149	2.48



# Mortgage modifications: full repayment propensities, December 2016

Table 8: Share of Modified Loans Making Full Payments by Modification Status

Modified	Share	Loan_Count
Never	96.85	479753
Permanent	86.75	92401
Temp_Now	75.61	13671
Temp_Past	75.25	75332



## Vulnerability to repayment increases

- The share of loans facing a future increase in monthly contracted payments due to end of Interest Only or other temporary payment moratoria.
- NB this analysis does not include tracker loans which will face increases when ECB rates rise.

Table 12: Share of Loans Facing Future Instalment Increases

DPD_Bucket	Fully Pay- ing	Missing Payment
0 dpd	5.23	n/a
1-30	15.94	14.82
31-60	22.87	18.95
61-90	32.48	20.15
91-180	32.65	18.49
181-365	33.43	18.04
366-720	37.33	15.57
720+	33.45	10.39