



# Mortgage Arrears

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An Roinn Airgeadais  
Department of Finance



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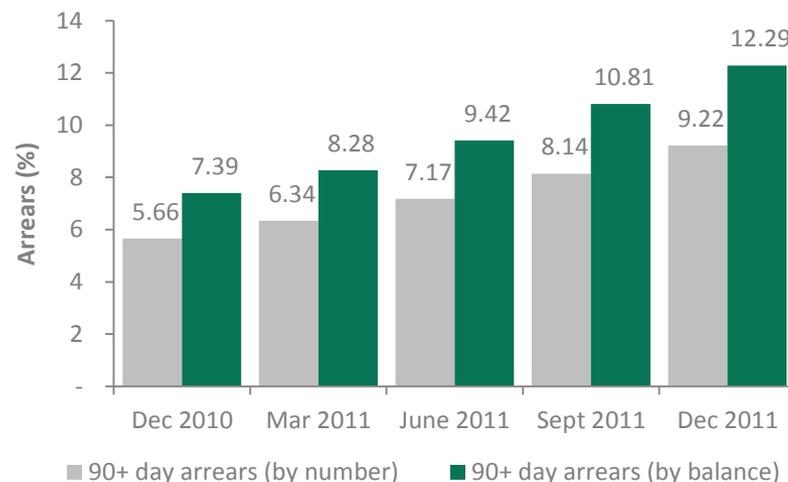
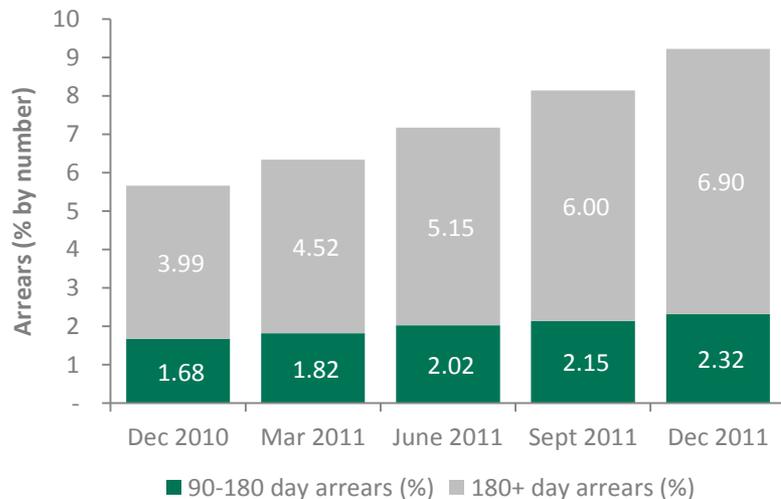
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# Residential Mortgage Arrears – still challenging

## Total Irish Residential Mortgage Arrears – source: CBI



### Total Residential Mortgage Loans Outstanding (owner occupied)

|                   | Dec 2010 | Mar 2011 | June 2011 | Sept 2011 | Dec 2011 |
|-------------------|----------|----------|-----------|-----------|----------|
| By Number         | 786,164  | 782,429  | 777,321   | 773,420   | 768,917  |
| By Balance (€ bn) | 116.68   | 115.96   | 115.09    | 114.41    | 113.48   |

- Latest mortgage arrears data shows significant growth over past 18 months
- Approximately 71,000 accounts are more than 90+ days in arrears
- Approximately 74,000 mortgage accounts have been restructured
- Indicators such as ICB would indicate trend in arrears is still upwards



# Mortgage Arrears Steering Group

## Project Co-ordination

- Steering Group, chaired by the Department of Finance, and comprising senior representation from the other relevant Departments and the Central Bank, has been established to drive and oversee the implementation of the recommendations of the report of the Interdepartmental Group on Mortgage Arrears (“the Keane Report”)
- Several Working Groups have been established to ensure focus and delivery and these report into the Steering Committee

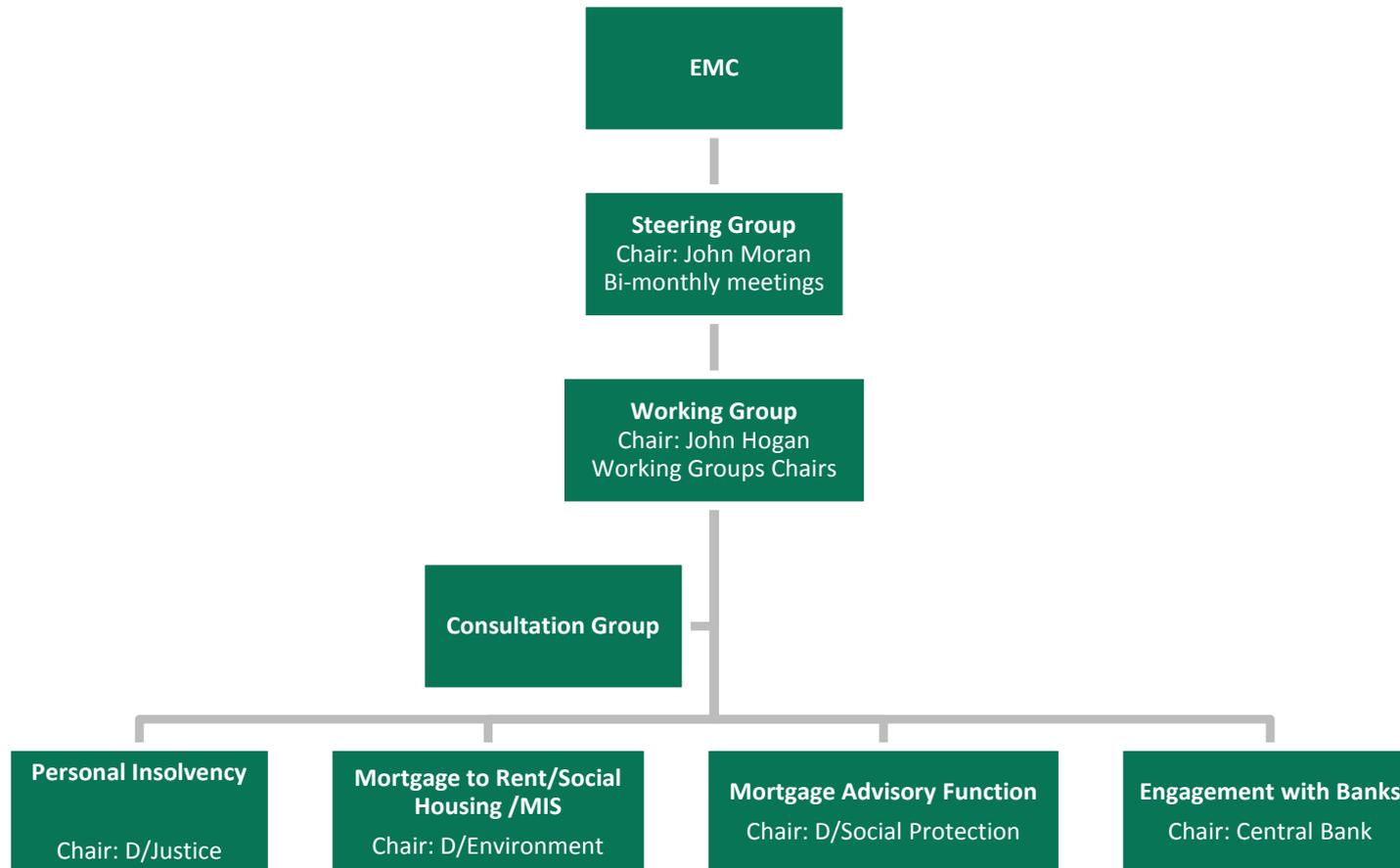
## Significant progress made to-date

- An initial General Scheme of Personal Insolvency Bill with the Heads of Bill drafted. A timetable has been put in place for the Bill’s passage
- Work has been advanced with a bank and social housing association to implement a pilot mortgage to rent scheme to test the practicalities of such an initiative
- Central Bank has received mortgage arrears resolution strategies and implementation plans for mortgage lenders and these will be subject to consideration by the Central Bank
- Work will also commence on the steps required to provide the mortgage advisory function



# Mortgage Arrears Steering group

## Structure





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# Keane Report

## Key Recommendations

The Interdepartmental Group on Mortgage Arrears provides a range of options within a defined framework for lenders and distressed mortgage holders to deal with what is a very stressful situation for the homeowners involved.

The main conclusions of the report are as follows:

- The group does not advocate blanket debt/negative equity forgiveness and instead indicates that the issue of mortgage difficulty can only be considered on a case by case basis having regard to the individual circumstances of each case.
- While mortgage forbearance measures are appropriate in many cases, long term forbearance will not be sufficient in all cases and it will have to be recognised by borrower and lender that some mortgages are currently unsustainable and that more sustainable solutions will have to be advanced for such cases.
- The report sets out a range of possible solutions for such cases and also sets out a “decision tree” approach to aid assessment of individual cases; however, the report indicates that these solutions are not intended to be exhaustive or proscriptive and that these and other solutions will need to be developed over time.



# Keane Report

## Key Recommendations

- The possible solutions that will need to be advanced by banks to address mortgage over indebtedness include
  - trade down mortgages
  - split mortgages
  - sale by agreement.
- The State also has a significant role to play and the group proposes the introduction of two “mortgage to rent” social housing schemes utilising approved housing bodies and the leasing of houses by banks to local authorities in appropriate circumstances. Associated with this, the group also proposes that the mortgage interest supplement scheme should become time limited.
- The report proposes that a more specialised mortgage advice service be established, that could link into MABS, to provide specialist advice and assistance to mortgage holders in difficulty to enable them consider and evaluate their options in their engagement with mortgage lenders.
- Underpinning the range of possible solutions, the report also states that reform of the bankruptcy and personal insolvency law is fundamental and that without this the mortgage problem will not be resolved.



# Keane Report

## Curtailment of MIS

- An estimated 18,700 households avail of MIS (in 2007, that figure was 4,100)
- Approximately 12,000 households have been on MIS for over 1 year and over 6,000 for more than 2 years
- Currently, MIS is offered indefinitely
- Introduction of Mortgage-to-Rent schemes

## MtR schemes

- Report recommends the introduction of two MtR schemes aimed at those who would qualify for social housing if they lost their home and where the house is appropriate for social housing
- Two schemes are being developed:
  - Utilising an Approved Housing Body to acquire property; and
  - A long term lease from the banks directly to Local Authorities



# Keane Report

## Reform of Bankruptcy legislation

- Early introduction of new judicial and non-judicial bankruptcy options will be vital
- Without effective bankruptcy legislation, the mortgage arrears problem will not be resolved
- Changes that incentivize behaviour that would lead to mortgage holders to cease paying debts must be avoided

## Independent Mortgage Advice Function

The primary aims of this service would be:

- Advise customers (in arrears and pre-arrears) in their dealings with mortgage lenders (banks and others)
- Review cases and advise customers who have entered or been through the MARP
- Act as a consumer advocate in this area
- Contribute to the debate on the development of national policies and improve the practices that currently exist
- Build trust in the debt resolution process



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