

# Home truths

Some facts surrounding mortgage arrears and repossessions

Presented by Karl Deeter, Irish Mortgage Brokers  
with special thanks to Seamus Coffey, UCC & Fiscal Advisory Council and Brendan Burgess, AskAboutMoney.com

# What you'll hear vs the facts

## Heard

- This week some 500 repossession cases are being heard in Irish courts
- Court Service figures show that 3,665 Circuit Court cases were taken in 2016 to repossess lands or properties.

## Facts

- There were about 11,000 separate cases in the courts in 2016, and fewer than 1,000 orders were granted, many of which were for empty or abandoned properties.

Circuit Court cases taken in 2014,  
8,153

Circuit Court cases taken in 2016:  
3,617

**Drop: 55%**

# RTE coverage of possessions...

3<sup>rd</sup> & 10<sup>th</sup> of April 2017

**Heard: *Michael Laffey of MABS:*** We had 75 mortgage cases today in Trim and 8 possession orders being granted

In today's 8 cases, in at least 6 of them, quite substantial payments were being made. In one example, the borrower was paying €1,800 per month. The borrower wasn't in court. She had directed the last time that the borrower be notified.

**Facts:** A total of 90 orders for possession of family homes were granted in Meath in 2016.

Michael Laffey told the interviewer that the 8 orders was a record day. But they chose not to broadcast that bit of the interview.

He told the interviewer that not one of the 8 showed up in court. But they chose not to broadcast that bit.

There is not a high level of cases. There were only 232 civil bills lodged in County Meath last year down from 607 in 2014. That is a fall of 62%.

# Statistics aren't always accurate...

Arrears are done by 'accounts' and there are 1.25 accounts for every property meaning the gross number of actual houses is smaller than suggested.

When interest rates drop 'arrears' go up even if the amount owed is the same because they are counted in 'months interest owed' (lower interest gives a lower denominator into the same numerator)

The courts service keep records of every civil bill for possession issued, this is the actual legal document that gets you into court when potential home possession is the basis of the case.

The Central Bank gather their data from the banks who say 'we have issued legal proceedings' and they count it that way.

The miscounting is even worse because the Central Bank figures are for PDH's only and the Courts Service sums are for all (includes Buy to Let properties).

2014	Proceedings issued	Orders Granted
Central Bank	11424	968
Courts Service	8164	1360
2015		
Central Bank	7902	1517
Courts Service	4088	918
Totals		
Central Bank	19326	2485
Courts Service	12252	2278
Difference (overstated)	<b>7074</b>	<b>207</b>

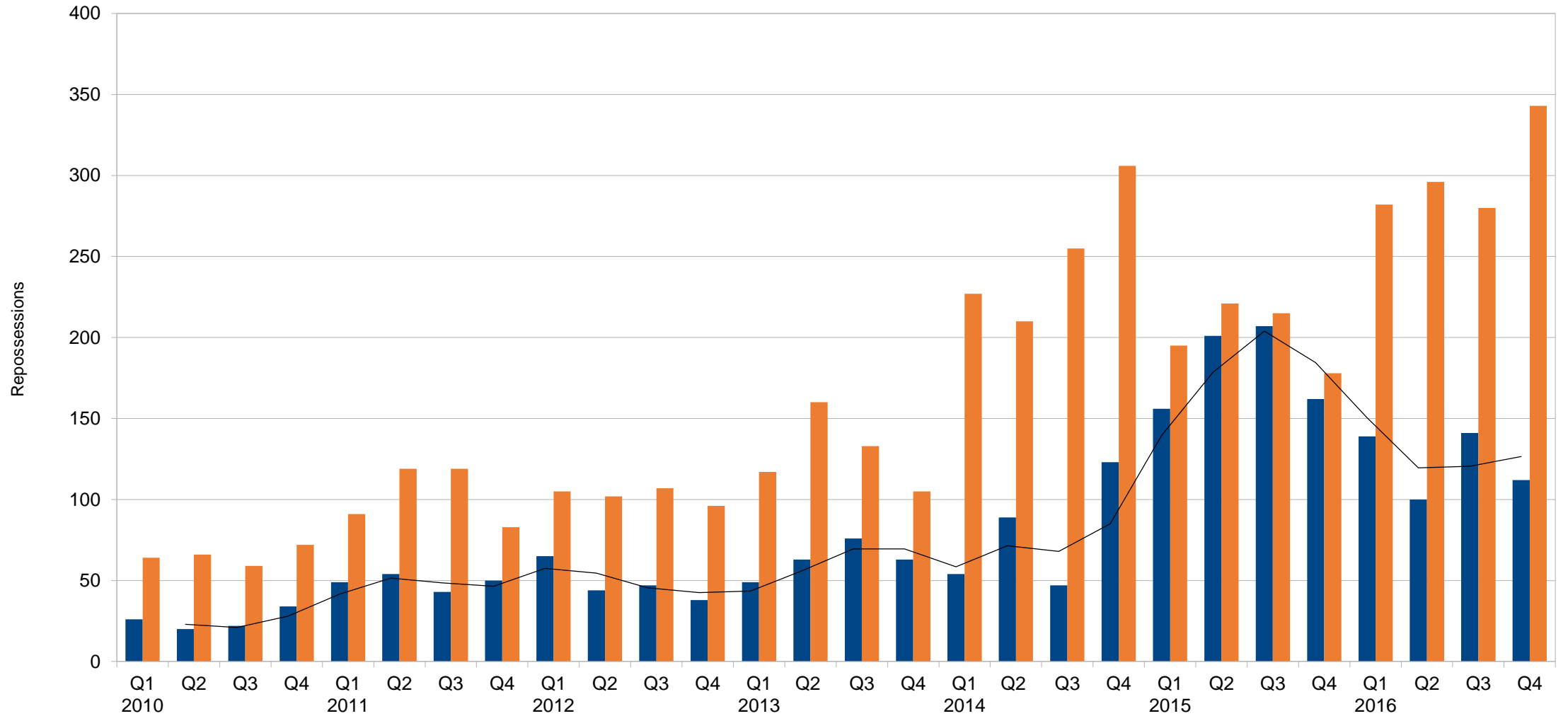
Source: Central Bank & Courts Service FOI (2016)

# Repossessions

Actual repossession

Voluntary surrender or abandoned

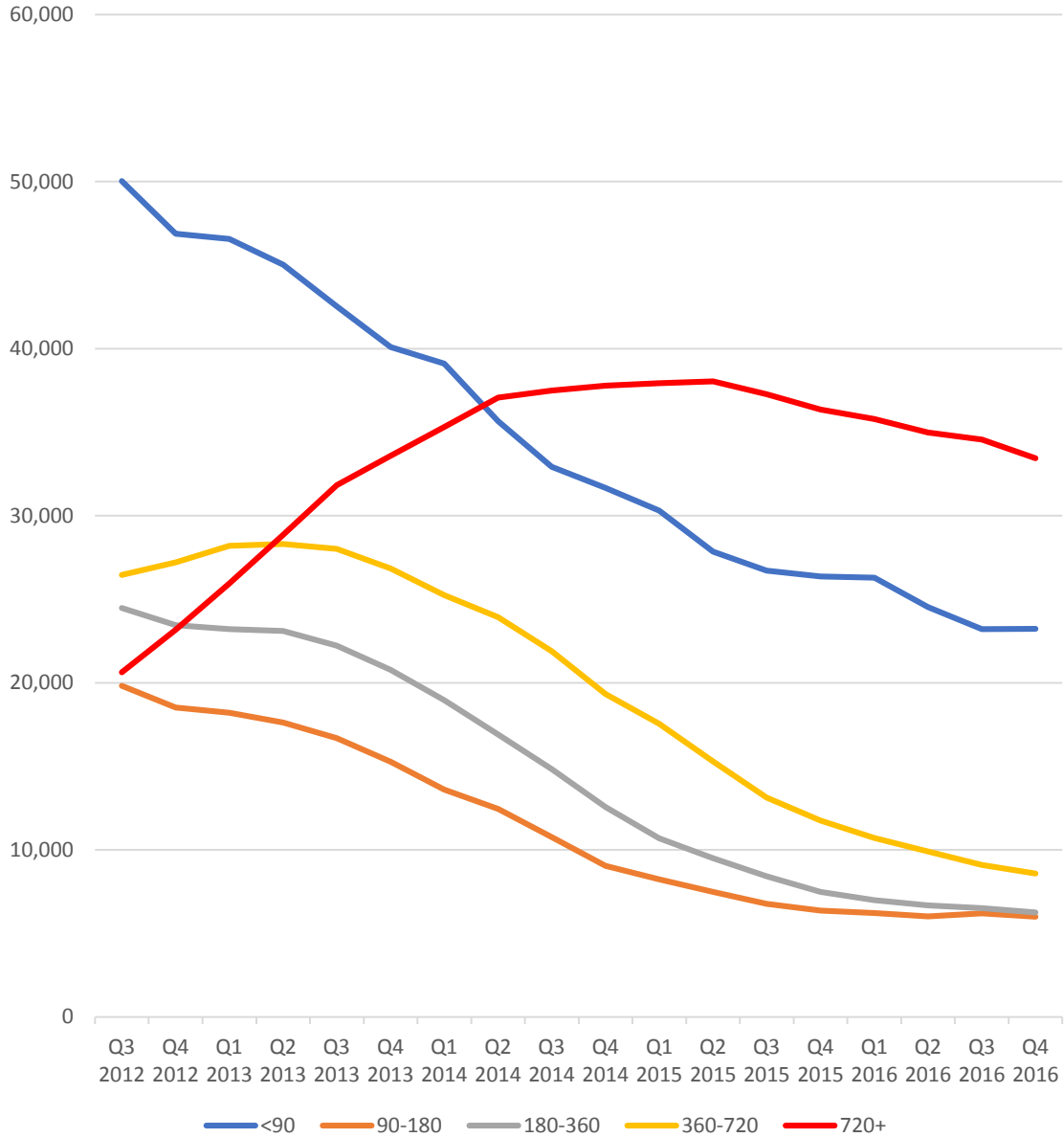
2 per. Mov. Avg. (Actual repossession)



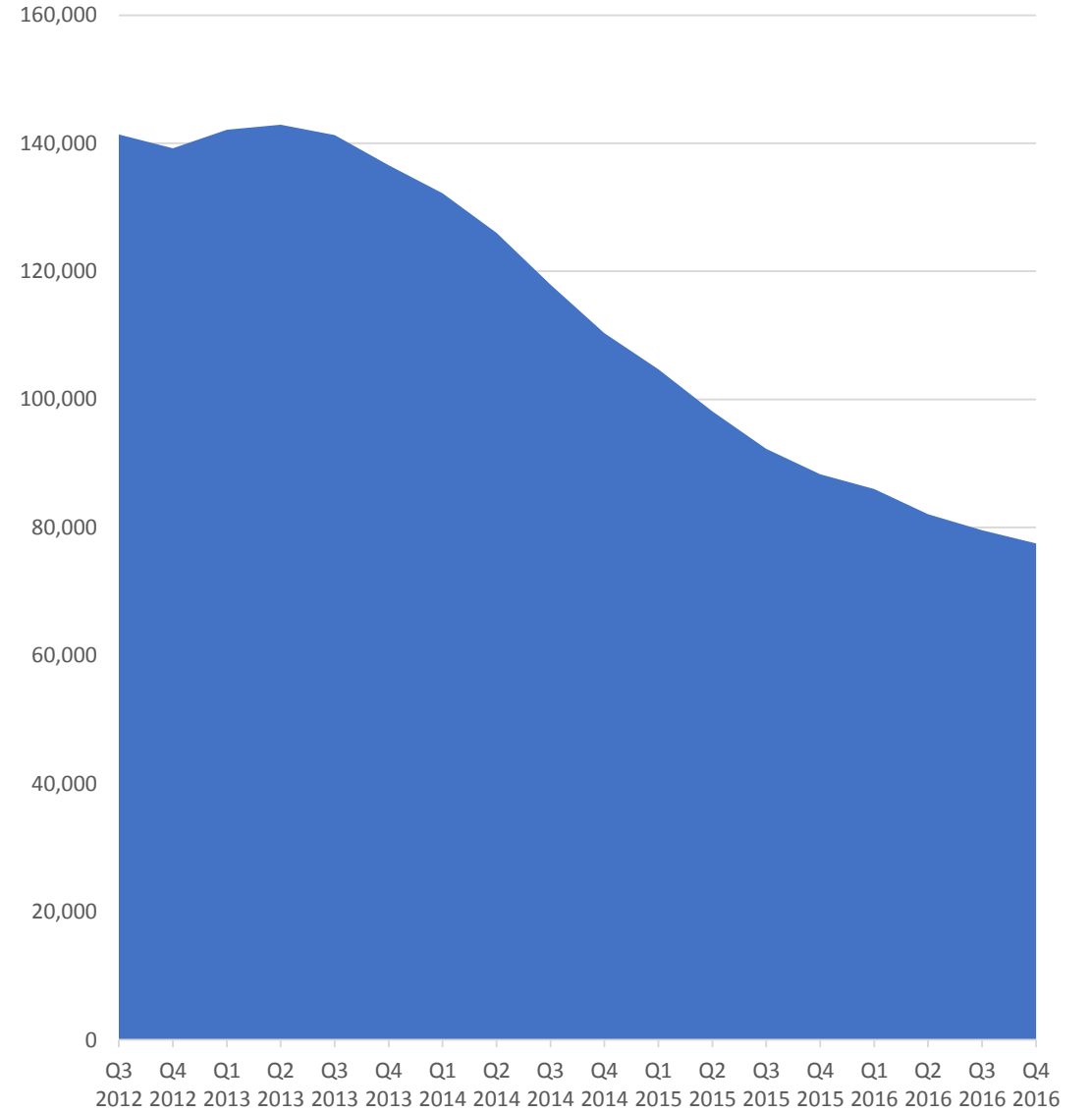
2010 to 2016

	Actual repossession	Voluntary surrender or abandoned	Handed back vs repossessed (ratio)	total
Q1 2010	26	64	2.46:1	90
Q2	20	66	2.46:1	86
Q3	22	59	3.30:1	81
Q4	34	72	2.68:1	106
Q1 2011	49	91	2.12:1	140
Q2	54	119	1.86:1	173
Q3	43	119	2.20:1	162
Q4	50	83	2.77:1	133
Q1 2012	65	105	1.66:1	170
Q2	44	102	1.62:1	146
Q3	47	107	2.32:1	154
Q4	38	96	2.28:1	134
Q1 2013	49	117	2.53:1	166
Q2	63	160	2.39:1	223
Q3	76	133	2.54:1	209
Q4	63	105	1.75:1	168
Q1 2014	54	227	1.67:1	281
Q2	89	210	4.20:1	299
Q3	47	255	2.36:1	302
Q4	123	306	5.43:1	429
Q1 2015	156	195	2.49:1	351
Q2	201	221	1.25:1	422
Q3	207	215	1.10:1	422
Q4	162	178	1.04:1	340
Q1 2016	139	282	1.10:1	421
Q2	100	296	2.03:1	396
Q3	141	280	2.96:1	421
Q4	112	343	1.99:1	455
<b>Total repo's</b>	<b>2274</b>	<b>4606</b>		<b>6880</b>

### Arrears by time class



### Total accounts in arrears





	Stock	Flow	Stock	Flow	Stock	Flow	Stock	Flow	Stock	Flow		
	<90		90-180		180-360		360-720		720+		Net Flow	Total
Sep-12	50,031	-	19,814	-	24,469	-	26,453	-	20,622	-	-	141,389
Dec-12	46,875	-3,156	18,521	-1293.00	23,443	-1026.00	27,212	759	23,173	2551.00	-2,165	139,224
Mar-13	46,564	-311	18,205	-316.00	23,214	-229.00	28,195	983	25,940	2767.00	2,894	142,118
Jun-13	45,018	-1,546	17,612	-593.00	23,099	-115.00	28,303	108	28,860	2920.00	774	142,892
Sep-13	42,533	-2,485	16,680	-932.00	22,212	-887.00	28,010	-293	31,834	2974.00	-1,623	141,269
Dec-13	40,091	-2,442	15,273	-1407.00	20,779	-1433.00	26,830	-1180	33,585	1751.00	-4,711	136,558
Mar-14	39,111	-980	13,604	-1669.00	18,953	-1826.00	25,235	-1595	35,314	1729.00	-4,341	132,217
Jun-14	35,662	-3,449	12,447	-1157.00	16,901	-2052.00	23,929	-1306	37,066	1752.00	-6,212	126,005
Sep-14	32,934	-2,728	10,763	-1684.00	14,827	-2074.00	21,881	-2048	37,484	418.00	-8,116	117,889
Dec-14	31,667	-1,267	9,039	-1724.00	12,565	-2262.00	19,317	-2564	37,778	294.00	-7,523	110,366
Mar-15	30,298	-1,369	8,229	-810.00	10,696	-1869.00	17,537	-1780	37,933	155.00	-5,673	104,693
Jun-15	27,838	-2,460	7,472	-757.00	9,504	-1192.00	15,282	-2255	38,041	108.00	-6,556	98,137
Sep-15	26,707	-1,131	6,771	-701.00	8,409	-1095.00	13,135	-2147	37,269	-772.00	-5,846	92,291
Dec-15	26,361	-346	6,354	-417.00	7,481	-928.00	11,745	-1390	36,351	-918.00	-3,999	88,292
Mar-16	26,293	-68	6,213	-141.00	6,993	-488.00	10,698	-1047	35,792	-559.00	-2,303	85,989
Jun-16	24,521	-1,772	6,014	-199.00	6,680	-313.00	9,896	-802	34,980	-812.00	-3,898	82,091
Sep-16	23,212	-1,309	6,202	188.00	6,505	-175.00	9,092	-804	34,551	-429.00	-2,529	79,562
Dec-16	23,224	12	5,990	-212.00	6,248	-257.00	8,584	-508	33,447	-1104.00	-2,069	77,493

	Stock	Flow	Stock	Flow	Stock	Flow	Stock	Flow	Stock	Flow
	<90	% inc	90-180	% inc	180-360	% inc	360-720	% inc	720+	% inc
Sep-12	50,031	-	19,814	-	24,469	-	26,453	-	20,622	-
Dec-12	46,875	-6.31%	18,521	-6.53%	23,443	-4.19%	27,212	2.87%	23,173	12.37%
Mar-13	46,564	-0.66%	18,205	-1.71%	23,214	-0.98%	28,195	3.61%	25,940	11.94%
Jun-13	45,018	-3.32%	17,612	-3.26%	23,099	-0.50%	28,303	0.38%	28,860	11.26%
Sep-13	42,533	-5.52%	16,680	-5.29%	22,212	-3.84%	28,010	-1.04%	31,834	10.30%
Dec-13	40,091	-5.74%	15,273	-8.44%	20,779	-6.45%	26,830	-4.21%	33,585	5.50%
Mar-14	39,111	-2.44%	13,604	-10.93%	18,953	-8.79%	25,235	-5.94%	35,314	5.15%
Jun-14	35,662	-8.82%	12,447	-8.50%	16,901	-10.83%	23,929	-5.18%	37,066	4.96%
Sep-14	32,934	-7.65%	10,763	-13.53%	14,827	-12.27%	21,881	-8.56%	37,484	1.13%
Dec-14	31,667	-3.85%	9,039	-16.02%	12,565	-15.26%	19,317	-11.72%	37,778	0.78%
Mar-15	30,298	-4.32%	8,229	-8.96%	10,696	-14.87%	17,537	-9.21%	37,933	0.41%
Jun-15	27,838	-8.12%	7,472	-9.20%	9,504	-11.14%	15,282	-12.86%	38,041	0.28%
Sep-15	26,707	-4.06%	6,771	-9.38%	8,409	-11.52%	13,135	-14.05%	37,269	-2.03%
Dec-15	26,361	-1.30%	6,354	-6.16%	7,481	-11.04%	11,745	-10.58%	36,351	-2.46%
Mar-16	26,293	-0.26%	6,213	-2.22%	6,993	-6.52%	10,698	-8.91%	35,792	-1.54%
Jun-16	24,521	-6.74%	6,014	-3.20%	6,680	-4.48%	9,896	-7.50%	34,980	-2.27%
Sep-16	23,212	-5.34%	6,202	3.13%	6,505	-2.62%	9,092	-8.12%	34,551	-1.23%
Dec-16	23,224	0.05%	5,990	-3.42%	6,248	-3.95%	8,584	-5.59%	33,447	-3.20%

# How to lose your home.

- Pay nothing (literally zero) for many years.
- Don't engage with the lender.
- Don't show up to court.

Courtroom research on arrears and possessions was carried out, we looked at over 4,000 observations of court appearances conducted during 2015 and 2016. These three inputs were central to virtually every case of possession we saw.

Before you decide if the system is fair, go visit your local registrars court and see for yourself. You can find the details of dates and times at [courts.ie](http://courts.ie)

- Most of the people who engage get a deal or possible resolution proposition (c. 90%+ based on our observations). Many get deals before, during and even after the court case. The same goes for after a possession order.
- Many of the issues with arrears are resolved by time, kicking the can down the road is effective in some ways (is it better or worse than repossession?)
- Those who don't engage do end up in court, but even then possession orders are rare and out of all of our observations only 22% of borrowers showed up to their own hearing (this figure is rising we are told which means better informed registrars)
- We almost never saw the borrower present at the granting of a possession order, there were just 3 cases of this in all of our observations.
- Courts are predisposed towards borrowers, and since our research ended we now have MABS and the ISI present in court.

## Some other details about these cases

Average arrears: €90,891

Average initial year of default: 2010

Mode year of default: 2010

Family home status disclosed 638

Repossessions of family homes : 15

This data is not current but demonstrates the ongoing fact that arrears take years to end up in court and then come out of the court system by whatever manner they exit.

# What about how things have been working out?

Households in negative equity have fallen from over 300,000 to 100,000 a year ago to probably around 50,000 now.

The level of mortgage arrears has halved since the peak

There have been very few court ordered repossessions. Where there have been repossessions they have been nearly always in cases where people were paying nothing and/or did not show up in court.

The lenders have been extraordinarily flexible in rescheduling loans. While over 100,000 mortgages have been rescheduled since the crisis began, fewer than 10,000 houses have been taken into possession by the lenders and most of these 10,000 were abandoned or voluntarily surrendered.

There are about 600,000 mortgages on family homes. Over 100,000 mortgages have been restructured by the lenders 66,000 mortgages are in arrears (down by half from the peak) Only 11,000 cases subject to legal proceedings.

Fewer than 1,000 orders granted last year – almost all of which were for people who were paying nothing and/or who did not show up in court?

# Mortgage To Rent (MTR) vs Mortgage Interest Supplement

House value	€	200,000				
Loan value	€	210,000				
Interest rate on loan		4.85%				
Market rent (as %)		7%				
Market rent	€	14,000				
[monthly]	€	1,167				
MTR supplement (%)		80%	Mortgage Interest cost	€	849	
Paid to MTR body	€	933.33	Paid to Bank (less €30)	€	819	
<b>Cost over 20yrs</b>	€	<b>224,000</b>	<b>Cost over 20yrs</b>	€	<b>196,500</b>	
<b>Potential savings</b>	€	<b>27,500</b>				

# What could change to help resolve this?

1. Get rid of ongoing adjournments for people who don't show up, possessing quicker has a few key advantages.
  - i) It will help to utilize empty properties, in many of the cases we observed the property was empty, not being used by anybody. 15% were empty, a further 18.5% were rented out (these were not BTL, they were family homes rented out)
  - ii) It will determine who the 'live' cases are, often people who have abandoned or are not engaging are gone. Why is there any empathy for people who don't exist at that address?
  - iii) A slow process creates further deeper arrears as they add on and make a bigger debt overhang.
2. Reintroduce Mortgage Interest Supplement: if we will pay market rents to landlords via HAP or Mortgage To Rent then why not pay market interest to banks? It may be far cheaper to rent the money for 5, 10 or 20 years than to sell the property and be stuck with a rent bill for 20 years?
3. Consider mandatory insurance to protect against inability to pay the same as we have mandatory life cover.
4. Single borrowers should have some form of payment protection rather than life insurance.



## Closing thoughts

- If you listen to the media the reality of the figures and the impression they give are two different things.
- We ought to go after some people quicker, some people slower, we need to know who, why and how to keep the system fair. In particular where properties are lying empty.
- The Registrars court has been used as a 'collections tool'. According to insiders there they say it's the only court where a case is taken in the hope that there is no outcome.
- Should we have some other form of aid, something all borrowers pay into? A 'loan levy' of a few basis points? Is there some way to pre-fund something that will help to give coverage in the future?
- We can't live the present as if the future is going to be a copycat repeat of the financial crisis, it would be like preparing for WWII again and again.
- If people are going to borrow and get their home turned into a social house, are they being treated better than people who are on the waiting list and who never borrowed? If we are building social housing should a person at least have to move so that they get some kind of equitable treatment to the people on waiting lists? Is housing policy about fairness, equal access and opportunity? Or about maximising the duration in an unaffordable home or showing preference to certain occupant types?
- Remember: there are facts and there is outrage, but outrage is not a fact, it's an emotion, the actual facts matter and in the main we handled much of this wrong but a lot of it right.