An Analysis of Mortgage Arrears Among South Mayo MABS' Clients

A spatial dimension to a national problem?

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Table of Contents

List of Figures

List of Tables

Foreword

On behalf of the Board of South Mayo MABS and my predecessor Pat Stanton who was Chairperson when this idea was mooted in the autumn of 2015 huge congratulations to all involved in this very interesting and compelling study into mortgage arrears policy and practice as it relates to mortgaged clients of South Mayo MABS.

The study was conducted by **South Mayo MABS** in partnership with **Dr Stuart Stamp, Independent Social Researcher and Research Associate,** Department of Applied Social Studies, Maynooth University. Stuart's expertise in the Social Policy field together with his long association with MABS was critical in framing this research and bringing it to a fruitful conclusion and I gratefully acknowledge and thank him for this.

Paul Joyce BL Senior Policy Analyst with **FLAC** came on board during the course of the study to provide help guidance and support and I wish to acknowledge his tremendous work as part of this research and thank the **Chairperson** and **Board of FLAC** for their contribution through his expertise.

I acknowledge and thank **Citizens Information Board** who support and fund the work of MABS.

Finally and most importantly I thank the staff of South Mayo MABS led by **Monica Joyce Coordinator** who work tirelessly to support clients going through financial difficulties and as a Board we know that they strive to ensure that influencing social policy is at the core of their work.

In particular special thanks to **Vivienne Molloy, Dedicated Mortgage Arrears Adviser** and **Roisin Byrne Money Advisor** who put huge work and effort into the research and led the project on behalf of the team.

Caroline Barry
Chairperson South Mayo MABS

Executive Summary

This is a study of the household experience of mortgage arrears in a rural setting, namely South Co. Mayo. Periodic data, published by both the Central Bank and the Department of Finance, suggest that the problem is declining in incidence nationally, but deepening among "difficult to solve" cases. The focus of both datasets, however, is *the distressed account* rather than the *borrower or household* concerned and information relating to the latter is much harder to come by. Although some notable enquiries have been made, these have tended to be undertaken on a national basis, with little or no research into mortgage arrears from a household perspective having been carried out to date at a regional or rural level.

Motivated by concerns among its money advisers as to the welfare of mortgaged clients stuck in seemingly intractable arrears situations over relatively long periods of time, South Mayo Money Advice and Budgeting Service (MABS) applied for, and subsequently received, a social policy grant from the Citizens Information Board (CIB) to explore the regional (rural) dimension to mortgage arrears as it has played out – and continues to play out – among its client base. The study, based primarily on data collated in respect of a representative sample of current mortgaged clients, but also drawing on the 'coalface' casework experiences of money advisers, has five objectives:

- To identify the relevant characteristics of mortgaged South Mayo MABS clients and households, and their financial circumstances, in the context of mortgage arrears resolution;

- To identify the relevant features of the properties and mortgages concerned in the context of mortgage arrears resolution;

- To explore the extent to which 'arrears clients' mortgages are sustainable;

- To explore the extent to which those mortgages deemed 'unsustainable' could be made sustainable and if so, what would be required towards this end;

- To make recommendations for policy /practice change or reform as appropriate from the clients' standpoint.

In addressing these objectives, the study is based in essence on 50 household "case study" narratives encompassing the following: how and for what purpose(s) mortgage finance was raised in the first instance; when and why arrears arose initially; subsequent experiences of arrears and how lenders had addressed these in the cases in question; and finally, the outcomes for the clients concerned at the time of analysis, namely March 2016. The findings reveal there to be an identifiable, regional dimension to mortgage arrears in Co. Mayo, related to some degree to the demographic and socio-economic profile of the County itself, hence these findings may well be applicable to other counties with similar profiles.

Starting with borrower and household characteristics, we identified a significant divergence in age, family size and household composition. Average age of distressed mortgage clients was around 40 years at drawdown and just below 50 at the time of analysis; hence these are relatively older borrowers, a finding which clearly limits mortgage term extension as a potential resolution.

Family sizes are also larger than average, and children within these families tend to be older, which entails relatively higher household costs (including in terms of transport), thereby further impacting on capacity to meet mortgage and arrears commitments.

Household incomes are relatively low, and poverty and unemployment rates relatively high, with some form of allowance, scheme, pension or welfare payment now being the main source of household income for most, with only very few having any 'realisable asset' at all to fall back on. Hence, affordability and sustainability are major challenges to mortgage arrears resolution in this context.

It was not always thus, however, and the picture that emerges is of a cohort of borrowers generally in receipt of sufficient incomes at the time of drawdown to sustain their associated mortgage payments, in most cases for some time afterwards. Nonetheless, the findings also show that a considerable number encountered repayment difficulties within the first few years of taking on a mortgage, often where brokers, subprime lenders and subsequently wound-up financial institutions were involved, thereby raising serious issues around lending and associated practices within the County during the "boom".

What becomes clear on further analysis is that the *source* of income was arguably as - if not more – important than the actual amount at a potential borrower's disposal, but that this crucial factor seems to have been disregarded by those arranging and extending the finance. Most borrowers examined for this study were in receipt at drawdown of what is now commonly referred to as "precarious" income, related to the construction and service industries for example; hence, when the downturn occurred, many such borrowers ran into difficulty fairly quickly.

Much of the mortgage arrears debate has tended to focus on first-time buyers in urban settings, paying hugely inflated prices during "peak"; however, there is also a rural dimension to the problem, with our findings illustrating that those who built or inherited their properties, or "traded- up" have also been affected. Further, that the properties upon which such distressed mortgages are generally secured tend, in the main, to be detached or semi-detached houses, often in small towns or remote areas, purchased for relatively modest sums (in most cases with conventional LTVs)[1], but now worth significantly less, and in some cases it appears, almost unsellable.

[1] Loan to Value ratios.

When coupled with the lack of social and privately available rented housing within the County, public policy clearly has particular challenges to overcome in terms of resolving the distinct "rural mortgage arrears" dimension to the broader national housing and homelessness crisis.

There is of course a context to this crisis, and it is now widely accepted that it arose as a result of an unsustainable "boom" or "bubble", associated with property and market speculation, fuelled by the development of complex (and what we now know to be flawed) financial instruments, and facilitated by public policy in terms of the promotion of owner occupation and non-intrusive regulation.[2]

Yet, our findings suggest that responsibility for the aftermath has not been equally shared, and that most of the burden rests with the party with the least resources available, namely the borrower and their household. Indicators of such unequal burden sharing, identifiable from our research, are as follows:

- Clients have, by and large, remained in arrears since their problems were triggered, with an average time in arrears of almost 5 years, and this has led to observable impacts on the health and wellbeing of such families;
- In relatively few cases have longer-term arrangements been put in place by lenders, despite the fact that arrears have persisted for such long periods;
- Although there is clearly a willingness on the part of lenders in general to re-structure mortgage arrangements, it appears that this is only where they can still expect to recoup the full amount of capital and interest they had originally factored in; in no case, for example, has a principal write-down been proposed;
- Around 60% of our sample is currently at risk of housing exclusion (i.e. either their mortgages have been declared unsustainable by lenders, or legal proceedings for repossession are in train);
- The majority of sample households are experiencing varying degrees of housing stress, in that contractual mortgage repayments would – if paid in full – take up more than 30% of household income and in many cases, considerably more;
- A clear majority of sampled households are in shelter poverty to varying degrees, in that they can – or could - only afford their housing costs by cutting back on essential spending, often by significant amounts.
- The only way most would be able to sustain a minimum (conventional) standard of living would be if mortgage repayment costs were substantially reduced, for example by way of interest rate reduction, or principal write-down.

Clearly, policy measures – of which there are many - are not working effectively from the perspective of this cohort of mortgaged MABS client households in Co. Mayo. This study concludes that the main reason for this is that core decision-making power continues to reside in the hands of the lender, and that there is a pressing need to re-balance things in this regard, particularly in a rural context where specific dimensions to mortgage arrears problems are identifiable.

[2] See for example: Houses of the Oireachtas (2016). Report of the Joint Committee of Inquiry into the Banking Crisis. Volume 1. See: https://inquiries.oireachtas.ie/banking/wp-content/uploads/2016/01/02106-HOI-BE-Report-Volume1.pdf

In concluding, therefore, we suggest reforms to key policy instruments, namely the Code of Conduct on Mortgage Arrears (CCMA), and the Mortgage to Rent Scheme (MTR), and recommend the development of supports to enable chronically distressed borrowers with limited resources to access options ostensibly designed to assist them, namely bankruptcy and personal insolvency.

To date, public policy has concentrated largely on establishing frameworks to facilitate engagement between borrowers and lenders with a view to creating a "space" for the management and potential resolution of mortgage arrears situations, the CCMA and Personal Insolvency Act 2012 being two prominent examples of such an approach. At the heart of the "framework" approach, however, lies we believe a fundamental flaw, namely the underlying implication that there is parity of arms between the parties.

Our findings and experience point towards the contrary, namely that there is a clear power imbalance at play in mortgage arrears situations in a rural setting, which not just favours lender over borrower, but impacts deleteriously on the latter and their household. It is our hope that the findings from this study contribute in some way towards addressing this particular imbalance.

Structure of the report

This report is set out as follows: in Section 1, we begin by exploring the background to the mortgage arrears crisis, and its manifestation over the past eight years. In Section 2, factors associated with mortgage arrears are discussed and the rationale for the study explained. Section 3 describes the profile of the Co. Mayo population to provide spatial context for the research, while Section 4 outlines the policy context to the study including recent developments around mortgage arrears. Section 5 describes the research methodology employed for the research, and in the following sections (6-10) we present the research findings.

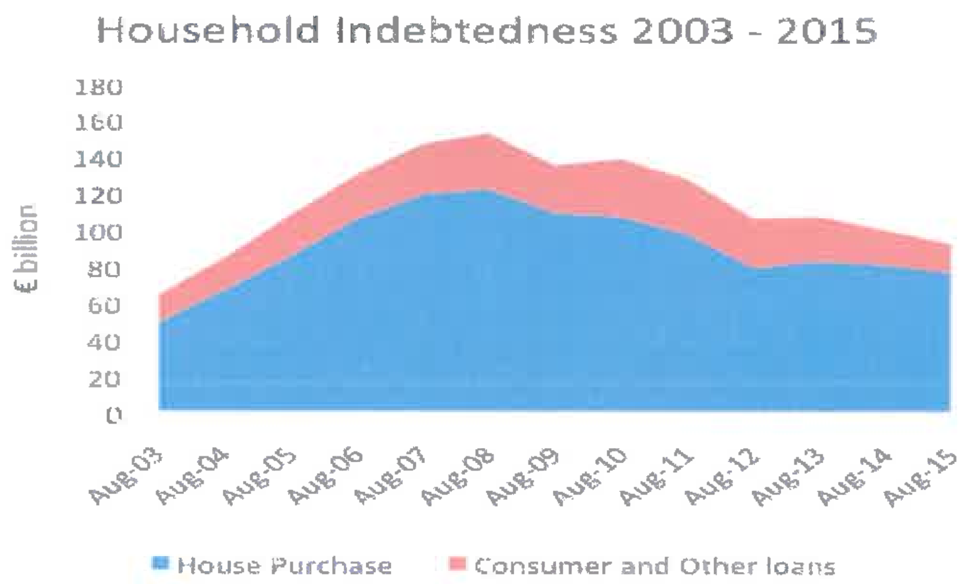
The specific findings are presented as follows: we begin by describing client and household profiles (Sections 6 and 7), before presenting details of the properties purchased (Section 8) and mortgages drawn-down (Section 9). We then turn to arrears resolution and present the findings as to how creditors have dealt – and are currently dealing with – this cohort of clients in arrears (Section 10). In Section 11, we examine affordability of current arrangements with reference to associated and living costs, and to concepts developed to enable us to contextualise such costs, namely "housing stress" and "shelter poverty". In Section 12, we summarise the key findings, before drawing out some policy and practice themes emerging (Section 13). The report concludes by making a number of policy recommendations in Section 14.

1. The mortgage arrears crisis

1.1. The mortgage credit "boom"

The ongoing mortgage arrears crisis, which developed in the aftermath of the Global Financial Crisis (GFC) in 2008, has its roots in the "credit boom" which took place following European and Monetary Union (EMU) in the early years of the past decade. The majority of this "boom" related to mortgages, as shown by Central Bank data for the banking sector for the period in question (Figure 1):

Figure 1: Household Indebtedness 2003-2015



Source: Central Bank of Ireland, Money and Banking Statistics, various years.

At the height of the boom - against a backdrop of economic growth and spiralling property prices[3] - mortgage credit was being provided by a range of lenders and as the boom began to run out of steam, MABS services increasingly came into contact with a spectrum of lenders ranging from main street banks and building societies on the one hand to non-Irish banks and sub-prime lenders (including local authorities) on the other. MABS also began to become aware of the role often played by mortgage brokers, although this has yet to be quantified, and the securing of debt by way of re-mortgaging and further advances which we now know amounted to around 15% of total mortgage drawdown at peak.[4]

[3] According to the Global Property Guide: "From 1997 to 2007 Ireland experienced a massive house price boom, with average used home prices up 268%, and new house prices up 216%. Ireland's decade-long house price boom was one of the longest and biggest in Europe. See: http://www.globalpropertyguide.com/Europe/ireland/Price-History

[4] Downey, D. (2014). 'The Financialisation of Irish Homeownership and the Impact of the Global Financial Crisis' in A MacLaran and S Kelly (eds), Neoliberal Urban Policy and the Transformation of the City. London: Palgrave Macmillan.

During this period, as noted by a subsequent Departmental Housing Policy Statement,[5] public policy was strongly oriented towards the promotion of owner occupation as the preferred mode of tenure (evidenced among other things by state support through grants and tax incentives, the establishment of shared ownership and tenancy purchase schemes, and comparative lack of investment in social housing). There was also a less explicit dimension to public policy, namely "non-intrusive" financial regulation as recently highlighted by the Oireachtas Banking Inquiry.[6]

In comparison to what is now known about the roles played by the state and financial institutions in facilitating and promoting the availability of credit for property purchase, relatively little attention has been devoted to the individual or household level in terms of finding out why people chose to avail of it. Possible reasons, many of which have been alluded to by MABS clients in confidential interviews with money advisers, include: the cultural importance attached to - or normalisation of - owner occupation; trust in the professional advice of financial institutions and intermediaries; the opportunity to provide a family safety net for the future; and the fear of being left behind leading to a rush to get on the housing ladder, or to trade up, before things became unaffordable and people potentially 'missed the boat'.

1.2. From 'boom to bust'

By the time of the immediate fallout from the GFC, household indebtedness had increased from 48% of disposable income (in 1995) to 170% by 2009[7], and MABS statistics were beginning to illustrate the extent to which indebtedness was turning to over-indebtedness i.e. to persistent inability to manage debt repayments and living expenses.[8] In Quarter 1 2008 for example, there were 4,562 new users of MABS services; by Quarter 1 2009, this had risen to 6,235, an increase of 37% over a one year period. As regards mortgage arrears specifically, a significant spike also occurred as boom turned to bust. According to the then Financial Regulator, at the end of June 2008, just 1.4% (around 14,000) of mortgage accounts were 3 months or more in arrears[9]: by the time the first set of mortgage arrears data were published for September-end 2009, this percentage had risen to 3.3% or over 26,000.[10]

[5] See: https://www.housing.ie/Regulation/Housing-Policy-Statement-2011.pdf

[6] Houses of the Oireachtas (2016). Report of the Joint Committee of Inquiry into the Banking Crisis. Volume 1. See: https://inquiries.oireachtas.ie/banking/wp-content/uploads/2016/01/02106-HOI-BE-Report-Volume1.pdf

[7] Oireachtas Library and Research Service (2010). *Debt Part 2: Personal Debt and Consequences*. Dublin: Houses of the Oireachtas.

[8] Combat Poverty Agency (2009). See: http://www.combatpoverty.ie/publications/APolicyFrameworkForAddressingOverIndebtedness_2009.pdf

[9] See Central Bank Press Release: https://www.centralbank.ie/press-area/press-releases/Pages/FindingsofArrearsandRepossessionsHandlingProceduresExamination.aspx

[10] See Central Bank Mortgage Arrears and Statistics: https://www.centralbank.ie/polstats/stats/mortgagearrears/Pages/Data.aspx

As illustrated in Table 1 below, the mortgage arrears crisis continued to grow before peaking in mid-late 2013, and although its incidence has since been decreasing, the problem has deepened for a significant cohort of borrowers in longer-term arrears, namely those in Principal Dwelling House (PDH) arrears for two years or more; in these cases, average arrears per account amounts to well in excess of €50,000.

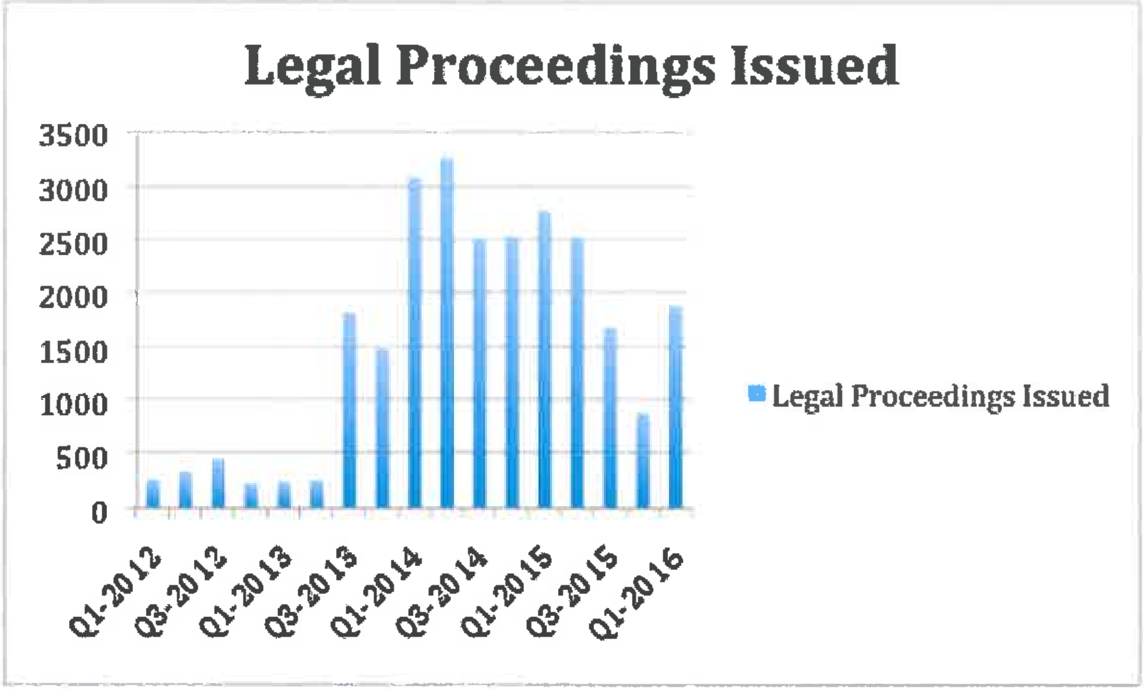
Table 1: PDH Accounts in Mortgage Arrears: Quarter 3 2009 to Quarter 1 2016

	Q3 09	Q3 10	Q3 11	Q3 12	Q3 13	Q3 14	Q3 15	Q1 16
Total Number	794,609	788,745	773,420	794,275	768,136	760,238	749,851	743,700
In arrears	63,619 (8.0%)	86,362 (10.9%)	110,597 (14.3%)	141,389 (17.8%)	141,269 (18.4%)	117,889 (15.5%)	92,361 (12.3%)	85,989 (11.6%)
Average arrears:	€13,490	€15,727	€17,070	€17,022	€21,311	€28,841	€26,493	€28,383
90 day arrears	26,271 (4.1%)	40,472 (5.1%)	62,970 (8.1%)	91,358 (11.5%)	98,736 (12.9%)	84,955 (11.2%)	65,653 (8.8%)	59,696 (8.0%)
720 day arrears	No data	No data	No data	20,622	31,834	37,484	37,320	35,792
720 day arrears average	No data	No data	No data	€38,105	€41,224	€48,681	€54,866	€58,843

Source: Central Bank Mortgage Arrears Statistics, various years.

Central Bank data also illustrate a further aspect of the deepening crisis, namely the issuing of repossession proceedings (Figure 2), and how these have ramped up since autumn 2013, with a total of 22,647 proceedings for repossession of family homes having been issued between June 2013 and December 2015. During Quarter 1 2016, legal proceedings were issued to enforce the debt/security on a PDH mortgage in 1,895 cases.

Figure 2: Issuance of legal proceedings for repossession, 2012-2016



Source: Central Bank Mortgage Arrears Statistics, various years.

The trend towards repossession is also evident within Co. Mayo. For example, on Monday 8th February 2016, there were 77 Repossession Hearings at Castlebar Circuit Court, most of which were adjourned. Data collected by money advisers present on that occasion, suggest 'distressed' mortgage accounts to be strongly associated with certain lenders and particularly those with lesser market shares (Table 2).[11]

[11] See Goodbody Stockbroker estimate: http://www.irishtimes.com/business/financial-services/pepper-homeloans-to-offer-mortgages-in-ireland-1.2504262

Table 2: Repossession hearings by lender (Castlebar, February 2016)

Lender	Percentage of Possession Hearings February 2016 (n=77)	Estimated market share (Irish Times/Goodbody)
Ulster Bank	23.4 (n=18)	15
KBC	14.3 (n=11)	12
EBS	13.0 (n=10)	30
AIB	10.4 (n=8)	
Bank of Ireland	10.4 (n=8)	30
Start Mortgages	7.8 (n=6)	<1
Pepper Homeloans	6.5 (n=5)	<1
Mars Capital	2.6 (n=2)	<1
PTSB	2.6 (n=2)	12
Haven Mortgages	1.3 (n=1)	<1
Other	7.8 (n=6)	Not known

2. Factors associated with mortgage arrears

2.1. Predictors of mortgage arrears in general

Analysis undertaken for the Central Bank[12] identifies a number of factors specifically associated with the onset of mortgage arrears at the household level. These "risk" factors may be categorised as follows:

Table 3: Factors increasing the risk of mortgage arrears

Type of factor	Examples
Labour-market	• Income/employment *precarity*;[13] • Income shock/change in employment conditions; • Unemployment (both experience and length of);
Socio-demography	• Lower education levels • Having dependent children
Household finances	• High mortgage repayment to income ratios (MRTI) • Lower savings/wealth • Higher unsecured debt
Property-related	• High Loan to Value Ratios (LTV); • Negative equity;
Mortgage-related	• Those on variable as opposed to tracker rates; • Those who have extracted equity

2.2. Unrevealed casualties

McCarthy's analysis concentrates on those already in arrears, but a more recent study[14] -in this instance focused on a suburban area within Greater Dublin - also suggests there to be a pool of "unrevealed casualties" consisting of those not in arrears or a re-structuring arrangement[15], but nevertheless finding it a heavy burden to make their mortgage repayments or having

associated affordability or liquidity problems. When this group are added to those already in mortgage arrears, a number of further "risk" factors are identifiable, specifically:

[12] McCarthy, Y. (2014). Dis-entangling the mortgage arrears crisis:
The role of the labour market, income volatility and housing equity. Dublin: Central Bank of Ireland. See: https://www.centralbank.ie/publications/Documents/02RT14.pdf

[13] That is to say, those in a precarious existence, lacking in predictability and job security among other things.

[14] Waldron, R. (2016). The "unrevealed casualties" of the Irish mortgage crisis: Analysing the broader impacts of mortgage market financialisation. Geoforum 69 (2016) 53–66.

[15] For example, those now in longer-term Alternative Repayment Arrangements (ARA) under the Mortgage Arrears Resolution Process (MARP).

- The period of purchase i.e. First-time buyers who bought during the peak of the Irish property bubble between 2004 and 2008;
- High Mortgage to Income Ratios (those who borrowed a mortgage equivalent to five times their income or more);
- Longer mortgage repayment terms (over 30 years);
- Those with larger households;
- Those in low paid employment.

Waldron's research also strongly concludes that "relaxed" lending practices during the boom are a key factor in the onset of subsequent mortgage distress:

> "The most interesting research finding is the relationship between mortgage stress and the underwriting criteria of the banks... One of the key drivers of mortgage stress for households was the profligacy and excessive risk taking that was endemic among financial institutions during the Irish Celtic Tiger.... the key drivers of mortgage related stress for the unrevealed casualties of the crash are the mortgage debt-to income ratio, the number or additional financial commitments, and the presence of arrears on those commitments."

In this regard, use of sub-prime options for mortgage finance is also associated with the onset of mortgage arrears, both in the private[16] and public (local authority)[17] sectors.

2.3. Consequences of mortgage arrears

The most authoritative source in this regard is the survey of (n=5,995) MABS mortgaged clients undertaken by MABS ndl in August 2012.[18] In line with a broader body of research into the consequences of over-indebtedness on those most directly affected, this survey – drawing on the experiences of MABS money advisers - identified a number of impacts on individuals and households experiencing mortgage arrears, categorised (in order of frequency) as follows:

- Mental health issues;
- Physical health impacts:
- Relationship breakdown;
- Addiction issues
- Other issues (including difficulty making ends meet).

[16] See: http://www.irishtimes.com/news/politics/one-in-five-mortgages-in-arrears-are-subprime-loans-1.2143313

[17] Kelly, F. (2013). 'A third of local authority home loans are in arrears', Irish Independent, 24th October 2013.

[18] Bennett, C. (2013). MABS Clients and Mortgage Arrears. Dublin: MABSndl. See: https://www.mabs.ie/fileadmin/user_upload/documents/Reports___Submissions/Mortgage_Report_Web.pdf

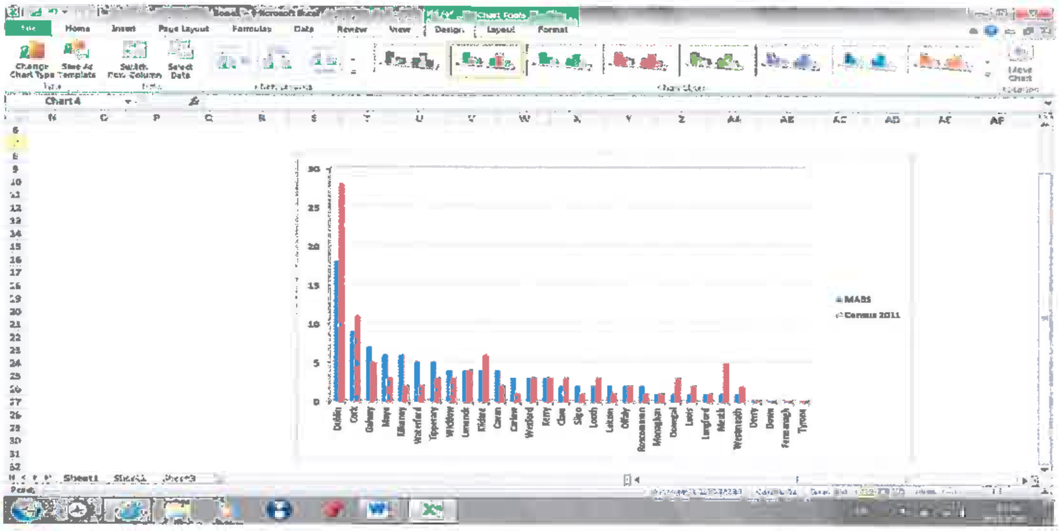
Such impacts have been categorised as "consequences that affect personal welfare" and distinguished from a further set of consequences - also potentially applicable to mortgage arrears situations - that can be considered "punitive or imposed by the wider society on households" (such as sanctions for non-payment including housing exclusion, financial exclusion, and reduced labour market activity).[19]

2.4. A spatial dimension to mortgage arrears?

The spatial dimension to mortgage arrears has rarely been examined, with the notable exceptions of Waldron's suburban-focused research, and a Central Bank study highlighting the impact of regional unemployment in this regard.[20]

There are, however, notable indications that there may be such a dimension to mortgage arrears within data gathered by MABS, and in relation to Co. Mayo specifically. In 2013 for example, MABS ndl undertook a piece of research[21] which found *inter alia* that certain rural counties appeared to be "over-represented" in terms of clients with mortgage arrears when compared to the population as a whole, Co. Mayo among them (Figure 3).

Figure 3: Location – MABS Mortgaged Clients v National Mortgaged Population, % by County



Source: Bennett, 2013 (a comparison between MABS National Development Limited, Mortgage Survey, August 2012 and Central Statistics Office, Census data 2011, reported in Profile 4 – The Roof over our Heads, August 2012).

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[19] Civic Consulting (2012). *The Over-Indebtedness of European Households: Updated Mapping of the Situation, Nature and Causes, Effects, and Initiatives for Alleviating its Impact*. Berlin: Civic Consulting. See: http://ec.europa.eu/consumers/financial_services/reference_studies_documents/docs/part_1_synthesis_of_findings_en.pdf, Section 7.

[20] Kelly, R. and O'Malley, T. (2014). A transitions-based model of loan default for Irish mortgages. Dublin: Central Bank of Ireland.

[21] Bennett, C. (2013). MABS Clients and Mortgage Arrears. Dublin: MABSndl. See: https://www.mabs.ie/fileadmin/user_upload/documents/Reports___Submissions/Mortgage_Report_Web.pdf

An earlier piece of work undertaken for MABS on mortgage arrears also suggests there may be a rural dimension to this issue, given that 30 of the 46 households interviewed for this particular study were resident in such areas (in this instance, counties Wicklow, Galway, Tipperary, Kerry and Waterford), and that sub-prime lending appeared to be a significant factor in these locations. [22]

2.5. Rationale for the study

The rationale for our study, therefore, is to bring a spatial dimension to the examination of mortgage arrears in the hope that this may inform associated policy development appropriate to counties similar to Mayo. By charting the narratives of 50 current MABS clients, from the time of initial mortgage borrowing to date, we also hope to contribute to enhanced understanding of how the mortgage crisis has deepened at the household level some eight years or so after it began to escalate.

[22] Norris, M. and Brooke, S. (2011). Lifting the Load: Help for people with mortgage arrears. Dublin: Waterford MABS, MABSndl and the Citizens Information Board. See: http://www.citizensinformationboard.ie/downloads/social_policy/lifting_the_load_sep11.pdf

3. Profile of the Co. Mayo population

This research is concentrated on clients of South Mayo MABS exclusively, so the tenure, dwelling, demographic and socio-economic profile of the county's population is therefore important context to the incurring of mortgage arrears within it.

3.1. Tenure profile

The normalisation of home ownership appears to be particularly strong in Co. Mayo. Owner occupation in general is significantly higher within the County compared to the population average. According to the Census (2011)[23], 76.6 per cent of dwellings in Co. Mayo were owner occupied, with only 22.1 per cent being rented; the comparative figures nationally are 69.7 per cent (owner occupation) and 29 per cent (rented accommodation).

The extent of owner occupation is likely to be even higher in rural parts of the County, given that home ownership in rural areas stands at almost 84 per cent, compared to just less than 62% in urban settings as renting has become more prevalent in the latter areas (Census, 2011). Notably, almost half of owner occupied housing in Co. Mayo is owned outright:

> "The western counties had the largest rate of households where the owner had no loan or mortgage, with over 45 per cent of houses and apartments in Mayo, Kerry and Roscommon owned outright." (Census, 2011).

Among the mortgaged population specifically, there are higher rates both of unemployment and non-labour force participation in Co. Mayo than there are among the mortgaged population generally, which suggests there to be a regional dimension at play here, given the strong correlation between mortgage arrears and unemployment identified above:

Table 4: Mortgage holder comparison: Co. Mayo v population

Owner-purchasers	Co. Mayo (n=15,000)	Population (n= 583,148)
At work	11,543 (76.9%)	459,805 (78.9%)
Unemployed	1,494 (10.0%)	50,792 (8.7%)
Not in labour force	1,963 (13.1%)	72,551 (12.4%)

Source: Census, 2011

[23] Central Statistics Office (2012). The Roof over our Heads. Cork: Central Statistics Office. See: http://www.cso.ie/en/census/census2011reports/census2011profile4theroofoverourheads-housinginireland/

3.2. Dwellings' profile

The type of housing occupied is also distinctively different in Co. Mayo, with 92.3 per cent of households living in a house or bungalow (compared to 84.7 per cent of households nationally), and only 3.9 per cent residing in a flat, apartment or bedsit, compared to 11 per cent nationally (Census, 2011).

Certain distinctive features of the Co. Mayo housing stock are also clearly illustrated by the Census. For example, whereas only around 40% of (occupied) dwellings nationally consist of detached houses, this figure rises to more than 70% in certain western counties including Mayo (together with co. Galway, Roscommon and Leitrim).

In terms of age of housing, although only 10.5 to 12 per cent of occupied dwellings in Co. Mayo were built between 2006 and 2011, in terms of one-off housing, along with counties Donegal, Roscommon, Monaghan and Galway, one-off houses in Mayo comprised over 45 per cent of households constructed between 2006 and 2011 (Census, 2011).

Costs of living are clearly important in the context of sustaining mortgage repayments and addressing mortgage arrears, and location may have relevance in this regard in terms of associated travel costs for example.

3.3. Socio-economic profile

Census data also illustrate a potentially relevant divergence in the socio-economic profile of the Co. Mayo population, a difference helpfully summarised by Mayo County Council in a demographic and socio-economic profile compiled in 2014 to inform the County's Local Economic and Community Plan (LECP),.[24]

> "Comparison of the profile of socio-economic groups in Co. Mayo with that of the State shows a higher percentage of farmers, with relatively reduced numbers of employers and managers, and higher and lower professionals. This profile is generally consistent with a predominantly rural population.
>
> Consistent with the profile of the socio-economic groups in Co. Mayo, the county returned a lower percentage of professional workers and managerial and technical workers compared to that of the State. It also returned a higher proportion of skilled manual and semi-skilled. Again, this profile is generally consistent with a predominantly rural population."

Precarity of income and low paid employment are strongly associated with mortgage arrears as noted above. Both of these would appear to be features of the workforce in Co. Mayo.

[24] See: http://www.mayococo.ie/en/media/Media,25494,en.pdf , p47.

3.4. Demography

The population of Co. Mayo is notably older than that of the population as a whole, a divergence again highlighted by data compiled to inform Mayo County Council's LECP which drew on relevant Census data for the County:

> "Co. Mayo has a comparatively more elderly population with no significant decrease in the population between the ages of 30 and 65, after which there is a steep decline up to age 75. Unlike the State overall, where the low point in the total population is mirrored by births 17 years previously, for Co. Mayo the low point is age 21 reflecting the rural nature of the county as young people move away to work and study… other counties to show a broadly similar structure are the predominantly rural counties of Donegal and Kerry".[25]

Age may be relevant in the context of initial mortgage drawdown as it may, for example, limit the repayment period where borrowers are in "middle age" and thereby increase monthly repayments. It may also be a factor inhibiting potential resolution of mortgage arrears situations; extensions to mortgage terms, a common way of reducing monthly repayments over time, may for instance be limited where such extensions take people beyond retirement age.

In other respects, such as marital status, nationality and household composition, the Co. Mayo population broadly reflects that of the population as a whole.

3.5. Poverty

No data are accessible with regard to poverty or deprivation rates at County level, though at Regional level (Mayo falls within the Border, Midlands and Western or "BMW Region"), the most recently available data from the annual Survey on Income and Living Conditions (SILC) reports that:

> "An analysis of consistent poverty rates by region shows that the rate for the Border, Midlands and Western region was 10.8% compared with 7.0% for the Southern and Eastern region…
>
> Individuals living in the Southern and Eastern region had a real median equivalised disposable income (€18,693) that was 16.1% higher than those living in the Border, Midland and Western region (€16,100).[26]

The Mayo Local Economic and Community Plan (July 2015) does not provide specific data in relation to poverty in Co. Mayo, but does make some general observations in relation to its extent and nature within the County:

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[25] See: http://www.mayococo.ie/en/media/Media,25494,en.pdf , p27.

[26] Central Statistics Office (2015). Survey on Income and Living Conditions 2014. Cork: Central Statistics Office. See: http://www.cso.ie/en/releasesandpublications/er/silc/surveyonincomeandlivingconditions2014/

> Mayo has areas of deprivation because of its rural peripherality and also urban poverty in the form of poor households, high unemployment levels and a decline in environmental and social infrastructure in certain areas. Mayo has a higher age dependency rate and an above average elderly population than the rest of the country. The last decade has resulted in significant changes in relation to unemployment levels, emigration and depopulation in rural areas placing Mayo amongst the most disadvantaged counties in the country.

Poverty is strongly associated with over-indebtedness in general, hence it would be reasonable to conclude that it is also correlated with mortgage arrears specifically. For example, in the last major analysis of over-indebtedness in Ireland, undertaken using data for 2008 gathered in the run up to the GFC, the Economic and Social Research Institute (ESRI) found that:

> In Ireland, individuals 'at risk of poverty' are just over twice as likely to have arrears (*including rent or mortgage arrears*) as individuals not 'at risk of poverty'.[27]

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[27] Russell, H. and Maitre, B. (2011). *Financial Exclusion and Over-indebtedness in Irish Households*. Dublin: Economic and Social Research Institute. See: https://www.esri.ie/pubs/bkmnext184.pdf p118.

4. Policy review

South Mayo MABS, and indeed MABS in general, has witnessed the impacts of policy development "on the ground" both pre and post the GFC. Broadly speaking, our sense is that there have been three distinct phases to the mortgage arrears crisis, as we now outline.

4.1. Pre 2008: MABS the primary response

In the years leading up to the Global Financial Crisis (GFC), there was a noticeable profile change in MABS clients; those with mortgages - and mortgage difficulties – began to present much more frequently than previously, and cases became increasingly complex involving a multiplicity of priority and secondary debt and a range of credit types. This is evident in MABS administrative data for the period. Advocacy with, and for, clients during this period was conducted against a backdrop in which negotiating power lay almost entirely in the hands of lending institutions. Calls for the introduction of personal insolvency provisions, and reforms to the legal system[28], to deal with any subsequent economic downturn went unheeded, and MABS, as it had for the previous 16 years, remained the major policy initiative to deal with personal debt including mortgage arrears.[29] A significant, albeit "quiet" or background initiative, supported by MABS, was, however, in train during this period, namely the development of minimum essential budgets or standards of living by the Vincentian Partnership for Social Justice (VPSJ).[30] These would prove to be highly influential in the subsequent development of personal insolvency provisions (see below).

4.2. 2009 -2012: Forbearance and insolvency

In the immediate aftermath of the (GFC), attention turned to policy instruments to address mortgage arrears specifically, and personal debt more generally, although the focus was – and remains – arguably more on addressing the former than the latter. Two highly influential reports were published during this period. The first, by the Cooney Group[31] (an Expert Group, including consumer representatives, established by government specifically to propose solutions to the emerging mortgage crisis), focused on the protection of family homes. A range of measures was proposed, both in terms of standard (short-term) and advanced (medium to longer term) forbearance measures, with an emphasis on the former. The second, by the Law Reform Commission, recommended, amongst other measures, the introduction of personal

[28] Joyce, P. (2003). *An End Based on Means: A report on how the legal system in the Republic of Ireland treats uncontested consumer debt cases with an examination of alternatives and proposals for reform*. Dublin: Free Legal Advice Centres. See: http://www.flac.ie/download/pdf/an_end_based_on_means.pdf. A further FLAC study published in 2009 ("To No One's Credit") focused on the debtor's experience of Instalment and Committal Orders in the Irish legal system, see: http://www.flac.ie/download/pdf/to_no_ones_credit_june09.pdf

[29] Stamp, S. (2011). 'The Impact of Debt Advice as a Response to Financial Difficulties in Ireland', *Social Policy and Society*, Volume 11 / Issue 01 / January 2012, pp 93-104.

[30] See: http://budgeting.ie

[31] Report of the Mortgage Arrears and Personal Debt Group (2010). See: http://www.finance.gov.ie/sites/default/files/mortgagearrrepfin.pdf

insolvency legislation to provide a framework for dealing with unsustainable debt in general, including secured debt.[32]

Among the key recommendations implemented following Cooney was the development of a Mortgage Arrears Resolution Process (MARP) to provide a framework for handling arrears and pre-arrears cases, at the centre of which is a Standard Financial Statement (SFS) for use by all lenders, thereby bringing an element of standardisation to the application in practice of a case-by-case approach.[33] The MARP is embodied in the Central Bank's Code of Conduct on Mortgage Arrears (CCMA), initially introduced in 2009, and since amended in 2011 and again in 2013. This has proved to be the policy instrument of most relevance to the day-to-day work of money advisers in mortgage arrears cases, and has facilitated arrangements and resolutions for several MABS clients mainly in the short term. However in other cases its provisions have proved to be of more limited use and its most recent revision has arguably been more towards the interests of lenders[34]. Further, the Supreme Court has recently found the CCMA to be largely inadmissible in repossession proceedings.[35]

The work of the Law Reform Commission has also proved to be highly influential, with the subsequent enactment of the Personal Insolvency Act in 2012. This legislation provides four options for insolvent debtors, namely Debt Relief Notices (DRN), Debt Settlement Arrangements (DSA), Personal Insolvency Arrangements (PIA), and (revised) Bankruptcy provisions.[36] It also establishes a statutory body (the Insolvency Service of Ireland or 'ISI') with responsibility for monitoring operation of these arrangements. MABS has a designated role as Authorised Intermediary (AI) in terms of DRNs, whilst the intermediary role for DSAs and PIAs is performed by ISI authorised (private sector) Personal Insolvency Practitioners or PIPs. The work of the VPSJ (discussed earlier) has informed the development of Guidelines on Reasonable Living Expenses (RLE) which the legislation requires the ISI to prepare and issue, and which give direction to AIs and PIPs in assessing, for relevant provisions of that Act, what expenditure may be considered 'reasonable' in the context of a standard of living for

[32] A third (inter-departmental) report, commonly referred to as the Keane report, effectively re-iterated the core recommendations made by each group. See: http://www.finance.gov.ie/sites/default/files/mortgagearr2_0.pdf

[33] Other important components of the MARP are the requirements for lenders to establish both a centralised Arrears Support Unit (ASU) to manage cases under the MARP, and a separate Appeals Board to consider cases where borrowers are dissatisfied with decisions made under it.

[34] Joyce, P, and Stamp, S. (2014). *Redressing the Imbalance: A study of legal protections available for consumers of credit and other financial services in Ireland.* Dublin: Free Legal Advice Centres.

[35] Carolan, M. (2015). 'Limited role of courts in mortgage arrears cases clarified: Supreme Court defines courts' position on code of conduct on mortgage arrears', *Irish Times,* 16th May 2015.

[36] These are helpfully summarised by Citizens Information as follows: A Debt Relief Notice allows for the write-off of qualifying debt up to a certain limit (initially €20,000, subsequently increased to €35,000) subject to a 3-year supervision period; A Debt Settlement Arrangement allows for the agreed settlement of unsecured debt over a period of up to 5 years; A Personal Insolvency Arrangement allows for the agreed settlement of secured debt up to €3 million (though this cap can be increased with the consent of all secured creditors) and unsecured debt over a period of up to 6 years. The rules on bankruptcy have also been revised, including a reduction in the bankruptcy discharge period.

those who are insolvent.[37] Each of these options has been much less utilised than expected for various reasons, but the ISI appears hopeful of increased activity levels in each domain into the future.[38]

4.3. 2013 to date: Resolution and repossession.

During 2012, with the crisis still escalating, the Central Bank moved towards a longer-term approach, initially requesting regulated institutions to submit to it (in confidence) strategies for dealing with both shorter and longer-term mortgage arrears situations in the form of Mortgage Arrears Resolution Strategies or MARS. Lender strategies subsequently became publicly available (from 2013), and it has since become clear to MABS – both through literature published by individual lenders and dealings on behalf of individual clients - that there are distinct, and often subtle, divergences in the types and nature of arrangements, both in the shorter and longer terms, that individual lenders will entertain. The effect of MARS, from the client/MABS adviser standpoint, is that we now have not just a case-by-case approach, but also a lender-by-lender one, with the balance of power still tending towards institution rather than borrower.

As can be seen from Table 5, overall, the emphasis has been on certain types of strategy, principally capitalising arrears, split mortgages and term extensions, with a majority of such restructures "meeting (their) terms". However, there are also indications within the data of considerable re-default or "not meeting terms"; nor does meeting the terms of an arrangement necessarily equate to sustainability, as noted by the Central Bank:

> At end-December, 86.4 per cent of restructured PDH accounts were deemed to be meeting the terms of their arrangement. This means that the borrower is, at a minimum, meeting the agreed monthly repayments according to the current restructure arrangement. It is important to note that 'meeting the terms of the arrangement' is not a measure of sustainability, as not all restructure types represent longer-term sustainable solutions as defined within the Mortgage Arrears Resolution Targets.[39]

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[37] The ISI "RLE" are in essence a somewhat modified version of the VPSJ "MESL", and exclude certain expenses considered essential by the VPSJ, including medical insurance and (potential) need for an additional vehicle (See: http://www.isi.gov.ie/en/ISI/RLEs_Background_Information_July_2015.pdf/Files/RLEs_Background_Information_July_2015.pdf p14-15). Another important difference is that the VPSJ standards take into account location and distinguish between urban and rural settings, whereas the ISI's do not.

[38] See latest ISI statistics and commentary for Quarter 1 (2016): http://www.isi.gov.ie/en/ISI/ISI_Statistics_2016_Quarter_1.pdf/Files/ISI_Statistics_2016_Quarter_1.pdf

[39] See: https://www.centralbank.ie/polstats/stats/mortgagearrears/Documents/2015q4_ie_mortgage_arrears_statistics.pdf , p4.

Table 5: Types of mortgage re-structure as of March 2016

Re-structure Type	Percentage of all re-structures	Meeting terms	Not meeting terms
Arrears capitalisation	29.9	76.5	23.5
Split mortgage	21.3	94.8	5.2
Other	14.7	86.6	13.4
Term extension	13.3	91.9	8.1
Reduced payment (>I/O)	8.5	90.7	9.3
Temporary interest rate reduction	5.8	94	6
Interest only (<1 year)	2.3	86	14
Interest only (>1 year)	2.1	94.3	5.7
Reduced payment (<I/O)	1.0	64	36
Payment moratorium	1.0	94.2	5.8
TOTAL	100	87.3	12.7
Deferred Interest Scheme		63.3	36.7
Permanent Interest Rate Reduction	0.1%	46.7	52.3

Source: Central Bank, Mortgage Arrears Statistics, March 2016.

As the Crisis continued to grow before, as we now know, peaking in mid-late 2013, the government announced its Mortgage Arrears Plan[40], consisting of a number of elements, including those already discussed above. A new development at this point was the setting up of Mortgage Arrears Resolution Targets (MART) by the Central Bank from 2013 onwards.[41] These were - and are - in essence "rolling" performance targets for the 6 major banks[42] which require each to propose sustainable solutions for a percentage of arrears accounts by specified dates. Many proposed and implemented "solutions" have involved loss of the family home, as illustrated by data published by the Central Bank in April 2015 (the Central Bank has subsequently issued revised requirements to the banks).

[40] See: http://www.merrionstreet.ie/en/News-Room/Releases/government-statement-resolving-the-mortgage-arrears-crisis.html.

[41] See: https://www.centralbank.ie/press-area/press-releases/documents/approach%20to%20mortage%20arrears%20resolution%20-.pdf

[42] The specified institutions are: ACC, AIB (including EBS), KBC, PTSB, Bank of Ireland (including ICS) and Ulster Bank.

Table 6: Central Bank: Mortgage Arrears Resolution Target data (April 2015)

	PDH - proposed	PDH -concluded
Re-structure	46,446	34,279
Insolvency	360	249
Loss of ownership	30,904	16,683

A policy shift towards facilitating property repossession is also evident both in the establishment – and conclusions of – an Inter-Departmental Expert Group on Repossessions[43], and in the enactment of The Land and Conveyancing Law Reform Act 2013, which addressed the so-called "Dunne judgement"[44] and cleared the way for affected repossession proceedings to commence or re-commence.

At the household level, in addition to MABS (which continues to deal with around 20,000 new cases per year), various measures have been introduced to provide advice and information to those in mortgage arrears, but have either been under-used [45], or proved inappropriate for the state to support. [46] Civil society has also responded by establishing a number of mortgage arrears advocacy and representative groups. Only recently has policy switched back towards MABS by way of designated roles in the Court Mentor, Dedicated Mortgage Adviser (DMA)[47] and legal advice initiatives respectively.[48]

Take-up of the state's Mortgage to Rent Scheme remains low and the scheme has recently been tweaked in the hope of encouraging more successful applications. [49] Amendments to social housing regulations allow for a borrower whose mortgage has been deemed unsustainable under the MARP to be assessed for social housing,[50] but demand for such continues to grow as the state faces an unprecedented homelessness crisis caused, in part, by unresolved policy issues concerning private sector tenancies and associated welfare supports. Inadequate supply of housing, both in the private and social domains, continues to be a major policy challenge. These are, therefore, particularly worrying times for those in chronic mortgage arrears struggling to sustain alternative repayment arrangements, facing repossession, or contemplating voluntary sale. In this context, both the recently published Programme for

[43] Department of Justice and Equality (2013). *Report of the Expert Group on Repossessions*. See: http://www.justice.ie/en/JELR/ExpGroupReportFinal.pdf/Files/ExpGroupReportFinal.pdf

[44] See rationale for the legislation as articulated by the then Minister at the second reading of the Bill: https://www.kildarestreet.com/debates/?id=2013-04-30a.372

[45] Department of Social Protection (2013). Mortgage Arrears Information and Advice Service: Review of the Independent Financial Advice Service. Dublin: Department of Social Protection. See: https://www.welfare.ie/en/downloads/MAIAS-Review-Report.pdf

[46] See: https://www.centralbank.ie/press-area/press-releases/Documents/Pilot%20of%20the%20Multiple-Debt%20Framework%20Report.pdf

[47] See: http://www.welfare.ie/en/pressoffice/Pages/pr010915.aspx

[48] See: http://www.citizensinformationboard.ie/en/news/2016/news20160126.html

[49] See: https://www.kildarestreet.com/debates/?id=2015-06-17a.211

[50] S.I. No. 321/2011 - Social Housing Assessment (Amendment) (No. 2) Regulations 2011. See: http://www.irishstatutebook.ie/eli/2011/si/321/made/en/print

Government 2016,[51] and Government Action Plan on Housing and Homelessness[52] contain a number of notable policy commitments both in terms of housing in general and "difficult to solve" mortgage arrears cases more specifically.

51 See: http://www.merrionstreet.ie/MerrionStreet/en/ImageLibrary/Programme_for_Partnership_Government.pdf

52 See: http://rebuildingireland.ie/Rebuilding%20Ireland_Action%20Plan.pdf#page=34

5. Research Methodology

5.1. Aims of the study:

This study aims:

(i) To explore the nature of mortgage arrears among current clients of South Mayo MABS, and;

(ii) To evaluate the appropriateness of policy and practice developments within this context.

5.2. Research objectives:

Five objectives were set for the research as follows:

1. To identify the relevant characteristics of mortgaged South Mayo MABS clients and households, and their financial circumstances, in the context of mortgage arrears resolution;

2. To identify the relevant features of the properties and mortgages concerned in the context of mortgage arrears resolution;

3. To explore the extent to which 'arrears clients' mortgages are sustainable;

4. To explore the extent to which those mortgages deemed 'unsustainable' could be made sustainable and if so, what would be required towards this end;

5. To make recommendations for policy /practice change or reform as appropriate from the clients' standpoint.

5.3. Research population and sample

The study population consists of mortgaged, South Mayo MABS clients who first presented – or were 're-activated' - between April 1st 2015 and March 31st 2016 (i.e. within a full calendar year). There were 119 such clients, and from this population, a random, representative sample of 50 "cases" was selected for in-depth analysis.

5.4. Research method

Following initial meetings with staff, it was decided that a group "case study" approach would be the most appropriate research method given the study's aims and objectives and in particular, the associated need to record individual case narratives 'over time'.[53] It quickly became clear during these preparatory discussions that a considerable body of relevant data exists within MABS computerised records, hard-copy files, and associated documentation (such as letters

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[53] Creswell, John (2009). Research Design; Qualitative and Quantitative and Mixed Methods Approaches. London: Sage.

from creditors, copies of agreements, and legal documentation). These data, however, were not accessible in one location, hence a be-spoke research instrument was designed to facilitate data collation from these various sources.[54] Six types of data were subsequently recorded for each sampled client, namely:

- Client demographic and socio-economic data;
- Household data;
- Property-related data;
- Mortgage-related data;
- Data on broader financial commitments;
- Data on other debts.

Data were subsequently analysed using the Statistical Package for the Social Sciences (SPSS).

The research project was conducted between March and June 2016.

[54] Namely an excel database and associated Codebook to ensure the reliability and uniformity of recorded data.

6. Mortgaged Client Profiles

In this section, we present the study's findings in relation to the profile of the South Mayo MABS' clients sampled for this study.

6.1. Gender:

There was a fairly even split between female clients (n=26 or 52%) and male clients (n=24 or 48%) within the sample. This reflects the South Mayo MABS client profile overall where females (n=162 or 53%) slightly outnumber males (n=141 or 47%). It is also reflective of the overall (national) MABS client profile where again female clients (n=9,305 or 54%) are more prevalent than male clients (n=7,997 or 46%).

These data are broadly reflective of a changing gender profile within MABS services across the country post-GFC, with a greater proportion of men now using MABS services than heretofore. In 2008 for example, the respective national percentages were: female clients (58%) and male clients (42%). Going back to 1993 when the first (five) MABS Pilot Projects were evaluated, although no data were published in respect of gender, the case studies contained within the evaluation[55] indicate that a much larger proportion of women than men used MABS services at their inception "pre-Celtic Tiger".[56]

MABS has been involved in important work in identifying the link between over-indebtedness and ill-health amongst women during the boom years.[57] It may now be timely to re-visit the issue by comparing and/or contrasting longer-term health impacts upon both men and women following the bust, given that there are frequent references in the case-notes of those sampled to adverse impacts on health, including mental health, depression, stress, and guilt.[58]

6.2. Age:

The age profile of the sample is perhaps its most striking demographic feature, given the traditional association of debt problems with younger persons.[59] Average age is ***49 years*** at

[55] Dillon, B, and Redmond, D. (1993). *Evaluation of Pilot Projects to Combat Moneylending and Indebtedness*. Dublin: Nexus Research Cooperative.

[56] This changing profile may well be correlated with the changing nature of problem debt resulting from the growth in (primarily mortgage) credit availability and use; it may also be linked to changing roles and responsibilities around money management within Irish households more generally. See: Rottman, D. (1994). *Income Distribution within Irish Households* (Research Report Series #18). Dublin: Combat Poverty Agency.

[57] Women's Health Council and MABSndl (2007). *Women, Debt and Health*. Dublin: Women's Health Council and MABSndl.

[58] Again, this is in line with a body of research into the effects of debt problems in general. See for example the following overview by the Mental Health Commission (2011), The Human Cost: An overview of the evidence on economic adversity and mental health and recommendations for action: http://www.mhcirl.ie/file/hcpaper.pdf

[59] See successive studies for the European Commission (2008): http://www.oee.fr/files/study_overindebtedness_en.pdf p.11, and (2012): http://ec.europa.eu/consumers/financial_services/reference_studies_documents/docs/part_1_synthesis_of_findings_en.pdf p.7.

last birthday. The age distribution of the sample is shown in Table 7 below. As can be seen, no client at all is under 30, and around a quarter (n=13) are aged 55 years or more:[60]

Table 7: Profile of sample by age

Age last birthday (years)	Number of clients (n=50)
30-34	2
35-39	3
40-44	9
45-49	**11**
50-54	**11**
55-59	7
60-64	3
65-69	3
Not verifiable	1

Source: South Mayo MABS mortgaged client survey, March-June 2016.

For administrative purposes, MABS uses five broad age categories, namely 15-18; 26-40; 41-65; and over 65. It is noticeable that as mortgaged clients have become more prevalent as the crisis has become prolonged, so the MABS-client age profile in general has risen, particularly since the mortgage crisis "peaked" and then began to "deepen" in mid-late 2013:

Table 8: MABS client profile percentage by age: 2008-2015

Age (years)	2008	2009	2010	2011	2012	2013	2014	2015
<26	12.5	10.6	8.6	6.6	6.0	4.7	4.1	4.0
26-40	52.8	54.2	53.6	51.7	49.8	46.7	44.0	39.1
41-65	33.1	34.0	36.5	40.1	42.2	46.2	49.2	52.9
65+	1.6	1.2	1.3	1.6	2.0	2.4	2.7	4.0

Source: MABS statistics, various years

The (2015) South Mayo MABS client age profile in general (n=303), also reflects this age trend. Almost two thirds (64%) are in the 41-65 age group, only around a quarter (26%) in the 26-40 category, with around 8% in the over-65 group and only a very small minority (less than 2%) in the <26 category. This "skew" is even more pronounced in the mortgaged client sample, where

[60] Among first-time buyers, who comprise just half the sample, the average age is slightly younger, at 47 years

over three quarters (n=39 or 78%) are in the 41-65 age category[61], with only n= 7 (14%) in the 26-40 category, and the remainder (n= 3 or 6%) in the 65 and above category.

As discussed earlier, this older age profile –which is a feature of the Co. Mayo population as a whole as described earlier - is relevant not just in itself ("middle age" is a period traditionally when people increase their earning power and disposable incomes and are paying down – as opposed to facing a growing mountain of - personal debt), but in the context of mortgage terms and potential extensions where there are significant arrears. When we examine the ages

at which clients drew-down their existing mortgage(s),[62] we find the following distribution, with an average median age at draw-down of **39 years**:[63]

Table 9: Age at mortgage drawdown

Age at drawdown (years)	Number of clients (n=50)
20-24	2
25-29	6
30-34	7
35-39	11
40-44	12
45-49	6
50-54	4
55-59	1
60-64	0
65-69	0
Not verifiable	1

Source: South Mayo MABS mortgaged client survey, March-June 2016.

This was, thus, a cohort nearing "middle age" (taking middle age as 40) when taking out their current mortgages. If we now correlate the age of this sample of clients with reference to their initial mortgage terms, the following –and somewhat startling - picture emerges (Table 10), with an average age (median) at mortgage completion of 65 years. Four in ten (n=20) would be aged 67 or over at the time of completion, whilst a fifth (n=10) would be aged 70 or older.

Given that most of these loans were drawn-down during "peak" (as illustrated below), and that arrears arose in the main for force-majeure reasons (again, described below), these respective age distributions raise serious questions about both "peak" lending and regulatory practices, and about the extent to which clients should be expected to bear the full consequences of these practices, given that many have been doing just that for several years post-downturn.

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[61] This is considerably higher than the figure of 60% of MABS mortgaged clients nationally (aged 41-65) in 2012 as identified by Bennett (ibid), suggesting that as the problem is deepening in Co. Mayo (and perhaps elsewhere), it is becoming increasingly concentrated in an older age group.

[62] A sizeable minority had taken out further advances and re-mortgages.

[63] Among first-time buyers, the average age at drawdown was significantly younger, at 35.5 years.

Table 10: Prospective age at completion of mortgage term:

Age at completion (years)	Number of clients (n=50)
45-49	2
50-54	3
55-59	8
60-64	8
65-69	17
70-74	10
Not verifiable	2

Source: South Mayo MABS mortgaged client survey, March-June 2016

This age profile also strongly suggests opportunities for term extension – to reduce current repayments – to be distinctly limited. More worryingly, when we examine disposable incomes and arrears balances later on, it becomes increasingly clear that this is a cohort of borrowers in extremely unstable housing situations and at severe risk of housing exclusion unless radical policy measures and/or lender write-downs are undertaken.

6.3. Nationality:

The overwhelming majority of clients in the sample (n=41 or 82%) are of Irish nationality. The remainder are: European Union (EU) nationals (n=5) and nationals from outside of the EU (n=3). [64] This is broadly in line with Census data both nationally - where Irish nationals account for 88% of the population.[65] – and for Co. Mayo (where the figure stands at over 89%).[66]

6.4. Marital status

Exactly 60% (n=30) of the sample were married, with a further 8% (n=4) living as a couple; in total therefore clients with partners comprised over two thirds of the sample (68%). Of the remainder, the majority (n=11) were either separated (n=10) or divorced (n=1), with the balance single (n=3) or widowed (n=2).

The mortgaged sample differs significantly in this respect both from the (2015) overall South Mayo MABS client population, within which less than half are married or living as a couple (144 out of 303 or 48%), and from the overall MABS population where the respective figure is around 41%. It is, however, in line with Bennett's mortgage arrears study in 2012, which also found mortgage arrears to be significantly more concentrated among those clients who were married or living as a couple, who comprised over 60% of that particular sample (ibid, p.18).

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[64] We could not verify nationality in one case.

[65] See: http://www.cso.ie/en/media/csoie/census/documents/census2011pdr/Census_2011_Highlights_Part_1_web_72dpi.pdf , p.33.

[66] See: http://census.cso.ie/areaprofiles/PDF/CTY/mayo.pdf

Comparison of both MABS (2012 and 2016) samples with Census data further suggests there to be a strong correlation between marital status and mortgage arrears; at the time of the last Census (2011), the percentage of the population (aged 15 and over) who were married stood at around just 50% in Co. Mayo[67] and 47% nationally.[68] In other words, mortgage arrears impact more widely on couples and as we will see below, on those with children; the problem therefore has an important, but often overlooked, family dimension.

6.5. Employment status

The following Table (11) shows the employment status of each presenting or "lead" client (this may or may not be the party with the main household income source) with reference to the categories used by the Central Statistics Office both nationally and at county level, and the most recently available data for each.[69] The relatively high percentage of unemployed among the sample re-affirms the relationship between mortgage distress and unemployment highlighted earlier.[70] This will be further discussed when examining causes of mortgage arrears later in this report.

Table 11: Labour force status comparison: MABS mortgaged sample v population

	Employed	Unemployed	In labour force	Not in labour force
Population (national 2015)	1,983,000 (54.8%)	187,500 (5.2%)	2,170,500 (60%)	1,448,000 (40%)
Population (Co. Mayo -2011)	49,076 (47.5%)	11,866 (11.5%)	60,942 (59%)	42,383 (41%)
MABS sample (presenting client)	21 (42%)	**14 (28%)**	35 (70%)	15 (30%)

Source: South Mayo MABS mortgaged client survey, March-June 2016, Central Statistics Office (CSO) 2011, CSO, 2016.[71]

[67] See: http://census.cso.ie/areaprofiles/PDF/CTY/mayo.pdf

[68] See: http://www.cso.ie/en/media/csoie/census/documents/census2011pdr/Census_2011_Highlights_Part_1_web_72dpi.pdf, p21

[69] The category "employed" includes those at work both full-time and part-time, and who are self-employed; those "not in the labour force" include those on home duties, carers, people who are retired, and those unable to work through ill-health or disability.

[70] In six of the cases where the "lead" partner was unemployed, their partner was employed/self-employed; further, in four of the cases where the "lead" partner was not in the labour force, their partner was employed/self-employed. It was not possible to verify economic status for both members of every couple, nor for every household member aged 15 or over.

[71] See: http://www.cso.ie/multiquicktables/quickTables.aspx?id=qnq37

6.6. Precarity of employment

An important factor identifiable in mortgage distress is that of precarity of employment, circumstances, and income (See McCarthy, 2014, ibid). Around three quarters of clients who were employed (15 out of 21) were working in the private sector, with the remainder employed in the public sector. We were also able to verify the broad employment sector within which a further n=7 household (sample) members were working as at April 2016, and further, the sector within which four others had worked prior to becoming unemployed or ill. Private sector employment heavily predominates within the sample as shown in Table 12 below:

Table 12: Sector of employment: public v private (MABS mortgaged sample)

	Currently at work (n =28)	Unemployed (n=3)	Not in the labour force (n=1)
Public sector	6	-	1
Private sector	22	3	-
TOTAL	28	3	1

Source: South Mayo MABS mortgaged client survey, March-June 2016

When we examine the nature of employment that people are, or have been, engaged in, a picture emerges (Figure 4) of people working predominantly in the service sector, in skilled and semi-skilled manual work, and in assistant rather than managerial roles, in line with the socio-economic county profile expected within a predominantly rural population as highlighted in the Census. Many of these types of employment concern industries or sectors vulnerable to an economic downturn, such as construction or retail.

Whilst all 6 clients currently at work in the public sector were in permanent employment, this figure dropped to less than half (10 out of 22) of those currently employed in the private sector. Many others of course, had already lost their jobs or ceased trading, as evidenced by almost 3 in 10 within the sample being currently unemployed.

Figure 4: Precarity of employment

7. Household Profiles

In this Section, we present findings in terms of the households within which clients reside. We begin by examining the relative income position of these households, before turning to their respective size and compositions. We conclude with findings with regard to household assets.

7.1. Income and poverty

In n= 49 cases, we were able to verify the current, total, net income figure for each household in the sample. The distribution ranged from €482 per month to €5,378 per month, with an average (median) of €2,250 per month (€519.23 per week). Household incomes were concentrated in the €2,000 to €3,000 per month range as shown below (Table 13):

Table 13: Net household incomes of mortgaged sample

Monthly net household income (€)	Number of households (n=50)
<1,500	8
1,500 – 2,000	10
2,000 -2,500	11
2,500 – 3,000	10
3,000 – 3,500	6
>3,500	4
Not verifiable	1

Source: South Mayo MABS mortgaged client survey, March-June 2016

According to the most recently available data,[72] average (median) household income among the population as a whole is €34,796 per annum, or €2,899 per month (€669 per week); *hence, household income among the sample is around a fifth (22%) lower than average.* This goes some way to explaining the difficulties that many are experiencing in reaching affordable and sustainable arrangements with lenders as discussed later in this report.

Household income is however only meaningful relative to the amount of people within it that it has to support. The Central Statistics Office uses the concept of equivalised or individualised income in this context.[73] Applying the same calculation to our sample, average equivalised/ individualised income (median) is €1,058.83 per month or €244.34 per week. This compares with an average (median) for the population of €18,210 per annum or €1,517.50 per month (€350.20 per week). *In this instance, sample income per individual is around 30% less than average;* the main reason for this is the number of teenage children within the households sampled, many of whom are aged 14 or over, and therefore classified as adults for the purpose of these calculations.

[72] Central Statistics Office (2015). Survey on Income and Living Conditions 2014. Cork: Central Statistics Office. See: http://www.cso.ie/en/releasesandpublications/er/silc/surveyonincomeandlivingconditions2014/

[73] The main equivalence scale used is: - 1.0; 0.66; 0.33. Thus 66% of household income is assigned to each extra adult within it, and 33% of household income to each child under 14. So a household with 2 adults and 2 children is said to comprise 2.65 "equivalised adults".

Finally, the so-called "At Risk of Poverty" threshold (set at 60% of median income) stands at €10.926 per annum (€910 per month or €210 per week) as of 2014. Around a third of households in the mortgaged sample (n=17 or 34%) are therefore at risk of poverty on this measure; *this is over twice the national average* of 16.3%.

The main income source for each household provides some further explanation for these relatively low incomes. As shown in the following Table, well over half of the sample (n=27) are dependent on some form of allowance, scheme, pension or welfare payment as their current main source of household income:

Table 14: Main household income source

Main income source	Number of households (n=50)
Wage/salary	21
Jobseekers' Allowance/Benefit	9
Pension (state or private)	6
Government scheme/allowance	4
Illness Benefit/Disability Allowance	4
Invalidity Pension	3
Self-employment	2
Carers' allowance	1

Source: South Mayo MABS mortgaged client survey, March-June 2016

To complete the household profile picture in terms of low income and associated precarity:

- 11 contain someone in part-time work;
- 11 contain someone who is ill or disabled[74];
- 8 contain someone on a government scheme of some description;[75]
- 7 households were in receipt of a Mortgage Interest Supplement;[76]
- 5 are in receipt of Family Income Supplement (a state support for low-income working families).
- 4 contain someone caring for a family member;

[74] In receipt of Invalidity Pension (IVP), Disability Allowance (DA), Illness Benefit (IB), or Domiciliary Care Allowance (DCA).

[75] Back to work, education, enterprise or social scheme.

[76] According to Citizens Information: "Mortgage Interest Supplement (MIS) provides short-term support to help with mortgage interest repayments. From 1 January 2014, the Mortgage Interest Supplement scheme is closed to new entrants and no new applications will be accepted from this date. This measure does not affect current claimants immediately (people who were getting Mortgage Interest Supplement before 1 January 2014). The scheme will be wound down for these claimants over a 4-year period. See: http://www.citizensinformation.ie/en/social_welfare/social_welfare_payments/supplementary_welfare_schemes/mortgage_interest_supplement.html

7.2. Household size

Average family size in Ireland has been declining for a considerable time as noted by the Census, although rural families remain slightly larger:

> Family size (measured in average number of children per family) has been falling in recent years. In 1991 there were 2.0 children on average in each family. In 1996 this had fallen to 1.8 children. In 2002 it was 1.6 children and by 2006 the average family had 1.4 children. In 2011, while the average number of children had fallen slightly, it was still just below 1.4 children per family, representing a slowdown in the rate of decrease in family size... Rural families were larger on average than those in urban areas. The average number of children per family was 1.5 in rural areas, compared with 1.3 for their urban counterparts (Census 2011).[77]

Table 15: Number of children per household comparison

	Mortgaged Sample	State	Urban	Rural
0 children	15 (30%)	344,944 (29.2%)	218,585 (30.3%)	126,359 (27.6%)
1 child	10 (20%)	339,596 (28.9%)	218,209 (30.2%)	121,387 (26.5%)
2 children	11 (22%)	285,952 (24.3%)	172,598 (23.9%)	113,354 (24.8%)
3 children	9 (18%)	144,470 (12.2%)	79,273 (11.0%)	65,197 (14.2%)
4 children	4 (8%)	47,602 (4.0%)	24,227 (3.4%)	23,375 (5.1%)
5 or more children	1 (2%)	16,646 (1.4%)	8,632 (1.2%)	8,014 (1.8%)
Total families	50 (100%)	1,179,210 (100%)	721,524 (100%)	457,686 (100%)
Total children	80	1,625,975	945,353	680,622
Average children per family	1.6	1.4	1.3	1.5

Source: South Mayo MABS mortgaged client survey, March-June 2016, Census

[77] See: http://www.cso.ie/en/media/csoie/census/documents/census2011profile5/Profile_5_Households_and_Families_full_doc_sig_amended.pdf, p.17.

In comparison to both national and rural averages, the average *family size among the sample is slightly higher* at 1.6 children. In terms of family size, there is a significantly higher percentage of households with 3 or more children within the sample than in the population as a whole as shown in Table 15 above.

7.3. Age of children

Larger families are relatively more expensive to maintain[78], and the costs of doing so may also impinge on ability to afford mortgage repayments, particularly where incomes are relatively low as within the sample. Another salient factor is the ages of the children concerned, and what is noticeable here is that the sample contains a considerable number of older – both teenage and non-dependent - children (Table 16):

Table 16: Age of children in mortgaged sample households

Age of children (years)	Number of children (n=80)
<2	4
3	3
4	2
5	2
6	2
7	3
8	2
9	1
10	4
11	7
12	6
13	4
14	4
15	3
16	3
17	6
18	7
19	6
20	4
21	4
22	2
>23	1
TOTAL	80

Source: South Mayo MABS mortgaged client survey, March-June 2016

[78] Collins, M, MacMahon, B, Weld, G, and Thornton, R. (2012). *A Minimum Income Standard for Ireland - A consensual budget standards study examining household types across the lifecycle*. Dublin: The Policy Institute, Trinity College Dublin.

As can be seen, over half (n=44) are of teenage years or above i.e. aged 13 or over. Over a quarter (n=24) are of adult age, and only a minority (n=13 or 16%) aged 6 or under. This age distribution reflects the relatively older ages of the clients in question. *The average age of children in the mortgaged client sample is 13.2 years.*

When compared to the national child population as a whole (aged 0-17), [79] it becomes clear that these children are significantly older than average:

Table 17: Age comparison of children: mortgaged sample v population

Age range (years)	Sample (%) n= 56	Population (%) N= 1,148,687
0-6	23.2	42.3
7-12	**41.1**	32.6
13-17	**35.7**	25.1

Source: South Mayo MABS mortgaged client survey, March-June 2016, Department of Children and Youth Affairs (2012).

7.4. Household composition

Couples with children predominated in terms of household composition, comprising over half the sample (n=27), with the majority of these (n=21) containing dependent children.

Table 18: Household composition of mortgaged sample

Household composition	Number in sample (n=50)
Couples with dependent children	15
Single persons no children	8
Couples with dependent and non-dependent children	6
Couples with non-dependent children	6
Couples with no children	6
Lone parents with dependent children	3
Lone parents with non-dependent children	3
Lone parents with dependent and non-dependent children	2
Single persons with dependent adult	1

Source: South Mayo MABS mortgaged client survey, March-June 2016

[79] Department of Children and Youth Affairs (2012). *State of the Nation's Children*. See: http://www.dcya.gov.ie/documents/research/StateoftheNationsChildren2012.pdf , p.10.

MABS uses slightly different categories in terms of household composition. When we group these categories and compare both national and South Mayo MABS client populations with the mortgaged sample, again the correlation between mortgaged clients and couples with children is re-enforced (Table 19).

Table 19: Household composition comparison

	Sample (n=50)	South Mayo MABS (2015) n =303	MABS national (2015) – n=17,302
Couples no children	6 (12.0%)	37 (12.2%)	2069 (12.0%)
Couples with children	**27 (54.0%)**	107 (35.3%)	4990 (28.8%)
Single with children	8 (16.0%)	59 (19.5%)	4612 (26.7%)
Single no children	9 (18.0%)	87 (28.7%)	5224 (30.2%)
Not known	0 (0%)	13 (4.3%)	407 (2.3%)
TOTAL	50 (100%)	303 (100%)	17,302 (100%)

Source: South Mayo MABS mortgaged client survey, March-June 2016, MABS administrative data (2015).

7.5. Assets

In only five of the cases (1 in 10) examined for this study was there any possibility of a realisable "asset"; in 4 cases, this was land or farmland, and in another, there was a property abroad in positive equity. In a further case, there was the possibility of a settlement from an accident claim. In the vast majority of cases, however, there were no realisable assets other than the family home itself although, as we will see later, negative equity was a common feature here. Hence, the affordability and sustainability of these clients' mortgages becomes almost entirely a matter of the extent to which (limited) household incomes can be balanced against both present and future demands upon them.

8. Properties purchased

In this section, we first present the study's findings in relation to the properties purchased in terms of whether clients were first-time buyers (FTB) or not, the purchase price, types of property and location, and current (estimated) market values. As will become apparent, a distinct narrative arises in terms of properties purchased.

8.1. First-time purchases

Notably, less than half of the sample (n=24) had purchased properties as first-time buyers (Table 20 below); in n=21 cases, these were privately purchased (primarily during "peak" i.e. between 2004 and 2007) and a in a further n=3 cases, the properties were purchased directly from the local authority (each was subsequently re-mortgaged, again during peak).

A significant minority had either built their family homes (n=8) or were private "non-first time buyers" (n=7), while a small number had inherited it (n=2), or purchased it by buying out an ex-partner (n=1). In the remaining cases, although we were not able to verify details of the original purchase, the majority (n=7) had re-mortgaged a family home that had been previously purchased.

Notably, only two of the sample had purchased investment properties.

Table 20: Comparison: first-time buyers v others

Family homes and associated mortgages	Number of clients (n=50)
First time buyer (private)	21
First-time buyer (council property)	3
Build	8
Non-first time buyer (private)	7
Not stated (re-mortgage involved)	7
Inherited	2
Buy-out of partner	1
Not verifiable	1

Source: South Mayo MABS mortgaged client survey, March-June 2016

8.2. Types of property

The vast majority of properties purchased, built or renovated using mortgage finance were detached or semi-detached houses as shown in Table 21. This profile is in line with Census data (presented earlier) and confirms the distinctive nature of residential properties in predominantly rural areas such as Co. Mayo:

Table 21: Types of property purchased, built or renovated

Type of property	Number (n=50)
Detached property (house, bungalow, dormer or cottage)	35
Semi-detached property	11
Bungalow, cottage or dormer (not specified whether detached or semi-detached)	3
Not verifiable	1

Source: South Mayo MABS mortgaged client survey, March-June 2016

8.3. Size of property

Again, a fairly uniform picture emerges here, with the vast majority of properties purchased, built or renovated comprising 3 or 4 bedrooms (n=44) as shown in Table 22:

Table 22: Size of property purchased, built or renovated (number of bedrooms)

Number of bedrooms	Number (n=50)
2	3
3	24
4	20
5 or more	3

Source: South Mayo MABS mortgaged client survey, March-June 2016

8.4. Purchase price

The purchase price, or cost of build/renovations was ascertainable in 40 cases, and the relevant distribution of prices/costs is presented below. These range from €52,000 to €380,000 as shown in Table 23. The average price or cost (median) was €160,000, with the majority (n= 26 or around three quarters) expending less than €200,000.[80]

[80] Average purchase costs were relatively lower for council house purchases (€80,000) and builds (€110,000), and relatively higher for first-time purchases in the private market (€180,000) and non-first time buyer purchases (€205,000).

Table 23: Purchase price/costs of build or renovation

Price/cost (€)	Number (n=40)
50-99,000	10
100,000 – 149,000	6
150,000 – 199,000	10
200,000 -249,000	9
250,000 – 299,000	2
> 300,000	3

Source: South Mayo MABS mortgaged client survey, March-June 2016

Given that most related mortgage finance was drawn-down by this cohort of client during "peak" (2004-2007) as shown later, these are relatively modest sums, given that average house prices as at Quarter 4 2004, 2005, 2006 and 2007 respectively were as follows:

Table 24: Average house prices during "peak" (2004-2007)

House prices (end Q4)	2004 (€)	2005 (€)	2006 (€)	2007 (€)
Dublin	334,813	369,709	426,987	401,302
Outside Dublin	219,969	240,495	266,696	250,237
National	254,261	278,047	310,831	289,328

Source: Permanent-tsb/ESRI House Price Index[81]

8.5. Location

The location distribution of family homes is shown in Table 25 below. As can be seen, the majority of properties are located in rural areas with the remainder split fairly evenly between small and large towns almost exclusively within South Mayo. We follow the Census categories as follows:

- "Rural" encompasses properties located in 'open country' or in towns/villages under 1,500 people";
- "Small towns" are those containing between 1,500 and 10,000 people";
- "Large towns" are those with a population of between 10,000 and 100,000 people.[82]

[81] See: http://www.permanenttsbgroup.ie/~/media/Files/I/Irish-Life-And-Permanent/Attachments/pdf/press-releases/permtsb/permanent-tsb-house-price-index-q410.pdf

[82] See: http://www.cso.ie/en/media/csoie/census/documents/census2011vol1andprofile1/Census,2011,-,Population,Classified,by,Area.pdf (pages 48 and 49)

Table 25: Location of client family homes

Type of location	Number (n=50)
Rural area	26
Small town	14
Large town	10

Source: South Mayo MABS mortgaged client survey, March-June 2016

8.6. Current estimated value

Here we drew on three separate sources to given an indication or estimate of the current property value. These were: the lender's valuation (which was rarely available), the client's valuation (which was the most readily identifiable but not necessarily the most reliable), any independent valuation (more reliable but again rarely available), and with reference to the Property Price Register where appropriate. In many cases, it was just not possible to get an accurate figure, and these figures therefore carry a *"health warning"*. Where a range for a particular property was given, we have taken the lower of the two figures.

As regards the distribution of current property values, this is skewed towards the lower values as shown in Table 26. The distribution range is €26,000 to €300,000, with a median of €130,000.[83] In this context, the sample is reflective of "asking" property prices in Mayo as a whole at the time of writing, which currently stand (at Q1-end 2016) at €127,664.[84]

Table 26: Current estimated house (PDH) values

Current value (€)	Number (n=50)
<100,000	14
100,000 -149,000	12
150,000 -199,000	9
200,000 -249,000	7
>250,000	4
Not identifiable	4

Source: South Mayo MABS mortgaged client survey, March-June 2016

[83] There are, however, notable differences in indicative, current property values. These are relatively lower on average among first-time purchasers (€110,000), and council house purchasers (€95,000), and relatively higher on average among those who re-mortgaged (€150,000), those who built their properties (€190,000) and non first-time buyers (€200,000).

[84] The Daft.ie House Price Report: An analysis of recent trends in the Irish residential sales market. 2016 Q1.See: https://www.daft.ie/report/q1-2016-daft-houseprice-report.pdf p6.

8.7. Purchase cost v (estimated) current market value

What is clear is that many properties are now worth considerably less than the money initially expended upon them. We were able to identify a difference between purchase price/cost and current value in n=37 cases (in a further case, the respective amounts were almost identical). In the majority of these cases (n=24), properties are now worth **considerably less** than the initial purchase/build/renovation costs incurred, while in a significant minority of cases (n=13), the properties are currently worth more than the money initially expended upon them (these predominantly involve builds, renovations, remortgages and purchases from the local authority).

In n=33 cases, we were able to estimate the amount of the respective losses and increases involved. Among those whose properties are now worth less than the initial cost outlay (n=20), negative differentials range from -€6,140 to -€230,000 with a median (deficit) of -€87,500. In 3/5 of these cases (n=12), the "loss" amounted to €75,000 or more.

In comparison, among those whose properties are now worth more than the initial cost expended (n=13), the positive differentials range from +€15,000 to +€170,000, with a median of +€48,000. In over half of these cases (n=7), gains were less than €50,000. Overall, the difference between average (median) purchase/build/renovation cost and current (median) property value amounts to a deficit of -€30,000.

There is a distinction, however, to be made between first time property buyers and others (namely people trading up, borrowing for build or renovation purposes, or re-mortgaging). Excluding the latter together with those who had purchased local authority properties, we were able to identify cost v value differentials for n=16 households who were first time purchasers on the private market, primarily during the "boom"; and in the vast majority (n=13) of these cases, properties were now worth considerably less than their purchase cost. Some of these reductions are significant as the following examples illustrate, and in the vast majority of such instances, a broker was involved:

Table 27: Examples of property value depreciation relative to cost of purchase

Year	Purchase cost	Current Value (est.)	Deficit	Use of Broker
2004	270,000	150,000	120,000	No
2005	248,000	125,000	123,000	Yes
2005	198,000	130,000	68,000	Yes
2005	160,000	60,000	100,000	Yes
2006	225,000	130,000	95,000	Yes
2007	230,000	130,000	100,000	Yes
2009	200,000	120,000	80.000	Yes

Source: South Mayo MABS mortgaged client survey, March-June 2016

8.8. Negative equity

The related concept of *negative equity* was also a feature of the sample; in around half of the cases (n = 21) where we could verify both outstanding mortgage balance and current (albeit estimated) property value (in n=43 instances), the former exceeded the latter (again, these were predominantly cases of first-time purchase). In n=19 cases we were able to estimate the amount of negative equity (in three cases we were not as current property values were described as "less than"). The distribution of negative equity cases among the sample has a range of €2,003 to €162,516, with an average (median) of €102,575. In around half of these cases (n=10), the current negative equity figure is in excess of €100,000, a startling figure, given the relatively lower amounts expended and advanced. In a clear majority of negative equity cases (n=13 or around 60%), the mortgage was arranged through a broker, with the majority of these (n=11) involving first-time buyers.

Little is known about the psychological impacts of such losses of value in terms of personal or health or wellbeing, the focus of research and analysis being more on impacts on consumption and the extent of debt overhang.

9. The mortgages drawn-down

As with the properties purchased, an identifiable narrative also emerges from the data in terms of the mortgages drawn-down to purchase, build or renovate these properties.

9.1. Use of mortgage brokers

Almost half of the sample (n=23 or 46%) had used a mortgage broker to arrange their subsequent mortgage. Brokers require a licence to operate as such. During the "boom", licensing of mortgage brokers was the responsibility of the (then) Financial Regulator or Irish Financial Services Regulatory Authority (IFSRA); since 2010, it has become the responsibility of the Central Bank of Ireland. The mortgages arranged by these particular brokers were all concentrated during "peak" as shown below (Table 28)

Table 28: Use of mortgage brokers by year of drawdown

	2003	2004	2005	2006	2007	2008	2009
Number (n=23)	1	2	7	5	5	2	1

Source: South Mayo MABS mortgaged client survey, March-June 2016

The activities of brokers during the boom have largely escaped scrutiny, although there has been some critical commentary.[85] A 2011 study of (n=46) MABS client households concluded there to be both positives and negatives among the views of the "significant minority" who had used mortgage brokers; however, money advisers interviewed "were unanimous in the view that mortgage brokers played a role in poor lending practices and over borrowing", particularly in terms of facilitating relationships with sub-prime lenders.[86] The data from our study, limited though it is in this regard, tends to support this view. Around a quarter (6 out of 23) of the mortgages concerned were arranged with sub-prime lenders and in 9 cases - around 40% of such arrangements - the mortgage is now owed to another company (in most of these cases, the mortgage "book" of the relevant lending company having since been sold on).

9.2. Mortgage type

Annuity or repayment mortgages predominated among the sample, the overwhelming majority of whom (n=49) had taken out a mortgage corresponding to this description.[87]

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[85] Some brokers have been described as "inexperienced and opportunistic" for example. See: http://www.flac.ie/download/pdf/redressing_the_imbalance.pdf p.40.

[86] Norris and Brooke (ibid). See: p73-75.

[87] Defined by the Competition and Consumer Protection Commission as follows: "An annuity mortgage, also known as a repayment mortgage, is the most common type. The lender works out the monthly repayment to clear the mortgage by the end of an agreed term. The monthly repayment is made up of two parts, namely an interest payment on the loan and a capital repayment (which pays off the balance). In the early years, most of the repayments will go toward paying off the interest on the mortgage, but as the mortgage reduces, the interest part of the repayment goes down. So as time goes on, more of the monthly repayments go toward paying off the capital. The choice is usually between a variable rate or fixed rate annuity mortgage or in some cases a mixture of both (known as a split rate)." See: http://www.consumerhelp.ie/types-of-mortgages

9.3. Mortgage provider

The expansion of the Irish mortgage market during the "boom" is graphically illustrated by the range of lending entities that provided home-loans to this cohort of MABS clients. A total of 14 lenders were involved as follows:

Table 29: Mortgage provider at drawdown

Lender	Initial mortgage (n=50)
Permanent TSB	10
Ulster Bank	8
Irish Nationwide Building Society	7
IIB/KBC	5
Start Mortgages	4
GE Money	3
EBS	3
AIB	2
Bank of Ireland	2
Halifax	1
Bank of Scotland	1
First Active	1
Irish Life	1
Mayo Co. Council	1
Not verifiable	1

Source: South Mayo MABS mortgaged client survey, March-June 2016

What is also striking is that *in around a third of these cases (n=16), the mortgage is now owed to a different entity entirely.* Reasons for this include institutions being wound up, lenders pulling out of Ireland and selling on their loan books, and (in a small number of cases) re-mortgaging. Such developments further call into question lending and regulatory practices in respect of this cohort of borrowers.

9.4. Period of drawdown

In line with the findings related specifically to mortgage brokers (see Table 28 above), mortgages among the sample as a whole were predominantly drawn-down during "peak". We were able to verify the drawdown year in all cases and of these, the vast majority (n=39 or almost 80%) were drawn-down during the period 2004-2008 as shown in Table 30.

Table 30: Year of mortgage drawdown

Year of drawdown	Number
1994	1
1997	2
1999	2
2000	1
2001	1
2002	1
2003	2
2004	6
2005	10
2006	10
2007	9
2008	4
2009	1

Source: South Mayo MABS mortgaged client survey, March-June 2016

9.5. Amounts borrowed

Table 31 below shows the distribution of amounts borrowed by these 50 clients for home purchase, build, renovation or re-mortgage. Again we have 48 verifiable records of these amounts, which range from €38,000 to €380,000 with an average (median) of €148,200. Hence, on average, clients were initially borrowing around 92% of purchase/build/renovation cost (given an average initial cost of €160,000 as described earlier). In other words, this was not a cohort of borrowers taking on excessive amounts of credit relative to other parts of the country, such as in parts of Dublin and its hinterland.[88]

Table 31: Initial amount borrowed at drawdown

Mortgage (€)	Number (n=50)
<50,000	3
50-99,000	10
100,000 – 149,000	12
150,000 – 199,000	14
200,000 -249,000	8
> 250,000	3

Source: South Mayo MABS mortgaged client survey, March-June 2016

[88] The average drawdown was: €180,000 (First-time buyer); €145,000 (Build); €124,000 (Non first time buyer); €100,000 (Re-mortgage); €80,000 (Council property purchase).

9.6. Re-mortgaging and further advances

In n=8 cases (about 1 in 6), the primary mortgage still repayable started out as a "re-mortgage" or consolidation loan. Such mortgages involved re-financing existing mortgages and (in some cases) unsecured loans, and providing funds for home improvements or completion (in once instance, the re-mortgage was for business purposes).

In 11 further cases, clients who had initially borrowed to purchase, build or improve, subsequently took out a further advance or re-mortgaged (again, either for home improvements or debt consolidation), mostly with the same provider. A further client who had already re-mortgaged in 2006, took on a further advance (in 2007) for home improvements. In total, 19 of the sample (or around 40%) had borrowed more than once against the value of their home (in two cases, on three separate occasions).

All bar two of these advances (n=10) took place during "peak" (between 2004 and 2008), with brokers occasionally used (in n=3 cases). The average (median) drawdown in such cases was €40,000, with a range of €6,000 (for renovations) to €215,000 (for debt consolidation). *These data reflect what some have referred to as the financialisation of Irish housing during the boom.*[89]

9.7. Mortgage terms

The distribution of primary mortgage terms is shown in Table 32. The three most prevalent terms were 20 years (n=9), 25 years (n=8) and 30 years (n=13) with an average term of 25 years. As previously discussed, whilst this may not seem out of the ordinary, some terms are cause for concern when related to the age of borrowers within the sample.

Table 32: Mortgage term

Term (years)	Number (n=50)
10-14	2
15-19	6
20-24	11
25-29	11
30-34	14
35 +	5
Not verifiable	1

Source: South Mayo MABS mortgaged client survey, March-June 2016

9.8. Interest types and rates

Most mortgages drawn-down involved variable interest rates, with the remainder being fixed rate for various periods. Tracker mortgages, the subject of much policy debate and media discussion, were relatively uncommon within the sample.

[89] See for example Downey (ibid). Only 5 first-time buyers on the private market took out a second mortgage, however.

Table 33: Interest Type

Rate type	Number (n=50)
Variable	31
Tracker	4
Fixed	11[90]
Interest Only	1
Other	1
Not verifiable	2

Source: South Mayo MABS mortgaged client survey, March-June 2016

Mortgage interest rates in general had declined from a rate of 14% pre-boom (in 1993) to a historic low of 3.5% in 2004, before rising to round 5.9% at the time of the GFC in 2008. [91] We were able to verify records for n=35 clients in the sample, and compare these to average rates during the years in question:

Table 34: Interest rate comparison: 1999-2009

Year	Range	Average (sample)	Average (in general)
1999	4.4 - 4.99	4.70	5.6
2000	4.25	4.25	6.09
2002	4.74	4.74	4.7
2003	2.95 - 3.55	3.25	4.2
2004	2.54 – 4.58	3.71	3.49
2005	2.69 – 6.1	4.1	3.65
2006	2.69 – 6.85	4.78	4.86
2007	4.4 – 7.5	5.57	5.46
2008	4.3-8.9	6.61	5.86
2009	2.67	2.67	4.16

Source: South Mayo MABS mortgaged client survey, March-June 2016, Money Guide Ireland.

These figures suggest (initial) interest rates on average to be little cause for concern, as these are in line with – or indeed below – prevailing interest rates during the years in question. However, when looked at as a series of discrete cases, a different picture emerges: in around four in ten cases (14 out of 32), clients were paying a higher interest rate than the average applicable in the year in question. A total of 6 clients (1 in 5 of this albeit truncated sample) were being charged an interest rate of in excess of 6%. In each of these cases, the mortgage was with a sub-prime lender, and in each case, a mortgage broker was involved.

[90] n=4 mortgages were fixed for one year then variable, n=2 for two years then variable, n=2 for three years then variable, n=1 for one year then tracker, and n=1 for five years then variable; in the remaining case, the fixed-rate term could not be verified.

[91] See: http://www.moneyguideireland.com/history-of-mortgage-rates-in-ireland.html

9.9. Loan to Value

We were unable to verify sufficient data to calculate Loan to Income Ratios (LTI) for the sample. However, we were able to gather data on Loan to Value Ratios (LTV), based on comparing the primary (generally initial) mortgage advance with the purchase price (or estimated value at the time) of the property in question. We were able to verify these data in n=46 cases, and within this cohort of clients, over 1 in 3 (n=17 or 37%) had an LTV of 100%; all bar two were drawn-down during peak (2004-2007) and in four in ten (n=7) of these cases, the mortgages had been arranged through a broker. As might be expected, the majority of 100% LTVs involved first-time buyers. The full LTV distribution is as follows:

Table 35: Loan to Value (LTV) Ratios

Ratio (%)	Number (n=50)
100	17
93	1
92	4
91	3
90	2
85	1
84	1
82	1
80	2
78	2
75	3
72	1
70	1
66	1
50	2
49	1
45	1
35	1
19	1
Not verifiable	4

Source: South Mayo MABS mortgaged client survey, March-June 2016

10. Arrears and arrears resolution

10.1. Incurrence of arrears

The national data (see Table 1 above) illustrate that the incidence of mortgage arrears grew exponentially post GFC, peaked in mid-late 2013 and has since been declining gradually. Data from our sample (see Table 36) suggest that for those in precarious employment such as the majority of households examined for the purposes of this study, the problem actually originated much earlier, during the period 2009-2011 or in the years following the Crash. This is consistent with loss of employment or businesses in sectors more vulnerable to a rapid downturn.

Table 36: Year of initial arrears' incurrence

Year	Number (n=50)
2001	1
2005	1
2006	1
2007	1
2008	4
2009	8
2010	7
2011	7
2012	6
2013	6
2014	2
2015	3
2016	2
Pre-arrears case	1

Source: South Mayo MABS mortgaged client survey, March-June 2016

We were further able both to identify the year of drawdown and the year arrears were first incurred (Table 37). Unfortunately, it was not possible to identify the respective month in each respect hence these data give an approximate interval only. Nonetheless, a picture emerges of a cohort of borrowers running into arrears at various intervals post-drawdown. There is no discernible pattern here, suggesting an external factor or factors to be at play in terms of the accrual of arrears (which becomes clear when we examine causality below).

Table 37: Interval between drawdown and arrears incurrence

Interval (years)	Number of clients (n=50)
0.2	1
1	2
2	6
3	4
4	5
5	7
6	6
7	3
8	6
10	1
11	1
12	3
14	1
15	1
17	2
N/A	1

Source: South Mayo MABS mortgaged client survey, March-June 2016

In the 13 cases where arrears arose relatively quickly (i.e. 3 years or less) post draw-down, the primary mortgage lender was as follows:

- GE Money (n= 3);
- Irish Nationwide Building Society (n=3);
- Start Mortgages (n=2);
- Ulster Bank (n=2);
- IIB/KBC (n=2);
- Bank of Ireland (n=1).

In these 13 cases, we were able to verify whether or not a broker was used: in 9 of these cases (seven in ten), a broker was indeed used. Taken together, as noted on several occasions already, these data raise serious questions about brokerage, lending and regulatory practices.

10.2 Causes of arrears

Case notes were used to identify the primary cause or "trigger" of arrears in each case. In line with previous research, a multiplicity of factors were found to be at play (hence the total in Table 38 below is more than 50). In line with previous research into lower-income households, *force majeure* factors proved to be by far the most prevalent, with the majority (n=33 or 56%) economic-related:[92]

[92] Stamp, S. (2009). *An Exploratory Analysis of Financial Difficulties among Those Living Below the Poverty Line in Ireland.* Dublin: Combat Poverty Agency. See: http://www.combatpoverty.ie/publications/workingpapers/2009-02_WP_FinancialDifficultiesAmongThoseLivingBelowThePovertyLine.pdf

Table 38: Cause or "trigger"(s) of arrears

Factor	Number (n=58)
Unemployment/loss of employment	23
Ill-health	9
Separation	9
Business failure/loss of work	7
Loss of income	3
Inadequate income	3
Budgeting/over-extension	2
Insurance issue following bereavement	1
Addiction	1

Source: South Mayo MABS mortgaged client survey, March-June 2016

10.3. Persistence of arrears

This cohort of client has, by and large, remained in arrears since their problems were triggered. The following Table shows the distribution in terms of months in arrears for the 48 clients identified as currently being in arrears; the arrears range was 2 months to 113 months, *with an average (median) time in arrears of 57 months, or almost 5 years*. Given the consequences of mortgage arrears and broader over-indebtedness as described earlier, there will in all likelihood be - and have been – considerable impacts on the wellbeing of both clients and their families from enduring such long periods of financial distress.

Table 39: Persistence of arrears

Time in arrears (months)	Number of clients (n=50)
1-12	3
13-23	5
24-35	4
36–47	7
48-59	5
60-71	10
72-83	5
84-95	6
96 +	2
No arrears	2
Not verifiable	1

Source: South Mayo MABS mortgaged client survey, March-June 2016

10.4. Amount of arrears

As might be expected from the various data presented to date, arrears amounts were often quite considerable. We were able to identify a current arrears balance in n=41 cases, and the distribution ranges from €638 to €118,986 with an average (median) of €22,138. However, given that this is a cohort of borrowers in longer term arrears, this figure is significantly lower than the national average of almost €55,000 for borrowers in arrears for two years or more, again reflecting lower county-wide purchase prices and associated mortgage advances among this cohort of MABS clients relative to the population at large. Worryingly, given relatively low incomes and assets, around half of the sampled households (n=23) have an arrears balance which is in excess of €17,000.

Table 40: Amount of arrears

Amount (€)	Number of clients (n=41)
<1,000	3
1001 – 5,000	5
5001 -10,000	4
10,001 – 15,000	6
15,001 -20,000	2
20,001 -25,000	4
25,001 – 30,000	3
30,001 -35,000	5
35,001 -40,000	2
40,001 – 45,000	0
45,001 -50,000	1
>50,000	6

Source: South Mayo MABS mortgaged client survey, March-June 2016

10.5. Lender declarations of un-sustainability and legal proceedings

Legal proceedings have been commenced in over a third of cases (n=18), with many cases having been heard and adjourned (often more than once). In n=2 instances, proceedings have been threatened but not commenced, in a further n=7 cases, mortgages have been declared unsustainable but legal proceedings have not commenced, and in n=2 additional cases, mortgages are likely to be declared unsustainable in the near future. Thus, and somewhat alarmingly, out of this cohort of n=50 clients, no less than 29 (or 58%) of these households may be considered at risk of housing exclusion according to an influential European definition.[93]

10.6. The Mortgage Arrears Resolution Process (MARP)

A total of 18 of the 50 cases examined (around 1 in 3) are in various stages of the MARP (n=18), with the remainder (n=32) out of the MARP for various reasons, including cases where there is an agreed longer-term or trial Alternative Repayment Arrangement (ARA) in place, and where a revised Standard Financial Statement (SFS) has been submitted. Overall, the majority of clients are either in arrangements of some sort, negotiations or submitting proposals at the

[93] According to FEANTSA, the European Federation of National Organisations working with Homeless Persons, "risk of housing exclusion" is an aspect of incipient homelessness, namely being threatened with eviction or potential repossession. See FEANTSA ETHOS Typology on Homelessness and Housing Exclusion: http://www.feantsa.org/spip.php?article120

time of writing. The breakdown here, which illustrates the complexity of the cases being dealt with by money advisers as the Crisis deepens, is shown in Table 41. Three in ten (n=15) appear to be on a pathway towards loss of the family home, whereas among the majority, the desire to hold on to the family home (seemingly at all costs in some cases) is evident.

It should be noted that no client at all has made a mortgage-related complaint to the Financial Services Ombudsman,[94] and in only 4 instances have clients sought assistance from a PIP (including in one case from a MABS' PIP) to explore options under the Personal Insolvency Act.

Table 41: Types of repayment arrangement as at May 2016

Current situation	Number of clients
Short-term arrangements	**(17)**
Reduced payment (including interest and part-capital)	10
Moratorium	3
Interest only	3
No payment- awaiting lender decision	1
Trial arrangements	**(7)**
Reduced payment pending split	1
Full payment pending capitalisation	1
Increased payment pending split	2
Increased payment pending capitalisation	3
Long-term arrangements	**(9)**
Capitalisation + Term extension	3
Split mortgage	2
Economic concession rate	1
Positive equity arrangement	1
ARA (but not specified)	2
Resolved	**(1)**
Arrears settled	1
Loss of family home	**(15)**
Consent to repossession	2
Voluntary sale/surrender	2
No ARA (declared unsustainable)[95]	11
Not verifiable	**(1)**

Source: South Mayo MABS mortgaged client survey, March-June 2016

[94] The FSO has made it clear that the office will only entertain complaints on matters of process. See: https://www.financialombudsman.ie/documents/Mortgages-Arrears.pdf

[95] In n=5 of these cases, "trial" proposals have been put forward at the time of writing. These are as follows: reduced payment pending split (n=2), full payment pending capitalisation (n=1), reduced payments followed by increase when circumstances improve (n=1), and return to full payment following the securing of employment (n=1).

11. Costs, affordability and sustainability

As discussed in Section 7, the cohort of mortgaged households under study is predominantly in receipt of relatively low incomes and at higher risk of poverty. It is within this context that we now examine mortgage repayment (and associated) costs, together with other living costs. In order to examine the affordability and sustainability of current (and proposed) alternative repayment arrangements, we employ two concepts to assist us, namely 'housing stress' and 'shelter poverty'.

11.1. Housing stress

"Housing stress" is commonly defined as a situation where a household spends more than a certain percentage of disposable income on housing costs. Although the actual threshold is contested, the most common measure used is 30 per cent - in other words, if a household needs to devote more than 30% of its net disposable income to meeting housing costs, it is considered to be in "housing stress".[96] We apply the term here in relation to the proportion of net income required to meet both *contractual* (i.e. what should be paid according to the mortgage terms) and *actual* (i.e. reduced or re-structured) mortgage repayments.

A useful metric in terms of assessing affordability of mortgage costs, and to give a sense of differing degrees of housing stress, was developed on foot of data gathered by way of a joint initiative between the then Homeless Agency[97] and MABS by way of a 2009-1010 Housing Costs Survey. This metric distinguishes between 6 "housing stress" levels as follows:

- *Viable* housing costs to income (a situation where less than 30% of net income is required to service contractual housing costs);
- *Prohibitive* housing costs to income (a situation where between 30 and 40% of net income is required to service contractual housing costs);
- *Burdensome* housing costs to income (a situation where between 40 and 50% of net income is required to service contractual housing costs);
- *High housing stress* (a situation where between 50 and 60% of net income is required to service contractual housing costs
- *Very high housing stress* (a situation where between 60 and 70% of net income is required to service contractual housing costs);
- *Risk of housing exclusion* (a situation where more than 70% of net income is required to service contractual housing costs).

We were able to verify data in respect of n=44 households and the findings are presented in Table 42 below. In each instance, contractual housing costs were divided by net household income, and the resulting proportion expressed as a percentage. As can be seen, 3 out 4 client households are in housing stress in that they are above the 30% threshold; worryingly, of these 44 households, around 4 in 10 (n=18) have contractual housing costs which amount to more than 40% of household income.

[96] Tanton, R. and Phillips, B. (2013). A Measure of the Depth of Housing Stress and its Application in Australia. *Economic Papers: A Journal of Applied Economics and Policy.* Volume 32, Issue 1, pages 99–109, March 2013. See:

[97] Now the Dublin Region Homeless Executive (DRHE). The Housing Costs Survey took place between October 2009 and March 2010.

Table 42: Housing stress: contractual and actual mortgage repayments

Level of housing stress	Contractual repayments (n =50)	Actual repayments (n =50)
Highly viable (<20% of income)	2	12
Viable (between 20 and 30% of income)	9	15
Prohibitive (between 30 and 40% of income)	15	4
Burdensome (between 40 and 50% of income)	7	2
High housing stress (between 50 and 60% of income)	4	3
Very high housing stress (between 60 and 70% of income)	2	0
Risk of housing exclusion (more than 70% of income)	5	0
Nil payment	(N/A)	8
Not verifiable	6	6

Source: South Mayo MABS mortgaged client survey, March-June 2016

As regards "actual repayments" (column 3), the majority of clients (n=27) are now paying "viable" housing costs, but when we correlate these with the type of arrangements currently in place (see Table 41), the picture which emerges suggests that most of these scenarios relate to short-term or trial arrangements, or cases where there is no ARA currently in place and clients are in essence paying what they can:

- 11 borrowers are on short-term arrangements;
- In 8 cases, there is no ARA and the mortgage has been declared un-sustainable;
- 4 are on trial arrangements;
- Only 3 are in long-term arrangements;
- In the remaining case, arrears have been settled.

The paucity of long-term, affordable, sustainable, mutually-agreed arrangements is striking, given that most of the sample (n=39 or around 4/5ths) have been in arrears for over two years, and that the average length of arrears is almost 5 years (see Table 39 above).

11.2. Shelter poverty

Another way of examining the affordability and sustainability of housing costs is to apply the concept of shelter poverty.[98] A household is said to be in "shelter poverty" if it has insufficient income to service housing costs after taking into account other essential living expenses. In order to determine whether each sampled household is in shelter poverty or not, we first determined their respective net (disposable) household incomes. We then ascertained the essential living expenses of each household (excluding housing costs) with reference to the Reasonable Living Expense (RLE) Guidelines developed by the Insolvency Service of Ireland (ISI). The balance – or the amount available to devote to housing costs - was then compared with both contractual and actual housing costs. We were available to apply these calculations to the vast majority of the sample (n=48).[99]

When the relevant RLE figure for the household in question was deducted from current net household income, around a quarter of the sample (n=12) *had no income at all left over to pay towards housing costs* - that is to say there was a deficit or shortfall in these cases ranging from -€15.30 per month to -€1,004 per month, with an average (median) deficit among these households of -€198.95 per month.

We then compared the balances with contractual housing costs (this was not possible in n=7 cases as we could not verify the necessary data). In the majority (n=30) of the 43 cases examined (or 70%), the households in question were in shelter poverty on this measure. The deficits or shortfalls in this instance ranged from -€15.87 per month to -€2,489 per month, with an average (median) of -€568.59. *In other words, a large majority of the mortgaged sample can- or could - only afford their contractual housing costs by cutting back on essential spending by a significant amount.*

When we applied the same methodology to actual housing costs, albeit to a slightly smaller sample of n= 36 (in several cases, actual payments were nil for various reasons so we excluded these from our calculations), the incidence of shelter poverty was still relatively high. In total, 21 out of 36 households (over half or 55%) were in shelter poverty even when housing costs had been reduced or re-scheduled. The deficits or shortfalls in this instance ranged from -€18.24 per month to -€1,204 per month, with an average (median) of -€253.78 per month. *To clarify, the majority of the mortgaged sample can- or could - only afford their actual housing costs by cutting back on essential spending by a significant amount.*

Or to put the shelter poverty argument another way, given limited and precarious incomes, the only way the majority of this cohort of households would be able to sustain a minimum (conventional) standard of living and afford their current mortgage repayment costs would be for the latter to be substantially reduced, by way of principal write-down or interest rate reduction for example.

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[98] This is a concept widely attributed to an Australian academic, Michael Stone. See: Stone, M. (1993). *Shelter Poverty: New Ideas on Housing Affordability.* Philadelphia: Temple University Press.

[99] We could not verify both sets of figures in n=2 cases.

11.3. Insurance costs

We examined costs in relation to two types of home-related insurance. The first type is *mortgage protection insurance*, which is a life insurance policy designed to pay off the mortgage if the borrower dies during the mortgage term.[100] In around a quarter of cases (n=12), premiums were not being paid and in a further 7 cases, we were unable to verify the situation in this regard. This leaves n=31 cases where we were able to identify the monthly amounts being paid by clients. There was a considerable variation in cost, ranging from €14.29 per month to €178 per month, with an average (median) of €59.30 per month. Determining why there is such wide variation would require more detailed investigation than this enquiry permits.

We were also able to isolate data with regard to *buildings and contents insurance*.[101] Relative to mortgage protection insurance, more clients were paying the related premiums (n=39), with 8 having no such insurance (in three cases we could not confirm the position). Here, there was a much tighter cluster of premiums, ranging from €8 per month to €72.20 per month, with an average (median) of €29.36 per month.

It may be argued that the both are types of housing cost: if so, rates and degrees of both housing stress and shelter poverty would be even higher than those highlighted above.

11.4. Transport costs

We were able to identify current transport or travel costs for the majority of clients (n=47) within the sample. These costs, primarily associated with running a car, were often considerable given location, labour force status, and family profiles as described above. To recap, the majority of the mortgaged sample lived in either rural locations or small towns, many were employed, and the vast majority had school-going (generally teenage) children.

The distribution of transport costs, where costs were actually incurred (n= 45), ranged from €20 per month to €881 per month, with an average (median) cost of €338.34 per month. Travel costs consumed considerable portions of household income, most commonly between 10 and 20 per cent, as the following Table (43) shows:

[100] Mortgage lenders must make sure this cover is in place before a borrower takes out a mortgage, although there are certain exceptions. See: http://www.consumerhelp.ie/mortgage-protection

[101] See: http://www.consumerhelp.ie/home-insurance

Table 43: Transport costs v net household income comparison

Percentage of income consumed by transport costs	Number of clients (n=50)
0-5	1
5-10	8
10-15	13
15-20	15
20-25	4
25-30	2
30-35	2
Not verifiable	5

Source: South Mayo MABS mortgaged client survey, March-June 2016

These figures are broadly in line with those calculated for rural areas by the Vincentian Partnership for Social Justice in its Minimum Essential Standards of Living (MESL) budgets; as already noted, the Insolvency Service of Ireland's version (RLE) does not distinguish between urban and rural areas.

11.5. Other costs

It was also possible to isolate education costs for many within the sample. Where incurred and verifiable (n=25), such costs ranged from an estimated €20 per month to €680 per month, with an average (median) cost of €155.82 per month.

Medical costs and childcare costs could also be considerable, but it was not possible to identify sufficient cases for analysis given the primary aim and objectives of this particular study.

11.6. Other debts

A majority of the sample (n=36 or over 70%) had at least one outstanding debt in addition to their mortgage. Where verifiable (n=34),[102] total non-mortgage indebtedness ranged from €1,000 to €302,755 with an average (median) figure of €13,338. Debts were owed to a range of priority and secondary creditors, in line with the picture for MABS clients in general.[103]

In comparison, outstanding mortgage indebtedness (n=48 verifiable cases) ranges from €11,292 to €400,000 with an average (median) of €164,171.

Combining both mortgage and non-mortgage indebtedness where each set of data is verifiable (n=38), the distribution now ranges from €11,292 to €478,439 with an average (median) of €177,823 (see Table 44). This figure does not include outstanding balances on second mortgages (n=12) as it was not possible to verify data in several cases.

[102] In five further cases, there was no additional debt.

[103] See MABS statistics, various years: https://www.mabs.ie/news-press/mabs-statistics/

Table 44: Total amounts of indebtedness

Amount of Indebtedness (€)	Mortgage debt (number of clients)	Non-mortgage debt (number of clients)	Total debt (number of clients)
NIL	0	9	0
1-50,000	5	30[104]	3
50,001 – 100,000	14	2	9
100.001 – 150,000	4	0	4
150,001 – 200,000	10	1	6
200,001 -250,000	8	0	7
250,001 – 300,000	5	0	6
300,001 -350,000	1	0	1
>350,000	1	0	2
Not verifiable	2	8	12

Source: South Mayo MABS mortgaged client survey, March-June 2016

[104] Just under half (n=14) of these clients owed less than €6,000 each. A further ten owed between €11,000 and €19,000.

12. Summary of Key Findings

The key findings from this study are as follows:

12.1. Mortgaged Clients of South Mayo MABS

Gender:
The growth in mortgage-related problems has resulted in a change in the gender profile of MABS clients in South Mayo and indeed, within MABS in general. There is now a fairly even split between male and female clients, in contrast to the pre-boom period when the client base was predominantly female.

Age (current):
Average age among the sample is 49 years, no client at all is under 30, and around a quarter are aged 55 years or more. This is an older client profile relative to MABS clients nationally, and is reflective of the demography of the county population as a whole, thereby suggesting that there is a heretofore largely overlooked spatial dimension to mortgage arrears.

Age (mortgage drawdown):
Average age at mortgage drawdown was 39 years. Drawing down a mortgage in what might be termed "near middle age" meant that in four in ten cases, mortgages would not be repaid until age 67 at the earliest; in a fifth of cases, clients would be aged 70 or older. These ages were, of course, predicated on financial circumstances not changing substantially (or even improving) during the lifetime of the mortgage; the potential impact of circumstance deterioration was seemingly not factored in by providers at the outset, and age has since become a major factor limiting mortgage term extension as a potential resolution.

Marital status
Around 7 in 10 of the sample were either married or living as a couple, the majority with children, which is a significantly higher proportion than among MABS clients in general both in South Mayo and nationally, implying that mortgage arrears are more concentrated among families.

Employment status
There were relatively high percentages both of unemployed persons and those in precarious and/or low-paid employment among the sample, re-affirming the relationship between mortgage distress and each of these factors, which has been highlighted in previous research.

12.2. Households within which mortgaged South Mayo MABS clients reside.

Resources
Household were in receipt of considerably lower incomes relative to the population at large; household incomes were on average around a fifth below the national average. When income was individualised to take into account household size and composition, it fell to around 70 per cent of the national average. Well over half the sample were dependent on some form of allowance, scheme, pension or welfare payment as their current main source of household income. Few within the sample had realisable assets.

Poverty
There were relatively high rates of poverty among the sample, reflecting the county and region profile more generally. Around a third of households were at risk of poverty, which is over twice the national average.

Household size and composition
Average family size among the sample (at 1.6 children) was higher than both the national and rural average, with a significantly higher percentage of households containing 3 or more children. Over half contained children of teenage years or above, and more than a quarter of "children" were of adult age. Children within the sampled households are thus significantly older than average and as a result, more expensive to maintain.

12.3. Properties purchased

First-time buyers
Mortgage finance was availed of overwhelmingly to purchase, build or renovate family home properties; only a tiny minority had purchased investment properties. However, less than half the sample were first-time buyers (FTB), with significant proportions having built or inherited their properties, used it as collateral to re-mortgage (predominantly for improvements and renovations), or were second time purchasers (e.g. trading up or down).

Types of property
The vast majority of properties purchased, built or renovated were 3 or 4 bedroom, detached or semi-detached houses, reflecting the distinctive nature of residential properties in predominantly rural areas such as Co. Mayo, and again suggesting there to be a spatial dimension to mortgage arrears which has policy implications, for example in terms of inhibiting access to the Mortgage to Rent Scheme.

Purchase price
The average purchase, build or renovation cost was relatively modest (compared to national averages) at €160,000, with the majority expending less than €200,000.

Location
The majority of properties are located in rural areas with the remainder split fairly evenly between small and large towns almost exclusively within south Co. Mayo.

Estimated current value
The average (estimated) value of properties was €130,000 which is in line with property prices within the county as a whole. In the majority of cases, properties are now worth much less than the money originally expended upon them, particularly where these were purchased by first-time buyers during the boom, and half are estimated to be in negative equity, in several cases of in excess of €100,000.

12.4. Mortgages drawn-down

Mortgage brokers

Almost half of the sample (46%) had used a mortgage broker to arrange their mortgage. Nearly all of these mortgages were drawn-down during "peak" (i.e. 2004-2008). In a number of cases, such mortgages were arranged with sub-prime lenders, with several now owed to another company (the mortgage "book" of these particular companies having since been sold on). A broker was involved in around 40% of cases where the Loan to Value (LTV) ratio was 100%, and in every case where the initial interest rate exceeded 6%. A broker had also been used in the majority of cases where a mortgage ran into arrears within 3 years of draw-down. Finally, in a majority of the cases where negative equity was involved, the mortgage had been arranged through a broker.

Mortgage provider

A total of 14 different providers had extended mortgage credit to this cohort of (n=50) clients. Most providers were those with smaller market shares, and in around a third of cases, the mortgage is now owed to a different entity entirely mainly as a result of institutions being wound up or lenders pulling out of Ireland and selling on their loan books.

Period of drawdown

The vast majority (almost 80%) of mortgages were drawn-down during "peak" i.e. between 2004 and 2008.

Amounts drawn-down

The average amount borrowed for home purchase, build, renovation or re-mortgage was €148,200, or on average, around 92% of purchase, build or renovation cost. Hence, this was not a cohort of borrowers taking on excessive amounts of credit relative to other parts of the country. In around a third of cases, the LTV was 100%.

Re-mortgages and further advances

Around 40% of the sample had re-mortgaged (mainly to consolidate debts) or taken on a further advance (predominantly for home improvements), predominantly during "peak", suggesting that the financialisation of family homes was not confined to metropolitan areas.

Mortgage terms

The overwhelming majority of drawdowns were in the form of annuity mortgages, over a range of repayment periods (average 25 years), generally at variable interest rates (tracker mortgages were rare), with around four in ten paying above the average rate for the year in question.

12.5. Arrears incurrence

Period of accrual

Arrears predominantly began to occur during the period 2009-2011 or in the years following the Crash, consistent with loss of employment or businesses in sectors more vulnerable to a rapid downturn. There was no discernible pattern in terms of arrears incurrence, but in over a quarter of cases, arrears arose within 3 years of drawdown, mainly in instances where sub-prime or subsequently wound-up mortgage providers were involved. In line with a body of previous research, force majeure factors such as unemployment and ill-health were found to be the primary cause.

Arrears persistence

This cohort of client has, by and large, remained in arrears since their problems were triggered, with an average time in arrears of 57 months, or almost 5 years.

A body of research has found that persistent debt problems have considerable impacts on the health and wellbeing of both clients and their families; these effects have been evident for some time to the money advisers working with the clients in question, in many cases over relatively long periods. Average arrears (of around €22,000) are relatively modest relative to the mortgage arrears population at large, reflecting lower countywide purchase prices and associated mortgage advances among this cohort of MABS clients; they are, however, high relative to the resources available to discharge them as highlighted above.

Declarations of un-sustainability and legal proceedings

Legal proceedings are in train in over a third of cases. When declarations of un-sustainability (including pending declarations), and threats of legal proceedings are factored in, almost 6 in 10 of these households may be considered at risk of housing exclusion.

Alternative repayment arrangements (ARA) and the Mortgage Arrears Resolution Process (MARP)

Around 1 in 3 cases are in various stages of the MARP, with the majority outside of it for various reasons. Overall, the majority of clients are either in arrangements of some sort, negotiations or submitting proposals at the time of writing. There is a real sense here of people for the most part doing whatever they can to try to remain in their family home. Most arrangements are either short-term or 'trial' in nature, with relatively few clients (around one in five) in longer-term arrangements despite the fact that arrears have persisted for such long periods. Worryingly, 50% of the sample appears to be on a pathway towards loss of the family home.

12.6. Costs, affordability and sustainability

Housing stress

The majority of sample households are in housing stress, in that contractual mortgage repayments would – if paid in full – take up more than 30% of household income, with around 4 in 10 facing instalments which amount to more than 40% of income. Alternative arrangements are having some impact here in terms of reducing housing stress, but most are short-term or 'trial'.

Shelter poverty
Around a quarter of the sample were in what might be referred to as "abject" shelter poverty, that is to say that after applying the relevant Reasonable Living Expense Guidelines to the household incomes in question, each would have no income at all left over to pay housing costs. Overall, a clear majority of sampled households were in shelter poverty to varying degrees, and can – or could - only afford their housing costs (both contractual and actual) by cutting back on essential spending by significant amounts. The only way most would be able to sustain a minimum (conventional) standard of living would be if mortgage repayment costs were substantially reduced, for example by way of write-down or interest rate reduction.

Other commitments and debts
Transport costs, primarily associated with running a car, were often relatively considerable given that the majority of the mortgaged sample lived in either rural locations or small towns, were often employed elsewhere, and predominantly had school-going (generally teenage) children. Again, this suggests there to be a spatial dimension to the mortgage arrears crisis.

Around 7 in 10 had at least one outstanding debt in addition to their mortgage; taken together, mortgage and non-mortgage indebtedness (i.e. the aggregate balance outstanding) amounted to around €177,000 on average per household.

12.7. Overall conclusion

A compelling narrative emerges from these empirical data. It suggests that at best questionable - and at worst reckless – "boom" lending and brokerage practices, facilitated by what we now know to be non-intrusive regulation, drew in to mortgage finance a cohort of borrowers in early-middle age with growing families, dependent on precarious and low-paid employment or self-employment to discharge the mortgage obligations. At both societal and institutional level, "getting the credit out there" appeared to trump any concern for the longer-term welfare of these families, many of whom have now been in financial difficulty for extremely long periods of time, and are clearly in considerable financial and personal distress.

Mortgage arrears among this cohort were not caused by wilful non-payment or strategic default, rather by global forces beyond their control, which played out in the form of widespread unemployment and business failure. Since falling into arrears, the determination to remain in the family home, seemingly at all costs, has left such families vulnerable in the context of a case-by-case approach promoted by policy and practice, which has effectively morphed into a lender-by-lender one, with decision-making power overwhelmingly remaining in the hands of the latter.

The 50 cases examined for this study may be unique to South Mayo MABS, but we have a strong sense that such case studies may in fact be replicated across the country, particularly in rural areas. We believe they illustrate the need to take into account the 'spatial' dimension to mortgage arrears, the importance of exploring the background to them when considering problem resolution, and that write-downs are likely to be the only 'affordability' solution in many cases.

We also believe that applying concepts such as "housing stress "and "shelter poverty" can be useful in helping both to contextualise and address mortgage difficulties. Both the Programme for Government[105], and Housing and Homelessness Action Plan,[106] contain measures aimed at "difficult to-solve" cases, such as those examined for this study. We hope that these findings will inform the development of such measures.

In order to further inform such developments, in the remaining sections of this report, we first highlight certain policy and practice issues emerging both from the empirical data collated and from our casework experience over time, before concluding with some specific policy recommendations from a client perspective.

[105] Government of Ireland (2016). *A Programme for a Partnership Government, May 2016.* Dublin: Government of Ireland.

[106] Government of Ireland (2016). *Rebuilding Ireland: Action Plan for Housing and Homelessness*. Dublin: Government of Ireland.

13. Policy and practice issues

The findings of this study clearly illustrate that policy measures are not working effectively from the perspective of many households in Co. Mayo. This overall conclusion gives rise to three important questions:

(i) *Why* is it important to address the mortgage crisis in Co. Mayo?
In this regard we look briefly at how South Mayo MABS mortgaged borrowers came to be in mortgage arrears, and the impact of long term mortgage arrears, particularly on such borrowers and their families;

(ii) *What* is currently being done to address mortgage arrears in Co. Mayo?
Here we evaluate the Code of Conduct on Mortgage Arrears (the CCMA) and the Mortgage Arrears Resolution Process (MARP) set out therein, drawing both on the findings of the study and our experience in working with clients over time. We also briefly consider possible alternative solutions such as Mortgage to Rent (MTR), and personal insolvency, as well as some recent initiatives aimed at assisting distressed borrowers.

(iii) *How* could things be done differently to address mortgage arrears in Co. Mayo?
Here, we examine possible changes to policy and practice that could be made in a number of areas including: more frequent application of particular resolutions already provided for within the CCMA, reform of the Mortgage to Rent Scheme (MTR), amendments to the CCMA/MARP, and increasing access to bankruptcy and personal insolvency options.

13.1. Factors contributing to mortgage arrears

At South Mayo MABS, we meet people every day living with mortgage arrears, and managing their situations as best they can. These are the individuals and families behind the statistics. Many have lived for years with the threat of losing their home, as they are no longer able to maintain the level of repayments they contracted to make when they took out their mortgage

We have encountered situations where people stretched themselves to their limits in terms of borrowing during the "boom" sometimes by way of re-mortgaging or equity release, a feature associated with the financialisation of the family home as discussed in Section 1. However, it is also our experience that the vast majority of mortgaged clients generally earned adequate income when they purchased their homes –or when they took on further associated borrowing - to expect that they would be able to meet their mortgage repayments.[107] At such times, clients were working and sustaining themselves and their families through employment as for example, nurses, sales representatives, child-minders, electricians, and painters.

[107] Subsequent inability to pay, generally as a direct consequence of external economic forces, raises serious questions about the so-called "stress tests" applied at the time.

Presumably the lending institutions that sourced and extended the credit, and the brokers who often facilitated it, were also satisfied that those who borrowed would be able to repay; further, borrowers were reasonably entitled to expect such service providers knew what they were doing, given that these were institutions and intermediaries authorised and licensed by the relevant statutory authorities.

The context here is also important. Again as discussed in Section 1 the "boom" occurred against a backdrop of property and market speculation, facilitated by the development of complex (and what we now know to be unsustainable) financial instruments; further that there was also a policy context, in the form of vigorous promotion of owner occupation and non-intrusive regulation. Hence, although international players, markets, government, state, financial institutions, intermediaries and borrowers are all contributors to the mortgage arrears crisis, it is our observation that it is the latter - and their household members – who are assigned the lion's share of the burden for resolving it. This begs a related question:

> Is it fair to ask a borrower, encouraged by the State and the lending industry to get on the housing ladder, to pay for the fallout caused by speculation, and economic and regulatory mismanagement?

Our analysis and experience leads us to the conclusion that it is not. Many within our sample group were caught in the exceptional boom-bust at the start of this millennium. The vast majority of the sample group (80%) took out their mortgages between 2004-2008 when both property prices and incomes were at their height. In line with the research, diminished income due to loss of employment or business failure is by far the most common cause of mortgage arrears among our sample, with illness also being a factor for many; hence it was generally "force majeure" circumstances – unexpected or unanticipated - which led such clients into arrears, in many cases within 5 years of drawdown.[108]

13.2. Impacts of mortgage arrears

While the non-financial loss associated with losing one's home is virtually impossible to calculate, it is no less real for those directly affected. We have witnessed at first hand in recent years the personal, social, economic, and emotional impacts – and associated trauma - of clients losing their homes[109]. This is in line with a growing body of research on over-indebtedness in general across Europe, which illustrates its impacts on mental

[108] As illustrated by Table 37 above, around half our sample fell into arrears within 5 years of mortgage draw down which reflects the high numbers who suffered a loss of income in the financial crash. However it is also worth noting that almost half our sample had invested more than five years of payments including the front-loaded interest payable on mortgages in most cases, indicative of our experience that most clients fall into the "can't pay" as opposed to "won't pay" category.

[109] Castlebar Circuit Court 2015: 25 Orders for Possession granted; January – June 2016 16 Orders for Possession granted.

and physical health, relationships, children, and on social exclusion more generally.[110] An added dimension in our experience – associated with many in our sample – is the prolo*nged nature of the mortgage crisis* and living with an ongoing threat to one's home and family life.

Although this is not a qualitative study, since its commencement we have been recording (anonymised) comments from clients regarding their mortgage arrears situations, and a small sample of these comments offers some insight into the difficulties involved:

> *We're living a very basic existence;*
>
> *The threat of repossession has caused massive stress;*
>
> *Financial difficulties caused huge stress on our relationship;*
>
> *The overwhelming feeling is guilt at not being able to provide a home for ourselves and our family.*

Many borrowers in our experience lurch from one short-term alternative repayment arrangement (ARA) to the next, often over many years[111]. Some, unable to meet the requirements of their particular lender in terms of an acceptable resolution, have little option but to live in the hope that something radical will change before their lender decides to repossess their family home.

While they wait, we encounter many borrowers who are faced with an unenviable choice to either pay what they can towards the mortgage in the hope of invoking the lender's benevolence, aware that they still risk losing their home, *or* to cease to make payments and thereby resign themselves to the inevitable loss of their home. It appears to us that the State has effectively made a conscious decision to allow lenders to maintain absolute discretion when it comes to dealing with families in mortgage arrears.[112]

Compounding things from the household perspective is that in many cases – as observable within the sample - the mortgages clients are attempting to repay are often well in excess of the current value of their family homes; further, we frequently observe families making daily sacrifices to pay their mortgages, a decision which is also likely to have ancillary repercussions both for our local and national economies, as ability to spend and consume is thereby reduced.

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[110] Many of these are summarised in a European-wide study conducted for the European Commission: Alleweldt, F, Kara, S, Graham, R, Kempson, E, Collard, S, Stamp, S, Nahtigal, N. (2014). *The Over-Indebtedness Of European Households: Updated Mapping Of The Situation, Nature And Causes, Effects And Initiatives For Alleviating Its Impact*. Final Report, Part 1: Synthesis of Findings. Brussels: European Commission.

[111] Average length of mortgage arrears among our sample was 5 years.

[112] Extending the powers of the Circuit Court to make legally binding decisions on alternative repayment arrangements (ARA) would be one way of redressing this particular imbalance.

In summary, the conclusion we have arrived at from combining the findings of this study with experiences from our broader client-work over many years is this: there is a clear rationale for addressing the mortgage arrears crisis in Co. Mayo, namely that ***identifiable personal, family and societal consequences are arising as a result of borrowers largely shouldering the burden for a crisis that they alone did not cause. Hence, there is an urgent need for more radical solutions, including write-downs of mortgage principal, as discussed below.***

13.3. Emphasis on short-term arrangements

The Mortgage Arrears Resolution Process (MARP) set out in the Code of Conduct on Mortgage Arrears 2013 (CCMA) is a set of rules to which lenders are required to adhere when processing arrears cases related to Principal Dwelling Houses (PDH). In our experience, the MARP/CCMA has proved helpful to many clients –some of those comprising the sample group - in dealing with mortgage arrears over the *short-term*; however, it has been relatively less successful in addressing longer-term mortgage arrears. To illustrate this difference, we now briefly outline the types of arrangement in place among our sample group, and our experiences of each arising from our client work more generally.

The most common short-term arrangements are moratoria, interest-only arrangements, or interest and part-capital arrangements. Taken together, such types of arrangement account for approximately one half of all alternative repayment arrangements currently in place among our sample cohort.[113] It is our experience that these arrangements can work to the benefit of both borrowers and lenders in many instances. Borrowers, for example, can benefit from reduced monthly repayments to help them overcome a short-term reduction in income, such as temporary illness, whilst the lender's return on the mortgage – albeit somewhat delayed - is not reduced overall. Borrowers will ultimately have to make up the deferred payments either by increased monthly payments or by way of an extended term. Such arrangements are therefore predicated on a recovery in repayment capacity (which may not happen for a considerable period, if at all in some cases) and are thereby often not a longer-term solution to ongoing financial difficulty.

13.4. Longer-term arrangements and cost

As described earlier, longer-term arrangements had been put in place in relatively few sample cases (less than 1 in 5). In almost 6 out of 10 cases lenders have declared mortgages unsustainable and/or take the legal proceedings' route towards repossession.

The most common longer-term arrangements granted by lenders in our experience tend to be term extensions, capitalisation of arrears and split mortgages. However in contrast to, for example, a longer-term interest rate reduction or principal write-down, each has potential cost implications for distressed borrowers.

[113] See Table 41.

Term extensions may benefit borrowers by reducing monthly payments to manageable levels; however, a term extension also has the effect of increasing the overall cost of credit to a borrower. Straightforward term extensions have sometimes been proposed to mortgage arrears clients, but our experience is that this has tended to be where younger borrowers have been involved.

In around two thirds of our sample cases, the borrowers in question were already on course to be 65 years or older at the expiration of their *current* term; in the majority of the remaining cases, a 12 year term extension was the maximum possible before the borrower(s) reached retirement age.[114]

Term extensions can have notable cost implications for borrowers. Table 45 illustrates the amount repayable and (total) cost of credit for an average sample household over varying mortgage terms; for the sake of comparison, we used the average mortgage amount among the sample cohort of €148,000 and an interest rate of 4.5 per cent. As can be seen, the costs of credit and total amounts repayable can vary considerably.

Table 45: Mortgage term cost comparison

Mortgage term (years)	Monthly repayment (€)	Cost of credit (€)	Total amount repayable (€)
15	1,126	54,680	202,680
20	930	75,200	223,200
25	816	96,800	244,800
30	743	119,480	267,480

Source: Mortgage repayment calculator: Consumerhelp.ie

Clearly, if it takes longer to repay the mortgage it will cost more overall albeit at a lower monthly repayment. If this is affordable according to the borrower's budget it may be a price worth paying. However a term extension places an additional financial cost on the borrower in the long term thus placing the full burden of resolving the mortgage problem firmly on the borrower.

There may however, be cases where term extension payments would not be affordable per se but *might be* were a term extension to be accompanied by a lower credit cost (e.g. by way of a reduced interest rate) as per Table 46 below.

114 An important point of note here relates to the Central Bank's Internal Guideline on 'Sustainable Mortgage Arrears Solutions' (24 September 2013, updated 13 June 2014), which states (p.11) that: 'Most banks apply an upper age limit 'rule' of 70 on term extensions in accordance with guidelines published by the Central Bank'. It goes on to say that 'an older age limit can apply to restructure arrangements in cases where there is appropriate evidence to support it'.

Table 46: Effect of a 2 per cent reduction in interest rates and term extension

Loan Amount (€)	Interest Rate (%)	Term (years)	Monthly Repayment (€)	Overall cost of Credit (€)
148,200	4.5	25	816	96,651
148,200	2.5	25	663	50,624
148,200	2.5	**30**	**583**	**61,823**

Source: Mortgage repayment calculator: Consumerhelp.ie

In this case a 2 per cent reduction in interest rate combined with a 5-year term extension would result in monthly repayments being reduced by €233, and a reduction in the overall cost of credit of €34,828. This would ensure that full principal and interest of 2.5% was repaid to the Lender while reducing some of the burden on the borrower. Term extension combined with interest rate reduction was not offered to any of the borrowers in our sample and lenders are reluctant to reduce interest rates in general – see below.

Capitalisation of Arrears requires borrowers to be in a position to make up the arrears on their mortgage by way of increased monthly payments. It will therefore only be practicable in situations where the borrower's payment capacity has recovered to its previous levels. Again the overall amount payable to lenders is not reduced in this arrangement. However when it is combined with term extension it can make monthly repayments manageable for the borrower. A downside - as with term extension - is that capitalisation will inevitably cost borrowers more over the lifetime of their mortgage. This may a price worth paying for some but not others.

Split Mortgages have the advantage of bringing monthly repayment amounts down to more manageable levels for some clients by enabling such borrowers to repay part of their mortgage debt – capital and interest – whilst warehousing the remainder until some future date. In our experience, many borrowers appear content to warehouse a portion of their mortgage (as something to be dealt with in the future) in return for an arrangement that allows them to remain in their family home at least for the time being. If no additional interest is charged on the warehoused portion of the debt this segment does not increase for the duration of the agreement, but we have encountered situations where interest is being charged on the warehoused debt.[115] It is also our experience that some lenders refuse to consider split mortgages at all.

As regards repayment of the warehoused debt in the future, the Central Bank has issued important guidelines for lenders[116]. However, how the warehoused debt is to be repaid in the future when borrowers are more advanced in years is not conclusively addressed in most cases in our experience. Sometimes there may be an expectation that a lump sum

[115] In our experience to date, at least one lender has insisted on charging interest on the warehoused debt of a split mortgage.

[116] The Central Bank's Internal Guideline on 'Sustainable Mortgage Arrears Solutions' states (p.9) that: 'in order for a split mortgage to be considered sustainable the lender must inform the borrower regarding the repayment of the unpaid warehouse loan at maturity. The bank must set out the potential options it may deploy in recovery of the outstanding debt at the maturity of the loan'.

may become available (e.g. pension lump sum/life assurance policy which generally would have been intended to make provision for the borrower in later life). In other cases it is hard to see how this debt will be repaid and will leave aging borrowers at the end of the split mortgage facility negotiating once more with lenders to try and retain their family home.

A long-term interest rate reduction was an option availed of by one borrower in our sample group, an arrangement that had the effect of reducing both monthly repayments, and the overall cost of the mortgage in the case in question. In such an arrangement, a lender still recoups the full amount of the capital advanced plus interest, albeit a lesser amount of interest than initially anticipated.

Reductions in interest charged is the **only solution to mortgage arrears we have encountered to date that contains some element of burden sharing between borrower and lender** either as a stand-alone arrangement or as part of a split mortgage facility.

Analysis of the data pertaining to our sample group is in line with our experience of assisting clients in mortgage arrears more generally, in that **there is clearly a willingness on the part of lenders in general to re-structure mortgage arrangements but primarily where they can still expect to recoup the full amount of capital and interest they had originally factored in.**

It is rare, however, for lenders to accept a reduction in the overall amount of interest payments that they expect to receive. Notably, the one instance of an interest rate reduction among our sample group related to a 5-year period, and not to the lifetime of the mortgage. Split mortgage facilities -where zero interest attaches to the warehoused debt - also serve to reduce the overall amount of interest payable, but may still leave significant debt to be addressed by borrowers at an advanced age.

There was no instance within our sample of a lender proposing any reduction in the principal loan amount; indeed, this rarely occurred in our broader dealings with lenders on behalf of clients over time.

13.5. Mortgage to Rent

The Mortgage to Rent Scheme (MTR) which commenced in June 2012, is listed as a possible solution in Provision 45 of the CCMA to assist borrowers with unsustainable mortgages to remain in their homes. Unfortunately to date, our enquiries reveal there to have been no successful applications in Co. Mayo[117]. Although called a "scheme", in reality, MTR is only a voluntary option, hence re-framing it on a statutory basis could make it considerably more accessible.

[117] This finding was in response to a query re applications for Mortgage to Rent in Mayo to the Housing Agency.

MTR involves the sale of a mortgaged house of a distressed borrower to an interested Housing Association at current market value. The borrower thereafter continues to live in their home as a tenant of the Housing Association rather than as owner-occupier, and pays rent to the Housing Association relative to their income (as per social housing 'differential rent' criteria); s/he may further have the option of buying back the property if circumstances improve after 5 years. Crucially, what happens to the difference or "shortfall" between the total mortgage debt and the current market value of the property remains to be negotiated on a case-by-case basis, a fundamental design flaw in the Scheme in our view.

In our experience, whereas some lenders will propose or agree to Mortgage to Rent, others are reluctant to do so. Even where lenders appear agreeable, we have encountered difficulties relating to the qualifying criteria, which are somewhat limiting. Shortage of finance from the State also appears to be a significant problem, with judgment mortgages on some of the properties adding a further impediment. Further, eligibility for the Scheme is also dependent on local authorities approving borrowers for social housing.

There also seems to be relatively little interest from Housing Associations as regards houses within Co. Mayo. Our understanding from contacts with such bodies is that when considering purchasing houses, various considerations come into play. These include: *location* for letting or selling if tenants move on for example, *condition* of the property (if not in good repair, it may prove too costly to invest in such properties), and *management* of these properties (if the Association doesn't have any other properties in a given area, they may have no one to manage these properties).

13.6. Bankruptcy and insolvency

The Oireachtas has radically overhauled our bankruptcy laws in recent years, in response to the escalating personal debt crisis "post-Crash", described in Section 1 above. Since January 2016 for example, the bankruptcy term in Ireland has been reduced to one-year, having previously been reduced from twelve years to three, indicative perhaps of concern around the low level of arrangements generally under the legislation (see below).

While a one-year term undoubtedly makes bankruptcy more attractive to those with the financial means and know-how to avail of this option, related discussions with clients often result in reluctance to avail of this option for various reasons including complexity, stigma, and likely loss of the family home; we have also observed many clients who are unable even to contemplate it, such is their worry and level of stress over their financial situation (a phenomenon sometimes referred to as "loss of power").[118]

The Oireachtas has also introduced alternative options for insolvent debtors including those in mortgage arrears by way of the Personal Insolvency Act 2012. These consist of negotiated settlement voluntarily entered into by lenders in the form of Debt Settlement Arrangements (DSAs) and particularly Personal Insolvency Arrangements (PIAs). Such arrangements are only currently available by way of private Personal Insolvency Practitioners or PIPs - specifically authorised by the Insolvency Service of Ireland (ISI) for this purpose.

[118] Ahlstrom, R. (1998). Over-indebtedness – the cost to society. Conference paper presented at the 3rd European Conference on Consumer Debt, *"Consumer Debt Problems in a Changing Europe"*, Malahide, 23rd-25th September 1998.

Take-up of each has to date been considerably lower than expected,[119] and few clients have availed of such options primarily, in our experience, on account of lack of resources and associated costs,[120] hence the importance in our view of a freely available public insolvency service in Co. Mayo, such as the public PIP recently piloted by Waterford MABS (see below).

13.7. Other initiatives

A number of recent government initiatives have been introduced to assist homeowners in mortgage arrears. Since late-2015, MABS has been resourced to offer a free, independent and confidential service to such clients by way of **Dedicated Mortgage Advisers** (DMA) advisers, an initiative specifically targeted at assisting borrowers in late-stage mortgage arrears situations to reach longer-term solutions with their lenders.

Our experience to date is that successful outcomes for borrowers are sometimes inhibited by a combination of a power imbalance in terms of negotiation that continues to favour the lender,[121] and certain limitations of the CCMA/MARP as it currently stands (these are addressed under 'Recommendations' below). In any event, we have found that many late-stage borrowers are outside of the MARP by the time of DMA referral, and cannot get back in to it as things currently stand.

The Court Mentor Service, again provided through MABS, supports borrowers attending repossession proceedings. South Mayo MABS was instrumental in instigating a Pilot of the Court Mentor Scheme; this has now been rolled out nationwide and forms part of the MABS 'Gateway to Debt Advice' initiative. Court Mentors do not have a right of address in Court, but are able to assist Defendants in terms of preparing for Court, the procedure on the day, and in liaising with the Court and legal teams.

A new 'Scheme of aid and advice for borrowers in home mortgage arrears' or **Voucher Scheme** has been rolled out in summer 2016. Through MABS this enables borrowers to avail of an initial consultation with a Personal Insolvency Practitioner and/or accountant and/or solicitor free of charge providing certain criteria are met. Initial enquiries to us suggest that this will be of assistance to some borrowers, although the scheme is as yet in its infancy. Legal aid for appeals under s.115A of the Personal Insolvency Act 2012 as inserted by S.21 of the Personal Insolvency (Amendment) Act 2015 is also part of the new scheme. This provides for appeals to the Circuit Court where proposed PIAs have been rejected by the lender.

A new role of **Duty Solicitor** is due to be introduced shortly as part of this scheme which again may assist borrowers on the day of Court itself but will not be able to act for them on an ongoing basis.

[119] See quarterly statistics published by the Insolvency Service of Ireland.

[120] Lack of resources has meant that many of our clients have little or no disposable income to "arrange" in the first instance, nor in our estimation could many afford the associated consultation or post-arrangement fees.

[121] Experience which echoes that of Joyce and Stamp (ibid).

Finally, a **MABS (Public) PIP Pilot Project**, located within Waterford MABS, has recently been completed.[122] The success of the Pilot in facilitating access to insolvency arrangements – and thereby solutions - for those on relatively lower incomes, illustrates the potential benefits of such a service for insolvent debtors (including many current MABS clients) in regions such as Co. Mayo.

Although each of these supports may prove useful over time to distressed mortgage borrowers, a notable omission within current advice and support provision is that **clients contemplating bankruptcy do have not access to legal assistance to guide them through this onerous and challenging process.**

13.8. Towards sustainability

While the many additional advice-based supports for distressed mortgage holders are welcome, based on the findings of this study and general casework experience, **it is our conclusion that it is not possible to fundamentally address many of the substantive problems faced by our clients in mortgage arrears without also addressing the issue of lender practice;** this is particularly timely as the crisis continues to deepen in terms of "difficult to solve" cases.[123] This begs the question:

What could lenders do differently to address mortgage arrears in Co. Mayo?

Drawing on the empirical data garnered and reviewed for this study, together with our experience of these measures as practitioners, two practices emerge which could be much more widely applied by mortgage lenders: both are *already provided for within the provisions of the CCMA* namely: **Interest Rate Reduction and Write Down of Mortgage Debt.**

An Interest Rate Reduction is a potential option already provided for in the CCMA, with provision made for both *permanent* (39b) and *temporary* (39c) reductions. Clearly, a reduced interest rate reduces the overall amount of money repayable. As illustrated by our sample findings, despite historically low national and international interest rates, the majority of borrowers in our sample group are currently being charged interest rates of between 3.5% and 6%, hence there would appear to us to be some scope for rate reductions.

We appreciate that lenders may be less inclined towards permanent reductions and perhaps more disposed to temporary arrangements, given that European Central Bank (ECB) rates are at an all-time low and can only really go one way, namely upwards. In this context, an alternative to permanent interest rate reduction may be needed, such as the write-down of the secured debt to its current market value. Write down of secure

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[122] Its findings are being collated and evaluated at the time of writing vis-à-vis a possible rollout.

[123] See Central Bank mortgage arrears data presented in Table1 above.

debt is already provided for in the Personal Insolvency Act[124] and the CCMA[125] along with potential for a claw-back for the lender.(see below).

The effect of a reduction in interest rates on monthly repayments could be considerable, both in terms of monthly repayment amounts and the overall cost of credit. This is perhaps best illustrated by the following example; as can be seen, a monthly reduction of €153 on an average sample mortgage (€148,200) would represent a considerable saving for some of our sample cohort and would, we believe, render a mortgage sustainable in a number of these cases. The overall cost of credit would also be considerably lower.

Table 47: Effect of a 2 per cent reduction in interest rates

Loan Amount (€)	Interest Rate (%)	Term (years)	Monthly Repayment (€)	Overall cost of Credit (€)
148,200	4.5	25 years	816	96,651
148,200	2.5	25 years	663	50,624

Source: Mortgage repayment calculator: Consumerhelp.ie

As per Table 46 above, if used in conjunction with other measures such as *term extension*, a reduction in interest rates could reduce monthly payments further. As per Table 46 above, a 2 per cent reduction in interest rate, combined with a 5-year term extension, would result in monthly repayments being reduced by €233, and a reduction in the overall cost of credit of €34,828.

Write-downs of mortgage principal are rare in our experience, with lenders apparently unwilling to exercise their discretion in this regard. No write-down had been proposed in any of our 50 sample cases, and it is our view that write downs could – *and arguably should* - be used more extensively in Co. Mayo as there are benefits to all key parties (lender, borrower and state) in certain circumstances.

In cases where mortgages have been deemed unsustainable (by lenders) and where MTR is not considered a viable option, lenders may move to repossess. Associated possession proceedings may be lengthy and costly, and although a lender may well obtain possession of the mortgaged home, it will be responsible for the administrative and other costs of maintaining that home until it can be sold at which point auctioneers fees and more legal fees will be incurred. The property will eventually be sold for whatever value can be raised on the open market, or it may be bundled and sold to vulture funds for a reduced price.

[124] S.102 (6) g, S.103 (2) and S.105 together provide that a PIA may propose that the principal sum due on a secured debt be reduced to its current market value; some of the overhanging debt may also be recouped as it abates in line with other non-secured debt under the PIA; if the property is subsequently sold by the insolvent debtor for a greater amount the lender may also clawback some of the difference.

[125] Provision 39k)CCMA 2013

RETURN TO LENDER FOLLOWING REPOSSESSION:	
Sale Proceeds: Current market value	
Less:	Legal fees in obtaining possession
Less	Administrative Fees
Less	Auctioneers Fees
Less	Legal fees of Sale.
Net Return	**Current Market Value minus a lot of costs.**

In the event of repossession, a lender is of course free to try and recoup the overhanging debt from the borrower within the timeframe permitted by law. However, whether much of this unsecured overhanging debt will be recovered by lenders is doubtful, especially where the borrower has the potential option of a one-year bankruptcy discharge.

Repossessions also inevitably have repercussions for the State and on the demand for housing. Those evicted, but deemed to have sufficient income to house themselves, can be expected to join the already crowded rental sector, thereby increasing demand and adding upward pressure on rents and further depleting the stock available for state supported-housing. Many of those unable to retain their family homes will qualify for local authority housing, although this may not be available given current supply shortages, and will likely lead to increased demands on often already-beleaguered local authorities.

A crucially important factor here is being able to accurately establish Current Market Value (CMV), as this is central to how much a secured creditor such as a mortgage lender can realistically expect to realise for this security at a given point in time. This principle is inherent in bankruptcy law, where the Official Assignee tries to realise assets on the open market to repay creditors; as already outlined the concept of write down of secured debt is also expressly referred to in both the Personal Insolvency Act and the CCMA as a possible resolution for mortgage arrears (Provision 39k).

It is our contention that a write down of the mortgage to CMV or perhaps a percentage above (for example, 10 per cent),[126] would make some mortgages sustainable, particularly for those experiencing severe housing stress or shelter poverty as in many of our sample cases. There is an argument that it would likely be of benefit to lenders (particularly in negative equity situations) given the costs and fees associated with repossession and indeed to the State in alleviating pressure on both social and private rented sectors.

[126] An approach adopted in Norway in the 1990s. See: Rokhaug, E. (2012). The Norwegian experience of maintaining the family home in debt settlement. Paper delivered at Free Legal Advice Centres Conference, "Legislating for Personal Insolvency in Ireland", Dublin, 19th April 2012. http://www.flac.ie/download/pdf/egilrokhaug_paper_flacconf19apr2012.pdf

14. Policy Recommendations

The empirical data presented earlier (Sections 6 - 11) painted a picture of a client cohort largely stuck in unresolved mortgage arrears situations over considerable periods of time, policy explanations for which are proffered in Sections 4 and 13 above. There are clearly a lot of things that could be done differently both in terms of policy and practice, but in this concluding section, we confine ourselves to those issues which emerge directly from analysis of our sample cohort and associated casework experiences. Hence, we focus our recommendations primarily on the Code of Conduct on Mortgage Arrears (CCMA) and the Mortgage to Rent Scheme (MTR), and to a lesser extent, personal insolvency and bankruptcy.

As discussed earlier, the CCMA works reasonably well in our experience as a short-term measure, but is largely failing our clients in the longer-term, principally because two of its provisions which involve a decrease in the overall amount payable - namely interest rate reduction and write-down of principal – are not being applied to any material degree. There is also evidence of lenders issuing declarations of un-sustainability, non-co-operation, and thereafter, initiating legal proceedings or seeking voluntary surrender without having exhausted all other options. These actions have implications for the State as a whole.

MTR could be a viable solution in many cases, but lack of access to it in Co. Mayo appears to result from a number of factors, principally its voluntary nature, limiting qualifying criteria, and apparent lack of interest from Housing Associations relating to issues around location, condition and management of potential properties.

Within the context of the current housing crisis, and in accordance with the "spirit" of the CCMA, MTR and personal insolvency legislation – namely to encourage the broadest and deepest possible engagement between lender and borrower, and thereby maximise the possibility of the latter remaining in their family home - we propose the following recommendations:

14.1. Code of Conduct on Mortgage Arrears

- An amendment to the CCMA to the effect that lenders should be legally obliged to consider **all** options set out within the Code including a write down to Current Market Value (CMV) (perhaps plus a certain percentage e.g. 10%).

- The lender should be required to demonstrate both to **borrowers** and to the Regulator how their proposal was arrived at;

- In line with commitments in the Programme for Government[127] and Action Plan on Housing and Homelessness[128], an **external, independent body** (e.g. the Circuit Court) should be assigned the power to make legally binding decisions where a borrower feels a fair and reasonable solution has been refused;

- The CCMA should be amended to the effect that a borrower 'exited' from the MARP, but who subsequently enters into and honours an alternative repayment arrangement (ARA) for a designated period, should be **automatically re-admitted** to the MARP (and thereby be able to avail of its associated protections);[129]

- In light of the comments of the Supreme Court[130] last year the CCMA should be put on a statutory footing.

- Lenders should be obliged within the terms of the Code to consider Mortgage to Rent (MTR) as an option **in all cases** where a mortgage is properly deemed unsustainable;

14.2. Mortgage to Rent

- The criteria of the Mortgage to Rent Scheme should be re-reviewed[131] **from a rural perspective**, and consideration be given to increased flexibility around currently strict criteria, for example on *'under' and 'over accommodation'*, which we believe may (perhaps unintentionally) be excluding distressed mortgage borrowers from the Scheme in regions such as Co. Mayo;

- Explore whether **Local Authorities** could replace Housing Associations for the purposes of MTR /where the latter are unable or unwilling to purchase the relevant homes. Borrowers already have to qualify for social housing in order to be eligible for MTR; if homes are repossessed, many would eventually end up on the housing list and/or add to the numbers looking for often scarce -and relatively expensive - privately rented accommodation;

- Set up a transparent, accountable and **Independent Body** to establish the Current Market Value (CMV) of properties;

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[127] The following commitment was given: "Establish a dedicated new court to sensitively and expeditiously handle mortgage arrears and other personal insolvency cases, including through imposing solutions, including those recommended by the new service. The hearings of this court could be held in private if requested by the debtor" (p30).

[128] "Providing (if constitutionally permissible) for imposition by the Courts of debt solutions recommended by the Mortgage Arrears Resolution Service and any corresponding statutory powers needed for the Service; and measures regarding Courts hearing repossession cases, including (if constitutionally permissible) the hearing of repossession cases in private where requested by the borrower" (p40).

[129] We readily acknowledge that there may be a problem in amending the CCMA to this effect, in that this may lead to lenders declining to agree 'shadow MARP' ARA's and thereby defeating the purpose.

[130] Irish Life and Permanent plc v Dunne & Dunne and Irish Life and Permanent v Dunphy, Supreme Court (2015)

[131] We acknowledge that the Scheme as a whole was reviewed in 2015.

- Lenders should be required to consider MTR in all cases where a long term sustainable alternative repayment arrangement cannot be agreed and an **external, independent body** (e.g. the Circuit Court) should be assigned the power to make legally binding decisions where a borrower feels MTR has been refused unreasonably;

- Consider placing MTR on a **statutory** – as opposed to voluntary –basis, and incorporate clarity on how any overhanging debt is to be dealt with.

14.3. Bankruptcy and insolvency

- Extend the 'scheme of aid and advice for borrowers in home mortgage arrears' to provide legal advice for those contemplating **bankruptcy**;

- Roll out the Waterford MABS PIP Research Pilot, to provide **access to insolvency** provisions for lower income clients in Co. Mayo and across the country.

As is evidenced in this report many borrowers have found trying to deal with their mortgage arrears problems to be an intractable and lengthy process. Where it is not possible to return to full contractual payments we believe that in many instances there may be an option other than repossession which in the long run would be beneficial to the borrower, the lender and the State.