



Macroprudential Measures and Irish Mortgage Lending: Insights from H1 2017

Christina Kinghan, Paul Lyons, Yvonne McCarthy¹

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Abstract

This *Economic Letter* provides an overview of residential mortgage lending in Ireland in H1 2017 for the five credit institutions reporting loan-level data to the Central Bank of Ireland as part of their compliance with loan-to-value (LTV) and loan-to-income (LTI) macroprudential Regulations. H1 2017 represented the first half year of lending that incorporated the changes announced following the 2016 Review of the Regulations. In total, 14,997 loans were originated totaling €3.05 billion, an increase of 33 (22) per cent on the corresponding value (volume) of lending in H1 2016. Average LTV and LTI ratios rose slightly over the period for both First Time Buyers (FTBs) and Second and Subsequent Buyers (SSBs). Only a limited number (30 loans in total) of FTBs had an allowance to exceed the FTB LTV limit of 90 per cent LTV in H1 2017. In contrast, 20 per cent of the aggregate value of SSB lending in H1 2017 exceeded the 80 per cent LTV limit for that group. Regarding the LTI ratio, 18 per cent of the aggregate lending to both FTBs and SSBs exceeded the limit of 3.5, which represents an increase on the 12 per cent figure recorded in H1 2016. The characteristics of loans and borrowers with LTI allowances in H1 2017 were similar to those observed in H1 2016. Notably, FTBs accounted for the largest share of LTI allowances in H1 2017. On average borrowers with an LTI allowance had a lower income and were younger than borrowers without an LTI allowance. There was also a higher proportion of single borrowers in the 'with allowance' group.

1 Introduction

The Central Bank of Ireland's macroprudential Regulations (interchangeably 'measures') were introduced on 9 February 2015. The Regulations, which were enacted to enhance the resilience of banks and borrowers to future shocks and to reduce the potential for house price-credit spirals to develop, limit the loan-to-value (LTV) and loan-

to-income (LTI) ratios applying to new residential mortgage lending. To monitor compliance with the Regulations, the Central Bank of Ireland collects detailed loan-by-loan information from financial institutions on a biannual basis. The data include a range of information on loan and borrower characteristics of each loan originated since the Regulations were introduced, allowing for an exploration of lending developments among different borrower

¹Corresponding authors: yvonne.mccarthy@centralbank.ie; paul.lyons@centralbank.ie. We would like to thank Mark Cassidy and Shane Byrne for comments and suggestions. The views expressed in this letter are those of the authors alone and do not represent the official views of the Central Bank of Ireland or the European System of Central Banks. Any remaining errors are our own. Data underlying the charts in this letter can be obtained by emailing FSDAnalytics@centralbank.ie

groups (first-time buyers (FTBs), second and subsequent buyers (SSBs) and buy-to-lets (BTLs)).

Following the first review of the Regulations in 2016, a number of refinements to the measures were announced and became effective on 1 January 2017.² This *Economic Letter* provides the first insights on lending under the revised Regulations, for the period 1 January - 30 June 2017. The *Letter* proceeds as follows: Section 2 discusses the measures as they applied from 1 January 2017 and the data employed. Section 3 explores the characteristics of in-scope lending in H1 2017. Section 4 considers lending that was exempt from the Regulations in H1 2017. Section 5 examines allowable lending that exceeded the limits of the Regulations. Section 6 concludes.

2 Market Overview

2.1 The Measures

The mortgage measures specify limits on the LTV and LTI ratios applying to new lending for residential purposes. The measures differentiate between borrower types, with different LTV limits applying to FTBs and SSBs for purchases of primary dwelling homes (PDH), and a separate LTV limit for BTLs. Table 1 provides an overview of the measures as they applied to new lending for residential purposes from 1 January 2017. There are a number of exemptions to the Regulations and these are shown in the bottom row of Table 1.

Since 1 January 2017, FTBs were subject to a maximum LTV of 90 per cent on their property purchase under the Regulations.³ SSBs were subject to a maximum LTV of 80 per cent under the Regulations while BTLs were subject to a 70 per cent maximum LTV. The LTI limit was set at 3.5 times gross income, and applied only to borrowers purchasing their primary residence (FTBs and SSBs).

Recognising that higher LTV and LTI mortgages can be appropriate in certain circumstances, the Regulations allow for a share of new lending above the LTV and LTI limits, referred to as allowances, and detailed in column 4 of Table 1.

Since 1 January 2017, financial institutions were permitted to lend up to 5 per cent of the value of new FTB lending in excess of the FTB LTV limit, up to 20 per cent of the value of new SSB lending in excess of the SSB LTV limit and up to 10 per cent of the value of new BTL lending in excess of the LTV limit for that group. Regarding the LTI limit, financial institutions could provide up to 20 per cent of the value of their new PDH lending in excess of the LTI limit.

2.2 Data

Financial institutions that advance at least €50 million of new mortgage lending in a six month period (January - June or July - December) are required to submit loan-by-loan data to the Central Bank of Ireland in a return called "SI 568 Monitoring Template".⁴ The return is designed to monitor compliance with the mortgage Regulations. Over the period 1 January to 30 June 2017, five lenders met the criteria. These were Allied Irish Bank (AIB, including the Educational Building Society (EBS)), Bank of Ireland (BoI), Permanent TSB (PTSB), Ulster Bank Ireland (UBIL) and KBC Bank Ireland (KBC).

This *Economic Letter* analyses data on 14,997 loans from these five institutions to provide insights on new lending in H1 2017. Figure 1 displays the evolution of new lending in H1 2017 on a monthly basis. June 2017 was the most active month for new loan drawdowns, both in terms of count and value.

2.3 Market Overview

Table 2 provides an overview of new mortgage lending in H1 2017. The total value of all loans extended over the period was €3.05 billion, up from €2.29 billion in H1 2016 - a 33 per cent increase year-on-year. The corresponding increase in volume terms was 22 per cent. The majority of this lending (93 per cent) was within the scope of the Regulations. Lending for PDH purchases accounted for 97 per cent of in-scope lending in H1 2017, with the remaining 3 per cent being for BTL purchases. Among PDH lending, 53 per cent was

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

³Over the period 9 February 2015 to 31 December 2016, FTBs were subject to a sliding LTV limit, where the first €220,000 of their purchase required a 10 per cent deposit and the balance above €220,000 required a 20 per cent deposit. For further details, including the rationale for the revision, see Review of Residential Mortgage Lending.

⁴Prior to 1 January 2017, this data return was referred to as the SI 47 Monitoring Template.

extended to FTBs while the remaining 47 per cent was extended to SSBs.

As discussed in Section 2.1, a certain amount of new lending in excess of the limits of the Regulations is permitted. While compliance with the Regulations is assessed using a full calendar year of data and per institution, it is noteworthy that for H1 2017, less than 1 per cent of the aggregate value of new lending at the five institutions exceeded the FTB LTV limit of 90 per cent (5 per cent is permitted under the Regulations per institution). In the case of SSBs, 20 per cent of the aggregate value of new lending exceeded the LTV limit for this group (20 per cent of new lending is allowed per institution). Regarding the LTI allowance, 18 per cent of PDH borrowers exceeded the 3.5 limit in H1 2017. In H1 2016, the corresponding figure was 12 per cent.

Lending that was exempt from some aspect of the Regulations accounted for 7 per cent of the value of lending in H1 2017. Among this group, switcher mortgages accounted for 78 per cent of exempt lending, with a total value of €178 million.⁵ Negative equity loans accounted for 15 per cent of exempt lending with a value of €34 million and the 'other' category (primarily restructuring of distressed loans) accounted for the remaining 7 per cent (€15 million in value) of exempt loans.⁶ In Section 4, we explore exempt loans in further detail.

3 In-Scope Lending in H1 2017

In this section, we examine key loan and borrower characteristics of in-scope lending in H1 2017 for each borrower type.⁷ Approximately 93 per cent of total lending in H1 2017 was in-scope of the mortgage measures, as shown in Table 2. We focus on **loans for house purchase and self-builds only** to provide an overview of new lending.⁸ A comparison to lending in H1 2016 is also presented.

3.1 First Time Buyers

Table 3 presents the average loan and borrower characteristics for FTBs in-scope in H1 2017 and H1 2016, along with a statistical test for significant differences between the two periods. We observe that FTBs in H1 2017 had a statistically larger loan size, property value, LTV, LTI and income level compared to FTBs in H1 2016. The average loan drawn down by FTBs was €199,414 and the average property value was €265,860. The increase in property values for FTBs was lower than the observed increase in the national house price index over this period.⁹ The average LTV and LTI ratios were, respectively, 79.4 per cent and 3.0 (up from 78.5 per cent and 2.8 in H1 2016) and the average income was €70,301. FTBs in H1 2017 had, on average, a lower interest rate at 3.4 per cent. This figure was 3.7 per cent in H1 2016. Approximately 58 per cent of FTBs were on a fixed interest rate type, with the remaining 42 per cent on a standard variable rate. We observe no notable differences in the borrower characteristics of FTBs when compared to lending in H1 2016, with the exception of income, as already noted.

Figure 2 presents the distribution of LTVs for FTB loans originated in H1 2017 by corresponding property valuation. The majority of FTBs purchased properties valued at less than €500,000 (95 per cent of the sample) and below the LTV limit of 90 per cent. Figure 3 displays the distribution of LTV and LTI ratios for FTBs in H1 2017 compared to H1 2016. We observe a higher share of lending at a 90 per cent LTV in H1 2017; from 1 January 2017, all FTBs were subject to a maximum LTV of 90 per cent under the Regulations. Prior to this date, in-scope FTBs were subject to a sliding LTV limit, with the first €220,000 of a property purchase subject to a 90 per cent LTV, and any value above that subject to an 80 per cent LTV. For LTI, we observe an increase in loans with an LTI between 3.5 and 4.5 in H1 2017. Furthermore, Figure 4 presents the evolution of LTV and LTI ratios among FTBs over the period 2006 to H1 2017, reporting the mean, median and distri-

⁵Switchers are defined as borrowers refinancing their mortgage with no increase in capital.

⁶Negative equity loans are exempt from the LTV limits only.

⁷The borrower characteristics presented in this *Economic Letter* refer to those of the primary earner on the loan application.

⁸We therefore exclude borrowers who switched mortgage provider and increased their loan size and equity release / top-up loans.

⁹Data from the Central Statistics Office indicates that, H1 2017, residential property prices at a national level increased by 13.1 per cent year-on-year for FTBs. It is important to note that the CSO data is based on a hedonic index, i.e. the index takes account of changes in the quality of property purchases in the given period.

butions of LTV and LTI ratios over this timeframe. As noted, we observe some increase in the average values in the recent data.

3.1.1 Borrowers with Potential Access to the Help-to-Buy Incentive

Finally, we profile lending in H1 2017 that was potentially eligible for the government's Help to Buy (HTB) incentive. Announced in 2016, the HTB incentive allows eligible FTBs to claim the lessor of €20,000 or 5 per cent of the purchase price of a new home. It is designed to assist FTBs with the deposit required to purchase or self-build a new house or apartment. Loans originated in H1 2017 are identified as potentially HTB eligible if the following conditions are met: (i) the borrower is an FTB; (ii) the borrower buys or builds a new property; (iii) the value of the property bought or built is less than €500,000 and (iv) the loan size represents at least 70 per cent of the purchase value of the property.

Table 4 compares the characteristics of HTB eligible loans with HTB ineligible loans for FTBs in H1 2017. A number of observations are noteworthy. First, there was a higher share of detached house purchases or builds among the HTB eligible group compared to HTB ineligible FTBs (49 per cent compared to 26 per cent respectively). There was also a higher share of couples (49 per cent compared to 40 per cent) and more Leinster (excluding Dublin) based purchases in the HTB eligible group. The average loan size, property value, LTV, income, and LTI ratio were statistically higher for the HTB eligible group compared to the HTB ineligible group. These differences may be related to the type of property HTB eligible borrowers purchased / built (more detached and larger properties) and the borrower composition (more dual income couples).¹⁰

3.2 Second and Subsequent Buyers

For SSBs, the average loan drawn down in H1 2017 was €229,332 and the average property value was €401,982, as shown in Table 5. These figures represent an increase on the average values recorded

in H1 2016. Similar to the case of FTBs, the increase in house prices for SSBs was lower than the increase in the CSO house price index of the same period.¹¹ The average income of SSBs in H1 2017 was €105,985. The average LTV in H1 2017 was 67.6 per cent and the average LTI was 2.5, which represent a slight increase compared to the average values recorded in H1 2016. The average interest rate for SSBs was 3.2 per cent, which was lower than one year earlier, while the average age, at 41 years, was similar to that observed in H1 2016. There was an increase in the share of loans on a fixed interest rate for SSBs compared to one year earlier (up 6 percentage points) while SSBs were again predominantly couples (73 per cent) and employed (88 per cent). There were no statistically significant differences in the geographical distribution of SSBs in H1 2017 relative to H1 2016.

Figure 2 presents the distribution of LTVs for SSB loans originated in H1 2017 by corresponding property valuation. While the bulk of SSB lending took place at LTVs less than the SSB LTV limit of 80 per cent, a sizeable number of loans had LTVs greater than 80 per cent. Figure 3 shows the distribution of LTV and LTI for SSBs in H1 2017, compared to H1 2016. We observe an increase in the share of lending at LTV ratios over 80 per cent in H1 2017, relative to H1 2016. For LTI, we observe an increase in loans with an LTI between 2.75 and 4.5. Figure 4 presents the evolution of LTV and LTI ratios among SSBs over the period 2006 to H1 2017. The figure reports the mean, median and distributions of LTV and LTI ratios over the entire period. A slight upward trend in average LTV and LTI ratios is evident in H1 2017.

3.3 Buy-to-Let Borrowers

The average characteristics of BTLs are displayed in Table 6. Given the small number of observations, we focus only on loan characteristics. The average loan drawn down by BTL borrowers in H1 2017 was €125,155 and the average property price was €244,600. Average LTV was 57.2 per cent, compared to 55.5 per cent in H1 2016.

¹⁰The number of HTB eligible borrowers identified here may differ from those who actually availed of the HTB. Details on actual HTB statistics can be found at <http://www.revenue.ie/en/corporate/information-about-revenue/statistics/tax-expenditures/htb.aspx>.

¹¹Data from the Central Statistics Office indicates that, in H1 2017, residential property prices at a national level increased by 9.5 per cent year-on-year for Other Owner Occupiers. As previously noted, however, the CSO index is hedonic, i.e. the index takes account of changes in the quality of property purchases in the given period.

4 Exempt Loans

In this section, we examine the characteristics of new lending in H1 2017 that was exempt from the Regulations. Exemptions are permitted for new PDH lending if:

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

Due to the small number of new loans associated with the latter group, we focus here on the first two, namely, negative equity and switcher mortgages. We compare the characteristics of these groups to the average SSB characteristics (for in-scope loans). The results are shown in Table 7.

4.1 Negative Equity

Negative equity (NE) borrowers who wish to sell their property and purchase a new one are exempt from the LTV limit set by the Regulations. The rationale for this exemption is to allow mobility of negative equity borrowers. Any debt balances outstanding following the sale of the initial property are added (i.e. carried forward) to the balance of the new mortgage loan. Table 7 compares the average loan and borrower characteristics for new NE lending in H1 2017 with new SSB lending. A number of findings are noteworthy:

- **Loan Characteristics:**

- First, there were large and statistically significant differences between the average loan size and property price of NE loans and SSB loans in H1 2017. NE loans had, on average, almost €33,000 smaller loan balances and approximately €93,000 lower property values;

- Second, the average LTV of NE loans was larger than the average for SSB loans by 19.5 percentage points and this difference is statistically significant. Given that NE borrowers carry residual debt from the sale of their previous property, and this debt would be reflected in their new property LTV, this difference is not unexpected;
- Third, NE loans, on average, had a higher LTI ratio (at 2.9) than SSB loans (2.5);
- Fourth, NE loans had longer loan terms, at an average of 26 years, and a larger proportion of NE loans were on an ‘other’ interest rate type (37.4 per cent compared to 9.0 per cent in the case of SSBs). This group includes hybrid interest rates, where a portion of the loan is on one interest rate type and the other portion is on a different interest rate type (e.g. part fixed and part variable). This group also includes tracker interest rates that move in-line with the ECB main refinancing rate;
- Finally, the average size of a property relating to NE loans was, on average, smaller than the average for SSB loans.

- **Borrower Characteristics**

- On average, NE borrowers were 39 years old in H1 2017, 2 years younger than the average SSB borrower in the same period;
- Couples represented a larger share of NE borrowers in H1 2017 relative to SSB borrowers (81.9 per cent compared to 73.3 per cent);
- There was a larger share of NE loans in the Leinster (excluding Dublin) region relative to SSBs.

Figure 5 compares the LTV and LTI distributions of NE loans to the distributions for SSB loans in H1 2017. The larger share of high LTV loans among the NE loan group is clearly evident in the leftmost chart. Similarly, the rightmost chart shows that a larger share of NE loans took place at higher LTIs in H1 2017, particularly in the range of 2.75 to 3.5, compared to SSB loans.

4.2 Switchers

Switcher loans capture borrowers who refinance their mortgage but do not increase the size of their loan balance outstanding upon refinancing. The final three columns of Table 7 provide details on the loan and borrower characteristics associated with switcher loans in H1 2017. A comparison to SSB lending that took place in H1 2017 is provided. The following findings emerge:

- **Loan Characteristics:**

- First, we observe no statistically significant differences in the average loan size, property price and income of switchers compared to SSBs;
- Second, the average LTV of switchers in H1 2017, at 58.2 per cent, was lower than that of SSBs (at 67.6 per cent), and this difference was statistically significant;
- Third, a higher share of switchers were on a standard variable interest rate at 54.9 per cent compared to 46.8 per cent for SSBs;
- Fourth, the average loan term for switchers was lower than the loan term for SSBs, at 22 years and 24 years respectively.

- **Borrower Characteristics**

- Regarding borrower characteristics, we observe a larger share of Dublin-based borrowers in the switchers cohort at 51.9 per cent, compared to 40.2 per cent for SSBs.
- A lower share of switchers were located in Munster, compared to SSBs and this difference was statistically significant.
- Switchers were also, on average, younger than SSB borrowers by one year.

Figure 6 compares the LTV and LTI distributions of switcher loans to the distributions for SSBs. Switchers are more broadly dispersed across the LTV distribution compared to SSBs, where we observe a prominent spike around an 80 per cent LTV. Regarding LTI, we observe more switcher loans at the lower end of the LTI distribution, relative to SSBs.

5 Allowances to Exceed the Regulatory LTV and LTI limits

In this section we compare the characteristics of loans with an allowance to exceed the LTV and LTI limits set by the Regulations to loans without an allowance. Specifically, we focus on three groups: 1) loans with an allowance to exceed the LTV limits; 2) loans with an allowance to exceed the LTI limit; and 3) loans with an allowance to exceed both the LTV and LTI limits.

5.1 LTV Allowances

We focus here on SSBs with and without an LTV allowance. Although the Regulations permit a share of FTB lending above the LTV limit of 90 per cent, we observe that only 30 loans had an LTV allowance in H1 2017, as shown in Table 2. Due to the small number of observations, we do not provide information on the loan and borrower characteristics associated with these FTB LTV allowances. Similarly due to the limited number of observations for BTL loans above the LTV limit, we exclude information on LTV allowances for BTLs.

Table 8 presents the loan and borrower characteristics for SSBs with and without an LTV allowance. SSB loans with an allowance to exceed the LTV limit had, on average, a statistically larger loan size, a higher LTV, a higher level of income and a higher LTI, compared to those without an allowance. The average loan size of SSBs with an allowance was €293,894 and the average income was €123,284. These figures compare to values of €216,689 and €102,531, respectively, for SSBs without an LTV allowance. We observe no statistically significant differences in property value and property size. Approximately 60 per cent of SSBs with an allowance had a fixed interest rate, compared to 41 per cent for those in the 'without allowance' category. Regarding borrower characteristics, SSBs with an allowance were younger by three years, on average, than SSBs without an allowance. There was also a higher share of couples among SSBs with an allowance, relative to those

without and a higher share of Dublin based borrowers in the 'with allowance' group. These findings are consistent with those observed in 2015 and 2016.¹²

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

5.2 LTI Allowances

In this section, we provide a description of the loan and borrower characteristics for PDH borrowers with and without an allowance to exceed the 3.5 LTI limit applying under the Regulations. This information is presented in Table 9.

Focusing first on FTBs, we see that the average loan size, property value and LTV were statistically higher for FTBs with an LTI allowance, as was the average LTI, at 3.9, compared to 2.8 for those in the 'without allowance' group. The average income of borrowers with an LTI allowance was lower than that of borrowers without an allowance by approximately €2,000 and this difference was statistically significant. FTBs with an LTI allowance were also younger, with a larger share of single borrowers and borrowers based in Dublin compared to those without an LTI allowance. The loan and borrower characteristics of FTBs with an LTI allowance were largely consistent with those found in 2015 and 2016, with the exception of a larger and statistically significant LTV for FTBs with an LTI allowance.¹³

For SSBs, the average loan size, property value, LTV and LTI were statistically higher among the group with an LTI allowance. Similar to FTBs, we observe that SSBs with an LTI allowance were younger, with an average age of 38, compared to an average age of 41 for those in the 'without allowance' group. There was also a larger share of single borrowers and borrowers based in Dublin in the 'with allowance' group, relative to those without. The average income of SSB borrowers with an allowance was approximately €14,000 lower than for borrowers without an LTI allowance.

The LTV and LTI distributions for FTBs and SSBs with or without an LTI allowance are shown in Figure 8 and Figure 9 respectively. For both FTBs and SSBs, there is a clear divide in the LTI distribution at either side of the 3.5 limit. Borrowers with an allowance to exceed the LTI limit had an LTI in the range of 3.5-4.5. Regarding the distribution of LTVs for SSBs, it is evident that some borrowers with an LTI allowance also had an allowance to exceed the LTV limit of 80 per cent. For FTBs, we observe that approximately 30 per cent of borrowers with an LTI allowance had an LTV of 89-90 per cent. In H1 2016, circa 16 per cent of FTBs with an LTI allowance had an LTV of 89-90 per cent.

5.3 LTV and LTI Allowances

Figure 10 depicts the intersection of LTV and LTI by borrower type (FTB or SSB) and by allowance type (LTV only; LTI only; LTV and LTI or no allowance). The majority of new lending for both FTBs and SSBs was within the bounds of the LTV and LTI limits. As noted earlier, some FTB and SSB borrowers had allowances to exceed both the LTV and LTI limits set by the Regulations. However, these are small in number.

6 Conclusions

This *Economic Letter* provides an overview of new residential mortgage lending in Ireland in H1 2017. This represented the first half year of lending following the first review of the Regulations and the changes that were announced in November 2016. Given that this represents only one period of lending under the amended Regulations, caution is warranted in interpreting the results. The changes announced following the first review of the Regulations took effect on 1 January 2017. The *Letter* describes the characteristics of borrowers and loans that were either in-scope or exempt from the mortgage Regulations in H1 2017, and provides a comparison to H1 2016. The *Letter* also provides details on loans with an allowance to exceed the LTV and LTI limits, as permitted under the Regulations.

A number of findings emerge. First, the total

¹²Please refer to the bibliography for a list of previous publications.

¹³In H1 2016, the average LTV among FTB borrowers with an LTI allowance was larger than the average value in the 'without' allowance group. The difference, however, was not statistically significant in H1 2016.

value of new lending by the five institutions covered by the data in H1 2017 was €3.05 billion. This represented a 33 per cent increase on lending that took place in H1 2016. In total, 14,997 new loans were originated over the period. The majority of lending was for PDH purchases (97 per cent).

Second, exploring the credit conditions faced by different borrower groups in-scope of the mortgage Regulations, we find that FTBs in H1 2017 had a statistically larger loan size, property value, LTV, LTI and income level compared to FTBs in H1 2016. The average LTV and LTI ratios were, respectively, 79.4 per cent and 3.0 (up from 78.5 per cent and 2.8 in H1 2016). For SSBs, the average LTV in H1 2017 was 67.6 per cent and the average LTI was 2.5, both representing an increase compared to the average values recorded in H1 2016. Similar to FTBs, we observe increases in the average loan sizes and collateral values for SSBs compared to one year earlier. Profiling borrowers in the market, there was a higher proportion of couples among the SSB group (73 per cent) while single borrowers featured more prominently among FTBs (56 per cent). These trends were similar in H1 2016. Regarding interest rates, the average interest rate on new lending to in-scope

FTBs in H1 2017 was 30 basis points lower than the corresponding period in H1 2016. For SSBs, the average interest rate was also lower (by 20 basis points, on average).

Third, we find that a relatively small share (7 per cent) of new lending under the exemptions to the Regulations in H1 2017 (negative equity, switcher and mortgage arrears restructuring loans).

Fourth, there was limited lending to FTBs in H1 2017 in excess of the LTV limit set by the Regulations for that group (only 30 loans in total). In contrast, 20 per cent of the aggregate value of SSB lending at the five credit institutions exceeded the SSB LTV limit (20 per cent is the limit allowed in the Regulations for this group per institution). Only a small proportion (2 per cent) of BTL loans exceeded the BTL LTV limit of 70 per cent. Regarding the LTI limit on PDH borrowing, 18 per cent of new lending exceeded 3.5. This compares to 12 per cent in H1 2016. A larger share of LTI allowances was accounted for by FTBs (72 per cent) relative to SSBs (28 per cent), a similar feature to H1 2016. Similar to H1 2016, we observe differences in the characteristics of borrowers with and without an allowance to exceed the limits of the Regulations.

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Tables

Table 1: Macroprudential Regulations for Mortgage Lending*

Loan-to-value limits	Primary dwelling homes	FTBs: 90% limit	To be exceeded by no more than 5% of new FTB lending
		SSBs: 80% limit	To be exceeded by no more than 20% of new SSB lending
	Investors	70% limit	To be exceeded by no more than 10% of new BTL lending
Loan-to-income limits	Primary dwelling homes	3.5 times income	To be exceeded by no more than 20% of new lending
Exemptions	From the LTV Limit: Borrowers in negative equity	From the LTI Limit: Borrowers for investment properties	From both limits: Switcher mortgages Restructuring of mortgages in arrears

*Macroprudential Regulations effective from 1 January 2017.

Table 2: Overview of New Mortgage Lending - January 1st to June 30th 2017

	Total Value (mn)	No. of Loans	% Value
Total Lending	3,054	14,997	100
In-Scope of Regulations	2,826	13,940	93
<i>of which:</i>			
PDH Lending	2,736	13,237	97
FTB Lending	1,443	7,210	53
<i>of which FTB Over LTV Limit</i>	6	30	0
SSB Lending	1,293	6,027	47
<i>of which SSB Over LTV Limit</i>	255	884	20
PDH Over LTI Limit	487	1,842	18
<i>of which FTB</i>	350	1,336	72
<i>of which SSB</i>	137	506	28
BTL Lending	90	703	3
BTL Over LTV Limit	2	11	2
Exempt from Regulations	227	1,057	7
<i>of which:</i>			
Switcher	178	761	78
Negative Equity	34	171	15
Other Exemption	15	125	7

In-Scope Lending excludes negative equity loans which are in-scope for LTI purposes only.
 These loans are included in the calculation of SSB loans over the LTI Limit.

Table 3: Mean Loan Characteristics for FTBs In-Scope H1 2016 vs H1 2017

	H1 2016	H1 2017	Difference
Loan Characteristics			
Loan Size (€)	180,245	199,414	19,169***
Property Value (€)	245,531	265,860	20,330***
Loan-to-Value (%)	78.5	79.4	0.9***
Income (€)	66,284	70,301	4,017***
Loan-to-Income	2.8	3.0	0.1***
Property Size (sq.ft)	1,299	1,312	13
Interest Rate (%)	3.7	3.4	-0.2***
Interest Rate Type, of which:			
<i>Fixed (%)</i>	60.2	58.0	-2.2***
<i>SVR (%)</i>	39.8	42.0	2.2**
<i>Other (%)</i>	0	0	0
Borrower Characteristics			
Borrower Age (Years)	34	34	0
Marital Status, of which:			
<i>Couples (%)</i>	42.2	42.6	0.3
<i>Single (%)</i>	56.7	56.4	-0.3
<i>Other (%)</i>	1.1	1.1	-0.1
Employment Status, of which:			
<i>Employed (%)</i>	90.3	89.2	-1.0
<i>Self-Employed (%)</i>	2.1	2.8	0.7***
<i>Other (%)</i>	7.5	8.0	0.5
Region, of which:			
<i>Dublin (%)</i>	35.3	34.4	-0.9
<i>Leinster (%)</i>	25.4	26.5	1.1
<i>Munster (%)</i>	24.7	25.5	0.8
<i>Connaught (%)</i>	10.3	9.2	-1.1**
<i>Ulster (%)</i>	4.4	4.5	0.1
% of loans	57.7	56.8	

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

Table 4: Mean Loan Characteristics for FTBs Non Eligible and Eligible for HTB H1 2017

	Not-Eligible	Eligible	Difference
Loan Characteristics			
Loan Size (€)	191,822	223,892	32,070***
Property Value (€)	257,236	293,377	36,142***
Loan-to-Value (%)	79.9	78.1	-1.8***
Income (€)	68,939	74,635	5,696***
Loan-to-Income	2.9	3.1	0.2***
Property Size (sq.ft)	1,178	1,736	559***
Property Type, of which:			
<i>Apartment (%)</i>	11.6	1.0	-10.6***
<i>Detached (%)</i>	25.7	49.1	23.3***
<i>Other (%)</i>	1.1	1.1	0
<i>Semi-Detached (%)</i>	37.8	35.2	-2.6
<i>Terraced (%)</i>	23.8	13.6	-10.2***
Interest Rate (%)	3.5	3.4	-0.1***
Interest Rate Type, of which:			
<i>Fixed(%)</i>	60.7	49.1	-11.7***
<i>SVR(%)</i>	39.3	50.7	11.4***
<i>Other(%)</i>	0.0	0.0	0
Borrower Characteristics			
Borrower Age (Years)	34	33	-1***
Marital Status, of which:			
<i>Couples (%)</i>	40.4	49.5	9.2***
<i>Single (%)</i>	58.3	50.2	-8.1***
<i>Other (%)</i>	1.3	0.2	-1.1***
Employment Status, of which:			
<i>Employed (%)</i>	89.8	87.4	-2.4***
<i>Self-Employed (%)</i>	2.9	2.6	-0.2
<i>Other (%)</i>	7.3	10.0	2.7***
Region, of which:			
<i>Dublin (%)</i>	37.3	24.7	-12.6***
<i>Leinster (%)</i>	24.3	33.4	9.1***
<i>Munster (%)</i>	25.4	25.7	0.4
<i>Connaught (%)</i>	9.0	10.0	1.1
<i>Ulster (%)</i>	4.0	6.1	2.0***

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

Table 5: Mean Loan Characteristics for SSBs In-Scope H1 2016 vs H1 2017

	H1 2016	H1 2017	Difference
Loan Characteristics			
Loan Size (€)	214,178	229,332	15,154***
Property Value (€)	386,226	401,982	15,756***
Loan-to-Value (%)	66.4	67.6	1.3***
Income (€)	107,060	105,985	-1,074
Loan-to-Income	2.4	2.5	0.1***
Property Size (sq.ft)	1,694	1,680	-14
Interest Rate (%)	3.4	3.2	-0.2***
Interest Rate Type, of which:			
<i>Fixed (%)</i>	38.3	43.9	5.6***
<i>SVR (%)</i>	51.9	46.8	-5.1***
<i>Other (%)</i>	9.7	9.0	-0.7
Borrower Characteristics			
Borrower Age (Years)	41	41	0
Marital Status, of which:			
<i>Couples (%)</i>	71.3	73.3	2.0**
<i>Single (%)</i>	20.8	20.4	-0.4
<i>Other (%)</i>	7.9	6.2	-1.7***
Employment Status, of which:			
<i>Employed (%)</i>	86.9	88.2	1.3
<i>Self-Employed (%)</i>	6.2	6.9	0.7
<i>Other (%)</i>	6.2	4.9	-1.3
Region, of which:			
<i>Dublin (%)</i>	42.0	40.2	-1.8
<i>Leinster (%)</i>	26.1	26.4	0.3
<i>Munster (%)</i>	21.8	22.2	0.4
<i>Connaught (%)</i>	6.9	8.0	1.1
<i>Ulster (%)</i>	3.1	3.2	0.1
% of loans	37.1	36.8	0.0

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

Table 6: Mean Loan Characteristics for BTLs In-Scope H1 2016 vs H1 2017

	H1 2016	H1 2017	Difference
Loan Characteristics			
Loan Size (€)	118,383	125,155	6,772
Property Value (€)	236,713	244,600	7,887
Loan-to-Value(%)	55.5	57.2	1.8**
% of loans	5.2	6.4	

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

Table 7: Mean Loan Characteristics for exempt loans H1 2017

	SSB In-Scope	Negative Equity	Difference	SSB In-Scope	Switcher	Difference
Loan Characteristics						
Loan Size (€)	229,332	196,681	-32,651***	229,332	225,611	-3,721
Property Value (€)	401,982	308,800	-93,183***	401,982	415,787	13,805
Loan-to-Value (%)	67.6	87.1	19.5***	67.6	58.2	-9.4***
Income (€)	105,985	103,282	-2,703	105,985	102,446	-3,539
Loan-to-Income	2.5	2.9	0.4***	2.5	2.4	-0.1***
Loan Term (Years)	24	26	2***	24	22	-2***
Property Size (Sq.ft)	1,680	1,464	-216***	1,680	1,579	-101***
Interest Rate (%)	3.2	3.2	0.1	3.2	3.2	0.0
Interest Rate Type, of which:						
Fixed (%)	43.9	19.9	-24.1***	43.9	44.2	0.2
SVR (%)	46.8	42.7	-4.1	46.8	54.9	8.1***
Other (%)	9.0	37.4	28.4***	9.0	0.9	-8.1***
Borrower Characteristics						
Borrower Age (Years)	41	39	-2***	41	40	-1***
Marital Status, of which:						
Couples (%)	73.3	81.9	8.6**	73.3	74.2	0.9
Single (%)	20.4	16.4	-4.1	20.4	21.0	0.6
Other (%)	6.2	1.8	-4.5**	6.2	4.7	-1.5
Employment Status, of which:						
Employed (%)	88.2	94.7	6.5***	88.2	86.5	-1.7
Self-Employed (%)	6.9	2.3	-4.5**	6.9	5.3	-1.6
Other (%)	4.9	2.9	-2.0	4.9	8.3	3.3***
Region, of which:						
Dublin (%)	40.2	33.9	-6.3	40.2	51.9	11.7***
Leinster exclu. Dublin (%)	26.4	40.4	13.9***	26.4	24.3	-2.1
Munster (%)	22.2	19.9	-2.3	22.2	16.2	-6.0***
Connaught (%)	8.0	4.1	-3.9	8.0	4.9	-3.1***
Ulster (%)	3.2	1.8	-1.4	3.2	2.8	-0.4
Number of loans	4,641	171	0	4,641	761	

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

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

Note: Negative Equity loans are out-of-scope for the LTV cap only

Table 8: Mean Loan Characteristics for SSBs With or Without an LTV Allowance H1 2017

	Without	With	Difference
Loan Characteristics			
Loan Size (€)	216,689	293,894	77,205***
Property Value (€)	402,390	399,971	-2,420
Loan-to-Value (%)	63.7	87.7	24.1***
Income (€)	102,531	123,284	20,753***
Loan-to-Income	2.5	2.8	0.3***
Property Size (sq.ft)	1,686	1,650	-36
Interest Rate (%)	3.1	3.4	0.2***
Interest Rate Type, of which:			
Fixed (%)	41.3	57.1	15.7***
SVR (%)	49.0	35.8	-13.2***
Other (%)	9.5	6.7	-2.7**
Borrower Characteristics			
Borrower Age (Years)	42	39	-3***
Marital Status, of which:			
Couples (%)	72.3	78.3	6.0***
Single (%)	20.8	18.5	-2.3
Other (%)	6.9	3.2	-3.6***
Employment Status, of which:			
Employed (%)	87.9	89.7	1.7
Self-Employed (%)	7.2	5.2	-2.0**
Other (%)	4.9	5.2	0.3
Region, of which:			
Dublin (%)	39.3	44.8	5.5***
Leinster (%)	25.9	29.2	3.4
Munster (%)	23.0	18.1	-4.9***
Connaught (%)	8.6	4.9	-3.7***
Ulster (%)	3.2	3.0	-0.3

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

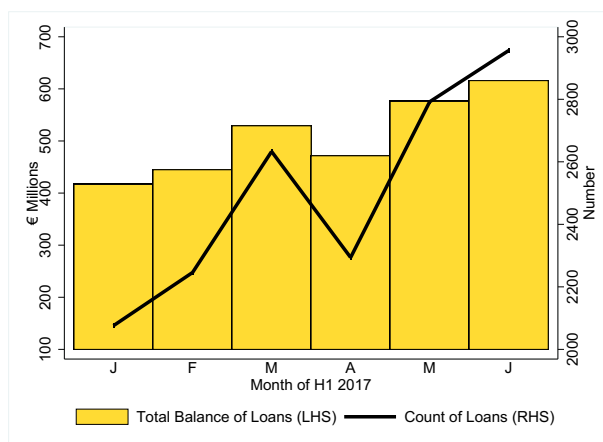
Table 9: Mean Loan Characteristics by Borrower Type With or Without an LTI Allowance H1 2017

	Without	With	Difference
First Time Buyer			
Loan Characteristics			
Loan Size (€)	185,870	259,200	73,330***
Property Value (€)	249,289	337,651	88,362***
Loan-to-Value (%)	79.1	80.9	1.7***
Income (€)	70,698	68,584	-2,114**
Loan-to-Income	2.8	3.9	1.1***
Borrower Characteristics			
Borrower Age (Years)	34	33	-1***
Marital Status, of which:			
<i>Couples (%)</i>	45.3	30.7	-14.6***
<i>Single (%)</i>	53.5	68.9	15.3***
<i>Other (%)</i>	1.2	0.4	-0.8**
Region, of which:			
<i>Dublin (%)</i>	28.4	60.5	32.1***
Second Subsequent Buyer			
Loan Characteristics			
Loan Size (€)	223,581	298,149	74,568***
Property Value (€)	392,873	509,863	116,991***
Loan-to-Value (%)	67.4	70.7	3.4***
Income (€)	107,081	93,119	-13,962***
Loan-to-Income	2.4	3.8	1.4***
Borrower Characteristics			
Borrower Age (Years)	41	38	-3***
Marital Status, of which:			
<i>Couples (%)</i>	74.2	63.1	-11.1***
<i>Single (%)</i>	19.3	33.9	14.6***
<i>Other (%)</i>	6.5	3.1	-3.5***
Region, of which:			
<i>Dublin (%)</i>	37.9	67.2	29.3***

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

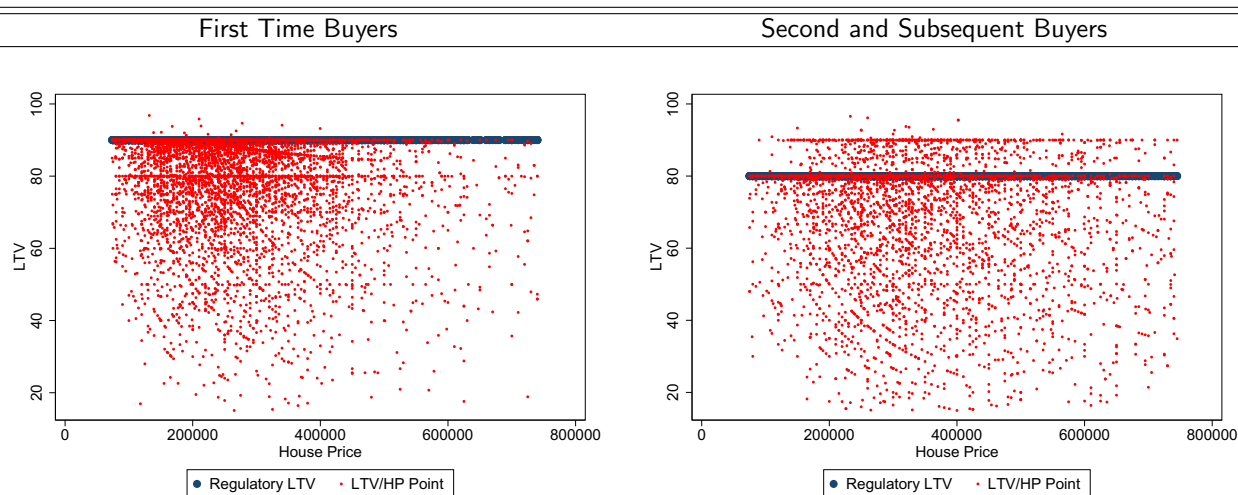
Figures

Figure 1: Monthly Lending by Count and Balance in 2017



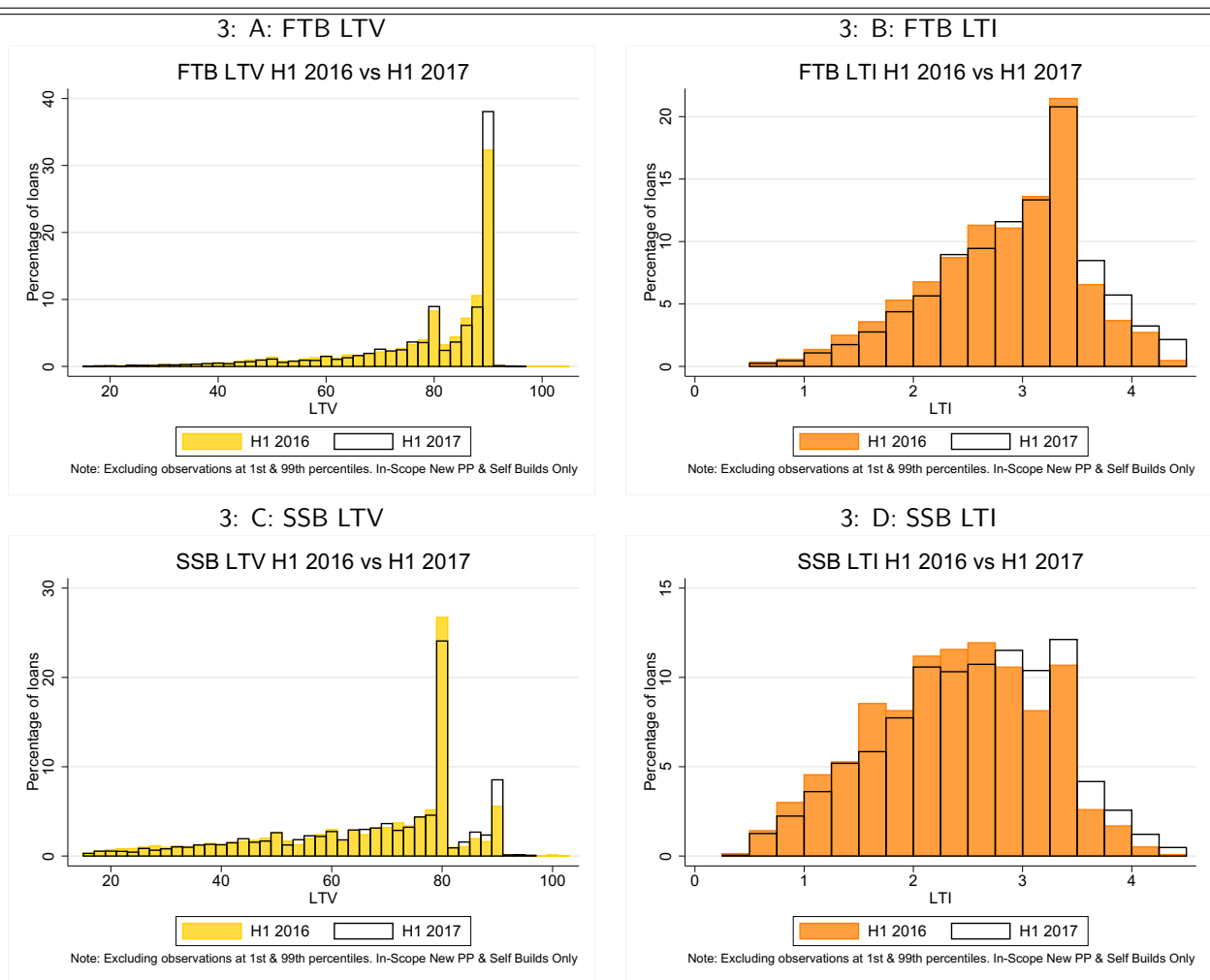
Source: Authors' calculations using Central Bank of Ireland data.

Figure 2: LTV and House Prices by Borrower Type, H1 2017



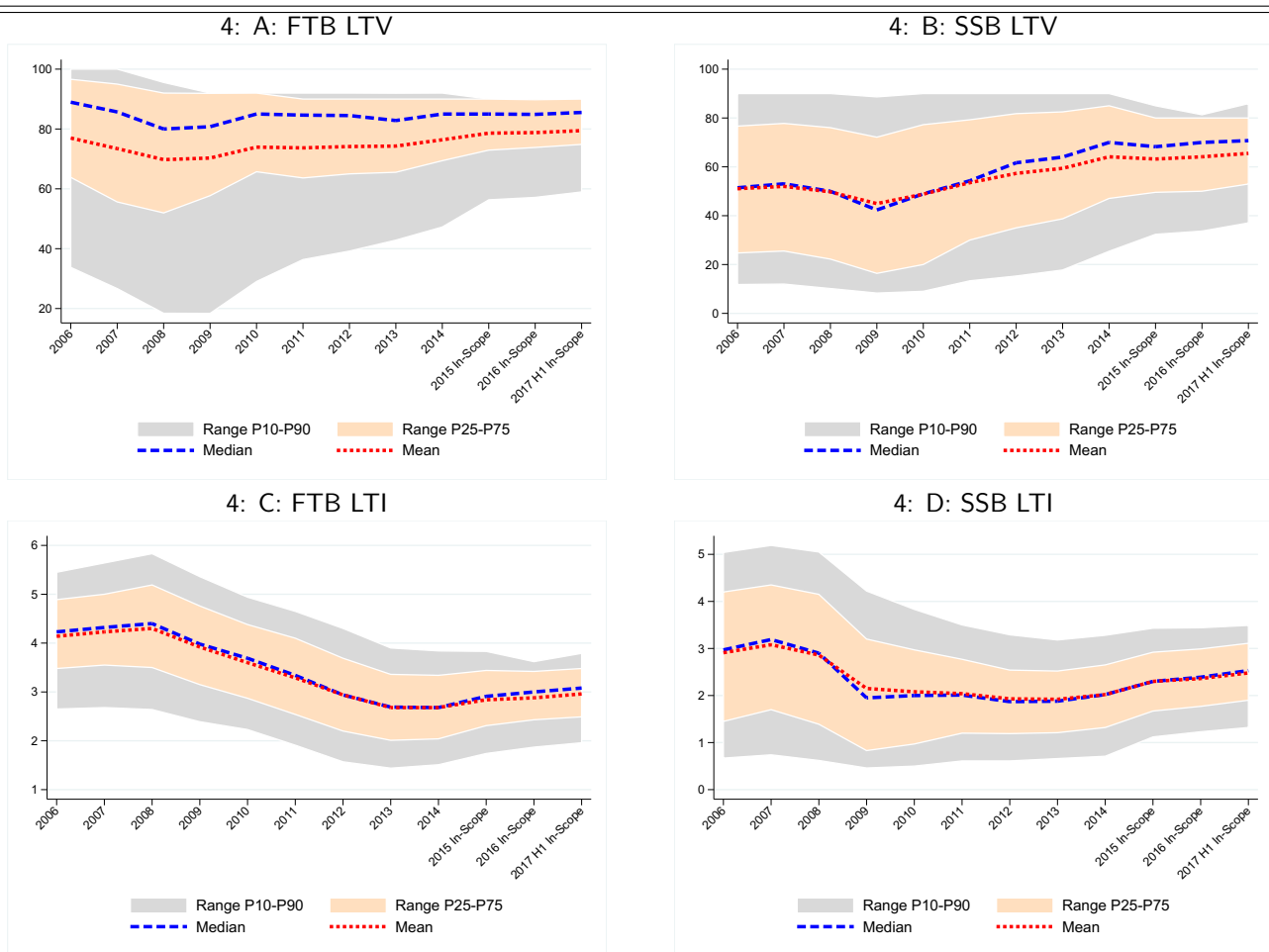
Source: Authors' calculations using Central Bank of Ireland data.

Figure 3: Comparison of LTV and LTI in H1 2016 and H1 2017 for FTBs and SSBs



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

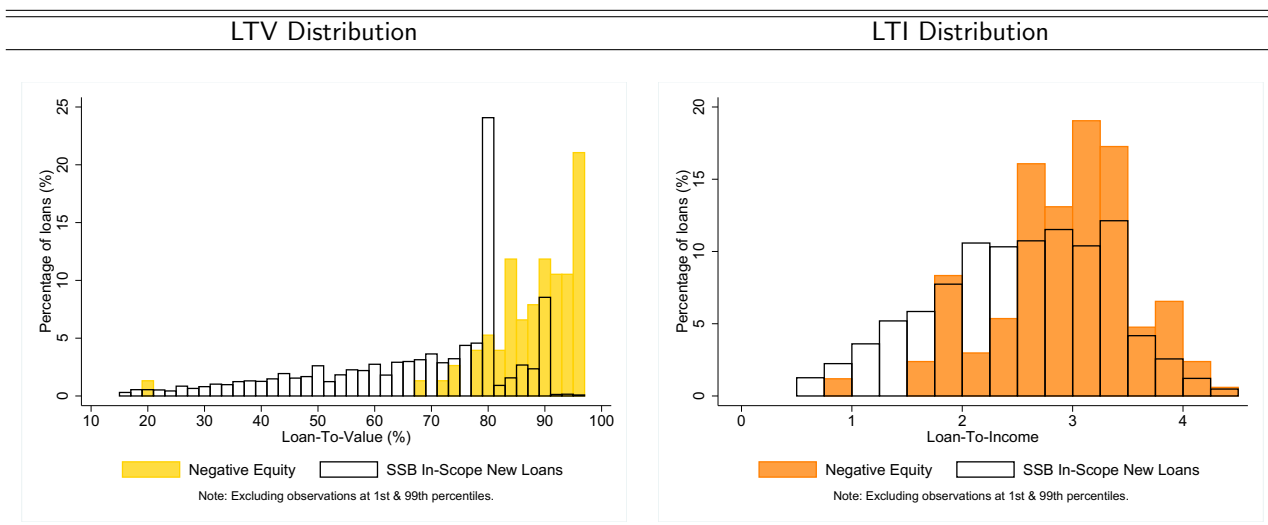
Figure 4: Trend Over Time in LTV and LTI ratios for FTBs and SSBs



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

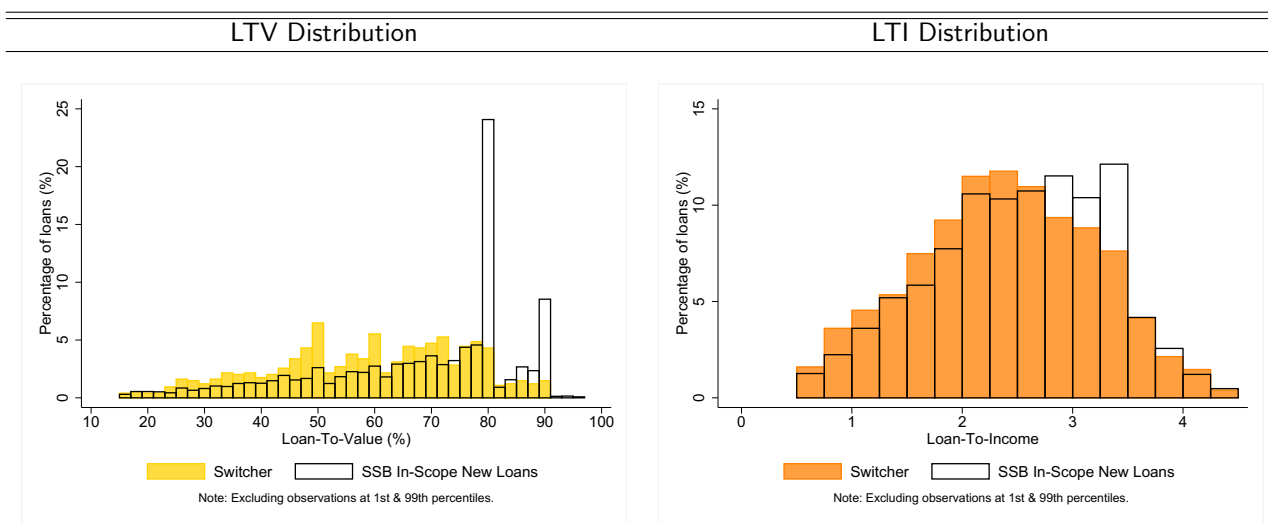
LTI distributions are based on a 4-bank view from 2006-2014

Figure 5: Comparison of LTV and LTI Distributions - Negative Equity and In-Scope SSB Loans, H1 2017



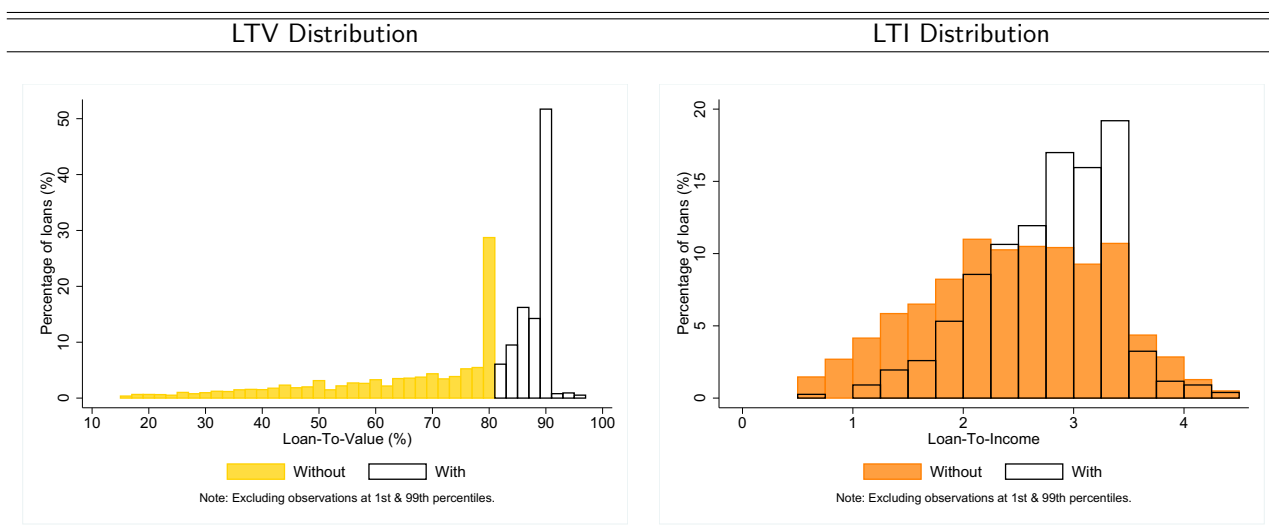
Source: Authors' calculations using Central Bank of Ireland data.

Figure 6: Comparison of LTV and LTI Distributions - Switchers and In-Scope SSB Loans, H1 2017



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

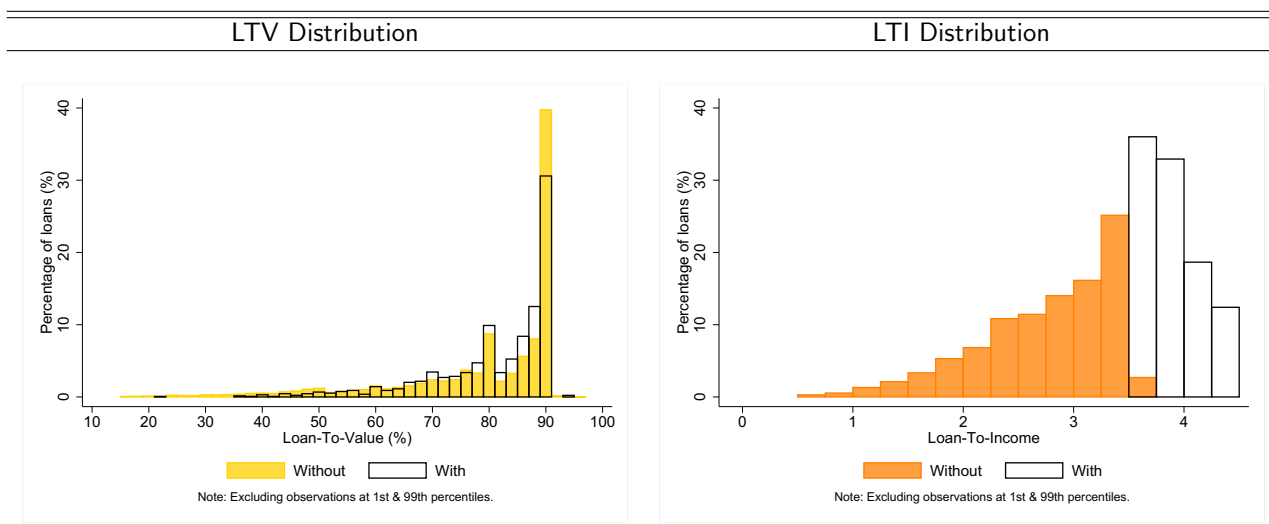
Figure 7: LTV and LTI Distributions for SSBs - With or Without LTV Allowance, H1 2017



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

Note: These calculations present the per cent of loans within each group i.e. the "With" group shares add to 100 as do the "Without" group shares.

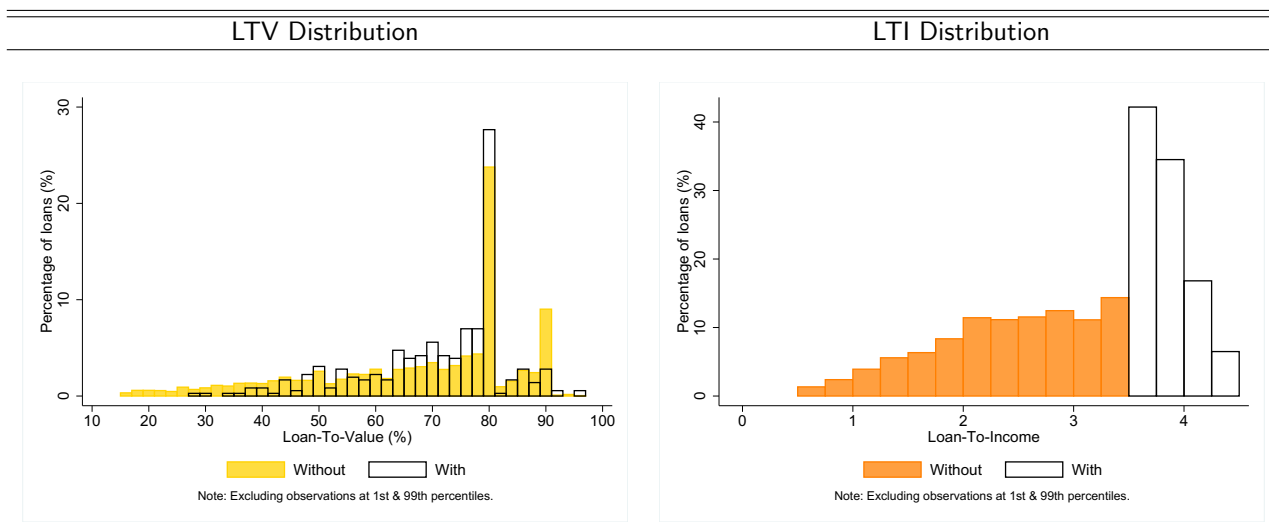
Figure 8: LTV and LTI Distributions for FTBs - With or Without LTI Allowance, H1 2017



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

Note: These calculations present the per cent of loans within each group i.e. the "With" group shares add to 100 as do the "Without" group shares.

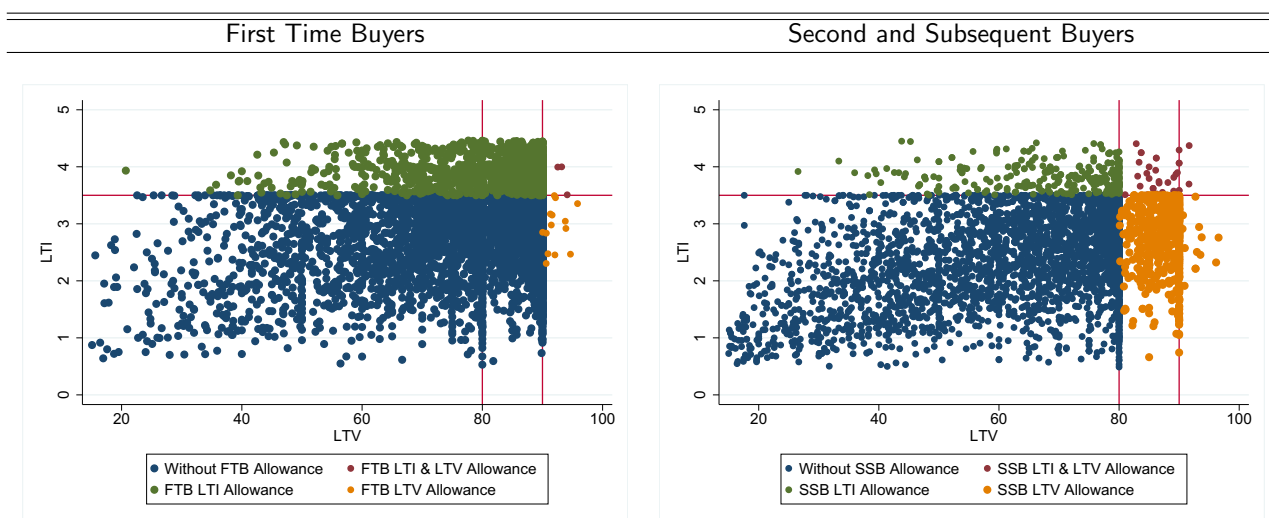
Figure 9: LTV and LTI Distributions for SSBs - With or Without LTI Allowance, H1 2017



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

Note: These calculations present the per cent of loans within each group i.e. the "With" group shares add to 100 as do the "Without" group shares.

Figure 10: Allocation of Allowances by Borrower Type, H1 2017



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