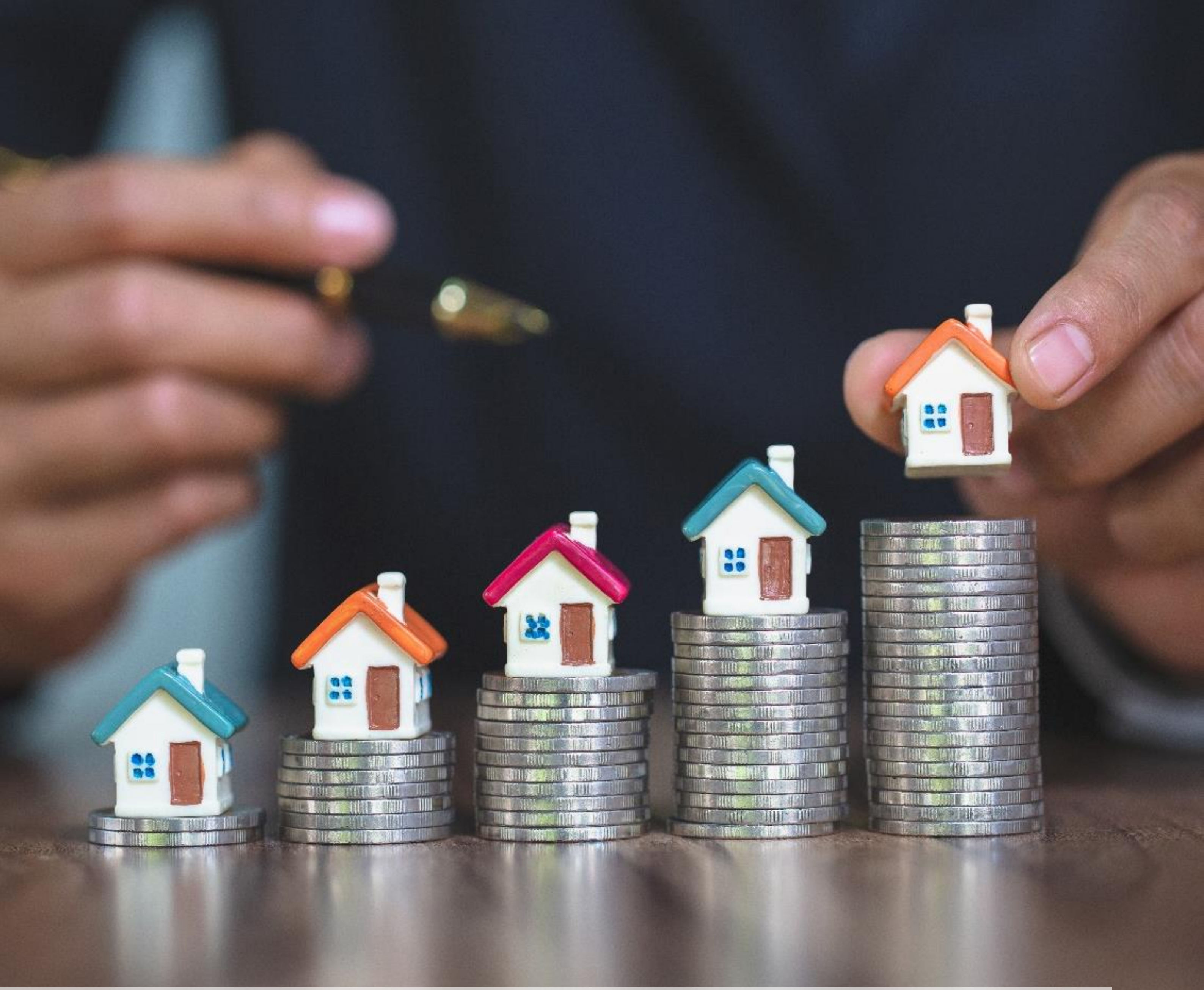

Ireland’s Mortgage Market

A study of the impact of rising mortgage interest rates on South Leinster MABS clients

Funded and supported by:

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Particular thanks to South Leinster MABS Money Advisers and Dedicated Mortgage Advisers who generously gave their time to this project. The study has benefited greatly from their time and knowledge.

Any errors or omissions in the report are solely the responsibility of the author.

Foreword

South Leinster MABS is a regional company, part of the network of Money Advice and Budgeting Services nationwide and is funded and supported by the Citizens Information Board. Our offices are located in Arklow, Bray, Carlow, Kilkenny, Laois, Offaly and Wexford. MABS is a free, confidential, independent money advice service and for over thirty years has provided critical support for those who may be experiencing financial difficulty or need assistance with managing their finances.

The idea for this piece of research initially came about following a discussion with the management team at South Leinster who spoke of seeing an increase in clients attending the service in relation to mortgage arrears/fear of going into arrears following the increases in ECB rates.

We did not want however to focus on the numeric figures alone but on the impact that these rate increases are having on people's everyday lives. We wanted to look at the wider implications that the increased repayments were having on society and on the economy and what people were going without in order to meet these increased repayments.

Money Advisers and Dedicated Mortgage Advisers, together with our Administrators, who are often the first point of contact for a client, spoke of parents cutting back on grocery shopping, children's activities, and visits to relatives who lived out of town in order to try to meet their mortgage repayment and the impact that this was having on their physical and mental health.

It is in this context that South Leinster MABS has taken the step to commission this important, and timely, piece of research to look at the economic, social and emotional impact of rising mortgage interest rates on our clients.

We would like to thank the Citizens Information Board for agreeing to fund this research following our request for a social policy grant earlier this year.

We would also like to thank Ciara Morley of Morley Economic Consulting who understood from our first conversation what the aim of the research was and her professional and understanding approach at all times to our clients who are at the heart of what we do.

Finally, a huge thank you to all who participated in this research, to the clients who responded to the survey and who participated in the face-to-face interviews. This resulted in your personal stories being captured which is what we set out to do when commissioning this report.

HOW CAN MABS HELP YOU?

Abhaile is a State-funded service which is provided free of charge to insolvent borrowers who are in danger of losing their homes due to mortgage arrears.

The aim of Abhaile is to help mortgage holders in arrears to find the best solutions for their circumstances and keep them, wherever possible, in their own homes.

The Scheme contains six services to help borrowers, which are divided into financial and legal services.

MABS Money Advisers and Dedicated Mortgage Arrears Advisers will work with the client and the creditor and explore all options available and act as a third party which in itself can alleviate some of this stress for the client.

To access Abhaile, call the MABS Helpline on 0818 07 2000 Monday – Friday 9am to 8pm, or visit our website www.mabs.ie to find your local office.

Michelle O'Hara

Regional Manager,
South Leinster MABS.

December 2023

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Executive Summary

Ireland's housing market has long been characterised as dysfunctional. Large swings in housing supply and house prices, coupled with increasing demand and interest rate policy, has left many homeowners with mortgages in a vulnerable position.

After close to 10 years of almost zero price inflation and low interest rates, the past three years have been filled with uncertainty regarding both. In response to the rapid rate of inflation recorded since 2021, the European Central Bank (ECB) began a programme of raising interest rates in July 2022. Ten interest rate hikes have been announced in the past 12 months causing interest rates to increase from 0.0% to 4.5%.

Many households, already contending with significant increases in the cost of energy, which has doubled in the past year, and other day-to-day essentials, have now also been hit with persistently rising mortgage interest rates.

The typical household seeking advice and support from South Leinster MABS is older, aged 55+ years; working full-time; either divorced, separated, widowed or single; and has a total annual household income of less than €20,000.

Focusing on these headline figures, however, misses out on the true extent of the scale of the issues arising from increasing interest rates. From single individual households, with fixed-income levels of less than €20,000 a year, to two-adult households, in full-time employment, with income levels of €60,000 or more – ECB policy over the past 12 months has had a significant financial and emotional toll on many homeowners.

Clients with standard variable or tracker mortgages have experienced the most change in their interest rates over the past year, with one-in-five now paying 7% or more in monthly repayments.

In monetary terms, just over half of all clients are now paying in excess of €1,000 a month on their mortgage, with six in every 10 of these reporting repayments of at least €300 extra every month. At a minimum, this equates to an additional €3,600 annually that households need to find in their budget. At the higher end of the scale, the annual increase is as high as €6,000 and more.

Such significant increases in mortgage repayments, coupled with the cost of living crisis, has forced many individuals and families to make very difficult decisions. The majority of South Leinster MABS clients have no savings and three-quarters have reduced electricity use, home heating use, non-essential spending and grocery spend in order to afford their mortgage. Even with these cutbacks, many have missed payments on their utilities, personal loans and their mortgage – leaving them with the added burden of arrears.

The growing financial distress, and its knock-on impact on standard of living, has had a direct impact on personal wellbeing and future outlook. Nine in every 10 mortgaged clients report that their wellbeing has been very/somewhat negatively affected by interest rate increases, and six-in-10 feel similarly negative about the prospect of their issues being resolved in the next 12 months.

For these households, the services of MABS are more important than ever. For the past 30 years, MABS has supported those experiencing over-indebtedness, and they have witnessed, first-hand, the burden on individuals and families resulting from mortgage issues in particular.

The cost of living crisis has brought new challenges for these services, however. Where solutions would have been more long-term in the past, clients are now returning because their existing Alternative Repayment Arrangements (ARAs) are no longer suitable.

Important steps have been taken at a national level to ensure that adequate and sustainable supports are in place for these mortgage holders in financial distress. Most notable is the Budget 2024 commitment to a targeted, one-year mortgage interest tax relief which is expected to support some 165,000 variable and tracker rate mortgage holders who have been most exposed to interest rate hikes.

This research comes at an important time and highlights the extent of the cost of living crisis for many households. The report also highlights the dedicated work of MABS nationally, which, through its free, confidential, and independent service, has supported countless individuals and families, in significant financial distress, over the past 12-18 months.

"But only for MABS, I'd be lost… And the understanding they have - you're talking to someone who understands your problem.
– Michael

"MABS is great… It took a lot for me to come the first time. It's like a fear of failure… [But] it gives you structure. Now I have the structure in place.
– **Mark & Julie**

"I just find when [banks] know that MABS are involved, they listen to you more because they know you mean business.
– Sarah

"[My mortgage has] gone from €430 up to €970 in the past year… Only for [MABS] now I would have been banjo'ed.
– Paul

1. Introduction

The past two decades has brought with it considerable challenges in Ireland's housing market. In the space of five years, the country went from housing completions of more than 80,000 annually, strong house price growth, and mortgage loans in excess of 100%, to no more than 8,000 new homes a year, negative equity, and arrears.

The impact of the financial crash in 2008/09 was significant for many homeowners who potentially found themselves unemployed, in arrears, and the new customer of a non-bank entity through no fault of their own.

While the overall economy rebounded relatively strongly in the subsequent years – record breaking GDP growth, strong employment figures, bumper Exchequer receipts – some households struggled to regain steady footing.

The numbers of households with mortgage arrears continued to increase throughout the past decade, including the numbers of households in arrears of five years, 10 years, and more.

The Covid-19 pandemic and Russian invasion of Ukraine only acted to create greater uncertainty and vulnerability for many households who were 'just getting by'. After years of near zero inflation, the cost of living started to tick upwards in 2022. Energy prices have more than doubled in the past year and groceries have recorded significant increases, across all aisles.

The European Central Bank (ECB), in an attempt to dampen strong inflation, began increasing interest rates in July 2022. In the past 12 months, there has been 10 increases, with the headline rate of interest rising from 0.0% to 4.5%.[1]

While inflation has started to show signs of slowing, there have been significant consequences for mortgage holders, particularly for those on tracker or standard variable rates who benefited most from the low interest rate policy in previous years but are now most exposed.

Research indicates that the average household will experience an increase in monthly repayments of up to 16% and that the most exposed borrowers – those on tracker and variable rates – will see the largest increases in monthly obligations, up to 50%.[2]

These additional monthly mortgage costs compound an already very challenging time for individuals and families struggling to afford basic day-to-day living costs. It is in this context that South Leinster Money and Budgeting Services (MABS) has commissioned this report, to evaluate the financial, emotional and community impact of persistently increasing mortgage rates on their client group.

South Leinster MABS is one of eight regional MABS companies funded by the Citizens Information Board. It provides free, independent, confidential and non-judgmental money advice and budgeting services for all members of the public, particularly those experiencing over-indebtedness.

At a national level, MABS has seen the number of clients with mortgage related debt increase over the past 13 years and they have witnessed first-hand the burden that such a debt can have on peoples financial and mental wellbeing.

This report is the first of its kind to tell the stories of these individuals and families and gives voice to the challenges they face every day.

1 See Key ECB Interest Rates

2 Byrne, D., McCann, F., and E. Gaffney (2023). The Interest Rate Exposure of Mortgaged Irish Households. Central Bank of Ireland, Financial Stability Notes, Vol. 2023, No. 2

Through survey analysis and one-on-one interviews, the report sets out the financial and emotional impact that ECB monetary policy has had on South Leinster MABS mortgage clients. While the sample is relatively small, and the analysis informed only by those who have sought support from South Leinster MABS, the overall findings of the report are considered to be important and help to fill a gap in understanding how mortgage holders have responded to rate increases.

Section 2 of the report sets out the methodological approach of the project.

Section 3 establishes the background and context for how and why so many households have found themselves vulnerable to ECB interest rate hikes.

Section 4 details the key findings from the South Leinster MABS mortgage client survey and one-on-one interviews.

Finally, **Section 5** concludes the report.

2. Methodological Approach

2.1. Methodology

The purpose of this report is to detail the extent to which clients of South Leinster MABS have been impacted by the ECB rate hikes over the past 12 months.

A mixed-method approach is taken, utilising both primary and secondary sources. Four primary sources of qualitative and quantitative data were used in this study.

1. Quantitative data is collected by South Leinster MABS for every new client. This dataset captures information such as the client's monthly income; their debt trigger and what brought them to MABS (e.g., separation, unemployment, cost of living etc.); the number of people in the household; the clients age; their mortgage lender; and current monthly mortgage repayment rate and value.

   This project utilised only data relating to South Leinster MABS current clients specifically seeking assistance with their mortgage. This anonymised dataset contains information for 425 individuals.

2. Quantitative data was also collected via an online and postal client survey completed for this project. South Leinster MABS clients were invited to complete a survey during a three-week period in July 2023. Again, the survey focused solely on those clients seeking assistance with their mortgage and captures similar information to above, along with information on gender; annual household income; type of mortgage (i.e., variable, tracker, or fixed rate); level of arrears; level of savings; cost-cutting measures as a result of mortgage rate increases; personal wellbeing; and outlook.

   Qualitative data was also captured in this survey, with respondents asked to detail their own experience and the direct impacts on them of rising interest rates.

   A total of 73 clients responded to this survey anonymously, either online or by post.

3. Four one-on-one interviews took place with South Leinster MABS clients. Interviews took place in South Leinster MABS offices. Clients were asked to tell their own experience of mortgage rate increases and the consequences on their, and their families, mental health and outlook for the future.

   South Leinster MABS identified and arranged all interviews with clients. All one-on-one interviews were audio recorded with participants consent, anonymised, and later transcribed.

   Thematic coding was carried out via Microsoft Excel and MAXQDA software. Broadly, the themes focus on (i) the circumstances leading to mortgage difficulty; (ii) changes in standard of living; (iii) any impacts on mental and physical wellbeing, (iv) the ways in which South Leinster MABS has offered support, and (v) future outlook.

4. Finally, interviews were conducted with South Leinster MABS staff for first-hand insights relating to the scale of the issues arising from increasing mortgage interest rates; the provision of services; and the outlook for clients.

The secondary research component involved a review of key trends in the Irish mortgage market over the past two decades, and review of the policy framework to support individuals and families in mortgage distress.

2.2 Ethical Considerations & Limitations

The objective of this study is to establish the various social, emotional, and financial impacts on individuals and families as a direct result of rising mortgage interest rates.

Clients who were interviewed were active clients who are still going through the MABS process and in the process of navigating negotiations with their mortgage provider.

As a consequence of the sensitive nature of the research topic, all one-to-one client interviews took place in South Leinster MABS offices with a member of staff available should a client have required assistance during the interview.

Interviewees were provided with an Information Sheet and written consent was obtained prior to each interview. Each client interview lasted approximately 45 minutes.

The report details only the situation for South Leinster MABS clients and so may not be fully representative of the wider market. While the sample is relatively small and confined to those who have sought advice and intervention, limiting generalisations to the wider community, the findings are still considered to provide valuable insights into the experiences of individuals, and their families, who are currently struggling to meet day-to-day household financial commitments as a direct result of rising mortgage interest rates.

All client contributions obtained from the online/postal survey are anonymous and denoted only as “Client” along with a randomly allocated ID number. Contributions obtained from one-on-one interviews are denoted using pseudonyms.

3. Background & Context – Ireland's Mortgage Market

Ireland's housing market has been under pressure for many years. In the past 20 years, the State has gone from supplying upwards of 80,000[3] new homes to the market annually, between 2004 and 2007, to a low of just over 8,000[4] completions some six years later in 2013.

The state of flux in the housing market, with such dramatic swings in supply, has had significantly negative implications for the broader market, particularly in terms of home-ownership, the rental market, and the levels of homelessness.

To understand these consequences, it is important to first set out the depths of the financial crisis that led to the dramatic collapse of the housing market and subsequent negative impacts for many individuals and families.

3.1. Ireland's Mortgage Market: 2000 – 2019

During the prosperous years of the Celtic Tiger there were broad increases in the standard of living. The country was effectively in full employment with 4.3% unemployment rate in 2004 and 2005. Between 2003 and 2007, key tax receipts such as Income Tax, Value Added Tax (VAT) rose considerably – indicating strong employment growth, wage growth, and consumer spending.

The housing and construction market was a significant driver of Ireland's newly found prosperity. Planning permissions granted for new houses and apartments peaked at just over 101,000 in 2004, completions peaked in 2006 at just under 90,000 new homes, and annual growth in housing prices peaked in 2006 at 14.9%.[5]

Mortgage debt, as a proportion of total private sector debt rose steadily during this time also. At its peak in 2007, mortgage debt accounted for just over a third of all private sector debt.[6]

Following the financial crash of 2008, there were dramatic falls in many of these key indicators. Unemployment had risen to 15.3% by 2011; overall tax receipts, particularly those related to Income Tax and VAT, declined through to 2010; planning permissions granted fell to a low of just over 3,000 homes for the entire country; and house prices dropped significantly through to 2013.

Almost all sectors of the economy were impacted by the financial crash – construction came to a halt; retail and tourism spend both plummeted; job losses were recorded across multiple sectors; and consumer sentiment was at an all-time low. Economic growth declined by 15.2% in 2009 – the largest contraction in any developed economy since the great depression.[7]

The implications for homeowners were multifaceted – from negative equity, to mortgage arrears, to the arrival of non-bank entities into the market.

It has long been documented that the expansion of credit from financial institutions through the "noughties" drove the house construction boom and house prices. In the seven years to 2007, the level of mortgage credit outstanding rose by over 300% - four times the rate of growth in the 27 EU Member States at the time – with the number of mortgages granted per annum peaking in 2006 at 111,300.[8]

3 Ireland: Dwellings Completed, 1970-2012, CSO

4 Measuring Ireland's Progress 2013, CSO

5 Macroeconomic Scoreboard 2017, CSO

6 Institutional Sector Accounts Non-Financial and Financial 2021, CSO

7 Norris, M. and D. Coates, 2014. How Housing Killed the Celtic Tiger: Anatomy, Consequences and Lessons of Ireland's Housing Boom and Bust, 2000-2009

8 See previous reference to Norris & Coates (2014).

Factors such as reduced average mortgage servicing costs, low real interest rates (which boosted the popularity of tracker rate mortgages), and intense competition in the Irish mortgage market culminated to create a perfect storm for homeowners.

At a household level, data shows the extent of the hardship experienced by homeowners in the aftermath of the crisis. Many homeowners, who had purchased at the height of the housing boom now found themselves in negative equity as a result of price drops.

It is estimated that close to one-in-10 mortgage holders were in negative equity by the end of 2008, rising to almost two-in-10 by the end of 2009, and three-in-10 by the end of 2010. This had a severe impact on overall household wealth.[9]

Added to this, growing levels of unemployment, and marginal increases in ECB interest rates also saw arrears increase dramatically in the years following the crash – a situation which acted to entrench the financial position of many households. Research has found that the most exposed borrowers were those who secured their mortgages between 2004 and 2008, when credit conditions were most loose and tracker mortgages were most popular.[10]

Central Bank of Ireland data on mortgage arrears goes back to September (Q3) 2009.[11] Then, there were 63,500 mortgages in arrears – 59% were in arrears up to 90 days, 13% were in arrears of between 91 and 180 days, and 28% were in arrears over 180 days.

These proportions rose steadily through the years and by September 2012, the first households were reported as long-term arrears i.e., over two years., with 15% of those in mortgage arrears falling into this category.

From September 2019, households began to fall into arrears of over 5 years, and over 10 years – accounting for 21% and 26% of all mortgages in arrears, respectively.

Despite a significant rebound in the Irish economy following the financial crisis – as measured by indicators such as GDP, and employment – significant numbers of households continued to struggle with mortgage arrears.

Much of this was likely linked to two factors – (i) the existence of strong consumer protections, which meant lenders were required to engage in all possible repayment arrangements[12], and (ii) many homes continued to be in negative equity and so repossession was not an attractive solution for lenders.[13]

According to the Central Bank of Ireland, €9.5 billion of the €28 billion losses predicted for Irish banks between 2011 and 2013 came from residential mortgages.[14] With strong consumer protections in place, the only viable solution for many of these lenders was to de-leverage, or sell, non-performing real estate loans to non-bank entities.

Conversely, the number of outstanding mortgages with non-banks rapidly increased over the same period. In September 2009, 16,800 mortgages were linked to non-banking entities.

9 Norris, M. and D. Coates, 2014. How Housing Killed the Celtic Tiger: Anatomy, Consequences and Lessons of Ireland's Housing Boom and Bust, 2000-2009

10 Byrne, D., McCann, F., and E. Gaffney (2023). The Interest Rate Exposure of Mortgaged Irish Households. Central Bank of Ireland, Financial Stability Notes, Vol. 2023, No. 2

11 Mortgage Arrears Data, Central Bank of Ireland

12 See Alternative Repayment Arrangements for People in Mortgage Difficult, Citizens Information for details on each and Sub-Section 3.3.and Baudine, P., Murphy D. and J. Svoronos, 2020. The Banking Crisis in Ireland, Financial Stability Institute, FSI Crisis Management Series No. 2

13 Ten Years and Counting: Conclusions From a Decade of Attempting to Resolve Family Home Mortgage Arrears in Ireland, Paper Two, From Pillar to Post Series, Free Legal Advice Centres (FLAC). 2021

14 Report on Mortgage Arrears, Central Bank of Ireland, 2016

By December 2019, this had risen to 91,000 – a rise of just over 440%.[15]

While not all mortgages with non-bank entities are non-performing, or in arrears, they do represent a much greater proportion than for traditional banks operating in Ireland. The number of mortgages in arrears with non-bank entities peaked in mid-2013 with six out of every 10 mortgages (60%) in arrears. This compares to traditional banks, where just 18% of all mortgages were classified as in arrears at the same time. The proportion of non-performing loans with non-bank entities remains comparatively high at one-quarter versus traditional banks at one-twentieth of all mortgage loans.

The data clearly illustrate the role fulfilled by non-banks in reducing the level of non-performing loans, and thus the overall debt burden, in Ireland's pillar banks – a trend which has been exacerbated by large financial institutions leaving the Irish market in recent years. i.e., Ulster Bank and KBC Bank.[16]

Indeed, just over half of South Leinster MABS mortgage clients are customers of one of these non-bank entities.[17]

3.2 Ireland's Mortgage Market: 2020 - Today

The early stages of the last decade were characterised by extreme uncertainty, and the previous Sub-Section set out that volatility spillover into many Irish households. From the mid-point of the decade however, the Irish economy rebounded substantially, with economic growth rates far in excess of the EU average.

In the lead up to the Covid-19 pandemic, the Irish economy, at a headline level at least, was one of very strong economic growth, full employment, and bumper Exchequer returns. Consumer sentiment was broadly positive, levels of household savings were high, and wage inflation tracked ahead of general inflation, indicating an improving standard of living for most households.

In the aftermath of the Covid-19 pandemic however, the trajectory of the Irish economy has not been as clear. It is difficult to overstate the impact that the Covid-19 pandemic had on economies globally. Following two-years of lock-downs, economies began to return to "normal", but a number of factors have acted to create persistent high levels of uncertainty.

For individuals and families, the most significant impact has been the noted increase in the price of goods and services and the cost of living in general.

After more than a decade of very low inflation, the Central Bank of Ireland[18] and the Economic and Social Research Institute (ESRI) highlighted that the post-pandemic economy could be one with substantially higher prices.

15 Mortgage Arrears Data, Central Bank of Ireland. As of June 2023 (latest available), 112,600 privately held mortgages were linked to non-bank entities.

16 See previous link to FLAC 2021 Report

17 South Leinster MABS mortgage client data

18 Inflation Dynamics in a Pandemic: Maintaining Vigilance and Optionality, 2021. Press Release, Central Bank of Ireland

The first signs of this became clear in 2021, with (i) higher energy prices (also influenced by the Russian invasion of Ukraine), (ii) a rebound in the prices of certain goods and services that had dropped during the pandemic; and (iii) supply chain issues leading to additional demand pressures.[19]

Following an extended period of close to 0.0% inflation in the lead up to the Covid-19 pandemic, Ireland recorded inflation of 2.4% in 2021, and 7.8% in 2022 – the highest recorded rate in over 35 years.[20]

The ECB, in an attempt to dampen inflation in line with its medium-term 2% target, began increasing interest rates in July 2022. While, on one hand, rising interest rates act to reduce the amount of money circulating within an economy, on the other, it can have very negative impacts on mortgage holders, whose monthly repayment rates are dictated by ECB policy.

The most recent increase came in September 2023, marking the tenth consecutive rise in interest rates. With rates now at 4.5%, the ECB stated that "the Governing Council considers that the key ECB interest rates have achieved levels that, maintained for a sufficiently long duration, will make a substantial contribution to the timely return of the inflation target."[21] The ECB is therefore not expected to engage any further rate hikes in the near future.

On average, every 0.5% increase in the ECB interest rate typically adds an additional €25 per month in mortgage repayments for every €100,000 borrowed.[22] The median mortgage in Ireland stands at €220,000[23] and so, with a current ECB rate of 4.5%, borrowers are facing an additional c. €450 in monthly payments, or an extra €5,400 over the year.

According to the Central Bank of Ireland, the impact of these rate hikes is most acutely felt amongst holders of tracker mortgages. As of June 2023, the average rate on a tracker mortgage stood at 5.02%, compared to a rate of 1.08% in June 2020.

Those on standard variable or fixed rate have also seen their repayment rates increase but to a much lesser extent – likely linked to the slow pace at which Irish pillar banks have been passing on rate increases to these cohorts of customers.[24]

For customers who now have their mortgage with a non-bank entity, recent research[25] indicates that these non-banks exhibit a greater dispersion in interest rates compared to banks i.e., a greater likelihood of higher mortgage repayment rates, and that households' resilience to the challenges presented by prolonged policy rate increases is now beginning to wane.

3.3 The Role of South Leinster MABS & Other Supports

It is in this context, of high uncertainty, and challenging economic conditions over the past decade or so, that South Leinster MABS has been supporting its clients.

Nationwide data collected by MABS shows how the types of debt they are supporting their clients with has changed over the past decade. Recent data shows that the most active debt type for new clients is either their 'mortgage' or 'personal loans with financial institutions'. In 2021, these two categories of debt each accounted for 30% of active debt for clients, respectively.[26]

In 2010, however, mortgage related debt accounted for just 7% of the active debt for new clients – with personal loans (35%), credit cards (20%), and utilities (19%) the main sources of financial concern.[27]

19 See previous Central Bank of Ireland Press Release

20 Consumer Price Index, CSO

21 ECB Monetary Policy Decisions Press Release, September 2023

22 See www.doddl.ie

23 Characteristics of Residential Property Purchasers - Estimates of Mortgage and Non-Mortgage Transactions 2021, CSO

24 Retail Interest Rates Data, Central Bank of Ireland

25 Cassidy, J. and C. Sarchi, 2023. Non-Bank Mortgage Lending: A Look into the Interest Rate Distribution, Behind the Data Series, Central Bank of Ireland

26 MABS Statistics 2022 Q4

27 MABS Statistics 2010 Q4

MABS aims to support clients on a case-by-case basis and typically services include education in essential budgeting skills and money management, setting out viable and sustainable budgets, discussing all debt resolution options, and acting as a 'middle-man' in negotiations with creditors.

The supports provided to mortgage clients are not limited to those in arrears. As discussed in Section 4, one-quarter of clients do not currently have arrears but fear missing a mortgage repayment due to current cost-of-living pressures. When clients do require support for arrears or pre-arrears, MABS will aim to achieve one of the following resolutions with their clients' lenders, as set out within the Code of Conduct on Mortgage Arrears (CCMA) and the Mortgage Arrears Resolution Process (MARP) -

- **Arrears Capitalisation –** Some or all of the outstanding arrears are effectively added to the remaining mortgage balance.
- **Interest Only –** Full interest is paid for an agreed period.
- **Interest Rate Reduction –** Agreed with lender for a fixed term.
- **Mortgage to Rent (MTR) –** The borrower voluntarily becomes a social housing tenant of their local authority or Approved Housing Body (AHB) with an option to repurchase the home after five years.
- **Reduced Payment –** May result from a term extension, a temporary or permanent interest rate reduction, or other temporary agreement.
- **Split Mortgage –** Lower repayments are agreed on the first part of the mortgage while the second part is warehoused or set aside to be paid at a later date.
- **Trade Down Mortgage** – The borrower trades down to a lower value property and part of the negative equity can be incorporated into the new loan.
- **Term Extension** – Will reduce the monthly repayments but the borrower will pay more interest over the longer life of the loan
- **Assisted Voluntary Sale (AVS) or Voluntary Surrender (VS)** – The lender supports the sale of the property.

Beyond these restructuring options, the Abhaile Scheme exists to support and provide wrap-around services for those clients in longer-term arrears, who are insolvent, and at risk of losing their home. The Government-funded scheme has been in operation since mid-2016 and is operated by MABS together with the Citizens Information Board, the Insolvency Service, and the Legal Aid Board.

Supports available under the scheme include a Dedicated Mortgage Arrears (DMA) service; Personal Insolvency Practitioner (PIP) service; and Accountant, Consultation Solicitor, Duty Solicitor, and Court Mentor services.[28]

Between 2016 and the end of 2021, 19,400 households in long-term arrears were supported under the scheme, with 80% able to remain in their homes while engaging with the scheme.[29] A 2023 strategic review of the scheme found that 76% of Abhaile Scheme clients regarded it as being 'highly' or 'somewhat' effective. Similarly, the majority of professionals involved, either directly or indirectly, in the delivery of the service classified it as 'excellent' or 'good'. On foot of this, and in light of still significant numbers of households in arrears of two or more years (and in arrears of five or more years), the review recommended a further fixed-term extension to the scheme.[30]

Consultations with South Leinster MABS Advisers echoed the positive impact that this scheme has had on clients in mortgage distress. Advisers spoke of the necessity to maintain these services, particularly in light of the current cost of living crisis, and growing burden associated with ECB interest rate policy.

28 See mabs.ie for more detail on the Abhaile Scheme.

29 Aid and Advice for Borrowers in Home Mortgage Arrears, Fifth Report, January - December 2021, 2022. Department of Justice and Department of Social Protection

30 Strategic Review of the Abhaile Service, 2023. Indecon for Department of Social Protection and Department of Justice

Anonymised testimonials of the DMA service, collated by South Leinster MABS, highlight the types of interventions available to MABS to support their clients.

Testimonial One:

Clodagh contacted the DMA service as she had a summary summons for repossession proceedings. MABS made contact with the lender on her behalf and enquired about MTR as a possible solution, as she fit the criteria. After two years of assisting her MTR closed and Clodagh could stay in her home at affordable rent. Clodagh later wrote –

> *Dear MABS, I cannot thank you enough for the service you have provided for me and my family. I have to pinch myself to remind myself that after all these years I am secure in my home for the next 25 years. I could not have done this without your help and kindness and patience.*

Testimonial Two:

James was instructed by a court Registrar to make contact with MABS in order to try and save his home. MABS went through his income and spending, and it became clear that he was having difficulty in completing the Standard Financial Statement (SFS), and that the relationship between him and his lender had broken down.

MABS opened the lines of communication, and the outcome was a successful negotiation of a long-term arrangement that entailed capitalising the arrears on James' account and having his case struck out of the legal process. James always had the capacity to make repayments but needed advice and support in dealing with his lender.

Testimonial Three:

Carmel sought help from MABS after her mortgage debt had been sold to a non-bank entity. She was wary of the new owner and feared she would lose her home. MABS assured her that there are protections in place, and they engaged with the non-bank entity on her behalf.

MABS was successful in having Carmel's arrears capitalised and the term extended, making her repayments affordable. She was very grateful for the help and support from MABS, and how they put her mind at ease in how to deal with non-bank entities.

The Mortgage to Rent Scheme is another example of a Government scheme that has supported families with mortgage arrears to stay in their homes. While the scheme, first introduced in 2012, has proved a viable option for some of South Leinster MABS clients, overall, the uptake across the country has been relatively low.

Since its inception, just over 55% of applicants have been successful in the scheme – that equates to 2,150 homes.[31] Some 550 borrowers availed of the scheme in 2022, below the 1,000[32] annual target set by the Department of Housing, Local Government, and Heritage.

A joint protocol has been in place between MABS and the Banking & Payment Federation Ireland (BPFI) since 2009, providing a framework to assist over-indebted people with affordable and sustainable solutions. In June 2023, the BPFI highlighted new and existing supports for mortgage holders experiencing financial difficulty, under their Dealing With Debt campaign.[33]

31 Mortgage to Rent Quarterly Data 2012-2023, The Housing Agency

32 Mortgage to Rent Scheme, Department of Housing, Local Government and Heritage

33 Banking & Payments Federation Ireland Press Release, June 2023

Among the new supports announced is

- An extension to the collaboration between non-bank entities and MABS on a streamlined customer engagement framework. This framework "centres on bi-weekly forums with MABS regional offices to discuss individual cases and affordable and sustainable solutions for customers who are struggling to meet their mortgage";
- An agreement on the eligibility criteria for mortgage customers of non-bank entities to switch to a mainstream bank. For example, a requirement to be making full capital and interest repayments and to have no arrears; and
- Enhanced information for customers of non-bank entities on the mortgage switching options available to them.

Notwithstanding the schemes already in place, the Government has come under pressure in the wake of mortgage rate increases, to strengthen the supports available to those most negatively impacted.

Primarily, there have been calls for the reintroduction of the mortgage interest relief scheme to ease the financial burden on those worst impacted by rate increases.[34] Mortgage interest rate relief was last introduced during the financial crisis to assist homeowners who had taken out mortgages at the height of the property boom and were in negative equity. The tax relief was phased out in January 2021 and at its peak cost €700 million per year to the Exchequer.[35]

As Section 4 will demonstrate, rising mortgage rates have caused many households to worry about what the future holds, in terms of being able to afford to feed their families, heat their homes, and even keep their home.

Acknowledging this hardship, a targeted, one-year mortgage interest tax relief was announced as part of Budget 2024. Eligibility will apply to those with an outstanding mortgage balance on their primary dwelling house of between €80,000 and €500,000 at the end of 2022. Relief, at the standard rate of 20% income tax, will be available on the increased interest paid on the mortgage in 2023 versus the amount paid in 2022. It is expected that approximately 165,000 variable and tracker rate mortgage holders will benefit from the measure at an estimated cost of €125 million.[36]

34 Mortgage Interest Relief Scheme: Motion [Private Members], February 2023
35 Parliamentary Question - Tax Reliefs, June 2023
36 Budget 2024, Department of Finance & Department of Public Expenditure, NDP Delivery and Reform, October 2024

4. The Impact of Rising Interest Rates - South Leinster MABS Clients

Having presented key trends in the mortgage market over the past decade, this part of the report will focus on setting out a profile of South Leinster MABS clients who are experiencing significant difficulty as a result of having to make higher and higher mortgage repayments.

Through case studies and excerpts from one-on-one interviews and client surveys, this Section sets out the effect of rising interest rates on South Leinster MABS clients – in their own words.

Building on the survey findings, this Section also gives voice to the challenges and concerns faced by mortgage holders today. Key themes and findings focus on the scale of interest rate increases over the past year, the consequences for the standard of living of individuals and families; and the impact on mental wellbeing and their future outlook.

4.1 A Profile of South Leinster MABS Mortgage Clients

Based on the client survey, South Leinster MABS typical mortgage client is aged 55 years or older, is working full-time, and is either divorced, separated, widowed, or single. Half of respondents had one or more dependent children living in the home with most households reporting an annual income of less than €20,000.

One of the more striking results from the client survey is the juxtaposition of the fact that while the majority are working either full-or part-time, the largest cohort of respondents report a total household income of less than €20,000 a year.

Profile of South Leinster MABS Mortgage Clients

55% Are aged 55 years or more.

15% are aged 65+ years.

56% Are working full- or part-time.

34% are unemployed, unable to work, homemakers, or retired.

54% Are divorced, separated, widowed, or single.

46% are married or cohabiting.

50% Have no dependent children in the home.

43% have 1-2 children in the home.

38% Have a household income of < €20,000.

36% have a household income of €20,000 - €40,000.

55% Have never used MABS support in the past.

45% have used MABS previously.

Source: South Leinster MABS client survey. Calculations by Morley Economic Consulting

This cohort of clients, earning less than €20,000 annually, is predominantly made up of those who are unemployed, unable to work, or retired i.e., on a social welfare payment. These three groups account for two-thirds of all respondents with a household income of less than €20,000 a year. It is worth highlighting that when part-time workers are included, the proportion increases to over 95%.

As well as that, the majority of this income cohort are sole earners in the household, with eight-in-10 identifying as divorced, separated, widowed, or single. This places additional pressures on clients who must rely on a single fixed income to cover all household costs.

Those working full-time represent four-in-every-10 of the clients seeking support for a mortgage issue. The level of household income for these clients is relatively evenly split – 43% earn €20,000 - €40,000, and 47% earn €40,000 - €60,000. Some 10% have a household income in excess of €60,000.

The survey results are split 50:50 between those respondents who have one or more children living in the home, and those who have none. Those households with children in the home are more likely to work full-time, to be married or in a couple, and to have a total household income of between €20,000 and €40,000.

Conversely, those without children in the home are more likely to be retired, working part-time, unemployed or unable to work; to be divorced, separated, or widowed, and to have an income less than €20,000.

Finally, the survey finds that just over half of respondents had never used the services of South Leinster MABS prior to their current challenges with mortgage payments. These clients were typically working full-time and earning between €40,000 and €60,000 annually.

Just over one-third of respondents have used the services of South Leinster MABS previously, for a similar mortgage related issue. These clients were also typically working full-time but reported a lower household income of €20,000 - €40,000.

The demographic results from the client survey illustrate clearly that rising mortgage interest rates have impacted a range of individuals and families – from those who are unable to work, unemployed, or retired relying on a relatively low fixed income, to those who are working full time with a household income, in some instances, in excess of €60,000.

4.2 The Impacts of Mortgage Rate Increases

Having detailed the average characteristics of South Leinster MABS mortgage clients, this Sub-Section delves deeper into the types and scale of financial and emotional issues facing clients.

4.2.1 Mortgage Type

Four in every five respondents to the survey reported having a variable or tracker rate mortgage. A standard variable rate means that any change to the rate that customers pay is at the discretion of the lender who is not obliged to follow ECB interest rate trends. 56% of survey respondents have a variable rate mortgage.

Tracker variable rates, on the other hand, are guaranteed to rise and fall in line with ECB rates. One quarter of respondents have a tracker variable rate mortgage.

4-in-5

79% of clients have a **variable or tracker** mortgage rate

43%

of clients are currently paying an interest rate of **5% or more** on their mortgage

Compared to

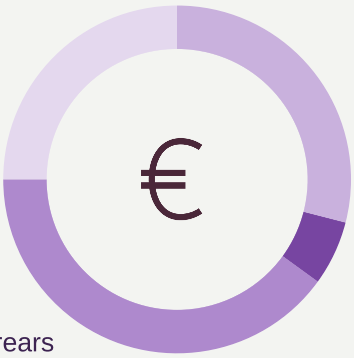
6%

of clients paying an interest rate of **5% or more** 12 months ago

Current Monthly Mortgage Repayments

- 16% — < €600
- 35% — €600 - €1,000
- 21% — €1,000 - €1,400
- 19% — €1,400 - €1,800
- 8% — > €1,800

Arrears



25% No arrears

29% 1-6 months arrears

40% 6-12 months arrears

6% 12+ months arrears

74%

of clients have **no savings to cover mortgage repayments in the event that they lose their income for a prolonged period**

12% have 1-3 months of savings

91%

of clients report a **very negative or somewhat negative** impact of mortgage rate increases on personal wellbeing

Outlook that mortgage issue will be resolved in the next 12 months

66% Very negative or somewhat negative outlook

10% Neutral outlook

24% Very positive or somewhat positive outlook

There are pros and cons associated with both rate types, with tracker mortgages typically more advantageous in a low interest rate environment, as has been the case in Ireland over the past decade or so.

This is reflected in the survey, with 37% of tracker mortgage holders paying a monthly interest rate of 2% or less prior to the first interest rate hike by the ECB in July 2022. This compares to 17% of variable rate holders, and 22% of fixed rate mortgage holders.

During higher rate environments, as experienced over the past 12 months, tracker rate holders are at a greater disadvantage as the rate paid each month is tied to decisions made by the ECB.

Fixed rates mortgages, on the other hand, provide mortgage holders with some level of certainty in the short- to medium-term. However, there is still anxiety for customers over what the future might hold when fixed rate terms come to an end. This worry was articulated by one of the survey respondents –

> *I was lucky to fix my mortgage before the increases… But I am concerned that in two years' time, when I come out of [the] fixed rate, what will be the interest rate and, how much extra will my mortgage increase? – Client 5*

4.2.2 Mortgage Interest Rate Increases

As highlighted in Section 3, ECB interest rates have increased 10 times in the past 12 months, and this has had a direct impact on the interest rates paid by mortgage holders. On average, across all mortgage types, just over 40% of survey respondents are now paying an interest rate in excess of 5%. This compares to less than 10% of South Leinster MABS clients some 12 months ago.

Sarah's Story

Sarah was a client of South Leinster MABS some years ago for a mortgage related issue. After coming to a resolution with her lender, she never thought she would need their support again. However, with changes in household circumstances, and the subsequent cost of living crisis, Sarah and her husband recently missed their first mortgage payment in a long time.

Both are working full-time but between rising interest rates, grocery costs, and energy costs, there is no disposable income left in the month to set aside for savings or non-essential spending for them or their children.

They have prioritised their mortgage over everything else, for fear of losing their family home, and this has left them in arrears on other household utilities and loans, as well as lapsed insurance, illness benefit, and mortgage protection.

Sarah turned to South Leinster MABS to help her correspond with her mortgage lender. She feels that with South Leinster MABS in her corner she is more likely to achieve a favourable outcome.

> *I'm after been talking to MABS and it's like a weight lifted off… They're there to give you a hand, they'll do as much as they can for you.*

The impact has been more acutely felt by those on a variable or tracker mortgage rate, with close to half now paying a monthly rate of 5% or more, and close to 20% paying 7% or more.

This compares to those on a fixed rate mortgage where one-third are paying a monthly mortgage rate of 5% or more, but just 11% are paying in excess of 7% interest a month. Prior to the ECB rate hikes, no respondents on a fixed rate mortgage reported paying in excess of 5% on their mortgage.

While it is clear that all mortgage types have been impacted by the rise in interest rates over the past year, the results illustrate the extent to which those on variable and tracker mortgages have been impacted, over and above those on a fixed rate mortgage.

These results are in the context of just over a third of respondents stating they were "not sure" of the rate they were paying 12 months ago, and close to one-quarter who are "not sure" of the rate they currently pay. With the scale of interest rate increases over the past year, this finding is not surprising. It is likely that mortgage holders, already in a state of stress and uncertainty, have been unable to keep track of their current situation, in percentage terms, at least.

Respondents were also asked to provide information on the euro value they pay in monthly repayments and here every respondent provided a response.

This likely indicates that while clients may find it difficult to keep track of changes in their mortgage interest rates, they are fully aware of their monthly monetary commitments.

Across all mortgage types, just over one-third of respondents are now paying between €600 and €1,000 a month on their mortgage. On the higher end, one-fifth are paying between €1,400 and €1,800, and close to one-in-10 are paying in excess of €2,000 every month.

Many respondents commented directly on the scale of mortgage repayment increases they have had to endure in the past year –

> *In the last year, my mortgage payments have jumped up to an extra €300 a month. How can we afford to keep this up? We are financially broken at this stage. – Client 10*

> *The interest rates have risen and risen [with] no end in sight and no thought for people who are struggling financially… My mortgage has gone from €520 a month to €1,000 in less than a year and I can't afford to pay that. – Client 12*

Mortgage rate increases have come at a very challenging time for households. In the 12 months to June 2023, the Consumer Price Index for goods and services rose by 6.1%[37] and signalled the twenty-first straight month of annual growth of at least 5%. This is predominantly driven be increases in energy costs, with household electricity prices increasing by 112%[38] since 2020, and food costs, up 10.2% since mid-2022. And so, in a period where households have been required to pay more for many of the essentials, mortgage rate increases have compounded an already challenging situation for many.

Just under half of survey respondents are currently paying over €1,000 a month in mortgage repayments, with six in every 10 of these reporting a monthly increase of €300 or more in their repayments since the ECB started increasing rates in mid-2022. At a minimum, this equates to an additional €3,600 annually that households are required to find in their budget to cover rising mortgage costs. For some, the additional annual cost amounts to €6,000 or more.

South Leinster MABS clients who are working either full- or part-time are marginally more likely to report incurring a monthly increase of €300 or more – four in every 10 – versus those on a fixed income – three in every 10 respondents.

37 Consumer Price Index June 2023, CSO

38 Support for Household Energy Bills: Motions [Private Members], May 2023

Michael's Story

Michael is a first-time client of South Leinster MABS. After taking early retirement due to ill health, Michael and his wife started to experience difficulty paying their mortgage. Their monthly repayments have gone up close to €200 with no like-for-like increase in their fixed household income.

Michael missed one mortgage payment after taking early retirement, and he soon began to feel overwhelmed with the level of correspondence he was receiving from his mortgage lender. He and his family were already living week-to-week on his fixed income, and he struggled to see how he could resolve the arrears issue, on top of rising interest rates, with his lender.

Michael has not looked back since his first meeting with South Leinster MABS. Michael is thankful for the support they provide in acting as the middle-man between him and his mortgage provider, and an Alternative Repayment Arrangement (ARA) has been achieved. Michael established a pattern with his bank by paying his mortgage for six months, after which they agreed to capitalise the arrears over the remaining term of his mortgage.

He has learned how to budget effectively and even had sufficient savings set aside to cover the emergency repair of a household good – a scenario he said never could have happened without South Leinster MABS.

> *With MABS, it gave me a better outlook because I thought I was getting swallowed up in this hole.*

In either case, any additional cost of this scale is a burden to both those households who are working – in a period where wage inflation has failed to keep up with the cost of living – and those who are unemployed, retired, or unable to work and relying on a fixed income.

> My *mortgage is way more than my take home salary and now I am being forced to see if I can get a second job to cover the rest of my expenses. – Client 35*

> *Any rate increase causes me a lot of stress due to the added pressure of being a single parent with very restricted money coming into my household. – Client 46*

4.2.3 Savings, Arrears and Household Cuts

As a result of the increase in ECB rates, consumers have been forced to make very difficult decisions around how to cover additional household costs. According to the survey data, respondents are facing annual household cost increases of between €1,200 and over €6,000 – linked solely to interest rate increases. To this, the rising costs of energy, food, diesel and petrol etc. must also be considered.

> The *surge in mortgage interest rates has had many adverse effects on our family… [impacting] our standard of living, financial security, and mental wellbeing. – Client 71*

Respondents were asked if they had missed one or more payments on a range of categories – mortgage, personal loans, or utility bills – as a direct consequence of their mortgage repayments increasing. One-third of respondents claimed to have missed at least one mortgage repayment, and one-quarter missed at least one utility payment.[39]

39 Clients were allowed to choose all that apply so figures do not sum to 100%.

Some 60% of those who have missed one or more of these payments are working either full- or part-time. Again, this reflects the chronic extent of the issue at hand, not only for those who are on a fixed income, but also for those in receipt of a wage.

Respondents also indicated the various cost-cutting attempts they have made in order to be able to afford increased mortgage repayments. Three-quarters claimed they have had to reduce electricity use; home heating use; non-essential spending; and grocery spend.[40]

One-third also claimed that they have had to postpone the purchase of medication or visit to the GP and just over a quarter have had to allow their mortgage protection to lapse.

> *Our disposable income has diminished, and we find it harder to meet our daily needs and discretionary expenses… With larger portions of our income allocated to house costs, there is less room for any thought of savings… leaving us vulnerable to unexpected financial setbacks. – Client 71*

> *We have had to make huge changes with our everyday living as a result of interest rates constantly going up and knowing that interest rates are still going up. – Client 46*

> *We don't go out anywhere, unless it's medical or [for] food… It's gone so hard to get by week in, week out. – Client 72*

The survey results show the often-drastic measures that individuals and families have had to take in order to be able to afford to pay their mortgage and meet other essential household costs.

These cutbacks also have a knock-on effect on the local community with less expenditure in local shops, cafés, restaurants, and other businesses. Both Bank of Ireland and AIB have reported falls in discretionary retail and social spending in all 26 counties.[41]

Paul's Story

Following a separation 10 years ago, Paul was left solely responsible for the mortgage repayments and general upkeep of the family home. He has been a client of South Leinster MABS since then and they helped him put a plan in place to be able meet all the financial commitments of the home.

That plan worked for a long time, until interest rates started to increase, and Paul, being on a tracker mortgage, saw his monthly repayments increase by €540. With other cost of living expenses, Paul estimates that his monthly outgoings have gone up by close to €1,400, while his take home pay has stayed the same.

The stress from corresponding with his mortgage lender has had a detrimental impact on his physical and mental health, and he has spent time in hospital as a result.

Paul acknowledges that without South Leinster MABS he would be in a much worse situation and is grateful for their support in acting as an intermediary with his lender.

> *They've been excellent for me. I went to other money advisers, but they couldn't do anything for me, they had no solutions.*

40 Clients were allowed to choose all that apply so the figures do not sum to 100%.
41 Bank of Ireland Spending Pulse April 2023 and AIB Retail Spend Outlook Report Q2 2023

For those who have missed mortgage payments, they face the added pressure of accruing arrears. Three-quarters of all respondents reported being in arrears of at least one month, and many are in arrears of 12 months or more.

Just over 40% of those in arrears are unemployed, unable to work, or retired, with the majority earning less than €20,000 annually. For this cohort in particular, where there is limited scope to increase the household income, the occurrence of mortgage arrears can present a significant challenge.

This, undoubtedly has a knock-on impact on the household's ability to save. Three-quarters of those surveyed said they have zero savings available to cover mortgage payments.

Unsurprisingly, this proportion is larger for those who are in receipt of a fixed income – where there is typically less scope to build up savings – and for those who are separated, divorced, widowed, or single i.e., a single income household. The lack of savings for families presents a significant challenge when unexpected household or medical costs arise or, as has been the case over the past 12 months, mortgage repayments increase multiple times.

> *There is absolutely no savings left as every month you're dipping into it to cover the cost of eating, heating, traveling to work… Living from one day to the next and hoping that payday comes around quickly to not fall into arrears. – Client 7*

> *The rising costs have left me with no savings and afraid of what is to come for the Winter. – Client 2*

> *I am on a low income and have had to cut back further to live… [My] standard of living [is] greatly affected. – Client 37*

4.2.4 Wellbeing, Outlook, and the Role of South Leinster MABS

The stark reality of rising ECB interest rates for certain cohorts of mortgage holders has been set out heretofore. For South Leinster MABS clients, the persistent rise in mortgage interest rates over the past 12 months has acted to compound an already challenging time for many facing other significant cost of living increases.

Survey respondents signalled the impact that these cost increases have had on their personal wellbeing.

Nine in every 10 survey respondents reported that their personal wellbeing has either been very negatively or somewhat negatively affected by mortgage interest rate increases. Those with children in the home were more likely to report their wellbeing being very negatively impacted with qualitative responses indicating having to cut back on their children's extracurricular activities.

Based on one-on-one interviews, and the qualitative data collected from the client survey, significant stressors for South Leinster MABS mortgage clients include –

- Persistent correspondence from their mortgage lender, especially for those who are in mortgage arrears, and being unclear on their current mortgage position regarding, for example, what is owed or level of arrears;

> *The impact of being constantly updated by [my mortgage lender] on the mortgage interest rate was enormous... We are at the deepest parts of this financial struggle. – Client 49*

- Not knowing where additional income will come from to cover increases in household costs or other unexpected costs; and

> *We have never before missed any loan, mortgage, or other payment until the current rise in interest rates. We are now faced with having to sell our family home to clear the debt. – Client 61*

- Not knowing what the future holds in terms of how many more ECB interest rate increases will happen, when, and what the consequences will be for their mortgage.

> *I live on the edge everyday [that] when my post arrives in, the fear that the interest rates or repayments go higher. – Client 46*

The concerns associated with mortgage repayments is compounded by other day-to-day worries for individuals and families. Client data collected by South Leinster MABS captures the debt trigger for those who are seeking support and advice for a mortgage related issue. For many clients there are multiple debt triggers beyond the interest rate increases during the past year.

Inadequate income or income reduction; illness; and family breakup, separation, or change in family circumstances rank as the three most common triggers for financial issues for South Leinster MABS mortgage clients.

The effect of the financial uncertainty linked to these particular triggers is likely significant on personal wellbeing, without being compounded by a persistent rise in mortgage repayments, and the cost of living crisis more generally.

> *The cost of living is crippling, and I feel very stressed, and I worry all the time. – Client 12*

> *Financial stress has led us to feel more anxious than ever and the feelings of depression and helplessness are never far away. – Client 71*

These issues, and the unknown regarding future interest rate changes, weighs on clients' outlook for their situation in the next 12 months. Asked for the outlook on their mortgage issue being resolved within the next 12 months, respondents broadly took a negative view.

Mark and Julie's Story

Despite ill health and financial challenges, Mark and his wife Julie have not missed a mortgage payment in 16 years.

Their monthly mortgage repayments have increased by €200 in the past year and still they have managed to meet every repayment. Mark is worried, however, that if interest rates continue to rise, they will go into arrears very soon.

Due to Mark's illness, the only household income is a fixed disability payment which is now insufficient to cover the mortgage and other household utilities. They have had to borrow from friends and family to help them pay their bills and have had to cut back on all non-essential spending for them and their children.

Mark and Julie came to South Leinster MABS in the hopes that they will help them negotiate better terms with their mortgage provider and prevent them going into arrears.

> *I was with MABS a long time ago and they put me on the right track. Using their system got me through the last 16 years… Our heads [are] bobbing at the top of the water, [South Leinster MABS] just put the head back up over [the water] so you can breathe.*

However, of those who reported a very or somewhat negative impact on their current personal wellbeing, just over one-in-five have either a very or somewhat positive outlook for their issue being resolved in the next year.

This is a clear reflection of the work of South Leinster MABS and the support they provide to clients enduring the most challenging of situations.

In their qualitative submissions, respondents used words such as “empathy”, “care”, “respect”, “personal”, “free”, “excellent”, “understanding”, “kind”, “amazing”, and “comforting” when describing the services provided by South Leinster MABS.

Clients spoke of the “hope” and “relief” they have gained since coming into contact with South Leinster MABS, and while many are still in the depths of their own financial crisis, a re-occurring phrase sums up the outlook they now have thanks to the support from South Leinster MABS – “a light at the end of the tunnel.”

> *The empathy, non-judgemental and basic care and respect they showed me, I am forever grateful. At a time in my life where I felt like a sinking ship with no way out, they reassured me and helped me through every step of my journey. – Client 5*

> *Their understanding, empathy and positivity continues to guide me through this very difficult situation. – Client 19*

> *[South Leinster MABS] gave me hope and have gone above and beyond to help us see light at the end of the tunnel. – Client 57*

> *It has been the most frightening time of our lives and MABS has been the kind and human face of those helping us. – Client 21*

5. Conclusion

The purpose of this project was to capture the financial, social, and emotional effect of ECB interest rate increase on South Leinster MABS clients. Through client surveys and one-on-one interviews, this report establishes the extent of the hardship endured by individuals and families over the past 12 months.

Notwithstanding the additional cost burden associated with general household and living expenses – groceries, heating, electricity, diesel and petrol – mortgage holders have also had to contend with 10 ECB interest rate increases and the direct impact this has had on their monthly mortgage payments.

Irish homeowners have experienced many ups and downs over the past two decades. Some families, who purchased at the height of the Celtic Tiger soon found themselves unemployed and their home in negative equity, and many more found themselves in arrears. While the wider economy recovered relatively quickly after the financial crisis, many households were left behind to contend with non-bank entities and their growing arrears.

South Leinster MABS supported individuals and families through this period and, in most cases, successfully found solutions for those in arrears, or pre-arrears. In the past three years however, the Covid-19 pandemic and the Russian invasion of Ukraine have acted to bring a new financial burden to households already on the edge, if not already in the depths, of indebtedness.

Data collected from South Leinster MABS mortgage clients clearly sets out the extent of the financial and emotional impact of rising mortgage interest rates. At a time when energy costs have doubled, and general cost of living is upwards of 10% higher than three years ago, many of South Leinster MABS clients find themselves paying €300 or more extra towards their monthly mortgage payments. Over a year, this equates to an additional €3,600, at a minimum.

For many of South Leinster MABS clients this is unsustainable. Just over a third of their clients are unemployed, unable to work, retired, or homemakers and are on a fixed income of €20,000 or less annually. Without like-for-like increases in their income there is very limited scope to meet the additional financial outlays. The burden is even greater for those who are single, separated, divorced, or widowed, relying on a single income into the home.

Even those in full- or part-time work, with a greater household income, are worried about their financial situation. While fewer of this cohort are currently in arrears, the report findings show that the pressure to meet ever increasing day-to-day household costs is proving a significant burden – one which clients fear will eventually lead to missed mortgage payments.

Across the board, clients have cut back expenditure on electricity, home heating, groceries, and non-essential goods and activities, and this financial impact has had a knock-on negative impact on personal wellbeing. Nine-in-10 respondents to the survey reported a very or somewhat negative impact on their current wellbeing as a result of mortgage increases.

While uncertain, a quarter of South Leinster MABS mortgage clients hold a positive outlook for their situation. This is undoubtedly linked to the compassionate and dedicated work of the teams in helping their clients achieve a favourable outcome with their lender. South Leinster MABS has supported clients over the past 30-years but the past 12 months has brought with it new challenges, namely the persistent and frequent rate hikes for their mortgage clients.

Now, even for those with previously agreed restructuring agreements in place, clients are still feeling the impact of rising interest rates, and this has consequences for their ability to maintain repayments.

Inflation has started to ease but there is an expectation that it will remain in excess of the ECB’s medium-term target of 2% annually for some time. As a result, the ECB indicated in its September Monetary Policy Decision that "based on its current assessment,... the key ECB interest rates have reached levels that, maintained for a sufficiently long duration, will make a substantial contribution to the timely return of inflation to the target."

The September decision also set out that "the Governing Council's future decisions will ensure that the key ECB interest rates will be set at sufficiently restrictive levels for as long as necessary" and that they "will continue to follow a data-dependent approach to determining the appropriate level and duration of restriction." To that end, any future interest rate decisions by the ECB "will be based on its assessment of the inflation outlook in light of the incoming economic and financial data, the dynamics of underlying inflation, and the strength of monetary policy transmission."

Notwithstanding the ECB's decision to halt interest rate increases for the time being, this report clearly sets out the mental, social, and economic impact that rate hikes have already had on a cohort of mortgage clients. It is also clear that the clients who make up this report have benefited greatly from the support of MABS, which is a free, confidential, and independent service.

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