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Responding to the Crisis: The experiences and coping strategies of mortgage stressed households in Ireland

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Abstract

Ireland experienced a pronounced property bubble from the mid 1990s to late 2000s, which was driven, in part, by the implementation of neoliberal policies within the banking sector and housing system. Housing policy was strongly orientated toward expanding home ownership, particularly among low income groups, which was enabled by a sustained liberalisation within the mortgage market. The bubble led to huge house price increases, resulting in a major housing affordability problem. Households' access to ownership was sustained by lengthening loan terms and allowing borrowers leverage their incomes to ever greater multiples, creating unsustainable levels of mortgage debt encumbrance. In the context of the current economic recession, Irish households' are managing huge mortgage debt alongside falling incomes, high unemployment and rising costs of living. This combination of factors has created a massive mortgage arrears problem, with 18% of total outstanding mortgages in arrears, equating to €24.7 bn worth of loans.

It is within this context that this paper examines the neoliberal practices and policies that led to the housing market crash and its impact upon mortgagors. Households' experiences of mortgage stress and their coping strategies are discussed in order to bring greater focus on the social impacts and consequences of the crisis. Data has been gathered from a large scale survey conducted in north Dublin; an area which saw major mortgage market and development expansion. The paper begins with a brief outline of the major policy reforms in the banking and housing sectors that contributed to the bubble, as well as an overview of some of the mortgage borrowing and development trends. This is followed by a discussion of the methodology employed regarding the survey and interpretation of its results. The paper then examines the main drivers of mortgage related stress, paying particular attention to the lending practices of financial institutions, and this is followed by analysis of households' coping strategies with their financial difficulties.

1.0 Introduction

Not since the early 1970s have mortgage markets been so quite to the fore in urban studies than at this current juncture. The collapse of the subprime mortgage market in the United States and the mass mortgage defaults that have accompanied property bubble crashes in many 'peripheral' European countries have morphed into wider systemic banking and sovereign debt crises. These have resulted in the imposition of a revanchist programme of austerity measures and fiscal consolidation across many advanced economies. As of the end of 2007 some 4 million people were in danger of foreclosure in the United States (Harvey 2010), while mortgage default rates have increased in most European countries. By the end of 2009, 6.4% of outstanding mortgages were in default in Greece, 3.6% in Ireland and 2.8% in Spain, while 54,000 mortgages were foreclosed upon during 2009 in the United Kingdom (EC 2011, 13). Understanding the expansion of home ownership and mortgage markets as a driver of the financial crisis has led many in the fields of geography, sociology and political science, as well as more heterodox economists, to (re)engage with the subject of mortgage lending.

Ireland, which is the focus of this paper, was at the forefront of the international property bubble as it embraced an increasingly permissive form of financial regulation as the mortgage market was expanded through enhanced competition, the entry of aggressive, foreign owned subsidiaries and exponential increases in the volume and value of mortgage lending. In the crash, high levels of mortgage indebtedness are interacting with contracting fiscal receipts, a stagnant domestic economy, high unemployment and falling incomes and property values. Currently, some 50% of mortgages are considered to be in negative equity, while 18.2% of mortgages are in arrears to some extent (Moody's Investors Services 2012; Central Bank of Ireland various years). The tension between ensuring adequate banking sector capitalisation and assisting stressed mortgagors has produced a range of negative economic, social and political impacts. This paper utilises publically available data, as well as data from a large scale survey of households in north Dublin, to assess the extent of mortgage stress following the crash and focuses, in particular, upon the drivers of and responses to mortgage stress by households.

2.0 Ireland and the International Property Bubble

Over the last two decades a massive bubble emerged in housing and mortgage markets across advanced economies driven by a combination of financial conditions (liberalisation within the banking sector, low interest rate environment), buoyant housing markets and a massive expansion of mortgage markets. Ireland was at the forefront of this expansion (Girouard 2006; Rae and van den Noord 2006; Miles and Pillonca 2008). Harvey (2011) contends many of the explanations of orthodox economists for the causes of the crisis, including greed, poor state regulation, financial innovation or cultural explanations, are partial or incomplete. The role of globalisation in the financial sector and its power to reallocate capital from the primary circuit of capital (i.e. investments in manufacturing and production) to the secondary circuit of investments in the built environment is key to Harvey's (2010) understanding of the inflation of the global property bubble and resultant crash.

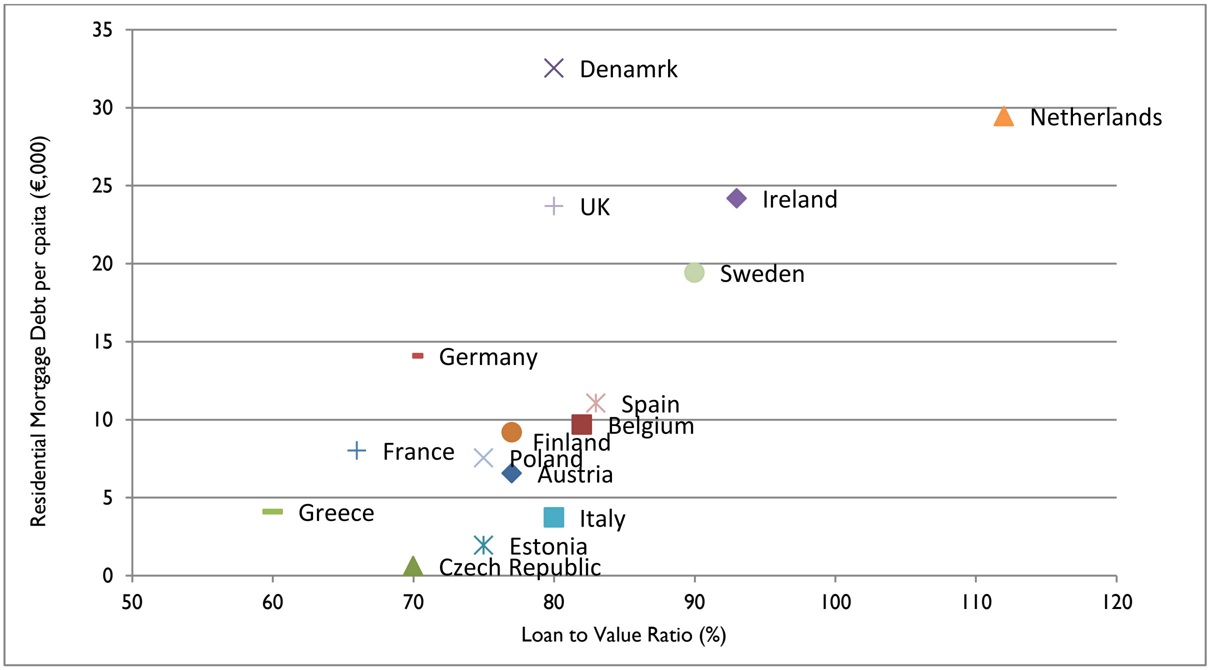
Harvey's work has increasingly been utilised by many scholars as an explanatory framework for understanding the global property bubble and crash (Wyly, Atia et al. 2004; Newman 2009; Wyly, Moos et al. 2009; Aalbers 2012). As neoliberal reforms were implemented from the 1980s, particularly among Anglophile countries, a 'high-risk revolution' took place within mortgage markets. This entailed the transformation of mortgage markets from being a facilitating market for home purchasers, to a market which increasingly facilitates global investment where homes and borrowers are considered financially exploitable. This expansion of mortgage markets was shaped through a political process of deregulation (or re-regulation) which enabled a freer-hand for financial institutions to compete and expand their lending. Innovations like securitisation and the creation of secondary mortgage markets where banks could repackage and sell their mortgage assets enabled greater mortgage liquidity and expansion. This liberalisation also included enabling greater competition, the establishment of foreign lenders in domestic markets and the development of innovations like securitisation and niche mortgage products to enhance the flow of mortgage capital. Securitisation transformed mortgages into liquid financial instruments and facilitated the trading of mortgages, and disembedded the financing of real estate from local networks of accumulation (Gotham 2009). The increased appeal of securitisation drew more capital into the mortgage market enabling massive expansions in credit flows.

The expansion of the mortgage market was also accompanied by an extension of the market among borrowers who previously were denied access to mortgage credit (Listokin and Wyly 2000). This 'underserved market' is generally comprised of lower income persons, minorities, those with more vulnerable employment statuses and with less favourable credit histories. Increasingly, home ownership was to be extended down the income/ social class scale as housing policy, particularly in Anglophile countries, sought to expand the construction of private housing, broaden access to ownership and reduce the level of State provision of housing (Ronald 2008). The result was to draw many more income/ employment vulnerable households into the private owning sector through the mortgage market. Indeed in Ireland, mortgage borrowers with an 'Unskilled/ Manual' occupational status increased their share of new mortgage advances from 4% in 1999 to 12.5% in 2003 at the same time as borrowers with a 'Professional/ Managerial' status declined from 52% to 41% (Dept of Environ various). This served to increase the risk of default within the market, as such lower income/ lower skill borrowers are more likely to experience income/ employment volatility.

Enhanced computing and statistical tools were utilised to predict and price this additional risk, with lenders charging higher interest rates to borrowers with greater statistical likelihood of default. This created a niche lending market known as subprime, where the most risky borrowers availed of mortgages at markedly higher interest rates (Immergluck 2008). Additionally, a range of mortgage product innovations were introduced which enabled greater market access for more marginal borrowers, such as increasing loan to value ratios and lengthening loan terms. These served to allow borrowers leverage greater multiples of their income to access housing while minimising monthly payments by extending the amortisation schedule (Scanlon, Lunde et al. 2008).

The result of these liberalising reforms and innovations led to a surge in residential mortgage lending and indebtedness. The residential mortgage debt to GDP ratio for the EU27 countries increased from 35.7% in 1999 to 48.6% in 2008, while in Ireland the rate of growth was extraordinarily higher, increasing from 31% to 82.7% (EMF 2012). Irish residential mortgage debt per capita increased from €7,000 in 1999 to €33,800 in 2008. Alongside an expanding economy, rising incomes, low unemployment and population growth, this expansion in mortgage credit volumes led to rapid house price increases in Ireland. Indeed, Kelly (2010) estimates that for every €1 lent in mortgage credit, house prices rose by €1.13. The Irish are also among the most highly leveraged households across Europe, as demonstrated by the average loan to value ratio (LTVs) of households. Figure 1 plots the ratio of residential mortgage debt per capita to average LTV percentages for a selection of European countries from 2005. At this time average Irish LTVs were around 93% and average per capita mortgaged debt was just under €25,000. In comparison, the average mortgage debt per capita in Germany was about €14,000 and average LTVs were around 70%. Relative to most European households, Irish households owe a larger degree of mortgage debt but also hold significantly less equity in their properties.

Figure 1 Residential mortgage debt per capita to average LTV ratios for European countries 2005



Sources: (Miles and Pillonca 2008, 150; EMF 2010, 70)

As the financial crisis took hold through 2008, and the economies of advanced nations entered recession, Irish property prices fell further and faster between 2008 and 2009 than those of comparable nations. In the majority of nations for whom the OECD maintains house price statistics real house prices fell between 2008 and 2009, with Irish prices falling by almost 15% in the year, followed closely by Denmark at 13%. Such price falls pushed many households into negative equity, and when combined with rapidly increasing unemployment figures, the mortgage default rate surged. In 2011 Ireland's unemployment rate of 14.8% was surpassed only by Greece (17.9%) and Spain (21.8%) among OECD economies. While accurate statistics on cross country mortgage default rates are not widely available, the European Commission (2011) has provided a limited data set from 2007 to 2009. It is stressed, however, that these must be interpreted with care as differing reporting and calculating methodologies are used across countries. Default rates for a selection of western European countries are provided at Table 1. Between 2007 and 2009 mortgage default rates tripled in Ireland, increasing from 1.21% to 3.6% of residential mortgages in default. As the economic environment deteriorated real GNP declined by 9.5% between 2008 and 2011, while average disposable income declined by 12% over the same period (CSO 2013; various). At present 94,488 mortgages are in arrears of more than 90 days (12% of total outstanding mortgages) with an outstanding value of €17.4bn and an average value of arrears owed of €17,900 (Central Bank of Ireland various years). In addition, a further 42,031 mortgages are not in arrears but have been restructured to address repayment difficulties. In total some 186,000 mortgages, or 23% of total outstanding mortgage, are in arrears of some time period, have been restructured or both.

Table 1 – Evolution of Mortgage Default Rates across a range of European Countries, 2007 – 2009

State	2007	2008	2009	Change 2007 – 2009
Belgium	1.72	1.65	1.69	-0.03
Denmark	0.12	0.26	0.55	0.43
Ireland	**1.21**	**1.44**	**3.6**	**2.39**
Greece	3.6	5.3	6.4	2.8
Spain	0.72	2.38	2.88	2.16
France	0.44	0.4	0.44	0
Poland	1.2	1	3.2	2
Portugal	1.3	1.5	1.7	0.4
Finland	0.12	0.17	1.2	1.08
UK	1.88	2.42	2.45	0.57

Source: (EC 2011)

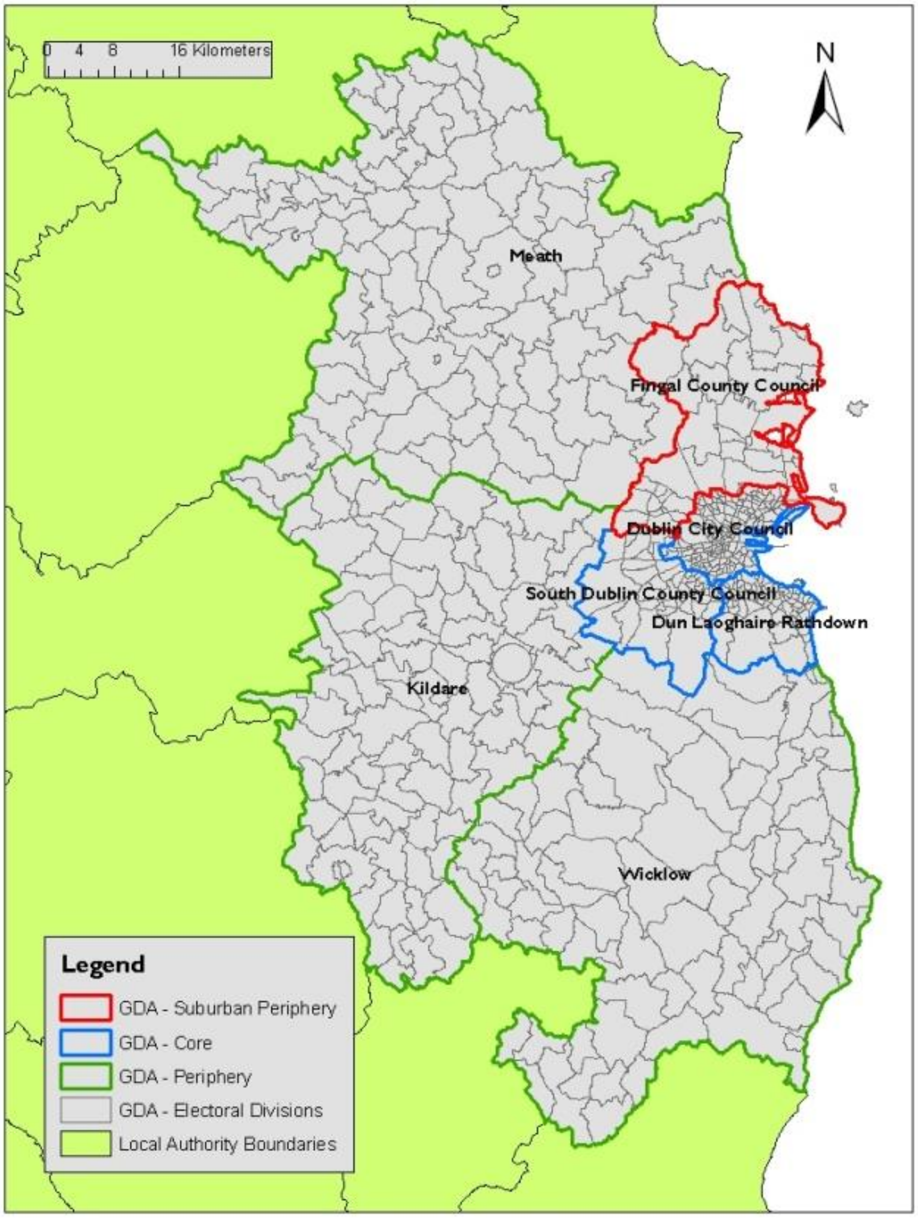
3.0 Methodology

Despite the severity of the Irish property crash, little is known about the effects for households. Disaggregated mortgage lending and arrears data is unavailable from lenders for confidentially reasons, while the Central Bank's arrears data is provided at the banking sector level only. Furthermore, large numbers of households may be struggling to make payments or have borne huge cuts in the quality of their lives, but are not necessarily represented in the arrears statistics. To address this gap, a random sample survey of households was conducted in a focused sub-area of the Greater Dublin Area which focused on mortgage related stress and the responses of households to manage such stress.

The local authority area of Fingal in North Dublin (Map 1) was selected as an appropriate case study location. Over the bubble years Fingal experienced a surge in population, increasing by 22% from 196,413 in 2002 to 239,992 in 2006 (CSO 2006). Housing supply increased dramatically with Fingal accounting for 37,500 of the 168,000 new houses completed in the Greater Dublin Area between 2001 and 2006 (Dept. of Environment Community & Local Govt. various years). Fingal also experienced the largest numeric increase in mortgaged households between 2002 and 2006, increasing by almost 10,000 households or 28%.

A self administered postal survey was developed for a randomly selected sample of the Fingal population from the GeoDirectory database, which provides a quarterly updated address listing of every building in Ireland. Responses from a minimum of 0.75% of the 102,000 households in Fingal were necessary to conduct the analysis and therefore a sample of 5,000 households was needed to achieve approximately 750 responses. A 16 page survey booklet was divided into 5 sections, with households answering demographic and employment/ income sections and one other section based on tenure type. Specific questions for mortgaged households related to mortgage borrowing and cost details; mortgage burden details and a range of financial, budgeting and renegotiation responses.

Map 1 - Greater Dublin Area Local Authorities and Electoral Divisions



The survey responses exceeded best expectations and after data cleaning resulted in 914 surveys. This represents just over 1% of Fingal households for whom a tenure can be identified (CSO various) and provides a response rate of 18.3%. The responses of mortgaged households are broadly representative of the population, while outright owners are over-represented and renters are under-represented (Table 2). The remainder of the paper focuses on the responses from the mortgaged households alone. Descriptive statistics as well as inferential Pearson chi square tests are utilised to examine the extent and drivers of mortgage related stress. In the latter, relationships are only considered significant at the alpha level of 0.05. Survey respondents were also encouraged to provide additional details of mortgage stress on the back page of the survey and where relevant these responses are incorporated in the discussion.

Table 2 - Housing Cost Survey 2012 - Survey Returns by Tenure

Tenure Type	Survey Returns N	Survey % Share	Census 2011 N*	Census % Share
Mortgaged	433	47.4%	43,811	48.2%
Own outright	345	37.7%	21,450	23.6%
Private rented	103	11.3%	20,029	22.0%
Social rented	33	3.6%	5,614	6.2%
Total	914	100.0%	90,904	100.0%

* Comprised of mortgaged households, outright owners and private/ social renters. Those occupied free of rent and not stated excluded

4.0 The Extent and Drivers of Mortgage Market Stress

As discussed by Forrest (2011, 9), "*..standard statistical indicators of housing-market stress, such as arrears or possessions, reveal only the most overt causalities of a housing market crisis and inevitably conceal a mass of households that may be hanging on precariously to homes, jobs and living standards*." In order to capture a better picture of the extent of the Irish mortgage crisis, a number of different indicators of mortgage stress were developed from the existing literature on over-indebtedness; in particular the European Commission's Report "*Towards a Common Operational European Definition of Over-Indebtedness*" (Davydoff, Naacke et al. 2008). The seven indicators and definitions are found in Table 3, alongside the proportion of affected mortgagors from the survey.

Table 3 – Preliminary statistics of incidences of mortgage stress among Fingal households

Indicator	*Definition*	*Mortgaged HHLDs (n)*	*% Share Respondents*
Negative Equity	*Negative equity has or would affect ability to sell*	*206*	*47%*
Burden	*Mortgage payments considered heavy burden*	*155*	*36%*
Affordability	*Household spends >1/3 net income on repayments*	*137*	*32%*
Illiquidity	*Unable meet unexpected expense €985 without borrowing*	*216*	*50%*
Restructured	*Mortgage is currently restructured*	*56*	*13%*
Arrears	*Household is currently in arrears*	*44*	*10%*
Legal Notice	*Legal notice regarding missed payments*	*4*	*1%*

Almost 50% of mortgagors reported that negative equity had or would affect their ability to sell their properties. A further 36% of households reported current mortgage payments as being a heavy burden. While the burden variable is a subjective, self-reported assessment, it is considered a key indicator in assessing over-indebtedness (Davydoff, Naacke et al. 2008). Irish legislation identifies households as experiencing a housing affordability problem if they spend more than 35% of their net monthly income on housing costs (Fahey and Nolan 2005, 85). Thirty-two percent of respondents spend more than one-third of net income on mortgage costs. Household illiquidity is considered a key indicator of over-indebtedness, where the household is unable to meet unexpected expenses from current resources without recourse to borrowing. Fifty per cent of households were unable to meet an unexpected expense of €985 (equivalent to 60% of national median monthly income) without recourse to borrowing. Thirteen percent of respondents had restructured their mortgage, while over 10% of mortgaged respondents indicated they were in arrears. Approximately 1% of respondents have received notice of legal action with their lender.

The drivers of mortgage stress are many and interact in complex ways. Often, there is rarely one event that leads to a mortgage payment problem, but a multitude of factors that interact with each other (Fields, Libman et al. 2010). A number of differing drivers are considered here in turn, namely underwriting practices of the lender, the borrower's employment and income situation and additional financial commitments.

Underwriting and Lending Practices of Lenders

Section 2 demonstrated how the Irish mortgage market expanded among a previously under-served market segment, namely lower income borrowers, at the same time as underwriting criteria became loosened. Loan terms and loan to value ratios were expanded to enable borrowers access an increasingly over-inflated market, at the same time as lenders structurally shifted to lending more variable rate and 'exotic' type mortgages. Survey respondents noted how lender's thresholds for determining eligibility for mortgage credit became increasingly loose as the property bubble expanded:

> "*In 1995 I was allowed to only borrow one and a half times my salary and to show that I had £IR 10,000 in savings. Things got really out of hand after this... People I know were making up figures in terms of income and then borrowing +++ 90% on this falsified figure..." (FTB, Bought 1995)*

Questionable lending practices, such as accepting unverified income levels, may have enabled marginal borrowers access the market without adequate stress-testing of their ability to pay. Some respondents were surprised that they had even qualified for mortgage credit based on their income:

> "*.. I am surprised I got a mortgage based on my salary. I relied heavily on credit cards/ credit union for day to day living. I also borrowed from the bank. .... when my wages decreased.., I found myself back to my 2003 salary with big short term debt" (FTB, bought 2003 was in arrears,).*

Mortgage lenders' agents had perverse incentives to lend larger volumes and values. As Nyberg (2011, 96) details, the management of Irish banks "*embraced a lending sales culture at the expense of prudence and risk management. This view then spread down through the ranks, partly through the effects of volume targets and bonus systems and partly through indoctrination, causing the massive run-up in risky assets*." Survey respondents were asked whether they felt their lender had encouraged them to borrow more (or less) than they thought necessary at the time of origination. This subjective assessment provides, in part, a means of analysing borrowers' perceptions of their lenders' lending practices. Approximately, 18% of respondents consider their lender encouraged them to borrow more, while 4% considered they encouraged them to borrow less and 78% expressed neither opinion. Table 4 outlines the results of chi square tests between respondents' perceptions of their lender's lending practices and whether they are currently experiencing mortgage arrears. There is a highly significant relationship between perception of lending practices and arrears ($P=0.021$). While 18% of the total sample of mortgagors considered their lender encouraged them to borrow more than they thought necessary at the point of origination, this rises to 32% of households in arrears compared to 16% of those not in arrears. While 4% of the sample considered their lender encouraged them to borrow less, none of these respondents were in arrears.

Table 4 - Crosstabulations of perceptions of lender's lending by households' arrears status

	Borrow More		Neither		Borrow Less		Total	Notes
	n	%	n	%	n	%	n	
Mortgage Arrears								
No	63	16%	307	80%	16	4%	386	X^2=7.770
Yes	14	32%	30	68%	0	0%	44	P=0.021
Total	77	18%	337	78%	16	4%	430	

Additional Financial Commitments

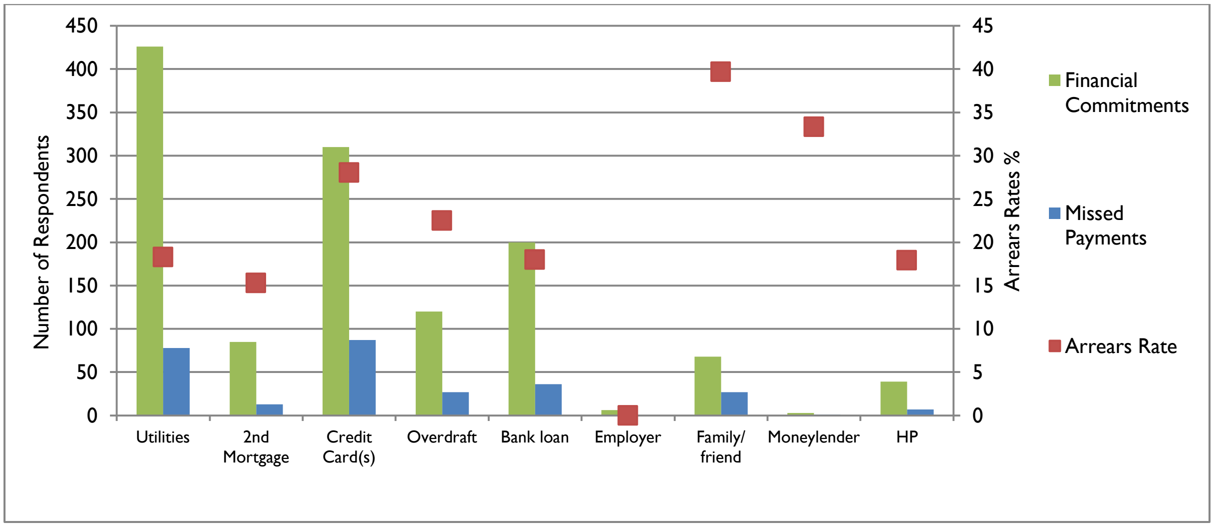
As discussed by Norris and Brooke (2011, 70) one of the key drivers of mortgage arrears among Irish households is multiple indebtedness and financial over commitment. Households in arrears often have difficulties with payments in other financial areas including personal loans, utilities bills and credit card debt. Table 5 outlines that 68% of mortgagors across the full sample have no missed payments on other financial commitments, compared to just 7% of households who are currently in arrears. Households in arrears have also missed payments on a greater number of other commitments than households from the full sample. Twenty-four percent of arrears households have missed payments on one commitment compared to 15% of mortgagors from the full sample. Thirty-one percent of households in arrears have missed payments on 4 or more financial commitments relative to just 4% of mortgagors from across the full sample.

Table 5 - Missed Payments on Other Financial Commitments

	Total Sample		Arrears HHLDs	
	n	%	n	%
No missed payments	287	68%	3	7%
Missed payments on 1 commitment	63	15%	10	24%
Missed payments on 2 commitments	40	9%	12	29%
Missed payments on 3 commitments	16	4%	4	9%
Missed payments on 4 or more commitments	19	4%	13	31%
Total	425	100%	42	100%

Figure 2 outlines the financial commitments households were responsible for by type (green bars), which payments the household was behind on (blue bars) and the arrears rate on each commitment (red square). Respondents could indicate multiple commitments. All households were assumed to have utilities bills (n=426). Credit cards are the next most common commitment (n=310) among respondents, followed by bank loan(s) (n=200) and overdrafts (n=120). Some 85 respondents have a mortgage on a second property, while a further 68 have loans from family and friends. Credit cards account for the largest number of missed payments (n=87) giving an arrears rate of 18%, followed by utilities (n=78) with an arrears rate of 17%. The highest rate of arrears (40%) is evident among loans from family and friends. These are likely the most sympathetic creditors and least likely to enforce repayment and households in financial difficulty will often draw upon wider family financial resources. Fifteen percent of respondents with second properties are in arrears, which compares closely with the 16% rate of arrears on buy to let properties quoted by the Central Bank for June 2012 (Central Bank of Ireland 2013a). An arrears rate of 23% is also noted among respondents with overdrafts.

Figure 2 - Extent of additional financial commitments and missed payments



Employment Situation and Income

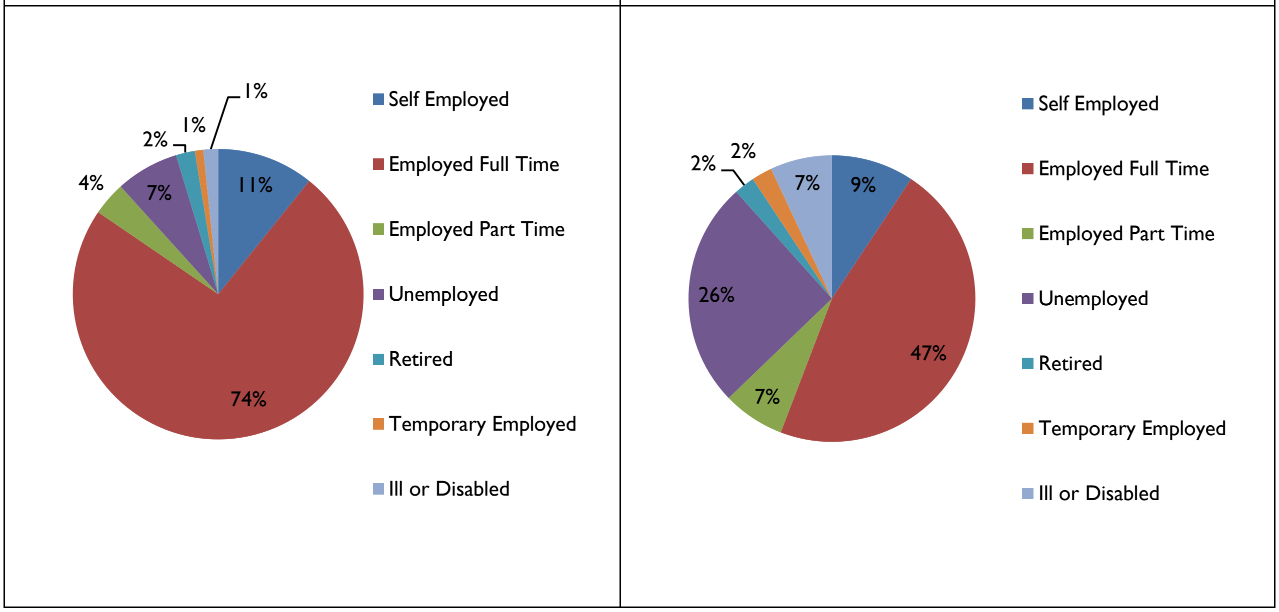
Mortgagors with vulnerable employment statuses, such as the self-employed, temporary/ part time and un-employed, who are more susceptible to income falls during a recessionary period are consistently more vulnerable to arrears (Ford 1998). Census 2011 indicates that 8.7% of total mortgagor households in Ireland (n=50,792) are headed by an unemployed person, an increase of 244% from 2006 (n=14,757) (CSO 2012, 14). Survey respondents in full time employment regularly reported feeling lucky and recognised the hardships of others; however, there was also palpable frustration at the extent of income falls.

> *"Our household is very lucky to have 2 adults full time employed....That said, we have had huge personal adjustments..... loss of earnings to tune of €50 k plus a year since 2008. Our lives are enormously more stressed at work for much less money" (2nd purchaser, bought 2001)*

Across the full sample of mortgagors, most responding household heads are employed full time (74%), while a further 11% are self-employed (Figure 3). Seven percent of respondents are unemployed, while a further 5% are employed part time/ temporary and 3% are retired or not working due to illness/disability. However, among households in arrears, the share of household heads in full time employment drops to 47%. Twenty-six percent of arrears households are headed by an unemployed person and 9% by someone employed part time/ temporary. Those employed in flexible employment forms are disproportionately over-represented among households with mortgage difficulties.

Figure 3 - Respondents by labour force status of household head and respondents in arrears

Percentage share of respondents by labour status of household head	*Percentage share of respondents in mortgage arrears by labour status of household head*



5.0 Coping Strategies and Responses to Mortgage Stress

Recent research has begun to examine the resilience of households facing mortgage stress and their usage of coping strategies in Ireland (Murphy and Scott forthcoming), the UK (Wallace 2011), the US (Ross and Squires 2011) and Australia (Berry, Dalton et al. 2010). Crow (1989) has defined strategic action as that which is conscious, rational, coherent and long term. However, little consensus exists as to what may qualify as a strategy, the nature of the relationship between strategy and agency or the relationship between strategies and rationality. Strategies may be chosen or forced upon by context; choices are often not rational and even chosen strategies can be influenced by constraints (Pickvance and Pickvance 1994). Strategies can take multiple forms based on individual circumstances; including, work and income related approaches, expenditure minimising strategies, family and state assistance approaches, and renegotiation strategies with creditors.

Employment and Income Maximisation

Survey respondents were asked whether difficulties with mortgage payments over the last four years and caused the household to make any employment/ income related decisions. Respondents could select multiple responses from a list of 9 options. As Table 7 outlines, 254 mortgaged respondents have not adopted any employment/ income strategy, and of these 10 respondents are in arrears. In total, 161 mortgaged respondents from the total sample have adopted some form of employment/ income strategy, and of these 34 respondents are in arrears.

Fifty-nine percent of arrears cases who are implementing an employment/ income strategy had applied for welfare entitlements, compared to only 33% of respondents from the total sample. Comparably, 43% of respondents from the full sample indicated they had tried to increase income as part of an employment/ income strategy, while only 29% of respondents in arrears did so. Respondents in arrears were also slightly less likely to have tried to find (extra) employment as part of an income generating strategy (26%) than respondents from the total sample (30%). The spouses/ partners of respondents in arrears were also less likely to have tried to find (extra) employment as part of an income generating strategy (9%) than respondents from the total sample (19%). Respondents in arrears were slightly more likely to have attempted to move abroad for work (6%) than respondents from the total sample (4%), although in both cases the figures are small and need to be treated with caution. An obvious explanation for the lower rate of households seeking employment and increased income among households in arrears is the lack of available employment. Some respondents in arrears may simply have stopped trying to find additional or alternative work, while others may have been discouraged by lower wages, the availability of only part-time hours or by employers seeking younger labour. The eligibility requirements for welfare entitlements could also be a factor determining whether households seek additional work or income.

Table 7 - Employment & Income Responses by Type

Employment/ Income Response	**Total Sample**		**Arrears HHLDs**	
	n	**%**	**n**	**%**
No employment/ income response	254	61%	10	23%
Adopted employment/ income response	161	39%	34	77%
Of which:				
Seek extra employment	48	30%	9	26%
Seek extra income	70	43%	10	29%
Move abroad for work	7	4%	2	6%
Spouse/ partner seek extra employment	30	19%	3	9%
Spouse/ partner seek extra income	24	15%	5	15%
Spouse/ partner move abroad for work	4	2%	1	3%
Apply for social welfare entitlements	53	33%	20	59%

Expenditure Minimisation Strategies

Expenditure minimisation is combined with income maximisation as the primary response of overly indebted mortgagors to manage their financial difficulties. Typically, discretionary spending is cut firstly, such holidays or socialising, followed by cutting back on basic consumption, such as food and clothing. Table 8 sets out the expenditure minimising strategies of total respondents and those households in arrears. Limiting spending on social activities was utilised by 87% of total respondents who adopted an expenditure minimising strategy. This response, however, was less widely adopted by households in arrears, with only 70% identifying it as part of their strategy. Limited spending on household necessities (i.e. food, clothing etc) was noted as part of a strategy for 59% of total responding households, but this rose to 66% for those respondents in arrears. Considering those in arrears are in a more precarious stress situation, it is not surprising that the more penal strategies are more common. Forty-five percent of respondents in arrears identified discontinuing a health insurance policy as part of an expenditure minimising strategy, compared to just 22% of respondents across the entire sample. A far greater proportion of respondents in arrears also utilised their utilities (gas & electricity) sparingly (55%) than responding households across the sample (42%).

The results suggest that households in mortgage difficulty are going to extraordinary lengths to reduce consumption in order to make mortgage payments, or at least partial payments. This is a far cry from the categorisation by some financial sector commentators that between 25% and 40% of arrears cases were driven by disreputable borrowers who were manipulating their true financial position and strategically defaulting on their mortgages to gain debt write downs (Moody's Investors Services 2012; The Irish Times 2012).

Table 8 - Expenditure Minimising Responses by Type

Expenditure Minimising Responses	**Total Sample**		**Arrears HHLDs**	
	n	**%**	**n**	**%**
No expenditure minimising response	141	33%	0	0%
Adopted expenditure minimising response	287	67%	44	100%
→ **Of which:**				
Some bills go unpaid	79	28%	32	73%
Renegotiate household bills	63	22%	19	43%
Use gas/ electricity sparingly	120	42%	24	55%
Discontinue health insurance	63	22%	20	45%
Discontinue child care	20	7%	4	9%
Limit spending on social activities	250	87%	31	70%
Limit spending on household necessities	169	59%	29	66%
Get family assistance with expenses	50	17%	17	39%

Welfare Strategies

One important source of income available to mortgage stressed households is state benefit, particularly those that are unemployed or with low paid work. Surveyed households were asked whether any members were currently receiving welfare entitlements and could indicate multiple responses from a list of 15 of the most common entitlements. Table 9 highlights 41% of total respondents do not access welfare assistance, compared to 24% of households in arrears. That a quarter of households in arrears are not claiming benefits they are likely eligible for is surprising. Often households, even when facing arrears and possession, will not seek assistance out of feelings of pride, a strong work ethic and the perceived stigma attached to being a claimant (Davis and Dhooge 1993, 71). Access difficulties can arise for households unfamiliar with the State bureaucracy, and many can find meeting the thresholds and requirements frustrating (Norris and Brooke 2011,99).

The most common benefit utilised across both groups was child benefit with 75% and 78% of respondents from the total sample and the arrears groups utilising it. Considering Fingal experienced a large increase in its pre-school age population (+72% since 2002) it is perhaps no surprise that child benefit is such a large support (CSO 2012, 20). Households in arrears (25%) utilise mortgage interest supplement (MIS) much more frequently than respondents from the full sample (15%). A much larger proportion of respondents in arrears utilise Jobseeker's Allowance and Benefit (25% and 13% respectively) than respondents from across the full sample (11% and 8% respectively). Furthermore, respondents in arrears utilise illness, disability and carer's benefit (28%) to a greater extent than respondents from the full sample (9%). These figures clearly demonstrate the role of inadequate employment and health effects as explanatory factors in determining arrears.

Table 9 - Welfare entitlements utilised by type

	Total Sample		**Arrears Cases**	
	n	**%**	**n**	**%**
No *welfare entitlements*	166	41%	10	24%
Adopted *welfare entitlements*	240	59%	32	76%
Of which:				
Mortgage interest Supplement	36	15%	8	25%
Rent Supplement	2	1%	0	0%
Child Benefit	180	75%	25	78%
Supplementary Welfare Allowance	2	1%	2	6%
Jobseeker's Benefit	20	8%	4	13%
Jobseeker's Allowance	26	11%	8	25%
JobBridge Scheme	1	0%	0	0%
Back to college initiative for Jobseekers	4	2%	1	3%
Employment Support Services	1	0%	0	0%
Family Income Supplements	5	2%	1	3%
One Parent Family payment	6	3%	4	13%
Illness, Disability or Carer's Benefit	22	9%	9	28%
State Pension	7	3%	0	0%
Widows/ widowers/ surviving civil partner's pension	1	0%	0	0%

6.0 Conclusions

This paper has sought to examine the effects of the Irish property crash and mortgage crisis at the level of the individual household. In doing so, the paper highlights the implications for households that resulted from the neoliberal practices in the housing and banking sectors over the last two decades and calls into question the efficacy and sustainability of the Irish home ownership model. This research has examined the impacts of the crash for all households experiencing mortgage related stress, not just the standard indicators of arrears and possessions, and demonstrates a large contingent of the mortgaged population of Fingal are experiencing impacts in their quality of life to meet mortgage commitments. The chapter examined the drivers of mortgage related stress and corroborates the findings of Ford et al (2001) and Fields et al (2010) that mortgage stress is rarely caused by a single explanatory factor, but by a multitude of inter-relating debt, work, income, health and relationship issues. Key drivers of mortgage stress include the extent of mortgage leveraging by lenders and over-borrowing by households as well as rising unemployment and declining incomes. Those in arrears on their primary mortgage generally were in arrears on other financial commitments like credit cards and personal loans. The result is a large proportion of households are facing serious financial, personal and psychological burdens.

However, the survey evidence also suggests respondents are far from passive about their financial difficulties, particularly the most stressed arrears cases. A high degree of resilience is noted among mortgagors, as many adopted a range of responses to try and maximise employment and income opportunities, while minimising expenditure and tapping resources beyond the immediate homes. This evidence strongly contradicts the 'moral hazard' argument propagated by much of the financial commentariat that many mortgagors are manipulating their financial details to strategically default on their mortgages and gain debt write downs (Moody's Investors Services 2012; The Irish Times 2012). Borrowers are highly inventive regarding developing coping strategies to manage their debt problems but often face insurmountable structural obstacles, such as a moribund labour market, increasing prevalence of low wage work, difficulties accessing welfare supports and negotiating the welfare system and the legacy of extortionate debt which was enabled by reckless lending practices.

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