Mortgage-related issues in a crisis economy: evidence from rural households in Ireland

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Abstract. The recent economic crisis has demonstrated the extent to which households are exposed to the financialisation of advanced economies. Much of the debate surrounding the reasons for the crisis has centred on the role of neoliberal policies and particularly lax mortgage lending practices among financial institutions. This paper explores how neoliberal ideas were applied to property and development during the Irish house-building boom. Drawing on questionnaire survey data across five case study locations, it examines the mortgage practices of rural households during the boom period and their existing conditions in the current burst. In addition, the impacts and consequences of the neoliberalisation of the rural mortgage market for rural households within the context of the failure of these policies, a major housing crash and a neoliberal policy fix based on severe austerity measures is examined. Our results point towards the extreme hardship and stress being felt by rural households and highlight, through the lens of rural housing, the extent to which the practices and consequences of neoliberal policy in the mortgage arena are varied spatially in rural areas.

Introduction

> 'The free market project is on the ropes. Never before has the question of neoliberalism's political, economic, and social role – culpability might be a better word – been debated with such urgency, so globally, and in such a public manner' (Peck et al. 2009, p. 94).

Since 2007, global housing and financial markets have experienced one of the greatest periods of volatility and uncertainty in modern history (Scanlon et al., 2011). Initially, the crisis was centred on the banking sector and the so-called credit crunch, with its roots in the sub-prime mortgage lending practices in the US leading to bank failures and plummeting stock markets (Gotham, 2009). This has been swiftly followed by a sovereign debt crisis in Europe (notably in Greece, Portugal and Ireland) the wider risk of contagion to larger economies (such as Spain and Italy), and the emergence of a political discourse focusing on fiscal discipline through (mainly) reductions in the level of public services and a retraction of traditional welfare state measures. Essentially, a new politics of austerity (Kitson et al., 2011) has emerged in which the global financial crisis has been interpreted as a crisis of neoliberal governance (Peck et al., 2009). Across Europe, for example, political parties associated with neoliberal reforms and austerity programmes have been voted out of government in Ireland, Spain, Greece and most recently France; the Dutch coalition recently collapsed in the face of further economic uncertainty, while in the UK, shareholders have increasingly challenged the behaviour of corporate elites, dubbed rather optimistically by *The Guardian* newspaper as the 'shareholder spring'. It is notable though that in many of these nations, including Ireland, parties associated largely with neoliberal reforms have not been replaced by those with radical anti-neoliberal tendencies.

Within Ireland, which is the focus of this paper, the fall-out from the financial crisis has been dramatic, particularly in relation to a boom and bust within the housing and property sector. Throughout the so-called Celtic Tiger years, the Irish economy became increasingly focused and reliant on property, facilitated by neoliberal tendencies within the deregulation and re-regulation of the financial/banking sector and within the land-use planning regime. Ireland's economic growth in the 1990s was swiftly followed (after 2000) by a housing and construction boom, characterised by rapidly increasing house prices, a massive increase in house building, and a concentration of the economy in the construction sector. As Kitchen et al. (2010) observe the subsequent collapse of the property and banking sectors has led to a contraction in the wider economy, with the drying up of credit, markets and tax revenue, leading to severe pressure on the public finances; an extensive bank bailout, including the establishment of the National Assets Management Authority (NAMA) that has acquired €88bn of property debt; and bank recapitalisation and nationalisation. The consequences of this collapse have further led to a joint EU/IMF bailout (2008) of over €67 billion and the introduction of severe austerity measures across the public sector and for public service delivery (Drudy and Collins, 2011).

At a household level, house prices are 50 per cent lower than their highest level in 2007; house prices in Dublin are 55 per cent lower (apartments are 60 per cent lower) while house prices outside Dublin are 47 per cent lower (CSO, 2012a). Unemployment levels have risen to 14.3 per cent (CSO, 2012b), and emigration has re-emerged as a characteristic feature of Irish life; for example, between May 2009-April 2010, official estimates suggest that 65,300 people emigrated, with a further 76,400 emigrating from May 2010-April 2011 (CSO, 2011). The Irish Central Bank (2012) highlight that by the end of March 2012 there were 764138 private residential mortgage accounts in Ireland, with 77630 accounts in arrears for more than 90 days – 10 per cent of the mortgage market. In addition, a further 79712 mortgage accounts have been 'restructured' to address repayment difficulties. Together, mortgages that have been restructured or are in arrears represent 15.2 per cent of the total residential mortgage market, prompting the current coalition government to establish an 'expert working group' to report on mortgage debt.

The primary aims of this paper then are to understand how neoliberal ideas were applied to property and development during the Irish house-building boom, and drawing on survey data, to examine the mortgage practices of rural households across five case study locations and the existing implications of mortgage-related issues for households. The focus on *rural* localities and households is for the following reasons: firstly, rural localities were far from immune from the Irish construction boom, and speculative house-building was a significant feature across rural Ireland during the Celtic Tiger years. Secondly, a surge in credit to developers and pro-development land-use regulation in rural localities resulted in widespread over-zoning for residential purposes (An Taisce, 2012) and significant over-development (Kitchen et al., 2010) dislocated from actual housing demand, resulting in rural households being exposed to an increased risk of negative equity due to excess housing supply. And thirdly, there is a significant gap in our understanding of neoliberalising tendencies in rural space, with analyses limited primarily to the agricultural sector (e.g. Dibden et al., 2009; Shucksmith and Rønningen, 2011) and agri-environmental management (Hodge and Adams, 2012). In this paper we seek to extend this analysis to property and land regulation focusing on the mortgage practices of households during the boom period and the impacts and consequences of the neoliberalisation of the rural mortgage market for rural households within the context of the failure of these policies, a major housing crash and a neoliberal policy fix based on severe austerity measures.

Neoliberalising home ownership

The political-economic ideas of neoliberalism have become deeply entrenched within public administration in most parts of the world (Sager, 2011) with profound socio-spatial consequences as increasingly the belief that the market should discipline politics at a variety of spatial scales has become adopted as orthodoxy (Jessop, 2002). While in danger of becoming a 'rascal concept' (Brenner et al., 2010a), neoliberalism has also become dominant within social sciences as a powerful lens to examine regulatory transformation and socio-spatial change processes. The extensive literature on neoliberalism, seeks to explore the shifting relations and balance between the state and market, as market ideology has become increasingly dominant within spheres of action traditionally led by government. This shifting balance has been characterised as both 'roll-back' and 'roll-out' neoliberalism (Peck and Tickell, 2002), combining both a commitment to extending markets while also deploying state power in the pursuit of market interests as a form of meta-regulation. In a recent paper, Brenner et al. (2010b, p. 330) provide additional clarity in relation to defining the characteristics of neoliberalism as follows:

> 'Neoliberalism represents an *historically specific, unevenly developed, hybrid, patterned tendency of market-disciplinary regulatory restructuring*' (italics in original).

As further outlined by Brenner et al. (pp. 331-332), this definition implies (in summary):

- Neoliberalism as a form of regulatory reorganisation to impose, extend and consolidate marketised commodified forms of social life;
- The process of neoliberalisation has been deployed unevenly across places and scales, resulting from continuously evolving neoliberalisation projects overlapping with inherited politico-institutional arrangements at global, national and local levels;
- Neoliberalisation is one of several competing processes of regulatory restructuring;
- Neoliberalisation is never manifested in 'pure form', but rather can only be articulated in 'incomplete, hybrid modalities';
- Processes of neoliberalisation have generated significant and markedly patterned cumulative effects upon the spatial reorganisation and regulation of capitalism.

Therefore, for Brenner et al., neoliberalisation is defined as a 'variegated, geographically uneven and path dependent process' (2010b, p. 327). These themes are further elaborated by Peck et al. (2009), highlighting that hybrid forms and path dependency emerge as key to understanding neoliberalising practices as neoliberal projects interact and overlap with inherited institutions, rules and cultures, and local trajectories, to form 'hybrid assemblages'. The hybrid nature of neoliberal projects has led Castree (2008), in his work on neoliberalising nature, to highlight that researchers now take as self-evident that they are exploring variable processes of neoliberal*isation* rather than a fixed end point of neoliberalism. Similarly, Sager (2011), drawing on Peck et al. (2009), outlines that no country has implemented a prototype of neoliberalism featuring all its theoretical characteristics in ideal form, again emphasising the hybrid nature of neoliberalisation. This theme will be further addressed below in relation to the Ireland case, as the deployment of neoliberalising practices collided and overlapped with traditional attitudes to regulation and development within national and local political institutions.

In the aftermath of the housing and financial crisis of 2007/08, critiques of neoliberal practices have placed a spotlight on the role of deregulation and re-regulation of capital and development as a cause of the global recession. A key theme within this work has been the 'financialisation' of mortgage markets and homeownership, referring to a pattern of accumulation in which profit making occurs increasingly through financial channels rather than through trade and commodity production (Aalbers, 2009a). While housing systems vary considerably across the globe, research has increasingly focused on the role of the globalisation of the financial sector to both reallocate resources globally and to create asset and property bubbles by the switching of capital from the primary circuit of capital (manufacturing and industrial production) into a secondary circuit of real estate investment (Harvey, 2011). In this context, Aalbers (2008) argues that mortgage markets have been transformed from being a ‘facilitating market’ for homeowners in need of credit to one which increasingly facilitates global investment whereby not only homes but also homeowners are viewed as financially exploitable. Research in this area, for example, has focused on the linking of mortgage markets and stock markets through so-called securitisation investment vehicles (Gotham, 2009; Wainwright, 2009) originating in the US subprime market, and globalisation of mortgage markets as a result of the financialisation of borrowers and markets and a globalisation of mortgage lenders (Aalbers, 2009b; Heijden et al, 2011). In the case of Ireland, while securitisation instruments were not widely used and ‘played little or no part in our banking crisis’ (Whelan, 2010, p.243), the mortgage lending sector was heavily deregulated (Norris and Winston, 2011). More broadly though, the transformation of mortgage markets along the lines suggested by Aalbers (2008) has had profound effects on housing markets and the creation of housing bubbles. For example, while the mortgage market is related to the extension of the owner-occupied sector, Aalbers (2009a) argues that the mortgage market, in the first instance, fuelled the housing bubble. House prices increased because the changing nature of mortgage lending allowed borrowers to buy more expensive homes; in turn, this expansion of the mortgage market resulted in higher prices forcing people to take out ever bigger loans and “in this sense the mortgage market created its own expansion” (Aalbers, 2009a, p. 286).

This expansion of credit and the mortgage market led to rapid house price increases throughout the industrialised world over the last decade: between 1995 and 2006, real house prices rose in Ireland by 180 per cent, 133 per cent in the UK, 105 per cent in Spain, 90 per cent in Australia, 99 per cent in France, 104 per cent in Sweden, 93 per cent in the Netherlands, 69 per cent in the US and 52 per cent in Canada (Kim and Renaud, 2009). These rapid price increases are also associated with the rapid build up of mortgage debt over the last two decades; for example, Meen (2011) outlines that mortgage debt in the UK as a percentage of household income is now four times higher than at the start of the 1970s. At the household scale, the expansion of the mortgage market was facilitated by shifting bank lending practices and ‘new mortgage products’ including mortgages with longer durations than the traditional 20-25 years, an increase in loan-to-value ratios and the introduction of 100 per cent mortgages (i.e. no deposit required) (Duffy, 2010). Furthermore, household borrowing against rising property values and the direct extraction of housing equity enabled households to maintain and expand consumption (Forrest and Hirayama, 2009), a notable factor in fuelling second home ownership and buy-to-let property investment (which itself often crossed transnational boundaries).

While a restructuring of the mortgage market led to a surge in credit to existing or potential homeowners and buy-to-let investors fuelling a demand for property, a further dimension of the neoliberalising of home ownership related to the control of new residential development through the land-use regulation system. In a comprehensive review of neo-liberal planning policies, Sager (2011) charts the widespread neoliberalising of planning practice across a range of policy processes, including the use of public-private partnerships in infrastructure provision, ‘business friendly’ and ‘flexible’ land-use zoning, property-led regeneration, ‘fast track’ planning legislation, and the liberalisation of housing markets. While neoliberal ideas have become embedded across planning systems, Sager outlines the varied nature and spatially diverse application of neoliberal practices which overlap with established political and planning cultures. In the next section we further discuss how these practices have influenced the role of the planning system in regulating, controlling or facilitating house-building in Ireland.

The Irish context

Since the mid 1990s, Irish society has been transformed by economic growth and the so-called and well-documented ‘Celtic Tiger’ phenomena. While Ireland’s initial economic success was based on foreign direct investment, low corporation tax and an expanding IT and financial services sector (Breathnach, 1998; Clinch et al. 2002), increasingly the economy became heavily reliant on the construction sector and a speculative property boom (Kelly, 2010). As Whelan (2010) highlights, as annual house construction soared from 19,000 in 1990 to 93,000 in 2006, building construction became the dominant sector in the Irish economy, accounting for 13.3 per cent of all employment (the highest share in the OECD). Significantly, in parallel to this construction boom, the Irish housing market was also characterised by rapidly rising house prices: annual house price growth jumped from 8 per cent per annum between 1990 and 1993 to 22 per cent per annum between 1996 and 2002 (Norris and Winston, 2011). Rapid housing construction was not only a feature of Irish urban centres, but rural areas also witnessed rapid change. For example, over one quarter of the housing units built between 1991 and 2002 were detached dwellings in the open countryside (Walsh et al., 2007). Similarly, over the last decade, rural towns and villages within commuting distance of larger urban centres have also witnessed a rapid expansion of house-building activity (Meredith, 2007).

However, the rapid surge in credit availability in the Irish property market only occurred after financial deregulation which is a typical neoliberal policy prescription. These included (see Fitzpatrick and McQuinn, 2007; Addison-Smyth et al, 2009):

- Ending of formal Central Bank guidelines on bank lending to the private sector and guidelines on the sectoral allocation of credit by banks[1]
- The introduction of new interest rate arrangements in 1985
- A major relaxation in exchange controls in 1988 and a further relaxation in 1992
- The primary liquidity ratio was liberalised by being reduced four times from a level of 10% in 1991 to 2% in 1999

The removal of interest rate and credit controls gave banks much more freedom to determine the level of credit allocation they wanted to supply than they had in the past. In addition, the removal of exchange controls increased banks’ ability to attract non-domestic deposits while the Eurosystem framework allowed banks seemingly unlimited access to external funding. These regulatory changes also allowed building societies to expand into commercial property (as opposed to residential mortgages) and this was followed by a significant rise in the riskiness of balance sheets (Regling and Watson, 2010). A further feature of the liberalisation of the Irish financial system was the move toward little or no bank supervision. As asserted by Regling and Watson (2010, 37) ‘[Supervisors] moved to rely more on banks’ own risk assessment systems and to supervise processes and principles, with some moving very far in the direction not just of “principles-based” but of “light-touch” supervision’. Regling and Watson (2010) describe the property boom as ‘bank-led’, with new entrants to the mortgage market competing aggressively and stimulating demand with ‘innovations’ such as 100 per cent loan-to-value mortgages; mortgage brokers paying little attention to real credit trustworthiness of the borrower; and a distinct decline in loan appraisal quality while lending criteria moved away from income multiples to a limit based on the ratio of mortgage service cost to income. Between 2000 and 2007 mortgage credit outstanding in Ireland rose by over 300% and the Irish mortgage debt to GDP ratio was 80% in 2008; far higher than the EU 27 average of 50% (Norris and Coates, 2010). The massive expansion was noted by the Irish

[1] Prior to the ending of this arrangement, the Central Bank had consistently favoured the supply of credit to productive enterprises and discouraged its supply to the property market which it considered unproductive (Addison-Smyth et al, 2009)

Central bank in 2006 who asserted that the '…rapid accumulation of credit poses a concern for financial stability' (Central Bank and Financial Services Authority of Ireland, 2006, p.9) but these warnings were not heeded. Effectively, the 'problems lay in plain vanilla property lending' (Watson and Regling, 2010, p.29), especially to commercial real estate, and were facilitated by heavy non-deposit funding, and in governance weaknesses. Moreover, much of the growth in lending was driven by investors, not home owners; among home owners, buyers in the Dublin commuter belt took out the bulk of large mortgages (Norris and Winston, 2010).

While the housing and property boom were primarily driven by the banking and financial sector, speculative house-building has also been facilitated by neoliberalising tendencies within the land-use planning regime in Ireland whereby the central and local state became an active supporter and enabler of development interests (Scott et al., 2012). At a national level, Fox-Rodgers et al. (2011) have illustrated the gradual 'entrepreneurial shift' and neoliberalisation of the legislative framework for Irish planning, leading to an increasingly overt facilitation of development interests and indirectly encouraging speculation in the property development sector. These include moving toward fast track planning decision-making and reducing the opportunities for public involvement in the planning process.

This enabling agenda can also be seen in the introduction of tax incentives to promote development. While tax incentives have been primarily used to promote property-led urban regeneration schemes, similar approaches have also been transferred to rural contexts since the late 1990s. For example, in an effort to tackle rural depopulation and stir development in a rural region in the north-west of the country, the Irish government introduced a rural regeneration tax incentive scheme, known as the Rural Renewal Scheme (RRS). The scheme aimed at bringing new residents into the declining rural area by sponsoring new development (residential and commercial) through tax relief allowing the construction or refurbishment costs of business premises or dwellings for owner-occupation or rent in the designated rural area to be off-set against income or business tax. The RRS cost an average €90.6 million per year between 1999 and 2004, which is significant compared to public spending for other area-based rural development programmes in the country and subsidised in total 1,876 developments by the end of 2004, 79 per cent of which were newly built residential developments (Goodbody Economic Consultants, 2005). However, Gkartzios and Norris (2011) have been fiercely critical of the scheme, which they argue contributed to the oversupply of housing, which in turn has contributed to high rates of vacant houses in the area and has raised questions about the appropriateness of property-led regeneration in rural areas in Ireland, particularly in the context of a house-building boom.

At the local scale, a number of authors have also traced the emergence and entrenchment of an entrepreneurial approach to local planning in Ireland since the mid 1980s, especially as it relates to urban development processes (McGuirk, 1994, 1995, 2000; McGuirk and MacLaran 2001; MacLaran and Williams, 2003; Bartley and Treadwell Shine, 2003; Fox-Rogers et al, 2011). McGuirk (1994, 1995, 2000), for example, illustrates that planners themselves became increasingly facilitative of development goals and began to assume a more entrepreneurial attitude to development proposals as the scale and pace of economic growth in Ireland placed local authorities under immense pressure to permit rapid development of housing and associated development. Consequently, local development plans have become more flexible and pro-development. Similarly, within the development control process, planners increasingly facilitated development to lever developer contributions, increasingly need to support wider local planning objectives (Russell, 2011).

Although planning reform and planning practice have been influenced increasingly by neoliberal tendencies, this process overlapped with an existing planning system and a longstanding local political culture characterised by pro-development attitudes (particularly in rural areas). Traditionally, within rural areas the planning system has been facilitative of new development, reflecting historically high levels of out-migration and a lack of development pressure in the Irish countryside. Indeed, the scar of past rural depopulation has ingrained into a local political culture an ethos of celebrating physical development in the countryside as a visible indicator of community health (Scott, 2012). This standpoint has led to the operation of a lax or laissez-faire rural planning system (Duffy, 2000; Gallent et al., 2003) which has facilitated the growth of dispersed dwellings in the open countryside (McGrath, 1998). This rural planning regime has been reinforced by a local political culture characterised by clientelism, whereby locally elected representatives lobby for individual applicants to achieve planning permission as a form of servicing of constituents (or potential constituents) that politicians must heavily invest in if they are to hold their seats (Curtin and Varley, 2002). In an Irish context, the combination of increasingly neoliberal planning practices and longstanding attitudes towards regulation and development in rural localities represents an example of the ‘hybrid assemblages’ identified by Peck et al. (2009).

Within this hybrid assemblage in rural Ireland, diverse pathways have emerged in relation to home ownership and housing supply. Historically, a distinctive and enduring feature of housing in rural Ireland is the overwhelming dominance of home ownership over other tenures, with Finnerty et al. (2003) noting that in rural localities there is an almost exclusive attachment to home ownership, with few rental (private or public) options. This has been facilitated by a relatively ‘benign’ regulatory approach to housing in rural areas since the formation of the Irish State, which prioritised asset ownership over welfare provision – for example, the 1936 Labourers’ Act accorded rural social housing tenants the right-to-buy their dwellings on subsidised terms (Norris and Fahy, 2011). Of more significance, however, is that the rural housing supply system has traditionally tended to operate on a ‘self-build’ basis: i.e. houses that are not ready-built by a speculative builder or bought on the second hand market (Clapham et al., 1993). Often this process takes place whereby an owner-occupier would gain access to a site for a single rural house, often through the open market but also more often from a family relation (usually a farmer), and develop the property through the investment of ‘sweat equity’ and inhabit it after completion (Gkartzios and Scott, 2012). In this context, Ireland has much in common with southern European countries, whereby rural housing provision tends to be characterised by informal arrangements and weak state regulation, and the family is prioritised over the state in welfare provision and housing production (Gallent et al., 2003). Acquiring land through relatives and coordinating a self-build significantly reduces the cost of housing provision for rural dwellers (Clinch et al., 2003).

However, with an increase in demand for a ‘house in the country’ during the Celtic Tiger era from both displaced urbanisation (due to acute affordability issues in Dublin) and amenity-led and lifestyle rural in-migration (see for example, Gkartzios and Scott, 2010, 2012), housing supply processes became increasingly diversified. In addition to self-build homes by locals, these include self-build of single rural dwellings by non-locals, with sites purchased on the open market or through direct negotiation with land-owner/farmer, often in competition with local residents. Historically, single rural dwellings tended to be concentrated in peripheral rural areas; however, analysis by Keaveney (2007) suggests that since the 1990s the construction of single rural dwellings has become more concentrated in peri-urban or accessible rural areas and within scenic coastal locations. Moreover, as Keaveney notes, somewhat ironically, while average family size has fallen significantly in recent years, the size of new rural housing units is increasing. Moreover, speculative developer-led housing estates became more common in rural locations, including small-scale suburban style housing estates in rural towns and villages or a small cluster of houses in the open countryside (Gkartzios and Scott, 2012). For example, towns with a population of 5,000-9,999 people witnessed a 24.2 per cent increase in population between 1996 and 2002 and towns of 1,500-2,999 people saw a 19 per cent increase over the same period (Scott et al., 2005). The greatest concentration of these developments has taken place in the extended commuter belts of the primary urban centres, particularly in counties in the outer commuter belt of Dublin (McCarthy et al., 2003; NESC, 2004). Research by Mahon (2007) suggests that, although residential development in these fringe locations is often driven by nearby urban centres, the representation of rurality is central in the conceptualisation of place by home-owners, who largely interpret and experience fringe areas as broadly rural places.

While self-build houses are developed to satisfy an individual demand assisted by traditionally clinetelist local politics (Scott, 2008; Scott and Murray, 2009), the increase in speculative developer-led housing has been facilitated by an increasingly entrepreneurial and enabling planning regime (Fox-Rodgers et al., 2011; Kitchen et al., 2010). One of the consequences of this enabling planning regime has been the mismatch between housing demand and over supply of housing. Studies by Kitchen et al. (2010) and Williams et al (2010) estimate that vacant houses including holiday homes is over 300,000; and just over 288,000 if holidays homes are excluded, and a total potential for over-supply (excluding holiday homes) of between 103,000 and 170,000. Over-supply has been a significant feature in many rural local authority areas, with the emergence of so-called 'Ghost estates' – defined by Kitchen et al. as housing estates where 50 per cent of the properties are either vacant or under construction. Kitchen et al. estimate 620 'ghost estates' across Ireland, with particular concentrations within more remote rural areas, such as counties Longford, Leitrim and Roscommon. The Department of Environment, Community and Local Government's Advisory Group on Unfinished Development (2011) further estimate 1,655 unfinished housing developments across Ireland. Moreover, a recent report by *An Taisce* (the Irish National Trust) illustrates the extent of over-zoning for housing in rural counties (An Taisce, 2012). The report highlights, for example, that County Donegal had approximately 2,250 hectares of residential zoned land in 2010, sufficient for an additional population of 180,000 people (an almost doubling in its population). Despite this, approximately 50% of all residential planning permissions in Donegal over the past decade were granted on unzoned land, typically as single houses in the open countryside. While various policy actors have attempted to pursue their own interests through the policy and planning process, limited attention has been given to the implications of development for rural residents.

These diverse pathways to home-ownership in rural localities raise key issues in relation to the impact of the financial crisis and wider trends of financialisation of home ownership. For example, it may be the case that a traditional reliance on self-build and family networks has enabled some rural households to reduce their exposure to the wider economic crisis by reducing the costs of home ownership, leading to smaller mortgages and less household debt. In this sense, the widespread self-build approach could potentially enhance the resilience of rural localities in the face of the economic crisis. However, the trend towards building larger houses in the self-build process (as documented by Keaveney, 2007) may be an indication of households who increased debt to satisfy a desire for increased living and external space. For households without access (e.g. through family connections) to land for self provision of housing, the reliance on developer-led housing may suggest additional household debt through higher house prices.

Methodology

As stated already, the core objective of the research was explore mortgage-related issues among rural households in Ireland. To do this, we were interested in investigating a number of issues including the overall proportion of mortgaged households, current mortgage repayments, deposit requirements for home purchase, perceptions of repayment difficulties in the current economic climate, perceptions of stress associated with making repayments as well as the extent of re-mortgaging among rural households. While we were interested in the nature of these results in a broad sense, we were also eager to assess the extent to which they varied by location and thus also by rates of housing oversupply/overdevelopment in rural areas. Given the neo-liberalisation of the mortgage and financial markets in Ireland over the last decade or so, we were anxious to assess the mortgage practices for rural households in individual case study locations as well as the existing situation of households with respect to their mortgages within the context of the ongoing economic crisis, a housing crash with little historical parallel in advanced economies and existing polices of austerity at the national level.

Table 1. Estimated years of housing oversupply in selected counties in the Republic of Ireland

Figure 1. Selected rural case study locations

Bearing that in mind, the overall research design had two main components: (1) selecting the case study locations and the overall sampling strategy; and (2) designing and administering the questionnaire survey. Thus, the first step in our approach was to select case study locations and they were chosen on the basis of two key criteria. First, rural case study locations were defined to be any county beyond designated cities within the Republic of Ireland. Thus, the major cities and surrounding suburbs of counties Cork, Galway, Waterford, Kilkenny and Limerick were excluded. The entire Greater Dublin Area was also excluded for similar reasons. Second, locations with varying degrees of housing oversupply were selected in an attempt, insofar as was possible, to avoid bias entering the results from varying dynamics of supply and demand in each county and their associated economic consequences but also to examine whether housing oversupply was linked to greater mortgage and financial difficulties in the aftermath of the Irish housing crash. To this end, information on estimated housing oversupply from Kitchin et al (2010) was used to select case study locations with high, moderate and low years of oversupply (Table 1). Two case study locations each from the high and low oversupply cohort were randomly chosen; one location was randomly chosen from the moderate cohort. The selected case study locations are designated with an asterix in Table 1 and are shown geographically in Figure 1.

We chose a quantitative analysis approach using questionnaire survey data primarily because we wanted to undertake inference testing to examine the relationships between a number of key variables but also because this approach allowed us to generalise more broadly about the nature of the results emerging. To this end, Pearson chi-square tests were undertaken to examine whether statistically significant relationships existed between variables included in our study. For this type of analysis, we only considered relationships to be significant at an alpha level of 0.05, as is standard for inference testing in the social sciences (see Sterne and Davey-Smith, 2001). We also used broad descriptive statistics to shed light upon the nature of the mortgage-related issues in our case study areas.

Given that the focus of the research was on exploring mortgage-related issues among rural households in Ireland a questionnaire survey was designed investigating these issues including the overall proportion of mortgaged households, current mortgage repayments, deposit requirements for home purchase, perceptions of repayment difficulties in the current economic climate, perceptions of stress associated with making repayments as well as the extent of re-mortgaging among rural households among other socio-economic issues. Given that the survey was dealing with sensitive financial issues many of the questions were designed as closed questions with only a few open-ended questions in order to maximise the possibility of interviewees completing the questions. The questionnaire surveys were interviewer-administered at selected case study locations between July and August 2010.

Table 2. Rural settlement typology and survey responses

A sampling strategy was devised to select respondents within each of the five case study locations. Given the time and financial resources available for the study, an ambitious target of achieving 180 responses using a random stratified sampling approach within each case study location was set – a total of 900 responses. Within each location, it was necessary (for obvious reasons) to ensure that only rural settlements were targeted for analysis. Thus rural settlements were stratified according to a rural typology used in recent studies of rural planning in Ireland (see Scott, 2010) and houses were randomly sampled within these strata. In addition, only households who bought homes post-2000 were selected for inclusion as those were considered to be the households with a greater propensity to be suffering negative equity and its associated consequences given that the major house price boom occurred after this period. While the sampling within the strata was random, upper guideline limits were placed on the number of responses in each strata given the constraints alluded to earlier. Overall, a total of 753 responses were achieved. The stratification system and a breakdown of the total number of responses in each rural settlement strata is shown in Table 2. Despite the large number of respondents overall to the survey, the response rate to mortgage-related questions was in the region of 50 per cent indicating the reluctance of many respondents to disclose more sensitive information.

Results

Table 3 provides contextual results relating to the type of tenure in the various case study locations. The results show that the vast majority of rural households own their home outright without a mortgage (56.9%) while only 15.4% own their home with a mortgage and 27.6% rent. The figures are interesting because they show that a large proportion of rural households who purchased their home after the year 2000 actually purchased it without any financing; in fact, those who have financing on their home are very much a minority. The corresponding figures for the whole country are 35.2%, 36.4% and 29.5% who own their home without a mortgage, with a mortgage and rent respectively. This implies that ordinary rural households were quite conservative in their financial practices which may have implications for the extent of repossessions and the level of financial hardship being felt by rural dwellers when compared to their urban counterparts. In effect, it suggests that the financialisation of the housing market and neoliberal lending practices associated with that process may have been pushed to a greater extent at the urban housing market. This would conform closely to Harvey’s (1987) interpretation of urban areas as the primary focus and outlet for the process of capital accumulation. Moreover, in an Irish context, the results also tally with the analysis of Norris and Winston (2010) who found that mortgaged households were more common in the Dublin Region than elsewhere during the boom period.

Table 3. Relationship between case study location and tenure

In more specific terms, the results show that the highest rate of home ownership with a mortgage is in Wexford (28.2%) while the lowest rate is in Longford (8.8%); the corresponding locations for highest and lowest rates of home ownership without a mortgage are Offaly (70.8%) and Wexford (45.0%). These results are somewhat counter-intuitive in than one might have expected the counties with the highest rates of oversupply/overdevelopment to be associated with higher rates of mortgaged homes and vice versa; one also would have expected higher rates of homes without mortgages in the counties with less overdevelopment given the restrictions on supply in those locations in relative terms. However, as can be seen from Table 3, this did not turn out to be the case indicating that no real relationship exists between tenure and the rates of oversupply in the rural areas considered in our study.

Table 4. Relationship between case study location and monthly mortgage repayments (€)

Table 4 shows the relationship between case study location and the extent of mortgage repayments for a number of categories. Overall the results show (using a chi-square test) that no significant relationship (p=0.215) exists between case study location and average monthly mortgage repayments among rural households. This implies that the mortgages received in each location were more or less consistent and that no one location had a particularly high or low level in relative terms. In addition, it is interesting that 70.2% of monthly mortgage repayments fall within the 500-1000 euro category indicating that the monthly repayments of the vast majority of homes that were bought after 2000 were actually quite conservative and financially sustainable relative to the national average industrial wage (c.€42000). In fact, only 15.8% of households had mortgage repayments greater than €1000 euro each month which is somewhat surprising given the prevailing rhetoric in the Irish mainstream media and general popular opinion which suggests that the average Irish household 'got completely carried away' during the 'Celtic Tiger' economic boom period. The results suggest that for rural households at least, this is not the case.

Table 5. Relationship between case study location and deposit requirements

Table 5 shows the relationship between case study location and the deposit requirements placed on mortgage holders by financial institutions for home purchase. Looking at the results overall it can be seen that 18.7% of respondents with a mortgage purchased their home with 100% finance. This highlights the profligacy with which financial institutions lent money during the post-2000 period and highlights why Irish (and foreign) financial institutions became insolvent after the housing crash. The results conform to notions in the literature which suggest that the deregulation of mortgage markets under neoliberal policies fuelled the housing bubble (see Aalbers, 2009a). A large proportion of the mortgaged properties now have a value of less than half of what household's paid for them (CSO, 2012). Thus, institutions that provided 100% mortgages have suffered huge write-downs on the values of those assets after the housing crash leading to their insolvency. It is interesting also that almost half (46.8%) of households provided a 10% deposit to purchase their home indicating once again that a significant number of household's did not over borrow substantially. However, given that the properties they were buying were significantly over valued at this time, those individuals are still likely to be in significant negative equity.

The results (using a chi-square test) also show that there is a significant relationship (p=0.000) between case study locations and deposit requirements of financial institutions. In particular it can be seen that Offaly has the highest proportions of households with a 100% mortgage (43.9%) while Monaghan has the least (11.1%); Wexford has the highest proportion of households with a 10% deposit (61.8%) while Offaly has the least (39.8%). This would appear to suggest that the mortgages practices of financial institutions in some counties were more prudent than in others; the data also suggests that while there is a significant relationship between case study location and deposit requirements, this relationship does not appear to relate to the level of oversupply in each county.

Table 6. Relationship between case study location and mortgage multiple of annual household income

Table 6 shows the relationship between case study location and the mortgage multiple of annual household income. The results reveal that a significant relationship exists between residential location and the multiples of annual household income provided for mortgages (p=0.005). The largest proportion of more 'risky' loan multiples of greater than or equal to 4 times annual household income was in Monaghan (20.9%) while the smallest was in Wexford (7.1%). In overall terms, it can be seen that 85.9% of respondents have loans of <=4 times their annual household income while 14.1% have loan multiples of greater than 4 times annual household income. As with previous results, this suggests that households were not overly exuberant when deciding upon mortgage finance for their home, at least relative to their household income at the time of home purchase. The fact that household income has deteriorated to such a significant extent over the last number of years is likely why many households are in mortgage difficulty in many rural areas.

Table 7. Relationship between case study location and re-mortgaging

Table 7 shows the extent of re-mortgaging across case study locations analysed. Overall, the results show that that only one in twenty households re-mortgaged their home with the vast majority not doing so. These results are consistent with previous results which suggest that the extent of financial over-exuberance during the Celtic Tiger period is over stated, at least among rural households. Indeed, the results emerging are remarkably consistent across case study locations further highlighting the point. While a plethora of vacant second homes now exists in rural area, it is likely that these were purchased by urban dwellers; our results suggest that only 5 per cent of rural households re-mortgaged their homes indicating more conservative financial practices in rural areas when compared to their urban counterparts.

Table 8. Relationship between case study location and perception of repayment difficulty since the onset of the housing and economic crisis

Table 8 shows the relationship between case study location and household perceptions of repayment difficulties since the onset of the housing crisis and economic downturn. Overall, the results show that almost half of households (47.8%) feel that making mortgage repayments have become more difficult since the economic downturn while close to half (49.1%) feel that they are about the same; only a small minority feel making repayments have become less difficult. These results are hardly unexpected given the extent of the housing crash in Ireland, declining household incomes and the severe austerity measures inflicted upon Irish households as part of the EU/IMF bailout programme. Nevertheless, the results highlight the extent to which households in rural locations are feeling the pressure of mortgage repayments, a ravaged housing market and a crisis economy. At a case study level, the results are broadly consistent and show that no more than 5.6% of households in any location feel that making repayments are becoming less difficult further highlighting the scale of the difficulties being faced. These results demonstrate the difficulties being faced by ordinary households in the midst of a housing and economic crisis.

Table 9. Relationship between case study location and perceptions of whether or not making repayments are stressful

Table 9 shows the relationship between case study location and perceptions of whether or not making repayments are stressful. The results are interesting and echo the previous results which implied that significant pressure existed among households with respect to mortgage repayment difficulties. The results (using a chi-square test) show there is a significant relationship between residential location and perceptions of whether or not making monthly mortgage repayments is stressful (p=0.000). Specifically, the results show that greater proportions agree that this is the case in counties with the highest level of oversupply/overdevelopment (i.e. Longford and Sligo with 50.0% and 47.2% respectively) while the lowest proportion is in the county with the lowest level of oversupply/over development (i.e. Wexford 32.2%). This implies that that the stress of mortgage repayments is being felt to a greater extent in counties with higher rates of housing oversupply/overdevelopment in relative terms which is likely to be related to the extent to which houses in these areas have been affected to a greater extent by negative equity concerns as a result of the housing crash.

Table 10. Relationship between case study location and perceptions of negative equity

Table 10 shows the relationship between case study location and households' perceptions of negative equity. In this regard it is interesting to explore how the previous issues surrounding mortgages feeds into household perceptions of the value of their home. The results in Table 10 show that the majority (59.3%) of households feel that their home is now worth less than what they paid for it but given the scale of the house price decline alluded to earlier it is perhaps somewhat surprising that this figure is not higher. Given that the survey data was gathered in 2010, it is likely that these figures would be even higher today given that house prices have continued to decline since then. It is interesting to note also that the results emerging point towards a correlation between perceptions of negative equity and case study location. In particular, it can be seen that counties with low rates of oversupply (i.e. Longford) have a smaller proportion (36.9%) of households who feel their home is in negative equity. On the other hand, those with high rates of oversupply (i.e. Sligo and Wexford) have higher proportions (71.6% and 72.9% respectively) of households who feel their home is in negative equity. In order to examine this relationship further a chi-square revealed a statistically significant relationship (p=0.000) between case study location and household perceptions of negative equity. Thus, it seems that the extent of overdevelopment in individual case study locations has a significant impact on how households perceive the monetary value of their home which is an intuitive result and fits within the broader understanding of supply and demand dynamics in any housing market (see Dubben and Williams, 2009).

Discussion and conclusion

As Peck's (2009) quote at the outset suggests, neoliberalism's culpability for the economic, social and political ills currently facing society has never before been debated with such a degree of urgency. While there are various conceptual interpretations of neoliberalism (see Cahill, 2010) and its impact on society, the most useful within the context of our results is the concept of 'actually existing neoliberalism' (Brenner and Theodore, 2002; Peck and Tickell, 2002). This idea distinguishes between neoliberalism in theory and practice while continuing to recognise that there is indeed a specific link between the two. Moreover, the idea also focuses on the process of 'neoliberalisation' implying an ongoing process and one that may have specific national variations that fall within the broader theoretical framework of understanding (Cahill, 2010). In Ireland, neoliberalism can best be seen through the lens of an 'enabling' policy approach which allowed more development focussed agenda's in planning legislation and practice (Fox-Rogers et al, 2011) as well as more overt agendas of financialisation including, and particularly, deregulation of the mortgage market. These approaches were fused with a long-standing localised political culture characterised by pro-development attitudes and a political system divided along civil war lines and not along traditional 'left' and 'right' politics which undoubtedly precluded political debate on the social direction of the nation. Within this broader framework, our research highlights the mortgage practices of rural households in Ireland during the boom and how they were facilitated by neoliberal policies but we also elucidate the consequences of the failure of these practices for ordinary households. The reality of 'actually existing neoliberalism' for them has been extremely severe and while urban households probably suffered the worst of the consequences of the housing and economic boom, it is clear that rural households are in significant distress with respect to mortgage-related issues. In the context of our research, we use the lens of the housing crisis to highlight the extent to which the consequences of neoliberal policies have such drastic effects on the everyday lives of individuals.

In more specific terms, our results revealed that the majority of rural dwellers appear to be somewhat conservative in terms of their home purchase arrangements indicating that most of the financial profligacy that was endemic among financial institutions during the boom period was targeted at urban areas to a greater extent and particularly to development finance rather than mortgage finance in rural locations (with the exception of rural renewal schemes). In particular, our results show that most respondents own their own homes without a mortgage and only a relatively small minority, particularly when compared to national figures, have mortgages. In this context, the significance of self-build housing provision in rural areas may have reduced the exposure of many households to the economic crisis, enabling households to reduce overall housing costs (particularly if households accessed a building site through family/social connections). Moreover, there appears to be no relationship between the extent of oversupply/overdevelopment in individual case study locations and housing tenure. Data relating to re-mortgaging, mortgage multiples of annual household income and mortgage repayments all point towards a relatively conservative consumer. This lies in stark contrast to mainstream commentary which suggests that individuals took on debts that were unsustainable even at the time of their home purchase (Quinlan, 2011). Our results suggest this is not the case, at least for rural households, and that mortgage difficulties have been significantly exacerbated since the housing and economic crash primarily as a result of declining real incomes, rising mortgage interest rates, rising unemployment and austerity measures being implemented as a result of the major losses acquired by banking institutions through (mainly) bad development finance loans.

The data also point towards the significant stress currently being faced by households in rural areas since the onset of the housing crash, economic crisis and implementation of austerity measures. The results show that significant stress exists for households with respect to their mortgage repayments which highlights the pressures being faced by rural households on a daily basis. The results also reveal that close to half of all households now feel that making mortgage repayments is more difficult than prior to the economic and housing crash. These results are indicative of the consequences of the failure of neoliberal polices in a housing context and particularly the degree to which these failures are borne largely by ordinary households who had very little role in shaping policy. Indeed, the results highlight the extent to which the outcomes of neoliberal policies vary at different international, national and intra-national scales (Brenner and Theodore, 2002).

There also appears to be a relationship between perceptions of negative equity and case study location emerging from our results. While households in all locations feel their home is worth less than they paid for it, the results show that this relationship is more pronounced in areas of housing over supply/overdevelopment. Spatially, this implies that overdevelopment reinforces negative household perceptions of the value of their home and may mean that households in these areas take longer to regain confidence in the housing market.

Finally, while Peck et al. (2009) have suggested that the current economic crisis *may* represent the ‘zombie phase’ of neoliberalism they have also highlighted the considerable adaptive capacity of the process of ‘neoliberalisation’ (Peck and Tickell, 1994); indeed, Peck et al. (2012) have more recently suggested that neoliberal policies, strategies and rationalities have been further entrenched rather than abandoned following the financial and economic crisis. In this context, policy-makers are further deploying neoliberal ‘policy-fixes’ to respond to an earlier crisis of neoliberalism. In relation to Ireland, while the crisis primarily centred around the banking sector, speculative development and lax planning regulation, so far the policy approach has been to ‘roll-out’ responses from the existing suite of neoliberal policy options (such austerity measures, drastic reductions in public spending and indeed further financial incentives for home ownership) that are known to have been largely responsible for the current predicament indicating the extent to which neoliberal rationalities are deeply entrenched within Irish and EU institutions.

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Table 1. Estimated years of housing oversupply in selected counties in the Republic of Ireland

County	Years of Oversupply	Rank	
Leitrim	12.3	1	High
Longford*	11.6	2	
Sligo*	9.5	3	
Roscommon	8.9	4	
Donegal	8.1	5	
Cavan	7.9	6	
Kerry	7.4	7	Moderate
Mayo	6.8	8	
Monaghan*	6.2	9	
Laois	4.9	10	
Clare	4.1	11	
North Tipperary	3.8	12	
South Tipperary	3.3	13	
Carlow	3	14	Low
Westmeath	3	15	
Kilkenny	2.7	16	
Offaly*	2.6	17	
Wexford*	2.6	17	
Louth	2.1	19	

Source: After Kitchin et al (2010)

Settlement type:	**Guideline Number**	**Overall Total**
Single rural house in the open countryside (one-off house)	35	175 (112) – 64%
House in open countryside (part of a cluster of <=10)	10	50 (85) – 190%
In a village (< 1,500 residents)	45	225 (187) – 83%
In a town (1,500-5,000 residents)	45	225 (176) – 78%
In a town (5,001-10,000 residents)	45	225 (165) – 73%
Total	**200**	**900 (753) – 84%**

Table 2. Rural settlement typology and survey responses

Table 3. Relationship between case study location and tenure

		Owned (mortgage)	Owned (no mortgage)	Rented	Total
	Monaghan (I)	13 (10.5%)	72 (58.1%)	39 (31.4%)	124
	Sligo (H)	19 (14.0%)	76 (55.9%)	41 (30.6%)	136
	Offaly (L)	27 (16.1%)	119 (70.8%)	22 (13.1%)	168
	Wexford (L)	37 (28.2%)	59 (45.0%)	35 (26.7%)	131
	Longford (H)	13 (8.8%)	76 (51.7%)	58 (39.5%)	147
Total		109 (15.4%)	402 (56.9%)	195 (27.6%)	706

Table 4. Relationship between case study location and monthly mortgage repayments (€)

		0-500	501-1000	1001-1500	1500+	Total
LA area	Monaghan (I)	10 (14.5%)	54 (78.3%)	2 (2.9%)	3 (7.3%)	69
	Sligo (H)	9 (13.6%)	46 (69.7%)	6 (9.1%)	5 (16.7%)	66
	Offaly (L)	10 (13.9%)	54 (75.0%)	4 (5.6%)	4 (11.1%)	72
	Wexford (L)	4 (7.8%)	33 (64.7%)	6 (11.8%)	8 (27.5%)	51
	Longford (H)	12 (18.8%)	39 (60.9%)	4 (6.2%)	9 (20.3%)	64
Total		45 (14.0%)	226 (70.2%)	22 (6.8%)	29 (9.0%)	322

Table 5. Relationship between case study location and deposit requirements

		Percentage deposit required				Total
		None - 100% loan	5% deposit	10% deposit	Other	
LA area	Monaghan (I)	5 (11.1%)	4 (4.9%)	35 (43.2%)	37 (45.7%)	81
	Sligo (H)	11 (35.8%)	8 (15.1%)	27 (50.9%)	7 (13.2%)	53
	Offaly (L)	27 (43.9%)	16 (16.3%)	39 (39.8%)	16 (16.3%)	98
	Wexford (L)	6 (18.2%)	4 (7.3%)	34 (61.8%)	11 (20.0%)	55
	Longford (H)	14 (34.7%)	3 (6.1%)	22 (44.9%)	10 (20.4%)	49
Total		63 (18.7%)	35 (10.4%)	157 (46.8%)	81 (24.1%)	336

Table 6. Relationship between case study location and mortgage multiple of annual household income

		Mortgage Multiple				Total
		<2 times	2-3 times	3-4 times	4+ times	
LA area	Monaghan (I)	14 (32.6%)	14 (32.6%)	6 (13.9%)	9 (20.9%)	43
	Sligo (H)	14 (34.1%)	14 (34.2%)	8 (19.5%)	5 (12.2%)	41
	Offaly (L)	15 (32.6%)	15 (32.6%)	8 (17.4%)	8 (17.4%)	46
	Wexford (L)	2 (4.8%)	20 (47.6%)	17 (40.5%)	3 (7.1%)	42
	Longford (H)	3 (11.5%)	9 (34.6%)	11 (42.3%)	3 (11.5%)	26
Total		48 (24.2%)	72 (36.4%)	50 (25.3%)	28 (14.1%)	198

Table 7. Relationship between case study location and re-mortgaging

	LA area					
	Monaghan (I)	Sligo (H)	Offaly (L)	Wexford (L)	Longford (H)	Total
Yes	4	4	8	3	3	22
	5.4%	5.3%	6.8%	5.3%	4.1%	5.5%
No	70	71	110	54	70	375
	94.6%	94.7%	93.2%	94.7%	95.9%	94.5%

Table 8. Relationship between case study location and perception of repayment difficulty since the onset of the housing and economic crisis

		More difficult	Less difficult	About the same	Total
LA area	Monaghan (I)	39	1	33	73
		53.4%	1.4%	45.2%	
	Sligo (H)	34	4	33	71
		47.9%	5.6%	46.5%	
	Offaly (L)	52	1	64	117
		44.4%	.9%	54.7%	
	Wexford (L)	25	3	28	56
		44.6%	5.4%	50.0%	
	Longford (H)	36	3	33	72
		50.0%	4.2%	45.8%	
Total		186	12	191	389
		47.8%	3.1%	49.1%	

Table 9. Relationship between case study location and perceptions of whether or not making repayments are stressful

		I find making repayments stressful			
		Disagree	Neither	Agree	Total
LA area	Monaghan (I)	21 (27.6%)	27 (35.5%)	28 (36.8%)	76
	Sligo (H)	33 (44.0%)	8 (10.7%)	34 (47.2%)	75
	Offaly (L)	63 (53.8%)	2 (1.7%)	52 (44.4%)	117
	Wexford (L)	34 (57.6%)	6 (10.2%)	19 (32.2%)	59
	Longford (H)	31 (45.6%)	3 (4.4%)	34 (50.0%)	68
Total		182 (46.1%)	46 (11.6%)	167 (42.3%)	395

Table 10. Relationship between case study location and perceptions of negative equity

		Negative Equity			Total
		More	Less	About the same	
LA area	Monaghan (I)	19 (26.0%)	45 (61.6%)	9 (12.3%)	73
	Sligo (H)	11 (13.6%)	58 (71.6%)	12 (14.8%)	81
	Offaly (L)	45 (36.9%)	45 (36.9%)	32 (26.2%)	122
	Wexford (L)	7 (13.0%)	36 (66.7%)	11 (20.4%)	54
	Longford (H)	7 (8.2%)	62 (72.9%)	16 (18.8%)	85
Total		89 (21.5%)	246 (59.3%)	80 (19.3%)	415

Figure 1. Selected rural case study locations