

## Residential mortgages in 2017

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### Summary

In 2017, approximately 96 thousand housing loans were approved totalling HUF 642 billion. The amount of housing loans granted during the year increased more than three times compared to the period between 2010 and 2013, but was still below the values measured in the years before 2009. Compared to 2016, the number of loans increased by 18% and their value by 35%. The rise was observed both in subsidized and non-subsidized housing loans.

The disbursement of housing loans also expanded in 2017, their number increased by more than a fifth and their amount by nearly a third compared to 2016. Loans were used primarily for the purchase of second-hand homes, but there was also a significant expansion in the market of loans disbursed for construction and new home purchase.

At the end of 2017, the total housing loan portfolio of HUF 3,015 billion accounted for 7.9% of the GDP, showing a slight decrease compared to the previous year.

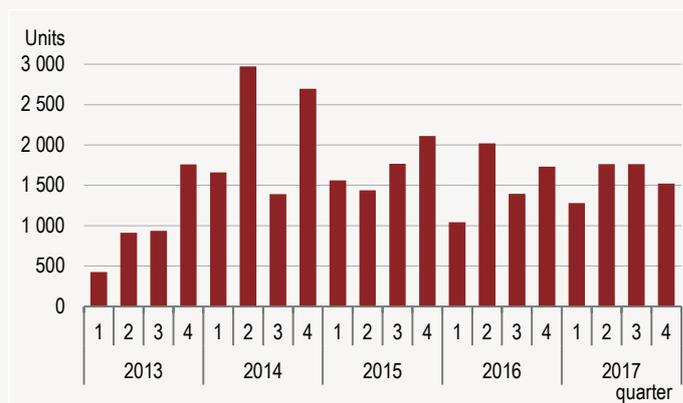
In 2017, the Family Housing Allowance (CSOK)<sup>1</sup> was disbursed to more than 29 thousand applicants, amounting to about HUF 70 billion.

### Certain measures affecting housing loans

The creation of the National Asset Management Company contributed to the expansion of home lending through the elimination of non-performing loans. According to data from the National Bank of Hungary, the National Asset Management Company purchased 32,146 collateralized residential properties<sup>2</sup> between 2013 and 2017, within this 6,328 properties were bought in 2017. This was 2.3% more than a year earlier.

Figure 1

Number of collateralized residential properties purchased by the National Asset Management Company



Source: National Bank of Hungary.

The home-creation programme launched at the beginning of 2016, the most important elements of which are the extended CSOK, the reduction of housing construction VAT, the possibility of VAT refunds and state subsidized loans, is of the utmost importance for the development of the home lending market. As a result of these measures, a considerable revival started in the housing market, which was already indicated by a 44% increase in the number of dwellings built in 2017 along with a rapid increase in building permits and simple announcements.

In 2016, the number of **family housing grants** disbursed by credit institutions was 20,755, amounting to 47.4 billion HUF, in comparison by the end of 2017 their number increased by two fifths (to 29,104) and their amount by 48% (to HUF 70.1 billion). The subsidies were used, mainly, to buy second hand dwellings and, secondly, new homes (58% and 40% respectively of the cases). Regarding the distribution of disbursed amounts, the ratio is already shifting towards higher-value new housing subsidies: 35% of the total amount was spent on second hand and 65% on new homes. The average amount per loan disbursement was HUF 1.4 million to buy a second hand home, HUF 3.0 million to build a new home and HUF 6.2 million to buy a new home. The number of

<sup>1</sup> The Family Housing Allowance is available from 1 July 2015. This non-refundable subsidy can be used to purchase new and second hand homes, to build new homes and to expand existing homes.

<sup>2</sup> Collateralized residential property: mortgaged residential property to ensure the loan debt arising out of the home loan contract if there is a more than 90-day delay in respect of the payment of the expired debt arising out of the home loan contract.

subsidies for housing expansion was low (1.9%) and their average amount was HUF 1.1 million. Nearly four fifths of the amount of CSOK was disbursed through banks, mortgage banks accounted for almost 8% and savings cooperatives and credit unions for 14%.

### Stock of housing loans

At the end of 2017, housing loans totalled HUF 3,015 billion, which was an increase of 3.5% (HUF 102 billion) compared to 31 December 2016. At the same time, the ratio of housing loans to GDP declined from 8.3% at the end of the previous year to 7.9%. At the end of 2014, 52% of the housing loan portfolio was made up by foreign currency denominated housing loans, this ratio, after the exchange of foreign currency loans to forint loans, fell to 0.2%, i.e. HUF 6.8 billion by December 2015 and this value has since declined further to HUF 4.3 billion by the end of 2017.

The total amount of loans became smaller year after year between 2010 and 2016. A downturn of nearly 10% (HUF 327 billion) occurred in 2015 and it was followed by only a milder decline of 2.8% until the end of 2016, then this trend reversed by the end of 2017. Meanwhile within the total loan portfolio, there was a 3% percentage point shift in favour of non-subsidized loans in the proportion of state subsidized loans (21%) and non-subsidized loans (79%).

Figure 2

### Changes in the stock of housing loans

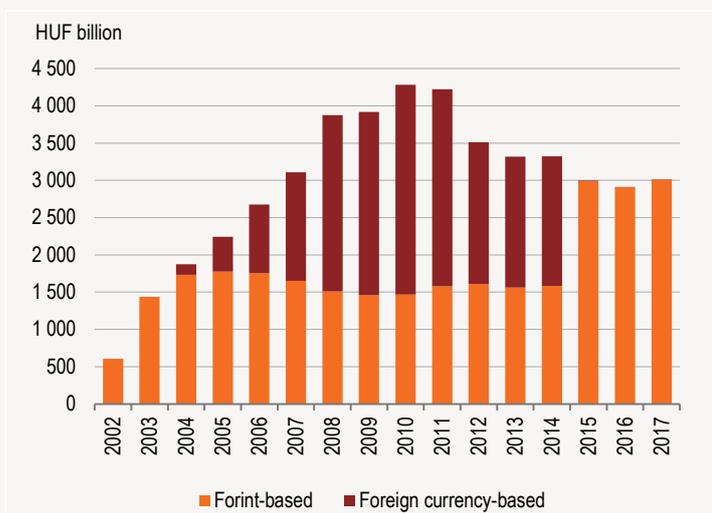


Table 1

### Stock of housing loans as of 31 December 2017

Credit institute	(HUF billion)	
	Total	Of which: foreign currency loans
Bank	1 723	3.8
Mortgage bank	838	0.6
Savings cooperative	101	–
Home savings bank	352	–
<b>Total</b>	<b>3 015</b>	<b>4.3</b>

57% of the total amount of the loan portfolio was concentrated in banks and 28% in mortgage banks, home savings banks accounted for 12% and savings and credit cooperatives for only 3.4% at the end of 2017. These ratios do not indicate a significant shift compared to the end of 2016 – there was a decline of 2 percentage point in banks, and a 2 percentage points increase in home savings banks.

The proportion of problem-free loans was generally below 80% between 2011 and 2014. This indicator has been steadily improving since 2015: from 86% to 89% in 2016, reaching 93% in 2017. The share of loans under special

monitoring and classified as bad together decreased by more than 2 percentage points to 2.9%. Loans classified as doubtful or bad together accounted for 4.0%, the proportion of these loans also decreased (by more than 2 percentage points). By December 2017, the repayment delay was between 31–60 days for 16 thousand debtors and exceeded 61 days for 29 thousand debtors.

### Approval of housing loans

During the first six months of 2017, 45 thousand housing loans were granted, totalling HUF 291 billion, while in the second half of the year the loan portfolio increased by nearly 6,000 loans (13%) and HUF 60 billion (21%). In 2017, the number of approved loans increased by 18% and their amount by 35% compared to the same period of the previous year. The average loan amount per authorization grew by HUF 800 thousand to HUF 6.7 million compared to 2016.

In 2017, 14% of the number and 15% of the amount of the approved housing loans were government subsidized, which does not represent a significant shift compared to the respective figures of 15% and 16% measured in the previous year. Compared to 2016, state-subsidized loans grew by 7.3% in number and by 23% in amount, meanwhile unsubsidized loans also increased by 14 thousand (20%) in number and by HUF 147 billion (37%) in amount. According to credit institutions, the granting of foreign currency-based housing loans was not significant in 2017 either.

Figure 3

### Changes in the amount of loans approved for home purchase

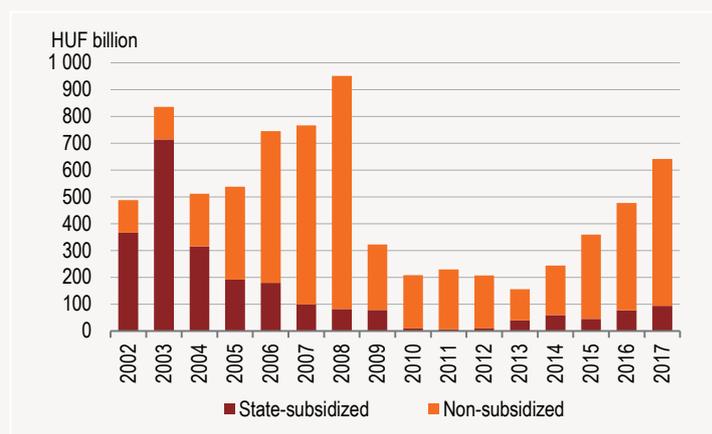


Table 2

### Approved housing loans in 2017

Housing loans	Number of loans	Volume, HUF billion
State-subsidized	13 401	94
Non-subsidized	82 206	548
<b>Total</b>	<b>95 607</b>	<b>642</b>

In the second half of 2017, the share of banks increased, while that of mortgage banks, home savings banks and savings cooperatives slightly decreased in home lending compared to the previous year. In the second half of the year, banks concentrated 52% from the amount of the approved housing loans against 48% in the second half of 2016. During this time, the share of mortgage banks decreased from 28 to 26% and that of home savings banks fell by one and half percentage points.

### Housing loan disbursements

In the course of 2017, nearly 105 thousand housing loans amounting to HUF 605 billion were disbursed. Compared to the previous year, the number of loans increased by 19 thousand (23%) and their amount by HUF 149 billion (33%).

The purchase of second-hand homes continued to play a dominant role in home lending; two of three home loans were disbursed for this purpose. In 2017, the amount of loans disbursed to purchase second-hand homes increased to HUF 443 billion, which was 31% more than a year ago.

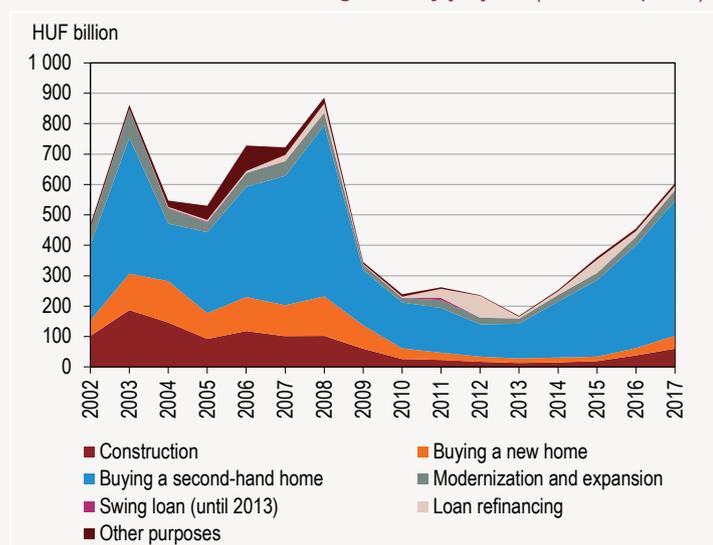
Compared to 2016, the number of loans granted for construction grew by 72% and their amount by 58%. The average loan amount decreased by HUF 400 thousand to HUF 4.3 million. The number of loans granted to purchase new homes increased by 62% and their amount by four fifths, while the average amount of loans disbursed to purchase new homes increased from HUF 6.8 million to HUF 7.6 million.

In 2017, the number of modernization and expansion loans increased by 1,758 (15%) and their amount by 6.4 billion HUF (22%) compared to a year earlier and the average loan value increased from HUF 2.4 million to HUF 2.6 million. Due to the nature of the loan purpose, the average amount per disbursement is less than half of an average home loan, which amounts to 5.8 million forints.

In addition to these main credit purposes, the number of loan conversions decreased by 14%, and their amount by one fourth compared to the previous year, while their average amount also dropped. Compared to HUF 5.0 million in 2016, the average was HUF 4.4 million per borrower in 2017.

Figure 4

**Amount of disbursed housing loans by purpose (at current prices)**



**Disbursed housing loans by purpose in 2017**

Table 3

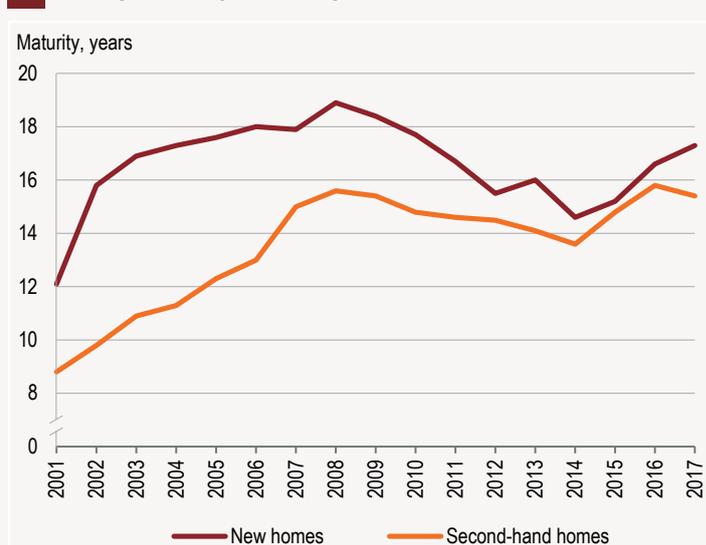
Purpose	Number of loans	Volume, HUF billion
Construction	13 958	60
Buying a new home	5 749	43
Buying a second-hand home	65 957	443
Modernization, expansion	13 478	35
Loan refinancing	3 233	14
Other purposes	2 194	9
<b>Total</b>	<b>104 569</b>	<b>605</b>

The average maturity of housing loans disbursed in 2016 was 14.5 years, and it increased to 14.8 years by the end of 2017. The maturity of home construction loans was the longest, reaching 17.4 years, this was followed by loans related to the purchase of new homes with nearly 17.3 years, but the maturity of loans for second hand homes also exceeded 15 years.

Between 2001 and 2016, the gap between the maturity of new and second-hand housing loans decreased, and the gap grew to two years by the end of 2017.

Figure 5

**Average maturity of housing loans**



**Further information, data (links):**

[Tables](#)

[Tables \(stadat\)](#)

[Methodology](#)

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