



## Residential mortgages in 2018

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### Housing loan stock increased by one tenth

As of 31 December 2018, the housing loan stock was HUF 3,224 billion, 10.3% (HUF 309 billion) higher than at the end of 2017, while its ratio to GDP remained the same as a year earlier (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 3.5 billion by end-2018.

The total amount of loans became smaller year after year between 2010 and 2016. By the end of 2017, the trend reversed and growth continued in 2018, although its rate did not reach the spectacular upturn between 2002 and 2010, but was close to the value recorded in 2014. Meanwhile, the share of non-subsidized loans within the total loan portfolio increased further from 79% at the end of 2017 to over 82%.

Figure 1

### Changes in the stock of housing loans

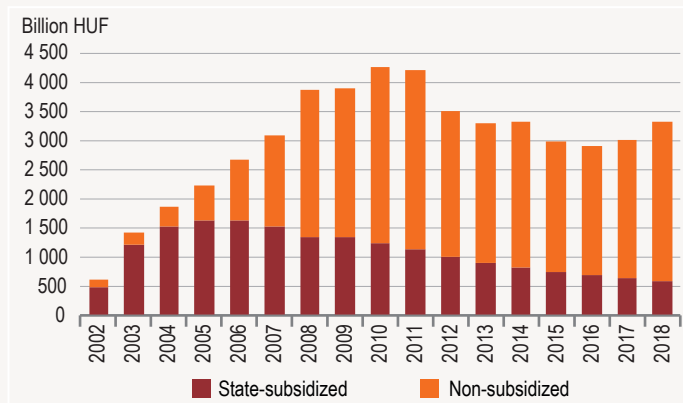


Table 1

### Stock of housing loans as of 31 December 2018

(HUF billion)

Credit institute	Total	Of which: foreign currency loans
Bank	1 857	3.0
Mortgage bank	919	0.5
Savings cooperative	113	0.0
Home savings bank	436	–
<b>Total</b>	<b>3 334</b>	<b>3.5</b>

56% of the total amount of the loan portfolio was concentrated in banks and 28% in mortgage banks, home savings banks accounted for 13% and savings and credit cooperatives for only 3.4% at the end of 2018. The proportions do not indicate a significant shift compared to the end of 2017.

In 2018, the classification of housing loans changed<sup>1</sup>, previous categories (problem-free, under special monitoring, below average, dubious, bad) were replaced by the following concepts: 1.) performing exposure, 2.) non-performing exposure. The aspect of restructuring, i.e. whether it is necessary to amend the agreement in relation to the original payment terms, has also been incorporated into the new conceptual system.

The proportion of problem-free loans 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 dubious or bad together accounted for 4.0%, the proportion of these loans also decreased (by more than 2 percentage points).

Based on new rating categories that came into effect in 2018, the share of performing loans reached 95%, covering the proportion of loans (93%) rated as problem-free in 2017, non-performing exposure accounted for 5.1% essentially representing the combined share (4.4%) of loans rated as below average, dubious and bad. Restructured housing loans accounted for 1.4% of performing loans, while this ratio was 33% for non-performing loans (in the latter case, every third loan was restructured). Using the previous rating categories, by December 2017, the repayment delay was between 31 and 60 days for 16 thousand debtors and over 61 days for 29 thousand debtors, and according to the new classification effective from 2018, the number of non-performing loans was 34 thousand.

### The amount of approved home loans increased by one third

In 2018, the number of approved loans increased by 13% and their amount grew by one third compared to the previous year. The average amount of approved loans reached HUF 7.9 million in 2018, which is HUF 1.2 million more than in 2017.

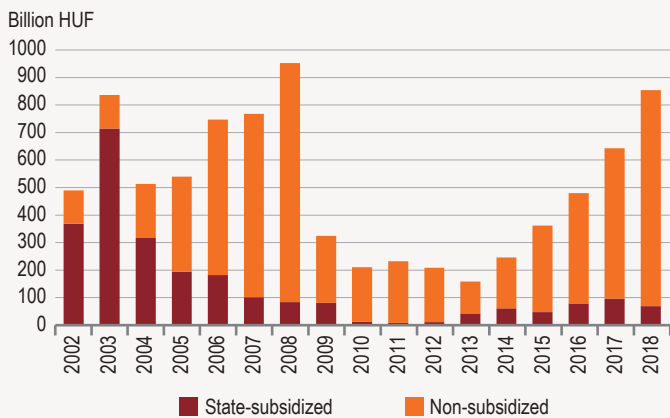
Lending also increased during the year: in the first half of the year, 53 thousand home loans were granted, totalling HUF 404 billion, while in the second half these values increased by nearly 1,700 and HUF 45 billion respectively.

In 2018, 8.4% of the number and 7.8% of the amount of the approved housing loans were government subsidized, showing a fall compared to the respective figures of 14% and 15% measured in the previous year. From 2017, state-subsidized loans fell by nearly one third in number and by 29% in amount, meanwhile unsubsidized loans increased by nearly 17 thousand (20%) in number and by HUF 238 billion (43%) in amount. According to credit institutions, the granting of foreign currency-based housing loans was not significant in 2018 either.

<sup>1</sup> MNB decree 39/2016. (X.11). on non-performing exposures and prudential requirements for restructured claims.

Figure 2

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



### Approved mortgages in 2018

Table 2

Mortgage	Number of loans	Volume, HUF billion
State-subsidized	9 074	67
Non-subsidized	98 930	786
<b>Total</b>	<b>108 004</b>	<b>853</b>

In the second half of 2018, market share in home lending was stagnant for banks, mortgage banks and savings cooperatives and slightly grew for home savings banks compared to the previous year. In the second half of the year, banks (52%) and mortgage banks (26%) had the highest share in approved housing loans. During this time, the share of home savings banks increased from 18% to 20%.

### Most loans were used to buy used homes

In 2018, nearly 109 thousand housing loans were disbursed, totalling HUF 823 billion. Compared to the previous year, the number of loans increased by more than 4 thousand (by 4.1%) and their amount by HUF 218 billion (36%).

Housing lending continued to be dominated by the purchase of second homes, accounting for 70% in volume and 60% in number. In 2018, loans for second-hand housing increased to HUF 596 billion, 35% more than a year earlier.

Compared to 2017, the number of loans granted for construction increased by 4.8% and their amount by 17%. The average loan amount rose by HUF 500 thousand to HUF 4.8 million.

Loans for buying new homes grew faster - by nearly one-third in number and almost doubling in amount. Accordingly, the average amount of loans for the purchase of new dwellings increased from 7.6 million to 11 million forints in a year. The total amount of loans for constructing or purchasing new homes was almost equal to one quarter of the total amount of loans for purchasing second-hand homes.

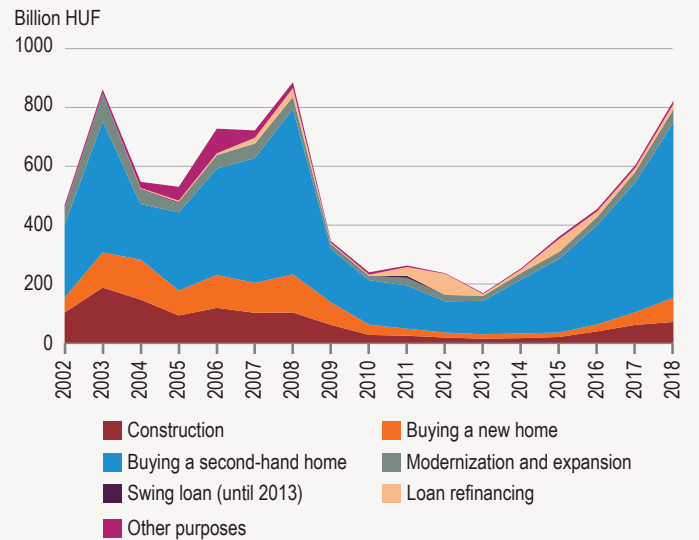
In 2018, more than 40% of second-hand housing transactions were financed by credit.

In 2018, the number of modernization, and expansion loans increased by 1,533 (11%) and their amount by 8.8 billion HUF (by a quarter) compared to a year earlier and the average loan value increased from HUF 2.6 million to HUF 2.9 million.

In addition to these major credit goals, the number of loan conversions increased slightly (by 2%) and their volume by nearly one third compared to the same period of the previous year, while their average amount also increased. In 2018, a loan applicant received an average of HUF 5.7 million compared to HUF 4.4 million in 2017.

Figure 3

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



### Disbursed housing loans by purpose in 2018

Table 3

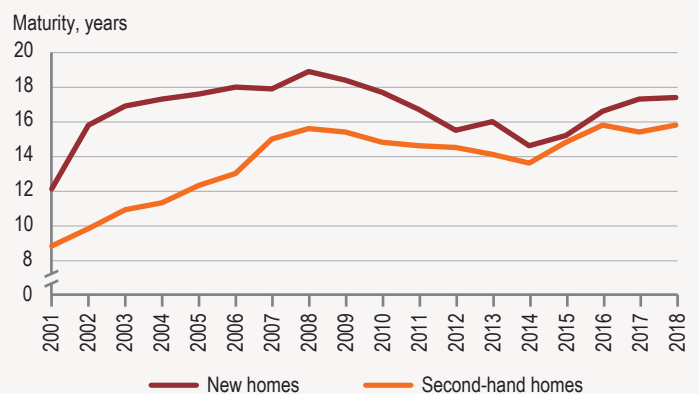
Purpose	Number of loans	Volume, HUF billion
Construction	14 633	70
Buying a new home	7 544	83
Buying a second-hand home	67 189	596
Modernization, expansion	15 011	44
Loan refinancing	3 297	19
Other purposes	1 171	11
<b>Total</b>	<b>108 845</b>	<b>823</b>

The average maturity of housing loans disbursed in 2017 was 14.8 years, and it increased to 15.3 years by end-2018. Housing loans have the longest maturity, reaching 17.5 years, followed by new home purchase-related loans (17.4 years), but the maturity of second-hand housing loans also exceeded 15 years.

Between 2001 and 2016, the gap between the maturity of new and second-hand housing loans declined and then increased to two years by the end of 2017. By 2018 this deviation decreased again.

Figure 4

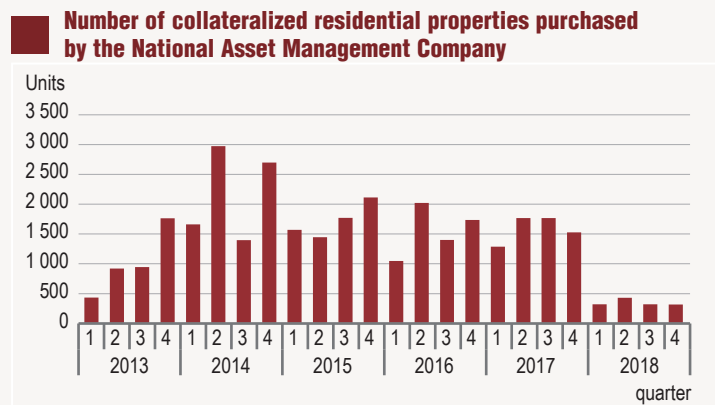
### Average maturity of housing loans



### The regulatory environment encourages housing lending

Established in 2011, the National Asset Management Company (NAMC) contributed to the expansion of housing lending by liquidating non-performing loans. According to the data of the National Bank of Hungary, the National Asset Management Company purchased 33,494 collateralized residential properties<sup>2</sup> between 2013 and 2018, within this 1,348 in 2018. In December 2018, the NAMC completed the purchase of residential properties.

Figure 5



Source: National Bank of Hungary.

<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.

<sup>3</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.

The home-creation programme launched at the beginning of 2016, the most important elements of which are the extended CSOK<sup>3</sup>, 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.

In 2018, the number of **family housing grants disbursed** by credit institutions grew by 7.2% (to 31,202) in number and by 1.8% in amount (to 71.3 billion HUF) compared to 2017. The subsidies were used, mainly, to buy second-hand dwellings and, secondly, new homes (61% and 37% respectively of the cases). Regarding the distribution of disbursed amounts, the ratio is already shifting towards higher-value new housing subsidies: 39% of the total amount was spent on second-hand and 61% on new homes. The average amount per loan disbursement was HUF 1.4 million to buy a second-hand home, HUF 2.7 million to build a new home and HUF 6 million to buy a new home. The number of grants for housing expansion was low (1.2%) and their average amount was HUF 800 thousand. More than 85% of the amount of CSOK was disbursed through banks, mortgage banks accounted for almost 1.1% and savings cooperatives and credit unions for 13%.

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

[Tables](#)

[Tables \(STADAT\)](#)

[Methodology](#)

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