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SURVEY OF THE FINANCIAL SITUATION OF HOUSEHOLDS WITH LOANS

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The Survey was prepared by the Economics and Financial Stability Service of the Bank of Lithuania.

METHODOLOGICAL NOTES

Monitoring of the financial situation of households with loans and permanent analysis of data on households are important in assessing the operating risk of credit institutions and examining the situation and stability of the financial system. Aiming to fill the gap in household examination, in early 2013 the Bank of Lithuania devised a Household Financial Monitoring Information System. Impersonal data has been used in this Survey.

The Household Financial Monitoring Information System (HFMIS) is an information system that combines the information of the Loan Risk Database of the Bank of Lithuania (LRDB), the database of the Residents' Register Service, and the database of the State Social Insurance Fund Board (hereinafter – SoDra).

The Survey of the Financial Situation of Households only covers natural persons with loans, residents of the Republic of Lithuania with the information about the loans extended to them submitted to the LRDB. Data to the LRDB on credit taking parties and loans granted to them is provided by banks registered in the Republic of Lithuania (at the same time, they provide the data on their controlled undertakings – leasing companies), foreign bank branches, the Lithuanian Central Credit Union, credit unions, consumer credit issuers, peer-to-peer lending platforms. A household with loans (hereinafter – household) is defined as a natural person with loans, his/her spouse (where the person is married) as well as the children of both spouses and those with other persons aged 18 and under. At the end of 2016 there were 615,734 such households in the HFMIS database.

In this Survey the amount of household income is not tantamount to household actual income and only comprises the state social security contribution base and the amounts of one-off and regular benefits assigned to a household during the reference period. This is insured income, defined as the total income of a natural person from which, according to the procedure established in the Republic of Lithuania Law on State Social Insurance, state social insurance contributions are calculated and must be paid; also sickness allowances, maternity, paternity benefits, maternity/paternity, occupational rehabilitation, sickness allowances in the case of incapacity for work as a result of accidents at work and state social insurance benefits for occupational sickness, as well as state social insurance unemployment benefits must be calculated. The aforementioned income in this Survey is hereinafter referred to as insured income. The Survey excludes information about the income of individuals working with business certificates, receiving dividends or income from abroad as well as other income which is not recorded in the SoDra database. Information is presented about income before tax.

This Survey always considers unique loans. Different households can have the same unique loan. In that case the loan is attributed to each of the households with this loan; however, the amount and balance of the loan is divided in proportion to insured income received. Where none of such households receive insured income, the amount of loan is divided by the number of households that have received it.

Meeting of loan repayment liabilities is considered belated where payments are overdue for more than 60 days.

The 2011–2016 LRDB data used in the Survey is not comparable with the data of previous periods because amendments to the LRDB Management Regulations came into effect in November 2011 (the threshold amount from which the loan is to be notified was reduced from EUR 14.5 thousand to EUR 300). The data for the period referred to in the tables and charts are presented against a different-colour background. Once the euro became Lithuania's national currency in 2015, loans not below EUR 200 were additionally included in the database. For this reason, the indicators presented in the surveys published until 2015 are not compared in detail. Moreover, in 2016, consumer credit providers non-credit institutions (including peer-to-peer lending platforms) started providing data for the LRDB; therefore, consumer loan data is not compared with the data for previous periods.

Due to methodological differences, the indicators in this Survey do not fully tally with monetary financial institutions' balance sheet, interest rate data, as well as credit institutions' financial accountability data.

The Annex to this Survey with data tables in *Excel* format is available on the Bank of Lithuania website.

SUMMARY OF THE SURVEY RESULTS

At the end of 2016, households in Lithuania still had EUR 1.2 million outstanding loans, with their value amounting to EUR 8.2 billion. Consumer loans represented the largest share of loans in number (46.0%). Mortgage loans that include not only loans for house purchase but also loans for other purposes, for which real estate was used as collateral, accounted for 17.1 per cent, financial lease – 2.8 per cent, other liabilities (e.g. account credit, property sold by instalments) – 34.1 per cent of the total number of household loans. As before, mortgage loans accounted for the largest share (85.6%) of total loans in terms of loan value (EUR 7.0 billion, an increase of EUR 0.7 billion year on year).

Household borrowing for consumption purposes was rigorous – consumer loans accounted for more than 70 per cent of total new loans by number in 2016. In 2016, households were granted almost 400 thousand new loans – an increase of 68 per cent from 2015 (the fact that in 2016 consumer credit providers non-financial institutions and peer-to-peer lending platform operators started providing data for the LRDB contributed to stronger growth in the number of loans granted). New loans granted stood at EUR 1.7 billion in value (an increase of 18 per cent over the year), while financial lease loans posted the most robust growth (38%). While financial lease loans account for a mere 2.9 per cent of total new loans granted, new loans of this new type grew by 81.0 per cent in number in 2016.

The average initial amount of mortgage loans extended in 2016, specified in an agreement, was EUR 48.5 thousand, an increase of EUR 4.97 thousand from a year ago. The average amount of a financial lease agreement was EUR 9.8 thousand (an increase of 1.7 thousand from a year ago), of a consumer loan agreement – EUR 1.5 thousand (a decrease of EUR 211 over the year). In 2016, the average weighted repayment period for new mortgage loans granted remained unchanged, at 23 years and 11 months. For financial lease, this indicator was 4 years and 9 months, for consumer loans – 3 years and 8 months.

For more than 6 per cent of households with a mortgage loan, the value of their assets pledged to banks was lower than the remainder of the outstanding value of the loan. There were 11.3 thousand of such households in Lithuania, or 6.4 per cent of all those with mortgage loans. Their assets pledged stood at EUR 289.3 million in value, but these households still owed banks EUR 470.7 million. In aggregate terms, households with housing loans had pledged to banks assets almost two times higher in value: the total value of collaterals for mortgage loans (including assets other than real estate) stood at EUR 14.9 billion. In 2016, the average loan-to-value ratio for new mortgage loans extended was the highest since 2011, at 75.9 per cent. A year ago, this ratio was slightly lower – 74.8 per cent.

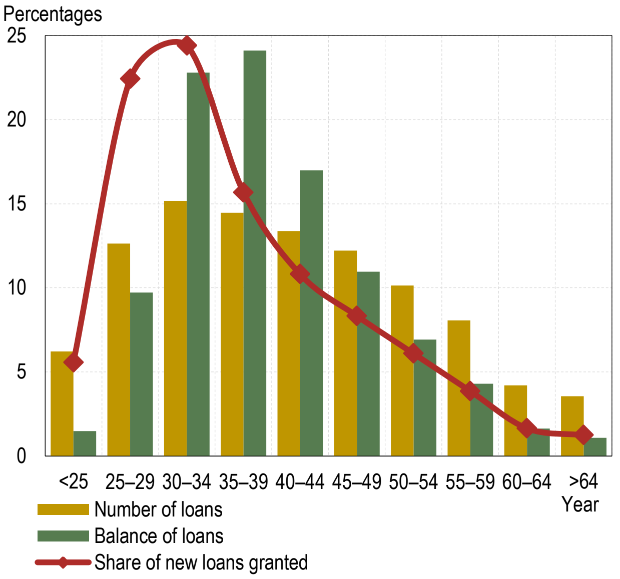
At the end of 2016, households whose adult members were within the 30–39 years age group had most loans. Such households accounted for 29.6 per cent of the total number of household loans, with their value accounting for 46.9 per cent of the total value of household loans. These households mostly had consumer loans: these accounted for 39.9 per cent of their total loans and 25.9 per cent of total consumer loans (in terms of the number of loans). In terms of the distribution of the average size of new loans granted by borrower age, no significant changes occurred over 2016: the largest loans were further taken by residents aged 30–34. In terms of only new loans granted in 2016, households with the average age of their adult members 25-34 accounted for the largest share of their value (47%).

The share of income for loan repayment has been contracting for already four consecutive years and in 2016 amounted on average to 25.7 per cent. Compared with the data of the last year survey, households spared 2.8 p.p. less of their income for loan repayment. Most income was spared for mortgage loan repayment (28.4%), least – for financial lease contributions (8.4%). In total, household expenditure for loan repayment in 2016 amounted to EUR 1.67 billion, an increase of 14.3 per cent from 2015. One household with loans had to spare on average EUR 215 per month to discharge its liabilities (a decline of EUR 10 from 2015).

Loans for which payments were overdue accounted for 3.2 per cent of the value of total loans in 2016. In terms of the value of loans granted, in 2016, as in previous years, it was least delayed to pay contributions under financial lease agreements. The value of this type of loans overdue accounted for 0.4 per cent of the total value of such loans. Consumer loan borrowers who were late in paying their contributions in 2016 accounted for 10.9 per cent of total households with a respective type of liabilities. The smallest share of payments overdue (in terms of the number of loans) was among households with mortgage loans – 6.1 per cent. This share has been gradually declining since 2012, when it was 7.7 per cent. By all types of loans, repaying a total of 0.8 p.p. more loans (9.8%) was overdue in 2016 compared to a year ago, an increase of 9.8 per cent (in terms of the number of loans).

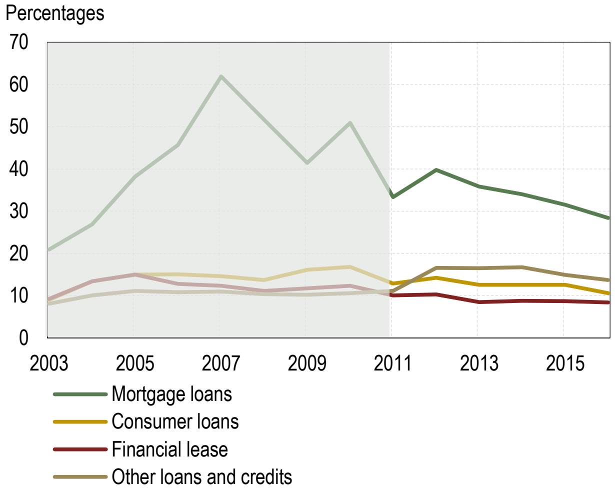
In terms of the value of loans extended in 2016, credit taking parties within the 25–34 age group accounted for the largest share

Distribution of the number and value of household loans (at the end of 2016) and of the value of new loans granted in 2016 by average age of adult members in a household



Households spared an increasingly smaller share of income for loan repayment

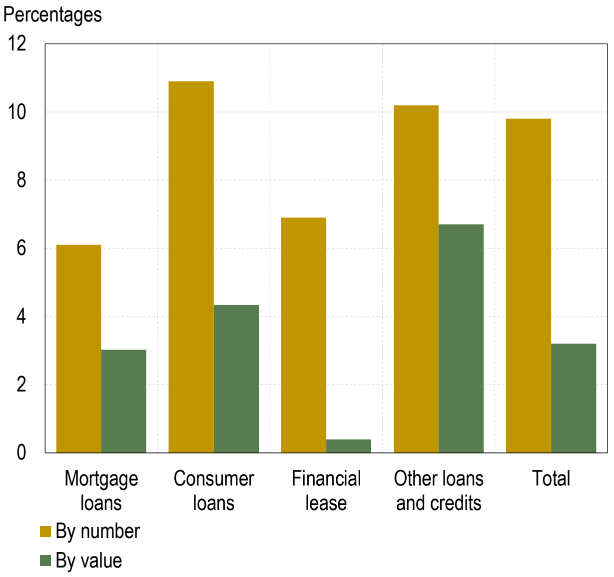
Share of household income for the repayment of a specified type of loan



Note: The data for the periods referred to against a different-colour background are not compared due to methodological changes, while the data for 2011 and 2012 should be compared with a margin (see Methodological Notes).

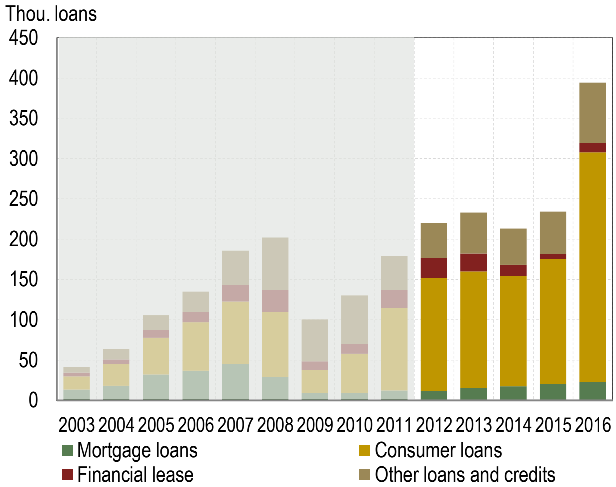
In terms of number, it is consumer loan contributions the repayment of which is most often overdue

Average annual share of the number of loans with payments overdue and balance in 2016



New mortgage loans extended grew by 14 per cent in number in 2016

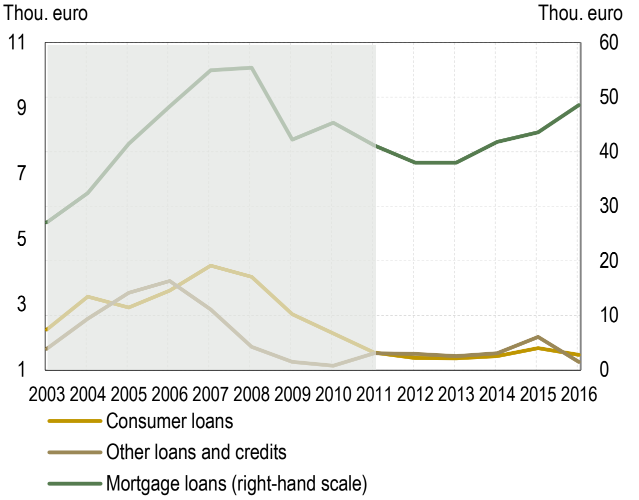
Number of loans granted over the year by type of loan



Note: The data for the periods referred to against a different-colour background are not compared due to methodological changes, while the data for 2011 and 2012, as well as for 2015 and 2016 should be compared with a margin (see Methodological Notes).

The initial amount of new financial leases and mortgage loans grew strongly

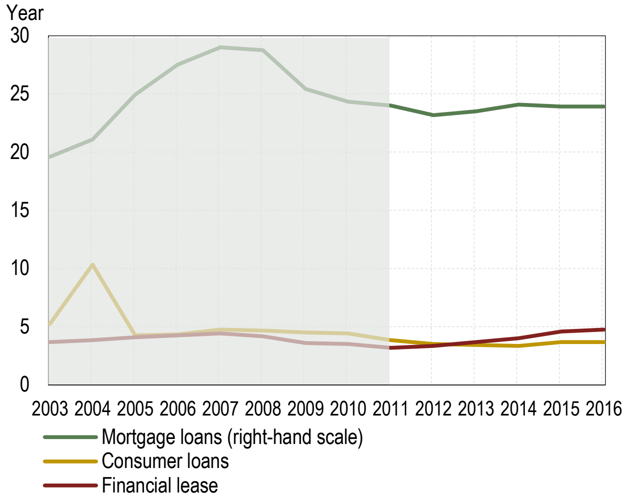
Average size of loans extended over the year



Note: The data for the periods referred to against a different-colour background are not compared due to methodological changes, while the data for 2011 and 2012 should be compared with a margin (see Methodological Notes).

The average maturity of new mortgage and consumer loans remained almost unchanged

Average weighted repayment period for new loans extended



Note: The data for the periods referred to against a different-colour background are not compared due to methodological changes, while the data for 2011 and 2012 should be compared with a margin (see Methodological Notes).