



2010 SURVEY OF HOUSEHOLDS WITH A HOUSING LOAN

The questionnaire survey was conducted on behalf of the Bank of Lithuania and conducted by the public opinion and market research company Spinter tyrimai in March-April 2010. 1,002 Lithuanian households with a housing loan from banks participated in the survey.

Based on the Bank of Lithuania data 11.3 per cent of Lithuania's households have taken a housing loan from banks. Although the portfolio of households with a housing loan and the number of loans were decreasing in 2009, the share of households with a housing loan, if compared with the previous year survey data, changed insignificantly due to a more than 2 per cent lower number of households.

The working member of a household earned on average about LTL 2,540. To compare with the analogous survey results of 2009, this amount was 8 per cent more. However, in 2009 the average net wages in Lithuania curtailed and was about 1.5 times smaller than average earned income of respondents with a housing loan.

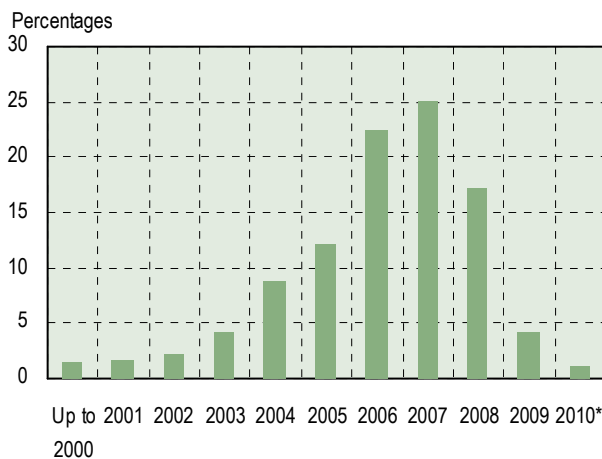
In households with a housing loan commonly the one whose income is the largest is a specialist or an officer (55%), then a worker (about 15%) and manager (12%). Approximately 8 per cent of households in Lithuania generate the main income from their own business.

More than 30 per cent of persons holding housing loans are attributed to the age group of 25-29 years. This age group of debtors is the largest.

As Fig. 1 shows, almost 65 per cent of all loans issued to respondents were housing loans given in the period of 2006-2008. The number of loans given in the first months of 2010 suggests that year-on-year borrowing in the market was less intensive at the beginning of 2010.



1 Fig.1. The distribution of housing loans by the year of issue
(compared to the total number of issued loans)



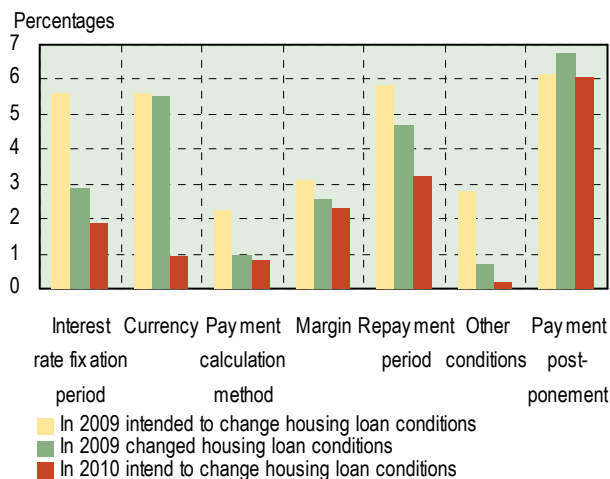
Source: Household Survey conducted on behalf of the Bank of Lithuania.

* Loans issued to respondents up to March 2010.

In 2009 nearly 21 per cent of households that participated in the survey changed housing loan payment conditions. It should be noted that loan conditions were changed by the part of respondents which in the previous year survey had indicated their intention to do so. Most often households had their payment of the principal debt amount postponed, currency of the housing loan, payment period of the loan and the period of the interest rate fixation changed. In some cases households changed more than one housing loan payment condition. These changes are expected to have eased the loan payment burden for households. In 2010 approximately 13 per cent of households intend to request the banks to change loan payment conditions. The most important issues to be addressed by households are associated with the postponement of the principal loan amount payment, loan payment period, interest margin applied by banks and with the change of interest rate fixation period. The major part of households that have faced financial difficulties is expected to have already addressed the banks in hope for a constructive and bilaterally favourable decision. An improving economic environment and the recovery of the domestic economy in the future would form conditions for a lesser number of such cases.



2 Fig. Housing loan payment conditions changed in 2009-2010 or intended to be changed



Source: Household Survey conducted on behalf of the Bank of Lithuania.

The average maturity of respondents' housing loans was longer than 23 years. Because of cheaper housing prices and weaker credit demand, the average housing loan maturity shrank by almost one year, if compared with the previous year housing survey. The average housing loan maturity in Vilnius, Kaunas and Klaipėda was 26 years, and in other locations – 20 years. Households with the highest income (LTL 3,000 and more) borrowed for the longest term – 25 years on average. The average housing loan term of households earning on average LTL 2,000-3,000 per month was 21 years, and of households whose monthly income was less than LTL 1,200 this term was 23 years. It should be observed that the average housing loan term of households earning the lowest income became longer by 3 years. A difficult financial environment might have forced households address the bank for the prolongation of the loan repayment period or for the postponement of the principal loan amount payment.

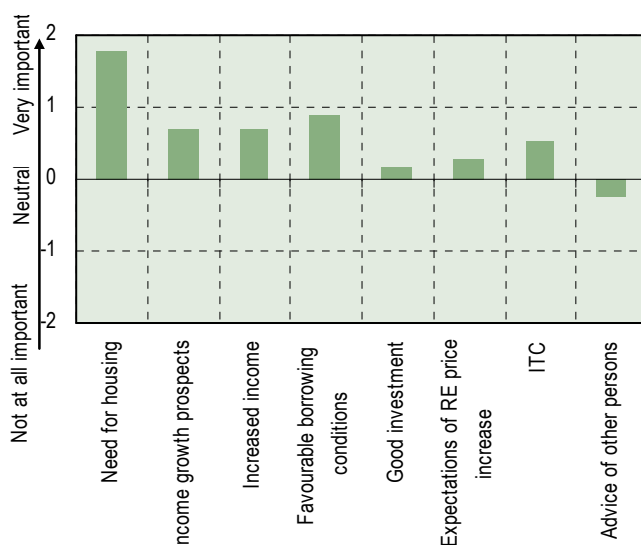
MAIN REASONS OF BORROWING

Among the respondents who borrowed in 2009-2010, the need for own housing was of a less significance, if compared with the average of all respondents that participated in the survey. However, increased income or more optimistic prospects for higher income was a more important reason of borrowing. This assessment of incentives suggests, that with the start of the economic downturn households became more responsible in assessing their income as the main source of the loan repayment and regarded actually earned rather than planned to be earned income as a more substantial factor. 97 per cent of all respondents that participated in



the survey indicated the need for own housing as the main reason behind borrowing. The second important reason for a housing loan was favourable bank lending conditions, and the third cause for borrowing was higher family income. Expectations of higher real estate (RE) prices, a possibility to use the income tax concession (ITC) and advice of other persons played an insignificant role when taking a housing loan.

Fig.3. Importance behind borrowing



Source: Household Survey conducted on behalf of the Bank of Lithuania.

AMOUNT OF A HOUSING LOAN

The average amount of a housing loan in Lithuania, compared to the previous year analogous survey results, expanded by LTL 7,000 and made up more than LTL 152,000. The largest housing loans were taken by households in Vilnius – LTL 197,000 on average, in Kaunas and Klaipėda average loans were smaller (LTL 170,000 and LTL 179,000, respectively). In other locations these loans amounted to approximately LTL 107,000.

Monthly household income and loan amount undergo a strong bilateral correlation and synergy. When the household monthly income is more than LTL 3,000, the average amount of the loan is more than LTL 182,000, and when family income per month is less than LTL 3,000, the average loan amount is smaller – approximately LTL 117,000. However, to compare with the March-April 2009 analogous survey results, the average loan amounts attributed to this household income categories increased.



PAYMENTS OF A HOUSING LOAN

Table 1. Payments of the housing loan, principle amount and interest (by location)
(in litas per month)

	Vilnius	Kaunas	Klaipėda	Other locations	Whole of Lithuania
Housing loan payments*	1,248	1,185	1,122	815	1,040
Principal amount payments	450	564	331	377	424
Interest payments	513	414	506	301	406

*If a part of respondents did not divide the housing loan payment into a part of principal amount payments and that of interest payments, the sum of these parts in the table is not equal to the payments of housing loans.

Table 2. Payments of housing loan principle amount (by income)
(in litas per month)

Principal amount payments	Household monthly income, LTL				Total
	up to LTL 1,200	LTL 1,201-3,000	LTL 2,001-3,000	More than LTL 3,000	
Minimum	20	67	25	20	20
Maximum	450	1,000	1,500	3,300	3,300
Average	218	233	355	500	424

Table 3. Payments of housing loan interest (by income)
(in litas per month)

Interest payments	Household monthly income, LTL				Total
	up to LTL 1,200	LTL 1,201-2,000	LTL 2,001-3,000	More than LTL 3,000	
Minimum	20	10	25	20	10
Maximum	450	1,111	1,600	3,000	3,000
Average	185	265	298	481	406

ASSESSMENT OF THE HOUSING LOAN PAYMENTS BURDEN ¹

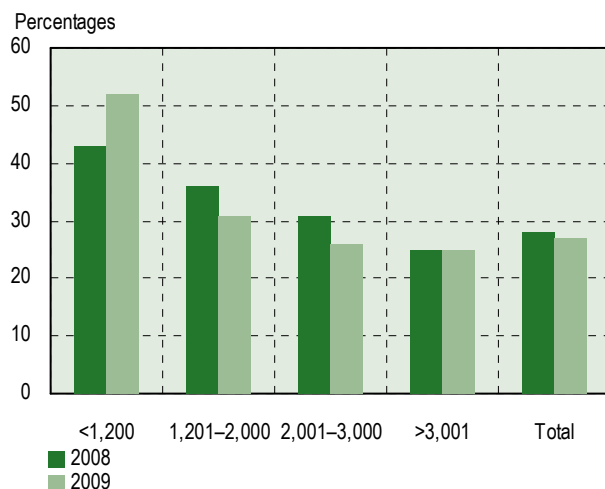
Assessment of the current burden

In 2009 the income share for the housing loan repayment of households earning up to LTL 1,200 expanded materially. However, the part of income allocated for the repayment of a housing loan of households of other income groups reduced. Shrinking inter-bank interest rates diminished the households' loan repayment burden, however, lower income or loss of a job incurred a negative effect on the household solvency.

¹ The payment burden comprises payments of the principle amount and interest.



Fig.4. The share of household income allocated for the repayment of a housing loan



Source: Household Survey conducted on behalf of the Bank of Lithuania.

Year-on-year the number of households pointing out that the housing loan was a very heavy burden, increased by 6 percentage points. The most distinct changes were recorded in Vilnius, Klaipėda and among households whose earned income was smaller than LTL 2,000 and larger than LTL 3,000.

Table 4. Assessment of the housing loans burden (by location)

(in percentages, in square brackets – the change in percentages compared with the 2009 Housing Survey data)

	Vilnius	Kaunas	Klaipėda	Other locations	Whole of Lithuania
Very heavy burden	44 [+13]	46 [+6]	46 [+21]	47 [+2]	45 [+6]
A slight burden	41 [-13]	46 [-6]	43 [-17]	41 [-4]	42 [-8]
Not a burden	15 [0]	8 [0]	11 [-4]	12 [+2]	13 [+2]

Table 5. Assessment of the housing loans burden (by income)

(in percentages, in square brackets – the change in percentages compared with the 2009 Housing Survey data)

	Household monthly income, LTL				Total
	up to LTL 1,200	LTL 1,201-2,000	LTL 2,001-3,000	More than LTL 3,000	
Very heavy burden	50 [-12]	45 [-18]	43 [-3]	45 [+11]	45 [+6]
A slight burden	34 [-4]	42 [+9]	44 [-1]	44 [-9]	42 [-8]
Not a burden	16 [+16]	13 [+10]	13 [+5]	11 [-2]	13 [+2]

Within the last 12 months, almost 18 per cent of respondents pointed out that they had been at least once late in making housing loan payments, more than 10 per cent of survey participants indicated that they had been late in making other loans payments and almost 24 per cent of the



participants had been at least once late in making utility payments. Behind the delay in making these payments were such reasons as diminished household income, higher household expenses and loss of a job. An advancing number of households late in making loan or utility payments reveals a growing figure of households facing financial problems. To compare with the previous year survey data, the number of respondents that were at least once late to make housing loan payments grew by 4 percentage points.

Table 6. The share of households that were late in making loan payments or utility payments (by income)

(in percentages; in square brackets – the change in percentages compared with the 2009 Housing Survey data).

	Household monthly income, LTL				Total
	up to LTL 1,200	LTL 1,201-2,000	LTL 2,001-3,000	More than LTL 3,000	
Housing loan payment	44 [+11]	26 [+1]	21 [+3]	16 [+6]	18 [+4]
Other loans payments	22 [+3]	9 [-10]	7 [-7]	12 [+2]	10 [-1]
Utility payments	60 [+22]	26 [-9]	24 [+3]	23 [+5]	24 [+5]

Change of the burden in the future

The review of the housing loan burden assessments expressed by households within the next 12 months does not demonstrate any material shifts, excluding more distinct changes in Klaipėda and among households earning less than LTL 2,000.

Table 7. Assessment of the housing loans burden within the coming 12 months (by location)

(in percentages, in square brackets – the change in percentages compared with the 2009 Housing Survey data)

	Vilnius	Kaunas	Klaipėda	Other locations	Whole of Lithuania
Of a very big concern	41 [+8]	45 [+4]	43 [+18]	44 [+2]	43 [+4]
Of a slight concern	43 [-2]	50 [-1]	42 [-14]	45 [-1]	46 [-1]
No concern	16 [-6]	5 [-3]	15 [-4]	11 [-1]	11 [-4]

Table 8. Assessment of the housing loans burden within the coming 12 months (by income)

(in percentages, in square brackets – the change in percentages compared with the 2009 Housing Survey data)

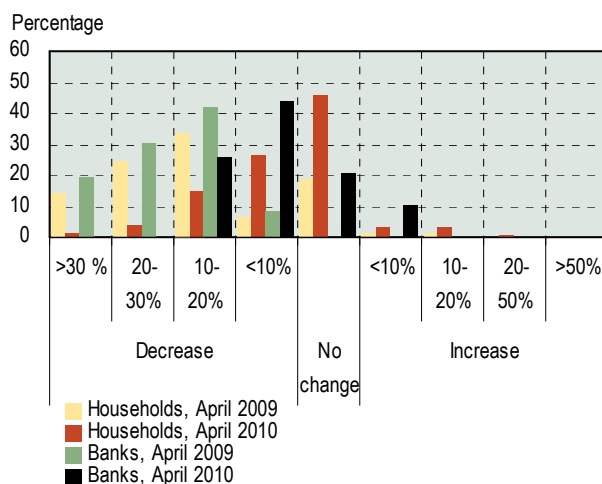
	Household monthly income, LTL				Total
	up to LTL 1,200	LTL 1,201-2,000	LTL 2,001-3,000	More than LTL 3,000	
Of a very big concern	45 [-12]	45 [-12]	41 [-6]	42 [+7]	43 [+4]
Of a slight concern	40 [-3]	47 [+13]	45 [+2]	47 [-1]	46 [-1]
No concern	15 [+15]	8 [0]	14 [+4]	11 [-6]	11 [-4]



FORECASTS OF THE HOUSING PRICE CHANGES

The survey respondents of 20-60 years of age are of the opinion that within the nearest 12 months housing prices will drop by approximately 6 per cent on average. According to the survey results, 48 per cent of respondents (78% of the results of the analogous survey in 2009) expect that within the coming 12 months housing prices will decrease in Lithuania, 34 per cent of the participants are of the view that these prices will remain the same and 8 per cent of households suppose that real estate prices will go up. The most common response of the survey participants was that prices will drop from 0 per cent to 10 per cent. To compare with the Bank Lending Survey, April 2010 results, households' assessments regarding real estate price movements were more optimistic. However, they still hope that prices will fall.

Fig.5. Distribution of expectations of housing price changes within the coming 12 months



Sources: Household and Bank Surveys conducted on behalf of the Bank of Lithuania.

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