



SURVEY OF HOUSEHOLDS WITH A HOUSING LOAN 2009

The questionnaire survey was performed on behalf of the Bank of Lithuania and conducted by the Lithuanian-British market research and the public opinion company Baltic Surveys in March-April 2009. 715 Lithuanian households with a housing loan from banks participated in the survey.

The 2009 Household Survey results showed that 11.2 per cent of Lithuania's households have taken a housing loan from banks. To compare with the previous year survey results, the share of households with a housing loan expanded by 0.9 percentage points. However, the registered growth rate was more moderate than a year ago.

Households' with housing loans income exceeded the average income level of the Lithuanian households almost twice. The average monthly income of a family of these households amounts to LTL 4 540 (the average income of a family in Lithuania is LTL 2 422), while the income per family (with a housing loan) member makes up LTL 1 566 (the average income per family member at the country level is LTL 897, respectively). To compare with the previous year analogous survey results, the average income of households with housing loans contracted by approximately 2 per cent.

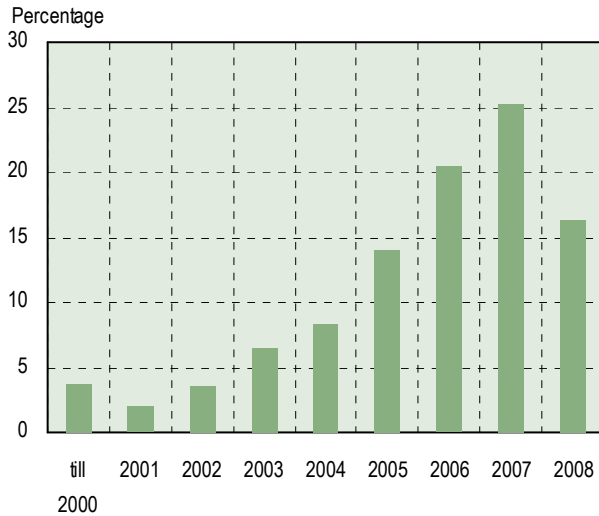
Usually, the main breadwinner (the one whose income is the largest) in households with a housing loan is a specialist or an officer (52%). About 15 per cent of households are the households in which the breadwinner is a worker, in 14 per cent of households the breadwinner is a manager, and approximately 5 per cent of households in Lithuania generate the main income from their own business.

Nearly three thirds of persons holding housing loans are 25-40 years of age. The share of housing loan holders younger than 20 or older than 60 years of age made up slightly more than 1 per cent.

As Fig. 1 shows, more than 60 per cent of all loans issued to respondents were housing loans granted in the period of 2006-2008. Notwithstanding a smaller loan flow in 2008, compared to the flow registered in 2006-2007, approximately one sixth of the respondents were issued housing loans in 2008.



1 Fig.1. Issuance of housing loans
(compared to the total number of issued loans)

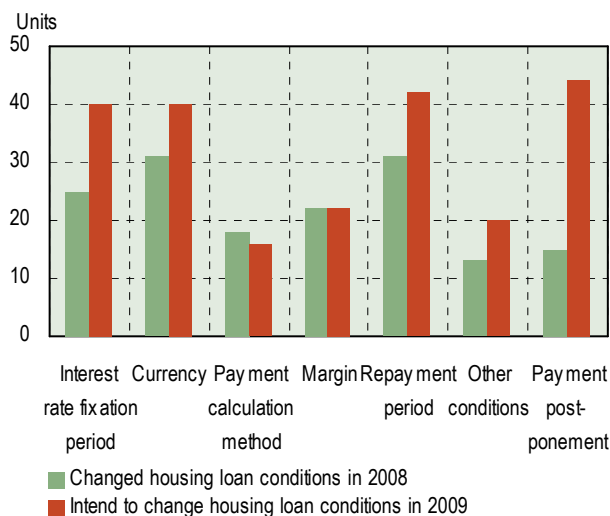


Source: Household survey ordered by the Bank of Lithuania.

In 2008 nearly 15 per cent of households that participated in the survey changed housing loan payment conditions. The most usual change of the housing loan conditions was the change of the loan currency, loan payment period, and the interest rate fixation period. 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 2009 over 22 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 loan payments, change of the loan principal amount payment period, currency, and of the interest rate fixation period.



Fig.2. Housing loan payment conditions changed in 2008-2009 and intended to be changed



Source: Housing survey ordered by the Bank of Lithuania.

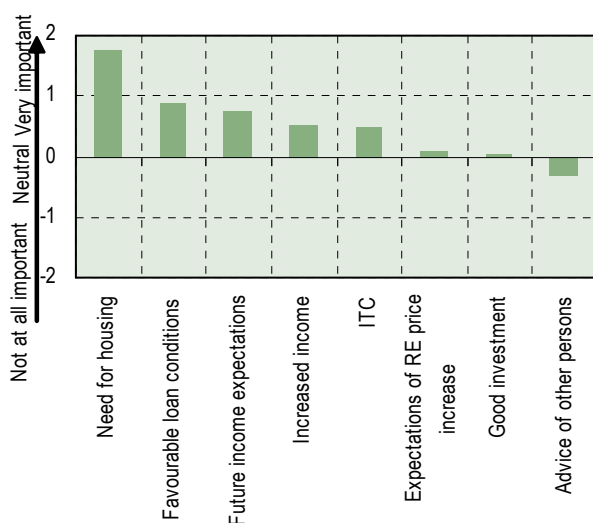
An average housing loan maturity was 24 years. To compare with the previous year Household Survey results, the average housing loan maturity shrank by two years. The average housing loan maturity in Vilnius and Klaipėda was 28 years, in Kaunas – 25 years, and in other locations – 21 year. The average housing loan maturity in other locations of Lithuania is expected to be smaller than that in the three largest Lithuanian towns because of lower real estate prices and a smaller loan amount. The households with the highest income (LTL 3000 and more) borrowed for the longest maturity – 25 years on average. The average housing loan maturity of households with monthly income of LTL 2 000-3 000 was 23 years, and of households whose monthly income was less than LTL 1 200 such maturity was 20 years.

MAIN REASONS OF BORROWING

The majority of households (94%) which took housing loans indicated the need for own housing as the first main reason for borrowing. The second main reason of taking a housing loan was favourable bank lending conditions, and optimistic family income perspectives were the third cause among the mentioned reasons. 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. To compare with the previous year analogous survey data, the main reasons remained the same.



Fig.3. Importance of borrowing reasons



Source: Household survey ordered by 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, curtailed by LTL 30 000 and made up approximately LTL 145 000. The largest housing loans were taken by households in Vilnius – LTL 228 000 on average, in Kaunas and Klaipėda average loans were smaller (LTL 163 000 and LTL 197.000, respectively). In other locations these loans amounted to approximately LTL 98 000.

The general tendency – the more a family (household) earns per month, the larger housing loan it has taken. If the household monthly income is more than LTL 3 000, the average amount of the loan is more than LTL 170 000. In case the family monthly income is less than LTL 3 000, the average loan amount is smaller (about LTL 108 000). However, to compare with the 2008 March-April analogous survey results, the average loan amounts attributed to these household income categories have increased.

**PAYMENTS OF A HOUSING LOAN****Table 1. Payments of the housing loan principal amount and interest (by location)***(in litas per month)*

	Vilnius	Kaunas	Klaipėda	Other locations	Whole of Lithuania
Payments* of housing loans	1 508	1 121	1 131	912	1 142
Payments of principal amount	617	511	350	427	500
Payments of interests	936	629	773	471	660

*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 principal amount (by income)*(in litas per month)*

Payment of principal amount	Household monthly income				Total
	up to LTL 1 200	LTL 1 201 - 2 000	LTL 2 001 - 3 000	More than LTL 3 001	
Minimum	50	30	35	22	22
Maximum	407	1 000	1 800	14 950	14 950
Average	167	293	362	583	500

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

Payment of interest	Household monthly income				Total
	Up to LTL 1 200	LTL 1 201 - 2 000	LTL 2 001 - 3 000	More than LTL 3 001	
Minimum	9	10	10	12	9
Maximum	600	1 200	1 800	4 000	4 000
Average	241	362	477	745	660

ASSESSMENT OF THE HOUSING LOAN PAYMENTS BURDEN ¹**Assessment of the current burden**

Nearly 40 per cent of respondents indicated that the income amount they earn is enough in order to satisfy indispensable family needs. Moreover, another part of respondents comprising 30 per cent pointed out that the income they earn is enough to purchase some expensive things. These results reveal that the majority of households with housing loans receive larger income. However, almost 4 per cent of households that participated in the survey indicated that their income was too small even for the purchase of food.

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



To compare with the previous year, the number of households pointing out that their housing loan was a very heavy burden increased by 12 percentage points. The most evident changes in the assessment were recorded in Kaunas and other locations 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 2008 Housing Survey data)

	Vilnius	Kaunas	Klaipėda	Other locations	Whole of Lithuania
Very heavy burden	31 [+3]	40 [+15]	25 [-4]	45 [+12]	39 [+12]
A slight burden	54 [+3]	52 [-5]	60 [+10]	45 [-3]	50 [-3]
Not a burden	15 [-6]	8 [-10]	15 [-6]	10 [-9]	11 [-9]

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

(in percentages, in square brackets – the change in percentages compared with the 2008 Housing Survey data)

	Household monthly income				Total
	Up to LTL 1 200	LTL 1 201- 2 000	LTL 2 001- 3 000	More than LTL 3 001	
Very heavy burden	62 [+12]	63 [+22]	46 [+7]	34 [+15]	39 [+12]
A slight burden	38 [+5]	33 [-13]	45 [-4]	53 [-3]	50 [-3]
Not a burden	0 [-17]	3 [-9]	8 [-3]	13 [-12]	11 [-9]

Within the last 12 months, almost 14 per cent of respondents pointed out that they were at least once late in making housing loan 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 payments show a growing figure of households facing solvency 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.

Change of the burden in the future

Review of the housing loan burden assessments expressed by households within the next 12 months also demonstrates substantial changes, compared with the 2008 March-April analogous survey results. The number of respondents pointing out that the return of the housing loan within the nearest 12 months is of a very big concern to them, almost doubled. The number of those indicating that the loan repayment was no concern to them dropped twice.

**Table 6. 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 2008 Housing Survey data)

	Vilnius	Kaunas	Klaipėda	Other locations	Whole of Lithuania
Of a very big concern	33 [+9]	41 [+29]	25 [+10]	42 [+25]	39 [+19]
Of a slight concern	45 [-2]	51 [-4]	56 [-2]	46 [+2]	47 [-2]
No concern	22 [-7]	8 [-25]	19 [-8]	12 [-27]	15 [-17]

Table 7. 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 2008 Housing Survey data)

	Household monthly income				Total
	Up to LTL 1 200	LTL 1 201-2 000	LTL 2 001-3 000	More than LTL 3 001	
Of a very big concern	57 [+24]	57 [+22]	47 [+20]	35 [+21]	39 [+19]
Of a slight concern	43 [+10]	34 [-5]	43 [-8]	48 [-1]	47 [-2]
No concern	0 [-34]	8 [-18]	10 [-12]	17 [-20]	15 [-17]

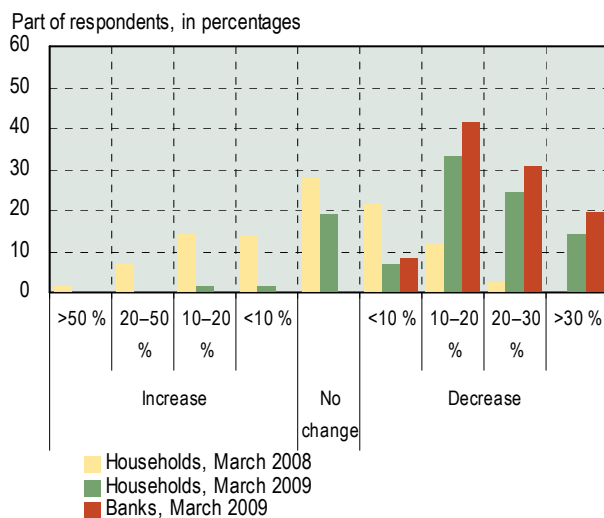
Within the coming 12 months, approximately 4 per cent of respondents intend to purchase housing but only 2 per cent from them plan to ask the banks for a housing loan. These results reveal that a significant part of households thinking about the purchase of housing have savings or other property.

FORECASTS OF THE HOUSING PRICE CHANGES

The survey respondents of 16-68 years of age are of the opinion that on average housing prices will drop by somewhat more than 14 per cent. According to the survey results, 78 per cent of respondents (40% of the 2008 analogous survey results) with a housing loan think that within the coming 12 months housing prices will decrease in Lithuania, 19 per cent of the respondents are of the view that these prices will remain the same and only 3 per cent of households suppose that real estate prices will go up. The largest forecasted drop is 70 per cent. However, the mode of the survey results – a 10-20 per cent adjustment of housing prices. To compare with the April 2009 Bank Lending Survey, households' assessments regarding real estate price developments were more optimistic.



Fig.4. Distribution of expectations of housing price changes within the coming 12 months



Source: Household survey ordered by the Bank of Lithuania.

The Review has been prepared by the Financial Stability Division of the Economy Department of the Bank of Lithuania. Persons responsible for the preparation of the Survey:

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