

Developing Secondary Mortgage Markets in Southeast Europe
(Sofia, Bulgaria, 4 – 5 February 2003)

Primary Mortgage Market in Croatia

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Agenda

- Croatia - basic macroeconomic indicators.
- Loan lenders.
- The market size.
- Housing loan products.
- Underwriting criteria.
- Other products secured by mortgage.
- Foreclosure.
- Appraisal policies.
- Further development.

Croatia - basic macroeconomic indicators

	2000	2001	2002
Population	4.4 million		
Area	56.538 sq.m		
GDP per capita, USD	4.153	4.403	4.700
GDP growth rate, %	2,9	3,8	4,2
Retail prices, p.a.	6,2	4,9	2,1
Exchange rate, EUR/HRK, e.o.p.	7,6	7,37	7,4
Exchange rate, USD/HRK, e.o.p.	8,15	8,36	7,4
Current account balance, %GDP	-2,4	-3,2	-4,1

Loan lenders

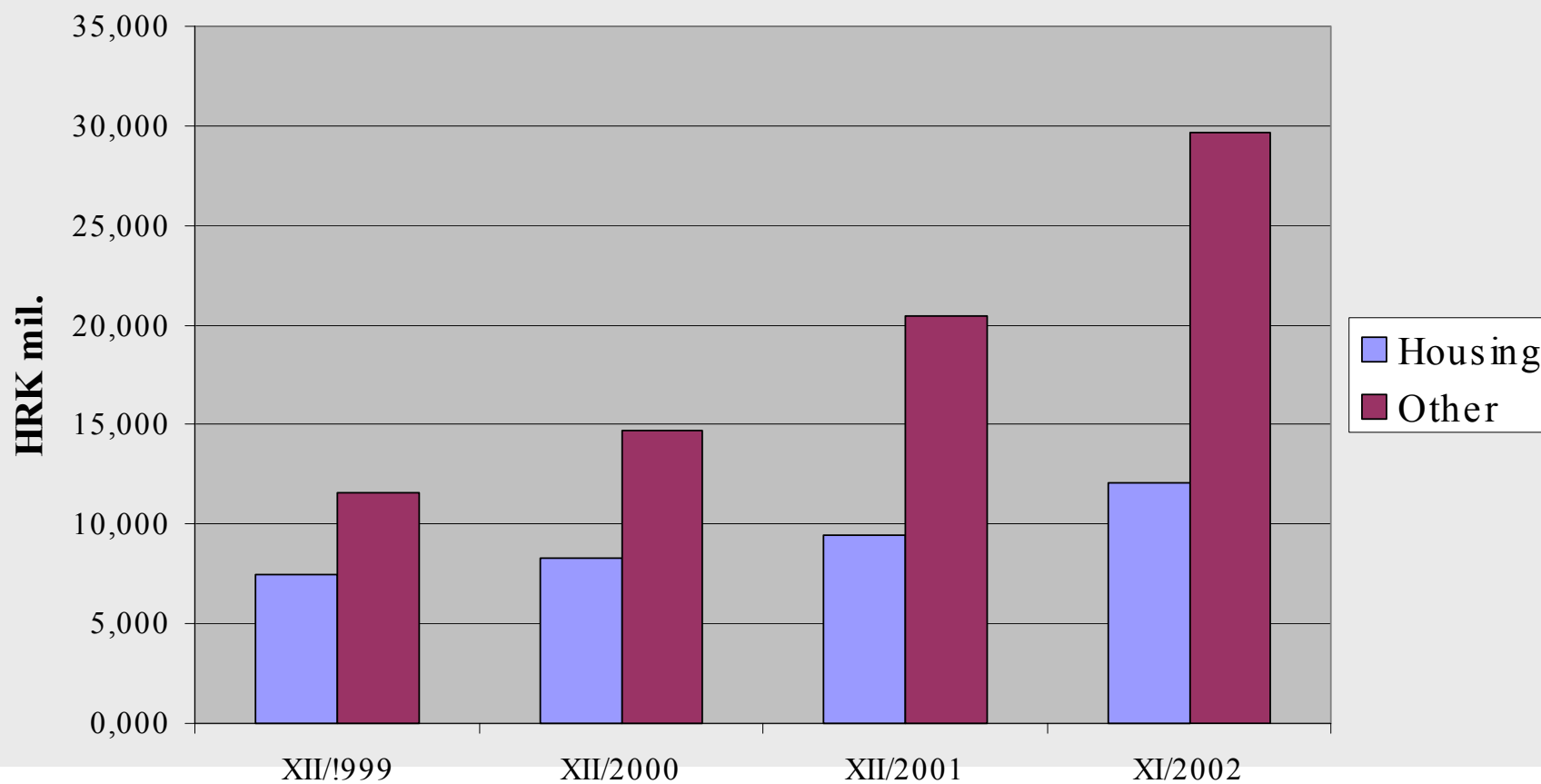
- Banks.
- Building societies.

Loan lenders (cont...)

- Zagrebacka banka (Unicredito Group).
- Privredna banka Zagreb (Gruppo IntesaBci).
- Raiffeisen banka Croatia (RBA Group).
- Erste & Steiermarkische banka + Rijecka banka (Erste Group).
- HVB Croatia + Splitska banka (HVB Group).
- Hypo Alpe Adria banka (Hypo Group).

The market size

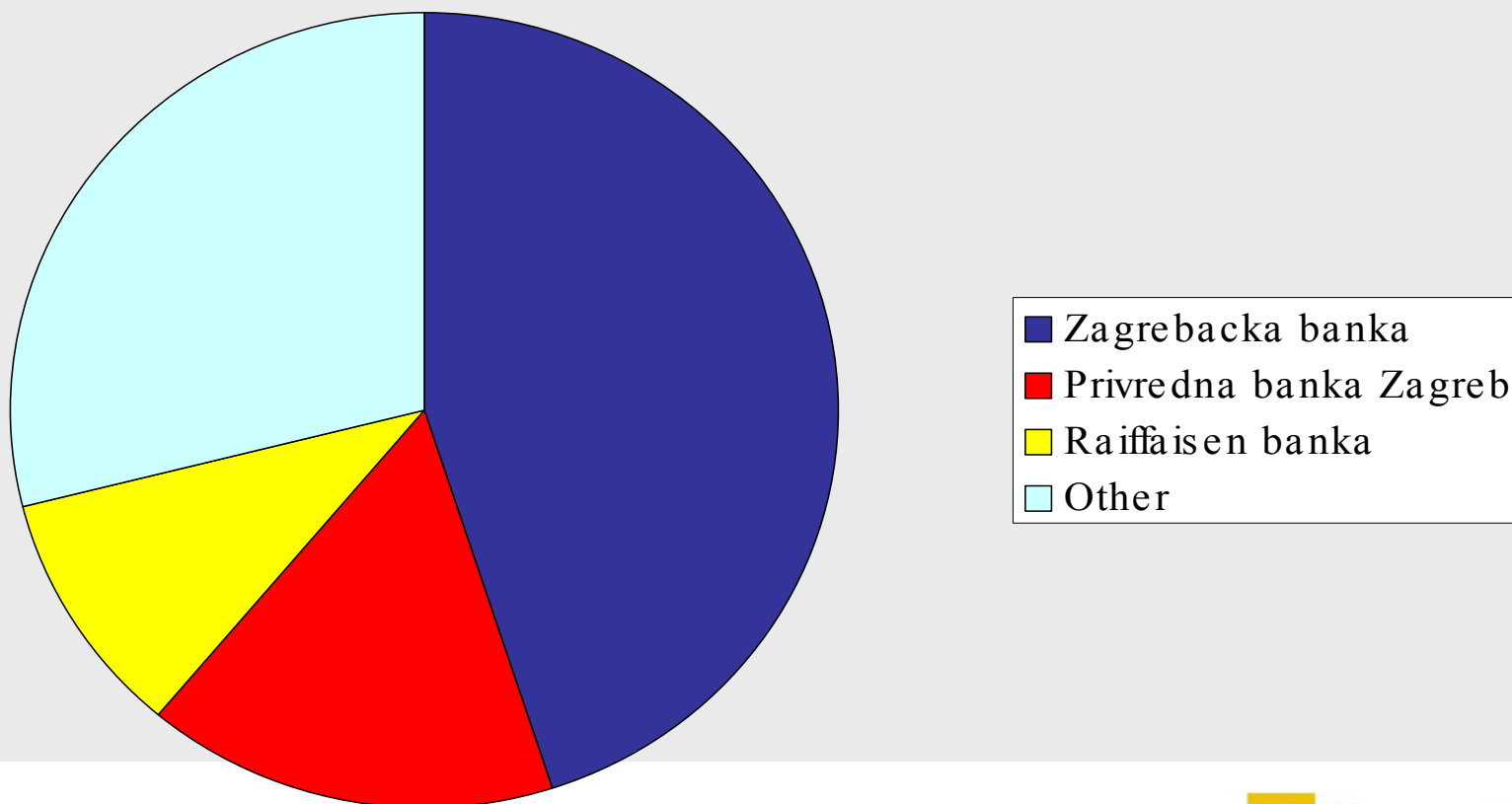
Retail loans outstanding



UR 1 = HRK 7.52

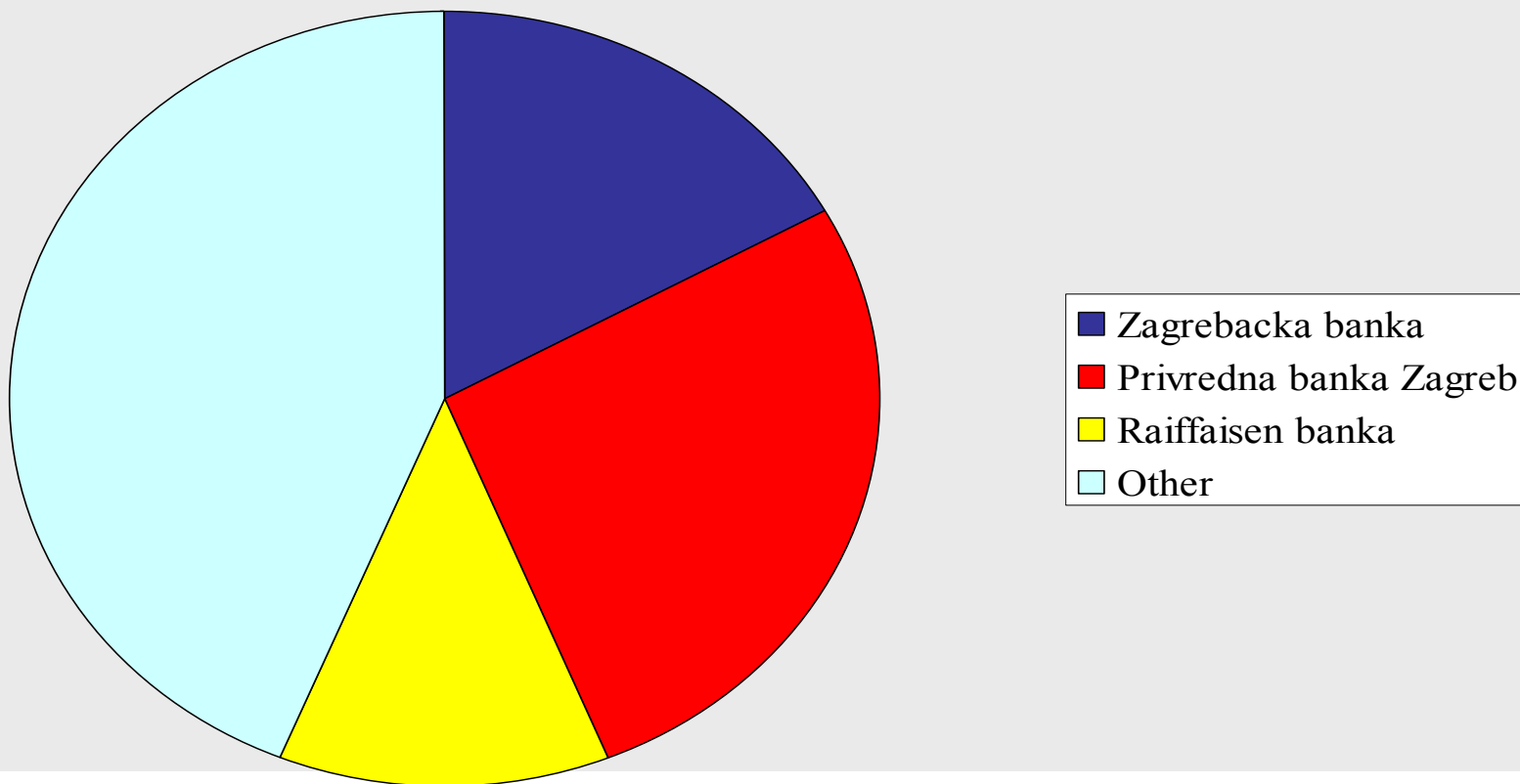
Loan lenders (cont.)

Housing loans outstanding



Loan lenders (cont.)

Non-housing loans outstanding



Housing loan products

a) Maximum amount of a loan

- Up to EUR 250,000 (usually up to EUR 100,000).
- Average big loan amounts to EUR 50,000; average loan amounts to EUR 25,000.

b) Interest rates

- 7.00% - 7.50% p.a. variable with 20% downpayment.
- 7.50% - 8.40% p.a. variable with 10% downpayment.
- 7.50% - 9.90% p.a. variable with no downpayment.
- Interest rates depend on the number of guarantors and the value of the mortgage (between 1:1 and 1:2.25).
- Package with life insurance policy and building society.
- Some banks offer fixed interest rates instead of variable.

Housing loan products (cont..)

c) Up-front fee

- 1.0% - 2.0%.

d) Repayment terms

- Up to 30 years.

e) Currency

- Linked to EUR.

Underwriting criteria

a) Loan beneficiaries

- Citizens of the Republic of Croatia with the residence in the Republic of Croatia and with regular monthly income.
- On the final maturity date of the loan the debtor must be of the age up to 60-75.

Underwriting criteria (cont..)

b) The assessment of financial standing

- The sum of income of a debtor reduced by one "base" for him/her and reduced by the current liabilities for him/her = at least one monthly instalment.
- One-third of the sum of income of a debtor and reduced by the current liabilities for him/her = at least one monthly instalment.
- Monthly income of a debtor reduced by the current liabilities must exceed one monthly instalment for him/her for at least twice.

Underwriting criteria (cont..)

c) Collateral

- Mortgage LTV between 1:1 and 1:2.25.
- Promissory notes of a creditworthy debtor, joint and several solidary debtor and guarantor (if necessary).
- Statement on seizure of 1/3 of the salary verified by the notary public.
- Statement on the account seizure verified by the notary public (for larger loans).
- Insurance policy for the property.
- Other (life insurance, building society etc.).

Other products secured by mortgage

- There are several other loans that are in fact cash loans but secured by a real estate.
- Amount of a loan up to EUR 500,000 (usually up to EUR 150,000).
- Interest rate between 9.00% p.a. and 11.50% p.a.
- Repayment term up to 15 years.
- LTV 1:2.5 - 1:3.
- Up-front fee 1% - 3%.
- No other underwriting criteria.

Foreclosure

- No significant problems in repayment.
- Average defaults 3%.
- Primary collection through debtor, co-debtor and guarantor (statement on seizure of the salary).
- The foreclosure process is rather long mainly due to legal issues. Typical length of the foreclosure process is between 2 and 5 years.
- Costs involved in foreclosure are moderate.
- Auction process consists of:
 - ruling;
 - real estate assessment;
 - I auction - based on the real estate assessment;
 - II auction - 50% discount;
 - III auction - no limit.

Appraisal policies

- Authorised appraisers.
- 3 associations of experts (for different areas), regulated by the law - in charge for education and licensing.
- Experts for construction and real estate appraisal.
- Statistical method used (defined by the law) - construction method corrected by certain factors (location, quality, age).
- Other methods rarely used (for instance, comparables for hotels).

Further development

- Reduced share of loans with guarantors.
- Credit scoring based on own data.
- Credit Bureau establishment.
- Increased market share of building societies.
- Further development driven by tourism.
- Land register improvement.

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