

Domenia  **Credit**

Creditul Ipotecar Româno-American



Romanian Mortgage Market

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Domenia Credit S.A. ®

Mortgage Market

Size of the mortgage market:

- commercial and residential mortgage market above 2.8% of GDP (approx. EUR 2.2bln/ EUR);
- residential mortgage market above 1.8% of the GDP (approx. EUR 1.44 bln as of Dec. 2005);

1. Size & Growth
2. Legal Framework
3. Institutions

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Underwriting Criteria & Products

Underwriting criteria on residential market set by NBR:

- Loan-To-Value < 75%;
- Mortgage Payment-To-After tax Disposable Income < 35%

Products for residential mortgage market:

- Maturity – up to 30 years; most of the loans in the 20- year range;
- Currency: EUR/ RON (RON is 11% of the market)
- Interest: variable with margins in the 4.2%-5% range
- Prepayment: allowed; penalties are charged for prepayments

Mortgage Market Constraints vs/ & Real Estate Market Development

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Are underwriting criteria set under real estate market development?

Is mortgage market creating an asset bubble?

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Mortgage Market Constraints vs/ & Real Estate Market Development

Annual new residential units registered: 30,000
Residential Construction Permits issued in 2005:
40,000
Estimated number of mortgages underwritten in
2005: 24,000 (average mortgage loan size of
25,000 Euro)

Market portfolio mostly acquisition loans



**New constructions are financed through other
markets**

**Mostly old stock is financed through mortgage
market**

Romanian Residential Mortgage Market

1. Size & Growth
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Year	Mortgage outstanding debt	GDP	Mortgage / GDP	Mortgage market growth	Mortgage per capita
	Euro mil	Euro mil	%	Euro mil	Euro
2002					
2003	496	70,000	0.71%		
2004	866	77,000	1.12%	370	40
2005	1,435	78,486	1.83%	569	66
2006	2,232	91,877	2.43%	797	102
2007	3,508	112,946	3.11%	1,275	161
2008	5,102	119,158	4.28%	1,594	234
2009	6,855	125,712	5.45%	1,753	314
2010	8,749	131,997	6.63%	1,894	401
2011	10,756	138,597	7.76%	2,007	493
2012	12,884	145,527	8.85%	2,128	591

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Legal Aspects

Mortgage law

- Sets framework for credit activity, primary market players and opens the door for secondary mortgage market

Foreclosure laws

- Court procedures not required
- Maximum duration provided by law: approx. 100 days

Title and ownership rights

- Registered with the Land Book – process and quality assessed as adequate for operation of the mortgage market

Mortgage registration

- Rank ensured by filing date
- Relatively quick - up to 2 weeks to obtain the mortgage title
- No central registry for mortgages (to be implemented next year)

Insurance

- Property insurance mandatory

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Secondary mortgage market

Mortgage Bond Law

- Issuer: any credit institution
- Public & Private placements allowed
- Clear segregation of cover assets
- Structured bonds may be issued

Mortgage Banks Law

- Allows limited/ specialized mortgage credit institutions to evolve.

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Secondary mortgage market

Assets Securitization Law

- Legal construction of SPV to allow pass-through and pay-through structures
- Multi-seller structure
- Flexible list of receivables
- Clear bankruptcy remoteness
- Segregation of roles between SPV, manager, servicer and trustee

Institutions

Regulator: National Bank of Romania for primary mortgage market; Securities Commission for secondary mortgage market

Originators: credit institutions, National Savings Bank, specialized mortgage finance institutions, mortgage banks

Appraisal Policy: high quality, real estate valuation undertaken by independent valuers/ appraisers licensed by ANEVAR (Romanian National Association of Evaluators)

Notaries: key role in checking title validity and deed registration

Real Estate Industry: extensive realtor network organized in two associations; no sharing of sales information