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**CHANGES IN POLAND'S HOUSING LOAN MARKET  
IN 2004–2010**

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**Abstract:** The article describes changes in the mortgage market in Poland, which is a consequence of the development of real estate market started with the transition period in the 1990s. Changes in the mortgage market were very dynamic in nature, mainly due to the transformation of the macroeconomic situation and its consequences for the real estate market. After the shock caused by the credit boom in the years 2004–2007, there came another shock in the years 2008–2009 associated with the global financial crisis.

**Key words:** real estate market, mortgage loan, uncertainty, creditworthiness.

## **1. Introduction**

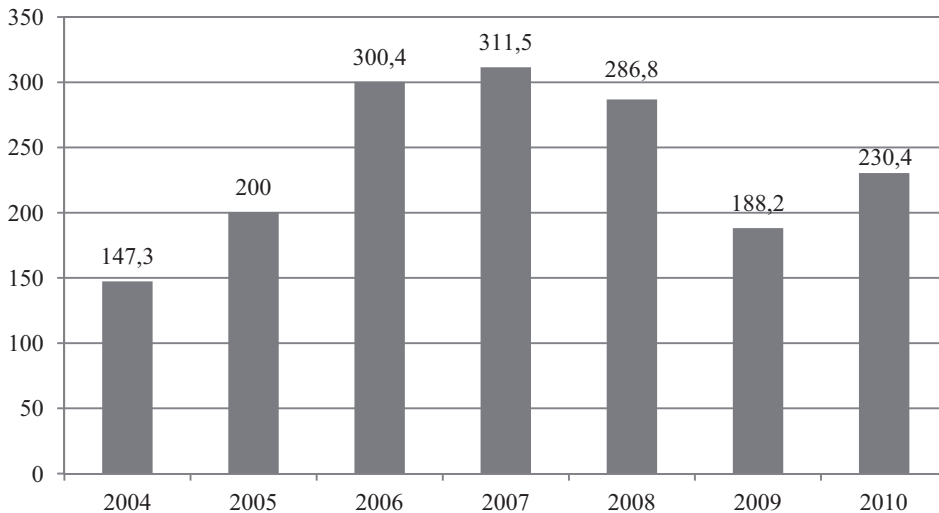
The development of the real property market in Poland started together with the transformation period in the 1990s, while at the beginning of the 21st century this market boomed suddenly, to a considerable extent thanks to mortgage loans, which quickly became the most popular banking product in Poland. In numerous cases they were (and continue to be) the only source of the financing of housing needs because they frequently offer the only possibility of acquiring a flat, house or building plot to people without sufficient financial resources. The rising interest in the acquisition of real properties in Poland at the beginning of this century was additionally stimulated by speculations concerning a probable increase in the prices of all real properties after Poland's accession to the European Union and the announcements of increased rates of VAT paid on building materials and services.

The objective of this study is to present changes in Poland's housing loan market in the years 2004–2011, a period which witnessed diametric changes in the situation of this market from a huge boom to a serious crisis. To a considerable extent, these changes were caused by the impact of exogenic factors, first of all, the worldwide financial crisis, whose symbolic beginning was the fall of Lehman Brothers, the fourth largest investment bank, in the USA in September 2008.

## 2. Changes in Poland's mortgage loan market

Because of their considerable amounts, mortgage loans are usually taken out for longer periods of time and repaid in monthly (fixed or decreasing) instalments. In view of the very long repayment periods, the interest on mortgage loans is usually variable. It is developed on the basis of a three-month or six-month LIBOR rate<sup>1</sup> for loans denominated in foreign currencies or a WIBOR<sup>2</sup> rate for loans denominated in zlotys plus the bank's margin. The values of WIBOR and LIBOR rates vary depending on the current situation on the international financial markets whereas a bank's margin is fixed and usually higher for loans in zlotys, and lower for loans in foreign currencies. A bank's margin may also be subject to individual negotiations at the time of executing a loan agreement.

In the specific conditions of the Polish housing market, i.e. the long-term insufficient supply of flats unable to meet the existing needs, the number of new loans granted to individual customers for the financing of their housing needs grew steadily and dynamically until 2007. This phenomenon is presented in Figure 1.



**Figure 1.** The number of housing loans granted to individual customers in the years 2004–2010 (in '000)

Source: [Urbańska 2010, p. 33; Raport Amron-Sarfin 2011, p. 6].

<sup>1</sup> LIBOR – London Interbank Offer Rate – is an interest rate for loans granted on the London interbank market.

<sup>2</sup> WIBOR – Warsaw Interbank Offer Rate – is an interest rate at which banks grant loans in zlotys to other banks.

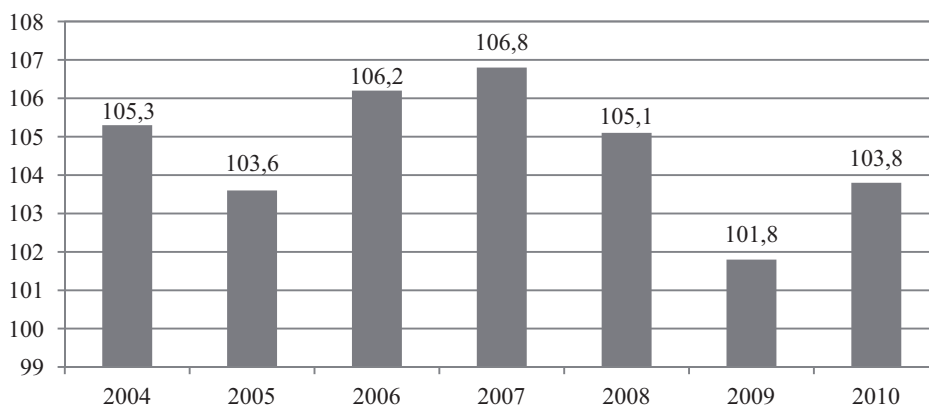
The data presented in Figure 1 show that the number of housing loans grew consistently. In 2005 the number of housing loans rose by 35.7% over that of 2004 while the rate of growth was even higher in 2006 – 35.8% year-to-year – when the number of granted loans reached 300,400. It should be stressed that the main factor responsible for the rise in the number of housing loans in that period was first of all the insatiable demand for flats combined with an easy access to mortgage loans characterized by a relatively low interest rate. Interest in real property acquisition was also driven by announcements of rises in the rates of VAT paid on building materials and services. The improving financial situation of households and a rapid increase in the prices of real properties contributed additionally to the higher demand for housing loans in that period. In the record year of 2007 the number of granted housing loans reached 311,500, but there occurred a considerable slowdown in the growth of demand for flats (an increase of just 3.7% year-to-year) as a consequence of much higher prices and the banks' tightening of loan granting criteria in the second half of 2007. An important factor weakening demand was potential buyers' postponement of purchasing decisions, which resulted from uncertainty lingering on the market at that time [*Raport o sytuacji...* 2008, p. 30].

The subsequent years brought a reduction in the number of granted loans: in 2008 to 286,800 and in 2009 – to just 188,200 new housing loans. The fall in the number of housing loans granted in Poland in the period 2008–2009 resulted, among other things, from limited possibilities to finance the purchase of flats by means of loans granted to individual households. Almost 90% of banks also raised the level of the borrower's own contribution to the financing of the acquisition of a real property. This was the result of the negative influence of the financial crisis, which had hit not only the banking system but also the housing development sector, causing a considerable increase in uncertainty concerning developers' financial standing and occasionally forcing some of them into bankruptcy. In 2010 the situation on the market improved slightly, which was reflected in a higher number of new loans at the level of 230,400. It should be added, however, that banks' loan granting policy in that period did not stimulate the demand for real property acquisition; as a matter of fact they lowered their margins, but at the same time tightened loan granting criteria. During that period the weakening demand was being supported by the government's "The Family's Own Home" programme, which accounted for 20% of the increase in the number of new housing loans [*Raport o stabilności...* 2010, p. 27].

### 3. Economic growth

The dynamic rise in Poland's real GDP in the years 2004–2007 was one of the factors stimulating households' growing demand for the purchase of real property for housing purposes. The growth rate of Poland's GDP in the studied period is presented in Figure 2.

Figure 2 shows that the country's GDP growth varied considerably in the studied period. It was especially high in 2006 (106.2%) and 2007 (106.8%). 2006 and 2007 brought the largest number of loan contracts (Figure 1), which indicates the existence of a correlation between economic growth and stronger interest in mortgage loans. However, a slowdown in the GDP growth rate in 2008 (105.1%) and 2009 (101.8%)



**Figure 2.** Changes in Poland's GDP (%) as compared to the previous year in the period 2004–2007

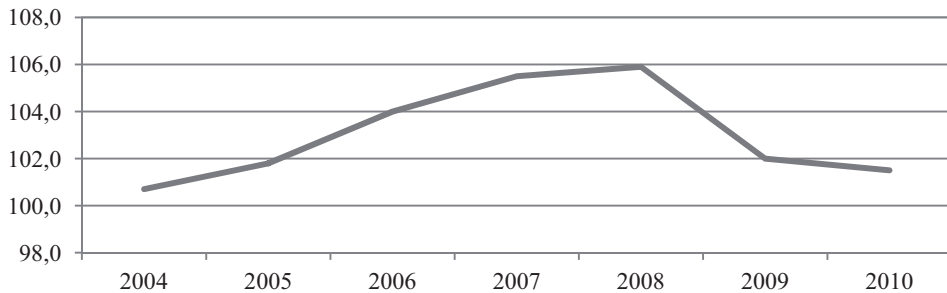
Source: [*Mały Rocznik...* 2010, p. 471].

caused a decrease in the number of granted loans. In 2010 this number rose again, following an increase in the GDP growth rate. In this context, one can notice that the real property market was and is strongly related to a given country's general economic standing as well as its prospects for further development. The economic slowdown in Poland, echoing the world crisis which started in 2008, also caused stagnation on the real property market in 2009. In 2009, the banks attempted to increase the volume of new mortgage loans, taking advantage of the price limit increase in the government's "The Family's Own Home" programme. The programme gradually strengthened its position in the product range of the majority of banks, generating about 15% of demand for housing loans, whereas a year earlier it had been just 2.25% [Raport Amron-Sarfin 2010, p. 7]. 2010 witnessed a renewed rise in the number of mortgage loans; their number rose to 230,000. It should be stressed that similarly to the previous year, demand was visibly supported by the popularity of the "Family's Own Home" programme.

#### 4. Labour market situation

Another important factor responsible for the increased demand for housing properties in 2007 was the improvement in the situation on the labour market. The

national economy's very good standing caused favourable – from the employee's point of view – changes on the job market. A fall in the rate of unemployment and the simultaneous shortage of labour also caused by post-accession migration, raised the pressure on salary increases. Figure 3 presents the trend in the real monthly salary increase in the period under discussion.



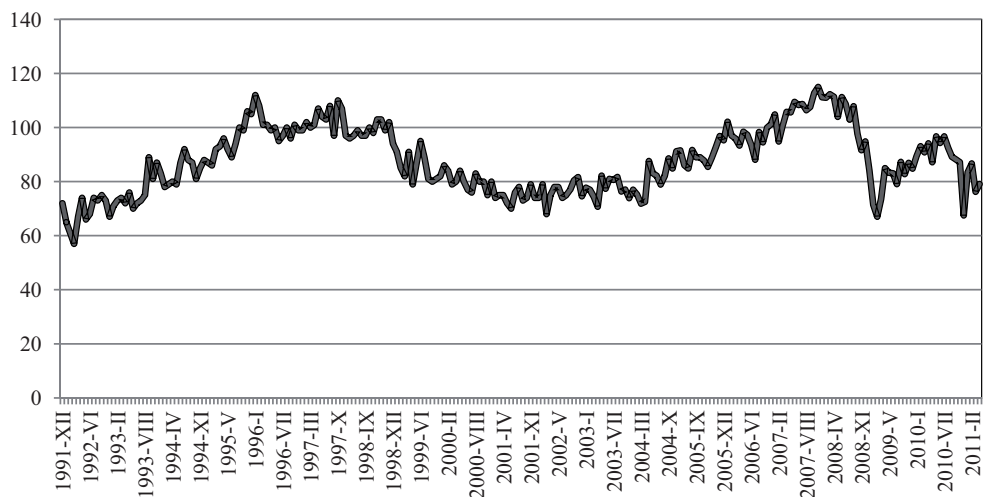
**Figure 3.** The national economy's gross average real monthly salary

Source: [*Mały Rocznik...* 2010, p. 471].

The figure shows that the period 2005–2008 was characterized by a relatively high rate of increase in the gross average salary, especially from the beginning of 2005 to the middle of 2008, which resulted in an increase in households' disposable income and consequently in the greater availability of housing loans. Among other things, this was conditioned by the higher demand for labour in the dynamically developing economy intensified additionally by the mass migration of Poland's labour force abroad. This situation resulted in severe shortages of qualified labour on the market, which put pressure on the employers to increase salaries for fear of losing employees who could be hired by competition or emigrate.<sup>3</sup> Households' financial standing was also influenced positively by higher cash transfers from abroad [*Nowa metoda...* 2008].

The relatively high increase of households' real income also caused their more optimistic expectations concerning their future consumption. This, in turn, resulted in intensified purchases on the real estate market and a related increase in the number of mortgage loans granted by banks between 2005 and 2007. Figure 4 presents the development of the consumer confidence index.

<sup>3</sup> This situation was especially clearly visible after Poland's accession to the European Union in 2004. For example, the gross average monthly salary in Poland in 2007 was 2691 zlotys, which constituted an 8.7% increase over that of 2006.



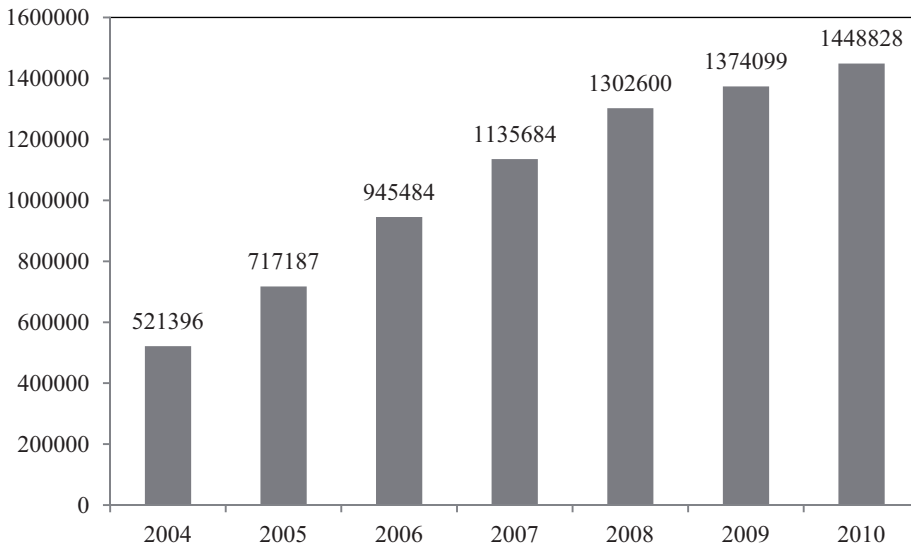
**Figure 4.** The Consumer Confidence Index (Poland) in the years 1991–2011

Source: <http://www.bankier.pl/inwestowanie/notowania/macro/profil.html?id=51&size=small&type=max>.

In Figure 5, one can notice a steady rise in consumers' confidence from 2001, which peaked in 2007 with a record-high value of 115 points (status in December 2007) [Domański 2008, p. 7]. This situation generated additional consumer demand throughout the economy. Riding the wave of general optimism and confidence in the stability of the economic situation, those households which had not met their housing needs yet, made decisions to purchase housing real properties financed most frequently with mortgage loans. As a result of the spreading consequences of the financial crisis on the world markets and the related slowdown of Poland's economy, at the end of 2007 consumers' confidence started to fall dramatically; thus, decisions concerning real property acquisition had to be frequently suspended which caused a significant reduction in banks' loan granting operations. 2008 brought again a considerable fall in demand for real properties, which in turn caused a significant reduction in the number of newly granted housing loans whose number fell to the level of 2005. Undoubtedly, besides the high increase in the prices of real properties this state of affairs resulted also, and maybe primarily, from the global financial crisis, which limited the availability of all loans and credits – not only mortgage ones – and forced an increase in loan interest rates.

Despite a serious fall in the number of new loan agreements in the period 2008–2009 there was a steady (although slower) increase in the number of active housing loan agreements in the Polish economy. This phenomenon is presented in Figure 5.

The data presented in Figure 5 indicate that the number of active housing loan agreements was rising systematically in the period under discussion. In 2004 it was



**Figure 5.** The number of active housing loan agreements

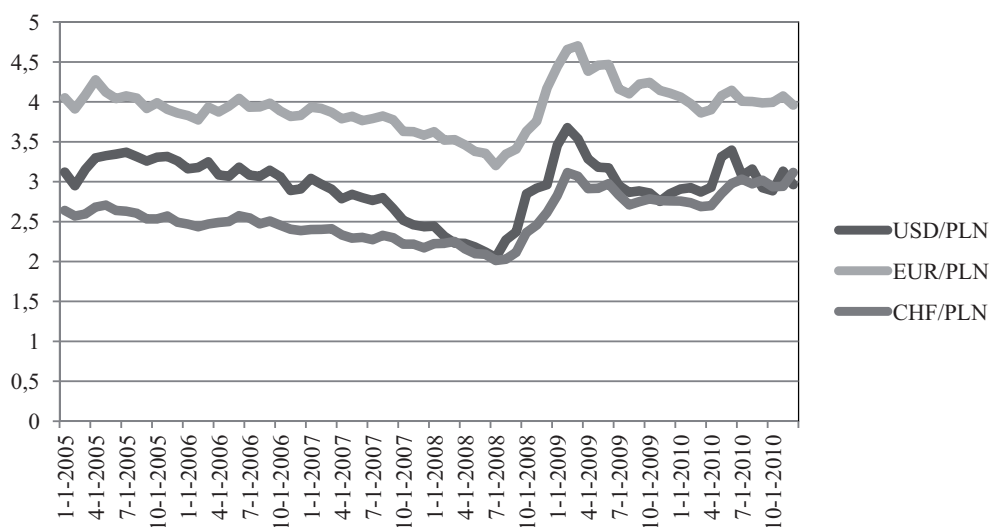
Source: [Raport Amron-Sarfin 2011, p. 6].

about 0.5 million, whereas at the end of 2010 it was at the level of 1.45 million – a threefold increase. One can also see that the rising trend was the strongest between 2004 and 2008, and in the subsequent period, 2008–2010, it slowed down in response to the financial market crisis. It should be stressed, however, that Poland still has a large potential for higher demand for housing loans because the average number of flats/houses per 1000 inhabitants is just 353 as compared to the EU average of 466. Estimates indicate that in order to satisfy this demand close to 1.8 million new flats/houses would have to be built, not taking into consideration those homes which require demolition or upgrading [Raport Amron-Sarfin 2011, p. 6].

## 5. Housing loan currency

Another important factor stimulating a rise in demand for housing loans was the appreciation of the Polish currency causing a situation where loans denominated in foreign currencies were becoming relatively cheaper, also because of much lower interest rates. This allowed potential borrowers to lower the amount of an instalment of loans denominated in foreign currencies in comparison to those in zlotys. The zloty's exchange rates are presented in Figure 6.

Figure 6 shows that from 2005 to the middle of 2008 there was a steady appreciation of the Polish currency with respect to the major foreign currencies (EUR, CHF, USD). In July 2008 the currency market witnessed the zloty's record-



**Figure 6.** The zloty's major exchange rates

Source: [*Raport o sytuacji...* 2011, p. 8].

high exchange rates to the major foreign currencies – 2.0220 to the dollar,<sup>4</sup> 3.2026 to the euro<sup>5</sup> and 1.9596 to the Swiss franc.<sup>6</sup>

The zloty's high exchange rates to the major foreign currencies contributed, to a considerable extent, to customers' decisions to take out housing loans denominated in a foreign currency. Such loans were becoming a serious alternative to loans in the national currency because they were much more attractive in respect to price than their comparable counterparts denominated in zlotys. Thus, the number of loans denominated in Swiss francs and granted within the Polish banking system was rising steadily. Such loans even managed to acquire a dominant position within the structure of housing loans in Poland. The mutual relations between the structures of loans denominated in zlotys and foreign currencies in the years 2005–2010 are presented in Figure 7.

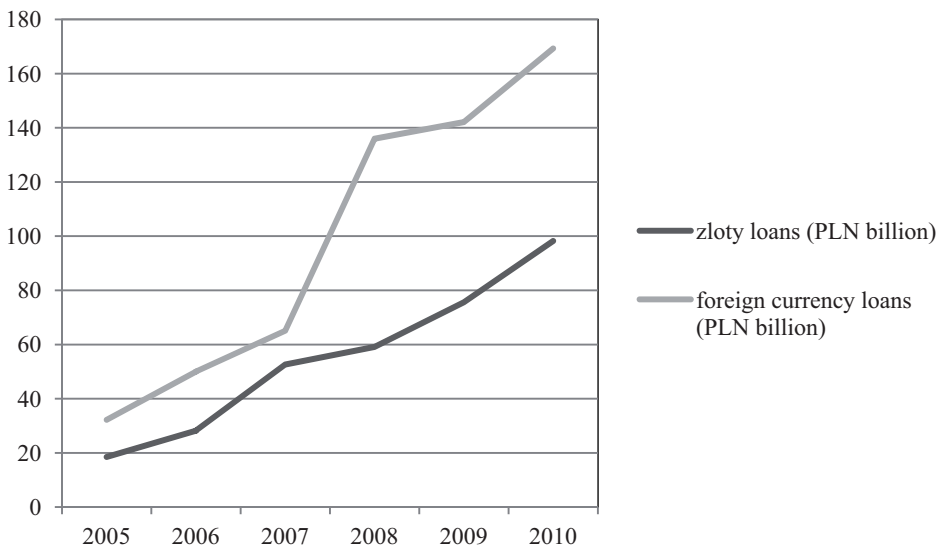
Figure 7 shows that housing loans denominated in foreign currencies enjoyed much higher popularity on the banking services market than loans in zlotys. This was especially clearly visible during the credit boom of 2005–2008 when the majority of newly granted housing loans were denominated in foreign currencies. In this context, it should be added that in 2006 demand for loans denominated in the Swiss franc was additionally stimulated by media reports concerning planned limitations in the availability of currency loans related to the effective date of 1 July 2006 for

<sup>4</sup> <http://www.nbp.pl/home.aspx?c=/ascx/archa.ascx>, data of 21 July 2008.

<sup>5</sup> <http://www.nbp.pl/home.aspx?c=/ascx/archa.ascx>, data of 31 July 2008.

<sup>6</sup> Data of 31 July 2008 [*Mały Rocznik...* 2008, p. 401].



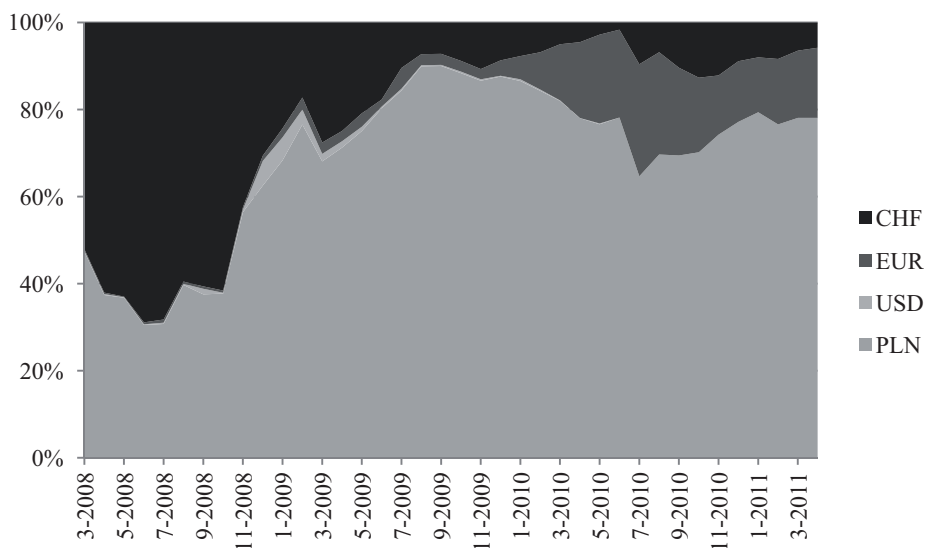


**Figure 7.** The currency structure of housing loans granted in Poland (in billion zlotys)

Source: [*Raport o sytuacji...* 2011, p. 18].

Recommendation S issued by the Financial Supervision Authority with regard to good practices in the area of the exposure of mortgage-secured loans [*Finansowanie nieruchomości...* 2009, p. 20]. However, the effectiveness of this recommendation was very low, which can be proved by the fact that by 2008 the balance of loans denominated in Swiss francs rose by as much as 83%. It was only the fall of Lehman Brothers in September 2008 that caused a drastic reduction in the number of granted loans, especially those exposed to currency exchange risks [*Polski rynek...* 2010, p. 17], which from 2009 could be noticed in the fall in the number of loans denominated in Swiss francs and the systematic rise in new loans denominated in the zloty.

These trends were reflected in changes in the structure of newly granted loans, which are presented in Figure 8. The data included in Figure 8 indicate that the share of loans granted in Swiss francs decreased considerably. After a period of boom lasting from 2007 to the middle of 2008, when as much as 70% of all new loans were granted in Swiss francs, at the end of 2008 their share fell dramatically. In the subsequent period, i.e. from the beginning of 2009 one could notice a systematic rise in the share of new housing loans granted in the national currency (over 70%), whereas loans denominated in Swiss francs were becoming less and less popular. They lost their share to loans denominated in euros, whose share was growing gradually to about 20% at the end of March 2011. What was significant for this trend was the implementation of Recommendation T in February 2010. This document concerned good practices in the granting of retail loans and was meant to prevent excessive indebtedness of banks' customers [Kotowicz 2011, p. 61. According to



**Figure 8.** The currency structure of newly granted housing loans granted in Poland

Source: [*Raport o stabilności...* 2011, p. 40].

the regulations of Re-recommendation T, a monthly total of instalments of all credits under repayment by a household may not be higher than 50% to 65% of such household's net income. Furthermore, in order to ensure protection against currency exchange risks and the risk of exceeding the allowable level of the LTV ratio, according to the new regulations, banks should require that a borrower have his or her own contribution at the level of 10% in the case of loans denominated in foreign currencies and taken out for a period of up to five years, and 20% for loans to be repaid over a period of more than five years.

The currency structure of the whole portfolio of loans granted so far is dominated by loans denominated in Swiss francs (about 53% at the end of March 2011), whereas loans in zlotys constitute a little bit more than one third (38%) [*Raport o stabilności...* 2011, p. 40]. Another interesting phenomenon in 2008 was the appearance of loans denominated in euros; their share in the structure of all loans is rather marginal, but they are becoming more and more important in the structure of new housing loans.

The limitations introduced by Recommendation T reduced the number of granted loans denominated in foreign currencies. Nevertheless, in view of their huge popularity in the past, their share in the total portfolio of currency-denominated housing loans granted previously has remained at a rather high level, which is presented in Figure 9.

The share of loans in foreign currencies was rising dynamically until the beginning of 2009 (Figure 9), whereas in 2009 the trend was reversed and this share was falling



**Figure 9.** The share of loans denominated in foreign currencies in the portfolio of all housing loans (%)

Source: [*Raport o stabilności...* 2010, p. 40].

steadily to stop at the level of 59% at the end of September 2010. However, it should be stressed again that during the whole period under discussion the share of loans in foreign currencies was much higher than that of loans in zlotys.

It should be also mentioned that a considerable volume of housing loans granted by Polish banks in foreign currencies caused such banks' significant exposure to the relatively high and long-term risk resulting from the distant repayment dates for loans denominated in foreign currencies (up to 50 years) and the fact that the majority of borrowers, i.e. households, do not receive their salaries in foreign currencies but in zlotys. This state of affairs causes such households' great sensitivity to sudden changes in currency exchange rates and exposes them to the danger of servicing increased loan repayment instalments in the event of untoward changes in currency exchange rates. This was especially visible in the middle of August 2011, when the cost of the Swiss franc started to reach the level of 4 zlotys.

Further changes in Recommendation S, which will come into force at the beginning of 2012, significantly impede access to credit. Following the recommendations of the Financial Supervision Commission, banks will calculate creditworthiness for 25 years, even if the loan period is much longer. A shorter credit period significantly increases the amount of theoretical installment, and the installment cannot exceed half of the borrower's income for borrowers earning the national average. It is estimated that as a result of changes to Recommendation S about 15–20% of customers will lose the creditworthiness which will probably reduce the volume of bank lending.

## 6. Average loan value

At the beginning of the 21st century the prices of real properties in Poland were characterized by a strong rising trend, visible especially after the country's accession to the European Union. In view of the considerable excess of demand over supply, the prices of real properties rose independently of their age, standard or location. Consequently, loans taken out to finance the acquisition of real properties had to become larger and larger. A good measure of this situation is, among other things, the average mortgage loan value index. Whereas in 2004 this index equalled about 84,000 zlotys, at the beginning of 2007 it reached the level of 170,000 zlotys, and in the first quarter of 2011 – about 180,000 zlotys [Meluch, Wydra 2008, p. 53]. The process of changes in the average value of housing loans is presented in Table 1.

**Table 1.** The average value of housing loans in thousand zlotys (current prices)

Loan	2004	2005	2006	2007	2008	2009	2010
Denominated in foreign currencies	123,970	121,080	162,160	223,660	258,820	371,500	331,787
In zlotys	84,560	96,860	103,190	170,270	145,940	185,460	179,651

Source: [Urbańska2010, p. 34].

The rise in this average was significant in the period under discussion (Table 1), however, the rate of this rise was not regular. The highest increase was recorded at the end of 2006 and the beginning of 2007 when – in consequence of quickly rising real property prices and the excess of demand over supply – the average value of loans in zlotys increased by 65%. It could be also observed that after the middle of 2007, after the boom on the mortgage loans market, there occurred a considerable 15% fall in the average value of granted loans while in 2009 there occurred a noticeable increase of 27%. In 2010 there was a clear stabilization in this market segment and a 3.3% fall in the average loan value.

Another tendency could be observed with respect to loans denominated in foreign currencies. The period 2007–2009 witnessed a systematic increase in the average value of housing loans, which was primarily a consequence of the weakening domestic currency and secondly, the rise in real property prices. The rising average value of loans in foreign currencies did not translate into an increase in the overall value of loans granted in foreign currencies.

The sharp increase in real property prices limited access to housing loans for households with a lower level of income.<sup>7</sup> Data concerning this phenomenon as measured by the consumer purchasing power index are presented in Figure 10.

<sup>7</sup> In 2005 the average salary could finance the purchase of 0.6–0.7 m<sup>2</sup> of a flat while in the years 2007–2008 this measure fell to 0.4 m<sup>2</sup>. This was caused by a more than twofold rise in the price of housing real properties from about 4000 zlotys/m<sup>2</sup> to 8000 zlotys/m<sup>2</sup>.

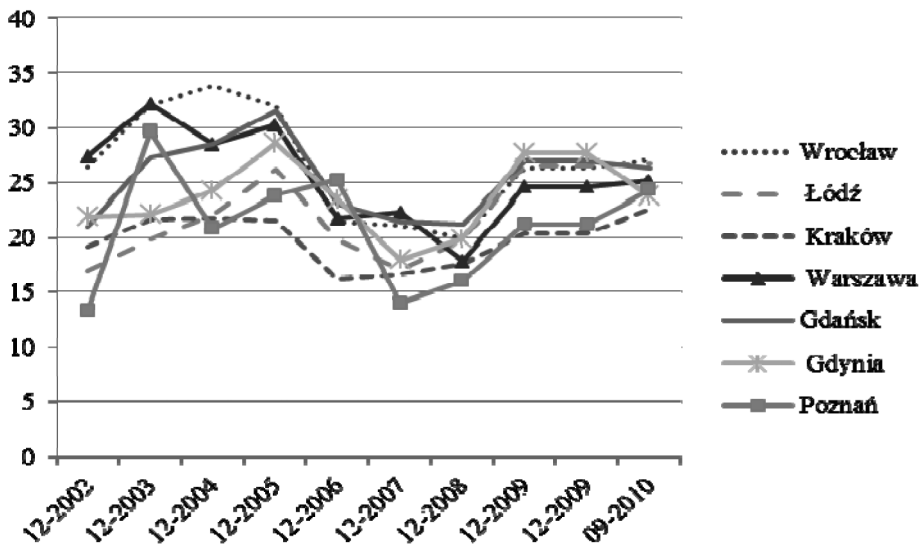


Figure 10. A simulation of the consumer purchasing power in the selected housing markets

Source: [Raport o stabilności... 2010, p. 27].

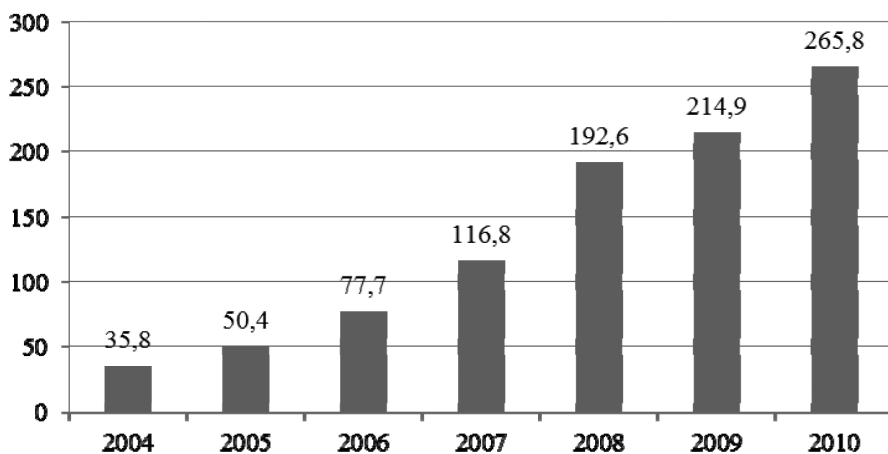
The simulation shows the size of a flat (in square meters) that could be purchased on the primary market by a person receiving an average salary in a given province and financing such a purchase with a housing loan.

Assumptions for calculations: a borrower's own contribution of 20%; a borrower is a one-person household; a borrower earns an average monthly salary paid in the business sector in a given province; the maximum amount spent on the repayment of a loan is not more than 50% of net income; a monthly amount of disposable income after the repayment of a loan instalment is at least 1000 zlotys; a loan is taken out for 25 years and is repaid in decreasing instalments.

The prices of housing properties in Poland had been rising since 2003, nevertheless, the rate of this increase was lower than the rate of salary increase, which is proven by the course of the curve simulating consumer purchasing power in Figure 10. It was only at the beginning of 2006 that a very sharp price increase occurred both on the primary and secondary markets – from 55% to 75%, depending on location (Figure 10). The quickly growing ratio of real property prices to household incomes caused a situation in which more and more potential buyers, especially those in the lower income brackets, had a lower and lower creditworthiness and could only afford to buy a much smaller flat than before or could not afford any flat at all [Raport o stabilności... 2007, p. 43]. In 2007 the prices of real properties continued to rise but at a much slower rate than in the record year 2006. What contributed to the considerably lower rate of increases in the prices of housing properties was first of

all the excess of supply over demand on the market, the high level of prices reached earlier, and difficulties in acquiring housing loans. All these factors caused a lower level of interest in the purchase of housing properties. In 2009 the prices fell a little, which resulted from a decrease in effective demand for housing properties from households, which in turn was caused by the tightening of loan granting criteria and a slow rate of increase in household income in the circumstances of rising unemployment and uncertainty about the future. In 2010 there occurred a slight fall in the prices of housing properties and a simultaneous increase in salaries, but it did not cause any growth in demand because of the aforementioned tightening of loan granting criteria.

However, irrespective of changes in the number of new housing loans granted in the period 2004–2010, there was a constant increase in the total indebtedness of households related to the service of housing credits, which is presented in Figure 11.



**Figure 11.** Total indebtedness related to housing loans (billion zlotys, current prices, status as at the end of December)

Source: [Urbańska 2011, p. 34].

In 2004 this indebtedness equalled just 35.8 billion zlotys (Figure 11), whereas at the end of December 2010 it reached the level of 265.8 billion zlotys. Thus, there was a seven-fold increase in the value of housing loans, with the slowest rate of increase in 2009.

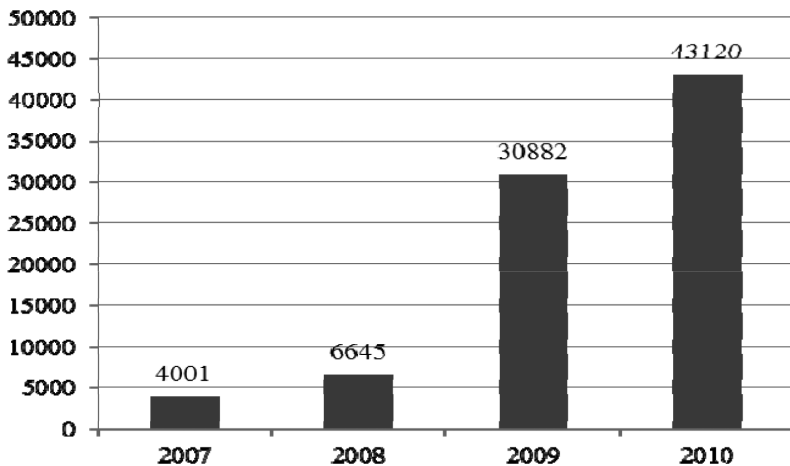
## 7. “The Family’s Own Home” programme

At the beginning of 2007, banks started to offer a new product functioning within the scope of the government’s programme called “The Family’s Own Home”. It was

a mortgage loan with subsidized interest repayment. Such loans were granted under the Act on the support for families purchasing their own flats or houses as from 8 September 2006 [Ustawa z 8 września 2006...].

According to the Act, such loans could be taken out by families, i.e. married couples and single parents, who did not own any housing properties and support from the national budget could be granted for the first eight years of the loan repayment period. This support consisted in subsidies paid from the national budget through Bank Gospodarstwa Krajowego equal to a half of the interest due under every loan granted within the scope of the programme on the basis of the so-called referential rate based on the three-month WIBOR rate plus two percentage points [Bednarek 2007, p. 1]. Loans granted under “The Family’s Own Home” programme offer measurable benefits for customers because interest-related charges constitute just 50% of those under a standard housing loan denominated in zlotys.

It should be noted that at its beginning “The Family’s Own Home” programme was not very popular because most flats were simply too expensive with respect to the very low price limits determined by the legislator. This issue is presented in Figure 12.

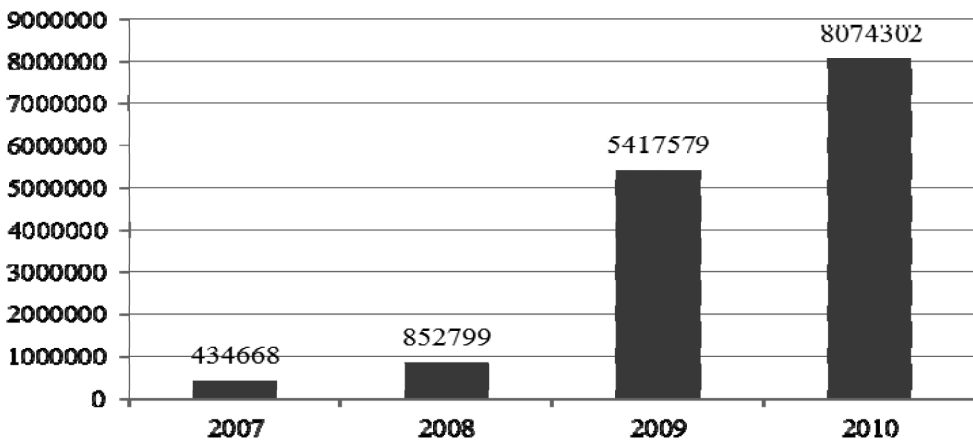


**Figure 12.** The number of credits granted under “The Family’s Own Home” programme

Source: [Dane liczbowe...].

Data presented in Figure 12 indicate that the first years of “The Family’s Own Home” programme did not generate much interest in the product among potential customers. In 2007 just a little more than 4000 loans were granted under the programme. The situation changed diametrically only at the beginning of 2008 when the maximum price limit was raised, e.g. in Warsaw from 6633 zlotys to 7143 zlotys; in Wrocław from 5274 zlotys to 5679 zlotys; in Poznań from 5882 zlotys to

6335 zlotys [*Raport o sytuacji...* 2008, p. 30]. After this amendment effected in 2008 the situation changed and the loan became a very attractive product on the housing loan market. This was confirmed by the dynamic increase in the number of loans granted under the programme. In 2009 it was over 30,000, and in 2010 already over 43,000. Thus, changes in the price limits generated an enormous increase in demand for loans granted under this programme. Together with an increase in the number of granted loans, there was a simultaneous dynamic rise in their value. The relevant data are presented in Figure 13.



**Figure 13.** The value of loans (in thousand zlotys) granted under “The Family’s Own Home” programme

Source: [*Dane liczbowe...*].

Figure 13 shows that at the beginning, i.e. 2007–2008, “The Family’s Own Home” did not meet customers’ interest. At that time the value of all granted loans was just 434.7 million zlotys (2007). The very sharp rise in the value of loans granted under the programme occurred in the period 2009–2010. In 2009 it was 5.4 billion zlotys, whereas at the end of 2010 it was as much as 8.07 billion zlotys, which constituted a significant rise in the value of the zloty loan portfolio as only loans denominated in the national currency could be granted under the programme. The greater popularity of the loan in 2009 within the scope of “The Family’s Own Home” programme was caused by the amendment of the Act on the support for families purchasing their own flats or houses, which substantially increased the availability of such loans [*Ustawa z 21 listopada 2008...*].

The number of customers willing to take advantage of “The Family’s Own House” programme rose also because of the gradual fall in the prices of housing properties in 2010. It was also an opportunity for developers who, by offering cheaper flats, were able to find buyers for them in a relatively short period of time. It should be



added that such great interest in the programme was also caused by media reports concerning planned changes to the programme and its gradual termination.

Such expectations were fulfilled and on 31 August 2011 new regulations came into force in consequence of the amendment to the Act regulating “The Family’s Own Home” programme [Ustawa z 15 lipca 2011...]. On the one hand, this amendment broadened the group of the programme’s potential beneficiaries to single people without children; on the other hand, it lowered the value of a coefficient determining the price limit for 1 m<sup>2</sup> of a flat to be purchased under the programme. Additionally, the criterion of the maximum age of a borrower was introduced; an application can be filed only by a person who in a given calendar year is less than 35 years old. These changes will result in a gradual termination of the programme because price limits will cause a situation when the number of potential flats to be covered by the programme will shrink substantially and simultaneously the number of potential beneficiaries will be dwindling as well. Furthermore, according to the regulations, applications for preferential credits will be accepted only until the end of 2012 [Makosz 2011].

In this context it should be noted that “The Family’s Own Home” programme may generate some risk for the banking system in the future because of a sudden increase in a household’s financial burdens after the termination of interest subsidies paid from the national budget.

## 8. Conclusions

The changes taking place on the mortgage loan market in the period under discussion were of a very dynamic character, mainly because of developments in the macro-economic situation and their consequences for the real property market. At the beginning, this market was characterized by an excess of demand over supply, but in the subsequent stages it turned into a market of the buyer with a considerable excess of supply over demand. Thus, the market with property prices rising at unprecedented rates turned eventually into a market with moderately rising – or occasionally even falling – prices. The shock caused by the borrowing boom in 2004–2007 was followed in the period 2008–2009 by the shock resulting from the worldwide financial crisis.

During the whole period under analysis the number of active loans was growing continuously. The rate of this increase was the fastest in the period of the dynamic growth of GDP and the related growth in employment and salaries. However, the onslaught of the crisis and the worsened market climate slowed this rate considerably. The major currency during the first stage of the market’s growth was the Swiss franc (CHF) because of Switzerland’s lower interest rates and the appreciation of the zloty. Simultaneously with the arrival of the financial crisis, the rise of the value of loans granted in Swiss francs slowed down and the zloty became the dominant currency of the housing loans. The average value of a loan was also rising systematically because

of the higher prices of flats, but the rate of this growth was different. In recent years the weakening market received some support from the government's programme called "The Family's Own Home", which stimulated growth in the sale of flats and houses. However, recently – in consequence of legislative changes – it has stopped playing its major function.

During the whole period under discussion competition between banks on the housing loan market intensified. At the beginning competition forced banks to liberalize their loan granting criteria and lower margins. Subsequently, during the peak of the financial crisis the criteria were changed seriously. When the symptoms of the worsening situation on the real property market were clearly visible, banks changed their loan granting policies diametrically. These changes consisted, among other things, in raising margins and introducing or increasing a borrower's own contribution towards a planned purchase. There was a particular tightening of banks' policies related to loans denominated in foreign currencies. The result was that for many potential borrowers housing loans became difficult to acquire.

The market continues to have a huge growth potential because of the continuing insufficient supply of housing properties. In 2009 housing loans' share in GDP was close to 18% while the EU's average is over 40% [Kotowicz 2011, p. 15]. Therefore, it can be expected that the growing trend on this market will continue for the next few years.

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## ZMIANY NA RYNKU KREDYTÓW MIESZKANIOWYCH W POLSCE W LATACH 2004–2010

**Streszczenie:** Artykuł opisuje zmiany na rynku kredytów mieszkaniowych w Polsce, będące konsekwencją rozwoju rynku nieruchomości w Polsce zapoczątkowanego wraz z okresem transformacji w latach 90. XX w. Na początku XXI w. rynek ten dynamicznie rozkwitł, do czego znacznie przyczyniły się kredyty hipoteczne, które szybko stały się najpopularniejszym produktem bankowym w Polsce. W artykule przedstawiono ewolucję tego rynku. W początkowej fazie charakteryzował się on nadwyżką popytu, gdy warunki dyktował sprzedający, jednak w późniejszym okresie przeobraził się w rynek kupującego, na którym to rynku pojawiła się znaczna nadwyżka podaży. Zmiany zachodzące na rynku kredytów hipotecznych miały bardzo dynamiczny charakter, głównie w wyniku przeobrażeń sytuacji makroekonomicznej i jej konsekwencji dla rynku nieruchomości. Po szoku spowodowanym boorem kredytowym w latach 2004–2007 przyszedł szok w latach 2008–2009 związany z kryzysem finansowym o zasięgu światowym.

**Słowa kluczowe:** rynek nieruchomości, kredyty hipoteczne, zdolność kredytowa.