

Mortgages and Mortgage Market

Ondřej Venhoda
ondrej.venhoda@rb.cz

CEVRO, March 10, 2025

- mortgage: probably the highest loan in your life
- loan secured by a lien on real estate
- by definition not loan for housing - most common use
- other: building a family house, buy-to-let investments, renovations, refinancing loans, business ventures....***or any other financial need***
- around 1 000 000 households with mortgage
- Three main indicators describing the mortgage market?

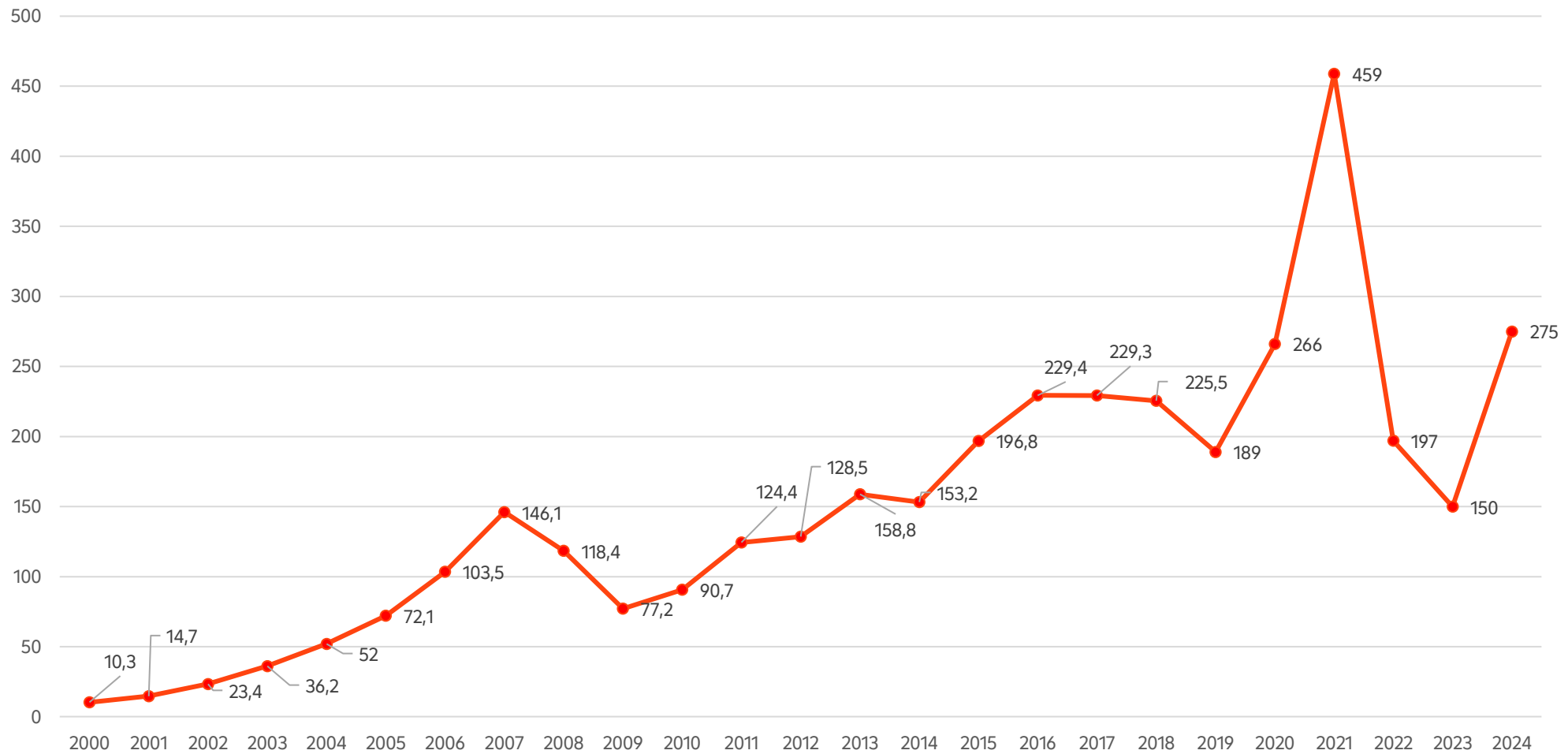


Headlines:

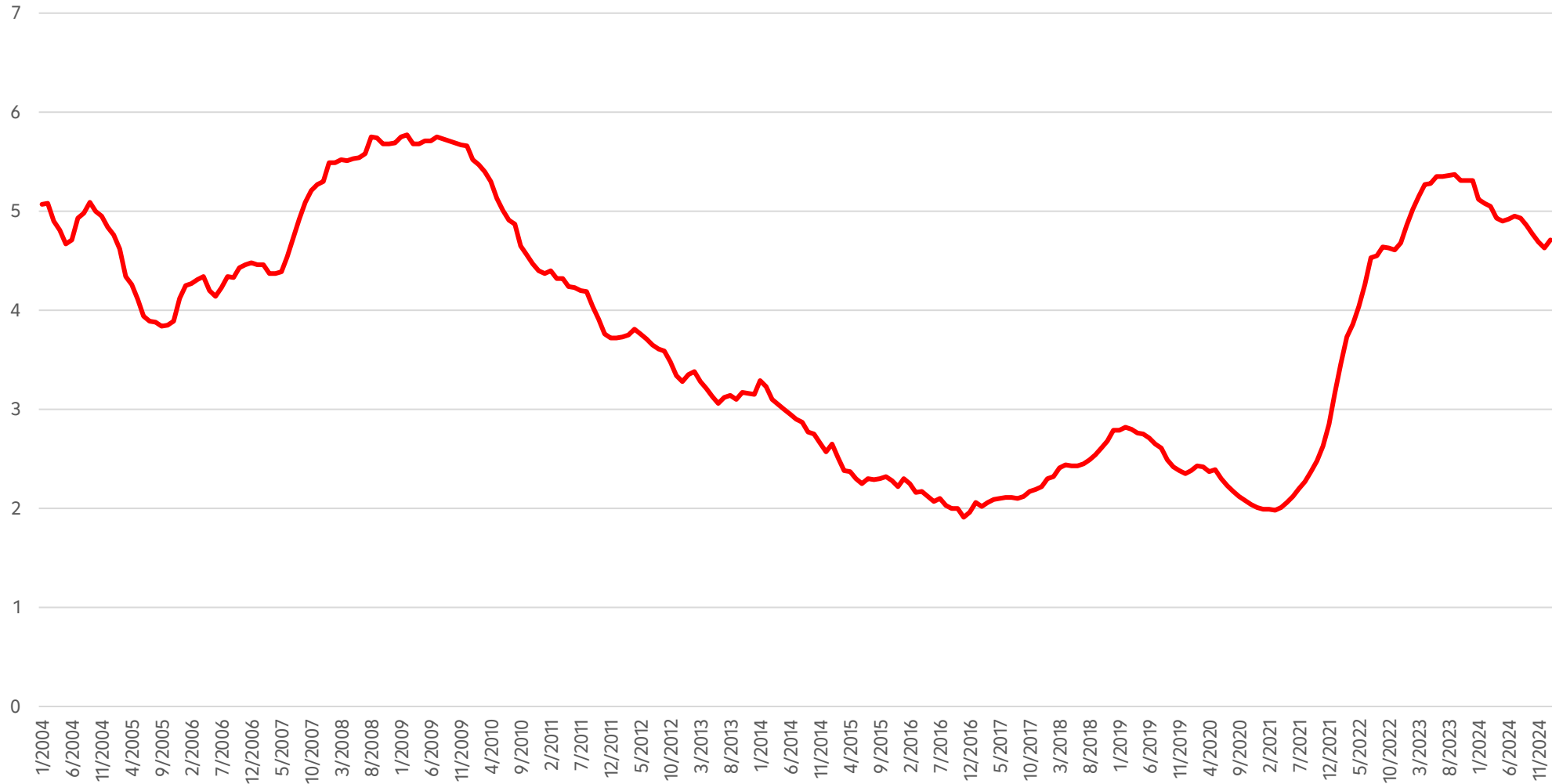
- **2020:** mortgage rates hit record lows, highest number of new mortgages
- **2021:** surge in mortgage applications, real estate prices continue to rise sharply
- **2022:** golden era of mortgages comes to end, highest interest rates for years
- **2023:** stagnation of real estate prices, people wait for lower rates
- **2024+25:** back to the 2020 trend but not at extreme levels
- **three key indicators** of the mortgage market: real estate prices, mortgage interest rates, volume of mortgages issued

Volume of Mortgages Issued

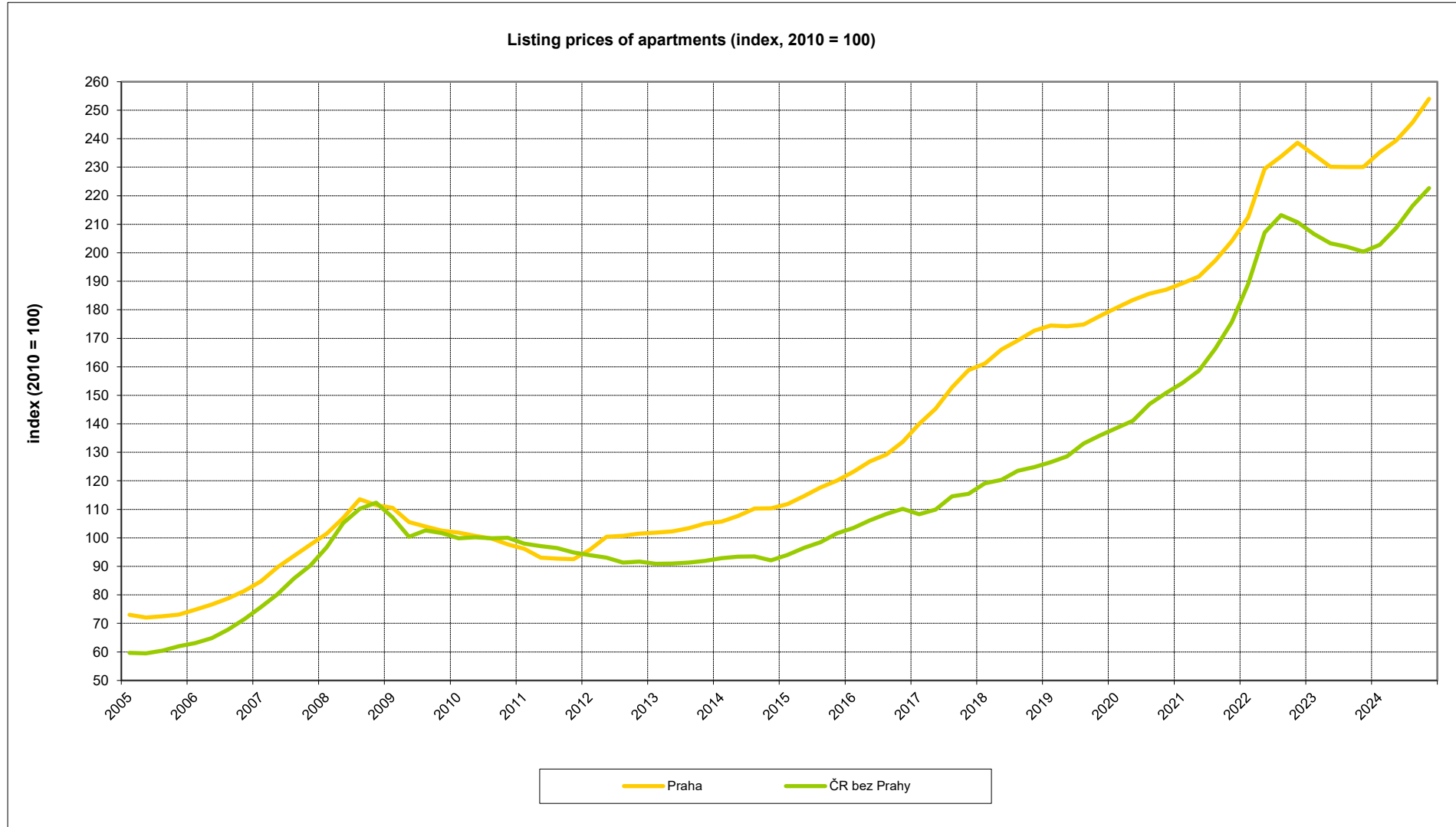
Mortgages in billions CZK



Mortgage Interest Rates



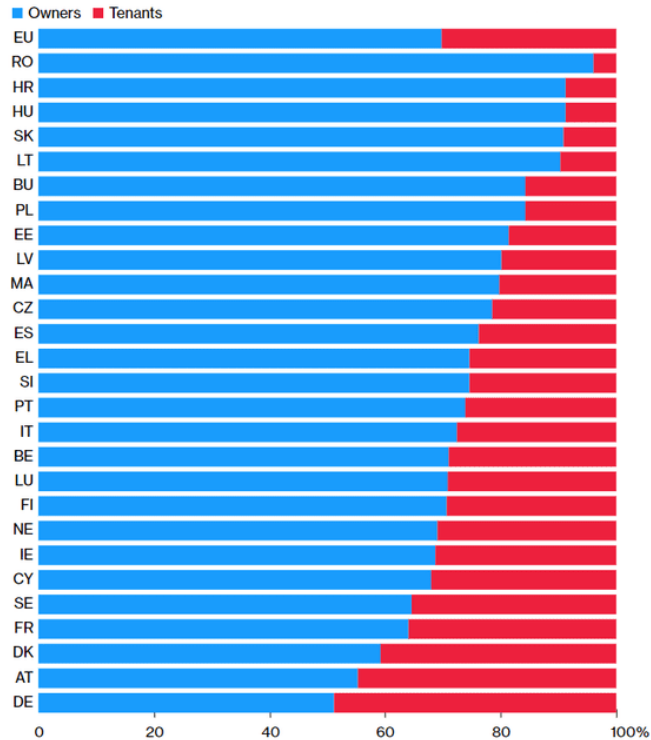
Real Estate Prices



Demand & Supply

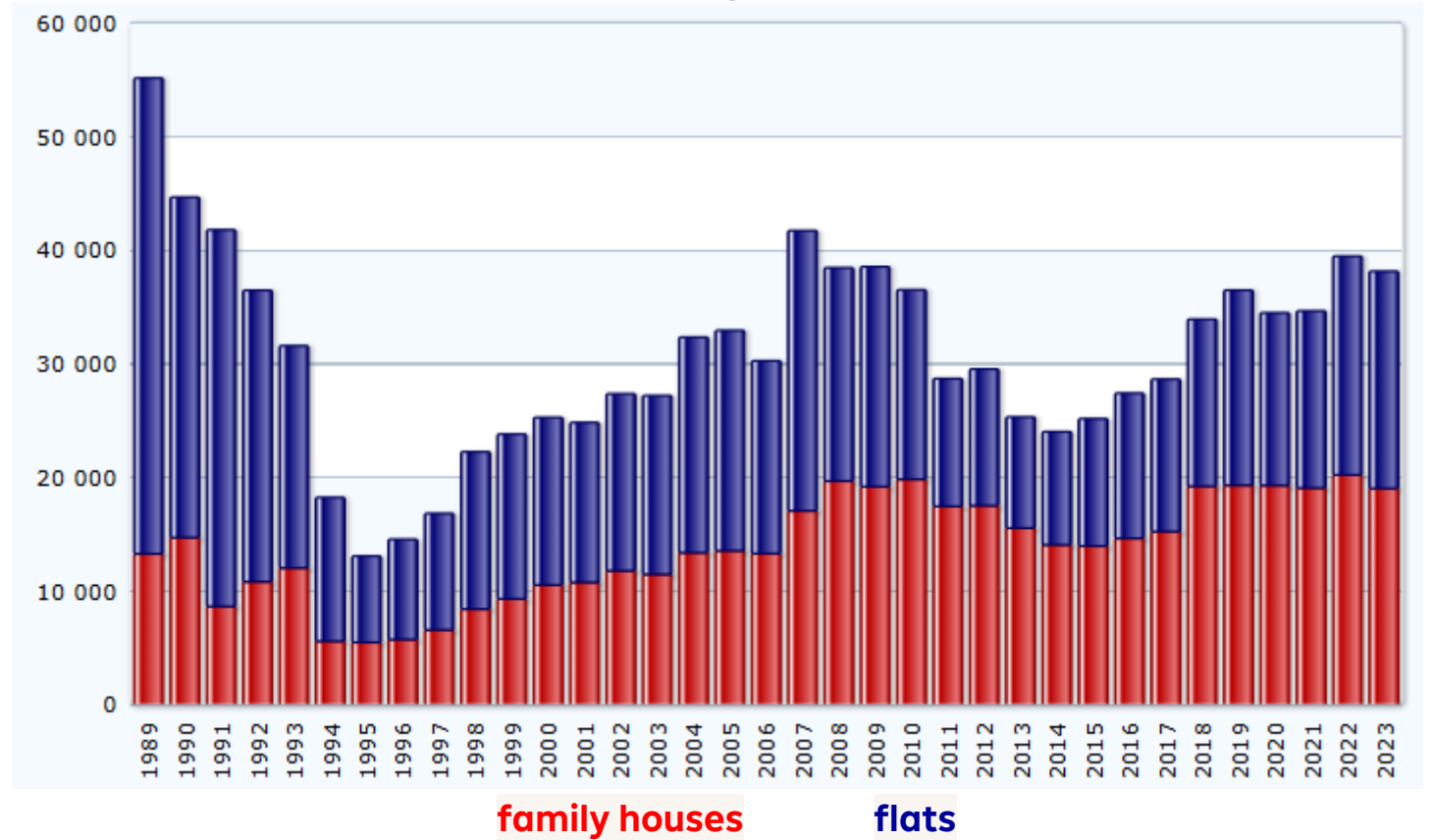
Ownership Rates

The share of people being their own landlords varies greatly across the EU. Nearly everyone in Romania lives in a place they own, in Germany it's only about half




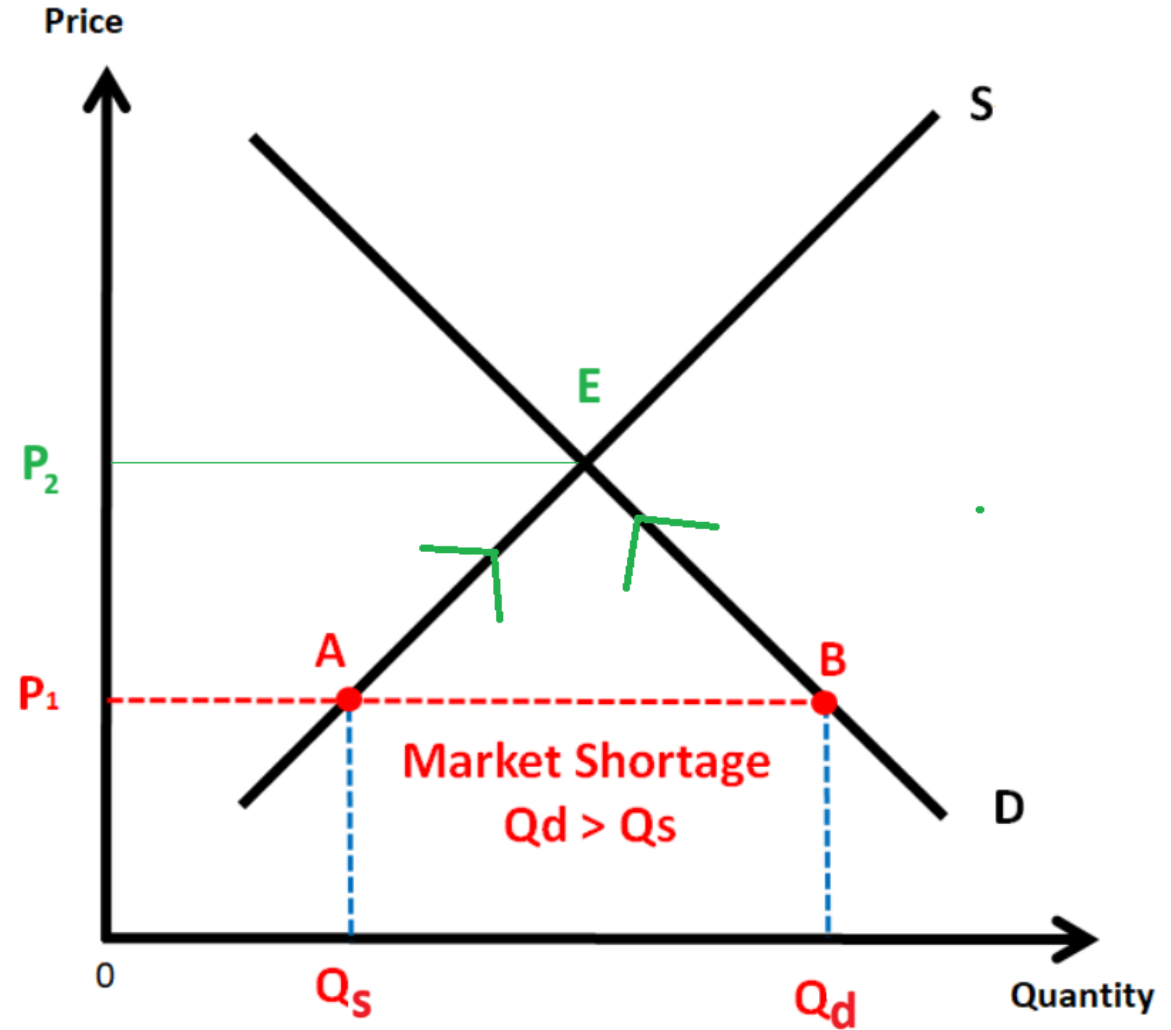
Source: Eurostat
 Note: 2020 data for Romania (RO), Hungary (HU), Croatia (HR), Bulgaria (BG), Estonia (EE), Greece (EL), Slovenia (SI), Belgium (BE), Finland (FI), Netherlands (NE), Sweden (SE), Denmark (DK) and Austria (AT). 2019 figures for Slovakia (SK), Lithuania (LT), Poland (PL), Latvia (LV), Malta (MT), Czechia (CZ), Spain (ES), Portugal (PT), Italy (IT), Luxembourg (LU), Ireland (IE), Cyprus (CY), France (FR) and Germany (DE)

Number of completed housing units in the Czech Republic



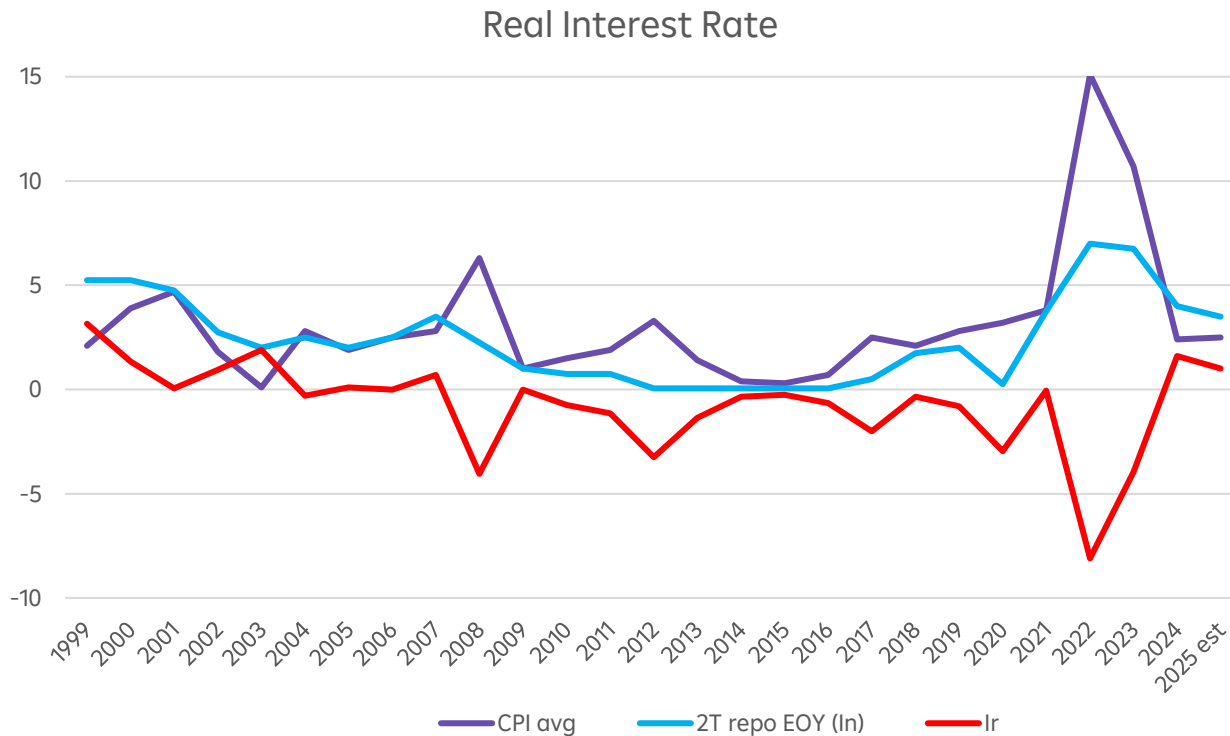
Demand & Supply II.

- Why do prices go up? 
- basic D&S partial equilibrium model



Nominal and Real Interest Rates

- nominal - rates explicitly stated in loan or deposit agreements
- real - nominal interest rates adjusted for changes in purchasing power



$$I_r = i_n - \pi$$

Application - mortgage



➤ How much will I overpay on my mortgage in 30 years?

➤ nominal vs. real overpayment

➤ mortgage: 5 000 000 Kč, 30 years, 5 % interest rate: monthly repayment 26 841 CZK

➤ $30 \times 12 \times 26\,841 = 9\,662\,760$ CZK: nominal overpayment 4 662 760 CZK

➤ inflation (CPI) 3 % p.a.: What's the real amount of the repayment of CZK **26 841** in 30 years? **11 059** CZK

in today's value

➤ inflation (CPI) 10 % p.a. – 1 539 CZK; inflation (CPI) 1 % p.a. – 19 927 CZK

= don't count overpayments for mortgages (only for shorter loans with lower inflation)

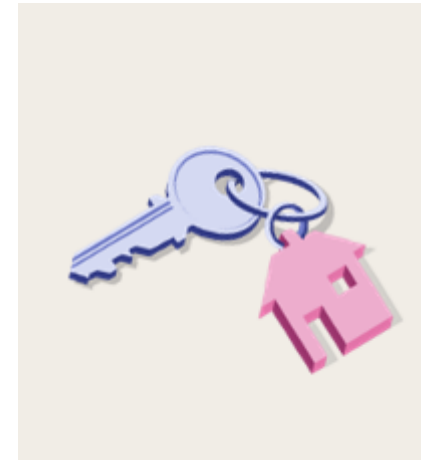
= always be guided (mortgages, investments) by the real, not the nominal value of money



- **LTV** (loan to value)
 - mortgage amount vs. appraised value of collateral (not market value)
 - max. 80 % (90 % for individuals under age 36)
 - most common: 80 %, american 50-70 %
 - experience with 100+ % (USA 2008)
 - LTV reduction: second collateral, supplementary loan (from building savings)
- **DSTI** (debt service to income): 45/50 % - abolished as of July 1, 2023
- **DTI** (debt to income): 8,5/9,5x - abolished as of January 1, 2024

Basic Types of Mortgages

- classic
- offset
- american
- australian
- combination of overdraft & mortgage
- „inside-out“



Conditions for Mortgage Applicants

- legal age (or 21 years)
- number of applicants, co-applicant(s)
- proof of income
- interest rate – fixed rate
- RPSN = total loan costs
- property valuation for collateral (for maximum LTV)

Fixace	Standardní	Offset
1Y Fix	4,89%	4,96%
2Y Fix	4,69%	4,82%
3Y Fix	4,59%	4,78%
4Y Fix	4,69%	4,94%
5Y Fix	4,69%	4,99%
6Y Fix	4,79%	
7Y Fix	4,89%	
10Y Fix	5,09%	
15Y Fix	5,19%	
float	PRIBOR 1M + 1,20%	PRIBOR 1M + 1,27%

Application



APPLICATION FOR A MORTGAGE LOAN FOR APPLICANTS FROM THE 1ST HOUSEHOLD

Dear Madam/Sir,

Thank you for choosing a mortgage from Raiffeisenbank a.s. to finance your real estate. We kindly ask you to complete this application. For convenience, we would like to take the opportunity to clarify some facts. Mortgage applicants usually share a common household (spouses, partners). Therefore the application includes fields for the personal details of 2 persons from the common household and also details that are common for the household, particularly expenditures. Even though 1 to 4 applicants may apply for our mortgage, each household may have a maximum of 2 people. We accept only 2 households in the application. In each situation, please proceed as follows:

- If 2 applicants living in a single household are applying for the mortgage, please complete the entire application form for applicants from the 1st household.
- If 2 applicants not living in a single household are applying for the mortgage, please complete 2 application forms - one for the applicant from the 1st household and a separate form for the applicant from the 2nd household.
- If you are applying alone, please complete the application form for applicants from the 1st household and leave the fields for the second person empty.
- If more than 2 persons (max. 4) are applying, please complete 2 application forms - one for applicants from the 1st household and a separate form for applicants from the 2nd household.

Total number of mortgage applicants: (1 to 4 may apply for a mortgage)	
---	--

Application No. (to be completed by the Bank)	
--	--

Name and surname of the main applicant (to be completed by the Bank)	
---	--

Information regarding the requested mortgage loan and the investment into real property

Total investment into real property (in CZK): (e.g. the purchase price, the construction/renovation budget and, in case of 1/5% of the budget for additional works, the remaining amount of a loan to refinanced, etc.)	
Out of which is required to be covered by the mortgage loan (in CZK):	

Besides the mortgage loan, the investment into real property is funded from the following resources:

The applicant's own funds (in CZK):	
Other funds (in CZK): (Note: Exclude the requested mortgage loan.)	

The total amount of the loan mortgage is divided as follows for different purposes (in CZK):

Refinancing:	Construction:
Purchase:	Redevelopment:
Purchase – retroactive financing:	Minor investment into housing:
Real property purchase tax:	Untargeted loans:
Property settlement:	

Loan term in years:	Drawdown deadline:	
Interest rate type:	fixed	variable
Interest rate term:	1 year	4 years
	2 years	5 years
	3 years	6 years
		7 years
		10 years
		15 years

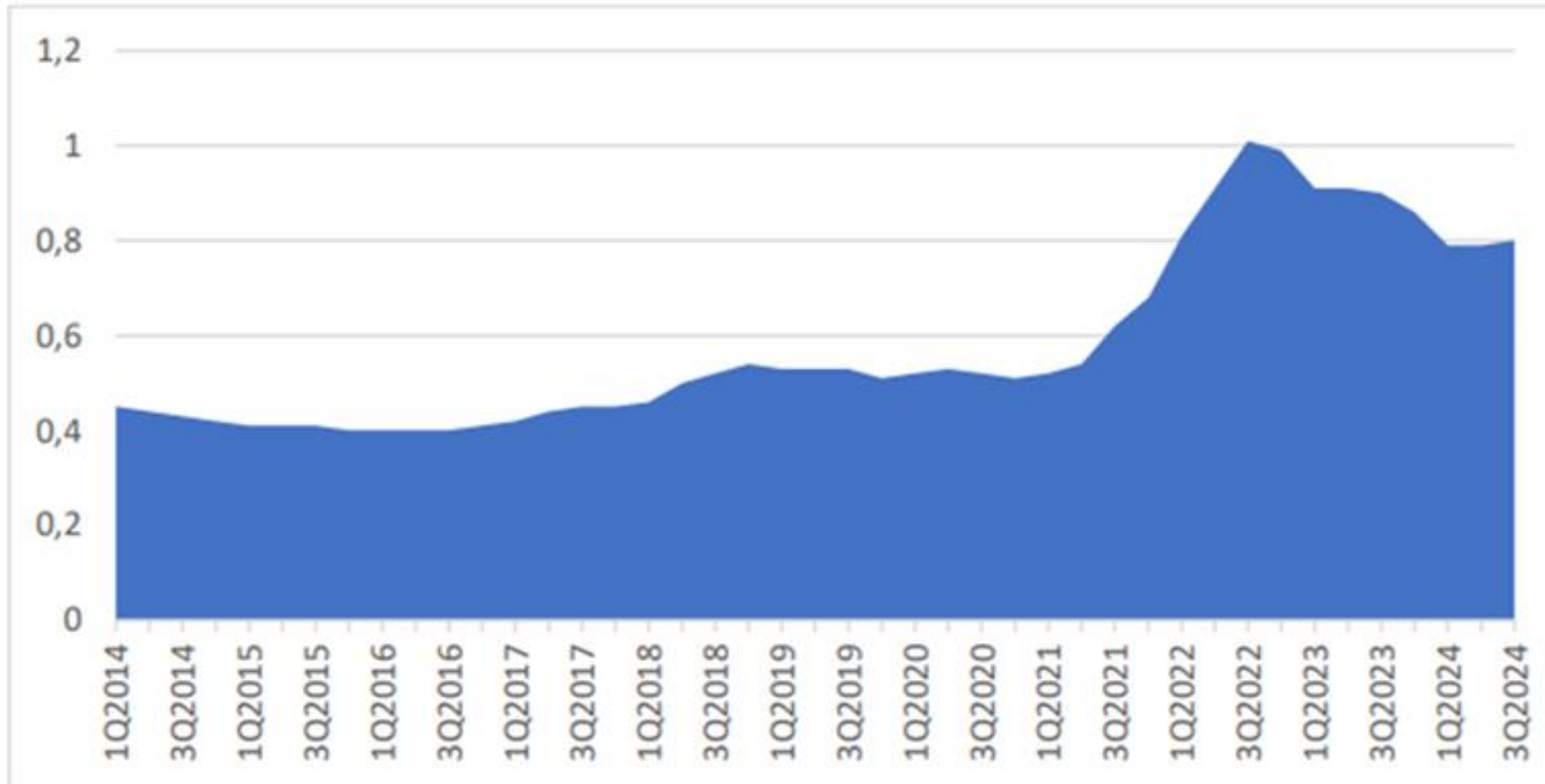
Current account No. in the Bank from which the loan will be repaid (if it already exists):	/5500
--	-------

If the Bank does not maintain a current account for the Client, the Client prefers having this account No. assigned: Note: Please state any combination of digits from 0 to 10. If the account number preferred by the Client already exists or if it has an improper format, another account number will be assigned with the Client.	/5500
--	-------

Required day of the instalment payment (Please select in the range from the 3 rd to the 19 th day of the month)	
---	--

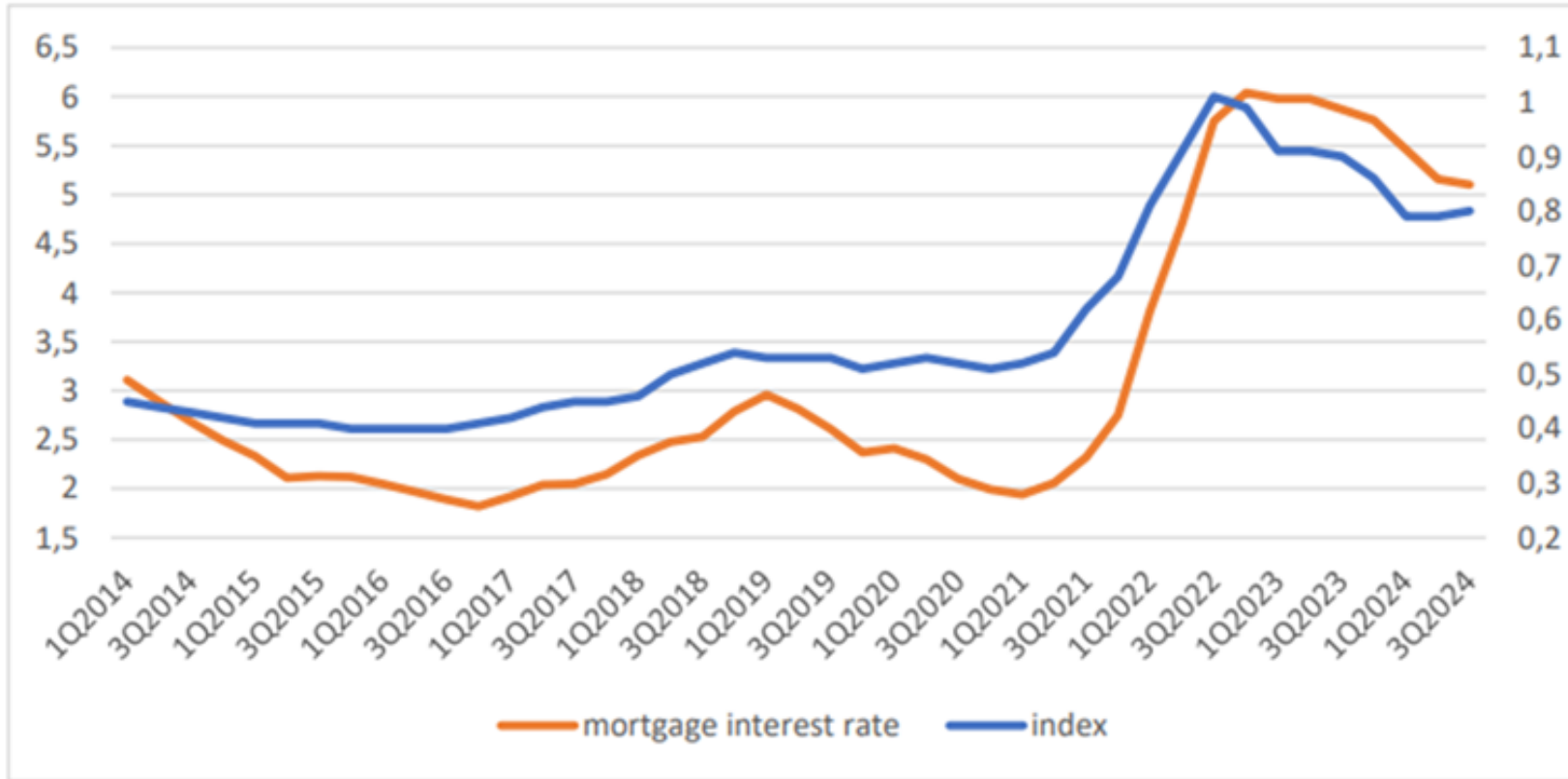
application-mortgage-1.pdf

Affordability Index



Source: Own calculation on the basis of data from CSU, CBA, CZSO

Affordability Index vs. Interest Rates



Source: Own calculation on the basis of data from CSU, CBA, CZSO



Thank you
for listening

