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# COMPARISON OF HOUSING FINANCING PRODUCTS IN SR

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# Introduction

- The fundamental purpose of the article is to analyze the current possibilities of housing financing in the Slovak Republic and determine the most appropriate form.
- The development of the real estate market in Slovakia consists mainly in the support of new forms of financing, which include, among other things, financing through mortgages
- Debt expansion and housing boom have become a global aspect.
- Mortgage debt represents in European countries, around 80 %.

# Methods

- the analysis individual forms of housing financing on the basis of acquired knowledge and available information,
- the analysis of the real estate market in Slovakia,
- the analysis of banking products,
- the information will be compared and, based on the comparison, a most suitable form of housing financing will be recommended.

# Results

- For the period 2010 - 2019, the volume of housing loans, including mortgage loans, increased every year.
- In 2019, it was almost € 28 billion.
- The latest statistics for the first quarter of 2020 tell us about further reaching the maximum.
- The continuing rapid growth of loans is due to ever-increasing demand supported by long-term growing credit capacity and lower interest rates.
- The development of construction loans is characterized by a decrease. It was € 2.39 billion in January and fell to € 2.37 billion in March.

# Results

- Average interest rates have been falling sharply since 2010, with the exception of 2012.
- The year 2019 was marked by a easing of the ECB's monetary policy, given the prolonged period of low interest rates, which caused significant changes in interest rates pricing policy of banks.
- In July and August 2019, under strong competitive pressure, average interest rates on housing loans fell from 1.5% p. a. at 1.3% p. a.
- Data for the first quarter of 2020 inform us about a further decline in average interest rates. However, in the following months interest rates rose due to the current market situation.

# Results

- Despite the economic downturn and rising unemployment triggered by the crisis, the real estate market continued to show price records in the first quarter of 2020, with year-on-year growth of 8.6%, which is historically one of the highest growths.
- In recent years, we have encountered the phenomenon of an enormous increase in the value of real estate compared to the income of the population.
- Currently, the growing demand of consumers for one-room and two-room apartments significantly affects their price.
- When comparing prices per m<sup>2</sup> for individual housing units, the most expensive were one-room apartments.

# Results

- After a general analysis, we compared in a specific example of which bank offers the most advantageous loan for a potential client.
- The example consists of pre-crisis analysis and analysis of mortgage products at the time of the crisis.
- In addition to mortgage products, we also compare loans from building savings.
- However, through analysis and subsequent comparison, we found that these construction loans are not only time-consuming (due to two-year savings), but also expensive.
- Interest rates are significantly higher compared to mortgage products.
- The most suitable form of housing financing is therefore a mortgage loan or a special-purpose housing loan.

# Discussions

- a mortgage specialist is a good choice, especially because of negotiating favorable interest rates for the benefit of the client
- to focus on primarily on the annual percentage rate of charge, which reflects not only the interest itself
- determining the length of fixation can be problematic, precisely because the level of interest rates in the financial market changes frequently.
- Banks currently require the client to deposit at least 20% of LTV. If the potential customer has its own sources of financing, it is more advantageous for him to apply for a mortgage loan with a lower LTV value.
- In the absence of own funds, the residual value of the property could be financed through a consumer loan, a construction loan or an intermediate loan.



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