The “First House” Social Banking Programme

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Abstract. The “First house” banking program is a real estate social program, meant to anyone wanting to buy their first house, young people specifically. This is a questionnaires based research involving 150 answers of the program clients. The clients are generally young people (25-35 years) buying a new apartment, with a average value of the loan of about 25.000 Euros and an average loan period of 15 years, offering a minimum advance (less than 20%) from the loan value. Mostly of them reported no special problems in taking loan. The main sources of information and the motivation of choosing this type of credit was taken into evidence.

Keywords: banking, first house, market study

INTRODUCTION

Through studies and research carried out within the framework of this work has been attempted to emphasize the role of credit granted by the program “First House”. The program has granted till June 2012 (www.gov.ro) an amount of 2.5 billions Euros for more than 65.000 contracts in three years having thus an important role in influencing the real estate market. Due to the lack of the scientific research related to qualitative aspects of this program, we wanted to conduct an opinion poll research about the client’s opinions about the program which is the most popular social programme with strong warranties offered by the state in the estate field. The program was designated to young people wishing to purchase their first house, but were no age-related restrictions, for a limited amount of 60.000 Euro (old house), 70.000 Euro (new house) and 75.000 euro co-propriety with a minimum pre-payment of 5%, from this values. The program was controversial through the specialists, due to the increasing prices on the market thus helping more banks than young people. Thus some of the specialists claimed that it had to be addressed rather to new houses buildings than to the old one.

MATERIALS AND METHODS

The research has been carried out in two different towns of Romania, namely in the town Cluj Napoca, Cluj county and town in Brad, Hunedoara county, and two banks: Raiffeisen Bank and BRD Groupe Société Générale. The research is covered by the questionnaire applied to a randomly sampling of 150 bank customers containing different types of questions and topics. The questions’ topics involve 15 open and closed questions following the topics like: source of information, average amount granted, advance value, reasons and credit purposes etc. The results were processed using SPSS v-15 programme using statistical tests in order to highlight the variable linkage using the methods of frequency analysis, and statistical tests like Chi-square, Pearson correlation coefficient, regression modelling.

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RESULTS AND DISCUSSIONS

The most important sources of information the clients are informing themselves (Fig 1.) are Friends, TV/Radio and Internet (all about 60% of answers) rather than informational programs offered by the banks like leaflets (20%), newspapers or other publications.

Mostly of the respondents (92 %) have found the formalities of granting loan as being acceptable, simple or very simple, the others 8% found them like being difficult. No respondent was found to declare that the difficulties are “Very difficult”.

Almost all respondents (97.33%) declared that the main reason of taken this credit was the low costs, followed by low guarantees, monthly rate, credit period and waiting time. The value of advance seems to be important only for about one third of the respondents although 51 of them declared that they use the minimum possible advance of 5% (Fig 4). The granted amount is not considered a special factor in taking this loan; there are no special facilities in this sense. Low guarantees are mentioned only by about 41% of respondents although the program is intending to encourage low-budget applicants.
Fig. 3 Percentage answers related to the motivations of taking “First House” loan

About 90% of the applicants offered a maximum in advance payment of 20% or less from within 51% offered the minimum advance of 5%. The low value of pre-payments could create future problems in case of in-solvability.

Fig. 4 Percentage respondent’s repartition related to the percentage of advance

The average loan is about 25,000 Euro this being the value of a 2 rooms apartment in a peripheral city region. Only about 10 % have taken credits of more than 40,000 Euros and no respondent was found, to take a credit for a common property.

Fig. 5 Percentage respondent’s repartition about the loan amount

The average loan period (Fig. 6) is about 14-15 years, about 15% of the respondents have taken a credit for more than 20 years long. The modal value is in 10-15 years range.
The loans are used generally (80%) to purchase a new apartment, or in-construction house, old properties being used only by 16% of the clients (Fig. 7).

The average age of the clients is between 25-35 years (76%), no person over 40 was found. 25% of the respondents were younger than 25 years or older than 35 (Fig. 8).

There is a strong correlation (Sig<0,001, Pearson= 0,427) between the period of the taken loan and the amount of credit. The longer sis the period the most valuable credit is taken (Fig. 9).
Other statistics hypothesis:

There is a direct correlation between the amount of credit and the respondent’s incomes (and age) (Sig=0.000, Pearson = 0.417). There is a very significant (Sig=0.000) but weak correlation (Pearson=0.29) between the value of loan and the pre-payment in percentage.

The amount taken as a credit is lower for old buildings than for new buildings. There are no differences between the pre-payments in percentage and the building oldness. There is no influence between the loan value and the time of granting the credit (Sig=0.316)

Considering the available data we tried to highlight the most important factors that influence the loan amount. We obtain a linear multivariate model that explain in proportion of 53% the loan amount variation (Tab. 1) the model being significant (Sig=0.000) as is shown by Fisher test in Tab. 2.

Summary Indexes for the purpose model

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
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<tbody>
<tr>
<td></td>
<td>R Square Change</td>
<td>F Change</td>
<td>df1</td>
<td>df2</td>
<td>Sig. F Change</td>
</tr>
<tr>
<td>1</td>
<td>.730(a)</td>
<td>.533</td>
<td>.517</td>
<td>.831</td>
<td>.533</td>
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</table>

ANOVA(b) test results

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
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<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>113.539</td>
<td>5</td>
<td>22.708</td>
<td>32.852</td>
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<tr>
<td>Residual</td>
<td>99.535</td>
<td>144</td>
<td>.691</td>
<td></td>
<td></td>
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<tr>
<td>Total</td>
<td>213.073</td>
<td>149</td>
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</table>
Tab. 3

Coefficients’ value multivariable linear regression

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
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<tr>
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<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td>B</td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>-1.530</td>
<td>.394</td>
<td>-3.887</td>
<td>.000</td>
</tr>
<tr>
<td>Clients' income</td>
<td>.745</td>
<td>.091</td>
<td>.517</td>
<td>8.203</td>
</tr>
<tr>
<td>The type of purchasing lodge</td>
<td>.048</td>
<td>.112</td>
<td>.027</td>
<td>.432</td>
</tr>
<tr>
<td>The percentage value of pre-payments</td>
<td>.282</td>
<td>.086</td>
<td>.201</td>
<td>3.283</td>
</tr>
<tr>
<td>The average time of releasing the money</td>
<td>-.058</td>
<td>.082</td>
<td>-.044</td>
<td>-.714</td>
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<tr>
<td>Credit maturity</td>
<td>.488</td>
<td>.075</td>
<td>.380</td>
<td>6.545</td>
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</table>

a Dependent Variable: The average loan value

The most important factors of influence for the granted amount are:
“Clients income” with a beta coefficient of 0.745 (Sig= 0.000)
“Credit maturity” with a beta coefficient of 0.488 (Sig=0.000)
“The percentage value of pre-payments” with a beta coefficient of 0.282 (Sig=0.001)

CONCLUSION

Mostly of the “First house” customers, found this credit being more easily accessible (low cost) due to the fact that the state provides security for the purpose of granting credit.

Many of the consumers have chosen to take such a credit due to the fact that this program was proven to be one of the successes for both customers and banks as can be assessed by the other participants (the friends). It might also be asserted that most of the customers are satisfied and also willing to take such a credit which presents a relatively easy procedure and premises.

Most customers who have filled in the questionnaire have not experienced negative aspects during the sequence of these procedures up to purchase their own credit. The program is convenient from the point of view of bureaucracy. The maximum loan credit is suitable for the target people. The credit was accessed by the youth which were the target people, even there were no restrictions related to the age.

As a general conclusion this program could be considered a success from social and administrative reasons also from the client’s perspective and with several changes in previous years could gather more persons looking for this type of credit.

REFERENCES