

Analysis on Landlords' Risks in Housing Finance Market

Utilizing Finance Big Data

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Summary

- 1) Recently, substantial increase in household debt fueled by residential mortgage loan has led to the interest in managing soundness of housing finance market.
 - While the LTV (Loan To Value) and DTI (Debt to Income) are widely used as soundness indicators for housing finance market, the CLTV (Comprehensive Loan to Value) including security deposit, should be examined, considering the characteristics of Chonsei and monthly rent market
 - Production of CLTV as well as LTV and DTI can be made through integrating big data between personal credit information of KCB (Korea Credit Bureau) and housing sales prices of Ministry of Land, Infrastructure and Transport.
- 2) The result from analysis on landlords' repayment risk by integrating personal credit information from KCB (Korea Credit Bureau) and housing sales price information from Ministry of Land, Infrastructure and Transport shows;
 - Among residential mortgage holders, the proportion of high-risk landlords with more than 70% of LTV is 13.2 % for Chonsei and 21.1% for monthly rents, whereas the proportion of high-risk landlords with more than 70% of CLTV is 50.3% for Chonsei and 77.5% for monthly rents.
 - Considering the fact that among landlords, the proportion of residential mortgage holders is 21.9% for Chonsei and 35% for monthly rents, it appears that the proportion of landlords with more than 70% of CLTV is 17% for Chonsei and 17.6% for monthly rents.
 - Mortgage holders with more than 70% in both LTV and CLTV have a higher delinquency rate than mortgage holders with less than 70%. Particularly the delinquency rate of mortgage holders with more than 70% of CLTV is 3.6% for Chonsei and 1.6% for monthly rents, which is pretty high.
 - The delinquency rate of mortgage loan of landlords is at decreasing trend due to the recent low level of interest rates, and it has slight discrepancy according to characteristics such as housing type, housing price, ages and income level.

Policy Implications

- 1) Need to conduct a variety of analysis by utilizing big data of housing and finance such as personal credit information and real time housing sales prices for political use
- 2) Need to manage risk of housing finance, considering that portion of high-risk mortgage holders with more than 70% of CLTV is relatively high while the proportion of high-risk mortgage holders with more than 70% of LTV is low
- 3) Need to implement measures to transit some portion of Chonsei deposit to monthly rent if the proportion of security deposit is comparatively high than an optimal level
- 4) Need to encourage leaseholders to get deposit return, lessening the risk on Kkangtong Chonsei, in which leasing price is higher than 70% of housing price