Box 2.2

MONITORING LOAN MORATORIUM SCHEMES

To date, five different types of credit moratoria have been approved in Spain, four of which correspond to legislative schemes and the other to conventional agreements.[1,2] Combining data for monitoring these schemes reported by credit institutions to the Banco de España with data from the Banco de España's Central Credit Register (CCR), this box analyses the volume, duration and credit quality of these moratoria.

On December 2020 data, 1.38 million moratoria have been granted in Spain, with an acceptance rate of more than 92%. The amount of credit that has become subject to moratoria since March 2020 exceeds €56 billion (8% of all the credit in the loan portfolios eligible for moratoria and 5% of all the credit to the non-financial private sector in December 2020). During this same period there have also been reductions in the amount of credit subject to moratoria (owing to discharges, repayments and cancellations) totalling €22 billion, so that the outstanding volume of loans subject to moratoria in December 2020 amounted to €34 billion, slightly more than 3% of all loans to the non-financial private sector (see Chart 1).

Most of this outstanding volume corresponds to conventional schemes (more than €32 billion, or 95%). More than €15 billion of credit initially subject to legislative moratoria is now subject to conventional moratoria; the shorter duration of the former means that when they expire loans are often transferred to bilateral or sectoral moratoria. Around 85% of these outstanding moratoria will expire during the first half of 2021 (see Chart 2), with expiries concentrated in April and May (over 50%).

As regards the classification of loans whose moratoria have already expired or been cancelled and, therefore, are no

Chart 1
INFLOW AND OUTFLOW OF CREDIT TO/FROM MORATORIA AND OUTSTANDING VOLUME OF MORATORIA AS AT DECEMBER 2020 (a) (b)

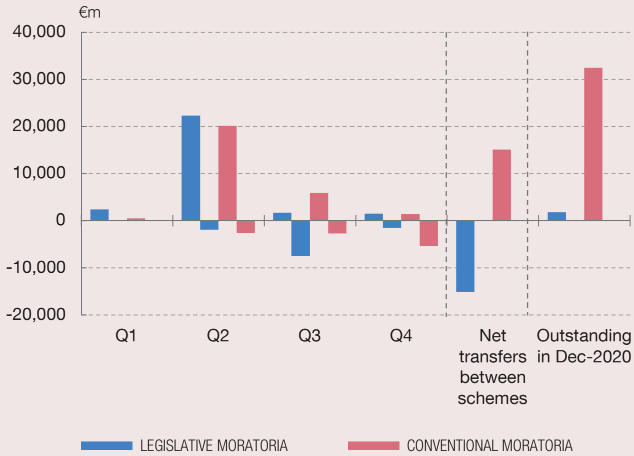
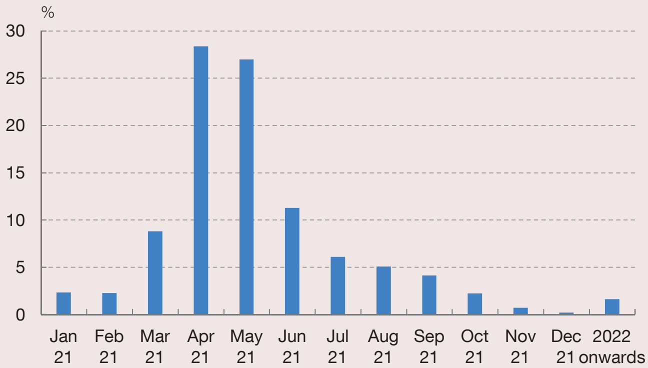


Chart 2
EXPIRIES BY MONTH OF THE MORATORIA OUTSTANDING IN DECEMBER 2020 (% OF TOTAL)



SOURCE: Banco de España.

a The data on outflows are for the period to November to be consistent with the criterion used to compute the moratoria outstanding in December (expiry is not considered to occur until the end of the month, even if it occurs during the month).

b The inflow of credit to moratoria (positive bar) and the outflow of credit from moratoria (negative bar) are shown for each quarter. Also, the (positive or negative) net flow of transfers of credit volume received by each scheme from the other is shown for the year as a whole. The last two bars depict the stocks in December 2020 as a result of these two types of flow and of the net transfers between the legislative and conventional moratoria programs throughout 2020.

1 Royal Decree-Law (RDL) 8/2020, on extraordinary urgent measures to address the economic and social impact of COVID-19, established the legislative moratorium for personal mortgage debts. Royal Decree-Law 11/2020 introduced the moratorium for non-mortgage loan agreements (including consumer credit). Essentially, the requirements and effects of both types of moratorium are the same, although they apply to different types of loans. Royal Decree-Law 19/2020 established a special regime for sectoral framework agreements for the deferral of customer financing transactions concluded between lender institutions and their customers through their representative associations. For their part, Royal Decree-Law 25/2020 and Royal Decree-Law 26/2020 established two new moratoria, applicable not only to individuals, like the previous ones, but also to legal persons. These moratoria apply to loans granted to the tourism sector and to the public transport of goods and charter bus sector.

2 Conventional moratoria include both the sectoral moratoria covered by the provisions of the sectoral agreements entered into by lender institutions through their representative associations, in accordance with Royal Decree 19/2020, and other moratoria agreed under the principle of freedom of contract in the Civil Code that are not covered by a sectoral framework agreement (bilateral moratoria).

longer in force, almost three-quarters are performing, around 20% are in stage 2 and somewhat less than 10% are classified as non-performing (see Chart 3). Most of the moratoria no longer in force are legislative moratoria, specifically for households in a situation of vulnerability. By type of guarantee, 21% of mortgage loans which were subject to moratoria are in stage 2 (15% of non-mortgage loans), and 9% are classified as non-performing (6% for other loans, without mortgage security).

An econometric model has been estimated to identify the main determinants of the probability that, when it ceases to be subject to a moratorium, a mortgage loan is classified as non-performing or in stage 2. This model uses data from the Banco de España's Central Credit Register on the characteristics of credit transactions (type of moratorium, interest rate, original maturity, etc.), collateral (unemployment rate of geographical location of collateral, etc.), borrowers (income, total debt, age and credit history of head of household, etc.) and lender banks.

The results of this analysis show that loans subject to legislative moratoria initially have a 33% higher probability of being classified in a category other than performing, and that this probability is also greater in the case of loans to households with a higher bank debt-to-income ratio in 2019, lower income,[3] poorer credit history (past defaults), or that live in regions more severely affected by the pandemic in terms of job losses. In particular, the average probability of a loan being classified as stage 2 or non-performing is 50% higher for the most indebted households (bottom vis-à-vis top quintile, see Chart 4). The study also shows that these household characteristics are associated with a higher probability that loans subject to legislative moratoria will become subject to conventional moratoria. This overlapping of moratoria may be containing risks and thus postponing their materialisation in the form of future non-performance.

For all these reasons, and given the uncertainty surrounding economic developments, credit moratoria need to be closely monitored in Spain over the coming months. In addition, the current profile of expiries may be affected by the entry into force of RDL 3/2021,[4] which allows new nine-month moratoria to be applied for until March and the duration of existing moratoria to be extended to a total duration of not more than nine months. The experience built up over these months shows that this type of support measure is flexible and can be activated and withdrawn relatively quickly, but must be used prudently in order to ensure that appropriate repayment incentives are maintained.

Chart 3
CREDIT QUALITY OF LOANS LINKED TO EXPIRED OR CANCELLED MORATORIA (a)

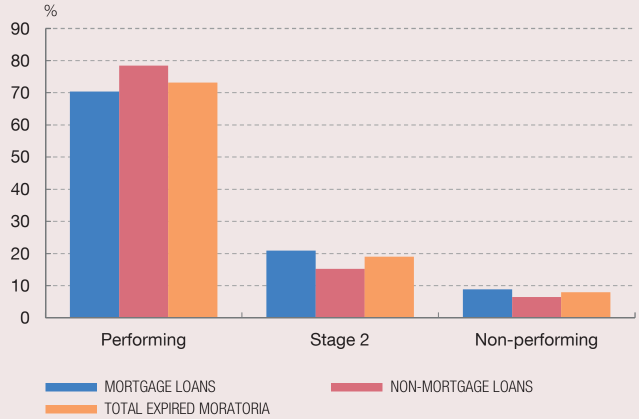
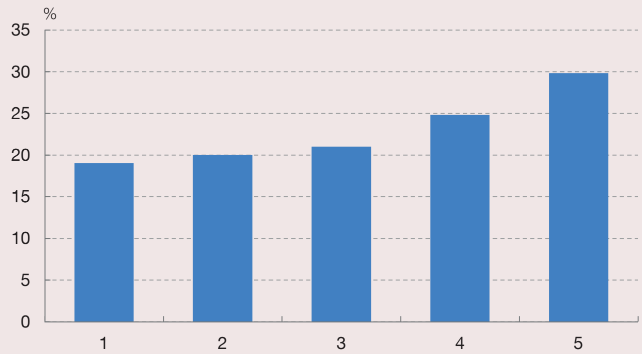


Chart 4
PERCENTAGE OF NON-PERFORMING AND STAGE 2 LOANS THAT WERE SUBJECT TO MORATORIA NO LONGER IN FORCE AT THE END OF 2020, BY HOUSEHOLD INDEBTEDNESS QUINTILES



SOURCE: Banco de España.

a Non-performing loans include both non-performing for subjective reasons and objectively non-performing.

3 Each household is imputed the average income corresponding to its postcode.

4 Among other measures, Royal Decree-Law 3/2021 of 2 February 2021 adopting measures to reduce the gender gap and on other Social Security and economic matters extends the application period for moratoria and extends their duration to up to nine months.

Box 2.2
MONITORING LOAN MORATORIUM SCHEMES (cont'd)

Chart 5
EBA-COMPLIANT MORATORIA
Consolidated data. December 2020

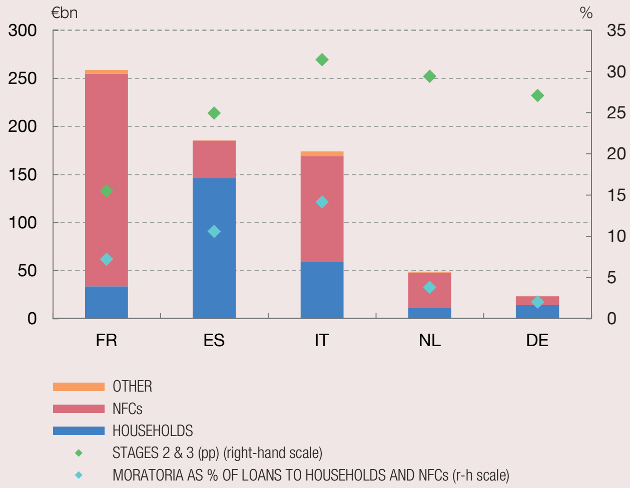
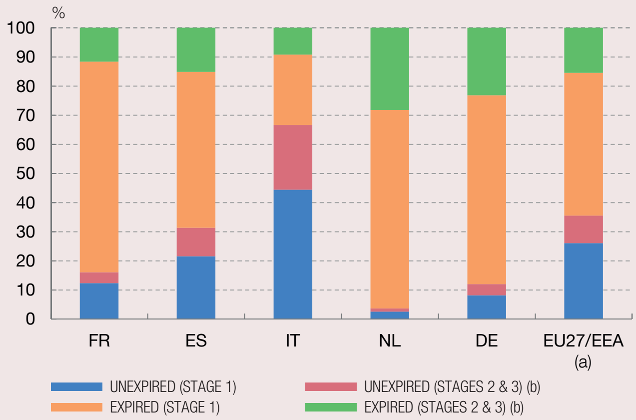


Chart 6
EBA-COMPLIANT MORATORIA (CONTINUED)
Consolidated data. December 2020



SOURCE: European Banking Authority.

a The EBA data include Iceland. From 2020 Q1, the aggregate EU data no longer include figures for UK banks, but do include data for subsidiaries of UK banks in EU countries.
b Most of the EBA compliant moratoria, both expired and unexpired, correspond to stage 2 loans and advances.

At European level, according to the latest data published by the EBA on its Risk Dashboard corresponding to December 2020, the total volume of loan moratoria granted in 2020 to non-financial corporations and households, based on consolidated bank balance sheets data (i.e., including information on subsidiaries in other countries), stood at €898.8 billion, of which 26% were classified at the end of the year as stage 2 loans (22.3%) and stage 3 loans (3.7%), with considerable cross-country heterogeneity.[5] Thus, for Spanish banks most of the loans under moratoria were to households (78.7%), while for banks in France, Italy and the Netherlands most of the loans under moratoria were to firms (see Chart 5). For Spanish and Italian banks, the share of total loans to non-financial corporations and households that were under moratoria stood above the European average (7.8%), at 10.6% and 14.2%, respectively. The difference between this 10.6% share for Spanish banks, based on consolidated data, and the 5% mentioned above for the total volume of loan moratoria granted for the business in Spain shows that moratoria have been much more widespread in other jurisdictions where Spanish banks operate than in Spain.

Meanwhile, for banks in the Netherlands, Germany, France and Spain more than 50% of the moratoria have expired, while for banks in Italy unexpired moratoria account for more than 65% of the total (see Chart 6). In the case of expired moratoria, according to the international comparison, based on consolidated data, banks in the Netherlands have the highest percentage of stage 2 and 3 loans (almost 30%), followed by German banks (23.2%), while the EU average is 15.5%. As regards unexpired moratoria, the highest percentages of stage 2 and 3 loans under moratoria are observed in Italy (more than 20% of the total), while the average level in Spain stands at 9.7%, in line with the EU average (9.4%).

5 Stage 2 loans show a significant increase in credit risk, but without default or classification as non-performing for subjective reasons, which would make them stage 3 loans.