

FOREIGN CURRENCY LOANS IN REAL ESTATE FINANCING IN POLAND

Summary

Polish real estate market is very fast developing for almost three years. This trend is strongly related to growth in real estate loans market which becomes one of the most important areas of banking activities in Poland. Substantial share of real estate loans within commercial banks assets and domination of foreign currency loans makes Polish banking sector vulnerable to currency and credit risk. To prevent Polish creditors against currency risk generated by unexpected foreign exchange rate changes, and Polish banks against excessive credit risk, Banking Supervisory Commission introduced in Poland a set of financial stability norms known as Recommendation S. The Recommendation limited an increase in foreign currency loans volume and simultaneously partially reduced number of creditors. Several months after establishing restrictive foreign currency loans regulations Polish real estate loans market was still significantly developing but Polish Zloty became more important currency in housing financing. However new regulations did not significantly influenced loan currency preferences. Indeed, favorable market conditions of Polish economy, tough competition between commercial banks and low level of interest rates in Poland encouraged taking loans in Polish currency.