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Loan repayment moratoria in CESEE: different designs and how they were perceived by the public

Katharina Allinger (OeNB) and Elias Farnleitner

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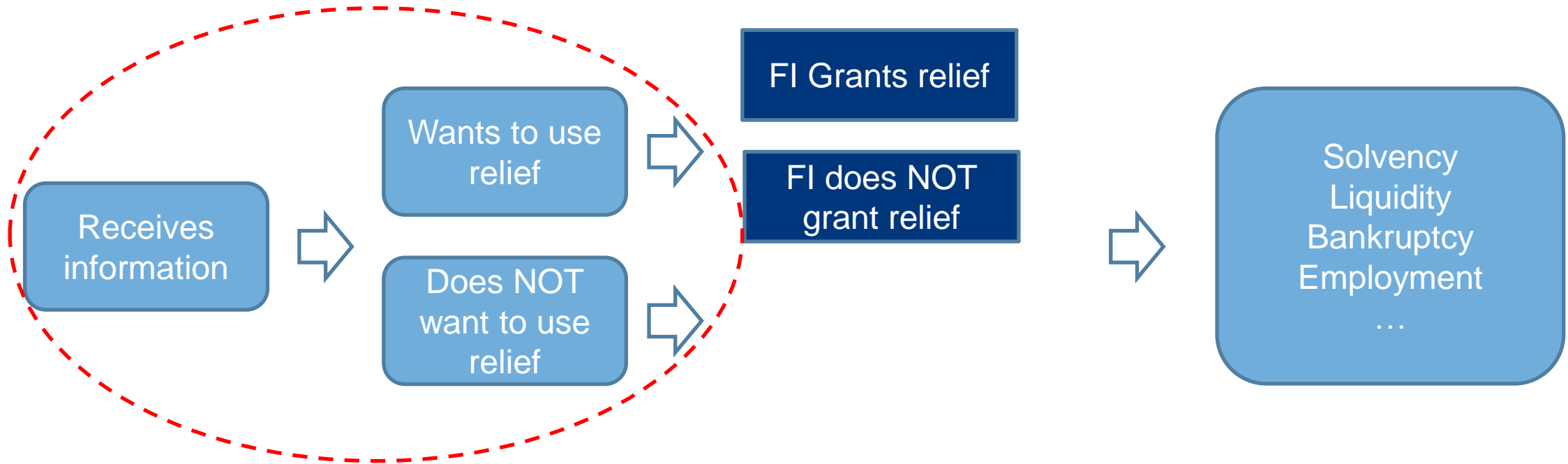


Motivation: Policy evaluation is a key step in improving future policies

During the COVID-19 pandemic many policies were implemented to counteract the negative economic consequences of measures to contain the pandemic. Many of these measures were **unprecedented** in one way or another. As policy makers we have a **duty to evaluate these measures and learn what went well and what didn't and improve future policies accordingly.**



Existing literature and contribution: So far, limited view on borrower relief



Few papers study borrower-sided frictions of transmission of debt-relief. Two examples:

Johnson et al. (2019): study refinancing offers in U.S. – awareness, perceived eligibility and suspicion of offer significantly correlated with take-up.

Allen et al. (2022): few eligible borrowers aware of 2 Canadian COVID-19 debt relief programs.

Research questions: Awareness, usage and attribution across and within countries

Part 1

Aggregate, cross-country view

How did CESEE countries implement COVID-19 moratoria/ borrower relief?

How does awareness of and usage of the measure differ by country?

Are awareness and usage higher in countries with a more „borrower-friendly“ implementation of moratoria?

Who did borrowers attribute the measures to? Governments or banks?

Part 2

Individual, within-country view

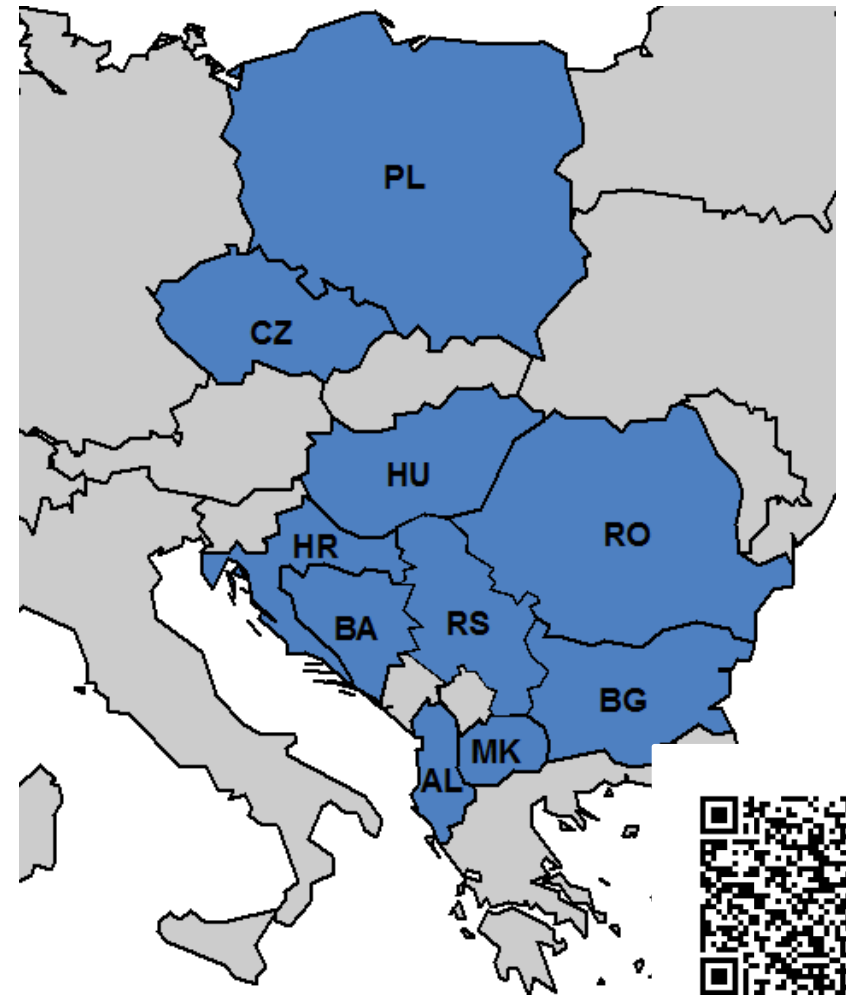
Which characteristics of the respondents are correlated with ...

- awareness
- usage
- higher attribution of measures to the government

Do these results differ strongly by country?

Data: The OeNB Euro Survey module on borrower relief measures

- Currently, the OeNB Euro Survey is conducted in ten CESEE countries.
- Surveys are conducted face-to-face in October/November. The first survey wave was in fall 2007.
- **Samples consist of 1,000 randomly selected respondents per country** and represent the population 18+ years.
- Samples are representative with respect to age, gender and regional distribution.
- In 2021 we included a **module on borrower relief measures** – the variables used here are a subset of this module.
- Due to data quality issues, Albania is not included.

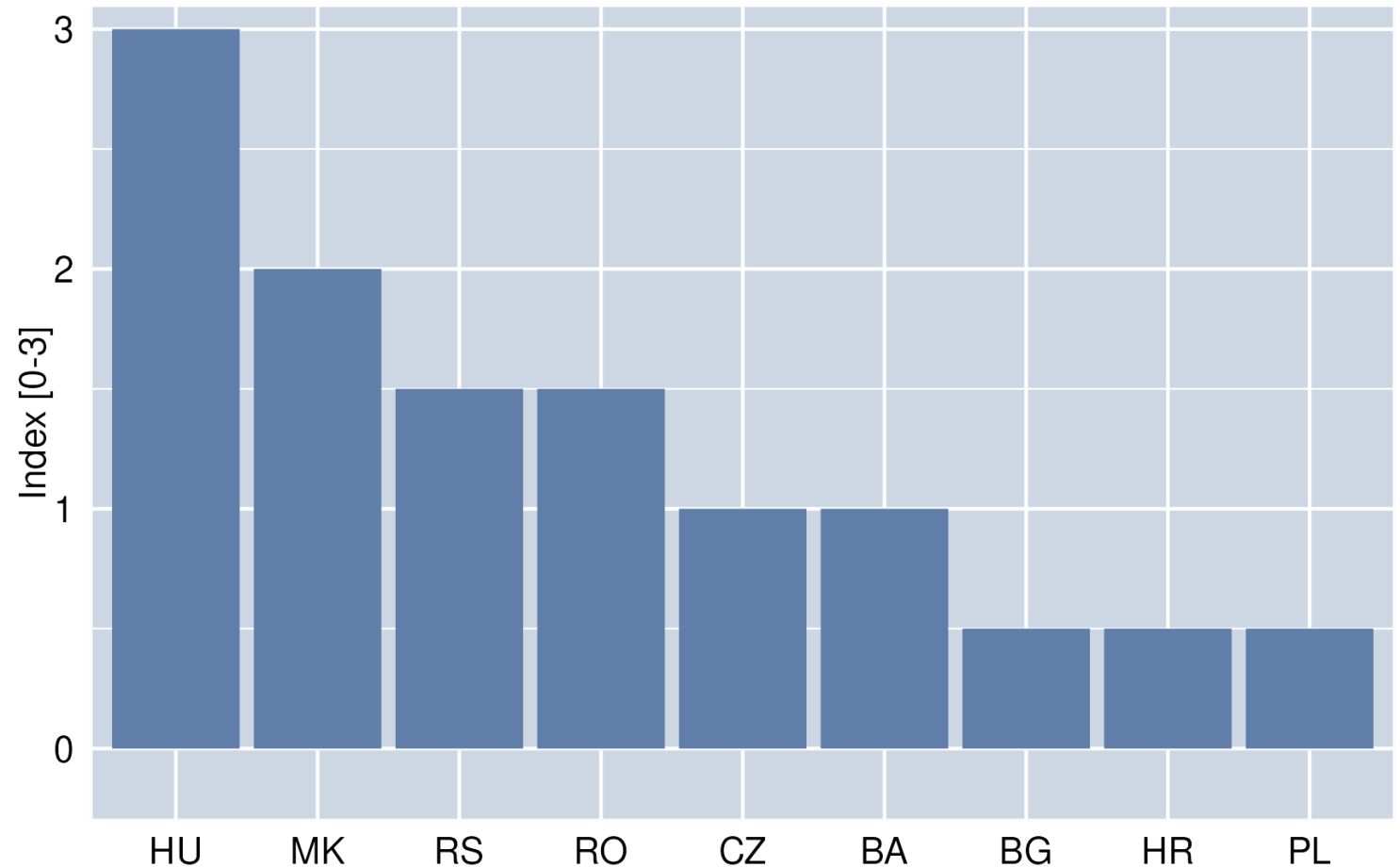


PART 1 – CROSS-COUNTRY VIEW

Design: Implementation of moratoria varied a lot across countries

- **EBA Guidelines** for legislative and non-legislative general payment moratoria, which did not automatically trigger the reclassification of the exposure as forborne or defaulted
- Guidelines were rather general
- **Opt-in** versus **Opt-out**
- **Public** versus **Private**
- **Maximum duration** of application

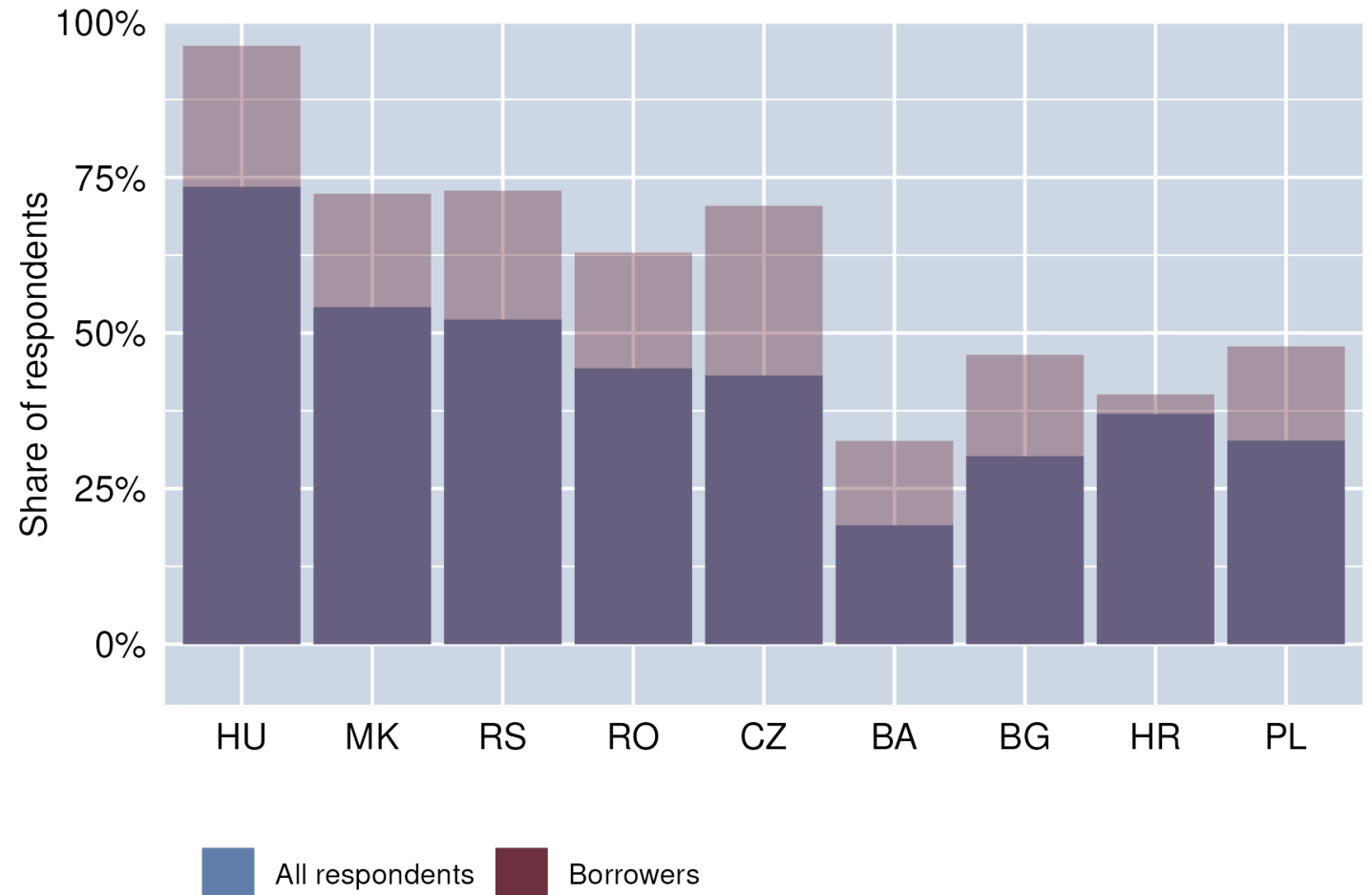
Design Index of Moratoria



Awareness: Awareness of borrower relief surprisingly low in some countries

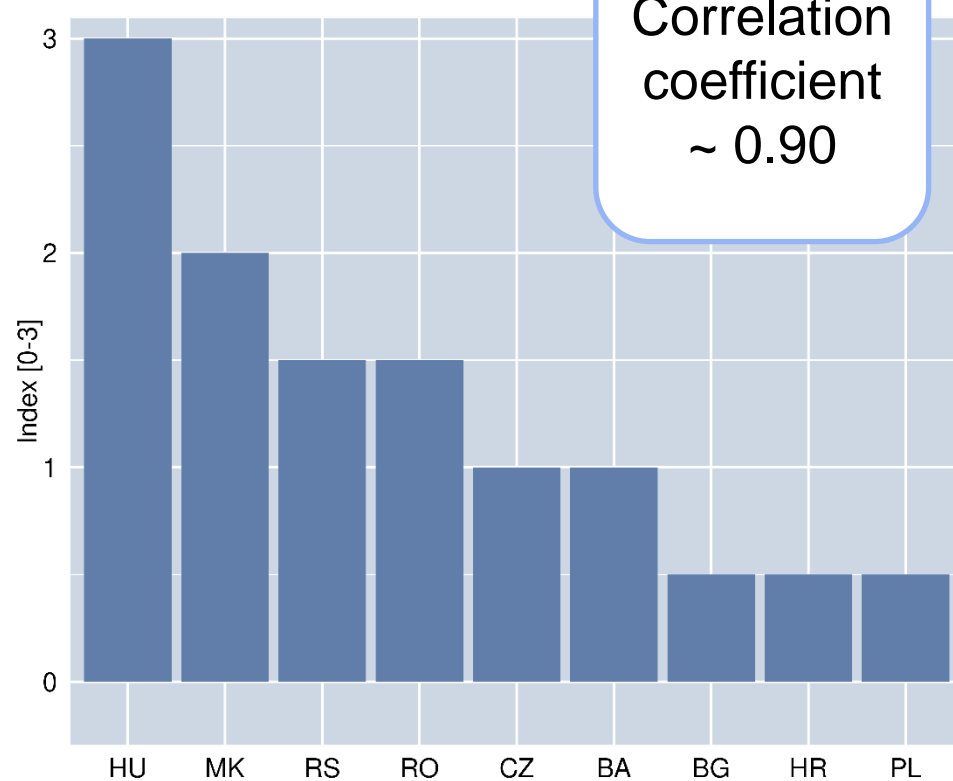
- **Awareness:** “Are you aware of any measures your government or banks in [YOUR COUNTRY] adopted because of the pandemic to support borrowers (for example enabling borrowers to postpone repayments without penalties, offering borrowers favorable changes in loan terms)?”
- Quite **large dispersion** across countries.
- Quite **low awareness** even among borrowers in some countries.

Awareness



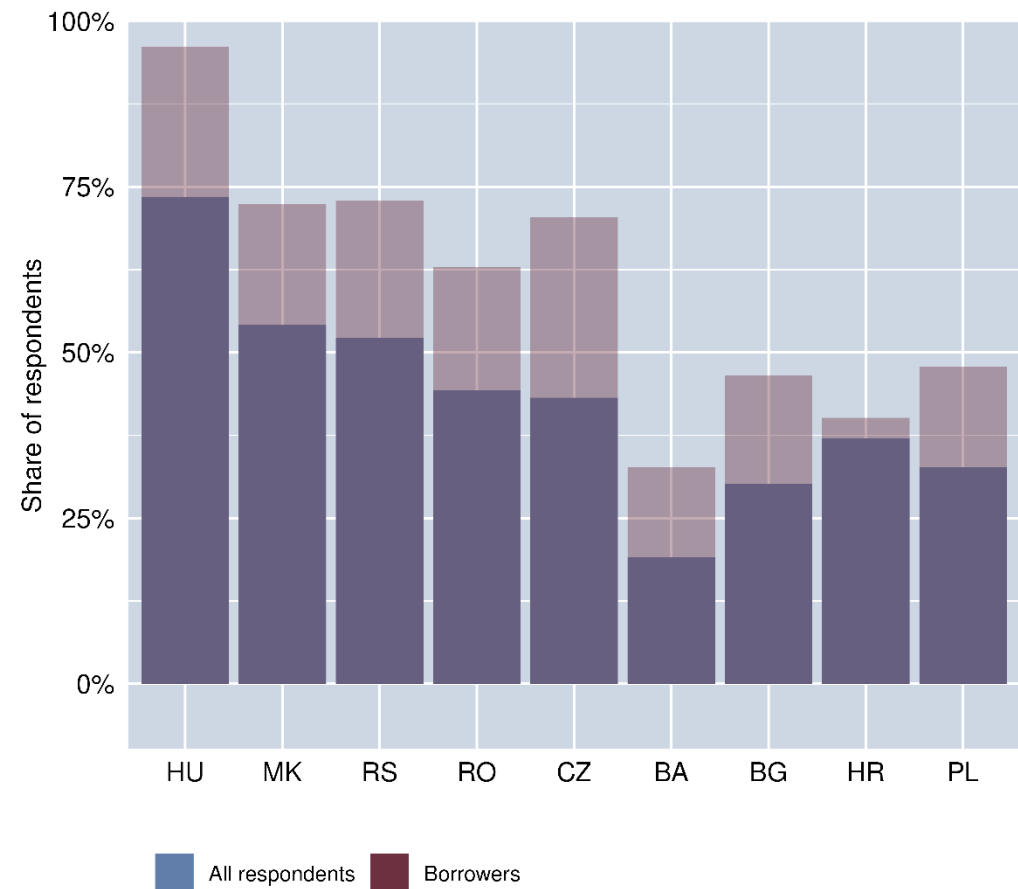
Awareness: Strong correlation between awareness and design index

Design Index of Moratoria



Correlation
coefficient
~ 0.90

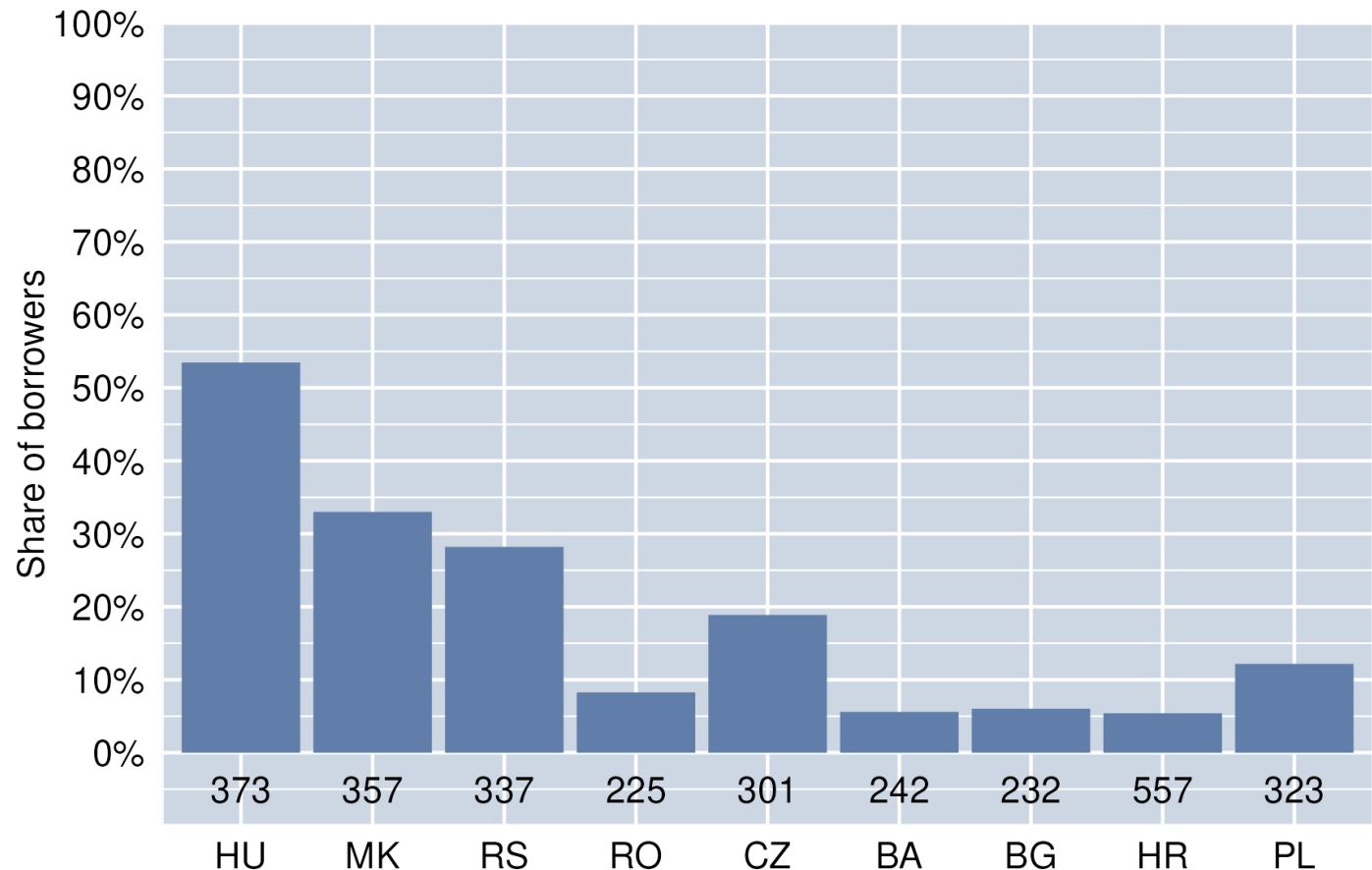
Awareness



Usage: Much higher usage in opt-out countries than in opt-in countries

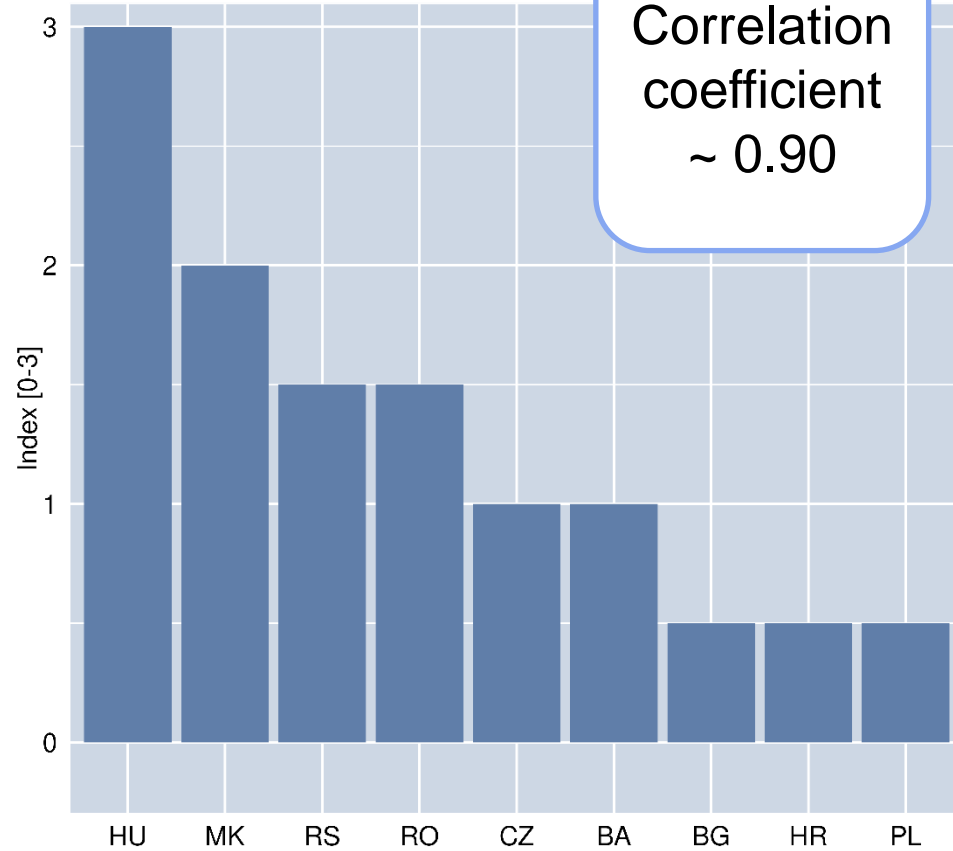
- **Usage:** “Since the beginning of the COVID-19 pandemic, have you taken advantage of any measures that were adopted to support borrowers?”
- Quite **large dispersion** across countries.
- Quite **high usage** in opt-out countries.
- In some countries few users in absolute terms in our sample.

Usage

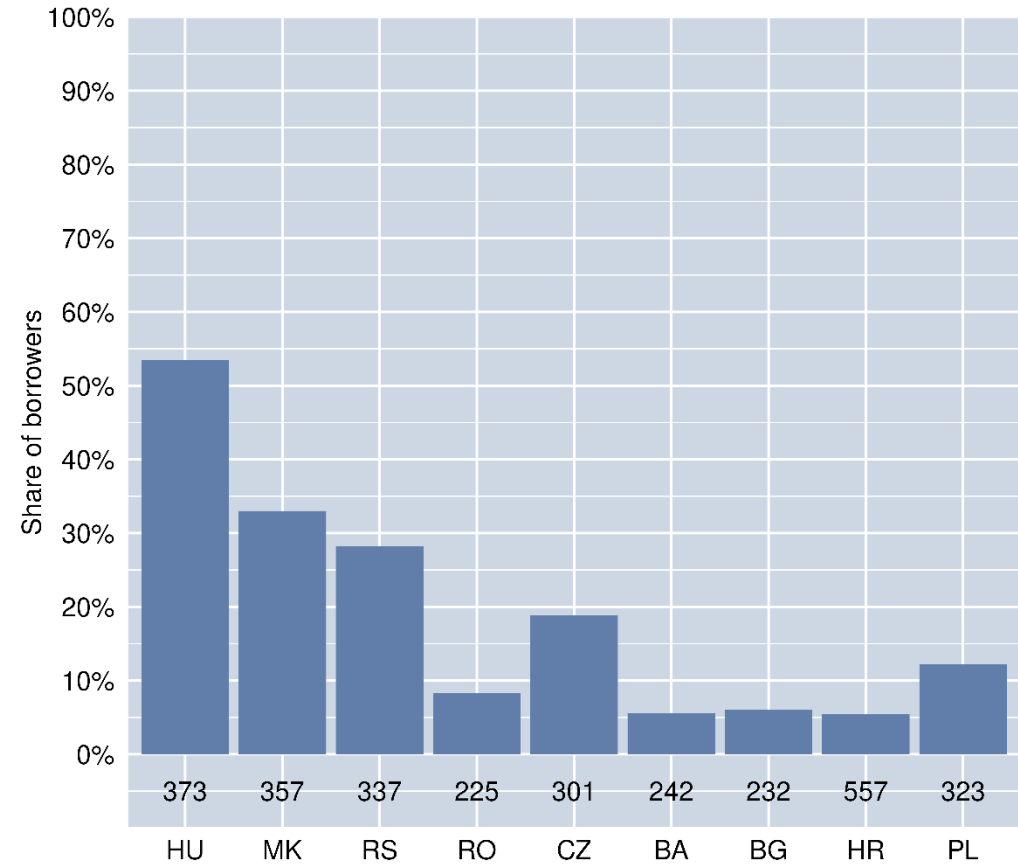


Usage: Strong correlation between usage and design index

Design Index of Moratoria

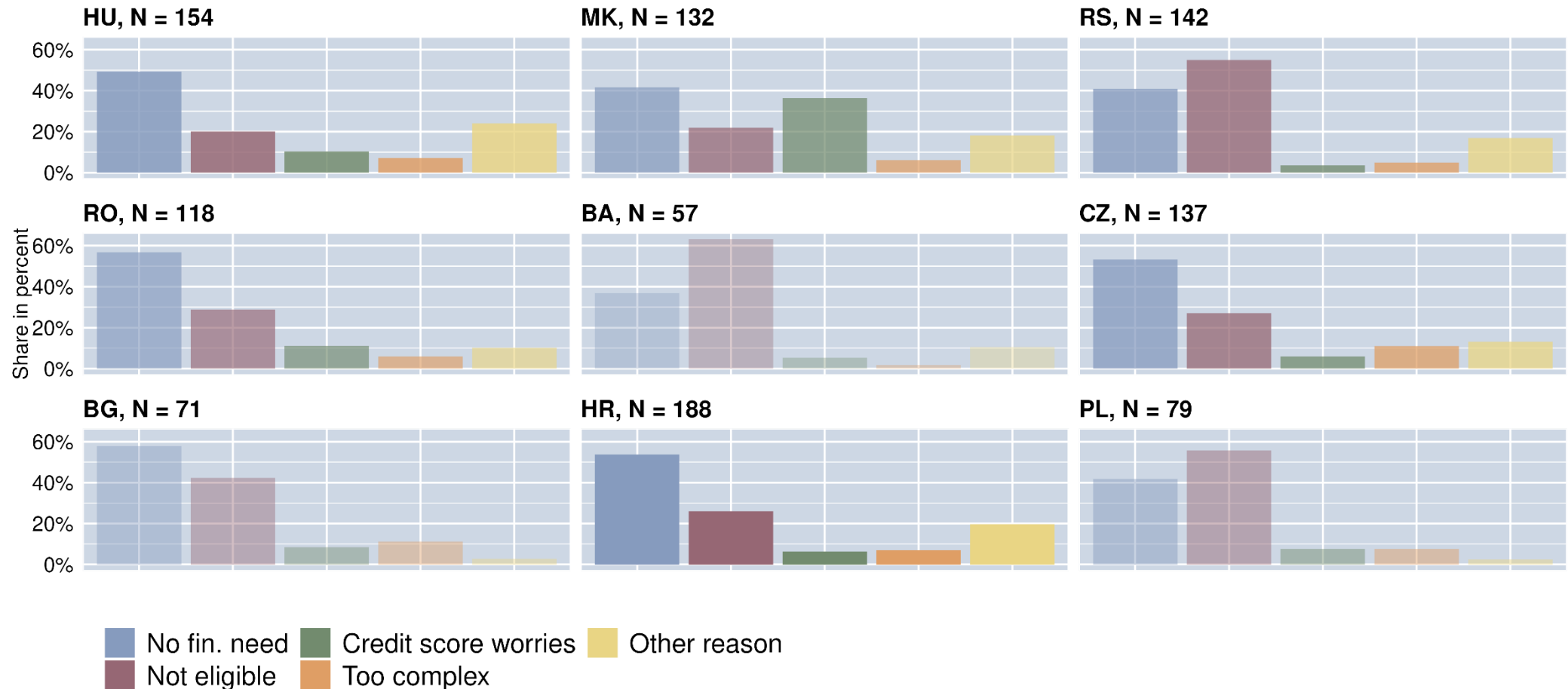


Usage



Usage: „No need“ and „Not eligible“ most important reasons for not using

Reasons for not using the moratorium



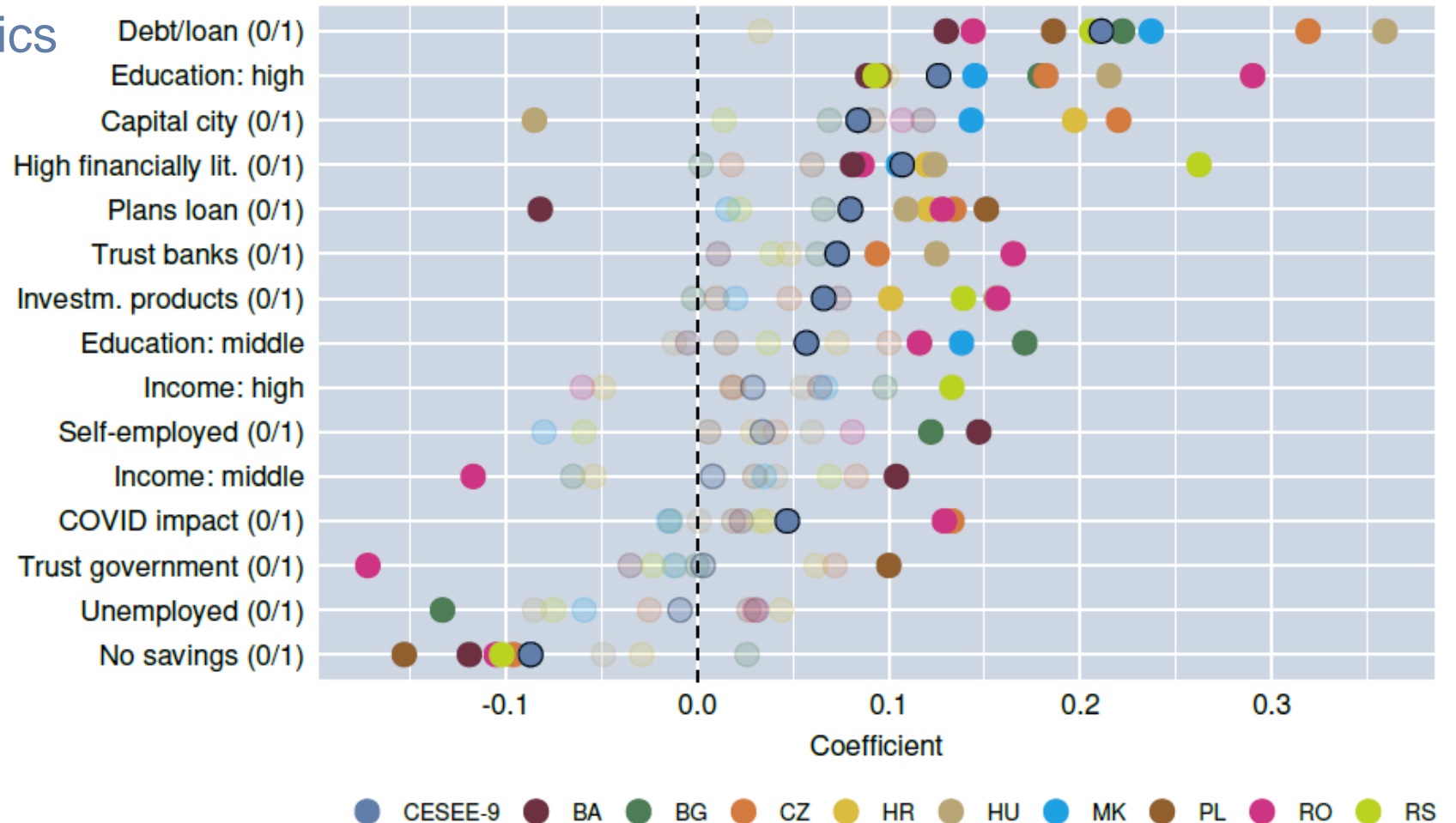
PART 2 – WITHIN-COUNTRY VIEW

Awareness: Several observable characteristics highly correlated with awareness

Respondents who

- have loans
- plan loans
- are more educated and financially literate
- trust banks
- own investment products
- have savings

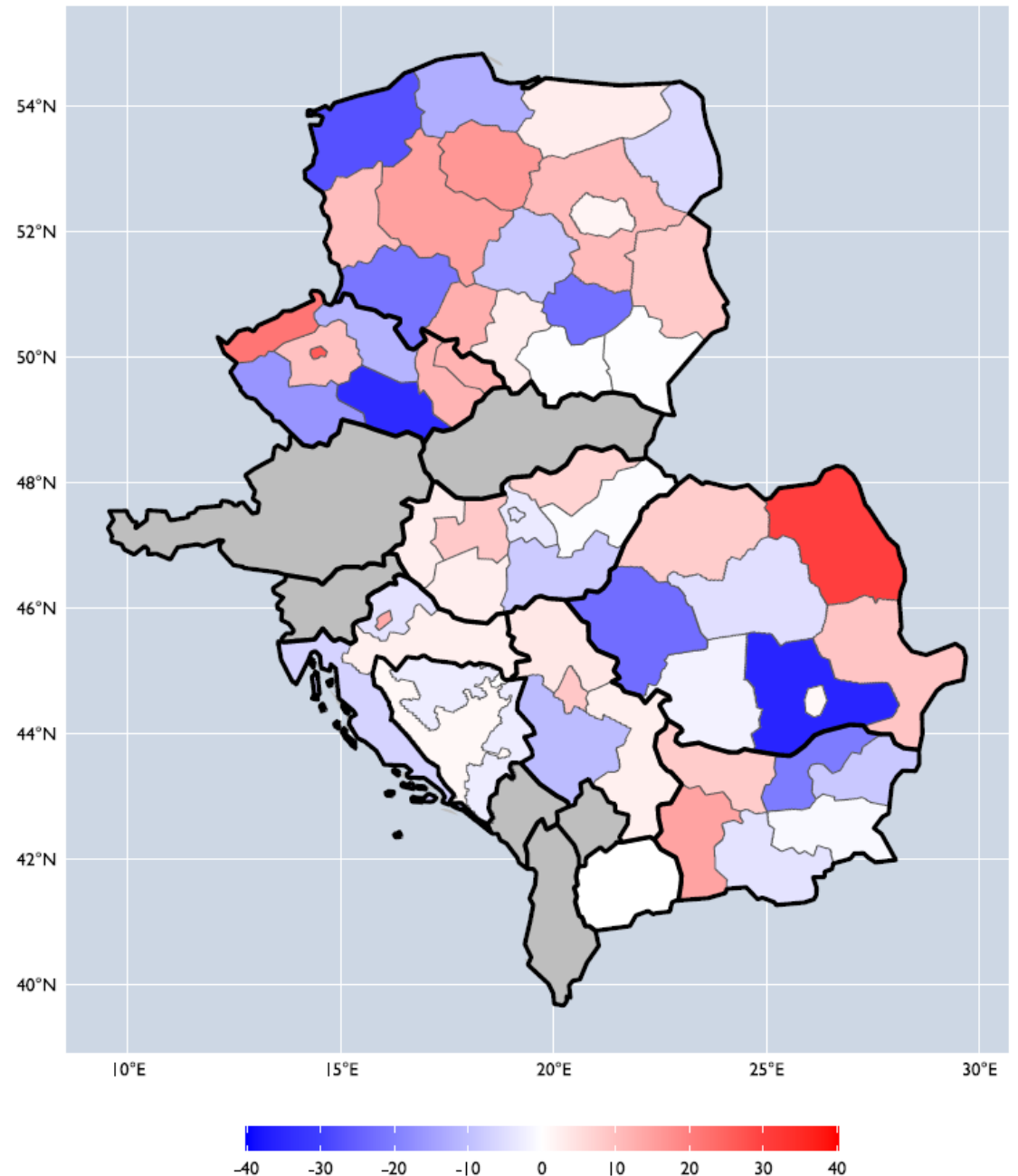
...more likely to be aware compared to the reference group.



Source: OeNB Euro Survey wave 2021. Notes: Dependent variable = 1 if respondent is aware of borrower relief measures. Coefficients correspond to average marginal effects from a probit model estimated by maximum likelihood. Standard errors are clustered at PSU level. Full opacity means p-value of t-test < 0.1. Variables not shown include log(Age), Female (0/1), Married (0/1), Income: NA, Size of household.

Awareness: Substantial regional variation

- Map shows **difference between country mean and regional mean in percentage points**.
- **Darker colors indicate large difference** to country mean in percentage-point-terms: e.g., Czechia, Romania, Western Polish regions.
- **Lighter colors indicate homogeneity** within country regions, e.g. Hungary, Bosnia and Herzegovina, ...
- Depending on the country, **differentiation varies**.
- **A lot but not all of the variation is due to observable factors.**



Summary: Still a lot to learn about implemented borrower relief programs

- Important to understand outcomes of participation in borrower relief but also participation decisions.
- Awareness and usage varied strongly across CESEE countries.
- Shares highly correlated with how „borrower-friendly“ design of the measure was in country.
- Awareness significantly correlated with many observable characteristics of respondents and geographical factors.
- Usage mostly significantly correlated with COVID-19 affectedness.
- People tended to attribute the borrower relief measures to the government, rather than banks.
- Low awareness – even among borrowers – in some countries and large share of respondents who state that they were „not eligible“ raise questions for policy makers.



Danke für Ihre Aufmerksamkeit

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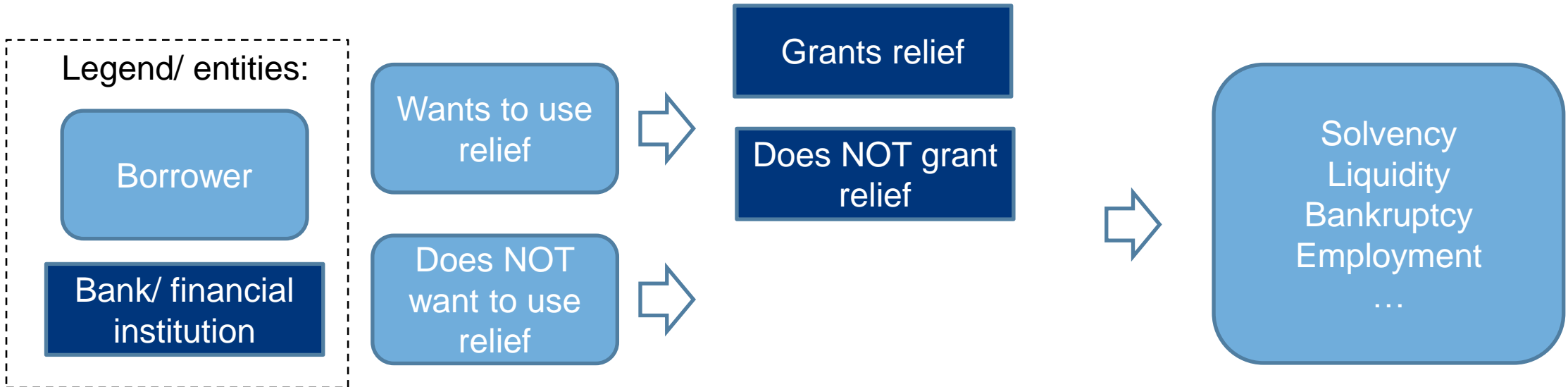
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ANNEX

Existing literature and contribution: Several papers assess impact on outcome variables



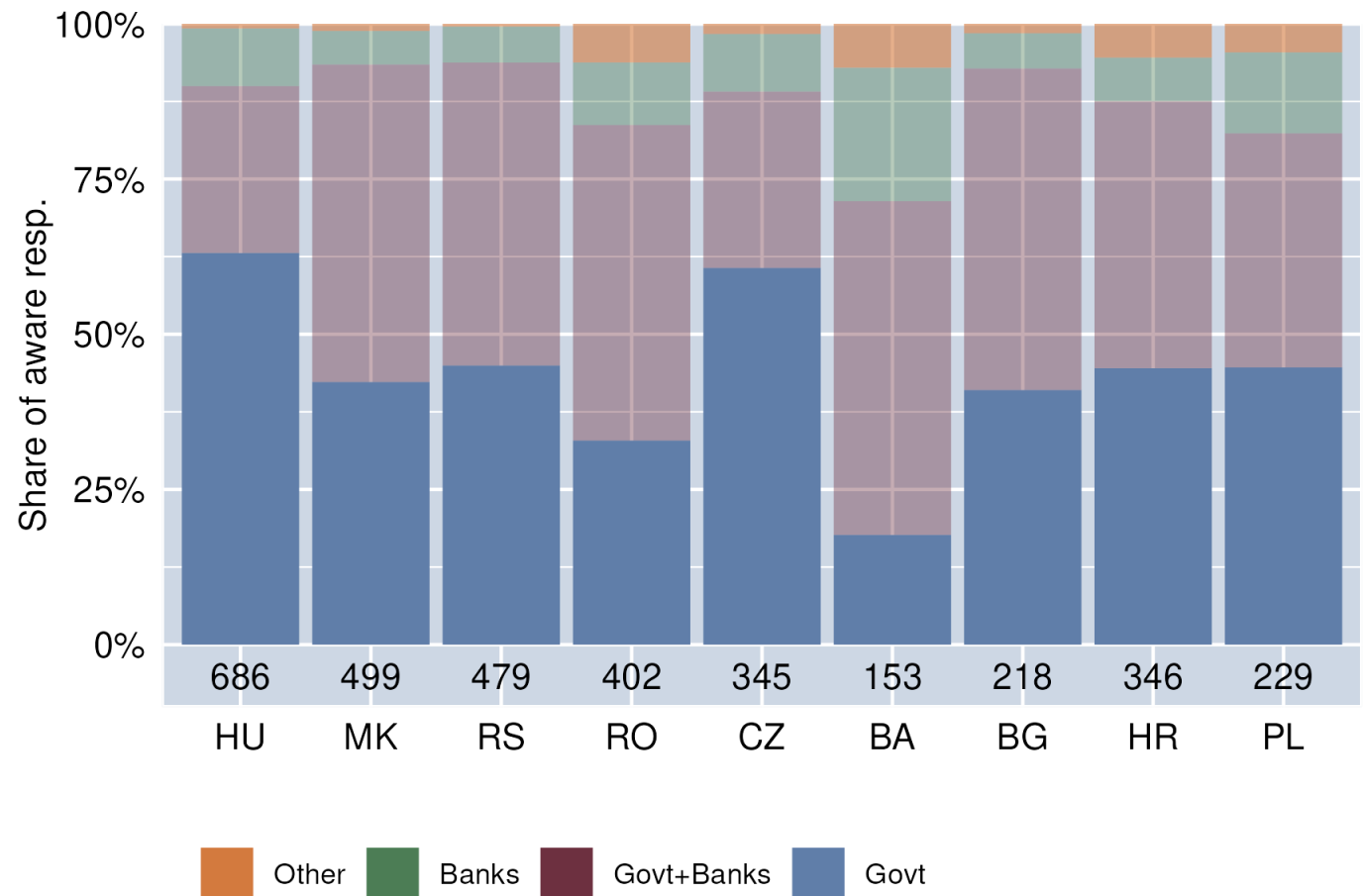
Endogeneity concerns when evaluating effects of debt relief!

Many studies have exploited **natural experiments** studying large-scale debt relief programs mostly in U.S. (Agarwal et al., 2023; Piskorski and Seru, 2021; Ganong and Noel, 2020; Dinerstein et al., 2023; Jacob et al., 2023) or India (Kanz, 2016; Giné and Kanz, 2018; Mukherhee et al., 2018) or conducted **large-scale experiments** (Dobbie and Song, 2020; Fiorin et al., 2023).

Attribution: People mostly think government was driving force – this is highly correlated with stated trust in the government

- **Attribution:** *“Who, do you think, was the driving force behind the measures that were adopted to support borrowers?”*
- Among respondents aware of measures: **44% thought government was responsible + 40% government and banks.** Only 8% (!) stated that banks were driving force.
- Cross-country variation: e.g., share of only gov. very high in HU and CZ, very low in BA.
- Mostly related to unobserved factors.

Attribution



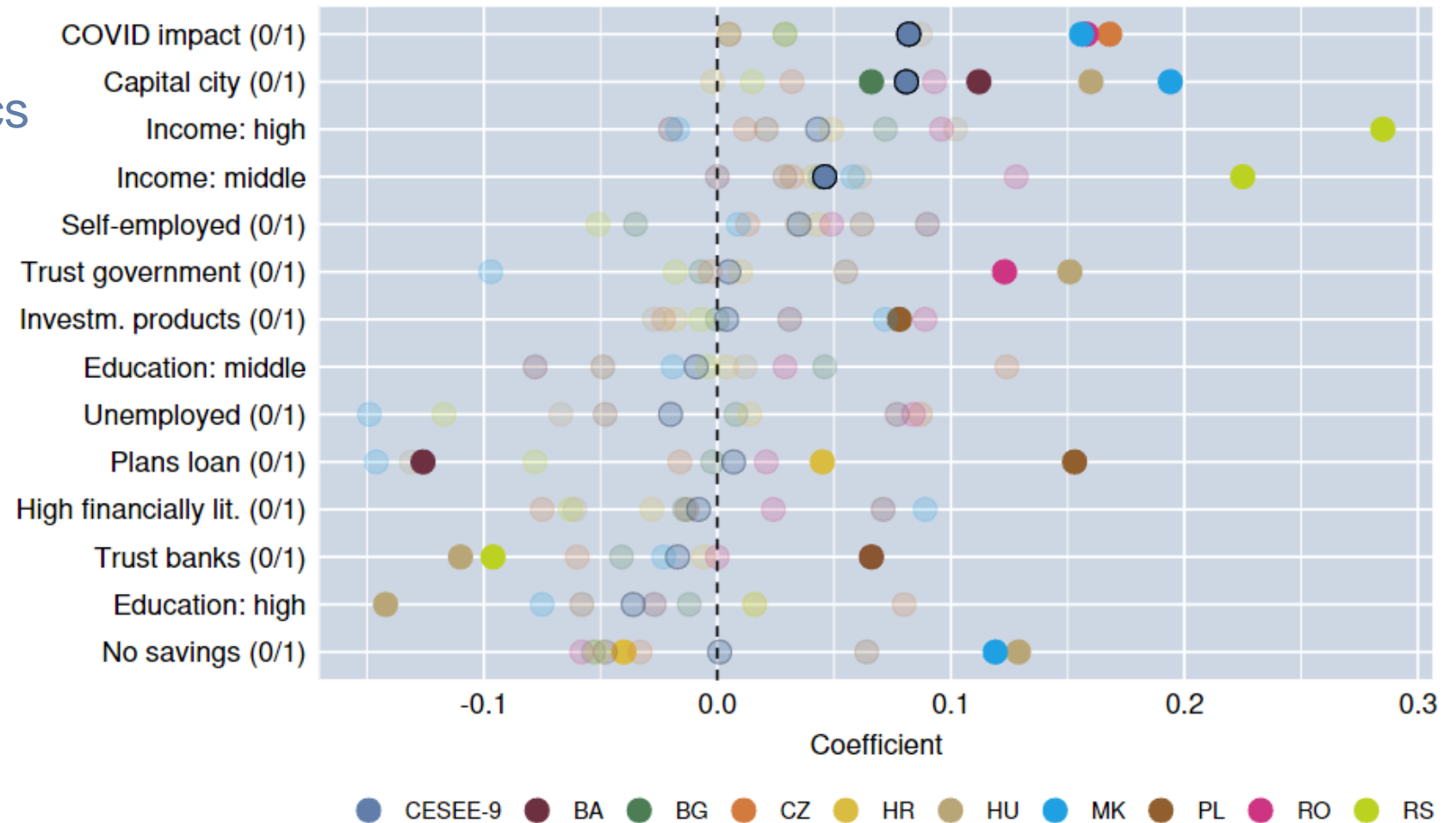
Usage: Almost no observable characteristics correlated with usage

In pooled regression:

Respondents who

- had financial COVID-19 shock
- live in capital city
- are middle income (versus low income)

...more likely to have used the measure relative to reference groups.



Source: OeNB Euro Survey wave 2021. Notes: Dependent variable = 1 if respondent took advantage of the borrower relief measures. Coefficients correspond to average marginal effects from a probit model estimated by maximum likelihood. Standard errors are clustered at PSU level. Full opacity means p-value of t-test < 0.1. Variables not shown include log(Age), Female (0/1), Married (0/1), Income: NA, Size of household.

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