The structural and institutional factors explaining households' coping strategies following the mortgage crisis of 2008

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After 2000, the housing finance programmes of the Socialist regime were replaced by a new housing finance system. This was primarily built on private commercial banks, and particularly on mortgage lending institutions, which generated an incrementally growing demand for mortgage lending, starting in 2000, with the help of gradually increasing state subsidization. For political reasons, the subsidization rate was raised more quickly with the approach of parliamentary elections. High income families, with earners between the ages of 25-45 (the upper middle class) were the quickest to react. This system was fiscally unsustainable, thus the subsidies eventually had to be phased out, which, together with the rearrangement of the global financial system, pushed Hungarian housing finance toward ForEx mortgage lending after 2004. This encouraged middle and lower middle class groups to enter the mortgage lending market in greater numbers. Appraising and managing risks also led to intensifying competition among banks. Building contractors reacted in a flexible manner: multi-unit buildings built by real estate developers came to dominate housing construction; and second home investments became an important driver of demand, with buyers typically looking for small downtown apartments beside their green belt, high prestige homes (partly thanks to the strong central support). After the Great Financial Crisis (GFC) of 2008, ForEx mortgagor families found themselves in an extremely difficult situation. Beyond documentation and statistical analysis, the paper primarily builds on ongoing qualitative research exploring the adaptation strategies and reactions of ForEx mortgagor families to this shock. It applies an interactional, interpretative approach. According to our first findings, the behaviour of families was primarily influenced by three types of institutional interaction, and their subjective interpretation:

(1) family (income situation, wider family background, job market strategy etc.)
(2) banks and financial institutions (actions initiated independently or as a reaction to legal changes), and
(3) government measures.

These were further conditioned by a number of external factors: particularly the attitudes of political parties (promises, threats…), and as well as spontaneously generated social movements, individual dissent, court decisions, the media, organisations with close ties to the government, and experts with ties to various interest groups.

Based on qualitative interviews, we create a typology of household strategies, and we attempt to identify where institutional interactions and external factors can be pinned down. Our main research interest lies in the kind and duration of strategy change: whether it will stabilize household status (or even raise it from middle to upper middle class); whether it will upset and destabilize it (which runs a risk of descent within the class hierarchy), or whether it will clearly deteriorate the household status (pushing it from lower middle class to poverty).

The paper presents the first empirical results of long-term research aiming to explore the social impact of ForEx mortgage lending.

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