

Questions for discussion:

Additional information:

In the case of a mortgage credit purchased in 2007 on a period of 26 years, at a rate of 2,17 RON/CHF, of 130.000 RON, with the CHF equivalent of 59.908 CHF and an instalment of 500 RON, with the CHF equivalent of 230 CHF, a monthly income of 2.500 RON, a family with two children could easily handle the credit so that they can still get by. The progressive appreciation of the Swiss currency since 2007 led to the rise of the monthly instalment which, in December 2014 reached the value of 855 RON, with the Franc equivalent of 230 CHF. We believe that in 2014, with an instalment of 855 RON/month and with the net income registered in 2007, the family could have got by and paid the instalment in due time. However, considering that the net income of the family dropped at 1.500 RON/month in 2014, they cannot handle the monthly instalment and consumption so that they can live decently, especially since the Swiss currency continued to rise in 2015 as well when in January, the 23rd, it registered a historical threshold of 4,58 RON/CHF, which represent a growth of 23 percent compared to the end of 2014. This leads to the fact that the instalment of 500 RON/month in 2007 reached 1.050 RON/month in 2015, which is impossible to pay with a net income of 1.500 RON/month.

Source: David, D., Rai Sh. K., Păiușan L. 2015. Appreciation of the Swiss Franc and its impact on Romania and other Central European countries, In: *Studia Universitatis „Vasile Goldiș”* Arad. Economic Series, vol. 25, 4, pp.11-25.

Retrieved from: <http://publicatii.uvvg.ro/index.php/studiaeconomia/issue/viewIssue/16/124> [05.12.2016]

Additional reading:

- Isărescu, M. *Issue of CHF-denominated loan*. Speech delivered by the Governor of the National Bank of Romania, in front of the Budget and Finance Parliamentary Commission, Bucharest, 10 February 2015.
Available on: <http://www.bis.org/review/r150217b.htm> [05.12.2016]
- Oprea, F., Mehdian, S., Stoica, O. 2013. Fiscal and Financial Stability in Romania - An overview, IN: *Transylvanian Review of Administrative Sciences*, No. 40, pp. 159-182, available on: <http://rtsa.ro/tras/index.php/tras/article/view/148/144> [05.12.2016]
- Balás, T. and Nagy, M. 2010. Conversion of foreign currency loans into Forints, IN: *MNB Bulletins*, October, available on: <https://www.mnb.hu/letoltes/balas-nagy-en.pdf> [05.12.2016]

- <https://www.bloomberg.com/news/articles/2016-10-18/romanian-parliament-approves-law-to-convert-swiss-franc>

Further topics for discussion:

- a. Why do people ask for a loan? Discuss pros and cons of a bank loan.
- b. Supposing you need a large amount of money, what do you do? Who do you turn to?
- c. If you get a loan, will you opt for your national currency or a foreign one? Why (not)?
- d. Provided it turned out that you were not able to pay the monthly instalments of your bank loan, what strategy would you adopt? Would you ask for a debt rescheduling? Why (not)?