

# Why Bauspar is really a household life support

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# Introduction

This paper is based on a survey of Bauspar customers conducted for the Association of Romanian Bausparbanks (ABDLR) in 2017.

The survey focused on customers who completed a 5 years saving period, withdrew their savings, including the accumulated state premium, and left the system without taking up a loan for home improvement.

Main objective was to understand these customers, to find out why they changed their mind about the loan, and how they relate to the Bauspar product.

A large sample of 1,040 former Bauspar customers were extensively interviewed by telephone during April 3<sup>rd</sup>-20<sup>th</sup>, and the key findings are summarized in the following pages.

# 1. Household difficulties among Bauspar clients

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# Bauspar clients tend to live on low household incomes

RON / month*	HH of Bauspar clients		HH members
	%	% cumulative	Average no.
Below 1,000	5	5	2.6
1,001-2,000	20	25	2.7
2,001-3,000	21	46	2.7
3,001-4,000	15	61	3.0
4,001-5,000	11	72	2.7
Above 5,000	18	90	3.1
Refusal	10	100	2.8
Total	100	-	2.7

\* The household (HH) medium income in Romania is 3,085 RON (Source: The National Institute for Statistics, Bucharest, April 17<sup>th</sup>, 2017 with the date from Quarter 4, 2016).

Base n1,040

# Material indicators of poverty

Indicators	Total clients, %	Clients over 60 y.o., % (28% of total)
• HH income below 3,000 RON	46	61
• Living in a rural area or in small towns	43	42
• Living in old houses needing rehabilitation	42	48
• Retired, home makers, temporary unemployed	34	83
• HH with one single member	10	18
<i>Cumulative</i>	<i>175</i>	<i>252</i>
<i>Base</i>	<i>1,040</i>	<i>292</i>

# Subjective indicators of poverty

Indicators	Total clients, %	Clients over 60 y.o., % (28% of total)
<ul style="list-style-type: none"> <li>Say they have no access to financing sources</li> </ul>	84	90
<ul style="list-style-type: none"> <li>Costs for home improvement considered very high or high in relation to financial possibilities</li> </ul>	54	55
<ul style="list-style-type: none"> <li>Believe they would not be able to meet bank loan rates</li> </ul>	29	41
<ul style="list-style-type: none"> <li>Believe they would not qualify for a bank loan</li> </ul>	27	34
<i>Cumulative</i>	<i>194</i>	<i>220</i>
<i>Base</i>	<i>1,040</i>	<i>292</i>

# Household debt in households with Bauspar contracts

	Bauspar customer profile, %	HH with housing loan, %
Total	100	16
Age		
18-34	14	30
35-64	71	15
65+	15	4
Residence		
Urban (over 50,000)	57	19
Small town (below 50,000)	19	12
Rural	24	10
Size of household (members)		
One	10	11
Two	36	15
Three	27	16
Four	19	21
Five +	8	12
Income, RON		
Below 3,000	46	8
Above 3,000	44	24
Region		
South	32	14
West	37	16
East	15	10
Bucharest	16	23

Total base is n1,040

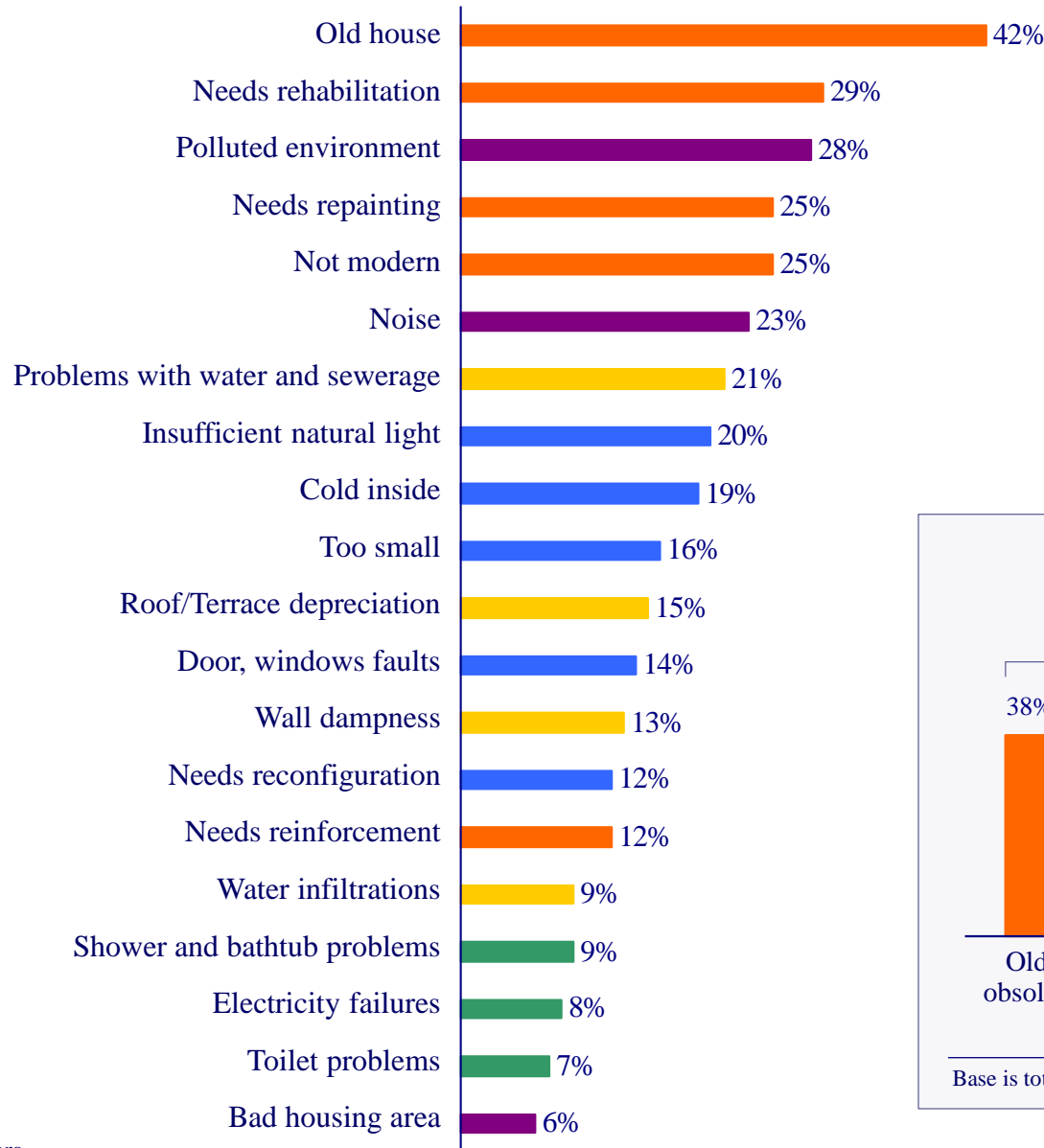
For % calculated horizontally, bases differ according to each subgroup.



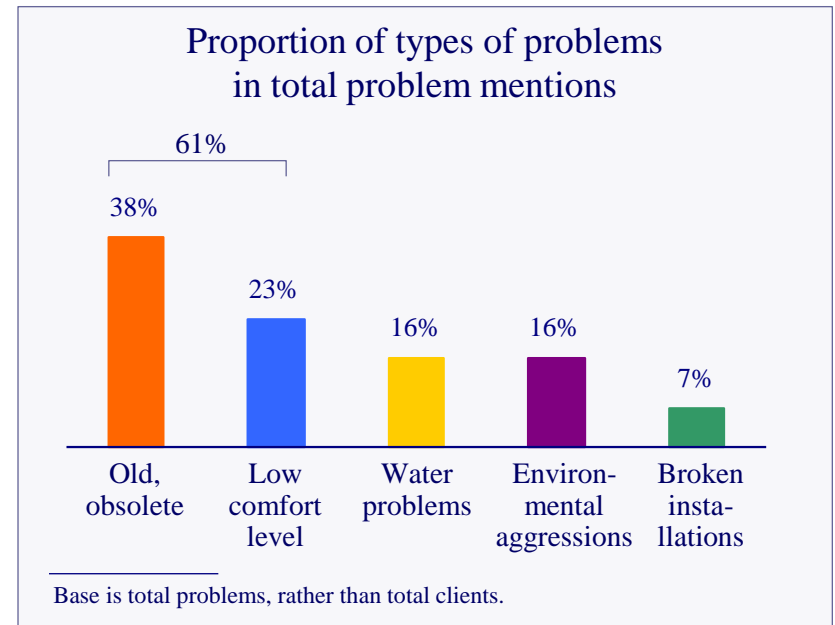
## 2. Housing problems

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# High proportion of clients reporting housing problems



Overall  
**84%**  
of total clients mention at least one housing problem. The proportion is similar among the total public.



Base is total problems, rather than total clients.

Multiple answers.

Base is n1,040 clients

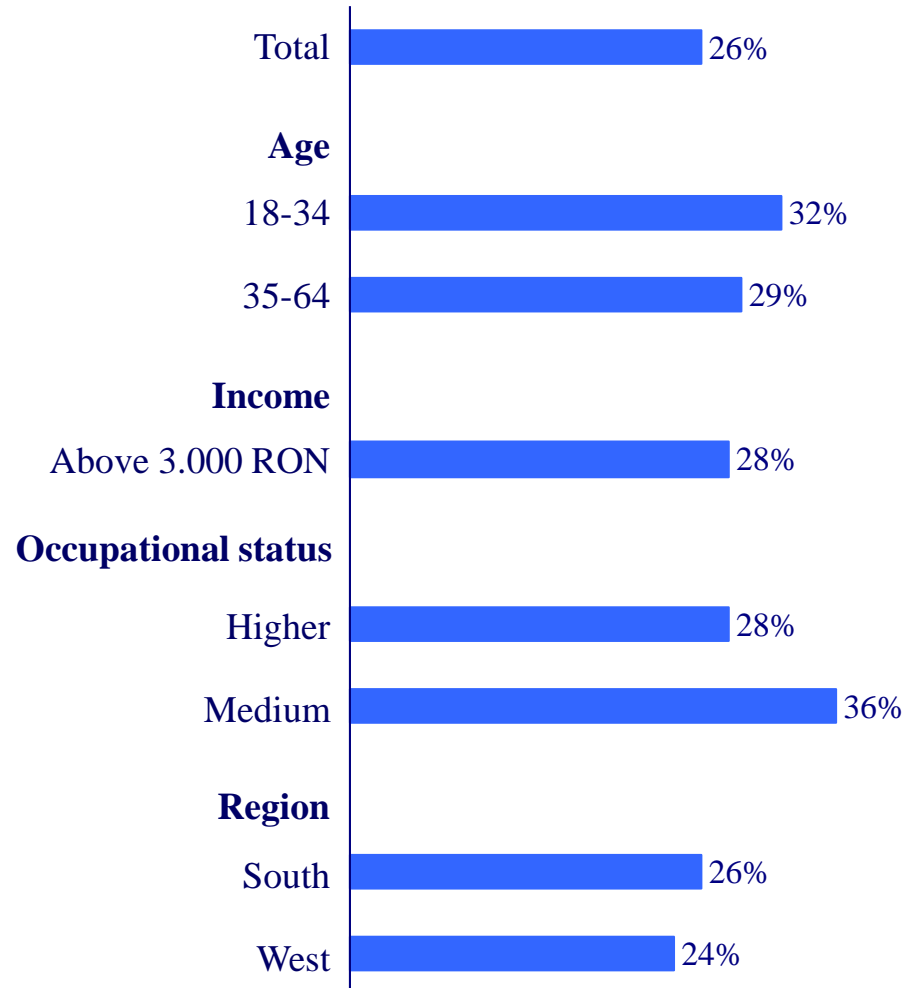
# Clients with housing problems are more likely to be found in the poor income segment

Housing problems	HH of Bauspar clients, %	
	Poor* (46%)	Above average income** (44%)
Old house	47	36
Needs rehabilitation	32	28
Needs repainting	28	23
Problems with water and sewerage	25	17
Insufficient natural light	22	18
Cold inside	23	15
Too small	15	18
Roof/Terrace depreciation	16	13
Doors, windows faults	17	12
Wall dampness	16	10
Needs reconfiguration	15	8
Needs reinforcement	17	8
Water infiltrations	10	6
<i>Base</i>	<i>478</i>	<i>457</i>

\* HH income below 3,000 RON

\*\* HH income above 3,000 RON

# One in four clients live in apartment buildings with more members than bedrooms



56%  
 of clients live in  
 apartment building

Total base n579 clients who live in apartment buildings.  
 For % calculated horizontally, bases differ according to each subgroup.

# Incidence of psychological stress is higher among clients indicating small size of apartment as a problem

States of stress	Problems reported by urban clients, %	
	Home is too small	Other housing problems
Nervousness	34	13
Worry	27	14
Irritation	25	11
Lack of intimacy	23	3
Depression	16	6
Family disputes	16	2
Quarrels	13	3
<i>Base</i>	<i>139</i>	<i>528</i>

## 3. Initiatives and investments

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# Large majority of clients without loan use savings for housing improvement

Purpose of funds saved by clients using Bauspar

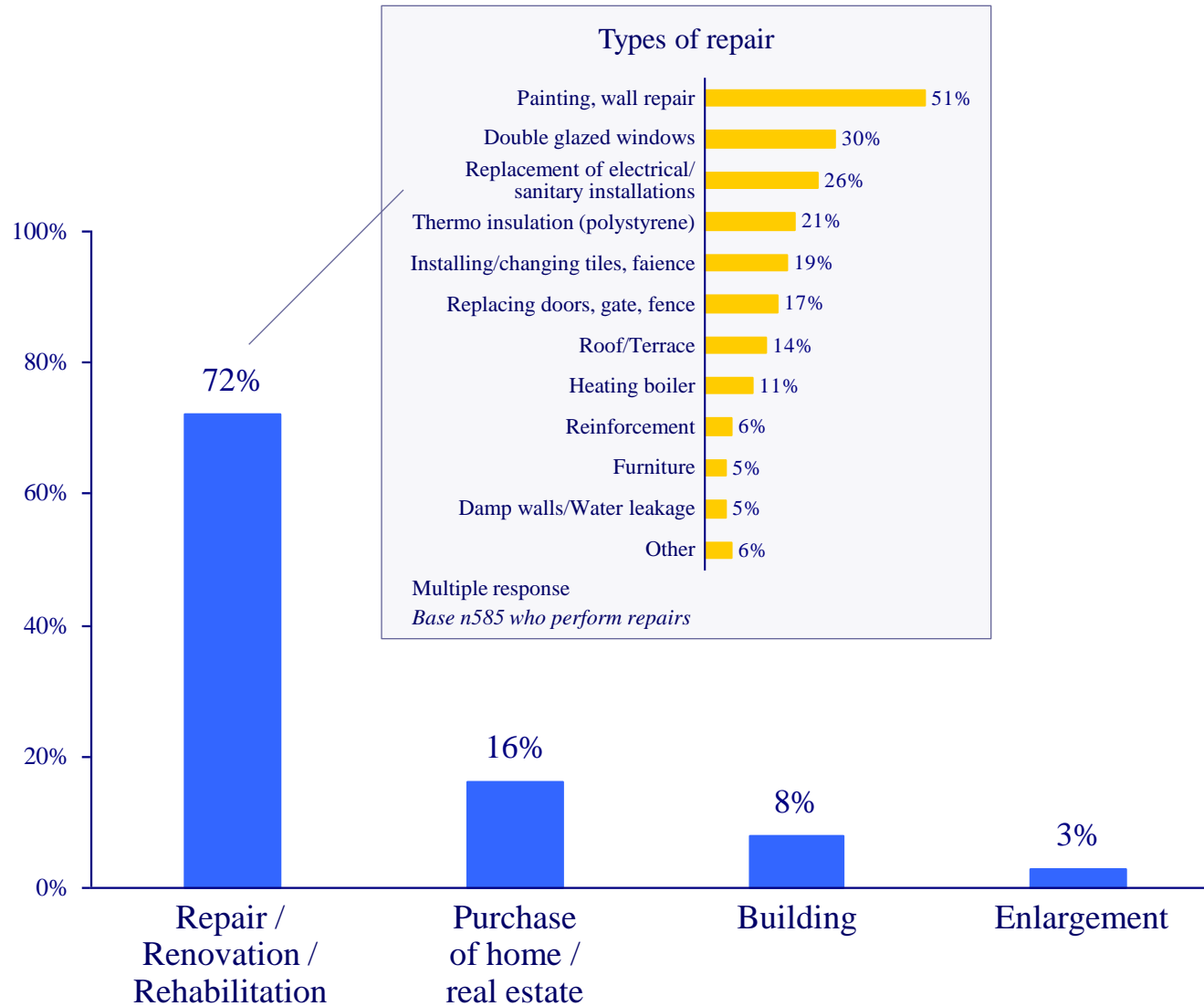
Purpose	Total clients, %	Subgroups, %	
		Elderly above 65 <sup>1</sup> (15%)	Clients with contracts for minors <sup>2</sup> (7%)
Home improvements	78	75	49
Home for children when reaching maturity	-	-	15
Health, children, other urgencies	18	25	33
Don't know yet	4	-	3
Total	100	100	100
<i>Base</i>	<i>1,040</i>	<i>160</i>	<i>67</i>

Funds for kids when reaching maturity

1 Total clients above 65 (n160 of n1,040)

2 Total clients who signed a contract for minor children (n67 of n1,040)

# Types of home improvement investments: repair prevails





# Romanians only can afford 1.5 Bauspar contracts per household

HH income, RON	Households, %	Contracts per HH Means
Below 1,000	5	1.4
1,001-2,000	20	1.3
2,001-3,000	21	1.4
3,001-4,000	15	1.5
4,001-5,000	11	1.6
Above 5,000	18	1.7
Refusal	10	1.5
	Total 100	Mean 1.5

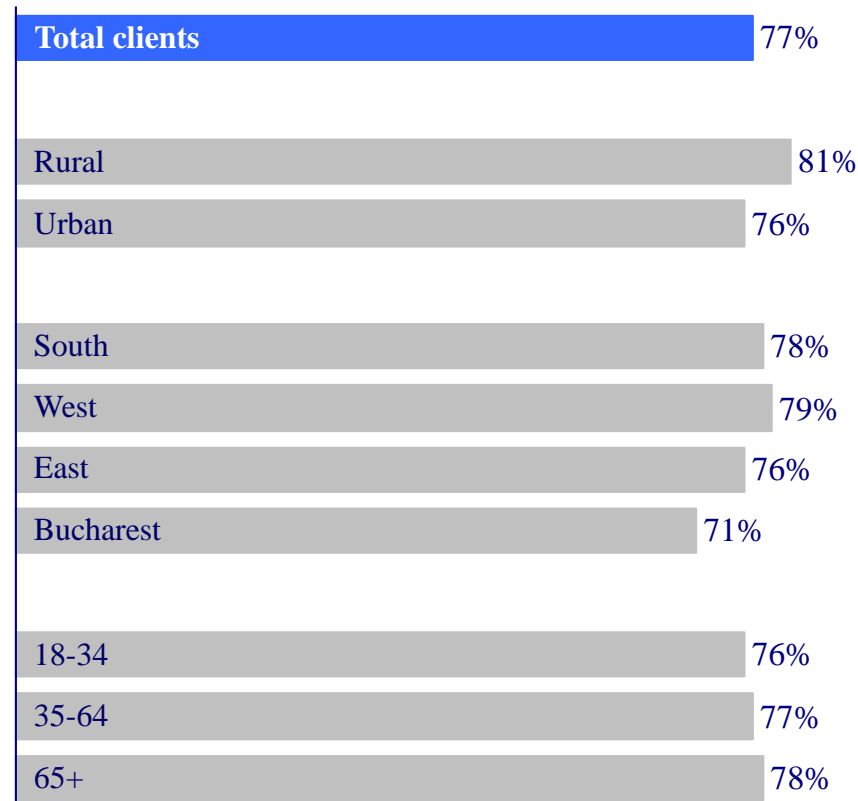
Base n1,040

## 4. How customers feel about Bauspar

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# High satisfaction level with the Bauspar contract

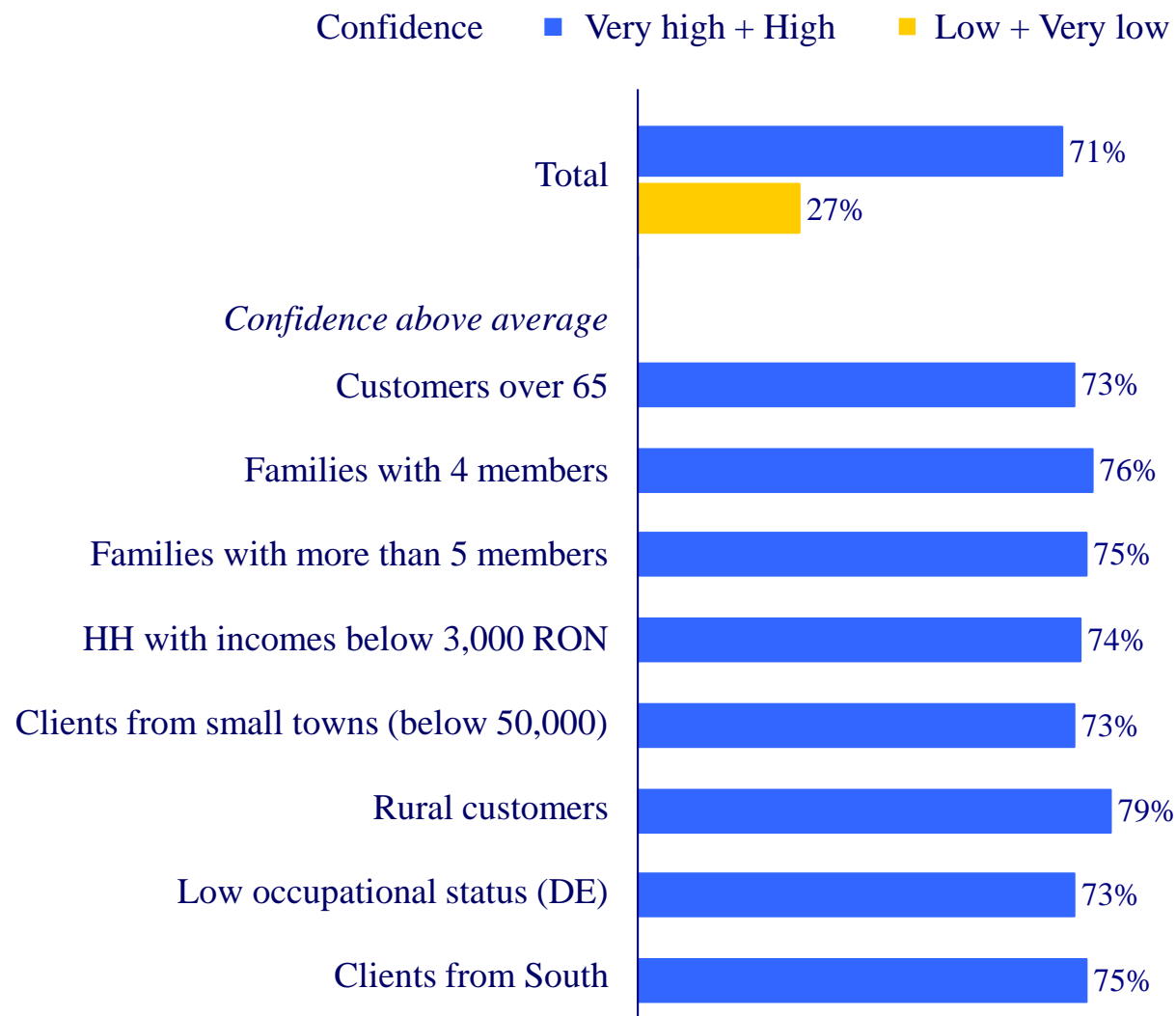
*„Very satisfied” and „Satisfied”*



Total base is n1,040

For % calculated horizontally, bases differ according to each subgroup.

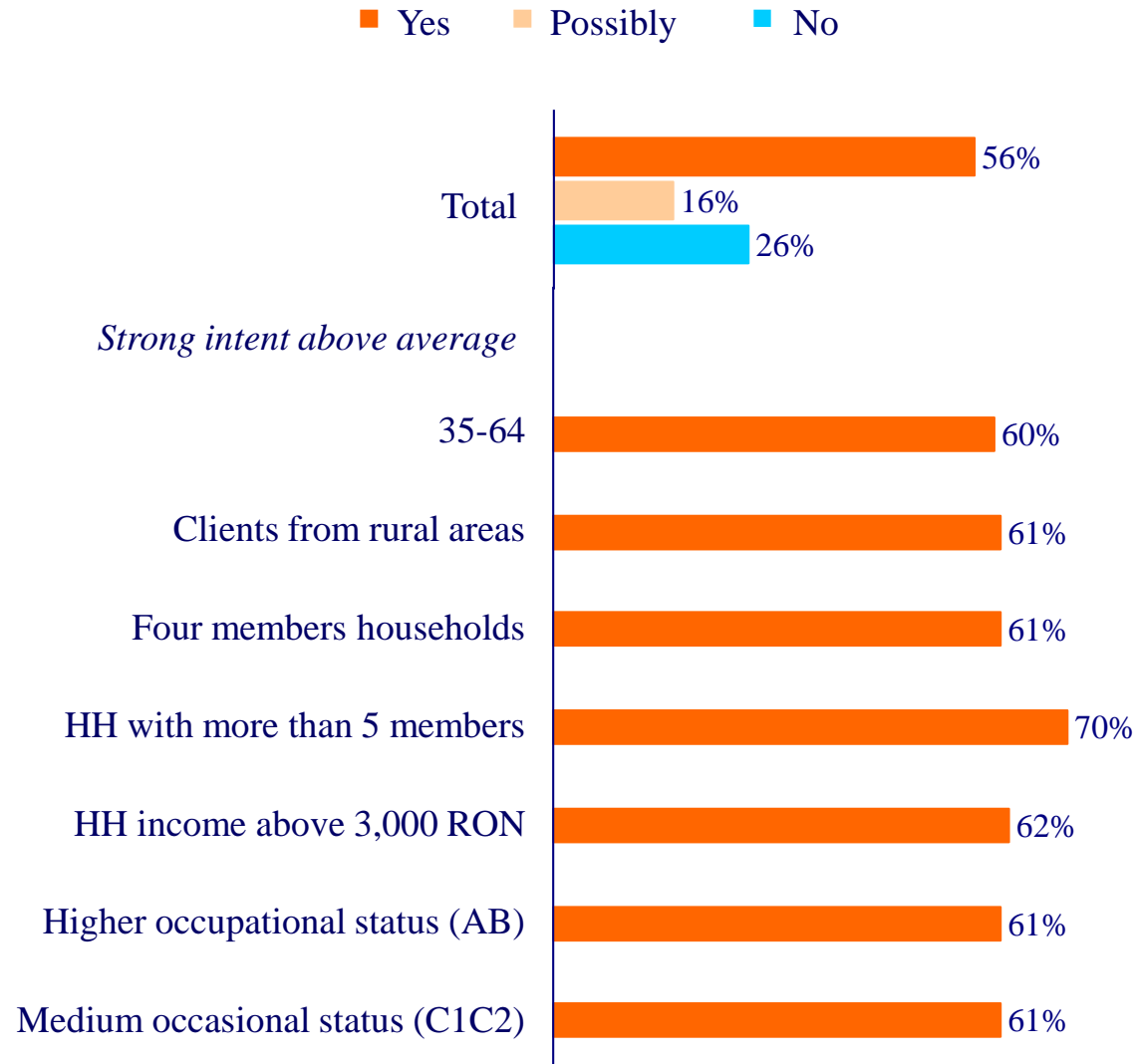
# High customer confidence predicts lasting overall appeal and a strong market among needy customers



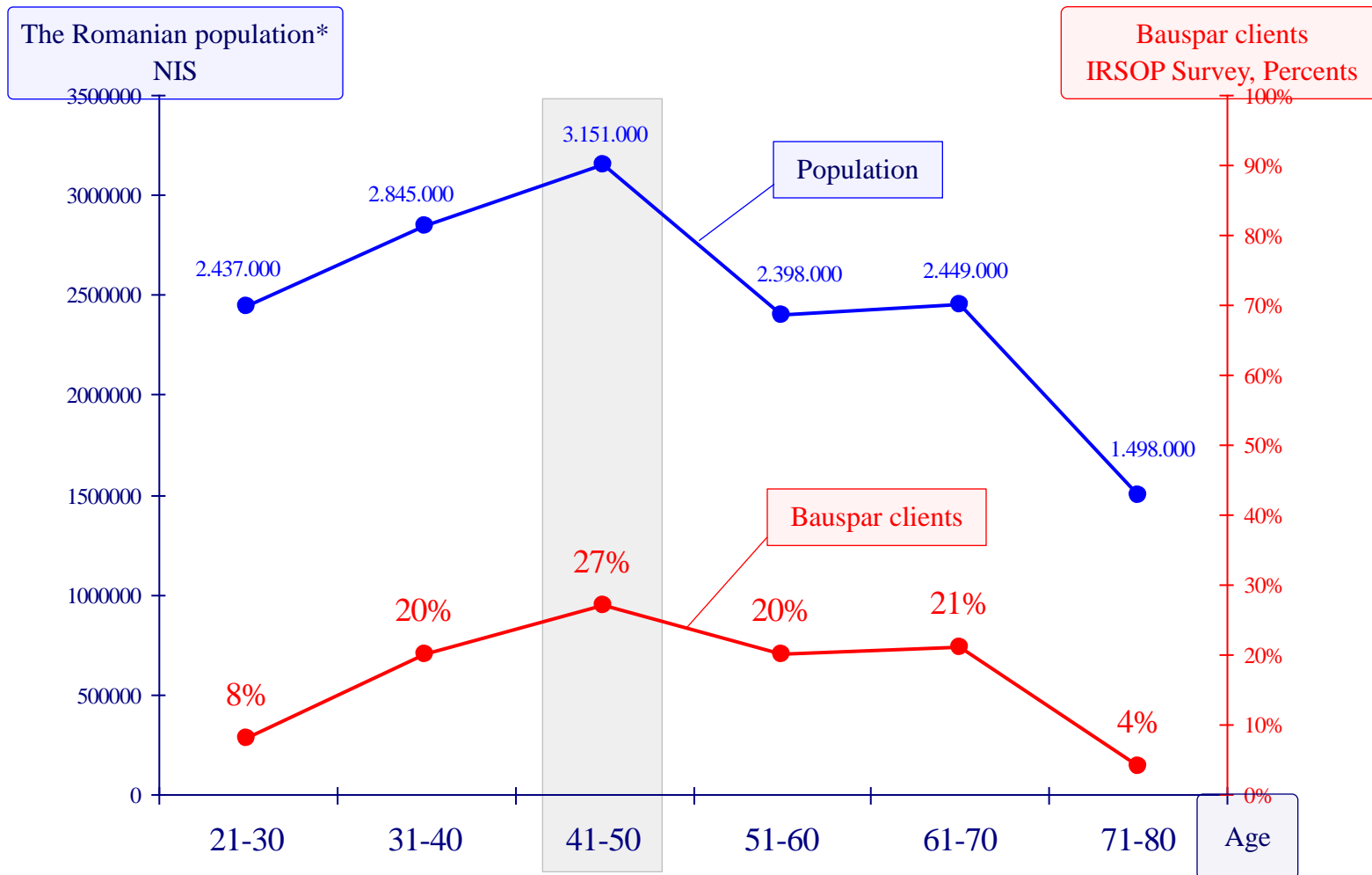
Total base is n1,040

For % calculated horizontally, bases differ according to each subgroup.

# More than half of former clients intent to continue using the system, provided that product characteristics remain unchanged



# Bauspar may become a valuable support for the “baby boomer” generation of 41-50 years old when they get older



*Interpretation*  
 The 41-50 generation is significantly larger than earlier generations. Increase in age of this group will be associated with higher pressures on:

- Social services
- Saving
- Resources of the elderly for home improvement.

Bauspar clients mirror the demographic trend.

\* National Institute of Statistics, 2017, rounded figures.

## 5. Conclusions

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# Why Bauspar is an important life support for needy households

1. Housing problems are systemic among Romanian households. Everybody is at risk when there is a systemic process of housing deterioration.
2. Most Bauspar clients are in fact targets for social protection.
3. The Bauspar product is able to deliver benefits to needy people that take initiatives to help themselves.
4. Access to Bauspar of the elderly and minor children has provided an additional household support for needy families.
5. Clients who skip the loan by the end of the saving period are nonetheless using the money for home investments.
6. The Bauspar product is highly appreciated by clients in its current form.

*Thank you*