

2006-06-12

PRESS RELEASE

Credits to individuals

In the context of the control of excess debt, the Central Individual Credit Register (CICR) was converted into a "positive" central register on 1 June 2003. Since then, by recording all consumer credits and mortgage loans contracted for private purposes by individuals resident in Belgium, and any resulting payment default, the Central Register has provided a more or less complete picture of credit granted to individuals.

During 2005, the information of this unique and quasi exhaustive database was examined in detail. This article, which contains an extract from that analysis published entirely in January 2006 under the same title in the *Working Paper* series of the NBB, examines the borrowing and repayment behaviour in terms of the borrowers' characteristics recorded by the CICR, namely age and place of residence. The study reveals clear differences when those variables are taken into account.

As far as the borrowing behaviour according to age is concerned, the results with respect to the relative distribution of age groups for the different types of credit are in line with the credit life cycle theory. The results with regard to the repayment behaviour of consumer credits confirm the widespread view that younger borrowers present a higher risk, on average, than older borrowers; in the case of mortgage loans, however, the opposite holds. These divergent findings seem to suggest that, for each type of credit, other factors have some influence over the default process, so that differentiation is necessary.

Where place of residence is concerned, the study also identifies clear differences in both borrowing and repayment behaviour on the part of the borrowers. Not only do credit requirements (related to the adult population) vary considerably between regions, but also the composition of the loan portfolio and the relative use of the various categories of lender. The results regarding payment defaults point also to strong variations between the regions: the Brussels Capital Region and the Walloon Region count relatively more contracts in arrears than the Flemish Region. The ranking of the individual districts presents, with only a few exceptions, the same north-south divide. A number of regional socio-economic variables, especially the male unemployment rate, in fact show a close relation with the default percentages per district.