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Forex Mortgages and Housing Access in the Reconfiguration of Hungarian Politics after 2008

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Abstract: *After a boom in foreign-currency denominated (forex) mortgage loans in the 2000s and the resulting debt crisis in 2008-2009, Hungary's debt management came to be defined by a highly politicised combination of several phenomena: the existence of a large social base at risk of defaulting on their mortgages; the integration of debtors' struggles into a shift from the post-socialist dominance of neoliberalism to a national conservative political hegemony during the crisis years; and the political foregrounding of forex debt management in the post-2010 Orbán governments' construction of a new financial model as part of a post-neoliberal authoritarian capitalist regime. The article traces how two main aspects of the forex mortgage crisis, housing debt under dependent financialisation and the problem of limited housing access, became integrated into Hungary's electoral politics and macroeconomic transformation in the last decade.*

Keywords: housing finance; East European housing; home ownership; comparative housing policy.

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Analysing the long-term politics of the Hungarian forex debt crisis, this article connects existing but largely separate strands of research on the economic background (Dancsik et al. 2015), sociological characteristics (Csizmady et al. 2019), and electoral effects (Enyedi et al. 2014) of the crisis and its management, the mobilisation of debtors(Szabó 2018; Florea et al. 2018), and Hungary's post-2010 new financial regime (Johnson and Barnes 2015; Karas 2021; Ban and Bohle 2021; Sebők and Simons 2021). Based on research on post-2008 housing politics in Hungary conducted in 2017-2021,[1] I combine these separate strands to show how the intersection of a long-term housing access problem and housing debt under a dependent financialization boom (Becker et al. 2010), the factors that made up forex debt problem, came to be integrated with the economic and electoral politics of the post-crisis period, and how they continued to evolve in the context of pandemic measures and 2022 election preparations.

Debt crisis and the twilight of liberal hegemony: the late 2000s in Hungary

Like elsewhere in the region, in Hungary the privatisation of state housing after 1989 created a super-homeownership system dominated by owner-occupied housing, with a narrow and weakly regulated rental market and a minimal social housing stock (Lux and Sunega 2020). This made homeownership the main route to access housing, which was largely out of reach for low-to-middle income households unless they had a large inheritance or were able to take on considerable debt. Lending to these groups remained limited until the mid-2000s, when the financial convergence that followed EU accession allowed Western banks to channel forex loans to the Hungarian housing market to meet the pent-up demand for homeownership. A boom in forex lending ensued under weak regulatory supervision and placed the risks related to exchange rate fluctuations on borrowers' shoulders. Risk-based competition between banks, fuelled in part by Hungarian banks' efforts to retain a share of the market, led to the increasing inclusion of risk-exposed customers over time.

In 2008, forex loans accounted for 80% of household debt, and the total volume of household loans relative to GDP had reached 40% by the end of 2009. A total of 60% of household loans were denominated in CHF (MNB 2009), which represented a specific risk, as instalments of CHF loans soared by 70-80% after 2008. The freeze of the housing market devalued collateral, further aggravating the situation of mortgage holders. While statistics on the exact distribution of loans are not available, we know that 287,172 households held forex mortgages in 2011, of which 60,531 reported having problems making the payments on a housing mortgage and 31,690 had problems making the payments on a non-housing mortgage (KSH 2011). (The total number of forex loan holders in arrears was higher, as hundreds of thousands more people had consumer loans. The spike in monthly instalments at a time of economic crisis and dwindling incomes, evoking the threat of eviction for families seen as part of the hard-working, 'ordinary' middle class, was met with public outroar. Debtors' organising and political parties' engagement soon led to the broad politicisation of the forex debt problem, which became part of a major shift in the Hungarian political landscape in the years following 2008.

[1] This included interviews with the forex debtors' movement's members and leaders, related experts and politicians, participant observation at debtors' events, and an extensive study of movement-related documentation (legal texts, movement media, and mainstream media coverage).

The late 2000s marked the point of economic and political exhaustion of the neoliberal development model that had dominated Hungary's post-socialist transition. The language of a contender conservative elite that blamed socialist-liberal coalitions for selling the country to Western capital was adopted by new right-wing, anti-neoliberal populist movements, actively penetrated by right-wing parties (Greskovits 2020, Szombati 2018). This prepared the ground for Fidesz to win two-thirds of parliamentary seats in 2010, with a campaign promising an economic freedom fight against Western capital and its internal allies. Debtors who started to organise after 2008 soon found their strongest political ally in Fidesz, which combined the declared aim of regaining majority Hungarian ownership in the domestic banking sector with promises to compensate forex debtors for what it called – in line with the debtors' own language – the unfair lending practices that had pushed Hungarian families into debt slavery.

Debt crisis management in the service of a new financial model: the 2010s

Between 2011 and 2014, the Fidesz government introduced an early repayment option for borrowers at favourable rates, a cap on interest rates unilaterally imposed by banks, the option to have a forex debt recalculated based on the central bank's middle rates, and, finally, carried out a full-scale conversion of forex loans to the forint in 2014-2015. These measures typically helped better-off debtors but not lower-income debtors already in arrears (Csizmady et al. 2019). For debtors in the worst position, a National Asset Management Company (NAM) was established, which bought out debts together with collaterals, and then rented homes back to debtors at a reduced price. Although a large social intervention, NAM also served to make debt enforcement possible in an environment of strong popular support for moratoriums, and thereby reinstituted in all debtors a willingness to pay (Korba 2019). By 2018 the government had begun to disband NAM, with homes to be sold back to debtors through favourable payment instalments. Conditions for forex lending were made extremely strict, and by 2020 there were no new forex loans.

After the conversion of forex loans to forints, the problem of forex debt was declared as solved by both the banks and the government. However, a large part of the decrease in the volume of non-performing bank loans was the result of a sell-off to debt collection companies (Palkó 2018). Forex mortgage debt boosted the debt collection market, with 60% of debtors still paying instalments even after they had lost their homes (Bródy and Pósfai 2020). Sociological studies, including my own interviews, indicate that households meet their debt repayment through a variety of silent but painful coping strategies, such as moving to overcrowded or low-quality homes, taking informal jobs where payments cannot be blocked by debt collectors, or going abroad to work (Habitat 2018, Csizmady et al. 2019). The breakup of families, sickness or suicide due to stress, and the fear of homelessness are also often mentioned by debtors as consequences of their debt.

Electoral data show that forex debtors tended to vote for the right in 2010 and 2014, reflecting Fidesz's and Jobbik'smessages of support for debtors (Enyedi et al. 2014). Banks also viewed debtors' hopes for further government measures as a hindrance to payment discipline (Dancsik et al. 2015). Still, organised groups of debtors started to criticise the government and domestic financial actors for not providing enough help to debtors in arrears. This conflict intensified after a Supreme Court rulingretroactively defined the legal framework of forex lending in a way

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that negated most of the legal arguments being used in more than 60,000 debtors' lawsuits. The blocking of litigation turned debtors' groups fully against the government. In a wave of demonstrations, they criticised the Orbán regime's policies as serving a new alliance with banks (both Western and Hungarian) against the people. However, Fidesz's domination of the media and the lack of alliances with liberal and left opposition groups because of the largely right-wing orientation of debtors resulted in the nearly perfect silencing of debtors' protests after 2014. In the run-up to the 2018 elections, debtors' groups founded an alliance called the Debtors' Chamber, to take their struggle to the level of party politics after other means had been exhausted. The Debtors' Chamber made agreements with nearly all the opposition parties on measures to compensate forex debtors. While this did not bear fruit because Fidesz won a super-majority, the diversification of party alliances created new channels through which the forex debt problem was able to resurface in the 2022 election campaigns.

In economic policy, forex debt management was part of efforts to reduce external financial exposure and gain a majority share for state-backed domestic actors in the financial market. These were necessary tools to build the regime's new economic model, which combined subsidising FDI in manufacturing (to keep up exports and thereby maintain a trade balance) with capitalising a state-backed domestic oligarchy in domestic services, and broadening the manoeuvring room for economic policy through the diversification of financing and enhanced macrostability (Gagyi and Gerőcs 2022). Banking played a specific role in this reorganisation, as it simultaneously served to capitalise domestic financial actors, contribute to macrostability, and broaden what Karas (2021) described as the 'financial vertical': the scope of financial circuits that the government could use to influence financial flows according to its policies.

While the government pressured foreign banks by pushing some of the costs of debt management onto their shoulders, it also provided generous bailouts and bought out the shares of subsidiaries that decided to leave Hungary. Meanwhile, newly strengthened domestic banks received new inflows of domestic HUF savings from a new middle class capitalised through regressive redistributive policies. HUF savings came to form the base for a new wave of subsidised household lending after 2015 that was primarily provided by local banks (Pósfai 2018). Buttressed by loan subsidies, tax benefits for construction, and the redistribution of EU transfers to state-backed real estate projects, the new housing market boom after 2015 became one area of post-crisis growth that was efficiently captured within state-backed domestic capital circuits. Thus, after 2010, measures to tackle the dependent financialisation aspect of the forex crisis worked as part of efforts to reduce external financial exposure and foreign banks' market shares, while the housing access aspect of the crisis became integrated into the new HUF-based lending boom.

The new lending boom mainly served better-off households (as over 40% of purchases were investments; Bródy and Pósfai 2020). The inclusion of lower-income households into subsidised lending was politically targeted. In line with the government's demographic and class politics, subsidies depended on the number of children plannedand excluded those on child benefits, in workfare programmes, or with gaps in their social insurance payments. This tendency continued when subsidies were newly extended to low-income rural areas in 2019, with recipient localities featuring higher shares of pro-Fidesz votes in the 2019 elections to the European Parliament (Policy Agenda 2019).

New mortgage subsidies defined the politics of housing access in the terms of market-based homeownership, domestic capital circuits, and government support for deserving (conservative,

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non-poor) families. Those excluded from the new, subsidised, and better regulated lending channels shifted towards personal loans, non-bank micro-loans, and usury loans, which were often used to cover housing-related costs (Bródy and Pósfai 2020). While this problem remained under the political radar, another aspect of housing access, that of rent, came to be politicised by new alliances between left-wing housing activists and progressive opposition parties and movements. Fuelled by the pressure new price hikes placed on renters, these alliances linked the issues of homelessness, social housing, and accessible rent to calls for non-homeownership-based housing policies.

Transforming housing politics in the face of the pandemic and the 2022 elections

Due to the freeze in tourism and the drop in incomes during the pandemic, real estate price growth slowed down and in central Budapest prices even dropped. Housing lending continued to grow as a result of additional subsidies and tax cuts. A rush to start new construction projects before the introduction of new energy efficiency regulations, new subsidies effective from 2021, and the start of new government- and EU-funded projects resulted in a significant growth of the market in 2021. Analysts forecast a boom in prices boosted by supply-chain problems and the lack of skilled construction labour (MNB 2021). The effects of rising interest rates (in response to inflation) are expected to impact mortgage payment instalments. The government announced a freeze on interest rates for the first half of 2022 to temporarily tackle that problem.

Behind the market rebound, the main underlying problem of the pandemic effects has been the threat of mortgage defaults, with every third household suffering a drop in income and only 50% having enough savings to last for more than two months (Pósfai 2020). A moratorium on debt repayment and evictions helped postpone that problem, but both regulators and market actors expect a a surge in mortgage defaults once the moratorium is lifted (MNB 2021). The moratorium did not extend to the practice of subtracting incomes from debtors' bank accounts as part of ongoing debt enforcement, which invited harsh criticism from forex debtors' groups. Poor debtors with prepaid utility meters were also excluded. While banks criticised the fact that the moratorium applied even to debtors still able to pay, both the government and the opposition parties foregrounded support for debtors in their electoral campaigns. Meanwhile, a corruption scandal involved deputy justice minister Pál Völner, who was accused of receiving regular payments from the Hungarian Court Bailiffs' Chamber and has been demoted. The payments were probably linked to the distribution of bailiffs' positions, which are a highly lucrative form of private business but require official appointment.

Although debt collection companies were reporting a significant decrease in forex debt cases in their portfolios by late 2019 (MNB 2021), the issue of forex debt resurfaced in the 2022 electoral campaigns. In a reshuffling of roles between liberal and right-wing parties, Klára Dobrev, wife of ex-Socialist Party prime minister Ferenc Gyurcsány, proposed a programme of compensation for forex debtors. The far-right parties Jobbik and Our Homeland ridiculed this proposal, pointing out that the forex boom had happened under Gyurcsány's neoliberal rule, and claiming to represent forex debtors themselves, having long supported them. However, Dobrev's programme reflected consultations with the Debtors' Chamber and her points and her points reiteratedwhat debtors' groups had long been calling for. László Szakács, Socialists' ex-vice president, now running as a joint candidate for Jobbik and Dobrev's party the Democratic

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Coalition, has also been working with the Debtors' Chamber since 2018. These cases show that in the pre-2022 electoral context, the forex issue was ripped out of its earlier embeddedness in right-wing, anti-socialist-liberal frameworks, and now instead constitutes a political talking point taken up by parties across the political spectrum. Meanwhile, the current threat of mortgage defaults has been less addressed in political programmes, with remedies limited to proposed moratorium extensions.

While the debt aspect of the housing access problem only appeared in electoral programmes in the form of support for moratoriums across the political spectrum and specific opposition parties' use of the forex mortgage issue as a political asset, the problem of housing access per se was more visibly politicised in conflicts between the government and progressive alliances around housing poverty and accessible rent. Conflicts around homelessness and over a social housing initiative in Budapest have become a regular focus in campaign clashes between Fidesz and progressive local governments. Demands for affordable rental housing became a main topic of left-liberal opposition campaigns, including calls to restrict Airbnb or against a new campus development for the Chinese Fudan university instead of constructing affordable dormitories for Hungarian students. Building on the energy of these conflicts, opposition candidates across the spectrum have introduced new programmes for building affordable state rental housing.

Conclusion: fragmented housing politics as an electoral asset

This long-term overview of the politics of the forex mortgage crisis points to three main conclusions. First, the problem of housing access which created the demand for risky forex mortgages in the 2000s remained present after the crisis. During the 2010s, this problem was segmented into 1) subsidised, politically targeted lending that served a housing boom that was contained within domestic capital circuits, 2) personal loans and risky non-bank loans, which were used for housing by people excluded from the new subsidies, and 3) a new, increasingly politicised demand for affordable rental housing rentalsby low-to-middle income renters hurt by the price hikes of the new boom. Second, the management of the forex crisis as an aspect of dependent financialisation was integrated into the stabilisation of the post-2010 economic regime, including the reduction of external financial exposure, and the construction of domestic financial circuits, which served as the base of which the new, stabilised, HUF-based lending boom. Third, the politicisation of forex debt and housing access was dominated by the reorganisation of the political field after 2008 and during the present crisis, whereby these problems came to be framed according to (party) political orientation and elements that did not fit within the framework of politicised conflicts were excluded/ignored.

Thus, first, the politicisation of the forex crisis was integrated into the shift from neoliberal to conservative political hegemony after 2008. The right-wing embeddedness of debtors' struggles effectively hindered left/liberal alliances, and such alliances with opposition parties only happened only after the crisis had been dealt with. In the conservative government's politics, pro-debtor symbolic politics and the new, subsidised lending boom tied the issues of housing access and housing lending to homeownership and domestic capital circuits. The most visible political opposition to this line was voiced by progressive alliances that were calling for non-homeownership-based state interventions. While the idea of compensation for forex debtors resurfaced in 2022 opposition campaign slogans, these used the earlier politicisation of forex debt without any connections to the current status of housing-related debt (such as the fact that forex debt cases had mostly been cleaned from debt collectors' portfolios by 2019, the use of

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personal loans, non-bank micro-loans and usury loans to cover housing-related costs in the lower-income segments of the population during the post-2015 lending boom, or the potential post-pandemic mortgage crisis). A moratorium for debtors was vocally supported by all the political parties, but without practically addressing the causes of indebtedness in their programmes. Progressive housing politics emphasised rental solutions to deal with tenants' problems, but left the problems of owner-occupied housing, including ongoing problems of mortgage-based housing access, unaddressed. This latter issue, after a phase of politicisation induced by the forex crisis and used primarily by post-2010 governments in the construction of domestic financial circuits and political outreach, is now a silent presence in politics and lies hidden behind the divide between the government's pro-homeownership politics, and the opposition's support for affordable rental housing.

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