

FOR Communication 15/2022: There is no justification for freezing WIBOR

Synthesis:

- Successive interest rate hikes have brought significant increases in installments on variable-rate loans. Very costly proposals to "freeze" the installments paid by borrowers quickly emerged, as well as peculiar claims about the inadequacy of the commonly used WIBOR index.

- WIBOR is a reference index on the basis of which the interest rate is determined, not an indicator of costs - how high the banks' interest costs are (and every bank incurs different ones) has nothing to do with the adequacy of WIBOR.

- Banks can always invest the funds they raise in NBP money bills - the 7-day bills bear interest at the reference rate (the basic interest rate of the Polish central bank). Currently, the reference rate is 4.5% per annum. For banks to be willing to lend money to borrowers, the interest rate they pay cannot be lower, taking into account the risk and term structure of interest rates.

- When the market anticipates an increase in the reference rate, WIBOR rates for longer terms go up. Likewise, when the market anticipates an increase in the benchmark rate, WIBOR rates for longer terms decline as a result of those expectations.

Ideas of a blanket freeze in WIBOR rates for mortgages make no economic sense. At a time when interest rates were at record lows, banks had a fairly prudent lending policy. So it should be presumed that most borrowers are able to pay higher installments. For people who are actually in a difficult financial situation, support instruments like the Borrower Support Fund at Bank Gospodarstwa Krajowego are already in place. However, the fact that some group may not be able to bear the current burden does not mean that support is due to everyone who has taken out a loan in the past several years.

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