

## MORTGAGE IN THE RUSSIAN FEDERATION IN JUNE 2013

G.Zadonsky

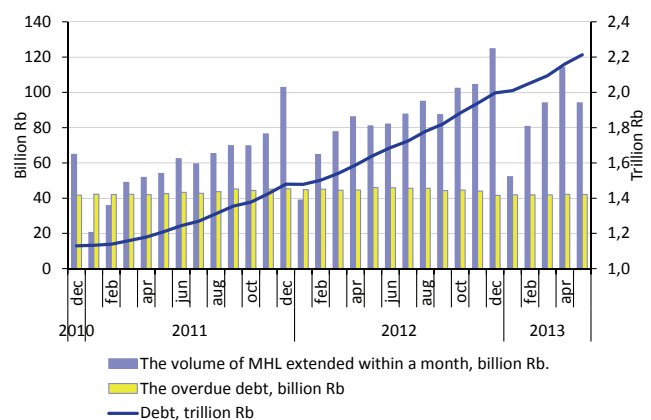
In the first five months of 2013, 270108 mortgage housing loans (MHL) for the amount of Rb 435,071bn were granted which is 12.41% and 24.86% higher than in 2012 as regards the number of the loans and their value in monetary terms, respectively. As of June 1, 2013, the outstanding debt on MHL rose by 34.91% as compared to June 1, 2012 and amounted to Rb 2,214trillion. In 2013, the share of overdue debt in the outstanding debt on MHL in rubles decreased and amounted to 1.32% as of June 1, 2013, while that on loans in foreign currency increased within the same period to 12.15%. In May 2013, interest rates on MHL rose by 0.1 p.p. as compared to April; it is to be noted that the monthly average rate on loans in rubles amounted to 12.7%, while that on loans in foreign currency extended from the beginning of the year, to 10.1%.

According to the data of the Central Bank of the Russian Federation, in January–May 2013 Rb 435,071bn worth of 270,108 mortgage housing loans (MHL) was extended which is 12.41% and 24.86% higher than in 2012 as regards the number of the loans and their value in monetary terms, respectively. In May 2013, Rb 94,063bn worth of 58,622 MHL was extended (Fig. 1). As of June 1, 2013, the outstanding debt on MHL rose by 34.91% as compared to June 1, 2012 and amounted to Rb 2,214 trillion (Fig. 1).

In the first five months of 2013, the volume of the extended unsecured housing loans (UHL as a difference between the volume of housing loans (HL) and the volume of MHL) amounted to 3.08% and 5.88% of the volume of HL extended within that period in monetary terms (Fig. 2) and in quantitative terms, respectively. As compared to the respective period of 2012, the above values are 0.95 p.p. and 1.24 p.p. lower in monetary terms and quantitative terms, respectively. As of June 1, 2012, the outstanding debt on MHL amounted to Rb 111,932bn or 4.81% of the debt on HL which is 2.88 p.p. lower as compared to the data as of June 1, 2012 (Fig. 2).

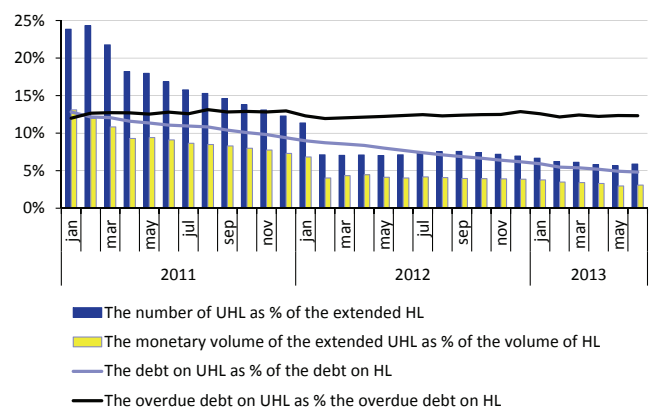
In 2013, excess of the overdue debt on UHL as a percentage of the overdue debt on HL in general over the respective share of the outstanding debt on UHL in the debt on HL in general keeps growing (Fig. 2). The above is evidence of the continued drop in the quality of UHL as compared to that of secured and mortgaged housing loans. Due to the above, the share of the volume of UHL in the volume of the extended HL decreased (Fig. 2).

As of June 2013, the overdue debt (Rb 42,029bn) on MHL (Fig. 1) was Rb 3,996bn or 8.68% lower than that as of June 1, 2012, while as compared to May 1, 2012 it was Rb 0.13bn or 0.31% lower. As of June 1, 2013, the share of the overdue debt in the outstanding debt on MHL amounted to 1.90%, which is 0.91 p.p. lower



Source: on the basis of the data of the Central Bank of the Russian Federation.

Fig. 1. Dynamics of mortgage housing lending



Source: on the basis of the data of the Central Bank of the Russian Federation.

Fig. 2. Dynamics of unsecured housing lending as compared to housing lending in general

than that as of June 1, 2012. In 2013, the share of the overdue debt on MHL in rubles keeps decreasing and amounted to 1.32% as of June 1, 2013, while that on

## GROUPING OF DEBT ON MHL BY THE PERIOD OF DELAY IN PAYMENTS IN 2013

2013	Total amount of debt on MHL	Including							
		Without overdue payments		With payments overdue					
				from 1 day to 90 days		from 91 days to 180 days		Over 180 days	
		Million Rb	%*	Million Rb	%*	Million Rb	%*	Million Rb	%*
Jan 01	1 997 204	1 915 917	95.93	30 957	1.55	5 193	0.26	45 137	2.26
Feb 01	2 010 608	1 928 374	95.91	47 048	2.34	5 228	0.26	29 958	1.49
Mar 01	2 052 696	1 965 046	95.73	53 165	2.59	5 542	0.27	28 943	1.41
Apr 01	2 094 420	2 014 622	96.19	43 983	2.10	5 655	0.27	30 160	1.44
May 01	2 160 883	2 073 583	95.96	55 103	2.55	6 050	0.28	26 147	1.21
Jun 01	2 213 574	2 124 366	95.97	55 340	2.50	7 748	0.35	26 120	1.18

\* % of the total amount of the debt.

Source: the data of the Central Bank of the Russian Federation.

loans in foreign currency keeps growing and amounted to 12.15% as of the same date.

According to the data of the Central Bank of the Russian Federation, in May 2013 as compared to April the share of the debt without overdue payments in the total debt on MHL did not virtually change and amounted to 95.97%; it is to be noted that the share of the debt on MHL with payments overdue for over 180 days (default loans) in the total debt kept decreasing to 1.18% (Table 1).

As regards the number of MHL extended per 1,000 persons, as in the 1<sup>st</sup> quarter of 2012 the leader among federal districts was still the Urals Federal District (Table 2). The leading positions were also retained by the Nenets Autonomous District, the Tyumen Region, the Khanty-Mansiisk Autonomous Region and the Republic of Tatarstan, but it was the Yamal-Nenets Region which took the first place. With a higher number of mortgage loans extended per 1,000 persons, the leaders have a lower share of the overdue debt in the outstanding debt. On the contrary, with a lower number of loans per 1,000 persons regions with high monetary volumes of MHL, such as Moscow, the Moscow Region and St. Petersburg have a higher share of the overdue debt in the outstanding debt (Table 2).

As of April 1, 2013, as regards the share of the overdue debt in the total debt the leader was the Chechen Republic (9.72% against 11.97% as of April 1, 2012) followed by North Ossetia (6.53% against 13.75%), Moscow (4.92% against 6.04%), the Moscow Region (4.38% against 5.88%) and the Central Federal District (3.57% against 4.72%).

According to the data of the Central Bank of the Russian Federation, in May 2013 the volume of MHL in foreign currency extended from the beginning of the year (Rb 5.96bn) as a percentage of the total volume of MHL decreased by 0.07 p.p. to 1.37% as compared to April 2013, while the share of the debt on MHL in

foreign currency (Rb 117,831bn) in the total debt decreased by 0.18 p.p. to 5.32% as of June 1, 2013. In January–May 2013, the volume of MHL in foreign currency increased on the same period of 2012 by 18.28% and 25.89% as regards the number of loans and their value in monetary terms, respectively.

In May 2013, the weighted average period of lending as regards MHL in rubles extended within a month amounted to 14.63 years which is 1.9% lower than in April. As regards MHL in foreign currency extended from the beginning of the year, as of June 1, 2013 the weighted average period of lending amounted to 12.38 years having decreased by 0.73% as compared to May 1, 2013.

In May 2013, the weighted average rate on MHL in rubles extended within a month rose by 0.1 p.p. as compared to April and amounted to 12.7%. The weighted average rate on MHL extended in foreign currency from the beginning of the year also rose by 0.1 p.p. and amounted to 10.1%.

In January–May 2013, OAO AHML refinanced Rb 18,286bn worth of 12,667 mortgages which is 20.69% and 11.61% lower as regards the number of mortgages and their value in monetary terms, respectively, as compared to the respective period of 2012. The volume of *Military Mortgage* amounted to Rb 6,108bn, while that of *Maternity Capital*, to Rb 1,599bn. In May 2013, AHML refinanced Rb 3,309bn worth of 2,263 mortgages which is 42.78% and 36.25% lower as regards the number of mortgages and their value in monetary terms, respectively, than in May 2012.

In the 1<sup>st</sup> quarter of 2013, the share of mortgage on the housing market amounted to 22.7%, which is 3.9 p.p. more than in the 1<sup>st</sup> quarter of 2012.

Amendments approved in the third reading to Article 220 of Part Two of the Tax Code of the Russian Federation limited a tax rebate as regards bank interests by the

Table 2

## DISTRIBUTION OF REGIONS BY THE NUMBER OF MHL EXTENDED PER 1,000 PERSONS

Region	The place of the region in 2013; in 2012	1 <sup>st</sup> quarter of 2013					1 <sup>st</sup> quarter of 2012
		The number of MHL, units	The volume of the extended MHL, million Rb.	Debt on MHL, million Rb	Overdue debt, million Rb	Overdue debt as % of the outstanding debt	Number of MHL, units
Yamal-Nenets Autonomous Region	1;3	1,927	4,495	51,090	0,098	0.19	1,895
Nenets Autonomous Region	2;1	1,901	4,177	57,260	0,070	0.12	2,176
Tyumen Region	3;4	1,826	3,906	46,247	0,194	0.42	1,804
Khanty-Mansiisk Autonomous Region	4;2	1,757	4,340	59,053	0,144	0.24	1,980
Republic of Tatarstan	5;5	1,683	1,728	12,470	0,071	0.57	1,524
Udmurt Republic	6;6	1,601	1,610	13,373	0,159	1.19	1,465
Magadan Region	7;23	1,597	2,887	19,052	0,007	0.03	1,119
Republic of Komi	8;20	1,556	2,377	18,315	0,038	0.21	1,138
Ulyanovsk Region	9;11	1,533	1,634	12,823	0,070	0.54	1,318
Novosibirsk Region	10;13	1,459	2,140	20,511	0,330	1.61	1,281
Republic of Chuvashia	11;17	1,448	1,768	14,529	0,125	0.86	1,197
Chelyabinsk Region	12;10	1,440	1,660	15,332	0,356	2.32	1,328
Tomsk Region	13;7	1,411	1,939	20,131	0,189	0.94	1,400
Urals Federal District	14;9	1,396	2,306	24,645	0,246	1.00	1,350
Privolzhsky Federal District	22;21	1,237	1,455	12,117	0,162	1.34	1,131
Siberian Federal District	27;29	1,126	1,549	15,855	0,232	1.46	1,042
North-Western Federal District	31;45	1,093	1,930	16,733	0,253	1.51	0,887
St. Petersburg	39;51	1,032	2,331	21,572	0,437	2.03	0,829
Russian Federation	43;44	0,994	1,585	14,626	0,293	2.00	0,889
Moscow Region	48;55	0,967	2,450	23,660	1,036	4.38	0,792
Far Eastern Federal District	56;39	0,915	1,656	16,261	0,086	0.53	0,928
Central Federal District	64;61	0,853	1,807	16,324	0,583	3.57	0,740
Southern Federal District	78;76	0,714	1,036	9,188	0,162	1.76	0,547
Moscow	81;75	0,647	2,373	22,302	1,097	4.92	0,573
North-Caucasian Federal District	88;85	0,349	0,506	4,120	0,090	2.18	0,309

Source: on the basis of the data of the Central Bank of the Russian Federation.

amount of Rb 3m. The above tax rebate can be granted only in respect of one unit of property which situation permits the borrower to return maximum Rb 390,000 from the paid interests. In case of purchasing real property, the amendments preserve the maximum tax rebate in the amount of Rb 2m, however, they permit to use it in further deals until the rebate has been utilized completely, that is, the buyer is repaid Rb 260,000.

According to the data of the Federal Tax Service, in 2012 Rb 576.55bn worth of rights were claimed in respect of property tax rebates, including mortgage; the sum of the repayment under the above rights amounts to Rb 75bn.

Standard&Poor's Ratings Services and Moody's assigned simultaneously international ratings at the level of the sovereign rating of the Russian Federation to A1-class and A2-class bond issue of ZAO Ipotechny Agent AHML 2011-2.

In formation of the budget of Russia for 2014–2016 period, the maternity capital is allocated to the Nominally Approved Expenditures section, that is, expenditures which are expected, but can be abandoned in case of a dire need. In the budget, it is planned to increase expenditures on the maternity capital by Rb 140bn a year. ●