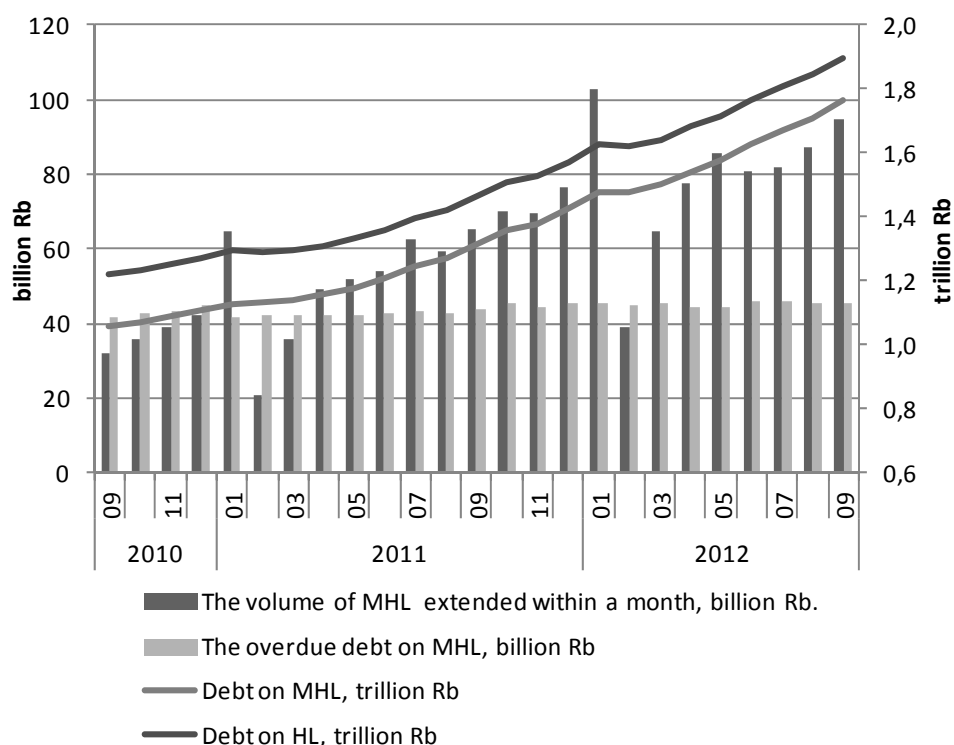


By Georgy Zadonsky

Mortgage in the Russian Federation

In January-August 2012, mortgage housing loans for Rb 611,561bn were extended which figure is 54% higher than the volume of lending in the respective period of 2011. As of September 1, 2012, the outstanding debt on MHL in the amount of Rb 1,765 trillion exceeded by 34.52% that as of September 1, 2011. The positive trend – a decrease both in the share of the overdue debt on MHL in rubles in the outstanding debt and the share of the volume of defaulted MHL in the total debt – continued. In August 2012, the weighted average rate on MHL in rubles rose by 0.1 p.p. and amounted to 12.3% against 11.4% as of December 1, 2011.

According to the data of the Central Bank of the Russian Federation, as of September 1, 2012, 452,184 housing loans (HL) for the amount of Rb 638,597bn were extended, including 417,492 mortgage housing loans (MHL) for the amount of Rb 611,561bn which figure exceeds by 54% in value terms the volume of loans extended as of September 1, 2011. In August 2012, the outstanding debt on HL rose by 2.94% to Rb 1.9 trillion, while that on MHL, by 3.17% to Rb 1,765 trillion. The latter exceeds by 34.52% the debt on MHL as of September 1, 2011. As of September 1, 2012, the overdue debt on HL amounted to Rb 52,088bn, while that on MHL, to Rb 45,628bn. (Fig. 1).



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

Fig. 1. Dynamics of Housing Lending

According to the data of the Central Bank of the Russian Federation, as of September 1, 2012 the debt on MHL with payments overdue for over 180 days (defaulted loans) (Table 1) amounted to Rb 49,591bn or 2.81% of the total amount of the debt, which figure is 0.14 p.p.

lower as compared to August 1, 2012. In August 2012, the debt without overdue payments increased in value terms to Rb 1.67 trillion or by 0.29 p.p. of the total amount of the debt and amounted to 94.56% (Table. 1). In the same period, as of September 1, 2012 the overdue debt on MHL increased by 0.06% (Fig. 1) in value terms, while as a percentage of the outstanding debt fell from 2.67% to 2.59%.

Table 1

Grouping of mortgage housing loans by the period of delay in payments in 2012

	Total amount of the debt	Including that without overdue payments		With payments overdue					
				from 1 to 90 days		from 91 to 180 days		over 180 days	
		Million Rb	%*	Million Rb	%*	Million Rb	%*	Million Rb	%*
Jan 01	1 478 982	1 391 130	94.06	27 805.00	1.88	5 916	0.4	54 131	3.66
Feb 01	1 477 318	1 377 599	93.25	40 331.00	2.73	6 648	0.45	52 740	3.57
Mar 01	1 499 730	1 398 649	93.26	42 142.00	2.81	5 699	0.38	53 240	3.55
Apr 01	1 538 333	1 449 417	94.22	32 151.00	2.09	5 846	0.38	50 919	3.31
May 01	1 574 311	1 489 140	94.59	28 338.00	1.80	5 668	0.36	51 165	3.25
Jun 01	1 627 360	1 527 115	93.84	39 382.00	2.42	5 533	0.34	55 330	3.40
Jul 01	1 673 047	1 581 364	94.52	35 469.00	2.12	5 019	0.3	51 195	3.06
Aug 01	1 710 519	1 612 506	94.27	42 250.00	2.47	5 303	0.31	50 460	2.95
Sep 01	1 764 809	1 668 804	94.56	41 120.00	2.33	5 294	0.3	49 591	2.81

*) - % of the total amount of the debt.

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

As regards the number of MHL extended from the beginning of the year with cumulative result per thousand persons, both as of September 1, 2012 and as of September 1, 2011 the leaders were the Khanty Mansiisk Autonomous Region, Yamalo-Nenetsk Autonomous Region, the Tyumen Region, the Nenetsk Autonomous Region and Tatarstan (Table. 2). The overdue debt of the above regions is much lower than the nation-wide average value, that is, 2.59% of the outstanding debt. As regards the number of loans per thousand persons, the Urals Federal District is still the leader among federal districts.

Table 2

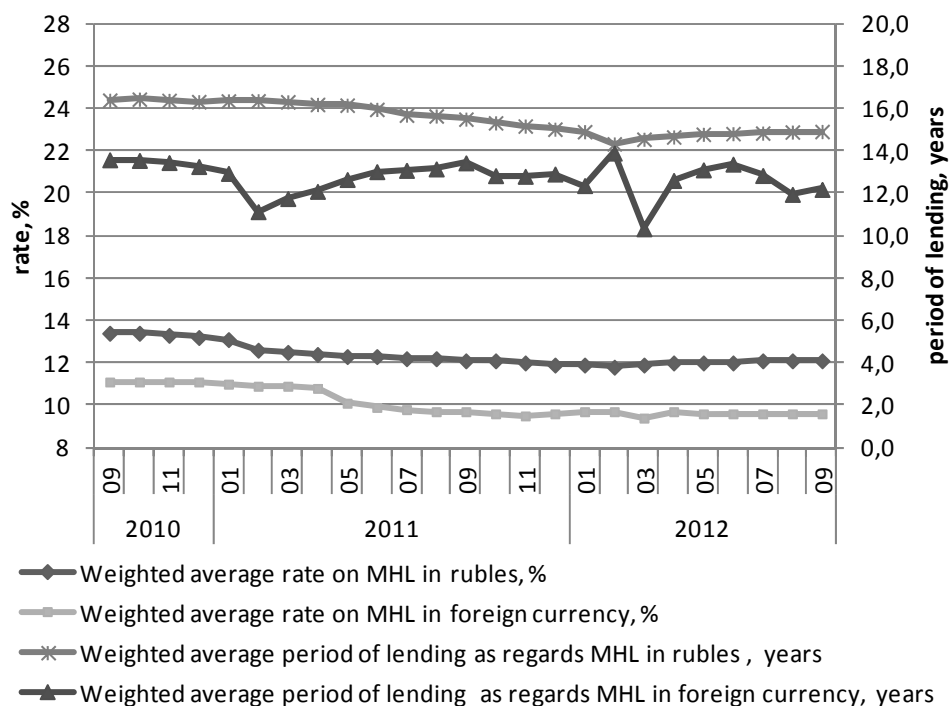
Breakdown of regions by the number of MHL extended from the beginning of the year with cumulative result per thousand persons

Region	Number of MHL per thousand persons	Overdue debt as % of the outstanding debt
	01.09.2012	01.09.2012
The Russian Federation	2,918	2.59
Constituent Entities of the Russian Federation		
Khanty-Mansiisk Autonomous District	6,681	0.30
Yamalo-Nenetsk Autonomous District	6,525	0.22
Tyumen Region	5,961	0.53
Nenetsk Autonomous District	5,797	0.05
Republic of Tatarstan	5,249	0.76
Republic of Udmurtia	4,991	1.69
Tomsk Region	4,372	1.32
Chelyabinsk Region	4,345	3.26
Vologda Region	4,292	1.29

Region	Number of MHL per thousand persons	Overdue debt as % of the outstanding debt
	01.09.2012	01.09.2012
St. Petersburg	2,717	2.65
Moscow Region	2,472	5.42
Moscow	1,715	5.95
Federal Districts		
Urals Federal District	4,341	1.32
Privolzhsky Federal District	3,741	1,78
Siberian Federal District	3,518	2,05
Far Eastern Federal District	3,071	0,72
North-Western Federal District	2,925	2,05
Central Federal District	2,330	4,43
Southern Federal District	1,935	2,28
North-Caucasian Federal District	1,018	3.27

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

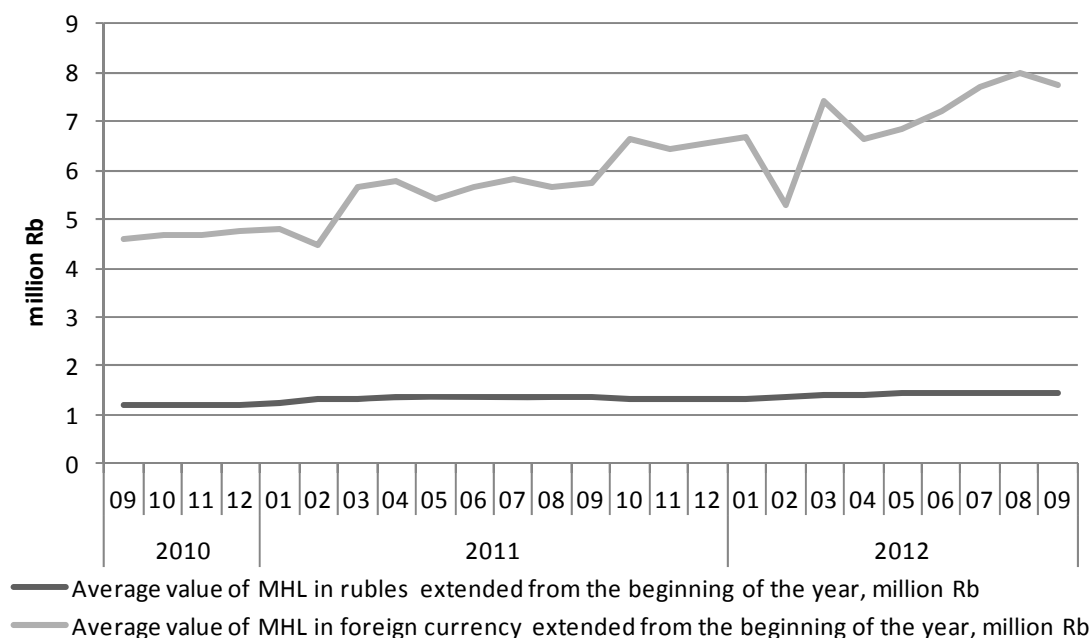
According to the data of the Central Bank of the Russian Federation, during summer months of 2012 the weighted average rates on MHL extended both in rubles and foreign currency (Fig. 2) remained unchanged at the level of 12.1% and 9.6% on loans in rubles and loans in foreign currency, respectively. At the same time, in August the weighted average rate on MHL in rubles increased by 0.1 p.p. and amounted to 12.3%. In 2012, the weighted average period of lending as regards MHL in rubles extended from the beginning of the year increased and amounted to 14.9 years as of September 1, 2012. In August, as regards loans in foreign currency the weighted average period of lending rose by 1.95% and amounted to 12.2 years (Fig. 2).



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

Fig. 2. Dynamics of weighted average rate on and period of lending as regards MHL extended from the beginning of the year.

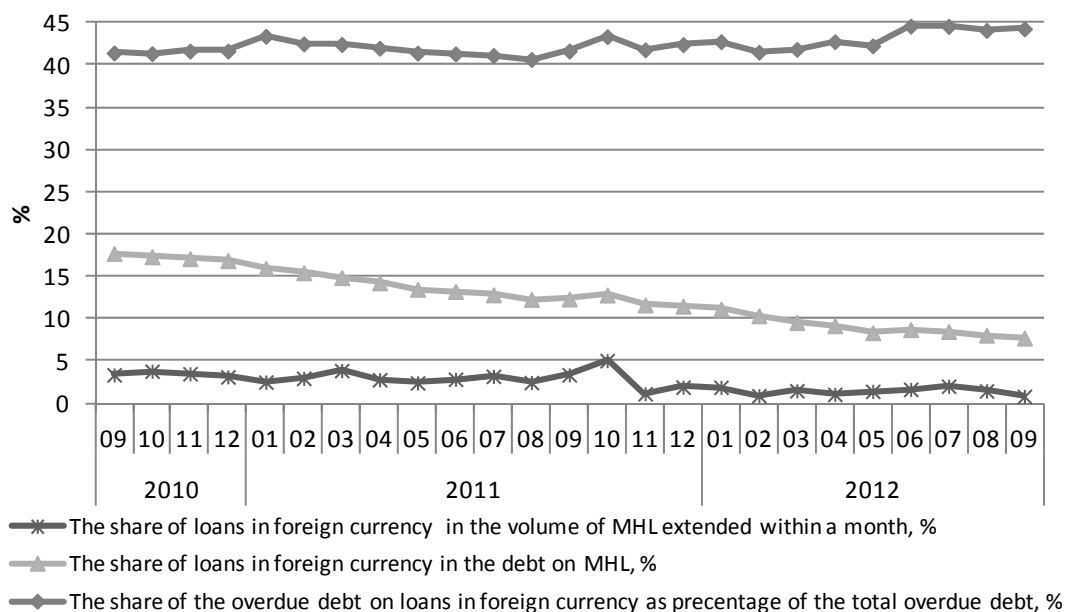
In 2012, the average value of MHL in rubles extended from the beginning of the year keeps growing and as of September 1, 2012 amounted to Rb 1,449m (*Fig. 3*) (growth of 8.14% as compared to January 1, 2012). In the same period, the relevant value in foreign currency varied and as of September 1 amounted to Rb 7,732m.



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

Fig. 3. Dynamics of the average value of mortgage housing loans

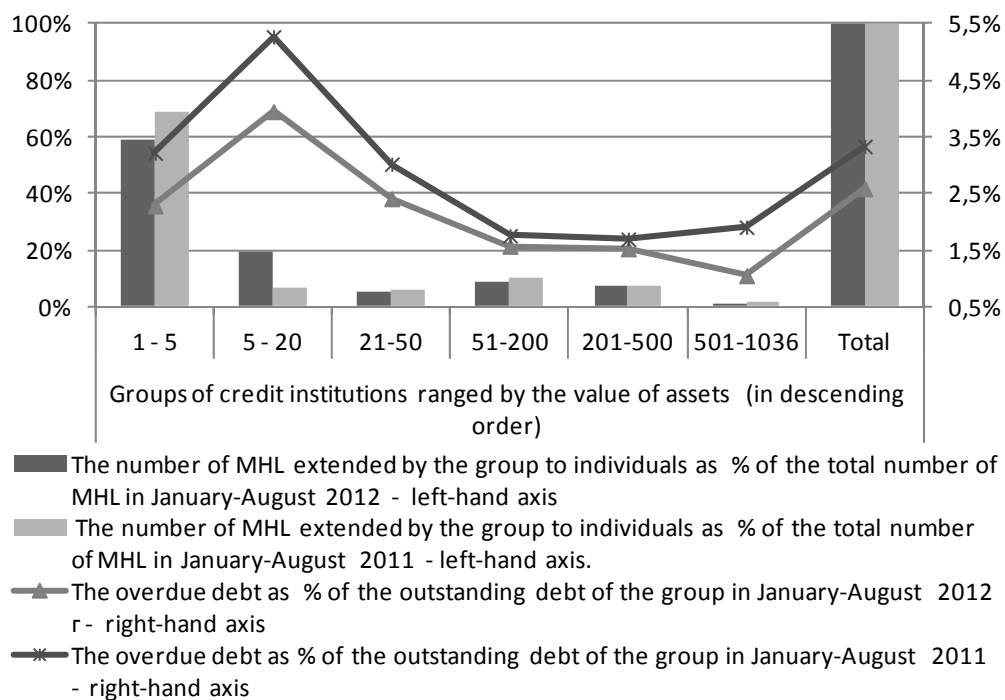
As of September 1, 2012, the share of loans in foreign currency in the volume of MHL granted within a month fell to the minimum and amounted to 0.82% (*Fig. 4*). Such a low volume of lending in foreign currency results in a stable decrease in the share of foreign currency in the MHL debt; as of September 1, 2012 the above share amounted to 7.72%. At the same time, the share of the overdue debt on MHL in foreign currency in the total overdue debt increased somewhat in 2012 and as of September 1 amounted to 44.28%, which figure is 1.52 p.p. higher than that as of January 1, 2012 (*Fig. 4*). The latter points to the fact that debts on the earlier extended loans account for the main volume of the overdue debt on MHL in foreign currency.



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

Fig. 4. Dynamics of the ratio between MHL in rubles and MHL in foreign currency

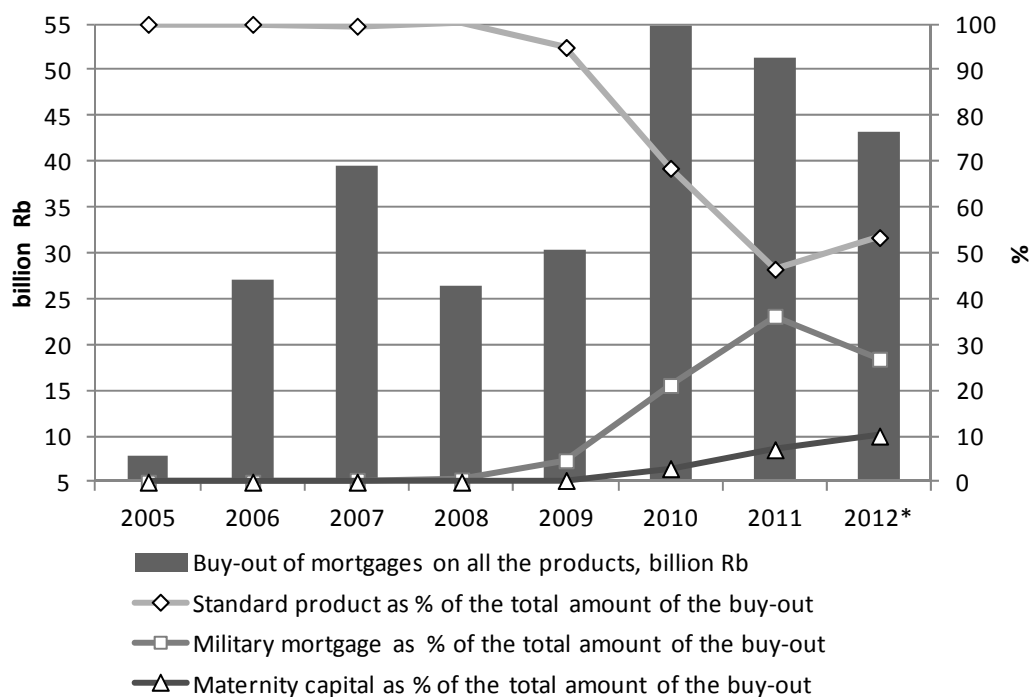
In January-August 2012, the share of five largest banks (the first group of credit institutions ranged by the value of their assets in descending order) in the total number of MHL extended to individuals fell to 58.95% (Fig. 5) against 68.83% in the same period of 2011. As compared to the respective period of 2011, in January-August 2012 the overdue debt as a percentage of the outstanding debt of the first group fell from 3.21% to 2.28%, which figure is below the average value of 2.59% by all the groups. The overdue debt (3.95%) on less quality MHL of the second group exceeds the average value by all the groups (Fig. 5).



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

Fig. 5. Dynamics of MHL and the overdue debt by the group of credit institutions ranged by the value of assets

In January-August 2012, OAO AHML refinanced 32,387 MHL for the amount of Rb 43.25bn (Fig. 6), which figure exceeds by 26.2% the volume of refinanced loans in the same period of 2011. As of October 1, 2012, the share of the standard product in the total volume of repurchased mortgages amounted to 53.42%, having exceeded by 6.93 p.p. the minimum value of 2011 (Fig. 6).

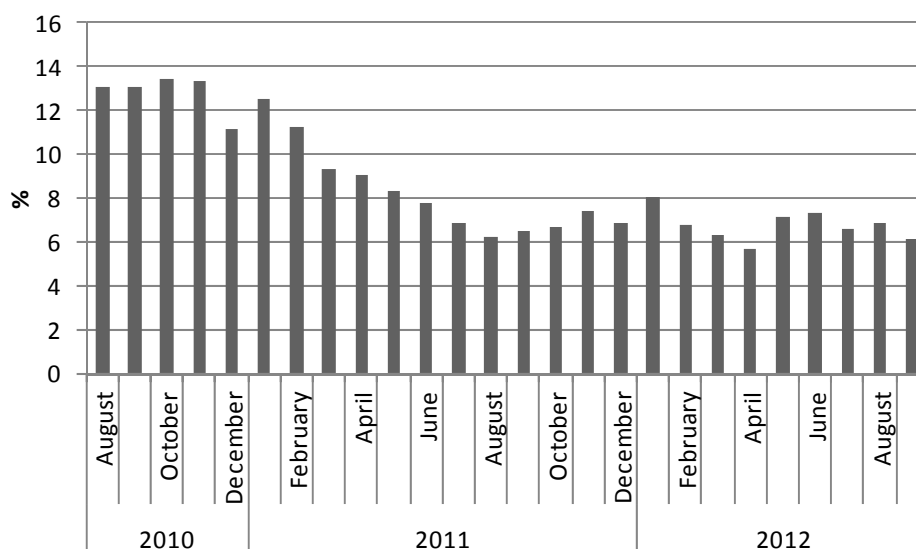


*) - January–September 2012.

Source: on the basis of the data of OAO AHML.

Fig. 6. Dynamics of buy-out of mortgages of OAO AHML

In September 2012, the share of mortgage loans refinanced by AHML in the total number of mortgage loans granted amounted to 6.12%, which figure is 0.74 p.p. lower than that in August 2012 (Fig. 7).



Source: the data of OAO AHML.

Fig. 7. The share of mortgage loans refinanced by AHML in the total number of the mortgage loans granted

The Supervisory Board of AHML approved placing of Rb 15bn worth of AHML unconvertible documentary coupon bonds payable on demand (A28-A30 series) with maturities

ranging from January 15, 2029 till March 1, 2033. According to the Federal Law on the Federal Budget in 2012 and the 2013-2014 Planned Period and Resolution No. 1710-r of September 17, 2012 of the Government of the Russian Federation, Rb 15bn worth of state guarantees are provided for in respect of bonds of A28-A30 series.

The Standard & Poor's, an international rating agency revised upward the short-term credit rating of OAO AHML from «A-3» to «A-2». Simultaneously, the AHML's «BBB» long-term credit rating and «ruAAA» national scale rating were confirmed. The ratings' forecast is «stable».

Gosstroj and OAO AHML presented to the Government of the Russian Federation a new federal program of provision of affordable housing. According to the above program, within the frameworks of the public-private partnership certain categories of people will be able to buy housing at a price which is below the market one thanks to a feasibility provided for by the legislation to assign land plots to developers free of charge; in addition to the above the state has to assist in ensuring such land plots with the required infrastructure and provide long-term project financing through AHML and Vnesheconombank.

The State Duma is expected to consider in the second reading amendments to the Civil Code of the Russian Federation; the above amendments provide for mandatory notary certification of deals with property and, as a result, for individuals the cost of such deals, including mortgages will be 1% to 2% higher. The above amendments return the legislation to the issue solved by the Civil Code of the Russian Federation in 1994, that is, guarantees of the title to real property. According to regulations of the Civil Code of the Russian Federation, in Russia the system of state registration of titles to real property has been in operation since 2000 and that system was legislatively established. Thanks to the above system, the norms of mandatory notary certification of deals were abolished.