

## MORTGAGE IN THE RUSSIAN FEDERATION IN Q3 2013

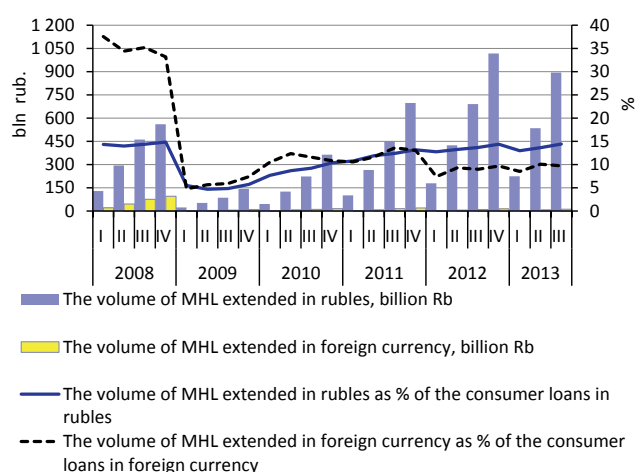
G.Zadonsky

The volume of MHL (Rb 905,935bn) extended within three quarters of 2013 exceeded by 29% the volume of loans extended in the respective period of 2012. With growth in lending volumes, a decrease in the overdue debt on MHL extended in rubles to 1.15% of the outstanding debt as of October 1, 2013 against the overdue debt on MHL in foreign currency being equal to 12.31% of the outstanding debt in foreign currency points to a gap in the quality of MHL in rubles and foreign currency.

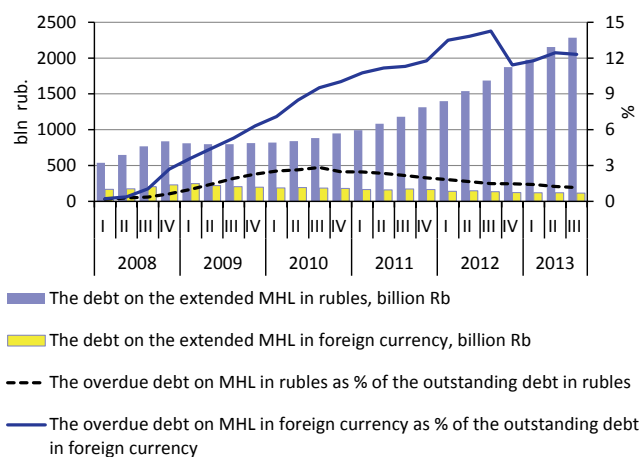
According to the data of the Central Bank of the Russian Federation, in three quarters of 2013 credit institutions extended Rb 939,554bn worth of 595,423 housing loans (HL), including Rb 905,935bn worth of 557,325 mortgage housing loans of which Rb 894,414bn worth of 555,890 MHL were extended in rubles and Rb 11,521bn worth of 1,435 MHL in foreign currency (Fig. 1). As of October 1, 2013, the volume of MHL in rubles as a percentage of the respective volumes of consumer loans in rubles amounted to 14.42% which is 0.75 p.p. higher than that as of October 1, 2012, while as regards MHL in foreign currency it amounted to 9.75%, which is also 0.75 p.p. higher than in the respective period of 2012 (Fig. 1). The volume of MHL extended within three quarters of 2013 in monetary terms exceeded by 29% the volume of loans extended in the respective period of 2012.

As of October 1, 2013, the outstanding debt on MHL amounted to Rb 2,399 trillion (in Q1 2013 – Rb 2,094 trillion, while in H1 2013 – Rb 2,275 trillion), including Rb 2,283 trillion on loans in rubles (Fig. 2). As of the end of Q3 2013, the outstanding debt on MHL in rubles rose by 35.41% as compared to the respective period of 2012, while the overdue debt increased within the same period by 4.66% and amounted to Rb 26,319bn or 1.15% of the outstanding debt (Fig. 2), which is 0.34 p.p. lower than in the respective period of 2012.

As of October 1, 2013, the outstanding debt on loans in foreign currency (Rb 115.62bn) decreased by 13.92% as compared to the end of Q3 2012. As of October 1, 2013, the volume of MHL extended in foreign currency as a percentage of the total volume of the extended MHL fell to 1.27% against 1.38% as of October 1, 2012. The share of the debt on MHL in foreign currency in the total debt fell from 7.38% as of October 1, 2012 to 4.82% as of October 1, 2013; it is to be noted that within the same period the share of the overdue debt on MHL in foreign currency in the total overdue debt fell by 8.16 p.p. to 35.09%. Within the same period, the overdue debt decreased by 25.75% and



Source: on the basis of the data of the Central Bank of Russia.  
Fig. 1. Dynamics of lending to individuals within a quarter with a cumulative result



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

Fig. 2. Dynamics of the outstanding and overdue debt on mortgage housing loans

amounted to Rb 14,228bn or 12.31% of the outstanding debt on loans in foreign currency which is 1.96 p.p. lower than in the respective period of 2012 (Fig. 2).

As of October 1, 2013, the total overdue debt on MHL amounted to Rb 40,547bn or 1.69% of the out-

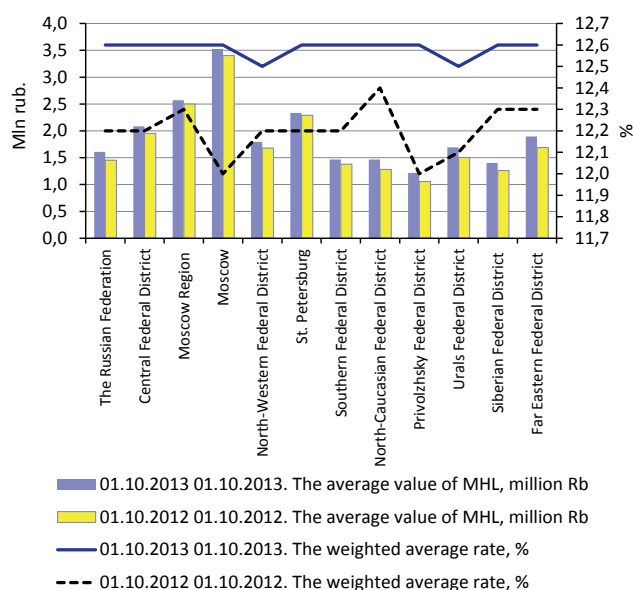
standing debt which is 0.74 p.p. lower than that as of October 1, 2012 (Fig. 3). According to the data of the Central Bank of the Russian Federation, as of the end of Q3 2013 the debt on MHL with payment overdue from 1 day and more as a percentage of the total debt decreased by 0.1 p.p. as compared to the respective period of 2012 and amounted to 4.98%. The share of the debt on MHL with payments overdue for over 180 days (defaulted loans) as a percentage of the total debt decreased within that period by 0.72 p.p. and amounted to 2.04%.

As October 1, 2013, the weighted average rate on MHL in rubles extended from the beginning of the year amounted in general to 12.6% which is 0.4 p.p. higher than in the same period of 2012. The growth in the rate as compared to 2012 took place by all the regions (Fig. 3). On loans extended within a month, the weighted average rate in the Russian Federation amounted to the maximum value of 12.9% as of April 1, 2013 and fell to 12.4% as of October 1, 2013.

The average value of the loan in the Russian Federation rose from Rb 1.45m as of October 1, 2012 to Rb 1.61m as of October 1, 2013. Growth in the average value of a loan took place in all the regions (Fig. 5). The average value of a loan in Moscow (Rb 3.52m) still largely exceeds that in other regions. In particular, as of October 1, 2013 it exceeded 2.19 times over the average value of a loan in the Russian Federation. The lowest value of the average loan (Rb 1.22m) was registered in the Privolzhsky Federal District (Fig. 4).

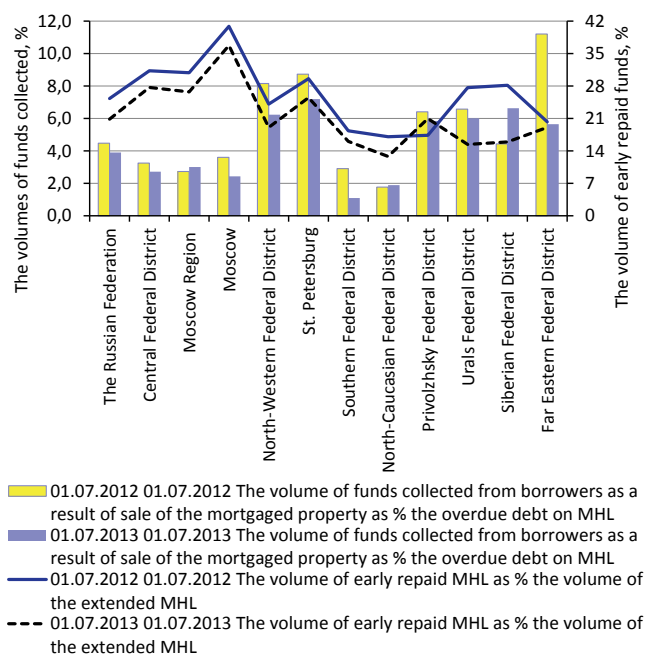
According to the data of the Central Bank of the Russian Federation, as of October 1, 2013 the weighted average period of lending as regards MHL in rubles extended from the beginning of the year decreased as compared to Q1 (15.04 years) and H1 2012 (14.88 years) and amounted to 14.78 years. As of October 1, 2013, the weighted average period of lending as regards MHL in foreign currency extended from the beginning of the year amounted to 13 years (13.03 years and 13.18 years in Q1 and H1, respectively).

According to the data of the Central bank of the Russian Federation, as of July 1, 2013 the volume of the early repaid MHL in the Russian Federation in general in monetary terms rose by 4.06% as compared to July 1, 2012. Within the same period, the volume of early repaid MHL as a percentage of the volume of the extended MHL decreased by 4.46 p.p. and amounted to 20.84% (Fig. 4). Reduction of a relative volume of early repaid loans is typical of all the regions of the Russian Federation, except for the Privolzhsky Federal District in which the volume both in monetary terms and as a percentage of the volume of the extended loans increased (Fig. 4). Moscow is still the leader as regards the relative



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

Fig. 3. The weighted average data on mortgage housing loans in rubles extended from the beginning of the year



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

Fig. 4. Dynamics of early repayment of MHL and the volume of funds collected from the borrower as a result of sale of the mortgaged property by the region

volume of early repaid MHL which amounted to 36.75% as of July 1, 2013 (Fig. 5).

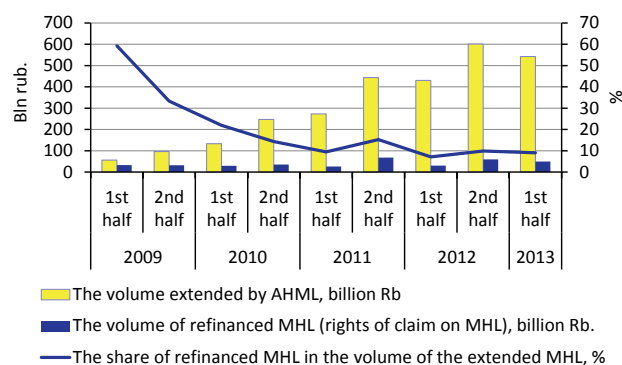
As of July 1, 2013, the volume of funds collected from borrowers as a result of realization mortgaged property in monetary terms in the Russian Federation in general decreased by 20.5% as compared to July 1, 2012. A re-

duction in the volume in monetary terms took place in all the regions of the Russian Federation, except for the Central Federal District and the Siberian Federal District. As of July 1, 2013, the volume of funds collected from borrowers as a percentage of the overdue debt in the Russian Federation in general amounted to 3.91%, which is 0.57 p.p. lower than that as of July 1, 2012. If as of July 1, 2012 the highest value (11.21%) of that index was registered with the Far Eastern Federal District, as of July 1, 2013 the highest value (7.19%) was registered with St. Petersburg (Fig. 4).

In H1 2013, the volume of refinancing of MHL with a sale of a pool of loans (rights of claim on MHL) amounted to Rb 40.9bn which is 60.2% more than in H1 2012 (Fig. 5). Within the same period, the share of refinanced loans in the volume of the extended MHL rose by 1.93 p.p. and amounted to 9.07% (Fig. 5).

As of October 1, 2013, OAO AHML bought back by all the products Rb 32,983bn worth of 22,821 mortgages which is 29.56% and 23.33% lower as regards the number and in monetary terms, respectively, than as of October 1, 2012. In January–October 2013, OAO AHML bought back Rb 37,451bn worth of 25,775 mortgages.

For the purpose of making equal the standards under which MHL is extended for the Agency's products with the requirements of other mortgage creditors, AHML abandons the requirement that borrowers are obligated to provide a 2-NDFL certificate, that is, an official confirmation of their "white" income. Also, until December 31, 2013 AHML intends to write off automatically all the accrued penalty fees in the full volume to those borrowers who manage to repay the overdue debt on the principal and the accrued interests before December 20, 2013.



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

Fig. 6. Refinancing of MHL with a sale of a pool of loans (rights of claim on MHL) without formation of an additional financial instrument and with further issuing of mortgage-backed securities

The Financial Markets Service of the Central Bank of the Russian Federation registered the issues and prospectus of A1/13-class and A2/13-class of mortgage-backed housing bonds of ZAO Ipotechny Agent AHML 2011-1 with the total volume of Rb 4.9bn whose complete repayment is scheduled for 2046. The Central Bank of the Russian Federation established a working group to develop mechanisms permitting to make housing loans less expensive.

The draft federal law on mortgage insurance was approved in the first reading. It is proposed to set the minimum amount of the insured sum in mortgage insurance at 10% of the amount of the mortgage-backed obligation, while the maximum amount of the insured sum, at 50% of the principal. ●