

MORTGAGE IN THE RUSSIAN FEDERATION IN 2013

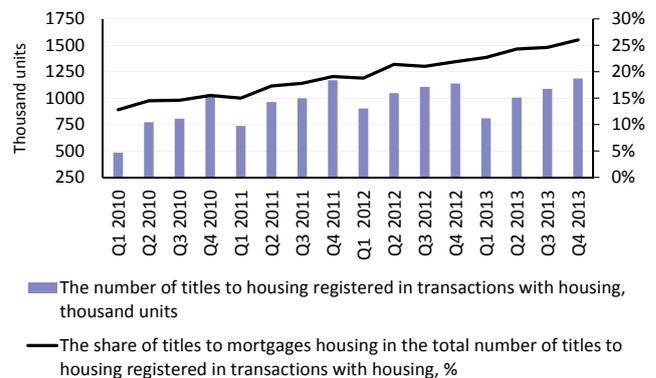
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In 2013, growth in mortgage housing lending continued. In 2013, the volume of the extended mortgage housing loans (Rb 1,354 trillion) exceeded by 31.17% that of 2012. The quality of the portfolio of mortgage housing loans (MHL) kept getting worse: in 2013 the overdue debt fell to Rb 39.5bn with a decrease of its share in the debt to 1.49%; as of January 1, 2014 the debt without overdue payments in the total amount of the debt rose by 0.12 p.p. against January 1, 2013 and amounted to 96.05%, while the share of the defaulted MHL (with payments overdue for over 180 days) fell by 0.48 p.p. and amounted to 1.78%. In 2013, a decrease in the weighted average interest rate on ruble MHL within a month changes for a 0.2 p.p. growth in December to 12.1%.

According to the data of the Federal Service of State Registration, Cadastre and Cartography (Rosreestr), in 2013 the total number of registration entries¹ on individuals' housing mortgage in the Unified State Register of Titles amounted to 1,245,833 entries which is 7.47% higher than in 2012 (1,159,208). The number of entries on mortgage of housing owned by individuals and bought (built) at the expense of loan funds or purpose loans amounted 922,534 against 790,736 in 2012 which is 16.67% higher than the index of 2012. In 2013, the growth rate of the number of registration entries on housing mortgage is twice as little than in 2012 both in general (7.47% against 15.63%) and as regards mortgage of housing owned by individuals and bought (built) at the expense of loan funds (16.67% against 35.02%).

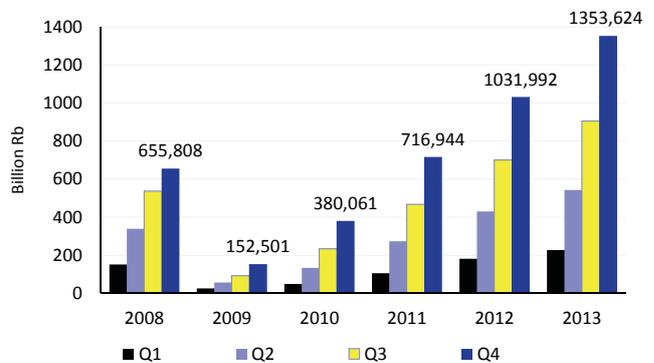
In 2013, the share of mortgaged property units in the total number of real property units registered in transactions with housing kept growing (26.0%) and within a year rose by 4.1 p.p. (Fig. 1).

According to the data of the Central Bank of the Russian Federation, in December 2013 Rb 178.65bn worth of 105,810 mortgage housing loans (MHL) was extended which is 33.63% and 43.21% higher in the quantitative terms and monetary terms, respectively, than in December 2012. According to the data of the Central Bank of the Russian Federation, in 2013 the volume of the extended MHL kept growing: 657 credit institutions extended Rb 1,354 trillion worth of 824,792 loans which is 19.24% and 31.17% higher in the quantitative terms and monetary terms, respectively, than in 2012 (Fig.2). As of January 1, 2014, the debt on MHL amounted to Rb 2,648 trillion. In 2013, the volume of the extended housing loans (HL) amounted to Rb 1,404 trillion or 880,485 loans with the debt of Rb 2,765 trillion. As of January 1, 2014, the overdue debt on MHL amounted to Rb 39.50bn or



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

Fig. 1. Dynamics of the residential housing property



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

Fig.2. Dynamics of provision of mortgage housing loans with cumulative effect from the beginning of the year

1.49% of the outstanding debt which is 0.59 p.p. lower than as of January 1, 2013. As of January 1, 2014, the share of the overdue debt as a percentage of the outstanding debt on MHL fell by 0.47 p.p. to 1.0% as compared to January 1, 2013, while that on loans in foreign currency increased by 1.15 p.p. to 12.57% as compared to January 1, 2013.

In 2013, the share of MHL in foreign currency in the volume of the extended loans kept decreasing: by

¹ The number of registration entries on mortgage normally exceeds the number of mortgaged housing units.

0.3 p.p. to 1.12% and 0.02 p.p. to 0.23% in the monetary terms and quantitative terms, respectively, as compared to 2012. As of January 1, 2014, the share of such loans in the outstanding debt decreased by 1.93 p.p. to 4.22%, while the share of overdue debt on MHL in foreign currency in the total overdue debt increased by 1.84 p.p. and amounted to 35.59%.

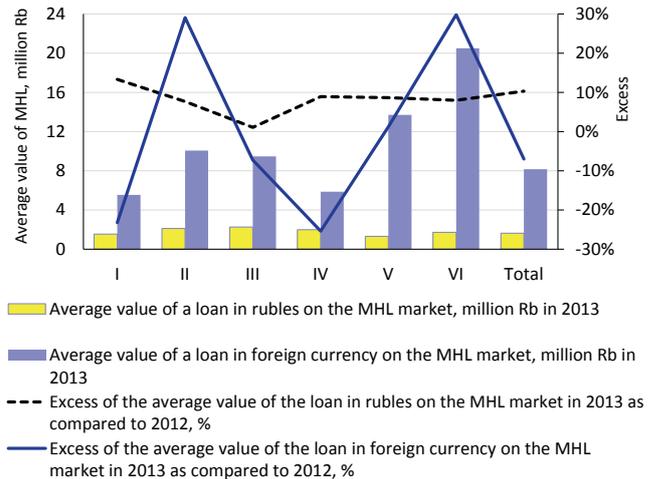
According to the data of the Central Bank of the Russian Federation, as of January 1, 2014 the share of the debt on MHL without overdue payments in the total amount of the debt on MHL increased by 0.12 p.p. as compared to January 1, 2013 and amounted to 96.05%. The share of the debt on defaulted loans (with payments overdue for over 180 days) in the total amount of the debt on MHL decreased within the same period by 0.48 p.p. and amounted to 1.78%.

According to the data of the Central Bank of the Russian Federation, out of six groups of credit institutions ranged by the value of their assets (in a descending order) the share of Group I of five credit institutions with the largest assets in the total volume of MHL extended in 2013 was at the level of 72.22% and 76.93% in the monetary terms and quantitative terms, respectively, having gained 6.23 p.p. and 4.62 p.p., respectively, as compared to 2012. As compared to 2011, the share of Group 1 in the volume of the extended MHL increased by 18.46 p.p.; in the quantitative terms it increased by 14.63 p.p. which is evidence of the continued monopolization of the mortgage market. As of January 1, 2014, the first two groups (19 credit institutions) account for 80.13% of the MHL market. The shares of other groups of credit institutions decreased accordingly.

With a decrease of the shares of the overdue debt in the total debt in the Russian Federation in general (Rb 39.50bn) to 1.49% in 2013 against 2.08% in 2012, Group II of credit institutions is in the lead having preserved the largest value of the overdue debt (3.04%) in 2013, thus, having the most risky portfolio of MHL. In 2013, the quality of credit portfolios of groups expressed as a percentage of the overdue debt of the group to the outstanding debt of the group got worse with Group III and Group V, but improved with the others.

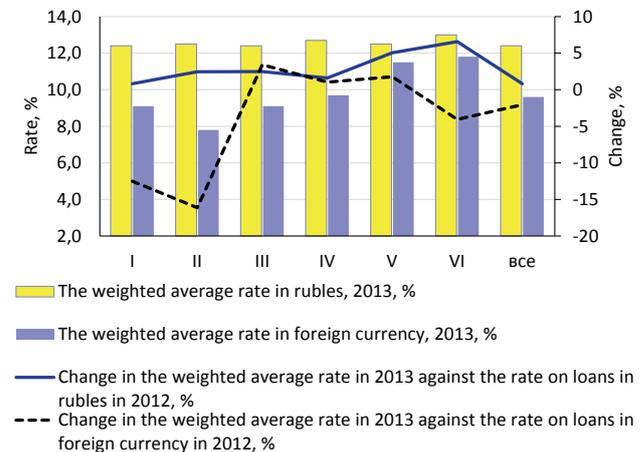
In 2013, the lowest value of the average value of MHL in rubles (Rb 1.31m) was registered with Group V, while the largest one of the average value of MHL in foreign currency (Rb 20.5m), with Group VI (Fig. 4). As compared to 2012, the average values of MHL in rubles for all the groups increased. The highest growth in the average value of MHL in foreign currency was registered with Group II and Group VI, while the largest decrease, with Group IV (Fig. 3).

In 2013, the weighted average rate on MHL in rubles rose by 0.1 p.p. as compared to 2012 and amounted to 12.4%. Growth in the rate on loans in rubles was regis-



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

Fig.3. Dynamics of the average value of MHL by six groups of credit institutions ranged by the value of their assets (in a descending order)



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

Fig.4. Dynamics of the weighted average rate on MHL by six groups of credit institutions ranged by the value of their assets (in a descending order)

tered with all the groups. Within a year, the weighted average rate on MHL in foreign currency decreased by 0.2 p.p. and amounted to 9.6% (Fig.4). In 2013, the weighted average rates on loans in foreign currency decreased by 1.3 p.p., 1.5 p.p. and 0.5 p.p. in Group I, Group II and Group VI, respectively (Fig. 4).

In December 2013, a decrease in the weighted average rate on MHL in rubles within a month changed for growth (12.1%) which amounted to 0.2 p.p. In December, the respective rate on mortgages refinanced by the OAO Agency for Housing Mortgage Lending (OAO AHML) amounted to 11.13%, which is 0.14 p.p. lower than the rate in November. In 2013, the weighted average annual rate on loans refinancing by the

Table 1

MHL IN THE PRIMARY AND SECONDARY HOUSING MARKETS

	2008	2009	2010	2011	2012	2013
Mortgage loans for buying housing on the primary market, including the one which is under construction						
Billion Rb	120.9	15.6	38.8	107.5	206.4	406.1
Thousand units	64.4	13.3	30.8	78.5	138.3	247.4
Million sq. m	3.3	0.5	1.2	3.2	6.1	11.5
Mortgage loans for buying housing on the secondary market						
Billion Rb	534.9	136.9	340.1	609.4	825.6	947.5
Thousand units	285.1	116.7	270.2	445	553.4	577.4
Million sq. m	13.5	3.7	8.1	16.3	20.9	24.0
The volume of the primary MHL market as % of the total volume of the extended MHL						
	18.4	10.2	10.2	15.0	20.0	30.0

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

OAO AHML increased, having amounted to 10.98% against 10.67% in 2012.

In 2013, the weighted average period of lending by all the groups of credit institutions as regards MHL in rubles amounted to 14.7 years, while that as regards MHL in foreign currency, to 12.7 years. The longest weighted average period of lending as regards loans in rubles amounted to 15.6 years with Group III, while that as regards loans in foreign currency, to 21.2 years with Group I. The shortest weighted average period of lending was registered with Group VI: 10.3 years and 2.1 years as regards loans in rubles and loans in foreign currency, respectively.

According to the data of the Central Bank of the Russian Federation, in 2013 credit institutions bought Rb 85.98bn worth of rights of claims on MHL which is 5.17% more than in 2012. The volume of the purchased rights of claim on loans in rubles decreased by 2.47% and amounted to Rb 61.71bn, while that on loans in foreign currency rose by 31.3% and amounted to Rb 24,274bn. In 2013, as in 2012 the largest volume of the purchased rights of claim on MHL in rubles and foreign currency was registered with Group IV of credit institutions.

According to the OAO AHML, in 2013 the volume of transactions on the primary housing market with use of mortgage lending increased by 10 p.p. as compared to 2012 and amounted to 30% (Table 1).

In 2013, the share of the OAO AHML on the mortgage market amounted in ruble terms to 8.2% (Rb 111.3bn) or about 10% of the total number of the extended loans, including the work on the primary market (refinancing) and the secondary market: 3.5% (Rb 48.0bn) and 4.7% (Rb 63.3bn), respectively. According to the estimate of the OAO AHML, in 2013 the total volume of the issue of mortgage securities amounted to Rb 140,625bn of which 55.5% (Rb 78.1bn) of securities were issued with participation of the Agency.

In 2014, the size of the maternity capital of the OAO AHML has increased and amounts to Rb 429,400. In 2014, the indexed annual payments to military servicemen – participants in the funded mortgage scheme – amounted to Rb 233,000. As regards the *Military Mortgage* program, the Agency increased the maximum amount of the mortgage loan in buying of a flat on the primary market from Rb 2m to Rb 2.2m and reduced the minimum size of the initial contribution from 30% to 20%. ●