

## THE MORTGAGE IN THE RUSSIAN FEDERATION IN Q1 2014

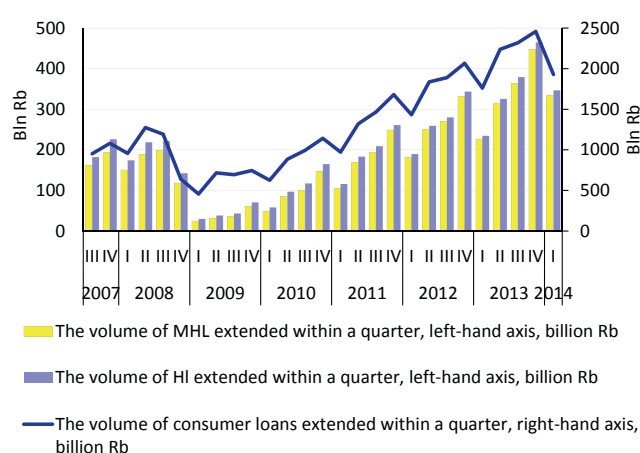
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In the 1<sup>st</sup> quarter of 2014, the total volume of the extended MHL exceeded by 47.43% the volume of loans extended in the 1<sup>st</sup> quarter of 2013. It is to be noted that within a quarter Rb 334.73bn worth of 198,082 loans was extended. A decrease in the share of the overdue debt on MHL points to continued upgrading of quality of mortgage lending. However, as of April 1, 2014 the total debt on loans with payments overdue for over 180 days increased by 0.11 p.p. as compared to March 1, 2014 and amounted to 1.88%. In 2014, the weighted average rate on MHL in rubles extended from the beginning of the year keeps falling. As of April 1, 2014, it amounted to 12.2%. In March 2014, the weighted average rate on MHL in rubles extended within a month amounted to 12.0%.

According to the data of the Central Bank of the Russian Federation, in the 1<sup>st</sup> quarter of 2014 credit institutions extended 208607 housing loans (HL), including Rb 334.73bn worth of 198,082 mortgage housing loans and Rb 11.65bn worth of 10,525 unsecured housing loans (UHL), that is, the difference between HL and MHL (Fig.1). In the 1<sup>st</sup> quarter 2014, the total volume of MHL in monetary terms exceeded by 47.43% the volume of loans extended in the same period of 2013 (Fig.1). As of April 1, 2014, the outstanding debt on MHL rose by 34.11% as compared to April 1, 2013 and amounted to Rb 2.81 trillion. In the 1<sup>st</sup> quarter of 2014, the share of MHL in foreign currency in monetary terms as a percentage of the total volume of mortgage lending decreased by 0.73 p.p. as compared to the share in the 1<sup>st</sup> quarter of 2013 and amounted to 0.51%.

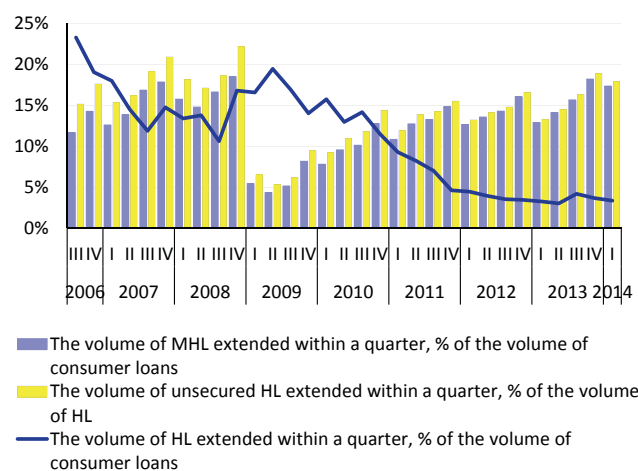
In the 1<sup>st</sup> quarter of 2014, the share of UHL in the volume of HL as compared to the 1<sup>st</sup> quarter of 2013 decreased by 0.73 p.p. as regards the number of loans and increased by 0.09 p.p. in monetary terms to amount to 3.36% (Fig. 2). In the 1<sup>st</sup> quarter of 2014, the share of HL in the volume of consumer loans (CL) amounted to 17.96% which is 4.63 p.p. higher than in the 1<sup>st</sup> quarter of 2013.

According to the data of the Central Bank of the Russian Federation, as of April 1, 2014, the overdue debt on MHL amounted to Rb 40.60bn, including Rb 25.76bn and Rb 14.84bn as regards loans in rubles and foreign currency, respectively (Fig. 3). As of the end of the 1<sup>st</sup> quarter of 2014, the total overdue debt was 2.4% higher than that as of January 1, 2014, while in shares of the outstanding debt (1.45%) within the same period it was 0.5 p.p. lower. It is to be noted that the overdue debt on MHL in rubles increased as compared to the end of the 4<sup>th</sup> quarter of 2013 in monetary terms and fell as a percentage of the outstanding debt, specifically, from 1.0% as of January 1, 2014 to 0.96% as of April 1, 2014. Within the same period, the over-



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

Fig. 1. Dynamics of lending by the quarter



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

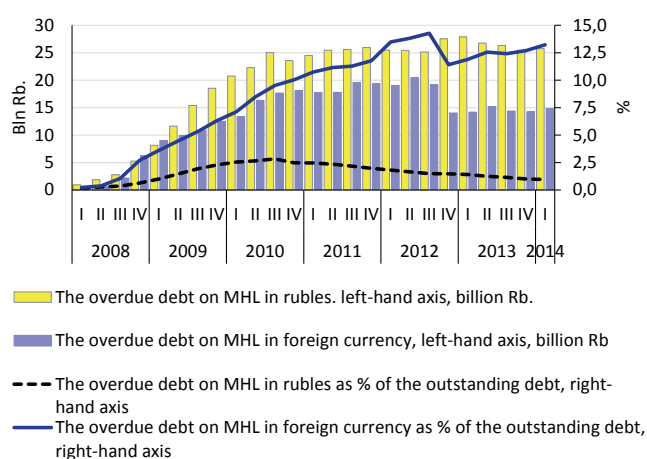
Fig. 2. Dynamics of correlation of the volumes of consumer lending and housing lending

due debt on MHL in foreign currency increased both in volume and as a percentage of the outstanding debt, that is, from 12.69% to 13.22% (Fig. 3).

According to the data of the Central Bank of the Russian Federation, in 2014 the amount of the debt on MHL without overdue payments increased from Rb 2,613.63bn as of March 1 to Rb 2,675.99 as of April 1, while the share of that debt as percentage of the total debt increased within the same period by 0.06 p.p. to 96.25% (Table 1). Within the same period, the volume of debt on defaulted MHL (loans with payments overdue for over 180 days) increased to Rb 52.82 bn, while its share in the total debt grew by 0.11 p.p. to 1.88% (Table 1).

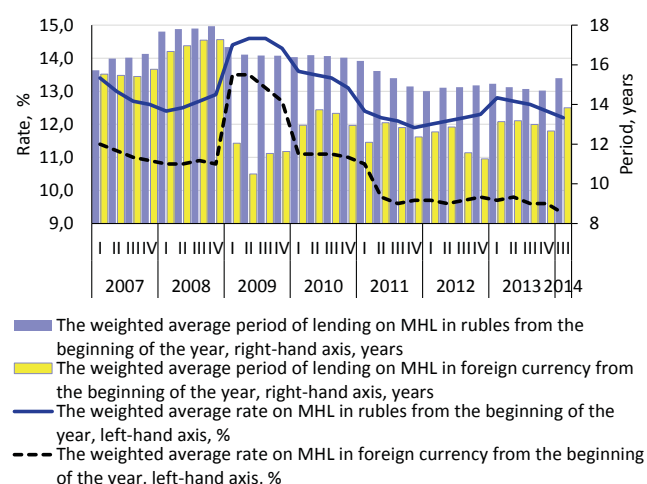
According to the data of the Central Bank of the Russian Federation, in the 1<sup>st</sup> quarter of 2014 the 2013 trend of reduction of the weighted average rate on MHL in rubles extended from the beginning of the year prevailed. As of April 1, 2014, the rate amounted to 12.2% which is 0.6 p.p. lower than that as of the same date of 2013 (Fig. 4). In March 2014, the weighted average monthly rate on MHL in rubles fell by 0.7 p.p. as compared to March 2013 and amounted to 12.0%. In 2014, the weighted average rate on MHL in foreign currency extended from the beginning of the year amounted to 9.3% (Fig. 4). In the 1<sup>st</sup> quarter of 2014, the weighted average period of lending as regards MHL in rubles extended from the beginning of the year amounted to 15.33 years, while that as regards loans in foreign currency, to 13.83 years (Fig. 4).

As of April 1, 2014, the average value of MHL in rubles extended from the beginning of the year rose everywhere as compared to that as of January 1, 2014, except for Moscow, the Moscow Region and St. Petersburg. The average value of the loan in the Russian Federation amounted to Rb 1.68m having increased by 3.48% as compared to January 1, 2014. As of April 1, 2014, the largest average value of a loan (Rb 3.54m) was registered in Moscow, while the lowest one, in the Privolzhsky Federal District (Rb 1.31m). In the 1<sup>st</sup> quarter, the interest rate on MHL in rubles fell by 0.2–



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

Fig. 3. The overdue debt on mortgage housing loans as of the end of the quarter



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

Fig. 4. The rate and period of lending

0.5 p.p. in all the regions, except for the South Federal District where its growth amounted to 0.2 p.p. As of April 1, 2014, the minimum rate (12.0%) on MHL was registered in the Privolzhsky Federal District (Fig. 5).

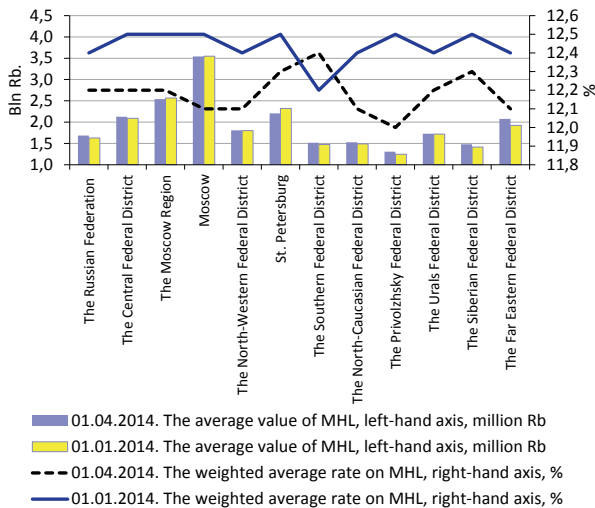
Table 1

#### GROUPING OF DEBTS ON MHL BY THE PERIOD OF DELAY IN PAYMENTS IN 2014

	The total amount of the debt on MHL	Including							
		Without overdue payments		With payments overdue from 1 day to 90 days		With payments overdue from 91 days to 180 days		With payments overdue for over 180 days	
		Million Rb	%*	Million Rb	%**	Million Rb	%*	Million Rb	%*
01.Jan.	2 648 859	2 544 229	96.05	50 593	1.91	6 887	0.26	47 150	1.78
01.Feb.	2 682 172	2 558 792	95.40	67 591	2.52	7 778	0.29	48 011	1.79
01.Mar.	2 745 693	2 613 625	95.19	75 506	2.75	7 963	0.29	48 599	1.77
01.Apr.	2 809 432	2 675 985	95.25	72 202	2.57	8 428	0.30	52 817	1.88

\* percentage of the total amount of the debt.

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



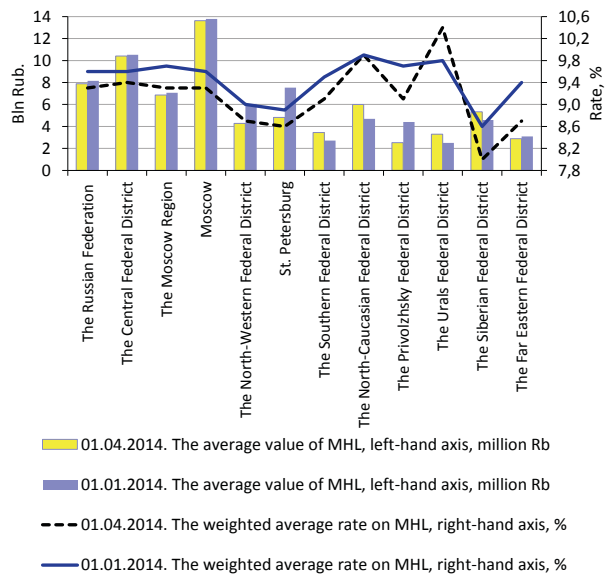
Source: on the basis of the data of the Central bank of the Russian Federation.

Fig. 5. The value of and rate on ruble MHL extended from the beginning of the year by the federal district

Except for the Southern Federal District, the North-Caucasian Federal District, the Urals Federal District and the Siberian Federal District, in other districts the average value of a loan in foreign currency extended from the beginning of the year decreased as of April 1, 2014 as compared to January 1, 2014. The average value of a loan in foreign currency in the Russian Federation as a whole amounted to Rb 7.89m. As of April 1, 2014, the largest average value of a loan (Rb 13.62m) was registered in Moscow, while the lowest one, in the Privolzhsky Federal District (Rb 2.53m). As of April 1, 2014, the minimum rate (8.0%) on MHL in foreign currency was registered in the Siberian Federal District, while the maximum one (10.4%) in the Ural Federal District (Fig. 6).

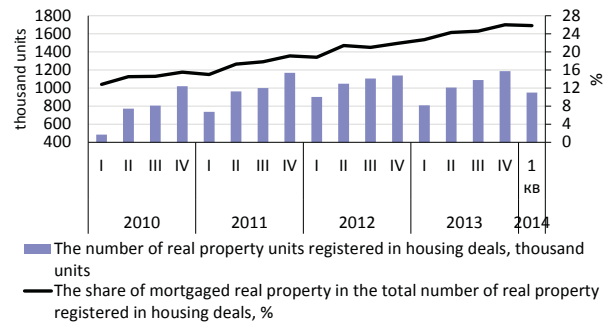
In the 1<sup>st</sup> quarter of 2014, the share of mortgaged housing deals in the total number of housing deals exceeded by 3.1 p.p. the respective index of the 1<sup>st</sup> quarter of 2013 and amounted to 25.8% (Fig. 7).

In a situation of depreciation of the ruble exchange rate against the US dollar and euro, growth in the volume of MHL points, sooner, to the investment nature of that growth. In particular, in the 1<sup>st</sup> quarter of 2014 the volume of mortgage loans extended by the Sberbank rose by 87% against the same period of the previous year, while that extended by VTB24, by 63.3% as compared to the same period of 2013. At the same time, in January–April 2014 the Agency for Housing Mortgage Lending (OAO AHML) refinanced Rb 13.60bn worth of 8,923 mortgages which



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

Fig. 6. The value and rate on MHL in foreign currency extended from the beginning of the year by the federal district Source: on the basis of the data of the Central Bank of the Russian Federation



Source: The Rosreestr and calculations of the OAO AHML.

Fig. 7. Dynamics of the number of mortgaged real property units in housing deals

is 14.23% and 8.42% lower in quantitative terms and monetary terms, respectively, as compared to the respective period of 2013. Prior to December 31, 2014, the Bank for Foreign Economic Affairs (VEB) intends to buy at a par value bonds of seven banks and the OAO AHML issued by them within the frameworks of the VEB's Rb 92.14bn worth of investments in development of affordable housing projects and mortgage in the 2010–2013 period. At the same time, from May 1, 2014 the Raiffaisenbank suspended issuing mortgages in US dollars and euros which fact can be explained by higher risks related to long-term lending in foreign currency.