

MORTGAGE IN THE RUSSIAN FEDERATION IN JANUARY THROUGH MAY 2014

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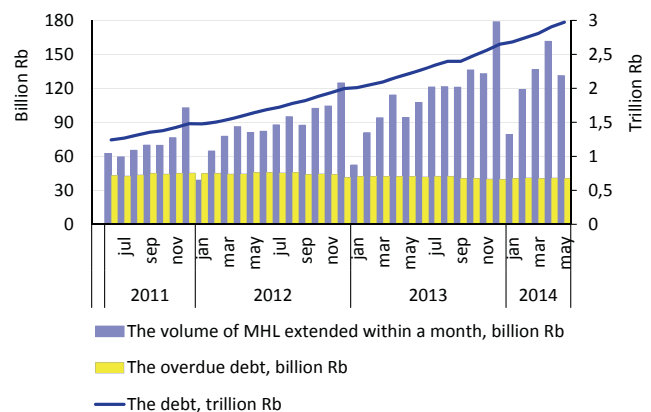
Within five months of 2014, as compared to the respective period of the previous year growth in the volume of mortgage housing lending amounted to 35.96% and 44.15% as regards the number of loans and their monetary value, respectively (the respective data of 2013 against 2012: 12.46% and 24.90%, respectively). Within the above period, Rb 627.34 worth of 367,398 mortgage housing loans (MHL) was extended. As of June 1, 2014, the outstanding debt on MHL rose by 34.29% as compared to June 1, 2013 and amounted to Rb 2.97 trillion. In 2014, the share of the overdue debt in the outstanding debt on MHL in rubles decreased and as of June 1 amounted 0.92%, while that on loans in foreign currency increased within that period to 13.60%. In May 2014, the monthly weighted average rate on loans in rubles decreased by 0.1 p.p. and amounted to 12.2%, while the weighted average rate on loans extended from the beginning of the year in foreign currency gained as of June 1, 2014 0.1 p.p. as compared to May 1, 2014 and amounted to 9.6%.

According to the data of the Central Bank of the Russian Federation, within five months of 2014 Rb 627,344bn worth of 367,398 MHL was extended which is 35.96% and 44.15% more as regards the number and their monetary value, respectively, as compared to the same period of 2013 (the respective data of 2013 against 2012: 12.46% and 24.90%). In May 2014, Rb 131.12 worth of 75,574 MHL was extended (Fig. 1). As of June 1, 2014, the outstanding debt on MHL rose by 34.29% as compared to June 1, 2013 and amounted to Rb 2.97 trillion (Fig. 1).

Within five months of 2014, 19,263 unsecured housing loans (UHL) (the difference between HL and MHL) were extended which was 4.98% of the number of the extended HL. In monetary terms, the volume of UHL (Rb 20.32bn) extended within that period amounted to 3.14% of the volume of HL extended in that period (Fig. 2). As compared to the respective period of 2013, the share of UHL in monetary terms was 0.06 p.p. higher, while that in quantitative terms, 0.86 p.p. lower. As of June 2014, the outstanding debt on MHL amounted to Rb 116.08bn or 3.76% of the debt on HL which value is 1.04 p.p. lower than that as of June 1, 2013 (Fig. 2).

In 2014, the surplus of the overdue debt on UHL as a share 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 decreasing as late in 2013 (Fig. 2). The latter is evidence of higher quality of UHL and the fact that the quality of UHL is getting closer to that of mortgage housing loans. Also, the above is confirmed by the fact that as of June 1, 2014 the share of the overdue debt on UHL in its outstanding debt fell to 2.56% against 5.17% as of June 1, 2013.

As of June 1, 2014, the overdue debt (Fig. 1) on MHL (Rb 40.67bn) was Rb 1.503bn less or 3.56% of the overdue debt as of June 1, 2013, while as com-



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

Fig. 1. Dynamics of mortgage housing lending

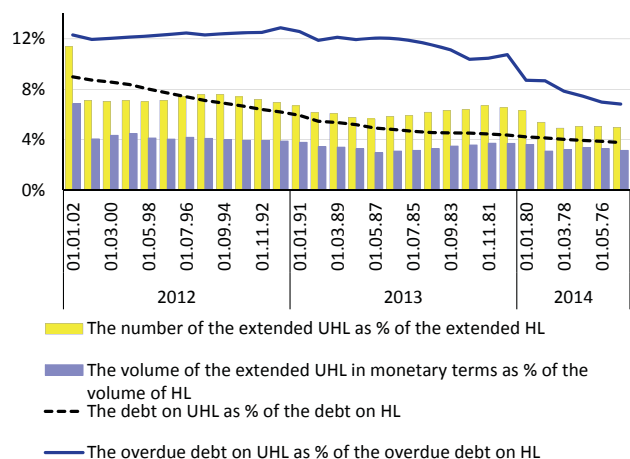


Fig. 2. Dynamics of unsecured housing lending as compared to housing lending in general

Table 1

GROUPING OF THE DEBT ON MHL BY THE PERIOD OF DELAY IN PAYMENTS IN 2014

	Debt on MHL, million Rb	Including:							
		Without overdue payments		With overdue payments					
				From 1 day to 90 days		From 91 to 180 days		over 180 days	
		Million Rb	%*	Million Rb	%*	Million Rb	%*	Million Rb	%*
1 Jan	2 648 859	2 544 229	96.05	50 593	1.91	6 887	0.26	47 150	1.78
1 Feb	2 682 172	2 558 792	95.40	67 591	2.52	7 778	0.29	48 011	1.79
1 Mar	2 745 744	2 613 673	95.19	75 508	2.75	7 963	0.29	48 600	1.77
1 Apr	2 809 483	2 676 033	95.25	72 204	2.57	8 428	0.30	52 818	1.88
1 May	2 904 972	2 768 149	95.29	76 110	2.62	8 424	0.29	52 289	1.80
1 Jun	2 973 260	2 842 734	95.61	67 493	2.27	10 406	0.35	52 627	1.77

*% of the total amount of the debt.

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

Table 2

DISTRIBUTION OF FEDERAL DISTRICTS BY THE NUMBER OF MHL EXTENDED PER 1,000 PERSONS IN Q1 2014

Federal districts	The place of a federal district, 2014; 2013.	Q1 2013	Q 1 2014				
		The number of MHL, units	The number of MHL, units	The volume, million Rb	Debt, million Rb	Including the overdue debt	Overdue debt, % of the outstanding debt
Privolzhsky District	I; II	1.24	1.69	2.21	16.97	0.15	0.87
North-Western District	II; IV	1.09	1.63	2.96	22.67	0.22	0.98
Urals District	III; I	1.40	1.62	2.80	31.49	0.23	0.72
Siberian District	IV; III	1.13	1.56	2.31	20.88	0.20	0.96
Russian Federation	V; V	0.99	1.38	2.33	19.58	0.28	1.45
Central District	VI; VII	0.85	1.27	2.74	21.58	0.59	2.74
Far eastern District	VII; VI	0.91	1.15	2.38	21.62	0.09	0.43
Southern District	VIII; VIII	0.71	1.06	1.61	12.85	0.15	1.19
North-Caucasian District	IX; IX	0.35	0.42	0.64	5.74	0.09	1.64

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

pared to May 1, 2014 it was Rb 0.22bn less or 0.53%. As of June 1, 2014, the share of the overdue debt in the outstanding debt on MHL amounted to 1.37% or was 0.54 p.p. lower than as of June 1, 2013. In 2014, the share of the overdue debt on MHL in rubles keeps decreasing and amounted to 0.92% as of June 1, while that on loans in foreign currency keeps growing and amounted to 13.60% as of the same date.

According to the data of the Central bank of the Russian Federation, as of June 1, 2014 as compared to May 1, 2014 the share of the debt without overdue payments in the total debt on MHL increased by 0.32 p.p. and amounted to 95.61%; 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 amounted to 1.77% as of June 1, 2014 (Table 1) against 1.8% as of May 1, 2014 and 2.12% as of June 1, 2013.

In Q1 2014, in distribution of federal districts by the number of MHL extended per 1,000 persons the

leader was the Privolzhsky Federal District (Table 2). As before, with a large number of mortgage loans extended per 1,000 persons the leaders have lower – below the average – the share of the overdue debt in the outstanding debt, that is, a higher quality of a credit portfolio on MHL. The lowest value of that share (0.72%) was registered in the Urals District, while the largest one (2.74%), in the Central District (Table 2).

Among constituent entities of the Russian Federation, as regards the number of MHL per 1,000 persons of the population the highest value (2.21) was registered with the Republic of Komi (Table 3), while the lowest one, with republics of the North-Caucasian Federal District; it is to be noted that the index of Moscow (0.94) is close to that. As regards the share of the overdue debt in the total debt as of April 1, 2014, the Chechen Republic is rated the 1st (4.90%) as in Q1 2013 and is followed by Moscow (4.07% against 4.97% in 2013), Dagestan and the Moscow Region.

Table 3

DISTRIBUTION OF REGIONS OF THE RUSSIAN FEDERATION BY THE NUMBER OF MHL EXTENDED PER 1,000 PERSONS IN Q1 2014 (10 REGIONS WITH THE LARGEST NUMBER OF MHL PER 1,000 PERSONS)

Region of the RF	The place of the region, in 2014; 2013	Q1 2013	Q 1 2014				
		Number of units	Number of MHL, units	volume, million Rb	Debt, million Rb	Including the overdue debt	Overdue debt, % of the outstanding debt
Republic of Komi	1; 8	1,56	2,21	3,67	26,38	0,05	0,18
Ulyanov Region	2; 9	1,53	2,20	2,57	19,06	0,08	0,41
Chuvash Republic	3; 11	1,45	2,18	2,83	20,80	0,11	0,53
Republic of Udmurtia	4; 6	1,60	2,08	2,42	19,22	0,13	0,67
Vologda Region	5; 15	1,38	2,07	2,65	21,91	0,15	0,68
Kirov Region	6; 18	1,29	2,04	2,42	15,80	0,05	0,32
Tyumen Region	7; 3	1,83	2,03	4,54	58,07	0,18	0,31
Yamal-Nenets Autonomous Region	8; 1	1,93	2,01	5,27	67,70	0,09	0,13
Perm Region	9; 17	1,33	2,00	2,61	20,31	0,37	1,82
Republic of Tatarstan	10; 5	1,68	1,95	2,48	17,33	0,09	0,53

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

With a smaller 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 value of the share of the overdue debt in the outstanding debt.

According to the data of the Central Bank of the Russian Federation, the volume of MHL in foreign currency (Rb 3.18bn) extended from the beginning of the year as a percentage of the total volume of MHL in May 2014 decreased by 0.04 p.p. to 0.51% as compared to April 2014, while the share on MHL in foreign currency (Rb 105.29bn) in the total debt decreased within the same period by 0.26 p.p. to 3.54%. Within five months of 2014, the volume of MHL extended in foreign currency decreased by 54.42% and 46.60% as regards the number of loans and their monetary value, respectively, as compared to the respective period of 2013.

In May 2014, the weighted average period of lending as regards MHL extended in rubles amounts to 15.18 years, that is, 17.62% higher than in April. As regards MHL in foreign currency extended from the beginning of the year, as of June 1, 2014 the weighted average period of lending amounted to 11.99 years having decreased by 3.03% as compared to May 1, 2014.

In May 2014, the weighted average rate on MHL extended in rubles within a month decreased by 0.1 p.p. as compared to April and amounted to 12.2%. The weighted average rate on MHL extended in foreign currency from the beginning of the year gained 0.1 p.p. within a month and amounted to 9.6%.

In January–May 2014, the Agency for Housing Mortgage Lending (AHML) refinanced Rb 17.18bn

worth of 11,318 mortgages which is 11.58% and 17.57% lower in quantitative and monetary terms, respectively than in the respective period of 2013. In May 2014, the OAO AHML refinanced Rb 3.58bn worth of 2,395 mortgages which is 5.83% and 3.58% more in quantitative and monetary terms, respectively, than in May 2013.

In Q1 2014, the share of mortgages on the housing market amounted to 25.8%, which is 3.1 p.p. more than in Q1 2013.

From June 2014, the OAO AHML offers *Young Family*, a mortgage social program with a reduced interest rate, to young families with at least one of the spouses being not older than 35 years old. Families with one baby under 18 years old may receive a 0.25 p.p. deduction, while those with two babies, a deduction of over 0.5 p.p. The program permits to buy any type of housing and use simultaneously the maternity capital, while in case of application of payment holidays the amount of payment on the loan may be reduced not only as regards redemption of the principle, but the interests, as well.

On the mortgage market, creditors' requirements to borrowers have been lowered. The values of the initial contributions fall below the level of 20% which is considered the minimum limit of a standard risk. Both the requirement to borrowers to confirm their income by means of a certificate in accordance with a 2-NDFL form and premiums to the interest rate on loans for borrowers who cannot confirm their income by means of such a certificate have been cancelled. The Sberbank and VTB24 are ready to extend a mortgage loan on the basis of two documents only.