

MORTGAGE IN THE RUSSIAN FEDERATION IN JANUARY–AUGUST 2014

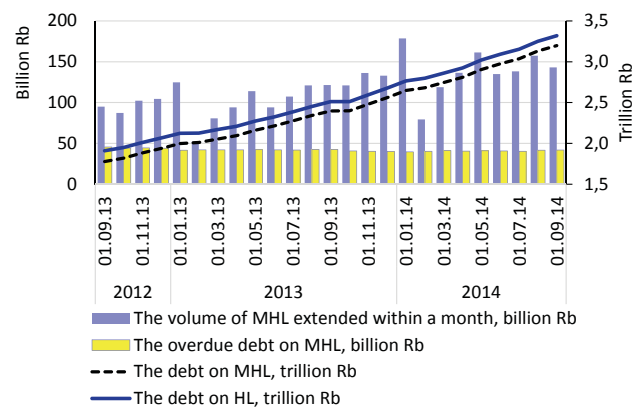
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In January–August 2014, growth in mortgage housing lending continued. As of September 1, 2014, Rb 1.07 trillion worth of 619,026 mortgage housing loans was extended; that is 27.47% and 36.33% more in quantitative terms and monetary terms, respectively, as compared to the respective period of 2013. As of September 1, 2014 the outstanding debt on MHL in the amount of Rb 3.2 trillion exceeded by 33.44% the debt as of September 1, 2013. There is still a positive trend of decrease in the share of the overdue debt on MHL in rubles in the outstanding debt (0.87% as of September 1, 2014) and growth in the volume and share of the debt on MHL without overdue payments (95.59% as of September 1, 2014) in the total debt. In August 2014, the weighted average monthly rate on MHL in rubles increased by 0.05 p.p. and became equal to 12.27% against 12.2% as of June 1, 2014.

According to the data of the Central Bank of the Russian Federation, as of September 1, Rb 1,104.05bn worth of 650,570 housing loans (HL) was extended including Rb 1,070.34bn worth of 619,026 mortgage housing loans which is 27.47% and 36.33% more in quantitative terms and monetary terms, respectively, as compared to September 1, 2013. Within August 2014, the outstanding debt on HL rose by 2.11% to Rb 3.32 trillion, while that on MHL, by 2.12% to Rb 3.2 trillion. As of September 1, 2014, the latter exceeded by 33.44% the debt on MHL as of September 1, 2013. As of September 1, 2014, the overdue debt on HL and MHL amounted to Rb 45.01bn and Rb 41.78bn, respectively (Fig. 1).

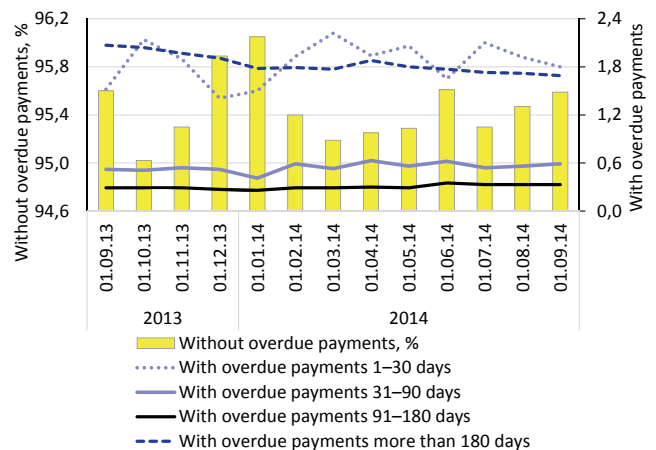
According to the data of the Central Bank of the Russian Federation, as of September 1, 2014 the debt on MHL with payments overdue for over 180 days (defaulted loans) amounted Rb 54.06bn or 1.69% of the total amount of the debt (Fig. 2), which is 0.38 p.p. and 0.03 p.p. lower as compared to September 1, 2013 and August 2014, respectively. Within August 2014, the debt on MHL without overdue payments rose to Rb 3.06 trillion, while as compared to the total amount of the debt it increased by 0.12 p.p. and amounted to 95.59% (Fig. 2). Within August 2014, the overdue debt on MHL rose (Fig. 1) by 0.52% in monetary terms, while as percentage of the outstanding debt it decreased by 0.02 p.p. and amounted to 1.31%.

As of September 1, 2014, as regards the number of MHL extended from the beginning of the year with a cumulative effect per 1,000 persons of the population the Privolzhsky Federal District and the Urals Federal District are rated the first and the second, respectively; the above districts changed places as compared to September 1, 2013 (Table 1). As of September 1, 2014, on average in the Russian Federation 4.31 MHL per 1,000 persons were extended (a 27.24% increase as compared to September 1, 2013). Among constituent



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

Fig. 1. Dynamics of extension of mortgage housing loans



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

Fig. 2. Grouping of the debt on MHL by the period of delay in payments as a percentage of the total amount of the debt

entities of the Russian Federation, the highest index (7.38 loans per 1,000 persons) was registered with the Republic of Komi against 6.73 MHL with the Yamal-Nenets Autonomous Region which was the leader as of September 1, 2013 (Table 1). The highest overdue debt

Table 1

DISTRIBUTION OF REGIONS BY THE NUMBER OF MHL PROVIDED FROM THE BEGINNING OF THE YEAR WITH A CUMULATIVE EFFECT PER 1,000 PERSONS

Region	Per 1,000 persons			Overdue debt as % of the outstanding debt	Place of the region as regards			
	loans, units	volume, million Rb	debt, million Rb		number of MHL per 1,000 persons	overdue debt as % of the outstanding debt	01.09.2013	
							number of MHL as per 1,000 persons	overdue debt as % of the outstanding debt
	01.09.2014				01.09.2013			
PRIVOLZHISKY FEDERAL DISTRICT	5,316	7,146	19,597	0.75	I	III	II	VII
Udmurt Republic	6,759	7,637	22,024	0.54	4	41	4	53
Chuvash Republic	6,719	9,032	24,321	0.45	5	33	14	34
Ulyanov Region	6,634	8,086	22,245	0.43	6	32	8	29
Perm Territory	6,252	8,202	22,968	1.38	10	75	10	75
URALS FEDERAL DISTRICT	5,075	8,941	34,566	0.71	II	II	I	VIII
Yamalo-Nenets Autonomous Region	6,762	18,055	74,920	0.14	3	4	1	6
Tyumen Region	6,392	14,296	62,980	0.30	8	18	3	16
Khanty-Mansiisk Autonomous Region	5,771	13,709	76,383	0.21	15	8	2	9
NORTH-WESTERN FEDERAL DISTRICT	5,070	9,469	26,282	0.91	III	V	IV	V
Republic of Komi	7,379	12,296	31,478	0.23	1	9	5	11
Vologda Region	6,254	8,075	24,711	0.63	9	50	11	52
St. Petersburg	5,027	11,640	32,254	1.25	30	73	41	70
SIBERIAN FEDERAL DISTRICT	5,023	7,555	23,610	0.89	IV	IV	III	VI
Novosibirsk Region	6,609	9,954	31,143	0.96	7	66	6	65
Tomsk Region	5,896	8,360	29,343	0.46	13	34	16	44
THE RUSSIAN FEDERATION	4,309	7,450	22,266	1.31	V	VII	V	II
FAR EASTERN FEDERAL DISTRICT	3,862	8,144	24,991	0.45	VI	I	VI	IX
Magadan Region	5,868	13,099	33,963	0.08	14	1	9	2
Republic of Sakha	5,167	11,637	36,750	0.24	26	12	20	3
CENTRAL FEDERAL DISTRICT	3,748	8,351	24,343	2.46	VII	IX	VII	I
Kostroma Region	5,286	6,173	15,328	0.48	22	36	24	20
Ryazan Region	5,214	7,536	19,485	0.37	25	24	32	35
Moscow	2,544	9,532	29,779	3.82	77	85	74	82
SOUTHERN FEDERAL DISTRICT	3,494	5,442	15,080	1.03	VIII	VI	VIII	III
Astrakhan Region	3,976	5,868	15,801	0.32	56	21	51	28
Volgograd Region	3,655	5,195	14,483	1.24	67	72	64	71
NORTH CAUCASIAN FEDERAL DISTRICT	1,421	2,201	6,653	1.44	IX	VIII	IX	IV
Stavropol Territory	3,167	4,518	13,579	0.94	72	64	71	59
Republic of North Osetia	1,794	3,067	9,115	3.15	80	82	77	80

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

as percentage of the outstanding debt was registered with the Central Federal District (2.46%) and Moscow (3.82%) among federal districts and constituent entities of the Russian Federation, respectively (Table 1).

According to the data of the Central Bank of the Russian Federation, from May 2014 till September 1, 2014 the weighted average rate (12.21%) on MHL in

rubles extended from the beginning of the year increased by the mere 0.01 p.p. (Fig.3). Within August 2014, the weighted average monthly rate on MHL in rubles increased by 0.05 p.p. and amounted to 12.7%. In August 2014, the weighted average rate on MHL in foreign currency extended from the beginning of the year decreased by 0.11 p.p. and amounted to 9.37%.

In July and August 2014, the weighted average period of lending as regards MHL in rubles extended from the beginning of the year rose by 0.2 years and amounted to 14.9 years as of September 1, 2014. As regards MHL in foreign currency, the weighted average period of lending decreased by 0.3 years and amounted to 12.0 years (Fig. 3).

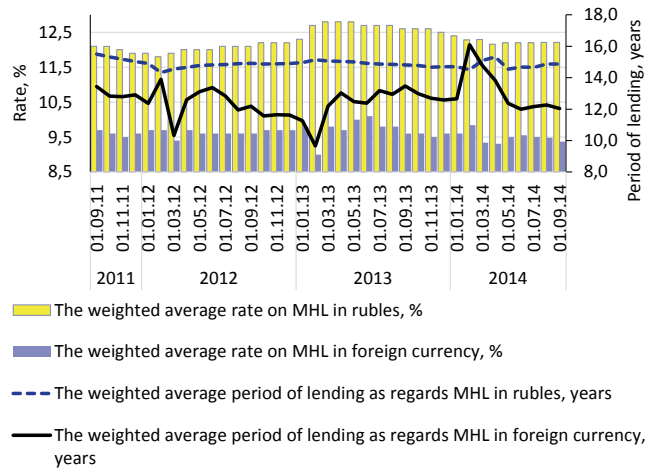
In 2014, the average value of MHL in rubles extended from the beginning of the year increased by 5.9% as of September 1 and amounted to Rb 1,722m (Fig. 4); as compared to September 1, 2013 it rose by 7.66%. From February 1, 2014 till September 1, 2014 the respective value in foreign currency virtually doubled (95%), having amounted to Rb 9.616m (Fig. 4).

The share of loans in foreign currency in the volume of MHL extended from the beginning of 2014 amounted to 0.5% as of September 1 (Fig. 5). Due to a low volume of lending in foreign currency the share of foreign currency in the debt on MHL kept decreasing and amounted to 3.27% as of September 1, 2014. However, a high level of the share of the overdue debt on MHL in foreign currency in the total overdue debt prevailed and amounted to 35.4% as of September 1, 2014 (Fig. 5). So, the share of the overdue debt on MHL in foreign currency in the total overdue debt exceeded 10.8 times over the share of debt on MHL in foreign currency in the total debt.

In January–August 2014, the share of five large banks (the 1st group of credit institutions) ranged by the value of their assets in the total number of MHL extended to individuals increased to 77.63% (Fig. 6) against 75.3% in the same period of 2013. For comparison: as of September 1, 2012 that share amounted to 58.92%. In January–August 2014, as compared to the respective period of 2013 the overdue debt as a percentage of the outstanding debt of group 1 fell from 1.47% to 1.08% which was below the average value of 1.31% by all the groups (national average). The average value by all the groups fell by 0.46 p.p. as compared to the previous year. The worst quality MHL portfolio was observed with group 5 whose share of the overdue debt (3.32%) exceeded significantly the average value by all the groups (Fig. 6).

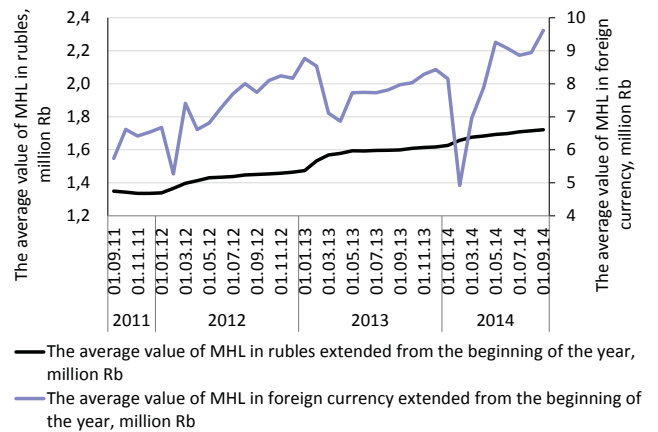
As of October 1, 2014, the OAO AHML refinanced 21,251 MHL for the amount of Rb 32,917bn which is 6.88% and 0.2% lower as regards the number of the loans and in monetary terms than in the respective period of 2013.

As of September 1, 2014, the share of loans refinanced by AHML in the total number of the extended loans with a cumulative result amounted to 3.05%, which is 1.15 p.p. lower than that as of September 1, 2013.



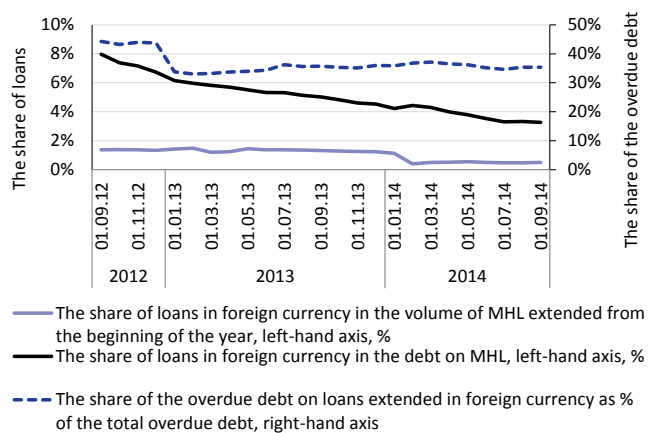
Source: on the basis of the data of the Central Bank of the Russian Federation

Fig.3. Dynamics of the weighted average rate on and the weighted average period of lending as regards MHL extended from the beginning of the year



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

Fig. 4. The dynamics of the average value of MHL extended from the beginning of the year

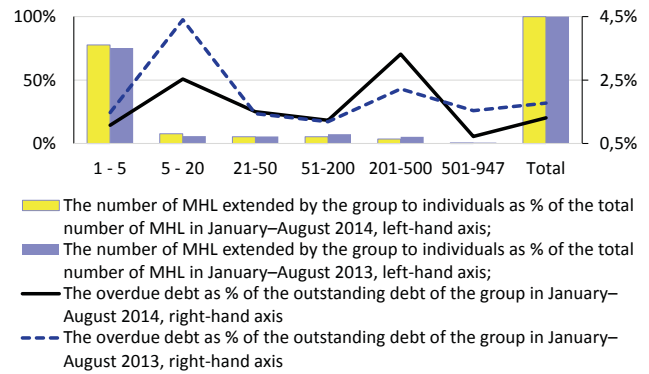


Source: on the basis of the data of the Central Bank of the Russian Federation.

Fig. 5. The dynamics of the ruble/foreign currency ratio in mortgage housing lending

In H1 2014, there were 12 issues of mortgage-backed securities whose aggregate issuing volume amounted, by the AHML estimates, to Rb 108bn which was nearly 3 times higher than in the respective period of the previous year (Rb 36.5bn). In the total volume of MHL extended within that period the share of funds attracted by means of issuing of mortgage-backed securities amounted to 11%.

According to the data of the Central Bank of the Russian Federation, by the mid-2014 in banks' mortgage portfolio the share of MHL with an initial contribution of less than 30% increased and amounted to nearly 50%, including 34% of those with the initial contribution of less than 20%. The above points to a reduction of requirements to borrowers which situation, experts believe, can produce system risks. ●



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

Fig. 6. Dynamics of volumes of the extended MHL and the overdue debt by groups of credit institutions ranged by the value of their assets