

MORTGAGE IN THE RUSSIAN FEDERATION IN OCTOBER 2015

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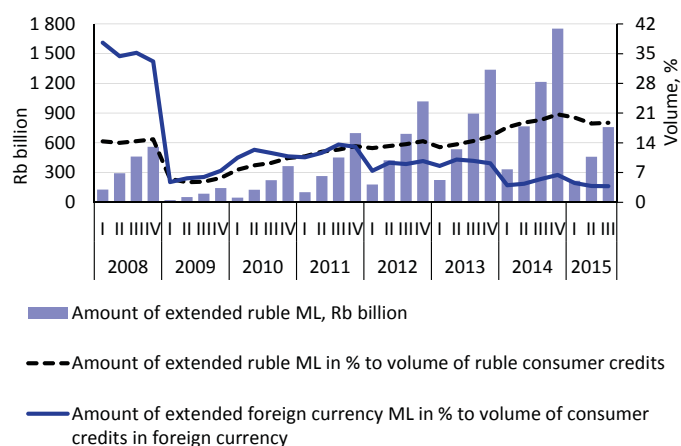
Over three quarters of 2015, 461,232 mortgage loans (ML) totaling Rb 761.8bn were originated which is below the volume of loans extended for the corresponding period of 2014 in monetary terms down 38% and in numerical terms down 35%. As of 1 October 2015, the share of ruble ML in the volume of consumer credit came to 18.73% which is by 0.65 p.p. less than the corresponding share as of 1 October 2014. Outstanding debt on ruble ML in percent to the residual debt as of the same date has gone up by 0.17 p.p. to 1.02%. The weighted average interest rate across the Russian Federation on ruble mortgage loans originated in September 2015 came to 13.12% against the maximum indicator of 14.71% in February 2015.

According to the Central Bank of Russia, during three quarters of 2015, credit organizations have extended 473,571 housing loans totaling Rb 776.7 bn, including 461,232 mortgage loans (ML) totaling Rb 761.8bn. Of which 461,154 mortgage loans have been originated in rubles to the tune of Rb 759.1bn and 78 mortgage loans in foreign currency to the tune of Rb 2.7bn. As of 1 October 2015, the volume of extended mortgage loans in percent to the volume of consumer credits amounted to 18.73% in rubles which is by 0.61 p.p. less than as of 1 October 2014, and in the foreign currency – 3.81% which is by 1.65 p.p. less than as of 1 October 2014 (Fig. 1). The volume of housing mortgages originated during three quarters of 2015 is less compared to the corresponding period of 2014 in monetary terms by 38% and in the quantitative terms by 35%.

As of 1 October 2015, residual debt on ML amounted to Rb 3.7 trillion including Rb 3.6 trillion on ruble loans (Fig. 2). As of end-Q3 2015, the residual debt on ruble ML has gone up by 14.04% and outstanding debt has increased by 36.93% in comparison with the corresponding period of 2014. The outstanding debt denominated in rubles amounted to Rb 36.9bn or 1.02% of the residual debt (Fig. 2) which is by 0.17 p.p. more than as of 1 October 2014.

As of 1 October 2015, the residual debt on loans denominated in foreign currency (Rb 129.2bn) up 18.99% compared to the corresponding date 2014. Volume of ML originated in foreign currency in percent to the total volume of extended ML down to 0.35% as of 1 October 2015 against 0.52% as of 1 October 2014.

The share of ML debt denominated in foreign currency in the



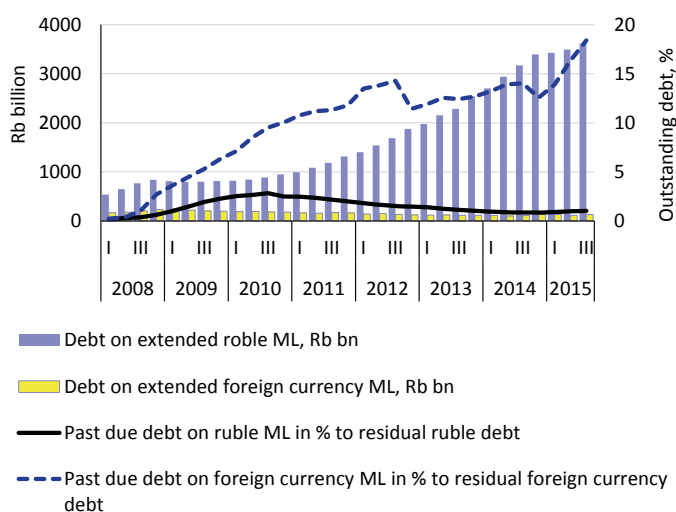
Source: Bank of Russia.

Fig. 1. Dynamics of aggregate ML origination to individuals

total debt moved up from 3.31% as of 1 October 2014 to 3.45% as of 1 October 2015. Furthermore, the share of past-due debt on ML denominated in foreign currency in the total past-due debt as of the same date has gone up by 3.09 p.p. to 39.1%. As of 1 October 2015, past-due debt amount has increased by 56.20% and constituted Rb 23.755bn or 18.39% of the residual debt on foreign currency loans which is by 4.38 p.p. more than as of 1 October 2014 (Fig. 2).

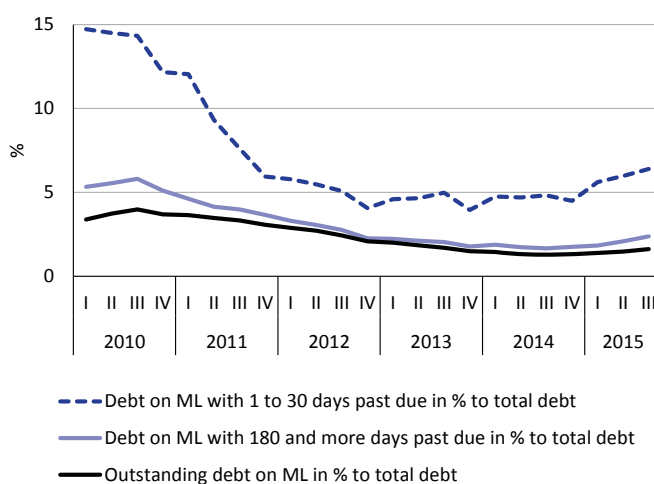
As of 1 October 2015, total past due debt on ML amounted to Rb 60.7bn or 1.62% of the residual debt which is up 0.33 p.p. than as of 1 October 2014 (Fig. 3). According to the Bank of Russia, the ML debt with 1 day and more overdue payments in percent to the overall debt as of Q3 2015 has increased by 1.58 p.p. compared to the corresponding period 2014 and amounted to 6.4%, i.e. the ML debt without overdue payments constituted 93.6% of the total debt. The ML debt with 180 days and more overdue payments (default loans) in percent to the total debt has gone up for the same period by 0.72 p.p. amounted to 2.38%. As of 1 October 2015, the difference between the ML debt with 180 days and more overdue payments in percent to the total debt and the ML outstanding debt in percent to the total debt has decreased by 0.76 p.p. against the minimum difference of 0.37 p.p. as of 1 October 2014 (Fig. 3).

As of 1 October 2015, the weighted average interest rate on ML denominated in rubles originated from the turn of the year across the Russian Federation as a whole constituted 13.68% which is up 1.44 p.p. against the same period 2014. Rate increment against 2014 happened across all federal district (Fig. 4). The weighted average rate across the Russian Federation on ruble loans originated in September came to 13.1% against the maximum value of 14.71% posted for February 2015. The average loan amount denominated in rubles over three quarters of 2015 has fallen by 4.66% across the Russian Federation against the corresponding period 2014 and amounted to Rb 1.65mn. The reduction of the average amount of ruble loans took place across all federal districts less Moscow (Fig. 4). The average loan amount in Moscow (Rb 3.72bn) as before significantly exceeds this amount in other



Source: Central Bank of Russia.

Fig. 2. Dynamics of residual and outstanding debt on mortgage loans



Source: Bank of Russia.

Fig. 3. Dynamics of debt with past due payments as of end-quarter

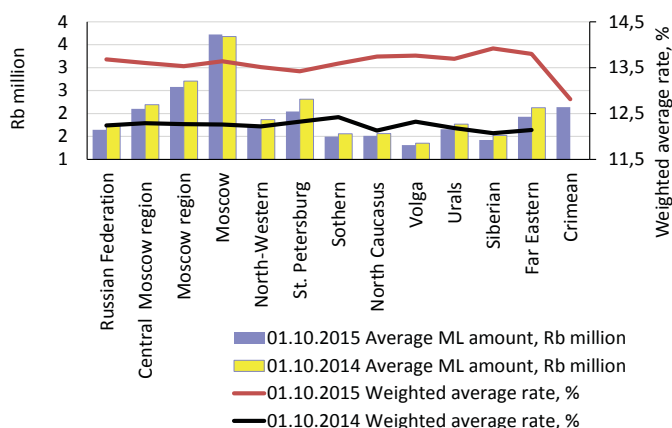
regions. In particular, as of 1 October 2015, it exceeds average loan amount across RF by 2.26-fold. The lowest indicator of the average loan (Rb 1.31mn) originates in the Volga district (Fig. 4).

As of 1 October 2015, according to the Bank of Russia, the weighted average mortgage loan period denominated in rubles originated since the start of the year amounted to 14.53 years and the weighted average mortgage loan period denominated in foreign currency – 4.6 years.

As of 1 July 2015, according to the Bank of Russia, the volume of early mortgage loans repaid across the RF as a whole totaled Rb 162.6bn in monetary terms going up by 4.76% against 1 July 2014. Over the same period, the volume of early mortgage loans repaid in percent to the volume of extended ML came to 35.1% going up by 15.07 p.p. (Fig. 5). In the same period, change in the relative volume of early loans repaid is unidirectional for the RF federal districts. Moscow remains the leader regarding the relative volume of early mortgage loans repaid which as of 1 July 2015 came to 65.07% which is by 21.75 p.p. more than as of 1 July 2014 (Fig. 5).

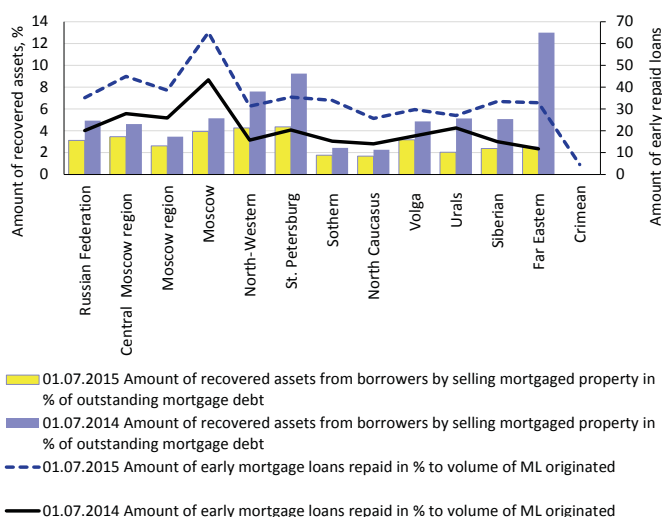
As of 1 July 2015, in the Russian Federation as a whole, the amount of funds recovered from borrowers by foreclosure sales fell by 16.62% against 1 July 2014. As of July 2015, the amount of recovered assets from borrowers by foreclosures in percent to the outstanding debt across the Russian Federation as a whole came to 3.12% which is by 1.81 p.p. less than as of 1 July 2014. As of 1 July 2015, this indicator was the highest in St. Petersburg (4.37%) and the lowest (1.68%) – in the North Caucasus Federal district. (Fig. 5).

In H1 2015, the volume of ML refinancing by the sale of mortgage



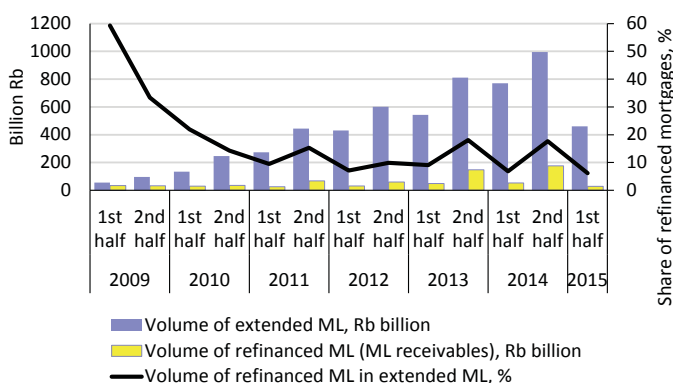
Source: Bank of Russia.

Fig. 4. Weighted average data on ruble mortgage loans originated from the start of the year



Source: Bank of Russia.

Fig. 5. Dynamics of early ML repayment and amount of recovered assets from borrowers by selling mortgaged property across regions



Source: Bank of Russia.

Fig. 6. Mortgage loans refinancing by sale of loans pool (ML receivables) with formation of additional financial tool and by further issue of mortgage-backed securities

loans pool (mortgage loans receivables) without the development of additional financial tools and by further issue of mortgage-backed securities came to Rb 28.5bn which is by 46% less than in H1 2014 and the share of loans refinancing in the amount of mortgage loans granted shrank by 0.67% and constituted 6.19% (*Fig. 6*).

On 7 November 2015, the Government of the Russian Federation adopted a Regulation № 1207 'On Introduction of Amendments in the Regulation of the Government of the Russian Federation of 3 April 2008 № 234' which is aimed at ensuring housing and other construction in areas in the federal ownership and which are under the authority of the Russian Housing Development Foundation. Total area of land provided for the housing construction since 2008 came to 17,123 hectares of which 13,517 hectares (78.9%) were provided by the Housing Development Foundation.

Agency for Housing Mortgage Lending (AHML) and VTB group have signed an agreement on funding the economy type housing construction. Under this agreement, the AHML provided VTB group of banks five billion rubles for loans to the developers in the framework of adopted by the RF Government program 'Housing for a Russian Family'.

The RF Government approved draft law regarding easing of the mortgage-backed bond issuance. ●