

Housing (Mortgage) Loan Market in the First Half of 2016

In the first half of 2016, the housing (mortgage) loan market demonstrated the following trends.

The number of credit institutions granting housing (mortgage) loans (HMLs) decreased against the backdrop of a decline in the number of operating credit institutions. As of 1 July 2016, the number of participants in the primary mortgage lending market fell by 75 credit institutions year-on-year to 499, of which 326 credit institutions granted new HMLs in the first half of 2016, while the rest serviced loans they granted earlier.

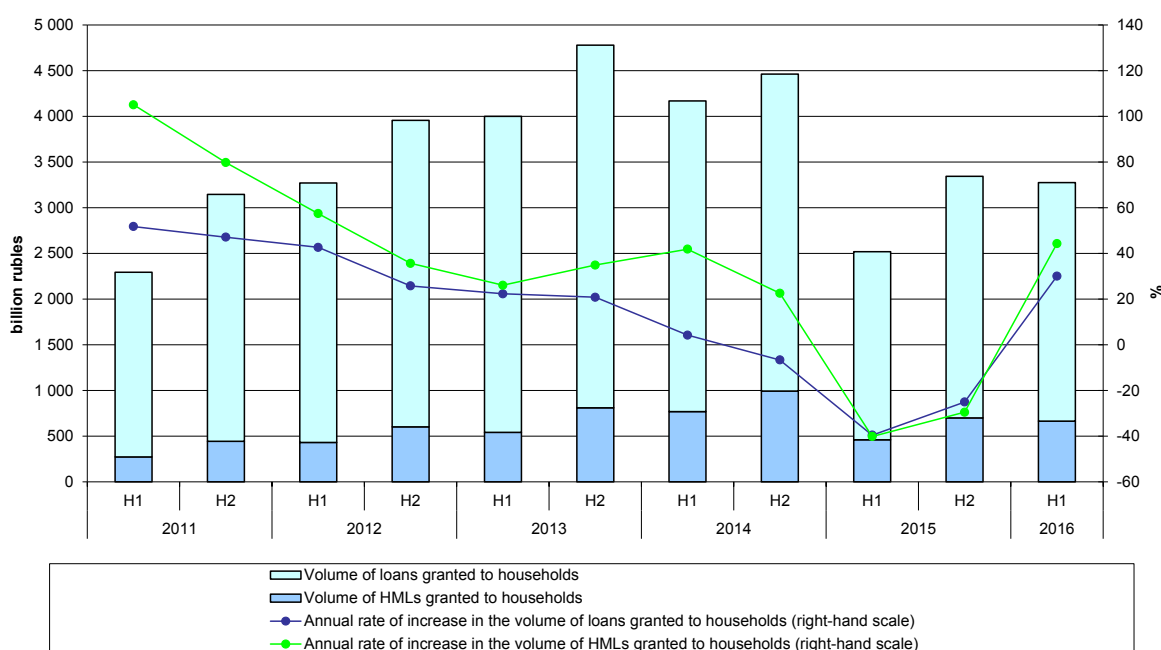
The majority of credit institutions granting HMLs (260) is located in the Central Federal District, of which 224 – in Moscow; 77 participants are located in the Volga Federal District, of which 20 – in the Republic of Tatarstan.

The volume of granted HMLs has increased. The HML market, stimulated by state program of interest rate subsidy, has increased by 44.3% in the first half of 2016, but the level of respective period in 2014 is not yet fully reached.

In the first half of 2016, credit institutions granted 389 836 HMLs in the total amount of 664.6 billion rubles. The share of HMLs in the total volume of household loans reached 20.3% increasing by 2.0 p.p. in comparison with the respective period of the previous year (Chart 1). The average size of granted loans has increased from 1.64 to 1.70 million rubles, while in Moscow this figure reached 3.63 million rubles.

The regional structure of granted HMLS has not changed. Borrowers of Moscow, Moscow Region, Saint Petersburg and Tyumen Region account for the largest volume of granted HMLS during the recent years. The share of loans, granted to borrowers of the Central Federal District, constituted 31.3% of the total volume of granted HMLs in the Russian Federation.

Chart 1. Volume of Loans Granted to Households, Including HMLs (New Business)



In the first half of 2016, the share of HMLs, granted against the pledge of claims under share construction participation agreements (HMLs under SCPAs), constituted 34.5 – 41.5% of the total volume of HMLs. Since the beginning of the year, there were 124.4 thousand loans granted HMLs under SCPAs in the amount of 229.3 billion rubles, predominantly in rubles.

The share of HMLs, granted under state program of interest rate subsidy, was 39.5% of the total volume of granted HMLs (144 674 loans for a total amount of 262.4 billion rubles¹)

The share of HMLs granted in rubles continued to grow. In the first half of 2016, 389 812 HMLs in rubles were granted for an amount of 663.9 billion rubles. Their share in the total volume of HMLs reached 99.9%. In comparison with the first half of 2015 the number of granted HMLs in rubles went up by 39.0% against the volume increase by 44.6%. At the same time the number of granted HMLs in foreign currency decreased by 2.3 times to 24 loans; the volume of HMLs in foreign currency reduced by 2.6 times to 0.7 billion rubles (in ruble equivalent). HMLs in foreign currency were granted predominately to borrowers of Moscow, Moscow Region and Saint Petersburg (98.0% of the volume of loans granted in foreign currency).

Outstanding amount of HMLs in rubles increased further, while outstanding amount of HMLs in foreign currency decreased. As of 1 July 2016, outstanding amount of HMLs in rubles rose by 17.0% year-on-year to 4 087.5 billion rubles and in foreign currency fell by 18.7% to 94.1 billion rubles (in ruble equivalent).

In the first half of 2016, a tendency of the outstanding amount of HMLs under SCPAs to increase was observed for both rubles and foreign currency. As of 1 July 2016, outstanding amount of these loans were 714.8 billion rubles and 2.0 billion rubles (in ruble equivalent) respectively; the share of it reached 17.1% of the total HML portfolio.

Relative and absolute increase of overdue HMLs was noted. As of 1 July 2016, the share of overdue HMLs in outstanding amount grew up: of HMLs in rubles – by 0.14 p.p. year-on-year to 1.11%, in foreign currency – by 11.35 p.p. reaching 27.68%. The overdue debt of HMLs in rubles rose by 33.4% and in foreign currency – by 37.8% attaining the amount of 45.5 billion rubles and 26.0 billion rubles (in ruble equivalent) respectively (Chart 2).

The outstanding amount of HMLs under SCPAs in rubles and foreign currency is describable with lower level of overdue loans (as of 1 July 2016 – 0.3% in comparison with 1.7% for all HMLs).

The share of loans without arrears in the total volume of outstanding amount of HMLs as of 1 July 2016 decreased by 0.26 p.p. year-on-year to 93.76%. Yet, the share of loans with overdue payments over 180 days in the total volume of outstanding amount of HMLs increased by 0.48 p.p. to

¹ Source: Ministry of Finance of the Russian Federation

2.56%. The data on regional structure of outstanding amount of HMLs in rubles and in foreign currency, as well as on the share of overdue loans are presented on Chart 3.

Chart 2. Outstanding amount of HMLs

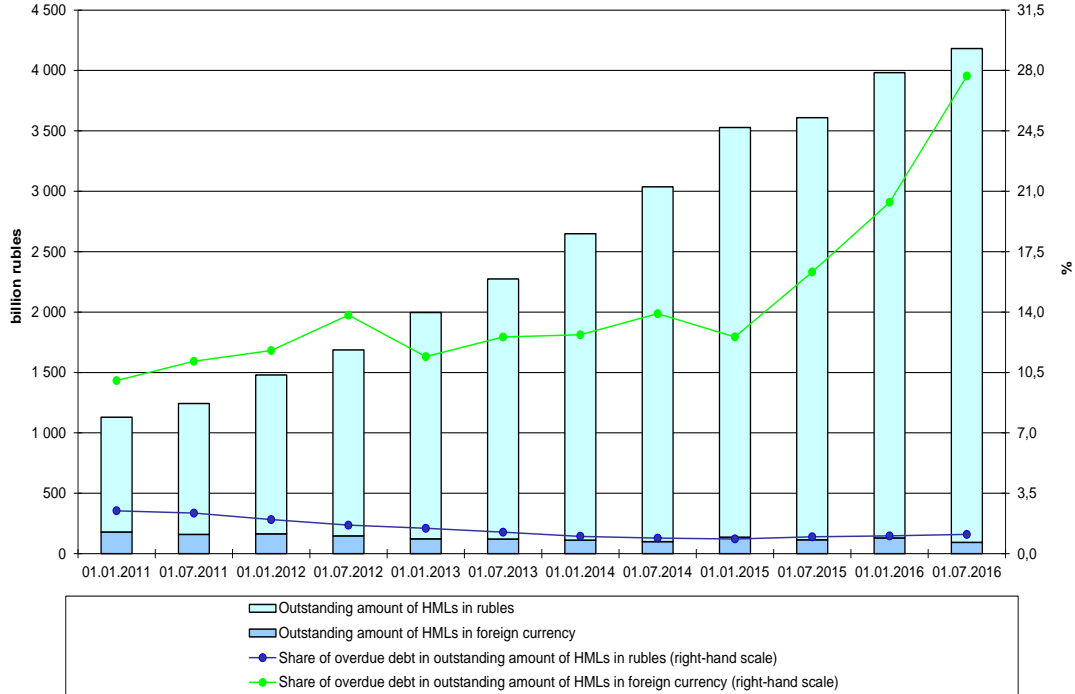
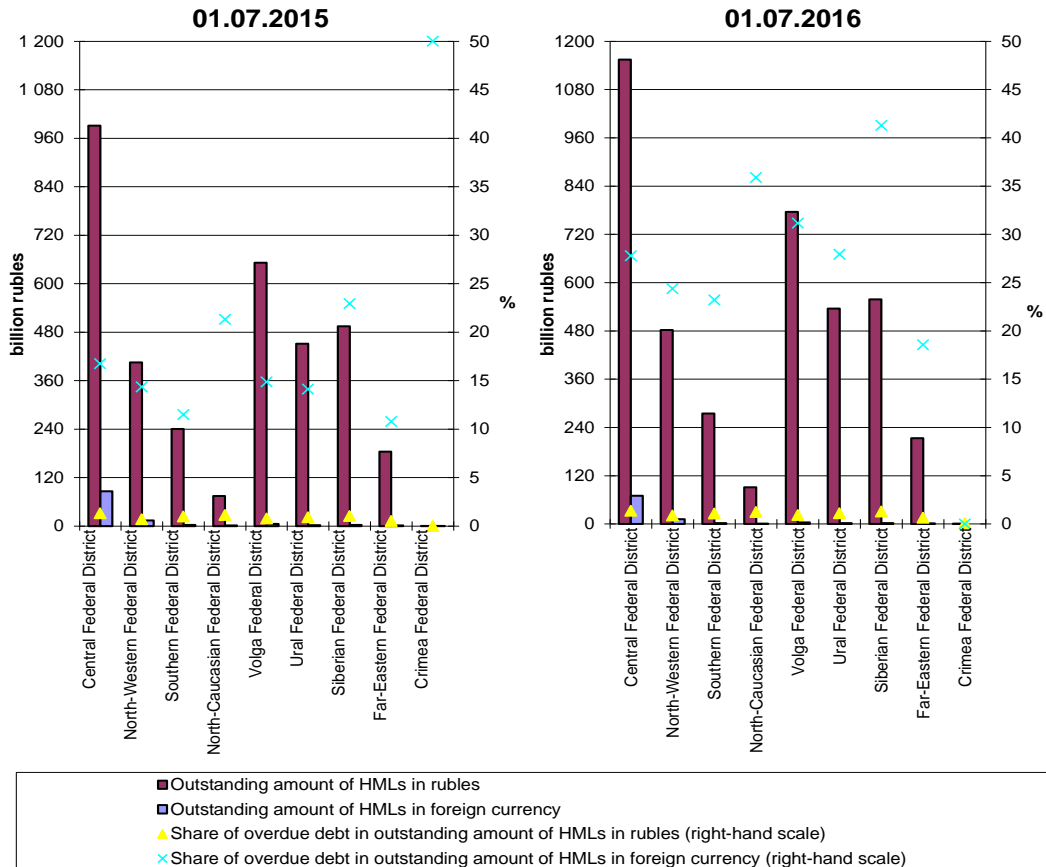


Chart 3. Regional Structure of Outstanding amount of HMLs



An interest rate decline for HMLs in rubles and foreign currency and an extension of weighted average maturity for HMLs in rubles were registered.

In the first half of 2016, the weighted average maturity for HMLs granted by credit institutions in rubles went up by 9 months year-on-year to 183 months (15.2 years) and HMLs in foreign currency slipped by 10 months to 41 months (3.4 years). In comparison with the respective period of the previous year, the weighted average interest rates on HMLs has diminished: HMLs in rubles slipped by 1.32 p.p. to 12.72%; and for HMLs in foreign currency – by 2.01 p.p. to 8.15%. The dynamics of weighted average lending periods and interest rates are shown on Chart 4.

The dynamics of weighted average interest rates on HMLs in rubles, granted over the month, are shown on Chart 5.

Chart 4. Weighted Average Lending Periods and Interest Rates for Granted HMLs

(New Business)

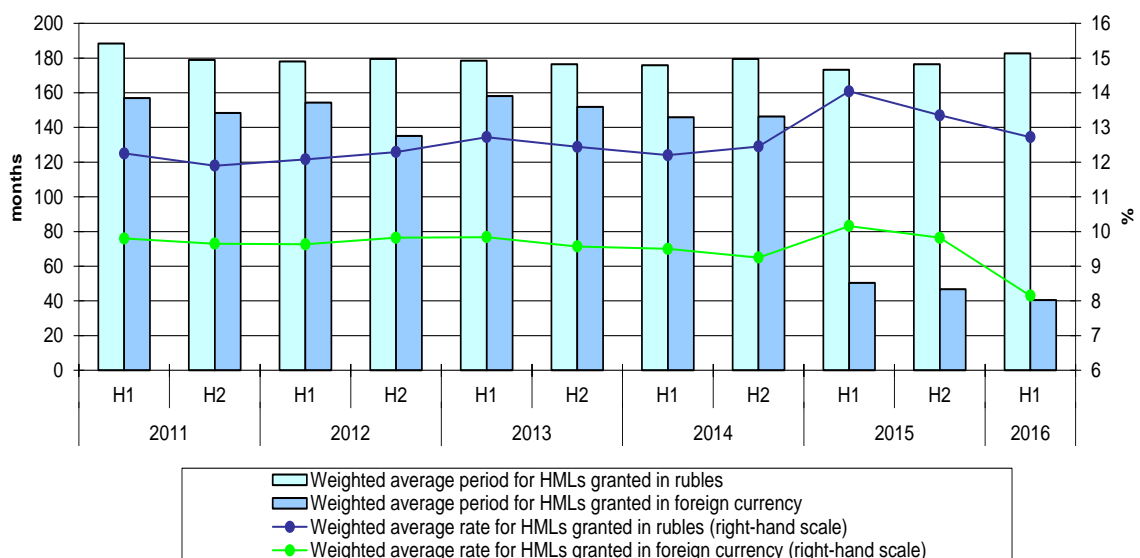
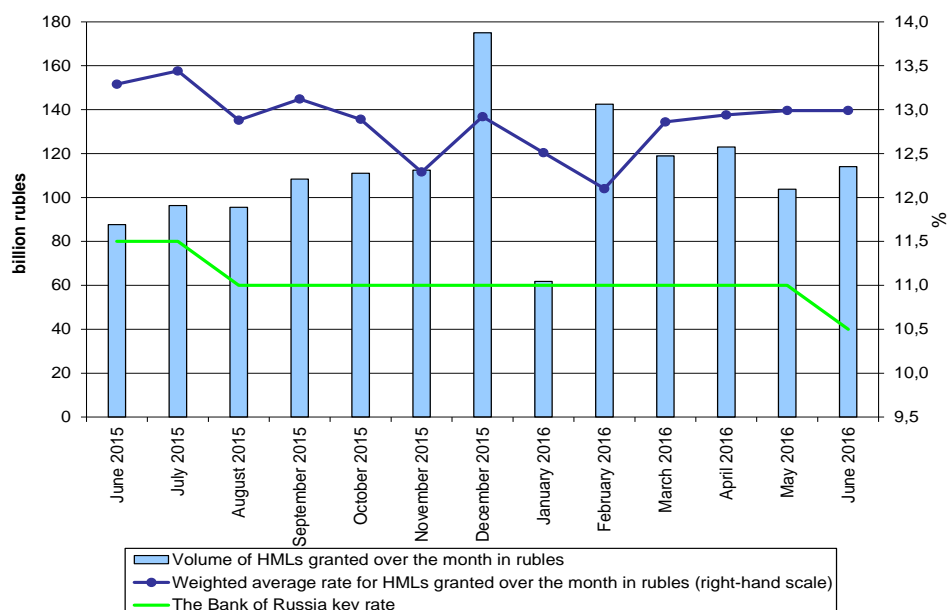
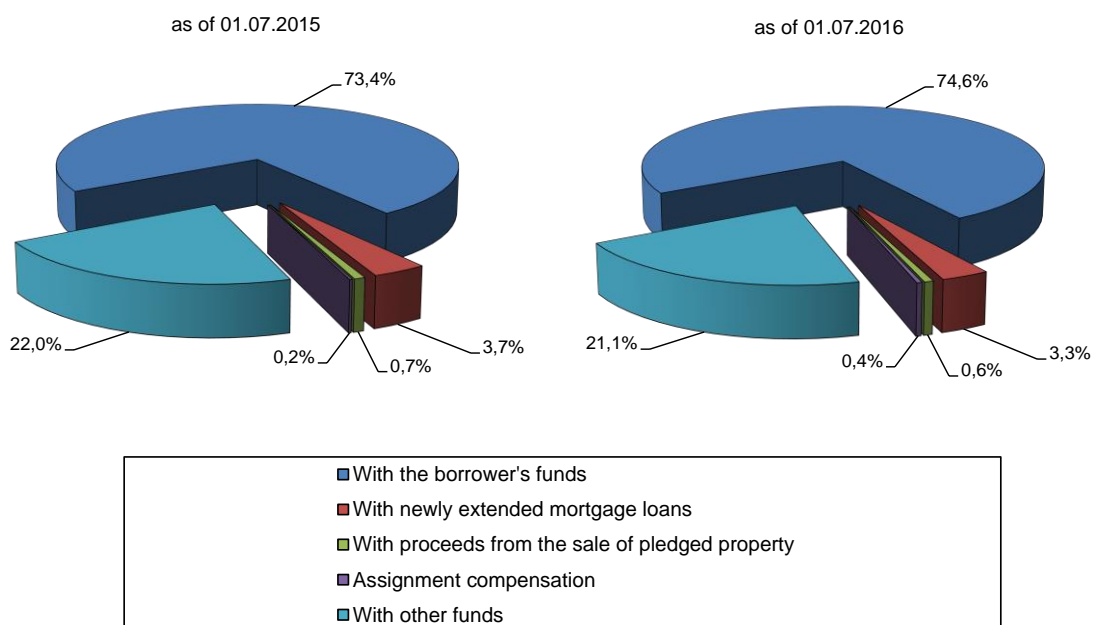


Chart 5. Volume and Interest Rates for Granted HMLs



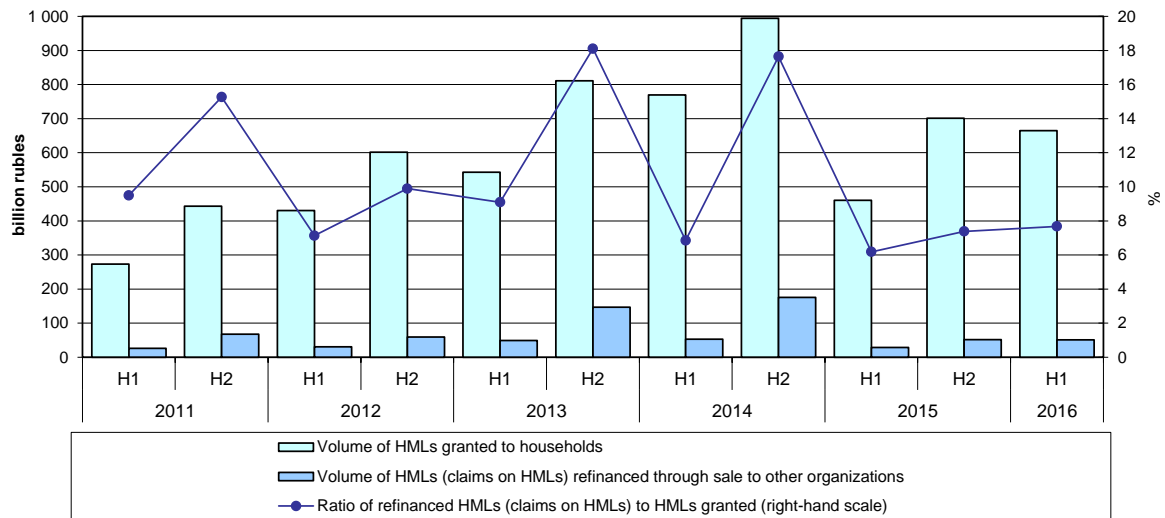
The volume of early repaid HMLs has increased. In the first half of 2016, HMLs for an amount of 299.9 billion rubles, including 6.2 billion rubles on claims on HMLs, were repaid ahead of schedule and this figure is 35.8% higher than the respective period of the previous year. The early repayment was mostly performed on HMLs (claims on HMLs) granted (acquired) in rubles – 282.6 billion rubles. The share of early repaid HMLs (claims on HMLs) by borrowers' own funds accounted for 74.6% (Chart 6). The ratio of early repaid HMLs (claims on HMLs) to granted HMLs stood at 45.1% (respective period of the previous year - 47.9%).

Chart 6. Volume of HMLs Granted to Households and Early Repaid HMLs (Claims on HMLs)



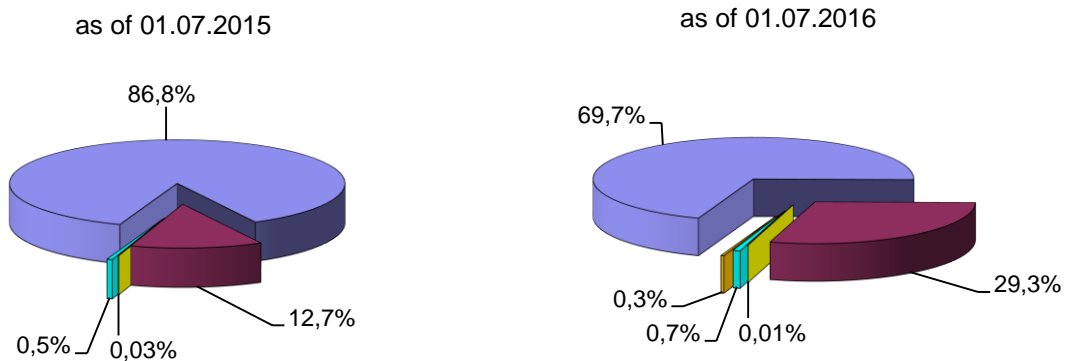
The volume of refinanced HMLs has drastically increased against the background together with the growth of the volume of the granted HMLs. In the first half of 2016, 73 credit institutions refinanced HMLs (claims on HMLs) for an amount of 77.7 billion rubles, of which sold to other institutions for an amount of 51.0 billion rubles (in the first half of 2015 – 88 credit institutions for an amount of 36.9 billion rubles, of which sold to other institutions for an amount of 28.5 billion rubles). The ratio of HMLs (claims on HMLs), refinanced by selling them to other institutions, to granted HMLs stood at 7.7% (Chart 7).

Chart 7. Volume of HMLs Granted to Households and Refinancing of HMLs (Claims on HMLs) through Sale to Other Institutions



Resident specialized organizations are among the main sources of refinancing HMLs through sale to other institutions: in the first half of 2016 they accounted for 69.7% of the total volume of refinanced HMLs (claims on HMLs). In comparison with the respective period of the previous year, the share of operations conducted by resident specialized organizations decreased by 17.1 p.p. However, the volume of HMLs (claims on HMLs) refinanced by these organizations increased by 43.8% to 35.6 billion rubles. The share of credit institutions in refinancing sources rose by 16.6 p.p. to 29.3%, while the volume of HMLs (claims on HMLs) refinanced by these organizations increased by 4.1 times to 14.9 billion rubles. The share of non-resident special purpose vehicles accounted for 0.01% or 0.005 billion rubles, the share of other organizations – 0.7% or 0.4 billion rubles (Chart 8).

Chart 8. Sources of Refinancing HMLs (Claims on HMLs) by Selling Loan Pool

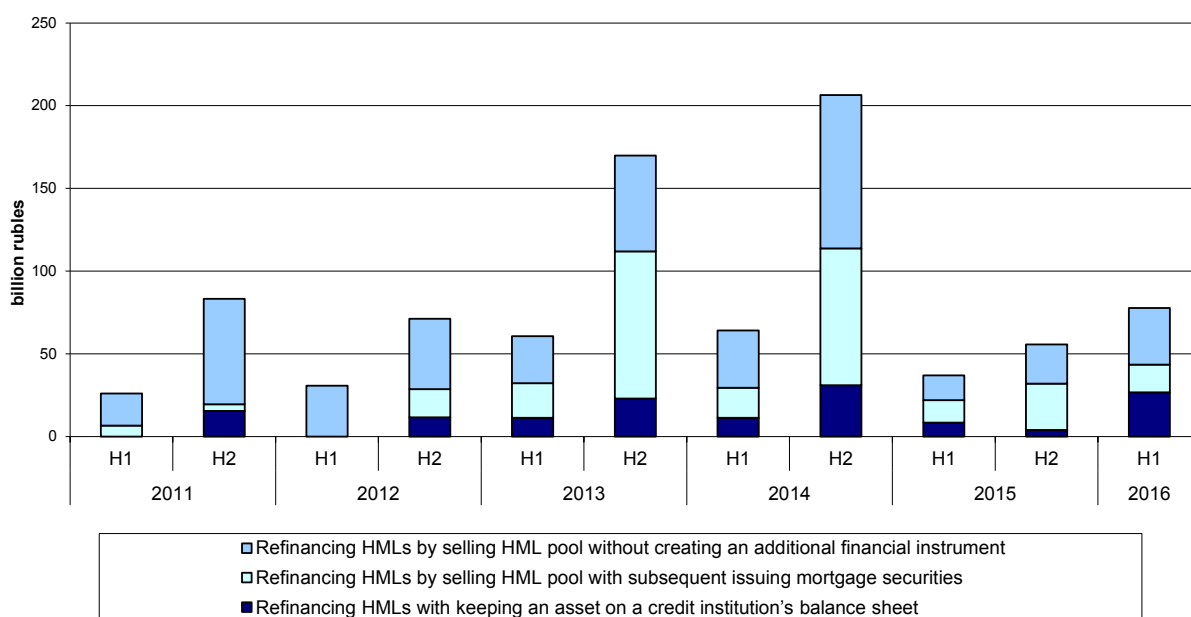


- Resident specialized organizations
- Credit institutions
- Non-resident special purpose vehicles
- Other organizations
- Management companies of unit investment funds

In the first half of 2016, the volume of HMLs (claims on HMLs) that was refinanced through issuing mortgage-backed bonds with keeping an asset on a credit institution's balance sheet stood at 26.6 billion rubles (by 2 credit institutions).

Thus, in the first half of 2016, almost the entire volume of HMLs (claims on HMLs) was refinanced on the domestic financial market. The dynamics of the volume of HMLs refinancing are given on Chart 9.

Chart 9. Refinancing HMLs (Claims on HMLs) with Selling to Other Institutions and with Keeping Asset on a Credit Institution's Balance Sheet



Credit institutions are allowed to use both bonds issued by the Agency for Housing Mortgage Lending (AHML) and mortgage-backed bonds issued in compliance with the Russian Federation legislation (including mortgage-backed bonds secured by AHML joint guarantee) as collateral for the Bank of Russia refinancing operations (as of 1 July 2016, 63 mortgage-backed bonds of 48 issuers for a total value of 373.5 billion rubles and 25 bonds issued by the Agency for Housing Mortgage Lending for a total value of 172.0 billion rubles were included in the Bank of Russia Lombard List).