

Housing (Mortgage) Loan Market in 2015

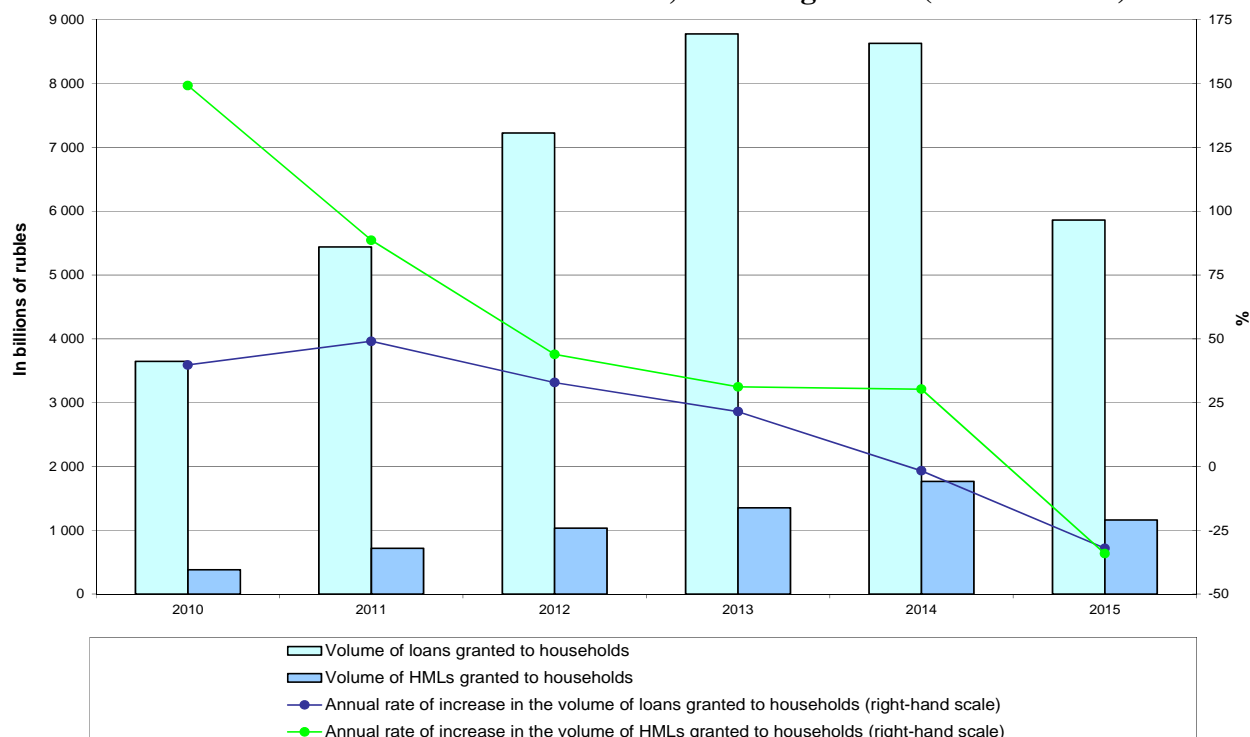
In 2015, the housing (mortgage) loan market demonstrated the following trends.

The number of credit institutions granting housing (mortgage) loans (hereinafter, HMLs) **decreased** against the backdrop of a decline in the number of operating credit institutions. As of 1 January 2016, the number of participants in the primary mortgage lending market fell by 70 credit institutions year-on-year to 559, of which 433 credit institutions granted new HMLs in 2015, while the rest serviced loans they granted earlier. 92 credit institutions granted HMLs in rubles on a regular basis.

The majority of credit institutions granting HMLs (305) is located in the Central Federal District, of which 262 – in Moscow; 78 participants are located in the Volga Federal District, of which 20 – in the Republic of Tatarstan. The minimum number of credit institutions (4 participants) is located in the Crimea Federal District.

The volume of granted HMLs has decreased, in conditions of slump in the real income of households and investment demand decline. In 2015, credit institutions granted 699 510 HMLs in the amount of 1161.7 billion rubles. The share of HMLs in the total volume of household loans volume reached 19.8% decreasing by 0.6 p.p. in comparison with the last year (Chart 1). The average size of granted loans slipped from 1.74 to 1.66 million rubles, while in Moscow this figure reached 3.63 million rubles. In 2015, borrowers of the Central Federal District accounted for the largest share of granted HMLs – 30.0% of the total number of HMLs granted in the Russian Federation.

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

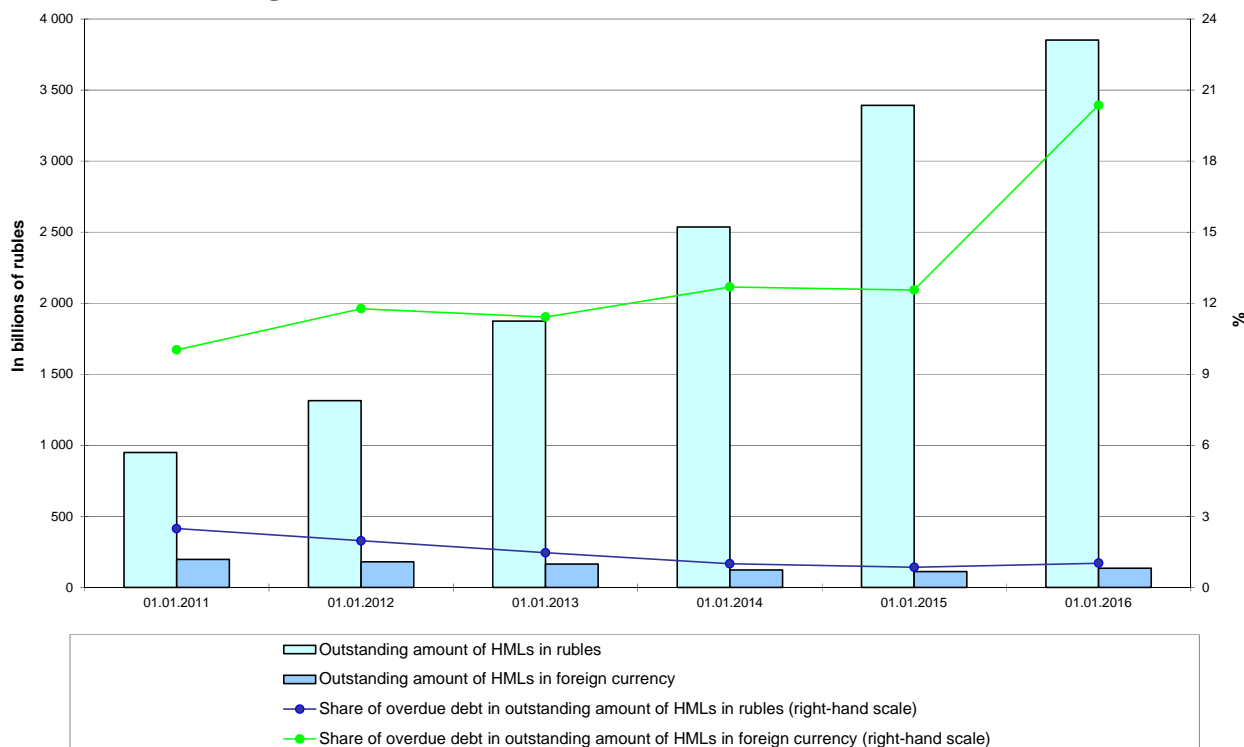


The share of HMLs granted in rubles continued to grow. In 2015, 699 419 HMLs in rubles were granted for a total amount of 1157.8 billion rubles. Their share in the total volume of HMLs reached 99.7%. In comparison with 2014 the number of granted HMLs in rubles came down by 1.4 times against the volume reduction by 34.0%. At the same time the number of granted HMLs in foreign currency decreased by 8.2 times to 91 loans; the volume of HMLs in foreign currency reduced by 2.8 times to 3.9 billion rubles (in rouble equivalent). HMLs in foreign currency were granted predominately to borrowers of Moscow and Moscow Region (90.1% of the total 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 January 2016, outstanding amount of HMLs in rubles rose by 13.5% year-on-year to 3851.2 billion rubles and in foreign currency fell by 4.0% to 131.1 billion rubles (in rouble equivalent).

The share of overdue HMLs in the total outstanding amount increased. As of 1 January 2016, the share of overdue HMLs in outstanding amount grew up: of HMLs in rubles – by 0.17 p.p. year-on-year to 1.03%, in foreign currency – by 7.80 p.p. reaching 20.36%. The overdue debt of HMLs in rubles rose by 36.5% and in foreign currency – by 55.7% attaining the amount of 39.5 billion rubles and 26.7 billion rubles (in rouble equivalent) respectively (Chart 2).

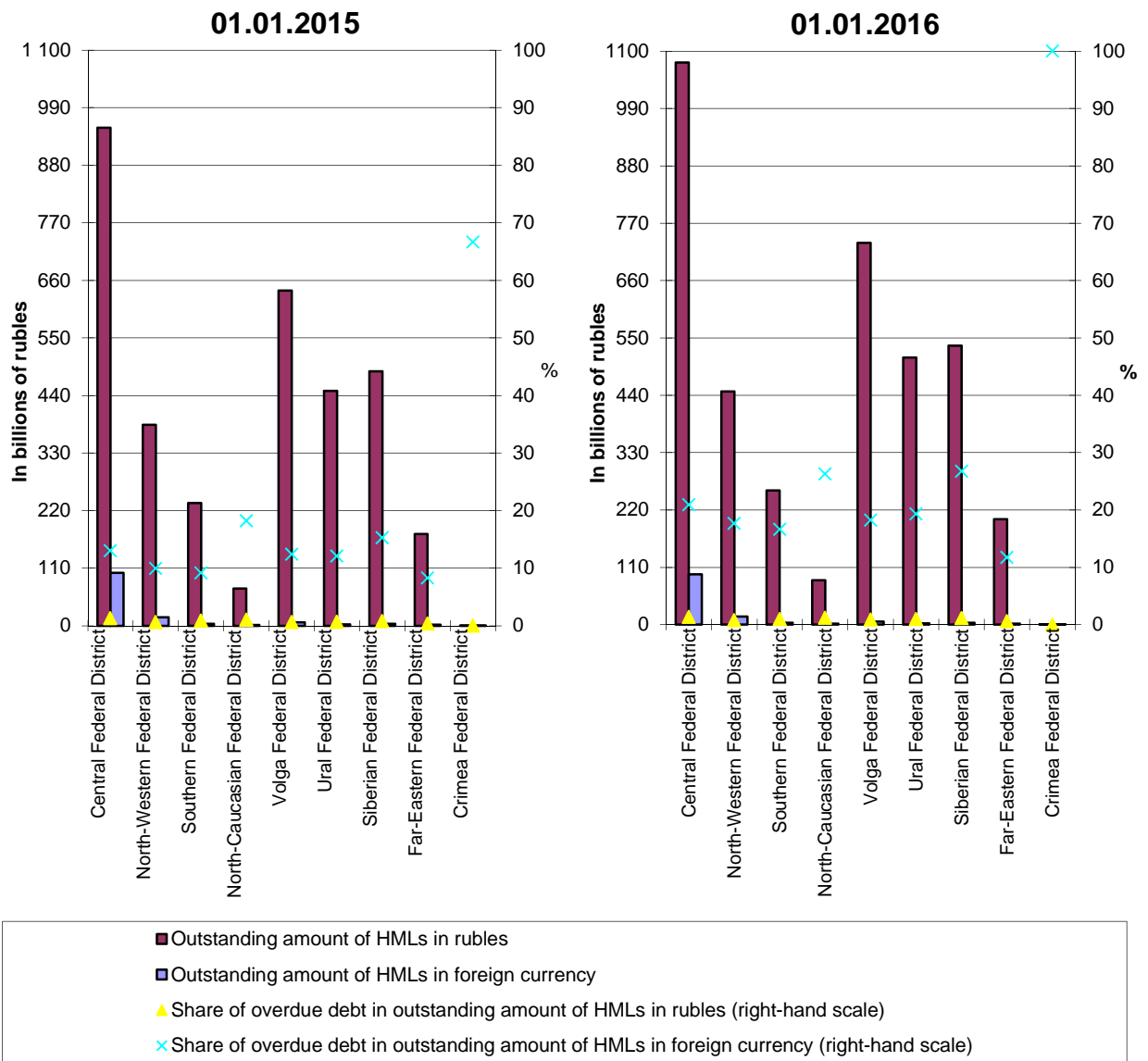
Chart 2. Outstanding amount of HMLs



The share of loans without arrears in the total volume of outstanding amount of HMLs as of 1 January 2016 decreased by 0.85 p.p. year-on-year to 94.66%. Therefore, the share of loans with overdue payments over 180 days in the total volume of outstanding amount of HMLs increased by 0.71 p.p. to 2.47%.

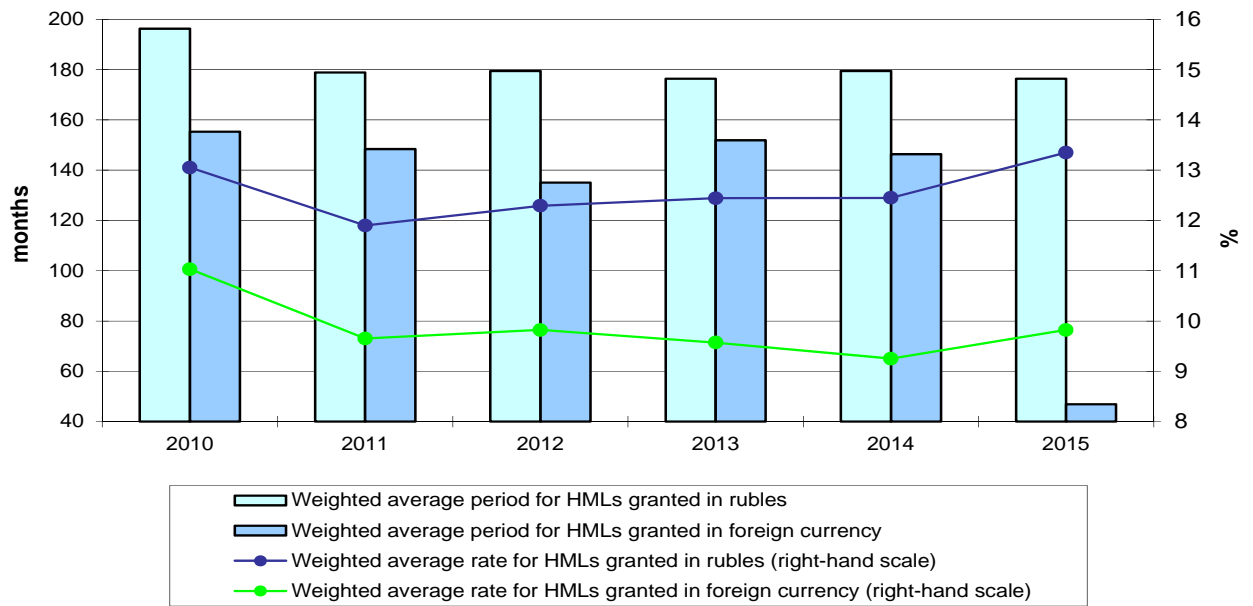
The data on regional structure of outstanding amount of HMLs in rubles and in foreign currency, as well as on the share of overdue loans are presented on Chart 3.

Chart 3. Regional Structure of Outstanding amount of HMLs



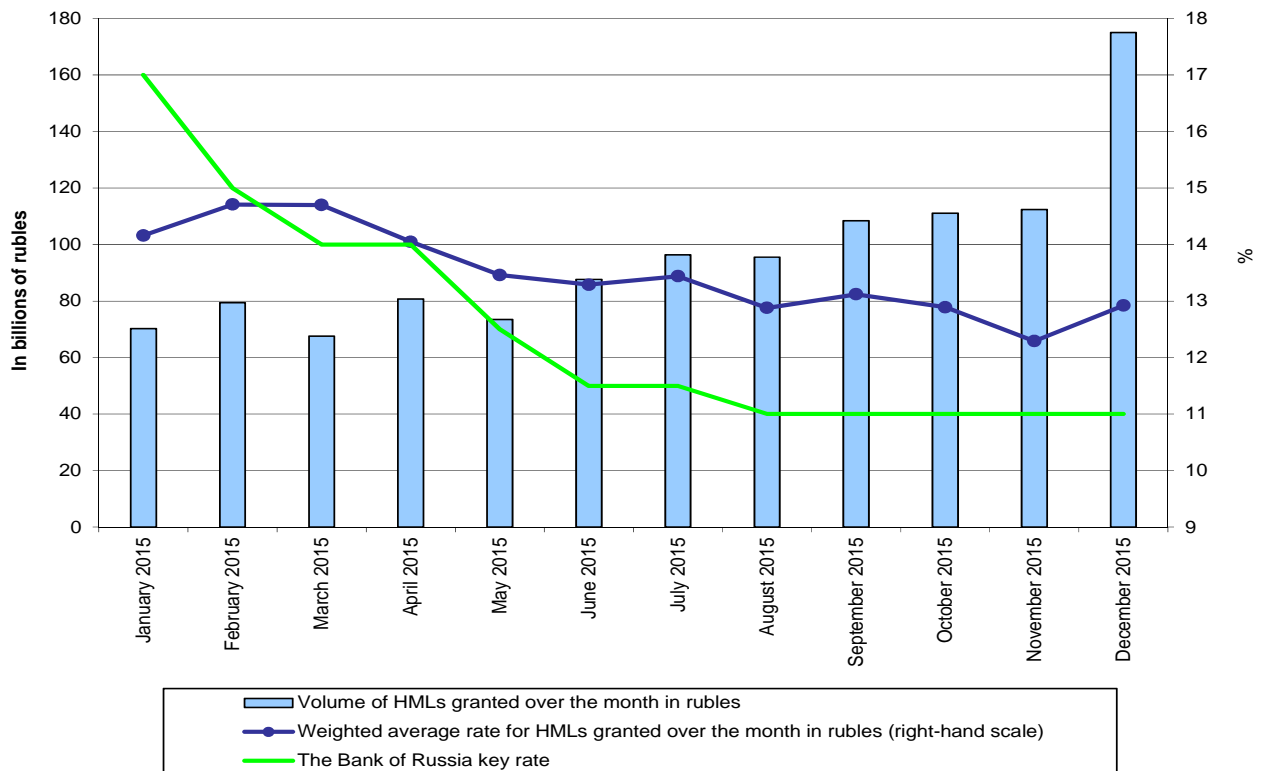
The decline in weighted average periods and the rise in rates for HMLs in rubles and in foreign currency were registered. In 2015, the weighted average period for HMLs granted by credit institutions in rubles slipped by 3.1 months year-on-year to 176 months (14.7 years) and HMLs in foreign currency – by 8 years to 47 months (3.9 years). In comparison with 2014 the weighted average interest rates on HMLs extended since the beginning of the year in rubles rose by 0.90 p.p. to 13.35%; and for HMLs in foreign currency – by 0.57 p.p. to 9.82%. The dynamics of weighted average lending periods and interest rates are shown on Chart 4.

Chart 4. Weighted Average Lending Periods and Interest Rates for Granted HMLs (New Business)



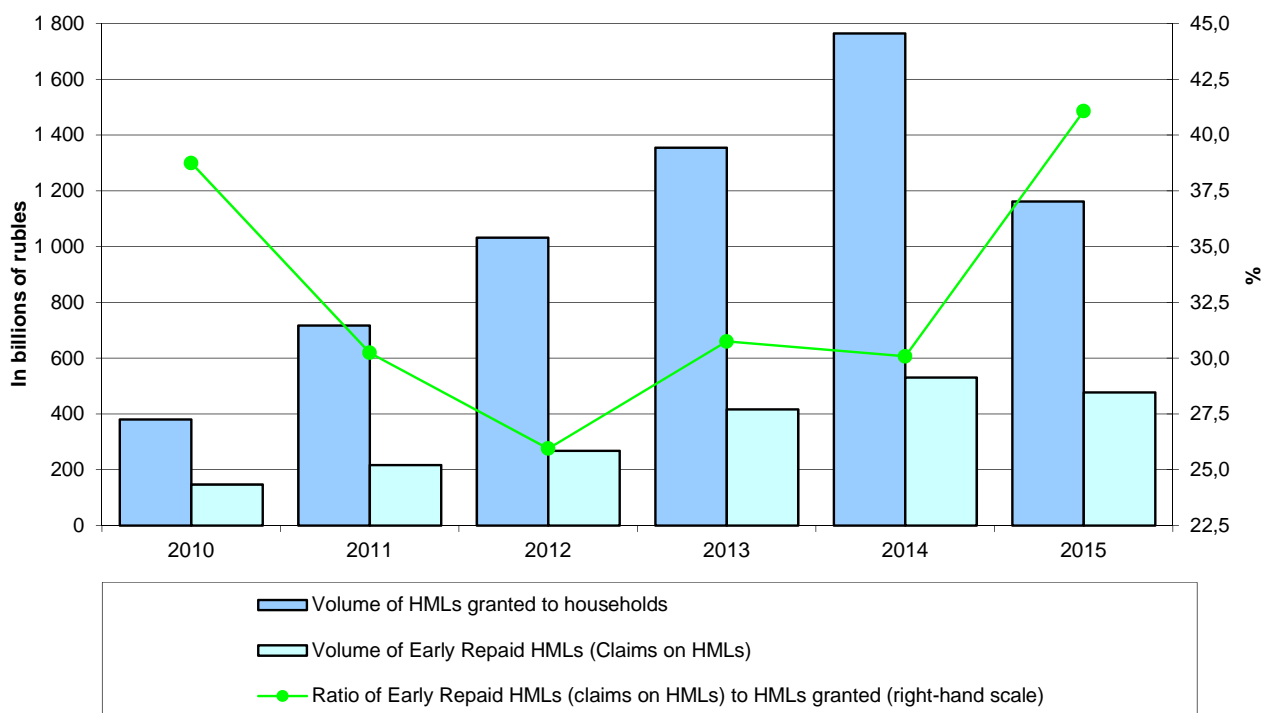
Despite the fact that there was a gradual reduction of the Bank of Russia key rate in 2015 from 17.00 to 11.00%, a volatility of the weighted average interest rates on HMLs in rubles granted over the month has been observed: in the period from January to December 2015 rate value varied from 12.29 to 14.71% and attaining 12.92% in December 2015 (Chart 5).

Chart 5. Volume and Interest Rates for Granted HMLs



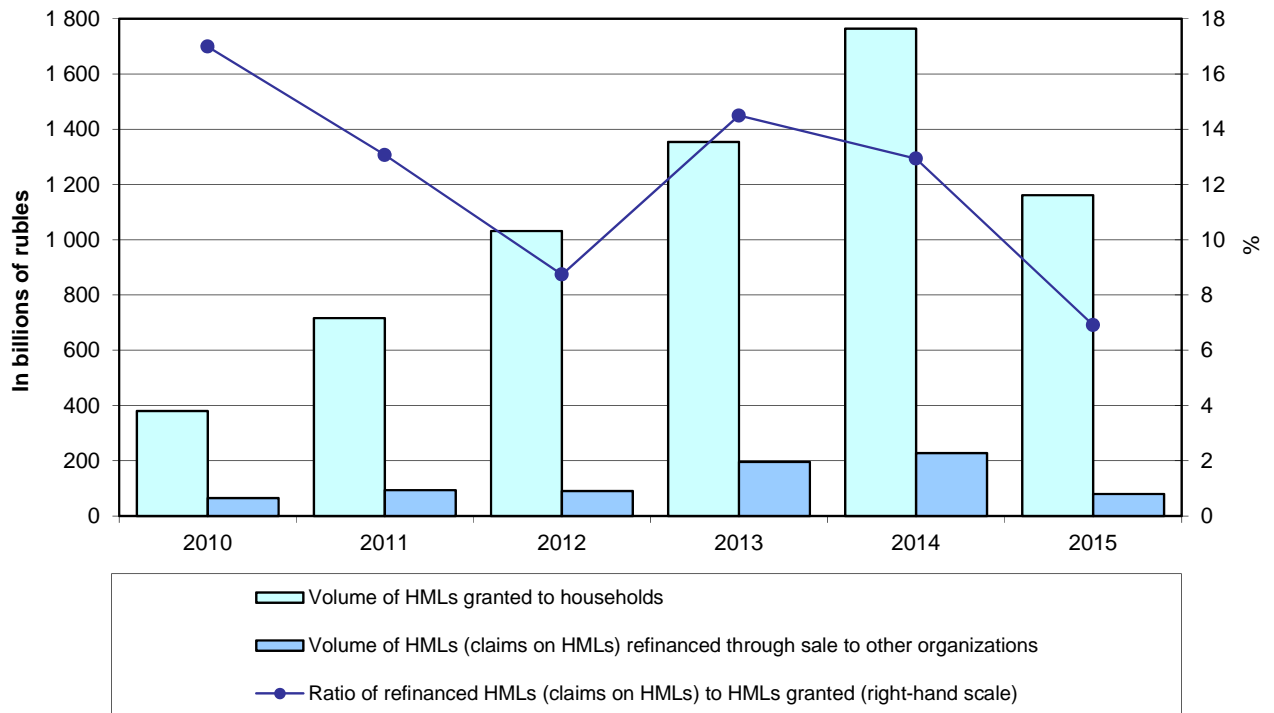
In 2015, HMLs for an amount of 477.1 billion rubles, including 8.0 billion rubles on claims on HMLs, were repaid ahead of schedule. In 2014, the amount of early repaid HMLs (claims on HMLs) stood at 530.6 billion rubles. The early repayment was mostly performed on HMLs (claims on HMLs) granted (acquired) in rubles – 444.5 billion rubles. The share of early repaid HMLs (claims on HMLs) by borrowers' own funds accounted for 79.2%. The ratio of early repaid HMLs (claims on HMLs) to granted HMLs stood at 41.1% (30.1% in 2014) (Chart 6).

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



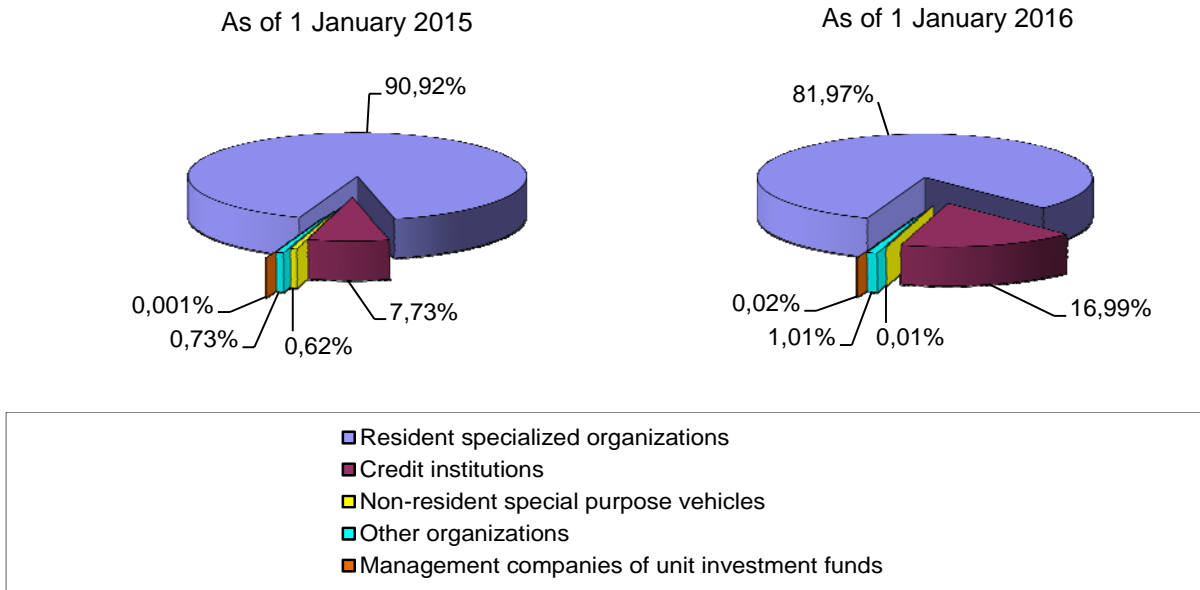
In 2015, 110 credit institutions refinanced HMLs (claims on HMLs) by selling them to other institutions for an amount of 80.3 billion rubles (in 2014, 147 credit institutions for an amount of 228.2 billion rubles). The ratio of refinanced HMLs (claims on HMLs) to granted HMLs stood at 6.9% (Chart 7).

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 2015 they accounted for 82.0% of the total volume of refinanced HMLs (claims on HMLs). In comparison with 2014, the share of operations conducted by resident specialized organizations decreased by 8.9 p.p.. However, the volume of HMLs (claims on HMLs) refinanced by these organizations fell by 3.2 times to 65.8 billion rubles. The share of credit institutions in refinancing sources rose by 9.3 p.p. to 17.0%, while the volume of HMLs (claims on HMLs) refinanced by these organizations dropped by 1.3 times to 13.6 billion rubles. The share of non-resident special purpose vehicles accounted to 0.01% or 0.01 billion rubles, the share of other organizations – 1.0% or 0.8 billion rubles and the share of management companies of unit investment funds – 0.02% or 0.02 billion rubles (Chart 8).

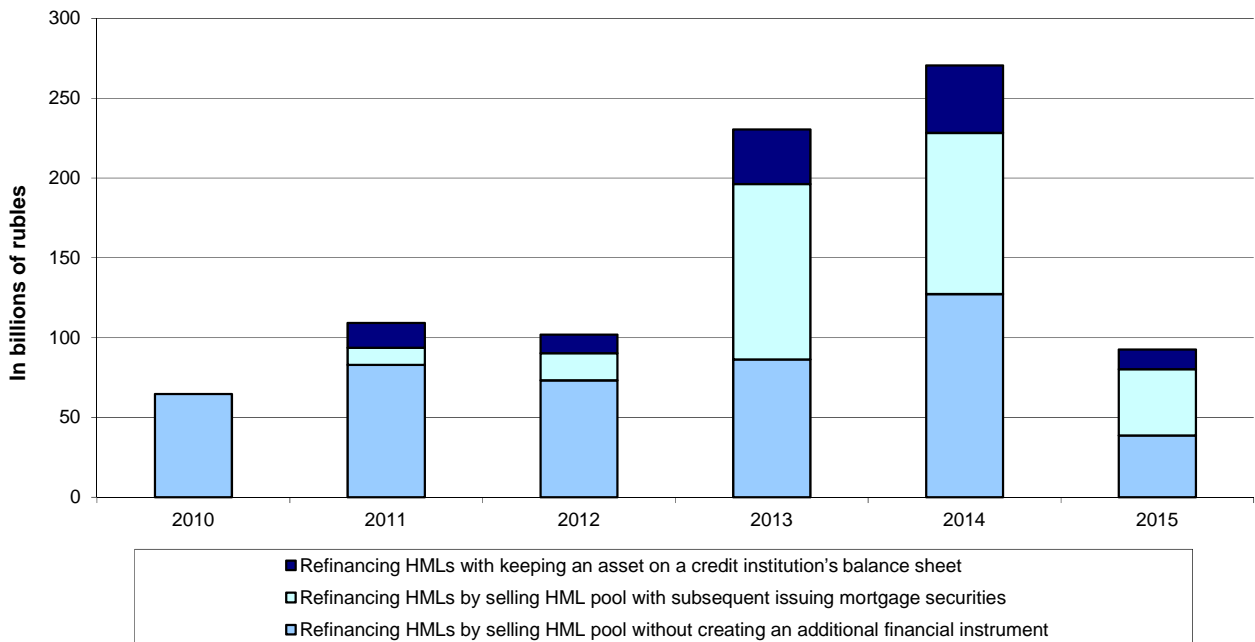
Chart 8. Sources of Refinancing HMLs (Claims on HMLs) by Selling Loan Pool



In 2015, 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 12.4 billion rubles (by 3 banks).

Thus, in 2015, almost the entire volume of HMLs (claims on HMLs) was refinanced in 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 January 2016, 61 mortgage-backed bonds of 45 issuers for a total value of 356.8 billion rubles and 24 bonds issued by the Agency for Housing Mortgage Lending for a total value of 165.0 billion rubles were included in the Bank of Russia Lombard List).