

Housing (Mortgage) Loan Market in 2014

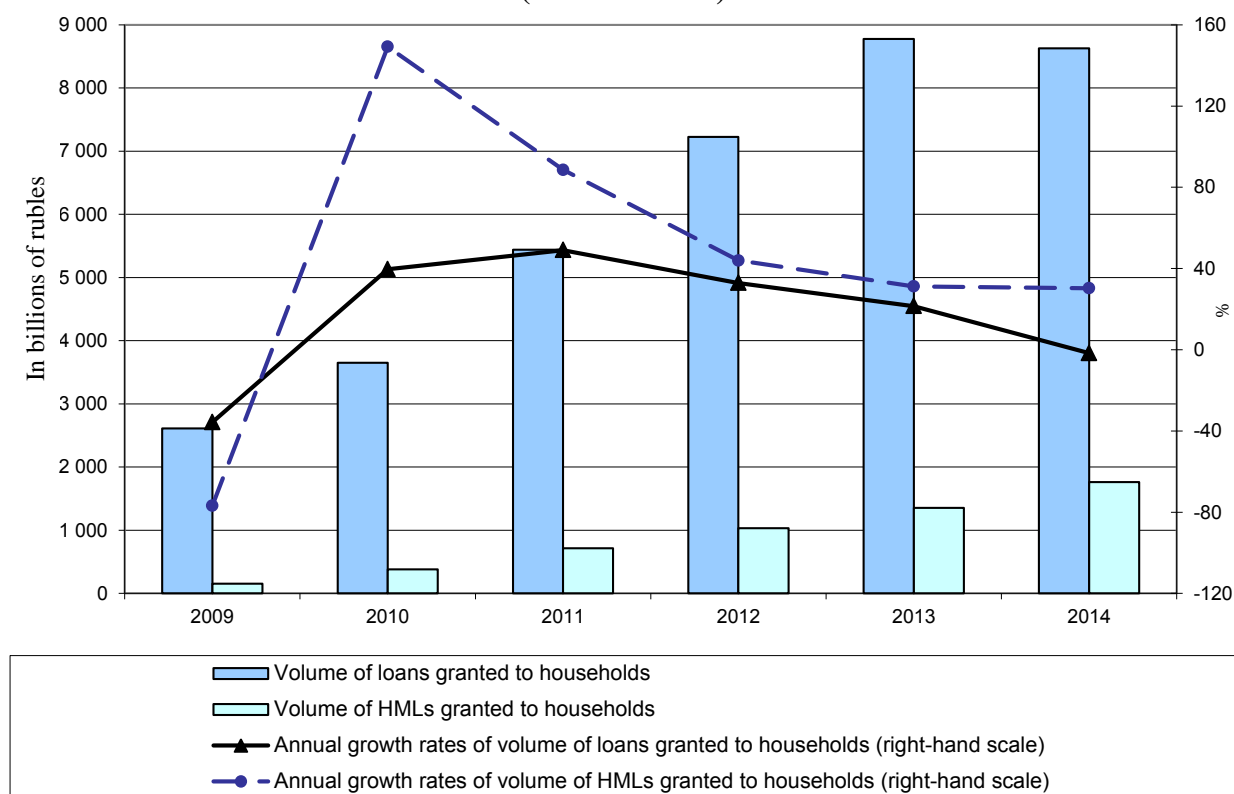
In 2014, the housing (mortgage) loan market demonstrated the following trends.

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 2015, the number of participants in the primary mortgage lending market slipped by 29 credit institutions year-on-year to 629, of which 534 credit institutions granted new HMLs in 2014, while the rest serviced loans they granted earlier. 150 credit institutions granted HMLs regularly in rubles and three credit institutions – in foreign currency.

The largest part of credit institutions granting HMLs (354) are located in the Central Federal District, of which 309 – in Moscow; 87 participants are located in the Volga Federal District, of which 20 – in the Republic of Tatarstan. The minimum number of credit institutions (one participant) is located in the Crimea Federal District.

In conditions of financial and foreign exchange markets strain, **the volume of granted HMLs has increased**. In 2014, credit institutions granted 1012.8 thousand HMLs for a total amount of 1764.1 billion rubles. The share of HMLs in the total volume of household loans reached 20.4% increasing by 5.0 percentage points in comparison with the same period last year. The number of granted HMLs rose by 22.8% compared with 2013, while its volume increased by 30.3% (Chart 1). The average size of granted loans grew from 1.64 million rubles to 1.74 million rubles, while in Moscow this figure reached 3.89 million rubles. In 2014, borrowers of the Central Federal District accounted for the largest share of granted HMLs – 30.1% 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 2014, 1 012 064 loans were granted in rubles for a total amount of 1753.3 billion rubles. The number of granted HMLs in rubles rose by 22.9% compared with 2013. Against the background of weakening of the ruble, the number of granted HMLs in foreign currency decreased by 2.5 times to 750 loans. The total volume of HMLs in foreign currency reduced by 1.4 times to 10.8 billion rubles (in ruble equivalent). HMLs in foreign currency were granted substantially to borrowers of Moscow and the Moscow Region (80.8% of the total volume of loans granted in foreign currency).

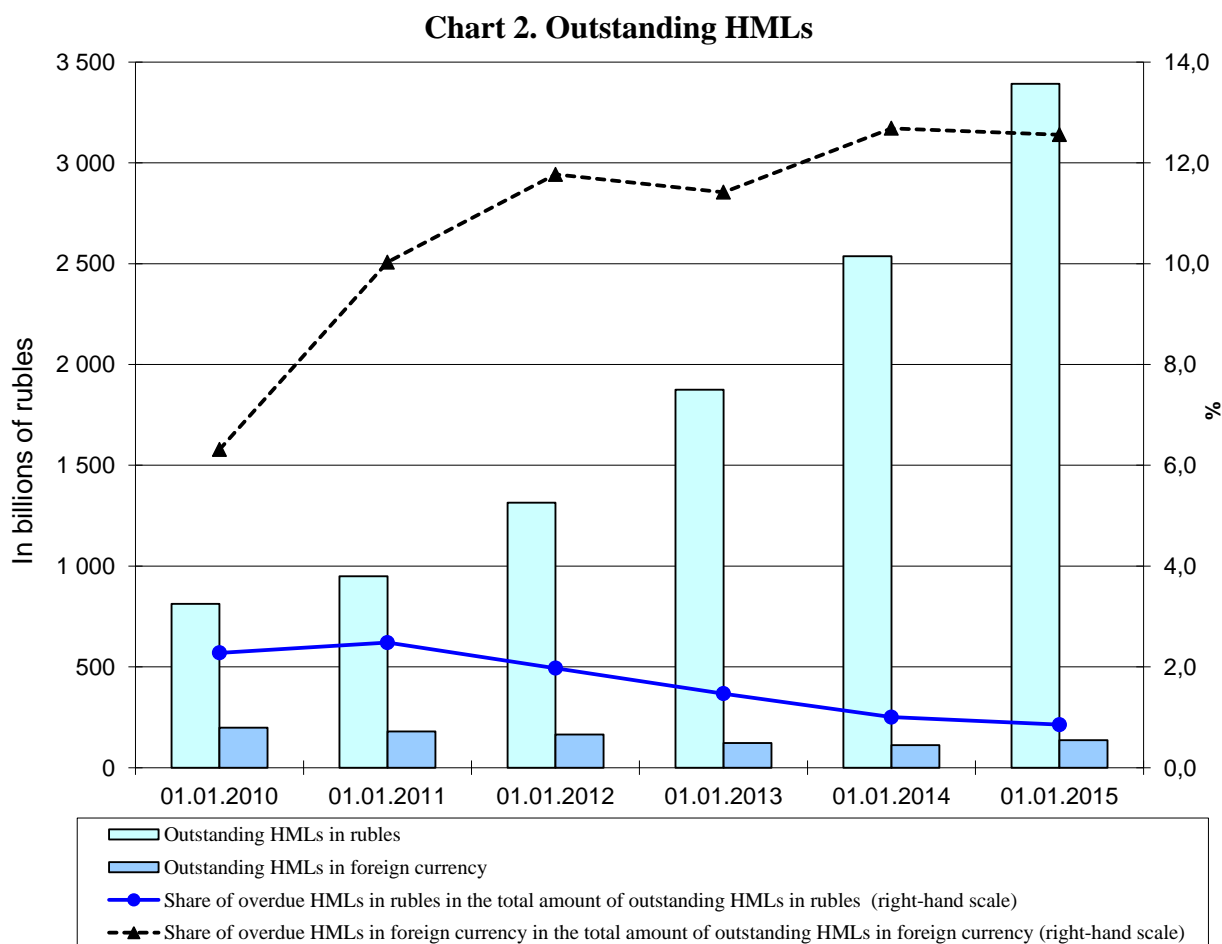
Therefore, the share of ruble loans in the total volume of HMLs increased by 0.5 percentage points year-on-year to 99.4%.

Outstanding HMLs in rubles and in foreign currency increased further.

As of 1 January 2015, outstanding HMLs in rubles rose by 33.7% year-on-year and that in foreign currency – by 21.9% to 3391.9 billion rubles and 136.5 billion rubles (in ruble equivalent) respectively.

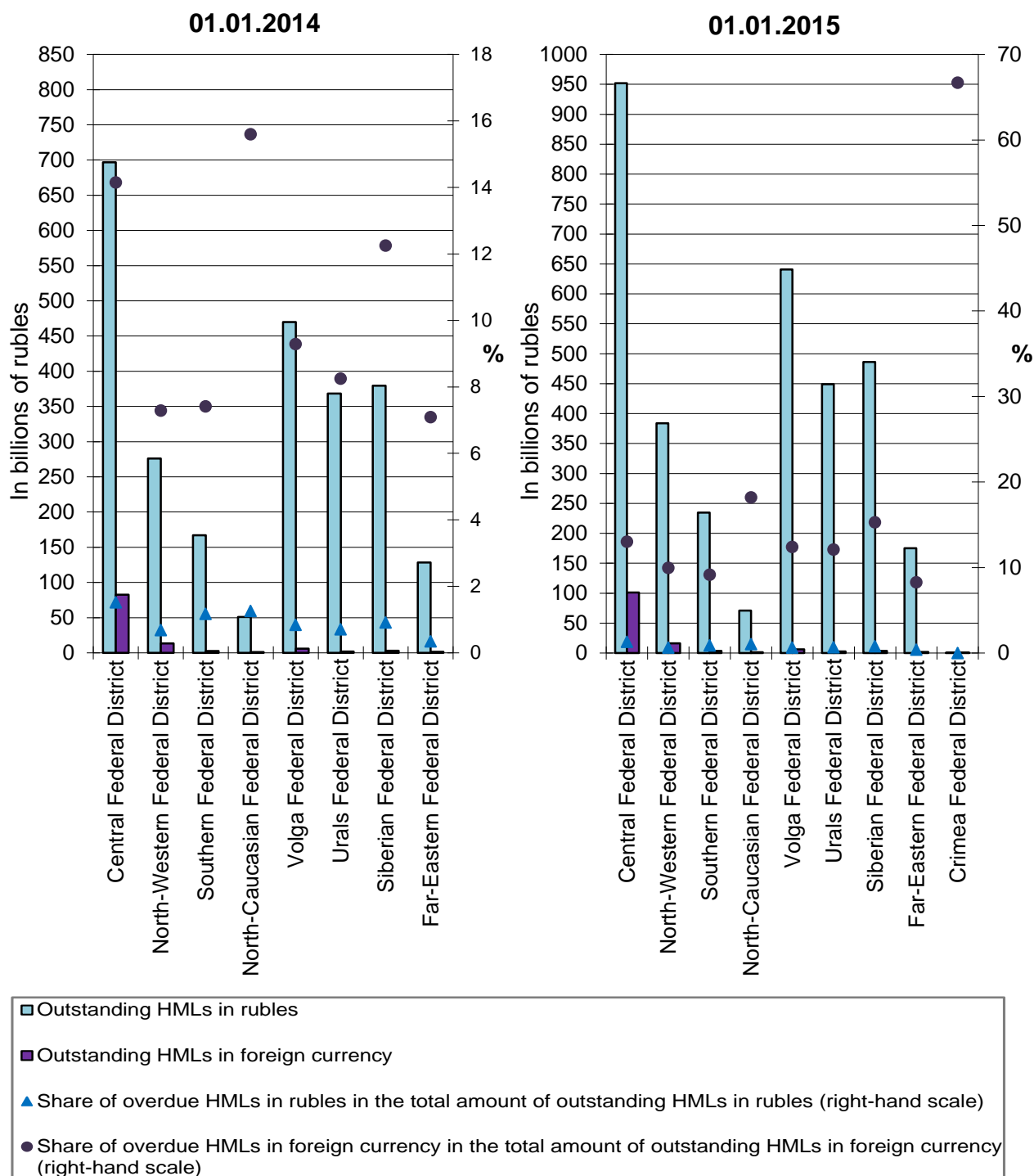
The share of overdue HMLs in rubles and in foreign currency in the total outstanding amount declined. As of 1 January 2015, the share of overdue HMLs in rubles and in foreign currency in the total outstanding amount slightly dropped by 0.1 percentage points year-on-year to 0.9% and 12.6% respectively. The overdue debt of HMLs in rubles rose by 13.8% and in foreign currency – by 20.7% attaining the amount of 29.0 billion rubles and 17.1 billion rubles (in ruble equivalent) respectively (Chart 2).

The share of loans without arrears in the total volume of outstanding HMLs as of 1 January 2015 decreased by 0.54 percentage points year-on-year to 95.3%. At the same time the share of loans with overdue payments over 180 days in the total volume of outstanding HMLs decreased by 0.02 percentage points to 1.76%.



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

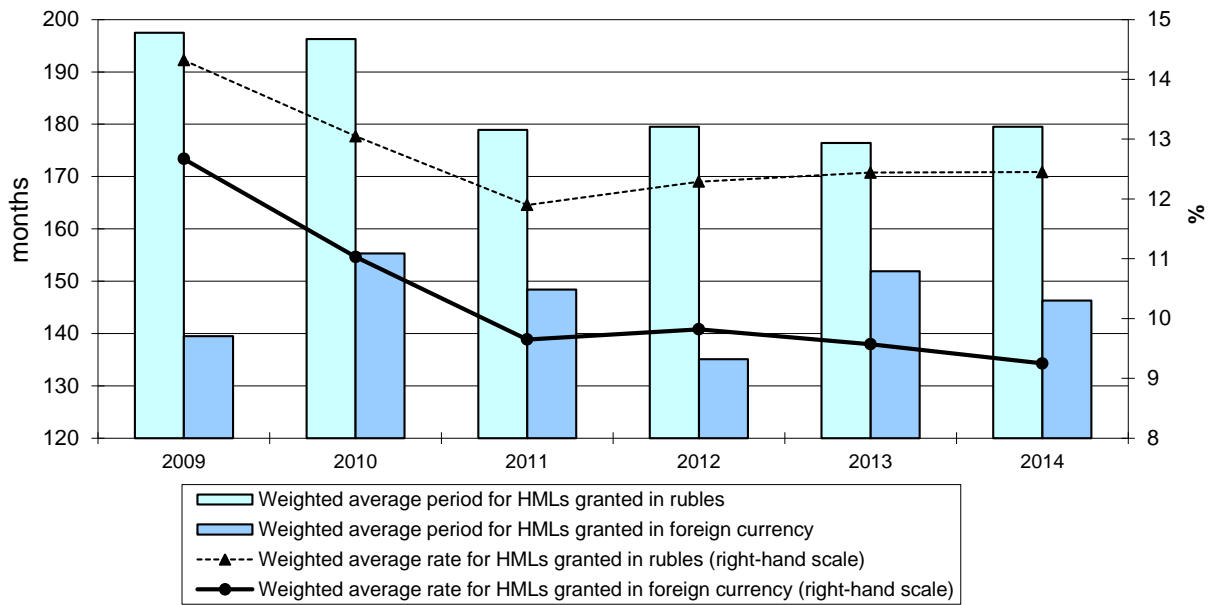
Chart 3. Regional Structure of Outstanding HMLs



The weighted average periods and rates for HMLs granted in rubles and foreign currency changed slightly. In 2014, the weighted average period for HMLs granted by credit institutions in rubles increased by three months year-on-year to 180 months (15 years), for HMLs in foreign currency decreased by six months to 146 months (12.2 years).

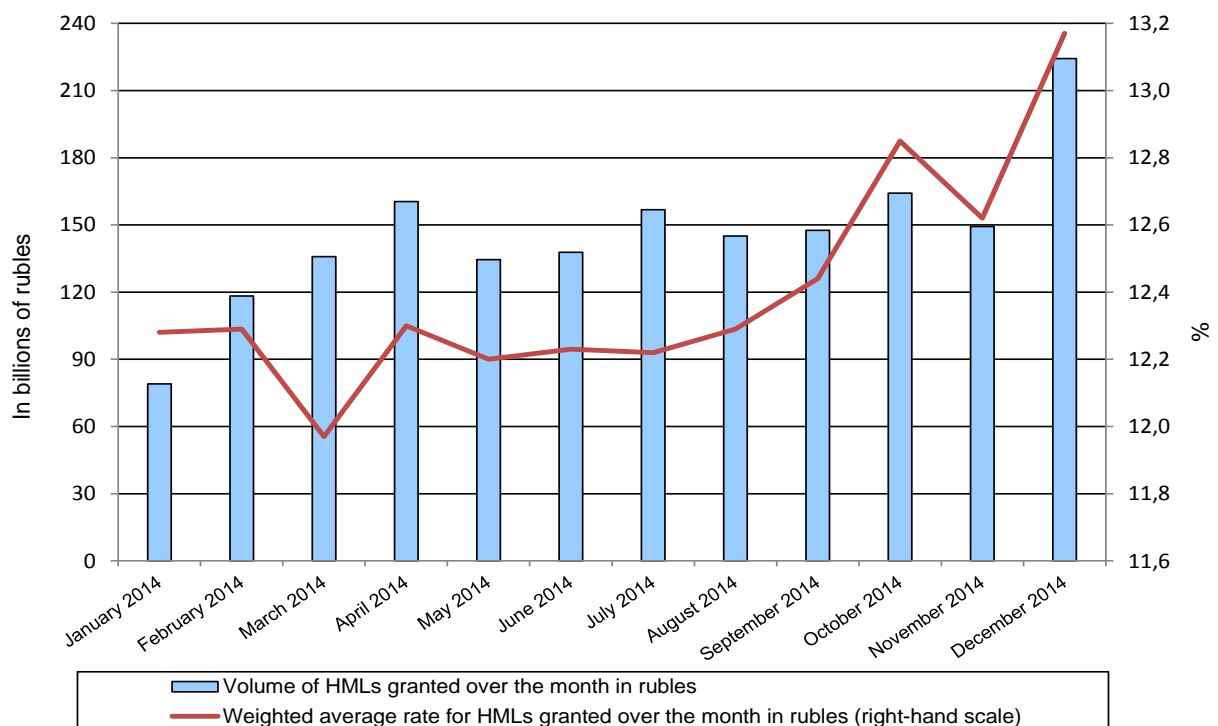
In comparison with the same period of 2013 the weighted average interest rates on HMLs extended since the beginning of the year in rubles rose by 0.01 percentage points to 12.45%; in foreign currency decreased by 0.32 percentage points to 9.25%. The dynamics of weighted average lending periods and interest rates are shown in Chart 4.

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



Against the Bank of Russia key rate hike (to 17.00%) in the middle of December 2014 the weighted average interest rates on HMLs in rubles granted over December rose by 0.55 percentage points over the month to 13.17% (Chart 5).

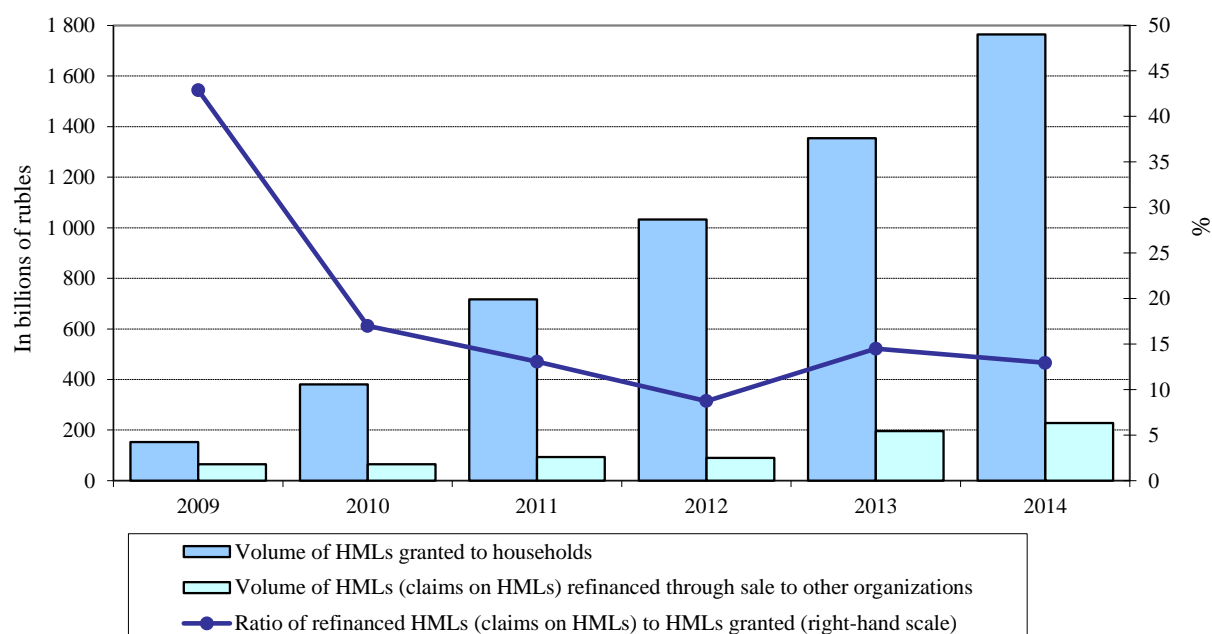
Chart 5. Volume and Interest Rates for Granted HMLs in 2014



In 2014, HMLs (claims on HMLs) for an amount of 530.6 billion rubles, including 12.1 billion rubles on claims on HMLs, were repaid ahead of schedule. (in 2013, the amount of early repaid HMLs (claims on HMLs) stood at 416.3 billion rubles). The early repayment was performed largely on HMLs (claims on HMLs) granted (acquired) in rubles; this indicator amounted to 502.8 billion rubles. The share of early repaid HMLs (claims on HMLs) by borrowers' own funds accounted for 66.7%. The ratio of early repaid HMLs (claims on HMLs) to granted HMLs stood at 30.1% (30.7% in 2013).

In 2014, 147 credit institutions refinanced HMLs (claims on HMLs) by selling them to other institutions for an amount of 228.2 billion rubles (in 2013, 152 credit institutions for an amount of 196.2 billion rubles). The ratio of refinanced HMLs (claims on HMLs) to granted HMLs stood at 12.9% (Chart 6).

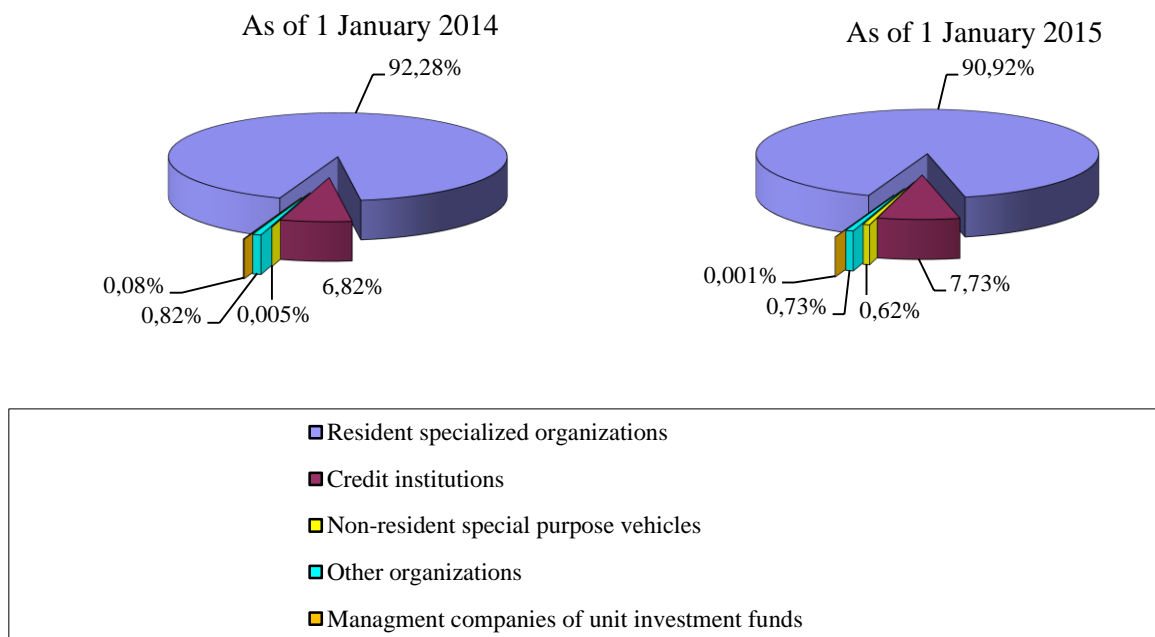
Chart 6. Volume of HMLs Granted to Households and Refinancing of HMLs (Claims on HMLs) through Sale to Other Institutions



Resident specialized organizations are among the main sources of refinancing HMLs through sale to other institutions: in 2014 they accounted for 90.9% of the total volume of refinanced HMLs (claims on HMLs). In comparison with 2013, the share of operations conducted by resident specialized organizations fell by 1.4 percentage points. However, the volume of HMLs (claims on HMLs) refinanced by these organizations increased by 14.6% to 207.5 billion rubles. The share of credit institutions in refinancing sources increased by 0.9 percentage points to

7.7%, while the volume of HMLs (claims on HMLs) refinanced by these organizations grew by 31.9% to 17.6 billion rubles (Chart 7).

Chart 7. Sources of Refinancing HMLs (Claims on HMLs) by Selling Loan Pool, %

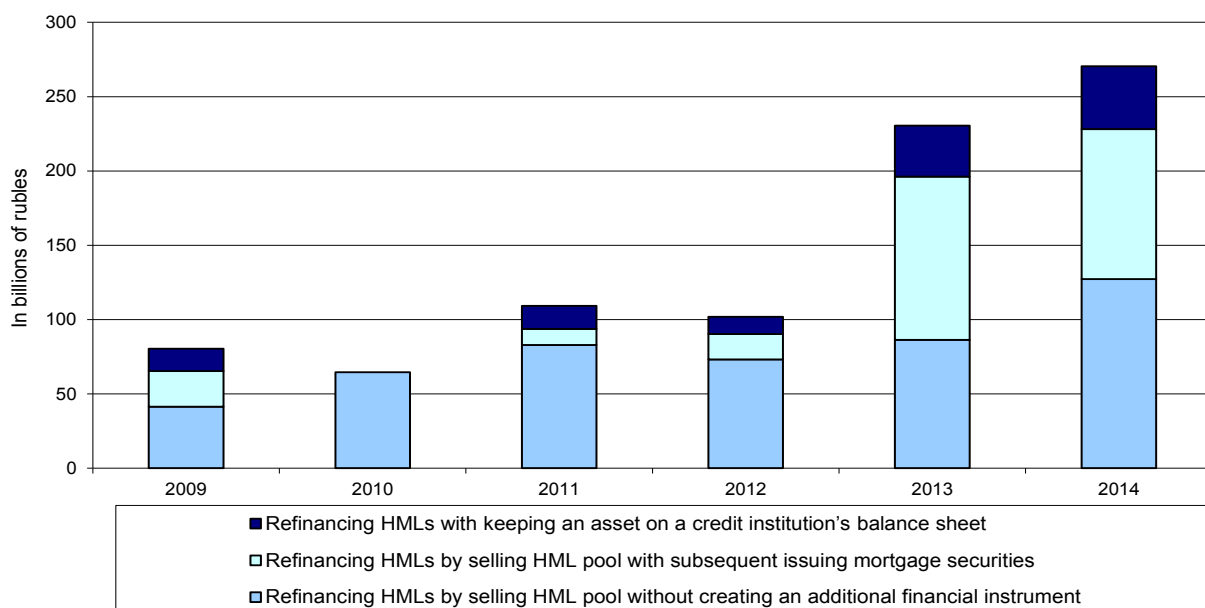


In 2014, the volume of HMLs (claims on HMLs) refinanced through issuing mortgage-backed bonds with keeping an asset on a credit institution's balance sheet amounted to 42.3 billion rubles (by three banks).

Thus, in 2014, almost the entire volume of HMLs (claims on HMLs) was refinanced in the domestic financial market.

The dynamics of the volume of HML refinancing are given in Chart 8.

Chart 8. 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 2015, mortgage-backed bonds of 42 issuers for a total value of 330.9 billion rubles were included in the Bank of Russia Lombard List).