

PROSPECTS FOR THE DEVELOPMENT OF THE MORTGAGE LENDING IN BELARUS

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The article defines the concept of "mortgage lending", presents features of the mortgage lending and the prospects for its further development in the Republic of Belarus.

Nowadays the housing problem is very acute in the Republic of Belarus. Many people are in great need for better housing conditions. In many cities there are no loans to buy housing for construction dwellings. In this regard, many citizens of the Republic of Belarus are forced to take out loans for the dwelling constructions. One type of loan is a mortgage on real estate lending.

The mortgage lending (mortgages) is an issue of interest paid in cash for the purchase of the property on the security of the property.

Issued mortgage loan is from 5 to 20 years' period. The interest rate does not differ from a conventional loan on the property. Retirees cannot arrange a mortgage. The initial payment is at the discretion of the Bank from 10 to 30% of equity. A prerequisite is the insurance of housing and life of citizens in which a loan is made.

The Law of the Republic of Belarus dated June 20th, 2008 № 345-Z "On Mortgage", amended on January 4th 2010 has some drawbacks. In order to address them one should amend the Housing Code which came into force on 2nd of March 2013, which settles the eviction process of the borrower and his family members from the apartment deposit if their credit obligations have not been systematically repaid [1].

But in this respect there exists a new problem for the borrowers who are evicted. This problem is the lack of replacement housing market.

Pledger is obliged:

- to maintain the property which is mortgaged in a good condition and bear the costs of maintenance of the property until the end of the termination of the mortgage, unless otherwise is provided by the mortgage agreement;

- to repair and overhaul the property which is mortgaged in the terms established by the law, unless otherwise is provided by the mortgage agreement;

- to reclaim the property which is the subject of a mortgage from illegal possession;

- to take the necessary measures to ensure the safety of the property which is the subject of the mortgage, including its protection from encroachments and claims of third parties;

- to immediately notify the mortgagee of the origin of the threat of loss (destruction) or damage to the property which is the subject of the mortgage;

- to perform other duties in accordance with this Law, other legislative acts or the mortgage agreement [2].

The cost of housing in Belarus is very high in relation to salaries. In our country the cost per square meter is higher than the average salary in some foreign countries. It makes it very difficult to get loans. Therefore, banks are very carefully when checking the financial state and the solvency of the borrower and if the guarantors are reliable.

The mortgage loan is fixed and floats the interest rates. A fixed interest rate is stable and allows to make payments in equal installments. Floating interest rate changes (or remains constant) for the period from 6 to 24 months, but mostly once in every 12 months and has an additional risk for the lender and the borrower.

Pros for the mortgage loans:

- the relatively low percentage of the loan;
- long-term type of lending;
- the ability to attract the family income which significantly increases the maximum amount of the credit sending;

- well-proven properties.

Corns for the Mortgage loans:

- real estate is not owned by the borrower before the mortgage is paid out, making it impossible to sell real estate;

- large overpayment on the loan due to the long use;

- high requirements on the mortgage for borrowers, made by banks;

- the obligatory insurance of life and property;

- the additional spendings on real estate appraisal.

At this point in the Republic of Belarus there are a number of problems for the mortgage lending: the imperfect legislation, the high interest rate on loans, the economic instability, the low income, difficult

conditions for certain categories of citizens to obtain a mortgage, a high degree of risk for the banks, the instability of the labor market and work force.

But still in order to solve these problems with mortgage lending in the Republic of Belarus some measures are being taken. For example, the refinancing rate will be reduced up to 17% in 2017 and is still continuing to decline. According to the forecasts, the rate of inflation in 2020 will decrease, the inflation will be about 5%. This will give an opportunity to reduce interest rates on mortgage loans which will make it more attractive and more profitable for the majority of citizens of the republic.

One should also create a secondary mortgage markets, thereby reducing the risk for banks. At the same time there is a high probability of attracting foreign investments into the mortgage construction and the purchase of mortgages from banks, these investments would be beneficial for the economy as a whole.

Amendments to legislation will also affect the development of mortgage lending in the country. Considerations should be given to the introduction of "Mortgage Law" of various kinds of property for citizens, not related to real estate, making it possible to obtain the mortgage.

One of the main purposes of the mortgage credit is the affordability of housing for citizens. This can be achieved by lower interest rates; by increase in terms of mortgage issuance; revision of some positions in the contract on the mortgage, as well as those that are available. For example, if you start to issue mortgage loans to pensioners with obligatory introduction of an initial payment, as well as the presence of guarantors, at least on a long term, the issuance of mortgage loans will remarkably increased in volume.

Due to the increase in the number of combined mortgages, the number of new construction projects of real estate will increase too. In accordance with the Government's program to reduce the cost of premises, local building materials will be used for construction. This will help to increase the number of manufactured materials needed for the construction. And, accordingly, there will be the increase in profits, payments to the budget in the form of taxes, new working places. All this will affect the economy in the country.

The construction of private houses is gaining its popularity. The mortgage of land or other properties is permitted only if their usage is permitted by legislative acts [2].

For the development of agricultural mortgage, the number of private ownership of land should be increased that can be achieved with the help of the agricultural development.

Summing up, we come to the following conclusion:

1. The mortgage program in Belarus is not widely spread.
2. There are the following main problems of mortgage lending in our country: the imperfect legislature, high interest rates, low incomes, the instability of the labor market and the economy.
3. To solve these problems and to the develop the mortgage lending one should: lower interest rates, increase terms of credit use, make amendments to the legislation, remove some age restrictions for the registration of the mortgage, give more farms for mortgage lending in order to grow farm products.

For the development of mortgage lending in Belarus one should have a legislative framework and appropriate conditions that will help to solve the housing problems of the population.

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