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POST-CRISIS DEVELOPMENT OF MORTGAGE CREDIT MARKET IN UKRAINE

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The world financial crisis in 2008-2009 brings a lot of problems for economic enterprises, but the most injured branch was construction industry. The main reason for that was growing troubles with mortgage credits, which in fact were closed for wide access. Considering that building industry and especially housing construction is one of the main economic engines we should analyze what are the main reasons of stagnation on mortgage lending market, which is the key source of financial capital for housing construction. We found that main problems are systemic and could be solve only with wide activity of the state institutions.

Keywords: *mortgage loans, credit market, banks, post-crisis development.*

Introduction. Development of mortgage lending in Ukraine is constrained by the presence of a number of problems that prevent full use of mortgage as a guarantee of timely repayment of bank loans and do not contribute to the development of mortgage lending. In the world to this time there is no universal model of mortgage lending, but its development has made it possible to solve the housing problem in general. The problem of public housing is extremely actual for Ukraine. A large amount of potential housing demand form the small size of the housing, a high level of physical and moral deterioration, lack of their own homes, and as a result, a high level of dissatisfaction of their own living conditions.

Analysis of recent researches and publications. The problems above, as well as other important factors of mortgage market development were described in scientific papers by R. Avery, R. Bostic, P. Calem [1], Y. Deng, S. Gabriel [2], M. LaCour-Little [3] and others.

Previously unsettled problem constituent. In the period of the global financial crisis, the cost of mortgage loans is too high, restraining demand and slow growth of mortgage lending in Ukraine. It identifies the need to develop and implement

programs for mortgage lending in the country, their theoretical justification in view of the features of the national economy and current global trends. The leading role in developing and implementing innovative tools to stimulate demand for mortgage loans belongs to commercial banks and the state.

Main purpose of the article. This paper is focused on searching the main problems of domestic mortgage market stagnation and ways of its revitalization.

Results and discussions. It should be noted that according to Ukrainian legislation the only institutions eligible to lend to real estate are commercial banks. Thus, the impacts of globalization on the banking sector proportionally influence the development of the mortgage system in the country.

Globalization is a comprehensive integration of the state into global society including, social, economic and political life of the state.

The essence of globalization is a sharp increase and complication of relations between both people and states, resulting in the formation of global capital markets, increasing the flow of foreign portfolio and direct investment, increasing influence of transnational corporations, the concentration and centralization of capital through a process of mergers and acquisitions of banks, increasing the role of international economic and financial organizations.

The arrival of foreign banks to national systems through control of the public or nationalized banks actively held in transition countries.

In the EU foreign banks have equal rights with domestic credit institutions. In these countries, the principle of reciprocity: permission to open a branch or representation is given in the case of mutual permission in country-representative of the bank to permit the opening of banks branches of the EU. In the United States due to the federal legislation, foreign banks are in a better position than their American counterparts.

The presence of foreign banks in the national banking system makes positive and negative effects on the mortgage market in Ukraine.

First, the resource base of foreign banks, especially with 100% of foreign capital is much higher than this indicator of domestic banks. This allows them to claim a very significant segment of the mortgage market because of a high enough volume of supply of mortgage loans.

Second, with the advent of the foreign banks to Ukrainian banking system, as noted, is expected to increase the supply of "long" credit that is extremely important primarily for the formation of the mortgage securities market.

Third, foreign banks have a real opportunity to increase the supply on Ukrainian mortgage market with relatively cheap loans. This is possible primarily due to their strong resource base, and because of the opportunities of these subjects to attract resources for future lending on the world's financial markets. This source, usually is

cheaper compared to the deposit base in the domestic market. Cheaper loans enables significantly expand the range of users, especially among those who really need to improve housing conditions and are not engaged in the search for effective ways to preserve their savings that actually is happening today in the market of mortgage lending. In addition, low-cost loans should promote territorial diversification of market mortgage lending, which is now virtually confined to one region - the capital of the country. The dynamics of mortgage interest rate and mortgage lending volumes in Ukraine are presented on the fig. 1.

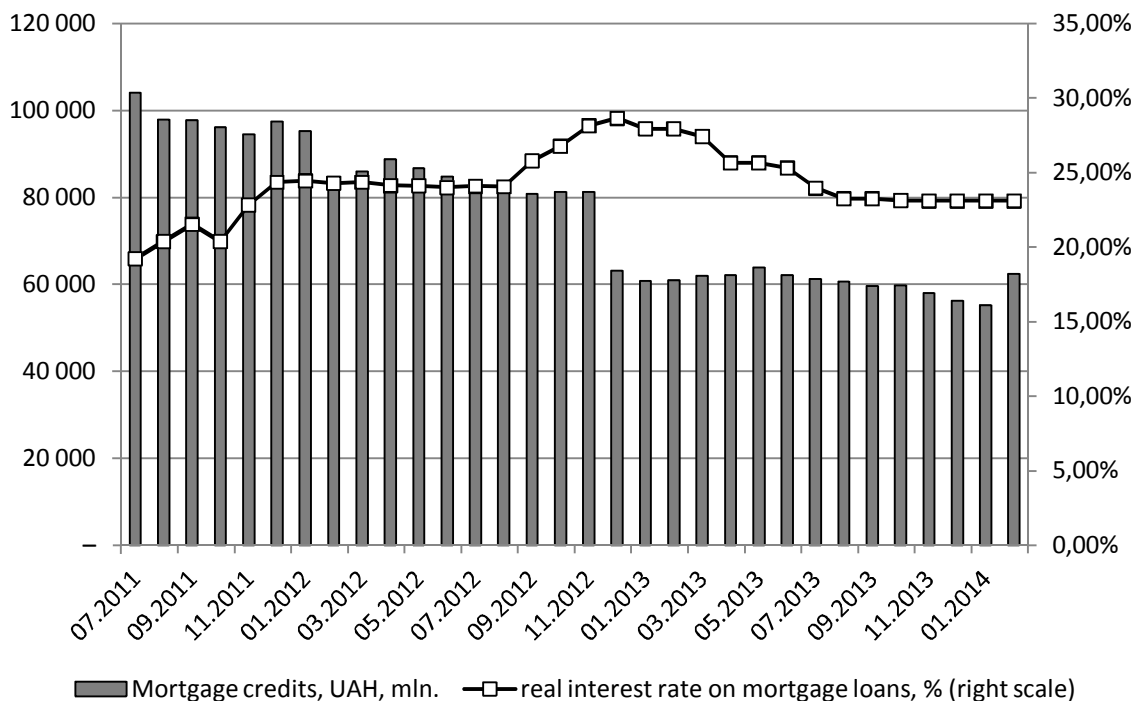


Fig. 1. Volumes and interest rate of mortgage credits in Ukraine [4, 5]

Fourth, foreign banks have significant opportunities to reduce the cost of mortgage loans by reducing the cost of the branch network. These banks can promote their own products to market via the existing branches of Ukrainian Banks, the costs of what are much smaller than creating their own network. The safety margin in foreign banks in this case also is formed by forming cheap credit resources through foreign borrowing. This practice, in particular, takes place in Ukrainian reality – one of clear examples is the International Mortgage Bank.

Fifth, the entering of banks with high credit ratings on the Ukrainian market significantly strengthen their position in the domestic deposit market, with providing an access to domestic investment resources for them.

Sixth, powerful foreign banks should be considered in the context of entering the Ukrainian market not only the potential mortgage lender but also potential investor who forms the real demand for mortgage-backed securities issued by both banks and specialized mortgage institutions, including the State Mortgage institution, ensuring the functioning of the refinancing of mortgage loans. Underdeveloped financial infrastructure in the country is an argument in favor of interest in the presence of foreign banks in the domestic mortgage market.

The current financial crisis has shown that the Ukrainian banking system is not sufficiently controlled and subjected to external occurrences taking place in the global banking system.

Conclusions. Deterrents to further development of the mortgage market in Ukraine today are:

- Mortgage lending risks (currency risk, credit risk, liquidity risk, interest rate risk etc.).
- Insufficient development of legal framework:
 - weak foreclosure procedure;
 - imperfection of the judicial system;
 - lack of transparency of public tenders;
 - conflict of interests between lenders and borrowers etc.
- Lack of technical support of mortgage lending process:
 - lack of stable and long-term mortgage financing resources;
 - low level of capitalization and development of institutional investors in structured mortgage-backed securities;
 - poor mechanisms for financing primary real estate market;
 - mechanism for registration of property rights to real estate implemented only in 2013;
 - the lack of a single electronic inventory of land;
 - the lack of housing for temporary accommodation;
 - imperfect procedure for assessment of the mortgage object (no objective indexes of changes in property values).
- Unfavorable situation on real estate market in Ukraine.
- Low level of financial literacy of Ukrainian people.

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ПОСТКРИЗОВИЙ РОЗВИТОК РИНКУ ІПОТЕЧНИХ КРЕДИТІВ В УКРАЇНІ

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Світова фінансова криза в 2008-2009 принесла багато проблем для економічних суб'єктів, але найбільш постраждалою виявилася будівельна галузь. Основною причиною цього стали зростаючі проблеми з іпотечними кредитами, які в реальності стали недоступними для широкого кола клієнтів. Враховуючи, що будівельна галузь і особливо житлове будівництво є однією з основних рушійних сил економіки, ми вважаємо за потрібне проаналізувати, які основні фактори спричинили стагнацію на ринку іпотечного кредитування, яке є головним джерелом фінансового капіталу для житлового будівництва. Ми виявили, що основні проблеми мають системний характер і можуть бути вирішені тільки за умови активної участі держави.

Ключові слова: іпотечні кредити, кредитний ринок, банки, посткризовий розвиток.

ПОСТКРИЗИСНОЕ РАЗВИТИЕ РЫНКА ИПОТЕЧНЫХ КРЕДИТОВ В УКРАИНЕ

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Мировой финансовый кризис в 2008-2009 принес много проблем для экономических субъектов, но наиболее пострадавшей оказалась строительная отрасль. Основной причиной этого стали растущие проблемы с ипотечными кредитами, которые в реальности стали недоступными для широкого круга клиентов. Учитывая, что строительная отрасль и особенно жилищное строительство является одной из основных движущих сил экономики, мы считаем нужным проанализировать, какие основные факторы привели к стагнации на рынке ипотечного кредитования, которое является главным источником финансового капитала для жилищного строительства. Мы обнаружили, что основные проблемы носят системный характер и могут быть решены только при условии активного участия государства.

Ключевые слова: ипотечные кредиты, кредитный рынок, банки, посткризисное развитие.