

# Cheap Mortgage Credit on Offer in St. Pete

By [The Moscow Times](#)

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Banks in St. Petersburg and the Krasnodar region are offering mortgage crediting at well below the market rate. **Vladimir Filonov**

Bank Saint Petersburg fulfilled the mission set for it by its shareholder Prime Minister Vladimir Putin to offer a mortgage with a rate of 6 percent, but the new offer has few advantages over conventional mortgages.

"If we can hold down inflation, it will lower rates on mortgages to somewhere around 6.5 percent in the coming years," Putin said Wednesday in the Duma. Previously, he told bankers to aim at bringing the rate down to 6 percent.

The first bank to figure out how to achieve that was Sberbank. In October 2011, it began to accept deposits on a special mortgage at 1 percent to 2 percent annually in rubles for one to 6 years in the Krasnodar region. After the expiration of that loan, the depositor may qualify for a mortgage loan of up to 1.5 million rubles (\$50,000) at 6 percent to 8 percent per annum.

That rate is made possible because of contributions and grants from the regional administration.

Late last week, Bank Saint Petersburg, in which Putin owns 230 shares, also announced a mortgage offer at 6 percent.

The bank is implementing the program in conjunction with a developer from Setl Group, which is its client. The low mortgage rate applies to the purchase of apartments under construction in four complexes.

"We have worked with Setl Group for many years, some of the proposed sites for this program are being built with bank credits," said Marina Gorilovskaya, the retail business director at Bank St. Petersburg.

The minimum 6 percent rate applies to credits with a 50 percent down payment, for up to seven years after the apartment is registered in the borrower's name. The maximum rate of 12.5 percent applies to down payments of 15 percent for 15 to 25 years. The maximum loan amount is 12 million rubles. There is no commission.

Market rates for similar loans are much higher. At Sberbank it is 12.25 percent annually and VTB 24 offers 9.9 percent to 13.25 percent. The banks partnering with the Housing Crediting Mortgage Agency offer 7.9 percent to 9.4 percent.

VTB 24 vice president Georgy Ter-Aristokesyants suggested that the developer might compensate the bank the difference between the market interest rate to increase sales. "That's common in these affiliate programs," he said.

Now, a third of borrowers are willing to pay half the cost of an apartment with their own funds, Gorilovskaya estimated. It is expected that the demand for this program will be 150 to 170 applications per month. In March, the bank issued 150 loans.

Comparing loans, it turns out that, with a purchase price of 5 million rubles, a borrower with funds of 2.5 million rubles and a rate of 6 percent annually will pay 36,521 rubles monthly over seven years, and a borrower with 2.125 million rubles and a rate of 10.5 percent will pay 35,830 rubles a month over the same period, a mortgage marketing calculated at Vedomosti's request.

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