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Rate Cuts and Bullish Banks Fuel Increase in Mortgage Use

By The Moscow Times

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The share of homes bought with mortgage loans grew to almost 25 percent of all purchases in 2013, up from 20.5 percent in 2012, powered by falling interest rates and more aggressive policies from banks, according to real estate firm Metrium Group.

The structure of the market also shifted, as the share of mortgages going to new build projects grew from 45 to 85 percent in the budget price segment, and from 30 to 50 percent in purchases of more expensive business class homes.

"From a global perspective," said Metrium Group CEO Maria Litenetskaya in a press release, "the increase could be explained by growing expectations of an [economic] crisis capable of eroding savings. People are therefore trying to preserve their money by putting it into property. Secondly, the increased use of mortgages has been stimulated by interest rate falls starting from March."

From the end of 2012 up to March 2013, interest rates rose steadily to reach an average of 12.9 percent, the company said, resulting in less clients for banks and less mortgages granted. Since then, creditors gradually began to make available various short-term offers with lower rates that would be regularly extended. Rates now on offer range from 10.5 to 13 percent.

Banks have also become more trusting towards potential clients — taking as writ client earnings as entered on forms, while lowering requirements for down payments. Some banks are also offering special deductions — UralSib, under a tariff called "mortgage for parents," promises to cut the interest rate by 0.5 percent for each child in the family.

"However," Litinetskaya said, "despite the positive dynamic ... we do not expect further falls in interest rates over the next six months. Most likely, in the second quarter they will begin to rise."

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