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Russia Struggles to Control Rocketing Mortgage Interest Rates

By The Moscow Times

December 22, 2014



Russian authorities are mobilizing to clamp down on spiraling mortgage costs as a looming recession erodes real wages and threatens to hammer homebuyers.

Following the Central Bank's bid to strengthen the flagging ruble by hiking the interest rate 7.5 percent earlier this month, rates on homebuying loans have risen between 12 and 13 percent to an average of from 15 to 16 percent, Maxim Morozov, managing partner of real estate firm M9 Development, told the Vedomosti newspaper.

Russia's biggest lender Sberbank said Monday that it would charge interest of 14.5 to 16 percent on mortgages from Dec. 22, the Interfax news agency reported.

The market-wide increases translate to a 25 percent rise in loan repayments at a time when real wages are being squeezed by rising inflation and a rapid devaluation of the Russian ruble, which has fallen 40 percent against the U.S. dollar since January.

If the regulator keeps rates high, mortgage interest rates will likely rise to 18-20 percent, online newspaper Gazeta.ru cited the managing partner of Intermark Savills as saying last week.

Russia's Housing Ministry on Monday called on regional authorities to find ways to shield citizens from increased costs and suggested creating a state-run "development institute" to funnel money into housing construction and mortgage lending, according to news agency RIA Novosti.

Last week President Vladimir Putin asked banks not to raise rates and said the government should help mortgage lenders. Russian lawmakers have said they would introduce legislation to protect ordinary Russians from steep rate hikes.

Every third property in Russia is bought with a mortgage, according to the Housing Ministry.

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