

Russia Moves to Support Collapsing Mortgage Lending

By [The Moscow Times](#)

March 16, 2015



Russia will offer lenders \$320 million.

Russia will offer lenders 20 billion rubles (\$320 million) as part of an anti-crisis plan to subsidize mortgage provision as the ruble devaluation and high interest rates cause problems for banks and other credit organizations.

The package of measures signed off on by Prime Minister Dmitry Medvedev includes mortgages that will be capped at 13 percent, according to a decree published on the government's website Friday.

"The availability of mortgage credit has diminished because of the worsening macroeconomic situation," the decree said. "Some market players have stopped giving credit or have set annual interest rates of 20% or more."

Russian banks and lending organizations are facing a credit crunch because of a ruble collapse

last year that saw the Russian currency lose over 40 percent of its value against the U.S. dollar. The Central Bank cut interest rates to 14 percent on Friday, a move analysts characterize as a slow easing after the regulator raised them by 6.5 percent in an emergency hike to 17 percent in December.

The government money will also help boost construction, the government said. A dearth of mortgage lending has already led to a slowing of residential construction: Housing Minister Mikhail Men said Friday that home building had fallen 10 percent over the first two months of this year.

The average rate on mortgage repayments last year was 12.5 percent, according to official figures.

But rates have climbed on the Central Bank's policy tightening. In January, the average rate was 14.2 percent, the highest since 2010, according to the Agency for Housing Mortgage Lending, news agency TASS reported last week.

The subsidies will be allocated by the Finance Ministry to credit organizations that are already distributing more than 300 million rubles (\$4.8 million) a month in mortgages, according to the government. They will be used to finance mortgages with a 13 percent annual rate available between March 1, 2015 and March 1, 2016, the government said.

VTB 24, the retail banking arm of Russia's second-largest banking group, said in a press release Monday it would grant 100 billion rubles' (\$1.6 billion) worth of mortgages at the 13 percent interest rate over the coming year under the government program.

The measures are part of the government's \$35 billion anti-crisis plan announced in January.

Original url:

<https://www.themoscowtimes.com/2015/03/16/russia-moves-to-support-collapsing-mortgage-lending-a44787>