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Russian Mortgage Lending Swells on State Subsidies

By The Moscow Times

April 20, 2015

The number of mortgages granted fell to half of 2014 levels in the first two months of the year as the average lending rate climbed to a prohibitive 14.7 percent in February, according to Metrium Group.

Russian mortgage lending surged in March thanks to government subsidies that have lowered prohibitive interest rates to pre-crisis levels, reversing a steep drop in lending.

Demand for mortgages climbed 32 percent in March from February levels after the state began subsidizing interest rates, the United Credit Bureau said Monday in a press release. The total number of deals involving mortgages rose 21.4 percent, according to real estate firm Metrium Group.

The government in March pledged up to 20 billion rubles ($370 million) in subsidies to state banks to lower mortgage rates, which had soared since the Central Bank abruptly hiked its key interest rate to 17 percent in December to support the rapidly weakening ruble currency.

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The state initially pledged to subsidize rates of 13 percent, but then lowered the rate to 12 percent after the Central Bank cut its key interest rate to 14 percent as the ruble stabilized.

However, even with the subsidies, mortgage lending can only reach half of its 2014 levels this year, Metrium Group head Maria Litinetskaya said in a statement.

"The amount of applications from banks to participate in the program is more than the government is prepared to allocate. This means that even this help will soon run its course," Litinetskaya said.

A total of about 1.8 trillion rubles ($33 billion) in mortgages were given out in Russia last year, according to Metrium Group.

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