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Russian Banks Ask State for More Mortgage Subsidies

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An elderly woman passes by an office of Sberbank in St. Petersburg.

Major Russian banks are asking the state to dole out more money in mortgage subsidies as a 20 billion ruble ($366 million) aid package runs dry, newspaper Vedomosti reported.

Russia's leading lender Sberbank has asked the Finance Ministry to provide extra subsidies allowing it to lend a total of 200 billion rubles ($3.6 billion) in subsidized mortgages, Natalya Alymova, director of the bank's department for non-transactional retail products, told the newspaper.

This is an increase of about 57 billion rubles ($1 billion) over Sberbank's current limit for subsidized mortgage lending, the news report last week said. The bank has already approved applications for nearly the entire sum for which it has received state subsidies, Alymova told Vedomosti.

The government stepped in to support the residential real estate industry in March this year as mortgage lending collapsed under high interest rates imposed by the Central Bank in an effort to prop up the tumbling ruble currency.

Soaring rates brought mortgage lending down to nearly half of its 2014 levels in the first two months of the year, according to real estate firm Metrium Group.

State subsidies — which brought subsidized rates down to 12 percent in March — were an immediate boon to the industry. Demand for mortgages climbed 32 percent in March after the state began subsidizing interest rates, according to the United Credit Bureau, a leading player on Russia's credit history market.

Sberbank is not alone in asking for additional state support. VTB 24, the retail lending branch of state banking giant VTB, will apply in July for extra subsidies too, senior vice president Andrei Osipov told Vedomosti.

Two other major players, Bank of Moscow and Gazprombank, told Vedomosti that they do not plan on asking the government for more money.

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