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Russia to Subsidize $13 Billion in Housing Loans

By The Moscow Times

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The Russian government has decided to subsidize 700 billion rubles ($13 billion) worth of mortgages, nearly twice the amount it previously pledged to support in a program to prop up the crisis-struck residential real estate market, news agency Interfax reported, citing Finance Minister Anton Siluanov.

The government had initially pledged to support 400 billion rubles ($7.4 billion) in mortgages. This round of subsidies, like the previous one, will enable banks to offer mortgages at rates of up to 12 percent, Siluanov told journalists on the sidelines of the St. Petersburg International Economic Forum last week.

This rate is a good deal for Russian borrowers: Mortgage lending rates were actually higher in 2014, averaging 12.5 percent for the year, according to official figures.

The government stepped in to support the industry in March this year as mortgage lending plummeted following the Central Bank's decision to hike interest rates to support

the tumbling ruble.

The state initially pledged 20 billion rubles ($370 million) to the program, which will be in place until March 1 next year. The program immediately boosted the industry, with demand rising 32 percent from February to March, according to the United Credit Bureau.

The program targets inexpensive housing, with state subsidies available only for properties worth up to 8 million rubles ($150,000) in Moscow or St. Petersburg and up to 3 million rubles ($55,000) in other regions.

Newspaper Vedomosti reported earlier this month that state-owned banks Sberbank and VTB 24, the commercial arm of banking giant VTB, had asked the government for additional mortgage subsidies.

A spokeswoman for Sberbank, Russia's largest lender, told the newspaper at the time that the bank had already approved applications for nearly the entire 200 billion rubles ($3.6 billion) that the state had pledged to subsidize.

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