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Russia Expands Mortgage Subsidies in Bid to Rescue Home Market

By The Moscow Times

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The Russian government has extended its mortgage lending support program to help housebuilders struggling to increase their sales after a weak economy and high interest rates hurt demand.

Russia has already set aside 20 billion rubles ($350 million) this year to subsidize mortgages by compensating some banks for lowering their interest rates. It said the subsidies should help to issue up to 400 billion rubles in loans.

A decree published on Wednesday raises that ceiling to 700 billion rubles in issued loans and aims to support the construction of economy-class housing and mortgage lending, the government said on its website.

It was not clear what amount of extra funding could go into the program. The government said it would be "within the budgetary allocations for these purposes." The Finance Ministry did not immediately respond to a request for comment.

Mass-market homebuilder PIK Group said this week its proportion of mortgage-backed sales had returned to the level of early 2014, helped by state subsidies.

Issuance of mortgages fell sharply in the first quarter of this year, before state aid began, following a steep rise in interest rates as the Russian Central Bank sought to stem a rapid weakening of the ruble in late 2014.

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