

# **MORTGAGE LOANS IN RUSSIA: PROBLEMS AND PROSPECTS**

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# СЛАЙДЫ КОЛЕТТ

# REPAYING THE MORTGAGE

$$p = \frac{P_0 \cdot r \cdot (1 + r)^n}{(1 + r)^n - 1}$$

## 1. Capital and interest

- amortization/repayment mortgage
- calculation of periodic payments is based on time value of money formulas
- specific to different lenders: interest, prepayment, time

**Beginning:** the repayment are largely interest and small part capital

**End:** payments are mostly capital and small portion of interest

# REPAYING THE MORTGAGE

## 2. Interest only

- capital is not repaid throughout the term
- repay the mortgage at maturity, depend on investment
- risky! rent on property + inflation combine to surpass the interest rate

## Lifetime

Problem: no repayment, poorly performed

Solution: fixed term, remortgage on monthly basis

# REPAYING THE MORTGAGE

## 3. No capital or interest

- for older borrowers
- interest rolled up with the capital (debt increase)
- not paid until the deceased period

## 4. Interest and partial capital

- amount of monthly payment are calculated over a certain term
- outstanding capital balance is due at some point short of that term

# REPAYING THE MORTGAGE

## Variations

- increasing costs (if expect wage increase)
- biweekly mortgage (weekly payment)
- budget loans include taxes and insurance (cost of furnishing)
- buydown mortgage (allow lender to pay mortgage - reduce interest rate)

**Flexibility!**

Lender can foreclose mortgage: sell property - received amount apply to the original debt

# **DEVELOPMENT OF MORTGAGE IN RUSSIA**

# СЛАЙДЫ ИГОРЯ



# СЛАЙДЫ КОСТИ

# **SPECIFICATION OF MORTGAGE IN USA**

# SPECIFICATION OF MORTGAGE IN THE US

**The main features of the U.S. mortgage:** mortgage loan is usually long-term (15-20 years), the interest rate below the market (an average of 3-4%), the amount of loan is usually not more than 80-90% of the value of the mortgaged property, and 10-20% of the first payment, which the buyer shall pay out of its own funds.

**Second main feature of the mortgage** in this country should include a more loyal attitude of banks to the real estate, which will be acquired through a mortgage loan.



# SPECIFICATION OF MORTGAGE IN THE US

**Another feature** is that most banks offer borrowers to obtain a loan with a variable interest rate, the amount of which will be changed periodically.

**As to the characteristics of mortgage** is the possibility of taking into account the borrower's income, not only in the form of wages and rents, but also of personal retirement savings and dividends.



# **MORTGAGES IN EU & FINLAND**

# MORTGAGE FROM A FINNISH POV

## WHAT IS IT? (FINNISH STANDARDS)

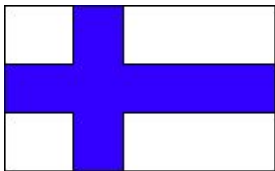
A loan for buying,  
renovating and building  
a home.

Usually for 20-25years

- Below average  
length within EU

Instalment is tax  
deductable!!!

- Home can be sold  
for untaxed profit in 2  
years



## REQUIREMENTS

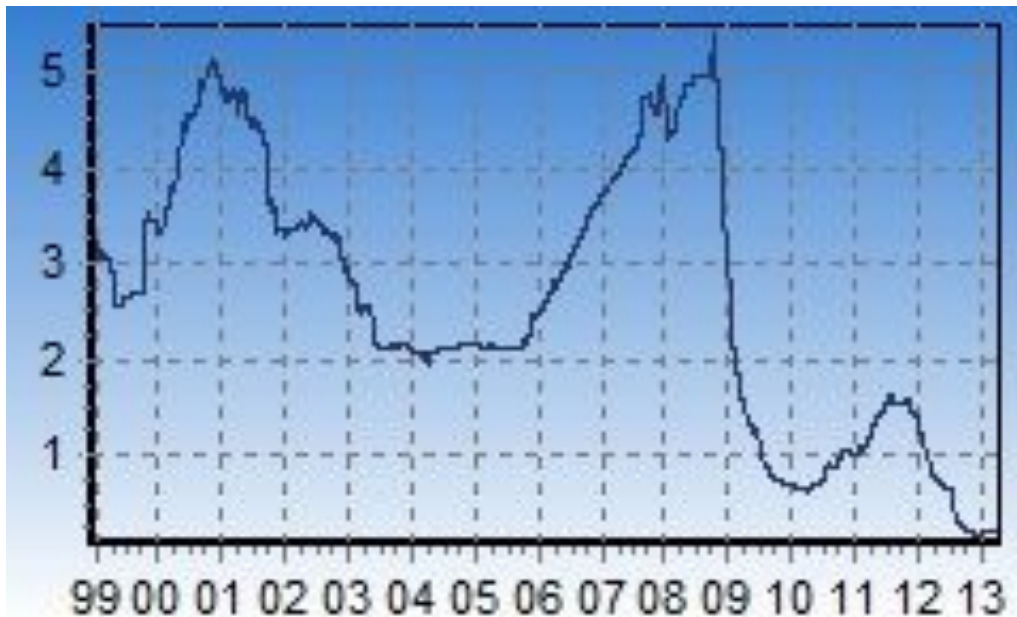
- Steady income
  - Current, previous,  
future
- Good credit information
- Deposit *usually* the  
house
- Not mandatory to have  
savings
- Government guarantee  
possible for first home  
buyers

# INTEREST & MARGINAL

You can tied down your interest to 2 interest ratings:

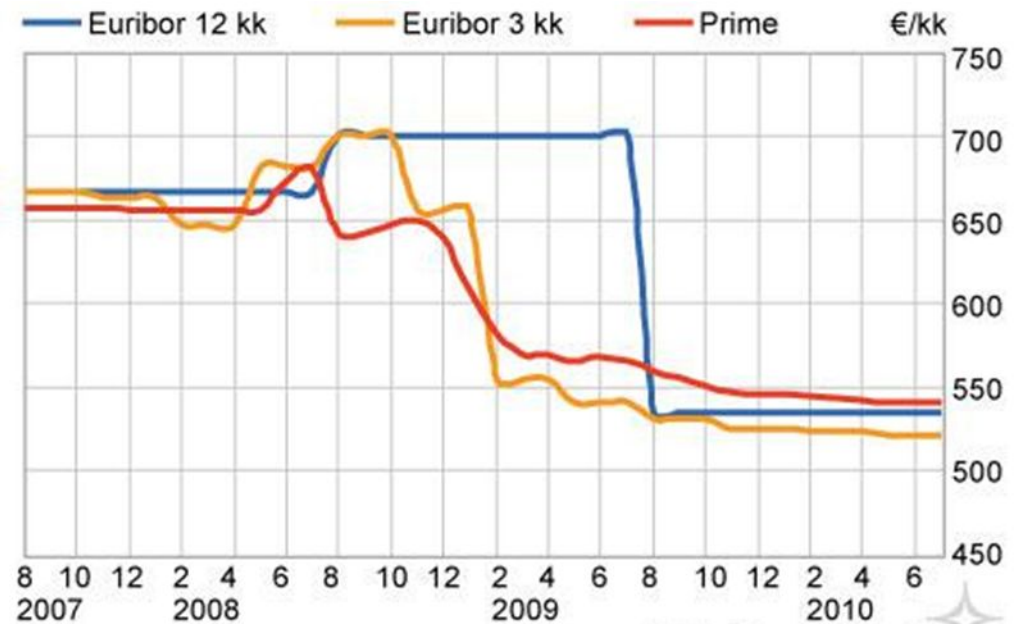
- **Euribor %**
  - 1, 3, 6 or 12 month updates
- **Prime-interest %**
  - The banks own marginal
  - Updated a few times a year, often claimed to be slow to change.
- **+ Bank's marginal, 0,935 % in average**
  - Expected to rise to 1,5% next year





# EURIBOR % FROM 1999 - 2013

## Euribor % and Prime % comparison 2007 – 2010





# EXAMPLE COST OF MONEY

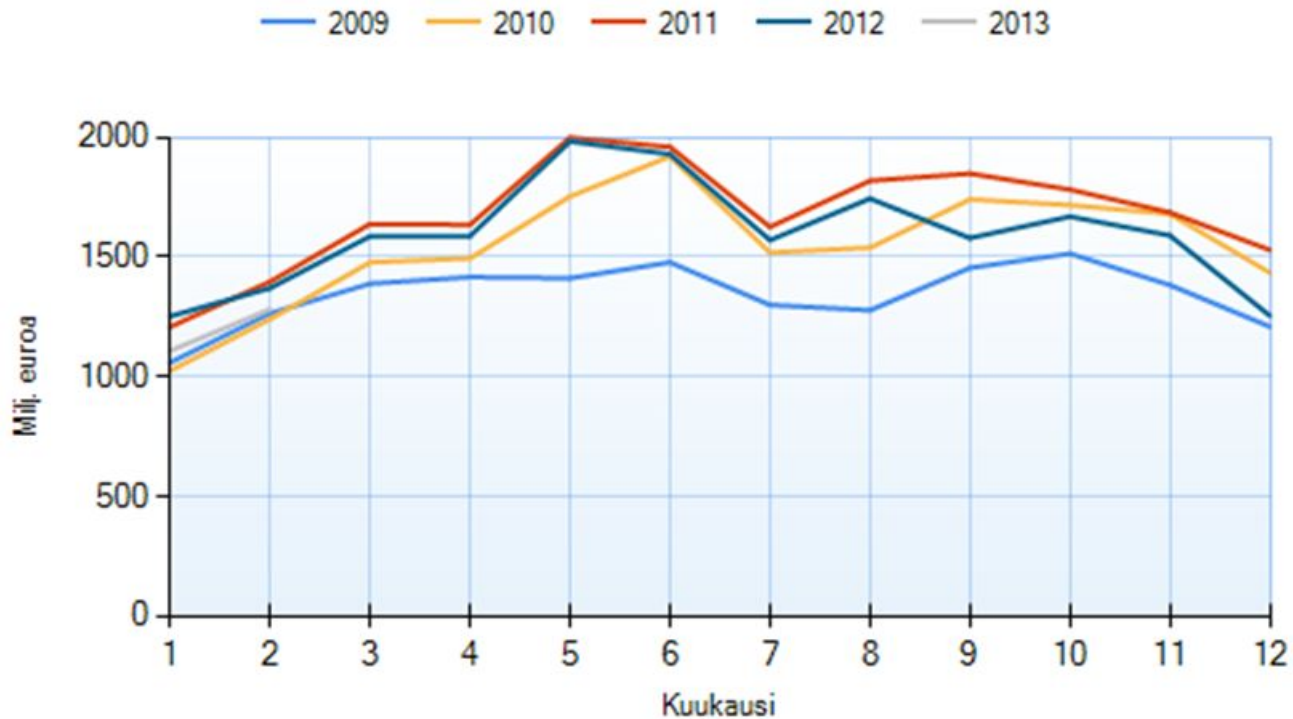
How much would money cost in Finland in reality?  
Example: January 2012, **85000e for 180 months**, costs calculated from averages of Banks of Helsinki.

- Bank marginal 0,887%
  - Euribor of 3months 1.343%
  - Total of the marginal **2,487%**
  - Other expenses 445e
- TOTAL 104 764 ,60e**

Cost of the money would be:  
**19 764,6e**

Current Euribor rates			
period	12.4.2013	11.4.2013	10.4.2013
1 month	0.118%	0.119%	0.119%
3 months	0.210%	0.211%	0.211%
6 months	0.327%	0.329%	0.329%
12 months	0.534%	0.536%	0.537%

# NEW MORGAGES TAKEN IN FINLAND 2009 - 2013



Lähde: Suomen Pankki

# LOANS AVAILABLE IN FINLAND

- **Annuity Loan**

A time for a loan is calculated and the sum is divided for this period. Each instalment is equal. If the interest rate changes, a new instalment sum is calculated for the same time period.

- **Fixed Annuity**

All instalment payments are the same amount but if the interest rate (%) rises the customer may be paying only the %

- **Equal Installment**

Customer pays every instalment a certain amount of the debt and a certain percentage of interest (%). As more of the debt is paid, the instalment payments get smaller.

# СЛАЙД КОЛЕТТ

Hi 😊

**If you can find somewhere the statistic of the amounts of Mortgage EU countries have and the chart you showed me, it would be a really interesting adding to the information above 😊**

**THANK YOU FOR  
YOUR  
ATTENTION!**