

WAYS TO IMPROVE MORTGAGE LOANS OF COMMERCIAL BANKS IN THE CONSTRUCTION AND RECONSTRUCTION OF HOUSES IN THE COUNTRY

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Abstract

In this article, housing construction, mortgage loans allocated by the state and commercial banks for its construction, conditions of their issuance, goals, regulatory and legal bases, disadvantages and advantages of mortgage loans, foreign experience in this regard, JSC "Xalq bank" for example, the share of mortgage loans in the share of loans allocated to the population, proposals and recommendations regarding the improvement of the regulatory and legal framework for mortgage loans were given.

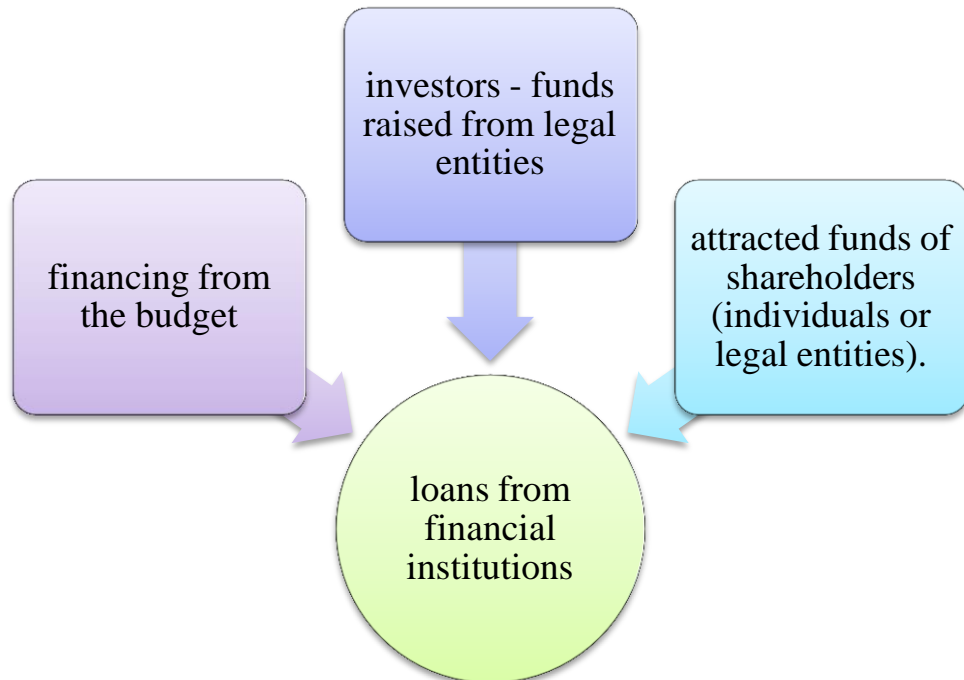
Key words

housing, construction, external financial resources, financing of housing construction, mortgage loan, loan conditions, credit advantage, primary market, secondary market.

In every developed country with a well-established market economy, housing is the most important component of national wealth, and citizens' investments in real estate make up almost a large part of the material wealth of family farms. The continuous growth of the population's standard of living requires an increase in the requirements for the quality of life, including the size and comfort of housing. This makes housing construction one of the priority sectors for various forms of financing and lending activities.

The advantages of using capital in construction are obvious: resources are free, do not require repayment and give complete freedom at their disposal. However, practice shows that own funds are enough only to build the foundation of the house. It takes years and even decades for construction companies to raise capital significantly. As a result, it is increasingly important to look for alternative sources of financial resources, which are debt and debt funds, in the context of a constant shortage of working capital.

External financial resources are divided into four types:



The advantages of the investment source of housing construction financing are as follows:

- replenishment of working capital of construction organizations at the initial stage of construction of a residential building, which, in turn, ensures the continuity of the construction process, shortens the construction time;
- guarantees that all apartments in the building (or most of them) will be sold;
- exclusion of the next stage of housing sale.

An important direction of socio-economic development of the Republic of Uzbekistan at the beginning of the 21st century is the formation of an affordable housing market by creating conditions for proportionally increasing the demand of households for residential real estate. Uzbekistan's integration into the world economy, including the integration of the domestic mortgage lending market into the world financial system. In the countries of the modern world, mortgage lending is an important element of the credit mechanism of the national financial system.

Commercial banks play an important role in housing construction financing. In this regard, it is very important to analyze the participation of banks in the financing of construction projects.

Prospects for the further development and improvement of housing mortgage loans for construction and purchase of housing will depend on how fully the mechanism of issuing these loans corresponds to the economic interests of the

participants in the construction process and the financial capabilities of housing buyers.

World experience has accumulated important knowledge about the mechanisms of financial support for housing construction.

The problems of providing housing to the middle and low-income population by attracting private and bank capital to the process of housing construction is not only an internal problem, but also exists in many countries of the world. These problems appeared in places where there was an unfavorable socio-economic situation. These problems are influenced by the difficulties in developing the economy of the countries, established traditions, as well as demographic factors.

The experience of most developed countries shows that there are financing mechanisms that allow for a comprehensive solution to the housing problem, as well as attracting investments in housing construction. The content of these mechanisms, as well as the specific nature of their activity, primarily depends on the comprehensive development of the credit-finance, insurance and stock markets in the country, the stability of the national currency, the level of inflation, and the ability to pay. In addition, often the differences in principle are not significant. Therefore, studying and summarizing the world experience of financing housing construction, it is important to understand that the models of organizing financing of housing construction differ, first of all, in the composition and structure of attracting financing sources.

Commercial banks play a special role in this process. In our country, loan conditions for residents of regions and capital cities differ depending on the location, down payment, mortgage loan amount, and interest rates.

According to the statistics of the Central Bank for the 9th month of 2022, mortgage loans allocated by banks to the population totaled 10.3 trillion soums.

According to the results, it was found that 18 banks out of 30 banks in Uzbekistan issue mortgage loans.

Rating of profitable mortgage loans for the purchase of housing from the primary market in Tashkent city and regions (as of 2022.)

Banks	Initial payment, %	Interest rate, in the provinces, %	Loan period	Loan amount, in regions (million soums)	Overall rating in the regions
"Asakabank"	15	17	240	327	1
"Ipoteka bank"	15	17	240	327	1
"Hamkor bank"	15	17	240	327	1

"Xalq bank"	15	17	240	327	1
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According to the analysis, the most profitable mortgage loans in the primary real estate market of the regions are offered by the following banks: "Asakabank", "Ipoteka bank", "Hamkor bank", "Xalq bank", "Mikrokreditbank", "Orient Finans bank", "Uzsanoatqurilishbank" and "Qishloqqurilishbank".

• These banks occupy the first place in the rating and provide mortgage loans for the purchase of housing from the primary market to customers under the following conditions:

- • initial payment – 15 %;
- • annual interest rate – 17 %;
- • term – up to 20 years;
- • the maximum amount of the loan should not exceed 327.25 million soums.⁵³

In most economically developed countries, the main form of improving the living conditions of the population is a mortgage loan. In the conditions of modern Uzbekistan, the classic system of long-term mortgage lending is not yet widespread. Financing of construction and purchase of housing is carried out at the expense of the population's own funds and funds of business entities, as well as at the expense of the implementation of credit programs adapted to the conditions of the transition economy, that is, to the situation of housing shortage. They are temporary housing finance schemes for transition economies and can be defined as targeted housing loan programmes. In this regard, methodological rules and practical recommendations for solving the problems of housing construction financing by creating a national system of housing construction and housing purchase financing, taking into account world experience, were substantiated in the work process.

Based on the generalization of the world practice of national systems of financing housing construction and housing purchase, three general stages of their development were defined:

- self-financing of the housing market;
- use of short-term and medium-term loans;
- mortgage lending models.

Based on the above information, we have come to the following conclusions. The system of financial support for housing construction and acquisition of housing that has been formed in Uzbekistan is at the junction of the second and

⁵³ <https://daryo.uz/2022/10/21/uy-sotib-olish-uchun-qulay-imkoniyat-ozbekistondagi-eng-foydali-ipoteka-kreditlari-haqida>

third stages of its development. Modern models of mortgage lending are widespread in most developed countries. This is the most promising way to finance housing construction and purchase of housing, and we have chosen it to use world experience in local practice.

An analysis of the practice of applying the main, most typical schemes for financing housing construction came to the conclusion that they mainly help to solve the housing problem in Uzbekistan. Because they are a necessary stage in the development of a civilized housing market, because they create the necessary conditions for the transformation of transitional models into classic mortgage schemes.

The current system of financial support for housing construction and the acquisition of housing is at the junction of the second and third stages of the world experience in the formation of national construction financing systems, and is characterized by the preservation of the pligh.

Own funds of construction organizations, housing loans, consumer loans, public funds allocated to finance construction, social payments from budgets of all levels, mortgage loans, as well as funds through the issuance of securities, including

The national system for financing the construction and purchase of housing should not be developed separately. The implementation of this conceptual principle will bring great economic benefits. Integrated systems for financing the construction of national economies make it possible to reduce currency and interest risks, make the pricing policy for mortgage loans transparent, and reduce the cost of transferring funds for construction from one country to another.

More attention should be paid to the development of the housing finance system and the development of a single-stage (European) housing finance model based on the principles of housing construction proposed in the current transitional stage of housing acquisition. Model of construction financing, many models of mortgage lending can be created taking into account the socio-economic characteristics of different regions of the country.

This is in line with global practice, which has a wide range of mortgage financing schemes and lending programs to provide the population with housing. An analysis of many forms of state support for mortgage programs showed that guaranteed state budget support should be maintained throughout the entire period of their implementation, i.e. for 10-15 years. However, at the same time, as mortgage lending develops in the country and macroeconomic indicators improve,

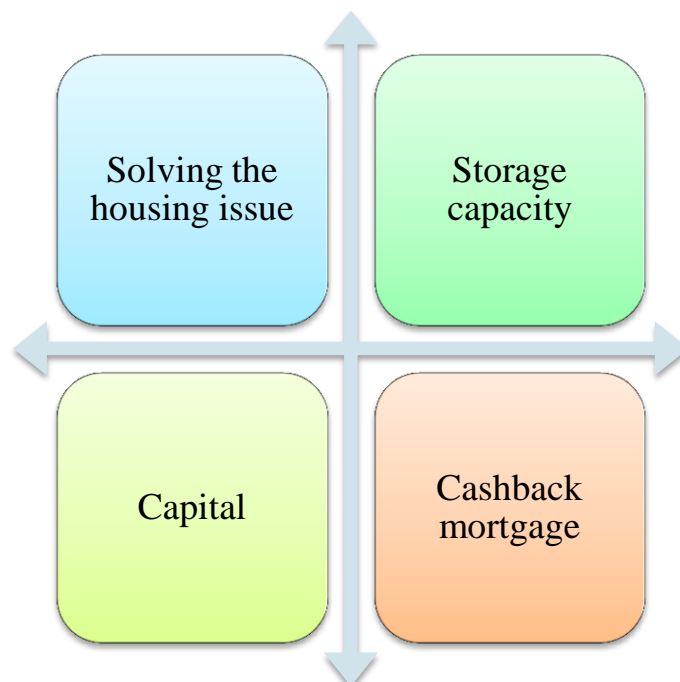
budget support should be gradually reduced until mortgage loans become fully self-sustaining. In this regard, it is proposed to provide targeted subsidies to citizens who need to improve their living conditions, first of all, to pay the down payment for obtaining a mortgage loan.

More affluent categories of citizens can pay a down payment, usually 25% of the cost of the house, through a housing or consumer loan. The case also suggested other forms of state support for mortgage loans. Lending institutions could significantly reduce mortgage rates if they reduced the tax on income from mortgage lending and made it possible to obtain cheap long-term financial resources under government guarantees. The above main provisions for improving financing constitute the main content of the concept of developing a national system of financing housing construction and financing the purchase of housing. The development of a system of financing housing construction and financing the acquisition of housing is a promising direction in providing the population with affordable housing.

Benefits of mortgage loans

- A mortgage allows you to purchase an apartment immediately, without years of savings;
- Housing purchased on a mortgage becomes the property of the borrower, where he and his family members will be able to register;
- Mortgage loans are insured.

Advantages of a mortgage



Based on the foregoing, i would like to make the following proposals and recommendations aimed at improving the design and financing of housing construction in “Xalq bank” JSC:

1. Strengthen the legal documents related to the design and financing of housing construction in our country and increase the resource base of credit institutions financing housing construction, in this regard, increase the authorized capital of Xalq bank at the expense of budgetary funds and ensure its stability.

2. Use of the advanced experience of developed countries in the design and financing of housing construction, including the use of a single-tier model in the design and financing of housing construction. Its distinguishing feature is that all applications of the bank's clients for the design and financing of housing construction are processed by the bank at the expense of all resource sources, i.e. bank capital, funds on deposit accounts of clients, loans received from other banks and other sources provided at the expense of Interest rates on loans allocated for the design and financing of housing construction depend on the general state of the country's credit and financial market.

3. When conducting auctions in housing construction, attracting applicants to participate in the auction by analyzing the financial and economic situation and experience, logistics of applicants participating in the auction.

4. Introduction of the issue of mortgage-backed securities by commercial banks and specially created companies in the design and financing of housing construction. This creates an opportunity to attract funds from the international and local population in the design and financing of housing construction.

5. In order to increase the stability of the supply of financial resources for mortgage loans, it is necessary to take measures to strengthen the resource base of commercial banks with the practice of mortgage lending. To do this, first of all, it is advisable to include the net profit of the current year in the composition of additional capital in the composition of fixed capital. Secondly, time deposits in the amount of mortgage loans issued by commercial banks should be exempt from the mandatory reserve requirements of the Central Bank. As a result, the volume and level of stability of the deposit base of commercial banks with mortgage lending will increase, and an opportunity will be created to increase their liquidity.

6. It is advisable to ensure the quality of the technical and economic base of housing construction, in this direction to conduct a thorough analysis of the valuation, to support mortgage lending by the state, to strengthen the stimulating role of taxes.

7. In exchange for long-term loans, the introduction of incentive mechanisms to attract private investment based on the provision of tax incentives to commercial banks in the design and financing of housing construction, the increase in interest rates on deposits is not without benefits.

The effective implementation of these proposals will make an important contribution to the development and improvement of housing design and financing.

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