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Development of the bank mortgage lending market in Ukraine

The revitalisation of the mortgage lending market is an urgent task for the recovery of the credit market and the Ukrainian economy as a whole, as well as for the formation of a financial market that meets modern requirements, with appropriate structures and institutional elements. The development of the mortgage market solves both the economic problem of activating and efficiently allocating financial resources and the social problem of attracting people from different segments of the population through financial market mechanisms. It is necessary to consider its theoretical justification, taking into account the peculiarities of the Ukrainian economy and existing global trends in the development of mortgage lending.

The problems of the mortgage lending market are widely discussed in scientific research, and analysis and generalisations show that the main problems hindering its development are the high cost of credit resources and low incomes of the majority of the population. Bank mortgage lending is currently virtually inaccessible to the majority of the population. The number of banking institutions operating in the market has declined by more than 50% in recent years, and the supply of mortgage products in the banking market has significantly decreased.

The essence of the concept of "mortgage" can be considered from a legal and economic point of view. Thus, legal documents, in particular the Law of Ukraine "On Mortgage" dated 05 June 2003 No. 898-IV as amended, consider mortgage as a type of security for fulfilment of an obligation with immovable property that remains in the possession and use of the mortgagor, according to which the mortgagee has the right, in case of default by the debtor of the obligation secured by the mortgage, to receive satisfaction of its claims at the expense of the mortgaged property mainly before other creditors of this debtor in accordance with the procedure established by law. From the economic point of view, a mortgage is a pledge of real estate to secure a debt obligation, which is specified as a loan, and the unity of the pledge and the loan capital is clearly visible [1].

The mortgage market in our country is not stable and mortgage lending needs to be stimulated. In particular, according to the Central Bank, the volume of mortgages in the loan portfolios of banking institutions is decreasing every year: at the beginning of 2019, mortgages accounted for 4.63% of banks' loan portfolios, compared to 5.65% in 2014 [2, 3].

In the pre-war year of 2021, Ukrainians were quite active in taking out mortgages - their volume increased by 2.5 times compared to the previous year. In the same year, the government also launched the "Affordable Mortgage 7%" preferential programme, under which 1,300 loans were issued.

In 2022, Ukrainian banks issued 2009 mortgage loans totalling UAH 1.96 billion. Compared to 2021, new mortgage lending decreased by 5.3 times in terms of

the number of agreements and 4.3 times in terms of money.

This is evidenced by the results of a monthly survey of banks on the volume of mortgage loans granted to households.

The vast majority of mortgage loans in 2022 - two-thirds by number of agreements - were granted in January-February before the start of Russia's full-scale military aggression.

In March-May, mortgage loans were not granted at all, and in the summer, there were few disbursements.

In September, however, mortgage lending began to gradually recover, primarily due to the government's "Affordable Mortgage" and "eHouse" lending support programmes. Under these programmes, borrowers can obtain mortgages at reduced interest rates of 7% and 3% per annum, respectively [3].

In September-November 2022, banks issued 252 mortgage loans totalling almost UAH 280 million, and in December - 405 loans worth half a billion hryvnias. This is the highest monthly figure since the start of the full-scale war. Four banks reported issuing new mortgages in December.

During the war, banks have been lending for home purchases almost exclusively in the secondary real estate market: the share of mortgage agreements in this segment accounted for 99% of all new mortgage loans in June-December 2022.

In terms of regions, the largest number of mortgage loans were issued in Kyiv and Kyiv region over this period - 241 agreements totalling almost UAH 345 million (43% of the total), in Volyn region - 48 agreements for UAH 60 million (8%), in Vinnytsia region - 37 agreements for UAH 50 million (6%), and in Chernihiv region - 54 agreements for UAH 47 million (6%) [2].

Mortgage loans outside the government programme are currently rare. It is clear that amidst the uncertainty caused by the war and falling incomes, most Ukrainians do not risk getting involved in mortgages, and banks have become more demanding of potential customers.

At the same time, even during the war, the government made an attempt to give mortgage lending a boost for at least a few categories of citizens. We are talking about the eHouse programme, which was launched in October last year.

It provides an opportunity to obtain a preferential loan for housing for four categories of Ukrainians: military personnel and employees of the security and defence sector, doctors, teachers and pedagogical staff, and scientists. The interest rate on such a loan is 3 per cent with an initial payment of 20 per cent, and the loan is granted for 20 years.

Under the terms of the programme, the mortgage recipient can expect to live in an unoccupied area, be at least 18 years old and have a floor space of 52.5 sq m plus 21 sq m for each additional family member. An application for an affordable mortgage under this programme is made through the Diia app. There are currently five partner banks in the programme: "Oschadbank, Privatbank, Ukrgasbank, Globus Bank and Sky Bank.

At the end of last year, the government predicted that by 2023, about 15,000 Ukrainian families would be able to receive a concessional loan to buy a home. In the future, the programme will be extended to other categories of the population, who will

be able to get a mortgage loan at 7 per cent per annum, and the programme itself will be long-term.

More than six months have passed since its launch. According to the NBU statistics, since November 2022, there has been a certain revival in mortgage lending: 146 loans worth UAH 178.4 million were issued then (almost three times more than in October), and in December and January the amount increased significantly - to 405 transactions worth UAH 501.5 million and 357 transactions worth UAH 449.5 million, respectively.

However, in February 2023, the number of loans issued dropped significantly. In the last month of winter, banks issued 126 mortgage loans totalling UAH 169.8 million [3].

Outside of this programme, there are isolated cases of banks issuing mortgages, but this is not a full-fledged "mortgage lending market", but rather non-standard situations and solutions, the NABU Council Chair noted. For example, housing can be used as collateral for a loan to finance non-housing needs.

At the same time, the funds previously allocated for the eHouse programme have already been exhausted, and therefore the issuance of new loans has been suspended. However, when new funding becomes available, we can expect lending under the programme to resume.

In the spring of 2023, in order to accelerate the implementation of the eHouse programme, the government made several decisions regarding further funding for the programme. In particular, it approved the possibility of Ukrfinzhytlo raising additional funds on the open financial market.

Demand, supply, market price and competition are among the key factors that determine the state of the mortgage market both in Ukraine and globally. In developed countries, demand in the housing market is balanced by significant construction volumes, and prices, despite rising developer costs, remain almost unchanged due to significant competition.

Based on the results of the study, it can be concluded that the real estate lending market in Ukraine requires significant improvement. It is worth highlighting that out of more than 70 operating banks, only 10% are actively involved in attracting new mortgage loans.

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In our opinion, the securitisation of mortgage loans, as demonstrated by the experience of foreign countries, is exactly the right tool to create affordable loans and minimise risks for all mortgage market participants, as well as to stimulate lending activity of banks.

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Financial innovations as factors of digital transformation of the national economy of Ukraine

Current trends in the development of financial innovations are moving the digital transformation of the national economy to a qualitatively new stage of its development. In today's environment, the main priorities for the functioning of the national economy of the state should be to address the shortage of financial resources, reduce the digital divide between the economy and society, ensure accelerated economic growth and improve the welfare of the population. Articles [1-4] explore the issues of innovation in the economic sphere. The issues related to the analysis of the features of financial innovations and their impact on socio-economic processes in the state are considered [3, 4]. Works [5, 6] reveal the most problematic aspects of the introduction of innovative approaches, considering new mechanisms for solving problems in the financial sector. However, despite the wide range of research, the impact of financial innovations on the development of the digital transformation of the national economy has not been fully studied, which has led to the relevance of this study.

The importance of introducing financial innovations for the development of the digital national economy is undeniable. On the one hand, financial innovations form a new mechanism for ensuring the functioning of the national economy, considering innovative methods and tools, when, unfortunately, traditional approaches are no longer effective, and, accordingly, new types of threats and risks arise that require rapid adaptation and modernization of processes in accordance with new requirements. The article [1] identifies the main features inherent in financial innovations, in particular: