

## Overview of Mortgage Loans in Uzbekistan

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**Abstract:** The article presents a number of decrees of the President of the Republic of Uzbekistan in order to improve the living conditions of the population, further develop the mortgage lending market, widely attract private contractors to housing construction and create favorable conditions for them.

**Keywords:** mortgage lending, housing construction, commercial bank financing, subsidies, contributions and payments.

**Introduction:** The country is taking consistent measures to improve the living conditions of the population by expanding the construction of affordable residential and multi-apartment buildings, introducing new architectural and technical solutions to the industry. Thus, over the past three years, 104,000 families have been provided with housing, which is one and a half times more than the number of houses built over the past ten years.

At the same time, further improvement of the living conditions of the population necessitates the formation and development of a modern market system of mortgage lending to individuals, widespread involvement and complete transition to housing construction by private contractors, a gradual increase in financing by commercial banks, as well as strengthening the targeting and transparency of state support for families, in need of better living conditions<sup>1</sup>.

Starting from December 10, 2021, as part of the procedure for providing the population with housing through mortgage loans based on market principles, it has been established<sup>2</sup>:

- the practice of establishing the maximum norm for the area of an apartment is canceled when paying subsidies from the State budget to citizens with a low level of income and in need of improved housing conditions;
- annually, the Ministry of Economic Development and Poverty Reduction approves the maximum amount of a mortgage loan and the amount of a subsidy to compensate for a part of the down payment allocated to one borrower;
- persons who have received a notification of the provision of a subsidy form part of the down payment on a mortgage loan, in the amount of at least 5 percent of the cost of housing, at their own expense;
- regardless of the location, cost and area of the purchased apartment, subsidies for compensating part of the down payment are paid in a fixed amount - 32 million soums, subsidies for compensating part of interest payments - during the first five years in excess of 10 percentage points;

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<sup>1</sup> Decree of the President of the Republic of Uzbekistan dated November 28, 2019 No. DP-5886 "On additional mechanisms for improving mortgage lending" (as amended and supplemented as of December 09, 2021).

<sup>2</sup> Decree of the President of the Republic of Uzbekistan dated December 9, 2021 No. DP-32 "On measures to build the "Yangi Uzbekiston" massifs and ensure the socio-economic development of the regions."

- subsidies to compensate for part of the down payment and interest payments are also paid in the case when the price of the purchased apartment exceeds the maximum mortgage loan. In this case, when the price of the purchased apartment exceeds the maximum amount of the mortgage loan, the remaining part of the cost is paid by the borrower at his own expense and other sources not prohibited by law, by increasing the amount of the down payment;
- when obtaining a mortgage loan, citizens are given the right to attract other persons who do not live with them and are not their close relatives as co-borrowers;
- resources of the Ministry of Finance are placed in commercial banks directly or through JSC "Mortgage Refinancing Company of Uzbekistan";
- Commercial banks, based on the amount of the down payment, the borrower's debt burden, the grace period and other indicators, are entitled to establish differentiated interest rates on mortgage loans issued without subsidies.

### **The procedure for granting mortgage loans<sup>3</sup>.**

The allocation of mortgage loans to the population for the purchase of an apartment in the primary housing market at the expense of the Ministry of Finance of the Republic of Uzbekistan is carried out at the following stages:

**1st stage.** Based on his ability to pay, a citizen chooses at his own discretion apartments that are sold on the primary housing market, and concludes an agreement with a contractor.

**2nd stage.** A citizen who has applied to a commercial bank branch with a request to issue a mortgage loan for the purchase of a selected apartment, along with the application, submits the necessary documents.

**3rd stage.** Mortgage loans are issued by the bank to potential borrowers after consideration of the application.

Potential borrowers must meet the following requirements:

- a) a citizen of the Republic of Uzbekistan who is 18 years old and not more than 60 years old on the day of applying for a mortgage loan;
- b) persons with a permanent place of work and sources of income;
- c) debt load indicator, i.e. persons whose ratio of average monthly payments on all loans to the approved average monthly income of the borrower (and co-borrowers) does not exceed 70 percent.

If the indicator of the debt burden of the borrower and co-borrowers exceeds the established norm, a guarantee of legal entities to secure their debt obligations to the bank can be accepted, and 50 percent of the annual net profit of the legal entity can be added to the indicator of the debt burden of the borrower;

- d) persons who do not have overdue debts on loans received from credit institutions at the time of considering the issue of issuing a mortgage loan.

**4th stage.** After a positive decision of the Bank to issue a mortgage loan (transfer of subsidized funds to the bank for a part of the down payment for borrowers with a notification of the provision of a subsidy);

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<sup>3</sup> Decree of the President of the Republic of Uzbekistan dated March 11, 2021 DP-6186 "On additional measures to provide housing by providing mortgage loans on market principles".

- a loan agreement is drawn up between the bank and the borrower (co-borrowers);
- the borrower enters into an insurance contract with an insurance company to insure the subject of mortgage against risks;
- a contract for the sale of housing is drawn up in accordance with the established procedure;
- a mortgage agreement is concluded or the mortgage is registered with the State Committee of the Republic of Uzbekistan for Land Resources, Geodesy, Cartography and State Cadastre in accordance with the law.

## **Conclusion.**

The growth in demand for housing and the implementation of measures to provide the population with housing led to an increase in mortgage lending.

As of January 1, 2022, the balance of mortgage loans amounted to 35.8 trillion soums, an increase of 26.8% (7.5 trillion soums) compared to the corresponding period of 2021. At the same time, mortgage loans issued during this period increased by 7.4% or 671.8 billion soums compared to the same period last year and amounted to 9.8 trillion soums.

In 2021, the share of mortgage loans allocated for the purchase of houses built by IC "Qishloq Qurilish Invest" and IC "Uzshahar Qurilish Invest" in the total volume of allocated mortgage loans amounted to 21.7% (2,124.0 billion soums), which is by 40.9% (3 148.7 billion soums) less than the same period last year. At the same time, the share of mortgage loans issued under the "new procedure" based on market principles for providing the population with housing (hereinafter referred to as the "new procedure") increased from 19.1% (1,744.6 billion soums) to 49.5% (4 846.2 billion soums).

The share of mortgage loans issued by commercial banks at the expense of «Uzbekistan Mortgage Refinancing Company» JSC in the total volume of mortgage loans issued increased by 20% (up to 1,956.8 billion soums).

In addition, the share of mortgage loans allocated for the purchase of housing in the secondary market increased to 25% (2,442.6 billion soums).

## **List of used literature.**

1. Decree of the President of the Republic of Uzbekistan dated November 28, 2019 No. DP-5886 "On additional mechanisms for improving mortgage lending" (as amended and supplemented as of December 09, 2021).
2. Decree of the President of the Republic of Uzbekistan dated December 9, 2021 No. DP-32 "On measures to build the "Yangi Uzbekiston" massifs and ensure the socio-economic development of the regions".
3. Decree of the President of the Republic of Uzbekistan dated March 11, 2021 DP-6186 "On additional measures to provide housing by providing mortgage loans on market principles".