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The Development of Mortgage Lending Market in a Transition Economy: Problems and Perspectives

One of the significant issues of the loan market development in the countries with a transition economy is design and implementation of financial instruments and technologies for refinancing of a mortgage lending mechanism. The above issue is relevant for Belarus as well. Mortgage aims to solving residential house building problems as well as developing a financial market as such. A weighted approach to the implementation of mortgage lending will allow increasing the volume of house building in Belarus at the micro level and will add to the growth of effectiveness of the monetary policy at the macro level.

Mortgage lending market development has been one of the key issues in the economy literature for many years. Economists, scientists, bankers and lawyers have been discussing the following issues: the extent of influence of mortgage lending as a financial instrument on economy; the function of the banking system in this issue; the restraining and stimulating factors in terms of mortgage market development.

In Belarus mortgage lending was at the centre of the active discussion in 2003, on the threshold of cancellation of central financing of residential house building by the National Bank of the Republic of Belarus. There were plans to increase the number of banks participating in house-building with support of new institutions: mortgage lending, building up a system of long term savings of individuals in the form of housing savings, as well as retirement and insurance saving funds.

The banking system of the country is actively involved in the implementation of state-run house-building programs. The actualization of the role of the banks in the implementation of the approved Concept of construction (reconstruction) of affordable and comfortable accommodation for the residents of the Republic of Belarus (hereinafter referred to as Concept)² is indisputable. The stated document subdivides the tendency of the house-building development into 3 periods:

- Short-term (until 2010);
- Medium-term (until 2015);
- Long-term (after 2015).

The Ministries of Architecture and Construction, Economy, Finance, Municipal Affairs and Housing, jointly with the National bank of the Republic of Belarus, have been authorized to program the activities aimed at implementation of the Concept before July 1st of the current year.

With a view to settle relationships in the mortgage sector and form the legal platform for long-term mortgage lending, along with the Concept, the law “On mortgage” is being prepared in the republic. This project has been passed in the first reading and is planned to be considered in the second reading during spring session by the deputies of the House of Representatives of the National Assembly of the Republic of Belarus.

The practice of market economy, as well as in CIS countries, shows that the legal basis alone is not enough for the functioning of mortgage lending in the republic. Ten years ago (in 1998) in Russia

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² The Concept of construction (reconstruction) of the affordable and comfortable accommodation for the residents of the Republic of Belarus, approved by the Resolution of the Council of Ministers of the Republic of Belarus as of March 3rd, 2008 **№262**

the Federal Law “On mortgage (property mortgage)” was adopted, in 2003 – the Federal Law “On mortgage securities”, however, the legal basis failed to live up to expectations. Moreover, considering the significant volume of arrears on mortgage loans, in Russia the creation of the regulatory and legal framework with regard to bankruptcy of individuals is at issue.

It is obvious that in the course of the Concept implementation in a transition economy the banking system in Belarus will face a series of currently unsettled issues of loan market development, such as:

- imperfection of the legal basis in the field of mortgage lending;;
- availability of house-building loans for individuals;
- commensuration of the cost of the square meter of property with the income level of individuals;
- choice of the optimal term of mortgage lending;
- commensuration of interest rate on loan for residential house-building with the income level of individuals etc.

Besides, it is necessary to define the trends to increase efficiency of the interest channel of the transmission mechanism of the monetary policy in Belarus. It is necessary to choose the optimal pace of development by loan market banks, weigh the influence of the mortgage lending growth on fluctuation in property prices by way of studying, in the first place, the practice in the countries of near and far abroad.

To have a clear vision of the essence of the matter under study and analysis, it is necessary to differentiate the notions “mortgage” and “mortgage loan”. Therefore, the press often uses the formulation: “Mortgage is a long-term loan issued against security of property to purchase a house”. (Voliianiuk, Nezvanov, 2007) Mortgage is a Greek word for hypotheke – pledge, encumbrance on property for the purpose of getting a loan, a mortgage loan. A mortgage loan (mortgage credit, real estate loan), in its turn, is a way of raising funds against property.

Mortgage dates back to the beginning of the 7th century B.C., Greece. On issuing mortgage as a loan liability, at the boundary of the land lot, owned by the borrower, a post was put with a sign on it “under pledge” – “mortgage”, where all debts of the land owner were registered. Some time later mortgage (land) registers were introduced for this purpose. On signing the mortgage agreement in the notary office, the mortgage was made up, which represented a security on pledge of property. Mortgage gives the right to the pledge holder of preferential satisfaction of claims to the pledger within the registered loan amount. The main characteristic feature of mortgage is that it gives opportunity of getting a series of mortgage loans against the pledge of one and the same property under 2nd, 3rd etc encumbrances.

Mortgage is widely practiced in developed countries. Thus, in the USA 63 million families live in houses purchased with a mortgage loan. Over 3 trillion USD circulates annually in the mortgage market and that is more than in the market of US government securities. Mortgage loans are issued by savings and loan associations (40–50% of the total number of mortgage loans), mortgage banks (18–30%), commercial banks (19–20%), mutual savings (cooperative) banks (8–10%), credit unions (1–2%)¹.

Influence of the pace of mortgage development on financial stability of the country and real state price variation, and significance of the optimum path for interest rate is demonstrated by the example of the mortgage crisis in the USA. As a result of the crisis in 1997 – 1999 in the USA, the part of speculative money poured into the mortgage sector that led to a drop in the value of long-term

¹ Finance and credit encyclopedia, edited by A.G.Griaznova. – Moscow, 2002. – P. 376 – 377.

loans. Individuals were offered loans with a variable rate and a low down payment. However, in the context of increasing interest rates, the service cost of the specified loan servicing went up sharply, causing an increase in late mortgage payments, and as a result mortgage companies went bankrupt, closed or were sold.

Among the fighting-crisis measures taken by the US government, were the lengthening of the loan term to 40 years, rate reduction and granting tax concession to individuals and companies. The amount of tax concession is expected to be equal to 600 USD per head. The US Senate is working out its own program, valued at 156 billion USD, within the framework of which analogous payments will amount to about 500 USD per head (Tarasov 2007).

As a result of the mortgage market crisis, the US economy may suffer loss to the amount of 2 trillion USD, as each dollar lost on mortgage loans can lead to loan reduction by more than 10 dollars, as reported by Bloomberg with reference to predictions of the analysts from Goldman Sachs Group Inc.

Problems in the mortgage lending sector have a negative impact on economic growth in the USA that increases the probability of a recession. In the opinion of the FRS ex-chairman Alan Greenspan, the chances of a recession depend on whether problems of mortgage lending will spread into consumer lending business in the USA.

Taking into account the laws of history, we draw a conclusion that the situation in the stock market has a direct influence on real estate market. Thus, the US stock market crash of October 21, 1929, otherwise known as “Black Tuesday”, resulted in a real estate price collapse. Again, the next financial crisis happened in the USA: the stock market crash of October 19, 1987 — “Black Monday” — led to real estate market collapse. Hong Kong market was hit hard in October 1997.

The crisis affected the weakening of the US dollar. Since the dollar is a reserve currency for the majority of the countries, economists say it can be the “ticking” bomb for the world economy. The US Federal Reserve System and central banks of the developed countries take measures to reduce liquidity deficiency in the global financial system, granting considerable volume of funds to commercial banks. The mitigation of financial policy resulted in FRS rates reduction by 0.75 per cent.

Investigation into financial crisis shows that many of the crises were provoked by a general price-level change.

In the context of the matter under review, the influence of the growth rate of mortgage lending on the financial stability of the country “depends on the current level of price consistency and soundness of the banking system, ...characteristics of exchange rate channel in the transmission mechanism, flexibility of the monetary and financial policy regimes” (Kallaur, 2007).

The US mortgage market crisis had an impact on the monetary policy in Russia. Thus, in 2006 the average mortgage loan rate in Russia amounted to 11 % per annum. The national project “Affordable housing” provides for mortgage loans cost reduction in 2008 to 10%, in 2010 — to 8%, by 2015 — to 2–4%. However, as a result of the US mortgage crisis, the banking system in Russia was subject to the following changes:

- with a view to minimizing loan risks, a range of banks put on hold the loan issue that slowed the pace of mortgage lending;
- the flow out of foreign investments changed into their flow into active attraction of individual’s funds in domestic market;
- with a view to attracting more deposits, the banks increased the interest rate on mortgage loans by 1–1.5 per cent per annum;

- the loan granting procedure was reconsidered, and requirements in terms of loan issue and loan schemes for property purchase out of town were toughened;
- loans without down payment were put on hold;
- the starting point for down payment went up to 10 per cent;
- approach towards research into the borrowers' credit history was changed;

mortgage loans issue without relevant income confirmation was practically abolished.

The above processes emphasize that the money and credit sphere are in continuous interaction with external macroeconomic environment. The deterioration of the foreign trade business leads to decrease in export and an increase in the credit balance of the current account of the balance of payments, contributes to the growth of tension in domestic currency market, therefore threatening the monetary and financial stability. To avoid a sharp fall in the exchange rate and not to endanger the price stability, the central bank needs to toughen the monetary policy and increase interest rates in domestic money market (Kallaur, 2007).

Influence of the US mortgage crisis on monetary policy of a range of countries once again stresses the need for the weighted approach in determining the following factors for the Belarusian transition economy:

- integral regulatory and legal framework with regard to mortgage lending in accordance with the international requirements and standards;
- weighted risk assessment and its insurance;
- the optimum growth rates for the loan market as a whole and mortgage lending in particular;
- weighted commensuration of the influence of mortgage lending growth on financial stability and real estate price variation;
- value of raised funds and their interaction with the planned value in the form of the loan;
- loan interest rate path;
- optimization of loan terms;
- mechanism of loan granting procedure;

issues of design and implementation of new reliable financial instruments and technologies for re-financing of long-term mortgage loans.

The lending practice in Belarus is based on property security. The savings bank Belarusbank OJSC and Belagroprombank OJSC were one of the first to implement this practice. At present 16 banks of the country can act as pledgees of land lots, owned by legal entities and individuals, during loan issuing.

One of the paramount tasks in developing the mortgage lending system is the formation of market land relationships. Besides, Belarus qualifies for access to international capital markets; therefore, legislation should correspond to the common international requirements and standards applied to mortgage lending. Thus, there is need for "legislative acts, which could contribute to the integration of domestic stock market into the international securities market for use of world reserve funds" (Ovchinnikov, 1995).

The current Belarusian legislation is inadequate to implement the system of long-term mortgage lending. Let's assume the bank secures fulfillment of obligations on loan against the apartment (we will not deep into legal details regarding land lease of a multistoried house). Under the contract of property mortgage, the bank has to oblige the pledger not to register anybody in the encumbered property before the specified contract is signed. As soon as the stated contract is registered, the borrower's family (with minor children) registers and moves into the apartment, which is the only accommodation for the specified family. Due to inconsistency of a series of legislative acts, the bank will not be able to levy execution on mortgaged property if such necessity arises.

Banks need to have a guarantee for weighted risk assessment. It is worth bearing in mind the fact that we consider the significant loan amount for a long period of time that increases the risk of non repayment.

In the author's opinion, mortgage loan risk insurance is designed to provide financial security of the operations hereby. The following types of obligatory and voluntary insurance should be introduced into the banking system:

- *insurance of subject of the pledge (mortgage)* (analogous to hull insurance). This type of insurance needs to be obligatory;
- *non-repayment risk insurance*. In the author's opinion, if a loan amount exceeds 150 million BYR, this insurance type must be obligatory. Under the present circumstances, non repayment risk insurance can serve as loan enhancement; however, under the current legislation, the bank must act as an insurer and bear all relevant expenses. The legislator should foresee the possibility of transfer of expenses to the borrower;
- *the borrower's life and working capacity insurance*. In case of absence of a loan enhancement, which could be, for example, a third-party guarantee, this insurance type must be obligatory;
- *construction risks insurance*. This insurance type can be voluntary;
- and other insurance types.

It is an obligatory requirement that an insurance contract should state that the bank is a beneficiary party under insurance contract, though at the bank's discretion the borrower has the right for insurance claim in case of loss occurrence.

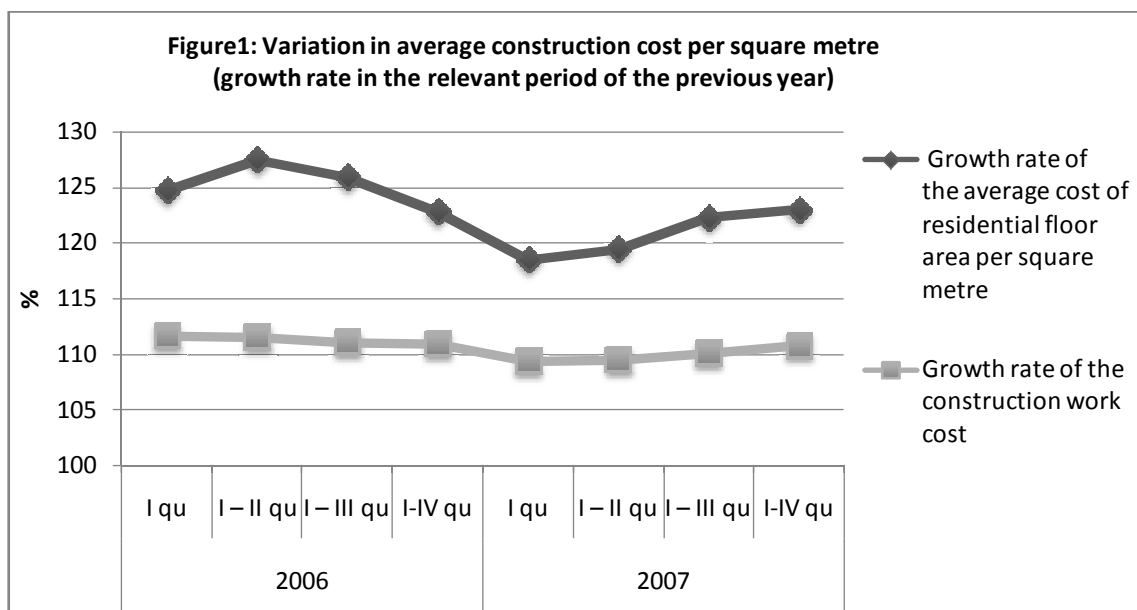
When choosing the most effective monetary policy, it is essential to define the optimal growth rates of the loan market as a whole and mortgage lending in particular.

According to the Principal trends of the monetary policy of the Republic of Belarus, the amount of loans, supplied by the banks for property mortgage investment in 2008, is expected to be equal to 5.2–5.7 trillion BYR, including residential building loans — 2.6–2.8 trillion BYR. Taking into account the upper bound, Belarusian banks' investments will increase by 25.8%, or 1.2 trillion BYR, as compared to 2007. Growth rates of investment loans supplied by Belarusian banks in comparable prices surpassed the growth of the real GDP by 11.7 percentage point. In this connection the value of loans issued by domestic banks last year amounted to 4.5 trillion BYR, the amount of loans issued by foreign banks made up 0.4 trillion BYR. The volume of residential houses built at the expense of bank loans, increased from 17% to 40 % as compared to 2006, that demonstrates the growing role of the banks in solving this important social task. According to the banking statistics, the ratio of preferential mortgage loans granted for residential housing in 2007 amounted to about 2 trillion BYR. In the course of the year the banks issued preferential mortgage loans to individuals to the amount of 1.1 trillion BYR, to economic entities — to the amount of over 0.8 trillion BYR. The arrears of loans taken by individuals to purchase or build accommodation, issued on a common basis, increased by almost 1.5 times during the year and came up to 1.3 trillion BYR.

In accordance with the government programs, mortgage is to play a crucial part in construction of commercial real estate and in solving a residential-housing problem. It does not mean though that accommodation will become affordable. While attracting additional funds into the mortgage sector, it is necessary at the same time to increase construction volumes, as a rising demand and a slow construction pace will inevitably cause the increase in already high real estate prices, i.e. inflation in real estate market.

The next critical issue when choosing the effective monetary policy is a weighted commensuration of the influence of mortgage lending growth on financial stability of the country and real estate price variation.

The analysis of the indexes of construction cost (Illustration1) demonstrates that in residential building for all categories of individuals (at the expense of all sources of financing and with state support) an increase in the cost per square metre of the floor space anticipated the increase in cost of construction works.



Source: prepared by the author on the basis of (Main trends, 2007).

Price index for construction assembly works (table 1), having increased from 109.4 % in the 1st quarter of 2007 to 110.8% per annum in total, exceeded the upper bound of the average annual value of the predicted parameters (109 – 110 per cent).

Table 1: Variation in average construction cost per square metre of residential floor area (growth rate in the relevant period of the previous year), %

Indicators	2006				2007			
	I qu.	I – II qu.	I – III qu.	I-IV qu.	I qu.	I – II qu.	I – III qu.	I-IV qu.
Average construction cost per square metre of residential floor area, built at the expense of all sources of financing (thousand rubles)	763	815	837	856	904	974	1024	1053
Growth rate (%)	124.7	127.5	125.9	122.8	118.5	119.5	122.3	123
Including state budget financing (thousand rubles)	715	788	816	841	887	962	981	998
Growth rate (%)	120.6	125.1	125.9	123.5	124.1	117.9	120.2	118.7
Average construction cost per square metre of residential floor area, built at the expense of all sources of financing, for individuals in need for housing improvements (thousand rubles).							866	902
Including state budget financing (thousand rubles)							836	863
Growth rates of construction work cost (%)	111.7	111.6	111.1	111	109.4	109.5	110.1	110.8

Source: (Main trends, 2007).

Let's not go deep into the analysis of the factors that influence the price variation in the sphere of investments, as they go far beyond the matter under consideration.

As of today, according to research into the offers of real estate agencies, the average cost of accommodation in Minsk amounts to:

- in the primary market – 1700–1800 USD per 1 m² ;
- in the secondary market (apartments less than 15 years old) – 1550–1700 USD per 1 m².

The average price of a two-room apartment is:

Floor space of a two-room apartment 68 sq.m. x 1700 USD per 1m² = 115600 USD . Let's consider the fact that the average salary of the resident of Belarus is equivalent to 327 USD. Assuming that all income is saved to purchase an apartment and real estate prices are fixed, he will be able to purchase this apartment 29.5 years later. Taking into account the cost of repair the apartment will need, which will amount to 1000 USD at the minimum, the worker will settle in 32 years later, just by the time his children need the accommodation.

There is an obvious long-felt need for new financial instruments as means of accommodation purchase, which will not have a bearing on the increase in the property price for the square metre.

One of the instruments is an increase in volume of residential house building by way of putting into exploitation by organizations of the total residential floor area for their employees who are in need for housing improvements, pursuant to the Resolution of the Government¹. In 2007 3.3 % of residential housing was financed out of enterprises' funds.

In 2008 at the organizations' expense, with account of their share in construction, it is planned to issue mortgage loans to employees of organizations for 72.4 thousand sq.metres of residential area. Among the mentioned organizations are ASB Belarusbank OJSC – 2.0 thousand sq. metres, Belagroprombank OJSC – 0.24 sq. metres, Belinvestbank OJSC – 0.45 thousand sq. metres.

Therefore, one of the forms of non-budgetary financing of residential house building is financing out of enterprises' and organizations' own funds. The latter, in their turn, will be subject to tax concessions.

In 2006 the shared construction was practically curtailed, pursuant to the Decree of the President of the Republic of Belarus as of June 15, 2006 N°396 "On shared construction of apartment houses", due to restraint of accommodation prices. With a view to fostering shared construction, the Government² introduced amendments into the legislative basis, therefore facilitating shared construction terms for real estate developers. These amendments also reduced the profit-earning capacity to 5% from those who need housing improvements, lifting restrictions on profit-making from those in no need.

The value of raised funds has a considerable impact on the loan value. In this respect it is crucial to create a favourable investment climate. The countries that managed to offer a favourable investment environment are ahead in terms of economic growth rate and living standards. Interest policy is both one of the most important and rather complex instrument of banking regulation as well as the key factor in the mechanism of functioning of the economy sector. (Tarasov, 2003).

In the current situation the banks make an extensive use of investments from international financial institutions (World Bank, European Bank for Reconstruction and Development). Successful cooperation with these financial institutions will enable them to bring in more capital by attracting private investments from international financial markets.

¹ The Resolution of the Council of Ministers and the National Bank of the Republic of Belarus as of December 27, 2007 N°1838/18 «On measures to implement residential housing building in 2008»

² The Decree of the President of the Republic of Belarus as of 31.01.2008 N°55 "On issue of shared construction".

Along with attracting foreign investments, it is critical to create an advantageous investment environment to accumulate domestic savings, by their effective investment into economy.

One of the sources of financing of the banking system, though expensive, is deposits of legal entities and individuals. Therefore, on July 1, 2006 ASB "Belarusbank" started to accept money deposits within the Construction savings system.

With a view to increasing the number of methods of fund raising, banks offered a new product – long-term securities with mortgage collateral. It is assumed that mortgage securities market will play an important social role in the capital flow into the residential house building sector (Tatur, 2007).

The monetary policy has determined that by the end of 2008 interest rates on loans for non-financing sector are planned to be reduced to 10 – 12 % per annum. In the 2nd quarter of the current year the banks of the republic offer an interest rate on real estate loans to individuals in the national currency amounting to 14 – 19 % per annum (excluding payment for maintenance and repayment of loans). The rate on newly-issued loans to individuals in the national currency (including preferential loans) for longer than a year amounted to 10.9 % for the year 2007.

It is obvious that the attraction of mortgage lending depends on its cost. The most attractive loans are those in Japan (Fig 2).



By introducing mortgage lending, the state as a whole and the banking system in particular need to solve two issues – reducing loan interest rates and inflation retention.

Optimization of loan terms is also a crucial issue in mortgage lending.

At present the Belarusian banks supply real estate loans with duration of up to 15 years. Pursuant to the Decree of the President of the Republic of Belarus as of April 14, 2000 N^o185, the maximum preferential loans duration shall not exceed 20 years (for the residents permanently living and

working in the inhabited locality with a population of up to 20 thousand; for families having many children – 40 years).

As a comparison: In China the duration of a mortgage loan is 25–30 years, in the USA – 40 years.

It is obvious that to implement mortgage lending it is necessary to solve the following problem: to replace “costly and short –term” loans by “cheap and long-term” ones.

The design and implementation of new reliable financial instruments and technologies for refinancing of long-term mortgage loans are of particular importance. One of such instruments is fiduciary management of funds and other property owned by legal entities and individuals. The implementation of the fiduciary management scheme is important for the bank as means of attracting resources and for the population – as a method of deposit of temporary free funds. This is proved by rising frequency of citizens’ recourse to the National Bank with regard to operational procedure of funds transfer into the unit investments funds of the Russian Federation (On deposits of funds, 2008).

The investor with an active living position does not always have time to make decisions regarding the placement of his free funds. Fiduciary management is the practice of capital saving and increment commonly used in the whole world.

Therefore, the investor trusts his funds into fiduciary management for deposit in real estate construction (commercial or residential). The bank, in its turn, issues loans to the real estate developer.

The efficiency of funds' deposit by the investor into fiduciary management to the bank is made up of many elements.

First – banks-professionals in the loan sector with many years' experience.

Second – the support of bank's infrastructure and the professional team. Bank has the following departments dealing with loans:

- loan department: deals with the credit history of the borrower, analyses the current and prospective credit worthiness of the borrower in accordance with accounting standards, gives out the ranking score and comparative assessment of financial and economic standing, analyses the feasibility of fulfillment of obligations, estimate sufficiency and liquidity of the offered guarantee of the fulfillment of obligations under the loan contract;
- security department: checks business reputation, legal status, credit history and other matters concerning clarification of the borrower's liability ;
- legal department: deals with the legal capacity of the borrower, juridical aspects of the deal.

Third – the bank requires from the borrower the guarantee of the fulfillment of obligations under the loan contract and controls the loan security during the loan life.

Fourth– the bank controls the purpose of a loan.

Fifth – in case of delay in payments the bank forms a reserve and takes relevant measures.

Sixth – the investor makes more profit than from deposit placement.

Fiduciary management of investors' funds will allow the bank:

- to implement new instruments of attracting resources;
- to involve into the system legal entities and all levels of population with an average income;
- to offer the investors more profit than from deposit of temporary free funds, at the expense of the absence of necessity of formation of a reserve;
- to place a direct proportion between the term of deposits of temporary free funds into fiduciary management and the profit made, so the longer the term the higher the profit;
- to attract long-term resources that will have a positive impact on liquidity;
- to improve the level of loan interest rates;
- in order to avoid cash outflow from the republic we need to adjust to a maximum the international best practice taking account of the peculiarities of our domestic economy;

With a view to implementing the system of fiduciary management of the funds for further on-lending activities in construction, it is necessary to make the following amendments in the regulatory and legal framework:

1. To widen the use of funds given for fiduciary management.

2. To free the income, obtained by the investors from fiduciary management, from the income tax.

The advantage of the fiduciary management system implemented by the banks is the implementation of new reliable financial instruments and technologies for refinancing of long-term mortgage loans, their capacity to choose the optimal loan interest rate path by way of regulating the value of attracted resources.

The research that was carried out allows formulating a series of summarizing conclusions, regarding the subject of research.

One of the significant issues in choosing the effectiveness of the monetary policy is design and implementation of new reliable financial instruments and technologies for refinancing of a mortgage lending mechanism in Belarus. Mortgage should solve residential building problems as well as develop a financial market as such.

The main objective of the loan market development in Belarus in the environment of a transition economy is to launch in full the mechanism of mortgage lending by creating the civilized market based on healthy competition and attractiveness for investors.

With a view to attaining the objectives set out, the following factors need to be defined for the transition economy of Belarus:

1. Integral regulatory and legal framework with regard to investment lending in accordance with the common international requirements and standards.
2. The optimal development rates of the loan market as a whole and mortgage lending in particular.
3. Weighted risk assessment, including risk insurance. The factor that lowers the loan risk is introduction of the following terms for the borrowers:
 - a. The lower the loan amount of the total property value, the lower the interest rate;
 - b. From the moment of registering the mortgage loan agreement, it is necessary to consider a lower loan interest rate, which will encourage the borrower to accelerate the mortgage registration, and the bank to provide guarantee.
4. Weighted commensuration of the influence of mortgage lending growth on financial stability and real estate price variation.
5. Creation of the favourable investment environment.
6. Implementation of new reliable financial instruments and technologies for refinancing of long-term mortgage loans, their capacity, by way of regulating the value of attracted resources, to choose the optimal loan interest rate path. One of these instruments is fiduciary management of funds and other property of individuals and legal entities
7. The value of attracted resources and their interaction with the planned deposit cost in the form of a loan.
8. Optimization of the loan duration. With this regard it is rational:
 - a. To expand loan terms up to 30 years;
 - b. To abandon fixed loan terms;
 - c. To consider the possibility of prior loan repayment;

- d. In case of prior loan repayment of the total loan value to consider a slight reduction of loan charge. This is a motivation for the borrower, and the reduction of loan risks, the reduction of cash cycle duration and, consequently, satisfaction of the loan needs of the larger number of borrowers for the bank.

9. Mechanism of a loan granting procedure.

Therefore, a weighted approach towards implementation of mortgage lending will help solve the problem of residential housing development in Belarus at the micro level and will have a favourable influence on the enhancement of efficiency of the monetary policy at the macro level.

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