

## **Nowadays, the state of resilience of mortgage lending in the Republic of Uzbekistan.**

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**Abstract:** Increased demand for mortgage loans has been studied in the Republic of Uzbekistan due to an increase in the number of citizens. The recurrence status of mortgage lending allocated to citizens was studied and analyzed.

**Keywords:** Mortgage, resource, credit facilities, differential, income.

### **Introduction**

As market relations develop in our country, the attractiveness of commercial banks' operations is increasing. In this regard, the increase in the weight of liabilities and assets of our commercial banks leads to an increase in the ability of our banks to provide long-term loans. As a result of the daily increase in the number of people in our country, the demand for housing is increasing. The population of our republic is increasing year by year and today it is 36.2 million. (01.04.2023) is organizing people. This, in turn, led to an increase in the competition of commercial banks in the mortgage market.

The annual growth of the population and the number of families at such a rate requires the development of urban planning and the provision of comfortable and reasonably priced housing for the population. Because improving the living conditions of the population and providing them with housing is important in the development of the economy.

Over the last six years, the amount of resources allocated for mortgage loans has increased by 4.8 times. 15.1 trillion to 67,947 citizens in the last three years. 1.2 trillion soum were allocated to citizens in the last three years. Allocation of soum subsidy shows that citizens' demand for housing is high.

By 2020, in order to ensure the development of the mortgage market in Uzbekistan not only at the expense of the government's low-interest resource funds, but to ensure the mortgage market gradually based on market principles, the President of the Republic of Uzbekistan PF-5886 of November 28, 2019 mortgage decree "On additional measures to improve credit mechanisms" was adopted.

According to this Decree, starting from 2020, mortgage loans will be allocated on commercial terms not only to the population in need of social protection, but to all of them. It is envisaged that subsidies will be paid to low-income families who need to improve housing conditions. Within this program, the Ministry of Economy and Finance provides commercial banks with long-term resource funds.

Now it is possible to allocate mortgage loans to residents not only for houses built under the state program, but also for houses built by other builders on the market. As a result, there was confidence that organizations engaged in housing construction will be able to sell the houses they have built to the population through mortgage loans.

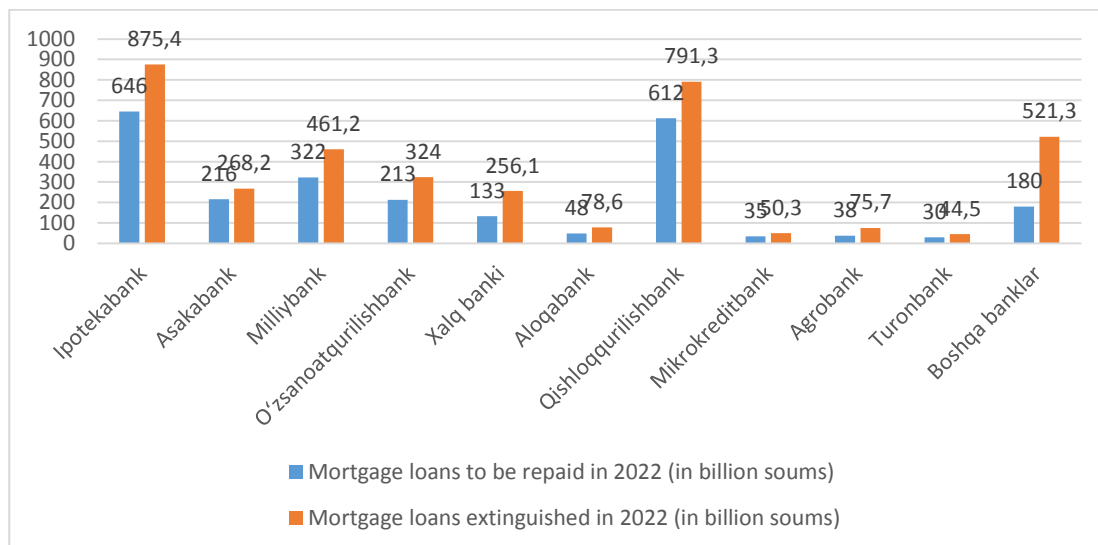
In recent years, large-scale work has been carried out and is still being carried out in order to solve the housing problems of the population, which have accumulated over the years, and to provide them with housing.

Today, commercial banks are issuing mortgage loans to the population on commercial terms with the same payment (annuity) for 20 years at the expense of the funds received from the Ministry of Economy and Finance.

The advantage of allocating mortgage loans to the population under the conditions of the same payment (annuity) is that the borrower will pay less per month compared to the decreasing (differential) payment. However, the allocated loan returns very slowly. The annual return rate of the mortgage loan can be seen in figure 1 below.

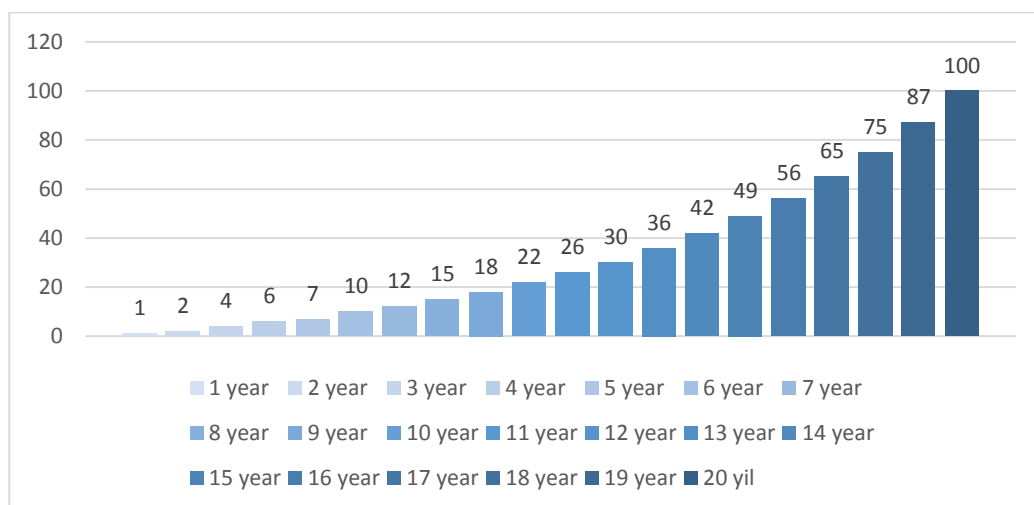
As of January 1, 2023, 875.4 bln. so‘m (23.4 percent of total mortgage loans) were extinguished, this indicator in Qishloqqurilishbank 791.3 billion so‘m (21.1 percent), in Milliybank 461,2 billion so‘mni (12,3 percent), in O‘zsanoatqurilishbank 324 billion makes up so‘m (8.6 percent).

**The total amount of mortgage loans extinguished in 2022, billion so‘m.**



The ratio of extinguished mortgage loans to the loan schedule in Agrobank 99 percent (37.6 billion so‘m were written off more than the loan schedule), in Xalq banki 92 percent (+123 billion so‘m), in Qishloqquirilishbank 29 percent (+179.7 billion so‘m), in Milliybank 43 percent (+138.8 billion so‘m), in Ipotekabank 35 percent (+229 billion soums) and in O‘zsanoatqurilishbank 52 percent (+111.2 billion soums) of mortgage loans were written off compared to the loan schedule.

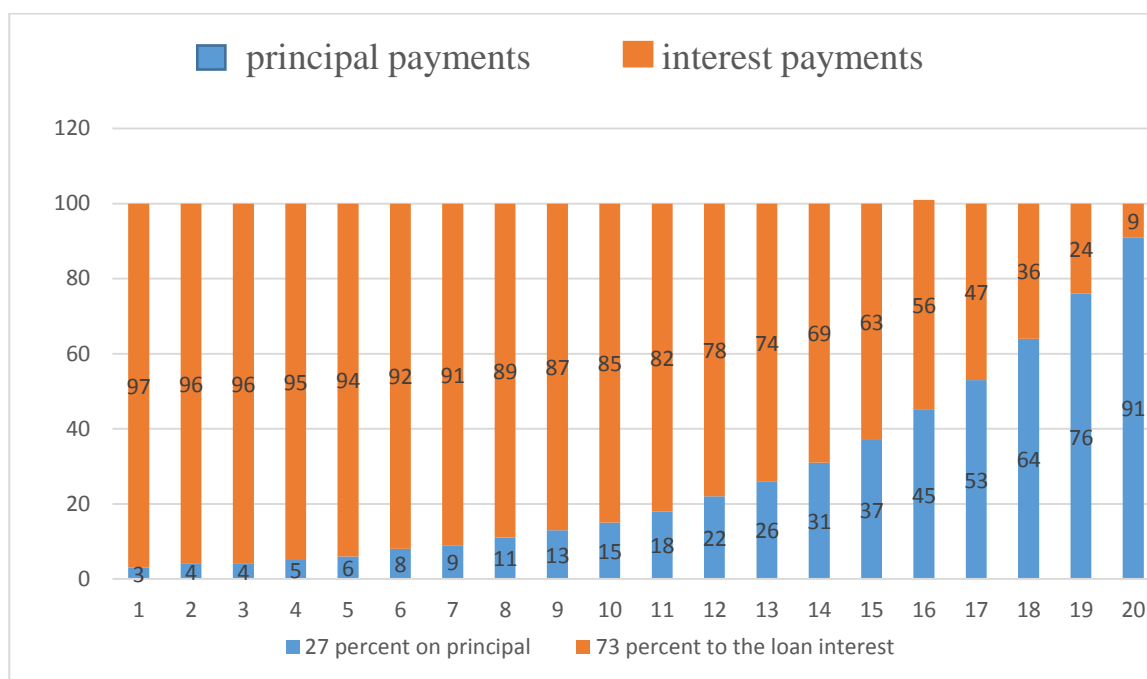
**Return of allocated resources, in percent**



From this analysis, it can be seen that 7% of the loans allocated to the population are returned during the first 1-5 years, 15% during the 6-10 years, 27% during the 11-15 years, and the remaining 51% during the 16-20 years. The return of mortgage loans given to the population in this way may cause a shortage of resources in the future. Today, the main part of 100 so‘m allocated to mortgages, i.e. 78 so‘m, is returned in the second 10 years, which leads to a decrease in the efficiency and depreciation of resource funds. In addition, due to the slow repayment of loan funds, the mortgage loan portfolio of commercial banks continues to grow.

Monthly loan payments for a 20-year mortgage loan can be seen in Figure 3.

### Mortgage loan payments, in interest



In the first 10 years, 7.7% of the funds paid for the mortgage loan will be allocated to principal payments, and 92.3% will be allocated to loan interest payments. That is, 7.7 so‘m of the 100 soums paid monthly for 10 years will be allocated to the principal debt, and the remaining 92.3 so‘m will be allocated to the loan interest. The full term of the loan - 73% of the payments for 20 years will be allocated to the loan interest, 27% to the principal debt.

If a mortgage loan is granted for a term of 20 years in a decreasing (differential) order, 64.4% of the loan payment will be allocated to the loan interest, and the remaining 35.6% will be allocated to the principal debt. In this order, the resource funds allocated to the mortgage loan return at 5 percent per year.

The aforementioned data show that the long term of the loan and the low rate of return of the loan are the reason for the higher interest rate on the allocated mortgage loans.

Today, taking into account the population's income and credit solvency, the loan term is set at 20 years. In order to further improve and increase the effectiveness of the current program, in addition to this, it is advisable to implement loan products with several different conditions. A comparative analysis of mortgage loan payments is presented in Table 1.

**Comparative analysis of mortgage loan payments** (home price 300 million soums (initial contribution 60 million soums))

	<b>for 10 years</b>	<b>for 20 years</b>
Loan amount	240 000 000	
Decrease		
Monthly payment	5 435 000	4 517 500
Total payment	457 800 000	673 800 000
Overpayment	217 800 000	433 800 000
	91 foiz	181 foiz
Annuity		
Monthly payment	4 324 444	3 703 947
Total payment	518 933 373	888 947 437
Overpayment	278 933 373	658 947 437
	116 foiz	270 foiz

From the above, it can be seen that a short-term mortgage is more profitable than a long-term one. That is, it can be seen that more interest is calculated when

taking a long-term loan. It is necessary to determine the most effective point of the loan term, interest rate and monthly payments, and offer several types of mortgage loan products to the borrowers.

Today, mortgage loans are allocated to residents only under the same conditions - for a period of 20 years (with the same payment order). Allocation of mortgage loans only in this order may cause excess loan interest to be calculated and subsequently cause a shortage of resources due to slow repayment of loan funds.

For example, under this condition, the state will invest 8 trillion per year in the mortgage market for 5 years. A total of 40 trillion so‘m. If soums are allocated, 1.8 trillion so‘m (4.5 percent) of these funds will be returned from the population during this period.

Judging by the rate of population growth and the number of newly formed families in our country, it is necessary to implement the construction of 150,000 houses per year on average and allocate mortgage loans for these houses.

The mortgage market cannot be developed at the expense of the government's long-term resource funds in accordance with the population growth rate. It is necessary to introduce short-term lending systems with a high turnover of funds.

## **Conclusion**

Currently, the return of mortgage loans in the Republic of Uzbekistan is causing problems in attracting long-term funds to our commercial banks, so banks are forced to attract long-term funds from the Ministry of Finance and the Mortgage Refinancing Organization at a high interest rate, which The level of income of our banks is decreasing. In this case, it is appropriate for our commercial banks to attract long-term funds from the world market at a low interest rate.

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