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MORTGAGE MARKET MODELS AND THEIR APPLICATION FEATURES

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Abstract

Keywords: *mortgage, mortgage market, mortgage loan, mortgage-backed securities, mortgage bonds, mortgage market model, traditional model, two-tier model, savings and loan model.*

The article studied the mechanisms of action of the global mortgage market and analyzed theoretically their similar and different aspects. The significant advantages and importance of the mortgage market models for housing provision are investigated. As a result of the study, conclusions were made about the development of the mortgage market in our country.

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INTRODUCTION

Along with economic reforms, a number of reforms and measures are being implemented in our country to develop the social sphere and provide housing for the population. It should be noted that large-scale work is underway in all regions to provide housing for the population. We all know that commercial banks are actively involved in this practice, and mortgage loans are provided. In the world practice, along with the practice of mortgage lending, the circulation of mortgage securities is also widely used.

The Action Strategy for the Further Development of the Republic of Uzbekistan for 2017-2021 envisages further improvement of living conditions of the population, especially young families, citizens living in dilapidated houses and other citizens in need of housing through preferential mortgage loans and construction of affordable housing in urban and rural areas. The issue of improvement has been identified as one of the priorities in the development of the social sphere in our country [1]. Therefore, at a time when the country pays special attention to the provision of decent housing, the application of widely used practices in foreign countries in our country also plays an important role in the development of the financial market and real estate market. Based on the above, we will consider below the mortgage market and the circulation of mortgage securities in it, and state our conclusions on the development of the mortgage market in our country.

LITERATURE REVIEW

A mortgage is a long-term loan secured by a real asset [3]. Broadly speaking, a mortgage is a method of securing liabilities with real estate, in which the mortgagor has the right to satisfy his claims at the expense of the mortgaged real estate, if the mortgagor does not fulfill its obligations [6]. Mortgage loan is a type of long-term loan provided by banks for the purchase or construction of real estate on the basis of real estate collateral [5]. In this case, the mortgage loan is issued through the purchased real estate, and real estate acts as collateral [4]. Once all the obligations under the mortgage loan are fulfilled, the real estate becomes the full ownership of the mortgage borrower. It should be noted that such a practice in itself is an advantage for the consumer of the mortgage loan. Mortgage securities may be issued by commercial banks to finance mortgages and mortgage lending practices. This practice is widely used in international practice.

The mortgage market has faced several challenges in the development process. At the same time, first of all, in the beginning mortgage operations were used in a very narrow range. As a result, many institutional investors did not find it necessary to work with such a small financial instrument.

The second problem is related to mortgage practices in the secondary market, which has been negatively affected by the non-standardization of trading. The diversity of the repayment period, interest rates, and terms of the deal hindered the expansion of the mortgage market.

Third, mortgages are valuable in terms of service. This can be clearly seen when servicing mortgage loans compared to servicing corporate bonds. The lender must collect a monthly payment, pay property taxes, pay insurance premiums, and provide reserve account services. The practice of servicing corporate bonds is a bit narrower.And finally, fourth, there is the risk of insolvency on an unsecured mortgage. Investors are reluctant to spend a lot of time evaluating a mortgage borrower. These problems have led to the emergence of mortgage securities, as well as securitized mortgages[3].Mortgagesecurities are securities that are issued to finance a mortgage operation and are secured by a long-term mortgage property. In this case, the funds raised through mortgage securities are provided as mortgage loans as a result of refinancing.

ANALYSIS AND DISCUSSIONS

The most widely used type of security among mortgage securities is mortgage bonds. The circulation of mortgage bonds contributes to the securitization of mortgage loans. This practice is aimed at attracting free funds of the population and organizations to the financial market and ensuring profitability in a market economy; effective satisfaction of the population's demand for housing based on the development of the housing market; increase the variety of financial instruments traded on the stock market and so on. It should be noted that the conditions for the circulation of mortgage bonds are determined in accordance with the terms of mortgage loans.

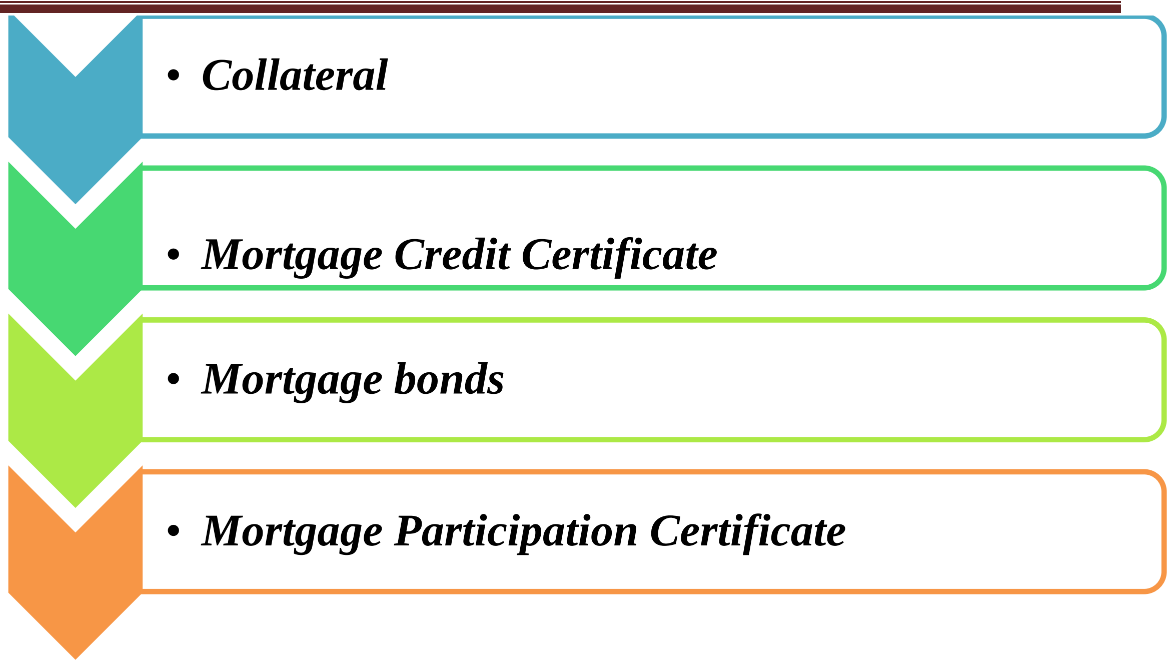

Fig. 1. Financial instruments used in the mortgage market

Mortgage refinancing schemes have been widely used in the United States since the 1930s. From this period, specialized organizations, including mortgage agencies, will be established in the country to support the practice of mortgage lending. The U.S. mortgage market operates on the basis of a developed mortgage bond market. This is because mortgage bonds serve as a means of refinancing banks in the implementation of mortgage lending.

Typically, transactions in the mortgage market are carried out in two stages. Lending with real estate collateral in the first stage, called the primary market. As banks provide loans for a longer period of time and at a relatively low interest rate, they have less available cash resources needed for day-to-day operations. The problem of how to repay money given over a long period of time as soon as possible is called the problem of refinancing loans. To solve this problem, a secondary mortgage lending market will emerge.

The main methods of refinancing loans are either the full transfer of rights to a mortgage loan granted by a bank to a specialized organization (two levels are obtained: the bank is a specialized organization) or the issuance of securities by the bank. the lender himself, leaving the claims on this loan on his balance sheet (single-tier bank).

When claims for loans (mortgages) are transferred to a specialized organization, it combines single mortgages into money and issues its own securities for cash security.

Based on the method of refinancing mortgage loans, the main models of mortgage lending - built in two stages or classic and single stage, which are also called by the names of the countries that have achieved the greatest development.

Today, banks have become the most active participants in the practice of the mortgage market, which has gone through stages of development. There are three models of the mortgage market today: the traditional model (single-stage, European model), two-stage model (American model) and the loan-savings model [3,7].

The traditional model of the mortgage market (single-tier, European model) is characterized by the fact that the bank independently issues secured bond-type securities and lends real estate created on this basis. This model is also called the German model. Disadvantages of this model are the temporary difference between the terms of borrowing and lending, the high credit and interest rate risk for the bank. However, the organization of mortgage lending on the basis of this model is relatively widely used in world practice. One of the reasons for its widespread use is the use of floating interest rates on long-term loans as a common practice in Europe, limiting the maximum risk for banks. The largest mortgage-based bond market in Europe is the German market. Bonds issued by German mortgage banks to finance real estate transactions are put up for sale among the general public.

The two-tier model (American model) is characterized by the fact that the mortgage market refinances issued mortgage loans at the expense of the secondary securities market secured by real estate. At the heart of this model is the idea of risk distribution. The mortgage lender sells it to special organizations set up for securitization, ie mortgage agents. Mortgage agents, in turn, issue mortgage securities and sell them on the market, as well as refinancing the bank. As a result, the mortgage loan is written off from the bank's balance sheet and credited to the mortgage agent's balance sheet. From the time the loan is transferred, the bank will have no risk on this practice and will have new financing. As a result of the practice, part of the profit is distributed to the mortgage agent. In the event of non-repayment of the loan, the loss will be borne by the mortgage agent.

There is a wide network of mortgage agents in the United States, the largest of which are the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal National Mortgage Association, Fannie Mae, and the State National Mortgage Association (Fandie Mae). Government National Mortgage Association, Ginnie Mae).

In the loan-savings model, refinancing of mortgage loans is carried out not at the expense of mortgage securities, but at the expense of attracting funds of future borrowers on the principle of mutual funds, established in a clearly targeted manner. In France, for example, several types of housing savings accounts are used. In this case, to apply for a mortgage loan in the amount of 150 thousand euros, there are savings deposits - savings books, which can be accumulated up to 100 thousand euros. At the same time, the main condition is that the amount of savings will reach a certain level. Another way to get a mortgage loan is to register a housing fund plan and apply for a mortgage loan of € 600,000 once the fund reaches € 400,000. It is obvious that in the mortgage market, both parties, ie the borrower and the lender, work together. We believe that the application of this practice will be highly effective when the national currency is stable.

The practice of mortgage lending in our country is based on the practice of direct lending. is regulated by Resolution No. If we look at the activities of ATIB Ipotekabank, which was established in 2005 as a result of the merger of JSCB Uzuyjoyjamgarmabank and JSCB Zaminbank, corporate bonds were issued only once in 2010 and redeemed in 2015 after 5 years. Mortgage bonds have never been issued by a bank.

When issuing a mortgage loan, the rights of the bank (mortgagee) on the obligation secured by the mortgage may be confirmed by a letter of pledge. The letter of pledge is drawn up by the borrower (mortgagor) and after the state registration of the mortgage, it is executed by the registration body with the participation of the borrower (mortgagor) and the bank (mortgagee) and issued to the bank (mortgagee).

The amount of a mortgage loan issued by a commercial bank at the expense of funds of international and foreign financial institutions issued for a mortgage loan is determined based on the terms of the relevant agreements between the commercial bank and these financial institutions on the provision of these funds.

To obtain a mortgage loan from the applicant's own funds and borrowed funds of commercial banks:

- the value of the apartment under construction, purchased housing or apartment house;
- have their own funds in the amount of at least 25 percent of the cost of housing reconstruction.

These funds may be available in the national or foreign currency in a savings account opened in the name of the applicant in the bank, as well as in the form of construction materials purchased by the applicant at his own expense in the amount of not less than 25% of the estimated cost of housing or reconstruction.

At present, the practice of housing construction and lending by private organizations is observed in our country. However, there are problems with the down payment, or with the execution of the loan agreement. In particular, the issue of guarantees in the practice of housing construction and lending by private organizations remains open. Moreover, we cannot say that the initial payments are unlikely to be non-refundable, and the practice of insuring this process is also non-existent in practice. Therefore, it is necessary to take a serious approach to the practice of allocating mortgage loans by private organizations and implement it in practice.

CONCLUSION

The following conclusions have been drawn on the basis of research on mortgage market models and the characteristics of their application:

1. The development of the mortgage market in our country is important in meeting the growing demand of the population for housing.

2. In order to increase the level of housing, it is necessary to pay special attention to the practice of issuing mortgage bonds, which serve to finance the allocation of mortgage loans. This in turn will lead to the emergence of a new financial instrument in the financial market.

3. The inclusion of the development of the mortgage market on the basis of the loan-savings model in the development strategies of commercial banks will serve to diversify the activities of banks in the near future. First of all, it is necessary to further increase public confidence in the banking system.

4. The legal framework for the practice of allocating mortgage loans by private organizations should be created in our country. At the same time, we believe that it is necessary to pay attention to the procedure for repayment of the down payment or insurance in the absence of a mortgage loan.

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