

CONSTRUCTION SAVINGS BANK AS THE SUBJECT OF MORTGAGE CREDITING RELATIONS

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The article is devoted to the modern stage of developing mortgage crediting in Russia using the American two-level model. Its adaptation in Russia comes across a number of problems. Firstly, it is the low profit of population, as well as the absence of the developed financial market. It is possible to solve these problems by organizing construction savings banks in the system of mortgage crediting. The research proved that its use in Russian conditions makes it possible to decrease the cost of credit and make it accessible for the population as well as decrease the risks of financial banks. Special attention is paid to the problems of forming legal basis for developing construction savings banks in Russian legislation.

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The concept of developing mortgage housing crediting in Russian Federation approved by the Government on January 11th, 2000 № 28 sees it as one of the priority trends in national housing policy. National housing policy should be oriented, first of all, at solving the housing problems of the population with medium-level profit, as well as socially insecure population layers.[1]

The experience of last years show the dynamic development of mortgage programs mainly proved by the fact that higher priority national projects acquire the status of national programs. According to preliminary data on their implementation in the year 2007 the volume of mortgage crediting has tripled in comparison with the year 2006 and has reached more than 600 billion rubles. [4]

The number of families who can afford to buy housing has increased. But at the same time,

though there are positive tendencies, housing is still unpurchasable for the majority of the population.

In relation to this, national housing policy should find solutions for two main problems:

1. Stimulating housing offer that will help to solve housing problems that firstly is defined by price factor.

2. Stimulating demand for housing among the major part of the population whose income does not allow to solve housing problems independently.

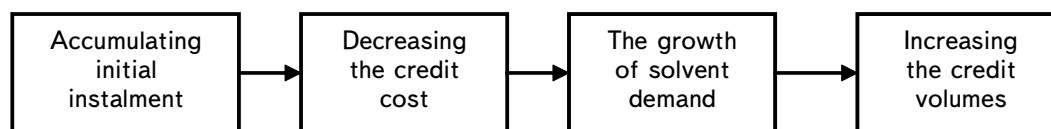
The concept of developing mortgage crediting in Russia provides its development on the basis of American two-level model. This model occupies one of the leading places in the system of mortgage crediting. It is possible to say that the use of this model is predetermined by economic and legal conditions of the development of the state. Thus, the predominance of banking structures of the investment type demands the adequate development of stock market which main aim is forming long-term financial resources, for the banking sector of economy as well.

While examining the possibilities of the usage of the two-level model in Russia, it is necessary to point out that the chosen direction of developing mortgage crediting is the most developed one at the moment both in scientific and methodological way and at organizational and legislation levels. However in the sphere of financial support there are considerable problems that mainly come from the situation that in Russia stock market was established in mid-90s, and therefore, it is not as big as in Euro-

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pean countries or the USA. All this limits the abilities of Russian mortgage system in implementing the refinancing of mortgage credits.

It is necessary to mention that one of the factors defining the efficiency of the usage of two-level model is economic stability providing low level of inflation and the interest of inves-



tors in placing free capital in mortgage securities. This problem is of current importance for Russia.

One-level deposit model is widely spread in European countries. Its main advantage is low organization cost that makes it possible to decrease considerably the cost of credit for borrowers. We think that this model can be adapted to Russian conditions. The interest of government is increasing. Thus at present time the projects of federal law "About consumption credit", "About credit cooperation" "About construction saving banks" are being discussed by the State Duma of Russian Federation". An excellent characteristic of this model is its saving character, when credit resources are formed from the savings of future borrowers. The model is considered as "autonomous", not depending from the development of financial markets that creates the possibility of getting "cheap" credit.

The legislation about construction saving banks limits the types of operations carried out by these structures. Attracting the savings of population and crediting are their main activities. The important advantage of deposit model is its transparency that makes it possible not to prove the solvency of the potential borrower: in practice it is proved by making payments during the accumulation period.

Like any other model of mortgage crediting, deposit model has its disadvantages as well. Firstly, it is connected with the risk of decreasing the real profit of the participants of construction saving banks that is reflected in the terms of getting credits. Another problem is possible withdrawal of the savings by the participants of the accumulation system and placing it in other assets in the conditions of the growth of market interest rates.

Though at the same time construction saving banks are very popular in the USA and Eu-

rope. They are present in every model of mortgage crediting and make an independent model in European countries. The usage of construction saving banks makes it possible simultaneously to solve a number of interrelated problems that can be represented in the following scheme:

At the same time, there are different attitudes to the problem of vitality of this subject of mortgage relations. With the help of its systematization the author revealed some of them that have negative attitude to the use of construction saving banks in Russian practice: possible postponing of the date of getting credit, the complexity of modeling monetary flows due to the sums and deadlines at the stages of accumulating and crediting. There is also a point of view that accumulation system can successfully function only in the conditions of low inflation, as well as the absence of the current importance of the problem of initial instalment for Russia is proved as many banks provide credits without initial instalment. We notice that violating the set standards of mortgage crediting is closely related to increasing the risks of mortgage programs. In the markets of nonstandard crediting in the USA appeared the problem situations that led the crisis processes.

To our point of view one of the important problems for Russia is the absence of legal basis of construction saving banks functioning that is influenced by the norms of banking legislation, and, firstly, by the Federal law "about banks and banking activity". The key moments of the problem are:

- ◆ the law does not contain the name of «a specialized credit organization»;

- ◆ crediting organization, being a non banking structure, does not have a license to attract the monetary means of population as deposits.

It is possible to make a conclusion that the only organizational and legal form of construction saving banks functioning is the universal merchant bank, as it is represented in the project of federal law "About construction saving banks". The author of the article does not agree with this and gives grounds to his own point of view.

The federal law «About banks and banking activity» really does not have such participant of credit relations as a specialized crediting organization and emphasizes only the notion of non banking crediting organization that is understood as a crediting organization having the right to carry out separate banking operations, «anticipated by the present Federal law». [1] We you're your attention that there is no list of such operations in the mentioned law. At the same time the practice shows the presence of similar credit organizations, for example, lombards and credit units of different kind.

The research makes it possible to make a conclusion that practical implementation of construction saving banks as a non bank credit organization is possible. However, the legality of decision making about its national registration by the Bank of Russia and listing credit organizations in the Book of national registration is a serious problem. Banking operations and other transactions of credit organizations are represented in Article 5 of the Federal Law «About banks and banking activity». After studying them it is possible to make a conclusion that banking activity can be accomplished not only by banks, but by credit organizations as well. [1] Thus, it is possible to assume that Bank of Russia is responsible for making the list of operations for construction saving banks in the frames of non specialized credit organization.

According to Article 36 of the above mentioned law «deposits are accepted by the banks having such a right due to the license given by the Bank of Russia and participating in the system of obligatory insuring of the deposits of physical persons in the banks».[1] So it is of scientific and practical interest to study the economic essence of bank deposit and the savings of population in the context of the functional assignment of construction savings bank.

It is necessary to point out that German model of construction savings bank is the model of contract savings, financial resources are formed in it due to the savings of borrowers on the principal of mutual help. According to the housing-saving contract future borrower has to save 30-50 per cent from the sum of credit, this is the obligatory condition. At the same time Russia has its national experience of accumulating systems. Thus, the concept of mort-

gage crediting with the use of accumulating accounts was used by the Saving Bank of Russia. According to this concept and the corresponding program a saving housing agreement is made between the depositors and Saving bank, it contains the conditions and the order of accumulating monetary means later used for buying or building housing [5].

In relation to this, let's consider how the notion "deposit" is treated in Federal Law «About banks and banking activity». According to Article 36 a deposit is understood as «monetary means in the currency of Russian Federation or foreign currency, placed by physical persons in order to save or get profit...The deposit can be returned on demand according to the type of deposit and the agreement» [1].

Therefore, the aims of savings and deposit are different. The return of the savings in construction also can be accomplished on the first demand, however the aim of accumulating is not its return, but its future use for housing aims in the frames of this credit organization. In this context the experience of France in developing construction savings banks should be studied as well as the possibilities of its use in Russia.

The experience of French construction savings banks was based on the legislation base of German construction savings banks. However, in the 70-s this program was modernized and changed from the autonomous to open and suggested not only for solving the housing problems by accumulating monetary means for getting the credit, but also for getting profit from the deposits by people willing to get mortgage credit. To our point of view two different operations are present here. The attracted monetary means are also used for forming credit resources.

The author thinks that placing monetary means targeted at getting profit not limited by terms and volumes fully meets the understanding of the notion "deposit As for the accumulating stage of construction savings bank it should be referred to the so called special – purpose financing. The possibility to accumulate means is mentioned in the Order of the bank of Russia from 26.03.2007 № 302-П «About the rules of carrying out accounting in credit organizations located on the territory of Russian Federation». Thus, the plan of accounts in credit organizations, represented in Part I of

the above mentioned document specifies «deposits and other means of physical persons», so it follows that not only deposit accounts can be opened by physical persons. The major part of Orders reveal the content of the attracted means: «the above mentioned accounts are established for accounting monetary means, precious metals and securities attracted by ... credit organizations on the return basis according to the agreements different from the agreement of bank deposit ...» [3]. Paragraph 1.20 examines the regime of the mentioned accounts functioning: «On “demand accounts” besides the means that should be returned on demand it is necessary to take into consideration the means that should be returned in certain conditions mentioned in the agreement» [3]. The terms of attracting can be more than three years.

Thus, we think that construction savings banks as the subjects of mortgage credit relations can function in the form of a non bank credit organization supervised by the bank of Russia.

In relation to this let's make the experiment of developing the analytical form of credit relations in the USA. In order to reduce the risk in non budget housing financing in 1932 Federal Bank Council was established whose main function is in providing help to deposit institutes in directing the monetary means to the national housing market. The relations of Federal Bank Council with deposit institutions are based on the same principals as the Federal Reserve System with commercial banks.

At the same time another variant of construction savings banks functioning is possible. It is widely used in foreign practice and assumes the opening of construction savings banks in commercial banks. Thus, in the composition of specialized construction savings banks in Germany 21 units come to private organizations, 3 from which belong to commercial banks, 13 are national, some of them belong to regional central banks or National bank. [6]

Such scheme of housing-contract savings makes it possible to neutralize all the above mentioned problems. Construction savings bank that belong to a commercial bank can have a status of a specialized organization that does not violate banking legislation. Numerous examples when universal commercial banks include specialized subdivisions (for example, subsidiaries) prove that it is possible to establish a specialized sub-

division “Construction saving bank”. Being the structural subdivision of a bank it has the right to form housing-construction deposits both of accumulating and profit types.

Construction savings banks of such a kind can be of two types:

1. Direct or through the bank they function in relation to housing and construction organization. The accumulated monetary means are spent on building a certain flat for every borrower.

2. Function as construction savings banks according to the principal mutual help. In the end of accumulating period and when getting a credit, the borrower independently choose the place of future location of a flat.

Summarizing the conducted research let's consider the advantages of construction savings banks in developing mortgage crediting. Both variants of forming construction savings banks satisfy the interests of all participants. Bank has the possibility to establish additional credit resources targeted at the aims of housing construction. Besides, accumulated deposits are of great interest for commercial bank when the borrower has no credit history. They make it possible to evaluate the profit of the client. «Cheap» credit resources make it possible to establish low interest rates for the credit. Besides, the functioning of the accumulated housing programs has positive influence on the development of construction housing sector of the economy that makes it possible to solve the problem of making housing accessible for the population by increasing its offer.

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3. About the rules of accounting in credit organizations, situated in Russian Federation // Normative acts for bank activity. Edition 5-6 (155-156), part I.

4. Bulletin of bank statistics. Central bank of Russian Federation. 2008. № 8 (183).

5. E. Mashinistova. Credit institutes as the subjects of mortgage operations // Russian economic magazine, 1996, № 7.

6. The bases of mortgage crediting / Edited by N.B. Kosareva. Fund «Institute of city». M.: INFRA-M, 2007.