

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Trade and Finance



Bachelor Thesis

**Mortgage loans in Kazakhstan: current trends and
opportunities for development**

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

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Umar Salpagarov

Business Administration

Thesis title

Mortgage loans in Kazakhstan: current trends and opportunities for development

Objectives of thesis

The main objective of the bachelor's thesis is, based on the methods used, to assess the importance of mortgage loans in Kazakhstan and to develop practical recommendations for their use, taking into account foreign experience.

Methodology

The theoretical part of the work will use relevant literary and electronic sources, including statistical data of Kazakhstan. The concept and importance of mortgage lending in market conditions will be described. In the practical part, the current trends in the development of mortgage loans will be formulated on the basis of the analysis. Furthermore, based on the analysis, comparison and synthesis of data, recommendations for the development of mortgage loans in the Republic of Kazakhstan will be developed, taking into account the positive experience from abroad. Tables and graphs will be prepared for the clarity of the monitored topic.

The proposed extent of the thesis

30-40 pages

Keywords

Kazakhstan, mortgage, loan, lending, trend

Recommended information sources

- Goremykin, V. A. Mortgage lending: textbook / V. A. Goremykin; Federal Agency for Education, Moscow State industrial un-t, Institute of distance education. – Moscow: MGIU, 2007
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Declaration

I declare that I have worked on my bachelor thesis titled " Mortgage lending in Kazakhstan: current trends and development prospects, taking into account the experience of foreign countries" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break any copyrights.

In Prague 15th Of March 2022

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Mortgage loans in Kazakhstan: current trends and opportunities for development

Abstract

The paper studies the features of the development of mortgage lending in the Republic of Kazakhstan. In the theoretical part, approaches to defining the essence of the concept of mortgage lending, types of mortgage loans are considered, as well as a study of foreign experience in the development of mortgage lending. In the analytical part, based on the data of the National Bank of the Republic of Kazakhstan, a study of statistical indicators of the development of the mortgage lending market in Kazakhstan was carried out. An analysis of the dynamics of the volume of mortgage lending to the population by second-tier banks of Kazakhstan for 2018-2021 is presented, the dynamics of the volume of mortgage lending in the regional context and in the context of the main mortgage products is analyzed. It is concluded that the state actively supports the subjects of the mortgage lending market by developing preferential programs. In the final part, the problems of the development of mortgage lending are highlighted and a number of recommendations are presented aimed at improving the system of mortgage lending in Kazakhstan.

Keywords: Kazakhstan, mortgage, loan, lending, trend

Hypoteční úvěry v Kazachstánu: aktuální trendy a možnosti rozvoje

Abstrakt

Článek studuje rysy vývoje hypotečních úvěrů v Republice Kazachstán. V teoretické části jsou zvažovány přístupy k vymezení podstaty pojmu hypoteční úvěrování, typy hypotečních úvěrů a studie zahraničních zkušeností s rozvojem hypotečního úvěrování. V analytické části byla na základě dat Národní banky Republiky Kazachstán provedena studie statistických ukazatelů vývoje trhu hypotečních úvěrů v Kazachstánu. Je uvedena analýza dynamiky objemu hypotečních úvěrů obyvatelstvu druhořadými bankami Kazachstánu pro období 2018-2021, dynamika objemu hypotečních úvěrů v regionálním kontextu a v kontextu hlavních hypotečních produktů. analyzovány. Dochází k závěru, že stát aktivně podporuje subjekty na trhu hypotečních úvěrů rozvojem zvýhodněných programů. V závěrečné části je zdůrazněna problematika vývoje hypotečního úvěrování a prezentována řada doporučení směřujících ke zlepšení systému hypotečních úvěrů v Kazachstánu.

Klíčová slova: Kazachstán, hypotéka, půjčka, půjčování, trend

Table of content

1. Introduction	9
2. Objectives and Methodology	11
Objectives	11
Methodology.....	11
3. Literature Review.....	12
Essence and significance of mortgage lending in the conditions of market relations	12
Classification of types and models of mortgage lending	15
Foreign experience in the development of the mortgage lending system	21
4. Practical Part	24
4.1 Analysis of modern trends in the development of mortgage lending in the Republic of Kazakhstan	24
4.1.1 History of formation and development of mortgage lending in Kazakhstan	24
4.1.2 Characteristics of the institutional structure of the mortgage market in Kazakhstan	26
4.1.3 Assessment of indicators of the development of the mortgage lending system at the present stage.....	29
4.2 Ways of improvement of mortgage lending in the Republic of Kazakhstan taking into account the experience of foreign countries	36
4.2.1 Problems of development of mortgage lending in the conditions of instability of the global financial system.....	36
4.2.2 The main directions for improving mortgage lending in the Republic of Kazakhstan, taking into account world experience	40
5. Conclusion	44
6. References.....	46
7. List of Figures and Tables.....	Error! Bookmark not defined.

1. Introduction

The mortgage market in countries with market economies occupies one of the most important places among the financial mechanisms for economic stimulation and stable economic development. Mortgage lending is an effective mechanism capable of integrating real estate, financial services, the stock market and a number of related markets, transforming private savings into investment resources, activating consumer demand, smoothing market fluctuations and stabilizing markets, ensuring the reliability and liquidity of investments in the real sector of the economy contribute to the solution of a number of urgent socio-economic problems of society and sustainable economic growth.

In modern conditions in Kazakhstan, there is a significant expansion of the real estate fund for both industrial and residential purposes, since real estate transactions are one of the most common means of storing and increasing capital. The rapid growth in the construction of new industrial real estate and residential buildings is aimed at maximizing the needs of the population and business entities.

In this regard, there is a problem of obtaining by individuals and legal entities funds that will be sufficient to purchase such real estate on favorable terms. The demand for cheap long-term resources determines the further development of such an area of banking activity as mortgage lending.

The problems of the institution of lending secured by real estate largely hinder the development of housing construction in the regions. Kazakhstan significantly lags behind foreign countries in terms of the volume and quality of housing, the provision of the population with it, especially in certain regions. Therefore, it is important to improve the system of financial support for housing construction - mortgage lending, the development of which in the country is constrained by a number of factors.

Theoretical issues and practical aspects of mortgage lending are reflected in the scientific works of many Kazakh, Russian and other foreign scientists and practitioners. The following foreign and domestic economists made a significant contribution to the study of real estate mortgage issues: J. Friedman, Henry S. Harrison, Howard L. Zuckerman, I. T. Balabanov, L. P. Belykh, N. G. Volchkov, P. I. Gaidutsky, V. A. Goremykin, A. A. Gritsenko, S. I. Doroguntsov, A. T. Evtukh, M. I. Krupko, S. I. Kruchok, I. O. Lyuty, Ya. B. Usenko, and others.

At the same time, positively evaluating the results of these studies, it should be noted that in order to increase the potential of the mortgage market in Kazakhstan, it is important: further research and elimination of shortcomings in the current mechanism of bank mortgage lending, taking into account the institutional features of Kazakhstan; identification of the role of marketing of banking services for lending; substantiation of the expediency of applying pricing models for mortgage loans; analysis of the effectiveness of the audit of mortgage lending operations to ensure control and correct assessment of the real situation of lending activities in a commercial bank.

These circumstances determined the choice of the research topic, its goals and objectives.

2. Objectives and Methodology

Objectives

The main objective of the bachelor's thesis is, based on the methods used, to assess the importance of mortgage loans in Kazakhstan and to develop practical recommendations for their use, taking into account foreign experience.

Methodology

The theoretical part of the work will use relevant literary and electronic sources, including statistical data of Kazakhstan. The concept and importance of mortgage lending in market conditions will be described. In the practical part, the current trends in the development of mortgage loans will be formulated on the basis of the analysis. Furthermore, based on the analysis, comparison and synthesis of data, recommendations for the development of mortgage loans in the Republic of Kazakhstan will be developed, taking into account the positive experience from abroad. Tables and graphs will be prepared for the clarity of the monitored topic.

3. Literature Review

Essence and significance of mortgage lending in the conditions of market relations

The development of mortgage as an economic category dates back to ancient times. The term "mortgage" was known as early as the beginning of the 6th century. BC e. in ancient Greece, which was understood as ensuring the liability of the debtor to the creditor by certain land plots. Initially, in Athens, the collateral for the debt was the identity of the debtor, who, in the event of non-repayment of the debt, was threatened with slavery. To transform personal responsibility into property, Archon Solon introduced a special mechanism for installing a pillar with an inscription on the land of the debtor¹.

At the current stage of development of credit relations, mortgages continue to be widely used as a means of securing obligations. The modern concept of mortgage is based on the ancient Roman principles of pledge, which is its more advanced form. Over time, only the conditions for granting, the volume and purpose of a mortgage loan, the reliability of its security, and credit relations associated with mortgages have changed. However, both in the economic literature and in the current legislation there is no single approach to the definition of the concept of mortgage; the plurality of approaches to the definition of the concept of mortgage leads to a confusion of the concepts of "mortgage", "mortgage loan", "mortgage lending", "mortgage lending system" and the fact similar.

The scientific literature is dominated by an approach that interprets a mortgage loan as long-term loans provided by banks secured by real estate - land and buildings for industrial and residential purposes². This approach has a number of disadvantages: firstly, the identification of a loan with a loan raises doubts; secondly, in practice, mortgage loans are provided not only by banks, but also by other financial and credit institutions; and thirdly, it is worth checking whether the mortgage loan is always long-term.

M. S. Maramygin proposes to consider a mortgage loan as an effective means of transforming capital tied to real estate into operating capital³. The proposed approach reveals only one side of a mortgage loan, namely, the possibility of replenishing the

¹ Money, credit, banks [Text] / ed.: G. S. Seitkasimov, A. A. Musina. - Astana: KazUEFMT, 2012. - 542 p.

² Dvoretzkaya, A. E. Money, credit, banks: a textbook for universities / A. E. Dvoretzkaya. - 3rd ed., revised. and additional - Moscow: Yurayt Publishing House, 2021. - 551 p.

³ Money, credit, banks: textbook / ed. ed. M. S. Maramygina, E. N. Prokofieva. - Yekaterinburg: Ural Publishing House. un-ta, 2019. - 384 p.

working capital of an enterprise using funds received on credit secured by real estate. But in the event that real estate or a land plot is purchased for credit funds, which acts as collateral for the repayment of the loan, then the capital raised remains tied to real estate. In our opinion, the approach to the definition of a mortgage loan proposed by MS Maramygin is too narrow, since it does not cover the entire set of possible types of mortgage loans according to the criterion of intended use.

The opposite approach to the definition of "mortgage loan" is offered by the Kazakh scientist G.S. Seitkasimov: - a mortgage loan is provided to finance the acquisition, construction, repair of residential and industrial premises, the acquisition and development of land. It is targeted and long-term⁴. This approach rather characterizes an investment loan, which can be directed to the acquisition, construction or modernization of real estate. In addition, if a loan for the purchase of real estate is secured by a guarantee or surety, then classifying such a loan as a mortgage loan is illegal. The target direction of the loan is also disputable, since the current legislation does not stipulate that a mortgage loan should be directed exclusively to the acquisition, repair or construction of a real estate object.

From the study, we can conclude that a mortgage loan is money provided on credit secured by real estate to the borrower while retaining the right to own and use the pledged property.

Regarding the definition of the concept of "mortgage lending" in the economic literature, there are also several approaches. So, E.I. Kuznetsova understands mortgage lending as the provision by banks of long-term loans for the purchase or construction of real estate secured by real estate⁵. A similar approach is used in the interpretation of a mortgage loan by V. A. Goremykin: "mortgage lending is the provision of a loan secured by real estate"⁶. Both approaches interpret mortgage lending as a process, but the second approach is more successful, since it does not limit the intended use of the loan, as well as participation in lending by other financial and credit institutions other than banks.

Some scholars consider mortgage lending in a broad and narrow sense. In a broad sense, mortgage lending is an economic system in which the object is the provision of cash and other tangible assets on the terms of urgency, repayment and payment secured by real

⁴ Banking [Text]: textbook / ed. G.S. Seitkasimov. - 2nd ed. add. and reworked. - Astana: [b. and.], 2017. - 640 p.

⁵ Kuznetsova, E.I. Money, credit, banks: textbook / E.I. Kuznetsova. - Moscow: KNORUS, 2018. - 306 p.

⁶ Goremykin, V. A. Mortgage lending: textbook / V. A. Goremykin; Federal Agency for Education, Moscow State. Industrial University, Institute of Distance Education. - Moscow: MGIU, 2017. - 367 p.

estate, and the subjects are the parties involved in the process of transfer, use and return of credit resources. : borrower, investor, financial intermediary, developer, contractor, credit institution, insurance company, specialized state organization, legislative and executive authorities. In a narrow sense, mortgage lending is a type of loan issued for various purposes: for the construction, acquisition, modernization of real estate, replenishment of working capital of business entities, the implementation of various investment business projects, for consumer purposes, where the mortgage of real estate acts as a security for the return of the issued loan⁷.

In our opinion, the interpretation of mortgage lending as an economic system - in a broad sense; and as a kind of credit - in the narrow sense is not entirely successful, since the category "economic system" will correspond to the concept of "mortgage lending system", and the category "credit" - "mortgage loan".

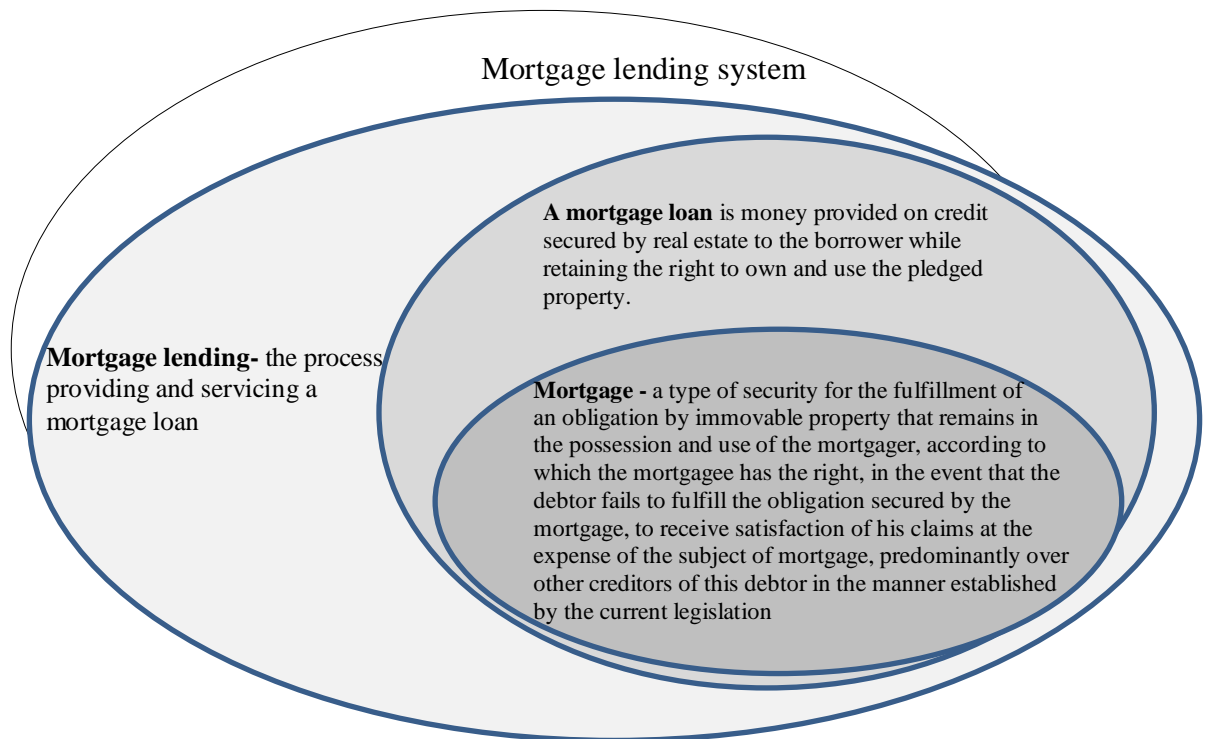
The current legislation also provides a definition of mortgage lending, which should be understood as legal relations arising from the acquisition of the right to claim mortgage debt under contracts and other documents⁸. The above definition satisfies the essence of the concept of "mortgage lending" from a legal point of view, but is not accurate enough from an economic point of view. In our opinion, the concept of "mortgage lending" primarily characterizes a certain process, a sequence of actions to provide and service a mortgage loan. Thus, the relationship between the concepts of "mortgage", "mortgage loan" and "mortgage lending" can be represented as follows (Fig. 1)⁹.

Figure 1 - Interdependence between the concepts of "mortgage", "mortgage loan" and "mortgage lending"

⁷ Vertoporov, I. A. Analysis of the concept and features of mortgage lending / I. A. Vertoporov // Man and the modern world. - 2020. - No. 10(47). - P. 3-13.

⁸ Gritsun, S. V. Mortgage lending / S. V. Gritsun // Economics and society. - 2018. - No. 6 (49). – S. 283-285.

⁹ Source: own processing



The analysis carried out allows us to conclude that a mortgage loan is the same mortgage, only not from the side of real estate, but from the side of money. Performing a number of specific functions, a mortgage loan plays an important role in the process of money circulation, the reproduction of capital and the functioning of the economy as a whole. This role consists, in particular, in regulating the amount of money in circulation; control over the timely return of funds to the final investor; attracting investments in the sphere of material production; stimulating the circulation and redistribution of real estate; the formation of multi-level fictitious capital in the form of collateral, mortgage-backed securities, etc.

Classification of types and models of mortgage lending

Having defined the conceptual apparatus in the field of mortgage lending, it is necessary to determine its classification.

To date, there are many different opinions about the classification of mortgages, there are different types and forms of mortgages.

In his work, M. S. Maramygin distinguishes the following types of mortgages: ordinary, combined, general, next, conditional, contractual, legal, judicial¹⁰.

The classification of mortgages, set out by the author of the textbook "Mortgage lending" V. A. Goremykin looks like this:

- according to the time criterion (priority of occurrence), mortgages are subordinated as the oldest (first) and the next ones;

- according to the number of collateral, the mortgage is combined joint;

- Depending on the subject of mortgage, there are mortgages of housing (residential), mortgages of land plots (land) and mortgages of commercial real estate (commercial)¹¹.

E.I. Kuznetsova in her work notes that in many countries there are two forms of mortgage: negotiable and secured. In the case of a negotiable mortgage, the institution that has implemented it registers the mortgage agreement and issues a pledge certificate, while a security mortgage is not accompanied by the issuance of such a document. The pledge certificate serves as a means of transferring rights by writing in it, which can be carried out without contacting the institution that registered the mortgage agreement. Thus, a mortgage, together with a security function, acquires the meaning of a document that is in independent circulation (negotiable mortgage)¹².

Many scientists cover the concept of "profitable" mortgage. In particular, in one of her works, A. E. Dvoretzkaya advocates the expediency of distinguishing this type of mortgage as one that includes a pledge in the form of real estate, which is directly used by the mortgagor to generate income¹³. Such real estate is most often land (for agricultural purposes, for construction), industrial buildings, commercial enterprises (offices, shopping centers, etc.). The author divides income mortgage into subspecies:

- industrial;

- land;

- commercial.

¹⁰ Money, credit, banks: textbook / ed. ed. M. S. Maramygina, E. N. Prokofieva. - Yekaterinburg: Ural Publishing House. un-ta, 2019. - 384 p.

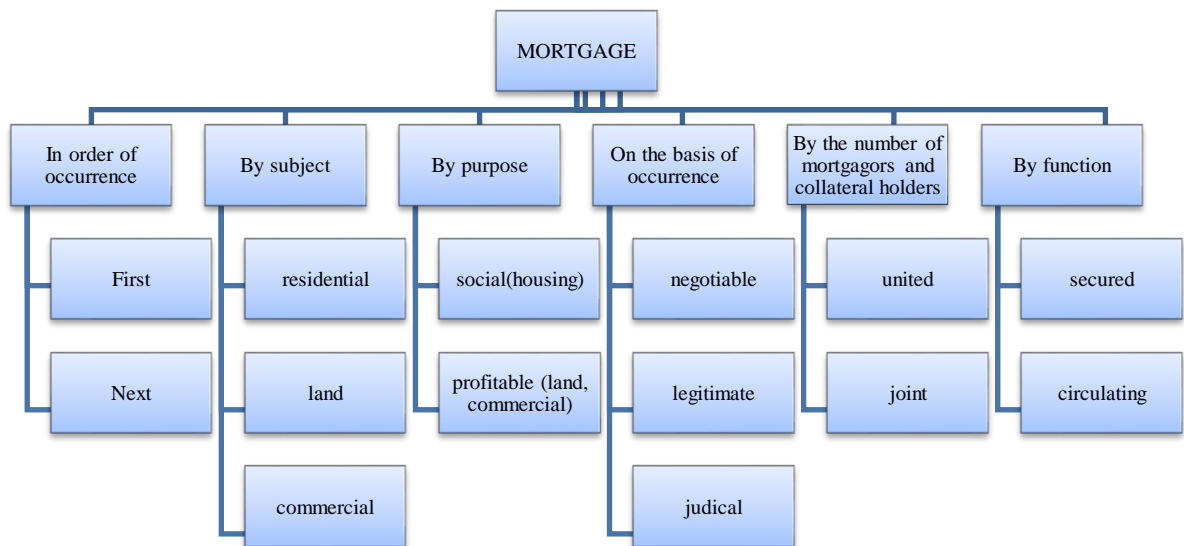
¹¹ Goremykin, V. A. Mortgage lending: textbook / V. A. Goremykin; Federal Agency for Education, Moscow State. Industrial University, Institute of Distance Education. - Moscow: MGIU, 2017. - 367 p

¹² Kuznetsova, E.I. Money, credit, banks: textbook / E.I. Kuznetsova. - Moscow: KNORUS, 2018. - 306 p.

¹³ Dvoretzkaya, A. E. Money, credit, banks: a textbook for universities / A. E. Dvoretzkaya. - 3rd ed., revised. and additional - Moscow: Yurayt Publishing House, 2021. - 551 p.

As can be seen from the above material, there are different approaches to the classification of mortgages in science, so it would be advisable to generalize opinions on the forms and types of mortgages, supplement their own vision and develop a scheme that would reflect both types and structure of mortgages (Fig. 2)¹⁴.

Figure 2 - Generalized scheme for classifying mortgages by criteria



So, in order of occurrence, mortgages can be first and next. In other words, they are called senior and junior. The next (junior) mortgage is the pledge of real estate, which is already the subject of a mortgage under another previous mortgage agreement. Subsequent mortgages may be second, third, etc. in accordance with the priority.

The first (senior) mortgage gives a priority right to the mortgagee over others in satisfying the claims secured by the subject of mortgage. It is worth noting that in conditions where the legislation allows the use of the following mortgages, various restrictions on collateral are provided, which are reflected in transactions between the mortgagor and the pledgee. So, for example, in mortgage lending, the following mortgages usually have a higher interest rate and a shorter loan term, which reflects the greater risk of the lender. Also, the amount of the loan on the second mortgage, as a rule, is less than the amount of the loan on the first mortgage¹⁵.

¹⁴ Source: own processing

¹⁵ Gritsun, S. V. Mortgage lending / S. V. Gritsun // Economics and society. - 2018. - No. 6 (49). – S. 283-285.

Depending on the subject of the mortgage, it is divided into residential, land and commercial.

The same types of mortgages will be obtained as a result of its classification according to the purpose of use - income and social mortgages. Profitable mortgage is land and commercial, social - residential. The subject of mortgage may consist of one or more real estate objects. If there are two or more objects, then in this case they distinguish between joint and joint mortgages. If two or more real estate objects belonging to the same owner are simultaneously transferred to the mortgage, there is a joint mortgage. If real estate objects that are the subject of one mortgage belong to different mortgagors, then there is a joint mortgage.

Quite common is the classification of mortgages on the grounds of occurrence, as a result of which there are contractual, legal and judicial mortgages. It is clear here that in the first case, a mortgage arises on the basis of an agreement between the parties to the mortgage, in the second - on the basis of the law, in the third - on the basis of a court decision¹⁶.

The study of the economic nature of the mortgage market involves the concept of its structural structure, the discovery of interdependence and interconnection of the mortgage market. As we have already noted above, in world practice there are two models of the mortgage market: one-level and two-level¹⁷.

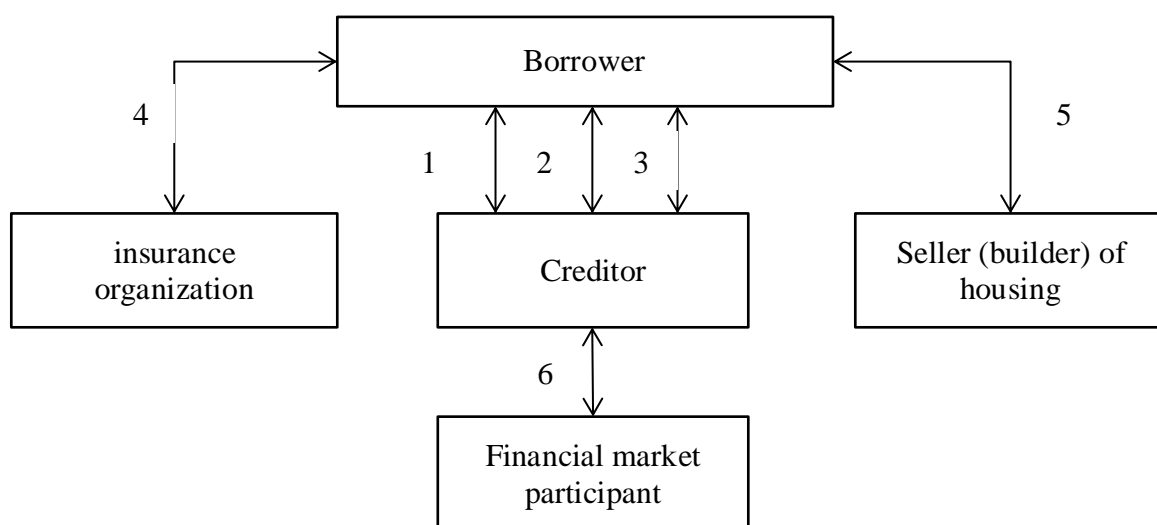
The single-tier model consists only of the primary collateral market. The one-tier model can be used not only by specialized mortgage banks, but also by universal banks with mortgage lending departments (Fig. 3)¹⁸.

Figure 3- The mechanism of a single-level model of the mortgage market

¹⁶ Arakelyan, N. F. Analysis of modern models of mortgage lending / N. F. Arakelyan, Yu. S. Karavaeva // Scientific integration in the modern world: Collection of articles of the II International Scientific and Practical Conference. - Samara: Center for Scientific Research and Consulting LLC, 2018. - P. 3-7.

¹⁷ Otorbekova, A. Sh. Foreign models of mortgage lending and their acceptability for Kyrgyzstan / A. Sh. Otorbekova // Modern economy: Collection of articles of the XXIII International Scientific Conference. - Kemerovo: Pluton Publishing House, 2018. - P. 42-46.

¹⁸ Otorbekova, A. Sh. Foreign models of mortgage lending and their acceptability for Kyrgyzstan / A. Sh. Otorbekova // Modern economy: Collection of articles of the XXIII International Scientific Conference. - Kemerovo: Pluton Publishing House, 2018. - P. 42-46.



Symbols: 1 - accumulative housing deposit agreement, 2 - loan agreement, 3 - mortgage agreement, 4 - mortgaged housing insurance agreement, 5 - housing purchase and sale agreement, 6 - loan agreement, mortgage sheets purchase and sale agreement.

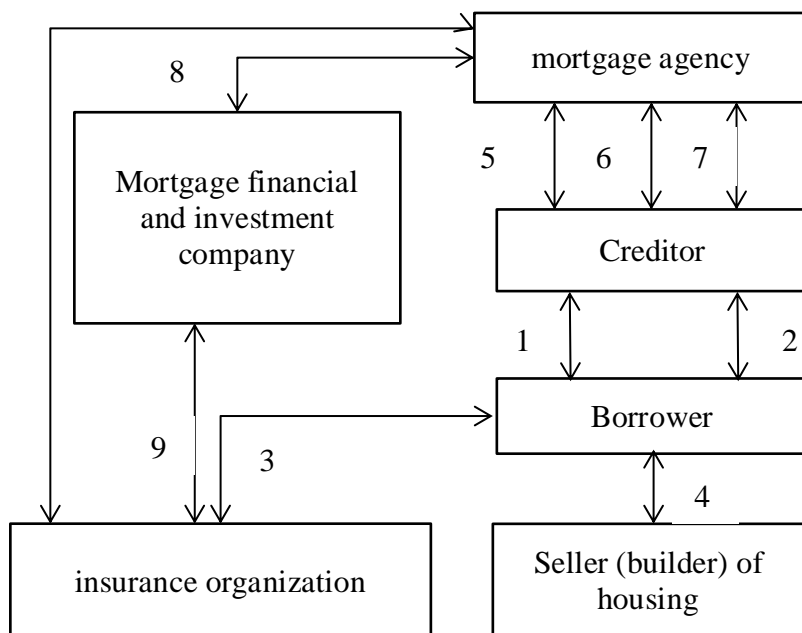
Thus, the two-level model differs significantly from the single-level one. The main source of credit resources in the mortgage lending system comes from a specially organized for the purpose of the secondary securities market, which are secured by mortgages on real estate. This model works only with an expanded infrastructure of the mortgage market, as a rule, with some assistance from the state and at least with its partial control over the issue of securities traded on the secondary market. In the system of relations inherent in the two-tier model of the collateral financing system, there are two main segments based on the use of different methods of financing secured by real estate, namely: the primary market and the secondary market.

Primary market, a segment of the mortgage market that covers the economic relations between lenders and borrowers that arise in the process of buying and selling mortgage bonds. On it, the borrower receives a loan secured by real estate from a financial institution (lender). The relationship between the mortgagor and the mortgagee creates the primary mortgage market. The lender can keep mortgages in its own portfolio of securities or sell them to investors¹⁹.

¹⁹ Likhacheva, E. A. Foreign models of mortgage lending and their application / E. A. Likhacheva // Vector of Economics. - 2018. - No. 3 (21). - S. 42.

Therefore, the two-level model differs significantly from the single-level one (Fig. 4)²⁰.

Figure 4- The mechanism of the two-level model of the mortgage market



Symbols: 1 - loan agreement, 2 - mortgage agreement, 3 - mortgaged housing insurance agreement, 4 - housing purchase and sale agreement, 5 - general agreement, 6 - agency agreement, 7 - agreement on assignment of mortgage loans, 8 – an agreement on the procedure for carrying out operations with securities of a mortgage agency, 9 – an agreement on business risk insurance, 10 – an agreement on the purchase and sale of securities.

The main source of credit resources in the secured lending system operates from a specially organized for this purpose secondary securities market, which are secured by mortgages on real estate. This model operates only in the extended infrastructure of the mortgage market, usually in partial control after the issuance of securities that are traded on the secondary market.

There is also a third model for organizing the system of mortgage lending - balanced autonomy. The main feature that distinguishes this model is the savings and loan principle of its functioning. The total portfolio of credit resources is formed by attracting the savings of future borrowers on the principle of a mutual benefit fund.

²⁰ Likhacheva, E. A. Foreign models of mortgage lending and their application / E. A. Likhacheva // Vector of Economics. - 2018. - No. 3 (21). - S. 42.

Therefore, we can conclude that such a model becomes independent when the market price of the loan funds changes and from the general level of this price in general. The description of the stand-alone model is of particular importance for the creation of mortgage lending in countries with unstable economies, but on the condition that all mutual settlements must be made in a freely convertible currency.

Foreign experience in the development of the mortgage lending system

All over the world, bank mortgage lending is considered the most effective mechanism for solving the housing problems of the population, since it provides the lender with a guaranteed income, and the population - the opportunity to buy housing and capitalize their own savings.

Analyzing the international experience of bank housing mortgage lending, it can be seen that a housing mortgage loan is becoming widely used by the population abroad. The main role in this is played by the low interest rates offered by banks.

In the ranking of countries with the lowest interest rates on mortgage loans for the population, Japan is in the lead, where the average fixed interest rate is 1.68%, Switzerland is in second place with a rate of 1.75%, followed by Finland - 1.83% Germany - 1.9 % and Luxembourg – 2%²¹. The interest rate on a home mortgage loan in Poland is only 4-5% per annum, in France - 3%, in Monaco - 2-3%, in the UK - 4-5%, in Croatia 4-7%, in Latvia - 4- 6%, in Bulgaria, Thailand, Turkey - 8-9%. However, the down payment on a bank housing mortgage loan can be 50% of the property value.

Such low rates in Japan and the listed European countries are explained by insignificant inflation and high credit ratings of these states. According to the Trading Economics website, inflation in Japan is 1.5%, in Switzerland - 0.80%, in Finland - 0.60%, in Germany - 1.6%²². In most European countries, the maximum repayment period for a mortgage loan is from 10 to 30 years, however, some countries oppose long-term repayment of mortgage loans, therefore, they set a maximum period of up to 10 years. These countries are the UK, where the term of a residential mortgage varies from 2 to 5 years, Montenegro - from 1 to 15 years, Switzerland, Bulgaria - up to 10 years. In some

²¹ Money, credit, banks [Text] / ed.: G. S. Seitkasimov, A. A. Musina. - Astana: KazUEFMT, 2012. - 542 p.

²² Dvoretzkaya, A. E. Money, credit, banks: a textbook for universities / A. E. Dvoretzkaya. - 3rd ed., revised. and additional - Moscow: Yurayt Publishing House, 2021. - 551 p.

countries, mortgage loans can be granted for a longer period, for example, Germany, Spain - up to 20 years, Poland - up to 30 years.

In Japan, a small number of banks specialize in issuing mortgages to foreigners, and in most cases, in order to obtain a mortgage, you need to have a permanent residence or even citizenship of the country. In addition, you need to earn about 18-46 thousand US dollars per year. The loan term in Japan ranges from 1-5 to 35 years, the loan amount is up to 90% of the property value.

In Switzerland and Germany, the payment of the body of the loan is practiced after the end of the loan period. That is, the term for paying interest on a mortgage loan can be 5 years, over the next 5-10 years, the borrower must pay the body of the loan. The loan amount is 80% of the value of the real estate. In addition, permanent residents and citizens of Germany can get a loan of up to 80% of the value of the object for up to 20 years. The borrower's income must be at least 20 thousand euros per year, and monthly loan payments cannot exceed 35% of income. In Finland, the maximum loan amount is 75% of the property value. If the borrower provides additional guarantees, the loan can cover 100% of the cost of the loan object for up to 25 years.

In Luxembourg, loans are issued in the amount of up to 80% of the value of the object for a period of up to 30 years.

The basis for the effective operation of the system of mortgage lending to the population abroad are the instruments and institutions for attracting long-term financial resources. The decrease in their cost in the developed countries of the world made it possible to reduce the interest rate on mortgage loans for the population.

For example, in Germany, mortgage lending is based on a loan-to-loan principle, which allows the depositor to accumulate the necessary contribution for the purchase of housing in a savings account over a long period (about 50% of the value of the property), and then receive a mortgage loan for the purchase of the selected housing . Building and savings banks, which operate in Germany as closed financial structures, use all the funds accumulated by borrowers only to issue mortgage loans to buy apartments built and to finance housing construction. Qualified housing loans have become widespread in Spain. Mortgage loans are issued by private institutions at better terms than market conditions in terms of both interest rates and repayment period. To stimulate the issuance of mortgage

loans in Spain, financial authorities exempt credit institutions from the need to have mandatory reserves in the account for such purposes²³.

After analyzing the conditions for providing mortgage loans by banks, we can conclude that abroad, residential mortgage lending to the population is the most promising and dynamic area of bank lending, because in developed countries, where the risks for banks are much lower, where the level of income of the population is several times higher than Kazakhstan, and the inflation rate can fluctuate within 1% per year, mortgage loans are much more affordable and more profitable for the population. Also, the conditions of bank housing mortgage lending can be considered acceptable for the population abroad, for example, the average interest rate is set at no more than 7%.

²³ Money, credit, banks: textbook / ed. ed. M. S. Maramygina, E. N. Prokofieva. - Yekaterinburg: Ural Publishing House. un-ta, 2019. - 384 p.

4. Practical Part

4.1 Analysis of modern trends in the development of mortgage lending in the Republic of Kazakhstan

4.1.1 History of formation and development of mortgage lending in Kazakhstan

The history of the formation and development of mortgage lending in Kazakhstan dates back to 1995, when it was adopted by the Decree of the President of the Republic of Kazakhstan, having the force of the Law of December 23, 1995 No. 2723 "On Real Estate Mortgage". In Kazakhstan, the Malaysian model of the housing mortgage loan system operated.

This model is based on a market structure consisting of two levels: the primary level is the loans themselves, and the secondary level is specific collateral shares (bonds, mortgages), through which lending banks carry out their funding. For sources of financing housing loans, second-tier banks place "long-term" target money on the securities market, which makes it possible for banks to provide "long-term" housing loans at low interest rates²⁴.

Since 1998, second-tier banks in Kazakhstan have begun to provide citizens with mortgage housing loans to purchase their own housing. Mortgage housing loans were provided at high interest rates and for a short period of time. Initially, the interest rate on a mortgage housing loan was about 20% per annum, the down payment was about 40-50%, and the loan term itself was no more than 5-10 years.

Consequently, the majority of Kazakhstanis did not have the opportunity to apply for a housing mortgage loan. Further development of the mortgage lending system in Kazakhstan is associated with the implementation of the Concept of long-term financing of housing construction and the development of the mortgage lending system in the Republic of Kazakhstan, approved by the Decree of the Government of the Republic of Kazakhstan dated August 21, 2000 No. 1290.

In accordance with this Concept, by the decision of the Board of the National Bank dated December 20, 2000, the Kazakhstan Mortgage Company Joint-Stock Company was established. The main goal of the Company's creation was to refinance second-tier banks

²⁴ Ilyubaeva, G. T. On some aspects of the development of the institution of a mortgage loan in the Republic of Kazakhstan / G. T. Ilyubaeva // Actual scientific research in the modern world. - 2021. - No. 5-6 (73). - S. 101-106.

by issuing mortgage bonds to ensure quick repayment of credit resources and solve the problem of liquidity of financial institutions involved in mortgage lending, as well as to ensure the availability of mortgage loans to citizens of the country²⁵.

It is an independent financial institution, it acquires the rights of claim on mortgage housing loans from creditor banks and issues mortgage-backed securities secured by these rights. A huge impetus to the development of mortgage lending in Kazakhstan was given by the development of the system of housing construction savings (HSS), which is regulated by the Law of the Republic of Kazakhstan "On Housing Construction Savings in the Republic of Kazakhstan" dated December 7, 2000. bank") is the only bank in the country that implements the system of housing construction savings. The HSS system is aimed at improving the living conditions of the population by attracting money from depositors in housing construction deposits and providing them with housing loans. In July 2003, Housing Construction Savings Bank of Kazakhstan JSC received a certificate of state registration of a legal entity. And in September of the same year, a large-scale work was carried out to develop the bank's branch network and attract depositors to housing construction deposits. In the future, the scale of participation of Housing Construction Savings Bank of Kazakhstan JSC in state and industry programs has expanded significantly. In addition, the bank began to cooperate with private developers in the sale of housing through the housing savings system²⁶.

In 2012 - 2014, the Company was determined as the operator of the "Affordable Housing - 2020" Program, approved by the Decree of the Government of the Republic of Kazakhstan dated June 21, 2012 No. 821 in the direction of "rent with the right to purchase". At present, the Affordable Housing Program 2020 is included in the Program for the Development of Regions until 2020, in which the Company is the operator in the Housing direction of JSC IO KIK. The purpose of this area of the Program is to provide the general population with rental housing²⁷.

At the end of 2016, the government approved the Nurly Zher state program, which last January was extended until 2025. The goal of the program is affordable housing

²⁵ Serkebaeva, R. K. State support for the sphere of mortgage lending in Kazakhstan (on the example of JSC "IO" KIK ") / R. K. Serkebaeva, A. M. Kozhakhmetova // Modern School of Russia. Issues of modernization. - 2021. - No. 4-1 (36). - S. 129-134.

²⁶ Altmysheva, M. E. Mortgage lending, for example, JSC "Zhilstroyberbank" of Kazakhstan / M. E. Altmysheva // Actual problems of the present. - 2018. - No. 1(19). - S. 120-124.

²⁷ Turganbaev, K. D. Improving mortgage lending in Kazakhstan / K. D. Turganbaev, S. A. Isakova, G. T. Tuleeva // Statistics, accounting and audit. - 2019. - No. 4 (75). - S. 170-174.

through cheap mortgages and rent, as well as the development of housing construction. The program (through the structures of the Baiterek national holding) initially financed the construction of housing for those on the waiting list of akimats and clients of the state-owned Housing Construction Savings Bank (ZHSSB), for which it entered into contracts with private developers²⁸.

The population participating in the program received a preferential loan at 10% from partner banks - 7% is subsidized by the state. Gradually, the latter began to expand financial demand and customize mortgages. There was a program "7-20-25" (7% per annum, 20% down payment, 25 years) for solvent citizens without their own housing and "Baspana hit" with the purchase of not only primary, but also secondary housing. In May 2020, the HCSB offered its 5-10-20 program for low-income people on the waiting list of akimats, which was also tied to „Nurly Zher“.

Today, the state mortgage is a self-sufficient looped mechanism. In addition to HCSB, which accounts for the bulk of loans issued, they are also issued by the Kazakhstan Mortgage Company (KMC) and the Kazakhstan Sustainability Fund, which replaced the mortgage company Baspana. HCSB performs another important function - through the mechanism of state-subsidized deposit rates, it gives the population the opportunity to quickly accumulate a down payment. Thanks to subsidizing, HCSB and state programs are doing remarkably well in this direction²⁹.

Thus, summarizing the above, we can conclude that in Kazakhstan there are positive prerequisites for the real development of the regulatory framework for the introduction of mortgage lending and housing construction programs. The Republic of Kazakhstan has adopted a number of laws and regulations relating to mortgage lending. To date, the institutional structure of the mortgage lending system has already been built, a system for regulating this market.

4.1.2 Characteristics of the institutional structure of the mortgage market in Kazakhstan

Based on the study of institutional approaches, the author defines the institutional environment for the functioning and development of housing mortgage lending, which

²⁸ Auezkhanuly, A. Current state of the housing mortgage lending market in Kazakhstan / A. Auezkhanuly, AS Manap // Statistics, accounting and audit. - 2017. - No. 3 (66). – S. 69-75.

²⁹ Batishcheva T. Mortgage lending in Kazakhstan is increasingly becoming state-owned https://forbes.kz//finances/finance/v_krepkih_rukah_1609781008/

should be understood as a complex of interrelated and interacting institutions, institutional acts, rules, agreements and standards that define a system of general restrictions for lenders and borrowers (Fig. 5)^{30, 31, 32}.

The infrastructure of the Kazakhstan mortgage lending market is mainly represented by banks, several mortgage companies, insurance companies, appraisers, and investors.

In 2000, in accordance with the resolution of the Board of the National Bank of the Republic of Kazakhstan, in order to implement the Concept of long-term financing of housing construction and the development of mortgage lending, the Joint Stock Company Mortgage Organization Kazakhstan Mortgage Company was established. The company became one of the first mortgage organizations in the post-Soviet space, whose activities are aimed at implementing the state housing policy.

In 2020, IO Kazakhstan Mortgage Company JSC was reorganized by joining Baiterek Development JSC and

JSC Housing Construction Guarantee Fund. After the reorganization, the Company became the Single Housing Construction Operator and in January 2021 changed its name to Kazakhstan Housing Company JSC.

Housing Construction Guarantee Fund JSC was established in 2016 on the basis of the previously operating Kazakhstan Mortgage Guarantee Fund JSC. The objective of the fund was to create an effective mechanism to protect the rights and interests of equity holders by guaranteeing the completion of the shared construction facility.

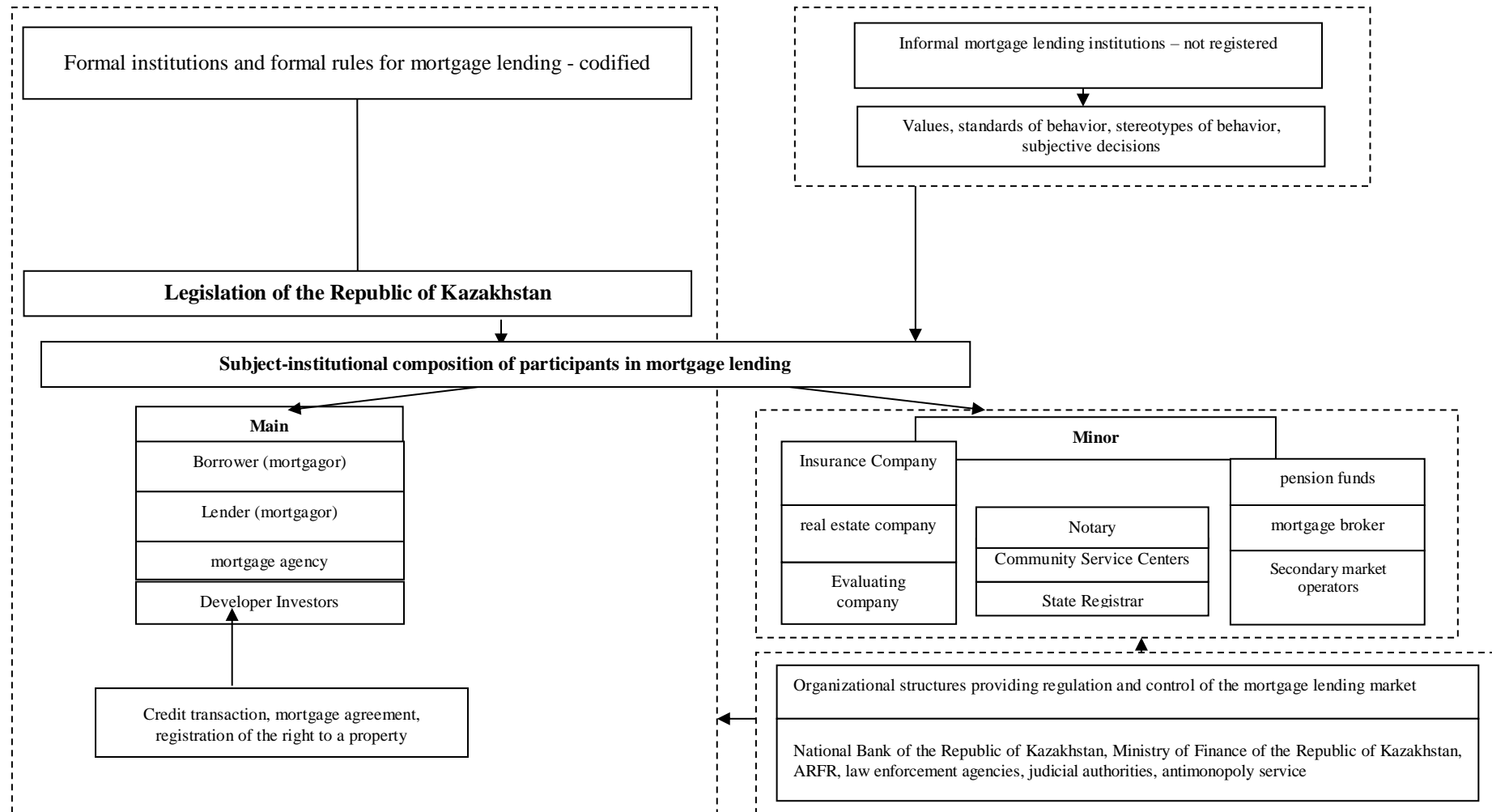
Baiterek Development JSC (until 2014 - Distressed Assets Fund JSC) carried out the functions of a financial operator of the state housing and communal development program Nurly Zher for 2020-2025 in the direction of financing the construction of credit housing through the redemption of government securities of local executive bodies, as well as monitoring the construction of credit housing. Other areas of the Company's activities were the implementation of investment projects in the construction industry and the completion of activities initiated as part of the anti-crisis measures of 2009-2010 and EXPO-2017 projects.

³⁰ Ilyubaeva, G. T. On some aspects of the development of the institution of a mortgage loan in the Republic of Kazakhstan / G. T. Ilyubaeva // Actual scientific research in the modern world. - 2021. - No. 5-6 (73). - S. 101-106.

³¹ Turganbaev, K. D. Improving mortgage lending in Kazakhstan / K. D. Turganbaev, S. A. Isakova, G. T. Tuleeva // Statistics, accounting and audit. - 2019. - No. 4 (75). - S. 170-174.

³² Batishcheva T. Mortgage lending in Kazakhstan is increasingly becoming state-owned https://forbes.kz//finances/finance/v_krepkih_rukah_1609781008/?

Figure 5– Institutional structure of the mortgage lending market in Kazakhstan



Kazakhstan Housing Company JSC has included in its activities the main areas of work of the combined companies, and is also developing a number of new areas in accordance with the adopted Development Strategy for 2021-2023. The established Single Housing Construction Operator will ensure the further implementation of government measures aimed at increasing the provision of high-quality and comfortable housing for the population of the country, including by supporting the construction industry, creating conditions for a balanced growth in supply and demand in the housing market and mortgage lending. In its activities, the Company is guided by the main directions of state policy in the housing and construction sector, in particular, the Nurly Zher Program for 2020-2025, approved by the Decree of the Government of the Republic of Kazakhstan dated December 31, 2019 No. 1054. In 2018, the Company, together with the Institute of Digital Technology and Technologies JSC (a subsidiary of Satbayev University), developed the Nurly Zher Situational Center, the M&E Portal for monitoring real estate under construction financed under the Nurly Zher Program and a Mobile Application (ARM supervisor).

As part of the further development of the Situation Center "Nurly Zher", the Company in 2019-2020 created a single data warehouse on the production indicators of the housing and construction block of JSC "NUH "Baiterek".

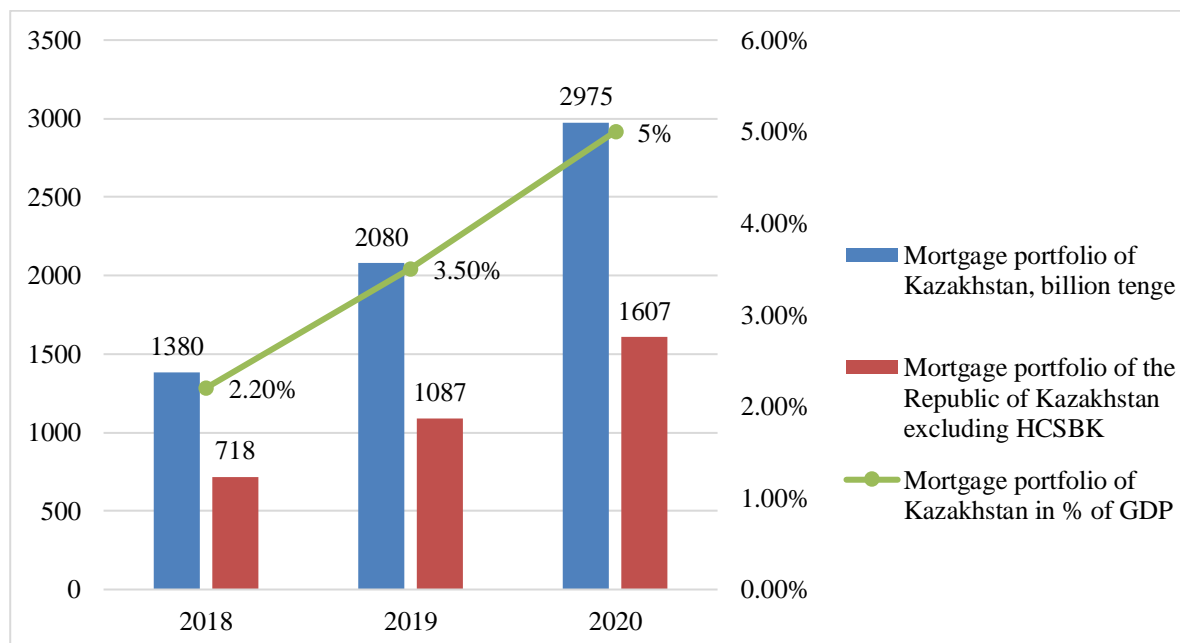
Thus, the necessary institutional environment for the development of mortgage lending has been created in Kazakhstan. The state actively supports the subjects of the mortgage lending market by developing preferential programs with the attraction of funds from the budget, detailed indicators of the effectiveness of their implementation will be presented in the next subsection.

4.1.3 Assessment of indicators of the development of the mortgage lending system at the present stage

The dynamics of the total mortgage portfolio of the Republic of Kazakhstan is shown in fig. 6³³.

³³ Mortgage lending market of the Republic of Kazakhstan. Review for 2020 <https://khc.kz/>

Figure 6- Dynamics of the volume of the total mortgage portfolio of the Republic of Kazakhstan



From the data in Figure 5, it can be seen that as of January 1, 2021, the total mortgage portfolio of the Republic of Kazakhstan, according to preliminary data, amounted to 2,974.5 billion tenge, including:

- mortgage portfolio of STB - 2373.2 billion tenge (including the loan portfolio of Otbasny Bank JSC - 1368 billion tenge or 57.6%);
- portfolio of mortgage housing loans of mortgage organizations - 62.8 billion tenge;
- portfolio of rights of claim on loans under mortgage programs "7-20-25" and "Baspana Hit", bought out by JSC "Kazakhstan Sustainability Fund" (KFU) from STB - 538.5 billion tenge.

The share of mortgages in the country's GDP in 2019 was 3%, in 2020 - 5%. The increase in the share of mortgages in the country's GDP is due to the active attention of the Government and state support for the mortgage lending system.

More detailed data on the structure of the total mortgage portfolio of the Republic of Kazakhstan is given in Table 1³⁴.

Table 1- The structure of the total mortgage portfolio of the Republic of Kazakhstan

³⁴ Mortgage lending market of the Republic of Kazakhstan. Review for 2020 <https://khc.kz/>

Name of indicator	2019	2020	Growth (2020/2019), %
Mortgage portfolio of STBs, billion tenge	1767	2373,2	34,3%
Portfolio of mortgage housing loans of mortgage organizations, billion tenge	313	62,8	-79,9%
Long-term claims on mortgage loans of KFU (loan portfolio under the 7-20-25 and Baspana Hit programs), billion tenge	-	538,5	-
Aggregate mortgage portfolio of Kazakhstan, bln. tenge	2080	2974,5	43%
The total mortgage portfolio net of the portfolio of Otbas Bank JSC	1087	1607	48%

Table 1 shows that the mortgage portfolio increased by 43% compared to 2019, while the growth of the mortgage portfolio of second-tier banks was 34%, and the portfolio of mortgage organizations decreased by 80%.

The driver for the development of mortgage lending in Kazakhstan was the adoption of the state program of preferential lending, including Nurly Zher, 7-20-25 and others, as well as the market mortgage product Baspana Hit.

Among preferential programs in the Republic of Kazakhstan there are those that are available to all citizens (for example, "7-20-25"). As for various categories of socially vulnerable segments of the population, the Republic of Kazakhstan provides for special lending tools under the Nurly Zher state program.

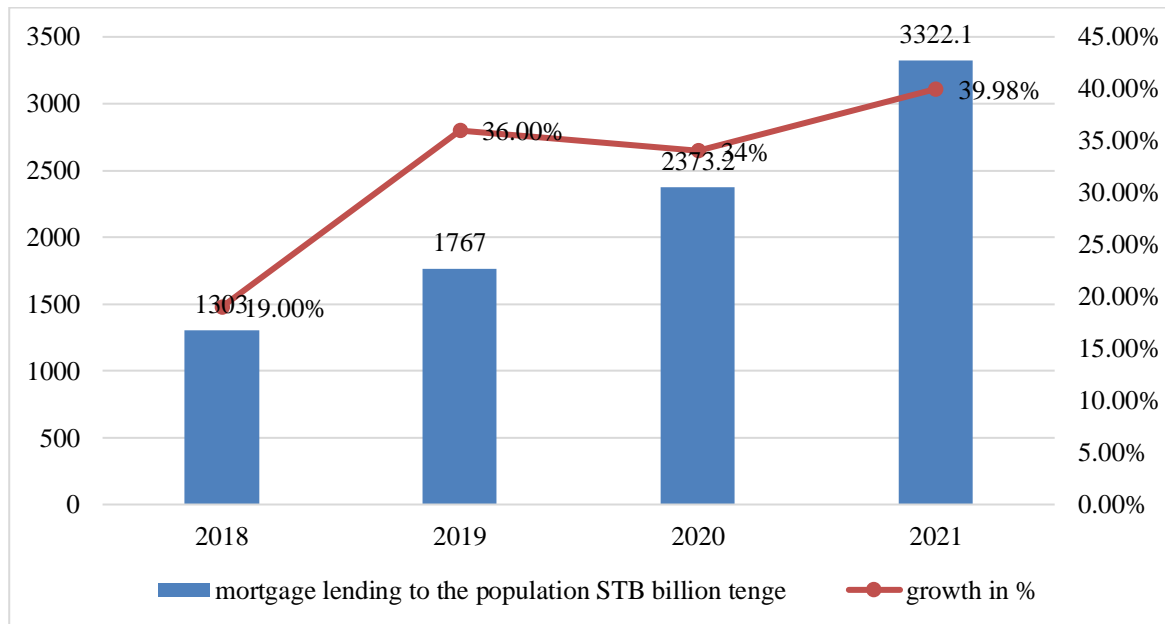
The reduction in the portfolio of housing loans of mortgage organizations occurred due to the reorganization of JSC "IO" Baspana "by joining the company to JSC "Kazakhstan Sustainability Fund".

Let us analyze in more detail the dynamics of the volume of mortgage lending to the population of STBs of the Republic of Kazakhstan according to Fig. 7³⁵.

From the data in Figure it can be seen that the volume of mortgage lending to the population of second-tier banks as of 01.01.2022 amounted to 3,322.1 billion tenge, including 3,319.9 billion tenge in the national currency (or 99.7% of the total) , 2.2 billion tenge - in foreign (0.3%).

³⁵ Mortgage lending market of the Republic of Kazakhstan. Review for 2020 <https://khc.kz/>

Figure 7- Dynamics of the volume of mortgage lending to the population of STBs for 2018-2021



The growth of the indicator compared to 2019 amounted to 40%. The growth of this indicator is due to the introduction of new mortgage products by STBs of the Republic of Kazakhstan. Now more than ten banks are represented in the mortgage market of the Republic of Kazakhstan, each of which has several of its own housing products.

There are several mortgage programs and dozens of market offers of second-tier banks in Kazakhstan. In addition, there is a system of housing savings with its own characteristics and rules. More than ten banks are represented in the mortgage market of the Republic of Kazakhstan, each of which has several of its own housing products. Through the projects of second-tier banks, they acquire objects that do not fall under other mortgage programs, including shared housing, luxury apartments. Banks are also considering partial confirmation of income, but the rate increases at the same time.

Despite the crisis, pandemic and quarantine in 2020, it was possible to maintain a fairly high growth rate of mortgage housing lending in almost all regions of Kazakhstan.

The analysis by regions will be carried out on the basis of the data in Table 2³⁶.

Table 2- Volume of mortgage lending by regions

³⁶ Mortgage lending market of the Republic of Kazakhstan. Review for 2020 <https://khc.kz/>

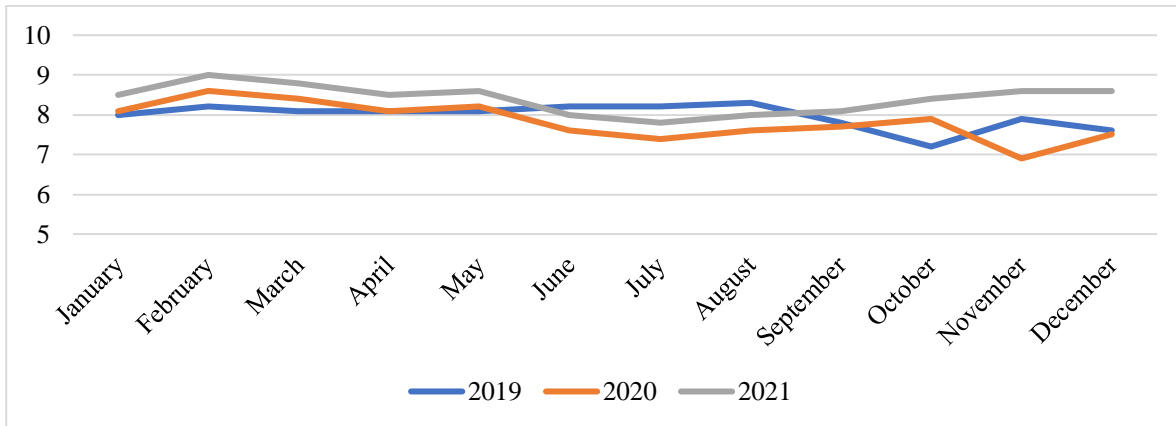
Region	2019		2020		2021		Growth/fall in three years, %
	Billion tenge	%	Billion tenge	%	Billion tenge	%	
1	2	3	4	5	6	7	8
Total in the republic	1 767	100	2 373	100	3 322	100	88,0
Akmolinskaya	43	2	56	2	88	3	104,7
Aktubenskaya	101	6	124	5	161	5	59,4
Almatinskaya	40	2	56	2	90	3	125,0
Atyrauskaya	54	3	73	3	95	3	75,9
East Kazakhstan	105	6	140	6	193	6	83,8
Zhambylskaya	40	2	56	2	81	2	102,5
West Kazakhstan	58	3	75	3	97	3	67,2
Karagandinskaya	95	5	141	6	203	6	113,7
Kostanayskaya	56	3	76	3	102	3	82,1
Kyzulordinskaya	25	1	35	1	50	2	100,0
Mangistauskaya	70	4	92	4	112	3	60,0
Pavlodarskaya	61	3	78	3	112	3	83,6
North Kazakhstan	37	2	45	2	58	2	56,8
Turkestanaskaya	1	0	3	0	13	0	1200,0
Almaty	429	24	564	24	760	23	77,2
Nur-Sultan	484	27	658	28	948	29	95,9
Shymkent	69	4	101	4	160	5	131,9

The table shows that Nur-Sultan and Almaty account for more than 50% of the total mortgage portfolio of STBs. This can be explained by the fact that in these regions there is a high population growth and demand for real estate. The main reasons for the growth of mortgage lending were the reduction of interest rates on the market programs of banks against the background of the general easing of monetary policy. Also, a significant impact was made by the growing propensity of the population to consider real estate as a source of savings in the context of lower deposit rates and general crisis trends in the economy associated with the COVID-19 pandemic and the fall in the tenge exchange rate.

Data on the weighted average interest rate on loans issued by banks for the construction and purchase of housing to citizens (Fig. 8)³⁷.

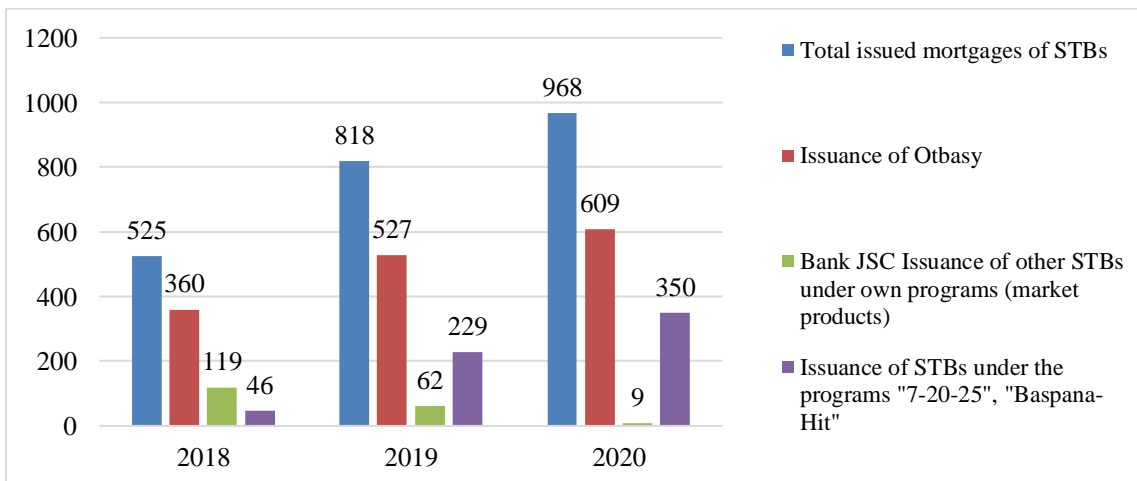
Figure 8- Weighted average interest rate on loans issued by banks for the construction and purchase of housing to citizens, %

³⁷ Mortgage lending market of the Republic of Kazakhstan. Review for 2020 <https://khc.kz/>



It can be seen from the data in the figure that in December 2021, the average interest rate on issued mortgage loans was 8.6%, which is 0.1 percentage points higher than the same period last year. Interest rates on concessional loans in the Republic of Kazakhstan are fixed and are not subject to change during the loan term. In particular, under the program "7-20-25" the nominal rate is 7%, for "Bakytty Otbasyy" - 2%, for the program "Shanyrak" - 5% per annum, etc. Data on the dynamics of lending in the context of the main mortgage products for 2016-2020 are presented in Fig. 9³⁸.

Figure 9- Dynamics of lending in the context of the main mortgage products for 2016-2020



From the data in Figure 9, it can be seen that in 2020 more than 86.4 thousand mortgage loans were issued in the amount of 968 billion tenge, of which:

- JSC "Otbasy Bank" tenge, 51.9 thousand loans were provided in the amount of 609.4 billion tenge;

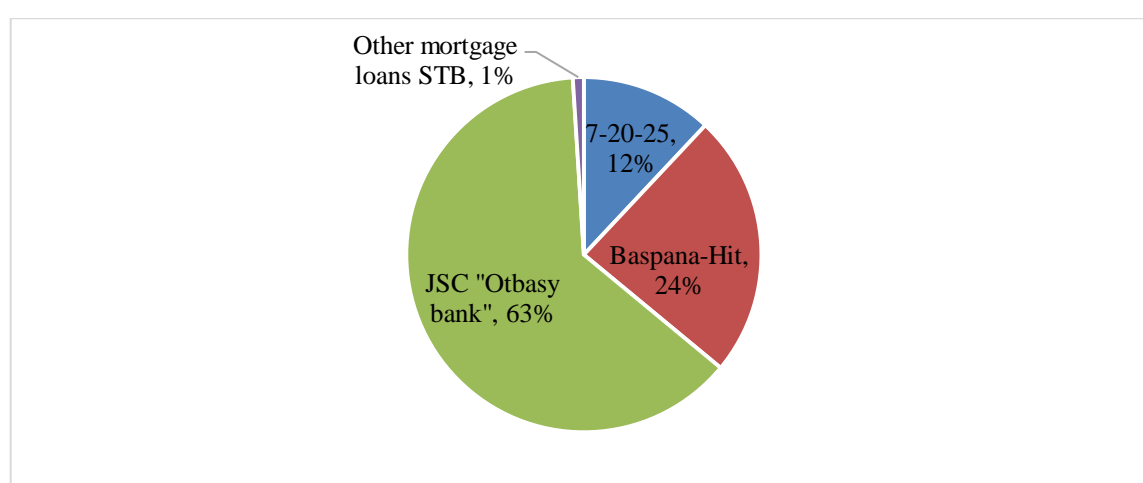
³⁸ Mortgage lending market of the Republic of Kazakhstan. Review for 2020 <https://khc.kz/>

– As part of the implementation of the 7-20-25 program, 10.2 thousand loans were issued in the amount of 120.8 billion tenge;

– Under the Baspana Hit program, 24.3 thousand loans were issued in the amount of 228.8 billion tenge

Data on the share of second-tier banks in the volume of mortgage loans issuance is presented in rice. 10³⁹.

Figure 10- The share of second-tier banks in the volume of mortgage loans issued.



It can be seen from the data in Figure 10 that the share of mortgage loans of Otbasy Bank JSC in the volume of mortgage loans issued by STBs in 2020 amounted to 63%, loans under the 7-20-25 program - 12%, loans under the Baspana Hit program - 24%, other loans - 1%

The total mortgage portfolio of the Republic of Kazakhstan amounted to 2974.5 billion tenge, including: the mortgage portfolio of second-tier banks - 2373.2 billion tenge, the mortgage portfolio of mortgage organizations - 62.8 billion tenge, the portfolio of claims on loans under mortgage programs "7-20-25" and "Baspana Hit", bought out by JSC "Kazakhstan Sustainability Fund" (KFU) from second-tier banks - 538.5 billion tenge. The weighted average lending rate was 7.8%. 50% of the total mortgage loans issued are in Nur-Sultan and Almaty.

Thus, summarizing the above, we can conclude that the mortgage portfolio of the Republic of Kazakhstan includes the mortgage portfolio of second-tier banks and the

³⁹ Mortgage lending market of the Republic of Kazakhstan. Review for 2020 <https://khc.kz/>

mortgage portfolio of mortgage organizations. Today, two IOs are actively represented in the Republic of Kazakhstan: IO Kazakhstan Mortgage Organization JSC and Kazakhstan Sustainability Fund JSC.

At the same time, CFC focuses on the mechanism for buying out mortgage loans from STBs and its own organization, while CFU is the operator of the state. programs 7-20-25 and Baspana Hit. The STBs continue to bear the credit risk of the portfolio through the presence of a repurchase obligation in the event of a default. Thus, the inability to fully transfer risk limits the further development of mortgage market conditions.

4.2 Ways of improvement of mortgage lending in the Republic of Kazakhstan taking into account the experience of foreign countries

4.2.1 Problems of development of mortgage lending in the conditions of instability of the global financial system

At the current stage, the mortgage loan institution is experiencing certain difficulties. In particular, a number of the following problems are observed in the mortgage market of Kazakhstan:

First: the imperfection of the mechanisms and conditions of existing mortgage products. At the current stage, the list of borrower's problems when applying for a mortgage loan is extensive. The bank, in order to reduce its own risks, always seeks to reduce the loan amount by encouraging a higher down payment threshold for the borrower (for example, the Special Mortgage from BI-Group). Often, the borrower refuses to buy his own home in a mortgage, because he does not have enough money for a down payment when applying for a housing loan.

In addition, when applying for a loan, it is necessary to carry out additional operating expenses, such as the services of a mortgage broker, realtor, notary, bank commissions. Meanwhile, the services of a mortgage broker make it easier for the borrower to choose a mortgage program and guarantee a positive decision from the mortgagee⁴⁰.

⁴⁰ Shukenova, A. A. Mortgage lending in the Republic of Kazakhstan: modern problems and contradictions / A. A. Shukenova, Zh. A. Sariyeva // Modern trends in the development of science and technology. - 2016. - No. 11-11. - S. 131-136.

The borrower is faced with the lack of a wide choice of housing that meets the criteria of government programs (for example, Shanyrak, 7-20-25). This is due to the fact that social mortgages have a maximum threshold that exceeds the market price of real estate, which is growing in price in national currency, and market mortgages are focused on liquid housing.

Despite all the problems, interest in government mortgage housing programs is growing due to lower lending rates. Three factors contribute to this: the first is an increase in demand for own housing, the second is the process of natural growth of citizens in cities, the third is the emergence of new products and more flexible conditions. So, individuals can get loans for their own housing for up to 25 years.

Second: low incomes of the population. The launch of the development of housing lending in all regions of Kazakhstan has always been slowed down by one factor - low wages and incomes. A potential borrower to obtain a mortgage must rely on their own funds, savings and income. One of the possible sources of citizens' own funds is real estate, which was acquired earlier or became the property following the results of privatization. Another source of funds for the population can be bank deposits and deposits, own savings, stocks, bonds, precious things, cars, parking lots. The main source of income is the wages of employees and income from small, medium, large businesses.

Third: the consequences of the coronavirus pandemic. Mortgage borrowers around the world are in a difficult position. Lockdowns and quarantine restrictions have led to an increase in unemployment, a decrease in the income of the population, which may affect the inability to make monthly mortgage payments. In this case, in Kazakhstan, only conscientious and solvent borrowers are assisted, whose housing loan costs do not exceed 31-38% of their total income.

The fourth problem - one of the main problems discussed in determining the role of housing lending is accounting for inflation. Some economists believe that the massive issuance of mortgage loans for the purchase of housing leads to an increase in inflation and thus will have a negative impact on the economy as a whole. If there is an increase in mortgage lending in an under-housing economy, this will increase the growth in demand for residential property, both in the primary and secondary housing markets. Construction companies, having received additional income, will increase the volume of construction. But due to the length of the construction period, the necessary supply on the housing

market will be reached only after a few years. The mismatch between supply and demand can lead to a significant increase in prices and contribute to inflation⁴¹.

The fifth problem is the high additional costs associated with the execution of a loan transaction. Such expenses include the assessment of the acquired property, notary services, as well as annual insurance⁴².

The sixth problem lies in the procedure for state registration of a pledge of real estate purchased with a mortgage loan. Initially, it is necessary to make state registration of ownership of the property, and only then it is possible to register the pledge of this property. This provision contains the risk of potential losses of creditor banks. For example, if you provide money to buy real estate, then after the transaction, the borrower may refuse to provide housing as security. As a result, the lender bank will be without collateral for the provided mortgage loan.

The seventh problem is the existence of the difficulty of delaying the procedure for satisfying the requirements of creditors at the expense of the subject of mortgage in the framework of judicial and enforcement proceedings. The domestic legal regulation of mortgages is based on the concept of protecting the rights of the debtor, and as a result, the credit risk of the bank increases, which, in turn, hinders the development of the national mortgage market. This indicates the need to develop a special legislative provision in order to enable the creditor to quickly sell the subject of mortgage in the event of a breach by the debtor of obligations.

Also, the problems of mortgage lending development in Kazakhstan include a high level of dependence on the activity of partner banks; the focus of the efficiency of state programs for the development of mortgage lending on targets reflecting quantitative amounts of support, and not always on efficiency, limited targeted use of financial resources for the activities of mortgage companies regulated by Resolutions of the Government of the Republic of Kazakhstan and other state bodies.

It is important to note that the solution of housing problems is connected not only with a decrease in the cost of housing, but also with an increase in the income of the

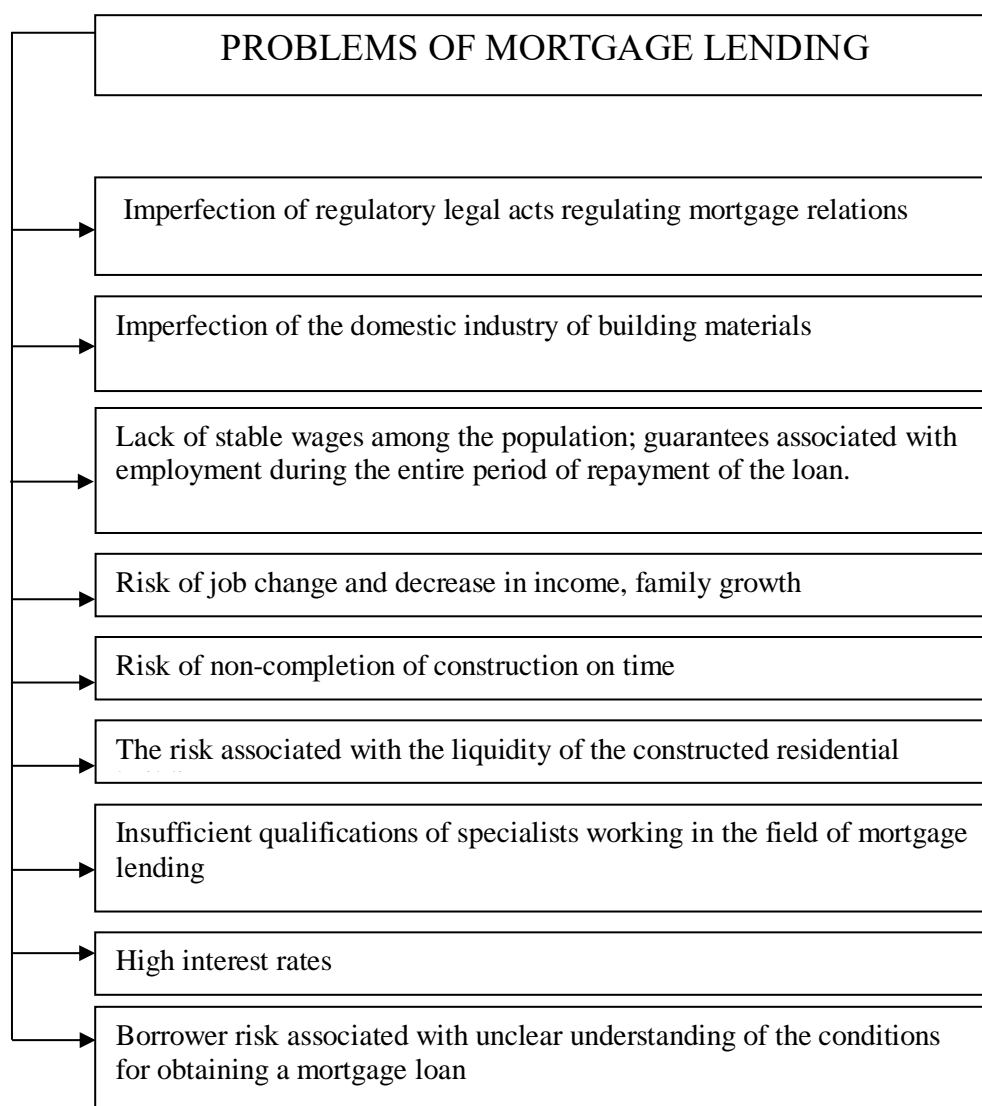
⁴¹ Bikhanova, A. Current state and features of mortgage lending in the Republic of Kazakhstan / A. Bikhanova, S. Urgusheva // *Chasopis of economic reforms*. - 2019. - No. 3 (35). - S. 41-47. – DOI 10.32620/cher.2019.3.05.

⁴² Silaeva, O. V. Analysis of the current state of mortgage lending in the Republic of Kazakhstan / O. V. Silaeva // *Podolsky Scientific Bulletin*. - 2018. - No. 3. - P. 173-183.

population, respectively, it is necessary to concentrate on increasing the income of the population.

Thus, summarizing the above, we can draw up a diagram of the main problems in the development of mortgage lending in Kazakhstan (Fig. 11)⁴³.

Figure 11- Problems of mortgage lending



Thus, housing mortgage loans in Kazakhstan are in demand from the population, but their availability is still low. This is due to low incomes of citizens, high interest rates on loans, a certain amount of down payment, which a small number of the population has. This implies the conclusion that to some extent the development of the housing loan

⁴³ Source: own processing

institution depends on the support and assistance from the state, namely from the National Bank of the Republic of Kazakhstan and the Government.

4.2.2 The main directions for improving mortgage lending in the Republic of Kazakhstan, taking into account world experience

For the most perfect development of mortgage lending in Kazakhstan, many ways of its development are proposed, they are schematically presented in Fig. 12⁴⁴.

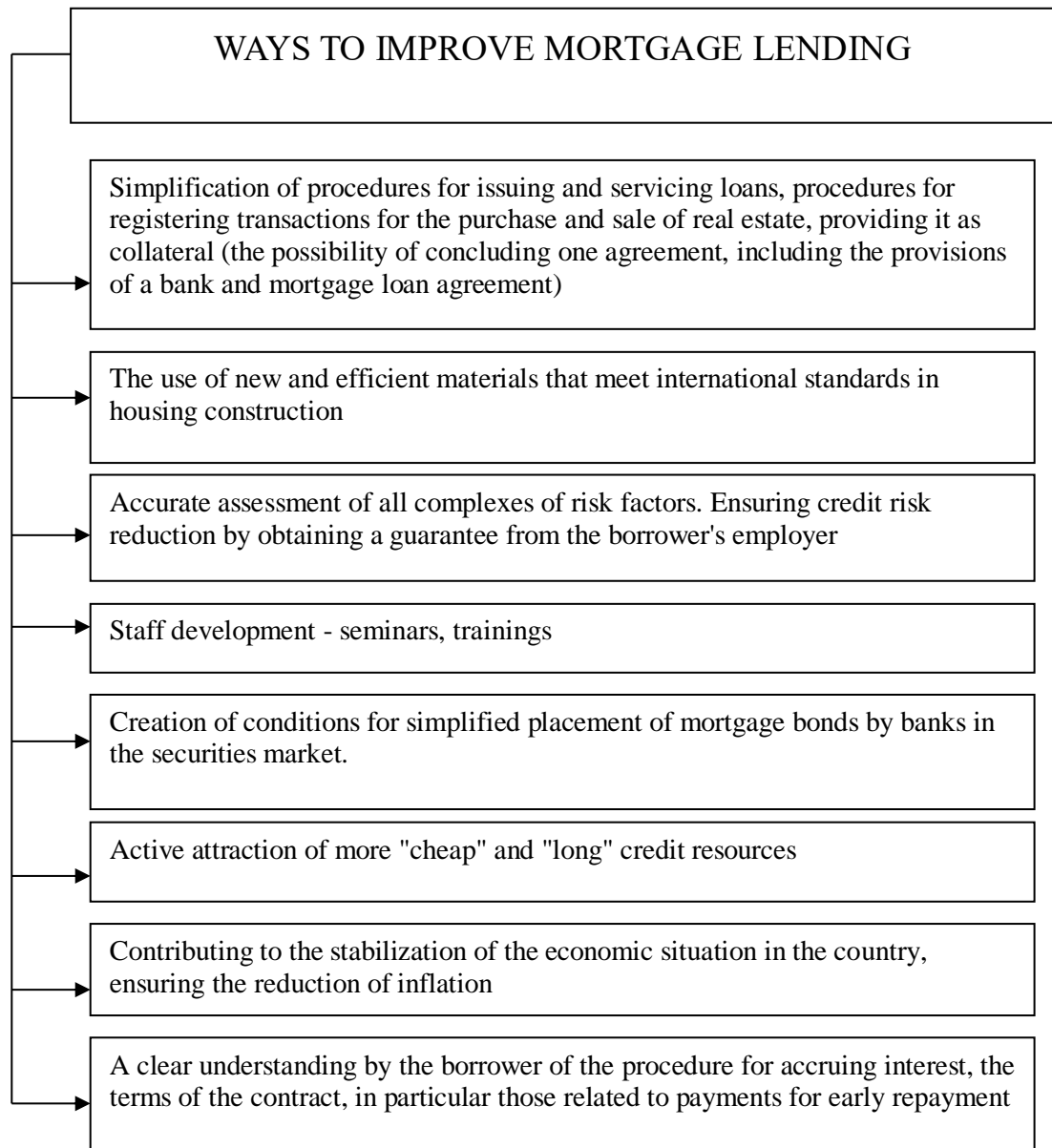
The formation of a developed system of mortgage lending in Kazakhstan, in our opinion, is an iterative and multi-stage process that includes a set of various measures to form the primary and secondary mortgage loans market.

The first stage is the formation of conditions for the development of the primary mortgage market, the introduction of standards and the administration of mortgage lending, which reduce its risks. An important role is given to the creation and implementation of a legislative and regulatory framework that would meet the specifics of mortgage lending. At the same time, work should be carried out to develop the infrastructure of the mortgage market: insurance, real estate, appraisal firms, a system for registering rights to real estate, and so on. We consider it expedient to create an independent mechanism for certification of mortgage products in order to prepare the formation of the secondary market for mortgage loans.

The second stage is the expansion of the practice of issuing securities by banks engaged in mortgage operations. At the same time, the possibilities of using three options should be worked out and evaluated: the bank issues bonds that are secured by mortgage loan obligations; specialized licensed mortgage banks are being created, whose activities are specifically regulated by law. The main share of active operations of such banks will be mortgage operations. At the same time, the law should regulate both the parameters of mortgage loans provided by banks and the types and structure of active operations allowed for mortgage banks. It is this regulation and strict legislative regulation that will determine the reliability and high liquidity of securities issued by these banks; ordinary universal banks issue securities (bonds), which are secured by all their assets. The reliability and high rating of the bank can ensure high liquidity of such bonds. The bank directs the proceeds from the sale of bonds to mortgage lending.

⁴⁴ Source: own processing

Figure 12- Ways to improve mortgage lending



The third stage is the formation of a unified standardized highly liquid market for mortgage-backed securities.

In this aspect, Kazakhstan will benefit from the experience of the Hungarian mortgage lending system, which indicates the use of the European mortgage model, in which mortgage banks independently issue bonds backed by land. However, the latter differs significantly from the usual one-tier model, because in Hungary mortgage loans are provided by both specialized and universal commercial financial institutions, which is more typical for a two-tier model. Moreover, refinancing of such loans is carried out at the expense of fixed-term deposits of individuals, which requires the functioning of a

developed secondary market for claims on mortgage loans. The redemption of mortgage loans can be carried out by the land (mortgage) bank, for this it uses budget subsidies and income received from activities in the land market.

Specialized mortgage banks have been established in Poland and Hungary. In Hungary, the state mortgage bank gives only long-term loans (at least five years). In addition to it, there is another licensed bank that provides mortgages. The laws of these countries set the upper limit of the mortgage loan. In Poland, it is 80% of the value of the land plot, which is provided on security, in Hungary - 70%. In modern Germany, mortgage banks provide loans secured by land and issue debt. A mortgage loan cannot exceed 3/5 of the value of the land plot being mortgaged, and loans are provided for 6, 10, 15, 20 years for 8-9% per annum⁴⁵.

The experience of Poland is positive, which provides for the creation of special bodies that regulate and stimulate credit relations in the agricultural sector. The country has an Agency for Restructuring and Modernization of Agriculture (ARiMR), whose main task is to support agricultural production. Thanks to this agency, farmers have the opportunity to attract bank loans for investment and turnover purposes. In particular, the Agency undertakes to reduce interest rates for the recipient of the loan through the implementation of additional payments to reduce the risk for the bank with the provision of guarantees and guarantees.

Analyzing the practice of land and mortgage lending in European countries, it is worth noting that mortgage here is one of the most significant factors in the development of the economy. The vast majority of loans (up to 80%) in European countries are mortgages, while the rate on them is significantly lower than in other forms of lending.

The monitoring of mortgage loans in Western European countries indicates a large share of medium- and long-term loans. At the same time, it should be noted that large enterprises have certain advantages, since they are distinguished by a more intensive capital turnover and, as a result, greater creditworthiness. A large land area allows large farms to receive much larger mortgage loans, and the large size of production provides

⁴⁵ Dvoretzkaya, A. E. Money, credit, banks: a textbook for universities / A. E. Dvoretzkaya. - 3rd ed., revised. and additional - Moscow: Yurayt Publishing House, 2021. - 551 p.

them with more intensive provision of short-term and medium-term loans secured by products that are produced, and partially unsecured loans⁴⁶.

Mortgage lending in the highly developed countries of the world involves the creation of a wide network of both private and public mortgage banks. Accordingly, an extensive network of public and private mortgage structures should become a necessary condition for the formation of a financial base for the development of agriculture in Kazakhstan:

Summarizing the results of the study of foreign experience in mortgage lending to agriculture, we can conclude that to this day a unified model for the development of mortgage lending has not been developed both among domestic and foreign scientists. However, the experience of European countries testifies to the positive results of the functioning of the land and mortgage lending system, which must be taken into account for the sustainable development of agriculture in Kazakhstan, changing the legal framework, improving lending conditions and relations between all subjects of the mortgage lending system. Mortgage lending to agriculture is necessary to ensure the sustainable development of the latter, given the history and traditions of financial and credit relations in agriculture in European countries, as well as taking into account the peculiarities of the development of the Kazakhstani economy. In our opinion, the complexity of the mortgage lending model that operates in the United States indicates a large number of obstacles to its implementation in Kazakhstan, so we propose to apply a mixed European model that will take into account the development conditions of European countries to ensure the sustainable development of the economy of Kazakhstan.

⁴⁶ Goremykin, V. A. Mortgage lending: textbook / V. A. Goremykin; Federal Agency for Education, Moscow State. Industrial University, Institute of Distance Education. - Moscow: MGIU, 2017. - 367 p.

5. Conclusion

–The research carried out in the thesis work led to the following conclusions:

–1. Mortgage lending has a positive effect on the development of the real sector of the economy, which receives not only investment resources, but also incentives for their productive use, bearing in mind the need to return borrowed loans. Mortgage lending makes it possible to modernize production, which contributes to improving the quality and competitiveness of products and accelerates the pace of the country's economic development. The advantages of mortgage lending for banks is the reduction of credit risk in case of insolvency, bankruptcy of the borrower or its liquidation as a legal entity due to the ability of the bank to transfer the borrower's rights to real estate, which he can use in case of incomplete or untimely repayment of the loan.

–2. Mortgage lending should be defined as a system of economic relations that arise in the process of providing a mortgage loan, that is, a cash loan that is secured by real estate. The efficiency of mortgage lending is to a certain extent determined by the degree of organization of mortgage lending relations in the mortgage market.

–3. Mortgage market - a system of organized economic relations that arise in the process of generating mortgage loan capital and its transformation into financial obligations secured by real estate. Mortgage loans are forms of mortgage loan capital, and financial liabilities secured by real estate are mortgage loan financing instruments.

–Having considered the main prerequisites for the formation of the mortgage market, we note that political, legal, economic, and historical factors influence its development and organization.

–4. The efficiency of the mortgage lending system depends on the interconnection and mutual influence of all its components. The subject of mortgage lending is mortgage real estate in the industrial, agricultural and housing sectors of the national economy. In mortgage lending, a long-term loan is provided to the borrower for the construction or acquisition of the property of the subject of mortgage with its subsequent entrepreneurial use.

–5. The study showed that the total mortgage portfolio of the Republic of Kazakhstan amounted to 2974.5 billion tenge, including: the mortgage portfolio of second-tier banks - 2373.2 billion tenge, the mortgage portfolio of mortgage organizations - 62.8

billion tenge, the portfolio of rights claims on loans under the mortgage programs "7-20-25" and "Baspana Hit", bought out by JSC "Kazakhstan Sustainability Fund" (KFU) from STB - 538.5 billion tenge. The weighted average lending rate was 7.8%. 50% of the total mortgage loans issued are in Nur-Sultan and Almaty.

–Housing mortgage loans in Kazakhstan are in demand by the population, but their availability is still low. This is due to low incomes of citizens, high interest rates on loans, a certain amount of down payment, which a small number of the population has. This implies the conclusion that to some extent the development of the housing loan institution depends on the support and assistance from the state, namely from the National Bank of the Republic of Kazakhstan and the Government.

–In order to develop mortgage lending in Kazakhstan, it is proposed:

– formation of conditions for the development of the primary market of mortgage loans, the introduction of standards and administration of mortgage lending, reducing its risks,

– expanding the practice of issuing securities by banks engaged in mortgage operations,

– formation of a unified standardized highly liquid market for mortgage-backed securities.

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7. List of Figures and Tables

Figure 1 - Interdependence between the concepts of "mortgage", "mortgage loan" and "mortgage lending"	14
Figure 2 - Generalized scheme for classifying mortgages by criteria	17
Figure 3- The mechanism of a single-level model of the mortgage market.....	18
Figure 4- The mechanism of the two-level model of the mortgage market	20
Figure 5– Institutional structure of the mortgage lending market in Kazakhstan.....	28
Figure 6- Dynamics of the volume of the total mortgage portfolio of the Republic of Kazakhstan.....	30
Figure 7- Dynamics of the volume of mortgage lending to the population of STBs for 2018-2021	32
Figure 8- Weighted average interest rate on loans issued by banks for the construction and purchase of housing to citizens, %	33
Figure 9- Dynamics of lending in the context of the main mortgage products for 2016-2020	34
Figure 10- The share of second-tier banks in the volume of mortgage loans issued.	35
Figure 11- Problems of mortgage lending	39
Figure 12- Ways to improve mortgage lending	41
Table 1- The structure of the total mortgage portfolio of the Republic of Kazakhstan.....	30
Table 2- Volume of mortgage lending by regions	32