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## STATE AND PROSPECTS OF CONSUMER MARKET DEVELOPMENT IN UKRAINE IN THE CONTEXT OF FOREIGN EXPERIENCE

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**Abstract.** *In the article the question of becoming and problem of development of the mortgage crediting of Ukraine is considered, the dynamics of mortgage market of modern Ukraine was probed in the conditions of world mortgage crisis. Is analysed condition of modern mortgage market of the USA and influence of crisis processes in the USA and Europe on condition of mortgage market of Ukraine.*

**Key words:** *mortgage market, mortgage crisis, mortgage crediting, mortgage, credit, bank.*

### 1. INTRODUCTION

The process of high mortgage lending is currently one of the broader tasks for Ukraine, first of all, that it is the mortgage that should become the main tool for solving the problems that exist in politics. In addition, the international user sought to achieve rapid mortgage entry in overcoming the crisis and driving economic reforms, which also benefited the country and its economic development.

Through the effective functioning of the mortgage market, it is possible to increase the degree of capitalization of investment resources, more efficiently distribute capital between industries and market sectors, expand the stock market due to the issuance and sale of mortgage securities. The main economic function of a mortgage loan is to increase the investment potential of the economy and its prosperity. Therefore, with the help of a mortgage it is possible to significantly increase the investment orientation of the domestic financial market.

### 2. ANALYSIS OF THE LATTER RESEARCH AND PUBLICATION

Problems of mortgage development have been studied by numerous foreign scholars and practitioners S. Bataler, G. Wolfsteiner, O. Merker, K.P. Follak, D. Hordt, G. J. Scholz. Domestic scholars also pay great attention to mortgage problems in Ukraine, among them: V. Aleksiychuk, N. Voronova, M. Demyanenko, A. Yevtukh, O. Kireev, S. Koverga, V. Kravchenko, N. Kruchok, S. Yakovenko.

### 3. STATEMENT OF BASIC MATERIAL

The presence of a wide range of products, types of institutions and models of mortgage lending, operating in the mechanism of mortgage relations, characterize the mortgage market of member states of the European Union and America. In highly

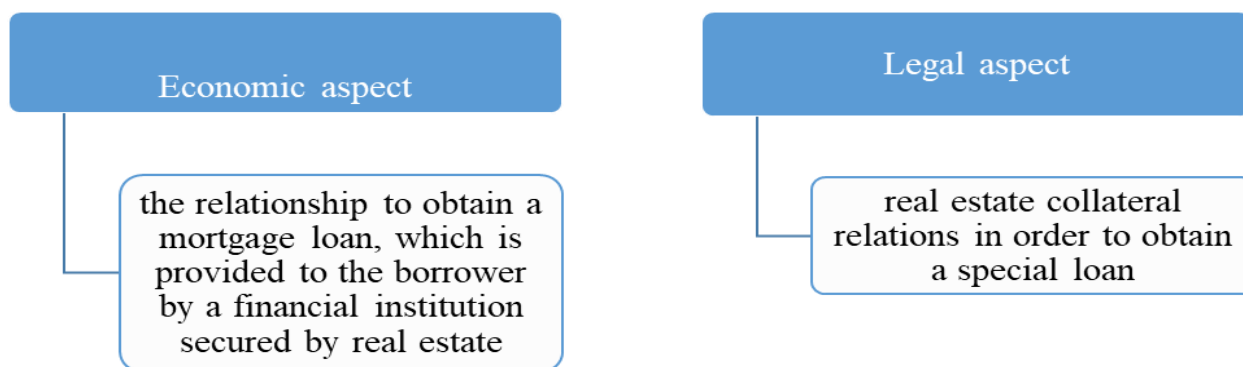


developed countries, mortgage lending is the main financial mechanism that is widespread and affects the economy, increasing stability and stimulating its development. The mortgage lending mechanism provides an opportunity to mobilize long-term investment financial resources, as well as use them in effective directions.

Despite the significant importance of the mortgage market for economic stability in the country, the development of the mortgage system in most countries is contradictory and highly dependent on the global financial situation, because it is part of it.

In recent years, increasing interest in the problems of organization of state mortgage markets in different countries, due to the need to find an effective mechanism for Ukraine mortgage relations. Analyzing the above, we can say that it is necessary to analyze the specifics of the development and functioning of institutional mechanisms of international countries, for further adaptation and transformation of foreign experience to the specifics of the Ukrainian financial market. Mortgage loan in each country differs depending on the content and form. In this area, each country has its own legislation, which is formed depending on the characteristics of legal systems, as well as legislation in the field of real estate.

For example, the legal framework of European countries denotes the term "mortgage" two main types of legal relations (fig. 1).



**Fig.1. Definition of the term "mortgage"**

*A source: Developed by the author according to [3]*

Researchers who study the problems of development and implementation of mortgage lending, emphasize that the feature of the modern European mortgage market is the competitiveness of their subjects, as well as grouping them into credit and banking institutions and loan savings institutions (branches) [1, p.59].

Most European countries still use the one-tier system of mortgage lending, which was formed during the Second World War. The one-tier system includes independent activity of mortgage banks. This system prevails in Canada, Denmark, Sweden, and is also popular in Great Britain, Austria, Finland, the Netherlands, and Germany.

Through monopoly state mortgage banks, a one-tier system was formed in Spain and France [4, p.149]. Thus, each country is characterized by a certain mechanism of mortgage lending and diversification of mortgage institutions, which is caused by the state of development of their economies and the influence of various economic, social, political, demographic and environmental factors.



In the GB, the mechanism of formation of mortgage banks is characterized by the replacement of construction companies, which have gradually retrained as mortgage banks. In the early 90's, mortgage banks began to win over the total number of loans granted to construction companies [4, p. 299].

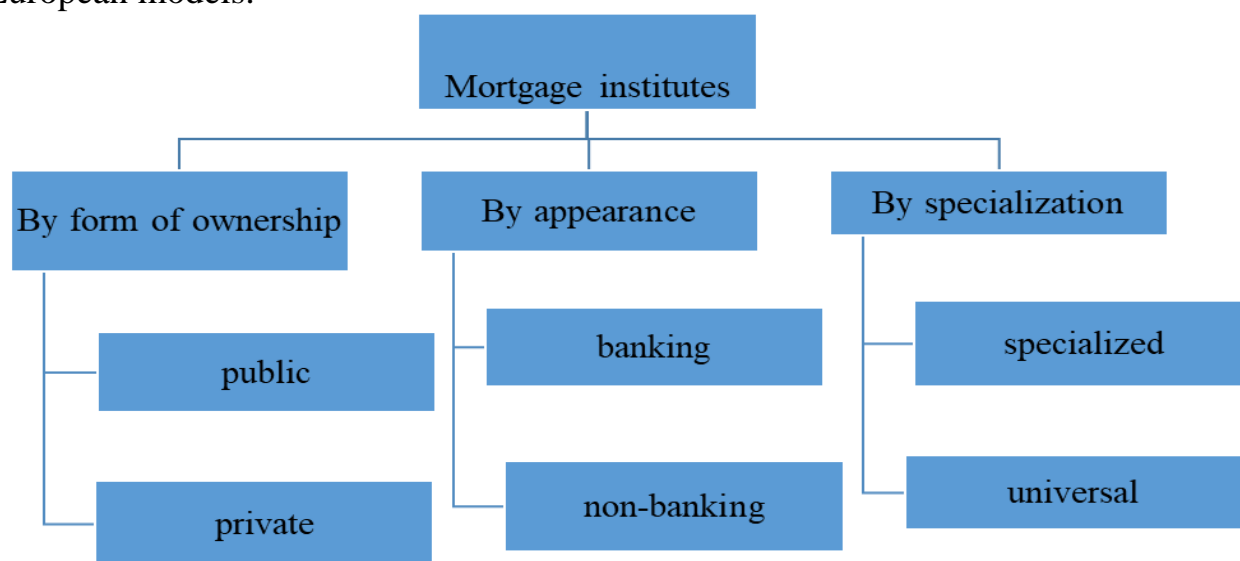
Denmark is characterized by a mortgage lending system in which all mortgage loans are securitized into securities that are sold on the financial market to attract long-term credit resources. As a result, 30% of mortgage securities in circulation in Europe account for Denmark [4, p. 150].

Canada is characterized by lending to real estate transactions and investing in long-term securities of government and large corporations. The main participants in the Canadian mortgage lending mechanism are public housing corporations, which organize housing construction, selection of borrowers and credit risk insurance [4, p. 151].

Recently, Germany has been borrowing the experience of the British and American asset securitization systems, reviewing the mechanism for introducing a two-tier mortgage lending system. This system was first established and spread in the United States - a very complex nationwide market with a large number of institutions, including mortgage, commercial and savings banks, insurance companies, credit and savings associations, pension funds.

The vulnerability of the US mortgage system to fluctuations in financial markets is due to its complexity, as well as the securitization of mortgage securities. The decrease in the value of risky mortgage securities, which occurs during economic crises, leads to a decrease in the assets of most mortgage and investment banks, causes an outflow of credit resources from the banking system, lower shares of banks and other corporations, which in turn deepens the financial crisis. volumes and scales [8, p. 42].

Given the American experience of mortgage lending, we can say that countries that have created all the conditions to adopt the US experience in using a two-tier model of mortgage lending, in the future will abandon this system in favor of European models.



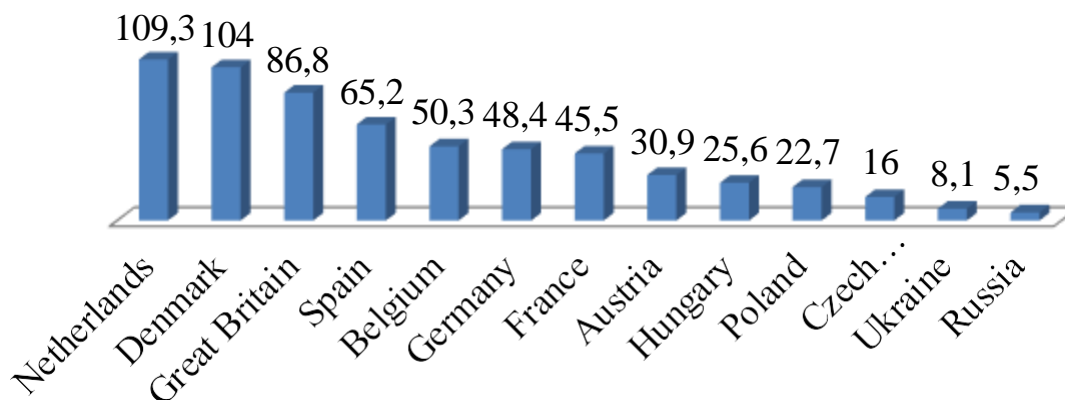
**Fig.2. General classification of international systems of mortgage institutions**

*A source: Developed by the author according to [5]*



Each country is characterized by its identical institutional content. Analyzing international practice, we can identify the following characteristics of modern models of mortgage institutions (fig. 2).

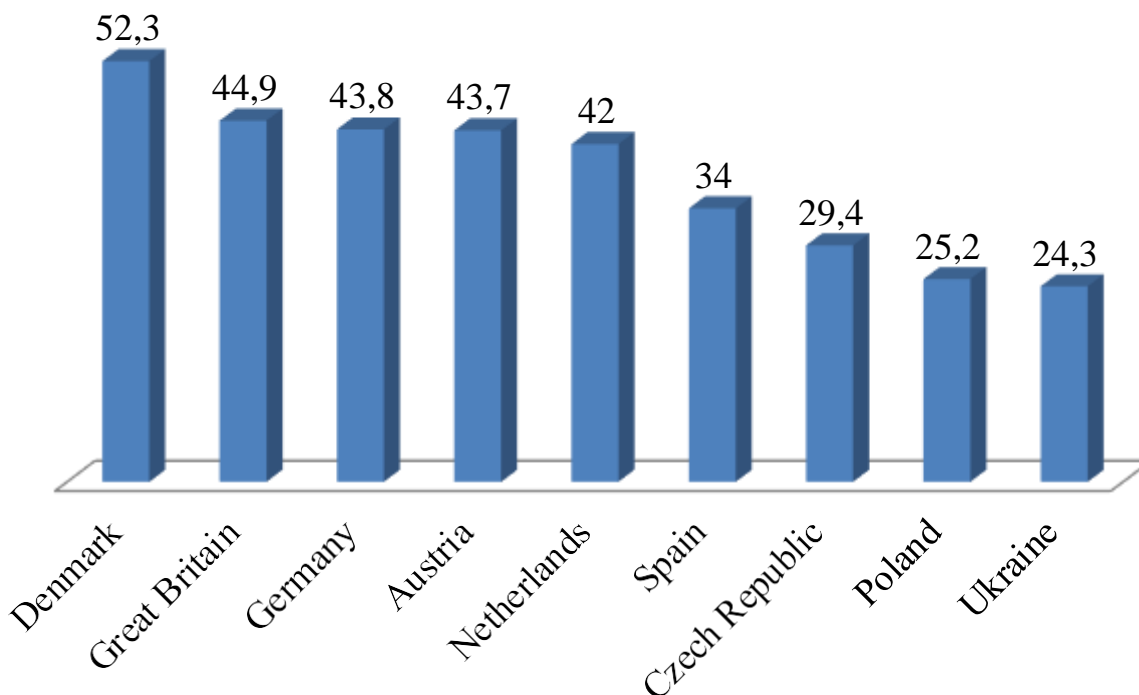
Comparing the development of the mortgage market of Ukraine with the mortgage markets of developed countries, we can say that we are at a fairly low level (Fig. 3).



**Fig. 3. The potential of the mortgage market in Ukraine**

*A source: Developed by the author according to [4]*

The level of development of the mortgage market is also characterized by the level of housing per capita. If we analyze the statistics of European countries, we can say that Ukraine is in the top ten countries with living space (fig. 4).



**Fig. 4. The level of housing per capita in the EU and Ukraine**

*A source: Developed by the author according to [4]*

Recently, securitization has gained momentum, as it is, firstly, a means of increasing the competitiveness of the bank in the market, secondly, is a source of financing for banks and institutions, and thirdly, provides an opportunity to make the



bank's credit assets liquid. form by issuing bonds or other securities [2, p. 13].

The United Kingdom is the leader in Europe in the securitization of mortgage assets with a market share of 42.7% of total mortgage securitization, the second place is occupied by the Netherlands - 17.1%, the third place is occupied by Spain - 15.3%.

Among most countries with a developed mortgage market and countries undergoing reforms, the maximum mortgage loan relative to the expected real estate sale price calculated by the bank is specified in the legislation. In Germany, the loan limit is set at 3/5 (60%) of the calculated value of real estate, but under certain conditions, according to the law, banks provide a mortgage of up to 80% of the value of the mortgaged property. In Hungary and the Czech Republic, this limit is set at 70% of the value of mortgaged real estate. In Poland, banks provide loans of up to 80% of the appraised value of real estate offered to secure them.

**Table 1.**

**Terms of mortgage lending in EU member states**

| Country       | Sum                                    | Annual interest rate                       | Deadline for submission |
|---------------|--|--|-------------------------|
| Germany       | from 50 thousand euros                 | 2-3,5%                                     | 5-20 years              |
| France        | 50-100 thousand euros                  | from 2,5%                                  | 7-20 years              |
| Great Britain | Up to 4 annual income (in pounds)      | Residents - 2.5-5%<br>Non-residents - 4-6% | 5-35 years              |
| Poland        | No fixed amount (depending on factors) | Residents - 3-3.3%<br>Non-residents - 3-4% | 20-30 years             |

*A source: Developed by the author according to [4]*

Thus, we can say that the conditions for granting a mortgage loan in the EU member states are quite different from the Ukrainian ones, and they are also different for both residents and non-residents (Tab.1).

## CONCLUSIONS

Analyzing the international experience in the formation and development of the mortgage market makes it possible to conclude that the generally accepted, single global model of the mortgage market does not exist. They are united only by state support in the field of financial, legal regulation of mortgage lending, as well as the provision of state guarantees or subsidies.

If we analyze all models of mortgage lending in European countries, the development and improvement of the mortgage market in Ukraine is characterized by a classic European one-tier model, which allows:

- partially ensure the effective development of investment relations related to the real estate market;
- protect the mortgage market from fluctuations and problems of the global financial system.

Effective improvement and development of the mortgage lending model in Ukraine is available only due to the active policy of the state, which aims to support and improve the national mortgage system.



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