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on the topic:

**Development of the market of bank mortgage lending in
Ukraine**

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INTRODUCTION

Relevance of research. The mortgage market occupies one of the most important places among financial mechanisms of economic incentives and steady economic development. Mortgage lending is a method of accumulating financial resources, an effective tool for banking activity, and an important factor for the economic development of the county in general. Promoting real estate development and financial services, recovery of the stock market, mortgage lending can not only activate reforms in the economy but also gradually ensure solving housing problems of the population. The use of this tool will significantly reduce tension in the housing sector by providing an average citizen the opportunity to acquire housing through a mortgage.

In domestic and foreign economic literature is occupied by the study of bank mortgage lending. The problem of mortgage pays considerable attention to such foreign economists as A. Kara[44], D. Marques-Ibanez[44] , S. Ongena [44], J. Luque[48], A. Mello[48], K. Lagarde[48], A. Mian [53] , M. Semyonov [60], N. Lewin-Epstein [60], M. Stephens [61], M. Lux [61], P. Sunega [61], E. Davis [31]. Some aspects explored in the works of famous Ukrainian scientists M.Huba, O. Huba [42], V. Harbuzova [40], V. Kharabara [46], O. Evtukh [22], V.Bazulevych [21], O. Lyhova [51], A. Maister [51] and others.

The aim of this final work is to study the state of bank lending in Ukraine and give recommendations on how to defuse the crisis and increase the role of bank lending in the process of economic development.

To achieve this goal, the following **tasks were formulated**:

- 1) generalize theoretical approaches to the definition of a mortgage; to substantiate the economic essence of mortgage lending;
- 2) to analyze the legal framework of mortgage lending;
- 3) to evaluate the practice of mortgage lending and to diagnose factors influencing the development of mortgage lending in Ukraine;

- 4) to explore the foreign experience of functioning and organization of mortgage lending;
- 5) to propose ways of improving bank mortgage lending

The object of the study is the development of a system of mortgage lending in Ukraine.

The subject of the study is theoretical and methodical questions on the formation and development of an effective banking mechanism of mortgage lending in a market economy.

Research Methods. The following methods were used to fulfil the tasks set out in the development: inductive and deductive methods - when establishing the essence of the mortgage lending mechanism; synthesis method for disclosure of the economic nature of the mortgage; comparison method for comparison mortgage market models; method of scientific abstraction - in substantiation of organizational and legal and economic principles of organization and functioning of the mortgage lending market; method of systematic analysis - in studying the state of development of the mortgage lending market in Ukraine and the world mortgage lending systems, regression model - to determine the dependence of capital investments on the volume of financing at the expense of bank loans.

The information base of the study is the normative and legislative acts of Ukraine that regulate the activities of banks, instructions and regulations of the National Bank of Ukraine, scientific publications and monographs of scientists, reports and analytical materials of state bodies, data of reporting of banking institutions, official statistical collections.

The scientific novelty of the obtained results is the following:

A scientific hypothesis was formulated as to the external factors influencing the consumer's decision to use a financial mortgage banking service.

Were further developed:

- assessment of the current state of development of mortgage lending in Ukraine, on the basis of which it was revealed: reduction of the volume of mortgage loans due to the negative impact of the financial and economic crisis; the weakness of the income

base of the bulk of borrowers at the same time as the lack of sophistication of affordable housing lending mechanisms; insufficient realization of the benefits of the mortgage to activate the credit market.

The practical importance of the work is that the use of the developed proposals for the formation of a mechanism of bank mortgage lending contributes to the sustainable development of the banking system and meet the housing needs of the population.

Master's contribution. Graduation qualification is a self-completed study by the author.

Publications. Some results of the study were reflected in the scientific article: A.A.Havrylova Jitification of the need for bank mortgage lending in the system of economic relations in the financial market of Ukraine// Managing Financial Institutions: Changing Stereotypes: Coll. Sciences. Art. stud. full-time study / resp. ed. N.P. Shulga. - K.: Knute, 2019. - 363 p. (p 191-196).

Testing the results of the study. The main provisions and results of the performed scientific research became the basis for the report at the All-Ukrainian Student Scientific Conference «Financial - credit systems: problems of theory and practice». (Kyiv, March 20, 2019, KNUTE) on the topic " Jitification of the need for bank mortgage lending in the system of economic relations in the financial market of Ukraine ".

Scope and structure of work. The work consists of 3 sections, introductions, conclusions, a list of used sources and applications. The volume of work is 66 pages. Tables, figures, applications and scientific sources are presented in the work.

PART I

THEORETICAL BASIS OF THE MARKET OF BANK MORTGAGE LENDING

We have formed a scientific problem of research. The decision of the consumer to use the service of bank mortgage lending in Ukraine depends on his confidence in the sustainable development of the economy, the level of his financial literacy and openness of information about the service. Our task is to prove if this problem can be considered true. To do this, let's analyze the theoretical base.

Acquisition of own property is one of the topical issues for the Ukrainian population, as the rise in real estate prices and a low standard of living lead to a decrease in the level of affordability of housing for citizens of the country. That is why mortgage lending becomes a priority direction of the development of the financial market, which allows not only to capitalize resources, but also to solve a number of socio-economic problems of the population. The development of mortgage lending can attract investments in the domestic economy; create conditions for the development of construction and other sectors of the national economy, thus increasing the volume of Gross domestic product (GDP). That is why the active development of mortgage lending in Ukraine should create favorable conditions for improving the economic and financial state of the country.

Real estate has always been appreciated in banking as a reliable guarantee of repayment. Pledge of land and real estate for a long-term credit is called a mortgage. The mortgage is a kind of pledge of real estate (land, enterprises, buildings, structures, and other objects directly connected with the ground) in order to borrow money. In the case of non-payment of loans, the pledged property is sold, and amount of proceeds pays off the debt to the creditor [46].

The term "mortgage" (from the Greek hypotheke - mortgage, mortgage) arose in the VI century BC in ancient Greece and was associated with ensuring the debtor's liability to the creditors of certain land holdings [40].

The study of the essence of mortgages at the current stage of development of the world economy in various sources of information makes it possible to claim that there are many approaches to defining the concept of "mortgage". Consider this definition scientifically and in accordance with applicable law.

A. Yevtukh determines that a mortgage is a mechanism that provides value relocation for profit and social effect on the basis of long-term mortgage secured by a mortgagor or a third party [22].

V. Bazylevych proposes the definition of a mortgage - a type of mortgage of real estate (land, enterprises, structures, other objects directly related to land) to obtain a cash loan [21].

O. Huba treats mortgages as collateral for real estate, mainly land and buildings, to obtain a mortgage loan [42]

V. Harbuzova offers a mortgage - a way of securing real estate obligations, for which the mortgagor has the right to make a profit through the mortgaged real estate in case of default by the mortgagee [40].

According to the Law of Ukraine "On Mortgage" dated June 5, 2003, No. 898 – IV, mortgage is type of security of an obligation fulfillment with immovable property that remains in possession of the mortgagor, whereby the mortgagee shall have the right – in case of default of the debtor on the main obligation secured by a mortgage – satisfy its claims at the expense of the mortgaged immovable property prior to other creditors of such debtor, per the procedure established by this Law [2].

The Civil Code of Ukraine dated January 16, 2003, No. 435- IV, treats the concept of a mortgage as a pledge of immovable property, which remains in the possession of the pledgee or a third person [15].

Law of Ukraine "On Mortgage Lending, Operations with Consolidated Mortgage Debt and Mortgage Certificates" dated June 19, 2003, No. 979- IV, provides the following definition: mortgage lending - this is the legal relationship that arise about the acquisition of the right to claim mortgage debt under contracts and other documents [3].

National Bank of Ukraine interprets residential mortgage loan as a long-term loan provided by individuals, partnerships owners of apartments or housing cooperatives for financing costs associated with the construction or purchase of an apartment or dwelling house (including land under this apartment building or infield), which are provided in the property of lender by the borrower's acceptance of such housing (land under it, or infield) in bail. Thus, the National Bank of Ukraine refers mortgage construction loan to housing mortgage credit.

On the basis of analysis of the economic literature aimed at studying the nature and characteristics of the mortgage, its following features can be identified:

- mortgage is used as a tool for raising funds for the development of production;
- mortgage ensures the implementation of property rights to object ownership when implementing other forms of ownership (e.g. sale) is inappropriate in a particular situation;
- mortgage contributes to the creation of fictitious capital through the possibility of issuing securities, leading to the increase in collateral working capital by the value of created fictitious capital [22].

In economic terms, the mortgage is a market instrument of implementation of property rights for real estate objects in cases where other forms of alienation (sale, exchange) legally or financially are inexpedient that allows raising additional funds for various projects.

So, we make conclusion the mortgage loan is the financial-credit relationship that arises between a mortgage creditor and a mortgage borrower with a view to providing a loan secured by immovable property owned by a second or third person.

The special features of a mortgage are:

Firstly, mortgage is a way of ensuring the proper fulfillment of the main obligation - a loan or a loan agreement, a contract of lease, a contract, compensation for damage, etc.

Secondly, the subject of mortgage is always real estate. Real estate includes land plots, buildings and structures.

Thirdly, the subject of the mortgage remains in the possession of the debtor. The debtor remains the owner, the user and the actual owner of this property.

Fourthly, the contract between the creditor and the debtor about the establishment of a mortgage is issued by a special document, which is also subject to state registration [23].

We propose to consider the classification of mortgages according to different criteria.

There are several criteria:

1. Classification by legal criterion;
2. By the criterion of establishing the priority of the mortgage;
3. By the criterion of the subject of the mortgage;
4. By the criterion of the number of mortgage items and entities;
5. Mortgage at the place of origin.

According to the Law of Ukraine "On Mortgage" of June 5, 2003, № 898-IV in the legal mortgage, there are three types of mortgages: contractual, legal and judicial [2].

- Contractual mortgage - the most common type of mortgage lending, when between the two subjects of legal relationships on a contractual basis is the transfer of resources from one subject to another. In the case of providing resources, there is always a pledge. Contractual mortgage arises from the moment of conclusion of a loan agreement or notarization of transfer of financial resources from one subject to another.
- Legitimate mortgage occurs, as a result of the circumstances stipulated at the legislative level, that is, there should be prescribed legal norms that will provide preconditions for mortgage creation.
- The judicial mortgage is a type of mortgage that arises from a court decision and only comes into force after the judgment of the judicial authorities.

According to the criterion of priority of emergence, there are two types of such lending: the previous mortgage and the following.

- The previous mortgage occurs when a collateral agreement is signed and a mortgage for a given loan is established.
- The following mortgage - when the mortgaged property is the subject of the contract, which has already been a pledge in the previous loan agreement.

Mortgage from the amount of collateral and the number of participants involved in the mortgage, there is a combined, joint and mortgage in favour of a third person.

- The combined mortgage is a type of mortgage, which is the subject of several mortgage items given to a mortgagee by a single mortgagor.
- Joint Mortgage is a type of mortgage when several property objects belonging to different mortgagors are transferred to the mortgagee.
- A mortgage in favour of a third person is in the property surety when the property belonging to a third person acts as a mortgage object for a mortgage given to another person.

At the place of origin, a mortgage may arise in the primary or secondary markets. Classification of mortgages on the criterion of the subject of mortgage involves the distribution of mortgages on mortgages of housing and real estate, on land mortgages, the mortgage of the company as a holistic property complex; the mortgage of unfinished construction, the maritime mortgage, etc. The mortgage on the criterion of the subject of the mortgage is classified by the name of the object, which acts as a pledge [21].

In the world practice, there are various models of mortgage lending. European and US experience is fairly meaningful. These models are based on the process of implementing certain schemes of interaction among participants in the system .

Socio-economic development strategy for national economy of particular countries (specific legislation, certain mortgage mechanisms, etc.) is determined mainly by the inherent features of modern mortgage lending systems. In this case, it is necessary to note the differences in legislative regulation in countries with Romano-Germanic and Anglo-Saxon legal systems, as they have predetermined the set of

approaches towards formalizing the relationship between the mortgage contract parties [26].

In the countries with the Anglo-Saxon legal system, mortgage systems are more liberal and less formalized. In the Anglo-Saxon mortgage system, one is able not to notarize the act. At the same time, the subject of a pledge is not clearly defined.

American mortgage system is one of the most important mortgage systems, since the securities market is significantly developed and many debt obligations are secured by a mortgage. Changes in the stock market strongly affect mortgage lending, as mortgage development affects the financial market, as it is evident from the global financial crisis, when many market segments, including mortgage market, collapsed [28].

Concepts generalizing the principles and mechanisms of mortgage lending transformation in foreign countries (USA, Germany, United Kingdom, Spain, and Israel) are regarded. Mortgage lending models in developed countries were divided into three groups and summarized in table. Economic performance of different countries allowed us to allocate several mortgage models presented in Table 1.1.

Table 1.1.

Mortgage lending models in developed countries

No	Model	Countries implementing the model	Description
1	Reduced open model	United Kingdom, Israel, Spain	Bank's own capital, deposits and interbank credits-money sources used for granting mortgage loans. The rate is determined by the current business climate
2	Expanded open model	USA	Banking organization issues a loan to the client depending on his/her income level and credit history (Bricker et al., 2017).
3	Balanced autonomous model	Germany	Citizens create a co-operative and make contributions for a certain period of time. As soon as half of the cost of future residential real estate is accumulated, co-op participant gains the right to purchase real estate in the order of priority. The rest is paid within 10 years (Carragher & Webster, 2011)

** built by the author according to the data [32,36]*

Another level of mortgage lending systems involves a one-level and two-level mortgage models. The choice of this or that model depends on the specific features of national development and state's history of financial/mortgage system development. Implementing the loan refinancing procedure is also an important process. Based on the foregoing, it is commonly believed that a two-tier model is applied in the US while a single-tier model in European countries [31].

The two-level mortgage model was formed historically due to the aroused need in credit transactions fixed at the national level. These measures were introduced in order to increase loan liquidity and refinance it in the future. In the case of a two-level mortgage model, it is expected that loans of the primary mortgage market will be transferred to the open market under the state mortgage agency support. Mortgage agencies have the right to form a mortgage pool based on alike loans and sell them (or their shares) to secondary investors. The received money can be immediately assigned to secondary investors. Cash received from such transactions can also be used to issue and place mortgage securities. This conditions the stock market development and operations with mortgagebacked securities. These operations ensure a constant movement of financial flows in the world financial market [33].

Let's analyse a one-level model of mortgage lending used mainly in European countries. Its essence is that the bank that issued a mortgage loan independently issues loan securities that are secured with issued mortgage loans on the one hand and with mortgaged real estate on the other. Mortgage list business is regulated by special legislation. The issuer specified in the legislation (mainly banks) can issue mortgage lists. Mortgage bank activity is strictly controlled by the state and banking supervisors.

The primary mortgage lending institution has been forming in the XVIII-XIX centuries. In this period, there appears a concept of pledge and guarantees for this type of loan. At the next stage (30s of the XX century), there are special institutions created to organize mortgage lending operations and secondary mortgage market performance by means of securities. The third stage (the end of the XX century the beginning of the XXI century) was marked by the improvement of existing market tools and mortgage market performance within the framework of the model. The global financial crisis has

slowed down the market development: interest rates have increased and the list of programs got shorter. For example, certain European mortgage products were cut down or their requirements for potential borrowers were tightened. However, now we can speak about the European post-crisis model development, market restoration, enhanced lending, and greater (in some countries, for example Austria) opportunities for citizens to subsidize their real estate purchase. The interest rates range about 3-8% depending on the country and loan terms [52].

A one-level model of mortgage lending is being implemented in Hungary, Germany, Denmark, Poland, Slovakia, France, the Czech Republic and other European countries [34].

A one-level mortgage model analysis has made it possible to single out its advantages and disadvantages in comparison with the two-tier model. Its advantages:

- 1) Low implementation cost;
- 2) Simplified legislative regulation.

At the same time, two-tier mortgage model also has advantages that are considered disadvantages of a one-tier model:

- 1) Credit risks not covered by insurance and guarantees are apportioned among all loans due to forming mortgage pools;
- 2) State institutions provide guarantees for certain types of mortgages and help the specific categories of citizens to get preferential mortgages;
- 3) State authorities implement a specific policy to stimulate the provision of insurance and guarantees both for citizens and other model participants through the legislative and financial support. Simultaneously, the government is developing a system of regulation and control in order to stabilize model's effect;
- 4) Model allows entering the stock market and using more transparent pricing mechanisms. This allows market participants to measure risks and benefits of investing in certain mortgage products.

In the one-level mortgage lending model, construction savings system is the most widespread system. Its cycle includes several stages. At the first stage, money is

accumulated: saver enters into an agreement with the construction savings bank, and the latter raises funds. Thus, housing construction savings system is independent of the securities and banking markets, interest and securities rates fluctuations. Money is being accumulated for 5-10 years. As a result, the saver accumulates 40-50% of the amount specified in the contract. Paid savings deposit percentage is significantly smaller than the market one. A mortgage is issued in the order of priority. Its interest rates are significantly lower than market rates. Construction savings system will function even in the case of no mass demand for mortgage loans among cash people thanks to low interest rates.

German mortgage system is the most developed one, since the state has mortgage banks, which have the right to issue mortgage lists only if they are valuable. Such banks can serve as mortgage absorbers. In Germany, construction savings system is also well developed. It is a prototype for similar systems in other countries implementing it [48].

The main advantages of the functioning of the mechanism of bank mortgage lending are the following:

- mortgage lending enables banks to expand their capital, also relieves social tension in society regarding different levels of household income and the ability to purchase real estate in different segments of society;
- government securities for the purchase of housing stimulate the development of new sectors of the economy and the overall GDP growth of the country;
- such financial instrument as a mortgage is one of the most flexible financial instruments of banking institutions, and also the most secure in comparison with other types of loans;
- the relationship between the bank and the borrower is built as long-term, which causes some emotional attachment of the client to the bank.

Mortgage as an investment tool is important for:

- the borrower - the prospect of obtaining significant funds for a long time to solve the housing problem;
- credit institute - continuous work for several decades with constant income and guarantee of repayment of the loan;

- countries - investment in the housing sector, development of the construction industry, and the main - the formation and uplift of market relations in many sectors of the economy, the solution of a large number of social problems [53].

The main areas of impact of mortgage lending on the economy in general are the following:

- the mortgage develops, strengthens and promotes stabilization of the financial sector;

- the development of the mortgage business has a positive impact on the development of the real sector of the economy, leading to an increase in production in a number of industries;

- the development of mortgage lending has an impact on overcoming social instability [56].

Mortgages are an important factor in the economic and social development of the country. The theoretical foundations of the organization of bank lending in the mortgage lending market are considered. It is established that the concept of a mortgage loan is closely related to the concept of a mortgage lending, but cannot be identified. A mortgage is a special form of lending related to the emergence of economic and legal relations, in accordance with the mortgage agreement between the lender and the borrower on the reverse movement of credit banking resources provided on a long-term mortgage real estate, and a mortgage is a type of collateral real estate borrower. Mortgage lending is defined as the process of granting and paying off a mortgage loan. The classification of mortgage loans according to different criteria are considered and models of mortgage lending are analyzed.

PART II

PRACTICE OF FUNCTIONING OF THE MARKET OF BANK MORTGAGE LENDING IN UKRAINE FOR 2014-2018 YEARS

2.1. Analysis of normative legal acts for the provision of bank mortgage lending

The system of mortgage lending refers to a set of interdependent components of mortgage lending (objects, entities, instruments) that operate based on mortgage principles and appropriate institutional and legal support for mortgage lending.

The development of mortgage lending primarily depends on adequate legislation that should ensure, on the one hand, reliable protection of both the mortgage lender and the borrower, on the other hand - to provide incentives for further development and improvement of the whole complex of legal relationships in this area, which is a guarantee of financial provision security.

The state-level of regulatory regulation of mortgage lending is divided into three sub-levels:

- the first involves state output legal norms, which have the highest legal force - codes and laws of Ukraine;
- the second is the decrees and orders of the President of Ukraine and the Cabinet of Ministers' decree;
- the third is the decisions of the National Bank of Ukraine.

There is also a decentralized level of regulation:

- the fourth level is internal banking regulations.

The initiation of mortgage relations in Ukraine, as well as other public civil-private relations in the world, is usually ahead of the formal establishment of legal relations in the sphere mortgage and mortgage lending. The main aspects of mortgage lending are enshrined in various legal acts (Table 2.1.).

Table 2.1.

Basic normative documents regulating various issues of mortgage lending

№	Document (name and details)	Scope of regulation
		Codes
1	The Civil Code of Ukraine of 16.01.2003 № 432-IV [14]	Defines the concept of property, real estate, integral property complex (chapter 13), the right to acquire ownership (chapter 24) and its termination (chapter 25), other special issues related to property rights (chapters 27-29), regulates general issues ensuring fulfillment of obligations (chapters 47-50), bank lending (chapter 71).
2	Land Code of Ukraine of 25.10.2001 № 2768-III [14]	The Land Code contains provisions (Articles 132-133, 140) concerning the possibility of transferring land to fulfill obligations.
Laws of Ukraine		
3	"On a pledge" of 02.10.1992 № 2654-XII [6]	Determines the general principles and mechanisms of the use of collateral.
4	"On Mortgage" No. 898-IV of June 5, 2003 [2]	Formulate general provisions on the use of real estate as a means of ensuring the fulfilment of obligations.
5	"On financial and lending mechanisms and property management in the construction of housing and real estate operations" of 19.06.2003 No. 978-IV [4]	Determines the general principles, legal and organizational principles of attracting funds from individuals and legal entities to management to finance mass housing construction and peculiarities of management of these funds.
6	"On Mortgage Lending, Operations with Consolidated Mortgage Debt and Mortgage Certificates" of 19.06.2003 No. 979-IV [3]	Duplicates the basic provisions regulated by the Law "On Mortgage", as well as regulates the transformation of payments on mortgage assets in payment for mortgage certificates using property management mechanisms.
7	"On Mortgage Bonds" of December 22, 2005 No. 3273-IV	Determines the legal framework for the appraisal of property, property rights, ensuring the establishment of a system for the independent valuation of property in order to protect the legitimate interests of subjects of legal relations in matters of valuation of property, property rights and the use of its results.
8	"On Investment Activity" of 18.09.1991 No. 1560-XII [7]	Identifies the use of loans as investment resources and the use of a property as collateral.

** built by the author according to the data [2,3,4,5,6,7,14,15]*

The birth of legal regulation of mortgage relations related to the publication of the Decree of the President of Ukraine "On measures for the development of the mortgage market in Ukraine" of August 8, 2002 No. 695/2002 [1]. This decree was issued to create effective mechanisms for the development of the mortgage market, additional opportunities for attracting investments in priority sectors of the economy of Ukraine and identifying priority directions of the mortgage market.

The full formal establishment of legal relations in the field of mortgage and mortgage lending occurred in 2003-2004, which is connected with the entry into force of January 1, 2004, Law of Ukraine "On Mortgage" of June 5, 2003, № 898-IV [2]. The law defines the conceptual apparatus for the scope of mortgage and mortgage market, the organizational and legal basis of the mortgage, the origin, application, priority and subject of the mortgage.

Also, on January 1, 2004, the Law of Ukraine "On Mortgage Lending, Consolidated Mortgage Debt Transactions and Mortgage Certificates" came into force on June 19, 2003, No. 979-IV [3], which establishes relations in the mortgage lending system. The law stipulates the terms of the mortgage debt, the procedure for reforming and servicing the mortgage assets, the requirements of the mortgage certificates, the peculiarities of the procedure of issuing mortgage certificates, ensuring the fulfillment of obligations under the certificates, the requirements for issuers of mortgage certificates, the procedure of state supervision and regulation of mortgage certificates.

Of course, the Law of Ukraine "On Financial and Credit Mechanisms and Property Management in Housing and Real Estate Operations" of June 19, 2003, No. 978-IV [4], which came into force as of January 1, 2004, is indirectly related to mortgage lending. This Law establishes the general principles, legal and organizational principles of attracting funds of natural and legal persons in management with the purpose of financing the construction of housing and the peculiarities of managing these funds, as well as the legal bases and features of issue, placement and accounting of the certificate of a real estate funds.

The Decree of the Cabinet of Ministers of Ukraine of August 10, 2004, No. 559-p approved the Concept of creating a national mortgage lending system . It provides that the market mortgage lending is created in conditions of gradual improvement of such basic macroeconomic indicators like the growth of the gross domestic product, low inflation, the stability of the national currency, increase the interest of internal investors in investing in debt securities, which allows ensuring its dynamic development.

An equally important component of the institutional provision of mortgage lending is the institutional-organizational support - a system of organizations (institution) that organizationally ensure the implementation of the relationship between mortgage lenders and borrowers.

Among the institutions that provide mortgage-lending activity, there are commercial banks, insurance companies, non-state pension funds, credit unions, etc. A specific institution for institutional and organizational support for mortgage lending is the State Mortgage Institution, which was created to refinance mortgage lenders at the expense of funds received from placement of securities.

Staffing is an activity of training of personnel for the functioning of the mortgage market. The rise of the mortgage market will require a large number of professionals and managers of lending institutions, which will be easy to engage in mortgage lending.

Bodies that regulate mortgage lending in Ukraine include the State Commission for Securities and Stock Market, the State Commission for Regulation of Financial Markets, the National Bank of Ukraine, the Ministry of Finance of Ukraine, and other state regulatory bodies, the State Property Fund, the State Committee of Ukraine for issues of construction and architecture.

Therefore, Mortgage lending in Ukraine has started to develop actively since 2003 with the entry into force of laws Of Ukraine "On Mortgage" of June 5, 2003, № 898-IV and "On Mortgage Lending, Consolidated Mortgage Debt Transactions and Mortgage Certificates" June 19, 2003, No. 979-IV and further work of the Verkhovna Rada of Ukraine on establishing a legislative framework for mortgage lending in the country.

2.2. Assessment of indicators for providing bank mortgage lending

Mortgage lending appeared in Ukraine in the early XVII century, today the actual problem is a small percentage of the banking book long-term mortgage loans, because banks, on the one hand, tend to rotate without the risk of short-term funds, on the other potential borrower of these loans, unfortunately, is not creditworthy.

However, despite the risks, this banking product is a significant factor in the redistribution and accumulation of funds, the transformation of private savings into investment resources, the solution of housing problems, contributes to the stabilization of the economy in the country as a whole.

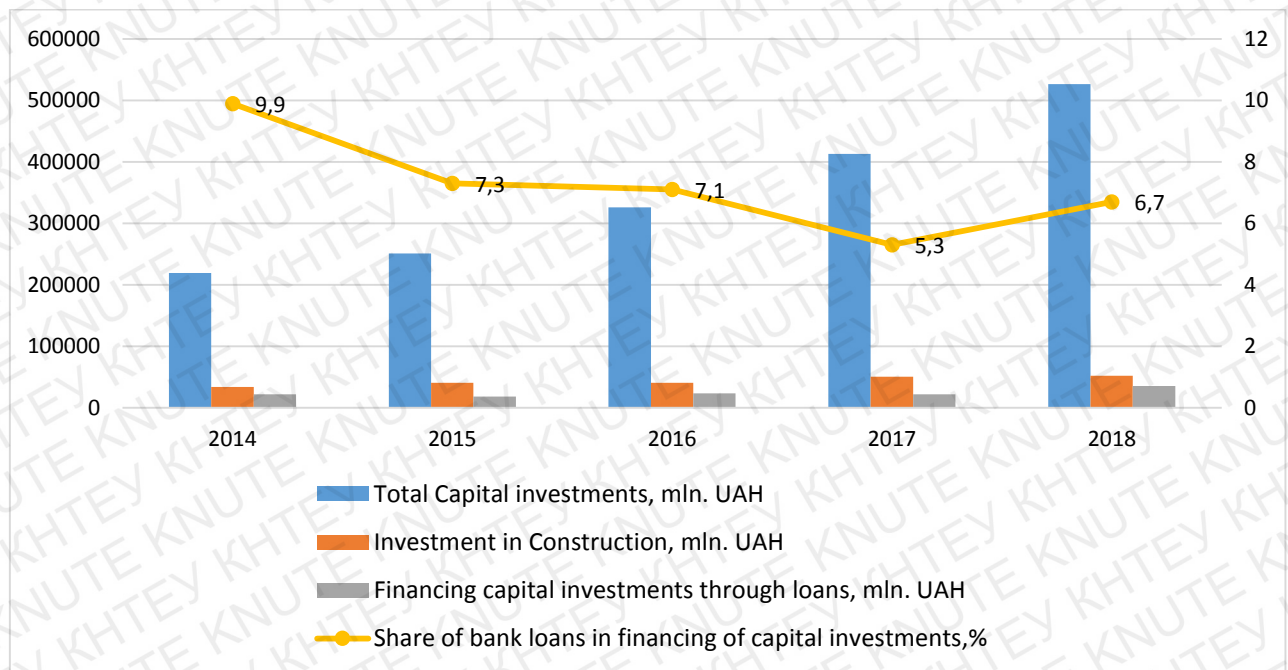
The mortgage market of Ukraine for the years of independence has not yet received the proper level of development and the crisis in 2008 has intensified all the problems available on it. In 2014, Ukraine was hit by a severe structural socio-economic and political crisis. Under these conditions, the banking system has suffered from negative trends in the real economy, manifested in forms of the mass bankruptcy of banks, deposit flight, and stagnant lending. Indeed, the deeper the crisis in the real economy, the fewer opportunities to develop a stable banking system and promote lending. Also in the last years, the unstable situation in the currency market of Ukraine had a negative influence on the mortgage market [23].

Since one of the main indicators of economic development is the growth rate of gross domestic products and its volume, then an assessment of the level of mortgage lending is expedient in terms of the mortgage portfolio related to gross domestic products : the higher the share of loans in total gross domestic products, the more advanced bank lending is. At the beginning of 2018 the share of mortgage in gross domestic products of Ukraine is 1,62%. For the middle-income countries, the World Bank has been established this ratio about 25% of gross domestic products. The significant level of loan mortgage dollarization also has an impact to the banking system. During the study period the level of dollarization was about 76%, at the beginning of 2018 - 73% [67].

During the 2014–2018 years in Ukraine, the state of mortgage lending is characterized by decreased growth rates of loans, rising interest rates, a reduction in the term loans and the number of banks offering mortgages. At the end of 2018, only 13 banking institutions provided mortgages. The lowest interest rate was observed at the level of 19-20% (JSC “Oschadbank”, JSC CB “Privatbank”, JSB “UkrGasbank”), and the largest one - 25% (JSC “Taskombank”). Such high interest rates cause the inability of the population to use bank loans, also the ratio between the income level

and interest rates is very high. For example, in European countries the interest rate of mortgage is 4-8% [69].

The situation on the mortgage market is significantly influenced by trends in the market for all real estate. Mortgage lending also has an impact on growth in construction investment. The proof of this is the dynamics of capital investment through bank loans (pic.2.1).



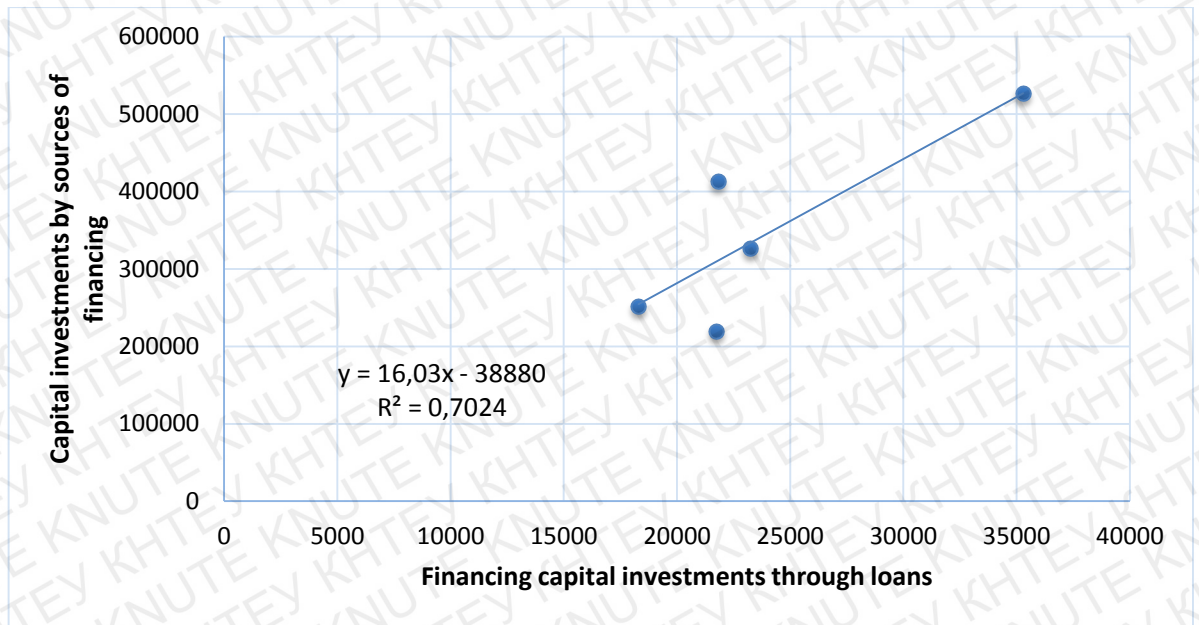
Pic.2.1 Capital investment through bank loans financing in 2014 -2018 in Ukraine

** built by the author according to the data [67]*

Bank loans, as a source of capital investments, have average 7%, and their volumes during the research period have uneven fluctuations. The largest share of bank loans was observed in 2014 – 9,9% , and the lowest in 2017 - 5,3% . Since 2014, there has been a gradual decline in the share of bank loans in financing capital investments and in 2018 - is 6.7%.

To determine the relationship between these factors, we use a regression model (pic. 2.2).

The regression equation shows that capital investments have a significant correlation dependence on their financing through bank loans, the change in the size of capital investments by 70% depends on the volume of their financing through bank loans (Appendix A). With the increase in financing of capital investments by bank loans, the volume of such investments will increase.



Pic.2.2 Correlation dependence of capital investments on financing them by bank loans

** built by the author according to the data in the table in Annex A [66]*

Let analyze the dynamics of mortgage lending in the Ukrainian housing market (Table 2.1). The mortgage market in Ukraine has no stability and it is necessary to significantly increase the volume of mortgage lending. Over the last 5 years, no progress has been made and every year the situation is worsening. As we can see from the table 2.1, mortgage loans in the loan portfolios of domestic banks have significantly decreased by the last 5 years - from 72,15 UAH million to 42,38 million, which affected the size of loans in foreign currency and loans in the national currency. This situation was caused by the devaluation of the national currency and the increase of interest rates.

The decline in mortgage lending is explained by the volatility of the political and economic situation that has arisen in Ukraine since 2014. National currency devaluation and military conflict are a negative factor in the development of the banking system. In general, there is a great demand for mortgage loans, but due to the lack of long-term credit products at banks with an acceptable interest rate for the average Ukrainian, the number of mortgages still low.

Mortgages, like any other type of loan, are provided not only in national but also in foreign currency. The advantage of foreign currency lending is reduced interest rates,

and the main disadvantage is the uncertainty of the exchange rate caused by the devaluation of the hryvnia. A large problem for domestic banks is that two thirds of the loans given to physical persons are loans in foreign currencies, with 70% of currency loans given by the largest Ukrainian banks. Commercial banks did not care that most part of borrowers did not earn income in foreign currencies and that if devaluation would occur repayment of interest and return of loans would be problematic, which would have negative effects for the banking system.

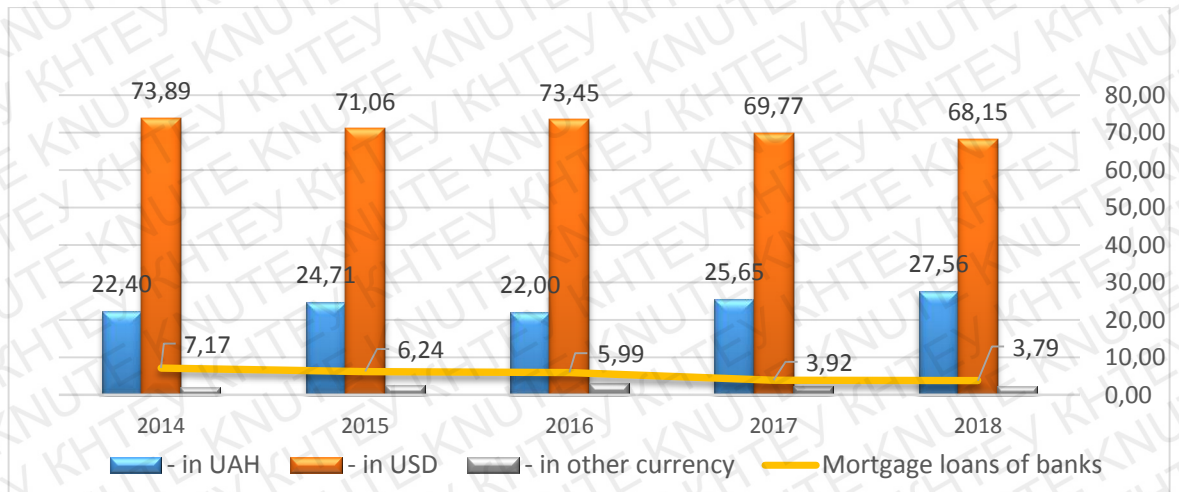
Table 2.1

The main indicators of the mortgage lending market in 2014 – 2018 in Ukraine

Indicator	2014	2015	2016	2017	2018
GDP, million UAH	1 566,73	1 979,46	2 383,18	2 982,92	3 595,94
Assets of banking institutions, UAH million	1 316,85	1 254,39	1 212,81	1 333,83	1 360,76
Credit portfolio of banks, UAH million	1 006,36	965,09	1 005,92	985,57	1 118,61
Mortgage loans of banks, UAH million:	72,15	60,22	60,26	38,6	42,38
- in UAH	16,16	14,88	13,26	9,9	11,68
- in USD	53,31	42,79	44,26	26,93	28,88
- in other currency	1,47	1,56	1,81	0,9	0,94
Official average exchange rate, UAH/USD	11,88	21,84	25,55	26,69	27,2
the average interest rate on mortgage loans in national currency to commercial real estate, %	11,4	15,7	21,8	22,4	19,8
the average interest rate on mortgage loans in foreign currency to commercial real estate, %	9,9	10,7	15,2	10,5	8,9
the average interest rate on mortgage loans in national currency to residential real estate, %	16,9	11,8	12,4	17,4	17,5
the average interest rate on mortgage loans in foreign currency to residential real estate, %	8,5	9,3	7,3	9	9,3

** built by the author according to the data [67]*

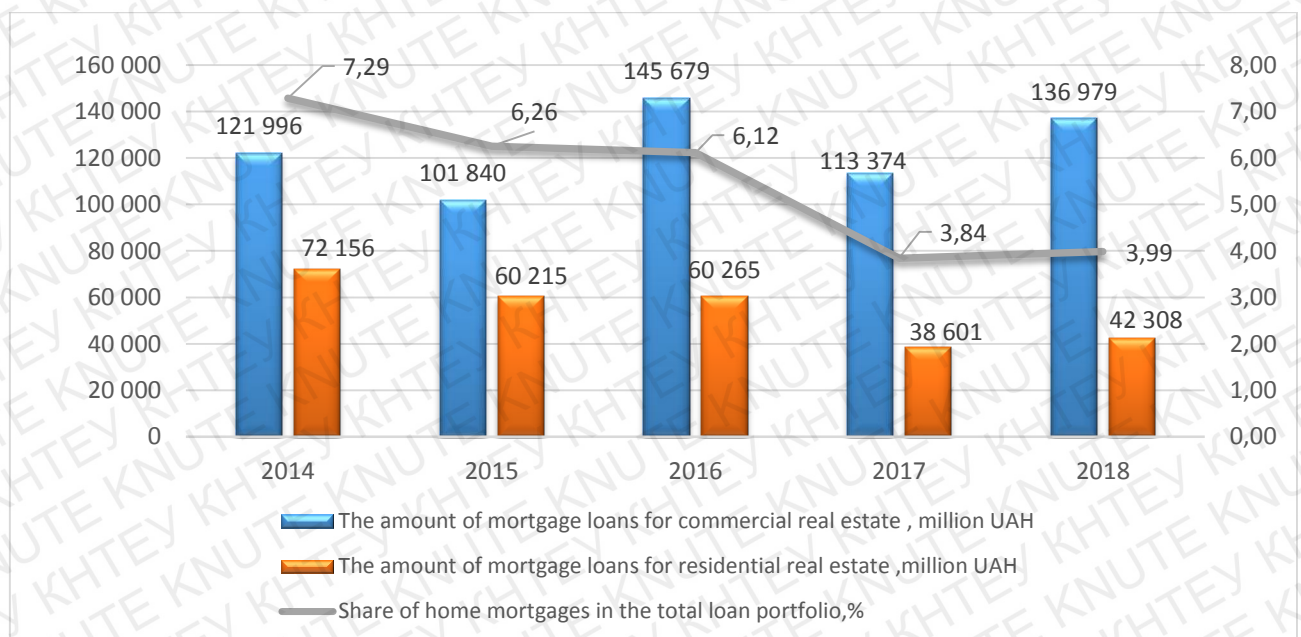
According to the statistics of the National Bank of Ukraine (Pic.2.3), fluctuations in the share of a mortgage by currencies in the structure of the mortgage portfolio: loans in the national currency increased by 5.16% compared to 2014, loans in US dollars decreased by 5.7% respectively. In 2018, national currency mortgages increased by 1.9% compared to the previous year in 2017, and loans in US dollars - by 1.6%.



Pic.2.3 Structure of the credit mortgage portfolio of Ukrainian banks in 2014-2018 , %

** built by the author according to the data [67]*

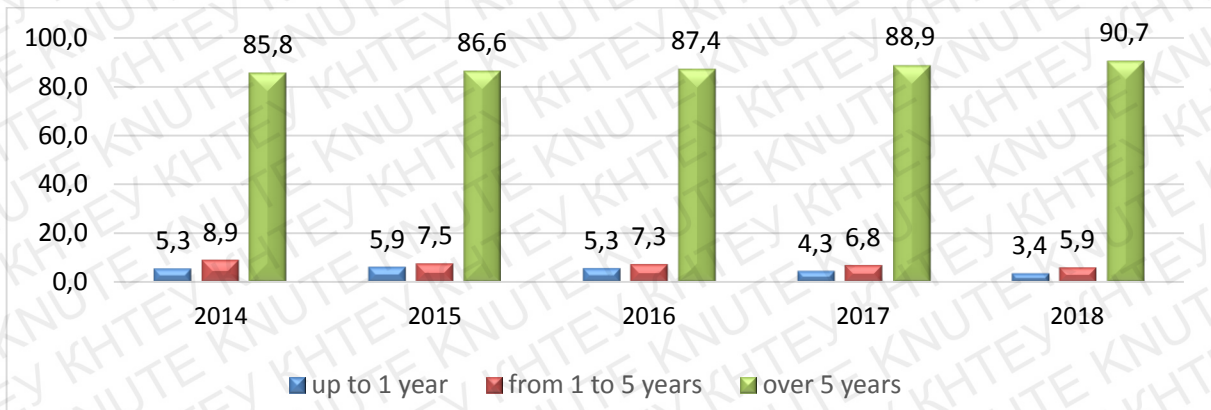
Currently, mortgage lending to non-financial corporations is 76.4% (136 979 mln.UAH), another part is household mortgage loans – 23,6 % (42 308 mln.UAH) (Pic.2.4). Since 2015, lending to non-financial corporations increased by 34,5% and amounted to 136 979 million UAH at the end of 2018. Mortgage lending to households tends to decrease since 2015 the indicator decreased by 41,3% and in 2018 is amounted 42 308 million UAH. Pic. 2.4 confirm that the volume of commercial real estate mortgages exceeds residential mortgage loans by almost 2 times.



Pic.2.4 Dynamics of commercial and residential mortgage volumes in 2014-2018 in Ukraine

** built by the author according to the data [67]*

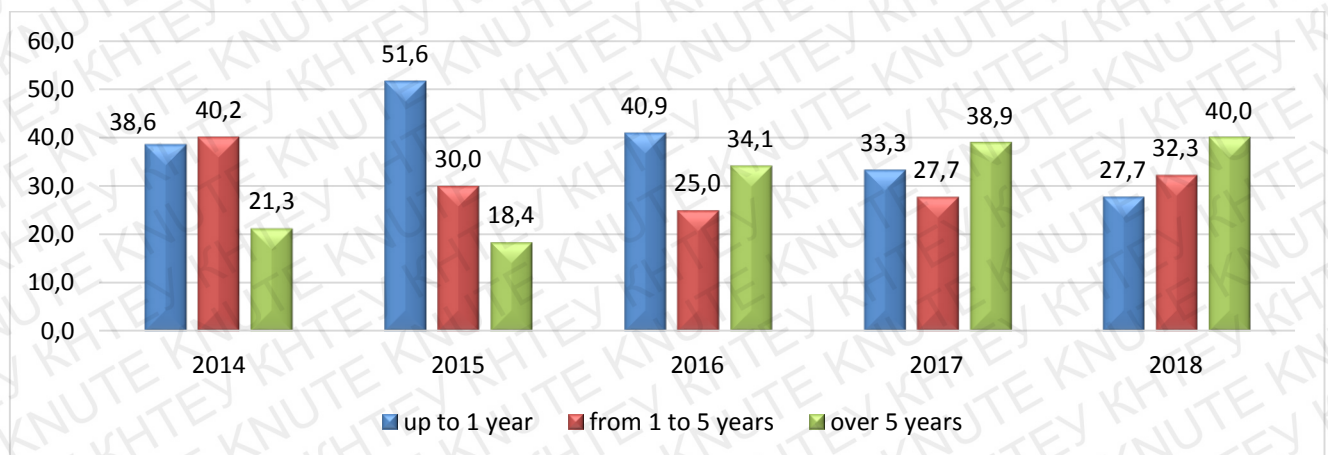
By maturity, most mortgage loans for residential real estate are extended for more than 5 years. Accordingly, the largest share of mortgage loans to households is for this term in 2014 – 85,8% (61 922 mln.UAH), in 2015 – 86,6% (52 167 mln.UAH), in 2016 – 87,45% (52 679 mln.UAH), 2017 – 88,9% (34 330 mln.UAH), 2018 – 90,7% (38 373 mln.UAH), (pic.2.5). These terms are generally typical for home mortgage lending, which is associated with optimal and convenient repayment terms.



Pic.2.5 Mortgage loans for residential real estate by maturity in 2014 -2018 in Ukraine, %

** built by the author according to the data [67]*

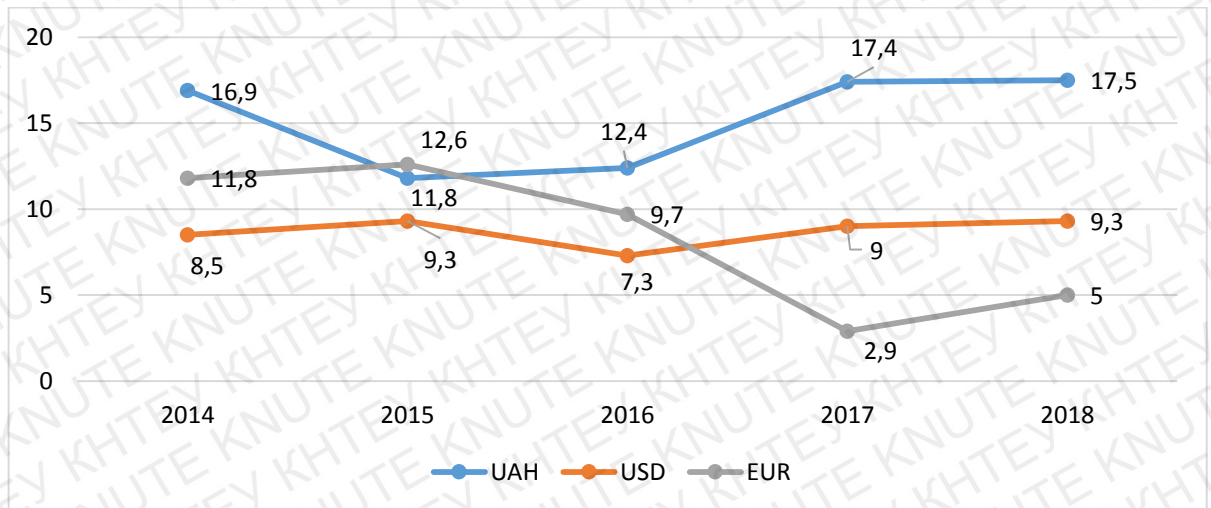
Commercial mortgage lending is generally provided for a term of 1 to 5 years, but trends have changed over the study period. This may be due to the limitations of banks in long-term resources and, consequently, the shortening of the mortgage lending period for commercial real estate. According to pic. 2.6 lending volumes have doubled over the past 5 years from 2014 to 2018. Although in 2014-2016 short-term loans have the largest share.



Pic.2.6 Mortgage loans for commercial real estate by maturity in 2014 -2018 in Ukraine, %

** built by the author according to the data [67]*

According to Pic. 2.7 let analyse interest rates on residential real estate for households. Both the national and foreign exchange rates have been constantly changing over the study period. National currency rates have always been higher; the maximum amount was observed in 2018 at 17,5% and the minimum in 2016 – 12,4%. In foreign currency (EUR), the maximum exchange rate in 2015 was 12,6% and the minimum in 2018 was 5%.



Pic.2.7 Interest rates on mortgages for residential real estate for period in 2014 - 2018 in Ukraine, %

** built by the author according to the data [67]*

The cost of mortgage lending is influenced by the rates on borrowed funds, the availability of bank refinancing, the attraction of external borrowing. The term of attracting resources in the banking system of Ukraine, as usual, does not exceed one year, this does not allow the banks to form long-term credit loans. As a result, the lack of long-term financial resources leads to a high cost of borrowing for banks, which is an indicator of the value of mortgage loans.

The discount rate of the National Bank of Ukraine is the basis for other interest rates and represents the minimum cost of capital formed on the financial market. As of the end of 2018, the NBU discount rate was 18%. Thus, as a result of the high level of the base discount rate, the corresponding refinancing rate is generated. The high cost of refinancing also results in high mortgage cost. The general state of the economy and trends in its development significantly affect the change in interest rates, although there are no real economic and political preconditions for ordering mortgage lending prices and lowering interest rates.

Most offers on the mortgage market in Ukraine are unacceptable to the public. For example, prepayment for a mortgage loan of 500 thousand UAH. in the national currency, with the first payment of 30% and the crediting term of 20 years will be: in PJSC CB “Globus” - 125,21%, in PJSC “Kredobank” - 191,78%, in JSC “Oschadbank”, Bank - 201,72% and PJSC KB “Privatbank” - 305,83% (Table 2.2).

Average market rates at the primary and secondary markets for various term loans shown in table 2.3. The maximum term of lending in the primary market is 20 years, while the secondary loan can be obtained for 30 years, although such a proposal is provided only by JSC "Oschadbank". Interest rates on the secondary market lower by 1-2%

Table 2.2

Mortgage lending market as of 30.11.2019 in Ukraine

Loan term, years	Construction		Reselling	
	The average real rate on 30.11.2019, annual %	The number of banks that provide loans for such period	The average real rate on 30.11.2019, annual %	The number of banks that provide loans for such period
1	13,78	12	20,56	14
5	21,33	12	20,36	14
10	22,15	11	20,45	13
20	22,03	10	20,33	11
25	-	-	19,04	1
30	-	-	19,03	1

* built by the author according to the data [69]

As of 30.11.2019, commercial banks provide mortgage loans in construction and reseling markets with different conditions: maturity from 1 to 30 years, first payment from 20% to 50%. Let us analyze the conditions of lending on the reseling market with a maturity of 20 years. We have 11 offers from commercial banks in the market, 5 of which provide a 30% first-deposit loan. It is observed that state-owned banks (JSC “Oschadbank”, JSC CB “Privatbank”, JSB “Ukrigasbank”) offer the most favourable conditions, with a minimal down payment, and lower interest rates (Table 2.3).

Table 2.3

**Lending in the reseling market for a period 20 years on
30.11.2019 in Ukraine**

№	Bank	First payment	Real rate,%	
			min	max
1	JSB "Ukrigasbank"	20%	18,88	22,5
2	JSCB "Bank Lviv"	20%	20,94	20,94
3	JSC CB "Privatbank"	25%	14,32	20,96
4	JSC "Oschadbank"	25%	19,06	19,06
5	JSC "Praveksbank"	30%	17,77	18,77
6	JSC "Commercial Industrial Bank"	30%	21,1	21,1
7	PJSC "Bank Pivdennyi"	30%	22,06	
8	JSC "Megabank"	30%	23	23,06
9	PJSC "Bank of investments and savings"	30%	23,56	23,56
10	PJSC "Kredobank"	40%	19,47	19,47
11	PJSC CB "Globus"	50%	24,02	24,02

* built by the author according to the data [69]

Lending in the construction market is carried out on almost the same terms, but there are some differences. It is observed that state-owned banks (JSC "Oschadbank" and JSB "Ukrigasbank") require a first deposit of 30%, which is higher than when lending to a secondary property. Other commercial banks offer the same conditions. Interest rates on average for primary and secondary housing vary within 1% (Appendix B).

Table 2.4

**Lending in the construction market for a period 20 years on
30.11.2019 in Ukraine**

№	Bank	First payment	Real rate,%	
			min	max
1	JSCB "Bank Lviv"	20%	20,94	20,94
2	JSC CB "Privatbank"	25%	17,97	17,97
3	JSB "Ukrigasbank"	30%	18,89	20,05
4	JSC "Oschadbank",	30%	20,05	20,05
5	JSC "Commercial Industrial Bank"	30%	21,1	21,1
6	PJSC "Bank Pivdennyi"	30%	22,06	23,06
7	JSC "Megabank"	30%	23	23
8	PJSC "Bank of investments and savings"	30%	23,56	23,56
9	PJSC "Kredobank"	40%	19,97	19,97
10	PJSC CB "Globus"	50%	22	24,08

* built by the author according to the data [69]

Analyzing the dynamics of mortgage lending, we conclude that economic and political instability in the country, high inflation, exchange rate fluctuations, changes in banking legislation, aimed at overcoming credit risks and liquidity differences have had a negative impact on banks and lending.

These negative effects influenced the activity of banks in the field of mortgage lending. As a result, foreign currency lending to borrowers has become even tougher. This led to the restriction of the issuance of such loans and the restructuring of foreign currency loans. As a result, the market currency level has decreased.

Since 2014, we have seen an overall decline in the level of mortgage lending from UAH 72.5 million to UAH 42.38 million, but in 2018 we can call it a revival year since the volume of mortgage loans increased by 9.7% compared to 2017 (According to table 2.1) . During the research period, commercial real estate lending has always prevailed over residential. In 2016, even the mortgage lending to non-financial corporations increased, while household loans continued to decline.

Overdue foreign currency debt on mortgage loans remains a problem for the domestic banking system. In the mortgage market, the share of foreign currency loans is approximately 70% [67].

Among the negative points, there is a significant increase in the share of bad loans and the accumulation of collateral that is difficult to realize. This does not allow banks to make new lending to the full. According to the NBU, the share of problem mortgages in 2018 was 5% [67].

Banks have started to use one of the most effective ways to get rid of bad loans - selling a troubled loan portfolio to collection companies. By handing over debts to electrical companies, banks receive new financial resources for problematic portfolios and re-direct them for lending and for reserves.

The realization of the mortgaged property is another problem because when formulating the price of a mortgage loan, banks take into account its mortgage value and the amount of the outstanding credit debt. Banks seek to sell mortgages at a price that allows them to pay off the borrower's debt, and therefore its value is almost the same as in the market.

By 2017, the domestic mortgage market was depressed. The share of real estate purchased for a mortgage, according to the NBU, did not exceed 5% [67]. The reasons for this situation were:

- deterioration of the real estate market
- the decrease in income of the population, which reduced the interest of the use of lending in general and mortgage in particular
- increasing the requirements of banks for the solvency of borrowers
- high cost of banking resources, and therefore - mortgage loans;
- distrust of borrowers.

Significant problems for banks are also the shortcomings of the law and court practice, which hinder the timely realization of collateral in case the debtor does not fulfil obligations, as well as the legal features of registration of investments in construction.

Due to this, in 2014-2016 in Ukraine, the state of mortgage lending was characterized by a decrease in the growth rate of loans granted, an increase in interest rates, a shortening of the term of granting loans and the number of banks providing mortgage loans. As a result, banks have tightened customer demands - having official income sufficient to repay a loan, a good credit history, and more.

As a result, it should be noted that the mortgage market is still more at the stage of formation than development, and the available potential is not fully utilized. Successful and effective development of mortgage lending depends on a number of factors including economic growth; high level of development of the banking system, availability of adequate legislative framework.

2.3. Problems of functioning of the market of bank mortgage lending and ways of their solution

Mortgage lending as a modern financial instrument and an indispensable attribute of a market economy is an essential factor in the economic and social development of a country. Increasing demand for mortgage banking products, which

has been accompanied by positive macroeconomic trends and deepening market transformation processes in Ukraine, requires a more detailed study of the impact of mortgage lending on the economic system since the efficiency of using mortgage mechanisms is largely inadequate to their significant economic potential.

The impact of mortgage lending on the competitiveness of the national economy should be viewed from the perspectives of various spheres of influence, among which are investment, financial and social.

The investment impacts of mortgage lending on competitiveness are determined by the following areas:

- accumulation of free resources with further investment in the real economy;
- stimulating the development of certain industries: construction, production of materials, etc .;
- the presence of a powerful multiplier effect of economic growth;
- involvement in real economic circulation of privately owned real estate.

The social effect of mortgage lending is primarily to stimulate the development of the housing market and is determined by the following:

- providing affordable housing for middle-income citizens;
- the opportunity to purchase housing in a demonopolized housing market at market prices, including through the involvement of long-term mortgage resources;
- ensuring long-term investment of household resources;
- reduction of social tensions in society due to the possibility of planning the future, etc [46].

An analysis of the development of the mortgage market in Ukraine shows that in the last few years its volumes, dynamics and development trends did not satisfy the need for credit funds of the population or developers. In conditions where the dynamics of macroeconomic indicators do not imply a rapid exit from the crisis and depression, and high political risks increase the uncertainty of the economic system development, long-term mortgage lending is risky for both the banking sector and the population and developers. This brings to the fore the task of minimizing risks, first and foremost liquidity risks.

According to research in paragraph 2.1 and 2.2 we propose to take attention to the main problems in the development of the mortgage market and suggest the main ways of their solution.

During 2014-2018, the amount of mortgage lending was declined by the worsening political situation and declining economic performance overall. A necessary step for banks was to strengthen the requirements for borrowers, which is also reflected in general lending trends.

Table 2.5

The main problems of the development of mortgage lending in Ukraine

Subjects of credit relations	Problems	Impact of factors
Customer	1) Insolvency of the population	Decrease in household income, depreciation of hryvnia savings
	2) Low level of financial literacy of consumers.	Awareness of the population about the proper allocation of their own financial resources, advantages and disadvantages of using financial services
Bank	1) High interest rates.	The interest rate is influenced by: NBU discount rate, inflation rate, term deposits value, return on bank assets, mandatory provisioning rates.
	2) Absence of long-term credit resources of the bank.	Unpredictable inflation and the cost of funding in the long term period.
	3) High risk for the bank for this type of lending.	Credit, market, interest rate, liquidity risk, currency, political.
Government	1) Adverse economic indicators (high inflation, no long-term discount rate forecast, exchange rate fluctuations)	Impact of economic factors: stability of the national currency, external credits, import/export prices, external investment, the success of the reform.
	2) Imperfect regulation of mortgage lending.	Imperfect legislative regulation of mortgage foreclosure procedures that increase the risk of mortgage transactions.

* Created by the author

Let us distinguish the main problems of the development of mortgage lending in Ukraine in these aspects (Table 2.5) :

- 1) High-interest rates.
- 2) Absence of long-term credit resources of the bank.
- 3) High risk for the bank for this type of lending.
- 4) Adverse economic indicators (high inflation, no long-term discount rate forecast, exchange rate fluctuations)
- 5) Imperfect regulation of mortgage lending.
- 6) Insolvency of the population.
- 7) Low level of financial literacy of consumers.

The willingness and ability of banks to provide mortgage loans depend on their resource base, interest rates on deposits and government support for the development of this market. In order to fully launch long-term mortgage lending, banks must receive government assistance, in particular by participating in or offsetting interest rates or part of the loan.

Attracting resources to implement investment processes is a major challenge for banking institutions, as no bank is able to form a long-term investment loan portfolio based solely on short-term sources. Therefore, it is advisable to use additional sources of attracting long-term resources, in particular:

- credit lines and loans provided by several banks (funds);
- institutional investors (pension and investment funds, insurance companies);
- construction financing and real estate funds;
- placement of mortgage-backed securities (mortgage bonds, mortgage certificates and background certificates) [25].

Development of mortgage lending and activation of its positive effects on the competitiveness of the national economy of Ukraine are possible due to the following:

- 1) Ensuring sufficient resources of the credit system, reducing its risks and bringing interest rates to an economically sound and adequate economic situation;

- 2) The decrease in inflation to level 5-6% and increase of solvent demand of the population.
- 3) Development and implementation of the improvement actions of the investment climate in the country.
- 4) State support for programmers housing mortgage lending.
- 5) Ensuring the real protection of the rights of all parties to the mortgage relationship.
- 6) Increasing the level of financial literacy of the population.

The role of the state in most countries is to define the overall strategy for the development of the mortgage lending system, to perform the functions of supervision and control over the activity of the subjects of the mortgage market. Methods of government regulation may be based on monetary and tax policies, or include the initiation of the creation of special secondary market organizations, the promotion of specialized lenders, the state standardization of mortgage lending conditions, direct regulation of interest rates, the stimulation of borrowers at the expense of credit, the implementation of mortgage programs budget.

The prospect of mortgage lending in Ukraine is being met with the enormous demand for new housing: about 1.2 million families are waiting. Also, the average housing supply does not exceed 20 m² per person, and about 60% of the housing stock requires reconstruction [38].

Mortgage lending is the most relevant method of providing young people with housing in Ukraine today. National and regional targeted programs of preferential crediting for construction and purchase of housing, providing youth with housing are adopted and implemented. Consider the lack of funds available to the population for self-housing, such programs are urgently needed and relevant. Currently, several government programs of affordable housing for the population are available: "Preferential youth lending", "Provision of loans from authorized capital", "Affordable housing", "Mortgage cheaper", "Partial compensation", "ACMH lending".

For more than 20 years the State Fund for Youth Housing Assistance has been operating. Its main tool is to make it cheaper for the mortgage borrower (both in terms

of interest and in the portion of the "loan body"). But there are also problems: the resources of the State Fund for Youth Housing Assistance should be budgeted annually, which is not always the case, and if the corresponding funds are allocated, they are not enough.

A critical review of the economic literature and our own research have led to some strategic ways of improving the mortgage market:

1. Creating an independent legal framework: the implementation of the mortgage lending system needs to be addressed.
2. Determining the mechanism of refinancing of mortgages on the basis of studying the model of development of the mortgage market in the country.
3. Creation of savings and construction offices, in which the population will be able to take out loans for the purchase of housing. To get a mortgage at such a cashier, for example, at 4%, the investor must accumulate at least 50% of the cost of the apartment, putting the money in savings and construction funds at a low percentage. But the creation of such savings and construction treasury is possible only at low inflation, which is currently impossible in Ukraine.
4. Creation of an internal bank credit history of the borrowers, the formation of a single database, which will contain information about the business and financial reputation of the borrowers. This will allow calculating credit risks.
5. Creation of a centralized system of registration of property rights and encumbrances on real estate, which should ensure proper protection of the rights of individuals and legal entities for real estate.
6. Restoring confidence in the banking system as a whole. The state of the banking market indicates the level of prosperity in the country, the development of its financial economy, the wealth of citizens. Normal banking is only possible where there is trust in the citizens of their country and its financial system, of business entities to each other, of government and businessmen to individual members of society.

PART III

RECOMMENDATION ON THE DEVELOPMENT OF THE MARKET FOR BANK MORTGAGE LENDING IN UKRAINE

3.1. Implementation in Ukraine of the experience of European Union countries in the field of bank mortgage lending

In most foreign countries, lending of housing is an important area of activity of the banking system and government. Studying the world experience of applying various housing finance schemes using bank loans will be useful for Ukraine.

Currently, the development of the global mortgage market is very fast, which is quite difficult to estimate the total volume of transactions, approximately this figure is 14.5 trillion. \$.

The main part of the world mortgage market is held by the US - 5 trillion. USD, second place is Japan - 2 trillion. USD. The places are further divided between the four leading European countries: the UK - 1.1 trillion. USD, Germany - 1.1 trillion. The analysis shows that the largest share of transactions in the real estate market with the use of attracted capital is carried out in Europe - 38%, and North America - 37%. Asia-Pacific and Latin America are far behind - 22% [52,62].

The ratio of mortgage loans to GDP in developed countries such as Ireland, Sweden, Austria, Spain, Portugal and Germany has in recent years is about 40%. However, in the UK this figure is higher than 70%, in Denmark is 90%, and in the Netherlands, it is over 110%. And in Eastern Europe, namely in Slovenia, Slovakia, Czech Republic, Hungary, Poland, Latvia, Lithuania and Estonia, the ratio of mortgage loans to GDP is currently not higher than 20% [43].

The main and dominant in the mortgage market is home mortgage lending. The ratio of residential and commercial mortgages in European countries to GDP shows a rather large excess of residential mortgages over commercial ones.

Due to the practical organization of mortgage lending, in our opinion, especially useful experience for Ukraine is Germany, the USA and several other countries.

The German mortgage market operates mainly in the form of depository, mortgage-backed securities market, which is under the supervision and control of the state, which gives permission to issue mortgage bonds only to banks that have a specialized license and conducts close supervision of other types of credit products. One of the main players in the mortgage market are mortgage banks, deposit savings banks, savings banks and credit cooperatives.

Mortgage banks are a group of thirty private banks that specialize in lending land and upgrading real estate. They also provide long-term loans also for housing financing and housing modernization, for industrial and agricultural investments, which are guaranteed by pledging rights to land. The second type of activity of these institutions is the provision of utility loans. These loans can be given to federations, municipalities and lands, public law institutions and corporations.

The system of savings and construction funds in Germany has become widespread, with its contributors 32% of the adult population totaling over 650 billion euros (about 40% of Germany's GDP). Construction of 61% of new housing is paid for through loans issued by construction savings.

There are 11 state and 20 private savings banks called "Bausparkasse" in the country. A closed system of construction savings is independent of interest rate fluctuations and the capital market. According to the agreement, the contributors make deposits into the general cash desk, from which they pay the required amount in a certain order, which includes the depositor's savings (40% or 50% of the total amount) and the loan. The loan period can be from 6.5 to 18 years. Investors have the right to choose the right financing scheme for them, in terms of interest rates and size of savings deposits [26].

The activities of savings banks are governed by the banking laws of Germany and additionally by the Law on Contract Savings Banks. The loans provided by the treasury are intended exclusively for the purpose: the purchase of housing, land, modernization, renovation, repayment of other mortgages provided by various financial institutions.

The US mortgage market is a complex nationwide market, where there are many institutions, including mortgage banks, credit and savings associations, savings and commercial banks, pension funds, insurance companies .

One of the main success factors in this area is the steps towards the formation of a secondary mortgage market, which have solved the main problem of housing finance, namely the problem of credit resources. To this purpose, specialized organizations have been set up at different periods, such as the Freddie Mas Home Loan Corporation, the Federal National Mortgage Association (Fannie Mahe), and the Government National Mortgage Association (Ginnie Mahe).

Fannie Mahe in its activities performs direct refinancing of banks by the method of purchasing mortgage letters from them in the period of short-term borrowing capital shortage and subsequently selling them on the free market.

The mortgage holders who have purchased them become creditors of the mortgage lending bank. Thus, the mortgage issue promotes the replenishment of the bank's target sources for mortgage lending. In general, the scheme works as follows. Initially, the bank issues a mortgage loan to the borrower. The borrower undertakes to transfer a certain amount to the bank on a monthly basis amount. His obligation is secured by the pledge of the home being purchased. The bank then sells the loan to one of the mortgage agencies, transferring security obligations. The mortgage agency immediately reimburses the bank for the money paid to the borrower and instead requests the transfer of the monthly payments received from it, less the bank margin, to the agency. For the bank, this scheme is beneficial because the funds are rotated almost instantly - within a period of up to two months. The rate at which the agency undertakes to buy mortgages, it sets itself. Thus, in the US mortgage lending rates are not related to either the rates on other bank loans or the value of deposits.

The only thing that defines them is the rate at which mortgages are purchased by the agency. In turn, agency rates determine the tertiary mortgage market. All agencies, having acquired a certain amount of mortgages from commercial banks, collect them into pools and create new security on the basis of each of them. The most common are mortgage-backed securities (mortgaged securities - MBS) [28].

In the French mortgage lending system, as well as the German significant role belongs to the state. The subjects of a mortgage in France are: cooperative banks, which have occupied 34% of the mortgage market; commercial banks, which hold 33% of the market; savings banks, the volume of their operations in the market is equal to 13%; financial and credit companies, which make up 20% of the market, and are licensed for their mortgage business.

The mortgage system of this country is financed by deposits, housing savings contracts and mortgage bonds. Loans are provided for the purchase of new and used apartments and for major repairs. In France, there is a system of savings, which is characterized by rather low-interest rates (below market rates), which are accrued in the form of both savings and loans, and with the payment of a state premium. This system is supported by the state also through the use of tax deductions from the interest income on its participants (directly families and banks). The rate and timing of the loan are specified depending on the properties of the accumulation period [32].

In the UK, mortgage lending, unlike in France and Germany, is almost not experienced by the state. The subjects of this country's mortgage lending market are: universal commercial banks, which make up 72% of the mortgage market; construction companies, the volume of operations in the mortgage market is set at 20%; consolidated lenders holding around 4% of the market, other operators accounting for about 4% of the market. In addition, the British have the opportunity to apply for mortgage loans to commercial banks and representatives of foreign financial institutions, which operate as consolidated lenders. In the UK, long-term mortgage contracts, which are concluded at one time with a bank and an insurance company, are quite popular. The bank offers a variable interest rate offer, the insurance company is life insurance accumulated by the loan amount. The borrower pays to two financial institutions while receiving some additional benefits when paying insurance premiums, but at the end of the crediting period, the insurance company itself pays the creditor bank the amount that has been borrowed [44].

In Denmark, a mortgage lending system is set up in which 100% of mortgage lending is securitized, that is, transferred to securities that can be sold on the market to

attract long-term lending. Therefore, the volume of mortgage-backed securities in Denmark accounts for about 30% of their total turnover in Europe (ahead only of Germany). In the Danish mortgage market, specialized mortgage banks have the advantage. There are eight major mortgage banks operating in the Association of Danish Mortgage Banks; Association members represent 90% of the total mortgage market in the country[48].

In our opinion, it will be useful for Ukraine to use the experience of Eastern European neighbours who started building their own mortgage systems a few years earlier. Let us analyze their institutional mortgage structures.

Specialized and universal mortgage banks operate in Poland's mortgage lending. The size of the activity of these banks is still small, this activity is regulated by the Law on Mortgage Bonds and Mortgage Banks, which was adopted in 1997. Crucial to the development of the mortgage market in Poland was the establishment of the Credit Bureau, which played an important role in guaranteeing the reliability of mortgage lending by banks and reduced the risk of default on loans by creating borrowers' credit histories [65].

In the Czech Republic, the mortgage market is similar to the mortgage market in Germany. The main factor for the Czech mortgage market is that there are 9 mortgage banks in the country, which are entitled to issue bonds secured by mortgages, in fact, thus forming a secondary mortgage market. In accordance with Czech law, universal banks are also allowed to engage in mortgage activity, if they obtaining a license [34].

A feature of the Lithuanian mortgage is the existence of a mortgage insurance system against the risk of default. In 2000, the Ministry of Finance established the Housing Mortgage Insurance Company - Bustopascolo DrAudimas VAB. The company insures mortgages provided by banks and other mortgage financial institutions that have entered into a contract with it. If a loan default event occurs, the Company will reimburse 100% of the outstanding loan amount. Upon payment of the insurance premium by the Bank, the bank transfers all the claims on the loan, including the rights to the mortgaged real estate, to the insurance company. The insurance company receives compensation within the insurance premium from the funds received

after the recovery. If the proceeds from the sale of the collateral remain, they must be transferred to the bank [60]

Analysis of the state of mortgage development in the republics of the former USSR shows that the mortgage there passes only at the first stage of its development. Another problem with housing mortgage schemes in these countries is the lack of a proper legal framework for mortgage activity. Quite often, the legislation limits the opportunities for full-fledged secondary mortgage market activity [61].

Non-standard home mortgage lending system was formed in Belarus. The feature is the active participation of the state, which is not present in other republics of the former USSR. The credit provides of 2.5-5% per year for up to 40 years. Conditions for obtaining such loan are standard: paying 10% of the cost of housing at the expense of the buyer, the buyer should be in the queue to improve housing conditions, the borrower must receive a monthly income that is twice higher than the monthly payment on the loan. It is believed that this operation contributes to the economy as a whole, as the funds are invested in housing, and new settlers will need a number of long-term consumer goods: household appliances, furniture, etc. Therefore, this operation is not accompanied by inflation [54].

In our opinion, in Ukraine it is advisable to use the following forms of state financial support for housing loans from foreign countries:

- lending at below-market rates, through specially created funds and construction price controls (Germany)
- risk Insurance in Lending to Developers (Germany, France, UK)
- advance subsidies for obtaining a loan, including for the payment of the down payment on a mortgage loan (Czech Republic)
- purposeful lending through specialized banks (Poland)
- state support to the general population in the framework of housing programs (Belarus)

Table 3.1

Elements of mortgage lending foreign experience

Country	Elements	Benefits
Germany	Closed system of construction savings based on deposit money	Reducing the risk of non-performing loans
France	Lending at below-market rates, through specially created funds and construction price controls	Reducing interest rates
Czech Republic	Advance subsidies for obtaining a loan, including for the payment of the down payment on a mortgage loan	State aid for the first instalment of the loan
Poland	Purposeful lending through specialized banks	Creation of specialized mortgage banks
Belarus	State support to the general population in the framework of housing programs	State support for housing mortgage lending

* Created by the author

Studying the experience of improving housing lending in foreign countries leads to the conclusion that in Ukraine it is advisable to apply the positive experience of European countries on measures of state support for mortgage programs of banks and mechanisms for attracting household savings in the crediting process.

This will reduce risks and provide adequate housing quality financing. At the same time, the extent of the state's participation in the development of housing lending depends on the degree of maturity of the financial system.

Summarizing the overseas experience of mortgage lending, including contract finance, we can conclude that it contributes effective redistribution of resources and incomes in society, ensuring equal rights, responsibilities and opportunities for the greater part of society. Therefore, the development of a mortgage lending system in Ukraine will contribute to the development of housing and satisfying the needs of its population.

3.2. An algorithm for making a consumer decision to use a bank mortgage lending service

There are many factors that influence a consumer's decision to use a financial service. Particular attention is given to the information component. The way in which information is provided to consumers comprises many different practices and it is often encountered when advertising or selling retail financial products. At advertising stage, providers have the tendency to emphasise benefits while hiding the costs or giving them a lower prominence and/or have key information missing or difficult to find [45].

The factors that influence consumer behaviour when choosing a financial service are (Appendix C) :

1. Ways in which information is given to consumers
 - Key information missing or difficult to find;
 - Information complex and difficult to understand;
 - Benefits emphasised while costs are hidden or given lower prominence in precontractual information ;
2. Features that may accelerate consumers' purchase decisions
 - Promotional offers and consumer incentives;
 - Different applications based on customer-provider relationship;
3. The design of offers
 - Pre-ticked boxes;
 - Product bundling;
4. Consumer targeting and personalisation
 - Price discrimination;
 - Targeting a specific consumer segment ;
5. Tools available for consumers to assist them during the decision-making process
 - Product-tailored contact sections;
 - Presence of progress bars;
 - Availability of onlinecalculators [36].

To address problematic part related to ways in which information is provided to consumers, several different types of remedies can be envisaged:

- Providing information in a way that helps consumers to compare offers and make the right choice, e.g. by creating minimum standards;
- Measures to deal with information complexity;
- Independent comparison websites;
- Behaviourally informed messages to ‘nudge’ consumers towards better choices.

Differences between legal requirements and actual business conduct can be counterproductive for two main reasons. Firstly, a level playing-field is necessary for markets to work properly, otherwise there is a risk that companies that do not fully comply with the legal requirements have a competitive advantage to those that fully comply with them (so-called regulatory arbitrage). Secondly, it needs to be ensured that consumers can trust that markets work in their best interest.

In this context, a special place is given to the consumers right system of financial services. The system of protection of the rights of consumers of financial services consists of the following elements:

- the legislatively mandated powers of state bodies to implement the regulation of protection of the rights of consumers of financial services;
- compliance of the legislation of Ukraine in the sphere of protection of the rights of consumers of financial services with the European legislation;
- disclosure of information to financial institutions;
- free choice of the consumer at the conclusion of the agreement on financial services;
- an effective mechanism for pre-trial conflict resolution in the area of financial services;
- compensation mechanisms in the financial services market;
- awareness and knowledge of consumers of financial services;
- rules of protection of personal data of consumers of financial services;

— independent under the sections of protection of rights of consumers of financial services in state regulatory institutions [39].

The implementation of the protection of the rights of consumers of financial services in Ukraine by the state is now regulated by such legislative acts as the Civil Code of Ukraine dated January 16, 2003, No. 435- IV [14]; Law on Consumer Protection dated May 12, 1991 No. 30 [8]; Law “On Consumer Lending” dated 15.11.2016 No. 1734-VIII [9]; Law “On Formation And Circulation Of Credit History” dated June 7, 1996 No. 36 [10]; Law “On Advertising” dated July 3, 1996 No. 39 [11]; Law “On Protection Against Unfair Competition” dated June 7, 1996 No. 36 [10].

The NBU regulations also address the protection of consumers of financial services: Decree "On Measures to Ensure Repayment of Loans" No. 461 of 06.08.2009 [17], which contains recommendations to banks aimed at reducing risks of banking activities and preventing loss of confidence in the banking system; "Rules for granting information by the banks of Ukraine to the consumer on the conditions of crediting and the total cost of the loan" [18], approved by the resolution of the NBU Board № 168 of 10.05.2007, which is available on the NBU website.

Article 11 of the Law of Ukraine "On Consumer Protection" dated May 12, 1991 No. 30 [8] clearly sets out the procedure for concluding a contract, which includes questions about providing information to the lender and the consumer about each other and about the terms of the loan: the purpose for which the consumer credit can be spent, the form of its security, the type of interest rate, the total cost of the loan and the cost of service on the loan agreement, the term for which the loan can be obtained, and options for its repayment.

An important event in the field of protection of the rights of consumers of financial services was the adoption of the law on September 20, 2019 "On Amendments to Some Legislative Acts of Ukraine on the Protection of the Rights of Consumers of Financial Services" (Bill No. 1085-1) [13].

The law provides for the following blocks of changes:

- empowering the NBU, the National Securities and Stock Market Commission and the National Financial Services Commission to apply financial measures to

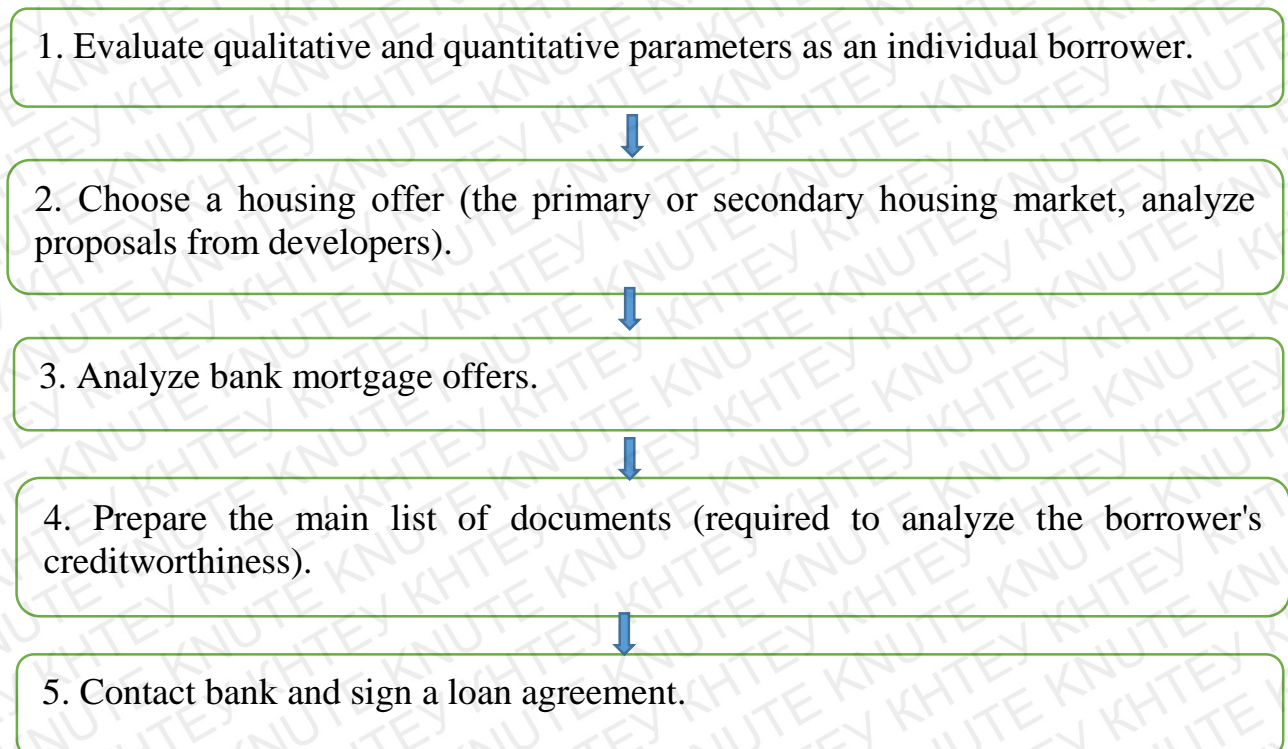
financial institutions and to impose administrative penalties for consumer rights violations;

- supplementing the Code of Administrative Offenses with rules that clearly define certain violations of the rights of consumers of financial services as part of an administrative offence;

- Amendments to the Consumer Credit Act, which extend the definition of the total cost of a consumer loan by including all consumer spending, including additional and related third party services.

Banks were required to disclose information about the true value of financial products and services on their websites and in advertising. This should protect customers from misleading credit interest rates. It is also forbidden to impose unnecessary services on clients and change contracts without notice. The law shall enter into force on the day following its publication and shall enter into force three months after its entry (19.01.2019).

We propose to develop a decision-making algorithm for bank mortgage lending services.



Pic.3.1. Decision-making algorithm for bank mortgage lending.

* Created by the author

1. Evaluate your qualitative and quantitative parameters as an individual borrower.

The qualitative parameters include:

- general material condition (presence of other real estate, securities, bank deposits and other highly liquid assets);
- social stability (permanent company, marital status, business reputation);
- age and health;
- positive credit history (intensity of use of bank loans in the past and the timeliness of their repayment, use of other banking services);

The main quantitative indicators of the borrower's creditworthiness include:

- Cumulative net income (monthly expected total income, reduced by total expenses and commitments) and a forecast for the future. According to the provisions of the State Mortgage Institution, the maximum value of the ratio of the monthly expenses of the borrower and his family members on servicing the mortgage loan debt to the total volume of their monthly income should be no more than 45%;
 - deposits in bank accounts;
 - the values of the coefficients that characterize the current creditworthiness of the borrower and its financial capacity to fulfil obligations under the mortgage agreement: the ratio of total income and expenses, total net income for the month and monthly contribution on the loan and interest on it (these calculations are made by the bank in the analysis of the mortgage consumer)
- ## 2. Choose a housing offer (the construction or reselling housing market, analyze proposals from developers).

The borrower has the right to choose a home before or after contacting the bank. In the first case, the home seller and the potential borrower sign a preliminary contract for the purchase and sale of residential premises, which provides for the pre-emptive right to buy this home by a potential borrower at a price agreed by the parties within

the agreed-upon period. The lender evaluates the home in terms of securing the loan repayment based on the borrower's income, down payment, and home value.

In the second case, the potential borrower, already knowing the amount of the loan calculated by the lender bank, can select the appropriate housing and conclude a sale and purchase agreement with its seller. Provided that the bank agrees to treat the housing that is being purchased as adequate security.

3. Analyze bank mortgage offers.

At this stage, the consumer compares the banks' requirements (terms, repayment period, maximum loan amount, first deposit amount, interest rate, additional fees and services). Typically, information about this type of loan is not fully disclosed on the bank's sites, so there is a need for a personal appeal to the banking institution.

You can also use open-source information that already provides benchmarking on credit terms, bank ratings, customer reviews.

4. Prepare the main list of documents (required to analyze the borrower's creditworthiness):

- application for a loan;
- passport on the basis of which the bank determines the place of residence, age, marital status and presence of children;
- certificates of employment, which should indicate: the average monthly salary (for the last six months), the amount of income and other taxes paid monthly by the borrower, the amount of mandatory monthly payments (alimony, insurance premiums)
- books on the calculation of payment for the apartment and utilities;
- documents confirming the income from bank deposits and securities;
- a report on the independent expert evaluation of the value of the real estate, which makes out a mortgage (In addition to these documents, each bank may impose additional requirements).

5. Contact your bank and sign a loan agreement.

At this stage, the consumer submits the documents to the bank. The bank conducts a credit analysis of the client and makes a decision on granting a loan.

We suggest considering the algorithm on a real situation:

1. Analysis of the solvency of the borrower. The example considers two average young families, age of borrowers 30 years, monthly income of families 25 000 UAH, monthly savings of 10 000 UAH. The first family has a deposit of 200 000 UAH, the second 400 000 UAH.

Table 3.2

Analysis of the solvency of the borrower

	Family 1	Family 2
Age of borrower	30	30
Deposit, UAH	200 000	400 000
Monthly income, UAH	25 000	25 000
Monthly savings, UAH	10 000	10 00

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2. Choose a housing offer (construction housing market). Families want to buy a one-bedroom apartment in the construction market. The cost of the apartment 720 000 UAH.

Table 3.3

Housing offer

Number of rooms	1
The cost of m2, UAH	20 000
Quantity, m2	36
The cost of apartment, UAH	720 000

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3. Analyze bank mortgage offers. The Bank offers the following loan options: with the first deposit of 25% and 50% and repayment periods of 5, 10, 15 years and a 23.2% interest rate.

Table 3.4

Bank mortgage offers № 1

Bank	PJSC "Kredobank"		
First payment, %	25		
First payment, UAH	180 000		
Term, years	5	10	15
Interest rate	23,20%		
The scheme of repayment	Annuity		

* Created by the author

Table 3.5

Bank mortgage offers № 2

Bank	PJSC "Kredobank"		
First payment, %	50		
First payment, UAH	360 000		
Term, years	5	10	15
Interest rate	23,20%		
The scheme of repayment	Annuity		

* Created by the author

Table 3.6

Calculations № 1

Credit, UAH	540 000		
Monthly payment, UAH	14 500	10 500	9 500
The total cost of the loan	860 000	1 250 000	1 710 000
The total cost of the apartment	1 040 000	1 430 000	1 890 000
Overpayment for an apartment	320 000	710 000	1 170 000

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Table 3.7

Calculations № 2

Credit, UAH	360 000		
Monthly payment, UAH	9 500	7 000	6 500
The total cost of the loan	750 000	1 015 000	1 320 000
The total cost of the apartment	930 000	1 195 000	1 500 000
Overpayment for an apartment	210 000	475 000	780 000

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Conclusion:

For the first family, it is economically advantageous to have a loan option with the first deposit of 25% and a maturity of 10 years. The monthly annuity payment is 10 500 UAH, overpayment for an apartment 710 000 UAH.

For the second family, an option with the first payment of 50% and a maturity of 5 years is acceptable. The monthly annuity payment is 9 500 UAH, overpayment for an apartment 210 000 UAH.

A serious problem in Ukraine is that potential consumers are not fully informed about the value, timing and other terms of the financial services. Not all banking institutions comply with disclosure requirements and consumer protection practices. This situation becomes problematic, especially because most citizens of Ukraine do not know their rights and responsibilities as consumers of financial services [63].

The concept of financial literacy includes financial knowledge as understanding the basic fundamentals of personal budget management, awareness of financial responsibility for decisions made, ability to compare financial risks and utility of financial services, awareness of the impact of financial decisions on the level of personal well-being [59].

We believe that it is necessary to create a single coordination and monitoring centre in which citizens could receive free advice on financial services and the protection of their rights.

Let us name the main strategic directions of increasing the level of financial literacy of the Ukrainian population:

- Providing consumers with the awareness of the risks inherent in financial services and the benefits of receiving them.
- Raising the level of knowledge and competence in the field of law and awareness of the possible legal consequences of obtaining financial services.
- Improving financial services awareness and specifics
- Utilizing and enhancing consumer confidence in financial acceptance
- Decisions (making an informed choice of financial services).

- Ensuring fair and equal access of the population to financial services.

Taking into account the strategic directions outlined above, we note that the key objective of raising the level of financial literacy of the population should be to encourage citizens to independently obtain the minimum theoretical knowledge and skills in choosing a financial service and financial institution providing the service [58].

An important factor is the presence of an algorithm of actions of the consumer of the financial service at all stages of its receipt: familiarization with the terms, consent to the receipt, signing of the contract, its execution, termination of the action, etc.

Overall, an adequate level of financial literacy and an effective system of protection for the rights of consumers of financial services can prevent possible problems in the future and will help reduce the risks that arise in times of crisis.

CONCLUSIONS AND SUGGESTIONS

According to the research conducted in the work, we can draw the following conclusions.

1. We have proved a scientific problem of research. The decision of the consumer to use the service of bank mortgage lending in Ukraine depends on his confidence in the sustainable development of the economy, the level of his financial literacy and openness of information about the service.

2. Theoretical bases of organization of credit activity of bank in the market of mortgage lending were considered. It is established that the concept of a mortgage loan is closely related to the concept of a mortgage, but they cannot be identified, because a mortgage loan is a special form of lending associated with the emergence of economic and legal relations, according to the mortgage agreement between the lender and the borrower regarding the reverse movements of credit banking resources, which are provided on a long-term basis under the guarantee of collateral of real estate, and a mortgage is a type of ensuring the fulfilment of obligations of the borrower of real estate.

3. Banking practice shows that mortgage lending is one of the most reliable types of lending, which is attractive to both banks and borrowers. The advantages of mortgage lending for banks are the reduction of credit risk in the insolvency of the borrower. Mortgage lending, which has a positive impact on the financial and banking system and the housing market, has a positive impact on the development of the real sector of the economy, which receives investment resources. Housing mortgages stimulate the construction of apartments and houses, commercial mortgage lending enables the modernization of production, which helps to improve the competitiveness of products and accelerates the pace of economic development. The development of the mortgage market in the economy of any country depends on the following factors: economic, socio-political, institutional.

4. According to the analysis of the situation and dynamics of mortgage lending in Ukraine, it is found that with reduced mortgage lending, the real estate market

situation is worsening, which results in a slowdown in Gross domestic product growth. The analysis of 2014 - 2018 is characterized by such trends: decrease in the growth rate of loans granted, an increase in interest rates, a shortening of the term of granting loans and the number of banks providing mortgage loans. Also, still problems: the absence of long-term credit resources, fluctuations in the exchange rate, inflation processes, shortcomings of the state social policy to support the activity of banks in the mortgage market, a constant decrease in solvent demand of the population. During 2014-2018 the volume of foreign currency loans amounts to almost 70%, with a 5% increase in national currency loans and a 5.7% decrease in foreign currency loans. The decrease in the share of mortgage loans to households is a consequence of the deterioration of the economic and political situation in the country, the decline insolvency and creditworthiness of the population.

5. The results of the study show that there are three main models of the mortgage market in the world banking practice: reduced open model, expanded open model, the balanced autonomous model which in turn is divided into one-tier and two-tier model. These models differ in the mechanisms of the movement of mortgage capital, the institutional composition of participants, the level of risk diversification, mortgage lending instruments, and form successive stages in the evolution of the mortgage market.

The analysis of foreign experience shows that in Ukraine it is advisable to introduce a two-tier mortgage financing system, facilitating at the initial stage of development a one-tier mortgage financing system. This will accelerate the process of formation of the national mortgage housing market; will create the preconditions for the inclusion of the mortgage market of housing in Ukraine in the system of the international mortgage market. For the existence of a two-tier model of the market in Ukraine created Government Mortgage Institution. Its activities are aimed at attracting institutional investors from the number of insurance companies and pension funds into the mortgage lending system, which are able to accumulate free funds and redistribute them into the investment sphere, as well as to diversify their assets by investing in mortgage-backed securities.

6. An analysis of the development of the mortgage market in Ukraine shows that in the last few years its volumes, dynamics and development trends did not satisfy the need for credit funds of the population or developers. In conditions where the dynamics of macroeconomic indicators do not imply a rapid exit from the crisis and depression, and high political risks increase the uncertainty of the economic system development, long-term mortgage lending is risky for both the banking sector and the population and developers. This brings to the fore the task of minimizing risks, first and foremost liquidity risks. It is necessary to solve such problems as high risks and lack of long and cheap resources, difficulties with collateral and guarantees, establishing cooperation between developers and banks. Also, it is necessary to create special conditions for providing state aid under preferential programs. These preferential programs include a partial compensation of the real estate value of the interest rate, that will allow reducing the value of the resource base (deposits) on which the price of the loans depends. To do this, first of all, is necessary to mitigate risks by developing and adopting the state mortgage lending standards, strengthening the requirements for both borrowers and banks, who receive refinancing from State Mortgage Institution.

7. The key objective of raising the level of financial literacy of the population should be to encourage citizens to independently obtain the minimum theoretical knowledge and skills in choosing a financial service and financial institution providing the service. An important factor is the presence of an algorithm of actions of the consumer of the financial service at all stages of its receipt: familiarization with the terms, consent to the receipt, signing of the contract, its execution, termination of the action, etc. In order to protect consumers of financial services and improving financial literacy it is advisable to develop and adopt a National Strategy, which main task would be: improving the legal base of financial consumer protection), development of organizational and functional infrastructure of consumer rights protection, introduction of out-of-court mechanisms of disputes resolution, conducting national surveys of consumer protection level and implementation of programs to improve financial literacy for individual target audiences.

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APPENDIX

Capital investments by sources of financing from loans in 2014 – 2018

Indicators	Years				
	2014	2015	2016	2017	2018
Total Capital investments, mln. UAH	219419,9	251154,3	326163,7	412812,7	526341,8
Investment in Construction, mln. UAH	33869,5	40931,5	40933,3	50640,4	51902,4
Financing capital investments through loans, mln. UAH	21739,3	18299,5	23249,5	21826,9	35299,8
Share of bank loans in financing of capital investments, %	9,9	7,3	7,1	5,3	6,7

* built by the author according to the data [66]

Conditions of lending in the primary market on 30.11. 2019

№	Bank	Advance %	Minimum Real rate,%	Maximum Real rate,%
5 years				
1	PJSC CB "Globus"	50	13,58	24,43
2	JSB "Ukr gasbank"	30	14,09	20,25
3	JSC CB "Privatbank"	25	18,24	18,24
4	PJSC "Kredobank"	40	20,25	20,25
5	JSC "Oschadbank"	30	20,33	20,33
6	PJSC "Bank Pivdennyi"	30	20,34	20,34
7	JSCB "Bank Lviv"	20	21,22	21,22
8	JSC "Commercial Industrial Bank"	30	21,51	21,51
9	JSC "Megabank"	30	23	23
10	PJSC "MTB Bank"	30	23,32	23,32
11	PJSC "Bank of investments and savings"	30	23,83	23,83
12	JSC AB "JSC AB "Radabank" "	30	24,96	24,96
10 years				
1	JSC CB "Privatbank"	25	18,06	18,06
2	JSB "Ukr gasbank"	30	18,98	20,2
3	PJSC "Kredobank"	40	20,06	20,06
4	JSC "Oschadbank"	30	20,14	20,14
5	JSCB "Bank Lviv"	20	21,03	21,03
6	PJSC "Bank Pivdennyi"	30	21,15	22,15
7	JSC "Commercial Industrial Bank"	30	21,23	21,23
8	PJSC CB "Globus"	50	22,12	24,32
9	JSC "Megabank"	30	23	23

Appendix B

10	PJSC “MTB Bank”	30	23,14	23,14
11	PJSC “Bank of investments and savings”	30	23,65	23,65
20 years				
1	JSC CB “Privatbank”	25	17,97	17,97
2	JSB “Ukr gasbank”	30	18,89	20,05
3	PJSC “Kredobank”	40	19,97	19,97
4	JSC “Oschadbank”	30	20,05	20,05
5	JSCB “Bank Lviv”	20	20,94	20,94
6	JSC “Commercial Industrial Bank”	30	21,1	21,1
7	PJSC CB “Globus”	50	22	24,08
8	PJSC “Bank Pivdennyi”	30	22,06	23,06
9	JSC “Megabank”	30	23	23
10	PJSC “Bank of investments and savings”	30	23,56	23,56

** built by the author according to the data [68]*

Conditions of lending in the secondary on 30.11. 2019

№	Bank	Advance%	Minimum Real rate, %	Maximum Real rate, %
5 years				
1	JSC CB "Privatbank"	25	14,32	21,24
2	JSC "Praveksbank"	30	15,99	18,02
3	PJSC CB "Globus"	50	17,56	24,53
4	JSB "UkrGasbank"	20	19,11	22,5
5	JSC "Oschadbank"	25-30	19,33	20,33
6	PJSC "Kredobank"	40	19,75	19,75
7	PJSC "Bank Pivdennyi"	30	20,34	21,34
8	JSC "Piraeus Bank"	50	20,92	20,92
9	JSCB "Bank Lviv"	20	21,22	21,22
10	JSC "Commercial Industrial Bank"	30	21,51	21,51
11	JSC "Megabank"	30	23	23
12	PJSC "MTB Bank"	30	23,32	23,32
13	PJSC "Bank of investments and savings"	30	23,83	23,83
14	JSC AB "Radabank"	30	24,96	24,96
10 years				
1	JSC CB "Privatbank"	25	14,32	21,05
2	JSC "Praveksbank"	30	17,77	18,77
3	JSB "UkrGasbank"	20	18,96	22,5
4	JSC "Oschadbank"	25-30	19,44	20,14
5	PJSC "Kredobank"	40	19,56	19,56
6	JSC "Piraeus Bank"	50	20,73	20,73
7	JSCB "Bank Lviv"	20	21,03	21,03

Appendix C

8	PJSC “Bank Pivdennyi”	30	21,15	22,15
9	JSC “Commercial Industrial Bank”	30	21,23	21,23
10	JSC “Megabank”	30	23	23
11	PJSC "MTB Bank"	30	23,14	23,14
12	PJSC “Bank of investments and savings”	30	23,64	23,64
13	PJSC CB “Globus”	50	24,18	24,18
20 years				
1	JSC CB “Privatbank”	25	14,32	20,96
2	JSC “Praveksbank”	30	17,77	18,77
3	JSB “Ukr gasbank”	20	18,88	22,5
4	JSC “Oschadbank”	25	19,06	19,06
5	PJSC “Kredobank”	40	19,47	19,47
6	JSCB “Bank Lviv”	20	20,94	20,94
7	JSC “Commercial Industrial Bank”	30	21,1	21,1
8	PJSC “Bank Pivdennyi”	30	22,06	
9	JSC “Megabank”	30	23	23,06
10	PJSC “Bank of investments and savings”	30	23,56	23,56
11	PJSC CB “Globus”	50	24,02	24,02

** built by the author according to the data [*

The factors that influence consumer behaviour when choosing a financial service

Sphere of impact	Factors	Description
Ways in which the information is provided to the consumers	Key information missing or difficult to find	Key information about the product is not available or is difficult to find. Examples include missing information about territorial restrictions on offers, lack of clarity regarding the online purchasing process, difficulty in identifying the right to withdrawal or absence of information on alternative dispute resolution options
	Information complex and difficult to understand	Information is presented in a manner that is complex and difficult to understand, for example by using jargon or complex terms
	Benefits emphasised while costs are hidden or given lower prominence in precontractual information	Product features and pricing structures are not transparently provided, emphasising benefits while hiding costs.
Features which may accelerate consumers' purchase decision	Promotional offers and consumer incentives	Emphasis on the availability of promotional offers or consumer incentives
	Different applications based on customer-provider relationship	Different applications depending on the consumer's relationship with the provider (existing or non-existing customer). In some instances, providers emphasise the benefits that consumers have by becoming a customer (e.g. opening an account in addition to the product purchased)
Design of the offers	Pre-ticked boxes	Recommended add-on products or services are pre-ticked when applying for a product
	Product bundling	Different products are presented in a single offer, for instance, a bank account offered with travel insurance.
Consumer targeting and personalisation	Price discrimination	Consumers may be charged differently depending on their characteristics. This may not be clear from the pricing structure
	Targeting a specific consumer segment	Targeting consumers that are already familiar with the product features or based on personal characteristics
Tools made available to consumers to assist them during their decision-making process	Product-tailored contact sections	Lack of product specific contact information sections (e.g. chatbox, direct line for current accounts)
	Presence of progress bars	Use of progress bars or similar indicators of progress through the application process
	Availability of online calculators	Possibility to explore the product through an online calculator (e.g. loan calculator, insurance calculator)

* built by the author according to the data [37]