

# EBRD Mortgage Activities and Mortgage Finance Manual

Please contact Alex Tanase ([tanasea@ebrd.com](mailto:tanasea@ebrd.com)) and Nick Kerrigan ([kerigann@ebrd.com](mailto:kerigann@ebrd.com)) for issues in mortgage market development.



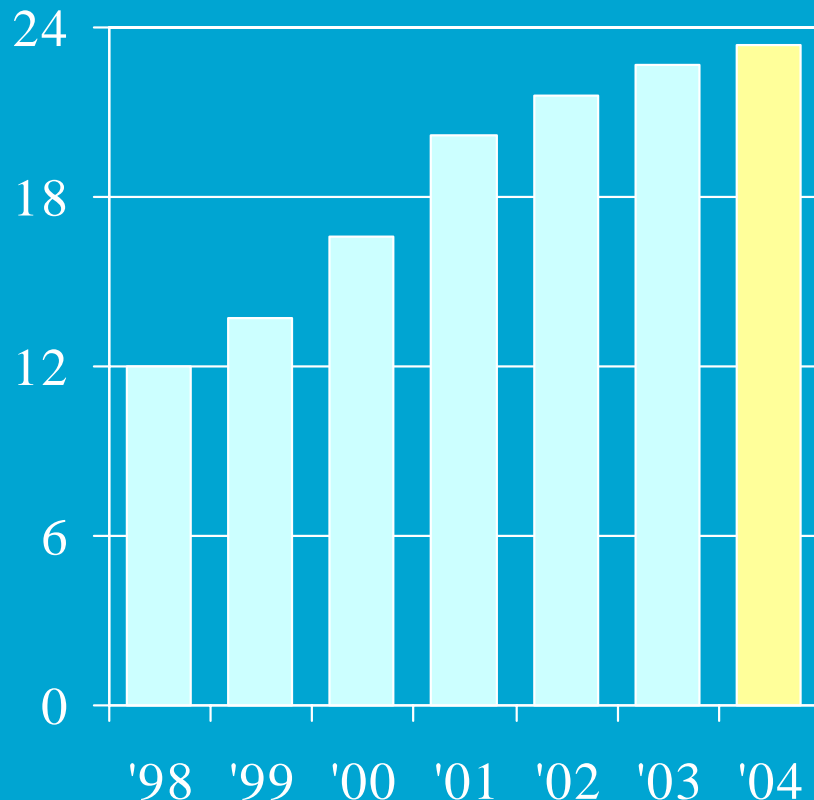
# **EBRD Mortgage Activities and Mortgage Finance Manual**

**Alex Tanase, Senior Banker**

**Split, 25 May 2004**



# What is the EBRD?



*Cumulative commitments  
€23.4 billion*

- International financial institution, promotes transition to market economies in 27 countries from central Europe to central Asia
- Owned by 60 countries and two inter-governmental institutions
- Capital base of €20 billion



# Sound banking principles

Each project requires:

- careful assessment of risk / rewards for all parties
- commercial viability
- good prospect of returns



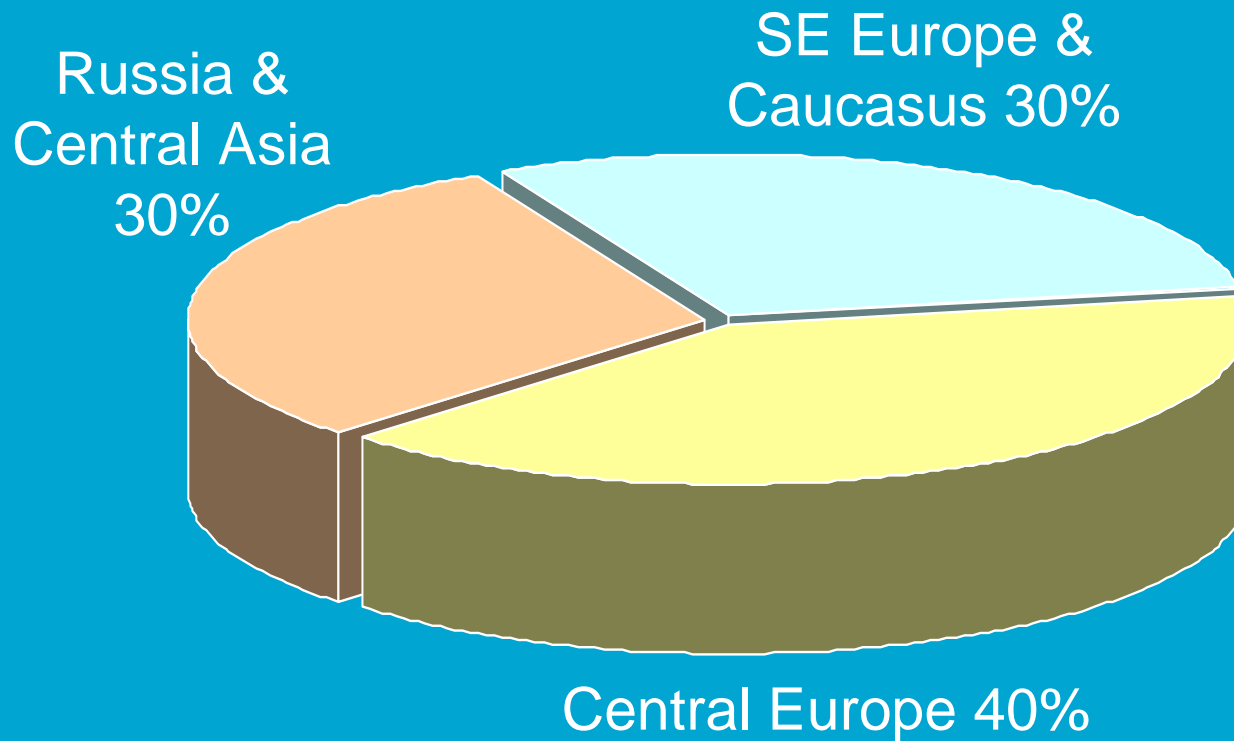
# Project status

	<i>€ billion</i>	
	<i>EBRD</i>	<i>Total cost</i>
1,033 signed projects	23.4	72.7
Disbursements	16.3	



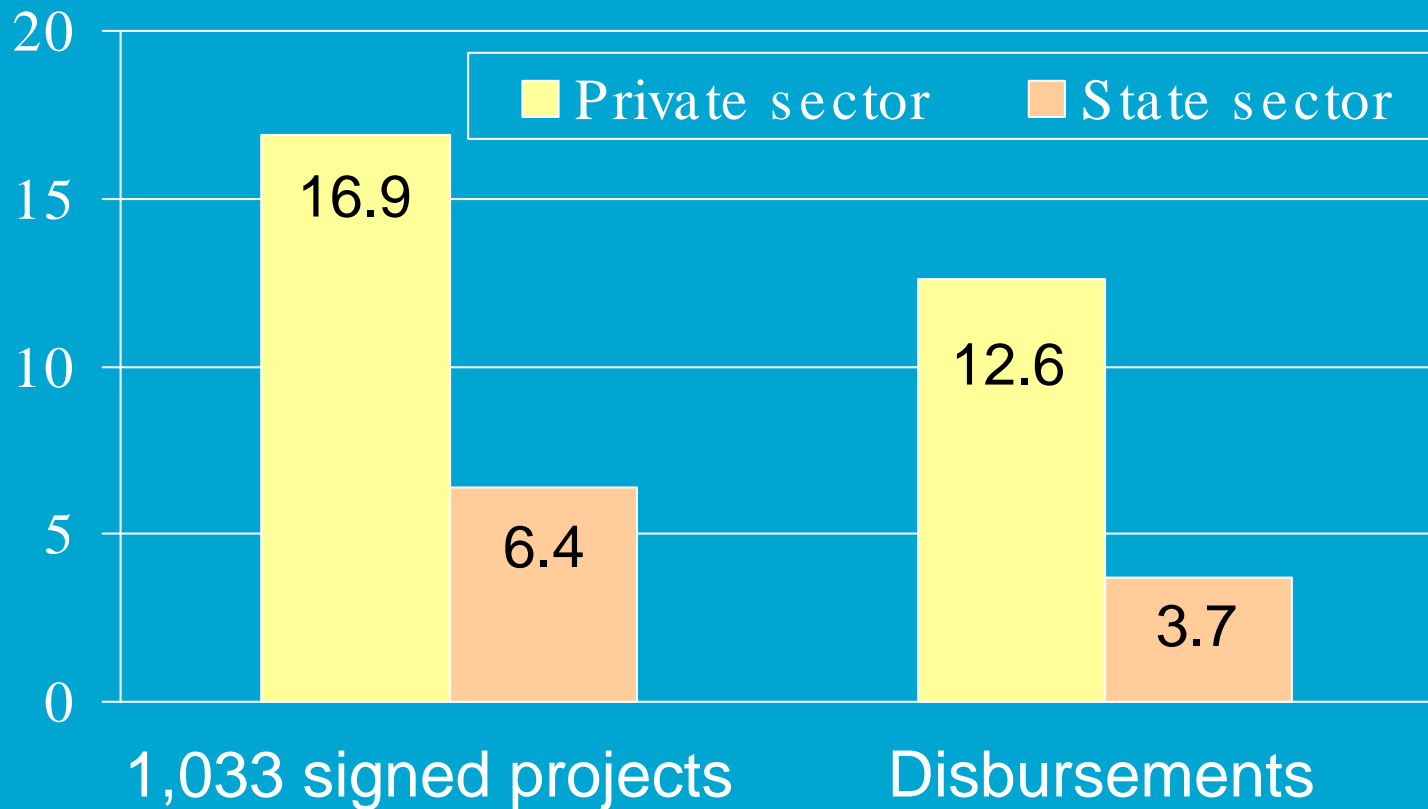
# Active in all countries of operations

*Cumulative commitments €23.4 billion*



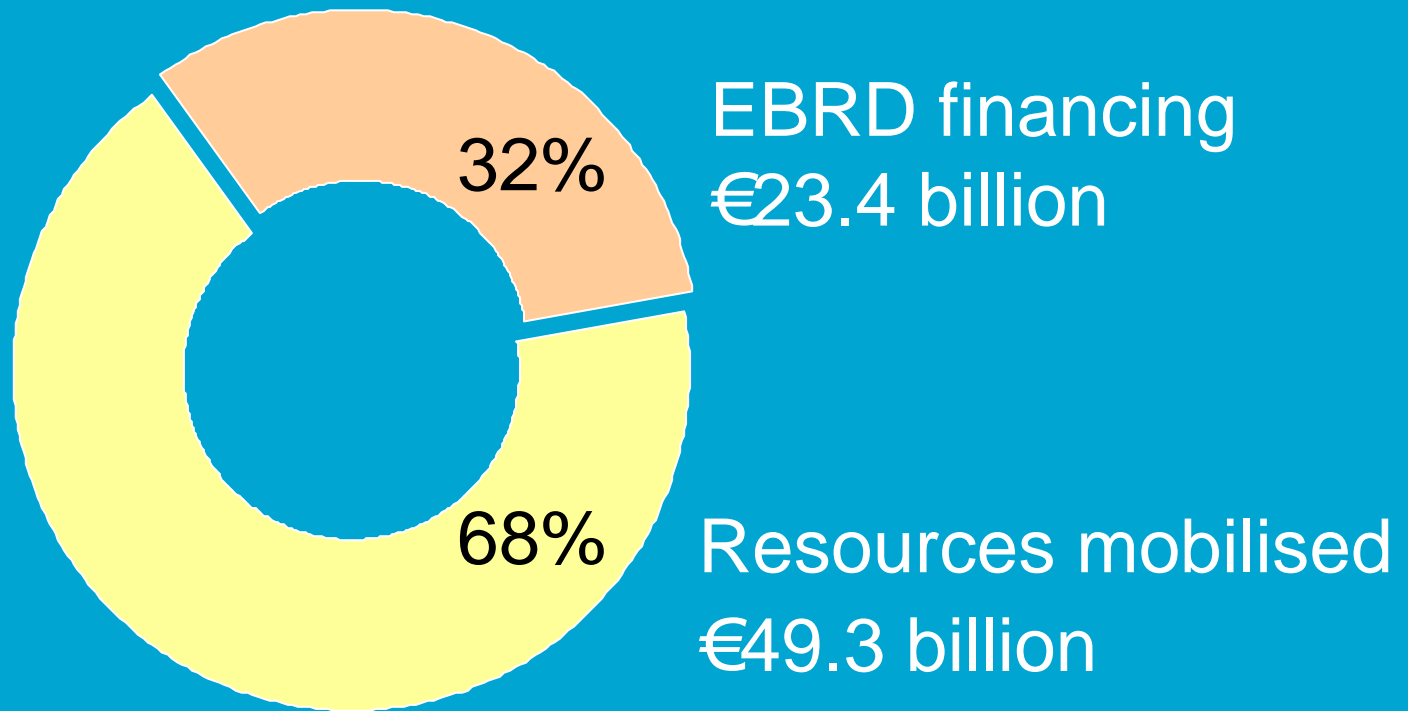
# Project portfolio

€ billion



# Attracting co-investors triples EBRD's investment

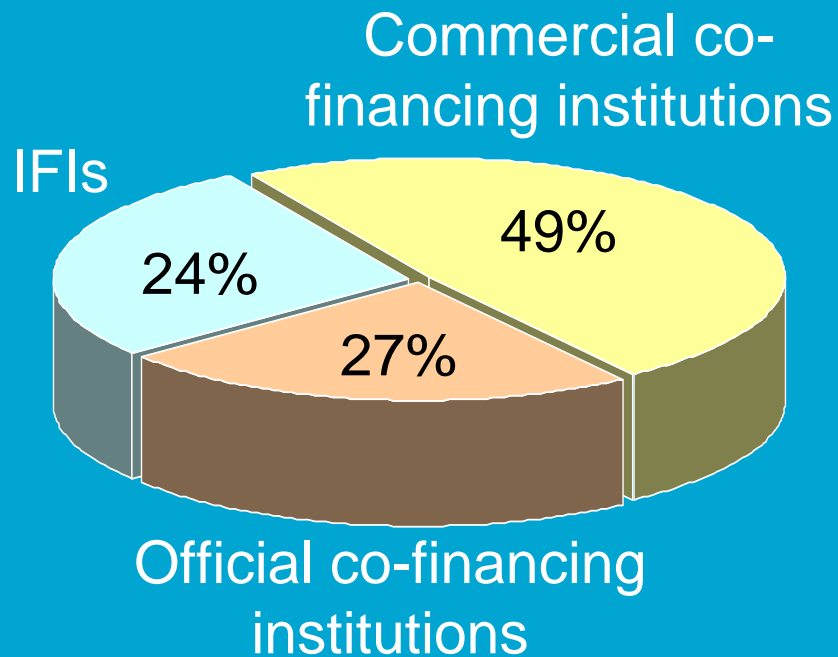
Total project value €72.7 billion





# Co-financing

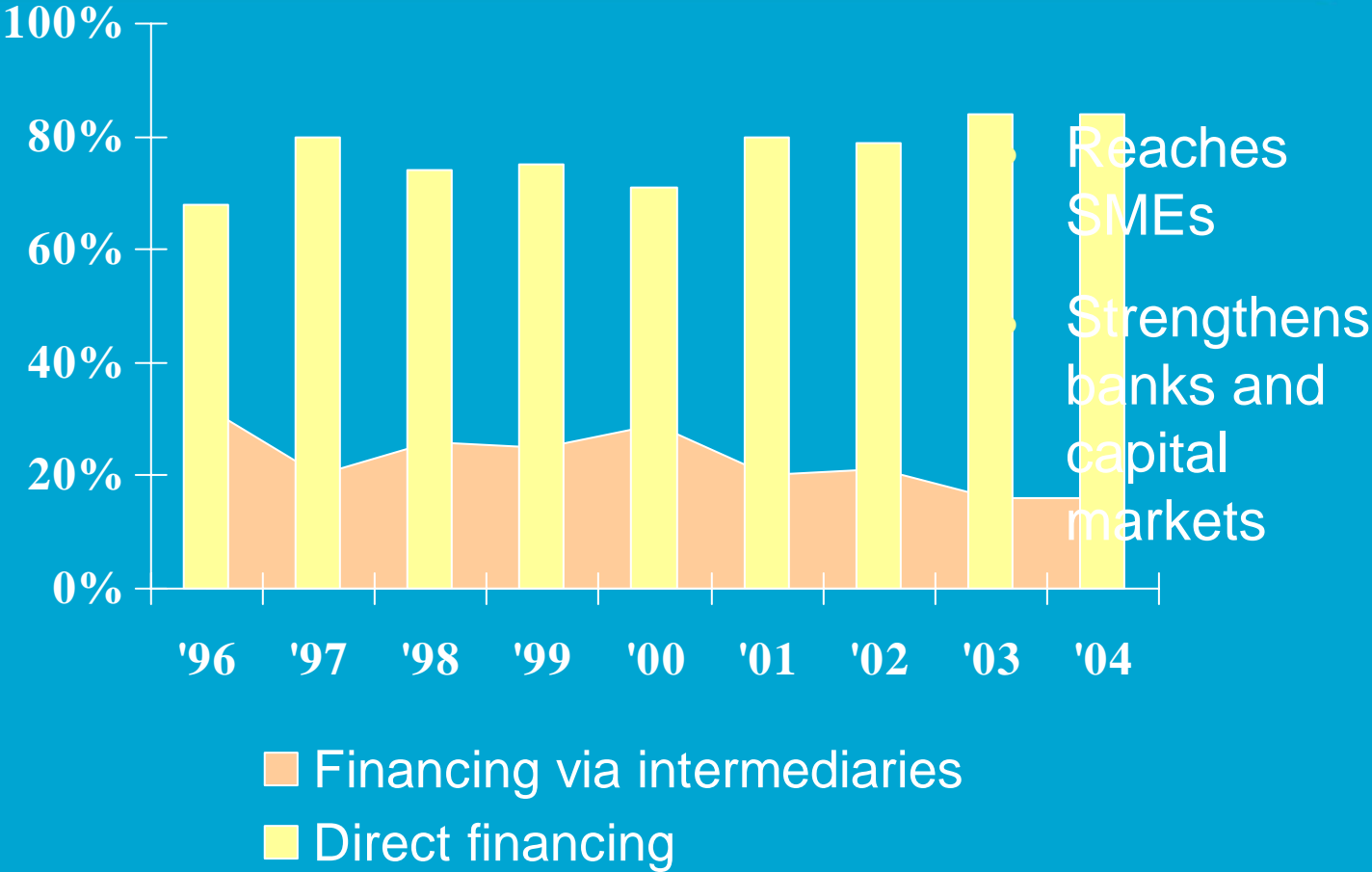
*Sources of funds as at December 2003*



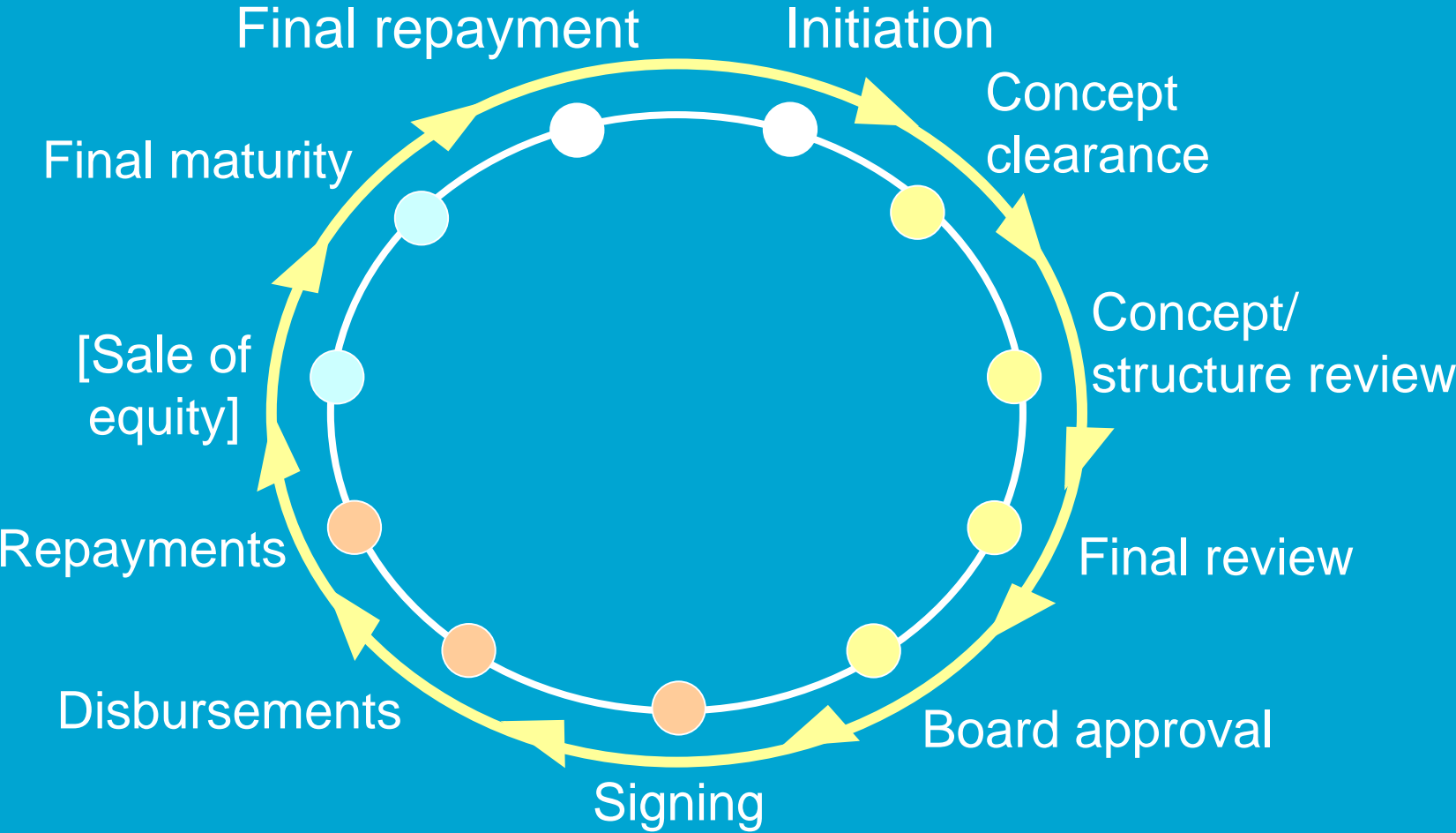
- Introducing borrowers to international capital markets
- Promoting foreign direct investment



# Financing via intermediaries



# Project cycle

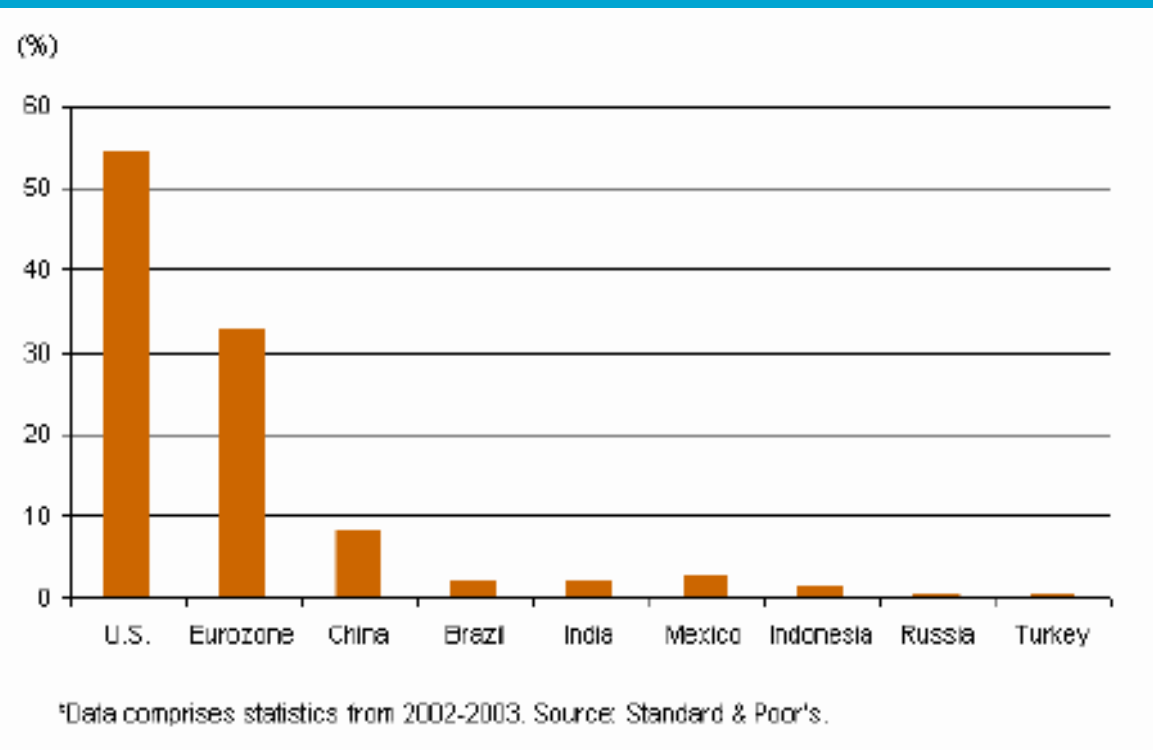


# Mortgage markets in the region

- Mortgage finance is developing but is still small relatively to GDP
- Even the most developed markets are a long way below EU countries (e.g. the UK, where residential mortgage finance is c.59% of GDP)
- Reasons include lack of:
  - complete legal and regulatory frameworks
  - efficient supporting administration e.g. land registries
  - long term finance for banks
  - secondary market mechanisms



# Estimated Mortgage Lending to GDP\*



# Mortgage markets in the region

- Good cause to be optimistic though:
  - legal developments – many countries are putting in place new mortgage and secondary market laws
  - primary lending
    - rapidly increasing activity in Central Europe (e.g. Hungary)
    - swift start in South-Eastern Europe (e.g. doubling of market in Romania in 2003 but only at 4% of GDP)
    - slower steps in CIS and Central Asia but new interest in Russia, Kazakhstan and Ukraine
  - secondary markets – heightened interest in secondary market mechanisms following success in Hungary and Bulgaria



# EBRD strategy

- Developing the residential mortgage market is an important part of developing fully functioning market economies

*EBRD will provide practical support on all aspects of development to build functioning mortgage markets*

- Legal and regulatory framework
  - technical co-operation to formulate workable laws
  - policy dialogue with relevant authorities



# EBRD strategy

- Primary mortgage lending
  - provide long-term finance to banks and non-banks, plus equity capital to specialist companies in selected cases
  - technical co-operation for banks that need help in developing mortgage lending skills
- Secondary market development
  - standardised lending by the banks and non-banks using EBRD funds
  - support the development of specialised mortgage institutions and agencies / institutions
  - participate in bond or MBS issues to encourage other purchasers and / or provide credit enhancement





# EBRD projects and pipeline

- Over €365 million of signed loans to 16 banks in 8 countries
- €54 million line of support for mortgage bond issues in Poland
- Pipeline of over €240 million
- New projects include both primary finance and development of bond markets



# EBRD Mortgage Portfolio (as of 31 March 2004)

Country	Number of Transactions	Type	Value EUR mln.
Bulgaria	1	Debt	15
Croatia	4	Debt	156
Estonia	3	Debt	20
Kazakhstan	1	Debt	4
Poland	1	Bonds	54
Romania	4	Debt/Equity	86
Russia	1	Debt	20
Slovenia	1	Debt	10
Total	16	X	365



# EBRD Mortgage Pipeline (as of 31 March 2004)

• Bulgaria	-	4 transactions
• Hungary	-	1 transaction
• Kazakhstan	-	2-3 transactions
• Poland	-	1 transaction
• Romania	-	2 transactions
• Russia	-	2-3 transactions
• Serbia	-	2 transactions
• Slovenia	-	1 transaction
• Ukraine	-	2-3 transactions
• Moldova	-	technical assistance



# EBRD recent projects

## Banca Comerciala Romana, Romania

- Supporting an existing commercial bank developing its mortgage finance business
- Size: USD / EUR 50 m multi-currency facility
- Use of proceeds: around 6,000 mortgage loans extended through retail mortgage lending through the nationwide network of 285 branches and agencies

*Now fully lent by BCR,  
plus mortgage loans to two other Romanian banks  
signed in 2003 and another is awaiting approval*



# From here ..... to here



# Conclusions

- Developing the residential mortgage market is an important part of developing fully functioning market economies
- This requires a working legal framework, skilled lenders and the development of secondary markets to ensure sustainable funding
- EBRD is active in the development of mortgage markets with a substantial portfolio and pipeline of mortgage loans
- EBRD is keen to make sure that loans it finances are capable of use in the secondary markets



# EBRD - Contact Details

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