



MORTGAGE INSURANCE AND NEW METHODS OF INFLUENCE

Kholmatov Sukhrob Narzullaevich

Independent Researcher,

Tashkent Institute of Finance, Tashkent, Uzbekistan

<https://orcid.org/0009-0003-1865-1522>

Email id: sukhrobbekkholmatov@gmail.com

ABSTARCT

This article discusses the main goals of mortgage insurance and the benefits of mortgage insurance for various participants in these relationships. When studying this topic, it is impossible not to consider the problems associated with the development of this segment of the economy, as well as possible ways to solve and overcome them. Directions for modernizing mortgage programs are also proposed to increase their impact on the development of the domestic economy and the solution of basic socio-economic problems, which can be facilitated by participation in lending programs for employers and local authorities as co-borrowers.

KEYWORDS: *Mortgage, Mortgage Insurance, Mortgage Lending Programs, Collateral Insurance, Title Insurance.*

INTRODUCTION

Currently, joint activities of banks and insurance companies in the field of mortgage lending have become relevant and especially in demand in the financial products market. Mortgage lending today is a hot topic, which is considered not only at the level of credit and insurance organizations, but also at the state level, since housing affordability is one of the main directions of state social policy.

One of the main trends in the development of lending to individuals in Uzbekistan has been the active growth of mortgage lending, which is due to a number of factors: the need to solve the housing problem, government support for social mortgage programs, and the attractiveness of this type of lending for banks due to its lower risks. At the same time, the modernization of mortgage programs to increase their impact on solving socio-economic problems in the country remains relevant.

LITERATURE REVIEW

According to researchers Simonova and Ivanova (2021), the emergence of mortgage insurance is associated with the existence of such a banking product as a mortgage, which consists of issuing a specialized loan for the purchase of housing. A mortgage may be established to secure an obligation under a credit agreement, a loan agreement or another obligation, including an obligation based on purchase and sale, lease, contract, other agreement, damage, unless otherwise provided by federal law. When drawing up a mortgage agreement, the received real estate is collateral and is owned by the bank until the debt is repaid



Research by Savrukov (2011) states that the optimal method of reducing banking risks is their insurance. Reducing risks in the mortgage lending system requires the development of methodology and technologies for insuring credit risks inherent in this system. By mortgage insurance we mean one of the risk management methods, which includes a set of types of insurance that protect the property interests of participants in residential mortgage lending. The current practice of insuring risks associated with mortgage lending is limited to a combination of life and health insurance of the borrower, insurance of the mortgaged item against the risks of loss and damage, as well as title insurance.

Averchenko (2006) argues that the development of mortgage credit risk insurance (or mortgage insurance) makes it possible to protect the lender from losses arising from the borrower's failure to fulfill loan obligations (non-payment of the loan).

Dendiberyakh (2021) proposes the organization of non-commercial partnerships between banks and insurance companies providing services in the field of mortgage insurance, in order to regulate their activities, which will solve the problem of developing specialized methods for actuarial calculations of insurance rates for various categories of policyholders, which, in conditions of fluctuations in the economy, will allow balance the insurance fund of the insurance company, while simultaneously simplifying the process of accepting risk for insurance, reducing the amount of required documentation, which significantly optimizes the costs of both the client and the financial organization.

According to Daraselina (2014), mortgage loans are the most vulnerable from the point of view of risk management. The main role of insurance in mortgage lending is to minimize the bank's risks, which is necessary due to the client's long-term use of loan funds. In fact, insurance acts as a system for distributing risk between participants in the mortgage lending market. Despite all the seemingly positive aspects of mortgage insurance, it is developing rather slowly. This is primarily due to the fact that banks are not ready to issue loans with low down payments and borrower liability insurance.

Abdurakhmonov's works (2018-2023) discussed issues of risk insurance, new insurance technologies, and an overview of the insurance services market.

RESEARCH METHODOLOGY

The methodological basis of the study is a generalization of empirical analyzes and concepts in the field of mortgage insurance, as well as international and domestic practice of conducting mortgage insurance and a comparable analysis of mortgage lending programs.

ANALYSIS AND DISCUSSIONS

At this stage of development of the domestic economy, insurance against various risks, including those directly related to mortgages, is of no small importance. To maximize the compliance of mortgage activities with the ever-growing needs of society, it is necessary to solve many problems, the key of which are problems associated with stabilizing the mortgage lending system, minimizing the risks of participants in mortgage activities and providing guarantees for the repayment of loans of this type.



Mortgage insurance is insurance against the risk of losses to creditors arising from the default of mortgage borrowers and the further sale of the pledged property. In other words, we are talking about the risks that arise when there is a lack of funds from the sale of the pledged property and the impossibility of collecting the balance of funds from the borrower.

To understand the essence of mortgage insurance, let's consider its types.

1. Insurance of pledged property implies insurance of property of citizens with the exception of vehicles.
2. Borrower life insurance means life insurance in case of death, insurance against accidents and illnesses, survival to a certain age or period, or the occurrence of another event.
3. Title insurance refers to the risk of loss or limitation (encumbrance) of property rights.
4. Borrower liability insurance is civil liability insurance for non-fulfillment or improper fulfillment of obligations under the contract.
5. Bank business risk insurance.

The creation of a developed, properly functioning mortgage insurance system pursues certain goals. Let's take a closer look at them.

First of all, we are talking about the need to create favorable conditions for providing mortgages to persons who meet the key requirements of banks for issuing a standard mortgage loan, but do not have the funds necessary to make a down payment when purchasing a home.

The second goal is to create conditions conducive to the further development and expansion of the mortgage lending market. The mechanism for achieving this goal will be to increase the affordability of purchasing housing using own and borrowed funds.

Another goal of mortgage insurance is to increase the percentage of equity and borrowed funds in the cost of purchased housing in favor of borrowed funds (Tsyrenova (2014)).

The high attractiveness of mortgage lending is determined by several significant factors.

Firstly, there is insufficient provision of the population with comfortable and affordable housing.

Secondly, a serious advantage of mortgage loans is that they are secured by mortgage collateral and government support for preferential mortgage programs. In this regard, the share of overdue debt on mortgage loans is lower than on consumer loans, and the rates are lower.

At the same time, a number of problems continue to persist in the development of mortgage lending, many studies have been devoted to finding solutions to which in recent years (Karavaeva (2018), Baklanov (2017), Grin (2017), Ivanova and Shevnya (2018), Dolmatovich and Keshenkova (2017), Novitskaya and Kosheleva (2017), Tsikhotsky (2017)). For example, it is proposed to reduce the down payment on a mortgage loan. However, this approach is not always supported by regulators, who consider loans with a low down payment percentage to be the most risky. This point constrains the activity of commercial banks in providing such loans.



On the other hand, servicing mortgage loans presupposes the stability of employment and income of borrowers for a sufficiently long time due to the long-term nature of such loans, and solving the housing issue often becomes a decisive factor in the implementation of another acute socio-economic problem - ensuring employment and filling the shortage of qualified personnel. Despite the relatively low unemployment rates in the country, many regions need to attract additional labor resources (especially medicine).

Thus, to simplify the mechanism for implementing programs, it is proposed to abandon the inclusion of investment projects in them and switch to the direct selection of employers who are in need of workers. This will allow employers to attract workers within the framework of regional programs not only for newly created production or a new project, but also for existing jobs that cannot be replaced by attracting local labor resources.

It is employers who can become direct participants in the implementation of the employment program, taking into account the needs of attracted specialists in new housing. Therefore, a promising and optimal option for mortgage lending, in our opinion, is a loan product such as a mortgage with employer support.

The basis of the program may be the moment of inclusion of the employer (current or potential) as a co-borrower on the loan. In the end everyone gets the desired result:

- the specialist borrower receives a place of work and his own housing near work;
- The employer receives a highly qualified specialist with guarantees of a certain period of work, stipulated by the terms of the mortgage loan agreement.

This can solve the problem of shortage of specialists in the real sector in the regions. According to many experts, it is the availability of housing at the location of the new employer that can be a serious incentive to move.

Participation may vary: from full repayment of the down payment to partial reimbursement of interest on the loan.

The choice of one or another option for a mortgage lending program with the participation of the employer is left to the employer himself, depending on his capabilities and his goals:

- if the production is highly efficient and does not require long-term development of new processes, then it would be more advisable to choose the option of full reimbursement of the initial payment;
- In the opposite case, when production is new, growing and highly qualified specialists are required to increase production efficiency, the option of partially subsidizing the long-term loan rate is possible.

To increase the efficiency of mortgage programs in the regions, it is also possible to include not only employers of borrowers, but also local authorities in the list of participants in subsidizing mortgage loans.



The list of government programs in force today is quite wide, but it does not provide for the involvement of borrower employers in these projects. At the same time, their joint participation in helping borrowers can further expand the client base of commercial banks, diversify lending risks and, as a result, develop the regional economy.

CONCLUSION

The active development of mortgage lending is associated with a number of objective factors that determine its attractiveness both for the population and for commercial banks. At the same time, increasing their efficiency, influence on the development of the regional economy and solving such an important socio-economic problem as ensuring employment as a guarantee that the borrower will fulfill his loan obligations requires modernization of existing mortgage programs.

This can be ensured by the participation of the employer and local authorities in the program as co-borrowers. At the same time, to justify the choice of a specific mortgage program option, one should, on the one hand, take into account the characteristics of a particular region, and on the other, use the capabilities of modern actuarial calculation methods for developing mortgage programs.

Based on the problems already discussed, we can identify certain conditions necessary for the successful development of the domestic mortgage insurance market.

Firstly, marketing research is required to find out the preferences and needs of potential borrowers in the field of this type of insurance.

Secondly, it is necessary to develop and introduce completely new mortgage products to the market. Their emergence may lead to a significant increase in demand for mortgages, which will result in the emergence of new, more advanced types of insurance that can provide comprehensive protection to the majority of mortgage market participants.

Thirdly, by economically justifiably reducing tariff rates for mortgage loans, it is possible to make this type of loans as accessible as possible for various segments of the population.

Fourthly, it is necessary to develop and introduce a new legal framework that will facilitate the implementation of comprehensive mortgage insurance and help protect insurers and policyholders from all kinds of conflict situations.

REFERENCES

1. N.Yu. Simonova, E.V. Ivanova (2021) Analysis of the mortgage insurance market in Russia. Bulletin of the Siberian Institute of Business and Information Technologies Vol. 10. No. 3. – pp. 85-89
2. A.N. Savrukov (2011) Interaction mechanism and principles of credit risk insurance in the mortgage lending system. Scientific and technical bulletins of St. Petersburg State Polytechnic University No. 1. Economic Sciences. – from 190-195.



3. Abdurakhmonov, I. (2020) "Regulation of the insurance market and implementation of effective mechanisms of prudential control," *International Finance and Accounting*: Vol. 2020: Iss. 2, Article 10. Available at: <https://uzjournals.edu.uz/interfinance/vol2020/iss2/10>
 4. Abdurakhmonov, I. (2020). Methods and approaches to evaluating the insurance industry efficiency. *International Finance and Accounting*, 2020(3), 7.
 5. Abdurakhmonov PhD, I. (2020). Impact of insurance services on the development of real sector enterprises. *International Finance and Accounting*, 2020(6), 7.
 6. Абдурахмонов, И. (2022). Суғурта соҳасида рақамли технологияларни қўллаш истиқболлари. *MOLIYA VA BANK ISHI*, 8(1), 95–99. Retrieved from <https://journal.bfa.uz/index.php/bfaj/article/view/82>.
 7. Abduraxmonov, I. (2022). Sug‘urta sohalarining shakllanish tendensiyalari. *MOLIYA VA BANK ISHI*, 8(3), 60-67.
 8. Ilyas, A. (2018). Insurance market analysis methods: case-study from Uzbekistan. *SAARJ Journal on Banking & Insurance Research*, 7(1), 59-68.
 9. Abduraxmonov, I., Abduraimova, M., & Abdullayeva, N. (2018). Sug ‘urta nazariyasi va amaliyoti. *O‘quv qo‘llanma. Toshkent. “IQTDISOD-MOLIYA*.
 10. Ilyas, A. (2018). Competition in the insurance market of Uzbekistan. *Asian journal of management sciences & education*, 7(2), 56-61.
 11. Khurshidovich, A. I. (2021). Issues of innovative development of insurance in Uzbekistan. *International Journal of Management IT and Engineering*, 11(7), 91-96.
 12. Abdurahmonov, I. (2020). Efficiency of organizing the activities of insurance intermediaries in the development of insurance sector. *International Finance and Accounting*, 2020(1), 5.
 13. Abdurakhmonov, I. (2020) "Prospects for applying new marketing technologies in the insurance industry," *International Finance and Accounting*: Vol. 2020: Iss. 4, Article 6. Available at: <https://uzjournals.edu.uz/interfinance/vol2020/iss4/6>.
 14. V.A. Averchenko (2006) Principles of housing lending [Text] / V. Averchenko, R. Veseli, G. Naumov, E. Fikes , I. Ertl . – M.: Alpina Business Books, – 261 p.
 15. M.Yu. Dendiberya (2021) Mortgage insurance: problems and ways to solve them. *Bulletin of Khabarovsk State University of Economics and Law*. No. 1 (105) – from 43-47
 16. G.T. Daraselia (2014) Mortgage insurance as a tool for increasing the availability of mortgages. *BULLETIN OF FINANCIAL UNIVERSITY* No. 5, - pp. 144-147.
 17. I.B. Tsyrenova (2014) Development of new services in mortgage insurance: basis and necessity // *Current issues of modern science*. – No. 34. – P. 366-375.
 18. Yu.S. Karavaeva (2018) Modern mortgage lending market and problems of its development // *Bulletin of NGIEI*, No. 2 (81), pp. 133-147
-



19. A.A. Baklanov (2017) Factors and problems in the development of housing mortgage lending in Russia // *Economy and Society*. No. 6-1 (37). pp. 219-223.
20. S.V. Grin (2017) Problems and prospects for the development of mortgage lending in order to reduce the risks of the economy and financial system of Russia // *Economics and management: problems, solutions*. T. 3. No. 8. P. 135-139.
21. D.G. Ivanova, V.I. Shevnya (2018) Regional housing mortgage lending market: problems and development trends // *State and municipal management. Scientific notes*. No. 1. pp. 76-81.
22. I.A. Dolmatovich , N.V. Keshenkova (2017) Housing mortgage lending in Russia: problems and solutions // *Money and Credit*. No. 3. pp. 33-37.
23. L.Yu. Novitskaya, M.V. Kosheleva (2017) Some problems associated with mortgage lending in the Russian Federation // *Economics. Right. Society*. No. 3 (11). pp. 57-63.
24. M.A. Tsikhotsky (2017) Problems of mortgage lending in Russia // *Economics. Business. Banks*. T. 2. pp. 132-139