

## **Comment of Deputy Governor of the National Bank Berik Sholpankulov Concerning 7-20-25 Housing Mortgage Program and Baspana Hit Mortgage Product**

Today, the National Bank carries out two mortgage housing programs. These are 7-20-25 program initiated in 2018 by Yelbasy N.Nazarbayev within implementation of five social initiatives and Baspana Hit mortgage product.

Within the 7-20-25 program people in Kazakhstan buy accommodation on a primary market at 7% p.a. preferential rate with a 20% initial contribution for a period of up to 25 years. As reported earlier, 1 trillion KZT have been allocated for project implementation. As for interest of the population in the program, during the first year our citizens registered 3,289 loans (*39.4 billion KZT*), in 2019 – 8,723 (*99.1 billion KZT*), in 2020 – 10,207 (*120.8 billion KZT*). It should be noted that during the first 5 months (January - May) this year people in Kazakhstan received 5,656 loans for an amount of 73.9 billion KZT. Overall, 333.3 billion KZT have been disbursed thus far. Given an active demand and growing paces of mortgage lending, we expect that the 7-20-25 program will be over by late 2022 after the earmarked limit is used.

Along with the 7-20-25 program, in 2018 the National Bank of Kazakhstan launched market mortgage program Baspana Hit with a 10.75% interest rate (*as of 09.06.2021 it is pegged to the basic interest rate*) with a view to stimulate long-term lending on the housing market. This program allows residents which already have accommodation to buy real estate both on the primary and secondary markets. Loans are issued for up to 15 years, maximum loan amount is 35 million KZT. 600 billion KZT were allocated for Baspana Hit program, within which 56,752 loans worth 520.8 billion KZT have been issued thus far. However, given that this program employs a revolving mechanism, when a total amount of financing is increased due to earlier repaid debts, we expect that a total amount of lending will approximate to 675 billion KZT. Given pace of active disbursement of funds we expect that Baspana Hit mortgage project will be over by the end of 2021.

The Head of State pays key attention to solving questions of providing the population with housing, therefore along with the mentioned programs there are a lot of projects on the market which are carried out by the Government. Thus, for instance Nurly Zher program provides for **social housing in credit from local executive authorities** at 5% p.a. for a period of up to 25 years (*with an original contribution of at least 20% - 5-20-25*). In 2019, **Bakytty Otbas**y program for low income families was launched with a 2% preferential rate and initial contribution of 10%. Within a project for socially vulnerable layers of population – **Shanyrak** (*5-10-20*) initiated on instruction of the Head of State K.K.Tokayev it is possible to buy housing at 5% p.a.

preferential rate for a period of up to 20 years. I would like to point out that the National Bank has participated in implementation of this project and financed lending for applicants on the waiting list under the 5-10-20 project for an amount of 210 billion KZT via Otbasny Bank and earmarked 180 billion KZT through local executive authorities for construction of housing in credit.

Today, mortgage lending is also actively carried out through **Otbasy Bank** via system of housing and construction savings. The bank offers a broad range of mortgage products for population. For instance, young families can get a mortgage via **Zhas Otbasy** program at a 6% p.a., **Askeri Baspana** program is developed especially for servicemen with an interest rate between 3.5% and 8% (depending on an amount of original contribution). The first female mortgage program **Umit** with a 12% interest rate was launched not very long ago.

In order to improve further mechanisms of mortgage lending, currently the National Bank and Baiterek NMH JSC address the issue of introducing securitization of portfolio of mortgage loans on market principles.

We see that the market has a wide selection of programs of preference mortgage lending designed for different categories of people, age, social status, type of activities, etc. Therefore, disbursement of earmarked limits under programs that support mortgage lending carried out and financed by the National Bank of Kazakhstan and their subsequent implementation will not affect affordability of mortgage lending for citizens of our country.