ORIGINAL ARTICLE

INTERNATIONAL JOURNAL OF ARTIFICIAL INTELLIGENCE

ISSN: 2692-5206, Impact Factor: 12,23
American Academic publishers, volume 05, issue 10,2025

Journal: https://www.academicpublishers.org/journals/index.php/ijai

MODERN DIRECTIONS FOR IMPROVING THE MORTGAGE LENDING SYSTEM IN COMMERCIAL BANKS

Mamatkulov Suxrobjon Rakhmonkulovich

Abstract: This article examines the possibilities of improving the practice of issuing mortgage loans in commercial banks of Uzbekistan. The effectiveness of the activity of issuing mortgage loans in the activity of commercial banks has been analyzed, suggestions and recommendations have been made for the development of the activity of issuing mortgage loans.

Keywords:mortgage, loan portfolio, real estate agencies, refinancing rate, long-term loan, short-term loan,

In the modern financial system, mortgage lending plays a crucial role in ensuring economic stability and supporting the housing market. Commercial banks, as the primary financial intermediaries, serve as the main providers of mortgage loans, offering individuals and businesses the opportunity to acquire real estate through long-term financing. The development of mortgage lending not only contributes to improving living standards but also stimulates the construction industry, employment, and investment. One of the urgent problems of the social sphere is the task of improving the living conditions of the population. The demand for housing is increasing day by day, and citizens feel the need to use bank mortgage loans.

The mortgage lending system is an important component of the economy of any country, it serves to improve the housing conditions of the population, stimulate the construction industry, and increase the investment activity of the banking and financial sector. In recent years, a number of important reforms on the development of the mortgage market have been implemented in Uzbekistan. In particular, since 2020, the "Mortgage Credit Market Development Strategy" has been adopted, and the state's participation in this direction is being gradually reduced.

At the same time, the need to harmonize the activities of commercial banks in mortgage lending with international practice and to introduce new financial instruments is increasing. Foreign experience shows that for a stable mortgage system, not only cheap resources, but also effective risk management, a collateral value assessment system and a secondary mortgage market should be available.

A mortgage loan is, to put it simply, a loan given by a bank against certain collateral (real estate) for the purchase of housing.

In order to stimulate the housing construction market and provide the population with housing at the expense of mortgage loans, a new mortgage lending program was approved (UP-51 dated April 13, 2023). This program envisages the expansion of population opportunities and changes in the use of mortgage loans.

Alternative methods of determining solvency in the lending system are considered. To assess the borrower's financial situation, a scoring system is introduced that includes rent payments, bank card turnover, utility bills and other expenses. In addition, commercial banks will be able to provide mortgage loans to individuals who do not have official income.

Citizens can buy a house with the funds of a mortgage loan, and the payment will be paid in installments during the specified period. Currently, the annual interest rate of a mortgage for the purchase of an apartment in the primary market is 17-19%. Mortgage funds

ISSN: 2692-5206, Impact Factor: 12,23
American Academic publishers, volume 05, issue 10,2025
Journal: https://www.academicpublishers.org/journals/index.php/ijai

are issued for a period of up to 20 years. At the same time, in order to get a mortgage, at least 15% of the price of the house being purchased must be paid from personal funds.

Thus, the bank provides a mortgage loan at a certain interest rate. After making the down payment, he can make the remaining payments for the apartment with the help of a mortgage loan.

Mortgage loans are granted by commercial banks for the following purposes in terms of repayment, solvency, security and maturity:

• individual construction and reconstruction of a house in accordance with the established norms and rules of construction based on an individual and model project agreed upon in accordance with the law;

• buying a single-family house or an apartment in a multi-apartment building.

The term and amount of the mortgage loan, as well as the interest rate for using the loan, are determined by the agreement between the bank and the borrower, in accordance with the bank's internal credit policy. In this case, the mortgage loan is granted in an amount not exceeding 90% of the calculated housing value. To get a mortgage loan, the applicant must have money in the amount of 10% of the value of the house. These funds are placed in a deposit account opened in the name of the borrower.

To obtain a mortgage loan, the following documents are submitted to the bank:

• the original copy of the passport of the borrower (joint borrowers);

• contract of sale of housing;

• information on the income of the borrower (joint borrowers) in the last 12 months.

• The term of consideration of an application for a mortgage loan should not exceed 30 working days from the date of submission of all necessary documents.

• A mortgage contract is concluded between the bank and the borrower.

When taking a loan, the borrower must make the following expenses:

• state duty for notarization of the mortgage agreement;

• expenses related to mortgaged real estate insurance;

• payment for the services of an appraiser for determining the value of property.

From May 1, 2020 to January 1, 2022, individuals were allowed to issue mortgage loans for the purchase of apartments built by private contracting organizations without the condition of ready handover (without finishing works) in the primary housing market. The term of mortgage loans allocated to the population has been extended to 20 years.

The maximum amount of mortgage loans allocated to one borrower for the purchase of apartments completed by private contracting organizations, as well as apartments built without the condition of handover (without finishing works) in the primary housing market:

• from 174 million to 240 million soums for 2-room apartments in rural areas, from 224 million to 320 million soums for 3-room apartments and more;

• from 180 million soums to 240 million soums for 2-room apartments in cities, from 232 million to 320 million soums for 3-room apartments and more;

• In the city of Tashkent, the price for 2-room apartments was increased from 198 million to 264 million soums, and for 3-room apartments and more, from 255 million to 352 million soums.

Benefits of a mortgage loan:

• The first and most important advantage is the possibility to get an apartment or a house without having the necessary amount of funds in hand. For those who do not accept rent or live in a small living space with other family members, a mortgage loan is the only option when it is

ISSN: 2692-5206, Impact Factor: 12,23
American Academic publishers, volume 05, issue 10,2025
Journal: https://www.academicpublishers.org/journals/index.php/ijai

not possible to save money. With the help of a mortgage loan, the borrower can have his own home and live there paying the monthly mortgage payment.

• When applying for a mortgage, the borrower becomes an investor in a sense. The value of real estate on the market is growing every year. You can also make a profit by closing the loan early and selling the house at a higher price. Even if you don't foreclose, you will still have the opportunity to sell for a higher price after the loan is fully repaid.

• Can carry out any repair, reconstruction and other works not prohibited by law in the mortgaged apartment.

• There are state programs for mortgage loans. They allow the borrower to get a loan on favorable terms and at a lower interest rate.

• After the execution of the mortgage transaction, the borrower immediately becomes the owner of the house and has the right to live in the house, rent it, and register his relatives. What cannot be done with mortgaged real estate is its sale, exchange or bequest. All this is allowed after the mortgage loan is paid in full.

• Almost all banks provide an opportunity to pay off the mortgage before the due date. If the borrower has excess funds, he can pay off the loan early, and the interest payments will be reduced several times.

• Due to the fact that the mortgage is issued for a long period of time, the amount of the monthly payment may not be so large, and this allows the borrower not to experience serious financial difficulties.

• Before issuing a mortgage, the bank thoroughly inspects the selected housing. The borrower can be sure of the legality of the transaction and the place of residence.

In conclusion, mortgage lending remains one of the key instruments of financial intermediation in commercial banks, serving as a vital mechanism for economic growth and social welfare. Through the effective organization of mortgage lending, commercial banks not only provide individuals with access to housing but also stimulate the development of related sectors such as construction, insurance, and real estate. This, in turn, contributes to the creation of new jobs, an increase in household income, and the overall expansion of domestic demand.

The study shows that the efficiency of mortgage lending largely depends on the proper assessment of credit risks, the introduction of innovative financial products, and the establishment of favorable macroeconomic conditions. Ensuring transparency in credit procedures, strengthening the regulatory framework, and improving the mechanisms of long-term financing are essential for achieving sustainability in this sector.

Furthermore, digitalization in the banking system plays a significant role in enhancing mortgage operations. The use of online platforms, electronic document circulation, and automated scoring systems reduces administrative costs, increases customer satisfaction, and improves the accuracy of risk assessment.

For Uzbekistan, the development of mortgage lending is strategically important, as it directly supports the government's housing programs and the goal of improving citizens' living standards. Therefore, commercial banks should continue to diversify their loan portfolios, expand cooperation with international financial institutions, and implement modern risk management strategies.

Overall, the sustainable development of mortgage lending in commercial banks will ensure the balance between financial stability and social responsibility, promoting economic progress and contributing to the long-term prosperity of society. In short, there are different theoretical views on improving mortgage lending practices of banks. However, most

ORIGINAL ARTICLE

INTERNATIONAL JOURNAL OF ARTIFICIAL INTELLIGENCE

ISSN: 2692-5206, Impact Factor: 12,23

American Academic publishers, volume 05, issue 10,2025

Journal: https://www.academicpublishers.org/journals/index.php/ijai

economists recognize the presence of the secondary market of mortgage loans, the development of the risk management system, and resource provision of mortgage loans as necessary conditions for improving the practice of mortgage lending by banks.

References:

1. Central Bank of the Republic of Uzbekistan. (2024). Annual Report on the Development of the Banking Sector. Tashkent.
2. World Bank. (2023). Housing Finance in Emerging Markets: Trends and Challenges. Washington, D.C.: World Bank Publications.
3. Asian Development Bank (ADB). (2022). Uzbekistan: Financial Sector Assessment. Manila: ADB.
4. G'ofurov, M. (2023). Commercial Banks' Role in Financing Housing Construction Projects in Uzbekistan. Journal of Banking and Finance Research, 11(2), 45–58.
5. Mahmudov, B. & Saidov, A. (2022). Risk Management in Mortgage Lending Practices of Commercial Banks. Finance and Credit Bulletin, 8(3), 112–124.