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**“Mortgage relations in the legislation and practice of the Republic of Azerbaijan and European countries”**

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**ABSTRACT**

**“MORTGAGE RELATIONS IN THE LEGISLATION AND PRACTICE OF THE REPUBLIC OF AZERBAIJAN”**

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This bachelor thesis deals with questions related to the mortgage system and mortgage relations, and answer the questions: “What are key problems faced in the practice of mortgage relations in Azerbaijan?” and “How can these problems be solved?”

Mortgage policy is a tool that serves to improve the living conditions of the citizens, being part of the state's social policy. When selling or buying a home, a popular marketing strategy is to set the list price far below market value. The idea is that a low list price will attract loads of buyers, who will push up the sales price. Actually, the household's choice to default on a mortgage depends on the cost of the legal system and the mortgage contract.

 The diploma paper concludes with the development perspectives of dynamic available problems in the field of mortgage. As a result of the research, several theoretical provisions, including specific results aimed at improving the legislation and practice on the mortgage are shown.

***Keywords:*** *mortgage, mortgage system, market economy, mortgage contract, mortgagor, mortgagee.*

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**INTRODUCTION**

The analysis of the mortgage market is a specialized institution, but examines a financial market with extremely wide-ranging implications; it affects the stability of the whole economy of any country. An important key thing about this research is the increasing importance of the mortgage system – which is now a vital element for people in Azerbaijan and other European countries. The thesis will provide an organized research resource and also inform and motivate further studies into the legislation and practice of mortgage relations.

An efficient mortgage system has a significant importance both in meeting the housing needs of individuals and in reinforcing the development of the construction, finance and other related sectors of an economy. International experience suggests that, the widespread availability of residential mortgages has favorable impact on poverty alleviation, quality of housing, infrastructure, and urbanization.

Today, developed countries have advanced mortgage system in which funds flow from people with fund surpluses to the ones that are in need of them by the aid of mortgage companies. On the other hand, despite its recognized economic and social importance, financial issues often remain under-developed in developing countries mainly due to the lack of macroeconomic stability.

The literature about mortgage system and mortgage companies agrees upon the fact that macroeconomic instability is one of the main inhibiting factors on the growth of mortgage relations. Macroeconomic stability is necessary for a mortgage market to develop and to grow. High nominal interest rates negatively affect the demand for mortgage loans by the house purchasers. However, rises in inflation and accordingly in interest rates creates an instable macroeconomic environment which negatively affects the number of mortgage loans issued both due to the high cost for the borrowers and low availability of funds for lenders in such a situation.

The diploma paper summarizes comprehensively the concepts of mortgage relations, provides a review of mortgage contracts from some developed and developing countries, and describes the situation of the mortgage system in our country. Moreover, this study is different, because it empirically shows the relationships of inflation, nominal interest rates and the total amount of mortgage loans issued in various countries. The bachelor thesis consists of three chapters, including six paragraphs, and essentially is about theoretical aspects on the economic regulation of mortgage relations, comparative analysis of the mortgage system in the Republic of Azerbaijan and European countries, as well as problems and development perspectives in the field of mortgage.

The research objective should formulate a means to providing a solution to the available problems. As a starting point, all paragraphs compile a set of solution requirements. The research objective should work towards satisfying two solution requirements:

1. What are key problems faced in the practice of mortgage relations in Azerbaijan?

2. “How can these problems be solved?

**CHAPTER 1. THEORETICAL ASPECTS ON THE ECONOMIC REGULATION OF MORTGAGE RELATIONS**

* 1. **Formation and development of mortgage relations in the market economy**

A Mortgage is a debt instrument, verified by the guarantee of indicated land property, that the borrower is obliged to pay back with a foreordained set of payments. Mortgage is utilized by people and organizations to make extensive land buys without paying the whole price amount in advance. Over many years, the borrower repays the credit, plus interest, until person owns the property free and clear. Mortgage is otherwise called “liens against property” or “claims on property”. If the borrower quits paying the home loan, the lender can foreclose.

**Participants of Mortgages**

Lender/mortgagee - Lenders lend money, hence the name. They are the ones who approve, fund, and colse the loans. Many lenders also originate loans themselves. The lender category includes commercial banks, mortgage bankers, savings and loan associations, credit unions and investors.

Lender fund loans from brokers and resell them on the secondary market. They can also service the loan (collect the payments) or elect to keep the loan themselves and collect the interest [14, 10].

Borrower/mortgagor - A mortgagor is the borrower in a mortgage, he owes the commitment verified by the mortgage. For the most part, the borrower must meet situation of the underlying credit or other commitment, so as to recover the mortgage. If the borrower fails to meet these situation, the mortgagee may foreclose to recover the outstanding credit. Normally the borrowers will be the individual mortgage holders, proprietors, or organizations who are buying their property by way of a credit.

**Mortgage loan originator** - Before you even decide to be a mortgage professional, check out the industry first. Success is not just learned, but earned:

* talk to those in the industry to see what has been happening in the industry and state of the market;
* visit some lenders and some mortgage brokers in your area. Let them know you are thinking about getting into the industry and would appreciate some tips;
* ask about, and the payment, schedule and lead source you were employed by their company;
* get the highs and lows of other Loan Originators that have been in the field for a while as well as beginners;
* talk to Realtors and people at title companies;
* check out the mortgage resources on the Internet.

Once you have investigated the field and still interested in becoming a mortgage professional, it is time to determine what you need to do get into the profession. I believe that the new law states that all Loan Originators must be state licensed. Please contact your local industry or agency that handles mortgage licensing in your state and find out the requirements. If additional courses need to be taken, which I don’t think they do, but if need be, take those. If a test must be passed, then do that. Once you have your license, you are in the industry. Now all you need is a job. If you liked any of the companies you talked with before, go there first. If not, check out the classifieds in the newspaper, send out resumes on the internet and check with all banks, credit unions and brokers for ground level-foot in the door opportunity.

Mortgage loan originators are always in demand. You should have no problem finding a job. Then, all you need to do is implement the techniques taught in this manual and you are on your way to a successful career as a mortgage loan originator [14, 9].

**History of Mortgage** -The root of the word “mortgage” is about 27 centuries old. Mortgage (hypotheca) has taken its start from the ancient Greek right. The Greek mortgage means “bulwark”, “peg”. Despite its origin in ancient Greece, Roman law played a major role in the understanding of the mortgage relations and the formation, development, and acquisition of modern forms of content. As Plexersky pointed out, the Roman right had a profound effect on the development of private property-based legislation and legal training [17, 48].

The term “mortgage” was first used in ancient Athens, in the laws of Solo. This term refers not only to the form of the collateral but also to the name of the special column buried in the debtor's land. Anyone who saw such a column would be warned that the same area would be charged with the mortgage and secured the creditor's rights. Greek ruler Solon decides to apply such a rule so that citizens who can not fulfill their debt obligations become slaves. According to this rule, the pledged burials were written on the land plot of the debtor, “This land belongs to the lender in exchange for the amount borrowed”. That is why, in the subsequent periods, the mortgage debt or mortgage loan is acquired in exchange for the pledge of the property. The pledge buried in a mortgage is called mortgage, which is why the pledge of immovable property was subsequently named. In the case of mortgages in Athens, the creditor lends its debts to the debtor on the basis of the transfer of the land to its debtor, but in each case the land remained in its owner, ie the debtor, until the term set out for the obligation. This type of contract was very widespread at that time and even created a number of political and social problems between creditors and borrowers. Thus, the creditor could take the land from the debtor's property even if the debt was not repaid without the participation of state authorities. This type of contract was bound in a written form.

As we have noted, the development of mortgage law and mortgage-legal relations coincides with Roman history. Beginning in the 2nd century, the mortgage began to develop in Rome. Mortgages in Rome were considered the third most advanced form of collateral. It emerged as a result of the economic and trade turnover, economic evolution and the development of credit relations. Thus, the previous two forms of collateral, such as fiduciary and pignus, could not meet the development needs of economic and trade turnover. For example, the plagiarist form does not mean that the borrower (the pledger) could use his belongings. This situation was not economically advantageous for him. The mortgage allowed the item to remain in the possession of the debtor, to use it, to earn revenue, and thus to secure the demand. The mortgage loan was not transferred to the mortgage lender. The creditor's interest was defended by his right to property. This right allowed the creditor to request a mortgage object and, if necessary, take it from a third party [3, 590]. Also, according to Roman law, the mortgage was of an accessory character: it was due to its commitment to securing.

So, in mortgages in ancient Rome, the subject of pledge remained in the possession and possession of the debtor, and if the mortgagee did not fulfill the obligation (mortgagor), demand from the mortgage, regardless of who was at that time, to sell it and to recover from the amount borrowed against the debtor the right to meet the requirement. Mortgages also developed on the basis of agricultural land lease. The tenant was required from the tenant to ensure that the rent was timely given to the landowner by the landlord, for example, “imported, transported, transported” (inducta, invecta, illata) to everything else (agricultural equipment, livestock, etc.) should be included in the agreement on non-withdrawal from the land plot until the contractual debt is paid. All property brought to the land area should be the guarantee of the payment of the tenant's debt (rent). If the lessee removes his belongings from the rental area, the pretor would provide the proprietor with special remedies (Interditum Salvianum). If these items were already owned by a third party, a lawsuit (actio Serviana) could be lifted in order for items to be returned. As a result, a form of collateral applied to land lease contracts was created. The pledged property in this form of pledge did not immediately come from the ownership and use of the pledgegiver; it was merely the right to claim a claim for a refund in order to sell the lender. This form of mortgages, which relate to lease, was also subject to separate obligations. Therefore, this form of collateral has been applied to almost all obligations through the analogy “actio servian” (actio quasi - Serviana or actio Hypothecaria).

Later, during the period of Justinian, the mortgage and the pig's identification took place. The word Fidusia was compressed by the word piqnus, and the word pignius, in turn, was identified with the hypotheca. The difference between piguos and mortgages was restricted only by the sounding of their names. However, the Roman mortgage did not stipulate the registration of mortgages in state bodies, and the mortgage bond issue of the same property was usually resolved by the mortgage agreement, usually through the mortgage agreement [5, 128]. In addition, the unofficial nature of the mortgage also had other disadvantages as it relates to the ownership of property or other property rights. These people could get that thing without knowing that the item was loaded with a mortgage. It was found out in 472 AD that when facing several mortgages, the priority should be given to mortgages, which are determined by the participation of a public notary, or in a written document certified by at least three witnesses. However, this did not imply the prohibition of verbal forms for the identification of mortgages, although it helped to resolve disputes when faced with several mortgages with written form.

The legal construction of the mortgage funded by Roman lawyers has led Western European legislation to two basic features. First, it is applied only to real estate, and secondly, the sale of collateral property is only through court proceedings. However, the principles of Roman law were later adopted by the Roman-German (continental) family of law as well as the Anglo-Saxon family of law. In the Roma-German legal system, the concept of mortgages does not coincide with the general concept of mortgage. In Anglo Saxon, the mortgage is called a “mortgage”. Professor Sakae Waqasuma notes that the mortgage designs of the Anglo-Saxon law were developed on the basis of the fiduciary institute known to Roman law. But Roman law has inherited only mortgages and pig-nos constructions. From here it is possible to conclude that there is a general tendency between the “mortgage” structure and the fidusity of the classical Roman institute. In other words, the Anglo-Saxon family of law implies the concept of “mortgage”, similar to the fidus construction of Roman law. “Mortgage” is a fiduciary method of execution of obligations. According to this method, the right of ownership on mortgaged goods goes to the lender. After the claim is secured, the creditor returns this right to the debtor. The Roman-German legal system has taken systems such as mortgages and mortgages, rather than the fiduciary-type assurance of execution of its obligations under Roman law.

Mortgage relations are gaining momentum in the early 20th century. With a little clarity, we must note that the deep economic crisis in the United States in the 30s of the last century helped boost the economic activity of the state, revitalize the construction sector and other subsectors, provide direct support to the financial market and, most importantly, to start a serious mortgage policy. It is no coincidence that at present, there are two more mortgage models in the world, one of which is the Anglo-US mortgage model. Although, first of all, public funds were attracted to this sphere and state mortgage banks were established, the privatization process was implemented in the subsequent periods, which led to increased competition in the sector, increased financial resources and revived the securities market.

It should be noted that at the time when the mortgage was intended to protect the debtor's property, it is now an economic term that expresses the fact that the living accommodation obtained in exchange for the available capacities and future revenues is directly financed by the state or banks. In the current period when the concept of “changing capitalist state” has given its place to the “social state”, mortgages can be considered by the state as a way of improving the social welfare of the citizens, ensuring timely living conditions, achieving a fair share of people's rights and manifesting the social essence of the state can.

**Loan to Value (LTV)** -In the event that you are a non-first time purchaser (NFTB) you may be permitted to acquire 80 % of the property cost. For those looking to receive a buy to-let (BTL) property, you might be permitted to get 70% of the property sum. On the off chance that you right now have a home loan and are in negative value, these LTV rules don't use. On the off chance that you are in negative value and wish to change property you ought to talk about your alternatives with a Financial Broker.

Financial Broker is a specialist in financial issues, and some specialise in home loan sourcing. A Financial Broker will work with you to comprehend your demands in connection to acquiring a mortgage and guide you through the home loan application process. Budgetary Brokers will survey various loan specialists in the market, providing you with an wide option . Your Financial Broker will suggest the home loan term, rate and moneylender most appropriate for you. They will likewise suggest different items, for example, contract security and now and again home protection.

**Rates** - An interest rate is the amount of interest charged on a monthly credit repayment. Interest rates are indicated as a percent. Percent vary between lenders, and may increase or decreace from time to time.

Fixed Rate**-**Mortgage - A fixed rate contract implies that your rate won't change all through the predefined fixed term of your home loan. This means that your monthly reimbursements will be the equivalent for the fixed term. In Ireland maximal fixed term that you can presently get from a bank is ten years.

Variable Rate**-**Home loan - A variable rate can be gained for the term of the home loan. On the off chance that anyway you need to benefit of a fixed term amid the term of the home loan then you can apply for one. Variable interests rate will fluctuate during the term of the home loan and banks may change the rate whenever they wish with notice. At times it might be conceivable to get a part rate contract from a moneylender. This implies a level of the home loan would be on a fixed rate and the lay would be on a variable rate. In the event that you are uncertain about which rate choice you should take, consider getting exhortation from a Financial Broker with respect to which rate would best suit your requirements.

**The Complete Mortgage Loan Process** -From the start of the buyer/borrower or applicant seriously deciding to purchase or refinance their home to he closing of the loan there are basically 7 steps.

First, the borrower gets pre-qualified.

Step 1 - Pre-qualified (Before finding a home to purchase or before refinancing their current home)

Pre-qualification - before the home process begins,the buyer/borrower (refinance included) is pre-qualified. This is usually the first step after the contact is made with a Loan Officer. Note: not the Loan Processor. The loan orginator gathers information on the prospect/borrower concerning his or her income, pulls a credit report to view the depts and credit score. After all the information taken from the applicant has been reviewed, the Loan Officer makes a financial determination about how much house the borrower may be able to afford in qualified.

A variety of loan programs are offered to meet applicant’s criteria.

Step 2 - The Application

The “application”, the true beginning of the loan process usually occurs within five business days of the pre-qualification. The buyer/borrower completes a mortgage loan application with the loan officer required for processing.

Step 3 - Pre-Approval

Upon completion of the applicant’s information and credit report,the borrower will receive a pre-approval letter for his or her Mortgage Loan if they meet the qualifications.At that time,the file will be turned over to you,the Loan processor to help close the mortgage home loan by conneting the required documentation and completing the file for underwriting.

Step 4 - Processing

Processing begins as soon as you, the Loan Processor receive the file,usually 3 to 15 days from the time of the applicant/borrower being pre-approved. At this time, you, the Processor order a property appraisal and orders any other documents needed for processing the loan. The borrower’s Completed File is turned over to the lender for underwriting.

Step 5 - Underwriting

Lender/Underwriting process takes between days 15 and 25. The underwriter is responsible for determining whether the combined package passed over by the processor is deemed as an acceptable loan. If more information is needed, the loan is put into “suspense” and the borrower is contacted to supply more documentation.

Step 6 - Mortgage insurance.

When the borrower hass less than 20 % of the loan aount as a down payment, the loan is submitted to a private mortgage guaranty insurer. PMI (Private Mortgage Insurance) provides extra insurance to the lender in case of default. Usually returned back to the mortgage company within 48 hours.

Step 7 - Closing

Closing is the final step of the Home Mortgage Loan Process. The entire process usually takes about 30 days, some cases much quicker. At the closing table, lender “funds” the loan with a cashier’s check, draft or wire to the selling party in exchance for the title to the property. This is the point at which the borrower finishes the loan proces and actually buys the house and receives the keys [6,11].

* 1. **Economic nature, content and peculiarities of mortgage relations**

**Mortgage Interest Rate** - Mortgage Interest is the rate of interest charged on home loan advances. Each credit needs to pay an enthusiasm for expansion to the primary, correspondingly contract advance additionally includes contract interest. To purchase a home an individual (borrower) takes credit from a bank or some other money related firm (moneylender), the individual needs to pay reimburse the advance alongside the premium.

There are a wide range of strategies to figure the home loan financing cost paid. The loan fees might be fixed or rolling. In fixed rate, the rate stays consistent all through the lifetime of the credit reimbursement plan. In rolling or variable financing cost the rate of intrigue changes amid the lifetime of reimbursement of advance. In rolling loan fee or customizable rate contract, you can choose the rollover time frame with your bank and the financing cost will change after that rollover period relying on the moneylender. Home loan credit likewise gives the advantage of duty sparing to the individual as they are charge deductible. There are additionally Interest just home loans in which the borrower needs to make installments of interests up to the time of advance and after that make the singular amount installment to reimburse the essential.

The monthly payment in the fixed rate mortgage can be calculated by the formula:

**Payment = ((rate\*principal))/(1-(1+rate)^-n)**

For Example: If you purchase a house for $200000 and you pay $100000 from your pocket. Rest of the amount $100000 you take a loan from a bank with a fixed interest rate of 5 % for 10 years. The interest is compounded annually and you will have to make monthly payments. The amortization schedule is as below:



**Mortgage broker**

Mortgage brokers are loan orgination specialists who bring borrowers and lenders together. Brokers establish ongoing relationship with many different lenders. They must keep up to date on all loan programs available in the market. They use tehir knowledge to help homebuyers choose the program that fits their needs. Brokers range in size from one person companies, to large firms with employees.

Brokers can get premiums from lenders depending on the interest rate given to the borrower. Higher rate, the higher the premium. Brokers also usually charge the borrowers an origination fee for brokering the loan.

**Role of mortgage brokers**

1. The esteem that contract merchants give to purchasers through better client administration and direction, lower look costs, supporting challenge and decent variety of decision;
2. The effect the mortgage broking industry has had on the world economy through upgrading rivalry in the credit area, bringing down financing costs and diminishing expenses for borrowers;
3. The significant job contract representatives have played in encouraging expanded challenge in the home loan advertise giving banks, specifically littler moneylenders, with a compelling and adaptable conveyance channel for credit, and somewhat other monetary items;
4. The financial effect the business has as a gathering of private ventures giving direct work openings and supporting work in a roundabout way in organizations in other related enterprises.

**Mortgage crisis** -The Mortgage emergency is a continuous emergency in the United States. This emergency has enormously influenced different divisions of the economy other than lodging. This paper includes an audit of a portion of the reasons for the home loan emergency and a portion of the arrangements which have been proposed and those that have been executed. The examination was directed through an audit of books, solid sites and academic articles from diaries. The aftereffects of the exploration uncovered that a portion of the components that added to the home loan emergency incorporate; a blast in the lodging market, high hazard loaning practices, secularization, and flawed appraisals by FICO score organizations and absence of government guidelines. A portion of the arrangements that have been proposed incorporate bringing down of loan costs, property holder's help, heritage resource buys and setting up of home loan benchmarks.

**Balloon risk** -Unlike the residential mortgage market, where fully amotizing loans make-up the majority of the market,commercial mortgages most often are amotizing loans (20-30 year amortization schedules) with a balloon payment 7 and 12 years. Whereas the scheduled pricipal and interest during the term of the loan is paid from the cash flow generated by the property, the balloon payment is usually made by the traditional lenders. However, many investors in CMBS are relative new-comers to the commercial mortgage market and ar not yet aware of the potensial impact of balloon risk. Even traditional lenders, such as insurance companies, who are allocating more money to CMBS, do not understand the interaction between the CMBS structure and the inderlying pool of balloon mortgages. Moreover, with the advent of loans orginated for securitization, many innovations have appeared which mitigate the effects of balloon risk on bondholders [10, 275].

Unfortunately, the data used in this research contain limited information about each mortgage. Most of the data are provided from life insurance company annual statements filed with state regulatory agencies. In these statements, companies are required to report mortgage holdings as of their year-end status: active, 9 days delinquent, in process of foreclosure, or foreclosed. Included in the schedule are:

* Mortgage number (which permits tracking of an invidual morgage over time)
* State in which the loan was originated
* Year of loan origination
* Items capitalized during the year
* Principal payments received on the loan during the year
* Increase and decrease during the year
* Value transferred to real estate
* Real estate number [11, 71]

**Causes** - So as to comprehend the how the mortgage emergency can be fixed it is fundamental to consider a portion of the components that added to its being. A few factors in the credit and lodging market added to the emergency.

One of the elements that added to the home loan emergency is the blast in the housing market. The housing market blast was encouraged by the progression of remote cash in the U.S and improved credit conditions. The USA home possession expanded altogether in 2004. As the interest for houses expanded, the costs expanded. The costs of houses expanded by 124 %. Customers began to spend and get more and to spare less. The lodging blast thus prompted a structure blast and the outcome was such huge numbers of unsold houses. In mid 2006, the U.S housing costs started to decrease. The way that credit was anything but difficult to get and the solid conviction by subprime borrowers that the costs of houses would keep on expanding urged them to take up movable rate contracts. When the underlying elegance time frame stopped, numerous borrowers were not capable endured higher installments and renegotiating turned into an option. The decrease in lodging costs anyway made renegotiating extremely convoluted. Most borrowers quit paying their home loans and this prompted dispossessions and increment in the quantity of houses accessible available to be purchased .

High risk obtaining and loaning rehearses additionally added to the emergency. High hazard borrowers including workers were given an ever increasing number of advances by moneylenders. Lenders likewise given unsafe acquiring activities and advance alternatives for instance occasions in which banks request initial installment as meager as 2 %. The capability for home loans has likewise been changed. Theoretical getting inside private land is one more factor that has added to the crisis. Individuals began to purchase condos which were still under development and later on sold them for a benefit. Practices, for example, secularization likewise prompted the emergency. This prompted the dispersion of credit hazard to speculators. Off base evaluations of credit could likewise be accused for the issue. The offices which manage FICO score gave broken speculation grade evaluations to contract supported securities. The high appraisals given by the FICO assessment offices added to the clearance of home loan supported securities to financial specialists. A portion of the general population engaged with the rating realized that they were flawed. Absence of government guideline likewise added to the emergency .

**Mortgage calculator** -A mortgage calculator is a device that uses a formula to figure out compound interest on money owed, so you can determine exactly what your monthly mortgage payment would be on a given cedit. There are many mortgage calculator websites and they typically ask for a few pieces of information. They will want to know the exact amount of the money you plan to borrow, the interest rate at which you borrow it, and the total length of the credit.

Each home loan calculator can yield somewhat various outcomes. Most will disclose to you what your installment will be, the aggregate sum you will finish up owing in the event that you keep up a similar advance and the aggregate sum of interest you'll need to pay. More often than not, these adding machines don't figure in different costs like home loan protection, so you'll have to include these expenses onto the highest point of whatever installment sum the home loan adding machine appears.

A considerable lot of these home loan adding machine locales lead legitimately to destinations about land, banking or credit reports. You don't really need to give out any close to home data in the event that you need to utilize a home loan mini-computer. In addition, in case you're in at any rate suspicious of the outcomes you can check the credit on a few adding machines to ensure that installment sum is precise. In the event that you do plan to acquire an advance sooner rather than later, you can likewise request that the bank compute the measure of regularly scheduled installments. Be sure that these installments will continue as before and aren't intrigue just installments that later are liable to expanding.

Even if you’re not looking at buying a house today, you can figure out what you’d need to make in order to purchase a house in the future. Many economists say that you should spend no more than 30 % of your salary on housing payments, though its certainly true that there are a number of people who spend a higher percentage. If you make $4500 US Dollars (USD) per month, this would technically mean you could spend about $1500 USD per month on payments, approximately a $200,000 USD 20-year loan at 7 % interest.

Obviously, you will to need to alter this when you think about your different costs and recollect that there are costs related with owning a house. In the event that you claim your own home, you'll have to burn through cash to address any fixes, as there is no landowner to fix things. Different expenses can incorporate utilities, on the off chance that you don't as of now pay these, assessments, and protection for your home. While a home loan number cruncher is a decent spot to begin in making sense of what sort of advance you can manage, you should consider different costs before you choose the amount of a credit is practical inside your salary.



**CHAPTER 2. COMPARATIVE ANALYSIS OF THE MORTGAGE SYSTEM IN THE REPUBLIC OF AZERBAIJAN AND EUROPEAN COUNTRIES**

**2.1. Mortgage contract as a vital element in the mortgage system**

When it comes to mortgages, it is considered to be a guarantee for a debt or for a future debt. In this sense, the mortgage means that an immovable property can be collateralized and pledged against a debt. For the loan to be taken from a bank or from different institutions and organizations, a real estate is required to be guaranteed.

In such cases, the mortgage contract can be executed by the creditor. Similarly, it is possible to mortgage an immovable property due to a commercial activity. In the same case, the creditor knows that an unpaid debt is a mortgage on an immovable property. In order to make this transaction, there must be a debit and credit status.

In the event of a debt, debtor and creditors, mortgage transactions can be made. The mortgage transaction takes place in the land registry. In order to make a mortgage, it is necessary to have an acquisition cost, the parties agreed and the deed officer to make a formal contract. A registration procedure in this regard means that it constitutes a presumption.With the termination of the loan, the mortgage agreement will be eliminated. In the absence of a receivable, the mortgage will have no legal meaning. However, an application must be made to remove them from the records. After collecting the debt of the creditors must remove the mortgage. If this transaction is not done, the debtor may request the removal of the mortgage by showing that he has paid his debt.

**How to make a mortgage contract? What are the required documents?**

1. One passport photos of the debtor and the creditor;
2. Photo IDs of the borrower, the creditor and the persons authorized to do so;
3. The title deed of the immovable to be applied for the mortgage agreement;
4. In the event that one of the debtor or creditor party is a legal person, signature registry issued from the trade registry office, the tax certificate, the certificate of authority and the stamp and the identity cards of the authorities.
5. If they are represented by a proxy for one or both of the parties in the contract to be made, the necessary document for representation.

**How to remove a mortgage agreement?**

During the mortgage transaction, stamp duty and title deed fees are taken. These fees are made as stipulated in the Stamp Tax and Fees Act. The amount of the debt to be provided by the mortgage will be paid on the basis of the title deed fee of 3.6 per thousand and the stamp tax fee of 7.5 per thousand according to the Stamp Tax Law. In the houses to be purchased by credit, the bank will place mortgages on the house during the payment of the loan amount and debts. In order to remove this mortgage, the debt must be fully completed. After this is achieved, the removal of this mortgage from the deed can only be done by the lender.

In order to remove this mortgage from the tap, mortgage fek can be obtained indicating that the debts from the bank are over and that the mortgage can be removed. The mortgage can be removed by going to the title deed office with this letter to be received. Banks can request different fees for the mortgage contract fecket letter for the removal of the mortgage.

In case the debt of the house taken by the loan is over, the mortgage is required for the removal of the mortgage. Some banks can send this article directly to the title deed offices. Some banks are able to deliver this article to the consumer.

**2.2. Mortgage system in our country**

Article 1. Basic concepts

1.0. The concepts used in this Law are as follows:

1.0.1. mortgage - is a collateral for immovable things and movable property registered in the official register as a way of ensuring the fulfillment of the obligation [2];

1.0.2. mortgage paper - is a registered security that determines the right of mortgage. The mortgage, which determines the right of mortgage on real estate, is officially registered in the form of a security paperless;

1.0.3. the legal owner of the mortgage - is the person who has the right of ownership on the mortgage;

1.0.3-1. the holder of the mortgage paper that determines the right of mortgage on real estate - a person who has been granted a right of mortgage on the electronic system of mortgage paper (hereinafter - the electronic system);

1.0.4 mortgagor is a person who mortgages a mortgage. Mortgagor may be both debtor and third parties;

1.0.5. mortgagor - is a person possessing the right to mortgage and the right of mortgagee to demand the execution of the principal obligation at the expense of the mortgage object in excess of the other creditors, including the holder of the mortgagor (owner);

1.0.6. mortgage right - the right of the mortgagor to direct the possession of the mortgage in the cases stipulated in Article 34 of this Law;

1.0.7. mortgage agreement is an agreement between a mortgagee and a mortgagee for the execution of the principal obligation;

1.0.8. the main liability is debt and other liabilities that arise from the principal contract and are fully or partially secured by mortgage;

1.0.9. initial sale price - is the sale (liquid) price of a mortgage subject to the time limit of the relevant marketing for determining the market value of the mortgage object in accordance with the requirements of this Law.

Article 4. Amount of mortgage claim

4.1. If the mortgage contract does not stipulate a separate rule, the mortgagee's claim shall be fully guaranteed by:

4.1.1. borrow;

4.1.2. interest rates;

4.1.3. non-execution or improper fulfillment of the obligation, including the payment of damages and (or) losses incurred as a result of delays;

4.1.4. execution of the proceedings in connection with the transfer of the mortgage subject, payment of litigation costs and other expenses.

4.2. Except for the requirements stipulated in Articles 4.1.4 or 5 of this Law, if a specific commitment in the mortgage agreement (the requirements set out in Articles 4.1.1-4.1.3) is indicated, that obligation shall be secured only in this amount is considered to be.

Article 6. Subject of mortgage

6.1. The subject of the mortgage may be the immovable property owned by the mortgagor, including immovable property that is not completed, and movable property registered in the official register.

6.2. Mortgages that are excluded from the civil circulation, as well as by demand of the law and can not be alienated, are not allowed.

6.3. Mortgages can not be partly divisible.

6.4. The mortgage can be general. The general mortgage is such a mortgage that its subject is a few items and each of the items is used to pay for the general requirement. The creditor's request may be repaid at the expense of any item at his sole discretion.

6.5. Unless otherwise specified in the mortgage agreement, mortgages can be changed with the consent of the mortgagee.

Article 10. Mortgage agreement

10.1 The mortgage contract is not independent and is concluded for the purpose of maintaining its principal obligations. The mortgage contract may be terminated at any time during the period of the principal obligation. The invalidity of the mortgage agreement does not entail the invalidity of the principal obligation. The invalidity of the principal obligation entails the invalidity of the mortgage agreement.

10.2 Mortgage agreement shall be concluded in written form by the mortgagee and mortgagee, as well as by drawing up a document signed by the debtor, unless the mortgagee is a debtor. Mortgage agreement must be approved by notary.

10.3 If there is a discrepancy between the mortgage agreement and the contract that creates the main liability, then the mortgage agreement is subject to the priority of the contract that creates the principal obligation and the non-mortgaged debt.

10.4 Mortgage agreement must be registered by the state. The mortgage agreement comes into force from the moment of its state registration.

10.5 Name and place of residence of the parties, place of mortgage, other description sufficient for its name, place of location and identification, essence, size (amount), origin and duration of the principal obligation, parties of the agreement on which this obligation is based , terms and conditions of the mortgagee's claim on the mortgage subject, the mortgage object's sales method, the initial sale price of the mortgage object or the independent appraisers to determine the value of the mortgage object, the order and the order of distribution of the income from the sale of the mortgaged person and the sale of the mortgage object, the e-mail address of the mortgagee. If the amount of the principal obligation is to be determined in the future, the mortgage contract must specify the amount of that amount.

10.6 If the mortgage obligation is to be executed in part, the mortgage contract shall specify the terms or periods for the related payments, the amount thereof or the conditions that allow them to determine the amounts.

10.7 The mortgage contract shall indicate the property of the mortgaged property which is the property of the mortgagor and the state authority registering that right.

10.8 During the mortgage agreement, the mortgagee must notify the mortgagor in written form about the mortgagor's mortgaged property, all the rights of third parties, mortgages and other obligations of the mortgage subject, third parties' claims and court disputes, as well as the nature and amount of previous mortgages. Failure to fulfill this obligation gives the mortgage holder, including the subsequent mortgagor, the right to demand early repayment of the principal obligation or to amend the terms of the mortgage agreement, or the breach of the contract and indemnity.

Mortgage lending decreased in the principal half of 2015 in Azerbaijan, the Central Bank reports. The Azerbaijan Mortgage Fund conceded advances adding up to 56.5 million manat in January-June, which is 12 percent not exactly a similar period in 2014. The report demonstrates that the AMF issued credits totaling 9.5 million manat in June, which is 18.75 percent more than the 8 milion in advances issued in June of a year ago. Amid this past June, the aggregate sum of renegotiating advances issued by banks prior added up to 37.8 million manat.

The normal monthly measure of credit issued in this period by approved banks added up to 40,584 manat, while this figure was 39,891 manat in June 2014. The normal credit term was 279 months (278 months in 2014), while the normal yearly financing cost remained at 6.73 percent (against 6.83 percent a year sooner), and regularly scheduled installments found the middle value of around 297.4 manat (318.6 manat last year). The state spending plan exchanged 4.7 million manat to the AMF in this June.

Until this point in time, the AMF issued contracts for more than 698.78 million manat, incorporating 97.1 million manat in 2014, 112.9 million manat in 2013, 74.77 million manat in 2012, 95.64 million manat in 2011, 97.08 million manat in 2010, 76.9 million manat in 2009, 70.2 million manat in 2007, and 5.6 million manat in 2006.

**The greatest size of a traditional home loan at the AMF is 50,000 manat with an up front installment of 20 percent, at a rate of eight percent and a term of 25 years. The social home loan gifts 50,000 manat to the borrower, at a yearly rate of four percent and a term of 30 years, with an up front installment of 15 percent.**

**Home loans are issued to Azerbaijani natives in manat as it were. The subject of the home loan must be a loft or private house and the measure of home loan credit ought not surpass 80 percent of the market estimation of the property. The regularly scheduled installment for a credit ought not surpass 70 percent of the monthly pay of the borrower. Preferable conditions are allowed once to individuals from groups of war unfortunate casualties, groups of national legends, inside uprooted people, common and military hirelings, PhDs, proficient competitors, and so on. It is for the most part youthful families that look into acquiring contracts in Azerbaijan. More than 67 percent of home loan contracts were marked to wedded couples in 2014. Single youngsters under 30 marked 37.9 percent of the understandings.**

**This year, the state intends to send 50 million manat from its financial limit toward the issuance of social home loans, 25 percent higher than the measure of subsidizing for 2014. By 2016, the aggregate sum of assets distributed from the state spending plan to AMF is required to achieve 266 million manat.**

**The nation Mortgage Fund, which was made in 2005, plans to make a component that will furnish the populace with lodging through long haul contract loaning, just as help with drawing in remote and neighborhood money related assets to contract loaning. Until this point in time, in excess of 30 banks, 16 examination organizations, and 21 insurance agencies are approved operators of the AMF. Since the beginning of subsidizing, the association allowed contract advances in the measure of more than 636 million manat to in excess of 15,900 individuals.**

**Mortgage credit, billion currency units in Azerbaijan, February, 2019:** For that pointer, Central Bank of the Republic of Azerbaijan gives information to Azerbaijan from 2011 to 2019. The normal incentive for Azerbaijan amid that period was 1.19 billion Azerbaijanian Manat with a minumum of 0.38 billion Azerbaijanian Manat in April 2011 and a limit of 1.89 billion Azerbaijanian Manat in February 2019.

Azerbaijanian Manat in April 2011 and a maximum of 1.89 billion Azerbaijanian Manat in February 2019.



**2.3. Comparison of mortgage systems available between developed and developing countries of Europe**

In the changing world, the social state model is one of the major directions of human development in the 21st century. In the socio-economic policy implemented by the states in this age, priority is to ensure the conditions for living in accordance with high standards of living. It should be emphasized that the protection of basic rights as the needs of people in the area of ​​housing is the main task of the government. International experience shows that the basic economic instrument for the improvement of people's housing conditions is just a mortgage. It is not accidental that, in some cases, the mortgage policy is a crucial criterion for evaluating the level of social justice of the states.

As we have noted, the main purpose of the mortgage is to develop people's living conditions, to determine a fair solution to social problems and to support the citizen's natural rights in civil-state relations. From this prism, the change of wild capitalism from the beginning of the 20th century to a softer and more social form has given rise to the development of mortgages. In the 30s of the last century, deep economic depression in the world economy, including the United States, and subsequent global war that resulted in the destruction of Europe's infrastructure, eventually aggravated living conditions and the real estate market collapsed. In such a situation, the state has strengthened the legal basis in order to overcome the confusion in the real estate market. Thus, for the first time, Western European countries have forbidden the sale of mortgaged real estate by a lender. Mortgaged property could only be sold by a court order. Later on, the US Congress decided to establish such organizations as the National Mortgage Union (Fannie Mae), Housing Mortgage Credit Corporation (Freddi Mac), StateMortgage Credit Union (Gen Gene Mae) played a significant role in the creation and development of the mortgage market.

There are two upgraded models of the mortgage system in the world today.

1. Securitization (American)
2. Social (European)

The peculiarity of the European model of mortgage lending is based on the principle of combining people's money to the problem of homelessness, and the essence is the unification of forces. The rule that applies is that people who do not have enough money to buy a house combine their opportunities and, in turn, solve this problem. The solution of the problem in this way has expanded in Europe after the Second World War, and the process of building savings banks has accelerated. Generally this model was first introduced in the UK. At present, construction savings banks are considered to be the main direction of mortgage lending in most countries, which is the most optimal option for attracting funds. The European model of mortgage lending was successfully implemented in such countries as Germany, Denmark, Austria, Czech Republic and Hungary. The European model incorporates more German and Danish experience. Germany has applied this method since 1885. The German model consists of a construction and assembly model and is considered to be one of the countries where this model is best used. In practice, the Building Savings Banks or the Construction Sharing Agreement are also called. From the XIX century the model has begun to develop and spread to other countries. As a result, in 1914, the Foundation of the World Organization for Housing Finance (IUHF) was founded in 1947 by the Foundation of the Association of the Public Associations of Germany. In some European countries, construction banks began to emerge after 1950. Although Switzerland, Austria, the Netherlands, Bulgaria and Czechoslovakia have been established, the application of the model has been carried out in some countries with certain differences. One of these differences was the interest-free use of the model in some countries. Thus, chronic inflation in countries such as France, the Netherlands, and Argentina that applied the model without interest rates led to the success of this system.

A mortgage credit positions among one of the most seasoned bank items. These days it speaks to a quickly creating part of bank loaning activities. It is typically portrayed by either capital venture financing (like for an individual buying a house) or the issue and closeout of home loan securities by institutional speculators in capital markets. In 2008, issues with home loans added to the budgetary emergency. From that point forward, contract advertises in Europe stayed divided. This would already be able to be found in the distinctive home loan financing costs over the landmass. For instance, the home loan financing cost in Italy achieved an estimation of 2.33 percent in 2016, while Hungary had an extensively higher loan cost of 4.89 percent. So, every European nation has its own elements with regards to contract fund.

The size and significance of home loan loaning in European nations fluctuates essentially as there are numerous distinctions with regards to tax assessment, rules for purchaser assurance and various methods for giving home loan credits. Nations, for example, Ireland, Portugal and Spain have endeavored to deregulate their all out extraordinary private loaning, while the volume of home loan exercises expanded fundamentally in nations, for example, Belgium, France and Sweden. In the primary quarter of 2016, the all out extraordinary private home loan loaning in Germany, for instance, added up to around 1.284 billion euros. Just the United Kingdom achieved a higher incentive than Germany. The home loan advertise in Denmark, nonetheless, stagnated to some degree.

Most nations in Europe show expanding lodging costs, which implies a functioning business sector dependent on improving financial conditions all through the EU coupled to tight supply and extreme interest. For instance, between the beginning of 2014 and the finish of 2015, Romania and Portugal were among the nations which encountered an expansion in lodging costs, while the costs in Slovania and Italy diminished. This improvement is upgraded further by the fiscal arrangement of the European Central Bank (ECB), as its approach of misleadingly low loan costs prompts shoddy credit. Therefore, as loan costs diminished, contracts with an underlying rate obsession turned out to be increasingly prevalent, for instance in the Netherlands.

An ongoing advancement is the utilization of crowdfunding to fund-raise. This includes interests in or loaning of moderately little measures of cash by a huge gathering of speculators to private people or organizations, and normally occurs through an online stage. The market size of elective financing techniques in Europe achieved a size of around 5.4 billion euros starting at 2015. Crowdfunding a property through a shared site is, starting at yet, conceivable and could well assume an unequivocal job in the European home loan markets. In reality, study information in 2017 demonstrated that roughly 53 percent of respondents, industry specialists, expected a moderate increment owing debtors financing for land speculations originating from elective loaning stages around then.



**France.**

Except if you as of now have the investment funds or are intending to discharge value from your home in the UK to buy your property in France, there is a decent possibility that you should tie down a home loan to back your buy.

On the off chance that you are not kidding about obtaining property in France and require fund, you should begin orchestrating your French home loan nearly before you do whatever else to empower you to continue with trust in the learning that you have tied down the money important to purchase another home.

Forward arranging toward the begin will likewise give you a superior thought of the amount you can spend on your French property and can work out the feasible future monetary ramifications of your buy.

Leaving the money related side of your French property buy until the end will conceivably abandon you in a flimsier position, particularly on the off chance that you need to bring account up in a surge, which may imply that you end up being unfit to verify the most ideal home loan at the most alluring getting rate.

**Deposit** - For a French home loan, you will by and large need a base store of at any rate 15 % to 25 % of the property's price , with rates that are fixed or variable.

“The maximum for a reimbursement credit is 85 %, yet there is just a single loan specialist who will go this high,” John remarks. “For the most part 80 % is the most noteworthy accessible. For an interest just home loan, 70 % to 75 % is the most extreme."

**Insurance** -Building insurance is necessary for all individuals hoping to verify a French home loan and the notaire is required to have affirmation of this before you complete on a property. A few banks may recommend their own protection item, yet they can't demand you take their spread. Life coverage normally relies upon the advance to-estimation of the home loan and the bank. For example, on the off chance that you are obtaining lower than half credit to-esteem you may not require it – a loan specialist will probably request that you sign a revelation. Else it is generally a necessity.

**Cost of getting a French mortgage** -French moneylenders normally energize a set charge (now and then called frais de dossier), which can be fixed or a level of home loan. Related managerial charges for setting up a French home loan incorporate the accompanying:

* 1 % beginning/course of action expense, with a €350 least (in addition to VAT). This can change, so there's an opportunity your home loan agent can bring it down.
* Lenders may require a valuation review, which regularly costs €250.
* Notary expenses can aggregate around 6– 8 % for an utilized property, and 3– 5 % for another form or properties under five-years of age. The public accountant expenses are fixed by law for some parts of the property exchange

**Mortgage rules for foreign buyers** -While French banks are glad to stretch out credit to remote purchasers following the equivalent screening measures and charge plan similarly as with nationals, they may have some extra prerequisites.

So as to get the best French home loan financing costs, and to verify against unanticipated cash trade downturns, French home loan suppliers may ask non-occupants to open a bank account with a base store equivalent to something like 24 contract installments.

For instance, if you somehow managed to verify a €100,000 contract with a 1.5 % fixed French home loan rate for a long time, you may be required to bolt up capital of some €15,000.

An extra lawful prerequisite for getting a French home loan is to buy a life coverage arrangement equivalent to 120 % of your home loan, with the moneylender named the recipient.

Singular banks may likewise require wellbeing and handicap protection arrangements, and may ask borrowers matured 50 years or more seasoned, or getting more than €150,000, to submit to a therapeutic test.

Numerous moneylenders will likewise demand the borrower to acquire verification of protection on the property, and any enhancements immediately.

**Requirements for getting a French mortgage** -When applying for the mortgage, you will need to provide the following documents:

* copies of the borrower’s passports;
* proof of income;
* self-employed individuals will need to show a set of audited financials for three years;
* bank statements for the last three months;
* current rental agreement;
* statement of assets;
* executed sales agreement (for the actual mortgage offer, not for a preliminary commitment);
* if the property is new or to be renovated, written estimates or invoices from French-registered tradesmen and copies of their certificate of insurance;
* if new improvements are to be constructed on the property, a property title or preliminary sales agreement for the land, building license, and the building contract and plans;
* if applicable, the title deed or loan deed with a complete repayment table if the property is to be financed with a remortgage or equity release.

French home loans can't be formally offered without showing a property buy understanding. Be that as it may, sometimes it might be conceivable to verify a testament of duty (pre-endorsement letter) for around €350, in addition to VAT, from a home loan bank. This will for the most part enable you to consult with the vender and ought to be substantial for three to four months.

**Tax considerations for French mortgages** -There are three fundamental types of home loan related duty help you can get while making good on regulatory expenses in France.

One is the deductibility of home loan enthusiasm on rental pay. On the off chance that you buy a French property and lease it out for all or part of the year, your home loan intrigue is viewed as an immediate cost of doing business against your rental salary.

In this way, for French nationals and expats with a legitimate residency visa, the assessment on property incomes is determined on the rental salary less the intrigue installments. For non-occupants, in any case, the duty obligation on rental pay is diminished to 25 % of that collected against inhabitants.

French law likewise permits contract intrigue conclusions against French legacy charge, which can be a sizeable risk to the individuals who acquire your property.

The legacy charge laws are mind boggling and profoundly situational. Addressing a certified duty guide is prudent as a forerunner to purchasing French property or taking out a French home loan.

The third type of home loan related duty help applies just to those subject to French riches charge.

New riches charge rules presented in January 2018 imply that anybody with overall property worth €1.3m or all the more needs to settle an extra regulatory obligation rate. Non inhabitants just need to pay this on property in France.

The rates based on real estate value are as follows:

* €800,000–€1,300,000: 0.5 %
* €1,300,000–€2,570,000: 0.7 %
* €2,570,000–€5,000,000: 1 %
* €5,000,000–€10,000,000: 1.25 %
* €10,000,000+: 1.5 %

**Types of French mortgage credit** -French law distinguishes between common and private mortgages. All property owned by the general mortgagee is also applicable to property acquired after the occurrence of mortgages. The total mortgage is based on a court order or a direct bill. The French Civil Code sets out five types of common mortgages from the provisions of the Law:

1. mortgage of a married woman's property;
2. mortgagor's property mortgagor of a minor or an incompetent person;
3. mortgages on the property of the leper whose money or consumer goods are tested;
4. the right of priority is given to the benefit of the subsidiary mortgage, which is determined by favor of the creditor, in the debtor's property. These requirements include funeral expenses, expenses related to the last illness of the debtor, and so on. it applies;
5. mortgage of state and public institutions to the property of the state and municipal property holders.

In all other cases, the mortgage can only be specific.

**Germany.**

Without a doubt, in late 2018, the German government facilitated a lodging summit in the midst of dissents at the increasing expenses of purchasing and leasing homes in real urban areas.

In the meantime, contract rates have been tumbling to memorable lows, with the impact of the pessimistic Euribor rate bringing about less expensive arrangements for home purchasers and individuals looking to remortgage.

**How much can you borrow in Germany?** - Here are no confinements on outsiders buying German land, paying little mind to whether their nation of birthplace is a piece of the European Union (EU).

The most extreme sum you can acquire, be that as it may, depends on your residency status. German inhabitants can acquire up to 80 % of the evaluated estimation of the property, yet non-occupants can be restricted to around 55– 60 % of the surveyed esteem. Borrowers should likewise have a yearly salary in overabundance of €20,000. Furthermore, your monthly contract installments can never surpass 35 % of your monthly pay.

**Calculation** -Online mortgage calculators for Germany can help you determine how much you can borrow and estimate your monthly rate:

* LoanLink’s smart [German mortgage calculator](https://www.loanlink.de/mortgage-calculator/Repayment-calculator/?utm_medium=partner&utm_source=blog+post&utm_campaign=expaticaMortgageGermany)
* Hypofriend’s [mortgage calculator](https://hypofriend.de/en?utm_source=expatica&utm_campaign=article-mortgageingermany)

**Costs** -A mix of the low default rate on German home loans with verifiably low Euribor rates has driven German home loan rates to be among the most minimal on the planet. In 2018, the normal home loan rate was 1.85 %, as per information from Statista. Mortgage application charges are commonly 1-2 % of the all out credit sum. In the event that the property is esteemed at more than €500,000, at that point the purchaser must pay for a property appraisal, which regularly costs around €300– €600.

After marking the deed, expenses will be expected:

* the legal official's expenses and enlistments charges at around 1.5% of the evaluated property estimation;
* the land operator's charges going from 3-6 % of the deal cost. In Germany, purchasers regularly pay home specialist charges (or split them with the venders) – however this is liable to arrangement.

From there on the purchaser will have as long as about a month to pay the land exchange charge, which ranges from 3.5– 6.5 % of the estimation of the property, contingent upon the state where you are purchasing.

**Requirements for German mortgage** -The home loan application in Germany is straight forward, however the dimension of examination of the candidate's budgetary and different records can be overwhelming.

The reports you should give – converted into German – include:

* German self-revelation (Selbstauskunft) survey;
* property evaluation;
* proof of work (2– a year of pay slips);
* self-utilized people must give extra confirmations of salary and total assets including two years of monetary records, business and financial assessment, and earlier year's expense forms;
* latest expense forms;
* documentation of rental pay (if the property has been recently rented out);
* proof of accessible value;
* extract from the Land Register for the past about a month and a half.

Moreover, remote purchasers should give duplicates of their identification and, now and again, a residency grant**.**

**How to apply for a German mortgage?** - Applying for a German home loan is like different nations, the principle distinction being that bank's examine your money related status all the more altogether. Some portion of that due persistence procedure will require acquiring a Schufa report – what might be compared to a credit report.

As an outsider you might not have a Schufa record, so you may need to demonstrate verification of your credit value from your home credit detailing organization.

The banks recorded beneath are inviting to outside land purchasers and, now and again, might almost certainly offer interpretation administrations. There are likewise numerous German banks to look over, and some have some expertise in expat contracts. A portion of the primary German banks include: Commerzbank: a main business worldwide manage an account with center market in Germany:

1. Deutsche Bank: one of the biggest and most regarded banks in Germany;
2. Postbank: one of Germany's biggest banks having some expertise in private clients;
3. Sparda-Bank: a huge retail bank which is a piece of the Cooperative Bank framework.

Expats could likewise counsel a German home loan specialist, who will think about the rates of numerous moneylenders for your benefit. LoanLink offers contract guidance in English and analyzes in excess of 400 German banks, and Hypofriend, a free computerized home loan stage, checks the rates for you consistently.

**Types of mortgage** - In German civil law, three types of mortgage are defined: 1) mortgages of the proprietor; 2) circulation mortgage; 3) land debt. The mortgage of the property owner is referred to the right of pledge to the property of the proprietor. The mortgagor's mortgage arises when the proprietor acquires a defined mortgage right to satisfy a claim previously held by another person. Periodic mortgage is defined by issuing the actual mortgage certificate to the creditor. Instead, the parties may agree on the right of the creditor to obtain the certificate from the body responsible for the land register. If the creditor obtains a mortgage, the issuance is considered to have taken place. Land or property debt is the right to exchange property on land. Land debt is responsible for the amount of land in a certain amount of land. Land debt can be documented by issuing a debt document to the person who submitted the loan. The person who issues such a document shall apply the rules on debt liability [12].

**Guarantees** -One eccentricity of the German home loan industry is the absence of home loan ensures. This makes it amazingly hard to get a home loan in Germany in specific circumstances, for instance:

* if your credit is subprime;
* if you have under five years until retirement;
* if you don't have the accessible money to cover the initial installment and shutting costs;
* if your present and past pay can't be confirmed as being over the bank's limit.

**United Kingdom.**

**Mortgage rate** - The UK property market has slowed somewhat over the last year, as uncertainty continues around [**Brexit**](https://www.expatica.com/moving/visas/expats-guide-brexit-british-in-europe-europeans-in-uk-8803/). Despite this, property prices are still just about on the rise. In January 2019, average house prices increased by 0.1 %, to reach £211,966.The cheapest deals are generally available to buyers with a deposit of at least 40 %, though it’s possible to secure a mortgage rate of below 2 % on a loan of up to 90 % of the value of a property. 100 % mortgages don’t currently exist in the UK, though there are some no-deposit products that require a parent or family member to act as a guarantor.

If you’re considering investing in a buy-to-let property, you’ll find attractive mortgage rates of around 3-3.5 %, but you’ll need to familiarise yourself with the various taxation rules around property investment, including the 3 % stamp duty surcharge.Generally speaking, buy-to-let mortgages involve more stringent affordability testing, so you may need a bigger deposit than if you were buying an owner-occupier property.

**How much can you borrow?** -The UK contract framework thinks about every borrower's conditions as interesting, so you may discover a few lenders who are eager to offer you a greater credit than others. There are more than 50 contract lenders in the UK, so it can pay to search for the best rates. All in all there are three essential factors that UK contract moneylenders will weigh up before making you an offer:Your total household income.

When in doubt, you can get up to four-and-a-half times your yearly family unit salary, however this will rely upon your record of loan repayment. Some home loan suppliers stretch out this to multiple times pay for borrowers with explicit callings. Home loan banks will factor in your outgoings before offering you an advance, so you'll need to detail things, for example, Mastercards and individual credits, exercise center enrollments, and even normal spending on sustenance and mingling**.**

**The value of the property** - When all is said in done, loan to value ratios on home loans run from half for buy to-let speculators, re-mortgagers and home movers straight up to 95 % for first-time purchasers – and for the most part, the greater the store you have, the better the rate you can get. The basic issue, however, is the thing that your moneylender thinks the property is value. Before you're offered a home loan, a valuation will be done considering the property's size and condition, neighborhood and deal cost.

**Calculator** -Many online UK mortgage calculators only ask for your income and, after calculating the appropriate multiple, refer visitors to discuss their unique situation with a mortgage lender.

This [**affordability calculator**](https://www.moneyadviceservice.org.uk/en/tools/house-buying/mortgage-affordability-calculator) and this [**mortgage calculator**](https://www.hsbc.co.uk/1/2/mortgages/how-much-can-i-borrow) will assist aline your borrowing expectations with your lender’s capacity to meet your financing costs.

**Costs** -Rates on mortgage shift fundamentally dependent on the kind of home loan you're getting (private home loan rates are diverse to purchase to-let), the term of the home loan, and the extent of your store. Be that as it may, similarly as with most home loans in nations with well-created credit enterprises, you likewise need to painstakingly look at the related charges, including contract game plan expenses, protection and valuation charges – to give some examples. Direct front home loan charges in the UK can differ from a couple of hundred pounds up to £2,000.

**Applying for mortgage** -Before applying for a UK contract you should check with the three credit revealing authorities – Callcredit, Equifax and Experian – and request a free credit report to ensure there are no detailing blunders. At that point you should begin assembling the documentation your loan specialist could request, including:

* payslips from the most recent three months;
* proof of your residency status (if pertinent);
* a P60 (yearly duty synopsis) structure from your boss;
* three to a half year of bank explanations;
* proof of any administration, annuity, or protection benefits got;
* two to three years of confirmed records on the off chance that you are independently employed;
* tax returns (a year ago and earlier year);
* current service bills;
* passport or other verification of ID;
* household income explanations.

**Types of Mortgage** - The United Kingdom has several different types of mortgage programs available for borrowers. Basic information regarding these loan programs include:

1. **Standard Variable Rate** is the standard rate of interest used by lenders. It is connected to the base rate of the Bank of England, so at whatever point the base rate goes up, so do the home loan rates and regularly scheduled installments. Notwithstanding, these home loans aren't straightforwardly set at the base rate, yet they are generally set at around 1-2 % higher. This reality makes this kind of home loan costly, so very few willfully pick this sort of movable home loan, yet it is the rate borrowers are changed to once their underlying offer period lapses.
2. **A fixed mortgage rate** has a fixed interest rate. This implies the home loan installments will remain the very same every month until the underlying arrangement terminates. This choice is superb for those with a tight spending plan, which makes it significant for the borrower to realize the amount they will spend since this choices is well known among first time purchasers. At the point when the borrower knows there are no curve balls, realizing that makes it worth picking a home loan with a fixed rate, particularly amid times of financing cost instability. In the event that the borrower trusts rates will rise, fixing the home loan rate could set aside some cash. In any case, this additionally works the other route around implying that the borrower could finish up paying more than everybody around them if contract rates plunge.
3. **Buy-to-let mortgages** are not used very often, but most lenders do offer a number of buy-to-let mortgages and the existence of these mortgages has grown to 700,000 within the past 5 years. Interesting points: Whether or not to end the mortgage term with the property full paid for or not. In the event that no courses of action have been made to satisfy the home loan capital, at that point the borrower may need to sell the property so as to pay it off. It is additionally reliant on what is wanted from the rental pay all through the term of the home loan. If the borrower needs any of the lease to live on, then an interest-only hoam loan would probably be the best bet because after making interest payments, there is lease left over for the borrower to place within their pocket.
4. **Discounted rate mortgages** do exactly what they say. They discount the lender’s Standard Variable Rate Mortgage. For example: A lender may offer a 2 % discount on its standard variable rate mortgage for two years. With a standard variable rate of 6 %, this would make the mortgage rate 4 %. Since discounted rates are linked to SVR, they are variable, so that means if the base rate falls, the mortgage will also fall. This means a decrease in the amount of mortgage payments each month. However, rates can rise and so do the mortgage rates. Lenders may implement an SVR rise frequently and let many months pass before allowing a cut, which means the borrower will not benefit immediately.

**CHAPTER 3. PROBLEMS AND DEVELOPMENT PERSPECTIVES IN THE FIELD OF MORTGAGE**

**3.1. Current gaps in the national legislation**

Mortgage policy is a tool that serves to improve the living conditions of the citizens, being part of the state's social policy. Though our country has sufficient financial resources and there is a sustainable economic cycle, but many problems in the mortgage field are not resolved. What are these problems? How to solve it? To find answers to some of the questions, let's look at the actual requirements for real estate and mortgage loans.

**There are a lot of required documents** - Before submitting the list of required documents, it should be noted that the most difficult process of obtaining a mortgage is the collection of documents. So, at the same time, 16 names of documents to be collected by various official bodies should be collected, which justifies citizens' dissatisfaction. The required documents are:

1. A copy of the document and document confirming the identity of the Borrower (co-borrower);
2. Certificate of marriage (or divorce) certificate (copy of document);
3. Documents confirming the identity of the adult family members living together with the borrower (joint borrower) (copy of the documents);
4. Identity card or birth certificate of the family members who are not under the age of majority of the borrower (co-borrower) (copy of the documents);
5. A copy of the employment contract or a workbook approved by the workplace manpower office of the Borrower (co-borrower);
6. Documents confirming the Borrower's (co-borrower's) income (base, if any, additional workplace certificate, etc.);
7. Assessment act of mortgage subject;
8. A document confirming the right of ownership of the mortgaged area (extract from the state register) and a technical passport (if required);
9. A document confirming that the mortgage object is not imposed on other obligations and that there is no restriction;
10. Reference on the registered mortgage holders;
11. A copy of the consent of the spouses, other members of the adult family registered in the mortgage subject, to the notary bodies on mortgage and non-extradition of the mortgage;
12. Copy of the consent of the competent guardianship and trusteeship body within the limits of its interests when the owner of the mortgage object is a juvenile;
13. Documents confirming the fact of mortgage contract (mixed contract) and mortgage paper and their state registration;
14. Documents confirming the death of the borrower and the loss of ability to work and the mortgage subject's insurance and insurance payments;
15. The speed of the purchase and sale agreement of the acquired residential area;
16. Documents confirming the identity of the reseller (for individuals).

Of course, these situations reduce the speed of the process, create an obstacle to artificial barriers to the citizen and, in most cases, lead to additional costs. The majority of documents required to obtain a mortgage loan often serve as an impenetrable barrier to citizens, which creates more serious problems for the poor. Thus, the majority of the documents further increase administrative barriers and in some cases create artificial rejection options. We think that it is possible to reduce the number of documents required to prevent such negative events. Given that serious work has been done to create e-government and a database of citizens has been formed, some of these documents can be obtained shortly by applying by electronic mortgage agencies electronically.

The use of a mortgage loan is a fundamental right of the citizen in accordance with the legislation. Nevertheless, when applying for a loan, anyone who has reached the age of puberty or who is not in the family is required to submit the documents in an approved form. Or a document confirming that it belongs to a beneficiary category is required. At the moment the process of creating e-government in the country continues, the authorized banks can obtain most of the information about the citizen through inquiry. It is important to improve the documentation process and reduce the number of required documents. Because, in many cases, citizens can not overcome these obstacles.

**Mortgage rates are high** - We have focused on international practice in the above-mentioned mortgage loans. In countries with normal and more socially significant mortgages, mortgages are between 2.8 % and -4.5 %, whereas 8 % of the loans provided by public finance in Azerbaijan and commercial mortgages offered by private banks are between 10 % and 12 % is not the case. Thus, a citizen who has a mortgage of 50,000 manat for 25 years with 8 % should pay AZN 115,000 or AZN 65,000 to the bank with a monthly 386 manats. As you can see, the interest rate is 130 % of the principal amount. If you take into consideration that most of the citizens applying for mortgage in our country are low-income families and want to adjust their lives in this way, the interest received after taking the loan ends 12-15 years of life. In other words, average monthly wage should work to cover one-fifth of the Azerbaijani life of 400 manat (average life expectancy) or 13.5 years of interest. Is it possible to speak of the fairness of mortgage policy? On the other hand, if we make a simple calculation, we will see that in the usual mortgage loans, 166 manats of monthly payment are deducted from the principal debt and 220 manat is spent on interest payments. As we have noted, in the country with a average salary of AZN 400, the mortgage interest rate is 220 manat.

**Daily annuity payment is much higher** - According to the mortgage conditions, the monthly fee of a person receiving ordinary mortgage loans for a period of 25 years is 386 manats and the monthly payment of a 30-year mortgage is 188 manats. The loan amount in the amount of 386 manats per month does not correspond to the real incomes of the country's population. Of course, at this point, the other thing that complicates the situation is the length of time. That is, the citizen must pay this amount for a period of 25 years. In short, a citizen who wants to solve a housing problem is rolled into a long-term problem. This contradicts the idea of ​​improving the social conditions of low-income families, which constitutes the main philosophy of mortgages.

**The amount of initial payment is much higher** - As stated earlier, 20 % (ordinary mortgage) or 15 % (discounted mortgages) of the value of the property received under the "Rules of mortgage lending at the expense of the Azerbaijan Mortgage Fund at the Central Bank of the Republic of Azerbaijan" must be paid by a citizen. This payment made by a citizen is called "prepayment" and is transferred to the property seller's account. Taking into consideration the other costs incurred during the mortgage process, the citizen should make a preliminary payment of approximately 10-12 thousand manats when receiving a loan of 50,000 manat. It should be noted that, according to the legislation, the authorized banks have the right to determine the initial payment rate. That is precisely why in many cases banks set the initial payment amounting to 25 % of the property. This will increase the initial payment amount, which will be payable for a mortgage of 50,000 manat, to 15-17 thousand manats. The main reason for the initial demand is that banks are trying to insure their activities. As a result, newly established young families or low-income families find it difficult to earn enough money. The reality is that if the family has so much money, it can build a living space of approximately 80 square meters with 3 rooms at the current price and not pay interest rates for 25-30 years. Initial payment is only available in most countries, not in Azerbaijan. However, taking into account the state's financial capacities, this amount can be substantially reduced for the welfare of the citizens. At this time it is possible to divide the population into different categories, as in practice in Turkey, and to determine the initial payment amounts of 5 % -10 % -15 % and 20 %. By the way, it should be noted that this problem has been simplified in many oil-rich countries. A $ 6,000 grant is being provided by the state to solve the problem of housing in Libya. In the future, this debt is removed under various conditions. In the United Arab Emirates all debts are deleted afterthefamily'sthirdchildisborn.

**The maximum amount of mortgage loan is small** - the maximum amount of the mortgage loan is 50,000 manat, which does not correspond to real market prices. Also, the annual increase in prices is also ignored. That is, despite the 25 % -35 % increase in prices for the last 6 years in the real estate market, the maximum amount of mortgage loans remains constant. It would be better for the maximum amount to be abolished. If there are problems such as lack of demand and financial shortage, the maximum amount of mortgage loan should be around 100 times the average selling price per 1 square meter in the housing market. That is, when determining the maximum amount of a mortgage, the mechanism of taking into consideration market prices should be formed and the amount for the next year should be indexed in accordance with a price cycle in the real estate market. Thus, equality of opportunity created for citizens will be ensured. Of course, the key question that will arise is the increase in the monthly fee. In this case, the amount of monthly payment for the mortgage loan of 80,000 manat in current interest and time increases to 617 manats. However, if interest rates for ordinary mortgages are reduced to 4 % and the period is increased by 30, then monthly payment for 80,000 manat loan will be 382 manats, which corresponds to 25-year monthly payment of AZN 50,000 (386 manats) on current terms. As can be seen, if mortgage loan interest rates are accepted and the term increases, it is possible to increase the maximum loan amount without changing the amount of monthly payment.

**The first housing market (newly constructed apartments) is left out of the mortgage** - registration of the mortgage loans in the state registry service is considered as one of the most important conditions of lending. Thus, only the houses registered in Azerbaijan by the State Property Committee of the Republic of Azerbaijan may be presented as collateral for a mortgage. If the citizen wants to buy a home without a deduction of mortgages in accordance with the legislation, then the buyer must present any other apartment as a pledge to the bank. If you take into consideration that a person applying for a mortgage loan is often a low-income or homeless person, then a citizen should use the property of another person as a pledge. The main problem here is that anyone agrees to restrict their property rights by pledging their home for 20-30 years. Thus, the lack of chance to predict the future and to predict the future will make people less likely to accept this sacrifice for their friend, relative, or other relative. In other words, the possibility of obtaining a new home as a hostage is quite rare, and the share of such cases in the total turnover of mortgages affects only new buildings. Considering that the initial housing market prices in the country are lower than the recurring market, the problem is simply because the citizen does not take the chance to buy a newly built apartment, and also faces a difficult dilemma as to buying home in more expensive repetitive markets. For these reasons, we want to note that as soon as the sale of newly constructed apartments will be started by the State Property Committee and these purchase contracts should be presented as mortgages. Thus, within the framework of the mortgage program, access to broader markets will be possible for people, and the choice of restrictions will be reduced, and the prices in the secondary markets will be relatively stable.

**Mortgage loans are not given to those who are not married** - one of the conditions for issuing ordinary and preferential mortgage loans in Azerbaijan is the limitation of family relationships. This type of loan can only be used by citizens who are married. A traditional approach in marriage is that young people or their parents are primarily trying to solve the problem of the home. That's why, in recent years, the average age for marriage is rising rapidly among boys. For this reason, if you look at short statistics, you can see that approximately 50 % of the 80 % of married boys in 1980 and 80 % of girls have been married between the ages of 18 and 24. At present, these indicators have decreased by 32 per cent in boys and 64 per cent in girls respectively. Moreover, in our country, the number of those who have been married since the age of 35 is still less than 13 % of the total number of married couples. Of course, there are many social and moral reasons. However, in surveys, it shows that the late marriage of young people is caused by financial impotence, unsecured working environment and homelessness. At the same time, other social problems, such as the decline in the population growth rate. Thus, in later generations, the growth of medical care in the family decreases, and at this age, people are more pragmatic and more child-bearing, and prefer to live with fewer children, without facing permanent economic and moral problems. Thus, the state should take certain steps in this direction and eliminate the legal obstacle to the provision of housing for unmarried young people or the provision of mortgages for them.

The solution of the problems we have mentioned above, first of all, requires increasing the financial capabilities of the AMF. Because this limited credit portfolio reduces the ability of the AMF to support low-income families and prevents the country from becoming a serious actor in the construction sector. At present the source of financing of this organization is formed from the funds allocated from the state budget, funds received from placement of bonds and payments on mortgages. However, international experience shows that, along with sources mentioned during mortgage financing, other sources are used: financial resources of the insurance sector, funds offered by investors, money savings of citizens, etc. In order to involve citizens in mortgage lending, construction savings banks are established and these banks turn their individual savings into the financial source by allowing them to obtain a home-based loan after a certain period of time. At this time, interest earnings are also added to the attracted funds. Thus, passive cash outflows that are out of circulation become an active funding source for mortgage financing. Additionally, the involvement of the funds from the real sector to the loan is a major tool in the future, which creates a lack of credit-based inflation. In order to increase the interest of investors in this area, the development of the securities market and the formation of multilateral relations in the mortgage market are key factors.

1. The required documents are quite high. This complicates the process of mortgage lending, and in some cases leads to non-formal payments, additional costs. We propose that a document certifying the right of ownership of a mortgaged residential area (the “extract” issued by the State Real Estate Register Service), the document confirming that the mortgage object is not subjected to other obligations and that there is no restriction, mortgage agreement (mixed contract) and mortgage original documents and documents confirming their state registration, documents confirming the death of the borrower and the loss of ability to work and the mortgage object and payment of insurance indemnities, a copy of the purchase and sale agreement of the acquired residential area, income tax or simplified tax return should be send documents electronically by relevant organizations based on the request of mortgage holders.
2. The interest rates on issuing mortgages on the background of the world practice and the real incomes of the population in Azerbaijan are high. Thus, considering the world practice, the average monthly income of the population, which is higher than in Azerbaijan, in developed countries such as USA, Germany, France and Turkey, is between 4 and 12%, while the mortgage rates range from 2-5 %. Even in Georgia, which has no natural resources and has a similar past with our country, such mortgages range from 3.5-5 %. Ready, the monthly payment of the loan for 25 years for 50,000 pounds for ordinary mortgages is 386 manats, which is approximately equal to average monthly wage in the country. Or, with another approach, the return of the ordinary mortgage loan for a period of 25 years will result in the payment of additional funds in the amount of 130 % of the mortgage amount or 65,000 manat or 130 % of the mortgage loan, monthly interest rate of 220 manat. We suggest that mortgage rates should be reduced at least 2 times, preferential mortgage rates will be 2, and ordinary mortgage rates will be 4. Because macroeconomic stability in the country's economy, the change in the inflation rate to 1-2 %, and the volume of state reserves create more moderate rates. Also, the use of opportunities for more vulnerable populations is provided. Should be Use SOFAZ's funds to reduce interest rates.
3. In comparison with real market prices, the maximum amount of mortgage loans is small and this amount is not sufficient for the long-term solution of the housing problem. Taking into consideration that if a citizen gets a home with a mortgage loan, he/she has to live in this apartment for 25 years. So, if a citizen wants to get home with a mortgage loan, he must expect a 25-year-old gentleman, and try to ensure that the house he meets meets the conditions of the future family. However, the maximum 50,000 limit for a mortgage does not allow this plan, or in other words, the family can not solve the housing problem in the long run. We recommend that the maximum limit for the mortgage loan be set at the initial cost of 80,000 manat. In the future, at maximum once every 2 years, the maximum limit for the price changes in the real estate market should be re-indexed. In general, it is more appropriate to eliminate the maximum limit in the future in order to ensure the sustainable development of the construction sector and to increase government support to the real estate market.
4. The requirement of the registration of the right of ownership of the property provided as a mortgage by the borrower in the state registry causes the primary housing market to be excluded from the process in most cases. Because the slowdown in the state registration of many new buildings hinders the fact that these assets are the subject of offering in mortgage markets. This situation is facing a dilemma like choosing a homeowner who wants to buy a home with a mortgage, and choosing a limited choice. We propose that a standard set of contracts concluded by construction companies with a view to attracting new buildings to the mortgage market be set up and these contracts be registered by the State Real Estate Register Service. Registered purchase and sale contracts are mortgaged. It is possible to present the document to the mortgagee after the state registration of the building and issuance of “Extracts”, which officially confirms the legal ownership of the apartment. The sale and purchase agreement for the prevention of adverse events that may occur during this process may be included in the mortgage law as a formal requirement for the issuance of a deductible from the Exit Provision to the mortgagor directly by the State Real Estate Registry Service.
5. Non-granting mortgages to those who are not married, and due to the fact that low-income citizens are faced with more problems, leads to an increase in the age of marriage in the country and a decline in population growth. Even in many cases, established families are split due to social problems that eventually increase the number of divorce cases every year. It would be better for mortgages to be provided to unmarried young people by making certain changes to the law on mortgage. So let's get a relatively high interest mortgage loan for officers. From the date the mortgage holder grants an official marriage certificate to the mortgagor, the interest should be applicable to the remainder of the loan will be adjusted to normal mortgage rates.
6. The AMF's financial resources are limited. That's why the organization can not carry out broader spectrum crediting. Over the last 8 years, the amount of loans provided by the AMF reaches 0.5 billion manat, which makes an average of 60-70 million manats or an average of 1,000-1500 requests per year. Taking into account that in the country about 40-45,000 new families are built over the years, and the vast majority of them are housing problems, we understand that the current capabilities of the AMF are limited. Use of funds from SOFAZ to diversify and expand AMF's sources of funding, attract insurance funds to mortgage lending, and ensure private investment flows in this area by increasing the activity in the securities market. In addition, construction savings banks will be established and thus should be attracting the population's passive savings into the mortgage market.

**CONCLUSION**

The topic of my defense, as a dissertation case, is currently being used for the purpose of improving the social status of the population, stabilizing the development of the country's economy, and reducing the level of inflation through the circulation of money from circulation. Mortgages serve as the most economically important credit facility, serving the most diverse business relationships.

 Firstly, I wrote in my dissertation about formation and development of mortgage relations in the market economy and economic nature, content and peculiarities of mortgage relations. As well, there are mortgage of Azerbaijan and mortgage of European countries.

 Thus, as a result of the research on the subject, we can show the following theoretical provisions, including specific results aimed at improving the legislation on mortgages:

1. Mortgage lending often leads to price increases in the real estate market. Because, the inputs into the markets form an additional demand, and the unwanted increases in the prices offered are not expected if the construction sector's pace of development does not fit this. Taking into account that, with the current laws, the place of the new buildings in the mortgage market is very small and the basic demand is directed to the secondary market and old buildings, and the problem is more evident. In order not to create inflation in the real estate market and to solve the problems of more citizens, the government can build new housing complexes and sell it to citizens with long-term loans. Certainly, commercial interest is not taken into account at this time. This option is considered more acceptable for the following reasons:

- construction of new apartments will lead to the formation of an additional bid in the real estate market and hence the prevention of inflation;

- Because the project is not of commercial interest, prices are relatively inexpensive to the markets, which will reduce the monthly loan amount;

- It is possible to solve the housing problem of more people with the allocation of funds due to the fact that the construction of the apartments requires less financing than its acquisition.

In addition to what we are saying, the government's new housing complexes facilitate the state's demographic policy.

2. Every citizen of Azerbaijan has the right to use a mortgage at the same time as it is provided by the legislation on mortgage and at the same time his/her apartment does not restrict the right of mortgage. This means that an affordable and affordable mortgage lender may appeal to this program to use the limited financial capabilities of the AMF, which ultimately reduces the likelihood of a citizen who really needs to receive a loan from the AMF. This shadow the essence of the mortgage loan given to public funds. That is, when using the limited capabilities of a citizen who is a homeowner, the principle of social justice against homeless citizens is being violated. We suggest that restrictions on the use of ordinary and privileged mortgages by the state's financial resources should be restricted. In this category, people should be use commercial mortgage or other options offered by construction companies.

3. Lastly, we want to note that practically it is possible that authorized banks provide citizens with inaccurate information at times. In many cases, the citizen is directed to the wrong direction. The reason for this is the lack of access to information. In order to avoid such cases, increase accountability and transparency, AMF should be published a new month program at the beginning of each month along with the results of last month. At this time, it is important to indicate that each of the authorized banks has the opportunity to make a discounted and ordinary mortgage loan in the new month. Thus, it is possible to eliminate manipulation or subjective approach in mortgage lending.

Investigating international experience on the one hand has also revealed that the mortgage rates currently applied in our country are high and do not correspond to the income of the population. That is, the maximum amount of mortgages that are likely to be the subject of mortgages is less than the cost of housing currently available on the market, and the maximum expense of mortgage costs in the borrower's total income does not exceed 50 % of the total gross income of the borrower, The fact that people who have a higher monthly salary with higher salaries can not use this right will not allow much of the citizens of the Republic of Azerbaijan to use this opportunity. While the mortgage rates range from 2 to 5 percent in the US, France, Germany and Turkey, the relative change in our country is between 4 and 12 percent, and the monthly payment for ordinary mortgages is approximately equal to approximately the average monthly wage in the country, factors.

 Thus, the existing gaps in the mortgage legislation, as well as a number of norms envisaged in this field, do not allow the actual use of the mortgage.

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