

The background features a white central area surrounded by green geometric shapes. A dark blue horizontal bar is positioned above the title, and another is below it. The title itself is centered within the green band.

MORTGAGE LENDING DEVELOPMENT STRATEGY

Preface

Mortgage lending is an integral part of consumer lending and a significant driver of long-term economic development. The full-scale war launched by Russia in 2022 has led to an increase in the need for affordable housing for Ukrainians. The Financial Stability Council considers it necessary to help meet the demand for housing during the war and the reconstruction period.

In order to revitalize the mortgage lending market, the Financial Stability Council has formulated a list of key prerequisites for the development of mortgage lending and the necessary actions to create these prerequisites. This will be achieved by updating the model of state support for mortgages and improving the functioning conditions for the real estate and mortgage lending market, which will contribute to the transparency, efficiency, and convenience of market mechanisms for mortgage lending.

The development of market-based mortgage lending mechanisms is of strategic importance for overall economic and demographic growth during the war and postwar recovery and reconstruction. Improving access to financing for the purchase of residential real estate will help develop construction and will be one of the incentives for Ukrainians to return from abroad.

In this context, the development and implementation of the Mortgage Lending Development Strategy (the “Strategy”) in Ukraine is one of the priorities for the country’s financial and demographic growth. Successful implementation of this Strategy will strengthen Ukraine on its path to European integration.

The Strategy was approved by the Financial Stability Strategy in June 2025.

General Context

In Ukraine, mortgages were a mass product only before the financial crisis of 2007–2008. Given the strong demand for housing and the entry of foreign banks into the market, mortgage lending started to boom. Foreign financial institutions had experience in mortgage lending and access to foreign currency funding. However, due to regulatory shortcomings, the banks underestimated the risks: they issued foreign currency loans without taking into account the financial condition of borrowers, which fueled real estate prices. The accumulated imbalances resulted in a market crisis: real estate prices fell to their lowest levels, and a large number of borrowers stopped servicing their mortgages, which made most loans non-performing. In order to avoid social pressure, a moratorium on the foreclosure was introduced by law. Significant losses discouraged the banks and households from mortgages. At the end of 2021, the mortgage-to-GDP ratio was only 0.3%.

Since then, the real estate market has hardly been fueled by mortgages. The market recovered on account of the funds of developers and buyers. However, the sector lacked proper regulation and protection of rights of those who invested in construction. Violations of construction standards and delays in housing commissioning have become usual for the sector. The market has been shaken by more than one high-profile bankruptcy of developers. These risks deterred the banks from resuming mortgage lending. State support programs were not viable in the long run.

It was only in the early 2020s that positive developments began: the moratorium was lifted, and the protection of creditors' and consumers' rights was reinforced. The State Architectural and Construction Inspectorate of Ukraine was reformed, which somewhat improved market regulation. A guaranteed share of construction was also introduced to reduce the risk of construction not being completed, and the state registration of ownership of property under construction was launched. At the same time, improved economic conditions have lowered market rates, making mortgages more affordable. Almost UAH 9 billion worth of mortgages were disbursed in 2021.

The full-scale invasion interrupted this trend. In the first months, the real estate market came to a standstill and remained sluggish thereafter. The number of housing purchase transactions in 2024 was almost a third lower than before the full-scale war.

At the end of 2022, the government launched the eOselia program to develop preferential mortgages. First of all, the program is designed to provide housing for military personnel, teachers, and medical staff. However, access was also provided for other categories of individuals to improve housing conditions. Over several years, the program has helped increase loans to these privileged categories. However, given the high risks and consequent high cost of mortgages, the room for developing banking products remained limited. Thus, state support underlies more than 96% of new mortgages.

However, the state's ability to subsidize mortgages under the current model is limited. Without market-based products, the program will not be able to fully meet the demand for housing during the war and reconstruction period. Development of such products will be spurred by the Strategy elaborated and agreed upon with international partners.

The purpose of the Strategy is to significantly increase the affordability of housing by calibrating state support to current market conditions and creating an efficient housing market by promoting the development of housing stock, reforming approaches, and stimulating the development of construction financing and mortgage lending instruments.

Most of the actions under the Strategy's will be implemented in parallel, but the implementation of legislative reforms will take longer. Going forward, a Roadmap will be developed to detail the actions.

Strategic Goals

1. **Risk mitigation.** The availability of war risk insurance will make mortgages more attractive for the banks and more affordable for clients. Improving legislation to better regulate the construction of residential real estate to reduce the risk of non-completion and increase transparency of real estate sales at all stages of construction will raise trust in developers and help scale up the residential real estate market.
2. **Affordable and understandable lending.** The improved model of state support will provide access to mortgage products to a wide range of borrowers. Disclosure of loan details in accordance with European standards will make it easier to understand mortgage products and help properly protect borrowers' rights. Open access to information on prices on the residential real estate market will help all its participants to make informed assessments of the state of the real estate market.
3. **Protection of creditors' rights.** Updating the procedures for resolving bad debts, including the implementation of European standards, will encourage the banks to offer mortgage products, properly assess their risks, and will increase competition between creditors.

In the future, the Strategy should become an element of the broader Housing Strategy.

Actions

The list of actions includes reforms in financial and related areas necessary for the development of mortgage lending. A number of these actions are also elements of the Strategy of Ukrainian Financial Sector Development or the Lending Development Strategy.

No.	Action	Responsible bodies	Deadline
1	Developing a strategy for the Ukrainian Financial Housing Company (Ukrfinzhytlo) that fully takes into account fiscal and debt constraints and minimizes the use of budget resources	Ministry of Economy of Ukraine (MoE), Ministry of Finance of Ukraine (MoF), National Bank of Ukraine (NBU)	June 2025
2	Providing war risk insurance mechanisms for mortgage agreements	Verkhovna Rada of Ukraine (VRU), NBU, MoE	Q4 2025
3	Updating the legislation on appraisal activities	VRU, State Property Fund of Ukraine (SPFU), Ministry of Justice of Ukraine (MoJ), NBU	Q4 2025
4	Developing legislative proposals to ensure effective satisfaction of creditors' claims on mortgages	NBU, MoJ	Q1 2026
5	Ensuring the operation of a database of real estate prices with detailed metadata, including structural parameters of the primary and secondary markets; and price indices for residential and commercial real estate	NBU, MoJ	Q1 2026
6	Adopting a law on improving the state regulation and functioning of credit bureaus (to improve the quality of credit information required for making decisions on issuing mortgages)	VRU, NBU	Q4 2025
7	Developing legislative proposals for the integration of Directive 2014/17/EU on credit agreements for consumers relating to residential immovable property	NBU, MoJ, National Securities and Stock Market Commission (NSSMC)	Q4 2026

No.	Action	Responsible bodies	Deadline
8	Approval of proposals for the integration of Directive 2014/17/EU on credit agreements for consumers relating to residential immovable property	VRU, NBU, MoJ, NSSMC	Q2 2027
9	Developing legislative proposals on covered bonds in line with the EU Directive	NSSMC, Ukrainian government, NBU, MoE	Q1 2026
10	Developing legislative proposals on securitization in accordance with the EU Directive	NSSMC, Ukrainian government, NBU, MoE	Q1 2026
11	Assessing the feasibility of keeping/ changing the terms of the moratoriums on foreclosures and withdrawal from the respective moratoriums, and preparing relevant legislative proposals	NBU	Until the end of martial law in Ukraine
12	Improving the controllability of construction financing, in particular through unification of financing conditions and use of funds only for the purpose of construction of the property and taking into account the progress of construction	Ministry for Development of Communities and Territories of Ukraine (MfD), MoE, NSSMC, NBU	Q4 2026
13	Establishing a mechanism for replacing a developer in the event of its default by creating for each construction project a separate legal entity, which will own the permits. The corporate rights in this legal entity is used as a collateral	MfD, MoE, NSSMC, NBU	Q4 2026