

Risk Analysis and Countermeasures of Personal Mortgage Business of Commercial Banks

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Abstract

In recent years, with the rapid development of the real estate market, the proportion of personal housing loans in banks' credit assets is getting higher and higher. At the same time, the problems related to personal housing loans of commercial banks have gradually surfaced, and have influenced the development of personal housing loans to a certain extent. Therefore, it is of great practical significance to discuss and analyze related problems. This paper will mainly explore the existing problems in the current market and risk of commercial banks' personal housing loan business, analyze them, and then lead to countermeasures and suggestions for related problems.

Keywords

Commercial Banks; Personal Housing Loan; Risk Management.

1. Introduction

Personal housing loan is an important asset business. It is the mortgage loan of the first house provided by commercial banks for borrowers (that is, developed, built and sold by developers or other qualified institutions). At present, the mortgage business of commercial banks in China is divided into three categories: entrusted loans, self-operated loans and portfolio loans. Since China's commercial banks started personal housing credit business, it has developed well. Especially in recent years, with the rapid development of the real estate market, many commercial banks have taken it as the main direction of their business expansion. The issuance of personal housing loans has played a huge role in driving economic growth and improving the living conditions of the people. On the one hand, it has provided a way to solve the financial problems for residents who are willing to buy houses, on the other hand, it has also expanded the business scope of commercial banks and improved the economic benefits of banks. However, in the current specific financial market environment, with the soaring housing prices and the large-scale increase in the proportion of mortgage loans, we must pay full attention to a series of problems existing in the personal housing loan business, especially the risks.

2. Current Situation of Personal Mortgage Business of Commercial Banks

2.1. People's Negative Expectations of the Real Estate Market Hinder the Growth of Total Loans

In recent years, China's housing prices have been rising rapidly, but the increase of wages is far lower than that of housing prices. In many places, the housing prices and residents' income levels have reached an extremely unbalanced state. For many people with ordinary income levels, they must borrow money from banks to get enough funds to buy houses, but at the same time, they must bear the pressure of repaying loans for a long time. With the constant renewal of people's life concept and the inherent limitations of their own economic situation, more and more young people are reluctant to bear it. Coupled with the impact of the subprime mortgage crisis in the United States that swept the world's major financial markets before and the real estate bubble in Japan in the 1990s, people's assumption of the collapse of China's real estate

economy is getting worse and worse, and their fear of the bursting of the bubble is increasing. Besides, in recent years, the government has introduced a series of new real estate policies, such as house purchase restriction, which have also affected residents' views on the future development of the real estate market from a certain level. All these will lead to certain negative impacts on people's expectations of the future real estate market. In recent years, the growth rate of individual housing loans has gradually slowed down, and it is very difficult for commercial banks to use the overall high-speed growth to alleviate the non-performing loan ratio.

2.2. The Personal Housing Credit Market is Imperfect

Since the upsurge of real estate development, urban housing prices have risen rapidly, and mortgage has become a heavy burden of residents' daily life. Although the government has taken a series of measures to curb the price increase, the effect is not great. In addition, some real estate developers' operation is not standardized, which leads to a series of incomplete procedures and illegal problems, which seriously infringes on consumers' rights and interests. At the same time, the nonstandard real estate market has a certain negative impact on the personal credit market. Moreover, compared with foreign developed countries, China's current personal housing loan market is still in its infancy. From the perspective of market structure, China's deposit balance is small, and the market subject is relatively single. Except for commercial banks, no one can effectively supplement credit. Due to the influence of subjective and objective factors, the primary market of real estate transaction in China is not perfect at present, while the development of the secondary market of housing loan is particularly lagging behind. In addition, at present, China's personal credit system is not perfect. In the whole development process of personal housing credit, because there is no perfect credit evaluation and investigation system with consumers, there are defects in China's current relevant laws, regulations, systems, product types, etc. Some banks can't check the authenticity and conduct a comprehensive investigation only by the credit information provided by the applicants themselves, thus increasing their moral hazard and hindering the healthy development of China's housing finance. Furthermore, from the current situation, the formalities, procedures and operational links of personal housing credit business of commercial banks in China are rather complicated, which to some extent affects people's enthusiasm for loans. For commercial banks, due to the imperfection of credit evaluation system, banks must spend a lot of energy to obtain personal credit information, which greatly increases transaction costs. Therefore, due to the underdeveloped secondary market of personal housing credit market, imperfect risk prevention mechanism and personal credit system, slightly complicated loan procedures and high transaction costs, these imperfect problems have restricted the development of personal housing loan business of commercial banks.

3. Risks Faced by Personal Housing Loans

3.1. Credit Risk

Credit risk refers to the possibility that lenders, securities issuers or counterparties are unable or unwilling to perform the contract conditions for various reasons, thus causing losses to bank investors or counterparties. From the perspective of commercial banks, due to the imperfection of personal credit system and credit evaluation system in China at present, it is difficult to fully grasp personal information management, and it is difficult for commercial banks to accurately judge risks when making personal loans. On the other hand, it is difficult for the bank to accurately judge the lender's integrity because of the asymmetry of information, excluding the situation that the debtor can't repay due to the possible objective changes. Therefore, there may be the possibility that the debtor fraudulently cheats for housing loans by falsifying income.

3.2. Interest Rate Risk

Interest rate refers to the risk of income decline caused by interest rate change. As housing loans generally have a long repayment period, if the interest rate is adjusted or fluctuates, the monthly loan amount will change. Once the interest rate adjustment changes greatly, it will increase the credit risk. On the one hand, when the market interest rate increases, the bank's interest income will be less, resulting in a decline in income. On the other hand, the borrower may borrow a lower interest rate from the commercial bank to pay a higher mortgage, which will increase the interest rate risk of the bank and make the commercial bank face losses.

3.3. Operational Risk

At present, the competition in China's personal credit market is becoming increasingly fierce, and many commercial banks are competing for customers to gain greater market share. A series of measures have been taken to improve the performance. However, due to the imperfect related systems and insufficient binding force, illegal operations are inevitable. In order to occupy customer resources first and pursue efficiency blindly, some commercial banks relax loan approval standards and reduce approval procedures. Because some salesmen have a weak sense of responsibility, they don't make a detailed investigation of customers' requests before lending, and they don't keep strict checks, and they fail to make a systematic and reasonable assessment of borrowers, which leads to inadequate investigation before lending. In addition, due to the limitation of personnel quality and management cost, the relevant inspection system has not been seriously implemented after lending, and the supervision and supervision after lending is just a formality, and the corresponding preventive measures cannot be found and taken in time. These shortcomings in business operations make commercial banks increase the corresponding operational risks while improving their performance.

4. Suggestions and Countermeasures

4.1. Improve the Personal Credit System and Credit Evaluation System

Personal credit system is established on the basis of family income, loan repayment and bad credit conditions, and a complete credit record system is established. It is the foundation of establishing a complete and good credit consumption system, the pillar of establishing a good credit consumption system, and the key to measuring the real debt repayment ability of lenders. Therefore, establishing and perfecting the personal credit system is helpful for commercial banks to make accurate decisions. Banks should try their best to obtain the borrower's family income, bad credit records and other credit information, comprehensively consider these information, and comprehensively evaluate the individual's credit information. At the same time, attention should be paid to giving full play to the role of network technology, using analysis methods scientifically to improve the accuracy of credit evaluation and risk prediction, and establishing and perfecting credit early warning mechanism to ensure timely remedial measures.

4.2. Improve Relevant Systems and Business Processes

When implementing personal housing loan business, commercial banks should strictly follow the prescribed business process, carefully implement acceptance, examination and approval, post-loan management and other links, implement strict lending business and supervision, clarify responsibilities and evaluation, avoid bank risks, do a good job in pre-loan investigation of loan business, and avoid risks brought to banks by formal investigation. Secondly, improve the internal control of banks, improve the professional quality and professional awareness of business managers, and avoid the blind pursuit of quantity by sales staff and neglect of service quality. At the same time, strengthen the communication and coordination between the superior and subordinate banks, and ensure that the superior can grasp the loan business

undertaken by the subordinate banks in time. Secondly, under specific conditions, certain reward and punishment mechanisms can be set. For example, borrowers who repay loans on schedule have the right to appropriately extend the repayment period; Even pursue responsibility for poor credit.

4.3. Pay Attention to and Strictly Implement Relevant Systems and Policies

Commercial banks should pay close attention to the national macro-control system, grasp the trend of the economic situation, timely analyze and predict the market changes according to the acquired information, make corresponding system adjustments and plan for the future, constantly update and optimize their own business structure and business processes, strengthen management and supervision, and improve the efficiency and quality of individual housing loan business. We should respond positively to the regulation made by the government to maintain the order of the whole industry and ensure the stable operation and development of the financial market.

5. Conclusion

At present, the personal housing loan business of commercial banks in China is not perfect in terms of system construction or business operation process. As one of the main asset businesses of commercial banks, the personal housing loan business has indeed played an important role in promoting economic development and solving the capital demand. However, while enjoying the benefits it brings, we must pay close attention to the changing trend of the general environment, strictly abide by the industry rules, actively respond to and implement the relevant policies issued by the government, and constantly improve the personal credit information system and credit evaluation system, constantly improve and strictly follow the business process, and do a good job in risk management, so as to promote the development of personal housing loan business and maintain the stable operation of the market.

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