

AN EVALUATION OF HOUSING FINANCE IN TURKEY AFTER 2000

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SERÇİN YÜCE

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Approval of the Graduate School of Social Sciences

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Prof. Dr. Yaşar KONDAKÇI  
Director

I certify that this thesis satisfies all the requirements as a thesis for the degree of Master of Science.

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Prof. Dr. Tarık ŞENGÜL  
Head of Department

This is to certify that we have read this thesis and that in our opinion it is fully adequate, in scope and quality, as a thesis for the degree of Master of Science.

---

Prof. Dr. Melih ERSOY  
Supervisor

**Examining Committee Members**

Prof. Dr. Tayfun Çınar (Ankara Uni., SBKY)

Prof. Dr. Melih Ersoy (METU, CRP)

Assoc. Prof Dr. Osman BALABAN (METU, CRP)

**I hereby declare that all information in this document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results that are not original to this work.**

Name, Last name: Serçin YÜCE

Signature:

## **ABSTRACT**

### **AN EVALUATION OF HOUSING FINANCE IN TURKEY AFTER 2000**

Yüce, Serçin

M. S., Department of Urban Policy Planning and Local Governments

Supervisor: Prof. Dr. Melih ERSOY

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Housing finance has faced with serious transformation all over the world by heavy influence of neoliberal ideology. Creation of built environment has been focused for ensuring capital accumulation and economic growth. Due to increase in population and urbanization rate, housing construction has placed large share of built environment production. Accordingly, while housing sector has grown, housing finance with mortgage loans has also increased to respond it. With the aim of examination of housing finance system of Turkey in 2000s in thesis, mortgage loans extended by commercial banks are studied depending on improvements in housing policy and housing sector under the influence of neoliberalism. In the 2000s, the role of Housing Development Administration, a government agency, has evolved from housing finance provider to a direct housing producer. On the other hand, commercial banks operating in the private sector have become more effective in providing housing finance through mortgage loans. In order to reach the aim of the thesis, role of HDA in housing sector was positioned and the increase in housing sector and the demand for mortgage loans in this period was analyzed with statistical data. Afterwards, in-depth interviews were

conducted with 50 mortgage loan borrowers within the boundaries of Ankara Metropolitan Municipality to understand mortgage finance through the sample. As a result, it is understood that mortgage loans extended by commercial banks are not affordable and accessible for low – income people and those loans do not provide sustainable housing finance because of being highly sensitive to sudden changes in macroeconomic conditions.

**Keywords:** Neoliberalism, State, Housing Sector, Housing Finance, Mortgage Loan

## ÖZ

### 2000 SONRASI TÜRKİYE’DE KONUT FİNANSMANI ÜZERİNE BİR DEĞERLENDİRME

Yüce, Serçin

Yüksek Lisans, Kentsel Politika Planlaması ve Yerel Yönetimler Ana Bilim Dalı

Tez Yöneticisi: Prof. Dr. Melih Ersoy

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Konut finansmanı neoliberal ideolojinin yoğun etkisi ile tüm dünyada ciddi dönüşümlerle karşı karşıya kalmıştır. Sermaye birikimi ve ekonomik büyümeyi sağlamak için yapılı çevre üretimine odaklanılmıştır. Nüfus ve kentleşme oranındaki artış sebebiyle konut inşaatı yapılı çevre üretimi içerisinde büyük bir paya tekabül etmektedir. Bu duruma istinaden konut sektörü büyürken, ipotekli konut kredisi ile sağlanan konut finansmanı da bu büyümeye cevap vermek için artmıştır. Türkiye’de 2000’li yıllarda konut finansmanı sisteminin incelenmesi amacıyla bu tezde, ticari bankalar tarafından verilen ipotekli konut kredileri neoliberalizmin etkisi altında konut politikasındaki ve konut sektöründeki gelişmelere bağlı olarak incelenmektedir. 2000’li yıllarda bir devlet kurumu olan Toplu Konut İdaresi’nin rolü konut finansmanı sağlayıcısından doğrudan konut üreticisi olmaya evrilmiştir. Diğer taraftan özel sektörde faaliyet gösteren ticari bankalar, ipotekli konut kredisi ile konut finansmanı sağlama hususunda daha etkin hale gelmiştir. Tezin amacı doğrultusunda, TOKİ’nin konut sektörü nezdindeki rolü konumlandırılmış ve bu dönemde konut sektöründe ve

ipoteekli konut kredisi talebinde yařanan artış istatistiksel verilerle analiz edilmiřtir. Daha sonra ipoteekli konut kredisi finansmanını örneklem üzerinden anlayabilmek için Ankara Büyükşehir Belediyesi sınırları içerisindeki 50 ipoteekli konut kredisi kullanıcısı ile derinlemesine görüşme yapılmıřtır. Sonuç olarak, ticari bankalar tarafından sağlanan ipoteekli konut kredilerinin düşük gelirli insanlar için ulaşılabilir ve ödenebilir olmadığı, ayrıca bu kredilere olan talebin makroekonomik koşullardaki ani deęişikliklere karşı çok duyarlı olması sebebiyle sürdürülebilir bir konut finansmanı sunulmadığı anlaşılmıřtır.

**Anahtar Kelimeler:** Neoliberalizm, Devlet, Konut Sektörü, Konut Finansmanı, İpoteekli Konut Kredisi

To my family...



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## **CHAPTER 1**

### **INTRODUCTION**

Urbanization process has been shaped by capitalist mode of production since in the late of 19<sup>th</sup> century under the effect of industrial revolution. To provide capital accumulation urbanization of working class has accelerated that is the starting point of serious housing problems within urban area. Housing problems have preserved its prominence all over the world till today due to incremental rate of urbanization and population growth. Besides, 1980s came up with neoliberal ideology that has promoted built environment in urban space to develop new channel for capital accumulation. Housing sector has rose to create built environment that has concluded with commodification of housing to invest. Commodification of housing under capitalist system cause to considering housing as securities and capital in market, so solutions for housing have started to be searched in economic and financial circles (Şiriner Önver, 2018).

In demand side of housing, there is expanding mortgage market as a reflection of neoliberal ideology. Financialization of housing has been enhanced by many new regulations and institutional developments across the world. Housing finance with mortgage loans has started to be inseparable instrument of financial sector for providing economic growth and capital accumulation by creating built environment into urban space. Finance sector contributes to transfer of capital accumulation from national borders to global scale within expanding mortgage market by securitization. National housing finance systems have been heavily affected from deregulation in finance and being integrated into global financial market (Green & Wachter, 2007). Since end of 1970s global financial market has been developed by participation of many countries and securitization of mortgage loans is one of the important components of this system that can be understood as proclamation of new trend in housing finance.

In addition to state role in housing finance that has depended on housing policies, private sector especially commercial banks have also started to be included in as a provider of housing finance via mortgage loans with low costs and with different options for borrowers in this term. Mortgage finance has developed to create international capital flows especially in developed countries and under the effects of such radical transformation, commercial banks have started to be prominent actors (Green & Wachter, 2007). Moreover, 2000s came up with fiscal expansion and decrease in interest rate all over the world that have all made investment in housing sector more attractive than previous terms. So, 2000s has witnessed great increase in housing sector and mortgage market in many countries.

On the other side, housing is so expensive and high percentage of households' wealth and income are separated for housing purchase. Policies especially for low and low - middle income groups are more vital because of being most disadvantageous groups for pay cost of shelter with increasing prices in housing market. In many times they are unable to get benefit from mortgage systems because of insolvency problem. So, housing policies have to be set by strategies to respond financial needs of low - income groups for both solving housing problem in socioeconomic aspects and facilitating more sustainable economic growth as a desire of neoliberal ideology. Many developed countries encourage those low - income groups via social housing, social rental housing, subsidies or any other regulative supports to respond their housing needs and to sustain harmony of society. To provide well - functional housing system intervention of state is critical. If state policy works properly it provides achievement of goals in housing sector whereas inappropriate intervention and policy of state have possibility to damage equilibrium of sector and badly affect the economy.

Turkey has serious housing problems as a developing country like other countries all over the world. Under the influence of certain economic and political conditions of different periods, housing policies of state have determined the approaches to housing problems. In Turkey owner – occupied tenure is encouraged since establishment of the



Republic. To give rise the owner – occupied tenure, improved housing finance system is essential in terms of ability to provide enough funds for individuals who demand purchasing housing units. Additionally, macroeconomic condition is required to be efficient to fulfill suitable background to develop affordable housing finance system that is provision of housing to large masses of society with low costs.

It is possible to state that housing policy in Turkey cannot tackle with inadequacy of housing in any era due to being lack of comprehensive housing policy and developed housing finance system. Provision of housing loan for individuals has not improved enough and housing finance has mainly depended on non – institutional methods like personal savings, borrowing from family or relatives.

In institutional side of housing finance, public institutions had to be unique source of housing funds for long periods due to instability in economy and lack of developed finance institutions in private sector. But their support to housing finance has been inefficient because of restricted resources that has separated for this sphere by state policies until 1980s. Housing finance system of Turkey has mainly driven by institutions such as Ministry of Resettlement and Construction, the Emlak Bank, social security institutions and since 1980s Housing Development Administration<sup>1</sup> (HDA) and commercial banks (Erol & Patel, 2004). To better explain housing finance system of Turkey with those institutions, analyzing urbanization process of the country is inevitable. Urbanization process of country has close relation with housing problems and housing finance methods applied towards certain periods by the influence of the state policy. Turkey has three main periods of urbanization according to Şengül's (2009) <sup>2</sup> categorization. Within those periods approach of state to housing problems has changed much with respect to institutional developments and presented housing finance

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<sup>1</sup> Toplu Konut İdaresi Başkanlığı (TOKİ)

<sup>2</sup> Şengül, Tarık (2009), Kentsel Çelişki ve Siyaset İstanbul, Yerel Yönetim ve Demokrasi Akademisi WALD Yayınları

methods. First period between 1930s and 1950s is defined as the “*urbanization of nation-state*”. Government focused on production of housing units for bureaucrats to develop newly established country as soon as possible. Although resources were scarce and technical facilities could not respond, urbanization of Ankara as a central city was taken to agenda as an initial task. In this period the problem of urbanization and housing was mainly concentrated on Ankara. Government came up with laws to encourage development of housing and established of Emlak Bank as a first public institution related with housing finance for housing cooperatives. In addition to governmental institution, Social Security Organization established in 1945 and carried on housing finance for its members. It gathered certain amounts of subsidies to transfer as home loan to cooperatives (Keleş, 2012). Housing loans they provided were benefited by senior bureaucrats in early terms. Then, with the expansion of populist politics, restricted resources had tried to be allocated different groups of society, housing cooperatives as a being organized housing unities had taken the largest share from those resources (Türel, 1996).

Second period between 1950 and 1980 is labelled as “*urbanization of labour*” by Şengül (2009). After II World War increasing industrialization rate have given rise to migration of working class from rural to urban across the world. While need of labor force was increasing at urban to respond industrialization rate, the demand of sheltering gained speed without any satisfactory solutions for low income groups by the state. In Turkey, migration was mainly arisen from mechanization of agriculture in rural area initially in 1950s. Labor force had lost its importance in agriculture then they needed to shift city centers to find jobs in industrial or service sector where they faced with serious housing problems due to unplanned and increasing migration. Indeed, housing production was conducted by “*yap-sat*”<sup>3</sup> firms in this term and price of houses was too high to afford for low-income families. So, squatter areas as solution of low - income individuals were

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<sup>3</sup> In Turkish “*yap-sat*” firm means small-scale house producer who construct and sell apartment flats

spread across large spaces due to high rent and price of urbanizing big cities. Because of increase of squatter areas, government focused to prevention of such areas and get rid of squatters developed without legal permission via laws which generally named with incentives to construct builds (Keleş, 2012). By the end of this term squatter areas has started to be serious problem for Turkey till today.

Term that is after 1980 is called as “*urbanization of capital*” by Şengül (2009). 1980 is the turning point date for Turkey to be included in neoliberal transformation. To supply economic growth, investments were addressed urban space. Accumulation of capital gained speed with construction sector. Inevitably, housing policy was under the effects of such transformations has supported development of housing sector. After 1980 small - scale entrepreneurs who produce housing units were withdrew and mass housing production was focused by cooperatives and some construction firms by the heavy influence of Mass Housing Law and establishment of HDA as a responsible housing finance institution. Towards mid 1980s mass housing projects increased to create built environment by influence of HDA that extended credits for their sustainability. Although there were improvements in housing sector by financial support of HDA and by the effects of cooperatives in 1980s, in 1990s negative macroeconomic conditions of Turkey had adverse influence on housing sector like as many other sectors. Provision of fund for housing finance by HDA had been scant. In this term capacity of HDA had not enough to attained desired level of capital accumulation from creation of built environment yet.

By 2000s housing sector of Turkey has acquired new dimension due to coming power of Justice and Development Party within its great insistence on creation of build environment. In this sense, HDA has faced with serious transformation starting from 2003 via gaining extraordinary power and influence on housing sector. More importantly its role on provision of housing finance has shifted to being directly producer in housing sector. Great number of laws was enacted to make HDA fully capable producer in housing sector as an implementer of neoliberal ideology into urban

space by directives of Justice and Development Party. While HDA's role has increased in housing production, the role of housing finance has been largely abandoned. Only for low – income groups, restricted and controversial housing finance provision has been continued in 2000s. Under those circumstances, commercial banks have started to be visible institutions in private sector providing housing finance by mortgage loans. Related with this improvement, 5582 numbered Mortgage Law was enacted in 2007 to encourage mortgage finance of commercial banks and to integrate global mortgage market via developing secondary mortgage market for securitization of mortgage loans. Improvements about developing of secondary mortgage market has been so restricted till today due to inefficient macro economy, inadequate institutional development in mortgage market of Turkey. But there is no hesitation that law has contributed to important increase in extension of mortgage loan by commercial banks in 2000s parallel to greatly rising housing sector and built environment by the state policy. In thesis mortgage loans extended by commercial banks are studied depending on improvements in housing policy and housing sector under the influence of neoliberal ideology in 2000s.

### **1.1 Aim and Scope of the Thesis**

The aim of the thesis is examination of housing finance system of Turkey after 2000 with respect to extended mortgage loans for individuals by commercial banks. By 2000s macroeconomic conditions has recovered compared to previous periods in terms of decrease in inflation rate and increase in capital flow that are favorable factors to give rise to investment. Justice and Development Party came to power in 2002 and proclaimed construction sector, specifically housing sector as a locomotive of development strategy. Within this aim Housing Development Administration was subjected to serious institutional transformation in terms of gaining extraordinary authority and power in housing sector within shift from being housing finance provider to being directly housing constructor.

In such a circumstance, in 2007 new Mortgage Law numbered 5582 was introduced in Turkey by intention for developing secondary mortgage market and transforming institutional structure of housing finance system. Although there have been some attempts to develop it, secondary mortgage market process has not been put into practice in Turkey mainly because of do not having necessary institutional background and sustainable macroeconomic conditions like in US or many European Countries. On the other hand, it has provided improvements and remedies in mortgage market which have enhanced both demand for residential mortgage loans and capacity of commercial banks to extend those loans for demanders. In such a circumstance the role of state in housing market and contribution of mortgage loans extended by commercial banks are focused for analyzing housing finance system and housing market of Turkey.

Role of state in thesis is mainly associated with HDA due to being most powerful and influential institution in Turkish housing market since 1980s under the effect of neoliberal ideology. Historical developments about housing finance system, breakpoints about HDA as a main actor in housing sector are paved attention to clarify critical points of housing market in Turkey with respect to current national and international dynamics.

After mapping role of state, specifically HDA in housing finance, role of commercial banks is better examined with figuring out contribution of them to housing finance and their increasing share by 2000s. In thesis, rise of housing sector and increasing share of mortgage loans in housing market by 2000s are presented by statistical data with the target of presenting clear outlook to make consistent analysis about current housing finance system. After that with the aim of understanding housing market by sample, in – depth interviews were conducted within 50 mortgage loan borrowers across borders of Ankara Metropolitan Municipality. From reached sample profile of mortgage loan borrowers, qualifications of both borrowed mortgage loans and purchased housing units within those mortgage loans are analyzed broadly. This study provides examination of demand side of mortgage market within sample and reflects weaknesses and strengths

of Turkish housing finance system. Due to extension of mortgage loan process in commercial banks heavily depends on demands in market, paying special attention to housing loan borrowers is inevitable.

**Main hypothesis: The intervention of the state in the housing sector to ensure economic growth in Turkey, causes flow of state support in this area to the high - income groups. Although large amount of public resources has been transferred to the housing sector by state, low – income people have not access to benefit from them. Improvements on both housing sector and mortgage market provide purchasing of additional housing by high – income groups to invest and earn rental income, while low – income groups cannot purchase housing for even reside in it.**

In this sense developments on housing finance system and specifically mortgage loans extended by commercial banks in Turkey have not affordable, accessible and sustainable for people with low income. Intervention of state in housing sector creates uneven distribution of resources within society.

State has central role to solve housing problems and to create effective funds for needed individuals. In Turkey, intervention of state to housing market has concluded with rise in built environment, specifically housing sector without giving enough support or separating enough resources for low – income people. In such an atmosphere, main concern of state has focused on economic growth by construction of housing to provide more sale of them for economic growth. Housing Development Administration as neoliberal hand of state does not provide benefit for low – income groups in housing sector by using public lands and resources limitlessly. It attains role of transferring of public resources to high – income groups.

In thesis research questions are:

- What kind of institutional developments have been experienced in housing finance system of Turkey after 2000?

- What is the role of the state, specifically Housing Development Administration in housing finance system of Turkey in 2000s?
- What is the role of mortgage loans extended by commercial banks in housing finance system of Turkey in 2000s and in what extend commercial banks can respond to demand of low – income people to be home owner?

First major question is for understanding housing sector of Turkey with respect to increasing housing production and sales. Increasing demand for construction and housing finance facilities in mortgage market to afford them under the effects of neoliberal transformation is paved attention. In 2000s there has been many radical changes in regulative and administrative spheres which have enhanced huge transformation in housing sector. Moreover, in 2007 5582 numbered Mortgage Law was enacted to re-shape housing finance system of Turkey. Those improvements have certain reflections in housing finance that is required to be handled with comprehensively within thesis.

Second major question searches role of state in housing market with respect to having power to control funds and give shape to market according to its political ideology and economic concerns. The aim under the incremental housing sector in 2000s and being highly influential actor in it via Housing Development Administration and their effects on housing finance are tried to be examined. While power and authority of HDA has expanded greatly by 2000s, its role has shifted from housing finance to housing production. Hence, effects of its new intensive role in housing sector are focused to clarify neoliberal developments in housing finance system by 2000s.

Last major question is for finding out affordability, accessibility and sustainability of housing finance system in Turkey. Change in ownership rates in country with respect to upgrading amount of borrowed mortgage loans, provision of mobilization among funds, capacity of commercial banks to serve advantageous and multiple finance options to borrowers, their competition and shares in housing market of Turkey are

taken into consideration broadly. Benefit of existence of mortgage system for low – income groups is intensively addressed by this question.

## **1.2 Research Method of the Thesis**

In thesis quantitative research method is used for presenting systematic background for study. Numbers or any other measurable things are constituted roots of quantitative research method. It is useful to respond questions about relationships by measurable variables for examining, estimating or controlling a case (Leedy, 1993). Moreover, it can be suitable method for making deduction from outcomes obtained from probable sample for population in which sample is chosen (Blaikie, 2009).

In chapter four quantitative method provides examination of housing sector and mortgage market of Turkey in 2000s via statistical data from many public institutions like Turkish Statistical Institute, The Banks Association of Turkey, Central Bank of the Republic of Turkey, Banking Regulation and Supervision Agency. Within gathered data graphs and tables are developed to clarify improvements of housing and mortgage markets with respect to housing sales, construction and occupancy permits, rate of tenures, rate of housing loan to GDP, extended mortgage loan amounts within years. According to their increasing or decreasing trends by different terms or years housing and mortgage market analyses were developed for Turkey by 2000s. These statistical indicators present more realistic, consistent and reliable background for examining housing finance system of Turkey. In this part breakpoints of studied data are clearly seen. So, their linkage with economic, historical, social and political conditions of Turkey is established broadly. Housing policies of state, role of mortgage loans extended by commercial banks in housing market are explained by light of quantitative method to reach more comprehensive and reliable examination for thesis.

Quantitative research methods are covered by profound topic of descriptive research methods due to clarifying the qualifications of phenomenon observed or investigating relations of different entities (Perumal, 2014). Survey research is one of descriptive



research methods. According to Kelinger (1973) survey research is conducted by choosing sample from large or small population to examine correlations, relationships and relative incidence. To use this method researcher asks questions to the responders, categorize their answers within percentages or any other statistical approaches (Perumal, 2014). Survey research is mainly conducted by “face to face interviews”, “telephone interviews” or “questionnaires” (Perumal, 2014).

In fifth chapter of thesis semi – structured in - depth interview is chosen as a way of data collection. Case study was conducted via making in – depth interviews within 50 mortgage loan borrowers from commercial banks across the borders of Ankara Metropolitan Municipality during the two months period. 18 of them were interviewed face to face, other 32 of them were interviewed by telephone meetings within approximately 20 – 25 minutes time periods. The aim of case study is measuring affordability, accessibility and sustainability of housing finance system of Turkey by examining mortgage market of Ankara through mortgage loan borrowers who are representors of demand side. These 50 interviewees were chosen according to certain criteria listed below:

- Borrowing mortgage loans from commercial banks in any time after 5582 Mortgage Law that enacted in 2007,
- Still continuing to pay installments of mortgage loan to borrowed commercial bank,
- In addition to already been living, purchasing housing unit from any districts of Ankara Metropolitan Municipality by borrowed mortgage loan.

Targeting not to create concentration in certain locations and facilitating maximum diversity, rather than finding interviewees with conduction of area study, they are reached by different networks that are personal networks, membered associations, private companies and public institutions across borders of the Metropolitan Municipality of Ankara. To reach potential interviewees high rate of communication

was required during the study with respect to meeting people from personal network if they know somebody borrowed mortgage loan from commercial banks, visiting associations at the weekends when they are crowded or visiting workplaces of relatives, friends who work at public institutions or corporate private companies with high number of employees that might have potential interviewees.

Indeed, instead of reaching them from their houses, reaching them from associations, workplaces or crowded places by weekend visits was chosen as a survey method. This method contributed to reach a great variety of profile to be interviewed from different age groups, employment types that are being wage earner on public – private sectors, retired or self – employer. Moreover, by reaching them via social networks rather than area study near their homes made data gathering process healthy and trustworthy because of in every place there were people who know each other or has connection with each other. So, hesitation for answering or tendency to lie was low even about questions related with their income, total price of purchased housing units and how they finance down payment that may be private questions. All 50 interviewees were answered all the questions which were asked during in - depth interviews that eased reaching consistent results.

### **1.3 Structure of the Thesis**

Thesis comprises of six chapters to examine housing finance system of Turkey in 2000s. First chapter presents general introduction about structure of housing finance system in Turkey. Then subsequently scope, aim, hypothesis and research method of the thesis are shared by purpose of giving detailed framework about study.

Second chapter consists of conceptual framework about housing problem, role of state, housing finance methods, housing institutions and housing market with respect to the primary and secondary categorizations.

Third chapter deals with housing finance systems of developed countries which are United States of America, United Kingdom, Denmark and France. In this sense,

developments of their housing markets, tenure types, financial institutions and structural characteristics of mortgage markets are mentioned to make comparison with housing finance systems of Turkey.

Fourth chapter discusses housing finance system of Turkey elaborately. Role of state within public institutions as main determinants of development of housing finance system since establishment of Turkish Republic is paved attention firstly. Housing Development Administration as a reflection of neoliberal ideology after 1980 is dealt with more detailed to clarify existing structure of housing market. After that commercial banks, mortgage law and application of mortgage loan process are studied relatively. Then housing market and mortgage market in 2000s are discussed with graphs and tables constituted by statistical data obtained from public institutions that contributes to better understanding of current structure of housing finance system.

In chapter five demand side of mortgage market with in – depth interviews are presented that are conducted with 50 mortgage loan borrowers across central districts of Ankara Metropolitan Municipality. Profile of borrowers, structure of mortgage loans they borrowed and housing characteristics they purchased with those mortgage loans are taken into consideration to argue sustainability, accessibility and affordability of mortgage loans for different income groups of society. Regular income and its significance in mortgage loan process, share of different commercial banks in mortgage market of Turkey are discussed briefly.

Lastly in chapter six, summary and result of case study are presented to reach integrated conclusion about thesis. After that in last part policy proposal is prepared with aim of providing contribution for future of housing finance system in Turkey.

## **CHAPTER 2**

### **CONCEPTUAL FRAMEWORK**

#### **2.1 Housing and Housing Problem**

House is a physical unit for individuals to live under the effects of economic, cultural, political and social relations within the society. In modern times, every individual needs to live in a house to adapt society. Being fundamental concept for modernization and urbanization process of mankind, housing has gained countless meanings and functions across different times and spaces. As a comprehensive definition of housing with respect to its functions Tekeli (1996) states that housing has wide variety of functions like as being a shelter, a produced commodity, a consumer good, an investment tool to be protected from speculative appreciation, a future safeguard for individuals or families, a mean for reproduction of social relationships, a cultural artefact for urban environment and a role in the reproduction of labor.

Housing provides economic and social benefits for individuals who live in it and it is one of the important consumer goods that makes contribution to economic growth that lead evaluation of housing as a source of capital accumulation (Keleş, 1988). In post war period there were welfare policies and large amount of investments was separated for industrialization process. Redevelopment of countries and enlargement of production scales had focused after war. But with the neoliberal shift in policies after 1980, construction sector, specifically housing sector gained speed, then housing has faced with commodification because of ensuring economic growth. So last forty years economic function of housing has more focused then physical and social ones compare to post war period. Housing industry not only serves to the aims of physical, social and economic development but also encourages generous economic added value via influencing other sectors (Geray, 1982). Housing sector creates demand for multifarious

input materials and related services. So, it has great potential to decrease poverty and to supply comprehensive economic development.

Production of housing units is meaningless without demand in market. To supply economic value for commodity in the market supply and demand mechanisms should work simultaneously. In demand side, purchasing housing unit is too much expensive for individuals and most of households need extra funds in addition to their own savings. Hence, households need housing finance system that allows for purchase to their most valuable assets (Doling, Vandenberg & Tolentino, 2013). Without comprehensive housing finance system, developing sustainable housing provision is impossible. Main orientation of housing finance system is provision of funds that is needed by homebuyers (Boleat, 1985). At this point housing problem can be defined as being lack of efficient and effective housing finance system for countries. When housing finance system is comprehensive enough in one country to meet multiple kinds of needs of individuals, housing problems faced with in this country become less. Hence, housing problem is reflection of inefficiencies and ineffectiveness of current housing finance systems.

According to Global Report of Human Settlement (2003) <sup>4</sup>; almost one – third of the World's urban population lives in slums where people suffers from severe conditions such as not having access for enough water and sewage system, living overcrowded and unsound units and depriving of formal settlement. These people are not only live in underdeveloped or developing countries but also developed ones. So, there is no country that has solved housing problems totally. Housing problem is mutual concern of world via regaining new aspects every day. Due to high rate of urbanization and increasing population, provision of enough housing stock within affordable prices for individuals is difficult. Moreover, economic instabilities, unequal income distribution and restricted

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<sup>4</sup> UN-Habitat. (2003). The Challenge of Slums – Global Report on Human Settlements

resources cause losing control in housing provision and finalize with irreversible outcomes in housing provision system of countries all over the world. Under the influence of such a dynamic and complex problem, housing finance system as a probable solution, should be comprehensive and sustainable. To achieve this, states of world require to be undertaken great responsibility as a main source of authority. Without concrete actions of state institutions as being direct producer, mediator or regulator in housing markets according to their structure that depends on current socio-economic conditions and political ideologies, solving housing problem and improving strong housing finance system are not possible in any time and space.

## **2.2 Role of State in Housing Problem**

Housing is the one of the basic needs of individuals. Thus, it is proclaimed as a basic right for many international documents and treaties starting from Universal Declaration of Human Rights<sup>5</sup>. In the UN International Covenant on Economic, Social and Cultural Rights<sup>6</sup> dated 1966 has emphasis on “adequate housing right”. Due to signing this covenant in 2000, Turkey is one of the states under the burden of act in accordance with 11<sup>th</sup> article of covenant as mentioned below:

The States Parties to the present Covenant recognize the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing and housing, and to the continuous improvement of living conditions. The States Parties will take appropriate steps to ensure the realization of this right, recognizing to this effect the essential importance of international co-operation based on free consent. (p.2)

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<sup>5</sup> Universal Declaration of Human Rights is a document prepared by United Nations General Assembly on 10.12.1948. Its article 25 mentioned housing as a right. For more detail see: [https://www.ohchr.org/en/udhr/documents/udhr\\_translations/eng.pdf](https://www.ohchr.org/en/udhr/documents/udhr_translations/eng.pdf)

<sup>6</sup> International Covenant on Economic, Social and Cultural Rights was signed in 15.08.2000 in Turkey and put into force in 23.12.2003 by approval of Council of Ministers <https://www.ohchr.org/EN/ProfessionalInterest/Pages/CESCR.aspx>

Committee on Economic, Social and Cultural Rights (CESCR)<sup>7</sup> that is responsible for monitoring implementations of the states which signed the covenant. In this aspect to provide better implementation of covenant this committee prepared General Comments documents about articles of Covenant on Economic, Social and Cultural Rights. CESCR's General Comment No: 4<sup>8</sup> was prepared for clarification of 11<sup>th</sup> article of covenant and it presents what should be understood from "adequate housing right" broadly.

In article 7<sup>th</sup> of General Comment No:4 it is stated that right to housing should be understood as shelter with having right to live secure, peacefully and dignifiedly rather than living in a shelter under the only a roof or seeing shelter only as a commodity, this understanding is required due to firstly being connected of housing right to other human rights and Covenant targets to provide housing to all people regardless of their income level or accessibility of economic resources by them, secondly by referencing to 11<sup>th</sup> article of Covenant only "housing" is insufficient, adequate housing is focused, as stated the Human Settlements Commission or the Global Strategy for Shelter 2000

Adequate shelter means adequate privacy, adequate space, adequate security, adequate lighting and ventilation, adequate basic infrastructure and adequate location with regards to work and basic facilities - all at a reasonable cost. (p.1)

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<sup>7</sup>CESCR is the body of 18 independent experts that monitors implementation of the International Covenant on Economic, Social and Cultural Rights by its States parties. The Committee was established in 28 May 1985 to carry out the monitoring functions assigned to the United Nations Economic and Social Council <https://www.ohchr.org/EN/HRBodies/CESCR/Pages/CESCRIntro.aspx>

<sup>8</sup>CESCR General Comment No. 4: The Right to Adequate Housing (Art. 11 (1) of the Covenant) Adapted at the Sixth Session of the Committee on Economic, Social and Cultural Rights, on 13 December 1991 <https://www.refworld.org/pdfid/47a7079a1.pdf>

In 8<sup>th</sup> article of General Comments No: 4, factors are arrayed to clarify what should be understood from “adequate housing” and what should housing consist of to be adequate according to aim of the Covenant.

These factors are presented below respectively:

- Legal security of tenure,
- Availability of services, materials, facilities and infrastructure,
- Affordability,
- Habitability,
- Accessibility,
- Location,
- Cultural adequacy.

In UN Habitat II Conference (1996) significance of housing problem is emphasized by two principles. Initial one is sustainability and habitability, second one is equitability that means “adequate housing for everyone” (Tekeli, 1996). Adequate housing right is directly or indirectly accepted by all states because of being part of certain international treaties and declarations that refer obligation of states to ensure adequate housing as a source of authority (UN Fact Sheet 21, 2014).

In addition to international treaties, documents by the notion of welfare state after II. World War and influence of international developments about housing issue, many states have added article to their constitutions about adequate housing right. In 1982 Constitution of Turkey article 57 states “Our State shall take measures to meet the housing need within the framework of a plan to observe the characteristics and environmental condition of the cities”.

Approach to housing problem has changed across different states with unique conditions. While in central states housing provision is directly provided by state, in free market system state may act as monitoring mechanism and only intervene system



if there is an error. Intervention of state to housing issue can be direct or indirect. In developed countries state mostly approaches housing issue indirectly that affects the method of housing finance and nature of housing market (Boleat, 1985). Means of state to intervene in housing finance system are mainly housing policy, tax treatment and subsidies or regulative directions on housing market (Boleat, 1985). As a housing policy, state may encourage society for owner - occupation tenure, hence demand increase or may support individuals with tax reduction and subsidies for giving rise to housing provision or may control interest rate of mortgage credits to regulate market.

### **2.3 Housing Finance Methods**

Housing finance systems change across countries under the effect of different socio-economic circumstances and political ideologies. Indeed, housing finance is a way of unifying complex and multi - dimensional factors that depends on changing local characteristics such as culture, legal or regulatory environment, economic make up or political system of country (Chiquier & Lea, 2009). All mentioned local characteristics are reflected cities via housing finance system that gives shape to them. Due to finance methods determine characteristics of construction, ways for building cities are reflections of method that they are financed by (Renaud, 1987).

Individuals as residents of cities need efficient and effective housing finance system to provide affordable houses to sustain their lives and links with society. Basic requirement of any housing finance system consists of ability to provide fund from who has surplus and transfer it to who needs to borrow (Boleat, 1985). In this part modes of housing finance system that are way of proving fund for needed individuals are examined according to categorization of Boleat (1985); as a direct finance, contractual system, deposit taking and mortgage system by stating that modes of housing finance systems mentioned here are not certain, they can change or be combined with other modes across different countries and time periods.

### **2.3.1 Direct Finance Method**

Direct finance provides transfer of fund from lender to borrower who has not enough accumulation to buy housing unit. Lender and borrower are linked according to their kinship or neighborhood relations that are not corporate in this method. Moreover, construction firms can also be lender for individuals borrowing demands. This system is lack of any financial intermediary institutions such as banks, hence security of transactions and documentation of process in legal form are weak.

Direct finance has stand local. So, it generally requires extra cost and effort. Moreover, there is no institutional entity and statistical data to briefly define it (Boleat, 1985). Hence, it lost significance under the effects of highly developed finance institutions. While it is still preferred less developed countries in the absence of institutional finance methods, more developed ones prefer it rarely when there is restriction on reaching ordinary developed finance institutions (Boleat, 1985).

### **2.3.2 Contractual Method**

It originated from early periods of UK experience and prevailed among Continental European Countries. Fund is allocated from individuals who wish to buy home but lack of enough accumulation. Funds are accumulated by certain finance institution that is able to provide loans for individuals from pool. It consists of contract with individuals to save required amount over a determined period then they became eligible to take a loan. Those housing loans have lower interest rate than market.

Compared to direct finance system it is more corporate and useful in terms of setting capable finance pool, mediating by certain institution and providing long term housing loans. Although it does not present total amount of house purchase, provides tax-efficient saving (Boleat, 1985).

### **2.3.3 Deposit Based Method**

This method is more prevalent around the world. Saving banks, commercial bank or specialized deposit - based institutions allocate funds from lenders who has surplus and wish to take back their deposit with interest. Those funds are presented for not only individuals but also firms and institutions. In this structure house buyers may also benefit from those deposit - based organizations within demand for loans for housing in return paying back within proportional interest rate.

Deposit based model is formal and includes intermediary finance institutions compared to direct finance mode. Moreover, institutions here search for profit maximization and interest rate are determined according to market circumstances in order not to cause budget deficit within interest rate of deposits that is paid back to lenders at end of the certain period. In this way, it is also different from contractual mode of housing finance.

Funds in deposit - based model are not required to be presented as housing loan only. They can be used for financing commercial activities, investments of firms, institutions or financial needs of individuals. Housing loans may be competing with loans extended for other purposes (Boleat, 1985). Hence, this model is fragile with respect to interest rate. If it increases much, lending/borrowing housing loans could not be attractive compared to other kinds of loans. Because of such possibility governments may support housing loan consumers via tax reduction or subsidies for certain housing finance products of deposit - based institutions.

### **2.3.4 Mortgage Bond Method**

This system brings together wide range of institutions such as mortgage banks, financial intermediary agencies, insurance companies, pension funds. Mortgage bond method requires loan from finance institution with fixed or variable interest rate on the condition of holding house as a mortgage. To provide fund for house loans, bonds are sold in market at a naturally determined market rate in terms of demand and supply equilibrium. But this system is fragile.

As Boleat states (1985):

Such a system must meet the demand fully, unless there are artificial restrictions on interest rates, or indeed on the supply of bonds to market. This system can, of course, work efficiently only when there is an active bond market in which private sector institutions can participate. (p.10)

It requires free private sector and effective competition in market. In UK, government is more dominant than private sector in bond market and because of representing tax advantages competing with government nearly impossible. As an outcome, there is no improved mortgage bond - based market like Sweden and Germany.

## **2.4 Housing Finance Institutions**

Housing finance system covers different kinds of institutions according to depth of national housing markets. Dominance and range of institutions differ across the countries. While in some countries only one or two types of them conduct housing finance, some of them requires multi - institutional structure and include wide range of institutions in market. To understand how it works, lending institutions are required to be understood elaborately.

**Commercial banks** extend mortgage loans in return of collateralization of housing unit or lease housing unit via financial leasing system. Banks are main institutions to extend housing loans and they can serve both local and national level. They cover high variety of functions such as provision of retail, wholesale and international banking and deposit taking function is common many of them (Boleat, 1985). Due to short maturity of mortgage loans those institutions look for issue their existed loans in market to create new funds.

**Saving and Loan associations** focus to housing finance issue via extending mortgage loans. Building societies of UK is one of the well - known specialist housing finance institutions. Originally, they are evolved from saving banks and they only finance for mortgage loans rather than any kinds of other financial services. In US saving and loan

associations are also specialist institutions which direct all attention on mortgage loans to individuals to help “American Dream”. Saving and loan associations (S&L) serve as commercial banks in terms of taking deposits, extending mortgage, debit card but they highly concentrate on residential mortgage in local size.

**Credit unions** refer financial co - operatives. They generally serve in small scale and growth of their scope depends on number of participants who attend those unions. It presents services similar with commercial banks such as acceptance of deposits, presenting loans and financial products. To achieve those functions, they work with non-profit based compared to commercial banks’ profit maximization concern.

**Mortgage banking companies** carry out their activities with their funds, mortgage loan repayment by borrowers or rather with selling their mortgage loans to investors as a mortgage backed securities in secondary mortgage market. Moreover, they work with profit manner and mortgage origination fee is important revenue for these institutions.

**Pension funds** provide long term funds in housing sector via evaluating as a fund for mortgage loans in the secondary market. Pension funds are long term investment of individuals for retirement period. During the long period, they regularly pay determined fee in return of providing as a lump - sum income after being retired or exited from system if they prefer. In this long period, those funds may be evaluated in secondary mortgage market with respect to investing on mortgage back securities.

**Insurance companies** have similar function with pension funds. They act in secondary market as an investor for mortgage backed securities and provide long term funds for market. In addition to function of them in secondary market, they also provide insurance for real estates that are financed by mortgage loans. During the period of collateralization to lender institutions, real estate is required to be preserved by home insurance and fire insurance. Insurance companies include in provision of those services to individuals in return of insurance charge.

In addition to institutions above, governments establish housing finance institutions according to their approach to housing problems. In some countries, government is main actor and participating in housing finance via producing house, extending mortgage loans or maintaining banking services by public bodies. In France for example extending mortgage loan is on control of public bodies or in Japan government acts as mediator between mortgage banks and other financial institutions.

On the other hand, in some countries, governments establish institutions to give rise to secondary mortgage market and securitization of mortgage loans like US. Or they may establish institutions related with legal arrangements about mortgage market. Those institutions may serve for auditing to mortgage institutions and securitization process of mortgage loans. Due to great variety of public institution according to countries' specific socio-economic, cultural and legal dynamics, categorization of them is quite difficult. Different approaches of governments to housing problem and housing finance cause establishment of specific governmental bodies shaped by special needs of countries.

## **2.5 Mortgage and Mortgage Market**

Main aim of housing finance is transfer of funds from who has surplus to who needs them to buy home. Housing finance has covered long distance improvements. But for last few decades mortgage markets have gained significance all over the world because of having promise for economic growth. Neoliberal policies have promoted housing sector as a driving force behind the economic growth within sake of capitalist accumulation.

Due to great emphasize on housing sector as a driving force behind the economic growth and development, range of different mortgage product and depth of market have increased in extraordinary rate parallel to financial market. Not only developed countries but also developing ones have needed to be integrated with mortgage and finance markets to adapt international circuit of capital flow of neoliberal world. Hence,

many new regulations and policies are taken to agenda to strengthen share of mortgage market within national economies with respect to promote demand and supply side of housing sector.

“Mortgage” is nothing more than the name given to a particular type of loan, in this case, a real estate loan (Mc Donald & Thornton, 2008).

According to Mc Donald and Thornton (2008); a mortgage has four basic characteristics: amount of loan, maturity of loan, schedule of repayment (monthly installments or lump sum) and interest rate. Amount of loan is determined by price of home basically that is planned to be purchased by borrower. Some part of price is paid by borrower and some certain part is borrowed from lender institution. Maturity and schedule are generally arranged according to the monthly income of households. If they prefer to pay less amount as an installment, they want longer maturity. First three criteria are based on borrowers’ preferences. But last one is directly related with macroeconomic indicators and their reflections on housing market. Interest rate as a fourth criterion is not a stable value. If it increases, demand for housing loan is decreases or visa – versa.

Although there are many alternative types of mortgage credits across world according to interest rate, in general all of them are deprived from certain two type interest rates that are fix interest rate and variable interest rate (Berberoğlu, 2009).

Fix interest rate in mortgage loan requires fix amount of installment for period of maturity of loan. On the other hand, variable interest rate brings changeable value for amount of installment that is open to change across maturity period by monthly or any specific period.

Mortgage based housing finance system consists of three kinds of risk in market, these are liquidity risk, interest rate risk and credit risk (Chiquier, Hassler & Lea, 2004).

Liquidity risk emerges from incompatibility between deposit and mortgage loan maturities. Mortgage loans cover long term maturity and deposits comes from investor to lender institutions are tended to have shorter maturity than mortgage loans. Due to probable mismatch of their maturities, lender institution may face with liquidity crises and may not sustain its function for extending loan and allocating deposits anymore.

Interest rate risk is defined as instability in interest rates. Mortgage loans cover long terms and their demand increases when the interest rate is lower in individuals' side. Hence, mortgage loans have lower interest rate compared to short term deposits. Additionally, deposits may be transferred other financial institutions by investors so as to obtain higher interest. On the contrary transfer or mortgage loans are a bit rare. Hence, finance institutions are fragile in front of changing interest rate. Such circumstance fosters to present mortgage loans which consists adjustable interest rate to preserve probable financial loss.

Credit risk or default risk refers ratio of mortgage loans to price of purchased home and ratio of borrower's total income to payment for mortgage credit. In market if the price of homes decreases, borrowers are not willing to pay their installment of mortgage loans or if their monthly salary is less than amount of monthly installment financial institutions are under the risk of credit and may not provide pay back of their extended loans.

Boleat states that (2004):

Mortgage finance can play a vital role in the development of an economy. On the housing side, the lower the rate of interest at which people can borrow to buy a house, the more they will be inclined to buy or build a house, or to improve their home. This will improve living conditions. Also, the building industry should be stimulated with the resulting beneficial effect on the quality and cost of construction and employment. (p.2)



### **2.5.1 Primary Mortgage Market**

Primary market brings together borrowers and mortgage originators. Borrowers as individuals or households whose purpose is acquiring real estate are demand side of the market. Mortgage originators are institutions such as saving banks, saving loan associations, commercial banks who have fund to lend borrowers in return of mortgage that is valid until borrowers' paying last installment of mortgage loan.

Mortgage originators take loan applications of borrowers and evaluate them with respect to whether extend a loan or not, after giving decision to lend they need assurance to provide repayment of loans that may be down payment or mortgage insurance (McDonald & Thornton, 2008).

Primary market is developed across the countries all over the world. In order to provide economic growth, financialization of housing market is presented as inevitable notion by global trends since end of 1970s. Primary market is restricted in provision of such a growth due to being highly depended on payback capacity of borrowers. Moreover, primary mortgage market performs role of intermediary with transfer of funds from savers to borrowers. This intermediation process causes assessment of default, liquidity, maturity, credit and interest rate risk (Preyke & Freeman, 1994). Mentioned vulnerable structure of primary market fosters countries to look for remedies and to shift better housing finance system that is more liquid and less risky. Hence, secondary mortgage market has developed as a being safeguard for primary one with the function of fulfilling blanks of primary market in front of speedy financialization and economic growth all over the world.

Functioning of primary and secondary mortgage market is figured out below.

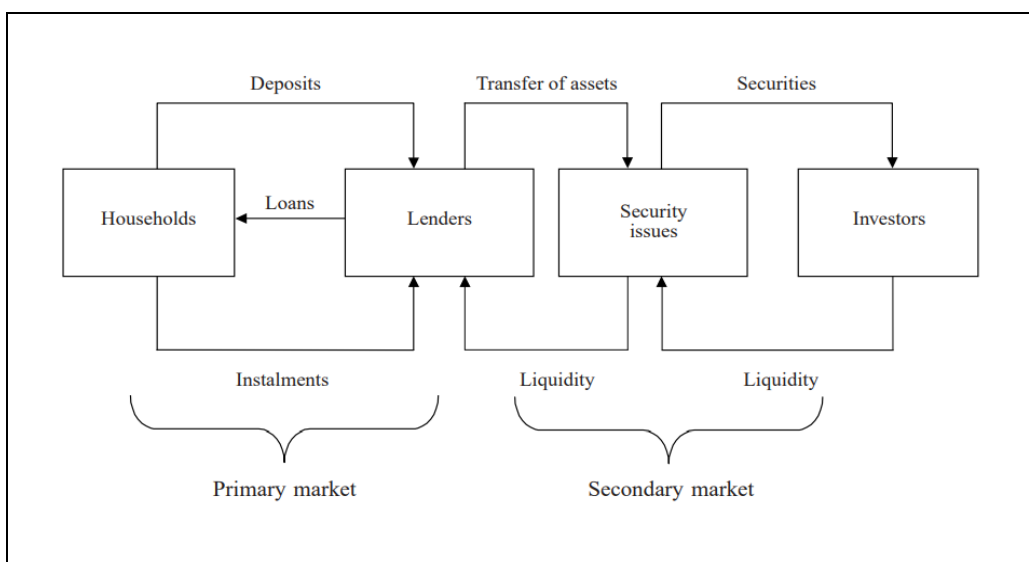


Figure 2.1 Functioning of Primary and Secondary Mortgage Market (Source: Arrieta, 2005)

## 2.5.2 Secondary Mortgage Market

Secondary mortgage market development started by the end of 1970s in US. It has spread among countries across the world starting from 1980s. It can be stated that secondary mortgage market was appeared to provide remedy for inefficiencies of primary market.

Housing units are expensive products with comparison to regular income of individuals. To purchase them individuals needs mortgage loan for finance housing units. Amount of mortgage loan is considerably big in comparison to other types of consumer loans. Hence, mortgage loan process requires long term maturity with low interest rate to stimulate demand in market and to present sustainable housing finance system for both lenders and borrowers.

Extending those loans with long maturity and low interest is not profitable option of lending institutions. Such process contains credit risk, interest risk and default risk .

Moreover, lending institutions need to wait for a long time to use their funds again that cause inefficient using of funds. To get rid of such negative consequences, securitization process has been developed by secondary mortgage market to create new funds and easily extending those funds to borrowers as mortgage loan.

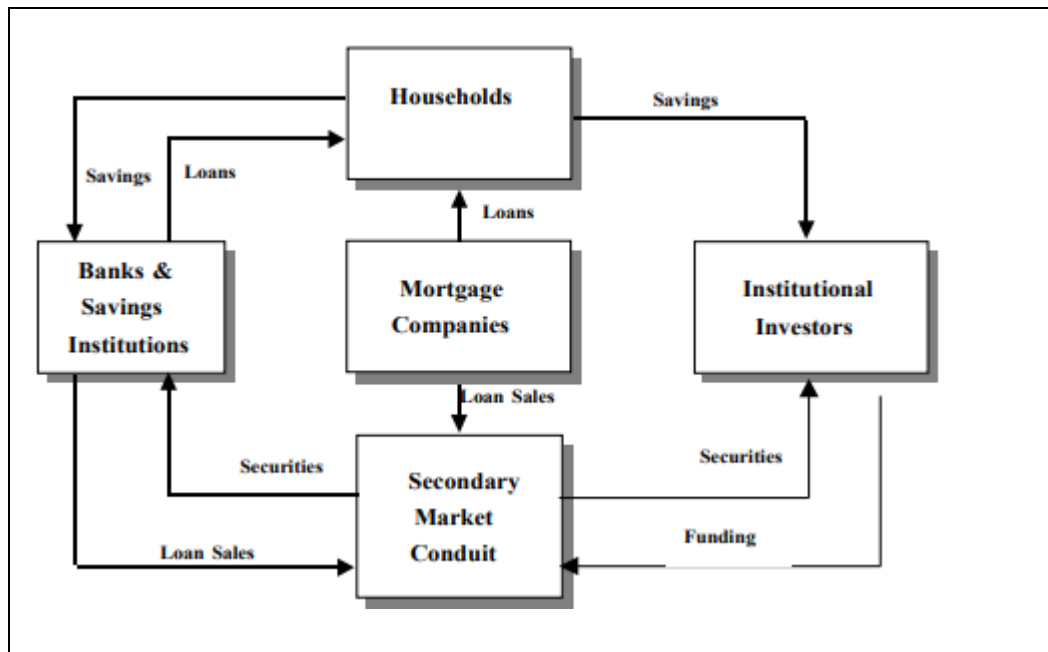


Figure 2.2 Secondary Market Cycle (Source: Lea & Chiquier, 1998)

Secondary mortgage market provides trading of mortgage loans extended to borrowers to be homeowner in primary market. Those collateralized mortgage loans are presented in secondary mortgage market as a mortgage back securities or covered bonds that are financial instruments of securitization process. Firstly, lender institutions that may be commercial bank or specialized mortgage institutions allocates loans in a pool then, serve them secondary market as securitized products to investors. Those investors are generally hedge funds, pension funds, insurance companies or governmental institutions.

While this process is attained within market, funds are increasing favorably to create new loans in primary market and securitized products in secondary market for selling

investors. This mechanism also provides linkage between international capital rather than only national one. Although mortgage loans in primary market are domestic and have not connection with global system, securitized products of secondary mortgage market are directly connected with global capital by financial sector. That's way housing finance has gained great prominence for last forty years under the effect of global context of neoliberalism.

## **CHAPTER 3**

### **HOUSING FINANCE SYSTEMS OF THE DEVELOPED COUNTRIES**

#### **3.1 Introduction**

Housing finance is important for all countries to solve their housing problems with respect to their own social, economic and political conditions which make their housing finance systems unique. By the industrial revolution migration from rural to urban has increased and housing problems have become more visible. According to those increasing problems, housing policies have conducted by states that have shaped housing finance system.

Although housing finance has occupied countries for long periods because of unending and increasing shelter needs of individuals, for last forty years it has gained great prominence due to intensive focus of neoliberal ideology on it. Neoliberalism has fostered many institutional changes in housing finance systems of countries to be adapted to desired global context via transmitting capital internationally by financial sector. Securitization of mortgage loans in financial sector has facilitated expansion of investments on housing sector in global scale. Through developments on capital markets and securitization of mortgage loan, housing finance has embraced more comprehensive set of investors, covering international ones (Green & Wachter, 2007).

Parallel to global developments under the influence of neoliberalism, housing finance system of Turkey has been also experienced institutional transformations and contextual changes since 1980s. Housing Development Administration was established in 1980s and incremental involvement of it in housing sector has continued towards 2000s. Too many legal changes have been witnessed related with housing sector and HDA. Especially after Justice and Development Party's coming power HDA gained great power, authority in housing sector. Its role on housing finance has decreased while it

has attained role of producer in housing sector. Then, creation of built environment in Turkey has carried out by limitless and enormous construction projects of mostly HDA and proponent construction firms of it in 2000s. Under the shadow of this transformation, in housing finance sphere 5582 numbered Mortgage Law was enacted in 2007 that aims to develop secondary mortgage market in Turkey. Within this law although improvements about housing finance has stand restricted, there is apparent rise in commercial banks' mortgage finance. To better analyze all those improvements, in this part of thesis housing finance systems of developed countries are studied due to facilitating comparison with improvements of Turkey and their invaluable experiences as having strong housing finance systems. As Boleat (1985) states: "housing finance system cannot be studied in isolation and it is necessary to describe briefly the housing market in each country, and also the banking system. " Turkey as a developing country has a long run to acquire developed housing finance system due to not having necessary structure with respect to institutional background, enough funding mechanism, developed housing market, comprehensive housing policies and macroeconomic stability.

On the other hand, developed countries of the world have more well-functioning and comprehensive housing finance systems. By completing industrialization process before, their share on "common wealth of the world" is bigger than "late comers" like Turkey. Furthermore, because of facing with rapid urbanization and population growth in earlier times, they have had invaluable experiences which may provide finding suitable solutions to those problems. In the first industrializing and urbanizing countries, the housing problem was intensely experienced, the struggles of the working class, additionally decisiveness of general political and economic conjuncture have led to significant gains in this era (Şiriner Önver, 2018). Within this framework, in this chapter housing finance systems of United States of America, United Kingdom, Denmark and France are examined broadly in terms of historical developments, housing policies, tenure types and mortgage markets as primary and secondary. Due to having different structures, all four countries are presented different invaluable experiences

inevitably. Analysis of those countries in comparison to housing finance system of Turkey, inevitably contribute to clarification of strengths and weaknesses of housing finance system of Turkey. Studying these countries comparatively with Turkey contains potential for policy proposal within running into important similarity or differences from allocated information related with social, economic or political context.

### **3.2 Housing Finance System of the United States of America**

Understanding housing finance system of US is vital that Boleat states (1985) three reason for taking US housing finance system into consideration. Firstly, it is the one of the biggest economies of the world and all kinds of changes in it probably affect other countries. Secondly, due to being powerful and far reaching country, its developments on financial institutions are followed by others. Lastly, housing finance in U.S. is one of the most developed one in global world especially in terms of secondary mortgage market.

Owner occupation is dominant tenure system in US. It is associated with motto of American Dream. Newcomers have settled areas which are not property of Americans and they created new residents to live for many years, hence owner-occupied housing rate has increased relatively in US. It was %43.6 in 1940 and it had rose to %65.6 by 1980s (Boleat, 1985).

Moreover, deposit - based model was dominant housing finance system till end of 1970s. Saving - loan associations and saving bank, named thrifts together, were main institutions for lending housing loans to individuals. On the other hand, by the end of 1970s secondary mortgage market developments started to be rise for securitization process of mortgage loans. Such development has fostered liquidity in housing market to contribute more sale and purchase of housing units that has given rise to economic growth in US.

Housing finance has long history in the US. To better explain current improvements, historical developments of them are mentioned below to provide clear insight. In US, the period between 1933 and 1945 was Roosevelt term and policies were transformed to national level from local level and housing finance system was really affected from this shift in policies. State highly intervened in housing issue and provided many developments on institutional housing finance system of US. Many institutions and programs were developed in terms of helping defaulting homeowners, providing more affordable loans with mortgage insurance, supporting industry of construction, banks, and mortgage institutions (Bratt, 2012a).

In 1932 Federal Home Loan Banks (FHLB) were established to supply mortgage loans via facility of borrowing from Department of Treasury in US. Then, for provision of insurance to those mortgage loans Federal Housing Administration (FHA) came up with 1934. With same aim in 1944 Veterans Administration (VA) was established secondly. Furthermore, in 1938 Federal National Mortgage Association (FNMA, Fannie Mae) was established to fulfill tasks of supplying liquidity in mortgage market, support and guide lender institutions (Bratt, 2012a). Homeownership rate had increased in US after II World War by influence of Baby Boomers, economic growth and wealth were witnessed in this period by increasing intervention of state (Dickerson, 2014).

FNMA was separated two part and Government National Mortgage Association (GNMA, Ginnie Mae) was established in 1968 for supporting mortgage market under the guarantee of state via buying insured mortgage loans from FHA under the market interest rate (Bratt, 2012a). In 1970 Federal Home Loan Mortgage Cooperation (FHLMC, Freddie Mac) was established to support loans and guarantees for loans and to develop a market that provides mortgage – backed securities by collecting them in a pool for selling them to investors on the free market (Congleton, 2009). Allocating mortgage loans in pool and providing guarantee for them by FHLMC decreased risk of mortgage – backed securities and encouraged more investors to invest in those financial products (Congleton, 2009).



These three government - sponsored entities were developed to run secondary mortgage market via purchasing loans from lenders, providing availability for loans and presenting affordable, suitable facilities for households to be home owners (Bratt, 2012a). Those institutional developments show great transformation of housing finance system of US from deposit based – mortgage market to globally investing secondary mortgage market with its securitization instruments. Within these term state acquired institutional set for deep and comprehensive secondary mortgage market that has been expanding day by day with variable new mortgage products. After 1980s private institutions have also started to shift secondary mortgage market to have share from investment on financial sector that is new channel of capitalism within neoliberal ideology.

US mortgage system has long history parallel to housing finance. Until 1970s it had mainly sustained by local lender institutions that are saving and loan associations (S&Ls). Those S&Ls have been responsible for extending housing loans, in monthly periods servicing the loans and until borrowers pay total amount of loan, keeping hold of mortgages (Bratt, 2012b). Mortgage loans were extended with fix interest rates and long maturities till 30 years. There were not various range of lender institutions. In addition to S&Ls, mutual saving banks and commercial banks were alternative mortgage originators. In 1980s S&Ls have %46, mortgage banks %30, commercial banks %21 and other institutions have %3 share in mortgage market (Diamond & Lea, 1992). In next periods role of S&Ls have decreased gradually.

Mortgage market faced with extraordinary change by the end of 1980s. Institutions contained vulnerable structure for risks were got rid of as seen in decreasing share of saving and loan associations in end of 1980s. Rather than deposit - based system securitization of mortgage loans started with both governmental and private institutions. Ginnie Mae (The Government National Mortgage Association) as a public institution was fostered to be included in securitization process by Federal Government in 1970s that is starting point of securitization process of mortgage loans. In addition to Ginnie

Mae government also canalized big mortgage institutions named by Fannie Mae (Federal National Mortgage Association) and Freddie Mac (Federal Home Mortgage Corporation) to be participant of securitization process in end of 1970s. Their roles in securitization process have intensified with government support and housing market has expanded day by day.

After system was adapted substantial rate many foreigner holders have entered to market and funds of secondary mortgage market have gained international flow in global context. While real estates are domestic and removing them to outside impossible, after secondary mortgage process they has gained to chance for being sold international financial market indirectly.

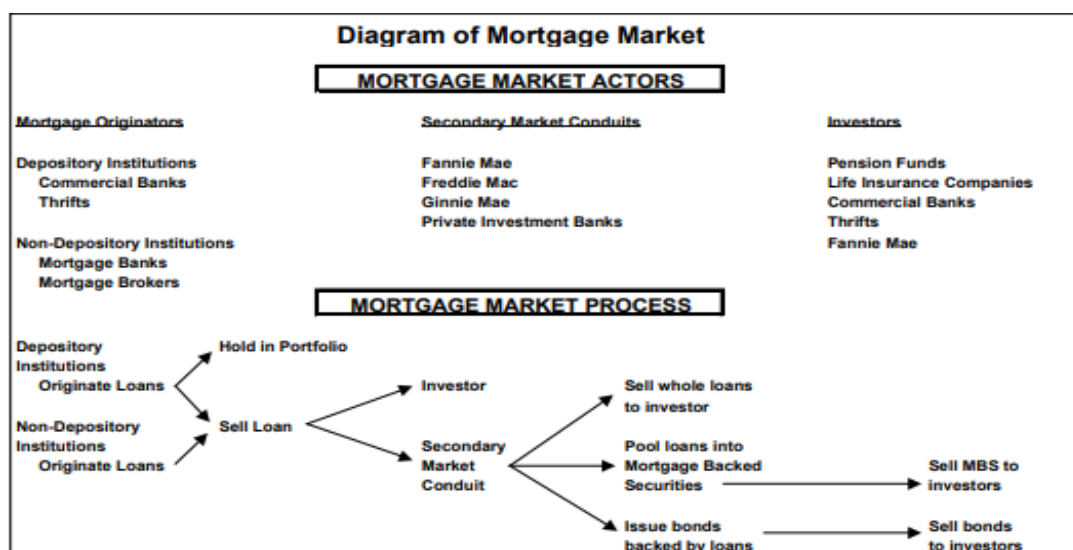


Figure: 3.1 Structure of Mortgage Market in US in terms of primary and secondary market circuits (Source: DiPasquale & Wheaton, 1996)

At the beginning of 2000s, US has the largest share in global mortgage market and government had searched the way of new investments in market with the concern of getting rid of excessive liquidity level. Aftermath of recession of 2001, both prices of housing and interest rates of mortgage loans decreased simultaneously, this combination fostered to improvement in housing affordability, many American might

afford a home or buy more expensive one (Jones, Beard & Langston, 2010). Hence, wide variety of finance institutions both governmental mortgage institutions and private mortgage institutions tended to give mortgage loans to low income groups that are named subprime mortgage loans. Subprime mortgage loans cover low income households who cannot be funded before by financial institutions because of high default risk. When mortgage - based securities are analyzed within period of 1998 to 2008, the fastest increase was seen among securities issued by private funds that were not guaranteed by government, majority of those securities were collateralized by non – performing loans as not having governmental guarantee (Erol, 2011). Their market share was %8 in 2000 and increased to %20 in 2006 (Inside Mortgage Finance, 2008). Biggest part of lending was intensified on low and moderate - income groups that consist of high cost and high risk (Dickerson, 2014).

Indeed, provision of suitable housing finance options to the low – income groups is not a new idea. As a housing policy, low – income groups have been emphasized in different terms to facilitate their being homeowner. In 1977 the Community Reinvestment Act was proclaimed in US. This act canalized banks to encourage underprivileged groups for lend mortgage loan, In Clinton term encouragement transformed requirement as a policy, Bush administration also took responsibility within preparing American Dream Down Payment Assistance Act that provided fund for low – income people to lighten the down payment and closing cost for first housings (Zandi, 2009).

By Federal Housing Enterprises Financial Safety and Soundness Act of 1992 Freddie Mac and Fannie Mae were obligated to provide “affordable” mortgage loan for low income families, after declaration of this obligation, Department of Housing and Urban Development (HUD) started to make targets annually for loan extension to low income families, as mentioned in Fannie Mae Annual Report 2007 this goal was %30 in 1993 for these two institutions and it rose to %55 in 2007 that is the reason of the appearance and expansion of subprime mortgage loans in US mortgage market (Congleton, 2007). While subprime mortgages had less than %9 proportion among mortgage originations

in the 1990s, their height reached more than %20 percentage period between 2001 – 2005 by housing boom, their amount was 160 billion USD in 2001 and it reached more than 600 billion USD in 2006 (Dickerson, 2014).

In 2000s to evaluate liquidity in mortgage market and to facilitate low – income groups being owner of their homes subprime mortgage loans were extended to those groups that is the main trigger of mortgage crisis in 2008. Because of having high competition in mortgage market, mortgage originators lightened their control on borrowers to approve mortgage demand or not. In 2000s many borrowers who has weak credit payment history started to be approved by mortgage originators, they suggested “stated income” loans in many cases that means borrowers simply stated verbally their income regardless of presenting any document or proof (Jones, Beard & Langston, 2010). Hence, many people who said lie about their income took into default and faced with foreclose.

In US mortgage backed securities (MBS) are main products of secondary mortgage market. While some MBSs are under the governmental guarantee, some of them are not. Hence, they are sold to investors with risk. In US there is no balance sheet mechanism like in Denmark that provides directly link with installments paid in primary market. Payments transferred to holders of bonds that means financial institution do not under the burden of default risk, they are just intermediary institutions. In US default risk has capacity to damage all connections in mortgage market where mortgages are sold to investors with their risks within securitization process. Indeed, securitization process all in all cause the decline in responsibility because of not consisting direct linkage with loan or security and ease of concealing risky mortgage securities under the combination with non – risky ones (Jones, Beard & Langston, 2010).

One of the reasons that triggered mortgage crisis was heavy increase in extended mortgage loans with low or zero down payments to the people who have low economic reliability due to increasing liquidity (Erol, 2011). In macro economy side credit rating agencies reduced grade of subprime loans so, their unfair grades were showed up that

rated before crises. Reduction in grades by credit rating agencies influenced corporate investors' portfolio and lost in value of them was faced by. Many investments became worthless.

Using adjustable rate of mortgage originators is associated with being one of the reasons of mortgage crisis in US, adjustable interest rate presents advantage for borrowers in terms of being alternative to fix - rate when inflation and interest rates increase in mortgage market and having generally lower rate with its short – term duration compared to long – term rates (Jones, Beard & Langston, 2010). On the other hand, those adjustable rate mortgages' default rate has always been more than twice greater than default rate of fixed mortgages (Zandi, 2009). %90 of subprime loans had adjustable rates in 2006 (Zandi, 2009). Hence, increase in defaulters of subprime mortgage triggered the nightmare for financial market of US by mortgage crisis.

Although too much factor caused mortgage crisis, low interest rate that is provided by Federal Reserve Bank was so influential due to fostering aggressive investment in 2000s, low – interest rates made investors to pursue higher profit opportunities, supported mortgage lenders for extending subprime loans that had both higher risk and higher return (Bratt, 2012b).

In second half of 2008, while two enormous investment banks namely Merrill Lynch and Bear Stearns were sold to other banks and the other investment bank Lehman Brothers faced with bankruptcy, financial institutions explained high amount of losses, federal government had to rescue Freddie Mac and Fannie Mae (Bratt, 2012a). To rescue them Treasury took measures by Housing and Recovery Act for provision of liquidity and running of them, after short period they were taken under the federal control (Bratt, 2012b).

Inevitably low – income households were primary victims of uncontrollably expanding housing market with fragile structure. With low interest rates and long maturities borrowing mortgage loans may seem attractive, but being defaulter has unhappy end

with mortgage crisis. In this process households lost not only their trust to financial system of US, but also their newly purchased homes due to being involved in foreclose process as a result of insolvency. Households purchase home for feeling economically secure and providing their families constant place to live in presented life styles, but with foreclose they do not have chance to settle their roots, fell being belong to community, on the contrary they expose to lose their shelter and economic investments within sense of failure (Bratt, 2012a). Although crisis started in 2008, it had continued until 2012 officially, but its effects have continued until nowadays.

### **3.3 Housing Finance System of the United Kingdom**

UK is associated with social housing tradition rather than owner – occupied tenure system historically. After World War I social housing facility was presented to soldiers, period between two war social housing was applied for working class. After World War II, construction of more housing was emphasized in UK like any other countries affected from war. But UK had separated less resources for housing construction in post – war period rather than other countries because of having better housing conditions compare to them, while OECD average for housing construction was %5.4 of GDP in period between 1960 - 1980, UK separated %3.4 of its GDP for constructing new houses in same period (Boleat, 1985).

By 1970s while Labor Party defended social housing in UK, Conservative Party was proponent of increasing housing ownership tenure. In 1979 Conservative Party came to power and developments about increasing home – ownership rate proclaimed across national borders in first time (Whitehead, 2011). In this term parallel to all over the world, UK witnessed neoliberal transformation by the Thatcher's government of Conservative Party that was carrier and adaptor of neoliberal ideology within state power in terms of withdrawing economic investments of state to encourage private sector to invest, promoting privatization and free market principles in economy, putting working class rights on the back stage with the aim of increasing efficiency and effectiveness among all spheres of economy. Increasing ownership occupation tenure

has been also one of the reflections of neoliberal ideology. Hence, by this period, housing stocks were increased much and authority of local governments on housing finance issue had decreased relatively with the strong emphasize on owner – occupied tenure system. In the table below rate of owner – occupation tenure is presented according to different periods.

Table: 3.1 Owner – Occupation Tenure in UK (Source: Department of Communities and Local Government of UK Housing Statistics Live Table 104)

Years	Total Housing Units (thousands)	Owner Occupied (thousands)	(%)
1971	18.999	9.598	50
1980	20.929	11.618	56
1990	22.940	15.099	66
2001	24.794	17.115	69
2007	26.059	17.657	68
2010	26.696	17.463	65
2017	27.954	17.619	63

By 1970s and 1980s there were many reasons fostered increase in ownership occupation tenure that were rise in demand, fell in cost of purchasing, support of government for marginal buyers, decreasing restrictions about funds and difficulty to access to other types of tenures (Whitehead, 2011). By the middle of 1980s government – led initiatives, financial deregulations influenced increase in ownership rate, next period associated with seeing owner – occupation tenure as beneficial asset and financial innovations fostering demand for buy housing while state support was declining, lastly by 2000s, tax initiatives have been diminished and government support has shifted to funds for private renting (Whitehead, 2011). All those breakpoints have determinants of shifts in tenure types in UK housing finance system.

Increasing home – ownership rate in UK had been ongoingly emphasized as a housing policy, there was target for expanding housing ownership rate to %75 and government had aim to provide 1 million homeowners scale in 2005 that would enhance UK to be one of the country among nations which belong to highest rate of industrialized and

owner – occupied group, nevertheless with mortgage crisis, rate of home – ownership had declined (Whitehead, 2011).

Until 1980s, %90 of mortgage loans was mainly provided by building societies via funding by retail savings that are funded with retail savings non – profit mutual organizations monitored by Registrar of Friendly Societies that is responsible for provision of efficient liquidity rate in case withdraw of funds by savers (Treanor, 2015). Building societies cannot extend any other kind of loan except mortgage loan, they are not like bank or any other financial institution, only responsibility of them extending mortgage loan by retail deposits. They were main institutions in primary mortgage market before 1980s due to commercial banks or any other financial institutions were not permitted to extend mortgage loan under the credit control by state. Hence, building societies were unique institutions in housing market where there was not competition.

Building societies allocate savings and lend loans with variable interest rate to be protected from fluctuations in rates across different terms. Borrower and lender did not have complicated relationship and risk of housing finance was intensified within this circuit (Preyke & Freeman, 1994).

Housing Act was proclaimed by Conservative Party as a neoliberal regulation on housing finance issue in 1988. With Housing Act, “Right to Buy” legislation was taken to agenda. This legislation facilitated buying of social house tenants to their houses from local authorities with substantial amount of discount (Ball, 1983). Hence, there was sharp increase in demand for housing purchase and beginning from this term home ownership rate in country had increased till 2008 Crisis.

Addition to right to buy legislation, there was institutional reform about commercial banks about their inclusion in housing market addition to building societies in this term. Credit control on commercial bank was removed and they were permitted to take part in housing market by deregulation process conducted by Conservative Party in 1980s. Commercial Banks’ entry to housing market has fostered competition. Hence, rate



setting influence of building societies in financial market was eliminated (Diamond & Lea, 1992).

Table 3.2 Share of Lender Institutions in mortgage market of UK (Source: Diamond & Lea, 1992 and Ball, 2005)

Years	Building Societies	Commercial Banks	Others
1980	80	8	12
1990	81	13	6
2001	20	71	9

As can be seen from table 3.2. share of commercial banks within ten year periods has increased in broad sense. Regulatory transformations and encouraging competition in market has fostered commercial banks to intensify its influence over mortgage market in UK.

In 1980s retail deposit based housing finance system started to contain funds from wholesale sphere, hence housing finance instruments have supplied by more variable lenders and price of loans set direct connection with general finance market rather than only in retail funds market (Preyke & Freeman, 1994).

In establishment period of secondary mortgage market in UK, some institutions were set that are called centralized lenders whose lending activities were funded totally by means of wholesale markets (Preyke & Freeman, 1994). Although there was institutional change in market, major institutions of housing market has not changed years from 1980 till to 2000s (Scanlon & Adamczuk, 2016).

In 1996 buy to let type of loan was proclaimed in housing market that is used by lenders for invest on real estate to let that contributes rental home sector in UK. Buy to let is different from other loans because of not depending on borrowers' salary, instead repayment of loan is obtained from rental income of funded real estate by lender institutions. Borrowers do not pay installment from their income. In 1999 there were approximately 59.000 buy to let mortgage used (%1 share in total mortgage market)

and in 2014 there was nearly 1.6 million with %14 of market share among total loans (Scanlon & Adamczuk, 2016).

After constraints about mortgage were removed and secondary mortgage market developments via mortgage back securities encouraged within 1980s, mortgage loans started to be accessible for larger part of society. In past upper limit of loan to value ratio was %75, but there has not been such a restriction any more. In market loans are generally paid monthly within variable interest rates. Although other types of interest can be supplied for housing market in UK, in general application, variable interest rate has been preferred much by lenders due to protect from maturity and interest rate risks. Moreover, variable interest rate sustains the stability of housing market by do not avoid purchasing housing as in scenario in fix interest rate used market because of knowing when the interest rates decreases their rate of payment would also decrease (Boleat, 1985). On the other hand, even though secondary mortgage market has expanded in UK, its speed is still low in comparison to other markets due to variable interest rate that cause not feeling eager to include in securitization of loans by lenders because of certain risks as interest rate risk's being absorbed by borrowers with using variable rate of interest in mortgage products (Green & Watcher, 2007).

Securitization of mortgage loans started in 1980s and till late of 1990s specialized mortgage lenders had played crucial role in this sphere. By the end of 1990s traditional lenders started to be included in securitization process. Securitization had fluctuating growth and decrease in end of 1980s and mid of 1990s. By the end of 1990s it started to increase and period between 2000 to 2007 it expanded its capacity at extraordinary scale. Total amount of mortgage backed securities witnessed rise from 13 billion EUR to 257 million EUR in market from where US investors issued %31 share of issued securities years between 2005 and 2007 that is nearly same with share of investors of UK with percentage of %34 in same period (Crosby, 2008). This intensification of US investors in UK secondary mortgage market as an outcome of global international

finance caused severe crash of UK mortgage market by the 2008 crisis appeared in US originally.

Aftermath of crises UK mortgage market could not respond any need or develop any remedy for a long time. Market considerably damaged, many institutions could not serve for months, even for years. Among 10 – 11 specialist lenders in UK, only 3 of them could resist and take part in mortgage market again after crisis (Crosby, 2008). In this term banks had serious liquidity shock and could not supply resources for short – term debts. Some banks were nationalized to rescue from collapse.

From 1980 more than 1.8 million housing units have been sold in UK, although sales were intensified in 1980s, by 1990s and early 2000s, annual sales had changed the range between 30.000 to 70.000 annually, but with mortgage crisis it showed its lowest point as 3,000 for third period of 2008 (Whitehead, 2011).

In following periods, UK started to conduct many policies to get rid of negative effects of crisis and to provide better operation within market. In 2012, UK Treasury and Bank of England presented Fund for Lending Schemes to provide fund needs which could not be obtained from fragile lenders (Scanlon & Adamczuk, 2016). This provision has facilitated borrowing Treasury bills at value lower than market value. So, borrowing became attractive for demanders with less cost of funds than market. After that, UK government prepared “Help to Buy” program to provide remedy for mortgage market via suggesting equity loan by government at most 20% of total value of home and providing guarantee for homes which is purchased by small deposits (Scanlon & Adamczuk, 2016). Moreover, in 2014 there appeared The Mortgage Market Review that aims to sustainability of mortgage loan in better level compared to previous terms. This program is protectionist and tries to intervene in decisions of borrower preferences to provide best fit their qualification that may face with critical debates, in lender side, less risky and conventional products to serve market are encouraged by program that is also restriction on lender institutions deposits (Scanlon & Adamczuk, 2016).

### **3.4 Housing Finance System of the Denmark**

Denmark has the one of most improved mortgage markets across the world. The main actors of market are mortgage banks where the first mortgage bank was established in 1797 after Great Fire to provide remedy for burnt housing units in Copenhagen, the first mortgage credit act was actualized in 1850 for promotion of private borrowing in country (Kristensen, 2007).

Under the effect of Second World War, prices of housing units had increased. Housing production was not enough in following years. Hence, state was under the pressure of need for social housing. Housing associations were set to response need of cities and towns. In 1946 there was Housing Subsidy Act program and it introduced to extend loan for every type of tenure, but especially for social housing. Then, in 1951 Rent Act was on the agenda in addition to continuing rent control in country, with this act private rents became lower and facilitates lower income groups to live in housing units affordably (Kristensen, 2007).

In 1960s welfare state policies obtained increase in wages and living standards of society that fostered to increase in homeownership. The population living in rented housing units started to buy their own houses in this period. Then with the boom of Oil Crisis had changed and economy went into recession. Hence, Danish mortgage market faced with many constrains in period 1970 to 1980s and option that presented individuals in mortgage market hardly contributed to increase in welfare of them about housing issue.

With deregulation policies parallel to global world in 1980s, availability of mortgage loans has been provided much more and their improvement has continued in next periods. In 1987 tax reform was acquired via decreasing tax rate to provide reducing of interest of expenditures. In 1989 mortgage system experienced reform institutionally to adapt EU directives. In addition to mortgage system, Mortgage Banks were also

affected this reform program to be compatible within EU to contribute the development of global mortgage market.

By 1990s there has been a shift in housing policy towards to the municipalities from the state, remaining housing policy of state is creation of strong and flexible housing market to foster owner occupied tenure while on the other hand keeping alternatives for people who cannot afford housing purchase in society (Nielsen, 2017).

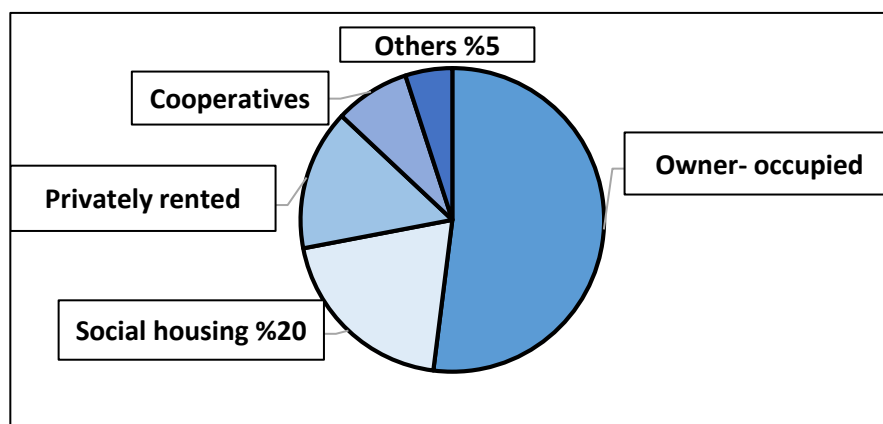


Figure: 3.2 Housing Tenure Types of Denmark in 2012 (Source: Statbank of Denmark, 2019)

Social housing in Denmark covers high proportion of population hence who wants to be benefited from social housing can be added to waiting list (Nielsen, 2017). Furthermore, conditions of social housing are usually better than privately rental housing with respect to wider estates many of that have minimum 500 units (Treanor, 2015). Spread of suburb areas, detached housing constructions, parallel to general improvement of wealth remedies in transportation infrastructure makes middle – class prefer social housing rather than owner – occupied housing in those suburbs (Nielsen, 2017).

However, there are constraints on cost for building to construct large – size rooms, social housing is accepted as a perfect alternative for owner – occupied tenure (Treanor, 2015). Total number of social housing units is 540.000 with average 77 m<sup>2</sup> in the

country and more than %50 of them were constructed after 1970, 914.000 residents are living with 1.9 average household size in those social houses whose %23 households with children, %49 is constituted by residents working on labor market and lastly %51 of them are residents who are not working (Kristensen, 2007).

State, municipalities, housing associations and tenants have roles in running of social housing sector in Denmark, while state determines general rules, municipalities responsible for carrying out policies in local areas and giving decision about constructing new social houses or not, housing associations takes part in housing estate provision and demand approval from municipalities to construct new houses, lastly tenants affect process of housing estate by democratic influence (Nielsen, 2017). Subsidies of municipalities have %10 proportion on finance of social housing constructions, %2 is provided from tenant deposits and last %88 is mortgage finance, decision of what type of mortgage loan is used is taken by state, in every year tenants and housing associations have to pay %3.4 of the cost of constructions regardless of looking at interest rate (Nielsen, 2017).

Period between 1970 to 1982 Danish mortgage market was managed by stop – go policies that discouraged owner - occupiers by limits on mortgage loans availability, after this period till early 1990s conditions of mortgage markets were improved to present accessible options and deregulation in market provided optimal level for mortgage market to progress (Lunde, 2016).

While mortgage market in Denmark was not much competitive and fewer type of mortgage products existed traditionally, with deregulation process started by the end of 1970s market has gained great competitiveness and high variety of options to present different preferences of households who want to purchase home. Moreover, fix interest rate has been common since middle period of 1990s when adjustable – rate was introduced for mortgage loans. While mortgage loans with adjustable- rate had %6 share among market in 1999, their share reached nearly %50 in 2005 with low and declining short - term interest rates (Erlandsen, Lundsgaard & Hüfner, 2006).

Primary mortgage market has %80 percentage of loan to value in common application. Moreover, maturity of loans can be reach up to 30 years. In Denmark mortgage loans are mainly extended by mortgage banks, by 2008 commercial banks has also been involved in using covered bonds for providing finance of housing loans (Lunde, 2016).

Denmark mortgage loans are totally connected to financial market in progress of securitization. There is balance in finance market and when the loan is extended in primary market, it is directly connected with bond in secondary market. Due to installments paid by borrowers are directly paid to bond holders, mortgage originator institutions do not expose to prepayment risk or interest rate risk (Erlandsen, Lundsgaard & Hüfner, 2006). Loans are issued and allocated in specific pool of bonds where there are bonds having have same market value and characteristic that provide one to one compatibility as developing in same terms and this relation between them is explained by “principle of balance” (Lunde, 2016). Hence borrowers and investors are preserved from negative economic consequences. There can be only default risk by borrower, but because of having collateral real estate in return of loans, it is difficult to create severe financial lose within this structure. Mortgage banks allocate similar loans in pools and supply them for issuing in market behalf of loan borrowers. In Denmark mortgage banks do not directly issue bond they have role of being mediator between borrowers and investors. Hence, burden of risk is undertaken by borrowers and investors rather than banks in this system.

### **3.5 Housing Finance System of the France**

Housing finance system in France is associated with intense state intervention. In terms of subsidies and allowances on housing, France is one of the highest among EU countries as presenting expenditure directly (Ball, 2005).

Social housing tradition of France became visible especially from aftermath of Second World War. Period between 1945 to end of 1970s was associated with Keynesian policies all over the world and social state understanding had increased to provide

remedy for deficits in all sphere of life that appeared by war. In 1947 Ministry of Reconstruction and Urbanization was established to apply convenient policies for housing deficit. Ministry extended credits for social housing and cooperatives to give rise housing finance to solve problems of housing finance immediately, many other policies followed establishment of Municipality, in 1948 there was rent control policy to tackle with increasing prices of rental homes and in 1950 Real Estate Bank of France was established to support private sector by supplying credit and subsidies (Olgun, 2013).

Courant Plan dated 1953 is the most important instrument of state for housing policy within this era. This policy is result of severe housing conditions of France and to get rid of those conditions targeted to contribute provision of land and constructing new houses, plan proclaimed special fund for housing that is allocated from employers that is obligatory for employers to pay %1 to housing fund that is still conducted in French housing finance system (Olgun, 2013). Most of housing subsidies are obtained from those companies which have more than 20 employees, hence under the obligation of %1 lodgement for housing fund by reflecting employers' duty on housing of their employees (Treanor, 2015). Half of this fund is presented as housing benefit for needed group, other half provides finance for social housing, urban renewal applications and any other required services for households (Treanor, 2015).

In 1957 Environment Law was enacted with the proclamation of housing could not be taught without environment, living sphere, social reinforcement, within this law local authorities were obliged to expropriation and provide cheap lands for housing (Olgun, 2013). By the end of 1950s, with the Charles de Gaulle centralization process was strengthen in France. Under the effect of centralization housing is also highly emphasized by state. Social houses were accepted as important housing policy by state with the effect of welfare policies. Strong state intervention to housing sphere resulted with incremental social housing development. Moreover, because of having too much old and inconvenient housing units by effect of war, urban renewal was highly focused,



repairing of old housing units rose. Urban regeneration was mainly conducted by municipalities. This era is not effective to solve housing problem totally, but it cannot be denied that it provided great remedy for housing problem of country.

In 1968 right – wing parties came to power and they greatly defended ownership occupation tenure like all over the world. Hence, housing policies that support supply side was diminished and private funds for housing issue were emphasized to prevent expending public funds for housing finance. In 1977 there was Reform of Housing that is starting point for market mechanism in national housing sector. Many regulations were prepared to foster demand of households to borrow residential mortgage. After this period ownership occupation tenure has expanded in France. While it increased %42 from %35 years of 1950 to 1963, in 1987 it reached %47 in 1990s %54 and it finally reached around %60 (Treanor, 2015).

Social housing has similar size with UK (%18) in France but group benefited from it even larger, social housing has three types that are upper for middle class households, middle or intermediate for workers with salary and lastly lower for low income and poor people groups (Treanor, 2015). Although traditionally it has addressed low income groups, because of increasing housing problems and adverse economic conditions, more people has benefited from social housing. Countries in like Germany, Denmark, Sweden, Austria generally most vulnerable groups are housed by local governments or profit – oriented institutions instead of main providers from social sector like in France (Boulhol, 2011).

In France, housing policies are determined centrally with focusing on regional differences and needs. Municipalities have also responsibility on housing issue. Municipalities that have more than 3.500 population aims to provide %20 of housing stock as social rental housing units by 2020 (Treanor, 2015). Price of their rents changes around %70 - %75 of rents in market with showing high rate of variety in areas like Paris due to having high demand, tenants can stay on averagely nearly ten years (Treanor, 2015). According to law, if municipalities cannot reach this aim they need to

prepare plan for increasing their percentage or, they may pay fine that is used for sake of municipalities that have high percentage about social housing provision (Scanlon & Whitehead, 2011). Paying fine rather than providing necessary conditions has been highly debated by defenders of social housing who states that municipalities has escaped from their responsibility and some municipalities with prosperity have not been responsive to states focus about rising social housing stock within borders (Scanlon & Whitehead, 2011).

By 1982 – 1983 there was time for decentralization laws for including local will about housing via municipal and departmental level that facilitate contributing and having right about future plans of housing within local borders (Langley, 2002).

Public sector has 4 main sources about including in housing sector that are fiscal support and provision of subsidies for housing constructions, loans for assistance, HLM agencies for social housing management and construction and lastly %1 lodgement supplied from employers to constitute pool for financing housing needs (Langley, 2002). In year 2009, %71 of new social housing finance deprived from special loans, %13 of it is obtained from subsidies that are comes from regional or municipal governments, %11 of it belongs to resources of HLM, rest of it provided from employers who has more than 20 workers that is under the responsibility to pay housing tax with %1 percentage (Scanlon & Whitehead, 2011).

Post war period resulted in creation of HLM (habitat à loyer modéré) in France as a response to housing shortage. HLM are publicly rental houses for low – income groups. They spread among peripheries of cities by loans that are strongly subsidized and contributed decrease of costs, improved construction technologies, design and satisfied large housing shortage of these terms (Langley, 2002). In current structure, HLM housing are not only publicly served but they also led by private corporations without looking for profit. In 2008 there was 279 public corporation that provided 2.1 million socially rental housing units, on the other hand 2 million housing units were presented by 279 non - profit private institutions (Scanlon & Whitehead, 2011).

Due to having large rental sector both social and market based, housing prices may be stand more stable rather than other European countries in France (Treanor, 2015). In French housing, privately rented tenure type is the most common tenure type that have rose since Second World War.

France has not improved mortgage system like many other developed European Countries like Denmark, Sweden, UK. In French housing market securitization of residential loans in secondary market is so restricted compared to UK. Loans are registered to balance sheet of extender banks until last installment of loan is paid by borrowers in general application. Banks has funds comprised from deposits, saving schemes and bond issues to extend loans. By the end of 2005, while amount of covered bonds was 64 billion EUR, securitized real estate amount was 10 billion EUR that shows securitization is not much focused in the residential loan market (Tutin & Vorms, 2014).

Residential mortgage process has been mainly conducted by banks, especially universal banks were so dominant and have share of more than %85 in loan extension in 1990s (Tutin & Vorms, 2014). There have been six banking groups dominating French Housing Market named with Banque Postale, Credit Agricole, BPCE, BNP, Societe Generale and Credit Mutuel which have provided competition in market, increasing demand by attracting more customers to borrow loan (Tutin & Vorms, 2014).

In France fix interest rate is more common in mortgage market with long maturity from 15 years to 25 years. In mortgage market state provides mortgage guarantees by Guarantee Fund for Social Ownership (FGAS) for low income groups, although generally interest rate extended is market interest rate, since 1995 in some cases it has been possible that borrowing by zero interest rate to purchase new housing or to provide renovation of existed housing (Treanor, 2015). FGAS was appeared as a conclusion of state's sensibility to preserve low – income people from selective credit policy of banks that suggest similar facilities to this group with high income groups (Tutin & Vorms, 2014). FGAS supports low – income groups' involvement in residential mortgage

borrowing via compensating losses of finance institutions (Tutin & Vorms, 2014). In case borrowers do not pay installments, it takes all default risk instead of lender banks.

Residential mortgage faced with extraordinary expansion due to increase in housing prices and transaction level, while in 1996 it was 44 billion EUR, in 2000 it was 64 billion EUR and in 2007 it reached 147 billion EUR (Tutin & Vorms, 2014). This expansion of residential mortgage depends on expansion in maturity of loans in demand side. Increasing maturity makes loan affordable and fosters demand, for example in 1997 loan with zero interest rate could be extended with 180 months maturity while in 2009 it could be extended with 280 months for households who want to benefit from residential mortgage (Tutin & Vorms, 2014).

France was not much affected from subprime crisis. Careful attitudes of banks in France were effective in low rate of loss of subprime crisis, average of rates was low because of high competitiveness for mortgage loans, cross – subsidy mechanism in mortgage market with insurance, furthermore careful mortgage loan extension process in France is effective for excluding riskier households from accessing mortgage market (Boulhol, 2011).

### **3.6 Conclusion**

In this part of the thesis most developed and well – known housing finance systems of the four countries namely the United States of America, the United Kingdom, the Denmark and the France are studied with the aim of contributing better evaluation of housing finance system of Turkey. Without comparison and explanation of developed country experiences in housing finance sphere, understanding deficiency and efficiency of Turkish housing finance system cannot be possible.

Housing finance systems of all countries are determined by housing policies of states that are under the influence of unique social, political economic conditions of their own

countries. Hence, although sharing some similar characteristics, housing finance systems of studied four countries are substantially different from each other.

In United States of America housing ownership tenure is focused and the most improved mortgage market has been developed since 1970s. It established sovereignty over global mortgage market in beginning of 2000s by mortgage securitization. But by mortgage crisis it has badly affected and had to prepare many programs, regulations to get rid of negative effects of the crisis from its economy. Because of having global scene its crisis that is global mortgage crisis has expanded over many countries all over the world because of linkage of national mortgage markets with international one by securitization process. This experience has showed risk of coincidental and fast growth of mortgage market without efficient control and state support. Due to not having other types of tenure as European countries like social housing, this process has had negative experiences on low – income groups, many of which had to lose their housing.

In UK, mortgage market is also developed by securitization of mortgage loan is commonly applied in housing finance system. But UK is mostly associated with social housing tenure type rather than owner occupation. Although right – wing governments have tried to change this understanding and has focused home – ownership, social housing is still common and it responsive for housing needs of low – income groups. By this aspect probable negative conditions on economy effects less these groups and protect harmony in society compare to lack of social housing systems.

In Denmark, mortgage market is known as one of the most developed one in the world. Due to using covered bond rather than mortgage back securities as US and UK, it has not affected global mortgage crises much. Because its mortgage system is not risky as in US and it depends on balance of sheet to escape from risk. Mortgage banks do not shoulder on risk of mortgage loans instead they act as intermediators. In addition to well - developed mortgage market, social housing is also common and make wide part of society benefit from it.

Lastly in France it is possible to state that there is not improved mortgage market in country. State is dominant actor of housing finance system rather than commercial banks, mortgage banks or any kind of institution of free market. Social housing and rental social housing are applied tenure by strong state control. In addition to presenting social housing for benefit of larger part of the society, socially rental homes make possible to control rent prices and preserve them stable in probable economic fluctuations.

## **CHAPTER 4**

### **HOUSING FINANCE SYSTEM OF TURKEY**

#### **4.1 Introduction**

Turkey like as one of the developing countries has suffered from inadequate housing conditions with increasing rate of urbanization and population growth. Under the fluctuating economic and political conjuncture, state has developed different policies for housing across different terms since establishment of Republic. It is possible to state that none of those policies were enough to get rid of housing problem that refers to lack of presenting proper financial solutions for low - income groups and providing increase in homeownership rate around the country.

Housing policy of Turkey has changed with respect to political atmosphere created by state in certain periods under the influence of international economic and political circumstances. In Republican period there was strong state control on all sphere, even housing issue. After Second World War, welfare ideology has risen across the world that encouraged intervention of state to all parts of society with the aim of providing sake of citizens. Public institutions established to face with adverse effects of extraordinary urbanization process towards city centers. After 1980 there was time to witnessing birth of neoliberalism that promotes less state intervention, free market economy. Principle of privatization spread to reach minimal neoliberal state. Privatization of assets is run after by the neoliberal state due to providing creation of new fields for capital accumulation (Harvey, 2006)

Those political turning points gave cause for three main approaches to permanent housing problem of country that is inefficient supply level of housing units oppose to increasing demand across term to term. The first one is associated with squatter homes

that are generally developed by low income groups who migrate to urban for find a job, second one is construction of apartment blocks by little – scaled firms named build – sell for middle class and last one contains bigger organization and capital to develop housing units for middle and high – income groups (Tekeli, 1995).

Institutional housing finance system has been provided by three main institutional organizations since Second World War: public institutions, social security institutions and commercial banks (Çelik, Topal & Yalman, 2016). Social security institutions provide housing loans only for their members with respect to their given authorities with laws in Turkey. Due to addressing limited number of people under to roof of certain institutional body and being lack of enough funds to extend their proportion in housing sector, these organizations have not been influential and effective in housing finance system (Keles, 2012). In Turkey Social Security Organization<sup>9</sup>, Armed Forces Pension<sup>10</sup> and Social Security Organization of Merchants and Artisans and Other Self-Employed Professionals<sup>11</sup> are main social security institutions providing housing loans, but because of stated reasons above they have not been influential enough.

In addition to social security institutions, contribution of commercial banks to housing finance has been restricted. Majority of commercial banks that are representors of private housing finance in Turkey except three state owned of them and they could not be effective until 1990s because of instable macroeconomic circumstances and legal barriers that had stand in front of their ability to extend mortgage loans for borrowers. High inflation rates, increasing interest rates, fragile and swiftly changing financial structure made difficult to provide affordable housing loans in many periods for Turkey.

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<sup>9</sup> Sosyal Sigortalar Kurumu (SSK)

<sup>10</sup> Ordu Yardımlaşma Kurumu (OYAK)

<sup>11</sup> Bağkur



On the other hand, compare to social security institutions and commercial banks state has always played crucial role in housing finance of Turkey since establishment period. Although housing has been most essential needs of individuals in every period, after 1980 with neoliberalism, housing issue has acquired new meaning because of being proclaimed as a part of development strategy for economic growth all over the world. Capitalist accumulation needed to exercise its power into urban to redevelop itself. Hence, construction sector, relatively housing sector gained prominence in market. Under market influence, the use of urban land is left to housing producers and speculative financiers who creates unequal urban development (Harvey, 2012).

Turkey has also faced with serious transformations since 1980s. This chapter mainly focuses on neoliberal housing finance system of Turkey. Firstly, role of state is studied from establishment of country to current stage within periodization. As a main actor of housing sector HDA is examined elaborately. Social security organizations are also mentioned in next. Then, commercial bank, 5582 numbered Mortgage Law and mortgage loan extension process in commercial banks are presented respectively. In next part with statistical data obtained from public institutions like Turkish Statistical Institute housing sector and mortgage market of Turkey in 2000s are examined comprehensively.

#### **4.2 Role of State in Housing Finance**

Turkey is associated with owner – occupation tenure system. The more owner occupation is emphasized, the demand for housing finance increases more (Boleat, 1985). Housing finance system in Turkey is still not much developed, facilities in provision of funds to individual are restricted and non – institutional finance mechanisms such as borrowing from family, relatives or any other layer of social network is still common among society. Being lack of developed housing finance method is the main source of housing problem in Turkey.

In this part of chapter role of state in housing finance system via its public institutions are examined with respect to three certain eras as from 1923 to 1980 as an industrialization period and establishment of initial public institutions about housing finance relatively, 1980s to 2000s as a first phase of neoliberalism and establishment of Housing Development Administration as representor of neoliberal ideology in its institutional body and last period after 2000s as a stiffening of neoliberalism with dominance of Housing Development Administration over housing sector in Turkey after coming power of Justice and Development Party.

#### **4.2.1 Period from 1923 till 1980s as a phase from establishment to industrialization**

By end of 1920s institutional development of newly established Turkish Republic gained acceleration. Ankara as a central city of country was the first city that needed to be developed emergently due to acquiring economic and bureaucratic improvements. Concreating on Ankara to develop it provided remedy of fair distribution of population within different regions of Turkey. The policy of newly established Republic to create a new development centers in Anatolia for distribution population in a more balanced way is completely different from the spatial pattern of the Ottoman Empire that covers insignificant small settlements and one unique big sovereign city that is integrated with the capitalist system of world (Ersoy, 2013). By conduction of this policy consistently, share of Istanbul among country population decreased at 10 point, while population of Ankara increased triple (Ersoy, 2013).

In this term, housing production addressed specifically the housing needs of civil servants in Ankara. Due to resources for housing were scarce and technical facilities could not respond much, provision of housing had appeared as an important problem. Cheap and easy way for housing production was searched, municipalities were obliged to land supply to encourage cheap way of housing production by 1580 numbered Law in 1930 (Keleş, 2012). Furthermore, before this law in 1926 Emlak Bank was established as the first housing finance institution in Turkey that came up with encouragement society for housing construction and fostering individuals who want to

buy home. But Emlak Bank could not be responsive enough in initial periods of country because of high priority of industrialization to use limited resources. After World War II Emlak Bank increased its effectiveness. It had been unique public bank which extended mortgage loans years between 1945 and 1985 in Turkey (Keleş, 2012). Emlak Bank was not only served for extension of mortgage loan but also included in residential construction and retail banking that means it had acted as both lender and developer of housing market since by the end of 1940s (Erol & Patel, 2004). Moreover, it had authority to include in joint venture of residential construction with private firms.

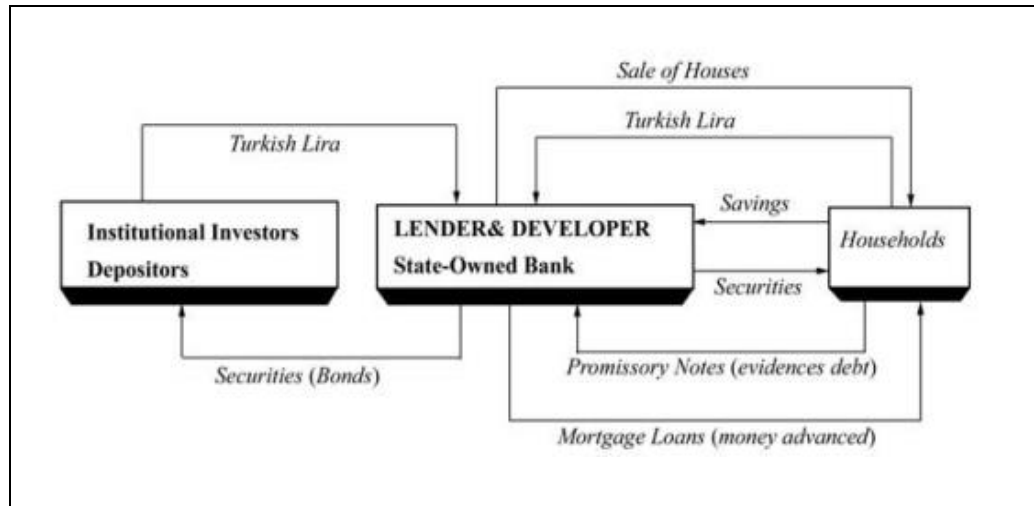


Figure:4.1 Functional Structure of Emlak Bank (Source: Erol & Patel, 2004)

Emlak Bank's extended loans had one to five years long maturity, amortized with %80 percentage of loan to value, facilitated borrowing for first or more residence with currency of Turkish Lira and Deutsche Marks (Fannie Mae, 1992). For long years it had provided housing loans advantageously in comparison to other institutions among underdeveloped housing finance atmosphere of Turkey. But after 1980 there was increase in interest rate that caused shortening of loan maturities extended by it. Hence, Emlak Bank was unable to provide enough funds for long periods, then it was no more prominent and effective in housing market by 1990s, it was closed in 2001 by transferring its banking services to Ziraat Bank.

Period from establishment to end of 1940s, housing policies were not effective to run out housing problems of society, although there had not been reached extraordinary population growth and urbanization rate yet. By the end of World War II, within leadership of US Bretton Wood system was set which fosters industrialization all over the world. In Turkey, there was transition to multi - party system with coming power of Democrat Party. With Marshall influence in agriculture sector mechanization process was experienced and agriculture was overshadowed by rise of industrialization. Within such circumstance agriculture sector needed less labor power in where surplus of labor flowed to urban areas. This period was labelled as “urbanization of labor”<sup>12</sup>. Migration of working class from rural to urban bumped up that caused excessive demand for shelter by newcomers. Inevitably, housing was questioned seriously by authorities. Indeed, different from first industrialized European countries, urbanization process of Turkey was not originated from industrialization so that there was not enough industrial development to fulfill needs of migrants from rural to urban, thus this different urbanization process of Turkey covers high economic and social cost (Şiriner Öner, 2018).

As a result of increasing migration “gecekondu”<sup>13</sup> was appeared as own solutions of labors where there was not effective policy of the state. Development of those houses created solidarity and mutual culture within laborer migrated from rural to urban. It was solution against high prices of rental and for sale housing of urbanizing big cities. Approach of state to gecekondu has changed across different terms. In initial terms such housing production were encouraged by state policies because of impossibility to

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<sup>12</sup> Şengül’s periodization about urbanization history of Turkey. 1930 - 50 is period of “urbanization of the nation -state”, 1950 - 80 is “urbanization of labor” and 1980 and after is “urbanization of the capital”.

<sup>13</sup> Gecekondu is Turkish word that has similar meaning with shanty house or squatter. Within increasing urbanization by the end of 1940s, this type of constructions developed without legal permission to generally into public lands fast and secretly by migrant labors.

supply housing for those people by state – led funds that were transmitted to industrialization. In next terms they tried to be got rid of via proclaimed as illegal due to avoid expansion of them that may cause inconvertible housing problems. Across Turkey there were 240,000 squatters in 1960, number reached 430,000 by 1965 that is %21 of total population in urban area (Pulat, 1992). They are perceived as obstacles in front of progress of cities so, put in a target to get rid of within urban transformation projects (Şiriner Önver, 2018).

Squatter areas had faced with certain changes compared to initial terms. While in initial periods, they were areas for solidarity, in 1970s rental squatter houses had increased by aim of getting profit of first – generation squatter residents. Homes had share %30 to %60 in some squatter areas (DPT, 1967). In addition to squatters housing production was conducted by built - sell firms in this term and price of houses was too high to afford for low - income families. It requires land, down payment for starting construction and rental home to live in across construction period that is why high - income people can afford only.

Hence, cooperatives were focused by low income groups to benefit from shared cost of land, construction and suitable loan facilities that all give power and make feel secure to be homeowner within solidarity. Cooperatives have been seen as important unity to tackled with inadequacy of housing due to presenting relatively cheap and easy way of being homeowner. Cooperatives have been conducted by social security organizations, private unifications and public sources within different terms and it is possible to state that it has presented important contribution to housing problems of Turkey. Condominium Law<sup>14</sup> dated 1965 was important turning point for cooperatives. Before this law, building one building to one land is so expensive to afford. While number of housing unit was increased in certain land, their cost became cheaper and affordable.

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<sup>14</sup> Kat Mülkiyeti Yasası

Moreover, in 1969 Cooperative Law was also enacted to clarify functional and regulatory basis of cooperatives to encourage more needed people to be involved in process. On the other hand, cooperatives generally had response the middle and high - income groups. Cooperatives started to increase aftermath of this law in 1970s and reached pick point within years 1990 to 2000. Numbers of housing cooperatives are presented below according to different periods since 1900s.

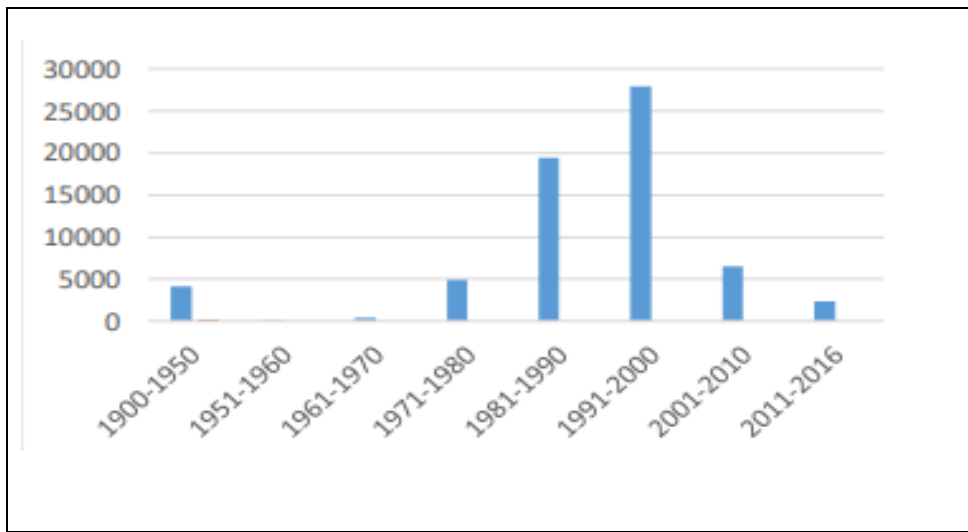


Figure 4.2. Number of Housing Cooperatives within 10 - years periods (Source: Şengün, 2017)

Support of state to housing cooperatives was inevitably main determinant to give a way as increase or decrease for their share. Not presenting affordable land for cooperatives of municipalities caused losing their effectiveness in housing production (Karayalçın, 2010). Moreover, credits of HDA were also crucial to give rise to housing cooperatives. By early 1980s, housing cooperatives were encouraged by laws and institutionally Housing Development Administration by extending credit for cooperatives. Their share increased much after this period till 2000s that was period of transfer of all resources and facilities to Housing Development Administration as an extraordinary powerful actor in housing sector of Turkey. Starting of directly housing production of HDA caused devoid of housing cooperatives from credits to sustain their existence anymore.

By the end of 1970s it was seen that economic system of Bretton Wood was no more sustainable. 1970s were witnessed to oil crises and severely damage of national economies by stagflation and increasing unemployment rate. “*Golden Ages of Capitalism*” that is period between 1945 and 1970 were ended by failure of Keynesian policies to response negatively continuing economic process. Hence, there were paradigm shift within 1980s that is period associated with birth of neoliberal ideology. Neoliberalism focuses urban space to develop capital accumulation. It promotes construction and specifically housing sector towards national borders to integrate capital to international flow by using financial markets as global transferring platform.

Turkey also could not maintain successful policies oppose to expansion of fiscal deficit, collapse of demand - supply equilibrium or increase in inflation rate that were experienced deeply by the end of 1970s. As an outcome Turkey faced with scarcity. Under such a circumstance housing also negatively affected and could not be attained progress until 1980s that is date of paradigm shift in political economy and birth of neoliberal ideology.

#### **4.2.2 Period from 1980 to 2002 as a Phase of Development of Housing Development Administration**

Neoliberalism came to agenda with “January 24 decisions”<sup>15</sup> in Turkey that was proclamation of association to free market to provide economic growth. And coup d’etat in 1980 prepared political atmosphere to be included in global trends of neoliberalism within sake of capital accumulation. “The suppressed and disciplined social environment created by the military coup d’état of September 1980 made the enforcement of such strict economic measures possible with little or no opposition from

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<sup>15</sup> 24 Ocak Kararları

organized labor and other groups which bore the brunt of the new policies” (Ersoy, 1994).

In 1981 Mass Housing Law numbered 2487 that proposed to separate %5 percentage of general budget as a fund for housing sector, but it could not be taken into practice because of vulnerable structure in economy and politics. In 1983 Motherland Party within leadership of Özal came to power. Özal government enacted laws and regulations that led up construction sector in Turkey via providing suitable structure for neoliberal transformation, moreover they were also preparation for direct inclusion of state in market (Şiriner Önver, 2018).

In 1984 new Housing Development Law numbered 2985 was enacted and it came up with Mass Housing Fund that is out of general budget. Aims of law was stated in first article as supplying house for low and low-middle income groups, improving technologies, decreasing production costs, providing flow of free resources, developing urban planning, establishing a fund for housing loans that is out of general budget, transforming cooperatives to housing development projects, fostering large construction companies to build large number of houses, introducing individual housing credits (Toplu Konut Kanunu, 1984). In order to conduct principles of 2985 Housing Development and Public Partnership Administration<sup>16</sup> was established as autonomous institutions to fund construction sector by credits. After setting regulatory and institutional framework, neoliberal transformation in housing sector has proceeded decisively.

Mass Housing and Public Partnership Administration collaborated with private construction companies to develop mass housing units in metropolitan areas. Such development needed extraordinary rate of organization, certain amount of capital, land and technological development. This term cooperatives were favored much due to

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<sup>16</sup> Toplu Konut ve Kamu Ortaklığı İdaresi



presenting affordable and controllable channel for mass housing production. Hence, housing development fund generally transferred resources to cooperatives as credits that promote extraordinary increase in share of cooperatives in housing sector. Indeed, there was not big - scale construction companies in Turkey to develop mass housing yet. So, aim to decrease the cost of housing, land and improvement technology to produce large number of houses were tried to be succeed via cooperatives. In period of 1984 – 1999 based on occupancy permits 3.5 million housing units were produced in Turkey %29 (1 million) of which were financed by HDA via housing cooperatives (Karasu, 2017). Cooperatives played vital role to expand effect of HDA within construction sector via contributing mobilization of savings of individuals, setting local financial network, increasing demand for housing finance by solidarity among groups who belong to cooperatives. By such contribution number of housing units increased in a broad sense within credits extended by HDA.

Municipalities started to important actors in supporting housing construction due to choosing social democrats in local elections. They encouraged society to come together, product together. Hence, in housing sector municipalities included as partner within cooperatives by functioning on provision of cheap lands. Although, there were many restrictions on turning their many promises into practices, there were some hopeful projects like witnessed in Ankara - Batıkent KENT KOOP that is ascribed as successful project according to conditions of that term. From the beginning to the end participatory and social municipality understanding was experienced so that it is considered as being quite different project from recent housing production approach (Şiriner Önver, 2018). Lands were expropriated and KENT KOOP obtained credit for its member cooperatives from Housing Fund of Council of Europe (Şiriner Önver, 2018). It was unique experience for Turkey and next terms cooperatives could not have chance to continue within those principles. Effectiveness of cooperatives mainly depended on credits provided from HDA. By end of 1980s continuity of credits could not be sustained anymore, hence many cooperatives could not find fund to manage constructions and many of them were left half – finished consequently.

HDA could not be successful to conduct sustainable role in housing finance and its capacity had decreased year by year because of not setting powerful legal and administrative background, appeared inefficiencies in cooperative side with respect to unfair distribution of resources, administrative and legal problems, having vulnerable structure oppose to negative economic atmosphere under unpredictable inflationary atmosphere and lacking of productive source for funds and capacity of long term loan extension in housing sector.

Moreover, HDA came up with assertion of provision loans and advantageous housing production for low and low - middle income groups. But practices had taken away facility of being homeowner for this income groups. Unfortunately, they were not included in even cooperative process because of high cost that is related with both down payment and installments amounts. Hence, main groups who benefited from cooperatives and institutional developments of housing sector were high income groups.

Housing sector could not continue its process in this term because of selected governments attributions on it that are not being fair about distribution of funds, using funds for sake of their power and chair, causing uneven development of urban and uneven transfer of investments by their political concerns and patronage attributions regardless of evaluating needs among society or presenting benefit for country in a long run.

In 1991 Mass Housing and Public Partnership Administration was transformed into Housing Development Administration, Public Partnership Administration as two separate institutions. Additionally, mass housing fund was transferred general budget in 1993 that caused speedy decrease of HDA in housing sector. Housing Development Administration continued its activities with low level in next periods by those regulations until in 2001 that is date of abrogation of mass housing fund totally by state.

1980 was important milestone to understand effects of state involvement in housing finance. Establishment of HDA and Housing Development Fund made possible to develop more housing units by government rather than previous terms in Turkey. While emphasize on construction sector was rising within neoliberal policies, housing loan capacity of state was also increasing to foster more housing construction across country. While the number of housing provided by the government before 1980 was around 10 thousand per year, this number reached 150 thousand in 1984 and 157 thousand in 1987, the highest value that show how necessary and effective the financing of the state, cheap and long - term loans are in housing policies (Karasu, 2001; Karasu 2017).

Before 2003 HDA was creditor in housing sector and its activities in constructing was restricted in comparison to provision of finance. Years between 1984 - 2002 HDA had produced 43.145 housing units and it had extended 940.000 loans for finance (TOKİ, 2016). On the other hand, after 2001 with the coming power of Justice and Development Party in Turkey HDA moved away extending housing finance as a public institution, instead it was designed to be constructor in housing sector with great power and authority.

#### **4.2.3 Period after 2002 as a Phase of Extraordinary Power of Housing Development Administration**

In 2000s, HDA has included in great transformation with the coming power of Justice and Development Party that proclaimed there would be breakthrough in housing production within Emergency Action Plan in 2002. HDA started to be included in directly construction side instead of providing finance in housing sector. After 2003 it also stopped extension of loans for cooperatives (Karasu, 2017). This new possession has required many changes in legal structure related with institutional body and task of HDA. Mass Housing Fund was revoked, activities of Emlak Bank were stopped by transferring banking services to state – owned banks in financial sector and transferring its authority, responsibility on all real estate assets to Housing Development Administration by beginning of 2000s.

Duties and influence of HDA have increased at an extraordinary rate with successively enacted laws within this term. In recent years, the changes or enactments in legislation that totally or partially concerned the production of the built environment affected by 78 laws and 10 bylaws (Balaban, 2008). Most crucial ones of this legal transformation were mentioned below as points to shade light on new institutional structure of Housing Development Administration.

With Law 4966 in 2003 it rigged with duties that have strengthen its link with private sector such as establishment of companies about construction sector, become partnership to finance institutions, developing construction projects both in Turkey and abroad with partnership or independent from any authority, conducting projects with the aims of obtaining profit behalf of its own unity, directly constructing or promoting houses or infrastructure in areas which are affected from natural disaster (Engincan, 2016).

On the other hand, in 2004 there was enactment of 5273 numbered General Directorate of Building Law that caused the closing down of Land Office and devaluation of its duties to HDA about provision of lands. 64.5 million m<sup>2</sup> public land was transferred in this term (TOKİ, 2016). Transfer process did not include any charge for HDA. It was empowered to take, use and expropriate those public lands for industrialization, tourism and education projects in addition to housing construction (Engincan, 2016). While task of the General Directorate of Land Office is reproduction of public lands, within transfer to HDA the process of marketization of public land has started (Şiriner Öner, 2018).

In addition to transfer of public lands to institutional body of HDA, it was proclaimed as a main actor in squatter areas with total authority to prepare then approve plan and to decide transformation of squatter areas and arrange financial applications within those areas in 2004 with Law numbered 5162 Mass Housing Law.

Moreover in 2004 5216 numbered Metropolitan Municipality Law gives authority to municipalities for producing land for construction, constructing, selling or leasing

housing for fulfilling needs of residents, furthermore establishment of companies became also possible within law (Şiriner Önver, 2018). By this law many municipal companies started to act in housing sector in addition to HDA. For example, KIPTAS is local version of HDA in Istanbul as a being municipal company playing important role in housing sector of city. Municipalities have gained important power by this law as serving for aim of neoliberalism on local level in addition to central level of HDA.

In 2008 some articles of 5793 Law and 2985 Law were changed to provide expansion of HDA's authority over making plan its own without any control, additionally some duties of local government were transferred to HDA. In order to develop mass housing projects with maximum speed, HDA was structured as being directly accountable to the Prime Minister that is reflection of authoritarian structure of state in housing sector (Doğru, 2016).

In 2012 with Law 6306 that is about urban transformation of areas under the risk of natural disaster was enacted and HDA was obligated to include all process of urban transformation and its application about risky areas would not be avoided legally by any authority as stated in this law. As known nearly all of lands of Turkey are under the risk of earthquake so, this law made possible for HDA to interfering in enormous proportion of lands across Turkey without any obstacle and control mechanism. So, outcomes of this law are so critical in terms of public interests and right of citizens who has forced to urban transformation under the will of HDA.

Within those projects while poor, low – income people have been transferred to remote places from their living areas, high – income people has resided newly constructed expensive housing units in same areas. Urban transformation projects have not only revived conditions of housing units, but also replaced economic classes of transformed areas. Within Justice and Development Party those projects have been main instruments to intervene in urban land to create rent and provide fund within construction sector. Urban transformation projects are inseparable part of construction - based development strategy (Karasu, 2017).

All these regulations mentioned above have upgraded tasks and authority of Housing Development Administration and decision - making mechanism has diffused in roof of it. Moreover, by doing this bureaucratic process has decreased, work – flow has accelerated, more effective structure was constituted to solve problem and to supply production (TOKİ, 2016). Having tenders and lands its hand HDA seats on great rent, JDP government who wants to keep this rent in hand has strengthened HDA in terms of authority, responsibility and institutional structure (Karasu, 2017).

Emergency Action Plan of Justice and Development Party in 2002 provision of social housing was defined as a task to HDA that is parallel to construction – based development strategy of it.

Table 4.1 Percentage Distribution of HDA’s Housing Production (Source: TOKI Corporate Profile Report, 2016)

Project Types	Percentage (%)
Downscale and poor groups' projects	20,61
Low and middle - income groups' projects	43,14
Urban renewal projects	15,43
Disaster housing projects	5,22
Fund raising projects	14,8
Agricultural village projects	0,8

While %85 of housing production is social housing production, last %15 is separated for fund raising projects (TOKI, 2016). Fund raising projects are claimed as being source of finance for producing social housing units. They are produced in accordance with multiple preferences and different range of budgets of demanders. Those fund - raising housing projects consist of luxury houses with a price up to 10.000 TL per square meter (Şiriner Ünver, 2018).

HDA has three main target groups to provide social housing and their sale conditions are shared below (TOKİ, 2016).

- Firstly, for poor groups process is conducted by collaboration with the Ministry of Family and Social Policies. Constructed houses have 45 – 65 m<sup>2</sup> width which has not required down – payment, has installments starting from 100 TL within 25 - year maturity period.
- Second group is constituted from low – income groups who are required to have maximum 3.200 TL net income, exceptionally for Istanbul amount is 3.700 TL. Their housing units have 65 - 87 m<sup>2</sup> width within %12 percentage of down payment for 15 years maturity for payment. Installment payment process starts after delivering housing units to users by HDA. Amounts of installments change according to width and location of housing units.
- Last group covers narrow and middle - income group. Width of housing units change within 87 to 146 m<sup>2</sup>. Down payment amount is %10 to %25 of the total price of housing units by 8 – 10 years maturity.

Indeed, those social housing productions of HDA are highly debatable. Houses presented for poor and low – income groups are so narrow to be shelter for crowded families. Their scale is not address for all types of families and preferences. Width of housing units is increasing according to income level of different groups not according to number of family members. Living in social housing may perceived as having four - sided wall and roof by HDA without concerning for “adequate housing” principles that is focused by international treaties. HDA’s social housing applications have not catch any similarity within European experiences. In Europe social housing units are presented by living space in terms of preferences of users and have capacity to answer multiple needs of citizens. On the other hand, HDA’s social housings are stand as pure constructed narrow buildings without any relationship within citizens. Moreover, it is obvious that HDA has focused number of productions rather than quality of those productions. All documents explain housing production by numbers without giving any details about quality.

Moreover, there are many critics about their constructions are done by unqualified cheap materials that cause deformation of housing units within shortest periods. Indeed, HDA sells cheap housing units with cheap prices to those target groups without any public interest. On the other side to construct those useless and debatable housing units, it uses public lands limitlessly. Definition of social housing units is done with respect to sale conditions of them.

HDA conducts process with non – transparent agenda and it is not included in any control by any authority. Within fund raising projects it maximizes its profit like private construction firms. On the other side for populist declarations of JDP government, it presents cheap housing units within cheap prices to target groups. It is obvious that public sources are transferring to benefit of high – income groups. Public concern on the other hand is just discourse presented in election speeches to gather more vote in next elections.

Those applications have carried HDA from being public institution as serving benefit of public interests to being private company searching way of maximization its own profit by housing sector with the aim of economic growth. So, its establishment principles that are supporting low income groups about accessible housing finance and affordable housing provision have become blurred promises. Furthermore, it has used public resources and lands free from any control.

Revenue of HDA is comprised from real estate sale and rent, repayment of housing loans, interest income and general budget and especially project conducted with private companies to create and expand resources have taken significant share (Ayan, 2011). While conducting those projects HDA pay companies allowance for two years, but it gives housing loan with 8, 10 or 12 - year maturities (Ayan, 2011). Inevitably, there is a mismatch between maturity of credits and HDA's payment terms to companies, hence HDA faces with liquidity squeeze then get rid of it sells public lands (Ayan, 2011).



In comparison to initial terms of HDA, current era enhances large – scale housing construction activities with powerful construction companies who has close relations with government. Housing production companies started to establish their business associations as an independent body such as Association of Real Estate and Real Estate Investment Companies (GYO – DER) and Housing Developers and Investors (KONUTDER) that are most spectacular (Doğru, 2016). Those associations provide network among large – scale companies and government in housing sector.

HDA has been political project of JDP for exercising power in regional scale, it is visible that HDA has approached proponent construction companies with patronage manner (Doğru, 2016). %42 of 32 billion TL investments of Housing Development Administration were carried out by 30 construction companies (Sönmez, 2011). While some construction companies have worked with HAD for long years and have been specialized in construction sector, it is undeniable that there are many construction companies with big or small scales have appeared and expanded with the HDA support (Sönmez, 2011). HDA has worked with 702 construction companies in different scales, hence these networks depending on housing production must be perceived as class project of JDP to spread capitalist relations around the Turkey (Doğru, 2016).

Applications of HDA after 2000s have been inefficient to solve housing problems of Turkey. On the contrary such an approach causes worsening of case and more complicated problems due to creating unequal distribution of wealth within society and using public resources for the sake of small group of people who are belong to high – income groups and close relationship with JDP government.

#### **4.3 Role of Social Security Organizations in Housing Finance**

Social security organizations have been also part of housing finance system of Turkey. They were more effective in periods which were lack of finance institutions for extending mortgage loans. When public institutions did not have enough fund to provide housing finance, they could support their members for housing finance

provision since end of 1940s. Due to only serving for their members, their contribution to housing finance system of Turkey has been restricted compare to public institution. Social Security Organization, Social Security Organization of Merchants and Artisans and Other Self-Employed Professionals and Armed Forces Pension are prominent social security organizations of housing finance provision in Turkey.

Social Security Organization had provided housing loan till Mass Housing Law in 1984, it had served via allocating premiums from members that were transferred 13 of cooperatives, it extended loans by 20 years maturity within %4 interest rate, it did not extend loans for individuals (Dolun, 2007).

Social Security Organization of Merchants and Artisans and Other Self-Employed Professionals had also extended loans within %5 interest rate and 15 years maturity to cooperatives that is constituted by at least 15 members having qualifications of being at least for 5 years insured, not having dept to itself, not having housing unit of their own or families (Dolun, 2007).

Lastly, Armed Forces Pension can extend loan for both cooperatives of members and directly to members personally different from first two corporations, additionally although interest rates have been changed across different terms, in general rule fix – rate of interest has used (Dolun, 2007).

Number of housing units produced with loans extended by Social Security Organization is 203.000, by Social Security Organization of Merchants and Artisans and Other Self - Employed Professionals is 45.000, by Armed Forces Pension is 55.000 in the period between 1962 to 1987, while HDA provides loan for 1.130.000 housing units construction within 1984 to 1999 (Karasu, 2001).

#### **4.4 Role of Commercial Banks in Housing Finance**

Improvement of institutional housing finance system needs strong actors that play in market. Turkey has conducted housing finance issue by state institutions for a long

period. Under the effects of economic instability housing market has difficulty to be developed much and sustainable for individuals in long periods. Indeed, housing market has mainly driven by public institutions and any private financial institutions have not improved much yet. Maturity of commercial banks to allocate deposit from lenders was shorter than mortgage loans' maturity that is related with pay back process and capacity of borrowers. In such a fragile and volatile economy, entrance of commercial banks to housing market had taken long time.

In 7129 numbered Bank Law dated 1958 commercial banks were prohibited for extending mortgage loan and this process had continued till 1979 that is decree law numbered 28. Commercial banks were released to extend mortgage loan for individuals. But, due to do not having adequate amount of funds for borrowers and functioning under the risky economic conditions, housing loan extension had not attracted attention from private sector until 1990s. Their inclusion in housing market has become visible 1990s and increased in 2000s.

Before 1990s their influence on mortgage market was low. In those periods government was need of borrowing from banks with high interest in return of governmental bond, in 1990s governmental bonds were decreased and attention of financial market was shifted to residential mortgage (Erol & Patel, 2004). Years between 1984 to 1990 commercial banks had extended only 14.000 housing loan that did not contain loans provided via being intermediary of HDA (Kendir Tunalı, 2004).

In 1990s commercial banks started to extend housing loans that are generally consist of high rate of interest and short maturity, moreover extended as foreign currency indexed housing loans that carries currency risk and repayment of loans by customers got into trouble (Dolun, 2007).

Housing loans amount in Turkey is too low compared to European and Latin American countries mostly because of high rate of interest and low payment capacity of low - middle and low - income households who constitutes majority of society. So, housing

finance system in Turkey could provide aim of decreasing interest rates via extending in long periods and extend loans wider percentage of household despite of fact that it is still so vulnerable in front of adverse economic and political circumstances. Hence, there has been restricted recovery in housing finance.

In early years of 2000s commercial banks had started to be visible in residential mortgage and they increased their proportion after Mortgage Law enacted 2007. Due to shrunk on provision of high - return bonds of government in early 2000s, investment policies of commercial banks changed, then their role on extension of housing loan has extended greatly (Celik, Topal & Yalman, 2016).

In 2007 Mortgage Law was enacted with aiming set secondary mortgage market in Turkey. Although there has not been any serious attempt yet to be integrated in secondary mortgage market in Turkey, Mortgage Law provides more systematic background for primary market. In next years of this law, parallel to Justice and Development Party's insistence on construction sector and specifically housing construction across country, demand for residential mortgage and extension capacity of commercial banks have increased relatively.

#### **4.5 New Mortgage Law numbered 5582**

Turkey's attempt for inclusion in secondary mortgage market started in March 2007 with enactment of law numbered 5582 that is named "The Law Amending the Laws Related to Housing Finance System". Law mainly aims to regulate uncertainties and deficiencies of financial institutions but doing this it also influences mortgage loans borrowers indirectly (Berberoğlu, 2009).

The 5582 numbered Law fosters setting of secondary mortgage market to provide cheaper funds within longer maturities. In secondary mortgage market mortgage loans are securitized to present investors. To securitize, mortgage loans are allocated in pool and they are sold to investors due to create re - housing funds in primary market. This

law suggests not only American type of securities that are mortgage back securities but also European as Denmark or Germany type that are covered bonds as secondary market instruments (Berberoğlu, 2009). Difference between them is that while mortgage - covered loans are noted real property column and contained in portfolio of funds, mortgage back securities are extended from portfolio and founders have not been responsible from issuing security after this process (Topaloğlu, 2011).

Although many debates rose in period of enactment of this law about how can be set and what it causes in market, in next periods of law, improvements stand slow and there has not been any transformation about setting secondary mortgage market in Turkey. Because, Turkey has not suitable structure yet and it is obvious that setting such compatible structure would take long time. In developed countries such as US or many of European countries like UK, Denmark, secondary mortgage market has long history that is nearly forty years. Moreover, their economic conditions and institutional developments provide efficient and effective secondary mortgage process. Although there can appeared unwanted experiences like 2008 Mortgage Crises, because of being strong structure in economy they can attain suitable remedies and be born out of ashes even if takes long time.

On the other hand, Turkey nor has enough experience neither has well - functioning economy and effective institutional development for swift adaptation to secondary mortgage market. Moreover, one of the major preventions in development of secondary market in Turkey is unending need of state for domestic borrowing that present high return for lending. This option discourages investors from mortgage market because of having less profit and higher risk.

While Mortgage Law has been restricted attempt to develop secondary mortgage market in finance sector of Turkey till today, it has become effective for institutionalization process of primary market via coming with many changes/developments explained below to create more systematic structure.

Individuals who need funds for housing purchase had difficulty with finding housing loans because of short maturity and high interest rates. Moreover, an important part of housing practices in Turkey has been associated with being unrecorded, jerry-built that causes unplanned and uncontrolled urbanization. Mortgage law presented a more trustworthy system. Financial institutions have saved records of borrower construction companies and contractors that prevent unrecorded building constructions from benefiting from loans. To borrow a mortgage loan, law postulates that housing units should be evaluated by experts with respect to location, structure of building, qualifications of housing. Price of home is determined by evaluation of these criteria. After price determinations, commercial banks extend mortgage loans up to 80% of this evaluated price.

Before this law, mortgage loans were not extended for incomplete buildings, but now extension of loan is possible if building is constructed to a certain level (Berberoğlu, 2009). Moreover, before the 5582 numbered mortgage law, commercial banks could mainly extend loans with a fixed rate and law facilitates extension of adjustable mortgage rate in market. Even though variable rate is possible, general tendency of borrowers is for fixed rate in Turkey.

The one of the most important contributions of the 5582 numbered Mortgage Law is integrating tax allowance to housing finance system. Mortgage loans are exempt from taxes that are resource utilization support fund <sup>17</sup> and banking and insurance transaction tax <sup>18</sup>.

Loan to value rate provides determination of amount of housing loan extended by lender institutions according to total price of housing unit that is demanded. Last amount that

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<sup>17</sup> Kaynak Kullanım Destekleme Fonu (KKDF)

<sup>18</sup> Banka ve Sigorta Muameleleri Vergisi (BSMV)

is not extended by lender institution has to be paid by borrower as a down payment. The loan to value rate can be barrier for people who want to purchase home with mortgage loans but have not enough accumulation (Aslan & Dinçer, 2018). This rate was set as %75 in 2007 with the Mortgage Law in Turkey then, it was increased to %80 in the end of 2016 (Aslan & Dinçer, 2018). Hence, borrowers need to pay %20 instead of %25 for purchasing home as a down payment that contribute to rise in housing sector by using mortgage loan.

Legal procedure about sequestration of real estate and taking back loan from defaulter were difficult and takes long time by lender institutions, so new mortgage law developed more systematic process that is if borrower does not pay within three months, lender institution has right to sequester his home and sell it to collect amount of defaulted loan (Berberoğlu, 2009).

To sum up, Mortgage Law enacted in 2007 is inefficient to develop secondary mortgage market in Turkey that is known as intermediary for affordable and sustainable housing finance system from experiences developed countries. On the other hand, it came up with many new regulations about both finance institutions and borrowers in mortgage market. Those regulations foster housing market and provide more systematic and trustworthy structure for mortgage market.

#### **4.6 Mortgage Loan Application Process in Commercial Banks**

Firstly, customers and banks need to know value of housing unit that is wanted to be purchased. This valuation process is applied by experts. According to location, inside width, floor, used materials or age of building and any other criteria value is appreciated for housing unit. In current process of commercial banks till %80 of value of housing unit is extended as a loan and rest %20 of value required to be paid as a down payment by borrower.

Evaluation of customers in loan extension process differs bank to bank. While one customer could not acquire loan from one, s/he can borrow from another. But indeed, evaluation process of banks much more similar with each other and their system mainly depend on credit score. Credit score reflects financial experience of all customers about capacity to pay back. Commercial banks look for profit and they need to sell more products to get profit. Hence, possibility of non - payment of extended loans is not desirable. Mortgage loans are special loans that require taking real estate as a mortgage. This guarantee facilitates to repossess the property via foreclosure while installments are not paid by borrowers in determined time period. If borrower does not pay installment of loan for 90 days, legal follow - up process starts. Hereby, banks acquire right to sequester property of borrowers at the end of process. Due to having mortgage guarantee they sell home and make collection the unpaid amount of loan from sale.

Credit score reflects financial experience of customers about banks with respect to capacity of repayment of loans. This credit score is unique for all customers and it is taken into consideration if someone apply for extending loan or demand for any other financial product from banks. Credit score consists of a lot of variables that are source of information about identity, employment, public record, security intelligence to evaluate risk of nonpayment of loan and extend of it with respect to amount, maturity and some other specific conditions.

Table 4.2 Range of Credit Scores (Source: bankakredinotu.net)

<b>Credit Score</b>	<b>Risk Group</b>	<b>Extension of Loan</b>
0	risky	depended on income
1 - 699	most risky	lowest possibility
700 -1099	moderate risky	low possibility
1100 -1499	low risky	depended on income
1500 -1699	good	high possibility
1700 -1900	very good	high probability

To reach score listed above there are many variables focused by financial market systematically. Details of those variables are listed above to better explain process.



**Credit bureau score:** customer's all loans used in past and continuing current ones can be seen with respect to date, limit, rest amount, installment and payment performance. Only name of banks is symbolized with letters from alphabet and these letters change by customer to customer and understanding which one is which bank is not possible.

**Monthly salary:** mortgage loans installments are generally monthly paid, hence regular income of customers is essential. Moreover, to sustain payment plan, installments of housing loan need to be moderate proportion of monthly salary. Some banks determine housing loan amount according to %30 - 35 percentage of salary but it is not general rule and consists of many exceptions. Commercial banks may take one or more guarantors for mortgage loan of applicant. In this process because of these guarantors would also under the burden of payment, percentage of installments to applicants' monthly income may be higher than cases without guarantors in mortgage loan borrowing process.

**Job and duration of employment in last workplace:** job of customers gives clue about regular payment. For example, working on public sector seems more sustainable than working on private sector due to having long term job guarantee. On the other hand, more specialized, qualified jobs strengthen position of customers in front of banks rather than having unqualified jobs who are under the risk of being unemployed and unable to give long term promise to pay installments. In addition to job, duration of employment in last workplace is important indicator to wait payback from customer.

**Age:** 18 to 65 age range is suitable to get benefit from extending loans. Age between 30 - 50 takes optimum score.

**Financial intelligence record:** attachment and any other negative situations about customers financial history are reported in this record.

**Others:** education level, marital status, property etc. are other factors that affect credit score of customers.

In commercial banks side criteria explained above are important to better evaluate borrowers in terms of presenting best mortgage product according to interest rate, extended amount, installment and maturity of loans. Evaluation mainly tries to provide sustainable pay – back process according to both commercial banks and borrower side. To prevent loss financial power of borrower should response demands of commercial banks.

#### **4.7 Rise of Housing Sector and Mortgage Market by 2000s**

Turkey faced with increase in housing sector by 2000s that has also affected mortgage market as incremental way. By the focus of neoliberalism there has been important transformation in duties and structure of Housing Development Administration institutionally as a most important actor of housing sector in Turkey. Due to removing of HDA from housing finance, to foster demand for housing role of commercial banks have started to rise. Mortgage loans extended by commercial banks have been essential instruments of housing finance system of Turkey.

Parallel to this in 2000s development strategy has based on construction sector. So, supply and demand of housing units has increased greatly compared to previous terms. To analyze increases in both housing market and mortgage market of Turkey, in this part of thesis statistical data are presented to provide consistent analysis. Firstly, demographic characteristic of Turkey is presented as giving clue about demand side of market. After that rise in housing sector and mortgage market are explained successively.

##### **4.7.1 Demographic Characteristics of Turkey**

In 2018 total population of Turkey reached 82 million according to TURKSTAT with average. As can be seen below middle age group that has demand for housing units has extending its proportion within total population. While in 2000 middle age group had %45 share, near 2020 it would increase as being %52 of total population. Hence, needs

for housing units and housing finance obviously would be more emphasized in next years in Turkey.

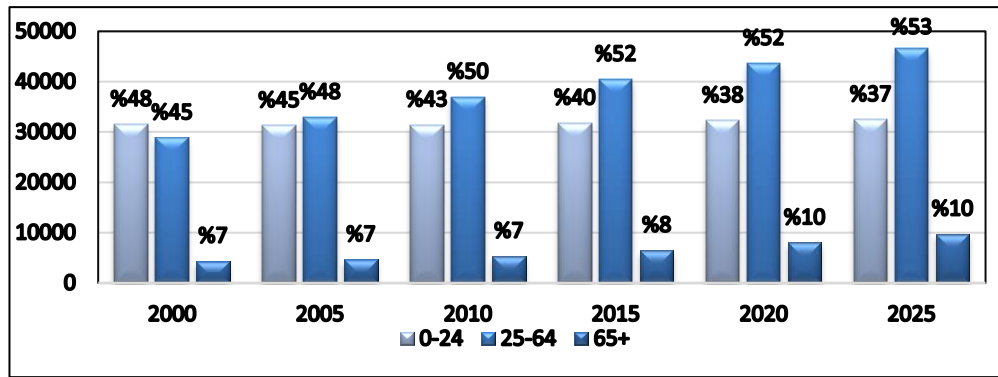


Figure: 4.3 Distribution of Age Groups in Population and Population Projection of Turkey (Source: TURKSTAT)

Urbanization rate in Turkey is second main factor that fosters demand for housing. Turkey has faced with uneven development of cities with fast and unplanned urbanization experience like many developing countries. Without setting effective institutional housing finance system, Turkey would inevitably open to bump into more severe problems compared to previous terms .

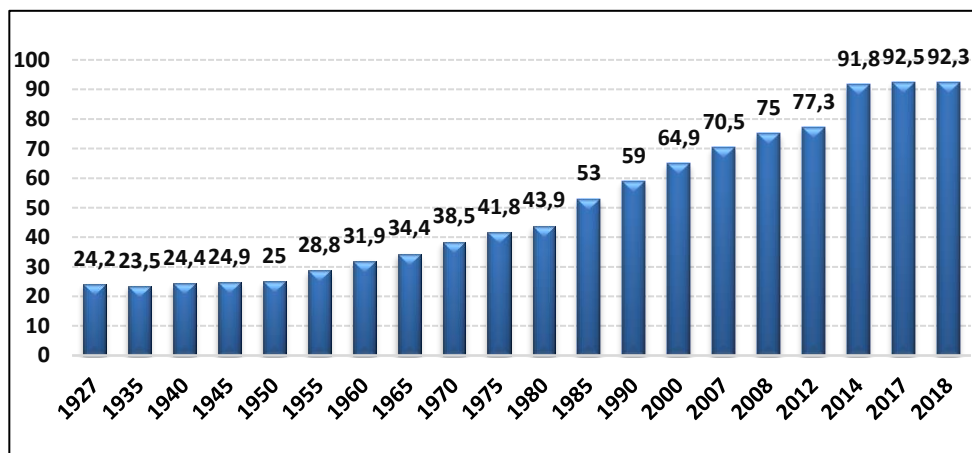


Figure: 4.4 Urbanization Rate of Turkey (Source: TURKSTAT) In 2012 with Metropolitan Municipality Law numbered 6360 calculation was changed.)

#### 4.7.2 Rise of Housing Sector in 2000s

Owner occupation is encouraged tenure system in Turkey since establishment period. Due to restricted resources and high proportion of housing units within needs of country government has not presented permanent solutions for housing issue. Moreover, there have not social housing understanding or effective rent control over residences. Hence, with the effect of macroeconomic instabilities individuals have needed to invest for housing units. While only small scale of total household population can afford price of housing units, majority of them have had in need of developed housing finance system to be homeowner via long term installments and low rate of interest. However, development of housing finance system in Turkey have took long times and after 2000 long term housing loans with relatively low rate of interest have been extended to individuals who wants to be owner of home. After mortgage law dated 2007, housing sales within mortgage loans have started to increase in Turkey. Mortgage sales provide improvement of institutional housing finance system.

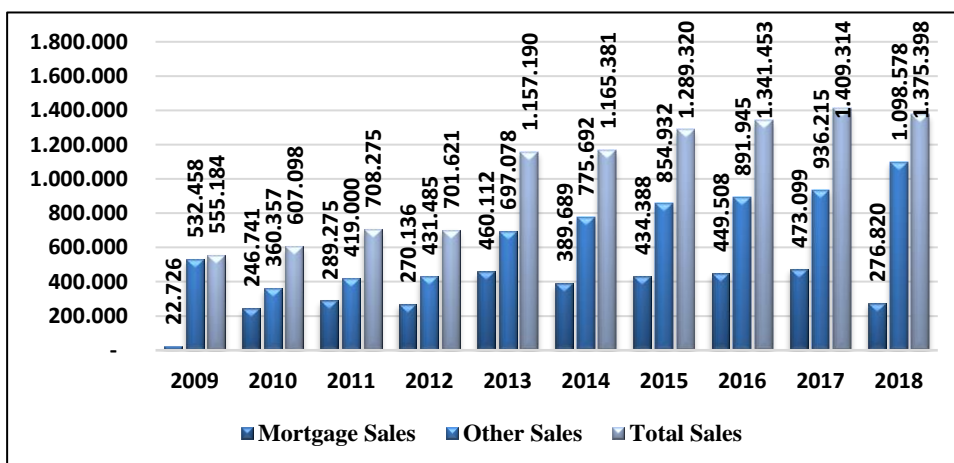


Figure 4.5 Housing Sales in Turkey between Years 2009 and 2018 (Source: TURKSTAT)

While institutions that extend mortgage loan increases, percentage of households apply for using mortgage loan increases. This situation inevitably affects affordability of

homes and number of households wants to be benefited from those loans. Moreover, rather than benefitting from non – institutional housing finance such as accumulating money for long years or borrowing from families, relatives, institutions this can extend funds fast with securely and efficiently and it can become favorable as representors of institutional housing finance system.

Total sales and mortgage sales of housing units have tended to be increased across years above. Total sales have increased in rate of %153 in 2009 to 2017. In 2009 while proportion of mortgage sales in total sales is %4, in 2017 it reached the proportion of %45. Beginning from 2014 to 2017 both mortgage sales and total sales had been increased relatively compare to previous years.

On the other hand, in 2018 mortgage sales have sharp decline even though total sale amount is not much different from previous years. While total sales decreased %2.4 between years 2017 to 2018, mortgage sales decreased %41. That is mostly because of increase of interest rate in 2018. Interest rates are representor of macroeconomic instability and political uncertainty that are all cause discouragement for individuals to borrow mortgage loans.

Security of financial institutions and pay - back capacity of households have got worsen under such circumstances and housing purchase issue has shifted to non - institutional housing finance with decreasing level rather than mortgage – based institutional housing finance system.

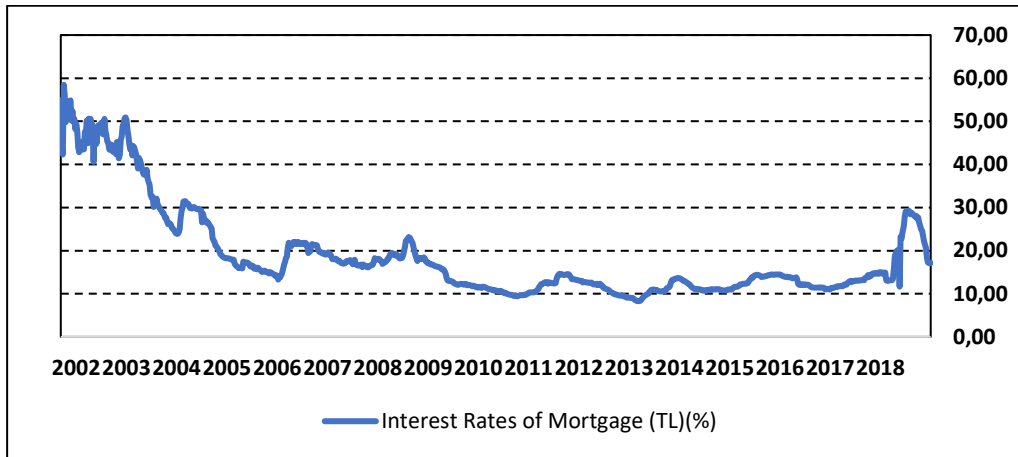


Figure: 4.6 Annual Interest Rates of Mortgage Loans by 2000s (Source: Central Bank of Turkish Republic)

After 2001 crisis, in 2002 while monthly mortgage loan interest rate was 4.025, in 2005 it reaches 1.17 and provides improvement in mortgage market. Across next years with fluctuation it catches useful ranges and in 2015 the rate reaches 0.85 as a range that is highly desirable interest rate level for improvement of mortgage market. On the other hand, in 2018 interest rate increased much compare to previous years.

Demand of households to purchase home and apply for mortgage loans is strictly related with price of homes and payback capacity of households. Hence, increasing interest rates cause decrease in demand for mortgage loans. According to graph, interest rates for mortgage loans are decreasing after 2001 crisis and after 2008 to 2017 it run across similar range that provides improvement in increase of mortgage percentage in GDP and house purchase with mortgage loans in country. In 2018 there is sharp increase in interest rate of mortgage loans that causes decrease in mortgage loan borrowed by households. Indeed, mortgage sales decreased %41 from 2017 to 2018 in Turkey.

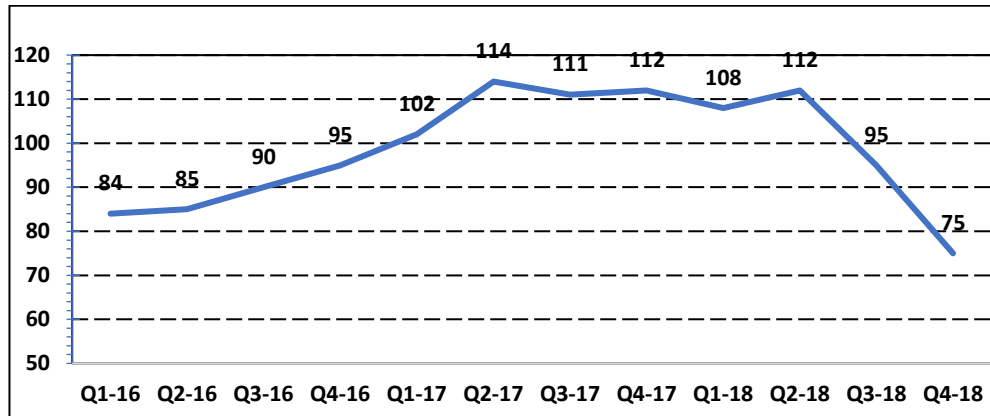


Figure: 4.7 House Purchasing Power Index in Turkey for Borrowing Mortgage Loan with 120 Month Maturity (Source: Reidin, 2019)

Macro - economic instabilities and negative political circumstances directly affect mortgage market. Purchasing power of individuals has decreased within increasing interest rates and blurred expectations about future. House purchasing power index prepared by Reidin mainly aims to measure capacity of households across 81 city of Turkey who has average monthly salary to become homeowner with using 120 monthly maturity mortgage loans.

If value is 100 or greater than 100, average income households can be homeowner via borrowing mortgage loan with 120 - month maturity under the current interest rate. On the contrary if value is lower than 100 it means average income household cannot be homeowner with using mortgage loan. In Turkey fourth quarter of 2018 index value is

75. It decreased %21 compared to previous quarter value and decreased %33 compared to the fourth quarter of 2017.

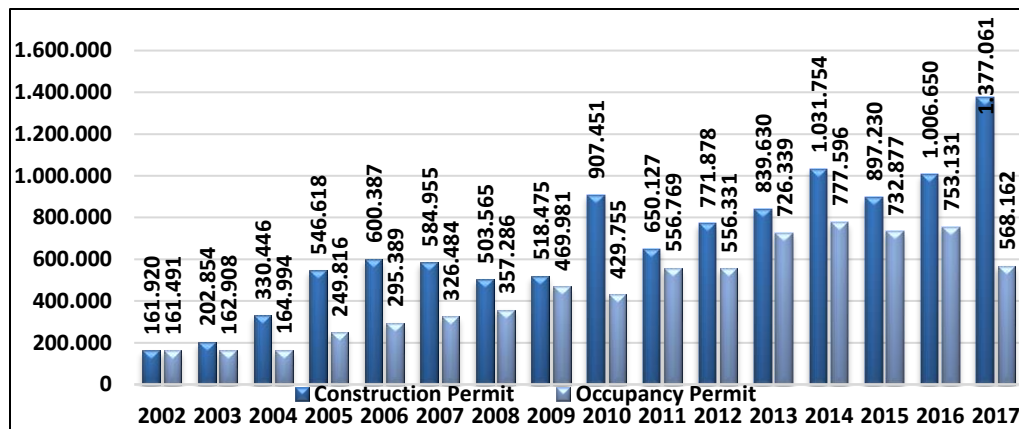


Figure 4.8 Construction and Occupancy Permits of Housing Units in Turkey by 2000s (Source: TURKSTAT)

Parallel to housing sales, number of housing units that is taken construction and occupancy permits have improved across in last years compared to early years of 2000s. In 2000s economic growth has based on urbanization, hence construction sector and housing as a biggest part of sector has been promoted by policies of state. State has directly intervened to sector starting from 1980s and has stiffened its influence extensively after 2002 with Justice and Development Party. Hence, increase in construction and occupancy permits of housing units across 2000s can be associated with increasing emphasize on construction and specifically residential construction across country.

While construction of housing units is increasing as an being important part of economic growth strategy, demand is also increasing because of urbanization and population. The encouraged tenure type in Turkey is owner occupation. Hence, supply of demand side of housing sector in Turkey has tended to complete each other. Housing finance system and their level of improvement is depended to their success in increasing rate of ownership across country. There is strong signal of affordable and accessible



housing system existence. In Turkey, according to housing data with terms of construction, loans, sales listed above have increased in 2000s although in last terms there is strong tendency to decreasing because of macroeconomic and political uncertain and risky conjuncture.

According to table presented above years from 2006 to 2017, many developments in sector mentioned above, there is not any improvement in rate of housing ownership of country. Instead, it has diminished and has not improved relatively to indicator listed above across any years in table.

Table 4.3 Tenure Status Rate of Turkey in 2000s (Source: TURKSTAT, Living Conditions Indicator)

Tenure Status (%)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Owner	<b>60,9</b>	<b>60,8</b>	<b>61</b>	<b>60,8</b>	<b>60</b>	<b>59,6</b>	<b>60,6</b>	<b>60,7</b>	<b>61,1</b>	<b>60,4</b>	<b>59,7</b>	<b>59,1</b>
Tenant	23,5	22,2	22,4	22	22,1	22,2	20,9	21,3	22,1	23,3	24,4	24,7
Lodging	1,1	1,1	1,1	1,2	1,2	1,4	1,5	1,6	1,6	1,4	1,5	1,4
Other	14,5	15,9	15,6	15,9	16,8	16,9	17	16,3	15,3	14,8	14,4	14,8

If housing ownership rate has not improved while sales of housing units increasing, it means that housing units are not purchased with the aim of residing totally. Investment is more emphasized rather than reside. While supply of housing has increased, price of housing has also increasing across the country because of not increasing rate of homeownership. While many individuals cannot be homeowner and have to pay for high amount for rent, others have chance to purchase their additional homes to invest and get benefit from rent revenues or sell it with better price in next years. Hence, it is obvious that housing policy of Turkey is not interested in distributing welfare across country or developing strong housing finance system. Instead, it follows to expand

economy within construction sector regardless of encouraging low – income people for being home – owner.

#### 4.7.3 Improvement of Mortgage Loans in Turkey in 2000s

Proportion of mortgage loans in GDP of Turkey is figured below across years after 2001. It is possible to state that there was improvement in sector starting from 2005 when interest rate of mortgage loans decreased, period of maturity was extended in comparison to previous terms. Ten years period between 2005 and 2015 there is positive increase and rate of mortgage loan in GDP has increased much.

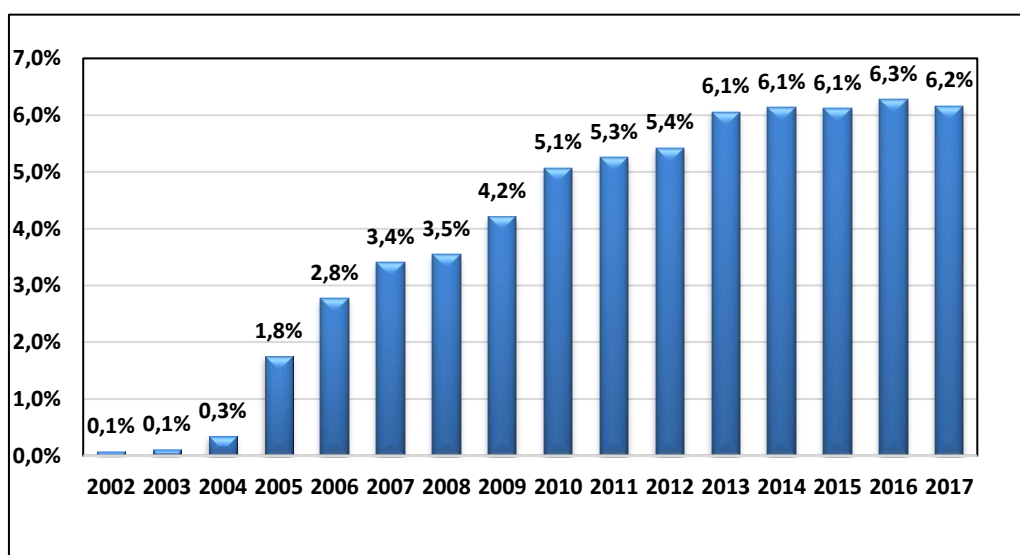


Figure: 4.9 Mortgage Loan/GDP Rate in Turkey in 2000s (Source: TURKSTAT)

Although there has been improvement of proportion and amount of mortgage loans in Turkey across years in 2000s, Turkey have still fallen behind developed countries of world that have well develop mortgage market since end of 1970s.

According to study of Analytical Credit Rating Agency (2015), share of mortgage loans on GDP is % 48.1 in European Countries, %62.9 in US and %69.3 in Norway.

On the other hand, Turkey has only share of %6.1 in same year that is reflection of being lack of strong and rooted housing finance system in country. So as to close gap, in 2007 with 5582 numbered new Mortgage Law, Turkey aimed to set secondary mortgage market within country and expand efficiency of effectiveness of mortgage system in economy. Despite of having some attempt and little improvement for secondary mortgage market experience, it is impossible to say that process has been acquired and activated after 2007 till today. It seems that Turkey has long way to catch up level of developed countries about residential mortgage issue via getting rid of economic instabilities and completing development of institutional housing finance system across country.

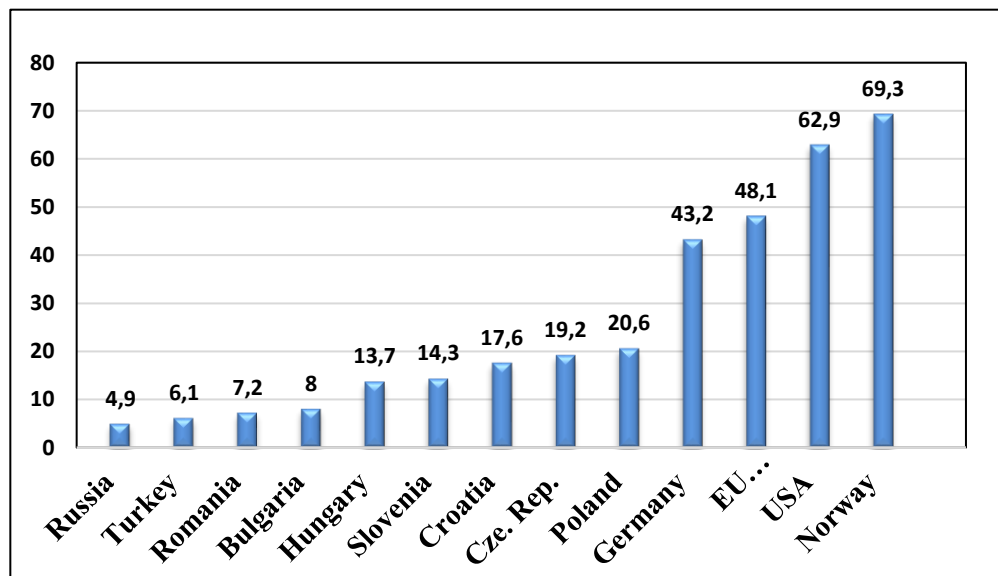


Figure 4.10 Mortgage Loan/GDP Rate (%) across Different Countries in 2015 (Source: ACRA )

Improvement of consumer loans and mortgage loans is provided within decrease in interest rates and inflationist pressure after 2002. Moreover, mortgage law in 2007 has created more institutional background for loan process for both borrowers and lenders to integrate in the system.

Table 4.4 Amount of Consumer Loans and Number of Borrowers in Years between 1997 and 2017 (Source: The Banks Association of Turkey)

Amount (Million TL)				Number of Borrowers	
Year	Mortgage Loans	Total Consumer Loans	Percentage	Mortgage Loans	Total Consumer Loans
1997	29	396	7%	16038	934408
1999	59	833	7%	17070	1493773
2000	570	3800	15%	81610	2729441
2001	353	1913	18%	43600	1643290
2002	307	2775	11%	29346	1655334
2003	801	8275	10%	42004	2475265
2004	2439	16794	15%	106694	3534161
2005	12389	28265	44%	315780	5770267
2006	22137	45175	49%	491455	5628293
2007	30735	64002	48%	681433	6923782
2008	37347	78844	47%	762393	9149956
2009	42733	88320	48%	974104	9911866
2010	57584	122210	47%	1082561	11301517
2012	79592	182124	44%	1437552	13188463
2014	115015	260891	44%	1839758	15897012
2016	156203	318438	49%	2078706	20052530
2017	182505	374838	49%	2301204	20588742

Percentage of housing loans in total consumption loans has increasing across years presented in table. In 2005 there is sharp increase from %15 to %44 in proportion of mortgage loans. While total consumption loans increased %68 from 2004 to 2005, mortgage loans increased more than %400 because of sharp decrease in interest rate of loans and extension of maturity of loans in this year. 2005 was the year inflation slowed down.

Before 2005 there was great need to have accumulation reached in long years and borrowing from other people to be homeowner. With low interest rates and long maturity period, borrowers were encouraged to be demand mortgage loans from commercial banks.

In 2007, there was systematization of this process and such improvements gave rise to both mortgage loan and total consumption loan amount and number of people who benefited from commercial banks.

In next years although proportion in total consumer loans has increased or decreased in much moderate rate according to different years, amount and number of people included in mortgage loan process have obviously increased year by year.

This positively continuing process in financial sector was damaged in 2018 with the increased interest rate and inflation indicators in country. Due to not having annual data about 2018, three – month period data are compared below with respect to amount of all mortgage loans, total consumption loans and number of borrowers.

Table 4.5 Amount of Consumer Loans and Number of Borrowers in 3-Month Periods  
(Source: The Banks Association of Turkey)

Period	Amount (Million TL)			Number of Borrowers	
	Mortgage Loans	Total Consumer Loans	Percentage	Mortgage Loans	Total Consumer Loans
2017 September	16.343	55.939	29%	123674	2840059
2017 December	15.501	54.415	28%	112592	2781082
2018 March	12.713	51.567	25%	90788	2813744
2018 June	17.303	54.625	32%	119714	2654012
2018 September	7.368	33.833	22%	54734	2201294
<b>2018 December</b>	<b>1.837</b>	<b>19.314</b>	<b>%9</b>	<b>16,637</b>	<b>1,949510</b>

In 2018 September mortgage loan extended from commercial banks was 7,368 million TL while the amount was 16,343 million TL in September of previous year. Increasing interest rate cause %55 shrink in mortgage loans compared to same month of 2018 and 2017. In addition to shrink in mortgage loans, extended consumer loans had face with %40 decrease from September 2017 to September 2018.

In this terms interest rate of mortgage loans increased and it directly affect borrowing of consumer loans that was less preferred by households because of unfavorable economic conditions in 2018. Obviously, mortgage loans have more vulnerable structure rather than other consumer loans due to having much more amount and longer maturity that requires strong and sustainable capacity to payback. Hence, increase in interest rates and any other adverse economic or political change in any country has more tended to discourage borrowing of mortgage loans rather than other consumer loans.

## CHAPTER 5

### CASE STUDY: THE MORTGAGE LOAN BORROWERS IN ANKARA

#### 5.1 Population and Housing Characteristics of Ankara

Ankara is the central city of Turkey with having second largest population after Istanbul. According to TURKSTAT (2018) Ankara has 5.5 million populations within 1.08 population increase rate. Population trend of Ankara is presented below with respect to years between 2007 and 2018.

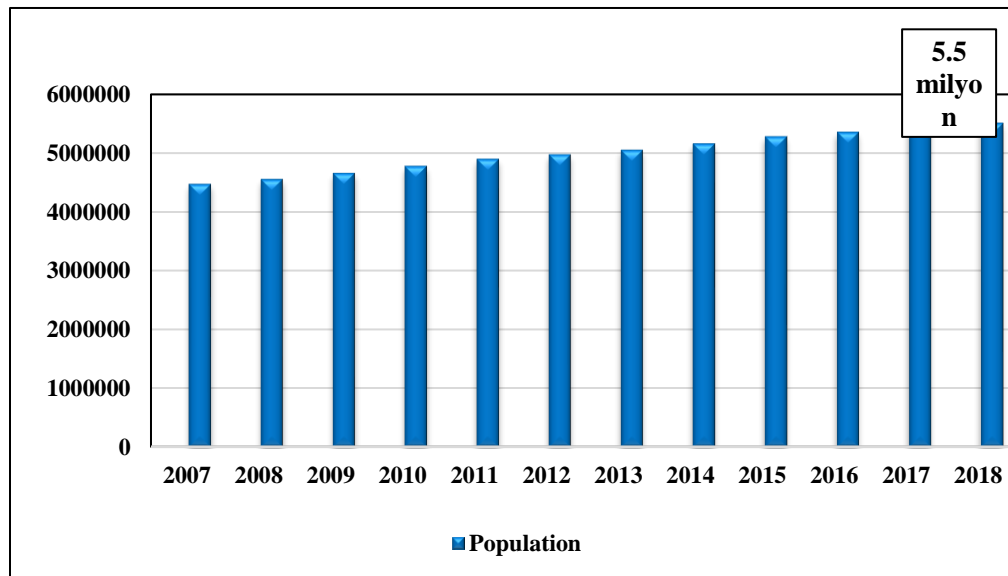


Figure: 5.1 Population of Ankara in years between 2007 and 2018 (Source: TURKSTAT)

Increase in population has direct influence on increase in housing demand. Moreover, combination of population growth with increasing urbanization triggers need of housing in metropolitan cities like Ankara. Hence, more and more people need to live in house, become home owner and benefit housing finance system for affording price of those housing units. In addition to population, in table below sales of housing units are

presented in terms of being mortgage sale or non – mortgage sale within years from 2013 to 2018.

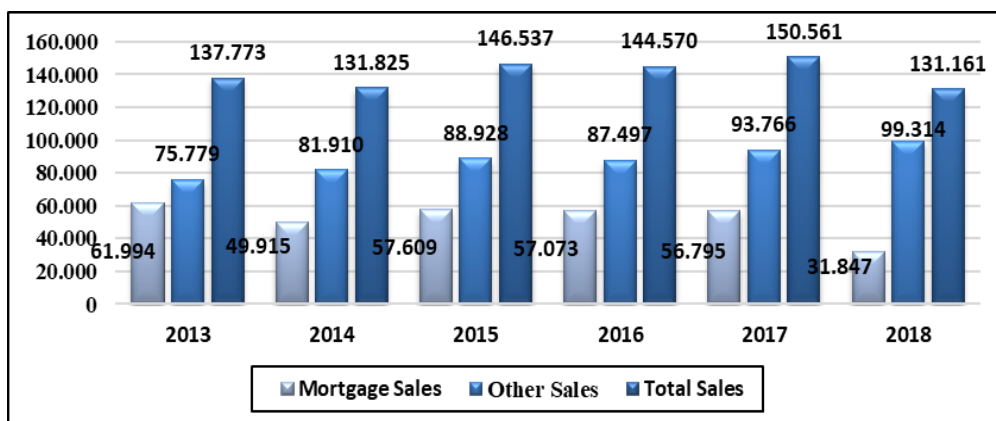


Figure: 5.2 Housing Sales in Ankara between 2013 and 2018 (Source: TURKSTAT)

As can be seen from table, although amount of total sales and mortgage sales has moderate fluctuating structure across years in figure, sharp decrease of mortgage sales is seen in 2018 as a %44 percentage compared to year 2017.

On the other hand, in same year other sales increased because of decrease in price of housing units. Increase in interest rates discourages borrowers to incur a debt in financial market and attempt to buy housing units with mortgage loan decreases directly. In such circumstances, price of housing units decreases because of inefficient level of demand. In such circumstances people who have cash are becoming more advantageous and may prefer to buy homes lower prices.

In table below initial 6 largest districts of Ankara are aligned according to their population in year 2018 and their total housing sales, respectively mortgage sales are showed for years between 2015 and 2018.



Table 5.1 Population and Housing Sales in Largest Districts of Ankara (source: TURKSTAT)

Districts	Population (thousand)	Percentage in City Population (%)	Number of Mortgage Sales in 2015 to 2018	Number of Total Sales in 2015 to 2018
Çankaya	920.89	16,7	24.685	86.473
Keçiören	909.79	16,5	35.821	96.890
Yenimahalle	663.58	12,1	23.399	64.848
Mamak	647.25	11,8	29.286	78.697
Etimesgut	570.73	10,4	28.276	64.060
Sincan	518.89	9,4	22.647	47.785

Those 6 districts cover nearly %77 of total population of Ankara. Parallel to population density of them, sale amounts of housing units are significant. Çankaya and Keçiören as being most crowded districts has more sale than other districts with lower population. Moreover, mortgage – based sales of those countries are shared in table. While population in Çankaya prefers to use mortgage loan less compare to its population, Keçiören as being second highly populated district of Ankara has the highest number of mortgage sales compared to other 5 districts.

## 5.2 Interviews with Mortgage Loan Borrowers in Ankara

In this chapter, mortgage loan borrowers are studied to examine affordability, accessibility and sustainability of mortgage loans extended by commercial banks. This study makes important contribution to evaluate housing market and housing finance system of Turkey from demand side. To understand success of any system, groups who are under the influence this system should be analyzed for reaching more consistent results. Hence, to evaluate housing finance system of Turkey by 2000s, examining mortgage loan borrowers is inevitable. Indeed, borrowing mortgage loan from commercial banks is unique institutional finance method that is presented to individuals in Turkey.

To make analysis 50 mortgage loan borrowers from borders of Ankara Metropolitan Municipality are interviewed in – depth. These 50 people were chosen according to some criteria that are mentioned below:

- Borrowing mortgage loans from commercial banks in any time after 5582 Mortgage Law that enacted in 2007,
- Still continuing to pay installments of mortgage loan that is borrowed from commercial bank,
- In addition to already been living, purchasing housing unit by borrowed mortgage loan from any districts of Ankara Metropolitan Municipality.

While 18 of those interviews were done via face to face, other 32 of them were done by telephone meetings. Study had conducted for two months and time of one interview changed between 20 – 25 minutes.

Interviewees were reached by social network such as from associations, workplaces, crowded places by high communication to understand that who are the potential interviewees. By this method reached profile consisted of great variety with respect to living districted, employment type, age group. Rather than finding them by area studies, finding them via social networks contributed to reliability of study due to people know each other and their tendency for lie was low and all questions were answered during interviews.

By those interviews, profile of mortgage loan borrowers, qualification of borrowed mortgage loans, characteristics of purchased housing units are analyzed broadly in next parts. Furthermore, income as a most important determinant of mortgage loan borrowing and share of different types of commercial banks in mortgage market are focused to evaluate results of interviews within general context of Turkey with respect to level of income and mortgage market.

### 5.2.1 Profiles of Loan Borrowers

Profile of housing loan borrowers are presented below according to district they purchased home, age, marital status and working type.

Table 5.2 Living District, Age, Marital Status and Working Type of Borrowers (Source: Interviews)

District of Purchased Homes	Number of Interviewees
Mamak	9
Sincan	5
Etimesgut	5
Çankaya	9
Yenimahalle	8
Keciören	13
Pursaklar	1
Total	50

Marital Status	Number of Interviewees
Married	43
Single	7
Total	50

Age	Number of Interviewees
Less than 30	5
30 - 39	21
40 - 49	9
50 - 59	9
60 - 65	6
Total	50

Working Type	Number of Interviewees
Wage Earner on Private Sector	19
Wage Earner on Public Sector	17
Retired (working on additional job or not)	9
Self - Employed	5
Total	50

Interviewees purchased their homes from different seven different districts of Ankara. %26 of them from Keciören, %18 from Cankaya, other %18 from Mamak, %16 from Yenimahalle and last %22 is from Sincan, Etimesgut and Pursaklar.

30-39 age range has biggest proportion across all loan borrowers interviewed. Proportion is getting decrease when age getting smaller than 30 and older than 60. Housing loans process requires long - term payments and regular monthly income that signifies middle age groups. Their credit score is more much better than other age group because of being seen optimal age group to lend by financial institutions. They are more favorable to give promise to pay back loans in long terms and have more capable to be included in working sector as having optimal range of monthly salary.

Marital status is important factor for preference of individuals to purchase housing units. %86 of interviewees are married. Many of them explained reason of borrowing housing loans as a necessity to live more secure and peaceful with their families within better standards.

Working type of borrowers gives strong insight about repayment capacity of them. In private sector there is more circulation and security of job is weak compared to public sector. On the other hand, for qualified jobs in private sector, monthly salary is greater than salary amount in public sector. Retired individuals have old age and their salary are restricted, unless they continue to work additional jobs or having strong guarantor for their loans they have little chance to borrow housing loans. Self- employed people are strictly depended sector they provide services and they required more following about their payback capacity across different terms by lender institutions.

### 5.2.2 Characteristics of Borrowed Housing Loans

Table 5.3 Maturity, Amount, Extended Years and Interest Rates of Mortgage Loans (Source: Interviews)

Maturity of Loan	Number of Interviewees	Year of Loans	Number of Interviewees	Range of Interest Rate
120 month	32	2009	1	0.83
108 - 72 month	12	2010	2	0.75 - 0.98
60 month	5	2011	1	0.85
Less than 60 month	1	2012	7	0.69 - 1.15
Total	50	2013	6	0.66 - 0.82
		2014	4	0.89 - 1.03
		2015	4	0.89 - 0.98
		2016	2	0.95 - 1.29
		2017	10	0.88 - 1.19
		2018	11	0.88 - 1.98
		2019	2	0.98 - 1.98

Amount of Loan Range (TL)	Number of Interviewees
40.000 - 99.000	26
99.000 - 149.000	13
More than 149.000	11
Total	50

Interviewed mortgage loan borrowers prefer long – term maturity. While less than 5 years maturity for mortgage loan is preferred only 1 of them, 32 of 50 interviewees prefer 120 month that is the longest maturity for mortgage loans in commercial banks. The more maturity of loans increases, the more monthly installment amount decreases.

Hence, borrowers try to avoid paying important amount of incomes as a monthly installment of mortgage loans and they demand mortgage loan from commercial banks with possible long- term maturity.

Within mortgage loans borrowed by interviewees, the minimum amount is 40.000 TL whereas the largest amount is 350.000 TL. While amount of mortgage loans increase, number of borrowers decrease. %52 of interviewees borrows 40.000 to 99.000 TL, while %22 of them demands for more than 149.000 TL amount of mortgage loans.

Borrowed year of mortgage loan is intensified on 2017 and 2018. Majority of interviewees state that they make research about interest rates in comparison to different commercial banks before borrowing loans.

### **5.2.3 Characteristics of Purchased Housing Units within Extended Mortgage Loans**

Housing units are expensive assets. Their purchasing process requires numerous factors taken into consideration such as location, price, number of people in family. In many times it is impossible to find or afford dream home to live, generally people try to acquire optimal selection in terms of their need and money.

According to interviews, number of family member living purchased home differs across 1 to 5 in number. Only three of them live alone. %70 of homes have 3 or 4, %20 of them have 2 and last %4 have 5 family members.

Table 5.4 Width, Age, Numbers of Rooms and Price of Housing Units (Source: Interviews)

Width of Housing Units	Number of Interviewees	Age of Housing Units	Number of Interviewees
Less than 90 m <sup>2</sup>	2	0	16
90 - 119 m <sup>2</sup>	22	1 to 10	9
120 - 149 m <sup>2</sup>	16	11 to 20	12
150 - 179 m <sup>2</sup>	6	More than 20	13
180 - 199 m <sup>2</sup>	2	Total	50
More than 199 m <sup>2</sup>	2		
Total	50		

Price of Housing Units (TL)	Number of Interviewees
Less than 100.000	11
100.000 - 149.000	13
150.000 - 199.000	7
200.000 - 249.000	6
250.000 - 299.000	4
300.000 - 349.000	3
More than 349.000	6
Total	50

Number of Rooms	Number of Interviewees
1+1	1
2+1	4
3+1	38
4+1	6
5+1	1
Total	50

As can be seen from table there is concentration on 90 to 149 m<sup>2</sup> width in purchased homes. Less than 90 m<sup>2</sup> homes are preferred by interviewees who live alone. While width of homes is increasing, number of interviewees is decreasing. Only four people have home larger than 180 m<sup>2</sup>.

In number of rooms among purchased homes there are concentration on homes with 3 room that has share of %78 among 50 homes. 2 families among living in 3 - roomed homes have 5 family members. In one of them interviewee live alone. Hence, it is impossible to say that there is correlation between number of rooms and number of household members according the result of interviews.

Ages of housing units in purchased date varies. While %32 of 50 home was newly constructed in date interviewees purchased them, %26 of them was older than 20 years. Commercial banks generally tend to extend mortgage loans for new housing units. But if expertise report reaches the conclusion such that housing unit has good location, does not damage much, saves its exchange value and charms demanders to be sold high prices, extension of mortgage loans for such housing units is possible.

Price of purchased housing units intensifies below 200.000 TL, %62 of interviewees purchased housing units with the price lower than 200.000 TL. While price increases number of interviewees is decreasing.

Commercial banks extend %80 of price of home to borrowers in general application. Last %20 of price requires to be paid out of mortgage loan amount by borrowers according to rule. Finance method for paying last amount of housing units that are not included in mortgage loan is asked to interviewees.

Table 5.5 Way of Borrowers for Financing the Amount between Loan and Total Price of Housing Units (Source: Interviews)

Finance method	Number of Interviewees
only with personal savings (1)	16
only with additional consumer loan (2)	10
only with sale of property (3)	8
only with family support (4)	4
personal savings (1) and family support (4)	6
family support (4) and consumer loan (2)	3
personal savings (1) and sale of property (3)	2
personal savings (1) and consumer loan (2)	1
Total	50

As can be seen from table personal savings, consumer loan borrowing addition to mortgage loan and sale of any other property are more common options for financing rest amount of housing units. %68 of interviewees chose one of these common 3 options to afford amount between housing price and mortgage loan.

While majority of interviewees has only one option to finance cost that cannot be financed by mortgage loan, %24 of them has benefited 2 different finance option to pay amount that is not included in mortgage finance that is named down payment.

#### **5.2.4 Relationship of Income and Housing Finance Provision**

In mortgage loan applications mortgage originator institution takes applicants monthly income into consideration as a most important factor. Credit score, age, intelligence bureau report and any other factors are secondary because of that if someone has not enough regular income to pay - back mortgage loan, lender institution would probably not extend loan. Hence there is no need to check for those secondary factors.

In mortgage loan process pay – back capacity of borrowers is the most important factor for mortgage originator institutions because of being protected from default risk. Hence, commercial banks need to measure pay – back capacity of borrower and try to undertake least risk while extending mortgage loan. Generally monthly installment is applied in commercial banks of Turkey, due to wage of borrowers is paid monthly. Income of borrowers needs to be regular and enough for paying back loan installments. Hence, it is the main factor which influences decision – making process of mortgage originator institutions, commercial banks about extending mortgage loan or not.

On the other hand, mortgage loan borrowers also need to measure pay – back capacity of their own according to their income. In case of unable to pay installments, borrowers would be under the risk of losing their housing by foreclose. Purchased housing units are collateralized by commercial bank till borrowers pay total amount of mortgage loans back. If total amount of mortgage loan could not be paid by borrowers, foreclose process is started by originator to collect unpaid amount of mortgage loan via using its legal right as putting collateralized housing on sale. In sale process, expertise report<sup>19</sup> is prepared and value appraisal is done for real estate to sell. Due to commercial banks only try to provide return of unpaid mortgage loan, they do not focus on selling real

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<sup>19</sup> Expertise report is prepared by experts who have real estate valuation license approved by Capital Market Board of Turkey. Moreover, expertise report is prepared for both mortgage loan extension process to determine amount of loan for extending and for sale process to determine current value of housing to sell.



estate high prices. Hence, loss of borrowers become more than mortgage loan amount in many cases. At this stage borrower not only lose housing units, but also lose investment that was paid as down payment or instalments till foreclose process.

As can be seen from both side of lenders and borrowers, people who can be included in mortgage market are people who can afford. Being unable to afford causes risk for both commercial banks and mortgage loan borrowers. According to sample that is constituted 50 mortgage loan borrowers across borders of Ankara Metropolitan Municipality, they can all afford the mortgage loan finance that is directly related with their level of income. To make induction and provide overall evaluation of affordability of mortgage market in Turkey statistical data related with different income groups of Turkish Statistical Institute are taken into consideration. By doing this, sample of study is positioned in income level statistic of Turkey to measure which income levels are eligible to borrow mortgage loan from commercial banks.

Table 5.6 Distribution of Annual Equivalised Individuals Disposable Income by 5 Quintiles for year 2017 (Source: TURKSTAT, Income and Living Condition Survey)

	First %20	Second %20	Third %20	Fourth %20	Last %20	Total
<b>Percentage (%)</b>	6,3	10,7	14,8	20,9	47,4	<b>100,0</b>
<b>Average</b>	6 779	11 528	15 962	22 496	51 127	<b>21 577*</b>

\*Exchange rate of USD/TL is 3.77 at 29 December 2017

This table reflects 5 different levels of income groups according to annual equivalised disposable income of individuals. All part is named as quintiles (%20) that reflect same number of individual, percentage reflects their share among total equivalised disposable income of individuals. While first quintile as poorest group has only %6.3 of it, last quantile as richest group has %47.7 of total equivalised disposable income of individuals.

To put 50 mortgage loan borrowers to suitable quintiles, their incomes are indexed<sup>20</sup> to December 2017 statistical data. This study shows that incomes of 12 (%24) interviewees are superior then average income of last quantile that is richest one. Moreover, incomes of last 38 (%76) interviewees stand between average of fourth quantile and last quantile. Because of being declared average value of quintiles as data, it is not possible to make certain determination about %76 of incomes of interviewees stand on fourth quantile or last quantile. But it can be clearly state that there is nobody who belongs to even third quantile. They all belong to last two quintiles which have higher income levels within society in Turkey. People who belong to initial three quintiles are not eligible to access mortgage loans as a result of this study.

Although %78 of interviewees borrowed less than 150,000 TL mortgage loan from commercial banks, %50 of housing units have age more than ten and %88 of them have maturity 72 month or longer than 72 month and using date of mortgage loans across interviewees expends years between 2009 and 2019, all of interviewees belong to fourth or last quantiles.

Furthermore, level of income determines how much can be borrowed and how much can be paid monthly as an installment. At this point income level of borrowers gains significance to understand who can access those mortgage loans and who can afford them. Due to being only institutional housing finance option in Turkey, amounts of monthly installments are important and their amounts are needed to be carefully determined not to cause insolvency for borrowers that may conclude with foreclosure process. Distribution of monthly installments of 50 mortgage loan borrowers is listed below.

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<sup>20</sup> To match income of interviewees within suitable quintile, indexation is done for December 2017 by inflation calculator of Central Bank of Republic of Turkey. Inflation calculator provides measuring amount of incomes of interviewees according to 2017/12 to compare with data of Turkish Statistical Institute dated 2017. Income calculator was accessed on 30.06.2019 from <https://www.tcmb.gov.tr/wps/wcm/connect/en/tcmb+en>

Table 5.7 Distribution of Monthly Installments of Interviewees (Source: Interviews)

Monthly Installment Amount (TL)	Number of Interviewees
500-999	13
1000-1499	13
1500-1999	9
2000-2499	6
2500-	9

As can be seen from table %52 of interviewees pays monthly installment lower than 1500 TL. Only %18 of them pays more than 2500 TL as monthly payment. Amounts of installments are directly related with maturity of mortgage loan and interest rates. There can be possible to present option for maturity to borrowers by commercial banks. But interest rates are mostly depended to macroeconomic conditions and determination of their level is constituted by market dynamics. About maturity within interviewees, %68 of them prefers 120 - month maturity while only 1 of 50 interviewees prefers maturity less than 60 - month period. If maturity is less, interest rate is higher, if more interest rate is less.

On the other hand, in Turkey interest rates of mortgage loans have increasing trend since July 2018 with respect to macroeconomic conjunctures. Hence, demand for mortgage loans has decreased respectively because of decreasing rate of affordability and purchasing power. As can be seen below monthly installment amounts were calculated with respect to interest rates of different eight commercial banks for 100,000 TL mortgage loan for both 60 month and 120 - month periods in a random day of April 2019.

Table 5.8 Comparison of Interest Rates in 8 Different Commercial Banks of Mortgage Market in Turkey (Source: websites of commercial banks accession date 28.04.2019)

Banks	Maturity 60 Months		Maturity 120 Months	
	Interest Rate	Monthly Installment	Interest Rate	Monthly Installment
Bank 1	1,85	2773	1,85	2085
Bank 2	1,9	2807	1,81	2047
Bank 3	2,01	2883	1,99	2196
Bank 4	2,03	2897	1,93	2146
Bank 5	1,55	2572	1,55	1840
Bank 6	1,45	2506	1,45	1736
Bank 7	1,45	2506	1,45	1736
Bank 8	1,9	2807	1,9	2121

In Turkey fix interest rate is more common and adjustable interest rate in mortgage loans rarely seen indeed. Within the effect of fluctuating economic structure, demand side of financial market is not so brave to incur a debt apart from fix interest rates. Moreover, longer maturity is much more preferred because while maturity gets longer, amount of installment diminishes. But total pay – back amount increases and if interest rates increases those amount increases so much that discourage more people. In Bank 1 while for 60 months maturity, 166,740 TL is required to be paid back as a return of 100,000 TL mortgage loan, in 120 months maturity amount reaches 250,200 TL. Hence, increase in interest rates would exclude more people in next terms from mortgage market because of decrease in affordability.

On the other hand, as can be seen from table within increased mortgage interest rate, amounts of installments have faced with serious increase in Turkey. When there is comparison between those installment amounts and installment amounts of 50 interviewees, it can be clearly stated that number of borrowers who can access the mortgage loan would be decreased because of increase in interest rate. In table the least installment amount is extended by Bank 6 and 7 that are state – owned banks for 120 month – maturity for 100.000 TL mortgage loan. %52 of interviewees pays less than 1,500 TL monthly. Taking into consideration those high amounts of installments in next period less people can be included in mortgage system presented by commercial banks.

### 5.2.5 Share of Commercial Banks within Mortgage Market of Turkey

In Turkey, there are mainly three types of banks extending mortgage loans for individuals. They are deposit banks, development and investment banks and participation banks. Deposit banks fundamentally allocate deposit from customers and extend loans to needed ones. In addition to main aim they also serve for payments, transfers, portfolio management and many other services. Development and investment banks intensify on projects and investment of companies to provide long term loans with low margin. Lastly, participation banks serve with Islamic rules and make transactions without interest rate in financial market. Indeed, contribution of development and investment banks, participation banks are restricted in mortgage market of Turkey. Mortgage market is mainly conducted by deposit banks.

Table 5.9 Distribution of Commercial Banks that Extended Mortgage Loans (Source: Interviews)

	Number of Interviewees
State Owned Deposit Banks	28
Private Deposit Banks	22
Total	50

%56 of housing units are purchased by mortgage loans borrowed from state owned deposit banks that are only 3 of total 32 deposit banks across country. The reasons for preference of them mostly associated with presented lower interest rates compare to private deposits banks in same periods to borrowers.

State - owned banks were firstly established in Republican era of Turkey due to inefficient rate of private capital. In next periods they had faced with restructuring process in many times because of not serving their establishment aims, being incompatible with current financial system and market dynamics. State owned banks are advantageous rather than private deposit banks because of holding all deposit of public institutions. Abundance of deposits make possible to extend lower interest rate for mortgage loans in housing market. Hence, competition in housing market of Turkey

has tended to be less improved due to private deposit banks cannot compete with state owned banks. In addition to superiority on deposit side, public banks are all open to political pressure and manipulations that can also hardly damage mortgage market and well-functioning of financial system.

Table 5.10 Share of Different Types of Banks on Mortgage Market of Turkey in December 2018 (Source: GYODER, 2018 December)

Types of Banks	Number of Banks	Share on Mortgage Market (%)	Size of Mortgage Loans (million TL)
<b>Total Deposit Banks</b>	<b>32</b>	<b>93.3</b>	<b>175.557</b>
State Owned Deposit Banks	3	48.4	91.126
Domestic Private Deposit Banks	8	26.6	49.989
Foreign Deposit Banks	21	18.3	34.442
<b>Development and Investment Banks</b>	<b>13</b>	<b>0</b>	<b>1</b>
<b>Participation Banks</b>	<b>5</b>	<b>6.7</b>	<b>12.550</b>
<b>TOTAL</b>	<b>50</b>	<b>100</b>	<b>188.108</b>

Distribution of commercial banks according to their proportion from mortgage market of Turkey in 2018 is presented table above. Total mortgage loan size is 188 million TL in 2018 December and proportion of deposit banks is %93.3, participation banks has %6.7, development and investment banks have %0.01 share.

Deposit banks are main mortgage loan originator institutions in mortgage market of Turkey. Although their share in mortgage market is %93.3, the biggest share from here is %48.4 that is haven by state owned three deposit banks they are Ziraat Bank, Vakif Bank and Halk Bank. When their share is so high compared to their number in market that create extraordinary concentration. Their large deposits provided by public institutions' financial operations and their structure that can easily shape by state policies make them advantageous in housing finance market compare to other commercial banks. In such a financial conjuncture, provision of competition between

commercial banks and their improvement in mortgage market seems difficult in short run.

### **5.3 Conclusion**

In this chapter, affordability, accessibility and sustainability of mortgage loan in Turkey was examined with respect to analyzing profile of borrowers, characteristics of loans they borrowed from commercial banks and qualifications of purchased home by them via using mortgage loans within conducted case study with 50 mortgage borrowers from different districts of Metropolitan Municipality of Ankara.

Mortgage loans are generally preferred by 30 – 39 age groups in study. Mortgage loan process requires long term promise to pay back to lender institutions and to be included in working sector to acquire monthly income that decrease default risk in mortgage process. Moreover, %86 of interviewees is married that signifies being family fosters to be owner of their home to live more secure and sustainable life in constant place. Lastly wage earners in both private and public sector prefer using mortgage loan rather than retired or self – employed individuals. Public sector is associated with guaranteed work space without fear of being unemployed in Turkey with optimal wages. Hence, wage – earner in public sector are more suitable to long term paying back need for mortgage loan process. In private sector, although there is high rate of circulation, many people are under the risk of being unemployed, extended salary may be higher than public sector and more specialized employees have advantageous position to work in long time in same institution or find new job in shorter time period. Hence, their rate of preference to be borrower of mortgage loan is high.

As characteristics of mortgage loans, interviews generally prefer long term maturity, only 6 interviewees within 50 borrowed loan with maturity that is equal to 60 month or less. %88 of them preferred 72 or more months maturity for borrowing loan. Moreover, biggest percentage within interviewed group prefers to borrow lower than 150.000 TL. Only % 22 of them used mortgage loan with amount more than 149.000 TL. Interest

rate of their loans is highly changeable with respect to date and borrowed commercial banks. General tendency is preference of fix interest rate that is seen more secure in financial sector of Turkey.

Purchased housing units within mortgage loans by interviewees intensified with %76 in width between 90 to 149 m<sup>2</sup>. While width of homes is increasing, number of interviewees include in is decreases. Above 180 m<sup>2</sup> width housing units were purchased by only 4 of 50 interviewees. Housing units with 3 rooms were more common according to case study. %76 of families live in three roomed housing units although there is no correlation between number of family member and number of rooms. While interviews have families living as 1 to 5 members in housing units, among three numbered housing units there are 2 families living as 5 members or 1 interviewee living alone. Within purchased housing units by interviewees, %32 of them newly constructed and borrowers are first residents of housing units. %50 of housing units has age more than ten years. In general expertise report does valuation more for new homes, if one housing unit can be easily sellable with respect to location, structure or any other criteria even if it is old, it can also acquire enough valuation from expertise report to provide borrowing mortgage loan.

While housing loan borrowed from commercial banks are intensified on (%78) amount less than 150.000 TL among 50 interviewees, price of housing units they purchased intensified on amount less than 200.000 TL (%62). In study while price is increasing, number of interviewees included in this price range is decreasing. Amount between mortgage loan and price of housing units are paid by interviewees by different options among personal savings, additional consumer loan, family support or selling their properties. More common responses are paying with personal savings and using additional mortgage loan.

Income as a major component of being mortgage demander by borrowers is paved special attention. In study there is correlation between regular income range and demanded loan amount or amount of monthly installment. Interviewees who have



earned less, has preferred less amount for both mortgage loan and monthly installment that is clear reflection of solvency. According to distribution of annual equivalized individual disposable income by five quintiles for 2017 by indexing all incomes of 50 interviewees to 2017/12 term, %24 of interviewees are belongs to last quintiles with having more income than average of last quintile and last %76 of them stand between average value of fourth and last quintiles. TURKSTAT's data are explained as an average so that there is not possible to separate %76 as belong to fourth or fifth quintile. On the other hand, according to result of study there is no interviewee belonged to even third quintiles. People who belong to initial three quintiles have no access the mortgage system of commercial banks in Turkey.

On the other hand, %52 of interviewees pay less than 1.500 TL monthly installment according to study. In 2018 there has started to serious increase in interest rates. In April 2019 least installment amount is 1.736 TL for 120 - month maturity in 100.000 TL mortgage loan according to table constituted by eight different commercial banks' websites. It clearly signifies that number of people who benefits from mortgage loan to be homeowner would decrease sharply in next years.

In study, it is seen that %56 of interviewees purchased their housing units with loans extended from state owned deposit banks that are only 3 among 32 deposit banks and 50 total commercial banks within financial market of Turkey. The reason is ability to present lower interest rate for mortgage loans as understood from responses of interviewees. Parallel to interviews, market proportion of those three banks was %48.4 according to December 2018. State owned banks have access to allocate more deposit because of holding public institutions on their portfolio. Moreover, due to being state – owned bank, they are open to influence on political and economic pressure of state. Hence, it is difficult to say that other banks can easily compete with that discourage improvement of commercial banks for mortgage finance within short run in Turkey.

## **CHAPTER 6**

### **CONCLUSION AND POLICY PROPOSAL**

This thesis aims to analyze housing finance system of Turkey after 2000 with respect to extended mortgage loans for individuals by commercial banks. Indeed, in 2000s macroeconomic conditions has been favorable more than any other periods of Turkey with respect to lessening level of inflation rate and increasing amount of capital flow to facilitate new investments.

In such an atmosphere, state has direct intervention to housing sector with Housing Development Administration via proclaiming construction sector, specifically housing sector, as a locomotive of development strategy. To give rise the housing sector, HDA has been empowered to great variety of task since 2003 from holding public lands its hand to directly involving in as a constructor without any control mechanism. Parallel to rise of housing sector by great support of state, housing finance has also improved much and faced with transformation to reach speed of housing sector within 2000s.

Starting from 2005 with sharp decrease of inflation rate, mortgage loans has included in incremental trend by decrease in interest rates in financial market. Furthermore, in 2007 Turkey tried to be adapted to secondary mortgage market with the Mortgage Law numbered 5582 that requires long process and high rate of institutional developments as understood from invaluable experiences of developed countries. Although since 2007 there has been some attempt to establish such a structure in mortgage market, there has not been any notable practice about secondary mortgage market yet. On the other hand, mortgage law has encouraged some improvements about having more institutional, secure and responsive housing finance system in primary market that have given rise to demand for residential mortgage and loan extension capacity of commercial banks relatively within suitable macroeconomic conditions. In such a circumstance

approaches of state to housing finance is needed to clarify to examine mortgage loan performance in demand side of the housing market.

Turkey as a latecomer country to industrialization process has faced with rapid urbanization and population growth aftermath of World War II that requires efficient solutions for housing problem with respect to both quantity and quality. To acquire such capacity comprehensive housing finance system is vital for Turkey. However, there have been different approaches of state to housing across different periods under the influence of political ideology and economic concern. It is apparent that none of those approaches have been sufficient for provision of developed housing finance system and tackle with housing problems.

Before 1980 state had stand under the pressure of speedy and abundant housing production to meet needs of newly urbanized working class. Being lack of enough funds that remain from industrial investments, squatter areas had bumped up in city centers as enforced solutions to individuals by silence of state. While squatters were solutions within this term, they would turn into problems that state has devoted many efforts to get rid of by lots of regulations in next periods.

By 1980 within neoliberal turn across the world, approaches to housing had completely change. This term focus from use value has shifted exchange value with the commodification of housing in economy. Respectively importance of construction and specifically housing sectors increased immensely. That is reflection of focus of neoliberalism to urban land for exercising power within creation of capital accumulation. Moreover, secondary mortgage developments have become common within developed countries to ensure economic growth.

Integration of different countries to such global context to give rise to capital accumulation has mainly shaped by their unique economic, political, cultural and regulatory conditions. In Turkey, adaptation process has managed by Housing Development Administration as an institutional body of government in housing sector.

Its intervention to housing sector has certain influence on mortgage market and financial sector. Intervention of state to housing sector by HDA has become limited in first period of HDA. There was intensive process for setting institutional body to handle with housing sector. Because of macroeconomic conditions, although in short term with supporting cooperatives there was rise in housing sector, but it could not be influential long run before 2000s.

On the other hand, after 2001 crises Turkey witnessed recovery in inflation and ingoing Justice and Development Party had tended to focus on construction sector in Turkey as development strategy. Inevitably, housing construction became main part of this focus via being background for exercising power of Housing Development Administration that was re - developed within numerous laws to provide incredible power and authority for will of state. Moreover, commercial banks have also gained power in housing sector due to recovery in economy, decrease in interest rates. 2005 was year of decrease in inflation of Turkey after crises. Then, in mortgage market interest rate decreased and maturity of loans was increased that fostered extension of mortgage loans to borrowers in mortgage market. After that, 2007 is year of enactment of Mortgage Law in Turkey with the aim of integrating in secondary mortgage market to expand proportion of housing sector and economic growth relatively. While providing those processes, there would be linkage to international finance and mortgage markets to be integrated with global value set of neoliberal ideology.

Mortgage Law enacted in 2007 failed in developing secondary mortgage market in Turkey and there has not been any development yet. Due to being lack of rooted institutional developments and macroeconomic instability secondary mortgage market attempt has not been acquired yet. Moreover, state has needed domestic borrowing with high return as an attractive investments compare to invest in mortgage market (Erol, 2011).

Even though Mortgage Law enacted in 2007 was not effective as promised to set secondary mortgage market to Turkey, there were many improvements in primary

mortgage market with respect to being demand stimulating and secure way for borrowing and lending of mortgage loans in financial market. That can be understood as an effort for systematic and institutional housing finance system in Turkey. In next years of law, housing sales, proportion of mortgage sales in it, mortgage loans extended by commercial banks has increased in harmony with decreasing rate of interest rates in mortgage sector. Moreover, proportion of mortgage loans within GDP has reached 6 in 2013 while it was 0.1 in 2002 that shows improvement in mortgage market of Turkey (TURSTAT, 2017). But increase in proportion of mortgage loans/GDP is so moderate compared to 48.1 of European Countries, 62.9 of US and 69.3 of Norway (ACRA, 2015).

On the other hand, while there are such positive improvements in housing sector of Turkey, housing ownership rate has not been increased, on the contrary it has decreased regularly in last years. Owner occupation model is dominant tenure type in Turkey because of being lack of social housing developments or effective state control on rental home prices like seen in the many developed countries. Moreover, middle age group as main demanders of housing units have been expanding in Turkey according to population projection. Hence, while demand for housing high and there are increase in amount of sales, decreasing of homeownership rate is inconsistent that can be important signal of unequal distribution of resources within society. Compare to them, it is obvious that housing units are purchased with aim of investment rather than reside in it. While someone cannot enough funds to buy home to reside in, some others purchase their additional homes to benefit from exchange value via giving as a rental home or selling to obtain profit. Hence, gap in prices of housing units and polarization of different income – groups have been increasing day by day.

Furthermore, in 2018 Turkey faced with sharp increase in interest rates. Hence, proportion of mortgage sales in total sales and relatively borrowed mortgage loans decreased under such a negative macroeconomic structure. From there, despite of the fact that there was progression in housing finance system within 2000s in Turkey, it is

still so vulnerable and has difficulty to stand in front of rapid changes in macro economy that shows housing finance system is far from being strong and institutional to present sustainable solutions to housing demands of society in Turkey.

In thesis to understand demand side of market from sample 50 mortgage loan borrowers from Ankara Metropolitan Municipality borders were interviewed by face to face and telephone meetings. Their profiles as mortgage loan borrowers, qualification of their mortgage loans and purchased housing units with those loans are categorized.

This study shows that there is correlation between income range of individuals and loan amount or monthly installment of borrowed mortgage loan. Earning less monthly income interviewees borrows less amount of mortgage loan because of income has directly relation with rate of solvency.

Moreover, regular income is the main determinant of stimulation of demand in mortgage market. Mortgage loan is expensive product and it is needed long term promise to pay back to lender institutions. According to indexation within distribution of annual equivalized individual disposable income by five quintiles for 2017 data of TURKSTAT and result of 50 interviewees, %24 of interviewees clearly belong to last quintiles because of having more income from average of last quintiles that is richest one. Last % 76 of them stand between average income of last quintile and fourth quintile. Due to data of TURKSTAT are explained as average basis, their certain place between fourth or fifth quintiles as highest income groups could not be understood. On the other hand, it is quite clear that they are not belong to even third quintile. There is no one among interviewees belongs to initial three quintiles covering low income groups. Hence, it is obvious that mortgage loan is not affordable or accessible for low – income groups to acquire home ownership statue.

On the other hand, there is shrunk in economy that fosters increase in interest rate in 2018. According table constituted by eight different commercial banks' websites that shows their installment amounts for 100.000 mortgage loan borrowing in April 2019,

among them least installment amount is 1.736 TL for 120 - month maturity. %52 of interviewees pay less than 1.500 TL monthly installment according to study. Hence, it is obvious that number of people who benefits from mortgage loan to be homeowner would decrease sharply in next years.

In study, majority of interviewees are borrowed mortgage loans from state – owned deposit banks. In Turkey, there are three state - owned banks among 32 deposits and total 50 commercial banks indeed. They can collect more deposit due to having public institutions on their portfolios, then they able to present lower interest rate for mortgage loan in market rather than other banks. Moreover, they are under the dominance of state and more open to any political or economic pressure for presenting more flexible options for mortgage loan borrowers within market. Parallel to outcome of interviews according to data of December 2018 about mortgage market of Turkey supplied by GYODER, share of those 3 state-owned deposit banks above total banks is %48.4. While they are small in numbers, they are enormous in share of mortgage market which damage competition and equilibrium of mortgage market in Turkey.

As a conclusion to analysis of both housing and mortgage market of Turkey, it is possible to state that Turkey is lack of housing finance system that is accessible, affordable and sustainable. While proportion of housing constructions, sales and mortgage loans has increased till last years, homeownership in country has not increased, on the contrary decreased that is clear reflection of while low – income people of society cannot be included in housing purchase process via with cash or mortgage loans, high – income people can purchase their additional second or more housing units to invest. Moreover, initial three quintiles as representors of society according to Distribution of Annual Equivalized Individual Disposable Income of 2017 data do not have access to mortgage system because of not having enough monthly income to afford housing finance provision of commercial banks. In such an atmosphere, state intervention to construction sector to give rise to housing construction for provision of economic growth after 2000 finalize transmission of resources in

housing finance to high income groups to buy housing units for investment rather than low - income groups who cannot afford to reside in. While HDA has been withdrawn from housing finance, it has served all lands and public resources for construction sector with its great power and authority. In this process while high – income groups and proponent construction firms which has chance to work with Justice and Development Party, have organic relations within government have taken biggest share of state – led funds and resources from housing market, low – income groups has expanded day by day due to unable to be included in mentioned sharing process and being excluded from system.

Furthermore, focus on ownership occupation tenure in Turkey within this term and not presenting any consistent alternative for low – income people has made problem deeper because of causing being poorer for people who cannot afford. On the other hand, high income groups have expanded their proportion. Consequently, intervention of state in housing market cause uneven distribution of resources between different income groups and enhance polarization. In this atmosphere it is obvious that without consistent and comprehensive state policy in housing, market mechanism and commercial banks could not contribute to low – income groups’ affordability and accessibility in housing market.

With the aim of contribute to development of housing finance system of Turkey, in following part of conclusion, policy proposal is presented via debating role of state, commercial banks and concerning about probable improvements for both housing sector and mortgage market to reach more comprehensive housing finance system under the comparison with invaluable developed country experiences.

Role of state in housing finance system is vital. Although its role changes under influence of shift in paradigms like being protectionist as a welfare state or being mediator under neoliberal ideology, history of housing finance shows that influence of state above it and state’s power to shape housing market has never been lost. As Diamond and Lea state (1992) “Housing finance traditionally has been an area of



intervention by governments.” Period after 2001 crisis Turkey has focused to construction sector as a locomotive sector of economy with the coming power of Justice and Development Party. Housing Development Administration was transformed with many laws as a being hand of state on construction sector, specifically housing sector with extraordinary power and wide range of authority from being directly constructor to extending mortgage loan to both borrowers and construction firms. While being included in housing sector within HDA state has not paved attention to housing needs of low – income groups. Although there are some projects conducted by HDA under the title of social housing for low – income people, its activities about the case is highly debatable because of not transparent enough and applications of social housing are not compatible with the European experiences. Presented social housing units are criticized to be so narrow and their widths are being narrower while income level of people decreases. While poor groups can benefit from 45 – 65 m<sup>2</sup> housing units, widths of housing units for low – income people are 65 – 87 m<sup>2</sup> (TOKİ, 2016). There is not any information about number of family members of them, it is apparent that social housing is perceived as four walls for needed income groups, on the other hand revenue sharing projects reflects high rate of option for customers with respect to location, facilities, widths or any other qualifications. As can be understood both sustaining powerful housing finance system and economic growth via exercising on housing sector requires strong equilibrium in housing market from state side. While transmitting all resources to supply side of housing sector, there cannot be waited increase in demand and fulfillment of urgent needs of low – income people. There should be developments to stimulate demand like extending subsidies, tax reliefs for low – income individuals like seen in developed country examples. Their inclusion in market is not generally direct moreover if there is matter in demand side, effective policies are needed to conducted for clarification of future of market that is more sustainable contribution to economic development rather than concentrating all power and resources to supply side and leave demand in free market rules.

Addition to ownership occupation tenure other tenure types can be developed within control of state. As can be seen from analyzed developed countries in chapter 3, there are many alternatives for owner – occupation tenure system such as social housing, social rental housing among developed countries. Across Western Europe owner – occupation tenure has mainly fostered by conservative, right wing parties, while left wing parties have mostly insisted on separating resources for social housing (Türel, 1996).

There are many types of housing tenures as an alternative to better match with demands of individuals and lending institutions. In Turkey, individuals have been always alone to solve their housing problems and people who cannot afford cost of being homeowner are easily excluded by housing finance system. Till 1980s resources have been restricted due to being separated for industrialization rather than housing. So, squatters have expanded across metropolitan areas as individual solutions of migrant working class. After 1980, although there have been claims about supporting low – income groups by Housing Development Administration, it is obvious that because of focusing on too much supply side of housing, these needed groups have been glossed over by decision makers and presented solutions stand limited and inefficient to respond their housing needs. Hence, insisting on owner – occupation tenure has continued regardless of improving any notable policy related to social housing or social rental housing like seen in European countries. State should improve policies like developed countries to fulfill needs of low – income groups for both including them system and sustained reproduction of labor force for capitalism. As can be seen in other countries there are huge set of housing policies to present remedy within society. Additionally, over the last years economy has been miserable and dilemma between different income groups has increasing sharply. To relive clash in society, such policy improvements are not only necessary but also inevitable for Turkey.

As mentioned in thesis, share of state – owned deposit banks are %48.4 in mortgage market. Taking into consideration their advantageous to allocate wide range of deposits

with contribution of public institutions and their dependency to pressure or manipulation of state, it is possible to assert that they prevent competition in mortgage market, mortgage loans extended by commercial banks become fragile and lack of presenting proper solutions to needed groups. Rather than, mortgage loans stand as ineffective instruments in financial sector mainly accessed by middle of high - income groups who do not need special incentive to be part of housing finance system. Hence, state should not be included in private sector sphere of housing finance institution. It rather should regulate them via subsidies, tax reliefs that is indirect influence for borrowers.

In Turkey, specialized financial institutions are needed to acquire comprehensive housing finance system like building societies in UK and saving and loan associations in US that are well known specialist finance institutions only serving for extension of mortgage loan to individuals who want to purchase housing unit. Indeed, commercial banks are only institutions to extend mortgage loan in housing market of Turkey in private sphere. But they are far from being specialist institutions about mortgage loan due to not only serve for mortgage finance but also serve for finance of corporate sector, extending other consumer loans, credit cards, investment consultancy, insurance transactions, portfolio management any many other services. From such a great variety of service, their product to present borrowers as a mortgage finance become restricted inevitably. Extension of loan is one of their services. In 2018 only 7.7%, is constituted from mortgage loans in cash loan portfolio of commercial banks which covers of SME loans, commercial loans, corporate loans, consumer loans (BBDK, 2018).

Moreover, because of unable to set secondary market structure yet, Turkey has deposit-based system. Having more variable range of services requires use of deposits within high rate of distribution among them. Deposits reserved for mortgage finance can be restricted because of such a multi - tasking structure that shows difficulty of improvement of mortgage finance extended by commercial banks.

Furthermore, mortgage market in Turkey is so vulnerable as can be understood from sharp increase in mortgage interest rate in second half of 2018, there has been sharp decrease in mortgage sales. To maintain sustainability of mortgage – based finance, mortgage institutions should be preserved by state in front of rapid change of macro economy via setting insurance and control mechanisms for those mortgage institutions. While insurance mechanism provides minimum loss in unexpected change, control mechanism contributes to periodical feedback by facilitating pro – active solutions for finance process.

Duties of HDA should be separated among independent institutions. Involving in supply side of housing as a public institution with mentality of private firm has not been efficient to solve housing finance problems of Turkey till today. In 2008 public land under the state provision and protection is 315,000 km<sup>2</sup> %23 of which is transferred to HDA that means %23 of public land has been privatized by HDA (Şiriner Önver, 2018). HDA has worked with firms which are proponents of Justice and Development Party. Investments and funds have been shared among those firms unequally. %42 of 32 billion TL investments of Housing Development Administration were carried out by 30 construction companies (Sönmez, 2011). Although some of those firms are experienced and included in many important construction projects before JDP government, it is obvious that many new firms which are promoted and enriched by support of JDP. Hence, HDA is needed to be monitored and controlled as a public institution. Due to damaging housing sector via causing uneven distribution of resources within society, authority of HDA in land acquisition should be restricted because of having many lost in public lands while there is not development of public interest. HDA conducts its duties as spending public resources inefficiently without produce any value for public. In addition to public land issue, HDA needs to contract out construction to companies fairly to provide efficient and effective use of funds in housing sector and related with mortgage market. Firms that are more secure, having positive experience in construction sector, having enough capital should be fostered to become entitle to obtain signature contracts about construction developments.

Prices of housing units are required to be controlled by state to arrange housing market. While housing developments and mortgage loans have increased in Turkey, price of housing units has also increased respectively. Interviews conducted by housing loan borrowers show that %78 of 50 interviewees borrowed mortgage loan less than 150.000 TL and price of housing units purchased by them intensified amounts less than 200.000 TL with %62 share of 50 interviewees. As price of housing units and amount of mortgage loan increase, number of interviewees standing this interval decreases as one of the outcomes of study. Hence state needs to control prices in market to prevent loss of demanders and include low – income groups within system. To control prices, land supply and price control mechanisms should be conducted together to reach a sustainable outcome. HDA may use its land supply capacity with controlling price mechanism within market. The only problem of poor and low – income people in Turkey is not being lack of affordable housing loan in housing market, other important problem is being lack of production of cheap housing, to solve problem general focus is gathered on prices of mortgage loans rather than increasing prices of housing units, in housing market of Turkey production of housing are generally addressed high income groups (Karayalçın, 2010).

Turkey has housing finance system that excludes low income groups by the insistence of state on supporting supply side of housing sector to give rise economy. It is obvious that such approaches trigger uneven distribution of resources among society that finalize with polarization and clash. Hence, short term gains attained from construction sector may create irreversible problems for future of Turkey. State needs to improve consistent and balanced policies to maintain sustainable, affordable and accessible housing finance system in Turkey.

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## APPENDICES

### A: APPLIED ETHICS RESEARCH CENTER EVALUATION RESULT

<p>UYGULAMALI ETİK ARAŞTIRMA MERKEZİ APPLIED ETHICS RESEARCH CENTER</p> <p>DİMELEBİHNAR BULVARI ÜZERİNDEN ÇANKAYA ANKARA/TÜRKİYE T: +90 312 210 22 91 F: +90 312 210 78 50 www.ortadogu.edu.tr www.ortadogu.edu.tr</p>	<p> ORTA DOĞU TEKNİK ÜNİVERSİTESİ MIDDLE EAST TECHNICAL UNIVERSITY</p>
Sayı: 28620816 / 68	20 Şubat 2019
Konu: Değerlendirme Sonucu	
Gönderen: ODTÜ İnsan Araştırmaları Etik Kurulu (İAEK)	
İlgili: İnsan Araştırmaları Etik Kurulu Başvurusu	
Sayın Prof.Dr. Melih ERSOY	
Danışmanlığını yaptığınız Serçin YÜCE'nin "Ankara Büyükşehir Belediyesi sınırları içerisinde konut kredisi kullanan tüketicilerin analizi" başlıklı araştırması İnsan Araştırmaları Etik Kurulu tarafından uygun görülmüş ve 059-ODTÜ-2019 protokol numarası ile onaylanmıştır.	
Saygılarımızla bilgilerinizi sunarız.	
 Prof. Dr. Ayhan SOL Üye	 Prof. Dr. Tahir GENÇÖZ Başkan
 Prof. Dr. Yaşar KONDAKÇI (4.) Üye	 Prof. Dr. Ayhan Gürbüz DEMİR Üye
 Doç. Dr. Pınar KAYGAN Üye	 Doç. Dr. Emre SELÇUK Üye
	 Dr. Öğr. Üyesi Ali Emre TURGUT Üye

## **B: INTERVIEW QUESTIONS FOR MORTGAGE LOAN BORROWERS**

### **Krediye İlişkin Sorular**

1-Kredi Tutarı

2-Kullandırım Yılı

3-Vadesi

4-Faiz Oranı

5-Aylık Taksit Tutarı

### **Kredi Kullanan Kişiyeye Sorular**

6-Kişinin Yaşı

7-Çalışma Şekli (kamu, özel sektör, serbest meslek, emekli, diğer)

8-Meslek

9-Aylık geliri

10-Aylık hane halkı geliri

11-Hane halkı kişi sayısı

### **Krediye Konu Gayrimenkule ilişkin Sorular**

12-Konutun Yaşı

13-Cinsi

14-Fiyatı

15-Konutun fiyatı ile çekilen kredi tutarı arasındaki farkın nasıl finanse edildiği

16-Konutun genişliği (m<sup>2</sup>)

17 – Oda sayısı

18-Bulunduğu yer



## **Genel Sorular**

- 19-Konut kredisinin kullanım amacı
- 20-Satın alınan konutun beklentiyi karşılayıp karşılamadığı
- 21-Kredi kullandırımı sonrası alınan konutun kişinin sahip olduğu kaçınıcı konut olduğu
- 22-Satın alınan konutun nasıl seçildiği
- 23-Satın alınacak konutta hangi kriterlerin arandığı
- 24-Satın alınan konutun muhitiinin neden tercih edildiği
- 25-Konut kredisi için seçilen bankanın neden tercih edildiği
- 26-Faiz oranları ile ilgili araştırma yapıp yapılmadığı
- 27-Konut kredisi vadesi boyunca ödeme vb. herhangi bir sıkıntı yaşanıp yaşanmadığı,
- 28-Konut kredisi için bankanın kefil isteyip istemediği, eş geliri vb. diğer gelir hakkında belge isteyip istemediği
- 29-Kişinin neden konut aldığı, çevre baskısından etkilenip etkilenmediği
- 30-Genel konut yatırımı eğiliminden etkilenip etkilenmediği
- 31-Ailede herkesin konut satın alma fikrinde mutabık olup olmadığı
- 32-Konut alındıktan sonra tüketimlerinin azalıp azalmadığı, nasıl bir kısıtlamaya gidildiği
- 33-Konut piyasası ve kriz hakkında ne düşündükleri
- 34-Ev alındığı dönemde fiyatın artmasını beklenilip beklenmediği
- 35-Evin alındığı dönemdeki fiyatı ve şundaki fiyatının ne olduğu
- 36- Konut satın almak dışında başka bir yöntemle yatırım yapma sansı olsaydı yine de konut satın alınır mıydınız

## C: TURKISH SUMMARY/ TÜRKÇE ÖZET

Bu tez, 2000’lerde Türkiye’de ticari bankalar tarafından sağlanan ipotekli konut kredilerini neoliberalizmin etkisi altındaki konut politikası ve konut sektöründeki gelişmelere bağlı olarak incelemekte ve bu bağlamda Türkiye’de konut finansmanını analiz etmeyi amaçlamaktadır. Nitekim, 2000’li yıllarda enflasyon oranındaki düşüş, dolaşımdaki sermaye miktarındaki artış gibi olumlu makro ekonomik koşullar altında yeni yatırımların yapılması kolaylaşmış, konut sektörü de bu durumdan fazlasıyla etkilenmiştir.

Bu dönem devlet konut sektörüne Toplu Konut İdaresi üzerinden doğrudan müdahale etmektedir. İnşaat sektörü daha özelde ise konut sektörü iktidara gelen Adalet ve Kalkınma Partisi tarafından ekonominin lokomotif sektörü olarak ilan edilmiştir. Kentsel dönüşüm projelerinin gerçekleştirilmesi, yapılı çevre üretiminin hız ve hacim kazanması vurgusu ile Toplu Konut İdaresi devletin inşaat sektöründeki temsilcisi olarak olağanüstü bir değişim sürecine girmiştir. Birbiri ardına hızla yürürlüğe giren yasalarla idare kamu arazilerinin kullanılması üzerinde yetkili olmaktan, konut sektöründe hizmet veren şirketler kurmaya, finans kurumlarına ortak olmaya, kar amaçlı projeler gerçekleştirmeye kadar oldukça geniş yetkilerle donatılmıştır. Söz konusu yetkiler TOKİ’yi fon ihtiyacı olanlara konut finansmanı desteği sağlamakla yükümlü bir devlet kurumu olmaktan konut sektöründe yapılı çevre üreten, hasılat yaratan, pay bölüştüren, sektöre yön veren olağanüstü yetkili bir şirkete dönüştürmüştür. Bu süreçle birlikte 2003 yılında Acil Eylem Planı kapsamında konut seferberliği ilan edilmesiyle birlikte de Türkiye’de inşaat sektörünün en temel parçası olan konut inşaatları hız kazanmış ve ülkenin pek çok yerinde birbiri ardına konut projeleri faaliyete geçirilmiştir.

Dolayısı ile TOKİ neoliberal devletin konut sektöründeki yansıması olarak konut üretimi alanında yoğunlaşmaya başlamış ve konut finansmanını sosyal konut kapsamında dar gelirli vatandaşlara sağladığı oldukça kapalı, sınırlı ve tartışmalı

uygulamaları dışında büyük ölçüde terk etmiştir. Bu noktada Türkiye’de ipotekli konut finansmanı sağlanması hususunda ticari bankalar etkili olmaya başlamıştır.

Konut finansmanı geçmişte daha çok Emlak Bankası, TOKİ gibi devlet kurumları ile ya da Sosyal Güvenlik Kurumları tarafından sağlanmaya çalışılmıştır. Devlet kurumları Türkiye Cumhuriyeti’nin kuruluşundan bu yana hiçbir dönemde fon yetersizliği ya da kaynakların daha çok endüstriye ayrılması gibi sebeplerle sürdürülebilir ve düşük gelir gruplarını da kapsayacak şekilde konut finansmanı sağlayamamıştır. Diğer taraftan Sosyal Güvenlik Kurumları da sadece kendi üyelerine finansman sağladıkları, bütçeleri ve kapsamı oldukça sınırlı olduğu için Türkiye’de konut finansmanı alanında yeterince etkili olamamışlardır. Konut finansmanı daha çok kurumsal olmayan aile, eş, dost çevreden alınan desteklerle sağlanmaya çalışılmış, bu durum da kentlerde üretilen yapıyı çevrenin niteliğini olumsuz etkilemiştir.

Türkiye geliştirmekte olan bir ülke olarak endüstrileşme sürecine geç dahil olmuştur. 2. Dünya Savaşı sonrası süreçte hızlı bir kentleşme ve nüfus artışı Türkiye’de ciddi bir konut sorununu gündeme getirmiş ve kamu otoritelerini hem nitelik hem nicelik bakımından etkili çözümler sunmaya sevk etmiştir. Konut sorununun üstesinden gelebilmek için gelişmiş bir konut finansman sistemine ihtiyaç duyan Türkiye’de politik, ekonomik ve sosyal koşullara göre farklı dönemlerde konut sorunu için farklı çözümler üretilmeye çalışılmıştır.

Fakat, bugüne kadar üretilen çözümlerin veya konut sorununa karşı geliştirilen yaklaşımların hiçbirinin Türkiye’de kapsamlı bir konut politikası üretilmesi ve konut sorunu ile başa çıkılması mümkün olmamıştır. 1980 öncesi dönemde kaynakların daha çok endüstrileşme için kullanılması ve konut üretimi için yeterli kaynak bulunmaması ülkede yaşanan hızlı kentleşmenin gelişi güzel yerleşim bölgeleri yaratması ve toplumun düşük gelirli kesiminin herhangi bir konut finansmanı sisteminden yararlanamama ve yeterli finansal kaynağa sahip olmama neticesinde kendi çözümünü kendisinin bulmasına mecbur edilmiştir. Sonuç olarak da gecekondü bölgeleri geniş alanlara yayılmıştır. Söz konusu süreci engelleyemeyen ve düşük gelir grupları için

yeterli kaynak sağlayamayan devlet, ilerleyen dönemlerde ise kontrolsüz ve engellenemez bir şekilde geniş çeperlere yayılan söz konusu gecekondü bölgelerinin temizlenebilmesi için ciddi çaba içerisinde girmek ve sık sık yasalarda söz konusu olumsuzlukla baş etmek yoluna girmiştir.

80'lerde ise tüm dünyada kendisini gösteren neoliberal ideolojinin etkisi ile konut konusuna yaklaşım da önceki döneme nazaran geniş çaplı bir değişim sürecine girmiştir. Bu dönemde değişim değerin kullanım değerin önüne geçtiği, konutun temel bir ihtiyaç olmasının yanı sıra ticari bir metaya dönüşümüne tanık olunmuştur. Hali hazırda oturacak konuta sahip olan bireyler kar elde edebilmek, yatırım yapabilmek için konut almaya başlamışlardır. Ekonomik gücü yetersiz kişiler temel ihtiyaç olarak konuta ulaşamazken, hali hazırda konutu olan kişilerin yatırım amaçlı gayrimenkul sektörüne yönelmesi neoliberalizmin kent mekanı ve inşaat sektörü üzerindeki vurgusunun konut konusundaki önemli bir yansımasıdır.

Ayrıca 1980'lerde dünyanın gelişmiş ekonomilerinde ikincil mortgage piyasası inşaları ciddi ölçüde artış göstermiştir. İnşaat üzerinden sağlanan ekonomik gelişme için finans sektörü de devreye sokularak hasılatın daha yüksek olması sağlanmıştır. Finans sektörünün devreye girmesi ulusal sınırlar içerisinde gelişen sermayenin uluslararası sermaye ile birleşmesini ve kapital sermayenin global bir temelde gelişme göstermesini mümkün hale getirmiştir. Bu ortamda ticari bankalar 1990'lı yılların başından bu yana konut finansmanı alanında görünür olmaya başlamış Bankalar Kanunu'nun müsaade ettiği ölçüde konut kredisi sağlamıştır. Ancak bu dönemde daha çok makroekonomik olumsuzluklar sebebiyle ticari bankalar tarafından verilen bu krediler yüksek faizli ve kısa vadeli olmuştur. Dahası dövizde endeksli krediler de verilmiş ve kur riskinden kaynaklı olarak geri ödenmelerde sorun yaşanmıştır. 2000'li yıllara gelindiğinde ise enflasyon oranındaki düşüş konut kredilerinin daha cazip koşullarla sunulabilmesi imkanını tanımıştır. Ayrıca 2007 yılında yürürlüğe giren 5582 no.lu Mortgage Yasası da ticari bankalar tarafından sunulan ipotekli konut kredilerini mevcut kurumsal konut finansmanı aracı olarak öne çıkarmıştır. Bu kanunun asıl amacı ikincil mortgage

piyasasının oluşturulması suretiyle ipotekli konut kredilerinin menkul kıymetleştirilmesi ve ulusal sınırlar içerisindeki sermayesinin uluslararası sermaye ile bir bütün olmasıdır. Ancak yasaya rağmen başta Amerika ve Avrupa’da oldukça gelişmiş olan ikincil mortgage piyasasının Türkiye’de hayata geçirilmesi bu dönem ve devamında mümkün olmamıştır. Bunun sebebi olarak da Türkiye ekonomisinin istikrardan uzak olması, makro ekonomik koşulların yeterince elverişli olmaması ve böylesi yeni bir deneyimi hayata geçirmek için gerekli olan kurumsal yapının oldukça zayıf olması öne sürülebilmektedir.

Her ne kadar ikincil mortgage piyasası Türkiye’de tam anlamı ile hayata geçirilemese de yasa ipotekli konut kredisi sağlayıcısı ticari bankalar ve talep eden bireyler açısından belirli faydalar sağlamıştır. Yasa ile birlikte ticari bankalar tarafından sağlanan ipotekli konut kredisi finansmanı daha sistematik, güvenli ve yaygın hale gelmiştir. Bu noktada 2000’lerde yükselişe geçen konut sektörüne paralel olarak ticari bankalardan konut finansmanı için talep edilen ipotekli konut kredileri oranında artış yaşanmıştır. Bu dönemde ticari bankalarca sağlanan kredi vadelerinin daha uzun dönemlere yayılabilmesi, kredi faizlerinin daha cazip oranlara tekabül etmesi ve yasa ile konut finansmanın daha güvenli ve kapsamlı bir temele yerleşmesi şüphesiz ki bu artışta etkili olmuştur. Konut arzındaki bu artışın ekonomide anlam kazanması için talebinde paralel şekilde gelişmesi önem arz etmiştir. Konutun pahalı bir mal olması ve hane halkı gelirinin önemli bir bölümüne karşılık gelmesi sebebiyle daha çok bireyin konut talep edebilmesi için şüphesiz ki elverişli bir konut finansman sisteminin fon arz eden bireylerin hizmetine sunulması gerekmektedir. Türkiye’deki olumsuz ekonomik koşullar faizlerin yüksek seyretmesi özel sektörün konut finansmanı alanında uygun oranlarda kredi verebilmesini 2000’li yıllara kadar ötelemiştir.

Bu tezde devletin ekonomik gelişmeyi sağlamak için konut sektörüne müdahale etmesinin, bu alandaki devlet desteğinin yüksek gelir gruplarına transfer olmasına neden olduğu, büyük miktarda kamu kaynağının konut sektörüne aktarılmış olmasına rağmen toplumun alt gelir gruplarının bu kaynaklardan yararlanamadığı, 2000’lerde

konut sektöründe ve ipotek piyasasında yaşanan iyileşmenin yüksek gelir gruplarının yatırım yapmak, kira geliri elde etmek için fazladan konut almasını sağladığı ancak düşük gelir gruplarının ise sisteme dahil olamadığı ve ikamet etmek için bile konut satın alamadığı savunulmaktadır.

Ayrıca tezde 2000'lerde Türkiye'de konut finansmanı sisteminde ne gibi kurumsal değişimler yaşandığı, konut finansmanı alanında tek yetkili devlet kurumu olan TOKİ'nin bu dönemde nasıl bir rolle faaliyet gösterdiği, ticari bankalarca sağlanan ipotekli konut kredilerinin konut finansmanı içerisindeki yeri ve ticari bankalar tarafından sağlanan bu kredilerle düşük gelir gruplarının konut sahibi olma isteklerinin ne ölçüde karşılanabildiği hususlarına cevap aranmıştır.

Söz konusu sonuçlara ulaşmak için tezde nicel yöntem kullanılmıştır. Tezin 4. bölümünde Türkiye'de 2000'lerde canlanma yaşayan konut piyasası ve ipotekli konut finansman sistemi Türkiye İstatistik Kurumu, Türkiye Bankalar Birliği, Merkez Bankası ve Bankacılık Düzenleme ve Denetleme Kurulu gibi resmi kurumlardan elde edilen istatistiki veriler ışığında incelenmiştir. 5. bölümde ise Türkiye'de konut finansman sisteminin talep kısmının incelenmesi amacıyla örneklem seçilerek Ankara Büyükşehir Belediyesi sınırları içerisinde 50 ipotekli konut kredisi kullanıcısı ile yapılan derinlemesine mülakatlarla ticari bankalarca verilen ipotekli konut kredilerini kullanan bu bireylerin profillerinin, kullandıkları kredilerin ve kullandıkları krediler karşılığında satın aldıkları evlerin nicel yöntem kullanılarak analiz edilmesi amaçlanmıştır. Derinlemesine görüşme gerçekleştirilen 50 kişide;

- Bu kişilerin 2007 yılında yürürlüğe giren 5582 no.lu Mortgage Yasası'nı izleyen dönemde ticari bankalardan ipotekli konut kredisi kullanması,
- Ankara Büyükşehir Belediyesi sınırları içerisinde ikamet etmelerine ek olarak satın aldıkları konutların da aynı sınırlar içerisinde bulunması,
- Güncel durumda bu kişilerin hala kredi konut kredisi taksiti ödemeye devam ediyor olması

şartları aranmıştır.

Ayrıca tezin 3. bölümünde ABD, İngiltere, Danimarka ve Fransa'ya ait konut finansman sistemleri detaylıca ele alınarak Türkiye'nin konut finansmanı sürecinin bu ülkelerde yaşanan süreçle kıyaslanması amaçlanmıştır. İlgili ülkelerdeki tarihsel süreç, konut finansmanı sağlayan kuruluşlar, devlet tarafından uygulanan konut politikaları, sosyal konut, kiralık sosyal konut gibi alternatif barınma biçimleri ile devlet politikaları paralelinde sağlanan teşvikler, destekler ve ayrıca 1970'lerin sonunda bu ülkelerde temelleri atılmaya başlayan ikincil mortgage piyasası bu kapsamda kullanılan ipotekli konut kredileri detaylı olarak incelenmiştir.

Her ne kadar bu 4 gelişmiş ülkenin konut finansman sistemleri bazı benzer özelliklere sahip olsa da, genel hatları ile tümünün özgün politik, ekonomik, sosyal koşulları nedeniyle geliştirdikleri sistemler büyük ölçüde farklılaşmıştır. Örneğin, Amerika'da daha çok serbest piyasa ve konut sahipliğini özendiren çok gelişmiş bir mortgage piyasası bulunurken, Avrupa ülkeleri sosyal konut gibi geleneksel devlet destekli alternatif barınma seçeneklerinden vazgeçmemiş ve bir yandan mortgage piyasasının gelişimine tanık olurken, diğer yandan bu sistemin içerisinde var olamayacak düşük gelir grupları için alternatifleri uygulamaya devam etmişlerdir. Düşük gelir gruplarına ek olarak kimi sosyal konutlardan talep eden orta sınıfların da yararlanabildiği örnekler de mevcuttur.

Tezin 4. bölümünde ise öncelikle Türkiye'deki konut finansman sistemi ve finansman sistemini var eden kurumlar incelenmiştir. Sonrasında ise resmi kurumlardan temin edilen verilerle 2000 sonrası dönemde konut ve ipotek piyasası için analiz yapılmıştır. Türkiye nüfusunun yıllara göre artış gösterdiği ve bu artış içerisinde orta yaş grubunun yıllara göre genişleme yaşandığı, buna ek olarak kentleşme oranının da artış eğilimine devam ettiği görülmüştür. Dolayısı ile ülkede konut talebinin ilerleyen dönemde daha da artış göstermesi kaçınılmazdır. 2000'lerde Türkiye'de toplam konut satışı, bu satışlar içerisinde ipotekli satışların payı, yapı kullanım ve oturma izinleri, faiz oranlarında sert yükselişin yaşandığı 2018 yılına kadar artış göstermiştir. Konut sektöründe yaşanan bu artışlara paralel olarak 2018 dönemine kadar ticari bankalarca kullanılan ipotekli

konut kredilerinde de artış görülmüştür. Ancak kullandırılan ipotekli konut kredilerinde ve konut satışlarında artış görülmesine rağmen ilgili dönemlerde Türkiye’de ev sahipliği oranı artmamış, tam tersine azalmıştır. Bu durumda ülkede konut sektöründe yaratılan olumlu havanın aslında toplumun her kesimine hitap etmediği, düşük gelir gruplarının alım gücü olmadığı için ipotekli konut finansmanı sistemine dahil olmadığı, diğer taraftan yüksek gelir gruplarının konutun değişim değeri üzerinden yatırım amaçlı olarak 2. veya daha fazla sayıdaki ekstra konutlarını satın aldıkları anlaşılabılır. Aslında bu bir noktada ülkede gelir adaletsizliğinin derinleştiği ve kaynakların verimli ve tüm toplumu kapsayacak şekilde kullanılmadığı şeklinde de yorumlanabilir.

Ayrıca 2002 yılında gayrisafi yurtiçi hasıla içerisinde ipotekli konut kredilerinin payı % 0.1 iken bu pay 2013 yılına gelindiğinde %6’ya ulaşmıştır. Ancak yaşanan gelişme dünyadaki gelişmiş ülke oranları ile kıyaslandığında oldukça sınırlı gözükmektedir. Avrupa ülkelerinde bu oran %48 iken, ABD’de %63 ve Norveç’te ise %69’dur. Oran kıyaslamasına istinaden Türkiye önünde kat edilmesi gereken oldukça uzun bir yol olduğu açıktır.

Dahası, 2000’li yılların ortalarında yaşanan olumlu ekonomik koşullara kıyasla 2018 yılının 3. çeyreğinden başlayarak ekonomide gözle görülür bir olumsuz hava yaşanmaya başlamıştır. Bu dönemden itibaren faiz oranları artmış, konut satışları azalmış, toplam konut satışları içerisinde ipotekli satışların payı da paralel şekilde azalmıştır. Her ne kadar 2000’lerde konut finansmanı alanında gelişme yaşanmış olsa da, bu dönemde ekonomide yaşanan ani olumsuzluk, konut piyasasını çok hızlı etkilemiş, tüketici güvenini düşürmüş ve hızlı bir biçimde konut satışlarının azalmasına, ticari bankalarca sağlanan ipotekli konut kredilerinin azalmasına sirayet etmiştir. Ekonomik gelişmelere bu denli duyarlı ve olası bir olumsuzluk karşısında bu denli kırılgan bir konut finansman sisteminin sürdürülebilir olmaktan uzak olduğu açıktır. Dolayısı ile Türkiye’de konut sorununu gerektiği gibi çözebilecek kurumsal ve güçlü bir konut finansman sistemi hala bir gereksinim olarak inşa edilmeyi beklemektedir. Diğer taraftan önceki dönemde de söz konusu konut finansman sistemine ulaşamayan,



sistemin dışında kalan ihtiyaç sahibi düşük gelir gruplarını yaralarının bu dönemde daha da derinleşeceği, dolayısı ile ciddi bir desteğe olan ihtiyaçlarının önümüzdeki dönemde daha da artacağı çok açıktır.

5. bölümde Ankara Büyükşehir Belediyesi sınırları içerisinde 50 ipotekli konut kredisi kullanıcısı ile yapılan derinlemesine mülakatlarla ticari bankalarca verilen ipotekli konut kredilerini kullanan bu bireylerin profillerinin, kullandıkları kredilerin ve kullandıkları krediler karşılığında satın aldıkları evlerin nicelikleri incelenmiştir.

Öncelikle görüşülen 50 kişinin profili incelendiğinde bu grubun %42'sinin 30 – 39 yaş aralığında olduğu, konut kredisi talebinin daha çok orta yaş gurubunda yoğunlaştığı, ayrıca görüşülen 50 kişinin 43'ünün evli olduğu, ipotekli konut kredisi talebinin aile ile güvenli ve kendilerine ait bir evde yaşama isteği sebebiyle evli bireyler arasında daha yoğun olduğu, katılımcıların daha çok kamu (17) ya da özel sektörde (19) maaşlı çalışan kişilerden oluştuğu, düzenli gelirin aylık konut kredisi ödeyebilmek için gerekli olduğu görülmüştür.

Talep ettikleri ipotekli konut kredileri incelendiğinde katılımcıların %64'ü 120 ay vadeli kredi kullanırken yalnızca 1 kişi 60 ayın altında vade tercih etmiştir. Katılımcılar tarafından kullanılan konut kredisi tutarları 40.000 ile 350.000 TL arasında değişmektedir. Grubun %52'si 40.000 ile 99.000 TL arası kredi kullanırken, %22'si 149.000 TL üzeri tutarda kredi kullanmıştır. Piyasadaki konut fiyatları düşünüldüğünde 2009 – 2019 yılında kullandırılan ilgili kredilerin büyük kısmının güncel durumda Ankara'da konut sahibi olmak için yeterli olmayacağı açıktır.

Kullanılan ipotekli konut kredisi karşılığında satın alınan konutların özellikleri incelendiğinde ise görüşmecilerin %76'sının 90 ile 149 m<sup>2</sup> genişliğinde konut satın aldığı, 90 m<sup>2</sup>'nin altındaki 2 adet evin ise yalnız yaşayan görüşmeciler tarafından tercih edildiği anlaşılmıştır. Oda sayılarına bakıldığında ise 38 görüşmecinin satın aldığı konutun 3 odalı olduğu, oda sayıları ile aile üyesi sayıları arasında doğru orantı bulunmadığı, 5 kişilik 2 ailenin de yalnız yaşayan 1 görüşmecinin de bu 3 odalı evlere

dahil olduđu görülmüştür. Ayrıca satın alınan konutların %32'si kredinin kullandırıldığı tarihte yeni inşa edilmiş olup, %26'sı ise 20 yaşı'nın üzerindedir. Her ne kadar genellikle ticari bankalar ekspertiz değeri açısından yeni yapılmış konutlar için kredi sağlama eğiliminde olsalar da lokasyon olarak uygun konumda olan bakımlı konutlar için de yaşları fazla olsa bile konut kredisi ekspertiz raporunda belirlenen değere istinaden sağlanabilmektedir. Görüşmeler esnasında alınan konutların fiyatları sorulmuş olup, 2009 – 2019 yılları arasında satın alınan konutların fiyatlarının %62'sinin 200.000 TL altında olduđu öğrenilmiştir. Görüşmeciler tarafından ipotekli kredi karşılığı satın alınan konutların fiyat aralığı arttıkça bu aralığa dahil olan görüşmeci sayısı azalmaktadır.

Ticari bankalar satın alınacak konutların ekspertiz raporunda belirlenen fiyatının %80'i kadar konut kredisi sağlamakta olup, geriye kalan %20'lik kısmın ise konut kredisi kullanıcısı tarafından peşin ödenmesi gerekmektedir. Görüşmecilerden 16'sı söz konusu %20'lik kısmı kişisel birikimi ile, 10'u yine ticari bankalardan kullandığı ihtiyaç kredisi ile, 8'i ise ev, araba gibi herhangi bir varlığını satarak finanse etmiştir.

İpotekli konut kredisi sürecinde ticari bankalar nezdinde en önemli değerlendirme kriteri başvuru sahibi bireyin geliridir. Genellikle bireyler aylık olarak maaş aldığı için kredilerin taksit ödemesi de aylık olarak gerçekleşmektedir. Ticari banka kredi dönüşünün gerçekleşmesi, kredi taksitlerinin ödenmesi için bireyin gelirinin belgelenmesini talep etmektedir. Türkiye'de mevduat bankacılığı ipotekli konut piyasasına hakim olduđu için, kredilerin ödenmemesi durumunda ticari bankalara ait fonda azalma yaşanacaktır. Her ne kadar ödenmeme ve takibe intikal etme durumunda kredinin teminatındaki konut satılarak, ödenmeyen kısım için tahsilat sağlansa da satış sürecinin uzun sürmesi, alıcı bulmanın zor olması, pek çok prosedürün takip edilmesinin gerekliliği bu durumun ticari bankalar tarafından çok tercih edilmemesine sebep olmaktadır. Birey açısından ise yine kredi taksitinin aylık gelirine uygun olmasına dikkat edilmelidir. Çünkü kredinin ödenemeyerek takibe intikal etmesi durumunda bankaya birey tarafından satın alına ipotekli konutun satılması hakkı doğmaktadır.

Banka gayrimenkulün satışını yaparken sadece alacağına tahsil etmeye odaklı yaklaştığı için konuta iyi bir alıcı bulmaya çalışmayabilir. Bu durumda kredi kullanıcısının zararı yüksek olacaktır. Dolayısı ile ödeme gücü olmayan bireyler için ticari bankalarca sağlanan ipotekli konut kredileri geçerli bir konut finansmanı sistemi değildir. Bu noktada TÜİK tarafından en günceli ülke geneli için 2017 için yayımlanan Eşdeğer Hane Halkı Kullanılabilir Fert Gelirine Göre Sıralı %20’lik Gruplar İtibarıyla Eşdeğer Hane Halkı Kullanılabilir Fert Gelirinin dağılımını gösteren veriden yararlanılarak görüşülen 50 kişinin hangi dilimde olduğu anlaşılmıştır. Dilimler için ortalama değerleri verilmekte olup, 12 görüşmecinin (%24) geliri en yüksek gelir grubunun ortalamasının üzerinde geriye kalan 38 görüşmecinin (%76) geliri ise en yüksek 4. ve 5. %20’lik dilimlerin arasında kalmıştır. Verinin ortalama değerler üzerinden verilmesi sebebiyle tam olarak hangi %20’lik dilime mensup oldukları anlaşılamasa da hangi dilimlere mensup olmadıkları açıktır. Görüşülen 50 kişiden hiçbirisi ülkenin %60’lık kısmını oluşturan ilk 3 düşük gelir grupları içerisinde yer almamaktadır. En yüksek son 2 %20’lik gelir grupları içerisinde yer almaktadırlar. Dolayısı ile Türkiye’de ticari bankalarca sağlanan konut kredilerinin toplumun tüm gelir grupları için ödenebilir ve ulaşılabilir olmadığı açıktır.

Nisan 2019 dönemi içerisinde 8 adet ticari bankanın websitelerinden 120 ay vadeli 100.000 TL kredi için faiz oranlarına göre aylık ne kadar taksit ödeneceği hesaplanmıştır. Faizlere göre hesaplanan en düşük taksit tutarı 1,736 TL’dir. Yani faiz oranlarının 2018 yılının 3. döneminden itibaren artmaya başlaması sonucunda kullanılan ipotekli konut kredilerinde ödenmesi gereken taksit tutarı artış göstermiştir. 50 görüşmecinin %52’sinin aylık 1.500 TL altında ödeme yaptığı dikkate alındığında önümüzdeki dönemlerde daha fazla sayıda birey tarafından ödenemeyeceği ve daha fazla insanın artan faiz oranları neticesinde ipotekli konut kredisi finansmanından yararlanamayacağı düşünülmektedir.

50 görüşmecinin %56’sının ipotekli konut kredisini devlet bankalarından kullanmıştır. En yaygın sebep ise faiz oranlarının diğer ticari bankalara kıyasla uygun olmasıdır.

Türkiye’de 32 adet mevduat bankası içerisinde yalnızca 3 adet devlet bankası bulunmaktadır. Bu bankalar Ziraat Bank, Vakıf Bank ve Halk Bankası’dır. Devlet bankaları ilk olarak Cumhuriyet Dönemi’nde yeterli seviyede olmayan özel sermayenin arttırılması için kurulmuştur. Bu bankalar birçok devlet kurumunun mevduatını elinde tuttıkları ve kamu çalışanlarının yoğunluklu olarak maaş ödemesi vb. finansal işlemlerini bünyelerinde gerçekleştirdikleri için mevduat açısından özel sermayeli bankalara nazaran oldukça avantajlı durumdadırlar. Kaldı ki devlet bankalarının belirli dönemlerde manupülasyonlara maruz kaldığı ve kredi faiz oranlarını aşağı çekmek gibi özel sermayeli bankalar tarafından rekabet gereği rahatlıkla yapılamayacak aksiyonları çoğu zaman alabildiği bilinmektedir. 2018 Aralık ayına ait GYODER tarafından yayınlanan ipotekli konut piyasası verisine istinaden mevduat bankalarının toplam payının % 93.3’üne, katılım bankalarının % 6.7’sine ve kalkınma ve yatırım bankalarının ise %0.01’ine tekabül ettiği açıklanmıştır. Bu oranlar içerisinde 3 adet devlet bankasının payı ise % 48.4’tür. Dolaysı ile Türkiye’deki ipotekli konut kredisi piyasasında özel sermayeli bankalar açısından devlet bankaları ile yarışmak ve sistemin gelişmesine katkıda bulunmak çok da mümkün gözükmemektedir.

Tezin sonucu olarak ise sırasıyla paylaşılan analizlere paralel olarak her ne kadar 2000’li yıllarda Türkiye’de ticari bankalar tarafından kullandırılan konut kredisi miktarında önceki dönemlere kıyasla ciddi bir artış gerçekleşmiş olsa da, bu sistem hala düşük gelir grupları için ulaşılabilir ve ödenebilir bir konut finansmanı sistemi olarak nitelendirilebilir olmaktan çok uzaktır. Ayrıca 2018 yılının 3. çeyreği itibarıyla artan faiz oranları neticesinde ipotekli konut finansmanı talebi ani bir gerileme yaşamıştır. Konutun bir temel gereksinim olduğu, yıllara göre nüfus ve kentleşme oranlarının arttığı ayrıca Türkiye’de sosyal konut vb. devlet destekli barınma biçimlerinin gelişmemiş olması sebebiyle konut sahipliğinin hala toplumun tüm kesimlerine dayatıldığı göz önünde bulundurulduğunda Türkiye’de ticari bankalar tarafından ipotekli kredilerle sağlanan konut finansmanın sürdürülebilir bir konut finansman şekli olamayacağı açıktır.

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Soyadı / Surname : Yüce

Adı / Name: Serçin

Bölümü / Department: Kentsel Politika Planlaması ve Yerel Yönetimler

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