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HOUSING FINANCE 'MORTGAGE' IN TURKEY AND ITS REFLECTION ON REAL ESTATE VALUES

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Abstract: **The real estate development sector, which has shown great developments in our country in the last decade. Despite its increasing momentum, lack of institutionalization, unconscious investments, informality, inadequacy of quality and building inspection systems and expert personnel**

It is still struggling with structural problems such as food shortages. Based on this situation. In this study, real estate development processes applied in our country is the subject of improvement and is our country's largest real estate development. Implementation of improving a selected development process in one of the companies has been carried out.

The study examines the concept of real estate development in general, real estate development

models, real estate development sector in Turkey, process improvement and process management concepts and real estate development applied in Turkey it covers the improvement of processes. In the study, on a company basis can be taken to solve the problems experienced in real estate development processes.

Actions were tried to be determined. The actions taken are an indication for the application company. It was carried out as a process improvement activity and the root causes of the problem were revealed. These reasons were tried to be eliminated.

Keywords: **Housing Finance,Real Estate, Housing Policies, Mortgage.**

1. INTRODUCTION

While it aims to provide long-term and low-interest housing finance to those in need with a system framed by the state in all countries, it is aimed to establish a legal infrastructure that will prevent the real estate mortgaged as collateral of the financing from remaining idle in the balance sheets of the financial institutions and transform them into economic value again. In developing countries in general, and in our country in particular, the problem of citizens acquiring housing and housing finance, which is a very important element of this, have not been given enough importance. The main reason for this situation is that limited public resources are used to make investments in priority areas related to development and industrialization and the housing problem is not adequately addressed (Cadastral Law, 1987).

2. CURRENT SITUATION IN TÜRKİYE'S HOUSING MARKET

The real estate sector, which follows a parallel course with the development of the Turkish economy and the construction sector, is an area that has started to develop in Turkey, especially in the last 10-15 years. Since Turkey is a developing country, real estate investments are increasing day by day. Especially in 2004, with the increase in GNP and decrease in inflation rates, there was a great deal of activity in real estate.

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Especially Istanbul has become the most attractive real estate center in Europe in 2004. According to the report titled "Emerging European Countries and Real Estate Sector" prepared by ULI (Urban Land Institute) jointly with a research firm, Istanbul has become the market most open to real estate development, leaving other European cities behind with a development score of 6.2. The closest follower is Moscow with 5.9 points. Due to its high business potential, construction companies operating in other cities have also started to prefer Istanbul. In the private sector, there has been an increase in villa and luxury housing projects in Istanbul in 2004 and 2005. In addition, cooperative projects have started to be completed faster (Eger, 1990).

2.1. Turkish Housing Market

In the field of real estate, new housing sites have become one of the most interesting investment tools in recent years. Among the reasons for choosing these sites, especially those developed on the urban fringes; security, getting away from the chaos of the city and being in touch with natural life and social environment opportunities. The primary target audience of the sites, which generally consist of detached houses with gardens, is high-income families with children. Each income group in society follows a higher income group. Therefore, the middle-income group, which constitutes the majority of the society, follows the upper-income group and turns to new housing projects as much as their means allow. In recent years, especially in developed countries, city centers have gained great value in the field of real estate. The same development has started in Turkey as well. 44.1% of those who plan to buy a house prefer city centers, and 24.3% stated that they prefer it to be close to the center, even if it is not. Projects located in the city center and generally high-rise are preferred by the working class due to the service opportunities they offer. It can be said that the historical texture in the city center has started to be preferred in terms of foreign investments (Eger, 1990).

Migration from rural areas to cities, or in other words urbanization, is another important factor in the emergence of the housing problem. Urbanization is one of the functions of industrialization. The ratio of the urban population to the total population in our country is 59.25% according to the 2000 census. While the urban population growth rate was 43.9 per thousand between 1985 and 1990, it was 32.6 per thousand between 1990 and 2000. Table 3.1 shows the immigration amounts in our country between 1975 and 2000 (DİE , 2004) .

Although there is a positive decrease in these rates, it shows that urbanization has not been fully realized in our country. This is due to economic reasons. Finding a job, benefiting from the civilized blessings of cities, children's education, etc. As a result of migration due to reasons such as these, expectations are often not realized. However, in order to meet the shelter needs of migrating families, a form of unplanned, infrastructure-less illegal construction called slums emerges.

2.2. Housing Finance Sector in Türkiye

Turkey, as in many developing countries, does not have a developed housing finance system in which specialized financial institutions play important roles. Housing finance is mostly provided by people's own savings and borrowing from their relatives and housing builders or sellers, which is called direct financing (Alp and Yılmaz, 2000).

In terms of housing finance, we can examine the current structure under two headings: individual and traditional. Under these headings, there are the following participants in both sectors:

Traditional Sector

• Housing Contractors (builders)

• Building Cooperatives

• Build your own house

Individual Sector

• Housing Authority

• Commercial Banks

• Social Security Institutions and Solidarity Funds

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2.2.1. Traditional Sector

Considering the income level and distribution in our country, most people's own savings alone are not enough to purchase a standard house. Since the opportunities of these people to obtain institutional financing are very limited, they use other sources when purchasing a house. These sources:

• Funds provided by other members of the family (These funds are sometimes unrequited) is happening. Especially when parents buy a house, they give their children a free gift.

can help.)

• Short-term funds obtained from business or friends

• By not paying the entire sales price of the house in cash, the remainder can be purchased.

indebtedness to the contractor

• Additional funds provided through the sale of assets owned by family members, such as jewellery.

Since the corporate housing finance sector is not sufficiently established in our country and the majority of the society lacks the income level that can benefit from corporate finance companies, housing production and supply is provided by the non-institutional sector. Since there is no established institutional housing finance system for those who want to own a house, people have tended to produce their own solutions. Among the solutions produced within this framework, methods such as purchasing housing on a deferred basis from builders and sellers, acquiring housing through building cooperatives, and people building or having their own homes built by themselves (Alp and Yılmaz, 2000).

The flat-for-money method is where contractors take over land from the land owner to produce housing on it, and after the construction is completed, they transfer the completed houses or apartments to the land owner at a pre-agreed rate.

The buyer circles and sales prices of the houses produced and sold by contractors using these methods generally vary depending on the sales region. In some cases, contractors provide credit opportunities to buyers by spreading a portion of the sales amount over the maturity period. However, these loans generally have a maturity of one or two years and do not exceed 30% of the sales price of the house. Therefore, parties who can benefit from these methods must have approximately 70% of the sales amount in cash when purchasing a house. For this reason, people from the middle and upper class income groups can generally benefit from build-and-sell shops (Alp, and Yılmaz, 2000).

2.2.1.1. Housing Contractors (Build-Sellers)

Housing contractors, also known as builders and sellers, operate as legal entities or real persons. Builders generally produce houses on land they purchase with their own capital or in exchange for flats, and sell by purchasing all or most of the sales amount in cash.

The flat-for-money method is where contractors take over land from the land owner to produce housing on it, and after the construction is completed, they transfer the completed houses or apartments to the land owner at a pre-agreed rate.

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2.2.1.2. Building Cooperatives

Building Cooperatives are a method frequently used by people who do not have enough cash to own a house and cannot obtain the funds they need from institutional or non-institutional sources.

Since building cooperatives are thought to be a very important factor in increasing housing ownership, cooperatives have been supported by various governments throughout the history of our Republic. Due to the advantages provided to Building Cooperatives, there has been a significant increase in the number of houses produced by cooperatives, especially after the

1980s. The share of cooperatives in total housing produced increased to an average of 20%, especially after the 80s. This was ultimately provided to Building Cooperatives by the Mass Housing Administration.Construction loans have a large share.

Since significant progress has been made in increasing housing acquisition through building cooperatives in our country, examining the functioning of this system will provide important clues in creating an institutional housing finance model. The methods applied in the construction and financing of houses in Building Cooperatives generally have the following features:

• It takes between 3 and 7 years for houses to be built and allocated to members. However, due to administrative errors and financial bottlenecks that were not planned very well at the beginning, these deadlines can be exceeded and even cooperatives cannot achieve their goals.

• In building cooperatives, the financing of housing is carried out through dues collected from members. Dues are generally collected monthly, in amounts determined periodically. However, in order to finance construction costs that increase beyond expectations in order to accelerate construction, interim payments may be collected from members in addition to dues in some periods. In building cooperatives, the completion time of houses is largely determined by the level of dues collected.

• In cooperatives, the construction of houses is either outsourced entirely to a single construction company, or different works are outsourced to different contractors by the people who manage the cooperative.

• Although it is advantageous for members to finance the houses they will own in 3-7 years, the fact that there is a lot of uncertainty when becoming a member of the cooperative is a negative for people. These uncertainties; These can be listed as whether the building cooperative will be able to complete its function successfully, what the final cost of the house planned to be owned through the cooperative will be, whether the people who undertake the management of the cooperative are competent and whether they will be able to perform their duties as required, and what the quality of the house to be owned will be. The elimination of these uncertainties is largely due to the decision-making process that creates the cooperative and will later undertake its management.

2.2.1.3. People Building or Having Their Own Houses Built

Another way to acquire housing is for people to build or have their own homes built. In this method, people who cannot own a house with accumulated savings and funds obtained from other sources purchase building materials on the land they provide and build their own houses themselves, together with a few of their relatives, or by purchasing labor force when necessary. The problem here is who owns the land to be built on, and whether there will be housing on this land.

It is a matter of whether it is suitable for construction and whether the regulations regarding zoning and settlement are complied with.

When we look at the practices in our country, it is observed that most of the houses built or commissioned by people do not own the land on which they are built, and even if they do, the land is not suitable for settlement and is against the regulations regarding zoning and settlement. These types of residences are popularly called "shantytowns". Those who migrate from rural areas to cities are very vulnerable to squatting due to both their financial situation and traditions.

The majority of those who migrate from rural areas to cities are financially unable to purchase a house. The most important factor underlying these people's migration from rural areas to cities is that their financial situation is already very bad and they want to improve their situation a little. Therefore, these people do not have the income to pay rent on a regular basis, let alone buy a house.

In addition to the income level factor, another factor that encourages squatting is the habits of people migrating from rural areas to cities.

2.2.2. Individual Sector

An institutional housing finance system has not been established in our country to date, both in terms of financing institutions and financing techniques.

However, when the realities of our country such as population growth and urbanization combined with the already existing housing deficit, governments realized that this problem could not be postponed any further, and regulations that would be considered a significant breakthrough in this field were brought to the agenda. The most important of these regulations is the Mass Housing Law No. 2985 dated 2.3.1984. Institutions providing housing loans to finance housing in the organized housing market in the period 1923-1984; Ministry of Construction and Settlement (Ministry of Public Works and Settlement), Banks, Social Security Institutions and Insurance Reinsurance Companies.

Among these organizations, the Ministry of Reconstruction and Settlement gave loans to low-income families, cooperatives and municipalities in slum prevention zones, Social Security institutions engaged in a practice aimed at providing housing to their own members, and financial institutions either provided limited loans or did not provide loans at all for various reasons. On a national scale, Turkey Real Estate Bank is the only institution that provides loans to all citizens, be they contractors or buyers, who meet certain conditions (Alp, and Yılmaz, 2000).

2.2.2.1. Mass Housing Administration

The Government had to take precautions due to the bottleneck in the housing sector and housing acquisition in the late 1970s and early 1980s.

With the idea that the increase in production in the housing sector will encourage production in many other sectors of the economy with the large-scale input need of this sector, it was decided to support housing investments. For this purpose, a new financing institution, the Mass Housing Administration, was established to increase production, especially through non-profit cooperatives, and the Mass Housing Fund, which provides its resources mainly through tax-type deductions from imports, fuel, monopoly products and foreign travels, was established under the management of the Mass Housing Administration. Detailed information about the history of the Mass Housing Administration is given in section 3.4.

2.2.2.2. Commercial Banks

By the decision of the Council of Ministers in 1958, banks other than Türkiye Emlak Bankası, Türkiye Gençlik Bankası and Türkiye Vakıflar Bankası were prevented from opening housing loans until 1979, and then all banks were given the opportunity to provide loans to home buyers. Before 1979, other banks authorized to provide loans against real estate mortgages, except for the Turkish Teachers Bank, did not show interest in this field because it was not profitable to provide cheap and long-term housing loans. However, housing loans became widespread after the 1989-1990s, when banks were unable to sell very profitable commercial loans and were looking for alternatives to distribute the risk. Again, the fact that the mortgage loan interest is higher than the deposit interest, the principal and interest collection can be made at the same time, and the initial interest share in the payments is higher, thus creating new resources for the bank, has made it attractive for banks to open high interest and short-term housing loans (Alp, and Yılmaz, 2000).

2.2.2.3. Social Security Institutions and Solidarity Funds

Another sector that provides individual housing loans or transfers funds to established Building Cooperatives are Social Security Institutions and Solidarity Funds. Among these organizations, the Emekli Sandığı, Social Insurance Institution, Bağ-Kur and Oyak (Army Solidarity Corps), each established by a separate law, contain provisions in their own laws regarding the ability to provide housing loans and the conditions under which these loans can be granted. In addition to these organizations, mutual funds established by banks and some companies were also able to provide housing loans to their members. However, the amount of these funds was limited, the housing loans provided were generally short-term and the loan instruments used in corporate housing financing were not used.

Considering the current situation in our country and the financial crisis experienced by social security institutions, except for a few, it is seen that it is becoming increasingly difficult for these institutions to provide support for housing finance. Essentially, social security institutions are not required to provide indirect support to housing finance. For example, these institutions' purchase of regulated housing mortgage loans or securities issued based on housing mortgage loans means that they indirectly contribute to the housing finance market and provide funds. In countries with developed housing finance markets, what is understood from the contributions of social security institutions to the housing finance sector is that they indirectly provide funds in this way.

3. APPLICATION OF MORTGAGE SYSTEM IN HOUSING FINANCE

'Mortgage' refers to the real estate financing system based on the use of long-term housing loans such as 15-20 years by financial institutions for those who want to own a house, in return for a mortgage on the house. The main purpose of the system, which may differ depending on the economic and social structures of the countries, is long-term and low-interest housing loans.

Institutions that provide this financing for housing to consumers finance their activities with the deposits they collect and the funds they obtain from the capital market instruments they issue. It is securitized with mortgage-backed capital market instruments using two different methods in the world.

The first of these is the issuance of securities whose payments are based on the interest and principal returns of mortgage loan pools. This method, called off-balance sheet securitization, is the method applied in America, Canada, Australia and England, etc.

3.1. Mortgage Based Capital Market Instruments

We see mortgage-backed securities and mortgage-backed bonds as mortgage-backed capital market instruments. However, the basis of such market instruments is mortgage loans. An income is generated as a result of loan payments and interest differences collected as a result of mortgage loans, and thus capital market instruments are accrued. After examining mortgage loan types and mortgage loan insurance, capital market instruments were examined.

3.1.1. Mortgage Loans

The most important practice related to mortgage is Mortgage loan. In countries with developed real estate financing markets, there are many mortgage loans that people and institutions who want to buy or build real estate but do not have sufficient funds can apply for, if they meet the necessary conditions. Choosing the type of real estate mortgage loan that is suitable for them depends on the ability of these individuals and institutions to make the down payment, their income level, the maturity of the loan and the ability to meet other conditions required by the credit institutions.

People who want to get a real estate loan will consider many factors when choosing the financing institution they will apply to. These are factors such as the types of mortgage loans that financial institutions can provide, the interest rates applied to loans, and the credit evaluation process.

When examining the types of mortgage loans in question, it may be necessary to divide them into two: before 1970 and after 1970. Before 1970, a long-term, fixed-interest, monthly payment method that included principal and interest, called 'Classical Mortgage Loan', was used in many countries, including developed countries. However, high inflation and high interest rates observed in world economies after 1970 required the development of alternative mortgage loan types. The most important and widely used of these are 'Increasing Repayment Amount Mortgage Loan', 'Variable Rate Mortgage Loan', 'Price Level Indexed Mortgage Loan' and 'Double Indexed Variable Rate Mortgage Loan (Yılmaz, 2000).

Financial institutions have created many types of mortgage loans over time in order to create demand for the mortgage loans they provide, but not to cause any trouble to their own financial structures either during or after the granting of the loan. The types of mortgage loans created also vary between countries. The process of introducing new loan types within the framework of new expectations that may arise due to the extremely dynamic nature of economic life and therefore the preferences of individuals and institutions is still ongoing. While the types of loans given vary, the maturities of the loans also vary. For example, home mortgage loans generally have maturities between 15 and 30 years.

3.1.1.1. Classic Mortgage Loan

Technically, a mortgage loan can be in any form that the lender and borrower agree upon. However, the classical (traditional) mortgage loan is given as a fully amortized loan with a fixed interest rate, equal repayments. The basic idea behind this type of mortgage, which is referred to as the classic mortgage loan, is to repay the borrowed debt in equal installments as interest and principal within the agreed upon time, expressed as the term (maturity) or duration of the mortgage loan. Thus, the loan is fully amortized at the end of the period (Yılmaz, 2000) .

In general, the interest rate applied to mortgage loans is above the risk-free interest rate (the rate determined for treasury bills and government bonds, which are securities with state guarantee). The reason for this is negative factors such as the lower liquidity of mortgage loans compared to government domestic debt securities, uncertainties in cash flow (early payment risk), and difficulties in finding a loan (Alp, and Yılmaz, 2000).

3.1.1.2. Mortgage Loan with Increased Repayment Amount

"Increasing Repayment Amount Mortgage Loan" is a type of mortgage loan in which the repayment amounts of mortgage loans are increased at certain periods throughout the maturity of the loan between the borrower and the lending institution.

When and in what amount the repayment amounts will be increased are clearly determined in the mortgage contracts. Although there is no change in the interest rate and maturity of the loan in this type of loan, only the repayment amounts change (Alp, and Yılmaz, 2000).

The most important reason why mortgages with increasing repayment amounts have started to be implemented is the idea that this type of loan will be more suitable for the conditions of real estate buyers and, accordingly, its demand will be higher. Generally, when people who will get a mortgage loan start working, their income level is lower than in later years, and as their work experience increases, their income level also increases. In addition, people's consumption expenditures in their youth are higher and their savings levels are correspondingly lower. However, over time, the rate of consumption expenditures decreases and savings levels increase.

Financial institutions, which take into account these income-consumption and savings patterns in relation to people's ages, find that loan repayment amounts are relatively lower from the beginning of the loan maturity and increase over time. They have introduced the increasing repayment amount mortgage loan, which is a type of mortgage loan with increased interest rates. Likewise, in commercial real estate acquisitions, a certain period of time passes before the real estate is acquired or its construction is completed and it generates regular commercial income. In this type of real estate, it is a financially logical solution that the payments are low in the first years of the loan and the payments increase with the acquisition of the real estate (Alp, and Yılmaz, 2000).

3.1.1.3. Variable Rate Mortgage Loan

"Variable Rate Mortgage Loan" refers to the type of loan in which the interest rates of the mortgage loan are changed, in other words, redetermined, at predetermined periods in the contract throughout the term of the loan. The reason for implementing this loan is to protect the lending institution against the risk of changes in interest rates. With the emergence of changes in interest rates, variable rate mortgage loans have become a much more advantageous loan tool for lenders compared to classical mortgage loans (Alp, and Yılmaz, 2000).

Moreover, in case of high and variable rate inflation, variable rate mortgage loans are beneficial not only for the lender but also for the borrower. In mortgage loans, the borrower always has the right to terminate the contract, but since there are some expenses related to the preparation of the mortgage contract, due to the decrease in interest rates, people can terminate the existing contract and arrange a new contract with lower interest, sometimes it may not be enough to cover these costs. In this case, people may have to pay more interest according to market conditions, but this risk is eliminated as a result of the interest rates being reviewed at certain periods (Alp, and Yılmaz, 2000).

3.1.1.4. Price Indexed Mortgage Loan

"Affordable Mortgage Loan" is similar to variable rate mortgages in some respects and classical mortgages in some respects. The reason why price level indexed mortgage loans are similar to variable rate mortgages is that the interest rate applied to the loan varies in certain periods and, in terms of function, it protects the lending institution against interest rate risk.

On the other hand, mortgage loans indexed to the price level have similarities with classical mortgages. In classical mortgage loans, monthly repayment amounts are made as nominally fixed amounts. In mortgage loans indexed to the price level, although monthly repayment amounts may change nominally within the framework of inflation rates, it is essential that these amounts remain constant in real terms. In other words, in mortgage loans indexed to the price level, monthly mortgage loan repayment amounts are equal payments in terms of purchasing power. In other words, the interest rate in mortgage loans indexed to the price level is real, not nominal, as in classical mortgage loans (Alp, and Yılmaz, 2000).

3.1.2. Mortgage Loan Insurance

There are two types of mortgage insurance that parties who want to get a Mortgage Loan can benefit from. One of these is made by the borrowers and the other is made by the lender. Although both types of insurance have a positive effect on the creditworthiness of the borrower, the importance of the insurance taken out by the lender is greater for the lender (Alp, and Yılmaz, 2000).

In the USA, whose mortgage market is developed and has become a model for other countries in this regard, the government has been playing very important roles, especially in the residential mortgage market, since the 1930s. One of the primary efforts made by the government to increase the flow of credit to the housing finance market is the mortgage insurance and

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guarantee program it has implemented. The Federal Housing Administration's mortgage insurance program, which began in 1934, had a very positive impact on home acquisition. Thanks to this program, lenders reduced their credit risks through mortgage insurance fees. Thus, more loans were enabled to flow into the housing market and housing acquisition increased (Alp, and Yılmaz, 2000).

Mortgage insurance taken out by home borrowers is usually provided by life insurance companies. This insurance ensures the continuation of mortgage payments in the event of the death of the borrower. In this way, in the event of the borrower's death, his/her relatives can live in the same house. Insurance taken out by borrowers initially started as life insurance, but the scope of this insurance has expanded over time. For example, while only life insurance was available, the insurance only came into effect in the event of the death of the borrower, but now, situations that change the income level of people and make loan repayments difficult, such as job loss or disability, are also included in the insurance coverage (Alp, and Yılmaz, 2000).

3.1.3. Mortgage-Backed Securities

Especially after the 1970s, off-balance sheet securitization, which involves collecting mortgage loans in pools and issuing securities based on them, is one of the most important developments in real estate financing. In this way, problems such as the accumulation of payments in traditional mortgage loans and the loss of real value of loan installments have been prevented, and both the borrower and the borrower population have been expanded, and institutional investors have been able to enter the markets.

Creating resources in this way also solves the problem of maturity incompatibility of housing finance institutions. Because while it is impossible for these institutions that provide mortgage loans with long maturities to collect deposits with the same maturities, such as 15-20 years, it is possible to find funds in these maturities through mortgage-backed securities, which have a liquid market.

In this financing model, there are institutions that provide mortgage loans, borrowers, and special purpose institutions that take over mortgage loans and issue securities through them. Institutions that provide Mortgage Loans sell or transfer these loans, along with all their rights, to special purpose institutions that are structured in a way that is away from the risk of bankruptcy. The special purpose institution, on the other hand, issues 'mortgage-backed securities' based on the mortgage loans it brings together. Payments to security holders are made with cash obtained from interest and principal repayments of mortgage loans. The follow-up and collection of principal and interest on receivables and the transmission of the resulting cash inflows to the special purpose company are generally carried out by the originator company that extends the mortgage loans. On the other hand, in the issuance of 'mortgage-backed securities', there is a custodian who ensures the relationship between the source company and the company that guarantees the payment of the securities and the investors, and is responsible for purchasing the assets that form the basis of the securities on behalf of the special purpose company and turning them into documents that investors can purchase (Yılmaz, 2000).

4. HOUSING FINANCE AND MORTGAGE IN TURKEY

After years of struggling with chronic inflation and surviving many severe crises, the Turkish economy has entered a period in which stability prevails in general and all indicators have stabilized. Capital markets have become more stable today as a result of the state's debt stock becoming convertible, fiscal discipline being maintained and political stability being ensured. The achieved environment of trust, combined with the inflow of foreign capital into Turkey, has resulted in the long-awaited low-digit inflation rates for many years. Moreover, the way for investments in the real sector has been opened and Turkey has achieved a serious growth rate in the last one or two years. All these positive developments are gradually revitalizing the construction sector, which is a very important sector for Turkey. Because it requires a lot of investment and resources from many sub-sectors, the construction sector is the sector that is easily caught in crises but is also the sector that is the hardest to escape from crises. Although more than three years have passed after the 2001 crisis, the construction sector has just reached the figures of 2000 in terms of the number of buildings constructed as of the end of 200430. Meanwhile, as a result of the increasing population and investments made, the need for new buildings has increased for both residences and workplaces.

Financing especially housing construction is a serious problem in the Turkish construction industry. The reason for this is that the people who can own a house are people with high income levels, defined as B, B+ and A. Due to the absence of a

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long-term housing finance system, housing purchases are generally made through personal savings, a loan from friends or family, and only the remaining part is completed with a loan. For this reason, the share of housing loans in the total loan stock is very low.

At this stage, mortgage came into play and became a serious option to overcome this problem. If mortgages can be implemented and the housing market can be stimulated, the construction sector and related sectors will catch up with the growth trend and be in a position to meet the housing need. This will bring important advantages such as more people owning homes, preventing illegal construction, and taking measures to reduce the effects of risks such as earthquakes.

4.1. Housing Finance Methods in Practice

Housing financing methods applied in Turkey are mostly limited to mortgage-backed bank loans. In this classical financing method, people who want to own a home apply for a loan from the bank after choosing the house they want to buy. The bank evaluates the application and before giving loan approval, investigates the person's ability to pay, past loan payment performance, and the mortgage amount of the house to be purchased. Generally, 70% of the determined value of the house is given to the loan applicant and the house is mortgaged in return for the loan. The loan has a fixed interest rate and a fixed repayment over a certain period of time. Recently, plans with variable repayments have become available depending on people's income levels. The bank finances the entire loan with its own assets and all risks regarding repayment are on the bank. For this reason, the bank seeks very strong assurances against any delays and non-repayment situations that may occur in loan repayments. Generally, a single guarantor is not enough and two or more guarantors are required. Guarantors must have the ability to repay the loan and a reliable credit history, just like the applicant. The property is insured against any risks that may cause damage to the house. These risks are earthquake, fire, flood, storm, terrorist incidents and similar situations. In addition, all mortgage, insurance and title deed expenses are covered by the consumer and the bank is protected from liabilities related to such expenses. The last guarantee is the mortgage fee. If the loan is not returned despite all the assurances, the bank compensates the loss by processing the mortgage and selling the house. Another practice carried out in Turkey was the State's housing acquisition activities through Emlak Bank. Emlak Bank has worked to develop the housing sector by providing long-term and relatively low-interest loans for the houses it has built. It has operated in rapidly growing cities in Turkey, such as Istanbul, Izmir, Kocaeli, Ankara, Adana and Bursa, where the need for housing is intense. In various projects in these provinces, housing loans with maturities of up to ten years were provided and middle-income people became homeowners. However, only a small part of the total housing need has been met this way. Nevertheless, these residences, which improve the construction quality and are exemplary projects in terms of urban planning, fulfill a very important function. After Emlak Bank ceased its activities within the scope of privatization, it transferred some of its functions to the Housing Development Administration.

5. CONCLUSION

The implementation of the mortgage system in Turkey will be an important step for the housing sector to get out of the bottleneck it is in and start growing again. In addition, after the system comes into effect, it will be possible to bring real estate properties on the balance sheets as dead investments into the economy. It is expected that after the formation of a secondary market where Mortgage-Backed Securities are bought and sold, foreign capital will come to the country and contribute to the creation of resources for the housing sector. In addition to all these positive expectations, it should also be expected that some of the goals of the system will not be realized, at least in the short term. When the issue of ensuring that low-income families can own homes, which is one of the most important goals of the mortgage system, is questioned, two issues come to the fore. The monthly interest expected after the mortgage comes into effect is too high to serve this purpose and poses an obstacle to monthly payments decreasing to rental levels. However, the most important issue is the current structure of the housing sector. It is understood that the target audience of the sector is people from the high income group, as the share of 3 and more room residences in all residences is 71% and the average usable area is 133 square meters and increases every year. The housing sector's targeting of low-income families and producing projects in this direction will happen with a certain delay. Here, housing supply will need to be increased to a level that meets the need and housing costs will need to be reduced to certain levels. For this reason, mechanisms should be created to reduce land costs. In addition, projects should be developed to build houses that are functional enough to accommodate low-income families but small enough to minimize costs. Only in this way can the required number of housing units be reached; otherwise, the housing deficit will continue to grow and the mortgage system may face the danger of becoming dysfunctional.

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One of the goals of the mortgage system is to prevent the expected discipline and unplanned structuring that it will bring to construction. In order to achieve this goal, the housing deficit must be closed and the problem of not being able to build houses for low-income families, which creates the basis for illegal construction, must be solved. In summary, with the implementation of the mortgage system, people with high income levels and who are in line with or close to the current customer profile of the housing sector will be able to benefit from the system in the first place. In this way, the first move necessary for the growth of the housing sector will be provided. However, in order to achieve the goal of low-income families owning homes, it is essential that the housing sector be restructured and produce projects towards this goal. To ensure this, such projects should be encouraged by the state. For example, with a tax similar to the tax on automobiles based on engine volume, tax advantages can be provided for both producers and consumers for residences below a certain square meter. In this way, construction costs are reduced and low-income families can be enabled to become homeowners by increasing their purchasing power.

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