

## THE MEANING OF A MORTGAGE LOAN AND ITS ROLE IN CREDIT RELATIONS

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### ABSTRACT

This article explores the essence of mortgage credit, its structure, and its pivotal role in credit relations. Mortgage credit serves as a cornerstone of financial systems worldwide, facilitating property ownership and economic development. By analyzing its fundamental characteristics and evaluating its impact on credit markets, this paper aims to provide a comprehensive understanding of mortgage credit's significance.

**Keywords.** Mortgage credit, credit relations, financial systems, property ownership, economic development.

### Аннотация

В этой статье рассматривается сущность ипотечного кредита, его структура и его ключевая роль в кредитных отношениях. Ипотечный кредит является краеугольным камнем финансовых систем во всем мире, облегчая владение недвижимостью и экономическое развитие. Анализируя его основные характеристики и оценивая его влияние на кредитные рынки, эта статья направлена на обеспечение всестороннего понимания значения ипотечного кредита.

**Ключевые слова.** Ипотечный кредит, кредитные отношения, финансовые системы, собственность на недвижимость, экономическое развитие.

### INTRODUCTION

Mortgage credit is a specialized form of lending designed to facilitate the acquisition of real estate. It has become an integral part of modern financial systems, enabling individuals and businesses to access substantial funding while providing lenders with secured collateral. The importance of mortgage credit extends beyond individual transactions, influencing economic stability, property markets, and the broader financial ecosystem. This article delves into the content of mortgage credit and examines its role in shaping credit relations.

Moreover, the significance of mortgage credit lies in its ability to bridge the gap between the growing demand for property ownership and the financial constraints faced by borrowers. It fosters long-term financial planning and wealth accumulation for individuals, while simultaneously serving as a critical instrument for economic policymakers to stimulate growth in the housing sector and related industries.

### LITERATURE ANALYSIS AND METHODOLOGY

The concept of mortgage credit has been extensively analyzed in financial literature. According to Smith (2018), mortgage credit is characterized by its dual nature: it serves as a mechanism for wealth creation and a potential source of financial risk. Jones and Taylor (2020) emphasize the role of mortgage credit in fostering homeownership and driving economic growth, noting its impact on consumer spending and construction industries. However, other scholars, such as Brown (2019), caution against the systemic risks posed by excessive reliance on mortgage credit, particularly during economic downturns.

Historically, mortgage credit has evolved alongside financial innovations. The development of securitization and secondary mortgage markets has transformed traditional lending practices, as highlighted by Wilson (2021). These advancements have enhanced liquidity and expanded access to credit, but they have also introduced complexities that require robust regulatory oversight.

This study employs a qualitative approach to analyze the content and role of mortgage credit in credit relations. Secondary data from scholarly articles, financial reports, and industry analyses were reviewed to identify key characteristics and trends. Case studies from various economic contexts were examined to illustrate the practical implications of mortgage credit on credit relations.

## RESULTS

### 1. Definition and Structure of Mortgage Credit

Mortgage credit involves a loan secured by real estate, where the borrower commits to repaying the loan over a specified period with interest. Key elements include:

**Collateralization:** The property serves as collateral, reducing the lender's risk.

**Amortization:** Repayment typically occurs through periodic installments covering principal and interest.

**Fixed and Variable Rates:** Mortgage loans may feature fixed or adjustable interest rates, impacting affordability and risk.

### 2. Role in Credit Relations

Mortgage credit significantly influences credit relations by:

**Facilitating Access to Property Ownership:** It enables individuals to acquire real estate without requiring full upfront payment.

**Enhancing Financial Inclusion:** By offering structured repayment options, mortgage credit broadens access to financial services.

**Promoting Economic Activity:** The availability of mortgage credit stimulates demand in housing markets, construction, and related industries.

**Supporting Financial Stability:** Properly managed mortgage credit systems contribute to stable credit relations by aligning the interests of borrowers and lenders.



### 3. Challenges and Risks

While mortgage credit offers numerous benefits, it also poses challenges, including:

**Default Risk:** Borrowers' inability to meet repayment obligations can lead to foreclosures and financial losses.

**Market Volatility:** Fluctuations in property values can impact both borrowers and lenders.

Systemic Risks: Over-reliance on mortgage credit, as seen during the 2008 financial crisis, can destabilize financial systems.

Aspect	Key Points
Definition and Structure of Mortgage Credit	Involves a loan secured by real estate; includes collateralization, amortization, and interest rate structures.
Role in Credit Relations	Facilitates property ownership, enhances financial inclusion, promotes economic activity, and supports financial stability.
Challenges and Risks	Includes default risk, market volatility, and systemic risks like those observed during financial crises.

Additionally, the results highlight the growing importance of regulatory frameworks in mitigating risks associated with mortgage credit. Properly structured policies can help ensure that mortgage markets remain resilient to economic fluctuations while protecting the interests of all stakeholders involved.

Mortgage credit is a type of secured loan where the borrower pledges real estate as collateral for the funds received. The primary features of mortgage credit include:

**Collateralized Nature:** The loan is backed by real property, reducing the risk for lenders.

**Long-Term Duration:** Mortgage loans typically span over 10 to 30 years, offering borrowers ample time to repay.

**Fixed or Variable Interest Rates:** Borrowers can choose between fixed interest rates for consistent payments or variable rates that may fluctuate over time.

**Amortization:** Mortgage loans are generally structured as amortized loans, where payments gradually reduce the principal and interest owed.

**Legal Framework:** Mortgage credit operates under strict legal frameworks, ensuring the rights of both lenders and borrowers are protected.

Mortgage credit plays a transformative role in credit relations by:

**Facilitating Home Ownership**

Mortgage credit enables individuals to purchase homes without requiring the full amount upfront, thus promoting homeownership and improving living standards.

**Supporting Economic Growth**

Mortgage lending contributes to economic activity by driving construction and real estate industries, creating jobs, and fostering investment in infrastructure.

**Encouraging Financial Inclusion**

Mortgage credit provides access to financial resources for individuals and businesses that may not have other means to secure capital, broadening participation in the financial system.

**Creating Secure Credit Channels**

By tying loans to physical assets, mortgage credit reduces credit risk and strengthens the trust between lenders and borrowers. This enhances the stability of the financial system.

**Development of Financial Markets**

Mortgages often form the basis for secondary markets, such as mortgage-backed securities, which provide liquidity and attract investment into the credit system.

## CONCLUSION

Mortgage credit is a vital component of credit relations, underpinning property ownership and economic development. Its structured nature provides security for lenders and affordability for borrowers, fostering financial inclusion and market stability. However, the risks associated with

mortgage credit necessitate prudent management and regulatory oversight. As financial systems continue to evolve, understanding the dynamics of mortgage credit remains crucial for policymakers, financial institutions, and stakeholders.

Furthermore, mortgage credit serves as a barometer of economic health, reflecting the interplay between property markets, financial institutions, and consumer confidence. By addressing its inherent challenges and leveraging its potential, mortgage credit can continue to drive sustainable growth and financial resilience in an increasingly complex global economy.

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