

# WAYS TO IMPROVE THE MORTGAGE LENDING PRACTICE IN COMMERCIAL BANKS

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## Abstract

Mortgage loan is one of the most important tasks of commercial banks, serves as the basis of financial services and helps to buy housing. This article examines the main strategies aimed at improving mortgage lending practices in commercial banks. Based on industry knowledge and best practices, it outlines practical steps to improve operational efficiency, manage risk, customer engagement and compliance. By adopting an integrated approach to mortgage lending, commercial banks can optimize their processes, reduce risks and better meet the changing needs of borrowers and stakeholders.

**Keywords:** Mortgage lending, commercial banking, practice improvement, strategic imperative, digital transformation, risk management, customer engagement, regulatory compliance, operational efficiency, financial inclusion.

## Introduction

### TIJORAT BANKLARIDA IPOTEKA KREDITLASH AMALIYOTINI TAKOMILLASHTIRISH YO‘LLARI

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## Annotatsiya:

Ipoteka krediti tijorat banklarining eng muhim vazifalaridan biri bo'lib, moliyaviy xizmatlarning asosi bo'lib xizmat qiladi va uy-joy sotib olishga yordam beradi. Ushbu maqola tijorat banklarida ipoteka kreditlash amaliyotini yaxshilashga qaratilgan asosiy strategiyalarni

ko'rib chiqadi. Sanoat bilimlari va ilg'or tajribalariga asoslanib, u operatsion samaradorlikni oshirish, xavflarni boshqarish, mijozlarni jalb qilish va muvofiqlik bo'yicha amaliy qadamlarni belgilaydi. Ipoteka kreditiga kompleks yondashuvni qo'llash orqali tijorat banklari o'z jarayonlarini optimallashtirishi, xavflarni kamaytirishi va qarz oluvchilar va manfaatdor tomonlarning o'zgaruvchan ehtiyojlarini yaxshiroq qondirishi mumkin.

**Kalit so'zlar:** Ipoteka krediti, tijorat banklari, amaliyotni takomillashtirish, strategik imperative, raqamli transformatsiya, xatarlarni boshqarish, mijozlarni jalb qilish, normativ talablarga rioya qilish, operatsion samaradorlik, moliyaviy inklyuziya

### Introduction

Mortgage loans are one of the core activities of commercial banks, enabling individuals and families to realize their home dreams and stimulating economic growth. In recent years, the mortgage lending industry has undergone significant changes due to market dynamics, regulatory requirements and technological advances. In order to remain competitive and effectively meet the needs of borrowers, commercial banks must constantly improve their mortgage lending practices. This article examines strategies for improving mortgage lending practices at commercial banks, focusing on key areas such as digital transformation, risk management, customer engagement, and compliance. When commercial banks use the main part of their funds as loans, it is necessary to determine in advance the issue of full recovery of the funds from the borrower, not just for income. Because the bank, as the owner of the investment, does not sell the investment, but the right to use the investment for a certain period of time on the basis of certain conditions and additional interest.

At the moment, the concept of "problem credit" is causing much more debates and discussions by theoretical and practical scientists in our country than before. This is certainly not in vain, because today the share of problem loans in the credit portfolio of commercial banks of our republic is quite high, despite the measures to reduce it.

### Literature Review

Effective mortgage lending processes are essential for commercial banks to improve efficiency, reduce costs, and provide timely service to borrowers. Research by Smith and Johnson (2020) highlights the role of digital transformation in optimizing mortgage origination, underwriting and servicing processes. Using technology, automation and data analytics, banks can speed up the loan approval process, minimize paperwork and improve overall operational efficiency.

Effective risk management is important in mortgage lending to reduce credit, market and operational risks associated with lending. Brown and White (2019) examine the risk management strategies adopted by commercial banks, including strict underwriting standards, portfolio diversification, and stress testing. By using reliable risk assessment systems and applying analytical data, banks can identify potential risks early, make informed credit decisions and ensure their financial stability.

In order for commercial banks to stand out in the competitive mortgage market, it is necessary to establish strong relationships with borrowers. Lee and Kim (2021) emphasize the importance of strategies to attract customers to mortgage loans, such as personal recommendations,



transparent communication, and financial education. By offering a superior customer experience and proactively meeting the needs of borrowers, banks can increase customer satisfaction, loyalty and retention.

Compliance is essential for commercial banks to maintain trust, confidence and legal compliance in mortgage lending. The book "Mortgage Compliance" (2018) outlines compliance best practices such as complying with the Dodd-Frank Act, the Consumer Financial Protection Bureau (CFPB) recommendations, and the Fair Lending Act. By implementing robust compliance management systems and conducting regular audits, banks can enforce credit standards and reduce legal and reputational risk.

Strategic positioning is necessary for commercial banks to achieve sustainable growth and competitive advantage in the mortgage lending industry. The book "Strategic Commitments of Mortgage Lending" (2023) examines the main strategic initiatives of banks, such as product innovation, market segmentation and strategic partnerships. By aligning mortgage lending strategies with the organization's broader goals and market trends, banks can capitalize on opportunities and achieve long-term success.

### **Analysis and Discussion of Results**

In the era of digitization, commercial banks must implement technologies to optimize mortgage lending processes and improve customer experience. The introduction of digital mortgage lending platforms allows banks to simplify the application process, speed up the loan approval process and improve communication with borrowers. By offering online applications, document downloads and real-time data updates, banks can improve efficiency, reduce operational costs and ensure seamless lending.

Effective risk management is critical to mortgage lending because it allows banks to protect themselves from credit, market, and operational risks. Banks must use reliable risk assessment systems to determine the borrower's creditworthiness, evaluate real estate and monitor lending performance. The use of analytical data and predictive modeling allows banks to identify potential risks in advance and make decisions on lending. In addition, the stress test of the loan portfolio helps banks assess their resilience to adverse market conditions and legislative changes by ensuring financial stability and compliance with regulatory requirements.

In order for commercial banks to stand out in the competitive mortgage market, it is necessary to establish strong relationships with borrowers. Individual recommendations and support during the lending process increase customer satisfaction and loyalty. Banks should invest in customer relationship management (CRM) systems to monitor interactions with borrowers, anticipate their needs, and tailor loan offers accordingly. Providing resources for financial education and transparent communication builds confidence and empowers borrowers to make informed home buying decisions.

Compliance is essential for commercial banks to maintain trust, confidence and legal compliance in mortgage lending. Banks must stay abreast of legislative changes, such as the Dodd-Frank Act and recommendations from the Consumer Financial Protection Bureau (CFPB), and ensure strict adherence to credit standards and disclosure requirements. Implementing robust compliance management systems and conducting regular audits and



internal audits will help banks identify and eliminate compliance issues in a timely manner, and reduce legal and reputational risks.

Increasing the efficiency of the banking system of our country is related to the active participation of banks in lending to the real sector of the economy. However, commercial banks of our country face several difficulties and problems in lending activities. Especially today, the presence of problem loans among the loans that make up the main part of the income-generating assets of commercial banks is noticeable.

According to Regulation No. 2696 of the Central Bank of the Republic of Uzbekistan dated July 14, 2015 "On the classification of asset quality in commercial banks and the formation of reserves to cover potential losses on assets and the procedure for their use" "unsatisfactory", "doubtful" and "bad" loans are understood.

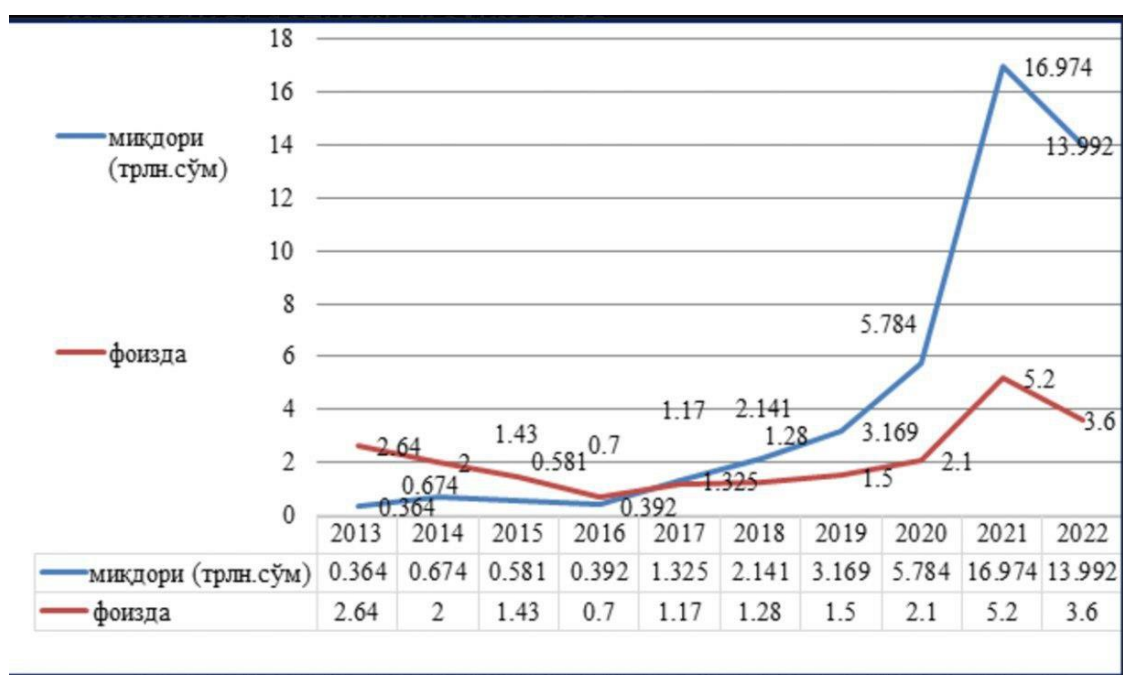


Figure 1: Change dynamics of problem loans in the banking system of the republic<sup>1</sup>

As of 2022, the balance of non-performing loans has reached 13.99 trillion soums, which is 3.6% of total loans. Also, in 2016-2021, a growth trend can be observed in this multiplier. In order to eliminate problematic kpedites, it is important that we identify the causes of their origin. It is positive that the percentage of non-performing loans in the credit portfolio of commercial banks decreased to 0.54% from 2013 to 2021, but by 2022 it will be 3.6%, which is the critical 3% limit accepted by the global mechanism of non-performing loans in the banking system. more than the indicator, therefore reducing problem loans today should be considered one of the main tasks of banks.

The main part of problem loans in our country, i.e. 8,441 trillion soums or 83%, belongs to commercial banks with a state share. According to the analysis, Uzmilliybank (1.9 trillion soums), Uzsanoatqurilishbank (1.7 trillion soums), Asaka Bank (1.6 trillion soums) and

<sup>1</sup>Figure 1: Change dynamics of problem loans in the banking system of the republic

Ipoteka Bank (1.1 trillion soums) are leading. Also, Hi-Tech Bank's total loans amount to 160 billion soums. The amount of non-performing loans (NPL) is 118 billion soums or 92.7 percent. Turkestan Bank has a total loan portfolio of 686 billion soums. 480 billion soums or 69.9% of the total is accounted for by problem loans.<sup>2</sup>

### **Conclusions and Suggestions**

In conclusion, it should be noted that improving mortgage lending practices in commercial banks requires a holistic approach that includes digital transformation, risk management, customer engagement and compliance. By leveraging technology, data analytics, and customer-centric strategies, banks can optimize their lending processes, reduce risk, and provide a superior experience to borrowers. Constant innovation and adaptation to market dynamics allow banks to remain leaders in the mortgage lending competition, fulfilling the mission of improving the financial well-being of individuals and communities.

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<sup>2</sup> <https://cbu.uz/> - O'zbekiston respublikasi Markaziy banki rasmiy sayti ma'lumotlari.

