

The Experience of America to China Real Estate Enlightenment of Financial Innovation

¹Wenfeng Ji

Graduate student
College of Management
Shanghai University of Engineering Science
231620 Shanghai, China.

²Qing Wu

Associate professor
College of Management
Shanghai University of Engineering Science
231620 Shanghai, China.

Abstract

The U.S. real estate financial market development provides a valuable experience for China's real estate financial market innovation. Its core content: the system of housing mortgage loans, provides a reliable guarantee for secondary market of the benign interaction, for the real estate industry capital chain. China's innovation optimization real estate finance can be realized through the following measures: establish a professional real estate financing institutions; the financial institutions of real estate non-bank; Promote the real estate mortgage securitization. At the same time, we must realize soberly realize financial innovation of real estate in our country is a difficult and long-term process for our country to achieve the financial innovation.

Keywords: real estate; diversified; primary market

1. Introduction

There are many problems and difficulties in the process of development of China real estate, has not yet formed perfect system of theory and practice, can't meet the demand of rapid development of real estate funds. However real estate finance in the United States after decades even hundreds of years of development, has accumulated many successful experiences. We can through to the American real estate financing mode comparative analysis, sums up some effective development experience, and then put forward feasible suggestions aiming at the existing real estate financial system.

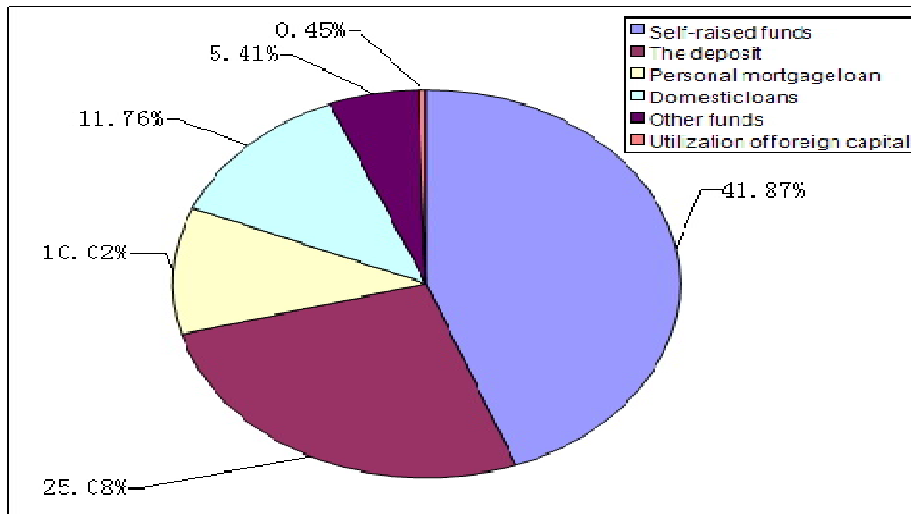
2. China real estate enterprise financing present situation

In the first quarter of 2013 real estate development enterprise funding year-on-year growth rose to 29.3%, higher than the same period of real estate development investment growth 9.1%, real estate enterprise financing source to maintain rapid growth. The current real estate enterprises bank credit tightening and restrictions, under the needs of high-speed financing growth, broaden the financing channels, not only beneficial to the sustainable but healthy development of real estate enterprises.

2.1 Real estate financing tools lack of innovation, over-relied on a bank loan

China real estate enterprise financing mainly rely on bank loans. Other financing channels including real estate trust, issuing bonds, public offering financing, overseas financing and other funds and so on . According to figure 1 we can see that real estate loans accounted for 17.16%, domestic and personal mortgage loan, deposit and deposit belongs to the indirect bank loans, real estate enterprise development funding sources in the bank credit accounted for 60%-70%, and in accordance with the internationally accepted 40% of standard bank credit funds, it is obvious that real estate enterprises rely on bank capital is too high. ^[1]Due to excessive real estate financing channels focused on banks, the every change and adjustment of the bank credit policy must cause a huge influence on the real estate industry, it is totally bad for healthy and stable development of real estate .

Figure 1: To July 2012 in real estate development enterprise financing source distribution



2.2 The proportion of equity financing is higher, the bond financing is less

According to "the theory of the optimal sequence financing theory", the enterprise follow the internal financing, debt financing and equity financing order to choosing financing, corporate finance generally. ^[2]New optimal sequence financing theory to encourage business operators to use capital and retained earnings financing instead of equity financing, expand its capital strength . However, the real estate enterprises in our country did not follow this theory during financing. As China's bond market is not sound, common equity financing preference of listed companies of real estate in our country.

2.3 The relevant laws and regulations is not sound, not perfect

As for in the field of real estate in China relevant laws and regulations is not sound and perfect. So it is very complicated to operate, and in this area did not form a complete set of effective legal system, lead to the real estate industry lack of a stable and standardized financing market. ^[3]For example, China's relevant laws on the securitization of real estate investment funds and the financing way are very scarce, so caused no statutes to apply for financial innovation .

3. The U.S. real estate financing pattern analysis

Real estate finance development market in the United States has the world's most developed and perfect system, the most plentiful product countries. The United States is a capital market financing, financing of real estate market financing subject, diversified financing tools, perfect system of housing mortgage loans made real estate enterprises to raise funds quickly in a short time when in need of money.

3.1 Mature and perfect system of housing mortgage loans in the United States

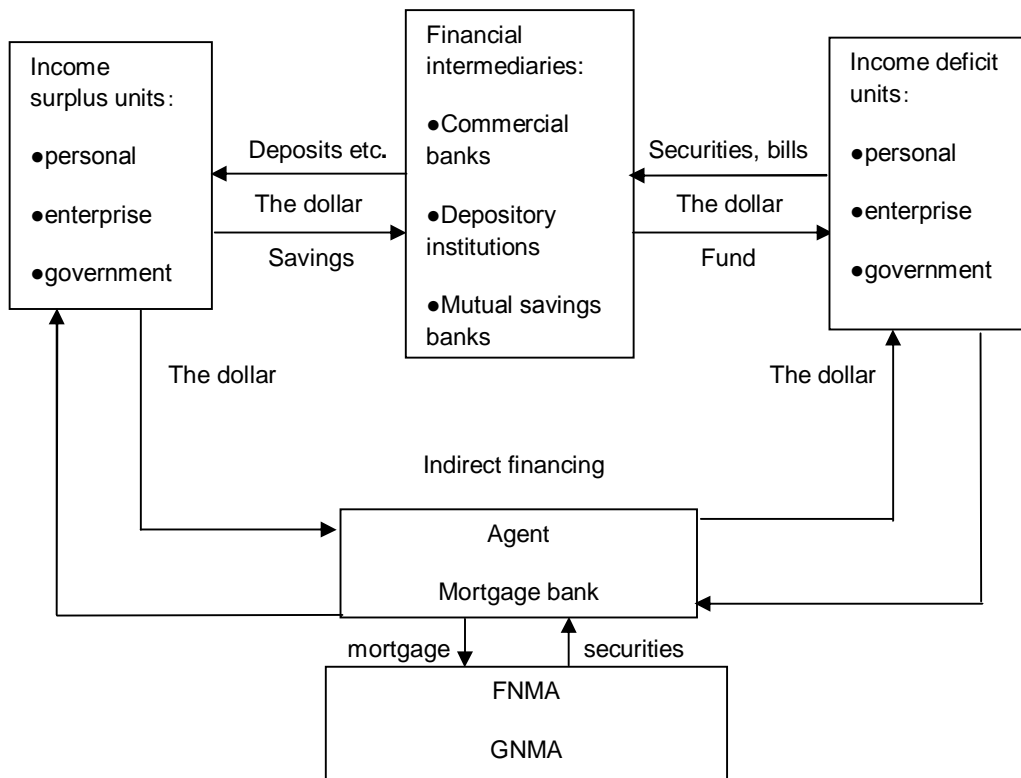
3.1.1 The primary market real estate financing

From the point of the primary market, American real estate industry has a wealth of funding sources and perfect operation mechanism. ^[4]The primary market is a direct lending markets, constituted by the savings and loan associations, commercial banks, such as life insurance companies, mortgage banks constitute and so on . Savings credit association (S&L) is a professional real estate financial institutions government support and supervision to absorb deposits and issue mortgage with characteristics of mutual cooperation. Commercial bank mainly distributed to consumer housing credit. According to statistics, across the United States about 1500 housing mortgage loan of commercial banks accounts for about 20% of the national, second only to save the credit association. Offering loans to real estate companies in the life insurance company, use it as a form of investment, so as to adapt to changes in economic conditions, in order to adjust the value of the holdings of securities. Mortgage bank mainly through commercial paper and short-term loans to capital in a better way , to distributed on the primary market of housing mortgage loan after receive money, the loan at the same time of creditor's rights after processing through the secondary market to sell again, mortgage bank only reserves the right of operate a loan.

3.1.2 The real estate financing in the secondary market

^[5]Mature real estate financial markets need not only has a certain scale of the primary market, secondary market also requires a sophisticated securitization as a support . The secondary market is a place to sell mortgage market, mainly constituted by the mortgage insurance agencies and institutions engaged in the secondary mortgage market. Now, the United States in the secondary market is mainly monopolized the three institutions monopoly: the government national mortgage association (Ginnie Mae), the federal home loan mortgage company Freddie Mac, the federal national mortgage association (Fannie Mac). The main function of secondary market is to provide a mortgage issuer using funds compensation mechanism. The mechanism works on a long-term stable source of funds in the primary market. Because the real estate market and capital market is closely linked, real estate rely on long-term loan. Once lack of credit funds in the primary market long-term would cause tightening of funds, funds rate rise, lead to rising borrowing costs at the same time, the rising cost of borrowing for real estate enterprises at the same time. Issuing bank will have mortgage of property creditor's rights to the secondary market trading institutions, which in the secondary market will packaged property creditor's rights, into the financial markets, namely mortgage backed securitization, absorbing funds from financial markets to after the issue to mortgage bank.

Figure 2: U.S. real estate capital operation system



3.2 Analysis the causes of the successful system of housing mortgage loan

3.2.1 To perfect the mechanism of risk aversion

Perfecting the mechanism of risk aversion plays an important role of housing mortgage loan market of continuous development and improvement. ^[6]Financial institutions through adopt of two main aspects of the measures to avoid the happening of the risk: unified loan evaluation process, in the United States financial institutions in the long term development of the formation of a unified loan evaluation procedures to guard against and dissolve the risk; perfect mortgage guarantee mechanism.

3.2.2 The diversification of financing

U.S. real estate financing main body has the characteristics of diversity, different financing subject provides various financing tools, expand the financing channels.

American finance main body mainly include commercial banks, savings and loan institutions and private investors, bond market and credit company, etc. Diversified financing main body provides a sound financing, sustained and healthy development plays a key role in the development of real estate enterprises to obtain capital.

3.2.3 The perfect financing tool

There are many financing ways, the U.S. real estate financing played an important role in avoid financing risk of real estate enterprises. America's real estate financing tools are mainly have housing mortgage loan, mezzanine loans, housing mortgage loan securitization, housing mortgage insurance, and real estate investment trusts, etc. Perfect the financing tools can make the real estate enterprises raise funds for housing in a short time, diversify financing tools and disperse the financial risk.

4. The successful experience of American real estate financing enlightenment to our country

On the basis of successful experience for reference in combination with the actual situation of our country , reasonable arrangement and financial innovation, to explore suitable for China's national conditions of real estate finance development path, set up a actually new system of our country's real estate finance. The successful experience of the United States to China's real estate financing mode innovation has the following enlightenment.

4.1 Set up a professional real estate financing

Government support for the professionalism of the real estate financing institution is necessary, the development of the real estate industry should let the market play a bigger role, but the government can through the real estate regulation policy and the establishment of professional finance institutions to participate in the real estate industry. For example, we can draw lessons from America's savings and loan association, China should establish specialized real estate financing institutions as soon as possible.

4.2 The development of real estate non-bank financial institutions

In the development history of the U.S. real estate finance, real estate financing in non-bank financial institutions have been in an important position, and in promoting the development of the real estate industry and make it become the pillar industry of national economy play an irreplaceable role. ^[7]We can learn from the experience of the United States, which develop the non-bank finance institution, mutual savings Banks to perfecting the system and arrange the development of non-bank financial institutions on the basis of tilt,also actively guide financial services timely by fiscal subsidies.

4.3 To promote real estate mortgage securitization

Mature real estate financing market requires not only a certain size of the primary market, but also a secondary market in need of a developed as support. At present, China real estate financing primary market begun to take shape, but the secondary market is still in the bud. China should develop the diversified real estate finance market, with a variety of financial instruments in the secondary market for real estate finance, to spread the bank credit risk, perfecting real estate financing system. America's housing finance system has realized the effective combination of secondary market.

4.4 Improve the credit rating system

Independent, rigorous and objective credit rating system can maximize the protection of bond market participants in the interests of the parties to the development of corporate bond market has a huge role in promoting. ^[8]Specifically, the rating agencies should be established by an independent and impartial third party, rather than the relevant government departments, establish the evolution of market competition mechanism, to ensure the fairness of the rating agencies; the duty of government regulators is to monitor the rating agencies, the market will decide the survival and development of the rating agencies. Finally through constant practice to establish a scientific credit rating index system.

5. Conclusions

Real estate development process of each country are based on its own economic development level and the national system, so our country at the time of draw lessons from international experience should learn the essence, and combining with the condition of our country, avoid blind imitation.

At the same time, on the basis of successful experience of the real estate finance developed country , we can see the development of real estate financing is a long-term process, its development and general level of economic development. In future we should promote the development of real estate finance market, combining the situation of our country real estate trust, the public accumulation fund for housing construction and combine the professional way of financing institutions effectively and form a diversified financing mode.

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