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THE HISTORY OF MORTGAGE

Abstract

Mortgages have played a significant role in the development of economies and societies throughout the world. They provide people with the means to invest in property, build wealth, and secure their financial future. However, the history of mortgage is a long and fascinating one, with roots that stretch back to ancient civilizations. From the early forms of mortgage in ancient Rome and whole Europe to the modern-day mortgage industry that exists today, mortgages have undergone significant changes and innovations over the centuries. This essay will explore the history of mortgage, its evolution over time, and its importance in the modern economy. It will also examine the significant events and challenges such as crisis that the mortgage industry has faced and the regulations and standards that have been put in place to address them. By understanding the history of mortgage, we can gain a deeper appreciation for this important financial tool and its impact on our lives.

Keywords: mortgage, history, pledge, lending, securitization

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İpotekanın tarixi

Xülasə

İpoteka bütün dünyada iqtisadiyyatların və cəmiyyətlərin inkişafında mühüm rol oynamışdır. İnsanlara əmlaka sərmayə qoymaq, sərvət qurmaq və maliyyə gələcəklərini təmin etmək üçün vasitələr təqdim edirlər. Bununla belə, ipotekanın tarixi qədim sivilizasiyalara qədər uzanan kökləri olan uzun və valehedicidir. Qədim Romada və bütün Avropada ipotekanın erkən formalarından tutmuş bu gün mövcud olan müasir ipoteka sənayesinə qədər ipoteka əsrlər boyu əhəmiyyətli dəyişikliklərə və yeniliklərə məruz qalmışdır. Bu esse ipotekanın tarixini, zamanla təkamülünü və müasir iqtisadiyyatda əhəmiyyətini araşdıracaq. Həmçinin ipoteka sənayesinin üzləşdiyi böhran kimi mühüm hadisələri və çətinlikləri və onları həll etmək üçün qəbul edilmiş qayda və standartları araşdıracaq. İpotekanın tarixini dərk etməklə biz bu mühüm maliyyə aləti və onun həyatımıza təsirini daha dərinlən dərk edə bilərik.

Açar sözlər: ipoteka, tarix, girov, kredit, sekyuritizasiya

Introduction

Throughout history, people have used property as collateral for loans, and the development of the modern mortgage industry can be traced back to these early practices. Over time, mortgages have become an essential part of the economy, allowing people to invest in property and build wealth. In this essay, we will explore the history of mortgages, including their origins, key developments, and significant events.

The origins of mortgages can be traced back to ancient civilizations, where property was often used as collateral for loans. In ancient Rome, people would pledge their property as collateral for loans, and if they were unable to repay the loan, the property would be taken by the lender. This

practice was known as "mancipatio" and was used to finance land purchases ("The Origins of Mortgages" by Joshua, 2017).

In medieval Europe, mortgages became more common as a way to finance land purchases. The Church played a significant role in this process, as it often lent money to landowners and took their property as collateral. The word "mortgage" comes from the Old French word "mort" which means "dead" and "gage" which means "pledge". This referred to the fact that the property was "dead" to the borrower until the loan was repaid.

During the 18th and 19th centuries, mortgages continued to be used primarily for land purchases. However, the Industrial Revolution and the growth of urbanization led to an increased demand for mortgages to finance the construction of buildings and homes in cities ("A Brief History of the Mortgage" by Richard Mize, 2014).

The development of mortgages can be traced back to ancient times, but the modern mortgage industry has undergone significant changes in the last few decades ("The History of Mortgages: From Ancient Rome to the Modern Day" by Sabrina Rojas Weiss, 2017).

The development of mortgage include:

1. Securitization: In the 1970s, the mortgage-backed securities (MBS) market emerged, which allowed lenders to bundle and sell groups of mortgages to investors. This helped to increase liquidity in the mortgage market and allowed lenders to offer more loans to borrowers.

2. Adjustable rate mortgages: In the 1980s, adjustable rate mortgages (ARMs) became popular, which allowed borrowers to take advantage of fluctuating interest rates. ARMs typically offer lower initial interest rates than fixed-rate mortgages, which can make them more attractive to borrowers.

3. Subprime lending: In the early 2000s, subprime lending became more common, where lenders offered risky loans to borrowers who might not otherwise qualify. This led to the housing market bubble and subsequent collapse in 2008, which prompted a tightening of lending standards and increased regulation of the mortgage industry.

4. Online lending: In recent years, online mortgage lending has become more popular, with companies offering digital platforms that allow borrowers to apply for loans and receive funding more quickly and easily than traditional lending methods.

5. Fintech innovations: With the rise of financial technology (fintech), the mortgage industry has seen a variety of new innovations, including the use of artificial intelligence to streamline underwriting processes and the development of blockchain technology to improve transparency and security in mortgage transactions.

The history of mortgage in international law has been shaped by a number of significant events, including the development of international trade and the rise of global financial markets. One such event was the creation of the International Monetary Fund (IMF) in 1944, which helped to promote international financial stability and fostered the growth of the mortgage industry. The IMF also encouraged the development of legal frameworks for mortgage lending and borrowing, which helped to promote greater standardization and transparency in the industry ("A Short History of the Mortgage" by Chris Colgan, 2020).

Another significant event in the history of mortgage in international law was the establishment of the Basel Committee on Banking Supervision in 1974. This committee is responsible for setting international standards for banks and financial institutions, including regulations that govern the use of mortgage-backed securities. These standards help to promote the safety and soundness of the financial system, while also ensuring that mortgage lenders are held to appropriate standards of conduct ("The History of Mortgages in the United States" by Morgan Franklin).

The global financial crisis of 2008 also had a significant impact on the history of mortgage in international law. The crisis prompted a wave of new regulations aimed at improving the transparency and accountability of the mortgage industry, as well as strengthening consumer protections for borrowers. In the United States, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 established new rules for mortgage lending, including requirements for lenders to verify borrowers' ability to repay loans and restrictions on risky lending practices.

Conclusion

Today, mortgages are a critical part of the economy, allowing people to buy homes and invest in property. The mortgage market has continued to evolve with new products and services being introduced to meet the needs of borrowers and lenders alike.

Overall, the development of the mortgage industry has been driven by the needs of borrowers and the availability of new technologies and financial products. As the industry continues to evolve, it is likely that we will see further innovations that improve the lending process and make homeownership more accessible to a wider range of people. And the history of mortgage in international law has been shaped by a range of significant events, from the establishment of international financial institutions to the development of new regulations in response to financial crises. These events have helped to promote greater standardization, transparency, and accountability in the mortgage industry, while also ensuring that borrowers are protected from predatory lending practices.

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