Judgment and Prevention System Model for China's Real Estate Financial Risk Based on Risk Prevention of Banking System

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Abstract: In recent years, China's real estate market has developed too fast, and there is a risk that the housing bubble will burst in the real estate market, which may transmit systemic risks to the banking sector. The purpose of this paper is to discuss the possible systemic risks of China's real estate financial sector and how to curb this risk by implementing effective real estate financial supervision. This paper focuses on the analysis of China's existing real estate's financial supervision system defects, to prevent the bank systemic risk as the goal, and puts forward to improve China's real estate financial supervision system, in view of the prevention system model construction.

1. Research background

In the 2018 government work report, Premier Li Keqiang made it clear that we should vigorously develop emerging industries and transform and upgrade traditional industries. Both as traditional sector and emerging financial sector, the real estate sector greatly caters to the country to promote the booming development of emerging industries. This provides strong policy support for the development of China's real estate financial enterprises. However, due to the imperfect management mechanism of the real estate financial sector, its risk prevention mechanism is very weak, which is easy to induce various real estate financial risks in the market. The risk refers to the possibility that the assets, earnings or reputation of the relevant institutions engaged in real estate financial business may suffer losses due to decision-making errors, poor management or changes in the objective environment during the process of providing financing, settlement and other financial services for the real estate sector. Therefore, it is very important to identify, analyze and solve the financial risks of real estate for its healthy and stable development.

2. The analysis of financial risk in China's real estate sector

Currently, the real estate market risks in China are mainly as follows: regional real estate bubble risk, housing price drop risk, real estate speculative bubble risk, and resource waste caused by blind investment in real estate. Corresponding to the risks faced by the real estate market, China's real estate finance currently faces the following risks:

2.1. Excessive concentration of loans and liquidity risks faced by financial institutions

With the continuous development of China's real estate market, the loans of developers and buyers in the bank are increasing. In some commercial bank's loan, the real estate occupies the loan proportion to be much higher. As China's real estate loans are basically medium and long-term loans, if financial institutions cannot timely replenish cash, once their liquidity cannot meet the demand, they may face a serious shortage of liquidity.

2.2. Non-performing loans affect asset quality of financial institutions

Relevant international experience shows that the risk exposure of non-performing loans in real estate takes 2 to 3 years after the loan as a cycle, and many Chinese banks continue to increase the loan of real estate, so the risk generated is worth paying attention to.

2.3. Risk of policy changes

The risk of policy change is mainly reflected in two aspects: macro policy change and regional policy change. Macro policy changes for the entire real estate sector, its influence and the resulting fluctuations are incomparable with any other risks. In the process of real estate investment, the government's land supply policy, land price policy, tax policy, housing policy, price policy, financial policy, environmental protection policy, etc., all have a great impact on the realization of real estate investors' income goals, thus bringing risks to investors. Regional policy changes have the characteristics of locality and immediate effect. Because the real estate is very regional, the influence of the change of regional policy on the real estate will be reflected quickly in the region. For example, Hangzhou city, Zhejiang province launched the "Land Reserve System," after the emergence of a high price housing surprising rise, and affordable housing production and sales are not flourishing situation.

2.4. Risk of personal housing credit in default

When the real estate market booms, banks generally tend to lend a lot of money, and there are usually fewer vicious mortgage defaults. The rise in housing prices will cover a lot of credit risks. However, once the real estate vicious situation, the exposure of the risk is often greater than expected, causing lenders to be unprepared. Add the practice such as false contract, false mortgage, turn mortgage is common occurrence also, visible individual credit risk is not low. In the event of a default or a change in income, the Banks would be awash with bad loans. The risk of default is huge.

2.5. Risks from developer

Asymmetric risk of financial information is the biggest risk faced by financial subjects. It is a common practice for developers to borrow money and rob Peter to pay Paul. In order to compete for high-quality customers, banks will generally lower the threshold for big customers. Once there is a big fluctuation in the market or the developer's follow-up funds are not available quickly, the project may be shelved, and the bank's early loans may become non-performing assets.Secondly, lack of sector experience and market research ability is the main cause of business risk. The real estate sector on the whole is still in the extensive operation stage, low threshold, high profit sector characteristics attracted many "three foreign" (foreign capital, the field, the layman) funds into. As a result, the vacancy rate of commercial housing is increasing, the area of enclosed land by enterprises is getting larger and larger, the speed of enclosure is accelerating obviously, the structural imbalance in the development of commercial housing, and the unreasonable proportion of high-grade housing and other problems. As a result, both ends of corporate capital are tight and excessive borrowing from Banks will eventually lead to the increase of corporate financial risk and the security of bank credit funds is threatened.

2.6. Risks arising from the imperfect bank prevention and control system

At present, all financial subjects have strengthened the control ability of the headquarters and set up national data centers one after another. Enable the headquarters to see the first time the various credit operations of the financial situation. Although the strengthening of headquarters control from the overall control of the risk of the mortgage system, but the warning and prevention of local areas and individual cases is still beyond reach. The way loans are assessed at the grassroots level lacks a system for monitoring risk.

3. Warning method for real estate financial risk

To analyze the warning indicators, the SPSS software is used to normalize the warning indicators, and the principal component analysis method is used to process and analyze the warning indicators. The determination of the risk warning interval of the real estate market will be divided into five warning states of "overheating, mild heat, normal, mild cold and supercold" according to the operation characteristics of the real estate. The methods of dividing warning limit include normal normalization method, μ-δ method, systematic method and empirical data method. Do a good job of warning forecast, early warning indicators to judge the data analysis. Firstly, according to the division of the police circle, each indicator is returned to the corresponding warning interval, and corresponding warning value is given. Trend analysis chart can be made for each warning indicator for single indicator warning. Then, according to the index weight, the warning value of each index is weighted according to its weight, and the comprehensive warning value is obtained for multi-index comprehensive warning. In addition, according to the past years of warning, the gray prediction method can be used to make warning forecast for future years.

4. Security-guaranteed countermeasures of real estate financial risks

4.1. Strengthen the awareness of credit risk prevention

Through the correct warning of the future market, the potential financial risks can be discovered in time, and the corresponding response plans and countermeasures can be made before the risks actually occur, so as to avoid some risks that could have been avoided. It is suggested that the people's bank of China (PBC) take the lead and build a credit risk information sharing system platform for real estate projects under construction together with multiple departments including banking and insurance supervision, housing construction and statistics. Credit risk information of the main contents include the development and the development enterprise, the project loan collateral loans and bad situation, project planning and sales, such as content, combines the real estate market and real estate finance data timely and effective, pay close attention to the real estate market and real estate financial risks and do early forecasting, early prevention, improve the analysis of the depth and breadth.

4.2. Establish an emergency mechanism for house price declining

Financial institutions should assess the situation and establish a real estate risk management mechanism to strengthen the risk response to the real estate sector.Improve the relevant supporting measures, especially the establishment of risk warning mechanism. By integrating the statistics institutions of the financial information of each department and the information system, incomplete, does not match, or even prevent information distortion, covering real estate, currency, b`anks, trust, insurance, securities and other fields of the unified state financial database information to make up the gap, and establish and improve the real estate sector and based on the unified information system risk early warning mechanism of the financial system.

4.3. Improve the internal operating mechanism of financial institutions

Banks should grasp the right scale, build perfect internal mechanism and strengthen bank management system when conducting real estate credit business. On the one hand, a relatively complete personal credit system and credit system should be established to improve the environment of personal credit evaluation and risk identification mechanism, including personal credit monitoring, personal credit registration and risk management system, evaluation system and early warning system. On the other hand, the real estate loan enterprises to conduct strict evaluation. When handling loans, it is necessary to carry out a strict investigation on the loan qualification and loan project of the enterprise, including the financial situation, credit record and development qualification of the enterprise; for enterprises with poor records, management problems and relatively weak development experience, the amount of loans should be strictly controlled to avoid risks.

5. Conclusion

At present, there are many problems in the financial development of real estate in China, and there are also huge financial risks. Only by correctly understanding the existing problems, analyzing the main causes of risk formation, and taking effective solutions and preventive measures can we promote the stable development of the real estate and financial sector. The main task in the future is to establish a sound real estate financial system, form an effective risk prevention and control mechanism and improve the legal system for the harmonious development of real estate and finance, and constantly promote the healthy and orderly development of both.

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