



External Relations Department

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State Bank announces Government of Pakistan's markup subsidy for affordable housing finance

In line with its vision of providing affordable housing to the masses, Government of Pakistan will be providing a markup subsidy facility for the construction and purchase of new houses. This facility will allow all individuals, who will be constructing or buying a new house for the first time, to avail bank's financing at subsidized and affordable markup rates. This facility will be provided with the administrative support of State Bank of Pakistan as executing partner with Government of Pakistan and Naya Pakistan Housing and Development Authority (NAPHDA).

Government of Pakistan has allocated Rs. 33 billion for payment of markup subsidy for financing over a period of 10 years and has assured continuity of the facility. For this purpose, State Bank and Government of Pakistan have signed a memorandum of understanding.

The markup subsidy facility will be available through all banks and is divided in three tiers:

Financing under Tier I is available for purchase of houses/apartments/flats of upto 5 marla or 125 sq. yards, with maximum covered area of 850 sq. feet and maximum price of Rs. 3.5 million, under NAPHDA projects. Maximum financing under this Tier is Rs. 2.7 million with maximum tenor of up to 20 years. Banks will charge maximum markup rate of KIBOR plus 250 basis points. However, GOP will provide markup subsidy to reduce borrowers' rate to 5% for first five years and 7% for next five years. KIBOR is the Karachi Interbank Offer Rate that is determined in the interbank market on a daily basis and is used as a benchmark for most of the retail lending by banks. These rates are published on the website of State Bank of Pakistan on a daily basis.

Financing under Tier II is also for houses/apartments/flats upto 5 marla or 125 sq. yards with maximum covered area of 850 sq. feet and maximum price of Rs 3.5 million. Maximum financing under this Tier is Rs 3 million with maximum tenor of up to 20 years. This Tier facilitates construction or purchase of housing units by individuals and households who have not applied or qualified for NAPHDA projects. Banks will charge maximum markup rate of KIBOR plus 400 basis points. However, subsidized rate for the borrowers for first 10 years under Tier 2 is the same as that of Tier I.

The Tier III of the facility promotes affordable housing for middle-income families. This Tier allows subsidized financing for construction or purchase of houses/apartments/flats of more than 5 marla (125 sq. yards) and upto 10 marla (250 sq. yards) with maximum covered area from 850 sq. feet to 1,100 sq. feet and maximum price of Rs 6 million. Maximum financing under this Tier is Rs. 5 million with maximum tenor of up to 20 years. Banks will charge maximum markup rate of KIBOR plus 400 basis points. However, GOP will provide markup subsidy to reduce borrowers' rate to 7% for first five years and 9% for next five years.

It is expected that introduction of the facility with supply of fresh housing units through concerted efforts of NAPHDA and other stakeholders will help transform Government's vision into reality.

Details of the facility are given in SBP's circular at
<https://www.sbp.org.pk/smefd/circulars/2020/C11.htm>
