

Frequently Asked Questions — Markup Subsidy Scheme for Housing Finance

Sr. No.	FAQ	Response
1.	Can financing under the facility be utilized for the purchase of plot?	A plot of land can only be purchased under the facility if a house is to be constructed on the plot and financing is meant both for purchase of land and construction thereon provided all other terms and conditions of the facility including maximum price of house and maximum loan under the relevant tier are complied with.
2.	Would subsidy be paid/claimed during construction period keeping in view that construction of house to be completed in 12 months?	Subsidy can be claimed during construction period on the actual amount disbursed to end consumer. This period is included in total period of 10 years for which the government is providing subsidy.
3.	The applicant owns the incomplete housing unit or grey structure and requires funds to complete construction work to make house in live-able condition – suggested to fall these cases under Home Construction.	Such cases where customer buys under construction property and intends to complete the remaining unit through financing are allowed to be accommodated under G-MSS. Bank shall ensure that all criteria of G-MSS as prescribed in IH&SMEFD Circular No. 03 of 2021 dated March 25, 2021 is complied.
4.	How can the first time homeownership be established?	In order to establish first time homeownership, financing bank will obtain an undertaking to the same effect from its borrower/customer with necessary provisions for termination of subsidy and other penalties, in case it is established at a later stage, that the borrower/ customer owned a house at the time of application for availing subsidy facility. In case of Tier-I financing, the cost subsidy will also be recovered in case it is established at a later stage that borrower/customer owned a house at the time of application for availing subsidy facility.
5.	Is the financing for expansion/extension in the existing housing unit allowed?	Yes, financing will be available for expansion/extension of existing housing unit provided the housing unit after expansion/extension falls within the criteria specified under the facility.
5a.	First time home ownership in case of expansion and extension	Financing bank shall obtain undertaking from the borrower that he/she owns the only house against which they are applying financing for expansion/extension. The undertaking must include necessary provisions for termination of subsidy and other penalties, in case it is established, at a later stage, that the borrower/customer owned a second house at the time of application for availing subsidy facility.
6.	Can financing under the scheme be utilized for renovation of the existing residential unit?	No, financing for renovation i.e. improvement in existing housing unit will not be allowed under the facility.

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7.	Is bank staff eligible to avail financing under this facility?	No, bank staff is not eligible under the facility
7a.	Whether banks' third party staff is eligible under the scheme?	Yes
7b.	Are contractual employees of banks eligible for financing under the Scheme?	Contractual employees of banks who are below officer grade and are not eligible to avail staff housing finance are eligible for financing under the Scheme.
7c.	Whether staff of Microfinance banks is eligible?	Yes
7d.	In case <u>if a bank staff is NOT eligible</u> under their respective HR house loan policy/ facility (for whatever reason), whether such employees of the bank can avail this scheme?	No. Permanent employees of the bank are not eligible under the scheme.
7e.	Can banker be a co-borrower?	A banker who is permanent employee of bank can neither be a borrower or a co-borrower.
8.	How much income of co-borrower can be clubbed and how many co-borrowers/applicants are allowed?	In case of co-applicants, 100% income of co-applicants may be clubbed for credit assessment. Up to four co-applicants are allowed for a single housing unit.
9.	Can financing be extended under G-MSS if co-borrower owns a house?	Yes, financing under G-MSS may be allowed if co-borrower owns a house. However, primary borrower(s) should be first time home owner(s). 'Primary Borrower' is the borrower in whose name property title will be transferred.
10.	While availing the markup subsidy, is it allowed to sell or rent out the residential unit?	Home owner will not be allowed to sell the housing unit before expiry of 5 years from the date of acquisition. Further, during this period, he/she will not be allowed to rent out financed housing unit.
11.	What is difference between Tier 1 (T1) and Tier 2 (T2)?	The residential units announced by NAPHDA fall under Tier 1 (T1). All other residential units with the same specifications/measurements fall under Tier 2 (T2).
12.	Who is eligible for housing finance under Tier 1 (T1)?	The housing finance under Tier 1 is allowed to the applicants of NAPHDA's housing units, as confirmed by NAPHDA.
13.	What would be the size of housing units under Tier 3 in terms of Marla?	Housing units under Tier 3 are required to be greater than 5 Marla but up to 10 Marla.
13a.	Is there any covered area requirement for house in Tier 0, Tier 2 and Tier 3 as covered area is only mentioned against apartment/ flat?	There is no covered area requirement for a house falling under Tier 0, Tier 2 or Tier 3.

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13b.	In case one measuring unit i.e. Marla or square yard is mentioned on title documents, how should bank comply to size condition?	Banks are required to comply with requirements of measuring unit mentioned on title documents of the property being financed. For example, if title document mentions area in marla, financing bank is required to follow marla condition. In case both measuring units are mentioned on the title document, the bank is required to comply with condition which results in eligibility of financing by the applicant under the Scheme.
14.	In case the plot size of housing unit is 5 Marla but the financing need is more than Rs. 6.0 million, what would be its classification in terms of Tiers defined in the scheme?	The housing units of up to 5 Marla with financing need above Rs. 6.0 million will be covered under Tier 3 (T3).
14a.	If there any price restriction on the residential units to be financing under G-MSS?	There is no price restriction of residential units to be financed under Tiers 0, 2 & 3 under G-MSS. However, maximum financing shall not exceed as specified in each Tier. For T1, maximum price will be Rs. 3.5 million.
15.	What Loan-to-Value (LTV) ratio should be observed while extending financing under the scheme?	For low cost housing finance, as defined in IH&SMEFD Circular No. 12 of 2020, maximum LTV ratio of 90:10 will apply. For other housing units, maximum LTV ratio of 85:15, as specified in PRs for Housing Finance will apply.
16.	Will the markup subsidy be available even after the loan is classified as loss?	Markup Subsidy will be discontinued on categorization of a loan as "Loss".
17.	Is unequal monthly installment for the repayment of loan allowed under the scheme?	The repayment of financing under this Facility will be in equal monthly installments.
18.	Will there be any prepayment penalty?	In case of early payment, banks will not charge penalty to the customer.
19.	Which KIBOR shall be used for loan pricing?	The KIBOR used for pricing will be One Year KIBOR to be reset every year.
20.	Is the pricing spread for banks mentioned in the scheme fixed for each Tier?	The spread mentioned in the scheme for each Tier is the maximum spread. Banks may opt for less spread.
21.	I have availed housing finance before the revisions advised in GMSS. After revisions, my financing which was earlier fell in Tier 3 falls under Tier 2 in accordance to revised parameters, what markup rate is applicable?	Till March 31, 2021, customer will pay housing finance installment as per prevalent markup rates. However, from 1st April 2021 and onward, banks shall calculate the installment as per revised tiers and markup rates as advised in IH&SMEFD Circular No. 03 dated March 25, 2021.
22.	Before revisions in scheme, a customer availed housing finance under G-MSS for construction of house. Few	Yes, the facility can be revised provided that customer complies with all conditions of GMSS and fulfills bank's own internal risk assessment criteria.

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	tranches have been disbursed. However, after abolishment of area restriction, customer intends to expand the area of house. Is it allowed to revise its facility?	
23.	Can banks obtain documents in addition to checklist provided by PBA?	The financing banks will not require borrowers to provide documents in excess of standard checklist of documents circulated by Pakistan Banks' Association.
24.	Is it right to say that the financing tenor under the facility is up to 5 years with flexibility to go up to 20 years, depending upon choice of customers.	It is other way round. The financing tenor is up to 20 years with flexibility on the choice of the customer. The customer can opt for any tenor between 5 and 20 years.
25.	What is the minimum financing tenor under this scheme?	Minimum financing tenor under the scheme is five (05) years.
26.	Is NRP eligible under this scheme either as a main applicant or co-applicant?	The financing can be extended to an NRP holding CNIC. However, financing bank has to adhere to all relevant regulations including Foreign Exchange Regulations.
26a.	Are NRP allowed to avail financing under the subsidy facility?	Yes, NRPs holding NICOP can also avail financing under 'Markup Subsidy for Housing Finance'.
27.	In case of both salaried & non-salaried individual working in an informal sector , how can a minimum required tenor of job & business be ascertained in the absence of any formal document?	There is no regulatory requirement of minimum tenure for Job/ business of a borrower.
28.	Can this facility be terminated/paid-off at any point of time say before 5 years or there is any minimum terminated/pay-off period.	Facility can be terminated/paid-off by borrower at any point in time. Further, financing banks will not charge any prepayment penalty in case of early repayment by the borrower.
29.	Is there any maximum income criteria ?	There is no such regulatory requirement.
30.	If applicant holds an agricultural land , can he/she apply under this scheme?	Scheme does not bar such arrangement provided all other Federal/ Provincial Governments' rules & regulations are observed.
31.	In case where both spouse are working , can they both apply on their own?	Both spouse can apply. However, only one of the spouse can avail financing under the scheme.
32.	What will be applicable KIBOR in case of subsidy claim mechanism?	KIBOR of last working day of the month prior to disbursement month may be used by banks.