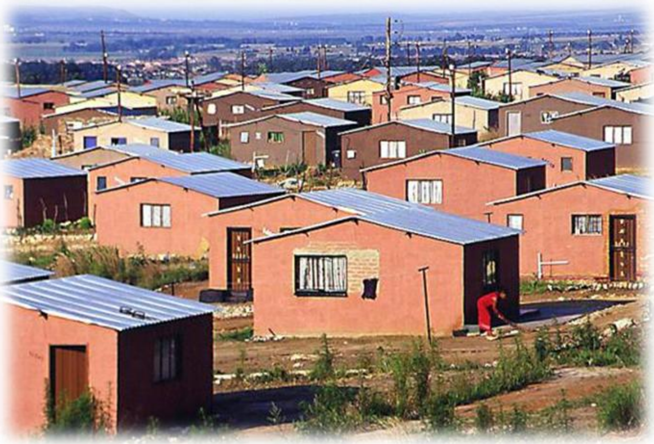


State Bank of Pakistan

Quarterly Housing Finance Review

For the Quarter ended March 31, 2014

Infrastructure, Housing & SME Finance Department | Team Members

Imran Ahmad, Additional Director
Wasif Hussain, Assistant Director
Awais Shafi Mojai, Assistant Director

Under the guidance of
Syed Samar Hasnain, Director

Vision Statement

To create an enabling environment aimed at promotion and development of sustainable market-based financial services for Infrastructure, Housing and SMEs, and financing of exports, with ready access to formal financial system, to support long-term economic growth.

Mission Statement

To transform into a dynamic, efficient department through learning from regional and international best practices, to develop and implement policies for Infrastructure, Housing & SME Finance, and support the government's policies for financial incentives to priority areas, so as to effectively contribute towards the economic development of the country.

Executive Summary

The Infrastructure, Housing & SME Finance Department of State Bank of Pakistan publishes its Quarterly Housing Finance Review to reflect data on housing finance, collated on a periodic basis from public sector banks, private banks, foreign banks, DFIs and House Building Finance Company Limited (HBFCL). It portrays trend of different parameters like disbursements, outstanding and recoveries.

The quarter ending March 31, 2014 depicted a meager increase in gross outstanding of housing finance of Rs.0.3 billion (0.6 percent) over the quarter and stood at Rs. 51.6 Billion. On the other hand, NPLs of the housing finance portfolio also increased by 1.80 percent to 16.21 Billion at the end of quarter under review. In terms of their ratio to outstanding they were recorded at 31.4 percent. Around 658 new borrowers were extended house finance during the quarter (Jan-Mar, 2014), accounting for Rs. 2.34 billion of new disbursements. HBFCL accounted for 52.58 percent of these new borrowers and contributed 19.77 percent of the new disbursements equivalent to Rs. 463 million.

Summing up, banks have not pursued housing finance products due to lack of implementation of foreclosure law, titling issues and availability of risk free investment avenues. Another reason hindering the growth of housing finance in Pakistan is reluctance of banks for lending outside few big cities. Moreover, the lack of effective institutional framework and secondary mortgage market and long term funding arrangements are still the major constraints towards the growth of housing and housing finance which is one of key drivers of the economy.

Contents

State of Housing Finance

Rapid urbanization in Pakistan has resulted in increasing the deficit of housing units. As per World Bank[1] studies in year 2009, there was a backlog of 7.5 million housing units in Pakistan which is accumulating by 0.3 million per year. Studies indicate that most of the housing finance is arranged through personal sources. The formal financial sector caters to only one to two percent of all housing transactions in the country, whereas informal lending caters to 10-12 percent of such transactions.

Although Pakistan has laws for land registration and transfer, the process is cumbersome at times, because of number of institutions involved. The reforms in the property titling and land administrative procedures including improvements of the legal provisions, standardization of processes, and computerization of all relevant revenue records will help enhance financing from the formal sector. The *Financial Institutions Recoveries Ordinance, 2001* empowers financial institutions in case of default to foreclose a mortgage property without recourse to the court of law. However, Section 15 of this Ordinance has been declared "ultra vires" to the constitution by Supreme Court of Pakistan.

Land records are manually maintained leading to errors and omissions especially in rural and some urban areas. Resultantly, they have modest commercial value for the mortgagee financial institutions. The lack of efficient and reliable system of ascertaining the bona-fide of property titles has forced banks to limit the access of housing finance to a certain number of urban localities within the urban centers.

Majority of builders and developers are working as sole proprietorships or in partnerships with limited capital and informal corporate governance structures, which gives rise to illegal construction, unreliable building permits, and legally unprotected advance purchase of units. The unstructured and unsupervised nature of business of real estate brokers/agencies, which could serve as natural arrangers for provision of financial services, is also a significant constraint to the provision of housing and housing finance. Consequently, it is difficult for financial institutions to verify the character, capital, and capacity of potential clients. Risk assessment and portfolio valuation is also fragile, which is another factor for the lenders' caution. As a result, financial institutions are reluctant to enter this market, which in turn causes scarcity of finance and constraints in the supply of housing.

Housing Advisory Group (HAG) Recommendations, initiated in 2007, were a commendable way forward for the housing sector in Pakistan. These recommendations were drafted keeping in view the issues discussed above. SBP, realizing its role in market development, has been making efforts to ensure effective implementation of these recommendations. As a result, Mortgage Refinance Company (MRC) is now in its final phase of being incorporated. Establishment of Housing Observatory is being pursued on priority basis. To give boost to housing finance, separate Housing Finance (HF) PRs are being issued. Furthermore, Developer Finance guidelines are issued to structure and streamline the Large Scale Developer Finance (LSDF). Also, SBP is actively involved in capacity building of HF industry through various workshops and training programs being conducted throughout Pakistan.

At present, commercial banks, House Building Finance Company Limited (HBFCL) and one microfinance bank are catering to the housing finance needs. HBFCL is the only specialized housing bank in the country providing housing finance since 1952, while commercial banks entered the mortgage business in 2003. Although HBFCL's share in the total housing finance has reduced in absolute terms, it is still the only institution with mandate to cater to the lower-middle and low-income groups.

[1] See "Expanding Housing Finance to the Underserved in South Asia Market Review & Forward Agenda" by Tatiana Nenova, World Bank

Major Trends

The Gross outstanding reached to Rs. 51.6 billion; increased by 0.58 percent (Rs.0.3 Billion) over last quarter.

Gross Outstanding

The gross outstanding finance as on March 31, 2014 of all banks and DFIs stood at Rs. 51.6 billion (Figure 1), compared to Rs. 52.6 billion as on March 31, 2013, showing a decrease of Rs. 1.0 billion (1.90 percent) over the year.

The Gross outstanding of the banking sector remained stagnant or decreased over the year except for Islamic Banks which showed an increase of 5.34 percent from previous quarter and reached to Rs. 12.3 billion by the end of March 2013.

Banking sector-wise total outstanding on quarters ending March 2013 and 2014 are shown in Figure 2. Of the total outstanding as of Mar 31, 2013, commercial banks accounted for Rs. 39.3 billion; a 1.46 percent decline since quarter ending Mar 31, 2013. Private banks reported Rs. 20.6 billion followed by Islamic banks at Rs. 12.3 billion, public sector banks at Rs. 6.3 billion and foreign banks with Rs. 0.3 billion. The outstanding loans of HBFCL were Rs. 12.2 billion; down by 2.67 percent over the last year. Other DFIs had a meager share of Rs. 0.1 billion in outstanding loans.

The gross outstanding of Islamic Banking industry showed an increase of Rs. 0.61 billion (4 percent) over the quarter.

The gross outstanding housing finance as on March 31, 2014 of Islamic Banking Industry (Five Islamic Banks (IBs) & 14 Islamic Banking Divisions (IBDs) of Conventional Banks) stood at Rs. 15.49 billion can be seen in Figure 4. Compared to quarter ending March 31, 2013, gross outstanding of Islamic banking Industry increased by 17 percent (Rs. 2.27 billion) as shown in Figure 3.

The gross outstanding of IBs decreased by 2 percent and that of IBDs increased by 38 percent over preceding quarter.

Of the total outstanding in Islamic housing finance, Islamic banks accounted for Rs. 12.26 billion; an increase of 27 percent over the year. IBDs of conventional banks posted Rs. 3.22 billion (10% percent decline since quarter ending March 31, 2013).

Figure 1 (Amount in Rs. Billion)

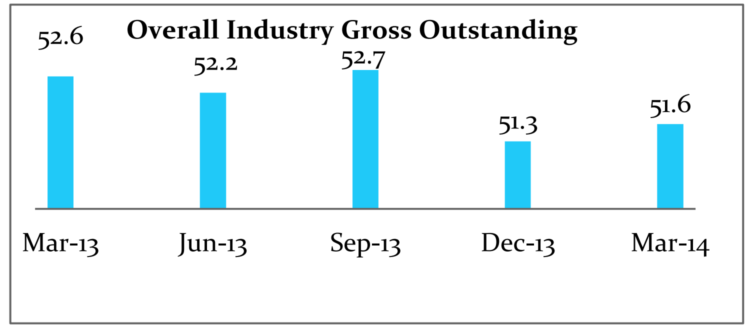


Figure 2

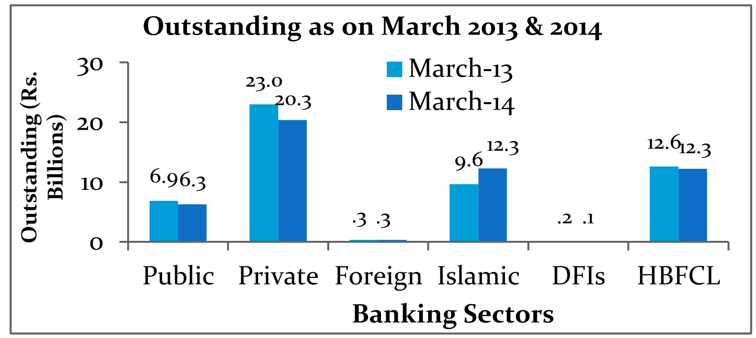
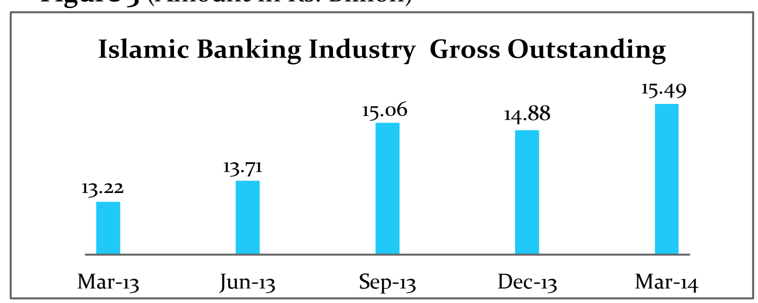


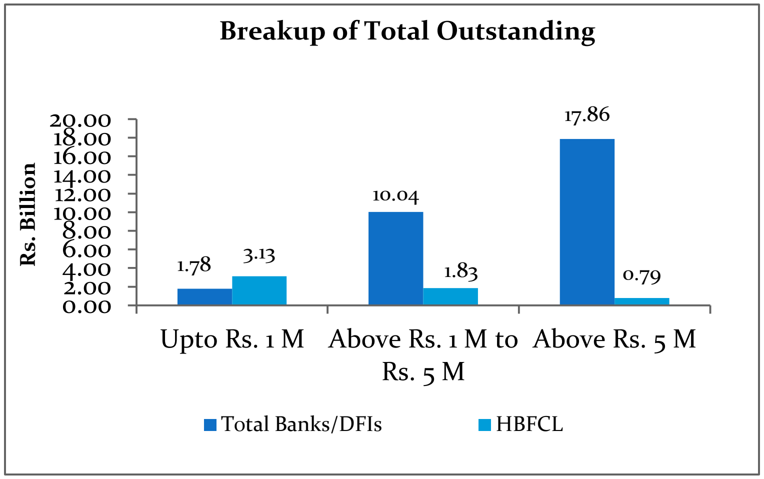
Figure 3 (Amount in Rs. Billion)



From Figure 4, it can be concluded that Commercial banks have more inclination towards big ticket items. However, HBFCL is catering the market requiring small ticket size.

Figure 4 shows the breakup of total outstanding in terms of loan size. As of March 31, 2014, HBFCL and All Banks & DFIs reported outstanding loans net of NPLs in the category 'Up to Rs. 1 million' as Rs. 3.13 billion and Rs. 1.78 billion against 12,483 borrowers and 5,303 borrowers respectively. In second category 'Above Rs. 1 Million to Rs. 5 Million', HBFCL reported Rs. 1.83 billion and All Bank & DFIs reported Rs. 10.04 billion outstanding. In the third category 'Above Rs. 5 Million', HBFCL reported Rs. 0.79 billion and all Banks DFIs reported Rs. 17.86 billion outstanding.

Figure 4



Share of Banks

The share of private banks decreased by one percent to 39 percent over the quarter. The share of Islamic Banks increased to 24 percent from 23 percent over the quarter. However, the share of public sector banks, foreign banks and HBFCL remained unchanged over the quarter.

The market share of Conventional Banking (excluding HBFCL) increased by two percent over the last quarter. The share of Islamic banking industry, however, decreased by two percent to 27 over the previous quarter. On the other hand, market share of HBFCL remained unchanged since December, 2013.

The overall market share (based on gross outstanding) of commercial banks (excluding DFIs) remained unchanged at 76 percent compared to the corresponding period last year. Within commercial banks, the share of Public Sector banks in the total outstanding decreased to 12 percent from 13 percent and the share of HBFCL in the total outstanding increased from 23 percent to 24 percent over the year. The share of Private Sector banks decreased to 39 percent from 44 percent over the year. The share of Islamic banks increased to 24 percent from 18 percent and the share of Foreign Banks remained unchanged at one percent over the year as shown in Figure 5.

The share of Conventional Banking (excluding HBFCL), Islamic Banking Industry and HBFCL in the total outstanding was 49 percent, 27 percent and 24 percent respectively as on March 31, 2014 (Figure 5.1). IBDs (12 windows) and Islamic banks (05 banks) have 14 percent and 86 percent share respectively (IBDs share decreased to 14 percent from 22 percent over the year) in housing finance portfolio of Islamic Banking Industry (Figure 5.2).

Figure 5

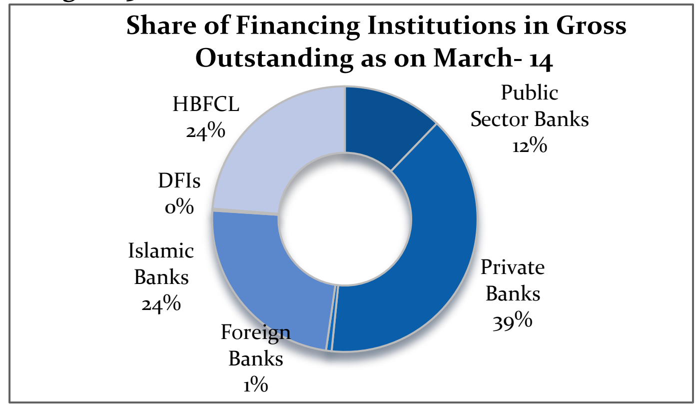


Figure 5.1:

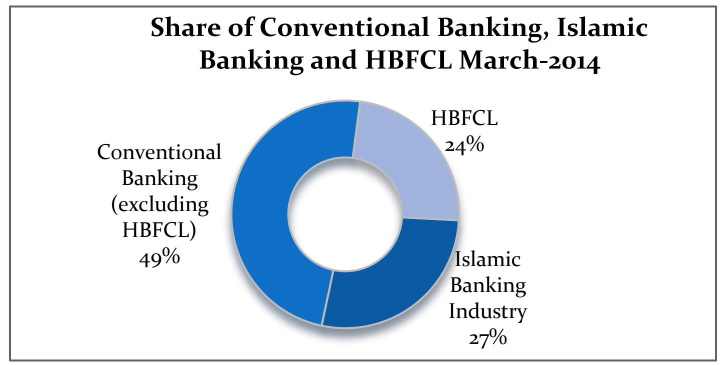
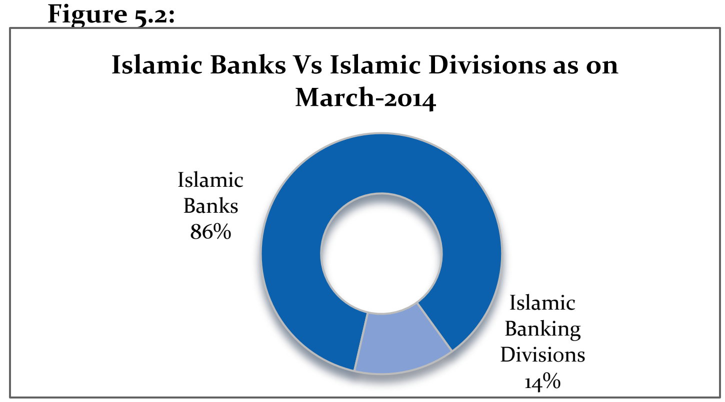


Figure 5.2:



Non-Performing Loans (NPLs)

The stock of NPLs as on March 31, 2014 was Rs. 16.21 billion, showing a 1.82 percent increase over the yester quarter (Dec, 2013).

HBFCL's NPLS showed a decrease of Rs. 299 million (4 percent) over the yester quarter ended Dec, 2013.

NPLs decreased from Rs. 18.36 billion (March 31, 2013) to Rs. 16.21 billion (March 31, 2014); 11.71 percent (Rs. 2.15 billion) decrease during the year as shown in Figure 6. Figure 7 shows a comparison of existing NPLs status of different banking sectors with last year. Figure 8 compares NPLs as a percentage of outstanding portfolios at the end of quarters on March 31, 2014 and 2013.

HBFCL's NPLs decreased from Rs. 7.4 billion to Rs. 6.5 billion during the year; a 12.16 percent decrease as shown in Figure 6.1. Although, HBFCL's NPLs decreased in absolute terms, its percentage share in its total outstanding, however, is the greatest after Foreign Banks' NPLs, as 53 percent of its total outstanding constitutes NPLs (Figure 7). HBFCL's percentage share in total NPLs is 40.1 percent.

Excluding HBFCL, the NPLs of housing finance industry increased by 6.43 percent (Rs. 587 million over the quarter).

Excluding HBFCL, NPLs for all banks and other DFIs have decreased by 11.44 percent over the year from Rs. 10.96 billion to Rs. 9.71 billion. The percentage share of NPLs of all banks and other DFIs (excluding HBFCL) was 60 percent in total NPLs as on March 31, 2014, which was recorded at similar level at the end of March 31, 2013.

Among banks, as shown in Figure 7, non-performing finances (NPFs) of Islamic banks witnessed a decrease of 13.34 percent during the year, from Rs. 1.7 billion to Rs. 1.5 billion. Their NPFs constitute 9.23 percent, as on March 31, 2014, of total industry NPLs. NPLs of the public sector banks decreased by 8.01 percent from Rs. 1.84 billion to Rs. 1.69 billion, over the year, which were 26.28 percent of their total outstanding as of March 31, 2014. Private banks' NPLs decreased by 13.29 percent, from Rs. 7.14 billion to Rs.

Figure 6: (amount in Rs. Billion)

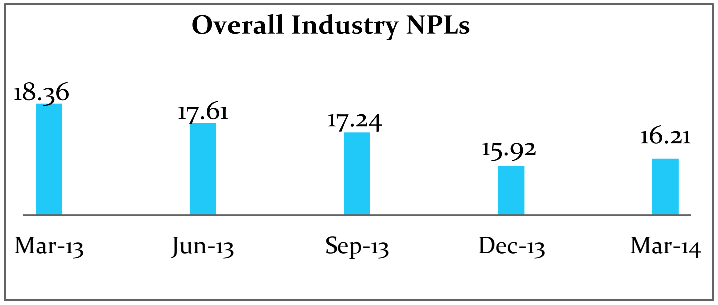


Figure 6.1: (amount in Rs. Billion)

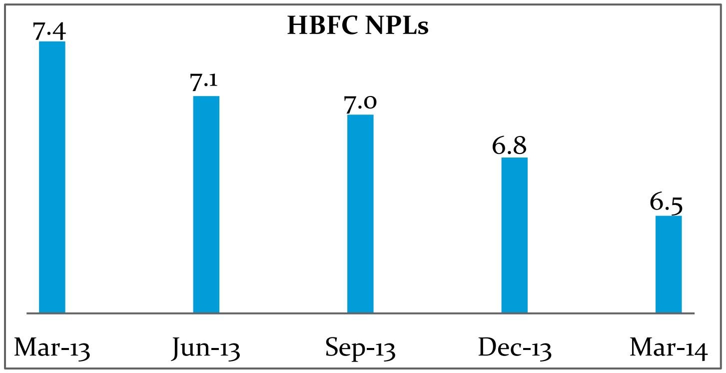
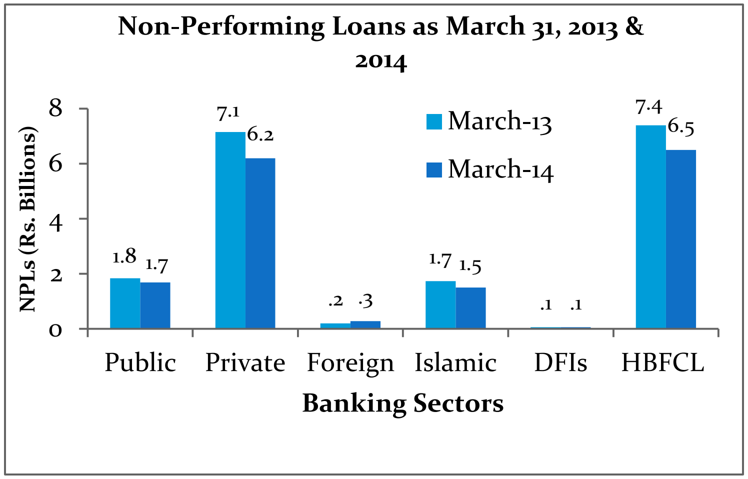


Figure 7



6.20 billion which were 30.45 percent of their total outstanding. NPLs of foreign banks as a percentage of their outstanding portfolio increased from 65.46 percent (at the quarter ended March, 2013) to 77.71 percent as of March 31, 2014. NPLs of DFIs (excluding HBFCL) increased from Rs. 55.20 million to Rs. 57.35 million; a 3.89 percent increase over the year with 45.89 percent of its total outstanding classified as NPLs as on March 31, 2014.

The NPFs of Islamic Banking industry increased by 9.63 percent (Rs. 168 million) over the quarter.

Non-Performing Finances (NPFs) for Islamic Banking Industry (IBs & IBDs) shown in Figure 9 were reported as Rs. 1.91 billion on March 31, 2014, which were Rs. 2.41 billion at the end of March 31, 2013, showing decrease of 20.79 percent (Rs. 502 million).

Figure 10 shows the breakup of NPLs in terms of Loan disbursed i.e. up to Rs. 1 million, above Rs. 1 million to Rs. 5 Million and above Rs. 5 million. As of March 31, 2014, Rs. 5.59 billion of 41,817 borrowers were recorded as NPLs in the category of 'up to Rs. 1 Million' out of which Rs. 5.27 billion belonged to HBFCL against 41,106 borrowers and Rs. 0.32 billion was reported by All Banks & DFIs against 711 borrowers. In the second category 'Above Rs. 1 million to Rs. 5 million', total defaulters were 2,136 with the amount Rs. 4.48 billion, as of March 31, 2014, out of which Rs. 0.98 against 690 borrowers were reported by HBFCL and Rs. 3.51 billion against 1,446 borrowers were reported by All Banks & DFIs. In the third category 'Above 5 Million', total NPLs, as of March 31, 2014, was Rs. 6.13 billion against 877 borrowers out of which 106 defaulters with the amount of Rs. 0.26 billion were of HBFCL and Rs.5.88 against 771 borrowers belonged to All Banks & DFIs.

Figure 8

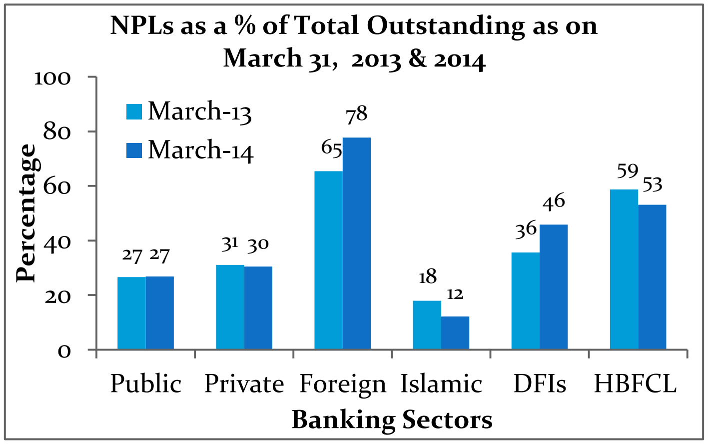


Figure 9 (Amount in Rs. Billion)

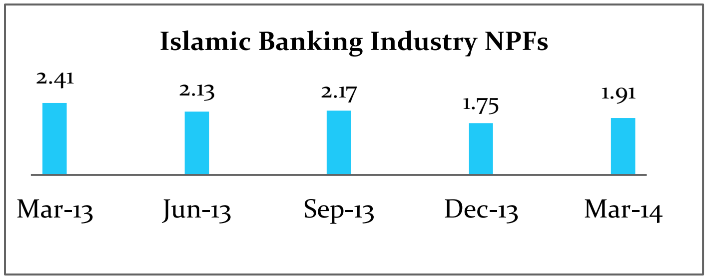
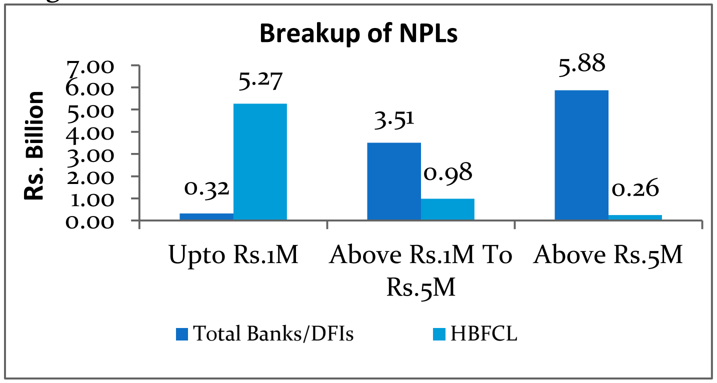


Figure 10



Number of borrowers decreased by 1.6 percent (1231) over the yester quarter (Sep, 2013).

Number of Borrowers

Number of borrowers decreased from 82,346 to 75,627 since March 31, 2013 over the year; a decline of 8.16 percent. As shown in Table 1, there was a decrease in number of borrowers in each category except in Islamic Banks.

In terms of percentage, approximately 59.28 percent of total borrowers of housing finance were classified as non-performing. However, this is primarily due to HBFCL's number (43,117) of non-active borrowers, classified as non-performing, which account for 75.67 percent of its borrowers. Thus, by excluding HBFCL, 14 percent of total borrowers of housing loans have been classified as non-performing.

Figure 11

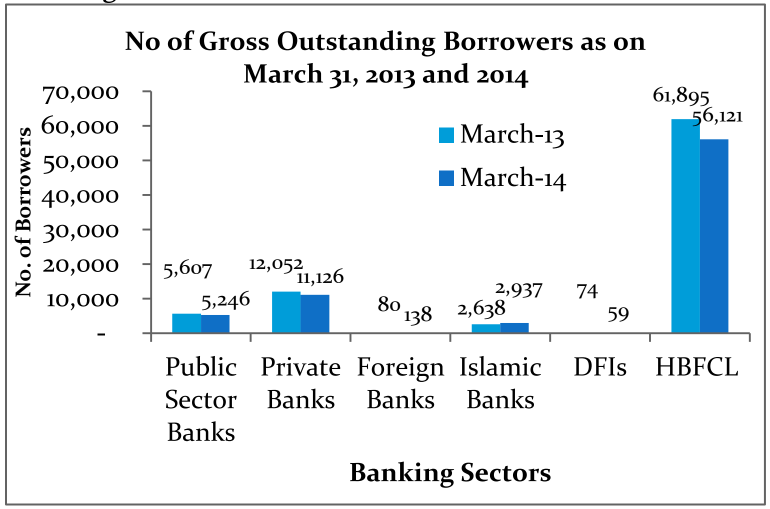


Table 1

Banks/ DFIs	March – 14			March – 13		
	No. Active Borrowers	No. of Borrowers classified as NPLs	Total O/s Borrowers	No. Active Borrowers	No. of Borrowers classified as NPLs	Total O/s Borrowers
Public Sector	4,594	652	5,246	4,924	683	5,607
Private Banks	9,272	1,854	11,126	9,987	2,065	12,052
Foreign Banks	25	113	138	31	49	80
Islamic Banks	2,640	297	2,937	2,298	340	2,638
DFIs	47	12	59	64	10	74
HBFCL	14,219	41,902	56,121	14,577	47,318	61,895
Total	30,797	44,830	75,627	31,881	50,465	82,346

Disbursements

During the quarter ended March 31, 2014, total disbursements made were reported as Rs. 2.34 billion which were Rs. 0.6 billion lower than the disbursements made during the quarter ended December 31, 2013.

Fresh disbursements of Rs. 2.34 billion (Figure 12) were made to 658 borrowers during the quarter ending March 31, 2014 (Table 2). Islamic banks extended new disbursements with Rs. 1.30 billion followed by private banks with Rs. 514 million and public sector banks with Rs. 68 million. HBFCL's fresh disbursements (Figure 13) for the quarter were reported to be Rs. 463 million. Among commercial banks, the number of new borrowers totaled 312, with private banks serving 71 new borrowers and Islamic banks 218 customers. HBFCL extended loans to 346 new borrowers during the quarter under review.

Fresh disbursement for Islamic Banking Industry was Rs. 1.44 billion to 235 new borrowers during the quarter ending March 31, 2014. This includes new disbursements of Rs. 146 million to 17 customers by IBDs of conventional banks.

Figure 14 shows the disbursement break-up in terms of loan size. Commercial banks disbursed Rs. 1.41 billion (122 borrowers) in terms of loans above Rs. 5 million and Rs. 0.05 billion (50 borrowers) against the category up to Rs. 1 million.

Table 2

New Disbursements during the quarter ending March 31, 2014		
	Amount (Rs. Millions)	**No. of Borrowers**
Public Sector Banks	68	23
Private Banks	514	71
Foreign Banks	-	-
Islamic Banks	1,297	218
All Banks	1,879	312
DFIs	-	-
HBFCL	463.0	346.0
Total	2,342	658
Islamic Industry	1,443	235

Figure 12: (Amount in Rs. Billion)

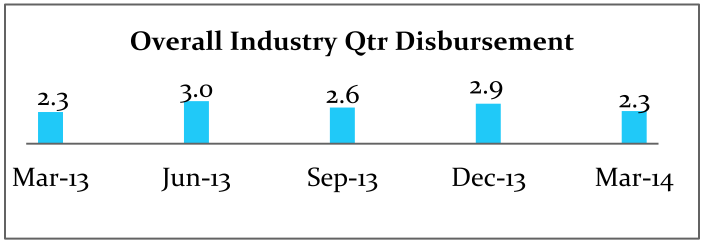


Figure 13: (Amount in Rs. Billion)

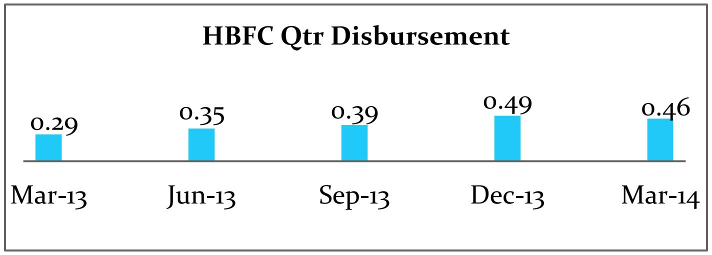
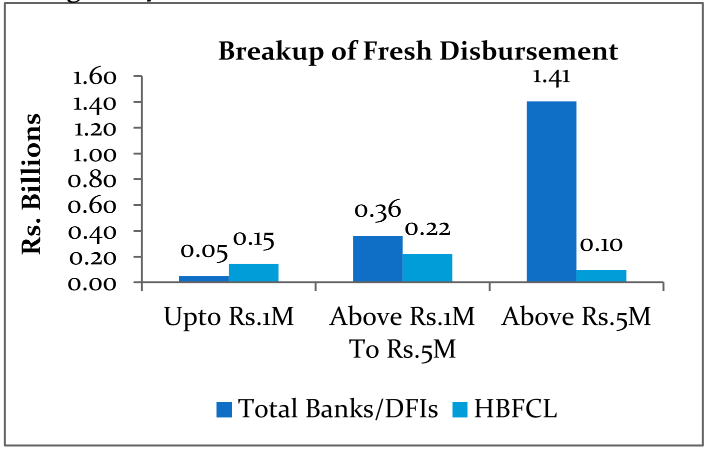


Figure 14



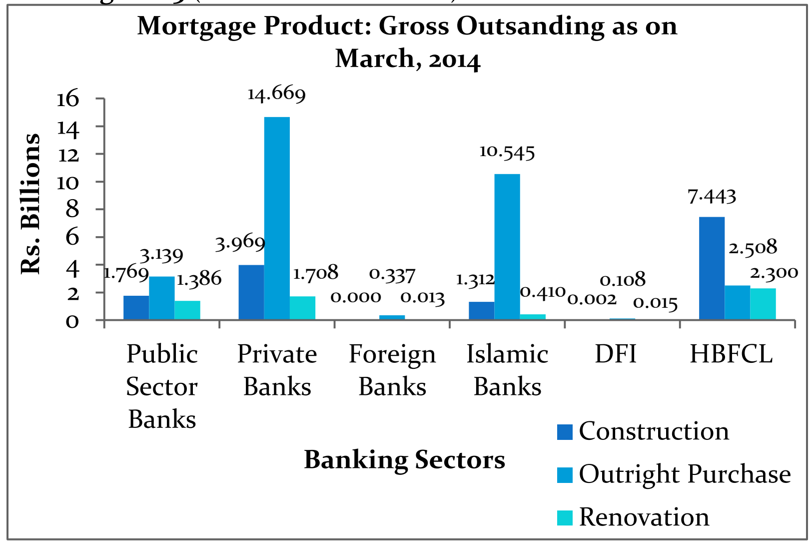
Products Category-Wise Share

The biggest share of housing finance continued to be attracted towards outright purchase (Figure 15).

The highest amount of financing being outstanding remained in outright purchase.

The gross outstanding for 'outright purchase' stood at Rs. 31.3 billion as on March 31, 2014; a 60.6 percent share in total outstanding of Rs. 51.63 billion. This is followed by the 'construction' category where gross outstanding reported at quarter-end stood at Rs. 14.5 billion and that of 'renovation' stood at Rs. 5.83 billion. Active portfolio shows that private banks took a lead in financing for outright purchase at 47 percent. Islamic banks have the share of 29.28 percent in outright purchase financing. HBFCL has taken lead in financing two sectors i.e. construction category 51 percent and renovation category 39 percent.

Figure 15 (Amount in Rs. Billion)



Analysis of Financing Variables adopted by Banks/DFIs and HBFCL

Tables 3 to 6 summarize financing variables across all banking sectors including weighted average mark-up rate, average maturity period, Loan-to-Value ratio (% financing by banks) and average loan size.

Weighted average Markup rate

The overall weighted average Markup rate was 13.7 percent at the end of the current quarter as shown in Table 3. Highest weighted average profit rate was reported as 14 percent by Public Sector banks, Foreign Banks and HBFCL. Islamic Bank's rate stood at 13.1 percent and Private Sector banks at 13.2 percent.

Table 3

	Weighted Average Interest Rate (%)				
	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13
Public Sector Banks	14.0	10.8	11.3	12.8	13.2
Private Banks	13.2	13.8	13.8	14.3	14.0
Foreign Banks	14.0	14.7	14.7	14.7	14.3
Islamic Banks	13.1	12.9	12.9	13.0	14.0
All Banks	13.3	13.3	13.3	13.7	13.9
DFIs	-	-	-	-	-
All Banks & DFIs	13.3	13.3	13.3	13.7	13.9
HBFCL	14.0	13.0	13.0	13.0	13.1
Total Average	13.7	13.1	13.1	13.4	13.5

Average maturity periods

Average maturity period of outstanding loans as on March 31, 2014 was 11.5 years. HBFCL's average maturity period was 11.5 years, while that of Public Sector Banks is 6.3 years. Table 4 shows that among commercial banks, Foreign Banks extended housing finance loans for average tenure of 12.5 years followed by Private Banks with 11.5 years and Islamic Banks with 9.9 years.

Table 4

	Average Maturity Period (Years)				
	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13
Public Sector Banks	6.3	9.0	9.0	12.5	13.4
Private Banks	11.5	13.7	13.7	11.6	12.8
Foreign Banks	12.5	10.8	10.8	10.8	10.7
Islamic Banks	9.9	10.7	10.7	9.9	10.3
All Banks	10.5	12.1	12.1	10.8	11.8
DFIs			-	-	-
All Banks & DFIs	10.5	12.1	12.1	10.8	11.8
HBFCL	11.5	12.2	12.2	12.7	14.2
Total Average	11.5	12.2	12.2	11.7	12.3

Loan to Value ratio (LTV)

The percentage of financing (Loan to Value ratio) extended by banks and DFIs remained 42 percent during the year (Table 5). Average LTVs of commercial banks decreased from 43.4 percent to 39.9 percent over the year. The average LTV for HBFCL was reported at 44.2 percent at the end of quarter Jan-Mar, 2014.

Table 5

	Loan to Value Ratio				
	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13
Public Sector Banks	46.7	46.7	46.7	46.7	46.7
Private Banks	28.7	41.6	41.6	40.2	49.0
Foreign Banks	45.3	44.0	44.0	44.0	44.0
Islamic Banks	39.0	41.3	41.3	43.5	40.0
All Banks	39.9	43.4	43.4	43.6	44.9
DFIs	-	-	-	-	-
All Banks & DFIs	39.9	43.4	43.4	43.6	44.9
HBFCL	44.2	44.6	44.6	42.8	42.9
Total Average	42.1	44.0	44.0	43.2	43.9

Average loan size

Average loan size for disbursements made during the quarter ending March 31, 2014 (Table 6) was Rs. 4.5 million for all banks, except HBFCL. The average loan size for HBFCL was Rs. 2.2 million. Private Banks reported an average financing size of Rs. 8.9 million, Foreign Banks 5 million and Islamic Banks reported an average financing size Rs. 4.6 million. Public sector bank's average loan size stood at Rs. 2.2 million.

Table 6

	Average Loan Size (Rs. Millions)				
	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13
Public Sector Banks	2.2	3.6	3.6	2.9	2.5
Private Banks	8.9	4.4	4.4	5.6	7.3
Foreign Banks	5.0	5.0	5.0	3.7	4.0
Islamic Banks	4.6	5.1	5.1	3.3	3.6
All Banks	6.9	4.5	4.5	4.5	7.0
DFIs	-	-	-	-	-
All Banks & DFIs	6.9	4.5	4.5	4.5	7.0
HBFCL	2.2	2.0	2.0	2.8	2.3
Total Average	4.5	3.3	3.3	3.6	4.6

Housing Finance Business of Microfinance Banks:

Gross Outstanding

The outstanding housing finance of Microfinance Banks (MFBs) was Rs. 214.02 million as on March 31, 2014 which was Rs. 199.75 million at the end of December 31, 2013. It registered an increase of 7.14 percent, over the last quarter.

Number of Borrowers

The number of outstanding borrowers increased from 2,039 to 2,173 over the quarter; an increase of 6.57 percent.

Non-Performing Loans

NPLs for MFBs increased to Rs. 183.08 million from zero during current quarter.

Mortgage to GDP Ratio:

While calculating mortgage to Grand Domestic Product (GDP Nominal), following figures were taken in to account.

- Outstanding finances of Commercial Banks, DFIs and Microfinance banks were Rs. 51.6 Billion as of March 31, 2014.
- Amount of finance availed by employees of the banks and DFIs was Rs. 64.10 Billion as of March 31, 2014.
- Nominal GDP for FY 2012-13 was Rs. 22,909.079[2] billion

Mortgage to GDP Ratio = Total Mortgages/GDP

Mortgage to GDP ratio was 0.50% as of March 31, 2014.

---

[2] http://www.sbp.org.pk/reports/stat_reviews/Bulletin/2014/Mar/EconomicGrowth.pdf

Special Section

Issuance of Guidelines for Financing to Housing Builders/Developers:

SBP, vide IH&SMEFD Circular No. 02 of 2014 issued its guidelines for financing to house builders/developers. The need of these guidelines was felt keeping in view the peculiar nature of the financing requirements of the builders/ developers. Based on an analysis of the mechanisms being adopted by central banks and regulatory authorities in the region and world, a model has been developed. It is hoped that through supply of bank finance, builders/developers would be able to increase the supply of affordable housing units. Based on given criteria, the banks/DFIs are encouraged to develop suitable products to facilitate finance to credit worthy Real Estate Builders/Developers.

These guidelines broadly cover the following areas:

- Eligibility Criteria of a Builder/ Developer
- Documents Relating to Financial Standing of a Builder/ Developer
- Documents Relating To Property/Project
- Assessment of Builders/Developers Projects
- Valuation of a Project
- Legal Opinion on Project/ Property Document
- Collateral Arrangements
- Debt/Equity Ratio
- Escrow Account
- Insurance/Takaful
- Other Arrangements

Initiatives and Achievements

Recognizing the importance of housing sector in boosting the domestic economy, following initiatives have been taken by SBP to further develop market based mechanisms and enhance the flow of credit to this priority sector.

Workshop on Retail Financing in Developer's Housing Projects:
A workshop on Retail Financing in Developer's Housing Projects was organized by State Bank of Pakistan on February 6, 2014 at Learning and Resource Center (LRC), Karachi. 26 participants from different financial institutions participated in the session.

For the presentation of the session, please visit http://www.sbp.org.pk/departments/ihfd-house.htm.

Workshop on General Housing Finance: A workshop on General Housing Finance was organized on March 31, 2014 at SBP-BSC (Bank) Sukkur. The workshop was organized with the objective to enhance understanding of housing finance to mortgage bankers. 26 participants from different financial institutions participated in the session.
For the presentation of the session, please visit http://www.sbp.org.pk/departments/ihfd-house.htm.

Workshop on Risks involved in Housing Finance Processing and Documentation: A workshop on Risks involved in Housing Finance Processing and Documentation on February 3, 2014 at SBP-BSC (Bank) Lahore. 44 participants from different financial institutions participated in the session.

For the presentation of the session, please visit http://www.sbp.org.pk/departments/ihfd-house.htm.

Housing Observatory: A meeting was held in Islamabad on March 24, 2014 at NIBAF, Islamabad with the stakeholders of Housing Observatory. It has been proposed that a cell may be established at National Housing Authority (NHA) under Ministry of Housing and Works to materialize the concept of housing observatory in Pakistan.

Strategic Plan for Housing Finance in Pakistan:
The Objective of this report is to analyze the current scenario of housing finance industry in the country and to suggest various policy initiatives for the strengthening of this sector. A meeting with major players in Mortgage industry was held in order to obtain their input in this regard. The document is expected to be published soon.

News on Housing Finance

SBP exempts Government housing schemes from 10pc exposure limit:

State Bank of Pakistan (SBP) has exempted the government housing schemes and initiatives from the exposure limit of 10 percent on real estate sector. The initiative was taken in order to promote low income housing in Pakistan.

[http://www.brecorder.com/pakistan/banking-a-finance/151786-sbp-exempts-govt-housing-schemes-from-10pc-exposure-limit.html]

SBP unveils 5-year plan to boost Islamic Finance: The plan envisages promoting Islamic Finance in Pakistan. It has been proposed in the plan that housing finance products would be designed based on market prices and rentals, rather than the current practice which uses interest-based pricing benchmarks by 2017. Guidelines would also be developed by next year for project and infrastructure sukuk (Islamic bonds).

Also, efforts will be made to encourage financing of low-income housing, where there is unfilled demand of 7.5 million housing units that is accumulating by 350,000 units every year. [http://in.reuters.com/article/2014/02/25/islamic-finance-pakistan-idINL6N0LU00320140225]

HBFCL launches small builders finance scheme:

The House Building Finance Company Ltd (HBFCL) has launched the small builders finance scheme to facilitate the small builders/developers who are in the business of building and selling of houses/flats. Although, this scheme was launched in 2007, however, later on its operations were suspended. The Objective of this scheme is to facilitate the small contractors/individuals who are engaged in the real estate; housing and construction industry.

[http://www.nation.com.pk/business/28-Mar-2014/hbfcl-relaunchs-small-builders-finance-scheme]

N.Y. Awards $95 Million in Funding:

More than $95 million in funding has been approved for affordable housing developments across New York. The funding will help build and preserve nearly 2,100 affordable housing units and leverage about $435 million in grants, loans, and private resources

[http://www.housingfinance.com/affordable-housing/ny-awards-95-million-in-lihtc-other-funds_0.aspx?dfpzone=news]

Housing loans hit from political turmoil in Thailand:

Overall housing loans in November and December decreased 10-15% and are expected decline further. The negative scenario is on the back of postponement of house transfers and mortgage registrations by homebuyers mainly due to the concerns over prolonged political uncertainty.

[http://www.bangkokpost.com/business/finance/393443/housing-loans-take-hit-from-political-turmoil]