INFRASTRUCTURE, HOUSING & SME FINANCE DEPARTMENT

Quarterly Housing Finance Review

October-December 2011

The Infrastructure, Housing & SME Finance Department of State Bank of Pakistan presents its Quarterly Housing Finance Review for the quarter ending December 31, 2011.

This review contains 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. Some news pertaining to housing & housing finance are also presented in it.

Team Members

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State of Housing Finance

In Pakistan, rapid urbanization has become a challenge for increasing number of people. Studies indicate that lack of finance from a formal source is primarily a supply-side problem. Most of the housing finance is arranged through personal resources. The formal financial sector caters to only 1 to 2 percent of all housing transactions in the country, whereas the informal lending caters up to 10-12% of such transactions. Presently, the formal financial sector provides housing support through two major sources namely the Government owned House Building Finance Company Limited (HBFCL) and private commercial banks.

The property development industry suffers from low public confidence. Financial weaknesses and the absence of clear, uniform and fair business practices have affected its credibility contributing to the reluctance of financial institutions in providing development and construction finance. There is a strong need to strengthen the property titling and land administrative procedures including improvements of the legal provisions, standardization of processes, and computerization of all relevant revenue records. These steps will enhance the financing by the formal sector. Weakness in the existing legal framework also impedes the financing opportunities of the formal financial sector. Though the Financial Institution Recovery Ordinance, 2001 empowers the financial institutions in case of default to foreclose a mortgage property without recourse to the court of law, lack of full implementation of the recovery law in its letter and spirit dilutes its effectiveness in protection of rights of the respective parties, i.e., the financial institutions, mortgagors, landlords and tenants, thus needing a major improvement.

Although the regulatory framework for land registration and transfer regime exists in Pakistan, the process by which land is acquired and registered is cumbersome at times, because of number of institutions and registration procedures required to execute property transactions. Land records are manually maintained leading to errors and omissions and resultantly they have modest commercial value for the mortgagee financial institutions especially in rural and some urban areas. 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.

National and local master plans for town planning and housing facilities are either inadequate or poorly enforced, which lead to inefficient allocation of land and uncontrolled urban development. Lack of transparency and accountability in the planning process also give opportunities to land grabbers/mafias to have valuable inside information as to future infrastructure developments or to be able to influence such plans so that value of its land increases. Over-restrictive building codes and laws on subdivision limit the efficient use of urban land and increase the price to consumers, especially in zones having relatively higher prices of lands in high land price zones. Moreover, the large scale projects often get delayed due to failure of utility companies in connecting new housing developments in time.

The “property valuers” have professional conduct requirements that were established by SBP and the Pakistan Banks’ Association (PBA), whereas majority of real estate builders and developers are working as sole proprietorships or partnerships with limited capital and informal corporate governance structures. Absence of sound governance structure within the housing developer industry creates lack of good practices, illegal construction, unreliable building permits, and legally unprotected advance purchase of units that are required to be built in future. The unstructured and unsupervised nature of business of real estate brokers/ agencies, which could serve as natural arrangers for the 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’ extreme caution for transaction initiated by these venture. 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. In the absence of the formal arrangements between the housing developers/real estate agents etc and financial institutions, the protection of individual purchasers remains limited as the market is dominated by cash transactions with limited availability of systematic information in a transparent manner. Without using a strong regulatory authority to enforce corporate governance and allied standards for this stratum of business entrepreneurship, the quality of availability of housing facilities across population spectrum will not improve.

At present, 27 commercial banks, House Building Finance Company Limited (HBFCLL), one DFI and two microfinance banks are catering to housing finance needs. HBFCLL is the only specialized housing bank in the country, which has been providing housing finance to public since 1952. Commercial banks entered the mortgage business during 2003 contributing very small share in the housing finance system. Although HBFCLL's share in the total housing finance has reduced in absolute terms, it is still the only institution that continues to cater to the lower-middle and low-income groups and enjoys the largest customer base. Recently microfinance banks have also started serving the lower-middle income groups.

After demonstrating a promising growth trend till 2008, the housing finance sector has recently been showing a declining trend. The total outstanding reported by banks and DFIs as on December 31, 2011 was Rs. 59.38 billion declined by Rs. 7.62 billion as compared to Rs. 67 billion as on December 31, 2010 (a decline of 11.37**%**) and Rs. 61.22 billion at the end of September, 2011. The total number of outstanding borrowers has also decreased from 98,451 to 91,398 since December 31, 2010; showing a fall of 7.16% which was 5.71% decline in the last quarter since September 2010.

Approximately 786 new borrowers were extended house finance during the quarter (Oct-Dec, 2011), accounting for Rs. 1.62 billion of new disbursements. HBFCL accounted for 52.30% of these new borrowers and contributed 19.51% of the new disbursements equivalent to Rs. 318.52 million.

Financing for outright purchase continued to dominate financing for construction and renovation by comprising almost 54.86% share in gross outstanding portfolio. Outstanding portfolio for construction and renovation was 33.53% and 11.61**%** respectively.

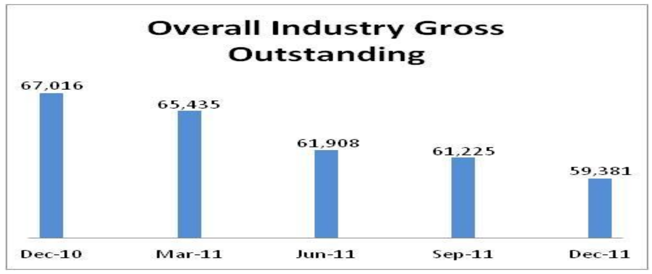
Non-performing loans have increased from Rs. 18.54 billion (December 31, 2010) to Rs. 19.70 billion (March 31, 2011); a 5.88% increase over the year. The stock of NPLs as on September, 2011 was Rs. 19.14 billion. However; this rise in NPLs is not unique to housing finance and is only depicting the overall increase in NPLs of all sectors witnessed in the banking industry during the past year.

Major Trends

Gross Outstanding

The total outstanding finance as on December 31, 2011 of all banks and DFIs stood at Rs. 59.38 billion, as compared to Rs. 61.32 billion as on September 30, 2011, showing a decrease of Rs. 1.94 billion (3.16%). Compared to the position as of December 31, 2010, outstanding of all commercial banks and DFIs collectively decreased by 11.39%.

Figure a (amount in Rs. Billion)



Banking sector-wise total outstanding on quarters ending December 31, 2010 & 2011 are shown in Figure 1. Of the total outstanding as on December 31, 2011, commercial banks accounted for Rs. 13.237 billion; a 3.4% decline since quarter ending December 31, 2010. Private banks reported Rs. 28.67 billion followed by Islamic banks at Rs. 8.74 billion, public sector banks at Rs. 8.16 billion and foreign banks with Rs. 0.328 billion. The outstanding loans of HBFCL were Rs. 13.237 billion; down by 3.47% over the last year. Other DFIs have a meager share of Rs. 0.246 billion in outstanding loans.

Figure 1

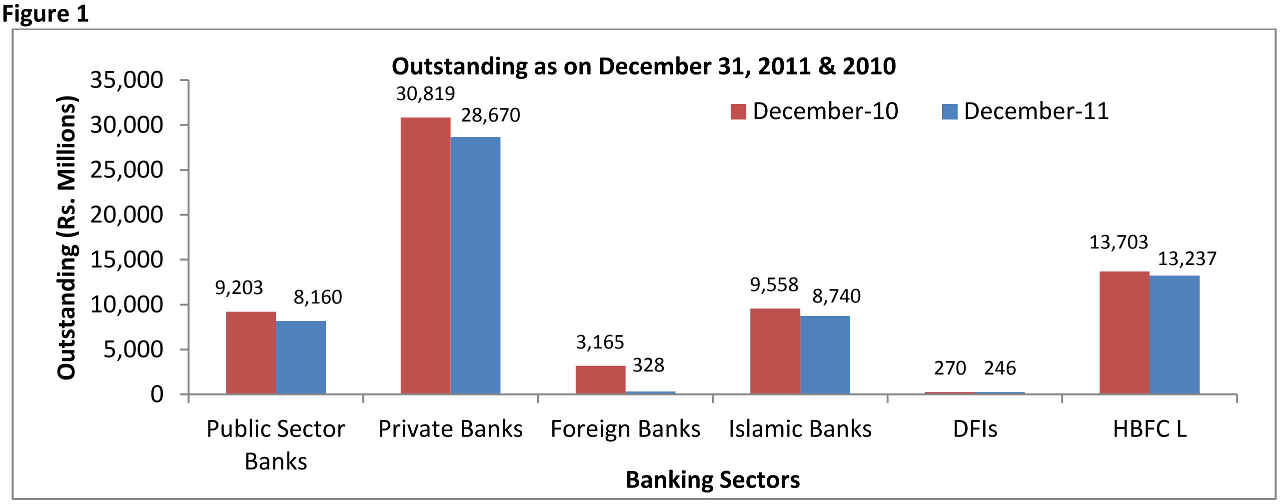
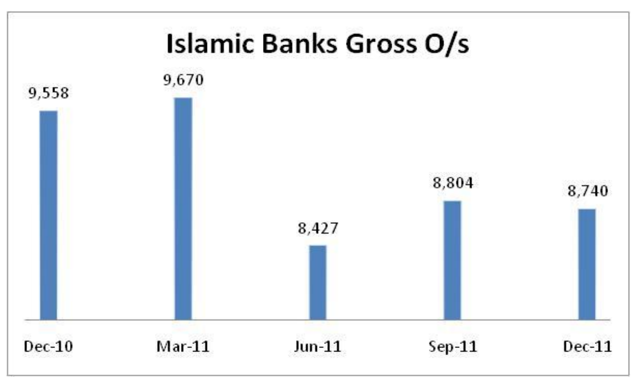


Figure b (amount in Rs. Millions)



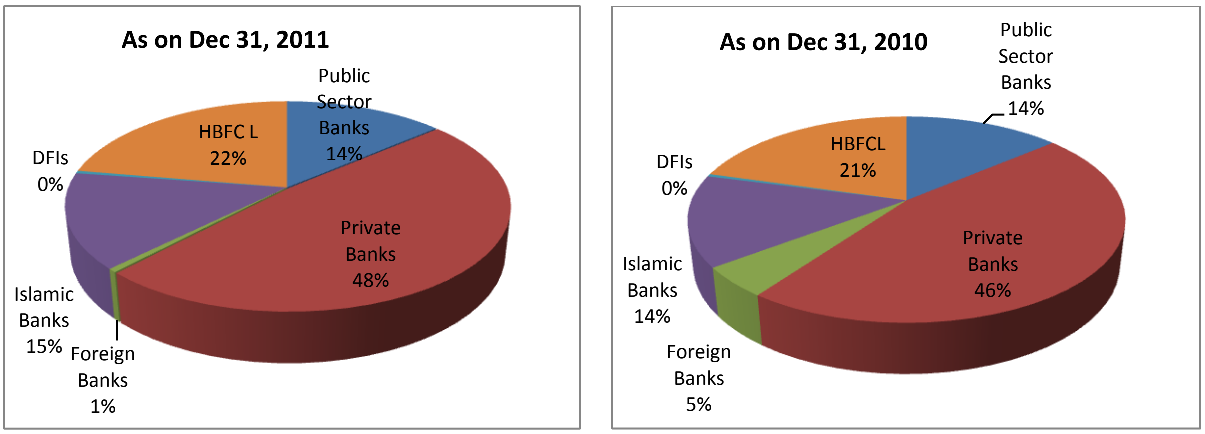
The total outstanding housing finance as on December 31, 2011 of Islamic Banking Industry (05 Islamic Banks & 13 Islamic Banking Divisions of Conventional Banks) stood at Rs. 12.56 billion. Compared to quarter ending September 30, 2011 (Rs. 12.68 billion), outstanding of Islamic banking Industry decreased by 0.94**%.**

Of the total outstanding Islamic housing finance, Islamic banks accounted for Rs. 8.74 billion (0.72% decrease over the last quarter Sep - 2011) as shown in figure b. IBDs of conventional banks posted Rs. 3.82 billion (a 1.54% decline since quarter ending Sep 30, 2011).

Share of Banks

The overall market share (based on gross outstanding) of commercial banks (excluding DFIs) has shown no change since last year, as 78%. In comparison to the quarter ending Oct - Dec 2010, there was a decline of 1% in overall market share of commercial banks (excluding DFIs). Within commercial banks, the share of private banks in the total outstanding increased marginally from 46% to 48% and the share of foreign banks decreased from 5% to 1% due to take-over of RBS portfolio by Faysal Bank (Figure 2). The share of Islamic Banks in the total outstanding increased from 14% to 15%, over the year. Share of HBFCL has increased by 1%, over the year, to 22%.

Figure 2: Share of Banks in Total Outstanding



The share of Conventional Banking (excluding HBFCL), Islamic Banking Industry and HBFCL in the total outstanding was 61%, 17% and 22% respectively on December 31, 2011 (Figure 2.1). IBDs (13 windows) and Islamic banks (05 banks) have 72% and 28% share in housing finance portfolio of Islamic Banking Industry (Figure 2.2), which shows that conventional banks also consider the Islamic mode of financing an important part of their business strategy.

Figure 2.1: Share of Islamic Banking Industry & Conventional Banking in Total Outstanding.

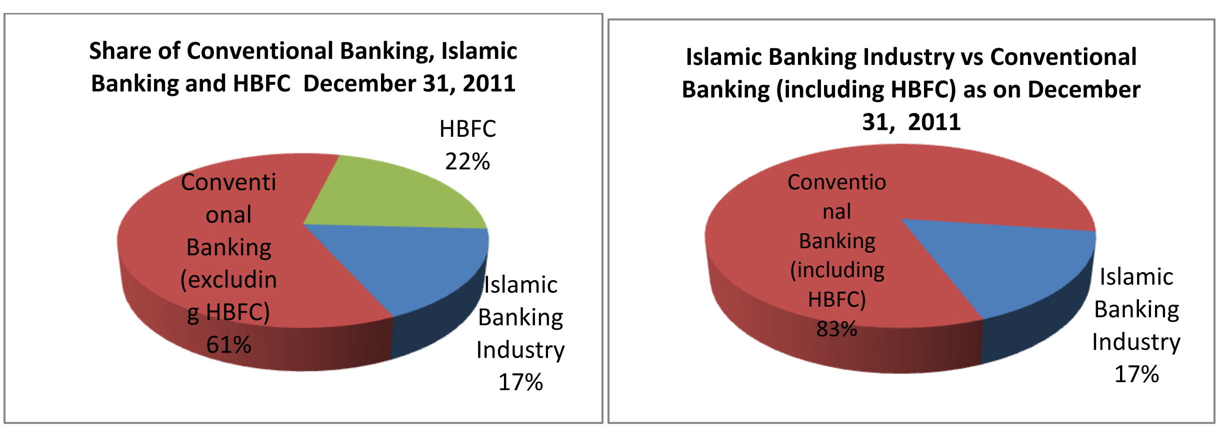
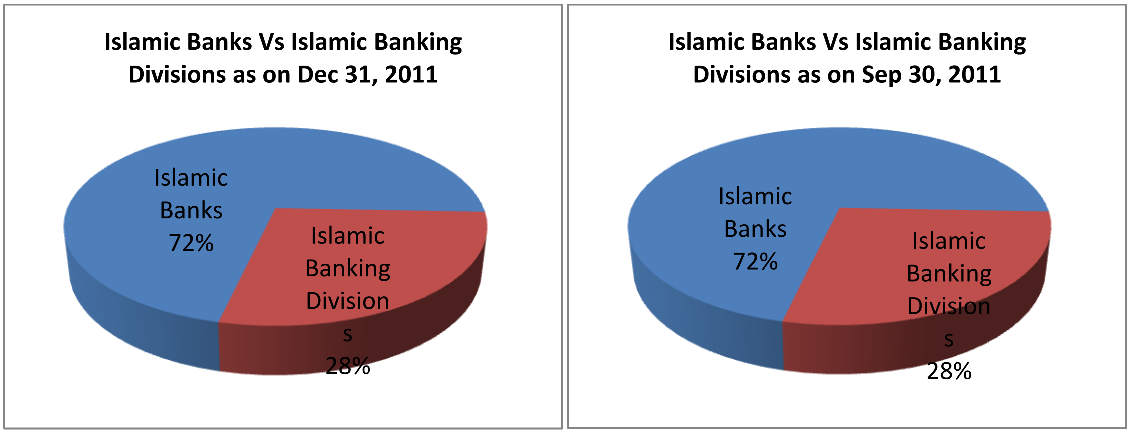


Figure 2.2: Share of Islamic Banks and Islamic Banking Divisions within Islamic Banking Industry in Total Outstanding.



Non-Performing Loans (NPLs)

Figure c: (amount in Rs. Millions)

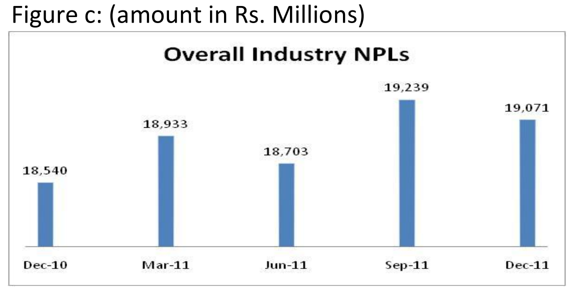
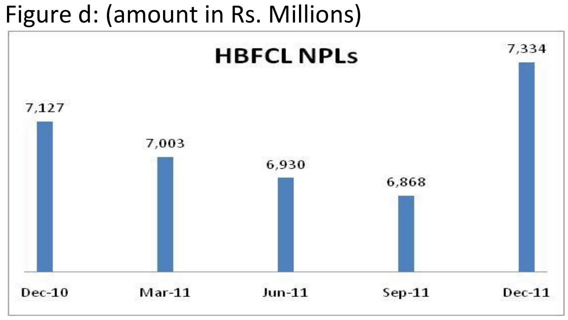


Figure d: (amount in Rs. Millions)



NPLs have increased from Rs. 18.54 billion (December 31, 2010) to Rs. 19.07 billion (December 31, 2011); a 2.86% increase during the year. The stock of NPLs as on September 30, 2011 was Rs. 19.23 billion, showing an decrease of 0.87% during a quarter (Oct-Dec, 2011) as shown in figure c. Figure 3 shows a comparison of existing NPLs status of different banking sectors with last year. Figure 4 compares NPLs as a percentage of outstanding portfolios at the end of quarters on December 31, 2011 and December 31, 2010. NPLs as a proportion of total outstanding have witnessed an increasing trend over the last twelve months. This overall rise in NPLs is primarily due to rising inflation and high interest rates.

HBFCL's NPLs have increased from Rs. 7.12 billion to Rs. 7.33 billion during the year; a 2.95% increase as shown in figure d. Although growth of its NPLs remains relatively low in absolute terms when compared to some of the other banking sectors, its percentage share in its total outstanding, however, is the greatest, as 55.41% of its total outstanding constitutes NPLs (Figure 4). HBFCL's percentage share in total NPLs is 38.54%.

Excluding HBFCL, NPLs for all banks and other DFIs have increased by 2.83% over the year from Rs. 11.41 billion to Rs. 11.73 billion. The percentage share of NPLs that all banks and other DFIs (excluding HBFCL) constitute is 61.46% in total NPLs, compared to a 61.23% as on December 31, 2010.

Among banks, non-performing finances (NPFs) of Islamic banks witnessed an increase of almost 1.94% during the year, from Rs. 1.27 billion to Rs. 1.3 billion. Their NPFs constitute 14.90%, as on December 31, 2011, of total outstanding, which was 13.37% on December 31, 2010. NPLs of the public sector banks have increased from Rs. 1.73 billion to Rs. 1.92 billion (an increase of 10.92%) which are 23.63% of total outstanding. Private banks' NPLs have increased by 11.38%, from Rs. 7.41 billion to Rs. 8.25 billion which is 28.80% of their total outstanding as against 24.06% on December 31, 2010. NPLs of foreign banks as a percentage of their outstanding portfolio increased from 27.58% (at the end of last year) to 44.98%.

However, in absolute terms, NPLs have increased only marginally as their portfolio has been significantly reduced due to take-over of RBS portfolio by Faysal Bank. NPLs of DFIs (excluding HBFCL) have decreased from Rs. 109 million to Rs. 100 million, over a year, a 8.25% decrease with 40.72% of its total outstanding classified as NPLs as on December 31, 2011.

Figure 3

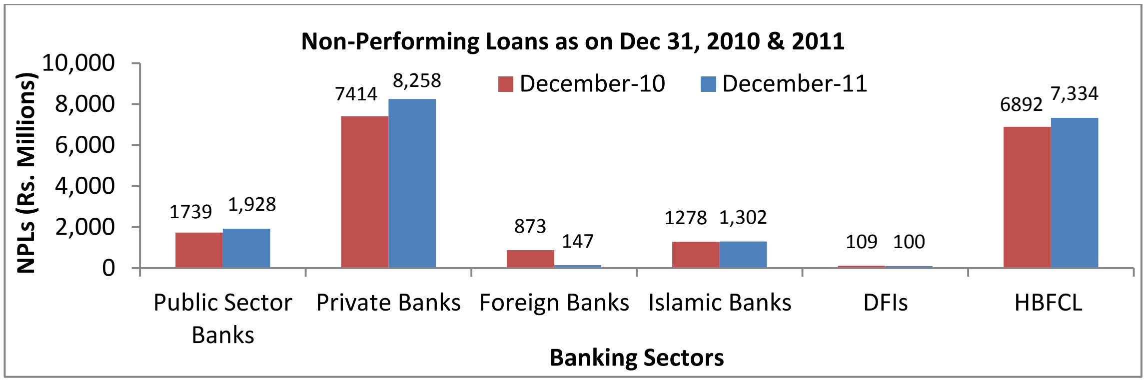


Figure 4

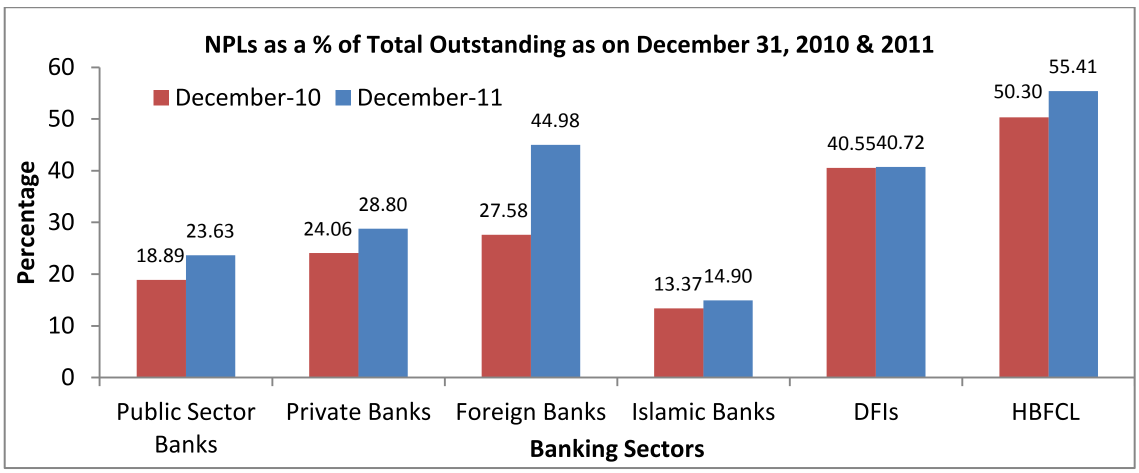
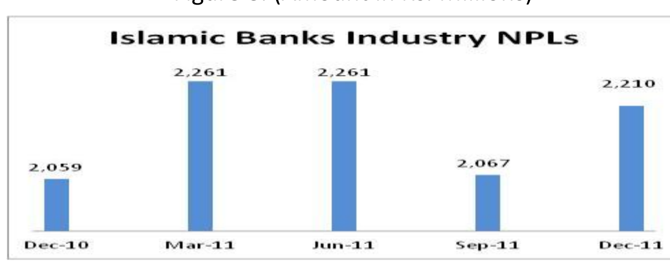


Figure e: (Amount in Rs. Millions)



Non-Performing Finances (NPFs) for Islamic Banking Industry (IBs & IBDs) were reported as Rs. 2.21 billion on December 31, 2011, which were Rs. 2.06 billion at the end of last quarter (Jul-Sep, 2011) showing an increase of 6.91%.

Number of Borrowers

Total number of outstanding borrowers decreased from 98,665 to 91,398 since December 31, 2010; a decline of 7.36%. As shown in Table 1, there is a decrease in no. of borrowers in each category except Private Banks, where numbers increased from 11,982 to 13,312.

Table 1

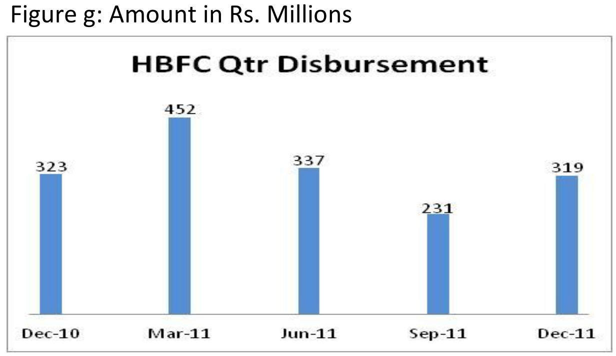
Banks/DFIs	December-11 No. Active Borrowers	December-11 No. of Borrowers classified as NPLs	December-11 Total O/s Borrowers	December-10 No. Active Borrowers	December-10 No. of Borrowers classified as NPLs	December-10 Total O/s Borrowers
Public Sector	5,420	981	6,401	6,171	872	7,043
Private Banks	11,152	2,160	13,312	9,873	2,109	11,982
Foreign Banks	51	33	84	2,239	159	2,398
Islamic Banks	2,311	224	2,535	2,480	227	2,707
DFIs	87	9	96	94	12	106
HBFCL	18,172	50,798	68,970	21,940	52,489	74,429
Total	**37,193**	**37,193**	**91,398**	**42,797**	**55,868**	**98,665**

Table 1 shows number of borrowers that has been classified as NPLs as a percentage of total borrowers. In terms of numbers, approximately 57.93% of total borrowers of housing finance borrowers have been classified as non-performing. However, this is primarily due to HBFCL's number (51,119) of non-active borrowers, classified as non-performing, which comes to 70.48% of its total borrowers. Thus, excluding HBFCL in such an analysis will be important as it caters to 79% of the total borrowers in housing finance sector which accounts for only 21% of total outstanding portfolio. Thus, by excluding HBFCL, 17% of total borrowers of housing loans have been classified as non-performing.

Disbursements

Figure f: Amount in Rs. Millions

Figure g: Amount in Rs. Millions



Fresh disbursements to the tune of Rs. 1.63 billion were made to 786 borrowers during the quarter ending December 31, 2011 (Table 2). Private banks extended new disbursements with Rs. 793 million followed by Islamic banks with Rs. 465 million, public sector banks with Rs. 46 million and foreign banks with Rs. 9 million. HBFCL's fresh disbursements for the quarter were reported to be Rs. 318.6 million. Among commercial banks, the number of new borrowers totaled 1632, with private banks serving 190 borrowers and Islamic banks 133 customers. HBFCL extended loans to 411 new borrowers during the reporting quarter.

Fresh disbursement for Islamic Banking Industry was Rs. 601 million to 157 new borrowers during the quarter ending December 31, 2011. This includes new disbursements of Rs. 135.81 million to 24 customers by IBDs of conventional banks.

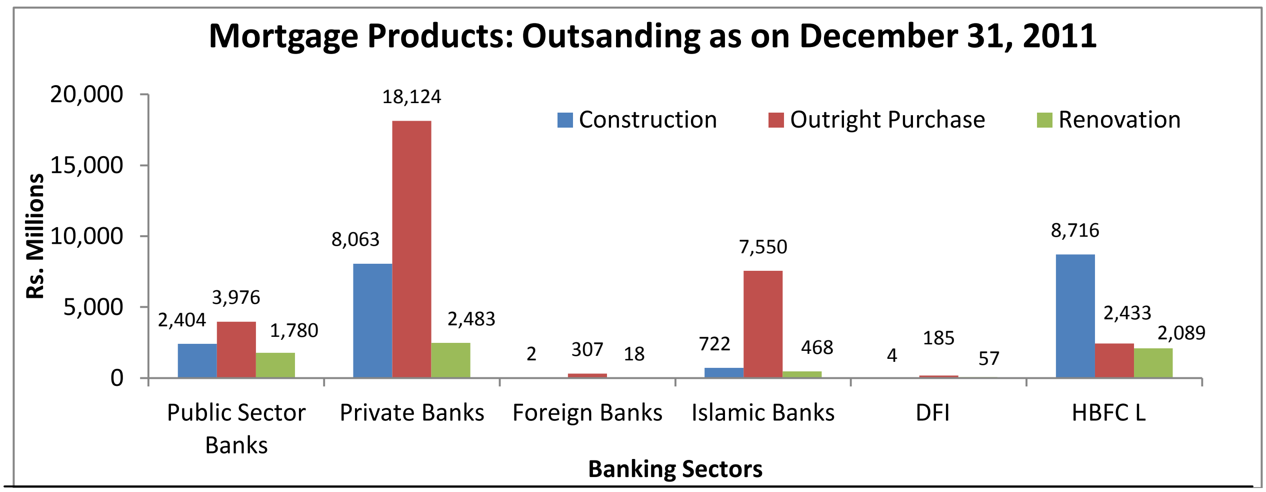
Table 2

New Disbursements during the quarter ending Dec 31 2010		
	Amount (Rs. Millions)	**No. of Borrowers**
Public Sector Banks	46	47
Private Banks	793	190
Foreign Banks	9	5
Islamic Banks	465	133
All Banks	**1,314**	**375**
DFIs	-	-
HBFCL	318.6	411.0
Total	**1632**	**786**
Islamic Industry	**601**	**157**

Products Category-Wise Share

The biggest share of housing finance continued to be attracted towards outright purchase (Figure 6).

Figure 6



The outstanding for outright purchase stood at Rs. 32.574 billion as on December 31, 2011; a 54.86% share in total outstanding of Rs. 59.38 billion. This is followed by the construction category where outstanding reported at quarter-end stood at Rs. 19.91 billion and that of renovation stood at Rs. 6.89 billion. Active portfolio shows that private banks have taken a lead in financing for two sectors; outright purchase 55% and renovation 36% but HBFCL has taken lead in financing construction category i.e. 43.77%.

Analysis of Loan Variables adopted by Banks/DFIs & HBFCL

Tables 3 & 4 summarize loan variables across all banking sectors including weighted average interest rate, average maturity period, Loan-to-Value ratio (% financing by banks) and average loan size.

Weighted average interest rate

The overall weighted average interest rate was 16.0% at the end of the current quarter. Highest weighted average profit rate was reported by Foreign Banks 16.8%, followed by Islamic banks 16.7%, HBFCL 16%, Private Banks 15.8, while public sector banks average came to 15.7%.

Average maturity periods

Average maturity period of outstanding loans as on December 31, 2011 came to 12.2 years, which is same as compared to quarter ending December 31, 2010 when it was 12.2 years. HBFCL's average maturity period is reported to be 14.1 years, while that of Private Banks is 11.7 years. Table 3 shows that among commercial banks, Islamic Banks have extended housing loans for an average tenure of 9.9 years followed by Foreign Banks with 8.6 years and public sector banks with 8.1 years

Loan to Value ratio (LTV)

The percentage of financing (Loan to Value ratio) extended by banks and DFIs decreased during last year (Table 4) from 55.2% to 37.3%. Average LTVs of commercial banks have decreased from 55.2% to 37.3%. The average LTV for HBFCL has decreased from 43.5% to 42.9% over the year.

Average loan size

Average loan size for disbursements made during the quarter ending December 31, 2011 is Rs. 4.7 million for all banks, except HBFCL. The average loan size for HBFCL is reported to be Rs. 1.3 million for the reporting quarter. Private Banks reported an average financing size of 3.9 million, Foreign Banks as well as Islamic Banks Rs. 1.7 million, Public sector banks 1.4 million and HBFCL Rs. 1.3 million. The housing finance market is still inclined towards lending to high income groups.

Table 3

	Weighted Average Interest Rate (%)					Average Maturity Period (Years)				
	Dec-11	Sep-11	Jun-11	Mar-11	Dec-10	Dec-11	Sep-11	Jun-11	Mar-11	Dec-10
Public Sector Banks	15.7	16.5	17.2	16.8	15.9	8.1	5.9	10.1	13.2	10.6
Private Banks	15.8	16.4	17.1	17.1	16.4	11.7	10.6	13.2	13.0	11.0
Foreign Banks	16.8	16.3	15.6	14.1	15.7	8.6	16.0	17.5	20.0	14.8
Islamic Banks	16.7	17.1	17.0	17.3	16.6	9.9	12.2	10.7	12.2	10.0
All Banks	16.1	16.7	17.0	16.9	16.3	10.4	10.5	12.3	13.2	11.1
DFIs	-	-	-	16.8	16.6	-	-	-	-	-
All Banks & DFIs	16.1	16.7	17.0	16.9	16.3	10.4	10.5	12.3	13.2	11.1
HBFCL	16.0	17.4	17.5	17.5	17.0	14.1	13.5	12.7	13.5	13.3
Total Average	16.0	17.0	17.3	17.2	16.7	12.2	12.0	12.5	13.4	12.2

Table 4

	Loan to Value Ratio					Average Loan Size (Rs. Millions)				
	Dec-11	Sep-11	Jun-11	Mar-11	Dec-10	Dec-11	Sep-11	Jun-11	Mar-11	Dec-10
Public Sector Banks	30.6	35.2	31.7	49.6	62.1	1.4	3.0	0.8	2.5	1.1
Private Banks	36.5	57.8	44.6	49.4	55.0	3.9	2.7	4.7	4.5	2.9
Foreign Banks	47.1	49.0	63.4	65.5	50.1	1.7	1.9	2.5	2.4	1.7
Islamic Banks	43.6	45.4	39.7	42.2	53.2	1.7	2.0	1.9	2.1	2.9
All Banks	37.3	48.8	42.6	48.5	55.2	4.7	2.5	3.2	3.5	2.5
DFIs	-	-	-	-	-	-	-	-	-	-
All Banks & DFIs	37.3	48.8	42.6	48.5	55.2	4.7	2.5	3.2	3.5	2.5
HBFCL	42.9	38.7	42.8	44.7	43.5	1.3	1.3	1.9	1.2	1.2
Total Average	40.1	43.7	42.7	46.6	49.3	2.0	1.9	2.5	2.3	1.9

Housing Finance Business of Micro Finance Banks:

Gross Outstanding

The total outstanding housing finance as on December 31, 2011 of Micro Finance Banks (MFBs) stood at Rs. 174.469 millions, which was Rs. 174.15 millions at the end of September 30, 2011, showing an increase of 0.18%, over the last quarter.

Number of Borrowers

Total number of outstanding borrowers has increased from 2,554 to 2,594 since September 30, 2011; an increase of 1.56%.

Non-Performing Loans

NPLs for MFBs have increased from Rs. 1.55 million (Sep 2011) to Rs. 1.62 million (December 2011); showing an increase of 4.51% over the last quarter. NPLs of MFBs arising out of housing finance business are around 0.92% of their outstanding housing finance portfolio.

Conclusion

The quarter ending December 31, 2011 depicted a decrease 11.40% (Rs. 7.62 billion) as compared to quarter ending December 31, 2010, in overall outstanding portfolio of housing finance industry. NPLs of the housing finance portfolio display a rising trend and banks continue to show signs of cautious lending amidst decreased affordability of the borrowers due to inflated prices of property/houses, labor and construction material. Another reason hindering the growth of housing finance in Pakistan is reluctance of banks for lending beyond certain big cities. Average loan size has increased while LTVs and maturity periods have decreased over the last year. However, the lack of a conducive institutional framework and secondary mortgage market and high interest rates are still the major constraints towards the growth of housing and housing finance sector which is one of the potential key drivers of the economy.

Major 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.

Implementation of Housing Advisory Group’s Recommendations

As part of its earlier efforts, SBP had established a Housing Advisory Group (HAG) with an intention to conduct a thorough analysis of the existing regulatory and policy framework affecting housing finance. The HAG made number of recommendations stressing on the need to enhance access of financial services for the development of housing sector. These include reforms in legal and regulatory framework, establishment of secondary mortgage market, development of market intelligence, provision of affordable/low income housing finance products. SBP disseminated the recommendations to the concerned stakeholders and is currently coordinating with Provincial Governments, Association of Mortgage Bankers (AMB) and Association of Builders and Developers (ABAD) for implementation of some of the key recommendations. IH&SMEFD is continuously in consultation with Federal and Provincial governments by making presentation on HAG recommendations and holding meetings with them for the implementation of HAG recommendations.

Review of Housing Finance PRs

On the basis of industry feedback and nature of business, housing/mortgage PRs have been reviewed. The draft of reviewed PRs has been put up with SBP's PRs Review Committee for further debate and approval.

Automation of Housing Finance Quarterly Data

Software has been developed to acquire online housing finance quarterly data from banks through Data Acquisition Portal (DAP4). The development of this software has eliminated the need for submission of housing finance quarterly data in paper form and would also help in ensuring data accuracy.

Mortgage Refinance Company

Work on the establishment of Mortgage Refinance Company is being pursued aggressively. IFC developed a detailed business plan and feasibility for the Mortgage Refinance Company in 2009. Principal buy-in of the Ministry of Finance was elicited and equity commitments from the GoP, commercial banks and HBFCL had been received. Memorandum & Articles of Association of the proposed company developed and consultant hired to assist in incorporation of the company. IFC and ADB are expected to inject equity into MRC, once it is incorporated with SECP. For fostering the process of MRC's incorporation, a meeting of stake-holders was called and a Steering Committee has been formed.

Capacity building Program

In addition to initiatives taken to institutionalize housing finance, SBP realizes that a simultaneous development of human capital will play a critical role in ensuring sustainability of housing finance. Six training programs were conducted during the year in different cities of country. First training programs was conducted on "Issues in Islamic Housing Finance" in Lahore, second on "General Housing Finance" in Peshawar, third on "Property Registration & Title Documents" in Karachi, fourth on "Legal Documentation & Foreclosures in Housing Finance" in Rawalpindi, fifth program was conducted on "Retail Financing on Developer's Housing Projects" in Karachi and sixth training was conducted on "Issues in Islamic Housing Finance" at Karachi.

Development of Housing Finance Guidelines

To increase the efficiency of mortgage bankers, Housing/Mortgage Finance Guidelines have been developed, by adopting best international practices, and after consultation with internal and external stakeholders, including PBA. These will shortly be issued for the benefit of the mortgage industry.

Guidelines for Financing to Housing Builders/Developers

After consultation with key stakeholders like banks/DFIs, ABAD and AMB, "Guidelines for Financing to Housing Builders/Developers" have been prepared to promote large scale as well as retail financing on the construction projects of builders/developers of the country. It is expected that the banks/DFIs will make use of these Guidelines in designing housing finance products which meet varied needs of Builders/Developers, ultimately leading to better service and supply of affordable housing units in the country.

Coordination with AMB

SBP is continuously in coordination with Association of Mortgage Bankers (AMB) to solve the policy issues hindering growth of housing finance in economy.

Creation of Web Portal

In a drive to provide different stake-holders with reliable and needed information on various factors of housing/mortgage finance industry, as also recommended by HAG, SBP is working in coordination with the Association of Mortgage Bankers (AMB) for developing a web portal. As an initial step, AMB's website has been created which contains information on basic housing parameters.

News on Housing Finance

CDA to establish new residential sector for low-income groups

Wednesday, October 19, 2011

ISLAMABAD: The Capital Development Authority (CDA) has decided to establish a new residential sector near 'Park Enclave' to reduce residential problems of low-income groups, said the CDA Chairman Imtiaz Inayat Elahi on Tuesday.

In order to reduce common men problems, the authority has decided to initiate housing projects in the capital city. He said that the sector plot size would be consisted of one canal and 10 marla and it would be given on affordable rates.

Being a public organization, CDA has taken several steps to address the shortage of accommodation. To a question, he said that residential sector of CDA `Park Enclave' was successfully launched and all plots had been sold out and the civic body has earned 7 billion rupees from it. The chairman said that the pending issues would be resolved on priority.

He said that several other projects would be initiated in capital city particularly parks, sports grounds, kids play grounds, filtration plants, littering laws introduced, and tourist train. He said that citizen of the capital city should cooperate with the management to keep the city clean and green. **Source: [The News]**

Senate body for early completion of I-16 developmental work

Tuesday, October 18, 2011

ISLAMABAD: The Senate's Functional Committee has called for early completion of the developmental work in sector I-16 of the federal capital to enable the allotees to start construction of houses. Senator Kalsoom Perveen presided over the meeting of the committee at the Parliament House to review the implementation status of various assurances given on the floor of the house from time to time. Reviewing the implementation status of assurance regarding completion of Shah Allah Ditta water reservoir project, the committee directed CDA chairman and other relevant officials to expedite the pace of work on the project and ensure its completion within the stipulated time.

The work was required to be complete by September 4, 2008, which was delayed due to non-availability of safe possession from sector I-14 to I-16 and problems with NHA along GT Road. The possession from I-14 to I-16 was made available in March 2011 and pipeline has been laid. An amount Rs 1,696,575 was paid to NHA on August 29, 2011 due to revised rates.

The pending work of phase-1 (4.40 Km) has also been awarded to contractor on July 04, 2011 with approval of competent authority. CDA Chairman Imtiaz Inayat Elahi informed to Senate body a sum of Rs 350 million has been paid by CDA to IESCO in April 2008, as full cost of Grid Station. Grid Station has been completed and feeders have also been installed.

Chairman informed that CDA has already paid to SNGLP a sum of Rs 93.17 million in 2005 to develop the infrastructure. Furthermore 75 percent of internal Sui Gas work has been completed and remaining work is in progress along with Civil Works. The work of water supply has been taken up and 85 percent work has already been completed.

Responding to question from member of the committee, CDA chairman said that a proposal was under consideration to develop the sector through a joint venture. He said that there was no proposal under consideration for declaring G-12 sector as a model village. CDA chairman further informed that 99 percent of the developmental work of sector I-16 has been completed, however, work is being carried out to supply natural Gas and electricity to the area by the agencies concerned. He said that the work would be completed by December 31, 2011 if all problems were timely resolved.

The Committee decided to summon SNGPL and IESCO high ups in the next meeting to have a detailed briefing on the progress of the work. The committee assured its support to the CDA and other relevant departments to overcome challenges in the way of projects. Senators including Hafiz Rashid Ahmed, Sabina Rauf, Abdul Rashid, Surriya Ameerud Din, Abdul Rashid and Mrs. Rehana Yahya Baloch besides Addition Secretary Cabinet, CDA chairman and other officials, attended the meeting. **Source: [Daily Times]**

China realty curbs risky as global crisis grows

Tuesday, December 06, 2011

Shanghai: China's attempts to deflate its property bubble come at a perilous time.

Fears that the euro might collapse, unleashing a tsunami of financial and economic disruptions around the globe, have added urgency to concerns that China's campaign to cool overheated housing prices may go too far. As economic growth wanes, Beijing has begun easing tight credit policies meant to cool inflation but China's leaders are also insisting there is no leeway for loosening curbs on the housing sector.

"The decision has been made that there will be no more property bubble," said Andy Xie, an independent economist based in Shanghai. Measures to control the market — such as limits on home purchases and high downpayments to qualify for mortgages — are at a "critical period", Vice-Premier Li Keqiang said last month, stressing a need for more progress on controlling prices.

Deep freeze: Stalled transactions and falling prices in major cities such as Shanghai have many in China wondering how long the deep-freeze will last. The impact of China's property chill could stretch far beyond its crowded cities. With growth heavily dependent on construction and related industries, the slowdown already is sapping demand for domestic and imported products and materials and dampening Chinese investors' interest in buying properties overseas.

Nobody is predicting a meltdown akin to those that led to the global crisis: most Chinese homeowners hold relatively modest mortgages, and demand in the long run will be sustained by demand for better, more spacious housing among increasingly affluent families.

Global risks: Apart from the global risks, deflating the property bubble is a tricky gamble for the communist leadership given its reliance on rising living standards for its claim to power. Homeowners whose life savings are in property are seeing the gains they once took for granted evaporate as developers are offering steep discounts on new apartments. Outraged buyers who recently bought at higher prices are protesting. **Source: [Gulf News]**

Fannie Mae, Freddie Mac mortgage forgiveness would be weak potion

Thursday, December 22, 2011

WASHINGTON: After resisting the idea for years, the regulator of the US home loan giants is humoring a new policy effectively reducing principal on loans. The plan could slow the enterprises' near-term losses, but would prolong their agony and do little to heal the housing market.

The Federal Housing Finance Agency, the US regulator in charge of mortgage giants Fannie Mae and Freddie Mac, is discussing a new proposal to help struggling borrowers who owe more on their mortgages than their home is worth.

The plan would reduce the mortgage interest rate to zero for five years and then price the loan at the market mortgage interest rate for the remaining twenty-five years. This would allow borrowers' payments during the first five years to only reduce principal. **Source: [Business Recorder]**