INFRASTRUCTURE AND HOUSING FINANCE DEPARTMENT

Housing Finance Quarterly Review

July-September 2010

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The Infrastructure and Housing Finance Department of State Bank of Pakistan presents its Quarterly Housing Finance Review for the quarter ending Sep 30, 2010.

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 Corporation (HBFC).

Contents

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 Corporation (HBFC) 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 record. 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 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, 29 commercial banks, House Building Finance Company (HBFC) and one DFI is catering to housing finance needs. HBFC 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 HBFC'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.

After demonstrating a promising growth trend till 2008, the housing finance sector is showing a declining trend. The total outstanding reported by banks and DFIs as on Sep 30, 2010 was Rs. 68.60 billion as compared to Rs. 76.66 billion as on Sep 30, 2009; a decline of 10.51%. The total number of outstanding borrowers has also decreased from 115,959 to 100,214 since Sep 2009; showing a fall of 13.59%.

Non-performing loans have increased from Rs. 15.26 billion (Sep 2009) to Rs. 18.10 billion (Sep 2010); a 18.67% increase over the year. 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.

Approximately 773 new borrowers were extended house loans during the quarter, accounting for Rs. 1.65 billion of new disbursements. HBFC accounted for 32.72% of these new borrowers and contributed 11.51% of the new disbursements equivalent to Rs. 190 million.

Financing for outright purchase continued to dominate other sectors (construction and renovation) by comprising almost 57% share in gross outstanding portfolio. Outstanding portfolio for construction and renovation was 32% and 11% respectively.

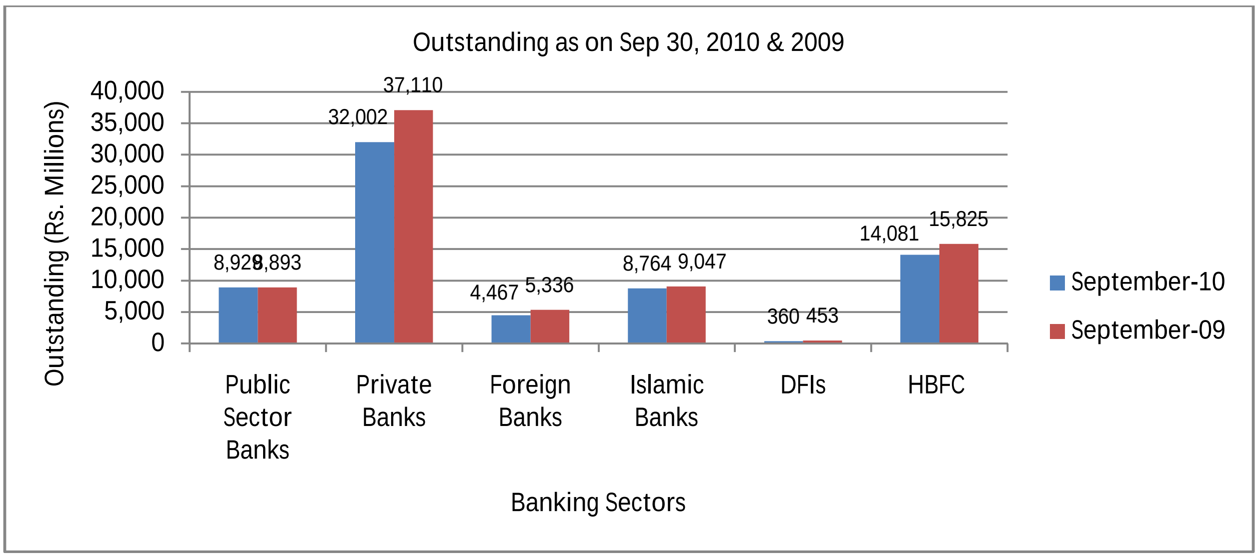
Major Trends

Gross Outstanding

The total outstanding finance as on Sep 30, 2010 of all banks and DFIs stood at Rs. 68.60 billion. Compared to quarter ending Sep 30, 2009, outstanding of all commercial banks and DFIs collectively decreased by 10.51%.

Banking sector-wise total outstanding on quarters ending Sep 30, 2009 & 2010 are shown in Figure 1. Of the total outstanding, commercial banks accounted for Rs. 54.16 billion; a 10.31% decline since quarter ending Sep 30, 2009. Private banks reported Rs. 32 billion followed by public sector banks of Rs. 8.93 billion, Islamic banks of Rs. 8.76 billion and foreign banks with Rs. 4.46 billion. The outstanding loans of HBFC were Rs. 14.08 billion; down by 11.02% over the last year. Other DFIs have a meager share of Rs. 0.360 billion in outstanding loans.

Figure 1



The total outstanding finance as on Sep 30, 2010 of Islamic Banking Industry (06 Islamic Banks & 13 Islamic Banking Divisions of Conventional Banks) stood at Rs. 13.34 billion. Compared to quarter ending June 30, 2010 (Rs. 13.54 billion), outstanding of Islamic banking Industries decreased by 1.47%.

Of the total Islamic outstanding housing finance, Islamic banks accounted for Rs. 8.76 billion (a 0.2% decline over the last quarter) and IBDs of conventional banks posted Rs. 4.57 billion (a 3.9% decline since quarter ending June 30, 2010).

Non-Performing Loans

NPLs have increased from Rs. 15.26 billion (Sep 2009) to Rs. 18.10 billion (Sep 2010); a 18.67% increase during the year. Figure 2 shows a comparison of existing NPLs status of different banking sectors with last year. Figure 3 compares NPLs as a percentage of outstanding portfolio at the end of quarters on Sep 30, 2010 and Sep 30, 2009. 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.

HBFC's NPLs have increased from Rs. 6.48 billion to Rs. 6.89 billion during the year; a 6.30% increase (Figure 2). 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 48.95% of its total outstanding constitutes NPLs (Figure 3).

Excluding HBFC, NPLs for all banks and other DFIs have increased by 27.81% over the year from Rs. 8.77 billion to Rs. 11.21 billion. The percentage share of NPLs that all banks and other DFIs (excluding HBFC) constitute is 20.57% of their total outstanding portfolio, compared to a 14.43% as on Sep 30, 2009.

Among banks, NPLs of foreign banks witnessed the sharpest increase of almost 60.20% during the year, from Rs. 701 million to Rs. 1.12 billion. Their NPLs constitute 25.14% of total outstanding, which was only 13.14% on Sep 30, 2009. NPLs of the Islamic banks have increased from Rs. 724 million to Rs. 978 million (an increase of 35.04%) which are 11.15% of total outstanding. Private banks' NPLs have increased by 24.67%, from Rs. 6.21 billion to Rs. 7.74 billion which is 24.19% of their total outstanding as against 16.73% on Sep 30, 2009. NPLs of the public sector banks have increased from Rs. 1.08 billion to Rs.1.27 billion (an increase of 17.59%) which are 14.27% of total outstanding. NPLs of DFIs (excluding HBFC) have increased from Rs. 54 million to Rs. 100 million, a 84.30% increase with 27.77% of its total outstanding classified as NPLs, which was 11.96% on Sep 30, 2009.

Figure 2

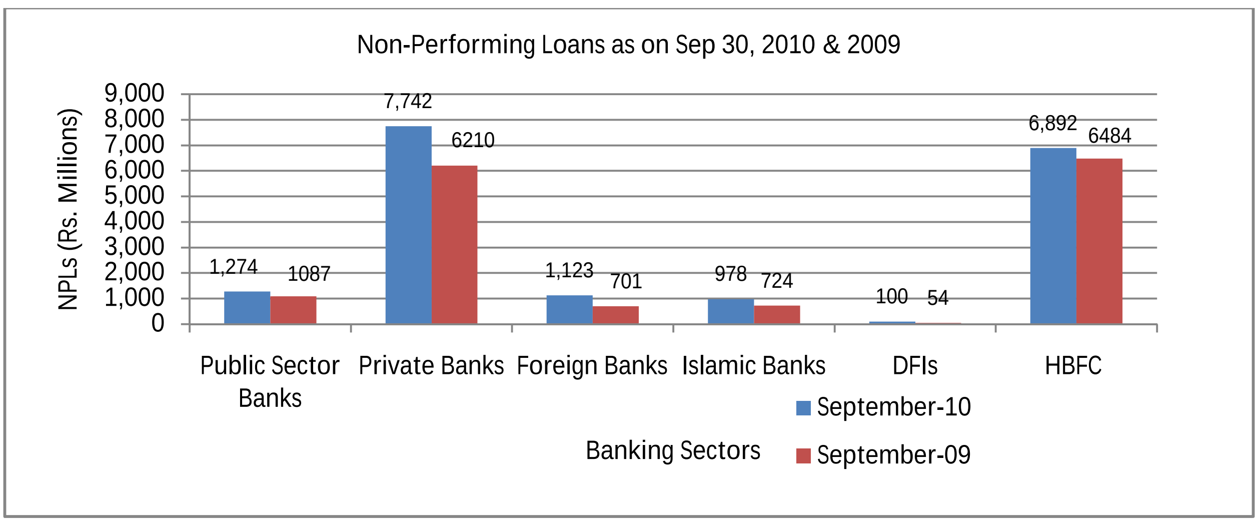
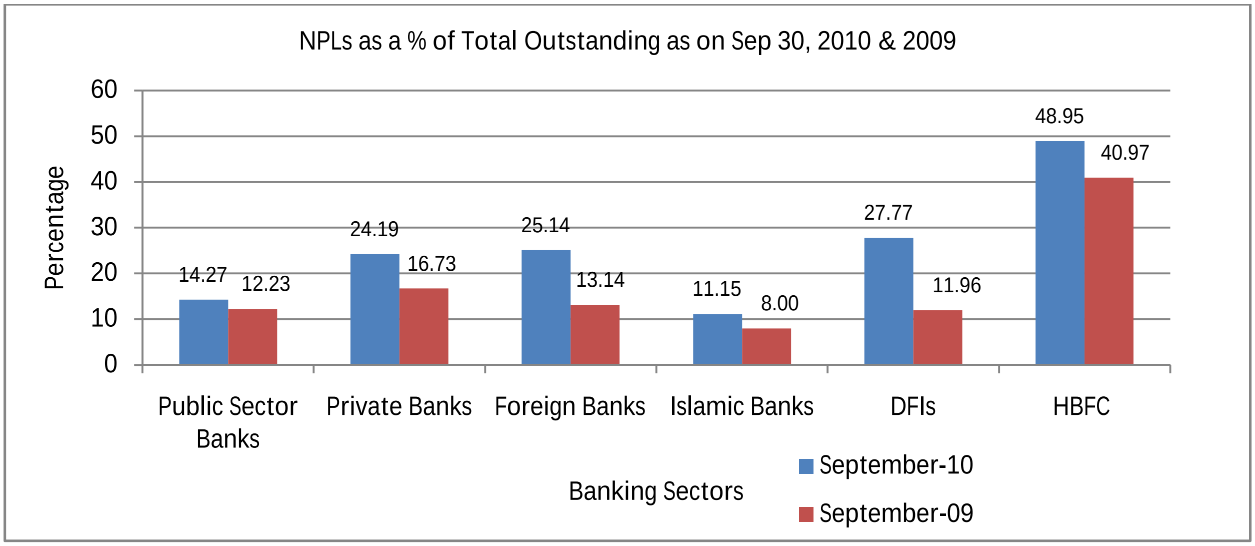


Figure 3



Non-Performing Finances (NPFs) for Islamic Banking Industry's (IBs & IBDs) were reported 1.67 billion on Sep 30, 2010, which were Rs. 1.57 billion at the end of last quarter (Apr-Jun, 2010) showing an increase of 6.36%.

Number of Borrowers

Total number of outstanding borrowers has decreased from 115,959 to 100,214 since Sep 2009; a decline of 13.58%. As shown in Figure 4, there is a decrease in no. of borrowers in each category except Islamic banks, where numbers increased from 2,128 to 2,284.

Figure 4

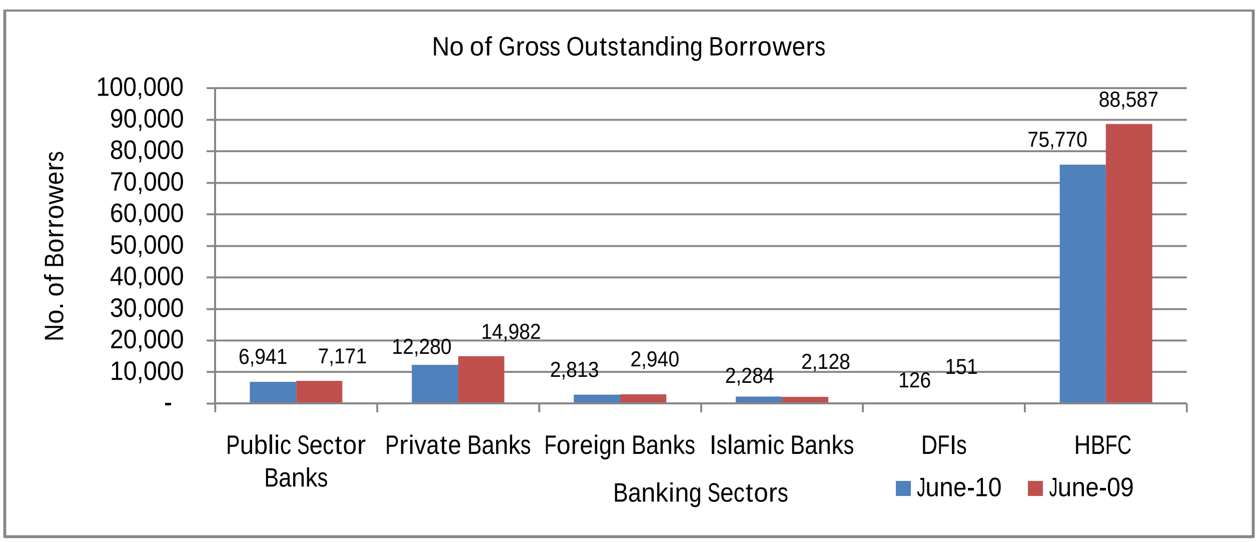
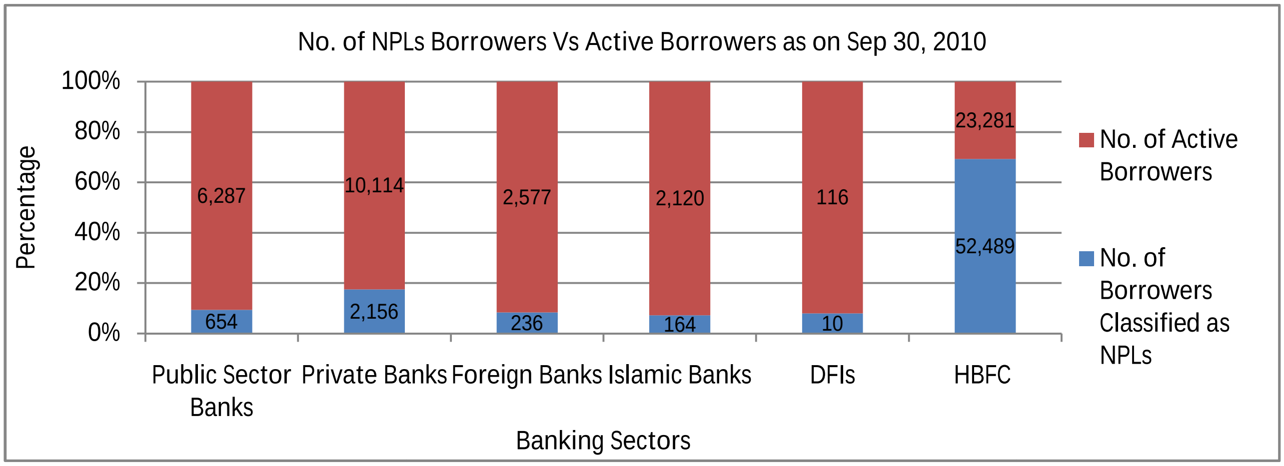


Figure 5 shows number of borrowers that has been classified as NPLs as a percentage of total borrowers. Approximately 55.59% of total borrowers of housing loans have been classified as non-performing. However, this is primarily due to HBFC's number (52,489) of non-active borrowers, classified as non-performing, which comes to 69.27% of its total borrowers. Thus, excluding HBFC 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 HBFC, 13% of total borrowers of housing loans have been classified as non-performing.

Figure 5

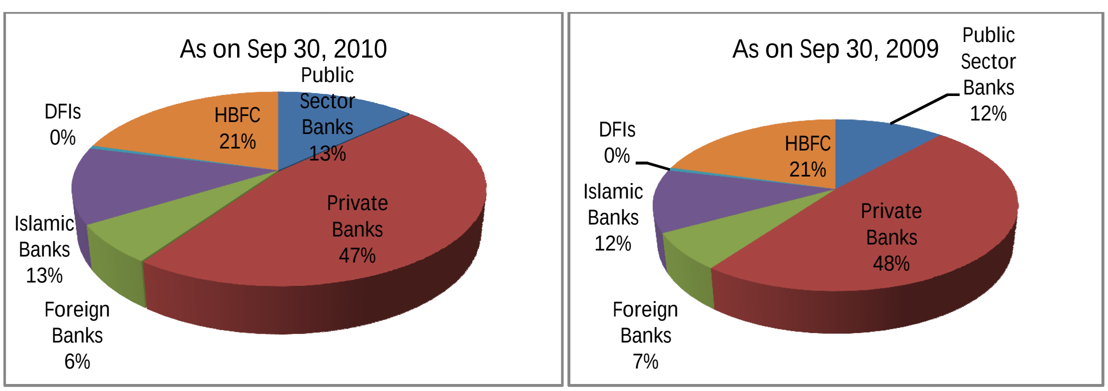


Total number of customers served by Islamic Banking Industry increased marginally from 3,651 to 3,658 since June 2010.

Share of Banks

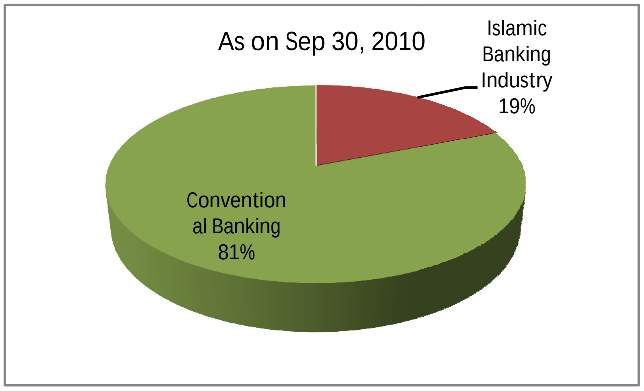
The overall market share (based on gross outstanding) of commercial banks (excluding DFIs) remained the same since the end of last year, as 79%. Within commercial banks, the share of private banks in the total outstanding decreased marginally from 48% to 47% (Figure 6). The share of public sector banks in the total outstanding increased marginally from 12% to 13%. Share of foreign banks and HBFC remained stagnant at 7% and 21% respectively. Share of Islamic banks also increased marginally from 11% to 12%.

Figure 6: Share of Banks in Total Outstanding



The share of Islamic Banking Industry, Conventional Banking and HBFC in the total outstanding was 19%, 60% and 21% respectively on Sep 30, 2010 (Figure 6.1). IBDs have 34% share in housing finance portfolio of Islamic Banking Industry (Figure 6.2), which shows that conventional banks also consider the Islamic mode of financing an important part of their business strategy.

Figure 6.1: Share of Islamic Banking Industry & Conventional Banking in Total Outstanding.



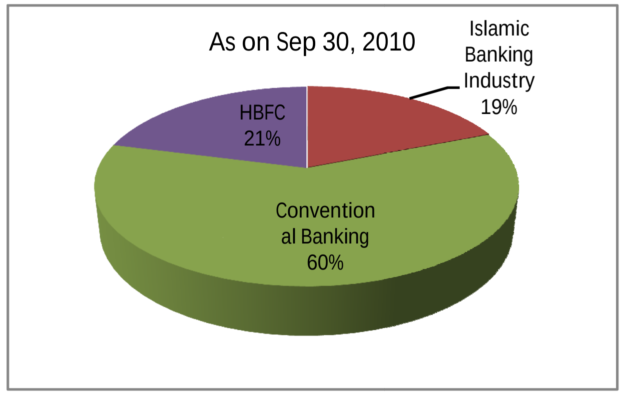
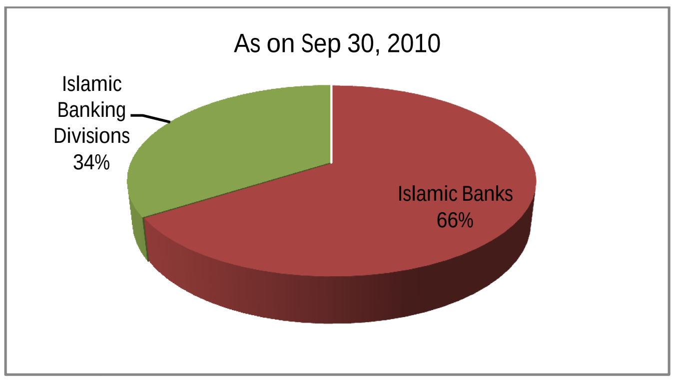


Figure 6.2: Share of Islamic Banks and Islamic Banking Divisions within Islamic Banking Industry in Total Outstanding.



Disbursements

Fresh disbursements to the tune of Rs. 1.65 billion were made to 773 borrowers during the quarter ending Sep 30, 2010 (Table 1). Private banks extended new disbursements of Rs. 919 million followed by Islamic banks with Rs. 465 million, public sector banks with Rs. 70 million and foreign banks with Rs. 6 million. HBFC's fresh disbursements for the quarter were reported to be Rs. 190 million. Among commercial banks, the number of new borrowers totaled 520, with private banks serving 361 borrowers and Islamic banks 119 borrowers. HBFC extended loans to 190 new borrowers during the reporting quarter.

Fresh disbursement for Islamic Banking Industry was 620 million to 148 new borrowers during the quarter ending Sep 30, 2010 (Table 1). Islamic banks extended new disbursements of Rs. 466 million to customers while IBDs of conventional banks financed Rs. 154 million to customers.

Table 1

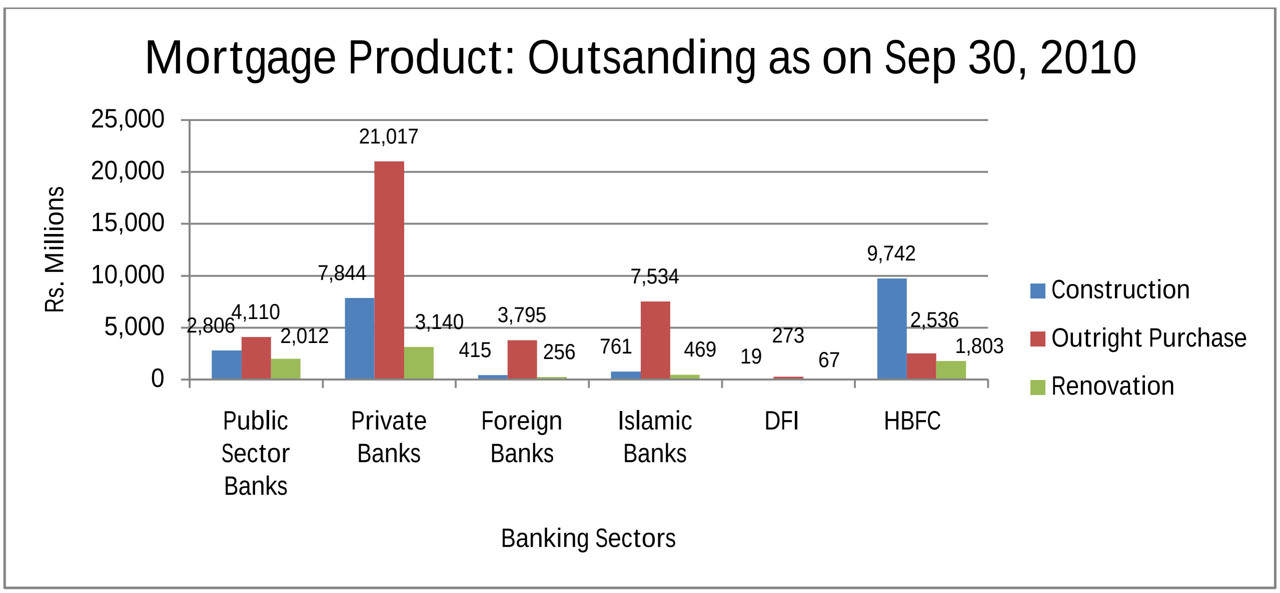
Disbursements (and no. of borrowers) during the quarter ending Sep 30 2010

	Amount (Rs. Millions)	No. of Borrowers
Public Sector Banks	70	40
Private Banks	919	361
Foreign Banks	6	-
Islamic Banks	465	119
All Banks	1,460	520
DFIs	-	-
HBFC	190	253
Total	1,650	773
Islamic Industry	620	148

Sectoral Share

The biggest share of housing finance continued to be attracted towards outright purchase (Figure 7).

Figure 7



The outstanding for outright purchase stood at Rs. 39.26 billion as on Sep 30, 2010; a 57% share in total outstanding of Rs. 68.60 billion. This is followed by the construction category where outstanding reported at quarter-end stood at Rs. 21.58 billion and that of renovation stood at Rs. 7.44 billion. Active portfolio shows that private banks have taken a lead in financing for all three sectors; construction 36%, outright purchase 54% and renovation 41%.

Housing Finance Business of Micro Finance Banks:

Gross Outstanding

The total outstanding finance as on Sep 30, 2010 of Micro Finance Banks (MFBs) stood at Rs. 140.25 millions, which was Rs. 127.13 millions at the end of June 30, 2010, showing an increase of 10.32%, during the last quarter.

Number of Borrowers

Total number of outstanding borrowers has increased from 1797 to 1960 since June 30, 2010; an increase of 9%.

Non-Performing Loans

NPLs for Micro Finance Banks have increased from Rs. 0.94 millions (June 2010) to Rs. 1.16 millions (Sep 2010); a 30 % increase over the last quarter.

Analysis of Loan Variables adopted by Banks/DFIs & HBFC

Tables 1, 2 & 3 summarize loan variables across all banking sectors including weighted average interest rate, Loan-to-Value ratio (% financing by banks), average maturity period, average loan size and average time for loan processing.

Weighted average interest rate

The overall weighted average interest rate was 15.8% at the end of the current quarter. Highest weighted average profit rate was reported by foreign banks 16.9%, followed by Islamic banks 16.3%, HBFC 16.2%, private banks' 15% while public sector banks average came to 13.8%

Average maturity periods

Average maturity period for the quarter ending Sep 30, 2010 came to 11.7 years, which is low as compared to quarter ending Sep 30, 2009 when it was 12.6 years. HBFC's average maturity period is reported to be 12.9 years, while that of Islamic banks is 11.4 years. Table 1 shows that among commercial banks, private sector banks have extended housing loans for an average tenure 10 years followed by public sector banks with 9.8 years and foreign banks with 9.5 years.

Loan to Value ratio

The percentage of financing (Loan to Value ratio) extended by banks decreased during last year (Table 2) from 57.4% to 48.3%. Average LTVs of commercial banks have increased from 58.1% to 48.1%. The LTVs for HBFC have decreased from 55.8% to 48.5% during the last year.

Average time for loan processing

The reported average time for loan processing is approx. 23 days for all banks and DFIs (except HBFC), which was 26 days in Sep 30, 2009. Average time taken by HBFC presently is 48.3 days which is significantly high than 30 days reported last year. This has increased overall industry average to 35.8 days. Currently, the application processing of most of the banks is a centralized process, where branches forward applications to central branches/head offices for assessment and approvals.

Average loan size

Average loan size for disbursements made during the quarter ending Sep 30, 2010 is Rs. 2.6 million for all banks, except HBFC. The average loan size for HBFC is reported to be Rs. 1.6 million for the reporting quarter. Private banks reported an average loan size of Rs. 3.2 million, Islamic banks have financed with an average financing size of Rs. 2.6 million. Foreign banks Rs. 2.2 million and public sector banks reported Rs. 1.4 million. The housing finance market is still inclined towards lending to high income groups.

Table 1

	Weighted Average Interest Rate (%)					Average Maturity Period (Years)				
	Sep-10	June-10	Mar-10	Dec-09	Sep-09	Sep-10	June-10	Mar-10	Dec-09	Sep-09
Public Sector Banks	13.8	13.7	16.2	14.9	15.3	9.8	11.3	11.3	9.5	11.3
Private Banks	15.0	15.1	14.5	15.0	14.9	10.0	13.0	12.2	12.3	12.2
Foreign Banks	16.9	16.3	16.7	17.1	19.9	9.5	11.6	14.5	15.3	14.3
Islamic Banks	16.3	16.9	16.7	17.7	17.9	11.4	12.6	11.4	12.4	12.0
All Banks	15.5	15.5	15.4	15.7	16.1	10.4	12.3	12.3	12.4	12.4
DFIs	16.3	16.2	16.5	16.5	17.4	-	-	14.5	14.4	14.3
All Banks & DFIs	15.6	15.6	15.3	15.7	16.2	10.4	12.3	12.4	12.5	12.5
HBFC	16.2	16.1	13.6	13.5	14.7	12.9	13.6	16.0	16.0	15.5
Total Average	15.8	15.7	15.3	15.6	16.1	11.7	13.0	12.5	12.6	12.6

Table 2

	Loan to Value Ratio					Average Time for Loan Processing (days)				
	Sep-10	June-10	Mar-10	Dec-09	Sep-09	Sep-10	June-10	Mar-10	Dec-09	Sep-09
Public Sector Banks	52.4	35.1	61.9	66.0	61.4	16.8	24.6	28.9	27.9	30.0
Private Banks	45.9	39.7	53.8	60.3	60.4	19.7	25.1	22.4	23.2	23.0
Foreign Banks	33.2	54.1	60.9	58.5	55.9	30.0	33.2	21.6	23.1	31.0
Islamic Banks	51.4	32.7	48.4	50.2	49.8	29.1	25.5	22.3	23.1	23.0
All Banks	48.1	42.3	55.4	59.2	58.1	23.3	27.8	23.2	23.8	25.0
DFIs	-	-	41.8	41.8	42.5	-	-	30.0	30.0	30.0
All Banks & DFIs	48.1	42.3	54.9	58.5	57.5	23.3	27.8	23.5	24.1	26.0
HBFC	48.5	57.2	65.0	60.0	55.8	48.3	47.8	30.0	30.0	30.0
Total Average	48.3	49.8	55.2	58.6	57.4	35.8	37.8	23.8	24.3	26.0

Table 3

	Average Loan Size				
	Sep-10	June-10	Mar-10	Dec-09	Sep-09
Public Sector Banks	1.4	1.3	1.9	2.0	1.8
Private Banks	3.2	4.9	2.3	2.4	2.3
Foreign Banks	2.2	2.1	2.9	2.8	3.3
Islamic Banks	2.6	3.1	2.8	2.7	2.8
All Banks	2.6	3.5	2.4	2.5	2.5
DFIs	-	-	3.1	3.0	3.0
All Banks & DFIs	2.6	3.5	2.4	2.5	2.5
HBFC	1.6	1.2	0.7	0.7	0.7
Total Average/Total	2.1	2.3	2.3	2.5	2.4

Conclusion

The quarter ending Sep 30, 2010 depicted a decrease in overall portfolio. 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. Average loan size, LTVs and maturity periods have decreased over the last year. However, the lack of a conducive institutional framework and secondary mortgage market 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 key 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 on 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 had already disseminated the recommendations to the concerned stakeholders and is currently coordinating with the Ministry of Housing & Works, Pakistan Banks' Association (PBA), Association of Mortgage Bankers (AMB) and Association of Builders and Developers (ABAD) for implementation of some of the key recommendations.

Mortgage Refinance Company

SBP and World Bank Group have agreed to work together for implementing key recommendation of HAG for creating financing environment conducive to growth of housing sector by focusing on: establishment of Mortgage Refinance Company, availability of low cost housing finance and establishment of an observatory for real estate market. Work on the establishment of Mortgage Refinance Company is now being pursued aggressively. IFC developed a detailed business plan and feasibility for the Mortgage Refinance Company. Principal buy-in of the Ministry of Finance has been elicited and equity commitments from the GoP, commercial banks and HBFC have been received. The company is expected to be established during the current financial year.

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. In accordance with the Cooperation Agreement signed between International Finance Corporation (private sector arm of the World Bank Group) and SBP, a comprehensive housing finance training program was launched. The training covered all aspects of housing finance from product development, loan marketing/distribution and origination to loan underwriting, servicing and risk management. Till date, approximately 300 bankers from over 20 banks have been trained in the mortgage business. More capacity building programs would be conducted in future.

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.

Development of Housing Finance Guidelines

Infrastructure & Housing Finance Department of SBP is in process of developing guidelines of housing finance to increase the efficiency of mortgage bankers by adopting best international practices.

News on Housing Finance

Procedures to charge Capital Value Tax notified

The News - Wednesday, July 21, 2010

Chief Inspector of Stamps, Board of Revenue Sindh on Tuesday notified that the Capital Value Tax (CVT) on immovable property is now a provincial subject and as such the provincial government has rationalised the rates of CVT through the Sindh Finance Act 2010 since July 1, 2010.

The CVT will be levied and collected at the rates for A-Residential immovable (other than flats), situated in Sindh province, B-Residential flats situated in Sindh; and C-Commercial and Industrial immovable property, situated in Sindh.

The notification added that where the value of immovable property is recorded a) from 240 sq. yards to 499 sq. yards, 2 per cent of the recorded value will be charged; b) from 500 sq. yards to 1000 sq. yards, 2.5 per cent of the recorded value while c) from 1001 sq. yd. and above, 3 per cent of the recorded value will be charged. With regards to residential flats situated in Sindh, where the value of immovable property is recorded a) from 1000 sq. ft. to 1500 sq. ft areas in categories of the valuation table, 2 per cent of the recorded value will be charged, b) from 1501 sq. ft to 2200 sq. ft areas in all categories of the valuation table, 2 per cent of the recorded value will be charged and where the value of immovable property is not recorded, an amount of Rs.10/- per square feet of the landed area will be charged.

Besides, for commercial and industrial immovable property situated in Sindh, 2.5 per cent of the recorded value will be charged where the value of immovable property is recorded, and Rs.100/- will be charged per square yard of the landed area, where the value of immoveable property is not recorded, he added.

According to procedure of payment, all sub-registrars will be issued challans for the payment of CVT and it will be paid to the Head of Account 'B017-Capital Value Tax' in the concerned branches of National Bank of Pakistan. For Karachi, the CVT would be deposited in any National Bank of Pakistan branches.

PHA to construct around 15,000 housing units by 2013: official

The News - Friday, August 06, 2010

LAHORE: Pakistan Housing Authority (PHA) will construct around 15,000 housing units by the middle of 2013 in various parts of the country, including Islamabad, Lahore and Karachi, a senior official said on Thursday. Besides, the governments of Azad Jammu and Kashmir and Gilgit-Baltistan have also been assigned the task to meet the target of the Prime Minister Housing Scheme.

Talking to The News, Housing and Works Minister Rahmat Ullah Kakar said that the PHA had launched projects at I-16, I-12, Kurri Road in Islamabad and Wafaqi Colony Lahore and the government had set a deadline of middle of 2013 for their completion. However, completion of the project may be delayed for some time due to economic recession and deteriorated law and order situation in the country, but would not be stopped at any point of time, said Kakar. The projects of G-10, G-11, and I-11 of Islamabad are near completion and these 3,040 housing units would be handed over to the allotees in December, the minister said. He said the PHA had already handed over 384 C&D Type apartments to the martyrs of Karsaz situated in Karachi Railway Station and Pakistan Broadcasting Corporation Landhi.

Similarly, In Punjab, construction of 120 apartments in Wafaqi Colony had entered into the final phase and expected to be handed over to the allotees before December and 216 C and D Type apartments were already handed over to the owners in Peshawar, he said.

In Balochistan, construction of 957 row and incremental houses at Kuchlak Road Quetta is underway, he said, adding that the PHA faced unavailability of state lands and financial constraints. To cope with it, the authority has involved the local and international investors in the construction of projects, said Kakar.

He said that the PHA is confident to meet the assigned targets set under the Prime Minister Housing Programme and would complete one million housing units within the period of fiver years in a befitting way.

“The government is providing housing units to lower cadre employees at subsidised rates of Rs. 0.3-0.5 million,” Kakar said. The government has not ignored anyone in the allotment of housing units and transparent process has been adopted, Kakar said.

Govt to build 5,000 houses for homeless: Shahbaz

Published: July 30, 2010

LAHORE - Punjab Chief Minister, Shahbaz Sharif has said that the Punjab government has decided to start low-cost housing scheme for the low-income groups and the project will formally be launched on the first of Ramazan.

Presiding over a meeting held in connection with the low-cost housing schemes in the province, he said that the low-cost housing schemes launched with the title “Aashiana” will be a state of the art project of the Punjab government and provision of all the basic amenities will be ensured in these schemes and homes will be within the reach of low-income groups and the middle class for the first time in country’s history.

Member National Assembly Khurram Dastagir Khan, Chairman Punjab Land Development Company and Member Provincial Assembly Sheikh Allauddin, Senior Member Board of Revenue, Chairman Planning and Development, Chairman Taskforce on Special Initiatives, Secretary Housing, Commissioner Lahore and Deputy Chief Executive Officer Bank of Punjab were also present. The CM said low-cost housing scheme project, having all modern facilities for the poor could never be accomplished in the past 63 years and that was why the people had lost faith in such schemes. He said that during the recent rains so many schemes came to light where basic amenities, including sewerage facility, were not provided and the people had to face tremendous difficulties.

He said that the Punjab government would make the dream of ‘Own house, Own heaven’ for the low-income people come true. He said that all resources would be utilised for early completion of 5000 homes in the first phase beginning on the first of Ramazan. He said that widows, orphans and the disabled would have quota in these schemes while all the homes would be allotted through balloting in a transparent manner.

New Rules Stifling Construction Loans

New home construction is one of the engines that fuel our nation's economy. The problem is that consumers are finding it harder than ever to get construction loans today. Tighter lending regulations are the culprit.

Mortgage lenders, including those who passed out loans for construction, have seen many of the loans they made during the housing boom fall into default. This is largely the fault of the lenders themselves. They passed out mortgage and construction loans to borrowers with low credit scores, high amounts of debt, and low monthly incomes. Not surprisingly, a good portion of these loans have eventually ended up in housing foreclosures. RealtyTrac.com, an online provider of foreclosure data, reported that the United States saw 2.8 million foreclosure filings in 2009, an all-time record.
http://www.creditloan.com/blog/2010/10/29/new-rules-stifling-construction-loans/

Bernanke Says Regulators `Intensively' Reviewing Foreclosures

Federal Reserve Chairman Ben S. Bernanke said the central bank and other regulators are "intensively" examining financial firms' home-foreclosure practices and expect preliminary findings next month.

"We have been concerned about reported irregularities in foreclosure practices at a number of large financial institutions," Bernanke said today at a housing conference in Arlington, Virginia. "We are looking intensively at the firms' policies, procedures, and internal controls related to foreclosures and seeking to determine whether systematic weaknesses are leading to improper foreclosures."
http://www.bloomberg.com/news/2010-10-25/bernanke-says-regulators-are-intensively-reviewing-foreclosure-practices.html

HSBC named UKs biggest direct mortgage lender

HSBC is the UK's largest lender of mortgages sold directly to homeowners, analysis of mortgage lending data from 2009 has revealed. Indeed, the bank managed to issue almost ten per cent of all new mortgages, meaning that HSBC lent one in four of all directly sold mortgages.

Martijn van der Heijden, head of mortgages at HSBC, commented: "Shopping around is essential when looking for a new mortgage and that means doing more than simply seeing a mortgage broker .
http://www.mortgages.co.uk/news/2010/Sep/hsbc-named-uks-biggest-direct-mortgage-lender-800076306.html

Obama mortgage mods slow, hitting nearly 500,000

NEW YORK (CNNMoney.com) -- The government's main foreclosure-rescue program continues to show signs of slowing progress, according to a federal report released Monday. There were 28,000 permanent mortgage modifications reported in September under the Home Affordable Modification Program, known as HAMP. That's down from more than 33,000 in August HAMP is designed to help eligible borrowers modify their home loans to make their monthly payments more affordable.

A total of 495,898 borrowers have received permanent loan modifications since HAMP was launched in 2009. Of that half-million homeowners, 11% redefaulted on their new lower-cost loans after nine months. After six months, less than 10% of modified loans were delinquent.

http://money.cnn.com/2010/10/25/real_estate/HAMP/index.htm

FSA 'stress tests' would ban half of all mortgages, warn lenders

By James Moore, Deputy Business Editor
Tuesday, 5 October 2010

Michael Coogan, the director of the Council of Mortgage Lenders said the effect of the proposed FSA crackdown on lending had been underestimated. About half of the eight million mortgages approved in the past five years would have been banned under the tougher affordability rules proposed by the Financial Services Authority (FSA), a study suggests.

Research published today by the Council of Mortgage Lenders (CML) also says that 3.8 million of those loans have "performed" throughout the financial crisis and recession, with just 200,000 having defaulted. It comes at a time of mounting concern about the state of the housing market, with mortgage approvals running at close to historic lows and widespread predictions of a fresh collapse.

The survey, compiled by Markit and the Chartered Institute of Purchasing and Supply (CIPS), produced a reading of 45.4. Any reading below 50 indicates that activity is contracting. The report says much of the apparently good news resulted from an "11th-hour spending spree" by the previous Labour government.

Lenders would also have to look at a borrower's ability to repay over 25 years, even if the proposed loan was advanced over a longer term. They would have to apply an "interest rate stress test" to check that a loan would still be manageable if interest rates rose sharply. Lenders would also have to apply a "buffer" to people with poor credit histories, reducing their incomes by 20 per cent for the purposes of the affordability tests.

FSA defended its plans, saying they were designed to address "major failures that have occurred in the mortgage market". A spokeswoman added: "We are actively consulting all stakeholders to ensure we get the right solution. Our evidence shows that 16 per cent of borrowers are already financially overstretched and facing problems now as a result of their lenders' practices in the past.

"For now, borrowers are also benefiting from historically low interest rates and house price inflation, which cannot go on forever." The FSA insisted it was "imperative that we take steps to protect vulnerable consumers and ensure lenders are making responsible decisions". "We will continue to work ... to establish a strong mortgage market where those who can afford mortgages are able to get them," it said. "It is in the interests of all that we get this right: both lenders and borrowers suffer from irresponsible lending."

http://www.independent.co.uk/news/business/news/fsa-stress-tests-would-ban-half-of-all-mortgages-warn-lenders-2097772.html

'Mortgage law could boost construction'

By MOHAMMED RASOOLDEEN | ARAB NEWS
Oct 2, 2010

RIYADH: The proposed mortgage law could boost activity in the Kingdom’s construction industry by up to a third, according to Mu’taz Sawwaf, the CEO of Construction Products Holding Company (CPC).

Sawwaf stressed that the industry was already moving, buoyed by a combination of factors such as easing their lending policies and a list of construction projects valued at an estimated $200 billion issued by the government.

"Even now, without a mortgage law in the country, construction is moving, since banks and other financial institutions are already giving mortgages," he said. "But I estimate that once the law is passed, it will push construction work forward and increase activity by around 20-30 percent. Contractors will be happy to do more work and factories will become more productive."

While Sawwaf was confident that the country's contractors would be able to keep pace with the demand to build new homes in Saudi Arabia, he acknowledged that the government faced a challenge in issuing permits for the projects. Figures indicate that the number of housing units required to meet demand will reach between 1.5 million and 4.5 million by 2015.

"Many international firms have entered the market so it will be possible to meet the upcoming demand," he said. "However, we are talking about massive building projects and questions remain about whether the government will be able to issue building permits for these projects on time."
http://arabnews.com/economy/article152451.ece

Future Outlook

Considering the huge housing backlog, the demand for housing will persist for years to come. However, access to formal finance sector for housing remains a challenge.

- Different measures are being taken to improve the housing finance outreach in the country. Major initiative of Mortgage Refinance Company (MRC) would help banks/DFIs in overcoming maturity mismatch and in providing fixed rate mortgages. MRC is expected to be operational in 2011.
- Since efforts would be made to explore the possibility of tapping international institutional funds, it is hoped that housing facilities would become more accessible.
- Provinces would be asked to bring down Transaction Costs, which would help boost the housing construction activity, which would attract banks'/DFIs' financing.