

October 14, 2014

Mortgage Refinance Company will catalyze promotion and growth of Housing Finance in Pakistan; says Saeed Ahmed, Deputy Governor, State Bank

“Apart from other limiting legal and operational obstacles, non-availability of long term liquidity does not allow requisite growth in housing finance in Pakistan”. Mr. Saeed Ahmed, Deputy Governor said while chairing first meeting of the Steering Committee of Mortgage Refinance Company (MRC) held on October 13, 2014 at State Bank of Pakistan.

The Meeting was also attended by other members of the Committee including executives of MRC’s equity holder banks/DFIs, representative from Ministry of Finance, Ministry of Housing & Works, and an industry specialist from IFC. The Committee would steer the process of incorporation of MRC expeditiously in a planned manner. Further, the Steering Committee will also be responsible to discuss pre- and post- incorporation formalities for the MRC.

In his opening remarks, Mr. Saeed Ahmad highlighted the fact that Pakistan is far behind in terms of mortgage finance to GDP ratio even within the region. He emphasized on need of development of housing sector because of its forward and backward linkages with more than 40 allied industries. He further mentioned that realizing its significance, the Federal government and State Bank of Pakistan are taking various steps for promotion and development of housing finance.

While other key issues including foreclosure laws, land record system, stamp duties etc are being handled separately by the concerned quarters, formation of MRC under public-private-partnership model, would help in provision of long term funding to primary mortgage market and development of secondary market in Pakistan by adopting appropriate refinancing models. Further, the Chair also briefed that significant progress has been made during this year as feasibility report of MRC has been revalidated by independent international consultants and firm equity commitments have been secured from commercial banks/DFIs and the Government of Pakistan. Mr. Saeed Ahmad clarified that MRC will work on with-recourse model which will ensure that its financial health is not affected in case of default by mortgage borrowers as banks would be required to replace bad mortgages with the good ones. MRC will also help in development of capital markets by issuance of corporate bonds/TFCs/Sukuks.

Deputy Governor set end December 2014 as the deadline to incorporate MRC with SECP.
