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SBP issues separate housing finance prudential regulations to lay more focus on housing finance

SBP has been extending its endeavors to enhance the priority sector lending i.e. Agriculture Credit, Micro Financing, SME Financing, House Financing, Infrastructure Financing and Exports. Keeping in view the importance of these sectors, SBP has been creating enabling regulatory environment through conducive Prudential Regulations (PRs) and market development through positive policy measures i.e. issuance of guidelines, setting indicative targets, promoting capacity building of financial institutions etc. These activities have been undertaken at SBP as “Special Initiatives” by the Deputy Governor, Mr. Saeed Ahmad.

Housing and construction plays an important role in an economy. Around 50 industries and 70 percent of the unskilled labour are associated with construction sector. Housing Finance supplements radically in long term economic growth via job creation, economic linkages and in raising living standards of people.

The Housing Finance in Pakistan is relatively very low as compared to our neighbouring countries and has not been growing at a desired pace. Outreach of Housing Finance in terms of income groups and geography is very limited. The State Bank of Pakistan has been taking various steps for promotion and development of this sector. Prudential Regulations relating to Housing Finance needed to be revised to bring them in line with current needs. Keeping in view specific features of Housing Finance i.e. tenure, pricing, and collateral arrangements being different from other areas of consumer financing products, a separate set of Prudential Regulations specifically for Housing Finance has been issued to give true focus to this area.

On the occasion of issuance of these Prudential Regulations, Mr. Saeed Ahmad, Deputy Governor of SBP said that together with development in other sectors like agriculture projects (Warehouse Receipts System), introduction of crop insurance scheme, credit guarantee scheme for SME financing, promotion of micro-financing and branchless banking, SBP is making a roadway in Housing Finance. He said that SBP would further pursue the Housing Finance, particularly, for the low-income after studying success stories in other similar economies like India, Brazil, etc to provide shelter to the deprived segments of our society.

These Prudential Regulations for Housing Finance have been issued after long consultation with the related stake-holders. It is expected that banks/DFIs will take benefit of these revisions in Housing Finance Prudential Regulations and re-strategize their Housing Finance Policies. With product innovation and availability of home financing throughout the country, it is expected that banks/DFIs would enhance the outreach of housing finance.

Housing Finance Prudential Regulations have been uploaded on the SBP website.