



## External Relations Department

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### **Master Guarantee Agreement signed between Credit Guarantee Trust for Low Income Housing and Partner Financial Institutions**

A Credit Guarantee Trust, with Pakistan Mortgage Refinance Corporation (PMRC) as Trustee, has been set up by the Government of Pakistan with the support of State Bank of Pakistan (SBP) and funded by the World Bank. In line with Government's vision to promote affordable housing specially for the low- and informal-income segments, the Credit Guarantee Trust will provide risk coverage of up to 40% to primary mortgage financiers on first loss basis. The guarantee will partially alleviate the credit risk of primary mortgage financiers and provide a conducive environment for banks to finance housing for the low-income. Keeping in view the dynamics of mortgage market and to facilitate market growth, the scheme has been designed for both conventional and Islamic banks.

PMRC as trustee today signed a Master Guarantee Agreement with six leading Islamic and conventional banks including Meezan Bank, Habib Bank, BankIslami, Faysal Bank, JS Bank and Soneri Bank. This is a major step for the Government's Naya Pakistan Housing Program and making affordable housing possible for all.

Speaking at the occasion, Deputy Governor SBP Mr. Jameel Ahmed said that the risk coverage of mortgage portfolio under Government Markup Subsidy facility provides due comfort to banks in extending housing finance to the low income segment for buying or construction of new houses. He urged the banking industry to benefit from this unprecedented facilitative environment and extend loans to their maximum potential. He also urged the PMRC to focus on developing secondary mortgage market through issuance of mortgage-backed securities in the capital market. The Deputy Governor SBP emphasized that all stakeholders needed to make concerted efforts to achieve the goal of providing housing to the common people. He lauded the efforts by financial institutions over the last few months under the umbrella of Steering Committee on housing and construction finance established by State Bank of Pakistan.

Mudassir H. Khan, MD and CEO of PMRC, expressing his views said that this Credit Guarantee Scheme will pave the way for the banking industry to extend housing finance to the low income group, a market segment which has remained negligible for long. He said that PMRC has a role of a catalyst in mortgage market development in the country and for growth of affordable housing in the country. He thanked the Deputy Governor SBP for his leadership and support for this sector, the Ministry of Finance, the World Bank and NAPHDA towards making the Government and PM's vision of affordable housing a reality.

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