



## External Relations Department

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### **SBP issues instructions to banks to implement Government decision to make it easier for the general public to avail bank finance for affordable housing**

In its effort to promote low cost and affordable home ownership among low to middle-income groups, the Government of Pakistan (GoP) has revised its markup subsidy scheme of housing finance significantly to align with the prevailing housing market dynamics. The revised scheme is expected to make access to housing finance much easier for a large number of households who currently do not own a house.

In October last year, the GoP started providing markup subsidy facility for the construction and purchase of new homes in a bid to promote housing finance to first time home buyers at subsidized and affordable markup rates. This facility is being provided with the administrative support of Naya Pakistan Housing and Development Authority (NAPHDA) and implemented by State Bank of Pakistan through banks. In order to expand the outreach of the scheme and allow many more households to benefit, the GoP on the recommendation of stakeholders approved significant revisions in the key parameters of the scheme. Revised scheme circulated by SBP to the banks is available at <https://www.sbp.org.pk/smefd/circulars/2021/C3.htm>

Key revisions in the scheme are as follows:

1. The scheme had divided the potential borrowers into three tiers. Now a new tier called Tier 0 has been added in the scheme to facilitate participation of microfinance banks (MFBs) under the scheme for disbursement of financing of up to Rs2 million per housing unit. In view of the fact that MFBs specialize in extension of financing to low income households, it is believed that participation of MFBs will significantly enhance outreach of scheme to these segments. Under this Tier, MFBs will either use their own funds or banks will lend to MFBs for onward lending to low income borrowers of housing finance.
2. The end user subsidized markup rate under Tier 1 (housing units of up to 5 marla and covered area of 850 sq. feet under NAPHDA projects) has been lowered to 3% for first five years and 5% for the next 5 years. Earlier these were 5% and 7% respectively. This will help to reduce the burden of installments on low income strata of applicants under NAPHDA projects even more.
3. Under Tier 2 and Tier 3 of the scheme, keeping in view the limited supply of eligible housing units especially during the initial years, the requirement of maximum one-year-old housing unit has been waived till March 31, 2023. Further, restriction on first transfer of housing unit and maximum value of housing units have also been removed. Maximum covered area for flats and apartments has been increased whereas, covered area restriction has been removed in case of land based housing units. The maximum allowed financing has also been doubled from Rs3 million to Rs6 million under Tier 2 and from Rs5 million to Rs10 million under Tier 3. It may be noted that Tier 2 is for houses of up to 5 marla and apartments with covered area of up to 1,250 sq. feet under non-NAPHDA projects and Tier 3 is for houses of up to 10 marla and apartments with covered area of up to 2,000 sq. feet under non-NAPHDA projects.
4. In addition, minimum eligible tenor of housing finance under the scheme has been lowered to 5 years from the existing 10 years. This will facilitate individuals desiring to avail shorter term



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financing. The revised markup subsidy facility will continue to be available through banks across the country.

With changes in the key parameters of the scheme, Government of Pakistan has increased the total funding allocation to Rs36 billion on account of markup subsidy payment for financing over a period of 10 years and has assured continuity of the facility.

It is expected that revised parameters will further assist in materializing the Government's vision of providing housing to the low and middle income segments of the society.

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