



## External Relations Department

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### **SBP eases applicants in availing housing loans during construction period in the Governments subsidized scheme through personal guarantees**

Currently applicants face difficulties in obtaining housing finance, especially for low cost housing, as banks are reluctant to take the risk of the house not being completed or documentation completion. The completion of housing unit and mortgage creation takes time. In order to address this issue for applicants and banks, the SBP has allowed acceptance of a third party guarantee for this period up to a maximum of one year.

With the aim to facilitate the banks in extending low cost housing finance, SBP has allowed them to accept personal guarantee of third party until the housing unit is completed and the mortgage is perfected. The guarantee will remain valid for a maximum period of one year. This step will help promote home ownership of potential borrowers wishing to avail housing finance under Government Markup Subsidy Scheme issued by State Bank of Pakistan on October 12, 2020.

Third party guarantee will cover the period from the disbursement of loan to the time when construction is completed and risk coverage becomes available by Pakistan Mortgage Refinance Company. Acceptance of third party personal guarantee will provide additional comfort to banks for extending low cost housing finance, an area in which banks have keen interest for its business potential. It is expected that with this move, banks will increase their efforts to ensure that the benefits of the markup subsidy scheme reach marginalized segments of the society who currently do not own a house.

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