



External Relations Department

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Banks approve Rs. 180bn in low-cost housing loans

Building upon current momentum, banks have shown strong progress in approving and disbursing the financing under Mera Pakistan Mera Ghar Scheme against the manifold increase in applications by borrowers to avail housing finance. Till April 11, 2022, banks received applications for housing finance amounting to Rs409 billion, which was merely Rs57 billion a year ago, reflecting an increase of more than 7 times. Out of these, banks have approved applications amounting to Rs180 billion and disbursed Rs66 billion against the approved applications. This shows an increase in approvals of applications of more than 11 times as, a year ago, in April 2021, the banks had approved only Rs16 billion.

Similar trends can also be observed in the overall financing to the housing and construction sector by banks. Banks almost doubled their [housing and construction finance](#) portfolio to Rs404 billion as of March 31, 2022 from Rs204 billion a year earlier. In increasing their housing and construction finance, banks have also achieved, almost 100%, the first quarter target of Rs405 billion for 2022.

To improve provision of financing for the housing and construction sector to increase adequate housing in the country and boost construction sector activities, State Bank of Pakistan (SBP) with the support of Government of Pakistan has taken several measures since July 2020. In October 2020, the Government of Pakistan augmented these efforts by introducing the Government Markup Subsidy Scheme, now commonly known as [Mera Pakistan Mera Ghar \(MPMG\) Scheme](#). Available in both conventional and Islamic mode, this scheme enables banks to provide financing for the construction and purchase of houses at very low financing rates for low to middle income segments of the population.

Key initiatives taken under MPMG scheme included allowing acceptance of third party guarantee during the construction period, waiver of Debt Burden Ratio (DBR) in case of informal income and the introduction of standard facility offer letter by the banks. SBP also advised banks to develop and deploy income estimation models for borrowers with informal sources of income. In addition to gauge readiness, knowledge and appropriateness of behavior of banking staff towards customers, regular mystery shopping of banking branches were also conducted by State Bank all over the country.

The current progress under MPMG is also attributed to banks' improved preparedness for handling housing finance that includes alignment of banks' strategic focus, continued improvements in their systems and procedures, training and capacity building of staff, extensive marketing and leverage of technology to reach out to customers. These improvements have helped banks in better handling of financing requests of potential customers. The huge influx of applications and subsequent approvals of financing by banks under the Scheme indicates that current momentum of disbursements under MPMG will continue in the coming months as well.

SBP also advised [housing and construction finance targets](#) to banks on July 15, 2020. Banks were required to increase their housing and construction finance portfolio to 5 percent of their domestic private sector advances by the end of 2021. As a result, banks' financing to housing and construction



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sector increased to Rs367 billion as of December 31, 2021 from Rs148 billion as of June 30, 2020. For 2022, banks have been advised to increase their housing and construction portfolio to [7 percent of their domestic private sector advances](#) i.e. up to Rs560 billion.


