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| --- |
| Affordable Housing & Housing Subsidy Options |
| Infrastructure & Housing Finance Department SBP |
| By: Nafees Khan |



**[](http://www.pha.gov.pk/Pictures%20Gallery/Apartment%20at%20Gulistan-e-Jouhar,%20Karachi.jpg)**

**[](http://www.pha.gov.pk/Pictures%20Gallery/View%20of%20Apartment%20at%20GT%20Road,%20Lahore.jpg)**

**[](http://www.pha.gov.pk/Pictures%20Gallery/A%20Architectural%20view%20of%20Shabbir%20Town,%20B%20TYPE,%20Lahore.JPG)**

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**Preface**

Housing and construction industry plays vital role in overall development of a country and provides base to at least forty four related industries. There is an acute housing shortage in Pakistan at the moment which stands at about 7.3 million units.

The report under review highlights the major affordability issues being faced by low income groups of population of Pakistan and respective housing shortages in each segment. Document also differentiates the market housing from social housing.

Affordable housing projects initiated in past and the need to introduce some mega housing projects targeting low income stratum of population and the necessary strategic initiatives to realize the goal of addressing affordable housing issues in Pakistan along with subsidy options, have been discussed at length.

**PAKISTAN IN THE 21ST CENTURY: VISION 2030-A HOME OF ONES OWN.**

Housing shortage in Pakistan has assumed an alarming proportion which requires a careful evaluation, assessment and well planed strategies to minimize housing backlog. It is laudable that Government has realized the importance of long-term planning for housing in vision 2030.

Through vision 2030, Government of Pakistan has shown commitment to construct houses for low income groups. In addition Govt. will address the issues of supply of developed land, effective administration, effective legal and regulatory system, and adequate housing finance for the poor.

Government has initiated practical steps in this direction and has formed a working group to achieve the goal of affordable housing envisaged in vision 2030.

The activity of providing the low cost housing must be regular features of government’s plans. Following document will shed light on some of the important aspects of affordable housing for all in Pakistan.

HBFCL has also initiated some ground work to address the issue of housing shortage with particular reference to meeting the need of low cost housing.

Some of the areas concerning affordable housing have been depicted in the coming sections of this document.

**Issues of Affordable Housing**

**[[1]](#footnote-2)Housing Continuum:**

A brief look at Housing continuum given below highlights the main issues of Mortgage Affordability, Housing Finance players, Housing Market, Market Segments, Income Distribution, Income Distribution in % of Housing Shortage, and housing shortage in Pakistan.

**Commercial**

**Banks**

**Housing Finance Player**

**Market Segment**

**Income Distribution**

**Mortgage Affordability**

**(Rupees in Million)**

**HBFC**

**(SMH)**

**HBFC &**

**Social**

**Housing**

**Bank**

**Social**

**Housing**

**Market**

**Housing**

**High End**

**Upper Middle**

**Lower Middle**

**Small**

**Micro**

**Upto Rs.4,000**

**Housing Market**

**Rs.100,000**

**Rs.25,001 to**

**Rs.50,000**

**Rs.10,001 to**

**Rs.25,000**

**Rs.4,001 to**

**Rs.10,000**

**Rs 5**

**Rs 5**

**&**

**&**

**above**

**above**

**Rs 1.25 ~**

**2.50**

**Rs 0.5 ~ 1.25**

**Rs 0.20~Rs.0.50**

**Rs 0.20**

**Rs**

**1 Lac**

**& above.**

**High**

**-**

**High**

**Rs 2.5**

**to**

**Rs 5.0**

**Income Distribution in %**

**4 %**

**15 %**

**20 %**

**40 %**

**20 %**

**1 %**

**Housing Shortage \***

**(In Million)**

**0.300**

**1.125**

**1.500**

**3.000**

**1.500**

**0.075**

**Commercial**

**Banks**

**Housing Finance Player**

**Market Segment**

**Income Distribution**

**Mortgage Affordability**

**(Rupees in Million)**

**HBFC**

**(SMH)**

**HBFC &**

**Social**

**Housing**

**Bank**

**Social**

**Housing**

**Market**

**Housing**

**High End**

**Upper Middle**

**Lower Middle**

**Small**

**Micro**

**Upto Rs.6,000**

**Housing Market**

**Rs.100,000**

**Rs.25,001 to**

**Rs.50,000**

**Rs.10,001 to**

**Rs.25,000**

**Rs.6,001 to**

**Rs.10,000**

**Rs 5**

**Rs 5**

**&**

**&**

**above**

**above**

**Rs 1.25 ~**

**2.50**

**Rs 0.5 ~ 1.25**

**Rs 0.20~Rs.0.50**

**Rs 0.20**

**Rs**

**1 Lac**

**& above.**

**High**

**-**

**High**

**Rs 2.5**

**to**

**Rs 5.0**

**Income Distribution in %**

**4 %**

**15 %**

**20 %**

**40 %**

**20 %**

**1 %**

**Housing Shortage \***

**(In Million)**

**0.300**

**1.125**

**1.500**

**3.000**

**1.500**

**0.075**

**Rs.51,000 to**

* **Per Capita Income Rs.7,000 per month**
* **Minimum Wage Rate Rs.6000 per month**

**\* Total existing backlog is estimated at 7.3 Million units. The shortage in various income segments is assumed in the same proportion, as per income distribution pattern. However, actual shortage is much higher in low income segments as opposed to higher income segments.**

**Micro Housing and Housing Finance:**

As could be seen from above Housing Market could broadly be segregated into following four segments based on *Affordability vs Cost & Supply Vs Demand*

(a)- **Market Housing**

Market housing mainly caters for the High-High, High End, Upper Middle and lower Middle income groups of the market.

Income distribution hovers around Rs. 1 lac & above (1%) for High-High, Rs.100, 000 (4%) for High end, Rs 25,001-Rs50,000 (15 %) for upper middle and Rs 10,001 – 25,000 (20%) for Lower middle income groups.

It is also evident from the continuum that commercial banks are focusing only the High-High and High End market segments with mortgage affordability of Rs 2.5 – Rs 5.0 (& above) million, where as HBFCL (SMH) is taking care of the housing needs of the upper middle and lower Middle income groups with mortgage affordability of Rs 1.25 – Rs 2.5 million and Rs 0.5 to 1.25 million respectively.

Housing shortage in this sector varies from 0.075 – 0.300 million housing units for High-High and High end segments respectively where as it is 1.125 to 1.500 million units for upper middle and lower middle income groups respectively.

Furthermore, a brief look at the Hosing Continuum suggests that Market Housing deals with that segment of the population, where market mechanism takes care of housing issues since:

1. Affordability and property prices have a match, and
2. Against a relatively smaller demand there is a matching supply.

Hence, in the market housing segment of the population, the market forces take care of affordability and demand & supply issues. It is also clear that the sufficient supply is available to meet demand in Market Housing.

**(b)Social Housing**

Social housing represents the small and micro segments, which is the most oppressed and immensely neglected segment of the market.

Typically in the small market segment income ranges between Rs.6,001 to Rs.10,000(40%) where as for micro it is mere Rs6,000 (20%).Housing affordability of this segment ranges from Rs.0.20 to Rs0.50 Million. Housing shortage in this segment is also at the critical level which is around 300 – 1500 million housing units.

Housing Continuum also suggests that Social Housing deals with low (small) and Low-Low (Micro) income segments of the population , where market players are currently not interested , resulting in “crisis situation”. This is due to fact that:

1. In Social Housing segment real estate prices and mortgage affordability have a mis- match, being totally out of proportion, and
2. Where nearly 65 % of the population falls in this category, resulting into a massive housing demand and shortage. There is practically no “*organized*” supply.

This situation is resulting into an expanding illegal habitat and squatter settlements (Katchi Abadis) in major cities. More than half of the major cities like Karachi, Lahore, Faisalabad, and Peshawar are Katchi Abadis. Karachi alone has between 600-800 Katchi Abadis.

In Karachi alone, using the 2005 figures quoted in Karachi Master Plan 2020 for the city’s population of some 15.10 million, there are about 7.6 million people living in Katchi Abadi settlements. These occupy about 1.035 million house hold assuming an average house hold size of 7.4 persons.

**[[2]](#footnote-3)Affordability Issues of Low Income Groups**

Most pervasive issue being faced by low income households fall in the following categories.

1. **S O C I A L**
2. Large family units
3. For initial period of mortgage, client’s spirits are high to sacrifice for the shelter. The spirit gradually fades over the years.
4. While longer tenors are desired for lowering mortgage installments, sustainability of income for longer tenors is rather an unrealistic assumption.
5. Documented verification of income is difficult in these sections of populations. Some time whole the family is gain fully employed, but informally.
6. In case of any emergency (e.g. death of member) the family circle being
7. financially weak is unable to share burden.

****

1. **F I N A N C I A L**
2. Propensity to save is negligible rather negative in most cases.
3. Sustainability of cash flows and affordability over 15-20 years tenors of the loan is generally an unrealistic assumption.
4. Any prolonged illness more so in elders of the family adversely effect mortgage affordability.
5. Mortgage payments being small amounts, the bank transaction costs are prohibitive (Basic Bank Account)
6. **L E G A L**
7. Titling issues are complex in retail low cost housing – a mess.
8. Documentation is poor and difficult due to illiteracy.
9. Bribe for getting documentation/ verification from various concerned departments becomes significant portion of the loan amount. Govt. has to offer foolproof one widow service.
10. Computerization of Land Records (LRIS)
11. Education of small and uneducated borrowers on what is ownership title, who are the concerned agencies, what the fees (MBA Pak Website)

**[[3]](#footnote-4)Housing Backlog & Affordability:**

**Backlog:**

|  |  |
| --- | --- |
| Housing Position in 1998 (fig. in Million) | |
| Total housing units | 19.3 |
| Housing Shortfall | 4.33 |
| Incremental demand per year | 0.5 |
| Supply per year | 0.3 |
| Average House Hold Size | 6.6 person |
| Shortfall p.a. | 0.27 |
| Average Room Density | 3.3 person |
| Depletion of stock per annum | 1 % |

Based upon above data demand and supply position for the year 2008 is worked out as under

|  |  |
| --- | --- |
| Housing Position in 2008(fig. in million) | |
| Total housing stock | 20.39 |
| Population | 162 |
| Annual population growth | 3 % |
| Total Housing back log | 7.30 |
| Additional Supply required due to Population growth | 0.74 |
| Depletion of stock @1% p.a. | 0.20 |
| To meet backlog in 17 years | 0.41 |
| New Housing Need in 2008 | 1.35 |
| Supply per year | 0.3 |
| Persistent gap adding to backlog | 1.05 |
| One third of total needed in urban areas | 0.45 |

**Affordability:**

Pakistan, with a per capita income of around Rs.7,000/- p.m. and minimum wage of Rs.6000 p.m., has more than 2/3rd of its population falling below the mortgage affordability of about Rs.2 lac, with monthly income levels below Rs. 7,000 p.m. This, coupled with the massive backlog of housing (70-75 lac units) has led to a situation where nearly 3/4th of the population finds itself unable to effectively avail the services being offered by the housing sector in any meaningful way.

**[[4]](#footnote-5)Glimpses of low income housing initiative in Pakistan History.**

Despite the fact that low income housing is amongst the most neglected areas of Pakistan, there are few low cost housing projects have been completed in past which can be replicated with modern techniques.

|  |  |
| --- | --- |
| **Korangi / Landhi**  **Low Cost Housing Scheme, Karachi** | The Government for the 1st time in the history of Pakistan had  announced a low cost housing scheme namely KORANGILANDHI  in 1959-60.  • The Korangi Landhi township in Karachi was built under the  supervision of General Azam Khan, within a shortest span of  time of 6 months. The settlement scheme is globally acknowledged as among the best housing solutions to  rehabilitate squatters/poor people  • The cost of the quarter/house including cost of land was nearly a token price of Rs. 35/- only .The same amount was recoverable in 3 equal installments of Rs. 11.50 |
| **Sujrani Town Low**  **Cost Housing Scheme in Karachi** | This housing scheme was developed in 1970 at Karachi by  the defunct Karachi Development Authority exclusively for low  and middle income groups.  • The salient features of the scheme are:-  – With 47,736 residential plots the scheme is aimed to cater for the housing need of around 800,000 people;  – The scheme being self-financing, all development work done on a break-even basis;  – The scheme took 15 – 20 years to get proper habitat, since it did not provide transport, utilities, health and education to start with. One and two rooms houses with toilet, bath and a  kitchen, built by construction companies whose designs were found suitable and economical;  \_ Total cost of 80 sq. yds house was between the range of Rs. 45,000($ 742) – 80,000 ($ 1319)  \_ There was also a provision of HBFC’s loan of Rs. 20,000/- ($ 330) to 36000/- ( $ 593) |
| **Taiser Town**  **Low Cost Housing Scheme** | The City District Government Karachi in collaboration with a US-based private company will construct earthquake resistant low-cost housing scheme at Taiser Town on no profit no loss basis to provide living facilities to the citizens on affordable rates.  The outer development works at Taiser Town Housing Scheme Phase-I would be completed by December, 2007 where 24,762 plots of 80 sq.yds,30,000 of 120 sq.yds have already allotted to the citizens of Pakistan.  The city government would also provide help to the allottees of 80-square yard at Taiser Town for getting loan from HBFC and other banks in easy Installments.  The consumption of the time and cost is very low in this scheme and a house would be built in 3 to 4 weeks at an estimated cost of Rs 600 pers quare feet |
| **Incremental Housing Project**  **Khuda-ki-Basti - Karachi** | The scheme is located in Phase-III of Taiser Town-Karachi;  \_ Through this scheme plots are being provided by an NGO “Saiban” to those who either do not have their own houses or to those in desperate need of a shelter;  \_ The price of a plot of 80 sq.yds including all development charges is just only Rs. 37,000  \_ The applicant is simply required to deposit Rs.4000  \_ Till such time the applicant is allotted a plot to start the construction work, the “Saiban” provides a temporary shelter, within the jurisdiction of the scheme to adjudge that the applicant is really sincere in residing in the scheme;  \_ After verification of the “Saiban” about the housing need of the applicant, the applicant is required to deposit a further amount of Rs. 4000/- to became eligible for a plot of 80 sq.yds  \_ After ascertaining the fact of permanent residency of the applicant in the area and construction of the house, the plot is finally leased in the name of the applicant. |
| **Low Cost Housing Scheme**  **at Lahore** | The private sector builders of the project M/s Sehar Associates (Pvt) Ltd  has launched a project of 2500 housing units at Lahore under the name of " Heritage Homes” at Lahore with a missionary zeal to provide respectable living at affordable prices.  • 5 Marlas (100 sq.yds) portion Rs. 690,000/- ( $ 11,373)  • 5 Marla independent Rs.15,90,000/- ($ 26,207)  • The project is having a concept of “ sustainable neighborhood” which is largely disappearing from our society.  • One amongst others, the mandatory condition for the prospective purchasers is to live in the house for at least 5 ears. |

**[[5]](#footnote-6) Some of the proposed solution.**

The only solution to address the issues of low income housing is to build mega housing projects in every nook and corner of the country with greater provision of low income segments.

**Mega Housing Projects in each Province and Development of Land Bank.**

Government should launch mega housing projects throughout the country. In this regard provincial and city governments have to be involved. Land should be provided at subsidized rate or free of cost at all. In addition, government should maintain a land bank and should continually work on land development to meet the future needs of housing of the country. Govt. needs to maintain a computerized **Land Information System** (LIS) to facilitate affordable housing equal opportunities for deserving people.

**Model for Micro Housing (Progressive Housing):**

In order to ensure large-scale supply of micro housing for very needy and very poor, large scale housing have to be encouraged based on the concept of “*Progressive or Incremental*” housing. The already existing models are like “ *Kuda Ki Basti*” Karachi & Lahore , promoted by an NGO called *Saiban*, and *Krongi Township*(1960). It is note worthy that demand for affordable housing is very high at small and micro level which is being accelerated each year at a fast pace. Unfortunately there are no formal plans and social housing institutions available to meet the demand.

**Supply of low cost (Micro) Housing:**

Supply side of the low cost housing for small and micro market segments is minuscule. Hence it is high time that the think tanks of the country devise prudent plans and strategies to meet the rising demand of affordable housing.

Since this being a unique situation , based more on social consideration , as opposed to commercial consideration, it is suggested that social housing company structure will be set up , with involvement of HBFC/FI’s , corporate sector and NGOs. The HBFC is already working on setting up a **Social Housing Company** for the purpose.

**Financing for low cost (Micro) Housing:**

Since the financing platform for the purpose could not be conventional because of the commercial considerations and has to be on Micro finance pattern, it is suggested that micro housing finance institutions be set up for the purpose of providing micro housing mortgages. It is learned that another private sector initiative is in offing in the name of Tameer Housing Bank from Tameer Micro Finance Bank, Karachi.

**Empowerment on support of very needy and very poor:**

Since the very needy and very poor people continue facing financial problems in meeting their financial obligations of mortgage payments, the institution of “Zakat” and “Charity” could be formulized to provide such financial support to deserving needy poor section of the population. For the purpose **Sponsor a Shelter Foundation** is proposed to be set up.

**Low cost Housing Technologies/Materials**

Industry of low cost Housing Technology & Materials should get to be flourished in Pakistan. Incentives should be given in this regard. Bulk purchasing and reduced taxes can achieve affordable housing projects.

Government should invite some low cost housing technology providers from all over the world and encourage them for technology transfer through joint ventures. These experts can also help Pakistan in capacity building, trainings and other services. It will lead to low cost and high quality construction in addition to the technology transfer.

In this regard, following factors should also be kept in focus

* There are many low cost housing construction technologies being marketed by various international and local vendors.
* There is no existing platform in the country to evaluate and certify as to which technologies are internationally proven low-cost housing technologies and would cater to local requirements. Technologies may also need some indigenization.
* HBFCL, in association with NED Engineering University is setting up “Centre for Promotion of Low Cost Housing”. This institution would review all available low cost technologies, and “*Technically Clear*” as to which of these internationally proven technologies would be best suited for the local conditions.
* It will research and promote low cost construction materials, through the platform of DFI’s .
* Banks and DFIs, under a policy framework need to encourage low-cost construction material industries (CMI’s).
* “Economies of Scale” and “Standardization”, apart from technology are another ways to control cost.
* The CMI’s are needed to be developed on a mass scale, wherein some fiscal incentives have to be granted by the GOP to make CMI an attractive investment for the project sponsors.
* Basic challenge in providing Low-cost Housing is arranging for Low Cost Construction Materials and subsidized land.
* Primary Technical challenge is to design low cost construction materials.
* Another challenge is to promote standardization. Variety is less important than low cost bulk production.
* Low cost of advertising - Direct Industry to Industry sales-Advantage.
* DFI’s can become a link between CMI’s, Builders, Architect/Design Firms and Governmental agencies for promoting affordable housing for low/middle income population .

**Community Led Housing Construction.**

Wherever and whenever possible government should try to encourage community based housing construction. It can easily be done in areas where people live in large communities e.g. the northern areas. Similarly women participation in housing construction can also play a pivotal role. Seminars can be arranged in this regard to encourage women participation .They should be given guidance and ways and methods for their participation at every level. Indian example of community based construction is well known and can be examined and implemented where possible.

**Standardization:**

Standardization of architectural designs, doors, windows etc will make the housing construction competitive and affordable. Standardization will be more effective in mega housing projects. In this way there will less administrative, legal and regulatory cost involved as well.

**[[6]](#footnote-7)Key suggestions.**

To solve the problems of low income groups, it is imperative that the Provincial and City Governments should take following fast track actions:-

1. Planning and implementation for construction of affordable houses.
2. Statistical data available regarding the housing needs and population growth must be utilized for formulation of a prudent and practical strategy to make the housing needs turn the corner.
3. Land must be provided free of cost or at minimum possible installments for 20 years.
4. Govt. should waive all sorts of taxes on construction materials provided for low cost housing projects to meet the challenge of affordability.
5. Material banks should be developed near the construction sites.
6. Construction sites have to be located as nearest as possible to the developed cities so that the infrastructure for new colonies can be created easily and cost effectively.
7. Financing at lowest possible rates must be made available through subsidizing the credit line by the Government agencies.
8. Govt. must develop the infrastructure instantly. In this lieu private sector and NGOs can also play their due role.
9. Cross subsidization is immensely important.
10. Govt. must develop data base of homeless persons so that every person has equal chance to seek home.
11. Govt. must create housing “infrastructure and development fund” and the funds so generated must be utilized for affordable housing development.
12. Prominent organizations having expertise in low cost housing techniques/models must be approached to explore the ways of affordable housing solutions.
13. Workable model plans must be developed and implemented in letter and spirit.
14. Foreign direct investment should be encouraged.
15. Continues research and skill development and capacity building programs must be initiated for long term benefits.
16. Construction must be according to the building codes to avoid any future destruction and deterioration.
17. Govt. must enhance the availability of developed land to keep the prices under control. For this land banks must be created regularly to meet future challenges.
18. Mortgage loan should be available at subsidized rates with innovative products.
19. computerized Land record information system should be introduced
20. Fiscal incentives for builders/banks/developers/ for promoting low cost housing schemes

[[7]](#footnote-8)**Housing subsidies**

Housing plays a special role in the social and political dialogue in most societies. It is a major component in creating stable and healthy communities and is often the largest single household expense. Housing can be a sector for stimulus of the national economy. But housing conditions are often seen to be worse than they should be, given the national standards of living and societal values. For these reasons, almost all societies intervene in housing markets through an array of policies and subsidies intended to stimulate housing production or consumption by various groups.

“A subsidy is an incentive provided by government to enable and persuade a certain class of producers or consumers to do something they would not otherwise do, by lowering the opportunity cost or otherwise increasing the potential benefit of doing so”.

**Objectives of housing subsidies:**

Following are the objectives of housing finance

1. Improving public health
2. Improving fairness and justice
3. Influencing economic and political stability
4. Overcoming market inefficiencies that yield excessive profits ,poor housing quality, insufficient volume of new and/or low-income construction insufficient investment in urban upgrading/renewal and that cannot be solved through regulations
5. Stimulating economic growth

**Types of Subsidies Required in most of Emerging Economies**

1. Transparent subsidy incentives to improve efficiency of housing finance system

2. Effective household subsidies to:

Assist in accessing finance

Help pay for a minimum acceptable house

3. Subsidies to trigger regulatory adjustment at local government level

**Improve Housing Finance Systems: Subsidy Incentives**

1. Improve information and research
2. Address specific risks that private sector cannot yet handle e.g., funding and liquidity risks, credit risks
3. Subsidize borrower education programs
4. Subsidize part of transaction costs
5. Improve collateral stability by supporting Local Governments to invest in risky neighborhoods

**Examples of Housing Finance System Subsidies**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Lending cost and risk** | | | | |
| **Liquidity risk** | Access to (part) government-sponsored  liquidity facility for all or a certain class of mortgage/ micro-finance lenders | | | Structure as a joint  public/private venture to limit government risk exposure |
| **Credit risk**  **/Collateral risk** | Subsidize information collection and research on property and credit markets Shift credit risk to a public/private MI entity  (including for social rental)  Pay for premium of private mortgage insurance (overlap with household subsidies)  Provide for borrower education on home maintenance  and mortgage credit procedures,  rights and duties (overlap with household  subsidies). | | | Additional government action needed to limit moral hazard/agency risk:  credit Bereau  Property information systems  Improved foreclosure methods  Educate the courts/judiciary  Community negotiations in case of default  Neighborhood investment plan to mitigate neighborhood risk |
| **High transaction**  **costs for loan**  **origination and**  **servicing** | Subsidize research and information collection  Subsidize transaction cost of lender for selected loans through cash payment or compensation for higher interest rate. | | | Required industry action:  Improved underwriting and  servicing methods (see also under credit risk) |
| ***Funding constraints and risks/ accessing capital markets*** | | | | |
| **Constraints Main** | | **Subsidy Options** | **Issues** | |
| **Limited access**  **to or high costs**  **of funds for lending** | | Cash subsidies to the cost of funding for housing finance  Tax subsidies for funds channeled to housing finance (e.g., bonds, savings)  Subsidized cash-flow guarantees for debt funds channeled to housing  lenders | This class of subsidies is often provided through special government-sponsored institutions, adding to the cost of the subsidies and possible distortions in the housing finance market. | |
| **Interest rate risk/**  **prepayment risk** | | Shift (part of) funding risks to  government-sponsored agency ,  secondary mortgage market agency | Obvious moral hazard/ and  potentially large government risk  exposure | |

**Non-Housing Finance Subsidies**

**Addressing Collateral Risk**

|  |  |  |
| --- | --- | --- |
| ***Asset Risk (non-systemic*)** | | |
| **Lack of property**  **title/maintenance**  **/housing risk** | Support for title registration  Home-maintenance education or  service for first-time homeowners  Contribution towards owner’s equity | Community support  organizations/systems |
| **Neighborhood**  **risk** | Cannot be easily mitigated by  individual subsidies/ major reason for  lack of resale finance in low-income  neighborhoods | Disclosure  requirements/  consumer protection  against discrimination  Local government  agreement on  investment plan for  infrastructure and  services |

***Household* Subsidies through Housing Finance**

1. Subsidies to Increase Housing Related Purchasing Power
2. Cash/land grant
3. Interest rate subsidies
4. Tax subsidies
5. Subsidies to Overcome Constraints in Accessing Housing Finance
6. Down payment assistance / Improve Loan-to-Value ratios
7. Collateral improvements
8. Counseling / education
9. Sometimes both types are needed
10. Provide subsidies for land market reforms and/or Make access to federal subsidies conditional upon local government reforms to adjust development regulations

**Incentivize Local Government Reforms**

1. Ease permitting process (source of corruption)
2. Improve property right and registration systems .
3. Repeal federal regulatory subsidies that hinder formal low income development, inclusive rent control, stringent tenant protection legislation
4. Provide subsidized training and support for loc. Govt.

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