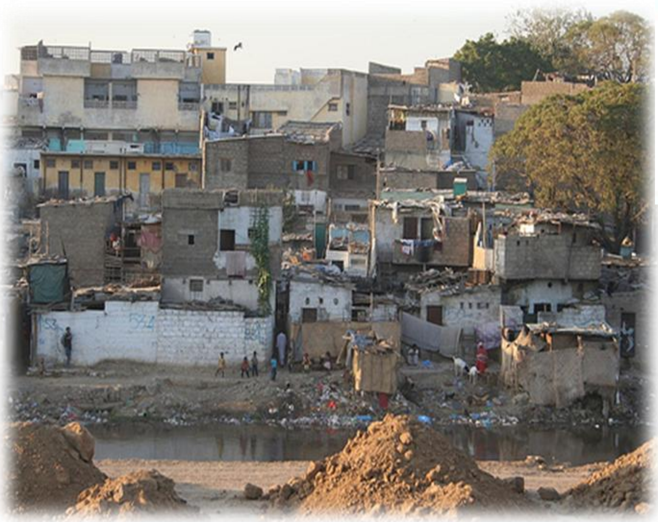

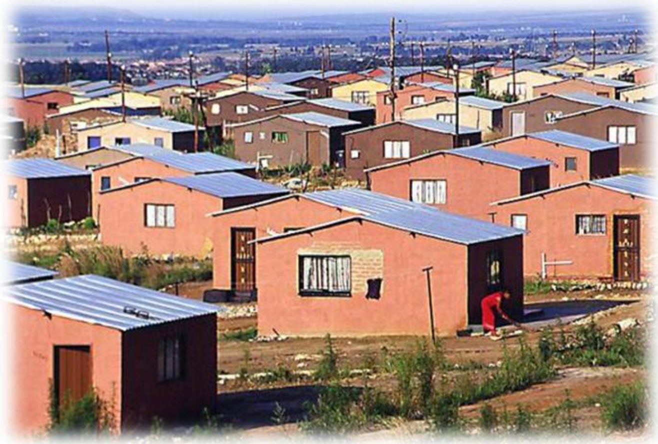

State Bank of Pakistan

Quarterly Housing Finance Review

For the Quarter ended June 30, 2014

Infrastructure, Housing and SME Finance Department,
State Bank of Pakistan.

The Team

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Executive Summary

The Infrastructure, Housing & SME Finance Department of State Bank of Pakistan presents its Quarterly Housing Finance Review to reflect data on housing finance, collated on quarterly basis from public sector banks, private banks, foreign banks, and DFIs. It portrays trend of different parameters like disbursements, outstanding and recoveries.

The quarter ending June 30, 2014 depicted an increase in gross outstanding of housing finance of Rs.1.1 billion (2.1 percent) over the quarter and stood at Rs. 52.7 Billion. On the other hand, NPLs of the housing finance portfolio decreased by 3.39 percent to 15.66 Billion at the end of quarter under review. The declining trend of NPLs in the industry not only shows robust due diligence by banks but also reflects increased recovery efforts by these institutions. In terms of their ratio to outstanding they were recorded at 29.74 percent. Around 742 new borrowers were extended house finance during the quarter (April-June, 2014), accounting for Rs. 3.46 billion of new disbursements. HBFCL accounted for 51 percent of these new borrowers and contributed 15.63 percent of the new disbursements equivalent to Rs. 541 million. Islamic banks have shown tremendous growth in housing finance portfolio. Quarterly disbursement of Islamic banks has increased by 74 percent from the previous quarter and stood at Rs. 2.25 billion as of June 30, 2014.

Summing up, although housing finance has shown signs of growth in current quarter, however, conventional commercial banks have not pursued housing finance products actively due to difficulties related to foreclosure law and titling issues. Another reason hindering the growth of housing finance in Pakistan is reluctance of banks for lending outside few big cities. Moreover, the lack of effective institutional framework, secondary mortgage market and long term funding arrangements are also the major constraints towards the growth of housing and housing finance which is one of key drivers of the economy.

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State of Housing Finance

Rapid urbanization in Pakistan has resulted in increasing the deficit of housing units. As per World Bank[1] studies in year 2009, there was a backlog of 7.5 million housing units in Pakistan which is accumulating by 0.3 million per year. Studies indicate that most of the housing finance is arranged through personal sources. The formal financial sector caters to only one to two percent of all housing transactions in the country, whereas informal lending caters to 10-12 percent of such transactions.

Although Pakistan has laws for land registration and transfer, the process is cumbersome at times, because of number of institutions involved. The reforms in the property title and land administrative procedures including improvements of the legal provisions, standardization of processes, and computerization of all relevant revenue records will help in enhancing financing from the formal sector.

Currently, land records are manually maintained leading to errors and omissions especially in rural and some urban areas. Resultantly, they have modest commercial value for the mortgagee financial institutions. The lack of efficient and reliable system of ascertaining the bona-fide of property titles has forced banks to limit the access of housing finance to a certain number of urban localities within the urban centers.

Majority of builders and developers are working as sole proprietorships or in partnerships with limited capital and informal corporate governance structures, which gives rise to illegal construction, unreliable building permits, and legally unprotected advance purchase of units. The unstructured and unsupervised nature of business of real estate brokers/agencies, which could serve as natural arrangers for provision of financial services, is also a significant constraint to the provision of housing and housing finance. Consequently, it is difficult for financial institutions to verify the character, capital, and capacity of potential clients. Risk assessment and portfolio valuation is also fragile, which is another factor for the lenders' caution. As a result, financial institutions are reluctant to enter this market, which in turn causes scarcity of finance and constraints in the supply of housing.

Housing Advisory Group (HAG) Recommendations, initiated in 2007, were a commendable way forward for the housing sector in Pakistan. These recommendations were drafted keeping in view the issues discussed above. SBP, realizing its role in market development, has been making efforts to ensure effective implementation of these recommendations. As a result, separate Housing Finance (HF) PRs have been issued to give boost to housing finance. Developer Finance Guidelines have also been issued to structure and streamline the Large Scale Developer Finance (LSDF). Moreover, Mortgage Refinance Company (MRC) is now in its final phase of being incorporated. Establishment of Housing Observatory is being pursued on priority basis. Also, SBP is actively involved in capacity building of HF industry through various workshops and training programs, which are being conducted throughout Pakistan.

At present, twenty seven commercial banks, House Building Finance Company Limited (HBFCL) and one microfinance bank are catering to the housing finance needs. HBFCL is the only specialized housing bank in the country providing housing finance since 1952, while commercial banks entered the mortgage business in 2003. HBFCL is still the only institution with mandate to cater to the lower-middle and low-income groups.

[1] See "Expanding Housing Finance to the Underserved in South Asia Market Review & Forward Agenda" by Tatiana Nenova, World Bank

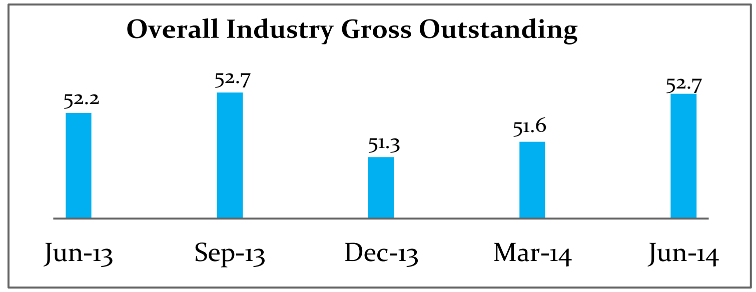
Major Trends

The Gross outstanding reached to Rs.52.7 billion; increased by 2 percent (Rs.1.02 Billion) over last quarter.

Gross Outstanding

The gross outstanding finance as on June 30, 2014 of all banks and DFIs stood at Rs. 52.7 billion (Figure 1), compared to Rs. 52.2 billion as on June 30, 2013, showing an increase of Rs. 0.4 billion (0.79 percent) over the year.

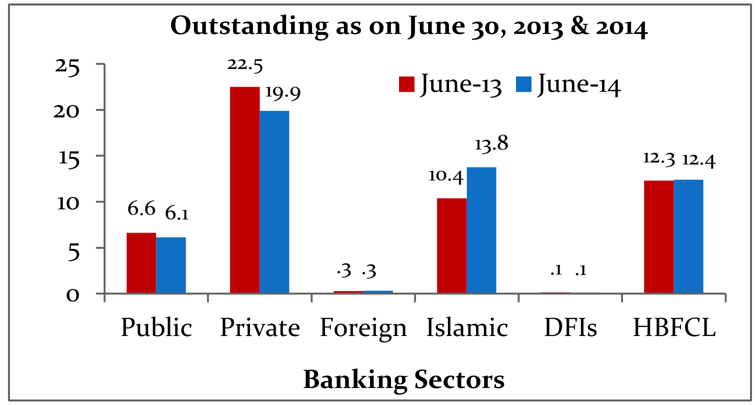
Figure 1 (Amount in Rs. Billion)



The Gross outstanding of the banking sector decreased over the year except for Islamic Banks which showed an increase of 12.19 percent from previous quarter and reached to Rs. 13.8 billion by the end of June 2014.

Banking sector-wise total outstanding on quarters ending June 2014 and 2013 are shown in Figure 2. Of the total outstanding as of June 30, 2014, commercial banks accounted for Rs. 40.1 billion. Private banks reported Rs. 19.9 billion followed by Islamic banks at Rs. 13.8 billion, public sector banks at Rs. 6.1 billion and foreign banks with Rs. 0.3 billion. The outstanding loans of HBFCL were Rs. 12.4 billion; down by 0.9 percent over the last year. Other DFIs had a meager share of Rs. 0.1 billion in outstanding loans. The data confirms that primary housing finance market in Pakistan is at nascent stage, which needs to be developed by creating enabling environment and initiatives by public and private sector.

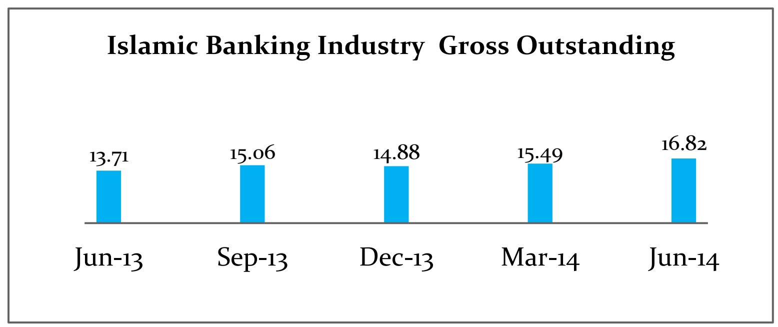
Figure 2 (Amount in Rs. Billion)



The gross outstanding of Islamic Banking industry showed an increase of Rs. 1.33 billion (8.6 percent) over the quarter.

The gross outstanding housing finance as on June 30, 2014 of Islamic Banking Industry (Five Islamic Banks (IBs) & 14 Islamic Banking Divisions (IBDs) of Conventional Banks) stood at Rs. 16.82 billion. Compared to quarter ending June 30, 2013, gross outstanding of Islamic banking Industry increased by 22.68 percent as shown in Figure 3. This is a positive sign and reflects significant potential in Islamic banking.

Figure 3 (Amount in Rs. Billion)



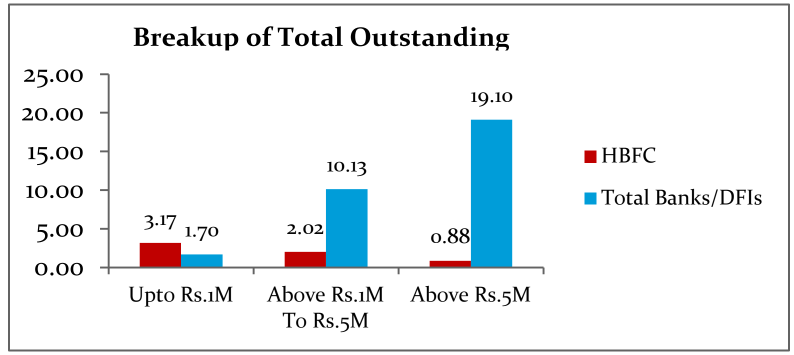
The gross outstanding of IBs decreased by 5.05 percent and that of IBDs increased by 12.18 percent over preceding quarter.

Of the total outstanding in Islamic housing finance, Islamic banks accounted for Rs. 12.35 billion; an increase of 32.70 percent over the year. IBDs of conventional banks posted Rs. 2.58 billion. Islamic bank's aggressive efforts for pursuing housing finance have yielded such a growth in their outstanding portfolio.

From Figure 4, it can be concluded that Commercial banks have more inclination towards big ticket items. However, HBFCL is catering the market requiring small- size-loans

Figure 4 shows the breakup of total outstanding in terms of loan size. As of June 30, 2014, HBFCL and All Banks & DFIs reported outstanding loans net of NPLs in the category 'Up to Rs. 1 million' as Rs. 3.17 billion and Rs. 1.70 billion against 12,328 and 5,167 borrowers respectively. In second category 'Above Rs. 1 Million to Rs. 5 Million', HBFCL reported Rs. 2.02 billion and all Bank & DFIs reported Rs. 10.13 billion outstanding. In the third category 'Above Rs. 5 Million', HBFCL reported Rs. 0.88 billion and all Banks DFIs reported Rs. 19.10 billion outstanding. This reflects that major chunk of total outstanding in housing finance is inclined towards category "Above Rs. 5 M". Furthermore, it also shows that HBFCL has large portion of its portfolio in small-sized loans (Up to Rs. 1 M) compared to other Institutions that are tilted towards larger loan size (Up to Rs. 5 M).

Figure 4 (Amount in Rs. Billion)



Share of Banks

The share of private banks decreased by one percent to 38 percent over the quarter. The share of Islamic Banks increased to 26 percent from 24 percent over the quarter. However, the share of public sector banks, foreign banks and HBFCL remained unchanged over the quarter.

The market share of Conventional Banking (excluding HBFCL) decreased by five percent over the last quarter. The share of Islamic banking industry, however, increased by five percent to 32 over the previous quarter. On the other hand, market share of HBFCL remained unchanged since March, 2013.

The overall market share (based on gross outstanding) of commercial banks (excluding DFIs) remained unchanged at 76 percent compared to the corresponding period last year. Within commercial banks, the share of Public Sector banks and HBFCL in the total outstanding also remained unchanged at 12 percent and 24 percent over the year. The share of Private Sector banks decreased to 37 percent from 43 percent over the year. The share of Islamic banks increased to 26 percent from 20 percent and the share of Foreign Banks remained unchanged at one percent over the year as shown in Figure 5. It is worth mentioning that Islamic banks have surpassed HBFCL with respect to gross outstanding in current quarter. This is inline with consumer's preference for Islamic banking over conventional banking. Islamic banking has huge potential in housing finance market which is still untapped.

The share of Conventional Banking (excluding HBFCL), Islamic Banking Industry and HBFCL in the total outstanding was 44 percent, 32 percent and 24 percent respectively as on June 30, 2014 (Figure 5.1). IBDs (12 windows) and IBs (05 banks) have 18 percent and 82 percent share respectively in housing finance portfolio of Islamic Banking Industry (Figure 5.2). Furthermore, IBDs share decreased to 18 percent from 24 percent over the year.

Figure 5

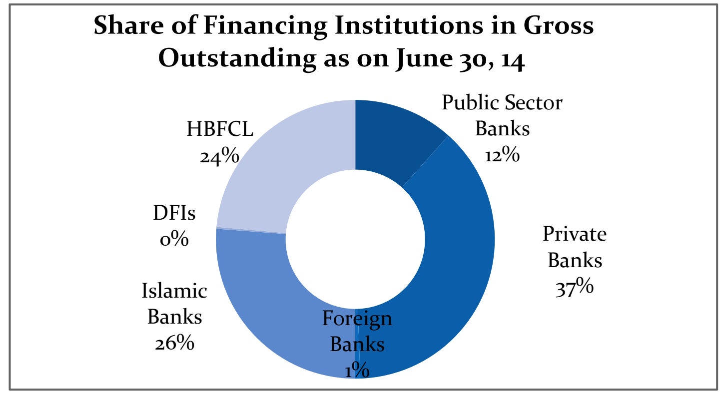


Figure 5.1:

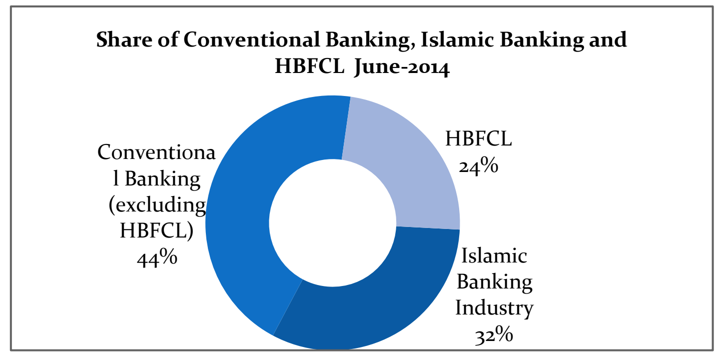
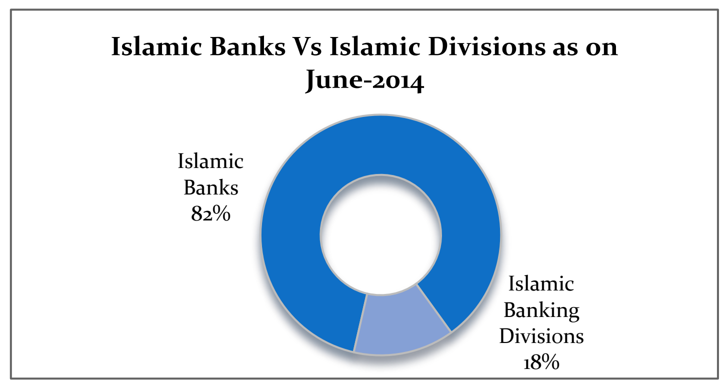


Figure 5.2:



Non-Performing Loans (NPLs)

The stock of NPLs as on June 30, 2014 was Rs. 15.66 billion, showing a 3.39 percent decrease over the yester quarter (March, 2014).

NPLs decreased from Rs. 17.61 billion (June 30, 2013) to Rs. 15.66 billion (June 30, 2014); 11.07 percent decrease during the year as shown in Figure 6. Figure 7 shows a comparison of existing NPLs status of different banking sectors with last year. Figure 8 compares NPLs as a percentage of outstanding portfolios at the end of quarters on June 30, 2014 and 2013.

HBFCL's NPLS showed a decrease of Rs. 150 million (2.31 percent) over the yester quarter ended March, 2014.

HBFCL's NPLs decreased by 9.86 percent, as shown in Figure 6.1. Although, HBFCL's NPLs decreased in absolute terms, its percentage share in its total outstanding, is greatest after Foreign Banks' NPLs. At the end of current quarter, 51 percent of its total outstanding constitutes NPLs (Figure 7). HBFCL's percentage share in total NPLs is 40.5 percent.

Excluding HBFCL, the NPLs of housing finance industry decreased by 4.1 percent (Rs. 398 million over the quarter).

Excluding HBFCL, NPLs for all banks and other DFIs have decreased by 11.34 percent over the year from. The percentage share of NPLs of all banks and other DFIs (excluding HBFCL) was 59.5 percent in total NPLs as on June 30, 2014, which was recorded at similar level at the end of June 30, 2013.

Among banks, as shown in Figure 8, non-performing finances (NPFs) of Islamic banks witnessed a decrease of 12.89 percent during the year, from Rs. 1.6 billion to Rs. 1.4 billion. Their NPFs constitute 9.02 percent, as on June 30, 2014, of total industry NPLs. NPLs of the public sector banks decreased by 5.62 percent from Rs. 1.7 billion to Rs. 1.6 billion, over the year, which were 26.67 percent of their gross outstanding as of June 30, 2014. Private Banks' NPLs decreased by 13.90 percent, from Rs. 6.9 billion to Rs. 5.9 billion. NPLs of foreign banks as a percentage of their outstanding

Figure 6: (Amount in Rs. Billion)

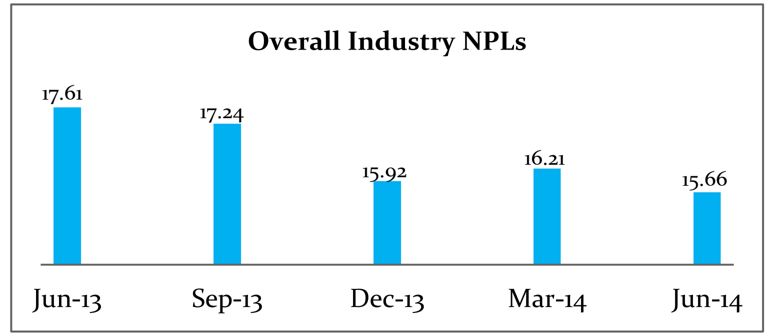


Figure 6.1: (Amount in Rs. Billion)

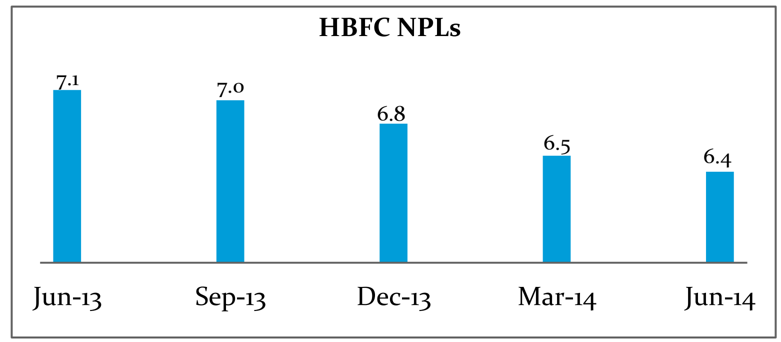
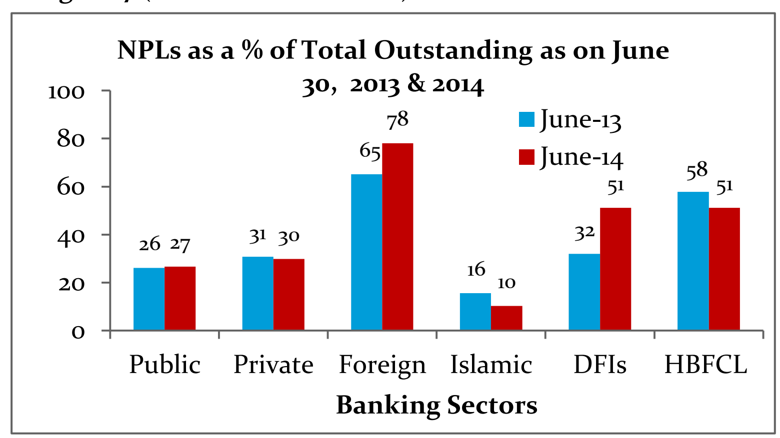


Figure 7 (Amount in Rs. Billion)



portfolio increased from 65.13 to 78.11 percent. NPLs of DFIs (excluding HBFCL) increased from Rs. 45.47 million to Rs. 58.10 million; a 27.77 percent increase over the year.

NPFs for Islamic Banking Industry (IBs & IBDs) shown in Figure 9 were reported as Rs. 1.89 billion on June 30, 2014, which were Rs. 2.13 billion at the end of June 30, 2013, showing decrease of 11.27 percent.

The NPFs of Islamic Banking industry decreased by 5 percent (Rs. 101 million) over the quarter.

Figure 10 shows the breakup of NPLs in terms of Loan disbursed i.e. up to Rs. 1 million, above Rs. 1 million to Rs. 5 Million and above Rs. 5 million. As of June 30, 2014, Rs. 5.46 billion of 41,259 borrowers were recorded as NPLs in the category of 'up to Rs. 1 Million' out of which Rs. 5.16 billion belonged to HBFCL against 40,592 borrowers and Rs. 0.31 billion was reported by All Banks & DFIs against 667 borrowers. In the second category 'Above Rs. 1 million to Rs. 5 million', total defaulters were 2,011 with the amount Rs. 4.27 billion, as of June 30, 2014, out of which Rs. 0.95 against 664 borrowers were reported by HBFCL and Rs. 3.31 billion against 1,347 borrowers were reported by All Banks & DFIs. In the third category 'Above 5 Million', total NPLs were Rs. 5.92 billion against 833 borrowers. Out of these 99 defaulters with the amount of Rs. 0.24 billion were of HBFCL and Rs.5.69 against 734 borrowers belonged to All Banks & DFIs.

The declining trend of NPLs in the industry not only shows robust due diligence by banks but also reflects increased recovery efforts by these institutions.

Figure 8 (Percentage)

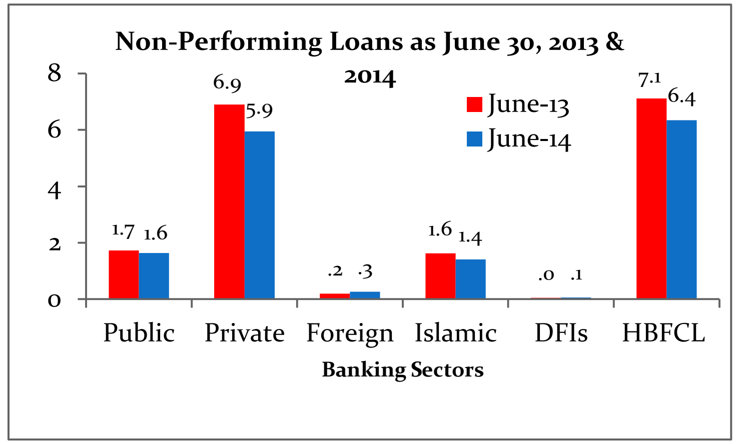


Figure 9 (Amount in Rs. Billion)

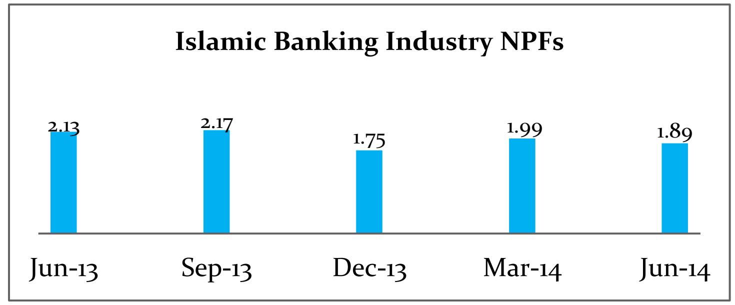
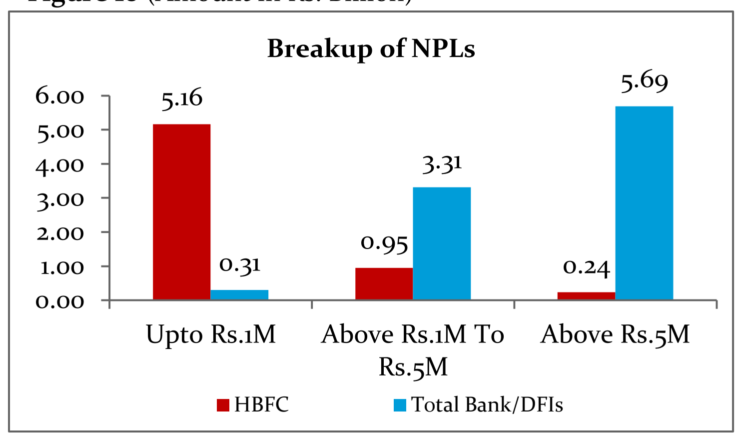


Figure 10 (Amount in Rs. Billion)



Number of borrowers decreased by 1 percent (733) over the yester quarter (March, 2014).

Number of Borrowers

Number of borrowers decreased from 79,478 to 74,894 since June 30, 2013 over the year; a decline of 5.77 percent. As shown in Table 1, there was a decrease in number of borrowers in each category except in Islamic Banks. It may be inferred that borrowers, currently, prefer Islamic banking over conventional banking and find it more attractive in terms of product and structure.

Furthermore, excluding HBFCL, 14.27 percent of total borrowers of housing loans have been classified as non-performing.

Figure 11 (Number of Borrowers)

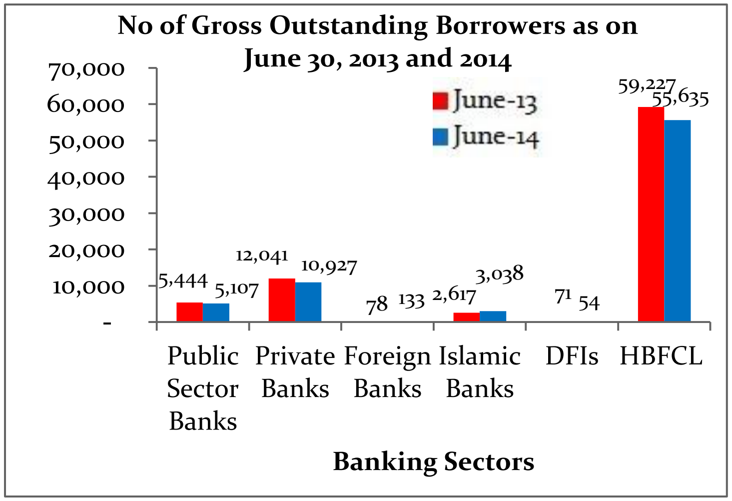


Table 1

Banks/ DFIs	June – 14			June – 13		
	No. Active Borrowers	No. of Borrowers classified as NPLs	Total O/s Borrowers	No. Active Borrowers	No. of Borrowers classified as NPLs	Total O/s Borrowers
Public Sector	4,508	599	5,107	4,811	633	5,444
Private Banks	9,168	1,759	10,927	10,002	2,039	12,041
Foreign Banks	23	110	133	32	46	78
Islamic Banks	2,771	267	3,038	2,370	247	2,617
DFIs	41	13	54	63	8	71
HBFCL	14,280	41,355	55,635	14,143	45,084	59,227
Total	30,791	44,103	74,894	31,421	48,057	79,478

During the quarter ended June 30, 2014, total disbursements made were reported as Rs. 3.46 billion which were Rs. 1.2 billion higher than the disbursements made during the quarter ended March 31, 2014.

Disbursements

Fresh disbursements of Rs. 3.46 billion (Figure 12) were made to 742 borrowers during the quarter ending June 30, 2014 (Table 2). Islamic banks extended new disbursements with Rs. 2.26 billion followed by private banks with Rs. 560 million and public sector banks with Rs. 104 million. HBFCL's fresh disbursements (Figure 13) for the quarter were reported to be Rs. 541 million. Among commercial banks, the number of new borrowers totaled 365, with private banks serving 83 new borrowers and Islamic banks 267 customers. HBFCL extended loans to 377 new borrowers during the quarter under review.

Fresh disbursement for Islamic Banking Industry was Rs. 2.35 billion to 284 new borrowers during the quarter ending June 30, 2014. This includes new disbursements of Rs. 96 million to 17 customers by IBDs of conventional banks.

Figure 14 shows the disbursement break-up in terms of loan size. Commercial banks disbursed Rs. 2.31 billion (133 borrowers) in terms of loans above Rs. 5 million and Rs. 0.07 billion (46 borrowers) against the category up to Rs. 1 million.

Table 2

New Disbursements during the quarter ending June 30, 2014		
	Amount (Rs. Millions)	**No. of Borrowers**
Public Sector Banks	104	15
Private Banks	560	83
Foreign Banks	-	-
Islamic Banks	2,255	267
All Banks	2,920	365
DFIs	-	-
HBFCL	541.0	377
Total	3,461	742
Islamic Industry	2,352	284

Figure 12: (Amount in Rs. Billion)

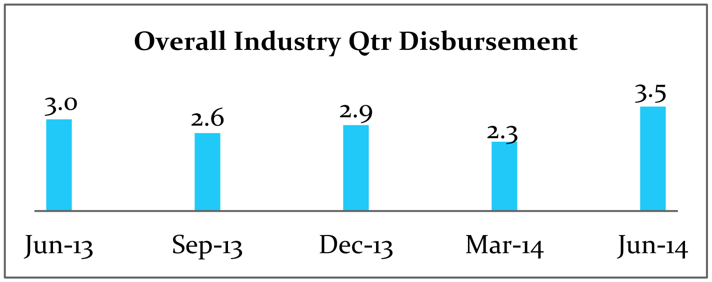


Figure 13: (Amount in Rs. Billion)

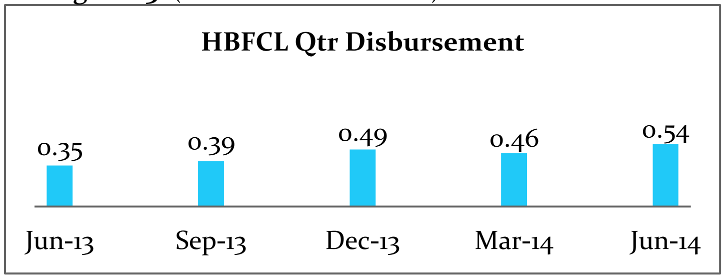
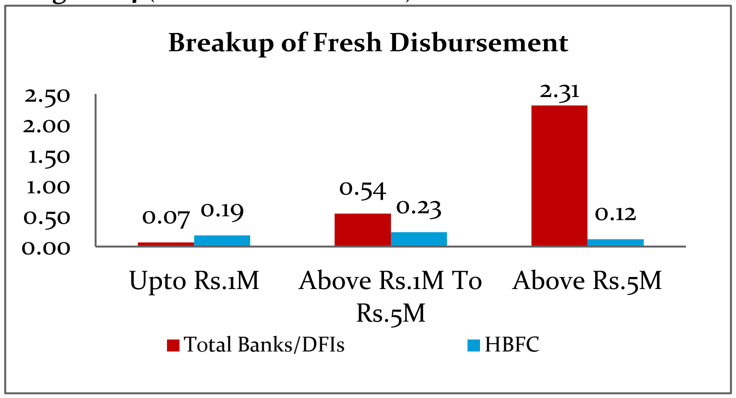


Figure 14 (Amount in Rs. Billion)



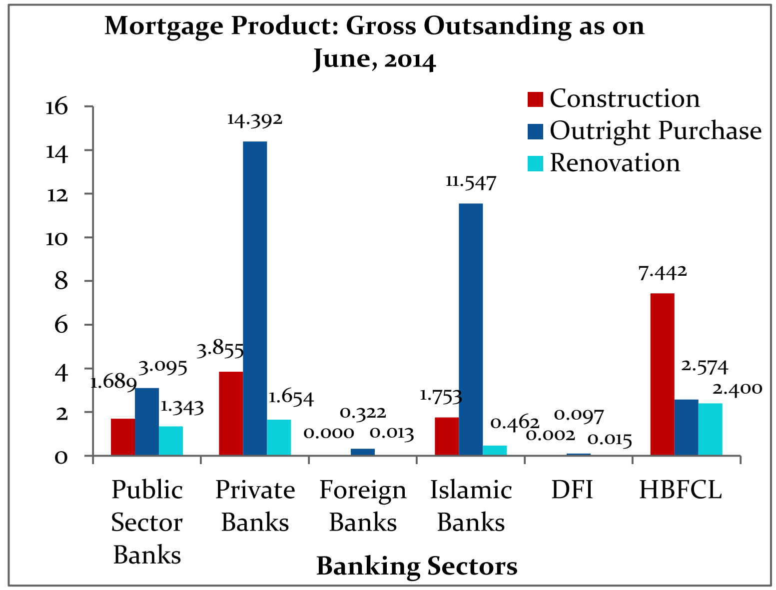
Products Category-Wise Share

The biggest share of housing finance continued to be attracted towards outright purchase (Figure 15).

The highest amount of financing being outstanding remained in outright purchase.

The gross outstanding for 'outright purchase' stood at Rs. 32 billion as on June 30, 2014; a 61 percent share in total outstanding of Rs. 52.7 billion. This is followed by the 'construction' category where gross outstanding reported at quarter-end stood at Rs. 14.74 billion and that of 'renovation' stood at Rs. 5.89 billion. Active portfolio shows that private banks took a lead in financing for outright purchase at 45 percent followed by Islamic banks that have the share of 36.08 percent in outright purchase financing. HBFCL has taken lead in financing two sectors i.e. construction category 50.49 percent and renovation category 40.77 percent.

Figure 15 (Amount in Rs. Billion)



Analysis of Financing Variables adopted by Banks/DFIs and HBFCL

Tables 3 to 6 summarize financing variables across all banking sectors including weighted average mark-up rate, average maturity period, Loan-to-Value ratio (% financing by banks) and average loan size.

Weighted average Markup rate

The overall weighted average Markup rate was 13.2 percent at the end of the current quarter as shown in Table 3. Highest weighted average profit rate was reported as 14 percent by HBFCL, public sector banks and foreign banks. Islamic Bank's rate stood at 13.2 percent and Private Sector banks at 11.7 percent.

Table 3

	Weighted Average Interest Rate (%)				
	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13
Public Sector Banks	14.0	14.0	10.8	11.3	12.8
Private Banks	11.7	13.2	13.8	13.8	14.3
Foreign Banks	14.0	14.0	14.7	14.7	14.7
Islamic Banks	13.2	13.1	12.9	12.9	13.0
All Banks	12.4	13.3	13.3	13.3	13.7
DFIs	-	-	-	-	-
All Banks & DFIs	12.4	13.3	13.3	13.3	13.7
HBFCL	14.0	14.0	13.0	13.0	13.0
Total Average	13.2	13.7	13.1	13.1	13.4

Average maturity periods

Average maturity period of outstanding loans as on June 30, 2014 was 12.5 years. HBFCL's average maturity period was 12.5 years, while that of Public Sector Banks is 12 years. Table 4 shows that among commercial banks, Private Banks extended housing finance loans for average tenure of 13.7 years followed by Foreign Banks with 12.5 years and Islamic Banks with 11.2 years.

Table 4

	Average Maturity Period (Years)				
	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13
Public Sector Banks	12.0	6.3	9.0	9.0	12.5
Private Banks	13.7	11.5	13.7	13.7	11.6
Foreign Banks	12.5	12.5	10.8	10.8	10.8
Islamic Banks	11.2	9.9	10.7	10.7	9.9
All Banks	12.7	10.5	12.1	12.1	10.8
DFIs				-	-
All Banks & DFIs	12.7	10.5	12.1	12.1	10.8
HBFCL	12.5	11.5	12.2	12.2	12.7
Total Average	12.5	11.5	12.2	12.2	11.7

Loan to Value ratio (LTV)

The percentage of financing (Loan to Value ratio) extended by banks and DFIs remained 40.7 percent during the year (Table 5). Average LTVs of commercial banks increased from 39.9 percent to 41.1 percent over the quarter. The average LTV for HBFCL was reported at 40.3 percent at the end of quarter April-June, 2014.

Table 5

	Loan to Value Ratio (%)				
	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13
Public Sector Banks	46.7	46.7	46.7	46.7	46.7
Private Banks	30.4	28.7	41.6	41.6	40.2
Foreign Banks	45.3	45.3	44.0	44.0	44.0
Islamic Banks	42.1	39.0	41.3	41.3	43.5
All Banks	41.1	39.9	43.4	43.4	43.6
DFIs	-	-	-	-	-
All Banks & DFIs	41.1	39.9	43.4	43.4	43.6
HBFCL	40.3	44.2	44.6	44.6	42.8
Total Average	40.7	42.1	44.0	44.0	43.2

Average loan size

Average loan size for disbursements made during the quarter ending June 30, 2014 (Table 6) was Rs. 5 million. The average loan size for HBFCL was Rs. 2.2 million. Private Banks reported an average financing size of Rs. 8.6 million, Foreign Banks 5 million and Islamic Banks reported an average financing size Rs. 6 million. Public sector bank's average loan size stood at Rs. 6.5 million.

Table 6

	Average Loan Size (Rs. Millions)				
	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13
Public Sector Banks	6.5	2.2	3.6	3.6	2.9
Private Banks	8.6	8.9	4.4	4.4	5.6
Foreign Banks	5.0	5.0	5.0	5.0	3.7
Islamic Banks	6.0	4.6	5.1	5.1	3.3
All Banks	7.5	6.9	4.5	4.5	4.5
DFIs	-	-	-	-	-
All Banks & DFIs	7.5	6.9	4.5	4.5	4.5
HBFCL	2.6	2.2	2.0	2.0	2.8
Total Average	5.0	4.5	3.3	3.3	3.6

Housing Finance Business of Microfinance Banks:

Gross Outstanding

The outstanding housing finance of Microfinance Banks (MFBs) was Rs. 217.89 million as on June 30, 2014 which was Rs. 214.02 million at the end of previous quarter. It registered an increase of 1.81 percent, over the last quarter.

Number of Borrowers

The number of outstanding borrowers decreased from 2,173 to 2,158 over the quarter; a decrease of 0.7 percent.

Non-Performing Loans

NPLs for MFBs were reported nil for the current quarter showing a decrease of 100 percent.

Mortgage to GDP Ratio:

While calculating mortgage to Grand Domestic Product (GDP Nominal), following figures were taken in to account.

- Outstanding finances of Commercial Banks, DFIs and Microfinance banks were Rs. 52.7 Billion as of June 30, 2014.
- Amount of finance availed by employees of the banks and DFIs was Rs. 61.32 Billion as of June 30, 2014.
- Nominal GDP for FY 2012-13 was Rs. 25,401.895[2] billion

Mortgage to GDP Ratio = Total Mortgages/GDP

Mortgage to GDP ratio was 0.45% as of June 30, 2014.

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[2] http://www.sbp.org.pk/reports/stat_reviews/Bulletin/2014/Jun/EconomicGrowth.pdf

Special Section

Issuance of Prudential Regulations (PRs) for Housing Finance:

SBP issued, vide IH&SMEFD Circular No. 03 of 2014, PRs for Housing Finance. This initiative has been taken to motivate banks through changes in general and specific provisioning and reserve requirements. Accordingly, necessary changes have been made in housing finance PRs to enable banks/DFIs to increase their outreach for provision of housing finance.

Previously, Housing Finance was reported and regulated under the PRs of Consumer Finance. However, it has long been debated that the nature of housing finance products is quite unique compared to other consumer products in terms of tenure and product offering. The average tenure for a housing loan is around 10 to 15 years, which is quite high as compared to other consumer offerings. Furthermore, low transaction frequency and illiquidity differentiate housing from other asset markets.

It is worth-mentioning here that providing enabling Regulatory Framework is one important step only; however, visible improvement in house financing would only occur when banks/DFIs re-position themselves strategically in the market by appropriately aligning their business strategies with the needs of the sector. It is anticipated that with the introduction of separate PRs for Housing Finance, the banks/DFIs will be able to adopt viable housing finance approaches that will ultimately lead to better service and provision of housing finance to individuals. It is further expected that banks/DFIs would make separate set-ups for dealing with housing finance.

Initiatives and Achievements

Recognizing the importance of housing sector in boosting the domestic economy, following initiatives have been taken by SBP to further develop market based mechanisms and enhance the flow of credit to this priority sector.

Five days training module on Housing Finance: An in depth training program on housing finance was organized on May 26-30, 2014 at LRC, SBP, Karachi. The program was designed with the objective to enhance technical knowledge of the professionals engaged in housing finance. 26 participants from different financial institutions participated in the session.

For the presentation of the session, please visit http://www.sbp.org.pk/departments/ihfd-house.htm.

Strategic Plan for Housing Finance in Pakistan:

The Objective of this report is to analyze the current scenario of housing finance industry in the country and to suggest various policy initiatives for the strengthening of this sector. A meeting with major players in Mortgage industry was held in order to obtain their input in this regard. The document is expected to be published soon.

News on Housing Finance

Transfer of Housing Finance not before three years: The State Bank of Pakistan (SBP) amending the Housing Finance Prudential Regulations restricted the transfer of housing finance to other banks/DFIs before completion of three years. The banks/DFIs also have been directed not to extend housing finance for a tenure exceeding 25 years.
[http://www.brecorder.com/money-a-banking/198/1198131/]

Housing finance market to now see more competition in India:
Allowing commercial banks to raise long-term money, with minimum regulatory preemption, is set to trigger further competition in the Rs 900,000-crore housing finance market.

Banks have an edge over housing finance companies (HFCs) due to access to relatively low cost funds raised through deposits. Yet, the Likes of Housing Development Finance Corporation and LIC Housing Finance are formidable players. The competition is likely to change the way banks and HFCs approach and deal with customers.
[http://www.business-standard.com/article/finance/housing-finance-market-to-now-see-more-competition-114071601353_1.html]

Acronyms

ABAD	Association of Builders and Developers
DFI	Development Finance Institution
GDP	Gross Domestic Product
HAG	Housing Advisory Group
HF	Housing Finance
HBFCL	House Building Finance Company Limited
HFCs	House Finance Companies
IB	Islamic Bank
IBD	Islamic Banking Division
LSDF	Large Scale Developer Finance
LTV	Loan to Value Ratio
MRC	Mortgage Refinance Company
NPL	Non Performing Loan
NPF	Non Performing Fund