

Products Launched and Conceptualized during 2005 to 2007

HBFC's March Towards Modernization



- × HBFC did not have a defined business focus. Its real potential for “small & medium housing for low and medium income population” in housing sector of Pakistan was being marginally utilized.
- × It needed a new vision, mission and business approach in view of commercial banks' entry into mortgage market since 2001.

Product Range

× Ghar Aasan



× Shandar Ghar

× Small Builders



× Gharasn Asan Flexi

- × Purchase
- × Construction
- × Renovation
- × BTF



HBFC – proposed Product Portfolio



Following were the upcoming products

- Step up
- Ghar Aasaish
- Ghar Izafa
- Purchase of Shops on Commercial plots.
- Ghar Pardesi
- Purchase of land and construction thereon
- Saving and loans
- Syndicated Finance for large construction Projects.

Features of GAS Flexi Launched in 2007

- × **Based on Diminishing Musharika concept.**
- × **HBFC and Customer to enter into a Musharika Agreement for the purpose of Purchase / Renovation / Construction of a property.**
- × **Joint ownership to be created in the property between HBFC & customer by virtue of the Musharika agreement**

× .

- × HBFC's share to be divided into number of units and given to the Customer on rent
- × Rental to be calculated on KIBOR + spread basis.
- × Rental rate to be change after every 1 to 5 years ,depending upon the prevailing benchmark rate.

- × **Customer to agree to promise to purchase HBFC's share (units) on monthly basis during the tenor of the transaction and will eventually become the owner of the property.**
- × **The Customer to have an option to select from two repayment plans i.e. fixed repayment plan and variable repayment plan (No more available)**
- × **Rental amount to be adjusted according to the HBFC's share of outstanding units(outstanding principal) remaining in the property.**

- × Each instalment consists of three components i.e.
 - × Monthly rent calculated on outstanding principal;
 - × Cost of units purchased by the customer;
 - × Insurance Premium/Takaful contribution.

- × Purchase of additional units (early repayment of installments) was not be allowed before three years . However, termination within “lock-up period” was allowed subject to payment of prepayment penalty as decided by ALCO.

- × After Three years, early purchase of HBFC unit was allowed with prepayment penalty.

- × Flexible Financing Tenure 3 to 20 years

- × HBFC Investment Ratio up to 80% of Forced sale value (FSV) of the property in case of Purchase & BTF and up to 60% of the projected cost in case of construction.

DEBT BURDEN RATIO

- × Applicant's maximum Debt burden ratio not to exceed the range of 40% to 50% depending upon various income slabs.
- × (DBR) up to 40% of the net monthly/verifiable take home income for non-salaried persons and Agriculturist;
- × Up to 50% of the net monthly/verifiable take home income for regular employees of Government/Semi Government /Public & Private Limited Companies.
- × In cases, where one co-applicant is salaried and other is non-salaried person, a mean of the two percentages i.e. $(40\%+50\%) / 2 = 45\%$ of the joint income should be considered for calculation of repayment capacity.

- × Low and middle income borrowers generally face cash constraints for timely repayment of loan and unwillingly go into default
- × Askari MasterCard had joined hands with HBFC for issuing co-branded credit card for HBFC clients.
- × The arrangement allowed HBFC to facilitate its borrowers by using Askari Master Cards for payment of installment through a “blocked Credit Card facility” up to three monthly installments.
- × The facility provided 45 days interest free funding to the borrowers, and was secured by second charge on borrowers’ assets.
- × The credit card company was to follow their default client in their normal process.



Preparing the Platform, Restructuring and Reorganization of HBFC

To prepare HBFC for meeting the challenges ahead, the following new divisions and functions were created.

New Divisions:

For a focused approach

- × Business Promotion (Pro active Marketing)

- × Servicing of Loans (Recovery)

Till 2005, there was no separate function for loan servicing and default management and the function remained the responsibility of Housing Finance Division (is mortgage origination and processing Staff)

- × Support Services

- × IT Deptt

- × Risk Management

New Functions:

To meet regulatory requirements and for better systems and control

- × ISO Certification.

- × Management Information System (MIS).

- × Treasury Management.

- × Policy & Planning.

- × Risk Management.

- × Balance Sheet Management (Asset & Liability Committee)

- × System and Compliance

- × Expanded outreach Management

Expansion of Outreach Program a cost effective and efficient model

Service Representatives Offices:

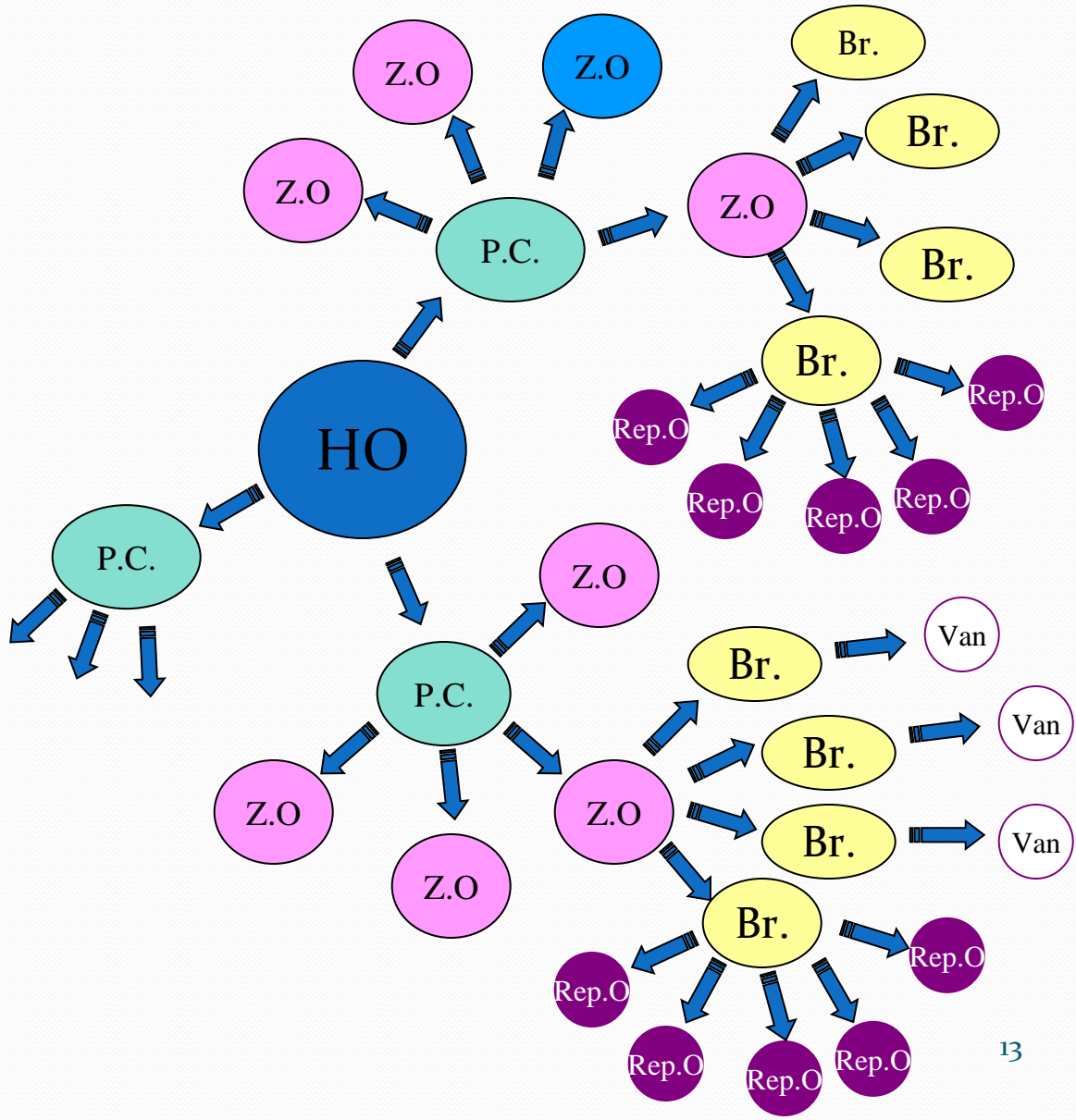
- Through this innovative outreach Programme HBFC had increased its presence from 50 cities to 85 cities by 2007. The future plan was to extend this network to about 150 cities by the year 2010.
- These were cost effective and self-sufficient offices with very limited overhead burden on HBFC.

Hierarchy of HBFC Network

Key	
H.O.	Head Office
P.C.	Provincial Chief
Z.O.	Zonal Office
Br.	Branch Office
Rep. O	Representative Office
Van	Mobile Van Service

Administrative Coverage	Current		Planned	
HO to P.C.	1:3	3	1:2	2
P.C. to ZO	1:4	12	1:4	8
ZO to DO	1:5	58	1:4	30
DO to Rep off	1:3	100	1:2	90

Rep Off	2005	2006	2007
	0	25	34





Mobile Van

A proactive rather than reactive approach to HBFC's clientele was adopted

- × The HBFC on wheel was connected through broad band internet connectivity and offered the normal range of services .**
- × Mobile Service Vans were equipped with**
 - × Computer linked to HO Server**
 - × Printer and Scanner**
 - × 4 work stations**
 - × Experienced staff**

Digital Archiving & Disaster Recover Program

× Digital Archiving

- × Being 54 year old HBFC had large storage of collection of memos, Account files, and above all title documents etc.
- × The manner in which files/documents were being maintained and preserved at HBFC carried a lot of risk in case of any disaster like fire , earthquake etc.
- × About 1 million pages were archived out of approximately 5.4 million, which included Property docs, Loan Files, Personal Files etc.
- × Archiving stations were functional at H.O. and all zonal offices.

Digital Archiving & Disaster Recover Program

- × **Disaster Recover Program**
 - × HBFC had started DRP to meet the SBP requirements.
 - × Procedure for off-line back up had been developed and training of the concerned people was being done.
 - × Off-line backups were being taken to a security vault.
 - × In the second phase a secondary Disaster Recovery site was to be established for back-up of back-up.

Use of Technology

- × **Biometric Attendance System**
- × **Video and Audio Conferencing**
- × **ID Verification System (VeriSys)**
- × **Call Center**



Pro - active Website

- HBFC's proactive and dynamic website was launched (www.hbfc.com.pk) and provided:
 - Online loan application facility (e-Home)
 - Online accounts and balance verification by customers
 - Online guide for general public for purchase of real estate
 - Online mortgage tracking to help purchase un-encumbered properties
 - Loan calculator
 - Mortgage Locater
- Tele-monitoring System (SMS)
 - Through SMS messaging service, messages were sent to the account holders on repayments and for other information