



Presentation
to
IUHF
World Congress Session 2A
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**Expansion of HBFC's Presence
through Out-Reach Program (EOP)**

September 21, 2006, Vancouver, Canada.

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Sequence of the Presentation

- **HBFC: Historical Overview+ New Vision & Mission**
- **Pakistan's Demography & Income Affordability**
- **Expansion of Out-Reach Program at HBFC**
 - ❖ **Another form of Out-Reach: Islamization of HBFC Products**

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Section1:

HBFC, An Overview....

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General Information

- House Building Finance Corporation (HBFC) was established in the year 1952 as a Statutory Federal Body under HBFC Act 1952 with the object of providing financial assistance for construction and purchase of houses.
- It is amongst the oldest housing finance institutions in Asia Pacific region.
- For nearly 50 years it enjoyed the monopoly status in housing finance. Today nearly 25 Private Commercial Banks are also engaged in housing finance business.
- HBFC has always maintained its business focus on low & middle income housing needs.
- ***Now it is in the process of Corporatization which is likely to be completed by end of year 2006, which will lead to its eventual Privatization.***

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Future Business Plan

From Public Sector To Corporatization to Privatization

- Being in Public Sector under an Act of Parliament meant that there were severe limitations placed on HBFC in designing and executing a dynamic and market-based business plan.
- After its likely "Corporatization" by December 2006, HBFC will be operating under a new charter as a Limited Liability Company under the Companies Ordinance.
- This will lead to an eventual "Privatization" Of HBFC when its ownership will be offered to multilateral agencies, housing finance institutions and general public.
- These new platforms require new and aggressive Business Plan.
- With IFC's technical assistance, CMHC of Canada is currently preparing new "Business Plan" for HBFC .
- With its Comprehensive Reforms Agenda, a new in- house computerized delivery mechanism and aided by a new "Business Plan", HBFC is all set to meet housing & housing finance challenges in Pakistan

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HBFC's New Vision

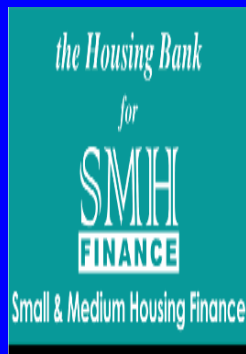


To be the prime housing finance institution of the country, providing affordable housing solutions to low and middle income groups of population by encouraging new constructions in Small & Medium Housing (SMH) sector.

Set the direction

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HBFC's New Mission



To be a socially responsible and commercially sustainable housing finance institution.

Target market – Low and middle income groups of population.

Target areas – No negative list, all legalized residential locations.

Responding to housing needs of low income groups is a social responsibility, beyond that everything has to be 100% commercially sustainable.

Set the direction

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Section 2

Pakistan's
Demography
&
Income Affordability

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Demographic Situation in Pakistan:

- Population growth and a substantial shortage of adequate housing is a major dilemma faced by Pakistan's population of 150 million people.

Pakistan's population presently increasing every year by 3.5-4 Million, making Pakistan the 6th most populous country after china, India, USA, Indonesia and Brazil.

- This practically creates a housing demand for setting up 2 new average-sized cities every year ,to combat rising urbanization and improve upon person/room density, in densely populated cities.

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Growth & Housing Issues in Pakistan

- Pakistan has an average of **6** persons per housing unit, with an average of **3.5** persons per room. Situation in India is the same whereas global average is **1.1** persons per room.
- Pakistan today has an average population density of **106** persons /square km while just Karachi' (population:14mn) density is **135** persons/square km
- A careful review indicates an existing backlog of **7.5** million housing units in the country.
- Units needed due to Population Growth: **0.6-0.7 Mn/year**
- Units needed due to Depletion of Existing Stock (say at 2%): **0.4Mn/year**
- Total Annual Demand for new Housing Stock:**1.1 Mn** housing units. There is a further challenge to meet the massive backlog as well.

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AFFORDABILITY ISSUE

Small & Medium Housing (SMH)

Low & Middle Income Groups

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INCOME DISTRIBUTION IN PAKISTAN

(1 US \$ = 60 Pakistani Rupees)

Market Segment	Income Level	% of Population	Description of Activity
	Rs per month		
Micro	Upto Rs 2,000	20%	A Micro-Housing Finance Institution is being set up for this segment (Social Housing Bank)
Small	Rs 2000 to 10,000	60%	HBFC's Business Focus
Lower Middle	Rs 10,001 - 25,000		
Upper Middle	Rs 25,000 - 50,000	20%	This segments is dominated by Private Commercial Banks
High End	Rs 50,000 & above		

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Section3:



Expansion of Out-Reach Program (EOP) in Detail....

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Brief Overview of EOP

- *Expansion of Out-Reach Program is a new approach being implemented by HBFC to geographically expand its presence in the country via cost-effective means.*
- *HBFC was present in only 55 cities through its costly branch network. Under EOP, 25 Representative offices have already been established. By the end of year 2007, EOP program would enable HBFC to be present in 150 cities of Pakistan*
- *Furthermore under this programme, HBFC trains "Service Representatives" who are selected after a thorough screening process AND "franchises" HBFC's client service business to them in selected Urban&Rural locations.*

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Brief Overview of EOP

- They serve the clients in specified locations through stationary "Representative offices".
- Once this cost efficient Rep. Office program is functional, HBFC intends to use it to cut operating costs by replacing some of its currently non-profitable branches(atleast 25) by Representative offices, staffed by Service Representatives.

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Eligibility Criteria for Appointment & Training

- Male/Female, HBFC is equal-opportunity employer
- Applicant should have a minimum qualification of graduation.
Preference is however given to those with MBA degree or with a similar qualification, hailing from the same area
- They are provided both "off-site" and "in-house" training. "Off-site" training is conducted at Pakistan Institute of Bankers (IBP).
- District Managers would make fortnightly visits at Representative Offices to offer further support to Service Representatives in handling the clients.

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Remuneration System

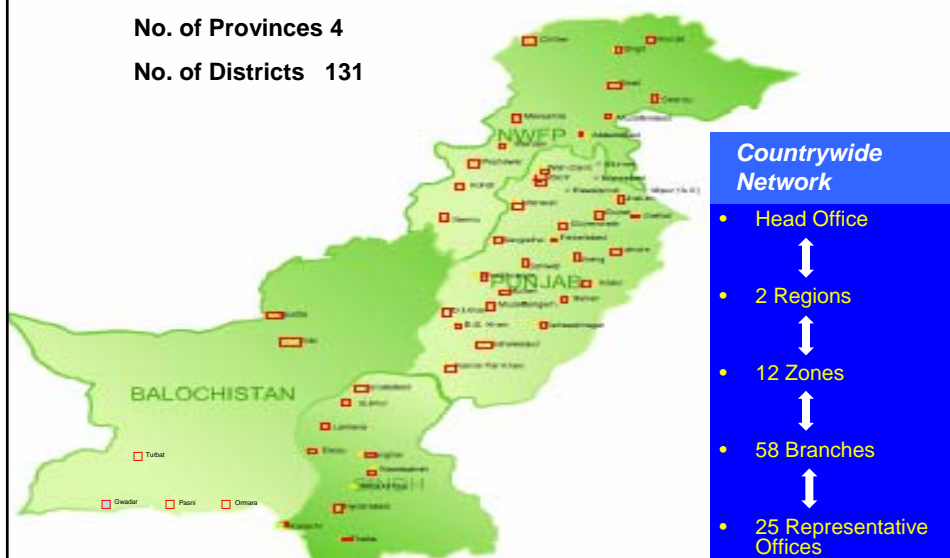
- Fixed payment (subsidy) of \$ 250/-per month for initial 1-2 years, on a declining scale
- Commission, as per policy, is payable on monthly basis (only on deal closure) and on subsequent recovery of loan from the same clientele.
- The commission on Recovery is paid after having met a "floor level" .The commission rate get enhanced as performance moves towards 100%.

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COUNTRY WIDE OFFICES NETWORK

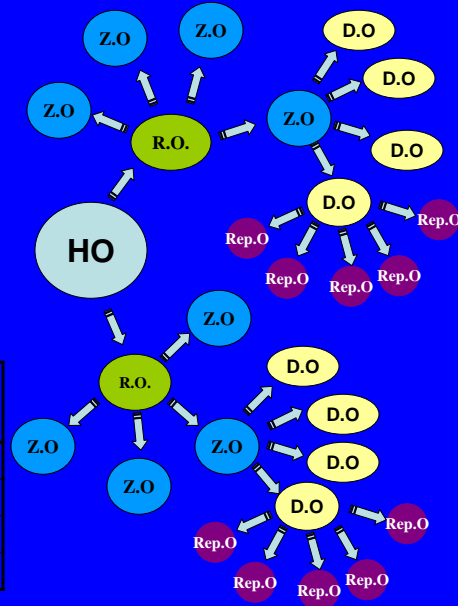
No. of Provinces 4

No. of Districts 131



Hierarchy of HBFC Network

Key	
H.O.	Head Office
R.O.	Regional Office
Z.O.	Zonal Office
D.O.	District Office
Rep. O	Representative Office



Administrative Coverage	Current	Planned
HO to R.O	1:3 3	1:2 2
RO to ZO	1:4 12	1:4 8
ZO to DO	1:5 58	1:4 30
DO to RPO	- 25	1:4 120

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EOP For Pakistanis Working Abroad

Features

- On-line submission of Applications
- On-line tracking of application processing
- HBFC's support to client in documentation & titling related issues
- Development of an Information Portal on Real Estate /Housing opportunities in the country
- In-Country locations not covered by Branch/Representative Office Network are also covered on-line
- Applicants not having Computer/internet facility will be provided service through designated Internet Cafes/Real Estate Agents.

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Another Form of Out-Reach

Reaching Faith-Based Clientele
via
"Shariah Compliant"

Asset & Liability Products

- HBFC is conducting its housing business based on principles of Islamic finance, under the guidance of Islamic Economists/scholars.
- It has expanded its asset-side product range under technical advisory of premiere Islamic Banks like Meezan Bank.
- HBFC has already floated a General Takaful (Insurance) Company, and will be shortly launching a Life Takaful Company
- Liability Products like **REITS, MBS, Bonds(SUKUK)** are also being developed
- There is a huge un-tapped market for Islamic(Sharia Compliant) Islamic Products in the country and in the Muslim world at large
- HBFC intends to enter in these markets(**ME& Far-East**) with an intention to raise Long-Term "**Real-Estate Islamic Funds**"; **Sukuk etc.**

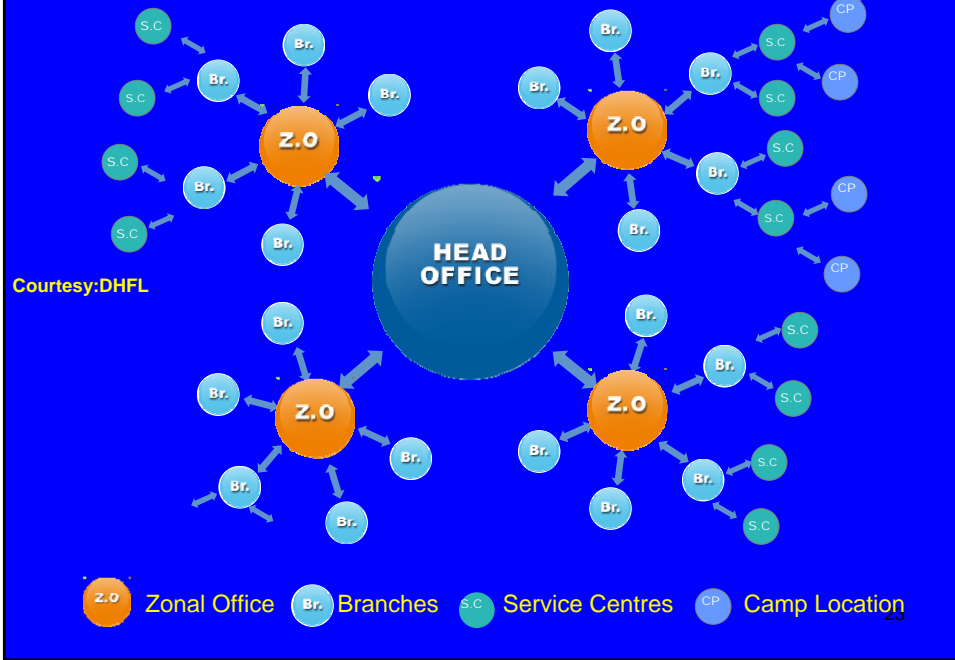
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Examples of Similar Franchise Based Housing Finance Institutions:

- Housing Finance Development Corporation of India (**HDFC**)
- &
- Dewan Housing Finance Corporation Limited (**DHFL**)

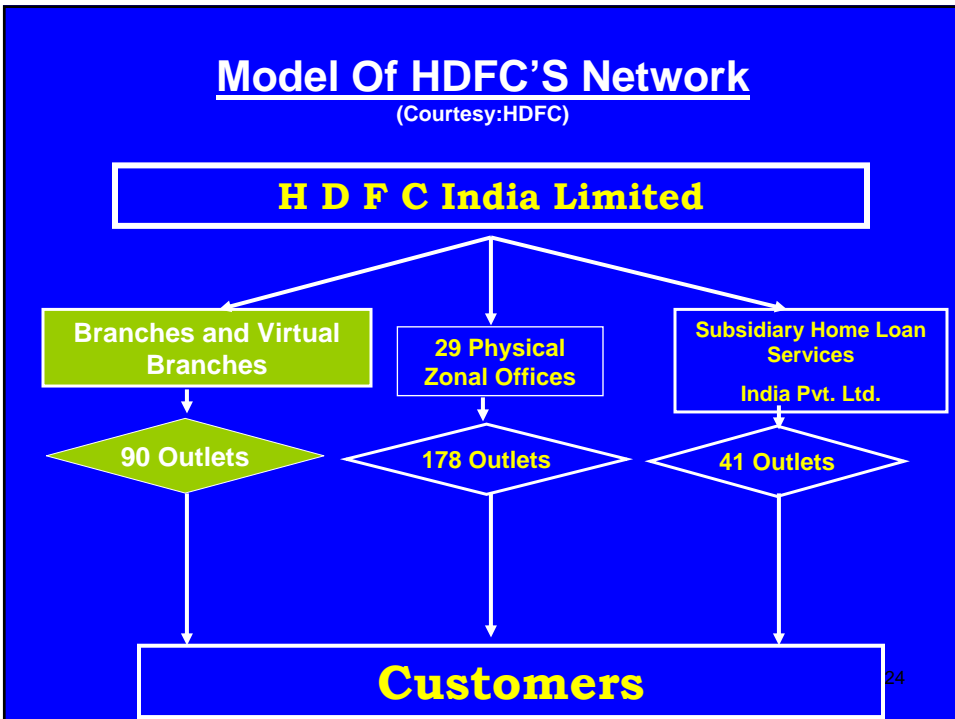
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Model of DHFL's Out-Reach Program



Model Of HDFC'S Network

(Courtesy:HDFC)



Thank you

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