STATE BANK OF PAKISTAN
INFRASTRUCTURE AND
HOUSING FINANCE DEPARTMENT

Recommendations for Nationwide Provision of "Housing Finance"

2007

RECOMMENDATIONS FOR NATIONWIDE PROVISION OF **"HOUSING FINANCE"**

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HOUSING ADVISORY GROUP

STATE BANK OF PAKISTAN

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Preface

A robust financial sector is the key for any country to have sustained long term growth. Within the financial sector, housing finance is one of the fundamental pillars that support development of the economy, as housing and construction sectors are labor-intensive and have backward and forward linkages with more than forty industries. In most developed countries, housing finance is one of the main drivers of the economy as its percentage to GDP is more than 50%; whereas in many developing countries it is around 15%. Moreover, in the South Asia region India has housing loans to GDP at around 9%; whereas, Pakistan lags behind almost all comparative economies at 1%. According to the 1998 Census the housing backlog was at 4.3 million units, which had estimated to reach a level of 6 million units in 2005. In addition to the backlog of 6 million housing units, the incremental housing need during 2005-10 is estimated to be 3 million housing units.

2. The government of Pakistan is committed to long-term housing sector development reforms. In accordance with the principle stance of the National Housing Policy (NHP) 2001, issued in December-2001, role of government in the housing sector has evolved from predominant provider to essential facilitator of housing facilities; therefore, share of housing in the public sector programs has progressively decreased.

3. There are certain issues like improper titles, vague land ownership, high transaction costs which hinder the growth of housing sector. Moreover, weak legal and regulatory framework affects foreclosure, transfer, tenancy, rent control and acquisition of immovable property. Transaction costs are high; land registration system is ineffective, land for affordable housing is rarely available, there is insufficient supply of long-term funds for housing finance. Concerted efforts should be made to remove these bottlenecks.

4. Another key constraint affecting demand of housing facilities is lack of financing capacity of the poor, as well as a low penetration of housing finance, especially in the poorest segments of the population. Despite the rapid retail credit expansion in an increasingly sophisticated and highly profitable banking sector, in the midst of impressive overall macroeconomic growth in the recent past, the true potential of housing finance has not been realized. Housing portfolio still represents only a fraction of the total loan portfolio of the banking sector.

5. The financial sector reforms initiated in the decade of 1990s in Pakistan have been able to promote a market based financial system, wherein the market forces of demand and supply determine markup rate on deposits, investments and advances. The change in policy with respect to provision of housing finance is a result of this

paradigm shift in the financial system of Pakistan. Since 2002, SBP in association with private and public sector stakeholders, is playing a facilitating role for creating an enabling environment for promotion and development of a market based housing finance system in the country, with an objective to expand real choices offered to general public by increasing the number of channels through which housing finance can be provided to the general public, enhancing the affordability and usage of housing finance products and services and improving the service quality of housing finance.

6. The SBP constituted an Advisory Group on Housing Finance (HAG), comprising eminent bankers and housing sector specialists, for identifying bottlenecks, besides, proposing measures for instituting an effective and broad-based housing finance system in the country. HAG came up with a report containing Ten Recommendations to contribute toward a housing strategy that provides the middle income families with access to affordable housing finance, which will help mobilize dormant or locked savings and generate new savings. In turn each rupee invested in the housing sector is likely to catalyze economic activity in other sectors as at least 40 industries are directly or indirectly related to housing and construction. The increased activity in housing sector will provide a much needed boost to the economy. The report has been prepared in the spirit of consolidating the knowledge of the constraints facing the housing sector in Pakistan which have been highlighted during the course of recent dialogue.

7. Some fundamental aspects of fully functioning, market driven housing finance sector remain to be addressed before there can be a balanced and sustainable growth of the housing finance market in Pakistan. Still, in order to realize the potential of housing finance through implementation of the recommendations made by HAG, the policy makers, in collaboration with private sector need to actively pursue the implementation of these recommendations, notably, strengthening the administration of the land and property rights and the land development process, developing the property development framework, supporting the building industry fostering a competitive and financially sound lending market and introducing targeted programs to promote a wider outreach of the housing finance market.

8. The provincial governments, district governments and local government authorities have a major role to play in resolving the issues and streamlining the procedures involved in allocation of land with clean and nationally acceptable title deeds, provisioning of infrastructure along with making the transaction more time and cost effective for the end user. All stakeholders are therefore urged to adopt a more progressive attitude toward the implementation of these recommendations and use this opportunity as an income enhancing and growth stimulating tool for the people of Pakistan particularly the middle and lower income households.

9. It is pertinent to mention that sound and stable macro-economic policies are essential for implementation of the aforementioned recommendations; however, they are not sufficient to encourage private sector to take a leading role in the promotion and development of housing and housing finance in Pakistan. Therefore, what is required for effective implementation would be consultation with the private sector, and with all levels of Government, for designing and monitoring effective policies, regulations, systems and procedures, which should be more concerned with helping the private sector to help itself that is by removing obstacles rather than in providing financial or business support measures.

10. From the banking viewpoint, SBP in association with public and private sector stakeholders would continue to play its role for creating an enabling environment for promotion and development of market based housing finance system in Pakistan. In discharging these responsibilities, SBP has steadily transformed and strengthened itself over the years to adapt modern approaches and modalities and international best practices in all principal areas of its policy mandate including housing finance.

11. The SBP appreciates the Housing Advisory Group (HAG) and other stakeholders for their cooperation and support in this venture. In addition to the appreciation extended to Mr. Shaukat Tarin, Chairman HAG, efforts of each member of HAG are acknowledged for his/her valuable contribution in preparation of this report.

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a) Implementation of Recovery Ordinance 2001;
b) Amendments to Recovery Ordinance 2001;
c) Establishing an Electronic Public Registry;
d) Transfer of Property only through a Registered Instrument;
e) Rewriting Urban Rent Laws; and
f) Amendments to Land Acquisition Acts.

Implementing Agencies:

- Ministry of Law, Justice and Human Rights
- Provincial Governments

THE ISSUES

An enabling legal framework is the first and foremost element for facilitating deepening and broadening of housing finance in Pakistan. Therefore, it is important to reform the various laws affecting foreclosure, transfer, tenancy, rent control and acquisition of immovable properties so that the present uncertainty in the legal system could be removed for establishing efficient real estate market in Pakistan through greater provision of credit from the financial system. The details of the shortcomings and impediments in the present legal framework that are adversely affecting transactions relating to immovable property, especially from banking viewpoint, are as under:

a) Lack of Implementation of Recovery Ordinance 2001:

The Sections 15(2)[1] and 19(3)[2] of The Financial Institutions (Recovery of Finances) Ordinance-2001 (hereinafter "Recovery Ordinance, 2001")

[1] **15. Sale of mortgaged property. -** (2) In case of default in payment by a customer, the financial institution may send a notice on the mortgagor demanding payment of the mortgage money outstanding within fourteen days from service of the notice, and failing payment of the amount within due date, it shall send a second notice of demand for payment of the amount within fourteen days. In case the customer on the due date given in the second notice sent, continues to default in payment, financial institution shall serve a final notice on the mortgager demanding the payment of the mortgage money outstanding within thirty days from service of the final notice on the customer.

[2] **19. Execution of decree and sale with or without intervention of Banking Court.** - (3) In cases of mortgaged, pledged or hypothecated property, the financial institution may sell or cause the same to be sold with or without the intervention of the Banking Court either by public auction or by inviting sealed tenders and appropriate the proceeds towards total or partial satisfaction of the decree. The decree passed by a Banking Court shall constitute and confer sufficient power and authority for the financial institution to sell or cause the sale of the mortgaged, pledged or hypothecated property together with transfer of marketable title and no further order of the Banking Court shall be required for this purpose.

empowers the financial institutions to foreclose and register a mortgage property without recourse to the court of law. However, there is lack of implementation of the recovery law to the detriment of the mortgagee financial institutions. For “commoditization” of housing finance business in Pakistan it is necessary to expedite the implementation of foreclosure law.

b) Amendments to the Recovery Ordinance 2001:

In the present form the Recovery Ordinance 2001 falls short of effectively protecting the rights of the respective parties i.e. financial institutions, mortgagors, landlords and tenants (in case of buy to let mortgages), therefore, there is a need of making amendments to the Recovery Ordinance 2001.

c) Fraudulent Sale of Property after Attachment Orders to an Innocent Purchaser:

Several features of the manner in which the legal system operates at present serve to generate pervasive uncertainty as regards property transactions in Pakistan. For instance, sale of a property carried out after the issuance of an attachment order by a court conveys a voidable title. At present the communication to the public at large that a particular property has been attached by a court is through pasting of an attachment notice at a suitable place on or close to the attached property. Such attachment notices are subject to normal defacing through passage of time apart from the fact that they can be deliberately removed by a fraudulent seller. This results in unwary purchasers purchasing attached property and acquiring a title that is at best imperfect. This invariably leads to long drawn out litigation, often to the detriment and ultimate loss of the purchaser.

The Recovery Ordinance, 2001, has, inadvertently, added to the uncertainty. Section 23(2)[3] of the Recovery Ordinance, 2001, has rendered void all sales of property made by a judgment debtor after the issuance of a decree by a banking court. This provision impacts sales of all property regardless of whether execution of the decree had been sought against the property sold at the time of the sale. The effect of this provision is that a financial institution

[3] **23. Restriction on transfer of assets & properties.-** (2) After pronouncement of judgment and decree by the Banking Court, including an interim decree under section 11, no judgment-debtor shall without the prior written permission of the Banking Court transfer, alienate, encumber or part with possession of any assets or properties and any such transfer, alienation, encumbrance or other disposition by a judgment-debtor in violation of this sub-section shall be void and of no legal effect.

can challenge a particular sale year after the date of the sale. At present there is no public registry through which information could be obtained regarding the identity of persons against whom judgments passed by banking courts, remain unsatisfied. Consequently, a purchaser can find his title to a property purchased by him challenged by a financial institution even though the said property was neither mortgaged nor attached at the time of the purchase.

d) Unregistered Transfer of Immovable Property:

Section 53-A of the Transfer of Property Act, 1882, is a significant source of litigation all across Pakistan. The said section, and the principle contained therein, allows a person to claim a proprietary interest in immovable property on the basis of an unregistered sale deed or other conveyance by claiming that possession had been handed over to such person and consideration received pursuant to an unregistered instrument. This provision effectively negates the intent of Section 17 of the Registration Act, 1908, that transfer of proprietary interest in an immovable property be effected only through a registered instrument. The recognition of a proprietary interest in immovable property even in the absence of a registered conveyance leads to fraudulent claims being made on the basis of Section 53-A.

Another major source of litigation relevant to the enforcement of security interest in immovable property is the claim to title on the basis of an oral gift under Islamic law. While an oral gift of immovable property under Islamic law commands widespread juristic acceptance, the courts have often insisted on rigorous evidence of such gift having been made.

Yet another feature of the law that adds to uncertainty in property and securitization transactions is the acceptance of the concept of *benami* ownership. This acceptance leads to the claim that the ostensible owner of a property is in fact not the real or beneficial owner. Such a claim inevitably results in involved litigation with the so-called 'real' owner seeking to avoid the transactions entered into with the ostensible owner.

e) The Problems Caused by Myriad Tenancy and Urban Rent Control Laws:

Tenancy laws create difficulties in the housing market and in Pakistan there is no single statute that governs landlord and tenant relationship, as this relationship is being governed by the following principle statutes in Pakistan:

i. Baluchistan Tenancy Ordinance, 1978;

ii. Cantonments Rent Restrictions Act, 1963;

iii. Punjab Urban Rent Restriction Ordinance, 1959;

iv. Sindh Rented Premises Ordinance, 1979;

v. Urban Rent Restriction Ordinance, 1959;

vi. The Punjab Tenancy Act, 1887;

vii. North West Frontier Province Tenancy Act, 1950;

viii. Sindh Tenancy Act, 1950;

ix. Specific Relief Act, 1877; and

x. Transfer of Property Act, 1882

The Islamabad Capital Territory (ICT) does not have a Tenancy Law of its own and has only adopted the Punjab Urban Rent Restriction Ordinance, 1959.

The Rent Restriction and Tenancy Laws enforce in the Provinces were designed to control the relationship between the landlord and the tenant for the benefit of both sides. While they protect a tenant and secure his tenancy by not permitting the landlord to eject him at his whims, they also protect the landlord, inasmuch as he is provided with a speedy remedy, by laying down the grounds on which a tenant may become liable to be ejected from the rented premises. Broadly speaking, these grounds are:

i. default in payment of rent;

ii. subletting the building without permission of the landlord;

iii. putting it to a use different from the one for which it was leased out, without the permission of the landlord;

iv. causing damage to the building or impairing its value or utility;

v. making any unauthorized construction thereon i.e. without landlord's permission;

vi. when the owner needs the premises genuinely for his own use or for the use of his wife and children, and

vii. when the house in question is to be demolished for reconstruction.

The tenant is also protected inasmuch as the landlord can neither arbitrarily increase the rent nor can he withhold any of the residential amenities e.g. water, gas, electricity etc., and, if he does so, the tenant can approach the Rent Controller for suitable relief. However, besides the procedural loopholes in the Rent Laws, paucity of judicial officers is also a major cause of delays in the disposal of rent cases. A rent case takes about 2 to 3-1/2 years in the Court of the Rent Controller; about 8 to 10 months before the Appellate Court (District Judge) and when a second appeal or a revision is competent before the High Court it takes about 7 or 8 years to be finally disposed of.

The presence of Tenancy Laws grants a special status to the contract between the landlord and the tenant, thereby enabling the disputes to be settled through Rent Controllers, which is basically a Civil Judge but functions as ***persona designata*** and is required to decide the cases expeditiously and un-hampered by the laws relating to evidence or procedure. Nevertheless, the institution of Rent Controller has become a major source of corruption and delays in the settlement of cases relating to Tenancy. It is significant to note that of the total pending cases in the court of law nearly 40% relate to land disputes; whereas, those relating to tenancy are as many as 23%.

f) Ambiguity in the Land Acquisition Acts:

As regards the acquisition of land for housing schemes in the private sector the Land Acquisition Act, 1896 should be amended to provide clarity. At present the Act of 1896 allows a provincial government to acquire land either in the public interest or for a company. The text of the provisions that pertain to land acquisition for a company also suggests that the presence of a public purpose is a necessary requirement. This leads to challenge by affected landowners that land acquired for a private housing scheme serves no public purpose.

THE ACTION PLAN

a) Implementation of Recovery Ordinance 2001:

The Balochistan High Court in 2006 has passed a judgment in favor of the mortgagee financial institution under the new recovery laws, thereby establishing a precedence that could be adopted throughout the country for expediting the implementation of the recovery laws.

b) Amendments to Recovery Ordinance 2001:

As regards amendments to the foreclosure law contained in the Recovery Ordinance 2001 the following principles and concerns need to be accommodated:

- The sanctity of the lease agreement between the landlord, who might be a debtor in default, and the bona fide tenant should be respected. The creditor financial institution should not be able to seek eviction of a bona fide tenant only on the ground of default in debt repayment by the landlord. However, all rights qua the tenant available to the landlord in default, whether arising out of the lease agreement or on account of operation of law, should stand transferred to the creditor institution holding a mortgage over the leased property. This transfer of rights should occur, without intervention of the court, upon issuance of notices by the creditor institution in the manner stipulated in Section 15 of the Recovery Ordinance, 2001.

- As regards the power of a mortgagee financial institution to sell mortgaged property without the intervention of the court contained in Section 15 of the Recovery Ordinance, 2001, the following issues are likely to be of concern to the courts even after the judgment of the Baluchistan High Court upholding the vires of Section 15:

    i. Section 15(4)[4] of the Recovery Ordinance, 2001, as presently drafted does not require the financial institutions concerned to have a 'reserve price' fixed in an objectively verifiable manner prior to sale without the intervention of the court. Given the sensitivity of the courts to the fixation of a reserve price prior to sale, the absence of a requirement to fix a reserve price is a

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[4] **15. Sale of mortgaged property. -** (4) Where a mortgagor fails to pay the amount as demanded within the period prescribed under sub-section (2), and after the due date given in the final notice has expired, the financial institution may, without the intervention of any Court, sell the mortgaged property or any part thereof by public auction and appropriate the proceeds thereof towards total or partial satisfaction of the outstanding mortgage money:

Provided that before exercise of its powers under this sub-section, the financial institution shall cause to be published a notice in one reputable English daily newspaper with wide circulation and one Urdu daily newspaper in the Province in which the mortgaged property is situated, specifying particulars of the mortgaged property, including name and address of the mortgagor, details of the mortgaged property, amount of outstanding mortgage money, and indicating the intention of the financial institution to sell the mortgaged property. The financial institution shall also send such notices to all persons who, to the knowledge of the financial institution, have an interest in the mortgaged property as mortgagees.

major deficiency in the law. Sales conducted by financial institutions without the fixation of a reserve price are likely to be looked at with suspicion by the courts. In order to provide for an effective mechanism for sale by mortgagee financial institutions without the intervention of the court, the law should require the fixation of a reserve price by surveyors approved by the State Bank of Pakistan. For such surveyors to have credibility, the State Bank of Pakistan or other reputable trade body/association should lay down a mechanism for the evaluation and certification of property valuers.

ii. Section 15 of the Recovery Ordinance, 2001, should provide for wider publicity/advertisement by the mortgagee creditor institution of the proposed sale. Advertising in provincial newspapers alone is not likely to inspire judicial confidence. The law should provide for national and, in appropriate cases, international advertising. In this regard reference may kindly be made to the judgment of the Honorable Supreme Court of Pakistan in the case of Mohib Textiles in which a court sale was set-aside after five years on, among others, the ground of inadequate advertising by the liquidators.

iii. The power presently available in Section 15(6)[5] to the Banking Court to terminate a bona fide lease on terms considered reasonable appears to undermine the principle of sanctity of contract. This provision will, in any case, become largely redundant if the six month eviction rule proposed below (at point "e") as regards verbal tenancies or tenancies that are to be

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[5] **15. Sale of mortgaged property. -** (6) Where the mortgagor or his agent or servant or any person put in possession by the mortgagor or on account of the mortgagor does not voluntarily give possession of the mortgaged property sought to be sold or sought to be purchased or purchased by the financial institution, a Banking Court on application of the financial institution or purchaser shall put the financial institution or purchaser, as the case may be, in possession of the mortgaged property in any manner deemed fit by it:

Provided that the Banking Court may not order eviction of a person who is in occupation of the mortgaged property or any part thereof under a bona fide lease, except on expiry of the period of the lease, or on payment of such compensation as may be agreed between the parties or as may be determined to be reasonable by the Banking Court.

Explanation.- (1) Where the lease is created after the date of the mortgage and it appears to the Banking Court that the lease was created so as to adversely affect the value of the mortgaged property or to prejudice the rights and remedies of the financial institution, it shall be presumed that the lease is not bona fide, unless proved otherwise.

treated as verbal is adopted. As regards registered written lease agreements with a specified term there can be no justification to allow banking courts to cause premature termination of a bona fide lease unless the tenant had agreed to such termination at the time of the loan.

c) Establishing an Electronic Public Registry:

In order to weed-out malpractices in case of sale of attached properties, it is recommended that an electronic public registry be created forthwith. All persons obtaining attachment orders or decrees must, by law, be placed under an obligation to make a filing of the fact of the attachment or the decree with the electronic public registry. Failure to do so should make the attachment or the decree ineffective against any right acquired by a subsequent purchaser of property. The details of the public registry can be worked out. The registry can either be attached to the existing offices of the registrars of documents or can be set up as an independent institution.

d) Transfer of Property only through a Registered Instrument:

It is recommended that Section 53-A be removed from the statute book and a clear statement be made that no proprietary interest is to be recognized on the basis of possession or "other performance" pursuant to an unregistered instrument. Initially the recommendation contained in this paragraph may be given effect only with respect to urban areas.

At the same time, the Transfer of Property Act and/or the Qanun-e-Shahadat Order, 1984, be appropriately amended to provide for the evidence for an oral gift in the form of a written memorandum attested by a judicial officer of the rank of at least a Civil Judge First Class. A filing of acknowledgement of an oral gift with the electronic registry proposed above (at point "c") alone may also be stipulated.

Moreover, a clear statement be made in the Transfer of Property Act, 1882, that no claim of benami ownership is to be recognized henceforth.

e) Rewriting Urban Rent Laws:

By repealing Rent Control Act the special status accorded to Landlord-Tenant relationship could be dissolved and contracts between landlords-tenants will be treated as a normal contract and dispute resolution could be instituted at higher tiers of judiciary, thereby not only expediting the settlement process but also helping in weeding out corruption infested in the judicial process due to initiation of dispute resolution at the level of Rent Controller. However, repealing Rent Control Act altogether is not expedient because such an undertaking may result in political backlash. Therefore, one of the alternatives available is to rewrite the urban rent laws so as to establish equity between the rights of landlord and tenant in the following lines:

- The urban rent laws should contain a clear statement that in the event of a verbal lease or a lease that has continued beyond the original term specified in a written lease agreement, the landlord shall be entitled to evict the tenant upon the expiry of six months, from the date of service upon the tenant of a written notice to vacate. The tenant will remain liable to pay rent to the landlord for the length of time that the tenant remains in occupation after the issuance of the aforesaid notice to vacate. The rent laws should not impose any obligation on the landlord to prove either default in the payment of rent on the part of the tenant or personal need on the part of the landlord in order to seek eviction of the tenant. It is reiterated that this recommendation is to apply to a situation where no written lease agreement with a specified term of the lease is in the field.

- The execution of written lease agreements with a specified term should be incentivised. This may be done through a clear statement in the urban rent laws to the effect that where the term of the lease has been specified in a registered lease agreement, the landlord shall be entitled to evict the tenant upon the expiry of the specified term. The landlord may seek eviction prior to the expiry of the specified tenure/term of the lease on the ground of default on the part of the tenant. The ground of personal need should not be available to a landlord for seeking eviction of a tenant prior to the expiry of the term contained in the registered lease agreement.

- A clear statement should be contained in the urban rent laws that written lease agreements containing a term less than twelve months shall be registerable at the option of either the landlord or the tenant and may be presented for registration by either party. As regards lease agreements with a term of twelve months or more, the requirement of Section 17 of the Registration Act, 1908, that such lease agreements be compulsorily registered should be reiterated in the urban rent laws. It should also be stated that unregistered written lease agreements containing a term of twelve months or more shall be treated for all purposes at par with verbal lease agreements and the tenant will be subject to eviction upon the expiry of six months from the date of service of a notice to vacate.

- The reformed/amended urban rent laws should contain a clear statement that the entitlement to evict upon the service of a six month notice to vacate shall apply to all verbal tenancies or tenancies that are to be treated as verbal whether entered into before or after the coming into force of the reformed/amended rent laws.

f) Amendment to Land Acquisition Acts:

The law should be amended to clearly state that a provincial government may acquire land for the purpose of private housing schemes under such terms as may be specified. The Punjab Government has framed rules that allow the government to acquire land for a private housing scheme provided that 80% of the required land has already been purchased by the sponsoring company. The legal status of these rules remains somewhat dubious. It is recommended that a clear statutory scheme for land acquisition for private housing schemes be included in the Land Acquisition Acts in force in the provinces and also the capital territory.

RECOMMENDATION # 2:
RATIONALIZATION OF TRANSACTION COSTS

Action Plan:

a) Rationalizing Cost of Stamp Duty and Registration Fee on Conveyance and Mortgage Deeds;

b) Rationalization of Commercialization Fee; and

c) Automating Land Records and Improving the Tax Collection System (as per Recommendation No. 3).

Implementing Agencies:

- Provincial Governments
- City District Governments

THE ISSUES

a) Components of Transaction Costs:

There are three elements of transaction costs on property documentation, which are: a) financial costs, b) direct transaction costs and c) opportunity costs.

The **Financial Costs** are direct monetary costs such as government fees of carrying out the transaction. In order to increase the affordability of general public for homeownership, the National Housing Policy (NHP)-2001 has emphasized the need of rationalizing the rates of Stamp Duty and Registration Fee with the following stipulations:

- 1% aggregate rate of stamp duty and registration fee on conveyance deeds;

- 0% rate of stamp duty and registration fee on mortgage deeds.

The Provincial Governments despite signatories to NHP-2001 have so far not adopted its covenants relating to rationalization of stamp duties and registration fee in lieu of conveyance and mortgage deeds in letter and spirit. The present structure of registration and stamp duty in the four provinces is evidence to this end, the details of which are as under:

Province	Registration Fee		Stamp Duty		Total
	Conveyance	Mortgage	Conveyance	Mortgage	
Punjab	1%	0.25%	2%	0.25%	3.50%
Sindh	1%	1%	3% (also add 1.5% CDGK tax in case of Karachi)	Ad-valorem Rs.2,500 for a loan from Rs.1 to Rs. 10M	5% + Rs.2,500
Balochistan	1%	1%	5%	2%	9%
NWFP	0.50%	0.50%	3%	4%	8%

The **Direct Transaction Costs** are the costs incurred by the customer in order to access the land transaction document and consist of the amount of money spent by the beneficiary to the land records bureaucracy such as direct and indirect bribes and transportation and related costs i.e. cost of logistics.

The **Opportunity Costs** are the time costs in terms of foregone income in order to utilize the loan product. Indicators of opportunity costs are foregone income for accessing the land record, time value of money in case of land trading etc.

According to a recent estimate direct transaction costs and opportunity costs on a typical property transaction in the Province of Punjab are approximately US$140, which could decreased by US$115 (so as to reach a level of US$25 only) due to an automated land record system as automation, inter-alia, would help in mitigating the rent-seeking behavior prevalent in the current land records service delivery system.

The table below summarizes the main findings about the transaction and opportunity costs on the basis of sample data from the selected districts of Punjab Province:

Average Per Fard Cost to the Customer[6] (Amount in Rupees)

Scenarios	Direct Transaction Costs	Opportunity Costs	Other Costs	Total
Without LRIS Project	7,427	1,144	181	8,571
With LRIS Project	641	841	32	1,514
Difference	-6,786	-303	-149	-7,057

[6] World Bank, Project Appraisal Document on a Proposed Credit in the Amount of SDR 30.35 Million (USD 45.65 Million Equivalent) to the Islamic Republic of Pakistan for a Punjab Land Records Management and Information Systems Project, Dec 21, 2006

b) Commercialization Fee:

The Commercialization Fee is a charge levied on the purchase of properties, which are converted from other uses to commercial uses and is of two types i.e. a one time fee and an annual fee. Since the annual fee is applicable to institutions such as private schools and household businesses, therefore, it is not a relevant cost for Real Estate Investment Trusts (REITs) and Real Estate Builders and Developers (REBADs). The one time fee is levied for permanently converting a property for commercial use and is usually calculated as a percentage of the D.C. Rate, which is a historical rate rather than the ongoing market price of a property and encourages double book-keeping, and compromises the interest of formal corporate entities (such as REITs) that can only maintain one book of accounts.

At present commercialization fee is very high in the provinces, in the province of Punjab commercialization fee is 20% of the DC Rate. In the city of Karachi the commercialization fee is levied by the City District Government Karachi (CDGK) on per square foot basis and a proposal is in the offing to increase the rate of commercialization fee up-to three times so as to reflect the increase in prices of real estate during the last 3-4 years.

c) Revenue Collection from Stamps and Registration Fee has Positive Linkages with LRIS and Improving Tax Administration:

There is a general consensus amongst the fiscal experts and economists that revenue collection in lieu of property transactions is a function of documentation, valuation, collection efficiency and overall economic activity. The White Paper of the Punjab Government also acknowledges the causality of rate reduction, improvements in administration and stable economic conditions on revenue collection in lieu of stamp duty and registration fee. It is significant to emphasize that Punjab Government after decreasing rates in FY03-04 has experienced an increase in revenues in lieu of stamp duty and registration fee, therefore, it is important for the provincial governments to understand the positive implications of rate reduction on revenue collection.

d) Low Share of Provincial Tax Receipts in the Total Budgetary Receipts of Provinces:

The anatomy of a Provincial Budget, e.g. Budget of Government of Punjab, reveals that the share of Provincial Tax Receipts in Punjab’s Provincial Budget is only 7.75%; however, “stamps” is the single largest source (i.e. 29.12%) of Provincial Tax Receipts. Moreover, after Land Revenue, Registration Fee is the third major source, i.e. 6.98%, of the Provincial Tax Receipts. Interestingly as a percentage of total Provincial Tax Receipts, the contribution of these three taxes has *decreased* due to increase in “GST on Services” and “Other Taxes and Duties”.

THE ACTION PLAN

a) Rationalizing Cost of Stamp Duty and Registration Fee on Conveyance and Mortgage Deeds:

Keeping in view the positive implications of rate reduction on documentation of property transactions and subsequently on provincial revenue receipts, the Provincial Governments should adopt NHP-2001 in letter and spirit by reducing transaction costs on residential properties as per the covenants of NHP-2001 i.e. for conveyance and mortgage deeds, the aggregate rate of stamp duty and registration fee should be decreased to 1% and 0%, respectively.

b) Rationalization of Commercialization Fee:

The present high transaction costs create an incentive to record transactions at the D.C. Rate as there exists a substantial disparity between the actual transaction prices and those recorded for tax purposes (i.e. D.C. Rate), which put corporate entities such as REITs at a serious disadvantage as these are required to disclose the actual purchase price (and pay fee on it rather than on D.C. Rate). Therefore, in order to encourage corporate entities in the construction sector, it is proposed that commercialization fee should be reduced to 10%.

c) Automating Land Records and Improving the Tax Collection System:

Institution of LRIS (the subject matter of Recommendation No. 3), in tandem with rate rationalization and improving the revenue collection system, has the potential of encouraging documentation of property transitions by reducing the direct transaction costs (i.e. cost of bribes and logistics) and opportunity cost, which would have a positive impact on the revenue collection of the provincial governments.

RECOMMENDATION # 3:
ESTABLISHING AN INTEGRATED NATIONWIDE
LAND REGISTRATION INFORMATION SYSTEM (LRIS)

Action Plan:

a) Streamlining the Role of the Public Sector;

b) Promoting Area Specific Private Sector Initiatives in Cities; and

c) Capacity Building of the Existing System.

Implementing Agencies:

- National Reconstruction Bureau (NRB)
- National Database and Registration Authority (NADRA)
- Provincial Governments
- City and District Governments
- Land Owning Agencies
- Central Board of Revenue (CBR)
- Central Depository Company (CDC)

THE ISSUES

a) A Fragmented and Poorly Managed System of Land Records:

The present system of land records in Pakistan is administered by various land owning agencies viz. provincial, district and city governments, and autonomous land development authorities, therefore, is fragmented. The institutional setup is not only fragmented, but also is weak and ill-equipped, therefore, a major cause of rampant corruption and malpractices. In most of the cases the land administrating authorities are so mismanaged that these are even not able to confirm documents issued by them in due course with much certainty/authenticity. There have been many instances of issuing more than one property title documents for the same piece of real estate.

The weaknesses of the present land records in tandem with high transaction costs have led to exchange of property on cash and without any transparent and legally acceptable title documents in as many as 80% (rough estimates) of the property transactions. The less than satisfactory state of real estate registration system has not only deprived the property owners of an effective legal title but is also a major cause of leakages in the revenue collection in lieu of stamp duty and registration fee on property transactions to the detriment of the provincial governments.

The present system has become antiquated and lost its credibility. However, despite its weaknesses and lack of service orientation, so far, there have been no serious and concerted efforts for its modernization and redemption of its authenticity.

b) Ambiguous Property Titles are an Impediment for Financial Deepening:

Land records are manually maintained and poorly administered, therefore, have numerous errors and omissions and resultantly have modest commercial value for the mortgagee financial institutions. Due to lack of automation of real estate property registration system, the validity of the title and exchange of property titles have become a nuisance and is at large not very transparent. The lack of efficient, transparent and reliable system of ascertaining the bona-fide of property titles has forced banks to maintain a Negative List, thereby impeding the access of housing finance to a number of urban localities within the urban centers.

In the absence of clear property titles, development of a secondary mortgage market, which involves the transfer of loans to investors, could not be effectuated in its letter and spirit. A properly planned and efficient LRIS would not only secure the interest of mortgagee financial institutions and investors (in case of Mortgage Backed Securities) but would also help in consolidating a decentralized real property rights system that could facilitate the general public in numerous ways and could also lead to one window title documentation and increase in property registration, thereby enabling provincial governments to realize the revenue generating potential in lieu of property transactions. Institution of LRIS would help in increasing the outreach of housing loans and decreasing the loan processing time for the mortgagee financial institutions.

THE ACTION PLAN

In the Province of Punjab the World Bank has already approved a loan of US$45.65 million for extracting land records (i.e. FARD) and in three districts of Punjab i.e. Lahore, Gujrat and Rahim Yar Khan (RYK), the work is already underway. Moreover, both the First and Second Phase of the project work is envisaged to be completed in 18 and 14 districts of Punjab during 2007–11 and 2011-13, respectively. For instituting a nationwide LRIS within the next 5-7 years, similar projects need to be instituted in the other three provinces. However, in order to expedite implementation there is also a need of encouraging private sector led initiatives and capacity building of existing automated property transaction related systems. Therefore, a three pronged strategy is required to be pursued for expediting implementation of a nationwide LRIS through the involvement of the pubic and private sectors. The three pillars of the strategy should be:

a) Streamlining Role of the Public Sector:

At present implementation of LRIS by NADRA, in association with NRB, is taking place only in three (viz. Lahore, Gujrat, and RYK) District Governments. However, implementation of LRIS in 102 districts (30 in Punjab, 22 in Sindh, 23 in NWFP and 27 in Balochistan) and 8 city districts (5 in Punjab and one each in Sindh, NWFP and Balochistan) requires streamlining coordination amongst NADRA, NRB and the respective district/city government. At the same time, the eventual nationwide integration of the LRIS requires standardization of LRIS across districts/cities. Under this public sector led initiative, priority should be accorded to instituting LRIS in rural areas and low income urban areas so that residents of these areas can become recipients of credit from the formal financial system.

b) Promoting Area Specific Private Sector Initiatives in Cities:

In the more affluent urban localities of major cities i.e. PECHS in Karachi, Gulberg in Lahore, etc. private sector organizations such as Central Depository Company (CDC) may be willing to automate land records. Therefore, these small scale private sector initiatives need to be encouraged as these would act as a catalyst in automating the property database in the country.

c) Capacity Building of the Existing System:

In order to take advantage of the various on-going initiatives- under either the public or the private sector- relating to automation of property transactions, it is important to undertake capacity building of these initiatives. In this regard, a good example is the initiative of CBR of automating land records in 18 Towns of Karachi, which could be upgraded to LRIS through enlarging its scope and scale.

Box 1

Ideas for Expediting the Implementation Process

Government could make implementation of LRIS a part of Devolution Plan for strengthening good governance capacity of the participating District/City Governments; however, there is a need of envisaging a proper incentive regime and monitoring mechanism so as to ensure nationwide implementation of LRIS by various land owning agencies.

A **Dual Incentive Mechanism** for implementing LRIS in line with the followings could be envisioned:

- Linking funds/transfers of the Federal Government with the implementation of LRIS by the respective provincial/district/city governments; and
- Lowering transaction costs for encouraging individual property owners to get their properties regularized and registered with the LRIS.

Although NADRA has the requisite expertise to take-up the work required for the implementation of a nationwide LRIS in Pakistan; however, for expedient implementation of LRIS and consolidation of fragmented revenue records there could also be a possibility of establishing a new institution similar to NADRA. Establishment of such a new institution would not only enable uniformity in the registration standards across land owning agencies, but the aforementioned institution could also act as a universal supervisory and regulatory body of the land records falling under the jurisdiction of various land owning agencies and governments.

RECOMMENDATION # 4:
INCREASING SUPPLY OF LAND FOR AFFORDABLE HOUSING

Action Plan:

a) Utilization of Existing Allotted Land by the Private Sector;

b) Reforming Katchi Abadis;

c) Vertical Land Allotment Policy to Pursue Densification;

d) Auctioning of Existing Land by the Government;

e) Creation of City Based Land Banks and Satellite Towns; and

f) Amending Land Acquisition Act (as per Recommendation No. 1).

Implementing Agencies:

- Ministry of Law, Justice and Human Rights
- City District Governments
- Provincial Governments
- Land Owning Agencies

THE ISSUES

a) Non-utilization of Allotted Land by the Private Sector:

Despite imposition of non-utilization penalty on plots, construction on a significant number of residential plots- auctioned to the private sector by the various public sector land owning authorities- have not been initiated because of the tendency to reap speculative gains by the allottees.

b) The Phenomenon of Katchi Abadis:

These are pockets of unregulated tracts of land scattered throughout the landscape of large cities and over the years have sprouted so as to fulfill the housing needs of the low income strata of the society. Since property ownership in these shanty towns is devoid of a legal title, therefore, housing finance from the formal credit system could not trickle down to these areas. Moreover, due to their unregulated nature, these Katchi Abadis are a cause of revenue slippages for the government on a continuous basis.

c) Present Land Allocation Policy Encourages Horizontal Development:

At present only a small portion of land is allocated for high-rise buildings, e.g. in Karachi only 5% of the land is earmarked for apartment-buildings; whereas, 55% is assigned for individual houses. Since land is a major component of the total building cost, therefore, imbalances created under the present land allocation policy has, inter-alia, led to real asset price spiral in the urban centers of Pakistan.

d) Unplanned and Inadequate Release of Public Land:

At present various land owning agencies release public land to the end users; however, the quantum of the auctioned land falls short of quenching the demand of housing facilities. Since limited number of plots are offered through these public auctions, speculative gains are abound as speculators- in large numbers- participate in the auction process, which breeds 'file-culture' and because of gross involvement of the speculators, the genuine recipients could only be able to purchase a piece of land in these schemes at a much higher price through the secondary market.

At present, various government agencies- such as City District Government Karachi (CDGK) - are enjoying the status of a natural land bank and release public land to the private sector on a recurring but in a haphazard manner, which is devoid of any medium to long term strategic focus.

THE ACTION PLAN

Since cost of land is a major component of a housing unit, therefore, it is important to increase the supply of land on continuous basis so as to stabilize prices of housing units and making them affordable to general public by instituting the following measures:

a) Utilization of Existing Allotted Land by the Private Sector:

The private sector needs to be encouraged to utilize the land for construction of housing units by punitive actions such as imposition of hefty non-utilization penalty/tax if the plots remain vacant after 5-7 years of allotment or altogether forfeiting the private title etc.

b) Reforming Katchi Abadis:

It is important to reform and regularize the structures of irregular settlements and subsequently vertical development of these areas should be instituted.

c) Vertical Land Allocation Policy to Pursue Densification:

A densification oriented land allocation policy needs to be adopted and pursued, whereby the proportion of land for high-rise buildings should be increased (e.g. in Karachi city from 5% to 30%) and the share of land allotted for undivided houses should be reduced (e.g. in Karachi city from 55% to 30%). Moreover, within the total share of high-rise buildings a certain portion, e.g. 25% to 40%, should be earmarked for low cost housing facilities.

d) Auctioning of Existing Land by the Government:

The vast tracts of vacant public land could be utilized for construction of housing facilities, especially low income housing schemes. An early release of these parcels of land in large numbers could help in mitigating the existing upward pressure on housing prices. Since screening the motives of the applicant (at the time of application) and restricting 'file transfer' (once a plot is awarded in the name of a certain person) are not only administratively difficult (rather impossible) but such a dispensation could also lead to bureaucratic rent-seeking and corruption, therefore, the only solution is to increase the supply of land to such an extent that could effectively skim-out speculators. Alternatively, for mitigating land price escalation due to speculation, the city governments, in association with real estate developers, could also offer housing schemes on completed housing/projects basis (which is the subject matter of Recommendation No. 5).

e) Creation of City Based Land Banks and Satellite Towns:

The present process of releasing public land is not very well planned and structured, which necessitates establishment of city-based land banks by the 8 city governments in Pakistan under public-private boards as non-profit organizations.

Land banks should be designed to acquire land/properties from the land owning agencies and sell these to third parties for development so as to yield a number of benefits viz. clear title to land, transparency in allocation, specific targeting of developmental objectives, utilization of strategic land parcels, and involvement of communities.

The institution of land banks would also act as an effective check on the upward pressure on land prices. The establishment of city-based land banks would enable undertaking an accurate inventory of the available land and would also help the city governments to indicate the direction of its expansion, thereby enabling a planned and structured development of the city. The city land bank would, inter-alia, undertake a well-planned and structured exercise of auctioning public land on recurring basis i.e. either once or twice every year, besides releasing land on need basis so as to mitigate price pressure on land prices.

Here it is important to note that due to lack of proper and efficient land markets in Pakistan chances of abuse of land banks are imminent, but seemingly there is no alternate available to increase the supply of land on a regular basis other than that of creating land banks. It is hoped that after experiencing glitches and setbacks in the short run establishment of land banks is the only way out for creating efficient land markets in the medium to long term. Institution of land banks requires a suitable structure, alongside an effective regulatory framework that may enable transparent utilization of government land.

Moreover, the land banks could also facilitate establishment of self-sufficient satellite towns near industrial areas, which would help in reducing pressure on major urban centers. It is important to note that satellite towns are usually built on the premise that these will be self-sufficient, i.e. the people who live in satellite towns will work in them, with some trips to the central city. However, the problem with an improperly planned satellite town is that once it is fully inhabited- let's say after 10 years of its creation- then most people who live in satellite town work outside it and most people who work in a satellite town live outside it. Therefore, it is important that the satellite town should be located in close proximity of an industrial area and preferably be inhabited by people working in that particular industrial area.

f) Amendments to Land Acquisition Acts:

As per Recommendation No. 1.

RECOMMENDATION # 5:
STRUCTURING AND STREAMLINING LARGE SCALE DEVELOPER FINANCE (LSDF)

Action Plan:

a) Registration of Real Estate Builders and Developers (REBADs) with Association of Builders and Developers (ABAD);

b) Credit Rating;

c) Government Schemes on Completed Housing/Projects Basis;

d) Encouraging REITs (as per Recommendation NO. 7);

e) Encouraging Joint Ventures with Foreign Developers;

f) Simplification of Documentation for Banks; and

g) Standardization of Valuation Methodology.

Implementing Agencies:

- City District Governments
- Land Owning Agencies
- Association of Builders and Developers (ABAD)
- Financial Institutions
- Pakistan Banks Association (PBA)
- Mortgage Bankers Association (MBA)
- Credit Rating Companies

THE ISSUES

a) Need of a Financing Model:

Historically, the real estate business has been booking driven; however, in the recent past the paradigm has shifted and now the main concern regarding the provision of funding to REBADs is that financing generated through general public may not be sufficient to complete and hand-over a housing project/scheme in accordance with the booking schedule. Therefore, there is a need of figuring out the modus operandi for financing arrangements to the REBADs through the formal banking system that is viable, acceptable and sustainable.

b) Fragmented and Unstructured Nature of Property Development Business:

At present, the real estate property development business is, by and large, informal, fragmented and unstructured. The Credit Rating Agencies (CRAs) have devised methodologies to institute credit rating of REBADs for their eligibility to loans from the formal financial system; however, due to the fragmented and unstructured nature of the real estate property development business, REBADs are not prepared for credit rating, inter-alia, due to: the land for a housing project/scheme is usually owned by many companies, who have varying degree of mutual relationships, understandings and arrangements, and the real estate and construction sector has been one of the conduits to laundering wealth.

THE ACTION PLAN

For streamlining the provision of credit to real estate builders and developers (REBADS) in a planned and structured manner following measures need to be undertaken:

a) Registration of REBADs with ABAD:

Presently the Karachi based Association of Builders and Developers (ABAD) is perhaps the most effective representative trade body of REBADS in the country with a membership of around 450 builders and developers. Therefore, it is important for a REBAD to get registered with ABAD for becoming eligible for credit from the formal financial system as registration would ensure that the member would observe the necessary code of conduct instituted by ABAD to the relief of the lender.

b) Credit Rating:

It is important to note that at present a great many REBADs are working either as sole proprietorship or as partnership concerns, therefore, it is difficult for all the REBADs to get themselves rated, thereby necessitating the need of credit rating of Real Estate Projects (REPs) sponsored by them. Accordingly, banks may be encouraged to establish business relationship with REBADs on the basis of their past performance and the commercial and financial viability of the REPs, thereby making the credit rating of REPs a viable alternate to credit rating of REBADs. However, where appropriate and possible, the credit rating of REBADs should also be encouraged.

c) **Government Schemes on Completed Housing/Project Basis:**

The present practice of auctioning plots to the private sector by the government breeds 'file-culture', which triggers price escalation through secondary market and greatly impairs the housing affordability of the end users. Therefore, in order to mitigate the speculative price spiral, the land owning government agencies such as city governments should announce government schemes on completed housing/project basis in association with REBADs and financial institutions (for both developer finance and end user financing), thereby making it less attractive for the speculators to participate in the auction process. Moreover, such an undertaking would increase the supply of constructed housing units rather than that of plots- which usually remain vacant even after many years of auction.

d) **Encouraging REITs:**

REIT is an alternate model of developing real estate and is more transparent and structured than the traditional real estate development process in Pakistan. Therefore, institution of REITs should be encouraged in letter and spirit (please refer Recommendation No. 7 for details).

e) **Encouraging Joint Ventures with Foreign Developers:**

In order to modernize and increase capitalization of the real estate sector, it is important that joint ventures with foreign developers should be encouraged. This would, inter-alia, help in transfer of technology and management know-how.

f) **Simplification of Documentation for Banks:**

For streamlining the provision of credit to REBADs it is important that documentation should be simplified and a standard set of documents should be instituted with the mutual consent of ABAD and PBA.

g) **Standardization of Valuation Methodology:**

Presently the property valuation process is marked with lack of standardization, which leads to variance in estimating a proxy market price of the same property by different valuers. Moreover, for the promotion and development of REITs, property valuation is the linchpin as it provides the basis to price REITs units. Therefore, for standardizing the valuation process PBA/MBA needs to screen the various different valuation methodologies, which are used internationally, and adopt the one that fits best in Pakistan's scenario.

RECOMMENDATION # 6:
PROVISION OF HOUSING FINANCE FOR
AFFORDABLE AND LOW COST/INCOME HOUSING FACILITIES

Action Plan:

a) Need of Innovative Solutions;
b) Establishing Autonomous and Self-Regulating Structures (Condominium Act); and
c) Amendments in the Land Acquisition Acts (as per Recommendation No. 1)

Implementing Agencies:

- Financial Institutions such as Housing Finance Companies (HFCs), Microfinance Banks, NGOs
- Ministry of Law, Justice and Human Rights
- Provincial Governments
- City Governments
- Land Owning Agencies

THE ISSUES

a) Inability of the Retail Approach:

The present "retail" approach of providing affordable housing facilities has failed to address the ever burgeoning gap between demand and supply of the housing units. The present focus of pursuing "retail approach" for the provision of housing finance to low income groups has become redundant due to the titling issues as it is difficult for the mortgagee financial institution to either ascertain the bona-fides of the property at the time of loan origination or foreclosing the property subsequent to loan delinquencies.

The high and ever increasing supply gap in turn has yielded a very high room density, i.e. 3.5 persons per room, which is alarming as compared to the international standard of 1.1 persons per room. Therefore, increased supply of affordable housing requires focusing on "mega" solutions in the shape of large scale housing projects and creation of satellite towns.

b) The Recent Asset Price Escalation:

The recent chronic speculative binge in plots has further exacerbated the situation as land prices have sky rocketed, especially during the last 3-4 years, thereby having further eroded the affordability of general public, especially low income groups, to own a dwelling.

c) Critical Impediments for Increasing Investment:

There is a need of leveraging construction of housing units for investment and rental income generation purposes, but such investments vis-à-vis other investment opportunities are facing the following impediments:

- low property rentals;
- generous tenancy laws; and
- disparity between rental income and mortgage payments due to low property rentals and high interest rates.

Provision of fiscal incentives, implementation of recovery laws and institution of investor friendly tenancy laws could improve the prospects of constructing housing units, especially for low income groups, for investment and rental income purposes.

d) Reasons for Lack of Financial Solutions for Low Cost Housing:

At present, by and large, financial institutions are not seriously working to find solutions for addressing the acute shortage of low cost housing facilities because of the following reasons:

- Intermediation costs for the provision of housing loans to low income groups are higher than that for middle and upper income groups due to smaller loan size, lack of documented income, higher incidence of circumstantial defaults due to negative propensity to save;
- Property titling in low income areas is comparatively more difficult as representative of mortgagee financial institution needs to visit at least five (5) different offices for the verification of title documents;
- Initiation and successful closure of low income residential projects are also marked with barriers to site permits, environmental clearance, and lack of infrastructure and utilities connections. Resultantly, the residential ownership has remained predominantly equity financed and capitalization of housing sector has not been able to realize its true potential.

THE ACTION PLAN

a) Need of Innovative Solutions:

For the provision of housing finance to low income groups there is a need of instituting targeted measures so as to bring parity between monthly installments of housing loan and the monthly rentals. In this regard, Housing Finance Companies (HFCs) and Microfinance Institutions (MFIs), alongside NGOs, need to take the lead in initiating housing projects for low income groups with autonomous and self-regulating structures within their jurisdictions/boundaries.

Since land is a critical input for a housing unit, therefore, there is a need of availability of subsidized land for low cost/income housing projects, for which city and district governments could play an important role. In order to keep the cost of building materials within a reasonable range, there is a need of developing low cost (but not inferior) construction technologies. Since low cost housing projects are usually located at a distance from the city centers, therefore, availability of transportation facilities are essential for their success.

In this regard it is important to note that in order to design, develop and manage low cost housing projects, HBFC- in collaboration with NGOs- is in the process of sponsoring a Social Housing Company (SHC). The SHC is expected to develop and manage low cost housing projects in cities such as Karachi, Lahore, Gawadar etc.

Moreover, in order to augment financial resources for the provision of housing facilities to low income groups, HBFC is intending to establish a separate financing platform viz. “Social Housing Bank (SHB)” as a Micro-Finance Bank with an objective to provide micro housing loans for construction, purchase and renovation of low cost housing.

b) Establishing Autonomous and Self-Regulating Structures (Condominium Act):

For protecting the rights of the lenders, the cornerstone of the wholesale approach is the institution of autonomous and self-regulating structures within the jurisdictions/boundaries of low cost housing projects. Such an arrangement would also reduce the cost of financial intermediation by providing “one window operations” to the financial institutions as instead of dealing with each and every mortgagee individually, the mortgagee financial institutions would only interact with the self-regulating governing body of an autonomous low income society for title documents, collateral provisions, group guarantees, amortization payments and foreclosure for which Condominium Act needs to be enacted.

It is important to note that in a number of developed and developing countries the presence of **Condominium Act** guarantees effective quasi-judicial powers to the project management companies and the mortgagee financial institutions. Therefore, there is a need of devising a universal Condominium Act for instituting autonomous and self-regulating structures, which, inter-alia, will be applicable to low cost housing projects.

c) Amendments to Land Acquisition Acts:

As per Recommendation No. 1.

RECOMMENDATION # 7:
PROMOTION AND DEVELOPMENT OF REAL ESTATE INVESTMENT TRUSTS (REITS)

Action Plan:

a) Notification of REITs Rules;

b) Amendments to Rent Control Laws (as per Recommendation No. 1);

c) Rationalization of Transaction Costs (as per Recommendation No. 2);

d) New Law development – Condominium Law (as per Recommendation No.6); and

e) Conducive Tax Framework for REITs

Implementing Agencies:

- Ministry of Finance
- Ministry of Law, Justice and Human Rights
- Securities and Exchange Commission of Pakistan (SECP)
- Provincial Governments
- Islamabad Capital Territory (ICT)

THE ISSUES

a) The Need:

REIT is essentially a specialised investment, finance and asset management partnership, which works with public money, small universe of investment partners and the private resources of its founders. REITs enable general public to indirectly own a real estate and help in overcoming liquidity issues and widening the capital base. REITs are usually successful in those countries where the properties are developed for investment purposes, therefore, have been more successful in USA than EU.

In the context of Pakistan, it is expected that REIT's structure would help in regulating existing fragmented and informal property development mechanism as these could bring forth efficiency in price discovery mechanism of real estate and yield improved market valuation of property prices, besides enhancing the liquidity of the real estate market. Moreover, REITs could provide an opportunity to the government and private sector to sell their real estate properties at market values.

The prospects of REITs look good in Pakistan due to availability of a significant amount of untapped real estate in different cities for securitization and channeling bank deposits, insurance and pension funds in real estate. However, since domestic investors usually do not take a long term view of the investment in real estate and are by and large looking for short term speculative gains, therefore, success of REITs requires changing the mindset of local investors.

b) Initial Progress- The Draft REIT Rules and Setting-up of Task Force:

Since 2005 SECP has initiated work for introducing REITs in Pakistan with the objective of creating an alternate asset class that could help deepen the financial markets while at the same time allowing structured and transparent financial intermediation in the real estate sector. Accordingly, SECP finalized the first draft of REIT Rules in December 2005 and in accordance with the advice of Ministry of Law, Justice and Human Rights has redrafted the aforesaid Rules and forwarded to the Ministry of Finance for notification in October 2006. Moreover, at the request of SECP, MoF has constituted a Task Force under the chairmanship of Dr. Salman Shah, Advisor to the PM on Finance and Budget, with participation from SECP, private sector experts, the federal and provincial governments for removal of structural and environmental impediments that could prevent the successful take-off of REITs, after promulgation of REITs Rules by the government. Accordingly, the main objectives of the task force are to create an enabling environment for REITs and removal of the bottlenecks impairing the sustainable success of REITs in Pakistan.

c) Rent Control Laws:

The rent control laws in Pakistan are excessively biased in favor of tenants. In practice, pendency of cases filed under such laws is very high (i.e., over a decade on average). As a result, rental yields remain low and there is a general disincentive to develop rent-seeking properties on commercial basis. It is important to mention that present Rent Control Laws are the single most critical impediment for successful operations of REITs as these debilitate development of commercial and residential properties for rental purposes and greatly compromised the interest of investors in situations where disputes over rents could hamper the passage of dividends to unit holders.

d) Absence of Condominium Law:

Condominium laws are enforced by local and state governments, in countries such as U.S.A., and usually deal with issues such as maintenance of apartments, utilities, common facilities etc. which are essential for keeping the apartments in good condition, thereby helping in protecting the interest of various stakeholders viz. residents, investors and lenders. However, absence of Condominium Law in Pakistan negatively affects the investment potential of REITs because inadequate maintenance of apartment building would impair rental income generation ability and sale price of the buildings financed under a REIT's structure.

e) The Menace of High Transaction Costs and Dual Pricing System:

Lack of transparency in local property market and high transaction costs of properties are critical impediments for the promotion and development of REITs in Pakistan as- contrary to the presently practiced property development process -all the transactions under a REIT's structure are required to be properly documented so as to reflect the actual money considerations paid (i.e. market price) for land, construction materials and labor.

At the same time, presently property transaction costs are quite high and are not applicable on actual market price (on which the property exchanges hands) but on collector's rates, which usually fail to reflect the actual money consideration paid for buying a property, thereby yielding "dual pricing system". The existence of dual pricing system is likely to discriminate against REITs as REIT requires fool-proof and transparent documentation. Therefore, it is inevitable for a REIT to declare the actual money consideration paid for the purchase of land and to pay stamp duty and registration fee on the actual money consideration- which is always higher than the collector's rates- rather than on collector's rates.

Therefore, high transaction costs in tandem with the existence of "dual pricing system" is likely to greatly impair the commercial and financial viability of REITs in Pakistan.

f) Imposition of CVT on Sale of Property in the Federal Budget 2006:

Internationally REIT is a tax-driven product and like a mutual fund is a tax pass-through vehicle, which mandatorily requires distribution of at least 75-90 % of income (varying between different jurisdictions), thereby enabling REIT to become eligible for tax benefits.

Since, in most jurisdictions, REITs are exempt from corporate taxes, stamp duty on property transactions and subject to reduced income tax at the unit holder level, therefore, the government in the Finance Act 2006 has granted certain benefits to REITs at the request of SECP and accordingly the tax structure of REITs has become parallel to that of mutual funds.

However, in the Finance Bill 2006, two new property taxes have been imposed i.e. 5% withholding tax on rental income and 2% Capital Value Tax (CVT) on sale of property. Although, obligation of withholding tax on rental income as full and final payment of the tax liability in lieu of rental income is plausible; however, imposition of 2% Capital Value Tax (CVT) on sale of all residential property measuring 500 sq. yards and above and on all types of commercial property increases cost of doing business. This is in addition to other rates and duties i.e. stamp duty, registration fees and commercialization fee that are imposed on property transactions by the provincial/city governments discourages property documentation.

THE ACTION PLAN

a) Notification of REITs Rules:

For expediting establishment of REITs in Pakistan, it is important that the Notification of REITs Rules may be instituted at the earliest by the government.

b) Amendments to Rent Control Laws:

In accordance with Recommendation No. 1

c) Rationalization of Transaction Costs:

In accordance with Recommendation No. 2

d) New Law Development – Condominium Law:

In accordance with Recommendation No. 6.

e) Tax Framework for REITs:

As per international standards and for purchase of property REIT should be provided exemption from CVT on a one-time transaction basis in the Finance Bill 2007.

RECOMMENDATION # 8:
PROVISION OF LONG TERM FUNDING FOR HOUSING LOANS

Action Plan:

Establishing Pakistan Mortgage Refinance Company (PMRC)

Implementing Agencies

- Ministry of Finance
- State Bank of Pakistan (SBP)
- Securities and Exchange Commission of Pakistan (SECP)
- International Financial Institutions (IFIs)
- Primary Mortgage Lenders (PMLs)

THE ISSUES

a) Primary Mortgage Market (PMM)- The Recent Progress:

Since March 2003, the housing finance market has experienced a turn-around. Four years ago very few banks were seriously considering marketing housing loans as a part of their consumer banking products. However, presently, as many as twenty nine banks/DFIs are active in providing housing loans to a cross section of the society and a great many of these active banks have a long term strategic vision of housing finance in Pakistan. The vigor of the banks to develop and market their housing finance products as a part of their consumer banking operations is indicated by the fact that the share of banks in the housing finance market during March 03 to Dec 06 has increased from 9.7% to 72.8% as housing finance portfolios of these banks have increased from Rs.1,931.6 million to Rs. 50,906 million during the aforementioned period (**Table-1)**. However, one of the reasons of underperformance of HBFC during the aforementioned is the lack of a viable funding mechanism.

Table-1:
The Changing Structure of Housing Finance in Pakistan

Amount in Rs. Million

Net Outstanding as on	Banks	HBFC	Total
31-Mar-03	1,931.6	18,023.0	19,954.6
Percentage Share	9.7%	90.3%	100.0%
31-Dec-03	4,097.2	18,293.9	22,391.1
Percentage Share	18.3%	81.7%	100.00%
31-Dec-04	16,712.9	20.139.2	36,852.1
Percentage Share	45.4%	54.6%	100.0%
31-Dec-05	35,973.0	19,319.5	55,292.5
Percentage Share	65.1%	34.9%	100.0%
31-Dec-06	50,906.0	19,048.0	69,954.0
Percentage Share	72.8%	27.2%	100.0%
Percentage Increase during March-03 to Dec06	**2535.43%**	**5.69%**	**250.57%**

b) The Limitations of the Present Funding Model:

Although commercial banks in the recent years have been able to considerably increase their mortgage portfolios; however, there is no well-defined funding available for ensuring sustainability of the housing finance system. At the same time, in the absence of a viable funding structure for housing loans, the ability of housing finance companies, especially that of HBFC, is greatly constrained.

Nevertheless, so far, commercial banks have not felt the need of a structured funding mechanism because of: low volume of long term mortgage loans as compared to the total deposit base of all banks; availability of cost efficient funding through Demand and Time Liabilities (DTLs); and high spread between weighted average cost of deposits and price of housing loans.

However, the present practice of funding housing loans through T&D Liabilities is yielding interest rate risk and maturity mismatches. At present banks are mitigating interest rate risk by offering Adjustable Rate Mortgages (ARMs), therefore, interest rate risk associated with housing finance is borne by the borrower, which could translate into a credit risk in a rising interest rate scenario so as not only to restrain housing demand but also to pose a systemic risk to the system. Therefore, market players have reached a consensus that although the present model (of financing the long term mortgages with short term liabilities) is yielding high spreads but it is not sustainable as sooner or later it would lead to a credit crunch and an instable financial system.

c) Liquidity Facility- A Viable Funding Option:

At present, the option of going for outright securitization is remote due to information asymmetries and cost constraints, therefore, until and unless availability of information is enhanced and transaction costs are rationalized, establishment of a refinance facility, which could provide liquidity to the financial institutions with recourse, is the only viable funding option.

The refinance facility would help in: provision of Fixed Rate Mortgages (FRMs), improving the liquidity of the financial system; and enabling banks and housing finance companies to prudently match the maturity profile of their assets and liabilities. It would also facilitate the development of private debt market and open-up investment opportunities for long term institutional investors such as pension and provident funds, insurance companies etc., which are looking for a better return on their investment portfolios. It is opined that the quantum and magnitude of the private debt market in-turn would lead to securitization and development of a secondary mortgage market in Pakistan.

More importantly, establishment of a mortgage refinance company would act as an “equalizer” as presently banks with large balance sheets have an advantage over medium size banks and housing finance companies to originate and fund housing loans. However, once a mortgage refinance company is established, medium size banks and HFCs would be in a position to compete with the big commercial banks on the basis of price, product features and service quality, thereby improving the competitiveness of the housing finance market in Pakistan and increasing the outreach of housing finance, especially to the low and middle income groups.

THE ACTION PLAN

Establishing Pakistan Mortgage Refinance Company (PMRC)

It is proposed that a mortgage refinance company viz. Pakistan Mortgage Refinance Company (PMRC) should be incorporated in Pakistan under a public-private partnership (PPP) structure with a paid-up capital of Rs.2-3 billion so as to purchase mortgage loans from mortgage originators (commercial banks and housing finance companies), with full recourse to the primary lenders at a fixed or floating rate.

A PPP structure is proposed so as to increase the confidence level of the lenders and investors to do business with PMRC. Therefore, PMRC should be a government sponsored enterprise and the government should have 20%-30% shareholding in the proposed company and the Primary Mortgage Lenders (PMLs) viz. Commercial banks and HFCs, and international institutions should have the remaining 70%-80% shareholding, with per party cap of 5-10% on shareholding of the PMLs.

Possible Funding Sources of MRC

- Its paid-up capital (of at least PKR 2 to 3 billion);
- Subordinated long term loans from the Government and other International Institutions;
- Funds raised from issuance of bonds and MBS in the local and international markets; and
- Guarantee/credit enhancement fee earned from guaranteeing bonds issued by PMLs.

Proposed Operations

- Mortgage refinance
    - ❖ PML applies for refinancing of mortgage loans
    - ❖ PMRC refinances at the most 83% (minimum 20% over collateralization) of the outstanding balance of the mortgage loans
    - ❖ PMRC prices loans based on its cost of funds and a minimal profit margin – to be successful the strategy should be high volume and low price
    - ❖ PML transfers its rights on pledged collateral in favor of PMRC
    - ❖ Principal and interest repayments to PMRC can match those of the underlying loans or the bonds
    - ❖ PML bears all credit risk since they will be required to repurchase defective loans and replace them with eligible assets. PMRC will hedge PML’s interest risks as much as possible by providing fixed rate funds

- Mortgage bond guarantee
    - PML requests underwriting of its bond issuance
    - PMRC guarantees the bond (or its specific tranches) issued by the PML for a fee
- Mortgage bond issuance
    - PMRC issues corporate bonds in the local and international markets
    - Bonds are guaranteed by PMRC's assets
- Mortgage Backed Security issuance (future as it requires standardization and legal and regulatory framework)
    - PMRC purchases loans from PMLs for securitization
    - PML transfers its rights on sold loans in favor of a Special Purpose Vehicle (SPV) created by PMRC
    - The SPV issues the MBS keeping a guarantee fee

Proposed Regulatory Treatment

Regulatory concessions/waivers (some may be temporary rather than permanent) from State Bank of Pakistan and Securities & Exchange Commission of Pakistan are necessary for PMRC to achieve its objectives and should:

- Increase PMRC's attractiveness to PMLs by lowering transaction costs for PMLs:
    - Refinanced loans should be subject to lower loss provisions
    - Proceeds from refinanced loans should be exempt from statutory reserve and liquidity requirements
    - Loan documents between PMLs and PMRC should be exempt from stamp duty (if any)
    - Documentation and loan eligibility criteria should be kept at a minimal level and be as simple as possible
- Increase attractiveness of PMRC bonds to investors by offering a profitable and safe investment instrument. Bonds issued by PMRC should be:

- ❖ Eligible investments for PMLs
- ❖ Eligible for liquidity requirements
- ❖ Have lower risk weightage e.g. 10%
- ❖ Exempt from single customer limit
- ❖ Exempt from withholding tax for foreigners on interest earned
- ❖ Exempt from stamp duties (if any)
- ❖ Issued by way of compulsory bidding by primary dealers (dealers should be market makers i.e. quote two-way prices) who are obliged to bid for Government bonds
- ❖ Eligible for repo transactions
- ❖ Receive necessary exemptions from SECP to reduce issuance time

Other Considerations

- Eligibility criteria for mortgage lenders
- Eligibility criteria for refinance of mortgage loans
- Conditions for repurchase of mortgage loans by PMLs
- Credit ceilings for mortgage lenders
- Organization structure and governance of PMRC including board composition and its various subcommittees
- Operational procedures/policies for PMRC including risk management policies (particularly policies on interest rate risk management, treasury management and capital adequacy)
- Bond guarantee by international financial institution(s), at-least initially, to boost investor confidence and bond liquidity.

RECOMMENDATION # 9:
DEVELOPING HOUSING MARKET INFORMATION SYSTEM (HMIS)

Action Plan

a) Upgrading Websites of Primary Mortgage Lenders (PMLs);

b) Mortgage Bankers Association (MBA) to Support a Dedicated Website for HMIS; and

c) Setting-up of a Housing Observatory for integrating information relating to real estate sector in Pakistan

Implementing Agencies:

- State Bank of Pakistan (SBP) or Pakistan Bureau of Statistics (PBS)
- Association of Mortgage Bankers (AMB)
- Primary Mortgage Lenders (PMLs)

THE ISSUE

Credit Planning: A Function of Information

Estimation and provision of credit to the housing sector are a function of sufficient, timely and reliable information relating to new housing starts, existing home sales and causative factors that impact housing demand, i.e. incomes, demographics, consumer spending etc.

Lack of sufficient information impedes the ability of financial institutions to form an informed opinion about the demand and supply of housing units and the need of credit arrangements thereupon. At present some data on housing sector is being covered by census relating to type of structure, housing facilities, construction period etc.; however, it is insufficient. Therefore, for streamlining and consolidating housing market information there is a need of developing a Housing Market Information System (HMIS).

THE ACTION PLAN

For consolidating the data relating to housing sector and housing finance in Pakistan so as to provide meaningful information for estimating credit requirements of the housing sector work on a HMIS needs to be initiated through the following measures:

a) Upgrading Websites of Primary Mortgage Lenders (PMLs):

HBFC is the oldest mortgagee financial institution in Pakistan and has considerable information relating to the housing sector and housing finance in Pakistan; therefore, website of HBFC and other mortgagee financial institutions should be redesigned so as to incorporate an information portal relating to HMIS. The portal should be designed to, inter-alia, cover the various facets of the construction projects financed by mortgage lenders, which are either at the stage of marketing or in the process of construction.

b) MBA to Support a Dedicated Website for HMIS:

The recently established AMB should play an active role in developing HMIS in the country through financially supporting a separate website for HMIS, which would be available to the general public. In this regard AMB should establish a task force on HMIS to figure out the components and design of the HMIS which may, inter-alia, incorporate the following information portals:

- Housing Section: Initially, only displaying information on all bulk construction projects- either horizontal or vertical- that have the necessary licenses, clearances and approvals. At a later stage information may also cover the availability of the plots in housing schemes, as well as the individual plots and houses for Sale and Purchase.
- Housing Finance Section: The information in this section may, inter-alia, cover the following aspects:
    - ❖ A list of Primary Mortgage Lenders (PMLs) and contact details of their relevant personnel;
    - ❖ A brief review of the products offered at the market place by PMLs, who are members of AMB;
    - ❖ Terms and conditions including the ongoing rates of the various schemes sponsored by members of AMB;
    - ❖ Information on overall mortgage debt of the participating mortgagee financial institutions of AMB for public consumption on quarterly basis;
    - ❖ Availability of a user-friendly guide for awareness creation amongst the general public regarding the purchase of housing units through housing finance, whilst covering the titling issues and procedures, the applicable rates of taxes and duties etc.

c) Setting-up of a Housing Observatory

A Housing Observatory should be established at either SBP or Pakistan Bureau of Statistics (PBS) with an aim to produce authentic, timely, transparent and integrated data relating to the housing sector in Pakistan, which should be compatible with the needs of the economy and socio-economic development. Moreover, once the observatory is established then information should be shared between housing observatory and AMB’s website relating to HMIS.

RECOMMENDATION # 10:
DEVELOPMENT OF MORTGAGE BANKING INDUSTRY IN PAKISTAN

Action Plan:

Capacity Building of Association of Mortgage Bankers (AMB)

Implementing Agencies

- Association of Mortgage Bankers (AMB)

THE ISSUE

Fragmented and Underdeveloped Mortgage Banking Industry:

In Pakistan, housing finance is in its infancy and only a limited number of players i.e. commercial banks, DFIs and HFCs are the major industry players. However, development of mortgage banking industry necessitates an active participation of all present and *potential* stakeholders that are engaged directly or indirectly in the business of placing, originating, purchasing, closing, selling, and/or servicing residential and commercial real estate mortgages, including the following:

- Commercial banks, housing finance companies, DFIs;
- Life insurance companies;
- Fire and casualty insurance companies;
- Mortgage insurance companies and abstract and title insurance companies;
- Investment banks' and securities firms' subsidiaries that perform financial and other professional services for, or act as a consultant to members of the Association;
- Mortgage or equity real estate investment trusts;
- Public or private investment funds or pension funds;
- Mortgage brokerage companies, and real estate brokers;
- Secondary market agencies;
- Secondary mortgage market agencies;
- Mortgage-related service companies; and

- Attorneys, appraisers, accountants, architects, engineers and consultants who are substantially engaged in mortgage finance matters.

THE ACTION PLAN

Capacity Building of Association of Mortgage Bankers (AMB):

Development of mortgage banking industry involves a number of stakeholders, therefore, it is important to bring all the players at one forum through Association of Mortgage Bankers (AMB). Since the aforementioned association has recently been established, therefore, it requires capacity building so as to effectively undertake dispensation of the following functions:

- To promote the welfare of the mortgage banking industry of Pakistan;
- To encourage sound and ethical business practices among its members;
- To sponsor meetings for the purpose of discussing various aspects of mortgage banking and its allied fields and to provide a forum for new ideas related to the mortgage banking industry;
- To acquire information and to inform its members of changes in the laws affecting real estate and the mortgage banking industry;
- To provide a platform from which the members of the mortgage banking industry can express their views on practices and legislation affecting the industry;
- To cooperate with all public and private agencies and the public-at-large in all matters relating to sound mortgage banking; and
- To afford the opportunity for those engaged in the mortgage banking industry to secure the benefits of personal acquaintance.

S NO.	RECOMMENDATIONS	ACTION PLAN	ISSUE/CO CHAMPION(S)
1	REFORMING LEGALFRAMEWORK AFFECTING FORECLOSURE, TRANSFER, TENANCY, RENT CONTROL AND ACQUISITION OF IMMOVABLE PROPERTY	a) Implementation of Recovery Ordinance 2001; b) Amendments to Recovery Ordinance 2001; c) Establishing an Electronic Public Registry; d) Transfer of Property only through a Registered Instrument; e) Rewriting Urban Rent Laws; and f) Amendments to Land Acquisition Acts.	-- Mr. Mehmood Mandviwala -- Mr. Salman Raja Co: -- Mr. Azam Faruque -- Syed Saleem Raza
2	RATIONALIZATION OF TRANSACTION COSTS	a) Rationalizing Cost of Stamp Duty and Registration Fee on Conveyance and Mortgage Deeds; b) Rationalization of Commercialization Fee; and c) Automating Land Records and Improving the Tax Collection System (as per Recommendation No. 3)	-- Mr. Shaukat Tarin Co: -- Mr. Salman Javid
3	ESTABLISHING AN INTEGRATED NATIONWIDE LAND REGISTRATION INFORMATION SYSTEM (LRIS)	a) Streamlining the Role of the Public Sector; b) Promoting Area Specific Private Sector Initiatives; and c) Capacity Building of the Existing System.	-- Mr. Zaigham Mehmood Rizvi Co: -- Mr. Azam Faruque -- Mr. Mehmood Mandviwala
4	INCREASING SUPPLY OF LAND FOR AFFORDABLE HOUSING	a) Utilization of Existing Allotted Land by the Private Sector; b) Reforming Katchi Abadis; c) Vertical Land Allotment Policy to Pursue Densification; d) Auctioning of Existing Land by the Government; e) Creation of City Based	-- Mr. Farooq-uz-Zaman Khan Co: -- Mr. Salman Raja -- Mr. Azam Faruque

		Land Banks and Satellite Towns; and f) Amendments to Land Acquisition Act (as per Recommendation No. 1).	
5	STRUCTURING AND STREAMLINING LARGE SCALE DEVELOPER FINANCE (LSDF)	a) Registration of Real Estate Builders and Developers (REBADs) with Association of Builders and Developers (ABAD); b) Credit Rating; c) Government Schemes on Completed Housing/Project Basis; d) Encouraging REITs (as per Recommendation No. 7); e) Encouraging Joint Ventures with Foreign Developers; f) Simplification of Documentation for Banks; and g) Standardization of Valuation Methodology.	-- Mr. Hafeez-ur-Rehman Butt -- Mr. Farooq-uz-Zaman Khan Co: -- Mr. Salman Ali Shaikh -- Syed Saleem Raza
6	PROVISION OF HOUSING FINANCE FOR AFFORDABLE AND LOW COST/INCOME HOUSING FACILITIES	a) Need of Innovative Solutions; b) Establishing Autonomous and Self-Regulating Structures (Condominium Act); and c) Amendments to Land Acquisition Act (as per Recommendation No. 1).	-- Mr. Zaigham Mehmood Rizvi Co: -- Mr. Hafeez-ur-Rehman Butt
7	PROMOTION AND DEVELOPMENT OF REAL ESTATE INVESTMENT TRUSTS (REITS)	a) Notification of REITs Rules; b) Amendments to Rent Control Laws (as per Recommendation No. 1); c) Rationalization of Transaction Costs (as per Recommendation No. 2); d) New law development – Condominium Law (as per	-- Mr. Salman Ali Shaikh Co: -- Syed Saleem Raza

		Recommendation No.6); and e) Tax Framework for REITs.	
8	PROVISION OF LONG TERM FUNDING FOR HOUSING LOANS	Establishing a Mortgage Refinance Company (MRC).	-- Syed Saleem Raza Co: -- Khawaja Iqbal Hassan -- Syed Farhan Fasihuddin
9	DEVELOPING HOUSING MARKET INFORMATION SYSTEM (HMIS)	a) Upgrading Websites of Primary Mortgage Lenders (PMLs); b) AMB to Support a Dedicated Website for HMIS; and c) Setting-up of Housing Observatory.	-- Mr. Zaigham Mehmood Rizvi Co: -- Mr. Farooq-uz-Zaman Khan -- Syed Farhan Fasihuddin
10	DEVELOPMENT OF MORTGAGE BANKING INDUSTRY IN PAKISTAN	Capacity Building of Association of Mortgage Bankers (AMB).	-- Mr. Zaigham Mehmood Rizvi Co: -- Mr. Farooq-uz-Zaman Khan