

Housing to get boost with cheaper financing

By Shahid Iqbal

KARACHI: The Pakistan Mortgage Refinance Company (PMRC) on Monday started its operations with initial funds of Rs6 billion to boost the housing sector.

State Bank of Pakistan (SBP) Deputy Governor Jameel Ahmed inaugurated the company's first office to offer mortgage borrowers long-term funding at an affordable fixed rate.

PMRC Chief Operating Officer Dr Mohammad Saleem—who is the key person behind the development of schemes—told *Dawn* that the company would issue mortgage bonds like corporate bonds in the domestic market.

“We hope that the World Bank will approve a \$140 million loan for the PMRC in January or February next year,” said Dr Saleem, adding that it would help strengthen the balance sheet of the company.

“Only a strong balance sheet will enable the PMRC to issue mortgage bonds which would attract bigger long-term funds for the housing sector,” he said.

The PMRC would provide loans at a fixed rate to banks which will then provide housing loans to end users at the same rate, he said.

Currently, the banks take risk as they provide long-term housing loans while they have short-term deposits. Most of the deposits in the banks are meant for less than one year which is the main hurdle for long-term loans.

At present, the PMRC has Rs6bn funds

with Rs1.2bn contributed by the federal government and the rest was contributed by nine commercial banks.

The PMRC, said Dr Saleem, is also in contact with the International Finance Corporation (IFC) and Asian Development Bank (ADB) to get support for the mortgage housing development.

An earlier report prepared with SBP data, showed that the housing-to-GDP ratio in Pakistan was 0.7 per cent, which touched its peak at 1pc in 2005. This is the lowest ratio around the world, and also in the region with India standing at around 7.8pc.

The report said that in case Pakistan targeted to achieve a share of mortgage debt to the country's GDP at say 5pc within the next four years, the financial market would need Rs450 to Rs500bn as long-term funds supported the target.

On an average, about 2.5pc of the conventional commercial banks total advances is mortgage finance, with an average tenor of about 10 years. The average retention of mortgage loan is about 12 years.

The entire mortgage portfolio is funded by short-term deposits, creating a severe tenor mismatch.

President National Bank of Pakistan and ex-chairman of PMRC board of directors Saeed Ahmad said he was very keen to see affordable housing in Pakistan and assured his support to the PMRC for starting its operations.

Chairman of PMRC Board of Directors Rehmat A. Hasnie and CEO Mr Rupan also spoke on the occasion.



Pakistan Mortgage Refinance Company's office was formally inaugurated in Karachi recently by Deputy Governor, State Bank of Pakistan. Picture shows Jameel Ahmad, Deputy Governor, SBP and Saeed Ahmad, President CEO, NBP and ex-Chairman of PMRC Board of Directors, Ruban, CEO, PMRC and Rehmat A. Hasnie, Chairman, Board of Director, PMRC along with representative from PMRC and SBP in a group photo after the ceremony.

Deputy Governor SBP inaugurates office of Pakistan Mortgage Refinance Company

STAFF REPORTER

Islamabad

Pakistan Mortgage Refinance Company's office was formally inaugurated in Karachi recently by Mr. Jameel Ahmad Deputy Governor, State Bank of Pakistan.

Speaking on the occasion, Deputy Governor Mr. Jameel Ahmad said, "PMRC would provide long term funding at fixed rate which will increase affordability for mortgage borrowers". It will also promote minimum quality standards in the housing finance sector. He further stated that he is pleased

to observe the efforts of PMRC management to date, but the company must continue its journey towards fulfilling its role in providing affordable housing finance in Pakistan.

Saeed Ahmad, President NBP and ex-Chairman of PMRC Board of Directors also attended the inauguration ceremony. Speaking at the occasion, he congratulated the PMRC Board and the management for achieving this milestone. He expressed that housing is very close to his heart and he is very keen to see affordable housing in Pakistan. He assured his full support to PMRC for starting its operations.

Addressing the ceremony, Chairman, Board of Directors - PMRC, Mr. Rehmat A. Hasnie welcomed the Chief Guest and other distinguished guests and thanked all the stakeholders for their continued support and contribution to making PMRC a viable entity.

The inauguration ceremony was attended by the Board members of PMRC, which include nominees of the Ministry of Finance (Government of Pakistan), HBL, UBL, ABL, Bank Alfalah, Askari Bank, HBFC and Summit Bank Limited. Also present on the occasion were representatives of SBP and the World Bank Group.

Mortgage refinance firm to loan home buyers Rs9 billion

World Bank will provide \$140m, company will facilitate middle and low-income groups

SALMAN SIDDIQUI

KARACHI

Pakistan Mortgage Refinance Company, set up by the State Bank of Pakistan (SBP) with the support of the World Bank, would provide housing finance worth Rs9 billion for middle and low-income groups in the first year of its commercial operation in 2018, a top company official said.

"The World Bank will provide approximately \$140 million (Rs14.77 billion) long-term funding for the mortgage refinance company. We expect to receive this in the third quarter of 2018," the official told *The Express Tribune*.

"The International Finance Corporation has developed policy procedures for the company; we are targeting to kick-start commercial operations by December (this year). Right now, we are fulfilling the State Bank requirements."

The SBP, in its Annual Performance Review 2017 which was released recently, said the federal government and banks were in the process of injecting committed equity into the mortgage refinance company. The central bank had floated the idea of setting up a mortgage refinance company which was incorporated with the Securities and Exchange Commission of Pakistan in

2015. The Ministry of Finance has notified the firm as a development finance institution.

SBP Deputy Governor Jameel Ahmad recently inaugurated the company office in Karachi, said a statement on Monday.

Business strategy

Being a private concern, the company will raise financing from the domestic debt market by issuing conventional and Islamic bonds at a fixed rate of return.

Potential financiers in the debt market may be pension funds, insurance companies and banks with surplus long-term funds seeking investment assets, according to the company's website.

The raised funds will be provided to banks and financial institutions like House Building Finance Company for further extending the funds to middle and low-income groups at a fixed rate of interest.

Another important objective was to pioneer the development of local bond and Sukuk markets, the company said.

"The mortgage refinance company will finance Rs9 billion from its own resources which will help it launch first bonds in the first quarter of 2019," the official said.

Right now, a major hurdle in the way of mortgage financing is the floating rate of interest instead of fixed rate. "The uncertainty over the floating rate does not allow banks and financial institutions to provide long-term financing as per market de-

GROWING

10m

units is the housing gap in the country

mand," the official said.

The new company would provide funding to banks and financial institutions at a fixed rate to enable them to offer funds to long-term borrowers at a fixed rate, he said.

"Salaried class may acquire loans for up to 25-30 years instead of 15-20 years now. This will make loan repayment affordable," he said.

Housing, mortgage history

Pakistan is the seventh largest country by population with more than 60% of people below 25 years of age.

Pakistan's urban population comprises nearly a quarter of the total population and is likely to grow to half between 2030 and 2040.

The rapid growth in urban population is causing a shortage of housing units. Housing gap is currently estimated at 9-10 million units with demand growing at a pace of 0.7 million units per year.

Lack of housing finance instruments from the formal sector is an important factor behind the failure to meet housing needs. Pakistan's mortgage-to-gross domestic product ratio is 0.5% compared to South Asia's average of 3.4%.

SBP deputy governor inaugurates PMRC office

KARACHI

STAFF REPORT

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Speaking on the occasion, Deputy Governor Jameel Ahmad said, "PMRC would provide long-term funding at a fixed rate which will increase affordability for mortgage borrowers". It will also promote maximum quality standards in the housing finance sector. He further stated that he is to observe the efforts of PMRC management to date, but the company must continue its journey towards fulfilling its role in providing affordable housing finance in Pakistan.

NBP President and PMRC Board of Directors ex-Chairman Saeed Ahmad also attended the inauguration ceremony.

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gratulated the PMRC Board and the management for achieving this milestone. He expressed that housing is very close to his heart and he is very keen to see affordable housing in Pakistan. He assured his full support to PMRC for starting its operations.

Addressing the ceremony, PMRC Board of Directors Chairman Rehmat A Hasnie welcomed the chief guest and other distinguished guests and thanked all the stakeholders for their continued support and contribution to making PMRC a vi-

able entity.

PMRC CEO Rupan also thanked the respectable guests for their participation and supporting PMRC to meet its business goals.

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PMRC office formally inaugurated

By our correspondent

KARACHI: Pakistan Mortgage Refinance Company (PMRC) will provide long-term housing finance at fixed rate, which will increase affordability for mortgage borrowers, said Jameel Ahmad, deputy governor of the State Bank of Pakistan (SBP).

Formally inaugurating the office of Pakistan Mortgage Refinance Company recently, he appreciated the efforts of PMRC management and said it will also promote minimum quality standards in the housing finance sector.

The company must continue its journey towards fulfilling its role in providing affordable housing finance in Pakistan, he said.

Saeed Ahmad, president of the National Bank of Pakistan (NBP) congratulated the PMRC board and the management for achieving this milestone.

He said housing is very close to his heart and he is very keen to see affordable housing in the country. He assured his full support to PMRC for starting its operations.

PMRC Board of Directors chairman Rehmat A Hasnie thanked all the stakeholders for their continued support and contribution to making PMRC a viable entity.

Rupan, CEO of PMRC, also thanked the respectable guests for their participation and supporting PMRC to meet its business goals.