



GOVERNMENT OF PAKISTAN
PRIME MINISTER'S OFFICE
NAYA PAKISTAN HOUSING & DEVELOPMENT AUTHORITY
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Subject: **HOUSING FINNACE - COST SUBSIDY FOR HOUSING UNITS**

The Federal Government has approved the following Eligibility Criteria and Modalities for payment of Cost Subsidy:

(a). ELIGIBILITY CRITERIA FOR COST SUBSIDY:

(i) Applicants verified by NADRA for 'Naya Pakistan Housing Program (NPHP)' shall be eligible **except** the following:

- a. Applications received from applicants of Unverified, incorrect or blocked CNICs.
- b. More than one application per CNIC (only one application per CNIC is allowed)
- c. More than one application per family (only one application per family - which includes applicant, and applicant's father, mother, spouse and dependent children - is allowed).

(ii) Applicants who qualify [Eligibility Criteria mentioned above (i) excluding [a, b, and c] shall be subject to clearance by:

- a. National Counter Terrorism Authority (NACTA) as required under Schedule – IV (Proscribed Persons);
- b. Pakistan Telecommunication Authority (PTA) – to identify TELCOs and PTCL based income proxies of the applicants; and
- c. Participating banks from bankability [credit worthiness] point of view.

(iii) NAPHDA shall obtain consent of the verified bankable applicants to occupy low cost housing units at the proposed location and terms and conditions of loan on a prescribed form.

(b) MODALITIES FOR PAYMENT OF COST SUBSIDY

An Escrow Account (Project Account), maintained with the participating bank or the Lead Bank [in case of consortium of banks] shall be used for routing all transfers and payments, including [the payment of cost subsidy @ Rs. 300,000/- per low-cost-housing unit to be paid up front by the Government and the amount of down payment paid by the end-user(s)/borrower(s)].

SELECTION OF APPLICANTS:

- (i) NAPHDA will share the list of applicants who fulfil the eligibility criteria as mentioned above, with Bank(s) for their credit assessment.
- (ii) Bank(s), based on their selection criteria [Risk Assessment Criteria mentioned in SBP Circular], select applicants for extension of financing and share the list with NAPHDA.
- (iii) NAPHDA will ballot the list of eligible/willing applicants shared by banks to select allottee(s) and share the list back with banks. [through the Lead Bank in case of consortium]

- (iv) The Banks shall process/sign loan agreement(s)/document(s) with eligible applicants (borrowers) for providing loan equal to cost of the housing less Rs. 300,000 and the amount contributed by the borrower as down payment.
- (v) The Banks (through Lead Bank in case of consortium) shall provide to NAPHDA, list of the borrowers.

A. RELEASE of FUNDS

- (i) NAPHDA will submit a Sanction Letter (along with list of approved applicants/allottee(s) borrowers to Finance Division for release of subsidy funds [Rs. 300,000/- per allottee/borrowers].
- (ii) Finance Division (Expenditure Wing) shall endorse the Sanction Letter to Accountant General Pakistan Revenue (AGPR). AGPR shall issue Sealed Authority of the sanctioned amount in favor of participating bank [or Lead Bank in case of consortium] to be credited in the Project Account (Escrow account).

B. RELEASE OF PAYMENT FROM THE PROJECT ESCROW ACCOUNT

- (i) NAPHDA shall decide construction milestones along with schedule of payments to the selected Builders/ Developers and convey the same to participating bank [or Lead Bank in case of consortium].
 - (ii) The Builder/Developer will approach NAPHDA for release of payment [against the agreed construction milestones] from the Project Account with documentary proof of achievement of construction milestone, which shall have been verified beforehand by the consultant.
 - (iii) NAPHDA shall verify the assessment of the claims carried out by the Consultant, and issue Milestone Achievement Certificate and Authority Letter to the participating bank [or Lead Bank in case of consortium] for payment to Builder/Developer.
 - (iv) NAPHDA shall carry out reconciliation of bank statements with AGPR on monthly basis.
- (c) IN CASE OF DEFAULT:** The amount of cost subsidy shall be treated as equity participation for mortgage in each case, and shall be liable to be re-possessed by the Federal Government [on the analogy of re-possession by the Banks to the extent of their exposure] in the event of default by the borrower, after completion of the due process of Recovery of Finance in accordance with the Foreclosure Law and underlying regulations. [This aspect shall be covered separately through regulations to be framed under the Recovery of Finance Act]. In case of default of builder/ developer, ownership of under construction property will be transferred to allottee(s), Government and financing bank proportionate to their investment in the property under the “equity participation mortgage agreement”.

2. Aforementioned instructions /decisions of the Federal Government [ECC/ Cabinet] have been conveyed to the State Bank of Pakistan for issuance of necessary instructions to all concerned.

Dated: April 19, 2021.