



## External Relations Department

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### **SBP gives mandatory targets to banks to increase housing & construction financing to at least 5% of private sector credit by December 2021**

To promote housing and construction of buildings activities in the country, as envisaged by the Government of Pakistan (GoP), State Bank of Pakistan (SBP) has decided to set a mandatory target for banks to extend mortgage loans and financing for developers and builders. Banks will be required to increase their housing and construction of building loan portfolios to at least 5 percent of their private sector credit by the end of December 2021.

Due to significant shortages in meeting the annual additional demand of housing facilities by its citizens, a huge shortfall of housing units has accumulated over the years in the country. Filling this gap is important to improve quality of living conditions for common people and construction of housing with linkages to dozens of allied industries offers substantial potential for boosting economic activities in the country. This, however, requires considerable amount of financing to meet the investment needs of this sector. In Pakistan, bank financing for mortgages and housing construction is less than one percent of GDP which is one of the lowest in the region. Banks have remained reluctant over the years to extend mortgage financing for various reasons. Keeping in view the need for housing and its contribution to the economy, GoP is aiming to increase the number of housing units manifold in the coming years and has recently announced several measures including commitment to remove hurdles in mortgage and construction financing.

To play its due role in enhancing financing to the housing and construction of building activities, SBP is also taking several measures in consultation with key stakeholders. A high level Steering Committee, under the Chairmanship of Governor SBP and with representation from Chairman NAPHA (Naya Pakistan Housing Development Authority), several bank Presidents and other stakeholders, is meeting every week to resolve issues and follow up on decisions to promote mortgage and construction financing, especially for NAPHA projects. The Steering Committee has five sub-committees dedicated for various work streams with multiple operational level groups working at a fast pace.

In today's announcement, while issuing mandatory targets, banks have been asked to gear up appropriately by developing their infrastructure and capacity to meet these targets. SBP has instructed banks to present a concrete action plan to SBP, within 15 working days, containing quarterly targets, development of products, media campaigns, development of technology infrastructure, and capacity building of staff, amongst other areas. Banks have also been directed to report data of approvals and disbursements against the targets on monthly basis starting from September 2020. For details: <http://www.sbp.org.pk/sme/d/circulars/2020/C10.htm>

SBP believes that several measures on the part of government will support bank financing for housing and construction related sectors. These include passage of an efficient foreclosure law and its effective implementation, automation and computerization of land and property records for facilitation of clean title for bank lending and reduction in time taken in registration of title & creation/perfection of mortgages, creation of a Real Estate Regulatory Authority (RERA) to address bank concerns of ensuring adequate standards of developers and builders, and reduction in transaction cost related to property transfers.

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