

The Presidents/Chief Executives
All Banks/Microfinance Banks/DFIs

Dear Sir(s)/Madam(s),

Government's Mark-up Subsidy Scheme for Housing Finance

Please refer to IH&SMEFD Circular No. 11 of 2020 whereby the captioned Government's Mark-up Subsidy Scheme (G-MSS) for Housing Finance was introduced.

2. In view of the feedback received from various stakeholders, Government of Pakistan (GoP) has decided to revise features of the G-MSS to align it with market dynamics. These revisions aim at significantly enhancing outreach of Scheme to the individuals and households who currently do not own a house. The key features of the revised G-MSS approved by the GoP are given below:

| Particulars | Mark up Subsidy Program |
|----------------------|---|
| Eligibility Criteria | <ul style="list-style-type: none"> • All men/women holding CNIC • First time home owner • One individual can have subsidized house loan facility under this scheme only once |
| Tiers of the Scheme | <ul style="list-style-type: none"> • Financing under Tier 0 is available through microfinance banks for financing of housing units under non-NAPHDA projects. • Financing under Tier 1 is available through banks for financing under NAPHDA projects • Financing under Tier 2 and Tier 3 is available through banks for financing of housing units under non-NAPHDA projects |
| Size of Housing Unit | <p>Size of the loan is segregated into four tiers, as under:</p> <ul style="list-style-type: none"> • Tier 0 (T0) - (a) House upto 125 sq yds (5 Marla) and (b) flat/apartment with maximum covered area of 1,250 sq ft. • Tier 1 (T1) - (a) House upto 125 sq yds (5 Marla) with maximum covered area of 850 sq ft and (b) Flat/apartment with maximum covered area of 850 sq ft. • Tier 2 (T2) - (a) House upto 125 sq yds (5 Marla) and (b) flat/apartment with maximum covered area of 1,250 sq ft. • Tier 3 (T3) - (a) House upto 250 sq yds (10 Marla) and (b) flat/apartment with maximum covered area of 2,000 sq ft. |
| Age of housing units | <p>Newly constructed housing units during last one year from the date of application. However, this requirement will not be applicable till March 31, 2023 under Tier 0, Tier 2 and Tier 3.</p> |

| Maximum Price of Housing Units | Maximum Price (Market Value) of a single housing unit at the time of approval of financing, as under: Tier 1 (T1) - Rs 3.5 million Tier 0 (T0), Tier 2 (T2) and Tier 3 (T3) - No cap | | | | | | | | | | | | | | |
|--------------------------------|--|------------------------------------|-------------------------|---------------------|--------|--|---------------|--------|--|---------------|--------|--|------------------------------------|--------|--|
| Maximum Loan size | Maximum size of the loan of a single housing unit, as under: Tier 0 (T0) - Rs 2.0 million Tier 1 (T1) - Rs 2.7 million Tier 2 (T2) - Rs 6.0 million Tier 3 (T3) - Rs 10.0 million | | | | | | | | | | | | | | |
| Loan type | Long term housing finance loans | | | | | | | | | | | | | | |
| Loan Tenor | Minimum 5 years and maximum 20 years loan tenor, depending upon choice of customers. | | | | | | | | | | | | | | |
| Security Requirements | As per banks' credit policy and prudential regulations for housing finance, the housing unit financed will be mortgaged in favor of financing bank. | | | | | | | | | | | | | | |
| Allocation in Budget | Finance Division shall give authority to SBP to debit GOP account on quarterly basis for the subsidy payment to banks. Payment will be made to the banks on submission of quarterly-consolidated subsidy statement as per format prescribed by State Bank. | | | | | | | | | | | | | | |
| Pricing | <p><u>Pricing for Housing Loans:</u></p> <table border="1"> <thead> <tr> <th>Loan Tiers</th> <th>Customer Pricing</th> <th>Bank Pricing</th> </tr> </thead> <tbody> <tr> <td>Tier 0</td> <td>5% for first 5 years & 7% for next 5 years</td> <td>KIBOR+700 BPS</td> </tr> <tr> <td>Tier 1</td> <td>3% for first 5 years & 5% for next 5 years</td> <td>KIBOR+250 BPS</td> </tr> <tr> <td>Tier 2</td> <td>5% for first 5 years & 7% for next 5 years</td> <td rowspan="2">KIBOR+400 BPS (Spread may vary)</td> </tr> <tr> <td>Tier 3</td> <td>7% for first 5 years & 9% for next 5 years</td> </tr> </tbody> </table> <p>For loan tenors exceeding 10 years, market rate i.e. bank pricing will be applicable for the period exceeding 10 years.</p> | Loan Tiers | Customer Pricing | Bank Pricing | Tier 0 | 5% for first 5 years & 7% for next 5 years | KIBOR+700 BPS | Tier 1 | 3% for first 5 years & 5% for next 5 years | KIBOR+250 BPS | Tier 2 | 5% for first 5 years & 7% for next 5 years | KIBOR+400 BPS (Spread may vary) | Tier 3 | 7% for first 5 years & 9% for next 5 years |
| Loan Tiers | Customer Pricing | Bank Pricing | | | | | | | | | | | | | |
| Tier 0 | 5% for first 5 years & 7% for next 5 years | KIBOR+700 BPS | | | | | | | | | | | | | |
| Tier 1 | 3% for first 5 years & 5% for next 5 years | KIBOR+250 BPS | | | | | | | | | | | | | |
| Tier 2 | 5% for first 5 years & 7% for next 5 years | KIBOR+400 BPS (Spread may vary) | | | | | | | | | | | | | |
| Tier 3 | 7% for first 5 years & 9% for next 5 years | | | | | | | | | | | | | | |
| Executing Agency | All commercial banks including Islamic banks, microfinance banks and House Building Finance Company Limited (HBFCL) | | | | | | | | | | | | | | |
| Application Form | A standardized Application Form both in English and Urdu will require minimum essential information with simple format. | | | | | | | | | | | | | | |

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| | The processing time will not exceed 30 days after submission of all documents by the borrower and the same will be clearly stated in the application form. |
| Standardized Procedures | Banks to have standardized loan documents and risk acceptance criteria |
| Monitoring | SBP will publish consolidated information about the loans extended under this program for information of the public on quarterly basis on its website. |
| Geographical distribution | Whole of Pakistan |

3. The revised features are applicable with immediate effect. Accordingly, IH&SMEFD Circular No. 11 of 2020 is hereby superseded. However, instructions notified vide IH&SMEFD Circular No. 01 of 2021 will continue to remain applicable.

4. The banks are advised to ensure successful implementation of revised G-MSS through dissemination of necessary instructions to branches/ regions, capacity building of field staff, alignment of housing finance products and active marketing campaigns, etc.

5. Please acknowledge receipt.

Sincerely yours,

Sd/-

(Dr. Mian Farooq Haq)
Director