

HOUSING IN PAKISTAN

JAMIL AKHTAR
Head of Products – PMRC



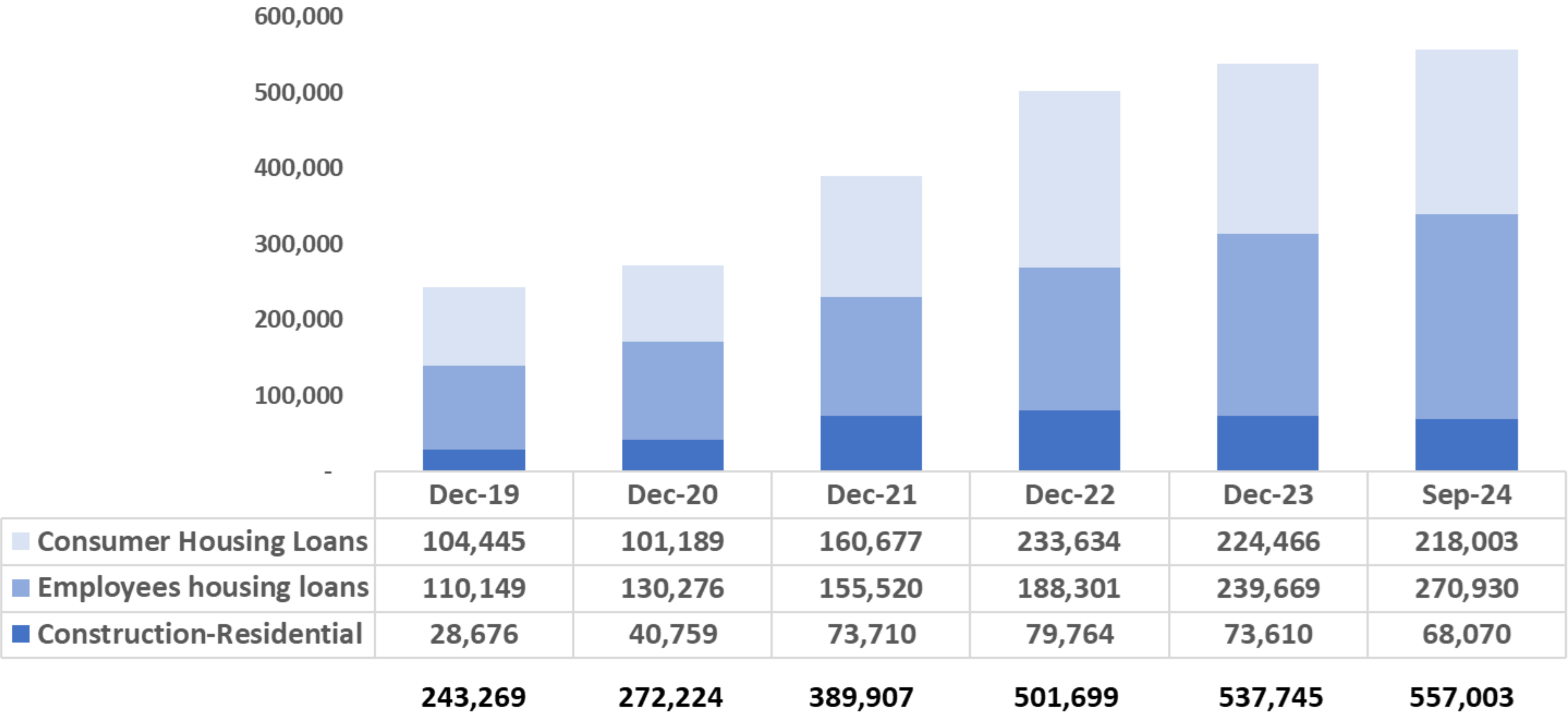
HOUSING IN PAKISTAN

**Pakistan's GDP to Mortgage Ratio is lowest in region
Approx 0.28%**

Factors affecting mortgage in Pakistan:

- **Lack of accessibility to mortgage lending institutions.**
- **Affordability given high real estate prices and interest rates.**

MARKET OVERVIEW



MORTGAGE LANDSCAPE OF PAKISTAN

Mortgage
Portfolio
PKR 218 Bn

Employees
House Loan
Portfolio
PKR 271 Bn

Residential
Construction
Portfolio
PKR 68 Bn

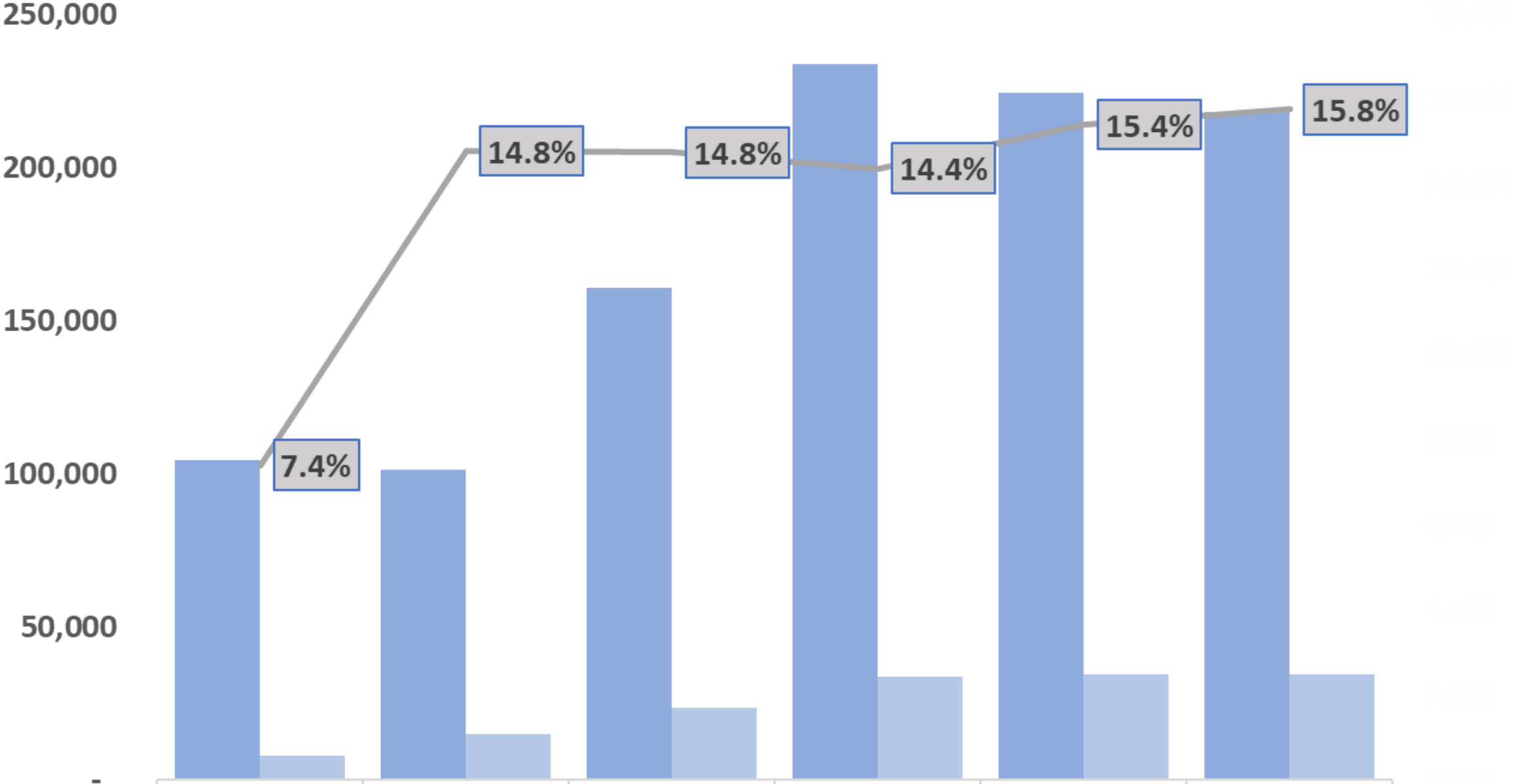
Average Loan
Tenure
7.5 Years

Mortgage to
GDP Ratio
0.28%

Average
Industry NPL
6.2%



PMRC SHARE IN MORTGAGE MARKET



Industry Mortgage	104,445	101,189	160,677	233,634	224,466	218,003
PMRC Advances Gross	7,729	14,967	23,714	33,608	34,591	34,375
PMRC Share	7.4%	14.8%	14.8%	14.4%	15.4%	15.8%

KEY CHALLENGES

**Availability of
Low-Cost Funding**

**High Lending
Rates**

**Traditional
Lending Products**

**Informal Income
Assessment**

**Complex Legal
Procedures**

**Lack of Risk
Coverage**

**Challenges in
Title Documents**

**Lack of Initial
Equity**

**Regulatory
Support**

**Limited Technical
Skills**

**Standardized
Documentation**

Financial Literacy

**Calamity
Challenges**





PMRC'S INTERVENTION FOR RESOLUTION

HIGH LENDING RATES

- PMRC provides lending at fixed and below-market rates to partner financial institutions, ensuring the rate benefit reaches the end borrower.
- Our funding helped lenders transition from variable-rate financing to fixed/hybrid-rate financing.

TRADITIONAL LENDING PRODUCTS

- No one size fits all – that's why PMRC tailored its financial solutions.
- Launched customized products for Green/Solar Finance, Developer Finance, Pensioners, Govt. Employees, Women Home-Owners, and the Low-Middle Income group.
- Entered into tripartite agreements with Banks and Developers for affordable housing projects.

LACK OF RISK COVERAGE

- PMRC introduced a Risk Sharing Facility for low-income housing, offering credit risk coverage up to 50%.
- The portfolio under coverage currently stands at PKR 41 billion / USD 205 million.

LIMITED TECHNICAL SKILLS

- Microfinance Banks (deposit-taking) in Pakistan were focused on incremental housing. PMRC provided specialized training for mortgage financing and incentivized funding of PKR 5.6 billion / USD 28 million.
- Enabled Non-Bank Financial Institutions (MFIs; non-deposit-taking) to launch housing loans by providing skills training, assistance in designing loan documentation, and funding support of PKR 1.2 billion / USD 6 million.

LEGAL & REGULATORY AMENDMENTS

- Proposed recommendations to the Securities and Exchange Commission helped creation of 4 Housing Finance Companies. Out of which 3 have been supported by PMRC via incentivized funding and technical assistance
- Advocated the required changes in Foreclosure law which brought ease to lenders in recovery through the court process

INFORMAL INCOME ASSESSMENT

- Formal financial institutions overlooked informal and undocumented income sources, with nearly 57% of the urban population living in informal settlements.
- PMRC helped design an informal income assessment model, suggesting income surrogates and alternate estimation methods.
- Provided training to industry participants on using these methods and supported authorities in developing subsidy models for low-income housing (MPMG Scheme).

LACK OF INITIAL EQUITY

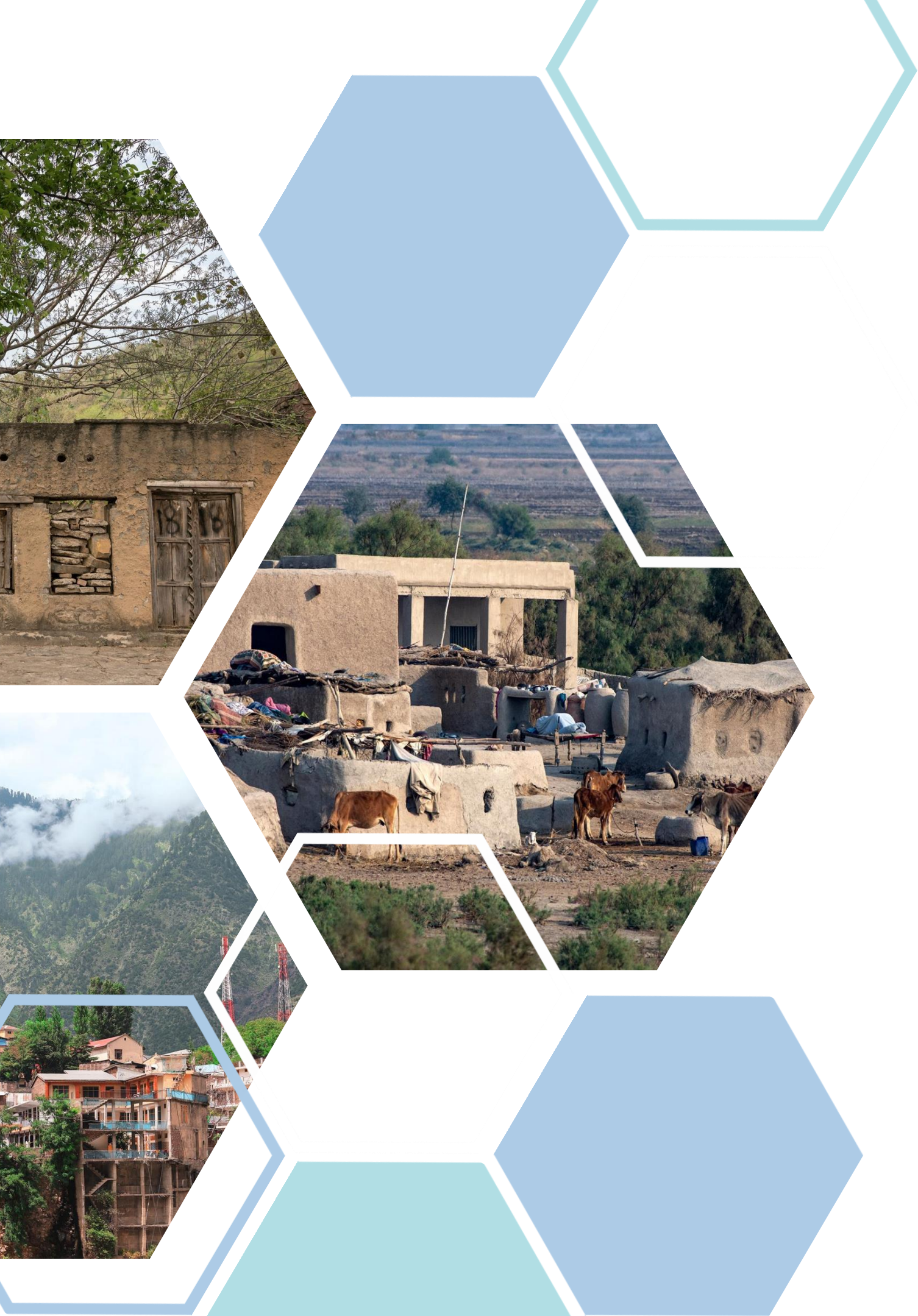
- Low-income borrowers do not have sufficient savings for down payments ranging from twenty to thirty percent
- Central Bank allowed up to 90% of the property value for loan amount i.e. 90% LTV for this income segment

INADEQUATE PRIVATE DEVELOPMENTS

- PMRC conducted a comprehensive housing market survey, revealing a shortage of 2.1 million units and a housing deficit of 15–25 million.
- Advocated for creating a conducive environment for developer finance to support low-cost housing developments.
- Facilitated financial institutions with financing lines for onward lending to developers, ensuring provisions for low- and middle-income housing.

FINANCIAL LITERACY

- Beneficiaries of low-cost housing were often illiterate or lived in remote areas, making education and awareness a challenge.
- The Government and Regulator introduced designated helplines in multiple local languages, using cold calling to educate people.
- A designated complaint line was set up, and the Ombudsman was tasked with reviewing cases of loan application rejections by



Thank You