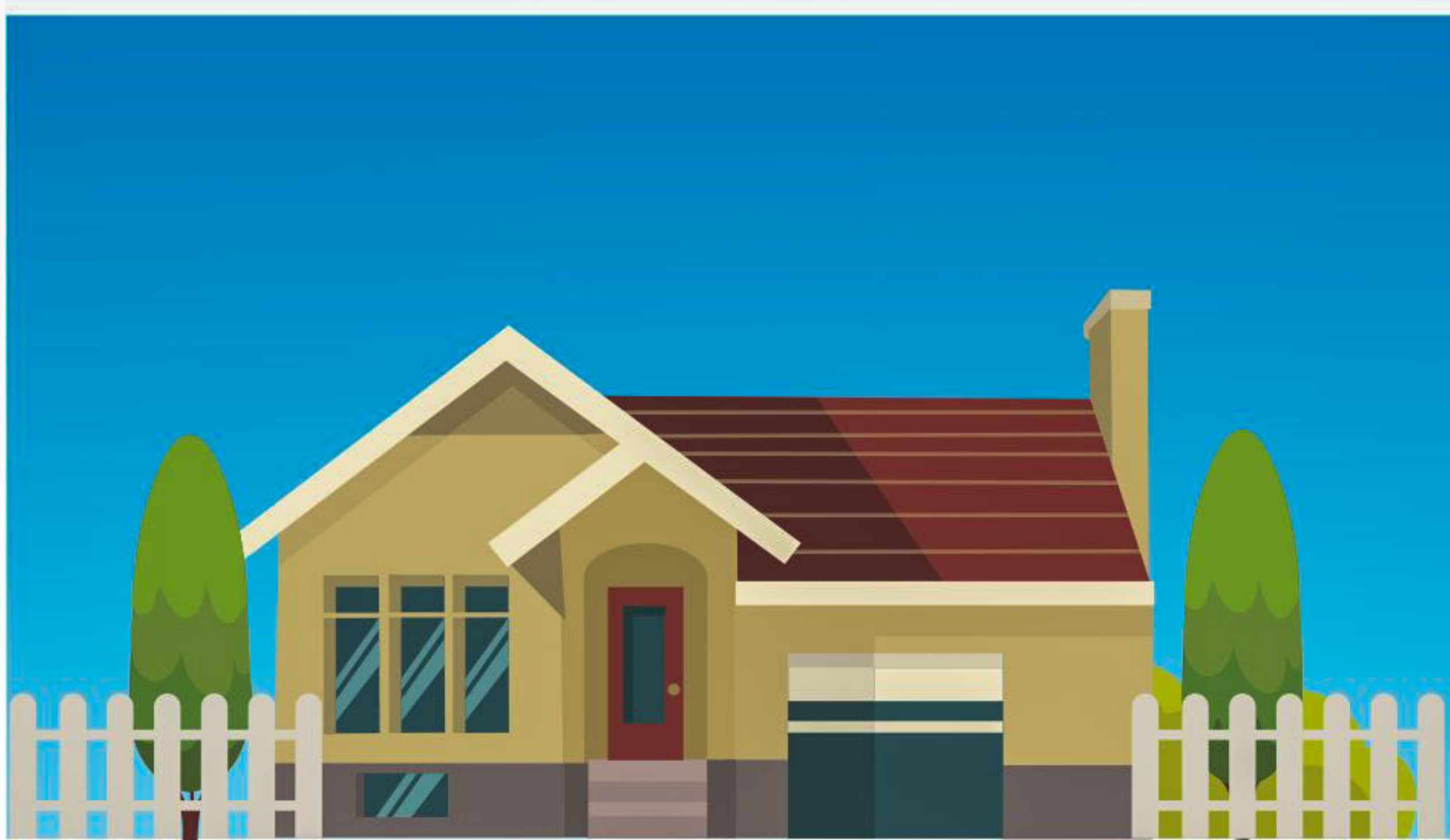


Problems and prospects of housing finance sector

THE JOURNEY OF DBH

Next to food and clothing, housing is the basic need of people. A house is a symbol of a family's identity, the most important and treasured possession a person could ever have and also one of the most effective guarantees of social stability. The acute demand for the basic necessity of affordable and quality housing has greatly characterized the real estate sector of Bangladesh over the last few decades. DBH is the largest and specialist housing finance institution of Bangladesh. The core purpose of DBH is strengthening the society of the country by continually expanding home ownership. This is the only financial institution in the country exclusively involved in housing finance. It has provided a much needed support to the real estate sector of the country. Prior to DBH's operations, individual land owners (mostly the affluent group) constructed own houses in the piece of land they owned, but that was not the solution for a city like Dhaka with more than 16 million people. DBH started housing finance for apartment purchase in 1997, when the real estate sector was in a very nascent stage. The availability of housing finance enables the lower middle and middle income group who could not afford to buy their own land and construct their own house, to purchase small and mid size apartments. This demand helped the real estate developers to undertake apartment projects. After the success of DBH, many banks and financial institutions also came into the housing finance market in Bangladesh, thus gave a strong support to the real estate developers and the prospective clients. To date DBH has disbursed home loans of approx. Tk. 7000 crores to more than



60,000 borrowers. The current outstanding loan book of DBH is in excess of Tk. 3200 crores.

DBH started to disburse housing loans by executing a tripartite agreement between seller (developer), buyer and DBH. The conventional practice was creation of registered mortgage, that whole process was very time consuming and impractical for the developers to allow their customers to take home loan. Tripartite agreement, by which developers receive the loan proceeds during under construction stage with an undertaking to complete the project and register the flat in the name of the client, was a milestone step innovated by DBH in 1998. This was the only solution to finance for under construction flats. The Government also realized the fact and incorporated the tripartite

agreement in its legislations in 2006.

DBH introduced repayment capacity based housing finance rather than security based finance. The loan is designed in such a manner that clients can repay the loan from their regular monthly income. This approach has been successful to eliminate the bad credit risks and improved the recovery aspect of the loan. Because of this approach, the recovery rate of DBH is excellent, and after 19 years of operation the non-performing loan ratio (NPL) is around 0.50%, which is the lowest amongst all the banks and financial institutions operating in Bangladesh.

Another contribution of DBH to the real estate sector of the country was to organize a proper property fair for the first time in the country in

the year 2000 with the participation of more than 100 leading developers of the country under one roof. The Property Fair gave the realtors an opportunity to showcase their products to the mass crowd who have visited the fair and for the prospective clients, it gave them a unique opportunity to get information from all the leading developers under one roof. The fair was a huge success for the developers and the Real Estate Housing Association of Bangladesh (REHAB) made it a regular annual event from the next year.

Development of the Housing Finance sector in the country is directly correlated with the development and expansion of the formal Housing Sector, as well as incorporation of necessary changes in the existing govt. policies and structures so as to ensure affordable

home ownership through long-term funding arrangements, thus making Housing Finance accessible to the middle-income group of population. Following key issues need to be addressed to improve the Housing Sector of the country:

- 1) Expansion of the city area and increase the stock of serviced plots by undertaking infrastructural development projects like road and train connectivity, utility services, etc
- 2) Reduce the structural issues to reduce the supply side bottlenecks
- 3) Reduce Transfer Taxes on the Property
- 4) Develop a vibrant secondary market for property transfers

In addition to the supports required for the housing sector mentioned above, following key issues need to be addressed to improve the Housing Finance sector of the country

- 1) Ensure cheaper long-term funds for the Housing Finance Institutions
- 2) Introduce Income Tax Incentives on Housing Loans to encourage Home Ownership
- 3) Revamp the legal system to safeguard the Lenders' Rights
- 4) Digitalization of the land record system

Housing is a commitment to the community, a commitment to the economic growth of the country. For millions of people in the country striving to add value to their lives, owning a house has come to symbolize the realization of a dream. DBH is actively working to

promote affordable housing for middle and lower income group of customers, which is the biggest customer segment. The challenge is to provide them their own accommodation within their budget. Solely, the effort of private sector developers and financiers won't be adequate to bring the price level within the reach of the people. A coordinated effort of all stakeholders, particularly the Government, is necessary to realize the true potential of this sector. DBH is focused to continue as the exclusive and specialist housing finance institution and move forward with our ultimate mission to strengthen the society of the country by continually expanding home ownership.



Q.M. Shariful Ala
Writer is Managing Director & CEO of DBH

National Housing
EQUAL HOUSING
LENDER

স্বপ্ন গড়ার পথে, আছি একসাথে

একটি বাড়ির স্বপ্ন থাকে সবার।
আর সেই স্বপ্ন পূরণে হোম লোন সুবিধা নিয়ে আমরা আছি আপনার পাশে।

ন্যাশনাল হাউজিং
ফাইন্যান্স এন্ড ইনভেস্টমেন্টস লিঃ

হেড অফিস: ০১৮৪১-৪১৮৮০০, গুলশান: ০১৮১৭-০৪২২১০, মতিঝিল: ০১৮১৭-০৪২২১২
চট্টগ্রাম: ০১৮১৭-০৪২২১৫, বগুড়া: ০১৭১৪-০৪৯৪১৮, রংপুর: ০১৭১২-৮৪০৮০৮ ☎ ৯৬৭০৬১২-৪