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IFIC steps into home financing with a bang

"Any client can take home loan from any of its 130 branches across the country. We are not focused on only Dhaka or Chittagong. We are encouraging all to take loans from any branch," says Shah A Sarwar, managing director of IFIC Bank

SARWAR A CHOWDHURY

IFIC Bank that entered the burgeoning house financing market just a year ago with a focus on affordable home loans aims to disburse Tk 1,000 crore in credit this year.

"We initiated the home loan product early last year, but aggressively pursued it from July," said Shah A Sarwar, managing director of the bank that already disbursed Tk 400 crore in the first half of this year.

The home loan is a necessary product, but its cost was high in the market. "So, we introduced the loan with an almost single digit interest rate last year, as we wanted to make a breakthrough," he said.

The interest rate was 11.95 percent, when the bank first introduced the home loan as a separate banking product; now the rate is 9.99 percent.

"Home loans should be the primary product, if we want to provide banking services to the people of Bangladesh," he said.

"If you want to bring people under banking services, there is no alternative to home loans," Sarwar said, adding that it is the most secured product in the market.

There are no hidden costs in the home loans provided by IFIC, he said. "It may be that many institutions are charging an interest rate below 10 percent; but they are imposing other fees and charges or insurance premium in such a way that the rate goes over 10 percent," he said.

Any client can take home loan from any of its 130 branches across the country. "We are not focused on only Dhaka or Chittagong. We are encouraging all to take loans from any branch," he said.

IFIC Bank can take decision on a home loan within 72 hours, and can provide the loan as soon as the clients provide the required documents.

However, there are some challenges, said Sarwar, like keeping the cost of fund and cost of processing at a low level, and timely delivery of the loan.

Banks' business model has to be changed to overcome the challenges, he said. "We are developing our business model, reorganising our HR focus and branch layouts to overcome these. It's a challenging task and cannot be done overnight," he said.

IFIC was listed on the stockmarket in 1986. Its net profit stood at Tk 105.71 crore at the end of 2015 and



Shah A Sarwar

basic earnings per share of Tk 2.1, down from Tk 176.5 crore (restated) and Tk 3.51 respectively a year earlier.

Sponsors own an 8.48 percent stake in IFIC, the government 32.75 percent, institutional investors 22.17 percent, foreign investors 0.42 percent and the general public 36.18 percent.

Banks sweeten home-loan deals

REJAUL KARIM BYRON

Banks have slashed their interest rates on home loans thanks to the overall fall in the cost of funds and a slump in real estate sales.

The lending rates for home buyers remain much lower compared to loans going to other sectors as banks are sitting on a huge amount of idle money and lending for real estate is secured.

"The demand for housing loan has gone up as people's income has increased. It's a good loan as it is backed up by collateral," said Golam Hafiz Ahmed, chief executive of NCC Bank.

As a result, many banks are interested in expanding their exposure to the housing sector, he said. He however said most of the loans are given out in urban areas as the return is satisfactory.

On average, the interest rates for home loans range between 10 percent and 14 percent in state-run commercial banks, according to the central bank's July figures. The rates that the private commercial banks are offering are 9 percent to 15 percent. However, two banks were found charging 13 to 17 percent interest rates.

Foreign banks charge the lowest rates - of 8.75 percent to 13 percent.

The markets determine the interest rates, said Anwarul Islam, a spokesperson for Bangladesh Bank.

Banks can finance up to 70 percent of a property value, with the maximum financing ceiling being Tk 1.2 crore, in line with the BB guideline, he said. The borrowers will have to bear 30 percent of the project cost.

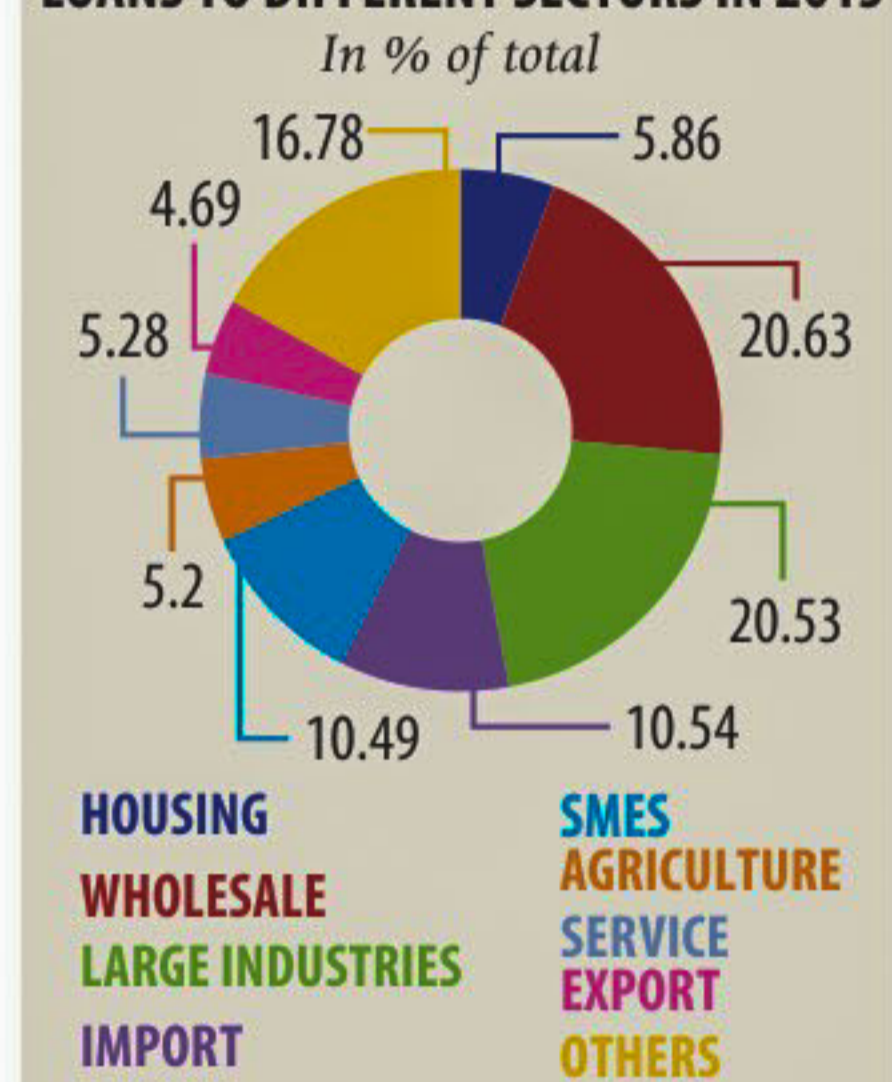
Of the total outstanding loans of Tk 579,857 crore last year, 2.64 percent was in residential housing in urban areas, 3.05 percent for commercial housing and 0.17 percent for home loans in rural areas, according to the central bank.

Standard Chartered Bangladesh said real estate experienced a rebound in sales

in 2016. This has been possible after a reasonable reduction in property prices coupled with lower financing rates.

The Asia-focused bank said it has been offering the lowest single digit interest rates for home loans since February this year to support the growth of the housing sector. Customers can now book a new home loan at an interest rate as low as 9.5 percent and also transfer their existing mortgage loan from other institutions at 8.99 percent.

LOANS TO DIFFERENT SECTORS IN 2015



Standard Chartered offers home loans for the purchase of new apartments and also for renovation, extension and decoration of existing apartments. The British bank is offering exclusive benefits for customers purchasing apartments from the Rajuk Uttara apartment project.

Customers can borrow home loans at a rate of 8.5 percent and also at a discounted processing fee of 1 percent after receiving Rajuk allotment letters for their apartments for the same project.



DBH HOME LOANS

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