

Never too young to get on property ladder

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flat in NAM Village Banani jointly with her father-in-law.

Their monthly instalment for the home loan, which is footed by both her husband and her father-in-law, ended up being the same as the amount of rent they would have forked out had they moved in to a four-bedroom apartment in their neighbourhood.

"But, once we are done paying off the home loan we will have an asset of our own. Paying rent is such a waster," she said, adding that now she and her husband can both go to work worry-free.

Khan and her husband though are not alone in getting on to the property ladder early on in their lives.

Given the expansion of financial sector in Bangladesh and intense competition, a host of home loan products have come up that are conducive to home ownership for those with a stable job and steady source of income in their late 20s or 30s.

And there are options too in terms of the apartments available nowadays.

For Zaki and Zafrin Hussain, both in their early 30s, it was independence they craved the exact opposite of Nusrat Khan and her husband.

After living with Zaki's parents since getting married five years ago, they wanted to strike out on their own.

"Living with Zaki's parents was great. We managed to save up quite a bit and focus on our careers without



worrying about managing the house. But it is time for us to fly the nest and truly settle down," said Zafrin, an ad executive.

Initially they thought of renting a two-bedroom apartment in Gulshan-1, where both their parents live.

"But the rent was sky-high," said Zaki, a corporate lawyer.

They then widened their search to Bashundhara, Banani, Mohakhali DOHS and Niketan. During their

property hunt they came across a two-bedroom flat in the very dead end of Baridhara.

"The owners were looking to rent or sell the flat. They lived abroad and maintaining the property was becoming tricky for them."

While bouncing off the idea with Zaki's dad it occurred to them that they should be buying that flat instead of taking it on rent.

"It's Baridhara -- prime real estate.

Given the land scarcity in Dhaka, the flat prices will only appreciate," said Zaki, who applied for home loan with much trepidation last month.

They were informed yesterday that their loan application was approved, much to their delight.

"It is terrifying and thrilling at the same time," Zafrin said, adding that both sets of parents will help in re-doing the cosy flat.

Not just couples, young and single professionals too are becoming

homeowners.

Take the case of Saif Kalam, a 27-year-old banker who lives alone in Dhaka while his parents and extended family are based in Chattogram.

After living in rented properties all throughout his university days and the first few years of his professional life, he decided to take up on the concessionary rates that his bank offers to employees on home loans and purchase a 1,200 square feet flat in Niketan.

His father, a commodity trader in Chattogram, helped him with the initial deposit, but the monthly instalment he manages.

What's more, since he's the homeowner, the window of sub-letting has opened up for him, which was not available for him when he lived on rented properties.

He rented out the spare room to a French national who teaches the language at the Gulshan branch of Alliance Française.

"The rent is of immense help to me. I do not feel any financial strain because of it."

Asked why he jumped in on the property ladder at this young an age, he quoted the American self-made steel tycoon Andrew Carnegie.

"He said that 90 percent of all millionaires become so through owning real estate. If not a millionaire, I can aim to become a wealthy man -- and this was my first step in that direction."

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The changing landscape of home financing

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state banks and specialised home finance companies like BHBFC, Delta-Brac Housing and National Housing Finance.

"It is a growing sector," said Nasimul Baten, head of business of DBH, the biggest provider of home loans.

The eligibility criteria for home loans comprise of the income of loan seekers and their ages, the amount of loan as well as tenure for repayment.

DBH does not have any minimum income limit, whereas IDLC Finance stipulates minimum monthly income of Tk 20,000.

But, in reality, a minimum monthly income of Tk 40,000 is need to get home loans approved, said two bankers upon condition of anonymity.

Most of the banks and non-bank financial institutions prefer younger borrowers to elderly borrowers to give home loans to.

Banks provide up to 70 percent cost of the property, with the maximum

amount being Tk 1.20 crore.

The NBFIs provide up to 80 percent of the total cost.

But whatever the financing ratio, none provide loans for more than 25 years.

In case of interest rate, most of banks and financial institutions charge variable interest rates, meaning that the rate is reviewed and adjusted from time to time, depending on the prevailing liquidity situation in the money market.

But BHBFC offers home loans at fixed interest rate.

At present, the interest rate hovers around 12 percent, according to lenders.

"When an individual finds that he or she can afford a house by paying instalment that is more or less equivalent to the rent the decision to buy a flat becomes easier," said Arup Haider, head of retail banking at City Bank.

Banks are increasingly focusing on home loans as the chances of defaults are less.

"People taking home loans usually do not want to default because of the emotional attachment with their homes. The intention remains positive in this case," he added.

Bangladesh is one of the densely populated nations in the world and home financing emerged as a crucial sector for the economy, said Syed Javed Noor, general manager and head of consumer division at IDLC Finance.

The home loan market started to pick up after the slowdown of 2011-2015, said Sabbir Ahmed, head of retail banking at Standard Chartered Bangladesh.

Considering all factors, the real estate market still has headroom to grow and the sector's outlook remains positive, he added.

MTBL's Chowdhury echoed the same. Public sector employees, executives of local corporate firms and multinational companies, doctors and university teachers are showing interest in getting home loans, he said.

AKM Sajedul Haque, a 41-year old banker, is a recent homeowner. He opted for variable interest rate on 15-year tenure loan to purchase his flat in Shyamoli.

He now pays Tk 65,000 as instalments every month, but he is worried that the amount might go up in future.

"Lenders should also reduce interest rate as hastily as they increase interest rate," said Kaniz Fatima Moon, a dentist.

She said she had to visit and apply to the NBFi for downward adjustment of interest rate when the overall interest rate came down.

DBH's Baten said the growth of home loans and apartment ownership is not sharp in the country because of high prices of properties.

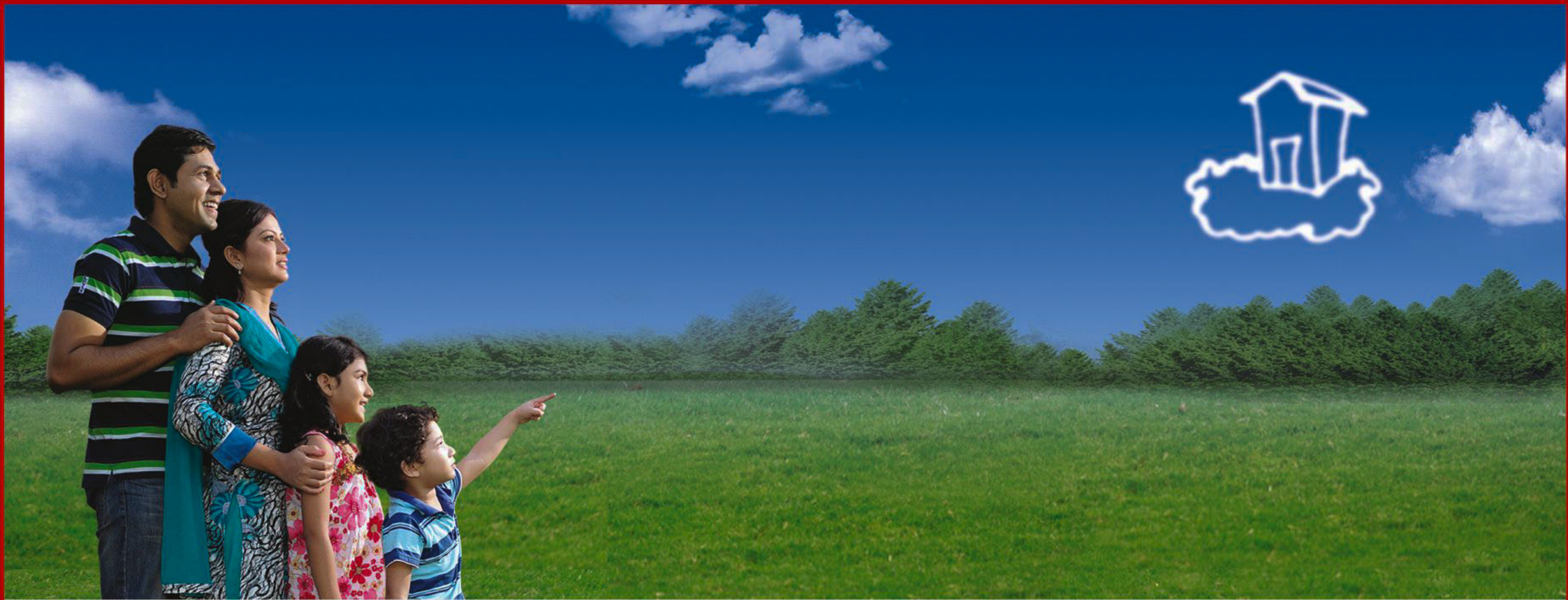
To reduce property prices and ensure homes for more people, finance executives suggested allocation of public land at low cost to developers to build large-scale apartment

projects surrounding suburb areas of cities, development of transport and communication infrastructure to ensure safe and fast commuting by people living in those areas.

Bankers also recommended easing legal process, reduction of registration cost, digitisation of land and property registration system to prevent manipulation and quick verification, and creation of a fund by the government to ensure homes for all.

Mithu, who had to borrow from relatives to arrange funds for the flat, said the government should ensure housing finance at the same rate of interest that the public sector employees enjoy.

"Home is a basic demand of any human being and policy makers should not take care of government employees only. We should also be given the opportunity to get home loans at low cost. We are also contributing to the economy," said Mithu who expects to fully own the apartment for his family before he turns 40.



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