



**SECURITIES & EXCHANGE COMMISSION OF PAKISTAN  
SPECIALISED COMPANIES DIVISION  
(NBFC DEPARTMENT)**

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**Circular No: 19 of 2005**

No. SC/NBFC -1/R/2005

Islamabad, October 27, 2005

Subject: **Regulation for Housing Finance Applicable to Individual Borrowers**

In order to create an enabling regulatory requirement and to facilitate the Non-Banking Finance Companies (NBFCs), the Commission in exercise of the powers conferred under Section 282D of the Companies Ordinance, 1984 has decided to replace the Regulation 8 of Section B of Part II of the Prudential Regulations for NBFCs with the following:

**Regulation 8 of Section B of Part II of the Prudential Regulations for NBFCs**

1. The maximum per party limit in respect of housing finance by the NBFCs will be Rs.20 million.
2. The total monthly amortization payments of all consumer loans inclusive of housing loan, should not exceed 60% of the net disposable income of the prospective borrower.
3. Facilities can be advanced for the purchase of new piece of land, construction of houses or renovation of an existing house against the security of land / plot already owned by the customer.
4. The housing finance facility shall be provided at a maximum debt-equity ratio of 85:15.
5. NBFCs are free to extend mortgage loans for housing up to a period of twenty years.
6. The house financed by the NBFCs shall be mortgaged in NBFC's favour by way of equitable or registered mortgage.
7. NBFCs shall either engage professional expertise or arrange sufficient training for their concerned officials to evaluate the property, assess the genuineness and integrity of the title documents, etc.

8. NBFC's management should put in place a mechanism to monitor conditions in the real estate market (or other relevant product market) at least on a quarterly basis to ensure that its policies are aligned to current market conditions.
9. NBFCs are encouraged to develop floating rate products for extending housing finance, thereby managing interest rate risk to avoid its adverse effects. NBFCs are also encouraged to develop in-house systems to stress test their housing portfolio against adverse movements in interest rates and also maturity mismatches.

The above directives will come into force with immediate effect.

**(Salman Ali Shaikh)**  
**Commissioner**

**Distribution:**

1. Chief Executives of all NBFCs.
2. Managing Directors of all Stock Exchanges.
3. The Chairman, Investment Banks Association of Pakistan.
4. The Chairman, Leasing Association of Pakistan.
5. The Chairman, Mutual Funds Association of Pakistan.
6. All Divisions of SEC
7. Media Consultant, SEC.
8. All CROs.