

**YANGON UNIVERSITY OF ECONOMICS
MASTER OF DEVELOPMENT STUDIES PROGRAMME**

**CHALLENGES OF THE HOUSING MORTGAGE SYSTEM IN
MYANMAR
(CASE STUDY: CHID BANK)**

**HNIN WAI PHYO
EMDevS – 6 (15th Batch)**

DECEMBER, 2019

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A thesis submitted as a partial fulfillment of the requirements for the degree of
Master of Development Studies (MDevS.)

Supervised by

Submitted by

Dr. Thin Thin Oo
Professor
Department of Economics
Meiktila University of Economics

Hnin Wai Phyoo
Roll No. 6
EMDevS (15th Batch)
(2017-2019)

DECEMBER, 2019

YANGON UNIVERSITY OF ECONOMICS
MASTER OF DEVELOPMENT STUDIES PROGRAMME

This is to certify that this thesis entitled “**Challenges of the Housing Mortgage System in Myanmar (Case Study: CHID BANK)**” submitted as a partial fulfillment of the requirements for the degree of Master of Development Studies has been accepted by the Board of Examiners.

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ABSTRACT

Housing plays a key socio-economic role and represents the main wealth of the poor in most developing countries. In Myanmar, housing facility becomes a vital concern due to rapid urbanization and having majority of informal housing in vacant land of Yangon where there is limited housing facility from the private and public sector. Therefore, the study described the evolution of housing mortgage system in Myanmar and analyzed the challenges in the system. Construction, Housing and Infrastructure Development Bank, implementing affordable and low-cost housing projects across the country has taken as a sample. The study approached descriptive method whereas simple random sampling method was used to conduct 50 Key Informant Interviews and with the stakeholders in the housing mortgage system of the Bank and analyzed the challenges faced in key five areas of the system. It was found that the number of mortgage loans offered by CHID has increased from 389 in 2016 to 4,281 as of 2019. In addition, the study identified that the public sector alone is unable to subsidize the required investment for Mortgage Bank completely and the intervention of private sector became essential in housing mortgage system of Myanmar. Thus, National Housing Bank Law is suggested to be formulated in order to minimize the identified challenges and maintain the sustainable Housing Mortgage System in Myanmar.

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
ASEAN	Association of South-East Asia Nations
CBM	Central Bank of Myanmar
CHDB	Construction and Housing Development Bank
CHID	Construction, Housing and Infrastructure Development Bank
DHSHD	Department of Human Settlement and Housing Development
DICA	Directorate of Investment and Company Administration
DUHD	Department of Urban and Housing Development
ERS	Electronic Reporting System
EU	European Union
EUR	European Euro
FILP	Fiscal Investment and Loan Program
FSA	Floor Space Area
GDP	Gross Domestic Products
GHB	Government Housing Bank
GHLC	Government Housing Loan Corporation
HDFC	Housing Development Finance Corporation
HMS	Housing Mortgage System
ICICI	Industrial Credit and Investment Corporation of India
IT	Information Technology
JBIC	Japan Bank of International Cooperation
JHF	Japan Housing Finance
JICA	Japan International Cooperation Agency
KII	Key Informant Interviews
KYC	Know Your Customer
LIC	Life Insurance Corporation
LOI	Letter of Intent
MCEA	Myanmar Construction Entrepreneurs Association
MIC	Myanmar Investment Commission
MIS	Myanmar Information System
MLIT	Ministry of Land, Infrastructure and Transport and Tourism, Japan

MMK	Myanmar Kyat
MNBC	Myanmar National Building Code
MOALI	Ministry of Agriculture Livestock and Irrigation, Myanmar
MOC	Ministry of Construction, Myanmar
MOPF	Ministry of Planning and Finance, Myanmar
MOU	Memorandum of Understanding
NLD	National leads for Democracy
NPED	National Planning and Economic Development Department
PC-method	Composite Method in Construction Process
PPV	Project Promoting Vehicle
SBI	State Bank of India
SVR	Standard variable rate
TBS	Terminating Building Society
UK	United Kingdom
UN	United Nations
UN HABITAT	United Nations: Human Settlements Programme
US	United States
WWII	World War II
YCDC	Yangon City Development Committee
YRG	Yangon Regional Government

CHAPTER I

INTRODUCTION

1.1 Rationale of the study

Nowadays, demand for housing has gradually increased and it is mainly influenced by three different variables such as increasing population, urbanization and higher affordability. Increase in population is directly proportional to higher demand in housing units due to Floor Space Area (FSA) requirements. Urbanization has twin impacts on housing demand and one is reduction in area per household and on the other hand it increases the higher demands of housing units. Nuclear families are formed departing from the joint families and thereby it increases the demand for separate housing units. Moreover, higher income of households also contributes a vital role for families demand for affordable housing units.

Sustainable Development Goal number 11 set by the United Nations General Assembly in 2015 for the year 2030 stated as Sustainable Cities and Communities to ensure people are access to affordable housing in their lives. The stated target applies to all nations and utilizing the principle of leaving no one behind as a core component to define the world every wants. The indicator to measure this target is the progress of people living in slum and informal settlements. The target encourages to promote human settlements socially and environmentally in a sustainable manner. At the same time sustainable development can only be achieved by transforming and managing the spaces in the world by creating affordable settlements for the people living in poor housing conditions.

In Myanmar, due to its rapid economic growth and urbanization in Yangon, there is huge demand for housing in the country. A recent study has shown that around 330,000 people move to Yangon every year from rural areas or townships in the hope of finding work. The city population is expected to reach 10 million by 2035 which will be almost double registered in 2013. The shortage of affordable housing is vividly suffered by the residents and it becomes one of the prioritization of the government. The department of Urban and housing Development which is also part of the Ministry of Construction estimates that around 1.8 million are in need of affordable housing units (Group, Oxford

Business, 2016). Housing mortgage loans offered by the CHID is one of the facilities aimed to fulfill the housing requirement of the population including the people migrated to Yangon from different areas of the country. Housing mortgage system is a crucial solution for offering housing facilities to different layers of the citizens based on their credit worthiness and credibility assessment.

Since not every family can afford to have an own housing unit with ease, the role of home loan has come to an existence in order to provide solutions to the housing related financial gaps. Home Loan plays a vital role as an engine of equitable economic growth through the reduction of poverty and prevents slum proliferation in economy. Depending on such recognition on the demands for housing, having a housing mortgage system is considered to be an effective tool to address the housing gaps faced by the respective stakeholders in every developing country. Therefore, it is important to study the existing housing mortgage system of the country in order to fill the identified gaps by the respective stakeholders.

In Myanmar, Construction Housing and Infrastructure Development Bank (CHID) is a development bank dedicates to the extending of long-term housing loans to the public under the auspices of Ministry of Construction. CHID is known as the first development bank in Myanmar which is addressing the basic needs of people from the misery of homelessness and informal settlements by implementing affordable and low-cost housing projects across the country. Among the other financial services, Mortgage Loan Product is core element provided by CHID. Since the Long Term Mortgage System has initiated by CHID and there are many challenges faced in all the stakeholders involved in the Housing Mortgage System. Therefore, this study focus to identify the challenges faced in the five key areas of housing mortgage system of Myanmar.

1.2 Objectives of the Study

The objectives of the study are to describe the evolution of housing mortgage system in Myanmar and to analyze the challenges of the housing mortgage system in CHID Bank.

1.3 Method of Study

In this research descriptive method is used to meet the objectives of the study. In order to study the evolution of housing mortgage system, secondary data is gathered from reliable sources such as reports, publications, websites, Journals and Newsletters. In terms

of qualitative data collection, primary information is sourced by conducting 20 Key Informant Interviews (KII) and in term of the quantitative data collection, there are 30 Mortgage customer interviews in random sampling method. The main stakeholders of the Housing Mortgage System are comprising five key informants each from Urban Development Regulators, Mortgage Bankers, Housing Project Developers and Marketing or Business Development Team Members including 30 customers who have accessed to Mortgage Loan product from CHID Bank. Structured questionnaire is developed and used in collection of primary data from the stated stakeholders respectively for this study.

1.4 Scope and limitation of the Study

This study emphasis the evolution of Housing Mortgage System in Myanmar and highlights the challenges faced in five key areas: Legal Framework, Transaction Process, Interest rate and other fees, Mortgage Loan Period and Repayment capacity of Customers involved in the system in descriptive method. The scope of the study is confined to mainly describe the housing mortgage system in Myanmar excluding the perception toward the mortgage users, housing loans, other financial systems and facilities available at the banks in Myanmar.

1.5 Organization of the Study

The study is composed into five chapters. Chapter one initiates the study with the importance of housing and the role of housing mortgage system in the economy followed by the objectives, methods, scope and limitations of the study and concludes with the brief descriptions of the organization of each chapter. Chapter two presents theoretical background of housing mortgage system along with the example from other countries. Chapter three describes the housing mortgage system in Myanmar, the evolution, legal framework and detail description of role of CHID bank in Housing Mortgage System. Chapter four presents the analysis on housing mortgage system in Myanmar with primary data and the challenges are presented in five key areas. Chapter five concludes the study with the findings and suggestions.

CHAPTER II

LITERATURE REVIEW

2.1 Theoretical Background

Mortgage is defined in the financial dictionary as a loan used to buy real estate. A mortgage is secured by the property it used to purchase. One must make monthly payments on a mortgage, and there is a set term before full payments due, often 15, 20, or 30 years. Some mortgages have fixed interest rates, while others have variable interest rates. If one defaults on a mortgage, the bank making it may take possession of the real estate and sell it to recover its investment.

Housing is a major economic asset which has profound impact on the prosperity of the country and the productivity of individual as decent houses increases workers' health and also affects the well-being of the citizens. It is an index of measuring the standard of living of a country any important consumer item. Consequently, programmes of assistance in the area of finance and research have been designed by government to enhance its adequate delivery. The focus of finance has been more prominent because the provision of houses requires huge financial resources which most of the low income earners are unable to afford.

The study focuses on the evolution of housing mortgage system in Myanmar along with the challenges in the practice of the system. However, various theoretical literatures related to this study were overviewed and remarkably housing finance is what allows for the production and consumption of housing stated by King 2009 (King, 2010). It refers to the money used to build and maintain the nation's housing stock. But it also refers to the money needed to pay for it, in the form of rents, mortgage loans and repayments. Fundamentally, housing is the source of all economic activities ranging from production to consumption involving all the financial transitions. Thus, Loic Chiquier and Michael Lea have affirmed that housing finance brings together complex and multi-sector issues that are driven by constantly changing local features, such as a country's legal environment or culture, economic makeup, regulatory environment, or political system. It highlights the importance of housing finance system of a country inclusively (Lea L. C., 2009).

In addition, the concept of housing finance and housing finance systems has been evolving over time. Looking at definitions from the mid-1980s, the housing finance was defined primarily in terms of residential mortgage finance. The purpose of a housing

finance system is to provide the funds which homebuyers need to purchase their homes. This is a simple objective, and the number of ways in which it can be achieved is limited. Notwithstanding this basic simplicity, in a number of countries, largely as a result of government action, very complicated housing finance systems have been developed. However, the essential feature of any system, that is, the ability to channel the funds of investors to those purchasing their homes, must remain (Boleat, 1985).

Warnock (2008) investigated the effects of housing market in the provision of housing finance in twelve different countries among them are Malaysia, China, Indonesia and came up with a result that efficient legal system, stable and conducive macroeconomic environment, existence of credit information systems had positive effects on mortgage finance system (The Blackwell Companion to the Economics of Housing: The Housing Wealth of Nations, 2008).

Cho Min (Cho, 2007) studied on the evolution of mortgage system in the US and indicated that the first institutional mortgage lending in the US was in 1835. The prevalent institutional arrangement at that time was “Terminating” Building Societies (TBSs), which played a dominant role in the early- to mid-19th century. TBSs, whose origin goes back to 1775 in England, represents a “communal solution” to housing finance: that is, a small number of people from a town pooled savings and provided funds to one another for construction of houses; and, they ceased to exist once all members received the loans. Later on, more formal lending institutions emerged out of TBSs – to “Permanent” Building Societies, to Building and Loans, and eventually to Savings and Loans (S&Ls). Under TBS, the risks in lending and funding are completely internalized among participating members. In fact, the first mortgage loan made by the first Building Society, the Oxford Provident, went into default. The members negotiated a transfer of the property to another member who eventually repaid the loan (Lea M. , 1994).

Nasim Shah Shirazi (2017) had identified the series of challenges in the housing system in Islamic Development Bank Countries and opined that a number of factors constrain the supply of housing especially in the urban cities. Not only has the availability of land, but poor quality of infrastructure also affected the supply of affordable housing. Non-transparent ownership, vague property rights, weak legal and regulatory framework and ineffective foreclosures laws, ineffective land registration system, high transaction costs, and inadequate long term housing finance funds have been the major issues of the housing sector. In addition, suggestions such as strong primary mortgage market is needed to finance the ever-increasing demand for housing and a well-developed mortgage industry

that include long term financing institutions and markets are made to facilitate the primary mortgage providers and solve their liquidity problem (Nasim Shah Shirazi, 2017).

2.2 Overview on the Evolution of Housing Mortgage System

Mortgages are mentioned in English common law documents that take back as far as 1190. These documents illustrate the beginnings of a basic mortgage system. They describe how a creditor is protected in property purchase agreements. Specifically, a mortgage was a conditional sale where the creditor held the title to the property while the debtor could sell that property in order to recover the money paid. The idea of mortgage has originated in England itself and spread to other parts of the world after 1190 onwards. In the late 1800s and early 1900s, there was increased demand for mortgages and affordable housing units among the immigrants in the United States. Several evolutions have taken place in mortgage system due to Great Depression and other economic instabilities across the globe and nowadays it varies from one country to another (Mayer, 2007).

In addition, (Chiquier and Lea, 2009) had opined that housing finance remains underdeveloped in most emerging markets and with no exception. Residential mortgage lending is typically small in scale, difficult to access and only bank-based with little reliance on capital markets (Chiquier, 2004). The lack of financial services in developing countries have a significant negative impact on the efficiency of urban investments, of which housing constitutes probably about 60% (Stone, 2006) if the experience of advanced economies is any guide.

Globally, in several countries in the world the housing sector has become one of the most productive and viable industry while in the developing countries, the rate of urbanization is so overwhelming such that the federal, state and local government did not have the capacity to plan and meet the housing need of the people. The sub-prime mortgage crisis that occurred in USA and affected most of the world's capital market created an adverse effect on housing credit and value. The situation is improving due to the strength of the underline household asset and better regulation posed by the relevant sectors. For example in Mexico, the success stories was recorded due to the ability of the country to attract hug fund from America because of the strong regulations and foreclosure laws in the housing sector which could reduce the rate of risk. In the UK, it was about the remarkable success in the provision of public and social housing. In other European

countries, it was hinged on developing a robust mortgage bond market to ease access to credit (International, 2011).

Housing Mortgage System was evaluated and revised after the Great Depression of the 1920s and the two World Wars however, led to many borrowers being unable to repay even the interest on a property that was often now worth less than their original loan, and many lenders carrying a loan that was not secured by the value of the property. This resulted in the introduction of long-term fully amortized mortgages that repaid some of the principal and some of the interest each month in a payment that was fixed for upwards of 25 years (Financial Services Commission of Ontario: Mortgages, A Brief History, 2017).

In the United States, the high interest rates of the 1990s discouraged people from buying homes and the government decided to increase American home ownership to 70%. One of the best ways to do that was to reduce mortgage requirements and encourage subprime lending. During this period, subprime mortgages increased from \$35 billion to \$125 billion and millions of people who were not really qualified to buy homes became homeowners. Mortgages have evolved from repayments that provided protection and benefits only for the landowner, to a system in which both the borrower and the lender can enter into the transaction with confidence (Financial Services Commission of Ontario: Mortgages, A Brief History, 2017).

2.3 Types of Mortgages

There are several types of mortgages in the housing mortgage system. That includes repayment mortgage, interest only mortgage, fixed rate mortgage, Standard variable rate (SVR) mortgage, Discounted rate mortgage, Tracker mortgage, Capped rate mortgage, Cash back mortgage, Flexible mortgage and offset mortgage are commonly applied in the housing mortgage system (<https://www.habito.com/about-us>).

(i) Repayment mortgage

Over the term of the mortgage, every month, the money borrowed is steadily paid back, along with interest on the capital that is left. At the end of the mortgage term, the entire loan will have to be paid off. The amount of money left to pay is also called ‘the capital’, which is why repayment mortgages are also called capital and interest mortgages.

(ii) Interest-only mortgage

Over the term of the loan, one actually do not pay off any of the mortgage – just the interest on it. The monthly payments will be lower, but will not make a dent in the loan itself. At the end of the term, the total amount in full will have to be paid. Usually, people with an interest only mortgage will invest the mortgage, and use to pay the mortgage off at the end of the term.

(iii) Fixed rate mortgage

‘Rate’ refers to the interest rate. With a fixed rate mortgage, the lender guarantees the interest rate will stay the same for a set amount of time (the ‘initial period’ of the loan), which is typically anything between 1–10 years. When this initial period ends, the lender’s default rate or standard variable rate will have to be switched.

(iv) Standard variable rate (SVR) mortgage

SVR is a lender’s default, bog-standard interest rate – no deals, bells or whistles attached. Each lender is free to set their own SVR, and adjust how and when preferable. Technically, there is not a mortgage called an ‘SVR mortgage’ it is just a mortgage out of a deal period is called. After the deal expires, a lot of people find out on an SVR mortgage by default, which might not be the best rate.

(v) Discounted rate mortgage

Over a set period of time, a discount on the lender’s SVR will be given. This is a type of variable rate, so the amount pay each month can change if the lender changes the SVR, which are free to do upon preference.

(vi) Tracker mortgage

Tracker rates are a type of variable rate, which means a different amount to the lender each month is paid. Tracker rates work by following a particular interest rate to determine what the payment each month for example, the Bank of England base rate, and then adding a fixed amount on top. If the base rate goes up or down, so does the interest rate.

(vii) Capped rate mortgage

These are variable mortgages, but with a cap on how high the interest rate can rise. Usually, the interest rate is higher than a tracker mortgage – so the customer might end up paying extra for that peace of mind.

(viii) Cash back mortgage

When a customer signs up to the mortgage, the lender pays a lump sum of cash usually, a percentage of your loan. This can be around £500–£1,000. The customer can find that these mortgages do not come with other incentives, like free valuations and the broker can check which mortgage works out the best overall.

(ix) Flexible mortgage

These usually have terms that let the customer overpays and underpays which is pay more or less than the monthly amount agreed with the lender and even take a payment holiday, miss a few monthly payments if required. The price for this flexibility is usually a higher interest rate. There are different types of flexible mortgage, an offset mortgage in the following.

(x) Offset mortgage

A way to use the savings to reduce the amount of interest the customers pay on mortgage. The customers have to turn your mortgage into an offset mortgage, then open a current or savings account with the mortgage lender and link that account and the mortgage up. If a customer got £10,000 in the savings account and £100,000 left to pay on the mortgage. With an offset mortgage that requires only to pay interest on (£100,000 – £10,000 =) £90,000 of the mortgage. (<https://www.habito.com/mortgages/types-of-mortgages>, 2019).

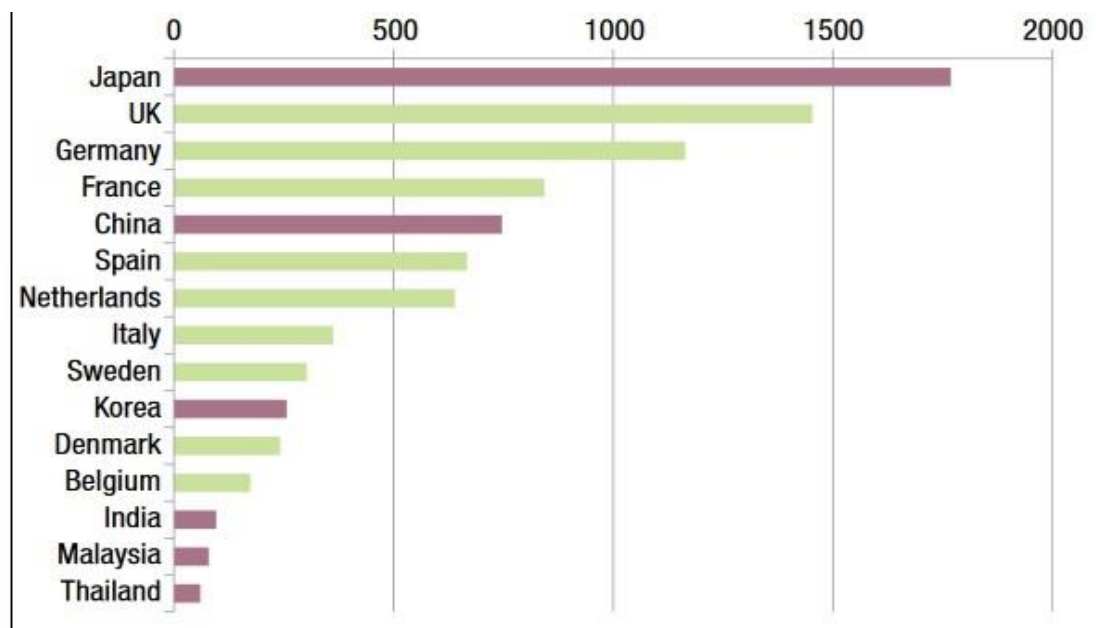
2.4 Housing Mortgage System (HMS) in the Asian Countries

The first examples of mortgages were considered to be rooted in England by 1190s and it rolled out to Europe later on. Then in the early 19th Century, the mortgage system started to roll out to United State with the system practiced by the immigrants. Then the United State became the most developed mortgage system in place in the World. In comparison to Europe, the mortgage system in Asia is very heterogeneous and it brings opportunities as well as the constraints in the mortgage market. As Asia is considered to

be the center of growth for the global economy in for decades to come and as of today the mortgage market is still at the developing stage in many Asian countries of the region.

Excluding the United State, in the size of the mortgage system Japan has the largest mortgage market whereas China is the second largest economy in the World followed by UK, Germany and France and has a GDP almost equivalent to these countries such as India, despite of the population twice as large as the combined population of the EU27 countries. The following Figure 1 shows no correlation with the GDP per capita and the mortgage market size to GDP ratio (Kobayashi, Asian Mortgage Markets , 2012).

Figure 2.1. Outstanding Mortgage Balance (EUR Billion), 2012



Source: Asian Mortgage Markets, 2012

The above figure indicated the outstanding mortgage balance of countries across the globe compared with the Asian countries. Japan has found to have the largest mortgage in Asia followed by China, then Korea, India, Malaysia and the least by Thailand.

2.4.1 Housing Mortgage System in Thailand

Thailand used to be an underdeveloped country with agriculture based economy before 1950. Industrialization has gradually taken place along with the expansion of housing development in Bangkok Metropolitan Region. However, 1997 Asian Financial Crisis hit the Thai economy while a high volume of housing units were built resulting in a

meltdown in its estate industry. After the WWII, social welfare policy was introduced into Thailand. At this time, the government constructed housing for an urban population.

The Government Housing Bank was established in 1953. During this period, 3,462 housing units were built, of which 3,264 were apartments and detached houses, 198 were owner-occupied, 56 were hire-purchased and 142 were financed through housing loans affirms by Litchfield Whiting Browne and Associate, 1960: 84-85). The government could not build a large number of housing units in response to the needs of Bangkok households because of the high subsidy requirements. This policy, adopted from western countries, did not work well stated by Pornchokchai (Phōnchōkchai, 1998).

Current practices and operations of Housing Mortgage System in Thailand are elaborated as most mortgage lenders do not have any definite limits on the amount they will lend. It depends largely on borrower demand as well as on the lending policies and underwriting criteria of the respective financial institution. Most commercial banks and finance companies tend to concentrate their lending on the medium to high-income groups, whereas the two public enterprises, the Government Housing Bank and the Government Savings Bank, deliver loans to all income groups, but particularly to medium- and low-income groups. The maximum loan-to-value ratio depends on the type of property and the situation of each market as well as the competitive environment of the mortgage market at that time. The typical ratio is 80% of land and building appraised value, or its selling price, whichever is lower 75% for a condominium unit and 70% for a residential land plot as well as shop houses.

In certain cases, some financial institutions may lend up to 90-100% of the appraised value of the land and house if the employer and employee agree to monthly deductions from the borrower's salary to pay the loan installments. Nowadays, due to the high liquidity in the financial system, and the fierce competition in the mortgage markets, most banks offer loans of more than 80% of the Loan To Value Ratio to ordinary borrowers. The maximum loan amount is ascertained by the income of the borrower. In most cases, it varies between 15 and 35 times the monthly income of the borrower, depending largely upon the credit of the borrower. Financial institutions use a conventional scoring system to analyze the credit of borrowers.

Factors involved are, savings, employment, number of co-borrowers, current debts and assets as well as the credit bureau's records of the borrowers, etc. The monthly installment payment of households to income ratio is 25-40% but most likely should not be

over one-third of monthly income. However, this ratio can be adjusted higher for higher income groups of borrowers, typically with careful analysis of the financial institutions.

The Royal Thai government has provided strong support for the development of the secondary mortgage market in Thailand. Proof of this has been the enactment of two supplementary laws on asset securitization and the Secondary Mortgage Corporation in 1997. Its operation has not been as successful as hoped, given the small amount of mortgage loans purchased by the Secondary Mortgage Corporation over the past five years of its operation. The secondary mortgage market in Thailand, operating via the Secondary Mortgage Corporation, currently faces an unfavorable environment, and various obstacles in its operation (Phōnchōkchai, 1998).

Enforcement of mortgage under Thai law takes two forms: by foreclosure and by entering action in Court. Foreclosure is instituted when the debtor has failed to pay interest for 5 years, or the mortgagor is not satisfied that the mortgaged property's value is sufficient to pay the indebtedness, or when there is no other encumbrance on the mortgaged property. Other than the above conditions, mortgages can be enforced only by entering an action in Court for a judgment ordering the mortgaged property to be seized and sold by public auction. As foreclosure is rather cumbersome it is seldom used. In most cases, a mortgage is enforced by filing a case in court and getting a court judgment for sale of the mortgaged property by public auction.

Financial institutions in Thailand establish fixed and floating rate home mortgage loans- Floating rate loans feature interest rates that may continually change over a loan-term. New interest rates are usually dependent on money market rate adjustments or changes in a determined reference rate. Specifically, "Reviewable Rate Mortgages" or "Variable Rate Mortgages" are loans with interest rates that can be adjusted at any time. Adjustable Rate Mortgages" refer to mortgage interest rates that are periodically adjusted to a reference rate such as a government bond. In Thailand, floating rate loans refer to loans that are adjusted to changes in the "Minimum Lending Rate" (MLR) or "Minimum Retail Rate" (MRR). Floating rate home loans are normally equal to or plus or minus MLR/MRR rates depending upon the liquidity in the financial system, market demand for funds and the bank's competitive policies (Chantana Chanond, 2019).

Since housing loans are not a major business for commercial banks, they do not play major roles in the housing finance system in Thailand. During the boom period in the

real estate markets, the interest in financing housing projects may increase. Actually, housing loans are considered secure for financial institutions because they tend to give loans at some 70-80% of the value of the collateral (UNHABITAT, 2008).

2.4.2 Housing Mortgage System in India

The housing finance sector in India has undergone unprecedented change over the past two decades. The foremost players in this sector are the finance corporation but presently the commercial banks are also started playing an important role in the development and growth of the Mortgage Industry in India. At present the market leader in the Mortgage Industry in India is the Housing Development Finance Corporation (HDFC), with the State Bank of India (SBI) following the lead. The Life Insurance Corporation (LIC) Housing Finance Limited and the Industrial Credit and Investment Corporation of India (ICICI) Bank also constitute an important part of the mortgage industry in India.

The mortgage industry in India improving day by day and there is a sudden surge in market for credit. The mortgage industry in India is expected to grow at a rapid rate in a few years. The rise in the infrastructural developments and real estate based activities has turned powered the growth of the mortgage industry in India. The mortgage industry in India is considered as an important but a decisive factor in the growth of the economy as well as the country. The growth in the mortgage industry was also boosted by the fiscal policies under the financial allotments of the 5 year Plans.

The mortgage industry has to make further developments and for that the assistance of the government as a provider and authoritarian agency is required. The foreign direct investments and private funds are to be encouraged. The lengthy governmental procedures have to be abolished in order to get access to faster mortgage loans. The laws regarding property and land, rent, have to be improved. Credit rating bodies and mortgage insurance providers will further boost the growth of the Mortgage Industry in India (Ramamoorthy, 2007).

2.4.3 Housing Mortgage System in Japan

The homeownership ratio in Japan was 61.7% in 2013. The level has been around 60% for nearly the last half century, with minor fluctuations, which is almost the same as the United States (US), (64.0% in 2014), the United Kingdom (UK) (64.6% in 2013), and France (64.3% in 2013), but higher than Germany (52.6% in 2013).

The Government of Japan established the Government Housing Loan Cooperation (GHLC) in 1950 to provide low-interest, fixed-rate mortgages. When established, the GHLC received paid-in capital from the government. To achieve the massive supply of housing, however, the funding mechanism that was dependent on payment of capital from the government proved to be insufficient both for the GHLC and the JHC. Both these entities borrowed from the Fiscal Investment and Loan Program (FILP) under the Ministry of Finance. The GHLC was one of the heaviest users of FILP borrowings and, therefore, it is desirable to explain how the GHLC funding worked in the 20th century. Among the three pillars of housing policy, the GHLC made the largest contribution to the supply of houses in terms of quantity.

To promote homeownership, there was a cap on the lending rate that the GHLC could charge to borrowers. It was set at 5.5% for low-middle income borrowers by GHLC law. Any negative interest margin between the lending rate and the funding cost were supposed to be reimbursed with subsidies from the general account of the Government of Japan.

Japan is still in the middle of its social experiments and there is need to closely monitor the change of market trends and exchange information to help other parties concerned. As of February 2016, the 35-year fixed-rate mortgage is available at the low rate of 1.48% under the platform of Flat 35 sponsored by the JHF. This is much lower than the 30-year fixed-rate mortgage in the US, even discounted by the difference in the inflation rate. However, the fixed-rate mortgage in Japan is not as popular as in the US where the vast majority of borrowers choose fixed-rate mortgages.

It is not easy to predict the future path of interest rates, especially when the current monetary easing policy is removed by the Bank of Japan. The normalization of monetary policy is a challenge for the Federal Reserve in the US too, but it is most likely, according to many market observers, that the Bank of Japan can learn a lot from the Federal Reserve, which lifted the monetary easing policy in December 2015. The most important challenge for the housing market in Japan is the adverse demographic trend. Not only has the population of Japan started to decrease, but also the share of the working-age population against the dependent-age population is declining sharply. There are discussions whether Japan should continue to construct as many new houses as of today, even though there are eight million vacant units (Kobayashi, 2016).

The transformation of the mortgage market in Japan was drastic as well. The transition from primary markets to secondary markets was streamlined and successful in

Japan, not only in the form of a business model, but also in the funding mechanism. Japan is one of the most successful countries to develop MBS markets, other than the US. Japan's experience has implications for emerging Asian countries where there are primary mortgage market GFIs. Japan is still in the middle of its social experiments and there is need to closely monitor the change of market trends and exchange information to help other parties concerned(Kobayashi, 2016).

2.5 Review on Previous Studies

Man Cho (Cho, 2007) had studied the 180 years' evolution of the US mortgage intermediation system (MIS); and extracting the lessons to be learned by emerging mortgage markets. The study indicated that US Mortgage Intermediation System experienced a tremendous growth since the early 1990s and achieved further maturity in its key functions of lending, funding, servicing, and risk management. However, the system has a long history of evolution, over 180 years from the first recorded institutional lending in the 1830s. Throughout that evolution, economic shocks often stimulated discrete policy shifts, which in turn led to innovations in product development and risk sharing arrangement (Cho, 2007).

Moe Thu Mar, (2018) had conducted a study on development of mortgage system in banking sector, case study of CHID Bank; however, the findings of the study were more on the perceptions of mortgage users. The findings of the study were twenty percent of the respondents prefer to live in low cost housing type. Fifty percent of the respondents want to live in affordable type and thirty percent of the respondents answered that they live in single housing type respectively. According to the study data, most of the respondents have no borrowing loan experience.

Catrin Berge (Berge, 2016) explored the housing finance sector in Botswana by distinguishing necessary conditions and possible bottlenecks to development of an efficient market, as well as providing possible solutions. Stable macroeconomic conditions, a legal framework for property rights, a functioning property market, mortgage market infrastructure and funding mechanisms are five preconditions which have been used to evaluate the market (Berge, 2016).

Richard K. Green and Susan M. Wachter, (2005) studied the U.S. mortgage and pointed out the benefits that it provides many more options to borrowers than are commonly provided elsewhere: American home buyers can choose whether to pay a fixed or floating rate of interest. The borrowers can choose the time at which the mortgage rates resets; the

term and the amortization period; can also be chosen and prepay freely; and generally borrow against home equity freely. The borrowers can also obtain home mortgages at attractive terms with very low down payments (Richard K. Green, Susan M. Wachter, 2005).

“Consumer Perception Towards Mortgage Loan in Myanmar” was conducted by Aung Zaw Oo to identify the current situation of housing mortgage system in Myanmar and to evaluate the borrowers’ perception. It came out with the final result that the participants were well satisfied in Mortgage Loan. The Condominium Law and National Housing Development Law (draft) will improve the Housing Mortgage System. The author also pointed out that by preparing the adequate legal framework for the mortgage system would make the system to be well established in the Country (Aung Zaw Oo, 2017).

Boabang, (2015) has identified the solutions of housing deficit challenges in Ghana and the key findings were stated as underdeveloped housing market, the scarcity of long term finance for the middle to low income earners to access the facilities and the excessive cost of the few available formal housing sources. Boabang suggested that financial institutions in the emerging economies must adequately increase their capital base for effective housing finance supply and introduce mortgage products with long-term tenure to actively mobilize resources for mortgage lending (Boabang, 2015).

Nasim Shah Shirazi (2017) had identified the challenges in the housing system in Islamic Development Bank Countries. In the study the number of factors constrain the supply of housing especially in the urban cities were pointed out. The challenges includes not just having availability of land, poor quality of infrastructure and non-transparent ownership, vague property rights, weak legal and regulatory framework and ineffective foreclosures laws, ineffective land registration system, high transaction costs were indicated as key challenges in the system (Nasim Shah Shirazi, 2017).

Khin Me Me Aung (2018) had also studied the Customer Perception of Home Loan in Private Banks and found out that housing loan of private bank has the major economic factor of the country. The result generally indicated that the respondents were satisfied on Home Loan Service. It is also found that customers have the high level of perception in getting loan from state-owned banks. It also identified that housing loan of private banks has the major economic factor of the country and it would be established as well functioning home loan system in the country.

Nakweenda, (2014) investigated the challenges encountered by low income earners in Otjomuise (Namibia) in raising finance for acquiring a dwelling. The study concludes

that the major challenges that low income earners in urban areas encounter in acquiring a house range from high interest rates on mortgage bonds to income and collateral requirements of financial institutions.

CHAPTER III

HOUSING MORTGAGE SYSTEM IN MYANMAR

3.1 Housing Development in Myanmar

Myanmar is on its route on political and economic transitions and there are many areas which require government's prioritization for development. Urbanization is one of them as it is common among the other rapidly changing developing countries where housing facility becomes a vital concern. As of 2014, about 30% of the total population in Myanmar resides in urban areas and around 370,000 families have built their houses informally in vacant land of Yangon City itself. Moreover, poor housing commodities are noticeable in Delta region as a result of Nargis Cyclone in 2008. There is huge demand for affordable housing among such vulnerable families as well as middle income people who are planning to access the ownership of housing.

The Department of Urban and Housing Development (DUHD) of the Ministry of Construction of Myanmar (MOC) intends to strengthen the legislation and policy aspects, such as the establishment of the Housing Development Law and the Condominium Law, while emphasizes on housing supply. For the 20 years from 2011 to 2030, a plan for housing supply of 1 million households is being planned and executed. Especially DUHD emphasizes housing policy for low and middle income population, and DUHD said that 90% of the 200,000 houses to be built by themselves will be devoted to Low Cost houses for low-income families. Furthermore, emphasis is placed on the housing finance system, supporting the purchase of low and middle income groups, especially for the development of long-term low interest loans.

The Construction and Housing Development Bank (CHDB), the executing agency of housing finance, was founded in 2013, and after the pilot project in 2015, CHDB carries out the housing loan business for individuals from 2016. Some of private banks such as Yoma Bank, CB Banks and microfinance institutions have started launching home loans

products. However, there are still limitations in supply in order to cover the overall huge housing demand of the population in the Country.

Based on such recognition that housing finance system is very important for solving the housing related issues which Myanmar faces today, various support have been given by Japanese institutions such as the Ministry of Land, Infrastructure Transport and Tourism, Government of Japan, Japan Housing Finance Agency, JICA, etc.. However, in order to expand these services and make it possible for more citizen in Myanmar to access to such housing finance, it is indispensable to analyze and solve issues in wide range of fields, especially in five thematic areas of mortgage loan system, documentation process, Interest rate on Loans, Mortgage Loan Period, Loan Amount and Repayment Capacity. Targeted Households of DUHD for Low Cost Housing and Affordable Housing for the country are shown in Table 3.1 (MyanmarData Collection Surveyon Housing Finance SystemReportMarch, 2018).

Table 3.1 Target Housing for Urban Development in Myanmar, 2018

Housing Category	Low			Middle	High
	Needy	Low Cost	Affordable		
Monthly Regular Income (Household)	MMK 0.1 Million	MMK 0.3 – 0.5 Million	MMK 0.5 – 1.0 Million	MMK 1-1.5 Million	MMK 1.5 Million or More
Average Size Price (MMK Mil. Per housing unit)	MMK 6 Million	MMK 10 – 27 Million	MMK 27-50 Million	MMK 60 Million	-
Average Size	150 Sq.ft	300-800 Sq.ft.	800-1,200 Sq.ft.	600 Sq.ft.	-

Source: Myanmar Data Collection on Housing Finance, 2018

3.1.1 Implementation Arrangement of Housing Supply

In the Union of Myanmar (Federation of Burma), after independence in 1947, housing construction continued in waves that correspond to the shift of political system.

According to the results of the census conducted in 2014, the housing stock in Myanmar is 11 million units, 1,580,000 of which are in Yangon, and 1,300,000 of which in Mandalay.

3.1.2 Housing Units Providers in Myanmar

In order to fulfill the housing demand in the country, several housing implementers have emerged including the public sector. The main housing providers include union government, regional governments and city development committees and private sector.

(i) Union Government

DUHD (Department of Urban and Housing Department) located in the Ministry of Construction (MOC) is the main housing supply agency, making housing supply plans throughout the country and conducting construction in various places. Since its establishment in 1951, DUHD has a track record of building a total of 50,000 houses by 2015, about 80% of which are concentrated in the Yangon area. In parallel, City Development Committees (namely in Yangon, Mandalay and Nay Pyi Taw) have also supplied some housing units, although the numbers are fewer than that by DUHD.

The NLD administration has laid out a policy to greatly accelerate housing construction, and DUHD is also building a large-scale residential complex in the outskirts of Yangon. However, since it cannot deal with the influx urban population alone, the Government encourages the private sector, including foreign investors, to participate in housing supply. Investment in affordable housing is also clearly stated as a priority in the injection of foreign capital by MIC (Myanmar Investment Commission) launched in June 2017, and it is hoped that support measures by the current regime will be launched.

At present, the housing units built by foreign investors are those in upper part of the market, and are virtually limited to the affluent population and/or foreign nationals stationed in Myanmar. The Condominium Law was enacted in 2016, but the relevant regulations have not been effected, and the law may not be applied to housing units on public lands. Thus it is not clear yet whether the law would boost the supply of low cost or affordable housing units in Myanmar or not.

(ii) Region Governments and City Development Committees

Some of the major local governments such as Yangon Region Government have supplied rental housings and housings for public servants using the fund of the Union Government. Also, an organization of entrepreneurs and developers called MCEA is

considering to launch a scheme to supply low-cost and affordable housing units in collaboration with YRG and CHDB. This kind of initiative may have a larger share of supply in future. YCDC functions as a regulator in DUHD's housing supply to provide construction permits.

(iii) Private Sector

Private sector has provided a number of housing units in Myanmar, particularly in Yangon Region, but most of them are high/middle cost housings, and their role in low cost and affordable housings is not significant. The urban population and housing requirement is shown in following Table 3.2 (MyanmarData Collection Surveyon Housing Finance System Report, March, 2018).

Table 3.2 Urban Population and Housing Requirement in Myanmar,2018

Name of Urban Center	Urban Population in year ('1000 units)		Necessary Housing Units	Remarks
	2014	2030	1000	
Yangon	5,746	8,351	593	JICA (SUDP The strategic Urban Development Plan of the Greater Yangon)
Mandalay	1,319	1,920	137	JICA (Urban Development Plan for Mandalay 2040)
Nay Pyi Taw	333	502	38	2014 Census, and 2030 population estimated by using urban population growth rate of UN Urbanization prospect estimate.
Other Urban Centers	10,625	16,387	1,313	-
Total Urban Population	18,023	27,160	2,081	Urbanization Prospect 2014

Source: Myanmar Data Collection on Housing Finance, 2018

The above Table indicated the urban population and the housing requirement in Myanmar with current and approximate figure for 2030. The big cities in Myanmar such as Yangon is population with 5,746,000 in 2014 and projected to be 8,351,000 due to rapid urbanization. The necessary housing requirement for Yangon is expected to be 593,000 for the increased households as projected by The Strategic Urban Development Plan of the Greater Yangon followed by Mandalay, Nay Pyi Taw and other urban centers by respective projections.

3.2 Housing Supply by Public Sector in Myanmar

(i) Projection of Urban Population in Myanmar

A national census was carried out in August 2014, and the total population of Myanmar was estimated as 51.41 million. In the same year, 2014, The United Nation's prospects 2014 showed that the urban population in Myanmar was estimated at 18.02 million, and in 2030 the urban population was projected to reach 27.13 million. Accordingly, the urban population will increase 9.10 million by 2030, which corresponds to 2 million households based on a household size of 4.39 as prescribed in the Census. Thus the number of housing units in demand by 2030 will be minimum 2 million, in addition to any existing shortage as well as old and decrepit housing stocks that may have to be replaced.

The above number of housing units in need due to increasing population will be the mostly in Yangon, estimated at 590,000 by 2030, followed by Mandalay and Nay Pyi Taw, with numbers proportionate to their urban population size. Therefore, it is important to provide housing units in Yangon at first and extend supply to other major to middle sized cities.

(ii) Housing Plan of Myanmar Government

The following Table 3.3 shows the list of low cost housing units under 2 year program in different townships. There are total five low cost housing projects located only in Dagon Seikkan Township and two projects have already completed as of February 2018. Among the three low cost housing projects Hlaing Thar Yar Township, two projects had already completed and the other one was projected to be finished in December 2018. The rest of the low cost housing projects are one each in Thanlyin and South Dagon.

Table 3.3 Low Cost Housing Units under 2-year Program, 2018

Township Housing Project	Housing Project	Project Area (acre)	Unit size (sq feet)	Sold Units	Total Units	Status	Completion Date
Dagon Seikkan	Yuzana Low Cost Phase 1	15.8	468 - 522	284	864	Finished	Finished
Dagon Seikkan	Yuzana Low Cost Phase 2	27	468 - 522	487	1,152	Nearly Finished	Nearly Finished
Dagon Seikkan	Kanaung Housing	10	468 - 522	154	852	Finished	Finished
Dagon Seikkan	Yoma Low Cost	30.2	324 - 468	0	1,920	60% finished	Dec. 2017
Dagon Seikkan	Yuzana Low Cost Ph. 3	26	436 - 522	0	1,456	Starting	Dec. 2019
Hlaing Tharyar	Kyan Sit Min Low Cost Ph. 1	50	324-522	0	1,904	77% finished	Dec. 2018
Than Lyin	Thilawar	30	384 - 400	0	1,480	30% finished	Dec. 2018 & Dec. 2019
Dagon (south)	Aung Myin Mo Low Cost Ph.1	14.3	484 - 522	0	960	Nearly Finished	Nearly Finished
Hlaing Thar Yar	Shwelinpan Ph. 2	9.5	484 - 522	420	496	Finished	Finished
Hlaing Thar Yar	Shwelinpan Ph. 3	7.4	468	150	504	Finished	Finished
	Total			1,495	11,588		

Source: Original data from DUHD, 2018

The Government of the Union of Myanmar publicized a housing plan focusing on supplying one million units by 2030 nationwide. This corresponds to half of the housing supply needs mentioned above. In response to the one million housing plan, DUHD formulated a 5-year housing supply plan. DUHD plans to supply 20% of the total, of which 90% is low-cost housing and 10% is affordable housing. According to this plan, DUHD will supply 7,200 units per year, of which 90%, or 6,480 unit will be low-cost, and 10%, or 720 units affordable.

The supply of housing units from 1990s through to 2010s, DUHD supplied more than 1,000 units per year from 1995 to 2007. In particular, between 1997 and 2001, it supplied more than 5,000 units per year. Looking at numbers by types, low-cost units were

the majority up to 1997, but from 1998 middle cost units took over the majority and became the mainstream of supply. Since 2008, the annual supply declined and the number fell below 1,000 units per year.

Since 2012 the democratization proceeded at a high pace, and in November 2014, the Government established a revolving fund to cater to the construction of low-cost housing units. This fund was expected to bridge the 2 to 3 year period between the commencements of housing unit construction to the completion of the sales, thus the fund would revolve (turn in, turn out) in a short period of time. The Government released MMK 100 Billion to the Revolving Fund. Accordingly, the number of housing units supplied increased to 9,000 per year.

Table 3.4 Affordable Housing Units under 2-year Program, 2018

Township Housing Project	Housing Project	Project Area (acre)	Unit size (square feet)	Sold Units	Total Units	Status	Completion Date
Thanlyin	Thilawar	30	650	0	240	30% Finished	Dec. 2018 & Dec. 2019
Dagon (South)	Aung Myint Mo	14.3	960 - 1100	0	96	Nearly Finished	Nearly Finished
Hlaing Tharyar	Shwe Lin Ban IZ Commercial Area	1	800	0	64	54% Finished	Dec. 2018
Shwe Pyi Thar	Shwe Pyi Thar IZ (3) Commercial Area	5	650-1500	0	112	Nearly finished	Nearly Finished
Hlaing Tharyar	Kyan Sit Min (1)	52	650	0	588	77% finished	Dec. 2018
Hlaing Tharyar	Kyan Sit Min (2)	27	800 - 1500	0	664	22% finished	Dec. 2018
Dagon (south)	Aung Myint Mo	14.3	960 - 1100	0	96	Nearly finished	Nearly Finished
Tar Kay Ta	Water Front Villa (2)	0.387	927	0	18	Finished	Finished
Dagon (south)	Inwa Housing	1	1175	0	32	60% Finished	Dec. 2018
Dagon Seikkan	Yadana Hnnnsi Residence	About 21	480/600/1080/1200	512	1,780	Finished	Finished
	Total			512	3,594		

Source: Original data from DUHD, 2018

There are 3594 Affordable housing units are being constructed by DUHD in Yangon. All the low-cost and affordable housing units mentioned above, according to DUHD, have obtained building permits from YCDC, except for Yadana Hninnsi Project. The estimated completion time will be 2018 to 2019 (Myanmar Data Collection Surveyon Housing Finance System Report, March, 2018).

3.3 Legal Framework for Housing Mortgage System in Myanmar

In Myanmar, establishment of legal framework has started since 2014, which includes the drafting of Urban & Regional Development Planning Bill and Myanmar National Building Code and National Housing Development Bill. Even though the relevant laws have not been formally legislated yet, YCDC is conducting the development permit systems in operation. Condominium Law was enacted on January 22, 2016, and buildings of the sixth floor or higher constructed in accordance with the same law on a shared registered land subject to the same law, a room of the building was admitted to be a subject of independent ownership and transaction.

As a root cause of these problems, there is a problem that unit ownership of the real estate building is not allowed in the Myanmar law. In order to root housing loan structure in the Myanmar society in the future, to include not only CHDB but also private banks as housing loan providers, and to expand the loan target to not only properties built by DUHD but also properties built by private developers, establishment of unit ownership is necessary.

Furthermore, in Myanmar the registration system for collateral is underdeveloped. The subject property of collateral itself is not properly registered. Or, because unit ownership is not admitted, even if someone sets up collateral on an apartment unit, the collateral pledge agreement cannot be registered at the Office of Registrar of Deeds and Assurances, Settlement and Land Records Department, the Ministry of Agriculture, Livestock and Irrigation (hereinafter MOALI). For that reason, a method of collateral, “mortgage by keeping title deed as collateral,” is widely used for housing loans. However, in order to execute the collateral set by the method, it is necessary to judge the effectiveness of the right sale and collateral and obtain court decree, resulting in long term and costs. Development of legal system of registration and collateral execution system is necessary

for smooth, reliable, and short term collateral execution (Myanmar Data Collection Survey on Housing Finance System Report, March, 2018).

3.4 Role of CHID Bank

The Construction, Housing and Infrastructure Development Bank (CHID Bank) the former name was CHDB, the executing agency of housing finance, was founded in 2013 and carries out the housing loan business for individuals since 2016. A few private banks also offer loan service for purchaser of housings, but the target of such loan as well as the volume of the services are very limited. In terms of housing mortgage loans, CHID is the first development bank in Myanmar for the implementation of affordable and low-cost housing projects and addressing the needs for housing and dedicates to the extending of long-term housing loans to the public under the auspices of Ministry of Construction.

CHID was incorporated as public company limited holding a company registration dated on 8th May 2013 from the Directorate of Investment and Company Administration (DICA) with the vision of facilitating the socio-economic life and upgrading the quality of living of the citizens by developing urban and housing sector. CHID also aims to provide the construction loans, housing loans and mortgage in accord with the various loan tenures as short-term, mid-term and long term loans respectively. Therefore, the mortgage system of CHID is chosen to identify the challenges faced in the entire system as well as throughout the transaction process.

3.4.1 Current Housing Mortgage Situation of CHID

Through the examination by CHID, the applicant pays 30% of the house price as a down payment to CHID, and a tri party agreement is concluded between DUHD, CHID and a purchaser. Then 100% of home purchase price is paid from CHID to DUHD. DUHD issues and delivers a temporary residence certificate to the purchaser, and the purchaser becomes able to move in the property. In addition, the ownership book of the target housing is deposited as collateral from DUHD to CHID. Ownership of the target housing is not transferred to the purchaser at the time of the tri-party agreement. When the purchaser fully repays the loan amount, it is transferred to the purchaser.

Until the purchaser pays out the loan, the target housing cannot be sold, gifted, nor rented to a third party. In addition, resale is forbidden for five years from the start of loan even if it pays off early. When the loan is paid off, the ownership book is delivered to the

purchaser, and the ownership of the property is transferred to the purchaser. However, since unit ownership is not admitted in Myanmar, what has been referred to as “ownership” here is different from general meaning of ownership, and it is explained as “the right to live and transfer” as the right which is granted by the authority to citizens to live and transfer. The government keeps ownership of the land, though the purchaser does not have to pay the rent.

At the time of default, in accordance with the Government Premises Eviction Act of 1955, DUHD forcibly evicts the purchaser and resells the property to a third party. With the price at the time of resale, DUHD repays the remaining loan amount to CHID. As a problem, if the property price at the time of resale exceeds the initial selling price, DUHD says it will return the remaining surplus to the purchaser. However, in the case that the property price is rising, a moral hazard can arise to intentionally default the loan and obtain the excess surplus.

Furthermore, if the resale price falls below the initial price, DUHD will not be able to fully return the down payment and the repaid loan amount to the purchaser, resulting in a loss to the purchaser. Because there is no agreement on the tri-party agreement regarding this loss burden, there is a risk that the purchaser requests DUHD to return the balance. In order to avoid these risks, revision and review of the tri-party agreement are necessary. Although it can be said that the execution of collateral is more certain than loan scheme by private banks in the point that DUHD is able to enforce collateral without undergoing court procedures at the time of default.

Hence it can be said that the number of CHID loans is growing. However, in the case if DUHD neglects to resell the unit at the time of default, it will be DUHD's breach of the agreement, and judicial proceeding is necessary. Therefore, when considering DUHD as a servicer for collecting receivables of CHDB, it is necessary to recognize the fact that CHID is also taking this servicer's risk (MyanmarData Collection Surveyon Housing Finance System Report, March, 2018). The area wise mortgage loan distribution of CHID Bank was shown in the Table 3.5.

Table 3.5 Area-wise Mortgage Loan Distribution of CHID Bank, 2019

No.	Regions	Percentage
1.	Yangon	77.55%
2.	Mandalay	19.55%
3.	Nay Pyi Taw	1.33%
4.	Pathein	0.75%
5.	Magway	0.82%
	Total 5 Areas	100%

Source: CHID (2019)

Based on the above information, total five key areas where CHID had disbursed loans such as, Yangon, Mandalay, Nay Pyi Taw, Pathein and Magway. The largest volume of loan disbursement by CHID was in Yangon with 77.55% followed by 19.55% in Mandalay. The smallest volume of mortgage loan was disbursed in Pathein, in Delta with 0.75%.

3.4.2 Number of Loans and Loan Outstanding on Housing Projects

As of 30.9.2019, the total number of loans disbursed by CHID was 4281 in 23 Housing Projects. The maximum number of loans was disbursed for Yuzana Housing was 1363 followed by 837 for Mya Yi Nandar housing project. The smallest number of loans disbursed was one each for total five housing projects with 0.02% of total number of housing mortgage loans by CHID (CHID, 2019). The number of loans and loan outstanding details of CHID (as of 2019) can be seen in the following Table 3.6.

Table 3.6 Number of Loans and Loan Outstanding on Housing Projects, 2019

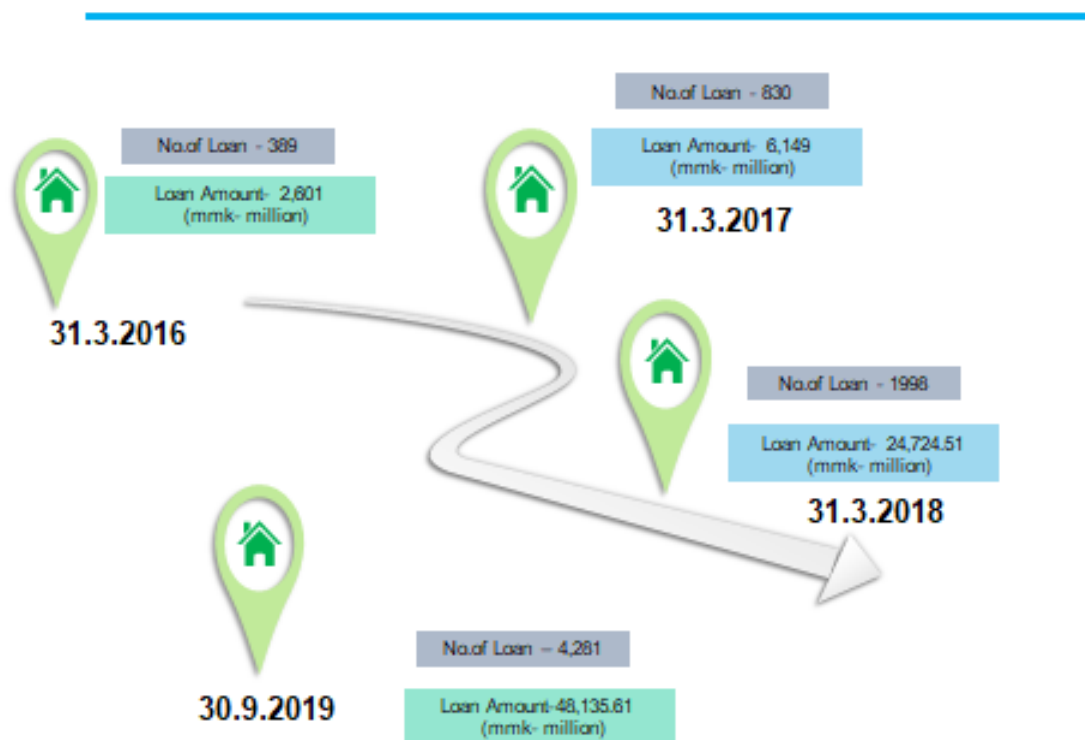
Sr.	Project Name	No. of Loan	Loan Outstanding	% on No. of Loan
1	Yuzana	1363	10,364,152,330.07	31.84%
2	Mya Yi Nandar	837	8,641,902,085.81	19.55%
3	Shwe Lin Pan	703	4,708,701,094.13	16.42%
4	Kyan Sit Min	346	2,961,978,661.46	8.08%
5	Yadanar Hnin Si	298	13,904,865,187.50	6.96%
6	Kanaung	286	2,282,395,121.52	6.68%
7	Shwe Pauk Kan-14	164	1,596,398,718.56	3.83%
8	Shwe Nant Thar	57	415,854,082.48	1.33%
9	Industrial(3) Commercial Area (2)	55	725,239,304.05	1.28%
10	Pearl Mon	45	627,959,078.65	1.05%
11	Innwa	38	633,835,865.03	0.89%
12	Htee Hlaing Shin	26	491,832,810.34	0.61%
13	Ohnmar Dantee	25	200,533,512.96	0.58%
14	Chan Myae Thar Yar	20	268,262,780.18	0.47%
15	Pyi Taw Thar	7	87,722,189.48	0.16%
16	Kwae Ma (Duplex)	2	94,434,739.89	0.05%
17	Kyee Pwar Yay	2	43,477,855.78	0.05%
18	Yuzana Garden City	2	10,080,000.00	0.05%
19	38st,kyaut tada TSP	1	19,004,913.65	0.02%
20	Bawga Bala Housing	1	17,031,990.62	0.02%
21	Han Thar Yeik Mon	1	14,435,711.65	0.02%
22	Wai Bar Gi	1	16,777,925.99	0.02%
23	Wai Pone La Housing	1	8,730,977.07	0.02%
	Total	4281	48,135,606,936.87	100%

Source: CHID Bank , 2019

3.4.3 Evolution in Number of Loans and Loan Amount by CHID Bank

As of 31. March. 2016, total number of Loans disbursed by CHID was just 389 with the loan amount of 2,601 million MMK. The number of loans and disbursement amount scaled up to 830 and 6,149 million MMK in 2017. The number of loan was significantly increased to 1998 loans in 2018 and sharply went up to 4,281 loans in 2019 with the loan amount of 48,135,61 million MMK (CHID, 2019). The following figure 3.1 presents the evolution of loan details by CHID.

Figure 3.1 Evolutions in Number of Loans and Loan Amount by CHID (2019)



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Source: CHID, 2019

3.5 Financial and Technical Supports by International Firms

Based on such recognition that housing finance system is very important for solving the housing related issues which Myanmar faces today, various support have been given by Japanese institutions such as the Ministry of Land, Infrastructure Transport and Tourism, Government of Japan, Japan Housing Finance Agency, JICA, etc.. However, in order to expand these services and make it possible for more citizens in Myanmar to access to such

housing finance, it is indispensable to analyze and solve issues in wide range of fields, including financing methods, arrangement of legal systems to support the loan system, and development of financial infrastructure.

i. Japan

Japan Bank of International Cooperation (JBIC) established Myanmar Project Promoting Vehicle (PPV) in January 2015 with MoPF which is expected to play a role in urban development as well, and started its efforts for launching investment by Japanese firms, which including a study related to the Data Collection Survey on Urban Housing Development in Yangon.

ii. JICA

JICA carried out in 2017 in collaboration with UN HABITAT, “The Programme for Emergency Assistance to Poor and Vulnerable Community in Ethnic Minority Areas and Yangon,” in which collective housing units were provided in Yangon mainly for the low income households. In 2016, JICA carried out “Data Collection Survey on Urban Housing Development in Yangon.”

iii. MLIT, JHF

Since 2014, MLIT of Japan and MOC of Myanmar, and JHF and CHDB, have engaged in cooperative relationships. In October 2014, a study by MLIT was carried out and in October 2014, JHF started a series of training sessions on mortgage loans in April in Yangon and November in Tokyo. In September 2016, a Letter of Intent (LoI) was signed by MLIT, MOC, JHF and CHDB, and in November 2017 and March 2017, training sessions on mortgage loans were carried out with MLIT as inviter of the trainees.

iv. Singapore

Singapore has been assisting with the housing sector of Myanmar since 2012 or so. In 2012 Goh Chok Tong, Former Prime Minister and the then Emeritus Senior Minister of Singapore, visited Myanmar with a high level delegation. The Myanmar side expressed an intention of receiving assistance from Singapore for the housing supply sector, and the Singapore side indicated that they were considering to do so. Since then Singapore has been active in the real estate sector of Myanmar, as Singaporean companies such as Surbana and Far Eastern Group has started to do business in Myanmar. Surbana of Singapore involved in the housing development in Yadana Hninsi Residence in Dagon Seikkan, and a PC-method was proposed and adopted for the construction. A joint company was established

by the Singapore and Myanmar sides to manufacture PC-beams, and the development project has been launched as a DUHD project. Also, seminars and/or workshops are carried out by Singapore a few times a year.

v. Korea

Kookmin Bank of Korea concluded a MOU in 2014 on the cooperation of banking and IT systems development with CHDB. In March 2016 Workshop on Myanmar's Housing Finance was held in Seoul to which members from CBM, MOF, NPED, MOC and CHDB participated. In February 2016, Kookmin Bank of Korea concluded a MOU with CHDB and MOC on the cooperation on the banking, microfinance and IT systems development. In February 2017, there was a newspaper report about Two Step Loan financing housing projects in Shwe Pyi Thar, Dagon Seikkan and North Okkalapa. The financing, according to MOC, is mainly for housing improvements up to MMK 2.50 Million and thus does not cover the whole cost of a housing unit.

vi. ADB

ADB has carried out since 2012 Community-Led Approach to Improved Sanitation Systems (2012) in Yangon, and a scoping study for inclusive cities in 2014. In 2016, ADB held consultative meetings in Mandalay, Nay Pyi Taw and Yangon, and published a booklet "Making Myanmar's Cities More Inclusive". In its conclusion paragraph, it deals with Affordable Housing and Finance, in which a proposal was made to extend the loan term from the present 3 years to a long period, for example 15 years. ADB has reportedly started a preparatory study on the housing finance already.

vii. UN HABITAT

UN HABITAT in collaboration with partners, undertook a review and revision of the MNBC to encourage environmental sustainability and reduce risk through capacity building, promotion of better construction and better enforcement in 2012. In April 2017, UN HABITAT held a seminar called International Experience Sharing Workshop on Slum Upgrading, participated by Minister of Construction and Chief Minister of YRG, among others. YRG is reportedly interested in the participatory slum improvement project discussed in the seminar, though specific development afterwards has not yet been confirmed. There is also information that UN Habitat is in preparation to launch housing loan for slum improvement with CHDB, but details have not been available (MyanmarData Collection Survey on Housing Finance System Report, March, 2018).

3.6 Risk Mitigation Plan in Housing Mortgage System

Risk management is the “identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities” (Aven, 2011). In other words, since risk cannot be eradicated, organizations should take precautions to minimize negative consequences and maximize positive outcomes (Pelzer, 2013). Banks face a broad spectrum of risks in their daily operations, which need to be managed properly in order not to lead to losses (Bessis, 2002). The growing financial market along with increased diversity of financial instruments has created opportunities for new products and services to arise. Deregulation and technological developments have further changed the banking industry and led to new possibilities and thus increased competition between banks. The existence of banking regulators cannot fully prevent a bank from failing; they rather serve as supervisors of banks’ risk management (Greuning, 2003).

Risk mitigation plan is crucial for any financial suppliers in order to maintain the financial welfare of the customers as well as the sustainability of the institution. In its nature, risk is inevitable however it can be mitigated through a proper planning. There are various aspects of typical risk mitigation plan for a financial institution. Lack of Credit Bureau is quite challenging in Myanmar Credit Market and it is one of the constraints should be prioritized by the government. Instead having Risk Management Policy is a must in an institution along with the proper identification of the customers by KYC tool and detailed assessment of the collateral will have to be conducted effectively until the development of the Credit Bureau in the Country.

CHAPTER IV

ANALYSIS ON HOUSING MORTGAGE SYSTEM IN MYNAMAR

4.1 Survey Profile

Yangon Region was found out to be the maximum number of housing projects in operation by and it was selected for the study. Moreover, based on the census data in 2014, there were 5.16 million people in Yangon with the housing units of 1.58 million and the person per housing unit was 3.27 million. The population of Yangon was estimated to be 7.98 million in 2040 and the housing needs would be 1.07 million. Based on the estimation of huge housing gaps for the urban population, the importance of housing mortgage system came into place and Yangon was selected for this study in order to identify the challenges of housing mortgage system in Myanmar. In addition, the 90% of the housing mortgage operation and Head Quarter of CHID existed where all system related policies and procedures are enacted.

4.2 Survey Design

The survey was designed in application of qualitative data collection tools. The Key Informant Interviews with the stakeholders from various levels of housing sector were conducted to study to identify the challenges of the housing mortgage system in Myanmar. The large portion of stakeholders was involved at CHID Bank as Mortgage Customers, Bankers, and Business Development Team Members. Others urban development regulators and Housing project developers are stakeholders of the system but not largely involved with the CHID. The respondents in the Housing Mortgage System were chosen randomly as a sample for the study as it was the pioneer of housing mortgage system in Myanmar and the challenges faced throughout the journey would be a useful lesson learned for mortgage system of Myanmar.

4.2.1 Sampling Design and Method

Randomly Sampling method was used in order to gather the primary data with the Key Informant Interviews with the stakeholders. In terms of qualitative data collection, primary information is sourced by conducting 20 Key Informant Interviews (KII) and in term of the quantitative data collection, there were 30 Mortgage customer interviews in random sampling method. Total 50 interviews were conducted with the stakeholders from various level of housing mortgage system of CHID Bank including each five key informants of urban development regulators, Mortgage Bankers, Housing Project Developers, Marketing or Business Development Team Members of CHID Bank and 30 Mortgage customers who have associated with the Mortgage System of the Bank. The list of the key informant interviews can be seen in the following Table. 4.1

Table 4.1: Categories and Number of Key Informants, 2019

Sr. No.	Categories	Numbers of Respondents
1	Urban Development Regulators	5
2	Mortgage Bankers	5
3	Mortgage Customers	30
4	Housing Project Developers (Constructors. Who gets 100% payment (70% CHID bank loan and 30% from Customers).	5
5	Marketing/ Business Development Team Members	5
Total		50 Respondents

Source: Survey data, 2019

The study approached stakeholders from all levels of the mortgage system in order to identify the challenges including five regulators, bankers, project developers and business development teams. Larger number of customers was interviewed to understand the position and challenges faced by the customers of the housing mortgage system.

4.3 Survey Results

The study aims to explore the challenges encountered by the various levels of stakeholders involved in the mortgage system and main demographic information of the respondents such as level of education, income categories; types of housing selected were captured to reflect the objectives of the study. Since, there are different stakeholders involved, the questions for KII varies from one person from another based on their position in the housing mortgage system of CHID Bank.

4.3.1 Education Levels of the Respondents

The education level of the respondents is important for understanding the mortgage system and its process. Thus, the study explored the education level of each respondents and the majority was 62% with postgraduate level followed by 18% respondents with undergraduate level. The detail information of the education background of all 50 respondents is stated in Table 4.2.

Table 4.2 Education Background of Key Informants, 2019

Sr. No.	Education Levels	Frequency	%
1.	Secondary	2	4%
2.	Undergraduate	9	18%
3.	Postgraduate	31	62%
3.	University Level	8	16%
Total		50	100

Source: Survey data, 2019

Based on the survey data, the majority of the respondents were found to be having moderate level of education level. Since the stakeholders from Regulator, Bankers and

Housing project developers includes in the study, the University Level was identified to be 16%.

4.3.2 Occupation of Mortgage Customers

Income and occupation are the major variables for the citizens to be able to access to affordable housing and the study identified the occupation categories of mortgage customers to understand the cash flow pattern of their income. It was found out in the interviews that 37% is the majority of the portion is company staff, followed by 23% government staff. Income from small trading is stated to be 10% and equal with the income from manufacturing sector whereas 20% from retire and other categories. The occupation categories of mortgage customers which is the main determinant to ensure the repayment capacity and mitigate the credit risk for the providers are presented in the following Table 4.3.

Table 4.3 Type of Occupation by Mortgage Customers, 2019

Sr. No.	Categories	Frequency	%
1.	Government Staff	7	23%
2.	Company Staff	11	37%
3.	Retire	6	20%
4.	Others	6	20%
Total		30	100

Source: Survey data, 2019

Larger number of customers interviewed being company staff indicate the income stability and people with stable income are more interested in the housing mortgage system. That is a positive indicator for the suppliers as stable income shows the credit worthiness of the customers for the regular repayment. Housing Mortgage System is also a dream of

dwelling for government staff and 23% of the respondents are found to be from the government sector.

4.3.3 Types of Housing of the Mortgage Customers

CHID Bank offers three different layers of housing and pricing varies depending on each type. The types of housing identified by the study are low cost housing pricing up to 27,000,000 Myanmar Kyat to above 64,000,000 Myanmar Kyat for high end housing. The details category of each housing and pricing are presented in the following table 4.4.

Table 4.4 Types of Housing offered by CHID, 2019

Sr. No.	Types of Housing	Pricing (MMK)	Number of Respondents
1.	Low Cost Housing	Up to 27,000,000 MMK	10
2.	Affordable Housing	27,000,000 to 64,000,000 MMK	10
3.	High End Housing	Above 64,000,000 MMK	10
	Total		30

Source: Survey data, 2019

4.3.4 Choice on Type of Payment System

The types of payment are crucial in the mortgage system as it needs to be matching with the accessibility and capability of the mortgage customers. The types of payment system offered by the bank should be easily accessible by the users to choose independently. Generally, there are 3 types of payment system available at CHID Bank for the customers. The study identified the payment system chosen by the 30 key informants and it was found out that mortgage up to five years is chosen by 13 % of the customers whereas 60% of the customers have chosen the longest period of 10 to 15 years. The details information is presented in the following Table 4.5.

Table 4.5 Choices of Respondents on Payment System, 2019

Sr. No.	Payment System	Frequency	%
1.	Mortgage up to 5 years	4	13%
2.	Mortgage from 6 to 10 years	8	27%
3.	Mortgage from 10 to 15 years	18	60%
	Total	30	100

Source: Survey data, 2019

4.4 Challenges Identified in Housing Mortgage System

The study conducted Interviews with 50 respondents involved in the mortgage system of CHID Bank. The questions were mainly focused to find out the challenges faced in five key areas such as Legal Framework, Transaction Process, Interest Rate and Other Fees, Mortgage Loan Period and Repayment Capacity of Customers. The challenges stated by target respondents at each level of the mortgage system are stated under five key areas with the respective questions.

4.4.1 Legal Framework

The following questions were asked on the legal framework of housing mortgage system environment and the responses are listed accordingly. “What is the mortgage system in Myanmar differ from the systems of other countries? What are the main constraints for compliance? What are the areas of improvement in legal framework of the country in the Mortgage System? “

The regulators and mortgage bankers pointed out the lack of housing bank law in the country which has direct effects on the mortgage system. The benefits perceived of having the Law by the key informants were the ease to access the funding sources in a cost effective manner by the bankers whereas the customers would be provided tax exemption facilities while borrowing. In addition, development of the stated law would be win-win situation to protect the rights of the bankers and the customers. Lack of Credit Bureau was also considered to be one of major challenges under the legal framework of the country as Credit Bureau plays a vital role in any lending methodology. Credit Bureau would a useful tool to track the credit history of the customers in order to mitigate the credit risk of the suppliers and customers would be automatically protected from debt trap.

Mortgage Bankers also added that lack of law enforcement to the existing laws have become a potential risk to the mortgage system. There are also some CBM's restricted instructions concerned with the interest rates and limitation for the long term home loan product which are not relevant for the housing specialized bank. Moreover, legally sharing of customer's information doesn't always happen among the banks and the lack of formal interrelation practice hampers to track the clients.

4.4.2 Transaction Process

The following questions were asked on the transaction process of housing mortgage system environment and the responses are listed accordingly. "What are the main challenges faced in housing mortgage transaction process? What are the documents required for the mortgage application? What are the main challenges faced related to required documents?"

The regulators stated that the Electronic Reporting System (ERS) is not fully functioning in the Mortgage System and still the reports were collected manually. The development of strong electronic would reduce the existing paperwork and manpower involved in the transaction process. The customers complained the long transaction process of the system, and the requirement of too many signatures in the process. In addition, the requirement of many documentations such as recommendation from the authority, household list, salary slip/recommendation letter from the employer were considered burdensome and limitation is suggested by the customers.

The Mortgage Bankers stated that weak information system of the Banks can also have negative effects on the efficiency on the fast transition process as well as risk management capacity of the mortgage providers. It was noted that all the verification is conducted manually by the staff and considered to be time consuming process. Thus, centralization of electronic information management in the mortgage system was suggested to be developed by the Business Development Team Members of CHID Bank. Housing project developers added that the challenge of credit worthiness is a major determinant and reliable and timely system is suggested to be used in the Mortgage System. Business Development Team Members briefed the requirement of reminders to the customers related to the required documents needs lots of affords as confusion commonly happens among the customers. In addition, the Loan Origination System is suggested to be computerized and immediate transition to be functioned in timely and effective manner.

4.4.3 Interest Rate and Other Fees

The following questions were asked on the interest rate and other fees of housing mortgage system environment and the responses are listed accordingly. “What are the related costs involved to function/access to the Mortgage System? Are the costs reasonable? Relatively costly? What are the other additional costs involved in the process? What are the challenges related to interest rate?”

The Mortgage Bankers responded that interest income was not meant only to bring profits to CHID but aims the sustainability of housing mortgage sector in the country. In addition, interest rate varies from one customer to another depending on the source of funds and it is very important to be communicated to the customers transparently. It was noted that the charges involved 1% of loan amount for service fees, maximum 150,000 Kyat is collected for stamp duty while making Mortgage Contracts and insurance premium. Exceptionally, the interest rate on mortgage loans varies from 8.5% to 12% based on the origination of loans.

Mortgage customers opined the fees on the mortgage system as the most reasonable rate to be the best possible options. However, the customers still questioned on the difference in interest rate charged on the mortgage. In the view of housing project developers, reasonable interest rate is the best option in order to attract the buyers through mortgage loans. Business Development Team Members mentioned the intensive efforts on providing the fees related information in the best possible manner in order to be proactive in preventing customers’ complaints. The bankers stated the concern on the lack of secondary mortgage market money market in Myanmar so that bonds and bill will be pawned for getting funds. It resulted in higher cost of funds and eventually caused higher interest to customers.

4.4.4 Mortgage Loan Period

The following questions were asked on the Mortgage Loan Period of housing mortgage system environment and the responses are listed accordingly. “What are the available mortgage loan period offered by CHID Bank? Can you tell more about it? How flexible is the loan period? What are the challenges faced in compliance to the loan period or adherence to the related rules and regulations?”

Mortgage Customers happily stated that loan period can be decided by the customers depends on the household income and repayment capacity assessed by the bank.

Loan period is limited to maximum up to 15 years. The shorter the repayment period the bigger the repayment amount and still the customers look for more than 15 years period. The bankers stated the concerns that longer loan tenure is associated to credit risks and the middle aged customers are preferred by the mortgage suppliers. Though, the customers explored the options for loan period up to 30 years, like in Japan, Korea and Thailand, the concerns for credit risks and liquidity risks is mainly stated by the mortgage bankers. The Business Development Team member pointed out that the repayment period which is directly related to the activities as the team has intervene in case of any defaults, foreclosure, and eviction.

The Business Development Team members stated the requirement of finding out the preference of the customers on the loan period and their perceptions on it time by time to track the continuous changes of clients' behavior and trends in the market. Accordingly, the feedback from the operations is reported to the back office in order to make any change is necessary in loan period including process, procedures and system.

4.4.5 Repayment Capacity of Customers

The following questions were asked on the repayment capacity of customers on housing mortgage system environment and the responses are listed accordingly. “What is the role of assessing repayment capacity of customers? To what extent is it important in Mortgage System? How does it affect the entire mortgage system? What are the challenges faced in accessing the repayment capacity? What are the areas to be developed in terms of assessing the repayment capacity of the clients in an effective manner?”

Assessing the repayment capacity of the customers plays vital role in any lending business and its importance was explored during the interviews. The bankers stated the crucial role of repayment capacity customers, as it is the main source to access the credit worthiness of the potential customers. The bankers pointed out that the essential requirement of capacity building support to the underwriting team who access the repayment capacity. It was noted that the repayment capacity of the customers are assessed at the branch office mainly on the documents and certifications. No physical visit to the customers' household or business is conducted by the bankers, as it will eventually increase the operation cost to the mortgage bankers.

The customers excused the income stability in order to make regular repayments to the banks. The external factors such as the effects of change in regulation, economic situation to the room price which was already agreed upon and certain risks are also bored

at the customer's ends. Depreciation of the housing unit was identified to be main concern by the customers and it would be uncontrollable situation for the tripartite. However, the regulators encouraged the bankers to take full responsibility in assessing the repayment capacity of the customers considering all the risk associated in the income sources before making any business decision. At the same time the customers are also encouraged to understand the all the terms and conditions of mortgage system and to comply with the mortgage contracts in order to maintain the sustainable mortgage system in Myanmar.

In general, the main challenges identified in the housing mortgage system are lack of housing bank law, underdeveloped Secondary Mortgage Market, the under development of Credit Bureau, weak MIS system, too many requirements from customers and unequal interest rate on mortgage due to different costs of fund.

CHAPTER V

CONCLUSION

5.1 Findings

The study aims to examine the evolution of housing mortgage system in Myanmar and analyze the challenges of the housing mortgage system in five areas such as legal framework, Transaction Process, Interest rate and other fees, Mortgage Loan Period and Repayment Capacity of Customers. Under legal framework of the mortgage system in the ASEAN countries, housing laws and regulations are observed to be well established such as National Housing Bank Law in India, Government Housing Bank Act in Thailand and Specific Housing Polices are in place in Japan. However, in the case of Myanmar, National Housing Bank Law should be formulated for the development of Housing Sector. There are also some CBM's restricted instructions concerned with the interest rates and limitation for the long term home loan product which are not relevant for the housing specialized bank.

The interest of mortgage loans in Myanmar is 8.5% to 12% and which is slightly higher compared to other stated countries. In addition, the government alone is not able to subsidize the required investment for Mortgage Bank Investment completely and the involvement of private sector is of necessity to establish housing saving banks in Myanmar.

Based on the demographic information of the primary data, 62% was found out to be in postgraduate level and it revealed the better understanding of the respondents in the study context in order to express the challenges faced in the housing mortgage system. 37% of the customers were under the category of company staff and it showed that people with income stability are more interested in the housing mortgage system. The figure interprets that 37% of the bankable people with saving accounts would be a good example to attract the other potential mortgage customers to the system. In addition, this information also stated that the customers with stable income are more eligible to access the housing mortgage since the customers are evaluated by the loan to income ratio prescribed by the bank.

In terms of choosing the repayment system, it was found that the preference of customers goes high along with the loan tenure. Mortgage from 10 to 15 years is the longest loan tenure offered to the customers and preferred by 60% of the respondents. The longer loan tenure resulted in the smaller monthly installment amount to the customers and a single monthly installment amount can be lower than the housing rental fees in the market. Ultimately, housing mortgage system benefits the customers in urban areas to access the own housing units through affordable monthly installments with longer loan tenure. However, 13% of the respondents showed the preference to mortgage up to 5 years it can be due to either cultural or personal perceptions on debt.

Under the legal framework of housing sector in Myanmar, despite The Condominium Law (Myanmar) enacted by Pyidaungsu Hluttaw on 29.1.2016, the law has mainly given benefits to high end users who have ownerships of the condominium. The middle income people have still been left behind by the existing law in the country and Apartment Law was in need by the Country to develop low cost and affordable housing projects. In addition, well establishment of the Law and regulations would be strong pillars in housing mortgage system particularly to the low income people. Lack of Credit Bureau was also considered to be one of major challenges under the legal framework of the country as it would ease to evaluate the credit worthiness of the customers more accurately. The sound legal framework and effective regulatory environment was found out to be established for the sustainability of housing sector in Myanmar.

In the transaction process of housing mortgage system, the electronic reporting system was stated to be not effectively functioning with the involvement of much manpower and paperwork. Too many requirements from the customers resulted more cost to the customers and ended with dissatisfaction. Centralized Information Management System was demanded by the bankers and business development teams for quick transaction process and in order to mitigate the risk associated in the entire process. Interest rate and other fees charged to the customers were varied depending on the cost of fund and the CHID Bank and caused the customers to be dissatisfied. Lack of secondary mortgage market and underdeveloped stock market were also stated to be a constraint by the bankers in order to get bonds and bills pawned for generating income source to the banks. Customers' satisfaction was vividly found on having flexible repayment tenure for the mortgage loans up to 15 years. In addition, it was found that longer loan tenure was preferable by 60% of the customers being interviewed.

It was noted that the repayment capacity of the customers are evaluated at the branch office mainly on the documents and certifications rather than physical visit to the customers' household or business premise. In the mortgage system, depreciation of the housing unit was found out to be one of the main concerns by the customers. External factors such as changes in rules and regulations, depreciation and environmental risks were found to be uncontrollable situation for the tripartite in the housing mortgage system.

5.2 Suggestions

Legal framework and regulatory environment are fundamental requirements for the mortgage system in Myanmar. All the process would smooth and more reliable under the strong regulatory environment and the work load of the staff would be reduced, the industry would be economically effective and minimize the requirements from the customers. Thus, National Housing Bank Law is suggested to be formulated for the development of Housing Sector. Since the government alone is unable to subsidize the required investment for Mortgage Bank Investment fully and the involvement of private sector is essential to establish housing saving banks in Myanmar. The contribution of the government would reduce the cost of fund of the bankers and eventually benefits the low income customers. Therefore, it is suggested to the government to subsidize more in the housing mortgage system and to formulate state level revolving funds in order to maximize the funding sources. The contribution of public sector would be a great help for the housing mortgage system and ultimately that will lead the decrease in interest rate charged to the customers. The lesser the interest rate charged to the customers, the better the lives of the customers will be uplifted in the standard housing aimed by CHID.

The secondary mortgage market is also of necessity in Myanmar and it is suggested to be developed so that home loans and servicing rights can be bought and sold between lenders and investors so that CHID would be able to maximize the funding sources. The development of housing bank in Myanmar is late compared to other neighboring countries and it can also be considered as opportunities to learn lessons from the housing mortgage system of other countries. Since, the weak regulatory environment, many requirements are requested by the Bankers from the customers in order to mitigate the credit risks. The bankers considered that many more requirements would secure from the loss however it is important to be aware of burdensome the customers and lead into dissatisfaction. Quality of the housing units purchased by mortgage loans also causes dissatisfaction to the

customers and quality control measures are suggested to be taken systematically by the tripartite involved in the housing mortgage system.

The bankers and public sectors are suggested to promote the saving behavior of the nation transition from informal saving to institutional saving with earned interest. The people should gain more awareness on the security and benefits of saving at an institution so that more people will access to the better standard of living through housing mortgage facilities. The bankers should also seek for the advantages of technology and suggested to update the repayment system through mobile banking applications and digital repayment services so that a varieties of channels would be accessed by the customers of the housing mortgage system in Myanmar.

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Appendix 1. Key Informant Interview Questionnaire

CHALLENGES OF HOUSING MORTGAGE SYSTEM IN MYANMAR

SECTION (A)	
1	Name of the respondent
2	Categories and Numbers of Key Informants <i>Click the respondents under the stakeholder category below.</i>
	(a).Urban Development Regulators
	(b).Mortgage Bankers
	(c).Mortgage Customers
	(d).Housing Project Developers
	(e).Marketing/Business Development Team Members
3	Education Background of Key Informants
	Primary
	Secondary
	Undergraduate
	Postgraduate
	University Level
4	Type of Occupation of Mortgage Customers <i>Ask the respondent the main income of the household and capture the major income source listed in the following category.</i>
	(a). Government Staff
	(b). Company Staff
	(c). Retire
	(d). Others
	<i>*Others include apart from the above mentioned categories.</i>

5	Types of housing offered by CHID	
<i>This question applies only to mortgage customers and capture the responds in the correct category of housing below.</i>		
	(a). Low Cost Housing	
	(b). Affordable Housing	
	(c). High End Housing	
6	Choices on Respondents on Payment System	
<i>This question applies only to mortgage customers and capture the responds in the correct category of housing mortgage tenure list below.</i>		
	Mortgage up to 5 years	
	Mortgage from 6 to 10 years	
	Mortgage from 10 to 15 years	
SECTION (B)		
<i>These Legal Framework related Questions applied only to the stakeholders apart from mortgage customers. Ask each question below and capture the responds in details.</i>		
	A. LEGAL FRAMEWORK	
1	What is the mortgage system in Myanmar differ from the systems of other countries?	
2	What are the main constraints for compliance?	
3	What are the areas of improvement in legal framework of the country in the Mortgage System?	
	B. TRANSACTION PROCESS	
<i>This section applies to all the respondents. Ask the questions based on the role of the respondents and capture the responds in details.</i>		
1	What are the main challenges faced in housing mortgage transaction process?	
2	What are the documents required for the mortgage application?	
3	What are the main challenges faced related to required documents?	

	C. INTEREST RATE AND OTHER FEES	
<i>This section applies to all the respondents. Ask the questions based on the role of the respondents and capture the responds in details.</i>		
1	What are the related costs involved to function/access to the Mortgage System?	
2	Are the costs reasonable? Relatively costly?	
3	What are the other additional costs involved in the process?	
4	What are the challenges related to interest rate?	
	D. MORTGAGE LOAN PERIOD	
<i>This section applies to all the respondents. Ask the questions based on the role of the respondents and capture the responds in details.</i>		
1	What are the available mortgage loan period offered by CHID Bank?	
2	Can you tell more about it?	
3	How flexible is the loan period?	
4	What are the challenges faced in compliance to the loan period or adherence to the related rules and regulations?	
	E. REPAYMENT CAPACITY OF CUSTOMERS	
<i>This section applies to all the respondents. Ask the questions based on the role of the respondents and capture the responds in details.</i>		
1	What is the role of assessing repayment capacity of customers?	
2	To what extent is it important in Mortgage System?	
3	How does it affect the entire mortgage system?	
4	What are the challenges faced in accessing the repayment capacity?	
5	What are the areas to be developed in terms of assessing the repayment capacity of the clients in an effective manner?	