

Mortgage lending Government Housing Bank's experiences

ASEAN Valuers Association Congress

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Government Housing Bank, Thailand

Dusit Thani Hotel, Bangkok, Thailand

July 23, 2010

- Established 1953
- Specialized Financial Institution (SFI) under the Ministry of Finance
- Major emphasis – Providing mortgage loans to lower and middle income Thai people
- Commercially-based operation – competes as one bank in the Thai banking system
- www.ghbank.co.th



- 77 branches, 14 mini-branches, 16 mobile credit units, 24 OSS, 16 Off-site banking counters
- 2,399 Employees (as of June, 2010)
- Mortgage Loans Outstanding – Bt647,337 million (1,303,336 accounts) (as of December 31, 2009)
- 36.3 per cent of all individuals residential housing loans in Thailand (2009)



Operational Performance

- **Total Assets**

Bt 691.4 billion (\$US20.9 billion) (12/31/ 2009)

- **Net Profit**

Bt 5.032 billion (\$US152 million) (year ending 12/31/09)

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Long-term loans – as early as 1973

- GH Bank offers 20 and 30 year amortization periods
- Initial interest rates fixed for short periods – two or three years
- Then adjusted to market rates periodically

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Credit risk mitigation

- **Innovative programs – address potential problems early**
- **Additional two per cent payment margin – mitigate future payment shocks if interest rates rise**
- **Pro-active work out programs when economy begins slowing**

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GH Bank's dual role

- **Helping as many Thais as possible acquire their dream homes**
- **Important government policy-arm to drive economic recovery during down business-cycles**

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Helping people acquire “Dream Homes”

- Middle + lower income people
- Baan Eur Athorn
- Baan Mankong (CODI)
- Habitat for Humanity

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GH Bank's policy role

- After 1997 Asian financial crisis, GH Bank implemented several government-led housing programs
- Benefited more than 100,000 middle-income home buyers
- Revived moribund housing development industry
- Ultimately drove economic recovery

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Current Economic Crisis

- Implemented government stimulus packages 2008 and 2009
- Many directed at housing industry, especially for middle and low-income purchasers
- GH Bank increased targeted home loans in 2009 from Bt73.5 billion (\$US2.23 billion) to Bt100 billion (\$US3.03 billion)
- New home loans 2009 – Bt102 billion (\$US3.09 billion)

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GH Bank – building real estate industry infrastructure

- **Credit Bureau established**
- **Real Estate Information Center (REIC) established**
- **Work closely with industry stakeholders to establish professional and industry organizations**
- **Regular publications – G H Bank Housing Journal, Asia Pacific Housing Journal**

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GH Bank and property valuers

- **Critical for each other businesses – symbiotic relationship**
- **Bank – government and long-term sustainability**
- **Valuers – critical part of Bank's value chain**

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Mortgage lenders and property valuers

- Banks concerned with credit or default risks
- You help us independently determine value of collateral
- Bank's risk and its ultimate sustainability dependent on fair appraisals

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Mortgage lenders and property valuers

Valuers' qualifications that ensure Bank's governance and sustainability

- Professionalism and knowledge
- Independence
- Ethics

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Mortgage lenders and property valuers

Valuers must use their professionalism to deliver fair prices

- If you are too conservative – bank will not be able to make loans
- If you are too aggressive – banks may ultimately lose money

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Mortgage lenders and property valuers

- Bank has used independent appraisers since 1986
- Currently use 13 independent appraisers for individual home loans
- For rental flats and housing projects, GH Bank does its own appraisals

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Mortgage lenders and property valuers

- **GH Bank reviews all appraisals results before granting loans**
- **Have established GIS database for all loans since 2005**
- **Part of our governance and sustainability processes**

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Development of Thai valuation profession – future environment (our view)

- Licensed professionals
- Continuing education – pre-requisite for licensing
- Development of industry standards
- Countrywide databases accessible to everyone

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Development of Thai valuation profession – future environment

- Professionalism and ethics stressed
- International careers achievable

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GH Bank's overriding philosophy

HM the King's Sufficiency Economy Philosophy

- **Secret to GH Bank's long-term sustainability and success**
- **Three key principles:**
 - ✓ **Moderation**
 - ✓ **Reasonableness**
 - ✓ **Self-immunity**

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Thank You