

# TRELLIS HOUSING FINANCE LIMITED: UNLOCKING AFFORDABLE HOUSING FINANCE FOR THE UNBANKED AND INFORMAL SECTOR IN PAKISTAN

Pakistan currently has the highest rate of urbanisation in South Asia. The pursuit of better livelihoods and access to education and services is driving rural to urban migration at an unprecedented rate, so much so that by 2025 the United Nations estimates that nearly half of the country's population will reside in urban areas.

Currently Pakistan's cities do not have the housing to support such numbers nor the means to supply it. According to the State Bank of Pakistan, **less than 60,000 housing loans** are outstanding in a country of **220 million people**.<sup>1</sup> Mortgages that do exist cater only to high income groups, and housing microfinance at affordable rates is scarce due to the size and long-term nature of housing loans.

The Government of Pakistan is working to create demand and improve supply. In 2018 it established the Pakistan Mortgage Refinance Company to inject liquidity into the market, and launched the Naya Pakistan

Housing Policy, which aims to construct 5 million affordable homes. Yet as long as people cannot access the finance needed to purchase these homes, good quality affordable housing will never be seen as a viable and profitable market by developers. **Currently 46% of Pakistan's population do not have a bank account.**<sup>2</sup> Unless methods of accessing housing finance are extended to this group, the extreme social and shelter issues that are now facing cities today cannot be solved.

The start-up Trellis Housing Finance Limited (Trellis) has been set up to do exactly that. As the first of its kind, this finance provider is disrupting Pakistan's mortgage market by providing affordable loans to the informal workforce and marginalised communities.

Based in Karachi, Pakistan, and established in just October 2020, Trellis is registered as a non-banking housing finance company, meaning that they provide fixed-rate mortgages to low income households who do not have a registered bank account.



The present timing has never been better. To facilitate their housing programme, the Government of Pakistan overhauled national foreclosure laws in 2019, allowing financial institutions to recover the amount owed on a defaulted mortgage without a prolonged judicial process attached.<sup>4</sup> Innovative start-ups can now enter the sector with reduced risk of capital loss if borrowers can no longer repay, and Trellis is leading the way - pushing the frontiers on a new market.

## TRELLIS IS AN INDEPENDANT LOW-COST MORTGAGE PROVIDER THAT DELIVERS HOUSING FINANCE TO THE INFORMALLY EMPLOYED.

Trellis was created with the goal of giving every Pakistani access to affordable housing. With a demonstrated commitment to sustainability, they are seeking to incorporate solar panels and water filtration into their financial products to boost demand for climate smart, sustainable housing. And, as an organisation committed to social equity, they offer **guaranteed discounts on all mortgages that put title ownership into women's names**. Now Trellis is looking to scale up, through a number of new, pioneering methods, previously untried in the Pakistani context.

## Utilising new technology for affordable mortgages

Trellis employs an entirely digital platform and credit assessment tool – created with support from Reall's network of partners – that utilises artificial intelligence-based algorithms and alternative data points to accurately measure the creditworthiness of informally employed customers. Thus, with reduced risk of defaults, housing loans can be offered at substantially lower interest rates.

## 'Mortgage as a service': unlocking new capital

A number of Pakistan's leading financial institutions, HabibMetro Bank, JS Bank and U Microfinance Bank, have partnered with Trellis to process mortgage applications on their behalf, for a fixed fee. This financial service is the first of its kind in Pakistan, and mutually beneficial for both parties. Trellis' efficient and risk-minimised processes allow banks to access low income customers whom they wouldn't otherwise reach, while Trellis is able to meet the huge demand for affordable housing without needing to raise the capital required, getting more people into homes faster.

## Enabling policy change

With strong working relationships with the Government of Pakistan, Trellis has a key advisory role in policy development. Having driven the effort to unlock government subsidised interest rates for housing finance companies that were previously only provided to commercial banks, they are now working to develop mortgage protection insurance, which currently does not exist in Pakistan.

Since receiving their licence, Trellis raised an investment round in November 2021<sup>5</sup>, marking a huge level of confidence by both local and international investors in their model. A month later Reall approved official partnership with Trellis, **marking our first partnership with a housing finance provider**.



**TO DATE, TRELLIS HAS  
PROCESSED OVER  
US\$ 5 MILLION  
WORTH OF HOUSING  
FINANCE LOANS, WITH  
NUMBERS RISING  
EXPONENTIALLY.**<sup>3</sup>

<sup>1</sup> Reall, *Market Shaping Indicators: Pakistan* (2021): <https://reall.net/msi/pakistan/>

<sup>2</sup> World Bank, *Global Findex Database*, (2017)

<sup>3</sup> Tech in Asia, *'Fatima Gobi Backs Pakistan Housing Fintech Firm'* (2021): <https://www.techinasia.com/pakistan-housing-fintech-firm-raises-funding>

<sup>4</sup> Zameen, *'Overhauling Foreclosure Laws in Pakistan: The July 2019 Presidential Ordinance'* (2019): <https://www.zameen.com/blog/overhauling-pakistans-foreclosure-laws.html>

<sup>5</sup> Business Wire, *'Housing Fintech Trellis Raises Funding To Expand Across Pakistan'* (2021): <https://www.businesswire.com/news/home/20211102006403/en/Housing-Fintech-Trellis-Raises-Funding-to-Expand-Across-Pakistan>

# REALL HAS PARTNERED WITH TRELIS TO MEET THE CRITICALLY LOW PROVISION OF MORTGAGE FINANCE IN PAKISTAN.

Together Reall and Trellis will work to improve the financial viability of the affordable housing market in Pakistan, facilitating effective demand for home purchases and supporting Trellis take their operations to scale. In practice this means:

## DELIVERING FINANCE FOR REALL'S NETWORK OF BUILD PARTNERS.

Trellis is working closely with Reall's housing delivery partners in Pakistan, Ansaar Management Company (AMC), Entertainment Pakistan Limited (EPL) and ModulusTech, to develop and provide mortgages for their customers. Notably, AMC will operate as an affiliate marketing and application processing partner in Lahore and other parts of Punjab, allowing Trellis to expand their operations throughout Pakistan.

## SUPPORTING TRELIS TO SCALE.

Through technical assistance and collaboration with Reall's global network this partnership seeks to demonstrate the commercial viability of affordable housing finance. In turn this will attract other developers and investors into the market, increasing the supply of housing available for purchase by low income customers.

## BOOSTING DEMAND FOR CLIMATE SMART HOMES.

Traditionally, commercial banks are wary of valuing green materials and construction methods, which makes such housing difficult to collateralise for housing loans. By working alongside ModulusTech, Trellis will ensure the availability of housing finance for climate-smart homes and support the growth of affordable green housing ambitions across Pakistan.

## DEMONSTRATING AFFORDABLE HOUSING FINANCE THROUGH DATA.

Due to the lack of finance currently available, generating data on effective lending processes is difficult. In partnership, Trellis and Reall will collect and establish mortgage and data analytics on the bottom 40th percentile of income earners, demonstrating their ability to repay and building confidence in the market.



# REALL HAS BEEN BUILDING RELATIONSHIPS WITHIN KEY EMERGING MARKETS FOR OVER 30 YEARS

Reall has been building relationships within key emerging markets for over **30 years** and delivered life-changing opportunities for over 3 million people, created **200,000 jobs** and provided **465,000 people** with access to clean water and over 1 million people with access to sanitation services.

Reall's work is driven through two delivery areas: **'Build'** – direct investments demonstrating the commercial viability of delivering to the bottom 40% income segment, and **'Broker'** – driving market transformation and addressing systemic barriers to housing sector growth.

Reall's cornerstone investors are the Swedish International Development Cooperation Agency (Sida) and the UK Government's Foreign, Commonwealth and Development Office (FCDO) who have supported Reall since 2004 and 2002 respectively.



Reall is a signatory to the UNFCCC's Race to Zero, pledging to become a net zero organisation. Addressing the climate crisis is at the heart of Reall's mission, and its commitment goes above and beyond the minimum pledge, targeting net zero by 2030.

Reall is a signatory to the UN Global Compact and has committed to implement universal sustainability principles on human rights, labour, environment and anti-corruption and take actions that advance societal goals.

Reall is certifying its affordable housing through EDGE ("Excellence in Design for Greater Efficiencies") supporting the collective ambition to mainstream green buildings and help fight climate change.



For further information please contact the Global Policy and Influence team at Reall at: [info@reall.net](mailto:info@reall.net)

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