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## **CAPITAS GROUP INTERNATIONAL: RESPONSIBLE LENDING IS A CORNERSTONE FOR MORTGAGE FINANCING IN THE KINGDOM**

Capitas Group International (CGI), a leading specialist in Shari'ah compliant mortgage finance, today released a report highlighting the importance of affordability, customization and consumer education for mortgage financing in the Kingdom of Saudi Arabia. The report further outlines best practices for mortgage financing regulatory frameworks in the aftermath of the global financial crisis that was triggered by widespread mortgage market failures. According to CGI, Saudi Arabia has a track record of successful financial industry regulations and economic policies. To extend this success into the mortgage industry, the Kingdom must take key lessons from the sub-prime mortgage crisis, maintain a prudent regulatory stance towards credit risk management based on mortgage affordability, and promote effective consumer protection and education policies. "The challenge for regulators will be to enact sufficient and customized regulations that protect consumers and set adequate mortgage lending and corporate governance standards for financing institutions, while at the same time not over regulating to the point of creating excessive restrictions on a burgeoning industry," said Naveed Siddiqui, CEO of Capitas Group International. The report emphasizes that consumer protection regulation is not new in the Kingdom and the overall transparency promoted by existing regulation is a positive indicator with respect to the impending mortgage law. With regard to affordability, CGI's analysis underlines that the median household income level in KSA is high compared to other emerging markets. Therefore, setting reasonable leverage limits will not overly restrict the mainstream market's access to mortgage financing. Instead, prudent down payment requirements will promote positive consumer habits by encouraging homebuyers to focus on affordable housing options.

"Although Saudi Arabia is a late entrant in the arena of mortgage lending, the Kingdom has the distinct advantage of hindsight in analyzing the regulatory failures that contributed to the recent global mortgage meltdown," said Wahid Sarij, Executive Vice President of Capitas Group International.