



**AN ECONOMIC INVESTIGATION OF HOUSING  
FINANCE POLICIES IN NORTHERN OF IRAQ IN  
2005 – 2017**

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## THESIS APPROVAL PAGE

I certify that in my opinion the thesis submitted by Wshyar Mustafa Bapir titled AN ECONOMIC INVESTIGATION OF HOUSING FINANCE POLICIES IN NORTHERN OF IRAQ IN 2005 – 2017” is fully adequate in scope and in quality as a thesis for the degree of Master of Science.

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The degree of Master of Science by the thesis submitted is approved by the Administrative Board of the Institute of Graduate Programs, Karabuk University.

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Director of the Institute of Graduate Programs

## **DECLARATION**

I hereby declare that this thesis is the result of my own work and all information included has been obtained and expounded in accordance with the academic rules and ethical policy specified by the institute. Besides, I declare that all the statements, results, materials, not original to this thesis have been cited and referenced literally.

Without being bound by a particular time, I accept all moral and legal consequences of any detection contrary to the aforementioned statement.

**Name Surname:** Wshyar Mustafa Bapir

**Signature** :

## **FOREWORD**

I would like to thank those who in one way or another contributed to the completion of this thesis. First, I give thanks to God for protection and ability to completes this task.

My special and heartily to my supervisor, Mr. (Assistant Professor Abdulkadir ATAR) for the continuous support and encouragement through the process of completing my thesis. Her efforts are highly appreciated. It is under his supervision that this work came into existence.

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## **ABSTRACT**

The research aims to identify the Economic Analysis of the Housing Finance Policies in Erbil Iraq 2005 – 2017. After writing the theoretical side and analyzing the reality of the housing sector in the Northern Iraq Territory, the housing finance policies that it adopted, as well as studying and analyzing the experiences of selected countries in housing and its financing, the study reached a set of conclusions that can be arranged and presented as follows: Conclusions the limited sources of housing finance in the governorates of the Northern Iraq Territory, and the small size of the sums allocated for this purpose, has clearly affected the efficiency of the financing policy followed, and that what exists is merely housing lending institutions represented by the real estate bank and the housing fund, which were established recently and started their work at the end of the year 2008 and they were also distinguished by the limited resources directed to them. And they stopped providing loans after 2012, due to the instability of the financial, economic, political and social conditions that the region is still going through and which affected the increase in the amount of the housing deficit in the Northern Iraq. Financing is limited in the Northern Iraq and it's dependent on financiers, who are the constructor of the housing unit. One of the conditions imposed by some housing financing institutions (the real estate bank in the Northern Iraq) is the condition of the availability of the land necessary for construction. This condition excludes the largest segment in need of shelter from benefiting from loans. It also causes big percentage of community not to afford the costs of purchasing the land and the costs of establishing a housing unit on it simultaneously. Providing financing and soft loans from financing institutions for the low-income group in particular.

**Keywords:** Economic, Analysis, Housing, Finance Policies, Erbil.



## ÖZ

Araştırma, Kuzey Irak'taki konut finansmanı politikalarının 2005 – 2017 yılları arasındaki ekonomik incelemesini amaçlamaktadır. Teorik tarafı yazdıktan ve Kuzey Irak topraklarındaki konut sektörünün gerçekliğini, benimsediği konut finansmanı politikalarını analiz ettikten, ayrıca seçilen bölgelerin konut ve finansmanındaki deneyimlerini inceledikten ve analiz ettikten sonra, çalışma aşağıdaki gibi düzenlenebilecek ve sunulabilecek bir dizi sonuca ulaştı; Kuzey Irak bölgesindeki sınırlı konut finansmanı kaynakları ve bu amaçla ayrılan meblağların küçüklüğü, izlenen finansman politikasının verimliliğini açıkça etkilemiş ve var olan sadece gayrimenkul bankası ve konut fonu tarafından temsil edilen konut kredisi kurumlarıdır. Bu kurumlar yakın zamanda kurulmuş ve 2008 yılı sonunda çalışmalarına başlamıştır. 2012 yılından sonra, bölgenin halen içinden geçmekte olduğu ve bölgedeki konut açığı miktarındaki artışı etkileyen mali, ekonomik, siyasi ve sosyal koşulların istikrarsızlığı nedeniyle kredi vermeyi durdurdular Kuzey Irak. Bölgede finansman sınırlıdır ve aynı zamanda konut biriminin muteahhitleri olan finansörlere bağlıdır. Bazı konut finansman kuruluşlarının (bölgedeki emlak bankasının Kuzey Irak) getirdiği koşullardan biri de inşaat için gerekli arazinin müsait olması şartıdır. Bu koşul, barınma ihtiyacı olan en büyük kesimin kredilerden yararlanmasını engellemektedir. Şunu belirtmek gerekir ki özellikle dar gelir grubuna yönelik kurumlardan finansman ve uygun ölçekte kredi sağlanması, toplumun büyük bir yüzdesinin arsa satın alma maliyetleri ile üzerinde konut kurma maliyetlerini aynı anda karşılayamamasına neden olmaktadır.

**Anahtar Kelimeler (Keywords in Turkish):** Ekonomi, Analiz, Konut, Finans Politikaları, Erbil.

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## **RESEARCH OBJECTIVES**

The study aims to know the most important factors affecting the success of the financing policy followed in the Northern Iraq Territory and compare it with the policy followed in some selected countries, and take advantage of the mechanisms and methods that help in the success of the housing finance policy followed in the region, and determine the reasons for its weakness in achieving the various housing goals in the territory.

### **PURPOSE AND IMPORTANCE OF THE RESEARCH**

The importance of the study stems from the importance of housing and its role in the individual and family obtaining comfort and housing on the one hand, and being a source of production requirements at the community level. Since housing is a consumer good and an investment asset and requires a source of financing for its residence and establishment, the study focuses on financing, its sources, mechanisms and policies in the Northern Iraq Territory and the possibility of benefiting from the experiences of the countries included in this study.

### **HYPOTHESIS OF THE RESEARCH / RESEARCH PROBLEM**

The study hypotheses are:

1. Weak financing policy in the Northern Iraq Territory.
2. Almost complete dependence on the government for housing finance.

The problem of the study is embodied in the absence of an efficient financing policy and its inability to provide the necessary support to the housing sector, which led to an increase and exacerbation of the housing deficit problem in the Northern Iraq Territory.

### **STUDY APPROACH**

Based on the problem that the study addresses and the goal that it seeks, the study curriculum can be determined by the analytical descriptive approach through the experiences of different countries that have experience in the field of housing finance, in order to benefit from it in developing a housing finance policy and creating a financing system that helps citizens and companies borrow in order to solve a problem Accumulating housing deficit in the Northern Iraq Territory.

## INTRODUCTION

Funding is an essential element in setting any housing policy, for its primary role in finding effective channels and means to provide funds for individuals and institutions designated to build housing units, especially since there is a clear deficit in the housing market in the Northern Iraq Territory, which corresponds to a decrease in the rates of housing construction and the accumulation of the need for housing. The importance of this topic can be in setting a policy and mechanism for financing this sector and the effect of this policy to solve or reduce the problem of deficit in the number of housing units, by studying the experiences of some countries in the policy of housing finance to benefit from these experiences in directing the Northern Iraq Territory. There are many elements of housing and among these elements (financing), and given the importance of funding in supporting families to buy or build a housing unit, you divided in this study the attention to this topic, as housing is a humanitarian need and one of the basic necessities in a person's life, and it comes in its importance within The priorities of life after food and clothing, as the house affects the health and behavior of the occupant, it is a center of stability, the achievement of protection, safety, privacy and the practice of social activities and activities, and it is a symbol of the social status of the family that occupies it and a reflection of the economic and human level of society. The developed countries have attached exceptional importance to the issue of housing, because it reflects the extent of the developmental and civilizational development of countries, as well as their role in improving the standard of living of citizens.

Housing financing in Iraq depends on the existence of lending institutions represented by the Real Estate Bank, which was established in 1948, which contributed to financing housing operations in the sixties, seventies and eighties of the last century by providing loans to citizens to obtain housing homes through construction, purchase or addition of construction. The Housing Fund, which is one of the important institutions in housing finance, was established in 2004.

One of the most important problems that Iraq and the region have suffered from during the past period until the present is the gap between the need for housing units and what is offered from these units, and the reason for this is the inability of families to meet their needs from these units, due to the high prices significantly and the limited

Funding or support for those families to help them obtain the purchase or construction of a housing unit, especially the limited or middle-income families who form a large segment of society.

The lack of an efficient housing finance system, and its inability to provide support to these families, has led to an increase and exacerbation of the housing deficit and housing need, so it was necessary to study the problem that the housing sector suffers from and find a mechanism for financing this sector and the effect of that mechanism in order to solve this problem. And that is through an efficient housing finance system capable of financing and supporting citizens, especially for low-income groups, commensurate with their financial capabilities, and lifting part of the burdens that the Iraqi family and the region suffer from in obtaining the housing unit. The increase in the average loan size, the decrease in the interest rate and the increase in the loan recovery period are all factors that can encourage citizens to increase the demand for the loans provided and as a result lead to an increase in the supply of housing units and a reduction in the size of the housing gap.

This research includes four chapters, chapter one is literature review: Housing economic, chapter two is Reality of the residential market in Northern of Iraq, chapter three is Housing Financing in Northern Iraq Territory, Result, Conclusion & Recommendation.

# **1. CHAPTER ONE: LITERATURE REVIEW**

## **1.1. THE BASIC ASPECTS OF HOUSING ECONOMICS**

Housing economics is one of the important topics due to its connection to a set of basic economic concepts, including economic resources, national income, and the multi-tasking housing process, as it includes several elements, namely the element of the land, its availability, preparation, legal status, service provision and planning in line with regional and structural plans, and it also includes availability Climate, services, facilities, road and transportation network, and It is known the importance of housing economics relatively recently, after economists studied the various vocabulary of housing economics, economic resources and housing structure.

## **1.2. GENERAL CONCEPTS ABOUT HOUSING AND ITS FEATURES**

### **1.2.1. THE CONCEPT OF HOUSING**

Housing is that place used by individuals and a place to live, in order to keep itself from the natural hazards, which is a shelter in which individuals reside, or it is the physical building that consists of the walls and the roof on which the human eye rests (Al-Dorra, 1988). Melnikas (1998) believes that housing is relatively limited, financially, biologically, and a socially close place, as individuals and groups of people can live their biological and social lives, by receiving services, performing household chores and other social biology activities. From this point of view we should know the concept of housing, which means Housing in the linguistic concept is a house or a home. As for the economic concept, there are many definitions of housing, including what It defined according to the narrow concept that it is the shelter in which a person resides or the physical building that consists of walls and the roof on which the human eye rests. As for the broad concept, the home is defined by It is not limited to the four walls and the roof above, but rather to the necessary facilities and services that a person needs or desires in order to accept living in this building in comfort and stability (Al-Yasiri and Lahmoud, 2015). So housing is an interpretation of the homeland, so whoever has no residence does not have a homeland, and it is the minimum human need to feel his humanity, housing means the beginning of stability,

so when a person loses housing, he loses the taste of happiness and stability and in general, the taste of human life, and who does not enjoy decent housing, does not live decent (Al-Taie, 2015) The housing unit is the place or place that contains the family (family) repeated or different activities with the presence and loyalty of this position on the part of its members regardless of its location. It is a basic need, such as the need for food and clothing, and with the passage of time an intimate relationship is formed between the family and its housing unit, so the family works as much as it can to make its housing unit suitable for its continuous needs, and constantly tries to make the necessary adjustments to it as much as possible (Rahmani, 2012).

With the multiplicity of opinions and their differences regarding defining the nature of the residential good, it is a capitalist and consumer good at the same time, in addition to being a commodity that satisfies an urgent social need for individuals and provides its services to its occupants (as a consumer good), but it can be considered an investment commodity as well, as it can be sold for a period of its use At prices that may be higher than the cost of its construction or the price of its purchase, and on the other hand, economists in the (formerly) socialist countries saw that housing is nothing more than a service of services as the state must provide it to citizens, and thus the national accounts in these countries have deliberately included housing Within the social services sector (Saleh, 2001). As for the United Nations, he referred to the definition of housing as (a multidimensional concept that refers to activities and things related to housing and its environment. The main features of housing as a place of residence are its location, tenure arrangements, its cost and its physical structure, as housing is a physical structure, as well as Being a social structure that operates at different spatial levels, whether at the level of states, passing through cities and reaching the residential home, as it is a sector of the economy and an important tool for land use in cities, and the links with the national economy and with the comprehensive urban system are an integral part of the concept of housing (Abu Hiya, 2017).

Housing represents an expensive investment and at the same time it is a durable good, and housing is an expensive investment, due to the high cost of achieving it on the one hand, and on the other hand the importance of investment in housing from an economic and social point of view (Henilane, 2016). So housing is one of the most essential and basic requirements for life, as it is known or the first work that a person has done is to search for shelter that protects him from environmental fluctuations and



provides his basic needs, so this basic and essential need is not available to the greater part of the families as the others live in luxurious homes blessed with all means Comfort and the loss of housing led to most of the families to determine their mental and physical capabilities and in the end determine their economic activities for earning, leading them to a state of poverty.

As for the procedural definition of housing: it is a miniature system with two sides, the first relates to the person who lives in it, as it provides him with all the basic requirements he needs in his daily life, as well as fulfilling some other human needs, such as privacy, safety, comfort and stability. As for the second aspect, it represents the relationship of the house to what surrounds it, as a symbolic, civilizational and cultural dimension that reflects the civilization to which it belongs. Another definition of housing stated that it is the place in which a person feels safe and enjoys privacy and belonging in a way that fulfills his environmental and economic needs as one of the most important components of the national strategy (Yukhna, 2016).

The researcher believes, based on the above, that the concept of housing is summarized as that housing is that place that brings comfort to its residents and meets with the rest of his family, and in which the intimate meeting takes place and they belong to it, the individual leaves it and returns to it after completing any external activity in order to find stability and comfort in it, It is the place in which the family spends part of its daily life in it, protects it and provides personal protection for its inhabitant. Housing is one of the most important and basic requirements of life. The housing problem is a mobile problem that moves with the social and economic development of peoples.

### **1.2.2. HOUSING FUNCTION**

Housing is one of the most important components of life that provides protection, safety and warmth. As well as providing a place to rest (Henilane, 2016). Economic study and urban planning tend to conceptualize commercial and residential functions as being physically and semantically separated. Corporate actors, individuals and families are seen as distinct and respond to different motivations - commercial and personal, respectively: (Reuschke & Houston, 2016)

1. The function of protection from everything outside the house, and at the same time it acts as a buffer between the indoor and outdoor environment.

2. Multidisciplinary functions intended to provide various fields that meet all the social needs of the family.

3. The preservation function, which falls under the previous position, in that housing provides every member of the family with independence in the field that he occupies.

4. A social function for cases of receiving relatives and friends to strengthen social relations.

### **1.2.3. IMPORTANCE OF HOUSING**

Housing occupies an important role in the economies of countries, and the housing sector represents a significant proportion in the total economic activity of most countries (Sheibani & Harvard, 2005). Housing is a basic and fundamental need whose importance is highlighted by considering it as one of the basic needs and ranked at the start of the scale of human needs priorities, and the world has agreed to recognize the right to adequate housing as it is the minimum requirement for a decent life, so it has established a center in the United Nations, which means in this aspect it is the United Nations Center for human settlements (Al Malawish, 2008).

And that housing is of great importance in an individual's life as it is a necessary and indispensable need, but we can limit this importance to three basic aspects, which are the economic side, the social aspect and finally the political aspect:

#### **1. The economic importance of housing**

It is known the economic importance of housing relatively recently, after economists studied the various vocabulary of the structure of the housing system, and in that they did not go far in the nature of the purely technical operations of the engineering and architectural designs of houses, or the building and construction materials used in the building itself so that the matter does not confuse them nor Fear that they would have the physical and financial characteristics of this system, which made them attach great importance to housing development because of its profound effects on the lives of nations and individuals at all levels (Al-Durrah, 1988). As housing is one of the most important problems facing developed and developing countries alike and a source of violent fluctuations and acute crises, especially for the capitalist economy, as happened in the global financial crisis in 2008, which arose out

of mortgage, and its effects spread to the financial sector and then to World economies (Forrest, 2012). Housing projects have economic implications, as housing investments contribute to the formation of fixed capital and provide opportunities (direct and indirect) as well as contribute to the development of savings and the liberation of non-productive capital for the benefit of the economy and the establishment of small industries such as the manufacture of building materials and social repercussions represented by stability Social in an urban environment that enjoys all health conditions.

Studies carried out by financial bodies such as the International Monetary Fund and the World Bank for Reconstruction through their discussion of housing unit construction projects indicate that they are aware of the close relationship between the housing sector and other sectors through the economic integration that these sectors create among themselves, which will lead to job opportunities in various fields. It also works to develop the capacity and efficiency of manpower. On the other hand, the housing sector competes with other sectors in employing economic and human resources. The supply and demand factors play an important role in the process of transferring these resources from one activity to another, as these resources are transferred from low-return activities to other activities or sectors with high returns (Al-Darraji, 2011).

As the integration that these sectors bring about among themselves would provide employment opportunities for the simple labor in particular. In large areas, it is in this view not only a reservoir for the absorption of this type of labor, but a field for its development and promotion (Zarqa, 2016). Housing is also an important economic commodity, subject to the law of the market, that is, the buying and selling process, whether it is through specialized organizations such as real estate agencies and others, or by individuals (Azouz, 2006). The housing project is no longer seen as a service that depletes financial and material resources from society, but rather is seen from the other side as an engine for economic development through various directions. The establishment of new housing projects increases the demand for the products of factories that produce building materials, furniture and household appliances. The other, the increased demand for these resources provides additional job opportunities in various industrial branches. This increase in job opportunities contributes to raising the level of individual and other income, increases purchasing power and as a result of

the increase in his purchases of food and other materials, economic activity increases in sectors somewhat far from the movement of construction, and thus the number of beneficiaries of urban activity, directly and indirectly, doubles (Ahmed, 2008).

According to (Kazem, 2015), the housing sector is also distinguished by its front and back links, and adequate housing provides safety and comfort, which affects the activity and vitality of workers, and the housing sector can provide job opportunities and contribute to raising worker productivity and reducing unemployment and is able to use local resources. Housing projects have come to be seen as an integral part of the economic development process, by integrating the housing plan with other general national plans, to achieve interdependence between inputs and outputs of the housing sector and push the industrial sector to meet the requirements of this sector and increase links from other development projects (Durra, 1988).

The family's access to housing appropriate to its needs is one of the basic requirements and takes priority in its aspirations as well as its positive effects (social and economic stability). It is the most important and most valuable thing the family owns, as obtaining it requires spending a large part of the income, so its availability and cost reduction is within the family's ability. Finance, an important development goal.

## 2. The social importance of housing

Housing has great importance, because it represents more than a necessity in an individual's life, and depriving him of it leads to psychological and social frustration, and transforms his behavior from normal behavior to uncivilized and unethical behavior that contradicts human values and social morals, and with its availability it gives the individual the quotas Belonging to a place, a feeling of connection and a sense of privacy, just as the dwelling is inhabited by a psychological sense of freshness, strength and courage, and it also gives the opportunity for its members to create and creativity, as it is the ideal framework and the best place in which a person spends his time, and from it he sets out for the world and the surrounding environment governed by the equation of influence and influence in each other and as far as this place is Suitable as much as giving and creativity is better (Bin Yahya, 2012).

Believes that housing is a cultural phenomenon, as among its basic goals is to

embody the cultural features through the design of the house so that it reflects this feature, as housing is no longer a social need, but rather it is a cultural need and a civilized manifestation, especially among the majority of society groups At various levels, and that the essence of the existing studies in the field of housing is within the framework of social harmony and civilized housing. M. Bryee says that the place in which the individual resides is a vital matter in the formation of his personality and a factor affecting his psychological, physical and social health, and studies have revealed that lethargy, low vitality, mood impairment and addiction are a result of poor housing conditions, and the latter is one of the most important causes of these diseases. Social.

Azzouz (2006), stated that housing has its role and educational effect, as the family practices in raising its children according to its own way that it deems useful, such as the future of its children, to facilitate the process of their adaptation to their society and protect them from the deviation factors that they may be exposed to. As there are implicit social goals for housing that are not perceived by community members, which lie in improving the quality of housing and providing the necessary social facilities to achieve a residential environment that results in the concept of new behavior in strengthening the social cohesion that the individual establishes with his surroundings through the activities of exchanging visits and helping others and assisting them when needed and participating in good times. Al-Daraa and other activities that raise the individual's attachment to his external environment and elevate his relationship with his fellow countrymen (Al-Darraji, 2011). It is the best framework for preserving one's privacy in the home or home, which you protect from others, and even those with whom we live. This place helps a person to preserve his basic privacy. Housing is determined by factors represented in the materials, construction techniques, the location of the housing emergence, and the social factors involved in religion, politics and the economy as well, adding to the strong relationship between the natural environment and the external form of the house (Zarqa, 2016).

### 3. The political importance of housing

The democratic developments in the country's political life are vast and complex, including the multiple political parties that focused their attention remarkably and strongly on the issue of housing in their development vision, and if this matter has become one of the basic elements of any national development, then the

interest in housing conditions by the bodies is considered One of the manifestations of "residential democracy" (Bin Yahya, 2012). Most of the countries that suffer from political and social instability and internal security challenges have come as a result of social interactions produced by the need that man is mounting on and the demands are always provided, because it is an important factor in preserving his life and its continuity. Due to the importance of this requirement, societies take many measures that have resulted in an infusion of development and modernization processes in the economic and social fields, to reduce pressures (Yukhna, 2016). As there are many signs of democracy in the political life of the country, and it is represented in the political parties that have aggressively adopted the housing problem in their development programs, and if this matter has become one of the basic elements of any national development, then it is in return in the framework of winning the votes of voters for any political grouping to reach Authority, as this concern for housing conditions by political bodies is one of the manifestations of residential democracy.

The prevailing reliance among members of society on the fact that the housing problem at the present time has become one of the global problems, which are difficult to solve, so that many officials who succeeded in power realized one truth, which is when the construction and housing sector is fine, then all other sectors are Also (Draghi and Khalifa, 2012).

The housing sector, in this sense, has become a measure of economic, social and political development alike, because it truly reflects the standards of living and life that this or that nation has reached. It should be noted that the deteriorating housing conditions today have taken their share of international attention, especially as the housing problem stands side by side with other economic problems such as unemployment, inflation and food shortages.

#### **1.2.4. HOUSING CHARACTERISTICS**

Housing is characterized by a set of basic characteristics, the most important of which is housing is an expensive investment, housing is a permanent (durable) consumer good, and housing is a heterogeneous commodity and a non-transferable commodity, and the following details for that:

### 1. Housing is an expensive investment:

This characteristic of housing is given to housing for several reasons and considerations, including its high achievement, given that the demand for housing is constantly increasing due to the increase in the population, as well as their continuous migration to cities on the one hand, and on the other hand the scarcity or shortage of building materials and their insufficiency, as well as the importance of investment in the completion of housing (Al-Omari, 2013). It is rarely possible for poor families (with low incomes) or newly formed families to obtain independent housing units, due to the high costs of construction or purchase prices, as the cost of building a single house is equivalent to twice what a person has received from income for decades in most developing countries, and even in some Developed countries, which brings the size of the rental market in some of them to one third of the total number of housing units in the country (Yukhna, 2016).

### 2. Housing is a permanent (durable) consumer good

The housing unit is considered one of the durable goods that remain for a long period of time. Individuals have the necessary social services. After its construction, the building can remain for decades or even centuries, continuing to provide its valuable services throughout this period (Saleh, 2001).

### 3. Housing is a heterogeneous good

The units differ in terms of area, nature of construction, location and services available in them, and on this basis it is difficult to determine the unit price, for example we find houses with the same rent but with different services, and what should be noted is that the economic analysis of housing did not take into account this characteristic at the outset, considering that the price The housing unit is one (the same price) in all housing units, and this is, from my point of view, a research and an obstacle to studying the real estate market (Baltas, 2001).

### 4. Commodity non-transferable

The housing units are characterized by their spatial stability, as it is difficult to move from one place to another and are considered one of the fixed assets, and in the event that there is a surplus of them in a certain area, it cannot be transferred to other areas that suffer from the housing deficit, which adds to these units a feature that

makes them a material product A fixed location complex, that is, it is difficult to move for any reason whatsoever, and an exception may be made from that of the movable houses (caravans), which some counted among the residential units, which can be easily moved from one place to another (Saleh, 2001).

From the above, we find that the dwelling is not only that space that surrounds man to protect him from nature, but rather is an integral part of civilization and society, and that the prosperity of civilization in this society is reflected in particular on the quality of the dwelling, and then on the person who lives inside it from the fact that he secures the climate Suitable for communicating with oneself and with others on the basis of belonging.

### **1.2.5. DEMAND FOR HOUSING AND THE FACTORS AFFECTING**

The demand for housing is defined as the need that is associated with the ability to buy in obtaining independent housing of a certain size, and adequate services, in line with the need, and achieving its satisfaction, in a manner consistent with the individual's desire. The demand for housing means the demand supported by sufficient purchasing power to meet the cost of production, including the profit, as many families share another family from one house and are waiting for their financial condition to go out with their request to the market. Their presence or increase is constantly pressuring to raise the average selling prices and the rates of rent allowances to the upper limits (Abdullah, 1980). Therefore, the concept of housing demand, which represents one of the housing activities, can be defined as the desire to obtain a housing unit supported by the family's ability to pay, so there are two types of housing demand, namely:

1. Latent demand: It is defined as the desire to obtain a housing unit with no ability to pay.

2. Effective demand: (Al-Shaabani, 2014) is defined as the family's desire to obtain a housing unit with the family's ability to pay. This type represents the actual demand for housing, which the housing market is limited to. That is, housing demand is governed by two elements, namely: (1) Desire to acquire the housing unit and (2) economic ability to pay. The demand for housing comes through the formation of new families, or through the transfer of new residents to the area, which results in a shift in ownership, whether it is rent or ownership, or the purchase of housing, or if the demand for housing is carried out according to other purposes (Muhammad, 2004).



### **1.3. DEMAND FOR HOUSING IS MADE FOR TWO MAIN REASONS**

Either for housing or investment, and these are affected by changes in the income level of the residents and the interest rate on the loan and savings, as well as the state's policy and aid system for building or buying homes, their regulation and the degree of control over rents, and also the impact of the demographic changes of the inhabitants must not be overlooked (Abdullah, 1980). There are some factors affecting the volume of demand for housing units, which are: A set of demographic, economic, social and financial factors, including:

#### **1. Demographic factors:**

The demographic factor - the natural increase in population and migration - is one of the main factors that contribute directly to the increase in demand for housing units, which are represented by the size and equipment of the family, population growth and migration. As the increase in the rate of family size is one of the important issues that affect the demand for housing units and that the change in the number of families is also one of the main factors in changing the volume of demand for housing units as well, and for this reason, the relationship between the number of families and the size of the family is a positive relationship with the demand for Housing, meaning that the greater the size of the family and the number of families, the greater the demand for housing, but the increase in the number of families may not necessarily mean an increase in the size of the demand unless it is matched by a rise in the purchasing power of these families, in addition to that the increase in the size of the family means an increase in building areas. Consequently, the construction cost is high in terms of quality (Al-Shaban, 2014).

There is a direct relationship between population growth and housing demand, as the greater the population, the greater the housing demand and vice versa, and according to Malthus' theory of population, which emphasizes that the population grows in a geometric sequence, as for resources, they grow in a numerical sequence, and since housing construction requires availability of basic requirements, including building land, building materials, labor and other details of construction, so housing grows in a numerical sequence as well, meaning that the population grows faster than housing, and this as a result, did not generate the housing crisis (Al-Yasiri and

Lahmoud, 2016). It is known that demographic growth largely determines social needs, for this reason, the analysis of the evolution of the population and its distribution over the geographical area as well as the number of the family unit, that is, the number of individuals in each family and the changes in the rates of marriage age, is an indispensable process when developing a rational policy ( Standard) In order to satisfy these needs, we can say that the demographic factor is among the basic components that help in measuring and estimating the level of demand (Tobal, 2005). The search for residents is no less important than the issue of the search for housing, especially since the population and the civil are in continuous interaction and this interaction is reflected through the mutual influence between them, and it is known that the population growth of any city is the product of the interaction of two forces, namely the high rates of natural growth, due to the increase in births On the deaths and the net migration movement between entrants and exits (Abdullah, 2003). Immigration is one of the most important demographic factors that directly affect the housing problem and can be divided as follows:

#### A. Internal migration:

It is meant by the migration of individuals or groups of the population, and the change of their place of residence and accommodation from within the country or region, which is the permanent or temporary movement of individuals or groups within the same country from one community to another local community, in which there are reasons for livelihood, and this may be due to the poverty of their local environments or not Its overpopulation and the consequent decline in wages and widespread unemployment.

#### B. External migration

It is meant by the migration of residents, individuals or groups, and the change of their place of residence outside the country, which are of two types: from outside to inside, or from inside to outside, and this type reduces the housing problem unlike the first, and external migration is called emigration if it is abroad, and it is called delegations when it is coming To the state, and this may be for several reasons, including (a request to work, fleeing persecution, trying to get a better chance in life).

## 2. Economic and financial factors:

Which mostly includes the level of income, the cost of construction, the availability of land and its prices, as for income, it is one of the important factors affecting the population demand, as a higher level of income means an increase in the ability of families to increase the demand for housing space for one person or move to better housing units, as well. The difference in income levels causes a variety of residential unit sizes. It is assumed that higher income is matched by a trend towards enlarging the size of the family, and such a saying may be true for rural communities, on the contrary, in urban areas, as the low level of income prevents the attainment of reasonable food, housing and cultural levels of the population, so the equitable distribution of income is usually associated with the highest levels of welfare, and vice versa as it is limited. Welfare on certain social groups or classes may represent only a minority in society (Rahi, 2015). The income variable is the most influential variable in housing demand, if not the most important one at all, as most housing demand can be determined through the entry of individuals.

As for the cost of construction, it also affects the volume of housing demand, as the rise in the price of a commodity will reduce the demand for it. Therefore, the relationship between the cost of construction and the volume of demand for housing is an inverse relationship and the cost itself is affected by a number of factors, the most important of which are (labor and materials) The construction and technology used in it) also that sometimes the owner of the house contracts with a contractor to carry out the construction process, so the cost of construction in this case is linked to three main factors: the price of construction materials and the wages of manpower as well as the profitability of the contractor, and it is known that the prices of construction materials and the wages of manpower are affected. Other factors, internal and external, for example, an increase in the demand for housing or the housing market will lead to an increase in the demand for construction materials and manpower, and then an increase in their prices, which leads to an increase in the cost of construction (Al-Shaabani, 2014). The cost of building housing units is an essential factor in meeting the housing need, as a result of its association with the purchasing power of many families, especially those with limited income (Al-Yasiri and Hammoud, 2015). The relationship between the cost of construction and the volume of demand for it is an inverse relationship, because the increase in these costs will reduce the demand for the

purchase of residential lands, building materials, and thus the decrease in the number of built houses.

As for the price of land and its availability, it also affects the volume of demand for housing, as there is a group of families who cannot enter the housing market, due to the lack of land availability, or the inability to purchase a piece of land, due to the high prices, that is, the relationship between the volume of demand and the availability of land is a direct relationship (Al Shaban, 2014). Also, the lack of investment role in the housing sector is a result of the lack of appropriate economic and legislative encouragement means to motivate investors to invest in housing projects, as well as the absence of clear mechanisms for implementing the investment law (Al-Yasiri and Hammoud, 2015). He also promised the size of the loan granted one of the important economic factors that affect the volume of demand for housing units, and in most cases the decision to enter the housing market is based on the size of the loan granted by the housing assumption market, and the size of the loan granted is affected by the cost of construction, so the higher this cost, the higher it is. Expectation to increase the size of the loan granted (Abdelkader, 2009).

The policy of financing and granting bank loans for housing construction allows to a large extent to increase the demand for housing, as it encourages people with middle or limited incomes to think about building housing units according to their financial ability, especially if the loan is profitable for construction purposes, but the housing sector needs like other sectors Economic and social amounts to the necessary financial amounts that enable individuals to use those funds through: (Al-Durrah, 1988)

- A. Continuous increase in demand for housing.
- B. The surge in housing construction.

There is a strong relationship between the volume of bank loans available for housing construction purposes, and the volume of housing investments, as investment decisions are often based on the potential and volume of resources available in the country. As (Arcelus) and (Meltzer) indicated in 1973 that any semantic relationship between available loans and housing investments results from two independent and separate effects, namely:

- If interest rates move slowly in economic institutions, the increase in returns in the capital market leads to motivating people to transfer deposits from financial institutions to market credit.

- The increase in capital market returns may convince families to postpone the purchase of assets or durable assets (such as housing) and as a total effect of both, the available loans and housing activity may decrease or increase during the period of the increase in return on capital faster than the increase in interest rates at Economic Institutions (Saleh, 2001).

Also, real estate tax policies and interest rates are two common variables in relation to demand and supply rates. Interest affects the cost of investor financing of real estate projects in the determinants of supply and affects the cost of families and individuals obtaining loans (Rahi, 2015).

### 3. Social factors:

The social and cultural development along with the noticeable economic development may affect the demand for housing units in terms of individuals moving from their currently occupied units to better quality housing units, and this situation usually occurs as a result of families moving from city centers to their outskirts for a number of reasons, the most important of which is: change of use Land in city centers from residential to commercial or industrial, or as a result of these units being old and unsuitable for housing, meaning that the greater the cultural level, the greater the demand for housing units by a certain percentage (Al Shaaban, 2014).

4. Other factors, for example, technology used in housing construction, tastes, preferences, expectations factor, and unemployment rate:

#### A. Technology used in housing construction:

The construction of housing units requires different types of technology, and the appropriate technology is the first and most obvious determinant of the relative availability of labor, capital, land, skills, and resources, and there must be compatibility, harmony and cohesion between the use of technology for housing units and the surrounding environment, as technology cannot be used. Which is not commensurate with the nature of the city, and more clearly the technology play has affected human nature, and factors linking this technology to certain sites of the city

have emerged, and there is no doubt that the use of modern technology and advanced construction materials make all areas of the city suitable for urban investment, whether these are The areas are rugged, easy, or far from the city center, and each housing unit needs a special type of technology that differs from other types of housing units, so the more highly skilled and proficient technology is used in the process of building housing units, their costs will decrease (Yukhna, 2016).

#### B. Tastes and preferences:

Despite the difficulty of measuring the effects that the tastes factor leaves on the trends of total demand for housing in a quantitative manner, it is without doubt one of the important and main factors in this area, as the type of demand differs from one family to another (in terms of shape, structural design, size, land area and nature The materials used in building housing units .... etc.) Therefore, housing demand is directly related to the psychological tendency of consumers and this may be very weak during the exacerbation of the housing crisis and the citizen's inability to choose between housing alternatives as tastes are linked to the social and cultural environment of the family first and from Then with elements of mimicry and phenotypic simulation (Muth & Goodman, 2005).

#### C. Expectation factor:

The expectation factor is important in determining the decision to demand for residential land, as the demand increases with optimism about the decrease in construction costs or housing unit prices, and the opposite is true, as other factors remain constant.

#### D. Unemployment rate:

The unemployment rate has a direct effect on the consumer's ability to buy real estate, as there is a direct link between material stability and the real estate process and its purchase, and some people may prefer to postpone the purchase process until their employment status is stabilized, and they may have to sell the property in the event of losing a job, and moving to another place, say Value, and some people may prefer to rent rather than buy until job stability and salary increases (Al-Jubouri, 2013).

### **1.3.1. HOUSING SUPPLY AND FACTORS AFFECTING**

The housing supply consists of housing units that are prepared for rent or for sale during a certain period, and there are two main factors that constitute the volume of supply of new housing during the specified period. The first is the construction of housing units by the private sector - the private sector, and the second factor is: Buildings constructed by the public sector (Muhammad, 2004).

What is meant by the housing supply is the available housing units in a region, and one of its basic characteristics, which is difficult to control at times, is the fluctuations in supply over time, and it is sometimes difficult for the supply to respond to changes in demand during short periods (a year, for example) (Al-Husseini, 2015). The housing offer, available in the market for sale and purchase, consists of homes and current residents, existing and unused homes, construction and modifications that take place in homes (converting large homes into apartments or adding an inclusion) that already existing homes consist of homes whose owners have built housing for them and intend to move to it (Barker, 2004).

As previously indicated to the factors affecting the demand, there is also a set of factors that affect the housing supply, including:

1. Economic factors: The economic factors that have a significant impact on the housing supply are:

A. Cost of construction and construction and the price of land:

He means the cost of building materials, the total cost of construction materials, as well as the wages of manpower regardless of the cost of the land and the cost of infrastructure construction, given that the state provides them. The technology used in its production (Ali, 2014). The high costs of building housing units affect the housing supply and this is what is often generated from the scarcity of construction materials and the high prices (Forrest, 2012). The availability of construction materials is one of the important factors affecting the housing supply, and it refers to all the materials necessary for the construction of the housing unit. Construction can affect the supply of housing units in the long run through its effect on the rate of housing unit depreciation, which is usually subtracted from the housing stock, as the building materials constitute a high percentage of the total cost of housing (Barker, 2004).

In certain cases, the cost of residential land may exceed. The land market is also closely related to the housing market, describing the land as one of the elements of housing unit production, but rather the most important element of housing unit production, and the width of the land is inelastic, not because of the small area of the offered land, but because of the small area of the habitable land that enjoys the availability of necessary services and roads. For transport. It is noticed that the width of the land increases and its prices decrease the further we move from the city center. Because of the remoteness from the services. The density of housing units, the lack of land and the difficulty of construction make the demand supply inelastic in urban centers (Muth & Goodman, 2005).

There is a set of factors working to determine the price of the land, including (availability of infrastructure such as water, electricity and health services, the extent of ease of access to them, availability of markets, schools, residential land area, the nature of the area's residents and their cultural and social level and the suitability of the residential area for the scientific and cultural status of the family. These factors work. On raising the price of residential lands compared to lands that suffer from a lack of services (Ali, 2014). There is no dispute that the labor component is one of the main production factors that participate in all project phases, and it represents a real challenge in pricing construction work that is associated with continuous change, namely The most difficult in terms of estimating, in order to perform an acceptable work on these costs, the appraiser must perform a complete and thorough analysis of the construction work. Indeed, you find that one of the prominent facts in economic studies is the phenomenon of high and increasing wages received by individuals and workers in the construction and building sector (Al-Serafy, 2012).

#### B. Home finance or loans:

The housing unit is characterized by the high cost of construction, as financing in the housing sector occupies a prominent importance in relation to other factors. The financing process is one of the most basic pillars of the housing process, as all production elements of land, building materials and employment depend on financing, especially in the economy of poor countries, and ownership of capital is necessary to use it in the housing production process, and home ownership provides the family with a sense of security, as the purchase of a house is considered The most important



achievement in the life of any family, and since this achievement is not affordable for most families, these families have had to borrow to finance housing (Al-Serafy, 2012).

The investor in the residential sector is directly affected by the availability of financial resources and their offer to borrow, because the lack of financial resources leads to the decline of investors in the process of establishing housing units, and that the latter depends on the efficiency of the capital market and the degree of availability of financial resources for borrowing from two directions. Through the effect of the interest rate on short-term debt, as a rise in the interest rate leads to an increase in the rents of residential units, and this reduces the desire for demand for housing units, and subsequently increases the housing supply and with the increase in supply, the price of the housing unit decreases (Henilane, 2016).

With the decrease in the price of the housing unit on the one hand, and the increase in the interest rate on the other hand, the rate of construction of new housing units decreases, and in addition to the above, the provision of bank credit represents an important role in the housing supply. Also, there is a strong relationship between the volume of bank loans available for housing construction purposes and the volume of housing investments as investment decisions are often based on the possibility and size of the financing resources available in the country (Saleh, 2001). In all cases, the real estate market is subject to financial restrictions imposed by long-term financiers, who are the owners or buyers, which in turn are reflected in the identification of products and the functioning and development of real estate markets (Tobal, 2005).

### C. Residential unit price:

The price of the housing unit is one of the most important factors affecting the housing market and the supply of housing units, and it determines the direction and path of the process of building new housing units, because the optimistic expectations of investors about the demand and price in the future lead to an increase in the flow of housing investment and then to an increase in the number of housing units. The opposite is in the case of the pessimistic expectations of investors towards demand and price (Barker, 2004). The housing supply is fixed in the short term, but in the long term it is possible to establish housing units, and the higher the price of these units due to the cost of construction, this encourages the emergence of a speculative process, which leads to the continuation of establishing new projects, which leads to an increase

in the supply of these units. Towards resolving the crisis, especially if the percentage of the increase in housing units is greater than the percentage of the increase in the population and on the basis of the interaction between housing supply and demand (Muhammad, 2004). In any case, the relationship between price and supply is a positive relationship, and the trend of the housing supply curve from the bottom left to the top right indicates that positive relationship between them (Bramley & Morgan, 2003). Nevertheless, the excessive superiority in the level of the housing supply leads the price of the housing unit to decline, but usually slowly, and this is known as a sticky downward due to some reservations and special considerations of the sellers that push not to sell and rent and wait for the opportunity to increase the price again (Abdulaziz, 2007).

There are a number of other factors affecting the housing supply, including: (Mutlaq, 2016)

1. Social factors: Social factors have an effect on the supply of housing units in any region, as the housing supply increases with the increase of some social factors, the increase in the number of families, or the preference of some people for a specific area, either because of the existence of social relations or relative relatives or because of their sense of familiarity with the population and the place for their living for a period Long in it, and among the most important social factors:

- Family splitting and the formation of new families.
- Changing convictions and accepting the minimum housing space.
- The status of belonging to the original residence.

2. Urban factors (availability of services and public utilities): The basic structures of community services and infrastructure are necessary for every residential area, and the supply of housing is intrinsically linked to the provision of infrastructure. Expansion of the requirements of the new community is linked to the availability of facilities, communication network, transportation services, and environmental conditions. Building any residential area and increasing the housing supply without providing these services.

3. Legal and regulatory factors: Laws and legislations have an important impact on the quality of the housing supply through direct regulation of land uses, setting

construction parameters, or investment support in this sector. Therefore, laws and legislation affecting the housing supply can be divided into:

A. Laws of land use and specifying the lands allocated for residential use and their area in line with the planning and housing needs of the city, and this is what is usually legislated by developing basic plans for cities, which are considered a binding law.

B. Laws and legislations related to building parameters, such as building density, coverage percentage, setback distance from residential plot boundaries and building height.

C. Laws regulating investment in the housing sector, including the facilities provided to the private sector to encourage them to invest in the housing sector, and the size of these facilities affects the size of the housing supply.

#### **1.4. REAL ESTATE FINANCING AND HOME FINANCING**

The concept, definition, and importance of financing is studied as well as the sources, methods and forms of real estate and residential financing are studied within this research, as follows:

##### **1.4.1. CONCEPT OF FINANCING**

Funding is one of the basics for establishing, operating and expanding institutions of all types and sizes, as institutions need policies and financing tools of various forms, in order to cover their various financial needs to carry out their usual activities and functions, and financing is one of the elements that must be available in any institution that wants its strategic plan, because how to obtain it at the lowest cost, it is not an easy thing (Bostic et al, 2009). Finance plays a vital and effective role in contemporary economic life, as it is the vital artery and the beating heart that supplies the economic sector with its various units and institutions with the necessary funds to carry out the investment process and achieve development and push the economy forward and become performing basic functions. Through contractual operations, it acquired the description of financing and became called it an expression of the financing role that it plays in order to achieve its intended goals (Al-Hadrawy et al., 2015).

The term finance refers linguistically to money, and money is a broad and

comprehensive concept, and it has been mentioned dozens of times in the Holy Qur'an. It refers to assets of all kinds and their classifications, from metal and paper money, merchandise - whatever they are - lands, buildings, cars, livestock of all kinds, and securities from stocks and bonds to Other than that. And there must be a financial source financing these assets, regardless of their types, the source of financing may be the individual's income, or perhaps the inheritance he inherited, or perhaps from a loan he borrowed etc. (Al-Jamil, 2011). No matter how diverse the projects are, because they need funding in order to grow and continue their lives, as funding is the current blood of the project, and from here we can say that funding has an effective role in achieving the country's development policy.

- Providing the necessary capital for the completion of projects that result in providing new job opportunities that reduce unemployment.

- Achieving the country's economic development.

- Achieving the goals that are dominated by the state.

- Achieving the welfare of the community members by improving their situation (providing housing, work, health).

There are many definitions of financing, which vary from one definition to another, including:

- It is a set of decisions on how to obtain the necessary funds to finance the Corporation's investments and determine the optimal financing mix of borrowed funding sources and the funds owned in order to cover the Corporation's investments (Hana, 2013).

- It is the provision of real resources and their allocation for development purposes, and by real resources we mean those goods and services needed to establish investment projects, create new capital and use them to build productive capacities in order to create consumer goods and services (Shallal, 2015).

- It is the search for appropriate methods to obtain funds and choose, and evaluate those methods and obtain the best mix in a manner that suits the quantity and quality of the financial needs and obligations of the institution (Moufid, 2013).

Funding is the sum of the operations through which the corporation seeks to meet all its capital needs, whether it concerns the initial allocation of funds and

subsequent increases to loans available in public circles and financial structures, or contributions granted by the state and the public treasury, or local groups, or Hawass and others (Zawawi, 2009).

Funding is defined as a set of foundations and facts that are dealt with in managing money and how to use it, whether these funds belong to individuals, businesses, or government institutions (Yusef, 2012).

Funding expresses all activities and businesses that individuals and projects undertake to obtain the necessary funds with capital or borrowing or investing them in various operations (Mamandi, 2012).

The financing is also based on maximizing the cash value expected to be obtained in the future in light of the current available value of the investment and the expected return from it and the risks surrounding it (Fawzia, 2011). From the previous definitions, it can be said that financing is the need for a project to credit, that is, its need for capital that is not available to it, due to insufficient self-financing sources. By completing existing projects, it is also necessary to properly manage the disposal of these funds.

#### **1.4.2. IMPORTANCE OF FINANCING**

Every country in the world has an economic and development policy that it follows or works to achieve in order to achieve the well-being of its members, and this development policy requires setting out its outlines for planning development projects, according to the country's financing needs and capabilities, and whatever the diversity of projects, it needs funding in order to grow and continue Its life, hence the importance of financing, because of its effective role in achieving the country's development policy, through what follows (Al-Husseini, 1999).

1. Preparing the necessary capital for the implementation of the projects that result from it, according to the achievement of the goals planned by the state. And achieving prosperity for members of society by improving their living conditions (providing housing or work).

2. Securing capital flows in its various forms (such as loans and investments).

Given the importance of financing, his decision is yet one of the basic decisions that the institution must be concerned with, because it is the determinant of the

competence of financial decision-makers, through their search for the necessary sources of financing, agreeing to the nature of the targeted investment project and choosing the best ones and using them in an optimal way commensurate with achieving the largest return with the lowest cost and without risk. This helps to achieve dominant goals (Fawzia, 2011).

We can summarize the importance of financing in that financing is the backbone of the project and the driving energy for all jobs and businesses, as I do not have a business that yields profit or an investment that yields interest without the presence of capital. It is estimated the size of the financing, the management of its sources and its good investment, as projects in general need funds from the beginning of their activity and their launch in the production process to continue their activities or to cover their deficit, or to expand the production of their activities in order to increase their production capacities (Shalal, 2015). Funding will also contribute to achieving the institution's objectives for the renewal or improvement of the corporation's fixed capital, such as buildings or replacing equipment and machinery. It is also considered a quick method for the corporation to use it to direct its current needs and get out of the financial deficit situation. Funding also contributes to linking international financing with financial bodies and institutions (Kwaider, 2012).

### **1.4.3. FINANCING FEATURE**

The money that the institution receives from different sources has several characteristics, and among these characteristics are the following (Hana, 2013):

1. Entitlement: It means that the funds that the institution receives from financing have a period of time and a date that must be paid regardless of any other considerations.

2. The right to income: that is, the sources of financing have the first right to obtain their money and the interest resulting from it from the liquidity or income of the institution.

3. The right to assets: If the institution is unable to pay its obligations through liquidity or current assets, it will resort to using fixed assets, and here the first right of the sources of financing is to obtain its money and the interest resulting from it before handing over any other obligations.

4. Appropriateness: This means that the diversity and multiplicity of funding sources gives the organization the opportunity to choose the growth path that is appropriate in timing, quantity, conditions and benefits.

#### **1.4.4. FINANCING METHODS**

The financing methods are represented in direct financing and indirect financing:

1. Direct financing: It expresses the direct relationship between the lender and the borrower without the interference of any intermediary or financial institution. Units with surplus cash and savings resources can be converted into units that are in financial deficit to meet their needs and it has several and varies according to the different dealers in projects (individuals, government) (Hana, 2013).

2. Indirect financing: This type expresses all the indirect financing methods and methods represented in the financial markets and banks.

3. That is, all financial sources that are financial intermediaries.

As the financial intermediaries in the financial market and some banks collect cash savings from surplus units (individuals or projects) and then distribute these savings to the units that need them, the intermediary financial institutions try to reconcile between the requirements of the sources of savings and the requirements of the sources of financing, since most of the savings sources employ Because of the risks or as a result of their lack of confidence in the investments made, and then these financial institutions would address them to new bonds of specific attractiveness, which were provided to them with services and satisfy their desires for liquidity or speculation (Fawzia, 2011).

#### **1.4.5. FINANCING FUNCTIONS**

Among the most important finance functions are the following: (Muhammad, 2019)

1. Financial planning: It is a type of planning that helps in preparing in the future as the estimates of sales and future capital expenditures direct the financial manager's thinking towards the financial requirements in the future.

2. Financial Control: It is a comparison of the performance of the

establishments with the established plans.

3. Obtaining funds: by showing the cash inflows and outflows during the period covered by the moment.

4. Investment of funds: After the financial manager prepares the financial plans and obtains funds from their sources, he must ensure that these funds are used in court and used economically within the facilities.

5. Interview special problems: The previous jobs are in periodic and permanent positions for the financial department and the financial manager, but financial problems of a special nature and not recurring may appear, and they may not occur during the project.

Mortgage:

#### **1.4.6. CONCEPT OF REAL ESTATE FINANCING**

Real estate financing is one of the vital means to accomplish many civil and commercial businesses and activities that are directed to real estate and are directed to it in order to advance its development and development, and it is the real estate industry and one of the most important factors affecting the stagnation of the real estate market and its activity. Moreover, real estate financing is more comprehensive than housing financing, because housing financing is intended to provide housing for the beneficiary and this is the purpose of the contract, while real estate financing may be to achieve this purpose, which is housing or for another purpose, which is to provide a place for the work of a specific profession or craft, The beneficiary wants to secure this headquarters in this headquarters, and given the importance of the sector, any method that drives its growth and development and increases the element of its credit and guarantee is a means that acquires its importance from the importance of the property and its position, and there is no doubt that one of the most important means affecting the stagnation of the real estate market and its recovery and activity is real estate financing, and its absence It may mean drug stagnation and weak activity (Al-Mutairi, 2011).

#### **1.4.7. DEFINITION OF REAL ESTATE FINANCING**

Real estate financing has been defined as an economic activity as the need for individuals, companies, institutions and others to finance the purchase or construction



of a property, and here the applicant for financing turns to a financial institution or any financing agency to carry out the financing process, then the client pays the value of this financing provided that A peer will be agreed upon by the funder. Real estate financing is also known as financing investment in the areas of purchase, construction, restoration, or improvement of housing, administrative units, service establishments and buildings for specialized shops for commercial activity, by guaranteeing the right to choose the property or formally mortgage and other guarantees accepted by the financier in accordance with the rules and procedures Determined by the executive regulations of the Real Estate Finance Law (Jumaa, 2006). Also, real estate financing can be defined as an agreement between the financing applicant (the investor) and the financier and any other party who has a stake in financing, whereby the financier is obligated to finance the investor in order to buy, build, restore or improve private, administrative, service and commercial facilities so that the rest of the parties are obligated to decide which A guarantee satisfied by the taxpayer as a guarantee of his rights (Al-Jubouri, 2014).

Real estate financing has also been defined as the process by which real estate can be purchased today with tomorrow's money that the borrower will receive, as the other party (financiers) provides the money necessary for the purchase process, and real estate financing covers several types of real estate, including residential properties for ownership or rent. Some have argued that real estate financing is a supply process to meet the needs of individuals in the real estate field and contains the following elements:

1. Determine the need accurately.
2. Find funding sources.
3. Study the risks.

As the request for financing is not limited to financial institutions only, but also to individuals, families and states, whether this financing is for a large project or owning a real estate. And enables the responsibility of the financier to ensure that proceeds and payments are properly managed so that the money is always easy to meet, whenever necessary payments arise. In short, it is a long-term loan aimed at financing the purchase or construction of housing or financing major development works or housing expansion (Khalafawi, 2017).

In real estate loans, the borrower signs two documents, the first document is the loan agreement between the bank and the borrower, the insurance document includes rights and obligations on each party (the bank and the borrower) on the other party, and the second document is the mortgage of the property as a guarantee in favor of the bank until the loan is paid, as the borrower deals with ownership of the property In the event that he defaults or does not pay the loan for any reason, the bank wants to obtain the guarantee (through mortgage on the property) for the purpose of reducing the credit risk in the loan, as well as notifying the borrower that he must earn income for the purpose of repaying the mortgage loans, otherwise, the bank seizes the property (Mamandi , 2012).

And real estate financing comes from several forms of savings deposits that the financial institution reconfigures in the form of investment portfolios in preparation for re-lending them in the form of mortgages, and the real estate financing system is a sub-component of the financial system, so it must be compatible with it, so that the financial system acts as an intermediary between savers and borrowers (Askar, 2005).

The description of the description is that the idea of real estate financing is concentrated in the supply, or the provision of the necessary money by granting credit in the form of a long-term cash loan to finance a real estate operation, whether it is buying a property, building this property, restoring it, or improving it, whatever the purpose of this property, whether for the purpose Productive or consumerist, and if the majority is for a consumer purpose, that is to enable every citizen to manage adequate housing by providing the legal means that guarantee long-term financing with the real estate guarantee, by paying the price of the property or building or repairing the property for a long period commensurate with his income and ability. So that other aspects of his spending are not affected.

#### **1.4.8. THE IMPORTANCE OF REAL ESTATE FINANCING**

Real estate financing has a positive role in the economic process, as the real estate financing system contributes to revitalizing the real estate market and pushing forward the process of economic development, as well as has a positive effect in revitalizing the building and construction industry, which includes a large number of workers, and the most important feature of this system includes providing housing Appropriate for low-income people at an appropriate price, and the elimination of the

random housing phenomenon. Many countries give great importance to housing and real estate financing activities, given that real estate represents the largest proportion of the family sector and individuals' assets and that this activity is an important engine for economic growth, due to its association with a large number of industries and activities, directly and indirectly, which reach about (100) industries. And a profession, such as cement, iron, ceramics, wood, sanitary ware and electrical appliances. In addition to the importance of real estate financing activity for any social strategy to confront poverty, by providing thousands of job opportunities, whether in real estate activity or in other industries (Mansour, 2008).

Real estate financing is a goal sought by low-income people, to achieve the dream of owning a home for them, and on the other hand, for real estate financing companies, to achieve the desired profit, and there is another goal for the state, which is the development and strength of the national economy. Knowing about the real estate financing system, it was obligatory for us to explain to them what real estate financing is, its objectives, and how to control the real estate financing system.

And through some commercial foreigners, it has been shown that the amounts allocated to investments in the field of housing range between 15% and 30% of fixed capital formation. Weak and less developed financial systems that are unable to recruit private savings have led governments to resort to financing residential activities using money. The public, and a large number of low-income families remain deprived of access to bank loans, due to their inability to provide adequate guarantees. The necessity of state intervention in economic life and the existence of a public sector with the participation of the private sector and the necessity of reviewing the work of private banks, especially with regard to loans granted by real estate mortgages and setting controls for the functioning of the stock market is clearer of the policies that must be taken to avoid any crisis, especially as we know the extent of the impact of the real estate sector On the economy as a whole, whether for good or for bad (Al-Yaqout, 2009). After real estate financing is among the most important means of economic and social development in the country, and real estate financing is of great importance, which is summarized in several aspects, including: (Khalafawi, 2017)

- The real estate finance activity helps to achieve prosperity for large segments of individuals and society by improving their living conditions, as it works to provide

suitable housing for them, especially middle and low-income groups, who are unable to finance, buy and build their homes, especially in light of high prices.

- Real estate financing helps the economic, social and security stability of the individual and society, because it helps the individual to own his home, and home ownership is a sign of stability and safety for the individual and society.

- It works to develop and develop the real estate sector by creating great opportunities for investors to direct their investments in the real estate sector, and encouraging them to build the housing units needed by the market, especially the economic and medium housing, and it also works to promote and revitalize the real estate market as a result of the increased demand for housing units that people need.

- The real estate financing system gives the applicant the longest possible repayment period, which leads to the emergence of purchasing power that was not available before, and facilitates him to own the housing unit he wants (Al-Yaqout, 2009).

#### **1.4.9. COMPONENTS OF REAL ESTATE FINANCING MARKET**

The real estate investment market represents from 50 percent to 70 percent of the economic activity of most developing countries, and in order for there to be a real estate investment, there must be a complete system of real estate financing in order to create demand on the real estate market and push investors to enter to invest in this market: (Ahmed, 2017)

1. The primary market: It is the market in which mortgage creation, guarantee, marketing and service are carried out by real estate financing institutions, which are represented by mortgage companies, commercial banks, savings and loan banks and housing financing devices. Real estate financing institutions provide service between buyers and sellers of real estate by means of a real estate group. They are the real estate broker, mortgage appraisal expert, real estate agent, and insurance companies.

2. The secondary market: It is the market in which mortgage rights are resold from loan-issuing companies to other institutions that convert these rights into securities or instruments that can be traded in the financial market with mortgage guarantee, and then finance companies can recover part of the loan value. The original one to be pumped again into the first real estate market.

#### **1.4.10. REAL ESTATE FINANCING PARTIES**

The real estate financing process is not an individual process. Rather, there are several parties to it that cannot be done correctly except with the presence of these parties that differ in their status, rights and duties, and they are:

1. Real estate banks: It is a group of financial institutions that specialize in financing a distinct and vital sector, which is the housing and real estate sector, which needs the availability of liquidity. A resonance in various other sectors, as the investment of funds in the real estate sector is characterized by the length of the loan period of up to (30) years, and the return may extend after collection according to the term of the loan (Fatima, 2017).

2. The seller of the real estate or others: is the other party in the real estate financing agreement and it differs according to the purpose of the financing. If the financing is for the purpose of purchase, then the other method here is the seller of the property, but if the purpose of the financing is construction, restoration or improvement, then it is The person in charge of construction, restoration or improvement works, such as the contractor and the interior engineer, and this third party is a natural person, such as individuals, or a legal person as a company working in the field of real estate investment.

3. The real estate finance applicant (investor or buyer) is the person who obtains financing for the purpose of purchasing, building, restoring or so on real estate (Al-Mutairi, 2011).

Other parties may enter into the real estate financing agreement on the occasion of its conclusion or on the occasion of its implementation, placing spending on their shoulders with obligations, or assigning them rights to other parties, if the financing is for a purpose other than buying an existing property, such as an investment in building a property on land owned by the borrower or for the purpose of restoration Or improving a property he owns or other areas, the financing must be according to an agreement between the borrower and the financier (the bank) and between any party that has a stake in this spending, such as the contractor who undertakes construction or maintenance works, knowing that this third party intervention is not an obligation or It is imposed, but subject to the spending of the parties.

#### **1.4.11. THE ADVANTAGES OF REAL ESTATE FINANCING**

Real estate finance is characterized by the following advantages: (Al-Jubouri, 2013)

1. A possible long repayment period compared to any other financing system.
2. Financing may reach (90%) of the value of the housing unit to be purchased.
3. Ensure that the interest rate is fixed for the duration of the property, until or when the interest rate increases in the market.
4. The possibility of early repayment of the financing.
5. The real estate financing system provides the right to choose the terms of financing, such as the down payment that you can pay and the value of the monthly installments.

### **1.5. HOUSE FINANCE**

#### **1.5.1. THE CONCEPT OF HOUSING FINANCE**

The housing sector, like other economic and social sectors, needs financial amounts that can be used to finance all housing construction operations that require different financing methods from other investments. Housing financing is the backbone of every housing policy, so the success of any housing policy is based on the financing policy, by finding appropriate channels and outlets in providing the necessary financing for individuals and institutions designated to secure housing in accordance with appropriate conditions. This is based on the nature of the economic and financial system in force in that country, and the structure and real estate financing institutions are the most important structures designated for housing finance, regardless of their different designations from one country to another (Majdi, 2013).

Housing is the main share of family and national funds. Building or buying a house is the largest single financial investment that most families can make, and at the same time housing constitutes a large share of the financial sector as a whole. While housing finance has the potential for important public economic benefits to a wide range of actors, the performance of the housing finance sector is not good these days, and it is important to distinguish between housing finance, which is commercial financing with a high degree of risk, and real estate financing, which is a type.

Financing is less risky when ownership is insured, which can stimulate demand for new and existing housing. Housing finance is an important and essential element of housing, and it is relied upon to help individuals and designated institutions to build or buy housing units. An efficient housing finance system capable of supporting families and helping them obtain housing is one of the important factors in increasing the housing deficit and the accumulation of need. Residential (Mutlak, 2011).

In fact, countries differ in the forms of housing finance and its institutions according to the nature of the economic and financial system that they adopt, as well as the conditions and forms of lending and its types, according to the amount of money that must be provided and spent to build the required housing unit. With regard to housing finance policies, the state differs in it, from which it establishes specialized institutions to finance housing, or existing public institutions may participate and support them to provide the necessary financing to finance housing, or participation with the private sector in housing finance, including leaving the family private sector to finance housing (Muhammad, 2011).

The financing process is one of the most important basic pillars of a process as all production elements of land, building materials and employment depend on financing, especially in the economy of poor countries. Home ownership is considered for the inhabitant and his family to feel safe, as buying a house is the most important achievement in the life of any family and since this achievement is not able most families These families have been forced to borrow to finance housing, and many foreign bodies have contributed to solving the housing problem, especially in developing countries, as they provided the necessary financing with certain conditions, stages and quantities (Al-Serafi, 2012).

Finance is considered the cornerstone of housing policies in general, and the success of the housing policy is linked to finding appropriate channels and outlets in providing financing for individuals and designated institutions by securing housing according to appropriate conditions, especially for low-cost housing. Institutions between Qatar and another (Al-Sultani, 2012). Housing financing is the investment of capital in various housing construction processes, and the importance of invested capital lies through the increase in housing needs on the one hand and the continuous rise in the cost of construction on the other hand.

It is natural that there are financial institutions specialized in providing loans according to projects, including banks or funds, and their terms and forms differ from one country to another according to the state's philosophy and its economic and financial system, and that the weakness of the financing process will inevitably affect the implementation of population planning, and the real estate finance institutions and its branches are among the most important structures Concerned with housing finance and may be within the public sector and the private sector. And housing finance represents the capital investment in the housing construction process (Abboud, 2016). Financing plays an important role in avoiding the housing problem, as the loans granted to individuals and families do not meet the housing requirements if we know that interest rates are very high compared to the entry of individuals, in addition to the fact that the procedures for granting loans are very complex and the banks were looking for safety and not to employ their huge deposits which seemed It was as if they were banks that performed the function of money as a store of value (Kazem and others, 2015).

The housing unit is economically a capitalist commodity, and on the other hand it is considered a consumer good of a permanent and long-term nature, and then these characteristics will in turn affect the trends of housing finance, as the capital value of the unit is considered high compared to the annual per capita income, as it reaches an average of five times as much. Prevailing in most developing countries, and this is what assumes that the availability of non-self-financing (loans) is one of the basic requirements to achieve families' desire to obtain housing units, and this is what led to the distinction of housing finance from other financing methods and the emergence of its characteristics, which are mainly in: (Askar, 2005)

- Housing financing: term financing and its terms are determined in accordance with the income capabilities of the buyer. They are considered one of the basic requirements to reduce housing gaps.

- Real estate asset (housing unit): the subject of the loan, which is the basic guarantee, and there is a difference between the financing aspects related to the construction and building operations and the financing operations related to the ownership of housing units, as the size of the financing required for the construction and building operations often exceeds the amount of financing required to finance the



ownership of housing units.

Home finance can be defined as investing capital in the construction of various housing units, and the importance of invested capital lies through the increase in housing needs on the one hand, and the continuous rise in the cost of construction on the other hand (Fatima, 2017). Housing financing is the provision of the necessary funds for investment in the areas of buying, building or improving housing, by guaranteeing the right of possession of the property, formally mortgaging it, or other guarantees accepted by the taxpayer in accordance with the rules and procedures specified by the executive regulations of the Finance Law (Majdi, 2013).

### **1.5.2. THE CONCEPT OF HOME FINANCING IN ISLAMIC BANKS**

What is meant by home-ownership financing, meaning that financial institutions provide opportunities for individuals who often do not have the ability to own a suitable home with cash, by buying the house and offering it to their clients in one of the many forms of ownership that are compatible with Islamic law. Therefore, Islamic banks and banks carry out various operations that help Support and development of society, such as investment operations for the funds deposited in them with the aim of profit and investment for the work of a project that Islam desires, but by means and by legitimate means (Mulla Huwaish, 2013). There are many forms of Islamic housing finance, such as: (Yusef, 2012)

1. Murabaha. This formula can be used in the real estate financing field according to the following steps:

A. The customer signs with the bank the murabaha contract, finds the required housing specifications, the amount of the cash advance (as a guarantee of the customer's commitment to purchase, called the seriousness margin), the value of the installments, and the method of payment, and it is necessary to specify the basic price of the house, the bank's profit margin and the total price.

B. The bank buys the house according to the specifications specified by the customer, or authorizes the customer to buy, sells the house to the customer in installments, and the ownership of the house passes to the customer.

2. Banking tawarruq. It is a financing procedure represented in buying a commodity from the bank at a high price and selling it at a current price lower than it

in order to obtain cash.

3. Rent ending with ownership or with a promise to own: The participatory formula can be used in the field of real estate financing, and it is preferable to use the sharing formula ending with ownership, where the bank enters into a partnership project with the customer to buy the property, leases its share to the customer and receives the agreed rental value from it, and the customer buys periodically The pre-agreed percentage of the bank's share in the real estate, and after the entire period of ownership of the property to the customer

4. The Istisna'a contract: One of its advantages is to contribute to creating opportunities for investors to enter the housing construction sector, to give greater opportunities to the beneficiary to choose the model that is most appropriate for him, to give greater opportunities to the beneficiary to build in the area that you want. And contracting companies alike.

5. Participation: The Islamic bank provides the financing that the client requires, without requiring fixed interest. Rather, the client bank participates in the expected product.

6. Peace: Its advantages include financing companies to build housing, contributing to the balance between supply and demand, and an opportunity for the bank to make profits from construction companies and individuals.

### **1.5.3. HOME FINANCE SOURCES (TYPE OF HOUSING FINANCE)**

Financial institutions offer various forms of loans that take different characteristics and conditions between them related to the terms of borrowing. To her. The housing sector financing takes different forms, which can be summarized as follows: (Mahmoud, 2015)

#### **1. Financing according to the loan term:**

The time period is one of the indicators used in housing activity to find the most types of loans that are arranged. It is often classified into short-term loans, which are the funds provided by commercial banks and savings banks for short periods of time (less than a year). These banks aim to collect family savings and re-lend them to clients who keep savings accounts with them on easy terms, or finance people who are

not depositors on other, different and more difficult terms to use for construction purposes (Moufid, 2013). Financing the import of building materials from abroad, and the implementation of some residential projects, usually requires financing through short-term loans that are guaranteed by the specialized banks (Daraji and Khalifa, 2012).

Long-term loans: These loans are provided by housing banks similar to them, such as mortgage institutions or insurance and reinsurance companies. Housing banks are among the specialized banks that provide long-term housing credit to individuals wishing to buy, build or restore housing. These banks have their borrowing policies in terms of loan terms, interest rates and loan priorities, and if we want to outline some of the goals related to them, they can be limited to the following: (Abdulaziz, 2008)

Financing housing projects, either directly or by issuing guarantees for granted loans.

Encouraging national and foreign investments in the housing sector.

Encouraging savings and establishing a housing loan and savings fund.

Financing housing cooperatives.

Providing services and advice on everything related to construction projects.

Participate in securing the issuance of shares or bonds for housing-related loans.

Mortgage homes are also considered among the savings veins that work to borrow buyers for residential lands and residential buildings in exchange for mortgaging what is bought from them, whether for the purpose of renting or possessing, but this type of financial institutions has not been dealt with in third world countries due to lack of banking awareness first, and the existence of values It is not possible for a person to be satisfied to share his moveable money with others, except in very urgent cases. Insurance and reinsurance companies can play many roles in the housing sector, as they are among the owners of housing buildings that they rent to others to benefit from rental returns, as well as provide residential credit loans, and they are considered intermediary financing bodies that take banking as an activity It is essential for it, but rather it plays the role of a mediator because of the accumulated funds available to it (Moufid, 2013).

## 2. Funding according to funding source:

Funding according to geographical source emerged as a result of joint efforts on the international level after the end of World War II, and the lack of local financing resources often showed the need for such financing patterns, and funding is divided according to the source into two types:

### A. Internal sources of funding:

The internal sources of financing are one of the types related to housing credit that provide financial resources for individuals dealing in residential real estate such as land and buildings, and the internal sources of financing are the main source in terms of the size of the amounts that can be provided and the internal sources of financing consist of the banking system operating in the country, and institutions Specialized financial such as commercial banks and other specialized banks, of which the Housing Bank is the most important of financing these housing activities (Al-Jabouri, 2015). Financial and real estate institutions are also considered among the specialized banks, and intermediary financial institutions are included among the internal sources as well, such as development and reinsurance funds and real estate companies (Abdulaziz, 2008).

### B. External sources of funding:

The multiplicity of these sources of newly originated varieties that emerged with the increasing belief in the importance of international cooperation in solving the housing problem, in order to achieve balance in the process of economic and social development that has become an international requirement, and that international and regional financial institutions contributing to financing housing projects are multiple institutions and the nature of Her work in terms of style and purpose (Al-Jubouri, 2015). The external and international financing for housing appears through international financial institutions such as:

1. The World Bank and it is considered one of the most famous multilateral organizations working to provide aid since 1972 along with European regional organizations.

2. The Central Fund for Economic Cooperation, which provides housing loans to the French-speaking group of African countries, as it provided about two-thirds of

its loans to housing institutions in countries located in the sub-Saharan region.

3. Bilateral aid comes to support international loans, as the United States is one of the most active countries in the world in the field of housing lending, and there are many international bodies working on housing lending, and there are many international organizations working on lending to other countries, whether through collective or bilateral efforts, examples of which are:

The United Nations Center for Housing, Building and Planning.

- The United Nations Economic and Social Council.

- Commonwealth Development Corporation and others.

It should be noted that, although foreign international loans have contributed to solving some housing problems, their role will remain secondary if compared to the basic roles that can be played by internal financing sources: (Al-Durra, 1988). The Iraqi Fund for External Development is one of the funds that provided loans for housing purposes in the 1980s, as well as the Libyan Foundation working in the field of credit, as it provided loans for the same purpose and at a low-cost financing interest to the two previous institutions. It should be noted that the participation of international foreign loans is secondary if compared to financing. The internal and self of the state (Al-Sultani, 2012).

3. Financing according to ownership of invested funds:

The ownership of the funds that are invested in the residential activity is one of the measures used to know some financing patterns, and from here this experience can be classified into public finance, private finance and cooperative financing:

A. Public financing:

It depends on the amount the state allocates from the financial allocations to the administrative bodies responsible for the housing sector. Public financing is the most appropriate source for financing low-cost housing projects, as it contributes to reducing the cost of housing, especially in cases of availability of land at symbolic prices for those with limited incomes, as well as other factors, including the moderation of the interest rate resulting from this type of financing, and the adoption of implementing multiple units with designs A unified model, and the Ministry of Housing and Construction in Iraq previously, in cooperation with the Polish Paul

Service Foundation, undertook a thorough study of this form of funding, and the Public Institution for Housing launched a book containing housing models for citizens commensurate with the income level and need of that category of citizens, and the circumstances of the first and second Gulf War, and it stopped This experience (Al-Sultani, 2012).

#### B. Private financing:

It is that financing that is made through the contributions of individuals and companies with legal personality, and the private sector depends for its funds on what is provided from personal savings, and it often resort to local sources of financing, which are represented in the financial apparatus of the banking system (Al-Dorra, 1988). This type of financing is done through individuals and companies with a regular personality, and it is difficult to determine a general percentage for it, as the relative amounts may reach high levels in countries that encourage the contribution of the private sector through incentives and legal and may decrease a lot or disappear in countries that depend entirely The government or in countries with the size of the private sector not investing in the field of housing, due to the availability of guarantees and the necessary incentives (Abdelaziz, 2008).

It should be noted that there are many reasons that have made the share of private financing large in some cases, especially recently, and with the liberalization of prices and recognition, the relative share of private financing has been made large in some of them and they are encouraged as much as possible to do so through legal encouragements and incentives. These efforts are often far from the cases that governments prepare through their specialized agencies from their basic tasks, such as:

Financing engineering and architectural operations.

Financing housing project implementation operations.

Financing the recovery of construction materials and equipment for public works.

Pay the total wages.

#### C. Cooperative financing:

Cooperative financing is represented in the financial allocations provided by housing associations, with the intention of creating a type of housing called

(cooperative housing). However, despite the importance of this type of housing cooperation in the economic and social life in general, looking at the housing sector is a passing conversation. To some third world countries, due to the lack of awareness of the importance of this type of financing (Draghi and Khalifa, 2012). This type of financing ranks third in terms of importance after public and private funding, due to the limited contribution, which comes through cooperative institutions and societies.

#### 4. Financing according to the nature of real estate activity:

The real estate activity has various varieties that can be identified as follows:  
(Al-Jubouri, 2015)

Financing the provision of residential lands.

Financing public utilities and services.

Financing engineering and architectural designs.

Financing the production of construction and building materials.

Financing the implementation of housing projects.

In general, housing financing institutions and banks, in order to guarantee the recovery of the loan amounts granted to citizens, usually put in place specific guarantees represented by the following:

A. The mortgage of the project land and the buildings on it for the benefit of the bank or the institution, at the Real Estate Registration Department or the Land Registry Department until the full payment of the loan is completed, and this mortgage guarantees to the banks that the borrower will not act in the property in any way without referring to the bank or paying the entire loan balance. The bank also gives the authority to demand real estate execution on the property, in the event that the borrowers are unable to pay.

B. The borrower's employer or his sponsor for the self-employed must be required to transfer the monthly installment regularly to the account of the loan, and this procedure guarantees the bank to recover the loan amount along with the interest within the specified period.

C. Insurance on the life of borrowers and their real estate, in order to ensure the payment of the loan balance from the insurance company in the event of the borrower's

death, disability, or exposure of the property to the natural risks stipulated in the protection insurance policy.

D. Some banks may resort to obligating borrowers to build their homes through companies registered with official authorities in the state and the concerned bank, and under the supervision of recognized engineering offices to ensure the safety or suitability of the housing project.

It is evident from what was previously mentioned that there are multiple types of financing, all of which are concerned in one way or another with the provision of shelter, and the size of the savings, even if it is difficult to estimate, due to the lack of accurate statistics is less than the actual need for it, which cannot be relied upon to fulfill the desires of the vast majority of the population. In light of these facts, increasing the employment of savings in specialized housing finance institutions and working to increase their role and expand the circle of their services to enable people with limited income to benefit from these services by increasing the capital of these institutions and providing them with easy loans from the state treasury, is an appropriate way to solve the problem Housing Finance. There are complex and thorny reasons and factors behind the insufficiency of financing sources for the housing sector in the developing world, including, for example, but not limited to: (Abdulaziz, 2008)

1. There is an international consensus that the housing sector suffers from the lack of money allocated for the sums invested in it, either because of the neglect of the need for funds required for housing construction and the failure of governments to allocate the amounts of money that are most needed, or the unwillingness of government authorities to spend on this sector Or the state's preference in attracting national savings or the small amount of domestic savings that undoubtedly affects the size of financing all productive and service sectors.

2. The complexity of the system and the many conditions set in the face of dealers that take a long time, which leads them not to think about going to borrowing institutions except in cases of extreme necessity.

3. The small size of home credit loans provided by financial institutions.

4. The inability of the beneficiaries of the loans to pay the prescribed periodic repayments, either because of the low level of income or the high interest rates for



loans or the short period of time for the loans themselves.

5. The areas of benefiting from the facilities provided by the commercial and private banks are very limited and limited to a certain group and a simple segment of society, which is the high and high income category.

6. The requirements imposed by some housing financing institutions, including the requirement to provide the land necessary for construction, which removed the largest segment of needy shelter in these countries from benefiting from loans.

7. The reluctance of the private sector to finance the housing sector at a time when public financing is unable to play its role, due to the insufficient financial capabilities of the developing world in particular, and one of the reasons for this sector's reluctance may be the lack of incentives to invest in the housing sector.

8. The participation of external financing sources in housing financing is very limited, either because of the unwillingness of the borrowing country to borrow from these sources, due to the high interest rate, or because of the unwillingness of the borrowing sources for the purposes of the countries due to misuse of loans and non-utilization of them in the field of housing.

9. The public sector or specialized financing institutions should bear the burden of financing the housing sector, despite their limited investment potential and their inability to face the growing costs of providing suitable and necessary housing units for housing groups.

10. The limited activity of cooperatives in the field of housing despite the growing role that cooperatives can play in the field of investigating the housing problem.

This housing finance is provided by specialized lending institutions in this field as well as by commercial banks. These loans are often of two types, namely:

1. Residential real estate loans: These are loans offered to individuals to finance the construction, improvement or purchase of homes for them. They are long-term loans with a repayment period of up to (30 years).

2. Construction loans, which are loans that are provided to real estate investors in the field of housing during the construction phase to meet the requirements of financing housing projects that they carry out, and financing is provided to

construction contractors according to completion and stages of work.

3. The loans are usually short, or sometimes medium term, and there are reasons for the lack of housing finance due to: (Kouider, 1999)

Low level of family income and savings.

Unavailability of specialized banks and associations.

Unavailability of soft loans.

Lack of investment in housing due to rental laws.

Weak investor confidence (the security aspect - legislation).

Compete with other investments (such as industry and commerce).

Fourth: the housing market and its relationship to the financing market:

It is not possible to isolate between the housing market and the financing market and the factors affecting it. Therefore, the financing market is one of the important markets in the housing market, as effective demand on the housing market cannot be achieved without a demand on the financing market. Therefore, the financing market is an important market in the housing market, and the demand for it means the demand for the financing market.

The housing market is like any other economic market, in which the forces of supply interact with the demand, but it differs from the rest of the other economic markets, due to the characteristics of the housing unit distinguished by its stability and survival and from the characteristics of the housing unit the difference, whether in terms of location, size or price. In order to achieve the goal of owning the great majority of citizens of housing in light of the high cost of land and construction, and the inability of the private sector to meet the increasing demand, this necessarily means that there must be government intervention, which secures a solution in the long term, this intervention is based on a fundamental thing which is to put the housing market next to it. Supply and demand gain more flexibility to achieve people's aspirations within the capabilities of the economy in the long run, so it is imperative to follow policies that contribute to achieving this point (Al-Sultani, 2009).

There are a set of factors that affect the volume of demand for bank loans, which include two aspects, one of which relates to the housing market, and the other

relates to monetary variables, such as the demographic factor, income level, construction cost, housing unit prices, loan size, interest rate and so on. And that these factors play an important role in determining the demand side for loans, and the importance of these loans increases if we know that the income rates of individuals, especially in developing countries, do not help alone in obtaining suitable housing without resorting to the financing market, so we can consider that the size of the change in The demand for housing is related to a number of factors, one of which may be the change in the size of the loan granted by real estate institutions and banks.

According to (Abrams, 1980) the financing market depends on a group of banks that provide loans to this market, especially savings institutions that play a major role in providing the necessary amounts for the financing process, and one of the factors that helped increase loans is the high savings rates in developed countries due to high incomes. Individuals and to the high return from savings due to the financial temptations for savers from high interest rates and so on to encourage savers to save to increase their cash liquidity to finance housing projects, so the interest rate plays an important and large role in the availability of these amounts, as the high rate of interest rate for savings means an increase in the volume of savings and from an increase in the volume of loans granted.

And the need has become urgent for financial institutions (governmental, private, or direct investment ... etc.) that contribute in one way or another to financing housing projects. In developing countries, and due to the lack of savings, we find that the financing process for the market depends mainly on the financial capacity of the state, and that the family in developing countries is trying to save for the purpose of improving its living condition by obtaining a certain commodity that may be more acceptable than saving in banks, due to the low level Family pensions, and social habits and beliefs may be among the other reasons that determine the size of savings within financial institutions, or fear of taxes may be one of the main reasons for the lack of savings inside these banks, and all this leads to weak cash liquidity within these banks and thus limiting their operations Investment in projects with short returns.

The implementation of the housing policy and the control and supervision of it by the state must take into account the limited income groups at the top of its priorities. Therefore, a clear financing policy and financial programs must be developed that

enables the person to help himself to obtain adequate housing and set the means to achieve this, and that the state's support for income groups should be Limited has an integrated framework between the income level, the cost of construction and the area of the housing unit.

## **2. CHAPTER TWO: REALITY OF THE RESIDENTIAL MARKET IN NORTHERN OF IRAQ**

Reality of the housing market in northern Iraq and analyzing the extent to which the housing supply keeps pace with the demand for it and the amount of the housing deficit in northern Iraq and the factors affecting the supply side and the housing demand side, in order to reach a clear vision on how to reduce the housing deficit and reach a state close to balance in this vital area, depending on So on the available data.

The reality of the housing sector in northern Iraq can be studied and analyzed by dividing this chapter into the following:

### **2.1. POPULATION INDICTORS**

The annual population increase is one of the important and main factors that lead to the emergence of the housing crisis, as there is a direct relationship to population growth and housing demand, as the rate of increase in population far exceeds the new population units, according to Malthus' theory of population, which emphasizes that the population grows in succession. Engineering, as for the resources, they grow in a numerical sequence, and since housing construction needs land resources, building materials, labor and other building supplies, so housing grows in numerical progression as well, meaning that the population grows faster than housing, and this in consequence does not generate the housing crisis.

Table 1: Number of population in city centers in the region for the period (2005-2017)

Year	Erbil	Sulaimani	Duhok	Total	Ratio
2005	704,347	652,026	276,984	1,633,357	—
2006	726,131	672,192	285,551	1,683,874	3.09
2007	748,589	692,981	294,383	1,735,953	3.09
2008	771,741	714,413	303,488	1,789,640	3.09
2009	795,609	736,508	312,874	1,844,991	3.09

2010	812,782	742,090	319,132	1,874,004	1.57
2011	835,794	758,908	329,994	1,924,690	2.70
2012	858,902	776,063	340,858	1,975,823	2.66
2013	882,395	793,523	351,922	2,027,840	2.63
2014	906,245	811,257	363,171	2,080,673	2.61
2015	930,389	829,245	374,605	2,134,239	2.57
2016	954,807	847,462	386,209	2,188,478	2.54
2017	978,423	865,880	397,965	2,242,268	2.46

Source: Researcher's Reliance on Ministry of Planning Data

$$* \text{ Annual rate of cha} = \frac{\text{Population in 2017} - \text{Population in 2010}}{\text{Population in 2010}} \times 100$$

The data in Table (1.1) indicate that the number of population in the city centers of the region for the period (2005-2017) continues to grow and at different growth rates. The total population of the region's cities centers for the year 2017, which amounted to (2242268), is the reason for this increase. Births and lack of deaths, as well as the development of the economic and health level of the population, as well as migration and displacement to the Northern Iraq Territory, as the region was a major center for attracting population migration, and a large number of displaced people left their areas of residence after the events of (2014) as a result of the wars, conflicts and devastations that they experienced. The Iraqi governorates (the number of displaced persons and refugees in the Northern Iraq Territory at the end of 2017 reached (234,106) families, including (121620) families in Erbil, (44,144) families in Sulaymaniyah and (68342) families in Dohuk, as there are governorates the security situation has not stabilized So far, which has made its residents move to other relatively safe governorates, as the majority of the displaced live in areas with extremely poor conditions that lack the simplest services and means of comfort, which has generated pressures on the housing sector and the support services sector, which It has complex negative effects.

Table 2: Population in the governorates of the region for the period (2005-2017)

Years	Erbil	Sulaimani	Duhok	Total	Ratio
2005	1,507,598	1,567,457	1,041,108	4,116,163	—
2006	1,554,225	1,615,935	1,073,307	4,243,467	3.09
2007	1,602,294	1,665,912	1,106,502	4,374,708	3.09
2008	1,651,849	1,717,435	1,140,724	4,510,008	3.09
2009	1,702,937	1,770,552	1,176,004	4,649,493	3.09
2010	1,755,606	1,825,311	1,212,375	4,793,293	3.09
2011	1,805,313	1,866,677	1,253,639	4,925,629	2.76
2012	1,855,226	1,908,874	1,294,910	5,059,010	2.71
2013	1,905,970	1,951,818	1,336,944	5,194,732	2.68
2014	1,957,486	1,995,439	1,379,675	5,332,600	2.65
2015	2,009,637	2,039,685	1,423,114	5,472,436	2.62
2016	2,062,380	2,084,492	1,467,198	5,614,070	2.59
2017	2,113,391	2,129,794	1,511,858	5,755,043	2.51

Source: Researcher's Reliance on Ministry of Planning Data

The results of Table (2) indicate that the number of population in the governorates of the region for the period (2005-2017) is in continuous growth and different adjustments as well, as the highest growth rate was recorded at 3.09%, as this percentage was constant from 2005 to 2010.

Table 3: the number of marriages in city centers in the region for the period (2005-2017)

Years	Erbil	Sulaimani	Duhok	Total
2005	9,029	12,454	7,347	28,830
2006	9,863	13,374	7,877	31,114
2007	8,995	13,774	9,983	32,752
2008	8,673	12,688	8,790	30,151
2009	13,605	14,104	8,202	35,911
2010	15,022	12,759	8,841	36,622
2011	18,565	14,642	11,446	44,653
2012	20,275	15,917	13,849	50,041

2013	18,354	14,911	13,370	46,635
2014	17,044	13,821	10,993	41,858
2015	16,183	13,172	10,247	39,602
2016	15,940	5,897	9,346	31,183
2017	14,628	12,988	9,891	37,507

Source: Researcher's Reliance on Ministry of Planning Data

In light of the statistical data contained in Table (3), which refer to the number of marriages during the study period (2005-2017), as it is clear from the table that the number of marriages in the region tended to increase from 2005 to 2012, the number of marriages reached (50041) in 2012, and the reason is due to improving the standard of living for individuals in the region, especially after adjusting the salary scale for government employees and increasing their income, as well as providing and granting advances to those who are about to get married in city centers in the region in general, as the number of marriages reached (2013-2016 The number of marriages has returned in the city centers of the region in general, as the number of marriages reached (31,183) in 2016, and the reason is - of course - the deterioration of the economic and financial situation and the instability of the security and political situation in Iraq and the region, as well as the migration of many young people and families To abroad, in addition to the Peshmerga's preoccupation with military duties and tasks and specific martyrdom from them, but in 2017 the number of marriages increased to (37,507) cases, due to the stability of the security and political situation in the region.

Table 4: Number of divorce cases in city centers in the region for the period (2005-2017)

Years	Erbil	Sulaimani	Duhok	Total
2005	812	681	198	1,871
2006	1,141	1,000	283	2,424
2007	1,385	1,319	343	3,047
2008	1,128	1,560	404	3,092
2009	1,702	1,802	147	3,651
2010	1,918	2,430	659	5,007
2011	1,910	4,295	712	6,917



2012	2,810	2,642	914	6,366
2013	2,760	3,682	1,002	7,444
2014	2,424	4,012	1,103	7,539
2015	3,024	3,855	1,226	8,105
2016	2,665	1,888	1,261	5,814
2017	2,985	1,360	1,384	5,729

Source: Researcher's Reliance on Ministry of Planning Data

As for divorce cases, it is clear from Table No. (4) that there is fluctuation in the number of divorce cases in the region, but it is generally noticed that the number of divorces increased significantly during the years (2005-2015), as the highest number of divorce cases was recorded in the region. In (2015) it reached (8,105) divorces. The reason is the deteriorating political and financial situation in the region, especially after reducing the salaries of employees and imposing a compulsory savings system on state employees, as well as the migration of many young people abroad and their inability to bear the situation during this period, but divorce cases began to decrease in the last two years of the study (2016 - 2016). 2017), when it reached (5814 and 5729) divorces, respectively.

Table 5: Estimates of the number of families in city centers in the region for the period (2005-2017)

Years	Erbil	Sulaimani	Duhok	Total	Ratio
2005	126,833	134,413	43,485	304,731	—
2006	133,547	140,688	45,899	320,134	5.05
2007	139,882	143,693	46,036	329,611	2.96
2008	143,785	151,295	47,241	342,321	3.86
2009	147,317	154,654	50,353	352,324	2.92
2010	151,620	156,104	52,790	360,514	2.32
2011	159,646	162,057	55,190	376,893	4.54
2012	162,085	172,945	55,900	390,930	3.72
2013	170,087	176,868	58,279	405,234	3.66
2014	184,255	183,440	60,473	428,168	5.66

2015	190,260	190,583	62,486	443,329	3.54
2016	194,211	195,089	63,635	452,935	2.17
2017	197,555	195,635	64,227	457,417	0.99

Source: Researcher's Reliance on Ministry of Planning Data

As for the estimates of the number of families for the period (2005-2017) in the city centers of the region and shown in Table (5), they increased in unequal proportions, and the highest growth rate for the number of families was recorded in (2014), as the total reached (428,168) families, i.e. It increased at an annual capacity growth rate (5.66). This is as a result of the increase in the number of marriages and the formation of new families, as the highest number of marriages was recorded in the year 2012, as it reached (50041) cases, as each family - of course, wants to obtain its own housing unit, and this in turn leads to an expansion of the size The problem is in the territory.

Table 6: Estimates of the number of families in the governorates of the region for the period (2005-2017)

Years	Erbil	Sulaimani	Duhok	Total	Ratio
2005	271,476	323,126	163,447	758,049	—
2006	285,846	338,213	172,522	796,581	5.08
2007	299,405	345,434	173,038	817,877	2.67
2008	307,761	363,710	177,566	849,037	3.81
2009	315,320	371,786	189,262	876,368	3.22
2010	327,499	383,968	2,000,547	912,014	4.07
2011	344,834	398,610	209,666	953,110	4.51
2012	350,104	425,391	212,363	987,858	3.65
2013	367,387	435,039	221,399	1,023,825	3.64

2014	397,991	451,204	229,736	1,078,931	5.38
2015	410,960	468,776	237,382	1,117,118	3.54
2016	419,495	474,938	241,749	1,136,182	1.71
2017	426,718	481,201	243,998	1,151,917	1.38

Source: Researcher's Reliance on Ministry of Planning Data

With regard to the estimates of the number of families at the level of the governorates of the region, it is clear from Table (6) that the number of families increased in varying proportions, and the highest rate of increase in the number of families was recorded in 2004, as it increased at an annual growth rate (5.38), as a result of the natural increases of the population in the region And the increase in the number of marriages and the new families as well as the displaced families from other governorates to the governorates of the region for the previously mentioned reasons. As for the decrease in the annual growth rate of the number of families in the last workers in the governorates of the region (2016 and 2017), respectively, it is attributed to the decrease in the number of marriages and the formation of new families, as well as the return of the displaced to their areas of residence, by the decision of the Iraqi government to return to their governorate after the improvement of the security and political situation, The growth rate reached (1.71) and (1.38) respectively for workers (2016 and 2017).

## **2.2. HOUSING OFFERS IN THE IRAQ**

The housing supply can be in the existing housing stock and the total housing units offered for rent or for sale during a certain period of time, and they are represented in the housing units offered by the public and private sectors.

Table (7) data indicates that the number of housing units in the Northern Iraq Territory increased in varying proportions during the study period (2005-2017). The number of housing units increased from (177,682) housing units in 2005 to (213269) housing units in 2008, i.e. a growth rate. An annual rate of (7.79) compared to the previous year 2007. The reason for this increase is due to the increase in the number of construction permits, as the number of building permits increased from (9229) permits to (10805) permits with an annual growth rate of (23.15) in 2008 compared to the

previous year Him 2007.

Table 7: Housing units in city centers in the region for the period (2005-2017)

Years	Erbil	Sulaimani	Duhok	Total	Ratio
2005	83,392	58,144	36,146	177,682	—
2006	85,144	66,449	37,512	189,105	6.43
2007	87,484	70,797	39,570	197,851	4.62
2008	93,720	78,191	41,358	213,269	7.79
2009	100,706	84,222	43,435	228,363	7.08
2010	108,980	92,578	50,387	251,945	10.33
2011	116,312	99,283	57,040	272,635	8.21
2012	123,606	104,774	60,754	289,134	6.05
2013	130,368	108,580	63,041	301,989	4.45
2014	134,262	111,777	65,018	311,057	3.00
2015	136,647	114,390	66,025	317,060	1.93
2016	145,673	116,018	68,909	330,600	4.27
2017	148,910	117,721	70,257	336,888	1.90

Source: Researcher's Reliance on Ministry of Planning Data

In addition to the role of the Investment Authority in increasing the housing supply and its participation in providing housing units for the citizens of the Northern Iraq Territory, the number of housing units completed by the Investment Authority reached (12,366) housing units in 2008, as well as the public sector's contribution in providing (740) housing units for the same year. Shown in the following table No. (3.12), the Supreme Commission for Investment in the regional government issued Law No. 45 on 08/20/2008 regarding the establishment of the housing fund and the real estate bank to promote the housing sector and lend to citizens by providing financing to own housing units. Thus the number of housing units continued to increase, as the number of housing units reached (251945) housing units in 2010, that is, it increased at an annual growth rate of (10.33) compared to the previous year 2009, which is the highest growth rate during the study period, and the reason for this increase in housing units in This year, the Investment Authority contributed to the implementation of a number of housing projects, as it completed (12103) housing

units. In the remaining years of the study, the number of housing units continued to increase, but this increase was at a decreasing rate for most of the remaining years of the study. The lowest annual rate of the housing balance during the study period was recorded in 2017, with an annual growth rate of (1.90).

Table 8: The number of building permits in the centers of the region for the period (2005-2017)

Years	Erbil	Sulaimani	Duhok		
2005	3,272	4,591	1,366	9,229	—
2006	5,297	4,408	2,066	11,771	27.54
2007	3,626	3,368	1,780	8,774	-25.46
2008	4,272	4,456	2,077	10,805	23.15
2009	3,861	4,746	2,406	11,013	1.93
2010	3,587	5,422	1,912	10,921	-0.83
2011	3,298	5,504	1,872	10,674	-2.26
2012	3,636	4,113	2,149	9,889	-7.35
2013	3,921	3,242	2,286	9,449	-4.45
2014	1,383	3,197	1,978	6,558	-30.59
2015	2,385	2,613	1,005	6,003	-8.46
2016	4,513	1,628	2,886	9,027	-50.37
2017	2,841	1,703	1,348	5,892	-34.73

Source: Researcher's Reliance on Ministry of Planning Data

The decrease in the annual growth rate of the increase in the number of housing units for these years in general and the last year in particular is due to the decrease in the number of permits granted for construction. The number of permits granted reached (5892) permits in the year 2017 after it was (9027) leave in 2016. In addition to the decline in the role of Both the Investment Authority and the Ministry of Reconstruction in completing housing projects and not granting any license to any housing project by the Investment Authority for the years 2013-2017, due to the financial, economic and political crisis that the region went through during this period, as well as the deterioration of oil prices and the imposition of a savings system Provincial government compulsory public sector employees, and the decrease in the

number of vacations granted by the directorates of city municipalities illustrates this perfectly, in addition to the stopping of both the Housing Bank and the Real Estate Bank in providing housing finance loans to citizens for the years 2013-2017, and this clearly shows in a decrease The number of vacations granted by the directorates of the cities of the region's municipalities, which resulted in a decline in the annual growth rate of housing units.

### **2.3. THE PROBLEM OF THE HOUSING DEFICIT IN THE NORTHERN IRAQ TERRITORY**

The housing deficit is defined as the difference between the number of families that need housing and the acceptable housing stock available in a certain period of time. The quantitative housing deficit is the inequality between the number of families and the number of housing units they occupy during a specific period of time regardless of whether those families own housing units or Rented from it, or the fact that those families own the housing units or rent from them, or the housing units are of good quality. It is noted from Table (3.9) that there is a problem of chronic housing deficit in the region, and there is a state of imbalance in the housing market, as it appears that there is a gap between the variables, the number of families and the number of housing units, in the region, which has resulted in a deficit in the number of its housing units. If we look at the housing reality in the three cities of the region, we find that there is a large deficit in the housing stock that created the housing problem from the quantitative side, especially in the first years of study.

This can be clarified through the data of Table (3.5), as it is clear through that data that the number of families in the cities of the region reached an estimate of about (329611) families in 2007 after it reached (304,731) families in 2005, and the reason for this increase is due to the number of families as a result The increase in the number of marriages, childbearing and the formation of new families, as well as the desire of individuals to separate from their original families and live in housing independent of them, and this increase is matched by a slight increase in the number of housing units for the same period, as the number of housing units increased from (177,682) housing units in 2005 To (197851) housing units in 2007, but in the years (2008-2011), only the amount of the housing deficit witnessed a significant decrease until the amount of the deficit reached (107958) housing units in 2011, which is the lowest amount of deficit in the region during the study period, and the reason for this is due The decrease

in the amount of the housing deficit was due to the increase in the number of vacations granted by the directorates of municipalities in the cities of the region. (10966) housing units in 2011. Also shares The Ministry of Construction and Housing (73) with housing units as shown in the following table No.

Table 9: Housing deficit in the centers of the region for the period (2005-2017)

Years	Housing deficit in the city of Erbil	Housing deficit in the city of sulaimani	Housing deficit in the city of Duhok	Total	Annual rate of change
2005	43,441	76,269	7,339	127,049	—
2006	48,403	74,239	8,387	131,029	3.13
2007	52,398	72,896	6,466	131,760	0.56
2008	50,065	73,104	5,883	129,052	-2.05
2009	46,611	70,432	6,918	123,961	-3.94
2010	42,640	63,526	2,403	108,569	-12.42
2011	43,334	62,774	1,850	107,958	-0.56
2012	384,479	68,171	4,854	111,504	3.28
2013	39,719	68,288	4,762	112,769	1.13
2014	49,993	71,663	4,545	126,201	11.91
2015	53,613	76,193	3,537	133,343	5.66
2016	48,538	77,071	5,274	130,990	-1.76
2017	48,645	77,914	6,030	132,589	1.22

Source: Researcher's Reliance on Ministry of Planning Data

As for the years from (2012 - 2017), with the exception of 2016, the amount of the housing deficit increased until it reached (133,343) housing units in 2015, which is the highest amount of deficit during the study period. Financial investment plans for new housing projects in the region, which caused the escalation of the housing deficit, as well as a decrease in the number of permits granted by the directorates of the municipality of cities in the region, and no building permit was granted for residential investment projects, which led to individuals relying only on themselves Obtaining housing units, especially after the noticeably deteriorating situation in the living

standards of the region's families, due to the imposition of a compulsory saving policy and the retreat of the regional government's role in activating the construction sector and its contribution to reducing the size of the housing crisis, as the government's role in treating the crisis diminished due to the regional government's pursuit of the privatization policy And economic liberalization. Also, there is another factor that contributed to the increase in the amount of the housing deficit, which is the displaced from other Iraqi cities to the cities of the region due to the instability of the security and political situation, as it formed a pressure factor on the available housing balance of housing units in the region, in addition to the reluctance of banks to finance projects Housing.

In general, it is noted from Table (9) that there are clear fluctuations in the amount of the annual deficit that fluctuated between increasing and decreasing during the period between (2005-2017). All of these factors are in the same direction, not with the same force over the mentioned period. In general, there are a group of factors that have contributed to the increase in the housing deficit, including:

1. The lack of a clear, continuous and stable housing policy adopted by the state, that is, the absence of a clear local housing policy with implementation strategies.

2. The lack of allocations to the housing sector within the annual allocations of the Ministry of Construction and Housing and the total state budget for the period of time (2005-2018). In the absence of government support in providing housing units, whether through financial allocations granted to the housing sector or through housing financing programs, the real estate bank and the real estate housing fund have not made great achievements in granting real estate loans, as the level of need is greater, which both sides can meet. These loans do not fulfill the housing requirements.

3. The Housing Bank and the Real Estate Bank stopped granting real estate loans, and the cost of housing construction became the investor and buyer.

4. The basic facilities and services are insufficient. The unavailability of serviced lands suitable for establishing new housing projects causes a decline in the level of municipal services.

5. Low levels of individual incomes compared to housing costs, which means



that families are unable to construct housing units on the lands distributed to them.

6. Lack of the role of private investment in the housing sector, as a result of the lack of appropriate economic and legislative encouragement means to motivate investors to invest in housing projects, as well as the absence of clear mechanisms for implementing the investment law.

7. The high rise in land prices. The regional government, through its municipalities, distributed lands to its members in the form of compensation to public sector employees for the efforts they made, or to alleviate the housing crisis. However, most of these plots with land were not used in the field of housing. Trading in real estate offices, which led to the rise in housing unit prices and their incompatibility with the purchasing power of a large proportion of the region's population, especially after the low level of income and the high costs of housing construction.

Table 10: Number of plots of land distributed by the municipality of Erbil to the various groups of society for the period (2005-2015)

Years	Number of pieces	Annual rate of change
2005	14,952	—
2006	2,868	-80.81
2007	1,672	-41.70
2008	1,842	10.16
2009	4,239	133.06
2010	5,060	17.86
2011	7,379	45.83
2012	732	-90.07
2013	372	-49.18
2014	2,364	535.48

Source: Researcher's Reliance on Ministry of Planning Data

Since 2013, both the Housing Bank and the Real Estate Bank have stopped granting real estate loans, and as a result the number of permits for building housing units has decreased, and this is a clear indication of a strong relationship between government support (the advance of the property) and the housing problem, as the relationship is opposite between them, as the more government support increases The

smaller the housing problem, and vice versa. Therefore, housing construction expenses have become the responsibility of both the investor and the buyer, which led to an increase in housing unit prices and deprived citizens of limited income from obtaining housing units, who constitute the largest number of the outcome of the housing problem.

## 2.4. ANALYSIS OF THE HOUSING SITUATION IN THE NORTHERN IRAQ TERRITORY

The housing deficit is one of the important trends in determining the size of the housing crisis, which was caused by the increase in the number of families at a rate greater than the increase in the number of housing units, and this can be clarified through the data of Table (11). Which shows the number of housing units at the level of the governorates of the region for three different years (2009, 2014, 2017), as the growth rate of the housing deficit increased by (11.67%) during the period 2009 to 2014, which is higher compared to the second period 2014 to 2017, which was 5.19%. As for the number of families in the governorates of the region, it almost reached about (876,368) families in 2009.

Table 11: Estimation of the housing deficit at the regional level for the years (2009, 2014, 2017)

Years	housing units	Number of beds	number of vacations	Residential deficit	growth rate of the housing deficit
2009	790,687	876,368	21,144	85,681	—
2014	912,748	1,078,931	17,151	166,183	11.67
2017	948,418	1,151,917	6,798	203,500	5.19

Source: Researcher's Reliance on Ministry of Planning Data

$$* \text{ Annual growth rate } = \left( \frac{\text{Value in Year } n}{\text{Value in Year } n-1} \right)^{n-1} - 1 \times 100$$

The reason for this increase is due to the multiplicity of families as a result of the formation of new families, and this increase is matched by a slight increase in the number of housing units for the same period, as the number of housing units rose to (790,687) housing units in 2009, and this discrepancy indicates the existence of a large

quantitative housing deficit between the number of families And the number of housing units, as the amount of the housing deficit reached about (85681) housing units, despite the Northern Iraq Territory’s attempt to alleviate the housing problem and its support for the construction sector through the construction of housing units completed by the Ministry of Construction and Housing and the Investment Authority.

As shown in Table (12), as well as through the allocations granted to the housing sector through the Real Estate Bank and the Housing Fund to grant real estate loans to reduce the size of the housing deficit, but the gap still exists as the amount of the deficit reached about (166,183) housing units in 2014. One of the most important reasons for the increase in the amount of the housing deficit during this period in all governorates of the region is the high population emigration rates, as the number of displaced and displaced people from other regions inside and outside Iraq increased, due to the deterioration of the political and security situations in those areas, and the weak government support in the provision of units. Residential, whether through financial allocations or housing unit construction and housing finance programs, financial allocations have stopped being monitored in investment plans for new housing projects, which led to a reduction and decline in the role of the public sector and this negatively affected the urban and residential movement in the region in general, and especially after The Real Estate Bank and Al-Asan Bank stopped granting loans, which resulted in citizens relying only on self-financing to build their housing units, and this is confirmed by the number of building permits, as it decreased from (211 44) leave from 2009 to (17151) licenses in 2014.

Table 12: The housing units completed by the (Investment Authority) and (Ministry of Construction) in city centers in the region for the period (2005-2017)

Years	Investment Authority				Ministry of Reconstruction			
	Erbil	Sulaimani	Duhok	Total	Erbil	Sulaimani	Duhok	Total
2005	—	—	—		—	—	—	—
2006	—	3,393	—	3,393	—	504	—	504
2007	6,348	980	—	7,328	1008	—	—	1,008
2008	8,565	2,702	1,099	12,366	444	236	60	740
2009	20,473	1,285	3,499	25,257	—	—	—	—

2010	4,129	2,934	5,040	12,103	—	—	—	—
2011	5,057	1,128	4,781	10,966	—	73	—	73
2012	7,156	1,378	1,574	10,108	19	—	—	—
2013	—	—	—	—	—	564	—	564
2014	—	—	—	—	144	—	—	—
2015	—	—	—	—	—	—	—	—
2016	—	—	—	—	—	—	—	—
2017	—	—	—	—	396	—	—	396

Source: Researcher's Reliance on Ministry of Planning Data

As for Table (13), which indicates the number of housing units constructed by the Ministry of Construction and Housing as well as the expenditures allocated to them, it is clear that the highest number of constructed housing units was in 2008, which amounted to (1671) housing units, and the amount allocated to them was (54195366) Thousand dinars.

Table 13: Number of housing units constructed in the region by the Ministry of Construction and Housing and the expenditures allocated to it

Years	number of units	Expenses of (1000) ID
2005	380	3,917,312
2006	705	11,360,966
2007	1366	70,273,808
2008	1671	54,195,366
2009	289	16,217,667
2010	672	18,382,158
2011	227	9,991,676
2012	619	14,397,393
2013	684	22,812,690
2014	730	35,473,820
2015	168	6,224,836
2016	276	13,885,309
2017	396	16,945,702

Source: Researcher's Reliance on Ministry of Planning Data

As for table (14), it becomes clear that (109) licenses were granted for (179) residential projects, and the total number of its housing units was (152293) housing units from 1/8/2006 to 1/7/2018. An investment license was withdrawn for (97) housing projects (51 housing projects in Erbil governorate, 22 housing projects in Sulaymaniyah governorate, and (24) housing projects in Dohuk governorate). And the number of units allocated to the housing fund is (21687) housing units out of a total of (152293) housing units. As for the number of projects completed by the Investment Authority and according to the Housing Fund during the period (2006 - 2012) in all governorates of the region, it has reached (105) projects.

Table 14: Number of projects approved by the Regional Investment Commission from (1/8/2006 - to 1/7/2018)

Governorate	Number of projects	Unit type		Total units
		Housing Fund	Without a housing fund	
Erbil	82	8,767	76,087	84,854
Sulaimani	59	9,910	30,973	40,883
Duhok	38	3,010	23,556	26,556
Total	179	21,687	130,616	152,293

Source: Researcher's Reliance on Ministry of Planning Data

As for tables (15) and (16), they refer to me to the number of completed and incomplete housing projects by the fragility of investment for the period (2006-2014), as well as housing projects that depend on the housing fund, as it appears from table (15) that the largest number of units The housing unit completed by the Investment Authority was in 2010, as its number reached (208507) housing units. Although the Housing Fund Mall is (829) housing units only, the reason for this increase in the number of completed housing units for the above-mentioned year is attributed to the fact that The regional government has provided many facilities, by providing lands and public services, as well as administrative, legal and financial facilities for local and foreign housing projects in the region.

Table 15: Number of projects completed by the Investment Authority in the governorates of the region for the period (2006 - 2012)

Years	Number Project	Number Units	Units	
			Housing Fund	Without a housing fund
2006	8	6,692	3,227	3,465
2007	10	8,530	1,497	7,033
2008	11	12,511	2,028	10,483
2009	25	26,698	8,367	18,331
2010	22	208,507	829	207,678
2011	18	11,466	489	10,977
2012	12	12,527	161	12,366

Source: Researcher's Reliance on Ministry of Planning Data

Table 16: Number of unfinished projects not distributed to individuals by the Investment Commission in the governorates of the region for the period (2006-2014)

Years	Number Project	Number Units	Units	
			Housing Fund	Without a housing fund
2006	2	909	89	820
2007	3	635	—	635
2008	2	1,686	1,569	117
2009	2	2,715	1,574	1,141
2010	12	8,892	79	8,813
2011	15	14,346	—	14,346
2012	22	19,607	161	19,446
2013	—	—	—	—
2014	2	3,136	—	3,136

Source: Researcher's Reliance on Ministry of Planning Data

In any case, despite the role of the Investment Authority in building or increasing the number of housing units, these units were built on the basis of the investor's profit without specifying the price by the government, and therefore it did not achieve the goal behind it. Built for people with limited income, as the owners

benefited. Increase in income, and as a result the housing problem has not been solved, and there is a clear deficit in the region that cannot be overcome in light of the currently available capabilities.

### **3. CHAPTER THREE: HOUSING FINANCING IN NORTHERN IRAQ TERRITORY**

The Northern Iraq Territory has adopted many different policies to finance housing, based on the economic situation and the financial capacity of the region, as well as according to the general conditions that it passes through. One, it is the reaction to the reality that the region is going through, and it is a policy that accompanies the housing policy that may be unplanned, that is, it returns to the government's vision of how to meet the continuous and accumulated demand for housing. The housing finance policy in the region (Northern Iraq Territory) can be divided into two policies, namely:

- The policy of the total burden on one of the parties (government sector or the private sector and families).
- Policy of partnership between the two sectors.

The first policy can be clarified through the following:

First - Implementation of housing and its financing by the government through:

#### 1. Building housing complexes for families:

The government has built residential complexes, whether they contain horizontal housing units that are leased to the state, (Safin district - Erbil), or free of charge to the families of martyrs (Saruran district - Erbil), or vertical housing units (apartments: Zebari apartments, Runaki apartments - Erbil) and others.

#### 2. Granting of real estate loans through the real estate bank:

The aim is to contribute to addressing the housing crisis and the social and economic benefits that follow it for all members of society, by alleviating the suffering of citizens, especially middle and low-income citizens, from high rental prices and helping them lift the burdens on their shoulders. Northern Iraq Territory approved the disbursement of mortgage loan to citizens as a solution to the housing problem, and this was approved in the 2008 budget. The regional government decided and based on the General Budget Law for the fiscal year (2008) to disburse the mortgage loan to citizens. A decision was issued by the Council of Ministers and the Ministry of Finance of the region's government based on Cabinet Decisions No. 10452 and 11002



on 9/23 and 10/8/2008.

By spending what is called in the region the introduction to building housing homes for citizens through the real estate bank, with the disdain of serving the citizens of the region in order to reduce the housing problem, as the history of the establishment of the bank in the governorates of the Northern Iraq Territory goes back to the fifties of the twentieth century when it was opened by the administration The real estate bank in Baghdad, the real estate bank in the governorates of the region practiced its lending activity for the first time during the two years (1953 and 1954), and it began granting loans for several purposes, including the release of the mortgage for the construction of residential homes, the reconstruction and purchase of residential homes and other purposes. Thus, the bank continued practicing its banking activities from the date of its opening until the beginning of the nineties of the last century, but it stopped granting loans after 1991 because of the then Iraqi government withdrawing its administrations from the region due to the political changes that took place in it, and then the funding for the real estate bank stopped in the provinces of the region For the year 2008. During the decade of the nineties, the activity of the real estate bank in the governorates of the region was limited to the collection side only, to collect loans that were previously granted to citizens in previous decades.

The real estate bank is part of the administrative apparatus of the regional government and is publicly owned by it, and the government undertakes to provide the necessary funds for it from the general budget. In the year 2008, after stopping more than 17 years in the Northern Iraq Territory, the real estate bank began to provide loans in amounts despite their large size, but they did not constitute only between 30% - 50% of the construction value. Starting from the beginning of 2010, the interest rate was canceled in exchange for 2% of the loan amount in the name of administrative fees, and this increase was canceled on February 7, 2010. When the interest rate (2%) was removed from the real estate loan in the region, the regional government approved an amount of money amounting to (250) thousand Iraqi dinars to be taken from the loan applicant in the name of (various expenses), and this amount is fixed whether the loan is increased or decreased, and the amount of the loan varies with regard to Between large and small cities and villages, as the amount of the loan provided to the beneficiaries of the center of the governorates and districts is (15) fifteen million Iraqi dinars, while the amount of the loan is at the amount of (25) twenty five Iraqi dinars

for the residents of the suburbs and villages. The table below is the size of loans in terms of value, percentage, and number according to the governorates of the region for the period (2008-2013).

By looking at Table (3.9) and the aforementioned previously, it appears clearly that the amount of the housing deficit decreased in general during the years from 2012 to 2008 in the region, and the lowest amount of the deficit was recorded in 2011, which amounted to (107,958) housing units, and this can be explained by the effective role The real estate bank has the right to reduce the amount of the housing deficit for these years, but the amount of the housing deficit began to escalate significantly since 2013, and the highest amount of deficit was recorded during the study period in 2015, when the amount of the deficit reached (133,343) housing units, and the reason for that is attributed to the factors The reasons have already been mentioned to the cessation of the real estate bank's activity in granting real estate loans to the region's citizens.

As for the conditions that must be met by borrowers for the purpose of granting the loan, they are as follows:

- The borrower must be married.

He holds the identity of the civil status of the Northern Iraq Territory.

- That he, his wife, or his minor children own a house or apartment in their name.

The loan applicant should not have previously obtained any other housing loan.

He must own a residential plot of land and that the building area is not less than (100) square meters, and it has its own building permit.

- The legal delay interest is 10% of the loan balance.

As for the stages of disbursing the loan amount, it is disbursed equally and in two stages:

The first stage: 50% of the loan amount will be received after the construction foundations are completed.

The second stage: The other 50% of the loan amount will be received after the completion of the construction ceiling.

In order to ensure the repayment of the loan amount by the borrower, the bank

does not operate the system of transferring the loan from one borrower to another when he sells the residential home. Rather, the entire remaining amount of the loan must be paid from the owner of the property.

### **3.1. ANALYZING THE REALITY OF HOUSING FINANCE INSTITUTIONS IN IRAQ**

Various bodies have contributed to financing housing in Iraq, from public and private financial institutions, housing finance funds, and other processes that have been established for them, and other means and procedures have been adopted to finance this vital sector in Iraq, especially since Iraq has begun to go through more than a period of non-Stability (wars) that led to the destruction of a large part of the housing stock in it, in addition to the demand resulting from family divisions and the demand for other purposes, including commercial, administrative, diplomatic and others. In this part of the study, we will present the federal model of Iraq as well as the experience of the Northern Iraq Territory in financing housing through what was indicated at the beginning of this part and with all the forms of financing required by each stage of the study period. Depending on the need for funding, we will start with the federal Iraq model through the following:

#### **1. Real estate bank:**

The Real Estate Bank is one of the important banking institutions that financed residential construction in Iraq. It is the first Iraqi bank specialized in granting real estate loans to citizens in order to build housing or additions to residential construction for the purpose of alleviating the housing crisis in Iraq, and it is still continuing to grant housing loans. It was established under Law (18) for the year 1948, and began its work in 1949 with a nominal capital of (1) million dinars, and the stated goal of establishing the bank in that period was to compensate and save the urban residents (especially the city of Baghdad) who had to borrow to fulfill the mortgage of their residential homes as a guarantee To pay off debt. The real estate bank is distinguished from the rest of the specialized banks by its interest in all segments of society and its frequentness by all citizens. The goals that the real estate bank was seeking to achieve upon its establishment differ from the current goals of the bank, as a result of changing the bank's lending policy and allocating it for the purpose of providing housing for the citizen, and accompanying this approach. The most important goals that the bank was

striving to achieve upon its establishment in 1948 were as follows:

Helping citizens build modern homes for them.

Rid them of borrowing at high interest rates.

The real estate bank provided its services to all individuals in all governorates of the country, and it had a branch in all the governorates of the Northern Iraq Territory as well. In the nineties, the real estate bank's activity decreased and stopped lending, due to the conditions of the economic and political blockade and the decrease in the financial allocations allocated to it, and this continued until (2002) when the real estate bank resumed its work at another pace, by providing loans to some government employees according to specific controls and instructions from Before the real estate bank, provided that the financial allocations are taken into account, and also on a specific scale in proportion to the financial allocations of the bank at that time, and in (2006), and in accordance with the controls and instructions issued by the Ministry of Finance and the real estate bank, borrowing transactions began to be promoted again, as an amount was determined The loan according to the area of the new construction and the addition and according to the construction site in the city centers differs from it if it is in the district or in the district, the maximum amount of the loan amount is (30) million Iraqi dinars, and this includes the provincial centers. (10) million dinars for the sub-districts, at an annual interest of 2%.

Those loans have also been granted to citizens in general, whether they are employed or retired, as well as employees, provided that the beneficiary is Iraqi, and the age of the beneficiary of the lending has been determined from those between the ages of 22 to 63 years, provided that he is not a previous beneficiary of this bank's loans nor He has another residence, as for the non-employee, he must submit a guarantor's guarantee. As for the interest rate taken by the real estate bank, it is 2% provided that the loan is repaid over a period of twenty years, and the bank's mortgage loans are subject to a life insurance policy. The bank relies on government insurance companies in contracting to secure the borrower's life.

30% upon completion of the basics building stage.

- 30% upon completion of the construction phase of the ground floor roofing.

- 40% after completing the internal fittings, installing doors, windows and

casting floors.

The number of loans granted by the Real Estate Bank in all its branches for the period (2007 - 2012) amounted to about (50669) loans, whether those loans are for new construction or for addition to construction.

Table 17: Number and value of loans granted by the Real Estate Bank in Iraq during the period (2007 - 2012)

Years	2007	2008	2009	2010	2011	2012
Amounts disbursed (1000) ID	110,410,330	174,476,724	133,741,850	246,117,993	197,720,525	95,712,476
number of loans	11,326	11,291	6,841	10,118	8,323	2,800

Source: Researcher's Reliance on Ministry of Planning Data

## 2. The Iraqi Housing Fund:

The Housing Fund was established under Law (11) of 2004 with a capital of (300) billion Iraqi dinars. The fund aims to finance housing projects and enable Iraqi citizens to build housing for them by granting real estate loans for these purposes, which is a quick and simplified provision of housing financing. Especially for low income families as well. As the housing fund collects 50% of the borrower's monthly salary to recover the loan granted to him. This may confuse the budget of borrowing families, while it is assumed that the monthly installment percentage does not exceed 25% of the monthly income of those with middle and high incomes. The term of the loan provided by this fund is (15) years, which you pay to the beneficiary on the basis of three payments, as follows:

Table 18: Stages of loan payment from the Iraqi Land Bank

Paid	Stage	Payout ratio
First	After completing badlo	45% of the loan amount
Second	After completing the casting	35% of the loan amount
Third	After completing the finishing works	20% of the loan amount

The housing fund contributed from the beginning of its work until December 31, 2011 in building about (17) thousand housing units by financing about (220) billion Iraqi dinars, and the indicators of the fund's activity can be seen through Table (3.19). The number of borrowers reached (16971) and the total amount was (215,578,823,000) dinars. It is noted that the financing reached its maximum in 2010, which reflected positively on the number of completed housing units. In 2010, more than 100% before it.

The role of the Housing Fund was not at the required level compared to the size of the current housing problem, because it was established recently, and that the housing crisis has deep roots that extend for a short period of time. In spite of that, the housing fund works to encourage individuals to construct or maintain their homes, and on the other hand, the government has worked to facilitate the procedures and controls adopted for obtaining the loan. It is worth noting that the fund contributed to building (72) thousand units for the year 2015 through contracting with real estate companies specialized in construction to complete them. The fund had a role in financing and supervising the work of these companies.

Table 19: Evaluation of the financing policy performance of the Iraqi Housing Fund for the period (2005-2011)

Years	Total amounts awarded	number of borrowers	Number of completed housing units
2005	9,300,501,000	1,597	150
2006	30,459,760,000	2,851	3,400
2007	270,772,166,000	1,216	1,400
2008	36,835,002,000	3,146	1,560
2009	50,468,877,000	3,175	1,898
2010	60,742,515,000	2,829	4,508

2011	51,026,000,000	2,139	2,915
Total	215,578,823,000	16,953	15,831

Source: Researcher's Reliance on Ministry of Planning Data

#### Housing Fund:

The housing fund was established in accordance with Law No. 45 issued by the Supreme Commission for Investment in the regional government as one of the financing institutions to help citizens acquire housing, and among its tasks is to grant loans to citizens, for which an amount of \$ 100 million has been allocated to support the fund's activities with the following mechanism:

1. 50% of the total amount is funded by the government.

2. The beneficiary must pay long-term monthly installments, and within the context of itself, the government worked to follow policies and procedures that would stimulate the private sector, with its local and foreign interests, to enter the field of housing projects in the governorates of the region. Accordingly, the region's cabinet decided to give encouraging advances to build apartments and residential buildings projects. The value of the advance is estimated at 20% of the real cost of the project to the investors who build residential buildings, provided that the advance does not exceed the amount of (750) million dinars, according to several conditions. The spending was done with the investors to allocate a percentage of their housing projects to the beneficiaries of housing loans, with a price ceiling of about (60) million dinars for the housing unit, provided that the vertical building area is not less than (65) square meters and the horizontal is (80) square meters, and the housing fund provides a loan. The amount of (30) million dinars in installments for a period of (10) years without any interest on the amount of the loan, with special considerations for some groups of society, including relatives of martyrs (first-degree), widows, the disabled, and unmarried women whose ages exceed (45) years, as the fund pays 50 percent % Of the cost of the housing unit instead of the citizen, and the citizen lends the rest of the amount in easy installments for a period of ten years, and the government pays an amount of (30) million dinars to the investor in three stages and in advance.

As for the conditions imposed by the housing fund on citizens, they are:

- Citizens from the age of (18-30) years are granted 50% of the total amount to

buy a housing unit, while citizens older than (30) years attend with the help of the fund at 30% of the property amount.

The buyer must obtain a guarantee from a government employee.

- The buyer does not own another real estate.

The price of the apartment or housing unit does not exceed (54-60) million dinars.

Table (3.21) shows the value of loans by the Housing Fund and the number of beneficiaries of those loans by governorates until the end of the calendar and fiscal year (2013).

Implementation of housing projects by the private and family sectors:

The implementation and financing of housing projects is done through:

1. Private financing:

In the absence of government intervention in the housing market, market forces play a prominent role in finding the appropriate mechanism for providing housing units, and therefore financing is done by the family sector or borrowing from commercial banks at market interest rates and specific conditions and controls that may not take into account the social aspect, and thus may reflect negatively on The high cost of construction, because the amounts used from the inputs do not match the engineering specifications, and it will not benefit from the advantage of economies of scale and the lack of quality of the housing outlet and laboratory control, and finally, it may change the specific land uses according to urban planning plans.

2. Borrowing financing from foundations and NGOs:

In the Northern Iraq Territory, there are organizations that provide limited loans of up to (10,000) dollars with high interest and a maximum payback period of one year and a number of conditions (a guarantor) for the purpose of repairing or adding to the housing unit, including the Trust Foundation and the Bright Tomorrow Organization for Small Finance.

The policy of partnership between the public and private sectors

As for the policy of (partnership between the public and private sectors), the state may participate in providing land for housing projects, and the possibility of



limited financing by the Housing Fund and the provision of municipal services and other basic services. Meanwhile, real estate companies build the project and sell its units to the target groups of those projects.

After the issuance of the Investment Law No. 4 of 2006, the region adopted - in particular - the co-financing policy, because it is more efficient and productive, and many housing projects have been completed in this way, as the Ministry of Finance and Economy in the region provided an advance of 20% of the real cost of the project to investors who build conditional residential condominiums, provided that the advance amount does not exceed 750 million dinars, in addition to other conditions.

In light of this, the housing sector in the Northern Iraq Territory suffers from (lack of poor planning, slow and poor implementation, underdevelopment of construction technology, weak financing, underdeveloped means, weak policies and inconsistency, and construction industries differ, the state bears and balances the burden of the housing sector, weak partnerships between the public and private sectors and their limited effectiveness, and the existence of A large housing gap due to the backlog of supply shortages).

#### 1. The agency or sector that finances the housing:

Most of the housing finance policies are divided into two types: financing by the public or private sector, and there are some policies that depend on joint financing. The housing finance policy in the Northern Iraq Territory in particular and in Iraq in general depends on public funding, as the money is allocated by the state budget or the central bank. The size of this funding depends on the potential of the state or region and the economic conditions that the state is going through, and it does not take into account the size of the funding required for the housing market in the country. The private sector's participation is very modest in the region compared to the countries mentioned in this study. The common sector between the government and the private sector, as the government sector develops housing plans and monitors their implementation and financing, and constructs a number of projects that serve the low-income group, while the private sector participates in an effective role in financing a large part of the state's plan and its implementation in the field of housing. The state is no longer the only financier, but the private sector has a major role in achieving housing policy, and in Malaysia also, commercial banks are the most important facility

for granting housing loans, as the participation rate of commercial banks has reached (81.5%).

## 2. Sustainability and sustainability in financing policy:

One of the most important factors that affect the success of the housing finance policy is the long-term sustainability in order to achieve its goals. In the Northern Iraq Territory - in particular - and in Iraq - in general - also there was no fully sustainable policy, but rather relied on the conditions of the country and its capabilities in financing or providing the necessary funds, as it began in the 1950s with the real estate financing process and interrupted in certain periods for many years. Until the beginning of this century, and especially after 2004, and continued until the financial crisis that resulted in the decline in world oil prices. Its lack of continuity clearly affected the extent of achieving its planned housing goals, while the Singaporean experience shows that continuity was one of the distinguishing features that contributed to the achievement of its goals. Singapore began financing policies since 1964 by granting buyers long-term housing loans and continued until now, and this is what made (93%) of its population, according to 2015 statistics, homeowners.

## 3. purpose of the granted loan:

There are loans granted for the purchase of the housing unit and the percentage of coverage for the purchase costs is determined, and there are also loans granted with the aim of building a new housing unit, and that the last method is followed in the Northern Iraq Territory as it gives an amount of money to build the housing unit, but it does not cover all construction costs. It covers a small part of it. The largest part remains for the beneficiary, which made many of the housing units completely incomplete and the owners were unable to benefit from or housing them. As most of the developing countries still depend a lot in the construction and building process on importing basic construction materials such as iron, cement, electrical materials and other building supplies, as the high prices of the aforementioned imported materials and the high prices of transportation and insurance, as well as the high cost of technical labor specialized in construction, were a reason for the high cost of construction and construction, for example in 2011 the price of one ton of reinforcing iron, or so-called (reinforced iron), was (820) dollars and one ton of cement was (105) dollars, but in 2017 the price of one ton of (Armed iron) (535) dollars, one ton of cement (65)

dollars, so the high prices of these materials in 2011 are certainly due to the effectiveness of the real estate bank and the demand of citizens for loans for construction, for this reason the prices of these supplies increased, as a result of the increase in demand for construction materials. Also, which affected the rise in construction costs, as for the decrease in the prices of these materials in 2017, it is due to the decrease in demand for building residential houses by citizens, due to the cessation of the real estate bank from granting loans, when noting the experiences of countries. For selected in the study, we find that most of these countries grant housing loans for the purpose of buying the housing unit and not for building, so the borrower directly benefits from the loan granted to him to buy the housing unit and he can live in it. Also, the amount of the loan in Malaysia, for example, covers (95%) of the value of the house to be owned.

#### 4. Conditions of the loan and its recovery:

There are several conditions imposed on families or persons who demand to obtain a home loan from the real estate bank to build or buy a housing unit. In the Northern Iraq Territory, some conditions are imposed that may not be impossible, but they do not provide an opportunity for all groups to benefit from them, especially groups.

People with limited income, one of these conditions is for the loan applicant to have a piece of residential land, and this is not available to all families, especially those with limited income or families who have recently grown up. The imposition of interest rates may be symbolic, but it works to prevent some from benefiting from it, due to religious beliefs that interest is a form of usury that is prohibited by the Islamic religion. When the interest rate on the mortgage in the region was canceled - with its smaller percentage compared to the interest rate imposed on loans granted by private banks for the same purpose - it led to an increase in the demand for it and then increased the revitalization of the real estate bank role. Also, the loan recovery period determines the amount of the installment, which is large compared to the family's limited income or that the source of its income is not guaranteed, so the bank cannot guarantee that it will continue to recover the drum during this period. In Singapore, for example, the government enabled the citizen to choose whether to live as a tenant or to buy the housing unit in installments, and the government has set the prices of housing

units at less than the cost of construction after completely excluding the cost of the land, and in Egypt also the state provides the land needed for construction and prepares it with the necessary basic services, either In the Northern Iraq Territory, the price of land has become one of the important constraints facing those wishing to build, which has negatively affected the building of the housing unit and thus deepens the housing stock deficit.

5. Follow-up by the party financing the loan:

Banks that grant housing loans must monitor how loans are spent and their areas of spending. With the presence of follow-up and monitoring by real estate banks in the Northern Iraq Territory, but it is not new, which makes part of the loan if not all of it is spent by the beneficiary on consumer or entertainment areas, and thus does not affect the housing market, or reduce the housing problem targeted in the policy Housing finance in Iraq, especially in the Northern Iraq Territory. In the region, the loan amount is disbursed in two phases and equally, in the first phase (50%) of the loan amount will be received after the completion of the building basics, and the remaining half is disbursed in the second phase after the completion of the construction ceiling, as there are many incomplete housing units. And that covered by the mortgage, whether it causes the disbursement of the loan amount by the borrower on other aspects of consumption.

6. Providing services to residential areas:

The housing finance process needs an integrated and coherent housing policy. As the services and infrastructure must be provided so that the person benefiting from the housing loan can complete the construction of the housing unit. Many newly established areas in the Northern Iraq Territory still lack services or infrastructure that it is difficult for families to live without in the new housing units, so many of the beneficiaries are forced to stop construction operations pending the arrival of services to the residential areas in which they wish to build their housing units even though they have obtained Loan, they are still unable to adequately complete construction and housing works. This hinders the policy in reaching its desired goal. When comparing the experiences of the countries taken in the study, we note that the government undertakes the tasks of providing basic and essential services for housing projects.

7. Other reasons, including the guarantee to recover the loan (real estate bond,

etc.):

The housing environment and the difference in the quality of the infrastructure provided for residential complexes from one region to another, for example (Hewa City, Zeitoun, Dream City, Italian City, English City) and others.

## **RESULT, CONCLUSION & RECOMMENDATION**

### **RESULT**

There are clear fluctuations in the amount of the annual deficit that fluctuated between increase and decrease during the period extending from (2005-2017), and this increase and decrease - in general - may be attributed to different factors, each of which affects the direction of the movement of population increase and economic, social and political factors, as well as Demographics, as the effects of all these factors were not in the same direction nor with the same force over the aforementioned period, the highest percentage of deficit was recorded in Sulaymaniyah Governorate compared to Erbil and Duhok governorates, due to the different frequency of increasing the number of families at higher rates in Sulaymaniyah Governorate and the relative slowdown in the construction of units Housing in this province. The main reason behind the emergence of the current housing deficit in the region can be in the existing difference between the pace at which the number of families is increasing, and the pace at which the construction of new housing units increases. It appears that the number of families has increased at a pace that the housing sector has not been able to catch up with. Within the available capabilities and in light of the prevailing economic and political conditions. This rapid increase in the number of families may be attributed to the factor of the escalating population migration to the governorates of the region, which resulted from the political and economic conditions that prevailed in the region during the study period, as well as the suspension of bank financing by the real estate bank during the same period and for the same reasons, that all of these factors together led To the emergence of the housing deficit in the region. The most influential variables in the housing deficit is the rate of increase in the number of families as it increased in varying proportions, and the highest rate of increase in the number of families was recorded at the regional level in 2014 as it increased at an annual growth rate (5.38%), as a result of the natural increases of the population in the region and the increase Cases of marriage and the formation of new families as well as displaced

families from other governorates to the governorates of the region, while the growth rate in the number of housing units for the same year was (3.00%). As a result of the accumulation of the annual deficit, the percentage of the deficit to the number of families increased to approximately (15.4%) for the same year. There is a very high percentage of the housing deficit in the governorates of the Northern Iraq Territory, due to the slow cumulative result of the housing production process, which did not coincide with the increase in the number of families, and the largest amount of the deficit was in (2017), as it was (203500) housing units. The housing market in the region during the period 2014-2017 could not achieve more than (6.48%) of the housing need for the same period. The decrease in the percentage of the housing deficit at the level of city centers in the region by (12.7%), as the deficit rate was (28.97%) in 2017, while this percentage was in 2005 (41.67%). This decrease in the housing deficit is due to the effective role of the real estate bank and the housing fund for these years.

## **CONCLUSIONS**

After writing the theoretical side and analyzing the reality of the housing sector in the Northern Iraq Territory, the housing finance policies that it adopted, as well as studying and analyzing the experiences of selected countries in housing and its financing, the study reached a set of conclusions that can be arranged and presented as follows:

### **Conclusions about housing finance policies in the Northern Iraq Territory**

1- The limited sources of housing finance in the governorates of the Northern Iraq Territory, and the small size of the sums allocated for this purpose, has clearly affected the efficiency of the financing policy followed, and that what exists is merely housing lending institutions represented by the real estate bank and the housing fund, which were established recently and started their work at the end of the year 2008 and they were also distinguished by the limited resources directed to them. And they stopped providing loans after 2012, due to the instability of the financial, economic, political and social conditions that the region is still going through and which affected the increase in the amount of the housing deficit in the region.

2. The limited financing in the region and its dependence on financing one side,

which is the construction of the housing unit. One of the conditions imposed by some housing financing institutions (the real estate bank in the region) is the condition of the availability of the land necessary for construction, which excludes the largest segment in need of shelter from benefiting from loans, and that the percentage of Large members of the community cannot afford the costs of purchasing the land and the costs of establishing a housing unit on it simultaneously without providing financing and soft loans from financing institutions for the low-income group in particular.

3- Inconsistency of the loan amount with the cost of housing construction, meaning that the value of housing loans provided by financing institutions is insufficient and is not commensurate with the cost of building the housing unit, as the loan amount does not cover - in most cases - only (40-50%) of Construction cost, in addition to the numerous procedures and conditions set by financial institutions for borrowers that take a long time until approval to disburse the loan.

4- The housing finance institutions represented by the real estate bank and the housing fund depend in their financing mainly on the allocations directed by the government. The bank is considered as a fund in which the government puts the financial resources allocated to it from the general budget annually to finance its lending activity, which led to a limited number of loans granted And the low size of the loan, in addition to that, it does not have any internal or external financing that can be relied upon to support its activities in the event that the government stops financing it, as happened now to the bank. As there is no external financing in the lending institutions (except for some previous attempts by the real estate bank) and the approval of financing these institutions is mainly based on what is allocated by the Ministry of Finance.

5- The loan amount is the same for all construction areas, and the difference in the construction cost according to the area was not taken into consideration, but rather the difference in regions was taken into account, as the size of the loan in city centers is less than the districts, sub-districts and villages affiliated to it, in order to encourage reverse migration Cities to villages and districts.

6- It was found that the government housing finance policy (undertaking the task of financing housing entirely by the state, the joint effort of the population and the state and leaving the entire effort on the population) except for the joint effort policy is

marred by many defects, including: (waste and extravagance in the raw materials used in construction, high Prices of raw materials and inputs for the housing process, the high cost of housing units due to their individual construction, lack of experience among individuals leads to intellectual effort and wasted time in searching for craftsmen, workers, raw materials and other requirements for construction, the need to build a housing unit for a long period of time for many reasons, including what The above mentioned, in addition to financing, licensing, appropriate design and construction methods, the state of corruption, administrative red tape and the complexity of the housing problem).

7- The number of beneficiaries of real estate bank loans in the Northern Iraq Territory reached (198179) beneficiaries with a total amount of (3012494457550), that is, three trillion and twelve billion four hundred and four million four hundred seventy-five thousand five hundred fifty Iraqi dinars during the period (2008-2013).

8- The year 2012 witnessed a very large increase in the amounts of loans granted compared to other years of the study period, due to the increase in the loan amount, which in turn was due to the increase in the financial resources of the regional government and the high level of economic activities.

9- The investment policies in the field of housing, real estate loans and the housing fund were for a limited period (6 years), as the government adopted these policies and after that, the granting of real estate loans and housing investment projects stopped, and this period is short to ease or solve the housing problem.

10- One of the important factors that affect the success of the housing finance policy is the long-term continuity in order to achieve its goals, in the Northern Iraq Territory - in particular and in Iraq - in general - also there was no sustainable and stable policy with specific strategies, but rather it depended on the conditions of the country. And its capabilities in financing or providing the necessary funds, as its lack of continuity has clearly affected the extent of achieving the planned housing goals.

## **RECOMMENDATIONS**

1- Reactivating the real estate bank, increasing its capital and expanding its activity, given the great importance attached to it in the process of bank financing in the housing field, which increases new housing constructions and reduces the housing



gap in the region.

2- The necessity of keeping the real estate bank and housing fund away from the many complications and conditions set for granting loans to borrowers, which take a long time, and reviewing and simplifying instructions that are followed by both the real estate bank and the housing fund in a way that works to minimizing reviews and delaying the decision on requests (achieving routine) and others, and to be strengthened These institutions can effectively improve their management and operational efficiency.

3- The housing lending institutions represented by the Real Estate Bank and the Housing Fund continue to lend to the home, provided that they include low-income people with low interest rates and other facilities, including extending the loan recovery period from (15) years to (30) years.

4- Study the upper limits of the size of the mortgage loan to match the cost of building the house and try to raise the percentage of the loan's contribution in financing the construction of the housing unit to more than the percentage it currently represents, which came in the building at a rate not exceeding 50% to an attempt to cover it to a rate of more than 60% of the construction value At least, if not the value of the building and the land together.

5- Enabling financial institutions to benefit from all available local funds, including insurance money, reinsurance, retirement pensions, frozen funds, minors and others that can provide the required liquidity for these institutions.

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