

English Translation of Real Estate Finance Law

Introductory Chapter **Definitions**

Article 1

The following terms and phrases – wherever mentioned in this Law – shall have the meanings assigned thereto unless the context requires otherwise:

Law: Real Estate Finance Law.

Regulation: Implementing Regulation of this Law.

Minister: Minister of Finance.

SAMA: Saudi Arabian Monetary Agency.

Ministry: Ministry of Housing.

Real Estate Finance Contract: A deferred payment contract extended to a borrower to own a dwelling.

Borrower: A natural person who obtains real estate finance.

Real Estate Finance Entities: Commercial banks and finance companies licensed to engage in real estate finance activities.

Consumer: Any person targeted by real estate finance services.

Subsidy-eligible Individual: A Saudi natural person with income not exceeding the limit proposed by the Minister from time to time and approved by the Council of Ministers.

Housing Societies: Institutions and charitable organizations licensed under applicable laws to provide housing to persons unable to afford it.

Primary Market: Real estate finance contracts entered into between the borrower and the real estate finance entities.

Secondary Market: Trading of finance entity's rights resulting from primary market contracts.

Chapter 1 **Supervision and Licensing**

Article 2

SAMA shall regulate the real estate finance sector, including the following:

1. Notwithstanding paragraph 5 of Article 10 of the Banking Control Law, allow banks to engage in real estate finance activities through the ownership of dwellings for finance purposes, in accordance with this Law and its Regulation.
2. License real estate finance companies in accordance with this Law and the Finance Companies Control Law.

3. License a joint stock company (or more) for real estate refinance according to market needs. The Public Investment Fund may subscribe in the ownership of such company. SAMA shall approve nominations for board membership. Licensed finance entities may also subscribe in the ownership of such company. A portion of the shares of the company shall be offered for initial public offering in accordance with the Capital Market Law.
4. License cooperative insurance companies to cover real estate finance risks in accordance with the Cooperative Insurance Companies Control Law.
5. Issue real estate finance standards and procedures, review real estate finance contract templates issued by the real estate finance entities and ensure their compliance with such standards and procedures for the required protection to consumers and borrowers.
6. Publish data related to the real estate finance market and sponsor development of real estate finance technologies, including technologies to facilitate the flow of data between primary and secondary markets.
7. Determine the principles for the disclosure of finance cost and method of its calculation to enable consumers to compare prices.

Article 3

Real estate finance entities shall engage in real estate finance activities in a manner not conflicting with *Sharia* principles, based on decisions made by *Sharia* committees referred to in Article 3 of the Finance Companies Control Law, without prejudice to the integrity of the financial system and equity of transactions.

Article 4

The Ministry of Commerce and Industry, the Ministry of Justice and the Ministry shall regularly publish, each within their jurisdiction, information related to the real estate market in accordance with market needs and as determined by the Regulation.

Article 5

The entities in charge of registration of real estate titles (courts and notaries public) must enable licensed real estate finance entities to access and obtain the information listed in their real estate records in accordance with the Regulation as agreed upon with the Ministry of Justice.

Article 6

Real estate finance entities and real estate re-finance companies may insure against real estate finance risks through cooperative insurance in accordance with the provisions of the Regulation.

Article 7

The borrower shall have a credit record with one of the service providers licensed pursuant to the Credit Information Law in which his credit history throughout the finance period shall be noted. The Regulation and SAMA's instructions shall specify the minimum retention period of the borrower's record and data therein during the finance period.

Chapter 2

Government Subsidy

Article 8

The Real Estate Development Fund shall allocate a portion of its approved budget as guarantees and aid to subsidize real estate finance for the subsidy-eligible individuals and housing societies, as specified by the Regulation.

Article 9

The Government shall guarantee the fulfillment of the financial obligations resulting from the guarantees of the Real Estate Development Fund to subsidize real estate finance within the approved budget allocations of the Fund.

Article 10

Upon a proposal by the Minister, tax incentives for investment in real estate securities may be granted pursuant to a resolution by the Council of Ministers.

Chapter 3

Secondary Market of Real Estate Finance

Article 11

Without prejudice to the provisions of Article 3 of this Law, real estate finance entities may refinance through the following:

1. Real estate refinance companies in accordance with the provisions of the Law and Regulation.
2. Securities, in accordance with the provisions of the Capital Market Law.

Article 12

Mortgage transfer procedures in the secondary market of real estate finance shall be exempted from registration fees stipulated in the Real Estate Registration Law.

Chapter 4

Jurisdictions

Article 13

The competent court shall settle disputes arising from real estate finance contracts and impose the penalty stipulated in paragraph 1 of Article 35 of the Finance Companies Control Law on any borrower who persists on being in default.

Article 14

SAMA shall draft the Regulation of this Law which shall be issued pursuant to a decision by the Minister within 90 days from the date of issuance of the Law. The Regulation shall become effective upon the Law's entry into force.

Article 15

This Law shall enter into force after 90 days from the date of publication in the Official Gazette.