

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 Regulations 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 for 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 One

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 owning dwellings for finance purposes, in accordance with this Law and its Regulations.
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 the board membership. Licensed finance entities may also subscribe in the ownership of such company. A portion of the shares of such 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 and their provision of required protection to consumers and borrowers.
6. Publish data related to 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 principles for disclosure of finance costs and method of 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 of *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, the information related to real estate market in accordance with market needs and as determined by the Regulations.

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 contained in their real estate records in accordance with the Regulations 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 Regulations.

Article 7

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

Chapter Two 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 Regulations.

Article 9

The Government shall guarantee the fulfillment of the financial obligations resulting from the guarantees of the Real Estate Development Fund to subsidize the 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 Three Secondary Market of Real Estate Finance

Article 11

Without prejudice to 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 Regulations.
2. Securities, in accordance with 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 Four

Jurisdictions

Article 13

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

Article 14

SAMA shall draft the Regulations 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 Regulations shall become effective upon the Law's entry into force.

Article 15

This Law shall come into force 90 days after publication in the Official Gazette.