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Establishing a Mortgage System in the Kurdistan Region;

A strategic roadmap for reactivating the housing and financing market

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Abstract

Real estate is one of the main sectors of the economy in the Kurdistan Region, and it is closely related to other economic sectors such as industry, commerce, banking, labor, and taxation. Any retardation or development in this sector will have immediate and direct repercussions on the entire range of other sectors of the economy.

The Vision Foundation for Strategic Studies (VFSS) held a consultative meeting in Sulaimani on April 11, 2026, with the participation of 54 investors in the housing sector, representatives of banks, experts, and relevant government officials. The main subject of the meeting was the design of a system of finance for mortgages in the Kurdistan Region.

The main aims of the meeting were to discuss and consult on the establishment of a credible and fair mortgage finance framework/mortgage system, encouraging banks to actively participate in the housing financing, striking the balance of the housing market, strengthening property registration systems, unifying information standards, and encouraging investment in affordable housing projects.

This study provides a comprehensive assessment of housing finance in the Kurdistan Region. The main topic of this discussion is to explore the reasons why the Kurdistan Region, despite the existence of investment laws, housing projects, high demand for affordable housing units, and a property registration process, has not yet developed an effective mortgage finance system.

The results of this study show that the fundamental problem of the region is not only the absence of a legal framework for mortgage lending and collateral enforcement but also the separation between real estate registration institutions (TAPO), banks, databases, and courts.

Although Investment Law No. 4 of 2006 and other laws related to housing, agriculture, and renting exist, there is no unified framework addressing several sensitive issues, such as credit risk assessment, determining loan sizes based on property value, foreclosure procedures in case of default, escrow accounts, property valuation criteria, and the explanation of buyers' rights, along with the need for careful financial monitoring. This situation has prevented banks from entering the real estate and long-term lending sectors in a planned manner.

1. Introduction

Since the enactment of Investment Law No. 4 of 2006, the real estate sector has been one of the leading sectors for investment. More than $34 billion has been invested in this sector alone. Despite this large volume of investment, the housing market in the Kurdistan Region has slowed down. The root cause of this situation is weak effective demand relative to available supply, which is the result of the prolonged financial crisis and its cumulative effects.

Buyers of housing units are unable to pay their installments on time due to persistent salary delays and wider financial instability; this situation has led to investors facing shortages of capital and not being able to complete housing projects on schedule. The lack of mortgage finance in the Kurdistan Region is a major obstacle to investors and prevents them from accessing bank loans; in addition to local banks, several Iraqi and international banks operate in the region.

In advanced economies, financing housing (collateralized debt) is, quite simply, about shifting the cost of home ownership from a "large upfront payment" to a "long-term, regular payment." However, from the perspective of public policymaking and market structure, this system is not just a financial instrument but a comprehensive legal, administrative, and financial infrastructure based on secure property title/title certainty, valuation criteria, binding contracts, and close banking supervision.

This paper examines this issue from the perspective of legal, political, and practical procedures. According to the content of this document, three main tasks have been identified: first, assess the state of the housing market and the housing sector; second, design and implementation framework for the housing finance system; and third, identify the needs to strengthen the property registration and cadastral system and integrate the criteria.

This paper simultaneously serves two purposes: first, as an academic paper, it provides a theoretical framework, legal mapping, and synthesis of data; second, as a policy paper/policy roadmap, it proposes a phased implementation program. Therefore, we have carefully designed this paper with both the principles of "analytical rigor" and "feasibility" in mind.

2. Fundamental problems

Since the enactment of Investment Law No. 4 of 2006, the real estate sector has been one of the leading sectors for investment. More than $34 billion has been invested in

this sector alone. Despite this large volume of investment, the housing market in the Kurdistan Region has slowed down. The root cause of this situation is weak effective demand relative to available supply, which is the result of the prolonged financial crisis and its cumulative effects.

Salaries, delayed salaries, general financial instability, and the inability of buyers to pay the installments for their housing units on time are slowing down the housing market. The financial instability is rampant, and the buyers of housing units cannot pay their installments on time. Investors have not been able to complete housing projects on time, as there is no funding. In the Kurdistan region, there is no mortgage financing. This is a big hurdle, as investors are unable to take loans from banks. Compounding the situation are the absence of a financial system for housing and the problems with local banks.

1. Lack of a specific law to regulate mortgage lending/mortgage finance and weakness of laws related to the transfer of ownership and registration of residential projects.

2. Banks are restricted in providing loans to investors in housing projects, as the land and the projects are not registered in the names of the investors. In such cases, banks have no legal assurance of recovering the principal and interest.

3. Lack of proper coordination between the ministries and relevant institutions, which has led to the issuance of a number of contradictory decisions and instructions. Meanwhile, administrative officials interpret the implementation of laws and guidelines according to their views. The permitting process is also problematic. Permits for housing projects Various parties, including the Investment Board, the Ministry of Reconstruction and Housing, and municipalities, issue permits for housing projects

4. There is an absence of a comprehensive and modern system for property registration and financial valuation in the Kurdistan Region.

3. Research Framework

The research framework clearly shows that this work should not be seen only as an "overview" of investment or land management but consists of three separate and complementary tasks:

1. Analyzing the real estate market.

2. Develop a practical framework for the mortgage finance system.

3. Reform and improve registration and cadastral procedures and integrate information criteria.

Therefore, this study has narrowed the scope of its work so that the main theme focuses only on the "relationship between the financial system and the property system," rather than addressing every dimension of the broader investment sector.

This study identifies seven practical steps:

First: identify barriers to discover solutions and formulate appropriate procedures.

Second: Collecting the laws and regulations of the Kurdistan Region and Iraq, which are related to issues of property, tapo, housing, and investment.

Third: collecting data and statistics related to population composition, refugees, and land and housing projects.

Fourth: interpret and analyze banking and administrative barriers.

Fifth: identifying legal and institutional gaps.

Sixth: Develop a series of procedures necessary for the collateral loan system (mortgage).

Seventh: develop a roadmap, identify key performance indicators, and prepare a management framework for their implementation.

4. Research Methodology

This study relies on a mixed-methods approach; due to the diversity and abundance of sources, this mechanism has drawn the conclusions robust and evidence-based:

Focus groups: Bank representatives, legal and financial experts, and residential investors.

Consultative Meeting: Representatives of banks, legal experts, financial and economic experts, residential investors, and relevant government officials.

Survey: Among investors in the housing sector

Data analysis: Government statistics, applicable guidelines, and laws.

Text of the laws: Applicable laws in the Kurdistan Region and Iraq

Official Document: Official letter from the Real Estate Bank of the Iraqi Ministry of Finance.

5. Study Limitations

First, because of the limited availability of detailed data on housing prices, vacant dwelling unit rates, default levels, and lack of detailed market analysis at the parcel level, some recommendations are based on the best available information, rather than on an extensive and comprehensive database.

Second, like any other roadmap study, this paper is based on official and reliable sources. This is of great importance for legality and reliability, but at the same time it means that the "shadow market" and informal or irregular market practices remain outside the scope of this study.

Third, this study is only at the level of formulating general policies and roadmaps, not writing detailed legal provisions. Therefore, in the next steps, a body of experts in the fields of law, finance, and justice should work together to draft the text of the regulations and implementation guidelines.

6. statistical analysis and market trends

From the perspective of statistical analysis, the data of the Kurdistan Regional Statistical Board explains several basic points:

The Kurdistan Region has a highly urbanized population; By 2023, approximately 78.4% of the population is expected to live in urban areas. This means that housing policy and housing finance must put the big cities at the top of its agenda and priorities because that is where the market is concentrated.

From another angle, due to the vast expanses of agricultural land, any housing scheme faces the legal challenge of changing the "land use type," which, of course, has direct implications for food security and unplanned urban expansion.

Regarding the formalization and legalization of property rights, the statistics of the Ministry of Justice indicate a strategic step by the government to consolidate the formal cadastral system. The conversion of more than 80,000 (eighty thousand) plots of land from "cards" to "official cadastral documents" is essentially a fundamental step to pave the way for the "mortgage market." Because banks need a property with a clear and legally recognized title to build financial confidence. However, this number alone does not meet requirements such as actual valuation, priority rights ranking, ownership assurance, or standardized plot information. Therefore, decision makers and policymakers should clearly distinguish between "bare ownership" (merely having a title deed) and "bankable title / property acceptable as collateral."

In the field of investment, statistics from the Investment Board and the Media and Information Office show that by 2025, the ninth cabinet has approved 564 investment projects in all sectors, with a total value of more than $24 billion. Of these, 60 projects were for the housing sector worth $4.868 billion. The data clearly shows the weight and important position of this sector in the investment process. However, despite the availability of this substantial investment, the Kurdistan Region still lacks a regulated financial market for mortgage loans; this illustrates the fact that the proliferation of "housing projects" does not necessarily mean the existence of a "housing finance system."

From a comparative perspective, official banking services in central and southern Iraq show that a mortgage loan can be identified as a "financial product," where the loan amount, down payment, interest rate, and repayment period are precisely defined. For example, the National Bank of Iraq (NBI) has set a maximum mortgage loan of between 25 million and 200 million dinars, providing up to 75% of the value of the house, in exchange for a 25% down payment and a fixed interest rate of 5.5%. This experience teaches us an important practical lesson: for the Kurdistan Region to have an efficient mortgage market, banking services and lending rules must be clearly defined. In the absence of such a system, the market remains predominantly cash-based.

Table 1: A comparative indicator for banking services

Criteria	Banking Sample in Iraq	Lessons and Measures for the Kurdistan Region
The size of the loan	IQD 25–200 million	The highest and lowest loan levels should be clear and defined
Loan-to-Value Ratio (LTV): up to 75%	%75	Determine the highest level of debt to property value, to minimize financial risks
Down Payment / Borrower Equity Contribution: 25%	%25	The financial contribution of the customer is important to consolidate compliance and regularity in the repayment of the loan
Clarity of pricing and benefits:	Likely Interest Rate: 5.5% fixed	There should be full transparency in costs and consumer rights should be fully protected
Repayment period:	long-term	Housing loans (mortgages) cannot increase citizens' access to credit without a reasonable term

7. The underlying housing crisis and the disruption of the collateral system in the Kurdistan Region

The right to housing is not merely a material need; it is the foundation of household stability and social cohesion, as well as the basis for family stability. In the Kurdistan Region, the inability of citizens to obtain a housing unit is not a superficial crisis such as lack of land or money; rather, it is the result of structural institutional and procedural weaknesses, distortion, and a collapse of the management framework.

The essential problem lies in the lack of a secure legal environment and the complete disruption of the "mortgage loan" system. This situation has resulted in the housing market slipping from a healthy economic environment to a more concentrated and exclusionary market.

First, an analysis of the crisis and the fundamental gaps

The nature of capital and the justification of banks: In economics, capital is timid and always seeks a safe haven. Banks are not charitable institutions but financial institutions based on "capital protection and risk reduction". The recession in the region's banks reflects a significant legal gap. In the Kurdistan Region, procedures for "enforcement of creditors' rights" and legal seizure of debtor property are prolonged and disruptive. When the law fails to guarantee a return on bank capital in the event of default, banks automatically lose confidence in the market and withdraw from mortgage lending doors.

What is clear is that the state-owned banks face operational constraints in the Kurdistan Region. Private banks operate either as branches of Iraqi banks or as branches of the International Bank. except when a cadastral property is booked as security for a loan in favour of the bank.

On the other hand, banks are occasionally seen lending only to certain housing projects and ignoring dozens of others, or they provide loans for some projects in a city like Erbil, but they do not provide that opportunity in cities like Sulaimani and Halabja.

Institutional fragmentation and administrative chaos: Another devastating factor in this area is the lack of coordination and a unified administrative framework for statehood. Relevant institutions such as the real estate registration departments, municipalities, investment boards, and the Ministry of Reconstruction and Housing operate as separate entities. This fragmentation has created a complex web of routines and tedious bureaucracy that not only wastes a lot of time and energy but also creates opportunities for corruption and, worst of all, is not satisfactory to citizens.

Meanwhile, the High Investment Council of the Kurdistan Region has postponed the registration of projects for the final stages, which was previously implementing 30% of the work, but other relevant government agencies have expressed readiness to send letters of support to banks. This support, if it covers all housing projects, will have a significant and positive impact on project financing from banks.

Market monopoly and deepening class differences: When the government cannot provide adequate financing, the housing market is completely dominated by wealthier investors and cash buyers where intended. Hence, housing goes from a basic right to a "luxury commodity" accessible only to the high-income households. This situation completely excludes the middle class and the poor (the backbone of society) from home ownership; this is the beginning of a sense of alienation and a deepening class gap in society.

8. Housing market conditions due to lack of housing loans

The Kurdistan Region has seen major changes in the fields of development and urbanization since 2006, particularly with the adoption of the Investment Law in the Kurdistan Parliament. In the meantime, a considerable part of these changes have been seen in the housing sector. The impact is due to the rapid increase of urbanization rates, the attempt to make quick profits through domestic capital, and the pressure of population growth.

According to the statistics of the Kurdistan Regional Investment Board, from 2006 to the second quarter of 2024, through the construction of 293 housing projects, US$34.737 billion, or the full exact figure, has been consistently invested in the real estate sector.

The rapid growth has generated significant economic activity but also an imbalance between supply and demand. This is because many housing units are under construction or licensed for construction in the next decade.

Table 2: Number of residential projects in Sulaimani

Number of licensed units	34356
Number of licensed companies / entities with official decisions	26374
Number of units that have only been decided on	43682
Number of units in the licensing process	64600
Number of units in tourist zones	15000
Number of units licensed by the municipality	8000
Total units	192012
Source: G. D. of Sulaimani Investment and Sulaimani Municipality	

9. Legal Framework for Establishment of Mortgage Collateral System

The principles of property rights are enshrined in Article 23 of the Iraqi Constitution; financial and property rights are officially protected, and any interference by the public authorities is prevented. According to this article, the confiscation of property is permitted only for purposes of the public interest, subject to fair compensation.

The importance of this constitutional text regarding "mortgage collateral" is that it is impractical to create any arrangement for providing financial loans based on immovable property without first protecting individual ownership and establishing legal procedures for enforcing property and creditor rights.

At the Kurdistan Regional Government level, the Investment Law (No. 4 of 2006) is considered the main pillar of investment encouragement. Article 19 of this law limits the ownership of investors in land located in oil and gas areas or natural resources. That means the financial and land management of the region is on a particular road map and needs to develop a mortgage finance system within the framework.

Simultaneously, the laws passed by the Kurdistan Parliament in 2008, including the law on the regulation of agricultural land, protection of national products, provision of housing units, and revision of the tenancy law, indicate a potentially supportive legal basis. However, despite these developments, these laws have not yet been organized within a unified system of "housing finance."

The amendment of Law No. 7 of 2008 through Law No. 16 of 2011 is clear evidence that housing issues have been taken seriously by regional policy makers, but this area needs to be integrated with banking laws, supervisory regulations, and collateral enforcement procedures. Administratively, the KRG Ministry of Justice has taken positive steps to facilitate matters such as “Administrative authority over assets” and “Registration of contracts.”

However, administrative registration alone is not enough to create a mortgage collateral market because this market requires a solid financial basis, an insurance system, professional property valuation, and effective legal enforcement mechanisms. The challenge is the gap between administrative registration and financial-market infrastructure. Finally, Kurdistan Official Gazette (Waqa’i Kurdistan) has a strong legal status as the official platform for publishing decisions and laws; any new steps to regulate this area must be reflected there. But this paper is not only about the formal passage of legislation; it also emphasizes the importance of legal substance and the development of practical tools for future use.

Table 3: Relevant Legal and Regulatory Framework

Legal or Guidance sources	Scope and Content	Problems and Shortcomings
Iraqi Constitution, Article	Protection of property rights and limitations on expropriation of property	It does not provide a specific Property lien enforcement procedure
Investment Law, No. 4 of 2006	encouraging investment and restricting certain forms of ownership	It is not enough for housing finance regulations
Laws of 2008 ((1, 4, 7, 9)	land, agriculture, housing and renting	They do not include a legal component to the issue of property collateral.
Amendment of Act 16 of 2011	related to the provision of housing units	It does not solve the problem of access to finance and credit risk assessment
Department of Justice Guidelines	Registration, transfer and acquisition of ownership	There are only administrative procedures and no credit market regulations
Kurdistan Official Gazette (Waqa’i Kurdistan)	Official publication of laws and decisions	It is only a means of dissemination, not a center for decision-making
legal or guidance sources	Scope and content	problems and shortcomings
Iraqi Civil Law No. 40 of 1951	It supports the mortgaging of property and regulates the conditions of the contract	The lack of a system for real estate mortgaging in the Kurdistan Region
Iraqi Enforcement Law No. 45 of 1980	It regulates lending procedures with the investor	Banks and investors need guarantees to grant loans

The Iraqi Enforcement, No. 45 of 1980, is considered one of the legal underpinnings that bolsters the credibility of banks to grant loans; however, banks are concerned about the slow implementation of the law in the Kurdistan Region. In this regard, the issue of lending to the Jaff Tower residential project in Sulaimani is a complicated example, which took many years to resolve in the courts, and in the end only one tower was built.

10. Establishment of a mortgage system in the Kurdistan Region (Based on Existing Legal and Administrative Precedents)

A detailed legal and administrative framework needs to be developed for the establishment of a comprehensive system of mortgage collateral and housing loans in the Kurdistan Region. A framework that effectively stimulates the purchase of housing units by citizens while protecting the capital of financial institutions. The following strategic principles should be incorporated into the banking regulations and guidelines of the KRG, based on the practical experience of the Federal Housing Bank and the procedures of the National Investment Board. All of the strategic principles are backed by official state documents and decisions:

First, the financing mechanism should match the project stages of development. PROJECT DEVELOPMENT PHASES Loans should be disbursed in phases and not all at once to avoid project stagnation and ensure that they are used for their intended purpose.

Legal and Administrative Support The Ministry of Finance of Iraq has adopted this principle in a formal manner. The referred letters are Letter No. (1888) dated 8/10/2023 and Letter No. (1778) dated 19/10/2024. OPEN and Decision No. (4) dated 23 August 2023 addressed to the Chairman of the National Investment Board and its Board of Directors: - 75% of the loan will be disbursed when the structure of the building (framework) is finished.

- 25% of the remaining amount is withheld and only disbursed at the time of final completion of the unit and handover of the key to the customer. This mechanism is the best guarantee to compel companies to complete projects within their specified timeframe.

Second, there should be a diversification of the eligible forms of collateral

The primary obstacle to providing loans during the construction phase is the lack of real estate registration (tapo) or non-segregation of project land. To address this, the types of security should be expanded until independent title deeds are issued for the units.

Legal and Administrative Support The Real Estate Bank of Iraq has established a legal mechanism to address this challenge. The condition of the bank is that the project land is not divided according to the Real Estate Bank/Kirkuk Branch Letter No. (644) dated

12/10/2024 and according to the instructions of Letter No. (2057) dated 19/09/2024. As for the proof of this provision, the third clause of the contract concluded between the bank and the Modern City project makes it clear that the Investment Board shall register the Investment License No. 81 in favor of the Real Estate Bank as a mortgage before granting the loan.

Third, there should be institutional coordination and strict administrative oversight

Banks should not be the only ones to decide whether to provide loans. to the banks alone. Instead, there should be a tight legal link between banks and the Board of Investment to prevent the sale of one unit to several people and the phenomenon of money laundering.

Legal and Administrative Support: This requirement is strictly enforced across Iraq, as detailed in the Real Estate Bank's general circular issued by the Bank Credit Department under No. 1803 dated September 10, 2024. Pursuant to Board of Directors Resolution No. 16 (dated February 18, 2024) and the National Investment Commission's Legal Department Letter No. 322 (dated July 29, 2024), the Bank has resolved to mandate all branches to entirely halt the processing of residential unit purchase loans unless they first coordinate with the licensing investment commission and obtain formal approval regarding the specific sales volume and unit numbers.

Fourth, transparency in identifying accredited projects

The system should be designed so that there is a clear and regularly updated list of projects meeting legal and engineering requirements that qualify for housing loan subsidies.

Legal and Administrative Support: Such transparency is shown in practice in the Bank's letter No. (108) dated October 7, 2024, in which the Bank formally asks the Investment Board to provide the unit sale contracts for several approved projects. For example, the Central Bank of Iraq (CBI) Initiative loan is allowed only for the following projects with their names and license numbers: Soma City (License 31), Garden City (License 21), Mabani City (License 41), Lafour Kurd (License 187), and Modern City (License 81). This mode of operation can reduce the chance of discrepancies and increase transparency, benefiting only genuine and compliant businesses.

11. Restore citizens' confidence in the mortgage system

The success of any mortgage collateral system depends not only on the presence of banks and the existence of a legal framework but also on the level of confidence of citizens in financial institutions. In the Kurdistan Region, the financial crisis, salary arrears, and revenue instability have had a negative impact on public confidence in the banking system recently. Therefore, any roadmap for establishing a mortgage collateral system should also include measures to rebuild public confidence.

These mechanisms can clearly define terms and costs, protect the borrower's rights, ensure effective protection of those rights at certain stages of the contract, establish an independent grievance system, and make financial information available in an easy and transparent approach. Banks should also introduce financial education programs for citizens to increase understanding of their rights and responsibilities in the process of obtaining a housing loan.

To regulate and consolidate the financial regulations and protect the rights and interests of all parties concerned, any decision or measure related to the mortgage of property and real estate must be carried out in accordance with legal provisions and under the close and continuous supervision of the Central Bank of Iraq (CBI). This process essentially provides greater legal certainty to the lender while maintaining the borrower's financial position in a strong and stable legal framework so as to prevent any future problems or disputes that may arise as a result of non-compliance with financial contracts.

12- Sources of financing for housing projects:

Investment in the Kurdistan region is more difficult to fund than investments in central and southern Iraq. At present there is no working framework for mortgages, and all government-backed housing loans and grants have been put on hold because of the ongoing financial turmoil. In 2025, the Housing Project Financing Sources Vision surveyed 22 property owners in Sulaimani to identify the sources of financing for housing projects.

When asked about the funding of their projects, 86.5% of the investors said they relied completely on their resources. Moreover, 4.5% of the participants admitted to having received advances from unit sales, and only 4.5% said they had obtained bank loans. The lower percentage implies that banks and the collateral framework have little impact on the funding of housing projects.

Table 4: Sources of financing for housing projects in Sulaimani

Sources of financing	**% percentage**
Bank loan	4.5
Buyer instalments / advance sales if intended	4.5
Equity partnership / joint financing	4.5
The investor's own capital	86.5
Total	100

The current situation in the housing sector in the Kurdistan Region is characterized by a large imbalance between “demand and supply”; the number of housing units has exceeded the effective market demand. These investors are now demanding a suspension of new project licensing. Investors are demanding that the licensing of new projects be suspended.

According to a survey by Vision, 54.5% of investors surveyed are calling for the suspension of new licenses to address the lack of demand in the real estate market. Furthermore, 45.5% of the respondents want to reduce administrative and indirect licensing costs, which are the costs they incur when issuing licenses. On the other hand, 31.8% of investors request facilities to obtain bank loans to implement their projects.

Table 5: Policy Priorities Identified by Housing Investors

Investor demand	% Percentage
New project licenses should be suspended	54.5
Improve developers’ access to bank financing	31.8
Reduce indirect administrative and licensing costs	45.5
The total	131.8

Investors have encountered problems with delays in payment and instalments set out in buyers’ contracts during the sale of residential units. This is primarily due to the fact that most property buyers in the Kurdistan Region rely solely on government salaries as their source of income.

According to a survey by Vision, 81.8% of residential investors in Sulaimani indicate that their customers are government employees, while 9.1% of the customers are private sector employees and the remaining 9.1% are self-employed.

The survey results indicate that problems and delays in salary payments to employees of the Kurdistan Regional Government are the main reasons why housing unit payments are late, since these employees are considered the largest group of customers.

Table 6: Sources of income of housing unit buyers:

Source of customer income	% Percentage
Government salaries	81.8
Private sector salaries	9.1
Independent work	9.1
The total	100

13. Appropriate roadmaps and public policies

To break this deadlock, governments need to move from arbitrary decision-making to an evidence-based policy framework by taking the following decisive actions.

1. Create a suitable digital infrastructure: We need to create a "national digital platform" connecting courts, cadastre, municipalities, and banks online and directly. This platform will eliminate complex administrative procedures (routines) and ensure greater transparency in transactions, which will ultimately restore stronger confidence for banks to invest their capital in the real estate market without hesitation.

2. National Housing Support Fund: Today's needs require the state to avoid becoming a contractor for the construction of a substandard, low-value house lacking basic services, such as those built in the areas (Sitak and Zrguez) in the city. A "national fund" should be established whose main task is to assist citizens in repaying bank loans. In other words, the government should subsidize the lion's share of the loan interest, ensuring that monthly repayments align with individual incomes to foster a healthy and equitable market.

Resolving the housing crisis in the Kurdistan Region is no longer just an administrative or financial matter but a major social and governance challenge. Creating a strong legal environment that both protects the capital of banks and ensures dignity and the right to housing for citizens is the only way out of this crisis. It must be known: a society that cannot shelter its citizens and provide them with secure housing cannot expect stability and civic commitment.

14. Sulaimani City: Current Conditions in the Housing Market

The housing situation in Sulaimani province is not only a confrontation with numbers and statistics but also offers an understanding of the fundamental obstacles facing the housing process in the Kurdistan Region.

Sulaimani, as an open center for testing economic policies, clearly shows us the huge gap between the real needs of society and the direction of investment. Rapid movement characterizes the housing market in this city, but underlying affordability constraints mask this market activity. Behind the scenes, the unnatural rise in land prices and the difficulty of the middle class in accessing housing have created an uneven situation.

Analysis of this situation reveals that the absence of financial support institutions and the inadequacy of the housing loan system have two serious consequences:

1. There is a complete reliance on cash and financial transactions that occur outside of formal institutions. Currently, most buying and selling transactions Currently, buyers and sellers primarily conduct most transactions in cash or through installment contracts with the developer. Currently, buyers and sellers primarily conduct most transactions in cash or through installment contracts with the developer. This approach, not protected by law or the formal banking system, creates an environment of economic anxiety where the capital and rights of both parties in the transaction are always at risk of being lost.

On the contrary, buying property through banks will prevent any use of illicit or unreported funds in the real estate sector, and the source of customer income will be clear and organized for banks.

2. Rising prices and directing capital towards expensive projects have forced investment companies to change their strategy and build only expensive projects for high-income households, as only these households can buy housing units with cash. This phenomenon has created a significant gap in the market; access to affordable housing units for low-income earners has become extremely difficult.

The recent experience of Sulaymaniyah tells us the bitter truth that solving the housing crisis cannot be achieved by increasing the number of housing developments alone; instead, without a solid financial basis for buyer assistance and a reliable banking system to determine the true value of property and legally register it, the flow of building construction will only accumulate suspended capital (unsold housing units) and deepen class differences. Therefore, the first and decisive step for any new investment must be to rebuild and fundamentally reform the financial and legal infrastructure of the real estate sector.

According to the statistics of the Kurdistan Regional Tenants Association – Sulaimani Branch, about 37,000 tenants are registered in Sulaimani, but according to a survey conducted by Vision among 180 tenant families in Sulaimani, 65.5% of the participating tenants have no hope of owning housing units.

Table 7: Tenants' expectations of obtaining housing units

Tenants' expectations of obtaining housing units		
	Rate	Number
None	65.6%	118
Low	27.8%	50
Average	5.6%	10
Very high	1.1%	2

15. Roadmap for the development of the housing sector and legal and institutional requirements

To develop a roadmap for the housing sector, this study proposes six main themes and pillars as solutions:

1. Legislative Aspect: Enact a law on housing finance or amend the existing property and banking laws; regulate mortgage collateral, enforce and protect rights, and protect consumer rights.

2. Land and Property: Consolidation and security of property ownership through the integration of administrative procedures in the regularisation of property titles (Tapo), accurate registration of land, and modernisation of property records and archives and survey mapping.

3. Valuation and estimation: Set up a property price index, an independent list of property valuers/appraisers and a uniform scientific methodology for property valuation.

4. Banking and prudential supervision: Make reasonable rules and regulations for home mortgage loans. LTV (Loan to Value Ratio) It is used to determine the interest rates and repayment terms. You must allow for the unexpected.

5. Social aspect: Financial support to middle- and low-income families. Support is being provided for middle- and low-income families and security, especially for first-time buyers.

6. Governance and Administration: A "High Housing Finance Steering Council" comprising representatives from all relevant ministries/institutions will be constituted to oversee and take decisions on housing finance.

16. Principles of Mortgage Collateral Law:

To transform these procedures from a simple administrative program to a sound market infrastructure, collateral law must be based on eight main principles: definition and types of collateral, registration procedures, hierarchy of rights, formal assessment, and transparency of transactions.

Institutional Criteria. The property registration and survey offices should be able to exchange data and records easily through an integrated database, technically and operationally. Every parcel needs to be uniquely identified to describe its history of liens and encumbrances, boundaries, type of use, and full legal constraints. This is the only way for banks to estimate the level of risk accurately and professionally and for the lending process to be successful and secure.

Table 8: Proposed facilities for implementation

Facility	The main task	Means/Outcome
High Council for Housing Finance or official proposed name	integration of procedures and institutions	Decision, Roadmap, General Reporting
Department of Justice / Real Estate Registration	Ownership verification, collateral registration, digitization	Digital records, plot identification, Registry of Restrictions
Board of Investment	Linking housing projects to customer financing	Eligibility criteria for residential projects
Ministry of Municipalities/Tourism	Land use patterns and land-use planning and master-plan coordination	Controlling urban growth and coordinating regional distribution
Designated banks	Experimental lending and credit risk assessment	Housing Loans, Credit Management, Financial Portfolio Report
likely Specialised Court / Tribunal	enforcement and dispute resolution	Fast and efficient implementation
Regional Statistical Office (KRSO) and Data Centre	Housing and care statistics	Price indices, tables measuring the financial capacity of customers

17. Implementation roadmap

The High Housing Roadmap: From Market Regulation to Social and Economic Covenant Renewal

This proposal for the formulation of a national housing policy, interpreted in a comprehensive manner and grounded in development economics, is not just an ordinary administrative project. It is a major institutional reform and a paradigm shift in the government's attitude toward land and ownership. The proposal is to transform a fragmented and poorly regulated land sector into a coherent national institution that proactively promotes economic growth and social stability.

In this detailed analysis, we evaluate the dimensions of this program on several main themes:

First, we will discuss the economic transformation from a focus on fixed capital to the development of a productive economy.

From an economic perspective, the biggest problem in developing countries is the stranding of large amounts of capital and income in the form of unproductive houses and land; this is known in economics as “dormant” or idle/unproductive capital.

This roadmap will mobilize currently underutilized property assets through formal finance by linking official ownership documents to the banking sector. Providing financial support for property ownership allows capital remaining tied up in non-productive assets to breathe life into industrial, agricultural, and technological projects. The establishment of a national price index board could also improve price transparency and reduce opportunities for market manipulation; this initiative will reduce information asymmetries and speculative market behavior and restore prices to their true levels.

Second, social justice and protection of human dignity

This agenda expresses a profound understanding of the concept of “justice in the distribution of land,” that is, the distribution of the country's territory among citizens in such a way that the dignity of the individual is protected. Proposing a private financial resource to support the poor is changing the administrative view of residence from a “purely market commodity” to a “natural human right.” The most sensitive point here is that this financial resource must prevent the phenomenon of “marginalization of the poor.” Because when the market is regulated and services are formalized, costs often rise; here, subsistence must not be allowed to become so expensive that the poorer classes are forced to abandon urban centers and their established communities/neighborhoods and migrate to the outskirts.

Third, digital sovereignty and information management

Another theme of this roadmap is to conduct land surveys and property registration mapping electronically and assign a unique numerical identification to each piece of land. An integrated and secure database would help the state to significantly reduce opportunities for fraud and corruption. If the court, the municipality, the property registry, and the bank were combined into one all-powerful council, it would remove frustrating administrative complexities and create a transparent system.

Fourth, the implementation roadmap; From ideas to actions

To implement this strategy in sustained political and institutional commitment, which includes the courage to confront vested interests and anti-competitive practices based on evidencesystematic and phased manner, the project is divided into three main phases:

Phase 1 (1 to 2 years): In this stage, the main objective is to build the legal and information infrastructure (data). The basic works are the preparation of the draft and adoption of the “Real Estate Mortgage Law”; Integration of information criteria for each (parcel, title deed, property owner, and legal restrictions on property); formulating criteria for property valuation standards and creating official registers for real estate appraisers with the establishment of a Supreme Steering Council. At the same time, a pilot survey should be launched for the cities of Erbil and Sulaymaniyah, especially those areas where market movement is rapid and prioritized.

Phase 2 (3 to 5 years): During this stage, the pilot program of housing loans begins. Two or three banks are selected based on the "prudential and risk-management criteria” and a guarantee institution. Types of banking services are identified for each of the following: first-time homebuyers, salaried households, and projects between investor and end consumer. During this phase, the team should implement consolidated contracts, procedures for handling arrears and defaults, mortgage insurance or credit guarantee arrangements, and customer disclosure documents. Similarly, data will begin to be collected regarding loan arrears, the buyer's financial capacity, and property price monitoring.

Phase 3 (5 to 10 years): The main objective of this phase is market expansion. At this station, refinancing mechanisms/facilities, public guarantee financing sources, and savings for housing projects, as well as targeted policy support for low-income housing projects, can be implemented. Depending on the results of the pilot phase, the rules on “loan-to-value ratio (LTV),” loan repayment period, and borrower eligibility requirements will be amended. The aim of these steps is not just to introduce a banking product but to create a well-functioning, multi-dimensional market system based on the principles of security of ownership, predictable price estimates, enforceable legal contracts, and social goals.

This proposal is not only a temporary solution but also a radical change in the economic structure and management system. Implementing this program requires a sustained political and institutional commitment, which includes the courage to confront vested interests and anti-competitive practices based on evidence, while also ensuring the rights of the poor to housing. If these measures are implemented as one comprehensive and integrated project, the country will move from the chaos of an unruly market to an institutionalized and more transparent, regulated, and mature market system.

Table 9 : Schedule of the implementation phase

Phase	Period	Major works
First	1- year	**Legal and regulatory framework:** draft legislation, standard data and information criteria, digital identity of parcels, valuation and estimation criteria and establishment of a high executive council.
Second	3- 5 year	**Pilot and Secured Lending Projects:** Pilot mortgage loan programs, guarantee facilities, contracts, transparency, and disclosure of information to the customer.
Third	5- year	**Market Growth and Efficiency Improvement:** Market scope expansion, refinancing gateway, more comprehensive targeting, revision and realignment based on performance indicators (KPI)

18. Risks, Challenges, and Mitigation Measures

The mortgage sector, although an engine of economic growth and improving the living standards of citizens, if managed without a careful assessment of the main risks and obstacles, will lead to unfavourable consequences. Here are the five key risks and proposed mitigation measures:

1. Discrepancies in property information / land-record discrepancies:

When the land survey record (the one that determines the boundaries and geographical area) does not match the legal real estate record (the one that establishes property rights), or the information is incomplete, the laws related to mortgages remain only mortgage rights, which may exist in law but remain difficult to enforce in practice. This causes banks to lose confidence in the property they are taking as collateral. To address the issue, a “unique numeric ID” should be assigned to each parcel of land and property. A solid information management policy must also be developed so that all institutions are connected through a secure information network so that the exchange of information is quick, clear, and seamless.

2. Slowness of judicial procedures and dispute resolution:

One of the most significant obstacles is that when a borrower is unable to repay the loan, the process of restoring rights to the bank and lender through the courts can take many years. This delay discourages banks from entering the market or participating in the market or forces them to sharply raise the cost of borrowing. As a solution, a special real estate and financial court should be established to resolve cases quickly. In addition, quick and clear alternative ways of enforcing decisions outside the ordinary court procedures / judicial bottlenecks must be established to provide full reassurance to investors and lenders.

3. Negative consequences and social injustice:

If the mortgage system is not properly directed, it is likely to serve only higher-income households; such a situation dramatically increases house prices and marginalises low-income families, ultimately deepening class differences. The government should take positive action to avoid such problems by providing financial support and specific guarantees/subsidies to first-time home buyers and by developing specific programmes for low-income families to ensure justice and the right to housing for all.

4. Monopoly, quick profits, and conflicts of interest:

In an environment where information is hidden, especially when land is distributed and property is changed in type (e.g., from agricultural to residential), there are opportunities for undue advantage and quick profits for powerful individuals. To eradicate these issues, greater transparency is a key safeguard. This will be done by creating a public information platform for citizens, publishing detailed reports, independent monitoring, and, most importantly, setting strict rules to prevent officials' private interests from conflating with public interests.

5. Overarching risks to the economy and financial stability:

The rapid and unplanned growth of the mortgage sector increases the likelihood of an "economic bubble" in the market, which, if burst, could pose significant risks to banking-sector and macroeconomic stability. The central bank and supervisory agencies play a crucial role in this context. A comprehensive prudential regulatory framework should be followed, such as designing strict limits on the ratio of the loan to the actual value of the property and determining the debt-service-to-income (DSTI) ratio if intended. "Stress testing of banks and close monitoring of the financial sector also should be done to protect the country from any sudden upheaval.

19. Key Performance Indicators (KPIs) and monitoring systems:

To ensure the success of this project, three main levels of skill indicators should be organized:

1. Indicators of the implementation phase: This phase is concerned with the performance of administrative work, specifically the number of digitally registered parcels of land, the speed and accuracy of updating title deeds, the number of licensed/registered property values or valuation reports issued, and the number of bank employees trained.

2. Output and Result Indicators: This section follows up on output indicators (for example, the total number and size of loans provided to citizens on a pilot basis, the average repayment period, the down-payment ratio, and the number of housing units provided to first-time home owners).

3. Outcome and Impact Metrics These metrics measure the real socioeconomic impact of the project on people as described below:

- Assessment of the financial ability of citizens to buy homes in relation to their personal income.

- Examine the affordability of prices for middle-income families.

- Monitor the rate of delayed repayment of loans.

While these criteria are being met, vacant unit rates and land use changes should be regularly monitored. This move ensures that the project will not cause an “economic bubble” in the real estate sector in the future; that is, it prevents the market from going out of balance and risking collapse.

20. Field analysis and expert views (outcome of consultative meeting discussions)

This section is devoted to presenting the quantitative evidence and qualitative perspectives provided by decision makers, academics, and private sector representatives during the focus group sessions. These perspectives not only provide field evidence of the root causes of the problems but also serve as strategic support for the recommendations presented in this policy document. For the purpose of analytical clarity, the opinions have been categorized into four essential themes:

Theme 1: Financial Infrastructure, Banking Sector, and Risk Assessment

Dr. Makwan Jamil, a financial expert, emphasized the strategic aspects and the significance of evaluating economic stability, along with the role of financial institutions during the consultation:

Economic stability is the cornerstone of development. In this equation, the mortgage system is not only a financial instrument but also an important component of the financial system if faithful. For market recovery, we must boldly overcome the prevailing tradition that reduces the lending process to personal guarantees (guarantors) and heavy reliance on cash transactions. Today, the most significant threat to the banking sector comes from financial institutions that are exposed to risk without solid legal guarantees, which pose the greatest threat to the banking sector. to risk without solid legal guarantees. to risk without any solid legal guarantees backing them up. When loans are not repaid on time and banks face complicated administrative difficulties in trying to recover their entitlements, constraining credit creation and capital flows is completely paralyzed. For these reasons, I fully support the recommendations contained in this document, especially moving to a modern financial system. swift changes to laws protecting banks' rights to a 'certified copy of the land registry record' and 'multiple centers of administrative authority.' Meanwhile, we need to establish a "favorable credit history" as the basic condition for lending. In addition, the establishment of a secondary market for debt transactions and a reliable collateral network are essential conditions for the transition of our society to a modern financial system. a modern financial system."

In contrast, from a macroeconomic perspective, Dr. Ahmed Abdul Rahman, head of the economic unit at the Ministry of Finance, presented a critical analysis of the financial infrastructure challenges and warned:

The implementation of the mortgage system is inherently a very sensitive issue and carries several financial risks. If we look at the economic environment in the Kurdistan Region, we see that we have a limited institutional infrastructure to support a mortgage market; on the one hand, our banking system is in its infancy, on the other hand, financial supervision mechanisms are weak, and our legal frameworks have significant gaps. In addition, the real estate registration system has not yet become a modern mechanism to support the mortgage process. The result of these structural weaknesses is that we have not been able to identify a fundamental solution to the housing crisis and the difficult problems facing tenants.

To explore the challenges faced by banking institutions, Saywan Ali, a representative of Erbil Bank, highlighted the practical difficulties and stated:

For a private bank to lend, it requires property that is legally registered and can serve as enforceable collateral. However, the projects lack certified copies of the property title deed and are unregistered. In terms of financial capacity, private banks' lending volume is entirely dependent on the size of their customers' deposits. Since housing projects require huge capital, private banks can only play the role of an "intermediary." Meanwhile, central bank guidelines only allow short-term (one-year) loans, while housing projects require long-term (10- to 15-year) financing.

Banaz Star of the First Bank of Iraq (FIB) stresses that banks naturally prioritize commercially viable services but also offers several solutions:

The CBI can force banks to provide loans as one of their services, and in cases where housing projects/units have registered title deeds, lenders can lend to citizens buying housing units.

As an alternative and solution to this financial gap, Shad Fikrat of the International Center for Finance and Trade in Sulaimani proposed market integration with Iraq and said:

To fill the financial gaps, we have made several serious attempts to open branches of federally funded banks (such as the Real Estate, Industrial, and Agricultural Banks), but outstanding issues between Erbil and Baghdad have prevented them. To get out of this impasse, the solution is to amend the investment law to allow banks to enter the housing sector directly through the consolidation of the mortgage system."

Theme 2: Administrative bureaucracy, legal reform, and the ownership process

From another perspective, Newroz Mohidin Qazi, Head of the Legal Office of the Council of Ministers, highlighted the investment environment and pointed out:

In the Kurdistan Region, our main issue is not the lack of laws but rather the presence of numerous conflicting government administrative guidelines. Despite the existence of banking regulations, our banking system is weak, and most banks only act as currency exchangers. While mortgage requirements While Iraq currently enforces mortgage requirements, the Kurdistan Region has disrupted them. In Iraq, mortgage requirements The Kurdistan Region has specifically disrupted mortgage requirements in Iraq, particularly within its territory. Currently, the investor faces a heavy burden after obtaining permission, from imposing taxes and charging the cost of all services to compensating farmers. The government must provide full facilities in the process of land acquisition and transfer and oversee the investment committees as an effective oversight role; it is only by enforcing transparency that banks will trust the local environment."

Supporting this assessment with official data, Halo Salah, Director of Research and Information at the Investment Board, presented a statistical analysis and said:

One of the most significant obstacles is the impossibility of changing the 2006 Investment Law. And the current legal system is creating serious problems for investors. Under the current legal framework, investors must pass and complete 297 complicated administrative procedures. This is a level of bureaucracy that is unprecedented. The bureaucracy has adversely affected social policy objectives; according to our data, only 9% of tenants have benefited from housing projects. On the other hand, the issue of 'multiple centers of administrative authority' and the dispersion of licensing authority, which is divided among three ministries and provincial administrations without coordination, has created chaos in the investment map.

From a practical market perspective and as a case study, Dr. Peshawa Mullah Omar as a residential investor gave a realistic example.

Our primary issue lies in the bureaucratic procedures and the discretionary, inconsistent practices that accompany them. The current system delays cadastral registration for residential projects until 100% completion, offering no economic value for the investor. Investment legal and regulatory certainty drives investment. legal and regulatory certainty; As evidence, a bank in Sulaymaniyah was willing to lend $150 million to a project simply because it had a cadastre. Once the investor establishes ownership, they present a "Feasibility Study" to the bank to foster confidence. However, numerous obstacles exist. The offices are now introducing numerous obstacles for projects. for projects within the offices.

As the voice of the private sector, Miran Kamil Samson, a housing investor, proposed the establishment of a joint platform and justified:

It is currently necessary to establish a 'Council of Real Estate Investors' to coordinate with the government. In central and southern Iraq, investors receive a direct "certified copy of the land registry record" along with their licenses. However, the Kurdistan Region has been excluded from these loan programs. The multiple offices that must approve applications have made the process so complex that investors become bogged down in the tedious routine of collecting signatures.

Theme 3: The role of the state the reactivation of the housing fund and social assistance are crucial topics for discussion. The reactivation of the housing fund and social assistance is a crucial topic for discussion.

To reorganize the role of the government in this sector and promote the concept of partnership, Aziz Saeed, Advisor to the Deputy Prime Minister of the Kurdistan Region of Iraq for Investment Affairs, stressed the need for a strategic partnership:

The largest gap is the complete absence of a financial system to support investors. The government should not be just an observer but should become a real partner with investors with public capital. However, the obstacle is the lack of accurate and integrated data and statistics. At the same time, the task of supervising the projects must be the Ministry of Reconstruction and Housing's. The Ministry of Reconstruction and Housing must regain full responsibility for supervising the projects. The responsibility for supervising the projects must be entirely transferred to the Ministry of Reconstruction and Housing. To regulate the financial cycle, the process of receiving household/buyer installment payments must be fully regulated through banking institutions so that we can move towards the digitalization of the economy.

Regarding the evaluation of the previous alternative mechanisms, Hersh Muharram, former Chairman of the Kurdistan Regional Investment Board, stressed the need for institutional review and said:

The strategic step for addressing the issue is to re-activate the 'housing fund.' However, this proposal should not simply revert to the previous mechanism. Rather, it has to be an evidence-based institutional review that learns from past mistakes. The fund was originally created to fill the gaps that the 'public housing advance' was unwilling to fill, and it is important to return it to its intended purpose.

To complement this view, and based on the figures, Newroz Mohedeen Qazi, Head of the Legal Office of the Kurdistan Regional Council of Ministers, presented detailed statistics and said:

According to Law No. 7 of 2008, we had a housing fund that paid 269 billion dinars to more than 10,770 citizens. Unfortunately, the loans now repaid monthly go directly to the Ministry of Finance as revenue, not the fund. Loan repayments should be retained within a revolving housing-finance mechanism rather than entering the general treasury. Concurrently, a Murabaha-based Islamic financing framework should be operationalized."

Mr. Amanj Jalal, the Director General of Investment of Sulaimani Province, presented a proposal to link the housing market to the salary system and reduce repayment risk:

A slowdown in the housing sector directly disrupts the entire economic cycle. To launch a mortgage, the best start is to link it to the payroll banking process. However, for fear of late payment, banks remain reluctant to assume the credit risk; Therefore, the government must create a guarantee fund to support banks in case of salary arrears. Legally, we can take advantage of Iraq, where projects are registered upon completion (30%). As for the 'bank interest' problem, which is rejected by the majority of the Muslim community, the government could establish a fund to subsidise the cost of bank interest, similar to the model in Islamic countries. The government could establish a fund to subsidise the cost of bank interest, following a model similar to those used in Islamic countries.

Theme 4: Infrastructure threats (water security) and the crisis of centralization of power

Beyond the financial and legal spheres, the sector faces a serious environmental and administrative challenge. Regarding this strategic issue, Mr. Shalaw Jamal, Director General of Agriculture of Sulaimani Province, said it was a dangerous alarm:

Apart from the financial crisis, housing projects are also staring at a severe water crisis in the next three years. Dukan Reservoir is a major source of water for Sulaimani, which has a maximum capacity of 7 billion cubic meters, though current water storage volume has fallen to 5 billion cubic meters. If there had been a drought this year, Sulaymaniyah would have faced a severe water shortage. Administratively, due to the weakness of provincial local authorities and the lack of devolution of powers, investors face lengthy and repetitive administrative procedures across multiple offices. Some have been waiting for permits for years, causing cost fluctuations and problems for farmers' land. This highly centralized decision-making at the highest level has led to the suspension of several strategic projects, as they are still awaiting decisions from the Council of Ministers, and the necessary decision-making authority has not been sufficiently devolved to provincial authorities. The necessary decision-making authority has not been adequately transferred to provincial authorities.

21. Evidence and Analysis: Comprehensive Assessment: A Comprehensive Assessment of the Mortgage System in the Kurdistan Region

Official statistics and empirical data available show a large and persistent demand for housing in the Kurdistan Region especially among low-income households and newly established families. Despite several real estate investment initiatives and high liquidity in the banking sector, there is still a wide gap between the supply and financing of housing on one side and the demand of households on the other. The main reason for the gap is the absence of a sound and efficient mortgage system.

In May 2026, a set of expert reviews and consultations were undertaken to identify the root causes of housing problems in the Kurdistan Region and to formulate suitable policy interventions. They gathered leading banking officials, members of the judiciary, central banking experts and real estate investors.

The evidence and conclusions obtained from these evaluations are categorized as follows:

1. Lack of legal infrastructure and fragmented implementation

One of the common misconceptions is that the Kurdistan Region does not have the required laws to regulate the mortgage business; however, legal analysis shows otherwise. Now there is a well-rounded and comprehensive legal framework, which could serve as a basis for this process. These include the KRG Investment Law (No. 4 of 2006), which facilitates the allocation of land, the Civil Code, which establishes the principles of contracts, the Banking Law, which allows the lending process, and the Implementing Law and Central Bank guidelines. The basic evidence here is that the problem is not in the "lack of law," but in the fragmentation and lack of administrative coordination between the relevant institutions. The lack of a unified package that integrates these laws to serve "mortgage collateral" has made the process slow and complicated. In this context, Newroz Mohedeen Qazi, Head of the Legal Office of the Council of Ministers, points out the importance of the Kurdistan Regional Investment Law (No. 4 of 2006), Iraqi Civil Law (No. 40 of 1951), and Iraqi Banks Law (No. 94 of

2004). Together these laws form part of the legal infrastructure of the mortgage finance system.

2. Weak Enforcement and Limited Lender Confidence

As representatives of the banking sector point out, the primary obstacle to providing long-term loans is the lack of confidence in the rule of law. The root of the problem lies in the “enforcement law” and the way enforcement offices work; banks are convinced that if the borrower, whether an individual or developer, does not commit to repaying the installments, the legal procedures for seizing and selling the collateralized property will be very slow and take many years. Banks consider this environment “risky” because of external political influence, social problems, and the inertia of enforcement agencies to vacate properties. As a result of these issues, banks either retreat from granting such loans altogether or charge interest rates so high that the average citizen can no longer afford to benefit from them. Dr. Makwan Jamil Hawrami, about the situation of banks, says, "Some banks provide housing loans on a limited basis, but most are only looking for short-term revenue opportunities. Iraq has started the process of banking and financial reforms since 2023 and is now under international pressure; of course, these reforms will also hamper the easy profits that banks used to make.”

3. The legacy of financial reforms and changing bank behaviour

New analysis suggests a fundamental shift in bank behavior. In the past, banks relied solely on quick and short-term profits (especially through currency auctions); therefore, they had little incentive to make long-term investments, such as mortgages. But there are signs that the financial and banking reforms that began in Iraq in 2023 have changed banks' incentives. With the tightening of international transactions, the obligation of banks to follow the global system (SWIFT) and the stronger transparency and compliance requirements, the traditional sources of short-term profits have become scarce. Banks now have large amounts of cash lying idle, so they are looking for lower-risk lending opportunities. Among them, mortgages are one of the best options, provided the government can provide a safe environment for banks.

This situation is a policy opportunity, and the government should take advantage of it. In this regard, Peshwa Mullah Omar, as an investor in the housing sector, suggests that the Kurdistan Region should follow the same steps as other Iraqi provinces; that is, a “banking initiative” should be introduced for housing loans, and the loan should be secured through salary assignment or direct debit arrangements. Thus, the loan is paid directly to the citizen and is repaid to the bank monthly through his salary. Another positive point of this procedure is that the residential units are registered in the names of citizens from the beginning, which creates more confidence among the buyer.

4. Tested methods as practical solutions

To overcome these hurdles, experts point out two pragmatic approaches that have been tested elsewhere and can form the basis for solutions in the Kurdistan Region:

Method One: Salary-Based Mortgage Lending

The general procedure followed by the Iraqi government, which is the housing loan initiative, is to provide mortgage loans to segments of the society. According to this procedure, investors submit housing projects to the government.

Loan repayment is secured through salary-linked deductions via the payroll localisation programme for employees. "This will restore confidence in banks, improve repayment security and improve household access to finance for citizens, because they will own their real property from the beginning."

The second method involves tripartite contracts that protect the rights of all parties involved.

This approach is a legal remedy for projects that are still under construction or whose land is not registered in the name of the investor. Because a bank cannot lend without legal collateral, the solution is to sign a tripartite legal document between the Investment Board as the government representative, the lending bank, and the investor.

This mortgage enables bank funds to be secured within the project, the investor will obtain sufficient liquidity to complete the project, and the homebuyer will ultimately own his or her housing unit with a long-term loan.

Miran Kamil Samson, a residential investor, said the banks have little confidence in the Kurdistan Region because the law is not effective enough, which is a big obstacle for the banks.

The investor believes that if housing projects are not registered in the investor's name, an alternative lending option exists through a tripartite security arrangement for the project, which is agreed upon by the investment board, the lending bank, and the investor.

22. Risk Protection, Interest-Rate Structure and Financial Guarantees, types of interest and financial guarantees in mortgage collateral systems

The success of any financial system for the housing sector depends fundamentally on the existence of advanced financial assurance mechanisms. In the economy of the Kurdistan Region, due to the instability of inflation and the lack of clear forecasts for individual income, a legal and financial framework should be developed that protects both the rights of banks and citizens from any sudden financial risk. For this purpose, two main pillars are necessary:

First, Interest Rate Structure: Fixed versus Variable Rates (fixed versus variable interest)

When drafting the banking regulations of the Kurdistan Region, the determination of the type of interest rate is one of the most sensitive provisions. Using variable interest rates in an unstable economy is a big risk for customers because with any change in the market or an increase in the inflation rate, the amount of the customer's monthly repayments may rise unexpectedly, which makes the borrower potentially unable to meet repayment obligations.

Therefore, only fixed interest rates should be used when the collateral system is first implemented in the region. Fixed interest has the following advantages:

1. Protect citizens' purchasing power against any economic shock.

2. Offer financial predictability to households, thus boosting public confidence in the lending system.

3. Reduce legal disputes between bank and customer due to sudden changes in instalment amounts.

Second, the Mortgage Insurance/Credit Guarantee Mechanism

From a risk-management perspective, the granting of long-term mortgages must be accompanied by the existence of an insurance company or guarantee fund. The customer often suffers financial setbacks due to unforeseen events such as death, physical disability, or involuntary unemployment and is unable to pay the instalments.

In the proposed system, the existence of collateral assurance is an indispensable requirement. This system works as follows:

1.Upon signing the loan agreement, the buyer must pay a small security deposit. This amount The buyer pays this amount when signing the loan agreement. by the buyer when the loan agreement is signed.

2. In the event of the arising of any of the events that materially reduce the borrower's ability to repay the customer, the insurer (if insurance) or guarantee fund if guarantee will be responsible for repaying the balance of the loan or part thereof to the bank.

3. This arrangement makes banks invest their capital in projects with greater confidence, as the risk of loan default is mitigated through credit insurance coverage, subject to specific policy percentage limits and activation conditions.

Thus, the combination of fixed interest rates and collateral security moves the housing market environment from a high-risk to a safe and reliable one. These steps, although legally requiring detailed banking guidance, could provide an important foundation for the housing finance system in the Kurdistan Region to succeed and become the real engine of the housing sector.

23. The most significant challenges to implementing the recommendations of this paper

Although this study proposes a legal, banking, and administrative roadmap for establishing the mortgage collateral system, the success of this roadmap depends on several general economic and financial factors beyond the control of the implementing institutions.

One of the most important factors is the financial instability of the Kurdistan Region, which is largely linked to oil revenues and fiscal transfers/financial arrangements with the federal government of Iraq. Any change in the financial relationship between Erbil and Baghdad could have a direct impact on the government's ability to provide salaries, market conditions, and citizens' confidence.

Furthermore, economic instability and doubts about the sustainability of household incomes can reduce borrowers' ability to meet installment obligations. Therefore, the implementation of the mortgage collateral system requires a stable economic environment, clear fiscal policy, and continuous coordination between the KRG and the federal government. In the absence of these conditions, the likelihood of encountering obstacles in the implementation of the roadmap phases increases, even if the legal and administrative framework is strong.

24. Conclusion

1. As this study shows, the financial system of the Kurdistan region, especially the mortgage, cannot depend on investment laws or individual efforts. "The problem is more systemic. Construction has slowed, and projects are often delayed. The region demands an interlinked institutional chain, including land and real estate registry, valuation, financial institutions, courts, and policy direction. Without this chain, strong market demand and substantial capital deployment will only result in higher prices, increased market inequality, unequal bargaining power, and construction that has slowed, and projects are frequently delayed, depriving people of their right to decent housing.

2. The study highlights two dimensions: on one hand, the region has taken significant steps regarding the regularization of property rights and the delivery of public services, but on the other hand, this progress has not yet become the basis for a strong and established market. The main problem in designing programs is how to use achievements in registration as a basis for granting advances and securing housing rights. Construction has slowed down, and projects are often delayed. The answer to this study is that legal, data, valuation, and financial reforms must be carried out in parallel.

3. If the region implements this set of reforms in the coming steps, the outcome will not only be improved financial services but could also be a historic turning point towards stability, prosperity, social equality, and productive investment. At that time, the real estate sector will go from being a short-term profitable market to a strong economic and social infrastructure, supporting the right to housing and sustainable development.

4. The financial crisis that has hit the Kurdistan region since 2014 has greatly negatively affected the lives of citizens and reduced the purchasing capacity of households; although the need for housing units still exists, many cannot afford them.

5. Although many housing units have been put up for sale, there has been a significant imbalance in the housing market due to the limited household purchasing power.

6. There is no independent law to regulate the mortgage financial system in the Kurdistan Region; only some applicable laws make relevant provisions that are dispersed across existing laws and regulations to support its implementation.

7. Banks do not provide mortgage loan services. Construction work has slowed down, leading to frequent project delays in the Kurdistan Region. They seek "short-term returns on investment profits" and do not take risks. They only lend to housing projects with a safe guarantee, such as a legally registered property title that can be used as enforceable collateral.

8. The cancellation of the decision to register the ownership of housing projects in the name of the investor after the implementation of 30% of the project has damaged the housing market and made it impossible for citizens to buy units.

9. The suspension of mortgage advances and housing fund loans has significantly weakened the housing market and deprived low-income citizens of the right to buy housing units on credit.

10. The slowness of the process of cadastral registration of residential units in the names of buyers and delays for many years have prevented buyers from using the cadastral registration of their properties as collateral and a guarantee for their access to secured credit.

11. The lack of branches of Iraqi state-owned banks such as Rashid and Rafideen in the Kurdistan Region is a major reason why people in the region cannot benefit from the mortgage loans provided by the federal government.

12. The slowdown in construction is due to the lack of buyers in the market, delayed installments from previous buyers, and a lack of bank loans for investors, which often leads to projects not being completed on time.

25. Recommendations:

First, legal and institutional reforms

1. Enactment of an independent mortgage law

The absence of a dedicated mortgage-finance law is identified as a major constraint to the growth of this sector. The Kurdistan Parliament should draft a law that defines a clear and enforceable legal framework for all three parties (lender, borrower, and investor). This law should clearly regulate the procedure of "foreclosure/enforcement of mortgage security" in case of non-compliance with loan repayment so as to balance the citizen's right to residence and the financial rights of the bank.

2. Establish an Integrated Institutional Framework

The problem is not only with the law but also with the fragmentation of the administrative sphere. A "High Council for Housing and Finance" should be formed, including representatives from the Ministry of Justice (Land Registry), the Ministry of Finance and Economy, the Ministry of Municipalities and Tourism, and the Investment Board. The main task of this council is to connect all offices to an "integrated digital network" that enables property records to support timely and secure mortgage lending.

3. Digitize the Property Registration System in real estate registry offices

To eliminate the slowness of the cadaster process, the government must end the paper-based and fragmented procedures and bureaucracy. The process of ownership and transfer of property must be fully digitized (E-Title System). If a buyer purchases a residential unit, they must be given the right to legally and digitally "use the registered property as collateral" within a matter of days so that they can use it as collateral for a loan.

4. Establishment of the National Property Valuation Board

One of the reasons why banks are reluctant to lend is the uncertainty of the true value of the property and the risk of depreciation. An independent professional board should be established to estimate and determine the price of housing units, free from temporary market fluctuations and unfair bargaining. The certificate of this board shall be the authoritative basis for banks' lending decisions to determine the amount of the loan.

Second, there should be a focus on financial recovery and the restoration of market confidence.

5. Establishment of the Credit Guarantee Fund:

The government should establish a fund as a "guarantee" for citizens who are low-income borrowers/households or unable to provide strong collateral. This fund guarantees the bank that if the borrower defaults, it will cover a defined share of eligible losses (e.g., 70% of the bank's loss). The move will encourage private banks to enter the housing sector by increasing banks' willingness to lend.

6. Reactivate the Housing Fund and make it financially independent

The suspension of the housing fund had major negative consequences. This fund should be reactivated, but not as an office under the Ministry of Finance whose budget is mixed with other government expenditures; instead, it must become an independent financial institution that relies solely on the revolving fund model so that the loan repayments can only be used to finance new housing loans.

7. Advocate for the establishment of federal bank branches

The deprivation of Kurdistan Regional Government citizens/residents of loans from Iraqi state-owned banks (Rashid, Rafideen, and Housing) requires legal substantiation; otherwise, soften it. This issue should be made a key requirement in political negotiations and the adoption of the public budget. At the same time, the Kurdistan Regional Government must provide all facilities and assurances for these banks to facilitate their entry and operation in the region. Before entering the region, the lending banks in the Kurdistan Region must legally reclaim the foreclosed properties.

8. Linking advances to the payroll banking system is essential

Increased bank confidence To ensure loan repayment, the advance payment process must be linked directly to payroll banking projects (such as My Account or Tautin, or any other federal system). When a citizen's salary is in the bank, it reduces repayment risk for the bank because it can automatically deduct the instalment each month, materially reducing the risk of non-repayment.

Third, restructuring the investor-buyer relationship

9. Regulation of Off-Plan/Advance Sales and Escrow Account Follow-up

Both giving title deeds to the investor at the beginning of the project and depriving the buyer of property rights are dangerous. The solution is to enact “off-plan sales” legislation if intended. The buyer does not make the money directly available to the investor but deposits it in an “escrow account” under government supervision. The investor may withdraw money from the account only according to the progress of the work and with official proof. This both protects buyers’ funds and solves projects’ liquidity problems.

10. Government-Backed Project Guarantees

In the current situation, Iraqi banks in the Kurdistan Region do not lend to citizens, and housing projects remain unowned by investors due to the inability to enact new legislation promptly or pass new laws. The quick and practical step is the following:

The High Investment Council and the Investment Board should issue a formal letter/instrument of support to residential investors to guarantee their projects in the transaction of obtaining loans from banks.

This document can build trust with banks, provided that the lending and mortgage process is regulated by law. As long as the law regulates the lending and mortgage process, this document can foster trust with banks.

Fourth, we should pay attention to market rebalancing and social justice

11. Invest in affordable housing

Expensive units now flood the market, making them inaccessible to most people. The Investment Board should temporarily suspend the licensing of luxury projects and grant all concessions (such as free land and customs exemptions) only to projects that build housing units for low- and middle-income households, subject to affordability criteria/price ceilings if intended.

12. Changing the perspective of the real estate sector Reframing Real Estate as Long-Term Economic and Social Infrastructure

The government should pursue a new tax policy; heavy taxes should be imposed on those who buy several housing units only for speculative or concentrated ownership purposes. In return, full financial facilities should be provided to first-time homebuyers. This will prevent artificial price inflation and consolidate social justice.

Fifth: Implementation roadmap in three strategic phases

13. Phase 1 (1 to 2 years): Development of a high-accuracy and comprehensive property/land database. Review and reorganisation of all property rights records. In addition, a comprehensive and evidence-based assessment of the situation will be undertaken to form the basis for the drafting and preparation of the Mortgage Collateral Act.

14. Phase 2 (3 to 5 years): In this phase, practical steps will be taken to launch pilot programmes to provide mortgage/housing loans. This process relies entirely on legal procedures for security, implemented through financial institutions and banks dedicated to this field.

15. Phase 3 (5 to 10 years): This is the stage of development and expansion of a solid financial market for the real estate sector; this phase builds on the foundations of advanced financial instruments and diverse sources of capital supply. However, the direction of all economic policies must be reorganised so that their main goal and condition is to prioritise low- and middle-income households in society.

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