Finance Support for Affordable Housing

June 13, 2014

Vishal Goyal
Deputy General Manager
National Housing Bank
Importance of Housing

- Serves as a platform through which a plethora of essential utilities and services could be accessed.
- Direct Impact on an individual’s employment and income generating capabilities.
- Impact is in terms of improved habitat, living, educational, social and cultural standards leading to human capital formation and boosting productivity.
- Improved productivity leads to enhanced income, saving and repayment potentials on sustainable lines.
Housing Scenario in India

- India is witnessing increasing levels of urban population. Nearly 30 per cent of the country’s population lives in cities and urban areas – double the level of urbanization at the time of Independence in 1947 and projected to reach 50 per cent in 2030.

- Major policy concern for India is the widening gap between demand and supply of housing units and inadequate housing finance solutions.

- “Affordable Housing” has crucial implications for the country as the market needs balanced and sustainable funding models, and pro-active participation of all stakeholders.

- Increasing urbanization has led to tremendous pressure on land, civic infrastructure, transport, open spaces etc.
Overview of Housing Finance Market in India

- Indian Mortgage Market growing steadily owing to enabling factors such as stable operating environment, stable property prices etc.

- Mortgage resilient to the global market due to
  - Enhanced risk management
  - Vigil on exposure limits
  - Comfortable capital adequacy positions of HFCs

- Mortgage to GDP penetration still low at 9% compared to those of developed countries.

- Housing Finance Market mainly for MIG/HIG segment and Huge mismatch between housing supply and demand.
## Housing Shortage – Recent Trends

<table>
<thead>
<tr>
<th>Estimated Housing Shortage during 2012-17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Urban Areas</strong></td>
</tr>
<tr>
<td><strong>Rural Areas</strong></td>
</tr>
<tr>
<td><strong>Total (All India)</strong></td>
</tr>
</tbody>
</table>

- In Urban Areas, more than 95% of the total housing shortage pertains to EWS/LIG households. (As per MH&UPA, GOI)
- In Rural Areas, more than 90% of the total housing shortage is for the BPL Households. (As per Working Group Report on Rural Housing, MORD, GOI)
- Buoyant growth of India’s housing finance sector catering only to MIG/HIG segments. Not inclusive from the perspective of the poor/weaker sections.
- Poor/slum dwellers lack access to institutional sources of finance. Depend on informal sources which are inadequate and expensive.
- Growing population and increasing urbanization trends have exacerbated pressure on available land resources and demand for housing.
- Need to develop a new financial structure as also Policy and Regulatory Framework for the provision of Affordable Housing on sustainable lines to the poor/EWS.
Affordability Concerns

- **Real Sector Issues**
  - Land supply
  - Cost of land
  - Infrastructure provision
  - Construction & Delivery
  - Construction agencies including Public Agencies

- **Financial Sector Issues**
  - Trends in financial market
  - Supply of funds
  - Cost of funds
  - Project finance
  - Individual loans – eligibility
  - Lending institutions and role of NGOs/MFIs
Issues in Financing

- Limited access to housing credit
- Unstable income and unstable cash flows in the informal sector
- High risk & high cost - to - service customers
- Role of Guarantee/Risk Fund
- Role of Government & Financing Institutions in Market Environment
- Leveraging effect of Subsidy
National Housing Bank
Vision: “Promoting inclusive expansion with stability in housing finance market”

- Mutually synergic roles
  - Financing,
  - Promotional, and
  - Regulatory and Supervisory

Aimed at confidence-building among Savers, Borrowers, Lenders and Investors; Policy Makers & International Stakeholders

- Multi-pronged Approach
  Simultaneous intervention on both the demand (financial) and supply (real) side of the housing sector

- Multiple institutions
- Multiple products – wider coverage
Augmenting Resources for the housing sector

Leveraging the liquidity

Support specialized institutions to serve as dedicated centers for housing credit

Fill the credit gaps suffered by low income households by strengthening linkages between formal and informal sector

Multiple institutions

Multiple products – wider coverage
NHB’s Financial Interventions for Affordable Housing

Financing Models

Refinance
- Golden Jubilee Rural Housing Refinance Scheme
- Rural Housing Fund
- Special Refinance Scheme for Urban Low Income Housing
- Refinance Scheme for Construction Finance for Affordable Housing

Direct Finance
- Project Finance for Slum rehab / LIH & Housing Microfinance

Financing through Multilateral Institutions
- Low cost Housing Project with World Bank
# NHB’s Refinance Scheme at a Glance

<table>
<thead>
<tr>
<th>No.</th>
<th>Scheme Name</th>
<th>Key Features</th>
</tr>
</thead>
</table>
| 1.  | **Regular Refinance Scheme**                             | - All categories of individual borrowers  
    |                                             | - No cap on amount of individual loans  
    |                                             | - Tenure upto 15 years  
    |                                             | - Interest rate concession for loans upto Rs10 lakhs  
    |                                             | - Fixed and floating interest rates  
    |                                             | - Option of converting from fixed to floating and *vice versa*                                                                                      |
| 2.  | **Golden Jubilee Rural Housing Refinance Scheme (GJRHRS)** | - All categories of individual borrowers  
    |                                             | - Rural housing loans upto 15 lakhs  
    |                                             | - Tenure upto 15 years  
    |                                             | - Interest rate concession  
    |                                             | - Fixed and floating interest rates  
    |                                             | - Option of converting from fixed to floating and *vice versa*                                                                                      |
| 3.  | **Rural Housing Fund (RHF)**                             | - Target group as provided in the scheme  
    |                                             | - Rural housing loans upto Rs15 lakhs  
    |                                             | - Tenure - 3 years to 7 years  
    |                                             | - Fixed interest rates for entire tenure without reset  
    |                                             | - Present refinance rates 8.25% to 8.75% (depending upon loan slab)  
    |                                             | - On-lending rates capped at 10.75%  
    |                                             | - The data required along with the claim form is to be provided as per the prescribed format  
    |                                             | - Loans disbursed on or after 01-04-2008                                                                                                               |
| 4.  | **Urban Housing Fund (UHF)**                             | - Borrowers having household income not exceeding Rs 4 lakhs per annum  
    |                                             | - Loans upto 10 lakhs (property cost not exceeding Rs16 lakhs OR carpet area not exceeding 60 m²)  
<pre><code>|                                             | - Tenure - 3 years to 7 years &amp; Fixed interest rates for entire tenure without reset      |
</code></pre>
<table>
<thead>
<tr>
<th></th>
<th>Refinance Scheme...Contd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.</td>
<td><strong>Special Refinance Scheme for Urban Low Income Housing (LIH)</strong></td>
</tr>
<tr>
<td></td>
<td>• Borrowers having household income not exceeding Rs 4 lakhs per annum</td>
</tr>
<tr>
<td></td>
<td>• Housing loans upto Rs10 lakhs</td>
</tr>
<tr>
<td></td>
<td>• Refinance rates 8.25% to 8.50% (depending upon loan slab)</td>
</tr>
<tr>
<td></td>
<td>• Tenure - 5 years to 15 years</td>
</tr>
<tr>
<td></td>
<td>• Fixed interest rates for entire tenure without reset</td>
</tr>
<tr>
<td>6.</td>
<td><strong>Refinance Scheme for Women</strong></td>
</tr>
<tr>
<td></td>
<td>• Women borrowers (primary applicant; having title to property, either singly or jointly)</td>
</tr>
<tr>
<td></td>
<td>• Housing loans upto Rs 25 lakhs</td>
</tr>
<tr>
<td></td>
<td>• Concessional refinance rate below NHB’s PLR (current PLR is at 9.75%)</td>
</tr>
<tr>
<td></td>
<td>• Fixed and floating interest rates</td>
</tr>
<tr>
<td></td>
<td>• Option of converting from fixed to floating and <strong>vice versa</strong></td>
</tr>
<tr>
<td>7.</td>
<td><strong>Energy Efficient Housing Refinance Scheme (EEHRS)</strong></td>
</tr>
<tr>
<td></td>
<td>• All categories of borrowers in urban areas</td>
</tr>
<tr>
<td></td>
<td>• Dwelling units certified as energy efficient as per the NHB-KfW-TERI certification model (list of certified projects available on NHB’s website)</td>
</tr>
<tr>
<td></td>
<td>• Concessional refinance rates</td>
</tr>
<tr>
<td></td>
<td>• The data required along with the claim form is to be provided as per the attached format at Appendix IV (also available on NHB’s website)</td>
</tr>
<tr>
<td></td>
<td>• Loans disbursed on or after 01-01-2011</td>
</tr>
<tr>
<td>8.</td>
<td><strong>Refinance Scheme for Installation of Solar Water Heating and Solar Lighting Equipments in Homes</strong></td>
</tr>
<tr>
<td></td>
<td>• Refinance for domestic solar equipment for heating and lighting</td>
</tr>
<tr>
<td></td>
<td>• Loans upto Rs 1,00,000</td>
</tr>
<tr>
<td>9.</td>
<td><strong>Refinance Scheme for Construction Finance for Affordable Housing Projects</strong></td>
</tr>
<tr>
<td></td>
<td>• Projects and developers as per ECB guidelines</td>
</tr>
<tr>
<td></td>
<td>• at least 60% of permissible FSI for units of carpet area upto 60 m²; and</td>
</tr>
<tr>
<td></td>
<td>• with cost not exceeding 30 lakhs per unit</td>
</tr>
<tr>
<td></td>
<td>• Concessional refinance rates</td>
</tr>
<tr>
<td></td>
<td>• Tenure upto 5 years</td>
</tr>
<tr>
<td>10.</td>
<td><strong>Refinance Scheme under ECB Borrowings</strong></td>
</tr>
<tr>
<td></td>
<td>• ECB funds could be provided at concessional rates for refinance of individual housing loans given by Housing Finance Companies for loans up to Rs 25 lakhs and cost not exceeding Rs 30 lakhs</td>
</tr>
</tbody>
</table>
Rajiv Awas Yojana Outline of the Scheme (1/2)

Main Objective

- Improving and provisioning of housing, basic civil infrastructure and social amenities in chosen slums
- INR 29,000 crore for the next 4 years to be used for construction of DU’s and for development/improvement/maintenance of basic infrastructure
- As of 30 June 2013, 42500 dwelling units sanctioned (work started on 10,500 DU’s) in 55 projects (48 cities, 16 states)
- 2013-2022
- Urban Local Bodies

RAY launched with the objective of achieving “Slum Free India” by redeveloping/upgrading existing slums and by creating legislative framework to address the issue of urban housing shortage

- States to prepare legislation for assigning property rights to slum dwellers and to address other issues like redevelopment/rehabilitation of slums including spatial planning norms covering density, development controls etc
- States to undertake identification of all slums, slum mapping, slum profiling, tenability analysis and formulation of development options for each slum
- States to involve slum communities to decide on the choice of rehabilitation/redevelopment model for identified slums
- Slum relocation on in case of untenable slums (safety of health hazard to inhabitants)
- States to prepare detailed project plans for redevelopment/upgradation of selected slums and send the same for Central approval
- Funds available to States only on undertaking mandatory/optional reforms

Financial Outlay

Duration

Implementing Agency

Summary

Main Objective

- Improving and provisioning of housing, basic civil infrastructure and social amenities in chosen slums
- INR 29,000 crore for the next 4 years to be used for construction of DU’s and for development/improvement/maintenance of basic infrastructure
- As of 30 June 2013, 42500 dwelling units sanctioned (work started on 10,500 DU’s) in 55 projects (48 cities, 16 states)
- 2013-2022
- Urban Local Bodies

RAY launched with the objective of achieving “Slum Free India” by redeveloping/upgrading existing slums and by creating legislative framework to address the issue of urban housing shortage

- States to prepare legislation for assigning property rights to slum dwellers and to address other issues like redevelopment/rehabilitation of slums including spatial planning norms covering density, development controls etc
- States to undertake identification of all slums, slum mapping, slum profiling, tenability analysis and formulation of development options for each slum
- States to involve slum communities to decide on the choice of rehabilitation/redevelopment model for identified slums
- Slum relocation on in case of untenable slums (safety of health hazard to inhabitants)
- States to prepare detailed project plans for redevelopment/upgradation of selected slums and send the same for Central approval
- Funds available to States only on undertaking mandatory/optional reforms
Rajiv Awas Yojana Outline of the Scheme (2/2)

**Delivery Mechanism**

- States to sign Memorandum of agreement with Central Government on following RAY guidelines and undertaking mandatory reforms
- Proposal to be prepared by ULB’s and approved by State and Central Government
- Implementation of project after approval by Central Government
- Central Government will release funds in 3 instalments
  - On approval of project (40%)
  - On 70% utilization of earlier funds (40%)
  - On project receiving State/ULB /Beneficiary Contribution and state undertaking mandatory reform (20%)

**Highlights**

- Slum dwellers without pucca house to be provided new dwelling units of carpet area between 21-27 sq mts at a subsidized cost
- Contribution of slum dwellers towards DU restricted to a maximum of INR 1.25 Lakh (25%) in cities and rest to be provided by state government (25%) and Central Government (50%)
- Provides for upgrading civic infrastructure and social amenities
- Provides for states to undertake development of rental housing stock
- Lays down optional (e.g. Single window clearance) and mandatory reforms (mandatory reservation for EWS/LIG in all new housing projects) for State Governments and ULB’s to implement
- Lays down optional (e.g. Single window clearance) and mandatory reforms (mandatory reservation for EWS/LIG in all new housing projects) for State Governments and ULB’s to implement
Rajiv Rinn Yojana Outline of the Scheme (1/2)

**Main Objective**
- Provide subsidized home loan to EWS and LIG segment for acquisition/construction of house or carrying out addition to existing buildings(<40 sq mts)
- INR 4,000 crore for the next 4 years for meeting subsidy requirements
- Till March 31st, 2017

**Financial Outlay**
- HUDCO and NHB (Central Nodal Agencies)

**Duration**
- Primary Lending Institutions (Scheduled Commercial Banks and Housing Finance Companies) will sign MoU with any of the Central Nodal Agencies (CNA’s) based on agreed target of number of beneficiaries
- PLI’s will sanction the loan and give the subsidy to the customer
- After sanctioning and disbursing, PLI’s will claim reimbursement of subsidy from CNA’s by submitting claims on quarterly basis
- Government will release the subsidy amount to CNA’s immediately but not later that 2 months after receiving the demand from CNA’s
- Subsequent instalments will be released on a revolving basis on the basis of 70% utilization

**Implementing Agency**

**Delivery Mechanism**
Rajiv Rinn Yojana Outline of the Scheme (1/2)

Highlights

- 5% Interest subsidy for a maximum amount of INR 5 lakh for EWS and LIG
  - Additional loan at unsubsidized rates
  - Maximum loan amount limited to INR 8 lakh for LIG
- Loan tenure between 15-20 years
- Option for borrowers to choose fixed or floating interest loan
- Rate of interest would be fixed by PLI’s keeping in view the RBI guidelines
- Minimum unit size of 21 sq mts and 28 sq mts for EWS and LIG beneficiaries (maximum size of units not given in the policy)
- Beneficiaries would be charged interest net of fixed subsidy of 5% and the HFCs would deduct the interest subsidy amount from EMI of the borrower and debit the net EMI
- Scheme will close on March 31st 2017 (e.g. no new loan would be offered subsidy after this date)
- Suitable budgetary provisions will be made by the future governments to honour subsidy commitment for all the loans sanctions even after scheme closure date
Credit Risk Guarantee Fund
Outline of the Scheme

Main Objective
- To enable availability of bank credit to EWS/LIG without any collaterals and third party guarantees
- INR 1,000 crore (Central Government) and INR 200 crore (State Government)
- NHB has signed agreements with 41 institutions till 30th September 2013
- Credit Risk Guarantee Fund Trust (CRGFT)
- PLI’s to enter into agreement with CRGFT
- PLI’s to identify eligible loan accounts under the scheme
- PLI’s to forward guarantee application form to CRGFT
- Applicable only for new loans to EWS/LIG borrowers
- Guarantee lending to EWS/LIG beneficiaries in urban area with loans not exceeding INR 5 lakh for housing size up to 40 sq mts
- 85% coverage for loans from INR 2 lakh to INR 5 lakh
- 90% coverage for loans up to INR 2 lakh
- One time guarantee fee @ 1% of total loan amount to be paid upfront to CRGFT for availing guarantee cover
- PLI’s can alter interest rate to cover 50% of the guarantee fee
- Guarantee can be invoked within a maximum period of 1 year from the date of NPA
ECB for Low Cost Affordable Housing Projects

NHB is the nodal agency for deciding a project’s eligibility as a low cost affordable housing project, and forwarding the application of the Developer to the RBI for consideration under the approval route.

HFCs, satisfying the following conditions, can avail of ECB for financing prospective owners of low cost affordable housing units:

- The HFC should be registered with the National Housing Bank (NHB) and operating in accordance with the regulatory directions and guidelines issued by NHB;

- The minimum Net Owned Funds (NOF) for the past three financial years shall not be less than INR 300 crore;

- The net non-performing assets (NNPA) shall not exceed 2.5% of the net advances;

- The maximum loan amount sanctioned to the individual buyer will be capped at INR 25 lakh subject to the condition that the cost of the individual housing unit shall not exceed INR 30 lakh; and

- HFCs to ensure that the units financed are having maximum carpet area of 60 square metres.
Initiatives of the National Housing Bank to incorporate and promote green housing

A) NHB KfW Partnership - Prime objective of the Programme – Promoting Energy Efficient Residential Housing

Programme Highlights

- Programme initiated jointly by NHB and KfW, German Development Bank in 2008 pursuant to Indo - German Government-to-Government negotiations.
- Line of Credit of € 50 million on 31st Dec’2010 along with Technical assistance grant of €1.5 million.
- Financial assistance - housing loans to individual borrowers through retail lending institutions for purchase / construction of EE residential houses / flats
- Technical assistance – Fraunhofer TERI Assessment Tool to calculate the level of energy savings of EE houses on the baseline (developed by TERI / Fraunhofer)
- A dedicated refinance scheme for the PLIs - Energy Efficient Housing Refinance Scheme (EEHRS)
- Task force set up for certification and labelling under the EEHRS
NHB KfW Partnership...Contd.

Achievements under the Programme

- Entire amount of € 50 million utilized
- No. of PLIs participated in the Programme – 06 (LICHFL, Axis Bank, ICICI Bank, HDFC, DHFL, and Tata Capital have availed Refinance from NHB under the Programme)
- No. of loans: 2,065
- No. of buildings certified: 21,577 residential units (162 towers)
- Energy savings: 1,864 MWh/p.a.
- CO2 avoided: 32,800 t/p.a.
Initiatives of the National Housing Bank to incorporate and promote green housing

B) Financial Intervention through Refinance Scheme for Solar Water Heater/Lighting Equipments in Homes

Scheme Features

- Loan size – max. Rs. 1,00,000
- Tenure – 3 to 7 years
- Interest rate concession
- Fixed for entire tenure
- Loans disbursed on or after 01-07-2012

Achievements under the Programme

- Refinance assistance for Installation of 18440 units of solar equipments
- Total loan disbursed to the tune of Rs. 30.05 crore
The growth in the Indian Housing Finance Sector in recent years has not been inclusive. To ensure success in lending to all segments of the society, particularly the low income households, a broad range of action on many fronts are required.

SCBs being the largest institutional platform, have to play a vital role in adopting new approaches and introducing customized and flexible mortgage products in active partnership with State & Local Governments and other nonprofit organizations.

The schemes evolved must not only provide an affordable housing loan product but also a complete habitat-based solution.

The Govt. has to forge partnerships with various strategic partners in the public as well as the private sectors to ensure that the vision of “Affordable Housing for All” is realized.
Thank You!!