# HOUSING FINANCE MANUAL

## WITH PARTICULAR REFERENCE TO WEAKER SECTIONS

DEVELOPMENT PROMOTION GROUP

1994

**DEVELOPMENT PROMOTION GROUP** is a registered society promoted by a group of committed professional development workers with the following objectives :

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-> To offer consultancy services on matters relating to Rural Development, Cottage Industries, Project Monitoring, Project Evaluation and Market Studies.

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*All correspondence to DPG may be addressed to :*

**Hony. Secretary**
49-A, Josier Street,
Nungambakkam,
Madras 600 034.
Ph : 8256660, 8272180

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# HOUSING FINANCE MANUAL

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# PREFACE

In a poor and populous country like India, the housing problem is bound to be a serious one. Latest available statistics show that housing shortage in 1991 was in the region of 31 million units taking both quantitative and qualitative aspects into consideration. The government has been seized of the housing problem from the First Five Year Plan itself and over the successive Five Year Plans several measures were initiated to narrow the housing gap.

No doubt, a lot of headway has been made in meeting the housing needs of the various sections of the people. In recent years an elaborate system of housing finance with the National Housing Bank at the apex has been created. However, as yet organised (institutional) credit has been estimated to account for only 20% of the total housing finance requirements of the country.

Even this limited institutional housing finance benefits only the small percentage of urban population with relatively higher and regular income. The vast rural sector, where the weaker sections of the populations are concentrated, is least touched by government housing programmes or organised housing finance.

It has been estimated by National Housing Bank (NHB) that as on March 1991, out of the total housing shortage of 310 lakh units in the country, 206 lakh units are in rural areas. And as per the 44th round of the National Sample Survey, only 5.18% of the total sources of finance for rural housing came from formal agencies.

According to the National Housing Policy, "the government will continue to undertake within the overall context of policies for poverty alleviation and employment, steps for improving the housing situation of the poorest sections and vulnerable groups by direct initiatives and financial support of the state."

At the same time, it is also the objective of the National Housing Policy to assist and enable the poor to gradually move towards self-help housing programme, which alone can close the yawning housing gap appreciably.

Non-Governmental Organisations (NGOs) have been playing a commendable role in providing housing to the poor through their own housing programmes besides through various government sponsored programmes. In this context, the first thing the NGOs would require is an overview of the existing housing finance system in the country. This Manual is a modest effort to provide this basic need.

This Manual provides an overview of the housing situation in the country, the various Social Housing Schemes in operation and the institutional housing finance set up in the country. The focus of the Manual is on the housing programmes for the weaker sections of the population in the urban and rural areas. The Manual also covers the institutional housing finance network in the country as it is the eventual goal of the policy makers to gradually move along from a system of free or subsidised housing to a system of self help housing through easier institutional credit.

Housing finance schemes available to restricted beneficiaries in the organised sector such as housing loans for public sector or private sector employees, subscribers to different Provident Fund Schemes are excluded from this Manual. An analysis of the informal housing finance is also not included for lack of data.

One of the strategies of the National Housing Policy is to encourage participation of non-governmental organisations and social action groups in the various programmes of National Housing Bank, particularly those focused on low income groups. It is upto the NGOs to take the initiatives.

This is one of the greatest challenges not only in the country but in the entire world too.

10-12-1994 ***Development Promotion Group***

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# HOUSING SITUATION AND SHORTAGE

*CHAPTER-I*

# HOUSING SITUATION AND SHORTAGE

1.1 The main source of comparable data available on housing is the Decennial Census conducted by the Registrar General of Census. During the census, data relating to the quantity as well as quality of the various types of dwellings are collected. Apart from the Decennial Census, the National Sample Survey Organisation (NSSO) also collects data on the housing condition. The latest one is the 44th round conducted between July 1988 and June 1989.

## 1.2 CENSUS HOUSES

As per the 1981 census,(the latest year for which housing data is available) there were 151 million census houses. These are broadly classified as Residential Dwellings, Commercial Dwellings (Establishments) and Residential cum Commercial Dwellings (Housing).

1.2.1 The following table presents the increase in the number of census houses according to the 1961, 1971 and 1981 censuses.

| | *Census houses (Lakhs)* | | | *Percentage to total* | | |
|---|---|---|---|---|---|---|
| | *1961* | *1971* | *1981* | *1961* | *1971* | *1981* |
| *According to use* | | | | | | |
| Occupied census houses used as: | 966.0 | 1,151.0 | 1,429.4 | 93.9 | 93.7 | 94.7 |
| Residence | 722.2 | 896.6 | 1,072.0 | 70.2 | 73.0 | 71.0 |
| Shop-Cum-Residence | 6.7 | 10.6 | 14.3 | 0.7 | 0.9 | 0.9 |
| Workshop-cum-Residence/house-hold industry | 13.3 | 17.4 | 30.0 | 1.3 | 1.4 | 2.0 |
| Hostels, sarais, dharmashalas, tourists homes & inspection homes | 1.7 | 1.8 | 2.1 | 0.2 | 0.1 | 0.1 |
| Shops excluding, eating houses | 23.0 | 27.0 | 37.0 | 2.2 | 2.2 | 2.5 |
| Business houses and offices | 3.7 | 4.9 | 7.1 | 0.4 | 0.4 | 0.5 |
| Factories, workshops & worksheds | 10.7 | 16.0 | 22.9 | 1.0 | 1.3 | 1.5 |
| Restaurants, sweetmeat shops & eating places | 2.2 | 4.1 | 5.9 | 0.2 | 0.3 | 0.4 |
| Places of entertainment& community gathering, excluding places of worship | 6.6 | 1.1 | 1.9 | 0.6 | 0.1 | 0.1 |
| Others | 175.9 | 171.5 | 236.2 | 17.1 | 14.0 | 15.6 |
| Census houses vacant at the time of house listing | 62.6 | 77.6 | 80.5 | 6.1 | 6.3 | 5.3 |
| ***Total*** | **1,028.6** | **1,228.6** | **1,509.9** | **100.0** | **100.0** | **100.0** |

## 1.3 HOUSING SHORTAGE

Different methods are used to compute the housing shortage. The results, however, do not show any significant variations. Thus, based on the available data, the housing shortage (taking both quantitative and qualitative aspects into consideration) has been worked out as below.

**HOUSING SHORTAGE** *(In millions)*

| *Item* | *Rural* | | | *Urban* | | | *Total* | | |
|---|---|---|---|---|---|---|---|---|---|
| | *1981* | *1991* | *2001* | *1981* | *1991* | *2001* | *1981* | *1991* | *2001* |
| Number of households | 94.1 | 113.5 | 137.0 | 29.3 | 45.0 | 69.0 | 123.4 | 158.5 | 206.0 |
| Households adjusted for congestion | 94.1 | 113.5 | 137.0 | 30.7 | 47.1 | 72.2 | 124.8 | 160.6 | 209.2 |
| Housing stock | 88.7 | 106.2 | 127.8 | 28.0 | 42.6 | 64.8 | 116.7 | 148.8 | 192.6 |
| Of which acceptable | 77.8 | 92.9 | 111.5 | 23.7 | 36.7 | 56.7 | 101.5 | 129.6 | 168.2 |
| Housing gap (2-4) | 16.3 | 20.6 | 25.5 | 7.0 | 10.4 | 15.5 | 23.3 | 31.0 | 41.0 |

## 1.4 QUALITATIVE DEFICIENCIES:

The shortage in terms of numbers only tells one side of the housing problem. The other, equally appalling side is the qualitative aspects of the existing dwellings. A number of parameters are being used to assess the qualitative aspects of the housing units such as the type of structure, living space, amenities available, etc.

## 1.5 TYPE OF STRUCTURE:

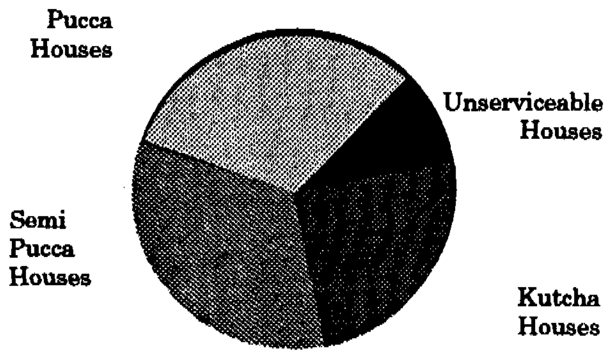
Dwellings are classified in the census as 'pucca', 'semi-pucca' and 'kutcha' depending on the materials used in the construction. Houses built with burnt brick, stone, cement concrete, timber, etc. are called 'Pucca' houses. Houses built with unburnt brick, mud, thatch, etc. are called 'Kutcha' houses. Those which combine the materials used in 'Pucca' and 'Kutcha' houses are called 'Semi-Pucca' houses. The following table shows the distribution of the housing stock as per the above classification according to the 1961, 1971 and 1981 census.

**QUALITY OF HOUSING STOCK**

| *Dwelling Type* | *1961* | | | *1971* | | | *1981* | | |
|---|---|---|---|---|---|---|---|---|---|
| | *Rural* | *Urban* | *Total* | *Rural* | *Urban* | *Total* | *Rural* | *Urban* | *Total* |
| Total housing stock (in Millions) | 65.2 | 14.1 | 79.3 | 4.5 | 18.5 | 93.0 | 88.7 | 28.0 | 116.7 |
| Of which, percentage of | | | | | | | | | |
| Pucca houses | 13 | 46 | 59 | 19 | 64 | 28 | 21 | 65 | 32 |
| Semi-pucca houses | 37 | 35 | 36 | 37 | 23 | 34 | 38 | 24 | 34 |
| KutchaHouses (Including-serviceable) | 38 | 19 | 35 | 32 | 13 | 28 | 29 | 11 | 25 |
| Unserviceable houses | 12 | 00 | 10 | 12 | 00 | 10 | 12 | 00 | 10 |

## QUALITY OF HOUSING STOCK

1981




### 1.6 TYPE OF DWELLINGS

A classification of the households on the basis of those living in independent houses and those living in various types of group houses is provided by the NSSO survey of 1989. The sample dwellings covered both rural and urban areas. The findings were as under.

**DISTRIBUTION OF HOUSEHOLDS BY TYPE OF DWELLING - 1989**

*(Percentage)*

| *Type of Dwelling* | *All India* | | *Cities* |
|---|---|---|---|
| | *Rural* | *Urban* | *Pooled* |
| No dwelling | 0.0 | 0.1 | - |
| Independent house | 82.6 | 52.4 | 21.1 |
| Flat | 2.7 | 17.1 | 31.0 |
| Chawl | 3.0 | 10.8 | 28.1 |
| Others | 11.7 | 19.6 | 19.8 |
| **Total** | **100.0** | **100.0** | **100.0** |

### 1.7 HOUSING CONGESTION

Number of rooms per household is an indicator used by the census to measure the housing congestion or crowding. According to the 1981 census, only 3% of the households had six or more rooms, 25% had a minimum of three rooms, 71% had a minimum of two rooms. Less than one per cent had only one room.

The average size of the household as per the 1981 census was 5.5 - 5.6 sq.m in rural areas and 5.5 sq.m in urban areas.

### 1.8 AMENITIES

According to the 1981 census, 90% of the households had access to good or reasonably good source of drinking water from wells, taps, handpumps and tubewells. The rest 10% depended on rivers, canals, tank and other unprotected sources for drinking water.

### 1.9 ELECTRICITY

63% of the urban households had the benefit of electricity in 1981 whereas only 15% of the households enjoyed the facility in the rural areas.

### 1.10 LATRINE

As per the results of the 1989 NSSO survey, 90% of the rural households did not have any latrine. Even in urban areas more than 30% of the households did not have this facility.

### 1.11 SLUMS

A major factor compounding the urban housing problem is the unchecked growth of slums and slum population. According to 1989 census, 18% of the urban population (28 million) lived in slums. By 1991 it is estimated to have increased to 21.2% or 51 million.

*CHAPTER-II*

# EVOLUTION OF HOUSING POLICY

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# EVOLUTION OF HOUSING POLICY

The need for public intervention in tackling the housing problem was appreciated in the First Five Year Plan itself and the emphasis has steadily grown over the successive Plans. In recent years, in fact, it has been realised that housing is not only a basic social need to be met but is also a vital area of economic investment with significant multiplier and accelerator effects. The focus of earlier Five Year Plans was on subsidised social housing, particularly for the weaker sections in the rural and urban areas.

-> Schemes like the Integrated Subsidised Industrial Housing Scheme and Low Income Housing Scheme were introduced during the First Plan.

-> During the Second Plan several new schemes including Plantation Labour Housing Scheme, Village Housing Scheme Land Acquisition and Development Scheme, Middle Income Group Housing Scheme and Slums Clearance and Improvement Scheme were launched.

-> Instead of directly subsidising low income groups, the State Governments and local bodies were assisted to develop sites and plots for sale to such people.

-> Insurance Companies also started financing housing directly and through the State Governments.

-> The Third Plan paid attention to the acquisition and development of required land, particularly in urban centres.

-> During the 1966-69 Annual Plan, the concept of Economically Weaker Sections (EWS) was introduced and the same was made part of the subsidised industrial housing schemes.

-> The Fourth Five Year Plan laid greater emphasis on EWS, low cost housing and augmented housing finance.

*A specialised agency, Housing and Urban Development Corporation (HUDCO), was set up to extend financial support to State Housing Boards and Co-operative Housing Societies. Provision of basic amenities was made an integral part of housing schemes for EWS. A special drive was launched to provide minimum health needs to slums in major cities.*

-> The Minimum Needs Programme and the Twenty Point Programme launched during the Fifth Plan concentrated on landless labourers in rural areas and weaker sections in urban slums.

-> In the Sixth Plan, the strategy shifted from direct subsidy to supporting private housing for middle and lower income groups. For EWS also the emphasis shifted to provision of "site and services" and concessional housing finance.

The Seventh Plan initiated major changes to strengthen the institutional finance system for housing. It has been realised that public housing can only play a limited role given the housing situation and that promotion of self-help housing can only make a real dent in the problem.

HUDCO's equity was raised to strengthen its base for subsidising EWS & LIG housing schemes. Commercial banks which have all along been reluctant to go for housing finance were encouraged to promote housing loans in a big way.

A number of banks even set up separate subsidiaries for extending housing finance.

-> It was also decided to set up a National Housing Bank as an apex bank to raise resources from the Capital Market and refinance housing loans of public co-operative and private housing finance agencies throughout the country.

*Another equally important development during the Seventh Plan was the announcement of the National Housing Policy following the recommendations of the Global Shelter Strategy of the United Nations.*

-> The Eighth Five Year Plan is expected to achieve a significant breakthrough in the housing problem in the country. The announcement of the National Housing Policy and the setting up of the National Housing Bank are the major factors that will influence the progress during the plan period, 1992-97.

In line with the National Housing Policy[1] the core strategy of the Eighth Plan consists of creating an enabling environment for housing activity, which is viewed as an important component of the national economy, by eliminating various constraints and providing direct assistance to the specially disadvantaged groups including rural and urban poor households, SC/ST population, physically handicapped, widows and single women.

Specifically the strategy will seek to:

a) Expand the provision of basic infrastructure facilities in rural and urban areas.

b) Remove major legal constraints to increase supply of serviced land as well as rental housing.

c) Provide stimulus and support for housing on expanded scale through enhancing flow of credit both by way of mobilisation of additional resources for housing by tapping capital markets and additional savings and by directing credit from public financial institutions.

d) Promote role of private developers in fringe area, development of metropolitan region/large cities while keeping safeguards including environmental standards for the majority of present residents.

e) Promote use of low cost building materials and cost-effective technologies intended for both saving scarce resources and provision of affordable housing to the poor.

f) Promote self-help housing as well as shelter upgradation for the rural poor through better access to finance, land, materials and technology.

g) Establish links between formal and informal credit network including community level association and voluntary agencies operating in the housing sector.

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*(1) Housing includes physical shelter and all the amenities which form the basic supportive system. Housing is one of the basic necessities, next only to food and clothing. It is also closely linked to socio-economic development. The Global Shelter Strategy adopted by the United Nations in November 1988 called upon different Governments to formulate a National Housing Policy (NHP) to achieve the goal of 'A roof over every head by 2000'. Accordingly the government of India tabled in both houses of parliament in May 1988, the draft NHP under the Prime Minister late Rajiv Gandhi. However, it did not come through as parliament was dissolved. Again another draft NHP was released on June 9, 1990 when Mr.V.P. Singh was the Prime Minister. However, the second draft NHP also met with the same fate as that of the first one. Finally under the stewardship of the present Government, the NHP was approved by Parliament in 1992. There is not much difference among the three.*

h) Provide financial and institutional support through both formal and informal systems to environmental improvement in slum areas and other low income congested pockets in urban areas.

i) Establish an effective Management Information System for housing and urban infrastructure accessible to both private and public development agencies.

j) Evolve special assistance programme in the form of subsidy, preferably in kind, differential rate of interest and delivery support system for specially disadvantaged groups including vulnerable sections of SCs/STs, widowed women of poorer sections and also those affected by natural calamities.

The Eigth Plan will continue the various social housing plans introduced in the earlier plans.

## PLAN INVESTMENTS IN HOUSING

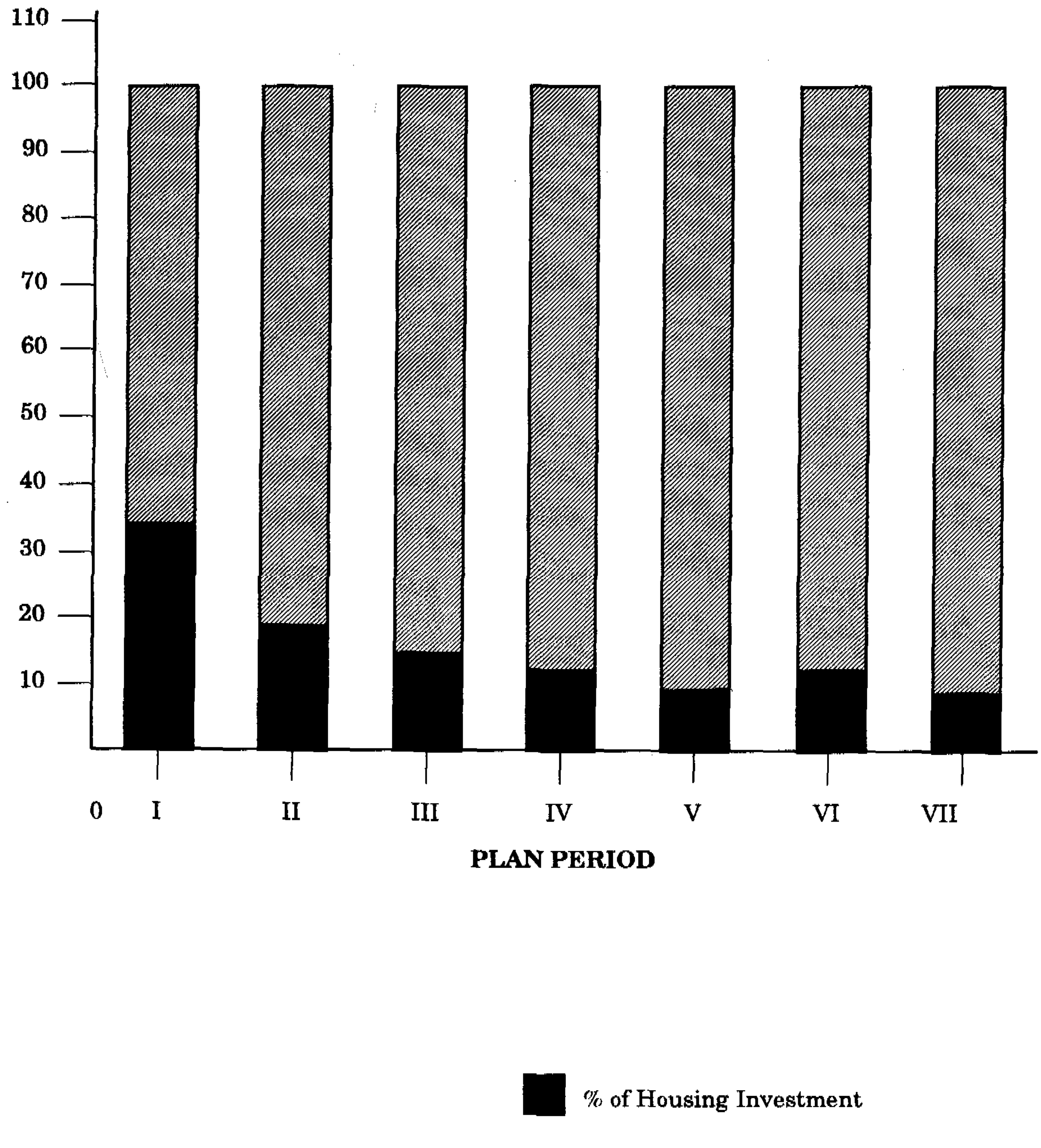
The following table shows the investment made in the housing by both Public and Private sector under the successive Five Year Plans.

### PUBLIC AND PRIVATE SECTOR INVESTMENT IN HOUSING

*(Rs. in crores)*

| *Plan Period* | *Total investment in the economy* | | | *Investment in housing* | | | *% of Housing investment to total investment* |
|---|---|---|---|---|---|---|---|
| | *Public Sector* | *Private Sector* | *Total* | *Public Sector* | *Private Sector* | *Total* | |
| First | 1560 | 1800 | 3360 | 250 | 900 | 1150 | 34.2 |
| Second | 3650 | 3100 | 6750 | 300 | 1000 | 1300 | 19.2 |
| Third | 6100 | 3400 | 10400 | 425 | 1125 | 1550 | 14.9 |
| Fourth | 13655 | 6980 | 22635 | 625 | 2175 | 2800 | 12.4 |
| Fifth | 31400 | 16161 | 47561 | 796 | 3640 | 4436 | 9.3 |
| Sixth | 90000 | 66000 | 156000 | 1491 | 18000 | 19491 | 12.5 |
| Seventh | 168148 | 180000 | 349148 | 2458 | 29000 | 31458 | 9.0 |

## PERCENTAGE OF HOUSING INVESTMENT TO TOTAL INVESTMENT



*CHAPTER-III*

# NATIONAL HOUSING POLICY

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# NATIONAL HOUSING POLICY

Following the recommendations of the Global Shelter Strategy adopted by the United Nations in November, 1988, the National Housing Policy (NHP) was announced in 1990. The objectives of the Policy are:

* to assist all people and in particular the houseless, the inadequately housed and the vulnerable sections, to secure for themselves affordable shelter through access to developed land, building materials, finance and technology;

* to create an enabling environment for housing activity by eliminating constraints and by developing an efficient system for the delivery of housing inputs;

* to expand infrastructure facilities in rural and urban areas in order to improve the environment of human settlements, increase the access of poorer households to basic services and to increase the supply of developed land for housing;

* to undertake, within the overall context of policies for poverty alleviation and employment, steps for improving the housing situation of the poorest sections and vulnerable groups by direct initiatives and financial support of the State;

* to help mobilise resources and facilitate expansion of investment in housing in order to meet the needs of housing construction and upgradation and augmentation of infrastructure; and to promote a more equal distribution of land and houses in urban and rural areas and to curb speculation in land and housing in consonance with macro-economic policies for efficient and equitable growth.

The four critical areas under the NHP relate to (i) supply and management of land; (ii) rural housing; (iii) legal and regulatory framework; and (iv) housing finance.

## SUPPLY AND MANAGEMENT OF LAND

Inadequate and inequitable supply of serviced land particularly in urban areas has been the most significant bottleneck for the promotion of housing activities and urban development at large. The aspect of supply and management of land needs to be viewed both from a larger dimension of regional development and city/town level growth. It would imply that all development in city/region should take place within the framework of a comprehensive development plan with spatial linkages and with planned provision of basic services. At the local level, an appropriate policy package *incorporating the following is envisaged:* (i) control of unregulated peripheral development on agricultural lands; (ii) optimising overall land use; and (iii) appropriate urban redevelopment policy.

## RURAL HOUSING

The two central measures with regard to rural housing are:

a) Promoting use of local building materials and technologies suited to different geoclimatic regions and preventing indiscriminate and commercial exploitation of such materials;

b) Creating a congenial environment for primarily self-help housing including new construction, additions and upgradation by the rural people through enactment and effective implementation of laws for conferment of homestead rights and provision of house sites with minimum infrastructure.

Other specific measures suggested as a part of NHP are:

i) Prevention of alienation of homestead on tribal lands;

ii) Avoidance of unnecessary displacement of rural settlements due to developmental projects;

iii) Rehabilitation of households affected by natural calamities;

iv) Rural housing/development agencies for supply of credit and materials on flexible terms suitable to local requirements;

v) Giving special attention to the needs of Scheduled Castes, Tribes and other handicapped groups;

vi) Linking Rural Housing with the programmes of Integrated Rural Development Programme (IRDP) and Jawahar Rozgar Yojana (JRY) for accentuating the pace of rural housing and also other related programmes of asset creation and employment generation; and

vii) Setting up of a suitable institutional structure for strengthening existing rural development agencies at State, district and local levels to meet the needs of the housing sector.

## LEGAL AND REGULATORY FRAMEWORK

Creation of appropriate legal and regulatory framework is perhaps the most important contributing factor for enhancing supply of land and housing. The NHP has taken cognizance of it while specifying measures under each component (e.g., Rural Housing, Supply and Management of Land). Specified measures suggested in NHP are:-

i) Provision in the land reforms and other relevant act for conferment of homestead rights to the occupants, and ensuring proper rehabilitation of those dehoused;

ii) Review of slum improvement laws to provide for conferment of occupancy rights;

iii) Revision of Master Plan standards, building bye-laws and infrastructural standards to reduce cost of land and construction and promote low cost materials and technology;

iv) Amendments to the Land Acquisition Act for quick acquisition of land in public interest and negotiated compensation to the landowners, delinking provision of land from determination of compensation;

v) Amendments to Urban Land (Ceiling and Regulation) Act, to remove inhibiting effects of legislation on enhancing supply of land without diluting its social purpose and also as a specific measure, imposing vacant land tax;

vi) Amendments to Rent Control Laws to promote investment in rental housing; and

vii) Procedural simplification measures including building approval procedure, flexible collateral requirements, amendments to NHB Act to provide for speedy foreclosure of mortgages of HFIs refinanced by NHB and introduction of a secondary mortgage system.

## HOUSING FINANCE

The measures to be taken with regard to housing finance are as under:

a) Evolving, over a period of time, a non-subsidised housing finance system recognising the integral linkages of the housing sector with the rest of the economy.

b) Targetting of the available capital and interest subsidies to rural and urban poor.

c) Introduction of innovative savings and lending instruments to help integrate the housing finance system into the capital markets, by enabling HFIs access to the funds on a competitive basis with other financial institutions.

d) Creating innovative banking/institutional arrangements to cater to the housing credit needs of low income groups in the informal sector through community based system.

e) Creation of a suitable environment for developing a secondary mortgage market in order to attract funds from a wide range of investors, including insurance and provident/pension funds and to integrate housing finance with the overall financial system.

*CHAPTER-IV*

# HOUSING SCHEMES FOR THE WEAKER SECTIONS

*CHAPTER IV*

# HOUSING SCHEMES FOR THE WEAKER SECTIONS

The High Level Group set up by the Central Government in 1986 classified the existing housing finance institutions into two broad segments, namely, formal and informal.

The formal sector includes:

a) Budgetary allocations of Central and State Governments (Social and other housing schemes).

b) Financial institutions like GIC, LIC, UTI, commercial banks, and provident funds.

c) Specialised housing finance institutions like HUDCO, apex and primary co-operative housing finance societies and housing companies.

The informal sector comprises :

a) Households.

b) Public and Private sector employers providing housing loans.

Of these institutions, the housing needs of the poor are largely met by (a) and (c) in the formal sector and (a) in the informal sector.

### GOVERNMENT AGENCIES

The focus of the government sponsored housing schemes is on social housing targeted at the rural and urban poor. The role of the Central Government is largely confined to formulation of housing policy and principles, provision of technical advice, promotion of R & D activities and extension of financial assistance to the State Governments in the form of loans and subsidies.

The State Governments are the actual implementing agencies. The State Governments can also utilise the Central assistance to formulate and execute housing schemes according to their requirements. This apart, the State Governments can also undertake their own housing schemes for the benefit of different income groups.

## STATE INITIATIVES

### STATE LEVEL AGENCIES

Housing agencies of the states may differ depending on their respective priorities. But broadly such agencies are classified as follows.

### STATE HOUSING BOARDS (SHBs)

SHBs were inspired and generally modelled on the lines of the successful experience of the Bombay and Madhya Pradesh Housing Boards before independence. The SHBs mobilise resources through borrowings from the public as well as Central Government housing finance agencies and construct houses for different classes of beneficiaries including commercial complexes in composite schemes. Separate boards have also been constituted for many states for catering to the needs of the weaker sections of the society such as SC/STs, slum dwellers, etc. The houses are sold to the individuals on hire purchase basis or on outright basis. The SHBs are also in-charge of data collection, land acquisition and infrastructure development. In some states SHBs even undertake research and development, standardisation and production of building materials.

Construction of houses is one of the major activities in the SC /ST sector under

RLEGP / NREP (Rural Landless Employment Guarantee Programme / National Rural Employment Programme). There is however no uniform policy in the state at present and even within the same states, there are many variations in regard to construction of houses. Some states permit only part of the cost of construction to be borne from NREP funds and the balance being met by beneficiaries or from loan to be obtained by them.

-> Some states permit the entire expenditure to be borne from NREP funds. They have prescribed some financial ceilings for the purpose. Some states have taken renovation / improvement of existing houses of the beneficiaries.

-> There are significant variations in implementation of this programme among the states not only in respect of design and ceiling cost but also with regard to financing pattern and selection of beneficiaries.

There is also variation with regard to group or cluster approach.

### IN UTTAR PRADESH

The Government took special efforts for improving the housing condition of Scheduled Castes through a Corporation known as HARIJAN EVAM NIRBAL VARG AVAS NIGAM. The efforts included financial assistance for housing construction, development of house-sites, repairing of houses, hostel construction and other programmes.

### IN ANDHRA PRADESH

The Government launched the Rural Sites and Services Programme towards the solution of problem of rural housing. The programme comprised development of house sites, such as levelling, provision of civic amenities, such as drinking water, roads, drainage, street lighting, etc. Provision of economic support schemes and horticultural schemes to the beneficiaries would be raised to a level.

An amount of Rs. 400 is given to each beneficiary to construct a hut. Although the facility is extended to the needy and deserving, they were hardly in a position to help themselves in the construction of their own huts. For, they hardly had any surplus amount to be invested for this purpose. They had to go to a number of offices a number of times for getting the assistance. After long trails when they got the sites, the space inside the huts was inadequate for living purpose. The localities were not provided with basic amenities like drinking water, toilet, electricity, drainage, etc. Further the colonies were situated far away from the main villages which added a new set of problems to the beneficiaries. They have not been provided with any economic support schemes although it was included as part of the housing policy. This indicates that the Rural Sites and Services Programme has been a half-hearted attempt.

### TAMILNADU - TAHDCO HOUSING PROGRAMME

With a view to providing housing facilities to the Scheduled Caste people, the Government of Tamilnadu chalked out a plan early in 1974. Under the plan, a Corporation known as the Tamilnadu Adi Dravidar Housing and Development Corporation was formed in Februrary 1974 under the Companies Act, 1956, with an authorised share capital of Rs.1 crore which was subsequentaly raised to Rs.3 crores. The Corporation commenced its business on 24.04.1974.

### INDIRECT SERVICE

TAHDCO provides housing for the Scheduled Caste people indirectly. It provides financial subsidy towards the construction of houses.

The subsidy is sanctioned under the following conditions.

1. If a Scheduled Caste person owns a house site measuring 1.5 cents, he can apply for TAHDCO subsidy.
2. His monthly income should not exceed Rs.750/-
3. He must not be over 55 years old.
4. The estimate of the house he proposes to build with the loan, should be around Rs. 18,500 and its plinth area should be not less than 201 sq.ft.

When these conditions are satisfied, the applicant receives the subsidy which is released in five instalments.

## DIRECT SERVICE

Upto 1988-89, the TAHDCO provided houses for the Scheduled Caste people directly. It constructed houses under a group housing scheme within the sanctionable limit for each house. (Rs. 6000, Rs. 9000, Rs. 13000) in normal soil condition, black cotton soil condition and hill area respectively) and alloted free of cost to the Scheduled Caste people.

If 20 houseless persons hold housing sites in an area, they could apply to TAHDCO for the provision of free houses. Then houses would be built within the sanctionable amount and alloted free of cost to the applicants. The construction was done by the engineering wing of TAHDCO. From 1983-84 till 1988-89, 68,206 houses were built for the Scheduled Caste people under the group housing scheme of TAHDCO.

After 1988-89, the group housing scheme was discontinued and the work was taken over by the District Rural Development Agency (DRDA) under Jawahar Velai Vaippu Thittam.

## HOUSING PROGRAMMMME UNDER JAWAHAR VELAI VAIPPU THITTAM (JRY)

This scheme was introduced on April 1, 1989. Before it came into effect there were two schemes in operation. They were National Rural Employment Programme and Rural Landless Employment Guarantee Programme. These schemes were started mainly for the purpose of tackling the two major problems of rural society, namely unemployment and poverty. Rural unemployment which particularly affects the poorest segment of the rural population is the major contributory factor for the high incidence of poverty in the rural areas.

## NATIONAL RURAL EMPLOYMENT PROGRAMME

The Sixth Five Year plan which took up alleviation of rural poverty as one of its main objectives, aimed at attacking unemployment by increasing employment opportunities in rural areas. Accordingly the National Rural Employment Programme (hereafter, NREP) was started in October, 1980.

The Programme had three basic objectives as under :

1. Generation of additional gainful employment for the unemployed and under-employed persons, both men and women, in the rural areas.
2. Creation of productive community assets for direct and continuing benefits to the poverty groups for strengthening rural, economic and social infrastructure which will lead to rapid growth of rural economy and steady rise in the income levels of the rural poor.
3. Improvement in the overall quality of life in rural areas.

Perference was shown to the landless labour in employment opportunities generated under NREP. Among the landless labours, preference was given to Scheduled Caste and Scheduled Tribes.

## RURAL LANDLESS EMPLOYMENT GUARANTEE PROGRAMME

On August 15, 1983 another Programme joined NREP in the attack against unemployment and poverty. The programme was Rural Landless Employment Guarantee Programme (hereafter, RLEGP). This Programme was launched with the following objectives.

1. Improving and expanding employment opportunities for the rural landless with a view to providing employment for atleast one number of every landless labour household upto 100 days in a year; and
2. Creating durable assets for strengthening the rural infrastructure which will lead to rapid growth of rural economy.

Even in this programme, preference was given to Scheduled Castes and Scheduled Tribes and landless agricultural labourers.

Both in the NREP and RLEGP, provision was made for the construction of group houses for the Scheduled Caste and Scheduled Tribe people. Clusters of houses were built for them under the two programmes and distributed free of cost.

## SOCIAL HOUSING SCHEMES

The social housing schemes formulated by the Central Government and implemented by the State Governments and Union Territories can be broadly divided into —

(a) Schemes for the Urban Poor, and

(b) Schemes for the Rural Poor.

## SCHEMES FOR THE URBAN POOR

The major social housing schemes for the urban poor are:

1. Night Shelter/Sanitation Facility to Footpath Dwellers;
2. Urban Basic Services Scheme;
3. Scheme of Housing and Shelter Upgradation;
4. Environmental Improvement of Urban Slums;
5. 20 - Point Programme;
6. Low Cost Sanitation for Liberation of Scavengers; and
7. Special Schemes for Cyclone/Flood Victims.

These apart, the social housing schemes being implemented in the state sector with state plan provisions and loan assistance from other financial institutions include:

(a) Housing for EWS
(b) Housing for LIG
(c) Housing for MIG

*Please see Chapter on HUDCO*

(d) Rental Housing Scheme for State Government Employees. *(Please also see chapter on Co-operative Housing.)*

## 1. NIGHT SHELTER/SANITATION FACILITY TO FOOTPATH DWELLERS IN URBAN AREAS

The Night Shelter and Sanitation Facilities for Footpath Dwellers Scheme was introduced in metropolitan and large cities. The scheme was later extended to all urban areas. As per the Action Plan announced in 1990, the scheme seeks to provide night shelter and sanitation facilities to footpath dwellers at a per capita cost of Rs.5000 with 20% subsidy from the Central Government and 80% loan from HUDCO, The scheme is operated through HUDCO.

As of 31.12.93, a total of 41 schemes have been sanctioned by HUDCO to benefit 20,000 footpath dwellers. Additional 36 schemes for providing night shelters to 5306 footpath dwellers were under appraisal. The revised scheme provides for construction of pay and use toilets also where construction of night shelter is not feasible.

## 2. URBAN BASIC SERVICES SCHEME

This scheme was introduced on a pilot basis in the Seventh Plan with UNICEF assistance. The scheme originally covered 168 towns in 37 districts.

The scheme was revised in 1990-91 and renamed as Urban Basic Services for the Poor (UBSP) with the object to "foster community groups in slums for effectively participating in developmental activities and to co-ordinate the convergent provision of various social services and physical amenities in slums through the programmes of different specialist departments." The emphasis was on community participation and convergent provision of social services such as non-formal education, mother and child health, assistance to needy sections of the society and activities geared to promote communal harmony and national integration.

The programme is being implemented on a 60 : 40 sharing basis between the Central and State Governments. The scheme is to be implemented in collaboration with the State sector scheme of Environmental Improvement of Urban Slums and the Centrally sponsored scheme of Jawahar Rozgar Yojana.

A provision of Rs.100 crores has been made for the UBSP scheme in the Eighth Plan. Since 1990-91, 3213 Neighbourhood Committees have been constituted in 280 towns covered by the scheme. About 70 lakh slum dwellers in about 500 cities and towns are expected to benefit from the scheme by the end of the Eighth Plan.

One of the major objectives of the scheme is to fulfil the goals set under the National Plan of Action (NPA) on Children in urban poor localities as a follow-up of the recommendations of the World Summit on Children, 1990.

## 3. SCHEME OF HOUSING AND SHELTER UPGRADATION (SHASU)

The Scheme of Housing and Shelter Upgradation seeks to provide assistance for housing and shelter upgradation to economically weaker sections of the urban population as well as to provide opportunities for wage, employment and upgradation of construction skills.

A loan upto a ceiling of Rs.3000/- at 10% interest and a subsidy upto a ceiling of Rs.1000/- is provided under this scheme to enable beneficiaries for housing/shelter upgradation. In case of enhanced requirement beyond Rs.4000/- an additional loan can be taken from HUDCO under its EWS housing scheme.

The scheme is applicable to urban settlements having a population between 1 lakh and 20 lakhs. Urban settlements in newly developing industrial townships, Union Territories, Goa and in hill districts having population below 1 lakh are also covered.

HUDCO, which operates the scheme, meets the requirements of institutional finance of the scheme. HUDCO has sanctioned 420 schemes for Housing and Shelter Upgradation upto December 1993. These schemes entail loan and subsidy component of Rs.318.99 crores involving construction/renovation of 7.86 lakhs dwelling units.

## 4. ENVIRONMENTAL IMPROVEMENT OF URBAN SLUMS (EIUS)

The scheme of Environmental Improvement of Urban Slums (EIUS) was formulated as a response to the growing problem of slums during the Fifth Five Year Plan. The scheme was made an integral part of the Minimum Needs Programme (MNP) in 1974 and was transferred to the State Sector. The scheme aims at ameliorating the living conditions of urban slum dwellers and envisages provision of drinking water, drainage, community baths, community latrines, widening and paving of existing lanes, street lighting and other community facilities. The improvements are meant to be carried out in notified slums which are not likely to be cleared within the next 10-15 years.

The total outlay on this scheme during the Seventh Plan was Rs. 269.55 crores based on a per capita expenditure of Rs. 300 per slum dweller. The target for coverage during the Seventh Five Year Plan period was 9 million slum dwellers against which 9.98 million slum dwellers had been covered. Against the target of covering 15.40 lakh slum dwellers during 1990-91, 12.95 slum dwellers during 1991-92 and 11.78 lakh slum dwellers during 1992-93, the achievements were 19.35 lakh, 16.24 lakh and 11.78 slum dwellers respectively. The target fixed for 1993-94 was 13.26 lakh slum dwellers against which 7,47,768 slum dwellers were covered upto December, 1993. Further, the per capita expenditure under the scheme has been increased from Rs. 300 to Rs. 525 and additional inputs pertaining to community facilities, garbage removal and maintenance have been built into the scheme.

The scheme is now to be implemented in convergence with the programme of Urban Basic Services for the Poor and the Jawahar Rozgar Yojna.

The State Governments have been asked to ensure that houses and benefits reach the families belonging to the Scheduled Castes/ Scheduled Tribes in proportion to their composition in the population. The state agencies reserve 15% to 20% of the houses and sites for these disadvantaged groups and this is ensured in HUDCO assisted schemes.

## 5. 20-POINT PROGRAMME

Point Nos. 14(d), 14 (e) and 15 of the 20-Point Programme - 1986 of the Government relate to the Housing for the Economically Weaker Sections and Low Income Groups in Urban areas under Point Nos. 14(d), 14 (e) and Environmental Improvement of Urban Slums under Point No. 15. The Programme also includes two evaluatory items, namely, use of Low Cost Building Materials under Point No. 14 and Restricting growth of Urban Slums under Point No. 15.

### 14(D)-EWS HOUSING

Direct public sector investment is made for providinig housing to the EWS in the urban areas. This is supplemented by HUDCO loans. Projects are also taken up as part of reconstruction of houses damaged by natural calamities and as part of schemes assisted by World Bank.

HUDCO provides loans to construct houses for EWS category of population to the extent of 15% of its resources and refinance is available from NHB.

It has been agreed to raise the income ceiling which was Rs. 700 per month per household during the 7th Five Year Plan to Rs.1250/- during the 8th Five Year Plan. The loan component was also increased to Rs. 19,500/- for construction and to Rs. 9,500/- for repairs in the Urban areas. The emphasis is on sites and services and self-help construction. There are also special schemes for handloom workers and beedi workers.

### 14(E)-LIG HOUSING

This is primarily a loan scheme and is being executed by the State Governments through Housing Boards and Housing Departments. The budget provision is supplemented by institutional finance. The income eligibility which was Rs. 701-1500 during the 7th Plan has been raised to Rs. 1251-2650 during the

8th Five Year Plan. HUDCO also supplements the efforts of the State Governments by providing loans.

## 6. LOW COST SANITATION FOR LIBERATION OF SCAVENGERS

This Centrally sponsored scheme is being implemented since 1989-90 through HUDCO. Subsidy from the Central Government and loans from HUDCO are released in a synchronised manner to the State implementing agencies for conversion of dry latrines into 'pour flush water seal latrines' and construction of new sanitary scavengers.

During 1993-94 (upto December 1993), new schemes covering 53 towns have been sanctioned by HUDCO at a cost of Rs.135.05 crores, which includes a subsidy of Rs.39.09 crores and loan of Rs.51.57 crores. The balance amount is to be met either by the State Governments/Municipalities or the beneficiaries. These schemes cover conversion of 2,34,066 dry latrines and construction of 2,08,425 new sanitary units, which would liberate 16,341 scavengers. The number of units completed during 1993-94 are given below.

| | |
|---|---|
| Conversion | 19,738 |
| Construction of new latrines | 19,459 |
| Community latrines | 464 |

In addition, 21,627 units for conversion, 5605 new construction and 94 community latrines were in different stages of progress.

During 1992-93, 51 schemes were sanctioned costing Rs.34.92 crores which included subsidy of Rs.14.67 crores and loan of Rs.13.5 crores,for conversion and construction of 1,53,347 units. The total number of units completed upto the end of 1992-93 are as follows:

| | |
|---|---|
| Conversion | 4,978 |
| Construction | 30,103 |
| Community latrines | 2,720 |

An important achievement under this scheme was the enactment of the "Employment of Manual Scavengers and Construction of Dry Latrines (Prohibition) Act 1993." making employment of manual scavangers a punishable offence. About 500 towns throughout the country have been made scavenger-free.

## 7. SPECIAL CENTRAL GOVERNMENT ASSISTANCE FOR CYCLONE/FLOOD AFFECTED STATES OF TAMILNADU, KERALA AND KARNATAKA.

Following the damage caused to the housing stock in Tamil Nadu, Kerala and Karnataka by the cyclone/flood of October-November, 1992, the Central Government approved a package of reconstruction programme with 30% Central Government subsidy, 40% HUDCO loan at concessional rate of interest to be matched by 30% state government subsidy.

## SOCIAL HOUSING SCHEMES FOR RURAL POOR

The major social housing schemes for the rural poor are:

1. Minimum Needs Programme (includes Scheme for Allotment of House-Sites-cum-Construction Assistance)
2. Indira Awaas Yojana (includes Jawahar Rozgar Yojana).
3. HUDCO's Rural Housing Schemes.
4. Co-operative Housing.

## MINIMUM NEEDS PROGRAMME

Allotment of House-Sites-cum-Construction Assistance. The Minimum Needs Programme (MNP) which includes the 20-point Programme 1986 (point 14) and the House Sites cum Construction Assistance Programme is one of the major rural housing programmes in operation.

The scheme of allotment of house-sites was initiated in October, 1971 in the Central sector to provide house-sites to landless rural agricultural workers, free of cost. This scheme was transferred to the State sector w.e.f. April 1, 1974 and included in the Minimum Needs Programme. Later it was made part and parcel of the 20 Point Programme. This scheme, originally intended to benefit the landless agricultural workers, was later widened to cover all landless rural artisans. The norms of assistance have been fixed at Rs.500 for meeting the cost of site development and Rs.2000 as construction assistance. The following table gives the achievement under the scheme.

**INDIRA AWAAS YOJANA (IAY)**

Indira Awaas Yojana (IAY) which was an important component of RLEGP, aiming at construction of dwelling units, free of cost, for the poorest of the poor belonging to SC/STs and the freed bonded labourers continue under the Jawahar Rozgar Yojana (JRY). From 1993-1994, the scheme has also been extended to non-SC/ST families. 10% of the resources under the first stream of (JRY) at the state level are earmarked for JRY, subject to the condition that the expenditure on non-SC/STs families should not exceed 4% of the total allocation. Since the scheme is intended for the poor SC/STs and freed bonded labourers, the basis for identification is the poverty criteria.

The order of priority is : the freed bonded labourers, SC/ST households who are victims of atrocities, households below the poverty line headed by widows and unmarried women.

SC/ST households affected by floods, fire, earthquakes and similar natural calamities and other SC/ST households below poverty line.

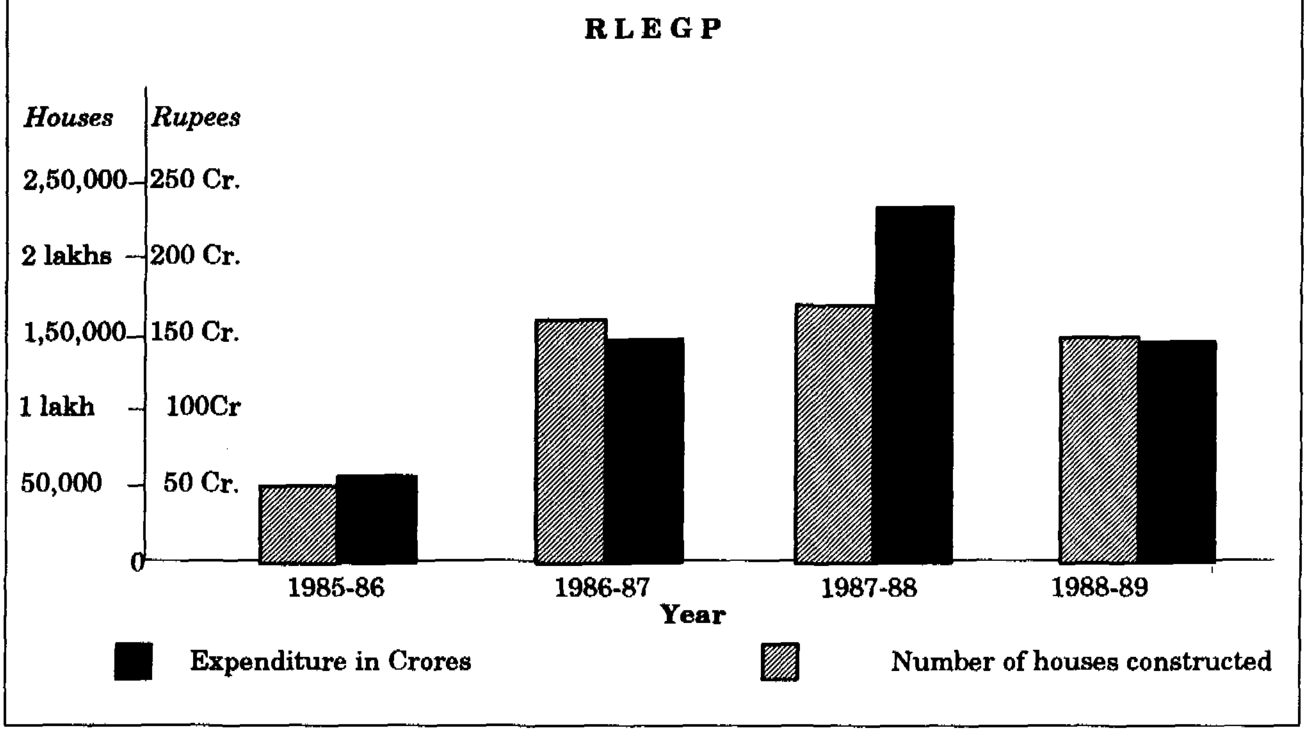
The allotment of houses is to be done in the name of female member of the beneficiary household. Alternatively, it can be allotted in the joint name of both the husband and the wife.

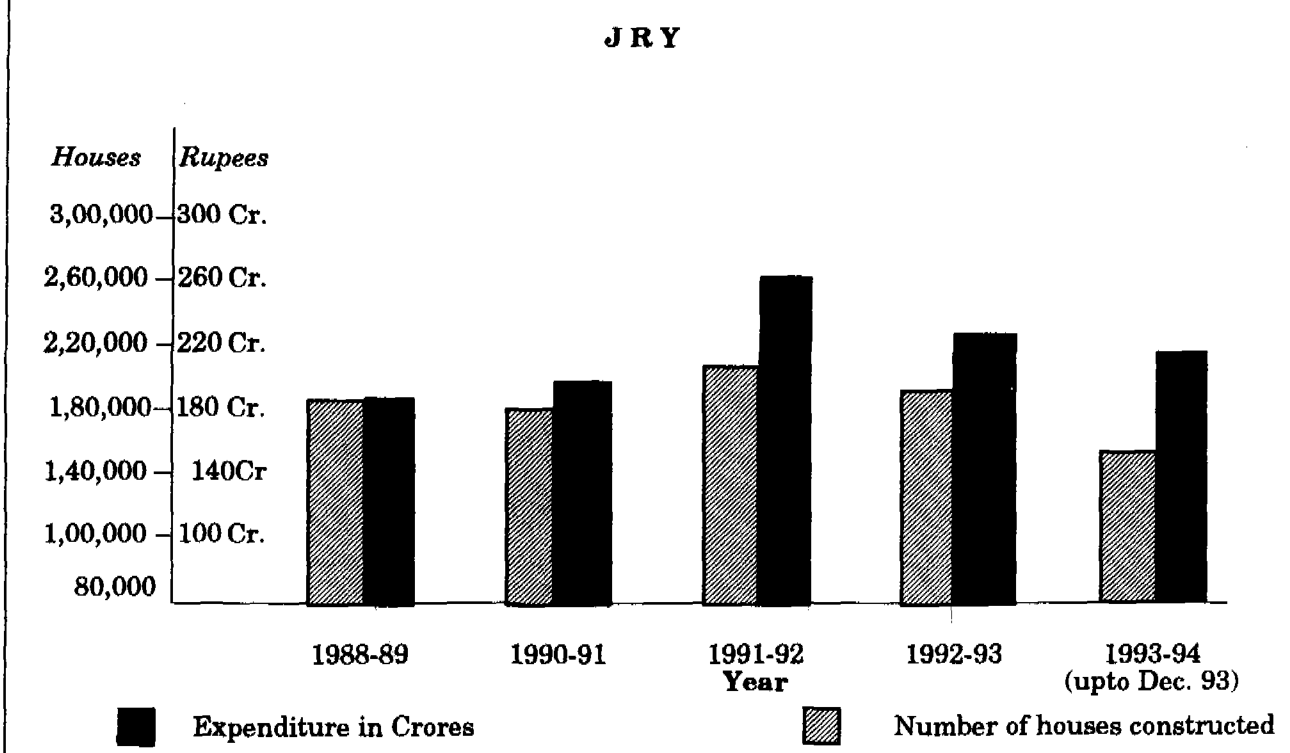
The beneficiaries may make their own arrangements for consturction and may either engage skilled workmen on their own or contribute family labour. The beneficiaries have complete freedom in the manner of construction of their own houses. This results in economy in cost,ensures quality of construction and leads to satisfaction on the part of the beneficiaries and acceptance of the houses. The responsibility for the proper construction of the house is that of the beneficiaries themselves.

**PHYSICAL & FINANCIAL ACHIEVEMENTS UNDER INDIRA AWAAS YOJANA (IAY)**

| *Year* | *No. of hosues Constructed* | *Expenditure (Rs. in crores)* |
|---|---|---|
| **RLEGP** | | |
| 1985-86 | 51,252 | 57.93 |
| 1986-87 | 1,60,197 | 149.18 |
| 1987-88 | 1,69,302 | 235.37 |
| 1988-89 | 1,39,192 | 149.65 |
| **JRY** | | |
| 1989-90 | 1,86,023 | 188.50 |
| 1990-91 | 1,81,800 | 213.07 |
| 1991-92 | 2,07,299 | 263.01 |
| 1992-93 | 1,92,585 | 238.84 |
| 1993-94 | 1,54,739 | 229.99 |
| (upto Dec'93 Provisional) | | |

# ACHIEVEMENT & EXPENDITURE UNDER IAY



As far as possible houses under the IAY are built in clusters as per the micro-habitat approach so that common facilities can be provided for the clusters.

The plinth area of the house should be around 20 sq.metre.

The design may be specific to the area keeping in view the climatic conditions. The houses should have a kitchen, smokeless chulha and a sanitary latrine unit.

Permissible expenditure for a house under the Indira Awaas Yojana (IAY) as modified with effect from 1.1.1994.

| | | |
|---|---|---|
| (i) | Construction of house | Rs. 9,000.00 |
| (ii) | Construction of sanitary latrine and smokeless chulha | Rs. 1,500.00 |
| (iii) | Cost of providing infrastructure and common facilities | Rs. 3,500.00 |
| | Total | Rs. 14,000.00 |

In difficult areas including remote or hilly areas or areas with unfavourable soil conditions the cost of construction may be upto Rs. 10,800/-. Where the houses are not built in clusters, or on the basis of micro-habitat approach Rs.3500/- provided for common facilities and infrastructure may be used for a larger outlay on the same house or for additional houses.

For 1993-94, Rs.318.12 crores have been allocated for Indira Awaas Yojana for construction of 2.89 lakh houses. Against it, as per reports received from the State Governments, upto December, 1993, about 1.54 lakh houses have been constructed and another 2.30 lakh houses were in progress.

## FINANCIAL PERFORMANCE

During 1993-94, JRY is being implemented under the three streams. The first instalment of funds under second stream has been released only in November, 1993 and in the third stream, the funds will be released after the projects are approved. So, the details of financial and physical performance under the second and third stream are not given. However, under the first stream of JRY at the beginning of the year 1989-90, the states/ UTs had unutilised funds of the order of Rs.534.91 crores. During the last four years of implementation of JRY, the centre released Rs.8,472.66 crores and the states Rs.2,270.60 crores. Thus there was an availability of Rs. 11,278.17 crores against which the states utilised Rs 10,411.28 crores showing an achievement of 92.31%

For the year 1993-94, in the first stream, the central allocation is Rs.2546.00 crores and the States have to release a matching share of Rs.635.22 crores. The states have also an unutilised balance of Rs.891.80 crores of the previous year. Thus, during the year there is a total availability of Rs.4,073.02 crores. Upto December,1993 the centre has released Rs.1,767.24 crores and with the unutilised funds and the State matching share of Rs.441.12 crores, the total availability with the states was Rs.3,100.16 crores. Against it the states had utilised about Rs.1,621.86 crores upto November 1993, showing an achievement of 52.32%

## PHYSICAL PERFORMANCE

In the first 4 years of implementation of JRY, against the target of 3,294.05 million man-days, the States had generated 3,1330.25 million man-days showing an achievement of 101.10%. For the year 1993-94, a target of 108.05 million man-days has been fixed, against which about 42.14 million man-days have been generated upto November, 1993.

An important objective of JRY is to create economically productive assets for the direct benefit of society as well as SC/STs among the rural poor and to improve the overall quality of life in rural areas. Different types of works to create such assets were therefore taken up under the JRY.

## EVALUATION—QUICK STUDY OF JRY

The Programme Evaluation Organisation (PEO) of the Planning Commission took up a Quick Study of the JRY during 1991-92 in 10 major states covering 600 beneficiaries in 40 village panchayats of 20 districts.

The main findings of the study were:

* While the share of SC/STs in employment generation was more than 50%, the share of women in the employment generation was only 22 to 25% at the district level and 15to 18% at the village panchayat level.

* The Yojana did not provide employment to the extent expected as the average number of days for which a person got employment was 11.44 days during 1989-90, 15.68 days during 1990-91 and 12.81 days during 1991-92 (upto September, 1991).

* Adequate attention was not given to the maintenance of assets.

* Some of the village panchayats did not utilise the funds provided to them.

* 89% of the selected beneficiaries described the assets created as useful.

* Contractors were engaged by some of the gram panchayats for execuction of some works.

## QUICK STUDY OF IAY

The PEO also undertook a Quick Study of the IAY in 14 states : Andhra Pradesh, Assam, Bihar, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tamilnadu, Uttar Pradesh and West Bengal covering 28 blocks, 56 villages and 1,195 households.

The main findings of the study were:

* The average cost of construction of a house was about Rs.9000/-.

* The criteria of selection of households for allotment of houses among the SC/STs, below the poverty line were followed in almost all the selected villages.

* About 90% of the houses were constructed in clusters and about 80% of them were around rural habitations of the village.

* The quality of construction in respect of 50% of the houses was good.

* About 86% of the houses allotted under the Yojana were occupied.

* About 84% of the households expressed their satisfaction fully/partially with the houses allotted to them.

* Involvement of contractors was reported in some villages.

* There was no involvement of voluntary organisations in the construction of houses, particularly for motivation in the use of sanitary latrines and smokeless chulhas.

## CONCURRENT EVALUATION OF JRY

To have a correct assessment of the JRY based on a larger sample, the Government of India has now undertaken a Concurrent Evaluation of the JRY through reputed research institutions in all the districts of the country. From each district, a sample of two blocks has been selected at random. From each sample block, 5 village panchayats have been selected at random for canvassing the schedule. The selection of districts and blocks has been done at the Central level and that of the village panchayats by the respective institutions. In each selected village panchayat, all JRY works taken up during the year 1992 were subjected to detailed study.

Besides collecting details about the JRY works 5 labourers who have been JRY beneficiaries on random basis were interviewed in each village panchayat covered.

The impact of the programme as regards employment generated, types of assets created, their benefits to society in general and poorer sections in particular, and the contribution of the JRY to the welfare of the families below the poverty line were the main points for evaluation.

A preliminary report of the Concurrent Evaluation for the period January-June 1992 has been brought out.

The important findings of the Concurrent Evaluation of JRY for the period January - June 1992 are :

(i) In majority of cases Panchayat Heads were not given any training for undertaking JRY works.

(ii) Of the total assets created under JRY during 1991-92, 71% were found to be of good quality, 7% of poor quality and 22% were either incomplete or not upto the approved norms.

(iii) In majority of cases the payment of wages to the workers was made on weekly basis in various states/UTs. Only in a few cases, it was on monthly basis.

(iv) In about 77% of the cases, muster rolls were maintained by the village functionaries.

(v) In terms of occupational background of JRY workers. 55% were landless labourers, 39% small and marginal farmers and 6% rural artisans and others.

The report for the full period of survey i.e., from January to December, 1992 is under finalisation.

The second round of Concurrent Evaluation of JRY has also been launched in June, 1993 and is likely to be completed by May, 1994.

The implementation of JRY is also reviewed/ monitored regularly through monthly, quarterly and annual progress reports as well as through periodical field inspections by the officers from the Centre, State, District and Blocks. Based on these review reports, necessary corrective measures are taken to improve the implementation of the programme.

*CHAPTER-V*

# HOUSING AND URBAN DEVELOPMENT CORPORATION [HUDCO]

*CHAPTER-V*

# HOUSING AND URBAN DEVELOPMENT CORPORATION (HUDCO)

HUDCO[1] was established in 1970 with the main objective of ameliorating the housing conditions of low income and weaker sections. HUDCO does not extend direct finance. It provides housing finance indirectly through institutions like State Housing Boards, Development Authorities, Improvement Trusts, Co-operative Societies, etc.

> *HUDCO allocates 55% of its sanctions for EWS and LIG housing projects and balance 45% for MIG, HIG, rental and commercial housing projects.*

HUDCO is the only national agency with predominant consideration for EWS both in terms of loan operations and design/technology adoption.

HUDCO is provided with equity support from the Government of India. Upto the end of the Seventh Plan period, the equity support to HUDCO by the Government totalled Rs.457.77 crores and Rs.46 crores during 1990-91 and 1991-92. The subscribed capital upto November, 1991 was Rs.165 crores. HUDCO has also built up reserves and surpluses. In addition to this, It has been getting funds from LIC, GIC, UTI and NHB. HUDCO has also been permitted to raise funds through tax-free bonds from time to time.

## ELIGIBLE SCHEMES

The schemes eligible for HUDCO's financial assistance with effect from 1st April, 1993 include the following:

- Urban Housing
- Rural Housing
- Environmental Improvement of Slums
- Urban Infrastructure
- Basic Sanitation
- Staff Housing
- Co-operative Housing
- Building Material Scheme
- Land Acquisition Scheme
- Construction Loan
- Commercial Schemes
- Repairs and Renewal
- Urban Employment through Housing & Shelter Upgradation
- Night Shelter

*(1) HUDCO Advertisement : Reaching homes to the people with an unflinching commitment to help the less privileged of the society. Older perhaps, but a principle certainly not divorced from sound business sense.*

*Check our growth record over the last 24 years or with the millions of less privileged people living in over 56 lakh HUDCO financed homes across 30 states and Union Territories of India. In fact 91% of HUDCO's 10253 schemes, worth Rs.14,401 crores, is earmarked for EWS and LIG of which 27 lakh homes are for the rural areas. Housing complemented by research ground work promoting use of innovative, non-traditional, energy - efficient materials, stone, drainage, roads and transportation, landscaping and arboriculture, social infrastructure like parks, playgrounds, health centres, etc., provision of hygienic water and other 25 lakh basic and low cost sanitation units.*

*All supported by a committed infrastructure wing. Aimed at bringing better, cleaner living conditions for the poor.*

- Working Women Ownership Condominium
- Building Centres

## ELIGIBLE AGENCIES

The agencies eligible for HUDCO's financial assistance are State Housing Boards, Slum Clearance Boards, Development Authorities, Improvement Trusts, Municipal Corporations/ Councils, Local Bodies, Apex and Primary Co-operative Societies, Public Sector Organisations and so forth. The agencies for rural housing schemes must be nominated by the State Governments. In the case of staff housing provided by both private and public sector employers and for building material schemes, private sector entrepreneurs are also eligible.

## SECURITY

The security required by HUDCO comprises Government guarantee, bank guarantee and mortgage of property.

### FINANCIAL PATTERN FOR HUDCO SCHEMES

*(Effective from 1st April 1993)*

| Category | Cost ceiling (Rs.) | Max.Loan ceiling (Rs.) | Extent of finance (%) | Net Interest rate (%) | Repay-ment period (Yrs) | Monthly Instalment on loan of Rs.1000 (Rs.) |
|---|---|---|---|---|---|---|
| **I. EWS-MONTHLY INCOME UPTO Rs.1250** | | | | | | |
| **Rural** | | | | | | |
| Landless* | 15,200 | 11,500 | 90 | 09 | 15 | 10.14 |
| Landed | 26,400 | 19,500 | 90 | 09 | 15 | 10.14 |
| Village Abadi including Repairs | 4,800 | ** | 100 | 09 | 11 | 11.96 |
| **Urban** | | | | | | |
| EWS House | 26,400 | 19,500 | 90 | 09 | 15 | 10.14 |
| Community Toilets | NA | NA | 50 | 10 | 12 | 11.95 |
| Repairs/Additions | 13,200 | 9,500 | 90 | 09 | 10 | 12.67 |
| **II. LIG - MONTHLY INCOME OVER Rs.1250 AND UPTO Rs.2650** | | | | | | |
| **Rural-Urban** | | | | | | |
| LIG House[1] | 60,000 | 42,000 | 85 | + 13 | 10/15 | 12.00 |
| Repairs/Additions | 30,000 | 21,000 | 85 | + 13 | 10 | 14.35 |

1. *At least 50% of the loan may be considered as construction loan by implementing agencies.*

* *Including marginal farmers*

** *Though there is a provision for extending loan upto 100% the beneficiaries / State level agencies should contribute minimum 25% of the cost as their share.*

\+ *12% of agency adopts repayment period of 10 years or less.*

| *Category* | *Cost ceiling* (Rs.) | *Max.Loan ceiling* (Rs.) | *Extent of finance* (%) | *Net Interest rate* (%) | *Repay-ment period* (Yrs) | *Monthly Instalment on loan of Rs.1000* (Rs.) |
|---|---|---|---|---|---|---|
| **III. MIG - MONTHLY INCOME OVER Rs.2650 AND UPTO Rs.4450** | | | | | | |
| **Rural-Urban** | | | | | | |
| MIG House | 2,10,000 | 1,15,000 | 75 | *15.5 | 10/15 | 13.66 |
| Repairs/Additions | 1,02,000 | 55,000 | 75 | 14.5 | 10 | 15.83 |
| **IV. HIG - MONTHLY INCOME OVER Rs.4450/-** | | | | | | |
| **Rural-Urban** | | | | | | |
| HIG-House | - | 2,00,000 | 60 | 16.5 | 15 | 15.04 |
| Repairs/Additions | - | 1,00,000 | 60 | 16.5 | 10 | 17.06 |
| **V. STAFF HOUSING** | | | | | | |
| Company owned[2] | 2,00,000 | 60 | 19 | 10 | 17.38 | |
| Employee owned | ————As per Urban Housing Norms** ———— | | | | | |
| **VI. COMMERCIAL SCHEMES** | — | 75 | 19 | 10 | 15.39 | |
| **VII. BUILDING MATERIAL** | As per IDBI norms subject to availability of refinance from IDBI. However, till refinance facility not available, loans shall be available at IDBI basic interest rate which at present is 20% p.a., loan upto 70% repayment in 8 years and Debt Equity 2:1. | | | | | |
| **VIII. PLOTTED DEVELOPMENT** | | | | | | |
| EWS Serviced Sites | 9000 | 7,500 | - | 9.00 | 15 | 10.75 |
| Other Categories | ————As per Urban Housing Norms** ———— | | | | | |
| **IX. Social Infrastructure and Single Working Women Hostel & Condominiums** | — | — | 75 | 13.50[3] | 10 | 14.00 |

2. *In the case of non-profit Government agencies, interest rate shall be reduced suitably upto a maximum of 1%.*

* *15% for schemes having repayment period of 10 years or less.*

** *or at IDBI basic interest rate, whichever is less.*

3. *For Single Working Women Hostel and Condominium rate of interest shall be reduced by 0.5%.*

| Category | Cost ceiling (Rs.) | Max.Loan ceiling (Rs.) | Extent of finance (%age) | Net Intt. rate (%age) | Repay-ment period (Yrs) | Monthly Instalment on loan of Rs.1000 (Rs.) |
|---|---|---|---|---|---|---|
| **X. Housing Cooperative Societies** | As per Urban Housing norms | | | | | |
| **XI. Shelter Upgradation (JRY), Night Shelter, Low Cost Sanitation (Individual) toilets) Central Govt. Employees Group Insurance Schemes** | As per Govt. of India guidelines. For JRY schemes, built house not to be financed and subsidy to be limited to 25%of improvement cost upto a maximum of Rs.1000 interest rate as 10% (Net), repayment time 10 years. For Low Cost Sanitation schemes rate of interest is 10% (Net), repayment 12 years and loan upto 50% | | | | | |
| **XII. Slum Upgradation, Environment Improvement Schemes including inner city area** | As per EWS urban housing norms subject to a maximum loan of Rs.4000 per family. | | | | | |
| **XIII. Handloom Weavers and Beedi Workers** | Housing loan as per HUDCO norms and Subsidy/ working shed loan as per Govt. of India guidelines. | | | | | |
| **XIV. Private Builder Scheme** | | | | | | |
| - Construction - Loan | — | — | upto 50 | 19 | 5 | 25.39 |
| - Housing Loan | As per Urban Housing Norms | | | | | |
| **XV. Land Acquisition** | — | — | upto 80 | 16 | 6 | 21.69 |
| **XVI. Transit Accommodation schemes** | 60,000 | 42,000 | 85 | 14 to 16 | 10 | 15.53 to 16.75 |

**NOTES:**

- Grant for Building Centres shall be as per Government of India Guidelines.
- Cost and loan ceilings applicable to EWS and LIG categories shall be increased by 25% both for rural and urban schemes in hilly areas, metropolitan towns, North-Eastern States, islands and difficult areas. Increase for difficult areas will be subject to approval by HUDCO Board of Directors in each case.
- Loans in excess of minimum allocation for State prescribed by HUDCO for various categories can be considered as construction loan for the interim period.
- The interim construction loan can be converted into regular loan, if at the end of the financial year surplus/unutilised minimum allocation from other States is available, at the normal rate of interest for each category or funds to be mobilised from National Housing Bank either on NHB rate or NHB's refinancing norms.

- Implementing agencies may be allowed to allot houses either on hire purchase or rental or cash down basis to general public depending upon actual demand.
- The cost ceilings indicated above for various categories will not include cost of raw land for schemes to be undertaken in hilly area and rural EWS schemes.
- Recategorisation of various housing schemes shall be done in case the actual cost exceeds 10 per cent above ceiling cost prescribed for various categories. In such cases, the additional burden of higher rate of interest shall be borne by the agencies and shall not be recovered from the beneficiaries.
- In case of need, additional loans for agencies can be sanctioned by HUDCO as per usual terms and conditions. However, agencies can pass on the burden of additional interest to beneficiaries provided they do not ask for additional loans.

## OWNERSHIP HOUSING SCHEMES FOR CENTRAL GOVERNMENT EMPLOYEES

HUDCO's finance is available for Ownership Housing Schemes for Central Government Employees covered under the Group Insurance Scheme of the Government of India. Such schemes can be formulated by Housing Boards, Development Authorities, Improvement Trusts, State Governments, Government Employees Co-operative Societies, etc.

HUDCO's lending rate is 13% and the, loan is repayable within a maximum period of 20 years including a moratorium of three years in the repayment of the principal.

The land on which the scheme is to be implemented should be in the applicant's possession and should be free from encroachment and encumbrance. The loan is to be secured by government guarantee or by mortgaging of unencumbered and immovable property.

The scheme is financed by HUDCO out of the funds received from the Central Government separately and, therefore, does not figure under the general allocation of funds.

## URBAN INFRASTRUCTURE SCHEMES

| *Category* | *Extent of finance (%)* | *Net Intt. rate (%)* | *Loan ceiling (Rs/Cr)* |
|---|---|---|---|
| UI projects in towns having population upto 5 lakhs | 70 | 14.00 | 5.00 |
| UI projects in towns having population more than 5 lakhs and upto 10 lakhs | 70 | 16.50 | 10.00 |
| UI projects in towns having population above 10 lakhs | 70 | 18.00 | 20.00 |

**NOTES:**

1. Repayment period - between 5 and 15 years depending upon the nature of the project.
2. Requirement of funds beyond prescribed loan ceilings shall be at 16.5%, 18% and 19% respectively.
3. Interest rates as indicated above can be increased by one per cent in emergent situations.

**HUDCO - PERFORMANCE (UPTO JUNE, 1993)**

Development of:

1. Dwelling Units : 4.46 millions
2. Home Upgradation Units : 1.05 millions
3. Plots : 0.39 millions
4. Basic Sanitation Units : 2.03 millions
5. Urban Infrastructure Projects : 170

## RURAL HOUSING OPERATIONS

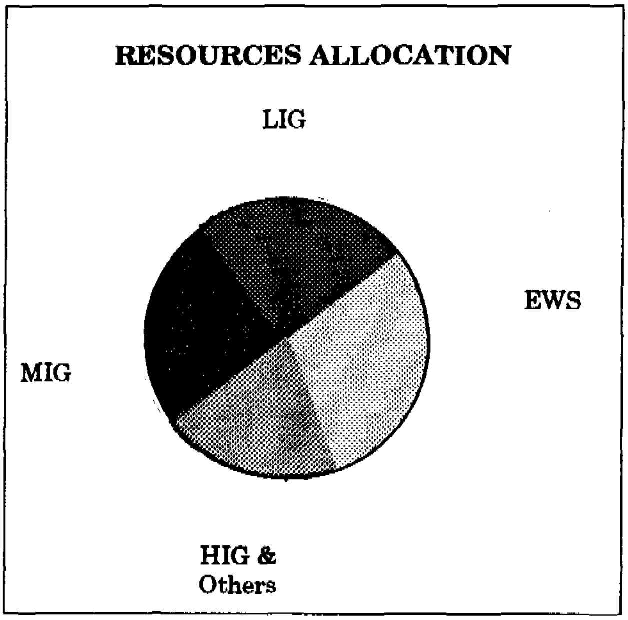
| *State* | *No. of schemes sanctioned* | *Loan Sanctioned (Rs. in crores)* | *Rural Houses* |
|---|---|---|---|
| Andhra Pradesh | 183 | 137.65 | 419171 |
| Assam | 5 | 3.93 | 4125 |
| Bihar | 24 | 22.48 | 55871 |
| Gujarat | 246 | 85.29 | 317766 |
| Haryana | 13 | 11.15 | 17173 |
| Himachal Pradesh | 7 | 7.28 | 8935 |
| Jammu & Kashmir | 10 | 3.74 | 5826 |
| Karnataka | 189 | 119.70 | 495189 |
| Kerala | 149 | 142.92 | 297242 |
| Maharashtra | 182 | 26.67 | 106784 |
| Madhya Pradesh | 66 | 8.32 | 32514 |
| Meghalaya | 1 | 0.41 | 175 |
| Orissa | 36 | 36.24 | 68152 |
| Punjab | 30 | 26.24 | 67314 |
| Rajasthan | 56 | 10.81 | 36045 |
| Sikkim | 1 | 1.17 | 500 |
| Tamil Nadu | 104 | 117.01 | 260778 |
| Tripura | 1 | 1.50 | 1000 |
| Uttar Pradesh | 60 | 106.89 | 262827 |
| West Bengal | 19 | 33.55 | 35940 |
| Total | 1382 | 902.94 | 2493327 |

## URBAN HOUSING OPERATIONS

| *State/UT* | *No. of Schemes* | *Loan Amount (Rs. in Crores)* | *Urban Housing Units* | *Shelter Upgradation Units* | *Total* | *Plots* |
|---|---|---|---|---|---|---|
| Andhra Pradesh | 1072 | 416.79 | 257941 | 65636 | 323577 | 5962 |
| Arunachal Pradesh | 1 | 0.79 | 182 | 0 | 182 | 0 |
| Assam | 58 | 49.58 | 8855 | 12749 | 21604 | 411 |
| Bihar | 79 | 108.79 | 18790 | 65000 | 83790 | 1559 |
| Goa | 10 | 8.37 | 1439 | 0 | 1439 | 1526 |
| Gujarat | 634 | 394.24 | 180374 | 1520 | 181894 | 7742 |
| Haryana | 192 | 130.10 | 48588 | 11344 | 59932 | 95 |
| Himachal Pradesh | 87 | 24.62 | 4935 | 1161 | 6096 | 923 |
| Jammu&Kashmir | 44 | 33.26 | 5342 | 3109 | 8451 | 10712 |
| Karnataka | 431 | 277.92 | 105225 | 49391 | 154616 | 4367 |
| Kerala | 382 | 346.63 | 248143 | 112199 | 360342 | 885 |
| Maharashtra | 725 | 477.09 | 186982 | 79671 | 266653 | 18180 |
| Madhya Pradesh | 579 | 340.11 | 105042 | 221299 | 326341 | 142012 |
| Manipur | 14 | 24.44 | 4049 | 1947 | 5996 | 0 |
| Meghalaya | 9 | 16.03 | 4643 | 295 | 4938 | 0 |
| Mizoram | 4 | 11.62 | 2055 | 0 | 2055 | 0 |
| Nagaland | 6 | 21.95 | 7938 | 0 | 7938 | 0 |
| Orissa | 188 | 151.24 | 54914 | 15250 | 70164 | 3936 |
| Punjab | 243 | 128.06 | 33324 | 15160 | 48484 | 5120 |
| Rajasthan | 559 | 374.76 | 155452 | 3735 | 159189 | 18373 |
| Sikkim | 26 | 23.75 | 7058 | 687 | 7745 | 0 |
| Tamil Nadu | 865 | 588.95 | 187425 | 204273 | 391698 | 124100 |
| Tripura | 12 | 5.36 | 1895 | 1009 | 2904 | 0 |
| Uttar Pradesh | 802 | 618.42 | 233784 | 130885 | 363669 | 43249 |
| West Bengal | 139 | 178.49 | 40008 | 57635 | 97643 | 974 |
| Andaman and Nicobar Island | 8 | 2.57 | 220 | 0 | 220 | 0 |
| Chandigarh | 74 | 79.05 | 26858 | 0 | 26858 | 0 |
| Dadra and Nagar Haveli | 2 | 0.25 | 42 | 45 | 87 | 0 |
| Delhi | 44 | 38.37 | 16205 | 0 | 16205 | 0 |
| Pondicherry | 22 | 13.26 | 5541 | 0 | 5541 | 0 |
| All India | 7311 | 4884.86 | 1953249 | 105400 | 3007249 | 398373 |

**Resources Allocation**

| *Category* | *Percentage allocated* |
|---|---|
| EWS | 30 |
| LIG | 25 |
| MIG | 25 |
| HIG & others | 20 |
| Total | 100 |




## HUDCO'S RURAL HOUSING SCHEMES

HUDCO has been financing several rural housing schemes since 1977-78 by earmarking 15% of its resource allocation to such schemes. With the object of meeting the basic needs of shelter, promoting community effort and self help, providing essential facilities like drinking water and sanitation and encouraging adoption of appropriate construction technologies and housing with local material and local skills.

-> Till March 31, 1993, 2.5 million houses entailing loans amounting to Rs. 907 crores had been assisted by HUDCO.

-> About 1.6 million units had been completed which accounted for 46% of the total units funded by HUDCO.

-> In addition, HUDCO is financing other shelter options like village abadi improvement and building materials. *(For details, please see Chapter on HUDCO.)*

## CO-OPERATIVE HOUSING

*(Please see Chapter on Co-operative Housing)*

INSURANCE CORPORATIONS (LIC and GIC) have also been financing rural housing. LIC loans form part of the plan funds and are allocated to various states. GIC loans are also available for social housing schemes in rural areas. *(For details see Chapter on LIC).*

## ROLE OF NGO

HUDCO has traditionally been financing the projects for EWS and LIGs through the state agencies. With the feedback from various agencies, it is felt that basic objective of servicing the poor is not always met.

Hence alternatives have to be sought to service the target group better. One alternative that has emerged is to finance voluntary agencies/NGO's directly.

Crucial to good credit programme is timely availability of finance, with less of paper work and above all regular saving habits of the client group. Some voluntary agencies have built in these important elements into the design of the credit mechanism to make their system responsive to the needs and also build a stake for the poor in this system which successfully eliminate the possibility of delinquency.

The mechanism which NGOs are evolving is a three tiered one as indicated below:

Saving Groups
(Grass root level units with 15 to 20 members)

Federation
(Collective of savings groups to negotiate and channel loan)

**Basti Bank**
**(City level interface for refinancing)**

*Few leading NGO's viz., SEWA Band, Baroda Citizen Council, SPARC, Bombay and CEDMA, Madras Padmavathi Mahila Sbyudaya Sangam, Tirupati have taken a number of initiatives. The experience of these agencies show that housing activity at the community level could be promoted trough facilitation process, creating access to critical inputs like finance.*

The important initiatives and the catalystic role played by NGOs with the informal sector groups in improving the overall living and built environment has to be nurtured. Primarily the shelter delivery options for the informal sector category comprises the following options:

Construction of houses by the beneficiaries themselves / by the Group Co-operatives/ NGOs;

Home improvement of their existing housing by improving the walls, roofing and flooring and other items from a temporary to permanent nature.

In both the cases, the land on which the full house construction or the home upgradation scheme is to be taken up could be covered under any of the following four categories.

Land ownership vesting with the beneficiary family under the 'pattas' given by the Government.

Land owned by the beneficiary community groups as a 'Group Pattas';

Land owned by the NGO;

Land on which the informal sector has settled for a longtime as squatters and who are not likely to be shifted. For this, reasonable amount of documents from either the City Authorities/Local Bodies or the Government may have to be sought.

*The proposal is, therefore, now being made for HUDCO to open out its financing arrangements on a pilot basis through selected, NGOs, with proven track record, for having worked successfully with the developmental needs of the informal sector. The NGOs in turn would channel the funds to the beneficiary groups whose identification would be clearly indicated in the beginning and the implementation would be taken up by NGOs and the beneficiary community with the most cost - effective and satisfactory options. The responsibility for savings mobilisation, appropriate economic and employment generation, enhancing the capacity for servicing the loans as well as taking the responsibility for repayment of the loan shall be vested with the NGO.*

Since HUDCO is getting access to certain sources of funding like KREDITANSTALT FUR WIEDERAUFBAU (KFW) which could either be low - cost or in certain cases grant assistance, it would be appropriate to evolve a special package of assistance for meeting the shelter needs of the informal sector urban poor through NGOs. This would also be in keeping with the proposals being made by KFW during negotiations for such programmes through NGOs. Therefore, the following proposal is approved.

To start with, HUDCO would extend financial assistance for covering the needs of home upgradation or house construction for the weaker section through recognised NGOs, with proven track record.

Implementation would be ensured by the NGOs with participatory involvement of NGOs and beneficiary community through appropriate cost - effective options.

In the first year, HUDCO could consider extending financial assistance of the order of

Rs.2 (Two) crores on a pilot basis to some of the 'select' NGO groups for specific housing/ shelter upgradation, etc. as per HUDCO's existing financing pattern.

*Security may be mortgage wherever available or bank guarantee. If no security is available, then following be considered.*

-> Assurance of land tenure from appropriate authority.

-> Deposit ranging between 10% to 25% of the loan to be decided at the time of appraisal of the project of the NGOs.

-> Guarantee of NGOs to deposit remaining 75% to 90% through monthly/quarterly contributions to be collected from the beneficiaries.

-> In case of loans upto Rs.2500 for repair etc., no security except NGO's guarantee.

-> NGO's can be given a 2% interest spread over HUDCO rate and an administrative and servicing charges of 2.5% as a one time cost for carrying out organisational work, securing loans, servicing needs etc.

-> The documentation charges for these schemes can be reduced to Rs.1000/- per scheme and no front-end fee will be leviable.

*CHAPTER- VI*

# CO-OPERATIVE HOUSING

*CHAPTER - VI*

# CO - OPERATIVE HOUSING

The Co-operative sector has long been involved in the promotion of housing for low and middle income groups. The categories of housing schemes eligible for financing by the co-operative institutions are:

(a) Housing as well as hostels for SCs/STs.

(b) Slum Clearance Schemes - either directly or through Statutory Boards.

(c) Educational, Social and Cultural Centres including markets and shopping centres which are part of housing projects.

(d) Repairs, alterations and additions to existing houses/flats.

The co-operative housing institutions are broadly of two types.

1. The Co-operative Housing Finance Societies; and
2. The Co-operative Banks.

## CO-OPERATIVE HOUSING FINANCE SOCIETIES

The Co-operative Housing Finance Societies are, perhaps, the oldest of the housing finance institutions in the country having been in existence for more than eighty years. However, it was only after the establishment of the National Co-operative Housing Federation of India (NCHF) in 1969 and, later, the Apex Co-operative Housing Finance Societies (ACHFS) a fillip was given to Co-operative housing finance.

The Co-operative housing finance system has a two tier or, in some states, three-tier structure - the ACHFS at the State level, the Primary Co-operative Housing Societies at the primary level and the District Co-operative Housing Federations at the district level. Presently, there are 23 ACHFS and about 45778 primary level societies.

Most of the ACHFS confine their activities to financing only although some, like the ACHFS in Punjab and Rajasthan, have taken up directly, construction activities.

## PRIMARY SOCIETIES

The Primary Housing Societies fall under four groups:

1. Tenant Ownership Housing Societies in which the land is held by the society and the houses are owned by the members.
2. Tenant Co-partnership Housing Societies in which the land as well as the building is held by the society and alloted to members.
3. House Construction or House Building Societies in which the houses are built by the society on behalf of its members and later the money is recovered from the members as loan.
4. House Mortgage Societies which are credit agencies lending money to its members for construction activities.

Funds for the Primary Societies comprise : (a) share capital of members; (b) contributions from members (c) deposits; and (d) loans from ACHFS and other financial institutions including HUDCO, LIC, HFCs, HDFC and Commercial/Co-operative banks.

Funds for the ACHFS come from: (a) share capital of member primary societies, other co-operative institutions and State Governments; (b) loans from LIC, banks etc; and (c) issue of debentures guaranteed by the government.

## THE CO-OPERATIVE BANKS

Co-operative banks financing housing are of two types:

1. The State Co-operative Banks (SCBs) at the State level which are permitted by the RBI to provide housing finance so long as the aggregate of the housing loans outstanding on any day against individuals, institutions and societies does not exceed 5% of the bank's total deposits. There are at present 28 SCBs of which 14 are scheduled.

2. The Primary (Urban) Co-operative Banks (UCBs) operating in urban centres only provide housing finance for both construction of new houses and for repairs to existing houses. There are 1400 UCBs in the country, of which 14 are scheduled.

### NHB REFINANCE SCHEMES

The NHB has separate refinance schemes for Scheduled State Co-operative Banks (SCBs), ACHFS and Scheduled Urban Co-operative Banks (UCBs).

### SCHEDULED STATE CO-OPERATIVE BANKS

Introduced in 1989, the objective of the scheme is "to encourage the construction of new houses/flats and also extension and upgradation (including major repairs) of the existing stock (with priority to housing in rural areas) by persons belonging to the low income category."

**Eligibility:** All direct lending to individuals/ groups (of formal or informal including co-operative housing societies). Loans routed by SCBs through DCCBs and UCBs are also eligible for refinance.

**Extent of Refinance :** Refinance is available upto 100% of the eligible housing loans given by primary lending agencies.

**Period of Refinance:** For a maximum period of 20 years.

**Other Conditions :** The terms and conditions of the housing loans have to be in accordance with the guidelines issued by RBI in this regard.

**Amount Disbursed :** Till the end of June, 1993 NHB has disbursed Rs.33.43 crores as refinance under this scheme.

### SCHEDULED PRIMARY (URBAN) CO-OPERATIVE BANKS

Also introduced in 1989, this scheme is similar to the one for SCBs. However, the refinance period is a maximum of 15 years. Till the end of June 1993, NHB has disbursed refinance of Rs.3.12 crores under this scheme.

### APEX CO-OPERATIVE HOUSING FINANCE SOCIETIES (ACHFS)

**Eligibility:** All lendings for housing to: (a) primary level tenant ownership/co-partnership housing society; (b) house mortgage society which gives housing loans to its members; and (c) house construction society which builds houses for its members and recovers the money as loan.

**Refinance Period:** For a maximum period of 20 years.

**Interest Rate Structure :** Similar to the scheme for Housing Finance Companies (HFCs).

**Conditions:** Similar to the scheme for SCBs and UCBs.

Till the end of June, 1993 NHB has disbursed Rs.73.07 crores as refinance under the scheme.

### PROJECT FINANCE FOR CO-OPERATIVE SOCIETIES

With the overall objective of increasing the supply of buildable land and construction of houses, NHB has formulated separate refinance schemes for project finance, called the Schemes for Land Development and Shelter Projects (LD & SP).

Under LD & SP schemes, NHB provides refinance for integrated projects for land development (including land assembly), on-site infrastructure and construction of houses.

This scheme is primarily intended to help primary housing societies who are handicapped in the timely completion of the projects due to resource constraints arising out of delayed payments of instalments/dues by the members.

In terms of this scheme, NHB provides to the primary lender (which may be a scheduled commercial bank or a housing finance company) refinance in respect of its lending for projects undertaken by a Primary Co-operative Housing Society (the developer) upto 100% of the project cost, for the project period which may be upto 3 years. The project is required to conform to the guidelines and parameters stipulated by NHB in this regard. All members of the Co-operative Society are required to be members of the Home Loan Account Scheme of NHB.

## AGRICULTURE & RURAL DEVELOPMENT BANKS (ARDBs)

Previously known as Land Mortgage Banks and later as Land Development Banks, these ARDBs are apex bodies at the State level. They lend through their own branches or through the Primary Co-operative Agriculture Development Banks (PCADB).

ARDBs have entered housing only recently and extend housing loans only in terms of the scheme formulated for them by NHB, namely, the scheme for Subscription to Special Rural Housing Debentures (SHRDs) in 1989.

Under this scheme meant exclusively for rural housing, the State level ARDB issues debentures duly backed by the mortgages created through its loans. These debentures are known as Special Rural Housing Debentures (SHRDs) and are guaranteed by the respective State Governments. NHB, in turn, subscribes fully to the SRHDs floated by the ARDB.

Till the end of June, 1993 NHB has subscribed to SRHDs amounting to Rs.96.21 crores issued by ARDBs.

## NHB REFINANCE TO CO-OPERATIVE SECTOR

**Refinance to Various Agencies - June, 1992**

| *Category* | *Amount (Rs. Crores)* | *Share (%)* |
|---|---|---|
| Co-operative Banks (SCBs) | 14.00 | 9.5 |
| Co-operative Banks (UCBs) | 2.31 | 1.6 |
| Apex Co-operative Housing Finance Societies (ACHFS) | 58.79 | 40.1 |
| Agriculture & Rural Development Banks (ARDBs) | 71.67 | 48.8 |
| | 146.77 | 100.0 |

**Purpose of Loan and No. of Units Financed - June 1992**

| | *Amount (Rs. Crores)* | *No. of houses financed* |
|---|---|---|
| Total Financial Assistance | 146.77 | 73,292 |
| Of which | | |
| for constructing | | |
| New Houses | 126.68 | 62,335 |
| Urban | 68.72 | 40,258 |
| Rural | 55.96 | 22,077 |
| for upgrading existing houses | 22.09 | 10,957 |

*CHAPTER-VII*

# INFORMAL SECTOR

*CHAPTER VII*

# INFORMAL SECTOR

According to the estimate made by the Sub-Group on Housing Finance (1900-95) the share of the formal sector which includes direct budgetary allocations and also net financial assistance through financial agencies like GIC, LIC, UTI, Commercial Banks, Provident Fund and also HFIs like HDFC in total housing investment was only 16% in 1987-88, leaving a balance of 84% to the informal sector which includes households themselves and public and private sector employers extending housing loans to their employees.

The informal sector plays an especially significant role in financing poor and low income households for whom the formal sector schemes are generally inaccessible. According to a study conducted in 1982 to assess the role of informal housing finance, "the informal housing finance market comprising indigenous bankers, relatives and friends, is the main source for housing finance and the dependence upon the informal housing finance market is inversely related to the level of income of the home owner."

Though borrowing from indigenous bankers entails a higher rate of interest compared to the formal sector, the conditions and procedures involved are more flexible and less complicated.

*CHAPTER-VIII*

# GENERAL HOUSING FINANCE AGENCIES

*CHAPTER VIII*

# GENERAL HOUSING FINANCE AGENCIES

The central objective of the National Housing Policy is to gradually shift from the hitherto followed strategy of subsidising, in one form or the other, the housing programmes for the poor, to an environment where the different classes of the population, from the poor to the rich, can be enabled to build their own houses through the evolution of a suitable structure of institutional housing finance.

This section deals with the policies and programmes of the institutional housing finance agencies in operation:

1. National Housing Bank.
2. Commercial Banks.
3. Housing Finance Companies.
4. Life Insurance Corporation.

Agencies providing indirect support to housing finance like General Insurance Corporation and Unit Trust of India have not been included in this manual. *(See Appendix for details)*.

## 1. NATIONAL HOUSING BANK

Given the limited flow of institutional credit to the housing sector, the need for a network of institutions exclusively for housing finance was a long-felt one. Starting from the Banking Commission of 1971, various study groups had recommended the setting up of local and regional level housing finance institutions with an apex bank at the National level.

The idea finally took shape during the Seventh Five Year Plan when the High Level Committee under the Chairmanship of Dr.C. Rangarajan, then Deputy Governor of RBI, examined and approved the proposal to set up a National Land Housing Bank and recommended two types of base level institutions, viz.

-> Local Level Institutions to mobilise household savings and provide home loans and

-> Regional Housing Finance Institutions on the lines of the Housing Development Finance Corporation (HDFC) with a wider territorial jurisdiction to mobilise household savings and provide housing finance to middle and higher income groups.

Thus, with the object of developing a network of specialised housing finance institutions in the country, the National Housing Bank (NHB) was established in July' 1988 on the lines of the Industrial Development Bank of India (IDBI) and the National Bank for Agriculture and Rural Development (NABARD).

As a wholly owned subsidiary of RBI, the NHB which is expected to operate on "business principles with due regard to public interest", is the principal agency to promote housing finance institutions at the regional and local levels and to provide financial and other support to such institutions connected with housing and human settlements. The major objectives of the NHB are:

To promote a sound, healthy, viable and cost effective housing finance system to cater to all segments of population.

To establish a network of housing finance outlets to adequately serve different regions and different income groups.

To promote savings specifically for housing.

To make housing more affordable.

To arrange the supply of land and building materials for housing.

To encourage public agencies to emerge primarily, as facilitators and suppliers of serviced land.

To upgrade the housing stock in the country and

To encourage flow of credit and real resources to the small man first.

The strategies of NHB for achieving its objectives include the following.

1. The basic thrust of NHB is on developing a healthy and self-sustaining housing finance system and integrating it with the general financial system. The housing finance system is operated at non-subsidised rates of interest with full cost recovery. However, there is a degree of internal cross subsidisation in interest rates with comparatively lower rates for lower income groups.

2. NHB seeks to promote more and more housing finance companies in public, private and joint sectors for mobilising household savings and to set as outlets for delivery of housing credit.

3. NHB is simultaneously strengthening and supporting the existing institutions providing housing credit, especially to the co-operative institutions.

4. Size of the plot/dwelling unit is an important parameter in NHB's lending norms to secure adequate allocation of resources to the "small man"

5. NHB lays special emphasis on housing in rural areas and small and medium towns and on checking excessive congestion in large cities.

6. NHB encourages participation of non-governmental organisations (NGOs) and social action groups in its various programmes, particularly those focused on low income groups.

## REFINANCE SCHEMES

NHB does not lend directly. It operates various refinance schemes and activities. The main lending institutions eligible for refinance are Scheduled Commercial Banks, Scheduled State Co-operative Banks, Scheduled Urban Co-operative Banks, State Level Apex Co-operative Housing Finance Societies and Housing Finance Companies.

## INDIVIDUAL BENEFICIARIES

In respect of housing loans granted to individuals (including co-operatives) by Scheduled Banks and Housing Finance Institutions which include Housing Finance Companies and State Level Apex Co-operative Housing Finance Societies, NHB provides refinance to the extent of 100% of the direct housing loans.

The amount of refinance could be upto Rs.2,00,000 for acquisition/construction of a new housing unit provided its built-up area does not exceed 40 sq.m.

For a housing unit whose built-up area exceeds 40 sq.m. but the cost (including cost of lands) does not exceed Rs.2 lakhs, refinance is available to the extent of 100% of the eligible amount of loan.

In the case of the State Co-operative Land Development Banks (SLDBs), NHB subscribes to the Special Rural Housing Debentures to be floated by them in respect of lendings through their own branches - primary land development banks. They can lend to only non-defaulting individual farmer members or groups including co-operative housing societies for housing in rural areas upto Rs. 1,00,000. The maturity period of the debentures will be 20 years and are to be guaranteed by the concerned State Government.

Refinance is also available to the extent of 100% of loans upto Rs.30,000 sanctioned for major repairs and upgradation.

## INTEREST RATE

The interest rate structure for NHB refinance and for the ultimate beneficiaries are as per the RBI directives. The spread between interest rates on refinance from NHB and those prescribed by RBI (for and NHB in the case of Scheduled Commercial Banks) and HFCs respectively, for ultimate beneficiary will be 2% in respect of loans upto Rs.50,000 and 1.5% in case of loans above Rs.50,000.

# PROJECT REFINANCE

## LAND DEVELOPMENT & SHELTER PROJECTS (LDSPs)

As per NHB's guidelines, commercial banks and HFIs can also avail refinance for loans extended for acquisition of land, laying of infrastructure and construction of houses to public agencies such as Housing Boards and Area Development Authorities, Co-operative Societies and Professional Developers. The conditions include:

Development Agencies can undertake land development projects either for plotted development or for group housing or a mix of both. Only loans granted for integrated projects for development which include land acquisition, on-site infrastructure and apportioned cost of off-site infrastructure (where necessary) will be considered for refinance.

Preference will be given to projects for land development and housing in rural areas and small and medium towns.

75% of the plots in the layout of the project should be such as to enable construction of dwelling units ranging upto 40 sq.m. of built-up accommodation and no plot should be such as to enable construction of more than 120 sq.m. of built-up accommodation. Plot sizes ranging upto 60 sq.m. for dwelling unit (100 sq.m. in rural areas) are suggested for the purpose. Similarly, the maximum size of the plot suggested is 200 sq.m.

Preference should be given to members of Home Loan Account Scheme. (HLAS)

Normally a period not exceeding 3 years is envisaged for developing land and construction of shelter. A further period not exceeding two years may be considered on merits of individual case.

NHB has also formulated a refinance scheme for housing loans to allottees of plots/dwelling units under LDSPs refinanced by it. The object is to enable banks to give such housing loans under normal rate of interest as prescribed by RBI, thereby facilitating timely adjustment of term loans extended for the relative LDSPs.

## INFRASTRUCTURE SERVICES

With a view to extending financial assistance for development of certain areas of infrastructure services which are not covered under the guidelines but are nevertheless essential to housing, NHB has also announced a refinance scheme for Housing Infrastructure Development Projects executed by public agencies, co-operative housing societies, professional developers, etc.

The refinance term is co-terminus with the period for which finance is extended. The entire refinance is repayable to NHB on completion of the project or at the end of the period of refinance.

## RENTAL HOUSING SCHEME

NHB refinances loans granted to public and private institutions for rental housing schemes provided the loans are exclusively for its employees and the institution is financially viable. The first condition is relaxable in respect of specific disadvantaged groups (e.g., working women, police housing, plantation workers, etc.), if additional safeguards are provided for servicing the loan and all the dwelling units do not have built-up accommodation exceeding 40 sq.m.

Funds are made available by a bank/HFC upto 100% of the cost of construction (excluding land cost) or upto 75% of project cost whichever is less. The loan along with accrued interest will be repayable within a period of ten years from the date of last drawal in equated half-yearly instalments.

## HOUSING CO-OPERATIVE SOCIETIES

Housing Co-operative Societies engaged in building flats/houses or providing infrastructure thereof for their members, can avail project finance through NHB. For this, apart from adhering to the general guidelines, they are to comply with two more conditions. Firstly, the average size of the dwelling units shall not be more than 60 sq.m. and no dwelling unit shall have a built up accommodation of more than 120 sq.m. Secondly, all the members of the society shall be members of the Home Loan Account Scheme.

Funds will be made available to the society by a bank/HFI for the project period which will be three years including the period required for allotment and handing over.

## PROFESSIONAL DEVELOPERS

Normally projects with a construction of 20 dwelling units or more will be considered for financing. Preference will be given to a project on land allotted to a developer by a public agency and where trunk/ peripheral infrastructure is available. As a pre-condition for approval the developer will be required to give preferential allotment of plots developed or houses built to members of HLAS at predetermined prices.

The area parameters of plot and size parameters of dwelling units laid down by NHB will hold good. However, keeping in view the living habits, availability and cost of land for projects to be taken up in hilly and tribal areas and in urban areas with current population below ten lakhs, the proportion of lower size plots may be relaxed so long as the average size of plots is not more than 100 sq.m. and no plot measures more than 200 sq.m. The mix of plots/houses proposed in the project should have a wide range of sizes so as to cater to households of all income levels.

Developers will be free to sell the developed plots/houses/flats at current market prices to the extent of not more than 20% of the saleable land as approved in the project or not more than 20% of the total built up space whichever is less. The balance 80% of the saleable land/built up space, shall be sold at predetermined prices to be approved by the NHB at the time of project appraisal. However, developers have to develop and sell the entire area simultaneously.

NHB will refinance banks/HFIs financing the developers. NHB's refinance assistance will be upto 80% of the project cost.

## HOME LOAN ACOUNT SCHEME (HLAS)

NHB has formulated a loan linked savings scheme titled Home Loan Account Scheme (HLAS) for households with the following objectives:

(a) To promote the habit of saving specifically for housing;

(b) To encourage saving in advance of the decision to acquire a house;

(c) To provide housing loans at cheaper rates, particularly to low income category;

(d) To augment the supply of land in specific locations based on preference indicated by savers at the time of joining the scheme; and

(e) To secure preferential allotment of plots/houses to members of the scheme.

HLAS is open to any individual whether major or minor, not owning a house anywhere in India. The basic feature of the scheme is that if a member saves regularly for a minimum period as prescribed, she/ he will be eligible for a loan as a multiple of accumulated savings. There is no limit on the maximum amount that a member may deposit under the scheme; the deposit will earn interest at 10%. However, the minimum deposit under the scheme is Rs.30 per month or Rs.360 per annum. The amount can be paid on monthly/quarterly/half-yearly/yearly basis according to member's convenience. A member can also vary her/his contribution subject to this being in multiples of Rs.10. A member must continue to save as long as she/he does not own a house and needs a loan for the purpose.

The deposit made (including interest accrued, which is treated as re-invested) under the scheme qualifies for deduction under Section 88 of the Income Tax Act, 1961. The investment is also exempted from Wealth Tax subject to the overall ceiling of Rs.5 lakhs. Presently, repayment of housing loans including the one which may be availed under the scheme, upto Rs. 10,000 in a year qualifies for rebate under Section 88 of the Income Tax Act.

Normally, loan can be availed under the scheme after subscription for a minimum period of five years. However, this minimum period has been reduced to three years, only in the case of purchase of a house/flat in land development and shelter projects financed by NHB. If for any reason such as, acquiring or inheriting a dwelling unit during the period of savings or the account holder not choosing to buy or construct a flat/house after five years, she/he may withdraw the accumulated savings together with interest on completion of the said period of five years. There is no ceiling on the amount of loan that can be availed of under the scheme.

The loan will be subject to all conditions laid down by RBI for grant of housing loans by banks in respect of margin, security and repayment period. A loan under the scheme will not bar taking a loan from other source including loan from a bank on usual terms. Further, the loan raised under the scheme can be utilised to repay a loan taken earlier for constructing/acquiring a house.

After saving for the minimum stipulated period, a member can avail of loan which would be a multiple of the accumulated savings (including interest). The details of the loan amount that would be available and the rate of interest thereof are given below.

**AVAILABLE LOAN AMOUNT AND INTEREST RATE**

| *Loan as a multiple of accumulated savings* | *Amount of loan (Rs.)* | *Rate of Interest (per cent p.a.)* |
|---|---|---|
| Four times | upto 50,000 | 10.5 |
| Three times | 50,001 - 1,00,000 | 12.0 |
| Two times | 1,00,001 - 2,00,000 | 13.5 |
| One and a half times | above - 2,00,000 (No ceiling) | 14.5 |

As per HLA scheme, members are to be given preference in allotment of a house/plot in projects financed by NHB. Some of the public agencies have already announced that members of HLAS would be given preferential allotments in their projects irrespective of the fact whether they are refinanced by NHB or not. The house/flat acquired/built under the scheme cannot be sold for a period of five years after completion or till the loan is repaid, whichever is later.

The HLAS was launched in July, 1989, through scheduled banks. Subsequently, the scheme has been extended to all the eligible housing finance companies and apex co-operative housing finance societies. Scheduled State Co-operative Banks can, besides their own branches, operate the HLA through CCBs and PUCBs functioning satisfactorily.

NHB's cumulative disbursement of refinance upto June 30, 1992 to all eligible institutions together with subscription to Special Rural Housing Debentures and adhoc financial assistance amounted to Rs.1199.40 crores. The assistance provided is in respect of about one million dwelling units, including units for upgradation and projects for land development and shelter construction. Category-wise assistance provided in respect of direct housing loans for acquisition/construction of new units as well as upgradation including major repairs of existing units and for land development and shelter projects amount to Rs.1111.80 crores and Rs.87.60 crores, respectively.

Of the cumulative assistance of Rs.1199.40 crores upto June 30, 1992, agencywise, cumulative disbursement was of the order of Rs.984.96 crores (82.1%) to housing finance companies, Rs.147.77 crores (12.3%) to co-operative sector institutions and Rs.66.67 crores (5.6%) to scheduled commercial banks.

## 2. COMMERCIAL BANKS

The Commercial Banks started financing housing after the mid seventies. The banks were then directed by RBI to provide housing finance for the weaker sections in rural and urban areas under the 20 Point Programme.

However, banks' systematic entry into housing finance was only after 1979, following the recommendation of the working group on housing finance set up under Shri. R.C. Shah. An annual target of Rs.75 crores was set for the banking system to be given as housing finance. The banks were advised that a major portion of the finance may be provided in the form of subscription to the guaranteed bonds and debentures of HUDCO and State Housing Boards which cater to the poorer sections of the society and as direct finance to low/middle income groups, SCs/STs and other weaker sections.

The loan amount was normally limited to 50% of the total cost of the project. For SC/ST, LIG and EWS beneficiaries, the limit was relaxed to 80% of the total cost. The repayment period was 10 years and the rate of interest was 12% with 0.5% rebate for regular repayment.

The annual target for banks for housing loan was steadily raised over the years and the respective share of direct and indirect loans was also earmarked. Thus the annual target was raised to Rs.100 crores in 1981, Rs.150 crores in 1982, Rs.225 crores in 1988 and Rs.300 crores in 1989.

**NHB**

Following the establishment of NHB in 1988, the housing finance of Commercial Banks was also subsequently liberalised as follows:

The maximum period of repayment was extended from 10 years to 15 years.

Banks were advised to fix the repayment schedule realistically taking into account the repayment capacity of the borrower which should not normally exceed 30% of the borrower's income. Banks were advised to consider fixing monthly/quarterly instalments on a graduated basis.

The margins for housing loans were relaxed under a graded scale and the maximum margin was reduced from 50% to 35%.

A ceiling of Rs.3 lakhs on the amount of loan per individual was first prescribed and later removed. However loans over Rs. 3 lakhs are to be part of the housing loan allocations of banks.

Regarding security, where mortgage of property or government guarantee was not available, banks were permitted to accept other forms of security like LIC policies, shares & debentures, gold ornaments, etc.

Banks were also advised to consider requests for additions and repairs to existing houses/flats for owners as well as tenants.

Banks were also allowed to extend supplementary finance after obtaining *pari passu* or second mortgage.

As regards indirect loans, banks were advised to consider loans for Housing Finance Institutions within certain limits.

Banks were also allowed to extend finance to public agencies for acquisition and development of land under certain conditions.

Banks could also extend credit to private builders of repute on commercial terms by way of demand loans linked to each specific project for a maximum period of 18 months.

The annual limit for housing finance by banks was fixed at 1.5% of the incremental deposits during the previous year. The banks could also exceed the limit if necessary depending on their resources position. This is exclusive of the loans refinanced by NHB.

Of the total allocation, 60% of the amount should be disbursed as direct or indirect loans in such a manner that 50% of the amount so given benefits the SC/ST, LIG & EWS borrowers. Subsequently, a target of 30% was set for indirect loans with a subtarget of 15% for rural and semi-urban areas. The rest 40%

of the allocation should form subscriptions to guaranteed bonds/debentures of NHB & HUDCO. Housing loans refinanced by NHB was also brought within the total allocation for housing finance of the banks.

Before September, 1990 SC/ST borrowers were eligible for concessional rate of interest of 4% per annum upto Rs.5000/-. Following the abolition of purpose - specific interest rate structure, such loans have been brought under DRI scheme to retain the concession.

The current interest rate structure for housing loans eligible for NHB refinance is as follows.

### INTEREST RATE FOR HOUSING LOANS

| *Amount of Loan* | *Rate of Interest* |
|---|---|
| (a) For acquisition/construction of new housing units | |
| 1. upto Rs.25,000 | 12.0% |
| 2. Rs.25,000 to Rs.2,00,000 | 15.5% |
| (b) For upgradation/major repairs upto Rs.30,000 (Interest rates are exclusive of Interest Tax) | 15.5% |

### HOUSING FINANCE OF COMMERCIAL BANKS 1979 TO 1990-91

***Disbursement of Housing Finance by Scheduled Commercial Banks***

| *Year* | *Total Allocation for Housing Finance* | *Direct Advances* | *Indirect Advances* | *Total Advances* | *% of Total Advances to Total Allocation* | *% of Direct Advances to Total Advances* |
|---|---|---|---|---|---|---|
| 1979 | 75 | 7.69 | 40.30 | 47.99 | 63.99 | 16.02 |
| 1980 | 75 | 11.22 | 53.93 | 65.15 | 86.87 | 17.22 |
| 1981 | 100 | 7.81 | 58.18 | 65.99 | 65.99 | 11.84 |
| 1982 | 100 | 6.81 | 82.07 | 88.88 | 88.88 | 7.66 |
| 1983 | 150 | 8.25 | 80.96 | 89.21 | 59.47 | 9.25 |
| 1984 | 150 | 19.41 | 138.20 | 157.61 | 105.07 | 12.32 |
| 1985 | 150 | 11.98 | 135.31 | 147.29 | 98.19 | 8.13 |
| 1986 | 150 | 21.69 | 164.52 | 186.21 | 124.14 | 11.65 |
| 1987 | 150 | 23.88 | 170.55 | 194.43 | 129.62 | 12.28 |
| 1988 | 225 | 20.08 | 217.13 | 237.21 | 105.43 | 8.47 |
| 1989-90* | 332 | 41.61 | 348.80 | 390.41 | 117.59 | 10.66 |
| 1990-91* | 402 | 105.97 | 399.64 | 505.61 | 125.77 | 20.96 |

*Note: Figures are provisional*

* *April-March*

## 3. HOUSING FINANCE COMPANIES

Housing Finance Companies (HFCs) are the latest entrants to housing finance with the focus on middle and low income groups. Loans are extended for construction of the houses as well as for undertaking repairs and additions to existing houses. HFCs also lend to corporate sector for construction of houses for its employees as well as for integrated land development and shelter projects by public agencies, professional developers and co-operative housing societies.

Before the formation of NHB, housing finance companies were part of the non-banking financial companies. Following the setting up of NHB, guidelines have been laid down for formation of housing finance companies.

### NHB GUIDELINES

NHB has evolved the following guidelines for promotion of housing finance companies (HFCs) in the private and joint sectors. Only those HFCs which conform to these guidelines would be eligible for financial support from NHB.

-> HFCs should be a public limited company formed with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes. It should be engaged only in financial activity,75% of its lending should be by way of loans for housing.

-> HFCs' total external borrowings whether by way of deposits, issue of debentures/bonds, loans and advances from banks or from financial and other institutions but excluding any loan obtained from NHB, should not exceed 10 to 15 times their Net Owned Funds (NOF), i.e., paid-up capital and free reserves less deferred revenue expenditure and intangible assets.

### RESOURCES

HFCs should mobilise resources mainly by way of deposits from households with minimal reliance on borrowings from institutions. Since housing loans are for relatively long periods, it is also necessary that there is no undue mismatch between the duration of deposits and the lending portfolio.

### REFINANCE POLICY

NHB has prescribed the following refinance policy for HFCs.

(i) HFCs will be eligible for a basic refinace limit upto five times of their NOF.

(ii) Additionally, in the case of HFCs with NOF upto Rs. 10 crores, refinance upto three times the amount of deposits may be allowed.As regards HFCs with NOF above Rs. 10 crores, additional refinance will be restricted to twice the amount of deposits.

(iii) The overall ceiling for refinance in respect of above as also any adhoc finance which may be provided, will be fifteen times of NOF.

(iv) NHB's refinance assistance for land development and shelter project will normally be restricted to 30% of the total disbursements of an HFC during a year (July-June).

(v) HFC's financial assistance under land development and shelter projects to a single borrower other than a public agency should not normally exceed 30% of its NOF.

(vi) HFC's overdues position should be in conformity with the criteria as may be fixed from time to time.

(vii) Refinance from NHB is available to the extent of 100% of loan upto Rs. 2 lakh for construction/ acquisition of new housing unit, provided its built-up area does not exceed 40 sq.mtrs. For a housing unit whose built-up area exceeds 40 sq. mtrs., but the cost (including cost of land) does not exceed Rs.2 lakhs, refinance from NHB is available to the extent of 100% of the eligible amount of loan. All loans upto Rs.30,000 for upgradation including major repairs are fully refinanced by NHB. However, refinance for this will be restricted to 25% of the total refinance to the HFC.

**LENDING NORMS**

-> The minimum and maximum amount of loan usually sanctioned by different HFCs ranges between Rs.7,500 to Rs.5 lakhs.

-> The loan amount is restricted to 65 to 80% of the value of the property and borrower's repayment capacity.

-> It normally ranges between 25 to 30 times of the borrower's monthly income.

-> The repayment period varies between 5 to 20 years.

-> The repayments are fixed on the basis of equated monthly instalments. However, in case of borrowers expecting a reasonable growth in their future income, instalments may also be allowed on a graduated basis.

**DISTRIBUTION OF HFCs**

There were 56 companies (excluding HUDCO) which have been classified as housing finance companies, as at the end of June, 1992.

NHB has so far approved 17 HFCs (excluding HUDCO) as eligible to draw refinance from it. As at the end of June, 1992, the HFCs, which have been approved for the purpose of refinance (other than HUDCO) are:-

1. AB Homes Finance Ltd.
2. Akshaya Aavas Nirman Vitta Ltd.
3. Can Fin Homes Ltd.
4. Cent Bank Home Finance Ltd.
5. Dewan Housing Development Finance Ltd.
6. Fairgrowth Home Finance Ltd.
7. GIC Grih Vitta Ltd.
8. Gujarat Rural Housing Finance Corporation Ltd.
9. Housing Development Finance Corporation Ltd.
10. Ind Bank Housing Ltd.
11. India Housing Finance and Development Ltd.
12. LIC Housing Finance Ltd.
13. Parshwanath Housing Finance Corporation Ltd.
14. PNB Housing Finance Ltd.
15. Saya Housing Finance Company Ltd.
16. SBI Home Finance Ltd.
17. Vysya Bank Housing Finance Ltd.

**4. LIFE INSURANCE CORPORATION**

The Life Insurance Corporation of India has been granting housing loans right from its inception. Over the last about 35 years it has given Rs.5500 crores as housing loans, helping creation of about 30 lakh houses. In 1964, it started the OWN YOUR HOME SCHEME. Following the announcement of the National Housing Policy and setting up of the National Housing Bank, LIC set up the LIC Housing Finance Limited (LIC - HFL) in association with UTI, ICCI and IFCI.

LIC - HFL has disbursed nearly 85000 loans for over Rs.750 crores since its inception in 1989.

**The housing loan schemes** offered by the LIC - HFL are usually backed up with life insurance cover as collateral security. This special feature helps the family of the borrower to inherit the house free of the loan in case of his unfortunate death during the term of the loan. Under one of the schemes it is possible to make only interest payments during the term of the loan and the principal amount can be paid out of the policy money when the policy matures.

Various types of life policies are available. Some of them are low premium policies. In particular, the Jeevan Griha Policy is specially designed for housing loan purposes as it offers a triple risk cover.

## LOAN SCHEMES

In order to cater to the needs of different segments of borrowers including Non-Resident Indians(NRIs) the LIC Housing Finance Limited has introduced FIVE different schemes for individual loans. In addition, there are schemes of loans to Builders, Corporate Bodies and Public Agencies.

The normal minimum loan amount is Rs.25,000/ However, in rural areas it can be as low as Rs.10,000/-.

The loans under all the schemes are available for construction of a new house/flat or for purchase of an already built house/flat or even purchase of an old house/flat which is being resold. Loans are also given for extension to houses/flats.

Loans are usually granted to persons having salary income and to those who are submitting income tax returns regularly. Usually employees of government, public sector undertakings, public limited companies and reputed private companies are eligible for the loans. In the case of private companies, it is necessary that such companies should be having PF, ESIS, etc. In respect of businessmen and professionals like doctors, lawyers, etc. income tax returns and assessment orders are necessary.

## SALIENT FEATURES OF INDIVIDUAL HOUSING LOAN SCHEMES

| NAME OF SCHEME | GRIHA PRAKASH | GRIHA TARA | GRIHA JYOTI | GRIHA SHOBHA | GRIHA LAKSHMI |
|---|---|---|---|---|---|
| 1. PURPOSE | Loans are available under all the schemes for: (1) Construction of new house/flat. (2) Purchase of an already built (even old) house/flat. (3) Extension to a house. (4) But not for repairs / renovation. | | | | |
| 2. AMOUNT OF LOAN | Rs. 25,000 to Rs. 5,00,000 Not exceeding 75% of value of the property. 80% if loan is upto Rs.1 lakh | Rs. 25,000 to Rs. 5,00,000 Not exceeding 75% of value of the property. 80% if loan is upto Rs.1 lakh | Rs. 25,000 to Rs. 1,00,000 Not exceeding 85% of the property. | Rs. 25,000 to Rs. 1,00,000 Not exceeding 75% of the value of the property. | Rs. 1,00,000 to Rs.10,000,000 of the property value. |
| 3. RATE OF INTEREST | 25000 12.0%<br>25001-300000 16.0%<br>300001-500000 16.5% | 25000 12.0%<br>25001-300000 16.0%<br>300001-500000 16.5% | 25000 12.0%<br>25001-100000 16.0%<br>300001-1000000 16.5% | 25000 12.0%<br>25001-300000 16.0% | 100000-300000 17.0%<br>300001-1000000 17.5% |
| 4. MAXIMUM TERM OF LOAN | 20 yrs OR Retirement OR age 65 years whichever comes | 20 yrs OR Retirement OR age 65 years whichever comes earliest | 20 yrs OR Retirement OR age 65 years whichever comes earliest | 15 yrs OR Retirement OR age 65 years whichever comes earliest | 15 yrs OR till age of 70 yrs OR Retirement age whichever comes earliest |
| 5. MODE OF REPAYMENT | 1. Equated Monthly Instalments OR<br>2. Through Policy Proceeds OR<br>3. Combination of both | 1. Equated Monthly Instalments | 1. Equated Monthly Instalments | 1. Equated Monthly Instalments | 1. Equated Monthly Quarterly Half yearly Instalments |

for independent single-family or multiple-family bungalows and row houses for immediate occupation. The company also provides financial assistance for repairs and extensions to existing homes.

## APPLICATION FOR LOANS

An individual who seeks loan for housing from the HDFC has to submit an application from that can be collected from the HDFC office spread all over India on the payment of Rs.10.

## PROCESSING FEES

HDFC charges a processing fee of 0.8% of the loan amount applied for at the time of submitting the application forms.

For example

| *Loan applied for* | *Processing fee* |
|---|---|
| Rs.15,000 | Rs.120 |
| Rs.80,000 | Rs.640 |

The processing fee covers all the expenses that the company may incur in the course of processing the application form such as making enquiries that the company deems necessary. Any other out-of-pocket expenditure incurred by the company would be recovered from the applicants.

Documents that an individual has to submit along with his/her application form:

1. The applicant, if he seeks financial assistance for acquisition of residential accommodation[1] from any other source, will have to state the source and the repayment terms.
2. Allotment letter and the bye-laws of the co-operative society/association of apartment owners.
3. Copy of approved drawings of proposed construction/purchase/extension.
4. Agreement for sale/detailed cost estimate from the dwelling unit/dwelling unit to be extended/improvements to be undertaken.
5. If the applicant's job is transferable the permanent address of the applicant where the correspondence with the applicant can be made.
6. Any other information regarding the applicant's repayment capacity that is necessary and would assist HDFC in appraising the applicant's case.

Besides, employed applicants have to submit:

(a) Verification of employment form with only Part-I filled.

(b) Latest salary slip/certificate showing all the deductions.

Those who are unemployed or self-employed have to submit:

(a) Balance sheets and profit and loss accounts of the business/profession along with the copies of individual income tax returns for three years certified by a chartered accountant.

(b) A note on the nature of business/profession, form of organisation, clients, suppliers, etc.

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*1. Sudhamanagar, near HAL III stage, has risen from the ruins of a slum. Its "metamorphosis" from a slum to a "layout", however, had its problems.*

*The special feature is that the residents have built their houses themselves without involving contractors or labour from outside. They have used soil-stabilised bricks made by themselves and adopted low-cost technology. Each house has been uniquely built and the construction costs vary from Rs.5000 for a 200 sq.ft. house to Rs.25,000 for a 435 sq.ft. house.*

*The 6.04 acres of land which originally belonged to HAL, was procured by the local Indira Harijana Seva Sangha (IHSS) in 1976. It now houses about 300 families.*

Interest rates are calculated annually. Principal repayments are credited at the end of HDFC's financial year.

**PERIOD OF REPAYMENT**

The period of loan given by HDFC is normally in the range of 5 to 20 years. Repayment would not extend beyond the age of retirement of the individual or on his reaching 65 years whichever is earlier.

**STEP UP REPAYMENT FACILITY (SURF)**

Under this scheme the HDFC offers loans which take into account the individual's future repayment capacity for his/her overall rcpayment capacity. Repayment according to this scheme will be in equated monthly instalments calculated on the basis of annual rests and comprising principal and interest. These instalments would be stepped up during the term of the loan with the expected increase in the repayment capacity of the individual and remitted to the HDFC.

**TELESCOPIC LOAN PLAN**

Under this scheme HDFC advances loans to individuals for a period of 30 years. Loans will normally not exceed Rs.2,50,000 per unit to any individual.

The repayment schedule of the individual would be reviewed by the HDFC regularly and the repayment term reduced to give effect to the enhancement of the borrower's repayment capacity. The frequency of the review and the consequent revision in repayment terms will be at the sole discretion of the HDFC and the individual will be bound by the decision of HDFC in this regard. Individuals who feel that they can pay higher instalments could approach HDFC at any time during the tenure of the loan, for a review of the existing instalment and term.

Under the telescopic loan plan an individual not only gets a larger amount of loan than in the normal facility but also needs to pay relatively lower EMIs at the commencement of the term. Thus he will be saving on the total amount of interest.

**SHORT TERM BRIDGING LOAN FACILITY**

This scheme assists an individual to move out of his present house to a bigger, better and more convenient house. Thus he can tide over the crisis of not being able to move out because of the lack of funds to buy a new house and inability to sell the existing house as he cannot vacate it.

Under this scheme an individual can borrow up to 85% of the value of the existing house subject to a maximum of Rs.2.5 lakhs. The value of the house will be determined by the HDFC. Simple interest will be charged at the rate of 15.5% per annum. This will be payable every calendar month by the end of the month and will commence immediately after disbursement. The Short Term Bridging

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*Having acquired the land, the residents of Sudhamanagar, were forced to mobilise finance for the construction of houses. AVAS, a voluntary social service organisation, intervened and in 1992 convinced the Housing Development Fiunance Corporation (HDFC) to extend loans on an individual basis to 232 families in the locality. This was the first time HDFC, Bangalore, had given soft loans to urban poor.*

*HDFC, Bangalore, initially hesitated to extend loans to the residents of Sudhamanagar but later went ahead with AVAS acting as guarantors. HDFC clarified to the beneficiaries that this was "not another loan mela and that they are required to repay the loan." He said the beneficiaries understood this condition and showed enthusiasm in making the monthly remittances on time. Some of them even came forward to make accelerated payment and this was a very encouraging trend, he said. Proper shelter has changed the social dimensions of Sudhamanagr. Literacy, employment, adoption of family planning, general hygienic and domestic savings have improved, while infant mortality, alcoholism and cases of communicable diseases have shown a considerable decline.*

Loan is available for terms ranging from six months to 24 months. The loan will be repayable in one lump sum or in instalments at the end of the given term or earlier, but definitely at the time when the existing house has been sold.

The HDFC can also help the individual sell the existing house through its Property Selling Group.

### SECURITY FOR LOAN

Security for loan advanced by HDFC is a first mortgage of the dwelling unit to be financed normally by way of deposit of title deeds and/ or such other collateral security as may be necessary. In respect of a dwelling unit under construction, interim security may be required. The collateral or interim security may be assignment to HDFC of life insurance policies, the surrender value of which are at least equal to the loan amount, guarantees from sound and solvent guarantors, pledge of shares and such other investments acceptable by HDFC. HDFC also prefers individuals to ensure that the title to the house is clear, marketable and free from encumbrances.

### REPAYMENT OF LOAN

Repayment of loan given by HDFC is Equated Monthly Instalments (EMI) comprising principal and interest. Repayment by way of EMI commences from the month following the month in which the final disbursement was made. Until then, the individual needs to pay interest on the portion of loan disbursed. This is payable every month after the date of each disbursement up to the date of commencement of EMI. This interest is called pre-EMI interest.

### DISBURSEMENT OF LOAN

HDFC disburses the loan immediately after the house has been technically apprised, all legal documentation has been completed and the applicant has invested his own contribution in full (total cost less HDFC's loan). The loan will be either disbursed in full or in instalments (normally not exceeding three in number) taking into account the progress of construction and the requirements of funds as assessed by HDFC and not necessarily by the builder's agreement.

### ADMINISTRATIVE FEE AND COMMITMENT CHARGE

HDFC charges an administrative fee from the applicant which is 1% of the company's offer of loan after the loan has been sanctioned. The company also charges a commitment fee of 1% per annum on the undrawn amount of loan commencing six months from the date of offer of the loan.

## OTHER LOANS ADVANCED BY HDFC

### HOME IMPROVEMENT LOANS

Home Improvement Loans work out just like the other loans given by HDFC. The home improvement that HDFC usually finances are:

(a) External repairs.

(b) Waterproofing and roofing.

(c) Plumbing and electrical works.

The loan amount will generally not exceed Rs. 1,00,000 or 70% of the cost of the improvements whichever is lower. The interest rates applicable for the loans in this scheme are as follows:

Up to Rs.30,000 - 15.5%.

Above Rs.30,000 - 16%.

This scheme too works out relatively in the same fashion as the other home loans of HDFC.

## LOANS FOR NRIs

HDFC has also begun certain services for Non-Resident Indians. The company accepts deposits from NRIs under the individual deposit scheme. Besides the company's Property Services Group would also evaluate the reliability of the developer of the residential project in which the NRI is interested, pursue legal documents concerning the property, etc.

## PROCEDURE FOR OBTAINING LOAN

Non-Resident Indians applying for loans from HDFC will have to submit an application for loan at the office of HDFC and pay a fee of 2% of the loan amount applied for. This fee is non-refundable.

## REQUIRED DOCUMENTS

Xerox copies of

(a) Employment contract (if the contract is in a language other than English, an English language translation of the same attested by the embassy/employer should be given).

(b) Latest salary slip.

(c) Receipts for payments made for purchase of the house.

(d) Agreement of sale/detailed cost estimates and plans from architect.

(e) Latest work permit.

(f) Identity card issued by current employers.

(g) Visa stamped on the passport.

(h) Continuous discharge certificate (if applicable).

## POWER OF ATTORNEY AS PER HDFC's DRAFT.

Name and address of local contact with whom correspondence relating to the loan application can be made.

Moreover, the Reserve Bank of India has prescribed some guidelines that HDFC follows while granting loans to NRIs. They are:

(a) The loan amount shall not exceed 75% of the total cost of the house.

(b) Applicant's own contribution(i.e., difference between the total cost of the property and the housing loan from HDFC) towards the cost of the house should be met from remittances from abroad through normal banking channel or out of the non-resident account in India.

Persons of Indian origin holding foreign passports will not be eligible for a loan from HDFC.

HDFC also offers loan facility to those who have made deposits with the company's two deposit schemes namely the Individual Deposit Scheme and Monthly Income Plan.

For employee-owned housing, HDFC offers the Line of Credit facility which involves an arrangement with a company under which HDFC grants loans to individual employees nominated by the company, with the company guaranteeing the loans. Under the Line of Credit Scheme, employees can obtain housing loans on terms more liberal than those applicable to the general public.

For employer-owned housing, HDFC gives loans to companies for construction or purchase of new houses for the use of their employees.

## BENEFITS TO THE SHAREHOLDERS

HDFC offers special benefits to the shareholders who have acquired shares at the time of HDFC's offer to public in 1977, 1987 and 1991 and those who have been allotted shares under the Rights Issue in 1987, 1990 and 1991.

The special benefits to the share holders are:

A preferential treatment in obtaining loan. An interest concession of one-half of one per cent on the normal lending rate of the Corporation on a portion of the loan equivalent to ten times the nominal value of the shares held by the relevant shareholders.

These special benefits to the shareholders would be available provided the nominal value of the shares held at the time of loan application is processed and on transfer of these shares, the interest concession will cease from the beginning of the financial year of HDFC during which transfer is effected.

## MAJOR LOAN SCHEMES — AT A GLANCE

| *S. No.* | *Name of Lending Institution* | *Category of Beneficiary* | *Cost Ceiling* | *Loan Ceiling* | *Rate of Interest (%)* | *Repayment Period (years)* | *Monthly Instalment %* |
|---|---|---|---|---|---|---|---|
| 1. | HUDCO | EWS | | | | | |
| | | (Income upto Rs. 1250 per month | | | | | |
| | | RURAL | | | | | |
| | | Landless | 15200 | 11500 | 9 | 15 | 10.14 |
| | | Landed | 26400 | 19500 | 9 | 15 | 10.14 |
| | | Village Abadi | 4800 | 4800 | 9 | 11 | 11.96 |
| | | URBAN | | | | | |
| | | EWS House | 26400 | 19500 | 9 | 15 | 10.14 |
| | | Repairs/Additional | 13200 | 9500 | 9 | 10 | 12.67 |
| | | LIG | | | | | |
| | | (Income Rs. 1250-2650) | | | | | |
| | | RURAL - URBAN | | | | | |
| | | LIG House | 60000 | 42000 | 13 | 10/15 | 12.00 |
| | | Repair / Addition | 30000 | 21000 | 13 | 10 | 14.35 |
| | | MIG | | | | | |
| | | (Income Rs. 2650-4450) | | | | | |
| | | RURAL URBAN | | | | | |
| | | MIG House | 2,10,000 | 1,15,000 | 15.5 | 10/15 | 13.66 |
| | | Repairs / Additional | 1.02,000 | 55,000 | 14.5 | 10 | 15.83 |
| | | HIG | | | | | |
| | | Monthly income above Rs. 4500 | | | | | |
| | | RURAL URBAN | | | | | |
| | | HIG House | — | 2,00,000 | 16.5 | 15 | 15.04 |
| | | Repairs / Additional | — | 1,00,000 | 16.5 | 10 | 17.06 |
| | | Plotted Development | | | | | |
| | | EWS Serviced sites | 9000 | 7500 | 9.00 | 15 | 10.75 |
| | | Working women Hostel | No limit | No limit | 13.50 | 10 | 14.00 |
| | | Housing Cooperation | As per URBAN HOUSING NORMS | | | | |
| | | Slum upgradation Environment improvement | AS per URBAN HOUSING NORMS subject to maximum loan of Rs.4000/- per family | | | | |

| *S. No.* | *Name of Lending Institution* | *Category of Beneficiary* | *Cost Ceiling* | *Loan Ceiling* | *Rate of Interest (%)* | *Repayment Period (years)* | *Monthly Instalment %* |
|---|---|---|---|---|---|---|---|
| 2. | Scheduled | | Upto - 7500/- | | 11.5 | | |
| | Banks | | 7501 - 15000 | | 13.0 | | |
| | Commercial | | 15001 - 25000 | | 13.5 | | |
| | Banks | | 25001 - 50000 | | 15.5 | | |
| | Urban | | 50001 - 100000 | | 16.5 | | |
| | Banks | | above 100000 | | 16.5 | | |
| | Cooperative Banks | | above 200000 | | 19.0 | | |
| | Housing Primary | | Upto - 7500/- | | 10.0 | | |
| | Co-operative | | 7501 - 15000 | | 11.5 | | |
| | Apex Co-operative | | 15001 - 25000 | | 13.5 | | |
| | Housing Primary | | 25001 - 50000 | | 15.0 | | |
| | Co-op land development | | 50001 - 100000 | | 15.5 | | |
| | banks/housing | | above 100000 | | 16.0 | | |
| | Finance Companies | | | | | | |
| | like HDFC, LIC | | | | | | |

*CHAPTER-IX*

# EXCLUSIVE USER OF RESIDENTIAL HOUSE

*CHAPTER-IX*

# EXCLUSIVE USER OF RESIDENTIAL HOUSE

One of the important exemptions under the Wealth-tax Act, 1957 is the deduction in respect of one residential house. When the levy of wealth tax was shifted to unproductive assets only, the aforesaid exemption contained in the erstwhile Sec. 5(1) (iv) was withdrawn by the finance Act 1992 with effect from April 1, 1993. Pursuant to representations, the exemption was restored under a new Sec, 5(1) (vi) with effect from April 1, 1994. This exemption is in respect of one house or part of a house belonging to an individual or a Hindu Undivided Family. This exemption is in addition to the basic exemption of Rs.15 lakhs. Recently the Madras High Court in Commissioner of Wealth-tax v V.T. Ramalingam 1994, 75 Taxman 118 had to consider the scope of this exemption particularly with reference to the user condition.

## RAMALINGAM's CASE

Mr. Ramalingam, his brothers and father owned and enjoyed a house property. They claimed exemption under Sec. 5(1) (iv) of the Wealth-tax Act. The assessees had not put forward any claim that at least a portion of the house, referable to their shares were in their occupation for residential purposes. This claim for exemption was allowed in the original assessment but withdrawn later on pursuant to audit objection. On appeal, the AAC held that the assessees were entitled to the benefit of exemption under Sec. 5(1) (iv). The Tribunal held that the assessees were entitled to the benefit since the assessees had a right to reside in the property as co-owners irrespective of whether the assessees actually used it for their residence. The matter reached the High Court.

## RIVAL CONTENTIONS

The assessees submitted that as owners of parts of the property, they were, as a matter of right, entitled to reside therein and that would be sufficient to enable them to claim the benefit of exemption under Sec. 5(1)(iv). Strong reliance was placed upon the decisions in CWT v B M Bhandari (1980) 123 ITR 554 (AP), CWT v Smt. Vimalabai Kantilal Porwal (1983) 141 ITR 484 (MP), and CWT v K Ramachandra Chettiar (1983) 141 ITR 771 (Mad.). In addition, the assessees also relied on a Board circular in E.No.10/69 of 1969-WT, dated August 26, 1969, to the effect that, having regard to the difficulties that may arise with regard to the grant of relief under Sec. 5(1)(iv) in cases of property wherein two or more co-owners reside jointly, the exemption under Sec. 5(1)(iv) should be allowed in the individual assessment of the co-owners separately so long as the property is not used for any purpose other than residence of the co-owners. Referring to and relying upon the decisions in Rajan Ramkrishna v CWT (1981) 127 ITR 1 (Guj.) and K P Varghese v ITO (1981) 131 ITR 597 (SC), the assessees submitted that even if the circular departed from what otherwise would be a correct or proper interpretation of the provision of Sec.5(1)(iv), such a circular being contemporanea exposition, would be legally binding on the revenue which would justify the exemption granted to the assessees under Sec. 5(1)(iv).

The revenue contended that it had not been established by the assessees that those parts of the house were exclusively used by the assessees for residential purposes and, therefore, the tribunal was not justified in granting the benefit of exemption to the assessees under Sec. 5(1)(iv).

## COURT DECISION

The Madras High Court held that it is not sufficient if merely the right to reside is established but the assessee must satisfy the other condition, namely, exclusive user for residential purposes. The Court observed that it was not acceptable "that a house property, portions of which were owned by the assessees, in an undivided state, could have been exclusively used by the assessees for residential purposes as contemplated by the latter part of Sec. 5(1)(iv). Under Sec. 5(1) (iv), 'subject to the provisions of Sub-sec, (1A), the wealth-tax shall not be payable by an assessee in respect of the following assets, and such assets shall not be included in the net wealth of the assessee - .....(iv) one house or part of a house belonging to the assessee and exclusively used by him for residential purposes." From Sec.5(1)(iv) extracted above, it is manifest that the availability of the exemption thereunder is inextricably linked to and bound up with ownership of the assessees to parts of a house and the user of what is owned by them for residential purposes only. Regarding the ownership of the assessees to parts of the house, there cannot be, and indeed there was not, any controversy. Therefore, one of the requirements under Sec. 5(1)(iv) to claim the benefit of exemption had been fulfilled by the assessees.

However, the circumstance that parts of the house belonged to the assessees would not by itself enable the assessees to claim the benefit of exemption under Sec.5(1)(iv) unless the assessees also establish that parts of the house so owned by them were exclusively used by them for residential purposes. The use of the word 'and' between the words 'one house or part of the house belonging to the assessee' and exclusively used by him for residential purposes would clearly establish that only on a cumulative fulfilment of ownership by the assessee of a part of the house and the exclusive user of what is owned, by the assessee, for residential purposes, would enable the assessee to claim the benefit of exemption. The provision granting exemption has to read thus: "If house belongs to the assessee and that house is exclusively used by the assessee for residential purposes, then he would be entitled to the benefit of exemption under Sec. 5(1)(iv). Likewise, if a part of the house belongs to the assessee, then that part of the house belonging to the assessee must have been exclusively used by the assessee for residential purposes. Thus looked at, before the benefit of the exemption under Sec. 5(1)(iv) could be claimed, the twin requirements of ownership of the part of the house and the user by the assessee of the part so owned, exclusively for residential purposes have to be satisfied."

## FAMILY NOT EXCLUDED

The Court observed that "the exclusive user by the assessee for residential purposes contemplated under Sec. 5(1) (iv) cannot be so constructed as to postulate the user by the assessee only, for residential purposes, for, when the purpose is stated to be residential, the assessee could use the house or the part of the house owned by him as a residence not only for himself but also for the other members of his family. It could not have been completed that, in order to get the benefit of exemption, the assessee was expected to lead alone the life of an ascetic or recluse, away from all the members of his family. Implicit in the use of the expression 'residential purposes' is the idea that the assessee could live with the members of his family, but such user should be personal user for residence and not a commercial or non-residential user. Merely because the assessee uses the house or part thereof with the members of his own family for residential purposes, such user is not any the less exclusive, so far as the assessee is concerned. Thus, the availability of exemption under Sec. 5(1)(iv) is related to the ownership of a part of the house in this case, and also the user of what is so owned, by the respective assessess, in the particular manner indicated by Sec. 5(1)(iv).

## BOARD CIRCULAR

On a due consideration of the several decisions referred to by the counsel *on both sides*, the Court held that the reliance placed by the assessee on the circular cannot pre-empt a judicial interpretation of Sec.5(1)(iv) with reference to its constituent requisites and, in any event, such *circulars*, *being* purely administrative in nature, cannot bind either the tribunal or this Court in the matter of interpretation of the provisions of Sec. 5(iv).

One may recall that the words "and exclusively used by him for residential purposes," which weighed so heavily with the Court in coming to its conclusion, was deleted from Sec. 5(1)(iv) by the Finance (No 2) Act, 1971 with effect from April 1, 1972. However, one finds that the same words have been used in Rule 3 of Schedule III of the Wealth-tax Act which deals with the valuation of immovable properties. According to the third proviso to Rule 3, an assessee is entitled to the concessional valuation in respect of one residential house 'exclusively used by him for residential purposes' eventhough the cost of the said property is greater. The decision of the Madras High Court may come into play in interpreting this proviso.

*CHAPTER-X*

# LOAN REPAYMENT TO HOUSING BOARD : LIABILITY U/S 88

*CHAPTER-X*

# LOAN REPAYMENT TO HOUSING BOARD : LIABILITY U/S 88

**Q:** *I recently acquired a flat from the Tamilnadu Housing Board under its hire purchase scheme. I started making payments towards principal and interest during 1993-94. Under the Chapter on rebate of income-tax in the book 'How to Compute Your Taxable Income' published by the Income-tax Department payment made towards the cost of a residential house by way of instalment or part payment to Housing Board, Co-operative Society, etc. is among the qualifying items for rebate under Sec. 88. (The Book is dated 1992). When I sought confirmation of this provision from the P.R.O., the Income-tax Department, he told me, after checking up with the concerned officials, that a Board circular rules out instalments to housing boards for tax rebate. The ownership of the flat does not vest with the allottee until he has paid the last instalment and hence he is not eligible for the rebate, the PRO explained. Could you clarify the correct position. In such a situation if an allottee happens to inherit a house also could he be deemed to own only one residential unit legally?*

**A:** Sec. 88(1)(xv) authorises rebate on repayment of loan for purchase or construction of a residential house property. And the very first clause refers to payment of "any instalment or part payment of the amount due under any self-financing or other scheme of any development authority, housing board or other authority engaged in the construction and sale of house property on ownership basis." Hence, the payment made by you is quite inconsistent not only with the Department's own publication but also strictly in accordance with the law. The reasoning that has been suggested as explained by the PRO appears to be that the purchase should have actually been made and that property registered in the taxpayer's name before you become eligible for rebate under Sec. 88(1)(xv). 'Purchase' has been explained in a different context with reference to use of the same word for reinvestment benefit for capital gains tax under Sec. 54 by the Supreme Court in the case of CIT v. T.N. Aravinda Reddy (1981) 120 ITR 46 as not a legal term and that it need not mean that it is only a purchase covered by a registered sale deed. At any rate, the explanation is laboured one and does not appear to be consistent with the Board's own view of the matter. The claim is in order and the taxpayer will be justified in filing an appeal and also move the higher authorities for administrative remedy.

As for the second question, the right to relief is not denied merely because the taxpayer might have inherited another house, as it is not a pre-condition for rebate under Sec. 88(1)(xiv) that he should not own any other house.

*CHAPTER-XI*

# REBATE ON REPAYMET OF BORROWINGS

*CHAPTER-XI*

# REBATE ON REPAYMENT OF BORROWINGS

**Q** : *I would like to draw you attention to the article appearing in these columns of July 28 by Mr. R. Anand and Mr. S. Vijayaraghavan on housing loan interest and Section 88 rebate and request Clarification on the following points.*

*According to the latest provisions in the Income-tax Act, in respect of let out property, the unabsorbed interest payment on capital borrowed for construction or acquisition of the property is to be carried forward as loss for assessment years 1993-94 and 1994-95 and the carried forward loss adjusted in 1995- 96 and 1996-97 against the other heads of income. No carry forward is perusable beyond assessment year 1996-97.*

*The repayment of capital is always a small sum compared to the interest portion in the case of equated monthly instalments stipulated by any leading agency such as the HDFC.*

*I would like to be advised whether the spirit of the Pune Appellate Tribunal's decision in the case of Krishnan Kuppuswamy v ITO [1994] reported in 74 Taxman 289 can be applied to let out property as well and if so, where the principal repaid is short of Rs. 10,000, the difference between Rs. 10,000 and actual repayment to the extent of shortfall can be claimed out of the interest portion for rebate under Sec. 88 and the balance of interest carried forward as loss to be set off in subsequent years.*

**A:** The reader's understanding of the provisions of law relating to set of loss from property is correct. However, his inference that no carry forward is permissible beyond assessment year 1996-97 is based on the fact that the law has not made a specific permissive provision in this regard. There is no prohibition.

If there be unabsorbed loss from property, the right to carry forward and adjustment in assessment year 1995-96 should ordinarily mean that such write of does not become barred for later years if one were to go by the words used in Sec. 71A that the loss unabsorbed in assessment year 1995-96 will be set off in the assessment year commencing on April 1, 1986 against the income under any other head.

The singular word 'year' can be understood to include plural and that the unabsorbed loss can be set off for any assessment year even in a later year. It is presumed that such an interpretation will be acceptable to revenue, though the issue is premature now.

As for the cited decision of Pune Bench of the Income-tax Appelate Tribunal in the case of Krishnan Kuppusamy v ITO (1994) 75 Taxman 289 (Case Digest/ITAT) it has been held that a tax payer, who is entitled to deduction of interest exceeding the ceiling amount of Rs. 5,000 admissible as a deduction from income of self-occupied property, can treat the excess of interest over Rs. 5,000 as principal amount so as to get the benefit of deduction under Sec. 80C(2)(h), (now replaced by tax rebate under Sec. 88(2)(xv) on such excess). The decision reported with lightning speed by Mr. Anand and Mr. Vijayaraghavan in the The Hindu has created wide interest especially in the light of the understanding in these columns that interest can be considered only under Sec. 24 and that only repayment of principal amount can fall for consideration under Sec. 80C/88.

It is a welcome decision for the taxpayers borrowing moneys for construction or acquisition of property without being able to dictate to the lending agency a plan for repayment which would give them maximum benefit of deduction as well as rebate by splitting up of the instalments as between principal and interest from the tax point of view. The decision of the tribunal would give the taxpayer the same maximum benefit without any such beneficial interpretation unless accepted by Revenue and is bound to be a matter of contention and dispute. But the tribunal decision would take away the risk to a taxpayer of additional tax under Sec. 143(1A) where a claim is based on the tribunal's decision because no disallowance prima facie adjustment. But then interest on short-payment of tax will be unavoidable if a contrary view is finally found to be correct.

Since the tribunal's decision is a reasonable one and is likely to benefit a large number of small taxpayers trying to find some tax shelter, when they go for a roof over their head, the Income-tax Department may well accept this interpretation by a public circular if it wants to avoid litigation which would arise on a spate of claims which will now be made on the basis of the tribunal's decision.

*CHAPTER-XII*

# INCOME FROM HOUSE PROPERTY : TENANT'S BURDEN

*CHAPTER-XII*

# INCOME FROM HOUSE PROPERTY : TENANT'S BURDEN

**Q :** *While computing the income from house property, rent received from the tenant was taken as annual value after deducting municipal taxes paid and lift maintenance charges (electricity and other repairs, but excluding depreciation), the latter being the tenant's obligation undertaken by the owner. The provision of lift was mentioned in the lease agreement. The return was filed accordingly. But the Income-tax Officer disallowed the claim for lift maintenance charges and issued intimation under Sec. 143(1)(a) levying additional tax of 20 per cent. The claim was based on the Calcutta High Court's decision in CIT v Sreelekha Bannerjee (1989) 179 ITR 46 and also as per the chart given in page 153 of 'Income-tax Laws and Practice' by Dr. H.C. Mehrotra and Dr. S.P. Goyal, fourteenth edition, 1993. Is the ITO's action correct? Would it be different if the lease agreement is silent about provision of lift?*

**A :** The reader is right in his view that in computation of income from property the value of amenities undertaken by the landlord should be reduced from the gross rent from the property. In other words, it is only net rent which has to be treated as annual letting value [ALV]. The gross rent that has been received has to be split up between the value of the service and the rent relatable to the property. It is only the latter which is liable to be treated as ALV. The following passage from page 1277 of Sampath Iyengar's "Law of Income-tax" Eighth Edn., Vol. makes this position of law clear.

"The tenant's obligation undertaken by the owner, if any. The covenants in a lease may be the other way too. The landlord may undertake to bear the tenant's obligation, as, for instance, payment of electricity bills for fans and lights on the premises and used by the tenant. In such a case, the defecate rents paid would have to be stepped down in to arrive at the reasonable rent or annual value.

A further passage relating to furnished premises at page 1279 is a also to the point:

In cases where the premises are let furnished, the annual value must be determined exclusive of the furniture. A portion of the rent attributable to the furniture must come out and be taxed separately either under the head 'profits' and 'gains of business' or under the head income from the other sources - Salisbury House Estate Ltd. v Fry 15 TC 266(HL). The 'furnished rent' or the composite rent must be disintegrated, and it is only that part of it which is attributable to the hereditaments that would form the annual value. Investments Ltd. v Sweet 23 TC 388; CIT v Gwalior Commercial Co. Ltd. (1993) 141 ITR 930 (Cal.) (expenditure incurred by owner on air conditioner, furniture and fans to be left out of account)."

The decision referred to by the reader is a case of computation of property income based on municipal valuation. In CIT v Sreelekha Bannerjee (1989) 179 ITR 46 (Cal.), salary paid to care taker was not found admissible because the income was computed not on the basis of actual rent but on the alternative basis enjoined by law, that is, municipal valuation. The municipal valuation depends on reasonable rent expected from the property and does not take into consideration any extra services which may be included in the rent. Hence, the claim for lift maintenance charges was actually disallowed in the Sreelekha Bannerjee's case. The deduction of tenant's burden would arise only when the actual rent is made the basis of assessment.

The issue raised by the reader does not admit of any controversy. Where the such service is mentioned in the lease agreement, the disallowance made by the Assessing Officer can be successfully resisted in appeal. Where the lease agreement is silent, it will be necessary for the taxpayer to prove his obligation by other means like local custom or the practice adopted for the past many years spelling out an implied agreement.

*CHAPTER-XIII*

# REDEMPTION OF HOUSING LOAN : ADMISSIBILITY OF REBATE

*CHAPTER-XIII*

# REDEMPTION OF HOUSING LOAN : ADMISSIBILITY OF REBATE

**Q :** *In the Hindu, dated July 28, it was published that rebate under Sec. 88 of the Income-tax Act in respect of repayment of loan and interest obtained from a Government agency can be availed of. But when the Income-tax-return was submitted in February, 1994 while claiming the salary for February, 1994 as per rules, the disbursing officer (DO) for passing the pay bills refused to accept the rebate under Sec.88 of the Income-tax Act on the plea that since the house rent allowance (HRA) is exempted under the Income-tax Rules, the individual cannot avail himself of the concession, that is, the rebate under Sec.88 for repayment of house building advance and interest on such loans. I presume that this is not correct as per rules.*

*I therefore request you to clarify through your column the following point :*

*Whether a government servant can avail himself of the rebate under Sec.88 (repayment of housing loan and interest on such loans) in addition to the exemption of HRA under the Income-tax Rules. Kindly clarify.*

**A :** The rebate under Sec.88 is available in all cases where there is repayment of housing loan during the year, if the property for which the housing loan is obtained has been acquired or completed during the year as long as the loan is from the source specified under Sec.88. In the case of the reader these conditions are apparently satisfied. He is, therefore, entitled to the rebate.

Ordinarily, he is liable to pay tax on HRA if he is occupying the property in view of explanation to Sec.10 (13A). Apparently, he is occupying a different house and he is given allowance by way of reimbursement of rent actually incurred by him in excess of ten per cent of salary but not exceeding 40/50 per cent as provided in Rule 2A of the Income-tax Rules. The fact that the employee may be getting the house rent allowance is irrelevant for consideration of the claim for rebate. HRA is treated on its merits, whether fully taxable in the hands of the person living in his own house or partially taxable when it exceeds the limits for exemption. When an employee lives in a rented house different from the one for which he has obtained loan, he may get his HRA exempted, while he can get rebate on the repayment of principal amount. Interest element in such repayment would get deducted in computation of property income. These are all different things and cannot be linked with each other.

Unfortunately your DO appears to presume that there is some kind of double deduction in such claim and has disallowed the same without appreciating the correct position of law. The reader is not a lone victim of such confused view on the part of disbursing officer. If he insists on such deduction, the correct position of law may be brought to his notice. If he still persists, the only remedy is to file a return and claim the refund of extra tax deducted in due course.

*CHAPTER-XIV*

# HOUSING PROGRAMME OF A CHARITABLE INSTITUTION

*CHAPTER-XIV*

# HOUSING PROGRAMME OF A CHARITABLE INSTITUTION

**Q :** *I am asking for a clarification on behalf of the Palam Rural Centre of Tirupur, a write-up regarding which appeared in the Hindu dated February 1, 1981. this is an institution registered under the Tamil Nadu Societies Registration Act, 1975 for the development and welfare of economically and socially backward classes of people and artisans. It has taken up a permanent housing scheme for rural artisans and has distributed houses to 54 families of poor artisas and they have also been occupied. Registration is yet to take place. The artisans are to pay stamp duty but we are apprehensive of gift-tax. Kindly advise.*

**A :** It has not been stated whether the institution has been registered under Sec.12A of the Income-tax Act. Presumably the objects of the institution as registered under the Societies Registration Act could be treated as for general public utility and, therefore, acceptable as a charitable institution within the definition of charitable purposes under Sec.2 (15) read with Sec.11 to 13 of the Income-tax Act. Prima facie, it appears from the activities mentioned that it may qualify for exemption on the basis of the decision of the Supreme Court in the case of Victoria Technical Institute v CIT (1991) 188 ITR 57. However, if the objects are not so worded as to make it eligible for exemption, it is better that the objects and the other bye-laws are amended to conform to the requirements of tax laws before application is made for registration under Sec.1A and for exemption under Sec.11 for the institution and for deduction under Sec.80G for the donors.

Once it is registered, gifts to the rural artisans will be treated as application for the object of the institution if the object clearly provides that provision of housing is one of the objects and is also registered under Sec.12A by the Director of Exemptions/Commissioner of Income-tax and recognised as an object of general public utility by a formal order of exemption under Sec.80G. Such an approval may be taken prior to the registration of the documents of transfer to the artisans, taking care to see that the transfer of ownership is only registration. It may be possible to get even stamp duty exemption from the State Government, which has the power to grant exemption wholly or partially in such cases though such power has been used only rarely.

*CHAPTER-XV*

# EXEMPTION FOR CASTE ORGANISATIONS

*CHAPTER-XV*

# EXEMPTION FOR CASTE ORGANISATION

**Q :** *Our community is listed as backward caste. We have an organisation helping the poor students of the community by giving educational scholarships. We are under the impression that though the institution is for the benefit of a religious community or caste, prohibited under Sec.13(1)(b), we come within the exception in Explanation-2 in favour of a trust or institution created or established for the benefit of scheduled and backward classes and scheduled tribes or women or children. However, a query about this has been raised whether the requirement is that it should generally be for backward class and not for a particular religious community or caste. Is such a view correct?*

*We are also planning to start an educational institution which would be run for the benefit of the public, though it will be under the control of a trust managed solely by the persons of ourcommunity. Will there be any liability for income-tax ?*

**A :** Explanation-2 would clearly provide that any institution, inter alia, for backward class will not be treated as 'created or established for the benefit of a religious community or caste.' It is, therefore, clear that a trust for the benefit of a particular religious community, which belongs to a backward class, will be eligible for exemption as long as it is not for a particular person of the community, but for the benefit of the community at large. In fact, prior to this provision the view was that even as caste charity, whether it was backward class or otherwise, would be treated as a public institution by the Supreme Court in the case of CIT v Ahmedabad Rana Caste Association v CIT (1971) 82 ITR 704 (SC). In view of the fact that the voluntary services of charitable nature for education are largely managed by caste organisations, for the public benefit, this qualification itself is probably fit, this qualification itself is probably unnecessary. As pointed out by the Supreme Court, caste itself is a large section of the people and there is no reason why an object confined to a caste should not be treated as ensuring for the public. As for a caste organisation opening a school for the public, there is no reason at all why such institution or trust should be denied exemption merely because the control is with a particular caste or community. If the institution is to have the benefit of a broader exemption under Sec.10(22) as an educational institution or under Sec.10(22A) as a hospital, care may be taken to see that the institution which runs the school or hospital is run by separate trust or society so that it is a distinct institution and is run as a service and not as a business with profit motive. Such distinct identity and separate institution would have total immunity from taxation without the requirement of registration and restrictions relating to investments and application of the income within specified period.

*APPENDIX-I*

# THE HOUSING UNIT SCHEME - 1992

*APPENDIX - I*

# THE HOUSING UNIT SCHEME - 1992

UTI's support to housing is indirect by way of subscriptions to bonds/debentures of state and national level agencies. The Housing Unit Scheme 1992 is another indirect housing finance facility of UTI.

## MAIN FEATURES

### I. WHO CAN INVEST ?

(i) Resident Indians, being adult individuals, whether singly or jointly upto two individuals on joint basis.

(ii) Non-resident Indians on *non-repatriable* basis on the same terms as above.

(iii) Parent/step parent/lawful guardian on behalf of minors. However, minors cannot avail of loan till they attain majority.

### II. MINIMUM INVESTMENT

The face value of units under the scheme is Rs.100 per unit. Applications should be in multiples of 10 units subject to a minimum of 20 units. However, there is no maximum limit.

### III. SALE PRICE

Units will be sold at NAV based sale price which will be declared from time to time.

### IV. WHEN CAN ONE BUY ?

Anytime during a year except during the period of book closure.

### V. WHERE CAN ONE TENDER THE APPLICATION ?

Application for units can be tendered only at any of the offices of the Trust, or at the HDFC offices.

### VI. INVESTMENT OBJECTIVE

Funds mobilised under the scheme will be invested in housing finance companies, equity shares, convertible and non-convertible warrants, other capital market instruments and money market instruments.

### VII. RETURN ON INVESTMENT

The principal objective of the scheme is to provide capital appreciation. Consistent with this objective, the Trust may not consider declaring dividend.

### VIII. ARRANGEMENTS WITH HDFC FOR LOAN

The Trust has entered into a Memorandum of Understanding with HDFC under which HDFC has agreed to grant housing loans to unitholders under the scheme on the terms and conditions of HDFC.

The unitholder will be entitled to avail of a loan of:

(a) an amount equal to three times the value at which the units were purchased if he/she has held the units for a minimum period of 4 years and

(b) an amount equal to 4 times the value at which the units were purchased if he/she has held the units for a period of 7 years.

The quantum of loan as well as the interest rate at which the loan will be given will be subject to prevalent rules of HDFC. At present the maximum amount of loan given by HDFC is Rs.5 lakhs or 85% of the cost of dwelling unit including cost of land whichever is less. However, for unitholders under HUS 92, the maximum amount will be Rs. 5 lakhs or 95% of the cost of dwelling unit whichever is less. The interest rate of HDFC at present varies from 10.5% to 16.5% p.a. depending on the quantum of loan. For ogranting loans to non-resident Indians, the guidelines issued by RBI from time to time shall apply.

## IX. REPAYMENT OF LOAN

(i) The loan will be for a period of 10 years. Interest will be paid on half-yearly basis over the loan period while the principal will be paid in one or more instalments during the loan period.

(ii) All payments against the loan will be made by the Trust by partial or complete repurchase of the units which will be pledged by the unitholder with HDFC at the time of taking the loan. An annual statement will be sent by the Trust to the unitholder indicating the balance of outstanding units in his/her unit-holding account.

(iii) If there is any excess in the unitholding acount after full repayment of the loan dues, the unitholder will be paid the balance amount by the Trust.

On the other hand, in the event of the unit-holding account not having sufficient balance to repay the outstanding loan dues, unitholder will be responsible to make good the shortfall directly to HDFC.

## X. HOW THE SCHEME WORKS

(i) The Trust shall issue to each unitholder unit certificate(s) indicating the number of units applied for, the date of purchase, the rate and the total value at which the units were purchased.

(ii) If the unitholder, after completion of 4 years or 7 years from the date of purchase of units, desires to avail of loan, he/she may approach the nearest UTI/HDFC office with the unit certificiates. The office will provide necessary guidance for obtaining the loan.

(iii) At the time of obtaining the loan, the unitholder shall execute such agreement and documents as may be required by HDFC and/or the Trust.

## XI. PERIOD OF HOLDING AND DATE OF TERMINATION

This open ended scheme will be on sale throughout the year except during the period when the books are closed for accounting purposes. The Trust, however, reserves the right to terminate the scheme if it is felt necessary to do so in the interest of the unitholders and the Trust after giving due notice.

## XII. REPURCHASES

Though the scheme is meant for investors who want to avail of housing loan, the Trust would, however, offer repurchases facility to those who would not opt for the loan. Repurchases will be allowed only after five years from the date of purchase at NAV based repurchase price which will be declared from time to time.

In case of death of unitholder(s) during the currency of the scheme, nominees or legal representatives will have the option to either be paid repurchase price of balance units or, if so desired, continue in the scheme provided they are otherwise eligible subject to conditions mentioned above.

In case of death of unitholder after he/she has taken the loan, the prevalent rules of HDFC and the Trust shall apply.

## XIII. NOMINATION

Nomination facility is available for individuals applying on their own behalf i.e. singly or jointly upto two. Minors also can be nominated. However, persons applying on behalf of minors cannot nominate. In case of application on behalf of minor, it is preferable for both the parents to sign the application. In case of death of one parent, the Trust will deal with the other natural parent till minor attains majority. Applicant can nominate upto two persons. In such cases, the first named nominee alone has the right to receive the amount due in respect of units in the event of death of unitholders. If the first named nominee predeceases the unitholder(s) and the unitholder(s) has/have not cancelled or substituted the nomination, second named nominee shall be entitled to receive the amount due in respect of units of the deceased unitholder(s).

Resident Indians are also permitted to nominate in favour of non-resident individuals subject however, to the condition that the capital and dividend, if any, cannot be repatriated.

## XIV. TAX EXEMPTIONS

Dividend, if any, under the scheme and capital apreciation on repurchase will be subject to prevalent tax laws.

*APPENDIX-II*

# BUILDING ORGANIZATIONS

*APPENDIX - II*

# BUILDING ORGANIZATIONS

1. **THE CENTRAL BUILDING RESEARCH INSTITUTE (CBRI)** set up in 1951 is a National Laboratory under CSIR. The Institute is engaged in applied research and development works in diverse fields related to building science which covers building materials, soil engineering, efficiency of buildings and building processes, architectural and phsyical planning of rural buildings and environment, etc. CBRI has extension and liaison centres at various places and has a construction unit at the Institute premises at Roorkee for full scale demonstration of live projects.

2. **HINDUSTAN PREFAB LIMITED (HPL)** specialises in producing prefabricated RCC components, pre-stressed cement concrete, transmission poles, form concrete panels and partitions, insulation blocks etc. It also manufactures prefabricated houses, undertakes wooden joinery work, and is also engaged in standardising certain precast building components for builders and construction agencies to bring down construction cost.

3. **THE NATIONAL BUILDINGS CONSTRUCTION CORPORATION (NBCC)** is engaged in the execution of a wide range of civil construction works over the last 30 years in and outside the country. NBCC undertakes conventional works and specialised works which are high technology works. The Corporation has diversified into several hi-tech areas such as energy, mass housing including pre-fabrication. It has a full-fledged consultancy division which serves various government agencies and public sector organisations.

4. **BUILIDING CENTRES (BC)** The Central scheme of Building Centres (or Nirmithi Kendras) was initiated in 1988 to foster technology transfer to the grass root level after its successful experiment at Quilon, Kerala. BCs are intended to promote the use of new alternative materials and construction techniques through demonstration, production and training in different rural/urban regions. The scheme is implemented through HUDCO. Under the scheme a central grant of Rs.2 lakhs is given to each centre and this is supplemented by HUDCO loan at a low rate interest. As on 31.12.93, 335 BCs have been identified so far, out of which 136 are fully operational.

5. **THE CENTRAL PUBLIC WORKS DEPARTMENT (CPWD)** is the principal agency for construction and maintenance of all Central Government projects except those of Railways, Communications, Atomic Energy, Defence, Airports & AIR. The activities of CPWD cover selection of sites, geotechnical investigation, architectural, structural, electrical and landscape planning, design execution and monitoring, quality control, etc. It has a Central Design Organisation to undertake complex structural design work.

6. **BUILDING MATERIALS & TECHNOLOGY PROMOTION COUNCIL (BMTPC)** was set up to bridge the gap between laboratory development and large scale field application of innovative materials and technologies, facilitate mass production on commercial scale and develop an integrated system for technology transfer and delivery. BMTPC was set up in 1990. The council is an inter-ministerial and apex institution. The council is co-ordinating with Central and State agencies to evaluate, validate and adopt new technologies to scale up proven ones and to facilitate the setting up production units.

7. **MUNICIPAL CORPORATIONS**

The Municipal Corporations have been incharge of providing amenities like water, sanitation, lighting, etc. within their limits since the British days. In some states they are also in control of the housing activities.

## 8. CITY IMPROVEMENT TRUST

The setting up of a City Improvement Trust was one of the earliest attempts at proper town planning and orderly promotion of housing in cities and district headquarters. They acquired land, developed it and sold the plots to the target groups. Such trusts continue to function in some cities and towns.

## 9. DEVELOPMENT AUTHORITIES

Development Authorities which cover metropolises and big cities are provided with wider powers of land acquisition and preparation of master plans for planned growth in and around city area.

Though state housing agencies were set up soon after independence, it was only after the 70's that the State Governments started taking a keen interest in the promotion of their activities. The setting up of HUDCO and World Bank's interest in the development of the housing sector in India came as a big boost to housing in the 70's.

**STATEWISE NUMBER OF HOUSING AGENCIES**

| *States / UTs Boards & Corporations* | *Housing Authorities* | *Development Coop.Housing Federations* | *Others* | *Regional Organisations* |
|---|---|---|---|---|
| Andra Pradesh | 4 | 5 | - | 1 |
| Arunachal Pradesh | - | - | - | - |
| Assam | 1 | 3 | - | - |
| Bihar | 1 | 3 | 2 | 1 |
| Goa | 1 | - | - | - |
| Gujarat | 3 | 6 | - | - |
| Haryana | 1 | 1 | - | - |
| Himachal Pradesh | 1 | 1 | - | - |
| Jammu & Kashmir | - | - | - | - |
| Karnataka | 2 | 10 | - | - |
| Kerala | 1 | 7 | - | - |
| Madhya Pradesh | 4 | 8 | 1 | - |
| Maharashtra | 6 | 1 | 1 | - |
| Manipur | - | - | - | - |
| Meghalaya | 1 | 1 | - | - |
| Mizoram | - | - | - | - |
| Nagaland | - | - | - | - |
| Orissa | 1 | 3 | - | - |
| Punjab | 1 | - | - | - |
| Rajasthan | 1 | 2 | - | 1 |
| Sikkim | 1 | - | - | - |
| Tamil Nadu | 2 | - | 3 | - |
| Tripura | 1 | 1 | - | - |
| Uttar Pradesh | 1 | 28 | 1 | - |
| West Bengal | 1 | 4 | - | - |
| **Union Territories** | | | | |
| Andaman & Nicobar | - | - | - | - |
| Chandigarh | 1 | - | - | - |
| Dadra&Nagar Haveli | - | - | - | - |
| Daman & Diu | - | - | - | - |
| Lakshadweep | - | - | - | - |
| Pondicherry | 1 | - | - | - |
| TOTAL | 37 | 84 | 8 | 3 |

*APPENDIX-III*

# HUDCO-LOAN SCHEME

*APPENDIX - III*

# HUDCO - LOAN SCHEME

## 1. APPLICATION FEE

Each loan application sent to HUDCO must be accompanied by a bank draft for Rs.10,000/- except for independent EWS where it shall be Rs.5000 towards incidental and documentation charges. In respect of Urban Infrastructure Projects, documentation charges shall be based on loan amount, i.e., loan upto Rs.2 crores Rs.15000, Rs.2 to 5 crores Rs.20000, Rs.5 to 10 crores, Rs.30000 and Rs.10 to 20 crores Rs.40000. This amount will not carry any rate of interest. The application fee is non-refundable.

## 2. FINANCIAL INFORMATION

The borrowing agencies are expected to furnish their Annual Audited Accounts for the last three years and certain other financial information/ documents to HUDCO's requirements.

## 3. FRONT-END FEES

One-time front-end fees on the total loan amount shall be levied on all the schemes as per the following scales:

(a)

| | |
|---|---|
| EWS Schemes | : 0.50% of loan |
| LIG Schemes | : 1.00% of loan |
| MIG Schemes | : 1.25% of loan |
| HIG Schemes and other schemes (Urban Infra-structure, Land Acquisition, etc.) including composite schemes | : 1.25% of loan |

(b) The amount of front-end fees shall be recovered from first loan instalment and will be in addition to documentation charges.

c) Front-end fees shall be reduced by 0.25% in respect of those schemes where legal documentation is completed within the prescribed period of four months (six months for North-Eastern States). In respect of those schemes where the legal documentation is not completed within the prescribed period, front-end fees shall be levied without giving rebate of 0.25% and the front end fees equivalent to 0.25% shall be transferred to Research and Development Account of the borrowing agency which shall be made available to them in the form of grant for upgrading their organisational capability and such other purposes. Agencies would be given maximum three years time to utilise R&D amount after which it will be treated as HUDCO income.

## 4. RISK CHARGE

1. In the case of loans sanctioned directly to the primary co-operative societies on the security of mortgage, risk charge at 0.5% will be payable by the society in addition to the interest chargeable on the outstanding loan.

2. A risk charge at 0.5% is also levied in addition to the normal rate of interest on the loan outstanding in case the security for the loan is a Negative Lien. However, in a scheme where the loan is secured by Negative Lien and the borrower defaults and requests HUDCO for continuance of security of Negative Lien and the same is accepted by HUDCO, the risk charge shall be increased to 1% instead of 0.5%.

## 5. EWS FUND

The borrowers who do not observe allocation pattern prescribed by HUDCO i.e.55% for EWS and LIG schemes and 45% for other categories/ programmes shall contribute to EWS fund @ 2% of the sale price of each HUDCO sanctioned projects. This levy would, however, not be applicable on priority sector EWS schemes such as low cost sanitation, slum, upgradation, etc. In respect of schemes which are formulated on land area of less than five acres this levy would be charged @ 1% of sale price.

## 6. ALL-INCLUSIVE COST

The all-inclusive cost mentioned under different schemes includes the cost of raw land, the cost of land development, construction cost, administrative and supervision expenses and interest during the construction period. The ceilings provided against each scheme are the maximum and it is desirable that the estimated cost is kept sufficiently below these limits so as to amply provide for future cost escalation, contigencies and so forth.

## 7. GROSS INTEREST

The net interest rates mentioned against different schemes will be increased by 0.5%. The additional interest of 0.5% will be allowed as rebate for timely repayment of principal and payment of interest, etc. In the event of default in payment of principal and/or interest etc. the borrower will also have to pay penal interest at 2.5% over and above normal gross rate of interest; the borrower shall also pay additional interest equivalent to 3% of the applicable rate of interest accrued on or after 1st October, 1991.

## 8. EXTENT OF LOAN AND REPAYMENT PERIOD

The extent of loan, repayment period etc. indicated for different schemes are the maximum allowed. However, the actual extent of loan and repayment period will be determined in relation to the merits of each case and keeping in view the affordability of the beneficiaries belonging to various income groups.

## 9. PERIODICITY OF REPAYMENTS

(i) **For Building :** Principal amount repayable in half-material schemes, yearly instalments and interest in quarterly instalments.

(ii) **For all other Schemes :** Repayable in quarterly instalments.

## 10. FUNDS ALLOCATION

(a) **EWS/LIG :** 55% with 15% (minimum) for EWS Rural and 10%1(minimum) for EWS Urban.

(b) **MIG/HIG/Others :** 45%

## GEOGRAPHIC DISTRIBUTION OF LOANS

| *State* | *Amount (Rs. crores)* |
|---|---|
| Kerala | 74.14 |
| Maharashtra | 31.37 |
| Tamil Nadu | 30.00 |
| Karnataka | 2.22 |
| Uttar Pradesh | 9.00 |
| Madhya Pradesh | 0.04 |
| Total | 146.77 |

## RATE OF INTEREST *(Effective 1.10.91)*

| *Amount of Loan (Rs.)* | *Scheduled Banks Comm. / Urban & State co-op.* | *HPCs* | *ACHPS* | *SLDBs (for* SRHD) |
|---|---|---|---|---|
| **Loan of Individual Beneficiaries** | | | | **(per cent p.a.)** |
| **Rate of Interest charged by NHB on its Refinance** | | | | |
| For acquisition/construction of new housing units | | | | |
| upto 7,500 | 9.5 | 8.0 | 8.0 | 8.0 |
| 7,501 - 15,000 | 11.0 | 9.5 | 9.5 | 9.5 |
| 15,001 - 25,000 | 11.5 | 11.0 | 11.0 | 11.0 |
| 25,001 - 50,000 | 13.5 | 13.0 | 13.0 | 13.0 |
| 50,001 - 1,00,000 | 15.0 | 14.0 | 14.0 | 14.0 |
| 1,00,001 - 2,00,000 | 15.0 | (min) 14.5 | 14.5 | ... |

For upgradation including major repairs

upto 30,000 same slab-wise rates 13.0 same slab-wise rates

In case of scheduled State Co-operative Bank-the refinance and in case of State Land Development Banks - the subscription for SRHDs is restricted to housing loans upto Rs.1,00,000.

## RATE OF INTEREST CHARGED FROM ULTIMATE BENEFICIARIES

*For acquisition / construction of new housing units*

| | | | | |
|---|---|---|---|---|
| upto 7,500 | 11.5 | 10.0 | 10.0 | 10.0 |
| 7,501 - 15,000 | 13.0 | 11.5 | 11.5 | 11.5 |
| 15,001 - 25,000 | 13.5 | 13.0 | 13.0 | 13.0 |
| 25,001 - 50,000 | 15.5 | 15.0 | 15.0 | 15.0 |
| 50,001 - 1,00,000 | 16.5 | 15.5 | 15.5 | 15.5 |
| 1,00,001 - 2,00,000 | 16.5 | (min) 16.0 | 16.0 | ... |
| above 2,00,000 | | (min) 16.0 | | |

For upgradation including major repairs

upto 30,000 same slab-wise rates (min) 15.0 same slab-wise rates

Rates of interest, exclusive of interest tax, in respect of various project loans effective from October 1, 1991, are as under:

**Project Loans** (Per cent p.a.)

| | To be charged by the primary lending institution on the relative LD & SP loan | To be charged by NHB to primary lending institution. |
|---|---|---|

**LD & SP by**

| | | | | |
|---|---|---|---|---|
| (i.) | Public Housing Agencies & Primary Co-op. Hsg. Societies | Weighted average Rate of Interest for the Project loan as a whole on the basis of different components as given below- | | 1 per cent below the weighted average Rate of Interest. |
| | | upto 7,500 | 11.5 | |
| | | 7,501 - 15,000 | 13.0 | |
| | | 15,001 - 25,000 | 13.5 | |
| | | 25,001 - 50,000 | 15.5 | |
| | | 50,001 - 2,00,000 | 16.5 | |
| | | above 2 lakhs | 17.0 | |
| (ii.) | Professional Developers | | 20.00 | 18.25* |
| (iii.) | Rental Housing Projects | | | |
| | (a) Schemes for disadvantaged groups and units with average built-up area upto 40 sq.m. | | 17.00 | 16.00 |
| | (b) Co-operative employees (with average built-up area upto 60 sq.m.) | | 20.00 | 18.25* |
| (iv.) | Infrastructure Development Projects | | | |
| | (a) Public Agencies & Co-op. Housing Societies | | 17.00 | 16.00 |
| | (b) Others | | 20.00 | 18.25* |

* Of this, 0.25% will be credited to Risk Insurance Fund being created in NHB.

- Interest rates charged from ultimate beneficiaries are exclusive of interest tax.

## DEPOSITS WITH HFCs

Of the classified Housing Finance Companies as at the end of March, 1991, 25 companies have furnished annual returns for the year ending March 31, 1991. Based on the information furnished by them the deposits outstanding as at the end of March, 1991 was Rs.221.81 crores. An analysis of the outstanding deposits indicates that more than 99% of the total deposits are for periods 2 years or more.

Interest rate wise 45.0 per cent of the outstanding deposits were in the interest range of 11 to 13% per annum while 24.3 per cent of the deposits were in the interest range of 9 to 11 per cent.

## LOANS DISBURSED

During 1990-91, 24(excluding Gujarat Rural Housing Finance Corporation Ltd.) HFCs disbursed loan of Rs.613.79 crores for acquisition/construction of new houses and upgradation/major repairs of existing houses and the outstanding loans as at the end of March, 1991 amounted to Rs.1583.89 crores.

*APPENDIX-IV*

# DEWAN HOUSING FINANCE CORPORATION

*APPENDIX - IV*

# DEWAN HOUSING FINANCE CORPORATION

## BIG ROLE FOR HOUSING FINANCE

Housing finance, to be meaningful and socially relevant, has to be a much broader activity than just lending money. The activity has to create a congenial atmosphere for the aspiring home-makers through professionalised services and also inculcate the habit of planning for a home of one's own.

It is in this context that the free accident risk cover and property insurance (described as the double protection plan) offered to its borrowers by Dewan Housing Finance Corporation, who pioneered the scheme, has to be viewed. Under the accident risk cover, the borrower's family is protected against the possibility of dispossession of the house in the event of the borrower meeting, with a fatal accident within the duration of the loan period. In such an event the surviving member of close family, or the co-borrower, is exempted from repayment of any further loan instalments. A few families have already benefited from this scheme. The free property insurance scheme provides for meeting with part restoration costs (depending on the extent of loan liability) in the event of accidental damage to property within the loan period.

Dewan Housing Finance Corporation Limited (DHFL) started its operations in 1984. Within a short time, however, the company has taken a quantum leap in all facets of its operations to become a front-runner among housing finance companies in India. The company has a paid-up equity base of Rs.9.03 crore. (Public 37.24%, promoters 33.75%, Union Bank of India 18.25%, Corporate bodies 10.02% and employees 0.64%). The company today has a network of 27 offices all over India.

As on October 30, 1993, DHFL has disbursed housing loans to the tune of Rs.199.68 crores, for 27,473 residential units and has made possible a cumulative investment of over Rs.300 crore in the housing sector.

## HOUSING LOAN SCHEME

The Company provides long-term housing loans (7 to 15 years) for residential units upto Rs.5 lakh to individuals as per the norms of eligibility and larger amounts to co-operative housing societies for acquisition or construction of residential properties anywhere in India. DHFL also offers financial support to develop infrastructure facility and slum development.

## HOME LOAN ACCOUNT SCHEME

DHFL is authorised to accept HLA deposits by the National Housing Bank. The scheme is designed to help an aspiring home-maker in more ways than one. For one thing, it inculcates the habit of saving in a planned manner. For another, it provides a person considerable incentive by way of concessional interest rates on the housing loan he is eligible for under the scheme. The HLA interest rates vary from 10.5% (upto a loan of Rs.50,000) to 14.5% (above Rs.2 lakh), which are considerably lower than the normal interest rates charged by housing finance institutions. The scheme matures at the end of 5 years from opening the account (3 years in the case of NHB approved projects) when a person is entitled to a housing loan according to his aggregate savings in the HLA account, ranging from 4 times (for lower loan amounts) to 15 times (for higher loan amounts) the savings. The scheme allows great flexibility in terms of the amount of deposits, frequency of deposits, etc. to enable a person to save according to his ability from time to time.

## RENTAL HOUSING SCHEME

DHFL has devised this scheme for the benefit of employees and workers of the corporate world.

Under the scheme, proposals for rental housing projects will be considered, provided the proposal is exclusively for the employees/ workers of the institution, and the institution is financially viable and has the repaying capacity as stipulated.

**LAND DEVELOPMENT, SHELTER PROJECT SCHEME**

This is a scheme for professional developers, applicable to projects of land development either for plot development or for group housing, or a mix of both. Under this scheme, integrated projects for land development which include land acquisition, on-site infrastructure and apportioned cost of off-site infrastructure only will be considered. Proposals for land acquisition alone will not be entertained. Further details can be obtained from DHFL offices.

**INVESTMENT OPPORTUNITIES**

DHFL provides attractive interests on various cumulative and non-cumulative fixed deposits from domestic investors and NRI's as well as Charitable Trusts, Religious Trusts and Educational Institutions.

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R.BHAKTHER SOLOMON
*(Honorary Secretary)*
DEVELOPMENT PROMOTION GROUP

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