

Fund for housing

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Source: *The Hindu*

Manifest pedagogy: The government's target for housing for all by 2022 has put into motion various schemes, policies and programmes for the housing sector in India. Financing such schemes and affordability of houses remains the key concern. In this light Fund for housing is critical for the success of these initiatives.

In news: Recently Government of India announced the establishment of Rs 25,000 crore fund for home buyers whose money is stuck in stalled projects.

Placing it in syllabus: Housing sector

Static dimensions:

- Affordable housing in India
- Subsidies for housing
- Role of National Housing Bank (NHB)

Current dimensions: Affordable housing fund

Content: The proposed fund is to be set up as **Category II Alternative Investment Fund(AIF)**. ₹10,000 crore is to be provided by GoI towards the fund. Other firms like LIC and SBI along with sovereign wealth funds and pension funds will contribute Rs 15,000 crore.

The **fund is to be registered with SEBI as an escrow account**. Under the special window, the projects that have been declared as **NPAs** (Non Performing Assets) and other **projects that are undergoing insolvency at NCLT are also allowed to be kick**

started.

Affordable housing in India:

- Affordable housing refers to **housing units that are affordable for those with income below the average household income.**
- In India, affordable housing is provided for **low income people, middle income people and economically weaker sections.**
- With the current progress of urbanisation, around **40% of the country's population** is expected to live in **urban areas by 2030.**
- High land costs, delays in project approvals, increasing raw material costs and low profit margins have made **low-cost housing projects less attractive** to private developers.

The following are some of the **policies and initiatives undertaken by the GoI** in Affordable Housing sector:

Pradhan Mantri Awas Yojana (PMAY): Was launched in June 2015 to **build 20 million houses for individuals who fall under Economically Weaker sections (EWS) and Lower Income Groups (LIG) categories.**

External Commercial Borrowing (ECB) has been allowed for affordable housing projects from 2012 to enable lower interest cost for developers and ensured better capital availability for developers of low-cost housing.

Opening up of **Foreign Direct Investment (FDI)** for development of townships, housing, built-up infrastructure and construction-development.

The **Credit Risk Guarantee Fund with a corpus of Rs 1200 crore** in collaboration with NHB was set up in 2012 to facilitate credit availability to low income customers without any collateral for **loan amount up to ₹ 8 lakhs.**

Urban Housing Fund Refinancing Scheme with a corpus of Rs 2000 crores in the year 2013-14 has been created.

The **GST Council has reduced tax rates for affordable housing from 8% to just 1%** and has also enhanced the ceiling value of affordable housing to Rs 45 lakh.

As per the **RBI incentive measures**, the **cost of affordable residential property** should be **less than Rs 65 lakh in metro cities and Rs 50 lakh in non-metros**. The RBI also gives loans to affordable housing under **priority sector lending**.

Subsidies for housing:

- Through PMAY the GoI aims to **provide affordable housing to the urban poor population in India by 2022**.
- Under the **tagline "Housing for all"**, this scheme **focuses on** slum rehabilitation, Credit Linked Subsidy Scheme (CLSS), making housing affordable for all and offer a subsidy for survey-led independent house construction or renovation.
- Among the four focus areas, **CLSS is the only central sector scheme** and the remaining schemes are sponsored schemes.

Credit Linked Subsidy Scheme (CLSS):

- It is **implemented by HUDCO and NHB**.
- It is effective from 1 January 2017.
- The **prime objective** is to help the urban poor population by increasing the institutional credit flow to meet their housing needs.
- This **interest rate subsidy will be credited during the initial stage of the loan** to the beneficiary's loan account through the lending institute.
- To be eligible to avail a housing loan under CLSS, the **beneficiary family should not own a pucca house in his/her or in the name of any member of his/her family in any part of India**.

- The funds borrowed by Economically Weaker Sections **can be used to construct a new house or to add a room, kitchen, or balcony to their existing house.**
- When it comes to EWS and LIG, **preference** will be given to **women, Scheduled Tribes, Scheduled Castes, backward classes, minorities, people with disabilities, and transgenders.**



- Under the Middle Income Group (MIG), there are two sets of beneficiaries.



Role of NHB:

The **National Housing Bank (NHB)**, was set up on 9 July 1988 under the National Housing Bank Act, 1987. It is an apex financial institution for housing.

Its **role** in the growth of housing finance institutions in India are:

- It promotes, establishes and supports housing finance institutions.
- It grants loans and advances.
- It purchases stocks shares, bonds, and other securities of companies involved in housing finance.
- It guarantees for the loan taken by housing finance companies from the open market.
- It underwrites for the issue of securities of housing finance institutions.
- It draws, accepts, discounts and re-discounts bills of exchange for housing finance.
- It buys or sells or deals in mortgage of immovable properties belonging to housing finance institutions.
- It promotes mutual funds for undertaking housing finance.

- It promotes mortgage banks or societies for providing housing finance.
- It plays an important role in formulating housing schemes for EWS (economically weaker sections) – single tenement and radial houses.
- It coordinates with LIC, UTI, GIC and other financial institutions.

Affordable housing fund (AHF):

- It was established in NHB as **announced in the General Budget for 2018-19.**
- The **objective** of the fund is to improve the affordability of the target group to own their homes.
- The **corpus of the Fund** will be 10,000 crores and will be **contributed by Scheduled Commercial Banks** as allocated by the Reserve Bank of India (RBI).
- The AHF shall be **utilized for refinancing the individual housing loans** sanctioned and disbursed on or after 01-04-2017 falling under rural and urban category.
- Those **institutions eligible for refinance under AHF** are:
 - Housing Finance Companies (HFCs)
 - Scheduled Commercial Banks (SCBs)
 - Scheduled Urban Cooperative Banks (UCBs)
 - Regional Rural Banks (RRBs)
 - Scheduled Cooperative Banks (SCoBs)
 - Small Finance Banks (SFBs)
 - Apex Cooperative Housing Finance Societies (ACHFS)
 - Agricultural & Rural Development Banks (ARDBs)
- **Eligible individual housing loans**
 - Urban – Annual household income not exceeding ₹6 lakh.
 - Rural – (i) Weaker Sections as defined in the RBI's priority sector guidelines (ii) Annual household income not exceeding ₹ 3 lakh (iii) Women.