

**GOVERNMENT OF INDIA
URBAN DEVELOPMENT AND POVERTY ALLEVIATION
LOK SABHA**

UNSTARRED QUESTION NO:1142
ANSWERED ON:09.12.2003
RATE OF INTEREST ON LOANS
RAVINDRA KUMAR PANDEY

Will the Minister of URBAN DEVELOPMENT AND POVERTY ALLEVIATION be pleased to state:

(a) whether the Housing and Urban Development Corporation (HUDCO) has modified and lowered the rate of interest on loans granted for various projects and also for personal housing recently;

(b) if so, the details thereof; and

(c) the existing criteria adopted by HUDCO for construction of houses and sanction of loans?

Answer

MINISTER OF STATE (INDEPENDENT CHARGE) IN THE MINISTRY OF URBAN DEVELOPMENT AND POVERTY ALLEVIATION (SHRI BANDARU DATTATRAYA)

(a): Yes, Sir. Housing & Urban Development Corporation Ltd. (HUDCO) has modified and lowered the rate of interest on loans granted for various projects and for loans to individuals for personal housing under HUDCO NIWAS with effect from 19th November, 2003.

(b): Details of the revised norms applicable are given at Annexure.

(c): HUDCO is a financing institution and it finances various housing and urban development projects. The actual construction is undertaken by the borrowing agencies. The projects received in HUDCO for financing are appraised and sanctioned, if found technically sound, financially viable and legally acceptable to HUDCO.

ANNEXURE

ANNEXURE REFERRED TO IN REPLY TO PART (b) OF LOK SABHA USQ.NO. 1142 FOR 09.12.2003.

OPTION A - FLOATING RATE OF INTEREST

FINANCING PATTERN

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A	Base Rate (BR)	8.5% p.a.
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(Base Rate will remain in force till further revision is made)

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B	All housing and Infrastructure Project Loans including Take-out Finance except HUDCO NIWAS	Extent of Finance	Net interest rate (%) p.a. Above Base Rate
	Upto (%)	Upto 5 years	Upto 10 years
		Upto 15 years	

1. EWS Housing & Action Plan Scheme by Public Agencies/NGOs	As per guidelines	0.50 lower than BR
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2. Direct borrowing by Govt. and Police Organisation	100	BR BR BR
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3. Public Government Agencies	85	BR 0.25 0.50
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4. Private Agencies/Co-operative Agencies	70	1.00	1.50	2.00
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Notes: Normally Base Rate shall be revised once in a year. However, in the event of change in the interest rate of at least 1%, the revision in base rate can be twice every year.

OPTION B - FIXED RATE OF INTEREST @

FINANCING PATTERN

A	All housing and Infrastructure Projects Loans including Take Out Finance except HUDCO NIWAS	Extent of finance	Upto (%)	Net interest rate (%) p.a.		
				upto 5	Upto 10	Upto 15
years	Years	Years				
-						
1.	EWS housing & Action Plan Schemes by Public Agencies/NGOs	As per guidelines		8.50	8.50	8.50
2.	Direct borrowing by Govt. and Police Organisation	100		9.00	9.00	9.00
3.	Public Government Agencies	85		9.00	9.25	9.50
4.	Private Agencies/co-operative Agencies	70		10.00	10.50	11.00
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Notes:

@ HUDCO will have the option to revise interest on all schemes (including existing schemes) at an interval of 5 years. However, in respect of loans where resetting in interest rate has already been approved, the period of five years shall be from the date of resetting.

Sub. Revision in interest rate for loans to Resident Indian and Non-resident Indian under Fixed and floating rate scheme, bulk Loan Schemes, fees for loans to Resident Indians and other operational norms of HUDCO NIWAS - HN-OM-08-2003

I. INTEREST RATES:-

A. Loans to Resident Indians under Fixed Rate Scheme:- (Effective 18.11.2003)

Purpose of Loan	Existing ROI	Revised ROI+
- For construction		
- Purchase		
- Composite loan	9.50/9.75/10.00%	8.25/8.50/8.75%
- Purchase of Plot		
- Extension/Improvement		
- Registration of Existing House.		
Loan to Professional for non residential premises (upto 10 years)	11.00%	9.75%
	(upto 10 years)	(upto 10 years)
Loan Against Residential Property (upto 5 years)	11.00%	9.75%
	(upto 5 years)	(upto 10 years)

1. + First Figure is for 1-5 years, second figure is for 6-15 years and third figure is for 16-25 years.

2. Existing benefit of reduction in interest rates for certain categories of individuals under empowering mechanism would stand withdrawn.

B. LOANS TO RESIDENT INDIANS UNDER FLOATING RATE SCHEME:- (EFFECTIVE 18.11.2003 TO 31.03.2004)

Purpose of Loan	Existing ROI	Revised ROI+
- For construction		
- Purchase		
- Composite loan		
- Purchase of Plot	9.50%	8.25%
- Extension/Improvement		(upto 25 years)
- Registration of existing House		

+ Revised rates will be applicable to new loans sanctioned after revision including loans sanctioned earlier but where agreement has not been executed before 18.11.2003. However, six monthly adjustments in interest rates in respect of existing as well as new loans will be made effective from 01.4.2004 for which new rates shall be notified in March, 2004.

C. LOANS TO NON-RESIDENT INDIANS FIXED RATE SCHEME:- (EFFECTIVE 18.11.2003)

Purpose of Loan	Existing ROI	Revised ROI+
- Construction		
- Purchase		
- Composite Loan	9.75/10.00%	8.50/8.75%
- Purchase of Plot		
- Extension/Improvement		

+ First Figure is for 1-5 years and second figure is for 6-10 years.

D. LOANS TO NON-RESIDENT INDIANS UNDER FLOATING RATE SCHEME:-

(Effective from 18.11.2003 to 31.3.2004)

Purpose of Loan	Existing ROI	Revised ROI+
- Construction		
- Purchase		
- Composite Loan	9.50%	8.25%
- Purchase of Plot	(upto 25 years)	(upto 10 years)
- Extension/Improvement		

+ Revised rates will be applicable to new loans sanctioned after revision including loans sanctioned earlier but where agreement has not been executed before 18.11.2003. However, six monthly adjustments in interest rates in respect of existing as well as new loans will be made effective from 01.4.2004 for which new rates shall be notified in March 2004.

E. BULK LOANS SCHEME (FIXED RATE OF INTEREST):- (EFFECTIVE 18.11.2003)

(a) Bulk Loans Scheme for State Govts/Para-Statals of the State Govts./Profit making PSUs:

Existing ROI	Revised ROI+	Repayment period
		(Years)
		-
9.50%	8.25%	Upto 5
9.75%	8.50%	6 to 10
10.00%	8.75%	11 to 15
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+ Existing benefit of reduction in interest rates under empowering mechanism would stand withdrawn. However, processing and administrative fee under empowering mechanism would be 0.15% for Bulk Loan to State Govts./Para-States of the State Govts./Profit Making PSUs.

(b) Bulk Loan scheme for other HFCs which has rating not less than `AA`:

Existing ROI (for `AA` Rated company)	Existing ROI (for `AAA` Rated company)	Revised ROI (for `AA` Rated company)	Revised ROI (for `AAA` Rated company)	Repayment period (Years)
10.00%	9.75%	8.75%	8.50%	upto 5
10.25%	10.00%	9.00%	8.75%	6 to 10
10.50%	10.25%	9.25%	9.00%	11 to 15

Note: HUDCO shall not extend Bulk loan to any HFI, which has rating less than `AA`

PROCESSING AND ADMINISTRATIVE FEE (EFFECTIVE 18.11.03) FOR RESIDENT INDIAN LOANS:-

Existing Terms	Revised terms+
Individual Loan for Resident Indians	0.6% (0.2% Processing Fee (PF) and 0.4% Administrative fee (AF))
	There shall be no Processing fee for resident Indian Loans. Administrative fee shall be 0.50% of

the loan amount sanctioned for Resident Indians.

Individual Loan for resident Indians widows, physically handicapped, artists, journalists, women and employees of Central/State Govt./ PSUs.	0.4% (0.2% PF & 0.2% AF) for Personnel from armed forces including paramilitary forces and police, paramilitary forces and police, widows, physically handicapped artists, journalists, women and employees of central/State Govt./	Administrative fee shall be 0.3% of the loan amount sanctioned for personnel from armed forces including
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PSUs.

+ Administrative fee for individual loans to Resident Indians under empowering mechanism would be 0.30% for certain categories. The group of allottees/employees entitled for benefit under empowering mechanism for administrative fee would stand reduced from present level of 20 individuals to 10 individuals.

Processing & Administrative fee for NRI's, Bulk Loan to State Govts./Para-States of the State Govts./Profit making PSUs and Bulk Loan to other HFCs will remain same i.e. 1.25%, 0.25% and 0.40% respectively.

All other terms and conditions of lending will remain same except as indicated above. These revised interest rates will be applicable in respect of loans sanctioned on or after 18.11.2003 including loans sanctioned in the past but where the agreements have not been executed upto 17.11.2003. You are requested to make necessary additions/amendments in Annexure-B-I-A (page 359), annexure G-II, G-II-A (page 167 & 173), item 1.1(b) (page 11), item 1.6 (page 14 & 15), item 1.10 (page 18), item 1.16 (page 23), item 1.17 (page 25), item 10.5 & 10.6 (page 154, 15 & 156), annexure-V (page 411) of the Handbook on Procedural Guidelines and Operational Manual of HUDCO NIWAS and other required changes. In respect of loans of floating interest rates, the rates quoted above are applicable from 18.11.2003 till 31st March 2004 on loans sanctioned on or after 18.11.2003 including loans sanctioned in the past but where the agreements have not been executed upto 17.11.2003.

These rates are not applicable for loans already disbursed and where agreements have been executed before 18.11.2003.