

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:5078  
ANSWERED ON:10.12.2010  
NHB'S SCHEME FOR SENIOR CITIZENS  
Rathwa Shri Ramsinhbhai Patalbhai

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the National Housing Bank is developing a new project for senior citizens with no obligation to return money in their life-time;
- (b) if so, the details thereof;
- (c) whether the proposed scheme would pose danger signals for the dependents/ prospective successors and could deprive them from inheriting the property; and
- (d) the reaction of the Government on the proposed scheme of NHB?

**Answer**

The Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

(a) to (d): Pursuant to the announcement made in Union Budget 2007-08, the National Housing Bank (NHB) formulated the Reverse Mortgage Loan (RML) Scheme to facilitate Scheduled Commercial Banks (SCBs) & Housing Finance Companies (HFCs) to extend RML to house owning Senior Citizens in India in order to enable them to avail periodic stream of cash-flows against mortgage of his/her house. The Reverse Mortgage Scheme was notified by the Government of India on 30.09.2008.

The main objective of RML is to enable Senior Citizens to convert the equity in their otherwise illiquid house asset and obtain a stream of fund inflows for meeting increased living expenses, while at the same time allowing the individual to continue to occupy the house. The scheme involves Senior Citizens of 60 years and above mortgaging their house property to a SCB/HFC which then makes periodic payments to the borrower during his/her lifetime. A unique feature of the scheme is that the Senior Citizen is not required to service the loan throughout his/her lifetime and therefore does not make any repayments of principal and interest to the lender. On the borrower's death or on borrower leaving the house permanently, the loan is settled along with accumulated interest through the sale of the property. Married couples are eligible as joint borrowers. In such cases, on death of the spouse the other may continue to occupy the house and receive payments under RML. Only on the death of both of the borrowers, the lender can resort to bring the property to sale. The borrowers' heirs are given the first right to settle the loan by the lender without bringing the property to sale. If the heirs settle the loan outstanding (principal + interest), they would be able to inherit/retain the house property without resorting to sale of the property by the lender. The recourse of the lending Bank/HFC will only be on the value of the mortgaged property even in the event of the property value depreciating below the loan outstanding.

The initial RML scheme had some limitations like limited payment tenure and payments not being assured.

With a view to overcome those limitations, NHB introduced Reverse Mortgage Loan enabled Annuity (RMLeA) ensuring assured lifetime payments to the senior citizens in December 2009. The new scheme is an extension of the initial RML scheme. The Scheme envisages the Banks/HFCs to source assured lifetime payments to the borrower through an Insurance Company.