

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:3326  
ANSWERED ON:30.08.2013  
EXTERNAL BORROWING NORMS FOR HOUSING PROJECTS  
Kumar Shri P.;Venugopal Shri P.

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

- (a) whether the Government has relaxed/proposes to relax the external commercial borrowing norms for affordable housing projects;
- (b) if so, the details thereof; and
- (c) the likely effects of the said move on the real estate sector in the country?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) & (b): In the Union Budget 2012-13, an External Commercial Borrowing (ECB) provision was made for low cost affordable housing projects as a permissible end-use. The said Budget announcement was implemented by RBI vide its A.P. (DIR Series) Circular No. 61 dated December 17, 2012. Under this scheme, ECB can be availed under approval route by developers / builders and National Housing Bank (NHB) for low cost affordable housing projects. The ECB proceeds shall, however, not be used for acquisition of land. Housing Finance Companies (HFCs) and NHB can also avail themselves of ECB for financing prospective owners of low cost affordable housing units.

The policy regarding ECB for the low cost affordable housing projects has been recently reviewed in consultation with RBI and has been rationalized as under:

- i. Developers/builders should have a minimum of three (3) years' experience in undertaking residential projects as against five (5) years prescribed earlier and should have good track record in terms of quality and delivery.
- ii. The condition of minimum paid-up capital of not less than INR 50 crore, as per the latest audited balance sheet, for Housing Finance Companies (HFCs) has been relaxed. However, the condition of the minimum Net Owned Funds (NoF) of Rs. 300 crore for the past three financial years remains unchanged.
- iii. The aggregate limit for ECB under the low cost affordable housing scheme is extended for the financial years 2013-14 and 2014-15 with a ceiling of USD 1 billion in each of the two years, subject to review thereafter.
- iv. The ECB availed of by developers and builders shall be swapped into Rupees for the entire maturity on fully hedged basis.

(c): It is expected that ECB scheme for low cost affordable housing will supplement funds available to low cost/ affordable housing project developers from domestic banks/financial institutions. This will also reduce the cost of capital and resultantly reduce the cost of construction and housing in the country.