

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3262

ANSWERED ON:12.12.2014

INTEREST SUBSIDY ON HOME LOANS

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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has any proposal to offer interest subsidy on housing loans to help economically weaker sections of the country and lower income groups;
- (b) if so, the details thereof along with the number of families benefited and percentage of interest subsidy proposed under the said scheme; and
- (c) the time by which the said scheme is likely to be implemented?

Answer

The Minister of State in the Ministry of Finance (SHRI JAYANT SINHA)

(a)to(c); Reserve Bank of India (RBI) has deregulated the interest rate charged by Banks on loan disbursed. Banks determine their actual lending rates on loans and advances with reference to the Base Rate and other factors which are customer specific mainly relating to his ability to repay. Since, the Base Rate is the minimum rate for all loans, banks are not permitted to resort to any lending below the Base Rate. However, Government provides lending on cheaper rates through interest subvention schemes announced from time to time.

The Scheme of 1% Interest Subvention (ISS) provides an interest subvention of 1% on all individual housing loans of upto Rs. 10 lakh, provided the cost of the unit does not exceed Rs 20 lakh From the FY 2011-12, the Scheme was extended for housing loan upto Rs.15 lakh, where the cost of house does not exceed Rs.25 lakh The Scheme was in operation for a period starting from 01.10.2009 to 31.03.2013.

The amount disbursed by National Housing Bank (NHB), the nodal agency, under the Scheme is as follows:

(Rs Crore)

FY	Banks	HFCs	Total
2010-11	21.22	17.32	38.54
2011-12	170.14	129.86	300.00
2012-13	368	115.62	483.62

To improve the affordability of housing loans by Economically Weaker Section/ Lower Income Group (EWS/ LIG) segments in urban areas, Ministry of Housing and Urban Poverty Alleviation (MoHUPA), Government of India introduced Interest Subsidy Scheme for Housing the Urban Poor (ISHUP) Scheme. Under the Scheme, an interest subsidy of 5 percent per annum for whole duration of the loan (15-20 years) is provided on loans up to Rs.1 lakh extended to EWS/ LIG beneficiaries by the Primary Lending Institutions (PLIs). The maximum loan amount was Rs.1,00,000 for an EWS individual and Rs. 1,60,000 for an LIG individual.

The details of urban poor who have benefited from the above scheme in the last three years are as under:

(Rs.crore)

YEAR	2011-12	2012-13	2013-14
Amt of interest subsidy disbursed	2.89	1.18	2.26
No. of Beneficiaries	2987	735	1792

MoHUPA, has revised the interest Subsidy Scheme and renamed it as Rajiv Rinn Yojana (RRY), as an additional instrument for addressing the housing needs of EWS/LIG segments in urban areas with effective from October 01, 2013.

Under RRY, the amount of loan has been revised upto Rs 3 lakh for EWS and Rs.8 lakh for LIG beneficiaries However, the interest subsidy is made available for a maximum Rs.5 lakh for both categories of beneficiaries.