

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3337

ANSWERED ON:12.12.2014

BANKING REFORMS FOR HOUSING SECTOR

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Will the Minister of FINANCE be pleased to state:

(a) whether the chronic housing shortage in India requires reforms in the banking sector and investment policies to achieve the Government's vision of 'Housing for All by 2022; and

(b) if so, the details thereof and reaction of the Government thereto?

Answer

The Minister of State in the Ministry of Finance (SHRIJAYANTSINHA)

(a)to(b): Addressing the problem of housing shortage in the country requires other multiple interventions besides financial intervention. 'Affordable Housing for All' has been a stated national policy of the Government of India. Many of the programmes of the government are designed to provide affordable housing to lower-income households through the subsidy-cum-loan schemes- In order to further expand the market to the lower-income segment of the populace, the availability of mortgage guarantee products like Credit Risk Guarantee Fund for Low Income Housing has been launched by the Central Government.

Government has taken following measures to spur growth in the housing sector: Budget Announcements FY 2014-15-

(i) The corpus of Rural Housing Fund and Urban Housing Fund have been augmented to Rs.8000 crore and Rs 4000 crore respectively to refinance banks, Housing Finance Companies (HFCs) and other Financial Institution`

(ii) To encourage development of Smart Cities, which will also provide habitation for the neo-middle class, requirement of the built up area and capital conditions for FDI has been reduced from 50,000 square metres to 20,000 square metres and from USD 10 million to USD 5 million respectively with a three year post completion lock in.

(iii) To further encourage this, projects which commit at least 30 per cent of the total project cost for low cost affordable housing have exempted from minimum built up area and capitalisation requirements, with the condition of three year lock-in. Other measures-

(iv) in order to encourage affordable housing, the Reserve Bank of India (RBI) has permitted Bank to raise long-term bonds to lend to housing segment.

(v) In terms of extant RBI instructions, banks have been advised to allow finance to facilitate the growth of housing sector through finance provided to individuals or groups of individuals including co-operative societies.

(vi) Banks may consider request for additional finance within the overall ceiling for carrying out alterations/additions/repairs to the house/flat already financed by them.

(vii) Banks to ensure that their housing finance is channelled by way of term loans to housing finance institutions, housing boards, other public housing agencies, private builders, etc., primarily for augmenting the supply of serviced land and constructed units.

(viii) Finance provided for construction of residential houses to be constructed by public housing agencies like HUDCO, Housing Boards, local bodies, individuals, co-operative societies, employers, priority being accorded for financing construction of houses meant for economically weaker sections, low income group and middle income group.

(ix) Finance for construction meant for improving the conditions in slum areas for which credit may be extended directly to the slum-dwellers on the guarantee of the Government, or indirectly to them through the State Governments

(x) RBI has carved out a separate sub sector out of 'Commercial Real Estate (CRE)' as 'Commercial Real Estate Residential Housing (CRE-RH)' with the intention of providing regulatory support to lending towards residential housing projects by allowing lower provisioning and risk-weights.

The restructuring norms in case of CRE projects have been relaxed wherein extension of Date of Commencement of Commercial Operation (DCCO) within one year enable loans to remain standard assets.