

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1371
ANSWERED ON:18.07.2014
INTEREST SUBVENTION HOUSING LOANS
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Will the Minister of FINANCE be pleased to state:

- (a) the details of present structure of interest subvention on housing loans in the country;
- (b) the amount disbursed during the last three years under the interest subvention along with recovery of such loans;
- (c) whether the cooperative banks have played a significant role in housing loans and if so, the details thereof and its share in the housing industry; and
- (d) the steps taken by the Government to peg the interest rates for home loans at a moderate level?

Answer

The Minister of Finance (Shri Arun Jaitley)

(a)&(b): 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.

Further, to improve the affordability of housing loans to Economically Weaker Section (EWS)/Lower Income Group (LIG) segments in urban areas, Ministry of Housing and Urban Poverty Alleviation (MHUPA), implemented Interest Subsidy Scheme for Housing the Urban Poor (ISHUP) on 26.12.2008 to provide home loan to EWS/LIG persons for acquisition/construction of house. The Scheme provided a subsidy of 5% for a loan amount upto Rs. 1 lakh for the entire tenure of loan on an upfront basis. The scheme has closed w.e.f. 30.09.2013.

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 01.10.2013. Under the Scheme, interest subsidy of 5% p.a. is provided on housing loans upto Rs.5 lakh provided by Financial Institutions (FIs) to EWS/LIG borrowers in urban areas. Under RRY, the amount of loan has been revised up to Rs. 5 lakh for EWS and Rs. 8 lakh for LIG beneficiaries. However, the interest subsidy is made available for a maximum of Rs. 5 lakh for both categories of beneficiaries.

National Housing Bank (NHB) as a nodal agency has disbursed a total of Rs. 445.26 crore under the Schemes viz., ISHUP and 1% ISS. Under RRY, there is nil disbursement. The year wise break-up of disbursements made under the two Schemes are shown in the below tables:

1% Interest Subvention Scheme:

(Rs Crore)

FY	Banks	HFCs	Total
2010-11	21.22	17.32	38.54
2011-12	170.14	129.86	300
2012-13	333.02	103.57	436.59

Interest Subsidy Scheme for Housing the Urban Poor:

(Rs Crore)

YEAR	TOTAL					
2009-10	2010-11	2011-12	2012-13	2013-14		
Amount of Subsidy disbursed	0.37	3.41	2.89	1.18	0.82	8.67

(c): As on March, 2014, details of housing loan granted by all the Scheduled Commercial Banks (SCBs) and Urban Cooperative banks (UCBs) are as under:

Loan in Housing

by SCBs	by UCBs
Rs.5.4 lakh crore	Rs.15232 crore

(d): In terms of the new guidelines issued by RBI from 01.07.2010 , banks determined their actual lending rate on loans and advances with reference to the Base Rate. All categories of loans, except specified exemptions are priced only with reference to the Base Rate of the Bank as announced with the approval of their respective Boards.