

FINANCE FOR HOUSING SCHEMES – UCBs

Primary (urban) co-operative banks (UCBs) grant loans to the following categories of borrowers:

- a) Individuals and co-operative / group housing societies.
- b) Housing boards undertaking housing projects or schemes for economically weaker sections (EWS), low income groups (LIG) and middle income groups (MIG).
- c) Owners of houses / flats for extension and up-gradation, including major repairs.

Eligible Schemes

- Construction / purchase of houses / flats by individuals
- Repairs, alterations and additions to houses / flats by individuals
- Schemes for housing and hostels for scheduled castes and scheduled tribes
- Under slum clearance schemes - directly to the slum dwellers on the guarantee of the Government, or indirectly through Statutory Boards established for this purpose
- Education, health, social, cultural or other institutions / centres which are part of a housing project and considered necessary for the development of settlements or townships
- Shopping centres, markets and such other centres catering to the day to day needs of the residents of the housing colonies and forming part of a housing project

Terms & Conditions

Tier I UCBs are:-

- Banks having deposits below Rs. 100 crore operating in a single district;
- Banks having deposits below Rs. 100 crore operating in more than one district provided the branches are in contiguous districts and deposits and advances of branches in one district separately constitute at least 95% of the total deposits and advances respectively of the bank; and
- Banks with deposits below `100 crore, whose branches were originally in a single district but subsequently, became multi-district due to reorganization of the district (Deposits & advances as on 31st March of immediate preceding financial year)

All other UCBs (which are not Tier I) are categorized as Tier II UCBs.

- Amount of Loan

Tier I : Rs. **30 Lakh** per beneficiary of a dwelling unit;

Tier II : Rs. **70 Lakh** per beneficiary of a dwelling unit;

Subject to extant prudential exposure limits

The maximum loan should **not exceed 15 percent** of capital funds of the bank in case of individual borrowers and **40 per cent** of the capital funds in case of group of borrowers. The capital funds for the purpose shall include both Tier I Capital and Tier II capital.

- **Interest**

Banks may fix the interest/penal interest etc. with the approval of respective Boards. UCBs are not permitted to levy any foreclosure/prepayment charges in home loans on floating rate basis.

- **Security**

- a) Mortgage of property or government guarantee where forthcoming or both;
- b) Where these are not feasible, banks may accept security of adequate value in the form of LIC policies, Government Promissory Notes, shares /debentures, gold ornaments or such other security as they deem appropriate.

- **Period of Loan**

Housing Loans may be repayable within a maximum period of 20 years including a moratorium or repayment holiday of 18 months. The moratorium or holiday may be granted at the option of the beneficiary or till completion of constructions or from the disbursement of first instalment whichever is earlier.

Graduated instalments (lower amount initially to be increased gradually) may be considered in order to make the Housing Finance more affordable.

Other covenants

- The exposure of UCBs (both fund & non fund based limits) to housing, real estate and commercial real estate loans would be limited to 10% of their total assets (as on 31st of preceding year). It can be exceeded by an additional limit of 5% of total assets (total 15%) for the purpose of grant of housing loans to individuals for purchase or construction of dwelling units costing up to Rs. 25 Lakh which is covered under priority sector.
- Working capital loans given by UCBs against hypothecation of construction materials provided to the contractors is exempted from the prescribed limit.
- UCBs may extend additional finance to the of up to a maximum of Rs. 1.00 Lakh in rural and semi-urban areas and Rs. 2.00 Lakh in urban areas to the owner of a house/ flat only for repairs, additions, alterations, etc., irrespective of whether the house / flat is owner occupied or tenant occupied. This facility is available to individuals who might have raised funds for construction/acquisition of accommodation from other sources also.
- UCBs may extend loans to housing boards within their States. The rate of interest to be charged on the loans to such boards may be fixed at the discretion of the banks.
- UCBs may refrain from sanctioning loans and advances to big category builders/contractors. However, where contractors who undertakes comparatively small type

construction works on their own may be financed by the banks against hypothecation of construction material within the RBI guidelines.

- UCBs are supposed to extend fund based / non-fund based facilities to builders / contractors for acquisition of land even as a part of a housing project.
- UCBs would need to satisfy themselves that the loans extended by them are not for unauthorised construction or for misuse of properties / encroachment on public land.
- UCBs are required Adherence to National Building Code(NBC) formulated by the Bureau of Indian Standards (BIS) in view of the importance of safety of buildings especially against natural disasters.

Housing Loans under Priority Sector

- Loans up to Rs. 25 Lakh to individuals for purchase / construction of dwelling unit per family,
- Loans given for repairs to the damaged dwelling units of families up to Rs.1 Lakh in rural and semi-urban areas and up to Rs. 2 Lakh in urban and metropolitan areas.
- Assistance given to any governmental agency for construction of dwelling units or for slum clearance and rehabilitation of slum dwellers, subject to a ceiling of Rs. 5 Lakh of loan amount per dwelling unit.
- Assistance given to a non-governmental agency approved by the NHB for the purpose of refinance for construction / reconstruction of dwelling units or for slum clearance and rehabilitation of slum dwellers, subject to a ceiling of loan component of Rs. 10 Lakh per dwelling unit.

(Source: RBI M. Circular)

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