Chapter IV

HOUSING FINANCE INDUSTRY- A PROFILE
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4.1 Introduction

Housing is a basic human need like food and clothing. Housing is being increasingly viewed as being important for overall infrastructural development of the economy. Hence Housing Finance Industry is important from the point of view of overall development of the Indian economy. The Housing sector in India is ranked 4th as per multiple effect in terms of income generation ahead of agriculture and transport.

The mismatch between demand and supply of housing units and the financial solutions available for the same is the major policy concern regarding housing as well as Housing Finance market. The demand drivers which have impacted the Housing sector are the growing middle class, income levels of the people, cyclical conditions and urbanization. Lack of availability of land, finance at available rate, infrastructure, legal and regulatory framework and the limitations of the private and other stakeholders to provide low income housing are the major supply side constrains.

Lack of institutional and formal credit especially to the low income households resulted in increased housing shortage. A survey by the planning commission has shown that 66% of households in India construct homes using their own resources, 9% using institutional finance and the remaining depend on non-institutional source such as family, friends and money lenders.

The current financing mechanism prevalent in the country mostly targets middle and high income sections of the society. The households falling under low income and economically weaker sections category find it difficult to get Housing Finance.

The number of Housing Finance Institutions registered with National Housing Bank has grown from an almost negligible number in the early nineties to
59 as on 30\textsuperscript{th} June 2014. These intermediaries are spread across the country and quite diverse in their housing finance activities.

4.2 Evolution of Housing Finance Industry

Housing finance problems began to surface in India before 1970s. The Indian government has taken various initiatives to address these problems. Prior to the establishment of Housing and Urban Development Corporation Ltd (HUDCO) in the year 1971, the Housing Finance market in India was characterized by centralized direct credit. The central and state governments were operating a number of subsidised housing schemes and loan schemes meant for individual workers, economically weaker sections of the society and slum dwellers. The loan schemes were targeted for the people in the low income group as well as rental housing schemes for state government employees\textsuperscript{1}.

The main aim of HUDCO, when it was established was funding state governments for infrastructure development and intends to surface as the only organisation of its kind for dealing with the needs of shelter and infrastructure development in the human settlements.

The entry of HUDCO in individual Housing Finance sector, has brought many changes in the state of affairs. Subsequently the Housing Development Finance Corporation (HDFC), the first private sector retail Housing Finance Institution in India was incorporated in the year 1977 by Industrial Credit and Investment Corporation of India. The purpose was to have a specialized institution for housing finance. At that time, it was the first specialised mortgage financing company in India. To boost the housing scenario in India, National Housing Bank (NHB) was started in 1988, as an Apex regulatory and supervisory body/refinancing agency for housing finance in the country. The Indian economy entered a new phase when National Housing Bank was set up, under an Act of Parliament. By that time Indian economy was prepared to transit from a regulated regime to liberalized and market based system. In late 1980s and in early 1990s, Public & Private sector Banks and Housing Finance Companies promoted by Insurance Companies entered into the Housing Finance sector. In late 1990s, Commercial Banks actively entered into direct lending for housing finance.
The evolution of housing finance market of India can be divided into three phases as shown below.

**Figure 4.1 Evolution of Housing Finance Market in India**

<table>
<thead>
<tr>
<th>Phase I</th>
<th>Phase II</th>
<th>Phase III</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to late 1990’s</td>
<td>1998-2003</td>
<td>2003 onwards</td>
</tr>
<tr>
<td>Specialised Lenders Housing Finance Companies</td>
<td>Aggressive entry of Bank. HFCs loose market share</td>
<td>Oligopolistic market structure</td>
</tr>
<tr>
<td>Bank/Insurance Co. sponsored HFCs</td>
<td>Irrational competition</td>
<td>Top 5 players have majority market share</td>
</tr>
<tr>
<td>Builders Promoted HFCs</td>
<td>Rapid disbursement</td>
<td>More rational market</td>
</tr>
<tr>
<td>Company Promoted HFCs</td>
<td>Credit quality issues</td>
<td>Sustained mortgage growth</td>
</tr>
</tbody>
</table>

Source: Compiled from literature review

### 4.3 Development of Housing Finance Industry

Buying one’s own home is a dream for almost every Indian. The Housing Industry in India has been growing at a robust rate and is projected to continue to grow for the next few years.

The 1990s have been very eventful for India particularly in terms of the financial sector reforms that paved the way for better play of market forces. The economy made the transition from a controlled and regulated regime to a liberalised and open regime during this period.

The Indian housing finance market is today among the more robust and vibrant segments of the Indian economy. The Indian housing finance market has developed only in the past three decades or so. Prior to the late 1980s the housing
finance market was small in size. During the period of post 1987 (after the establishment of NHB) the housing finance market of India has grown phenomenally, enjoying double digit year on year growth and achieving vibrancy in terms of a large number of players and products to serve different segments of the market. During these years the regulatory philosophies of the NHB and RBI have been constantly changing and evolving as per the needs of the sector and market environment, domestic and global.

The housing finance market of India is served by multiplicity of institutions across vast geographical and income spread. The entire Banking sector, Housing Finance Companies, Co-operative and other institutions constitute the Housing Finance Industry in India. Commercial Banks and Housing Finance Institutions are the dominant players offering housing loans in the country. Over the last 25 years, the Housing Finance sector in India has witnessed revolutionary changes. Formal institutional funding for housing has increased considerably. The housing finance statistics show the magnitude of change from the year 2000 onwards. The outstanding housing loans of the Housing Finance Companies were Rs.25,326.01 crores as on 31st March 2000 and that of Commercial Banks were Rs.18,524.88 crores. Putting them together, the total amount comes to Rs.43,850.89 crores. The same has exponentially grown to Rs. 2,85,711 crores and Rs. 4,62,200 crores for Housing Finance Companies and Commercial Banks respectively with the total of Rs. 7,47,911 crores as on 31st March 2013. This has shown a growth rate of 1605.58%. Which is an indication of rapid growth of Housing Finance Industry.³

Competition within the sector is ensuring that players offer consumers flexibility and features to choose from. Features such as adjustable rate plans, lower processing fees, monthly rest, low interest rates, low EMI, lower margin money, no pre-payment penalty have become common across the Industry. In order to differentiate and make the housing loan product more attractive, Commercial Banks and HFCs have started including the cost of registration, stamp duty, society charges and other associated costs while sanctioning loans. This has resulted in further lowering the threshold limit for buying a house. Companies are offering free add-ons such as life insurance, credit cards and consumer loans at reduced rates for
furnishing the house for the purpose of differentiation of their housing loan products. Several Commercial Banks and Housing Finance Companies have now begun to offer tailor-made loan schemes to renovate, repair, extend, convert or otherwise improve one’s home. Commercial Banks and Housing Finance Companies like HDFC Ltd and others provide home improvement loans for purposes like external repairs, water-proofing, roofing, internal and external painting, plumbing and electrical work, tiling and flooring, grills and aluminum windows, construction of underground or overhead water tanks, paving of compound walls and setting up bore wells, among other things. Some of the major players in the Housing Finance Industry have started organising property fairs. The projects of different construction companies are brought together and bundled with a lower than normal interest rate loan product. These initiatives help to create more organized Housing market and more value for the customer. The Housing Finance Companies have started addressing concerns of borrowers through counseling and legal advisory services on matters pertaining to property’s title, its technical evaluation and its pricing.

Customer Relationship Management is emerging as one of the key areas of competition to win over new customers. Housing Finance Companies have been upgrading their technology and investing in sophisticated systems for sourcing, processing and managing information pertaining to home loan customers. As the scope for product differentiation is increasingly getting limited, the Housing Finance Companies are forced to compete on the strength of their service quality. Rendering technology-enabled value added services would enable the Housing Finance Companies to better withstand the competition.

4.4 Regulatory bodies for Housing Finance Industry in India

The high growth Housing Finance sector in India is supported by a facilitative regulatory frame work to ensure smooth functioning of the financial sector. The Reserve Bank of India (RBI) and National Housing Bank (NHB) are the key regulatory bodies. The Commercial Banks and Housing Finance Companies, which are registered companies, are also regulated by the capital market regulator, the Securities and Exchange Board of India.
RBI regulates the Commercial Banks and NHB oversees the Housing Finance Companies. Initially, RBI was the sole regulatory body overseeing the functioning of the Housing Finance sector. As the network of specialised Housing Finance Companies emerged, NHB was established in 1988, as per the National Housing Bank Act 1987 to support and promote Housing Finance Institutions. National Housing Bank is wholly owned by RBI. NHB operates as the principal agency for promoting, regulating and providing financial and other support to HFCs at local and regional levels. Banks are managed and regulated by the RBI. As on 31st March 2014, 58 Companies have been granted Certificate of Registration (CoR) by NHB to act as HFCs. NHB is the principal agency in India for promoting and developing a healthy, self-sustaining housing finance system in the country⁵.

Housing finance system in India has evolved and steadily grown over the past several years through the various stages with NHB acting as the Apex Institution. NHB is engaged in building the market infrastructure for the sector’s efficient functioning. NHB is committed towards creating an appropriate environment for affordable housing and housing finance that can cater to all segments of the population. It continuously seeks to contribute towards the development of sustainable habitat and towards the promotion and preservation of environment through energy efficiency and similar initiatives.

One of the prime objectives of the NHB is to establish and promote a sound and stable Housing Finance system in the Country. NHB is pursuing its charter and vision to shape and develop the Housing Finance market in India along sustainable lines and promoting financial and institutional depth in the Housing Finance sector. It is engaged in a range of activities that are key to the development of market based solutions for low and moderate income housing segments. The activities include building of institutional and market infrastructure critical for expansion and stabilization of housing finance system. In addition to various promotional activities NHB also seeks to undertake measures that promote confidence amongst all stakeholders. Under the provision of the Act, NHB regulates Housing Finance Companies seeking to do business in the country.
NHB performs a range of activities including financing, regulation and supervision and promotional initiatives. It regulates and supervises the activities of HFCs in accordance with the provisions of the NHB Act. Registration of HFCs for conduct of housing finance business, onsite and off-site supervision of HFCs, consumer interface and protection and co-ordination with other regulators are being manifested by NHB. It co-ordinates with central and state governments to develop and implement housing policies, develop new products and schemes and also programmes and strategies aimed at mitigating the housing shortage among the lower income segments of the population.

4.5 Housing Finance Industry – Indian scenario

Commercial Banks and Housing Finance Companies are the major players in India’s Housing Finance Industry. Taking into consideration, India’s rapid population growth, increasing urbanisation and rising affordability the Housing Finance market is expected to grow further. Increasing competition will prompt, Housing Finance Institutions to have access to low cost funds, better operational and credit cost control, and better service quality.

4.5.1 Housing shortage in India

Housing shortage has been a major problem in our country since the time of independence. Affordable, suitable, adequate and equitable housing is a major priority for governments all over the world. Factors such as land accessibility, land cost, high cost of mortgage, institutional co-ordination with regard to infrastructural development, government approval procedures and availability of finance affect affordability of building. Housing shortage is posing a challenge since there is a mismatch between the people for whom the houses are being built and those who need them.

As per the Census 2011, India has recorded 17.64 per cent growth in its population which rose from 1,02,87,37,436 in 2001 to 1,21,05,69,573 in 2011. 31.16% of the total population of India is in the urban sector. As per the 12th five year plan estimates, the urban housing shortage is approximately 18.78 million units while the rural housing shortage is around 43.67 million units. 95% of this shortage is concentrated in the population identified as Economically Weak Sections (EWS)
and Low Income Groups (LIG). The working group on rural housing for the 12th five year plan pegged the overall housing shortage at 63 million dwelling units. The Planning Commission of India estimates that about 300 million Indians currently live in towns and cities and in the next 20-25 years, another 300 million people will get added to towns and cities.

Table 4.1 Housing shortage in India

<table>
<thead>
<tr>
<th>Category</th>
<th>Urban Housing</th>
<th>Rural Housing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Shortage</td>
<td>Percentage</td>
</tr>
<tr>
<td></td>
<td>(in million)</td>
<td>to total</td>
</tr>
<tr>
<td>Economically Weaker Sections (EWS)</td>
<td>10.55</td>
<td>56.18</td>
</tr>
<tr>
<td>Lower Income Group (LIG)</td>
<td>7.41</td>
<td>39.44</td>
</tr>
<tr>
<td>Middle Income Group (MIG)</td>
<td>0.82</td>
<td>4.38</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>18.78</td>
<td>100</td>
</tr>
</tbody>
</table>

*Source: *Urban Housing Shortage (2012-17) Report of the Ministry of Housing & Urban Poverty Alleviation to estimate the Urban Housing Shortage for the 12th Five Year (2012-17)

**Working Group Report on Rural Housing for 12th Five Year Plan (2012-17)**

4.5.2 Housing Finance disbursement in India

Housing Finance Industry today mainly comprises of Commercial Banks and Housing Finance Companies. Banks share of Housing loans outstanding in the formal Housing market accounted for nearly 61%. The HFCs market share was approximately 35% of the retail Housing Finance market.

As on 31st March 2014, housing loan outstanding of Commercial Banks were Rs.5,40,800 crores including priority sector lending. housing loan falling under priority sector lending were Rs.3,03,400 crores. Housing loans constituted 9.56% of the total advances of Commercial Banks in the year 2013-2014. Housing loans outstanding in the case of Commercial Banks increased by 18.41% as on 31st March 2014, when compared to 14.59% as on 31st March 2013.
As on 31st March 2014, among the 58 HFCs granted Certificate of Registration by NHB, 40 HFCs were given the Certificate of Registration without permission to accept public deposits. Out of 58 HFCs, 50 were public Ltd and 8 were private Ltd companies. In 2013-14, HFCs disbursed Rs.1,04,057 crores to 11,02,712 loan accounts for acquisition/construction of new house, upgradation (including major repairs) and purchase of old/existing houses (resale). Housing loans outstanding with HFCs at the end of March 2013 were Rs.2,90,427 crore and it was increased to Rs.3,47,858 crore at the end of March 2014, thereby shown a growth of about 20% as on 31st March 20147.

4.5.3 Housing Finance penetration in India

According to ICRA, nearly 60% of Housing Finance market in India was under the control of top 5 Financial Institutions, namely, SBI Group, HDFC Group, LIC Housing Finance, ICICI Group, and Axis Bank. The remaining is shared amongst other Commercial Banks, HFCs and Co-operatives. The market share of the HFCs and Commercial Banks has been constantly growing year on year from 27% as of March 2009 to 37% as of March 2014. Housing finance penetration levels touched 8% in March 2014, after remaining in the 7-7.5% range in the past decade. This increase has resulted in a 20% growth in the portfolio of Banks and HFCs. According to ICRA, Growth in HFCs’ housing credit reduced from 28% in 2012-13 to 23% in 2013-14. This was still higher than the growth registered by banks at 18% in 2013-14.

As per the estimates of ICRA, the total housing credit outstanding in India as on 31st March 2014 was over Rs. 9 trillion, which grew by 20% over Rs. 7.5 trillion as on 31st March 2013. As per the Monitor Group- NHB study, low-income housing segment (monthly household income of Rs. 7,500 – 20,000) is estimated at 22 Million units of Rs. 0.5 million each. Hence there is an estimated opportunity size of Rs. 11,000 billion and a potential size of the mortgage market being Rs. 8,800 billion. The total demand including loans up to Rs. 2.5 million that constitutes Priority Sector Lending is estimated at around Rs. 20 trillion8.
4.5.4 Categories of Institutions providing Housing Finance in India

Prior to the establishment of NHB in 1988, the housing finance market in India was characterized by centralized direct credit. The Indian Housing Finance sector has evolved and grown manifold in multiple dimensions, providing value and benefits to a number of stakeholders. A number of institutions have evolved providing a variety of service in the Housing Finance sector. The need of finance for housing in the country is catered to by the following types of institutions.

i. Financial Institutions

ii. Commercial Banks

iii. Scheduled Co-operative Banks (Scheduled state co-operative banks, Scheduled district co-operative banks and urban co-operative banks)

iv. Regional Rural Banks

v. Agriculture and Rural Development Banks

vi. Housing Finance Companies

vii. State level Apex Co-operative Housing Finance Societies

viii. NBFCs/MFIs/SHGs have also been lending for housing though in a small way.
Figure 4.2 Housing Finance system in India

<table>
<thead>
<tr>
<th>GROUP</th>
<th>SUB-GROUP</th>
<th>CHANNEL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Institutions</td>
<td>Development Financial Institutions</td>
<td>NHB</td>
</tr>
<tr>
<td></td>
<td>Non-Banking Finance Companies</td>
<td>NABARD</td>
</tr>
<tr>
<td></td>
<td>Scheduled Commercial Banks</td>
<td>Housing Finance Companies</td>
</tr>
<tr>
<td></td>
<td>Co-Operative Banks</td>
<td>Other NBFCs</td>
</tr>
<tr>
<td></td>
<td>Private Sector Banks</td>
<td>Public Sector Banks</td>
</tr>
<tr>
<td></td>
<td>District Co-operative Banks</td>
<td>Scheduled Urban Co-operative Banks</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Scheduled State Co-operative Banks</td>
</tr>
<tr>
<td>Other Institutions</td>
<td>Agriculture &amp; Rural Development Bank</td>
<td>Primary Land Development Bank</td>
</tr>
<tr>
<td></td>
<td>Apex Co-operative Housing Societies</td>
<td>Housing Societies</td>
</tr>
</tbody>
</table>

4.6 Housing Finance Industry in Kerala

Commercial Banks in Kerala play an important role in the housing sector of the State. Among these Commercial Banks, Nationalized Banks have a major contribution in providing housing loans. Commercial Banks and Housing Finance Companies contribute more than 50% of the housing stock in the state. The State Bank Group especially State Bank of Travancore (SBT) is the leader in providing housing loans in the state.

The poor and needy in the state of Kerala, are the most affected group because of the housing problem. The factors which act as barriers in providing adequate support for the poor are paucity of purchasing power, poverty, lack of security of tenure for land, speculative land market, inflexible housing finance system, inappropriate planning in adequate supply of building materials and building regulations, limited awareness about appropriate building materials and construction technologies, problems with the institutional framework and unavailability of skilled manpower. The State Government is providing support through its various programmes to fill the gap between demand and supply of houses by implementing schemes for affordable housing. But the present legal and regulatory structures of the State are not conducive for meeting the emergent demands in the housing sector. The quality of basic services like water supply, waste disposal, drainage, public transport etc. does not match with the real requirement of Housing sector. The depletion of natural resources such as land, water, forest cover and energy in an uncontrolled way is another problem facing by the sector.

4.6.1 Housing shortage in Kerala

As per census 2011 the population of Kerala is 3,33,87,677, the rural and urban population split up being 1,74,55,506 and 15932171, respectively. In other words, the rural population constitutes 52.28%, and urban 47.72% of the entire population. The decadal percentage of urban population has increased from 29.96% in 2001 to 47.72% in 2011. This shows the high rate of urbanization taking place in Kerala.

According to the general survey conducted in 2007, it was estimated that the projected demand was 10.84 lakh housing units in the State. Based on the survey,
the housing stock of the State was 69,85,419 units. The projected demand for the new population up to the end of the 12th plan period is 6.5 lakhs. Apart from this there is a need for reconstruction of 5.5 lakh units of dilapidated houses. The State has to undertake the task of constructing 12 lakh housing units, of which around sixty percent is meant for the economically weaker sections of the society. It is estimated that a total amount of Rs 15000 crores is needed as investment in the housing sector for economically weaker section and disadvantaged groups.

4.6.2 Housing Finance agencies in Kerala

There are several agencies implementing housing schemes in the state. They include Kerala State Housing Board, Kerala State Co-operative Housing Federation, Kerala State Development Corporation for SC/ST, SC/ST Development Department, Rural Development Department including Kudumbashree, which implements Ashraya Housing Scheme for the destitute etc. Non–governmental agencies such as COSTFORD and Habitat Technology Group, co-operative societies, Kerala Police Housing & Construction Corporation etc. have also helped in constructing houses. Other Departments like Labour, Fisheries, Scheduled Caste etc. are also implementing various affordable housing schemes for poor labourers and Economically weaker Sections. A concerted and co-ordinated effort of various agencies engaged in the housing sector is needed to meet the demand in this sector.

4.6.3 Housing Finance disbursement in Kerala

Banking sector in Kerala plays an important role in the housing scenario of the State. Nationalized Banks have contributed the biggest chunk of housing loans in the state. It is estimated that about 50% of the total housing stock is assisted by Banks and other Housing Financial Institutions in the State. As of June 2014 the State Bank Group is the leader in housing finance and the total advance outstanding in this sector comprises of an amount of Rs.11,839.26 crores against 194678 Housing loan accounts. The Nationalised Banks have an outstanding advance of Rs.7,238.67 crores against 159079 loan accounts in housing sector. The Regional Rural Banks in the State have an outstanding advance of Rs.783.79 crores against loan account of 28322. The total loan outstanding in housing sector by Public Sector Banks, as on June 2014 is Rs.19,861.72 crores against 382079 loan accounts. The
Private Sector Banks in the State have also played a dominant role in the housing sector growth. The advance outstanding in housing sector by all private sector banks is Rs.3,907.11 crores against 75897 loan accounts.

The housing finance disbursement of HFCs in the state for the year 2013-14 was Rs.2,940 crores. Among this Rs.2,046 crores were disbursed in the urban sector and Rs.894 crores were disbursed in the rural sector. The trend in HFCs housing loan disbursement in the state for the year 2012-13 and 2013-14 is given as under.

<table>
<thead>
<tr>
<th></th>
<th>2012-2013 (Amount in crores)</th>
<th>2013-2014 (Amount in crores)</th>
<th>% growth in total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban</td>
<td>1842</td>
<td>2046</td>
<td>11.91%</td>
</tr>
<tr>
<td>Rural</td>
<td>785</td>
<td>894</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2627</td>
<td>2940</td>
<td></td>
</tr>
</tbody>
</table>

Table 4.3 The trend in HFC’s Housing loan disbursement in Kerala

Source: Trend and progress of Housing in India 2014 Published by NHB

The Kerala State Co-operative Agricultural and Rural Development Bank Ltd. (KSCARDB) has financed for housing purpose to its members in the State with the refinancing facility from NABARD for new construction, purchase and repairs. The bank has financed housing loans in the State uniformly through its 46 member primary banks irrespective of any discretion like area, sector etc. Advances outstanding in co-operative housing sector as on June 2014 is Rs.5824.69 crores against an account of 306034 cases.

4.7 Housing Finance Institutions selected for the study

4.7.1 Commercial Banks

i. State Bank of Travancore

The SBT came into existence as Travancore Bank Ltd in 1945. It was sponsored by the former princely state of Travancore, Kerala. The Travancore Bank Ltd was made as a subsidiary of the State Bank of India in 1960, and a member of the State Bank group under the SBI subsidiary Banks Act 1959. SBT is now one of the prominent nationalized banks in India. SBT is the leader in the housing loan disbursement of the state11.
SBT provide housing loan for construction, purchase, repair, renovation, alteration of a house or for purchase of a plot for the construction of a house with or without Bank finance. All resident with regular monthly income with a minimum NMI of Rs.12000 and NRIs with a regular monthly income with a minimum NMI Rs.15000 and 3 years of experience is eligible for SBT home loans. Persons who can apply for SBT Housing loan includes Spouse of Non-residents, who are residents and receiving regular monthly income, Salaried persons self employed business man, professionals and agriculturists who have regular monthly income and who have a minimum of 3 years of standing/experience in their line of activity, Persons who attained a minimum age of 18 years with a steady source of income. The age of the borrower should be such that he/she should be able to close the account before attains the age of 70. The maximum loan amount is 5 crores. Repayment period is maximum for a period of 30 years subject to liquidation of the loan before the borrower reaches the age of 70 years. The Documents needed for applying for housing loan includes proof of income, tax receipt, possession certificate, title clear, valuation, estimate, plan, NOC etc.

For getting a housing loan, a customer has to pass through various stages. The CRM practices of bank begin with attracting a customer to the Bank. The ways may be different. Advertisements through medias, websites, direct mailing etc are common now a day.

People attracted to the bank, tend to give application to the bank for housing loan. The bank authorities send these applications to complete the legal formalities. In the next stage, a technical team will visit and inspect the property and if they found satisfied the loan will be sanctioned. A suitable repayment period will be allowed to the borrower for paying back the loan taken.

SBT is having a number of branches which are connected with each other. This allows customer to obtain their data from any branch of the bank. SBT has made a number of channels to enable easy access for customers. Even before applying for loan, these channels can be used for getting information. The websites of SBT is full-fledged to provide information to people. The bank is entertaining providing information through telephone and direct visitors to bank. After applying
for home loan, the interim contact between bank and the customer is less in the case of SBT. The follow-ups have to be made by the customer. SBT contacts the customer only at the time of collecting cheque.

A new initiative from the part of SBT to manage its customer relationships is the starting of its marketing wing to formulate new strategies to attract and maintain its customers. Appointing marketing executive to bring in business is an innovative strategy from the part of bank. During special occasions the bank gives gifts and compliments to delight key customers.

ii. Union Bank

Union Bank of India (Union Bank) was registered on 11 November 1919 as a limited company in Mumbai and was inaugurated by Mahatma Gandhi. At the time of India's Independence in 1947, Union Bank had only four branches - three in Mumbai and one in Saurashtra, all concentrated in key trade centres. After Independence Union Bank accelerated its growth and by the time the government nationalised it in 1969, it had grown to 240 branches in 28 states. Shortly after nationalisation, Union Bank merged with Belgaum Bank, a private sector bank established in 1930 that had itself merged with a bank in 1964, the Shri Jadeya Shankarling Bank (Bijapur; incorporated on 10 May 1948). Then in 1985 Union Bank merged with Miraj State Bank, which had been established in 1929, and which had 26 branches. In 1999 the Reserve Bank of India requested that Union Bank acquire Sikkim Bank in a rescue after extensive irregularities had been discovered at the non-scheduled bank. Sikkim Bank had eight branches located in the North-east.

The Union bank provides Housing loan for the purpose of Purchase or construction of house or flat, Purchase of plot and construction of house thereon, Repair or improvement or extension of the existing residential property and takeover of Housing loan availed from other Bank/Financial Institutions. Indian citizen above 21 years, Individual either singly or jointly with other family members viz, father, mother, son and or spouse, who have regular source of income as co-applicants and the NRIs are also eligible for Union Bank Housing loans. Amount of loan sanctioning depends upon the repayment capacity of the borrower and value of property. For repairs a maximum of 30 lakhs is fixed. There are 3 repayment periods
available, Repayment period up to 30 years, 20 years and 10 years in the case of repairs and Flexible methods of repayment.

Union Bank provides top up loans to its customers. Top up loan facilitates existing Housing loan borrowers to avail additional loan who have repaid 24 EMIs in the existing Housing loan account, to meet any expenditure with respect to the house such as repairs, renovation, furnishing etc. Minimum amount of top up loan is Rs.50,000. Maximum amount depends upon the repayment capacity (should not exceed to original Housing loan amount) of the customer. The repayment period is up to 5 years or residual period of housing loan whichever is earlier.

Union bank of India have core banking facility, which connects each and every bank branch. It allows variety of channels of communication to customers such as websites, e-mails, telephones, and direct access to bank branches. Union bank has relationship managers to canvas people to its organisation. After receiving an application, bank send it for completing the legal formalities. Then in next stage, the technical inspection is made and loan is sanctioned. Customer communications like EMI alerts are made through E-mails, SMSs and group information systems. Union bank is creating emotional bonding with their customers by wishing them on important occasions. Festival greetings and birthday greetings are send to its customers.

iii. Federal Bank

The history of Federal Bank dates back to the pre-independence era. Though initially it was known as the Travancore Federal Bank, it gradually transformed into a full-fledged bank under the able leadership of its Founder, Mr. K P Hormis. The name Federal Bank Limited was officially announced in the year 1947 with its headquarters at Aluva. Since then there has been no looking back and the bank has become one of the strongest and most stable Banks in the country.\(^\text{13}\)

The Federal Housing Loan scheme assists borrowers for construction of house; acquisition of land & construction of house; repairs, renovation, remodeling and extension of house; reimbursement of debt incurred for construction, purchase, furnishing or beautification or purchase of flat, villa, house plots, takeover of
Housing loans or supplementary Housing loan to employees of well-run companies and purchase of house plot for subsequent construction of house etc.

Federal Bank allows loan up to 85% of project cost, subject to a maximum of Rs.1500 lakhs for purchase/construction of a house and loan up to 60% of land, subject to a maximum of 25 lakhs for purchase of land/plot. Repayment period is maximum 30 years for purchase/construction of house and 5 years for purchase of land/plot. For property loan the maximum loan amount sanctioning is 5 crores and the maximum repayment period is 15 years.

Federal bank have a well equipped website to give information to the customers. Bank uses Information Technology enabled communication services like E-mails, SMS’s and group information systems to provide information to customers. The bank entertains walk in customers and providing information through telephone. When people apply for loan it goes through various stages and if the requirements are fulfilled, loan will be sanctioned. The loan sanctioned will be informed to the customer. Monthly EMI reminders are also sent to the customers. The bank has relationship managers to attract new customers to bank. They keep in touch with the customers frequently. It maintains telephone helpline for customers. Bank will send wishes on special occasions to its customers such as birthday, wedding anniversary and festival seasons.

iv. North Malabar Gramin Bank

North Malabar Gramin Bank (NMGB) was a Regional Rural Bank in Kerala, India. It was established in 1976 as a Scheduled Commercial Bank as per Regional Rural Banks Act of 1976 to provide banking facilities in the North Malabar region. It operated in seven districts of Kerala with the headquarters at Kannur, and had 222 branches as of 14 June 2013. The bank distinguished itself as one of the few profit making RRBs in India before its amalgamation. On 8 July 2013, per a Government of India notification, North Malabar Gramin Bank (sponsored by Syndicate Bank) and South Malabar Gramin Bank (sponsored by Canara Bank) were amalgamated into a single entity as the Kerala Gramin Bank, with its head office at Malappuram, and Canara Bank as the sponsor bank.
North Malabar Gramin Bank provides housing finance for acquiring house site and constructing house thereon, construction of house on the land already owned by the party, purchase of ready built house, making extension/addition to the existing house and for carrying out repairs to damaged house. Individuals who are in gainful employment, profession or business are eligible for applying for NMGB house loans. Also the age of the borrower at the time of application should be less than 60 years. Maximum loan amount allowed is 75% of the estimated cost of construction and cost of site, subject to a maximum of 72 months gross salary or 6 times the average annual income of the borrower. Maximum repayment period allowed is 20 years. NMGB maintains a website to meet the requirements of housing loan customers. It provides information required by the customers. Customers will be informed when the housing loan is sanctioned. The bank is taking efforts to build trust among the customers. Efforts are also being taken to ensure the commitment to its customers.

4.7.2 Housing Finance Companies

i. HDFC Ltd

HDFC provides home loan for purchase, construction and resale of flat, house, bungalow and balance transfer. People can apply individually or jointly for home loans. All proposed owners of the property will have to be co-applicants. Repayment period allowed is up to 30 years for adjustable rate home loan, for all others up to 20 years, depending upon customer profile and age, age of customer at the maturity of loan, age of property at loan maturity, depending upon the specific payment scheme as may be opted and any other terms which may be applicable based on prevalent norms of HDFC Ltd. Maximum loan amount allowed is 1) Up to 75 lakhs: 80% of the property and for above 75 lakhs: 75% of the property.

HDFC Bank had received the award for best CRM practices for many years. As a Housing Finance Company, its operations are focused towards attracting home loan business. They concentrate more on building better relationship with the customers and to increase sales. HDFC Ltd have relationship managers to do business. These managers are coming in direct contact with the customers. HDFC Ltd has the motto to provide better customer experience to its people. The
organisation has started a training centre at ‘Lonavala’ to give training to its employees in Customer Relationship Management.

HDFC Ltd provides various communication channels to customers to contact with the organisation. They have a well maintained website to interact with customers regularly. They inform the customers about new services on real time. Variety of home loan products and personalised services are there in HDFC Ltd. At the time of receiving application, HDFC Ltd starts the process with a welcome call to the customer. During each stage they inform the customer about the progress of application through E-Mail, SMS and telephone calls. Monthly reminders are also sent. Loan statements are sent to customers quarterly. They are also engaged in cross selling and up selling.

ii. LIC HFL

LIC Housing Finance Ltd. is one of the largest Housing Finance company in India. Incorporated on 19th June, 1989 under the Companies Act, 1956, the Company was promoted by LIC of India and went public in the year 1994. The Company is registered with National Housing Bank. As one of the largest housing finance companies in India with a large network of marketing offices ,across the country and representative offices abroad.

The main objective of the Company is providing long term finance to individuals for purchase or construction of house or flat for residential purpose, repair and renovation of existing flat or houses. The Company also provides finance on existing property for business, personal needs and also gives loans to professionals for purchase or construction of Clinics / Nursing Homes / Diagnostic Centers / Office Space and also for purchase of equipments. The Company also provides long term finance to persons engaged in the business of construction of houses or flats for residential purpose and to be sold by them.

LIC HFL has special loan schemes for Resident Indian/NRIs and pensioners (before retirement and for after retirement). LIC HFL provides home loans for Purchase/Extension/Construction of house for resident Indian/NRIs. The maximum loan amount will be 85% of the total cost of the property including stamp duty and Registration charges for loan up to 20 lakhs, 80% of total cost of the property
including stamp duty and registration charges for loan above 20 lakhs of and up to 75 lakhs 75% of total cost of the property including stamp duty and registration charges for loan above 75 lakhs. Repayment period will be a maximum of 30 years for salaried people and 20 years for self employed people.

Pensioners (before retirement) can avail housing loan for purchase, construction, extension of house/flat. Persons whose age is 50 or more having a pension scheme after retirement can apply for loan under this scheme. There are certain terms and conditions for persons opting this scheme. They should give an undertaking letter that the entire loan or at least 30% or any amount as decided by the Area Office will be repaid out of the retirement benefits if required. The balance is to be repaid from the pension income. The amount of Principal to be repaid at the time of retirement will depend on the Pension amount the applicant is eligible after retirement. The repayment term of the loan will be up to 15 years or 70 years of age whichever is earlier.

Pensioners (after retirement) can avail housing loan for purchase, construction and extension of house/plot. Pensioners having a stable income throughout their life from pension can apply for loan under this scheme. Under this scheme commutation of pension or any portion thereof is not allowed. Under this scheme a guarantor acceptable to the company is required. The loan under this scheme has to be repaid before the applicant attains the age of 70 years.

The Company continues to serve the customers at their door step through Home Loan Agents, Direct Selling Agents and Customer Relation Associates. Marketing executives keep in touch with the customers throughout loan processing and repayment stages through telephone calls or through personal visit. The Company participates in property exhibitions in various parts of the country and the same has been an impetus for successful marketing. The company has a user friendly website, which serves as a platform to establish and maintain relationship with customer. They interact with customers through Email and SMS. Monthly EMI reminders are sent through these channels of communication.
4.8 Conclusion

This chapter provides description of the evolution and development of Housing Finance Industry, Regulatory bodies of housing finance in India, Indian Housing Finance Industry, Housing Finance Industry in Kerala and the Housing Finance Institutions selected for the study.

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