2.1 Meaning of Housing Finance

The home is basic unit of society, but the capital required per dwelling is so large that few individuals can raise it from their own savings. So there is a great need and scope for the purpose of construction of house.

The terms “Housing Finance” or “Home Loan” means finance for buying or modifying a property. The different housing loan products could be classified as:-

(a) Home Loans
(b) Home Extension Loans
(c) Home Improvement Loans
(d) Land Loans
(e) NRI Loans
(f) Home Equity Loans
(g) Short Term bridging Loans
(h) Converting high interest housing loan to low interest housing loan.
2.2 Eligibility criteria of housing finance in India.

The individual, who is planning to buy a house in India, can apply for home loan, whether he is “Resident” or Non-resident individual. The individual can apply for loan even before the selection of the property which is to be purchased. Once an individual decides the maximum amount that he can put into the property, all Housing Finance Institution (HFIs) can help to plan his budget by calculating his “Affordability” which is based on his individual or clubbed income.¹

The loan applicant has an option of having co-applicant to his loan to enhance his loan eligibility. All HFIs lay down conditions on who can be co-applicants. All co-owners to the property need to be co-applicants to the loan necessarily. But any minor cannot be co-applicant as he is not eligible to enter into contract as per law. HFIs do not permit friends or relatives who are not blood relatives to take property jointly. Income of co-applicants as decided by HFIs can be clubbed together to get higher loan eligibility.

The following table shows some acceptable relationship of co-applicants for clubbing of income :-

(a) Husband – Wife                        (Yes)
(b) Parent – Son (if only son)              (Yes)
(c) Parent – Daughter (if only daughter)   (Yes)
(d) Brother – Brother (if currently staying together and intend staying together in new property)   (Yes)
(e) Brother – Sister   (No)
(f) Sister – Sister   (No)
(g) Parent – Minor Child   (No)

2.3 **General Terms and Conditions of a Housing Loan**

The following are the general terms and conditions applicable to the basic housing loan product only. These are likely to change with respect to different types of housing loans.

1. The loan to value ratio cannot exceed a particular percentage. This differs from product to product and from one HFI to another. The ratio is known as ‘LTV’.

2. The maximum tenure of the loan is normally fixed by HFIs. However, HFIs do provide for different tenor with different terms and conditions.

3. The installment that applicant pay is normally restricted to about 40 percent of his monthly gross income. This is known as Installment to Income Ratio (IIR).
4. The total monthly outflow towards all the loans that applicant has availed of including current loan is normally restricted to 50 percent of applicants monthly gross income. This is known as the Fixed Obligation to Income Ratio (FOIR).

5. An applicant will eligible for a loan amount, which is lowest as per his eligibility. This is calculated as per the LTV norms, the IIR norms and the FOIR norms.

6. Most HFIs consider applicant’s profile before they judge his capacity. The applicants are judged on the basis of age, qualification, number of dependents, employment details, employer credentials, work experience, previous track record of repayment of any loans that he has availed of, occupation, the industry to which applicant’s business relates to. If applicant is self-employed, then his turnover in the last 3-4 years, etc.

7. Some HFIs insist on guarantees from other individuals for due repayment of applicant’s loan. In such cases applicants have to arrange for the personal guarantee before the disbursement of loan takes place.
8. Most HFIs have a team of civil engineers to visit the site to get a technical report on the quality of construction and compliance with the local laws before they disburse the loan.

9. Most HFIs have a panel of lawyers who go through applicant’s property documents to ensure that the documents are clear and are not mis-represented.

10. The disbursement of loan takes place as per progress of construction of property unless it is ready property in which case the disbursement of loan will take place by one single cheque. PEMI are simple interest on loan amount disburse to an applicant in case of a part disbursement is payable by an applicant on the disbursement.

11. The disbursement in most cases, favours the builder or the seller or the society or the development authority as the case may be. The disbursement does come in applicant’s favours only in special circumstances.

12. An applicant can repay the loan either through deduction against salary, post dated cheques, standing instruction or by cash or demand draft (DD).
13. The principal is amortized either an annual reducing or monthly reducing basis as case may be.²

2.4 Different kinds of charges applicable to Housing Loan Products.

The different kinds of charges applicable to home loans are listed below, but all of these charges may or may not levy by all HFIs. These charges are broadly classified into two categories.

<table>
<thead>
<tr>
<th>CHARGES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PRE-DISBURSEMENT CHARGES</strong></td>
</tr>
<tr>
<td>1. Processing Fees</td>
</tr>
<tr>
<td>2. Administrative Fees</td>
</tr>
<tr>
<td>3. Rate of Interest</td>
</tr>
<tr>
<td>4. Legal Charges</td>
</tr>
<tr>
<td>5. Technical Charges</td>
</tr>
<tr>
<td>6. Stamp Duty and Registration Charges</td>
</tr>
<tr>
<td>7. Personal Guarantee from Charges</td>
</tr>
<tr>
<td><strong>POST – DISBURSEMENT CHARGES</strong></td>
</tr>
<tr>
<td>1. Cheque Bounce Charges</td>
</tr>
<tr>
<td>2. Delayed Payment Charges</td>
</tr>
<tr>
<td>3. Additional Charges</td>
</tr>
<tr>
<td>4. Incidental Charges</td>
</tr>
<tr>
<td>5. Prepayment Charges</td>
</tr>
<tr>
<td>6. PDC Swapping Charges</td>
</tr>
</tbody>
</table>
**Processing Charges:**

This is a charge that is levied by most HFIs to cover the cost that they incur on the processing of loan application. This has to be paid at the time of submission of the application form. Most HFIs refund this fee if loan application is rejected. It is normally charged as a percentage of loan amount sanctioned or it may be charged as a flat fees based on loan amount. In case of excess fees corresponding to loan, it can be adjusted with subsequent charges which are to be paid by applicant.

**Administrative fees:**

This charge is based on percentage on the loan amount sanctioned. It is collected by the HFI for the maintenance of customer’s records, issuing interest certificates, legal charges, technical charges etc. through the tenure of loan. It is to be paid after acceptance of offer letter given by HFI.

**Rate of Interest:**

It is charges on the principal on either annual reducing method or monthly reducing method. There are two types of rate of
interest, “Fixed rate of interest”, and “Floating rate of interest”. Applicant can opt for any of these types.

**Legal Charges:**

Some HFIs levy legal charges that they incur on getting property document vetted by their panel of lawyer.

**Technical Charges:**

This charge is levied by some HFIs to meet their expenses on the technical site visits to the property.

**Stamp Duty and Registration Charges:**

HFIs that go in for a registered mortgage pass these charges on to an applicant. These are rather heavy in certain states depending on the laws laid down by the State where the property is to be purchased.

**Personal Guarantee form Charges:**

These charges are levied by HFIs who demand for guarantee. Since the personal guarantee provided by an applicant is to be stamped, so these charges are to be paid by applicant.
Cheque Bounce Charges:

In case the cheque through which an applicant is making payment to HFI gets dishonored, then some minimum charges are levied by bank. And these charges are to be recovered by an applicant.

Delayed Payment Charges:

In case of delay of installment beyond due date. HFIs charge these charges to an applicant.

Additional Charges:

These are levied as a percentage on the delayed payment charges by most HFIs. These charges are levied if an applicant fails to pay the dues within the stipulated time after delay has taken place.

Incidental Charges:

This is payable in case the HFI sends a representative from their organization to collect their outstanding dues. It is normally charged at a flat rate per visit. These charges are levied by most HFIs.
Prepayment Charges:

It is penalty charged by HFIs from when the applicant makes either a part prepayment or a full prepayment of loan. This charge is levied on the amount prepaid by an applicant and not on the equated monthly installments (EMIs) that he pays. This charge is levied on the amount prepaid and not on the entire outstanding principal. These charges are gradually being discontinued by the HFIs.

PDC Swapping Charges:

In case, an applicant wishes to swap the PDC’s given by him to HFI for EMI repayments, some HFIs charge a flat fee for the same. Here PDC refers to “Post Dated Cheques”.

2.5 The Typical Credit Documents that Need to be submitted to the HFI:

The given list is the exhaustive list of credit documents that need to be submitted for a general home loan product. The document vary from one HFI to another. But the general requirements are:-

1. Income Document: it may be
   (a) Salary slips for last three months.
   (b) Appointment letter
(c) Salary Certificate

(d) Relationship Agreement, if appointed as consultant.

(e) Form 16 issued by an employer on applicant’s name.

(f) Last three years Profit and Loss Account Statement duly attested by a Chartered Accountant, if self employed.

(g) Last three years Balance Sheets duly attested by a Chartered Accountant, if self employed.

(h) Last three years Income Tax Returns duly filed and certified by the Income Tax Authorities.

2. Proof of Employment: it may be

(a) Identity Card issued by employer.

(b) Visiting Card

3. Employer’s Details (in case of Private Limited Companies)

Profile of employer on employer’s letter head it is to be signed by a Senior Person in the organization comprising:

(a) Name of Promoters / Directors

(b) Background of Promoters / Directors

(c) Nature of business activity.

(d) Number of Employees

(e) List of branches / factories
(f) List of Suppliers

(g) List of Clients / customers

(h) Turnover of employer

(i) Annual reports of the employers for the last two to three years.

Proof of Age (any one of the following)

(a) Passport

(b) Voter’s ID Card

(c) PAN Card

(d) Ration Card

(e) Employer’s Identity Card

(f) School Leaving Certificate

(g) Birth Certificate

5. Proof of Residence (any of the following)

(a) Passport

(b) Ration Card

(c) PAN Card

(d) Rent Agreement

(e) Bank Pass Book

(f) Allotment letter from company, if an applicant is residing in company quarters.
6. Proof of Name Change (if applicable)
   (a) A copy of the official Gazette.
   (b) A copy of the newspaper advertisement publicizing the name change.
   (c) Marriage Certificate

7. Proof of Investment (if required)
   (a) Bank Statement for the last six months of all operating and salary account.
   (b) Bank statements for the last six months of all current accounts, if self employed.
   (c) Any other photocopies of investment held, if required by HFI.

The name and the list of documents vary from state to state and it also depends on the type of property being financed. The broad outline of the documents which are generally required by most HFIs is given below:

1. Acceptance copy of the offer letter issued by HFI.

2. Title document of the property that includes: -
   (a) Sale agreement duly registered.
   (b) Allotment letter
   (c) Registration Receipts
(d) Land Documents indicating ownership, if applicable
(e) Possession letter
(f) Lease Agreement, if applicable (Property bought from development authority)
(g) Mortgage deed, if HFI opts for a registered mortgage.

3. No Objection Certificate from developer, society or development authority as applicable.

4. Personal Guarantee, if applicable.

5. In case of alternate or additional security, documents for the same depending upon the security details.

6. Post Dated Cheques for EMIs.

   These documents are indicative in nature and do not cover the entire list.4

2.6 Type of Housing Finance

Home Loans:

A home loan is a loan taken from a Housing Finance Institution (HFI) to buy or to modify a property. The term property includes:-

(a) Property – under construction
(b) Property – ready for occupation
(c) Resale Property
(d) Self Construction or own construction.5

**Home Extension Loan:**

A home extension loan is a finance taken from HFI to extend the built up area of an existing property. This could be by way of any of the following:-

(a) Additional Floor Space Index (FSI) granted by the approving authority to construct an additional room.
(b) Enclosing the balcony with sliding windows or grills.
(c) Construction of an additional floor in the existing house.6

**Land Loan:**

A land loan is a loan taken from HFI to purchase the plot of land from either a developmental authority or a society or a developer.7

**Home Equity Loan:**

Home equity loan is especially designed to meet financial needs of a person who already owns a house. The loan amount is
given against the existing property and as a customer the person can utilize these funds to meet any of his requirements.  

**Difference Between a Normal Home Loan and Home Equity Loan is as follows:-**

1. A normal home loan is a loan given for the purchase of new property. While home equity loan is given against existing property of a customers.

2. In a normal home loan, the end use of the loan amount is monitored to ensure that loan is actually used to pay the seller of the property.

   While in case of the home equity loan the customers can utilize the loan amount to meet any of his requirements.

3. In a normal home, since it is finance for the purchase of property, the agreement value of the property is taken as benchmark. While in home equity loan, the finance is against an existing property and hence the property needs to be valued by a Government Approved Valuer or by HFI approved valuer.
NRI Home Loan:

The NRI home loan’s available to Non-Resident Indians from various HFIs for any of the following activities:-

(a) For purchase of house of a house either under construction or on resale.

(b) For self-construction of a property on a plot of land.

(c) To finance the purchase of a plot of land allotted by a society/development authority.

(d) To renovate or improve on Indian holding a valid Indian passport.\(^{10}\)

Who is NRI?

(a) As defined by Reserve Bank of India, according to RBI, an Indian citizen who holds a valid Indian Passport and who stays abroad for employment or carrying on business or vocation outside India or stays abroad under circumstances indicating an intention for an uncertain duration of stay in abroad is NRI.\(^{11}\)

(b) As defined by Income Tax Authorities, according to Income Tax Act 1961, NRI is one who employed abroad
for a period of not less than 182 days in the financial year immediately preceding the year in which he is assessed.\textsuperscript{12}

**Balance Transfer Loan:**

A balance transfer loan enables the financing of an outstanding home loan. This loan may have been availed from a HFI at a time when the interest rates are high. To convert this loan to a lower rate of interest or at the rates prevailing currently a balance transfer loan is the best option. This can be done with the same HFI or one could switch to a new HFI. This switch becomes attractive when there is a substantial decrease in the current interest rate vis-a-vis the rate of which the loan was availed.\textsuperscript{13}

Most housing loans are disbursed at a rate of interest that is fixed over the tenure of a loan. A converting high interest housing loans to low interest housing loan enables a customer to get benefit from the decrease in rates and reduce the monthly installment on the loan. The two option are available at the time of transfer of loan.

(A) **Reduction in EMI (Equated Monthly Installment)**

An applicant may get the option of reducing the EMI with the term being constant. Constant means the balance term left as per the
terms and conditions of the previous sanction by HFI. The EMI reduces as a result of the reduction in interest rate on loan.

(B) Reduction in Term

An applicant may keep his EMI constant and reduce the term of loan. This possibility arises in case when an applicant is comfortable with current EMI and wishes to clear the loan much earlier.

For the cases mentioned above, the loan amount for which an applicant is eligible is calculated as:-

**Eligible Amount** = Principal outstanding as on the month in which one apply for loan (as mentioned in the letter issued by HFI from where the loan has been taken) + Prepayment Charges.\(^{14}\)

### 2.7 Finance for Housing

The responsibility to provide housing finance largely rested with the government of India till the mid eighties. Even until ten years ago, the housing finance industry had only one or two active lenders for home loans it was only, when the Govt. realized their importance that it offered sops to customers and banks. The realized their importance that it offered sops to customers and banks. The need for institutionalization of housing finance has been realized.
To cope up with increasing demand it became necessary that the institutional finance should be made accessible to different sections of society at reasonable interest rates. The significant emphasis had been made in institutional set up for housing finance in form of specialized housing finance institutions.

Finance for house is provided in the form of mortgage loans, that is, it is provided against the security of immovable property of land and buildings. The suppliers of house mortgage loans in India are the following institutions such as. The Housing and Urban Development Corporation (HUDCO), the apex cooperative housing finance societies and Housing Boards of different states, Central and State Governments, Life Insurance Corporation (LIC), General Insurance Corporation (GIC), and a few private housing finance companies and nidhis. The government provides direct loans mainly to their employees. The shelter sector of Indian financial system remained utterly underdeveloped till the end of 1980s. But with the establishment of apex institutions like HUDCO, in 1970, HDFC in 1977, and the NHB in 1988, it has been getting impetus. As at national level, HUDCO, HDFC, NHB, All Indian Financial Institutions, Cooperative Institutions, State Housing Finance Societies, Insurance Companies, The Central & State Government
housing Boards, Provident fund organizations, Commercial Banks and their subsidiaries etc. are the major funding organization for housing projects. The brief description about the premier sources of housing finance is given as follows:

### 2.8 Housing And Urban Development Coopration (HUDCO)

HUDCO was set up on 25th April 1970 as a National Techno—financing institution in the field of housing and Urban Development by the Government of India. It was established with a equity base of Rs. 2 crores, today its Authorized capital is Rs. 2500 crores and its paid-up capital is of Rs. 2001.90 crores. And the net worth is of Rs. 3588.55 crores (Provisional). It has been able to mobilize resources from institutional agencies like LIC, GIC, Banks, and international agencies like KIW, OECF, ODA, USAID as well as through public deposits. The principal mandate of the HUDCO is to ameliorate the housing conditions of low income groups (LIG) and economically weaker Section (EWS). HUCDO’s housing portfolio covers a wide range of target groups spread all over the country both in urban and rural areas. HUDCO lays emphasis on the affordable housing and project lending wherein before lending, housing projects are examined for financial viability with a motive
to ensure full cost recovery. HUDCO has been trying to reach to the ultimate beneficiaries through State Parastatals, Development Authorities, Local Bodies, Cooperative, Private Sector Agencies, Special designated agencies and others. HUDCO has its offices in State Capitals and in many cities also. HUDCO’s lending operations are subject to market conditions, and it also provides subsidy in its few housing and shelter programmes where State or Central Govt. provides additional support to it in this regard.

HUDCO undertakes housing and urban development programmes, the setting up of new satellite towns, and the setting up of the building materials industries. It also subscribe the debentures and bonds to be issued by State Housing Boards, Improvement Trusts and Development Authorities. HUDCO has been playing an important role in meeting the housing needs in emergency situations of natural calamities such as earthquake, cyclone, floods, sea-erison, Tsunami etc.¹⁵

During the Tenth Five Year Plan (2002-07) the HUDCO has assigned the target of 4 Lakh dwelling units in urban areas and 6 Lakh dwelling units in rural areas annually, this target was under Two Million Housing Programme (2 MHP). It has achieved the target of 20 Lakhs dwelling units, in urban areas the number of
dwelling units is 1330271 and in rural areas the number is 669729

dwelling units. This number of dwelling units is below the target i.e.
50 Lakhs dwelling units in plan period.\textsuperscript{16}

During Eleventh year Plan period (2007-2012), HUDCO proposes to extend a larger quantum of assistance for supporting the
housing and urban development requirements in urban and rural
areas. The proposals envisage a total sanction of Rs. 74,596 crores
during the plan period for both housing and urban development
programmes. The amount of Rs. 14919 crores have been tentatively
identified for its housing operations and the amount of Rs. 27820
crores proposed to be disbursed during XI Plan period. The amount
of Rs. 5574 Crores is anticipated for its housing programme.\textsuperscript{17}

\subsection*{2.9 National Housing Bank (NHB)}

The NHB was established in 1988 under the NHB Act 1987,
to operate as a principal agency to promote housing finance
institutions (HFIs), at both local and regional levels and to provide
financial and other support to them. The setting up of NHB, a fully
owned subsidiary of the Reserve Bank of India marked the
beginning of the emergency of housing finance as a fund based
service in country. It was established with authorized and paid up
capital of Rs. 350 crore. The National Housing Bank had issued Housing Finance Companies (NHB) Directions, 1989, to every Housing Finance Company in exercise of the powers conferred on it under the National Housing Bank Act 1987 (53 of 1957). It had also issued guidelines to housing finance companies on prudential norms on income recognition, accounting standards, asset classification, provisioning for bad and doubtful assets, capital adequacy and concentration of credit/investment. The National Housing Bank act 1987 has been further amended by National Housing Bank (Amendment) Act 2000 (15 of 2000) further to enable the NHB to safeguard the interest of depositors and promote healthy and universal growth of Housing Finance Companies in India.18

The functions of the NHB includes the promotion and development of housing finance institutions on sound and healthy lines, regulation and supervision of housing finance companies in the matter of acceptance of deposits and providing refinance facilities to retail lending institutions in order to speed up housing construction activity and augmenting housing stock in the country. NHB also provides direct lending facility to public agencies such as State level Housing Boards and Area Development Authorities for
large scale housing projects, slum redevelopment projects and other special projects such as housing for earthquake and cyclone victims.

The given table explicit the size-wise disbursement of housing loans by HFC based on annual returns submitted by 20 major HFCs to NHB excluding HUDCO.

<table>
<thead>
<tr>
<th>Size of Housing Loans Disbursed by HFCs</th>
<th>Year of Disbursement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2002-03</td>
</tr>
<tr>
<td>Less than Rs 50000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>15.72</td>
</tr>
<tr>
<td></td>
<td>(0.2%)</td>
</tr>
<tr>
<td>Rs. 50001 – Rs. 100000</td>
<td>147.80</td>
</tr>
<tr>
<td></td>
<td>(1.7%)</td>
</tr>
<tr>
<td>Rs. 100001 – Rs. 300000</td>
<td>2675.61</td>
</tr>
<tr>
<td></td>
<td>(30.5%)</td>
</tr>
<tr>
<td>Rs. 300001 – Rs. 500000</td>
<td>2164.61</td>
</tr>
<tr>
<td></td>
<td>(24.7%)</td>
</tr>
<tr>
<td>Rs. 500001 – Rs. 10,00000</td>
<td>2023.90</td>
</tr>
<tr>
<td></td>
<td>(23.0%)</td>
</tr>
<tr>
<td>Above Rs. 1000000</td>
<td>1749.89</td>
</tr>
<tr>
<td></td>
<td>(19.9%)</td>
</tr>
<tr>
<td>Total</td>
<td>8777.40</td>
</tr>
<tr>
<td></td>
<td>(100%)</td>
</tr>
</tbody>
</table>

Source: www.planningcommission.nic.in
The above table shows that only 0.2% of housing loans extended by HFCs are of the value less than Rs. 50000, about 7% of the housing loans are of value between Rs. 50000- Rs. 100000, and more than 73% of housing loans extended by HFCs are of the value exceeding Rs. 3 Lakhs and about 93% of value if exceeding Rs. 1 Lakh. It can be observed that there is need to evolve a system for financing housing projects on scale for LIG whose affordability for housing falls in the range below Rs. 3 Lakhs, as the 90% of the shortage of housing is in account of LIG/EWS.19

2.10 Cooperative Housing

With the progress of Five Year Plans the Cooperative Housing Movement is receiving support as a strong institutional set up has been evalued for it in India. There are few states where the Cooperative Acts and Rules were enacted; in other states, these Acts and rules were extended to increase the horizon of cooperative movement. These Cooperative Acts & Rules facilitates the registration of primary cooperative housing societies and its also helped in the formation of the state level apex cooperative housing federations. These provisions have helped the primary cooperative societies in securing finance for construction of houses. The number
of primary housing cooperatives was 92000 in 2004-05 with a membership of 66 lakhs. The number of State level apex Cooperative Housing Federation has increased to 25, according to ‘Report of the Task Force on Cooperative Housing (Third Draft) 2005’. The total funds mobilized by various apex federations upto 31 March 2005, stood at Rs. 8767.67 crores. Out of this amount 3.7% is collected by the means of deposits and debentures issued by State level Apex Cooperatives, while rest (96.3%) is mobilized as loans from different agencies, such as Life Insurance Corporation of India (38.4%), National Housing Bank (9.6%), Commercial and Cooperative Banks (23.4%), HUDCO (18%), State Government (2.8%), other sources (4.1%). During the first three years of Xth Five Year i.e. 2002-03, 2003-04 and 2004-05, the Apex Cooperative Housing Federation could raise an amount of Rs. 1774.43 crore from the aforesaid sources. In 2002-03, these federations have disbursed Rs. 641.48 Crore and financial 32481 housing units. In 2003-04, Rs. 623.08 Crores and in 2004-05 Rs. 421.15 Crores was disbursed. And in 2003-04 the Apex Cooperative Housing Federations. These housing units mostly cater to the needs of middle and high income groups in cities and lower income groups in rural areas with few exceptions. The limitation faced by Cooperative Housing Movement
is in the allotment of serviced land in few of the cities where Cooperative Housing Movement is not active. They are not able to bid for land at market price due to their financial dependence on public agencies and state government.

The National Cooperative Housing Federation has initiated a concept of organizing multi-purpose Cooperative for urban poor and slum dwellers to improve their living standard. Its proposal has been put for the consideration of State Governments and Union Territory Administrations.

The Cooperative Banking Sector which includes State Cooperative Banks, District Cooperative Banks & Primary Urban Cooperative Banks have been providing finance to individuals, cooperative group housing societies, housing boards and other agencies which undertakes the housing projects for the EWS, LIGs and MIGs, in the way this sector have been contributed to the housing and urban development.20

According to the Report prepared by the Technical Group under the Ministry of Housing and Urban Poverty Alleviation, the cooperative sector is expected to construct 5 lakh houses for LIG and EWS. The given table explicit the expected contribution by the Cooperative sector in the development of the housing industry in
the India during the Eleventh Plan Period i.e 2007-2012. The total house construction by the housing cooperatives would require the investment of about Rs 10000 crores in the Eleventh Five Year Plan Period if it is assumed that the cost of constructing one house is Rs.1 lakh.²¹

Loan Requirements and Construction Targets for Housing Cooperatives During XII FYP

<table>
<thead>
<tr>
<th>Year</th>
<th>Loan Requirements from Govt. Agencies (Rs. in crores)</th>
<th>Contribution by Housing Cooperatives (Rs. in crores)</th>
<th>Number of Houses to be constructed or financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>850</td>
<td>850</td>
<td>85000</td>
</tr>
<tr>
<td>2008-09</td>
<td>925</td>
<td>925</td>
<td>92500</td>
</tr>
<tr>
<td>2009-10</td>
<td>1000</td>
<td>1000</td>
<td>10000</td>
</tr>
<tr>
<td>2010-11</td>
<td>1075</td>
<td>1075</td>
<td>107500</td>
</tr>
<tr>
<td>2011-12</td>
<td>1150</td>
<td>1150</td>
<td>115000</td>
</tr>
<tr>
<td>Total</td>
<td>5000</td>
<td>5000</td>
<td>500000</td>
</tr>
</tbody>
</table>

Source: www.planningcommission.nic.in

2.11 The Central and State Housing Boards

The Housing Boards are playing a vital role in the development of the housing sector. Housing Boards are responsible
for the implementation of integrated Housing Schemes for the construction of houses. Their aim is to enable the Lower Income, Middle Income and Higher Income Groups in the society to acquire houses on rent and on ownership basis. The boards also undertakes the construction and rent out shops, commercial complexes etc. to enhance the financial resources of the board. The objective behind the formation of housing boards in state is to provide housing to the deprived citizens in the State at affordable prices. For example the Tamil Nadu Housing Board aims to cater the housing needs of people of different groups such as E.W.S., L.I.G., M.I.G., & H.I.G. and even to cater different segments of society such as SCs, STs, Dhobies, Freedom Fighters, Ex-service personnel, Handicapped persons, Language Crosaders States Government Servants, Central Govt. Servants, Press people, social workers, widows and destitute.

In past 37 years it has taken up various social housing projects on large scale ant it has provided around 350027 dwelling units so far in the State. Similarly the Chandigarh Housing Board right from its beginning in 1976 has focused upon the construction and allotment of houses for the less affluent sections of society on hire purchase basis. Till March 2007 the Chandigarh Housing Board has constructed a total of 44151 houses of various categories. It has
been estimated that about 2.5% of the population of Chandigarh is living in CHB houses. It has been providing well designed houses with good quality of construction at prices much lower than the market and thus obtaining the excellent response from the public. In this manner the State Housing Boards have been performing their duty to remove regional imbalances through housing and urban development. The State wise housing developments may lead to the central housing sector’s development.\textsuperscript{22}

\textbf{2.12 Commercial Banks}

Commercial Banks are the oldest biggest and fastest growing financial intermediaries in India, having a major contribution in the development of the economy. The Public Sector Banks, Private Sector Banks and Foreign banks all are required to meet targets in respect of sectoral deployment of the credit, regional distribution of branches and regional credit deposit ratios. The Public Sector Banks include the fourteen Banks includes the fourteen banks nationalized on 19\textsuperscript{th} July 1969, and 6 Banks nationalized on 15\textsuperscript{th} April 1980. It includes Allahabad Bank, Andhra Bank, Bank of Baroda, Central Bank of India, State of Bank of India and its subsidiaries, Punjab National Bank, Canara Bank etc. The majority of these Banks offer
Housing loans products directly or indirectly through their subsidiaries. As their function includes the social welfare, social justice and promotion of regional balance and development, these banks provide housing loans not only to individuals but to the Private Developers for the construction of residential as well as non-residential buildings. Due to the Government’s stake in these banks most of the people do rely upon these banks for housing loans, as the tenor of these loans are comparatively longer than consumer, personal or education loans.

The Private Sector Banks are functioning on par with the Public Sector Banks in various respects. Since, they have been included in the Second Schedule of Reserve Bank of India Act 1934, they are enjoying the privilege like other scheduled banks. The Private Sector Banks like HDFC Bank, ICICI, Bank, IDBI Bank, Axis Bank Ltd., The Jammu & Kashmir Bank Ltd., ABN AMRO Bank etc. are also offering the housing loan products with a wide range of the fascinating features. The housing loan is the product where the risk is comparatively less because the property or house of the borrower itself acts a collateral, therefore most of the private Banks are stepping in into the field of housing finance either by
lending directly to the individual borrower or by financing the construction projects of townships, Apartments, Hotels or Malls.

The Foreign Banks are the Branches of Banks incorporated in foreign countries. They perform almost the same range of services as being performed by local banks. These banks are active players in export and import trade and transactions relating to foreign exchange operations. The banks like HSBC Bank, Barclay Bank, Deutsche Bank etc are also moving towards the housing finance sector in India.23

2.13 Non Banking Financial Companies (NBFCs)

A ‘Non-Banking Financial Company (NBFC) is a company registered under Companies Act 1956 and is engaged in the business of loans and advances, question of shares/securities issued by Government or local authority or other securities of like marketable nature, leasing, hire purchase, insurance business, chit business but does not include any institution whose principal business is that of agriculture activity, industrial activity, sale/ purchase/ construction of immovable property. In terms of Section 45-1A of the RBI Act 1934, it is mandatory that every NBFC certain category of NBFCs
are regulated by other regulators, like Housing Finance Companies regulated by National Housing Bank.\textsuperscript{24}

Housing Finance Company means a company incorporated under Companies Act 1956 (1 of 1956) which primarily transacts or has as one of its principal objects, the transacting of the business of providing finance for housing, whether directly or indirectly.\textsuperscript{25}

In this way there is not dearth of sources of housing finance in India as there are many suppliers of Housing Finance including Commercial and cooperative Banks, Non Banking Finance Companies, and other private lending agencies. Despite many sources of housing finance the housing sector is still undersized, there is still need to infuse a huge amount to gain the momentum in the pace of development in the housing sector.
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