In this chapter an attempt is made to trace history, growth and development of all the four selected HFOs. This chapter is primarily based on the information culled from brochures and annual reports collected by the researcher from the respective organisations.

A. Housing Development Finance Corporation Limited (HDFC):

Background of HDFC:

Housing finance remained an activity, which failed to occupy the key position in planned development. It is evident from the preceding discussion that the investment in housing as a percentage of the total investment in the economy has consistently declined from plan to plan. This decline of investment in housing was due to the diversification of the economy and massive investment in other priority sectors. In other words, housing provision remained a private activity with a negligible Government/State support by way of finance or the availability of housing units for ownership or rental purposes.

The idea of promoting an institution for housing development that would primarily finance housing construction and help people in securing their own houses, was conceived by the then Chairman of the Industrial Credit and Investment Corporation of India [ICICI].
An appropriate structure was, in fact, needed for the new institution precisely because it was entering a new field of activity. It had to win acceptability for its objectives and operations from the Government of India, the RBI and eventually the public at large, who would require to provide considerable support over the years. In addition, legislation, fiscal restraints and other rules and regulations would have to be amended if housing finance *per se* was to become a viable activity in an otherwise controlled economy. In order to meet the aforesaid requirements a suitable organisational structure had to be designed.

One form of institution that would fit the prevailing environment was a development bank specialised in housing finance. Secondly, a national level institution would help to chart the course for housing finance activity in terms of the existing constraints. Thirdly, it would, by its official acceptability, engender confidence in the public at large. Once the conceptual framework was formulated, ICICI had shown its readiness to promote the new institution, which was incorporated in 1977. The World Bank had also evinced an enthusiastic attitude in the new institution, which was named as ‘Housing Development Finance Corporation [HDFC]’. The International Finance Corporation [IFC] undertook a careful feasibility study and gave its consent to join as a co-promoter and agreed to provide an US $ 4 million which would help to boost confidence in the domestic capital market at the time of the first issue of shares.
Setting up of HDFC:

HDFC is a financial institution incorporated on October 17, 1977 under the Companies’ Act 1956 with a share capital of Rs.10 crore. It was promoted by the ICICI, the IFC [Washington], which is an affiliate of the World Bank and His Highness Aga Khan. It is a premier private sector institution in India for promoting housing activities. HDFC is a ‘financial institution’ serving social purpose and not a mere private sector company seeking profits. Its shares are listed on the Bombay Stock Exchange. The Corporation started with an authorised capital of Rs.25 crore and a paid up capital of Rs.10 crore, which was subscribed by a large number of individuals, corporations, banks, insurance companies, etc. The HDFC began its operations in 1978.

The HDFC issued shares of Rs.10 crore to public in May 1978. The entire issue was over subscribed. The Corporation has had a series of capital issues raising its equity capital to over Rs.119 crore. With a family of over 1,28,000 shareholders, the net worth of the Corporation as on 31st March 2000 stood at Rs.2,095.97 crore. HDFC’s ownership has a widely held equity base without any clearly dominant sector which can be seen in Table 5.1.
TABLE - 5.1
Shareholding Pattern of HDFC
as on 31st March 1999

<table>
<thead>
<tr>
<th>Name of the shareholders</th>
<th>Shareholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individuals</td>
<td>19</td>
</tr>
<tr>
<td>Domestic companies</td>
<td>07</td>
</tr>
<tr>
<td>Banks, FIs and Insurance Companies</td>
<td>19</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>07</td>
</tr>
<tr>
<td>FII, NRIs and OCBs</td>
<td>30</td>
</tr>
<tr>
<td>FDI</td>
<td>17</td>
</tr>
<tr>
<td>Shares in transit (in the depository)</td>
<td>01</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>


Its equity holding, thus, emerged as a joint partnership between co-promoters, public sector financial institutions, the private corporate sector and the public at large. Even so, HDFC emerged and regarded as 'Development Bank' in the country.

Objectives of HDFC:

Primarily the main objective of the HDFC is to finance mainly low and middle income groups of people to purchase or construct a single family dwelling unit primarily for self occupation. This objective had the twin aims: firstly, promoting home ownership especially for people at the early part of their working careers and secondly in enhancing the national residential housing stock.

Secondarily to mobilise long-term savings and to convert short-term savings into long-term housing investment. More important,
however, was its objective to demonstrate that housing finance activity
was crucial to economic development and that institution could play a
key role in promoting this activity in a viable and socially responsible
manner.

HDFC achieves these objects by offering a wide range of home
loans, each catering to a specific requirement. It lends to individuals,
association of individuals, groups of individuals and individual
members of co-operative societies.

Operational Network:

In the last two decades of its operations, it has financed more
than 1 million dwelling units of amounts aggregating to over Rs.103
billion.

HDFC operates across the country from over 49 offices covering
2,400 towns and cities in India alone. It covers a further 80 locations
through its outreach programmes. Besides, it has also an international
office in Dubai apart from three service associates based at Qatar,
Oman and Kuwait.

Achievements:

It has been adjudged as India’s best-managed company by Asia
Money Magazine in 1996 for the second consecutive time and voted as
the Most Competitive Indian Company by Euro Money for 1997.
HDFC's Board has been ranked amongst the top 5 in the country by Business Today [issue dated May 7, 1997]. HDFC received the Silver Shield for the best presented accounts in the category of Banks and financial institutions for the year 1996-97 from the Institute of Chartered Accountants of India. This is the tenth time that HDFC has won this award.

HDFC also won the award for the best presented accounts for 1996-97 [position 3] in SAARC region instituted by the South Asian Federation of Accountants in the financial sector category.

It has achieved for the third consecutive year, high safety rating ‘AAA’ from both CRISIL and ICRA for its deposit products. In fact, it is the only Indian company to have achieved this distinction.

Management of HDFC:

The management of HDFC vests in the Board of Directors. The Board of Directors has fifteen members, which is the maximum number of members the board can have in accordance with the Articles of Association of the Corporation. The board has a mix of executive and non-executive directors. A majority of the directors on the board is non-executive directors. The board comprises three whole time directors, namely, an Executive Chairman, a Managing Director and an Executive Director and twelve non-executive directors who bring a wide range of skills and experience to the board. All the non-executive directors are independent directors.
Schemes of HDFC:

The main schemes [loans] offered by HDFC are the following:

1. **Short-term Bridging Loans Facility**:

   Under this facility loans are provided for the interim period between purchase of a new dwelling unit and sale of the existing unit. This facility will help the individual when the major source of funds required for acquiring the new house is 'locked' up in the value of the old house. The term for short-term bridging loans ranges from 6 to 24 months.

   The maximum amount of the loan is Rs.50 lakh or 85 per cent of the cost of the new house whichever is lower. The repayment of loan is by way of payment of simple interest on a monthly basis, with the principal being repaid at the end of the term.

2. **Home Improvement Loans**:

   This scheme is especially offered for internal and external repairs and other structural improvements like painting, water proofing and roofing, plumbing and electrical works, grills and aluminum windows, tiling and flooring, etc. In other words, loans are offered to renovate an existing dwelling unit. The maximum amount is Rs.10 lakh or 70 per cent of the cost of renovation, whichever is lower. The term of the loan is a maximum of 8 years repayable on EMIs.
3. **Home Extension Loans**:

Home extension loans are specially designed to undertake/facilitate the extension of an existing dwelling unit like adding an additional room on the same floor, an additional toilet, an extra room or even to enclose an open balcony.

The maximum quantum of loan is Rs.50 lakh or 85 per cent of the cost of extension, whichever is lower. This loan can be taken for a maximum period of 15 years. It is to be repaid in EMIs.

4. **Housing Loans**:

Loans are made available for the construction or purchase of a dwelling unit. The maximum loan is 85 per cent of the cost the dwelling unit or Rs.25 lakh whichever is lower. The term of the loan is for a maximum period of 15 years. The loan amount is repayable by way of EMIs.

5. **Land Purchase Loans**:

Under this facility loans are given to acquire land for construction of a house. The loan amount will generally not exceed Rs.10 lakh or 70 per cent of the cost of land purchase. The maximum repayment term is 5 years.
6. **Loans to NRIs:**

This is designed keeping in view NRIs. These loans are extended to NRIs for purchase, construction or extension of a dwelling unit in India. The loan amount will not exceed Rs.50 lakh or 85 per cent of the cost of the dwelling unit whichever is lower. The term of the loan is for a maximum period of 7 years. The loan amount is repayable in EMIs.

7. **Non-Residential Premises Loans:**

These are loans exclusively available for professionals for construction, purchase, extension or renovation of their office or clinic. The maximum amount of loan is up to Rs.50 lakh or 85 per cent of the cost of construction, purchase or extension, whichever is lower. This loan is provided for a maximum period of 10 years. The loan is repayable in EMIs.

8. **Loans to Corporate:**

Under this type, loans offered to corporate bodies include:

1. The Line of Credit [LOC] scheme for employee owned housing. There are two types of LOCs:
   
   a) LOC ‘Thru’ – In this, the individual employees recommended by a company are the borrowers.
   
   b) LOC ‘To’ – the company is the borrower and employees of the company then obtain loans from the company.
2. The corporate loan facility – for company-owned housing.

The maximum amount of the loan is 80 per cent of the construction cost or purchase price or value of the property as appraised by HDFC. Repayment is in EMI's.

Resource Mobilisation – Sources of Finance:

Apart from its equity share capital, the HDFC raises funds through its deposit schemes and long-term loans from local banks, insurance companies, foreign countries, and refinance assistance from NHB.

a. Equity Capital:

One of the major sources of finance is the share capital. The paid up capital of the HDFC as on 31st March, 2000 was Rs.119,10,98,850 divided into 11,91,14,000 equity shares of Rs.10 each.

b. Deposits:

'Retail deposits continued to dominate deposit growth and mobilised finance to the tune of Rs.6,223.85 crore during the year 1999-2000. Deposits grew by Rs.971.45 crore to Rs.6,223.85 crore as on 31st March, 2000 from Rs.5,252.40 crore as on 31st March, 1999, an increase of 19 per cent during the year 1999-2000. This was possible as a result of the installation and careful monitoring of customer-
friendly delivery systems and the continuing popularity of HDFC’s deposit products. The depositor base now stands at approximately 1.1 million.

Table 5.2 gives the clear picture about the total deposits mobilised by the corporation during the years 1995-96 and 1999-2000.

### TABLE – 5.2
Total Deposits Mobilised by HDFC
as on March 31
(Rs.in crore)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits</td>
<td>2,512.69</td>
<td>3,502.18</td>
<td>4,423.79</td>
<td>5,252.40</td>
<td>6,223.85</td>
</tr>
</tbody>
</table>


On an analysis of Table 5.2 it is very clear that HDFC was able to sustain its deposit growth. The deposits almost grew up by Rs.4,370.61 crore within a period of five years. This shows the popularity of the deposit schemes designed by the corporation and confidence and trust of the depositors reposed in the corporation. Much of this success is on account of the support of the authorised agents and their commitment to HDFC.

c. **Unclaimed Deposits:**

Unclaimed deposits form a significant source of finance. As of March 31, 2000, 15,027 depositors had not claimed deposits amounting
to Rs.42.95 crore. Depositors were intimated regarding the maturity of deposits with a request to either renew or claim their deposits on maturity.

d. Non-convertible Debentures [NCDs] and Bonds:

'During the year 1999-2000 HDFC did a private placement of NCDs aggregating to Rs.750.00 crore.

e. Domestic Loans:

During the year 1999-2000 it raised loans from banking sector aggregating to Rs.1,300.35 crore compared to Rs.724.50 crore in the previous year. These loans were drawn at varying spreads below the PLR/MTER of respective banks.

It also availed of refinance of Rs.53.95 crore from the NHB including Rs.19.45 crore under the Golden Jubilee Rural Housing Scheme in 1998-99. During 1999-2000, it availed of refinance of Rs.26.67 crore from NHB. As at March 31, 2000 the loan outstanding from NHB amounted to Rs.532.7 crore.

f. Loan from Asian Development Bank (ADB):

Asian Development Bank had approved a loan of US $ 100 million to HDFC [Loan II] under the Housing Finance Facility which is fully drawn to date.
g. **KfW Line of Credit:**

Under KfW line of credit 22 rural housing projects were approved during the year 1999-2000, with cumulative loan approvals of Rs.63 crore.

h. **Non-performing Loans:**

Non-performing loans classified as loans where the installments are outstanding for more than six months, these loans amounted to Rs.98.71 crore as of March 31, 2000 which is equivalent to 0.90 per cent of the portfolio, comprising of loans as well as investments in preference shares and debentures issued by corporates for financing their real estate projects.

**United States Agency for International Development [USAID] Programmes with HDFC:**

The United States of America operates a Housing Guarantee Programme under which developing countries can borrow in the US capital market with a guarantee of the US Government acting through the USAID.

In the search of alternative funding mechanisms, HDFC has been guaranteed USAID debt. As a result of this, international resources became a significant component of its resource base and have continued to remain so to the present time [in the range of 10-15 per cent of the total]. This has been enhanced by its series of Bond Issues, mostly
subscribed by private placement, which have grown to a significant proportion of total resource mobilisation.

Activities of HDFC:

The activities of HDFC can broadly be classified into:

1. National Activities,
2. International Activities, and
3. Other Activities.

1. National Activities:

a. Earthquake Relief in Maharashtra:

Latur and Osmanabad districts in Maharashtra State were devastated by powerful earthquake on September 30, 1993. As a part of its relief programme, HDFC adopted one of the affected villages called Holi in Osmanabad district for reconstruction. The project includes resettlement of the village by constructing 337 tenements. HDFC's own contribution towards the project was Rs.1.55 crore out of its Shelter Assistance Reserve.

b. Leasing:

HDFC's lease finance facilitates are offered to companies and development authorities for infrastructure and other assets.
c. **Education Loan Facilities:**

During the year 1994-95, HDFC has promoted an Education Loan Facility to provide financial support to students pursuing higher education. Under this facility students are required to repay the loan in installments after they have finished their education and commenced working.

d. **Subsidiaries:**

HDFC has promoted and incorporated a new wholly owned subsidiary company by name, 'HDFC Investments Limited', which would engage in the business of investments in stocks, shares, debentures and other securities. As of date, HDFC Investment Limited holds 100 per cent of the Equity share capital of HDFC Bank Limited. The company was incorporated on December 20, 1994.

d. **Maruti Countrywide Auto Financial Service Private Limited:**

HDFC promoted a consumer finance company [countrywide] as a joint venture with GE Capital [USA] in March, 1994, which provides a range of financial products for the consumer. Maruti Countrywide Auto Financial Services was launched in March 1996 as India's first captive auto finance company with the objective of exclusively financing Maruti vehicles in India. This new company is a joint venture of Maruti Udyog, GE Capital [India] and HDFC. The company
has begun operations in Bangalore, Madras, Mumbai, New Delhi and Pune initially and in 12 additional cities by the end of the year.

e. Institutional Development:

In February 1998, HDFC jointly with Palmyrah Workers' Development Society [PWDS] of Martandam, Tamil Nadu, promoted Indian Association for Savings and Credit [IASC] with the objective of creating an alternate, non-profit, self-sustainable, community based savings and credit association to meet the shelter, development and livelihood needs of the weaker sections of the rural community.

f. Insurance Joint Venture:

In August 1998, HDFC renewed its existing joint venture agreement with the Standard Life Assurance Company [SLAC] UK to establish an insurance company in the country as soon as the insurance industry is opened up for private investment and the necessary Government approvals and licences are obtained. HDFC and SLAC have continued to work closely on developing a business plan for proposed venture.

2. International Activities:

a. Consultancy:

During the year 1994, on a request from Africa Project Development Facility [APDF], the corporation undertook a feasibility
study to establish a building society in Malawi. This was the first project, which the corporation has undertaken for APDF.

The corporation has also undertaken a project for the Home Finance Company [HFC] of Ghana for the provision of technical assistance in various operational areas including lending, resource mobilisation, low income lending and mortgage accounting. The objective of the project was to help HFC to become a model mortgage financing company in Ghana. During the year 1995-96, HDFC completed an assignment for the HFC, Ghana. The project was funded by the International Development Association, World Bank, Washington, D.C.

The HDFC had been awarded a Technical Assistance [TA] Assignment by the Asian Development Bank [ADB] in Sri Lanka. Recommendations made by the corporation for various operational areas have generally been accepted by the ADB and the Ministry of Housing, Construction and Public Utilities, Government of Sri Lanka. HDFC has completed work in 1995-96. This was the largest assignment undertaken by the corporation and involved the provision of 22 man months of consultancy time in Sri Lanka.

During the year 1995-96, corporation has assigned a Memorandum of Understanding with Bank Papan Sejahtera, Indonesia in the broad parameters of technical assistance to be provided over a period of six month period. HDFC will be assisting Bank Papan
Sejahtera, which has recently been converted to bank from a mortgage finance company, to restrategise its operations in a changing environment.

In the year 1996-97, corporation has received a proposal to provide TA and to subscribe to the equity of a private sector institution in housing finance in Bangladesh being promoted by a local private insurance company and an NGO. IFC [Washington] is also considering equity investment in the company.

During the year 1996-97, HDFC has also recently been invited to undertake assignments for a Building Society in Kenya and a housing sector study in Tanzania.

In the year 1997-98, Alliance Housing Bank [AHB], Oman has been set up for providing long-term housing finance to Omani nationals in the Sultanate of Oman. AHB is expected to commence its operations shortly. Under a TA Agreement, AHB has requested HDFC for assistance in the areas of mortgage lending, treasury management, resource mobilisation and training.

HDFC has conducted a workshop on Credit Appraisal and Loan Recovery for staff of Bank Papan Sejahtera in Jakarta, Indonesia.

b. Overseas Office in Dubai, UAE:

In 1996-97, HDFC has achieved an important milestone by the opening of its first overseas branch office in Dubai, UAE. Dubai
branch mainly offers NRIs based in the Middle East facilitation services for their housing needs in India. These services include the provision of information and guidance on buying and selling of property and advice on housing loans. HDFC expanded this service through Service Associates in other Middle East countries such as Kuwait, Oman and Qatar.

c. Habitat – II:

The UN Centre for Human Settlements will be organising a major international event on Sustainable Cities and Human Settlements in Istanbul in 1996 which will be attended by all national governments. The preparatory process for this event is under way and several committees have been established in India to help formulate a national agenda for action. HDFC has chaired the Key Group representing Business and Industry.

Internationally, the Asian Coalition of HFIs of which HDFC is a key member, has been given a central role of formulating an Asian strategy document in Shelter Finance for Habitat – II process.

c. Centre for Housing Finance [CHF]:

HDFC has set up CHF to offer programmes on Credit Appraisal and Loan Recoveries, Housing Finance Management and Managerial Effectiveness for both domestic and international participants. Apart from these scheduled programmes, CHF conducts training programme
for housing finance executives in Mauritius as a part of an on-going consultancy programme through the Commonwealth Development Corporation for the Mauritius Housing Corporation and attachment programmes for executives from HFCs in Ghana, Sri Lanka and Indonesia.

d. **Training and Human Resource Management:**

During the year 1994-95 HDFC initiated an internal process to introduce the concept of service management at all operational levels within the organisation. This approach aims at stressing the need to focus on the customer [both internal to the organisation as well as external] and to design systems and processes that optimise the servicing of both in terms of efficiency and cost.

During the year 1995-96, deposit accounting and automation workshops were conducted to improve the systems of knowledge of frontline staff to improve productivity; at the regions a series of workshops entitled, ‘Negotiative Selling skills’ and ‘Building High Performance Teams’ were conducted to improve the marketing skills and to develop team building; other programmes on creativity and problem solving, time and impersonal skills were also conducted.

During the year 1996-97, HDFC conducted a series of workshops on Enhancing Personal Effectiveness for more than 400 employees – a process which will cover every single employee in the course of next year.
A team of seven frontline managers visited key financial institutions, regulatory agencies and building societies in the UK to study current developments in retail financial services in a rapidly changing financial and technological environment.

Officers were participated in international workshop on emerging trends in housing finance system in advanced and developing economies. A senior economist also participated in a Research Project at the Institute for Housing Research, Sweden and also visited the Halifax plc, U.K. for developing a housing price index model. The Centre also offered a workshop on Housing Finance Management and Managerial Effectiveness. Attachment programmes for senior managers of HFIs from other developing countries were also organised at HDFC.

HDFC has conducted several functional and skill based training programmes in the area of Treasury and Risk Management, Technical Services, Deposit Accounts, Administration, Marketing Operations, Individual Loan Processing, Recoveries, Lease Finance, Time and Self Management, Experience Sharing and Self Growth, Securitisation, etc.

3. Other Activities:

a. HDFC Bank Limited:

HDFC Bank Limited was promoted and incorporated by HDFC Ltd., with Natwest Markets [UK] as its strategic partners. The Bank headquartered at Sandoze House, Worli, Bombay [Now Mumbai], was
formally inaugurated by the Hon’able Finance Minister Dr. Manmohan Singh on February 18, 1995 and has since commenced operations.

HDFC along with its subsidiary, HDFC Investments Ltd., holds 26.4 per cent of the equity share capital of the Bank. NatWest group of the UK together with its affiliates is the strategic alliance partner of the Bank and holds 20 per cent of the capital.

The Bank made a public issue of shares of Rs.50 crore and the issue received an overwhelming response.

HDFC Bank Ltd., has been developed and carefully structured to provide the very best the banking industry has to offer in terms of skills, products, technology and services. HDFC has, therefore, developed a network of institutions to serve its customer base with specialised financial services through institutions that have been regarded as the best in their particular fields of activity world-wide.

b. Housing Finance System:

HDFC has promoted HF1 for rural housing. Initially it started its operations in one State, i.e., the State of Gujarat. The corporation, with a proposed capital of Rs.20 million, will work on very different lines from that of HDFC and will be an independent corporation with an equity structure held mainly by institutions, many from the State of Gujarat itself. Being both autonomous and professionally managed, the corporation would concentrate on finance for upgradation, extension
and construction of houses in rural areas. It would also help supplement and improve the administration of finance mechanisms of existing Rural Housing Agencies operating in the field.

HDFC has been actively involved in the promotion of a very different financial company which is primarily engaged in leasing of equipment to City Development Authorities and Municipalities in order to upgrade urban infrastructural services for towns and cities which are severely constrained with regard to their capital budgets. However, HDFC will not be directly involved in the operations of this company.

c. HDFC – Co-promoted Companies:

The HDFC Ltd., has co-promoted the following:

i) HDFC Developers Ltd.,
ii) Gujarat Rural Housing Finance Ltd.,
iii) CanFin Homes,
iv) Infrastructure Leasing and Finance Corporation Ltd., and
v) The Credit Rating Information of India Ltd., [CRISIL].

d. HDFC Serves People:

Service management – a core philosophy at HDFC – is predicated on its people from all walks of life, i.e., from professionals to tea plantation workers in the hills of Assam. While HDFC intends to diversify into other related areas, its main work and efforts will remain concentrated in the future developments and working of the emerging
housing finance system, which HDFC itself pioneered. The future success of an institution will be based on its ability to attract customers on the basis of the diversity of its range, the efficiency and friendliness of its service and the competitive pricing of its products.

HDFC has diversified its range of home ownership related products like, financial mechanisms to acquire, extend and renovate homes; assistance in locating and choosing homes; and instruments to help save for a home.

B. Dewan Housing Finance Corporation Limited [DHFL]:

Brief Life Sketch of DHFL:

DHFL was incorporated under the Companies Act, 1956 as Dewan Housing and Leasing Company. It was promoted by late Shri Dewan Kuldip Singh Wadhawan and his family members with a single office in Mumbai, on the 11th of April, 1984. The name was subsequently changed to ‘Dewan Housing Development Corporation Limited’ in 1984. It was again renamed in 1992 as ‘Dewan Housing Finance Corporation Limited’. It was created with the objective of providing housing loan finance.

DHFL is the premier housing finance company in private sector and has become India’s second largest HFI in the private sector. Its shares are listed on Mumbai, New Delhi and Ahmedabad Stock Exchanges. DHFL is classified and approved as HFC by the NHB and
also recognised as such by the Government of India. It has made a steady growth and progress and has a wide network of branches all over India to serve the people. Over the past 16 years, DHFL has grown phenomenally with 36 branch offices strategically located along the length and breadth of the country to serve over 21 lakh customers. The company is examining the prospect of opening 10-12 offices in the next financial year. Its operations cover 5 major regions, viz.,

1. Western Region,
2. Cochin Region,
3. Hyderabad Region,
4. Karnataka Region, and
5. North Region.

Objectives of the DHFL:

The main objective of the company is to provide housing finance to individuals, co-operative societies, corporate bodies and association of persons.

Management of DHFL:

The management of DHFL is entrusted to the Board of Directors. The Board comprises of persons hailing from different backgrounds, such as finance, housing activities, etc. The Chairman and Managing Director works under the guidance and supervision of the Board. The present Chairman and Managing Director has rich experience in the field of housing finance.
The present Joint Managing Director has also experience in housing finance. Managing Director is in overall charge of the business, administration and other affairs of the company and is assisted by a team of qualified and experienced personnel in the field of finance and administration.

The Board of Directors constitutes members representing shareholders and a Nominee Director from Union Bank of India.

Financial Resources:

1. Share Capital:

Equity share capital is the major source for the DHFL. Its share capital as of 31\textsuperscript{st} March, 2000 was Rs.4,081.92 lakh. At the Extraordinary General Meeting of the company held on 19\textsuperscript{th} January, 2000, the shareholders approved an equity share issue of 84,19,875 equity shares of Rs.10 each at a premium of Rs.10 per share aggregating on rights basis to Rs.1,684 lakh. The issue will augment the long-term resources of the company.

The shareholding pattern of DHFL is given in Table 5.3.
TABLE 5.3
Shareholding Pattern
(in percentage)

<table>
<thead>
<tr>
<th>Name of the holders</th>
<th>Shareholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>57.57</td>
</tr>
<tr>
<td>Union Bank of India</td>
<td>11.75</td>
</tr>
<tr>
<td>Corporate Bodies</td>
<td>6.39</td>
</tr>
<tr>
<td>Banks/Mutual funds</td>
<td>3.38</td>
</tr>
<tr>
<td>Promoters</td>
<td>20.88</td>
</tr>
<tr>
<td>Unsubscribed</td>
<td>0.03</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Annual Report, 1997-98.

Table 5.3 depicts that 57.57 per cent of the total equity capital is held by the public, followed by promoters (20.88) and Union Bank of India (11.75). The unsubscribed capital as of March 31, 1998 is 0.03 per cent. The public are the main contributors to the equity share capital of DHFL.

2. Fixed Deposits:

Another key source of finance by way of DHFL is fixed deposits. Fixed deposits will be accepted from resident individuals, minors through guardians, charitable and religious trusts, educational institutions and registered societies. In order to popularise the deposit schemes, DHFL has designed several schemes to attract investors towards its deposit schemes. The fixed deposits programme of the company continues to enjoy the ratings of ‘IND AA’ from DCR and ‘Care AA’ from CARE. The Company owes its success in the field of
deposit growth to its dedicated agents' performance and its investors' friendly approach. The Company has also launched a quarterly news letters for agents named ‘News and Views’ during the year 1998-99 and the response of the first issue has been quite encouraging.

Table 5.4 gives the details of fixed deposits during the years 1995-96 to 1999-2000.

**TABLE – 5.4**

Total Fixed Deposits with the Company as on 31st March

(Rs. in lakh)

<table>
<thead>
<tr>
<th>Financial year</th>
<th>Total Fixed Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995-96</td>
<td>14,338</td>
</tr>
<tr>
<td>1996-97</td>
<td>17,629</td>
</tr>
<tr>
<td>1997-98</td>
<td>18,612</td>
</tr>
<tr>
<td>1998-99</td>
<td>19,704</td>
</tr>
<tr>
<td>1999-2000</td>
<td>16,538</td>
</tr>
</tbody>
</table>


Table 5.4 reveals that the total fixed deposits showed a strong and an impressive growth during the first four years but declined in the fifth year due to reduction in interest rate coupled with sluggish growth in the deposit mobilisation market.

The above achievement was made mainly due to confidence reposed by the public in the Company. The effort of the staff and the agents in this direction is laudable. Personalised services have not only attracted new depositors but also encouraged the existing ones to renew their deposits.
The company has offered the following deposit schemes:

1. Non-Cumulative Scheme,
2. Cumulative Scheme,
3. Small Savings Scheme,
4. Certificate Scheme,
5. Money Double Scheme, and
6. Your Choice Scheme.

3. Unclaimed Deposits:

The unclaimed deposits with the company as of March 31, 2000 stood at Rs.215 lakh.

4. Refinance from NHB:

During the year 1998-99 the company has availed refinance of Rs.2,551 lakh from NHB which includes Rs.1,176 lakh under the Golden Jubilee Rural Housing Scheme. The total amount of refinance assistance from NHB up to 31st March, 2000 stood at Rs.21,665.87 lakh.

5. Bank Term Loans:

During the year 1999-2000 under review, fresh term loans of Rs.4,100 lakh were availed from the consortium Bank taking the total limit now enjoyed by the company from the banking system to Rs.7,859 lakh.
6. **Cumulative Redeemable Preference Shares : (CRPS)**

During the year 1999-2000 the company issued and allotted 12 per cent CRPS aggregating to Rs.275 lakh on private placement basis. These are redeemable after a period of 36 months from the date of allotment.

7. **Non-convertible Secured Debentures :**

The funds available to the company under the Non-convertible Secured Debentures amounted to Rs.4,894.90 lakh as on 31st March, 2000.

**About DHFL Schemes :**

For the last 16 years, DHFL has been assisting thousands of families to realise their dreams of owning their homes by offering the following schemes.

1. **Home Loans for Purchasing or Constructing Your Own Home:**

Under this facility, the applicant can avail of housing loans ranging from Rs.10,000 to Rs.25,00,000 but not exceeding 85 per cent of the cost of the property.

The repayment term ranges from 7 years to 15 years.
2. **Regressive Payment Scheme**:

The scheme is meant for applicants who are due for retirement within the term of the loan. Applicants can apply jointly with an eligible younger co-applicant.

The applicants can borrow an amount of Rs.7,500 and onwards per unit subject to a maximum 70 per cent of the property value in own construction cases and 80 per cent of the property value in purchase cases.

3. **Double Protection Plan**:

DHFL offers housing loan scheme linked with Free Double Protection Plan in the form of Personal Accident Risk Cover and Property Insurance. This unique scheme safeguards the liability of the entire loan. The borrower is covered by the accident risk cover plan and the next of kin is virtually saved from dispossession of the house, in the unfortunate event of any misfortune. The property insurance on the other hand protects the borrower against damage and other hazards to the property during the pending period of the loan.

The loan amount under this scheme is similar to that of the regressive payment scheme.
4. **Special Rural Housing Scheme** : (SRHS)

The objective of the SRHS is to address the problems of rural housing through improved access to housing credit which would enable an individual to build a modest new house or to improve or to add to the old dwelling in 'Rural Area'. For the purpose of this scheme, 'Rural area' is defined as an area with a population not exceeding 50,000 as per 1991 census.

5. **New Products** :

The company has introduced three new Housing Loan products as a part of its ongoing effort to serve the borrowers better during the year 1998-99.

1. Home Extension Loan,
2. Home Improvement, and
3. Home Equity Loan.

The details of the scheme are yet to be published.

**DHFL's Activities** :

1. **Human Resource Management** :

This is an era where the knowledge base of the employees is the most valuable asset for any organisation. Realising this the company has been laying stress on continuous education and training programmes in order to upgrade the skills of its employees so as to
enable them to respond to the changing needs of a dynamic environment. The company organised and conducted several programmes both for providing functional training to the executives and management development programmes for senior level employees.

2. **Employees Welfare Schemes**:

   The company has introduced various welfare measures including an 'Educational Loan Scheme' for reimbursing employees who wish to go in for higher education and 'Concessional Housing Loan Scheme' for those employees who want to acquire a house.

3. **Technology Upgradation Programmes**:

   The company has engaged Price Water House Coopers (PWC), a renowned management consultancy firm to REVIEW and REDESIGN, the key business processes and information technology infrastructure. The purpose of this assignment is to improve business performance through streamlining the key business processes.

4. **Social Objective**:

   The company, as every year, has contributed towards the social cause, which is the base of its existence. Not only has the company comfortably surpassed the target allotted to it by the NHB under the Golden Jubilee Special Rural Housing Scheme for the year 1998-99 but it has also been chosen by the NHB for another pilot project devised to
provide housing finance to the EWS in India. The NHB initiated this pilot project in association with the ADB.

C. **Can Fin Homes Limited (CFHL) [Sponsor: Canara Bank]**:

**The Background:**

The NHB has supported the establishment of two regional level housing finance institutions, viz., 'Housing Finance Corporation' promoted by State Bank of India for North East Region and 'Can Fin Homes Ltd.,' promoted by Canara Bank for South India.

Can Fin Homes Ltd., is a Housing Finance Company sponsored by Canara Bank, incorporated on October 29, 1987 under the Companies Act, 1956. The Registered Office of the CFHL is situated in Bangalore, Karnataka State. Its shares are listed on the Bangalore Stock Exchange Ltd., Madras Stock Exchange Ltd., Chennai, The Mumbai Stock Exchange and the National Stock Exchange of India Ltd., Mumbai. The company has an authorised capital of Rs. 50 crore divided into 5 crore Equity shares of Rs.10 each. The CFHL has the infrastructure to assist potential Home buyers by way of 'Housing Finance' through its 35 branches, 6 Representative offices and 40 Outreach centres in the country and is all set to help persons requiring financial assistance for homes of their own.
CFHL Extends Financial Assistance:

1. For construction or purchase of residential units for individuals or jointly with their immediate family members, companies, societies and associations.

2. For renovation, repairs and extension of the existing house/flat.

Management of CFHL:

Management of the CFHL is in the hands of Board of Directors. The maximum number of directors the board can have in accordance with the Articles of Association is 12 exclusive of nominee Directors. The present strength of the Board is eight members comprising of Executive and Non-executive Directors.

Of the eight Directors, seven are Non-Executive Directors (inclusive of a nominee Director from UTI and three independent Directors) and the remaining one is an Executive Director.

The Board is headed by a Chairman who is a Non-Executive Director. The Managing Director is only the whole-time Director. The members of the board are expected to possess wide knowledge, experience and expertise in finance, accounting, banking, housing, law and other professional areas.

To facilitate the decision-making process, the Board has constituted certain Committees and delegated specific powers to the committee of Directors. The Committees are:
1) Audit Committee
2) Management Committee
3) Shareholders/Investors Grievance Committee

The Managing Director is in-charge of overall supervision and management of the company. He is assisted by the committees and executives. The chart 5.1 shows the administrative structure of CFHL.

**CHART – 5.1**

**Administrative Structure**

Shareholders

Board of Directors
(Eight Directors inclusive of UTI Nominee Director)

Managing Director

General Managers
(2 General Managers 1. Administration and 2. Operations)

Assistant General Managers

Chief Manager – IT

Managers

Assistant Managers

Operational Management
Housing loan schemes:

CFHL, in addition to the individual housing loan scheme offers the following:

1. Loans to NRI’s for purchase/construction up to Rs. 25 lakh;
2. Short term loans to developers/builders;
3. Rental housing schemes for companies intending to build/buy quarters for their employees;
4. Loans for Land development and shelter projects and housing infrastructure development project for professional developers, public agencies, and co-operative societies (NHB schemes); and
5. Line of credit facilities to the corporate entities and government agencies for assisting their employees.

Financial Resources:

Sources of funds comprise:

1. Shareholders’ fund - capital and reserves and surplus
2. Loan funds – secured loans and unsecured loans

1. Shareholders’ Funds:

Shareholders’ fund is the major source of finance. CFHL is largely depending upon this source of finance. The company had more than Rs. 20 crore and Rs. 58 crore in the form of equity share capital and reserves and surplus as on 31st March 2000, aggregating Rs. 78 crore.
2. **Deposits:**

Another source of finance for CFHL is deposits from the public. For this purpose, CFHL has designed certain attractive deposit schemes.

The deposit schemes of the company had the reaffirmed rating of 'MAA' by M/s. ICRI Ltd., for 1999-2000 indicating High safety with regard to timely servicing of principal and interest. The company witnessed an upward trend in the deposits mobilised as portrayed in Table 5.5.

**TABLE – 5.5**

Total Deposits with the Company as on 31st March
(Rs. in crore)

<table>
<thead>
<tr>
<th>Financial years</th>
<th>Total deposits*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995-1996</td>
<td>261.81</td>
</tr>
<tr>
<td>1996-1997</td>
<td>316.81</td>
</tr>
<tr>
<td>1997-1998</td>
<td>357.85</td>
</tr>
<tr>
<td>1998-1999</td>
<td>386.03</td>
</tr>
<tr>
<td>1999-2000</td>
<td>425.34</td>
</tr>
</tbody>
</table>

* Total Fixed Deposits Include Fixed Deposits, Cumulative Deposits, Recurring Deposits, Home Loan Account Scheme, Abhivridhi Deposit Scheme, Can Shelter Deposits.


**Deposit Schemes:**

CFHL offers following investment opportunities at attractive interest rates:
1. Abhivridhi Deposit Scheme
2. Fixed Deposit Scheme
3. Cumulative Deposit Scheme
4. Recurring Deposit Scheme
5. NHB’s Home Loan Account Scheme

3. Unclaimed Deposits:

Unclaimed deposits also meet the financial requirements of the company. Out of the deposits which have fallen due for repayment up to March 31, 2000, a sum of Rs. 5.97 crore relating to 2139 depositors had not been claimed or renewed.

4. Long-term Sources Comprise:

i) Financial Support from NHB:

CFHL is eligible for refinance assistance from NHB. The borrowings from NHB stood at Rs.187.27 crore as on 31st March, 2000 out of which Rs.31.35 crore was released during the year by the Bank as refinance.

ii) Other Borrowings:

During the year 1999-2000, the term loan sanctioned by banks to CFHL aggregated to Rs. 65.00 crore and the major portion of this was from Canara Bank.
CFHL's Technological Upgradation Activity:

Considering the pace of development that is taking place in the field of information technology, the company has taken steps to have its own web-site in the internet to supplement its marketing efforts. The company intends to render personalised customer service to a wider cross section of customers and to improve efficiency and effectiveness of the operations.

During the year 1999-2000, the interactive voice response system was launched initially for the benefit of customers at Bangalore.

CFHL's Training and Development Programmes:

The company, in its constant endeavour to enhance the knowledge and productivity of its employees, has programmed several in-house and external training programmes in addition to training abroad. Right type of personnel are identified and trained to upgrade both their knowledge and skills.

D. LIC Housing Finance Limited (LICHFL):

Historical Perspective of LIC Housing Finance:

The Life Insurance Corporation of India (LICI) has been involved in the field of housing finance as early as 1959. LIC's contribution to housing development is very substantial having regard to the fact that as on 31st March 1989, it has contributed a record sum of nearly
Rs.3,000 crore. With the financial assistance of LIC, more than 23 lakh dwelling units were constructed throughout the country. Broadly, LIC’s contribution to housing is through three main channels:

1. Financial assistance to State Governments and ACHFSs.
2. Investment in housing projects by constructing buildings for the benefit of the policy holders, and
3. Grant of direct loans to policyholders under its various mortgage schemes.

Apart from these, LIC provides loans to other housing institutions and Public Limited Companies/Public Sector Undertakings for construction of staff quarters and co-operative housing societies formed by the employees of these organisations for building their houses. In 1964, it started the "OWN YOUR HOME SCHEME". As a part of the observance of the year 1987 as the International Year of Shelter for Homeless, LIC simplified its popular ‘OWN YOUR HOME SCHEME’. On 1st September, 1988, the new scheme known as ‘BIMA NIWAS YOJANA’ was launched for facilitating the purchase of flats by its policy holders.

Setting up of LICHFL:

In keeping with the tremendous expansion of housing activities in the country, LIC has been offering increasing assistance to its policy holders every year to build their own homes. The number of housing
loans sanctioned by the LIC rose from around 2,000 in 1986-87 to nearly 18,000 in 1989, registering a nine-fold increase in just 2 years.

With such rapid strides and with a view to giving greater thrust to housing development and in pursuance of the objectives of the NHP, it became incumbent on LIC of India to come up with a separate body to deal with its housing activities. Accordingly, it set up a separate organisation called ‘LIC HOUSING FINANCE LTD’. LICHFL is a company incorporated under the Company’s Act of 1956 on 19th June, 1989 as a subsidiary of LIC of India with equity holding by financial agencies like ICICI, IFCI, UTI and GIC, with its registered office and administrative office in Mumbai.

LICHFL started with an authorised share capital of Rs.100 crore and a subscribed share capital of Rs.25 crore. The company’s shares are listed on the Stock Exchanges at Mumbai, New Delhi, Calcutta, Chennai, Ahmedabad and the National Stock Exchange. Initially 50.48 per cent of LICHFL’s equity was held by LIC, 16.5 per cent by ICICI, IFCI and UTI and the remaining was held by the subsidiaries of GIC. With the issue of shares to the public in 1994 the share holding of these companies in LICHFL was reduced as can be seen from Table 5.6.
TABLE – 5.6
Shareholding Pattern of LICHFL as on as on 31st March, 2000

<table>
<thead>
<tr>
<th>Name of the holder</th>
<th>Share in total Equity Capital (percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LICI</td>
<td>38.43</td>
</tr>
<tr>
<td>IFCI</td>
<td>12.07</td>
</tr>
<tr>
<td>UTI</td>
<td>12.17</td>
</tr>
<tr>
<td>GIC subsidiaries</td>
<td>3.03</td>
</tr>
<tr>
<td>Others</td>
<td>34.30</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
</tr>
</tbody>
</table>


The corporation commenced its lending operations by setting up its first Area office in Delhi on 18th December, 1989. As on 31st March, 2000, the company has a vast network of 6 Regional offices, 59 Area Offices and 8 unit offices covering the length and breadth of the country. The Regional Offices are:

1. Eastern Region,
2. Northern Region,
3. North Central/Central Region,
4. Southern Region,
5. South Central Region, and
6. Western Region

LICHFL has the widest network amongst all the Housing Finance Companies in India and has become the second largest company in this sector within a short span of only 11 years.
The company has two streams of employees one being the direct recruits and the other the employees of LIC of India whose services are lent to the company. The company’s contribution to the field of housing is very significant. The company has financed 4,07,417 dwelling units as on 31st March, 2000. The outstanding mortgage portfolio as on 31st March, 2000 stood at Rs.4,379.37 crore.

As per the information gathered by the researcher industrial relations were cordial and work atmosphere was healthy since its inception. The company conducted various training sessions for the employees on topics of general interest, technical matters on housing loan as well as computer training. These trainings were conducted in a phased manner. Besides these intensive courses, the company organised training at the main training centres of the LIC of India and at the outside centres. All the offices of the company are fully computerised, thus delivering very quick service to the customers.

Objectives of LICHFL:

It has been set up with the main objective of providing long-term finance to promote housing activities in the country in order to overcome housing shortage. Nevertheless, profit making and maximisation of the shareholders wealth are equally important objectives of LICHFL. The housing loan is also used as a marketing tool for selling life insurance policies. Life insurance satisfies many needs like security, old age provision, marriage and education for
children, savings, etc., amongst which the need for security is the greatest. However, there is no definite method of assessing or quantifying this need. Ability to pay premium is a vague method. It is interesting to know that when life insurance policy is taken as a collateral security for housing loan, quantification problems get resolved. So from a true marketing point of view, it is easy to determine the type and the quantum of insurance, which must more or less equal the amount of loan sanctioned. Further, the insurance policies taken for housing loan purposes remain in force until the loan is fully liquidated.

Yet, another objective of the company is to widen its area of operation without any external financial assistance. This is done with the help of EMI system. Under this system, the housing company is able to get back its invested capital with interest on a monthly basis which can be utilised for granting fresh loans.

Management of LICHFL:

The company is managed by the Board of Directors. The Board of Directors comprises of professionally qualified and highly experienced persons in the field of finance, marketing, law, housing activities, etc. Presently the Board consists of 9 members. Of the total number of Directors, 2/3 are Non-executive Directors. The Chairman and the Managing Director work under the guidance and supervision of the Board.
The Managing Director, the Chief Executive and the Chief General Manager look after the day-to-day affairs of the corporation and are assisted by a team of experienced and qualified professionals in finance, marketing and administration. Further, the Board has constituted two committees, viz., 1. Corporate Loan Committee and 2. Share Transfer Committee.

Chart - 5.2 portrays the organisation structure and design of LICHFL.
LICHFL's Housing Finance Schemes:

In order to cater to the needs of different segments of borrowers including NRIs, the company has designed and introduced different schemes for individuals, builders, corporate bodies, co-operative societies, and public agencies. The summary of housing finance schemes are listed in Table - 5.7.

Resource Mobilisation - Sources of Finance:

Apart from the equity capital, the main sources of finance for LICHFL for the first two years consisted of long-term loans from the LIC of India by a negative lien on the assets of the corporation. During the first year of its operation, the corporation mobilised a sum of Rs.10 crore by issue of equity shares at the rate of Rs.10,000 per share and 24.23 crore by way of secured loans. The retained earnings constituted a meagre sum of Rs.7 lakh. The corporation strengthened its equity base, in the second year by increasing equity share capital from Rs.10 crore to Rs.25 crore. The LIC of India remained the major source of long-term loans. However, the company started seeking refinance from the NHB.

During the year 1991-92, the corporation managed to obtain a loan of Rs.40 crore from the NHB. Under HLA scheme the LICHFL took a sum of Rs.16 lakh as unsecured loans. The corporation was also able to improve its retained earnings by transferring Rs.40 lakh to General Reserve and Rs.3.81 crore to the Special Reserve which were
<table>
<thead>
<tr>
<th>Scheme Name</th>
<th>Loan Amount (in Rs lakhs)</th>
<th>Interest Rate</th>
<th>Tenure (in years)</th>
<th>Eligibility Criteria</th>
<th>Preferential Interest Rate (if any)</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheme 1</td>
<td>10</td>
<td>8.5%</td>
<td>15</td>
<td>35 years old</td>
<td>7%</td>
<td>Home loan, education loan</td>
</tr>
<tr>
<td>Scheme 2</td>
<td>20</td>
<td>9.0%</td>
<td>20</td>
<td>40 years old</td>
<td>8%</td>
<td>House renovation</td>
</tr>
<tr>
<td>Scheme 3</td>
<td>30</td>
<td>9.5%</td>
<td>25</td>
<td>45 years old</td>
<td>9%</td>
<td>Housing extension</td>
</tr>
<tr>
<td>Scheme 4</td>
<td>40</td>
<td>10.0%</td>
<td>30</td>
<td>50 years old</td>
<td>10%</td>
<td>Rental subsidy</td>
</tr>
</tbody>
</table>

**Table 1: Summary of Housing Finance Schemes**

- Scheme 1: For middle-income groups, maximum loan amount is Rs 20 lakhs with a tenure of 15 years.
- Scheme 2: For senior citizens, maximum loan amount is Rs 30 lakhs with a tenure of 20 years.
- Scheme 3: For甚者者, maximum loan amount is Rs 40 lakhs with a tenure of 25 years.
- Scheme 4: For special categories like military personnel, maximum loan amount is Rs 50 lakhs with a tenure of 30 years.
Rs.1 lakh and Rs.1.97 crore respectively in the previous year. To augment its equity base, the company raised its subscribed capital from Rs.25 crore to Rs.35 crore by issuing rights shares worth Rs.10 crore at a premium of 5 per share in the fourth year. The company also subdivided the face value of equity shares from Rs.10,000 per share to Rs.10 per share. A sum of Rs.7.75 crore was transferred to the Special Reserve thus building up the shareholders fund.

The year 1993-94 witnessed another increase in the paid up capital of the company from Rs.35 crore to Rs.55 crore by issuing further shares of Rs.20 crore at a premium of Rs.10 per share aggregating to Rs.40 crore to its existing shareholders. The LIC of India and the NHB continued to provide finance to the company and the company raised another Rs.30 lakh from the HLA scheme. Rs.2 crore and Rs.11.82 crore were transferred to General Reserve and to Special Reserve respectively.

The company has widened its equity base year by year, and was able strengthened its reserves and surplus and managed to mobilise the large amount of deposits under the HLA scheme. The LIC of India and the NHB continued to provide finance to the corporation. As of 31st March, 2000 the total net worth of the corporation stood at Rs.568.94 crore and deposits under HLA scheme stood at Rs.88 lakh.

The term loans from LIC of India, scheduled banks and refinance from NHB stood at Rs.4,233.53 crore as on 31st March, 2000.
Modus operandi of Selected HFOs:

Loan procedure adopted by all the four selected HFOs is almost similar to one another. Loans are normally offered to persons having regular income from employment, or business or in certain cases even from property or investments. The procedure for obtaining a housing loan at selected HFOs is very simple and applicants need to satisfy certain norms. Applicants, who wish to obtain loans, have to apply in the prescribed form available at any of the selected HFOs branch offices. DHFL and LICHFL charge Rs.15 and Rs.10 as cost of application and the remaining two HFOs issue blank loan application form free of cost. The application form duly completed in all respects should be submitted along with a non-refundable processing fee (fees structure is given in the later part of this chapter).

Documents to be submitted along with the application form.

A general list of documents is given below:

1. A copy of approved drawings of proposed construction, purchase, extension or renovation;

2. Agreement of sale/detailed cost estimates and plans from architects;

3. Permanent address of the applicant for correspondence, in case of applicant's job is transferable;
4. Proof of income:

   i) If applicant is employed, he has to submit:
      
      a) verification of employment form duly completed, and
      
      b) latest salary slip/salary certificate showing details of all deductions.

   ii) If applicant is self employed, he has to submit:
      
      a) Profit and loss accounts and balance sheets of the business along with copies of individual income tax returns and assessment orders certified by a Chartered Accountant for the last three years, and
      
      b) A note on the nature of business, form of organisation, client, suppliers, etc.

   iii) For agricultural income, a certificate showing gross and net agricultural income for the last three years from Tahsildar with Survey No., extent of property and name of the person in whose name the property stands (in the prescribed form).

   iv) For NRIs, salary certificate duly attested by an Indian Embassy or overseas branches of any Indian nationalised banks and copies of contract/agreement.

5. Power of Attorney, if applicable.

    Apart from these, the applicant has to furnish additional information regarding other sources of finance raised by him, if any, like terms and conditions of loan.
Once the application is completed with all the requirements, the applicant is interviewed by an authorised official of the institution concerned. The interview is based on the mutual benefit of both the parties in the sense that the institution concerned officials can make an assessment of the applicant’s repaying capacity by seeking relevant information and the applicant gets his doubts clarified and give him a direct, personal guidance with regard to his obligations under the loan agreement.

After the interview, institution concerned arrives at a fair amount of loan that can be sanctioned and issues the loan offer letter (LOL) which sets out the terms and conditions of the loan. If the applicant finds the loan offer acceptable, he has to sign acceptance letter.

Fees and charges payable by the applicant while applying for the loan and for obtaining the loan amount are shown in Table 5.8.

| Table 5.8 |
| Fees and Charges Payable |

<table>
<thead>
<tr>
<th>Nature of the fee</th>
<th>HDFC</th>
<th>DHFL</th>
<th>CFHL</th>
<th>LICHFL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Processing fee*</td>
<td>0.8 per cent of the loan amount applied</td>
<td>1.0 per cent of the loan amount applied</td>
<td>1.0 per cent of the loan amount applied</td>
<td>0.5 per cent of the loan amount plus Rs.50 stamp fees</td>
</tr>
<tr>
<td>Administrative charges</td>
<td>1.00 per cent of the loan amount sanctioned</td>
<td>1.00 per cent of the loan amount sanctioned</td>
<td>1.00 per cent of the loan amount sanctioned</td>
<td>1.00 per cent of the loan amount sanctioned, subject to a minimum of Rs.1,250.</td>
</tr>
</tbody>
</table>

Note: The above fees and charges are not refundable.
* This fee is in respect of costs incidental to the application.
Source: Brochures of the respective HFOs.
Quantum of Loan:

The maximum loan that can be sanctioned to an individual depends upon repaying capacity of the applicant which is arrived at after assessing various factors like age, income, qualification, number of dependents, spouses' income, savings history, assets, liability, nature of occupation and any other source of income. The quantum of loan sanctioned by the selected HFOs is given in Table 5.9.

<table>
<thead>
<tr>
<th>HDFC</th>
<th>DHFL</th>
<th>CFHL</th>
<th>LICFHL</th>
</tr>
</thead>
<tbody>
<tr>
<td>It lends up to a maximum of Rs.1.00 crore.</td>
<td>It lends up to a maximum of Rs.0.25 crore.</td>
<td>It lends up to a maximum of Rs.0.25 crore.</td>
<td>It lends up to a maximum of Rs.0.50 crore.</td>
</tr>
</tbody>
</table>

Source: Brochures of the respective HFOs.

The maximum loan permissible is 85% per cent (80 per cent in case of CFHL) of property cost (inclusive of land cost, registration and stamp duty). It should be noted that the minimum and maximum amount of loan varies from scheme to scheme.

Security for the Loan:

Security for the loan is the first mortgage of the property to be financed, normally by way of deposit of title deeds and/or any such collateral security and as may be deemed fit. One sound and solvent guarantor (two guarantors in case of CFHL) will be required.
Assignment of life insurance policy, if found necessary, will also be required.

**Period of Loan:**

Period of loan offered by the selected HFOs is given in Table 5.10.

**TABLE – 5.10**

<table>
<thead>
<tr>
<th>Name of the institution</th>
<th>Minimum repayment period</th>
<th>Maximum repayment period</th>
</tr>
</thead>
<tbody>
<tr>
<td>HDFC</td>
<td>5 years</td>
<td>20 years and 7 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td>for NRIs</td>
</tr>
<tr>
<td>DHFL</td>
<td>7 years</td>
<td>15 years</td>
</tr>
<tr>
<td>CFHL</td>
<td>5 years</td>
<td>15 years</td>
</tr>
<tr>
<td>LICHFL</td>
<td>5 years</td>
<td>20 years and 7 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td>for NRIs and 10 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td>for professionals</td>
</tr>
</tbody>
</table>

Note: 1. In case of salaried class the maximum repayment period depends upon the number of years of service left for retirement.

2. In case of self-employed 65 years will be treated as the retiring age.

Source: Brochures of the respective HFOs.

**Disbursement of Loans:**

Disbursement of the loan sanctioned will take place only after technical appraisal of property, completion of legal documentation and investment of applicant's contribution in full (the difference between the estimate amount and the loan amount).
The loan amount will be disbursed in full or in suitable installments depending upon the progress of construction not exceeding three installments in case of HDFC, DHFL and CFHL and four installments in case of LICHFL. The entire loan amount will be disbursed in a single installment, if the loan is for purchase of house/flat or if the construction of the house is nearing completion.

The borrower should make sure that the property is duly and properly insured from fire and other appropriate hazards, as required by the HFOs during the period of loan.

**Mode of Repayment:**

The repayment of loan amount is based on Equated Monthly Installments (EMIs) comprising of principal and interest. Size of the EMI depends on the quantum of the loan, rate of interest and the period of loan. Repayment will start after the full and final disbursement of the loan sanctioned. Pending final disbursement, the applicant is required to pay interest on the portion of the loan disbursed. This is payable every month from the date of each disbursement up to the date of commencement of EMI. This interest is known as pre-EMI (PEMI). This installment remains uniform throughout the term of loan. The EMI is arrived at in such a way that by the end of the term, the loan amount with interest is fully paid. The installment is based on the annual rest system (EMI is \(\frac{1}{12}\)th the Equated Annual Installments).
Further, LICHFL has also the system of repayment by way of policy proceeds, where only interest is paid during the term of the loan and the principal amount is adjusted against the maturity amount of the policy. Repayment can also be made by a combination of both the systems as mentioned above. The details of interest rates and EMI are given in Table 6.5 (Chapter VI).

HFCs allow the applicant on repayment of loan in part or full, loan can also be rescheduled.

NHB's Guidelines:

All the four selected HFOs are complying with the guidelines in respect of Income Recognition, provisioning for NPAs and maintaining capital adequacy issued by NHB from time to time.