

# **Refinance Assistance for Housing in the Tsunami affected areas**

## **CONTENTS**

1. Introduction
  - 1.1 General
  - 1.2 Objective
  - 1.3 Scope
2. Eligibility Criteria
3. Provisions of Special Refinance Assistance
  - 3.1 Scale of Refinance and Interest Rates
  - 3.2 Time Limit and minimum size of claim
  - 3.3 Security
  - 3.4 Exposure Limit
  - 3.5 Period of Refinance
  - 3.6 Moratorium
  - 3.7 Prepayment
4. Procedure
  - 4.1 Submission of refinance application
  - 4.2 Submission of information
  - 4.3 Other Terms and Conditions

## 1. INTRODUCTION

### 1.1 General

National Housing Bank [NHB] is an apex level housing finance institution established from July 9, 1988, under the NATIONAL HOUSING BANK ACT, 1987. NHB is responsible, *inter alia*, for the development of the housing finance system on sound lines. Sub-Section [b] of Section 14 of the said Act empowers NHB to make loans and advances or render any other form of financial assistance to housing finance institutions in respect of their lending for housing.

In the wake of serious damage to life and property caused by the recent Tsunami tidal waves in various States & UTs, NHB has decided to extend refinance assistance to Housing Finance Companies (HFCs) in respect of their loans for housing in the Tsunami affected areas as notified from time to time. The financial assistance for this purpose will be extended under a special dispensation within the overall framework of the **Refinance Scheme applicable to Housing Finance Companies, 2003** (henceforth referred to as Regular Refinance Scheme).

### 1.2 Objective

The objective of this Refinance Assistance is to encourage construction of new houses/flats as also major repairs (including extension and upgradation) of the existing housing stock in the Tsunami affected areas as notified from time to time. HFCs having a predominant presence in these states /UT by way of their branch network are expected to utilize this Refinance Assistance and assist such persons to have a shelter of their own by extending need-based housing loans to them.

### 1.3 Scope

Refinance will be provided by NHB to HFCs only in respect of direct loans sanctioned on or after **January 1, 2005** to individuals/ groups of individuals [formal or informal, including Co-operative Housing Societies] in the Tsunami affected areas of Tamil Nadu, Kerala, Andhra Pradesh, Orissa and the Union Territories of Pondicherry and Andaman & Nicobar and such other areas as notified by the competent authority from time to time.

## 2. ELIGIBILITY CRITERIA

**2.1** HFCs availing refinance from NHB under the **Refinance Scheme applicable to Housing Finance Companies, 2003** are eligible for refinance assistance under this special dispensation.

**2.2** The limits sanctioned / to be sanctioned to the respective HFCs under the Regular Refinance Scheme can be utilized for refinance assistance for Tsunami affected areas.

### 3. PROVISIONS OF SPECIAL REFINANCE ASSISTANCE

#### 3.1 Scale of refinance and rate of interest

Refinance from NHB will be available to the extent of 100 per cent of housing loans sanctioned and disbursed by the HFCs for acquisition / construction of new housing units and for upgradation / major repairs, in accordance with the provisions of the Refinance Scheme at the following rates of interest :

**Table I**

Purpose of Loan	Maximum Loan Size (Rs.)	Interest rate	
		NHB to HFCs	HFCs to beneficiaries
Construction / Purchase	2,00,000/-	5.00%	6.50%
Repairs & Upgradation	50,000/-	5.00%	6.50%

The refinance assistance under this special dispensation will be available only on fixed rate of interest with no reset option. Further, option of floating rate of interest is not available.

It may be noted that the rate of interest on refinance for Tsunami affected areas would be the same for all HFCs irrespective of the internal credit rating assigned to them by NHB.

The refinance assistance under this dispensation would remain valid upto 30<sup>th</sup> June 2007 or till such further time as decided by NHB.

#### 3.2 Time limit and minimum size of claim

Applications for refinance received by NHB within twelve months of the date of disbursement of the loans by the HFCs, shall be eligible for refinance. The minimum size of a refinance claim shall be Rs. 5,00,000/-.

#### 3.3 Security

##### [i] Security to be obtained from individual beneficiaries

The HFC should obtain as security for the loan either mortgage of property or Government Guarantee. Where neither is feasible, the HFC may accept at its discretion, such other security, as it may deem appropriate, with the charge properly created in its favour.

The loan agreement to be entered into between the HFC and its borrowers shall have a provision to the effect that the borrowers shall have no objection to the HFC creating a charge, mortgage or other interest in that security in favour of NHB.

### **[ii] Security for refinance**

As per existing arrangement with the HFCs or as may be decided by NHB from time to time.

### **3.4 Exposure Limit**

Refinance under this dispensation would be within the applicable exposure norms.

### **3.5 Period of refinance**

Refinance from NHB to HFCs shall be repayable during a period not exceeding 15 years including the period of moratorium, if any.

### **3.6 Moratorium**

The HFCs could extend a moratorium of two years to the ultimate borrowers on repayment of principal. The interest during the said moratorium period would be capitalized at the end of the moratorium period and would be payable by the borrower over the remaining maturity period.

A similar moratorium would be extended by NHB to the HFCs subject to the same facility being extended to the ultimate borrowers.

However, the principal *plus* capitalized interest at the end of the two year moratorium period should not exceed the loan size as mentioned in Table I above.

### **3.7 Prepayment**

The financial assistance availed under this special dispensation could be prepaid by the HFC to NHB by giving a two months' notice to NHB to this effect. The prepayment of any financial assistance availed under this dispensation would not attract any prepayment levy.

## **4. PROCEDURE**

### **4.1 Submission of refinance application**

The HFC desirous of availing refinance shall submit an application in the format **NHB-HFC-R[TS]-01**.

### **4.2 Submission of Information**

HFCs availing refinance assistance under this special dispensation would be required to submit such returns furnishing details of releases made under this scheme as may be prescribed by NHB.

### 4.3 Other Terms and Conditions

Other terms and conditions of the **Refinance Scheme applicable to Housing Finance Companies, 2003** as modified from time to time by NHB shall continue to be in force.

