

Memorandum of Understanding (MoU)

This Memorandum of Understanding (MoU) has been executed on _____ at _____ -

BETWEEN

National Housing Bank (NHB), 3rd - 5th Floor, Core 5A, India Habitat Centre, Lodhi Road, New Delhi - 110003, through Shri <Name>, <Designation> (hereinafter called the "First Party", which shall unless repugnant to the context shall mean and include their successors, assignees and administrators) ON THE FIRST PART

AND

M/s. _____ (Primary Lending Institution Name), _____ (Address) through Shri _____ (name & designation) (herein after called the "Second Party/Lender", which shall unless repugnant to the context shall mean and include their successors, assignees and administrators) ON THE SECOND PART

WHEREAS, the Ministry of Housing and Urban Poverty Alleviation (Mo/HUPA), Government of India is implementing the Interest Subvention Scheme known as "Credit Linked Subsidy Scheme" (CLSS) (hereinafter called the "Scheme") as part of the "Housing for All by 2022" (HFA) mission to address the housing needs of the Economically Weaker Sections (EWS) / Low Income Groups (LIG) segments in urban areas.

WHEREAS, the Scheme envisages the provision of interest subsidy to EWS and LIG segments to enable such borrower/beneficiary to buy/construct or extend houses.

WHEREAS, Mo/HUPA, Government of India has designated the First Party as the Central Nodal Agency (CNA) to implement the Scheme. The interest subsidy will be released by the CNA to the Second Party/Lender in respect of housing loan sanctioned by Second Party/Lender to various borrowers/beneficiaries as detailed in this MoU.

WHEREAS, the Second Party/Lender is, inter-alia, in the business of lending housing loans to individual beneficiaries on deferred payment basis and is interested in providing the benefit of the Scheme to eligible borrowers/beneficiaries.

NOW, THEREFORE, IN CONSIDERATION OF THE PROMISES AND MUTUAL COVENANTS, BOTH THE PARTIES HERETO AGREE AS FOLLOWS:

- A. The Mo/HUPA, Government of India has recently issued the guidelines for "Credit Linked Subsidy Scheme" (CLSS) as part of the "Housing for All by 2022" mission guidelines (hereinafter called the guidelines) which is part of this MoU. The broad features of the Scheme, terms for loan and subsidy reimbursement, selection of beneficiaries, roles and responsibilities of various agencies under the Scheme and its monitoring, etc. will be as per the guidelines.
- B. The Mo/HUPA, Government of India shall be at full liberty to amend/modify/terminate the Scheme and the Scheme guidelines. However, in respect of loans already sanctioned by the Second Party/Lender and part-disbursed, based on

the availability of the eligible subsidy amount, the amount shall be made available out of the budgetary allocation in the event of the amendment / modification / termination of the Scheme.

- C. That the First Party is the CNA appointed by Mo/HUPA, Government of India for grant of Interest Subsidy to the Second Party/Lender out of the subsidy released by Government of India to the First Party under the Scheme.

D. Responsibilities and Obligations of First Party

1. The First Party shall be responsible for release of interest subsidy to the Second Party/Lender out of the funds released by Mo/HUPA, Government of India, as per the Scheme. On receipt of information regarding the loan disbursed by the Second Party/Lender to eligible borrower/beneficiary, the First Party shall release the subsidy amount to the Second Party/Lender directly.
2. The interest subvention will be at the rate of 6.5 (six and a half) percent on the principal amount of the loan for, both, EWS and LIG segment, admissible for a maximum loan amount of first Rs.6.00 (six) lakhs, irrespective of the total loan size, for 15 (fifteen) years or full period of the loan, whichever is less. If the loan size, however, is less than Rs. 6.00 (six) lakhs, the subsidy will be limited to the loan amount. The Net Present Value (NPV) of subsidy will be calculated based on a notional discount rate of 9 (nine) percent and upfront subsidy shall be given to the Second Party/Lender. The NPV subsidy given to the Second Party/Lender will be deducted from the principal loan amount of the borrower/beneficiary, who will then have to pay interest to the Second Party/Lender at an agreed document rate on effectively reduced housing loan for the whole duration of the loan.

E. Responsibilities and Obligations of Second Party/Lender

1. The Second Party/Lender hereby undertakes to pass-on the entire benefit of the Scheme to its borrowers/ beneficiaries.
2. The Second Party/Lender hereby undertakes to implement the Scheme as per its terms & conditions.
3. The Second Party/Lender hereby undertakes that it will follow the best practices of lending to implement the Scheme and follow the Scheme guidelines and Regulations of Reserve Bank of India (RBI) / National Housing Bank (NHB).
4. The Second Party/Lender will exercise due diligence in risk assessment and will adopt diligent appraisal and sanction procedures, including assessment of the loan eligibility and the repayment capacity of the borrower/beneficiary.
5. The Second Party/Lender will adhere to all extant guidelines issued by the Mo/HUPA, Government of India under the "Housing for All by 2022" mission including the modifications/amendments to such guidelines from time to time.
6. The Second Party/Lender will provide utilization/end use certificate to the First Party on a quarterly basis and also the certificate in relation to the physical progress of the construction leading up to the completion of the housing unit. The Second Party/Lender shall submit a consolidated utilization certificate on completion of the housing unit within one year period from the completion of construction or a maximum of 36 months from the date of the disbursement of the 1st instalment of the

loan amount. In case of default in not providing utilization/end-use certificate the Second Party/Lender shall refund the amount of subsidy to the First Party. Further, any unutilized amount of subsidy shall be immediately returned by Second Party/Lender to First Party.

7. The Second Party/Lender will monitor the construction of the dwelling units financed under the Scheme, including the approvals for the building design, infrastructure facilities etc. as also the quality of the construction and verify through site visits, etc. the expenditure incurred upto different stages of construction.
8. In the event of default in repayment of the loan by the borrower/beneficiary to the Second Party/Lender and the loan becoming Non-performing asset (NPA), the Second Party/Lender will proceed for recovery of the dues through such measures as considered appropriate, including foreclosure of the property. In all such cases, the amount of the recoveries will be first charged to the subsidy amount on a proportionate basis (in proportion to the loan outstanding and subsidy disbursed).
9. The Second Party/Lender will provide each borrower/beneficiary a statement, which will make him/her understand the amount given as subsidy, how the subsidy has been adjusted and the impact of the subsidy on his/her equated monthly installments (EMI).
10. The Second Party/Lender shall provide all other information, statements and particulars as may be required from time to time by the First Party or by the Mo/HUPA, Government of India under the Scheme.
11. The Second Party/Lender will clearly explain to the loanees/ borrowers/ beneficiaries the consequences of availing loan on fixed/floating rates of interest.

F. Disputes and Jurisdiction

All disputes and differences between First Party and Second Party/Lender arising part of these presents shall as far as possible be resolved through negotiations. However, if any differences/disputes still persist the same shall be referred to the sole arbitrator appointed by the Managing Director and CEO, NHB under the provisions of the Arbitration and Conciliations Act, 1996. The decision of the sole arbitrator shall be final and binding on the parties. Arbitration proceedings shall be held at Delhi.

Signed on this date as mentioned above.

For and on behalf of

For and on behalf of

**National Housing Bank
(First Party)**

(Second Party/Lender)