

NHB to set up first mortgage guarantee firm

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National Housing Bank (NHB) is partnering US-based AIG United Guarantee, Asian Development Bank (ADB) and International Finance Corporation (IFC) to set up India's first mortgage guarantee company.

The company is likely to launch operations in March.

According to the agreement arrived among the partners a few months back, NHB will hold 43 per cent stake, United Guarantee 41 per cent while ADB and IFC will hold 8 per cent stake each in the joint venture company.

"The shareholding requires internal approvals from each partner company. We will be approaching the Reserve Bank of India for registration after it releases the final guidelines for mortgage guarantee companies," said a senior NHB official.

Speaking about the products, the official said, "The nature of products will depend on the loan to value ratio, category of the borrower, profile of the bank/housing finance company, due diligence exercised by the lender and its geographical location."

The Reserve Bank of India

(RBI) yesterday relaxed the norms for registration and operation of mortgage guarantee companies (MGC) in India in its revised draft guidelines. It has invited feedback from the public for the next seven days and is likely to finalise the guidelines soon.

According to the revised norms, a MGC has to have a minimum net-owned fund of Rs 100 crore at the time of commencement.

A MGC provides guarantee on behalf of the borrower to the lender. In case the borrower defaults, the MGC makes the payment. MGCs facilitate the provision of loans to segments of the population which are not considered credit worthy by banks and housing finance companies.

Also, borrowers who are normally not considered suitable to avail of a higher loan are able to secure higher loans by paying a fee to MGC. In some cases, the lending bank or the housing finance company transfers the fee to the borrower.

There are a large number of entrepreneurs, professionals and non-salaried people who are credit worthy but do not get loans from lending institutions.

राष्ट्रीय आवास बैंक

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NATIONAL HOUSING BANK

(Wholly owned by the Reserve Bank of India)

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