

# New home loan norm to increase comfort factor of buyers

**HAEMAN** and managing  
 director, National Housing  
 Bank (NHB), S Sridhar,  
 affirmed to Financial  
 Chronicle that the proposal  
 like the cap has been  
 taken up with the Reserve  
 Bank of India. "We have  
 taken up the issue with the  
 RBI. It will be beneficial for  
 the housing sector,"  
 Sridhar said.  
 P K Jain, executive vice-  
 president, PNB Housing  
 Finance, said that a hike in  
 the cap would result in  
 lesser flow of funds to  
 HFCs. "A higher limit  
 would mean that banks will  
 see more funds to HFCs.

It would also result into  
 greater demand for hous-  
 ing finance," Jain said.  
 The aggregate housing  
 finance market of the  
 country stands at around  
 Rs 1,00,000 crore, of which  
 35-40 per cent is extended  
 through HFCs that are re-  
 gulated by NHB.  
 Though the move is  
 expected to help builders  
 to offload some of the  
 inventory, developers  
 appear to have adopted a  
 wait-and-watch approach  
 to the proposed plan. Says  
 J C Sharma, managing  
 director of Bangalore-based  
 Sobha Developers, "This  
 step will help increase the  
 comfort factor and help  
 buyers reallocate their

**The move is  
 expected to help  
 builders to offload  
 some of their  
 inventory**

repayment capacity."  
 Says R Sobha Raja, vice-  
 president (Finance),  
 Nagajuna - Constructait,  
 "It's not the loan amount,



**LION'S SHARE:** The aggregate housing finance market of the country stands at around Rs 1,00,000 crore —Shankh Kestor

it is a matter of interest  
 cost. That's what makes up  
 the major cost for the  
 buyer."  
 Niranjana,  
 Hiranandani, managing

director, Hiranandani  
 Constructions, called it a  
 step in the right direction,  
 but added that it was not  
 enough. "Banks are short

of funds. They shy away  
 from lending to any sector.  
 The government should do  
 more to increase liquidity  
 in the banks," he said.  
 Hemant Shah, chair-  
 man, Akram Nirman, how-  
 ever, welcomed the move.  
 "It is a good move. It will  
 help boost demand in the  
 lower-cost housing sector,  
 but things will dramatically  
 change only if the interest  
 rates come down," he  
 added. Brigade Enterprise  
 pointed out that their  
 client base is in a higher  
 bracket than the proposed  
 Rs 30 lakh limit. "I think  
 this move would help the  
 affordable sector more.  
 Most of our clients draw a  
 high loan amount. The

average loan that we offer  
 is in the Rs 30 lakh to Rs  
 40 lakh category," Brigade  
 managing director, M B  
 Jaisankar said.  
 A senior official of a  
 housing finance company  
 pointed out that a higher  
 cap would make it easier  
 for them to manage the  
 funds. "This would be very  
 significant for HFCs. A  
 higher cap will make our  
 life easier since we will be  
 able to manage the fund  
 better in the present hous-  
 ing market, Rs 5 lakh is not  
 adequate to purchase a  
 decent house in many  
 places. If we add the down  
 payment required to pur-  
 chase a house, a Rs 20 lakh  
 loan could finance a house

worth Rs 26-27 lakh," the  
 official said on condition of  
 anonymity.  
 He explained that HFCs  
 are often able to get these  
 loans from banks at 125-  
 150 basis points lower than  
 their normal rate of lend-  
 ing. "Though HFCs are not  
 mandated to pass on the  
 discount to the eventual  
 borrower, the loans can  
 be offered at lower  
 rates because of the spread  
 available to the HFC," the  
 officials said.  
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