

Memorandum of Understanding (MoU)

This Memorandum of Understanding (MoU) has been made and executed at New Delhi on..... day of . ,..... 2009.

BETWEEN

National Housing Bank (NHB) / Housing and Urban Development Corporation Ltd(HUDCO),,-,-,-..... IHC Complex, Lodhi Road, New Delhi – 110003 through (name & designation) (hereinafter called "First Party")

AND

M/S **Bank/HFCs/lender**(address) through (name & designation) (hereinafter called "lender" / "Second Party")

WHEREAS, the Ministry of Housing & Urban Poverty Alleviation (MH&UPA), Govt. of India has designed an Interest Subsidy Scheme known as Scheme of Interest Subsidy for Housing the Urban Poor (**ISHUP** / the Scheme) as an additional instrument for addressing the housing needs of the (Economically Weaker Sections (EWS) / Low Income Groups (LIG) segments in urban areas. The Scheme envisages the provision of interest subsidy to EWS and LIG segments to enable such beneficiary to buy or construct houses.

WHEREAS, MH&UPA, Govt. of India has nominated NHB / HUDCO as the Central Nodal Agency to implement the scheme. The interest subsidy will be released by the Nodal Agency on quarterly basis to various HFCs/Banks/lenders in respect of housing loan sanctioned by these lenders to various beneficiaries.

WHEREAS, the lender/Second Party is inter- alia, in the business of lending housing loans to individual beneficiaries and/or to provide houses/flats to individuals on deferred payment basis and is interested in providing the benefit of Interest Subsidy Scheme of MH&UPA to its eligible borrowers/beneficiaries.

NOW, THEREFORE the above mentioned parties have agreed to the terms & conditions as mentioned hereinafter:

- A. The MH&UPA, Govt. of India has recently issued guidelines for Interest Subsidy scheme for Housing the Urban Poor (ISHUP) which are part and parcel 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 monitoring of scheme etc. will be as per the guidelines for ISHUP.
- B. That NHB/HUDCO, the First Party is the Nodal Agency appointed by MH&UPA, Govt. of India for grant of Interest Subsidy to the Second Party out of the subsidy released by Govt of India to the First Party.
- C. **Role & Responsibilities of First Party**
 1. The First Party shall be responsible for release of interest subsidy to the Second Party out of the funds provided by MH&UPA, Govt. of India and in terms of the scheme of ISHUP. On receipt of information regarding the total loan disbursed by Second Party to EWS and LIG beneficiaries during a 3-month period, the HUDCO/NHB will release the subsidy amount to them directly at the end of each quarter. The MH&UPA, Govt of India shall be at full liberty to amend/modify/terminate the scheme of ISHUP. However, in respect of loans already sanctioned by the lender/second party 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 termination /amendment of the scheme.
2. The subsidy will be 5% p.a. on the principal amount of the loan for EWS and LIG, admissible for a maximum loan amount of Rs.1.00 lakh only over the full period of the loan for construction or acquisition. The Net Present Value (NPV) subsidy will be given to the lenders on upfront and quarterly basis. The NPV subsidy given to the lender will be deducted from the principal loan amount of the borrower/beneficiary, who will then have to pay interest to the Second Party at an agreed document rate for the whole duration of the loan. The NPV of this subsidy will be arrived at on the basis of notional discount rate of 9 percent p.a., (equivalent to Government Security rate) for the period of the loan and on the interest chargeable at the time the loan is contracted.

D. Role & Responsibilities of Second Party:

3. The Lender/Second Party hereby undertakes to pass-on the entire benefit of the scheme of ISHUP to its borrowers/ beneficiaries.
4. The Lender/Second Party hereby undertakes to implement the scheme of ISHUP as per the terms & conditions of the scheme.
5. The Lender/Second Party hereby undertakes that it will follow the best practices of lending to implement the scheme of ISHUP and follow the applicable guidelines and Regulations of RBI/NHB (both general guidelines as well as specific guidelines for the Scheme).
6. The lender/second party will exercise their 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.
7. All applications will be suitably vetted/certified/routed by the nodal Government agency at the State level for confirming the income segment of the borrower (EWS, LIG etc.).
8. The lender/second party will adhere to all extant guidelines issued by the Steering Committee as also the MH&UPA under the Scheme including modifications/amendments to such guidelines from time to time.
9. The Lender/Second Party will provide utilization/end use certificate to HUDCO/NHB on a half yearly basis and also the certificate in relation to the physical progress of the construction leading up to the completion of the housing unit. The lender shall submit a consolidated utilization certificate on completion of the housing unit within one year period from the start of construction. In case of default in not providing utilization/end-use certificate the lender/Second Party shall refund the amount of subsidy to the First Party. Further, any unutilized amount of subsidy shall be immediately payable by Second Party to First Party.
10. The lender/second party 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.
11. In the event of default in repayment of the loan by the borrower to the lending institutions and the loan becoming NPA, the lender/second party 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 (balance period of the loan) and will be paid by the lender/second party to the nodal agency for onward payments/adjustment as decided by the Government.

12. The lender/Second Party will provide each loanee/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 EMI.
13. The lender/second party shall provide all other information, statements and particulars as may be required from time to time by the first party or by the MH&UPA, Government of India under the ISHUP.
14. The lender/Second Party will clearly explain to the loanees/borrowers/beneficiaries the consequences of availing loan on fixed/floating rates of interest

E. Disputes and Jurisdiction

All disputes and differences between First Party and Second Party 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 CMD, NHB/HUDCO 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 at Delhi on this date as mentioned above.

For and on behalf of

**National Housing Bank
Housing & Urban Development Corporation Ltd.
First Party**

For and on behalf of

**Bank/HFCs/lenders
Second Party**