राष्ट्रीय आवास बैंक
NATIONAL HOUSING BANK

February 24, 2020

Housing Finance Companies - Credit Growth and Funding Pattern

- 76 out of the existing 100 HFCs with 82% market share have registered a positive asset growth of Rs. 1.74 lakh crore representing 21% growth during the last 16 months period post IL&FS default in September 2018.
- These 76 HFCs have successfully funded their growth during the period with 38% increase in Exposure of Banks & NHB and 18% increase in Market Borrowings.
- NHB has disbursed refinance worth Rs.23,000 crore to HFCs during the period and another Rs. 20,000 crore worth sanctions are in the pipeline for disbursement during ensuing months. This includes Rs. 9,000 crore sanctioned under LIFt to 27 HFCs.

Housing Finance sector has undergone a major makeover post IL&FS crisis in Sep 2018 followed by the subsequent liquidity issues around the HFCs & NBFCs. Since then, there has been a series of interventions from the Government of India to facilitate adequate liquidity flow to these entities from the Banking sector such as, Partial Credit Guarantee Scheme (PCGS) of Govt of India for buy-out of rated asset pools of HFCs/NBFCs, relaxed norms of RBI for securitization of assets etc.

As regards HFCs, more than access to funds, the primary challenge has been to access long term funds to readjust their Liability mix and rising cost of such funds. National Housing Bank (NHB) has been proactive in responding to the liquidity environment and has instituted several measures to ease the situation. Of the existing 100 HFCs, 76 have recorded increase in Total Loan Book by Rs.1.74 lakh crore (from Rs.8.28 lakh crore to Rs.10.02 lakh crore) post IL&FS default in Sep 2018, with Rs.23,000 crore disbursed by NHB during the period. Another Rs. 20,000 crore worth sanctions are in the pipeline for disbursement during ensuing months. It may be noteworthy to mention that 85% of NHB's assistance was in respect of loans upto Rs.25 lakhs.

Apart from meeting the increased demand, the liquidity infusion by NHB is aimed at creating confidence of the HFCs and thus enabling them to increase their resource mobilization from the Banks and the Market. The primary source of funding for the growth of Rs.1.74 lakh crore constituted 36% from NHB and Banks. The details have been enumerated here in below.

I. Initiatives by NHB:

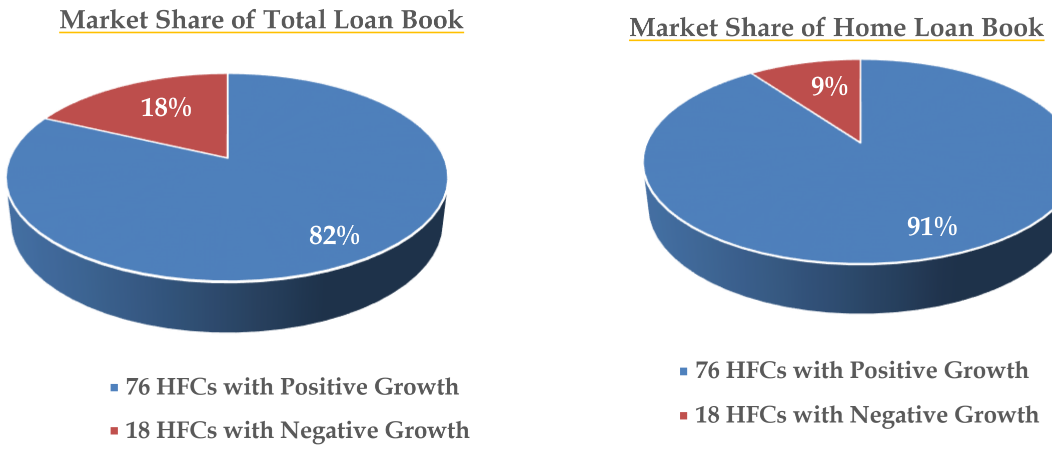
- For the period September 2018 to June 2019, NHB disbursed Rs. 21,716 crore to 34 HFCs. This was as against Rs. 11,508 crore disbursed in FY 2017-18.
- During the period, 86% of NHB's total disbursements were to HFCs only. The focus was on refinancing of Housing Loan portfolio of HFCs for loans up to Rs. 25 lakhs, which constituted about 85% of the total refinance.

- Liquidity Infusion Facility (LIFt) was introduced in August 2019 as a special window till 30th June 2020 for all HFCs, including those not eligible under regular refinance schemes on account of higher Net NPA (> 3.5%) and/or low Home Loan portfolio (<51%).
- The scheme provides for additional exposure of upto 30% of HFC's NOF or 50% of NHB's NOF, whichever is lower, and this is over and above the refinance available under the two existing schemes of Liberalised Refinance Scheme (LRS) and Affordable Housing Fund (AHF).
- In order to encourage HFCs, NHB has further relaxed various conditions under the Scheme in December 2019 including the rates of Interest, time limit for end use, security conditions etc.
- In respect of HFCs meeting the minimum IHL and maximum Net NPA norms for regular refinance schemes, those with Internal Rating of 'C' are also eligible for refinance under LIFt now.
- Rate of interest relaxed to 0.10% and 0.50% over the regular refinance rate for HFCs with total assets up to Rs. 2,000 crore and above Rs. 2,000 crore respectively.
- For the period July 2019 to date, NHB has already sanctioned Rs. 22,675 crore to 40 HFCs which includes Rs. 9,037 crore sanctioned under LIFt to 27 HFCs. Of this, Rs. 2,323 crore has been drawn by the HFCs so far and the rest would be drawn shortly.
- The rates of Refinance by NHB are based on the fortnightly bench mark rates linked to "AAA" Bond rates. Apart from transparency in pricing, this helps auto-transmission of reduction in the Repo rates by RBI. During Sep 2018 to Jan 2020, the 1-Year bench marks decreased from 8.30% to 6.45%, thus making NHB Refinance cheaper by about 185 bps during last 16 months.

II. Credit Growth of HFCs:

- Out of the 100 HFCs, 76 HFCs with 82% share in total credit and 91% of the total Housing Loan of all HFCs have shown a positive asset growth of 21% post IL&FS default. Their asset book has grown by Rs. 1.74 lakh crore during the 16 months period from Rs. 8.28 lakh crore at September 2018 to Rs. 10.02 lakh crore at January 2020.
- Individual Home Loan (IHL) portfolio of these HFCs has grown at same pace to reach Rs.6.13 lakh crore.
- The 76 HFCs with positive growth have increased their market share of Total Loan Book from 74% at September 2018 to 82% at January 2020 while their market share of Individual Home Loans has increased from 81% to 91% during the period.
- Of the 18 HFCs with negative growth, significant decline is seen in 9 HFCs during the period which sums up to Rs. 81,000 crore reduction in their Total Loan Book and Rs. 63,000 crore reduction in Individual Home Loan portfolio. Of them, 3 HFCs from amongst the Top 20 list had negligible business operations during the period on account of issues specific to these entities and account for over Rs.70,000 crore reduction in Total Loan Book and over Rs. 60,000 crore reduction in Home Loan portfolio.

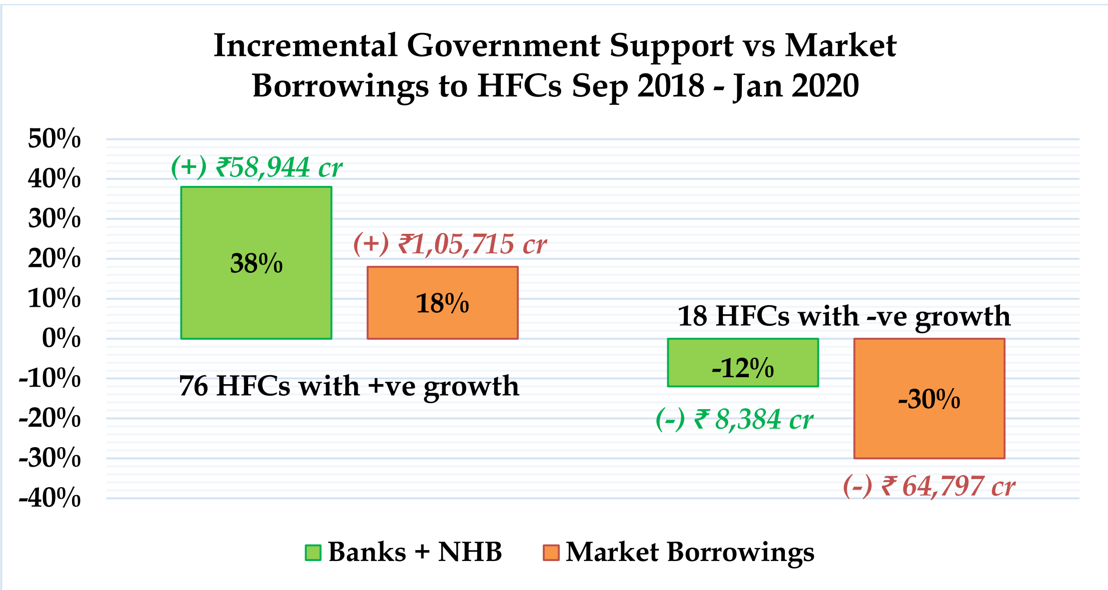
Market Share of HFCs as at January 2020



* *6 HFCs have nil Business as at Jan 2020*

III. Exposure of Banks and NHB to HFCs:

- The 76 HFCs with positive growth of Rs.1.74 lakh crore have funded this growth by incremental borrowing of 1.65 lakh crore comprising of Rs.59,000 crore from Banks & NHB, Rs.77,000 crore from Market Borrowings and Rs.28,000 crore from Public Deposits.
- While the Exposure of Banks & NHB has gone up by 38% over September 2018 level, Market Borrowings have increased by 18% during the period.
- In contrast, the HFCs with negative growth have witnessed Rs. 65,000 crore reduction in their Market Borrowing (30% decline over September 2018 level) while Exposure of Banks & NHB has reduced by only Rs. 8,000 crore (12% decline) though there is a 28% contraction of their asset book during the period. This signifies that even these HFCs continue to receive adequate support from the Banks & NHB.
- Overall exposure of Banks & NHB to all 100 HFCs increased by 22% during the 16 months period while Market Borrowings increased by 5% including Public Deposit (3% excluding Public Deposit).



IV. In Conclusion:

- 76 HFCs with positive growth have increased their Total Loan Book by Rs.1.74 lakh crore with a decent 21% growth during the 16 months period post IL&FS default in September 2018; primarily through a similar growth in their retail Individual Home Loan portfolio.
- Overall Credit Growth of HFCs during the period appears muted at 8%, mainly on account of the reduction of Rs.81,000 crore at 9 HFCs of which, major decline is seen at 3 HFCs from amongst the Top 20 which had negligible business operations during the period on account of reasons specific to these entities. Had the assets of these 9 HFCs remained same, even if no growth was there, overall asset growth of HFCs would have been 15% over September 2018 level.
- The 76 HFCs with positive growth have successfully funded their growth during the period with 38% increase in Exposure of Banks & NHB and 18% increase in Market Borrowings. In contrast, the ones with negative growth have witnessed a steep 30% decline in their Market Borrowings.
- The Q3FY20 numbers depict a clear sign of growth picking up. While the 76 HFCs with positive growth continue to add over Rs.21,000 crore a quarter, the quarterly decline in asset book of HFCs with negative growth has also corrected significantly from (-) Rs.14,000 crore in Q1 to (-) Rs.8,000 crore levels in Q2 & Q3.
- Overall Asset Book of all HFCs grew by over Rs.12,300 crore in Q3 while Individual Home Loan portfolio grew by Rs.11,600 crore. As against this, month of Jan 2020 has witnessed a growth of Rs.8400 crore in total loan book and Rs.5,700 crore in Individual Home Loan portfolio.
- There is a distinct shift in growth focus of HFCs in favour of retail home loans. Q4 being the peak period of activity in housing finance sector and Rs.20,000 crore of undrawn refinance sanctions from NHB available to HFCs, we expect a significant uptrend in their fresh sanctions and disbursements in the quarters ahead.

- **It can be inferred from the facts as above that the liquidity position of HFCs is normalizing and growth in the sector post IL&FS default is now stabilizing. Good HFCs are able to raise resources from the market even at times at rates lesser than the pre-IL&FS period. The market is, however, distinguishing between the good and not-so-good entities which is reflected in the better entities being able to secure higher funding from both banks and market.**

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Annexure:

An analysis of the growth of Total Loan Book, Home Loan Portfolio and the change in Funding Pattern of HFCs' growth during the 16 months period post IL&FS default in September 2018 has been summarized below with breakup of 76 HFCs with positive growth, 18 with negative growth:

1. **76 HFCs with Positive Growth** *Amounts in Rs Crore*

	September 2018	January 2020	Growth (16 months)	
			Quantum	%
Total Outstanding Loan Book	8,28,070	10,01,589	1,73,519	+21%
% share in HFCs	74%	82%	-	-
Individual Home Loans	5,07,546	6,12,882	1,05,336	+21%
% Share in HFCs	81%	91%	-	-
Sources of Funds				
Total Borrowings	7,29,722	8,94,381	1,64,660	+23%
Exposure of Banks & NHB	1,56,228	2,15,172	58,944	+38%
Mkt Borrowings incl. Public Dep	5,73,493	6,79,208	1,05,715	+18%
Mkt Borrowings excl. Public Dep	4,85,899	5,63,474	77,575	+16%

2. **18 HFCs with Negative Growth** *Amounts in Rs Crore*

	September 2018	January 2020	Growth (16 months)	
			Quantum	%
Total Outstanding Loan Book	2,94,504	2,13,167	- 81,336*	- 28%
% share in HFCs	26%	18%	-	-
Individual Home Loans	1,22,317	58,890	- 63,427*	- 52%
% Share in HFCs	19%	9%	-	-
Sources of Funds				
Total Borrowings	2,89,091	2,15,910	-73,181	-25%
Exposure of Banks & NHB	69,509	61,125	-8,384	-12%
Mkt Borrowings incl. Public Dep	2,19,583	1,54,785	-64,797	-30%
Mkt Borrowings excl. Public Dep	2,08,369	1,49,492	-58,877	-28%

** Out of the 18 HFCs with negative growth, major decline is there at 9 HFCs which sums up to Rs.81,200 crore reduction in Total Loan Book and Rs.63,300 crore decline in Home Loan portfolio. Further, 3 HFCs out of these 9 account for over Rs.70,000 crore reduction in Total Loan Book and over Rs. 60,000 crore reduction in Individual Home Loan portfolio on account of issues specific to these HFCs.*

3. **Total of all 100 HFCs** *Amounts in Rs Crore*

	September 2018	January 2020	Growth (16 months)	
			Quantum	%
Total Outstanding Loan Book	11,22,853	12,14,758	91,905	+8%
Individual Home Loans	6,30,105	6,71,773	41,668	+7%
Sources of Funds				
Total Borrowings	10,18,813	11,10,292	91,479	+9%
Exposure of Banks & NHB	2,25,737	2,76,297	50,560	+22%
Mkt Borrowings incl. Public Dep	7,93,076	8,33,994	40,918	+5%
Mkt Borrowings excl. Public Dep	6,94,268	7,12,966	18,698	+3%