

Memorandum of Understanding (MoU)

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

Between

National Housing Bank (NHB), _____, India Habitat Centre, Lodhi Road, New Delhi - 110003, through Shri/Smt. _____ (name) its _____ (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/Smt. _____ (name) its _____ (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 Rural Development (MoRD), Government of India is implementing a Rural Housing Interest Subsidy Scheme (RHSS) (hereinafter called as the "Scheme") to address the housing needs of the rural areas as part of the "Housing for All" Mission.

WHEREAS, the Scheme envisages the provision of interest subsidy to Households to enable such borrower/beneficiary to acquire/modify/construct/ a pucca house in rural areas.

WHEREAS, MoRD , 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 under the Scheme 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 passing on the benefit of the Scheme to eligible borrowers/beneficiaries by crediting the eligible subsidy amount to their housing loan account as per the Scheme.

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

- A. The MoRD, Government of India has issued the operational guidelines for the Scheme (hereinafter called the "Scheme Guidelines) by setting out 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. The scheme Guidelines shall be treated as part and parcel of this MoU and shall be read together for all purpose.
- B. The MoRD, Government of India shall be at full liberty to amend/modify/withdraw /terminate the Scheme and/or amend/modify the Scheme Guidelines.
- C. That the First Party is the CNA appointed by MoRD, Government of India for channelizing the 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 MoRD, Government of India, as per the Scheme Guidelines. 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 subsidy will be at the rate of 3.0 (three) percent on the principal amount of the loan for the borrower/beneficiary in rural areas, and the subsidy shall be admissible for a maximum loan amount of first Rs.2.00 (two) lakh, irrespective of the quantum of housing loan, for 20 (twenty) years or full period of the loan, whichever is less. If the quantum of housing loan, however, is less than Rs.2.00 (two) lakh, the subsidy will be calculated based on the actual loan amount. The Net Present Value (NPV) of subsidy will be calculated based on a notional discount rate of 9.0 (nine) percent and upfront subsidy shall be released 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 documented rate on effectively reduced housing loan for the whole duration of the loan.
3. Any amount refunded by the Second Party/ Lender to the First Party, on account of default in providing Utilization Certificate or otherwise, shall be adjusted in the subsequent release of funds from MoRD, GoI to the First Party.

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 the terms & conditions under the Scheme Guidelines.
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 the Regulations of Reserve Bank of India (RBI)/ National Housing Bank (NHB) issued from time to time.
4. The Second Party/Lender will exercise necessary 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 MoRD, Government of India under the Scheme Guidelines including the amendments/ modifications issued from time to time.
6. The Second Party/Lender will work with beneficiary/borrower to get the house completed/modified within one year from the date of first withdrawal of loan.
7. 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 financed under the Scheme. 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. 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 the First Party.
8. 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 up to different stages of construction.
9. 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, as per law. In all such cases, the amount of the recoveries will be charged on first charge basis to the subsidy amount and shall be appropriated on proportionate basis (i.e. in proportion to the loan outstanding and subsidy disbursed).
10. 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).

- 11. 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 MoRD, Government of India under the Scheme.
- 12. The Second Party/Lender shall furnish the credit information periodically on the RHISS beneficiaries to credit information companies, as per the prescribed format.
- 13. The Second Party/Lender will clearly explain to the loanees/ borrowers/ beneficiaries the consequences of availing loan on fixed/floating rates of interest.

F. Governing Laws, Disputes and Jurisdiction

This MoU shall be governed by the laws of India and 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

(First Party/CNA)

(Second Party/Lender)