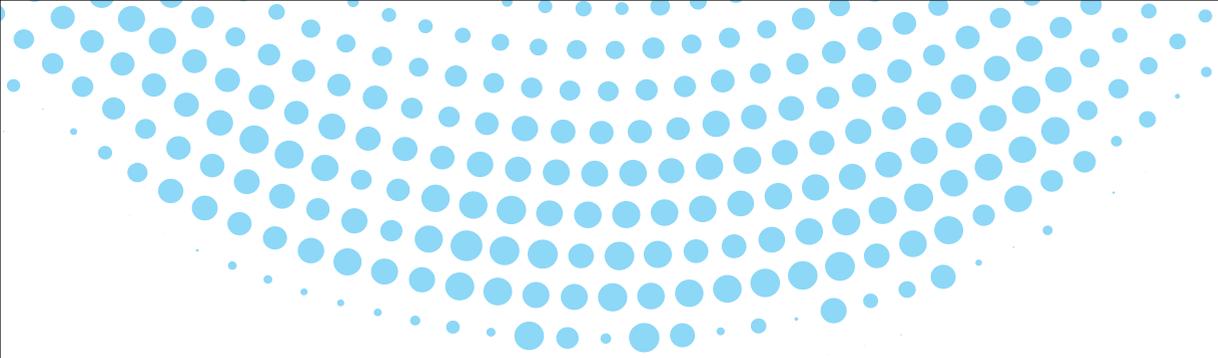


REPORT ON TREND AND PROGRESS OF HOUSING IN INDIA 2019





एस. के. होता
प्रबंध निदेशक

S. K. Hota
Managing Director



Letter of Transmittal

NHB (ND)/MD/A-2063/2020
March 03, 2020

The Finance Secretary
Government of India
Ministry of Finance
North Block
New Delhi - 110001

Sir,

In pursuance of the provision of Section 42 of the National Housing Bank Act, 1987, I have pleasure in transmitting herewith a copy of the Report on Trend and Progress of Housing in India 2019.

Yours faithfully,



(S.K. Hota)

Encl.: As above.

भारत सरकार के अंतर्गत सांविधिक निकाय
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“बैंक हिन्दी में पत्राचार का स्वागत करता है”

एस. के. होता

प्रबंध निदेशक

S. K. Hota

Managing Director



Letter of Transmittal

NHB (ND)/MD/ A-2064/2020

March 03, 2020

The Governor
Reserve Bank of India
18th Floor, Central Office Building
Shahid Bhagat Singh Marg
Mumbai - 400023

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ABBREVIATIONS

AHP	Affordable Housing in Partnership
AML	Anti-Money Laundering
ASHA-I	Affordable Sustainable Housing Accelerators-India
BLC	Beneficiary-led Construction
BLE	Beneficiary-led Enhancement
BMTPC	Building Materials and Technology Promotion Council
CAD	Current Account Deficit
CBS	Core Banking Solution
CLSS	Credit Linked Subsidy Scheme
CNA	Central Nodal Agency
CoR	Certificate of Registration
CPI	Consumer Price Index
CPI-C	Consumer Price Index- Combined
CERSAI	Central Registry of Securitization Asset Reconstruction and Security Interest of India
CRO	Chief Risk Officer
CSR	Corporate Social Responsibility
CSS	Centrally Sponsored Scheme
CTI	Construction Technology India
DDT	Dividend Distribution Tax
DRRH	Direct Relationship Rental Housing
DU	Dwelling Units
EME	Emerging Markets Economy
EWS	Economically Weaker Sections
FALLCR	Facility to Avail Liquidity for Liquidity Coverage Ratio
FAR	Floor Space Area
FDI	Foreign Direct Investment
FSI	Floor Space Index
FTO	Fund Transfer Order
FY	April 1 to March 31
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GHCTC-India	Global Housing Construction Technology Challenge-India
GNPA	Gross Non Performing Asset
GoI	Government of India
GRIDS	Grievance Registration & Information Database System
GST	Good and Services Tax
GVA	Gross Value Added
HFC	Housing Finance Company
HPI	House Price Index
HPTI	House Price to Monthly Income
HQLA	High Quality Liquidity Assets
HUDCO	Housing and Urban Development Corporation
IAP	Integrated Action Plan
IAY	Indira Awas Yojana
IAP	Integrated Action Plan
ICD	Inter Corporate Deposit
ISSR	In-situ Slum Redevelopment
ITC	Input Tax Credit
IMF	International Monetary Fund
KYC	Know Your Customer
LAF	Liquidity Adjustment Facility
LEF	Large Exposures Framework
LIG	Lower Income Group
LIFt	Liquidity Infusion Facility
LTI	Loan to Annual Income
LTV	Loan To Value
MCA	Ministry of Corporate Affairs
MCLR	Marginal Cost Of Funds-Based Lending Rate

MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MHP	Minimum Holding Period
MIG	Middle Income Group
MoA	Memorandum of Agreement
MoHUPA	Ministry of Housing and Urban Poverty Alleviation (now MoHUA)
MoHUA	Ministry of Housing and Urban Affairs
MoRD	Ministry of Rural Development
MoU	Memorandum of Understanding
MRR	Minimum Retention Requirement
MSCB	Multi-State Co-operative Banks
MSF	Marginal Standing Facility
NBC	National Building Code
NBFC	Non-Banking Financial Company
NBFC-MFI	Non-Banking Financial Company- Micro Finance Institutions
NBFC-ND	Non Deposit Taking Non-Banking Financial Companies
NBFC-ND-SI	Non-Banking Financial Companies - Non-Deposit taking- Systemically Important
NCR	National Capital Region
NDTL	Net Demand And Time Liabilities
NHB	National Housing Bank
NIIF	National Investment and Infrastructure Fund
NIPFP	National Institute of Public Finance and Policy
NNPA	Net Non-Performing Asset
NOF	Net Owned Funds
NPA	Non-Performing Asset
NPV	Net Present Value
NSSO	National Sample Survey Office
NTSA	National Technical Support Agency
NUHF	National Urban Housing Fund
NUPF	National Urban Policy Framework
NURHP	National Urban Rental Housing Policy
PA	Provisional Actuals
PCE	Partial Credit Enhancement
PLI	Primary Lending Institution
PMAY(G)	Pradhan Mantri Awas Yojana (Gramin)
PMAY(U)	Pradhan Mantri Awas Yojana (Urban)
PPP	Public Private Partnership
PSB	Public Sector Bank
Q-o-Q	Quarter on Quarter
RBI	Reserve Bank of India
ReIT	Real Estate Investment Trust
RERA	Real Estate (Regulation and Development) Act, 2016
RHIS	Rural Housing Interest Subsidy Scheme
RRB	Regional Rural Bank
SBM (G)	Swachh Bharat Mission (Gramin)
SCB	Scheduled Commercial Bank
SEBI	Securities Exchange Board of India
SECC	Socio Economic Caste Census
SLR	Statutory Liquidity Ratio
StCBs	Scheduled State Co-operative Banks
TDR	Transferable Development Rights
UCB	Urban Cooperative Bank
UHF	Urban Housing Fund
ULB	Urban Local Body
UT	Union Territory
WALR	Weighted Average Lending Rate
WB	World Bank
Y-o-Y	Year on Year

1. An Overview & Perspective

1.1 Global Economy and Housing Scenario

1.1.1 The world output grew at 3.6 percent in 2018 as compared to 3.8 percent in 2017. The global economic activity witnessed a slowdown because of confluence of factors affecting major economies. The escalation of US–China trade tensions, macroeconomic stress in Argentina and Turkey, disruptions to the auto sector in Germany, tighter credit policies in China, and financial tightening alongside the normalization of monetary policy in the larger advanced economies have all contributed to a significantly weakened global expansion, especially in the second half of 2018.¹

1.1.2 Due to downside risks primarily on account of weakening of manufacturing activity, rising trade and geopolitical tensions, International Monetary Fund (IMF) in October 2019, revised its global growth forecast for 2019 from 3.2 percent (projected in July 2019, World Economic Outlook) to 3.0 percent. Further, the forecast for 2020 was also revised downwards by 0.1 percentage point to 3.4 percent.

Graph 1.1: Economic Growth Rate of Select Countries



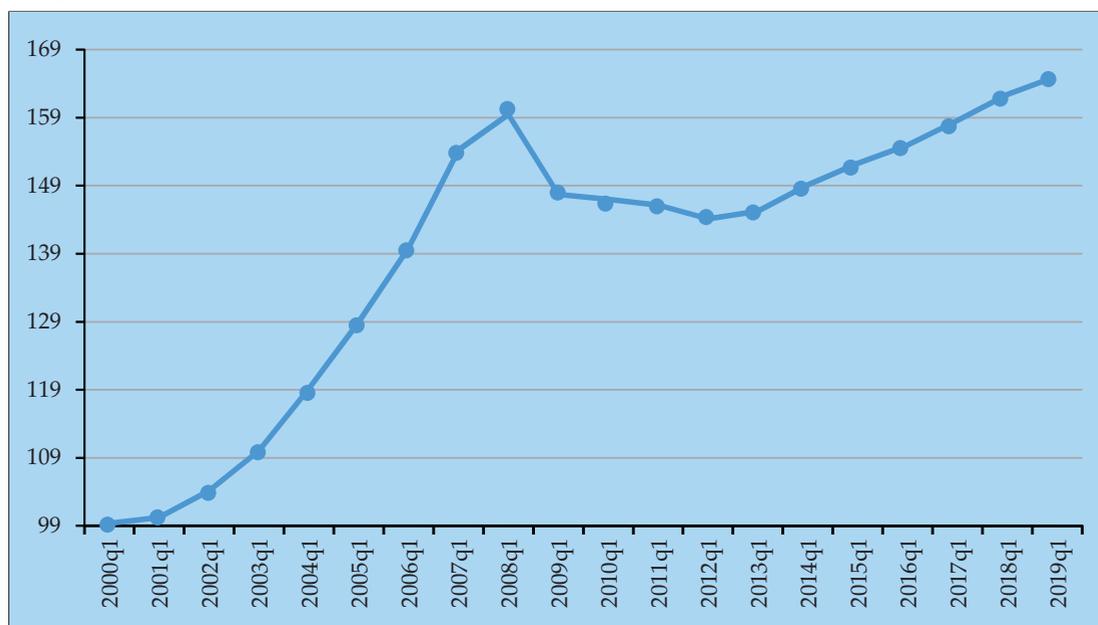
Source: International Monetary Fund, World Economic Outlook Update, October 2019

1.1.3 Housing is an important component of investment and in many countries housing makes up the largest component of wealth. Housing booms and busts often have been detrimental to the financial stability of the economies. After sharp decline during financial crises of

¹World Economic Outlook, April 2019

2007-08, the IMF Global Real House Price Index indicates that global housing markets have been steadily climbing up.²

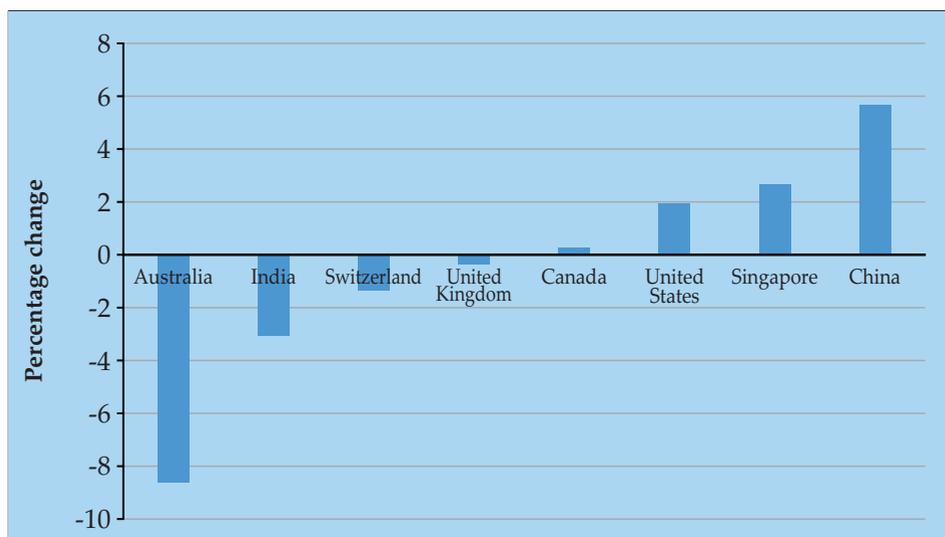
Graph 1.2: Global Real House Price Index



Source: IMF Global Housing Watch Data, IMF Website

1.1.4 The annual percentage change in real house prices of select countries in first quarter of 2019 is given in graph 1.3 below.

Graph 1.3: Annual Percentage Change in the Real House Prices



Source: IMF Global Housing Watch Data, 2019: Q1 IMF Website

²2019: Q1 or latest, annual percent change

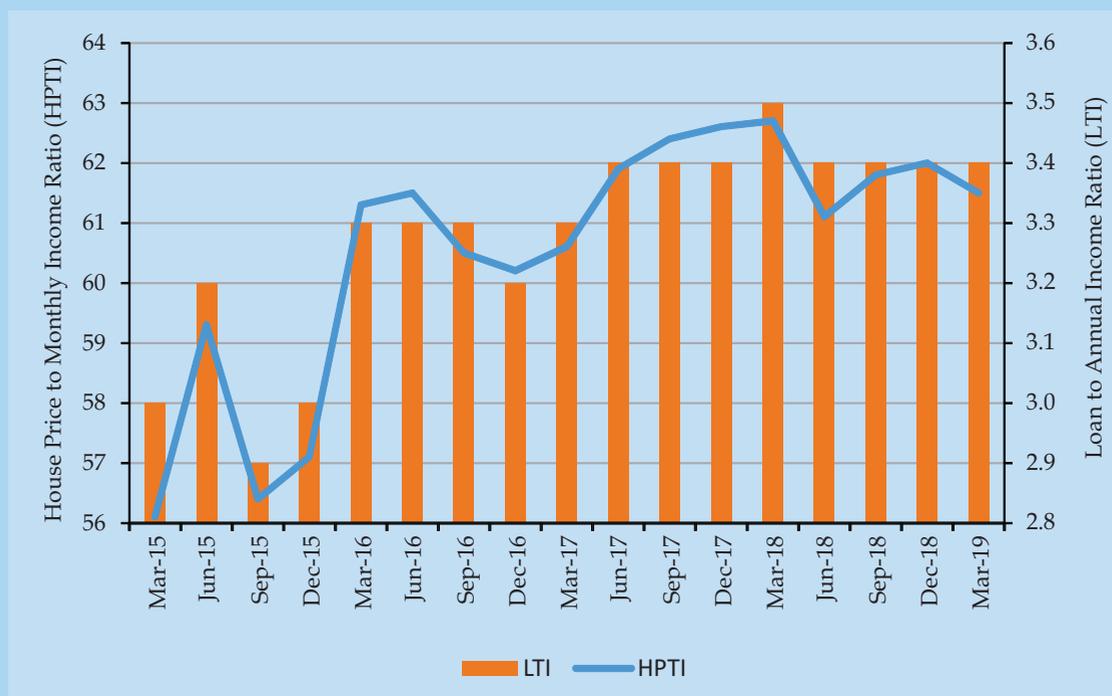
1.1.5 House Price to income ratio calculated by IMF for 33 countries including Canada, Netherlands, Spain, New Zealand, United Kingdom, United States, Australia, Japan, South Africa, Korea etc. indicate that house prices have grown faster than incomes in over half of the countries³. The Residential Asset Price Monitoring Survey released by RBI in July, 2019 indicated an increasing trend in house price to income (HPTI) ratio in India representing the fall in housing affordability.

Box 1.1: Residential Asset Price Monitoring Survey

The RBI conducts a quarterly residential asset price monitoring survey (RAPMS) on housing loans disbursed by select Banks/HFCs across 13 cities, viz., Mumbai, Chennai, Delhi, Bengaluru, Hyderabad, Kolkata, Pune, Jaipur, Chandigarh, Ahmedabad, Lucknow, Bhopal and Bhubaneswar.

As per the survey results of March, 2019 and the time series data since March, 2015, the housing affordability has worsened over the past 4 years as the house price to monthly income ratio (HPTI) ratio increased from 56.1 in March 2015 to 61.5 in March 2019. Further, the movement of median loan to annual income (LTI) ratio also confirmed worsening housing affordability as it moved from 3.0 in March 2015 to 3.4 in March 2019.

Trend of House Price to Monthly Income (HPTI) and Median Loan to Annual Income (LTI)



³IMF Global Housing Watch Data, IMF Website

1.2 Indian Economy and Indian Housing Scenario:

- 1.2.1 India retained the status of fastest growing major economy in the world thereby becoming the sixth largest economy. However, the GDP growth rate of India moderated to 6.8 percent in 2018-19 compared to 7.2 percent in 2017-18. The moderation in growth momentum was mainly on account of lower growth in 'Agriculture & allied activities', 'Trade, hotel, transport, storage, communication and services related to broadcasting' and 'Public administration & defence' sectors. Stress in Non-Banking Financial Companies (NBFC) sector also contributed to the slow down by adversely impacting consumption finance.⁴
- 1.2.2 The service sector continues to be the main contributor to growth of the Indian economy with its share at around 54 percent. Within the service sector, the 'Financial, real estate and professional services' sector grew at 7.4 percent in 2018-19, higher as compared to 6.2 percent in 2017-18. This sector accounts for more than 20 percent of overall GVA of the economy. Major component of this sector is the 'Real estate and professional services'⁵, which has a share of more than 70 percent.
- 1.2.3 The Headline CPI inflation declined to 3.4 percent in 2018-19 from 3.6 percent in 2017-18 which was well below the target of 4 percent. Discipline was also observed in Gross Fiscal Deficit (GFD) to GDP ratio which declined from 4.5 percent in 2013-14 to 3.4 percent in 2018-19. The Fiscal Responsibility and Budget Management (FRBM) Act of 2003 determines the glide path for the ratio of GFD to GDP to reach an eventual target of 3 percent.⁶
- 1.2.4 Despite the liquidity concerns during the second half of 2018-19, the housing sales increased in the backdrop of the reforms undertaken by the Government and RBI. As per a report by Jones Lang LaSalle (JLL), during the first half of the year 2019, sales of residential units in top 7 cities increased by 22 percent compared to the corresponding period in 2018. Developers focused on delivery of already launched projects and new launches of residential units decreased by 11 percent on a Y-o-Y basis across the top 7 cities⁷ due to which the prices remained stable across the key locations. The decrease in new launches coupled with recovery in sales has to certain extent reduced the concerns of rising unsold inventory.
- 1.2.5 With rapid rural to urban migration, growth in population and rise in nuclear families, India is going to witness urban expansion at an unprecedented levels. To ensure "Housing for All" in urban areas, Pradhan Mantri Awas Yojana (Urban) was launched by the Government of

⁴Economic Survey 2018-19

⁵As per CSO, the key indicators of Real estate and professional services are growth of Corporate sector for Real Estate, Business services and Computer related activities which is estimated from the data available from Listed Companies

⁶Economic Survey 2018-19

⁷Top 7 cities include: Bangalore, Chennai, Delhi-NCR, Hyderabad, Kolkata, Mumbai-MMR and Pune

India in June, 2015. The mission provides central assistance to implementing agencies through State/Union Territories and Central Nodal Agencies (CNAs) for releasing subsidy to all eligible families/beneficiaries.

- 1.2.6 To address the existing gaps in the rural housing programmes and to bring in place a more comprehensive initiative of providing shelter to the rural population devoid of proper shelter, the Government of India launched Pradhan Mantri Awas Yojana (Gramin)-PMAY(G) in 2016. In order to ensure that adequate resources are made available to such households which requires construction/modification of their dwelling units and have not been covered under PMAY(G), the Ministry of Rural Development (MoRD) has launched the Rural Housing Interest Subsidy Scheme (RHSS) with effect from June 19, 2017 under Housing for All by 2022. The Scheme is being implemented through Primary Lending Institutions (PLIs). National Housing Bank (NHB) has been identified as Central Nodal Agency (CNA) by MoRD to implement the Scheme.
- 1.2.7 Rental housing is also being encouraged as an alternate option to meet the housing requirement. In order to promote rental housing and create adequate rental housing stock in the country, the Ministry of Housing and Urban Affairs drafted the Model Tenancy Act, 2019.

Box 1.2: Rental Housing in India

Rental housing can act as an alternative solution to ownership housing in India as there is a large population that cannot afford to buy a home or may not qualify for a mortgage or may not want to own a home or may prefer to stay close to their workplaces.

As per Economic Survey 2017-18, the share of rental housing has been declining in Indian cities since independence from 54 per cent in 1961 to 28 per cent in 2011. As a proportion of all housing, renting accommodation is more prevalent in urban areas. According to the 2011 Census, the share of households living in rented houses was only 5 per cent in rural areas, but 31 per cent in urban areas. The more urbanised states, such as Gujarat, Maharashtra and Andhra Pradesh have a higher percentage of rental housing.

Despite the shortage of housing in urban India, there is also an increasing trend in vacant houses from 6.5 million in 2001 to 11.1 million in 2011. According to the national census, vacant houses constitute around 12 per cent of the share of the total urban housing stock. While exact reasons for the vacant properties are hard to ascertain it is felt that low rental yield, fear of repossession, lack of incentives etc. are the possible reasons.

The rental market is now being recognized as an important part of the urban ecosystem. The recent initiatives for promotion of rental housing in India are as under:

- According to National Urban Policy Framework 2018 (NUPF, 2018) rental housing must be acknowledged and encouraged by policies and state policies should be designed to deliver and manage rental housing. It suggests creation of rental housing stock for long duration migrant population and dormitory accommodation with basic amenities for short-duration migrants close to the workplace.
- The Ministry of Housing and Urban Affairs announced the PPP Models for Affordable Housing in September, 2017. The models aims at tapping private and public lands for affordable housing under 8 PPP options. A separate model viz. Direct Relationship Rental Housing (DRRH) has been proposed for Rental Housing in the Policy.
- Pursuant to announcement in the Union Budget 2019-20, the Ministry of Housing and Urban Affairs (MoHUA) released the 'Model Tenancy Act', 2019 on July 11, 2019 which envisages to balance the interest and rights of both the owner and tenant and to create an accountable and transparent ecosystem for renting the premises in disciplined and efficient manner. The Model Act envisages establishing adjudicating mechanism for speedy dispute redressal. The Act will enable creation of adequate rental housing stock for various income segments of society; increase access to quality rented accommodation and enable gradual formalization of rental housing market. It will help overhaul the legal framework vis-à-vis rental housing across the country. It is also expected to give a fillip to private participation in rental housing for addressing the huge housing shortage across the country.

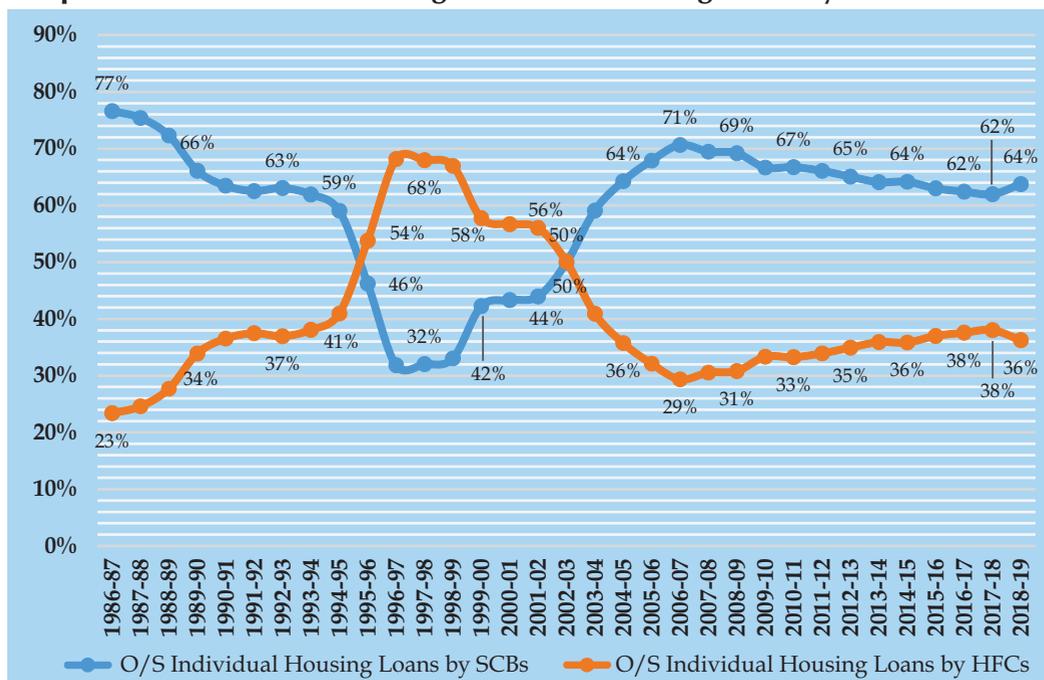
Source:(i) Ministry of Housing and Urban Affairs announced the PPP Models for Affordable Housing in September, 2017

(ii) Model Tenancy Act, 2019 released by MoHUA on July 11, 2019

1.3 Performance of Housing Finance Sector

1.3.1 The housing finance sector during 2018-19 witnessed a moderation in growth in the backdrop of overall economic scenario. The growth in outstanding individual housing loans of HFCs moderated to 11 percent during 2018-19 as compared to 21 percent during 2017-18 owing to the tight liquidity environment in H2 of 2018-19, which drove few HFCs to lower their disbursements and augment their portfolio sales (through direct assignment) required for repayment of debt obligations. As a result, the share the HFCs in the individual housing loans market reduced from 38% in 2017-18 to 36% in 2018-19 while that of scheduled commercial banks increased from 62 percent to 64 percent during the period as shown in graph 1.4.

Graph 1.4: Share in Outstanding Individual Housing Loans by Banks and HFCs

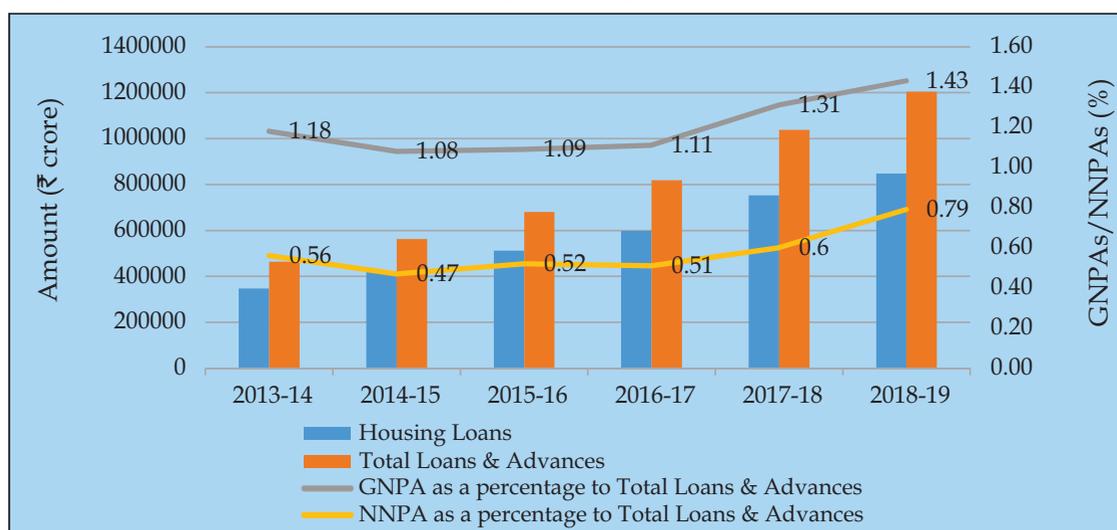


Source: RBI and NHB

1.3.2 Performance Highlights of HFCs

1.3.2.1 The housing loan portfolio of HFCs has grown at a CAGR of 19.5 percent over the past 5 years while the total loans and advances have grown at a CAGR of 21.0 percent during the period as shown in the Graph 1.5. The GNPA as a percentage to total loans and advance has grown from 1.18 to 1.43 during the period while the NNPA as a percentage to total loans and advances has increased from 0.56 to 0.79 during the period.

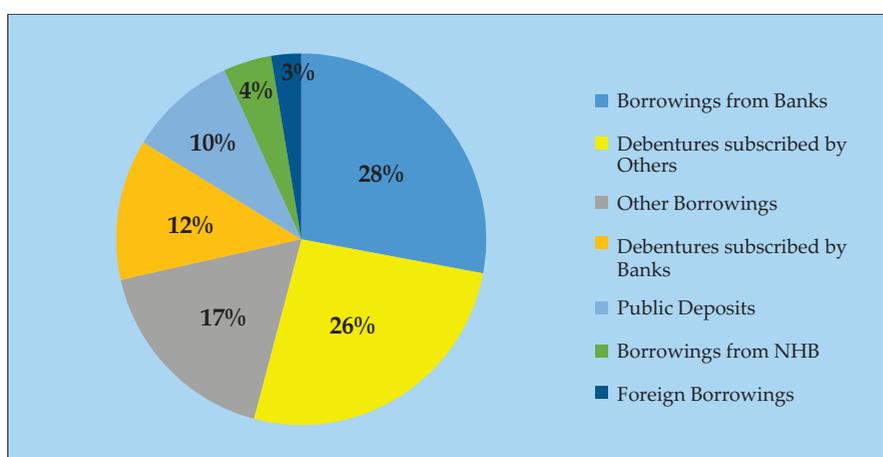
Graph 1.5: Trend in HFCs' Outstanding Housing Loans, Total Loans, GNPA's and NPAs



Source: Off-site Returns, NHB

- 1.3.2.2 As on March 31, 2019, there were 99 HFCs operating through a network of 6,266 branches/ offices spread across the country. The year on year (y-o-y) increase in the outstanding total loan portfolio of HFCs stood at 16 percent i.e. from ₹ 10,38,347 crore as on March 31, 2018 to ₹ 12,04,240 crore as on March 31, 2019. The outstanding individual housing loans grew at 11 percent on y-o-y basis from ₹ 5,91,058 crore as on March 31, 2018 to ₹ 6,56,279 crore as on March 31, 2019.
- 1.3.2.3 On the borrowing front, HFCs were primarily dependent on loans and bonds & debentures from banks and financial institutions, besides public deposits. Borrowings through debentures constituted around 38 percent of the total borrowings by HFCs which was the highest share amongst all the sources of borrowings. However, the share witnessed a decline in comparison to previous year's share of 43 percent. The share of outstanding borrowings from Banks increased from 24 percent in 2017-18 to 28 percent in 2018-19 while the share of other borrowings (i.e. borrowings through inter-corporate deposits (ICDs), commercial papers, mutual fund and sub-ordinated debts etc.) remained constant at 17 percent. The break-up of outstanding borrowings of HFCs as on March 31, 2019 is provided in the graph below.

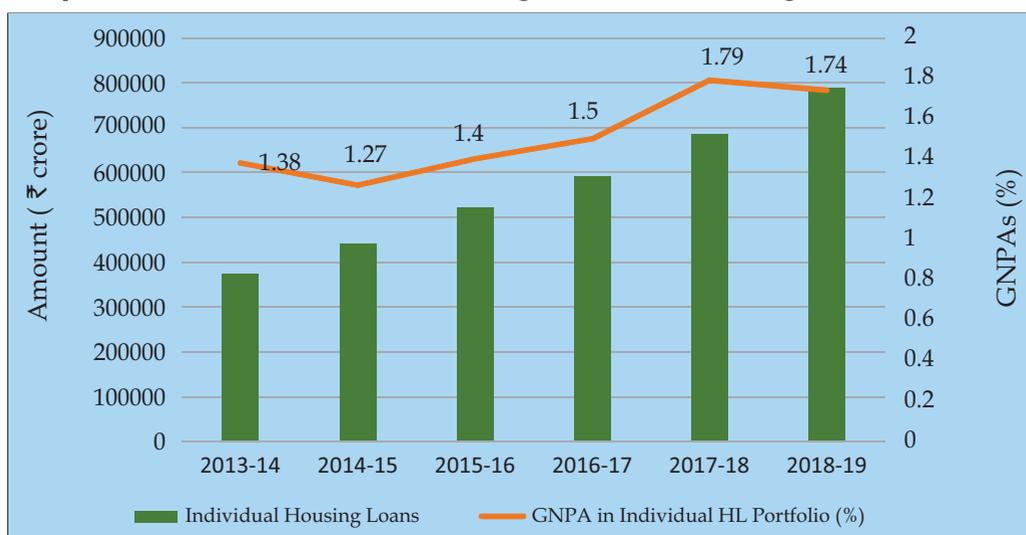
Graph 1.6: HFCs' Outstanding Borrowings as on March 31, 2019



Source: NHB

- 1.3.3 Performance Highlights of Banks (Individual Housing Loan portfolio)
- 1.3.3.1 The outstanding individual housing loan portfolio of SCBs grew at around 20 percent on y-o-y basis from ₹ 9,68,678 crore as on March 31, 2018 to ₹ 11,60,111 crore as on March 31, 2019. Out of the above, the individual housing loan portfolio of PSBs grew at around 15 percent from ₹ 6,84,243 crore as on March 31, 2018 to ₹ 7,89,125 crore as on March 31, 2019. The individual housing loan portfolio of Banks has grown at a CAGR of 16 percent over the past 5 years. The GNPA as a percentage to individual housing loans has grown from 1.38 to 1.74 during the period

Graph 1.7: Trend in PSBs' Outstanding Individual Housing Loans and GNPA's



1.4 Policies for Housing and Real Estate Development

- 1.4.1 Housing and real estate are amongst the fastest moving sectors in the country and has received continued thrust through demand side and supply side interventions from the Government of India, RBI and NHB. The various measures to promote housing sector as announced in the Union Budget during last 5 years are summarised in Box 1.3.
- 1.4.2 Measures Taken by Government: The Government of India, in past, has announced various policy initiatives to support housing such as Real Estate (Regulation and Development) Act, 2016, PMAY(U), PMAY(G), Smart Cities Mission, introduction of Real Estate Investment Trusts (REITs) etc. Some of the recent measures taken by Government for the sector are summarised as under:
- 1.4.2.1 The Government lowered GST rates on affordable housing to 1 percent without input tax credit (ITC) from the earlier 8 percent with ITC. GST on under construction housing projects (which are not under the affordable housing segment) was reduced from 12 percent with ITC to 5 percent without ITC. The above changes became effective from April 01, 2019. Lower tax burden on home buyers is expected to push demand in the segment which, in turn, will keep developers committed to build more affordable homes.
- 1.4.2.2 The Government also introduced series of incentives for housing in its interim budget (announced on February 01, 2019) and Union Budget 2019-20 (announced on July 05, 2019) ranging from extension of benefits under Section 80-IBA to builders with respect to affordable housing projects, additional deduction of upto ₹ 1.5 lakh for interest paid on loans for affordable housing, introduction of draft Model Tenancy Act, 2019 etc.

- 1.4.2.3 To address temporary asset liability mismatches of otherwise solvent NBFCs/HFCs without having to resort to distress sale of their assets for meeting their commitments, a scheme for providing Partial Credit Guarantee to Public Sector Banks (PSBs) for purchasing high-rated pooled assets from financially sound NBFCs/HFCs was also announced in the budget. The Scheme guidelines were issued in August, 2019. As per the guidelines of the scheme, one-time guarantee provided by the GoI on the pooled assets would be valid for 24 months from the date of purchase and can be invoked on the occurrence of default. The Banks can invoke the GoI guarantee if the interest and/or instalment of the principal remains overdue for a period of more than 90 days during the validity of such guarantee, subject to the condition that the guarantee is for the first loss up to 10 percent.
- 1.4.2.4 Pursuant to the announcement in the Union Budget 2019, necessary amendments were proposed in the National Housing Bank Act 1987. Department of Financial Services, Ministry of Finance, Government of India vide notification No. S.O.2902 (E) dated August 09, 2019 has notified August 09, 2019, as the date from which the provisions of Part VII of Chapter VI of the Finance (No.2) Act, 2019 shall come into force. Accordingly w.e.f. August 09, 2019, the regulation of HFCs stands transferred to RBI.

1.4.3 Progress of implementation of Real Estate (Regulation and Development) Act 2016 (RERA)

The RERA is one of the significant reforms implemented in the real estate sector. The core objective of this transformative legislation is to ensure regulation and promote real estate sector in an efficient and transparent manner and to protect the interest of home buyers. RERA has now been notified in most States and Union Territories. The Act has ensured greater transparency and efficiency in residential markets. Thirty States/UTs have notified the Real Estate (Regulation and Development) Rules in their respective States/UTs. Four North-Eastern States have initiated the process of notifying the rules under RERA. In last one year, eight Regular Real Estate Regulatory Authorities have been set up by States/UTs. Total twenty eight States/UTs have established Real Estate Regulatory Authority (Regular - 20, Interim - 8). In last one year, nine Regular & Real Estate Appellate Tribunals have been set up by States/UTs. A total of 21 States / UTs have set up the Real Estate Appellate Tribunal so far (Regular - 13, Interim - 8). In last one year, fifteen more States have operationalized online web portals under the provisions of RERA. Twenty three States/UT have operationalized online web portals. More than 40,000 Real Estate Projects and 31,000 Real Estate Agents have been registered under RERA across the country.⁸

⁸Annual Report 2018-19 of Ministry of Housing and Urban Affairs

Box 1.3: Housing Related Provisions made in the Union Budgets in the last 5 years

2015-16

- Creation of the National Investment and Infrastructure Fund (NIIF).
- Introduction of the Benami Transactions (Prohibition) Bill to curb domestic black money in real estate.

2016-17

- Deduction for additional interest of ₹ 50,000 per annum for loans up to ₹ 35 lakh sanctioned in 2016-17 for first time home buyers, where house cost does not exceed ₹ 50 lakh.
- REITs were exempted from paying the Dividend Distribution Tax (DDT).
- Developers were provided 100 percent tax exemption on profits for affordable housing units with built up area of upto 30 m² in the 4 major metro cities and 60 m² in other cities, approved in the period June 2016 to March 2019 and completed within 3 years of approval.
- To promote rental housing an amendment was made in Section 80 GG, where the limit for the deduction in respect of rental expenses incurred by individual not receiving House Rent Allowance, including self-employed, was increased from ₹ 24,000 per annum to ₹ 60,000 per annum.
- Exemption of Service Tax on construction of affordable houses up to 60 m² under any scheme of the Central or State Government including PPP Schemes.
- Hitherto a deduction of upto ₹ 2,00,000 was available to tax payers on self-occupied property, when they complete the construction or acquisition of the property within three years from the end of the tax year, during which they borrowed the funds. This gestation period was increased to five years.

2017-18

- Increase in allocation for Pradhan Mantri Awas Yojana – Gramin from ₹ 15,000 crores in BE 2016-17 to ₹ 23,000 crores in 2017-18.
- Refinancing of individual housing loans of about ₹ 20,000 crore in 2017-18 by National Housing Bank.
- Granting of infrastructure status to affordable housing.
- The scheme for profit-linked income tax deduction for promotion of affordable housing announced in budget 2016-17 was revised to include carpet area of 30 m² in the 4 metro cities and 60 m² in other cities instead of built up area. The period of

project completion required to be eligible for the above tax exemption was extended from 3 years to 5 years.

- Reduction in the holding period for computing long term capital gains from transfer of immovable property from 3 years to 2 years.

2018-19

- Establishment of a dedicated Affordable Housing Fund in National Housing Bank, financed from priority sector lending shortfall and fully serviced bonds authorized by the Government of India.
- Allocation of ₹ 6,505 crore for PMAY(U) as against ₹ 6,043 crore in 2017-18, including allocations for CLSS. Additionally, Internal and Extra Budgetary Resources of ₹ 25,000 crore under PMAY(U) were made available for 2018-19.
- Allocation of ₹ 21,000 crore for PMAY(G) as against ₹ 23,000 crore in 2017-18.

2019-20

- No tax on notional rent on second self-occupied house.
- The benefit of rollover of capital gains under section 54 of the Income Tax Act increased from investment in one residential house to two residential houses for a tax payer having capital gains up to ₹ 2 crore. This benefit can be availed once in a life time.
- For making more homes available under affordable housing, the benefits under Section 80-IBA of the Income Tax Act extended for one more year, i.e. to the housing projects approved till March 31, 2020.
- The period of exemption from levy of tax on notional rent, on unsold inventories, was extended from 1 year to 2 years, from the end of the year in which the project is completed.
- Reform measures to be taken up to promote rental housing.
- A Model Tenancy Law to be finalized and circulated to the States.
- Joint development and concession mechanisms to be used for public infrastructure and affordable housing on land parcels held by the Central Government and CPSEs.
- An additional deduction of up to ₹ 1.50 lakh for interest paid on loans borrowed up to March 31, 2020 for purchase of an affordable house valued up to ₹ 45 lakh was proposed. Therefore, a person purchasing an affordable house to get an enhanced interest deduction up to ₹ 3.5 lakh.
- To enhance the sources of capital for infrastructure financing, a Credit Guarantee Enhancement Corporation to be set up in 2019-20.

Source: Union Budget Documents

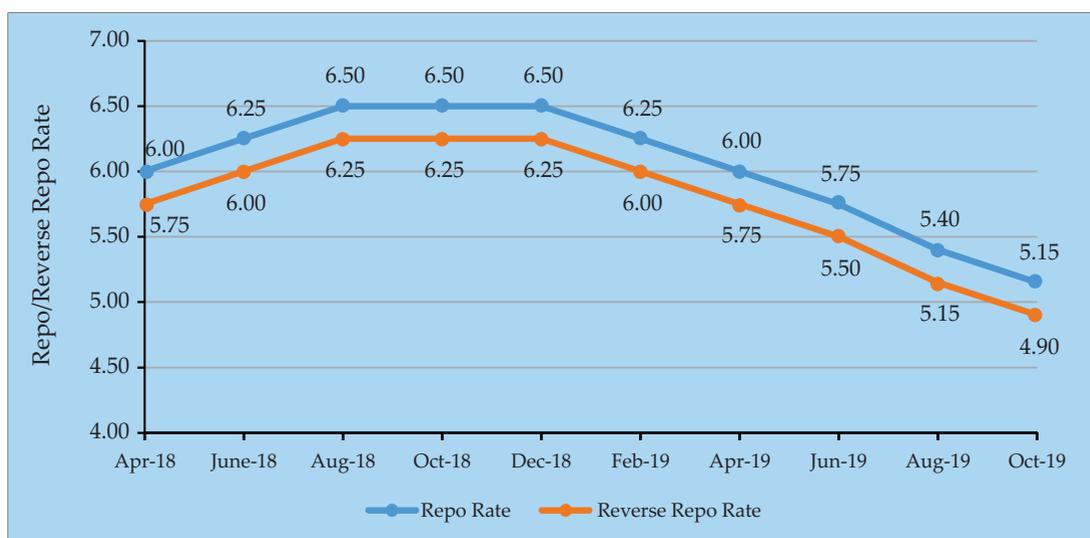
1.4.4 Measures taken by the Reserve Bank of India (RBI)

The measures taken by RBI to support the housing and housing finance sector are as under-

1.4.4.1 To enable NBFCs and HFCs develop alternative funding channels, the RBI in November, 2018 allowed banks to provide partial credit enhancement (PCE) to bonds issued by the systemically important non deposit taking non-banking financial companies (NBFC-ND-SIs) registered with the Reserve Bank of India and Housing Finance Companies (HFCs) registered with the National Housing Bank, subject to certain prudential conditions.⁹ The move was aimed at enhancing the credit rating of the bonds issued by NBFCs/HFCs and enabling them to access funds from the bond market on better terms.

1.4.4.2 The RBI, during calendar year 2019 slashed the policy rates five times consecutively (till October, 2019) cumulatively to 135 bps while the stance of monetary policy was also changed from neutral to accommodative in June 2019. However, credit market transmission remains delayed but is picking up. The 1-year median marginal cost of funds-based lending rate (MCLR) has declined by 49 basis points. The weighted average lending rate (WALR) on fresh rupee loans sanctioned by banks declined by 44 basis points, while the WALR on outstanding rupee loans increased by 2 basis points during this period. However, transmission is expected to improve going forward as the share of base rate loans, interest rates which have remained sticky, declines; and MCLR-based floating rate loans, which typically have annual resets, become due for renewal.¹⁰

Graph 1.8: Movements in Repo and Reverse Repo Rates



Source: RBI

⁹Financial Stability Report, December 2018

¹⁰Fifth Bi-monthly Monetary Policy Statement, 2019-20 Resolution of the Monetary Policy Committee (MPC) Reserve Bank of India

- 1.4.4.3 With effect from October 01, 2019, the RBI decided to link all new floating rate retail loans extended by banks to one of the specified external benchmarks viz. the policy repo rate, Government of India 3-months or 6-months Treasury Bill yields, or any other benchmark indicated by the Financial Benchmarks India Private Ltd (FBIL). Banks have been given the freedom to decide the spread over the external benchmark. After the introduction of the external benchmark system, most banks have linked their lending rates to the policy repo rate of the Reserve Bank of India.
- 1.4.4.4 The median term deposit rate has declined by 47 bps during February-November 2019. The weighted average term deposit rate declined by 9 bps in October as against a decline of just 7 bps in eight months during February-September. This augurs well for transmission to lending rates, going forward.¹¹

Box 1.4: Other Measures of RBI for Promoting Liquidity

- With effect from August 20, 2018, Liquidity Adjustment Facility (LAF) was extended to Scheduled State Co-operative Banks (StCBs) which were core banking solution (CBS) enabled and had CRAR of at least 9 percent.
- In order to provide an additional window for liquidity management over and above what is available under LAF, Marginal Standing Facility (MSF) was extended to Scheduled primary urban cooperative banks (UCBs) and Scheduled StCBs which were CBS enabled and had CRAR of at least 9 percent.
- All scheduled commercial banks (excluding Regional Rural Banks and Small Finance Banks) were allowed to engage with Non-Banking Financial Companies - Non-Deposit taking- Systemically Important (NBFC-ND-SIs) to co-originate loans for the creation of priority sector assets. The bank can claim priority sector status without recourse to the NBFC. Minimum 20 percent of the credit risk by way of direct exposure would be on NBFC's books till maturity while the balance would be on the bank's books.
- To manage the banking system's liquidity more efficiently, banks were allowed an enhanced incremental carve out of 2 percent taking the total carve-out from Statutory Liquidity Ratio (SLR) holdings to 13 percent of their net demand and time liabilities (NDTL) with effect from October 1, 2018 under Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR). This along with the 2 percent carve-out available for Marginal Standing Facility (MSF) takes the total carve-out available to 15 percent of NDTL.

¹¹Fifth Bi-monthly Monetary Policy Statement, 2019-20 Resolution of the Monetary Policy Committee (MPC) Reserve Bank of India

- Banks were permitted to reckon Government securities held by them up to an amount equal to their incremental outstanding credit to NBFCs and HFCs, over and above the amount of credit to NBFCs and HFCs outstanding on their books as on October 19, 2018, as Level 1 HQLA under FALLCR within the mandatory SLR requirement. This was in addition to the existing FALLCR of 13 per cent of NDTL, and limited to 0.5 percent of the bank's NDTL. The above additional FALLCR was available up to December 31, 2018. The single borrower exposure limit for NBFCs which do not finance infrastructure was increased from 10 percent to 15 percent of capital funds, up to December 31, 2018.
- In order to further facilitate banks to lend to NBFCs and HFCs the facilities listed above were extended upto March 31, 2019.
- With respect to point stated above, RBI further permitted banks to reckon an additional 2.0 percent Government securities held by them under FALLCR within the mandatory SLR requirement as Level 1 High Quality Liquidity Assets (HQLA) for the purpose of computing LCR, in a phased manner.
- The large exposures framework (LEF) became effective from April 01, 2019. As per the framework, Banks must apply LEF norms at two levels viz. consolidated (group) level and Solo level. An exposure to counterparty would constitute both on and off-balance sheet exposures. The limit for a single counterparty is 20 percent which can be increased to 25 percent under exceptional circumstances with approval of the Boards of the banks. Also, banks' exposures to a single NBFC would be restricted to 15 percent of their eligible capital base whereas for group level it would be restricted to 25 percent of their Tier I Capital.
- In order to encourage NBFCs to securitise/assign their eligible assets, the Minimum Holding Period (MHP) requirement for originating NBFCs was relaxed in November 2018 in respect of loans of original maturity above five years. The MHP relaxation is in respect of receipt of repayment of six monthly instalments or two quarterly instalments (as applicable), subject to the prudential requirement that minimum retention requirement (MRR) for such securitisation/assignment transactions would be 20 per cent of the book value of the loans being securitised or 20 per cent of the cash flows from the assets being assigned. This dispensation was given initially for a period of six months, i.e., up to May 2019, however the same was extended till December 31, 2019.

Source: RBI Financial Stability Reports December 2018 and June 2019, RBI Annual Report 2018-19 and RBI website

1.4.5 Measures taken by the National Housing Bank (NHB)

During the year 2018-19 (July-June), amidst tight liquidity conditions across the NBFC sector including HFCs sector, NHB succeeded in infusing timely liquidity to HFCs. NHB increased Refinance Limit for 2018-19 from ₹ 24,000 crore to ₹ 30,000 crore. During the 2018-19 (July-June), refinance of ₹ 32,753 crore was sanctioned to 45 HFCs, which included sanctions to 12 new HFCs. The amount of Refinance to be extended to new HFCs was also enhanced from ₹ 100 crore to ₹ 200 crore. The financing measures adopted by NHB during 2018-19 are provided in the paragraph 1.5.3.

1.5 Role of National Housing Bank

1.5.1 The National Housing Bank (NHB) is a development financial institution, established in 1988, under the National Housing Bank Act, 1987. Its functions include regulation & supervision of housing finance companies, financing, and promotion & development of housing finance in India. The NHB aims to promote a sound, healthy, viable and cost effective housing finance system to cater to all segments of the population and to integrate the housing finance system with the overall financial system.

1.5.2 Regulation¹² and Supervision

NHB guides, monitors and inspects the activities of HFCs, to ensure that they are conducting their business activities in a manner that is not detrimental to the interest of depositors, borrowers and public at large. As on June 30, 2019, the total number of HFCs registered with NHB stood at 101 out of which 7 HFCs were granted Certificate of Registration (CoR) during 2018-19. NHB conducted on-site inspection of 46 HFCs during 2018-19, of which 6 inspections were carried out under Section 29A of the National Housing Bank Act, 1987 for grant of CoR based on application submitted by the companies. Notifications, Circulars and Caution Advices issued by NHB during the financial year ended June 30, 2019 are provided in Appendix IV.

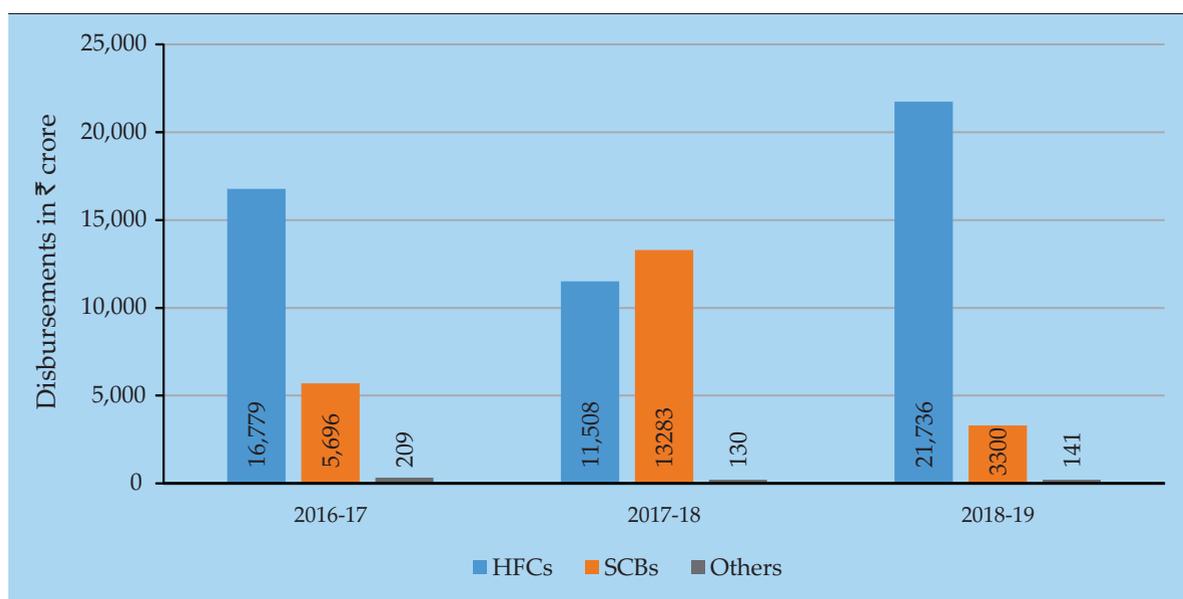
1.5.3 Financing

1.5.3.1 During the year 2018-19 (July-June), aggregate refinance disbursements of ₹ 25,177 crore were made with almost 86 percent disbursements being made to HFCs and 13 percent to Scheduled Commercial Banks (SCBs). Outstanding refinance of NHB was ₹ 69,095 crore as on June 30, 2019. Of this, HFCs' and SCB's share was about 73 percent (₹ 50,154 crore) and 26 percent (₹ 18,010 crore) respectively.

¹²Pursuant to the announcement in the Union Budget 2019, necessary amendments were proposed in the National Housing Bank Act 1987. Department of Financial Services, Ministry of Finance, Government of India vide notification No. S.O.2902 (E) dated 09-08-2019 has notified 09-08-2019, as the date from which the provisions of Part VII of Chapter VI of the Finance (No.2) Act, 2019 shall come into force. Accordingly w.e.f. August 09, 2019, the regulation of HFCs stands transferred to RBI.

1.5.3.2 NHB opened an additional window for HFCs in order to infuse liquidity into the Housing Finance system and also to cater the demand of HFCs. A new scheme called Liquidity Infusion Facility (LIFt) Scheme for HFCs was launched during the month of August, 2019. The objective of this scheme was to support HFCs in creating individual housing loan portfolio that falls under the priority sector, as defined by RBI. An amount of ₹ 10,000 crore was initially allotted under the Scheme. Subsequent to the announcement of various support measures for the economy by the Government on August 23, 2019, the limit under LIFt Scheme was raised from ₹ 10,000 crore to ₹ 30,000 crore.

Graph 1.9: Trend in NHB's Refinance Disbursements



Source: NHB

1.5.3.3 Under Project Finance, NHB had an outstanding project finance exposure of ₹ 97.67 crore as on June 30, 2019. Gross NPAs on account of Project Finance exposure amounted to ₹ 4.18 crore as on June 30, 2019.

1.5.4 Promotion and Development

1.5.4.1 Equity Participation

In terms of the mandate given to NHB towards the promotion and development of the housing finance system in the country, NHB participates in the equity share capital of HFCs and other related companies. Currently, NHB is a participant in the equity share capital of five institutions, viz. Cent Bank Home Finance Limited (CBHFL), Central Registry of Securitization Asset Reconstruction and Security Interest of India (CERSAI), Tamil Nadu Infrastructure Fund Management Corporation Limited (TNIFMC), India

Mortgage Guarantee Corporation Private Limited (IMGC) and Small Industries Development Bank of India (SIDBI).

1.5.4.2 Implementation of Government Schemes

The NHB acts as a Central Nodal Agency (CNA) for implementation of the Government of India's schemes under Housing for All by 2022 Mission. The Schemes where NHB performs this role include the following -

Pradhan Mantri Awas Yojana (Urban) - Credit Linked Subsidy Scheme (CLSS)

During the FY 2018-19 (July-June), NHB has disbursed subsidy of ₹ 6,620 crore benefitting 2,77,614 households under CLSS for EWS/LIG and ₹ 3,155 crore benefitting 1,49,207 households under CLSS for MIG. As on June 30, 2019, NHB disbursed total subsidy of ₹ 14,061 crore benefitting 6,23,364 households.

Rural Housing Interest Subsidy Scheme (RHISS)

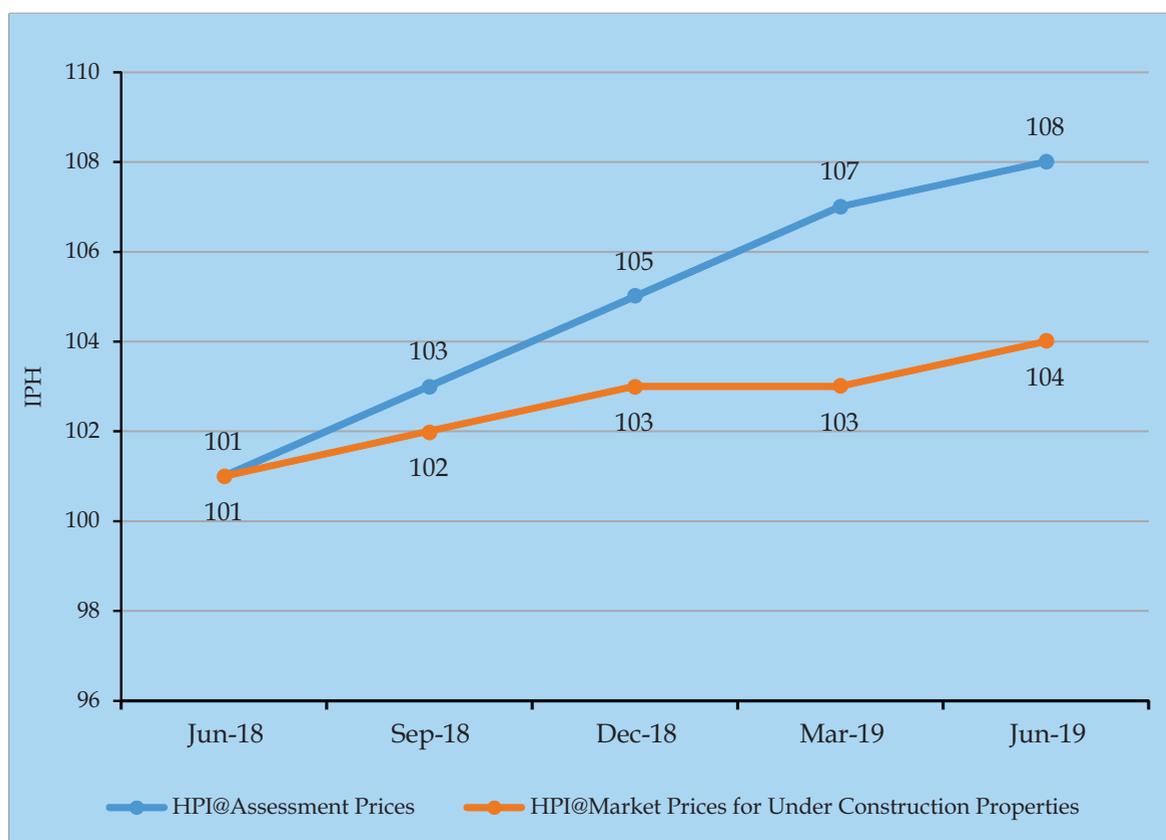
As on June 30, 2019 NHB has executed MoUs with 88 PLIs for implementation of the scheme.

1.5.4.3 NHB RESIDEX

- NHB RESIDEX, India's first official housing price index (HPI), was launched in July 2007 to track the movement in prices of residential properties in select cities. NHB RESIDEX started with coverage of 5 cities with yearly updation with base year 2001 and then moved to 15 cities with half-yearly updation with base year 2007. NHB RESIDEX, at present, covers 50 cities with quarterly updation with base year 2017-18. With a view to reflect the current macroeconomic scenario, NHB RESIDEX has been revamped to include housing price indices namely HPI@ Assessment Prices and HPI@ Market Prices for Under Construction Properties with coverage of 50 cities, updated base year, revised methodology and automated processes. The geographic coverage is spread across 21 states in India, including 18 State/UT capitals and 33 smart cities. NHB RESIDEX-HPI also includes Composite HPI@Assessment Prices and Composite HPI@Market Prices for Under Construction Properties. NHB RESIDEX is covered in Economic Survey of the Government of India and The Economist is also using NHB RESIDEX as a data point. NHB RESIDEX transformation has made the indices robust and has brought about transparency and comprehensiveness. The major changes in the development of NHB RESIDEX are increase in geographical coverage, regular shifting of base year, approach for defining cities, change in data sources, change in methodology for Index Computation, automation of processes for data collection and computation and user-friendly website.

- In order to make NHB RESIDEX relevant to the market scenario it has been proposed that there will be automatic shifting of base year every five years. The Government of India has initiated steps to revise the base years of Gross Domestic Product (GDP) and Index of Industrial Production (IIP) to FY 2017-18 and for Consumer Price Index (CPI) to 2018. Accordingly, it was considered to shift the base year for NHB RESIDEX from 2012-13 to 2017-18 to make it aligned.
- NHB RESIDEX captures two housing price indices viz. HPI@ Assessment Prices and HPI@ Market Prices - Under Construction Properties based on the data available for 50 cities. HPI@ Assessment Prices is computed using lenders' valuation data received from Banks/Housing Finance Companies (HFCs), while HPI@ Market Prices for Under Construction Properties is based on primary market data for under construction properties collected from developers and builders. The housing prices are classified on the basis of carpet area size at city level (INR/sq.ft.) for units under three product category levels namely ≤ 60 sq.mt, > 60 & ≤ 110 sq.mt, and > 110 sq.mt. The indices are computed using Laspeyres Methodology, followed by calculation of a Four Quarter Weighted Moving Average with application of dynamic weights at product category level and static base year weights on the Weighted Moving Average product category level prices, across all the quarters starting from the base year.
- The movement of composite price index based on HPI@ Assessment Prices and HPI@ Market Price for under construction properties from June 2018 onwards is given in Graph 1.10. Till March 2018, HPIs tracked the movement in prices of residential properties on a quarterly basis, taking 2012-13 as the base year. From the quarter ended June 30, 2018 the base year has been shifted to 2017-18. The detailed assessment of HPIs is given in Appendix I.

Graph 1.10: Comparison between Composite Housing Price Indices (Assessment Price and Market Price for Under Construction Properties)



Source: NHB



2.1 Introduction

The Government has launched initiatives for providing housing in both rural and urban areas through various schemes. The “Housing for All” Mission launched by the Government of India aims to provide every family with “a pucca house with water connection, toilet facilities, 24x7 electricity supply” by 2022¹³. The target is to construct 1.12 crore houses in urban areas and 2.95 crore in rural areas.

2.2 Pradhan Mantri Awas Yojana (Urban)

2.2.1 PMAY(U) - Housing for All Mission was launched on June 25, 2015 with an objective to provide Central assistance to implementing agencies through States/Union Territories (UTs) for providing houses to all eligible families/beneficiaries by 2022. In order to address Housing for All in urban areas, the Mission has four verticals:

- i. In-situ Slum Redevelopment (ISSR)
- ii. Credit Linked Subsidy Scheme (CLSS)
- iii. Affordable Housing in Partnership (AHP)
- iv. Beneficiary-led Construction (BLC) New / Enhancement (BLE)

2.2.2 The Mission is being implemented as Centrally Sponsored Scheme (CSS) except for the component of credit linked subsidy which is being implemented as a Central Sector Scheme.

2.2.3 To be eligible for receiving central assistance under the Mission, the beneficiary family should not own a pucca house either in his/her name or in the name of any member of his/her family in any part of India. A beneficiary family shall comprise husband, wife, unmarried sons and/or unmarried daughters. A beneficiary of the scheme is eligible to take benefit under only one component based on the household income level and other eligibility criteria. Beneficiaries of EWS are covered under all four verticals of the Mission while LIG and MIG beneficiaries are eligible for benefits under CLSS. House is to be allotted in the name of adult female member or in joint name and all houses to have toilet facility, drinking water and power supply.

2.2.4 Salient Features of Verticals of PMAY(U)¹⁴

2.2.4.1 In-situ Slum Redevelopment (ISSR)

- Slum redevelopment grant of ₹ 1 lakh per house is admissible for all houses built for eligible slum dwellers under the component of In-situ Slum Redevelopment (ISSR) using land as Resource with participation of private developers.

¹³OECD Economic Survey India, December 2019

¹⁴PMAY-Urban website: <https://pmay-urban.gov.in/>

- Slums, whether on Central Government land/State Government land/ULB land or Private Land, are taken up for “in-situ” redevelopment.
- Private partner for Slum Redevelopment to be selected through open bidding process. State Governments, if required, provide additional Floor Area Ratio (FAR)/Floor Space Index (FSI)/Transferable Development Rights (TDR) for making slum redevelopment projects financially viable.
- States/UTs have the flexibility to deploy the central grant for other slums being redeveloped for providing houses to eligible slum dwellers with private participation, except slums on private land.
- “In-situ” redevelopment of slums on private owned lands for providing houses to eligible slum dwellers can be incentivised by State Governments/UTs or ULBs by giving additional FSI/FAR or TDR to land owner as per its policy. Central assistance cannot be used in such cases.

2.2.4.2 Credit Linked Subsidy Scheme (CLSS)

- Beneficiaries of Economically Weaker Section (EWS)/Low Income Group (LIG), Middle Income Group (MIG)-I and Middle Income Group (MIG)-II seeking housing loans from Banks, Housing Finance Companies and other such institutions for acquiring/constructing houses are eligible under the scheme.
- The National Housing Bank (NHB), Housing and Urban Development Corporation (HUDCO) and State Bank of India (SBI) from November 1, 2019 for their own branches have been designated as the Central Nodal Agencies (CNAs) to channelize this subsidy to the lending institutions and for monitoring the progress of this component.
- The beneficiary category wise subsidy assistance under the Scheme is summarised below:

Particulars	EWS	LIG	MIG I	MIG II
Household Income (₹)	Upto 3 lakh	> 3 lakh and upto 6 lakh	> 6 lakh and upto 12 lakh	> 12 lakh and upto 18 lakh
Carpet Area in sq. mtr.	30	60	160	200
Interest Subsidy (% p.a.)	6.50%		4.00%	3.00%
Maximum Loan Tenure	20 Years			
Eligible Loan Amount (₹)	6,00,000/-		9,00,000/-	12,00,000/-
Discounted NPV Rate	9%			
Upfront amount for Subsidy (₹) for a 20 Year Loan	2,67,280/-		2,35,068/-	2,30,156/-
Approx. monthly savings (in ₹) @ Loan Interest of 10%	2,500/-		2,250/-	2,200/-

Source: MoHUA website

2.2.4.3 Affordable Housing in Partnership (AHP)

- The Scheme provides financial assistance to EWS houses being built in various partnership models by States/UTs/Cities through its agencies or in partnership with private sector including industries.
- Central assistance @ ₹ 1.5 lakh per EWS house is provided under AHP.
- Projects under AHP should have a minimum of 250 houses with at least 35% houses of EWS category.
- Preference is given to physically handicapped persons, senior citizens, SC/ ST/ OBCs, minorities, single women, transgender and other weaker and vulnerable sections of the society

2.2.4.4 Beneficiary-led Construction (BLC) New/Enhancement (BLE)

- Assistance under this component is provided to individual eligible families belonging to EWS categories to either construct new house or to enhance existing houses on their own.
- Central assistance upto ₹ 1.5 lakh per house is provided under the scheme.
- Enhancement shall mean addition of minimum carpet area of 9.0 sq. mtr. into the existing house with pucca construction of at least one habitable room or room with kitchen and/or bathroom and/or toilet conforming to NBC norms
- The total carpet area after enhancement must not be less than 21 sq. mtr. and must not be more than 30 sq. mtr.

2.2.5 Progress of PMAY(U)

The progress of the mission as on March 31, 2019 is tabulated as under:

	PMAY(U)
Investment (Central, State & Beneficiary)	₹ 4.7 lakh crore
Central Assistance Involved	₹ 1.2 lakh crore
Central Assistance Released	₹ 49,394 crore
Houses Involved	80.4 lakh
Houses Grounded for construction*	45.4 lakh
Construction of Houses Completed*	25.0 lakh
Houses Occupied*	22.9 lakh

*Includes incomplete works of earlier NURM scheme completed after 2014
Source: Ministry of Housing and Urban Affairs, Annual Report 2018-19

2.3 NHB as Central Nodal Agency for Credit Linked Subsidy Scheme

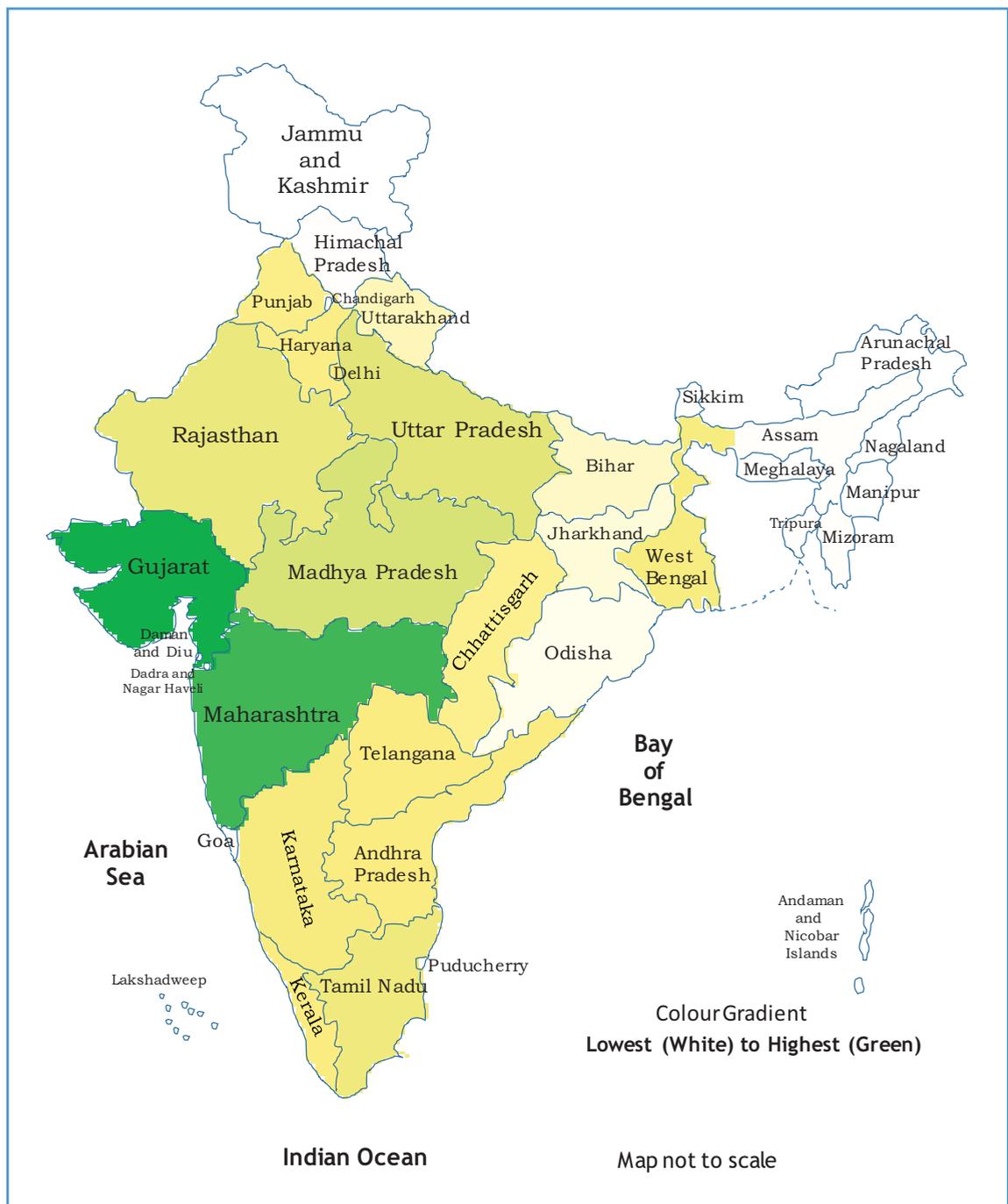
2.3.1 NHB has been identified as a CNA by the GoI, MoHUA to implement the CLSS vertical of PMAY(U). Promotion of affordable housing for weaker section through credit linked subsidy is being implemented through Primary Lending Institutions viz. Scheduled Commercial Banks, Housing Finance Companies, Regional Rural Banks, Co-operative Banks, Small Finance Banks (as approved by Reserve Bank of India) and Non-Banking Financial Company- Micro Finance Institutions (NBFC-MFIs) (as registered with Reserve Bank of India). The CLSS is a Central Sector Scheme and covers two categories, viz. CLSS for EWS/LIG and CLSS for MIG.

2.3.2 CLSS for EWS/LIG:

- The scheme is effective from June 17, 2015 to March 31, 2022.
- Beneficiaries of EWS and LIG would be eligible for an interest subsidy at the rate of 6.5% for maximum tenure of 20 years¹⁵ or the actual tenure of loan, whichever is less (upto December 31, 2016, the maximum tenure was 15 yrs.)
- As on June 30, 2019, 218 PLIs, have signed MoUs with NHB.
- As on June 30, 2019 NHB has received advance subsidy of ₹ 10,155 crore from GoI, MoHUA, for the implementation of the Scheme.
- Out of the above, till June 30, 2019, NHB has made total disbursements (i.e. subsidy released + processing fees - subsidy refunded) of ₹ 10,060 crore (housing loan disbursements amounting to ₹ 48,500 crore) to 159 PLIs benefitting 4,33,856 households.

¹⁵Extended from 15 years earlier

Graph 2.1: State-wise Subsidy Disbursements under PMAY-CLSS for EWS & LIG as on June 30, 2019

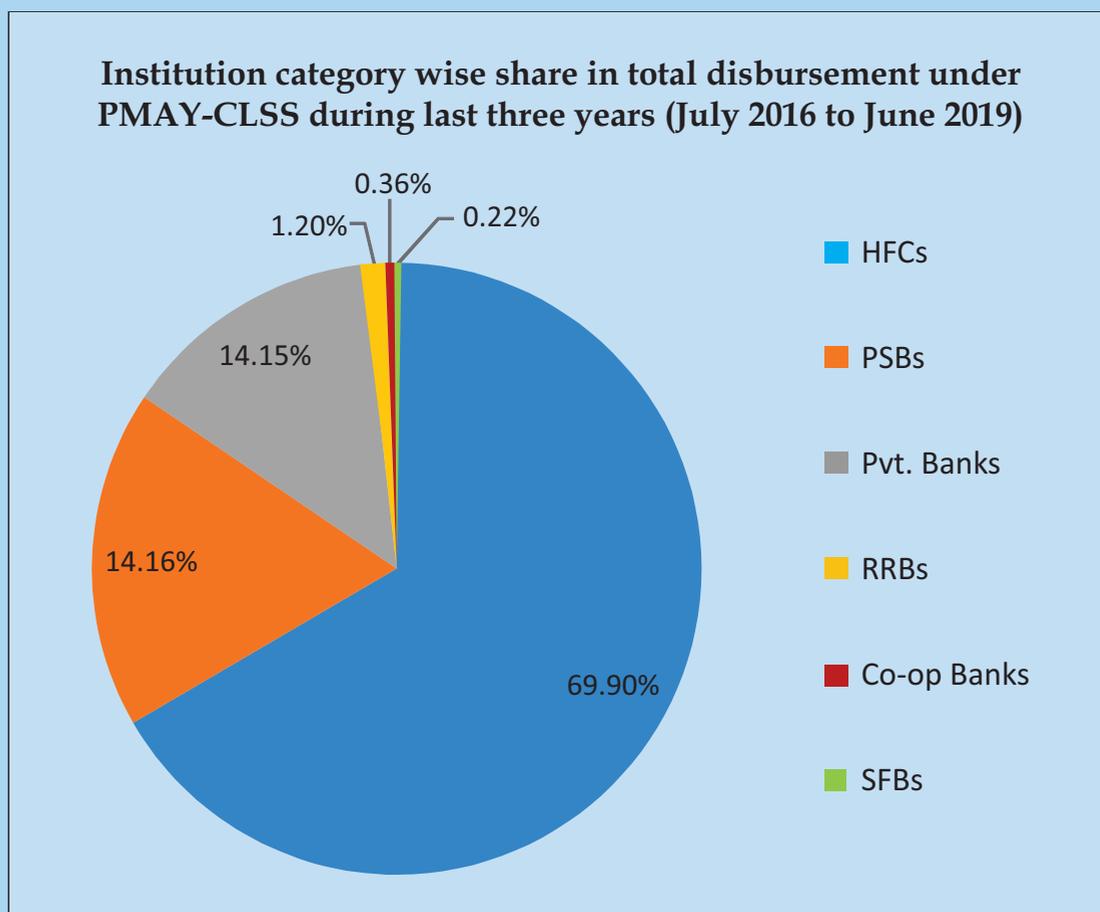


Source: NHB

Box 2.1: HFCs vis-à-vis Banks Performance in PMAY-CLSS for EWS/LIG with NHB as CNA

During the last three years (from 2016-17 to 2018-19), a cumulative amount of ₹ 9,941 crore was disbursed¹⁶ by NHB under PMAY-CLSS benefitting 4,26,755 EWS/LIG households. Of this around 70% disbursement was made to HFCs for providing subsidy to 2,96,514 EWS/LIG households. The disbursement to Banks [including Co-operative Banks (Co-op Banks), Regional Rural Banks (RRBs), Small Finance Banks (SFBs) Private Sector Banks (Pvt. Banks) and Public Sector Banks (PSBs)] constituted 30% of the total disbursement thereby benefitting 1,30,241 households.

The institution category wise share in the total disbursement by NHB under PMAY - CLSS for EWS/LIG segment is graphically presented below:



¹⁶Disbursement = Subsidy Released + Processing Fee - Subsidy Refund

The institution category wise break-up of subsidy released by NHB under PMAY-CLSS during past three years is tabulated below: (Amount in ₹crore)

Category	2016-17 (July-June)		2017-18 (July-June)		2018-19 (July-June)	
	No. of Loan A/c*	Total Disbursement#	No. of Loan A/c*	Total Disbursement#	No. of Loan A/c*	Total Disbursement#
HFCs	24,777	483	88,581	2,056	1,83,156	4,410
PSBs	3,735	66	8,030	161	52,653	1,181
Pvt. Banks	3,434	70	17,354	425	36,604	912
RRBs	283	5	1,955	37	3,427	77
Co-op Banks	60	1	620	12	1,020	23
SFBs	-	-	312	5	754	17
Total	32,289	625	1,16,852	2,695	2,77,614	6,620

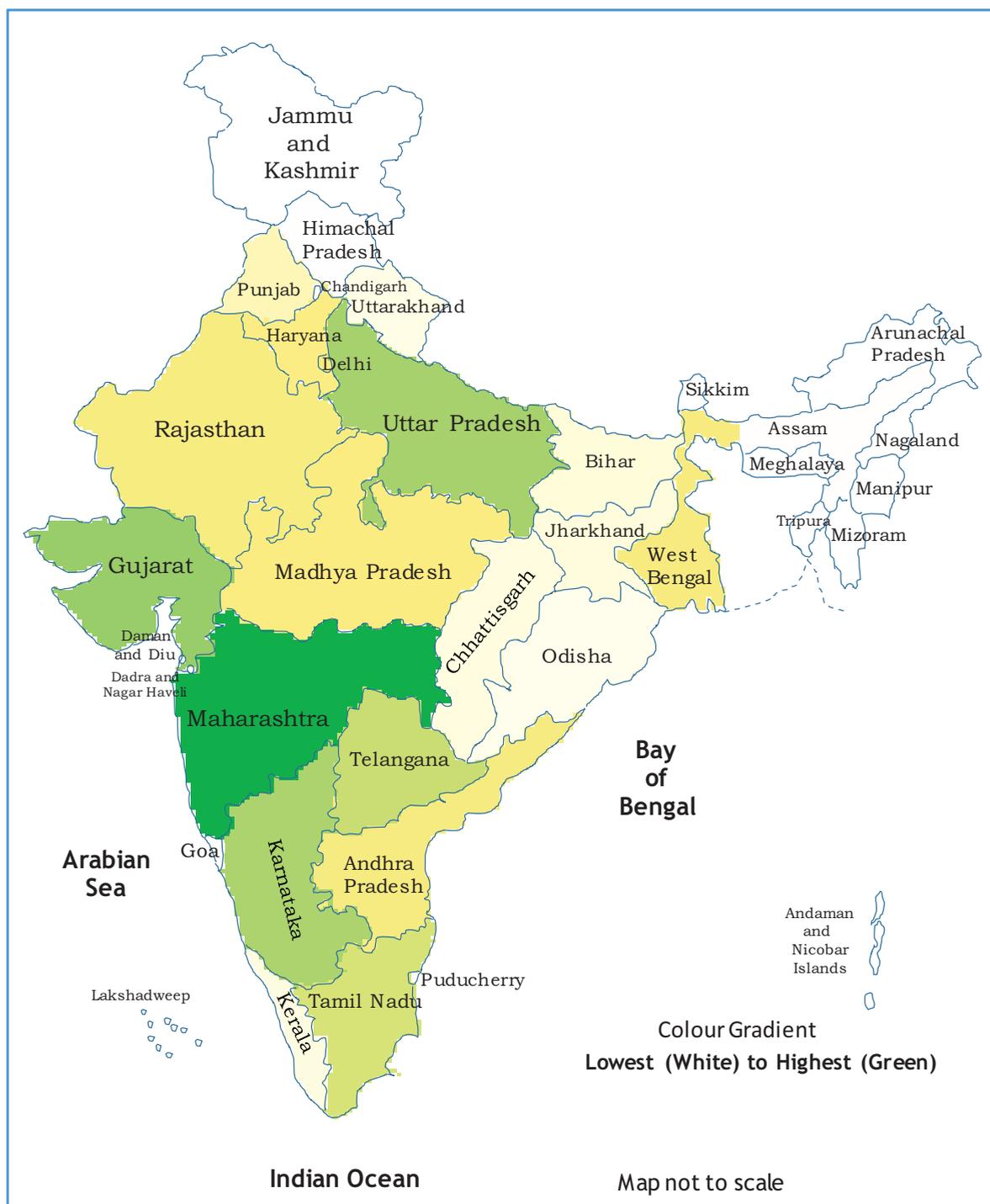
*Net of refunds

#Subsidy Released + Processing Fee - Subsidy Refund

2.3.3 CLSS for MIG

- This scheme was initially introduced for a period of one year with effect from January 01, 2017.
- MoHUA, GoI subsequently extended the time period of the CLSS for MIG by 15 months i.e. upto March 31, 2019.
- On December 31, 2018, the time period was extended further till March 31, 2020.
- The CLSS for MIG covers two annual income segments viz. ₹ 6,00,001 to ₹ 12,00,000 under MIG-I and ₹ 12,00,001 to ₹ 18,00,000 under MIG-II.
- In MIG-I and MIG-II, interest subsidy of 4% and 3% have been provided for loan amounts up to ₹ 9 lakh and ₹ 12 lakh, respectively.
- Earlier, GoI, MoHUA had increased the existing carpet area limit for MIG-I from 90 sq. m. to 120 sq. m. and for MIG-II from 110 sq. m. to 150 sq. m. Subsequently the carpet area was again increased to the existing limit of 160 sq. m. for MIG I and 200 sq. m. for MIG-II.
- As on June 30, 2019, 209 PLIs, have signed MoUs with NHB.
- As on June 30, 2019, NHB has received the advance subsidy of ₹ 4,113.3 crore from GoI, MoHUA, for implementation of the Scheme.
- Out of the above amount, NHB has made total disbursements (i.e. subsidy released + processing fees - subsidy refunded) of ₹ 4,001 crore (housing loan disbursements amounting to ₹ 42,404 crore) till June 30, 2019, to 137 PLIs benefitting 1,89,508 households.

Graph 2.2: State-wise Subsidy Disbursements under PMAY-CLSS for MIG as on June 30, 2019



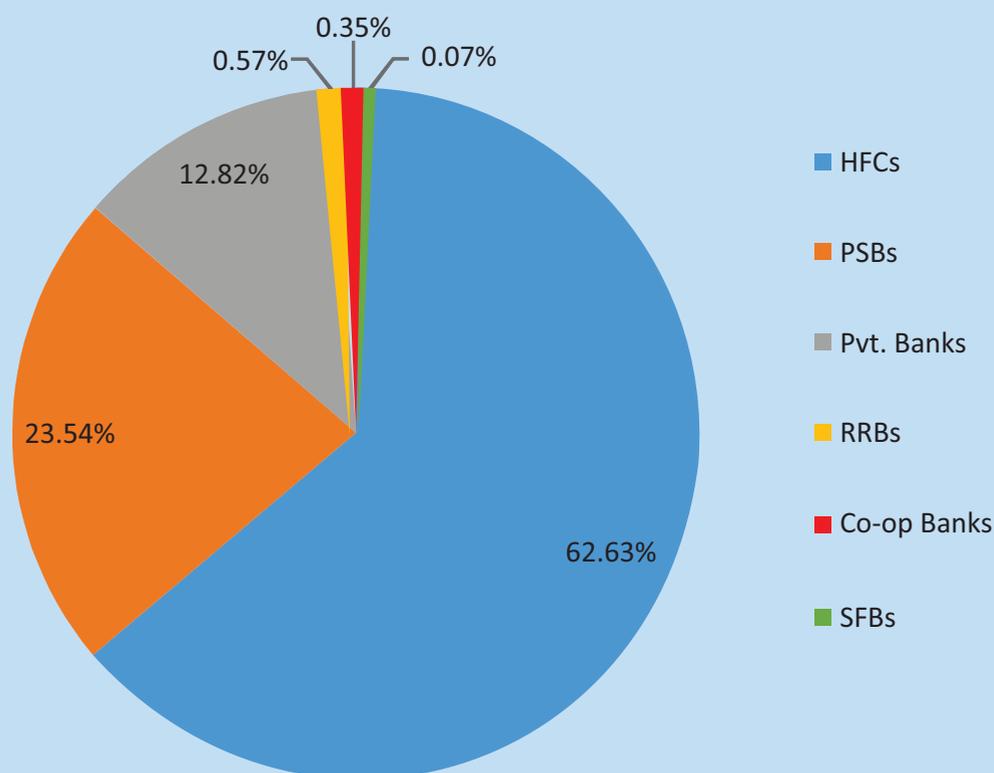
Source: NHB

Box 2.2: HFCs vis-à-vis Banks Performance in PMAY-CLSS for MIG with NHB as CNA

During the last three years (from 2016-17 to 2018-19), a cumulative amount of ₹ 4,001 crore has been disbursed by NHB under PMAY-CLSS benefitting 1,89,508 MIG households. Of this around 63 percent disbursement was made to HFCs for providing subsidy to 1,19,417 MIG beneficiaries. The disbursement to Banks (including Co-op Banks, RRBs, SFBs, Pvt. Banks and PSBs) constituted around 37 percent of the total disbursement thereby benefitting 70,091 MIG households.

The institution category wise share in the total disbursement by NHB under PMAY -CLSS for MIG segment is graphically represented below:

Institution category wise share in total disbursement under PMAY-CLSS during last three years (July 2016 to June 2019)



The institution category wise break-up of subsidy released by NHB under PMAY-CLSS during past three years is tabulated below:

(Amount in ₹crore)

Category	2016-17 (July-June)		2017-18 (July-June)		2018-19 (July-June)	
	No. of Loan A/c*	Total Disbursement#	No. of Loan A/c*	Total Disbursement#	No. of Loan A/c*	Total Disbursement#
HFCs	239	5	23,267	486	95,911	2,015
PSBs	-	-	11,119	234	33,345	708
Pvt. Banks	-	-	5,377	115	18,320	398
RRBs	-	-	162	3	947	20
Co-op Banks	-	-	106	2	572	12
SFBs	-	-	31	1	112	2
Total	239	5	40,062	841	1,49,207	3,155

*Net of refunds

#Subsidy Released + Processing Fee - Subsidy Refund

2.3.4 Technology Sub-Mission under PMAY(U)

A Technology Sub-mission under the PMAY(U) Mission was set up to facilitate adoption of modern, innovative and green technologies and building material for faster and quality construction of houses. The Sub-Mission facilitates preparation and adoption of layout designs and building plans suitable for various geo-climatic zones. It assists States/ Cities in deploying disaster resistant and environment friendly technologies.

The Sub-Mission covers following aspects:

- Design & Planning
- Innovative technologies & materials
- Green buildings using natural resources and
- Earthquake and other disaster resistant technologies and designs.

2.3.5 The Centre and State to partner with willing IITs, NITs and Planning & Architecture institutes for developing technical solutions, capacity building and handholding of States and Cities.

2.3.6 A technical cell has been setup in the Building Materials and Technology Promotion Council (BMTPC) under the MoHUA to support the Sub-mission. Twenty Four emerging technologies have been identified, evaluated and are being promoted by BMTPC. About 12 lakh houses are being constructed using these technologies all over the country.

2.3.7 Global Housing Technology Challenge (GHTC-India)

Ministry of Housing and Urban Affairs has initiated a Global Housing Technology Challenge - India (GHTC India) to identify and shortlist alternative and innovative technologies from across the globe through a challenge process. The challenge has three components viz.

- Conducting biennial grand Expo-cum-Conference named Construction Technology India (CTI),
- Identifying proven demonstrable technologies from across the globe to construct lighthouse projects,
- Promoting Potential Technologies (domestic) through the establishment of Affordable Sustainable Housing Accelerators-India (ASHA-I) for providing incubation and accelerator support.

2.3.8 GHTC-India aims to transform the eco-system of housing construction sector in the country through lighthouse projects built using advanced proven technologies. It will foster the development of domestic technological research, and building platforms for knowledge sharing and networking across the sector.

2.3.9 Progress of GHTC-India¹⁷

MoHUA launched GHTC on January 14, 2019. As part of GHTC-India, an Expo-cum-Conference named Construction Technology India - 2019 (CTI-2019) was organized on 2nd – 3rd March, 2019 at Vigyan Bhawan, New Delhi wherein new and innovative construction technology were exhibited by companies from all over the world. Hon'ble Prime Minister announced the names of six winning States viz. Gujarat (Rajkot), Madhya Pradesh (Indore), Uttar Pradesh (Lucknow), Tamil Nadu (Chennai), Jharkhand (Ranchi) and Tripura (Agartala) where Light House Projects will be constructed.

2.4 Pradhan Mantri Awas Yojana (Gramin)¹⁸

2.4.1 To address the gaps in rural housing program and to fulfil Government's commitment to provide "Housing for All" by 2022, the Scheme of Indira Awas Yojana IAY was re-structured into Pradhan Mantri Awas Yojana – Gramin (PMAY(G)) w.e.f. April 01, 2016. PMAY(G) aims at providing a pucca house, with basic amenities, to all houseless householder and those households living in kutcha and dilapidated house, by 2022.

2.4.2 The main features of the scheme of PMAY(G) are as under:

- Identification of beneficiaries as per the housing deprivation parameters and exclusion criteria prescribed under Socio Economic Caste Census (SECC) 2011 after due verification by Gram Sabha.

¹⁷Source: Ministry of Housing and Urban Affairs

¹⁸Ministry of Rural Development

¹⁸Ministry of Rural Development press release dated 20-11-2019

- Providing assistance for construction of 2.95 crore pucca houses for eligible rural households by March, 2022 in phases i.e. 1.00 crore houses in Phase I (2016-17 to 2018-19) and 1.95 crore houses in Phase II (2019-20 to 2021-22).
 - Enhancement of unit assistance from ₹ 70,000 (IAY) to ₹ 1.20 lakh in plain areas and from ₹ 75,000(IAY) to ₹ 1.30 lakh in Hilly States, NE States, difficult areas and IAP districts.
 - Provision of assistance for construction of toilets amounting to ₹ 12,000/- through Swachh Bharat Mission-Gramin (SBM-G), Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) or any other dedicated source of funding and 90/95 days of unskilled wages under MGNREGS over and above the unit assistance.
 - Enhancement in the minimum unit size of house from 20 sq. mtr. (IAY) to 25 sq. mtr.
 - Facilitating willing beneficiaries to avail loan from Financial Institutions for an amount of upto ₹ 70,000.
- 2.4.3 The grants under the scheme are shared between the Centre and States in the ratio of 90:10 in case of NE States, Himalayan States & Himalayan UTs. For all other States, funds are shared in the ratio of 60:40 by the Centre and the States. In cases of other UTs, entire funds are provided by the Centre.
- 2.4.4 One of the most important features of PMAY(G) is the selection of beneficiaries. To ensure that assistance is targeted at those who are genuinely deprived and that the selection is objective and verifiable, PMAY(G) instead of selecting a beneficiary from BPL households selects beneficiary using housing deprivation parameters in the Socio Economic and Caste Census (SECC), 2011 which is to be verified by the Gram Sabhas. The use of such norms to identify eligible beneficiaries has increased transparency and reduced scope for discretion in selection. To address grievances in beneficiary selection an appellate process has also been put in place.
- 2.4.5 In PMAY(G), programme implementation and monitoring is carried out through an end to end e-Governance model using AwaasSoft and Awaas App. The progress of construction of houses at different stages of construction is monitored through geo-tagged photographs uploaded on AwaasSoft and end to end monitoring and tracking of transactional processes is being done on the basis of reports available in the public domain on AwaasSoft.
- 2.4.6 The assistance to the beneficiaries under PMAY(G) is transferred electronically through the AwaasSoft-PFMS platform which ensures seamless transfer of funds to the Bank/Post Office Account of each beneficiary through Fund Transfer Order (FTO).
- 2.4.7 For better quality of construction of houses under PMAY(G), a pan-India training and certification programme of masons has been launched in the States/UTs. This will, in

addition to ensuring the quality construction, will also ensure additional livelihood generation and career progression of rural masons.

2.4.8 Ministry of Rural Development (MoRD) has also released 'PAHAL', a compendium of different house design typologies of 15 states which includes 108 design typologies belonging to 62 housing zones of these states. This has increased the options before beneficiaries in choosing a house design as per their choice as these house designs conform to the local climatic, social, cultural and geographical conditions. These houses also promote use of local material which bring down costs leading to construction of larger houses.

2.4.9 As against the target of 1 crore houses to be constructed under the Phase I of the Scheme, a total of 86 lakh houses have been constructed till March 31, 2019. The Union Cabinet approved the implementation of PMAY(G) beyond March, 2019 (PMAY (G) Phase-II) as per the following details:

- Total target for construction of 1.95 crore houses under PMAY(G) Phase-II upto 2022.
- Continuation of PMAY(G) in Phase II till 2019-20 as per the existing norms of PMAY(G) Phase I, with a target of 60 lakh houses.
- Continuation of the Scheme beyond 2019-20 up to 2021-22 after due appraisal and approval based on third party evaluation of Scheme/Programme as per the extant procedure.
- Reduction in administrative expenses from 4% to 2% of programme funds.

2.5 Progress made under PMAY(U) and PMAY(G)¹⁹

2.5.1 The year-wise progress of PMAY(U) and PMAY(G) is tabulated as under:

Programme	Year (Apr -Mar)	Number of Dwelling Units (in Lakhs)	
		Sanctioned	Completed
PMAY(U)	2015-16	7.3	2.6
	2016-17	9.5	2.4
	2017-18	26.5	3.9
	2018-19*	29.6	2.7
Total (A)		72.8	11.7
PMAY(G)	2016-17	40.1	36.8
	2017-18	30.4	26.4
	2018-19	25.0	22.8
Total (B)		95.5	86.0
Total (A+B)		168.3	97.7

*upto January 31, 2019

The sanctioned figures shown under PMAY(G) pertains to units
"sanctioned with verified accounts"

¹⁹Report on Assessing Employment Generation under PMAY(U), by National Institute of Public Finance and Policy

¹⁹High Level Physical Progress Report, PMAY(G)

2.6 Rural Interest Subsidy Scheme

- 2.6.1 In order to ensure that adequate resources are made available to such households which requires construction/modification of their dwelling units and have not been covered under PMAY(G), Ministry of Rural Development (MoRD) has launched the Rural Housing Interest Subsidy Scheme (RHIS) under “Housing for All by 2022” to provide easy access to institutional loan for construction/modification of their dwelling units who are not covered under PMAY(G).
- 2.6.2 The beneficiaries, eligible to receive central assistance under this Scheme, will include any rural household which does not appear/figure on the permanent waitlist for PMAY(G). This Scheme is effective from June 19, 2017 and beneficiaries are eligible for an interest subsidy at the rate of 3.0% for loan amount up to ₹ 2 lakh for maximum tenure of 20 years or the actual tenure of the loan whichever is lesser, with the NPV discount rate of 9.0 percent.
- 2.6.3 RHIS covers entire India, excluding the statutory towns as per Census 2011 and towns subsequently covered under PMAY(U). It is being implemented through PLIs viz. SCBs, HFCs, RRBs, Co-operative Banks, Small Finance Banks and NBFC-MFIs.
- 2.6.4 NHB has been identified as the CNA by the GoI, MoRD to implement the RHIS vertical of Housing for All Mission. In the months of Sept – Oct, 2018, NHB had undertaken a pilot project on RHIS in identified 5 districts, in consultation with HFCs. NHB had submitted data received from select PLIs on All India basis in the pilot study to MoRD and MoRD accordingly issued amendments to the Scheme Guidelines in April, 2019. As on June 30, 2019, NHB has executed MoUs with 88 PLIs for implementation of the Scheme.



3. Operations and Performance of PLIs in Housing Finance



3.1 Introduction

Housing Finance Companies (HFCs) are specialized institutions registered under the National Housing Bank Act, 1987. As on March 31, 2019, there are 99 HFCs operating through a network of 6,266 branches/offices spread across the country.

The Directions, Policy Circulars, Guidelines etc., issued by National Housing Bank for HFCs on the issues relating to Capital Adequacy Ratio, Loan to Value Ratio, assignment of Risk Weights and Provisioning, Know Your Customer, Anti Money Laundering, Fair Practices Code, Asset Liability Management etc. were intended to ensure sound and healthy growth of housing finance sector on sustainable basis.

Some of the key highlights of the performance HFCs are as under-

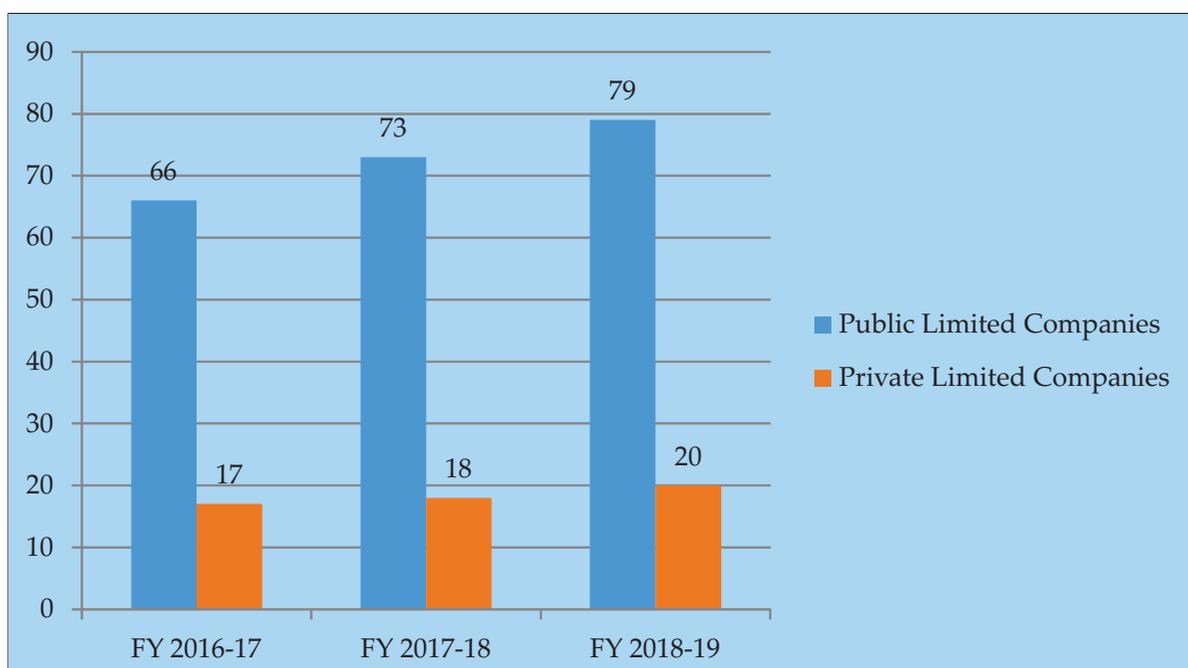
- Number of registered HFCs increased from 91 as on 31-03-2018 to 99 as on March 31, 2019, registering Y-o-Y growth of 9 percent.
- Number of branches/offices of registered HFCs increased from 5,107 as on March 31, 2018 to 6,266 as on March 31, 2019, registering Y-o-Y growth of 23 percent.
- Total loan portfolio of HFCs have gone up by 16 percent from ₹ 10,38,347 crore as on March 31, 2018 to ₹ 12,04,240 crore as on March 31, 2019. Of which,
 - Housing loans increased by 13 percent from ₹ 7,52,798 crore as on March 31, 2018 to ₹ 8,48,204 crore as on March 31, 2019, and
 - Non-Housing loans increased by 25 percent from ₹ 2,85,549 crore as on March 31, 2018 to ₹ 3,56,036 crore as on March 31, 2019.
- Housing loans to total loans & advances decreased from 72.5 percent as on March 31, 2018 to 70.4 percent as on March 31, 2019 while non-housing loans to total loans & advances increased from 27.5 percent as on March 31, 2018 to 29.6 percent as on March 31, 2019.
- GNPA as on March 31, 2019, which were ₹ 17,262 crore increased by about 27 percent over the previous year (₹ 13,555 crore as on March 31, 2018). However, in percentage term, GNPA to total loans & advances marginally increased to 1.4 percent as on March 31, 2019 from 1.3 percent as on March 31, 2018.
- NNPA as on March 31, 2019, which were ₹ 9,405 crore increased by about 52 percent over previous year (₹ 6,173 crore as on March 31, 2018). However, in percentage term, NNPA to total loans & advances marginally increased from 0.6 percent as on March 31, 2018 to 0.8 percent as on March 31, 2019.
- Total Net Owned Funds of HFCs increased by 11 percent, from ₹ 1,38,700 crore as on March 31, 2018 to ₹ 1,53,611 crore as on March 31, 2019.

- Outstanding Borrowings of HFCs (including Public Deposits) increased by 16 percent from ₹ 9,40,365 crore as on March 31, 2018 to ₹ 10,95,143 crore as on March 31, 2019.
- Outstanding Public Deposits which were ₹ 1,03,725 crore as on March 31, 2019 increased by 11 percent from ₹ 93,143 crore as on March 31, 2018.

3.2 Number of Housing Finance Companies

3.2.1 As on March 31, 2019, 99 HFCs were holding the Certificate of Registration (CoR) from NHB under Section 29A of the National Housing Bank Act, 1987. Of these, 81 HFCs were granted CoR without permission to accept public deposits. Out of 99 HFCs, 79 were public limited companies and 20 were private limited companies. In 2018-19 (from April to March), NHB has granted CoR to 9 new companies viz. Baid Housing Finance Limited, Family Home Finance Private Limited, APAC Housing Finance Private Limited, Wonder Home Finance Limited, Adani Housing Finance Private Limited, Easy Home Finance Limited, Sasvitha Home Finance Private Limited, Varashakti Housing Finance Private Limited, Capital India Home Loans Ltd and has cancelled CoRs in respect of one of HFC, namely Lodha Housing Finance Pvt. Ltd (due to surrender of CoR)

Graph 3.1: Classification of HFCs by Public Ltd. and Private Ltd. for the last three years

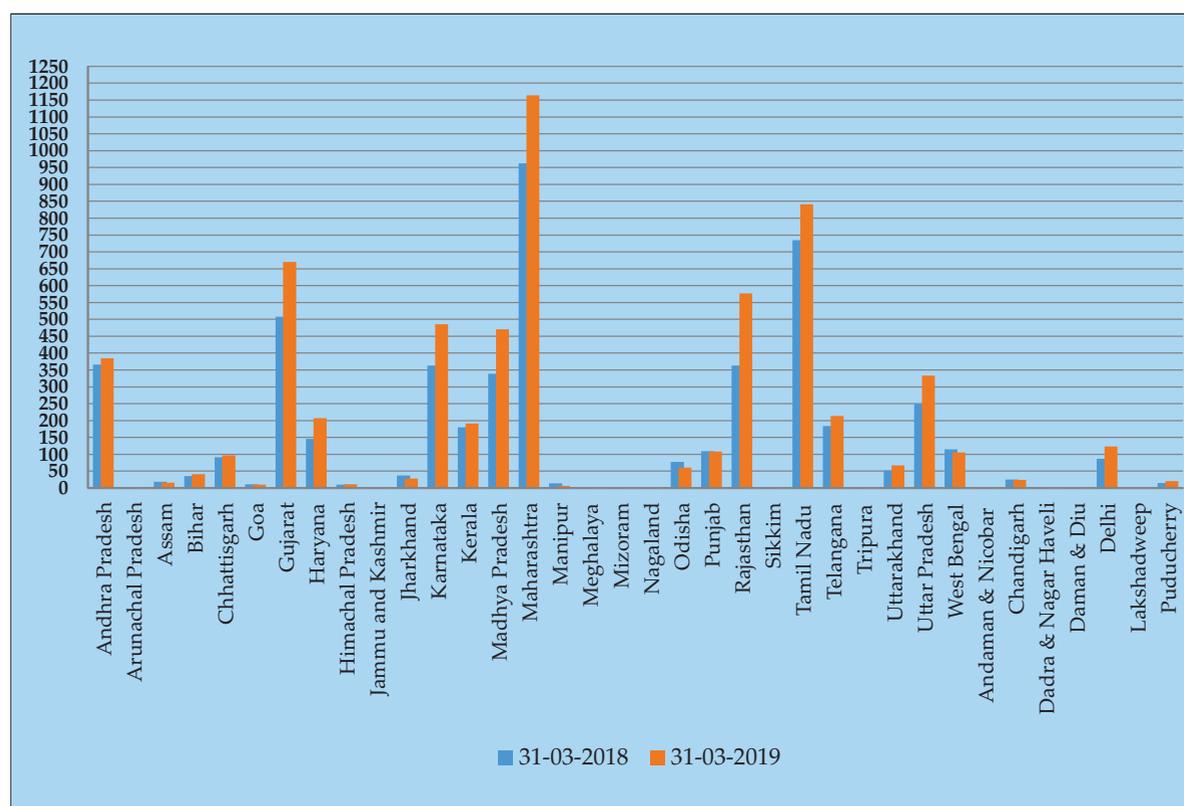


Source: Off-site Returns, NHB

3.2.2 Network of the HFCs

HFCs were operating through 5,107 branches/offices as on 31-03-2018 which increased to 6,266 branches/offices as on March 31, 2019 with Y-o-Y growth of about 23 percent. The following chart provides the State/Union Territory-wise branches/offices of HFCs.

Graph 3.2: State/ Union Territory-wise Distribution of Branches/Offices of Registered HFCs in the last two years



Source: Off-site Returns, NHB

3.3 Financial Profiles of HFCs

3.3.1 The financial year for the HFCs registered with NHB is from April 1 to March 31, and the data provided under this Chapter is as on March 31, 2019. As summary of key financial indicators of 96 HFCs are given below:

Table 3.1: Key Financial Indicators of HFCs

(Amount in ₹ crore)

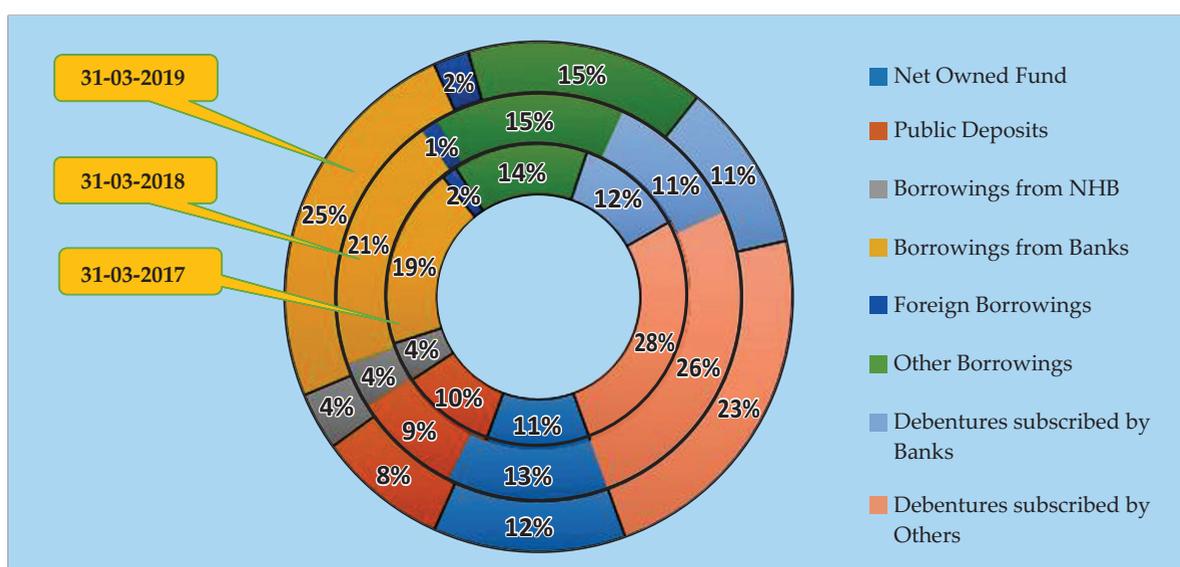
Particulars	31-03-2017	31-03-2018	31-03-2019
Paid up Capital	9,331	30,454 (226.4%)	34,502 (13.3%)
Free Reserves	94,605	1,26,122 (33.3%)	1,44,478 (14.6%)
Net Owned Fund	95,451	1,38,700 (45.3%)	1,53,611 (10.8%)
Public Deposits	86,573	93,143 (7.6%)	1,03,725 (11.4%)

Other Borrowings	6,69,877	8,47,221 (26.5%)	9,91,418 (17.0%)
Housing Loans	5,98,454	7,52,798 (25.8%)	8,48,204 (12.7%)
Total Loans & Advances	8,18,508	10,38,347 (26.9%)	12,04,240 (16.0%)
GNPA as a percentage to Total Loans & Advances	1.11	1.31	1.43
NNPA as a percentage to Total Loans & Advances	0.51	0.60	0.79

Figures in parentheses indicate y-o-y change
Source: Off-site Returns, NHB

3.3.2 Aggregate NOF of HFCs which was ₹ 1,38,700 crore as on March 31, 2018 increased to ₹ 1,53,611 crore as on March 31, 2019, registering a growth of 10.8% over the previous year. Trend analysis on resources data of HFCs (excluding Public Deposits and Net Owned Fund) as on March 31, 2019 shows that around 31 percent of their resources are from bank's borrowing, 42 percent from subscription to debentures by Bank & others, 5 percent from National Housing Bank's refinance and around 22 percent from other resources. Public Deposits increased from ₹ 93,143 crore as on March 31, 2018 to ₹ 1,03,725 crore as on March 31, 2019 and registered a growth of 11.4 percent over previous year. The following chart depicts the trend in HFCs outstanding resources in the last three years –

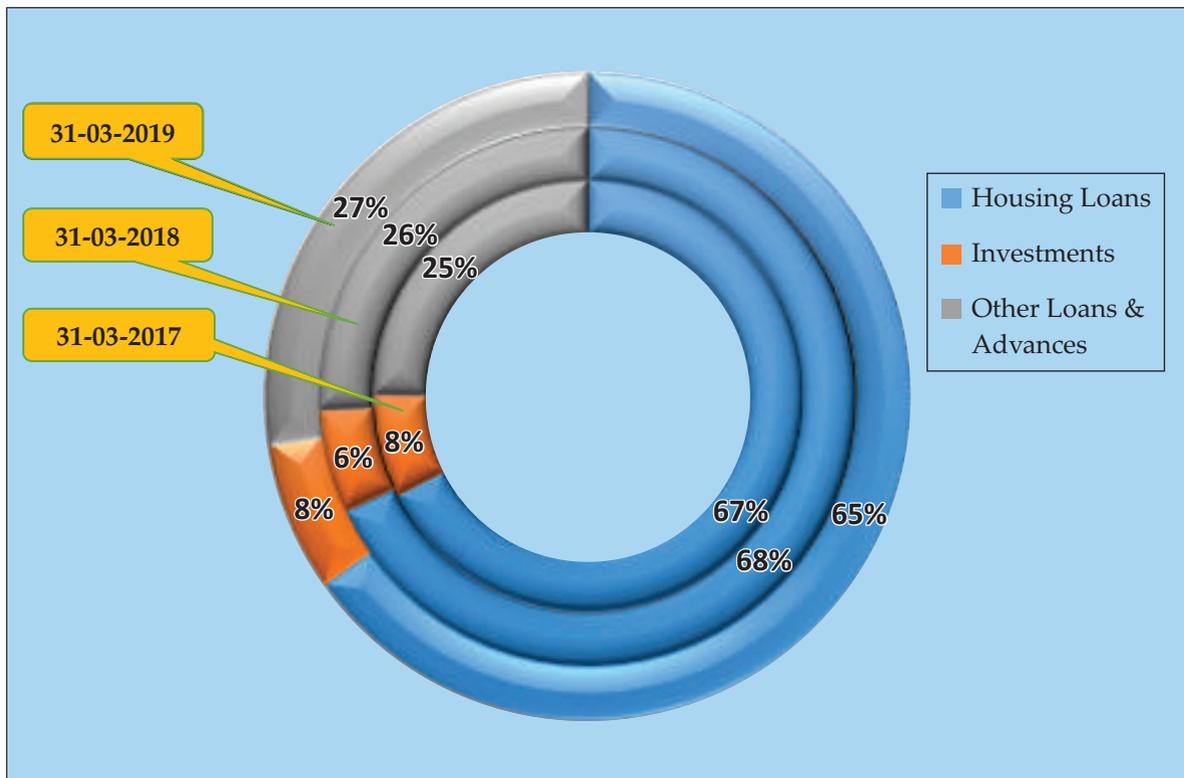
Graph 3.3: Trend in HFCs' Outstanding Resources for the last three years



Source: Off-site Returns, NHB

3.3.3 Housing loans of HFCs as at the end of March, 2018 which were ₹ 7,52,798 crore increased to ₹ 8,48,204 crore as at the end of March, 2019, registering Y-o-Y growth of about 13 percent in 2018-19. The housing loan portfolio of HFCs has retained the highest share in the entire loan portfolio at around 70 percent at the end of 2018-19. Aggregate investments of HFCs stood at ₹ 97,295 crore as on March 31, 2019 as against ₹ 68,830 crore as on March 31, 2018, thereby registering an increase of 41.4 percent. The following chart in Graph 3.4 provides the trend in the distribution of earning assets of HFCs in the last three years –

Graph 3.4: Trend in HFCs’ Earning Assets for the last three years



Source: Off-site Returns, NHB

3.4 Key Performance Indicators of HFCs

3.4.1 On the basis of Public Ltd and Private Ltd Categorization of HFCs :

The key financial parameters of Public Ltd and Private Ltd HFCs are provided in the table below:

Table 3.2: Performance of HFCs - Public Ltd. and Private Ltd.

(Amount in ₹ crore)

Particulars	31-03-2017			31-03-2018			31-03-2019		
	Public Ltd.	Pvt. Ltd.	Total	Public Ltd.	Pvt. Ltd.	Total	Public Ltd.	Pvt. Ltd.	Total
Paid up Capital	8,894	436	9,331	29,854	600	30,454	33,031	1,472	34,502
Free Reserves	94,231	374	94,605	1,25,943	179	1,26,122	1,44,097	381	1,44,478
Net Owned Fund	94,657	794	95,451	1,37,964	736	1,38,700	1,51,855	1,756	1,53,611
Public Deposits	86,573	-	86,573	93,143	-	93,143	1,03,725	-	1,03,725
Housing Loans	5,97,088	1,366	5,98,454	7,51,770	1,028	7,52,798	8,46,028	2,176	8,48,204

Source: Off-site Returns, NHB

3.4.2 On the basis of Public deposit accepting and Non Public deposit –accepting HFCs :

NHB has not granted any CoR with permission to accept public deposits to the Private Limited HFCs and none of these HFCs was holding any public deposits as on March 31, 2019. As on March 31, 2019 there were 18 HFCs which have been granted CoR with permission to accept public deposits. However, of the 18 HFCs, 6 are required to obtain prior written permission from the NHB before accepting any public deposits. The key financial parameters of HFCs for the past three years provided in the table above have been further segregated on the basis of classification into public deposit accepting and non-public deposit accepting HFCs and given in following table.

Table 3.3: Performance of HFCs - Public Deposit Accepting and Public Deposit Not Accepting

(Amount in ₹ crore)

Particulars	31-03-2017			31-03-2018			31-03-2019		
	Deposit accepting HFCs	Non-Deposit accepting HFCs	Total	Deposit accepting HFCs	Non-Deposit accepting HFCs	Total	Deposit accepting HFCs	Non-Deposit accepting HFCs	Total
Paid up Capital	4,520	4,810	9,331	4,277	26,177	30,454	4,361	30,142	34,502
Free Reserves	76,752	17,853	94,605	1,01,041	25,081	1,26,122	1,13,630	30,848	1,44,478
Net Owned Fund	73,473	21,978	95,451	99,062	39,638	1,38,700	1,06,365	47,247	1,53,611
Public Deposits	86,573	-	86,573	93,143	-	93,143	1,03,725	-	1,03,725
Housing Loans	4,85,455	1,12,999	5,98,454	5,56,023	1,96,775	7,52,798	6,36,673	2,11,531	8,48,204

Source: Off-site Returns, NHB

3.4.3 HFCs sponsored by Commercial Banks and Multi-State Co-operative Bank:

3.4.3.1 As on 31-03-2019 there were five HFCs sponsored by Scheduled Commercial Banks and one HFC sponsored by a Multi-state Co-operative Bank, the details of which are as follows :-

- Canfin Homes Ltd., sponsored by Canara Bank
- Cent Bank Home Finance Ltd., sponsored by Central Bank of India
- ICICI Home Finance Ltd., sponsored by ICICI Bank Ltd.
- Ind Bank Housing Ltd., sponsored by Indian Bank
- PNB Housing Finance Ltd., sponsored by Punjab National Bank
- REPCO Home Finance Ltd., sponsored by REPCO Bank, which is a multi-state co-operative Bank.

3.4.3.2 There has been no change in the number of HFCs sponsored by Scheduled Commercial Banks and Multi-State Co-operative Banks since the previous year. The key financial parameters of HFCs classified on the basis of HFCs sponsored by Scheduled Commercial

Banks (SCB) and Multi-State Co-operative Banks (MSCB), and Other HFCs are summarized in the table below:

Table 3.4: Performance of HFCs - Sponsored by Scheduled Commercial Banks and Multi-State Co-operative Banks and Others

(Amount in ₹ crore)

Particulars	31-03-2017			31-03-2018			31-03-2019		
	Sponsored by SCB/ MSCB	Others	Total	Sponsored by SCB/ MSCB	Others	Total	Sponsored by SCB/ MSCB	Others	Total
Paid up Capital	1,389	7,942	9,331	1,390	29,064	30,454	1,390	33,112	34,502
Free Reserves	8,098	86,507	94,605	9,294	1,16,828	1,26,122	10,534	1,33,944	1,44,478
Net Owned Fund	8,933	86,518	95,451	9,823	1,28,877	1,38,700	10,761	1,42,850	1,53,611
Public Deposits	9,637	76,936	86,573	10,115	83,028	93,143	13,337	90,388	1,03,725
Housing Loans	52,929	5,45,525	5,98,454	68,832	6,83,966	7,52,798	86,763	7,61,441	8,48,204

Source: Off-site Returns, NHB

3.4.4 Borrowing Profile of HFCs

3.4.4.1 Paid-up capital of HFCs (including the preference shares which are compulsorily convertible into equity) increased by 13.3 percent from ₹ 30,454 crore as on March 31, 2018 to ₹ 34,502 crore as on March 31, 2019, while Net Owned Funds increased by 10.8 percent from ₹ 1,38,700 crore as on March 31, 2018 to ₹ 1,53,611 crore as on March 31, 2019.

3.4.4.2 HFCs were primarily dependent on loans and bonds & debentures from banks and financial institutions, besides public deposits. Borrowings through inter-corporate deposits (ICDs), commercial papers, mutual fund and sub-ordinated debts etc. are other sources of funds for HFCs. The HFCs resources details for the last three years are given in the following Table.

Table 3.5: Trend in Outstanding Borrowings by HFCs

(Amount in ₹ crore)

S. No.	Particulars	31-03-2017	31-03-2018	31-03-2019
1	Borrowing from NHB	36,347	39,259 (8.0%)	45,825 (16.7%)
2	Foreign Borrowing	14,135	15,291 (8.2%)	28,640 (87.3%)
3	Banks	1,63,090	2,23,079 (36.8%)	3,06,077 (37.2%)
4	Debentures	3,34,383	4,05,261 (21.2%)	4,20,757 (3.8%)
a	subscribed by banks	98,559	1,22,592 (24.4%)	1,34,006 (9.3%)
b	subscribed by others	2,35,824	2,82,669 (19.9%)	2,86,751 (1.4%)
5	Other Borrowing	1,21,923	1,64,332 (34.8%)	1,90,119 (15.7%)
6	Public Deposits	86,573	93,143 (7.6%)	1,03,725 (11.4%)
Total		7,56,450	9,40,365 (24.3%)	10,95,143 (16.5%)

Figures in parentheses indicate Y-o-Y change
Source: Off-site Returns, NHB

3.4.4.3 The outstanding borrowings of HFCs, excluding public deposits, increased by about 17 percent from ₹ 8,47,221 crore as on March 31, 2018 to ₹ 9,91,418 crore as on March 31, 2019. Borrowings from banks increased by about 37 percent and stood at ₹ 3,06,077 crore as on March 31, 2019 as against ₹ 2,23,079 crore as on March 31, 2018. Other borrowings increased from ₹ 1,64,332 crore as on March 31, 2018 to ₹ 1,90,119 crore as on March 31, 2019, registering a growth of about 16 percent.

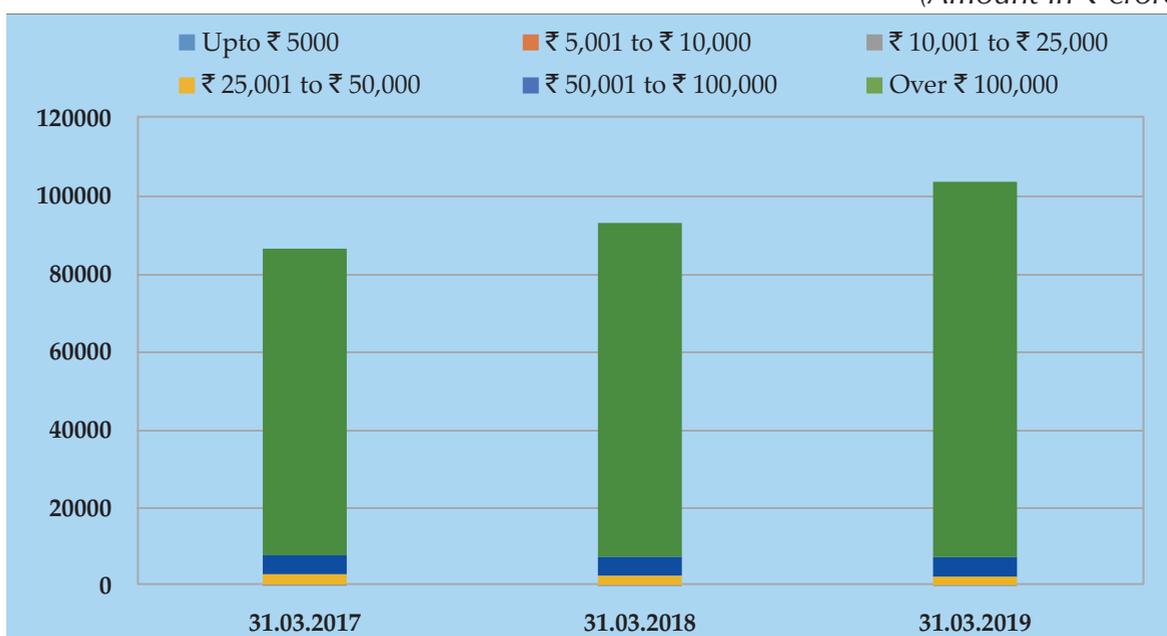
3.4.4.4 Outstanding public deposits with HFCs increased by around 11 percent from ₹ 93,143 crore as on March 31, 2018 to ₹ 1,03,725 crore as on March 31, 2019.

3.4.5 Public Deposits with HFCs

3.4.5.1 Outstanding public deposits with HFCs have shown an increasing trend during the year 2018-19. As on March 31, 2019, public deposits over ₹ 1,00,000 accounted for maximum share of 92.8 percent of the total public deposits. It has been observed that major HFCs viz. Housing Development Finance Corporation Ltd., PNB Housing Finance Ltd., Dewan Housing Finance Corporation Ltd., LIC Housing Finance Ltd., Gruh Finance Ltd, Sundaram BNP Paribas Home Finance Ltd., etc. mobilized significant amount of public deposits during 2018-19. The trend in size-wise outstanding public deposits at the end of last three years is shown in the Graph 3.5.

Graph 3.5: Trend in HFCs' Size-wise Public Deposits for the last three years

(Amount in ₹ crore)



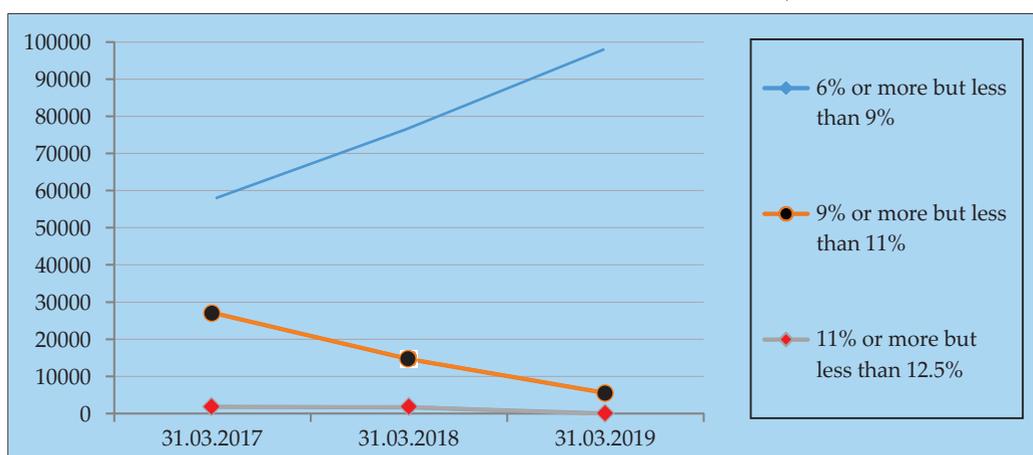
Source: Off-site Returns, NHB

3.4.6 Interest rate-wise Public Deposits of HFCs:

As on March 31, 2019, 94.7 percent of the total public deposits held by the HFCs fall in the interest slab of 6 percent to 9 percent per annum, which shows a substantial increase over previous year. HFCs had 5.3 percent of the total public deposits in the interest rate slab of 9 percent to 11 percent per annum, which shows a decrease over previous year. The trend in interest rate-wise classification of outstanding public deposits at the end of last three years is shown in the graph 3.6.

Graph 3.6: Trend in HFCs' Interest Rate-wise Public Deposits for the last three years

(Amount in ₹ crore)



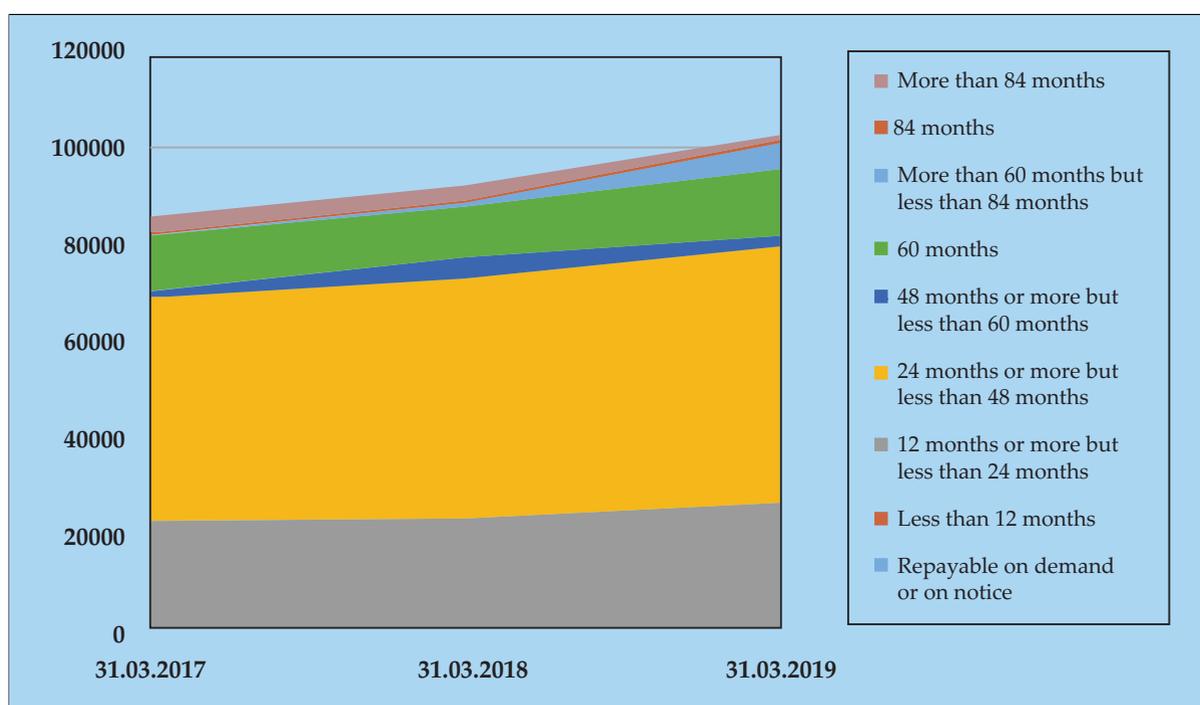
Source: Off-site Returns, NHB

3.4.7 Maturity-wise Public Deposits of HFCs:

Analysis of maturity-wise classification of public deposits in the last three years indicates that the majority of the public depositors' preference was for a maturity period between 24 months to 48 months. Around 77 percent of public deposits were in the maturity slab of upto 48 months during 2018-19. The trend in maturity-wise classification of outstanding public deposits at the end of last three years is shown in the graph 3.7.

Graph 3.7: Trend in HFCs' Maturity-wise Public Deposits for the last three years

(Amount in ₹ crore)



3.4.8 Assets Profile of HFCs

Assets profile of HFCs comprising of earning assets namely housing loans, other loans & advances and investments was at ₹ 13,01,535 crore as on March 31, 2019. The housing loans contributed around 65 percent of the total earning assets of HFCs, with a growth of about 13 percent as on March 31, 2019 as compared to a growth of about 26 percent as on March 31, 2018. Other Loans and Advances constituted about 27 percent while investments constituted about 7 percent of the total earning assets of HFCs as on March 31, 2019. The outstanding position of major assets along with their annual growth, is shown in table 3.6.

3.4.9 Trend in Outstanding Loans and Advances and Investments of HFCs

Table 3.6: Trend in Outstanding Loans and Advances and Investments of HFCs

(Amount in ₹ crore)

Particulars	31-03-2017	31-03-2018	31-03-2019
1. Loans and Advances	8,18,508	10,38,347	12,04,240
		(26.9%)	(16.0%)
a) Housing Loans	5,98,454	7,52,798	8,48,204
		(25.8%)	(12.7%)
b) Other Loans & Advances	2,20,053	2,85,549	3,56,036
		(29.8%)	(24.7%)
2. Investments	68,348	68,830	97,295
		(0.7%)	(41.4%)
Total	8,86,856	11,07,177	13,01,535
		(24.8%)	(17.6%)

Figures in parentheses indicate Y-o-Y change

Source: Off-site Returns, NHB

3.4.9.1 Housing loans of HFCs which stood at ₹ 7,52,798 crore as on March 31, 2018 increased by 12.7 percent to ₹ 8,48,204 crore as on March 31, 2019. Other loans and advances which stood at ₹ 2,85,549 crore as on March 31, 2018 increased by 24.7 percent to ₹ 3,56,036 crore as on March 31, 2019. The ratio of housing loans and other loans & advances remained around 3:1.

3.4.9.2 Aggregate investments of HFCs stood at ₹ 97,295 crore as on March 31, 2019 as compared to ₹ 68,830 crore as on March 31, 2018, an increase of 41.4 percent over the previous year.

3.4.10 Housing Loans of HFCs

The outstanding housing loans of HFCs stood at ₹ 8,48,204 crore as on March 31, 2019 showing a growth of 12.7 percent as compared to ₹ 7,52,798 crore as on March 31, 2018. The percentage of outstanding housing loans to total loans & advances which was at 73.1 percent and 72.5 percent as on March 31, 2017 and March 31, 2018 respectively, further declined to 70.4 percent as on March 31, 2019.

Table 3.7: Trend in Outstanding Housing Loans and Total Loans of HFCs

(Amount in ₹ crore)

Particulars	31-03-2017	31-03-2018	31-03-2019
Housing Loans	5,98,454	7,52,798	8,48,204
		(25.8%)	(12.7%)
Total Loans	8,18,508	10,38,347	12,04,240
		(26.9%)	(16.0%)
Housing Loans to Total Loans & Advances	73.1%	72.5%	70.4%

Figures in parentheses indicate Y-o-Y change

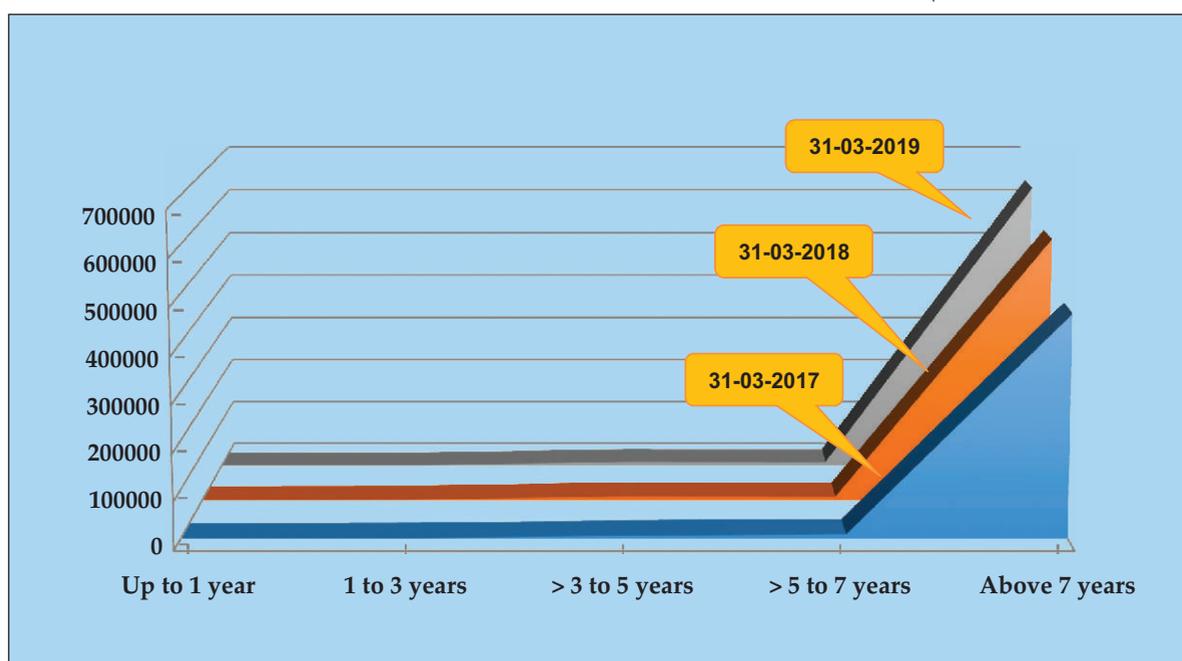
Source: Off-site Returns, NHB

3.4.11 Maturity pattern of Housing Loans of HFCs

Analyzing the trend of the maturity pattern of housing loans outstanding to Individuals with HFCs, it was observed that around 97 percent of these housing loans were having maturity of over 7 years. This indicates that the preference of majority of HFCs housing loans to individuals was for housing loans on a long tenure rather than short or medium tenure. The maturity pattern of outstanding housing loans to individuals at the end of last three years is shown in the graph 3.8.

Graph 3.8: Trend in HFCs’ Maturity-pattern of Outstanding Individual Housing Loans

(Amount in ₹ crore)



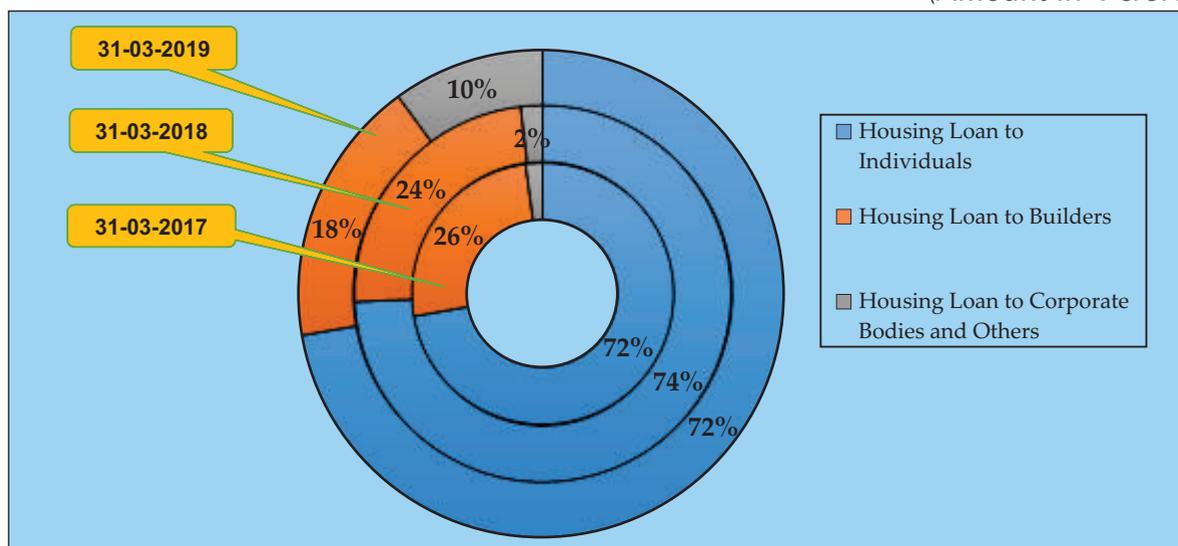
Source: Off-site Returns, NHB

3.4.12 Borrowers’ type-wise disbursements of housing loans

The disbursements on housing loans by HFCs registered a growth rate of about 6 percent in 2018-19 over 2017-18. Borrowers’ type-wise dissection of disbursement of housing loans in 2018-19, further shows that around 72 percent of their housing loans were to individuals, 18 percent to builders and 10 percent to corporate bodies & others. This indicates that HFCs’ main service concentration of housing loan was on individuals. The disbursement in the last three years is shown in the graph 3.9.

Graph 3.9: Trend in HFCs' Borrower Category-wise Housing Loans Disbursements

(Amount in ₹ crore)



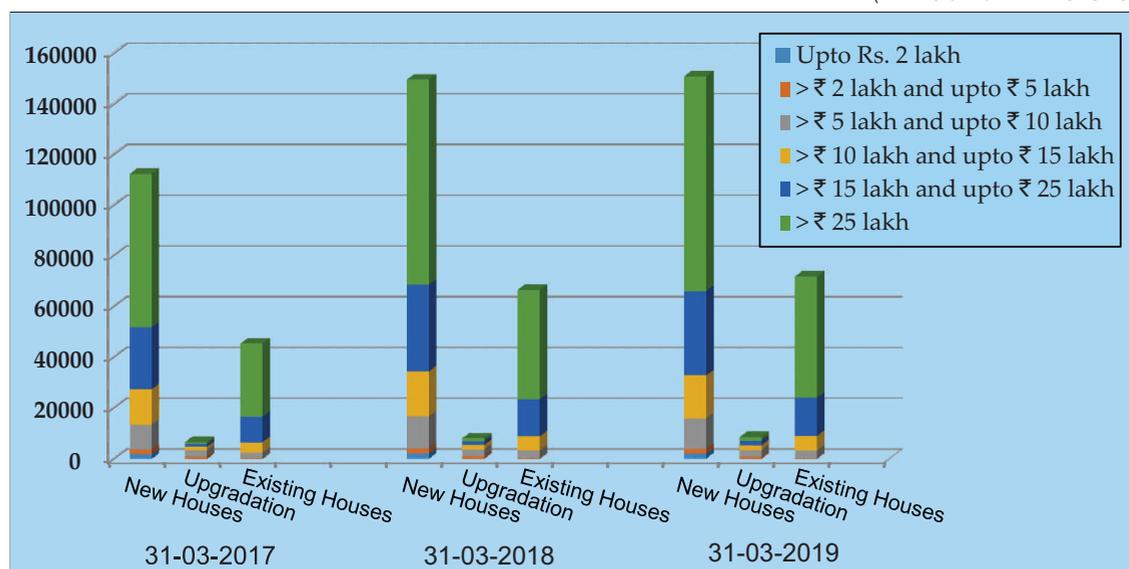
Source: Off-site Returns, NHB

3.4.13 Purpose-wise disbursements of housing loans to individuals

3.4.13.1 Analysis of purpose-wise HFCs disbursements of housing loans to individuals revealed that about 65 percent of the loans were for acquisition/construction of new houses, 4 percent for up-gradation including major repairs, and the balance 31 percent for purchase of old/existing houses. This showed that new assets creation were the main component of the total housing loans disbursed by HFCs. The trend in disbursement during the last three years is shown in graph 3.10.

Graph 3.10: Trend in HFCs' Purpose-wise Disbursements of Individual Housing Loans

(Amount in ₹ crore)



Source: Off-site Returns, NHB

3.4.13.2 In 2018-19, HFCs disbursed ₹ 2,31,111 crore for acquisition/construction of new houses, up-gradation (including major repairs), and purchase of old/existing houses (resale). The segregated and consolidated details are captured in the tables 3.8 to 3.11.

Table-3.8: Trend in Housing Loans Disbursement to Individuals by HFCs for Acquisition/Construction of New Houses

(Amount in ₹ crore)

Particulars	2016-17	2017-18	2018-19
Upto ₹ 2,00,000	1,963	2,195 (11.8%)	2,076 (-5.4%)
Above ₹ 2,00,000 and upto ₹ 500,000	1,942	1,933 (-0.5%)	1,942 (0.5%)
Above ₹ 5,00,000 and upto ₹ 10,00,000	9,662	12,600 (30.4%)	11,954 (-5.1%)
Upto ₹ 10,00,000	13,568	16,728 (23.3%)	15,972 (-4.5%)
Above ₹ 10,00,000 and upto ₹ 15,00,000	13,912	17,750 (27.6%)	16,944 (-4.5%)
Above ₹ 15,00,000 and upto ₹ 25,00,000	24,325	34,223 (40.7%)	33,142 (-3.2%)
Above ₹ 25,00,000	60,541	80,802 (33.5%)	84,640 (4.7%)
Total (1)	1,12,346	1,49,503 (33.1%)	1,50,698 (0.8%)

Figures in parentheses indicate y-o-y change
Source: Off-site Returns, NHB

3.4.13.3 The disbursements of housing loans to individuals for acquisition/ construction of new houses have gone up by 0.8 percent in 2018-19 compared to growth of 33.1 percent in 2017-18. Of the total housing loans disbursements, HFCs' loans upto ₹ 25 lakh constituted 43.8 percent in 2018-19 as compared to 45.9 percent in 2017-18. The disbursements of housing loans in the category of above ₹ 25 lakh have gone up by 4.7 percent in 2018-19 as compared to 33.5 percent in 2017-18.

Table-3.9: Trend in Housing Loans Disbursement to Individuals by HFCs for up-gradation (including Major Repairs) (Amount in ₹ crore)

Particulars	2016-17	2017-18	2018-19
Upto ₹ 2,00,000	99	76 (-23.3%)	60 (-21.1%)
Above ₹ 2,00,000 and upto ₹ 500,000	881	1,019 (15.7%)	932 (-8.5%)
Above ₹ 5,00,000 and upto ₹ 10,00,000	2,545	2,678 (5.2%)	2,558 (-4.5%)
Upto ₹ 10,00,000	3,524	3,773 (7.1%)	3,550 (-5.9%)
Above ₹ 10,00,000 and upto ₹ 15,00,000	1,317	1,717 (30.4%)	1,827 (6.4%)
Above ₹ 15,00,000 and upto ₹ 25,00,000	1,065	1,548 (45.3%)	1,790 (15.6%)
Above ₹ 25,00,000	747	1,134 (51.8%)	1,375 (21.2%)
Total (2)	6,653	8,172 (22.8%)	8,542 (4.5%)

Figures in parentheses indicate Y-o-Y change
Source: Off-site Returns, NHB

3.4.13.4 The disbursements of housing loans to individuals for upgradation (including major repairs) have gone up by 4.5 percent in 2018-19 as compared to 22.8 percent in 2017-18. Of the total housing loans disbursements, HFC's loans upto ₹ 25 lakh constituted 83.9 percent in 2018-19 as compared to 86.1 percent in 2017-18. The disbursements of housing loans in the category of above ₹ 25 lakh have gone up by 21.2 percent in 2018-19 as compared to 51.8 percent in 2017-18.

Table-3.10: Trend in Housing Loans Disbursement to Individuals by HFCs for Acquisition of Old/Existing Houses (Amount in ₹ crore)

Particulars	2016-17	2017-18	2018-19
Upto ₹ 2,00,000	58	25 (-57.4%)	58 (138.2%)
Above ₹ 2,00,000 and upto ₹ 500,000	295	308 (4.5%)	326 (5.7%)
Above ₹ 5,00,000 and upto ₹ 10,00,000	2,109	2,961 (40.4%)	2,925 (-1.2%)
Upto ₹ 10,00,000	2,462	3,294 (33.8%)	3,309 (0.5%)
Above ₹ 10,00,000 and upto ₹ 15,00,000	4,127	5,639 (36.6%)	5,702 (1.1%)
Above ₹ 15,00,000 and upto ₹ 25,00,000	10,084	14,507 (43.9%)	15,108 (4.1%)
Above ₹ 25,00,000	28,838	43,177 (49.7%)	47,752 (10.6%)
Total (3)	45,511	66,617 (46.4%)	71,872 (7.9%)

Figures in parentheses indicate y-o-y change
Source: Off-site Returns, NHB

3.4.13.5 The disbursements of housing loans to individuals for acquisition of old/existing houses have gone up by 7.9 percent in 2018-19 as compared to 46.4 percent in 2017-18. Of the total housing loans disbursements, HFC's loans upto ₹ 25 lakh constituted 33.6 percent in 2018-19 as compared to 35.2 percent in 2017-18. The disbursements of housing loans in the category of above ₹ 25 lakh have gone up by 10.6 percent in 2018-19 as compared to 49.7 percent in 2017-18.

Table 3.11: Trend in Total Housing Loans Disbursements to Individuals by HFCs

(Amount in ₹ crore)

Particulars	2016-17	2017-18	2018-19
Upto ₹ 2,00,000	2,119	2,295 (8.3%)	2,194 (-4.4%)
Above ₹ 2,00,000 and upto ₹ 500,000	3,118	3,261 (4.6%)	3,200 (-1.9%)
Above ₹ 5,00,000 and upto ₹ 10,00,000	14,317	18,239 (27.4%)	17,437 (-4.4%)
Upto ₹ 10,00,000	19,553	23,795 (21.7%)	22,831 (-4.2%)
Above ₹ 10,00,000 and upto ₹ 15,00,000	19,356	25,106 (29.7%)	24,474 (-2.5%)
Above ₹ 15,00,000 and upto ₹ 25,00,000	35,474	50,277 (41.7%)	50,039 (-0.5%)
Above ₹ 25,00,000	90,127	1,25,113 (38.8%)	1,33,768 (6.9%)
Total (4) = (1) + (2) + (3)	1,64,510	2,24,292 (36.3%)	2,31,111 (3.0%)

Figures in parentheses indicate y-o-y change
Source: Off-site Returns, NHB

3.4.13.6 The total disbursements of housing loans to individuals have gone up by 3.0 percent in 2018-19 as compared to 36.3 percent in 2017-18. Of the total housing loans disbursements, HFCs' loans upto ₹ 25 lakh constituted 42.1 percent in 2018-19 as compared to 44.2 percent in 2017-18. The disbursements of housing loans in the category of above ₹ 25 lakh have gone up by 6.9 percent in 2018-19 as compared to 38.8 percent in 2017-18.

3.4.13.7 Out of the total housing loan disbursements of ₹ 2,31,111 crore to individuals in 2018-19, HFCs have disbursed housing loans of ₹ 22,831 crore constituting 9.9 percent in the category of housing loans upto ₹ 10 lakh and ₹ 97,343 crore constituting 42.1 percent in the category of housing loans upto ₹ 25 lakh. The loans above ₹25 lakh were ₹1,33,768 crore constituting 57.9 percent of the total housing loans disbursed to individual by HFCs during 2018-19.

3.4.13.8 From the compilation of submitted information, it is observed that out of ₹ 5,399 crore disbursed in the slab of housing loan upto ₹ 5 lakh an amount of ₹ 13 crore, ₹ 326 crore, and ₹ 5,060 crore were disbursed to the category of borrowers having income per month upto ₹ 5,000, ₹ 5,001 to ₹ 10,000 and more than ₹ 10,000, respectively. The above details are shown in the Table 3.12.

Table 3.12: Income Slab-wise Disbursements of Housing Loans by HFCs to Borrowers during 2018-19

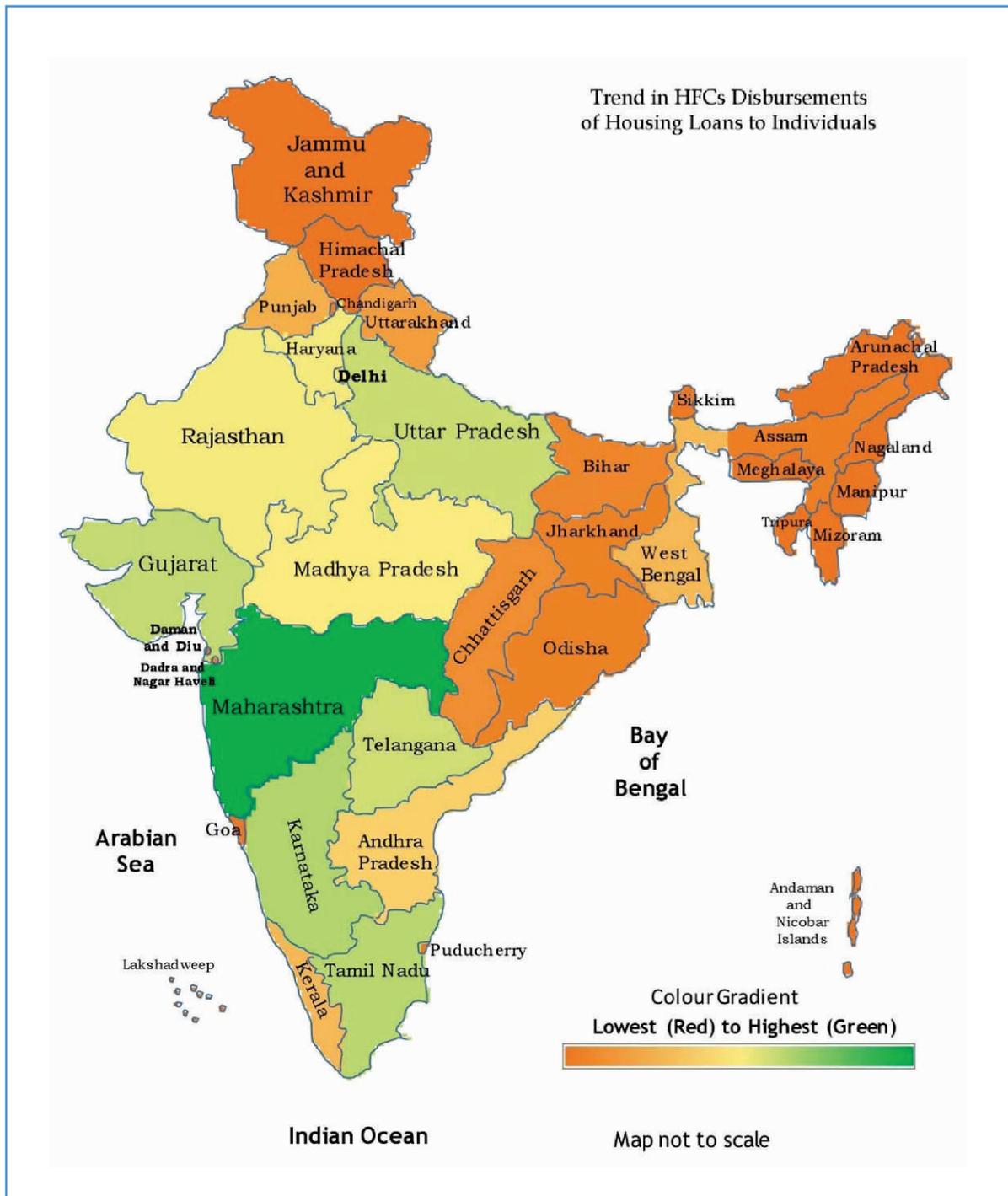
(Amount in ₹ crore)

Size of Housing Loan	Income <₹ 5,000 p.m.		Income ₹ 5,001 to ₹ 10,000 p.m.		Income >₹ 10,000 p.m.		Total	
	No.	Amt	No.	Amt	No.	Amt	No.	Amt
Upto ₹ 3 lakh	938	7	27,800	279	1,80,100	2,558	2,08,838	2,844
Above ₹ 3 lakh and upto ₹ 5 lakh	204	6	1,506	47	66,554	2,502	68,264	2,555
Total	1,142	13	29,306	326	2,46,654	5,060	2,77,102	5,399

Source: Off-site Returns, NHB

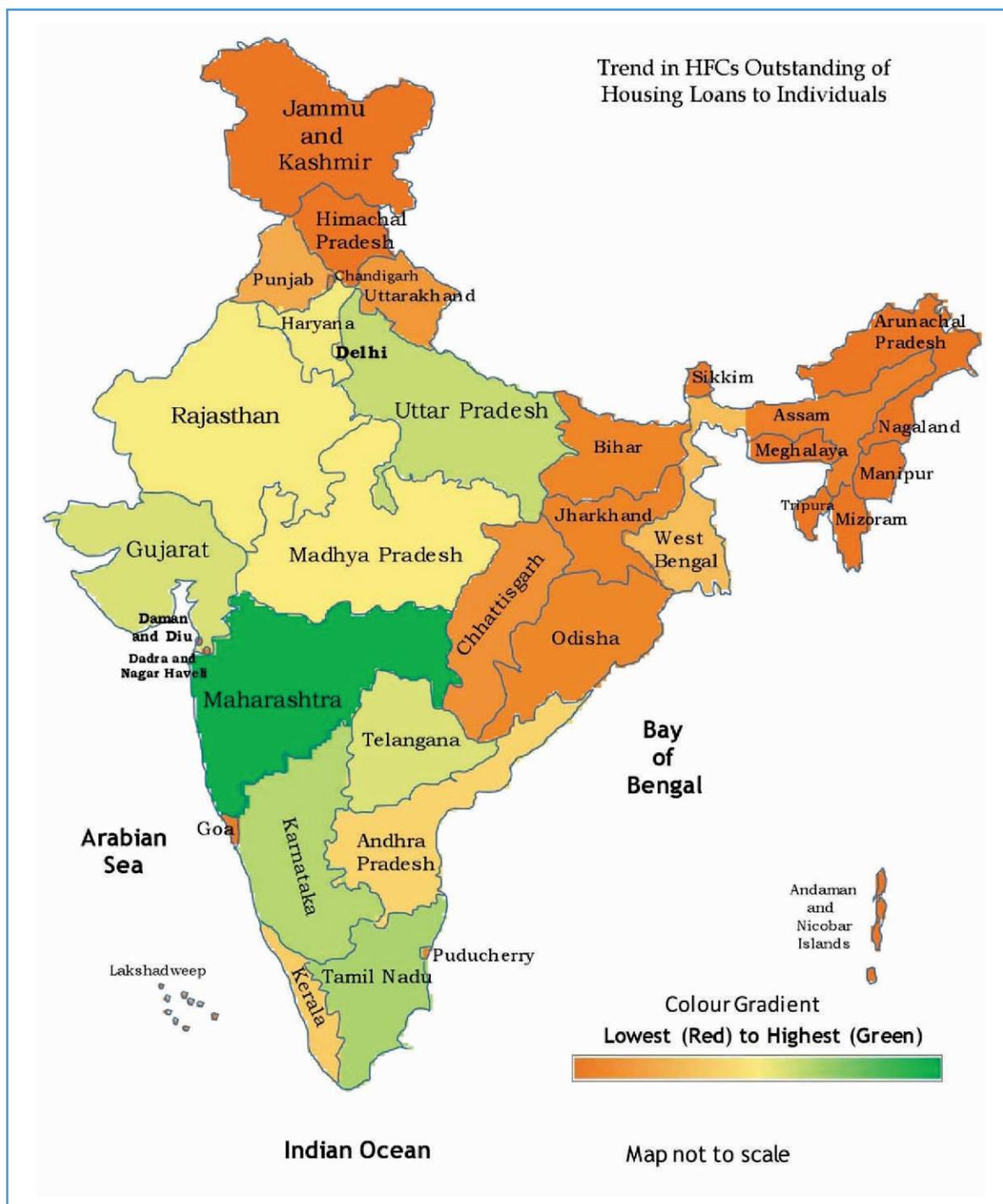
3.4.13.9 The State/UT-wise and area wise (rural and urban) data on housing loans disbursed to Individuals by the HFCs for the last 2 years are shown in Appendix II.

Graph 3.11– State-wise Distribution of HFCs’ Housing Loans Disbursements to Individuals during 2018-19



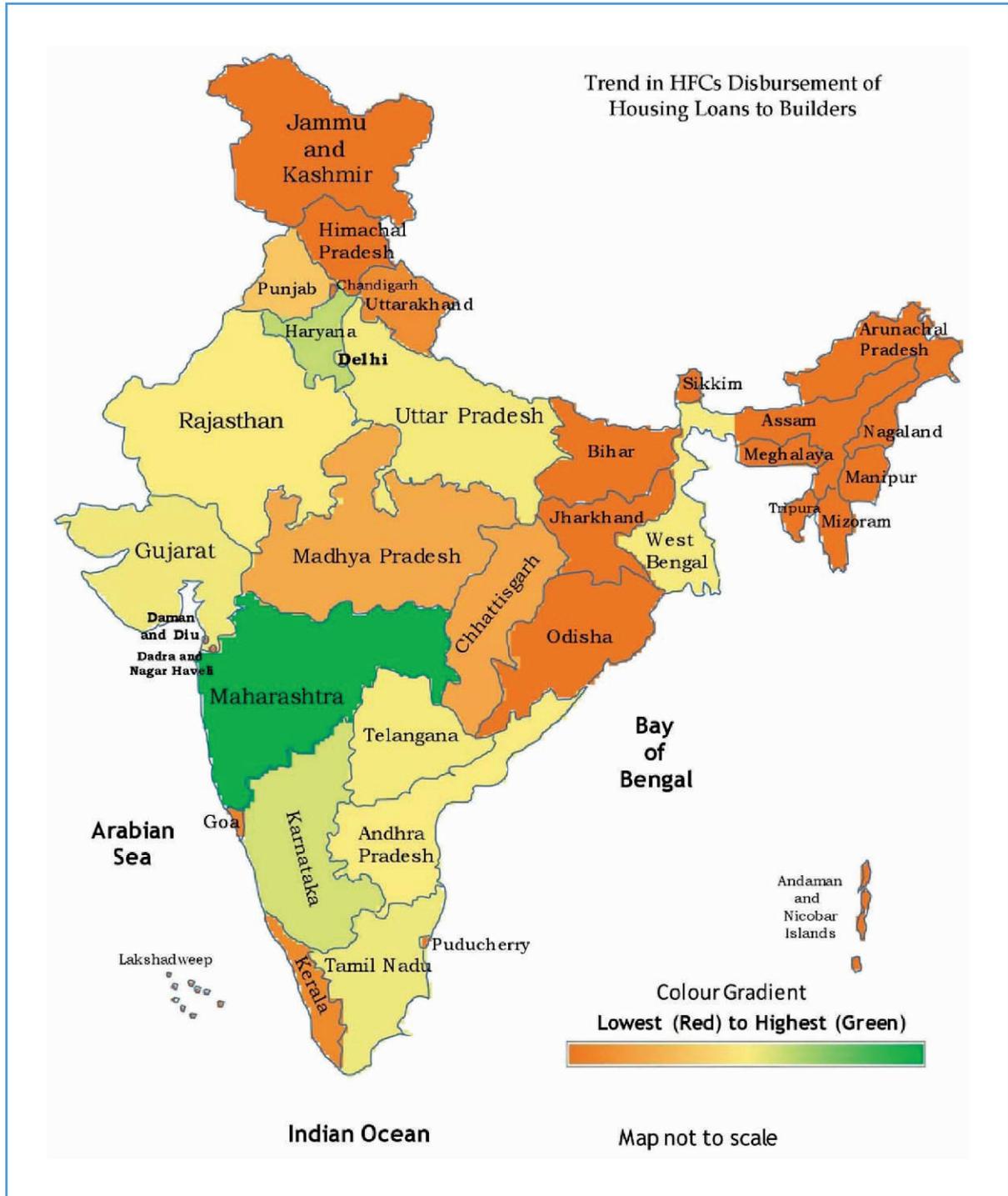
Source: Off-site Returns, NHB

Graph 3.12 – State-wise Distribution of HFCs’ Outstanding Housing Loans to individuals as on March 31, 2019



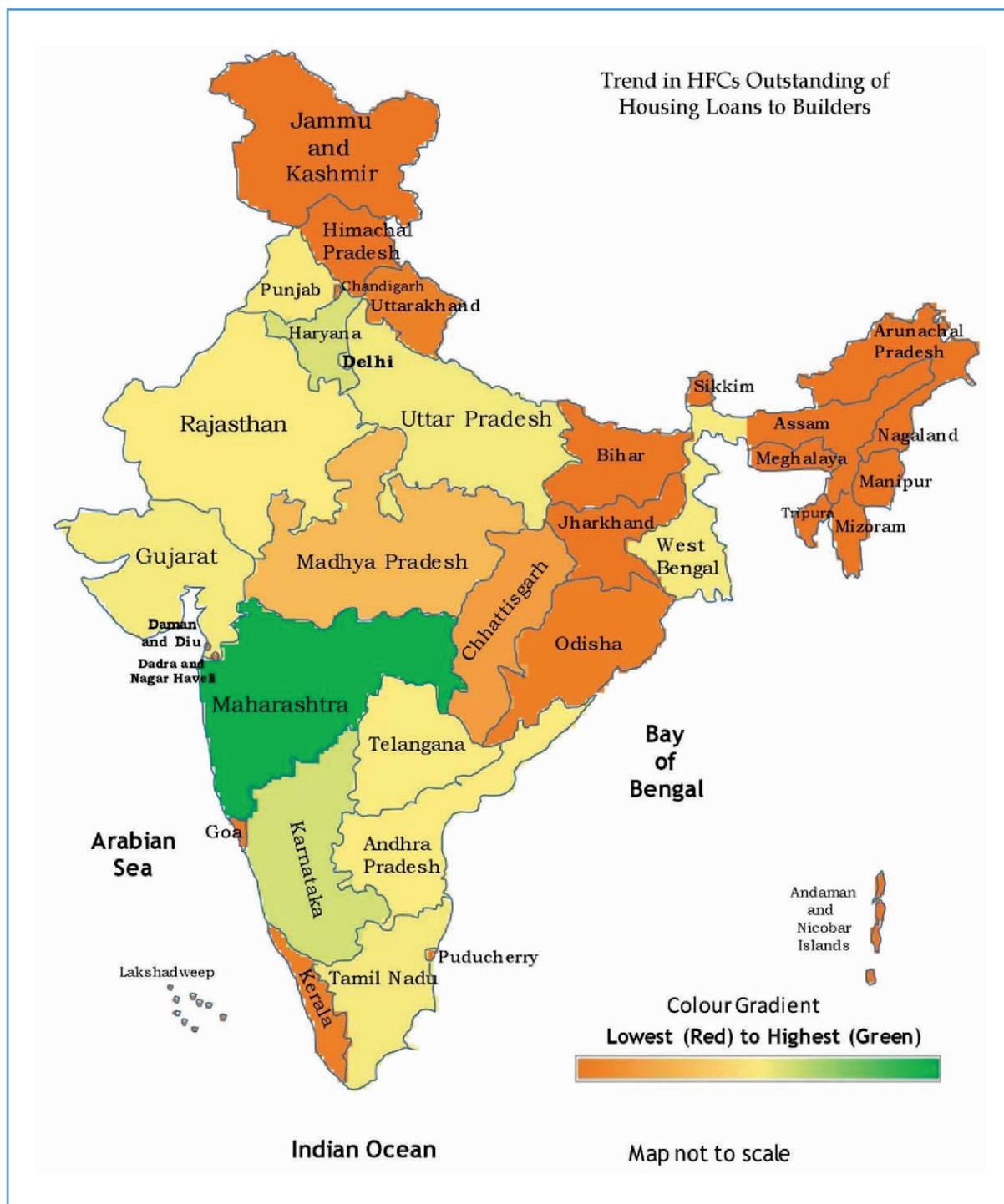
Source: Off-site Returns, NHB

Graph 3.13 - State-wise Distribution of HFCs' Housing Loans Disbursements to Builders during 2018-19



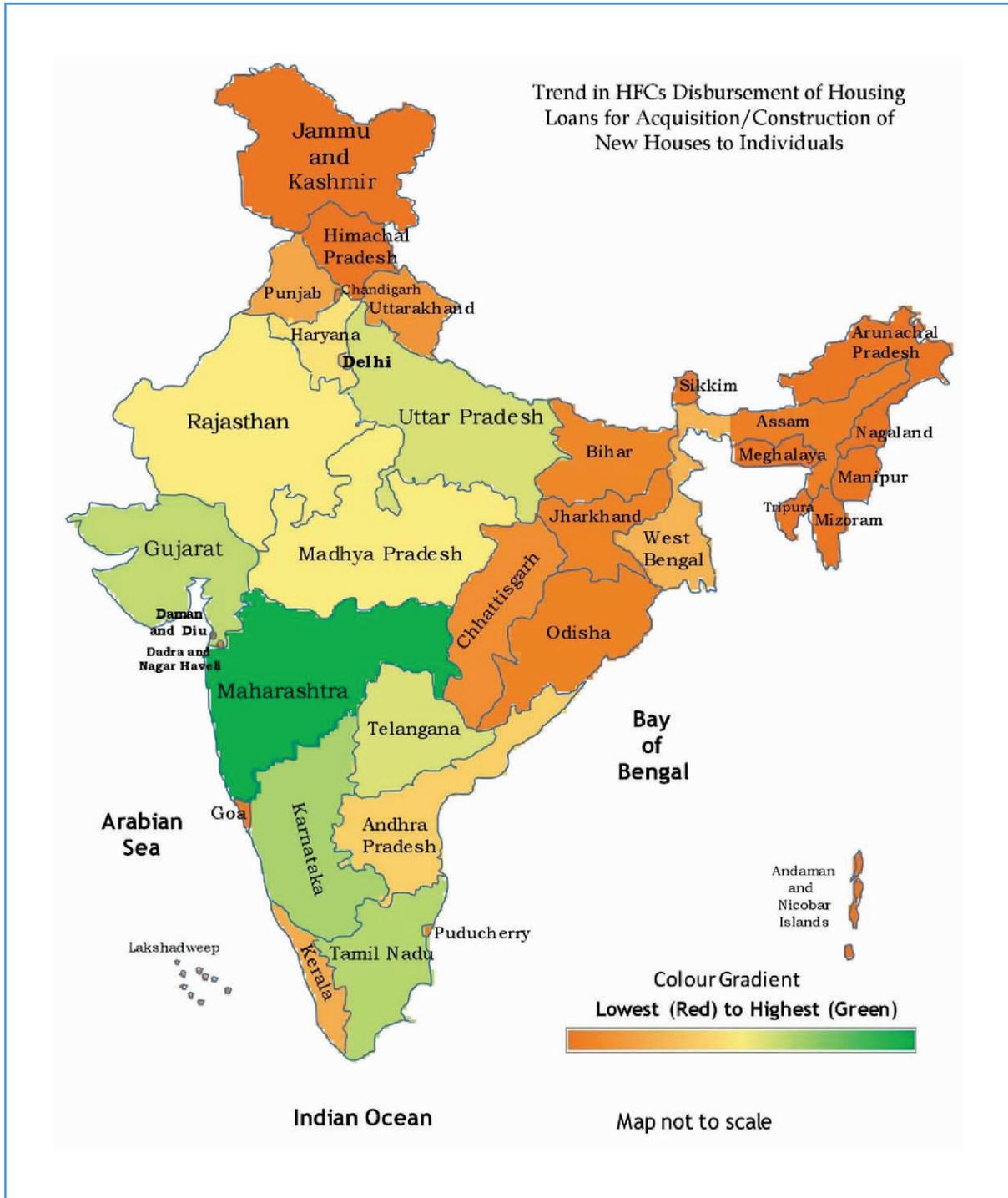
Source: Off-site Returns, NHB

Graph 3.14 – State-wise Distribution of HFCs’ Outstanding Housing Loans to Builders as on March 31, 2019



Source: Off-site Returns, NHB

Graph 3.15 – State-wise Distribution of HFCs’ Disbursements of Housing Loans to Individuals for Acquisition/ Construction of New Houses during 2018-19



Source: Off-site Returns, NHB

3.5 Performance of Public Sector Banks on Individuals Housing Loans

3.5.1 In the case of PSBs, the credit for housing loans increased significantly in 2018–19. The individual housing loan data from the PSBs on a yearly basis in six different slabs— up to ₹2 lakh, >₹2 lakh to ₹5 lakh, >₹5 lakh to ₹10 lakh, >₹10 lakh to ₹25 lakh, >₹25 lakh to ₹50 lakh and >₹50 lakh is shown below.

Table 3.13: Slab-wise Individual Housing Loans by PSBs – Disbursements and Outstanding for 2017-18 and 2018-19

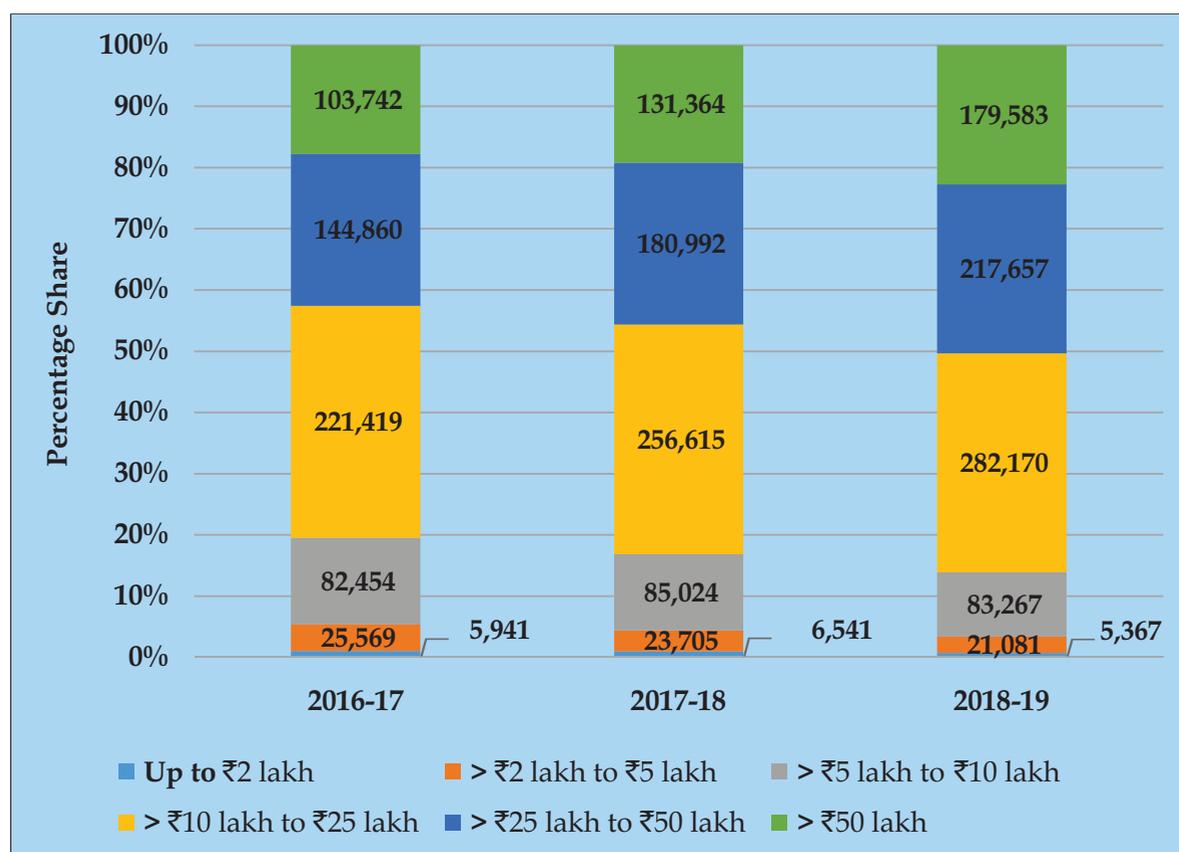
Amount in ₹ crore	2017-18			2018-19		
	Disb.	O/s	GNPA %	Disb.	O/s	GNPA %
Slab of Individual Housing Loan						
Up to ₹ 2 lakh	1,279	6,541	12.3%	469 (-63%)	5,367 (-18%)	20.1%
>₹ 2 lakh to ₹ 5 lakh	3,030	23,705	3.7%	2,675 (-12%)	21,081 (-11%)	3.6%
>₹ 5 lakh to ₹ 10 lakh	14,281	85,024	2.1%	12,021 (-16%)	83,267 (-2%)	2.0%
>₹ 10 lakh to ₹ 25 lakh	60,680	2,56,615	1.5%	60,478 (0%)	2,82,170 (10%)	1.4%
>₹ 25 lakh to ₹ 50 lakh	58,036	1,80,992	1.5%	65,653 (13%)	2,17,657 (20%)	1.5%
>₹ 50 lakh	53,394	1,31,364	1.8%	78,674 (47%)	1,79,583 (37%)	1.6%
Total	1,90,699	6,84,243	1.8%	2,19,971 (15%)	7,89,125 (15%)	1.7%

Figures in parentheses indicate y-o-y change

Source: Based on compilation of data submitted by Public Sector Banks
(Disb.- Disbursement, O/s- Outstanding)

3.5.2 The total individual outstanding housing loans of the PSBs stood at ₹ 7,89,125 crore as on March 31, 2019. The individual housing loans disbursement during 2018–19 by the PSBs was ₹ 2,19,971 crore. This accounts for 15 percent increase in disbursement and a similar increase in the total outstanding over the last financial year. In terms of disbursements, majority of the growth was witnessed in the slabs of above ₹ 25 lakh to ₹ 50 lakh and above ₹ 50 lakh.

Graph 3.16- Trend in PSBs Slab-wise Outstanding Individual Housing Loans



Source: Based on compilation of data submitted by Public Sector Bank

3.6 Co-operative Sector Institutions in Housing Finance

The co-operative housing structure consists of primary housing co-operatives at the grass-roots level and Apex Cooperative Housing Federations (ACHFs) at the national level. As per the data provided by National Co-operative Housing Federation of India, ACHFs have disbursed ₹13,171 crore to primary housing co-operatives for the construction of DUs for their members till the end of 2018-19. The outstanding loan portfolio of ACHFs at the end of 2018-19 was ₹ 1,392 crore. The state wise housing loan disbursed and units constructed by ACHFs is provided in Appendix III.



4.1 Introduction

- 4.1.1 The National Housing Bank Act, 1987, entrusted regulatory powers to the National Housing Bank for determining the policy and give directions to the housing finance companies and their auditors. The directions and guidelines issued by the NHB from time to time, inter-alia, included prudential norms with regard to capital adequacy, asset classification, concentration of credit, income recognition, provisioning for bad and doubtful debts, directions on corporate governance, acquisition or transfer of control of HFCs, issuance of Non-Convertible Debentures on private placement basis by HFCs, guidelines on KYC & AML Measures, Fair Practices Code, IT framework, Asset-Liability Management, etc.
- 4.1.2 The Finance (No.2) Act, 2019 (23 of 2019) amended the National Housing Bank Act, 1987 conferring certain powers for regulation of Housing Finance Companies (HFCs) with the Reserve Bank of India (RBI). The Central Government has since issued notification appointing August 09, 2019 as the date on which the relevant part of that Act, namely, Part VII of Chapter VI shall come into effect. The RBI shall come out with revised regulations in due course after reviewing the extant regulatory framework applicable to the HFCs. In the meantime, HFCs have been advised to continue to comply with the directions and instructions issued by the National Housing Bank (NHB). Subsequent to transfer of regulatory powers to RBI, NHB will continue to carry out supervision of HFCs and HFCs will continue to submit various returns to NHB as hitherto. The grievance redressal mechanism with regard to HFCs will also continue to be with the NHB.

4.2 Key Developments in Regulation of Housing Finance Companies

4.2.1 The major regulatory provisions introduced for HFCs during 2018-19 are as under:

- **Applicability of concentration of credit/ investment norms**

For calculation of Net Owned Fund (NOF), the loans given to/ investments made in companies in the same group/ subsidiaries by HFCs, inter alia, are to be reduced to the extent such amount exceeds 10 per cent of the Owned Funds. At the same time, such exposures are subject to the concentration of Credit/ Investment norms. Based on a review, it was decided that in determining concentration of credit/ investment, the investments of a HFC in shares of its subsidiaries and companies in the same group; the book value of debentures, bonds, outstanding loans and advances (including hire-purchase and lease finance) made to, and deposits with-subsidaries of a HFC and companies in the same group shall be excluded to the extent they have been reduced from owned funds for the calculation of net owned fund. Further, to bring clarity, definition of “companies in the same group” was also introduced in the HFCs (NHB) Directions, 2010.

- **Approval of Acquisition or Transfer of Control of an HFC**

HFCs are required to take prior written permission of the regulator for any change in its shareholding which would result in acquisition/transfer of shareholding of 26 % or more of the paid up equity capital.

In the above context, it was also stipulated that prior written permission will also be sought by any HFC accepting/holding public deposits in the case of any acquisition/transfer of shareholding of 10 % or more of the paid up equity capital of the HFC by/to a foreign investor.

- **Maintenance of a minimum percentage of liquid assets**

Deposit accepting/holding HFCs are required to maintain liquid assets as a specified percentage of their public deposits in terms of Section 29B of the National Housing Bank Act, 1987.

As one of the measures of protection of the interest of depositors, NHB increased the minimum percentage of such liquid assets to be maintained by the applicable HFCs in unencumbered approved from 6% to 6.5% with effect from June 03, 2019. Accordingly, public deposit holding HFCs are required to maintain liquid assets of 13.0% (including at least 6.5% in approved securities, the remaining in form of term deposits or certificate of deposits with a scheduled bank or in deposits with the National Housing Bank or by way of subscription to the bonds issued by NHB) with effect from the said date.

- **Capital adequacy requirement and Ceiling on borrowings/acceptance of deposits**

To address the issue of exposure of HFCs in terms of various risks viz. counterparty failures, funding, solvency and liquidity.

The minimum capital adequacy ratio requirement for HFCs has been increased in a phased manner from the extant level of 12% to 13% on or before March 31, 2020, 14% on or before March 31, 2021 and to 15% on or before March 31, 2022. Similarly, graded reduction in the cap on overall borrowings of HFC from the extant level of 16 times of NOF of the HFC to 14 times by March 31, 2020, 13 times by March 31, 2021 and 12 times by March 31, 2022 was stipulated by the NHB. The, ceiling of acceptance of public deposits by HFCs has also been reduced to 3 times of NOF from the earlier 5 times.

- **Filing of Security Interest in CERSAI**

With an objective, inter alia, to prevent multiple financing against the same property, the Central Registry viz. Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI) was set up under the provisions of the SARFAESI Act.

HFCs were advised to complete filing of records with CERSAI in respect of all the subsisting transactions with reference to the instructions issued by CERSAI. HFCs are required to ensure meticulous compliance in the matter of registration of the applicable records with the CERSAI on an ongoing basis.

- **Guidelines on Reporting and Monitoring of Frauds in Housing Finance Companies**

Incidence of frauds in Housing Sector is a matter of concern. In an effort to reduce fraudulent transactions in the housing finance sector through cautioning the HFCs about the recent transactions occurred, NHB, to disseminate the details of such transactions which, inter alia, includes modus operandi, causative factors and serious irregularities observed, was issuing Caution Advices to HFCs.

To formalise and streamline the process of reporting and disseminating, NHB issued Guidelines on Reporting and Monitoring of Frauds in HFCs in March 2019, inter alia, covering details related to classification of frauds, Reporting of Frauds to NHB, Quarterly returns, reports to the Board, Guidelines for Reporting Frauds to Police etc.

- **Disclosure of penalty levied by National Housing Bank on contravention/ default of regulatory requirements**

HFCs are required to separately disclose in the 'Notes on Accounts' to the Balance Sheet in the Annual Report of the company, the details of the levy of penalty, if any, imposed by the NHB.

In order to bring more transparency and provide an effective disclosure framework to all the stakeholders with greater extent, HFCs were also directed to display the penalty levied by NHB prominently on its website.

The requirement for listed HFCs to make additional disclosure to their respective stock exchanges(s) within two working days of the receipt of NHB letter levying penalty on the company was also put in place.

- **Guidelines on 'Know Your Customer' & 'Anti-Money Laundering Measures' for Housing Finance Companies**

In the light of various developments including amendments in the Prevention of Money Laundering Act, 2002 (PMLA) and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 (PML Rules), revised Guidelines on 'Know Your Customer' & 'Anti-Money Laundering Measures' for HFCs were issued by the NHB.

In addition to key elements viz. Customer Acceptance Policy, Customer Identification Procedures, Monitoring of Transactions; and Risk Management, revised Guidelines, inter alia, incorporated Customer Due Diligence (CDD) Procedure for different type of customers and enhanced/ongoing due diligence measures.

- **Risk Management System - Appointment of Chief Risk Officer**

In line with RBI's direction to NBFCs' on Risk Management System and considering the increasing role of HFCs in direct credit intermediation, NHB decided that HFCs with asset size of more than ₹5000 crore shall appoint a Chief Risk Officer (CRO) with clearly specified role and responsibilities. The CRO is required to function independently so as to ensure highest standards of risk management.

4.2.2 The list of notifications / circulars issued by the NHB during the financial year ended June 30, 2019 is placed at Appendix IV.

4.3 Supervision of HFCs

4.3.1 In terms of the provisions of the National Housing Bank Act, 1987, NHB supervises the functioning of HFCs through on-site inspections, market intelligence and off-site surveillance mechanisms, periodic returns / information and their verification. The core objective of prudential supervision is to ensure financial safety, soundness and solvency of the HFCs.

4.3.2 On-site Inspections

NHB conducted on-site inspections of 46 HFCs during 2018-19, of which 6 inspections were carried out under Section 29A of the NHB Act, 1987 for grant of Certificate of Registration based on application submitted by the companies. The remaining 40 inspections were carried out in respect of registered HFCs to ascertain their compliance with various regulatory provisions of the NHB Act, 1987, Directions, Guidelines, Circulars, etc. issued there under by NHB, from time to time.

4.3.3 Off-site Surveillance

NHB carries out off-site surveillance of HFCs by monitoring and scrutinizing periodic returns submitted by HFCs which includes quarterly, half yearly and annual returns as prescribed in the NHB Directions.

4.3.4 Penalties

In order to regulate the HFCs in an efficient manner NHB also penalizes HFCs for (i) non-maintenance of liquid assets (ii) non-submission of information/returns (ii) non-compliance with NHB Directions etc. During the year, 19 Housing Finance Companies were penalized for various non-compliances.

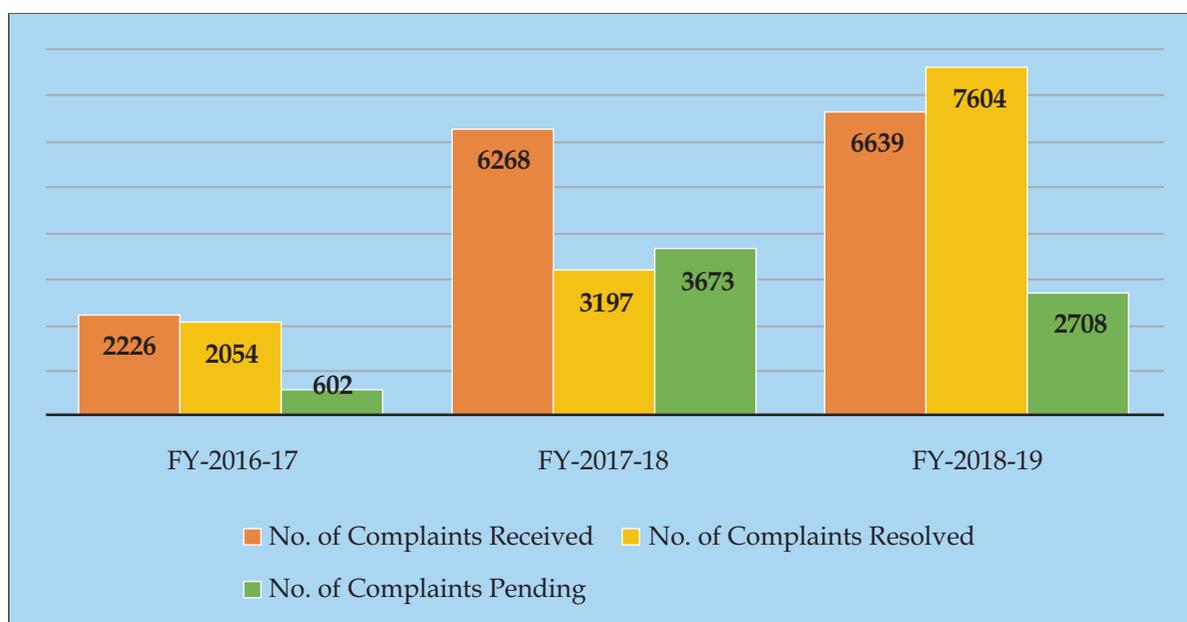
4.4 Grievance Redressal Mechanism of NHB

4.4.1 Grievance redressal mechanism of an institution is the gauge to measure its efficiency and effectiveness as it provides important feedback on the working of the institution.

4.4.2 NHB launched an online Grievance Redressal and Information Database System (GRIDS) in 2014 with an objective to provide an efficient and effective grievance redressal mechanism to the complaints against NHB and also against HFCs regulated by it. Being the Central Nodal Agency of PMAY-CLSS, NHB also addresses PMAY-CLSS related complaints.

4.4.3 GRIDS is an on-line database system, developed in-house by NHB, which facilitates the customer of HFC/NHB to lodge a complaint, and also track its status. GRIDS enables instant on-line updating of response to a complaint by HFC/NHB and also provides the latest status view at any time by the Complainant/HFC/NHB from a centralized database. The trend of complaints received and redressed by NHB during last three years is shown in Graph 4.1.

Graph 4.1 – Trend in Complaints Received and Redressed by NHB



Source: NHB

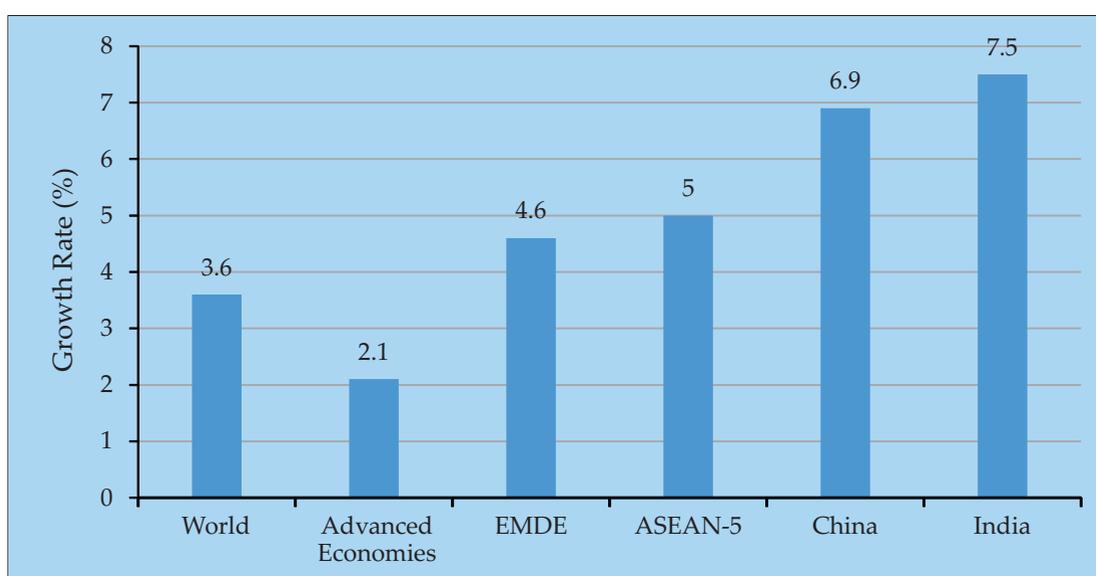
4.4.4 NHB, in line with the Government's Digital India programme which emphasizes on transformation of e-governance into m-governance (mobile governance), launched its mobile App whereby the mobile App's lodge-complaint module is directly integrated with GRIDS.

5. Key Economic Trends & Outlook for Housing Finance

5.1 Key Economic Trends

- 5.1.1. India continued to remain the fastest growing major economy in the world in 2018-19, despite a slight moderation in its GDP growth from 7.2 percent in 2017-18 to 6.8 percent in 2018-19²⁰.
- 5.1.2. India's growth of real GDP has been high with average growth of 7.5 percent in the last 5 years. The graphical representation of growth of GDP in India and other economies of the world in last five years (2014-15 to 2018-19) is provided below.

Graph 5.1: Comparison of GDP Growth of India with Others



Source: Economic Survey 2018-19

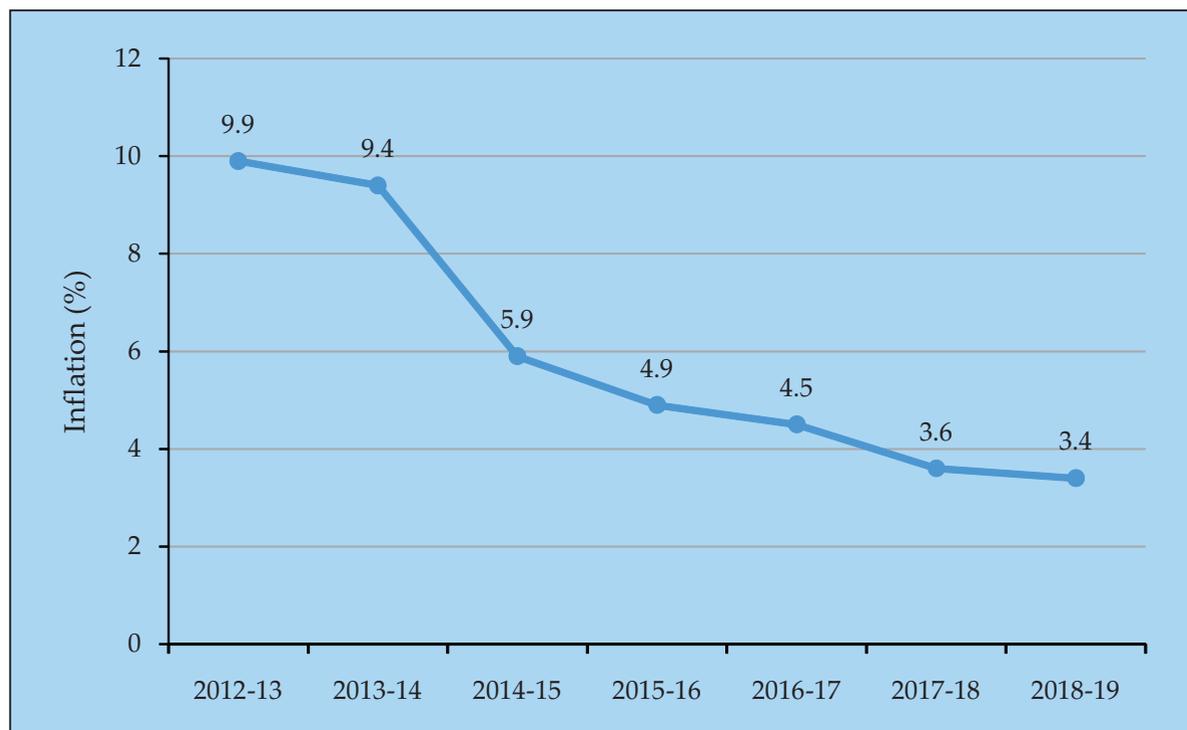
- 5.1.3. The ratio of real gross fixed capital formation (GFCF) to GDP increased to 32.3 percent in 2018-19 from 31.4 percent in 2017-18. Among the determinants of GFCF, construction activity remained ebullient in 2018-19, driven by the government's focus on infrastructure and affordable housing, and registered its highest growth in the last seven years. This was also reflected in its proximate coincident indicators – steel consumption and cement production which registered a growth of 7.6 percent and 13.3 percent respectively²¹.
- 5.1.4. The average CPI-C headline inflation declined to 3.4 percent in 2018-19 from 3.6 percent in 2017-18. Headline CPI-C inflation has remained below 4.0 percent for two consecutive years. The decline in the inflation in the 2018-19 was mainly due to low food inflation which ranged between (-) 2.6 to 3.1 percent²².

²⁰Economic Survey 2018-19

²¹RBI Annual Report 2018-19

²²Economic Survey 2018-19

Graph 5.2: Trend in CPI-C Inflation



Source: Economic Survey 2018-19

- 5.1.5. The investment in housing sector by the Government under its “Housing for All by 2022” Mission has provided job opportunities in construction and allied sectors with the help of induced effect thus contributing to overall health of the economy²³. A study to assess the magnitude of employment generated due to investment made under PMAY-U during the period between June, 2015 and January, 2019 was conducted by National Institute of Public Finance and Policy (NIPFP). According to the study, an estimated 284.74 crore person days of employment has been generated under PMAY-U as on 31st January, 2019, which includes 88.79 crore person days of direct employment and 195.95 crore person days of indirect employment. As per NSSO estimates, 280 working days are to be treated as jobs, thereby it translates to creation of 101.69 lakh jobs in total, out of which 31.71 lakh is direct and 69.98 lakh is indirect²⁴.
- 5.1.6. During 2018-19, the liquidity stress faced by the NBFC sector spilled over to the domain of housing finance, leading to a deceleration in credit extended by HFCs. The growth in outstanding housing loans of HFCs moderated to 13 percent during the 2018-19 as compared to 26 percent during 2017-18.

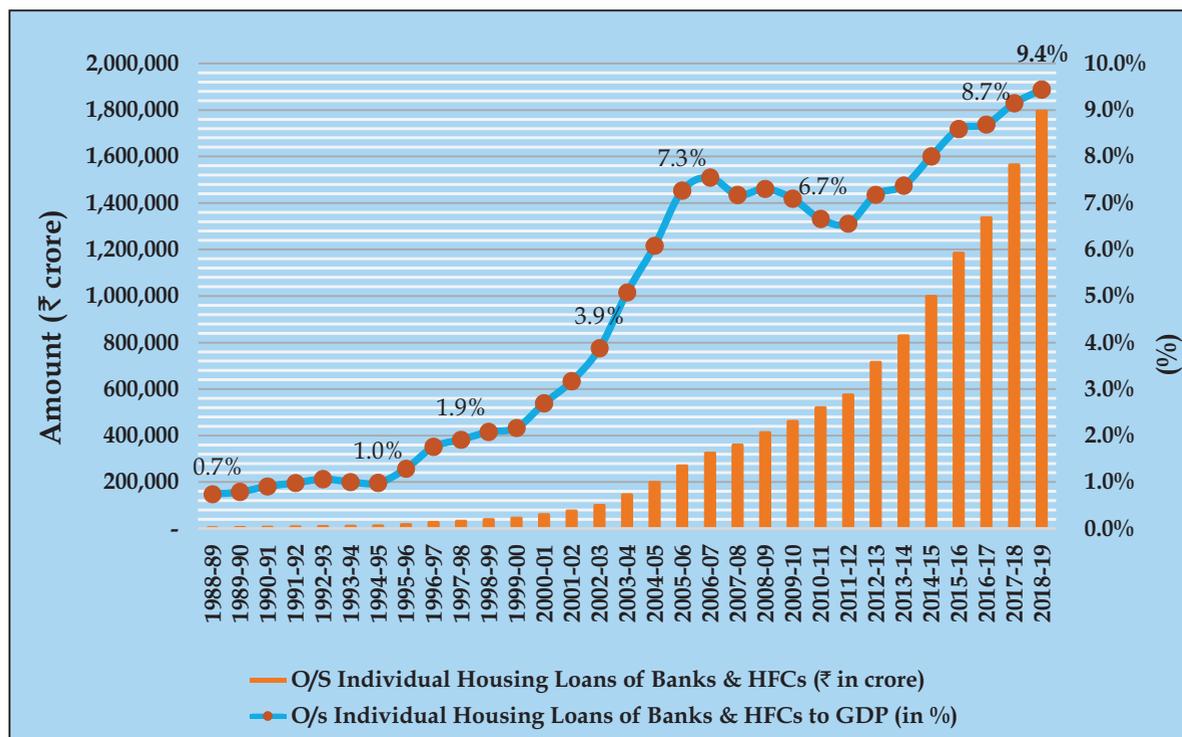
²³YEAR ENDER-6-PMAY- Ministry of Housing & Urban Affairs 2018, Press Release of MoHUA dated 27-12-2018

²⁴Annual Report 2018-19 of Ministry of Housing and Urban Affairs

5.2 Outlook for Housing Finance

- 5.2.1 The RBI in its Fifth Monetary Policy Statement released in December, 2019 revised the real GDP growth for 2019-20 downwards from 6.1 per cent in the October policy to 5.0 per cent. The Monetary Policy Committee was of the view that economic activity had weakened further and the output gap remained negative. However, several measures already initiated by the Government and the monetary easing undertaken by the RBI since February 2019 were gradually expected to further feed into the real economy.
- 5.2.2 Going forward, the inflation outlook is likely to be influenced by several factors viz. food inflation, inflation expectations, domestic financial market, crude oil prices and domestic demand. Taking these into consideration, the RBI projected the CPI inflation at 5.1-4.7 per cent for H2:2019-20 and 4.0-3.8 per cent for H1:2020-21
- 5.2.3 Monetary transmission of reduction in policy repo rates has been full and reasonably swift across various money market segments and the private corporate bond market. Credit market transmission remains delayed but is picking up. The transmission is expected to improve with the introduction of the external benchmark system, as most banks have linked their lending rates to the policy repo rate of the Reserve Bank.
- 5.2.4 Housing is one of the fastest moving sectors in the country. The rising population and rapid pace of urbanization owing to the rural–urban migration offers huge untapped potential especially in affordable housing segment. According to Census 2011, 377.1 million Indians comprising 31.14 per cent of the country’s population lived in urban areas, which are projected to grow more than 600 million by 2031.
- 5.2.5 The housing finance growth as a percent of GDP is a good measure of analysing the depth of the housing finance sector in the country. With evident proactive measures and various other initiatives of the Government, the overall share of individual housing loans to GDP has increased from 0.7 per cent in 1988–89 to 9.4 per cent in 2018–19. In terms of amount, it has grown from around ₹ 3,000 crore in 1988-89 to around ₹18,00,000 crore in 2018-19. The Graph 5.3 shows the growing percentage of outstanding housing loans to GDP.

Graph 5.3: Thirty Year Trend in Outstanding Individual Housing Loans of Banks and HFCs



Source: RBI and NHB

- 5.2.6 The Government of India, Reserve Bank of India and National Housing Bank announced various measures to support the housing finance sector like the launch of Partial Credit Guarantee Scheme for purchasing high-rated pooled assets from financially sound NBFCs/HFCs, allowing banks to provide partial credit enhancement (PCE) to bonds issued by the systemically important non deposit taking non-banking financial companies (NBFC-ND-SIs) and Housing Finance Companies (HFCs), temporary relaxation of minimum holding period in respect of securitisation/assignment of eligible assets by NBFCs and launch of Liquidity Infusion Facility (LIFt) Scheme for HFCs.
- 5.2.7 In order to provide priority debt financing for the completion of stalled housing projects in the Affordable and Middle-Income Housing sector, the Government of India, in November, 2019, announced establishment of Special Window for Funding Stalled Affordable and Middle-Income Housing Project. This fund would provide relief to developers that require funding to complete a set of unfinished projects and consequently ensure delivery of homes to the home-buyers. Since the real estate industry is intrinsically linked with several other industries, growth in this sector will have a positive effect in releasing stress in other major sectors of the Indian economy as well.
- 5.2.8 On account of various supply and demand side interventions from the Government, RBI and NHB, the housing sector is expected to continue to act as a catalyst of growth for the Indian Economy.

Box 5.1: Summary of the Report of the Committee on Development of Housing Finance Securitisation Market

The RBI had constituted a Committee on the Development of Housing Finance Securitisation Market in May, 2019. The scope of work of the Committee included review of existing state of mortgage securitisation market in India and make recommendations to address various issues relating to originators/investors as well as market microstructure. The Committee made various recommendations to address issues relating to originators/investors as well as to create a more robust legal and institutional foundation for mortgage-backed securitization to grow. Key Recommendations of the Committee are listed as under:

- (i) Developing standards for loan origination, loan servicing, loan documentation, and loans to be eligible for securitisation, including standardised formats for data collection and aggregation;
- (ii) Separation of regulatory guidelines for direct assignment transactions and transactions involving pass through certificates as well as for mortgage backed securities (MBS) and asset backed securities (ABS);
- (iii) Relaxation of regulatory norms for minimum holding period (MHP) and minimum retention requirement (MRR) for MBS;
- (iv) Amendments and/or clarifications for registration and stamp duty requirements and tax guidelines to reduce the transaction costs for securitisation as also to encourage investments in pass-through-securities;
- (v) Treating the assets underlying a securitisation transaction as well as any exposures in the form of credit enhancement as bankruptcy remote under the insolvency laws for financial firms; and,
- (vi) Changes to regulations issued by financial sector regulators to incentivise participation of their respective regulated entities as investors.

The implementation of recommendations submitted by the Committee is expected to enhance efficiency and transparency of securitisation transactions, ease the credit challenges faced by the Housing Finance Companies (HFCs) and ensure better Asset and Liability Management (ALM).

Source: Report of the Committee on the Development of Housing Finance Securitisation Market, September 09, 2019).



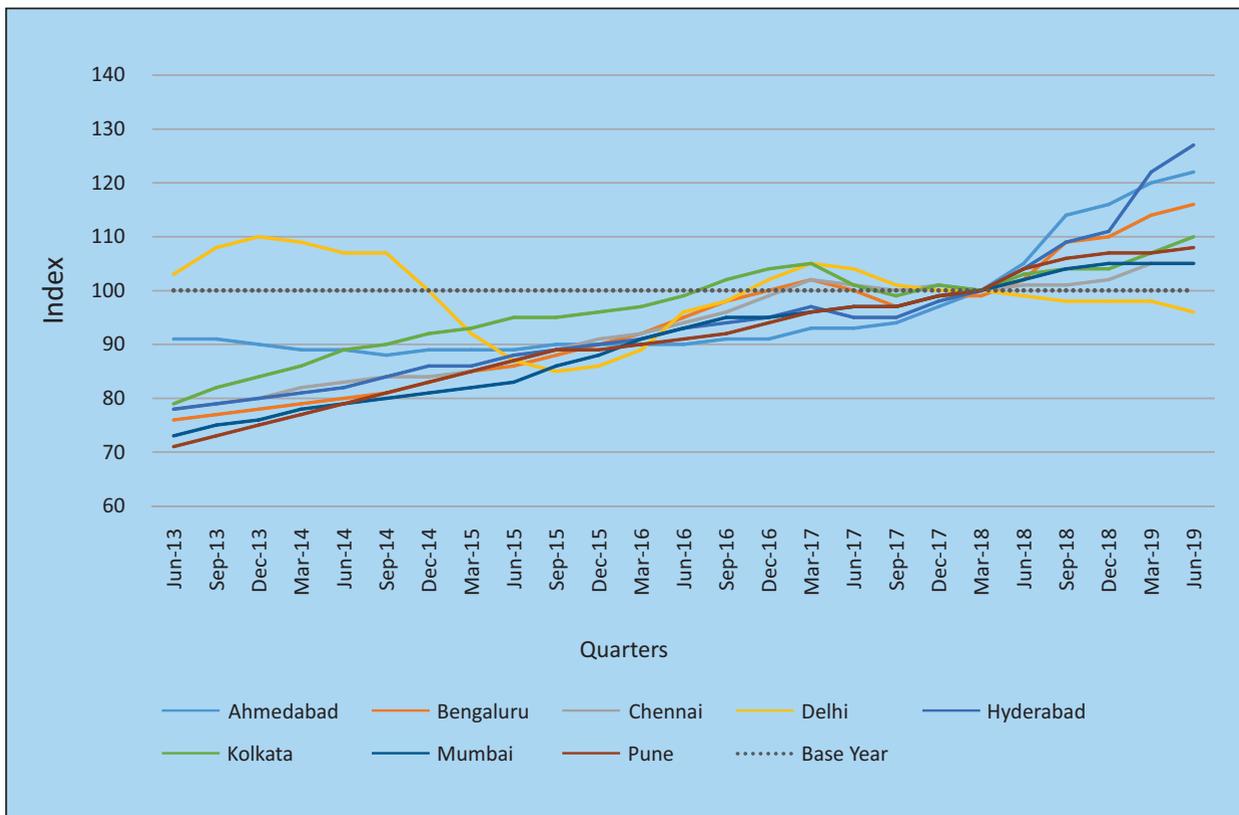
APPENDICES

Appendix I: NHB RESIDEX

I. Tier-wise movement of Index (HPI@Assessment Prices) in Cities at the end of June 2019

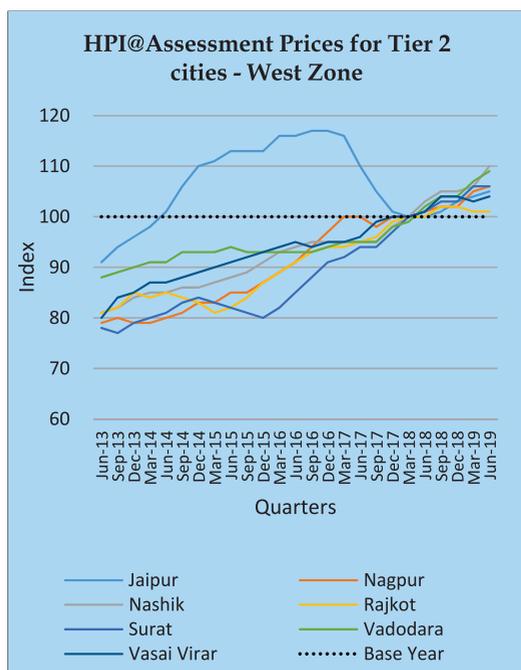
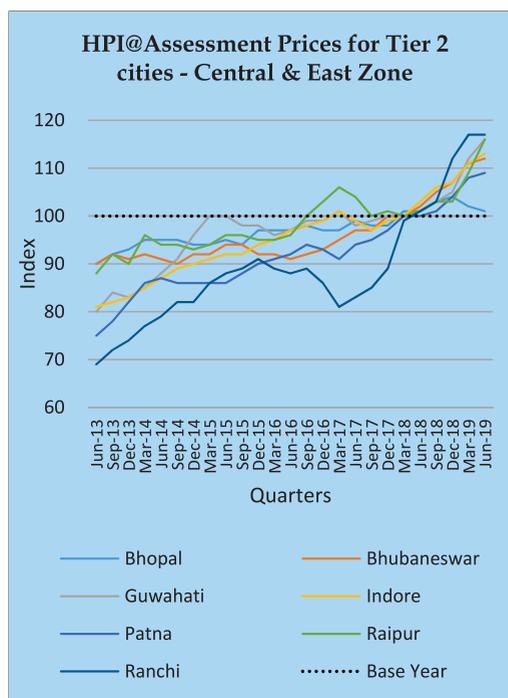
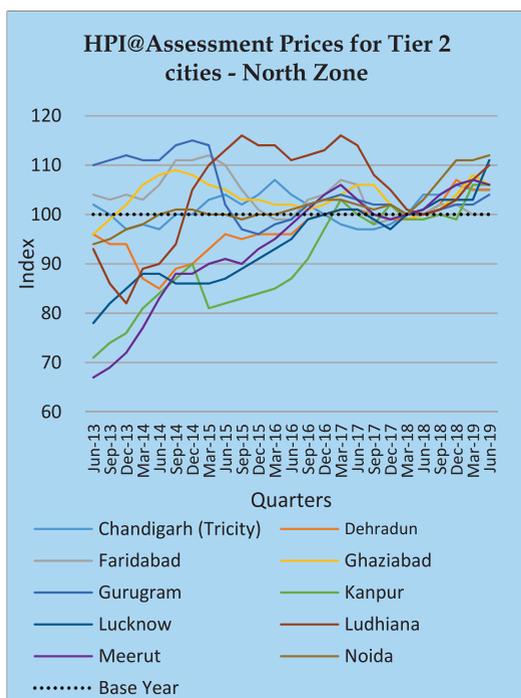
Tier-1 Cities: Among the 8 Tier-1 cities, Hyderabad witnessed maximum increase at 22.1% on Y-o-Y basis followed by Ahmedabad (16.2%), Bengaluru (13.7%), Kolkata (6.8%), Chennai (4.0%), Pune (3.8%) and Mumbai (2.9%). Delhi witnessed a fall in index by (-3.0%).

Figure: HPI@Assessment Prices for Tier 1 cities (Base Year 2017-18 = 100)



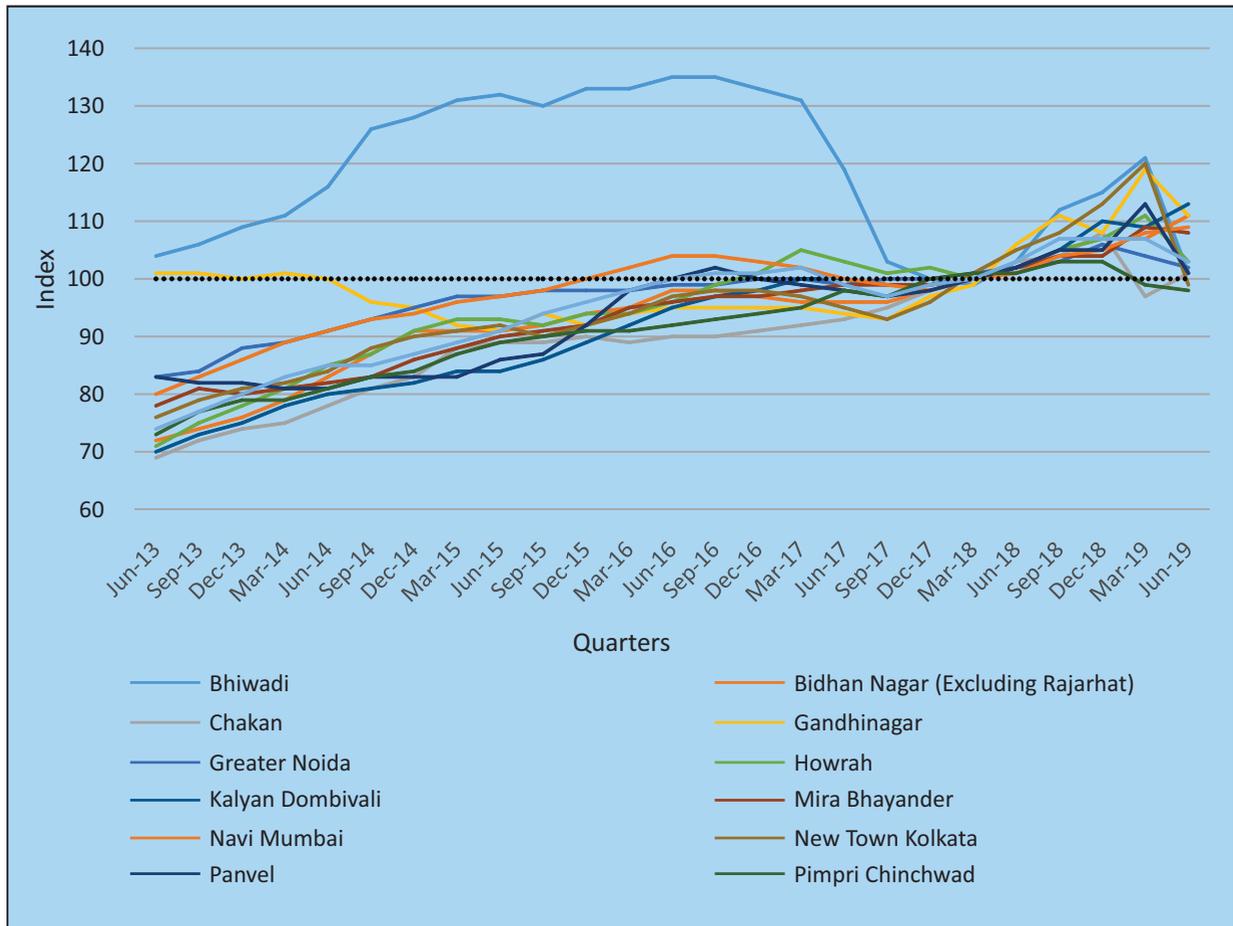
Tier 2 Cities: Of the 29 Tier-2 cities being covered, significant rise in indices was seen in Coimbatore (17.8%) followed by Ranchi (15.8%), Guwahati and Raipur by (14.9%), Thiruvananthapuram by (10.9%), Ludhiana by (10.0%), Lucknow (9.9%), Bhubaneshwar by (9.8%), Indore by (9.7%) and Patna by (9.0), while significant fall in index was seen in Kochi and Vijayawada (-1.0%) on Y-o-Y basis

Figure: HPI@Assessment Prices for Tier 2 cities classified as per geographic location (Base Year 2017-18 = 100)



Tier 3 Cities: Of the Tier 3 cities being covered, significant rise was seen in Bhiwadi (18.4%) followed by Gandhinagar (15.1%), New town Kolkata (12.4%) and Howrah and Panvel (10.8%), while significant decline was witnessed in cities - Chakan by (-6.8)% and Pimpri Chinchwad by (-1.0)% on Y-o-Y basis.

Figure: HPI@Assessment Prices for Tier 3 cities classified as per geographic location (Base Year 2017-18 = 100)

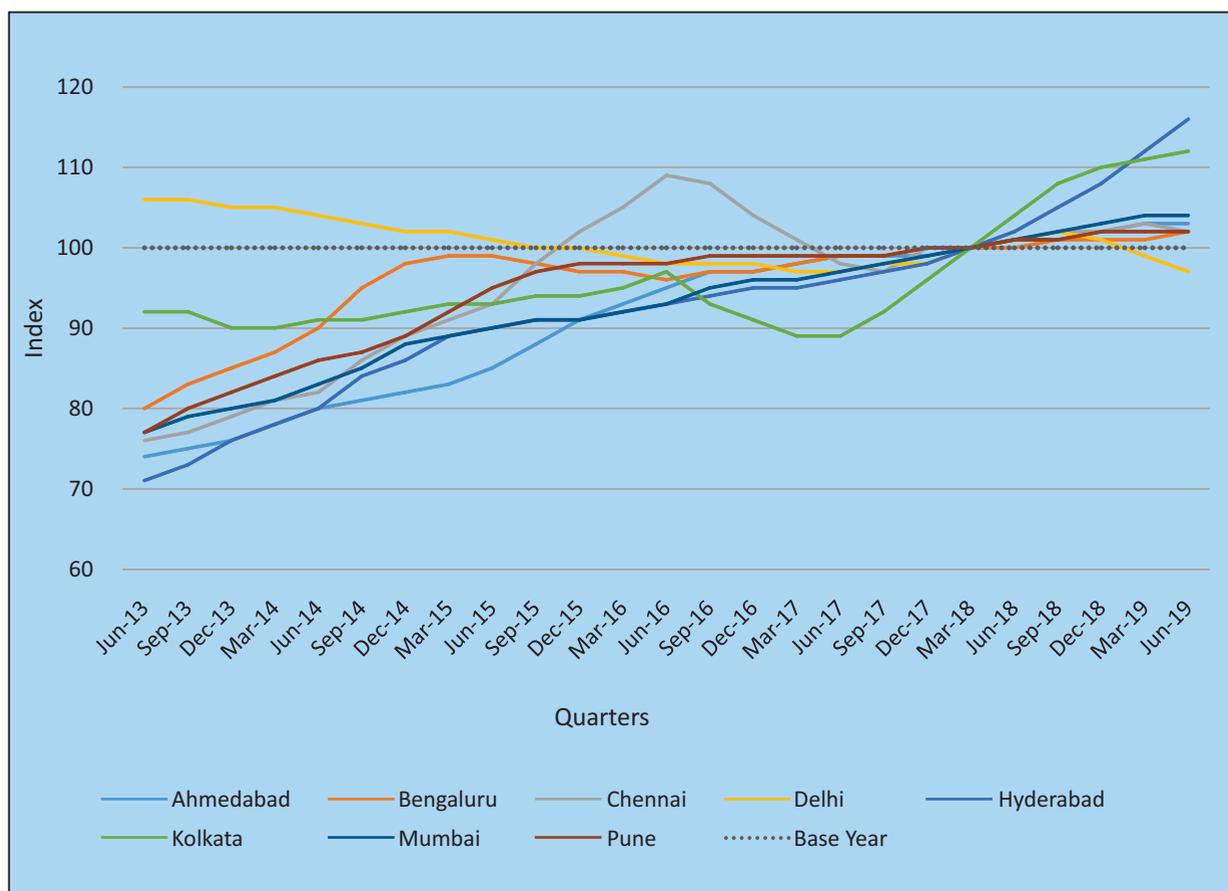


Source: NHB

II. Tier-wise movement of Index (HPI@ Market Prices for Under Construction Properties) in Cities at the end of June 2019

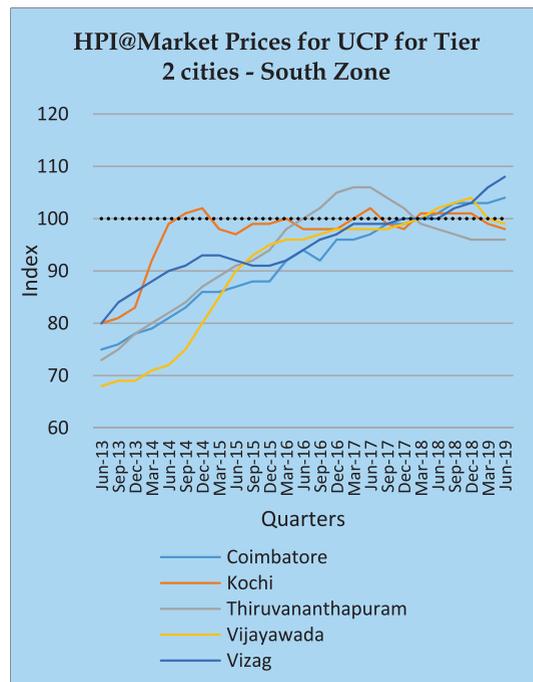
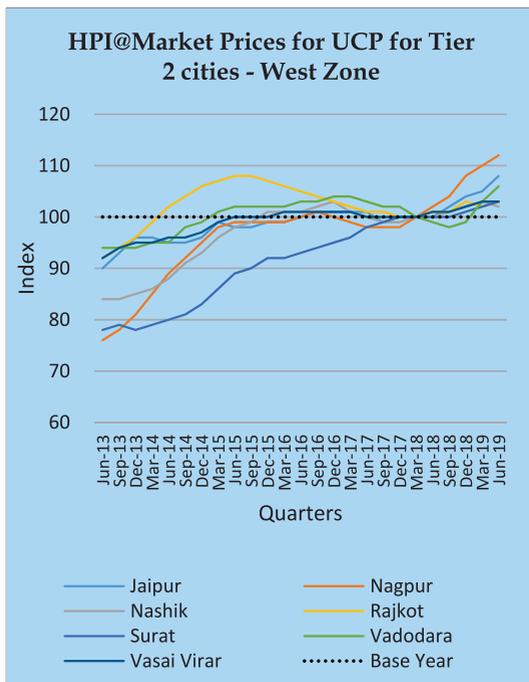
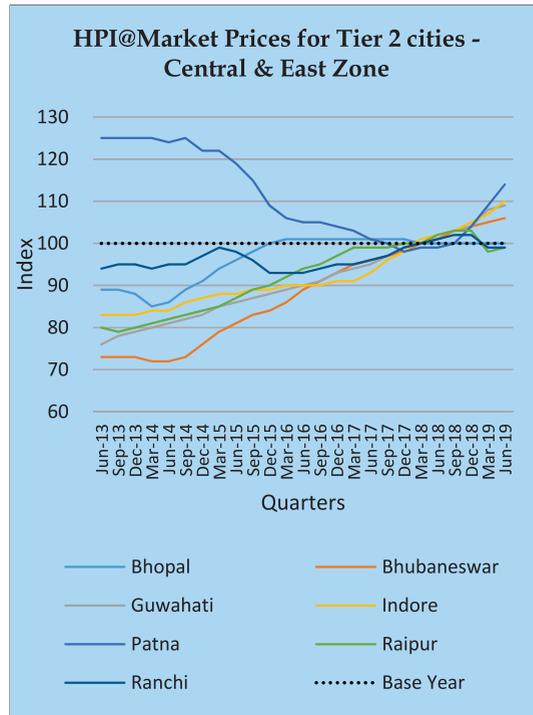
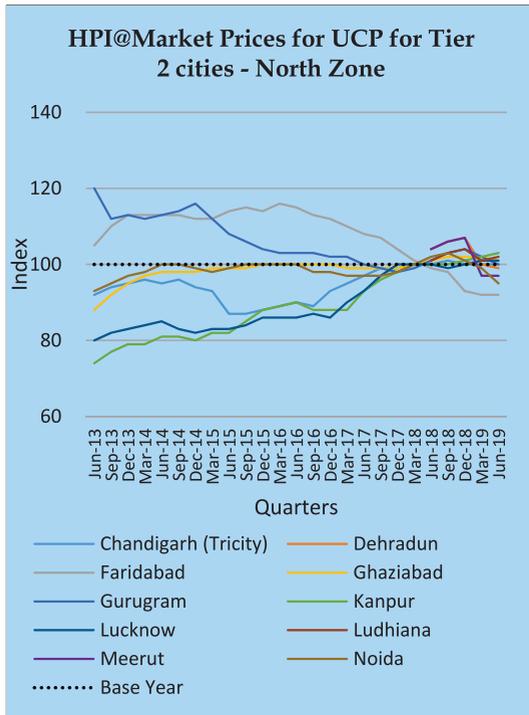
Tier-1 Cities: Annually, the 8 Tier 1 cities showed growth with Hyderabad (13.7%) leading, followed by Kolkata (7.7%), Mumbai (3.0%), Ahmedabad and Bengaluru (2.0%), Chennai and Pune (1.0%). Delhi recorded a decline by (-4.0%).

Figure: HPI@Market Prices for Under Construction Properties for Tier-1 cities (Base Year 2017-18 = 100)



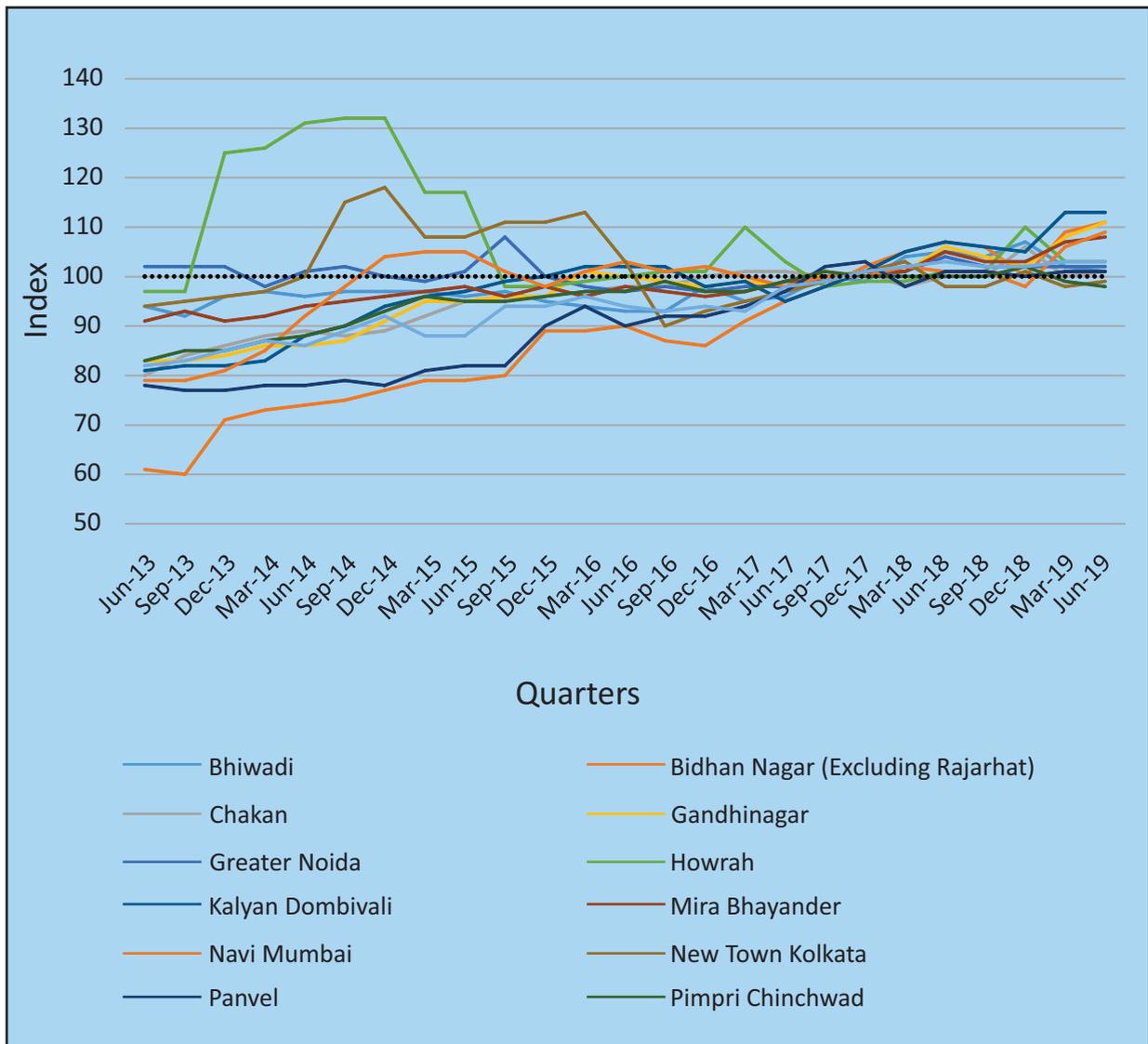
Tier-2 Cities: Of the 29 Tier-2 cities being covered, maximum increase in indices was seen in Patna (15.2%) followed by Nagpur (9.8%) while maximum decrease in indices was seen in Faridabad (-7.1%), Noida (-6.9%), Meerut (-6.7%) and Dehradun (-4.8%) on Y-o-Y basis.

Figure: HPI@Market Prices for Under Construction Properties for Tier-2 cities (Base Year 2017-18 = 100)



Tier-3 Cities: Among the 13 Tier-3 cities, the variations ranged from 9.7% in Kalyan Dombivali to (-2.0%) in Pimpri Chinchwad on Y-o-Y basis.

Figure: HPI@Market Prices for Under Construction Properties for Tier-3 cities (Base Year 2017-18 = 100)



Appendix II: Trend in Disbursements of Housing Loans to Individuals by HFCs in different States/ UTs

(Amount in ₹ crore)

Particulars	2017-18			2018-19			Y-o-Y Growth
	Urban	Rural	Total	Urban	Rural	Total	
Andaman and Nicobar	0	0	0	0	0	0	-
Andhra Pradesh	4,863	1,587	6,450	5,181	1,631	6,812	5.6%
Arunachal Pradesh	0	0	0	0	1	1	-
Assam	440	29	469	560	23	582	24.1%
Bihar	908	47	955	1,209	40	1,249	30.8%
Chandigarh	356	27	383	441	22	463	20.9%
Chhattisgarh	1,738	244	1,982	1,698	172	1,870	-5.6%
Dadra & Nagar Haveli	73	6	79	109	6	115	45.6%
Daman and Diu	27	3	29	31	10	40	37.9%
Delhi	9,397	1,285	10,682	9,535	1,114	10,649	-0.3%
Goa	356	85	441	303	79	381	-13.6%
Gujarat	16,404	4,303	20,707	16,354	3,589	19,943	-3.7%
Haryana	8,027	1,098	9,125	9,367	744	10,110	10.8%
Himachal Pradesh	40	25	65	48	15	64	-1.5%
Jammu and Kashmir	34	0	34	43	4	46	35.3%
Jharkhand	775	69	844	920	41	961	13.9%
Karnataka	15,885	6,520	22,405	17,227	6,091	23,319	4.1%
Kerala	2,834	2,513	5,347	2,873	2,229	5,101	-4.6%
Lakshadweep	0	0	0	0	0	0	-
Madhya Pradesh	6,337	1,839	8,176	7,273	1,367	8,639	5.7%
Maharashtra	48,255	12,295	60,550	48,850	9,753	58,602	-3.2%
Manipur	1	0	2	3	1	4	100.0%
Meghalaya	0	0	0	0	0	0	-
Mizoram	0	0	0	0	0	0	-
Nagaland	0	0	0	0	0	0	-
Odisha	947	95	1,042	864	93	957	-8.2%
Puducherry	274	40	314	286	39	325	3.5%
Punjab	2,996	1,342	4,338	2,886	1,356	4,242	-2.2%
Rajasthan	7,141	2,142	9,283	8,413	1,617	10,030	8.1%
Sikkim	263	1	264	255	0	255	-3.4%
Tamil Nadu	14,715	5,676	20,390	15,084	6,632	21,716	6.5%
Telangana	12,069	2,541	14,610	14,660	3,299	17,959	22.9%
Tripura	9	0	9	23	0	23	155.6%
Uttar Pradesh	15,814	2,219	18,033	16,973	1,694	18,667	3.5%
Uttarakhand	2,009	704	2,713	2,430	481	2,911	7.3%
West Bengal	4,252	318	4,570	4,780	293	5,074	11.0%
Total	1,77,239	47,052	2,24,292	1,88,677	42,434	2,31,111	3.0%

Source: Off-site Returns, NHB

Appendix III: Trend in Disbursements of Housing Loans to Individuals by ACHFs

(Amount in ₹ crore)

State	2016-17		2017-18		2018-19	
	Units constructed /Financed	Amount	Units constructed/ Financed	Amount	Units constructed/ Financed	Amount
Andhra Pradesh	-	-	-	-	-	-
Assam	-	-	-	-	-	-
Bihar	-	-	-	-	-	-
Chandigarh	-	-	-	-	-	-
Chhattisgarh	-	-	-	-	-	-
Delhi	1.5	29.2	1.3	33.4	2.1	66.4
Goa	0.1	1.3	0.2	3.1	0.2	3.9
Gujarat	-	-	-	-	-	-
Haryana	0.1	0.4	0.0	0.0	-	1.7
Himachal Pradesh	-	0.8	-	1.4	-	1.6
Jammu & Kashmir	-	-	-	-	-	-
Karnataka	0.6	3.3	0.9	4.6	0.7	4.3
Kerala	14.6	54.5	18.9	83.3	20.7	95.9
Madhya Pradesh	-	-	-	-	-	-
Maharashtra	-	-	-	-	-	-
Manipur	-	-	-	-	-	-
Meghalaya	-	-	-	-	-	-
Odisha	-	-	-	-	-	-
Puducherry	0.8	4.9	0.7	5.5	0.4	5.2
Punjab	-	-	-	-	-	-
Rajasthan	0.4	1.0	0.1	0.5	0.0	0.8
Tamil Nadu	4.6	31.2	3.8	28.0	2.2	110.7
Uttar Pradesh	-	-	-	-	-	-
West Bengal	1.5	4.0	0.8	4.8	0.6	4.3
Total	24.2	130.7	26.6	164.8	26.9	294.9

Source: National Co-operative Housing Federation of India

Appendix IV: Notifications, Circulars and Caution Advices issued by National Housing Bank during the Financial Year (July 01, 2018 to June 30, 2019)

A. Notifications

1. Notification No. NHB.HFC.DIR.21/MD&CEO/2018 dated July 12, 2018 - Amendment to Paragraph 2 and 32 of the Housing Finance Companies (NHB) Directions, 2010

- Definition of “companies in the same group” specified under paragraph 2 of the HFCs (NHB) Directions, 2010
- Paragraph 32 of the HFCs (NHB) Directions, 2010 was amended to the effect that in determining the ceiling of Concentration of credit/ investment, investments of a HFC in shares of its subsidiaries and companies in the same group; the book value of debentures, bonds, outstanding loans and advances (including hire-purchase and lease finance) made to, and deposits with-subsiidiaries of a HFC and companies in the same group to the extent they have been reduced from owned funds for the calculation of net owned fund, shall be excluded. However, the exposure of a HFC to group companies involved in real estate construction/purchase and sale of real estate activities is subject to the general ceiling applicable under the credit/investment concentration norms.

2. Notification No. NHB.HFC.ATC.DIR.2-MD&CEO-2018 dated July 19, 2018 - Amendment to Paragraph 3 and 5 of Housing Finance Companies – Approval of Acquisition or Transfer of Control (National Housing Bank) Directions, 2016

- Paragraph 3 of the captioned Directions was amended to the effect that prior approval of NHB for acquisition or transfer of control of HFCs is also required for any change in the shareholding of an HFC accepting/holding public deposits, including progressive increases over time, which would result in acquisition / transfer of shareholding of 10 percent or more of the paid up equity capital of the HFC by/to a foreign investor
- Paragraph 5 was amended to the effect that Requirement of Prior Public Notice about change in control / management is not applicable in the event of acquisition/transfer of shareholding of 10 percent or more and less than 26 percent of the paid up equity capital of the HFC by/to a foreign investor.

3. Notification No. No.NHB.HFC.LA-2/MD&CEO/2019 dated May 25 2019 - Maintenance of a minimum percentage of liquid assets

The requirement of minimum liquid assets to be maintained by HFCs against the public deposits held by them in unencumbered approved securities, in terms of the provisions of Section 29B of the National Housing Bank Act, 1987, increased from 6 percent to 6.5 percent. Accordingly, the overall requirement of liquid assets to be maintained by public deposit

holding HFCs increased to 13.0 percent as against 12.5 percent earlier. The increased requirements became effective from June 03, 2019.

4. Notification No. NHB.HFC.DIR.22/MD&CEO/2019 dated June 17, 2019 - Amendment to Paragraph 3 and 30 of the Housing Finance Companies (NHB) Directions, 2010

- Paragraph 3 of the HFCs (NHB) Directions, 2010 was amended to the effect that an HFC can accept public deposits upto three times of its NOF, previously upto five times of NOF.

Further, the cap on deposits inclusive of public deposits for HFCs revised from sixteen times of NOF as under:

- (i) fourteen times of its NOF on or after March 31, 2020;
 - (ii) thirteen times of its NOF on or after March 31, 2021; and
 - (iii) twelve times of its NOF on or after March 31, 2022.
- Paragraph 30 was amended to the effect that every HFC shall, maintain a minimum capital ratio consisting of Tier-I and Tier-II capital not be less than-
 - (i) 13 percent on or before March 31, 2020;
 - (ii) 14 percent on or before March 31, 2021; and
 - (iii) 15 percent on or before March 31, 2022 and thereafter of its aggregate risk weighted assets and of risk adjusted value of off-balance sheet items.

Further, the Tier-I capital, at any point of time, shall not be less than 10 percent.

B. Policy Circulars

1. NHB (ND)/DRS/Policy Circular No.91/2018-19 dated January 21, 2019 on Filing of Security Interest in CERSAI

HFCs advised to complete filing of records with CERSAI in respect of all the subsisting transactions with reference to the instructions issued by CERSAI from time to time by March 31, 2019. HFCs also advised to ensure meticulous compliance in the matter of registration of the applicable records with the CERSAI on an ongoing basis.

2. NHB (ND)/DRS/Policy Circular No.92/2018-19 dated February 05, 2019 on Guidelines on Reporting and Monitoring of Frauds in Housing Finance Companies

To facilitate the ongoing process relating to reporting of frauds in HFCs and to strengthen the reporting and monitoring system relating to fraudulent transactions reported by HFCs, Guidelines on Reporting and Monitoring of Frauds in Housing Finance Companies issued by National Housing Bank.

3. NHB (ND)/DRS/Policy Circular No.93/2018-19 dated February 15, 2019 on Disclosure of penalty levied by National Housing Bank on contravention/ default of regulatory requirements

In addition to the disclosure requirements specified under paragraph 29(6) of the HFCs (NHB) Directions, 2010, HFCs advised to prominently display on their website any penalty levied on the company by the National Housing Bank (NHB). Further, HFCs whose shares are listed on any of the stock exchanges shall also ensure that disclosure in this regard is made to the stock exchange(s) within two working days of the receipt of NHB letter levying penalty on the company.

4. NHB (ND)/DRS/Policy Circular No.94/2018-19 dated March 11, 2019 on Guidelines on 'Know Your Customer' & 'Anti Money Laundering Measures' for HFCs

The Guidelines on 'Know Your Customer' and 'Anti-Money Laundering Measures' for HFCs issued by NHB and the circulars issued subsequent thereto from time to time reviewed by the NHB in the light of subsequent developments including amendments in the Prevention of Money Laundering Act, 2002(PMLA) and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005(PML Rules).

5. NHB (ND)/DRS/Policy Circular No.95/2018-19 dated May 29, 2019 on Risk Management System - Appointment of Chief Risk Officer

While the Boards of HFCs should strive to follow best practices in risk management, the requirement for HFCs with asset size of more than ₹ 5000 crore to appoint a Chief Risk Officer (CRO) with clearly specified role and responsibilities put in place by the NHB. The CRO is required to function independently so as to ensure highest standards of risk management.

C. Miscellaneous Circulars

1. NHB (ND)/DRS/Misc. Circular No.19/2018-19 dated August 13, 2018 on Detection and Impounding of Counterfeit Notes- Reporting of data to NHB

HFCs advised to furnish a quarterly report to the NHB along the lines of Annexure- VI of the Reserve Bank of India (RBI) Master Circular-Detection and Impounding of Counterfeit Notes dated July 02, 2018, as amended from time to time, and similar instructions issued by RBI, beginning the quarter ended September 30, 2018.

2. NHB (ND)/DRS/Misc. Circular No.20/2018-19 dated February 05, 2019 on Instructions to all Housing Finance Companies

It has been recognised that greater diligence is required on matters such as reporting, disclosures, ALM, controls and inter-company transactions. HFCs advised to, inter-alia,

- ensure requisite compliance with the regulatory directives (National Housing Bank Act, 1987, Directions, Circulars, and Guidelines etc.);

- put in place adequate systems and controls commensurate with the scale of operations with particular reference to exposure on high value Builder Loans, construction finance, loan against property and other non-housing loans;
- review their ALM practices as part of the overall system for effective risk management in various portfolios and ensure the required reporting to NHB;
- ensure effective management of operational risk including technology risk as outlined in Information Technology Framework for HFCs ;
- ensure that Fair Practice Code is adopted in letter and spirit;
- give primacy to timely resolution of grievances;
- to make all applicable disclosures on exposure to subsidiaries & associates as per the accounting standards and regulatory requirements;
- ensure meticulous compliance in the matter of registration of the applicable records with the CERSAI on an ongoing basis;
- put in place a reporting system for recording frauds as stipulated in the NHB guidelines on the subject.

D. Other activities

Master Circular- Master Circulars issued on July 1, 2019 consolidated the instructions issued to HFCs in the form of Directions, Notifications, and Circulars, etc. during 2018-19:

1. Master Circular– The Housing Finance Companies (NHB) Directions, 2010;
2. Master Circular– Housing Finance Companies issuance of Non-Convertible Debentures on private placement basis (NHB) Directions, 2014;
3. Master Circular – Fair Practice Code;
4. Master Circular – Miscellaneous Instructions to all Housing Finance Companies;
5. Master Circular– Housing Finance Companies – Auditor’s Report (National Housing Bank) Directions, 2016;
6. Master Circular– Housing Finance Companies – Approval of Acquisition or Transfer of Control (National Housing Bank) Directions, 2016;
7. Master Circular– Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016

All the Notifications, Circulars and Guidelines etc. issued by NHB to Housing Finance Companies and their Auditors, from time to time, are available in the NHB website.



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