

NHB (ND)/R &PFD/2020
19th October, 2020



To All Eligible Primary Lending Institutions

Madam/Dear Sir,

Revised Refinance Scheme for Construction Finance for Affordable Housing

One of the core objective of NHB is to make housing credit more affordable for common man. In order to achieve the same bank aims to support the supply side of the market for affordable housing by providing financial assistance through Housing Finance Companies (HFCs) for addressing the credit needs of agencies executing affordable housing projects.

In order to stimulate demand for credit for Affordable Housing, National Housing Bank (NHB) has revised the Refinance scheme for Construction Finance for Affordable Housing (RSCF-AH). The scheme has been revised in light of the prevalent conditions in the housing finance sector. The available data shows that HFCs have a quite good exposure towards financing the project loans to builders.

The focus of the scheme is on small projects mainly because they are expected to be delivered faster and also the sales velocity will be high and mainly present in the suburbs of the metropolitan cities or in the Tier-II and Tier-III cities. Also, these projects are expected to cater to the segments that fall under the EWS/LIG or MIG households. It is expected that units under the projects will be affordable.

The Broad Features of the Scheme are as under:-

1 Eligibility Criteria:

- 1.1. HFCs whose Net Owned Fund (NOF) is more than Rs. 500 crore as on the last day of the previous financial year and who are eligible under the Liberalized Refinance Scheme (LRS) scheme of NHB will be eligible for refinance under this scheme.
- 1.2. All Scheduled Commercial Banks (SCBs), who are eligible for refinance under the LRS of NHB are also eligible under this scheme.
- 1.3. The construction finance project of the PLI against which this refinance is availed, should have a minimum external rating of "Moderate Project or Equivalent" from the credit rating agency registered with SEBI.

2 Definition of Affordable Housing Project :

- 2.1 As defined under the Harmonized Master List of Infrastructure Sub-sectors vide notification dated 14.11.2017 by Department of Economic Affairs, Ministry of Finance, Government of India. At present, Affordable Housing is defined as a housing project using at least 50% of the FAR (Floor Area Ratio)/ FSI (Floor Space Index) for dwelling units with carpet area of not more than 60 Sq. Mts.



भारत सरकार के अंतर्गत सांविधिक निकाय Page 1 of 3

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2.2 Refinance would be available to the extent of the project cost apportioned for the affordable housing viz. in terms of proportion of the sum of carpet area for units having individual carpet area not exceeding 60 sq. mts to the total carpet area under the project.

3 Projects eligible for Refinance.

3.1 The total cost shall not exceed Rs. 50 crore per project and loan by PLIs to the project shall be as follows:

Net Owned Fund	Loan amount not exceeding per project
Above Rs. 500 crore and up to Rs. 1,000 crore	Rs. 10 crore
Above Rs. 1,000 crore and up to Rs. 2,000 crore	Rs. 15 crore
Above Rs. 2,000 crore	Rs. 25 crore

3.2 Within the overall refinance limit sanction to a PLI, a sub-limit of not exceeding 15% of overall limit sanctioned (i.e. outstanding + proposed limit) will be ear-marked for refinance against the Construction Finance for Affordable Housing.

3.3 Overall exposure of NHB under the scheme be restricted to 5% of NOF of the NHB.

4 Margin or asset cover:

It is proposed to have a margin of 20% over and above the refinance or the asset cover will be 120% of the refinanced amount.

5 Security to be obtained from Primary lending institutions:

5.1 In the case of HFCs, Book debts against which refinance has been availed will be charged to NHB. Further, HFCs will also recognize the rights of NHB under Section 16B of the NHB act, 1987.

5.2 In the case of SCBs, refinance under the scheme will be extended as is being extended at present in the case of individual housing loans i.e. the list of all the projects against which refinance has been availed will be flagged to NHB and will be covered by Section 16B of the NHB Act, 1987 along with a Letter of Authorization (LoA).

5.3 NHB shall have the first exclusive charge on the Affordable Housing Project loan refinanced/security offered.

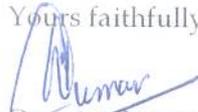
6 Additional conditions:

6.1 At the time of drawdown of the Refinance, Statutory Auditors' of the PLIs will certify that outstanding loan against which refinance is sought, was utilized for the respective project only. Further, the Auditor will certify that the Book Debt account is standard with not more than 30 Days Past Due (DPD) and free from litigation. Financial closure is to be ensured by the PLI for the Project.



- 6.2 All the projects will be geo-tagged by the lending PLI and registered under the provisions of the Real Estate (Regulation and Development) Act, 2016 (RERA), wherever such regulations are in force.
- 6.3 Repayment period will be a maximum of five years.
- 6.4 The Total exposure of NHB to any group (builder) will not exceed Rs. 100 crore across all the PLIs.
- 6.5 Any amount received by the PLI from the builder upon sale on residential units or otherwise will be repaid to NHB as per Section 16B of the NHB act. 1987.
- 6.6 The rate of interest, terms of prepayment and other conditions will be as prescribed under the LRS scheme.

Yours faithfully,



Deputy General Manager
Refinance & Project Finance Department

