

Part A - Objectives

The Project Finance (direct lending) activities of the Bank are being undertaken in terms of Section 14 (ba) of the Act. The aim of the Bank's Project Finance Policy is to facilitate increase in the overall housing stock in the country through supply side intervention with special emphasis on the housing needs of the economically weaker sections of society.

Part B- Eligible Entities

1. Public Agencies

The Bank seeks to provide financial assistance to the following public agencies for their housing programmes:

- State Housing Boards/Improvement Trusts
- State Slum Clearance Boards/ Authorities
- Development Authorities
- Municipal Corporations/Councils, Urban Local Bodies
- New Town Development Agencies
- Local Authorities for housing & urban development
- Housing Welfare Organizations of Central and State Government employees like CGEWHO, AWHO, AFNHB, IRWO etc.
- Other Agencies set up for specific housing programmes.
- Agencies set up by government to provide housing to specific target groups like state Police Housing Corporations.
- State/Central governments or their department for supplementing funds requirements for their employees' housing including rental/ownership housing. Any other state / central government agencies / department / bodies etc.
- Other corporations set up by state/central governments to meet the housing needs of different segments of people.
- SPVs set up by public housing agencies / public financial institutions, solely or jointly with private sector either for specific project or on a continuing basis.
- Affordable Housing projects under Public Private Partnership models in line with State Housing Policies wherein Public Agencies appointed as a nodal agency for construction/ implementing large scale construction of Affordable Housing (with focus on EWS & LIG housing) by involving Private developers in the construction of EWS/LIG categories of houses on a turnkey basis.

The following projects of Public Housing Agencies will be eligible for financial support:

- Slum rehabilitation/slum improvement Projects.
- Residential Housing Projects.
- Township cum housing development project.
- Land acquisition for the purpose of plotted development, township and housing development or housing construction.
- Turn-key housing projects
- Programme lending for special housing projects undertaken consequent to natural calamities.
- Infrastructure development for housing settlements.
- Rental housing projects

Water Sanitation: The Bank may extend financial assistance for Water and Sanitation Programmes undertaken by eligible entities out of the Special Fund.

2. Corporates

Facility for construction financing will be extended to Corporates (Public Sector Undertakings (PSUs) Central and State) for their employees' rental/ownership housing.

3. Construction Finance (CF) to Developers/Builders (*as per separate guidelines below*).

Part C - Types of Financial Facilities

- **Term Loans** - Depending on the purpose of the loan, term loans may be provided to any of the eligible agencies for a tenure not exceeding 5 years (excluding moratorium period). In case of public agencies, the projects of longer loan tenor may also be considered for sanction, subject to maximum loan tenor of 10 years (including moratorium period) on case-to-case basis. Further, the moratorium for interest may also be considered on case-to-case basis.
- **Short term loans** - may be provided to the borrowers for a period not exceeding 2 years to meet their short-term liquidity requirements.

Part D - Terms and Conditions

1. Security

Depending on the nature of the borrower, any one or more of the following securities may be obtained:

- Mortgage / charge over immovable property / charge over receivables / Bank guarantee / Government guarantee / Fixed Deposit Receipts of Scheduled Commercial Banks / Corporate guarantee
- Any other security, as acceptable to NHB on a case-to-case basis

2. **Extent of Security:** Minimum 100% of the amount of loan.

3. **Validity of Sanction:** The sanction shall be valid for six months

4. Rates of Interest

A. For General Fund:

- ❖ The Rate of Interest **in case of Public Agencies** shall be arrived at by adding Tenor Markup of 20 bps and Risk Premium of 30 bps to the Benchmark Rate i.e., NHB' s PLR. Concession of up to 30 bps in case of availability of Government Guarantee and up to 10 bps in other cases can also be considered, subject to approval of the Sanctioning Authority.
- ❖ The Rate of Interest for funding in case of **Construction financing to Corporates** (Public Sector Undertakings-Central and State, for their staff residential housing projects) shall be arrived at by adding Tenor Markup (0.25% for 1 year reset) and Risk Premium (from 0.30% to 1.40% depending upon Internal Credit Rating) to the Benchmark Rate i.e., NHB' s PLR. Concession of upto 1% can also be considered, subject to approval of Sanctioning Authority. However, the final rate of interest shall not be below Bank's PLR.
- ❖ The Rate of Interest in case of **Construction Finance (CF) to Builders/Developers** shall be arrived at by adding additional premium ranging from 1.50% to 5%. The degree of additional premium will depend upon various factors viz., stages of the project, status of regulatory approvals/permissions, value of available security, type of security & land available, achievement of milestones etc.

B. For Special Fund:

As per the Voluntary Deposits (Immunities and Exemptions) Act, 1991, a special fund was created in NHB for financing Slum redevelopment programmes. Special Fund of the Bank was constituted for the purpose of providing finance for slum improvement and low-cost housing.

Under this fund the Bank may extend financial assistance for Slum Redevelopment Projects & low-cost housing for EWS/LIG projects at **blended cost of funds of immediately preceding quarter**. The Rate of Interest shall be arrived at by adding risk premium from 1.00% to 1.50% over Blended cost of funds of immediately preceding quarter. ROI arrived at as above subject to a minimum of 100 bps over the Repo Rate.

5. Pre-payment Charges

Pre-payment of loans may be allowed after receiving one month's notice and shall be subject to pre-payment charges of 0.50% of the amount to be prepaid.

6. Penal Charges

Penal charges on the amount in default for the total period of delay will be payable at the rate of 2 per cent over and above the applicable rate. RBI's extant guidelines for 'Fair Lending Practice - Penal Charges in Loan Accounts' shall apply w.r.t. application of Penal Charges.

7. Repayment

- Repayment of principal will be made in equal quarterly/monthly installments which shall commence on the first day of succeeding quarter/month after the moratorium period
- Payment of interest will be made on monthly/quarterly basis, including during the moratorium period, before repayment of the installments becomes due.

8. Service fee

- In case of public agencies and corporates, a service fee of 0.50 % of the loan amount will be charged in respect of the proposals submitted by them.
- The fee shall be collected on or before making first disbursement under the facility.

9. Know Your Customer

The KYC of borrowers would be carried out as per the KYC Policy of the Bank

Guidelines related to Construction Finance (CF) to Builders/Developers

Parameter	Policy Provisions
Type of facility	Fund Based facility in the form of Term Loan (Maximum upto 5 years)
Eligible Entities	Private Limited Companies / Public Limited Companies (listed/unlisted), engaged in housing construction / development, slum clearance and development, slum redevelopment /improvement/ rehabilitation.
Funding Limit	Rs.100 crores per project under Sole Banking
Eligibility Criteria	<ul style="list-style-type: none"> a) Developers with valid AA and above external credit rating b) Minimum business experience of 5 years and must have developed and delivered a minimum of 5 lacs sq. ft. area at the individual or group in last 5 years. c) Average annual sales of ₹500 Crore in the past 3 years at the individual or group level. d) The project under consideration should not be stalled for more than 6 months <p>Comfort / Support from group/ parent is pre-requisite in case the borrower is under the group of AA rated entity and credential of group/parent is considered for determining eligibility.</p>
Promoter's contribution	<ul style="list-style-type: none"> • Quasi-equity is equity / unsecured loan infused by group companies / related parties in the project • Equity infused by promoter including Quasi-equity contribution / unsecured loan from related parties • Collections from customers in the project • To the extent the Land is owned by the developer, market value (Lower of the two market valuations from independent external valuer) of the land and any cost incurred out of own sources towards the development of the project shall be considered as promoter's contribution. If the land is purchased within 1 year, the registered value of the property shall be considered. • In case of Joint Development Project, security deposit (refundable / non-refundable) paid to the landowners and any cost incurred out of own sources towards the development of the project shall be considered as promoter's contribution.
	The shortfall in any component of the project cost shall be made available by promoter's contribution, and Bank's share (debt portion) shall remain unchanged.
Moratorium Period	Maximum moratorium period not to exceed 18 months.
Service Fee	1% of the loan amount, upfront
Security	<p><u>A. Primary:</u></p> <ul style="list-style-type: none"> a) Mortgage of the project land and the structure thereon being funded. b) Hypothecation of all future receivables from sold and unsold units. Hypothecation of development rights and insurance proceeds. <p><u>B. Collateral / Additional Security (if stipulated)</u></p> <ul style="list-style-type: none"> a) Personal/Corporate Guarantee of relevant stakeholders (promoters/directors/major shareholders) and / or Bank Guarantee

	<p>On case-to-case basis, NHB may ask for additional security and may accept any other project/property belonging to the Borrower.</p> <p><u>C. Any other security, as acceptable to NHB on a case-to-case basis.</u></p> <ul style="list-style-type: none"> Charges to be filed with ROC (Registrar of Companies) and CERSAI (Central Registry of Securitisation Asset Reconstruction and Security Interest) etc., as applicable.
Escrow Mechanism	<ul style="list-style-type: none"> A mandatory Escrow Account shall be established with a designated bank to monitor disbursements and ensure proper receipt of all project inflows. All project collections/sale proceeds must be routed through this account.
Financial Covenants	<ul style="list-style-type: none"> Debt Equity Ratio (D:E): Maximum Debt Equity Ratio must be ≤ 2.5 Debt Service Coverage Ratio (DSCR): The project must demonstrate an Average DSCR of 1.5 times and Minimum DSCR of 1.
Margin	<ul style="list-style-type: none"> Minimum 40% of the Project Cost should come from Promoter's contribution Any cost overrun will be borne by the borrower from their own sources.

Agencies/ Corporates/ Builders/ Developers desirous of availing financial assistance from NHB must fulfill certain criteria and conditions. For more information, please contact as under.

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