

A National Workshop titled : 'Exploring enabling strategies for Urban Housing Microfinance: A crucial step towards Housing for All' was organised by the Ministry of Housing and Urban Poverty Alleviation (MoHUPA) and HUDCO's HSMI on the 16th of June, 2015 at India Habitat Centre, New Delhi. The workshop concludes that to make housing finance available, accessible and affordable to the urban poor, the following are needed: Policy interventions to improve Credit flow to low-income housing finance market; Availability of land for housing the urban poor; Customised Products and delivery mechanisms; Institutional partnerships amongst lending and anchor institutions and finally lateral support through technology and capacity building.

The workshop ushered in setting up of on-line working group to take the subject of Housing microfinance towards suggestions for policy formulation. The document that follows is a policy perspective put together by the working group with its suggestions to the Ministry of Housing & Urban Poverty Alleviation.

The Report of the 'National Workshop titled: Exploring enabling strategies for Urban Housing Microfinance:A crucial step towards Housing for All' is at

<http://hudco.org//writereaddata/HMF%20National%20workshop%20Report.pdf>



"Microfinance is an idea whose time has come"

Kofi Annan

Urban Housing Microfinance: A Policy Perspective

Introduction

Urban housing shortage in India at the end of the Eleventh Five Year Plan (2011-12) is estimated to be 18.78 million units. This shortage is historically skewed towards the urban poor ie the Economically Weaker Sections (EWS) and Low Income Group (LIG) urban population. Resource constraints, challenges of slum redevelopment and the inclusion - exclusion errors in targeting, keep Public sector Housing interventions far from meeting the housing needs of the low income segment population. Adversely complementing this, the urban poor population, due to reasons of inadequacy of income to service the debt, informality of employment and insecurity of tenure, remain incapable of accessing the formal housing finance market. Reasons for restrictive entry of formal institutional housing finance into

the low income housing sector revolve around high transaction costs for small loans; non-applicability of traditional mortgage lien; policy restrictions in accessing cost effective long term funds by institutions like MFIs and HFCs.

The Government of India's 'Housing for All' mission for urban area will be implemented through the States/UTs under the Pradhan Mantri Awas Yojana (PMAY) with the objective of providing houses to all eligible beneficiaries by the year 2022. The mission covers all 4041 statutory towns with focus on 500 Class I cities. This mission is pillared on four verticals or implementation methodologies, namely – 1) In – Situ Slum Redevelopment, 2) Credit linked Subsidy Scheme 3) Affordable Housing in Partnership and 4) Subsidy for

Beneficiary – led House construction. In-fact the Housing Microfinance (HMF) implementation approach has broadened the definition of Housing micro-finance to include the principles of both incremental housing finance based on micro-finance methods and traditional mortgage finance catering to various segments within the urban poor. This therefore gives an opportunity for HMF institutions to contribute effectively to each of the four verticals of the PMAY, and possibly in ways that conventional formal financial institutions cannot. The present Housing finance behaviour of the financial institutions on the one hand, and, the target borrowers on the other, necessitate that customized products for different segments of urban poor and institutional partnerships amongst various stakeholders be facilitated for effective implementation of the 'Housing For All' mission. In the absence of this, there is a perceptible danger of excluding a significant target clientele, thereby dampening the objective of the 'Housing for All' mission. Commercial institutions catering to higher income brackets may lack the aptitude and required people-centric resources for upscaling low income housing finance market. In view of this, a policy perspective to Housing Microfinance is proposed to especially enable institutions like NGO-MFIs, NBFC-MFIs,

Co-operatives, HFCs and Banks experienced and interested in the sector to meet the latent housing finance demand of the urban poor and informal sector population.

This perspective envisions to contribute to the 'Housing for All' mission of the Government of India by supporting its implementation through the PMAY till 2022 while independently continuing to serve the emerging low-income housing finance market which would remain outside the scope of the PMAY. It also presupposes Government of India support for policy pre-requisites to enable upscaling Housing microfinance in India and thereby reaching housing to the urban poor.

2a. Definition

Provision of housing finance to the urban poor ie households with low, irregular and informal incomes for the purpose of additions, repairs and improvements in existing housing units; purchase and construction of new house in informal, semi-formal and formal urban areas

2b. Defining features

Housing microfinance is traditionally defined as the provision of unsecured microcredit to meet the demand of low-income households to repair or improve their existing homes or build their own homes over time. The

traditional definition has the danger of restricting HMF to 'incremental housing only'. The definition in the HMF policy perspective document is therefore a paradigm shift and is broad-based on the following factors:

- ✦ Convergence of micro-mortgages and finance for micro-housing.
- ✦ Includes both mortgage and non-mortgage housing loan products
- ✦ Based on principles of both incremental (short term and repeat loans)and conventional long term housing finance
- ✦ Contextualize HMF with the situation of Low income Housing finance market in India
- ✦ Need to support Housing for All mission of the Government of India and also be a part of PMAY implementation process
- ✦ Housing micro-finance must support Housing for All mission of the Government of India and be an integral part of the PMAY scheme.
- ✦ Facilitate all institutions (NGO-MFIs, NBFC-MFIs, HFCs, Banks and other lending institutions) to enter the low income and informal housing market.
- ✦ Facilitate alternative security mechanisms as surrogate to secure land tenure.
- ✦ Build capacities of institutions involved in delivering HMF
- ✦ Lateral support through Technology and Capacity Building to end-use clients

3. Scope

The Housing Microfinance policy should cover all urban areas of the country covering 4041 statutory and 3894 census towns of India and will include urban poor population with a minimum household monthly income of Rs. 5000/-.

4. Policy Objectives

- ✦ Reach housing finance to every urban poor who has the ability to repay but cannot access formal finance.

5. Guiding Principles

- ✦ The income definition of urban poor is as per the EWS and LIG income levels prescribed in Pradhan Mantri Awas Yojana(PMAY) scheme of the MoHUPA, Government of India.
- ✦ Loan products have been devised keeping in mind differing income subsets within urban poor, varying housing needs, repayment capacities, land title issues and credit appraisal processes.
- ✦ HMF agencies must cater to every income subset within the EWS/LIG Negligible exclusion and inclusion errors.

6. HMF Products

The products are based on lessons drawn both from both existing practices and principles, besides future in reaching housing finance to the poor

possibilities which are subject to enhancement of credit flow to institutions that have displayed success and informal sector population.

Category	Characteristics	Income	Products	Loan Amounts
Incremental Housing Finance	<ol style="list-style-type: none"> 1. Predominantly Micro Finance Principles Applied for Housing End - Use 2. Existing Housing Upgrade 3. Usually Self- Built or Local Masons. 4. May not have clear titles & approvals. 	Rs. 5000/- to Rs. 25000/-	<ol style="list-style-type: none"> 1. Primary: Repairs & Renovation Home Improvements Toilet & Sanitation 2. Secondary: Home Extension House Reconstruction 	Rs 20,000/- to Rs 2.00 Lakhs
Micro-Mortgage Financing	<ol style="list-style-type: none"> 1. Predominantly Housing Finance Principles with Innovations in Credit Appraisal to assess Incomes of Informal Segment 2. New Housing 3. Usually Engineers , Contractors & Masons with various degrees of Involvement or Public/Private Developers 4. May have Clear Titles & Approvals 5. May have Para-legal titles 	Rs. 8000/- to Rs. 30000/-	<ol style="list-style-type: none"> Primary: 1. House Construction 2. Home Extension 3. Resale 4. Apartment Purchase Secondary: 1. Home Improvements 2. Repairs & Renovations 	Rs 2.00 Lakhs to Rs 10.00 Lakhs
Traditional Mortgage financing	<ol style="list-style-type: none"> 1. Housing Finance with Formal Income 2. New housing 3. Private Developers or Masons Supervised by Contractors/ Engineers 4. Have Clear Titles & Approvals 	Rs 20,000/ & above	<ol style="list-style-type: none"> Primary: 1. Apartment Purchase 2. Resale 3. House Construction 4. Home Extension Secondary: 1. Home Improvements 2. Repairs & Renovations 	Rs 5.00 Lakhs to Rs 25.00 Lakhs & above
Community Infrastructure	<ol style="list-style-type: none"> 1. Community or Group Finance 2. Group to have corpus community infrastructure. 3. Community mortgages may be looked into if required 	Mixed income group within urban poor	Community/ Cluster Improvement with offsite services like common water supply, solar street lights, small parks/play area with walkways, trees, seating areas, common solid waste management, rain water harvesting, connection of water/sewer	Based on community corpus, project components, cost estimates and repayment capacity

7. Housing Microfinance Agencies

No.	Category	Agencies
1	Incremental Housing finance	NGO – MFIs ; NBFC- MFIs and their partners / intermediaries
2	Micro-mortgage finance	NBFC – MFIs (Small & Medium); NBFCs large and micro-HFCs ; NBFC-MFIs and HFCs with NGO-MFIs as intermediaries
3	Traditional Housing finance	HFCs and Banks individually /partnership/intermediaries
4	Community Infrastructure	Community associations; NGO-MFIs, Housing Cooperatives or their partners/Intermediaries

8. Policy Pre-requisites for Upscaling HMF

The Urban HMF Policy approach presupposes certain policy interventions required to facilitate a) availability of long term and cheaper funds for HMF agencies, b) availability of land for low-income housing projects and 3) formalisation & legalisation of land tenure

8a Enhance credit flow to the HMF sector

Setting up a corpus fund for housing microfinance

- ✦ HMF Corpus fund may be set up in HUDCO or NHB or any other national level apex institution.

- ✦ Set up a HMF single window for project appraisal and fund disbursement
- ✦ Support development/restructuring of schemes within the apex institution to fund directly to MFIs and other lending institutions
- ✦ Identify and empanel institutional partners for HMF in different states (NGOs, NGO-MFIs, HFCs, Banks etc)

Modification in RBI norms for MFIs

- ✦ Exclusion of HMF Loan from the maximum indebtedness Cap of Rs. 1.00 lakh for MFI borrower to be computed by MFI

Modifications in PSL Norms

- # Low ticket housing loans of less than Rs 6.00 lakhs and loans between Rs 6.00 lakhs & Rs 10.00 lakhs should be made a separate category like agricultural credit, of may be 5% each within the Overall PSL target.
- # PSL norms for onward lending to HFIs to be modified to include MFIs without any restrictions. This is warranted as banks are not taking the direct credit risk, and the MFIs and HFCs provide a cushion of capital to underwrite the underlying risk.
- # Banks should be allowed to issue long term bonds for financing the loans given to MFIs under the issue of Long Term Bonds by Banks – Financing of Infrastructure and Affordable Housing.

Relaxing wholesale lending caps for HFCs

- # HFC wholesale lending is restricted to 15% of their net worth currently. Relaxing this credit concentration cap would improve flow of funding from HFCs to MFIs.
- # Risk sharing /Tripartite guarantee for MFI's while funding housing projects developed by state housing boards ,nodal agencies

Relaxing Commercial Real Estate exposure Norms for exposure to Affordable Housing Projects

Recommendations for Credit Risk Guarantee Trust Fund for HMF

- # A dedicated credit risk guarantee fund may be created for HMF or HMF should be included in the existing Credit Risk Guarantee Fund scheme of NHB.
- # The Government may provide partial Guarantee to cover the principal amount in default or Loss Default Guarantee to cover the first or second loss as the case may be. This would bring down the risk premium. This is especially significant for client profile that is vulnerable to economic disasters.
- # The existing upfront fees (currently an upfront fee of 1% of outstanding portfolio) should be restructured to improve the uptake of the Credit Risk Guarantee Trust Fund managed by NHB and MoHUPA. Since default rates are lower than 1%, it prevents HFCs, Banks and MFIs from availing the benefit under the scheme.

Develop a customized NHB refinance scheme for NBFC -MFIs

- # A separate refinance scheme focussed only on NBFC MFIs (which can be priced appropriately) be formulated for MFIs to enter the HMF market.
- # NHB could take the initiative to develop a different scheme with specific eligibility criteria, portfolio benchmarks, customized internal credit rating models etc.

Supply side interventions to reduce Housing Cost

- # Fiscal and tax reliefs to lower the unit cost of the home itself, such as waiver of all stamp duties for first time home purchases of less than 6 lakhs and reduced stamp duty for home purchases priced between 6 lakhs & 10 lakhs. A methodology to refund all input taxes that go into the cost of the home has to be worked out. This would reduce the house cost by 40% depending on the location.
- # **In-built technology support and construction advisory services** would lead to unit cost reduction

Development Control regulations are a state subject. However if adequately modified can reduce the costs considerably and therefore make the market more accessible to the poor and low income. Costs can be considerably reduced based on the price of land, this combined with adequately priced and structured housing finance, and policy on registration (exemption from stamp duty etc.) will support the low income to cross over from de-facto tenure to legal title enabled by the market.

Land Availability for Housing the low income population.

- a) Undertake an exercise in land inventory in the town/city (public land, under-utilized public lands; land available with Public Sector undertakings in the city and unused private lands
- b) Land Pooling based on the land inventory results
- c) Improving land delivery system by easing land legislation
- d) Improvements in Planning system by introducing reservations in the local urban plans based on land inventory results
- e) In all new developments, the reservation of land to the extent of 15-20 % land area of all land layout beyond a certain land area or

- f) 20-25 % of built up area , developed by all development group [government sector, public sector, private sector or joint sector development]
- g) In case of existing re-development or for in-situ environmental

improvement and shelter up-gradation, on public or private lands, the ownership title [patta] or /and tenurial rights [for not shifting for at least] of 35 years .

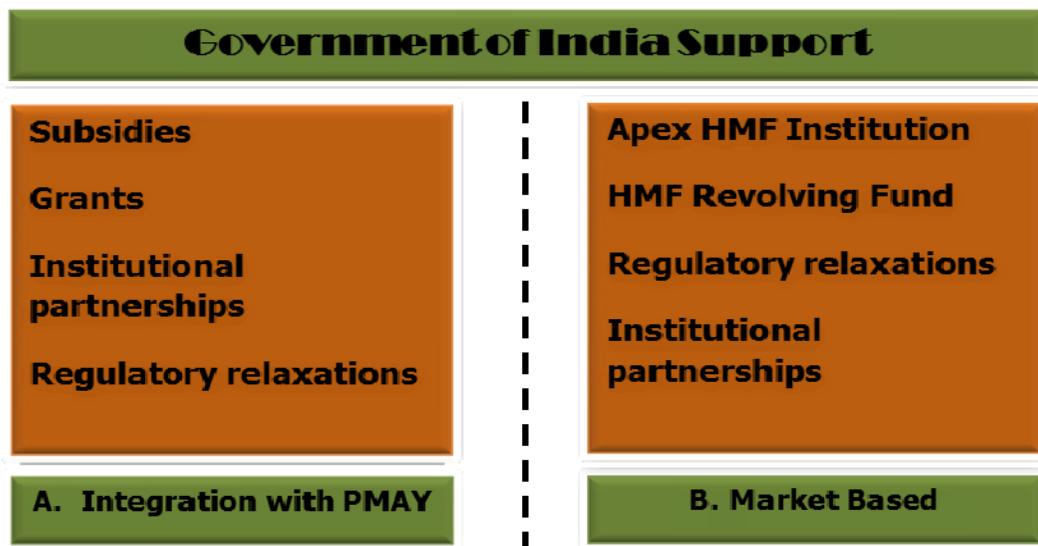
8b. Legal titles and housing microfinance

Land tenure may be broadly categorised as 1) Secure Tenure 2) De-facto tenure 3) Insecure tenure. The product categorisation in the HMF policy is also based on the kind land tenure and lending practices ranging from formal to the in-formal title security. Existing Housing microfinance

products are being securitized with paralegal titles, legal titles wherever available and alternative collateral. To make the Housing Microfinance policy implementable, **formalisation / legalization of the land tenure in both public and private lands, following is proposed:**

Tenure	Title	Loan Security
Insecure	Informal	<ul style="list-style-type: none"> • Automatic formalization through In-situ redevelopment projects and AHP projects under PMAY • Community Mortgages in in-situ land sharing • Alternate security measures (Book debts, other assets, credit history for small incremental loans etc)
De facto	Semi-formal	<ul style="list-style-type: none"> • Progressive Tenure: Some of the progressive tenures available are "Non eviction assurances for a certain period on Government land, Long term leasehold (99years in Jaipur,30 years in Madhya Pradesh etc), Seven to ten years licenses issued in rehabilitated colonies in Delhi, Resettlement colonies by the Government in Delhi eligible for free hold. • Regularization of construction by Municipal Authorities without land clearances. For all practical purposes this means that houses have got de-facto ownership since in construction cannot be isolated from Land. • Easier Procedures for foreclosure apart from mortgage are available and they should be examined and simplified to increase the confidence of NGOs/MFIs /HFC's. Housing Finance purposes. • Other available securities through law like "adverse possession."
Secure	Formal	<ul style="list-style-type: none"> • Mortgage of Title Deeds to be backed by Tripartite Agreement

9. Implementation Methodology of HMF



9a. Integration of the products in the HFA (One or more of the PMAY verticals)

The integration methodology proposes a 1) **Sustainable model** and a 2) **Pilot model**.

9a.1 Long Term Sustainable Model

The PMAY is being implemented by the States/ULBs. For integration of HMF with PMAY, the States/ULBs should create a pool of identified HMF agencies as indicated in Point 7 above. Identification must be based on 1)

Willingness of the institution, 2) structural and operational parameters and 3) geographical spread. A list of HMF institutions and guidelines on parameters could be circulated by the Centre.

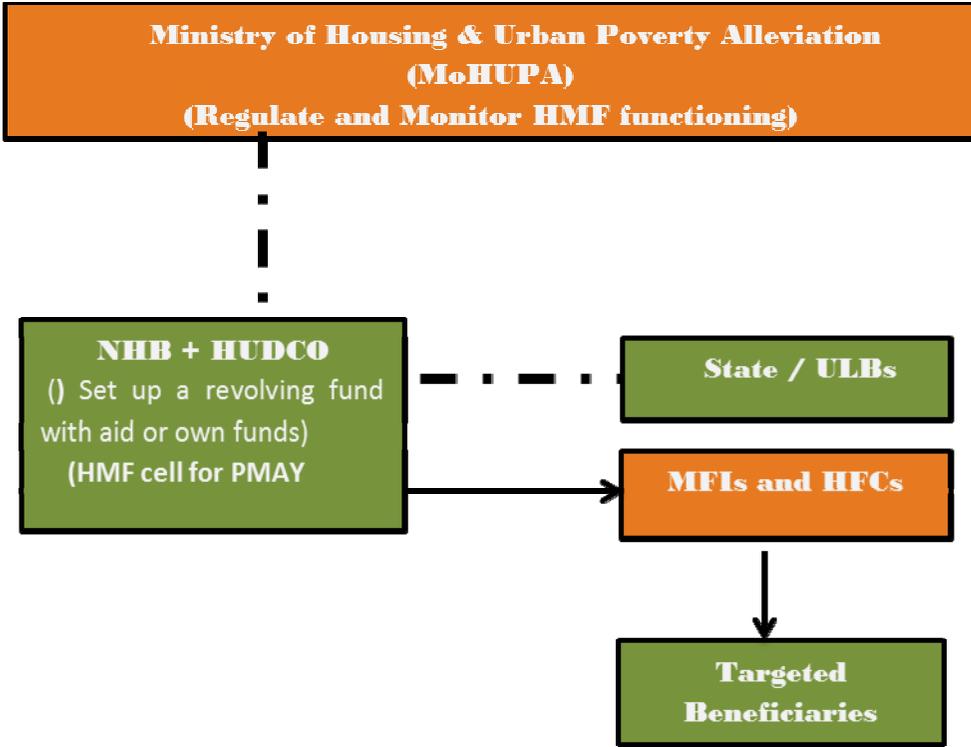
Integrating HMF with Housing for All will be based on different possibilities that each of the verticals/ implementation methodologies that PMAY has prescribed.

Sl. No.	PMAY Component	Integration of HMF with PMAY
I.	In Situ Slum Redevelopment	<p>Scope: Beneficiary Contribution (Clause 4.5 of PMAY)</p> <p>Rationale: All slum households may not have own savings to contribute towards their share of the housing cost. Initiatives by ULBs to link beneficiaries directly with banks have not met with success in earlier housing interventions. Lack of own savings for beneficiary contribution should not lead to exclusion errors and unauthorised transfer of houses to slum lords.</p> <p>Agency: NGOs/ NGO-MFIs / NBFC-MFIs individually or in partnership with HFCs and Banks</p> <p>Mechanism: PMAY Implementing agencies ie State agencies/ULBs will identify lead NGOs /NGO-MFIs operating in the project implementation area. The list of beneficiaries (who need financial assistance for their contribution in the house cost) would be shared with the selected NGO/NGO-MFIs who in turn will link the beneficiaries with the agencies with NGO-MFIs / NBFC-MFIs for accessing HMF.</p> <p>Tenure and Security: The title of the land on which the project is implemented should become automatically formalized with the implementation of Government Project. The security will accordingly be mortgage of housing unit.</p>
II.	Credit Linked Subsidy Scheme	<p>Scope: Margin money for accessing bank loans for Construction or purchase of house, additions or improvements etc.(Clause 5.3 , 5.4 & 5.5 of PMAY)</p> <p>Rationale: Three important factors that keep urban poor and informal sector population from accessing lending institutions are 1) lack of awareness of who the institutions, 2) lack of margin money to be eligible for borrowing and 3) Lack of clear marketable titles. Institutional tie-ups with NGO-MFIs / NBFC-MFIs would improve CLSS delivery to the target population and mitigate the risk of the product getting appropriated by formal income sector households, formal land tenure and upper income sector within LIG.</p> <p>Agency: NGO-MFIs / NBFC-MFIs /HFCs/Banks individually or in partnership depending upon the product type</p> <p>Mechanism: Select NGO-MFIs / NBFC-MFIs, HFCs working in low-income housing sector have to be identified and empanelled as Primary lending Institutions under PMAY.. The HMF agencies may also extend capacity building and technology support wherever required depending upon the Capacity building and Technology fund proposed under HMF</p> <p>Tenure and Security: Tenure and Security will be based on the loan product type indicated at Point 6.</p>

Sl. No.	PMAY Component	Integration of HMF with PMAY
3	Affordable Housing in Partnership	<p>Scope: Purchase of new House (Clause 6.2 of PMAY) Rationale: All EWS / LIG households identified under HFAPoA may not have own savings to access the EWS houses made available under AHP. HMF products available for different subsets of the EWS will enable PMAY to be more inclusive. Agency: NBFC -MFIs , HFCs and Banks and their partnerships Mechanism: State/ULBs implementing AHP will identify HMF agencies in its area during the project planning stage. The identified NBFC-MFIs / HFCs and Banks will be linked with the Private Developers vide an MoA among Implementing agency, Private Developer and the HMF agency to ensure that the selected beneficiaries under HFAPoA are facilitated to purchase the housing units based on their income and repayment capacity. Tenure and Security: Formal tenure and Traditional Mortgage.</p>
4	Subsidy for Beneficiary Led Individual House Construction	<p>Scope: New Construction or additions/renovations etc (Clause 7.5 of PMAY) Rationale: Conventional Formal finance institutions at present have a high risk perception for the low-income sector. This pillar of PMAY will be faced with issues of informality of income and informal or semiformal land tenure. Housing microfinance institutions working with different types of tenure security are in a better position to deliver the product Agency: NGO-MFIs, NBFC-MFIs, HFCs, Banks and other lending institutions and their partnerships. Mechanism: States/ULBs should identify the HMF agencies and link them with the individual loan applications received in the city. The HMF agencies may also provide City level capacity building and technology support to beneficiaries depending upon the linkages established with the Capacity Building and Technology fund proposed under HMF. Tenure and Security: Different kinds of security based on tenure types and practices of HMF institutions.</p>

9a. 2 Pilot Model (HMF Integration with PMAY under NHB/HUDCO)

An immediate roll out for **Pilot Projects only**



- # Set up a HMF revolving fund.
- # Link the fund with Credit Risk Guarantee Fund (with modified title clauses).
- # Set up/Strengthen a dedicated window/Program Management Unit (PMU) in HUDCO/NHB for HMF program management.
- # Based on the experience of NHB/HUDCO, select and empanel Housing MFIs, HFCs

and borrowing institutions with good track record.

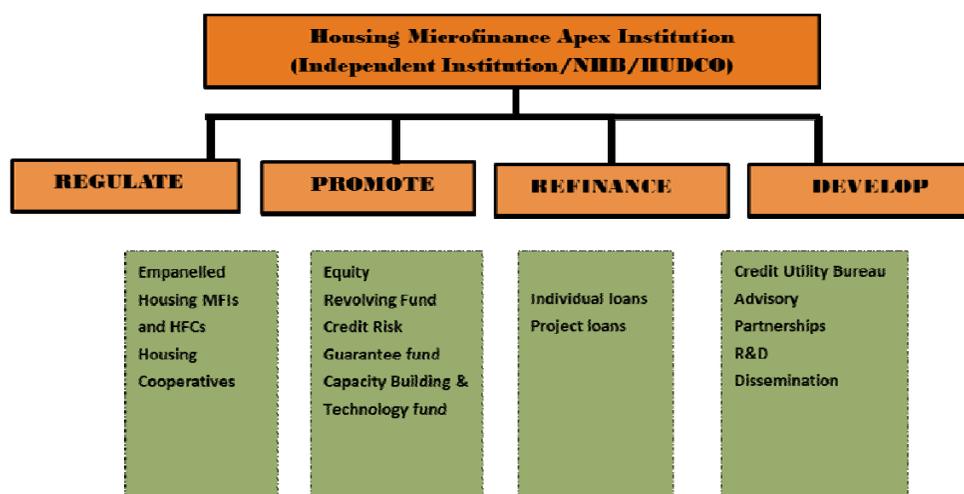
- # Roll out pilot initiatives with a view to start-up the HMF process by funding MFIs / HFCs for PMAY products.
- # Monitor and Evaluate processes and results.

9b. Market based HMF outside the scope of PMAY

Urban poor falling outside the eligibility criteria of PMAY or residing in slums/ non-slum areas that have not been taken up under any of the four verticals can access any of the housing finance products from the HMF institutions.

However these clients shall not be entitled for Government subsidies. In the market based approach, HMF products and processes are not restricted to Government projects alone.

9b.1 Market based Institutional Structures and partnerships for enabling and upscaling HMF



Functions for Start-Up

- ✦ Identify equity investors (Internal and External)
- ✦ Structure the HMF fund
- ✦ Identify and empanel institutional partners for implementing HMF by HMF Apex Institution/ NHB / HUDCO / Specialised Committee constituted under MoHUPA.
- ✦ Determine the Structural and Operational Eligibility Parameters for the institutional partners to participate in the empanelment process for HMF (*Indicative list appended at Annexure - A*)
- ✦ Capacity Building of functionaries in the Apex Institution

✦ Develop project appraisal guidelines (*Indicative parameters at Annexure -B*)

✦ Develop Third Party monitoring and evaluation mechanisms

9b.2 Hybrid Model (Banks/HFCs + NHB/HUDCO)

To bring confidence amongst banks to lend MFIs/MFI's clients, a structure where in MFI provides first loss protection (5-10%), NHB/HUDCO provides a second loss protection (20-25%) in the form of a guarantee is proposed. In this model, role of

banks/HFCs will be funding, NHB/HUDCO would provide training and technical assistance to MFI's, and MFIs will be responsible for sourcing and collection. This model can be tested with selected MFIs.

Institutions	Roles
NGO MFIs	<ul style="list-style-type: none"> Identify, originate and service loans on behalf of Bank / HFC under a mix of group liability and individual lending models. Ensure high quality of origination Ensure repayment is made to Bank according to the specified repayment schedule Collect guarantee fee from the borrowers to be payable to HUDCO/NHB. Provide first loss of 5-10% of the outstanding at any point of time.
HUDCO / NHB	<ul style="list-style-type: none"> To provide second loss guarantees to the extent of 25 % of the portfolio outstanding at any time. To provide capacity building support to the MFI staff <p>Credit support should be limited to 75 % and is available after the first loss is exhausted for improved origination, quality monitoring and better usage</p>
HFC / Bank	<ul style="list-style-type: none"> To provide a pre-agreed volume of funding to the MFI to originate housing loans for the existing MFI customers. Bank would extend a line of credit to the low income households who form part of the group which is promoted, trained and assessed by the same MFI for lending under group liability models. Housing loan portfolio is originated directly on the Bank's balance sheet.

9b.3 Bankers Correspondent Model (MFI in partnership with HFC/Banks)

Institutions	Roles
NGO MFIs	<ul style="list-style-type: none"> • Identify, originate and service loans on behalf of Bank/HFC • Responsible for explaining Borrower the terms & conditions of the Loan, providing guidance to the Borrower for making the decision regarding availing the Loan and assist in completing the preliminary formalities to process Housing Loan. • Collecting information of Borrower’s current financial situation, the ability to repay Loan • Shall ensure that the KYC and appropriate Security documentation formality in respect of a Borrower has been duly completed. • Post Loan Sanctioning by Bank/HFC, The Business Associate/Business Correspondent shall execute the Security documentation/mortgages on behalf of Bank/HFC. The power of attorney can be transferred to NBFC MFI by Banks/HFCs. The Security shall be in the form of a mortgage, which may either be a simple mortgage or an equitable mortgage by way of deposit of title deeds or para-legal title documents; • Shall do loan utilization check on regular intervals during the period of the disbursement to ensure Loan is being applied solely for the Purpose and not being diverted for any other purpose other than housing • Responsible for repayment collection from borrower as per repayment schedule • Shall use their own software or software provided by Banks/HFCs to update the collection entries in the System • Provide first loss of 5-10% of the outstanding at any point of time.
HFC / Bank	<ul style="list-style-type: none"> • To provide a pre-agreed volume of funding to the MFI to originate housing loans for the existing MFI customers <p>HFC/ Bank would extend a line of credit to the low income households who form part of the group which is promoted, trained and assessed by the same MFI for lending under individual or group liability models. Housing loan portfolio is originated directly on the HFC/Bank’s balance sheet.</p>

9b.4 Setting up separate verticals for HMF within lending institutions like MUDRA Bank or Scheduled Commercial banks like BANDHAN may be explored

- ✦ The existing clients of enterprise loans may be targeted under such institutional arrangements
- ✦ Project /Construction finance: lending to developers for building low-income housing projects

10. Capacity Building & Support

10a. Capacity Building areas and mechanisms

Demand Side

- ✦ Housing Finance Literacy and Construction practices for urban poor
- ✦ Using MFIs for demand aggregation by State Housing Boards/HFA implementing agencies

Supply Side

- ✦ Developing a credit score model in collaboration with recognised CICs which draw information from both MFI and Consumer loans
- ✦ Development of E-KYC to be made available to HFCs/Banks and MFIs

10b. Implementation Support Areas and mechanisms

- ✦ Industry best practice sharing
- ✦ Institutionalising City/town level utility bureau to bring about reduction in transaction cost for lending institutions
- ✦ Setting up of Information bank of upcoming and available housing projects
- ✦ Data bank on regularised slums

10c. Institutional Partners

- ✦ Identification of partners with the support of Technology Mission Under HFA
- ✦ Nominating the nodal agency like HSMI/BMTPC
- ✦ MoA to be signed with Capacity building and Technology partners (Egs. Habitat for Humanity; Micro Home Solutions, Lafarge Academy(India); SEWA Mutual Benefit Trust; Development Alternatives etc
- ✦ Define roles and responsibilities and terms of agreement with individual partners based on their area of support

10d. Setting up a HMF Capacity Building and Technology Fund

Housing financial literacy or construction assistance will add to administrative expenses. The expected gain derived from reduced losses cannot outweigh these costs for the lending institutions at this point of

time. Besides to meet the one time capital cost and O&M cost of establishing credit bureaus, information bank on low income housing projects and best practices, the Government of India has to set up a dedicated fund.

Annexure - A

Indicative list of Parameters for empanelling Housing Microfinance agencies

1	Governance, Management & Organization	Board and Management
		Client relationship and credentials
		Operating locations
2	Systems, Processes, Technology and Human Resources	Human Resources
		MIS & Technology
		Financial Management Systems
		Risk Management and Control Systems
3	Financial Evaluation & Portfolio Quality	Profitability ratios
		Portfolio quality
		Liquidity and ALM
Source-'Scaling up Housing Microfinance: Study by IFMR Capital in partnership with NHB and DFID'.		

Annexure- B

HMF project appraisal for lending institutions

Indicative Credit appraisal Parameters

- Applicability of HMF Model proposed
- Applicability of HMF Product applied
- Loan amount
- Project Cost
- Location details
- Type of land tenure (Formal / Semi-formal / Informal)
- Building plan approval agency
- Details of housing to be funded
- Proof of income and identity
- Client Socio-Economic Profile
- Summary of household cash flow
- Client relationship with borrowing agency / partners
- Credit History of the borrower if any
- Collateral (Legal / Paralegal / alternate security)
- Risk mitigation measures
- Rate of Interest
- Repayment tenure
- Repayment schedule for end-use borrowers (weekly / fortnightly/monthly)

Acknowledgements

The Policy Perspective on Urban Housing Microfinance is an outcome based on discussions and feedback received from the HMF working group members. Special mention is made to K.P. Manikandan from Ashoka Innovators, Madhusudan Menon from Micro Housing Finance Corporation, Shilpa Rao & Debdoot Banerjee from Janalakshmi Financial services,, Gouri Kumar from ESAF Microfin, V Suresh, Sireesha Patnaik from SMBT, Bjal Brahmhatt from SEWA-MHT, Rita Bhattacharya from NHB, Dr. H.S. Gill Vijaya Vasu, Debesh Chakraborty , Kanika Basu and Sangeeta Maunav from HUDCO.

Contact: Readers' Comments and suggestions may be reached to Dr. H S Gill at edhudco@gmail.com or to Sangeeta Maunav at sangeetamaunav73@gmail.com

Disclaimer:

The Policy Perspective on Urban Housing Microfinance is a compilation of ideas and suggestions backed by experience of individuals and institutions working on the subject of housing finance for the poor and informal sector population. The document does not represent the views of the Ministry of Housing & Urban Poverty Alleviation (MoHUPA) and Housing & Urban Development Corporation (HUDCO).