



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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RBI/2010-11/157

RPCD.SME & NFS. BC. No. 16 /06.11.01/ 2010-11

August 9, 2010

**The Chairman/Managing Director/
Chief Executive Officer**

All Scheduled Commercial Banks
(excluding Regional Rural Banks)

Dear Sir

**Scheme of 1% interest subvention on housing loans upto Rs. 10 lakh -
Guidelines**

As you are aware, the Union Finance Minister during his Budget Proposal for 2009-10, had announced a Scheme of 1 per cent Interest Subvention in respect of individual housing loans upto Rs.10 lakh, provided the cost of unit does not exceed Rs.20 lakh, initially for a period of one year effective from October 01, 2009 to September 30, 2010. An initial allocation of Rs.1,000 crore was also announced for the purpose. Further, in the Budget speech for the year 2010-11, the Hon'ble Finance Minister has announced extension of the Scheme till March 31, 2011 and Government has also made a provision of Rs.700 crore under the Scheme for the year 2010-11. Government of India, Ministry of Finance, Department of Financial Services has issued guidelines for implementation of above Scheme. Accordingly, housing loans sanctioned/disbursed up to March 31, 2011 would be eligible for interest subsidy of 1% as per the details provided under the scheme. A copy of the guidelines is enclosed.

2. The objective of the Scheme is to provide Interest Subsidy on Housing Loans as a measure to generate additional demand for credit and to improve affordability of housing to eligible borrowers in the middle and lower income groups. It will be implemented through the Scheduled Commercial Banks and Housing Finance companies throughout the country and will be in operation for the period beginning October 1, 2009 and upto March 31, 2011. The Reserve Bank of India (RBI) will be the nodal agency for the Scheme in respect

of all the Scheduled Commercial Banks (SCBs) as Implementing Agency. After sanctioning and disbursing the eligible loans, SCBs will claim disbursement of subsidy from the Reserve Bank of India on a monthly basis. Banks are advised to put in place a suitable mechanism to ensure that the eligible borrowers avail the benefit of interest subvention for one housing unit only.

3. It is advised as under :

(i) In order to enable Government to provide subvention, banks are required to submit their claims on monthly basis as per enclosed format (Forms I and I/I). The monthly claim statement should reach us within a fortnight from the end of the respective month.

(ii) In order to ensure utilisation of subsidy amount, banks are required to submit a utilisation certificate on quarterly basis as per enclosed format (Forms II and II/I). This certificate should be duly signed by a Statutory Auditor certifying that the claims made are true and correct.

(iii) Claim statement and utilization certificate is required to be submitted to the Chief General Manager, Rural Planning and Credit Department, Reserve Bank of India, Central Office, Shahid Bhagat Singh Road, Fort, Mumbai – 400 001.

4. Kindly acknowledge the receipt.

Yours faithfully

(B P Vijayendra)

Chief General Manager

Encls: As stated

Scheme of 1% interest subvention on housing loans upto Rs. 10 lakh – Guidelines

In order to stimulate demand for credit for housing in the middle & lower income segment of population in the country, the Government has proposed an interest subvention of 1% on all individual housing loans of upto Rs.10 lakh, provided the cost of the unit does not exceed Rs. 20 lakh. The Scheme recognizes that cut in interest rates has an important role to play in reducing EMIs of borrowers & creating additional demand for housing. All regions of the States & Union Territories in the country, including rural & urban areas will be covered under the Scheme.

THE SCHEME

Objective – The objective of the Scheme is to provide interest subsidy on housing loan as a measure to generate additional demand for credit and to improve affordability of housing to eligible borrowers in the middle & lower income groups. The Scheme is expected to provide relief to prospective home owners and improve home ownership in the specified target segment.

Eligibility - Interest subvention of 1 percent will be available on housing loans upto Rs. 10 lakh to individuals for construction/purchase of a new house or extension of an existing house, provided the cost of construction/price of the new house/extension does not exceed Rs. 20 lakh. All such loans sanctioned and disbursed, during the period of one year from the date of publication of the Scheme shall be eligible for the said interest subsidy.

Duration of the Scheme – The Scheme will be in operation from October 01, 2009 to March 31, 2011.

Interest subsidy – Subsidy of 1 per cent will be defined as reduction in interest rate by 100 basis points per annum from the existing rate of interest for a particular amount & tenor. It will be applicable to the first twelve installments of all such loans sanctioned and disbursed during the currency of the Scheme and will be computed for 12 months on the disbursed amount. The subsidy amount will be adjusted upfront in the principal outstanding, irrespective of whether the loan is on fixed or floating rate basis.

Implementing Agencies (IAs) – The Scheme will be implemented through Scheduled Commercial Banks (SCBs) and Housing Finance Companies (HFCs) registered with the National Housing Bank.

Nodal Agencies – The RBI and the NHB will be the Nodal Agencies for this Scheme for SCBs and HFCs, respectively.

Publicity & Awareness Generation - The IAs will give wide publicity to the Scheme bringing out its salient features & benefits to the borrowers.

Terms for loan and subsidy:-

- i. The interest subsidy of 1 percent per annum will be admissible for the first year on the amount sanctioned and disbursed against the eligible housing loans. In case the loan amount is disbursed in parts (installments), the interest subsidy will be calculated for one year and claimed separately for every installment of the loan disbursement falling within the operating period of the Scheme.
- ii. The interest subsidy will be calculated on the interest chargeable at the time of disbursement of the loan.
- iii. The agreed rate of interest would be arrived at by the IAs keeping in view the RBI/NHBs guidelines, if any, for loans upto Rs.10 lakh.
- iv. The borrowers may choose fixed or floating rate of interest.
- v. The mode of disbursement of the loan will be decided by the lending IAs as per the requirement of the borrowers.
- vi. The IAs will deduct the subsidy amount upfront from the principal loan amount of the borrower and charge interest on the net amount of loan at the agreed rate of interest.
- vii. The amount of reduction in the principal amount as a result of interest subsidy will be explained to the borrower by the bank/HFC officials. IAs will provide each borrower, covered under the Scheme, a statement which will make him/her understand the amount given as subsidy, how the subsidy has been adjusted and the impact of the subsidy on his/her EMIs.
- viii. It will be the responsibility of the IA concerned to ensure security of the loan amount.

- ix. The IAs will follow the appraisal, documentation, etc., as per their approved policies and procedures including those for risk assessment.

Claim Admissibility - After sanctioning and disbursing the eligible loans, the IAs will claim disbursement of subsidy from the nodal agency by submitting their claims on the prescribed format on monthly basis. The subvention amount on the disbursed loan amount will be sanctioned to the IAs by the respective Nodal Agencies on monthly/quarterly basis on receipt of the claim and the necessary information in the prescribed format.

Final reimbursement claim on Government - The final quarterly reimbursement claim format the IAs can be expected to be in the quarter immediately after completion of the one year from the date of notification of the Scheme.

Release of Funds from Government of India - The Government of India will release the subsidy amount to the Nodal Agencies based on demand for sanction of subsidy received from the nodal agencies on quarterly basis.

Utilisation Certificates - The IAs will be required to ensure proper end-utilization of the funds and to submit utilization certificates, to their respective NA against the amount of the interest subsidy released to them. The utilization certificate will be submitted in the prescribed form.

Inspection of Accounts - The IAs will flag all the loans covered under the Scheme in their books of accounts for the purpose of inspection by the specified authority.

Monitoring and Evaluation - All SCBs and HFCs will submit a monthly consolidated return to the Reserve Bank of India and the National Housing Bank, respectively, specifying the number of accounts, amount of loan disbursed, subvention given, etc., as per the formats prescribed by RBI/NHB for the purpose.

The NHB will scrutinise the monthly statement and send it to RBI for further consolidation. The RBI in turn will send a copy of the consolidated monthly statement to the Department of Financial Services (DFS), Ministry of Finance.

The impact of the Scheme will be evaluated through the respective nodal agencies at the end of the operation of the Scheme.

Implementation and power to remove difficulties – If any doubt arises on the interpretation of any paragraph of this Scheme or any instructions issued thereunder, the Central Government shall resolve the doubt and the decision of the Central Government shall be final. If any difficulty arises in giving effect to the provisions of the Scheme or any instructions issued thereunder, the Central Government may issue order on anything which appears to it to be necessary or expedient for the purposes of removing the difficulty.

FORM - I

FORMAT FOR CLAIMING DISBURSEMENT OF SUBSIDY UNDER THE SCHEME OF ONE PERCENT INTEREST SUBVENTION ON HOUSING LOANS UPTO RUPEES TEN LAKHS, FROM MINISTRY OF FINANCE, DEPARTMENT OF FINANCIAL SERVICES, GOVERNMENT OF INDIA

(To be furnished by Implementing Agencies and submitted to the Nodal Agency – RBI)

An amount of Rs. _____ towards interest subsidy under the scheme of one percent Interest Subvention on Housing loans up to Rs. 10 lakh, of Ministry of Finance, Department of Financial Services, Government of India, is requested to be released.

It is certified that the _____ Bank has (Name of the Implementing Agency) sanctioned loans aggregating Rs. _____ to
(Amount of the loan) _____ Beneficiaries for the month ending _____.

It is certified that the loans, as per details provided in Form I/I, have been sanctioned and disbursed in accordance with the guidelines issued for the Scheme by Ministry _____ Government of India.

(Authorized Signatory)
(Name and Designation)

Date:
Place

FORM-I/I

DETAILS OF LOANS SANCTIONED AND DISBURSED, IN RESPECT OF WHICH REIMBURSEMENT OF SUBSIDY IS BEING CLAIMED UNDER THE SCHEME OF ONE PERCENT INTEREST SUBVENTION ON HOUSING LOANS UPTO Rs.10 LAKH, OF MINISTRY OF FINANCE, DEPARTMENT OF FINANCIAL SERVICES, GOVERNMENT OF INDIA

(To be furnished at the time of applying for the disbursement of interest subsidy)

Name of the Implementing Agency-----

For the month ending -----

Sl. No	Name of the borrower and loan a/c no.	Name of the lending branch	Loan amount sanctioned (Rs.)	Date of sanction of loan	Cost of the house / flat (Rs.)	Rate of interest (Fixed / Floating)	Loan tenure (years)	Loan amount disbursed (Rs.)	Date of disbursement of loan	Interest subsidy being claimed (Rs.)	Loan amount already disbursed on which interest subsidy already claimed and received, if any (Rs.)	Interest subsidy already claimed and received, if any (Rs.)	Built up Area of Flat / House (sq. mts)	Location of house / flat*
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)

*should include name of town / municipality, district and State

FORM - II

FORMAT OF UTILIZATION CERTIFICATE UNDER THE SCHEME OF ONE PERCENT INTEREST SUBVENTION ON HOUSING LOANS UPTO RUPEES TEN LAKH, OF MINISTRY OF FINANCE, DEPARTMENT OF FINANCIAL SERVICES, GOVERNMENT OF INDIA

(To be furnished by Implementing Agencies and submitted to the Nodal Agency – RBI)

Certified that out of the sum of Rs. _____ released under release reference no. _____ dated _____ towards the interest subsidy under the scheme of one percent Interest Subvention on Housing loans up to Rs. 10 lakh, of Ministry of Finance, Department of Financial Service, Government of India, in favour of _____ (Name of the Implementing Agency), a sum of Rs. _____ has been utilized, as per the details provided in Form II/I, for the purpose for which it was sanctioned.

It is further certified that:

1. The loans were disbursed as per the guidelines for the scheme of one percent Interest Subsidy Housing loans, of Ministry _____, Government of India; and
2. Appropriate end use of the loan has been ensured/is being ensured through the actual site visits.

Authorized Signatory of the Bank

Date

Place

FORM-II/I

DETAILS OF UTILIZATION OF SUBSIDY UNDER THE SCHEME OF ONE PERCENT INTEREST SUBVENTION ON HOUSING LOANS UP TO Rs.10 LAKH, OF MINISTRY OF FINANCE, DEPARTMENT OF FINANCIAL SERVICES, GOVERNMENT OF INDIA- DETAILS OF LOAN SANCTIONED & DISBURSED IN RESPECT OF WHICH UTILIZATION CERTIFICATES BEING FURNISHED BY THE IMPLEMENTING AGENCIES

(To be furnished by Implementing Agency at the time of submitting utilization statement)

Name of the Implementing Agency -----

For the quarter ending -----

Sl.No.	Name and address of the borrower and loan a/c no.	Name of the lending branch	Loan amount sanctioned (Rs.)	Loan amount disbursed (Rs.)	Loan tenure	Amount of the interest subsidy claimed and received (Rs.)	Amount of the interest subsidy passed on to the borrower (Rs.)	Location of house / flat*
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)

*should include name of town / municipality, district and State

FORM - III

FORMAT OF UTILIZATION CERTIFICATE UNDER THE SCHEME OF ONE PERCENT INTEREST SUBVENTION ON HOUSING LOANS UPTO RUPEES TEN LAKH, OF MINISTRY OF FINANCE, DEPARTMENT OF FINANCIAL SERVICES, GOVERNMENT OF INDIA

(To be furnished by Nodal Agency to Ministry of Finance, Department of Financial Services, Government of India)

Letter No. & Date

Certified that out of the sum of Rs.released as interest subsidy under the scheme of one percent Interest Subvention on Housing loans up to Rs. 10 lakh, of Ministry of Finance, Department of Financial Services, Government of India during the half yearin favour of Reserve Bank of India has been disbursed to Implementing Agencies as per the details provided in Form III/I

(Authorized Signatory)

Date :

Place :

FORM -III/I

CONSOLIDATED DETAILS OF UTILIZATION CERTIFICATES FURNISHED BY THE IMPLEMENTING AGENCIES UNDER THE SCHEME OF ONE PERCENT INTEREST SUBVENTION ON HOUSING LOANS UP TO Rs.10 LAKH, OF MINISTRY OF FINANCE, DEPARTMENT OF FINANCIAL SERVICES, GOVERNMENT OF INDIA

(To be furnished by RBI to the Ministry of Finance, Department of Financial Services, Government of India along with utilization certificates by Implementing Agencies)

Name of the Nodal Agency: Reserve Bank of India

For the period ending-----

Details of interest subsidy disbursed to PLIs for which utilization certificates have been received by the Nodal Agency

Sl.No	Name of the Implementing Agency	No. of borrowers	Amount of Subsidy claimed during the half year	Amount of subsidy disbursed during the half year	Amount of subsidy utilized for which UCs have been furnished by the Implementing Agencies	Amount of subsidy for which UCs are awaited from the Implementing Agencies
(1)	(2)	(3)	(4)	(5)	(6)	(7)