

Prime Minister Modi walks the talk on 'Housing for All'

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lakh and will service the loan at 6% and the rest of the loan amount of Rs 18 lakh at the contracted rate of 9%.

Sriram Kalyanaraman, MD of National Housing Bank, in a recent interview with The Times of India said that there is a great demand from borrowers. NHB is the nodal agency for disbursing the subsidy to borrowers through banks and NBFs, under Credit Linked Subsidy Scheme (CLSS). Thousands of crores in subsidies have already been disbursed.

S Ramnathinam, CEO of Muthoot Homefin (I) Limited, said: "The government's decision to provide interest subvention for loans of up to Rs 12 lakh under the PMAY is expected to boost low-income housing, primarily in peripheral areas of urban localities, across the country and also in Tier 2 and Tier 3 locations. These measures are highly positive for the affordable-housing segment and this would help realize the 'Housing for All' objective of this government."

Sriram Mahadevan, business head of Happiest, Mahindra Lifespaces, said: "With the Prime Minister's announcement that housing loans in urban areas of up to Rs 9 lakh and Rs 12 lakh would receive interest subsidy of 4% and 3%, respectively, Year 2017 has thus begun on a positive note for affordable housing in the country. These initiatives will serve to bring home ownership within the reach of a wider cross-section of the society through reduced rates of interest and improve affordability."

For developers, too, the incentive implies additional demand for housing units and reduced unsold inventory. Faster sales offtake can result in shorter revenue cycles and improved project efficiencies; this, in turn, can incentivize more developers to venture into affordable housing, Mahadevan said.



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According to a SBI report, a person with an annual income of Rs 6 lakh is eligible for a housing loan of up to Rs 24 lakh. Under this rubric, the revised PMAY scheme will be transformational for the housing segment of the real estate, as around 65% of housing loans of the 26 public sector banks are in the slab of loans under Rs 25 lakh. As the benefit can be availed on a part of the loan as well, people with an income up to Rs 6 lakh can avail this

benefit even if they borrow Rs 30 lakh, provided the bank gives them the loan on the basis of their income at Rs 6 lakh per annum. Arundhati Bhattacharya, chairman of SBI, said in a statement that low-cost housing should register growth in the medium to long term. The net benefit of 4 percentage point subsidy on a home loan of Rs 9 lakh is equivalent to a discount of Rs 1,98,300 on the principal amount. According to the calculation, the EMI on a home loan of Rs 9 lakh for 15 years will come down to Rs 7,117—from Rs 9,128—after

the subsidy; a fall by over 22%.

The discount of Rs 1,98,300 in principal means that the effective loan amount will come down from Rs 9 lakh to Rs 7,01,700.

The 3 percentage point subsidy on a home loan of Rs 12 lakh for 15 years will bring down the EMI by over 17%, to Rs 10,126, from Rs 12,171. This means, the net benefit will be Rs 2,01,550 on the principle amount.

Now, suppose, a person borrows Rs 30 lakh at 9%, he can avail the benefit of 3 percentage point subsidy on Rs 12