Pro-active efforts to create better access to housing loans for EWS

Summary:

EWS beneficiaries are not financially sound enough to pay their share upfront while purchasing a house. They face difficulty in availing loan from banks/HFCs due to multiple reasons such as limited knowledge, incomplete documentation etc. Thus, different stakeholders have undertaken measures to overcome this problem. Madhya Pradesh came up with a unique solution in the form of a Tripartite agreement among Banks/FIs. With the tripartite agreement the ULB acted as intermediary guarantor and allotted dwelling units as per eligibility criteria.

Objective:

To create better access to housing loans for EWS in the state of Madhya Pradesh by issuing a Model Tripartite agreement amongst the beneficiary, ULB and financial institution.

Key Stakeholders:

- Government of Madhya Pradesh
- Urban Local Bodies
- Banks/ Financial Institutions

Implementation Strategy:

Madhya Pradesh came up with a unique solution in the form of a Tripartite agreement among Banks/FIs, ULBs and beneficiaries to ensure timely loan linkages of EWS beneficiaries by issuing a Model Tripartite agreement. The key features of the tri-partite agreement to create conducive environment for all the parties are:

- ULBs act as intermediary guarantors for loan availed by EWS beneficiaries from banks/FIs.
- In case of default, the ULB takes possession of dwelling unit and allots it to next eligible beneficiary in waiting list who will pay the loan.
- Beneficiary contribution at the time of pre-allotment is 10 per cent of their share.
- ULB to bear the lump sum charges of Rs. 5,500 for stamp duty, registration charges, insurance, SARFAESI charges etc.

To support beneficiaries of PMAY (U) in availing loan by means of Tripartite agreement, site-camps were organized by ULBs to ensure effective implementation.

Resource Utilisation:

State Government effectively brought FIs on board to participate in this initiative and provide better access to housing finance. In terms of financial aspect, the following was considered:

- Maximum beneficiary share for EWS slum dwellers is Rs. 2 Lakh.

- In case of NPA, ULB empowered to cancel the allotment of existing beneficiary and re-allot the dwelling unit to a new beneficiary of the same category.
- The funding of the beneficiary share is proposed in 9:1 ratio wherein 90 per cent would be loan contribution and the remaining 10% would be beneficiary margin.
- In case ULB fails to make repayment, State shall deduct the amount from monthly Devolution Fund of ULBs and make repayment to Banks/FIs.

Impacts/ Outcomes:

- By linking banks/ FIs with beneficiaries through ULBs, it bridged financing gaps for the beneficiary.
- This also eased the risk faced by banks/FIs relating to foreclosure difficulties and resulted in high willingness to lend.
- Through implementation of Tripartite Agreement, 38,000 DUs were completed/ occupied by mid of year 2018.

Challenges/ Lessons learnt:

To maintain financial sustainability and support the EWS beneficiary, the pro-active efforts by the State has resulted in better access to housing finance and achieving the goal of housing occupancy.

Replicability and Sustainability:

This model can be replicated in other States to help EWS beneficiaries for AHP and ISSR component. Its application towards BLC beneficiaries can also be explored through discussions with SLBCs and ULBs.

Fact Sheet:

Thematic area	Better access to housing loans for EWS
First-year of the program	2018
Responsible institution	Government of Madhya Pradesh, Urban Local Bodies (ULB), Banks/ FIs
Target audience	EWS
Coverage	Madhya Pradesh State

Sources:

GoMP, 2018, 3rd Anniversary of PMAY (U) presentation; GoMP, 2017, PMAY (U) – National Workshop Presentation; GoMP, Model Tri-partite Agreement, UADD.