

A Squeaky Clean Housing Policy

THE GOVERNMENT'S policy of providing 'housing for all' (HFA) will act as a key growth driver and accelerate demand in the housing segment in India. Aiming to benefit 90 per cent of Indian population across categories, the HFA scheme aims to bridge both the gap in funding — with Pradhan Mantri Awas Yojana (PMAY) and Credit Linked Subsidy Scheme (CLSS) granting 3-5 per cent interest savings — and supply by according infrastructure status to affordable housing and affordable housing programme.

Mortgage contribution to GDP is a mere 9 per cent, as compared to 52 per cent in the US, the government has now responded to improve this contribution with a policy focus. The policies are now in place, which offers equity support to individuals via interest subsidy under PMAY and other favourable regulatory support for housing finance companies (HFC), including allowance of debt mutual funds to invest up to 40 per cent of their assets in HFCs and excluding AAA-rated HFCs from sector-wise cap for investments in the financial and insurance sectors.

The National Housing Bank (NHB), has been providing a steady source of refinancing to HFCs and scheduled commercial banks to extend credit to weaker section. These schemes allow HFCs to gather lower cost of funding from the regulator and then lend it at a fixed spread, which has been increased to 3.5 per cent from the earlier 2 per cent; thus aiding HFCs and banks to cater to this segment profitably. Additionally, focus on information sharing and digitisation driven by Aadhaar-based eKYC verification has resulted in lesser costs and quicker turnaround time for home loan processing, thereby solving a genuine consumer need gap.

Infrastructure status for affordable housing bridges the supply gap, by developers, who need to meet certain criteria, to become eligible for a 100 per cent profit exemption for projects constructed.

With the proposed increase in eligibility in CLSS scheme — from income of Rs 6 lakh to up to Rs 18 lakh (for one year), a sizeable urban and middle income population will be eligible for this scheme.

The government is also working on boosting the support infrastructure, which will give impetus to micro markets and peripheral location around bigger urban centres. Strategic projects across major cities will facilitate development of housing projects and subsidiary industries in nearby areas. The Pradhan Mantri Gram Sadak Yojana (PMGSY), and

Digital India, will connect rural India, to major economic centres, thereby improving the economic inclusion.

Also, change in income tax norms on second house ownership will bring in more stability in property prices.

Gaining From The RERA

With the Real Estate Regulation Act (RERA) coming into effect, the government wants to promote more transparency in real estate dealings and bring in a higher level of accountability in to the sector. This is sure to improve consumer confidence and should bring in the fence sitters into the sector. RERA is expected to bring in transparency in fund inflow and outflows of a project thereby avoid-

ing siphoning of funds to other projects or buying lands.

There will also be greater transparency on project plans, thus avoiding mis-selling. Customers will know clearly on what they are paying for as against today's practice of saleable area. It is possible though, that the cost of compliance may increase property prices whereas, increased transparency may make things competitive. One can also expect easy monitoring for HFCs, CF and partly-disbursed home loans.

With a string of initiatives, policy changes, stimulus and regulatory framework, the government is creating the right ecosystem to win over buyers confidence and bring in the right set of players who will service the category's needs. This will surely steer the sector in the right direction in the years to come. **BW**



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