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भारत सरकार
कृषि भवन, नई दिल्ली-110 114
Ministry of Rural Development
Deptt. of Rural Development
Government of India
Krishi Bhavan, New Delhi-110 114

F No J-11011/6/2011-RH

No.1/JS(SA)/Misc./2015

Dated 30th November, 2015

Dear

Since the amount given as a grant in IAY may not be sufficient to complete an IAY house and since the entitled amounts are often not paid on time, many beneficiaries have been known to sell assets or borrow money, especially from money lenders, on exorbitant rate of interest.

2. In order to prevent this, Ministry of Rural Development, in partnership with National Housing Bank, held discussions with selected housing finance companies and banks to facilitate accessing institutional finance by IAY beneficiaries and beneficiaries of other rural housing schemes. Participants listed out some of the obstacles to lending in rural areas and also listed out their solutions. I have attached a copy of the points that came up in the discussion. National Housing Bank is willing to facilitate the discussions between States and housing finance companies and banks active in their area in rural housing if these issues can be addressed.

3. I request you to go through the recommendations and see if they are feasible. If you would like to facilitate rural home builders to access institutional credit, I request you to let me know so that the Ministry, in collaboration with the National Housing Bank, can organise discussions with the financial institutions involved in rural housing in your State.

With regards,

Encl.As above.

Yours sincerely,


(Rajeev Sadanandan)

Secretary / Principal Secretary (RD)
All States

Ministry of Rural Development

Sub : Meeting held on 15/10/2015 between representatives of select Housing Finance Companies and Banks, JS(RH) and MD& CEO, NHB – Key decision points.

1. **Title** :Banks and financial institutions find it difficult to process applications for housing loans in the absence of a proper document proving title as security. The defects fall into 3 categories.

- (i) Where the land remains in the name of the original owner and has not been mutated to reflect the title of the current owner;
- (ii) The owner has only possession and not title to the land;
- (iii) Landless persons who are assigned government land.

Recommendations -

Defect No. (i) :Authority authorised to carry out mutation should give priority in mutating ownership to the current owner if the title is a proper one.

Defect No. (ii) : If the owner have only possession, an authority designated by the State Government should issue documentation proving undisputed possession by the owner as well as other information to triangulate ownership,through para legal documents/ supplementary proof of ownershipsuch as payment of land tax by the owner, grant of land-linked subsidies to the owner (such as agricultural subsidy) and existence of other proofs of ownership such as house number or electricity connection.

Defect No. (iii) : Permitting the Revenue Authority to issue proxy title with permission to create valid mortgage for obtaining housing loan from Banks/FIs.

2. **Mortgage to be allowed** : The land laws in many states do not allow mortgage to be created on agriculture land even when it is used for non-agriculture purposes such as housing. An exemption should be made by the State allowing mortgage for institutions finance for housing below a specified amount and extent of land. The assignee should be allowed to create a mortgage where government allots land for construction of houses.

3. Government should facilitate issue of approved housing plan by designated authorities where housing finance is sought for.Nodal Officers can be identified and contact details may be uploaded in the Government Website.

4. Memorandum for Deposit of Title deed (MODT) charges for rural housing should be minimal or nil.

5. Various models such as modular housing finance, including exploring the option of Title Guarantee Mechanism were discussed. Points were also made regarding relaxation of housing norms by the National Housing Bank.