

NHB wants housing finance cos to take stock of their portfolio

Housing Regulator Also Seeks To Probe Involvement Of Intermediaries

Our Bureau
MUMBAI

THE National Housing Bank has asked housing financing companies (HFCs) to take stock of their portfolio and examine the involvement of intermediaries.

National Housing Bank chairman and head RV Verma said: "We met the CEOs of housing finance companies some time ago. These meetings are part of the internal process, wherein we take in details of the quality of loan book disbursed by the company and also to make sure that there are no intermediaries."

NHB recently increased the provisioning for teaser loans for HFCs and proposed a higher loan-to-value ratio, increasing the risk weightage to be allotted to loans above ₹75 lakh, and directed HFCs to keep 0.40% of their total outstanding loans which they lend out to others, apart from individuals. This is in alignment with RBI's revised provisioning norms, where in the central bank had raised the provisioning requirement for banks to 2% in these schemes. "The provisioning norms have been put in place to bring uniformity in the industry. This will also



keep no room for regulatory arbitrage. We are expecting this to cool off the real estate prices as speculative transactions would decrease, which is more likely in case of loans above ₹75 lakh," Mr Verma said. He was speaking on the sidelines of a function where Union Bank of India and Star-Union Dai-ichi (SUD) Life Insurance signed an MoU for promoting a reverse mortgage loan-enabled annuity (RMLLeA) plan.

SUD is the first life insurance company to come out with a reverse mortgage plan for se-

nior citizens, though Union Bank is not the first bank to come out with such a loan scheme. SUD had a similar scheme in place with Central bank of India. This plan is different from the other mortgage loan schemes that NHB extended earlier in 2007. This has an annuity plan attached to it and the monthly payment, to be received by the annuitant who will mortgage his property against the loan, would come back to the beneficiary in the form of annuity for life. The bank would use the loan amount to purchase annuity from SUD. The monthly payment received in this scheme will go up by 150% against that of the other usual mortgage loan schemes. SUD has so far sold about 100 RMLLeA loans under the new scheme.

Union Bank of India chairman MV Nair said the bank is aiming to receive around ₹75 crore from the product. It is set to get a capital infusion of about ₹1,150 crore from the Centre, which will hike the government stake to 58% from 55%. The banker expects a credit growth of 23% and deposits to grow 20.3% in the fourth quarter. The bank also plans to raise close to \$200 million in international markets to fund its Hong Kong operations, informed Mr Nair.