

## 6.2 PSL eligibility increased in Housing

The RBI has increased (under the notification released in June 2018) eligibility for priority sector lending (PSL) in housing loans with a view to converge PSL guidelines with PMAY. The eligibility has been increased from ₹ 2.8 million to ₹ 3.5 million for metropolitan centers and from ₹ 2 million to ₹ 2.5 million for other centers. The cost of dwelling units has been capped at ₹ 4.5 million in metropolitan centers and at ₹ 3 million in other centers. The on-lending limits given to NBFC/HFCs from banks were also raised from ₹ 1 million to ₹ 2 million.

## 6.3 NHB's Refinance to aid borrowing cost for HFCs catering to Affordable housing

While access to the debt markets allows large HFCs to mobilize resources at competitive rates, niche HFCs have benefited from the NHB's refinance schemes. The NHB runs various schemes under which it refinances banks and HFCs. This funding is available to affordable housing players at a very low rate but it comes with an interest rate capping. It leads to improvement in borrowing cost but at the same time reduces the yield too, while keeping the spread at similar levels.

## 6.4 Real Estate (Regulation and Development) Act

### Framework of RERA

Transparency	Liability	Security	Discipline	Compliance	Justice
<ul style="list-style-type: none"> <li>Compulsory registration of all ongoing and upcoming real estate projects; existing under-construction projects which have not received completion certificates is covered under the Act. Developers to disclose project-related details including project plan, layout, and government approvals to the customers. The details include sanctioned FSI, number of buildings and wings, number of floors in each building, etc</li> <li>Buyers to pay only for the carpet area</li> <li>Consent of two-third allottees to be taken for any major addition or alteration</li> </ul>	<ul style="list-style-type: none"> <li>Any structural defect, or any other obligations of the promoter as per the agreement for sale, brought to notice of promoter within five years from possession to be rectified free of cost</li> <li>No false statements or exaggerated commitments to be given in advertisements</li> <li>Buyers have to comply with payment schedule mentioned in model sale agreement (which mandates them to pay up to 30% of total consideration on execution of agreement, an additional up to 15% of total consideration on completion of plinth work; and remaining payment as per clauses mentioned in the model sale agreements)</li> </ul>	<ul style="list-style-type: none"> <li>70% of the money received from buyers for a particular project to be transferred to an escrow account</li> <li>Withdrawals to be in accordance with project completion and need to be certified by engineer, architect, and a practicing chartered accountant</li> </ul>	<ul style="list-style-type: none"> <li>Developers have to register their projects with the RERA before advertising or marketing</li> <li>Brokers/ agents to be registered with RERA</li> <li>Project details to be updated quarterly on RERA website</li> <li>Project accounts to be audited annually by a CA</li> </ul>	<ul style="list-style-type: none"> <li>In case of delay, developers have to pay interest to home buyers at State Bank of India's highest marginal cost of lending rate plus 2%</li> <li>Developer may terminate the agreement in case of three payment defaults by buyers (by giving 15 days' notice)</li> <li>Monetary fines/ penalties for not registering the projects and continuous default/ non-compliance with any provision of the Act/ non-compliance with the order of Appellate Tribunal (does not mention imprisonment penalties to developers)</li> </ul>	<ul style="list-style-type: none"> <li>The complaint at the initial stage will be handled by the authority, with further appeal resting with the RERA Appellate Tribunal. A second appeal is also allowed to be filed before a High Court</li> </ul>

Source: CRISIL MI&A