

# Rajiv Rinn Yojana (RRY)

## Guidelines of Rajiv Rinn Yojana

These guidelines supersede the earlier guidelines for Interest Subsidy Scheme for Housing the Urban Poor -2008 and earlier guidelines issued in September 2013.

### 1. INTRODUCTION

- 1.1. 'Affordable Housing for All' is an important policy agenda of the Government of India. The Government has sought to create an enabling and a supportive environment for expanding credit flow to the housing sector and increasing home ownership in the country. Various national policy pronouncements have reinforced the primacy of the housing sector and the need to provide shelter opportunities to all. A major initiative has been launched for provision of housing for the Economically Weaker Sections (EWS) and Low Income Groups (LIG) through the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and Rajiv Awas Yojana (RAY).
- 1.2. The Ministry of Housing and Urban Poverty Alleviation (MH&UPA), Government of India has designed a Revised Interest Subsidy Scheme - renamed as Rajiv Rinn Yojana (or Rajiv Loan Scheme), as an additional instrument for addressing the housing needs of the EWS/LIG segments in urban areas. The Scheme envisages the provision of a fixed interest subsidy of 5% (500 basis points) on interest charged on the admissible loan amount to EWS and LIG segments to enable them to buy or construct a new house or for carrying out addition (of a room / kitchen / toilet / bathroom) to the existing building.
- 1.3. The tenure of ISHUP expired on September 30, 2013 and **Rajiv Rinn Yojana is effective from October 1, 2013.**

### 2. BROAD FEATURES OF THE SCHEME

- 2.1. Purpose - The Scheme will provide home loan with Central Government interest subsidy to EWS/LIG persons for acquisition/ construction of house to such beneficiary, who does not own a house in his/her name or in the name of his/her spouse or any dependent child. Assistance would also be available to such of the EWS/LIG beneficiaries with less than 40 Sq. m who intend to make additions to the living areas of existing dwelling units by extending the same. Such beneficiaries who own land in any urban area but do not have any pucca house in their name or in the name of their spouse or any dependent child will also be covered under the Scheme.
- 2.2. Eligibility - The economic parameter of EWS is defined as households having an average annual income up to Rs.1,00,000/- and the economic parameter of LIG is defined as households having an average annual income between Rs.1,00,001/- up to Rs.2,00,000/-. This will be subject to revision by the Steering Committee of the Scheme from time to time.

- 2.3. Loan amount admissible – The scheme will provide an interest subsidy for a maximum amount of Rs.5,00,000 for an EWS individual for a house at least of 21 sq.mts. There should be a provision for toilet wherever new construction of house is contemplated. Additional loans, if needed would be at unsubsidized rates. The loan tenure can be between 15 – 20 years.
- 2.4. A maximum loan amount of Rs.8,00,000 for a LIG individual will be admissible. However, subsidy will be given for loan amount up to Rs.5 lakhs only. Additional loan amount between Rs 5 lakh and 8 lakh, if taken would be at unsubsidized rates. A beneficiary can build or purchase a house with a minimum carpet area of 28 Sq. mts as per his/her convenience. There should be a provision for toilet wherever new construction of house is contemplated. The loan tenure can be between 15 – 20 years.

## 2.5. Terms for Loan and Subsidy Reimbursement

The subsidy will be 5% p.a. on interest charged on the admissible loan amount for EWS and LIG, for construction or acquisition of a new house or for carrying out addition (of a room / kitchen / toilet / bathroom) to the existing building. The subsidy will be passed on as follows:-

- 2.5.1. The Scheduled Commercial Banks and Housing Finance Companies (collectively called Primary Lending Institutions or PLIs) will sign a MOU with any of the Central Nodal Agencies (namely HUDCO and NHB) based on the agreed target number of beneficiaries that the Bank/ HFI would be servicing.
- 2.5.2. The PLIs will sanction loans after due diligence and disbursement of the loan would be as per the requirements of the borrower.
- 2.5.3. The beneficiaries will be charged an interest net of the fixed subsidy of 5% (500 basis points) from the prevailing rate of interest of the PLIs. The PLIs will deduct the interest subsidy amount from the Equated Monthly Installment (EMI) of the borrower and debit the net EMI.
- 2.5.4. After sanctioning and disbursing the eligible loans, the PLI will claim reimbursement of subsidy from the CNAs  
(namely HUDCO and NHB) by submitting their claims on the prescribed format on a quarterly basis.
- 2.5.5. The Government of India will release the subsidy amount to the CNAs immediately but not later than two months based on demand for sanction of subsidy received from the CNAs.
- 2.5.6. CNAs would send their demand for sanction of subsidy with all supporting documents including details of loan/subsidy amount during the last quarter, based on the inputs received from the PLIs
- 2.5.7. The PLI will be required to ensure proper utilization of the funds and to submit utilization certificates, to their respective CNA against the amount of the interest subsidy released to them.
- 2.5.8. The PLIs will flag all the loans covered under the Scheme in their books of accounts for the purpose of inspection by the specified authority.
- 2.5.9. The Central Nodal Agencies (CNA) for the scheme will be the National Housing Bank (NHB) and Housing & Urban Development Corporation Ltd. (HUDCO). The nodal agencies will not lend directly to the borrower but through banks or Housing Finance Companies (HFCs) who agree to be part of the Scheme.
- 2.5.10. The annual interest subsidy will be given by the Government to the lenders through its nodal agencies as brought out above. It will be passed on by the lender to the borrower in the form of reduced EMI.
- 2.5.11. The agreed rate of interest would be fixed by the lending banks keeping in view the RBI guidelines issued from time to time.

- 2.5.12. Beneficiary borrowers may choose fixed or floating rates (the consequences clearly explained to the borrowers by PLIs). An additional 1% p.a maximum will be permitted to be charged by banks/HFCs, if fixed rate loans are extended which will be subject to reset after a minimum period of 5 years.
- 2.6. Mortgage of the dwelling unit may be accepted as primary security. However, there would be no collateral security/ third party guarantee for loans under RRY up to Rs.5 lakhs. No levy of prepayment charges would be permitted.
- 2.7. The Scheme will currently close on March 31, 2017, the last year of the 12th Five Year Plan Period (2012-17). However, the loans extended in the last year will also have repayment period up to 15 years and suitable budgetary provisions will be made thereafter.
- 2.8. The scheme will be monitored and concurrently evaluated independently at the end of the 12th Plan i.e. in 2017.
- 2.9. A decision about continuation in the present form or the amended form will be taken on the basis thereof.
- 2.10. State Government are allowed to dovetail their state housing schemes with RRY.
- 2.11. Targets, as set by the Ministry of HUPA for States from time to time will be intimated to the State Governments. The States vide respective SLBCs will set the bank wise targets. NHB, in consultation with the Ministry of HUPA, will allocate HFC targets.
- 2.12. An amount of 2.5% of the Scheme funds area earmarked for IEC, A&OE, PMU and MIS.
- 2.13. Selection of Beneficiaries**
- 2.13.1. The borrowers under the scheme must belong to the EWS or LIG, and must have a plot of land for the construction or have identified a purchasable house as part of a group housing/apartment scheme or an existing house where addition to the living space is intended to be made. Borrowers would be free to approach and negotiate a loan under the Scheme directly with the lender. However, it is envisaged that such borrowers would be few. Most borrowers and lenders would require the intercession of State Governments / Urban Local Bodies (ULBs) to identify borrowers with land, help them with preparation of papers and liaise for them with the lenders.
- 2.13.2. Banks will provide loans to these beneficiaries on priority.
- 2.13.3. In order to incentivize the designated staff of ULBs or NGOs a sum of Rs.100 per sanctioned application would be paid out of RRY funds.
- 2.13.4. Further a onetime lump sum amount of Rs. 500 per sanctioned application would be paid to the Banks towards their expenditure in handling such loans.
- 2.13.5. The State shall link beneficiary identification in RRY to Aadhar (Unique Identification Number) enrolment as a pre-condition wherever Aadhar cards have been issued.
- 2.14. The voluntary NGOs may also be involved by State Govts/ULBs in building awareness about the scheme among the urban poor. The applications duly filled through NGOs may also be accepted by the Banks and HFCs.
- 2.15. In identifying beneficiaries, the ULB or the local agency identified by the State should as far as possible identify clusters in which land has been allotted and housing can be supported through this scheme within such clusters. The Preference under the Scheme (subject to beneficiaries being from EWS/LIG segments) should be given to the following beneficiaries:
- Women;

- Scheduled Caste;
- Scheduled Tribe;
- Minorities and
- Persons with disabilities.

## 2.16. Applicants

- 2.16.1. Applicants planning to form cooperative group housing societies or organizations like Employees Welfare Housing, Labour Housing, etc. should be given preference and wherever possible construction of houses by such cooperatives by way of 1+3 storied buildings should be promoted so that cost of land is shared among beneficiaries. However, this is not a mandatory requirement. Both individuals as well as Group Housing borrowers are equally eligible under the scheme.
- 2.16.2. If the Housing co-operative societies approach the bank for availing the benefits under the scheme the liability for the loan can be joint and/ or several.
- 2.17. The borrowers selected by State / ULBs / banks should as far as possible be in the ratio of 50:50 respectively for EWS and LIG categories.
- 2.18. The loan application can be made directly or through the ULB or the local agency identified by the State for the purpose, or through the voluntary NGOs who will ensure that it is complete with the necessary certification.
- 2.19. The documentation will be as per the procedural requirement of the lender. However the lenders shall prescribe simpler forms (in local languages) and relaxed norms keeping in view the risk guarantee provided by Credit Risk Guarantee Fund scheme to enable better access for the borrowers.
- 2.20. The lenders will sanction the loan as per their own risk assessment and procedural requirements
- 2.21. In case of beneficiaries availing loan for construction of houses, release of loan will be linked to the pace of construction, which ideally is to be completed in two year. The lending Bank will monitor the progress of construction. This is equally applicable when the beneficiary proposes to buy the house from a private builder/ developer as part of a group housing or apartment complex.

## 3. STEERING COMMITTEE

- 3.1. A Steering Committee under the Chairmanship of Secretary, MH&UPA and members drawn from select State Governments, Senior Executives from Ministry of Finance, Reserve Bank of India, NHB, HUDCO, eminent bankers & social researchers / workers in the field of urban housing, finance and allied areas will be set up by the MH&UPA and will be responsible for suggesting and deciding on operational instructions, monitoring the implementation of the Scheme and advising adjustments as necessary for the implementation of the scheme in keeping with the guidelines of the scheme.
- 3.2. The disbursement of subsidy will be made by NHB/HUDCO as decided by the Steering Committee. The Committee may review the mechanism from time to time depending upon the experience, operational and financial and will be authorized to change / modify the mechanism and modalities for fund management.
- 3.3. The Steering Committee may formulate separate guidelines for association of Micro Finance Institutions (MFIs), Self-Help Groups (SHGs) and Neighborhood Committees with the scheme. However State Govts /ULBs are free to associate voluntary NonGovernmental Organizations (NGOs), Community Based Organizations (CBOs) of repute for implementing the scheme. No costs towards hiring the services of the NGOs / CBOs would be borne by the GOI other than the incentive as indicated in para 2.9.3 above.

#### **4. ROLE OF THE CENTRAL GOVERNMENT**

The Ministry of Housing and Urban Poverty Alleviation (MH&UPA) will:

- 4.1. Implement the scheme including review and monitoring of the outcome of the scheme.
- 4.2. Release the subsidy to Nodal agencies, viz., National Housing Bank and HUDCO on a quarterly basis on receiving a request. Second and subsequent installments will be released on a revolving basis on the basis of 70% utilization.
- 4.3. Undertake wide media campaign and awareness programmes based on a media plan.
- 4.4. Monitor the data at various levels including the number of applications sponsored/received, applications sanctioned, loans disbursed, applications rejected, actual subsidy paid / payable, disbursements of incentives to Banks, NGOs/ULBs etc. received through the MIS Reports forwarded by the CNAs.
- 4.5. Periodically monitor the disbursements to CNAs and ensure timely releases. Further, through regular interactions and field visits other implementation issue/bottlenecks encountered would be resolved and brought to the notice of the Steering Committee wherever warranted.
- 4.6. Prepare detailed guidelines for utilizing the funds under IEC, A&OE, PMU and MIS.

#### **5. ROLE OF THE STATE GOVERNMENTS/URBAN LOCAL BODIES (ULBS)**

5.1. State Governments / ULBs will:

- 5.1.1. Nominate one or more of its agency (ULBs) officers/ officials/ functionaries/ authorities of certifying that the applicant belongs to EWS/LIG category as the case may be, and this certification, along with a self declaration shall be conclusive proof regarding eligibility under this Scheme. However, in case of any applicant who has already been identified as a part of BPL category, no such certification shall be required and the aforesaid self-declaration shall suffice.
  - 5.1.2. Identify a local level nodal agency and/ or reputed NGOs and inform MH&UPA and CNAs of the nodal agency/ NGO identified. Such local level nodal agency/ Voluntary NGO of repute will identify, motivate and organize beneficiaries to seek loans for building or buying houses.
  - 5.1.3. help local level nodal agency/ Voluntary NGO to identify and motivate beneficiaries who intend to construct dwelling unit on their own land or purchase a ready built dwelling unit or procure the same through an upcoming housing project being developed by the private builder / developer or any State government agencies, within urban limits, including the beneficiaries who intend to add any living space (including rooms, toilet or kitchen) to the existing residential building. In identifying beneficiaries nodal agency /ULB/ NGO will seek to follow a cluster approach, as also encourage and assist beneficiaries to form Group Housing Societies.
  - 5.1.4. May create a cell/desk and provide with a social worker to assist the beneficiaries understand the details of the scheme, the size of the Equated Monthly Installments (EMI), the procedures and paperwork of the bank and with obtaining the requisite certificates to get the loan and receipt of repayment.
- 5.2. State Governments / ULBs will further, with or without the help of NGOs/CBOs:
- 5.2.1. Assist lenders in identifying beneficiaries and undertaking verification as per the scheme guidelines.
  - 5.2.2. forward application of eligible beneficiaries to the financing institutions

- 5.2.3. Monitor data at City / District levels indicating the number of application sponsored, application sanctioned loan disbursed and application rejected, disbursements of incentives to Banks, NGOs/ULBs etc. as per MIS to be developed at City / District and State levels. Closely interact with the State Level Bankers' Committees and District Level Banker's Committees and remove the bottlenecks periodically.
- 5.3. State Government will prepare a media plan/policy for the centre to approve and undertake media campaign as well as printing and distribution of scheme material in local languages. Approval for the financial assistance, wherever necessary, could be sought from the GOI before incurring the expenditure, which will then be reimbursed. Secretary, Ministry of HUPA is empowered to sanction such expenditure in consultation with the Integrated Finance Wing of the Ministry.

## **6. ROLE OF CENTRAL NODAL AGENCIES**

- 6.1. The National Housing Bank (NHB) and Housing & Urban Development Corporation Ltd. (HUDCO) will be the Central Nodal Agencies (CNAs) for disbursement of the subsidy and monitoring the progress. NHB/HUDCO will enlist lending agencies with the approval of the Steering Committee who will disburse loans under the Scheme.
- 6.2. NHB/HUDCO will release subsidy on the outstanding loans to the Banks / HFIs availing their services.
- 6.3. Based on Utilization/End use Certificate by the Banks/HFIs, NHB/HUDCO will provide utilization certificate in prescribed format to the MH&UPA as per guidelines in the matter.
- 6.4. CNAs will be responsible for constituting Scheme Monitoring Unit for scientific monitoring and professional administration of the scheme and developing MIS at National level to monitor the data at various levels (States/ULBs, Banks etc) indicating the number of applications sponsored/received, loans sanctioned and disbursed and applications rejected along with reasons, disbursements of incentives to Banks, NGOs/ULBs etc. CNAs will also be responsible for maintaining a database of beneficiaries, actual subsidy paid / payable etc.,
- 6.5. CNAs will provide periodic monitoring inputs to the Ministry of Housing and Urban Poverty Alleviation through regular monthly and quarterly reports and updates.
- 6.6. NHB and HUDCO will devolve the subsidy in the following manner:
- 6.6.1. On receipt of information regarding the total loan sanctioned by a primary lending institution to EWS and LIG beneficiaries during a 3 month period, the NHB or HUDCO will release the subsidy amount to them directly as per the disbursement schedules of the Banks. . Subsequently on a quarterly basis the subsidy would be released by the CNAs based on provision of 70% utilization certificate by the Banks/HFCs.
- 6.6.2. The NHB and HUDCO for their respective jurisdictions will monitor the construction of the housing units financed in terms of the aforesaid subsidy by directing their officers to undertake suitable visits during the process of construction with a view to verifying the expenditure incurred as well as the quality of construction.
- 6.6.3. The aforesaid designated institutions will also ensure that the Primary Lending Institutions (PLIs) provide them 'utilization certificates' in relation to completion of housing units within a one/ two year period from the start of construction. In case certain housing units are not completed within such period, the PLIs should ask for specific extensions while giving reasons for delay in construction / addition to the existing building.

## **7. ROLE OF THE BANKS/HOUSING FINANCE INSTITUTIONS (HFIs)**

- 7.1. Banks/Housing Finance Institutions (HFIs) i.e HFCs, MFIs etc. will have the option to avail the resources of either of the Nodal Agencies for the period of the Scheme.
- 7.2. Banks/ HFIs will have to provide Utilization/ End use Certificate to NHB/ HUDCO on a quarterly basis.
- 7.3. Banks/ HFIs will provide each loanee a statement which will make him/ her understand the amount given as subsidy, how the subsidy has been adjusted and the impact of the subsidy on his/ her EMI.
- 7.4. Banks/ HFIs will clearly explain to the borrowers the consequences of availing loan on fixed/ floating rates of interest.

## **8. MONITORING**

- 8.1. Detailed review of the scheme/provisions by the Ministry through external institutions every two years for midcourse corrections/adjustments, will be undertaken.
- 8.2. Supervision of quality and timeliness of construction may need to be undertaken through quality control mechanisms put in place by States/UTs. The PLIs in consultation with the State government authorities may conduct random quality control checks. At the national level an empanelled Third Party Inspection and Monitoring (TPIM) agency may be tasked by the CNAs to ensure proper implementation through random sample survey. The Steering Committee may also chose to inspect the quality and monitor, if need be.
- 8.3. Special attention will be given to monitor fund flows to expansions/additions to avoid diversion of subsidized loans for other purposes

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