

Country's maiden mortgage guarantee fund may be revived

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Indian Mortgage Guarantee Company, India's first mortgage guarantee fund, is likely to see the light of day soon. The Rs 1,000 crore company, hanging fire for almost half a decade owing to lack of regulatory framework, may be revived following renewed interest from International Finance Corporation, Washington, (IFC), one of the key sponsors of the project. Three other partners in the fund — National Housing Bank of India, United Guaranty Corporation (United Guarantee) of the US, and the Asian Development Bank (ADB) — are also upbeat about its revival.

IFC's efforts come at a time when globally, the property mortgage market is in the vortex of a sub-prime crisis. The crisis has wiped out close to \$500 billion worth of assets of major banks and financial institutions world over till July this year.

Despite a booming real estate sector, the country lacks any property mortgage guarantee market so far and the new fund may go a long way in miti-

Fund fracas

- ▶ The Rs 1,000 crore company has been hanging fire for half a decade owing to lack of regulatory framework
- ▶ It may be revived following renewed interest from IFC, NHB, United Guaranty Corporation and ADB
- ▶ The effort comes in the midst of a sub-prime crisis that has wiped out close to \$500 billion worth of assets



gating the risk of financial institutions and banks who are into property financing. However, the government has yet to lay down rules for such companies so far.

According to IFC, "This proposed project is an important part of IFC's fi-

nancial sector engagement in India, and involves an equity investment in India's first mortgage guarantee company, India Mortgage Guarantee Company Ltd (IMGC). The sponsors have agreed on the terms of a non-binding term sheet for the project, but this is no assurance that the project will ultimately be completed or approved by the boards of the respective proposed investors."

National Housing Bank and United Guaranty Corporation are the major sponsors of the fund, IFC and ADB being minority stakeholders. NHB is a wholly-owned subsidiary of the Reserve Bank of India (RBI) set up to develop a vibrant and cost effective housing finance system.

According to sources in the know, the proposed mortgage guarantee company is likely to provide mortgage guarantee insurance for first and second mortgages to protect the lenders against potential mortgage credit losses. The company will have an initial corpus of Rs 1,000 crore in which IFC will pick up an 8% stake. The majority stake will be held between NHB and United Guarantee.

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