

Home finance cos may breathe easy

NHB set to allow external commercial borrowings and separate lending window at cheaper rate

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Housing finance companies (HFCs) may finally get some relief, with the National Housing Bank (NHB) considering various options for increasing their access to cheaper finance.

Sources close to the development said these measures include allowing the HFCs to access funds through external commercial borrowings. NSB is also considering a separate window for lending to these

companies at a cheaper rate.

The maximum amount a company could raise through ECBs would depend on the net worth of the company.

Last week, RBI allowed banks to raise money through a special window to on-lend to non-bank financial companies (NBFCs), before allowing systemically important non-deposit-taking NBFCs to raise capital through Perpetual Debt Instruments that would be a part of their Tier-1 capital. As a temporary measure, RBI also allowed these NBFCs to

raise short-term foreign currency borrowings to the tune of \$10 million under the approval route.

The sources said housing finance companies, which were excluded from this package, may be the next to get similar reliefs.

NHB is the subsidiary of RBI and is the regulator for the HFCs.

"ECBs are very important as these are long-term funds and are cheaper by 200-300 basis points compared to domestic funding," said a senior official of an HFC.

Pointing out that HFCs have little access to bank credit even after RBI intervention, the HFC official said banks are charging 12-14 per cent.

Chiefs of housing finance companies had made a pres-

entation to NHB last month regarding the impact of the current financial stress on the sector and sought funds at concessional rates.

"There

was a general review about how the cost of funds has increased in the recent months, and so a separate window for finance is urgently required," said an HFC chief.



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