

## Frequently Asked Questions about CRGFSLIH

### A. Lending Institutions-Eligibility, responsibility etc.

#### **1. Which are considered as eligible lending institutions under the Scheme?**

Scheduled Commercial Banks, Regional Rural Banks, Urban Co-operative Banks, NBFC-MFIs, Apex Cooperative Housing Finance Societies registered under the State Co-operative Societies Act, eligible under RBI guidelines as may be specified by the Trust from time to time. Housing Finance Companies registered with NHB and any other institution (s) as may be directed by the Govt. of India from time to time.

#### **2. Can a Private sector bank or a foreign bank be eligible for guarantee cover?**

Yes, provided it is a commercial bank listed in the Second Schedule to the Reserve Bank of India Act, 1934.

#### **3. When can the eligible lending institutions apply for guarantee cover in respect of eligible credit facilities under the Scheme?**

The Trust shall cover housing loans extended by eligible lending Institution(s) to an new eligible borrower in the low income housing sector in urban areas for housing loan not exceeding ₹ 5 lakh by way of housing loans on or after entering into an agreement with the Trust, without any collateral security and/or third party guarantees. Provided that the lending institution applies for guarantee cover in respect of loan proposals sanctioned in the quarter April-June, July-September, October-December and January-March prior to expiry of the following quarter viz. July-September, October-December, January-March and April-June respectively.

#### **4. When the lending institutions can invoke the guarantee?**

The lending institution shall invoke the guarantee in respect of housing loan-

- i) In case the loan is classified as NPA before the lock in period expires, within one year of the expiry of the lock-in period or
- ii) In case the loan is classified as NPA after the lock in period expires, within one year of the loan being classified as NPA

#### **5. Is there any lock in period during which claims shall not be preferred/entertained/paid?**

There shall be a lock-in period of 24 months from either the date of last disbursement of the loan by the lending institutions to its borrower or the date of the guarantee cover coming into force in respect of the particular housing loan or 2 months after the completion of the house; whichever is later . The lending institutions shall not prefer claim under the Scheme during the said lock-in period.

#### **6. Will CRGFSLIH will settle the claim fully upon receipt of a claim?**

The Trust shall pay 75 per cent of the guaranteed amount on invocation claim by the lending institution, within 60 days of applying for the settlement of claim, subject to the claim being otherwise found in order and complete in all respects. The balance 25 per cent of the guaranteed amount will be paid on conclusion of recovery proceedings by the lending institution.

## **B. Eligible Borrowers**

### **1) Who are the eligible borrowers can be covered under the Scheme?**

Eligible borrower are new individual borrowers in EWS/LIG categories of the population in urban areas who are seeking individual housing loans not exceeding a sum of ₹ 5 lakh or such amount as may be decided by the Trust from time to time and a housing unit of size upto 430 sqft (40 sqm) carpet area and to which housing loan has been provided by the lending institution without any collateral security and/or third party guarantees. Eligible borrowers, as defined above, forming a group or housing society of at least 20 members, shall also be eligible under the scheme.

### **3. What is EWS category?**

Economically Weaker Section (EWS) means households with monthly household income upto ₹ 1,00,000/- per annum or as revised by the Ministry of Housing & Urban Poverty Alleviation, Government of India, from time to time.

### **4. What is LIG category?**

Lower Income Group(LIG) means households with monthly income between ₹ 1,00,001/- to ₹ 2,00,000/- per annum or as fixed by the Ministry of Housing & Urban Poverty Alleviation, Government of India, from time to time.

### **4. What are the activities that are eligible for Guarantee Cover?**

Activities that are eligible for Guarantee Cover are home improvement, construction, acquisition, and purchase of new or second hand dwelling units involving a housing loan amount not exceeding ₹ 5 lakh per person. Loans given fully/partly for renovation/repairs are not eligible for the Guarantee Cover under the Scheme.

### **5. Is it necessary that a borrower to be eligible should obtain all the required credit facilities from a single institution?**

Housing loans can be extended by more than one lending institution jointly and/or separately to eligible borrower up to a maximum loan up to ₹ 5 lakh per borrower and per primary security subject to ceiling amount of individual lending institution or such amount as may be specified by the Trust.

### **6. Any declaration by borrower to the LI?**

The eligible borrower shall be required to submit an undertaking to the lending institution to the effect that she/he has not availed any other housing loan covered under this scheme nor any additional risk cover has been granted to the housing loan availed by her/him by Government or by any general insurer or any institution or any other person or association of persons carrying on the business of insurance, guarantee or indemnity.

### **C. Primary Security vis-a-vis Collateral security/personal vis-à-vis third party guarantee**

#### **1. What is the difference between primary security and collateral security?**

Primary security is the asset created out of the credit facility extended to the borrower for which the credit facility has been extended. Collateral security is any other security other than the primary security offered for the said credit facility.

#### **2. Can any third party guarantee obtained for the credit facilities will make them ineligible for guarantee cover.**

As per the extant guidelines no third party guarantee should be obtained if the account is to be covered under the Credit Guarantee Scheme.

### **D. Guarantee fee / Service fee**

#### **1. What is the guarantee fee?**

One-time guarantee fee at specified rate of 1.00% or as specified by the Trust after taking approval from the Ministry of Housing and Urban Poverty Alleviation from time to time ,of the total loan amount shall be paid upfront to the Trust by the institution availing of the guarantee within 30 days from the date of first disbursement of housing loan or 30 days from the date of Demand Advice of guarantee fee whichever is later or such date as specified by the Trust.

#### **2. On what basis the guarantee fee is to be calculated?**

For the purpose of calculation of the guarantee fee, the housing loan extended shall mean the amount of financial assistance committed by the lending institutions to the borrower whether disbursed or not i.e the sanctioned loan amount.

#### **3. Whether the incidence of guarantee fee and annual service fee be passed on by the lender to the borrower?**

The guarantee fee shall not be charged from the beneficiary as an upfront fee. However, banks may alter the interest rate to cover upto 50% of the guarantee fee. The premium charged should be clearly disclosed by the lending institutions.

**E.Credit guarantee - extent of cover, invocation, claim etc.**

**1. What is the guarantee cap available to the lender per eligible borrower?**

Category	Maximum extent of Guarantee where Housing Loan is	
	Upto ₹ 2 lakh or such amount as decided by the Trust from time to time.	Above ₹ 2 lakh and upto ₹ 5 lakh or such amount as decided by the Trust from time to time.
Housing Loans by Individual Borrowers	90% of the amount in default subject to the ceiling of 90% of the sanctioned housing loan amount	85% of the amount in default subject to ceiling of 85% of the sanctioned housing loan amount

**2. When should the lender apply for the guarantee cover?**

The eligible lending institution can apply for guarantee cover in respect of credit proposals sanctioned in the quarter April-June, July-September, October-December and January-March prior to expiry of the following quarter viz. July-September, October-December, January-March and April-June respectively.

Provided further that, as on the material date

- 1) The dues to the lending institution have not become bad or doubtful of recovery; and / or
- 2) The property/asset of the borrower for which the housing loan was granted has not ceased; and / or
- 3) The housing loan has not wholly or partly been utilised for adjustment of any debts deemed bad or doubtful of recovery, without obtaining a prior consent in this regard from the Trust.
- 4) The borrower has paid the necessary fees and charges for the said property.

**3. When will the guarantee cover commence for the eligible credit facility?**

The guarantee cover will commence from the date on which guarantee fee proceeds are credited to bank account of the Trust.

**4. When can the lender invoke the guarantee given by the Trust in respect of credit facility advanced by it to the eligible borrower?**

The lender shall prefer a claim on the defaulted account on recall of loan and initiation of recovery proceedings under due process of Law. The lender can, however, invoke the guarantee given by the Trust only after the lock-in period of 24 months either from the date of last disbursement of loan by the lending institutions to its borrower or the date of the guarantee cover coming into force in respect of the particular housing loan or 2 months after the completion of the house; whichever is later

**5. How the claim of lender will be settled by the Trust in respect of defaulting account?**

After satisfying itself about the procedural aspects met by the lender, regarding lodgment / preferment of claim for guarantee, the Trust will honour 75% of the guaranteed portion of the amount in default, The balance 25% shall be paid on conclusion of the recovery proceedings.

**7. Whether the responsibility to recover the defaulted credit is taken over by the Trust after the settlement of claim (issuance of 1<sup>st</sup> Installment of claim) in respect of particular borrower account?**

No, the lender continues to remain responsible to take all efforts in recovery of credit advanced to the borrower who had defaulted, even after the initial settlement of the claim by the Trust.

**8. Issuing notices to the defaulted units under SARFAESI Act 2002 is sufficient for invoking guarantee under the scheme?**

No, mere issuance of recall notice under SARFAESI Act cannot be construed as initiation of legal proceedings for purpose of preferment of claim under CGS. Lending institution should take further action as contained in Section 13 (4) of the above Act.

**9. Which housing loans are not eligible under the Scheme?**

The following housing loans are not eligible for being guaranteed under the Scheme

- I. Any housing loan in respect of which risks are additionally covered by Government or by any general insurer or any institution or any other person or association of persons carrying on the business of insurance, guarantee or indemnity to the extent they are so covered.
- II. Any housing loan to any borrower, who has availed himself of any other housing loan covered under the Schemes mentioned in clause (1) above and where the lending institutions has invoked the guarantee provided by the Trust or under the Schemes mentioned in clause (1) but has not repaid any portion of the amount due to the Trust or under the Schemes mentioned in clause (1) as the case may be, by reason of any default on the part of the borrower in respect of the housing loans.
- III. Any housing loan which has been sanctioned by the lending institution against collateral security and/or third party guarantee.
  
- IV. Any housing loan which has been sanctioned by the lending institution with interest rate more than the prevailing interest rate applicable for that eligible loan category or 2% over the base rate of the lending institutions in cases where base rate is applicable, whichever is easier.

## **F. Legal proceedings, OTS etc.**

### **1. What is meant by conclusion of recovery proceedings?**

The recovery proceedings would be stated as concluded after the decree has been enforced and recovery has been completed by the LI.

### **2. Who will bear the legal expenses of recovery, LIs or borrower or CRGFTLIH?**

Initially the legal expenses will be borne by the LI. At the time of remittance of recovery proceeds to FTLIH by the LI, same may be deducted.

## **G. Submission of Guarantee application forms/fee.**

### **1. How to report eligible accounts to the CRGFTLIH?**

Guarantee Application form and the annexure to it has been uploaded in NHB's website [www.nhb.org.in](http://www.nhb.org.in) in what's New section. Lending institutions desirous of availing the credit risk cover may download the forms and forward the same furnishing the details of eligible housing loan accounts along with the requisite guarantee fee.

### **2. How to remit the guarantee fee?**

The guarantee fee has to be remitted in electronic mode only in the account of the CRGFTLIH. The account details of the CRGFTLIH for remitting the guarantee fee will be forwarded to the lending institutions once they sign the undertaking with the Trust.

### **3. Whether branches of the member lending institutions can directly forward the Guarantee application forms/fee to the CRGFTLIH?**

No, only Head offices of the lending institutions are authorized to forward the Guarantee Application forms and the guarantee fee to CRGFTLIH.

### **4. What are the modalities relating to forwarding of the guarantee application to CRGFTLIH?**

Guarantee Application forms along with the annexure have to be forwarded to CRGFTLIH in "Sets". Each set number has to be serially numbered and maintained by the lending institution. The guarantee application forms are to be forwarded along with the "annexure" containing the required details about the eligible loan accounts under the Scheme.

## **H. Definitions**

### **1. Is the Scheme applicable only to Urban Areas?**

Yes, The CRGF Scheme is applicable only for the eligible housing loan extended by the lending institution in Urban Areas. The coverage under urban areas may extend to statutory towns,

urban agglomerations and planning areas. Statutory towns, urban agglomerations & Planning areas

## **2. What is a Statutory Town?**

All places with a municipality, corporation, cantonment board or notified town area committee, etc- This category of urban units is known as Statutory Towns. These towns are notified under law by the concerned State/UT Government and have local bodies like municipal corporations municipalities, Municipal Committee, etc., irrespective of their demographic characteristics as reckoned on 31st December 2009, Examples: Vadodara (M Corp.), Shimla (M Corp.) etc.

## **3. What is a Urban Agglomeration ?**

An urban agglomeration is a continuous urban spread constituting a town and its adjoining outgrowths (OGs), or two or more physically contiguous towns together with or without outgrowths of such towns. An Urban Agglomeration must consist of at least a statutory town and its total population (i.e. all the constituents put together) should not be less than 20,000 as per the 2001 Census. In varying local conditions, there were similar other combinations which have been treated as urban agglomerations satisfying the basic condition of contiguity. Examples: Greater Mumbai UA, Delhi UA, etc.

## **4. What is a Planning Area?**

Planning area means a planning area or a development area or a local planning area or a regional development plan area, by whatever name called, or any other area specified as such by the appropriate Government or any competent authority and includes any area designated by the appropriate Government or the competent authority to be a planning area for future planned development, under the law relating to Town and Country Planning for the time being in force.