





# STUDENTS' ECONOMIC FORUM

A monthly publication from South Indian Bank

*To kindle interest in economic affairs...  
To empower the student community...*

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Theme 319

## PRADHAN MANTRI AWAS YOJANA (URBAN)

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Theme No: 319: **“Pradhan Mantri Awas Yojana (Urban)”**

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A well informed customer will make the policy makers as well as organizations which produce goods and render services more responsive to the customer needs. This will also result in healthy competition among organizations and improve the quality of its products.

The “SIB Students’ Economic forum” is designed to kindle interest in the minds of younger generation. We highlight one theme in every monthly meeting of the “Forum”. This month the topic for discussion is “Pradhan Mantri Awas Yojana (Urban)”.

Pradhan Mantri Awas Yojana (PMAY) is intended to provide housing for all eligible families/ beneficiaries by 2022. The scheme was launched in June 2015 by Government of India (GoI). PMAY scheme comprises of four different variants:

1. Slum Redevelopment
2. Affordable Housing through CLSS (Credit Linked Subsidy Scheme)
3. Affordable Housing in Partnership with States/ Union Territories for the EWS
4. Subsidy for Beneficiary–led Individual House Construction.

The scheme is implemented through banking channels and directly/ indirectly by State/ Central Govt. agencies. Ministry of Housing and Urban Poverty Alleviation has selected two Central Nodal Agencies (CNA) viz. Housing and Urban Development Corporation Limited (HUDCO) and National Housing Bank (NHB) to implement the scheme nationwide. Affordable housing through Credit Linked Subsidy Scheme (CLSS) is the scheme implemented through banking channels and the banks have to enter into a Memorandum of Understanding with either of the CNA to implement it.

**1. Briefly explain the affordable housing through Credit Linked Subsidy Scheme (CLSS).**

The affordable housing through Credit Linked Subsidy Scheme (CLSS) categorizes borrower into Economically Weaker Section (EWS), Low Income

Group (LIG), Middle Income Group – I and Middle Income Group – II.

Sl No.	Parameters	Economically Weaker Section (EWS)	Low Income Group (LIG)	Middle Income Group – I	Middle Income Group – II
1	Annual Income	Less than ₹3,00,000	₹3,00,001 to ₹6,00,000	₹6,00,001 to ₹12,00,000	₹12,00,001 to ₹18,00,000
2	Loan Tenure	20 years	20 years	20 years	20 years
3	Interest Subsidy (% p.a.)	6.50	6.50	4.00	3.00
4	Loan Amt. Min.	0	0	0	0
5	Loan Amt. Max.*	₹6,00,000	₹6,00,000	₹9,00,000	₹12,00,000
6	Interest Subsidy Amt.	₹2,67,280	₹2,67,280	₹2,35,068	₹2,30,156
7	Property Carpet Area (sq.m.)	30	60	160	200
8	Housing Loan Sanction and Disbursement Period	From - 17.06.2015 To - 31.03.2022		From - 01.01.2017 To - 31.03.2019	

\*The Credit Linked Subsidy will be available for the stipulated Maximum Loan Amount only, the customer can avail loan amount subject to his eligibility, however loan amount above the stipulated amount is not subsidized.

**2. Briefly explain the eligibility criteria and the features of the PMAY scheme.**

- The beneficiary should not own a pucca house in his or in the name of any member of his family.
- In case of married persons, either of the spouse or both together in joint ownership will be eligible for a single subsidy.
- The beneficiary family should not have availed central assistance under any housing scheme from Government of India or benefit under any scheme in PMAY.
- The property has to be purchased in a Statutory Town as per Census 2011.
- Woman Ownership/Co-ownership is not required for existing property but required for new acquisition for EWS and LIG.

- f) Woman Ownership/Co-ownership is not required for the MIG – I & II.
- g) To avail the CLSS, the borrower has to provide a self declaration of not owning a pucca house.
- h) In case the construction of the house is stalled, the subsidy which is already disbursed has to be recovered and refunded to the Central Government.
- i) There is no limit or upper cap on the value (Cost) of property for which home loan be availed.

### **3. What is the process of crediting the interest subsidy?**

The subsidy would be released by the CNAs based on the disbursements made by PLIs (Primary Lending Institutions) to the beneficiaries. Subsidy, so disbursed by the CNA to the PLI, will be credited by the PLI to the borrower's home loan account upfront. As a result, the borrower will pay EMI on the balance of the principal loan amount. Example - The borrower avails a loan for ₹ 6.00 lakhs and subsidy thereon works out to approximately ₹ 2.67 lakhs, the amount (₹ 2.67 lakhs) would be reduced upfront from the loan (i.e., the loan would reduce to ₹ 3.33 lakhs) and the borrower would pay EMIs on the reduced amount of ₹ 3.33 lakhs.

### **4. Whether the borrower can avail loan with the repayment tenure of more than 20 years and how will it impact the subsidy amount?**

The interest subsidy is for tenure of 20 years or the actual tenure of the loan whichever is lower. PLIs can fix the repayment tenure of more than 20 years, but the interest subvention will be applicable for tenure upto 20 years.

### **5. Name the nodal agencies responsible for disbursal of the subsidy under CLSS?**

HUDCO and NHB have been identified as Central Nodal Agencies (CNAs) to channelize this subsidy to the lending institutions and for monitoring the progress of this component.

### **6. How the income proof verification is done under the scheme?**

Banks have to do their own due diligence at the time of sanctioning loan. While disbursing subsidy, a self declaration for proof of income will be taken from the beneficiary for the purpose of interest subsidy.

### **7. Which are the PLIs through whom the CLSS subsidy will be released or credited?**

Lending Institutions, Scheduled Commercial Banks, Housing Finance

Companies, Regional Rural Banks (RRBs), State Cooperative Banks, Urban Cooperative Banks, Small Finance Banks, Non Banking Financial Company-Micro Finance Institutions' (NBFC-MFIs) who have signed MoUs with any one of the Central Nodal Agencies (CNAs) will be the PLIs through whom the CLSS subsidy is credited.

**8. How is the subsidy disbursed to PLI from the CNAs?**

An advance subsidy is released to CNA at the beginning and the subsequent amount of credit linked subsidy will be released to the CNAs after 70% utilization of earlier amount. It is monitored based on claims raised by CNAs on quarterly basis. PLIs must enter into MoUs with one of the CNAs so as to claim benefit under CLSS.

**9. What happens when a beneficiary having availed of housing loan from one of the PLIs and also benefit under CLSS, switches over to another PLI for taking advantage of the reduced interest rate?**

In the case of a beneficiary who has taken a housing loan and availed of interest subvention under the scheme but later on switches to another PLI, the balance transfer will not be eligible for the benefit of interest subvention again. Beneficiary can claim interest linked subsidy on only one loan account.

**10. What is the definition of new construction. Does it include?**

- a) Purchase of a newly constructed house from a builder**
- b) Purchase of a newly constructed house from a developer**
- c) Resale of a newly constructed house from the seller**

The above three definition of a new construction are eligible under the Scheme for subsidy.

**11. Whether NRIs are eligible under this scheme?**

NRIs are eligible under the Scheme Guidelines, in compliance with other GoI/ RBI rules.







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