PD-AAT-572
45451

APPENDIX 3A, Attachment 1
Chapter 3, Handbook 3 (TM 3:43)

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: C (A = Add, C = Change, D = Delete) — Amendment Number: 2 — DOCUMENT CODE: 3

2. COUNTRY/ENTITY: INDIA/HDFC

3. PROJECT NUMBER: 386-HG-002

4. BUREAU/OFFICE: ASIA 4204

5. PROJECT TITLE (maximum 40 characters): Private Housing Finance for Low Income Fami

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM DD YY 06 30 89

7. ESTIMATED DATE OF ~~OBLIGATION~~ HG Borrowing (Under 'B:' below, enter 1, 2, 3, or 4)
A. Initial FY 85 B. Quarter 4 C. Final FY 87

8. COSTS ($000 OR EQUIVALENT $1 =)

A. FUNDING SOURCE	FIRST FY 84 B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant) Central	( )	( )	( )	(135)	( )	( )
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S. 1. HG loan	20,000		20,000	60,000		60,000
Other U.S. 2.						
Host Country						
Other Donor(s)						
TOTALS						

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	2. Loan	D. OBLIGATIONS TO DATE Central 1. Grant	HG 2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	HG 2. Loan	F. LIFE OF PROJECT Central 1. Grant	HG 2. Loan
(1)	720	850	866	135	45,000		15,000	135	60,000
(2)									
(3)									
(4)									
TOTALS									

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CO

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)
A. Code
B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

Provide long-term finance to lower-income households and broaden the exposure of the private housing finance sector to lower income borrowers and depositors. To enhance the ability of the private sector to raise domestic capital for housing finance activities.

14. SCHEDULED EVALUATIONS
Interim MM YY 03 85 | MM YY 04 86 | Final MM YY 06 89

15. SOURCE/ORIGIN OF GOODS AND SERVICES
☐ 000 ☐ 941 ☐ Local ☐ Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

For FY86 authorization of the $15 million final tranche of 386-HG-002 to the Housing Development Finance Corporation.

17. APPROVED BY
Signature
Title: Director, USAID/New Delhi
Date Signed: MM DD YY 5 20 86

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
MM DD YY

PROJECT MEMORANDUM
INDIA
386-HG-002(C)

Table of Contents

I. SUMMARY

A. Introduction

This Project Memorandum is being submitted for authorization of the third and final tranche of the Private Housing Finance for Low Income Families Project (386-HG-002). HG-002 was approved in principal for $60 million in June 1984. To date there have been two authorizations totaling $45 million (FY84 and FY85). The first installment of $20 million was disbursed in November 1985. All conditions precedent for the $25 million second tranche have been met and borrowing is anticipated by August 1986. If approved, this amendment will authorize the final $15 million in Housing Guaranty (HG) loans under HG-002 to the Housing Development Finance Corporation Ltd. (HDFC).

This paper supplements the original Project Paper (HG-002 1984) and the Project Memorandum for the second phase (HG-002/B 1985), evaluates project progress to date and describes the program proposed for funding with the final tranche of HG-002.

B. Program Background

The Housing Development Finance Corporation, Ltd. (HDFC) is the pioneer private housing finance institution in India. Since its incorporation in the late 1970s, HDFC's performance and growth has been remarkable. However, the importance of HDFC is not a consequence of its current loan volumes but rather in its trail blazing role in the privatization of home purchase finance in India.

AID's first Housing Guaranty (HG) in India was approved in 1981 with HDFC as the implementing entity. The $30 million HG was authorized, borrowed and disbursed in two phases and was completed by mid 1984. The final evaluation of HG-001, conducted in March 1985 by an independent consultant team, concluded that HDFC had met all project objectives, was clearly an innovative performer and provided the most suitable vehicle for HG funding in support of the development of the housing finance system in India. In June 1984, a $60 million multi-year Housing Guaranty program (India HG-002) was approved. The first tranche of $20 million was disbursed in November 1985. The $25 million second tranche, designed to conform with recommendations in the March 1985 evaluation, was authorized in July 1985. The Program Agreement for HG-002/B was signed in November 1985 and full disbursement is expected by August 1986.

The final phase of HG-002 will provide additional financial support for expansion and deepening of the private housing finance sector in India. Expansion requires both the continued elaboration of the HDFC branch network and the creation of additional private lenders. Deepening involves support for development of ancillary components (e.g. new credit and deposit instruments, insurance facilities, etc.) required by a market oriented housing finance system.

C. The Program

This final tranche of HG-002 is intended to provide additional long-term capital to support the continued growth of HDFC, the innovator and role model for private housing finance institutional development in India. This phase of the program consists of authorization of a $15 million Housing Guaranty loan to HDFC. The proceeds of the loan will be used to reimburse HDFC for loans made to individuals and firms for the construction of housing for lower income households.

D. Recommendation

On the basis of the original Project Paper and the analysis developed below, it is recommended that $15 million be authorized in FY 1986 as the third and final tranche of 386-HG-002, Private Housing Finance for Low Income Families.

II. Recent Developments in the Housing Finance Sector

A. Overview

The recently published Seventh Five Year Plan (1985-1990) provides a framework for public sector action. As in the past, the Plan document assigns the major responsibility for housing to the private sector without a clear strategy for promoting such activity. However, the Plan does indicate the need for a more diversified and responsive housing finance system, which was not the GOI's stated view five years ago when AID authorized its first HG in India. Still unresolved, however, are the crucial issues of the role of the public versus the private sector in housing finance intermediation and the commitment to remove major legal barriers to housing construction and finance. Additionally the critical need for financial management training for the personnel required by a more diversified system is not addressed.

The Plan proposes the creation of a National Housing Bank (NHB) which, if structured appropriately, could develop a strategy to promote privately managed housing finance institutions. However, recent developments in the sector indicate India's propensity for public sector dominance although the verdict is not yet in. The creation of a NHB as well as other issues affecting the housing finance system development are still being debated.

Despite the lack of a coherent set of regulatory guidelines for the creation of new housing finance institutions, there is a burgeoning of private firms following HDFC's approach to the provision of credit for housing. HDFC itself is maintaining an annual growth rate in loan approvals of around 30 percent, and it anticipates being in a position to spin-off several regional branch offices into subsidiaries by 1990. HDFC's corporate strategy also includes support of research activities to promote a better understanding of the financial implications of housing policy, fiscal reforms, etc.

During this current period of public debate and considerable confusion, the need for a strong voice advocating private management approaches to housing finance system development is vital. HDFC provides such a voice and AID support strengthens its advocacy efforts.

B. India's Seventh Five Year Plan

India's Seventh Five Year Plan (1985-1990) was published in October 1985. The housing demand figures remain staggeringly high: an estimated 16.2 million new units will be required during the Plan period in order to keep the current deficit of 24.7 million units from increasing. The Plan calls for a total housing investment of Rs. 314.5 billion ($26.2 billion) which is substantially higher than the Rs. 129 billion ($10.75 billion) called for in the Sixth Plan but less than the estimated amount needed to clear out the current deficit. Of this total projected investment, Rs. 24.58 billion ($2 billion) is to come from the public sector and Rs. 290 billion ($24 billion), or over 90% of the total investment, from the private sector, in particular the "household sector".

With these basic statistics the Plan document concludes that, "There is a need for radical orientation of all policies related to housing." Housing finance, infrastructure development, application of low-cost building technology and rent control policies are the areas noted for focussed attention with the most crucial need being identified as "the establishment of a proper and diversified institutional structure for housing finance and contruction."

The public sector's role is seen as three-fold. "First... to initiate steps to mobilize resources for the housing sector on an adequate scale; second...to provide subsidized housing to segments of the rural poor and to other economically weaker sections (EWS) of the community like slum dwellers and dock and plantation workers; and third... to undertake land acquisition and development in urban areas and provide house sites in rural areas." State and local Housing Boards and authorities are to concentrate on the latter activity and the Housing and Urban Development Corporation (HUDCO) on the second activity. The remaining demand is to be supplied through "a network of housing finance institutions with an apex bank for refinance."

The Plan earmarks Rs. 500 million ($41.6 million) as seed capital for this apex housing finance institution - or National Housing Bank (NHB). It is envisioned that, "The vast majority of house-seeking individuals and families would have to be looked after through the creation of local level housing finance societies. These societies would raise deposits from the public, mainly from the would-be house owners, and thus stimulate private savings. In addition, they should have access to funds from the capital market through the intermediation of different financial institutions. For this purpose it would be desirable to set up a specialised housing finance institution. In course of time steps should also be taken to develop a secondary mortgage market in housing."

The underlying thrust of the Plan proposal is to increase the supply of funds available for housing finance by tapping household savings rather than budget expenditures. The Plan, however, does not provide guidance as to how this deposit/credit network for housing finance will evolve. It takes the top-down approach whereby the creation of an 'apex' financing institution will somehow produce local level savings and loan societies which have the management, staff and know-how to develop, market and implement deposit and home loan schemes. There are obvious drawbacks to this approach.

The Plan's recommendation for the creation of a NHB is currently under debate. Such an statutory institution, if created and provided with strong leadership, could promote housing finance system development only if the re-financing function envisioned is complemented by: 1) the provision of training in housing finance operations, to supply the needed personnel for local savings and loan organizations; 2) the establishment of basic parameters and tools - a regulatory framework - for the development of financially sound local institutions; and 3) the removal of existing legal impediments to private housing construction and finance.

C. Recent Initiatives in the Sector

In addition to the publication of the Five Year Plan, the last year has seen a number of actions and proposals which impact the housing finance sector. Among these are: discussions in at least three States about the creation of State Housing Finance Institutions with majority public holdings; enabling of the Unit Trust of India (UTI), a mutual fund, to engage in housing finance activities; a formal call by the Ministry of Urban Development to classify housing as an "Industry" which would dramatically increase the pool of capital accessible to the sector; a Ministry of Finance request to the General Insurance Corporation (GIC) to consider development of a mortgage insurance scheme; an increase to a total of approximately 19 private firms which propose to offer housing finance credit; GOI permission for a number of public sector corporations to raise funds on the capital market at very favorable terms which in turn make current private sector issues of non-convertible debentures unattractive; proposed changes in income tax regulations limiting allowable deductions for interest payable on housing loans; and an additional 10% stamp duty on property transactions in Maharastra.

What is clear from the above is that there is substantial interest and activity related to housing finance, but a coherent strategy for sector development is lacking. The following discussion highlights some of the above points and indicates HDFC's influence in the sector. HDFC's corporate strategy is detailed in the following section (II D).

Partially in response to demand and partially in anticipation of finance from the proposed NHB, at least three States are actively discussing the creation of State Housing Finance institutions. As currently envisioned they would be public sector institutions which would collect household savings and provide housing credit to state residents and public sector employees, presumably at subsidized interest rates. Each of these States has requested equity and/or technical assistance from HDFC.

Given that many Indian States are larger than most countries, these State-level developments do not coincide with the Plan's proposal of local organizations. The state proposals portend the development of the typical public sector financing structure in India - similar to that of HUDCO and the State and local Housing Authorities. India's experience to date indicates that this type of publically dominated structure is not conducive to the development of financially sound state and local credit institutions.

The Unit Trust of India (UTI) is a mutual fund which prior to 1986 was prohibited by law from investment in housing. With affordable shares (Rs. 10 face value) UTI has grown into India's major investor and is still growing. In 1984/85 unit sales totalled Rs. 7.56 billion ($630 million), a 129 percent increase over the previous year, and unit capital totalled Rs. 17.57 billion ($1.46 billion) as of June 30, 1985. Dividends to shareholders were 14.25 percent. With the recent change in UTI's enabling legislation a major source of capital for private housing finance activities has been opened.

In 1985 UTI started investigating the idea of promoting an HDFC-type institution based in Eastern India. HDFC assisted in this endeavor by providing a feasibility study, drafting articles of incorporation, training several UTI staff and offering equity participation. Disappointingly this HDFC progeny did not materialize. UTI decided against the undertaking citing the lack of trained manpower to staff such an operation. However, UTI has entered into the housing finance arena. Thus far it has moved Rs. 1 billion ($83.3 million) into housing: Rs. 400 million ($33.8 million) on deposit with HDFC and the balance into police housing schemes in various states. HDFC now has a vacancy on their Board of Directors and will be inviting the UTI Chairman to fill this slot.

The most strongly voiced need of the housing sector is that of increased flows of affordable capital resources for housing. The current GOI directives 1/ for investment in housing is inadequate to meet demand. In calling for the classification of housing as an "Industry", the Ministry of Urban Development (MUD) has put into formal channels an option which has been suggested by HDFC and other housing advocates for a number of years. As an 'Industry' housing institutions could access a large pool of capital which, by definition, is currently off limits. Such a classification could actually negate the need for a specialized housing refinance facility since the refinancing function could be taken up by one of several existing institutions such as the Industrial Development Bank of India. Similar to the proposal for a NHB, this proposal is currently under debate with basic disagreements among various Ministries.

1/ GOI directives to banks and insurance companies are very specific. For instance, the General Insurance Corporation's (GIC) investments in 1985 were directed as follows: 20% to States for Housing, guaranteed at 9.75%; 15% to HUDCO, non-guaranteed at 11%; 10% in State Government securities at 9.75%; 25% in GOI securities at 11.5%; and the remaining 30% at GIC discretion.

Commercial banks are only allowed to invest 20% of their portfolio at commercial rates of interest.

A number of new private housing finance institutions have been established in the past two years, and particularly over the last twelve months. Annex 2 lists the names of nineteen such firms, as gleaned from newspapers and announcements, half of which are located in the Bombay region. Since there is no formal tracking mechanism or regulatory body for housing finance institutions, it is not possible to know exactly how many new firms have emerged. Thus, one of the roles of the centrally funded USAID housing advisor (see Section IIIA) will be to monitor the progress and needs of new firms engaging in housing finance activities.

The new private firms which have commenced housing finance operations are replicating HDFC lending procedures, as indicated by their application forms presented in Annex 3. Unlike HDFC, however, most of these companies are closely associated with private developers or leasing companies; thus, they appear to be operating largely as a financing arm of their parent companies. Most of these new mortgage finance outlets are advertising lending rates at or above that of HDFC, and about six of them have offered public equity issues. However, it is too early to ascertain if they will be able to gain the public's confidence or ultimately play a major role in shelter finance. To the extent that these firms remain closely tied to a parent company's development activities, the public may view them as too risky to feel comfortable depositing their savings with them.

Dewan Housing Development Finance, Ltd., was the first of the private mortgage finance companies to emerge pursuant to the HDFC model. Dewan has been operational for only two years, during which time it has received loan applications for a total value of Rs. 63.8 million ($5.3 million). This volume of loan requests reflects a continuing demand in India for mortgage credit; however, Dewan has disbursed less than one-third of this amount due to its own resource constraints. While Dewan has been successful in promoting its loan program, it has not aggressively mobilized resources through deposits and other sources. In fact, its level of disbursements about equals its share capital. For Dewan and other private mortgage finance companies, greater emphasis will need to be placed on domestic resource mobilization before they can begin to play a significant role in India's housing finance market.

In late 1985 the Ministry of Finance (MOF) requested that GIC seriously consider the development of a mortgage insurance facility. Mortgage insurance is crucial to the continued development of private housing finance institutions which service a broad spectrum of income groups. The fact that HDFC and its imitators use very conservative underwriting standards is partially due to the fact that they must bear the entire risk of default. In response to the MOF request, GIC together with HDFC formed a task force to investigate the potential design of a mortgage insurance facility suited to India. AID has provided some technical assistance and US training for the HDFC staff members involved in this effort. A recommendation from GIC to MOF can be expected by the end of this year.

The remaining items listed in the first paragraph of this section can affect both the demand for and supply of private housing finance. Increased duties/taxes on property transactions and limitations on deductions on interest on housing loans may cause a slump in the demand for home loans until consumers adjust to these new factors. These actions also effect the affordability of housing which in some cities, like Bombay, is already beyond the reach of most of the population due to the scarcity of land for private development. On the supply side, the government's recent decision to permit and subsidize several large public sector companies entrance into the capital market may dry up the demand for private sector non-convertible debentures and may negatively impact on HDFC's ability to attract one-year deposits.

The above examples are illustrative of the heightened public and private activity in the housing finance sector in India. Equally apparent is the fact that the housing finance sector cannot be isolated from India's macroeconomic policies and capital market development. During this period of disparate activity, HDFC continues to solidify its leadership position in the field. HDFC is the model for private companies which seek to enter the field and it is the most effective advocate for the development of a socially responsive, privately managed and financially sound housing finance system.

D. HDFC's Corporate Strategy

HDFC management puts considerable emphasis on keeping its hand on the pulse of national and state deliberations affecting housing finance. HDFC plans to continue working closely with authorities and promoting the development of a financially viable sector. Its corporate strategy is based on a growth model which simultaneously addresses government concerns for greater geographical dispersion of service facilities and new nuclei of activity.

HDFC's corporate plan calls for stabilizing its lending operations at an average 25 percent per annum growth rate. The opening of new office facilities is being accelerated with the view of having representation in each state by 1989. Branches will be organized into regional networks with the objective of spinning off several Regional Offices into HDFC subsidiaries by 1990, the end of the current Five Year Plan. HDFC's longer term strategy is to take on the role of a development institution which promotes and supports independent, autonomous, financially viable housing finance corporations through the provision of technical, financial and administrative support.

HDFC also proposes to support the research needed to promote sound housing finance system development. Currently under consideration is the sponsorship of a Research Chair on Housing and Urban Finance at the National Institute of Public Finance and Policy (NIPFP) in Delhi. In the longer term, HDFC proposes the creation of a new research institute in New Bombay to deal specifically with housing and urban finance issues.

It is clear from the above that HDFC is aligning itself to accomplish the objectives of the GOI's Plan for housing finance. Current discussions with GOI officials outlining this corporate strategy most certainly will affect the outcome of ongoing public debates on system development. The possible scenarios range from the creation of a strongly public-sector-biased NHB which forces alterations in HDFC's corporate strategy, to HDFC assuming the role of the proposed NHB but with a private management orientation, to something in between. The fact that HDFC is consulted by the various public agencies involved in the current debate indicates that its views are being given serious consideration. In supporting HDFC, AID clearly identifies itself with the forces advocating a market oriented approach to system development.

III. Project Approach and Description

A. A.I.D.'s Program Approach

Housing finance system development is seen as an important component of the USAID capital market thrust in India. Support for the development of a private, market oriented housing finance system complements the USAID approach of enlarging the private share of the formal capital market currently dominated by the public sector. Given the size of the sector and the resources available, USAID's program is by necessity and design catalytic in nature.

The HG-002 project approach is two-pronged: (1) to employ HDFC as a conduit to support development of a viable housing finance system through a broadening and deepening of its market penetration and as an institutional role model; and (2) to provide technical assistance for training and studies directed towards financial deepening.

The capital resource (HG) and training portions of HG-002 are progressing more rapidly than anticipated in the original Project Paper while the technical assistance component geared toward longer term housing finance strategy development is behind schedule. The phased HG authorizations have been accelerated due to HDFC's performance in servicing lower income households, developing new finance facilities and overall growth. Centrally funded technical assistance to HDFC for training and study of housing finance systems has kept pace with HDFC's needs. The recently signed $135,000 Grant Agreement with HDFC will be used for in-house training programs, short-term study tours and technical assistance, as requested, including HDFC's computerization program.

It has taken longer than anticipated to place a resident advisor within USAID to: provide analyses on various aspects of housing finance development and its relationship to capital market development; monitor the progress and needs of new private firms engaging in housing finance activities; assess the extent of the private corporate sector's efforts in the housing sector; and assist in the development of housing finance training strategies and a longer term AID sector strategy. A resident advisor has now been selected and, assuming all clearances are received, will arrive in Delhi in July 1986. This centrally funded economist will work within the Mission's Technology and Enterprise Development Office. He will have access to specific expertise (i.e., development of default risk premiums, feasibility of secondary market development, etc.) through a support contract currently in the contract negotiation stage.

In terms of future project development, initial work has been done on assessing the potential of cooperative housing finance societies to take an active role in the private housing finance system. The largest of these societies, the Maharashtra Cooperative Housing Finance Society (MCHFS), has been identified for more detailed analysis. MCHFS is a private institution, having purchased the equity formerly held by the public sector. It has been responsive to AID's suggestions to adopt a more market-oriented approach in their operations by diversifying their resource base and improving loan collections. RHUDO/Bangkok has maintained a positive relationship with MCHFS and is in the process of conducting a detailed financial analysis of their operations. Future HG project development will be guided by RHUDO and resident advisor investigations of the private cooperative and corporate sectors, and an assessment of the outcomes of current GOI policy debates.

Meanwhile, HDFC has been able to augment its position to positively affect the development of a market oriented housing finance system. This Project Memorandum proposes the authorization of the final HG-002 $15 million tranche be directed toward HDFC as described below. HDFC remains the only effective innovator and model for retail housing finance institutions. This fact combined with the uncertainty of system design as currently being debated makes AID's program and policy impact through continued association with HDFC higher than with any other existing firm. Finally, HDFC needs additional capital resources to sustain its growth in loan operations. The $15 million HG proposed here represents a declining proportion of HDFC's resource requirements but will provide a needed cushion of alternative long term capital as HDFC strives to maintain its demand-driven approach to housing finance.

B. Project Goal and Objectives

The long-term goal of this program, as enunciated in the initial Project Paper (Private Housing Finance for Low-Income Families, 386-HG-002), is to assist in the development of a fully functioning housing finance system in India which raises its capital internally and which makes long-term shelter finance available to households with a wide range of income levels, including lower income households. The first step in this process was to demonstrate the commercial feasibility of private mortgage lending for low-income households. The second step was to show that government policies and practices could promote HDFC's development without violating other public objectives.

The third step, which will be assisted by this project, is to support an environment which encourages housing finance systems development by increasing HDFC's branch network and mortgage volumes, by experimenting with new deposit and mortgage facilities and by expanding the HDFC experiment through other private mortgage lenders.. A fourth level of development, the establishment of the prerequisites of a secondary market, can be no more than initiated with this project.

The objectives particular to this project are:

(1) To assist the continuing expansion of HDFC's loan volumes, resource mobilization, and geographic distribution while maintaining its financial viability;

(2) To encourage HDFC to develop and implement new facilities calculated to increase the number of low-income borrowers able to purchase homes and the number of individual depositors; and,

(3) To assist HDFC to help other private mortgage lenders develop in a manner similar to HDFC.

C. Project Inputs

To assist HDFC's expansion and to support its activities related to development of new financial instruments and housing finance institutions, this final phase of HG-002 will provide capital input in the form of $15 million in HG funds converted to rupees for HDFC lending. HG financing will be used for:

(1) Individual housing loans and those portions of corporate loans (to a maximum of 40 percent of eligible disbursements) originated by HDFC for households with incomes below the urban median (defined as 1800 Rs/month in Bombay and 1500 Rs/month elsewhere);

(2) Activities undertaken by HDFC to spawn and support new housing finance institutions; and

(3) Development of new mortgage and deposit instruments.

D. Project Outputs

The $15 million in HG financing will produce approximately 8,802 new housing units for below median income households. This estimate is based on 40 percent of the HG proceeds going for corporate housing programs (5,025 units) and an average low income individual loan of Rs. 27,000 (3,777 units). This phase of the project will also result in the development of at least one new HDFC facility for attracting deposits and/or extending mortgage credit and continued HDFC support for the incorporation of a new rural housing finance institution in Gujarat State. The HG loan will leverage approximately $20 million in local resources directed to housing through individual downpayments and corporate contributions to housing schemes.

IV. Updated Evaluation and Analysis of HDFC

A. Overview

As a company, not just as a housing finance institution, HDFC is a unique organization. HDFC has a young, energetic staff; and the company has created professional opportunities for women as well as men. The average age of HDFC staff employees is 28; and of its 426 employees, 320 are male and 106 are female. HDFC has a public image of being vibrant, honest and astute. It publishes an upbeat quarterly company newsletter, sponsors employee awards, and organizes sporting events and cultural activities for the staff. HDFC has developed a customer relations training seminar which is being requested by other financial institutions. Its young managers frequently contribute articles to the national press and several business journals have run features on the 'HDFC success story' (see Annex 4).

This type of publicity, however, hides some of the difficulties that accompany rapid growth, especially in a rigid regulatory environment. HDFC is behind in its goal of automating its loan accounting and management information systems, decentralizing loan approval and disbursement authority, and mobilizing individual household deposits. These lags have efficiency and rate of growth implications but they are problematic rather than critical. As discussed below, HDFC has begun to address these problems.

Computerization:

Full automation of HDFC's accounting and management systems has been delayed by changed requirements of user departments, personnel problems and the rapidity of changes in the computer industry due to general technology development and opening up of the industry by the new government. HDFC's original plan of having a central system accessible to all branches through remote terminals had to be discarded due to the poor national telephone network. In 1982, HDFC automated its loan approval process but found the resulting information inadequate to meet various management and marketing needs. Thus, HDFC management has conducted a departmental survey of information needs, hired a new computer specialist, designed a basic computer training course to be given to all HDFC personnel, and is developing a phased plan for computerizing their branch operations. In order to assist HDFC in their efforts, the recently signed PRE/H funded Limited Scope Grant Agreement includes assistance for software development.

Decentralization:

Decentralization of HDFC decision-making authority has been recommended since late 1983, but management has been cautious in its implementation. Although the profit center approach to branch operations has been in place since 1984/85, final decisions on all loan approvals and issuance of all disbursement checks still come from the central office. The current HDFC network receives some 2,000 applications and issues some 5,000 disbursement checks per month. This level of activity taxes the current system's ability to provide efficient service to its clients. As a result, HDFC recently set in motion a phased plan for decentralization of these activities. The oldest branch offices (Bangalore, Pune and Madras) will receive check signing authority by July 1, 1986, and after an initial trial period the remaining branches will start assuming this responsibility. For loan approvals, committees comprised of head office and branch personnel are being formed to review and approve loan applications. These committees will meet at the various branches every two weeks and over time head office staff will withdraw from the process. The target set by HDFC management is to have the loan approval process largely decentralized by mid-1987.

Household Deposits:

HDFC resource mobilization efforts have been exemplary; however, household deposits have lagged behind expectations. While the level of overall deposits maintains an upward trend, household deposits are not expected to contribute significantly in near future. HDFC will be forced to rely increasingly on long-term borrowings (loans and bonds) which are affected in part by credit allocations by the government.

As noted earlier, the recent GOI Five Year Plan calls for increased mobilization of funds for housing from the household sector. While HDFC deposit terms are comparable or better than the nationalized commercial banks, its individual deposit schemes face stiff competition. The government currently soaks up considerable potential household deposits through its Public Provident Fund and National Savings Certificates which offer attractive terms, and UTI declared a 14.25 percent dividend in 1985. The majority of untapped household savings are believed to be in the rural areas and accessing this widely dispersed souce of funds requires considerable administrative investment.

Although HDFC has doubled its deposit agent network 2/ in the last year, and now has some 3,000 agents, the anticipated household deposits have not been forthcoming. In response to this lag HDFC plans to appoint a senior level staff person to develop the necessary organizational structure and marketing strategy to tap household savings. HDFC already has a Loan Linked-Deposit scheme and its more recent Home Savings Plan both of which tie individual deposits to subsequent home loans. These facilities, together with an advertising campaign which adopts an educational approach to cultivate a habit to save specifically for housing, are gaining acceptance by the public and may point the direction for future HDFC efforts.

2/ HDFC's agent network was described in some detail in the Project Memorandum for 386-HG-002/B. Essentially, HDFC has established a system of paying brokerage fees to agents who bring in new deposits.

Until HDFC receives a more positive response from individual depositors, it will have to continue to rely on other sources for its resource needs. In terms of institutional and corporate depositors, HDFC is studying the market and will make efforts to segment the market, define investor needs and offer suitable instruments. It is clear HDFC will have to make increased efforts to offer an array of facilities to attract needed resources. To this end, this phase of the HG-002 will provide HDFC with needed funds to maintain its growth rate while it develops new deposit instruments.

B. HDFC Project Performance

HG-002 is a three-phased $60 million program which was approved in principal in June 1984. While the 1981 HG-001 was designed as a pilot institutional development project, HG-002 promoted institutional expansion through accelerated but stable financial growth of HDFC's network and more active pursuit of lower income client groups.

The initial phase of HG-002 Project Agreement called for continuation of the HG-001 standard provisions and the requirement for HDFC to develop annual low income action plans. It also stipulated the following: submittal of a HDFC corporate plan; no more than 44 percent of the HG resources could be disbursed against corporate loans for low income housing; 15 percent of the HG disbursement had to be for special projects designed for lower income groups; and collection of housing policy statements from HG eligible corporate sub-borrowers.

The HG-002/B design took into account the findings of the evaluation of HG-001 which included a review of the progress of the special low income initiative portion of HG-002/A. The evaluation team concluded that special initiatives tended to be disproportionately burdensome and not replicable on a significant scale. The recommended alternative was to promote more systematic measures which could be integrated into the company's overall lending operations, such as experimentation with new lending instruments which would attract a broader range of income groups. Additionally HG-002/B expanded the scope of the project from an institutional to a systems development effort. Thus the conditions of the $25 million HG-002/B Agreement abandoned the special initiative program, called for HDFC to experiment with the development of new mortgage instruments and expanded HG eligible expenditures to include HDFC activities which supported the development of new housing finance institutions such as the proposed rural housing finance institution in Gujarat and the UTI proposal for Eastern India.

HG-002/A was authorized in June 1984. HDFC satisfactorily completed project conditions and went to the US capital market in the fall of 1985 resulting in a negotiated $20 million HG loan agreement and full disbursement in November 1985. The project provided financing for some 10,037 units. Of the loan proceeds, 56.4 percent was used for low income individual loans (5,166 units), 29.2 percent for those portions of corporate subloans for lower income employee housing (3,159 units), 12.6

percent for special low income initiative projects (1,712 units) and 1.8 percent for eligible lender selection and loan transaction costs. While HDFC had not disbursed up to 15 percent of the loan amount for special initiative activities, HDFC carried out the spirit of the program. Thus the HG disbursement was approved based on the following: AID's approval of HDFC Board sanctioned special projects totalling Rs. 50.24 million ($4.2 million or 21 percent of the HG amount); lack of requests for disbursement in the two HDFC financed, public sector implemented projects; agreement by HDFC to honor these remaining special initiative loan commitments from its other resources when disbursement is requested.

Having completed HG-002/A, HDFC has moved swiftly on HG-002/B. Eligible corporate subloan disbursements increased markedly in late FY 1985, and by April HDFC had fully disbursed the HG-002/B eligible amount ($10 million or 40% of $25 million) in this category. The percentage of HDFC low income loan disbursements to total individual loan disbursements decreased from 15 percent under HG-002/A to 11.5 percent under HG-002/B, however the absolute number of lower income households being provided with HDFC loans is not declining. During the period January through March 1986, HDFC was disbursing an average of Rs. 9.2 million ($766,666) per month to HG eligible individual low income clients.

Within the past year HDFC commenced its new Home Savings Plan (HSP), a deposit linked facility which offers housing loans at a below market rate (8.5%) after an initial period of making regular savings deposits at below market rate (6%), and developed a new Step-up Repayment Facility (SURF). July 1986 is the target introduction date for SURF, which factors in a client's future as well as current loan repayment capacity thereby increasing the client's eligible loan amount and decreasing his/her downpayment. By integrating these types of new lending facilities into HDFC's overall operations, it is anticipated that over time more lower income households will be attracted to HDFC services.

In terms of direct assistance for the creation of new housing finance institutions, HDFC worked closely on the development of an Eastern Regional Housing Finance Company until the initiative was abandoned by UTI. Promotional activities for the Gujarat Rural Housing Finance Corporation have resumed after a waiting period caused by the unrest in Gujarat State in late 1984.

In all the HG loans to HDFC there has been a clear emphasis on promotion of lending to lower income households through the types of loans provided and overall expansion, or outreach, of HDFC's network. HDFC's primary clients come from India's middle class. Lower income households have public vehicles for home purchase, albeit drastically short of demand. What AID has successfully advocated is that HDFC can also serve some portion of the lower income community thereby providing an alternative to public housing.

How far down the income scale HDFC can go varies with location and depends on the loan facility offered. Over time HDFC has developed a variety of mechanisms offering an array of options: 1)various individual loan programs; 2) line of credit options in which the employers can design the housing-loan package; and 3) loans for construction of on-site employee housing. The lowest income beneficiaries are reached most effectively in reverse order of their presentation above. This is primarily due to employee benefits offered through or by companies and corporations by means of reduced interest rates for on-lending or the provision of work-related housing.

As evidenced in HG-002/A, HDFC has been willing to experiment with special projects targetted to meet the needs of households which normally would not be served by the formal housing finance system due to location and/or income level. In one such case HDFC co-financed a rural housing project involving 44 villages. This pilot project, started in 1984, currently has a 20 percent default rate which is considered good by rural credit standards in India but out of line with HDFC's default rate of .3 percent. This and other special low income initiative projects are often small and time consuming and do not seem to provide HDFC with a mechanism it can afford to replicate on a significant scale.

While HDFC continues to learn from special projects, the current thrust is to design and promote new mortgage instruments which make housing finance more affordable to lower income groups. Once tested and refined these instruments can be marketed nation-wide and administered through the company's standard operational mechanisms. While the effectiveness of the instruments currently being developed (SURF) and tested (HSP) can be assessed only after completion of an initial trial period, HDFC's current facilities do not exclude lower income households. This is evidenced by the fact that while the overall number of units financed by HDFC in FY 1984/85 increased less than one percent, there was a four percent increase in the number of lower income units financed.

In seeking expanded geographic outreach by HDFC, HG-002 set a target of one new office opening every 18 months. HDFC has surpassed this target and is clearly making considerable efforts to increase the accessibility of its services to a broader clientel.

In FY 1984/85, HDFC opened three new branch offices in the north (Lucknow, Jaipur and Indore), moved their Bombay suburb branch (Dadar) to a larger facility (Parel), and leased ground floor space for better client servicing at the head office in Bombay. Office locales in Bhubaneswar, Guwahati and Chandigarh have been identified and requisite staff are being trained for the opening of these branches in 1986. This will increase HDFC branch coverage to 14 States and represents a major push in eastern India, the most economically backward Region of the country (see Figure I).

HDFC branch offices serve not only the city but also the area within which they are located. By March 1986, HDFC had clients in 445 towns and cities throughout the country. There are currently three towns which constitute as much as 30 percent of the loan originations from their servicing branches; thus, HDFC is considering plans to establish separate offices in these locales.

Figure 1

The HDFC Branch Network

■ HDFC Head Office

● Existing HDFC Branch Offices

▲ Branch opening proposed for CY 1986

C. HDFC Financial Analysis

Overview of Past Performance:

Through sound management and aggressive marketing, HDFC has continued the rapid expansion of its operations. Table 1 highlights key indicators of its growth over the last four fiscal years.

As Table 1 shows, by the end of FY 1984/85, HDFC's outstanding loan volume was Rs. 2.3 billion ($191.6 million), or more than a four-fold increase from three years earlier. Outstanding loans have increased by an average of nearly Rs. 600 million ($50 million) annually. This increase in loan activity was possible due to the growth in funds HDFC mobilized for on-lending purposes, which rose from Rs. 567 million ($47.2 million) in 1981/82 to nearly Rs. 2.9 billion ($241.7 million) by the end of 1984/85.

HDFC mobilizes funds for on-lending from two principal sources: long-term borrowings (including bonds, institutional loans and Housing Guaranty loans) and deposits. At year-end 1984/85, deposits accounted for 62 percent of HDFC's total loan funds, with the balance derived from various lenders and bond sales. When HG funds are excluded, deposits account for nearly 70 percent of total available funds, indicating that HDFC has been successful in mobilizing domestic savings. Over the last four years, deposits grew at an average annual rate of 80 percent, reaching a total value of Rs. 1.8 billion ($150 million) at the end of the last fiscal year.

This impressive growth in HDFC's deposits can be attributed to its aggressive outreach to potential customers and to the broadening of its deposit base. However, HDFC's principal deposits have been from corporate accounts which represented 85 percent of all deposits in June 1984. For attracting individual depositors, HDFC increased its efforts to mobilize deposits through the development of an 'agent network' and through such programs as its Loan-Linked Deposit (LLD) scheme and Home Savings Plan (HSP). By promoting 'savings for housing' programs, HDFC emphasizes the non-financial benefits to potential customers of opening an account with HDFC, such as its ability to honor a loan commitment for home purchase.3/ This strategy appears to be taking hold, since HDFC's LLD scheme experienced an eight-fold increase over the last four years. HG financing played a role in sustaining this deposit growth, as the availability of HG-generated loan funds provided HDFC with needed resources to disburse against its loan commitments - thus enhancing the public's confidence in the company.

3/ In India, having a loan commitment honored by a financial institution is not necessarily a foregone conclusion. State-owned mortgage institutions are dependent on budget allocations to housing, and because of reductions in shelter allocations, these institutions have commonly failed to honor their loan commitments. For borrowers who have incurred other costs in anticipation of purchasing a home (e.g., sale of assets, purchase of land, etc.), this situation can result in high financial and opportunity costs.

Table 1

KEY GROWTH INDICATORS, 1981/82 - 1984/85
(Millions of Rupees)

	1981/82	1982/83	1983/84	1984/85
Total loan funds	567.0	1,070.5	1,994.6	2,856.6
Percent growth	82.3%	88.8%	86.3%	43.2%
Total deposits	398.7	670.7	1,198.2	1,776.6
Percent growth	124.0%	68.2%	78.6%	48.3%
Long-term borrowings	168.3	399.8	796.4	1,080.1
Percent growth	26.5%	137.6%	99.2%	35.6%
Total loans outstanding	563.9	985.3	1,611.7	2,346.9
Percent growth	89.1%	74.7%	63.6%	45.6%
Annual approvals	466.2	761.1	1,028.8	1,345.8
Percent growth	38.5%	63.3%	35.2%	30.8%
Annual disbursements	297.9	478.4	748.9	932.4
Percent growth	41.9%	60.6%	56.5%	24.5%
Number of units approved for loans	12,403	19,472	27,379	27,645
Average loan per unit (Rs.)	37,588	39,087	37,576	48,681

Naturally, the expansion of HDFC's resource base has made it possible to finance an increasing number of housing units. From a total of 12,400 units in 1981/82, HDFC approved loans for 27,400 units in 1983/84. Between 1983/84 and 1984/85, the growth in the number of approved units for financing remained essentially flat. Based on loan activity during the first half of the current fiscal year, however, the number of units approved for financing should rise to approximately 36,300 units by year-end.

It is noteworthy that between 1981/82 and year-end 1985, the average loan value per unit has risen only modestly, at an approximate annual growth rate of 7 percent. This rate of increase is below India's overall rate of inflation.

A major contributing factor to HDFC's growth has been its prudent management and fiscal soundness. Table 2 provides highlights of HDFC's financial performance over the last four fiscal years.

Consistently, HDFC has realized a net income, with an average annual increase of 46 percent in its profit after taxes. The corporation's return on equity also jumped sharply, from 14.7 percent in 1981/82 to 24.8 percent in 1984/85.

The gross spread between HDFC's cost of funds and return on loans averaged 2.6 percent over four years, with a more recent trend towards modestly greater spreads. Loan arrearages remain remarkably low, at about .3 percent. Staff expenses as a percent of total income have fallen, from 3.9 percent to 2.5 percent between 1981/82 and 1984/85, reflecting greater operational efficiency even during a period of rapid expansion which included the opening of new branches.

HDFC maintained a good liquidity position, as evidenced by its working capital ratio which remained over 3:1. Additionally, it has not become over-indebted, but has maintained a manageable debt-to-equity ratio. In 1981/82, this ratio was 4.6:1; by the end of the last fiscal year, it had risen to 13.8:1. Most of the corporation's indebtedness is on a long-term basis, and this increase in the debt/equity ratio is consistent with the normal growth pattern of finance institutions. Moreover, it is well below the allowable 25:1 ratio for savings and loan associations in the U.S., and below the 17.5:1 ceiling imposed by the International Finance Corporation.

As would be expected, HDFC's asset base grew, from Rs. 741 million ($61.8 million) in 1981/82 to Rs. 3.3 billion ($275 million) by the end of 1984/85. HDFC's equity or net worth was 6.6 percent of assets at year-end 1984/85.

Table 2

INDICATORS OF FINANCIAL PERFORMANCE, 1981/82 - 1984/85
(Millions of Rupees)

	1981/82	1982/83	1983/84	1984/85
Profit after taxes	18.2	28.9	38.7	51.5
Percent growth	58.3%	58.7%	34.1%	33.0%
Value of assets	741.0	1,298.8	2,300.0	3,283.9
Value of equity*	47.5	85.2	138.6	215.6
Percent equity	6.4%	6.6%	6.0%	6.6%
Debt/equity ratio	4.6	7.5	11.8	13.8
Working capital ratio	3.1	3.2	3.8	3.3
Staff expenses as % of total income	3.9%	3.2%	2.9%	2.5%
Return on equity (profit/reserves and capital)	14.7%	20.3%	22.9%	24.8%
Return on loans	12.44%	13.46%	13.57%	13.88%
Cost of funds	10.72%	10.41%	11.23%	10.75%
Gross spread	1.72%	3.04%	2.34%	3.13%

* Equity is equal to reserve and surplus, as shown on HDFC's balance sheet.

As a result of this sound financial performance, HDFC has enjoyed growing credibility in India's capital markets. In FY 1983/84, HDFC's first public bond offering - for Rs. 100 million ($8.3 million) - was oversubscribed; in 1984/85, a second offering of equal value was similarly oversubscribed; and in the current year, HDFC's initial offer for Rs. 75 million was increased to Rs. 100 million to satisfy demand.

Financial Projections:

In 1980, HDFC had been operational for only two years, though it had gained sufficient recognition and credibility to enable it to tap the pent-up demand for its services. Thus, it grew rapidly over the next couple of years. As would be expected, its growth rate has begun to level off, as reflected in Table 1.

Over the next four years, HDFC is expected to continue its steady growth, but at a slower, more even pace than in prior years - though by any standard its projected growth is still impressive. Moreover, HDFC's management should benefit from a more evenly paced rate of expansion, allowing it to consolidate past gains and maintain control over future expansion.

Table 3 highlights key indicators of HDFC's projected growth between 1985/86 and 1988/89. HDFC's portfolio of outstanding loans will increase by an annual average of about 38 percent, reflecting the anticipated increase in loan funds mobilized by HDFC for on-lending. Long-term domestic borrowings are expected to increase by 44 percent annually, including drawdowns of HG funds.4/

Deposits will continue to grow but at a much slower pace than in previous years, with annual increases leveling off at about 30 percent by 1987/88. By 1988/89, deposits will account for about 60 percent of HDFC's domestically-mobilized loan funds, based on current trends and HDFC's projections. This represents a drop from 70 percent in 1984/85. This situation does not jeapordize HDFC's financial viability, but this lower deposit ratio does increase HDFC's overall cost of funds. HDFC is aware of this problem, and is considering various means to regain its past momentum in mobilizing deposits.

Loan approvals are projected to eventually level off at around a 30 percent annual growth rate. The backlog in undisbursed sanctioned loans, however, will continue to grow as sanctions continue to outpace disbursements which underscores HDFC's need for additional resources. Nevertheless, HDFC will continue to finance an ever-increasing number of units each year, reaching over 62,000 units in 1988/89.

4/ These projections assume HG drawdowns of $20 million in 1985/86, $25 million in 1986/87, and $15 million in 1987/88. Conceivably, HDFC could borrow these funds at a faster pace (e.g., $45 million in 1985/86 and $15 million in 1986/87).

Table 3

KEY GROWTH INDICATORS, 1985/86 - 1988/89
(Millions of Rupees)

	1985/86	1986/87	1987/88	1988/89
Tot. loan funds	3,966.6	5,416.6	7,276.6	9,983.4
Percent growth	38.9%	36.6%	34.3%	37.2%
L-term borrowings	1,570.1	2,320.1	3,250.1	4,693.3
Percent growth	45.4%	47.8%	40.1%	44.4%
Total deposits	2,396.6	3,096.6	4,026.6	5,290.1
Percent growth	34.9%	29.2%	30.0%	31.4%
Total loans outstanding	3,400.6	4,685.7	6,314.1	8,477.0
Percent growth	44.9%	37.2%	34.8%	34.3%
Annual approvals	1,800.0	2,290.0	2,860.0	3,678.6
Percent growth	33.7%	27.2%	24.9%	28.6%
Annual disbursements	1,340.0	1,700.0	2,200.0	2,933.3
Percent growth	43.7%	26.9%	29.4%	33.3%
Number of units app. for loans	36,340	42,865	49,635	59,191
Average loan per unit (Rs.)	49,532	53,424	57,621	62,148

HDFC's projected financial performance sustains and furthers its achievements during the first half of the 1980s, as shown in Table 4. Net profit after taxes will increase by an average of 9.8 percent annually, from Rs. 51.5 million ($4.3 million) in 1984/85 to Rs. 74.6 million ($6.2 million) in 1988/89. The corporation's assets will similarly grow, more than tripling in value between 1984/85 and 1988/89 to reach Rs. 11.1 billion ($91.7 million).

In terms of liquidity, HDFC will maintain a solid working capital ratio hovering around 3:1 each year. The corporation's debt-to-equity ratio will remain fairly constant, at about 12:1 over the next three years, with a projected jump to 17.6:1 in 1988/89. These projections of HDFC's debt/equity ratio take into account the company's plans to issue Rs. 100,000,000 ($8.3 million) in new equity shares during the first half of FY 1986/87.

Consistent with its past performance, it is anticipated that HDFC will continue to manage itself efficiently; thus, staff expenses as a percent of total income should remain on the low side, at about 2.4 percent. HDFC's greater reliance on higher cost borrowings rather than lower cost deposits will reduce its spread on loans, from an average 2.6 percent the last four years to 2 percent between 1985/86 through 1988/89. This reduction in its loan spread will also have an impact on its return on equity, though it will still average a 13.7 percent return over the next four years.

Table 4

INDICATORS OF FINANCIAL PERFORMANCE, 1985/86 - 1988/89
(Millions of Rupees)

	1985/86	1986/87	1987/88	1988/89
Profit after tax	55.0	59.0	70.4	74.6
Percent growth	6.8%	7.4%	19.3%	5.9%
Value of assets	4,742.0	6,354.6	8,404.3	11,098.8
Value of equity	525.3	533.8	666.3	582.6
Percent equity	11.1%	8.4%	7.9%	5.2%
Debt/equity ratio	11.4	11.3	13.9	17.6
Working capital ratio	3.5	3.0	2.7	2.4
Staff expenses as % of total income	2.4%	2.4%	2.4%	2.4%
Return on equity (profit/reserves and capital)	15.8%	12.3%	13.5%	13.1%
Return on loans	13.50%	13.50%	13.50%	13.50%
Cost of funds	11.14%	11.62%	11.66%	11.69%
Net spread	2.36%	1.88%	1.84%	1.81%

D. Conclusion

With the proposed authorization of the final tranche of HG-002, HDFC's total borrowing from the Housing Guaranty facility in the 1980s will amount to $90 million. Although this represents a significant level of assistance to a single institution, the real and long-term impact of this assistance has been in the areas of institutional and shelter sector policy development, and not on HDFC's financial operations *per se*.

From a financial perspective, HG funds have accounted for a decreasing share of the funds HDFC has mobilized, and they have nominally added to HDFC's income flow. In 1982/83, the first HG drawdown of $20 million represented nearly 40 percent of the funds HDFC mobilized that year for on-lending; but in 1987/88, the year in which this final tranche is projected to be disbursed, HG funds will represent less than 10 percent of the projected net increase in HDFC's loan funds. In terms of HDFC's pre-tax profits, HG funds will have accounted for less than 3 percent of HDFC's income between 1981/82 and 1987/88 - the period during which HDFC will have borrowed under the HG program. Thus, HDFC is not relying on HG funding to ensure its financial viability.

At the same time, the HG program has played a key role in HDFC's growth and its continued attention to the needs of lower income borrowers. Since inception, the demand for HDFC's mortgage loans has outpaced its available funds, and the full $90 million in HG funds will ultimately enable HDFC to finance an estimated 51,000 low-income units for which it would otherwise not have had the resources. In this regard, HG funds have contributed to the public's confidence in the corporation, since HDFC has been able to honor loan commitments in a timely manner. In turn, this public confidence has contributed to HDFC's ability to mobilize savings and leverage other domestic resources.

AID's support for HDFC has also enhanced HDFC's credibility with the GOI which has created opportunities for HDFC to bring about positive changes in national shelter and finance policies. These changes focus greater attention on shelter needs and foster an environment for private sector participation in financing these needs. Perhaps the best evidence of this is the emergence in the last two years of private finance companies which are closely modelled after HDFC. Without a doubt, HDFC continues to be instrumental in demonstrating the feasibility and desirability of market-oriented solutions to India's shelter problems.

ANNEX 1

THE HOUSING GUARANTY PROGRAM

STATUTORY CHECKLIST

	ANSWER YES OR NO PUT PP PAGE REFERENCES AND/OR EXPLANATIONS WHERE APPROPRIATE
A. General Criteria Under HG Statutory Authority.	
Section 221(a) Will the proposed project further one or more of the following policy goals?	
(1) is intended to increase the availability of domestic financing by demonstrating to local entrepreneurs and institutions that providing low-cost housing is financially viable;	Yes
(2) is intended to assist in marshalling resources for low-cost housing;	Yes
(3) supports a pilot project for low-cost shelter, or is intended to have a maximum demonstration impact on local institutions and national; and/or;	Yes
(4) is intended to have a long run goal to develop domestic construction capabilities and stimulate local credit institutions to make available domestic capital and other management and technological resources required for low-cost shelter programs and policies?	Yes
Section 222(a) Will the issuance of this guaranty cause the total face amount of guaranties issued and outstanding at this time to be in excess of $1,958,000,000?	No

	ANSWER YES OR NO PUT PP PAGE REFERENCES AND/OR EXPLANATIONS WHERE APPROPRIATE
Will the guaranty be issued prior to September 30, 1986?	Yes
<u>Section 222(b)</u> Will the proposed guaranty result in activities which emphasize:	
(1) projects providing improved home sites to poor families on which to build shelter and related services; or	No
(2) projects comprised of expendable core shelter units on serviced sites; or	No
(3) slum upgrading projects designed to conserve and improve existing shelter; or	No
(4) shelter projects for low-income people designed for demonstration or institution building; or	Yes
(5) community facilities and services in support of projects authorized under this section to improve the shelter occupied by the poor?	Yes
<u>Section 222(c)</u> If the project requires the use or conservation of energy, was consideration given to the use of solar energy technologies, where economically or technically feasible?	N/A
<u>Section 223(a)</u> Will the A.I.D. guaranty fee be in an amount authorized by A.I.D. in accordance with its delegated powers?	Yes
<u>Section 223(f)</u> Is the maximum rate of interest allowable to the eligible U.S. Investor as prescribed by the Administrator not more than one percent (1%) above the current rate of interest applicable to housing mortgages insured by the Department of Housing and Urban Development?	N/A

	ANSWER YES OR NO PUT PP PAGE REFERENCES AND/OR EXPLANATIONS WHERE APPROPRIATE
Section 223(h) Will the Guaranty Agreement provide that no payment may be made under any guaranty issued for any loss arising out of fraud or misrepresentation for which the party seeking payment is responsible?	Yes
Section 223(j)	
(1) Will the proposed Housing Guaranty be coordinated with and complementary to other development assistance in the host country?	Yes
(2) Will the proposed Housing Guaranty demonstrate the feasibility of particular kinds of housing and other institutional arrangements?	Yes
(3) Is the project designed and planned by A.I.D. so that at least 90 percent of the face value of the proposed guaranty will be for housing suitable for families below the median income or below the median urban income for housing in urban areas, in the host country?	Yes
(4) Will the issuance of this guaranty cause the face value of guaranties issued with respect to the host country to exceed $25 million in any fiscal year?	No
(5) Will the issuance of this guaranty cause the average face value of all housing guaranties issued in this fiscal year to exceed $15 million?	No
Section 238(c) Will the guaranty agreement provide that it will cover only lenders who are "eligible investors" within the meaning of this section of the statute at the time the guaranty is issued?	Yes

ANSWER YES OR NO PUT
PP PAGE REFERENCES
AND/OR EXPLANATIONS
WHERE APPROPRIATE

B. Criteria Under General Foreign Assistance Act Authority

Section 620/620A

1. Does the host country meet the general criteria for country eligible under the Foreign Assistance Act as set forth in the country eligibility checklist prepared at the beginning of each year?	Yes
2. Is there any reason to believe that circumstances have changed in the host country so that it would now be ineligible under the country statutory checklist?	No

ANNEX 2

NEW PRIVATE HOUSING FINANCE COMPANIES

1. Ansal Housing Finance & Leasing Co Ltd
   115 - Ansal Bhavan
   16 - Kasturba Gandhi Marg
   New Delhi 110 001

2. Arian's Home Leasing Project
   Lucky Apartments
   Vasai Road
   Dist - Thana (Maharashtra)

3. The Bombay Home Projects Pvt Ltd
   Dadhich House
   Opposite Railway Station
   Santacruz (East)
   Bombay 400 055

4. Dewan Housing Development Finance Ltd
   Warden House, 2nd Floor
   Sir P M Road
   Bombay 400 023

5. Galaxy Consolidated Finance Ltd

6. Ghar Finance & Leasing Co Ltd
   102, Arcadia
   195, Nariman Point
   Bombay 400 021

7. Kamanwala Housing Development Finance Co Ltd
   1518, Maker Chambers - V
   Nariman Point
   Bombay 400 021

8. Laximichand Bhagaji Ltd
   Ramon House
   169, Backbay Reclamation
   Bombay 400 020

9. Palghar Housing Development Corpn
   Kacheri Road
   Near Panchbati
   Palghar (West)
   Dist - Thana

10. Parshwanath Housing Finance Corpn Ltd
    Harsiddha Chambers
    3rd floor, Ashram Road
    Ahmedabad 380 014

11. Residency Housing Finance Ltd
    202-B, 'A' Wing
    Queens Comer 3
    Queen's Road
    Bangalore 560 001

12. Rockland Leasing Ltd
    111, Vajkunth
    82-83 Nehru Place
    New Delhi 110 019

13. Samarias Housing Finance Ltd
    Samarias House
    29, Luz Avenue
    Madras 600 004

14. Saya Housing Finance Co Ltd
    33/1, Netaji Subhash Road
    572 Marshall House
    Calcutta 700 001

15. Sri Ram Housing Finance & Investments of India

16. 21st Century Housing Finance Co Pvt Ltd
    106/7/8, Esplanade Mansion
    144, M G Road
    Bombay 400 001

17. United land & Housing Ltd
    7, Jantar Mantar Road
    New Delhi 110 001

18. Vishwas Housing Development Ltd
    105, Veena Beena Shopping Centre
    1st Floor
    Opposite Bandra Station (West)
    Bombay 400 050

19. Western Housing

Annex 3

SAMPLE LOAN APPLICATION FORMS

Housing Development Finance Corporation Ltd.

Ansal Housing Finance and Leasing Co. Ltd.

Dewan Housing Development Finance Ltd.

Laxmichand Bhagaji Ltd.

HOUSING DEVELOPMENT
FINANCE CORPORATION LIMITED

00004

HDFC HAS NO AGENTS, AND DEALS DIRECTLY WITH APPLICANTS.

Registered Office:
Ramon House,
169 Backbay Reclamation,
Bombay 400 020

Office:

INDIVIDUAL RESIDENTIAL LOAN APPLICATION FORM

COMPLIMENTARY COPY

INSTRUCTIONS (PLEASE READ CAREFULLY)

INCOMPLETE APPLICATIONS ARE LIABLE TO BE REJECTED

1. Please read the BROCHURE carefully.
2. The application form is provided so that HDFC can obtain relevant details for the consideration of your application. It cannot cover all circumstances and if there are any matters which may have a bearing on the decision, these should be set out in a covering letter.
3. Please write or type in BLOCK LETTERS. Insert one letter in each block e.g. | S | A | T | I | S | H |
4. Fill in ■ where applicable e.g.

   Marital Status ■ Single ☐ Married ☐ Other — Indicating single status
5. All details must be filled in. If not applicable please write N/A.
6. HDFC will not consider refinancing any property. If the borrower has already borrowed for the property to be financed or intends to borrow in the future from whatever source, HDFC must be informed and full details provided.
7. Applicants should ensure that the application is complete in every respect and all the required documents listed below are submitted with this application. Incomplete applications are liable to be rejected.
8. HDFC reserves the right to reject any application without assigning any reason.

FOR OFFICE USE ONLY

	L.NO.	PROCESSING FEES RS.	DATE
SIG.	S/R	AMOUNT SANCTIONED RS.	DATE

Supporting documents to be submitted by the borrower and co-borrower with this application:

1. Verification of Employment form with items 1, 7 and 8 filled in.
2. If the applicant proposes to obtain financial assistance for acquisition of residential accommodation from any other persons, their names and addresses.
3. If self-employed, balance sheets & income & expenditure accounts (certified by a Chartered Accountant) for the past 3 years.
4. In case of self-employed applicants, a note on the nature of business, form of organisation, clients, suppliers, etc.
5. Bye-laws of Co-operative Society/Association of Apartment Owners.
6. Copy of drawings of proposed construction/purchase/extension/renovation.
7. Copy of estimate of cost of the residential accommodation from your Architect/Engineer.
8. Salary Slip/Salary Certificate.
9. Past occupational history for 10 years, giving name of employer or nature of business and period.

AFFIX RECENT PHOTOGRAPH OF BORROWER WITH SIGNATURE	AFFIX RECENT PHOTOGRAPH OF CO-BORROWER WITH SIGNATURE

FORM ISSUED TO	
VALID UPTO	FORM ISSUED BY

PHONE 220265/220282/220908 • TELEGRAM : HOUSCORP BOMBAY • TELEX: HDFC 8762

PERSONAL INFORMATION OF BORROWER

FULL NAME MR/MRS/MISS SURNAME NAME MIDDLE NAME	☐1 MALE ☐2 FEMALE	AGE	DATE OF BIRTH DATE MONTH YEAR	RETIREMENT AGE	
PRESENT ADDRESS BUILDING/FLAT NUMBER	QUALIFICATIONS		MARITAL STATUS ☐SINGLE ☐MARRIED ☐OTHER	NUMBER OF DEPENDANTS CHILDREN OTHERS	
STREET	PRESENT ACCOMMODATION ☐ 1 OWN ☐ 3 RENTED ☐ 2 FAMILY ☐ 4 EMPLOYER			IF RENTED, MONTHLY RENT RS	
CITY PIN CODE RESIDENTIAL PHONE	☐1 RESIDENT ☐2 NON-RESIDENT	DEPOSITOR ☐ ULO ☐ CO ☐ NONE	NUMBER OF SHARES	FOLIO/CD/ULO NO	
LOAN AMOUNT REQUESTED RS	TERM REQUESTED YEARS	INCOME (MONTHLY) RS	OTHER INCOME SOURCE RS	MONTHLY EXPENDITURE RS	INSTALMENT YOU CAN PAY RS
NAME OF EMPLOYER/BUSINESS	OCCUPATION ☐ 1 SERVICE ☐ 2 SELF OCCUPIED				
ADDRESS OF EMPLOYER STREET	DESIGNATION	DEPARTMENT	DURATION OF PRESENT SERVICE YEARS		
CITY PIN CODE OFFICE PHONE					

LOAN DETAILS

PURPOSE OF THE LOAN ☐ 1 CONSTRUCTION ☐ 2 PURCHASE ☐ 3 RENOVATION ☐ 4 EXTENSION

TOTAL PURCHASE PRICE (COST) 1 RS.	INCIDENTAL COST 2 RS.	CONTINGENCY 3 RS 5% OF 1 + 2	TOTAL REQUIREMENT OF FUNDS 4 RS SUM OF 1 TO 3

LOAN REQUESTED FROM HDFC 5 RS	SAVINGS FROM BANK 6 RS	DISPOSAL OF INVESTMENTS 7 RS	ADVANCE PAYMENT MADE 8 RS	PF REFUNDABLE NON-REFUNDABLE 9 RS	OTHER SPECIFY 10 RS	ESTIMATED AVAILABILITY OF FUNDS 11 RS SUM OF 5 TO 10

ESTIMATED AVAILABILITY OF FUNDS (BLOCK 11) SHOULD AT LEAST EQUAL ESTIMATED REQUIREMENT OF FUNDS (BLOCK 4).

PROPERTY DETAILS

ADDRESS OF PROPERTY	IS THE FLAT/HOUSE ☐ 1 PROPOSED ☐ 3 READY ☐ 2 UNDER CONSTRUCTION ☐ 4 NOT SELECTED		
STREET	DATE OF COMPLETION MONTH YEAR	☐ FREEHOLD ☐ LEASEHOLD	UNEXPIRED TERM OF LEASE YEARS
CITY PIN CODE	TYPE ☐ 1 BUNGALOW ☐ 3 APARTMENT ☐ 2 ROW HOUSE ☐ 4 FLAT ☐ 5 OTHERS		GROUND RENT RS

FOR OFFICE USE ONLY

ZONE AND BRANCH CODE	SANCTION CODE	CENSUS CODE	LOCALITY R S U M	EMPLOYER CODE	NAGAR CODE	AREA SQ. MTS	AREA CODE	SHAREHOLDER/DEPOSITOR CODE

AGMI AMOUNT CODE	PROPERTY VALUE AMOUNT CODE	LOAN SANCTIONED AMOUNT CODE	TERM IN MONTHS	INTEREST RATE EFFECTIVE	NOMINAL

EMI RS PS	SANCTION REF. NO YEAR WEEK	OFFER DATE DATE MONTH YEAR	RELATIONSHIP CODE	QUALIFICATIONS CODE	☐ 1 FLIP ☐ 2 BALLOON ☐ 3 BOTH	BALLOON PAYMENT RS

PERSONAL INFORMATION OF CO-BORROWER

FULL NAME MR/MRS/MISS SURNAME NAME MIDDLE NAME	☐ MALE ☐ FEMALE	AGE	DATE OF BIRTH DATE MONTH YEAR		RETIREMENT AGE
PRESENT ADDRESS BUILDING/FLAT NO.	QUALIFICATIONS	MARITAL STATUS ☐ SINGLE ☐ MARRIED ☐ OTHER	NUMBER OF DEPENDENTS CHILDREN OTHERS		
STREET	PRESENT ACCOMMODATION ☐ OWN ☐ RENTED ☐ FAMILY ☐ EMPLOYER		IF RENTED, MONTHLY RENT RS		
CITY PIN CODE RESIDENTIAL PHONE	☐ RESIDENT ☐ NON-RESIDENT	DEPOSITOR ☐ LLD ☐ CO ☐ NONE	NUMBER OF SHARES	FOLIO/CD/LLD NO	
NAME OF EMPLOYER/BUSINESS	INCOME (MONTHLY) RS		OTHER INCOME RS		
ADDRESS OF EMPLOYER STREET	OCCUPATION ☐ SERVICE ☐ SELF EMPLOYED		MONTHLY EXPENDITURE RS		
CITY PIN CODE OFFICE PHONE	DESIGNATION	DEPARTMENT	DURATION OF PRESENT SERVICE YEARS		
RELATIONSHIP TO BORROWER					

FINANCIAL STATEMENT

ASSETS			LIABILITIES		
			PLEASE INDICATE BELOW ALL LOANS PROPOSED/TAKEN FROM EMPLOYER PROVIDENT FUND ETC. AND ALL OTHER LIABILITIES		
PARTICULARS	BORROWER	CO-BORROWER		BORROWER	CO-BORROWER
SAVINGS IN BANK			1.		
IMMOVABLE PROPERTY					
CURRENT BALANCE IN PROVIDENT FUND (BORROWER'S SHARE)			2.		
			3.		
OTHER ASSETS (SPECIFY)			4. PLEASE INDICATE		
1.			(i) CURRENT OUTSTANDING BALANCE		
2.					
LIFE INSURANCE POLICY			(ii) INSTALMENT PAYABLE PER MONTH (INCLUDING INTEREST)		
MATURITY DATE					
ANNUAL PREMIUM			(iii) OTHER CONDITIONS		

BANK DETAILS

NAME OF ACCOUNT HOLDER	CURRENT OR SAVINGS A/C.	NAME OF BANK	ADDRESS OF BANK	ACCOUNT NUMBER
1.				
2.				
3.				

OTHER DETAILS OF THE PROPERTY

STATUS ☐ SOLE OWNER ☐ CO-OWNER	NAME OF OTHER OWNERS	MEMBER OF CO-OPERATIVE SOCIETY ☐ EXISTING ☐ PROPOSED	MEMBER OF ASSOCIATION OF APARTMENT OWNERS ☐ EXISTING ☐ PROPOSED

NAME AND ADDRESS OF SOCIETY/ASSOCIATION OF APARTMENT OWNERS	IF THE SOCIETY OR AAO HAS BORROWED OR PROPOSES TO BORROW FROM ANY SOURCE PLEASE INDICATE THE SOURCE AND AMOUNT RS	PARTICULARS OF REGISTRATION OF SOCIETY/ASSOCIATION	NO. OF MEMBERS IN SOCIETY/ASSOCIATION

COMPLETE ITEM (I), (II) OR (III) WHICHEVER IS APPLICABLE IN YOUR CASE.

(I) COMPLETE FOR CONSTRUCTION

PURCHASE PRICE OF LAND RS.	AREA OF LAND SQ. M.	ESTIMATED COST OF CONSTRUCTION RS.	PROPOSED BUILT-UP AREA SQ. M.	NO. OF DWELLING UNITS :

Has Municipal sanction for construction been obtained? YES/NO. If yes, give details.

(II) COMPLETE FOR PURCHASE (INCLUDING PURCHASE WHEN BUILDING IS UNDER CONSTRUCTION)

PURCHASE PRICE OF HOUSE/FLAT RS	BUILT-UP AREA SQ. M.	IS THE DWELLING UNIT BOOKED? YES/NO IF YES, AMOUNT PAID RS.	PRESENT OWNER	IF THE DWELLING UNIT HAS NOT BEEN BOOKED, INDICATE INTENDED LOCATION	AREA OF FLAT SQ. M.	ESTIMATED VALUE RS

Has the completion certificate from municipality been obtained? Yes/No. If yes, give particulars and date of sanction.

(III) COMPLETE FOR EXTENSION/RENOVATION

AGE OF STRUCTURE	ORIGINAL COST LAND RS. CONSTRUCTION RS.	COST OF EXTENSION/ RENOVATION RS	BUILT-UP AREA OF EXTENSION SQ. M	PARTICULARS OF EXTENSION/RENOVATION	INTENDED USE OF EXTENSION

GENERAL

Is the house or flat intended for self occupation immediately upon completion?	YES/NO	
Does the applicant ('s) or the spouse of the applicant or any minor child of the applicant own any residential accommodation?	YES/NO	(If yes, give details)
In case of purchase, have all property taxes been paid upto date?	YES/NO	
Is the legal title to the property clear?	YES/NO	
Will HDFC be able to obtain a first mortgage of the property?	YES/NO	
Is the applicant a citizen of India?	YES/NO	
Has the applicant ('s) or spouse earlier applied to HDFC for a loan?	YES/NO	(If yes, give details)
What other security will you be able to provide?		

REFERENCES (Name and address of two Referees)

1

2

HDFC requires you to list two referees. HDFC will make such enquiries as it deems necessary from the referees directly. The referees may be your employer, family doctor or solicitor, banker, auditor, teacher or any prominent citizen who has known you for a period of five years or more but is NOT related to you.

UNDERTAKING & DECLARATION

I undertake that the following shall be payable by me to HDFC:—

a) Technical and legal fees as per scale of fees in force at the relevant time.

b) Premium for insurance of the property against such risks as may be decided by HDFC.

c) Premium under Group Life Insurance Scheme, if applicable.

I declare that all the particulars and information given in this application form are true, correct and complete and that they shall form the basis of any loan the Corporation may decide to grant to me. I confirm that I have had no insolvency proceedings against me nor have I ever been adjudicated insolvent. I further confirm that I have read the Brochure and understand that the Processing Fees are non-refundable. I agree that the Corporation may take up such references as it considers necessary in respect of this application. The Corporation may make such enquiries in respect of my application as it may deem necessary.

Borrower's Signature

Dated the

Co-borrower's Signature

Dated the

ANSAL HOUSING FINANCE & LEASING CO. LTD.

AHFL

Registered Office:
115-Ansal Bhavan,
16-Kasturba Gandhi Marg,
New Delhi-110 001.

INDIVIDUAL LOAN APPLICATION FORM

FOR OFFICE USE ONLY

PROCESSING FEE RS.	DATE		SIGNATURE
AMOUNT SANCTIONED RS.	DATE		

INSTRUCTIONS (PLEASE READ CAREFULLY)

INCOMPLETE APPLICATIONS ARE LIABLE TO BE REJECTED

1. Please read the BROCHURE carefully.
2. Please write or type in BLOCK LETTERS. Insert one letter in each block e.g.

   R A M

3. Fill in ☒ where applicable e.g.

   Marital Status ☒ Single ☐ Married ☐ Other

   indicating single status
4. All details must be filled in. If not applicable please write N/A.
5. AHFL reserves the right to reject any application at any stage without assigning any reason.

SUPPORTING DOCUMENTS TO BE SUBMITTED BY THE APPLICANT AND CO-APPLICANT WITH THIS APPLICATION

APPLICABLE TO ALL APPLICANTS:

1. If the applicant proposes to obtain or has already obtained financial assistance for acquisition of residential accommodation from any other persons, their names and addresses with amounts and repayment terms.
2. Allotment letter and Bye-Laws of the co-operative society/association of apartment owners.
3. Copy of approved drawings of proposed construction/purchase/extension/renovation
4. Agreement for sale/detailed cost estimate from Architect/Engineer for the proposed dwelling unit.

APPLICABLE TO EMPLOYED APPLICANTS ONLY:

1. Verification of Employment form
2. Latest salary slip/salary certificate.

APPLICABLE TO SELF-EMPLOYED APPLICANTS ONLY:

1. Balance Sheets and Profit & Loss Accounts along with copies of individual Income-tax returns for the last three years certified by a Chartered Accountant.
2. A note on the nature of business form of organisation, clients, suppliers, etc.

AFFIX RECENT PHOTOGRAPH OF APPLICANT WITH SIGNATURE	AFFIX RECENT PHOTOGRAPH OF CO-APPLICANT WITH SIGNATURE	LOAN AMOUNT REQUESTED Rs. (For office use only)

PHONES: 323001, 323210, 323261 GRAMS. HUMANWEL TELEX. 31-4756 NSL IN

PERSONAL INFORMATION OF APPLICANT

FULL NAME MR/MRS/MISS

SURNAME NAME MIDDLE NAME

PRESENT RESIDENTIAL ADDRESS

PHONE

NAME & ADDRESS OF EMPLOYER/BUSINESS
(MENTION BUILDING, STREET, CITY AND PINCODE)

PHONE
EXT.

LOAN AMOUNT REQUESTED	TERM REQUESTED	INCOME MONTHLY	OTHER INCOME (Source)
RS.	YEARS	RS.	RS

SEX Male ☐ Female ☐
AGE
DATE OF BIRTH Date Month Year
RETIREMENT AGE
QUALIFICATIONS
MARITAL STATUS Single ☐ Married ☐ Other ☐
NUMBER OF DEPENDANTS Children Others (Specify)
PRESENT ACCOMMODATION Own ☐ Rented ☐ Family ☐ Employer ☐
IF RENTED, MONTHLY RENT Rs.

STATUS Resident ☐ Non-Resident ☐
NUMBER OF AHFL SHARES
MONTHLY EXPENDITURE (WITH CO-APPLICANT IF ANY) Rs.
OCCUPATION Service ☐ Self Employed ☐
DEPT
DESIGNATION
NO. OF YEARS IN PRESENT JOB/BUSINESS YEARS

PAST OCCUPATIONAL HISTORY (FOR 10 YEARS) ATTACH SEPARATE SHEET IF NECESSARY

	NAME OF EMPLOYER/BUSINESS	POSITION HELD/REASONS FOR CHANGE/LAST SALARY DRAWN	PERIOD
APPLICANT			
CO-APPLICANT			

LOAN DETAILS

PURPOSE OF THE LOAN
CONSTRUCTION ☐
PURCHASE ☐
EXTENSION ☐

ESTIMATED REQUIREMENT OF FUNDS
1 TOTAL PURCHASE PRICE (COST)/ CONSTRUCTION COST Rs.
2 INCIDENTAL COST Rs.
3 CONTINGENCY (5% of 1+2) Rs.
4 ESTIMATED REQUIREMENT OF FUNDS (SUM OF 1 TO 3) TOTAL Rs.

ESTIMATED AVAILABILITY OF FUNDS
5 LOAN REQUESTED FROM AHFL Rs.
6 SAVINGS FROM BANK Rs.
7 AMOUNT ALREADY SPENT (Source) Rs.
8 PF (REFUNDABLE/NON REFUNDABLE) Rs.
9 OTHER (SPECIFY) Rs.
10 ESTIMATED AVAILABILITY OF FUNDS (SUM OF 5 TO 9) TOTAL Rs.

NOTE: ESTIMATED REQUIREMENT OF FUNDS (BLOCK 4) SHOULD ATLEAST EQUAL ESTIMATED AVAILABILITY OF FUNDS (BLOCK 10)

DETAILS OF PROPERTY TO BE ACQUIRED

ADDRESS OF PROPERTY
(MENTION DWELLING UNIT NO., STREET, CITY AND PINCODE)

IS THE DWELLING UNIT Proposed ☐ Ready ☐ Under Construction ☐ Not selected ☐
IS THE LAND Freehold ☐ Leasehold ☐
MONTH OF COMPLETION Month Year

UNEXPIRED TERM OF LEASE Years
TYPE Bungalow ☐ Row House ☐ Apartment ☐ Flat ☐ Others ☐
EXPENSES P.M. ON PROPERTY Rs

PERSONAL INFORMATION OF CO-APPLICANT

FULL NAME MR/MRS/MISS

SURNAME NAME MIDDLE NAME

SEX Male ☐ Female ☐

AGE ____

DATE OF BIRTH Date Month Year

RETIREMENT AGE ____

QUALIFICATIONS ____

PRESENT RESIDENTIAL ADDRESS

PHONE ____

NAME AND ADDRESS OF EMPLOYER/BUSINESS
(MENTION BUILDING, STREET, CITY AND PINCODE)

PHONE ____
EXT. ____

RELATIONSHIP WITH APPLICANT

MARITAL STATUS Single ☐ Married ☐ Other ☐

NUMBER OF DEPENDANTS
Children ____ Others (Specify) ____

PRESENT ACCOMMODATION
Own ☐ Rented ☐ Family ☐ Employer ☐

IF RENTED, MONTHLY RENT
Rs. ____

STATUS Resident ☐ Non-Resident ☐

NUMBER OF AHFL SHARE ____

MONTHLY INCOME (WITH CO-APPLICANT, IF ANY)
Rs ____

OTHER INCOME (SOURCE)
Rs. ____

OCCUPATION
Service ☐ Self Employed ☐

DEPT ____

DESIGNATION ____

NO. OF YEARS IN PRESENT JOB/BUSINESS ____
____ YEARS

FINANCIAL STATEMENT

ASSETS			LIABILITIES		
PARTICULARS	APPLICANT Rs.	CO-APPLICANT Rs.	PLEASE INDICATE BELOW ALL LOANS PROPOSED/TAKEN FROM EMPLOYEE PROVIDENT FUND ETC./AND ALL OTHER LIABILITIES AND INSTALMENT(S) PAYABLE FOR MONTH INCLUDING INTEREST AGAINST EACH LOAN.	APPLICANT Rs.	CO-APPLICANT Rs.
SAVINGS IN BANK					
IMMOVABLE PROPERTY (SPECIFY)			1. EMPLOYER		
CURRENT BALANCE IN PROVIDENT FUND (APPLICANT'S SHARE)			2. PROVIDENT FUND		
			3. CREDIT SOCIETY		
			4. FAMILY & FRIENDS		
OTHER ASSETS (SPECIFY) 1.			5. OTHERS (Specify)		
2.			6. PLEASE INDICATE (i) CURRENT OUTSTANDING BALANCE		
LIFE INSURANCE POLICY(IES)/ POSTAL (AMOUNT)			(ii) INSTALMENTS PAYABLE PER MONTH (INCLUDING INTEREST)		
MATURITY DATE(S)					
ANNUAL PREMIUM			(iii) OTHER CONDITIONS		

BANK DETAILS

NAME OF ACCOUNT HOLDER	CURRENT OR SAVING A/C	NAME OF BANK	ADDRESS OF BANK	ACCOUNT NUMBER
1				
2.				
3				

OTHER DETAILS OF THE PROPERTY TO BE ACQUIRED

STATUS ☐ Sole Owner ☐ Co-Owner	NAME OF OTHER OWNERS		MEMBER OF CO-OPERATIVE ☐ Existing ☐ Proposed	MEMBER OF ASSOCIATION OF APARTMENT OWNERS ☐ Existing ☐ Proposed
NAME AND ADDRESS OF SOCIETY/ASSOCIATION OF APARTMENT OWNERS (AAO)		If the Society or AAO has borrowed or proposes to borrow from any source please indicate the source and amount Rs	PARTICULARS OF REGISTRATION OF SOCIETY/ASSOCIATION	NO. OF MEMBERS IN SOCIETY/ASSOCIATION

COMPLETE ITEM (A), (B) OR (C) WHICHEVER IS APPLICABLE IN YOUR CASE.

(A) COMPLETE FOR CONSTRUCTION

PURCHASE PRICE OF LAND

Rs. ______

AREA OF LAND SQ. M ______

ESTIMATED COST OF CONSTRUCTION

Rs. ______

PROPOSED BUILT-UP AREA

SQ. M. ______

NO. OF DWELLING UNITS

______

HAS SANCTION FOR CONSTRUCTION FROM THE COMPETENT AUTHORITY BEEN OBTAINED? YES/NO

(IF YES GIVE DETAILS) ______

(B) COMPLETE FOR PURCHASE

(INCLUDING PURCHASE WHEN BUILDING IS UNDER CONSTRUCTION) PURCHASE PRICE OF DWELLING UNIT

Rs. ______

BUILT-UP AREA SQ. M. ______

IS THE DWELLING UNIT BOOKED?

YES/NO (IF YES AMOUNT PAID)

Rs. ______

PRESENT OWNER ______

IF THE DWELLING UNIT HAS NOT BEEN BOOKED INDICATED INTENDED:

LOCATION ______

AREA OF DWELLING UNIT

SQ. M ______

ESTIMATED VALUE Rs ______

HAS THE COMPLETION CERTIFICATE FROM THE COMPETENT AUTHORITY BEEN OBTAINED? YES/NO

(IF YES, GIVE PARTICULARS AND DATE OF SANCTION) ______

(C) COMPLETE FOR EXTENSION

AGE OF STRUCTURE

______

ORIGINAL COST:

OF LAND Rs. ______

CONSTRUCTION COST

Rs ______

COST OF EXTENSION

Rs. ______

BUILT-UP AREA OF EXTENSION

SQ.M ______

PARTICULARS OF EXTENSION

______

INTENDED USE OF EXTENSION

______

HAS THE SANCTION FROM COMPETENT AUTHORITY BEEN OBTAINED? YES/NO

______

GENERAL

	YES	NO
Is the house or flat intended for self occupation immediately upon completion?	☐	☐
Does the applicant(s) or the spouse of the applicand(s) or any minor child of the applicant(s) own any residential accommodation?	☐	☐ (if yes give details)
In case of purchase, have all property taxes been paid upto date?	☐	☐
Is the legal title to the property clear?	☐	☐
Will AHFL be able to obtain a first mortgage of the property?	☐	☐
Is/Are the applicand(s) a citizen(s) of India?	☐	☐
Has/Have the applicand(s) or spouse of the applicant(s) earlier applied to AHFL for a loan?	☐	☐ (if yes give details)
What other security will you be able to provide?		
Has/Have the applicand(s) given guarantee(s) for any borrower(s) of AHFL	☐	☐ (if yes give details)

REFERENCES (NAME AND ADDRESS OF TWO REFEREES/GUARANTORS)

1.

Phone:
Office ______
Residence ______

2.

Phone:
Office ______
Residence ______

AHFL requires you to list two referees. AHFL will make such enquiries as it deems necessary from the referees directly. The referees may be your employer, family doctor or solicitor, banker, auditor or teacher who has known you for a period of five years or more but is not related to you.

DECLARATION

I declare that all the particulars and information given in this application form are true, correct and complete and that they shall form the basis of any loan AHFL may decide to grant to me. I confirm that I have had no insolvency proceedings against me nor have I even been adjudicated insolvent. I further confirm that I have read the brochure and understood the contents. I also understand that the processing fees are non-refundable. I agree that AHFL may take up such references as it considers necessary in respect of this application. AHFL may make such enquiries in respect of my application as it may deem necessary. I undertake to inform AHFL regarding any change in my occupation/employment.

I further agree that my loan shall be governed by the rules of AHFL which may be in force for the time being.

Applicant s signature
Date.

Co-applicant s signature
Date:

NO – (3)

NOTE:
THE NAME OF THE COMPANY IS CHANGED TO DEWAN HOUSING DEVELOPMENT FINANCE LIMITED (DHDFL) EFFECTIVE FROM 28TH SEPTEMBER 1984.

DEWAN Housing Finance & Leasing Company Limited

REGD. OFF. : WARDEN HOUSE, 2nd FLOOR, SIR P. M. ROAD, FORT, BOMBAY – 400 023. Phone : 259644/299529/311985 Telex : 011-6897, 011-5917 ADMINISTRATIVE OFF : DEWAN TOWER, VASAI ROAD (W), 400 202 DIST. : THANE, Phones : 444, 644, 666.

INDIVIDUAL RESIDENTIAL LOAN APPLICATION FORM

1385

DEWAN HOUSING DEVELOPMENT FINANCE LIMITED BOMBAY

DHFL HAS NO AGENTS, AND DEALS DIRECTLY WITH APPLICANTS

FOR OFFICE USE ONLY

PROCESSING FEES	RS	DATE	INITIALS
AMOUNT SANCTIONED	RS.	DATE	MEETING NO.
			SIG.

GENERAL

	YES	NO
Is the house or flat intended for self occupation immediately upon completion ?	☐	☐
Does the applicant(s) or the spouse of the applicant(s) or any minor child of the applicant(s) own any residential accommodation ?	☐	☐ (if yes give details)
In case of purchase, have all property taxes been paid upto date?	☐	☐
Is the legal title to the property clear ?	☐	☐
Will DHFL be able to obtain a first mortgage of the property ?	☐	☐
Is/Are the applicant(s) a citizen(s) of India ?	☐	☐
Has/Have the applicant(s) or spouse of the applicant(s) earlier applied to DHFL for a loan ?	☐	☐ (if yes give details)
What other security will you be able to provide ?		
Has/Have the applicant(s) given guarantee(s) for any borrower(s) of DHFL?	☐	☐ (if yes give details)

SUPPORTING DOCUMENTS TO BE SUBMITTED BY THE APPLICANT AND CO-APPLICANT WITH THIS APPLICATION

APPLICABLE TO ALL APPLICANTS:

1. If the applicant proposes to obtain financial assistance for acquisition of residential accommodation from any other persons, their names and addresses with amounts and repayment terms.
2. Allotment letter and Bye-laws of the co-operative society/association of apartment owners.
3. Copy of approved drawings of proposed construction/purchase/extension/renovation.
4. Agreement for sale/detailed cost estimate from Architect/Engineer for the proposed dwelling unit.

APPLICABLE TO EMPLOYED APPLICANTS ONLY:

1. Verification of Employment Form with only items 1, 6 7, and 8 filled in.
2. Latest salary slip/salary certificate showing all deductions.

APPLICABLE TO SELF-EMPLOYED APPLICANTS ONLY:

1. Balance Sheets and Profit & Loss Accounts along with copies of individual income-tax returns for the last three years certified by a Chartered Accountant.
2. A note on the nature of business, form of organisation, clients, suppliers, etc.

AFFIX RECENT PHOTOGRAPH OF APPLICANT WITH SIGNATURE	AFFIX RECENT PHOTOGRAPH OF CO-APPLICANT WITH SIGNATURE

LOAN AMOUNT REQUESTED RS.	
FORM ISSUED TO	
FORM ISSUED ON	
FORM VALID UPTO	
FORM ISSUED BY	

AN ORGANISATION OF THE PEOPLE, BY THE PEOPLE, FOR THE PEOPLE

PERSONAL INFORMATION OF APPLICANT ATTACH SEPARATE SHEET IF NECESSARY

FULL NAME MR/MRS/MISS

SURNAME NAME MIDDLE NAME

SEX Male ☐ Female ☐

AGE ____

DATE OF BIRTH Date Month Year

STATUS Resident ☐ Non Resident ☐

DEPOSITS WITH DHFL HLD ☐ FD ☐ NRCD ☐ NONE ☐

NUMBER OF DHFL SHARES ____

PRESENT RESIDENTIAL ADDRESS
(MENTION BUILDING FLAT NO., STREET, CITY AND PINCODE)

PHONE ____

RETIREMENT AGE ____

QUALIFICATIONS ____

FOLIO NO (HLD/FD/NRCD/SHARES) ____

MONTHLY EXPENDITURE (WITH CO-APPLICANT, IF ANY) RS ____

NAME & ADDRESS OF EMPLOYER/BUSINESS
(MENTION BUILDING, STREET CITY AND PINCODE)

PHONE ____

EXT ____

MARITAL STATUS Single ☐ Married ☐ Other ☐

NUMBER OF DEPENDANTS Children ____ Others ____

PRESENT ACCOMMODATION Own ☐ Rented ☐ Family ☐ Employer ☐

IF RENTED MONTHLY RENT RS. ____

INSTALMENT YOU CAN PAY TO DHFL (WITH CO-APPLICANT IF ANY) RS ____

OCCUPATION Service ☐ Self Employed ☐

DEPT ____

DESIGNATION ____

NO OF YEARS IN PRESENT JOB/BUSINESS ____ YEARS

LOAN AMOUNT REQUESTED	TERM REQUESTED	INCOME (MONTHLY)	OTHER INCOME (Source)
RS	YEARS	RS	RS

	NAME OF EMPLOYER/BUSINESS	POSITION HELD/REASONS FOR CHANGE/LAST SALARY DRAWN	PERIOD
APPLICANT			
CO-APPLICANT			

DETAILS OF LOAN

PURPOSE OF THE LOAN	ESTIMATED REQUIREMENT OF FUNDS	ESTIMATED AVAILABILITY OF FUNDS
CONSTRUCTION ☐	1 TOTAL PURCHASE PRICE (COST)/ CONSTRUCTION COST RS. ____	5 LOAN REQUESTED FROM DHFL RS ____
PURCHASE ☐	2 INCIDENTAL COST RS ____	6 SAVINGS FROM BANK RS ____
EXTENSION ☐	3 CONTINGENCY RS ____	7 DISPOSAL OF INVESTMENTS RS ____
		8 AMOUNT ALREADY SPENT (Source) RS. ____
		9 PF (REFUNDABLE/NON REFUNDABLE) RS. ____
		10 OTHER (SPECIFY) RS. ____
	4 ESTIMATED REQUIREMENT OF FUNDS (SUM OF 1 TO 3) TOTAL RS. ____	11 ESTIMATED AVAILABILITY OF FUNDS (SUM OF 5 TO 10) TOTAL RS ____

NOTE. ESTIMATED REQUIREMENT OF FUNDS (BLOCK 4) SHOULD ATLEAST EQUAL ESTIMATED AVAILABILITY OF FUNDS (BLOCK 11)

PERSONAL INFORMATION OF CO-APPLICANT

FULL NAME MR/MRS/MISS

SURNAME NAME MIDDLE NAME

SEX Male ☐ Female ☐

AGE ____

DATE OF BIRTH Date Month Year

STATUS Resident ☐ Non Resident ☐

DEPOSITS WITH DHFL HLD ☐ FD ☐ NRCD ☐ NONE ☐

NUMBER OF DHFL SHARES ____

PRESENT RESIDENTIAL ADDRESS
(MENTION BUILDING, FLAT NO., STREET, CITY AND PINCODE)

PHONE ____

RETIREMENT AGE ____

QUALIFICATIONS

FOLIO NO (HLD/FD/NRCD/SHARES) ____

MONTHLY INCOME RS. ____

NAME & ADDRESS OF EMPLOYER/BUSINESS
(MENTION BUILDING, STREET, CITY AND PINCODE)

PHONE ____

EXT ____

MARITAL STATUS Single ☐ Married ☐ Other ☐

NUMBER OF DEPENDANTS Children ____ Others ____

PRESENT ACCOMMODATION Own ☐ Rented ☐ Family ☐ Employer ☐

IF RENTED MONTHLY RENT RS. ____

OTHER INCOME (SOURCE) RS ____

OCCUPATION Service ☐ Self Employed ☐

DEPT ____

DESIGNATION ____

NO OF YEARS IN PRESENT JOB/BUSINESS ____ YEARS

RELATIONSHIP WITH APPLICANT

DETAILS OF PROPERTY TO BE ACQUIRED

ADDRESS OF PROPERTY (MENTION DWELLING UNIT NO., STREET, CITY AND PINCODE)	IS THE DWELLING UNIT Proposed ☐ Ready ☐ Under Construction ☐ Not selected ☐	UNEXPIRED TERM OF LEASE ____ Years
	IS THE LAND Freehold ☐ Leasehold ☐	TYPE Bungalow ☐ Row House ☐ Apartment ☐ Flat ☐ Others ☐
	MONTH OF COMPLETION Month Year	EXPENSES P.M. ON PROPERTY RS

STATUS	NAME(S) OF OTHER OWNER(S)	Name(s) of owner/key person in the developers organization	MEMBER OF CO-OPERATIVE SOCIETY	MEMBER OF ASSOCIATION OF APARTMENT OWNERS
☐ Sole Owner ☐ Co-Owner			☐ Existing ☐ Proposed	☐ Existing ☐ Proposed

NAME AND ADDRESS OF SOCIETY/ASSOCIATION OF APARTMENT OWNERS (AAO)	If the Society or AAO has borrowed or proposes to borrow from any source please indicate the source and amount	PARTICULARS OF REGISTRATION OF SOCIETY/ASSOCIATION	NO. OF MEMBERS IN SOCIETY/ASSOCIATION
	RS		

FINANCIAL STATEMENT

ASSETS

PARTICULARS	APPLICANT RS.	CO-APPLICANT RS.
SAVINGS IN BANK		
IMMOVABLE PROPERTY (SPECIFY)		
CURRENT BALANCE IN PROVIDENT FUND (APPLICANT'S SHARE)		
OTHER ASSETS (SPECIFY) 1		
2		
LIFE INSURANCE POLICY(IES)/ POSTAL (AMOUNT)		
MATURITY DATE(S)		
ANNUAL PREMIUM		

LIABILITIES

PLEASE INDICATE BELOW ALL LOANS PROPOSED/TAKEN FROM EMPLOYEE PROVIDENT FUND ETC. AND ALL OTHER LIABILITIES AND INSTALMENT(S) PAYABLE PER MONTH INCLUDING INTEREST AGAINST EACH LOAN

	APPLICANT RS.	CO APPLICANT RS.
1. EMPLOYER		
2. PROVIDENT FUND		
3. CREDIT SOCIETY		
4. FAMILY & FRIENDS		
5. OTHERS (Specify)		
6. PLEASE INDICATE (i) CURRENT OUTSTANDING BALANCE		
(ii) INSTALMENTS PAYABLE PER MONTH (INCLUDING INTEREST)		
(iii) OTHER CONDITIONS		

DETAILS OF BANK

NAME OF ACCOUNT HOLDER	CURRENT OR SAVINGS A/C	NAME OF BANK	ADDRESS OF BANK	ACCOUNT NUMBER
1				
2				
3				

FOR OFFICE USE ONLY

COMPLETE ITEM (A), (B) OR (C) WHICHEVER IS APPLICABLE IN YOUR CASE

(A) COMPLETE FOR CONSTRUCTION	(B) COMPLETE FOR PURCHASE	(C) COMPLETE FOR EXTENSION
PURCHASE PRICE OF LAND RS ________ AREA OF LAND SQ. M ________ ESTIMATED COST OF CONSTRUCTION RS ________ PROPOSED BUILT-UP AREA SQ. M ________ NO. OF DWELLING UNITS ________ HAS SANCTION FOR CONSTRUCTION FROM THE COMPETENT AUTHORITY BEEN OBTAINED ? YES/NO (IF YES GIVE DETAILS ________	(INCLUDING PURCHASE WHEN BUILDING IS UNDER CONSTRUCTION) PURCHASE PRICE OF DWELLING UNIT RS ________ BUILT-UP AREA SQ. M ________ IS THE DWELLING UNIT BOOKED? YES/NO (IF YES AMOUNT PAID) RS ________ PRESENT OWNER ________ IF THE DWELLING UNIT HAS NOT BEEN BOOKED INDICATE INTENDED LOCATION ________ AREA OF DWELLING UNIT SQ. M ________ ESTIMATED VALUE RS ________ HAS THE COMPLETION CERTIFICATE FROM THE COMPETENT AUTHORITY BEEN OBTAINED ? YES/NO (IF YES GIVE PARTICULARS AND DATE OF SANCTION) ________	AGE OF STRUCTURE ________ ORIGINAL COST OF LAND RS ________ CONSTRUCTION COST RS ________ COST OF EXTENSION RS. ________ BUILT-UP AREA OF EXTENSION SQ. M ________ PARTICULARS OF EXTENSION ________ INTENDED USE OF EXTENSION ________ HAS THE SANCTION FROM COMPETENT AUTHORITY BEEN OBTAINED ? YES/NO

REFERENCES (NAME AND ADDRESS OF TWO REFEREES)

1.	Phone: Office ________ Residence ________	DHFL requires you to list two referees. DHFL will make such enquiries as it deems necessary from the referees directly. The referees may be your employer family doctor or solicitor, banker, auditor or teacher who has known you for a period of five years or more but is not related to you.
2.	Phone: Office ________ Residence ________	

DECLARATION

I declare that all the particulars and information given in this application form are true, correct and complete and that they shall form the basis of any loan DHFL may decide to grant to me. I confirm that I have had no insolvency proceedings against me nor have I even been adjudicated insolvent. I further confirm that I have read the brochure and understood the contents. I also understand that the processing fees are non-refundable. I agree that DHFL may take up such references as it considers necessary in respect of this application. DHFL may make such enquiries in respect of my application as it may deem necessary. I undertake to inform DHFL regarding any change in my occupation/ employment.

I further agree that my loan shall be governed by the rules of DHFL which may be in force for the time being.

Applicant's signature
Date :

Co-applicant's Signature
Date :

INSTRUCTIONS (PLEASE READ CAREFULLY)

INCOMPLETE APPLICATIONS ARE LIABLE TO BE REJECTED

1. Please read the BROCHURE carefully
2. The application form is provided so that DHFL can obtain relevant details for the consideration of your application. It cannot cover all circumstances and if there are any matters which may have a bearing on the decision, these should be set out in a covering letter.
3. Please write or type in BLOCK LETTERS. Insert one letter in each block e.g.

   D E W A N

4. Fill in ☒ where applicable e.g.

   Marital Status ☒ Single ☐ Married ☐ Other

   indicating single status

5. All details must be filled in. If not applicable please write N/A.
6. Applicants should ensure that the application is complete in every respect and all the required documents listed below are submitted with this application
7. DHFL reserves the right to reject any application at any stage without assigning any reason.

LAXMICHAND BHAGAJI LIMITED

01041

LBL HAS NO AGENTS, AND DEALS DIRECTLY WITH APPLICANTS

Registered Office:
Ramon House,
169 Backbay Reclamation,
Bombay 400 020.

LOAN APPLICATION FORM
(for Individual)

Branch Office:

Form Issued to ____________
Form Issued on ____________
Form Valid upto ____________
Form Issued by ____________

FOR OFFICE USE ONLY

File No				
Processing Fees	Rs.		Date	
Loan Applied for	Rs.			
Loan Sanctioned	Rs.		Date	
Meeting No.			Date	
No. of Instalments			Each instalment of	Rs.
First Instalment due on			Date	
Last Instalment due on			Date	
Checked By			Processed By	

DOCUMENTS TO BE SUBMITTED BY THE APPLICANT, CO-APPLICANT AND GUARANTORS WITH THIS APPLICATION

APPLICABLE TO ALL APPLICANTS:

1. Allotment letter and Bye-laws of the co-operative society, association of apartment owners.
2. Copy of approved drawings of proposed construction/purchase/extension/renovation.
3. Agreement for sale/detailed cost estimate from Architect/Engineer for the proposed dwelling unit
4. Details of other financial assistance and repayment terms.

APPLICABLE TO EMPLOYED APPLICANTS/GUARANTORS ONLY:

1. Verification of Employment Form with only items 2, 6, 7 and 8 filled in.
2. Latest salary slip/salary certificate showing all deductions.

APPLICABLE TO SELF-EMPLOYED APPLICANTS/GUARANTORS ONLY:

1. Balance Sheets and Profit & Loss Accounts along with copies of individual income-tax returns for the last three years certified by a Chartered Accountant.
2. A note on the nature of business, form of organisation, clients, suppliers, etc.

PHONE: 222329 (6 lines) TELEGRAM: "WEHELPYOU" TELEX 2661 RAMN IN"

WE OFFER PROMPT SERVICES WITHOUT ANY OBLIGATION

2

PERSONAL INFORMATION OF APPLICANT

FULL NAME MR MRS MISS

SURNAME NAME MIDDLE NAME

PRESENT RESIDENTIAL ADDRESS
(MENTION BUILDING FLAT NO STREET CITY AND PINCODE)

PHONE

NAME AND ADDRESS OF EMPLOYER/BUSINESS
(MENTION BUILDING FLAT NO., STREET, CITY AND PINCODE)

DEPT

DESIGNATION

NO OF YEARS IN PRESENT JOB/BUSINESS YEARS

PHONE

EXT

LOAN AMOUNT REQUESTED	TERM REQUIRED	INCOME (MONTHLY)	OTHER INCOME (Source)
RS	YEARS	RS	RS

SEX Male ☐ Female ☐

AGE

DATE OF BIRTH Date Month Year

RETIREMENT AGE

QUALIFICATIONS

MARITAL STATUS Single ☐ Married ☐ Other ☐

NUMBER OF DEPENDANTS Children Others

PRESENT ACCOMMODATION Own ☐ Rented ☐ Family ☐ Employer ☐

IF RENTED, MONTHLY RENT

Rs.

Affix Recent Photograph of Applicant with signature

STATUS

RESIDENT ☐

NON RESIDENT ☐

PASSPORT NO

CREDIT CARDS

1

2

3

Club & Other MEMBERSHIP

PERSONAL INFORMATION OF CO-APPLICANT

FULL NAME MR/MRS/MISS

SURNAME NAME MIDDLE NAME

PRESENT RESIDENTIAL ADDRESS
(MENTION BUILDING FLAT NO., STREET CITY AND PINCODE)

PHONE

NAME AND ADDRESS OF EMPLOYER/BUSINESS
(MENTION BUILDING FLAT NO., STREET, CITY AND PINCODE)

NO OF YEARS IN PRESENT JOB BUSINESS YEARS

DEPT

DESIGNATION

PHONE

EXT.

RELATIONSHIP WITH APPLICANT

SEX Male ☐ Female ☐

AGE

DATE OF BIRTH Date Month Year

RETIREMENT AGE

QUALIFICATIONS

MARITAL STATUS Single ☐ Married ☐ Other ☐

NUMBER OF DEPENDANTS Children Others

PRESENT ACCOMMODATION Own ☐ Rented ☐ Family ☐ Employer ☐

IF RENTED MONTHLY RENT

Rs

Affix Recent Photograph of Co-applicant with signature

STATUS

RESIDENT ☐

NON RESIDENT ☐

PASSPORT NO

CREDIT CARDS

1

2

3

Club & Other Membership

BANK DETAILS

NAME OF ACCOUNT HOLDER	CURRENT OR SAVINGS A/C	NAME OF BANK	ADDRESS OF BANK	ACCOUNT NUMBER
1				
2				
3				

PERSONAL INFORMATION OF GUARANTOR I

FULL NAME MR/MRS MISS

SURNAME NAME MIDDLE NAME

PRESENT RESIDENTIAL ADDRESS
(MENTION BUILDING FLAT NO., STREET, CITY AND PINCODE)

PHONE

NAME AND ADDRESS OF EMPLOYER/BUSINESS
(MENTION BUILDING, FLAT NO., STREET, CITY AND PINCODE)

DEPT NO OF YEARS IN PRESENT JOB/BUSINESS YEARS PHONE EXT

DESIGNATION

RELATIONSHIP WITH APPLICANT

SEX Male ☐ Female ☐

AGE

DATE OF BIRTH Date Month Year

RETIREMENT AGE

QUALIFICATIONS

MARITAL STATUS Single ☐ Married ☐ Other ☐

NUMBER OF DEPENDANTS Children Others

PRESENT ACCOMMODATION Own ☐ Rented ☐ Family ☐ Employer ☐

IF RENTED MONTHLY RENT

Rs

Affix Recent Photograph of Guarantor with signature

STATUS

RESIDENT ☐

NON RESIDEN ☐

PASSPORT NO

CREDIT CARDS

1.

2.

3.

Club & Other Membership

PERSONAL INFORMATION OF GUARANTOR II

FULL NAME MR/MRS/MISS

SURNAME NAME MIDDLE NAME

PRESENT RESIDENTIAL ADDRESS
(MENTION BUILDING FLAT NO., STREET, CITY AND PINCODE)

PHONE

NAME AND ADDRESS OF EMPLOYER/BUSINESS
(MENTION BUILDING, FLAT NO., STREET, CITY AND PINCODE)

DEPT NO OF YEARS IN PRESENT JOB/BUSINESS YEARS PHONE EXT

DESIGNATION

RELATIONSHIP WITH APPLICANT

SEX Male ☐ Female ☐

AGE

DATE OF BIRTH Date Month Year

RETIREMENT AGE

QUALIFICATIONS

MARITAL STATUS Single ☐ Married ☐ Other ☐

NUMBER OF DEPENDANTS Children Others

PRESENT ACCOMMODATION Own ☐ Rented ☐ Family ☐ Employer ☐

IF RENTED MONTHLY RENT

Rs.

Affix Recent Photograph of Guarantor with signature

STATUS

RESIDENT ☐

NON RESIDENT ☐

PASSPORT NO

CREDIT CARDS

1.

2.

3.

Club & Other Membership

SOURCES	APPLICANT	CO-APPLICANT	GUARANTOR I	GUARANTOR II
Salary				
From Business				
From Profession				
From Property				
TOTAL				

(4)

FINANCIAL STATEMENT OF APPLICANT AND CO-APPLICANT

ASSETS

PARTICULARS	APPLICANT RS.	CO-APPLICANT RS
SAVINGS IN BANK		
IMMOVABLE PROPERTY (SPECIFY)		
CURRENT BALANCE IN PROVIDENT FUND (APPLICANT'S SHARE)		
OTHER ASSETS (SPECIFY)		
1.		
2.		
LIFE INSURANCE POLICY (IES)/ POSTAL (AMOUNT)		
MATURITY DATE(S)		
ANNUAL PREMIUM		
DEPOSIT WITH LB/LBL		
F D.		
C.F.D		
S.F D		
L L S D		
LBL/SHARES		
Folio No.		
Distinctive Nos.		

LIABILITIES

PLEASE INDICATE BELOW ALL LOANS PROPOSED/TAKEN FROM EMPLOYEE PROVIDENT FUND ETC AND ALL OTHER LIABILITIES AND INSTALMENT(S) PAYABLE PER MONTH INCLUDING INTEREST AGAINST EACH LOAN.

	APPLICANT RS	CO-APPLICANT RS.
1. EMPLOYER		
2. PROVIDENT FUND		
3. CREDIT SOCIETY		
4 FAMILY & FRIENDS		
5 OTHERS (Specify)		
6 PLEASE INDICATE		
(i) CURRENT OUTSTANDING BALANCE		
(ii) INSTALMENTS PAYABLE PER MONTH (INCLUDING INTEREST)		
(iii) OTHER CONDITIONS		
BORROWINGS FROM LB/LBL		

FINANCIAL STATEMENT OF GUARANTORS

ASSETS

PARTICULARS	GUARANTOR-I RS	GUARANTOR-II RS.
SAVINGS IN BANK		
IMMOVABLE PROPERTY (SPECIFY)		
CURRENT BALANCE IN PROVIDENT FUND (GUARANTOR'S SHARE)		
OTHER ASSETS (SPECIFY)		
1		
2.		
LIFE INSURANCE POLICY (IES)/ POSTAL (AMOUNT)		
MATURITY DATE(S)		
ANNUAL PREMIUM		
DEPOSIT WITH LB/LBL		
FD		
C.F.D		
S. F. D.		
L.L.S D.		
LBL SHARES		
Folio No.		
Distinctive No.		

LIABILITIES

PLEASE INDICATE BELOW ALL LOANS PROPOSED/TAKEN FROM EMPLOYEE PROVIDENT FUND ETC AND ALL OTHER LIABILITIES AND INSTALMENT(S) PAYABLE PER MONTH INCLUDING INTEREST AGAINST EACH LOAN

	GUARANTOR-I RS.	GUARANTOR-II RS.
1. EMPLOYER		
2. PROVIDENT FUND		
3. CREDIT SOCIETY		
4 FAMILY & FRIENDS		
5 OTHERS (Specify)		
6 PLEASE INDICATE		
(i) CURRENT OUTSTANDING BALANCE		
(ii) INSTALMENTS PAYABLE PER MONTH (INCLUDING INTEREST)		
(iii) OTHER CONDITIONS		
BORROWINGS FROM LB/LBL		

5

LOAN DETAILS

PURPOSE OF THE LOAN	ESTIMATED REQUIREMENT OF FUNDS	ESTIMATED AVAILABILITY OF FUNDS
CONSTRUCTION ☐	1 TOTAL PURCHASE PRICE (COST) CONSTRUCTION COST Rs ______	5 LOAN REQUESTED FROM LBL Rs ______
PURCHASE ☐	2 INCIDENTAL COST Rs ______	6 SAVINGS FROM BANK Rs ______
EXTENSION ☐	3 CONTINGENCY (5% of 1 and 2) Rs ______	7 DISPOSAL OF INVESTMENTS Rs ______
		8 AMOUNT ALREADY SPENT Rs ______ (Source)
		9 PF (REFUNDABLE NON REFUNDABLE) Rs ______
		10 OTHER (SPECIFY) Rs ______
	4 ESTIMATED REQUIREMENT OF FUNDS (SUM OF 1 TO 3) TOTAL Rs ______	11 ESTIMATED AVAILABILITY OF FUNDS (SUM OF 5 TO 10) TOTAL Rs ______

NOTE ESTIMATED REQUIREMENT OF FUNDS (BLOCK 4) SHOULD ATLEAST EQUAL ESTIMATED AVAILABILITY OF FUNDS (BLOCK 11)

DETAILS OF PROPERTY TO BE ACQUIRED

ADDRESS OF PROPERTY
(MENTION DWELLING UNIT NO., STREET, CITY AND PINCODE)

______

IS THE DWELLING UNIT Proposed ☐ Ready ☐ Under Construction ☐ Not selected ☐

UNEXPIRED TERM OF LEASE ______ Years

TYPE Bangalow ☐ Apartment ☐ Row House ☐ Others ☐ Flat ☐

IS THE LAND Freehold ☐ Leasehold ☐

MONTH OF COMPLETION Month Year

EXPRENSES P M. ON PROPERTY Rs______

STATUS	NAME(S) OF OTHER OWNER(S)	Name(s) of owner/key person in the developers organisation	MEMBER OF CO-OPERATIVE SOCIETY	MEMBER OF ASSOCIATION OF APARTMENT OWNERS
☐ Sole Owner ☐ Co-Owner			☐ Existing ☐ Proposed	☐ Existing ☐ Proposed

NAME AND ADDRESS OF SOCIETY ASSOCIATION OF APARTMENT OWNERS (AAO)	If the society or AAO has borrowed or Proposes to borrow from any source please indicate the source and amount	PARTICULARS OF REGISTRATION OF SOCIETY, ASSOCIATION	NO. OF MEMBERS IN SOCIETY ASSOCIATION
______	Rs. ______	______	______

COMPLETE ITEM (A), (B) OR (C) WHICHEVERS IS APPLICABLE IN YOUR CASE

(A) COMPLETE FOR CONSTRUCTION	(B) COMPLETE FOR PURCHASE	(C) COMPLETE FOR EXTENSION
PURCHASE PRICE OF LAND Rs. ______	(INCLUDING PURCHASE WHEN BUILDING IS UNDER CONSTRUCTION) PURCHASE PRICE OF DWELLING UNIT Rs ______	AGE OF STRUCTURE ______
AREA OF LAND SQ. M ______	BUILD-UP AREA SQ M ______	ORIGINAL COST. OF LAND Rs. ______
ESTIMATED COST OF CONSTRUCTION Rs ______	IS THE DWELLING UNIT BOOKED? YES NO (IF YES AMOUNT PAID) Rs ______	CONSTRUCTION COST Rs ______
PROPOSED BUILT-UP AREA SQ M ______	PRESENT OWNER ______	COST OF EXTENSION Rs ______
NO. OF DWELLING UNITS ______	IF THE DWELLING UNIT HAS NOT BEEN BOOKED INDICATE INTENDED LOCATION ______	BUILT-UP AREA OF EXTENSION SQ M ______
HAS SANCTION FOR CONSTRUCTION FROM THE COMPETENT AUTHORITY BEEN OBTINED? YES NO (IF YES GIVE DETAILS) ______	AREA OF DWELLING UNIT SQ M ______	PARTICULARS OF EXTENSION ______
	ESTIMATED VALUE Rs ______	INTENDED USE OF EXTENSION ______
	HAS THE COMPLETION CERTIFICATE FROM THE COMPETENT AUTHORITY BEEN OBTAINED? YES NO (IF YES GIVE PARTICULARS AND DATE OF SANCTION) ______	HAS THE SANCTION FROM COMPETENT AUTHORITY BEEN OBTAINED? YES/NO ______

GENERAL

	YES	NO.
Is the house or flat intended for self occupation immediately upon completion?	☐	☐
Does the applicant(s) or the spouse of the applicant(s) or any minor child of the applicant(s) own any residential accommodation?	☐	☐(if yes give details)
In case of purchase, have all property taxes been paid upto date?	☐	☐
Is the legal title to the property clear?	☐	☐
Will LBL be able to obtain a first mortgage of the property?	☐	☐
Is/Are the applicant(s) citizen(s) of India?	☐	☐
Has/Have the applicant(s) or spouse of the applicant(s) earlier applied to LBL for a loan?	☐	☐(if yes give details)
What other security will you be able to provide?		
Has/Have the applicant(s) given guarantee(s) for any borrower(s) of LBL?	☐	☐(if yes give details)

DID YOU GET TO KNOW LBL THROUGH: ☐ NEWSPAPERS/MAGAZINE ☐ RADIO/TV ☐ FRIENDS/RELATIONS ☐ OTHERS SPECIFY ________

REFERENCES (NAME AND ADDRESS OF TWO REFEREES)

	Phone: Office ________ Residence ________	LBL requires you to list two referees. LBL will make such enquiries as it deems necessary from the referees directly. The referees may be your employer, family doctor or solicitor banker, auditor or teacher who has known you for a period of five years or more but is not related to you
	Phone: Office ________ Residence ________	

DECLARATION

I declare that all the particulars and information given in this application form are true, correct and complete and that they shall form the basis of any loan LBL may decide to grant to me. I confirm that I have had no insolvency proceedings against me nor have I even been adjudicated insolvent. I further confirm that I have read the brochure and understood the contents. I also understand that the processing fees are non-refundable. I agree that LBL may take up such references as it considers necessary in respect of this application. LBL may make such enquiries in respect of my application as it may deem necessary. I undertake to inform LBL regarding any change in my occupation/employment.

I further agree that my loan shall be governed by the rules of LBL which may be in force for the time being.

Applicant's signature
Date:

Co-applicant's Signature
Date:

INSTRUCTIONS:

1. Read the LOAN APPLICATION FORM carefully.
2. The relevant details filled in the Application Forms are for the processing of your Application. Any circumstances not covered in your application and which have a bearing on the decision, should be set out in a covering letter.
3. All details must be filled in. If not applicable please write N. A.
4. All documents listed in the application form are to be submitted with this application.
5. Incomplete applications are liable to be rejected.

Annex 4

SAMPLE PRESS ARTICLES

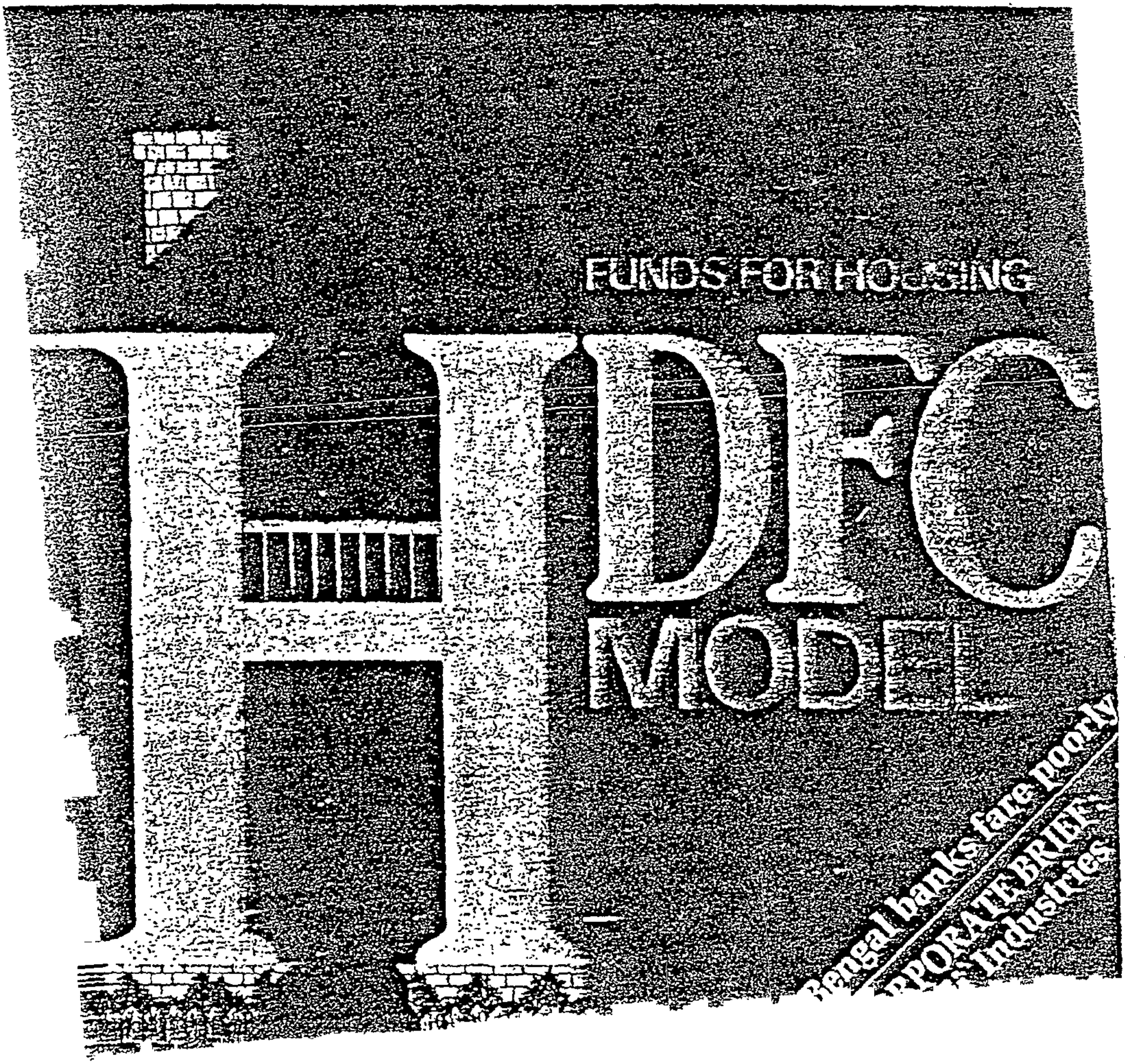
- Bhagat, Mukarram. "Funds for Housing: The HDFC Model". UPDATE. December 27, 1985.

- Satwalekar, Deepak, General Manager (for Finance and Planning) H.D.F.C., Bombay. "Housing Finance System in the US and Its Relevance to India". TIMES OF INDIA. December 7, 1985.

Shaw Wallace imbroglio

UPDATE

ON BUSINESS AND ITS ENVIRONMENT 27 Dec. 1985 – 9 Jan. 1986 Rs. 4



FUNDS FOR HOUSING

The HDFC model

Millions of urban Indians have always aspired to own a home. But with little support from the government, the banks and the financial institutions, it remained a distant dream for most — until recently. With the setting up of the Housing Development Finance Corporation Ltd (HDFC) in 1977, virtually single-handed by a man with a lifelong passion to assist individuals own a home, thousands of families all over the country have seen their dreams come true. MUKARRAM BHAGAT analyses the breathtaking growth and success of this pioneer institution

Advancing money for building modest housing for individuals with modest incomes would surely come low down on the list of business ideas. And there were not many takers either when it was first presented in the mid-70s. Yet that is precisely what the Housing Development Finance Corporation (HDFC) has done, with gratifying results. And more-it has far over-stepped its initial targets.

In a feasibility report of the Housing Development Finance Corporation (HDFC) published in 1977, gross loan sanctions were expected to rise from a nominal Rs. 5 crores in the first year to Rs. 35 crores in the fifth year. But the actual record is far better — sanctions rose from Rs. 7 crores in 1978-79 to Rs. 76 crores in 1982-83. And in the last two years, the loans approved nearly doubled to Rs. 135 crores of which over 70 per cent were disbursed.

Gross income which was a meagre Rs. 38 lakhs in 1978-79 jumped to Rs. 14.5 crores in the next four years. And in the following two years, it rose two-and-a-half times to over Rs. 37 crores. HDFC's cumulative loan approvals of Rs. 424 crores since inception, in respect of over a lakh units spread over 360 towns and cities all over India, has helped catalyse investment of nearly Rs. 1,000 crores in housing by individuals, companies and other institutions. (see chart).

What is also remarkable is the high level of profitability of HDFC's fast expanding volume of operations. In the last three years, pre-tax profits accounted for nearly a quarter of the corporation's gross income and three-fourths of its net income.

However, after meeting the cost of funds the net income as a proportion of gross income is steadily declining — the cost of borrowings is rising faster than total income. Similarly, pre-tax profits are also

H T Parekh: helping thousands acquire a home

falling in relation to both gross and net income which shows that margins are under pressure. But the existing wide margins provide ample room for accommodating the rising cost of borrowings and administrative expenses which can be expected to continue to increase faster than income as the scale of HDFC's operations increases.

So the key to comfortable surpluses will continue to lie in careful control of establishment costs, innovative mobilisation of low cost funds from non-conventional sources and their skilful deployment.

Neglected sector: Housing has been an area where apart from paying some assiduous lip service little has been done to address the problem. While there is acute shortage of houses, resources have been scarce.

Populism, political short-sightedness, intellectual confusion, venality and worse have combined to weaken the foundations of the housing industry in urban India.

The Urban Land Ceiling and Regulation Act, 1976 (ULCRA) was introduced by the government with the benevolent objectives of diluting the ownership of vacant urban lands in the hands of the few and redistributing them to the relatively poor and weaker sections for meeting their housing and other needs. But, in practice, the government has not been able to acquire any significant portion of the vacant lands — the bulk of them are under litigation and outside the urban land market.

So, in effect, the ULCRA has led to a

virtual famine of available vacant land for housing development. It has given a boost to real estate values that now bear little relation to the earning and saving capacity of the average Indian. The high stakes involved in the real estate business has led to big scale corruption and bribery to bend the rules for a few. And the mind-boggling proliferation of black money transactions in every house purchase deal is undermining all sense of morality in public life.

Bombay rent act: Or, take the Bombay Rent Act (BRA) that was passed, to presumably, protect "helpless" tenants from "oppressive" landlords. The Act is so biased in favour of the tenants, both in terms of ridiculously low levels of rents and the unassailable security of tenure, that it has virtually put a stopper on houses being rented out.

The low rents have led to neglect of repairs and maintenance by landlords, their sole interest in the property being to make a neat pile (all in black) when a tenant wants to transfer his tenancy rights to a third party. And the complete security of tenure is preventing those with surplus housing space to rent it out to those needing it badly.

In short, the BRA has only succeeded in protecting *existing* tenants against *all future* tenants, in driving out the supply of rental space from the housing market, generating large sums of black money in rental property transactions and in the general deterioration of existing housing stock to abysmal levels of neglect and disrepair.

Apart from mindless legislation, urban housing has also been a victim of the low priority accorded to it in the planning process. Total investment in housing has fallen drastically over time, from 34 per cent in the First Plan to around 8.0 per cent in the Sixth Plan and 9.7% in the draft Seventh Plan.

The decline of public investment is even more precipitous. It dropped from 16 per cent in the First Plan to a nominal 2.3 per cent in the Sixth Plan and 1.6% in the draft Seventh Plan. Thanks to such step-motherly treatment, the contribution of housing to national income has also shrunk from 3.7 per cent in 1960-61 to 3.3 per cent in 1978-79, to 3.1 per cent in 1980-81

Says Nasser Munjee, economist at the Housing Development Finance Corporation (HDFC), "Our planners have always looked at housing rather mistakenly as consumption-oriented rather than as an investment and employment generating activity. But, housing, if encouraged and supported by a proper national policy,

Nasser Munjee: housing an investment activity

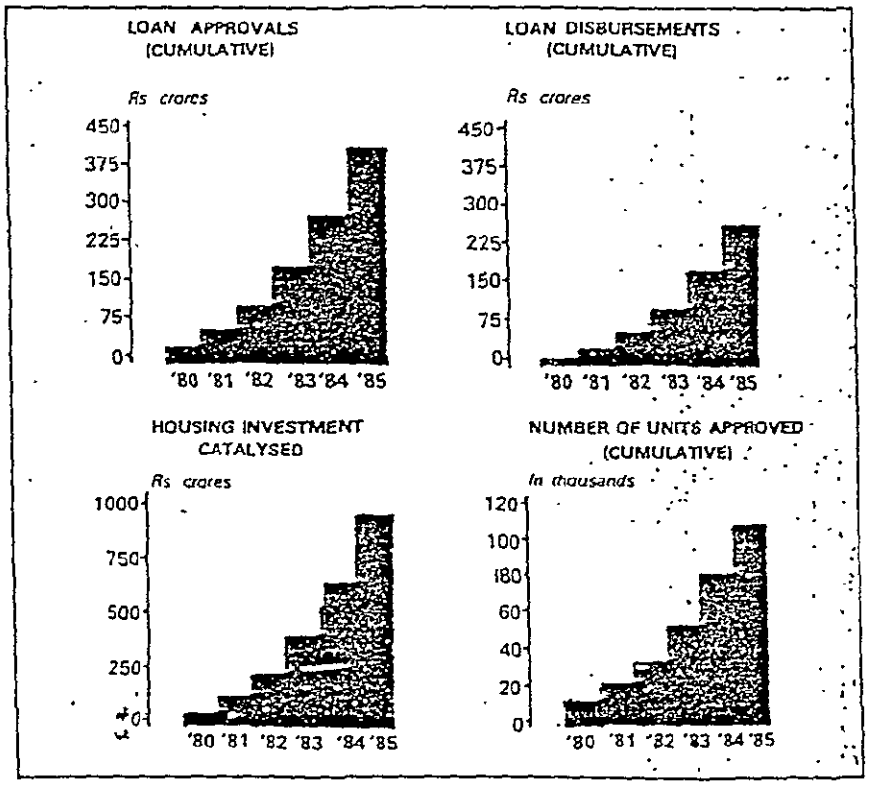
can play a critical role in generating overall economic development and in widening and deepening the nation's capital markets."

The extent of neglect of the house-building industry can be gauged from the fact that commercial banks do not provide construction finance to builders. So the builders in turn raise a significant part of their finance needs from buyers by way of instalments. But the flat purchaser too gets no institutional support for financing his purchase and must fend for himself. And since there is no public funding there is also no public scrutiny of or accountability for construction standards.

In sum, the housing scenario in India is full of irony and contradiction. The demand for housing appears to be insatiable, but this does not reflect in the number of houses being built. People all over have a strong propensity to save for their own housing, but there is virtually no institutional mechanism to tap it.

Housing, apart from being an essential need, can also be a catalysing activity for the economy at large. But the planners don't appear to think so. Housing is a legitimate and profitable activity, but banks don't give construction finance to builders and the government immobilises the bulk of the available lands. And the burden of this conspiracy of populism, short-sightedness, and neglect has to be borne as always by the "common man" who has to fork out large sums of money for owning small, standard houses of poor quality.

Enter Parekh: It is a scenario that leaves no room for optimism. Yet, H.T. Parekh, the man who conceived the Housing Development Finance Corporation Ltd (HDFC), has taken on the daunting task of providing housing to ordinary people and, remarkably, has made the scheme work.



BEST AVAILABLE

Ever since his student days, at the London School of Economics (LSE) over four decades ago, the problem of housing has engaged the attention of Parekh, founder-chairman of HDFC. He was impressed by the work of numerous 'building societies' all over the UK. These are private financing agencies which accept deposits from individuals and provide low cost housing loans in turn to facilitate private home ownership. Similarly, in the US, there were the Savings and Loan Associations (SLA's) which provided cheap, long-term credit to individuals for acquiring their own homes.

Parekh wondered why in India, where housing posed a more serious problem, no such institutional arrangment existed. But for years his vision of a housing finance institution could not be realised. After returning from the LSE with a degree in banking and finance, he worked for over 20 years at the Bombay Stock Exchange (BSE) with a stockbroking firm. Thereafter, he joined the Industrial Credit and Investment Corporation of India (ICICI) as deputy general manager in 1956 and rose to become its executive chairman, leaving it in December 1975.

But through these years, he toyed with the idea of setting up a housing finance agency suited to Indian conditions and spoke to people about it. In 1976, he presented a blueprint for a housing finance development bank to top bankers and heads of financial institutions.

But most people thought that a system of housing finance cannot work in India there would be massive defaults in loan repayments. But Parekh was convinced about the strong propensity among people to save for acquiring a home of their

Innovative schemes to tap savings

The HDFC has designed innovative housing loan-linked-savings schemes for mobilising funds from individuals, companies and trusts. The major savings schemes are the loan linked deposit (LLD) scheme targetted mainly at individuals, the certificate of deposit (CD) scheme targetted at companies, trusts and individuals in high income brackets, and the home savings plan (HSP) introduced just a few months ago.

Under the LLD scheme, an account can be opened with an initial deposit of as little as Rs. 200. The minimum account period is of 18 months and maximum 60 months. The savings deposit earns interest at nine per cent a year, compounded at half-yearly rests. Interest earned on these deposits is eligible for tax deductions under section 80L of the Income Tax Act up to a limit of Rs. 7,000.

The LLD is flexible in several ways — the amount saved, the period for which it is saved, the regularity with which savings must be deposited. After completion of the minimum 18 months from the date of the first deposit, the LLD account-holder is eligible for a housing loan from HDFC on a preferential basis provided he has saved at least Rs. 3,600 in his account.

The amount of the loan that is sanctioned depends on the amount saved and the repayment capacity of the borrower. It can be up to 80 per cent of the total cost of the house provided the remaining 20 per cent has been saved in the LLD account, but not exceeding Rs. 2 lakhs.

The loan repayment period is also longer for LLD depositors — 20 years compared to the maximum of 15 years for the general public. However, there need not be any commitment to take a housing loan and the depositor can use the LLD scheme as a general savings scheme depending on his specific requirements.

As of 30 June, 1985 the LLD deposits with the HDFC amounted to Rs. 1.23 crores or less than one per cent of the total deposits of Rs. 178 crores mobilised from loan-linked savings schemes.

CD Scheme: The CD scheme is by far the most important saving scheme of the HDFC. As of 30 June, 1985 it contributed Rs. 176 crores or almost all of the deposits mobilised by the corporation. The major depositors here are companies, trusts (charitable, employee welfare, etc.) and local bodies (municipal corporations, schools, hospitals, temples). A CD account can be opened with a minimum deposit of Rs. 2000. The maturity period ranges from six months to 60 months.

The interest amount is paid every six months from the date of the deposit and is eligible for tax deduction under section 80L of the Income Tax Act. CD account-holders — be it companies or individuals — also get preference for housing loans.

Maturity Period (in months)	Interest Rate Trusts	Others
Six	10%	9%
Twelve	11%	10%
Twenty-four	11.5%	11%
Thirty-six*	12.0%	11.5%
Sixty	12.5%	12.0%

* Deposits from non-resident Indian (NRIs) made through a NR (external) account maintained in India or by direct remittances are accepted for three years in denominations of Rs 10,000 They carry an interest rate of 12% a year, paid annually

However it is not necessary for a person or an organisation to participate in any of these schemes in order to be eligible for a housing loan. You can also get a "walk-in" housing loan i.e. a loan not linked to any saving scheme, unlike in the West where housing finance societies lend only to contributing members. But the HDFC will accord lower priority to such class, which means it could take more time to clear them depending on the demand for loanable funds. It is also likely to show lesser flexibility in determining the loan amount as well as the repayment period.

The interest rates payable by all individuals on housing loans obtained from the HDFC are as follows:

Loan amount	Annual interest rate
Rs. 20,000 and less	12.5%
Rs. 20,000 – 60,000	13.5%
Rs. 50,000 – 1,00,000	14.0%
Rs. 1,00,000 and above	14.5%

There is no interest subsidy for any category of borrowers except for shareholders who are eligible for an interest concession of one-half of one per cent on the normal lending rate of the HDFC. But this discount is applicable only on that portion of the loan equivalent to ten times of the nominal value of the shares (of Rs. 100 each) held at the time of the processing of the loan.

Repayment: The repayment period is normally 5 to 15 years except in case of LLD-holders who can repay over 20 years. The repayment is in equated monthly instalments (EMI) comprising principal and interest and starts in the month follow[illegible] own.

HDFC set up: His doggedness eventually yielded results: on 17 October 1977 the Housing Development Finance Corporation Ltd was incorporated as a public limited company with a paid-up capital of Rs. 9.98 crores. Because of the cool response from nationalised banks and the public sector financial institutions HDFC was formed as a co-operative effort by the ICICI (contribution to equity: Rs. 50 lakhs), the International Finance Corporation (IFC), Washington (Rs. 50 lakhs), the Aga Khan, (Rs. 50 lakhs), sections of the Indian business community (Rs. 4 crores) and the Indian public (Rs. 4 crores).

Today, after seven full years of operations, HDFC has amply demonstrated that, given professional management, housing finance can work in India. The phenomenal increase in the scale of HDFC's activities accompanied by the growing profitability of its operations shows that a development bank specialised in the field of housing finance in India is much more than just viable.

The total deposits mobilised by the HDFC now exceeds Rs. 200 crores. Besides individuals and companies, major depositors include statutory boards, local authorities, trusts, universities, schools, hospitals and even temples! Many of these local bodies are flush with funds for varying periods of time. Since HDFC is categorised as a "non-banking financial institution," its deposit-raising capacity is not circumscribed by the restrictive deposit rules under the Companies Act, 1956.

Two major restrictions under the Companies Act are that a company cannot

must also pay interest on portions of the loan disbursed in instalments. This "pre-EMI" interest is payable every month from the date of each partial disbursement up to the month in which the final disbursement is made.

The size of the EMI obviously depends on the term of the loan, its size and the interest rate applicable. The table below, presents the alternative EMIs (rounded off) payable on a loan of Rs. 10,000.

EMI for a Rs. 10,000 loan

(Rs.)

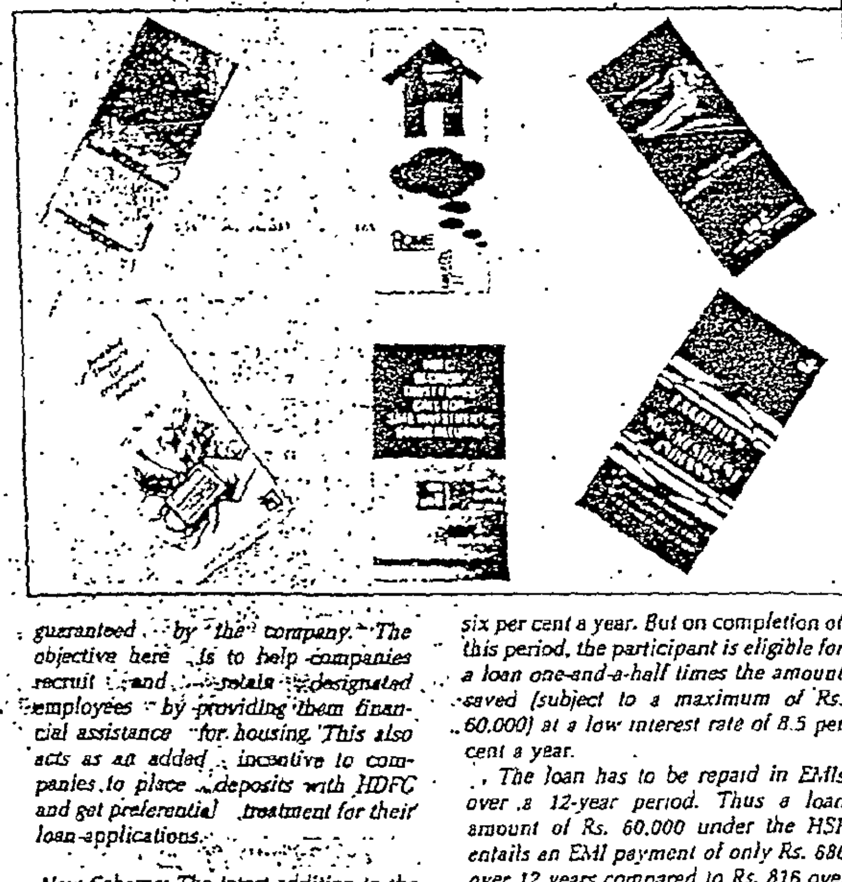
Term of loan (in years)	Varying rates of interest			
	12.5%	13.5%	14%	14.5%
10	151	157	160	163
15	126	133	136	140
20	116	123	126	130

The respective EMIs for loans of different sizes can be worked out by proportionately increasing or decreasing the appropriate EMI in the table above. Thus the EMI for a Rs. 50,000 loan attracting a 15.5% interest rate for a 15-year period would be Rs. 665 (Rs. 133 × 5).

Besides individuals, the HDFC also lends to companies for construction or purchase of new dwelling units for the use of their employees anywhere in India. HDFC ordinarily lends upto a maximum of 50 per cent of the cost of the housing project and the loan amount does not normally exceed Rs. 1 lakh per unit.

The loan is normally repayable within five years. The interest rate structure begins at 14.5 per cent per annum and takes into consideration the extent of HDFC's finance, the period of repayment, average cost per unit and other factors. The security for the loan is a mortgage by deposit of title deeds of the property financed and/or any other security as may be necessary.

The HDFC also operates a line of credit scheme under which it grants loans to employees nominated by the company. The loans under this scheme carry an interest rate of 13.5 per cent to 14.5 per cent depending on the size of the loan and have to be guaranteed by the company. The objective here is to help companies recruit and retain designated employees by providing them financial assistance for housing. This also acts as an added incentive to companies to place deposits with HDFC and get preferential treatment for their loan applications.



New Scheme: The latest addition to the HDFC's armoury of schemes is the "Home Savings Plan" (HSP) designed on the pattern of West German housing societies call Bausparkasse. The major objective of the HSP is to encourage individuals "to start saving now for a home in the future" and the lure is the low-cost loan they can later draw from the HDFC.

Under the Plan, the participant must save a certain amount of money with the HDFC regularly, for at least two years and upto seven years. These savings earn interest at the relatively low rate of six per cent a year. But on completion of this period, the participant is eligible for a loan one-and-a-half times the amount saved (subject to a maximum of Rs. 60,000) at a low interest rate of 8.5 per cent a year.

The loan has to be repaid in EMIs over a 12-year period. Thus a loan amount of Rs. 60,000 under the HSP entails an EMI payment of only Rs. 680 over 12 years compared to Rs. 816 over 15 years under the normal lending programme.

raise deposits exceeding 35 per cent of its net worth and for a period of time exceeding three years. Under the non-banking financial directive of the Reserve Bank of India (RBI) for deposits, there is no ceiling on the amount of deposits that can be raised by such an institution. And the maximum time period for which the deposits can normally be held is longer at five years. However, here too, there are certain "exempted categories" of depositors (local authorities, statutory boards, and such state or local government organisations) who can deposit their money for any period of time.

"A large portion of the deposits collected by HDFC are for a period of five years and above," says G.W. Kshirsagar, general manager, resources. "And on the deployment side, our average lending period for housing loans is not 15 years as is often misunderstood, but much shorter. Thus, there is no serious mismatch of

Kshirsagar: no mismatch of resources and loans

resources and loans — we do not borrow short and lend long. But it is a tight-rope walk and we have to keep a close, almost daily, watch on the level of deposits and disbursements."

Medium term loans: The bulk of housing loans sanctioned by HDFC to corporations, for example, are medium term loans for six to seven years and they comprise 15 to 20 per cent of all housing loans. Further, many of the 15-year housing loans to individuals are repaid earlier by the borrowers which further lowers the lending period. So the average lending period of the HDFC may be around eight to nine years.

On the borrowing side, term loans,

Table I Sanctions and disbursements

(Rs crores)

Year ended 30 June		1979	1980	1981	1982	1983	1984	1985
Gross sanctions:	T	5.00	15.0	20.0	25.0	35.0	—	—
	A	7.1	23.2	33.6	46.6	76.1	102.9	134.6
Disbursements:	T	3.0	10.0	15.0	20.0	27.0	—	—
(as % of sanctions)		60.0	66.7	75.0	80.0	77.1	—	—
	A	1.3	9.1	21.0	29.8	47.8	74.9	93.2
(as % of sanctions)		18.3	39.2	62.5	63.9	62.8	72.8	69.2

T target A actual

which account for over one-fifth of all borrowings, are generally for a period of at least 10 years. Almost all the deposits (62 per cent of all borrowings) originate from the certificate of deposit scheme and are in the nature of medium term loans of five up to years.

Thus the average borrowing period of the HDFC may be around seven to eight years. And even if there is a marginal mismatch in the time-frames of borrowings and loans, as long as HDFC can continue to maintain a high net average level of such deposits (fresh deposit + existing deposits – repaid deposit) in relation to the level of disbursements at any given point of time and at a reasonable cost, it is not likely to face any serious resource crunch.

But it may have to resort to a quota system, as in the West, whereby only a fixed amount of housing loans sanctioned every month in case adequate resources are not forthcoming to meet the runaway demand for loans. Already, the waiting period for a loan application to be cleared has steadily risen from around four weeks three years ago to around twelve weeks today.

Resource raising: Thus resource raising skills are of critical importance. HDFC has so far met with remarkable success in raising funds from non-conventional sources such as hospitals, employee welfare funds, schools, universities, statutory boards, municipal corporations and myriad other local authorities who traditionally deposit their money with banks at poor rates of return. It offers them far higher rates of return at 9 to 12 per cent compared to 5 per cent available from savings bank accounts and better service.

But it took considerbale effort and time to build up confidence. "Earlier, there was considerable resistance from lenders to give deposits to HDFC," says Kshirsagar. "Their major worry was the safety of their funds since HDFC was a non-official institution in the new and uncertain area of housing finance."

Innovative schemes/instruments that tap the powerful propensity of both individuals and companies to save for and invest in housing have also met with success (see box).

As compared to the resource-raising skills and efforts that HDFC has to exert, the public sector financial institutions

D. Parekh: deposits often are a quid pro quo

such as the IDBI, IFCI, NABARD enjoy a virtual cake walk. Resources are earmarked for the latter by the government — they do not have to skilfully mobilise them in the open market. All they need to do is to call the nationalised banks or the designated disubrsing authority for releasing the funds allocated to them by the finance ministry — hardly an environment that can inculcate innovation or dynamism. In fact, the HDFC is the only conventional financial institution in the country which raises all its funds competitively.

Cost of funds: But competitive resource mobilisation inevitably raises the HDFC's cost of funds. On an average, it obtains its funds (from banks, institutions, companies, trusts, local bodies) at a cost of 10 to 12 per cent a year — much above the 8-9 per cent rate of interest the government-owned institutions have to bear on their funds raised largely from captive, non-competitive sources. And since on the lending side, the bulk of HDFC's loans (85 per cent) are to small individuals for acquiring houses (the average size of loans disbursed in 1984-85 was only Rs. 49.000), and it cannot charge very high rates of interest,it has to operate on a very thin spread of 1.5 to 2.0 per cent between its average lending and borrowing rate. In contrast, most financial institutions in the country operate at spreads of around 5 per cent.

Moreover, HDFC faces many rigidities and restrictions in the deployment of funds. "Deposits raised from hospitals and term loans from the Army Group Insurance Fund, for instance, are linked to provision of housing loans to doctors, nurses and army personnel,respectively " says Deepak S. Parekh managing director, HDFC. "Similarly, deposits by corporations too often involve a quid pro-quo — the HDFC has many times provided housing loans that are two to three times the deposit amount to meet the housing finance needs of their employees."

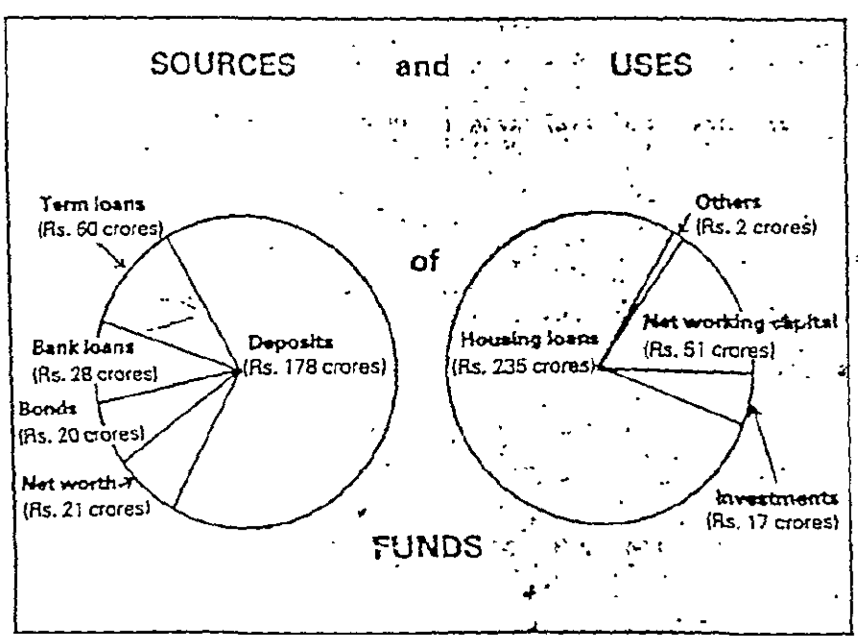
How then does HDFC still manage to generate handsome operating profits and a breathtaking growth in the volume of its operations? Table 2, which analyses the financial performance of HDFC, leaves little doubt about its remarkable success.

Between 1982-83 and 1984-85, total income increased two-and-a-half times from Rs. 14.46 crores to Rs. 37.15 crores,

Pradip Shah: establishment costs will increase

pre-tax profits 1.7 times from Rs. 4.33 to Rs. 7.45 crores and net profit 1.8 times from Rs. 2.89 to Rs. 5.15 crores. The rate of dividend has steadily risen from 5 per cent in 1980-81 to 10 per cent in 1982-83 to 13 per cent in 1984-85. Yet payout has steadily declined from as much as 43.5 per cent to 25.2 per cent of distributable profits during this period.

The earnings per share in 1984-85 were a healthy 52 per cent compared to 29 per cent just two years ago,the book value of the Rs. 100 paid-up share Rs. 208 and the market price (at the Bombay Stock Exchange) is today around Rs. 150. A remarkable performance by any



yardstick for a quasi — official, conventional financial institution that operates in the non-conventional field of providing housing finance to the common urban Indian at affordable, and not maximal, rates of interest.

No-nonsense approach: It takes several things to help attain such sturdy performance norms. One is the business-like, no-nonsense approach of the HDFC management in safeguarding the basic financial viability of its operations.

Thus, the administrative expenses or establishment costs are largely met from application processing charges(linked to the amount applied for) legal fees for creating a mortgage and technical fees for inspection of the house property at site. During 1983-84, for example the total establishment costs amounted to Rs. 2.11 crores which were fully met from other income from "Fees and other charges". And during 1984-85, about 85 per cent of administrative expenses were met from this source. Thus the thin and declining spread between HDFC's average borrowing and lending rate is not unduly burdened with establishment costs. Instead, it largely goes to swell pre-tax profits.

But the administrative costs are likely to increase steeply with the growing volume of operations. The nature of HDFC's operations is retail both on the resource mobilisation side and particularly on the lending side. It taps funds from diverse sources and lends them to thousands of individuals. The average size of borrowings and loans is also rather small.

The large diversity and small size of individual transactions means high administrative costs. Moreover, each loan account is not a one-time affair — it has to be regularly monitored and followed up for many years to ensure timely repayments and a near zero default rate. And the way HDFC's loan sanctions are burgeoning year after year, its establishment costs are likely to shoot up too sharply in the years ahead for the processing charges and legal fees to cover them adequately.

"In the years to come, our administrative expenses are bound to increase sharply", admits Pradip Shah, general manager, HDFC. "This is because our loan approvals are growing rapidly and each new loan account entails follow-up costs for the next eight to nine years on an average."

Confident: But the HDFC management is confident of absorbing these cost increases by improving staff productivity. Not that it is low at present. With a total staff strength of only 435 persons spread over 13 branches and the .d office in Bombay and a near zero default rate of loan repayments, HDFC's reach and service capability are enviable.

This has been possible due to both excellent in-house systems and proper manpower selection and training. For example, all the major documents and forms required for sanctioning a loan —

Deepak Satwalekar: the consumer is supreme

application form, loan guarantee form, legal appraisal form — are standardised and pre-printed. This minimises typing work, loan appraisal time, errors and incomplete information on the part of the applicant and much other paper work.

"Highly streamlined systems and documentation, a flexible not bureaucratic style of functioning and a corporate philosophy that believes the consumer is supreme, have all combined to result in high staff productivity and motivation", says Deepak M. Satwalekar, general manager (finance and planning). "Every new recruit goes through training in the customer relations workshop to ensure high quality of customer service."

A customer relations survey covering all branches conducted by the HDFC this year shows that most of the borrowers think highly of the corporation's staff — over four-fifths of the borrowers perceive the personnel to be polite, helpful and clear about the loan formalities and nearly half think the customer service is excellent.

While there are many suggestions to further improve the service and reduce costs and delays, the overall opinion is that the HDFC stands out as an exceptional service organisation for middle class people, with high standards of efficiency and honesty.

But the increase in the sheer volume of work will simply overstretch the staff, however motivated it may be. One way out is to increase its numbers. The other is to computerise internal operations. The corporation has already started installing computers and in a couple of years the monitoring and control of thousands of its loans and deposit accounts will be fully mechanised leading to considerable improvement in productivity. Besides internal cost control, the HDFC is also securing its foundations by a well-balanced deployment of funds and diversification of its sources of income to the extent it is possible within the framework of its basic manifesto.

At present, a significant portion of the HDFC's total income, around one-fifth to one-fourth, originates from non-housing loans. Thus during 1984-85, the HDFC's

Chandrashekhar: setting construction standards

total operating income was Rs. 34.27 crores of which nearly Rs. 7 crores originated from non-housing loans. This deployment of funds for non housing purposes largely include cash balances with scheduled banks, government treasury bills, inter-corporate deposits, investments in stocks and bonds of public limited companies and loans to builders.

Such a balanced deployment of funds ensures liquidity, security and good rates of return. "Our liquidity has to be high at all times to meet unexpected demand for funds," explains Shah. "The disbursements tend to bunch up just before and just after the monsoons."

Property servicing: Recently, HDFC has started a new cell called the "property services group" (PSG) to help purchasers select appropriate house properties. "This is a separate, distinct activity that increases the range of services provided by HDFC," says Pradip Shah, who also looks after the PSG. "The idea is not to make money but to provide an additional service." The PSG recommends the flats to buyers after taking into account the quality of their construction, the track record of the builder and the legal title to the property. In return, the HDFC levies a "service charge" on the builder and cor-

Table II **HDFC: analysis of financial performance**

Year ended 30 June	1979	1980	1981	1982	1983	1984	1985
Income	0.38	1.51	3.47	8.45	14.46	25.47	37.15
Less interest on borrowings	0.03	0.18	1.12	4.79	8.71	17.44	26.51
Net income	0.35	1.33	2.35	3.66	5.75	8.03	10.64
Administrative expenses	0.25	0.40	0.67	0.94	1.42	2.11	3.19
Profit before tax (PBT)	0.10	0.93	1.68	2.72	4.33	5.92	7.45
Tax	0.03	0.31	0.54	0.90	1.44	2.05	2.30
Tax as % of PBT	40.00	33.30	32.10	33.10	33.30	34.60	30.90
Net income as % of gross income	92.1	88.1	67.7	43.3	39.8	31.5	28.6
PBT as % of gross income	26.3	61.6	48.4	32.2	29.9	23.2	20.0
PBT as % of net income	28.6	69.9	71.5	74.3	75.3	73.7	70.0
Profit after tax	0.07	0.62	1.14	1.82	2.89	3.87	5.15
Dividend (%)	—	—	5.0	7.5	10.00	12.00	13.00
Payout (%)	—	—	43.5	41.2	34.60	31.0	25.2
E.P.S. (%)	0.6	6.2	11.5	18.2	28.9	38.7	51.6
Reserves	0.04	0.66	1.30	2.37	4.26	6.93	10.78
Equity capital	9.89	9.97	9.97	9.97	9.98	9.98	9.98
Book value (Rs.)	100.40	106.62	113.04	123.77	142.68	169.44	208.02
Net cash accruals	0.08	0.63	0.66	1.10	1.94	2.74	3.97
Borrowings to net worth	02 : 1	0.5 : 1	2.7 : 1	4.6 : 1	7.5 : 1	11.8 : 1	13.6:1

porate buyers but not on individuals.

In effect, this activity marks a more direct entry of the HDFC in the housing market as an "estate broker" who brings together buyers and sellers and charges a certain commission to either or both the parties. "But we only select those developers who will accept the entire payment in white," asserts Shah. "There is no question of any black payment wherever HDFC pays the broker."

The activities of the PSG are likely to grow in future as more people become aware of these services being offered. The customer relations survey quoted earlier shows that nearly four-fifths of the borrowers are not even aware of the HDFC's property service cell. And nearly half of them said they would have availed of its services if they were aware of its existence. This means that the business potential of the PSG is very large which if tapped effectively through proper advertising and publicity, can become not only an independent source of income for the low profile HDFC but also give it a bigger clout in the housing market.

HDFC is also involved in developing land and constructing residential accommodation through its wholly-owned subsidiary, HDFC Developers Ltd. "Our major objective is to undertake model house-building programmes in newly developed industrial areas where builders won't go because it is not very profitable to do so", says T.S. Chandrashekhar, chairman, HDFC Developers.

This construction arm of the HDFC has recently completed the first phase of a residential complex at Chinchwad— a fast developing industrial suburb of Pune, on land acquired from the Maharashtra Industrial Development Corporation (MIDC). Phase-I, completed last year, comprises 476 residential units, including a commercial complex. The company proposes to construct another complex adjacent to the existing one in Phase II which is expected to be completed by 1987.

"Except for 80 to 90 individuals, the rest of the flats are company-owned for industrial workers," says Chandrashekhar. "Reputed companies such as TELCO, Bajaj Auto, Kinetic Engineering, Rustom C Hornsby and also smaller companies have bought houses in this complex for their workers".

Chandrashekhar emphasises that HDFC Developers' prime objective is not to make money but to be a model builder. "The construction standards prevalent in the country are very poor", he says. "The layout, finishing and available services leave much to be desired. We hope our buildings serve as model constructions to the builders as well as to the buyers."

Besides Chinchwad Phase II, HDFC Developers is also constructing a building at Vashi for HDFC's own use. "The 30-40 per cent rate of growth in our operation is creating problems of space availability," explains Chandrasbekhar. "We require not ~~only more space for storing~~ important documents (mortgage, title deeds, etc.) but also fire-safe construction to ensure safety." ~~This new office will also have~~ associated housing facilities to accommodate staff.

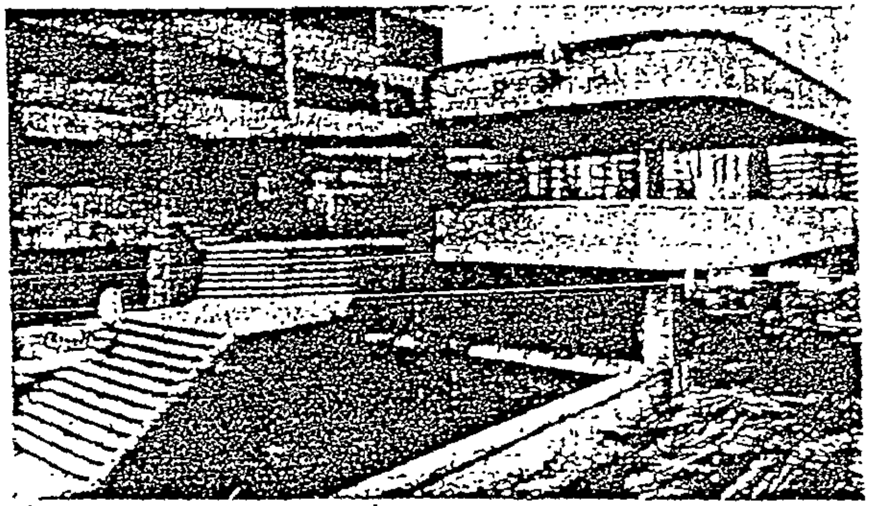
"In the future, the activities of the PSG or HDFC Developers may increase. But our primary activity will continue to be the provision of housing finance which is now publicly recognised to be an essential service," says Deepak Parekh. He further adds that the demand for housing finance, particularly from companies, is growing rapidly. "True, our cost of operations will increase, but our volume of business will also increase fast enough to cover it."

But the future will witness HDFC's entry into new areas. There are two major diversification proposals the HDFC is seriously considering at the moment. One is the provision of leasing finance to local bodies and the corporate sector for infrastructure and pollution control equipment "as a modest contribution towards a new financing approach to urban development."

Rural housing: The other proposal is to extend housing finance to rural areas by setting up a specialised state-level "rural housing finance corporation". A feasibility study for such an institution in Gujarat state was conducted by a local agency commissioned by the HDFC. Following this, an experimental project was launched at Valod village in Bulsar district of Gujarat. Around 250 people — mostly marginal farmers and landless labourers — were provided small-size loans of Rs. 200 to Rs. 2500 per person for upgrading their homes.

"The results of this experiment are very encouraging and we have aproached several organisations to contribute to the equity capital of Rs. 2 crores of the proposed Gujarat Rural Housing Finance Corporation", says Satwalekar. The HDFC has received full commitments for the equity capital from the ICICI, commercial banks, public and private companies based in Gujarat, the IFC, Washington and the Aga Khan Fund for Economic Development (AKFED). And, it has now approached the Gujarat government for a matching interest-free loan.

So today, the HDFC has come a long way from its fledgling days just seven years ago. Its exemplary performance and remarkable success in institutionalising the new and untried activity of housing finance for individuals has won the corporation both national and international recognition. Today, the Planning Commission acknowledges that institutions like the Housing and Urban Development Corporation (HUDCO) *and HDFC* need to be encouraged. And international organisations such as the World Bank, the United States Agency for International Development (USAID), the UN Centre for Human Settlements consider the HDFC as a model institution worthy of replication in other developing countries. All of which should give H.T. Parekh, the septuagenarian man-institution who conceived and built HDFC, a deep sense of fulfilment that his lifelong passion has, at long last, borne fruit.



Constructing its own office-cum-resident complex at Vashi, Bombay.

Housing finance system in US and its relevance to India

By DEEPAK SATWALEKAR
General Manager, H.D.F.C.,
Bombay

HOME ownership has such a strong tradition in the U.S.A. that it is very often referred to as the 'American dream'. House-building activity as well as the provision of housing finance has been largely the output of private initiative. This follows the generally non-interventionist housing policy followed by the government (other than the indirect influence of tax policy).

The system for the provision of housing finance has developed to meet the needs of the market place. The housing finance system in the U.S. is more complicated than found anywhere else in the world. There are a host of private and public institutions that participate, and several levels of activity involved, in the process of raising resources and providing credit for home ownership.

To simplify the understanding of the housing finance system in the U.S. it is necessary to segregate it into two parts — the primary market and the secondary market.

The obtaining of mortgage loans by borrowers for the purchase of residential property is an activity in the primary market. These loans are generally provided by depository institutions or mortgage banking companies. The savings and loan association (which can trace their roots back to 1831) have been traditionally the largest provider of mortgage loans, followed by mortgage banking companies, commercial banks and mutual savings banks. The S & L's may be federally chartered or state chartered, they may be either mutually owned or have a stock ownership form.

House-building activity in the U.S.A. is relatively free from government controls and is dependent upon forces of supply and demand. The latter has led to regional variations in demand for housing resulting in unmatched availability of funds at the local depository institutions. The development of the secondary market has to some extent helped to smoothen out the regional imbalances of funds between the diverse regional markets caused by restrictive legislation.

Primary Market

Traditionally, the purchase of residential property has been financed by long-term, fixed rate mortgage loans, requiring level payments that fully amortize the principal over the life of the loan. There are two standard mortgages of this type — (i) those that are insured under the insurance programmes of the Federal Housing Administration (FHA) or guaranteed under the guarantee programmes of the Veterans Administration (VA), and (ii) those with no government coverage (referred to as "conventional" loans). Depending upon the requirements of the lender or the investor, these loans may be insured by a private mortgage insurance company. In recent years FHA/VA loans have accounted for nearly 20 per cent of the total dollar volume of all loans originated.

There are two types of players in the primary market: i) the thrift institutions — the S&Ls and mutual savings banks — which together with the commercial banks originate, service and ordinarily hold the greater portion of the mortgages that they originate, and (ii) the mortgage banking companies, which originate loans for resale to investors. The latter take recourse to short - term bank loans and commercial paper to finance their mortgage inventories.

Secondary Market

The secondary market is a market place where the mortgage loans originated by the primary lenders are packaged together and then either the entire package is sold or a "participation" in that package is sold, either with or without the assistance of an intermediary institution. Severally, the mortgage originator will continue to service the loan and deal with all problems arising with the loan including delinquency and possible foreclosure.

Although a conducive economic environment did help the development of the secondary market it is not possible to ignore or downplay the role of the governmental and quasi-governmental agencies in giving the necessary support to develop investor confidence. The three key organisations in this regard in the U.S. were the (i) Government National Mortgage Association (GNMA), popularly known as "Ginnie Mae", (ii) the Federal National Mortgage Association (FNMA or "Fannie Mae"), and (iii) The Federal Home Loan Mortgage Corporation (also known as FHLMC, The Mortgage Corporation and "Freddie Mac").

The GNMA is a wholly owned government corporation under the administrative control of the Department of Housing and Urban Development. It was established in 1968 through a bifurcation of the FNMA. The primary function of the GNMA is to increase the supply of credit to the low and moderate income housing sector by operating in the secondary market through the mortgage backed securities programme. GNMA securities are very actively traded and are much sought after by investors. In 1983 itself, it guaranteed securities to the extent of $ 50 billion.

Although, FNMA was created in 1938 as a wholly government-owned corporation, in 1968 it was split into GNMA and a new FNMA owned by private shareholders. Unlike the GNMA, FNMA actually purchases loans from S&Ls and mortgage banks. FNMA raises funds by issuing debentures and by selling mortgage backed securities (against its own portfolio of loans). It was only in 1981 that FNMA began to issue and guarantee conventional (i.e., privately insured and uninsured) mortgage backed securities. FNMA's loan portfolio exceeded $ 78 billion at the end of 1983.

The FHLMC created in 1970 by the Congress, issues and guarantees pass-through securities backed by pools of conventional residential mortgages. The FHLMC purchased mortgages of approximately $ 23 billion in 1983, and sold almost $ 20 billion. The loan portfolio of the FHLMC at the end of 1983 was only $ 7 billion as distinguished from the FNMA which had over $ 78 million.

Mortgage insurance

The marketability of the loans is increased, thus facilitating the development of the secondary market, by the existence of insurance. There are 15 firms active in this industry throughout the U.S.

Commission on housing

In June 1981, President Reagan established a commission to "assess the nation's current housing finance system and the development of options that strengthen the ability of the private sector to maximize home ownership opportunities and provide

TIMES OF INDIA
7 Dec 1985

adequate shelter for all Americans".

Some of the recommendations of the commission are worth noting because of their obvious relevance to the Indian context:

(i) Rent Control: The commission finds that rent control causes a reduction in the quality of the existing rental housing stock and discourages investment in new rental property. Therefore, the commission opposes, in principle, rent control at federal, state and local levels.

(ii) Liability structure and powers of thrift institutions: The liability powers of savings and loan associations should be expanded to permit these institutions to compete more vigorously for individuals' savings and to serve the demand deposit needs of all sectors of the economy.

(iii) Private pension funds and ERISA: Current provisions of employee retirement income security act regulations that limit the housing investments of private pension funds should be eliminated.

(iv) Public pension funds and state laws: States should be encouraged to develop programme strategies and regulations that facilitate housing investment by public pension funds.

Indian situation

The current state of the housing finance industry in India can only be described as being 'nascent'. The establishment of the Housing Development Finance Corporation (HDFC) in 1977 marked the advent of a specialized housing finance institution catering to individuals, along the lines of the building societies in the UK and the S&Ls in the USA. Prior to this, an individual could seek assistance for housing from his family, friends, employers or the Life Insurance Corporation (if he was a policy holder). Alternatively, as a member of a group, he could borrow from the state level apex cooperative housing finance societies. After LIC, the largest provider of funds for housing is the Housing and Urban Development Corporation (HUDCO), a government of India owned corporation which does not finance individuals directly but assists the state level housing boards and apex cooperative housing finance societies.

Total public sector outlay in housing has been falling as a proportion of total public sector investment from about 16 per cent in the First Five Year Plan to 1.6 per cent in the Sixth Plan.

The figures regarding housing shortage are only too well known and yet no comprehensive plan of action seems to have been formulated to tackle this problem. The traditional thinking of housing as a non-productive asset has to be changed. There is enough evidence to demonstrate the multiplier effect on the economy of housing construction activity and, the enormous employment generation potential of housing. It is time that housing is given the recognition and importance that it deserves, and is recognized as an "industry" and thus becomes eligible for all the attendant benefits.

The dissimilarities between the US conditions and those found in India are too many to enumerate. However, this should not deter us from seeking to implement those features duly modified to suit Indian conditions, which may give a boost to the housing finance industry and help to channelize a greater flow of savings to this industry as well as to attract larger capital flows from the Indian capital markets.

It is necessary to build up confidence in this sector through the orderly development of the housing finance industry. Fly-by-night operators looking for quick returns without a commitment for the long run can only bring disrepute and retard the growth of this vital function in the housing sector. The establishment of such institutions should therefore be carefully watched.

Unlike in the US, India has a unified financial market with nationwide branching of banks and other financial institutions, including HDFC, thus permitting transfer of funds across the country. And yet there is a need for the development of a secondary market in mortgage loans in India—firstly to attract more badly needed funds to the housing finance sector, and secondly, to provide an appropriately designed investment vehicle for a particular class of institutions and investors which need long term stable investments to match their long term liabilities. I specifically refer to the insurance companies and to the provident funds. The investible funds of the provident funds today are of the order of about Rs. 1,300 crores.

For the provident funds, which deal with the life savings of the salaried class and have in that sense a fiduciary duty towards their members, to invest in the pool of mortgages originated by a primary lender or to purchase these loans outright would require considerable confidence in the soundness of the investment. Such confidence could be generated if the investor were reasonably certain of the lending criteria of the mortgage originator, and these mortgage loans were insured, that is repayment is guaranteed.

It is essential that the mortgage originators work together with the domestic insurance industry to develop an appropriate scheme for mortgage insurance. The lead for such a move could possibly be taken by the GIC. The insurance cover could initially be restricted to low income borrowers, certain loan to value ratios, cost-income ratios, or some such criteria. The experience in the US and other countries has shown that the marketability of such mortgage loans is greatly enhanced by the existence of mortgage insurance.

Alternatively, instead of securing insurance of each individual mortgage loan, what could possibly be done is to securitize the underlying pool of mortgages. The GIC or any other financial institution could generate these securities, thus doing away with the need to insure each individual loans.

It is imperative that a national level working group comprising experts from the private and public sectors, the construction and finance fields, the legislators and the executors be set up to look into all aspects of housing, review all legislation having any impact on housing including tax legislation, assess the current housing delivery system as well as the housing finance structure and to finally come out with recommendations which will help us tackle the problem on a war footing. If we are serious about building up a system capable of delivering affordable housing to the lower and middle income groups then we must have a hard look at what is driving up the price of one of the most important components of housing costs in urban areas—land. A thorough revamp of the Urban Land Ceiling and Regulation Act (ULC) is necessary to make it practicable and easily implementable. As things stand today, thousands of hectares of land in urban areas lie frozen due to tardy implementation of the ULC Act.

The working group should also examine the foreclosure laws as practised in the USA and suggest appropriate legislation to be introduced in India, since an effective mechanism to deal with delinquencies forms the backbone of a strong housing finance system encompassing both the primary and the secondary market.

TIMES OF INDIA
7 Dec 1985

ANNEX 5

Debt Service Capability

India's long standing policy of selective and cautious use of borrowing has prevented the emergence of severe debt servicing problems. In this regard, Indian policy makers are acutely aware of the debt servicing crises experienced by other developing countries in recent years and from all evidence are determined to avoid this type of problem.

The major change in India's financing of external debt in the medium term will be the continued rise in commercial borrowing and the decline of concessional assistance. India's credit rating, which is good and will likely remain strong, should provide it with the required access to international capital markets for commercial borrowings. Government of India (GOI) is aware of the higher debt servicing associated with larger borrowings in commercial markets and therefore will seek to contain debt service ratio within manageble limits, reportedly around 20%, by keeping close watch and control over future commercial borrowings. Housing Guaranty borrowing under current market conditions is advantageous vis-a-vis alternative non-concessional sources of funds.

Tables IA through IC show India's debt service ratio from 1974-75 to 1983-84 and estimates from 1984-85 to 1989-90[1/]. The estimates show a rapidly rising debt service ratio through 1986-87 and then a stabilizing of the ratio through the end of the decade. The short term situation will be readily manageable; the medium term, difficult but nevertheless manageable. The GOI's economic survey for 1985-86 acknowledges that the improvement in the balance of payment situation was contributed to several factors such as (i) successful import substitution in bulk import items , (ii) continued buoyancy in remittances from Indian workers abroad and deposits of non-residents despite the recession in the oil exporting countries of the Middle East, (iii) a sizeable fall in unit values of some bulk import items during the later part of the period, and (iv) relatively larger borrowings from the IMF (US$4.9 billion) and commercial markets (US$5.5 billion) to boost its capital account. These factors helped India to end the Sixth Plan period with a relatively small current account deficit (1.1% of GDP) and a low debt service ratio (15.0%) in 1984-85 despite disappointingly low export performance (4.5% per annum in volume) and a signifivant liberalization in the import of capital goods, raw materials and manufactured components (volume growth of about 9.0% per annum). The GOI is aware that these factors are unlikely to operate, at least to the same extent, in the Seventh Plan period (1985-90).

1/ Data of these tables were obtained mainly from World Bank/India and GOI sources.

India is entering the Seventh Plan period with relatively limited scope for further import substitution in crude oil and other bulk import items; lower concessional aid flows; higher debt service obligations to service IMF and commercial borrowings contracted during the Sixth Plan; a deepening recession in the oil exporting countries of the Middle East that is likely to curtail both remittances and Indian exports to the region and finally, growing protectionism among India's trading partners. On the brighter side, there are strong indications that crude oil prices are not likely to increase in real terms, at least in the next few years. This combined with projected decline in import prices of edible oils and relatively mild escalation in prices of India's other bulk import items will improve India's terms of trade during the Seventh Plan period. Moreover, interest rates are projected to decline slightly or at worse stabilize at current levels. However, the most encouraging positive development that could bolster the chances of meeting the foreign exchange requirements of the Seventh Plan is the recent changes in Government policy towards trade and industrial policy. On balance this adds up to a somewhat uncertain and uncomfortable outlook for the balance of payments over the medium term. An acceleration of exports is critical to limiting the debt service ratio and avoiding import restrictions and regulations over the medium term. However, current evidence suggests that exports earnings will not rise sufficiently to maintain the current debt service ratio.

The government, as part of the SDR 5.0 billion loan in 1981, worked out with the Fund an adjustment strategy that it hoped would allow the economy to integrate the higher oil prices while not sacrificing economic growth. The crux of the strategy was first to open up the highly protected Indian market to more imports of intermediate and capital goods as well as foreign investment and technology. It was hoped that the influx of foreign equipment and know-how would, over the medium term, make Indian industry more efficient and energize the stagnant export sector. At the same time, the Government launched an investment program of $6-7 billion over five years aimed at greatly expanding domestic oil production. (In 1979-80 when oil prices were hiked, more than three-quarters of India's export earnings were being used to pay its oil import bill.)

So far the second part of the strategy has been far more successful than the first. Domestic production of crude oil almost tripled and net oil imports as a percentage of net non-oil exports declined from 80% in 1980-81 to only 36% in 1984-85. The share of crude oil in India's total imports declined from 42% in 1980-81 to 20% in 1985-86. In fact, the improvement in the oil import account has been sufficient to contain the current account deficit to $1,903 million in 1984-85 or about 1.1% of GDP.

The current account balance/GDP ratio is projected at 1.6% in the Seventh Plan period. As a result of the import substitution strategy, merchandize imports were reduced from 10% of GDP in 1980-81 to 7.3% in 1984-85. The Seventh Plan (1985-90) projects this ratio to drop to about

7% by 1989-90. The primary factor contributing to this projected decline in Import/GDP ratio is the anticipated slower growth in non-bulk imports, 6.9% compared to 9.0% in the Sixth Plan period. On the capital account, the balance of payments was bolstered by a continuing flow of remittances and a significant increase in deposits from Indians residing abroad which are estimated to reach $1.4 billion in 1985-86 from an annual rate of $524 million between 1982-83 and 1984-85. In view of the uncertain conditions in Gulf countries, these deposits are anticipated to stabilize around $750 million per annum.

The following table shows the decline in India's trade deficit over the past several years in millions of dollars.

Year	Imports (includes net oil imports)	Exports (excludes oil)	Deficit
1980-81	15,892	8,332	7,560
1981-82	15,333	8,477	6,856
1982-83	14,385	8,386	5,999
1983-84	14,360	8,667	5,693
1984-85(Est.)	13,398	8,931	4,467
1985-86(Est.)	14,400	9,159	5,241

To a certain extent the appreciation of the US dollar relative to the Indian rupee has limited the growth of export earnings in dollar terms. According to the GOI Economic Survey (1985-86), the export and import growth rates achieved during the Sixth Plan period are as given below:

	Exports	Imports
Rupee	12.5	13.3
SDR	9.6	10.5
U.S. Dollar	4.2	5.0

More fundamentally, however, India's export performance is a reflection of the high cost and relatively low quality of many Indian manufacturer exports. An additional factor has been the international recession, which reduced demand for many primary products and increased competition in areas where Indian exporters of manufactured goods had hoped to build a market presence.

A substantial increase in domestic oil production and relatively soft international oil prices were the main factors which accounted for the reduction in the trade deficit. Oil production rose by over 170% from 10.5 million metric tons in 1980-81 to 29 million metric tones in 1984-85 and estimated 29.9 million metric tones in 1985-86. Beginning from 1981-82, about 17.3 million metric tons of crude had been exported until 1984-85; such exports will continue until all the country's refineries have been retrofitted to process Indian oil. Such exports declined to 0.5 million MT in 1985-86 and are expected to disappear in the near future.

The following table shows the impact of increased domestic production of crude oil (POL) on India's foreign trade.

Year	Net POL Imports		Net POL Imports as of non-POL Exports (%)	Net POL imports as % of Domestic Availability i.e. Production plus Imports (%)
	Quantity (Million MT)	Value ($ million)		
1982-83	16.6	4,717	56.2	24.1
1983-84	13.3	3.490	40.3	18.4
1984-85(Est.)	12.4	3.213	36.0	16.6
1985-86 (Est)	17.9	4,195	45.8	20.5

Despite these improvements, the medium term outlook for the balance of payments continues to be uncertain. Growth of non-oil exports, as shown in the table on trade deficit, has been virtually stagnant; the estimated 1985-86 level was only 10% higher than the 1980-81 level. Both the Government and many Indian businessmen acknowledge that Indian manufactured products have difficulty competing successfully in overseas markets. The key obstacle to export growth continues to be the trade and industrial environment. There is wide spread agreement that the basic reason for the poor past performance has been the inward looking economic strategy pursued. This resulted in operating in a highly protected environment which placed a premium on domestic sales and relatively poor profitability of export sales. Moreover, the security of production within protected markets have caused Indian firms to place inadequate emphasis on quality and innovation, factors that are essential to maintaining international competitiveness. Also, it now appears that foreign assistance on concessional terms will not increase during the coming years. Thus, unless India can increase its hard currency export earnings it will have to turn increasingly, as it already has begun to do, to commercial loans on harder terms for financing the rising flow of high technology imported capital goods needed during the second half of the eighties.

The significance of non-factor services and current transfers in India's balance of payments has increased very rapidly over the last decade. The share of the net receipts from non-factor services and transfer payments have increased from 14.3% of total merchandise imports in 1975/75 to about 25% in 1983/84, their share in GDP more than doubled during the same period from 0.9% in 1975-76 to 1.9% in 1983-84. An important component of non-factor service receipts is earnings from tourism (38%) and other miscellaneous receipts (44%). Almost all of the net current transfer receipts (US$ 2.4 billion in 1984/85) are from workers' remittances. The Seventh Plan projects a modest increase in both net non-factor service receipts and transfer payments over the next five years. The net tourism receipts is expected to grow at an average annual rate of 12% in nominal terms from an estimated 1984/85 level of US$1.1 billion.

The prospects for maintaining current real level of workers remittances in the medium term looks uncertain, given the recent sharp decline in oil prices which is bound to result in a drastic cut in economic activity in the a labor importing countries of the Middle East. Although India may still fare better compared to some other labor exporting countries, it is highly unlikely that the Seventh Plan's assumption of a constant real growth in transfer payments during the Seventh Plan period could be achieved. Uncertainty about pertroleum prices and related development in the Middle East make projection of remittances almost equally uncertain.

On the receipt side, net concessional aid disbursements declined from $2,523 million (IDA, 652; Multilateral, 718; Bilateral, 651; Grants, 502) in 1980-81 to $1,646 million in 1981-82, $2,025 million in 1982-83 and to estimated $1,752 million in 1985-86. At present the World Bank accounts for more than half of gross aid flows. The IDA commitments have been consitently declining during eighties: $1,948 million in 1980-81, $1,388 million in 1981-82, $776 million in 1982-83 and $572 million in 1983-84. While the hard loan window of the World Bank will offset the decline in IDA commitment, the stiffer loan terms (20 years at near market rates) would cause concessional aid flows to decline. The terms of aid from bilateral as well as multilateral sources have hardened during 1980-81 to 1983-84: the amount of bilateral grants and its share in total bilateral aid declined. The deterioration was steeper in case of multilateral sources.

A source of strength to the balance of payments in recent years has been the willingness of Indians residing abroad to hold their savings in the form of deposits in Indian banks denominated in rupees, dollars or sterling. To encourage these flows the GOI has placed a 2% interest premium on hard currency deposits by non-resident Indians over other domestic deposits and has guaranteed their convertibility without exchange risk. Thus a non-resident Indian can earn 13% annually on a 5 year certificate of deposit. While this rate of interest is higher than that India pays to the commercial banks some observers believe the advantage of the non-resident deposits is that there is a strong possibility that they may not be repatriated for many years. Nevertheless it must also be recognized that these flows are sensitive to the level of interest rates elsewhere, principally in Europe and the U.S. If interest rates abroad were to go up, the GOI would have to match the increases or risk having the flow of non-resident deposit dry up. These deposits went up from $174 million in 1981-82, to $434 million in 1982-83 and to an estimated $1,380 million in 1985-86. They have thus contributed significantly to improve the capital account. However, in view of the uncertain conditions in Gulf Countries, these deposits had declined to $ 400 million in 1984-85 and may now stablize only around $750 million per annum in late eighties.

An increasingly important source of external funds is commercial borrowings and supplier credits. Though these are for shorter terms and considerably costlier than normal sources, the drying up of concessional aid makes some additional recourse to commercial borrowings inevitable. Total commitments of commercial loans including supplier credits increased from $1,102 million in 1980-81 to $2,104 million in 1982-83, $1,052 million in 1983-84, and an estimated $617 million in 1984-85. The bulge in commitments during 1982-83 occured because of large borrowings to finance capital equipment for the Oil and Natural Gas Commission, the Rihand Thermal Power Project, and Air India. Disbursements of commercial loans were substantially less than commitments. They amounted to $285 million in 1980-81, $585 million in 1982-83, and $789 million in 1983-84. In view of the resource constraints and the requirement of the private sector, the commitments are estimated to increase to $11.5 billion in the Seventh Plan period. However, the GOI approach in this regard will be cautious because of the GOI policy to keep the debt service ratio within manageable limits.

As a result of increased pressures on the balance of payments because of the 1979 oil price increase, India obtained a 3-year SDR 5 billion loan from IMF in November 1981. Of this amount, India drew SDR 600 million in 1981-82, SDR 1,800 million in 1982-83, and SDR 1,500 million in 1983-84, for a total of SDR 3,900 million. Prompted by the decline in India's trade deficit over the past several years, India did not borrow the balance of SDR 1.1 billion and terminated the agreement in May 1984. There were good policy reasons for adopting this course. Chief among them was the fact that given the improvement in the current account, the final SDR 1.1 billion tranche of the IMF would buy little, if any, additional policy latitude for the GOI over the next year or two, but would increase the debt service burden in the late 1980's.

Gross foreign exchange reserves, excluding gold holdings, are estimated to increase from $ 4,966 million in 1982-83 to $ 5,847 million in 1983-84, $ 6,111 million in 1984-85, and $6,670 million in 1985-86 sufficient to cover about 5 1/2 months of imports. However, India officially values its gold holdings at only SDR 35,000 per ounce. If this were increased to the current market price, total reserves would cover 8 months of imports.

In sum, the preceeding analysis shows that final tranche of the Housing Guaranty loan would be advantageous to India's debt service situation. The interest charge will be less than for funds it would otherwise borrow from commercial sources in the coming year. The underlying premise is that India will continue to show discipline in borrowing from international capital markets and coincidentally continue to maintain its excellent credit rating. In so far as the past is an indicator of future performance, there is no evidence to indicate India will behave differently.

Tables on Pages 8 thru 11

Table 1-A

India's Debt Service Ratio:
Receipts & Payments, IFY 1975 - 1990

Year	Debt Service Ratio (%) $\frac{(4)\times 100}{(3)}$	Receipts on Current a/c ($ million)	Payment (Principal + Interest) ($ million)
(1)	(2)	(3)	(4)
a) Actuals			
1974-75	14.9	4,960	737
1975-76	12.0	6,277	754
1976-77	14.2	7,715	1,093
1977-78	12.6	9,128	1,148
1978-79	11.1	10,057	1,113
1979-80	8.2	12,651	1,033
1980-81	7.0	15,081	1,063
1981-82	7.9	14,424	1,142
1982-83	9.9	14,256	1,405
1983-84	12.4	14,740	1,833
b) Estimates			
1984-85	15.0	14,705	2,205
1985-86	17.6	15,179	2,676
1986-87	20.9	16,623	3,481
1987-88	21.4	18,689	3,998
1988-89	21.5	21,053	4,529
1989-90	20.3	23,939	4,861

Table 1-B

Breakdown of Receipts on Current A/C
By its Components: IFY 1975 - 1990
($ million)

Year	Exports Merchand-dise	Exports Non-factor Services	Exports Total Exports (2)+(3)	Factor Income	Current Transfers	Total Receipts (4)+(5)-(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
a) Actuals						
1974-75	3,987	578	4,565	118	277	4,960
1975-76	4,828	825	5,653	134	490	6,277
1976-77	5,742	1,057	6,799	209	707	7,715
1977-78	6,345	1,384	7,729	311	1,088	9,128
1978-79	6,679	1,607	8,376	478	1,203	10,057
1979-80	7,679	2,304	9,983	796	1,872	12,651
1980-81	8,332	2,880	11,212	1,083	2,786	15,081
1981-82	8,477	2,697	11,174	912	2,338	14,424
1982-83	8,386	2,819	11,205	525	2,526	14,256
1983-84	8,667	2,940	11,607	546	2,587	14,740
b) Estimates						
1984-85	8,931	2,781	11,712	614	2,379	14,705
1985-86	9,159	2,999	12,159	642	2,379	15,179
1986-87	10,527	3,430	13,957	567	2,099	16,623
1987-88	12,124	3,915	16,039	551	2,099	18,689
1988-89	14,013	4,478	18,491	463	2,099	21,053
1989-90	16,274	5,139	21,413	427	2,099	23,939

Note: Sum of relevant figures may not exactly add to total due to rounding.

Table 1-C

Breakdown of Interest Payments and Repayments
By Its Components: IFY 1975 - 1990
($ million)

Year	Repayments			Interest Payments			Total Payments
	IMF	Excl. IMF	Total (2)+(3)	IMF	Excl. IMF	Total	(4)+(7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
a) Actuals							
1974-75	-	484	484	NA	NA	253	737
1975-76	-	503	503	NA	NA	251	754
1976-77	337	491	828	NA	NA	265	1,093
1977-78	330	527	857	NA	NA	291	1,148
1978-79	158	603	761	NA	NA	352	1,113
1979-80	-	646	646	NA	NA	387	1,033
1980-81	-	678	678	NA	NA	385	1,063
1981-82	-	650	650	NA	NA	492 1/	1,142
1982-83	-	677	677	121	472	728 1/	1,405
1983-84	70	738	808	307	550	1,025 1/	1,833
1984-85	134	826	960	424	632	1,245 1/	2,205
b) Estimates							
1985-86	262	1,024	1,286	395	788	1,390 1/	2,676
1986-87	592	1,373	1,965	375	898	1,516 1/	3,481
1987-88	898	1,524	2,422	304	993	1,576 1/	3,998
1988-89	1,024	1,837	2,861	253	1,100	1,668 1/	4,529
1989-90	900	2,101	3,001	178	1,217	1/ & 2/ 1,860	4,861

1/ Include interest payments on Non-resident deposits (all figures in $ million): 115 in 1981-82, 135 in 1982-83, 168 in 1983-84, 189 in 1984-85, 207 in 1985-86, 243 in 1986-87, 279 in 1987-88, 315 in 1988-89, and 351 in 1989-90.

2/ Include $114 million on gapfill category (Interest on gapfill disbursements estimated at $1,341 million in 1988-89).

Table II
India's Balance of Payment
($ million)

		Actuals 1982-83	Estimates/Projections 1983-84	1984-85	1985-86	1989-90
1.	Exports (f.o.b.)	8,386	8,667	8,931	9,159	16,274
	Of which,					
	Primary Exports	2,536	2,480	2,239	1,885	3,399
	Agricultural Products	2,053	2,002	1,780	1,409	2,666
	Manufactured Exports	5,503	5,899	6,167	7,274	12,875
2.	Imports (c.i.f.)	14,385	14,360	13,398	14,400	22,271
	Of which,					
	Edible Oils	412	525	698	589	718
	POL	4,717	3,490	3,213	4,195	3,862
	Fertilizer	384	476	1,530	1,285	2,760
	Capital Goods	2,672	2,748	2,202	2,836	4,716
3.	Trade Balance	-5,999	-5,693	-4,467	-5,241	-5,997
4.	Non-Factor Services (Net)	935	1,059	1,031	946	1,852
5.	Exports	2,819	2,940	2,781	2,999	5,139
6.	Imports	1,884	1,881	1,750	2,053	3,287
7.	Resource Balance	-5,064	-4,634	-3,436	-4,295	-4,145
8.	Net Factor Income	-255	-714	-819	-946	1,694
9.	Factor Receipts	525	546	614	642	427
10.	Factor Payments	-780	-1,260	-1,443	-1,587	-2,121
11.	Net Current Transfers	2,504	2,570	2,352	2,352	2,045
12.	Transfer Receipts	2,526	2,587	2,379	2,379	2,099
13.	Transfer Payments	-22	-17	-27	-27	-54
14.	CURRENT BALANCE	-2,816	-2,778	-1,903	-2,888	-3,794
	CAPITAL INFLOWS					
15.	Direct Investment	65	63	62	63	82
16.	Grant	353	294	328	379	367
17.	Loans (Net)	1,752	1,915	2,049	2,218	2,513
18.	Disbursements	2,429	2,653	2,875	3,242	4,613
19.	Repayments	-677	-738	-826	-1,024	-2,101
20.	Gap Fill	0	-0	0	0	2,089
21.	Non-Resident Deposits	434	738	399	1,380	750
22.	Capital Flows NEI	-1,454	-147	-748	-330	-567
23.	Errors and Omissions	210	-474	0	0	0
24.	Change in Reserves	-505	-881	-263	-560	-541
25.	Net Credit from IMF	1,960	1,271	76	-262	-900
26.	Purchases	1,960	1,341	210	0	0
27.	Repurchases	0	-70	-134	-262	-900
28.	Gross reserves at Year End	4,966	5,847	6,111	6,670	5,568

Note: Details on "Gapfill" (projected item 20):

	1988-89	1989-90
Disbursement	1,341	2,090
Repayment	-	-
Interest	-	-114
Cumulative Net Gapfill	1,341	-3,431

ANNEX 6

BIBLIOGRAPHY

HG 002/C

1. Bhagat, Mukarram. "The HDFC model". Update. December 27, 1985.

2. Buckley, Robert; Van Order, Robert. The Development of a Market Oriented Housing Finance In India: The Role of HDFC and Possible Actions by USAID. Urban Institute Project 3567. December 1985.

3. Cottrell, Robert. "India's Golden Gate. New Delhi's reforms ignite Bombay stockmarket". Far Eastern Economic Review. March 13, 1986.

4. Governmental of India Planning Commission. Seventh Five Year Plan 1985-90: Sectoral Programs of Development Vol. II. New Delhi. October 1985.

5. Gupta, Devendra B. Urban Housing in India: World Bank staff working papers, Number 730. April, 1985.

6. Housing Development Finance Corporation. Annual Report 1984-1985. July 1985.

7. ______________. Quarterly. Vol. 4 No. 1. January 1986.

8. ______________. Quarterly. Vol. 4 No. 2. April 1986.

9. Industrial Development Bank of India. Profile & Growth 1984.

10. "Industry Status Mooted for Housing Sector." Financial Express. April 13, 1986.

11. Lall, Vinay D. "Resource Mobilization. A strategy for Housing Sector". The Economic Times. October 10, 1985.

12. Life Insurance Corporation of India. Twenty-eight Report and Accounts for the year ended 31st March, 1985.

13. Madhusudhan, Ranjana Ghashal. Housing and Housing Finance Institutions in India: An Overview. The World Bank. August, 1983.

14. Munjee, Nasser. "Urban Finances: An Institutional Approach". Real Estate. September, 1985.

15. Munjee, N. The Seventh Five Year Plan: Whither Housing Finance? Reproduced report from the Ministry of Works and Housing, original version the Economic Times May 4-5, 1984.

16. Rao, V.N. Secondary Markets in Mortgages and Law of Foreclosures in the U.S.A. - Implications for Housing Finance in India. Center for Environmental Design Research, University of California, Berkeley. May, 1985.

17. Renaud, Bertrand. Housing and Financial Institutions in Developing Countries: International Union of Buidling Societies and Savings Associations, Chicago, Illinois. 1984.

18. Satwalekar, Deepak. "Housing Finance System in U.S. and Its Relevance to India." Times of India. December 7, 1985.

19. Shah, Pradip P. Mass Retailing Mortgage Finance - The Indian Experience. Housing Development Finance Corporation Limited. Article (1985).

20. Struyk, Raymond; Khadduri, Jill; Buckley, Robert: The Housing Development Finance Corporation of India: Evaluation of the Housing Guaranty Loan. Urban Institute Project 3472. April 1985.

21. Unit Trust of India. 21st Annual Report 1984-1985.