

**ART Affordable Housing Finance – Coverage**  
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## Planning To Buy A House Up To ₹ 35 Lakh? There May Be Some Good News For You

The RBI has decided that it will revise the housing loan limits under Priority Sector Lending (PSL).  
Economy | NDTV Profit Team | Updated: June 15, 2018 10:34 IST

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This move is a big positive for low-income home buyers and real estate players, said experts.

The Reserve Bank of India (RBI) on Wednesday announced a hike in repo rate, the key rate at which it lends to commercial banks, for the first time in four-and-a-half years. With that, the RBI created room for the banks to pass on a higher interest rate to retail customers, in the form of higher home loan instalments. However, another significant decision announced by the RBI on the same day may cheer some home buyers. The RBI has decided that it will revise the housing loan limits under Priority Sector Lending (PSL). Loans given under PSL are less expensive than those provided by the banks in their ordinary course.

The RBI said it has "decided to revise the housing loan limits for PSL eligibility from existing ₹ 28 lakh to ₹ 35 lakh in metropolitan centres (with population of ten lakh and above)". This means that loan eligibility for home buyers from the economically weaker sections of the society will increase to ₹ 35 lakh from the existing ₹ 28 lakh in metros. The RBI also revised the housing loan limits for PSL eligibility from ₹ 20 lakh to ₹ 25 lakh in other centres. However, this eligibility is subject to the overall cost of the dwelling unit in the metropolitan centre and at other centres not exceeding ₹ 45 lakh and ₹ 30 lakh respectively, it noted.

Samir Jasuja, Founder and CEO, PropEquity said, "This (the decision) will increase the credit limit of an individual affordable home buyer by 7 lakh in metro and 5 lakh in other cities. By increasing the credit limit, there will be rise in demand for affordable housing in India. This will also open up wider options of projects to evaluate with variety of segments in terms of sizes and affordability."

According to experts, this move is a big positive for low-income home buyers and real estate players in the affordable housing segment. It might even lead to lowering of interest rates on home loans in the affordable housing segment.

R. Sridhar, Executive Vice-Chairman and CEO, IndoStar Capital Finance Limited, said, "It is a positive development for the lower income home buyers. Income level in the cities has gone up and the recent revision in the home loan limits for priority sector lending will boost lending to the middle income group. We will see entry of new players in the lending segment which will make this sector more attractive. Banks will be able to meet their PSL targets and home finance companies will be able to build their PSL portfolios. We see a great opportunity ahead to lend to a larger segment in metro cities."

Some experts believe that this decision will lead to low interest rates for the affordable housing sector. "Banks have to push lending in the priority sector. To attract more buyers, they might reduce interest rates," said Aditya Kedia, Managing Director, Transcon Developers.

"This would give a boost to affordable housing real estate sector and help in economic growth," said Khushru Jijna, MD, Piramal Finance & Piramal Housing Finance.

PMAY or Pradhan Mantri Awas Yojana (PMAY) – Urban and Rural – aims to ensure affordable housing to rural and urban poor. Prason Chauhan, CEO, HomeKraft, thinks that this will boost demand for homes under PMAY.

"This is an excellent move by the government to hike the PSL eligibility, as that will provide the right impetus for the customers to avail benefits under PMAY as well as cheaper home loans," said Mr Chauhan.

"The revision of the housing loan limits for PSL eligibility is a good measure which will help the EWS (economically weaker sections) and the LIG (lower-income group) customer segment as it helps bring into its purview higher ticket sizes in tune with the realistic realty prices, especially in case of metros," said Arvind Hall, MD and CEO, ART Affordable Housing Finance.

The RBI said it will issue a circular to this effect on June 30, 2018.

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