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# Part of proposed housing sector package: Fund on cards to offer guarantee for home loans

BY DEEPSHIKHA SIKARWAR, ET BUREAU | UPDATED: SEP 12, 2019, 08.40 AM IST

NEW DELHI: The government is considering a fund that will provide guarantees for those who won't otherwise be eligible for a housing loan, allowing them to borrow funds to acquire a home, said a senior [finance ministry](#) official. It's being envisaged as part of a package being prepared by the government to help the [housing sector](#), which is burdened by heavy debt, stalled projects and unsold homes.

"This fund would essentially support borrowers who are not rated well and not eligible for a loan from a bank," the official told ET. A guarantee could also help lower interest rates for those otherwise eligible for loans. The government is also examining the feasibility of a stressed asset fund under the package, which will help complete stalled projects.

A [borrower](#) will be able to avail of the guarantee from the proposed fund for a small fee, the official said. This could aid those without steady income flows and credit histories to become eligible for loans. This segment has traditionally relied on the informal sector for credit that comes at a high cost.



The credit enhancement fund could bring more buyers into the housing market.

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## Govt Keen on Reviving Housing

The credit enhancement fund could bring more buyers into the housing market, which is saddled with high inventory.

### Boost for Housing

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**GIVING CREDIT**

**Fund for housing would provide guarantee for home loans**

**Will boost eligibility of borrowers**

**To improve their credit rating**

**May also lower interest rates**

**A guarantee would provide comfort to banks, boost lending**

"Banks will have comfort to offer loan to the borrower because of the guarantee and the borrower will be able to access credit with this," the official added.

A comprehensive package for the housing sector is in the works. Finance minister Nirmala Sitharaman has already held discussions with representatives of the housing sector as also the housing and urban affairs ministry on steps needed to revive the sector.

The government is keen on reviving the sector, which has a multiplier effect on other areas such as cement and steel, besides generating employment.

Sitharaman said in Chennai on Tuesday that the housing package will come "sooner rather than later".

The real estate industry and home buyer groupings had suggested the formation of a stressed fund to take over incomplete and stalled projects, and ensure completion.

The housing sector is confronting a slump in demand exacerbated by the liquidity squeeze gripping nonbanking finance companies (NBFCs) that was sparked by the default by IL&FS Group last year. While measures have been taken by the government and the RBI to address the liquidity issue, riskaversion has constrained lending.

Moreover, defaults by many builders on deliveries have made buyers wary, hurting demand.

Reviving housing and easing finance for the sector remain high on the agenda of the government as well as the RBI.

A panel set up by the RBI had on Monday recommended standardisation of loan documents and setting up of a government-sponsored intermediary under the National Housing Bank (NHB) for development of the home loan securitisation market. The Committee on Development of Housing Finance Securitisation Market also recommended stamp duty exemption for mortgage-backed securitisation.

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