

Recommendations

- 1. The HFCs business model focussing on a single product needs to be strengthened, so as to enable the HFCs to be more efficient in asset sourcing, servicing and collections. As fiscal laws of the country are somewhat disadvantageous to the HFCs vis-à-vis the SCBs, the Government of India may consider fiscal remedies so that the HFCs can compete with the SCBs on an even level.**
- 2. The HFCs should review their rural lending portfolios to establish effective strategies to increase their reach and coverage in the rural and semi-urban areas. The Government and the NHB may consider regulatory remedies and institutional incentives to mitigate the constraints in mortgaging rural assets.**
- 3. The HFCs should strive for a proper mix of resources in order to minimise the cost of borrowings. The NHB refinancing mechanism should be revisited to facilitate the public sector HFCs in availing ready credit at competitive rates. The Government of India and the NHB may consider suitable measures to increase the depth of the market for mortgage backed securities and to encourage the HFCs to resort to securitisation of assets as a funding alternative.**
- 4. HUDCO should put in place a system for periodic review of its non-performing Regional Offices.**
- 5. HUDCO should strengthen its housing finance portfolio through HUDCO Niwas scheme to ensure greater coverage of the low-income and poorer sections of the society.**
- 6. The HFCs should review and on the basis of the review redefine and implement operational strategies to arrest the declining trend in their business in a rapidly rising market driven by expanding levels of prosperity and growth in the demand for housing. The HFCs should consider establishing such innovative lending schemes that cover the various segments of the urban and rural population including the adoption of a more pragmatic approach in their credit appraisal norms.**
- 7. The HFCs should draw up time bound plans to take immediate legal steps (including recourse to the SARFAESI Act) for recovering the overdues. The HFCs should encourage disposal of their non-performing assets by evolving an objective system of determining the sale price of mortgaged assets.**
- 8. HUDCO and its administrative Ministry need to work in tandem to establish a suitable mechanism to monitor and ensure early recovery of the outstanding amounts guaranteed by State Governments. The GOI should consider establishing a suitable mechanism, as suggested by HUDCO, for recovery of the overdues backed by the Government guarantees and/or the commitment of budgetary support, by way of adjustment in the funds to be provided by the GOI to the State Governments.**

- 9. The HFCs should review and strengthen their internal control mechanisms to ensure accountability at all stages of the operations (receipt of applications and their appraisal, sanction, disbursal, recovery and follow up of a loan) and for improving the credit delivery mechanism.*