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MORE CHEERS FOR HOMEBUYERS

Your dream to buy a big ticket size home may come true now, as interest rate to fall on such home loans

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Reserve Bank of India on October 9 made a big announcement that will enable homebuyers get big ticket size home loans at low interest rate. The RBI move to keep the new housing loans linking only to LTV (loan to value) will encourage more buyers to come forward. At present the risk weight on housing loans is based on amount of loan and LTV. So, home loans above ₹30 lakh will be cheaper and home loans above ₹75 lakh will get the maximum benefit from the apex bank's move.

Deo Shankar Tripathi, MD and CEO, Aadhar Housing Finance, explains, "Earlier, all loans above ₹75 lakh were carrying same risk weight irrespective of low LTV of loan. Now, even big loans with low LTV will carry low risk weight. This is good for lenders

giving big ticket size loans with low LTV."

Banks now could offer lower interest based on LTV as their capital requirement will be lower. Ravindra Sudhakar, CEO at Reliance Home Finance, says, "With all new housing loan risk now linked only to loan to the value, the rates will continue to be in check and encourage new buyers. The lower margin requirement on high value loans will boost demand for homes in metros, where prices are higher than other cities."

Satish Magar, president, CREDAI National, says, "The move to extend co-lending scheme to NBFCs and HFCs may infuse additional liquidity. The linking of housing loans to LTR is a welcome step and may play a significant role in boosting demand in affordable housing segment. Now that RBI has recognised realty sector as the

recognising the role of the real estate sector in generating employment and economic activity."

Another expert, Anurag Mathur, CEO, Savills India, comments, "Rationalisation of risk weight of housing loans will boost housing demand across the country. With this move, housing loans would eventually get more affordable."

Ramesh Natr, CEO & country head, JLL, says the move is expected to provide a fillip to housing loans and in this way will have a positive impact on the residential sector.

At present the risk weight on housing loans is based on amount of loan and LTV (loan to value). Now, it is linked with LTV only. Earlier all loans above ₹75 lakh were carrying same risk weight

irrespective of low LTV of loan. Now, even big loans with low LTV will carry low risk weight.

"This is good for HFCs lending big ticket size loans with low LTV and also a boost to the real estate sector. Lenders will offer

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differential interest based on LTV as their capital requirement will be lower with low risk weight on low LTV," adds Tripathi.

Kushagr Ansal, director, Ansal Housing and president, CREDAI Haryana, avers, "The real estate market was looking good after the Unlock, and this particular step will make more fence-sitters to decide on buying a home. Apart from that, the good sign is that the apex bank is optimistic about economic growth. The measures that the RBI took in the last few months are showing a positive impact, and we hope that the latest decisions will help the economy recover faster."

Similarly, Manoj Gaur, MD, Gaur's Group and chairman, Affordable Housing Committee, CREDAI (National), says, "With inflation remaining above the



targeted level, status quo on policy was expected. But it is indeed heartening to note that despite not much room available for lowering of rates, the apex has yet ensured some relief for the real estate sector. The lower of risk weightage

on home loans and linking it to LTV only will ensure more credit to customers and thereby to the sector." The RBI has also given a clear indication that interest rates are unlikely to harden anytime very soon.

"The on-tap TLTRO facility extended to corporates till March 2021 will ensure liquidity flow in the system, and the benefits will also spill over to the real estate sector," Sudhakar adds. LTR is a tool in which RBI lends money to banks for a period of one to three years at the prevailing repo rate.

Ramesh Natr, CEO and country head, JLL, sums up, "The RBI move is timely and a step in the right direction. It is expected to provide a fillip to housing loans, thus having a positive impact on the residential sector."

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LOAN-TO-VALUE RATIO (LTV)

The ratio of the amount of your loan to the appraised value of the home. The LTV has an impact on loan schemes available for the borrower. The lower the LTV, the more favourable the terms of the loan schemes offered by banks. So, normally a big ticket size loans (say ₹70 lakh) will attract higher interest rate. But this won't be the case now

largest employer, it should also announce steps that are imperative and crucial for the sector's survival and then introduce measures that will aid the sector's revival"

Commenting on the move by RBI, Niranjan Hirani, president, NAREDCO, says, "This step would benefit borrowers of higher value loans. It would ensure that more credit is available to borrowers. This move is a much appreciated step