



Housing for All by 2022

Rural Housing Interest Subsidy Scheme (RHISS) Guidelines

March, 2017

Ministry of Rural Development
Government of India



TABLE OF CONTENTS

Chapter	Content and Sub-heads	Page No.
	Preface	1
	List of Acronyms	3
	Definitions for the Purposes of the Scheme	4
I	Scope	5
II	Coverage	7
III	Rural Housing Interest Subsidy Scheme (RHISS) details	8
IV	Implementation Methodology	9
V	Mechanism for Release of Central Subsidy	10
VI	Monitoring and Implementation of the Scheme	11
	Annexure - I	12
	Annexure - II	14
	Annexure - III	19



PREFACE

'Housing for All' by 2022 is the commitment made by Government of India with an objective that by the time nation completes 75 years of Independence, every houseless and households living in dilapidated houses have a pucca house. In order to achieve this objective, there is a need to create an enabling environment especially in rural areas so that the people living in rural areas can construct a pucca house with all basic amenities with ease. One of the basic requirements to achieve this objective is to ensure that the people in rural areas have access to cheap and adequate institutional finance required for construction of a house.

The major initiative of the Ministry of Rural Development to achieve the objective of 'Housing for All' by 2022 is the launch of Pradhan Mantri Awaas Yojana – Gramin (PMAY-G) which came into effect from 1st April, 2016. The scheme provides financial assistance to households living in rural areas who are houseless or living in zero, one or two room kutcha houses as per Socio-Economic Caste Census (SECC) 2011 data and verified by Gram Sabha.

Since the objective of the Government is to provide housing for all by 2022, it is pertinent to ensure that adequate resources are made available to such households who are not covered under PMAY-G. In this direction, Ministry of Rural Development has come up with Rural Housing Interest Subsidy Scheme (RHISS) to provide cheap and easy access to institutional loan to the households living in rural areas and not covered under PMAY-G for construction / modification of their dwelling unit.

The scheme envisages providing loan to rural household at subsidized interest rate to enable them to construct / modify their dwelling unit.



LIST OF ACRONYMS

Sl. No.	Acronym	Full Form
1	CNA	Central Nodal Agency
2	EMI	Equated Monthly Installment
3	GoI	Government of India
4	MFI	Micro Finance Institutions
5	MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
6	MOU	Memorandum of Understanding
7	NBFCs	Non Banking Finance Companies
8	NHB	National Housing Bank
9	NPV	Net Present Value
10	PLI	Primary Lending Institution
11	PMAY-G	Pradhan Mantri Awaas Yojana - Gramin
12	RHISS	Rural Housing Interest Subsidy Scheme
13	RRB	Regional Rural Banks
14	SECC	Socio Economic and Caste Census
15	SLBC	State Level Bankers Committee



Definitions for the Purposes of the Scheme

Beneficiary	Any rural household which does not appear/figure on the permanent waitlist for Pradhan Mantri Awaas Yojana- Gramin (PMAY-G), will be considered an eligible beneficiary under RHISS.
Central Nodal Agency	Nodal Agency (ies) identified by Ministry for the purpose of implementation of the Interest Subsidy Scheme for Rural Housing.
Primary Lending Institutions (PLI)	Scheduled Commercial Banks, Housing Finance Companies, Regional Rural Banks (RRBs), State Cooperative Banks, Urban Cooperative Banks, Small Finance Banks, Non-Banking Financial Company – Micro Finance Institutions (NBFC MFIs) or any other institutions as may be identified by the Central Nodal Agency (ies) and approved by the Ministry of Rural Development.



Chapter - I

SCOPE

- 1.1 “Pradhan Mantri Awaas Yojana – Gramin (PMAY-G) for rural areas has been launched from April 1, 2016 with an objective to provide a pucca house with basic amenities to all houseless and households living in kutcha houses by 2022. To achieve the objective of “Housing for All”, 2.95 crore houses would be constructed by the year 2021-22. The immediate objective under PMAY-G is to cover 1.00 crore households in rural areas, that are houseless or living in zero, one or two room kutcha houses , in three years from 2016-17 to 2018-19, identified through Socio Economic Caste Census (SECC) data.
- 1.2 The Scheme provides financial assistance of Rs. 1.20 lakh in plains and Rs. 1.30 lakh in hilly states, difficult areas and Integrated Action Plan (IAP) districts, with a provision for convergence of resources for construction of individual household latrines. In addition 90-95 person days of MGNREGA unskilled wage component is also provided for construction of the house. To ensure that assistance is targeted at those who are genuinely deprived and that selection is objective and verifiable, housing deprivation parameter in the SECC data is being used for identifying households which is then verified by the Gram Sabha.
- 1.3 Under PMAY-G the most vulnerable section of rural population deprived of housing has been targeted to be supported by means of providing housing assistance. This is the section of people who are houseless and living in zero, one and two room kutcha houses. There, however, are a large number of rural households who live in kutcha house with more than two rooms or pucca houses with one or two rooms. These households also require support to construct a pucca house or modify/enlarge their dwelling units.
- 1.4 In order to realize the objective of “Housing for All” by 2022, it is pertinent to ensure that adequate resources are made available to such households which have not been covered under PMAY-G. To address their needs, the Ministry of Rural Development is launching the Rural Housing Interest Subsidy Scheme (RHSS) to provide easy access to institutional loan to all such needy households for construction / modification of their dwelling units.
- 1.5 The universe of beneficiaries, eligible to receive central assistance under this scheme, will include any rural household which does not appear/figure on the permanent waitlist for Pradhan Mantri Awaas Yojana- Gramin (PMAY-G).



- 1.6 The RHISS will become effective from the date of operationalisation of the scheme guidelines and is aimed at providing assistance to households in rural areas to construct houses or modify their existing dwelling units.



Chapter - II

COVERAGE

- 2.1 RHISS will cover entire India, excluding the statutory towns as per Census 2011 and towns notified subsequently for coverage under PMAY (Urban).
- 2.2 RHISS will provide support for modification of existing dwellings and construction of pucca houses as per the eligibility criteria defined in Para 1.5 above with basic civic infrastructure like water, sanitation, electricity, etc.
- 2.3. The pucca houses constructed / modified under RHISS should conform to the norms and standards provided in extant guidelines on construction and structural safety in the country. A pucca house is one which is able to withstand normal wear and tear due to usage and natural forces including climatic conditions, with reasonable maintenance, for at least 30 years. The roof and the wall of the house should be strong enough to be able to withstand the climatic conditions of the place in which the beneficiary resides and incorporate disaster resilient features, wherever needed, to be able to withstand earthquakes, cyclone, floods etc.

Chapter - III

RURAL HOUSING INTEREST SUBSIDY SCHEME (RHISS)

- 3.1 Beneficiaries seeking housing loans from Banks, Housing Finance Companies and other such notified institutions, for modification/ construction of pucca houses in rural areas, would be eligible for an interest subsidy with the following features:

Particulars	RHISS
Interest Subsidy (% p.a.)	3.00%
Maximum Housing Loan Tenure (in years)	20
Eligible Housing Loan Amount for Interest Subsidy (Rs.)	2,00,000
Discount Rate for NPV calculation of interest subsidy (%)	9.00%

- 3.2 The interest subsidy will be at the rate of 3.0 (three) percent on the principal amount of the loan for the beneficiary, and the subsidy shall be admissible for a maximum loan amount of first Rs.2.00 (two) lakh, irrespective of the quantum of housing loan, for 20 (twenty) years or full period of the loan, whichever is less. If the quantum of housing loan, however, is less than Rs.2.00 (two) lakh, the subsidy will be calculated based on the actual loan amount.
- 3.3 The Net Present Value (NPV) of subsidy will be calculated based on a notional discount rate of 9.0 (nine) percent for the period of the loan and interest chargeable at the time the loan is contracted, upfront subsidy shall be released to the Primary Lending Institution (PLI).
- 3.4 The NPV of interest subsidy given to the PLI will be deducted from the principal loan amount of the beneficiary, who will then have to pay interest to the PLI at an agreed documented rate, fixed or floating on effectively reduced housing loan for the whole duration of the loan. The agreed documented rate which the beneficiary will have to pay may vary from bank to bank.
- 3.5 The process flow diagram for the scheme is attached at **Annexure I**.



Chapter - IV

IMPLEMENTATION METHODOLOGY

- 4.1 The interest subsidy will be available only for housing loan amounts indicated in paragraph 3.0 above and additional amount of housing loan beyond the above specified limit, if any, will be at non-subsidized rate.
- 4.2 Net Present Value of the Interest subsidy will be credited upfront to the housing loan account of beneficiaries through Primary Lending Institutions resulting in reduced effective housing loan and Equated Monthly Installment (EMI).
- 4.3 National Housing Bank (NHB) has been identified as Central Nodal Agency (CNA) to channelize this subsidy to the lending institutions and for monitoring the progress. Ministry may notify other institutions as CNA in future.
- 4.4 Primary Lending Institutions (PLIs) identified as Scheduled Commercial Banks, Housing Finance Companies, Regional Rural Banks, State Cooperative Banks, Urban Cooperative Banks, Small Finance Banks¹, NBFC MFIs² or any other institution as may be identified by the Ministry, can register only with one CNA by signing MOU as provided in **Annexure II**
- 4.5 CNA will be responsible for ensuring proper implementation and monitoring of the scheme and will put in place appropriate mechanisms for the purpose. CNA will provide periodic monitoring inputs to the Ministry of Rural Development through regular monthly and quarterly reports, or as required by the Ministry.
- 4.6 In case a borrower who has taken a housing loan and availed of interest subsidy under any other scheme of Government of India but later on switches to another PLI for balance transfer, such beneficiary will not be eligible to claim the benefit of interest subsidy again.

¹As approved by Reserve Bank of India

²As registered with Reserve Bank of India



Chapter - V

MECHANISM FOR RELEASE OF CENTRAL SUBSIDY

- 5.1 An advance for subsidy payment will be released to CNA(s) at the start of the scheme. Subsequent amounts of interest subsidy will be released to the CNA(s) after 70% utilization of earlier amounts, on quarterly basis, and based on utilization / end use certificates submitted by PLIs to CNA(s), as per prescribed format at Annexure III
- 5.2 Based on the loan disbursed by a PLI to RHISS beneficiaries, the CNA will release the subsidy amount to PLIs directly based on the claims submitted on the total loans disbursed.
- 5.3 NPV of the interest subsidy will be credited by the PLI to the beneficiary's account upfront by deducting it from the principal loan amount of the beneficiary. The beneficiary will pay EMI as per lending rates on the remainder of the principal loan amount.
- 5.4 0.25% of total fund disbursement by the CNA to the PLIs will be paid to the CNA for their administrative expenses.
- 5.5 In lieu of the processing fee for housing loan for the borrower under the scheme, PLIs will be given a lump sum amount of Rs.2000 /- per sanctioned application. PLIs will not take any processing charge from the beneficiary under the scheme.



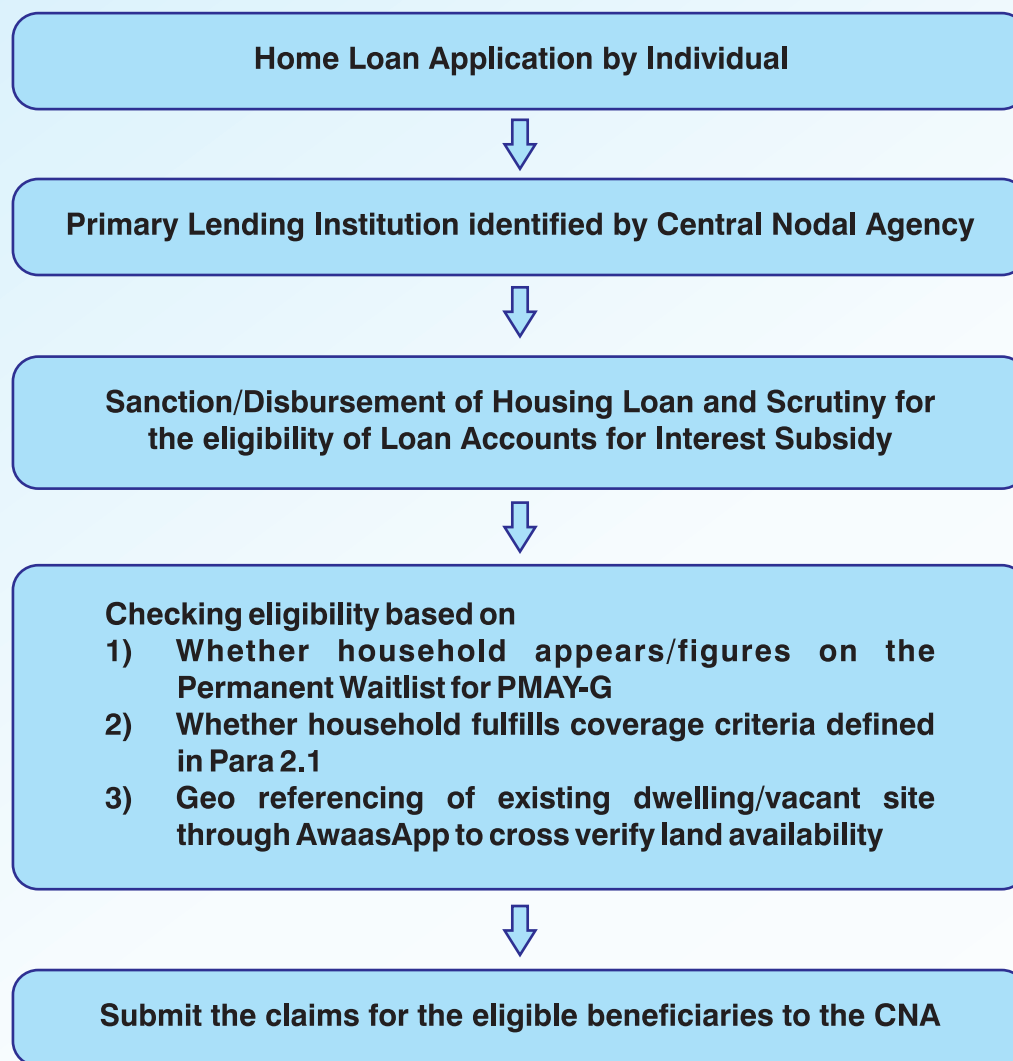
Chapter - VI

MONITORING AND IMPLEMENTATION OF THE SCHEME

- 6.1 RHISS will be implemented and monitored by the Ministry of Rural Development, Government of India through Central Nodal Agency.
- 6.2 In addition to the State Government, the State Level Bankers Committee (SLBC) will monitor the Scheme in the State through its prevalent institutional mechanism.
- 6.3 In case of any false declaration by the beneficiary under the Scheme, she/he would be liable for legal proceedings under relevant laws.
- 6.4 All constructions / modification would be geo-referenced, time and date stamped and captured on AwaasSoft through AwaasApp.
- 6.5 The decision of the Ministry of Rural Development shall be final under the scheme.

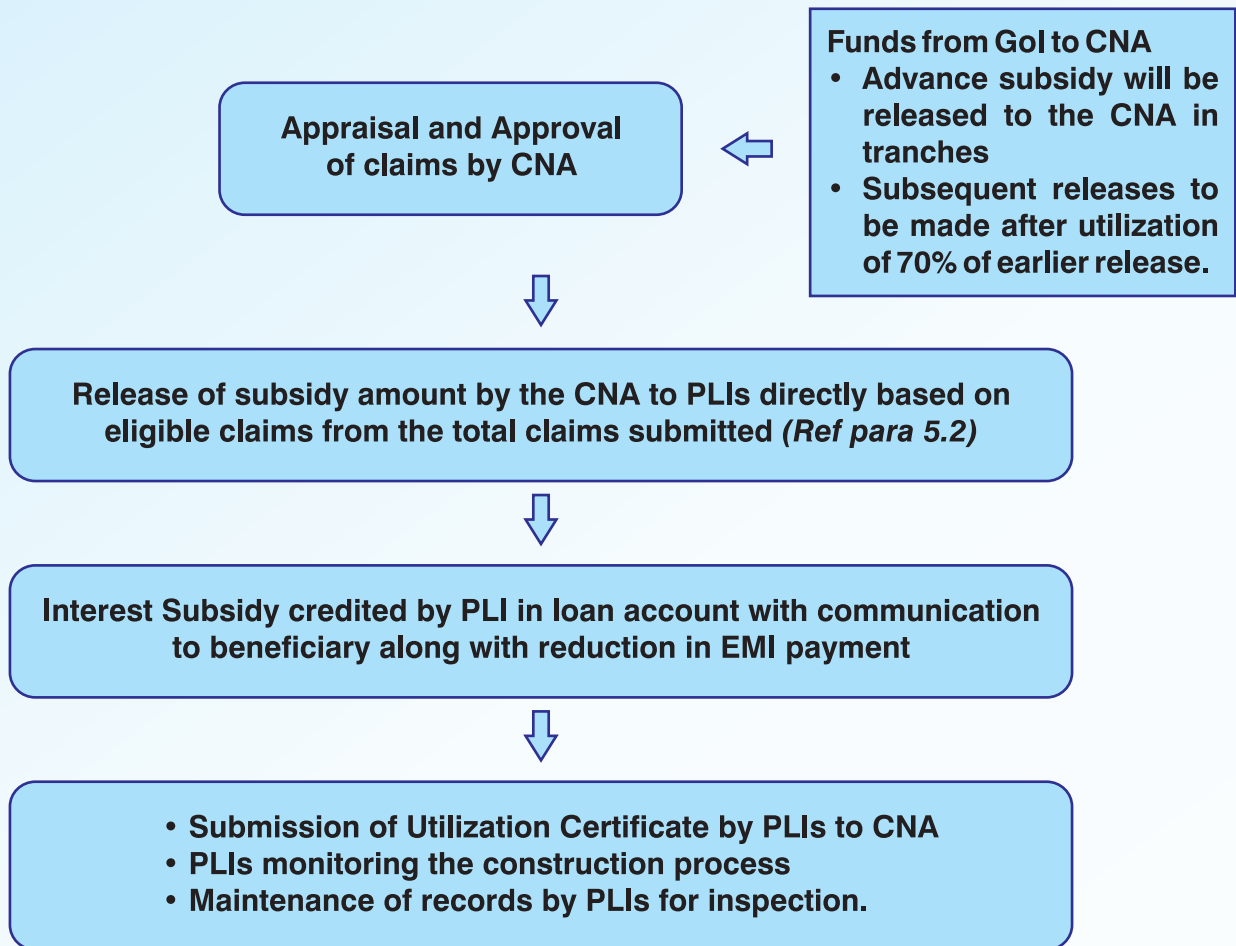
Annexure-I

Fig. 1: Steps in Rural Housing Interest Subsidy Scheme (RHISS)
Process Flow Chart 1: Submission of claims by PLI to CNA





Process Flow Chart 2: Approval of claims and release of funds by CNA





Annexure-II

Memorandum of Understanding (MoU)

This Memorandum of Understanding (MoU) has been executed on _____ at _____ -

BETWEEN

National Housing Bank (NHB), -----, India Habitat Centre, Lodhi Road, New Delhi – 110003, through Shri/Smt. _____ (name) its _____ (designation) (hereinafter called the “First Party”, which shall unless repugnant to the context shall mean and include their successors, assignees and administrators) ON THE FIRST PART

AND

M/s. _____ (Primary Lending Institution Name), _____ (Address) through Shri/Smt. _____ (name) its _____ (designation) (herein after called the “Second Party/Lender”, which shall unless repugnant to the context shall mean and include their successors, assignees and administrators) ON THE SECOND PART

WHEREAS, the Ministry of Rural Development (MoRD), Government of India is implementing a Rural Housing Interest Subsidy Scheme (RHISS) (hereinafter called as the “Scheme”) to address the housing needs of the rural areas as part of the “Housing for All” Mission.

WHEREAS, the Scheme envisages the provision of interest subsidy to Households to enable such borrower/beneficiary to acquire/ modify/ construct a pucca house in rural areas.

WHEREAS, MoRD, Government of India has designated the First Party as the Central Nodal Agency (CNA) to implement the Scheme. The interest subsidy will be released by the CNA to the Second Party/Lender in respect of housing loan sanctioned by Second Party/Lender to various borrowers/beneficiaries under the Scheme as detailed in this MoU.



WHEREAS, the Second Party/Lender is, inter-alia, in the business of lending housing loans to individual beneficiaries on deferred payment basis and is interested in passing on the benefit of the Scheme to eligible borrowers/beneficiaries by crediting the eligible subsidy amount to their housing loan account as per the Scheme.

NOW, THEREFORE, IN CONSIDERATION OF THE PROMISES AND MUTUAL COVENANTS, BOTH THE PARTIES HERETO AGREE AS FOLLOWS:

- A.** The MoRD, Government of India has issued the operational guidelines for the Scheme (hereinafter called the "Scheme Guidelines) by setting out broad features of the Scheme, terms for loan and subsidy reimbursement, selection of beneficiaries, roles and responsibilities of various agencies under the Scheme and its monitoring, etc. The Scheme Guidelines shall be treated as part and parcel of this MoU and shall be read together for all purpose.
- B.** The MoRD, Government of India shall be at full liberty to amend/modify/withdraw/terminate the Scheme and/or amend/modify the Scheme Guidelines.
- C.** That the First Party is the CNA appointed by MoRD, Government of India for channelizing the Interest Subsidy to the Second Party/Lender out of the subsidy released by Government of India to the First Party under the Scheme.
- D. Responsibilities and Obligations of First Party**
 1. The First Party shall be responsible for release of interest subsidy to the Second Party/Lender out of the funds released by MoRD, Government of India, as per the Scheme Guidelines. On receipt of information regarding the loan disbursed by the Second Party/Lender to eligible borrower/beneficiary, the First Party shall release the subsidy amount to the Second Party/Lender directly.
 2. The interest subsidy will be at the rate of 3.0 (three) percent on the principal amount of the loan for the borrower/beneficiary in rural areas, and the subsidy shall be admissible for a maximum loan amount of first Rs.2.00 (two) lakh, irrespective of the quantum of housing loan, for 20 (twenty) years or full period of the loan, whichever is less. If the quantum of housing loan, however, is less than Rs.2.00 (two) lakh, the subsidy will be calculated based on the actual loan amount. The Net Present Value (NPV) of subsidy will be calculated based

on a notional discount rate of 9.0 (nine) percent and upfront subsidy shall be released to the Second Party/Lender. The NPV subsidy given to the Second Party/Lender will be deducted from the principal loan amount of the borrower/beneficiary, who will then have to pay interest to the Second Party/Lender at an agreed documented rate on effectively reduced housing loan for the whole duration of the loan.

3. Any amount refunded by the Second Party / Lender to the First Party, on account of default in providing Utilisation Certificate or otherwise, shall be adjusted in the subsequent release of funds from MoRD, Gol to the First Party.

E. Responsibilities and Obligations of Second Party/Lender

1. The Second Party/Lender hereby undertakes to pass-on the entire benefit of the Scheme to its borrowers/ beneficiaries.
2. The Second Party/Lender hereby undertakes to implement the Scheme as per the terms & conditions under the Scheme Guidelines.
3. The Second Party/Lender hereby undertakes that it will follow the best practices of lending to implement the Scheme and follow the Scheme Guidelines and the Regulations of Reserve Bank of India (RBI) / National Housing Bank (NHB) issued from time to time.
4. The Second Party/Lender will exercise necessary due diligence in risk assessment and will adopt diligent appraisal and sanction procedures, including assessment of the loan eligibility and the repayment capacity of the borrower/beneficiary.
5. The Second Party/Lender will adhere to all extant guidelines issued by the MoRD, Government of India under the Scheme Guidelines including the amendments/ modifications issued from time to time.
6. The Second Party/Lender will work with beneficiary/borrower to get the house completed/modified within one year from the date of first withdrawal of loan.
7. The Second Party/Lender will provide utilization/end use certificate to the First Party on a quarterly basis and also the certificate in relation to the physical progress of the construction leading up to the completion of the housing unit financed under the Scheme. The Second Party/Lender shall submit a consolidated utilization certificate on completion of the housing



unit within one year period from the completion of construction. In case of default in not providing utilization/end-use certificate, the Second Party/Lender shall refund the amount of subsidy to the First Party. Further, any unutilized amount of subsidy shall be immediately returned by Second Party/Lender to the First Party.

8. The Second Party/Lender will monitor the construction of the dwelling units financed under the Scheme, including the approvals for the building design, infrastructure facilities etc. as also the quality of the construction and verify through site visits, etc. the expenditure incurred up to different stages of construction.
9. In the event of default in repayment of the loan by the borrower/beneficiary to the Second Party/Lender and the loan becoming Non-Performing Asset (NPA), the Second Party/Lender will proceed for recovery of the dues through such measures as considered appropriate, including foreclosure of the property, as per law. In all such cases, the amount of the recoveries will be charged on first charge basis to the subsidy amount and shall be appropriated on proportionate basis (i.e. in proportion to the loan outstanding and subsidy disbursed).
10. The Second Party/Lender will provide each borrower/beneficiary a statement, which will make him/her understand the amount given as subsidy, how the subsidy has been adjusted and the impact of the subsidy on his/her equated monthly installments (EMI).
11. The Second Party/Lender shall provide all other information, statements and particulars as may be required from time to time by the First Party or by the MoRD, Government of India under the Scheme.
12. The Second Party/Lender shall furnish the credit information periodically on the RHISS beneficiaries to credit information companies, as per the prescribed format.
13. The Second Party/Lender will clearly explain to the loanees/ borrowers/ beneficiaries the consequences of availing loan on fixed/floating rates of interest.



F. Governing Laws, Disputes and Jurisdiction

This MoU shall be governed by the laws of India and all disputes and differences between First Party and Second Party/Lender arising part of these presents shall as far as possible be resolved through negotiations. However, if any differences/disputes still persist the same shall be referred to the sole arbitrator appointed by the Managing Director and CEO, NHB under the provisions of the Arbitration and Conciliations Act, 1996. The decision of the sole arbitrator shall be final and binding on the parties. Arbitration proceedings shall be held at Delhi.

Signed on this date as mentioned above.

For and on behalf of

(First Party/CNA)

For and on behalf of

(Second Party/Lender)



Annexure-III

FORMAT FOR CLAIMING SUBSIDY UNDER RURAL HOUSING INTEREST SUBSIDY SCHEME (RHISS) OF THE MINISTRY OF RURAL DEVELOPMENT, GOVERNMENT OF INDIA.

(To be furnished by Central Nodal Agency (NHB to the MoRD))

Summary

S. No.	Particulars	In Rs. Cr.
1	Total cumulative subsidy received from MoRD	
2	Interest earned on the funds available with CNA	
3	Subsidy amount released to Primary Lending Institutions (PLIs) so far (Please give State-wise and PLI-wise details as per attached Format)	
4	Balance subsidy including interest available with CNA	
5	Subsidy sought from MoRD	

It is certified that

- 1) As certified by the PLIs, the loans have been sanctioned and disbursed in accordance with the extant guidelines for RHISS of the Ministry of Rural Development, Government of India.
- 2) It is further declared that there has been no negligence on the part of the CNA or any of its officers in verifying the claims and sanctioning the amounts to PLIs of the above referred loan accounts and the same has been sanctioned as per guidelines.
- 3) There is no duplicate claim of the subsidy for any of the aforesaid loan accounts.

(Authorized Signatory)

(Name and Designation)

Date:
Place



State- wise releases

State	No. of Beneficiaries	Amount of Subsidy released
Total		

PLI- wise releases

PLI	No. of Beneficiaries	Amount of Subsidy released to the PLIs
Total		