

**Press Information Bureau**  
**Government of India**  
**Ministry of Housing and Urban Poverty Alleviation**

28-February-2011 17:06 IST

**Union Budget puts the Right Fiscal Policy Environment in Place for the Growth of Housing: Kumari Selja**

Kumari Selja, Minister for Housing and Urban Poverty Alleviation and Minister of Culture, said that she was pleased with the budget 2011-12. It had put the right fiscal policy environment in place for the growth of housing.

The budget had provided for liberalisation in 1% interest subvention for housing, by way of increase in the size of loans covered from Rs 10 lakh to Rs 15 lakh. It had also increased the priority of housing construction in the development agenda, by raising the cap on housing loans qualifying for priority sector lending to Rs 25 lakhs from the current Rs 20 lakhs. Housing construction has a large multiplier effect on growth, by the spin off benefit for about 20 other related industries, and an eight fold increase in employment.

Kumari Selja said she was particularly pleased that the budget had simultaneously taken note of need for housing the urban poor.

There is a housing deficit of about 2.5 crores for the EWS and LIG, growing at the rate of about 3.6 lakhs per annum. The shortage of affordable housing is reaching critical proportions.

Kumari Selja said that the budget had provided incentive to private developers to build affordable housing. The investment linked tax deductions to businesses that construct affordable housing should go a long way to motivate private developers to invest in small housing. She said that the central government would notify the scheme of Affordable Housing in Partnership, under which subsidy towards infrastructure connectivity was already available. There was an assured market for such investment. She hoped that with these two direct benefits, builders would now be incentivised to construct affordable housing.

Private developers had been asking for project financing for affordable housing. This demand would now be met, because of the permission to HUDCO to issue tax free bonds of Rs 5000 Crores for housing and infrastructure. With this, HUDCO would be able to extend loans at competitive rates for core urban infrastructure and housing needs. With this proposal, the long standing demand for placing mass affordable housing construction on par with infrastructure for purposes of capital had finally been accepted by the Finance Ministry.

The Mortgage Risk Guarantee Fund would make a positive impact for financial inclusion of the poor for housing. Under Rajiv Awas Yojana, there was need to create affordable housing stock in order to prevent new slums from being formed. The role of the banks in lending to the poor was critical to the creation of housing for the poor, and Kumari Selja said she was very happy that Government had put this instrument in place. She said that the Ministry would watch how the banks reacted to the concessions made to enable them to lend for affordable housing.

**Following are the excerpts of the Finance Minister's Budget Speech relating to the Housing Sector:**

**“43.** To further stimulate growth in housing sector, I am liberalising the existing scheme of interest subvention of 1 per cent on housing loans by extending it to housing loan upto Rs.15 lakh where the cost of the house does not exceed Rs.25 lakh from the present limit of Rs.10 lakh and Rs.20 lakh respectively.

**44.** On account of increase in prices of residential properties in urban areas, I propose to enhance the existing housing loan limit from Rs.20 lakh to Rs.25 lakh for dwelling units under priority sector lending.ö

**“46.** Credit enablement of Economically Weaker Sections (EWS) and LIG households is a serious challenge. To address this issue, I propose to create a Mortgage Risk Guarantee Fund under Rajiv Awas Yojana. This would guarantee housing loans taken by EWS and LIG households and enhance their credit worthiness.ö

**“73.** In order to give a boost to infrastructure development in railways, ports, housing and highways development, I propose to allow tax free bonds of Rs.30,000 crore to be issued by various Government undertakings in the year 2011-12. This includes Indian Railway Finance Corporation Rs.10,000 crore, National Highway Authority of India Rs.10,000 crore, HUDCO Rs.5,000 crore and Ports Rs.5,000 crore.ö

**“148.** Considering the importance of housing, I also propose investment linked deduction to businesses which develop affordable housing under a notified scheme.ö