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Home loan subsidy for poor in offing 15 Mar 2008, 0016 hrs IST,TNN Print Save EMail Write to Editor NEW DELHI: The government is planning to provide an interest-rate subsidy on home loan for the economically weaker section and low-income group in urban areas. "A proposal to provide interest subsidy on housing loans for the economically weaker sections and the low-income group in urban areas is under consideration of the government of India," minister of state for finance Pawan Kumar Bansal said.

Details of the scheme are being worked out, he added. As the interest rate on home loan rose from 7% in 2004 to 12% by March 2007, affordability of weaker sector to buy houses has gone down sharply. Because of the rise in interest rates, the equated monthly instalment (EMI) on a 20-year home loan went up by almost 50%. At the same time, as the real estate prices also rose sharply during the same period, houses become almost out of reach for the low-income group people.

The country could face a shortage of 2.65 crore houses by 2012. Government has been asking banks to lower lending rates to encourage spending and prevent growth from slowing down. FM P Chidambaram had suggested that banks should cut rates on home loans up to Rs 20 lakh. But because of inflationary pressure, RBI continued to follow the tight monetary policy, keeping the interest rate high.

But, this has affected both home buyers and the developers, who are now facing slowdown in the sector. Because of boom in the sector, the home loan disbursements have gone up substantially in the last three years. The total amount of housing loan outstanding went up from Rs 1,33,908 crore as on March 31, 2005 to Rs 1,85,181 crore on March 31, 2006 and further to Rs 2,30,689 by the end of fiscal 2007. Print Save EMail Write to Editor Get personalised news stories on mobile. SMS TOI to 58888 Loading

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