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# MHFC in lead as affordable housing attracts investment

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**Pune, Dec 23:** Demand for affordable housing is on the rise. While developers are bullish about the segment and are planning several projects, the absence of a finance mechanism has become a significant hurdle. The picture is however changing and several finance institutions have begun to take interest. Incorporated in 2008, the Micro Housing Finance Corporation (MHFC) has decided to focus on this hitherto under-served segment.

"There is a huge demand for affordable housing and some 40 million to 60 million houses will be required across the country in the next couple of years,"

Ramesh Ogale, director, MHFC, said. A recent Knight Frank report titled, 'Affordable Housing in India' said that the affordable segment has a potential of becoming as large as Rs 300,000 crore in the next two years. "However, commercial banks were reluctant to lend to customers of this segment as, in many cases, there was a lack of adequate documents or the absence of a bank account. One of the issues stalling development of low-income housing was the lack of finance available to buy such homes and our model enables customers of these segments to own homes," he said.

The company began lending operations from June and has disbursed around

100 loans between Rs 4 lakh - Rs 5 lakh each, amounting to a total of around Rs 3 crore. MHFC has set a target of disbursing around 1,500 loans in the first year of operations and 50,000 loans worth Rs 2,000 crore, in the next five years, Ogale said.

MHFC currently has a capital base of some Rs 33 crore of which Rs 25 crore came through VC funding as equity in its first round of external funding from the India Financial Inclusion Fund ("IFIF") and the Michael & Susan Dell Foundation, the first of its kind in the affordable housing finance space. MFHC gives loans of about Rs 5 lakh for a 15-year tenure at a lending rate of 12%-14%.

It has tied up with low-cost developers including Shubh-griha by Tata Housing, Global City (a Rustomjee/Evershine joint venture), Shree Vaishnavi Constructions and Tanaji Malusare City. All these projects are in Maharashtra. MHFC is also looking to partner with state housing boards and provide loans to beneficiaries under housing schemes for economically-weak sections. "We are in talks with MHADA, JN-NURM-led projects and Rajiv Awas Yojana to push funding in this sector," Ogale explained. Several other players including SKS Microfinance and MAS Financial Services have also entered the segment.