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February 08, 2019

To,  
**Hon'ble Shri Piyush Goyal**  
Minister for Finance,  
Minister for Railways & Coal,  
Government of India  
North Block,  
New Delhi - 110 001

**Sub: Suggestions for reduction of stress in the Real Estate Industry**

Respected Sir,

This being the election year, with heightened expectations, all eyes were on your maiden Union Budget speech of February 1, 2019. With all due regards & respect, CREDAI-MCHI extends its heartiest congratulations to you on a superb, well balance and historic budget presented by your good self. For once the Real Estate Industry had something to cheer about in the Union Budget.

**A. MORTGAGE**

In order to bring further relief to some of the stakeholders in the Real Estate Industry, especially the self-employed construction workers, we have certain specific suggestions to make as hereunder:

1. While the Interim budget has provided a lot of long awaited relief to the middle class home seeker, in order to ease the financial burden of the Home Loan on both the self-employed and the salaried class, all home loans should be provided at below 8%.
2. Keeping in mind the self-employed construction workers and the other such under privileged workers across industries there should be a provision for mortgage insurance that may act as an additional security for both the lender as well as the loanee. By virtue of the insurance while the loaner would be ensured of the repayment, on the other hand, in case of an unforeseen event with the loanee, the families of this self-employed segment does not have to bear the burden of repayment as also the inevitability of losing the underlined asset itself.
3. Given the uncertainty of income of this self-employed segment, the banks and NBFCs are usually known to keep a lower loan-to-value (LTV) to factor in the associated risk; it is hereby earnestly suggested to align the LTV for this segment to be the same as that for the salaried class.

**B. LIQUIDITY CRISIS SURROUNDING REAL ESTATE**

As an industry, we need your undivided support to bring us out of this vicious cycle or the current crisis emerging out of IL&FS that may culminate in the shutting down of the industry altogether. The industry today is in dire need of a comprehensive package

to bail it out of this crisis, and we look forward unto you to kindly provide us with a path in order to achieve the following:

- 1) Until the liquidity situation eases, allowing a one-time restructuring of all developer loans as was allowed in 2008 during the Lehman Crisis including those that may have got classified as NPAs over the past one year;
- 2) To relook at the NPA recognition norm for NBFCs/HFCs and to make the same liberal by pushing recognition from 90 Days Past Due (DPD) to 180 DPD;
- 3) To allow PSU banks to take over and restructure even those developer loans that may have had a land component as part of the existing loan structure;
- 4) Immediate liquidity in the industry, either to the NBFC's or direction to banks to support real estate and housing funding by increasing their exposure norms, whereby the banks can re-start funding developers and home loans;
- 5) Urging Banks/ NBFC's to reduce the overnight increase in cost of borrowing effected by them.

### **C. AFFORDABLE HOUSING MEASURE**

#### **Section 80-IBA: Deduction in respect of profits and gains from Affordable Housing Projects**

Finance Act 2016 has inserted section 80-IBA which grants 100 percent exemption for affordable housing projects subject to conditions which, inter-alia, include a condition that the project should be completed within 5 years (amended by the Finance Act, 2017) from the date of first approval.

#### **Issue with this provision:**

If developers have projects approved before June 1, 2016, but now wish to revise the plan to create affordable housing, they are denied the tax benefit.

#### **Our Suggestion for amendment in the section:**

The following portion of Section 80IBA should be deleted-

*"Where the approval in respect of a housing project is obtained more than once, the project shall be deemed to have been approved on the date on which the building plan of such housing was first approved by the Competent Authority."*

And the following should be inserted -


*"Where the approval in respect of a housing project is obtained more than once, the project shall be deemed to have been approved on the date on which all the necessary conditions precedent for the start of construction work for the full project have been complied with."*

Sir, we very sincerely and humbly request you to consider our aforementioned suggestions.

Best Regards,  
For CREDAI-MCHI

  
Nayan A. Shah  
President

  
Bandish Ajmera  
Hon. Secretary

  
Sanjiv S. Chaudhary MRICS  
Chief Operating Officer