

Innovations In Housing Finance Sector: In Reference To National Housing Bank

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Abstract

The housing finance sector has been witnessing radical changes in recent times in terms of industry structure, products, appraisal and recovery norms etc. Aggressive competition in the field of housing finance has made it imperative that only effective and efficient functioning will be the key to survival and success in the long run. As the apex housing finance institution of the country, NHB has been monitoring and regulating the housing finance industry to ensure its growth on sound and healthy lines.

The objective of the paper is to review of existing housing finance products and potential and opportunities associated with innovations in housing finance products. The programme will address issues like Productive Housing in Rural Areas, issues related to Reverse Mortgage and Aam Aadmi Awas along with existing housing finance products.

Keywords: Primary Lending Institutions, EWS, LIG

Introduction

The National Housing Bank (NHB) was set up in July 1988, under an Act of the Parliament. The Bank is a wholly owned subsidiary of the Reserve Bank of India (RBI) to promote housing finance institutions and to provide financial and other support to such institutions. One of the prime objectives of the Bank is to establish and promote a sound and stable housing finance system in the country. NHB is pursuing its charter and vision to shape and develop the housing finance market in India along sustainable lines and promoting financial and institutional depth in the housing finance sector. NHB is engaged in a range of activities that are key to the development of market based solutions for low and moderate income housing segments. Its activities include building of institutional framework and market infrastructure, which are critical for expansion and stabilization of the housing finance system. Apart from its various promotional activities, NHB also seeks to undertake measures that promote confidence amongst stake holders. Under the provisions of the

Act, NHB as the regulator for the Housing Finance Institutions (HFIs), seeks to promote sound and stable having finance system and its vision, mission and objectives are derived accordingly.

Innovative Products-NHB

I. Residential Mortgage Backed Securities (Securitisation)

Securitization is the financial practice of pooling various types of contractual debt such as residential mortgages, commercial mortgages, auto loans or credit card debt obligations (or other non-debt assets which generate receivables) and selling their related cash flows to third party investors as [securities](#), which may be described as [bonds](#), pass-through securities, or [collateralized debt obligations](#) (CDOs). Investors are repaid from the principal and interest cash flows collected from the underlying debt and redistributed through the capital structure of the new financing. Securities backed by mortgage receivables are called [mortgage-backed securities](#) (MBS), while those