No. N-11011/11/2024-HFA-V-MoHUA (FTS-9177403)
Government of India
Ministry of Housing and Urban Affairs
HFA-V Division
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Room No. 118-G, NBO Building,
Nirman Bhawan, New Delhi-110011
Dated: 27.09.2024

To,

1. CMD, Housing and Urban Development Corporation Ltd., HUDCO Bhavan, India Habitat Centre, Lodhi Road, New Delhi.
2. MD, National Housing Bank, Main Building, Core 5-A, Lodhi Road, New Delhi- 110003
3. Chairman, State Bank of India, 8th Floor, Corporate Center, State Bank Bhawan, Madam Cama Road, Mumbai – 400021

Sub: **Signing of Memorandum of Understanding (MoU) for implementation of ISS vertical of Pradhan Mantri Awas Yojana - Urban 2.0 (PMAY-U 2.0), 'Housing for All' Mission – reg.**

Madam/Sir

You are aware that Pradhan Mantri Awas Yojana - Urban (PMAY-U) 2.0 has been launched by Hon'ble Prime Minister by releasing Scheme Guidelines from Bhubaneswar, Odisha on 17.09.2024. PMAY-U 2.0 will provide financial assistance to one crore urban poor and middle-class families of EWS/LIG/MIG categories to construct, purchase or rent a house at an affordable cost in urban areas over five years with effect from 1st September 2024. This Ministry vide letter of even number dated 17.09.2024 has already shared Scheme Guidelines of PMAY-U 2.0 with all Central Nodal Agencies (CNAs).

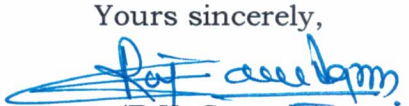
2. The scheme will be implemented through four verticals i.e. Beneficiary Led Construction (BLC), Affordable Housing in Partnership (AHP), Affordable Rental Housing (ARH) and Interest Subsidy Scheme (ISS). The ISS vertical of the scheme will be implemented as Central Sector Scheme through Central Nodal Agencies (CNAs).

3. In accordance with the Scheme Guidelines, as a first step, the CNAs will be required to sign a Memorandum of Understanding (MoU) with the Ministry and a copy of the MoU is enclosed herewith as **Annexure-I**. After signing the MoU, the CNAs will sign separate MoUs with interested Primary Lending Institutions (PLIs) for release of subsidy to the eligible beneficiaries as per **Annexure-II**.

4. The funds will be released using PFMS under CNA Hybrid TSA Model-1 as per the mandate of Ministry of Finance, Govt. of India. After signing of MoUs, the CNAs will be onboarded on PFMS platform for release of funds. CNAs will also onboard respective PLIs on PFMS platform for the just-in-time release of funds to the beneficiaries.

5. Accordingly, it is requested to forward duly signed two copies of the MoU in original to this Ministry for acceptance and further necessary action at our end.

Yours sincerely,



(R.K. Gautam)
Deputy Director General (HFA)
Tel.011-23063266

Encls: As above.

Copy for information to:

1. PSO to Secretary (HUA)
2. PPS to JS&MD (HFA), MoHUA

Annexure-I

Memorandum Of Understanding (MOU)

THIS AGREEMENT is made at **New Delhi** on this_____ day of _____ (month), 202__ (year)

BY AND BETWEEN

The Government of India, through the Ministry of Housing and Urban Affairs, Govt. of India hereinafter referred to as **First Party;**

AND

The Second Party _____ **(name Implementing Agency) identified as Central Nodal Agency** for implementing the 'Interest Subsidy Scheme' vertical of Pradhan Mantri Awas Yojana - Urban 2.0 (PMAY-U 2.0) on the home loans, through its (Name & designation)_____Nodal Officer _____Name (hereinafter called the Second Party, which shall unless repugnant to the context shall mean and include their successors, assignees and administrators) on **the Second Party;**

WHEREAS, the Second Party shall implement Interest Subsidy Scheme (ISS) vertical under Pradhan Mantri Awas Yojana - Urban 2.0 (PMAY-U 2.0) as per the **'Scheme Guidelines'** issued by the First Party, for carrying out its responsibilities in providing interest subsidy to Primary Lending Institutions (PLIs) for transfer of the subsidy benefit to eligible beneficiary in their home loan account;

AND WHEREAS the First Party and the Second Party have agreed to abide by the 'Scheme Guidelines';

AND WHEREAS the Second Party has agreed to implement ISS vertical by identifying and onboarding the eligible PLIs as per 'Scheme Guidelines';

AND WHEREAS the First Party has considered to release the subsidy to CNAs based on the demand raised and upon utilization of 75% fund released for the implementation of the Scheme.

AND WHEREAS, THE SECOND PARTY AGREES:

a) goal setting and facilitating Primary Lending Institutions such as HFCs, SFBs, RRBs, Banks etc. for disbursal of home loan.

b) to develop training modules and train the PLI staff identified as nodal officer to anchor ISS.

c) to align its systems and processes along with IT systems as per the IT systems anchored at the MoHUA.

d) to help PLIs to establish necessary processes and IT systems in alignment to IT systems of MoHUA for carrying out the due diligence as per the requirement described in the 'Scheme Guidelines' for implementing ISS.

e) to depute dedicated staff members for management of administrative works, IT systems and Grievance Redressal of PLIs amongst other.

f) to conduct due diligence, monitor and provide necessary reports in regular intervals for review by MoHUA.

g) to establish an effective grievance redressal cell for effective and speedy redressal.

For and on behalf of	For and on behalf of
Ministry of Housing and Urban Affairs, Government of India	**Central Nodal Agency**
Name: _____	**Name:** _____
(First Party)	**(Second Party)**

Annexure-II

Memorandum of Understanding (MOU)

This Memorandum of Understanding (MoU) is made and executed at New Delhi on the _____ (Date in words)

BY AND BETWEEN

M/s _____ as Central Nodal Agency, having its office at _____ (address) through its _____ authorized signatory (Name & designation) (hereinafter called as **'CNA'** or **'First Party'**, which shall unless repugnant to the context shall mean and include their successors, assignees and administrators) on the **FIRSTPART;**

AND

M/s_____ (Bank/HFC/RRB/State Co-operative Bank/Primary Lending Institution/lender) having its office at _____ (address) through its _____ (name & designation) (hereinafter called the **'PLI'** or **Second Party**", which shall unless repugnant to the context shall mean and include their successors, assignees and administrators) on the **SECOND PART;**

WHEREAS, the Ministry of Housing and Urban Affairs (MoHUA), Government of India is implementing the "Interest Subsidy Scheme" (hereinafter called the "ISS") under Pradhan Mantri Awas Yojana - Urban 2.0 (PMAY-U 2.0) as per 'Scheme Guidelines' to support the eligible beneficiaries by providing the interest subsidy on home loans and to address the housing needs of the Economically Weaker Sections (EWS)/ Low Income Groups (LIG) and Middle Income Groups (MIG) segments in urban areas;

AND WHEREAS, the ISS envisages the provision of interest subsidy on home loan to enable EWS/ LIG/ MIG borrower/ beneficiary to buy or construct the house;

AND WHEREAS, MoHUA, Government of India has designated the First Party as the Central Nodal Agency (CNA) to implement the ISS vertical of PMAY-U 2.0;

AND WHERAS the interest subsidy will be released by the First Party/CNA to Second Party/PLI in respect of housing loan sanctioned by Second Party/PLI to the eligible borrowers/ beneficiaries as per the 'Scheme Guidelines' of PMAY-U 2.0 through unified web portal;

AND WHEREAS, the First Party is the CNA appointed by MoHUA, Government of India for channelizing of Interest Subsidy to the Second Party/PLI out of the subsidy released by Government of India to the First Party/CNA under the Scheme;

AND WHEREAS, the Second Party/PLI is, inter-alia, in the business of lending the housing loans to individual home buyers on deferred payment basis and is interested in providing the benefit of the ISS to eligible borrowers/beneficiaries under PMAY-U 2.0;

AND WHEREAS, The MoHUA, Government of India has issued the Scheme guidelines of PMAY-U 2.0; wherein modalities for implementation of ISS are elaborated. The broad features of the ISS, terms for loan, subsidy reimbursement, selection of beneficiaries, roles and responsibilities of various agencies under the ISS and its monitoring etc. shall be governed as per the Scheme Guidelines of PMAY-U 2.0. The copy of Scheme guidelines is annexed as **Annexure-I**.

NOW, THEREFORE, INCONSIDERATION OF THE PROMISES AND MUTUAL COVENANTS, BOTH THE PARTIES HERE TO AGREE AS FOLLOWS:

A. That it is understood and agreed by both the parties that interest Subsidy under ISS shall be released through a single click on a monthly basis to all the eligible beneficiaries by MoHUA through First Party/CNA. Accordingly, the borrowers/

beneficiary shall be intimated about credit of subsidy amount to his/her account by Short Messaging Service (SMS).

B. That to implement the ISS effectively, the Second Party/PLI shall aggregate the demands for funds to the First Party/CNA on annual basis and same are to be utilized in the respective Financial Year.

C. That it is understood and agreed by both the parties that the MoHUA, Government of India shall be at its discretion to amend or modify the Scheme guidelines or withhold the ISS.

D. Further, it is also understood and agreed by the parties that in the event of any amendment or modification of Scheme Guidelines or withholding the ISS by MoHUA, the home loans which already got sanctioned and partly-disbursed by the Second Party/PLI, the interest subsidy shall be made available by First Party/CNA to Second Party/PLI based on the availability of funds out of the budgetary allocation.

E. That in order to facilitate awareness about the benefit of ISS among the potential beneficiaries, Second Party/PLI shall display the details of ISS along with the contact details at their respective branches.

F. **Responsibilities and Obligations of First Party:**

1. The First Party/CNA shall be responsible for the release of interest subsidy to the Second Party/PLI out of the funds released by MoHUA, Government of India, as per the Scheme Guidelines. On receipt of information by the Second Party/PLI regarding the loan disbursed to eligible borrower/beneficiary under ISS, the First Party/CNA shall channelize the subsidy amount to the borrower/ beneficiary account through MoHUA. Accordingly, the interest subsidy under ISS shall be released through a single click on a monthly basis to all the eligible beneficiaries by MoHUA through First Party/CNA.

2. The interest subsidy shall be at the rate of 4% (four percent) on the principal amount of the home loan for EWS, LIG and MIG segment, admissible for a maximum loan amount of ₹8 (Eight) lakh, where maximum loan can be given up to ₹25 (Twenty Five) lakh, for the period of 12 (Twelve) years or full period of the loan, whichever is lesser, where minimum tenure of loan should be for 5 (Five) years. However, if the loan size is below ₹8 (Eight) lakh, the subsidy will be limited to the loan amount. In no case Actual Subsidy will be more than ₹1.80 lakh.

3. The Net Present Value (NPV) of subsidy will be calculated based on notional discount rate of 8.5% and subsidy will be provided in 5 annual instalments provided that the principal loan outstanding is more than 50% in the loan account, as the case may be. The NPV subsidy given to the lender will be deducted from the principal loan amount of the borrower/ beneficiary, who will then have to pay interest to the Second Party at an agreed document rate on effectively reduced housing loan for the whole duration of the loan.

G. **Responsibilities and Obligations of Second Party:**

1. The Second Party/PLI hereby undertakes to ensure that the entire benefit of the ISS are passed on to its borrowers/beneficiaries.

2. The Second Party/PLI hereby undertakes to implement the ISS as per the 'Scheme Guidelines'.

3. The Second Party/PLI hereby undertakes that it will follow the best practices of lending to implement the ISS and follow the Scheme Guidelines and Regulations of Reserve Bank of India (RBI)/National Housing Bank (NHB).

4. The Second Party/PLI shall exercise due diligence in risk assessment and will adopt diligent appraisal and sanction procedures, including assessment of the loan eligibility and the repayment capacity of the borrower/beneficiary.

5. The Second Party/Lender shall adhere to all extant guidelines issued by the MoHUA, Government of India under the "Pradhan Mantri Awas Yojana - Urban 2.0" Scheme including the modifications/amendments to such guidelines from time to time.

6. The Second Party/PLI shall provide Utilization/End Use Certificate to the First Party/CNA on a monthly basis after the subsidy gets released by MoHUA and also the certificate in relation to the physical progress of the construction leading up to the completion of the housing unit.

7. The Second Party/PLI shall confirm the release of interest subsidy by checking the loan account of each beneficiary and then submit a consolidated Utilization Certificate on completion of housing unit within one month period from the date of receipt of interest subsidy from First Party/CNA to Second Party/PLI. After the receipt of interest subsidy from First Party/CNA to Second Party/PLI, the amount of credited subsidy has to be reflected in the home loan account of respective beneficiaries.

   In case, the Second Party/PLI fails to provide the Utilization/End Use Certificate to First Party/CNA, in such case, the Second Party/PLI shall refund the amount of subsidy to the First Party/CNA. Further, any unutilized amount of subsidy shall be immediately returned by Second Party/PLI to the First Party/CNA with interest at the rate of MCLR of State Bank of India.

8. The Second Party/PLI shall provide the statement to each borrower/beneficiary, which will make him/her understand about the subsidy amount, adjustment of subsidy and the impact of the subsidy on his/her equated monthly instalments (EMI) or tenure of the home loan. The beneficiaries shall be intimated immediately after receipt of interest subsidy from First Party/CNA to give an option to the beneficiaries to choose either to reduce his/her EMI or reduction in tenure of home loan. In case of no response from the beneficiary within seven (7) working days, the EMI of home loan shall be reduced accordingly.

9. The Second Party/PLI shall monitor the construction of the dwelling units financed under the Scheme, including the approvals for the building design, infrastructure facilities etc. as also the quality of the construction and verify through site visits etc. the expenditure incurred up to different stages of construction.

10. In the event of default in repayment of the loan by the borrower/beneficiary to the Second Party/PLI and the loan becoming Non-Performing assets (NPA), the Second Party/ PLI shall initiate the recovery of the dues through such measures as considered appropriate, including foreclosure of the property as per law. In all such cases, the subsidy amount shall be adjusted against the amount of recoveries in proportion to the loan outstanding and subsidy disbursed.

11. The Second Party/PLI shall provide all other information, statements and particulars as may be required from time to time by the First Party/CNA or by the MoHUA, Government of India while implementing the Scheme.

12. The Second Party/PLI shall clearly explain to the borrowers/ beneficiaries the benefits and consequences of availing loan on fixed/floating rates of interest.

13. Geo-tagging of beneficiary houses along with their geo-spatial location shall be done by the Second Party/PLI before claim of subsidy. The Second Party/PLI shall make the claim the subsidy amount through a proper channel within thirty (30) days from the date of disbursement of home loan to the beneficiary; otherwise, it shall be responsibility of the Second Party/PLI.

H. **Disputes and Jurisdiction:**

1. That the Parties shall abide and adhere to the covenant in agreement further in case of a dispute between the parties, the matter will be resolved through mutual discussion.

2. All disputes and differences between First Party/CNA and Second Party/PLI arising part of these presents shall as far as possible be resolved through negotiations. However, if any differences/disputes still persist, the same shall be referred to the sole arbitrator appointed by the First Party/CNA under the provisions of the Arbitration and Conciliations Act, 1996. The decision of the sole arbitrator shall be final and binding on the parties. Arbitration proceedings shall be held at New Delhi.

IN WITNESS THEREOF, THE PARTIES HERETO HAVE EXECUTED THESE PRESENTS THE DAY AND YEAR FIRST HEREINABOVE WRITTEN.

For and on behalf of Central Nodal Agency i.e. _____[Name of CNA- NHB/HUDCO/SBI]	For and on behalf of Primary Lending Institution __[Name of Bank/HFCs/PLI]
First Party	Second Party

Witness:_____
Name:
Designation:

Witness:_____
Name:
Designation: