A NOTE ON SUBVENTION

SUBVENTION

1. Payment of Interest by Seller/ Developer/ Builder for a certain period generally the construction period.
2. Subvention of EMI not permitted i.e. Principal + Interest and / or principal payment are not permitted.
3. Subvention of interest is generally upfront with discounting at deposit/ agreed rates.
4. Borrowed scheme from Govt. policies for Export/ Housing.
5. Where part interest is subvented and part is paid by the customer, it is Interest rate Subvention.

BENEFITS OF SUBVENTION

CUSTOMER

- Small payment for purchase generally, only Earnest Money.
- Interest subvented and PPI holiday.
- Confidence of Bank support to project & execution.
- Cap on Interest for Subvention period.

BANK

- Upfront Interest Payment.
- Book Building
- Value of Security Increases, LTV is higher.
- Low default rates.

DEVELOPER

- Accelerated Sales.
- Upfront Payment.
- Customer's Longevity.
- Low rate of interest on Housing Loan with Corporate/ Construction Loans.

CHALLENGES IN SUBVENTION

- Cost of Subvention to Builders.
- Customer's eligibility for debt – High Value Properties.
- Delay in Projects – Customer's conflicts.
- Concentration of risk for banks, large number of customers at initial stage and gap up funding.
- Speculative buyers, lack of end users.
- Proper documentation at builder level.

DOCUMENTS FOR SUBVENTION

CUSTOMER	
• Receipts for Payments made. • Payment Plan from Developer. • Allotment Letter. • Personal Documents.	For Sanction of loan
• Flat Buyer Agreement. • TPA • Demand letter	For Disbursement of loan

BANK	
• Receipts for Payments made. • Payment Plan from Developer • Allotment Letter. • Personal Documents • Approval of Subvention Scheme	For Sanction of loan
• Copy of Receipts for Payments. • Flat Buyer Agreement. • TPA • NOC/ PTM	For Disbursement of loan

DEVELOPER
• Application Form duly filled with KYC Documents.   • PAN Card • Residence Proof. • Photograph etc.
• Specific Documents in case of NRI / PIO Customers.
• Flat Buyer Agreement.
• TPA.
• Subvention interest sheet claim

OPERATION PROCESS

A) BOOKING FORM

- Subvention Scheme details.
- Eligibility for bank loan.
- Responsibility for bank loan.
- Time linked Payment Plan.
- Construction linked Payment Plan.
- Subvention Period.
- Change of plan Rules
  (from subvention to CLP or vice versa)

Marketing Team

B) Receipt of Booking Form & Cheque

- Complete form with clear marking of Subvention Scheme.
- Subvention Plan Time linked/ Milestone.
- System Feeding.

Back Office Team

OPERATION PROCESS

C) **GENERATION OF DEMANDS**

1. Time Linked (Minimum of Earnest Money).
   - Customer (As per application form , Generally 45 to 90 days)
   - Execution of Flat/ Unit Buyer Agreement.(on receipt of Time Linked demand)
   - Referring the customer to approach Bank.
   - Sanction Letter by Bank.
   - Execution of TPA's with Bank.
   - Issuance of NOC/ PTM.

2. Time Lag of Minimum 30 Days from Last Time Linked demand to Subvention demand.
3. Release of funds as per subvention demand by Bank / FI's.
4. Receipt of Instrument Released by Bank.
   - (A) Issue Receipt for Payment received from Bank.
   - (B) Issue Receipt for Subvention Interest.(Interest payable to Bank for period of subvention and amount received as per (A))
   - (C) In case of Gap at (A) & (B), Value date the receipt issued at (B).
   - (D) Charge interest to customer for delayed payment on his/ her contribution.

Customer Care Team / Finance

THANK YOU