

THE PLETHORA of home loans now available to the eligible customer, and the fact that the customer is being wooed by numerous home loan companies is proof enough that housing and home finance has now come of age in India. The phenomenon is about 25 years old, and begins really from the time the National Housing Bank, and companies like the HDFC were set up. Money slowly flowed in, and over the years home finance companies refined their skills to ensure that the moneys they lend out goes to the right people, and that their NPAs are reduced to the minimum.

Coupled with this movement of funds is the fact that home finance companies now are offering loans at consistently lowering rates of interest, thanks to the global economy's effect on the Indian economy. Mortgages and suchlike words, hitherto unheard of two decades ago, are now common household parlance, and as the economy gets rationalized over the years, this sector shall open up substantially.

Implementation of urban laws, better municipal governance, and a slow but sure awareness that laws need to be followed if not for any other reason but for peace of mind, are also trends being slowly noticed – though rather slowly. In

sync with all these movements, home finance companies are bringing in mechanisms to ensure that their monies are safe – due diligence of customers, vetting of ownership documents, and other such measures are already in place in most organizations.

However, while one reads a lot about reducing interest rates, and other such finance related matters, there seems to be very little thought given to the quality of design, quality of construction, and issues related to building maintenance and energy management of the homes built by the customer.

Why should home finance companies bother about such apparently trivial matters?, one could ask.

The reasons are many, but the main one being



Quality Revolution

Illustration: MANJUL

that the loaning agency must keep in mind that the property which is being financed is actually its own asset, and is being given for use to the customer till the loan is repaid. Like any other traditional bank-

ing function, it is in the bank's interest to ensure the well being of the asset, and to ensure that the asset is of a quality which can be retrieved, and be loaned/ mortgaged out again. Very much like the automobile market, it is easy to loan out money to get a customer to buy a car, but difficult to get back a good car after the recoveries have not been repaid.

When, however, this is a matter concerning an immovable asset like a building, the issues involved become a lot more complex. The assets must be designed well, be built to last, must be energy efficient, be maintainable, and must satisfy all urban governance laws.

This awareness is not something new- during the postwar real estate boom in the West, housing development companies tied up with the housing finance companies to ensure all such matters were addressed in a coordinated manner. The results were consortiums formed

between the two resources, along with architectural design firms which specialized in public housing, group housing, and home development. It is also logical to assume that after the Television Revolution, the Communication Revolution, the Automobile Revolution, and the White Goods the customers attention shall move towards good quality and towards better service standards.

Banks and financial Institutions are now more concerned about NPA's than ever before – the rationalizations taking place in the economy are forcing us to address these issues. Soon Credit Bureaus and other mechanisms shall take shape, and with advanced computing skills and hardware becoming more the norm than the exception, the black sheep who do not pay back their loans shall be nudged out of the shepherd's fold.

The need of the hour, now, is to think ahead. About energy efficient housing, and about good quality design as well as good quality construc-

tions. Organizations like CRISIL, (or other such entities probably created by home loan finance companies) shall have to address issues like grading professionals, architects and contracting companies.

Similarly, matters concerning good urban governance and implementation of municipal laws shall emerge from the cobwebs and shall be addressed seriously. Everyone prefers law and order to chaos, though some of us do not admit this basic rule so readily.

Housing Finance Companies now need to look beyond their noses, and beyond the mundane issues of interest rates, legal titles of land etc., to the quality of the product they are financing, and to the fact that their assets are immovable pieces of architecture which need to be financially productive for nearly half a century – if not more. Those who look beyond their noses will ride the boom. Those who are myopic- will not.

Quality drives moneybags

Financiers are now checking out quality of construction of projects they finance, says **Sudhir Vohra**