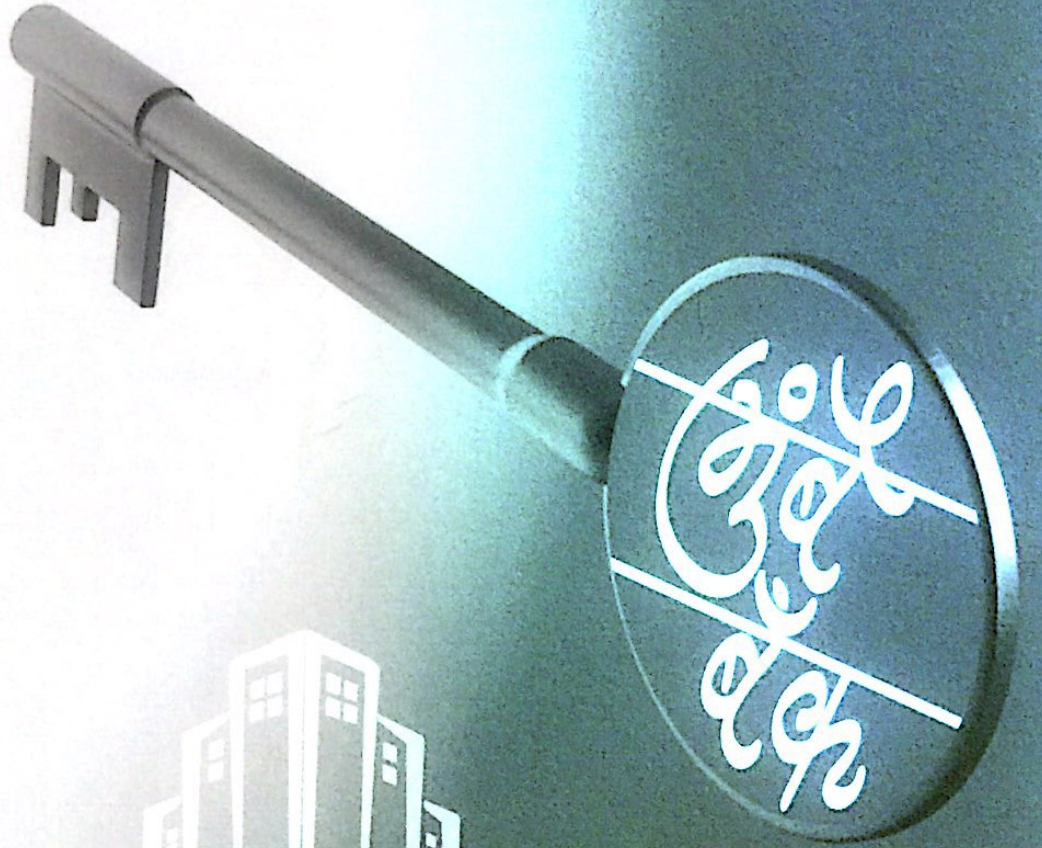




मुंबई जिल्हा मध्यवर्ती सहकारी बँक मर्यादित.

Mumbai District Central Co-operative Bank Ltd.

SELF  
REDEVELOPMENT



गृहनिर्माण स्वयंपुनर्विकास कर्ज धोरण

SELF REDEVELOPMENT LOAN POLICY  
FOR CO-OPERATIVE HOUSING SOCIETIES



## SELF REDEVELOPMENT LOAN POLICY

Taking into consideration the old members in Bombay Suburban are the housing societies and their buildings are in dilapidated condition. As also even though additional FSI is received by the said societies as per eligibility as the sufficient fund is not available with the members who are residing in the building of society and retired from service / business as effect the reconstruction of such building is pending Mumbai Bank has prepared revised building reconstruction loan policy as follows:

The meaning of reconstruction of building shall be SELF-REDEVELOPMENT. Therefore, in this policy wherever word building reconstruction is used the same should be read as SELF-REDEVELOPMENT.

The said loan policy is divided into three types. But their objective and eligibility criteria for loan shall be same.

The said loan shall be made available for reconstruction of building for following kinds of objectives:

### **A) Objective:**

1. To demolish entire old building presently existing and to construct new building at the said place and as per prevailing act to get additional FSI received by the society.
2. To construct new building on the vacant land out of society land other than the original building and to get benefit of the same for society.
3. To carry out new construction on the building using the presently building in good construction and additional FSI received by the building.

### **B) Eligibility criteria for the building reconstruction loan:**

1. The society demanding loan is required to be society in Mumbai suburban as well as registered as per provisions of Maharashtra Co-operative Society Act, 1960 as well as should be member of bank.



2. The society which will strictly comply all the issues regarding building reconstruction under the circulars issued by Maharashtra government from time to time regarding reconstruction shall be eligible for the said loan.
3. It shall be necessary to submit to bank the indemnity bond stating all 100% members of the society are having unconditional approval for reconstruction with signature of members as well as copy of resolution in special general body meeting of society and acknowledgement showing copy submitted to Hon Deputy Registrar Co-operative society.
4. It shall be necessary for the society demanding loan to submit alongwith the loan demand application account statements (certified by recognized chartered accountant as also government auditors report.
5. Those society which has paid all kinds of update government dues and other dues as well as the society of which all members have paid maintenance update such society shall be eligible for above loan.

**1) For housing societies which has received government permissions:**

**C) The procedure for submitting loan demanding application:**

The applicant society should complete documents with following information in the bank sponsored format, and depositing required charges for demanding loan with concerned branch (the branch in which society is having account) the loan demanding application should be submitted with following documents:

1. Certified Xerox copy of society registration certificate.
2. True copy of updated byelaws of society.
3. Updated and last 3 years financial statements (Balance Sheet, Profit and Loss Account etc.)
4. Resolution regarding loan demanding passed in general body meeting of society.
5. List of board of members in managing committee of society as well as all members with residential, service/ business / native addresses, PAN Card, AADHAAR Card and Telephone numbers.



6. Conveyance deed of society or copy of Index II or copy of property card **(updated-should not be more than three months old)**
7. If the land is purchased then certified copy of Sale Deed duly certified by solicitors / Advocates or office bearers of society, if purchased on lease deed then certified true copy of lease deed, original certificate issued by sub registrar regarding registration of conveyance deed, original certificate of Index, true copy of non-agricultural permission order.
8. Certified true copy duly certified by Architect of society of sanctioned plan of land.
9. Project report of proposed reconstruction project (with Techno Economic Viability)
10. The detailed budget of construction certified with signature by Architect (with signature of Architect), plan of construction sanctioned by Government competent officer.
11. The copy of approval letter with construction plan of the premises issued by Government Competent Officer.
12. True copies of Commencement Certificate for construction permission issued by government competent officer.
13. Those members whose income is taxable in case of such members their updated tax returns (Form 16) and those members who are in service their update salary slips.
14. In connection with construction certified copy of agreement executed between society as well as construction contractor/ project management consultant/ legal advisor/ chartered accountant and others.
15. The true copy of resolution passed in the meeting of society in connection with building.
16. **Consent letter in stipulated format of bank of each member of society with required stamp duty should be submitted to bank.**
17. The solvency certificate of construction contractor equivalent to construction cost as well as performance guarantee upto 15% amount.
18. CTS Plan (Latest - should not be old more than three months).
19. 7/12th extract (Latest - should not be old more than three months).
20. Statement regarding carpet area presently existing.



21. Occupation Certificate.
22. Existing Physical Survey of Plot.
23. Cess category Certificate.
24. Receipt of property tax.

**D) Financial criteria regarding loan approval of society:**

1. Only those societies in "A" and "B" class issued by government auditors or auditors on government panel shall be eligible for loan. The financial participation of society shall be necessary upto 15% of project cost.
2. The debtor housing society and member should not be defaulter of bank and other creditor societies.

**E) Type of loan: The said loan shall be sanctioned under "project loan" category.**

F) Loan Tenure: The total tenure of said loan for Rs.50.00 crores loan shall be 7 years out of which **2 years shall be moratorium period**. For the project above **Rs.50.00 crores the loan period** shall be of 10 years out of which 3 years shall be moratorium period. It shall not be mandatory to pay interest during moratorium period. But after completion of moratorium period entire interest will require to be deposited first. **If the loan is repaid with interest before the expiry of loan period then no charges of any kind for early repayment of loan shall be charged.**

G) Loan approval limit: The loan limit shall be 85% of project costs or as per techno economic viability or **maximum Rs.50.00 crores or the exposure norms** of bank existing at that respective time ( Project cost = Cost of TDR, Construction Cost, Architect, BMC, PMC Fees, Rent payable, Rent Relocation Charges, Cost of Fungible FSI and Reimbursement of Expenses required for various permissions from the government Authorities, Interest amount of Project Loan calculated on the basis of Cash flow, Expenses towards Rainwater Harvesting, Installation of Solar system, CC TV Camera & other cost related to project.



H) Interest rate of loan: shall be minimum 12.50% per annum. But Hon Board of Directors shall take decision regarding rate of interest project wise doing risk assessment of each project.

**I) Expert Committee regarding loan approval (Project Management Consultant).**

After the Expert committee of following members appointed by Bank doing inspection of project report, agreements as well as other documents etc. submitted with loan demanding application of society, as per their recommendation loan approval shall be granted and amount shall be released.

1. Project Management Consultant
2. Construction technician.
3. Architect
4. Solicitor / Advocate/ Chartered Accountant on bank panel
5. Bank Officer (Invitee)

It shall be necessary for the concerned society to provide all the permissions applicable as per prevailing law till the date when the actual construction shall be started applicable.

The loan demand shall be considered after verifying the statutory requirements after doing appropriate scrutiny by abovementioned committee of all the issues in government circulars regarding reconstruction of Maharashtra government dated 3.1.2009 as well as all kinds of permissions.

**J) Security for loan:**

1. It shall be necessary for the society to execute English mortgage of all the assets/ properties, building (old / proposed), premises (plot) and all the expenditure required for the same will required to be incurred by debtor society.
2. The consent letter in stipulated format of each member of society should be submitted to bank with required stamp duty as well as the member by the said consent letter give



required consent to the bank regarding mortgaging property of society with bank as well as society shall repay the bank loan within stipulated period.

3. Individual and Joint Indemnity Bank of housing society and office bearers regarding bank loan repayment.

**K) Loan Distribution procedure:**

1. The loan shall be distributed as per the recommendation of architect and project management consultant after demanding made by society and contractor.

2. For all the transactions regarding construction it is necessary to open independent "Escrow account" in bank and it shall be necessary to deposit all the amounts deposited with the society regarding booking, purchase of new flats as well as **all other amounts deposited. The amounts such deposited shall be used as follows:**

A) Legal as well as government dues for example for payment of property tax, light bills, etc.

B) For payment of interest on loan or

C) For payment of amount for principal of loan or

D) For further work regarding Self Redevelopment.

As stated in the above "D" out of the amounts of flats sold received by society from time to time 60% amount shall be diverted for loan interest or principal and 40% amount can be used by society for further construction and for redevelopment expenditure. But the said ratio shall be finalized subject to recommendation of chartered accountant on the bank panel.

3. The loan amount shall be deposited in the account of contractor through society according to demand of contractor as per recommendation of architect and project management consultant.

**2) For housing societies for which government permissions not received:**



Those co-operative housing societies have not received government permissions IOD/ IOA. As well as those society who cannot raise 15% amount of total project costs for such housing societies the provision has been made of expenditure upto IOD/ IOA of society from Non Banking Financial Company / Alternate Investment Fund/ Financial Institute such Financial institute. For that purpose tripartite agreement shall be executed between concerned housing society, MUMBAI bank and financial institution providing financial aid. As also for that purpose following procedure shall be adopted:

1. The documents submitted by society along with loan proposal shall be scrutinized by expert committee of this bank. Thereafter such loan proposal for further scrutiny sent to concerned financial institution for loan approval.
2. After the concerned financial institution sanctions loan to housing society Tripartite Agreement shall be executed between housing society, financial institution and Mumbai Bank. In this tripartite agreement the terms and conditions finalized for loan shall be included. After doing compliance of all these things the concerned financial institution shall keep property of housing society mortgaged as security and shall create their right/possession.
3. As per the provisions in tripartite agreement the loan of financial institution shall be utilized.
4. The debtor institution has to appoint various advisors as well as contractors for Self Redevelopment Project and the project is to be completed within the stipulated time stated in the tripartite agreement. The work orders as well as bills regarding project are to be submitted from time to time to concerned financial institution or MUMBAI bank for approval.
5. After utilizing the loan received from financial institution as above after society receiving IOD/IOA as per the provisions of Tripartite Agreement the said loan shall be transferred to MUMBAI Bank and the society property shall be released from mortgage deed of financial institution shall be mortgaged in the name of MUMBAI bank. Thus after doing compliance of documents freshly action shall be initiated for executing mortgage deed for mortgaging society property in the name of MUMBAI Bank and the bank possession shall be created.





6. After doing compliance of documents regarding loan transferred after loan approval as well as after mortgaging society property in the name of bank through registered documents the MUMBAI bank shall release the loan.

### 3) Loan proposal submitted by private institutions regarding Self Redevelopment:

In view of the Self Redevelopment of housing societies those private institutions, firms by making arrangement of fund aid or fund on their own provide IOD/ IOA to the society and thereafter if loan proposal is submitted then such loan proposal shall be scrutinized through PMC on bank panel as well as chartered accountant and legal expert.

The experts on bank panel (PMC, Chartered accountant, legal expert) shall submit their report to the bank regarding how said private firms are going to recover the amount of expenditure incurred by such private firm, institution till IOD/ IOA is issued and after the recovery of said amount how much and how there is scope for recovery of bank loan. The report shall be obtained from experts on the panel as to whether the said private firm has mortgaged some portion of sellable premises or have created their own ownership right or otherwise and whether there is sufficient security available for the loan to be sanctioned by bank or otherwise and accordingly the loan approval eligibility of the said society shall be stipulated and loan can be sanctioned.

The concerned housing society should submit to the bank copy of agreement of that private firm which has been appointed for entire project or for completing some portion of project if such appointment is done. There should be clearly mentioned in it financial responsibility of said project of society and terms and conditions.

Other financial criteria for loan approval:

#### L) Conditions in loan approval letter:

**For housing Society (building construction)/ Reconstruction**

**(Redevelopment)**

**Project Loan:**



1. The society while lifting amount for sanctioned loan should purchase shares of bank in 2.50% prorate.
2. The society should not without prior permission of bank return the amount to the concern which has been collected from member or non members for any reason by resolution of executive committee.
3. The amount released from time to time for sanctioned loan shall be as per request of society and recommendation of architect and project management consultant paid to contractor.
4. The interest shall be charged every month and the said interest payable shall be first recovered fully after the moratorium period and thereafter the loan installments shall be decided. Bank shall from time to time make changes in interest rate of bank. The rate of interest stipulated that time shall be applicable (In connection with the interest charging the moratorium period shall be taken into consideration).
5. The loan repayment installments shall be decided at the time of release of loan after the expiry of moratorium period.
6. Out of the amount received by society of the flats sold 60% amount shall be utilized for interest or principal of loan and 40% amount can be used by society for further construction or redevelopment expenditure. But the said ratio shall be finalized subject to recommendations of chartered accountant on bank panel.
7. The bank shall have right to inspect all the account books and building of society at any time.
8. The society will required to submit to the bank the financial statements showing financial position at the end of every quarter within 20th day of next month.
9. Society should invest their reserve fund, sinking fund as well as all other kinds of fund amount in bank.
10. At occasion if society do not repay the loan installment in time then bank shall have right to put amount of any kinds of deposit account of society in the said installment amount and to recover the same.



11. The society is required to take out Progressive insurance of building of society in the joint name of " bank and society" in the ratio of price as per market rate from the insurance company with whom bank has done tie up from time to time.
12. It shall be the responsibility of the society to make payment of municipal and other kinds of bill amounts, taxes.
13. The sanctioned loan amount is required to be used for the objective for which loan has been sanctioned.
14. The society cannot make any changes in their bylaws and rules during the loan period without prior permission of Bank.
15. The society should before lifting the loan submit certificate of architect regarding the price of proposed building as per market rate.
16. The flats in the building to be constructed cannot be sold or transferred or mortgaged to any other member or outside any other persons or society without prior permission of bank.
17. The society will required to mortgage their building with bank for the said sanctioned loan and all kind of expenditure required to be incurred will be borne by the society.
18. Society should obtain written approval from all members for mortgaging building to bank for sanctioned loan. It shall be necessary for the society to execute consent letter with required stamp duty (in the stipulated format of bank) recording approval for self redevelopment as well as to obtain loan of MUMBAI bank for the same and for that purpose to mortgage plot of society and building standing thereon with Mumbai Bank as well as society shall repay the bank loan within stipulated time.
19. The indemnity agreement will required to be submitted to bank having contents that "for bank loan repayment office bearers of society and panch committee members" shall be jointly and severally responsible for the same". As also while the said bank loan remaining to be paid if any changes has been done in office bearers of society / Panch committee members the said indemnity agreement will required to be submitted in bank freshly. "
20. After expiry of moratorium period if the installment payable to the society per month for the said bank loan not deposited till 20th day then for amount below Rs.10,000/-



Rs.2000/- and for amount from 1,00,001/- to Rs.5,00,000/- Rs.3,000/- and for amount above Rs.5,00,000/- Rs.7500/- late payment charges shall be charged and the said amount shall be put in saving/ current account of society and will be recovered.

21. After the moratorium period expired if the interest amount on loan account of society remained in arrears continuously for more than 90 days period then on such arrears of interest amount 1% additional interest than the sanctioned loan of interest of said loan shall be charged.

22. 1% of the sanctioned loan amount (additional tax) shall be charged as processing fee. Out of which 0.25% processing fee after loan approval, but before lifting first loan installment is to be paid and remaining 0.75% remaining processing fee shall be recovered on prorated basis from the amount received from sellable area.

23. It shall be necessary for the construction contractor to give solvency certificate equivalent to construction cost as well as performance guarantee upto 15%.

24. It shall be necessary for old as well as prospective new members of society while obtaining loan from other bank to obtain prior permission of MUMBAI bank.

25. The bank shall have right to include any additional condition or to cancel any of the condition.