

Subject No : 112

Sub:- VUDA - Re-structuring / Rescheduling of Normal Interest and Penal interest rates on Housing and Plotted Development Schemes - Reg. \$\$\$

AGENDA NOTE :

The VUDA has developed and allotted more number of houses and sites in the Colonies developed by VUDA to the Public and the normal interest charged on the said Schemes ranging from 9% to 16% per annum in the quarterly instalments fixed. In case of defaulters the penal interest @ 18% per annum is being charged over and above the normal rate of interest. In most of the schemes the normal interest is being charged at 12% and the penal interest being charged at 18% over and above the normal rate of interest from the defaulters. Now the Banks normal rate of interest has been drastically reduced Nation wide and it is high time to think over the matter.

Therefore, it has been proposed to restructuring / rescheduling of interest rates considering the fact that the interest charged by Housing Financing Agencies is abnormally reduced in the recent past.

A meeting was conducted on 26.7.2003 with Bankers like Andhra Bank, State Bank of India, HDFC and ICICI and various Housing Financing Agencies and the Internal Auditor of VUDA and Head of Departments of VUDA.

From the discussions it was observed that the Bankers are charging the interest at 8% to 9% per annum and penal interest @ 2% per annum in Nationalized Banks and 18% in private Banks.

However, the default in private Banks is only about 1% as post dated cheques are being obtained at the time of sanction of loans. It is therefore notional. The Internal Auditors of VUDA also made some suggestions regarding the lowering of interest rates.

The details of scheme wise allottees under instalments basis pending are furnished below :

Sl No	Name of the Housing Scheme	Total (LIG, MIG & HIG)	Principal amount	Defaulted amount (over dues)
1	Seethammadhara Group Housing	131	8884688	6952081
2	Simhapuri Housing	210	2714312	2579291
3	Madhurawada Housing	201	4714808	2647830
4	MVP Flats	112	10656505	3816087
5	Anakapalli	90	1129019	2484625
6	SGNP Madhavadhara Housing	70	1848736	488406
7	Kurmannapalem Housing	542	12618632	13232097
8	Gullalapalem Housing	43	Almost Nil as this is very old scheme	
9	Butchirajupalem Housing	39	4175736	1028015
10	Sagarnagar Housing	870	17917737	33400070
11	Balacheruvu & New Gajuwaka Housing	204	2275000	3000000
12	Marripalem Housing	57	1512000	-
13	Pedagantyada Housing	66	227165	71615
14	Vepagunta LIG Housing	16	187468	40346
15	Lawsons Bay, Nehrunagar, Vizianagaram Colony	26	13544	2437
16	Kanapakana Ayyannapeta, Vizianagaram	1100	58694851	24847016
	TOTAL :	3777	127570201	94589916

So an amount of Rs. 9,45,89,916/- towards over dues (defaulted amount) and an amount of Rs. 12,75,70,201/-towards principal is pending recovery from the allottees in various Housing Scheme of VUDA.

As there are huge amounts of arrears to be collected, the facility of reducing the normal interest rates and penal interest rates on the defaulted amounts and considering the waiver of penal interest in case if the allottee clear off the entire amount due at a time in respect of old cases can be considered at this stage. If this proposal is considered, a chance can be given to the allottee to prepare the closure by paying the full amount. By doing so, the VUDA will not be at loss because the normal interest is not waived, where

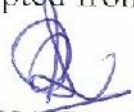
as the penal interest which is not an anticipated income only would decrease. Further, by encouraging one time settlement within a stipulated period of time by waiving of the penal interest, the funds in flow would be in a comfortable level. Thus the amount so recovered can be re-invested on the developmental schemes proposed to be taken up by VUDA.

In view of the above, taking into consideration the suggestions of Internal Auditors and also existing Housing Loan schemes, it is proposed to adopt normal rate of interest at 9% per annum on instalments for the period of 5 years and less, 10% per annum for the period above 5 years and less 10 years. In the event of any allottee fails to adhere to the schedule of time, then a penal interest amounting to half of the normal interest should be charged i.e., 4 1/2 % per annum (penal interest for normal interest of 9% per annum). Further, it may be considered to waive the penal interest in case of the allottee clear-off the entire amount due at a time (i.e., one time settlement of Principal + normal interest) within a stipulated period of time i.e. before 31.12.2003 so that maximum collection can be encouraged. The restructuring of interest rates may be adopted from 1st September, 2003.

The matter is placed before the Board for favour of approval.

VUDA Board Resolution No.112

Resolved to approve the proposals to adopt normal rate of interest at 9% per annum on instalments for the period of 5 years and less, 10% per annum for the period above 5 years and less 10 years and also 4% per annum (Penal interest for normal interest of 9% per annum) in the event of any allottee fails to adhere to the schedule of time. Further resolved to authorize the Vice Chairman to waive the penal interest in case the allottee clear off all the entire amount due to VUDA within a stipulated period of time i.e. before 31-12-03. The restructuring of interest shall be adopted from 1-9-2003.



CHAIRMAN
VUDA