

MAHILA HOUSING SEWA TRUST



Home Improvement Loans

The History of the Savda Gevra Resettlement Colony

On the outskirts of Delhi, straddling Haryana and Delhi, a dusty road weaves between acres of farmland leading to the Savda Gevra Resettlement Colony. Savda, as it is colloquially known, was established in 2006, to house displaced residents from government's efforts to make India "slum-free." As you pass dusty field upon field, Savda has the distinct feeling of being an afterthought in the Government's planning agenda.

Residents of Savda Gevra had previously lived without clear title in jhuggis or makeshift huts along the banks of the Yamuna River and the fields that now make up the Indira Gandhi International Airport airstrip. While rumors of slum clearance had circulated in the past, they had been mostly baseless threats. Yet, India's successful bid to host the 2010 Commonwealth Games had put pressure on City Officials to "clean up Delhi." From 2004 to 2006, more than a quarter of a million people had their homes demolished along the Yamuna. Many of these residents were allocated plots of land in Savda Gevra—more than 40km, and three bus rides, away from the centre of Delhi.

Displaced residents were given the option of paying Rs 7,000 for a small plot of land in Savda Gevra. Buyers would also be given 10-year allotment letters for their plots. Families who could afford the Rs 7,000 independently paid the Government directly and received allotment letters. The majority of families, however, were unable to afford the Rs 7,000 outright and borrowed money from money lenders at exorbitant interest rates. Those who could not afford the Rs 7,000 moved to other slums in Delhi, or worse, became part of Delhi's urban homeless population.

Nearly 30,000 households moved to this area in 2006.

Struggles of early residents of Savda Gevra

When residents first arrived in Savda they were given small land plots (12 sq yards or 18 sq yards) and nothing else. While plots had been demarcated, there was a significant time lag before water, drainage, electricity, and public transportation came to Savda. Many residents, like Laxminarayana, the local "Pradhan" or community leader describe Savda as a "wild jungle, there was nothing around."

2006 was a difficult year: many things were missing. Electricity, a school and a small medical dispensary only arrived in Savda in 2007 and 2008. Some children dropped out after missing one or two years of schooling.

Given land, Savda residents were left to their own resources to construct housing. Most families used what little savings they had to build 1-room kutcha or informal houses out of tarp, bricks, and woven mats. The lack of affordable home financing—either through formal markets or informal money lenders—meant that the majority of households were forced to subsist in substandard houses.

Even today, six years after the first residents of Savda moved in, the majority of houses are poorly constructed one-room houses where families of 6 or more members live.

Outside of their families, the only alternative to access housing finance are moneylenders. Moneylenders charge exorbitant interest rates, offer short loan tenures, and threaten physical harm for loan default.

"If you borrow Rs 1,00,000 from a money lender you have to pay Rs 5,000 a month to him. No one else offers money to us." Baviriben, the wife of Laxminarayana



BAVIRIBEN REFLECTS ON THE LACK OF HOUSING FINANCE AVAILABLE

Bringing Infrastructure & Housing Finance to Savda Gevra

MHT first began working in Savda Gevra in 2007 helping women improve their infrastructure condition through capacity building, community organizing, and access to finance for infrastructure improvements. As time passed, MHT recognized the severe need for home improvement financing in Savda.

As one MHT beneficiary commented, "The need is so great... and there is no alternative. Banks would give us money. The money lender is too expensive."

MHT has been collaborating with SEWA Bank to launch SEWA Grih Rin (SGR), a housing finance company dedicated exclusively to serving urban poor households. MHT has been helping to develop and refine home improvement loan products for SGR through a pilot home improvement loan program that it is offering to qualified residents in Savda. MHT's lending experience will directly inform the design of SEWA Grih Rin's home improvement loan products.

In order to be eligible for an MHT home improvement loan residents must meet the following conditions:

- Be a vested member of SEWA Mutual Benefit Trust (SMBT). SMBT is an investment vehicle by which poor women gain ownership in SEWA Grih Rin. In exchange for making a membership contribution to SMBT, poor women receive shares in SGR - thereby empowering poor women and ensuring that poor women remain at the helm of a housing finance company.
- Have a bank statement for at least the last 3 months.
- Have sufficient income & assets. • Have identity & address proof.
- Possess property documents like non eviction assurances, pattas, lease, licence allotment letters and Power of Attorney documents) that demonstrate possession of land/house and minimal threat of eviction. • Have no other outstanding loans.
- Meet the terms and conditions of MHT's housing improvement loans including 10% security contribution, repayment schedule, interest rates, fees, and technical supervision requirements.

So far, MHT has disbursed 6 housing improvement loans in Delhi and Jaipur between the range of Rs 60,000 and Rs 1,50,000.

CASE STUDY ONE

Gitaben receives a Rs 60,000 MHT home improvement loan from MHT

BORROWER PROFILE

Name: Geetaben

Age: Mid 30s

Occupation: Mason

Household income: Rs 8,500-Rs 10,000

Family members in house: 6

Loan amount: Rs 60,000

Purpose of loan: To improve home

Interest rate: 18% per annum

Term: 5 years

EMI : 2750

Geetaben lives in a 1-room house in Savda Gevra with her husband Vinod and her 4 children. Her family was resettled from their jhuggi "makeshift hut" near the airport to Savda Gevra in 2006. Her husband has been working in a tube light factory in the nearby industrial area of Mundka for the last 3 or 4 years. She is a mason and has completed her training from the Karmika School for Construction Workers that is run by MHT in Savda Gevra. Her household income fluctuates between Rs 8,500 to Rs 10,000 a month. While a quarter of her household income goes towards water and food expenses, they save around Rs 2,000 a month. They have formed a savings group with their neighbors and contribute Rs 2,000 to it monthly.

When Geetaben and her family moved to Savda, they used what little savings they had to construct a small 1-room kutchra house. A blue plastic tarp passed as a roof and during the monsoon rains, Geetaben and her four children would huddle together trying to stay dry. Without a roof or any proper walls her children were constantly falling sick. Like most houses in Savda, they had no water connections to their house. Geetaben would wake up early every morning to lug heavy buckets of water from an erratic water tank. With no sewage lines built, Geetaben's family would be forced to defecate in the open. They worried about the lack of privacy,



GITABEN IN FRONT OF HER IMPROVED HOUSE

potential night attackers and the dismal state of hygiene.

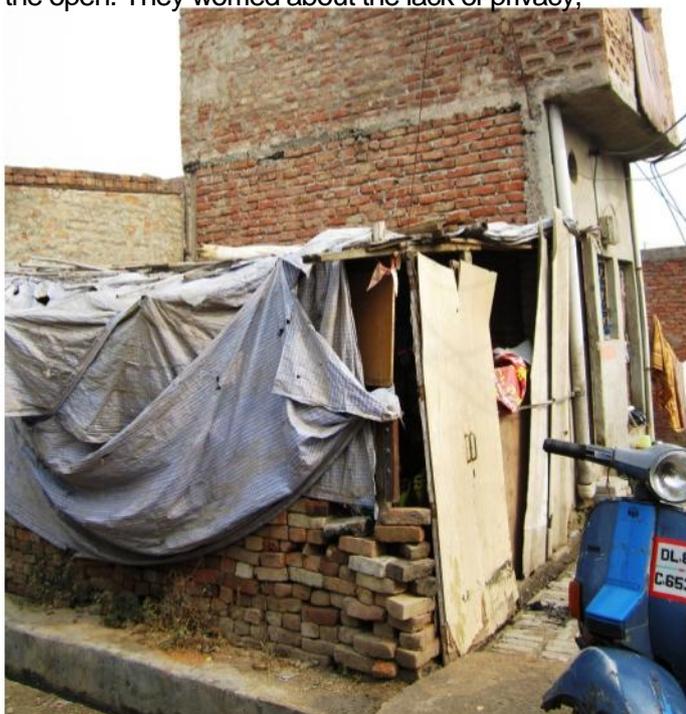
After nearly five years of scraping by, Geetaben and her husband decided to take a Rs 10,000 loan from MHT to construct an underground water pump beneath their house. The pump changed their lives. Geetaben no longer worries about water shortages, or has to heave heavy buckets of water from the water tank. She feels better about the water quality and feels her children don't fall sick as frequently. Not wanting debt on their record and eager to apply for a housing improvement loan, the family repaid their loan in less than a year.

In May 2012, after becoming a member of SMBT Geetaben applied for a Rs 60,000 home improvement loan from MHT to build a pukkha or proper roof, a terrace and stairs leading to the first floor. MHT assessed Geetaben's repayment capacity by evaluating her household income, assets, savings history, property papers, liens on property, and borrowing track record. In addition, engineers from Awaas SEWA—a MHT affiliate—provided a cost estimate for Geetaben's desired construction. Confident of their repayment capacity, MHT granted Geetaben's family a Rs 60,000 housing improvement loan in June 2012.

Trained as masons from the Karmika School for Construction Workers that is run by MHT in Savda, Geetaben and her husband were able to construct the house themselves in one month without hiring any external labor. Their sweat equity helped keep overall costs low. Awaas SEWA engineers also helped guide Geetaben and Vinod's construction process by assisting with the design and negotiating the cost of materials with vendors. The communal challenges of living in Savda Gevra have brought the community together, and Laxminarayana let the 6-member family stay in his house while their house was under construction.

MHT disbursed the Rs 60,000 loan in phases according to the pace of construction, Awaas SEWA was responsible for monitoring the construction quality and pace and for signaling to MHT that the next loan installment should be disbursed.

A MHT nameplate that reads "This house is funded through a home improvement loan given by the Mahila



GITABEN'S FAMILY LIVED IN A KUTCHRA HOUSE UNABLE TO AFFORD THE COST OF HOME IMPROVEMENT FINANCING

Housing SEWA Trust" hangs prominently on the front of Geetaben's house. The nameplate will remain visible on the house until Geetaben has repaid her loan. As additional security, MHT has kept original documents, including allotment letters and bank account statements. All of these documents will be returned once the loan is repaid.

"Owning a house means a lot. If you don't own a house then you're forced to wander here and there, live on rent, live with relatives, vacate your house whenever people want you to move. If you own your own house you don't have any of these problems. You're safe."

CASE STUDY TWO

Kamleshben applies to MHT for a Rs 1,50,000 loan to buy a plot in Savda Gevra



BORROWER PROFILE

Name: Kamleshben
Age: Late 30s - early 40s
Occupation: Works in Municipal Corp. Dept.
Household income: Rs 17,000
Family members in house: 3

Loan amount: Rs 1,50,000
Purpose of loan: To buy a plot in Savda Gevra
Interest rate: 18% per annum
Term: 5 years
EMI : 4750

Kamleshben moved to Savda Gevra with her husband Dharambir and their two children in 2006. They had been living near the airport in Nangal Dairy Jhuggi for nearly 15 years when they were resettled to Savda. "The Government came and broke our jhuggies, they tore everything down," remembered Kamleshben.

Kamleshben works in the Municipal Corporation

Department and her husband works as a cleaner at the airport. Together, their household income is Rs 17,000 a month. Out of their earnings, they spend around Rs 8,000 on food, transport, and school fees. They fastidiously save Rs 9,000 a month in a Punjab National Bank Account.

Although Kamleshben and her husband had originally been allocated a plot within Savda Gevra, they sold it last year to pay for their daughter's wedding. Since then, they've been living on rent paying Rs 500 a month to a landlord who lives in West Delhi. "There aren't any financing options available to us except money lenders."

Hearing that MHT was offering loans for home improvement and new plot purchase, Kamleshben applied for a Rs 1,50,000 housing loan to purchase a plot in Savda Gevra. MHT assessed not only Kamleshben's family income (Rs 17,000 a month) but also their history of savings, borrowing history, equity contribution, and

household assets. They noted that the family possessed a refrigerator, television and radio—all of which had paid bought through installment plans and had all been paid off. Confident of the household's ability to repay their loan, MHT offered Kamleshben a Rs 1,50,000 loan to purchase a new plot. As their new plot costs Rs 2,50,000, Kamleshben's family contributed Rs 1,00,000 of their own savings in addition to the Rs 1,50,000 MHT loan to purchase the new plot.

Unlike loans for home improvement, MHT disbursed the Rs 1,50,000 loan to Kamleshben in one disbursement. Kamleshben was then mandated to hand over a cheque for the entire sum to the vendor in from of MHT. As part of the loan security, Kamlesh and her husband "had to give MHT house papers, PAN card, i-Card, PNB account information, and Guarantor information." In addition, Kamleshben and her husband gave a 10% security to MHT as well as covered the 2.5% processing fees.



KAMLESHBEN'S SON SITS IN THE RENTAL HOUSE WATCHING TV, THAT WAS PAID FOR VIA INSTALLMENTS.

According to Dharambir, "If you don't own a home you are constantly Moving around, taking your stuff from one place to another, living on rent. If you have a home, then you are at peace. You feel secure. You can work better and live better."

CASE STUDY THREE

Requesting a housing improvement loan to meet the demands of an expanding family



BORROWER PROFILE

Name: Munish
Age: Mid 40s
Occupation: Trashpickers
Household income: Rs 16,000-17,000
Family members in house: 5
Current house: 1 12-sq yd kutcha room
EMI : 4750

Munishben and her husband Virender are trashpickers who have been living in Savda since 2006 with their three sons aged 23, 20 and 17. When they first moved to Savda there was "nothing here, it was empty." They used their savings and a small inheritance that they received from Virender's family to build a 1-room kutcha informal house from bricks. It costs roughly Rs 70,000 to Rs 80,000 to build the one room house, sourcing all materials locally.

Now that their eldest two sons—who both work at Hilton Hotel as room attendants—are going to get married Munishben and Virender are eager to build an extra room for their son's families.

"We want to put in 4 pillars, make this roof solid, and build a floor on top. Our two sons are going to get married after Diwali so we'd like to finish building the first floor before then. Then our sons and their wives can live in the floor above and we can live below. It will be better for everyone," disclosed Munishben.

When asked "What does owning a house mean to you?" Munishben responded "If you have a home then you have everything. Even if someone comes from outside he can't do anything because you are in your own a home. A house is everything. If you don't own a home you have nothing."