

## A study on reverse mortgage of SBI in Madhya Pradesh and Chattisgarh

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### ABSTRACT

Senior citizens are a sizeable part of the society and they are in search of security, to live peacefully. While love and care are contingent to the behavior of near and dear ones, any available finance could meet the basic needs and for this purpose banks have developed a scheme styled as 'REVERSE MORTGAGE' a ward off their indigence. Reverse Mortgage is also known as 'Lifetime Mortgage'. However it has been quite popular in foreign countries from a long time. This scheme was initiated by the Finance Ministry; India introduced the scheme in the Budget 2007-08. the Finance Minister P Chidambaram, in his budget speech on February 28, 2007 announced: '*The National Housing Bank (NHB) will shortly introduce a novel product for senior citizens, a reverse mortgage under which a senior citizen, who is the owner of a house can avail of a monthly stream of income against the mortgage of his/her house, while remaining the owner and occupying the house throughout his/her lifetime, without repayment or servicing oh the loan*' (Para 89). In November 01, 2007 - Leading bank, SBI has launched a reverse mortgage loan product designed for the benefit of senior citizens, above the age of 60 years. The loan will be given jointly if the spouse is alive, provided he/she is above 58 years of age. They can avail loans, released in monthly or quarterly installments or as a lump sum payment at the beginning, against the security of their self-acquired, self-occupied houses, for a regular cash flow to fulfill their needs.

**Key words :** Senior citizen, SOWT analysis, RM analysis, Property, HECM

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Old age comes with its own share of problems. As a person grows older, and his regular source of income dries up, his dependency on others can increase significantly. With health care expenses on the rise and little social security, living the golden years respectfully can be quite a challenge for senior citizens. In such a scenario, a regular income stream that can help them meet their financial needs and maintain their current living standards becomes important. A constant inflow of income, without any work would be an ideal solution, which can put an end to all such sufferings. It is possible with the reverse mortgage.

The concept of reverse mortgage is gaining momentum in India with the Finance Minister P Chidambaram giving his nod in the Union Budget for 2007-08. Subsequently, the National Housing Bank (NHB), a subsidiary of the Reserve Bank of India (RBI), released the guidelines of reverse mortgage. This had led several banks to announce their intentions to launch the scheme. Taking the lead, Dewan Housing Finance Limited (DHFL) followed by Punjab National Bank (PNB) and Bank of Baroda (BOB), all three having announced reverse mortgage schemes aimed at senior citizens. Other banks like Allahabad Bank, Oriental Bank of Commerce and Corporation Bank have expressed their intention to follow the lead, announced the scheme aimed at senior citizens.

In a regular mortgage, a borrower mortgages his new/existing house with the lender in return for the loan amount; the same is charged at a particular interest rate and runs over a predetermined tenure. The borrower then has to repay the loan amount in the form of EMIs (equated monthly installments), which comprise of both principal and interest

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