

What the Poorer Poor Can Afford as Housing Loans

1. KKB-3 residents (March 2010 IIED Study) in 2009 had an average income of Rs 8,000 per month. Since the daily minimum wage has increased since then by 20 percent, it is assumed for the calculations below that the average per month earning of the future Saiban City residents will be Rs 10,000 and that they will be able to initially pay 20 percent of it for servicing a housing loan. After every three years the instalment can be increased by 25 percent.
2. Affordability in Rupees:

| Down Payment | 1st 3 Years at Rs 2,000 per month | Next 3 years at Rs 2,500 per month | Next 3 years at Rs 3,000 per month | Next 3 years at Rs 3,500 per month | Next 3 years at Rs 4,000 per month | Total Amount |
|---------------------|--|---|---|---|---|---------------------|
| 20,000 | 72,000 | 90,000 | 108,000 | 126,000 | 144,000 | 540,000 |

3. Costs of Construction (from Appendix 4 and 5):

| | 62.7 SM plot (in Rupees) | 47.1 SM plot (in Rupees) |
|--------------------|---------------------------------|---------------------------------|
| Total house cost | 1,452,825 | 1,223,880 |
| Contractor's share | 1,110,301 | 924,044 |
| Owner's share | 342,524 | 299,836 |
| Phase – 1 Cost | 616,828 | 604,735 |
| Contractor's share | 526,876 | 509,975 |
| Owner's share | 89,952 | 94,760 |

4. Repayment at 4% compound interest in 15 years for design proposals in Appendix 4 is unaffordable.
5. Repayment at 12% compound interest in 15 years for design proposals in Appendix 4 is unaffordable.

