

**GOVERNMENT OF KERALA****Abstract**

Local Self Government Department - Implementation of LIFE Housing Scheme -
Availing loan from the Housing and Urban Development Corporation Ltd.
(HUDCO) through Kerala Urban and Rural Development Finance Corporation Ltd.
(KURDFC) - Sanction accorded - Modified Orders issued.

LOCAL SELF GOVERNMENT(DE) DEPARTMENT

G.O.(Ms)No.32/2026/LSGD Dated,Thiruvananthapuram, 19-01-2026

Read 1 GO(Ms)No.155/2025/LSGD dated 21/08/2025.

2 Letter No.KURDFC/250/2025-LM1 dated 24/10/2025 from Managing
Director, KURDFC

ORDER

As part of the Total Housing Programme under LIFE Mission, it was decided to take up the construction of houses for the eligible beneficiaries for a total number of 1,27,601 houses currently under construction, and for providing housing construction financial assistance to beneficiaries belonging to SC/ ST category in Grama Panchayats where beneficiaries in such category are predominantly included in the LIFE list. KURDFC will avail a loan of ₹1,500 crore, including ₹1,100crore to provide loan allocation for the 1,27,601 houses currently under construction, and ₹ 400 crore for providing housing construction financial assistance to the beneficiaries belonging to SC/ ST category in Grama Panchayats where beneficiaries in such category are predominantly included in the LIFE list.

2) The total fund source for the component of providing houses under LIFE Mission

to the above mentioned beneficiaries will be met from the loan to be availed by KURDFC from HUDCO, the grant provided by the Government and the own share of the respective LSG Institutions. For the loans thus raised, the Government will repay the principal amount of the loan by making upfront deduction of the required amount from the Development Grant of LSG Institutions provided by the Government in the Annual Budget of the State every year and make the deducted amount available to KURDFC at the beginning of every financial year on annual basis, till the completion of HUDCO loan repayment for which maximum tenure is 15 years. The Government will provide sufficient Development Grant to the LSG Institutions in the State's Annual Budget every year till the completion of HUDCO loan repayment. In case of any shortfall in the deduction of Development Grant, the same will be met by State Government, by appropriate Budgetary Support.

3) As per the Government Order read above, sanction was accorded in principle, for availing a loan of ₹1500 crore from HUDCO through KURDFC with government guarantee (₹750 crore in 2025–26 and ₹750 crore in 2026–27) for providing the loan share required for 1,27,601 houses under construction and for extending additional loans to Grama Panchayaths to provide special consideration to the beneficiaries belonging to Scheduled Castes, Scheduled Tribes, and Fisheries categories, subject to certain conditions.

4) As per the letter read above, KURDFC has informed that HUDCO has sanctioned the proposed loan amount of ₹1500/- crores, subject to the conditions stipulated therein, and has requested to revise the Government Order so as to include the pre- disbursal conditions in the loan sanction letter.

5) Government have examined the matter in detail and are pleased to modify the Government Order read as first paper above, incorporating the following conditions, so as to ensure the timely release of the loan amount from HUDCO for the project as envisaged in the Govt. order:

- i. In order to facilitate the deduction of Development Grant of LSG Institutions as

above, an agreement will be executed between KURDFC and each LSG Institution, subject to the condition that the existing share shall not exceed the limit of 20% of the Development Grant of LSG Institutions as per existing guidelines, the arrears as well as the future guarantee commission shall be deducted from the Development Grant of LSG Institutions, for which a separate Government Order will be issued.

ii. The payment of interest for the loan amount will be met from the plan provision earmarked in the Annual Budget by the Government each year, in the head of account 2515-00-102-30 – Rural Development HUDCO INTEREST-KURDFC. Government in LSG department shall ensure sufficient budget provision towards the interest dues of HUDCO loan every year. Interest for the year 2025-2026 will be met from the budget provision towards interest payment of HUDCO loan for LIFE scheme. For the subsequent years, Planning Board will make appropriate provision in the Annual Budget each year to meet the interest cost till the completion of HUDCO loan repayment.

iii. Guarantee for the loan amount from HUDCO and interest thereon will be provided by Government and the Guarantee Commission payable to Government will be deducted from the devolution of the LSG Institutions by Finance (SFC) Department in Government as in the case of principal amount and remitted to the respective head of account. For this Guarantee Agreement shall be executed.

iv. KURDFC shall open an Escrow Account with State Bank of India wherein the amount for interest payment and the amount deducted annually from the Development Grant towards repayment of principal shall be credited by Government. For the said purpose, quadripartite escrow agreement shall be executed by HUDCO, KURDFC, State Bank of India, and the Government of Kerala.

v. The annually deducted Development Grant amount shall be credited into the

said Escrow Account at the beginning of every financial year on annual basis. If Government makes any withdrawal from the amount so deposited in the Escrow account, a minimum balance equivalent to one quarter principal repayment amount shall be retained in the Escrow account. If Government or KURDFC prefers to retain the said quarterly balance in fixed deposit, the same shall be held with HUDCO's lien on the fixed deposit. In case of shortage of fund flow in the Escrow Account for meeting quarterly obligation of HUDCO dues, the escrow bank can seek shortfall recoupment from the main account of Government.

vi. KURDFC shall maintain Debt Service Reserve Fund (DSRF) equivalent to one quarter of principal repayment amount in the Escrow Account, before release of final installment and shall maintain the same throughout the repayment period. KURDFC shall provide a commitment letter to HUDCO in this regard.

vii. KURDFC shall open a Project Account with Canara Bank for crediting the loan amount disbursed by HUDCO and for utilizing the same for the project.

viii. For the above purpose, KURDFC have to sign an agreement with HUDCO in the format and also execute an MoU with Canara Bank.

ix. For LSG Institutions with large number of houses to be built, where deduction of the principal amount of the loan from Plan Grants would affect their fund availability, a proposal has to be submitted by LIFE Mission through LSGD for additional Government Grant. The State Planning Board should make sufficient provision each year in the plan budget for meeting this extra burden of LSG Institutions.

x. LSG Institutions can open new bank account exclusively for the purpose of this loan. The new account shall be opened in any Nationalised or Scheduled bank, based on their Council decision.

(By order of the Governor)

TINKU BISWAL
PRINCIPAL SECRETARY

To:

Coordinator, NavaKeralam Karma Padhathi, BSNL Bhavan , Uppalam Road,
Thiruvananthapuram.

Principal Director, Local Self Government Department, Thiruvananthapuram

The Chief Executive Officer, LIFE Mission, Thiruvananthapuram

Executive Director, Kudumbasree, Thiruvananthapuram

Regional Chief, HUDCO, Saphalyam Complex Thiruvananthapuram

The Managing Director, KURDFC, Thiruvananthapuram

State Performance Audit Officer, Thiruvananthapuram

The Principal Accountant General (Audit) Kerala, Thiruvananthapuram

The Principal Accountant General (A &E) Kerala, Thiruvananthapuram

The Finance Department (Vide No. WCD-3/282/2025-FIN)

The Director , Kerala State Audit Department, Thiruvananthapuram

Information Officer. Web & New Media Wing , I &PRD

Executive Director, Information Kerala Mission, Thiruvananthapuram

Stock File/ Office copy

Forwarded /By order
Signed by

Sheeba. S. C

Date: 20-01-2026 10:14:29

Section Officer