House Affordability Survey: RBI

Reserve Bank of India’s quarterly **residential asset price monitoring survey** (RAPMS) on housing loans has shown that **housing affordability** has worsened over the past four years as the House Price to Income (HPTI) ratio **increased** from 56.1 to 61.5 (from 2015 to 2019).

- The RBI has been conducting a quarterly Residential Asset Price Monitoring Survey (RAPMS) since July 2010 on housing loans disbursed by select banks and **housing finance companies** (HFCs) across 13 cities.
- **Mumbai** (with a HPTI of 74.4) remains the **least affordable city** in India, while **Bhubaneswar** (54.3) remains the **most affordable** city.
    - The concept of price-to-income ratio is used by lenders to measure affordability of residential property, essentially as a measure of purchasing power for home buyers.
- The LTV (loan to value) ratio moved from 67.7% to 69.6% (2015 to 2019) showing that banks are getting more **risk-tolerant** in housing loans and are willing to **offer higher loans against** the value.
    - LTV is the amount of loan a lender is willing to give and is calculated in terms of the percentage of the property value.
- **The loan to income** (LTI) ratio also confirms worsening housing affordability (3 in March 2015 to 3.4 in March 2019).
    - **Loan to income ratio** (LTI) is calculated by dividing the total monthly **debt** obligations, such as minimum credit card payments, auto loan, student loan by net monthly **income.**
    - The ratio is calculated on a **monthly basis** and helps lenders evaluate how much additional debt an applicant’s financial situation will allow him to handle.
    - A low LTI value shows a good balance between debt and income.