



Ministry of Housing and Urban Affairs
Government of India



URBAN CHALLENGE FUND

CREDIT REPAYMENT GUARANTEE SUB-SCHEME
(C R G S S)



April 2026

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Credit Repayment Guarantee Sub-Scheme (CRGSS) under UCF

1. Name of the Scheme

The Scheme shall be named as ‘Credit Repayment Guarantee Sub-Scheme (CRGSS) under UCF’ and the Trust /Fund to manage the Scheme shall be named as ‘Credit Repayment Guarantee Fund for UCF’.

Credit Repayment Guarantee Fund for UCF shall be a Trust Fund formed by the Ministry of Housing and Urban Affairs (MOHUA) and shall be managed by National Credit Guarantee Trustee Company Limited (NCGTC), a wholly owned company of Department of Financial Services (DFS), Ministry of Finance, Government of India, as a Trustee.

2. Purpose of the Scheme

To provide guarantee coverage for term loan assistance to Urban Local Bodies (ULBs) for their projects taken up under Urban Challenge Fund, initially for one project and subsequently on satisfactory repayment of the first one, relating to three verticals namely 1. Cities as Growth Hub, 2. Creative Redevelopment of Cities and 3. Water & Sanitation. in the scheme is applicable for all Cities/ULBs of Northeastern and Hilly States/UTs and smaller Cities/ULBs (<1,00,000 Population) in other States/UTs.

3. Date of commencement of the Scheme

The guidelines shall come into force from the date of issue of these guidelines by NCGTC. All eligible loans sanctioned on or after the date of issue of these guidelines shall be eligible for coverage under the Scheme.

4. Definitions

For the purposes of this Scheme –

- (a) **“Amount in Default”** means the principal and interest amount outstanding in the loan account of the borrower as on the date of the account becoming NPA, or on the date of lodgement of claim application, whichever is lower.
- (b) **“Credit facility”** means loan availed by Urban Local Bodies (ULBs) for projects taken under UCF.
- (c) **‘Guarantee Cover’** means the maximum cover available per eligible borrower of the amount in default in respect of the credit facility extended by the lending institution. The guarantee cover shall commence from the date of payment of guarantee fee.
- (d) **“Interest Rate”** for a lending institution means the rate so declared by that lending institution from time to time as per Reserve Bank of India guidelines based on which interest rate applicable for the loan will be determined.
- (e) **“Lock in period”** means the period during which no invocation of guarantee can be made;

- (f) **“Member Lending Institution(s) (MLIs)”** means a Scheduled Commercial Bank (SCB) / All India Financial Institution (AIFI) as defined in sub-clause (i) of Clause (c) of Section 45-I of RBI Act, 1934/ Non-Banking Finance Company (NBFC) as defined in clause (f) of Section 45-I of RBI Act, 1934 and which has its principal business as defined by RBI and has been granted a certificate of registration under sub-section (1) of Section 45-IA conforming to the eligibility criteria duly approved under the Scheme and as modified by the Trust/Trustee from time to time and who have entered into an Agreement with/submitted Undertaking to the Trust/Trustee for availing assistance under the Scheme.
- (g) **“NCGTC”** means National Credit Guarantee Trustee Company Limited set up on March 28, 2014 by the Government of India under the Companies Act, 1956 to act as the Trustee to operate various Credit Guarantee Funds/Trusts set up/to be set up by the Government of India from time to time.
- (h) **“Non-Performing Assets”** means an asset classified as non-performing based on the instructions and guidelines issued by the Reserve Bank of India from time to time.
- (i) **“Tenure of guarantee cover”** means the maximum period for which the guarantee cover shall be valid.
- (j) **Tier II, III, IV & V cities** mean cities with human population as defined by RBI from time to time.
- (k) **“Urban Local Body”** means institutions of local self-governance responsible for managing, planning, and administering urban areas, such as cities and towns, in India.

5. Scheme Outline

- (i) Minimum 50% of the Total Project Cost (TPC) has to be raised from the market (Loans/ Bonds/PPP). ULBs mobilizing fund from market are eligible for 25% Central Assistance from MoHUA.
- (ii) The total outlay of ₹5,000 Crore is earmarked for CRGSS.
- (iii) Lock in period for invocation of guarantee shall be 3 months from the date of account turning NPA.
- (iv) **Guarantee Cover** – The Guarantee cover per eligible borrower may be capped at 70% of the loan amount or ₹7 crore, whichever is lower for the first project, and 50% of the loan amount or ₹7 crore, whichever is lower, for each subsequent projects, subject to maximum of ₹7 crore.
- (v) Interest rate on loans – As per RBI guidelines.

6. Eligible Borrower

All ULBs in Northeastern & Hilly States/UTs & smaller Urban Local Bodies (ULBs) with population below 1,00,000 in other States/UTs.

7. Duration of the Scheme

The scheme would be available for a period of 5 years from the date of issue of these guidelines or till loans cumulating to Rs.50,000 crore is issued, whichever is earlier.

8. Eligible Lenders

All Scheduled Commercial Bank (SCB) / All India Financial Institutions (AIFIs) as defined in sub-clause (i) of Clause (c) of Section 45-I of RBI Act, 1934/ Non-Banking Finance Company (NBFC) as defined in clause (f) of Section 45-I of RBI Act, 1934 and which has its principal business as defined by RBI and has been granted a certificate of registration under sub-section (1) of Section 45-IA conforming to the eligibility criteria duly approved under the Scheme and as modified by the Trust/Trustee from time to time.

9. Loans not eligible under the Scheme

- (i) Any loan in respect of which risks are additionally covered under a scheme operated / administered by any other Scheme, to the extent they are so covered.
- (ii) Any loan in respect of which risks are additionally covered by Government or by any general insurer or any other person or association of persons carrying on the business of insurance, guarantee or indemnity, to the extent they are so covered.
- (iii) Any loan, which does not conform to, or is in any way inconsistent with the provisions of any law or any directives or instructions issued by the Central Government or the Reserve Bank of India which may, for the time being, be in force.

10. Security

- (i) The MLI shall ensure that the interest of NCGTC is safeguarded at all times;
- (ii) NCGTC will charge ₹2 crore per annum as management fee which will be charged from the interest earned on the investment of surplus fund.
- (iii) A management fee of ₹2 crore per annum is proposed to meet the operational and IT-related costs incurred in administering and managing the Credit Repayment Guarantee Fund under the scheme. The fee shall be charged on a quarterly basis, amounting to ₹50 lakh per quarter. It will be auto-deducted at the end of each quarter. Additionally, after deduction of the management fee, any remaining interest, if available, shall be reinvested in the surplus fund.
- (iv) No collateral shall be sought;

11. Invocation of guarantee

- (i) Lock in period for invocation of claim shall be 3 months from the date of account turning NPA;
- (ii) Invocation of claim would be considered only if the guarantee fee was not in arrears on the date of NPA, other conditions of the Scheme have also been complied and claim has been filed on the NCGTC's portal with requisite documents;

12. Process for issue of Guarantee and its invocation, where applicable

Step 1: Borrower applies for loan to an eligible MLI;

Step 2: MLI sanctions the loan after due appraisal;

Step 3: Applies for Guarantee Cover on NCGTC's portal - automatic unique guarantee number shall be issued upon payment of applicable guarantee fees on loan sanctioned;

Step 4: Debt Service Reserve Account (DSRA) is created by the borrower with the MLI, wherein the borrower deposits sufficient amount to ensure timely payment of dues during construction period or such other period as may be decided between the borrower and the MLI. In case the asset being created out of the credit facility under the Scheme enables revenue generation, the MLI can have DSRA in the form of an escrow account where revenues from the asset being created flows;

Step 5: Upon exhaustion of funds in DSRA, which shall be used only for payment of dues of the MLI for the credit facility under the Scheme, the MLI shall seek clearance of subsequent dues from the borrower and, in case of default by the borrower, the same shall be made good by the Trust by making payment for 90 days, on a monthly basis;

Step 6: In case of continuing default thereafter and account being declared as NPA as per RBI guidelines, the MLI shall initiate recovery measures as decided at the time of sanction and deemed possible;

Step 7: After 90 days of account turning NPA, the MLI will be eligible to invoke the guarantee and apply for claim settlement on the NCGTC's portal with requisite information/documents;

Step 8: The eligible claim amount (guaranteed amount less 90 days dues paid as at Step 6 above) shall be settled by NCGTC within 30 days of the filing of the claim, subject to the same being found to be in compliance with the Scheme guidelines.

13. Appropriation of amount realized by the member lending institution in respect of a credit facility after the guarantee has been invoked

Post invocation of the guarantee claim (interim or final), if any recoveries are made in the account, MLIs shall first adjust such recoveries towards the legal costs incurred by them for recovery of the amount and shall thereafter remit to NCGTC the balance recoveries in the proportion of losses which shall be shared proportionately.

Illustrative Example

1. Initial Loan Default Position

The Amount in Default (AID) lodged by the Member Lending Institution (MLI) was Rs. 10,000. As per the scheme guidelines, Credit Guarantee (CG) Cover is 70% of the AID, amounting to Rs. 7,000.

The Trust will cover up to 70% of the of the outstanding amount (amount in default). This guarantee amount will be paid to the MLIs in two instalments. The first instalment of 75% of the eligible claim shall be paid subsequent to initiation of legal proceedings in the account upon it becoming Non-Performing Asset (NPA). The remaining 25% of the eligible claim shall be released subsequent to conclusion of legal proceedings.

2. Interim Claim Settlement

Based on the AID of Rs. 10,000, the Interim Claim amounting to Rs. 5,250 was paid to the MLI.

3. Recovery after Interim Claim

Subsequent to the payment of the interim claim, the MLI effected a recovery of Rs. 8,200 from the borrower.

Legal expense for recovery from borrower Rs. 200. Hence, Net Recovery Rs. 8,000.

The net recovered amount was shared as per the applicable sharing ratio:

- MLI Share (30%): Rs. 2,400
- NCGTC Share (70%): Rs. 5,600

4. Revision of AID after Recovery

Since recovery was made after the interim claim settlement, the MLI share of recovery is adjusted from the originally lodged AID.

- AID Lodged during Interim Claim: Rs. 10,000
- Less: Net Recovery: Rs. 8,000

Revised AID: Rs. 2,000

Accordingly, the Credit Guarantee Cover (70%) on the revised AID of Rs. 2,000 amounts to Rs. 1,400.

5. Final Claim Settlement Calculation

From the revised CG cover, the interim claim already paid is deducted to determine the final settlement amount payable.

- CG Cover (70% on Revised AID): Rs. 1,400
- Less: Interim Claim Already Paid: Rs. 5,250
- Add: NCGTC Share from Recovery: Rs. 5,600

Final Settlement Payable by NCGTC: Rs. 1,750

6. Total Amount Received by MLI

Particulars	Amount (Rs.)
Interim Claim Received	5,250
Recovery (MLI Share)	2,400
Final Settlement	1,750
Total Amount Received by MLI	9,400

Conclusion:

After adjusting the recovery and revising the AID, the final settlement payable by NCGTC to the MLI amounts to Rs. 1,750, bringing the total amount received by the MLI to Rs. 9,400.

14. Agreement to be executed by the member lending institution

- (a) A member lending institution shall not be entitled to a guarantee in respect of any eligible credit facility granted by it unless it has submitted an Undertaking with the Trustee Company in such form as may be required by the Trustee Company for covering by way of guarantee, under the Scheme all the eligible credit facilities granted by the lending institution, for which provision has been made in the Scheme.
- (b) All interested and eligible MLIs are required to submit the Undertaking to NCGTC for the purpose of this Scheme.

15. Responsibilities of member lending institution under the Scheme

- (i) The Lending institution shall assess the feasibility and viability of the project as per its standards;
- (ii) The lending institution shall closely monitor the borrower account, and shall put in all required efforts to ensure that the account is serviced regularly;
- (iii) Upon account turning NPA, the lending institution shall take immediate necessary steps for recovery of its dues;
- (iv) The lending institution shall ensure that the guarantee claim in respect of the credit facility is lodged with the Trustee Company in the form and in the manner and within such time as may be specified by the Trustee Company in this behalf and that there are no delays on its part to notify the default in the borrowers account which shall result in the Trustee Company facing higher guarantee claims
- (v) The payment of guarantee claim by the Trustee Company to the lending institution does not in any way take away the responsibility of the lending institution to recover the entire outstanding amount of the credit from the borrower. The lending institution shall exercise all the necessary precautions and maintain its recourse to the borrower for entire amount of credit facility owed by it and initiate all necessary actions for recovery of the outstanding amount, including such action as may be advised by the Trustee Company
- (vi) The lending institution shall comply with such directions as may be issued by the Trustee Company from time to time for facilitating recoveries in the guaranteed account, or safeguarding its interest as a guarantor, as the Trustee Company may deem fit and the lending institution shall be bound to comply with such directions
- (vii) The lending institution shall, in respect of any guaranteed account, exercise the same diligence in recovering the dues, and safeguarding the interest of the Trustee Company in all the ways open to it as it might have exercised in the normal course if no guarantee had been furnished by the Trustee Company. The lending institution shall, in particular, refrain from any act of omission or commission, either before or subsequent to invocation of guarantee, which may adversely affect the interest of the Trustee Company as the guarantor.

16. Status of the borrower account on the date of sanction / disbursement

The borrower account, otherwise eligible under the scheme, should not be an NPA with any lender as on the date of sanction / disbursement of loan under the Scheme.

17. Subrogation of rights and recoveries on account of claims paid

- (i) The lending institution shall furnish to the Trust, the details of its efforts for recovery, realizations and such other information as may be demanded or required from time to time. The lending institution, wherever possible, will hold lien on assets created out of the credit facility extended to the borrower, on its own behalf and on behalf of the Trust. The Trust shall not exercise any subrogation rights and that the responsibility of the recovery of dues shall rest with the lending institution.
- (ii) In the event of a borrower owing several distinct and separate debts to the lending institution and making payments towards any one or more of the same, whether the account towards which the payment is made is covered by the guarantee of the Trust or not, such payments shall, for the purpose of this clause, be deemed to have been appropriated by the lending institution to the debt covered by the guarantee and in respect of which a claim has been preferred and paid, irrespective of the manner of appropriation indicated by such borrower or the manner in which such payments are actually appropriated.
- (iii) Every amount recovered and due to be paid to the Trust shall be paid without delay, and if any amount due to the Trust remains unpaid beyond a period of 30 days from the date on which it was first recovered, interest shall be payable to the Trust by the lending institution at the rate which is 4% above Repo Rate for the period for which payment remains outstanding after the expiry of the said period of 30 days.

18. Fund's liability to be terminated in certain cases

- (i) If the liabilities of a borrower to the lending institution on account of credit facility guaranteed under this Scheme are transferred or assigned to any other borrower and if the conditions as to the eligibility of the borrower, the amount of the credit facility and any other terms and conditions, if any, subject to which the credit facility can be guaranteed under the Scheme are not satisfied after the said transfer or assignment, the guarantee in respect of the credit facility shall be deemed to be terminated as from the date of the said transfer or assignment.
- (ii) If a borrower becomes ineligible for being granted credit facility under the Scheme, the liability of the Fund in respect of credit facility granted to him by a lending institution under the Scheme shall be limited to the liability of the borrower to the lending institution as on the date on which the borrower becomes so ineligible, subject, however, to the limits on the liability of the Fund fixed under this Scheme.

19. Returns and Inspections

The lending institution shall submit such statements and furnish such information as the Fund may require in connection with guarantee under this Scheme.

- (i) The lending institution shall also furnish to NCGTC all such documents, receipts, certificates and other writings as the latter may require and shall be deemed to have affirmed that the contents of such documents, receipts, certificates and other writings are true, provided that no claim shall be rejected and no liability shall attach to the lending institution or any officer thereof for anything done in good faith.

- (ii) The Fund shall, insofar as it may be necessary for the purposes of the Scheme, have the right to inspect or call for copies of the books of account and other records (including any book of instructions or manual or circulars covering general instructions regarding conduct of advances) of the lending institution, and of any borrower from the lending institution. Such inspection may be carried out through the officers of the Fund or any other person appointed by the Fund for the purpose of inspection. Every officer or other employee of the lending institution or the borrower, who is in a position to do so, shall make available to the officers of the Fund or the person appointed for the inspection as the case may be, the books of account and other records and information which are in his possession.
- (iii) The accounts of the Trust Fund will have full details of the deposits, revenue earned and expenditure incurred by way of Management Fees and shall be subject to audit by a Statutory Auditor appointed on advice of the Comptroller and Auditor General of India (CAG).

20. Interpretation

If any question arises in regard to the interpretation of any of the provisions of the Scheme or of any directions or instructions or clarifications given in connection therewith, the decision of the Fund shall be final.

21. Supplementary and general provisions

In respect of any matter not specifically provided for in this Scheme, the Management Committee (MC) of the Fund may make such supplementary or additional provisions or issue such instructions or clarifications as may be necessary for the purpose of the Scheme.

22. Modifications in the Scheme

There shall be a Management Committee (MC) of the Fund to oversee the affairs of the Trust with the following constitution:

- | | |
|---|--------------------|
| (i) Secretary/Additional Secretary, MOHUA | - Chairperson |
| (ii) Joint Secretary, MOHUA | - Member |
| (iii) Joint Secretary, DFS | - Member |
| (iv) Chief Executive, Indian Bank Association | - Member |
| (v) Chief Executive Officer, NCGTC | - Member Secretary |

The MC shall be changed by the Settlor as per requirement from time to time.

Any changes to the current structure of the Scheme, including but not limited to the eligibility criteria of lenders/borrowers, rate of interest on loans etc., shall be decided by the Management Committee
