



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

RBI/ 2014-15/68

DBOD. No.DIR.BC.18 /08.12.001/2014-15

July 1, 2014

Ashadha 10, 1936, (Saka)

All Scheduled Commercial Banks
(excluding RRBs)

Dear Sir/Madam,

Master Circular – Housing Finance

Please refer to the [Master Circular DBOD No. Dir. BC.17/08.12.001/2013-14 dated July 1, 2013](#) consolidating the instructions / guidelines issued to banks till June 30, 2013 relating to Housing Finance. The Master Circular has been suitably updated by incorporating the instructions issued up to June 30, 2014 and has also been placed on the RBI website (<http://www.rbi.org.in>). A copy of the Master Circular is enclosed.

Yours faithfully

(Lily Vadera)
Chief General Manager

Encl: as above

बैंकिंग परिचालन और विकास विभाग, केंद्रीय कार्यालय, 13 माला, शहीद भगतसिंह मार्ग, मुम्बई 400001

CONTENTS

| Sr.No. | Particulars | Page No. |
|--------|---|----------|
| A | Purpose | 3 |
| B | Classification | 3 |
| C | Previous instructions consolidated | 3 |
| D | Scope of Application | 3 |
| | Structure | |
| 1 | Introduction | 4 |
| 2 | Direct Housing Finance | 5 |
| 3 | Indirect Housing Finance | 6 |
| 4 | Housing Loans under Priority Sector | 9 |
| 5 | RBI Refinance | 10 |
| 6 | Construction Activities eligible for Bank Credit as Housing Finance | 10 |
| 7 | Construction Activities not eligible for Bank Credit | 11 |
| 8 | Reporting | 12 |
| 9 | Home Loan Account Scheme (HLAS) of NHB | 12 |
| 10 | Bank's Exposure to Real Estate Sector | 13 |
| 11 | Risk Weight on Housing Finance | 13 |
| 12 | Loan to Value (LTV) Ratio | 13 |
| 13 | Innovative Housing Loan Products-Upfront Disbursal of Housing Loans | 14 |
| 14 | Delhi High Court Order on Unauthorized Construction | 15 |
| 15 | Terms and Conditions for Banks Investments in Mortgage Backed Securities (MBS) | 17 |
| 16 | Annex : Financial assistance granted by scheduled commercial banks under the category 'Housing Finance' as on September 30/March 31 | 19 |
| 17 | Appendix : Housing Finance circulars | 23 |

Master Circular – Housing Finance

A. Purpose

To consolidate framework of rules/regulations and clarification on Housing Finance issued by Reserve Bank of India from time to time.

B. Classification

A statutory directive issued by the Reserve Bank in exercise of the powers conferred by Sections 21 and 35 A of the Banking Regulation Act, 1949.

C. Previous instructions consolidated

This Master Circular consolidates and updates all the instructions contained in Circulars listed in the appendix and clarifications issued during the year.

D. Scope of Application

Applicable to all Scheduled Commercial Banks, excluding Regional Rural Banks.

Structure

1. Introduction
2. Direct Housing Finance
3. Indirect Housing Finance
4. Housing Loans Under Priority Sector
5. RBI Refinance
6. Construction Activities Eligible For Bank Credit
7. Construction Activities Not Eligible For Bank Credit
8. Reporting
9. Home Loan Account Scheme (HLAS) for NHB
10. Banks' Exposure to Real Estate Sector
11. Risk Weight on Housing Finance
12. Loan to Value (LTV) Ratio
13. Innovative Housing Loan Products- Upfront Disbursal of Housing Loans
14. Delhi High Court Order on Unauthorized Construction
15. Terms and conditions for Banks Investments in Mortgage Backed Securities (MBS)
16. Annex : Financial assistance granted by scheduled commercial banks
under the category 'Housing Finance' as on September 30 /March 31
17. Appendix: Housing Finance circulars

1. **INTRODUCTION**

In pursuance of National Housing Policy of Central Government, Reserve Bank of India has been facilitating the flow of credit to housing sector. Since housing has emerged as one of the sectors attracting a large quantum of bank finance, the current focus of RBI's regulation is to ensure orderly growth of housing loan portfolios of banks.

1.1.1 **National Housing Policy**

As part of the strategy to overcome the colossal housing shortage, the Central Government adopted a comprehensive National Housing Policy which, among other things, envisaged:

- (i) development of a viable and accessible institutional system for the provision of housing finance;
- (ii) establishing a system where housing boards and development authorities would concentrate on acquisition and development of land and infrastructure; and
- (iii) creation of conditions in which access to institutional finance is made easier and affordable for individuals for construction/buying of houses/flats. This may include outright purchase of houses/flats constructed by or under the aegis of public agencies.

Banks with their vast branch network throughout the length and breadth of the country occupy a very strategic position in the financial system and were required to play an important role in providing credit to the housing sector in consonance with the National Housing Policy.

1.1.2 **Housing Finance Allocation**

Keeping in view the objectives of National Housing Finance Policy, RBI was announcing minimum housing finance allocation annually on the basis of the growth of deposits recorded during the previous year till the year 2002-03. Banks could deploy their funds under the housing finance allocation in any of the three categories, i.e.

- (i) direct finance,
- (ii) indirect finance,
- (iii) investment in bonds of NHB/HUDCO, or combination thereof.

2. DIRECT HOUSING FINANCE

2.1 Direct Housing Finance refers to the finance provided to individuals or groups of individuals including co-operative societies.

2.2 Banks are free to evolve their own guidelines with the approval of their Boards on aspects such as security, margin, age of dwelling units, repayment schedule, etc.

2.3 Other Guidelines

The following types of bank finance may be included under Direct Housing Finance:

- (i) Bank finance extended to a person who already owns a house in town/village where he resides, for buying/ constructing a second house in the same or other town/ village for the purpose of self occupation.
- (ii) Bank finance extended for purchase of a house by a borrower who proposes to let it out on rental basis on account of his posting outside the headquarters or because he has been provided accommodation by his employer.
- (iii) Bank finance extended to a person who proposes to buy an old house where he is presently residing as a tenant.
- (iv) Bank finance granted only for purchase of a plot, provided a declaration is obtained from the borrower that he intends to construct a house on the said plot, with the help of bank finance or otherwise, within such period as may be laid down by the banks themselves.
- (v) Supplementary finance
 - (a) Banks may consider requests for additional finance within the overall ceiling for carrying out alterations/ additions/repairs to the house/flat already financed by them.
 - (b) In the case of individuals who might have raised funds for construction/ acquisition of accommodation from other sources and need supplementary finance, banks may extend such finance after obtaining *paripassu* or second mortgage charge over the property mortgaged in favour of other lenders and/or against such other security, as they may deem appropriate.

3. INDIRECT HOUSING FINANCE

3.1 General

Banks should ensure that their indirect housing finance is channeled by way of term loans to housing finance institutions, housing boards, other public housing agencies, etc., primarily for augmenting the supply of serviced land and constructed units. It should also be ensured that the supply of plots/houses is time bound and public agencies do not utilise the bank loans merely for acquisition of land. Similarly, serviced plots should be sold by these agencies to co-operative societies, professional developers and individuals with a stipulation that the houses should be constructed thereon within a reasonable time, not exceeding three years. For this purpose, the banks may take advantage of various guidelines issued by NHB for augmenting the supply of serviced land and constructed units.

3.2 Lending to Housing Intermediary Agencies

3.2.1 Lending to Housing Finance Institutions

- (i) Banks may grant term loans to housing finance institutions taking into account (long-term) debt-equity ratio, track record, recovery performance and other relevant factors.
- (ii) In terms of NHB guidelines, housing finance companies' total borrowings, whether by way of deposits, issue of debentures/ bonds, loans and advances from banks or from financial institutions including any loans obtained from NHB, should not exceed 16 times of their net owned funds (i.e. paid-up capital and free reserves less accumulated balance of loss, deferred revenue expenditure and intangible assets).
- (iii) All housing finance companies registered with NHB are eligible to apply for refinance from NHB and will be eligible subject to the refinance policy. The quantum of term loan to be sanctioned to them will not be linked to net owned fund as NHB has already prescribed the above referred ceiling on total borrowing of housing finance companies. A list of housing finance companies registered with NHB may be obtained by the banks directly from NHB or downloaded from www.nhb.org.in.

3.2.2 Lending to Housing Boards and Other Agencies

Banks may extend term loans to state level housing boards and other public agencies. However, in order to develop a healthy housing finance system, while doing so, the banks must not only keep in view the past performance of these agencies in the matter of recovery from the beneficiaries but they should also

stipulate that the Boards will ensure prompt and regular recovery of loan installments from the beneficiaries.

3.2.3 Financing of Land Acquisition

In view of the need to increase the availability of land and house sites for increasing the housing stock in the country, banks may extend finance to public agencies and not private builders for acquisition and development of land, provided it is a part of the complete project, including development of infrastructure such as water systems, drainage, roads, provision of electricity, etc. Such credit may be extended by way of term loans. The project should be completed as early as possible and, in any case, within three years, so as to ensure quick re-cycling of bank funds for optimum results. If the project covers construction of houses, credit extended therefore in respect of individual beneficiaries should be on the same terms and conditions as stipulated for direct finance.

It has been observed that while financing real estate developers, certain banks were found to be valuing the land for the purpose of security, on the basis of the discounted value of the property after it is developed, less the cost of development. This is not in conformity with established norms. In this connection, it is advised that banks should have a Board approved policy in place for valuation of properties including collaterals accepted for their exposures and that valuation should be done by professionally qualified independent valuers. As regards the valuation of land for the purpose of financing of land acquisition as also land secured as collateral, banks may be guided as under:

- (a) Banks may extend finance to public agencies and not to private builders for acquisition and development of land, provided it is a part of the complete project, including development of infrastructure such as water systems, drainage, roads, provision of electricity, etc. In such limited cases where land acquisition can be financed, the finance is to be limited to the acquisition price (current price) plus development cost. The valuation of such land as prime security should be limited to the current market price.
- (b) Wherever land is accepted as collateral, valuation of such land should be at the current market price only.

3.2.4 Terms and Conditions for Lending to Housing Intermediary Agencies

- (i) In order to enhance the flow of resources to housing sector, term loans may be granted by banks to housing intermediary agencies against the direct loans

sanctioned/ proposed to be sanctioned by the latter, irrespective of the per borrower size of the loan extended by these agencies.

- (ii) Banks can grant term loans to housing intermediary agencies against the direct loans sanctioned/proposed to be sanctioned by them to Non-Resident Indians also. However, banks should ensure that housing finance intermediary agencies being financed by them, are authorised by RBI to grant housing loans to NRIs as all housing finance intermediaries are not authorised by RBI to provide housing finance to NRIs.
- (iii) Banks have freedom to charge interest rates to housing intermediary agencies without reference to Benchmark Prime Lending Rates (BPLR) upto June 30, 2010. Under the Base Rate System effective from July 1, 2010, all categories of loans will be priced with reference to Base Rate which is the minimum interest rate for all loans.

3.3 Term Loans to Private Builders

- 3.3.1** In view of the important role played by professional builders as providers of construction services in the housing field, especially where land is acquired and developed by State Housing Boards and other public agencies, commercial banks may extend credit to private builders on commercial terms by way of loans linked to each specific project. However, the banks are not permitted to extend fund based or non-fund based facilities to private builders for acquisition of land even as part of a housing project. The period of credit for loans extended by banks to private builders may be decided by banks themselves based on their commercial judgement subject to usual safeguards and after obtaining such security, as banks may deem appropriate. Such credit may be extended to builders of repute, employing professionally qualified personnel. It should be ensured, through close monitoring, that no part of such funds is used for any speculation in land.

Care should also be taken to see that prices charged from the ultimate beneficiaries do not include any speculative element, that is, prices should be based only on the documented price of land, the actual cost of construction and a reasonable profit margin.

- 3.3.2** It is advised that banks should adhere to the National Building Code (NBC) formulated by the Bureau of Indian Standards (BIS) in view of the importance of safety of buildings especially against natural disasters. Banks may consider this

aspect for incorporation in their loan policies. Banks should also adopt the National Disaster Management Authority (NDMA) guidelines and suitably incorporate them as part of their loan policies, procedures and documentation.

3.3.3 Incorporating clause in the terms and conditions to disclose in Pamphlets / Brochures / advertisements information regarding mortgage of property to the bank

In a case which came up before the Hon'ble High Court of Judicature at Bombay, the Hon'ble Court observed that the bank granting finance to housing / development projects should insist on disclosure of the charge / or any other liability on the plot, in the brochure, pamphlets etc., which may be published by developer / owner inviting public at large to purchase flats and properties. The Court also added that this obviously would be part of the terms and conditions on which the loan may be sanctioned by the bank. Keeping in view the above, while granting finance to specific housing / development projects, banks are advised to stipulate as a part of the terms and conditions that:

- (i) the builder / developer / company would disclose in the Pamphlets / Brochures etc., the name(s) of the bank(s) to which the property is mortgaged.
- (ii) the builder / developer / company would append the information relating to mortgage while publishing advertisement of a particular scheme in newspapers / magazines etc.
- (iii) the builder / developer / company would indicate in their pamphlets / brochures, that they would provide No Objection Certificate (NOC) / permission of the mortgagee bank for sale of flats / property, if required.

Banks are also advised to ensure compliance of the above terms and conditions and funds should not be released unless the builder/developer/company fulfils the above requirements.

On a review, it has been decided that the above mentioned provisions will be mutatis-mutandis, applicable to Commercial Real Estate also.

4. HOUSING LOANS UNDER PRIORITY SECTOR

Banks may refer to the Master Circular on Lending to Priority Sector issued by Rural Planning and Credit Department.

5. RBI REFINANCE

Finance provided by the banks would not be eligible for refinance from Reserve Bank.

6. CONSTRUCTION ACTIVITIES ELIGIBLE FOR BANK CREDIT AS HOUSING FINANCE

The following types of bank credit will be eligible for being treated as housing finance:

- (i) Loans to individuals for purchase/construction of dwelling unit per family and loans given for repairs to the damaged dwelling units of families;
- (ii) Finance provided for construction of residential houses to be constructed by public housing agencies like HUDCO, Housing Boards, local bodies, individuals, co-operative societies, employers, priority being accorded for financing construction of houses meant for economically weaker sections, low income group and middle income group;
- (iii) Finance for construction of educational, health, social, cultural or other institutions/centers, which are part of a housing project and which are necessary for the development of settlements or townships;
- (iv) Finance for shopping complexes, markets and such other centers catering to the day to day needs of the residents of the housing colonies and forming part of a housing project;
- (v) Finance for construction meant for improving the conditions in slum areas for which credit may be extended directly to the slum-dwellers on the guarantee of the Government, or indirectly to them through the State Governments;
- (vi) Bank credit given for slum improvement schemes to be implemented by Slum Clearance Boards and other public agencies;
- (vii) Finance provided to –
 - (a) the bodies constituted for undertaking repairs to houses, and
 - (b) the owners of building/house/flat, whether occupied by themselves or by tenants, to meet the need-based requirements for their repairs/additions, after satisfying themselves regarding the estimated cost (for which requisite certificate should be obtained from an Engineer/Architect, wherever necessary) and obtaining such security as deemed appropriate;

- (viii) Housing finance provided by banks for which refinance is availed of from National Housing Bank (NHB);
- (ix) Investment in the guarantee/non-guaranteed bonds and debentures of NHB/HUDCO in the primary market, provided investment in non-guaranteed bonds is made only if guaranteed bonds are not available.

7. CONSTRUCTION ACTIVITIES NOT ELIGIBLE FOR BANK CREDIT

- 7.1** Banks should not grant finance for construction of buildings meant purely for Government/Semi-Government offices, including Municipal and Panchayat offices. However, banks may grant loans for activities, which will be refinanced by institutions like NABARD.
- 7.2** Projects undertaken by public sector entities which are not corporate bodies (i.e. public sector undertakings which are not registered under Companies Act or which are not Corporations established under the relevant statute) may not be financed by banks. Even in respect of projects undertaken by corporate bodies, as defined above, banks should satisfy themselves that the project is run on commercial lines and that bank finance is not in lieu of or to substitute budgetary resources envisaged for the project. The loan could, however, supplement budgetary resources if such supplementing was contemplated in the project design. Thus, in the case of a housing project, where the project is run on commercial lines, and the Government is interested in promoting the project either for the benefit of the weaker sections of the society or otherwise, and a part of the project cost is met by the Government through subsidies made available and/or contributions to the capital of the institutions taking up the project, the bank finance should be restricted to an amount arrived at after reducing from the total project cost the amount of subsidy/capital contribution receivable from the Government and any other resources proposed to be made available by the Government.
- 7.3** Banks had, in the past, sanctioned term loans to Corporations set up by Government like State Police Housing Corporation, for construction of residential quarters for allotment to employees where the loans were envisaged to be repaid out of budgetary allocations. As these projects cannot be considered to be run on commercial lines, it would not be in order for banks to grant loans to such projects.

8. REPORTING

Banks should compile the data relating to Housing Finance at half-yearly intervals on the lines of format given in **Annex** and keep it ready for being made available to the bank's internal inspectors/RBI's inspectors.

9. HOME LOAN ACCOUNT SCHEME (HLAS) OF NHB

9.1 Foreclosure of Loans Obtained from Other Sources

9.1.1 Under the HLAS, a member of HLAS is eligible for a loan after subscription to the scheme for a minimum period of 5 years. The member has to declare while joining the scheme/availing loan that he/ she does not own a house/flat. However, a member may acquire a house or a flat from a public agency/co-operative/ private builder by obtaining a loan from a bank at the normal rate of interest or from friends and relatives or through a hire-purchase scheme of Housing Board/ Development Authority. Thereafter, when the member becomes eligible for a loan under HLAS, he/she may approach the bank for such a loan to repay the loan(s) raised earlier from other sources.

9.1.2 There is no objection to bank loans under HLAS being utilised for foreclosing loans secured earlier from other sources, as a special case.

9.2 Classification of Deposits/Loans under HLAS

Under HLAS, the participating bank is required to accept deposits on behalf of NHB and make use of these deposits by way of refinance under any scheme approved by NHB from time to time. The surplus funds, if any, not so utilised (i.e. excess of deposits over refinance) can either be remitted by the participating bank to NHB or retained by it, subject to compliance with the statutory reserve requirements as under:

- (i) The deposits under the HLA Scheme are on a recurring basis; and they should be treated as 'time' liabilities, subject to reserve requirements under Section 42(1) of the Reserve Bank of India Act, 1934 as also under Section 24 of the Banking Regulation Act, 1949 and included under item II (a) (ii) of Form 'A'.
- (ii) In terms of sub-clause (ii) of clause I of the Explanation to Sub-Section (1) of Section 42 of the RBI Act, as amended by clause 3 of the Second Schedule to the National Housing Bank Act, 1987, 'liabilities' will not include any loan taken from NHB. Hence, the deposits utilised as refinance from NHB should be

deducted from the total deposits received under the HLA Scheme while including the amount under item II (a) (ii) of Form 'A'.

10. BANK'S EXPOSURE TO REAL ESTATE SECTOR

(i) While the development of real estate is welcome, there is a need for the banks to curb the excessively risky lending by exercising selectivity and strengthening the loan approval process. Banks should ensure that the borrowers should have obtained prior permission from government/local governments/other statutory authorities for the project, wherever required. While the proposals could be sanctioned in normal course, the disbursements should be made only after the borrower has obtained requisite clearances from the government authorities.

(ii) As loans to the residential housing projects under the Commercial Real Estate (CRE) Sector exhibit lesser risk and volatility than the CRE Sector taken as a whole, it has been decided to carve out a separate sub-sector called Commercial Real Estate - Residential Housing (CRE-RH) from the CRE Sector. CRE-RH would consist of loans to builders / developers for residential housing projects (except for captive consumption) under CRE segment. Such projects should ordinarily not include non-residential commercial real estate. However, integrated housing projects comprising of some commercial space (e.g. shopping complex, school, etc.) can also be classified under CRE-RH, provided that the commercial area in the residential housing project does not exceed 10% of the total Floor Space Index (FSI) of the project. In case the FSI of the commercial area in the predominantly residential housing complex exceeds the ceiling of 10%, the project loans should be classified as CRE and not CRE-RH.

11. RISK WEIGHT ON HOUSING FINANCE

Banks may refer to Master Circular on Basel III Capital Regulations.

12. LOAN TO VALUE (LTV) RATIO

12.1 As per earlier instructions, the LTV ratio in respect of housing loans should not exceed 80 per cent. However, for small value housing loans i.e. housing loans up to 20 lakh (which get categorized as priority sector advances), the LTV ratio should not exceed 90 per cent.

12.2 With effect from June 21, 2013 these norms have been revised and the following LTV ratios have to be maintained by banks in respect of individual housing loans.

| Category of Loan | LTV Ratio (%) |
|----------------------------------|---------------|
| (a) Individual Housing Loans | |
| Upto ₹ 20 lakh | 90 |
| Above ₹ 20 lakh & upto ₹ 75 lakh | 80 |
| Above ₹ 75 lakh | 75 |
| (b) CRE – RH | NA |

12.3 The LTV ratio should not exceed the prescribed ceiling in all fresh cases of sanction. In case the LTV ratio is currently above the ceiling prescribed for any reasons, efforts should be made to bring it within limits.

12.4 It has been brought to our notice that banks adopt different practices for deciding the value of the house property while sanctioning housing loans. Some banks include stamp duty, registration and other documentation charges in the cost of the house property. This overstates the realisable value of the property as stamp duty, registration and other documentation charges are not realisable and consequently the margin stipulated gets diluted. Accordingly, banks should not include these charges in the cost of the housing property they finance so that the effectiveness of LTV norms is not diluted.

13. **INNOVATIVE HOUSING LOAN PRODUCTS – UPFRONT DISBURSAL OF HOUSING LOANS**

13.1 It has been observed that some banks have introduced certain innovative Housing Loan Schemes in association with developers / builders, e.g. upfront disbursement of sanctioned individual housing loans to the builders without linking the disbursements to various stages of construction of housing project, interest / EMI on the housing loan availed of by the individual borrower being serviced by the builders during the construction period / specified period, etc. This might include signing of tripartite agreements between the bank, the builder and the buyer of the housing unit.

These loan products are popularly known by various names like 80:20, 75:25 Schemes.

13.2 Such housing loan products are likely to expose the banks as well as their home loan borrowers to additional risks e.g. in case of disputes between individual borrowers and developers / builders, default / delayed payment of interest / EMI by the developer / builder during the agreed period on behalf of the borrower, non-completion of the project on time, etc. Further, any delayed payments by developers / builders on behalf of individual borrowers to banks may lead to lower credit rating / scoring of such borrowers by credit information companies (CICs) as information about servicing of loans gets passed on to the CICs on a regular basis. In cases where bank loans are also disbursed upfront on behalf of their individual borrowers in a lump-sum to builders / developers without any linkage to stages of construction, banks run disproportionately higher exposures with concomitant risks of diversion of funds.

13.3 In view of the higher risks associated with such lump-sum disbursement of sanctioned housing loans and customer suitability issues, banks are advised that disbursement of housing loans sanctioned to individuals should be closely linked to the stages of construction of the housing project / houses and upfront disbursement should not be made in cases of incomplete / under-construction / green field housing projects.

13.4 It is emphasized that banks while introducing any kind of product should take into account the customer suitability and appropriateness issues and also ensure that the borrowers / customers are made fully aware of the risks and liabilities under such products.

14. DELHI HIGH COURT ORDER ON UNAUTHORISED CONSTRUCTION

The Monitoring Committee constituted by the Hon'ble High Court of Delhi regarding Unauthorised Construction, Misuse of Properties and Encroachment on Public Land, has issued the following directions for immediate compliance by the banks/ Financial Institutions.

A. Housing Loan for building construction

i) In cases where the applicant owns a plot/land and approaches the banks/FIs for a credit facility to construct a house, a copy of the sanctioned plan by competent authority in the name of a person applying for such credit facility must be obtained by the Banks/FIs before sanctioning the home loan.

ii) An affidavit-cum-undertaking must be obtained from the person applying for such credit facility that he shall not violate the sanctioned plan, construction shall be strictly as per the sanctioned plan and it shall be the sole responsibility of the executants to obtain completion certificate within 3 months of completion of construction, failing which the bank shall have the power and the authority to recall the entire loan with interest, costs and other usual bank charges.

iii) An Architect appointed by the bank must also certify at various stages of construction of building that the construction of the building is strictly as per sanctioned plan and shall also certify at a particular point of time that the completion certificate of the building issued by the competent authority has been obtained.

B. Housing Loan for purchase of constructed property/ built up property

i) In cases where the applicant approaches the bank/FIs for a credit facility to purchase the built up house/flat, it should be mandatory for him to declare by way of an affidavit-cum-undertaking that the built up property has been constructed as per the sanctioned plan and/or building bye-laws and as far as possible has a completion certificate also.

ii) An Architect appointed by the bank must also certify before disbursement of the loan that the built up property is strictly as per sanctioned plan and/or building bye-laws.

C. Unauthorised colonies

No loan should be given in respect of those properties which fall in the category of unauthorized colonies unless and until they have been regularized and development and other charges paid.

D. Commercial Property

No loan should also be given in respect of properties meant for residential use but which the applicant intends to use for commercial purposes and declares so while applying for loan.

15 TERMS AND CONDITIONS FOR BANKS' INVESTMENT IN MORTGAGE BACKED SECURITIES (MBS)

15.1 Banks' investments in MBS should satisfy the following terms and conditions:

- (i) The right, title, and interest of an HFC in securitised housing loans and receivables there under should irrevocably be assigned in favour of a Special Purpose Vehicle (SPV) / Trust.
- (ii) Mortgaged securities underlying the securitised housing loans should be held exclusively on behalf of and for the benefit of the investors by the SPV/Trust.
- (iii) The SPV or Trust should be entitled to the receivables under the securitised loans with an arrangement for distribution of the same to the investors as per the terms of the issue of MBS. Such an arrangement may provide for appointment of the originating HFC as the servicing and paying agent. However, the originating HFC participating in a securitisation transaction as a seller, manager, servicer or provider of credit enhancement of liquidity facilities,
 - a. shall not own any share capital in the SPV or be the beneficiary of the Trust used as a vehicle for the purchase and securitisation of assets. Share capital for this purpose shall include all classes of common and preferred share capital.
 - b. shall not name the SPV in such manner as to imply any connection with the bank.
 - c. shall not have any directors, officers, or employees on the board of the SPV unless the board is made of at least three members and where there is a majority of independent directors. In addition, the official (s) representing the bank will not have veto powers.
 - d. shall not directly or indirectly control the SPV, or
 - e. shall not support any losses arising from the securitisation transaction or by investors involved in it or bear any of the recurring expenses of the transaction.
- (iv) The loans to be securitised should be loans advanced to individuals for acquiring /constructing residential houses which should have been mortgaged to the HFC by way of exclusive first charge.
- (v) The loans to be securitised should be accorded an investment grade credit rating by any of the credit rating agencies at the time of assignment to the SPV.
- (vi) The investors should be entitled to call upon the issuer-SPV to take steps for recovery in the event of default and distribute the net proceeds to the investors as per the terms of issue of MBS.
- (vii) The SPV undertaking the issue of MBS should not be engaged in any business

other than the business of issue and administration of MBS of individual housing loans.

(viii) The SPV or Trustees appointed to manage the issue of MBS should have to be governed by the provisions of Indian Trust Act, 1882.

15.2 If the issue of MBS is in accordance with the terms and conditions stated in above paragraph and includes irrevocable transfer of risk and reward of housing loan assets to the SPV / Trust, investment in such MBS by any bank would not be reckoned as an exposure on the HFC originating the securitised housing loan. However, it would be treated as an exposure on the underlying assets of the SPV/ Trust.

Annex

(Vide paragraph 8)

HOUSING FINANCE**Financial assistance granted by scheduled commercial banks under the
category 'Housing Finance' as on September 30 /March 31**

For use of RBI

| | | |
|--|--|--|
| | | |
|--|--|--|

1. Name of the Bank

BSR Bank Working Code

| |
|--|
| |
|--|

2. All India/State/Union Territory

| |
|--|
| |
|--|

I. DIRECT LOANS TO BENEFICIARIES

(Amount Rs.lakh)

| No | Item | Disbursed during half-year | | | | | | Outstanding at the end of half-year | | | | | |
|-------------------|---------------------------------------|----------------------------|------|-------------------|------|-------------------|------|-------------------------------------|------|-------------------|------|------------|-----|
| | | Total | | of which | | | | Total | | of which | | | |
| | | No. of A/cs | Amt. | Rural | | Semi-urban | | No. of A/cs | Amt. | Rural | | Semi-urban | |
| No. of A/cs | Amt. | | | No. of A/cs | Amt. | No. of A/cs | Amt. | | | No. of A/cs | Amt. | | |
| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10. | 11. | 12. | 13. | 14. |
| 10 | Total (11+12+13 +14) | | | | | | | | | | | | |
| | Loans amounts upto Rs.50,000 | | | | | | | | | | | | |

| 1. | 2. | 3. | 4. | 5. | 6. | 7. | 8. | 9. | 10. | 11. | 12. | 13. | 14. |
|-----|---|----|----|----|----|----|----|----|-----|-----|-----|-----|-----|
| 11. | Individuals/groups of individuals (including co-operative housing societies) belonging to Scheduled Castes (SC)/Scheduled Tribes (ST) | | | | | | | | | | | | |
| 12. | Individuals/groups of individuals (including co-operative housing societies) other than SC/ST) | | | | | | | | | | | | |
| | Loan amounts above Rs.50,000 | | | | | | | | | | | | |
| 13. | Individuals/groups of individuals (including co-operative housing societies) belonging to Scheduled Castes (SC)/Scheduled Tribes (ST) | | | | | | | | | | | | |
| 14. | Individuals/groups of individuals (including co-operative housing societies) other than SC/ST | | | | | | | | | | | | |

II. LENDING THROUGH AGENCIES/INSTITUTIONS (INDIRECT LENDING)

| No. | Item | Disbursed during half-year | | Outstanding at the end of half-year | |
|-----|--|----------------------------|--------|-------------------------------------|--------|
| | | No.of A/cs. | Amount | No.of A/cs. | Amount |
| 1. | 2. | 3. | 4. | 5. | 6. |
| 20. | Total (21+22+23+24+25+26) | | | | |
| 21. | HUDCO | | | | |
| 22. | State Housing Boards | | | | |
| 23. | Other State-level Agencies | | | | |
| 24. | Housing Finance Institutions (other than HDFC) | | | | |
| 25. | HDFC | | | | |
| 26. | Others | | | | |
| | Of which for SC/ST | | | | |
| 30. | Total (31+32+33+34+35+36) | | | | |
| 31. | HUDCO | | | | |
| 32. | State Housing Boards | | | | |
| 33. | Other State-level Agencies | | | | |
| 34. | Housing Finance Institutions(other than HDFC) | | | | |
| 35. | HDFC | | | | |
| 36. | Others | | | | |
| 40. | Sub-Total(10+20) | | | | |
| 41. | Sub-Total(11+13+30) | | | | |

III. INVESTMENTS IN BONDS/DEBENTURES

| No. | Item | Disbursed during half-year | | Outstanding at the end of half-year | |
|------|---|----------------------------|--------|-------------------------------------|--------|
| | | No. of A/cs. | Amount | No. of A/cs. | Amount |
| 1. | 2. | 3. | 4. | 5. | 6. |
| 50. | Total (60+70+80+90) | X | | X | |
| | Guaranteed Bonds/Debentures | X | X | X | X |
| 60. | National Housing Bank | X | | X | |
| 70. | HUDCO | X | | X | |
| | Other Bonds (i.e. not carrying any guarantee) | X | X | X | X |
| 80. | National Housing Bank | X | | X | |
| 90. | HUDCO | X | | X | |
| 100. | Grand Total (40+50) | | | | |

Instructions for Compiling the Statement

1. This statement should invariably be prepared horizontally on paper of foolscap (32 cms x 21 cms), to facilitate computerised processing of the data. Further, the column numbers and item numbers should not be changed.
2. Data in Blocks I & II should be furnished for all-India and each State/Union Territory separately and in Block III for all-India only.
3. Amounts shown in Block I should be inclusive of housing loans in respect of which refinance from the National Housing Bank has been drawn.
4. Housing loans to banks' own employees should not be classified under the category 'Housing Finance' and should also not be included in this statement.
5. Loans to co-operative housing societies should be included under items 11 & 13 in Block I, only if the number of SC/ST members is more than 50% of the total membership.
6. Rural - Places with population upto 10,000
Semi urban - Places with population over 10,000 and upto 1,00,000
7. 'Other State-level Agencies' at items 23 & 33 include, for example, rural/urban housing corporations, slum clearance boards, etc.
8. 'Others' at items 26 & 36 include city improvement trusts, city development authorities, local bodies, construction companies/builders, land developers, etc.

Appendix

List of Circulars consolidated by Master Circular on Housing Finance

| Sl. | Circular No. | Date | Subject |
|-----|--|------------|---|
| 1 | DBOD.BP.BC.No.51/08.12.015/2013-14 | 03.09.2013 | Innovative Housing Loan Products- Upfront Disbursal of Housing Loans |
| 2 | DBOD.BP.BC.No.104/08.12.015/2012-13 | 21.06.13 | Housing Sector: New Sub-sector CRE(Residential Housing) within CRE and Rationalisation of provisioning, risk, weight and LTV ratio. |
| 3 | DBOD.No.BP.BC.78/08.12.001/2011-12 | 03.02.12 | Housing loans by Commercial Banks-Loan to Value (LTV) Ratio |
| 4 | DBOD.BP.BC.No.45/08.12.015/2011-12 | 03.11.11 | Guidelines on Commercial Real Estate(CRE) |
| 5 | DBOD.Dir.BC.No.93/08.12.14/2010-11 | 12.05.11 | National Disaster Management Guidelines on Ensuring Disaster Resilient construction of Buildings and Infrastructure. |
| 6 | DBOD.No.BP.BC.69/08.12.001/2010-11 | 23.12.10 | Housing Loans by Commercial Banks - LTV Ratio, Risk Weight and Provisioning |
| 7 | DBOD.No. Dir(Hsg). BC.31/08.12.001/2009-10 | 27.08.09 | Finance for Housing Projects – Incorporating clause in the terms and conditions to disclose in Pamphlets / Brochures / advertisements information regarding mortgage of property to the bank. |
| 8 | DBOD.Dir.(Hsg.)BC.27/08.12.01/2007-08 | 22.08.07 | Discontinuance of quarterly statement on housing finance disbursements |
| 9 | DBOD.Dir.BC.No.43/21.01.002/2006-07 | 17.11.06 | Housing Loans- Orders of the Delhi High Court – Writ Petition by Kalyan Sanstha Welfare Organisation against Union of India and Others – Implementation of Directions |
| 10 | DBOD.BP.BC.1711/08.12.14/2005-06 | 12.06.06 | Adherence to National Building Code (NBC) Specifications necessary for lending institutes |
| 11 | DBOD. No.BP.BC.65/08.12.01/2005-06 | 01.03.06 | Banks' Exposures to Real Estate Sector |
| 12 | DBOD.BP.BC.61/21.01.002/2004-05 | 23.12.04 | Mid-Term Review of the Annual Policy Statement for the year 2004-05-Risk Weight on housing loans and consumer credit |
| 13 | RPCD. No. Plan. BC. 64/ 04.09.01/ 2004-05 | 15.12.04 | Priority Sector Lending- Investment in special bonds issued by specified institutions |
| 14 | RPCD.PLNFS.BC.No. 44/ 06.11.01/ 2004-05 | 26.10.04 | Priority Sector Lending-Housing Loan: Enhancement of Ceiling |
| 15 | DBOD(IECS).No.4/03.27.25/2004-05 | 03.07.04 | Freedom granted to banks to lay down the period within which the borrowers are required to construct the house on the plot purchased |
| 16 | IECD. No. 14/ | 30.06.04 | Merger of functions of IECD with other |

| Sl. | Circular No. | Date | Subject |
|-----|--|----------|--|
| | 01.01.43/ 2003-04 | | departments |
| 17 | RPCD. No. PLNFS. BC. 92/ 06.11.01/ 2002-03 | 29.04.03 | Priority Sector Advances – Loans for Housing |
| 18 | RPCD.No.PLNFS.BC. 30/06.11.01/ 2002-03 | 29.10.02 | Priority Sector Advances-Repairs to damaged houses in Rural and other areas |
| 19 | DBOD.No.BP.BC.106/ 21.01.002/ 2001-02 | 14.05.02 | Risk Weight on Housing Finance and Mortgage Backed Securities |
| 20 | IECD.No.(HF)5/03:27: 25/99-2000 | 29.10.99 | Housing Finance – Modification in Loan Size |
| 21 | IECD.No.(HF)12/ 03.27.25/98-99 | 15.01.99 | Terms and Conditions Governing Direct Finance for Purchase of Old House |
| 22 | IECD.No.(HF) 40/03.27.25/97-98 | 16.04.98 | Terms and Conditions Governing Direct Housing Loans - Review of Parameters |
| 23 | IECD.No.HF.37/ 03.27.25/97-98 | 27.02.98 | Submission of Half-yearly Housing Finance Statements – Discontinuance |
| 24 | IECD.No.HF. 22/03.27.25/97-98 | 06.12.97 | Housing Finance – Modification in Loan Size |
| 25 | RPCD. No. PLNFS. BC. 37/ 06.11.01/ 97-98 | 21.10.97 | Priority Sector Advances- Loans for Housing |
| 26 | IECD.No.5/03.27.25/9 7-98 | 30.08.97 | Quantum of Bank Finance to Housing Finance Companies Entitled to Draw Refinance from National Housing Bank (NHB) |
| 27 | IECD.No.CMD. 8/03:27:25/95-96 | 27.09.95 | Sanction of Term Loans for Housing Projects Involving Budgetary Support from Government - Non-Permissibility of |
| 28 | IECD.No.1/03.27.25/9 4-95 | 11.07.94 | Direct Housing Finance |
| 29 | DBOD.No.BL.BC. 132/C.168(M)-91 | 11.06.91 | Opening of Specialised Housing Finance Branches |
| 30 | DBOD.No.BP.BC.88/6 0-90 | 05.04.90 | Home Loan Account Scheme (HLAS) of National Housing Bank - Foreclosure of Loans Obtained from Other Sources |
| 31 | IECD.No.CMD.IV. 24/HF(P)-89/90 | 30.03.90 | Housing Finance |
| 32 | DBOD.No.BP.1074/BP .60-90 | 23.03.90 | Housing Finance - Designation of Specific Branches |
| 33 | DBOD.No.BP.1022/BP .60-90 | 15.03.90 | Housing Finance - Designation of Specific Branches |
| 34 | DBOD. No. Ret.BC. | 13.02.90 | The Reserve Bank of India Scheduled Banks Regulation, 1951- Classification of Deposits |

| Sl. | Circular No. | Date | Subject |
|------------|--------------------------------------|-------------|--|
| | 75/ C.96-90 | | Accepted under the Home Loan Account Scheme of the National Housing Bank |
| 35 | IECD.No.CAD.IV. 223/(HF-P)- 88/89 | 02.11.88 | Housing Finance – Modifications on the basis of the recommendations of the Study Group on Housing Finance Institutions |
| 36 | DBOD.No.CAS.BC. 70/C.446(HF-P)-81 | 05.06.81 | Housing Finance - Revised Guidelines (General) |
| 37 | DBOD.No.CAS.BC.71/ C.446(HF-P)-79 | 31.05.79 | Housing Finance - Recommendations of the Working Group to Examine the Role of Banking System in Providing Finance for Housing Scheme |