



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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All Scheduled Commercial Banks  
(excluding RRBs )

Dear Sir,

**Housing Sector: Innovative Housing Loan Products – Upfront disbursement of housing loans**

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.

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.

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बैंक हिन्दी में भी पत्राचार का स्वागत करता है। हिन्दी आसान है, इसका प्रयोग बढ़ाइये।

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

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.

Yours faithfully

(Rajesh Verma)  
Chief General Manager