

**Credit Control and Other Measures
December 1999**

Selected circulars issued by the Reserve Bank of India during December 1999 are reproduced below.

Ref. UBD. No. Plan.PCB.7/09.09.01/99-2000 dated December 22, 1999.

All Primary (Urban) Co-operative Banks

Priority Sector Lending - Housing Finance

Please refer to para 2 (II) of our Circular UBD. No. Plan. PCB.24/09.09.01/97-98 dated December 1, 1997 in terms of which the limit of loans to individuals for the purpose of construction of houses and the loan component of assistance granted to any governmental agency for the purpose of construction of houses exclusively for the benefit of SC/STs under priority sector advances was raised from Rs. 2.00 lakh to Rs. 5.00 lakh, in addition to the loans upto Rs. 50,000 for repairs, additions and alterations etc. to individual borrowers, reckoned as priority sector advances.

2. In pursuance of the mid term credit review of October 1999, the following changes have been made in respect of housing finance under priority sector.

i) Direct housing loans by banks upto Rs.10 lakh for construction of houses by individuals in urban and metropolitan areas will be eligible for inclusion under Priority Sector.

ii) All investments in bonds issued by NHB/HUDCO exclusively for financing of housing, irrespective of the loan size, per dwelling unit, will be reckoned for inclusion under Priority Sector advances.

3. The overall target of 60 per cent of total advances for priority sector, of which 25 per cent advances for weaker section remains unchanged.

4. All other terms and conditions remain unchanged.

Ref. UBD. No. Plan. 18/09.45.00/99-2000 dated December 30, 1999.

All Primary (Urban) Co-operative Banks

Banks' Own Investment in State Government Loans - Payment of Brokerage /Commission

Please refer to our circular No. UBD. P & O. 1121/UB 63-83-84 dated June 1, 1984 on the above subject. In view of streamlining of issue of State loans as per General Notification dated April 1, 1997 issued by all State Governments, it has since been

decided to restore payment of brokerage/commission to the eligible banks in respect of their subscriptions to State loans.

The extracts of para 14 and 15 of the General Notification dated April 1, 1997 as amended by Notification dated June 15, 1998 issued by State

Governments in this regard are given below for your guidance :

14. Brokerage

Brokerage will be paid at the rate of six paise per Rs. 100 or any other rate notified in future to recognised banks and brokers on allotments made in respect of applications for the loan tendered by them on behalf of their clients and bearing their stamp.

15. Commission

Commission at the rate of six paise per Rs. 100 will be paid to banks, Primary Dealers and Satellite Dealers registered with Reserve Bank of India, Life Insurance Corporation, General Insurance Corporation and its subsidiaries, Provident Funds and Gratuity Funds on their own subscriptions only if the applications are submitted by them direct to the receiving offices. On any application either commission or brokerage will be payable and not both.

You are also advised to carefully note the terms and conditions notified for every loan issue to see revised instructions, if any.

You may also note that at present, no brokerage/ commission is being paid on investments by Primary (Urban) Co-operative Banks on Central Government loans.