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

RBI/2015-16/07
DCBR.BPD. (PCB) MC No.9/09.22.010/2015-16 **July 1, 2015**

The Chief Executive Officers
All Primary (Urban) Co-operative Banks

Dear Sir/ Madam,

Master Circular- Finance for Housing Schemes - UCBs

Please refer to our Master Circular UBD.BPD.(PCB).MC.No. 2/09.22.010/2014-15 dated July 1, 2014 on the captioned subject (available at RBI website https://rbi.org.in/). The enclosed Master Circular consolidates and updates all the instructions / guidelines on the subject issued up to June 30, 2015 as listed in the Appendix.

Yours faithfully

(Suma Varma)
Principal Chief General Manager

Encl: as above

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Master Circular
Finance for Housing Schemes - UCBs
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Master Circular - Finance for Housing Schemes - UCBs

1. General

1.1 The role of primary (urban) co-operative banks (UCBs) in providing housing finance has been reviewed from time to time. These banks, with their vast network, occupy a very strategic position in the financial system and have an important role to play in providing credit to the housing sector. Further, housing finance to specified categories up to prescribed limits is treated as priority sector lending, and the need for UCBs providing credit to priority sector has come to be increasingly recognised consistent with the social objectives placed before the banking system.

1.2 Therefore, with a view to enabling the UCBs to play a more positive role in providing finance for housing schemes, particularly to the weaker sections of the community, these banks are permitted to grant loans for housing schemes up to certain limits from their own resources subject to the guidelines detailed hereunder.

1.3 Bigger banks that have large surplus resources may undertake larger lending for housing, as this will provide a remunerative avenue for investment of their surplus funds.

1.4 Wherever banks are still required to obtain special permission of the Registrar for financing housing societies, it is suggested that these banks should obtain general permission to finance housing societies subject to such terms and conditions as may be prescribed for the purpose.

2. Eligible Category of Borrowers

UCBs may grant loans to the following categories of borrowers:

i. Individuals and co-operative / group housing societies.

ii. Housing boards undertaking housing projects or schemes for economically weaker sections (EWS), low income groups (LIG) and middle income groups (MIG).

iii. Owners of houses / flats for extension and up-gradation, including major repairs.

3. Eligible Housing Schemes

The borrowers in the above categories will be eligible for finance for the following types of housing schemes:

(a) Construction / purchase of houses / flats by individuals

(b) Repairs, alterations and additions to houses / flats by individuals

(c) Schemes for housing and hostels for scheduled castes and scheduled tribes

(d) Under slum clearance schemes - directly to the slum dwellers on the guarantee of the Government, or indirectly through Statutory Boards established for this purpose

(e) Education, health, social, cultural or other institutions / centres which are part of a housing project and considered necessary for the development of settlements or townships

(f) Shopping centres, markets and such other centres catering to the day to day needs of the residents of the housing colonies and forming part of a housing project

4. Terms and Conditions for Housing Loans

Finance provided by the UCBs to the eligible categories of borrowers for eligible housing schemes will be subject to the following terms and conditions:

4.1 Maximum Loan Amount & Margins

(i) UCBs, based on their commercial judgment and other prudential business considerations, with the approval of their Board of Directors, are free to identify the eligible borrowers, decide margins and grant housing loans depending upon the repaying capacity of borrowers.

(ii) Tier-I UCBs are permitted to extend individual housing loans upto a maximum of ₹ 30 lakh per beneficiary of a dwelling unit and Tier II UCBs (UCBs other than Tier I) to extend individual housing loans up to a maximum of ₹ 70.00 lakh per beneficiary of a dwelling unit subject to extant prudential exposure limits.

(iii) The maximum loan should not exceed 15 percent of capital funds of the bank in case of individual borrowers and 40 per cent of the capital funds in case of group of borrowers. The capital funds for the purpose shall include both Tier I Capital and Tier II capital.

* Tier I UCBs are categorised as under:

- Banks having deposits below ₹100 crore operating in a single district

- Banks with deposits below ₹100 crore operating in more than one district will be treated as Tier I provided the branches are in contiguous districts and deposits and advances of branches in one district separately constitute at least 95% of the total deposits and advances respectively of the bank and

- Banks with deposits below ₹100 crore, whose branches were originally in a single district but subsequently, became multi-district due to reorganization of the district

Deposits and advances as referred to in the above definition may be reckoned as on 31st March of the immediate preceding financial year.

4.2 **A. Interest**

Banks may, with the approval of their Boards, determine the rate of interest, keeping in view the size of accommodation, degree of risk and other relevant considerations.

B. Foreclosure Charges / Prepayment Penalty

With effect from June 26, 2012 it has been decided that UCBs will not be permitted to charge foreclosure charges / prepayment penalties in home loans on floating interest rate basis.

4.3 **Charging of Penal Interest**

Banks may formulate, with the approval of their Boards, transparent policy for charging penal interest rates to be levied for reasons such as default in repayment, non-submission of financial statements, etc. The policy should be governed by well accepted principles of transparency, fairness, incentive to service the debt and due regard to genuine difficulties of customers.

4.4 **Security**

(i) UCBs may secure housing loans either

(a) by mortgage of property, or

(b) by government guarantee where forthcoming, or

(c) by both.

(ii) Where this is not feasible, banks may accept security of adequate value in the form of LIC policies, Government Promissory Notes, shares / debentures, gold ornaments or such other security as they deem appropriate.

4.5 **Period of Loan**

(i) Housing loans may be repayable within a maximum period of 20 years, including moratorium or repayment holiday.

(ii) The moratorium or repayment holiday may be granted

(a) at the option of the beneficiary, or

(b) till completion of constructions, or 18 months from the date of disbursement of first instalment of the loan, whichever is earlier.

4.6 **Graduated Instalments**

(i) The instalments should be fixed on a realistic basis taking into account the repaying capacity of the borrower.

(ii) In order to make housing finance affordable, banks may consider fixing the instalments on a graduated basis, if there is reasonable expectation of growth in the income of the borrower in the coming years. Graduated basis means fixing lower repayment instalments in the initial years and gradually increasing the instalment amount in subsequent years coinciding with expected increase in income in subsequent years.

4.7 **Aggregate Limit for Housing Finance**

4.7.1 The exposure of UCBs to housing, real estate and commercial real estate loans would be limited to 10 per cent of their total assets. The above ceiling of 10 per cent of total assets can be exceeded by an additional limit of

5 per cent of total assets for the purpose of grant of housing loans to individuals up to ₹ 25 lakh, which is covered under priority sector.

4.7.2 The total assets may be reckoned based on the audited balance sheet as on March 31 of the preceding financial year. For reckoning total assets, losses, intangible assets, contra items like bills receivables etc. would be excluded.

4.7.3 The exposure should take into account both fund based and non-fund based facilities.

4.7.4 Working capital loans given by UCBs against hypothecation of construction materials provided to the contractors who undertake comparatively small construction on their own without receiving advance payments as provided for in paragraph 7 of this circular is exempted from the prescribed limit.

4.7.5 Finance extended to the eligible category of borrowers mentioned in paragraph 2 above will only be eligible to be treated as housing finance. While the purpose of the loan shall determine whether the loans granted against the security of immovable property need to be classified as real estate loans, the source of repayment will determine whether the exposure is against commercial real estate. For classification of such loans as Real Estate / Commercial Real Estate, UCBs may be guided by the instructions contained in Annex 1. 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 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.

4.7.6 UCBs are not allowed to exceed the limit prescribed for grant of housing, real estate, commercial real estate loans to the extent of funds obtained from higher financing agencies and refinance from National Housing Bank.

5. Additional / Supplementary Finance

5.1 UCBs may extend additional finance to carry out alterations, additions, repairs to houses / flats already financed by them subject to repayment capacity of borrowers.

5.2 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 credit after obtaining *pari passu* or second mortgage charge over the property mortgaged in favour of other lenders and / or against such other security as they may deem appropriate after due assessment of aggregate repayment capacity of borrowers.

5.3 UCBs may also extend need-based credit up to a maximum of ₹ 2.00 lakh in rural and semi-urban areas and ₹5.00 lakh in urban areas to the owner of a house / flat only for repairs, additions, alterations, etc., irrespective of whether the house / flat is owner occupied or tenant occupied, after obtaining such security as the banks may deem appropriate. They should satisfy themselves regarding the estimated cost of repairs, additions, etc. having regard to the extent of such repairs or additions, materials to be used, cost of labour and other charges and after obtaining certificate/s from qualified engineers / architects in respect thereof, considered necessary.

5.4 The terms and conditions relating to margin, interest rates, repayment period etc. in respect of additional / supplementary finance may be same as indicated in respect of loans for construction / acquisition.

6. Lending to Housing Boards

6.1 UCBs may extend loans to housing boards within their States. The rate of interest to be charged on the loans to such boards may be fixed at the discretion of the banks.

6.2 While extending loans to housing boards, banks may not only keep in view the past performance of the housing boards in the matter of recovery from the beneficiaries but should also stipulate that the boards will ensure prompt and regular recovery of loan instalments from the beneficiaries.

7. Advances to Builders / Contractors

7.1 Builders / contractors generally require huge funds, take advance payments from the prospective buyers or from those on whose behalf construction is undertaken and, therefore, may not normally require bank finance for the purpose. Any financial assistance extended to them by primary (urban) co-operative banks may result in dual financing. Banks should, therefore, normally refrain from sanctioning loans and advances to this category of borrowers.

7.2 However, where contractors undertake comparatively small construction work on their own, (i.e. when no advance payments are received by them for the purpose), banks may consider extending financial assistance to them against the hypothecation of construction materials, provided such loans and advances are in accordance with the bye laws of the bank and instructions / directives issued by the Reserve Bank from time to time.

7.3 Banks should undertake a proper scrutiny of the relevant loan applications, and satisfy themselves, among other things, about the genuineness of the purpose, the quantum of financial assistance required, creditworthiness of the borrower, repayment capacity, etc. and also observe the usual safeguards, such as, obtaining periodic stock statements, carrying out periodic inspections, determining drawing power strictly on the basis of the stock held, maintaining a margin of not less than 40 to 50 percent, etc. They should also ensure that materials used up in the construction work are not included in the stock statements for the purpose of determining the drawing power.

7.4 **Valuation of land:** It has been observed that while financing builders / contractors, certain banks valued 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 clarified that UCBs should not extend fund based / non-fund based facilities to builders / contractors for acquisition of land even as a part of a housing project. Further, wherever land is accepted as collateral, valuation of such land should be at the current market price only.

7.5 UCBs may also take collateral security, wherever available. As construction work progresses, contractors will get paid and such payments should be applied to reduce the balance in the borrowal accounts. If possible, banks could perhaps enter into a tripartite agreement with the borrower and his clients, particularly when no collateral securities are available for such advances.

7.6 It has been observed that some banks have introduced certain innovative Housing Loan Schemes in association with developers / builders, e.g. upfront disbursal of sanctioned individual housing loans to builders without linking the disbursals 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. In view of the higher risks associated with such lump-sum disbursal of sanctioned housing loans and customer suitability issues, UCBs 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.

8. Housing Loans under Priority Sector

8.1 The following types of loan for housing purposes are eligible for categorisation under priority sector:

i) Loans up to ₹ 25 lakh to individuals for purchase / construction of dwelling unit per family (excluding loans granted by banks to their own employees). *Family for this purpose means and includes the spouse of the member and the* *children, parents, brothers and sisters of the member who are dependent on such member, but shall not include legally separated spouse.*

ii) Loans given for repairs to the damaged dwelling units of families up to ₹ 2 lakh in rural and semi-urban areas and up to ₹ 5 lakh in urban and metropolitan areas.

iii) Assistance given to any governmental agency for construction of dwelling units or for slum clearance and rehabilitation of slum dwellers, subject to a ceiling of ₹ 5 lakh of loan amount per dwelling unit.

iv) Assistance given to a non-governmental agency approved by the NHB for the purpose of refinance for construction / reconstruction of dwelling units or for slum clearance and rehabilitation of slum dwellers, subject to a ceiling of loan component of ₹ 10 lakh per dwelling unit for loans sanctioned on and after May 18, 2012.

8.2 Investments made by UCBs in bonds issued by NHB / HUDCO on or after April, 1, 2007 shall not be eligible for classification under priority sector lending.

9. Precautions

9.1 A number of cases have come to the notice of Reserve Bank, where unscrupulous persons have defrauded the banks by obtaining multiple bank finance against the same property by preparing a number of sets of the original documents and submitting the same to various banks for obtaining housing finance. Similarly the salary certificates of employees of certain public sector undertakings were fabricated, so as to match the requirement of banks for availing higher amounts of loan. The estimates given were also on the higher side, so as to avoid contribution of margin money by the borrowers.

Such frauds could take place on account of laxity on the part of the bank officials to follow the laid down procedures for verifying the genuineness of the documents submitted by borrowers independently through their own advocates / solicitors. Banks should, therefore, take due precaution while accepting various documents.

9.2 Banks would need to satisfy themselves that loans extended by them are not for unauthorized construction or for misuse of properties / encroachment on public land. For this purpose, they should ensure strict compliance with the procedure laid down in Annex 2 .

9.3 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 observations, while granting finance for eligible housing schemes, UCBs are advised to stipulate as part of terms and conditions that:

(a) The builder / developer shall disclose in the pamphlets / brochures etc., the name(s) of the bank(s) to which the property is mortgaged.

(b) The builder / developer would append the information relating to mortgage while advertising for a particular scheme in newspapers / magazines etc.

(c) The builder / developer would indicate in the pamphlets / brochures that he would provide No Objection Certificate (NOC) / permission of the mortgagee bank for sale of flats / property if required.

UCBs are also advised to ensure compliance of the above terms and conditions. Funds should not be released unless the builder / developer fulfills the above requirements.

10. National Building Code

The Bureau of Indian Standards (BIS) has formulated a comprehensive building Code namely National Building Code (NBC) of India 2005, providing guidelines for regulating the building construction activities across the country. The Code contains all the important aspects relevant to safe and orderly building development such as administrative regulations, development control rules and general building requirements; fire safety requirements; stipulations regarding materials, structural design and construction (including safety); and building and plumbing services. Adherence to NBC will be advisable in view of the importance of safety of buildings especially against natural disasters. Banks' boards may consider this aspect for incorporation in their loan policies. Further information regarding the NBC can be accessed from the website of Bureau of Indian Standards (http://www.bis.org.in/).

Annex – 1

Definition of Commercial Real Estate Exposure (CRE)

(vide paragraph 4.7.5)

Real Estate is generally defined as an immovable asset - land (earth space) and the permanently attached improvements to it. Income-producing real estate (IPRE) is defined in para 226 of the Basel II Framework as under :

"Income-producing real estate (IPRE) refers to a method of providing funding to real estate (such as, office buildings to let, retail space, multifamily residential buildings, industrial or warehouse space, and hotels) where the prospects for repayment and recovery on the exposure depend primarily on the cash flows generated by the asset. The primary source of these cash flows would generally be lease or rental payments or the sale of the asset. The borrower may be, but is not required to be, an SPE (Special Purpose Entity), an operating company focused on real estate construction or holdings, or an operating company with sources of revenue other than real estate. The distinguishing characteristic of IPRE versus other corporate exposures that are collateralised by real estate is the strong positive correlation between the prospects for repayment of the exposure and the prospects for recovery in the event of default, with both depending primarily on the cash flows generated by a property".

2. The Income Producing Real Estate (IPRE) is synonymous with Commercial Real Estate (CRE). From the definition of IPRE given above, it may be seen that for an exposure to be classified as IPRE / CRE, the essential feature would be that the funding will result in the creation / acquisition of real estate (such as, office buildings to let, retail space, multifamily residential buildings, industrial or warehouse space, and hotels) where the prospects for repayment would depend primarily on the cash flows generated by the asset. Additionally, the prospect of recovery in the event of default would also depend primarily on the cash flows generated from such funded asset which is taken as security, as would generally be the case. The primary source of cash flow (i.e. more than 50% of cash flows) for repayment would generally be lease or rental payments or the sale of the assets as also for recovery in the event of default where such asset is taken as security.

3. In certain cases where the exposure may not be directly linked to the creation or acquisition of CRE but the repayment would come from the cash flows generated by CRE. For example, exposures taken against existing commercial real estate whose prospects of repayments primarily depend on rental / sale proceeds of the real estate should be classified as CRE. Other such cases may include ; extension of guarantees on behalf of companies engaged in commercial real estate activities, corporate loans extended to real estate companies etc.

4. It follows from the definition at para 2 and 3 above that if the repayment primarily depends on other factors such as operating profit from business operations, quality of goods and services, tourist arrivals etc., the exposure would not be counted as Commercial Real Estate.

5. UCBs should not extend finance for acquisition of land even if it is part of a project. However, finance can be granted to individuals for purchase of a plot, provided a declaration is obtained from the borrower that he intends to construct a house on the said plot, within such period as may be laid down by the banks themselves.

Simultaneous Classification of CRE into other Regulatory Categories

6. It is possible for an exposure to get classified simultaneously into more than one category, real estate, CRE, infrastructure etc as different classifications are driven by different considerations. In such cases, the exposure would be reckoned for regulatory / prudential exposure limit, if any, fixed by RBI or by the bank itself, for all the categories to which the exposure is assigned. For the purpose of capital adequacy, the largest of the risk weights applicable among all the categories would be applicable for the exposure. The rationale for such an approach is that, while at times certain classifications / categorizations could be driven by socio-economic considerations and may be aimed at encouraging flow of credit towards certain activities, these exposures should be subjected to appropriate risk management / prudential / capital adequacy norms so as to address the risk inherent in them. Similarly, if an exposure has sensitivity to more than one risk factor it should be subjected to the risk management framework applicable to all the relevant risk factors.

7. In order to assist banks in determining as to whether a particular exposure should be classified as CRE or not, some examples based on the principles described above are given below. Based on the above principles and illustrations given, banks should be able to determine, whether an exposure not included in the illustrative examples is a CRE or not and should record a reasoned note justifying the classification.

Illustrative Examples

A. Exposures which should be classified as CRE

1. Loans extended to builders for construction of any property which is intended to be sold or given on lease (e.g. loans extended to builders for housing buildings, hotels, restaurants, gymnasiums, hospitals, condominiums, shopping malls, office blocks, theatres, amusement parks, cold storages, warehouses, educational institutions, industrial parks) In such cases, the source of repayment in normal course would be the cash flows generated by the sale / lease rentals of the property. In case of default of the loan, the recovery will also be

made from sale of the property if the exposure is secured by these assets as would generally be the case.

2. **Loans for Multiple Houses intended to be rented out**

   The housing loans extended in cases where houses are rented out need to be treated differently. If the total number of such units is more than two, the exposure for the third unit onwards may be treated as CRE Exposure as the borrower may be renting these housing units and the rental income would be the primary source of repayment.

3. **Loans for integrated Township Projects**

   Where the CRE is part of a big project which has small non-CRE component, it will be classified as CRE exposure since the primary source of repayment for such exposures would be the sale proceeds of buildings meant for sale.

4. **Exposures to Real Estate Companies**

   In some cases exposure to real estate companies is not directly linked to the creation or acquisition of CRE, but the repayment would come from the cash flows generated by Commercial Real Estate. Such exposures illustratively could be :

   * Corporate Loans extended to these companies
   * Investments made in the debt instruments of these companies
   * Extension of guarantees on behalf of these companies

5. **General Purpose loans where repayment is dependent on real estate prices**

   Exposures intended to be repaid out of rentals / sale proceeds generated by the existing CRE owned by the borrower, where the finance may have been extended for a general purpose.

B. Exposures which may not be classified as CRE

1. Exposures to entrepreneurs for acquiring real estate for the purpose of their carrying on business activities, which would be serviced out of the cash flows generated by those business activities. The exposure could be secured by the real estate where the activity is carried out, as would generally be the case, or could even be unsecured.

   a) Loans extended for construction of a cinema theatre, establishment of an amusement park, hotels and hospitals, cold storages, warehouses, educational institutions, running haircutting saloons and beauty parlours, restaurant, gymnasium etc. to those entrepreneurs who themselves run these ventures would fall in this category. Such loans would generally be secured by these properties.

For instance, in the case of hotels and hospitals, the source of repayment in normal course would be the cash flows generated by the services rendered by the hotel and hospital. In the case of a hotel, the cash flows would be mainly sensitive to the factors influencing the flow of tourism, not directly to the fluctuations in the real estate prices. In the case of a hospital, the cash flows in normal course would be sensitive to the quality of doctors and other diagnostic services provided by the hospital. In these cases, the source of repayment might also depend to some extent upon the real estate prices to the extent the fluctuation in prices influence the room rents, but it will be a minor factor in determining the overall cash flows. In these cases, however, the recovery in case of default, if the exposure is secured by the Commercial Real Estate, would depend upon the sale price of the hotel / hospital as well as upon the maintenance and quality of equipment and furnishings.

The above principle will also be applicable in the cases where the developers / owners of the real estate assets (hotels, hospitals, warehouses, etc.) lease out the assets on revenue sharing or profit sharing arrangement and the repayment of exposure depends upon the cash flows generated by the services rendered, instead of fixed lease rentals.

b) Loans extended to entrepreneurs, for setting up industrial units will also fall in this category. In such cases, the repayment would be made from the cash flows generated by the industrial unit from sale of the material produced which would mainly depend upon demand and supply factors. The recovery in case of default may partly depend upon the sale of land and building if secured by these assets.

Thus, it may be seen that in these cases the real estate prices do not affect repayment though recovery of the loan could partly be from sale of real estate.

2. Loans extended to a company for a specific purpose, not linked to a real estate activity, which is engaged in mixed activities including real estate activity.

For instance, a company has two divisions. One division is engaged in real estate activity, and other division is engaged in power production. An infrastructure loan, for setting up of a power plant extended to such a company, to be repaid by the sale of electricity would not be classified as CRE. The exposure may or may not be secured by plant and machinery.

3. Loans extended against the Security of future rent receivables

A few banks have formulated schemes where the owners of existing real estate such as shopping malls, office premises, etc. have been offered finance to be repaid out of the rentals generated by these properties. Even though such exposures do not result in funding / acquisition of commercial real estate, the repayment might be sensitive to fall in real estate rentals and such exposures should be classified as CRE. However, if there are certain in built safety conditions which have the effect of delinking the repayments from real estate price volatility like, the lease rental agreement between the lessor and lessee has a lock in period which is not shorter than the tenor of loan and there is no clause which allows a downward revision in the rentals during the period covered by the loan banks can classify such exposures as non CRE. Banks may, however, record a reasoned note in all such cases.

4. Credit facilities provided to construction companies which work as Contractors

The working capital facilities extended to construction companies working as contractors, rather than builders, will not be treated as CRE exposures because the repayment would depend upon the contractual payments received in accordance with the progress in completion of work.

5. Financing of acquisition / renovation of self-owned office / company premises

Such exposures will not be treated as CRE exposures because the repayment will come from company revenues. The exposures to industrial units towards setting up of units or projects and working capital requirement, etc. would not be treated as CRE Exposures.

Annex - 2

Direction of the Hon'ble High Court of Delhi - Procedure for ensuring the loan sought is for authorised structure

(vide paragraph 9.2)

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 executant 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 a 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. 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. No loan should 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.

E. The above directions will not be applicable to construction of farmhouses on agricultural land since the agricultural land is outside the limit of Grampanchayats and Municipal Councils and as these authorities neither sanction plans nor issue completion certificates for farmhouses constructed by the farmers on the agricultural land. In all such cases, local rules will apply.

Appendix

A. List of Circulars Consolidated in the Master Circular

Sl No	Circular No.	Date	Subject
1	UBD BPD(PCB) Cir No. 45/13.05.000/ 2013-14	28.01.2014	Housing Sector: New Sub-Sector CRE-Residential Housing (CRE-RH) Segment within CRE Sector & Rationalisation of Provisioning and Risk Weight
2	UBD.CO.BPD(PCB).Cir.No.17/09.22.010/2013-14	17.09.2013	Housing Sector: Innovative Loan Products-Upfront Disbursal of Housing Loans-UCBs
3	UBD CO BPD (PCB) Cir. No.13/09.22.010/ 2013-14	10.09.2013	Finance for housing schemes – Primary (Urban) Co-operative Banks – loans for repairs / additions / alterations – enhancement of limits
4	UBD.BPD.(PCB).Cir.No.31/13.05.000/2011-12	26.04.2012	Monetary Policy Statement 2012-13 Exposure to Housing, Real Estate and Commercial Real Estate - Primary (Urban) Co-operative Banks
5	UBD.BPD.(PCB).Cir.No.7/09.22.010/2011-12	31.10.2011	Revision in Limits of Housing Loans and Repayment Period – Second Quarter Review of Monetary Policy 2011-12.
6	UBD.BPD.(PCB).Cir.No.47/13.05.000/2010-11	11.05.2011	Monetary Policy Statement 2011-12 Exposure to Housing, Real Estate and Commercial Real Estate - Primary (Urban) Co-operative Banks
7	UBD.BPD.(PCB).Cir.No.23/13.05.000/2010-11	15.11.2010	Exposure to Housing, Real Estate Sector and Commercial Real Estate - Urban Co-operative Banks
8	UBD(PCB)BPD.Cir.No.69/09.22.010/ 2009-10	09.06.2010	Exposure to Real Estate and Commercial Real Estate

			Sector
9	UBD.BPD.No.16/09.22.010/2009-10	26.10.2009	Builders to disclose mortgage in pamphlets etc - Clause in terms & conditions of loans
10	UBD.PCB.Cir.No.30/09.09.001/08-09	08.12.2008	Housing Loans - Orders of Delhi High Court - WP by Kalyan Sanstha Welfare Orgn against Union of India and Ors - Implementation of Directions
11	UBD.UCB.Cir.No.42/09.09.001/08-09	15.05.2008	Revision of Individual Housing Loan Limits - Annual Policy
12	UBD.CO.BPD.No.33/13.05.000/07-08	29.02.2008	Advances to builders / contractors
13	UBD.UCB.Cir.No.40/13.05.000/06-07	04.05.2007	Annual Policy Statement for the year 2007-08 - Residentail housing loans : reduction of risk weight
14	UBD.UCB.Cir.No.20/09.09.001/06-07	22.11.2006	Housing Loans - Orders of Delhi High Court - WP by Kalyan Sanstha Welfare Orgn against Union of India and Ors - Implementation of Directions
15	UBD.UCB.Cir.No.58/09.09.01/05-06	19.06.2006	Adherence to National Building Code (NBC) - Specifications necessary for lending institutions.
16	UBD.UCB.Cir.No.55/09.11.600/05-06	01.06.2006	Annual Policy Statement for the year 2006-07 - Risk weight on exposures to commercial real estate.
17	UBD.UCB.Cir.No.8/09.11.600/05-06	09.08.2005	Prudential Norms on capital adequacy - Risk weight on housing finance / commercial real estate exposures.
18	UBD.BPD(UCB)Cir.29/09.09.01/ 2004-05	14.12.2004	Priority sector lending - Housing Loan - Enhancement of ceiling for UCBs
19	UBD.UCB.No.30/09.22.01/2003-04	16.01.2004	Frauds by deposit of fake title deeds of the property / fake salary certificates in housing loans
20	UBD.BPD.No.45/09.09.01/2002-03	14.05.2003	Credit Policy for the year 203-04 - Priority Sector Advances

21	UBD.BPD.UCB.No.31/09.09.01/ 2002-03	30.12.2002	Priority Sector Advances
22	UBD.No.Plan.Cir.RCS.2/09.22.01/98-99	15.03.1999	Finance for Housing Schemes - Primary (Urban) Co-operative Banks
23	UBD.No.Plan/.RO.49/09.22.01/97-98	17.06.1998	Finance for Housing Scheme - Primary (Urban) Co-operative Banks
24	UBD.No.Plan.CIR(RCS).9/09.22.01/ 95-96	01.09.1995	Finance for Housing Schemes - Primary (Urban) Co-operative Banks
25	UBD.No.Plan.CIR(RCS)8/09.22.01/ 94-95	11.01.1995	Finance for Housing Schemes - Primary (Urban) Co-operative Banks
26	UBD.No.P&O.10/UB-31/91-92	26.03.1992	Finance for Housing Schemes - Primary (Urban) Co-operative Banks
27	UBD.No.P&O.108/UB.31-88/89	05.04.1989	Finance for Housing Schemes - Primary (Urban) Co-operative Banks
28	UBD.DC1/R.1-87/88	03.07.1987	Maximum Limit on Advances
29	UBD.No.(DC)2/R.1-87/88	03.07.1987	Maximum Limit on Advances
30	DBOD.UBD.P&O.161/UB.31-83/84	02.09.1983	Urban co-operative bank finance for housing schemes
31	DBOD.UBD.P&O.229/UB.31-82/83	05.11.1982	Co-operative bank finance for housing schemes
32	DBOD.UBD.P&O 230/UB.31-82/83	05.11.1982	Co-operative bank finance for housing schemes for the economically weaker sections of the community
33	ACD.Plan.(SZ)401/PR.338-81/2	17.08.1981	Co-operative Bank Finance For Housing Schemes
34	ACD.Plan.1502/PR.338-76/7	11.10.1976	Co-operative bank finance for housing schemes for the economically weaker sections of the community
35	ACD.Plan.(781)/PR.338-76/77	24.08.1976	Co-operative bank finance for housing schemes for the economically weaker sections of the community

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B. List of Other Circulars from which instructions relating to Housing Finance have also been consolidated in the Master Circular

Sl No	Circular No.	Date	Subject
1	UBD.BPD.(PCB) CIR No.41/12.05.001/2011-12	26.06.2012	Home Loans – Levy of Fore-closure Charges / Pre-payment Penalty by Urban Co-operative Banks (UCBs)
2	UBD.BPD.(PCB)CIRNo.33/09.09.001/2011-12	18.05.2012	Priority Sector Lending – Indirect Finance to Housing Sector.
3	UBD.BPD.(PCB)CIRNo.46/09.09.001/2010-11	11.05.2011	Limit of Housing Loans Under Priority Sector Advances - UCBs
4	UBD.CO.LS.Cir.No.66/07.01.000/2008-09	06.05.2009	Annual Policy Statement for 2009-10 - Extension of Area of Operation-Liberalisation
5	UBD.UCB.Cir.No.11/09.09.01/07-08	30.08.2007	Revised guidelines on lending to priority sector.
6	UBD.UCB.BPD.1/09.09.001/06-07	11.07.2006	Priority Sector lending-investments in special bonds issued by NHB / HUDCO
7	UBD.UCB.Cir.No.16/09.09.001/06-07	17.10.2006	Priority Sector lending-housing loans-enhancement of ceiling.
8	UBD.DS.CirNo.44/13.05.00/2004-05	15.04.2005	Maximum Limit on Advances - Limit on Credit Exposure
9	UBD.No.DS.CIR.31/13.05.00/99-2000	01.04.2000	Maximum Limit on Advances - Limit on Credit Exposure
10	UBD.Plan.PCB.17/09.09.01/99-2000	22.12.1999	Priority Sector lending - Housing Finance
11	UBD.No.Plan.UCB.24/09.09.01/97-98	01.12.1997	Priority Sector Lending by Primary (Urban) Co-operative Banks
12	UBD.No.DS.UCB.CIR.39/13.05.00 / 95-96	16.01.1996	Maximum Limit on Advances by Primary (Urban) Co-operative Banks
13	UBD.No.Plan.(UCB)6/09.09.01/94-95	22.07.1994	Priority Sector Lending by Primary (Urban) Co-operative Banks
14	UBD.No.Plan.68/09.09-01/93-94	09.05.1994	Priority Sector Lending by Primary (Urban) Co-operative Banks
15	UBD.DC.536/R.1-84/84	16.10.1984	Maximum Limits on Advances