

RBI / 2004/214

UBD. No. BPD. 47 /12.05.10(WA)/ 2003-2004

May 24, 2004

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

Dear Sir,

Loan against house property

Certain instances of housing loans granted against mortgage of house property the value of which has been shown to be unrealistically high, have come to our notice. In such cases, the possibility of banks incurring a loss in the event of a need arising to recover the loan through disposal of the security is very high. All the primary (Urban) co-operative banks are, therefore, advised to exercise due caution with regard to valuation as well, while sanctioning loans and advances against mortgage of house property. Further, whenever instances of valuers having inflated the value of a property come to notice, suitable action should be taken against them.

Please acknowledge receipt of this circular to the Regional Office concerned.

Yours faithfully,

Sd/-
(N.S.Vishwanathan)
Chief General Manager
