

Ref. RBI/2004-05/23
Ref.DBOD.(IECS)No.47/03.27.25/2004-2005

July 3, 2004

Chairman and Managing Directors/
Chief Executive Officers
of All Commercial Bank

Dear Sir

Housing Finance

Please refer to our Master Circular on Housing Finance IECD.No.(HF)4/03.27.25/ 2003-04 dated 29th December 2003.

2. As per paragraph 2.3(iv) of the Circular, bank finance granted only for purchase of a plot is treated as direct housing finance, 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 a period of two years from the avilment of the said finance.

3. The period of two years was prescribed with a view to ensuring that the loan is not used for speculative activities and the houses are actually constructed. However, in order to give freedom to banks in this regard, it has been decided that henceforth banks may themselves lay down the period within which they would require the borrower to construct a house on the plot purchased with the help of the bank loan, in their policies for financing real estate/housing sector.

Yours faithfully

(Y.D. Rao)
Chief General Manager