

RBI/2004-05/299
UBD. BPD (PCB).Cir.29/09.09.01/04-05

December 14, 2004

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

Dear Sir/Madam,

Priority Sector Lending: - Housing Loan -Enhancement of Ceiling for UCBs

Please refer to para 1.8.1.1 of Annexure I to our Master Circular UBD.BPD. (PCB) MC.No.1 /09.09.01/2004-05 dated July 2, 2004 on Priority Sector lending in terms of which direct housing loans to individuals by banks up to Rs.10 lakh for construction of houses in urban and metropolitan areas are eligible for inclusion under priority sector. Further, in terms of para 4.1.1(ii) of our Master Circular UBD.BPD.PCB.MC.No.7 /09.22.01/2004-05 dated August 16, 2004 on Finance for Housing Schemes, banks have been permitted to extend direct housing loans up to Rs.10 lakh in the rural and semi urban areas as well and treat the same as part of priority sector advances.

2. In this connection please refer to para No. 83 of the Mid Term Review of Annual Policy Statement for the year 2004-05 dated October 26, 2004 (Copy of the paragraph enclosed). In order to further improve flow of credit to the housing sector, it has been decided that banks with the approval of their Boards, may extend direct finance to housing sector up to Rs.15 lakh, irrespective of location, as part of their priority sector lending.

3. In view of the above, banks are now permitted to grant housing loans up to a maximum of Rs 15.00 lakh per beneficiary of a dwelling unit as against the existing limit of Rs 10.00 lakh contained in paragraph para 4.1.1(ii) of the Master Circular UBD.No.BPD.PCB.MC.7/09.22.01/2004-05 dated August 16, 2004 on Finance for Housing Schemes and treat the same as part of priority sector advances. The other terms and conditions contained in paragraph 4 of the Master Circular dated August 16, 2004 remain unchanged.

4. We shall be glad if you please issue necessary instructions to your controlling offices/branches in the matter for appropriate action.

5. Please acknowledge receipt to the concerned Regional Office of RBI.

Yours faithfully,

(N.S.Vishwanathan)
Chief General Manager

Encls:As above

Housing Loan: Enhancement of Ceiling

83: At present bank's direct finance for housing up to Rs 10.00 lakh in rural and semi urban areas is treated as priority sector lending. In order to further improve flow of credit to the housing sector, it is proposed that:

- Banks, with the approval of their Boards, may extend direct finance to housing sector up to Rs.15 lakh, irrespective of location, as part of their priority sector lending.