

RBI/2005-06/ 101
UBD.PCB.Cir.No.8 /09.116.00/05-06

August 9, 2005.

The Chief Executive Officers of all
Primary (Urban) co-operative Banks

Dear Sir/Madam,

**Prudential norms on capital adequacy – Risk weight on housing
finance/commercial real estate exposures-UCBs**

Please refer to our circular UBD.PCB.Cir.33/09.116.00/04-05 dated 05.01.2005 in terms of which the risk weights for banks' exposure on housing loans which are fully secured by mortgage of residential housing properties, extended to individuals by banks was increased from 50 per cent to 75 per cent for capital adequacy purposes. The risk weights for all other cases were kept unchanged at 100 percent.

2. It has now been decided to increase the risk weight on banks' exposure to the builders and contractors for commercial real estate from 100 % to 125 % with immediate effect and on an ongoing basis. However, the risk weight for loans and advances to co-operative/group housing societies and Housing Board remains unchanged at 100%. Commercial real estate exposure for the purpose will include fund based and non-fund based exposures secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels etc)

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

Yours faithfully

(N.S.Vishwanathan)
Chief General Manager –in-charge.