

RBI/2006/154

UBD.(PCB).Cir.No.16/09.09.001/06-07

October 17, 2006.

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 circular UBD.BPD (PCB).Cir.No.29/09.09.01/04-05 dated December 14, 2004 on the above subject, wherein, the banks were permitted to grant housing loans up to a maximum of Rs 15.00 lakh per beneficiary of a dwelling unit as against the earlier limit of Rs 10.00 lakh.

2. It has been decided to allow UCBs to extend individual housing loan upto the limit of Rs 25.00 lakh per beneficiary of a dwelling unit. However, housing finance to borrowers availing loans above Rs 15.00 lakh will not be treated as priority sector lending.

3. Subject to prudential exposure ceiling, bank's may, with the approval of their Boards, extend direct housing finance, repayable within a maximum period of 15 years as hitherto. The present stipulation that the amount of installment and interest should not exceed 30 % of the income of the borrowers stands dispensed with.

4. All other instructions issued in this regard remain unchanged.

5. Please acknowledge receipt to the Regional Office concerned of Reserve Bank of India.

Yours faithfully,

(N.S.Vishwanathan)
Chief General Manager-in-Charge