

December 8, 2008

The Chairman/ Managing Director/  
Chief Executive Officer  
[All scheduled commercial banks  
(excluding Regional Rural Banks)]

Dear Sir,

**Priority Sector Lending – Loans to Housing Finance Companies (HFCs)**

As announced by the Reserve Bank, vide Press Release No.2008-2009/842 dated December 6, 2008, it has been decided that loans granted by banks to Housing Finance Companies (HFCs), approved by National Housing Bank for the purpose of refinance, for on-lending to individuals for purchase/construction of dwelling units may be classified under priority sector, provided the housing loans granted by HFCs do not exceed Rs.20 lakh per dwelling unit per family. However, the eligibility under this measure shall be restricted to five per cent of the individual bank's total priority sector lending, on an ongoing basis.

2. The above special dispensation shall apply to loans granted by banks to HFCs up to March 31, 2010. Such loans granted till March 31, 2010 will continue to be classified under priority sector till they are repaid.

3. Please acknowledge receipt.

Yours faithfully,

**(G. Srinivasan)**

Chief General Manager-in-Charge