

## **Housing Finance – Modification in loan size**

Ref.IECD No.(HF) 5/03:27:25/99-2000

October 29, 1999

The Chairmen / Chief Executives  
of all commercial banks

Dear Sir,

### **Housing Finance – Modification in loan size**

Please refer to paragraph 50 of the statement on “Mid-Term Review of Monetary and Credit Policy for the Year 1999-2000” enclosed to Governor’s letter No. MPD.BC.190/07.01.279/99-2000 dated October 29, 1999 regarding bank finance for housing sector.

2. As you are aware, at present, **indirect** housing loans granted by banks to housing intermediary agencies against the direct loans sanctioned / proposed to be sanctioned by the latter are reckoned as part of their housing finance allocation, provided the loan per borrower by such intermediary agencies does not exceed Rs.5 lakhs and Rs.10 lakhs in rural / semi-urban and urban / metropolitan areas, respectively. In order to enhance the flow of resources to housing sector, banks have now been permitted to grant term loans to housing intermediary agencies against the direct loans sanctioned/proposed to be sanctioned (including those to Non-Resident Indians) by the latter, irrespective of the per borrower size of the loan extended by these agencies. Further, housing finance sanctioned by commercial banks to housing finance intermediary agencies would henceforth be reckoned for the purpose of achievement of their housing finance allocation irrespective of the per borrower size of the loan extended by these agencies. However, term loans extended by commercial banks to housing intermediary agencies against the latter’s onlending to Non-Resident Indians will not be treated as housing finance for the purpose of scheme of yearly allocation of housing finance applicable to banks.

3. There would be no change in the criteria for inclusion of **direct** housing finance extended by banks under yearly housing finance allocation.

4. Accordingly, sub-paragraphs (i) and (iii) of paragraph 13B.III 10 in the Manual of Instructions issued by RBI (DBOD, DBS and IECD) may please be substituted by the amendment slip enclosed.

Please acknowledge receipt.

Yours faithfully,

(V.G.Damle)  
Chief General Manager

Encl : 1

## **Amendment Slip**

### **Para 13.B.III.10**

#### **Sub-paragraphs**

- (i) The term loans may be granted by banks to housing intermediary agencies against the direct loans sanctioned/proposed to be sanctioned by the latter, irrespective of the per borrower size of the loan extended by these agencies and such term loans can be reckoned for the purpose of achievement of their housing finance allocation.**
  
- (iii) Banks can grant term loans to housing intermediary agencies against the direct loans sanctioned/proposed to be sanctioned by them to Non-Resident Indians also. However, the banks should ensure that housing finance intermediary agencies being financed by them are authorised by RBI to grant housing loans to NRIs as all the housing finance intermediaries are not authorised by RBI to provide housing finance to NRIs. Such indirect finance granted by commercial banks to NRIs will not form part of their finance under their annual housing finance allocations.**