



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

www.rbi.org.in

RBI/2009-10/191

UBD.BPD.No.16 / 09.22.010/2009-10

October 26 , 2009

Chief Executive Officer  
Primary (Urban) Cooperative Banks

Dear Sir / Madam,

**Finance for Housing Projects – incorporating clause in the terms and conditions to disclose in pamphlets / brochures / advertisements – information regarding mortgage of property to the bank**

Please refer to para 9 and Annex 1 of our circular UBD.PCB.MC.No. 2 / 09.22.010 / 2009-10 dated July 1, 2009 (Master circular on Housing Finance) regarding precautions to be taken by banks while extending finance for housing schemes.

2. In a case which came up before the Hon'ble High Court of Judicature at Bombay, the Hon'ble Court observed that the bank granting finance to housing/ development projects should insist on disclosure of the charge / or any other liability on the plot, in the brochure, pamphlets etc., which may be published by developer/ owner inviting public at large to purchase flats and properties. The Court also added that this obviously would be part of the terms and conditions on which the loan may be sanctioned by the bank.

3. Keeping in view the above observations, while granting finance for eligible housing schemes, Urban Cooperative Banks are advised to stipulate as part of terms and conditions that:

- (i) The builder / developer / company, disclosed / would disclose in the pamphlets / brochures etc., the name(s) of the bank(s) to which the property is mortgaged

- (ii) The builder / developer / company would append the information relating to mortgage while publishing advertisement of a particular scheme in newspapers / magazines etc
- (iii) The builder / developer / company would indicate in their pamphlets/ brochures that they would provide No Objection Certificate (NOC)/ permission of the mortgagee bank for sale of flats / property if required.

4. Banks are also advised to ensure compliance of the above terms and conditions and funds should not be released unless the builder / developer / company fulfils the above requirements.

Yours faithfully

(A.K. Khound)  
Chief General Manager-in-Charge