



भारतीय रिज़र्व बैंक

-----RESERVE BANK OF INDIA-----
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October 8, 2013

The Chairman

All State and Central Co-operative Banks (StCBs and CCBs)

Dear Sir,

Housing Sector: Innovative Housing Loan Products – Upfront disbursement of housing loans

It has been observed that some banks have introduced certain innovative Housing Loan Schemes in association with developers/builders, e.g. upfront disbursement of sanctioned individual housing loans to the builders without linking the disbursements to various stages of construction of housing project, interest/EMI on the housing loan availed of by the individual borrower being serviced by the builders during the construction period/specified period, etc. This might include signing of tripartite agreements between the bank, the builder and the buyer of the housing unit. These loan products are popularly known by various names like 80:20, 75:25 Schemes.

2. Such housing loan products are likely to expose the banks as well as their home loan borrowers to additional risks e.g. in case of disputes between individual borrowers and developers/builders, default/delayed payment of interest/EMI by the developer/builder during the agreed period on behalf of the borrower, non-completion of the project on time, etc. Further, any delayed payments by developers/builders on behalf of individual borrowers to banks may lead to lower credit rating/scoring of such borrowers by credit information companies (CICs) as information about servicing of loans gets passed on to the CICs on a regular basis. In cases where bank loans are also disbursed upfront on behalf of their individual borrowers in a lump-sum to builders/developers without any linkage to stages of construction, banks run disproportionately higher exposures with concomitant risks of diversion of funds.

3. In view of the higher risks associated with such lump-sum disbursement of sanctioned housing loans and customer suitability issues, StCBs and CCBs are advised that

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हिंदी आसान है, इसका प्रयोग बढ़ाइए

चेतावनी : रिज़र्व बैंक द्वारा मेल-ड्राक, एसएमएस या फोन कॉल के जरिए किसी की भी व्यक्तिगत जानकारी जैसे बैंक के खाते का ब्यौरा, पासवर्ड आदि नहीं मांगी जाती है। यह धन रखने या देने का प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी तरीके से जवाब मत दीजिए।

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disbursal of housing loans sanctioned to individuals should be closely linked to the stages of construction of the housing project/houses and upfront disbursal should not be made in cases of incomplete/under-construction/green field housing projects.

4. It is emphasized that StCBs / CCBs while introducing any kind of product should take into account the customer suitability and appropriateness issues and also ensure that the borrowers/ customers are made fully aware of the risks and liabilities under such products.

Yours faithfully

(A. Udgata)
Principal Chief General Manager