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RESERVE BANK OF INDIA

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**Reserve Bank of India (Housing Finance Companies) Directions, 2025**

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In exercise of the powers conferred under sections 45L and 45MA of the Reserve Bank of India Act, 1934 and Sections 30, 30A, 32 and 33 of the National Housing Bank Act, 1987, and of all powers enabling it in this behalf, the Reserve Bank having considered it necessary in the public interest, and being satisfied that, for the purpose of enabling the Reserve Bank to regulate the financial system to the advantage of the country so to do, and to prevent the affairs of any Housing Finance Company (HFC) from being conducted in a manner detrimental to the interest of investors and depositors or in any manner prejudicial to the interest of such HFC, hereby issues to every HFC, the Reserve Bank of India (Housing Finance Companies) Directions, 2025 hereinafter specified.

## **Chapter-I – Preliminary**

### **A. Short Title and Commencement**

1. These directions shall be called the Reserve Bank of India (Housing Finance Companies) Directions, 2025.
2. These directions shall come into effect on the day they are placed on the website of the Reserve Bank.

### **B. Applicability**

3. These Directions, except directions contained in Chapter IX, shall be applicable to Housing Finance Companies (hereinafter collectively referred to as 'HFCs' and individually as an 'HFC') registered under Section 29A of the NHB Act, 1987.
4. The Directions contained in Chapter IX shall be applicable to auditors of HFCs.

### **C. Applicability of other directions**

5. The provisions which have been made applicable to HFCs as specified in the following directions, where not contradictory to the contents of these Directions, shall be applicable to HFCs, based on the layer in which the HFC is categorised:

- (1) [Reserve Bank of India \(Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation\) Directions, 2025.](#)
- (2) Paragraph 7,8, 11, 13 to 15 of [Reserve Bank of India \(Non-Banking Financial Companies – Branch Authorisation\) Directions, 2025.](#)



- (3) Paragraph 6 to 14, and paragraph 40 to 49 of Reserve Bank of India (Non-Banking Financial Companies – Undertaking of Financial Services) Directions, 2025.
- (4) Reserve Bank of India (Non-Banking Financial Companies – Acquisition of Shareholding or Control) Directions, 2025 except paragraph 6(4).
- (5) Reserve Bank of India (Non-Banking Financial Companies – Governance) Directions, 2025.
- (6) Paragraph 6(4), 7, 8, 15, 16, 18(2)(iv), 18(3) to 18(11) and 19 to 54 of Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Capital Adequacy) Directions, 2025.
- (7) The provisions of Reserve Bank of India (Non-Banking Financial Companies – Acceptance of Public Deposits) Directions, 2025 except paragraph 10, 11, 30, 40, 50 to 52, and 63.
- (8) Reserve Bank of India (Non-Banking Financial Companies – Climate Finance and Management of Climate Change Risks) Directions, 2025.
- (9) Reserve Bank of India (Non-Banking Financial Companies – Credit Risk Management) Directions, 2025.
- (10) Reserve Bank of India (Non-Banking Financial Companies – Credit Facilities) Directions, 2025.
- (11) Reserve Bank of India (Non-Banking Financial Companies – Concentration Risk Management) Directions, 2025 except paragraph 7, 14, 16, 19, 22, and 23.
- (12) Reserve Bank of India (Non-Banking Financial Companies – Transfer and Distribution of Credit Risk) Directions, 2025.
- (13) Reserve Bank of India (Non-Banking Financial Companies – Securitisation Transactions) Directions, 2025.
- (14) Reserve Bank of India (Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning) Directions, 2025

*Note:* For ample clarity, it is clarified that the instructions contained in these Directions shall prevail in the event of conflict, if any, with these Directions.



- (15) Paragraph 86 to 101, and 102 to 138 of [Reserve Bank of India \(Non-Banking Financial Companies – Resolution of Stressed Assets\) Directions, 2025.](#)
- (16) [Reserve Bank of India \(Non-Banking Financial Companies – Treatment of Wilful Defaulters and Large Defaulters\) Directions, 2025.](#)
- (17) [Reserve Bank of India \(Non-Banking Financial Companies – Classification, Valuation, and Operation of Investment Portfolio\) Directions, 2025.](#)
- (18) [Reserve Bank of India \(Non-Banking Financial Companies – Asset Liability Management\) Directions, 2025.](#)
- (19) [Reserve Bank of India \(Non-Banking Financial Companies – Managing Risks in Outsourcing\) Directions, 2025.](#)
- (20) [Reserve Bank of India \(Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures\) Directions, 2025.](#)
- (21) [Reserve Bank of India \(Non-Banking Financial Companies – Prudential Norms on Declaration of Dividends\) Directions, 2025.](#)
- (22) [Reserve Bank of India \(Non-Banking Financial Companies – Credit Information Reporting\) Directions, 2025.](#)
- (23) [Reserve Bank of India \(Non-Banking Financial Companies – Know Your Customer\) Directions, 2025.](#)
- (24) [Reserve Bank of India \(Non-Banking Financial Companies – Credit Cards: Issuance and Conduct\) Directions, 2025.](#)
- (25) [Reserve Bank of India \(Non-Banking Financial Companies – Responsible Business Conduct\) Directions, 2025.](#)
- (26) [Reserve Bank of India \(Non-Banking Financial Companies – Voluntary Amalgamation\) Directions, 2025.](#)
- (27) Paragraphs 6 to 22 and 24 to 27 of [Reserve Bank of India \(Non-Banking Financial Companies – Miscellaneous\) Directions, 2025.](#)



**Note:**

- (i) The reporting / instructions prescribed by the Reserve Bank in the directions above for supervisors, shall be done to the Supervisor of HFCs i.e., NHB.
- (ii) The sections 45IA, 45IB and 45IC of RBI Act, 1934 mentioned in these Directions and other Directions made applicable to HFCs may be read as 29A, 29B and 29C of NHB Act, 1987 respectively.

6. Guidance Note on Operational Risk Management and Operational Resilience - HFCs may make use of the '[Guidance Note on Operational Risk Management and Operational Resilience](#)'.

7. The Reserve Bank may, if it considers it necessary for avoiding any hardship or for any other just and sufficient reason, grant extensions of time to comply with or exempt any housing finance company or class of housing finance companies, or auditor of any housing finance company as pertaining in the Chapter IX of these directions, from all or any of the provisions of these directions either generally or for any specified period subject to such conditions as the Reserve Bank may impose.

8. Any Directions / guidelines issued by any other Department of the Bank, as applicable to an HFC shall be adhered to, by it.

*Note:* The reporting/ instructions prescribed by the Bank in these directions for supervisors shall be done to the Supervisor of HFCs i.e., NHB.

**D. Regulatory Structure under Scale Based Regulation (SBR) and Applicability of Regulations under SBR**

9. An HFC shall be included in Middle Layer or the Upper Layer (and not in the Base layer) depending on the parameters of the scale based regulatory framework specified in [Reserve Bank of India \(Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation\) Directions, 2025](#).

**E. Definitions**

10. For the purpose of these directions, unless the context otherwise requires:



- (1) "Carrying cost" means book value of the assets and interest accrued thereon but not received.
- (2) "Company" means a company registered under Section 3 of the Companies Act, 1956 (Act 1 of 1956) or the corresponding provision under Companies Act, 2013 (Act 18 of 2013).
- (3) "Companies in the group" shall mean an arrangement involving two or more entities related to each other through any of the following relationships: subsidiary – parent (defined in terms of AS 21), joint venture (defined in terms of AS 27), associate (defined in terms of AS 23), promoter – promotee (as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997) for listed companies, a related party (defined in terms of AS 18), common brand name, and investment in equity shares of 20 per cent and above.
- (4) "Current investment" means an investment which is by its nature readily realizable and is intended to be held for not more than one year from the date on which such investment is made.
- (5) "Earning value" means the value of an equity share computed by taking the average of profits after tax as reduced by the preference dividend and adjusted for extra-ordinary and non-recurring items, for the immediately preceding three years and further divided by the number of equity shares of the investee company and capitalized at the following rate:
  - (i) in case of predominantly manufacturing company, eight per cent;
  - (ii) in case of predominantly trading company, ten per cent; and
  - (iii) in case of any other company, including non-banking financial company/ housing finance company, twelve per cent;

*Note: If, an investee company is a loss-making company, the earning value will be taken at zero.*
- (6) "Fair value" means the arithmetic mean of the earning value and the breakup value.
- (7) "Free reserves" mean the aggregate of the balance in the share premium account, capital and debenture redemption reserves and any other reserve shown or published in the balance sheet of a company and created through an allocation



of profits not being a reserve created for repayment of any future liability or for depreciation in assets or for bad debts or a reserve created by revaluation of the assets of the company.

(8) "Housing Finance" shall mean financing, for purchase/ construction/ reconstruction/ renovation/ repairs of residential dwelling units, which includes:

- (i) Loans to individuals or group of individuals including co-operative societies for construction/ purchase of new dwelling units.
- (ii) Loans to individuals or group of individuals for purchase of old dwelling units.
- (iii) Loans to individuals or group of individuals for purchasing old/ new dwelling units by mortgaging existing dwelling units.
- (iv) Loans to individuals for purchase of plots for construction of residential dwelling units provided a declaration is obtained from the borrower that he intends to construct a house on the plot within a period of three years from the date of availing of the loan.
- (v) Loans to individuals or group of individuals for renovation/ reconstruction of existing dwelling units.
- (vi) Lending to public agencies including state housing boards for construction of residential dwelling units.
- (vii) Loans to corporates/ Government agencies for employee housing.
- (viii) Loans for construction of educational, health, social, cultural or other institutions/ centres, which are part of housing projects and which are necessary for the development of settlements or townships (*see note below*).
- (ix) Loans for construction meant for improving the conditions in slum areas, for which credit may be extended directly to the slum-dwellers on the guarantee of the Central Government, or indirectly to them through the State Governments.
- (x) Loans given for slum improvement schemes to be implemented by Slum Clearance Boards and other public agencies.
- (xi) Lending to builders for construction of residential dwelling units.



All other loans including those given for furnishing dwelling units, loans given against mortgage of property for any purpose other than buying/construction of a new dwelling unit/s or renovation of the existing dwelling unit/s as mentioned above, will be treated as non-housing loans and will not be falling under the definition of "Housing Finance".

*Note:* Integrated housing project comprising some commercial spaces (e.g. shopping complex, school, etc.) can be treated as residential housing, provided that the commercial area in the residential housing project does not exceed 10 per cent of the total Floor Space Index (FSI) of the project.

(9) "Housing finance company" shall mean a company incorporated under the Companies Act, 2013 that fulfils the following conditions:

- (i) It is an NBFC whose financial assets, in the business of providing finance for housing, constitute at least 60% of its total assets (netted off by intangible assets). Housing finance for this purpose shall mean providing finance as stated at clauses (i) to (xi) of paragraph 10(8).
- (ii) Out of the total assets (netted off by intangible assets), not less than 50% should be by way of housing finance for individuals as stated at clauses (i) to (v) of paragraph 10(8).

*Notes:*

(a) The company will be treated as an NBFC if its financial assets are more than 50 per cent of its total assets (netted off by intangible assets) and income from financial assets should be more than 50 per cent of the gross income.

(b) The above-mentioned conditions shall be treated as Principal Business Criteria for HFCs and are applicable from the date of original instructions issued vide [circular DOR.NBFC \(HFC\).CC.No.118/03.10.136/ 2020-21 dated October 22, 2020.](#)

(10) "Hybrid debt" means capital instrument which possesses certain characteristics of equity as well as of debt.



(11) "Net Asset Value" means the latest declared net asset value by the mutual fund concerned in respect of a particular scheme.

(12) "Net Book Value" means:

- (i) in the case of hire purchase asset, the aggregate of overdue and future instalments receivable as reduced by the balance of unmatured finance charges and further reduced by the provisions made as per paragraph 49 of these directions.
- (ii) in the case of leased asset, aggregate of capital portion of overdue lease rentals accounted as receivable and depreciated book value of the lease asset as adjusted by the balance of lease adjustment account.

(13) "Net Owned Fund" means net owned fund as defined under Section 29A of the National Housing Bank Act, 1987 including paid up preference shares which are compulsorily convertible into equity.

(14) "NHB" or "National Housing Bank" means the National Housing Bank established under Section 3 of The National Housing Bank Act, 1987.

(15) "NHB Act" means the National Housing Bank Act, 1987 (Act 53 of 1987).

(16) "Owned Fund" means paid up equity capital, preference shares which are compulsorily convertible into equity, free reserves including balance in share premium account and capital reserves representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of asset, as reduced by accumulated loss balance, book value of intangible assets and deferred revenue expenditure, if any. The HFC shall not be required to deduct a Right-of-Use (ROU) asset (created in terms of Ind AS 116-Leases) from Owned Fund, provided the underlying asset being taken on lease is a tangible asset.

(17) "public deposit" means the same as defined in [Reserve Bank of India \(Non-Banking Financial Companies – Acceptance of Public Deposits\) Directions, 2025](#).

(18) "Subordinated Debt" means 'subordinated debt' as defined in [Reserve Bank of India \(Non-Banking Financial Companies – Prudential Norms on Capital Adequacy\) Directions, 2025](#).



**Note:** The capital treatment for the subordinated debt shall also be as per [Reserve Bank of India \(Non-Banking Financial Companies – Prudential Norms on Capital Adequacy\) Directions, 2025](#).

(19) “Tier 1 Capital” means owned fund as reduced by investment in shares of other non-banking financial companies including housing finance companies and in shares, debentures, bonds, outstanding loans and advances including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, ten per cent of the owned fund.

(20) “Tier 2 capital” includes the following:

- (i) Preference shares other than those which are compulsorily convertible into equity;
- (ii) Revaluation reserves at discounted rate of fifty-five per cent.
- (iii) General provisions (including that for Standard Assets) and loss reserves to the extent these are not attributable to actual diminution in value or identifiable potential loss in any specific asset and are available to meet unexpected losses, to the extent of one and one fourth per cent of risk weighted assets;
- (iv) Hybrid debt capital instruments, provided the instrument complies with the regulatory requirements specified in [Annex I](#); and
- (v) Subordinated debt;

to the extent the aggregate does not exceed Tier 1 capital.

11. Words or expressions used but not defined herein and defined in the RBI Act, the NHB Act, [Reserve Bank of India \(Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation\) Directions, 2025](#) shall have the same meaning as assigned to them therein. Any words or expressions used and not defined in the aforesaid statutes or directions issued by the Reserve Bank of India, shall have the meanings assigned to them under the Banking Regulation Act, 1949, the Companies Act, 1956 or the Companies Act, 2013.



12. If any question arises as to whether a company is a financial institution or not, such question shall be decided by the RBI in consultation with the Central Government and the decision of the RBI shall be final and binding on all the parties concerned.

13. If any question arises as to whether a company which is a financial institution, is a housing finance company or not, such question shall be decided by the RBI, having regard to the principal business of the company and other relevant factors, and the decision of the RBI shall be final and binding on all the parties concerned.



## Chapter-II – Role of Board and Registration

### A. Role of Board and Periodic Review

14. The HFC shall put in place approved policies and establish periodic review mechanisms to ensure sound processes and systems. An illustrative list of such policies to be approved by the Board or a Committee(s) to which powers have been delegated is provided below. The specific aspects to be addressed in these policies are detailed in the relevant paragraphs of these Directions.

- (1) Lending against gold.
- (2) **Capital Adequacy:** Internal Capital Adequacy Assessment Process (ICAAP).
- (3) Exposure limits in respect of various subsegments under consumer credit.
- (4) Investment Policy.
- (5) Policy on demand / call loans.
- (6) Grant of loans to directors, senior officers and relatives of directors and to entities where directors or their relatives have major shareholding.
- (7) Limits for Sensitive Sector Exposure (SSE).
- (8) Appointment of Chief Risk Officer (CRO).
- (9) Safeguarding independence of the CRO.
- (10) Ascertaining the 'fit and proper' criteria of the directors at the time of appointment, and on a continuing basis.
- (11) **Compensation policy:** The policy shall include, inter alia, constitution of a Nomination and Remuneration Committee, principles for fixed/variable pay structures and malus/clawback provisions.
- (12) Corporate Governance.
- (13) Grievance redressal mechanism.
- (14) Interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances.



- (15) Penal charges or similar charges on loans, by whatever name called.
- (16) Relaxation in terms and conditions either at the time of sanction or anytime thereafter.
- (17) Rescheduling of loans
- (18) Valuation policy for putting in place a system/ procedure for realistic valuation of properties/ fixed assets and also for empanelment of valuers.

15. An illustrative list of reviews to be carried out by the Board or a Committee(s) to which powers have been delegated is provided below. The specific aspects to be addressed in these reviews are detailed in the relevant paragraphs of these Directions.

- (1) Progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the HFC.
- (2) Conformity with corporate governance standards viz., in composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions, etc.

- (3) Compliance of the Fair Practices Code.
- (4) In case of construction loans, physical verification / project progress monitoring with proof (snap shots) and technical reports ought to be put up to the competent authorities / committee / board at regular intervals.

## **B. Net Owned Fund (NOF) Requirement**

16. In exercise of the powers conferred by clause (b) of sub-section (1) of Section 29A of the National Housing Bank Act, 1987, and all powers enabling it in that behalf, the Reserve Bank hereby specifies **₹20 crore** as the minimum net owned funds required for a company to commence housing finance as its principal business or carry on the business of housing finance as its principal business.

Provided that an HFC holding a Certificate of Registration (CoR) and having net owned fund of less than ₹20 crore, may continue to carry on the business of housing finance, if such company achieves net owned fund of ₹15 crore by March 31, 2022 and ₹20 crore by March 31, 2023. It will be incumbent upon such HFCs whose NOF currently stands



below ₹20 crore, to submit a statutory auditor's certificate to Reserve Bank within a period of one month evidencing compliance with the prescribed levels as at the end of the period indicated above. HFCs failing to achieve the prescribed level within the stipulated period shall not be eligible to hold the Certificate of Registration (CoR) as HFCs and registration for such HFCs shall be liable to be cancelled.

17. An HFC unable to fulfil the above criteria shall be treated as NBFC – Investment and Credit Companies (NBFC-ICC) and it will be required to approach the Reserve Bank for conversion of their Certificate of Registration from HFC to NBFC-ICC. Application for such conversion should be submitted with all supporting documents meant for new registration together with an auditor's certificate on principal business criteria and necessary Board resolution approving the conversion.

#### **C. Investment through Alternative Investment Funds for calculation of NOF**

18. HFC shall refer to the instructions as prescribed in paragraphs 45 and 46 of [Reserve Bank of India \(Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation\) Directions, 2025.](#)

#### **D. Investment from FATF non-compliant jurisdictions**

19. HFC shall refer to the instructions as prescribed in paragraphs 47 and 48 of [Reserve Bank of India \(Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation\) Directions, 2025.](#)



## Chapter-III – Prudential Regulation – Capital

### A. Capital Requirement

20. A housing finance company shall, maintain a minimum capital ratio on an ongoing basis consisting of Tier 1 and Tier 2 capital which shall not be less than 15 per cent of its aggregate risk weighted assets and of risk adjusted value of off-balance sheet items. The Tier 1 capital, at any point of time, shall not be less than 10 per cent. The total of Tier 2 capital, at any point of time, shall not exceed 100 per cent of Tier 1 capital.

#### A.1 Internal Capital Adequacy Assessment Process (ICAAP)

21. HFCs shall comply with the directions as prescribed in paragraph 54 of [Reserve Bank of India \(Non-Banking Financial Companies – Prudential Norms on Capital Adequacy\) Directions, 2025.](#)

#### A.2 On balance sheet assets:

22. In these directions, degree of credit risk expressed as percentage weightages have been assigned to balance sheet assets. Hence, the value of each asset/ item requires to be multiplied by the relevant risk weights to arrive at risk adjusted value of assets. The aggregate shall be taken into account for reckoning the minimum capital ratio. The risk weighted assets shall be calculated as the weighted aggregate of funded items as detailed hereunder:



Sr. No.	Weighted risk assets - On balance Sheet items	% Weight
(1)	Cash and bank balances including fixed deposits and certificates of deposits with banks	0
(2)	Investments:	
	a) Approved Securities as defined in National Housing Bank Act, 1987 [Except at (c) below]	0
	b) Bonds of public sector banks	20
	c) Fixed deposits/ certificate of deposits/ bonds of public financial institutions	100
	d) Shares of all companies and debentures/ bonds/ commercial papers of all companies/ units of all mutual funds.	100
	e) HFC's investments in innovative perpetual debt of other HFCs/ banks/ financial institutions.	100
(3)	Domestic Sovereign:	
	i) Fund based claims on the Central Government	0
	ii) Direct loan/ credit/ overdraft exposure and investment in State Government securities	0
	iii) Central Government guaranteed claims	0
	iv) State Government guaranteed claims, which have not remained in default / which are in default for a period not more than 90 days	20
	v) State Government guaranteed claims, which have remained in default for a period of more than 90 days	100
	b) (b)(i) Outstanding Housing loans to individuals up to ₹30 lakh secured by mortgage of immovable property, which are classified as standard assets with LTV Ratio $\leq 80\%$	35
	(b)(ii) Outstanding Housing loans to individuals up to ₹30 lakh secured by mortgage of immovable property, which are classified as standard assets with LTV Ratio $> 80\%$ and $\leq 90\%$	50
	(b)(iii) Outstanding Housing loans to individuals above ₹30 lakh and upto ₹75 lakh secured by mortgage of immovable property which are classified as standard assets with LTV ratio $\leq 75\%$ (loan sanctioned before 01-08-2017)	35



	(b)(iv) Outstanding Housing loans to individuals above ₹30 lakh and upto ₹75 lakh secured by mortgage of immoveable property which are classified as standard assets with LTV ratio > 75% and ≤ 80% (loan sanctioned before 01-08-2017)	50
	(b)(v) Outstanding Housing loans to individuals above ₹30 lakh and upto ₹75 lakh secured by mortgage of immoveable property which are classified as standard assets with LTV ratio ≤ 80% (loan sanctioned on or after 01-08-2017)	35
	(b)(vi) Outstanding Housing loans to individuals above ₹75 lakh secured by mortgage of immoveable property, which are classified as standard assets with LTV ratio ≤ 75% (loan sanctioned before 01-08-2017)	75
	(b)(vii) Outstanding Housing loans to individuals above ₹75 lakh secured by mortgage of immoveable property, which are classified as standard assets with LTV ratio ≤ 75% (loan sanctioned on or after 01-08-2017)	50
	(b)(viii) Outstanding amount of Loans given for the purpose of insurance of the property/ borrower in case of individual housing loans	Same as applicable to the respective housing loan
c)	Other housing loans	100
	<b>Note :</b> Housing loans referred to in item b) and c) above of sr. no. (3) are excluding any portion of such housing loans guaranteed by (i) a mortgage guarantee company registered with the Reserve Bank in accordance with the Reserve Bank of India Guidelines for Mortgage Guarantee Companies; and / or (ii) the Credit Guarantee Schemes (refer the instructions at clause (5) to the Notes of paragraph 22 of these Directions).	
	ca) Any portion of housing loans referred to in item b) and c) of sr.no. (3) guaranteed by mortgage guarantee company registered with the Reserve Bank of India, the risk weight assets for such guaranteed portion shall be calculated as per cent weight mentioned against the rating of the mortgage guarantee company as below	
	Long term ratings of the mortgage guarantee company by the approved credit rating agencies	
	AAA or its equivalent	20
	AA or its equivalent	30



	Below AA or its equivalent or unrated	As applicable to unguaranteed portion
	Where '+' or '-' notation is attached to the rating, the corresponding main rating category risk weight should be used. When a guaranteed exposure is classified as nonperforming in accordance with the applicable directions, the guarantee will cease to be a credit risk mitigant and no adjustment would be permissible under this provision applicable directions, the guarantee will cease to be a credit risk mitigant and no adjustment would be permissible under this provision	
	cb) Any portion of housing loans referred to in item b) and c) of sr.no. (3) guaranteed by Credit Guarantee Schemes subject to instructions at clause (5) to the Notes of paragraph 22 of these Directions.	0
(d)	(d)(i)(a) Fund based and non-fund based exposures to Commercial Real Estate-Residential Building:	
	Classified as Standard	75
	Not classified as Standard	As specified under 'Others' in 'Other Assets' at Sr.No. 6(d) in this table
	(d)(i)(b) Fund based and non-fund based exposures to all other Commercial Real Estate	100
e)	Restructured housing loans	An additional risk weight of 25% to the risk weight prescribed above



	f)	Consumer credit exposure categorised as retail loans, excluding housing loans, educational loans, vehicle loans, loans against gold jewellery and microfinance/ SHG loans (please see note in clause (6) to the Notes of paragraph 22 below)	125
(4)		Current Assets:	
	a)	Stock on hire (please see note in clause (2) to the Notes of paragraph 22 below)	100
	b)	Inter corporate loans / deposits	100
	c)	Loans and advances fully secured by company's own deposits	0
	d)	Loan to staff	0
	e)	Other secured loans and advance considered good	100
	f)	Bills purchased / discounted	100
	g)	Others (to be specified)	100
(5)		Fixed Assets (net of depreciation):	
	a)	Assets leased out (net book value)	100
	b)	Premises	100
	c)	Furniture & Fixtures	100
	d)	Other Fixed Assets (to be specified)	100
(6)		Other Assets:	
	a)	Income tax deducted at source (net of provision)	0
	b)	Advance tax paid (net of provision)	0
	c)	Interest due on Government Securities and approved securities	0
	d)	Others (to be specified) including ROU assets	100

**Notes:**

- (1) Netting shall be done only in respect of assets where provisions for depreciation or for bad and doubtful debts have been made.
- (2) Stock on hire shall be shown net of finance charges i.e. interest and other charges recoverable.
- (3) Assets which have been deducted from owned fund to arrive at Tier 1 capital pursuant to paragraph 10(19) shall have a weightage of "0".



- (4) LTV ratio as a percentage shall be calculated as per paragraph 58 of these directions.
- (5) **Risk weights for exposures guaranteed by Credit Guarantee Schemes (CGS)**  
HFCs shall comply with paragraph 18(2)(iv) of [Reserve Bank of India \(Non-Banking Financial Companies – Prudential Norms on Capital Adequacy\) Directions, 2025](#).
- (6) **Strengthening credit standards**  
HFCs shall comply with paragraph 9 and 10 of [Reserve Bank of India \(Non-Banking Financial Companies - Concentration Risk Management\) Directions, 2025](#).

### **A.3 Off-Balance Sheet items:**

#### ***General***

23. HFCs shall comply with paragraph 18(3) of [Reserve Bank of India \(Non-Banking Financial Companies – Prudential Norms on Capital Adequacy\) Directions, 2025](#).

#### ***Non-market-related off- balance sheet items:***

24. HFCs shall comply with paragraph 18(4) and 18(6) of [Reserve Bank of India \(Non-Banking Financial Companies – Prudential Norms on Capital Adequacy\) Directions, 2025](#).  
*Provided that* for HFCs, credit conversion factor (CCF) for undisbursed amount of housing loans / other loans shall be 50 per cent.

*Note:* Risk weighted assets computed for undisbursed amount of housing loans / other loans as per paragraph 18(3) of [Reserve Bank of India \(Non-Banking Financial Companies – Prudential Norms on Capital Adequacy\) Directions, 2025](#), shall be capped at the risk weighted asset computed on a notional basis for equivalent amount of disbursed loan.

#### ***Market Related Off-Balance Sheet Items:***

25. HFCs shall comply with paragraph 18(7) to 18(10) of [Reserve Bank of India \(Non-Banking Financial Companies – Prudential Norms on Capital Adequacy\) Directions, 2025](#).

#### **Credit conversion factors for Credit Default Swaps (CDS)**

26. HFCs shall comply with paragraph 18(11) of [Reserve Bank of India \(Non-Banking Financial Companies – Prudential Norms on Capital Adequacy\) Directions, 2025](#).



## Chapter-IV – Prudential Regulation - Asset Classification and Provisioning

### A. Accounting Standards

27. HFC shall refer to the instructions as prescribed in paragraphs 10 to 12 of [Reserve Bank of India \(Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures\) Directions, 2025](#), paragraphs 15 and 16 of [Reserve Bank of India \(Non-Banking Financial Companies – Prudential Norms on Capital Adequacy\) Directions, 2025](#), and paragraphs 34 to 36 of [Reserve Bank of India \(Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning\) Directions, 2025](#)

### B. Asset Classification

28. The asset classification norms as given below shall apply to every HFC:  
29. Every HFC shall, after taking into account the degree of well-defined credit weaknesses and extent of dependence on collateral security for realisation, classify its lease/ hire purchase assets, loans and advances and any other forms of credit into the following classes, namely:

- (1) Standard assets
- (2) Sub-standard assets
- (3) Doubtful assets and
- (4) Loss assets.

30. The class of assets referred to above shall not be upgraded merely as a result of rescheduling, unless it satisfies the conditions required for the upgradation.

### C. Classes of Assets

31. “Standard asset” shall mean standard asset as defined in paragraph 11(3) of [Reserve Bank of India \(Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning\) Directions, 2025](#).

32. “Sub-standard asset” shall mean substandard asset as defined in paragraph 52 of [Reserve Bank of India \(Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning\) Directions, 2025](#).

*Provided that* where natural calamities impair the repaying capacity of a borrower, terms of the loan agreement regarding interest and/or principal may be rescheduled



and such loans shall not be classified as substandard; the classification of such loans would thereafter be governed by the revised terms and conditions.

*Explanation:* Extension in repayment tenor of a floating rate loan on reset of interest rate, so as to keep the EMI unchanged provided it is applied to a class of accounts uniformly, will not render the account to be classified as re-negotiated or rescheduled account. In other words, extension or deferment of EMIs to individual borrowers as against to an entire class, would render the accounts to be classified as re-negotiated or rescheduled accounts.

33. “Doubtful asset” shall mean doubtful asset as defined in paragraph 53 of [Reserve Bank of India \(Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning\) Directions, 2025.](#)

34. “Loss asset” shall mean loss asset as defined in paragraph 11(1) of [Reserve Bank of India \(Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning\) Directions, 2025.](#) Further, following assets shall also be treated as loss assets for HFCs:

- (1) an asset which has been identified as loss asset by the NHB during the inspection of the HFC, to the extent it is not written off by the HFC; and
- (2) an asset which is adversely affected by a potential threat of non-recoverability due to any one of the following, namely:
  - (a) insurance claim, if any, has been denied or settled in part;
  - (b) the debt becoming time barred under Limitation Act, 1963 (Act 36 of 1963);
  - (c) inchoate or defective documentation.

*Explanation:* For the removal of doubt, it is clarified that mere right of the HFC to file suit against the borrower/ guarantor for recovery of dues does not debar the Reserve Bank, NHB or the auditors to consider the asset or part thereof as loss asset due to aforesaid reasons.

35. “Non-Performing Asset” (referred to in these directions as “NPA”) shall mean NPA as referred in paragraph 51 of [Reserve Bank of India \(Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning\) Directions, 2025.](#)



*Provided that* a term loan granted to an agriculturist or to a person whose income is dependent on the harvest of crops shall be NPA if the installment of principal or interest thereon remains unpaid:

- (i) for two crop seasons beyond the due date if the income of the borrower is dependent on short duration crops, or
- (ii) for one crop season beyond the due date if the income of the borrower is dependent on long duration crop.

*Explanation:*

- (a) For the purpose of this sub-clause “long duration” crops would be crops with crop season longer than one year and crops, which are not “long duration” crops, would be treated as “short duration” crops.
- (b) The crop season for each crop means the period up to harvesting of the crops raised, would be as determined by the State Level Bankers’ Committee in each State.

#### **D. Clarifications on Asset Classification, etc.**

36. HFCs shall comply with paragraph 11(2), 24 and 25 of [Reserve Bank of India \(Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning\) Directions, 2025](#).

37. Every HFC shall recognise incipient stress in loan accounts, immediately on default, by classifying such assets as special mention accounts (SMA) as per the following categories:

<b>SMA Sub-categories</b>	<b>Basis for classification – Principal or interest payment or any other amount wholly or partly overdue</b>
SMA-0	Upto 30 days
SMA-1	More than 30 days and upto 60 days
SMA-2	More than 60 days and upto 90 days

*Note:* ‘Default’ means non-payment of debt (as defined under the IBC) when whole or any part or instalment of the debt has become due and payable and is not paid by the debtor or the corporate debtor, as the case may be.

38. The above instructions on SMA classification of borrower accounts are applicable to all loans, including retail loans, irrespective of size of exposure of the lending institution.



**Note:** Agricultural advances governed by crop season-based asset classification norms shall be exempt from this instruction.

### **Prudence in Lending and Consumer Education**

39. HFCs shall comply with the provisions of paragraph 15 to 19 of [Reserve Bank of India \(Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning\) Directions, 2025.](#)

### **E. Framework for Compromise Settlements and Technical Write-offs**

40. HFCs shall comply with the directions contained in paragraph 86 to 100 of [Reserve Bank of India \(Non-Banking Financial Companies – Resolution of Stressed Assets\) Directions, 2025](#) as amended from time to time.

### **F. Government Debt Relief Schemes (DRS)**

41. HFCs shall comply with the directions contained in paragraphs 102 to 138 of [Reserve Bank of India \(Non-Banking Financial Companies – Resolution of Stressed Assets\) Directions, 2025](#) as amended from time to time.

### **G. Income Recognition**

42. HFC shall comply with the directions prescribed in paragraph 37 to 40 of [Reserve Bank of India \(Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning\) Directions, 2025.](#)

### **H. Income from Investment**

43. HFCs shall comply with the directions prescribed in Paragraph 22 to 24 of [Reserve Bank of India \(Non-Banking Financial Companies – Classification, Valuation and Operation of Investment Portfolio\) Directions, 2025.](#)

### **I. Investment Policy and Accounting for Investments**

44. HFCs shall comply with the directions prescribed in paragraph 7 to 10 of [Reserve Bank of India \(Non-Banking Financial Companies – Classification, Valuation and Operation of Investment Portfolio\) Directions, 2025.](#)



## **J. Accounting for Investments**

45. HFCs shall refer to the instructions as prescribed in Paragraph 14 to 21 of [Reserve Bank of India \(Non-Banking Financial Companies – Classification, Valuation and Operation of Investment Portfolio\) Directions, 2025.](#)

*Provided that* for HFCs, unquoted preference shares in the nature of current investments shall be valued at cost or face value or the net asset value, whichever is lower. In case the net asset value is negative or the balance sheet of the investee company is not available for two years, it should be valued at Rupee one per company

## **K. Provisioning Requirements**

46. The provisioning requirements as given below shall apply to every HFC.

47. Every HFC shall consider the provisions contained in paragraph 29 of [Reserve Bank of India \(Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning\) Directions, 2025](#) for making provisions against standard assets, sub-standard assets, doubtful assets and loss assets.

### **Loans, advances and other credit facilities including bills purchased and discounted-**

48. The provisioning requirement in respect of loans, advances and other credit facilities including bills purchased and discounted shall be as under:

Loss Assets	The entire asset shall be written off. If the assets are permitted to remain in the books for any reason, 100% of the outstanding shall be provided for.		
Doubtful Assets	<p>(a) 100% provision to the extent to which the advance is not covered by the realisable value of the security to which the HFC has a valid recourse shall be made. The realisable value is to be estimated on a realistic basis;</p> <p>(b) In addition to item (a) above, depending upon the period for which the asset has remained doubtful, provision to the extent of 25% to 100% of the secured portion (i.e. estimated realisable value of the outstanding) shall be made on the following basis:</p>		
	Period for which the asset has been considered as doubtful		Per cent of provision (%)
	Up to one year		25



	One to three years	40
	More than three years	100
Sub-standard assets	A general provision of 15 per cent of total outstanding shall be made.	
Standard assets (not applicable to HFCs in Upper Layer.)	(a) Standard Assets in respect of housing loans at teaser/ special rates i.e. housing loans at comparatively lower rates of interest in the first few years after which rates are re-set at higher rates	2% provision on the total outstanding amount of such loans. The provisioning of these loans to be reset after one year at the applicable rates from the date on which the rates are reset at higher rates if the accounts remain 'standard'
	(b)(i) Standard Assets in respect of Commercial Real Estates - Residential Housing (CRE-RH)	0.75% on the total outstanding amount of such loans
	(b)(ii) Standard Assets in respect of all other Commercial Real Estates (CRE)	1.00% on the total outstanding amount of such loans
	(b)(iii) Standard Assets in respect of Individual Housing Loans	0.25% on the total outstanding amount of such loans
	(c) Standard Assets in respect of all loans other than (a) & (b) above	A general provision of 0.4% of the total outstanding amount of loans which are standard assets shall be made

*Provided that* no provision need be made towards the portion of housing loan guaranteed by CRGFTLIH becomes non-performing. However, the amount outstanding in excess of the guaranteed portion should be provided for as per the extant directions on provisioning requirement.



**Note:**

- (a) Loans under Rural Housing Funds Scheme / Urban Housing Funds Schemes are not to be regarded as loans given at teaser / special rates.
- (b) Commercial Real Estate – Residential Housing (CRE–RH) – HFC shall refer to paragraph 110 and 111 of [Reserve Bank of India \(Non-Banking Financial Companies – Credit Facilities\) Directions, 2025.](#)
- (c) Loans for third dwelling unit onwards to an individual will also be treated as CRE exposure.
- (d) The provisions on standard assets should not be reckoned for arriving at net NPAs.
- (e) The provisions for standards assets shall be treated as prescribed under paragraph 28 of [Reserve Bank of India \(Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning\) Directions, 2025.](#)

***Lease and hire purchase assets –***

49. For provisioning requirements for lease and hire purchase assets, the HFCs shall comply with the directions prescribed in paragraph 33(1) to 33(4) of [Reserve Bank of India \(Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning\) Directions, 2025.](#)

***Notes:***

- i HFCs shall refer to paragraph 33(5) to 33(8) of [Reserve Bank of India \(Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning\) Directions, 2025.](#)
- ii In case where an asset has been rescheduled on account of natural calamities having impaired the repaying capacity of the borrower as provided in paragraph 32, any provisioning made prior to such rescheduling shall neither be written back nor adjusted against any provisioning requirements that may arise in future.
- iii All financial leases written on or after April 1, 2002 shall attract the provisioning requirements as applicable to hire purchase assets.



#### **L. Policy on Demand / Call Loans**

50. The Board of Directors of HFC granting / intending to grant demand / call loans shall frame a policy for the company and implement the same. Such policy shall, inter alia, stipulate guidelines as per paragraph 107 of [Reserve Bank of India \(Non-Banking Financial Companies – Credit Facilities\) Directions, 2025.](#)

#### **M. Disclosure Norms**

51. HFCs shall comply with disclosure requirements prescribed in [Reserve Bank of India \(Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures\) Directions, 2025.](#)

52. Additionally, HFC are advised to prominently display on their website any penalty levied on the company by the RBI / NHB. Further, HFC shall make disclosures on reserve fund as prescribed in paragraph 1 of Annex II in notes to accounts to the financial statements.

#### **N. Disclosure of Non-Performing Assets and Provisions in balance sheet**

53. HFCs shall comply with paragraph 13 to 15 of [Reserve Bank of India \(Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures\) Directions, 2025.](#)

#### **O. Accounting year**

54. HFCs shall comply with paragraph 9 of [Reserve Bank of India \(Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures\) Directions, 2025.](#)

*Note:* HFC shall take prior approval of NHB before approaching RoC for this purpose.



## Chapter-V – Prudential Regulation- Regulatory Restrictions and Limits

### A. Ceiling on IPO Funding

55. HFCs shall comply with the provisions of paragraph 104 of [Reserve Bank of India \(Non-Banking Financial Companies – Credit Facilities\) Directions, 2025.](#)

### B. Loans against HFCs own shares prohibited

56. HFCs shall comply with the provisions of paragraph 105 of [Reserve Bank of India \(Non-Banking Financial Companies – Credit Facilities\) Directions, 2025.](#)

### C. Declaration of dividends

57. HFCs shall comply with the instructions prescribed in [Reserve Bank of India \(Non-Banking Financial Companies – Prudential Norms on Declaration of Dividends\) Directions, 2025.](#)

### D. Loan to Value (LTV) Ratio for housing loans

58. No housing finance company shall grant housing loans to individuals:

- (1) up to ₹30 lakh with LTV ratio exceeding 90 percent,
- (2) above ₹30 lakh and up to ₹75 lakh with LTV ratio exceeding 80 percent, and,
- (3) above ₹75 lakh with LTV ratio exceeding 75 per cent

*Note:*

- (1) *The LTV ratio shall be computed as a percentage with total outstanding in the account (viz, “principal + accrued interest + other charges pertaining to the loan” without any netting) in numerator and the realizable value of the residential property mortgaged to the HFC in the denominator. The HFC shall not include stamp duty, registration and other documentation charges in the cost of the housing property they finance so that the effectiveness of LTV norms is not diluted. However, with a view to encourage availability of affordable housing to borrowers like economically weaker sections (EWS) and low income groups (LIG), in cases where the cost of the house/ dwelling unit does not exceed ₹10 lakh, HFC may add stamp duty, registration and other documentation charges to the cost of the house/ dwelling unit for the purpose of computing LTV ratio.*



(2) *The HFC shall be guided by paragraph 215 of these Directions on valuation of properties and empanelment of valuers.*

**E. Concentration of credit / investment (not applicable to HFCs in Upper Layer)**

59. HFCs shall comply with the provisions of paragraphs 13, 15, 17, 18, 20, 21 of [Reserve Bank of India \(Non-Banking Financial Companies – Concentration Risk Management\) Directions, 2025.](#)

*Provided that* the proviso of above-mentioned paragraph 13 is not applicable for HFCs.

*Provided further that* within the overall ceiling prescribed under paragraph 59 of these directions, investment of a housing finance company in the shares of another housing finance company (other than its subsidiary/ies) shall not exceed fifteen per cent of the equity capital of the investee company.

**Notes:**

- (1) The investment in debentures for the above purpose shall be treated as credit and not investment.
- (2) "Shares" shall mean and include investment in various instruments such as Equity Shares, Preference Shares eligible for capital status, Subordinated Debt Instruments, Hybrid Debt Capital Instruments and any other quasi-capital instruments approved as in the nature of capital.
- (3) Investment of a housing finance company in the shares of its subsidiaries, companies in the same group and other housing finance companies, to the extent of ten per cent of its owned fund, shall carry a risk weight of 100 per cent as prescribed in chapter III of these directions. Such investment in excess of ten per cent of its owned fund shall continue to be deducted from the Net Owned Fund of the housing finance company as prescribed at item (I) of 'Explanation' to Section 29A of the National Housing Bank Act, 1987.
- (4) Tier 1 Capital shall mean 'Tier 1 Capital' as defined under paragraph 10(19) of these directions and with respect to its position as per the published accounts as on March 31st of the previous year.
- (5) The infusion of capital, after such published balance sheet date may be taken into account for determining the exposure ceiling but the housing finance company shall not take exposure in excess of the ceiling in anticipation of infusion of capital



at a future date. The housing finance company shall furnish to the NHB, statutory auditor's certificate on completion of the augmentation of capital before reckoning the same for above purpose.

(6) Other accretions to capital funds by way of quarterly profits, shall not be eligible to be reckoned to compute 'Tier 1 Capital' for the purpose of determining the exposure ceiling.

#### **F. Exposure of HFCs to group companies engaged in real estate business**

60. In case of companies in a group engaged in real estate business, HFC may undertake exposure either to the group company engaged in real estate business or lend to retail individual home buyers in the projects of such group companies. In case HFC prefers to undertake exposure in group companies, such exposure by way of lending/investing, directly or indirectly, cannot be more than 15 percent of Tier 1 Capital for a single entity in the group and 25 percent of Tier 1 Capital for all such group entities. The HFC would in all such cases follow arm's length principles in letter and spirit. Every HFC shall disclose in their notes to accounts to the balance sheet, details of these exposures as per format prescribed under paragraph 2 of [Annex II](#).

#### **G. Loans to directors, senior officers and relatives of directors**

61. HFCs shall comply with paragraph 13 of [Reserve Bank of India \(Non-Banking Financial Companies – Credit Risk Management\) Directions, 2025](#).

#### **H. Loans and advances to Directors**

62. HFCs shall comply with paragraph 9 of [Reserve Bank of India \(Non-Banking Financial Companies – Credit Risk Management\) Directions, 2025](#).

#### **I. Loans and advances to Senior Officers of the HFC**

63. HFCs shall comply with paragraph 10 of [Reserve Bank of India \(Non-Banking Financial Companies – Credit Risk Management\) Directions, 2025](#).

64. In respect of grant of loans mentioned at paragraph 62 to 63 above, HFCs shall also comply with paragraph 11 and 12 of [Reserve Bank of India \(Non-Banking Financial Companies – Credit Risk Management\) Directions, 2025](#).



#### **J. Restrictions on investment in real estate**

65. A housing finance company, shall not invest in land or buildings, except for its own use, an amount exceeding twenty percent of its capital fund (i.e. sum of Tier 1 and Tier 2 capital),

*Provided that* such investment over and above ten per cent of its owned fund, shall be made only in residential units.

*Provided that* the land or buildings acquired in satisfaction of its debts shall be disposed of by the housing finance company within a period of three years or within such a period as may be extended by the NHB, from the date of such acquisition, if the investment in these assets together with such assets already held by the housing finance company exceeds the above ceiling.

#### **K. Exposure to capital market**

##### **K.1 Limits on housing finance companies' exposure to capital market**

66. The aggregate exposure of a housing finance company to the capital market in all forms (both fund based, and non-fund based) should not exceed 40 per cent of its net worth as on March 31 of the previous year.

67. Within the overall ceiling specified in paragraph 66 above, direct investment in shares, convertible bonds/ debentures, units of equity-oriented mutual funds and all exposures to Venture Capital Funds (VCFs) [both registered and unregistered] of the housing finance company should not exceed 20 per cent of its net worth.

68. Net worth for the purpose of this paragraph would comprise of Paid-up capital plus Free Reserves including Share Premium but excluding Revaluation Reserves, plus credit balance in Profit & Loss account, less debit balance in Profit and Loss account, Accumulated Losses and Intangible Assets. No general or specific provisions should be included in computation of net worth. Infusion of capital through equity shares after the published balance sheet date, may also be taken into account for determining the ceiling on exposure to capital market. However, before reckoning such infusion, the HFC shall furnish to the NHB, a certificate from its statutory auditors certifying completion of the augmentation of capital.

69. Deposit taking HFC shall fix Board-approved internal limits separately within the limit of direct investment, for investments in unquoted shares of another company which



is not a subsidiary company or a company in the same group of the HFC. Such Board-approved internal limit shall form part of overall limits and sub-limits for exposure to capital market for deposit taking HFC.

*Explanation* – While calculating the ceiling on investment in unquoted shares, investments in such shares of all companies shall be aggregated.

*Provided that* the ceiling on the investment in unquoted shares shall not be applicable to an HFC in respect of investment in the equity capital of an insurance company upto the extent specifically permitted, in writing, by the Reserve Bank.

## **K.2 Components of Capital Market Exposure**

70. Capital market exposure of an HFC shall include both direct exposures and indirect exposures. The items which are to be included and excluded are enumerated in the table below.

<b>Items included in capital market exposure</b>	<b>Items excluded from capital market exposure</b>
<p>a. Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds, the corpus of which is not exclusively invested in corporate debt;</p> <p>b. Advances against shares/ bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including Initial Public Offers/ Employees Stock Options), convertible bonds, convertible debentures, and units of equity oriented mutual funds;</p> <p>c. Advances for any other purposes where shares or convertible bonds or</p>	<p>a. Investment of an HFC in its own subsidiaries, joint ventures, and investments in unlisted shares and convertible debentures, convertible bonds issued by institutions forming crucial financial infrastructure and other All India Financial Institutions as detailed below. After listing, the exposures in excess of the original investment (i.e. prior to listing) shall form part of the Capital Market Exposure.</p> <p>(i) National Securities Depository Ltd. (NSDL) (ii) Central Depository Services (India) Ltd. (CDSL)</p> <p>(iii) National Securities Clearing Corporation Ltd. (NSCCL)</p> <p>(iv) National Stock Exchange (NSE)</p>



<p>convertible debentures or units of equity oriented mutual funds are taken as primary security;</p> <p>d. Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds, i.e. where the primary security other than shares/ convertible bonds/ convertible debentures/ units of equity oriented mutual funds does not fully cover the advances;</p> <p>e. Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;</p> <p>f. Loans sanctioned to corporates against the security of shares/ bonds/ debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;</p> <p>g. Bridge loans to companies against expected equity flows/ issues;</p> <p>h. Underwriting commitments taken up by the housing finance companies in respect of primary issue of shares or convertible bonds or convertible</p>	<p>(v) Clearing Corporation of India Ltd., (CCIL)</p> <p>(vi) Credit Information Bureau of India Ltd. (CIBIL)</p> <p>(vii) Multi Commodity Exchange Ltd. (MCX)</p> <p>(viii) National Commodity and Derivatives Exchange Ltd. (NCDEX)</p> <p>(ix) National Multi-Commodity Exchange of India Ltd. (NMCEIL)</p> <p>(x) National Collateral Management Services Ltd. (NCMSL)</p> <p>(xi) Industrial Finance Corporation of India, Ltd. (IFCI)</p> <p>(xii) Tourism Finance Corporation of India Ltd. (TFCI)</p> <p>(xiii) Risk Capital &amp; Technology Finance Corporation Ltd. (RCTC)</p> <p>(xiv) Technology Development &amp; Information Co. of India Ltd. (TDICI)</p> <p>(xv) National Housing Bank (NHB)</p> <p>(xvi) Small Industries Development Bank of India (SIDBI)</p> <p>(xvii) National Bank for Agriculture &amp; Rural Development (NABARD)</p> <p>(xviii) Export Import Bank of India (EXIM Bank)</p>
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<p>debentures or units of equity oriented mutual funds;</p> <p>i. Financing to stockbrokers for margin trading; and</p> <p>j. All exposures to Venture Capital Funds (both registered and unregistered). These will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect).</p>	<p>(xix) Industrial Investment Bank of India (IIBI)</p> <p>(xx) Life Insurance Corporation of India (LIC)</p> <p>(xxi) General Insurance Corporation of India (GIC)</p> <p>b. Investments in Tier 1 and Tier 2 debt instruments issued by other HFCs;</p> <p>c. Investment in Certificates of Deposit (CDs) of other housing finance companies;</p> <p>d. Investments in Preference Shares, non-convertible debentures and non-convertible bonds;</p> <p>e. Investments in units of Mutual Funds under schemes where the corpus is invested exclusively in debt instruments;</p> <p>f. Shares acquired by housing finance companies as a result of conversion of debt/overdue interest into equity under a Corporate Debt Restructuring (CDR) mechanism.</p>
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## 71. Computation of Exposure

For computing the exposure to the capital markets, loans / advances sanctioned and guarantees issued for capital market operations shall be reckoned with reference to sanctioned limits or outstanding, whichever is higher. Further, direct investment of a housing finance company in shares, convertible bonds, convertible debentures and units of equity oriented mutual funds shall be calculated at their cost price.



## **L. Sensitive Sector Exposure (SSE)**

72. HFCs shall comply with the provisions of paragraph 24 of [Reserve Bank of India \(Non-Banking Financial Companies – Concentration Risk Management\) Directions, 2025.](#)

*Note:* The instructions are in addition to exposure limits prescribed in paragraphs 65 to 71 above.

## **M. Investments in Alternative Investment Funds (AIFs)**

73. HFCs shall comply with the provisions of paragraph 7 to 14 of [Reserve Bank of India \(Non-Banking Financial Companies – Undertaking of Financial Services\) Directions, 2025](#) and paragraph 25 to 27 of [Reserve Bank of India \(Non-Banking Financial Companies – Classification, Valuation, and Operation of Investment Portfolio\) Directions, 2025.](#)

## **N. Engagement of Brokers**

74. For engagement of brokers to deal in investment transactions, the housing finance companies shall observe the following:

- (1) Transactions should not be put through the brokers' accounts. The brokerage on the deal payable to the broker, if any (if the deal was put through with the help of a broker), should be clearly indicated on the notes/ memorandum put up to the top management seeking approval for putting through the transaction and separate account of brokerage paid, broker-wise, should be maintained.
- (2) If a deal is put through with the help of a broker, the role of the broker should be restricted to that of bringing the two parties to the deal together.
- (3) While negotiating the deal, the broker is not obliged to disclose the identity of the counterparty to the deal. On conclusion of the deal, he should disclose the counterparty and his contract note should clearly indicate the name of the counterparty.
- (4) Based on the contract note disclosing the name of the counterparty, settlement of deals, viz. both fund settlement and delivery of security should be directly between the parties and the broker should have no role to play in the process.
- (5) With the approval of their top management, HFC should prepare a panel of approved/ authorized brokers which should be reviewed annually or more often if so warranted. Clear-cut criteria should be laid down for empanelment of



brokers, including verification of their creditworthiness, market reputation, etc. A record of broker-wise details of deals put through and brokerage paid, should be maintained.

(6) A disproportionate part of the business should not be transacted through only one or a few brokers. Housing finance companies should fix aggregate contract limits for each of the approved brokers. A limit of 5 per cent of total transactions (both purchase and sales) entered into by a housing finance company during a year should be treated as the aggregate upper contract limit for each of the approved brokers. This limit should cover both, the business initiated by a housing finance company and the business offered/ brought to the housing finance company by a broker. Housing finance companies should ensure that the transactions entered into through individual brokers during a year normally do not exceed this limit. However, if for any reason it becomes necessary to exceed the aggregate limit for any broker, the specific reasons therefore should be recorded, in writing, by the authority empowered to put through the deals. Further, the Board should be informed of this, post facto.

However, the norm of 5 percent would not be applicable:

- (i) to a housing finance company whose total transactions in a year do not exceed ₹20 crore; and
- (ii) to housing finance companies' dealings through Primary Dealers / NDS-OM.

(7) The auditors who audit the treasury operations should scrutinize the business done through brokers also and include it in their monthly report to the Chief Executive Officer of the housing finance company. Besides, the business put through any individual broker or brokers in excess of the limit, with the reasons therefor, should be covered in the half-yearly review to the Board of Directors.

(8) Housing finance companies shall undertake securities transactions through stock brokers only on National Stock Exchange/ Bombay Stock Exchange / Over the Counter Exchange of India.



## Chapter-VI – Prudential Regulation- Acceptance of Public Deposits

### A. Acceptance / renewal of public deposits

75. HFCs shall comply with the provisions of paragraphs 12, 13, 14 and 18 of [Reserve Bank of India \(Non-Banking Financial Companies - Acceptance of Public Deposits\) Directions, 2025](#) on minimum credit rating requirements for acceptance / renewal of public deposits provided it is complying with all the prudential norms.

### B. Maintenance of a minimum percentage of liquid assets

76. Every HFC accepting public deposits shall:

- (1) invest and continue to invest in India in unencumbered approved securities, valued at a price not exceeding the current market price of such securities, an amount which, at the close of business on any day, shall not be less than eight per cent and ten per cent as on July 01, 2025 of the public deposits outstanding at the close of business on the last working day of the second preceding quarter.
- (2) maintain in India an account with a scheduled bank in term deposits or certificate of deposits (free of charge or lien) or in deposits with/ subscription to bonds issued by the NHB, or partly in such an account or in such deposit or partly by way of such subscription, a sum which, at the close of business on any day, together with the investment made under paragraph 76(1) shall not be less than fourteen percent, and fifteen percent as on July 01, 2025, of the public deposits outstanding at the close of business on the last working day of the second preceding quarter.
- (3) All other provisions of Section 29B of NHB Act shall mutatis mutandis be applicable to the above requirement as if the expression “public deposit” is the same as the expression “deposit” as contemplated under the said provision.

#### B.1 Valuation of Approved Securities

77. With a view to putting in place a uniform practice for valuation of the approved securities, HFC shall adopt the following procedure for valuation of approved securities on a daily basis:

- (1) Quoted Securities



The 'market value' of such securities will be as available from the trades/ quotes on the stock exchanges, SGL account transactions, price list of RBI, the price declared by Primary Dealers Association of India (PDAI)/ Fixed Income Money Market and Derivatives Association of India (FIMMDA)/ Financial Benchmark India Pvt Ltd (FBIL).

(2) Unquoted Securities

(i) Central Government Securities

(a) The HFC should value the unquoted Central Government securities on the basis of the prices/ Yield to Maturity (YTM) rates put out by the FBIL at periodical intervals.

(b) Treasury Bills should be valued at carrying cost.

(ii) State Government Securities

HFC should value the unquoted State Government securities on the basis of the prices/ Yield to Maturity (YTM) rates put out by the FBIL at periodical intervals.

(iii) Other 'approved' Securities

Other approved securities will be valued applying the YTM method by marking it up by 25 basis points above the yields of the Central Government Securities of equivalent maturity put out by FBIL periodically.

**C. Ceiling on quantum of deposit**

78. HFCs shall comply with the provisions of paragraph 17 of [Reserve Bank of India \(Non-Banking Financial Companies - Acceptance of Public Deposits\) Directions, 2025.](#)

*Provided that the existing excess deposits will be allowed to run off till maturity.*

79. A housing finance company shall not have deposits inclusive of public deposits, the aggregate amount of which together with the amounts, if any, held by it which are referred in clauses (iii) to (vii) of sub-section (bb) of Section 45 I of the Reserve Bank of India Act, 1934 as also loans or other assistance from the NHB, in excess of twelve times of its NOF.

*Note: NOF for the purpose of determination of the above limits shall be as at March 31<sup>st</sup> of the previous financial year based on the audited financial statements*



for that year. Infusion of capital after such balance sheet date may, however, be reckoned for determining the limits, subject to certification of the same by the statutory auditors.

80. Where a housing finance company holds public deposits or deposits inclusive of the items mentioned in paragraph 79 in excess of the limits specified above, it shall

- (1) not accept fresh deposit or open new deposit account; or
- (2) not renew the existing deposit or where the deposits are received under any recurring scheme, receive instalments under such scheme after the expiry of the scheme period;
- (3) reduce such excess deposit by repayment on maturity.

#### **D. Period of Public Deposit**

81. HFCs shall comply with the provisions of paragraph 15 and 16 of [Reserve Bank of India \(Non-Banking Financial Companies - Acceptance of Public Deposits\) Directions, 2025.](#)

*Provided that* existing deposits with maturities above sixty months shall be repaid as per their existing repayment profile.

*Explanation:* Where a public deposit is in instalments, the period of such deposit shall be computed from the date of receipt of first instalment.

#### **E. Ceiling on the rate of interest & brokerage and Deposits from Non-Resident Indians**

82. HFCs shall comply with the provisions of paragraphs 19, 20 and 21 of [Reserve Bank of India \(Non-Banking Financial Companies - Acceptance of Public Deposits\) Directions, 2025.](#)

#### **F. Payment of interest on overdue public deposits:**

83. HFCs shall comply with the provisions of paragraphs 24, 25 and 26 of [Reserve Bank of India \(Non-Banking Financial Companies - Acceptance of Public Deposits\) Directions, 2025.](#)



#### **G. Renewal of public deposit**

84. HFCs shall comply with the provisions of paragraph 23 of [Reserve Bank of India \(Non-Banking Financial Companies - Acceptance of Public Deposits\) Directions, 2025](#).

#### **H. Joint deposit**

85. HFCs shall comply with the provisions of paragraph 27 of [Reserve Bank of India \(Non-Banking Financial Companies - Acceptance of Public Deposits\) Directions, 2025](#).

#### **I. Nomination rules**

86. Nomination in favor of one person can be made by the depositor/s in respect by the deposits held by him / them with an HFC in terms of section 36B of the National Housing Bank Act, 1987. Such nomination can be made in the manner prescribed in the Banking Companies (Nomination) Rules, 1985 made by the Central Government u/s 45ZA of the Banking Regulation Act 1949. In terms of the Rule 2(9) of the said rules, the companies are required to acknowledge in writing to the depositor/s the filling of the relevant duly completed form of nomination, cancellation and / or variation of the nomination.

87. The HFC which are accepting public deposits shall strictly comply with the above provision of the Banking Companies (Nomination) Rules, 1985 and devise a proper system of acknowledging the receipt of duly completed form of nomination, cancellation and/or variation of the nomination. Such acknowledgement shall be given to all the customers irrespective of whether the same is demanded by the customers.

88. The HFC shall introduce the practice of recording on the face of the RD passbooks/ FDRs the position regarding availment of nomination facility with the legend "Nomination Registered" and they shall also indicate the name of the Nominee in the RD passbook/ FDRs, in case the customer is agreeable to the same.

#### **J. Particulars to be specified in application form soliciting public deposits**

89. HFCs shall comply with the provisions of paragraph 28 of [Reserve Bank of India \(Non-Banking Financial Companies - Acceptance of Public Deposits\) Directions, 2025](#) on particulars to be specified in the application form soliciting public deposits. The application form shall also contain the details as specified in paragraph 29(1) and 29(4) to 29(7) of



Reserve Bank of India (Non-Banking Financial Companies - Acceptance of Public Deposits) Directions, 2025, and additional details as follows:

- (1) a statement to the effect that in case of any deficiency of the housing finance company in servicing its deposits, the depositor may approach NHB, the National Consumers Disputes Redressal Forum, the State Level Consumers Disputes Redressal Forum or the District Level Consumers Dispute Redressal Forum for relief;
- (2) a statement to the effect that in case of non-repayment of the deposit or part thereof in accordance with the terms and conditions of the deposit, the depositor may make an application to authorised officer of the National Housing Bank;
- (3) the form should solicit the details of the bank account of the depositor or depositor/s in case of deposits accepted in joint names.

**K. Advertisement and statement in lieu of advertisement**

90. HFCs shall comply with the provisions of paragraph 31 to 34 of Reserve Bank of India (Non-Banking Financial Companies - Acceptance of Public Deposits) Directions, 2025.

**L. General provisions regarding repayment of deposits**

91. HFCs shall comply with the provisions of paragraph 35 of Reserve Bank of India (Non-Banking Financial Companies - Acceptance of Public Deposits) Directions, 2025.

*Note:* For the proviso of mentioned paragraph it is clarified that HFC shall repay the public deposit prematurely, with interest at the contracted rate up to the date of repayment.

92. HFCs shall comply with the provisions of paragraph 36 to 39 of Reserve Bank of India (Non-Banking Financial Companies - Acceptance of Public Deposits) Directions, 2025.

93. Where a housing finance company at the request of depositor/s repays a public deposit before its maturity, it shall pay interest at the following rate:

<b>Sr. No.</b>	<b>Period for which deposit has run</b>	<b>Rate of interest</b>



1.	Within three months subject to lock-in period requirements	No interest (Please also refer paragraph 90)
2.	After three months but before or up to six months	The maximum interest payable shall be four per cent per annum for individual depositor, and no interest in case of other depositors
3.	After six months but before the date of maturity	The interest payable shall be one per cent lower than the interest rate applicable to a public deposit for the period for which the deposit has run or if no rate has been specified for that period, then two per cent lower than the minimum rate at which the public deposits are accepted by that HFC

94. HFCs shall comply with the provisions of paragraph 22 of [Reserve Bank of India \(Non-Banking Financial Companies - Acceptance of Public Deposits\) Directions, 2025](#).

*Note:* In the absence of any specific maturity instruction, the maturity amount shall be remitted to the designated bank account maintained in the name of the depositor/s.

#### **M. Furnishing of receipt to depositor**

95. HFCs shall comply with the provisions of paragraph 41 and 42 of [Reserve Bank of India \(Non-Banking Financial Companies - Acceptance of Public Deposits\) Directions, 2025](#).

#### **N. Register of deposit**

96. HFCs shall comply with the provisions of paragraph 43 to 45 of [Reserve Bank of India \(Non-Banking Financial Companies - Acceptance of Public Deposits\) Directions, 2025](#).

#### **O. Branches and Appointment of Agents to Collect Deposits**

97. HFCs shall comply with the provisions of paragraph 46 and 47 of [Reserve Bank of India \(Non-Banking Financial Companies - Acceptance of Public Deposits\) Directions, 2025](#).

#### *Explanation:*

(a) HFCs not fulfilling the criteria as prescribed in paragraph 97 above and having branches or agents outside the State of its registration, shall not accept fresh deposits or



renew existing deposits in these branches, till the time the above criteria are fulfilled. The existing deposits accepted through these branches / agents may be serviced as per their existing repayment profile.

(b) Further, HFCs not fulfilling the criteria as prescribed in paragraph 97 above, may undertake permissible business other than acceptance / renewal of deposits in branches outside the State of its registration. However, they shall not conduct deposit-taking activity in any manner through these branches / agents till the time they fulfil the above conditions.

**P. Closure of branches**

98. HFCs shall comply with the provisions of paragraph 48 and 49 of [Reserve Bank of India \(Non-Banking Financial Companies - Acceptance of Public Deposits\) Directions, 2025.](#)

**Q. Safe custody of approved securities**

99. HFCs shall comply with the provisions of paragraph 53 to 56 of [Reserve Bank of India \(Non-Banking Financial Companies - Acceptance of Public Deposits\) Directions, 2025.](#)

**R. Employees Security Deposit**

100. HFCs shall comply with the provisions of paragraph 57 of [Reserve Bank of India \(Non-Banking Financial Companies - Acceptance of Public Deposits\) Directions, 2025.](#)

**S. Cover for public deposits - Creation of Floating Charge on Liquid Assets**

101. HFCs shall comply with the provisions of paragraph 61 of [Reserve Bank of India \(Non-Banking Financial Companies - Acceptance of Public Deposits\) Directions, 2025.](#)

*Note:* Section 45-IB of the RBI Act may be read as Section 29B of NHB Act for HFCs.

**T. HFCs failing to repay public deposit prohibited from making loans and investments**

102. HFCs shall comply with the provisions of paragraph 62 of [Reserve Bank of India \(Non-Banking Financial Companies - Acceptance of Public Deposits\) Directions, 2025.](#)

*Note:* Section 45QA (1) of the RBI Act may be read as Section 36A(1) of NHB Act for HFCs.



**U. Information to be included in the Board's report:**

103. HFC shall comply with the provisions of paragraph 58 and 59 of Reserve Bank of India (Non-Banking Financial Companies - Acceptance of Public Deposits) Directions, 2025.



## **Chapter-VII – Governance- Acquisition / Transfer of Control**

### **A. General**

104. HFCs shall comply with the provisions of paragraph 6 except 6(4) of [Reserve Bank of India \(Non-Banking Financial Companies– Acquisition of Shareholding or Control\) Directions, 2025.](#)

105. HFCs shall comply with the provisions of paragraph 10 of [Reserve Bank of India \(Non-Banking Financial Companies - Governance\) Directions, 2025.](#)

### **B. Application for prior approval**

106. HFCs shall comply with the provisions of paragraph 7 of [Reserve Bank of India \(Non-Banking Financial Companies – Acquisition of Shareholding or Control\) Directions, 2025](#) and paragraph 11 of [Reserve Bank of India \(Non-Banking Financial Companies - Governance\) Directions, 2025.](#)

### **C. Requirement of Prior Public Notice about change in control / management.**

107. HFCs shall comply with the provisions of paragraph 8 to 10 of [Reserve Bank of India \(Non-Banking Financial Companies – Acquisition of Shareholding or Control\) Directions, 2025.](#)

### **D. Permission to accept public deposits in cases of acquisition or transfer of control of HFCs holding CoR valid for accepting public deposits**

108. HFCs shall comply with the second proviso of paragraph 6 of [Reserve Bank of India \(Non-Banking Financial Companies – Acquisition of Shareholding or Control\) Directions, 2025.](#)

### **E. Investment from FATF non-compliant jurisdictions**

109. HFCs shall comply with the provisions of paragraphs 11 to 13 of [Reserve Bank of India \(Non-Banking Financial Companies- Acquisition of Shareholding or Control\) Directions, 2025.](#)



## Chapter-VIII – Corporate Governance

### A. Experience of the Board

110. HFCs shall comply with the provisions of paragraph 8 of [Reserve Bank of India \(Non-Banking Financial Companies - Governance\) Directions, 2025](#).

### B. Constitution of Committees of the Board

111. Audit Committee

HFCs shall comply with the provisions of paragraph 17 of [Reserve Bank of India \(Non-Banking Financial Companies - Governance\) Directions, 2025](#).

*Note: The Information System Audit as prescribed shall be carried out separately through a Certified Information System Auditor (CISA).*

112. Nomination and Remuneration Committee

HFCs shall comply with the provisions of paragraph 18 of [Reserve Bank of India \(Non-Banking Financial Companies - Governance\) Directions, 2025](#).

*Note: The Nomination and Remuneration Committee shall ensure that there is no conflict of interest in appointment of directors and their independence is not subject to potential threats.*

### C. Risk Management Committee

113. HFCs shall comply with the provisions of paragraph 9 of [Reserve Bank of India \(Non-Banking Financial Companies - Governance\) Directions, 2025](#).

### D. Appointment of Chief Risk Officer

114. HFCs shall comply with the provisions of paragraph 19 to 24 of [Reserve Bank of India \(Non-Banking Financial Companies - Governance\) Directions, 2025](#).

### E. Fit and Proper Criteria

115. HFCs shall comply with the provisions of paragraph 12 to 14 of [Reserve Bank of India \(Non-Banking Financial Companies - Governance\) Directions, 2025](#).

### F. Key Managerial Personnel (KMP)

116. HFCs shall comply with the provisions of paragraph 26 of [Reserve Bank of India \(Non-Banking Financial Companies - Governance\) Directions, 2025](#).



#### **G. Independent Director**

117. HFC shall comply with the provisions of paragraph 27 and 28 of [Reserve Bank of India \(Non-Banking Financial Companies - Governance\) Directions, 2025.](#)

#### **H. Guidelines on Compensation of KMP and Senior Management in HFCs**

118. HFC shall comply with the provisions of paragraph 29 to 37 of [Reserve Bank of India \(Non-Banking Financial Companies - Governance\) Directions, 2025.](#)

#### **I. Disclosure and transparency**

119. HFCs shall comply with the provisions of paragraph 15 of [Reserve Bank of India \(Non-Banking Financial Companies - Governance\) Directions, 2025.](#)

120. HFCs shall comply with disclosure requirements prescribed in [Reserve Bank of India \(Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures\) Directions, 2025.](#)

#### **J. Appointment of Statutory Central Auditors/ Statutory Auditors**

121. HFCs shall comply with the provisions of paragraph 8 of [Reserve Bank of India \(Non-Banking Financial Companies – Miscellaneous\) Directions, 2025.](#)

*Note:*

- (1) The prescribed reporting shall be done to the Supervisor of HFCs i.e., NHB.
- (2) All non-deposit taking HFCs with asset size below ₹1,000 crore shall rotate the partner/s of the Chartered Accountant firm conducting the audit, every three years so that same partner shall not conduct audit of the company continuously for more than a period of three years. However, the partner so rotated shall be eligible for conducting the audit of the HFC after an interval of three years, if the HFC, so decides. The HFC shall incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

#### **K. Framing of Internal Guidelines**

122. HFC shall comply with the provisions of paragraph 40 of [Reserve Bank of India \(Non-Banking Financial Companies - Governance\) Directions, 2025.](#)



## **Chapter-IX – Auditor’s Report**

### **A. Auditors to submit additional Report to the Board of Directors**

123. In addition to the report made by the auditor under Section 143 of the Companies Act, 2013 on the accounts of a housing finance company examined for every financial year ending on any day on or after the commencement of these directions, the auditor shall also make a separate report to the Board of Directors of the Company on the matters specified in paragraphs 124 to 126 below.

### **B. Material to be included in the Auditor’s Report to the Board of Directors**

124. The auditor’s report on the accounts of a housing finance company shall include a statement on the following matters, namely:

- (1) Conducting housing finance activity without a valid Certificate of Registration (CoR) granted under Section 29 A of the NHB Act, 1987 is an offence under Chapter VII of the NHB Act, 1987. Therefore, if the company is engaged in the business of Housing Finance Institution as defined in Section 2 (d) of the NHB Act and meeting Principal Business Criteria as laid down under paragraph 10(9) of these directions, the auditor shall examine whether the company has obtained a CoR under Section 29 A of the NHB Act, 1987. The auditor shall also certify the Principal Business Criteria as specified in paragraph 10(9).
- (2) Whether the housing finance company is meeting the Net Owned Fund (NOF) requirement as prescribed under Section 29A of the National Housing Bank Act, 1987 including paid-up preference shares which are compulsorily convertible into equity.
- (3) Whether the housing finance company has complied with Section 29C of the National Housing Bank Act, 1987.
- (4) Whether the total borrowings of the housing finance company are within the limits prescribed under paragraph 79 of these directions.
- (5) Whether the housing finance company has complied with the prudential norms on income recognition, accounting standards, asset classification, loan-to-value ratio, provisioning requirements, disclosure in balance sheet, investment



in real estate, exposure to capital market and engagement of brokers, and concentration of credit/investments as specified in these directions;

- (6) Whether the capital adequacy ratio as disclosed in the half-yearly statutory return, submitted to the NHB, as per the directions issued by NHB in this regard, has been correctly determined and whether such ratio is in compliance with the prescribed minimum capital to risk weighted asset ratio (CRAR);
- (7) Whether the housing finance company has furnished to the NHB within the stipulated period the half-yearly statutory return, as specified in the directions issued by NHB;
- (8) Whether the housing finance company has furnished to the NHB within the stipulated period the quarterly statutory return on Statutory Liquid Assets, as specified in the directions issued by NHB;
- (9) Whether, in the case of opening of new branches / offices or in the case of closure of existing branches/ offices, the housing finance company has complied with the requirements contained in these directions.
- (10) Whether the housing finance company has complied with the guidelines issued on 'Loans against security of shares', 'Loans against security of single product - gold jewellery' and paragraph 56 of these directions.
- (11) Whether the Board of Directors of the housing finance company has passed a resolution for non-acceptance of any public deposits;
- (12) Whether the housing finance company has accepted any public deposits during the relevant period / year;

125. In case of a housing finance companies accepting / holding public deposits: Apart from the matters enumerated in paragraph 124 above, the auditor shall include a statement on the following matters, namely: -

- (1) Whether the public deposits accepted by the housing finance company together with other borrowings indicated below viz.
  - (i) from public by issue of unsecured non-convertible debentures/ bonds;
  - (ii) from its shareholders (if it is a public limited company); and



(iii) which are not excluded from the definition of 'public deposit' as per paragraph 10 (17) of these directions, are within the limits admissible to the company as per the provisions of these directions;

(2) Whether the public deposits held by the housing finance company in excess of the quantum of such deposits permissible to it under the provisions of these directions are regularised in the manner provided in the direction;

(3) Whether the housing finance company is accepting/ holding "public deposits" without minimum investment grade credit rating from an approved credit rating agency;

(4) In respect of housing finance company referred to in sub-paragraph (3) above,

- (i) whether the credit rating, for each of the fixed deposit schemes that has been assigned by one of the Credit Rating Agencies mentioned in these directions are in force; and
- (ii) whether the aggregate amount of deposits outstanding as at any point during the year has exceeded the limit specified by the such Credit Rating Agency;

(5) Whether the housing finance company has defaulted in paying to its depositors the interest and/or principal amount of the deposits after such interest and/or principal became due;

(6) Whether the housing finance company has complied with the liquid assets requirement as prescribed by the Reserve Bank in exercise of powers under section 29B of the National Housing Bank Act, 1987 and the requirements as specified in paragraphs 99 and 101 of these directions;

(7) Whether the housing finance company has violated any provisions contained under restriction on acceptance of public deposits, period of public deposits, joint public deposit, particulars to be specified in application form soliciting public deposits, ceiling on the rate of interest and brokerage and interest on overdue public deposits, renewal of public deposits before maturity as provided in these directions.



### **C. Reasons to be stated for unfavourable or qualified statements/ remarks/ notes**

126. Where, in the auditor's report, the statement/ remarks/ notes regarding any of the items referred to in paragraphs 124 and 125 above is unfavourable or qualified, the auditor's report shall also state the reasons for such unfavourable or qualified statement, as the case may be. Where the auditor is unable to express any opinion on any of the items referred to in paragraphs 124 and 125 above, his report shall indicate such fact together with reasons therefor.

### **D. Obligation of auditor to report to the Reserve Bank of India and the National Housing Bank**

127. Where, in the case of a housing finance company, the statement regarding any of the items referred to in paragraphs 124 and 125 above, is unfavourable or qualified, or in the opinion of the auditor the company has not complied with:

- (1) the provisions of Chapter V of the National Housing Bank Act, 1987;
- (2) the provisions of Chapter III B of the RBI Act, except Sections 45-IA, 45-IB and 45-IC; or
- (3) the provisions contained in these directions (i.e. Reserve Bank of India (Housing Finance Companies) Directions, 2025)

It shall be the obligation of the auditor to make a report containing the details of such unfavourable or qualified statements and/or about the noncompliance, as the case may be, in respect of the housing finance company to the NHB and Department of Regulation, Reserve Bank of India, Mumbai.

128. The duty of the auditor under paragraph 127 shall be to report only the contraventions of the provisions of NHB Act, 1987, the RBI Act, 1934 and directions, guidelines, instructions referred to in paragraph 127 and such report shall not contain any statement with respect to compliance of any of those provisions.



## Chapter-X – Fair Practices Code

### A. Fair Practice Code

#### A.1 Application of the Code

129. This Code shall apply to all the products and services, whether they are provided by the HFC, its subsidiaries or Digital Lending Platforms (self-owned and/or under an outsourcing arrangement) across the counter, over the phone, by post, through interactive electronic devices, on the internet or by any other method.

*Note:* In case of outsourced lending platforms, the HFC must meticulously follow regulatory instructions on outsourcing of financial services and IT services.

#### A.2 Applications for loans and their processing

130. HFCs shall comply with the provisions of paragraphs 10 to 12 of [Reserve Bank of India \(Non-Banking Financial Companies – Responsible Business Conduct\) Directions, 2025.](#)

131. The HFC shall transparently disclose to the borrower all the following information:

- (1) fees/ charges payable for processing the loan application;
- (2) the amount of fees refundable if loan amount is not sanctioned/ disbursed,
- (3) pre-payment options and charges, if any,
- (4) penal charges for delayed repayment, if any,
- (5) conversion charges for switching loan from fixed to floating rates or vice-versa,
- (6) existence of any interest reset clause and any other matter which affects the interest of the borrower.

132. In other words, the HFC must disclose ‘all in cost’ inclusive of all charges involved in processing/ sanctioning of loan application in a transparent manner. It should also be ensured that such charges/ fees are non-discriminatory.

#### A.3 Loan appraisal, terms / conditions and communication of rejection of loan application

133. Normally all particulars required for processing the loan application shall be collected by the HFC at the time of application. In case it needs any additional information, the customer should be told immediately that he would be contacted again.



134. HFCs shall comply with the provisions of paragraphs 13 and 14 of [Reserve Bank of India \(Non-Banking Financial Companies – Responsible Business Conduct\) Directions, 2025.](#)

135. If the HFC cannot provide the loan to the customer, it shall communicate in writing the reason(s) for rejection.

#### **A.4 Disbursement of loans including changes in terms and conditions**

136. Disbursement should be made in accordance with the disbursement schedule given in the Loan Agreement/ Sanction Letter.

137. HFCs shall give notice to the borrower of any change in the terms and conditions as prescribed under paragraph 15 of [Reserve Bank of India \(Non-Banking Financial Companies – Responsible Business Conduct\) Directions, 2025.](#) If such change is to the disadvantage of the customer, he/ she may within 60 days and without notice close his/ her account or switch it without having to pay any extra charges or interest

138. HFCs shall also comply with the provisions of paragraphs 16 and 17 of [Reserve Bank of India \(Non-Banking Financial Companies – Responsible Business Conduct\) Directions, 2025.](#)

#### **A.5 Responsibility of Board of Directors**

139. The Board of Directors of HFCs should lay down the appropriate grievance redressal mechanism within the organization to resolve complaints and grievances. Such a mechanism should ensure that all disputes arising out of the decisions of lending institution's functionaries are heard and disposed of at least at the next higher level.

140. The Board of Directors of each HFC should provide for periodical review of the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management. A consolidated report of such reviews may be submitted to the Board at regular intervals, as may be prescribed by it.

#### **A.6 Complaints and Grievance Redressal**

141. The HFC shall have a system and a procedure for receiving, registering and disposing of complaints and grievances in each of its offices, including those received on-line.



142. If a complaint has been received in writing from a customer, the HFC shall endeavour to send him/ her an acknowledgement/ response within a week. The acknowledgement should contain the name & designation of the official who will deal with the grievance. If the complaint is relayed over phone at the HFC's designated telephone helpdesk or customer service number, the customer shall be provided with a complaint reference number and be kept informed of the progress within a reasonable period of time.

143. After examining the matter, the HFC shall send the customer its final response or explain why it needs more time to respond and shall endeavour to do so within six weeks of receipt of a complaint and he/ she should be informed how to take his/ her complaint further if he/ she is still not satisfied.

144. The HFC shall publicise its grievance redressal procedure (e-mail id and other contact details at which the complaints can be lodged, turnaround time for resolving the issue, matrix for escalation, etc.) for lodging the complaints by the aggrieved borrower and ensure specifically that it is made available on its website. The HFC shall clearly display in all its offices/ branches and on the website that in case the complainant does not receive response from the company within a period of one month or is dissatisfied with the response received, the complainant may approach the Complaint Redressal Cell of National Housing Bank (NHB) by lodging its complaints online on the website of NHB or through post to NHB, New Delhi.

#### **A.7 Language and mode of communicating Fair Practice Code**

145. HFCs shall comply with the provisions of paragraph 21 of [Reserve Bank of India \(Non-Banking Financial Companies – Responsible Business Conduct\) Directions, 2025.](#)

#### **A.8 Regulation of excessive interest charged by HFCs**

146. HFCs shall comply with the provisions of paragraphs 22 to 24 of [Reserve Bank of India \(Non-Banking Financial Companies – Responsible Business Conduct\) Directions, 2025.](#)

147. Instalments collected from borrowers should clearly indicate the bifurcation between interest and principal.



#### **A.9 Excessive interest charged by HFCs**

148. HFCs shall comply with the provisions of paragraph 25 of [Reserve Bank of India \(Non-Banking Financial Companies – Responsible Business Conduct\) Directions, 2025.](#)

149. HFCs shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges (including penal charges, if any). In this regard the directions in the Fair Practices Code about transparency in respect of terms and conditions of the loans are to be kept in view. HFCs shall also put in place an internal mechanism to monitor the process and the operations so as to ensure adequate transparency in communications with the borrowers.

#### **A.10 Advertising, Marketing and Sales**

150. The HFC shall ensure that all advertising and promotional material is clear, and factual.

151. In any advertising in any media and promotional literature that draws attention to a service or product and includes a reference to an interest rate, the HFC shall also indicate whether other fees and charges will apply and that full details of the relevant terms and conditions are available on request or on the website.

152. The HFC shall provide information on interest rates, common fees and charges (including penal charges, if any) through putting up notices in its branches; through telephone or help-lines; on the company's website; through designated staff/ help desk; or providing service guide / tariff schedule.

153. If the HFC avails of the services of third parties for providing support services, the HFC shall require that such third parties handle customer's personal information (if any available to such third parties) with the same degree of confidentiality and security as the HFC would.

154. The HFC may, from time to time, communicate to customers various features of its products availed by them. Information about its other products or promotional offers in respect of products/ services, shall be conveyed to customers only if they have given their consent to receive such information/ service either by mail or by registering for the same on the website or on customer service number.



#### **A.11 Code of Conduct for DSAs/DMAs**

155. The HFC shall prescribe a code of conduct for its Direct Selling Agencies (DSAs) / Direct Marketing Agents (DMAs) whose services are availed to market products / services which amongst other matters require them to identify themselves when they approach the customer for selling products personally or through phone.

156. The HFC shall adopt the following Model Code of Conducts for DSAs/ DMAs :

(1) Model Code of Conduct for DSAs / DMAs is a code of conduct for adoption by HFCs in respect of DSAs/ DMAs operating as their Agents. The Code is a set of guidelines designed to ensure that DSAs/ DMAs of HFC act and conduct in conformity with the laid down policies and procedures as set in the Code.

(2) Applicability

- (i) Upon adoption and inclusion as part of agreement between HFC and the DSA / DMA, this Code will apply to person/ legal entity involved in marketing and distribution of any loan or other financial products or services of HFC.
- (ii) The DSA / DMA or / and its employees / representatives must agree to abide by this Code prior to undertaking any direct marketing operation and distribution on behalf of the HFC.
- (iii) Any employee / representative of DSA / DMA found to be violating this Code may be blacklisted and such action taken be reported to the HFC from time to time by the DSA / DMA.
- (iv) Failure to comply with this requirement may result in permanent termination of business of DSA / DMA with HFC and may even lead to permanent blacklisting.
- (v) A declaration-cum-undertaking to be given by DSA / DMA to HFC and be obtained from its employees / representatives by the DSAs / DMAs before assigning them duties is annexed as **Annex III**.

(3) Tele-calling a Prospect (a prospective customer)

- (i) With reference to Unsolicited Commercial Communications - National Do Not Call Registry (NCND), the HFC shall comply with the provisions of paragraph 101 of [Reserve Bank of India \(Non-Banking Financial Companies – Responsible Business Conduct\) Directions, 2025.](#)



(ii) A prospect is to be contacted for sourcing an HFC's product / service or HFC related product / service only under the following circumstances:

- (a) When a prospect has expressed desire to acquire any loan or other financial product or services through the HFC' internet site/ digital platforms including mobile applications/ call centre/ branch or through the Relationship Manager at the HFC or has been referred to by another prospect/ customer or is an existing customer of the HFC who has given explicit consent in writing/ digitally for accepting calls on other products/ services of the HFC.
- (b) When the prospect's name/ telephone number/ address is available and obtained after taking his/ her explicit consent in writing/ digitally on a separate document.

(iii) DSA / DMA or / and its employees / representatives should not call a person whose name / number is flagged in any "Do Not Disturb" list.

(4) Timing to contact a prospect on telephone

- (i) DSA/ DMAs must introduce themselves and before calling must share their contact details through message or any other written mode including his/ her name, contact number, DMA/ DSA they are employed with and the HFC they are representing.
- (ii) Telephonic contact must normally be between 09:30 hours and 19:00 hours. However, it may be ensured that a prospect is contacted only when the call is not expected to inconvenience him/ her;
- (iii) Calls earlier or later than the prescribed time period may be placed only when the prospect has expressly authorized the DSA/ DMA or/and its employees/ representatives to do so either in writing or orally;
- (iv) Residence/ Business/ Office address visit must normally be limited between 09:30 hours and 19:00 hours. Visit earlier or later than the prescribed time period may be made only when prospect has expressly authorized DSA or/and its employees/ representatives to do so either in writing or orally.

(5) DSA/ DMA or/and its employees/ representatives should respect a prospect's privacy and his/ her interest may normally be discussed only with the prospect and with any other individual/ family member such as prospect's accountant/ secretary/ spouse only when authorized to do so by the prospect.



(6) For leaving messages and contacting persons other than the prospect, calls must first be placed to the prospect. If the prospect is not available, a message may be left for him / her. The aim of the message should be to get the prospect to return the call or to check for a convenient time to call again. Ordinarily, such messages may be restricted to:

“Please leave a message that XXXXXX (name of officer) representing YYYYYYY (name of the HFC) called and requested to call back at ZZZZZZ (phone number)”. As a general rule, the message must indicate that the purpose of the call is regarding selling or distributing a product of an HFC.

(7) DSA/ DMA or/and its employees/ representatives shall not:

- (i) Mislead the prospect on any product/ service offered by an HFC;
- (ii) Mislead the prospect about their business or organization’s name or falsely represent themselves as HFC’s employee;
- (iii) Make any false/ unauthorized commitment on behalf of an HFC for any facility/ loan/ service.

(8) Telemarketing Etiquettes

(i) Pre Call

- (a) No calls prior to 09:30 hours or post 19:00 hours unless specifically requested;
- (b) No serial calling;
- (c) No calling on lists unless list is cleared by the DSA/DMA leader.

(ii) During Call

- (a) Identify yourself, your company and your principal;
- (b) Request permission to proceed;
- (c) If denied permission, apologize and politely disconnect;
- (d) State reason for your call;
- (e) Always offer to call back on landline, if call is made to a cell number;
- (f) Never interrupt or argue;
- (g) To the extent possible, talk in the language which is most comfortable to the prospect/ customer;
- (h) Keep the conversation limited to business matters;



- (i) Check for understanding of “Most Important Terms and Conditions” by the prospect/ customer if he plans to buy the product;
- (j) Reconfirm next call or next visit details;
- (k) Provide your telephone no, your supervisor’s name or the HFC’s officer contact details if asked for by the prospect/ customer;
- (l) Thank the prospect/customer for his/ her time.

*(iii) Post Call*

- (a) Prospects/ Customers who have expressed their lack of interest for the offering should not be called for the next 3 months with the same offer;
- (b) Provide feedback to the HFC on prospects/ customers who have expressed their desire to be flagged “Do Not Disturb”;
- (c) Never call or entertain calls from customers regarding products already sold;
- (d) Advise them to contact the Customer Service Staff of HFC.

(9) DSA/ DMA or/and its employees/ representatives will

- (i) not accept gifts or bribes of any kind from prospects/ customers. Further, if he/ she is offered a bribe or payment of any kind by the prospect/ customer, it must be reported to his/ her management.
- (ii) not offer any gifts/ gratitude in cash or in kind to the prospect/ customer to solicit business.

(10) DSA/ DMA or/and its employees/ representatives should:

- (i) respect personal space, maintain adequate distance from the prospect/ customer;
- (ii) ensure that prospect/ customer is not visited within a period of 3 months of expression of lack of interest for the offering by him/ her.
- (iii) not enter the prospect’s/ customer’s residence/ office against his/ her wishes;
- (iv) prospect’s/ customer’s residence/ business is visited by not more than one employee/ representative of DSA/ DMA and one supervisor, if required;
- (v) respect the prospect’s privacy;
- (vi) end the visit with a request for the prospect to call back, if the prospect/ customer is not present and only family members/ office persons are present at the time of the visit;



(vii) provide his/ her telephone number, name of the supervisor or the concerned HFC officer's contact details, if asked for, by the prospect/ customer; and

(viii) limit discussions to prospects of the business and maintain a professional distance.

(11) DSA/ DMA or/and its employees/ representatives must be in proper formal attire while meeting up with prospect/ customer.

(12) Any communication sent to the prospect shall only be in the mode and format approved by the HFC.

(13) While there is no specific qualification requirement for individuals, corporate entities depending upon the nature of the entity, shall ensure that the Partnership Deed, Memorandum of Association or any other document evidencing the constitution of the entity shall contain as one of its main objects soliciting or procuring DSA business.

(14) DSA/ DMA seeking of engagement/ empanelment with the HFC shall submit the application for empanelment in the illustrative format given at [Annex III](#).

(15) Outsourcing Agreement

- (i) The terms and conditions governing the contract between the HFC and the service provider should be carefully defined in written agreements and vetted by HFC's legal counsel on their legal effect and enforceability.
- (ii) Every such agreement should address the risks and risk mitigation strategies. The agreement should be sufficiently flexible to allow the HFC to retain an appropriate level of control over the outsourcing and the right to intervene with appropriate measures to meet legal and regulatory obligations.
- (iii) The agreement should also bring out the nature of legal relationship between the parties – i.e. whether the agent, principal or otherwise. Some of the key provisions of the contract should be the following:
  - (a) The contract should clearly define what activities are going to be outsourced including appropriate service and performance standards;
  - (b) The HFC must ensure it has the ability to access all books, records and information relevant to the outsourced activity available with the service provider;



- (c) The contract should provide for continuous monitoring and assessment by the HFC of the service provider so that any necessary corrective measure can be taken immediately;
- (d) A termination clause and minimum period to execute a termination provision, if deemed necessary, should be included;
- (e) Controls to ensure customer data confidentiality and service providers' liability in case of breach of security and leakage of confidential customer related information should be incorporated;
- (f) There must be contingency plans to ensure business continuity;
- (g) The contract should provide for the prohibition of further outsourcing by the service provider for all or part of an outsourced activity;
- (h) It should provide the HFC with the right to conduct audits on the service provider whether by its internal or external auditors, or by agents appointed to act on its behalf and to obtain copies of any audit or review reports and findings made on the service provider in conjunction with the services performed for the HFC;
- (i) Outsourcing agreements should include clauses to allow the National Housing Bank or persons authorised by it, to access the HFC's documents, records of transactions, and other necessary information given to, stored or processed by the service provider, within a reasonable time.
- (j) Outsourcing agreement should also include a clause to recognise the right of the National Housing Bank, to cause an inspection to be made of a service provider of an HFC and its books and account by one or more of its officers or employees or other persons.
- (k) The outsourcing agreement should also provide that confidentiality of customer's information should be maintained even after the contract expires or gets terminated.
- (l) The outsourcing agreement should provide for the preservation of documents and data by the service provider in accordance with the legal/ regulatory obligation of the HFC in this regard.

(16) **Termination of Agreement**



- (i) A termination clause and minimum period to execute a termination provision, should be included.
- (ii) The agreement shall automatically be terminated unless renewed by a fresh contract by the HFC immediately after the expiry of the period of agreement.
- (iii) No DSA/ DMA shall be allowed to do any fresh business on behalf of the HFC after termination of agreement until and unless renewed by a fresh agreement.

(17) Where DSA/ DMA is seeking of engagement/ empanelment with the HFC, it or/and its employees/ representative will have to go through two-day preliminary training and a day training every year which shall be organized by the HFC. HFC shall also maintain record of training provided by them.

(18) The HFC availing the services of DSA/ DMA shall maintain up-to-date database of DSAs/ DMAs engaged/ empaneled with them. HFC shall keep the inspection report of the inspection conducted in terms of the provisions of the agreement entered into with the DSA/ DMA, and action taken report (ATR) thereon.

(19) General

- (i) The HFC shall, at least on an annual basis review the financial and operational conditions of the service provider to assess their ability to continue to meet their outsourcing obligations. Such due diligence reviews, which can be based on all available information about service provider, shall highlight any deterioration or breach in performance standard confidentially and security, and in business continuity preparedness.
- (ii) The HFC shall have in place a management structure to monitor and control the outsourcing activities. It shall ensure that outsourcing agreements with the service providers contain provisions to address their monitoring and control of outsource activities.
- (iii) Regular audits by either the internal auditors or external auditors of the HFC shall assess the adequacy of the risk management practices adopted in overseeing and managing the outsourcing arrangement, the HFC's compliance with its risk management framework and the requirements of these guidelines.
- (iv) In the event of termination of the agreement for any reason, this shall be publicized so as to ensure that the customers do not continue to deal with that service provider.



- (v) The HFC shall constitute a Grievance Redressal Machinery within the company and give wide publicity about it through electronic and print media.
- (vi) The name and contact number of the designated Grievance Redressal Officer of the HFC should be made known and widely publicized.
- (vii) The designated officer should ensure that genuine grievances of customers are redressed promptly without involving delay.
- (viii) It shall be clearly indicated that HFC's Grievance Redressal Machinery will also deal with the issue relating to services provided by the outsourced agency.
- (ix) Generally, a time limit of one month may be given to the customers for preferring the complaints/grievances. The grievance redressal procedure of the HFC and the time frame fixed for responding to the complaints shall be placed on the HFC's website.
- (x) No payment to DSAs/ DMAs shall be made in cash. The fee, incentive etc. shall be made only by way of direct credit to their bank account.
- (xi) HFC, at its discretion, may prescribe the operational area for DSA/ DMA within which they can work.
- (xii) The lead shall be shared by the DSA/ DMA in the illustrative format given at **Annex III.**
- (xiii) By virtue of contract/ agreement, the DSA/ DMA or/and its employees/ representatives may have access to personal and business information of HFC and/or HFC's customer. DSA/ DMA shall ensure the preservation and protection of the security and confidentiality of the customer information or data which are in the custody or possession.
- (xiv) DSA/ DMA shall acknowledge that he/ she/ it has read the said Model Code of Conduct and has fully understood all the terms and conditions mentioned there in and declare that the DSA/ DMA shall agree to abide by the said Code of conduct in letter and spirit.
- (xv) The DSA/ DMA shall report the fraud committed by erring employees/ representatives periodically to HFC and consolidated data/ information on the same shall be submitted by HFC to NHB. The information shall include name of the person, address, name of the DSA associated with and nature of fraud. Such



employees/ representatives shall be barred permanently for doing the business of DSA/ DMA in future with HFC.

157. In the event of receipt of any complaint from the customer that the HFC's representative/ courier or DSA has engaged in any improper conduct or acted in violation of this Code, appropriate steps shall be initiated to investigate and to handle the complaint and to make good the loss.

### **A.12 Guarantors**

158. When a person is considering being a guarantor to a loan, they should be informed about:

- (1) their liability as guarantor;
- (2) the amount of liability they will be committing themselves to the company;
- (3) circumstances in which the HFC will call on them to pay up their liability;
- (4) whether the HFC has recourse to their other monies in the company if he/ she fail to pay up as a guarantor;
- (5) whether their liabilities as a guarantor are limited to a specific quantum or are they unlimited;
- (6) time and circumstances in which their liabilities as a guarantor will be discharged as also the manner in which the HFC will notify them about this; and
- (7) In case the guarantor refuses to comply with the demand made by the creditor/ lender, despite having sufficient means to make payment of the dues, such guarantor would also be treated as a wilful defaulter.

159. The HFC shall keep them informed of any material adverse change/s in the financial position of the borrower to whom he/ she stands as a guarantor.

### **A.13 Privacy and Confidentiality**

160. All personal information of customers, both present and past, shall be treated as private and confidential and shall be guided by the following principles and policies.

- (1) The HFC shall not reveal information or data relating to customer accounts, whether provided by the customers or otherwise, to anyone, including other



companies/ entities in their group, other than in the following exceptional cases:

- (i) If the information is to be given by law.
- (ii) If there is a duty towards the public to reveal the information.
- (iii) If the HFC's interests require them to give the information (for example, to prevent fraud). However, it shall not be used as a reason for giving information about customer or customer accounts (including customer name and address) to anyone else, including other companies in the group, for marketing purposes.
- (iv) If the customer asks the HFC to reveal the information, or with the customer's permission.
- (v) If the HFC is asked to give a reference about customers, it shall obtain their written permission before giving it.

(2) The customer shall be informed the extent of their rights under the existing legal framework for accessing the personal records that the HFC holds about them.

(3) The HFC shall not use customer's personal information for marketing purposes by anyone including HFC, unless the customer specifically authorises it to do so.

#### **A.14 General**

161. HFCs shall comply with the provisions of paragraph 18 to 20 and 100 of [Reserve Bank of India \(Non-Banking Financial Companies – Responsible Business Conduct\) Directions, 2025](#)

162. Whenever loans are given, the HFC shall explain to the customer the repayment process by way of amount, tenure and periodicity of repayment. However, if the customer does not adhere to repayment schedule, a defined process in accordance with the laws of the land shall be followed for recovery of dues. The process will involve reminding the customer by sending him/ her notice or by making personal visits and/or repossession of security if any.

163. The HFC shall not charge pre-payment levy or penalty on pre-closure of housing loans under the following situations:



- (1) Where the housing loan is on floating interest rate basis and pre-closed from any source.
- (2) Where the housing loan is on fixed interest rate basis and the loan is preclosed by the borrower out of their own sources.

*Note: The expression “own sources” for the purpose means any source other than by borrowing from a bank/ HFC/ NBFC and/or a financial institution.*

- (3) All dual/ special rate (combination of fixed and floating) housing loans will attract the pre-closure norms applicable to fixed/ floating rate depending on whether at the time of pre-closure, the loan is on fixed or floating rate.
- (4) In case of a dual/ special rate housing loans, the pre-closure norm for floating rate will apply once the loan has been converted into floating rate loan, after the expiry of the fixed interest rate period. This applied to all such dual/ special rate housing loans being foreclosed hereafter.
- (5) It is also clarified that a fixed rate loan is one where the rate is fixed for entire duration of the loan.

164. HFCs shall comply with the provisions of paragraph 33 to 34 of [Reserve Bank of India \(Non-Banking Financial Companies – Responsible Business Conduct\) Directions, 2025.](#)

165. Further, to facilitate quick and good understanding of the other major terms and conditions of housing loan agreed upon between HFC and the individual borrower, the HFC shall additionally obtain a document containing the other most important terms and conditions (MITC) of such loan (i.e., other than the details included in KFS) in all cases in the suggestive format as per the format given in **Annex IV**. The document will be in addition to the existing loan and security documents being obtained by the HFC. HFC is advised to prepare the said document in duplicate and in the language understandable by the borrower. Duplicate copy duly executed between the HFC and the borrower should be handed over to the borrower under acknowledgement.

166. Display of various key aspect such as service charges, interest rates, Penal charges (if any), services offered, product information, time norms for various transactions and grievance redressal mechanism, etc., is required to promote transparency in the



operations of HFC. The HFC shall follow the instructions on “Notice Board”, “Booklets/Brochures”, “Website”, “Other Modes of Display” and on “Other Issues” as per **Annex IV**.

167. The HFC shall display about its products and services in any one or more of the following languages: Hindi, English or the appropriate local language.

168. The HFC shall not discriminate on grounds of sex, caste and religion in the matter of lending. Further, the HFC shall also not discriminate visually impaired or physically challenged applicants on the ground of disability in extending products, services, facilities, etc. However, this does not preclude the HFC from instituting or participating in schemes framed for different sections of the society.

169. To publicise the Code, the HFC shall:

- (1) provide existing and new customers with a copy of the Code;
- (2) make this Code available on request either over the counter or by electronic communication or mail;
- (3) make available this Code at every branch and on their website; and
- (4) ensure that their staff are trained to provide relevant information about the Code and to put the Code into practice.

#### **A.15 Guidelines for engaging Recovery Agents**

170. The HFC shall adopt the following guidelines for engaging Recovery Agents:

(1) The HFC, as principal, shall be responsible for the action of their agents. Hence, it shall ensure that its agents, engaged for recovery of its dues shall strictly adhere to these guidelines and instruction including the fair practice code for HFC, while engaging in the process of recovery of dues.

*Note:*

- (i) ‘Agents’ for the purpose of these guidelines would include agencies engaged by the HFC and the agents/ employees of the concerned agencies.
- (ii) It is expected that the HFC would, in the normal course, ensure that their own employees also adhere to these guidelines during the loan recovery process.

(2) Engagement of Recovery Agents

- (i) The HFC shall have a due diligence process in place for engagement of recovery agents, which shall be structured to cover, among others, individuals involved in the recovery process.



(ii) The HFC shall also ensure that the agents engaged by them in the recovery process, carry out verification of the antecedents of their employees, which may include pre-employment police verification, as a matter of abundant caution and HFC may decide the periodicity at which re-verification of antecedents should be resorted to.

### (3) Training of Recovery Agents

- (i) The HFC shall ensure that, among others, the recovery agents are properly trained to handle with care and sensitivity, their responsibilities, in particular aspects like hours of calling, privacy of customer information etc.
- (ii) The HFC shall ensure that over a period of one year, all their recovery agents undergo the training as prescribed by Indian Institute of Banking and Finance (IIBF) and obtain the certificate from the institute.
- (iii) Further, the service providers engaged by the HFC, shall also employ only such personnel who have undergone the above training and obtained the certificate from the IIBF.

### (4) Intimating borrowers about recovery agents

- (i) HFC shall prominently display the list of recovery agency firms/ companies/ individual as the case may be, empanelled with it including name and period of empanelment on its website, branches/ offices, mobile applications or any other platform which is being used for engagement with customer.
- (ii) To ensure due notice and appropriate authorization, the HFC shall inform the borrower, the details of recovery agency firms/ companies while forwarding default cases to the recovery agency.
- (iii) Further, in some of the cases, the borrower might not have received the details about the recovery agency due to refusal/ non-availability/ avoidance.
- (iv) To ensure identification, the agent shall also carry a copy of the notice and the authorization letter from the HFC along with the identity card issued to him by the HFC or the agency firm/ company.
- (v) Where the recovery agency is changed by the HFC during the recovery process, in addition to the HFC notifying the borrower of the change, the new agent shall carry the notice and the authorization letter with his identity card.



(vi) The notice and the authorization letter shall, among other details, also include the telephone numbers of the relevant recovery agency. The HFC shall ensure that there is a tape recording of the content/ text of the calls made by the recovery agents to the customers and vice-versa, with the knowledge of the customer. The HFC shall take reasonable precautions such as intimating the customer that the conversation is being recorded, etc.

**(5) Incentives to Recovery Agents**

- (i) Stiff targets or high incentives may induce agents to use intimidatory and questionable methods for recovery of dues.
- (ii) The HFC shall ensure that the contracts with the recovery agent do not induce adoption of uncivilised, unlawful and questionable behaviour or recovery process.

**(6) Methods followed by Recovery Agents**

- (i) All the members of the staff or any person authorised to represent the HFC in collection or/and security repossession shall follow the guidelines set out, such as:
  - (a) Customer would be contacted ordinarily at the place of their choice and in the absence of any specified place at the place of their residence and if unavailable at their residence, at the place of business/ occupation.
  - (b) Identity and authority to represent the HFC shall be made known to the customer at the first instance.
  - (c) Customer's privacy shall be respected.
  - (d) Interaction with the customer shall be in a civil manner.
  - (e) HFCs' representatives shall contact customers between 8.00 a.m. to 7.00 p.m. for recovery of overdue loans.
  - (f) Customer's request to avoid call at a particular time or at a particular place shall be honoured as far as possible.
  - (g) The time and number of calls and contents of conversation shall be documented.
  - (h) All assistance shall be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.
  - (i) During visits to customer's place for dues collection, decency and decorum shall be maintained.



- (j) Only employees of the Recovery Agency shall visit the borrower's premises for the recovery/ collection activity and no other person shall accompany such Recovery Agent.
- (k) Inappropriate occasions such as bereavement in the family or such other calamitous occasion, or marriage functions, festivals etc. shall be avoided for making calls/ visits to collect dues.
- (l) The written communication sent by the collection agent to the borrower shall have the approval of the HFC.
- (m) The HFC shall interact only with the customer/ borrower or the guarantor (only if so required) and shall not approach any other relatives/ contacts of the borrower.

(7) Taking possession of property mortgaged to HFCs

- (i) It has been observed by the Hon'ble Supreme Court that we are governed by rule of law in the country and the recovery of loans or seizure of asset could be done only through legal means.
- (ii) It is emphasised in this context that the HFC may rely on legal remedies available under the relevant statutes while enforcing security interest without intervention of the courts. In this context, it may be mentioned that the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act) and the Security Interest (Enforcement) Rules, 2002, framed thereunder have laid down well-defined procedures not only for enforcing security interest but also for auctioning the movable and immovable property after enforcing the security interest.
- (iii) Where the HFC has incorporated a pre-possession clause in the contract with the borrower and rely on such pre-possession clause for enforcing their rights, they shall ensure that the pre-possession clause is legally valid, complies with the provisions of the Indian Contract Act in letter and spirit, and ensure that such prepossession clause is clearly brought to the notice of the borrower at the time of execution of the contract. The terms and condition of the contract shall be strictly in terms of the disclosed recovery policy and should contain provisions regarding:
  - (a) Notice period before taking possession;



- (b) circumstances under which the notice period can be waived;
- (c) the procedure for taking possession of the security;
- (d) a provision regarding final chance to be given to the borrower for repayment of loan before the sale/ auction of the property;
- (e) the procedure for giving repossession to the borrower; and
- (f) the procedure for sale/ auction of the property.

**(8) Use of forum of Lok Adalats**

- (i) The Honourable Supreme Court has also observed, *inter alia*, that loans, personal loans, credit card loans and housing loans with less than ₹10 lakh can be referred to Lok Adalats.
- (ii) The HFC is encouraged to use the forum of Lok Adalats for recovery of housing loans with less than ₹10 lakh as suggested by Honourable Supreme Court.

**(9) Utilisation of Credit Counsellors**

- (i) The HFC shall have in place an appropriate mechanism to utilize the service of credit counsellors for providing suitable counselling to the borrowers where they become aware that the case of a particular borrower deserves sympathetic consideration.

**(10) Complaints against the HFC / its Recovery Agents**

- (i) Complaints received by NHB regarding violation of the above guidelines and adoption of above practices followed by recovery agents of HFC would be viewed seriously.
- (ii) Supervisory actions could be attracted when the High Courts or the Supreme Court pass strictures or impose penalties against any HFC or its Directors/ Officers/ agents with regard to policy, practice and procedures related to the recovery process.
- (iii) Where a grievance/ complaint has been lodged, the HFC shall not forward cases to recovery agencies till they have finally disposed of any grievance/ complaint lodged by the concerned borrower. However, where the HFC is convinced, with appropriate proof, that the borrower is continuously making frivolous/ vexatious complaints, it may continue with the recovery proceedings through the Recovery Agents even if a grievance/ complaint is pending with them.



- (iv) In case where the subject matter of the borrower's dues might be sub judice, the HFC shall exercise utmost caution, as appropriate, in referring the matter to the recovery agencies, depending on the circumstances.
- (v) Each HFC shall have a mechanism whereby the borrower grievances with regards to the recovery process can be addressed. The details of the mechanism shall also be furnished to the borrower while advising the details of the recovery agency as at sub-paragraph (iv) above.

(11) Periodical review, monitoring and control

- (i) An HFC engaging recovery agents shall undertake a periodical review of the mechanism to learn from experience, to effect improvement and to bring to the notice of the Reserve Bank suggestion for improvement in the guidelines.

(12) General

- (i) An HFC shall, at least on an annual basis, review the financial and operation condition of the service providers to assess their ability to continue to meet their outsourcing conditions. Such due diligence reviews, which can be based on all available information about the service provider should highlight any deterioration or breach in performance standards, confidentiality and security, and in business continuity preparedness.
- (ii) The outsourcing agreement shall provide for the prohibition of further outsourcing by the service provider for all or part of an outsourced activity;
- (iii) An HFC shall have in place a management structure to monitor and control its outsourcing activities. It shall ensure that outsourcing agreement with the service providers contain provisions to address their monitoring and control of outsourced activities.
- (iv) Regular audits by either the internal auditors or external auditors of the HFC shall, inter alia, assess the adequacy of the risk management practices adopted in overseeing and managing the outsourcing arrangement, the HFC's compliance with its risk management framework and the requirements of these guidelines.
- (v) In the event of termination of the agreement for any reason, this shall be publicized so as to ensure that the customers do not continue to deal with that service providers.



- (vi) The HFC shall constitute a Grievance Redressal Machinery within the company and give wide publicity about it through electronic and print media.
- (vii) The name and contact number of designated grievance redressal officer of the HFC shall be made known and widely publicised.
- (viii) The designated officer shall ensure that genuine grievances of customers are redressed promptly without any delay. It shall be clearly indicated that HFC Grievance Redressal Machinery will also deal with the issue relating to services provided by the outsourced agency.
- (ix) Generally, a time limit of one month may be given to the customer for preferring their complaints/ grievances. The grievance redressal procedure of the HFC and the time frame fixed for responding to the complaints shall be placed on the HFC's website.

#### **A.16 Loan facilities to the physically/ visually challenged**

- 171. HFCs shall comply with the provisions of paragraph 28 of [Reserve Bank of India \(Non-Banking Financial Companies – Responsible Business Conduct\) Directions, 2025.](#)
- 172. The HFC shall adopt the following illustrative guidelines for loan facilities to visually challenged applicant:
  - (1) All products, services, facilities, etc. offered by the HFC shall be made available to visually impaired persons and shall be offered at all branches/ offices of the HFC.
  - (2) All products, services, facilities, etc. must be made available to visually impaired customers as are offered to other customers and their impairment of vision should not be a criterion for sanctioning/ denying a loan.
  - (3) The HFC must provide the same facilities to a visually impaired customer as it would to any other customer.
  - (4) The HFC must follow the same procedure for extending products, services, facilities, etc. offered by them to a visually impaired customer as it does for its other customers.
  - (5) No additional burden of interest payment, collateral and other terms shall be imposed on the visually impaired customer.



- (6) If the credit policy of an HFC does not insist for a co-borrower or a guarantor for other customers for any type of loan facilities extended by it, the same shall not be insisted upon for a visually impaired customer.
- (7) The HFC shall not equate visually impaired customers with illiterate customers.
- (8) The HFC shall not deny any services to visually impaired customers including visually impaired customers who use their thumb impression. If necessary, HFC, at its discretion, may take a Declaration of Thumb Impression as an additional document from visually impaired customer.
- (9) Additional facilities like reading and filling up of forms, slips, etc. shall be provided to a visually impaired customer. The Officer/ Manager of the branch/ office shall read out the rules of business and other terms and conditions in the presence of a witness, if required by the customer.
- (10) HFC must allow the visually impaired customer to take a loan or avail any other facilities offered by them jointly with anybody that he/ she chooses including person(s) who is/are visually impaired.
- (11) Visually impaired customers may be allowed to appoint a person/ persons as their Power of Attorney or Mandate Holder to operate their account, if the visually impaired customer so desires.
- (12) The Officer/ Manager of the branch/ office must inform a visually impaired customer/ prospective customer of his rights and liabilities before offering the product.
- (13) The documentation requirements of a visually impaired customer must be the same as any other customer. The account has to be clearly marked as "the account holder is visually impaired".
- (14) The HFC shall provide a copy of all documents to visually impaired customer in digital form also, if required.
- (15) The HFC shall provide a copy of the KFS and other Most Important Terms and Conditions (MITC) as applicable, to visually impaired customer in braille form or text readable PDF, if so desired by them.
- (16) The HFC shall preferably provide Electronic Clearing Service (ECS) facility to the visually impaired customer.



(17) It should be noted that these guidelines are only illustrative and by no means exhaustive.

**A.17 Providing facilities to persons with disabilities: Compliance with Hon'ble Supreme Court Order dated April 30, 2025 in the matter of Pragya Prasun and Ors. vs Union of India (W.P.(C) 289 of 2024) and Amar Jain vs Union of India & Ors. (W.P.(C) 49 of 2025)**

173. HFCs shall comply with the provisions of paragraph 105 of [Reserve Bank of India \(Non-Banking Financial Companies – Responsible Business Conduct\) Directions, 2025](#)

**B. Fair Lending Practice - Penal Charges in Loan Accounts**

174. HFCs shall comply with the provisions of paragraph 30 of [Reserve Bank of India \(Non-Banking Financial Companies – Responsible Business Conduct\) Directions, 2025](#).

**C. Key Facts Statement (KFS) for Loans & Advances**

175. HFCs shall comply with the provisions of paragraph 29 of [Reserve Bank of India \(Non-Banking Financial Companies – Responsible Business Conduct\) Directions, 2025](#)

**D. Conduct related aspects.**

176. HFCs shall ensure compliance with the following provisions of [Reserve Bank of India \(Non-Banking Financial Companies – Responsible Business Conduct\) Directions, 2025](#) on conduct related aspects of following matters:

- (1) Lending Against Gold and Silver Collateral (paragraph 42 to 75).
- (2) Microfinance Borrowers (paragraph 76 to 97).
- (3) Reset of Floating Interest Rate on Equated Monthly Instalments (EMI) based Personal Loans (paragraph 31 to 32).

**E. Release of Movable / Immovable Property Documents on Repayment/ Settlement of Personal Loans**

177. HFCs shall comply with the provisions of paragraphs 35 to 41 of [Reserve Bank of India \(Non-Banking Financial Companies – Responsible Business Conduct\) Directions, 2025](#).



## Chapter-XI – Miscellaneous Instructions

### A. Finance for Housing Projects

178. HFCs shall comply with the provisions of paragraph 108 of [Reserve Bank of India \(Non-Banking Financial Companies – Credit Facilities\) Directions, 2025](#).

#### A.1 Housing Loans

179. Housing Loan for Building Construction

- (1) In cases where the applicant owns a plot / land and approaches the HFC for a credit facility to construct a house, a copy of the sanctioned plan by competent authority in the name of the person applying for such credit facility must be obtained by the HFC before sanctioning the home loan.
- (2) An affidavit-cum-undertaking must be obtained from the person applying for such credit facility that he shall not violate the sanctioned plan, the construction shall be strictly as per the sanctioned plan and it shall be the sole responsibility of the executant to obtain completion certificate within 3 months of completion of construction, failing which the HFC shall have the power and the authority to recall the entire loan with interest, costs and other usual bank charges.
- (3) An architect appointed by the HFC must certify at various stages of construction of building that the construction is strictly as per sanctioned plan. He/ She shall also certify, at a particular point of time that the completion certificate of the building issued by the competent authority has been obtained.

180. Housing Loan for purchase of constructed property / built up property

- (1) In cases where the applicant approaches the HFC for a credit facility to purchase the built-up house/ flat, it should be mandatory for him to declare by way of an effective affidavit-cum-undertaking that built up house has been constructed as per the sanctioned plan and/or building by-laws and as far as possible has a completion certificate also.
- (2) An Architect appointed by the HFC must also certify before disbursement of the loan that built up house is strictly as per the sanctioned plan and/or building by-laws.



181. No loan shall be given in respect of those properties which fall in the category of unauthorised colonies unless and until they have been regularized and development and other charges paid.

182. No loan shall also be given in respect of properties meant for residential use but which the applicant intends to use for commercial purposes and declares so while applying for loan.

#### **A.2 Disbursement of housing loan to individuals linked to the stages of construction**

183. Disbursal of housing loans sanctioned to individuals shall be strictly linked to the stages of construction of the housing projects/ houses and upfront disbursal shall not be made in case of incomplete/ under-construction/ green field housing project/ houses.

184. The HFC while introducing any kind of product shall take into account the customer suitability and appropriateness issues and also ensure that the borrowers/ customers are made fully aware of the risk and liabilities under such products.

185. In cases of projects sponsored by Government/ Statutory Authorities, The HFC may disburse the loans as per the payment stages prescribed by such authorities, even where payments sought from house buyers are not linked to the stages of construction, provided such authorities have no past history of non-completion of projects.

186. The HFC shall desist from offering loan products involving servicing of the loan dues by builders/ developers etc. on behalf of the borrowers.

187. The HFC shall have in place a well-defined mechanism for effective monitoring of the progress of construction of housing projects and obtaining consent of the borrower(s) prior to release of payments to the builder/developer.

188. The HFC while extending finance shall take into account the stipulations laid down under RERA, as applicable.

#### **A.3 Need for ensuring due diligence in the matter of deployment of funds by HFCs**

189. The HFC shall take proper and adequate security for the loans. In case a loan is to be sanctioned on unsecured basis, the same shall be in accordance with the Board approved policy of the HFC.



190. The HFC shall review and strengthen their credit appraisal systems. Wherever documents of title are submitted as security for loans, there should be a system of verification of their genuineness, especially in large value loans. Wherever a chartered accountant certificate, property valuation certificate, legal certificate, guarantee/ line of credit or any other third-party certification is submitted by the borrower, the HFC shall independently verify the authenticity of such certification by directly communicating with the concerned authority issuing the certificate. Indirect confirmation may also be resorted to, i.e. indicating to the issuer that in case there is no response by certain deadline, it would be assumed that the certificate is genuine.

191. The HFC shall ensure that the documents are not given directly to the customers for verification, etc. to obviate any frauds.

192. The HFC shall ensure that the borrowers have obtained all required permissions/ clearances from Government/ Local Government/ Statutory Authorities for the project. In case of construction loans, there should be system in place for physical verification/ project progress monitoring with proof (snap shots) and technical reports ought to be put up to the competent authorities/ committee/ board at regular intervals.

193. While appraising loan proposals involving real estate, HFCs shall comply with the provisions of paragraph 109 of [Reserve Bank of India \(Non-Banking Financial Companies – Credit Facilities\) Directions, 2025.](#)

194. Any relaxation in terms and conditions either at the time of sanction or anytime thereafter should also be in accordance with Board approved policy of the HFC, as also in conformity with the regulatory directions / guidelines. The cases and reasons for such relaxation should be clearly recorded. Any rescheduling of the loan shall be done with the prior approval of the Board/ Competent Authority and in accordance with applicable directions / guidelines in this regard.

## **B. Ratings of financial product issued by HFCs**

195. HFC shall comply with the provisions of paragraph 20 of [Reserve Bank of India \(Non-Banking Financial Companies – Miscellaneous\) Directions, 2025.](#)



**C. HFCs not to be partners in partnership firms**

196. HFCs shall comply with the provisions of paragraph 16 to 19 of [Reserve Bank of India \(Non-Banking Financial Companies – Miscellaneous\) Directions, 2025.](#)

**D. Submission of data to Credit Information Companies (CICs) - Format of data to be submitted by Credit Institutions**

197. HFCs shall comply with the provisions of [Reserve Bank of India \(Non-Banking Financial Companies – Credit Information Reporting\) Directions, 2025.](#)

**E. Non - Reckoning of Fixed Deposits with banks as Financial Assets**

198. HFCs shall comply with the provisions of paragraph 21 of [Reserve Bank of India \(Non-Banking Financial Companies – Miscellaneous\) Directions, 2025.](#)

**F. Reporting Platform for Corporate Bond Transactions**

199. HFCs shall comply with the provisions of paragraph 13 of [Reserve Bank of India \(Non-Banking Financial Companies – Classification, Valuation, and Operation of Investment Portfolio\) Directions, 2025.](#)

**G. Transactions in Government Securities**

200. HFCs shall comply with the provisions of paragraph 11 and 12 of [Reserve Bank of India \(Non-Banking Financial Companies – Classification, Valuation, and Operation of Investment Portfolio\) Directions, 2025.](#)

**H. Implementation of Green Initiative of the Government**

201. HFCs shall comply with the provisions of paragraph 22 of [Reserve Bank of India \(Non-Banking Financial Companies – Miscellaneous\) Directions, 2025.](#)

202. The HFC should invariably use e-banking facilities while transacting with builders/tripartite arrangements in builders' projects/ corporates. Further, HFC's should ensure that borrowers/ users of this facility are not charged any additional fee for the same.

**I. Attempt to defraud using fake bank guarantee-modus operandi.**

203. Instances of fraud have been brought to the notice of the Reserve Bank wherein Bank Guarantees (BGs) purportedly issued by a couple of bank branches in favour of different entities were presented for confirmation by other commercial banks/ individuals



representing some beneficiary firms. The BGs were submitted along with Confirmation Advice / Advice of Acceptance. One of the beneficiaries was the reporting banks customer. The remaining beneficiaries and applicants were neither the customers of the bank nor were they known to the bank branch officials.

204. A scrutiny of the said BG revealed that these bank guarantees were fake and the signatures of the bank officials appearing on the BG were forged. The bank branches purported to have issued the BGs also confirmed that they had not issued the same. Even the format of the BGs and their serial numbers did not match with that of the bank.

205. The HFC shall take notice of the above facts in order to exercise due caution while handling such cases.

#### **J. Opening of Branches/Offices**

206. HFC shall refer to paragraph 7, 8 and 13 to 15 of Reserve Bank of India (Non-Banking Financial Companies – Branch Authorisation) Directions, 2025. Further, the instructions contained in Paragraph 15 to 19 of Reserve Bank of India (Non-Banking Financial Companies – Undertaking of Financial Services) Directions, 2025 shall be referred in the matter.

#### **K. Need for public notice before closure of the branch/office**

207. HFC shall refer to paragraph 11 of Reserve Bank of India (Non-Banking Financial Companies – Branch Authorisation) Directions, 2025.

#### **L. Rounding off of transactions to the Nearest Rupee**

208. HFCs shall comply with the provisions of paragraph 27 of Reserve Bank of India (Non-Banking Financial Companies – Miscellaneous) Directions, 2025.

#### **M. Disbursal of loan amount in cash**

209. HFCs shall comply with the provisions of paragraph 24 of Reserve Bank of India (Non-Banking Financial Companies – Miscellaneous) Directions, 2025.



**N. Treatment of Deferred Tax Assets (DTA) for computation of capital and creation of Deferred Tax Liability (DTL) on Special Reserve**

210. DTA shall be treated as an intangible asset and shall be deducted from Tier 1 Capital.

211. Deferred Tax Liability (DTL) should be created on Special Reserve created and maintained under Section 36(1)(viii) of the Income Tax Act, 1961. DTL for amounts transferred to Special Reserve shall be charged to the statement of Profit and Loss of that year. In view of the requirement to create DTL on Special Reserve, HFC may reckon the entire Special Reserve for the purpose of computing Tier 1 Capital.

**O. Guidelines on Private Placement of Non-Convertible Debentures (NCDs)**

212. HFCs shall comply with the provisions of paragraphs 9 to 13 of [Reserve Bank of India \(Non-Banking Financial Companies – Miscellaneous\) Directions, 2025.](#)

**P. Filing of Security Interest in CERSAI**

213. HFCs shall comply with the provisions of Chapter VII of [Reserve Bank of India \(Non-Banking Financial Companies – Credit Risk Management\) Directions, 2025.](#)

**Q. Legal Entity Identifier for Borrowers**

214. HFCs shall comply with the provisions of Chapter VI of [Reserve Bank of India \(Non-Banking Financial Companies – Credit Risk Management\) Directions, 2025.](#)

**R. Valuation of Properties – Empanelment of Valuers**

215. The HFC is required to put in place a Board approved valuation policy for putting in place a system/ procedure for realistic valuation of properties/ fixed assets and also for empanelment of valuers in accordance with the details contained in [\*\*Annex V.\*\*](#)

**S. Display of information - Secured assets possessed under the SARFAESI Act, 2002**

216. The HFCs shall comply with the relevant instructions as contained in [Reserve Bank of India \(Non-Banking Financial Companies – Credit Information Reporting\) Directions, 2025.](#)



**T. Technical Specifications for all participants of Account Aggregator ecosystem**

217. HFCs shall comply with the provisions of paragraphs 14 and 15 of [Reserve Bank of India \(Non-Banking Financial Companies – Miscellaneous\) Directions, 2025.](#)

**U. Submission of Financial Information to Information Utilities**

218. All HFCs are advised to adhere to the relevant provisions of Insolvency and Bankruptcy Code (IBC), 2016 and Insolvency and Bankruptcy Board of India (IBBI) Information Utilities (IUs) Regulations, 2017 and put in place appropriate systems and procedures to ensure compliance to the provisions of the Code and Regulations.

**V. National Disaster Management Guidelines on ensuring Disaster Resilient construction of Building and Infrastructure**

219. The HFC shall adopt the guidelines issued by the National Disaster Management Authority (NDMA) and suitably incorporate them as a part of their loan policies, procedures and documentations.

**W. Detection and Impounding of Counterfeit Notes- Reporting of data to NHB**

220. HFCs are required to furnish to the FIU-IND information relating to all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions.

221. As an additional measure, HFCs are advised to furnish a quarterly report to the NHB along the lines of Annexure-VI of the [Reserve Bank of India \(RBI\) Master Circular-Detection and Impounding of Counterfeit Notes dated July 01, 2020](#), as amended from time to time, and similar instructions issued by the Reserve Bank. The above report should be furnished to the NHB within 7 days of the end of the quarter. A "nil" report should be sent in case no counterfeit has been detected during the quarter.

**X. Guidelines for Entry of Housing Finance Companies into Insurance Business**

222. HFCs shall comply with the provisions of paragraph 40 to 49 of [Reserve Bank of India \(Non-Banking Financial Companies – Undertaking of Financial Services\) Directions, 2025.](#)



#### **Y. Participation of HFCs in Ready Forward Contracts and accounting thereof**

223. The HFC not accepting/ holding public deposits and having an asset size of ₹100 crore shall comply with the provisions of paragraph 31 and 32 of [Reserve Bank of India \(Non-Banking Financial Companies – Classification, Valuation, and Operation of Investment Portfolio\) Directions, 2025](#) in the matter.

#### **Z. Participation in exchange traded currency derivatives**

224. HFCs shall comply with the provisions of paragraphs 28 and 33 of [Reserve Bank of India \(Non-Banking Financial Companies – Classification, Valuation, and Operation of Investment Portfolio\) Directions, 2025](#).

*Note:* HFC may continue to participate in permitted currency derivatives in OTC market, as hitherto, for hedging their underlying exposures, subject to adherence to relevant instructions as issued by the Reserve Bank.

#### **AA. Participation in Interest Rate Futures**

225. All HFCs shall comply with the provisions of paragraph 29 of [Reserve Bank of India \(Non-Banking Financial Companies – Classification, Valuation, and Operation of Investment Portfolio\) Directions, 2025](#) for participating, as client, in designated interest rate futures exchanges recognised by SEBI.

226. Non-deposit taking HFCs with asset size of ₹1,000 crore and above shall comply with the provisions of paragraph 34 of [Reserve Bank of India \(Non-Banking Financial Companies – Classification, Valuation, and Operation of Investment Portfolio\) Directions, 2025](#) for participating, as trading member, in designated interest rate futures exchanges recognised by SEBI.

*Note:* HFC may continue to participate in Forward Rate Agreements and Interest Rate Swaps in OTC market, as hitherto, for hedging their underlying exposures, subject to adherence to relevant instructions as issued by the Reserve Bank.

#### **AB. Credit Default Swaps (CDS)**

227. HFCs shall comply with the provisions of Chapter V of [Reserve Bank of India \(Non-Banking Financial Companies – Credit Risk Management\) Directions, 2025](#).



#### **AC. Issue of co-branded credit cards**

228. HFCs are allowed to issue co-branded credit cards, subject to the instructions prescribed in [Reserve Bank of India \(Non-Banking Financial Companies – Credit Cards: Issuance and Conduct\) Directions, 2025](#), as amended from time to time.

#### **AD. Guidelines on Wilful Defaulters**

229. HFCs shall comply with the instructions contained in the [Reserve Bank of India \(Non-Banking Financial Companies – Treatment of Wilful Defaulters and Large Defaulters\) Directions, 2025](#).

#### **AE. Every housing finance company shall, within one month from the commencement of business, deliver to the NHB, a written statement containing a list of -**

230. HFC shall comply with the provisions of paragraphs 6 and 7 of [Reserve Bank of India \(Non-Banking Financial Companies – Miscellaneous\) Directions, 2025](#).

#### **AF. Appropriation of Reserve Fund created as per Section 29C of the National Housing Bank Act, 1987**

231. The HFC may withdraw from the said reserve fund, the excess amount credited (in excess of the statutory minimum of 20 per cent) in the previous years for any business purposes subject to suitable disclosure in the balance sheet.

232. The HFC which have transferred only the statutory minimum in the previous years may withdraw from the reserve fund, with prior permission of the Reserve Bank, only for the purpose of provisioning for non-performing assets subject to the conditions that:

- (1) there is no debit balance in the profit and loss account, and
- (2) the reasons for such withdrawal are stated explicitly in the balance sheet.

233. If any such appropriation made is not informed to the Reserve Bank and NHB as per the provisions of the National Housing Bank Act, 1987, it would be construed as a violation of the regulatory provisions and appropriate penalty would be leviable for such contravention.

#### **AG. Supervision of HFCs**

234. The responsibility of supervision of HFC will rest with the NHB.



#### **AH. Contravention of regulatory requirement by HFC – Guidelines for levying penalty**

235. In accordance with Section 52A of the National Housing Bank Act, 1987, RBI / NHB is empowered to impose penalty on a housing finance company for any contravention of the Act or the directions made thereunder.

#### **AI. Inspection of HFC**

236. The inspection of HFC shall be carried out by NHB in accordance with the section 34 of the National Housing Bank Act, 1987.



## **Chapter-XII – Reporting Requirements**

### **A. Copies of balance sheet and accounts together with the Directors' report to be furnished to the NHB**

237. A copy of the financial statements, including consolidated financial statement, if any, along with the auditor's report and report of the Board of the Directors and all the documents which are required to be attached to such financial statements under the Companies Act 2013, duly adopted at the annual general meeting of the company, shall be submitted to NHB within fifteen days of the date of the annual general meeting.

### **B. Auditor's Certificate**

238. Every housing finance company holding/ accepting public deposits shall furnish to the NHB, along with the copy of the audited balance sheet as provided under paragraph 237, a copy of the auditor's report to the Board of Directors and a certificate from its auditors to the effect that the full amount of liabilities to the depositors of the company including interest payable thereon are properly reflected in the balance sheet and that the company is in a position to meet the amount of such liabilities to the depositors.

### **C. Returns to be submitted to the NHB**

239. Without prejudice to the provisions of paragraph 237 above, HFC shall comply with any reporting requirements prescribed by the NHB from time to time.



## Chapter-XV - Repeal and Other Provisions

### A. Repeal and saving

240. With the issue of these Directions, the existing Directions, instructions, and guidelines as applicable to Housing Finance Companies stand repealed, as communicated vide [circular DOR.RRC.REC.302/33-01-010/2025-26 dated November 28, 2025](#). The Directions, instructions and guidelines repealed prior to the issuance of these Directions shall continue to remain repealed.

241. Notwithstanding such repeal, any action taken or purported to have been taken, or initiated under the repealed Directions, instructions, or guidelines shall continue to be governed by the provisions thereof. All approvals or acknowledgments granted under these repealed lists shall be deemed as governed by these Directions. Further, the repeal of these directions, instructions, or guidelines shall not in any way prejudicially affect:

- (i) any right, obligation or liability acquired, accrued, or incurred thereunder;
- (ii) any, penalty, forfeiture, or punishment incurred in respect of any contravention committed thereunder; and
- (iii) any investigation, legal proceeding, or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture, or punishment as aforesaid; and any such investigation, legal proceedings or remedy may be instituted, continued, or enforced and any such penalty, forfeiture or punishment may be imposed as if those directions, instructions, or guidelines had not been repealed.

### B. Application of other laws not barred

242. The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations, or directions, for the time being in force.



### **C. Interpretations**

243. For the purpose of giving effect to the provisions of these Directions or in order to remove any difficulties in the application or interpretation of the provisions of these Directions, the RBI may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by the RBI shall be final and binding.

(J P Sharma)

Chief General Manager



## Annex I

### Terms and Conditions applicable to Hybrid Debt Capital Instruments to qualify for inclusion as Tier 2 Capital

#### 1. Currency of Issue

- 1.1. HFCs shall issue Tier 2 instruments in Indian Rupees.
- 1.2. HFCs shall obtain prior approval of the Reserve Bank, on a case-by-case basis, for issue of a Tier 2 Instruments in foreign currency.

#### 2. Amount

The amount to be raised by issue of such instruments may be decided by the Board of Directors of HFCs.

#### 3. Limits

The aggregate amount of such instruments along with other components of Tier 2 capital shall not exceed 100% of Tier 1 capital. This eligible amount will be computed with reference to the amount of Tier 1 capital as on March 31<sup>st</sup> of the previous financial year, after deduction of goodwill and other intangible assets but before the deduction of investments.

#### 4. Maturity period

The instruments should have a minimum maturity of 15 years.

#### 5. Rate of Interest

The interest payable to the investors may be either at a fixed rate or at a floating rate referenced to a market determined rupee interest benchmark rate.

#### 6. Options

- 6.1. The debt instruments shall not be issued with 'put option'.
- 6.2. HFCs may issue the instruments with 'call option' subject to strict compliance with each of the following conditions:
  - a. Call option may be exercised only if the instrument has run for at least 10 years;
  - b. Call option shall be exercised only with the prior approval of NHB. While considering the proposals received from HFCs for exercising the call option, HFC's capital to risk assets ratio (CRAR) position both at the time of exercise of the call option and after exercise of call option shall be considered.



## 7. Step Up

The issuing housing finance company may have a step-up option which may be exercised only once during the whole life of the instrument, in conjunction with the call option after the lapse of ten years from date of issue. The step up shall not be more than 100 bps. The limits on step up apply to the all-in cost of the debt to the issuing HFCs.

## 8. Lock-in clause

- 8.1. The instruments shall be subjected to lock-in clause in terms of which the issuing HFC shall not be liable to pay either interest or principal, even at maturity, if
  - a. the HFC's CRAR is below the minimum regulatory requirement prescribed by the Reserve Bank; OR
  - b. the impact of such payments results in HFC's CRAR falling below or remaining below the minimum regulatory requirement prescribed by the Reserve Bank.
- 8.2. However, HFCs may pay interest with prior approval of NHB, when impact of such payment may result in net loss or increase the net loss, provided CRAR remains above the regulatory norm.
- 8.3. The interest amount due and remaining unpaid may be allowed to be paid in the later years in cash/ cheque subject to the housing finance company complying with the above regulatory requirement.
- 8.4. All instances of invocation of the lock-in clause should be notified by the issuing HFCs to the NHB.

## 9. Seniority of claim

The claims of the investors in such Tier 2 instruments shall be

- a. Superior to the claims of the investors in instruments eligible for inclusion in Tier 1 capital; and
- b. Subordinate to the claims of all other creditors.

## 10. Discounting

These instruments shall be subjected to a progressive discount for capital adequacy purposes as in the case of long-term subordinated debt over the last five years of their tenor. As they approach maturity these instruments should be subjected to



progressive discount as indicated in the table below for being eligible for inclusion in Tier 2 capital.

Remaining maturity of instruments	Rate of Discount (%)
Less than one year	100
One year and more but less than two years	80
Two years and more but less than three years	60
Three years and more but less than four years	40
Four years and more but less than five years	20

## 11. Redemption

11.1. These instruments shall not be redeemable at the initiative of the holder.

11.2. All redemptions shall be made only with prior approval of NHB.

## 12. Reserve Requirements

Not required

## 13. Investments by FIIs & NRIs

Investments in these instruments by FIIs shall be within the limits as laid down in the ECB Policy for investments in debt instruments. In addition, NRIs shall also be eligible to invest in these instruments as per existing policy.

## 14. Issue of Tier 2 instruments in foreign currency

HFCs may augment their capital funds through the issue of such Tier 2 instruments in foreign currency after seeking prior approval of the Reserve Bank and subject to compliance with the undermentioned requirements:

14.1. The total amount of such Tier 2 instruments in foreign currency shall not exceed 25% of the unimpaired Tier 1 capital. This eligible amount will be computed with reference to the amount of Tier 1 capital as on March 31<sup>st</sup> of the previous financial year, after deduction of goodwill and other intangible assets but before the deduction of investments.

14.2. Investment by FIIs in such instruments raised in Indian Rupees shall be outside the limit for investments in capital debt instruments. However, investment by FIIs in these instruments will be subjected to separate ceiling of USD 500 million.



14.3. HFCs should not enter into swap transactions in respect of these Tier 2 Instruments.

## **15. Other Conditions**

15.1. These instruments should be fully paid-up, unsecured and free of any restrictive clauses.

15.2. HFCs should comply with the terms and conditions, if any, by SEBI / other regulatory authorities in regard to issue of the instruments.

## **16. Reporting Requirements**

HFCs issuing these instruments shall submit a report to the NHB, giving details of the debt raised, including the terms of issue together with the copy of the offer document soon after the issue is completed.

## **17. Grant of advances against such Tier 2 Instruments**

HFCs should not grant advances against the security of such Tier 2 instruments issued by them.



## Annex II

### 1. Reserve Fund u/s 29C of NHB Act, 1987

[₹ in crore]

Particulars	Current Year	Previous Year
<b>Balance at the beginning of the year</b>		
a) Statutory Reserve u/s 29C of the National Housing Bank Act, 1987		
b) Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987		
c) Total		
<b>Add:</b>		
a) Amount transferred u/s 29C of the NHB Act, 1987		
b) Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987		
<b>Less:</b>		
a) Amount appropriated from the Statutory Reserve u/s 29C of the NHB Act, 1987		
b) Amount withdrawn from the special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account which has been taken into account for the purpose of provision u/s 29C of the NHB Act, 1987		
<b>Balance at the end of the year</b>		
a) Statutory Reserve u/s 29C of the National Housing Bank Act, 1987		
b) Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987		
c) Total		



**2. Exposure to group companies engaged in real estate business (refer to paragraph 60 of these Directions)**

[₹ in crore]

S.No.	Description	Amount (₹ in crore)	% of owned fund
(i)	Exposure to any single entity in a group engaged in real estate business		
(ii)	Exposure to all entities in a group engaged in real estate business		



### Annex III

## Model Code of Conduct for Direct Selling Agents (DSAs)/ Direct Marketing Agents (DMAs) of Housing Finance Companies

### Annex III (a)

#### Declaration-Cum-Undertaking

\_\_\_\_\_  
\_\_\_\_\_

#### Re: Code of Conduct

Dear Sir,

I am working in your company as a \_\_\_\_\_. My job profile, inter-alia, includes offering, explaining, sourcing, and assisting documentation of products and linked services to prospects of \_\_\_\_\_ (name of the HFC).

In the discharge of my duties, I am obligated to follow the Code of Conduct attached to this document.

I confirm that I have read and understood and agree to abide by the Code of Conduct. I further confirm that the trainer mentioned below has explained the contents of the Code of Conduct in full to me.

In case of any violation, non-adherence to the said Code, you shall be entitled to take such action against me as you may deem appropriate.

Signed on this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_

Signature \_\_\_\_\_ Name \_\_\_\_\_ Agency \_\_\_\_\_

Signature of Trainer \_\_\_\_\_ Name \_\_\_\_\_ Company \_\_\_\_\_

**Annex III (b)****APPLICATION FORM FOR EMPANELMENT OF DSA / DMA**

To,

The Manager

[Name and address of the HFC],

Sir/Madam,

Sub: APPLICATION FOR EMPANELEMENT AS DIRECT SELLING AGENT (DSA)/  
DIRECT MARKETING AGENT (DMA) WITH \_\_\_\_\_ (Name of the HFC)

I submit herewith my application for the empanelment as Direct Selling Agent (DSA)/  
Direct Marketing Agent (DMA) for ..... (Name of HFC). I have read the  
terms and conditions relating to the service and I undertake that those are acceptable  
to me.

1	Full name (in block letters)				
2	Father's/Husband's name				
3	Constitution (tick appropriate option)	Individual	Proprietorship	Partnership	Company
4	Date of birth/ incorporation (DD/MM/YYYY)				
5	Age		Years		Months
6	Address				
7	Mobile number				
8	Alternate contact number				
9	PAN card no				
10	Present occupation				



11	No. of years in employment	
12	Qualification	
13	Languages known	
14	Reference (name and contact number)	1.
		2.

I declare that the statements in this application and the documents submitted (as per list given below) are true, complete and correct to the best of my knowledge and belief. I declare, that no criminal proceedings are pending against me. I further declare that I am not related to any existing employee of \_\_\_\_\_. I understand that in the event of any information/document being found untrue / incorrect at any stage, my application is liable to be rejected and if already empanelled, the empanelment is liable to be terminated.

Place:

Signature:

Date:

Name:

Documents to be submitted along with application:

- 1) Copy of PAN card;
- 2) Address proof (latest telephone/ mobile bill, electricity bill, gas bill, passport or ration card);
- 3) Two recent passport size photographs (in addition to one affixed on application form);
- 4) Latest IT return/ Form 16;
- 5) Bank statement for last 6 months;
- 6) Enrolment letter, if enrolled with other bank/FI for similar services;
- 7) In case of firm/ company: Registration certificate of firm & Partnership deed/ Articles of Association of the company and incorporation certificate.



## Annex III (c)

### (Name of Loan Product) – CUSTOMER INFORMATION

Name of the Applicant/s:

Mobile Number:

Email ID:

Address:

Select which is applicable: Looking for property / Property identified

Details of property, if identified:

Loan Amount:

Income Bracket (per annum):

Up to ₹5 lakh

Above ₹5 lakh to ₹10 lakh

Above ₹10 lakh

Income Based on: Income Tax Return

Other (specify the same)

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DSA Code

Signature of DSA



## Annex IV

### Display of Information by HFCs, Key Fact Statement (KFS) & Most Important Terms and Conditions(MITC)

In order to promote transparency in the operations of HFCs, the following instructions are issued to HFCs.

#### 1. Notice Boards

- 1.1. The minimum size of the board may be 2 feet by 2 feet as the board of such a size would facilitate comfortable viewing from a distance of 3 to 5 meters. HFCs are advised to display the information in the notice boards of their branches/ offices as per the format given in the Appendix IV(a) for the comprehensive notice board.
- 1.2. While displaying the information in the notice board, HFCs may also adhere to the following principles:
  - 1.2.1. The notice board may be updated on a periodical basis and the board should indicate the date up to which the board was updated (incorporated in the display board);
  - 1.2.2. Though the pattern, colour and design of the board is left to the discretion of the HFCs, yet the display must be simple and readable;
  - 1.2.3. The language requirements (i.e., bilingual in Hindi speaking states and trilingual in other states) may be taken into account;
  - 1.2.4. The notice board shall specifically indicate wherever recent changes have been done. For instance, if there is a recent change in the home loan products offered by the HFC, the information on the home loan products may be displayed as 'We offer home loans/ products (changed on.....)'; and
  - 1.2.5. The notice board may also indicate a list of items on which detailed information is available in booklet form.
- 1.3. Further, in addition to the above board, the HFCs should also display details such as 'Name of the HFC/ branch/ office, Working Days, Working Hours and Weekly Off-days' outside the branch/ office premises.

#### 2. Booklets/ Brochures



- 2.1. The detailed information as indicated in paragraph 1.2.5 above may be made available in various booklets/ brochures as decided by the HFC. These booklets/ brochures may be kept in a separate file/ folder in the form of 'replaceable pages' so as to facilitate copying and updation. In this connection, HFCs may also adhere to the following broad guidelines:
  - 2.1.1. The file/ folder may be kept at the customer lobby in the branch or at the 'May I Help You' counter or at a place that is frequented by most of the customers;
  - 2.1.2. The language requirements (i.e. bilingual in Hindi speaking states and trilingual in other states) may be taken into account;
  - 2.1.3. While printing the booklets it may be ensured that the font size is minimum Arial 10 so that the customers are able to easily read the same; and
  - 2.1.4. Copies of booklets may be made available to the customers on request.

### **3. Website**

- 3.1. The detailed information as indicated in paragraph 1.2.5 above may also be made available on the HFC's web-site. HFCs should adhere to the broad guidelines relating to dating of material, legibility etc., while placing the same on their websites.
- 3.2. HFCs should display on their website the interest rate range of contracted loans for the past quarter for different categories of advances granted to individual borrowers along with mean interest rates for such loans.
- 3.3. The total fees and charges applicable on various types of loans to individual borrower should be disclosed at the time of processing of loan as well as displayed on the websites of HFCs for transparency and comparability and to facilitate informed decision making by customers.
- 3.4. HFCs should publish Annual Percentage Rate (APR) or such similar other arrangement of representing the total cost of credit on a loan to an individual borrower on their websites so as to allow customers to compare the costs associated with borrowing across products and/or lenders.
- 3.5. In this context, HFCs are also advised to ensure that the customers are able to easily access the relevant information from the Home Page of the HFC's websites. Further, there are certain information relating to service charges, fees



and grievance redressal, for which latest updated information are to be posted compulsorily on the websites of the HFCs.

3.6. A format has been devised for display of information relating to interest rates and service charges which would enable the customer to obtain the desired information at a quick glance. The format is given in the Appendix IV(b). HFCs are advised to display the information as per the format given in the Appendix on their web-sites. HFCs are however free to modify the format to suit their requirements, without impairing the basic structure or curtailing the scope of disclosures.

#### **4. Other Modes of Display**

HFCs may also consider displaying all the information that have to be given in the booklet form in the touch screen by placing them in the Information Kiosks, Scroll Bars, Tag Boards and/or other options available. The above broad guidelines may be adhered to, while displaying information using these modes.

#### **5. Other Issues**

- 5.1. HFCs are free to decide on their promotional and product information displays. However, the mandatory displays may not be obstructed in anyway. As customer interest and financial education are sought to be achieved by the mandatory display requirements, they should also be given priority over the other display boards. Information relating to Government sponsored schemes as applicable location-wise may be displayed according to their applicability.
- 5.2. HFCs should provide KFS as per prescribed format in [Reserve Bank of India \(Non-Banking Financial Companies – Responsible Business Conduct\) Directions, 2025](#) and also other most important terms and conditions, as per prescribed format in Appendix IV(b), to all borrowers at every stage of the loan processing as well as in case of any change in any terms and conditions as per extant instructions. The same may also be included as a summary box to be displayed in the credit agreement.



## Appendix IV (a)

### **Format of Comprehensive Notice Board**

(Updated up to \_\_\_\_\_)

#### **A. Customer Service Information:**

- i) We have separately displayed the key interest rates on loans, deposits (*if applicable*) & in the branches/ offices.
- ii) We have also displayed all types of charges/ fees. iii) Nomination facility is available on all deposit accounts

#### **B. Service Charges:**

#### **C. Grievance Redressal:**

- i) If you have any grievances/ complaints, please approach:
- ii) If your complaint is unresolved at the branch level, you may approach our Branch Manager/ Manager etc. (authorized officer's designation) at: (Address) iii) If you are not satisfied with our grievance redressal, you may approach the National Housing Bank at: Complaint Redressal Cell, National Housing Bank, New Delhi.

#### **D. Other Services Provided:**

#### **E. Information available in Booklet Form (Please approach 'MAY I HELP YOU' Counter)**

- i) All the items mentioned in (A) to (D) above.
- ii) Time norms for common transactions.
- iii) KYC/ Fair Practice Code/ The Code of HFC's Commitment to Customers.

#### **F. Display of Certificate of Registration (CoR) issued under Section 29 A of the NHB Act, 1987.**

#### **Information to be provided outside the premises:**

- i) Name of the HFC/ Branch:
- ii) Weekly Holiday on:
- iii) Branch Working Hour



## Appendix IV (b)

### OTHER MOST IMPORTANT TERMS AND CONDITIONS (MITC)

#### **Loan..... (Name of the specific Loan Product)**

Other major terms and conditions of the housing loan [other than KFS] agreed to between..... (the borrower) and the .....

(Name of the housing finance company) are as under:

#### **1. Security/ Collateral for the Loan**

- i) Mortgage (mention details of the property to be mortgaged as security for the loan)
- ii) Guarantee (mention the name of the Guarantors)
- iii) Other Security (mention the details of other securities, if any)

#### **2. Insurance of the Property/ Borrowers**

Detail of the requirements and features of the insurance policy to be obtained for the property/ borrowers to be mentioned.

#### **3. Conditions for Disbursement of the Loan**

Conditions for disbursements of the loan or any installment thereof viz., creation of security, submission of approved plans, stages of construction, statutory approvals etc. to be indicated.

#### **4. Repayment of the Loan & Interest**

The amount of EMI and the total number of installments where the loan is repayable in equated monthly installments or other details for payment of principal amount of loan and interest including due date/s to be indicated. Also mention the procedure for advance intimation of the changes (as per extant instructions) in the rate of interest/ EMI.

#### **5. Brief procedure to be followed for Recovery of overdues**

The notice etc. to be given to the borrower for recovery of overdues before proceeding under the applicable law to be mentioned.

#### **6. Date on which annual outstanding balance statement will be issued 7. Customer Services**

Mention in brief about the followings:

- i) Visiting hours at the office.



ii) Details of the person to be contacted for customer service. iii) Procedure to obtain the following including time line therefore:

- a. loan account statement.
- b. photocopy of the title documents.
- c. return of original documents on closure/ transfer of the loan.

It is hereby agreed that for detail terms and conditions of the loan, the parties hereto shall refer to and rely upon the loan and other security documents executed/ to be executed by them.

The above terms and conditions have been read by the borrower/s / read over to the borrower by Shri/Smt./Kum. \_\_\_\_\_ of the company and have been understood by the borrower/s.

(Signature or thumb impression  
Borrower/s)

(Signature of the authorized of the  
person of Lender)

**Note:** Duplicate copy of the MITC should be handed-over to the borrower/s.



## Annex V

### **Valuation of Properties – Empanelment of Valuers**

The issue of correct and realistic valuation of properties or fixed assets owned by HFCs and that accepted by them as security (primary or collateral) for a sizable portion of their advances' portfolio assumes significance in view of its implications for correct measurement of capital adequacy position of HFCs. In this context, there is a need for putting in place a system/ procedure for realistic valuation of properties/ fixed assets and also for empanelment of valuers for the purpose. HFCs shall be guided by the following aspects while formulating a policy on valuation of properties and appointment of valuers:

#### **1. Policy for valuation of immovable properties**

- 1.1. HFCs shall have a Board approved policy in place for valuation of properties including collaterals accepted for their exposures.
- 1.2. The valuation shall be done by professionally qualified independent valuers i.e. the valuer should not have a direct or indirect interest. However, valuation of properties by the internal technical valuers of housing finance companies is permissible subject to the internal technical valuer having qualifications similar to those prescribed under the Companies (Registered Valuers and Valuation) Rules, 2017.
- 1.3. The frequency of valuation shall be decided by the Board of an HFC, based on the observed volatility in the prices of the assets in the past except annually in the case of Non-Performing Asset (NPA). The frequency of valuation in case of NonPerforming Asset (NPA) shall be annual in case of assets classified as substandard for more than six months or the classification of assets as doubtful assets. The frequency decided by the HFC shall be reviewed by its Board annually. Further, where the value of the properties has been substantially impaired by any event, these are to be immediately revalued and appropriately factored in to capital adequacy computation.
- 1.4. Valuation procedure to be followed to ensure that the realisable value of properties is reasonably estimated.



- 1.5. HFCs shall obtain minimum two valuation reports, at least one of them being from an independent valuer, in case the loan amount is ₹50 lakh or above (or such any other lower value as may be decided by the Board of the company) and below ₹75 lakh. The lower of the two valuations shall be considered by the HFC for deciding upon the loan amount.
- 1.6. In case the loan amount is ₹75 lakh or above, HFCs shall necessarily obtain minimum two independent valuation reports and the lower of the two shall be considered by the HFC for deciding upon the loan amount.
- 1.7. The requirement of valuation in respect of financing of the initial purchase of a residential dwelling unit from a State Housing Board/Municipal Corporation/Developmental Authority or other public agencies by an HFC shall be decided by the company with the approval of its Board.
- 1.8. In respect of financing of any initial transaction of the purchase of a property, the value of the property for the purposes of arriving at the Loan to Value ratio (LTV) should not exceed the documented transaction value as per the agreement to sale, sale deed etc. Valuation in such cases, if required, may be done as per the policy approved by the Board of the company.

## **2. Policy of revaluation of HFC's own properties**

In addition to the above, the HFCs may keep the following aspects in view while formulating policy for revaluation of their own properties:

- 2.1. HFCs have been permitted to include revaluation reserves at a discount of 55% as a part of Tier 2 Capital. In view of this, it is necessary that revaluation reserves represent true appreciation in the market value of the properties and HFCs have in place a comprehensive policy for revaluation of fixed assets owned by them. HFCs shall have a Board approved comprehensive policy in place for valuation of its own properties and such a policy should inter-alia cover procedure for identification of assets for revaluation, maintenance of separate set of records for such assets, the frequency of revaluation, depreciation policy for such assets, policy for sale of such revalued assets etc. The policy should also cover the disclosure required to be made in the 'Notes on Account' regarding the details of



revaluation such as the original cost of the fixed assets subject to revaluation and accounting treatment for appreciation/ depreciation etc.

2.2. As the revaluation should reflect the change in the fair value of the fixed asset, the frequency of revaluation should be determined based on the observed volatility in the prices of the assets in the past. Further, any change in the method of depreciation should reflect the change in the expected pattern of consumption of the future economic benefits of the assets. The HFCs should adhere to these principles meticulously while changing the frequency of revaluation/method of depreciation for a particular class of asset and should make proper disclosures in this regard.

### **3. Policy for Empanelment of Independent Valuers**

- 3.1. HFCs should have a procedure for empanelment of professional valuers and maintain a register of 'approved list of valuers'.
- 3.2. HFCs shall prescribe a minimum qualification and minimum post qualification experience for empanelment of valuers. Different qualifications and experience may be prescribed for different classes of assets (e.g. land and building, plant and machinery, agricultural land, etc.). While prescribing the qualifications, HFCs may take into consideration the qualifications prescribed under Section 34AB (Rule 8A) of the Wealth Tax Act, 1957.
- 3.3. While framing the above policy, HFCs shall also be guided by the provisions of the Section 247 of the Companies Act, 2013, Rules made or to be made thereunder and amendments therein, from time to time. Further, HFCs shall also be guided by relevant Accounting Standards.