



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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September 17, 2013

The Chief Executive Officer
All Primary (Urban) Co-operative Banks

Dear Sir / Madam,

**Housing Sector: Innovative Housing Loan Products -
Upfront Disbursal of Housing Loans – Primary (Urban) Co-operative Banks**

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

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

शहरी बैंक विभाग, केंद्रीय कार्यालय, गारमेट हाऊस, पहली मंज़िल, डॉ. एनी बेसेंट मार्ग, वरली, मुंबई - 400018
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हिंदी आसान है, इसका प्रयोग बढ़ाइए

चेतावनी: भारतीय रिज़र्व बैंक द्वारा ई-मेल, डाक, एसएमएस या फोन कॉल के जरिए किसी की भी व्यक्ति की जानकारी जैसे बैंक के खाते का ब्योरा, पासवर्ड आदि नहीं मांगी जाती है। यह धन रखने या देने का प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी तरीके से जवाब मत दीजिए।
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3. In view of the higher risks associated with such lump-sum disbursement of sanctioned housing loans and customer suitability issues, UCBs are advised that disbursement of housing loans sanctioned to individuals should be closely linked to the stages of construction of the housing project / houses and upfront disbursement should not be made in cases of incomplete / under-construction / green field housing projects.

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

Yours faithfully,

(Scenta Joy)
Deputy General Manager

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