

NHB (ND)/DRS/Policy Circular No.69/2014-15
April 8, 2015

All Registered Housing Finance Companies (HFCs)

Dear Sir/Madam,

Housing Loans: Review of Instructions

A. Inclusion of stamp duty and other charges in LTV ratio

Attention is invited to our earlier Policy Circular NHB(ND)/DRS/Pol-No.49/2011-12 dated April 9, 2012 on "Computation of Loan to Value (LTV) Ratio".

2. It has been brought to our notice that HFCs adopt different practices for deciding the value of the house property while sanctioning housing loans. Some HFCs include stamp duty, registration and other documentation charges in the cost of the house property. This overstates the realizable value of the residential property as stamp duty, registration and other documentation charges are not realizable and consequently the margin stipulated gets diluted. Accordingly, HFCs should not include these 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), it has further been decided that in cases where the cost of the house/dwelling unit does not exceed ₹10 lakh, HFCs may add stamp duty, registration and other documentation charges to the cost of the house/dwelling unit for the purpose of computing LTV ratio.

B. Construction linked disbursement of housing loan

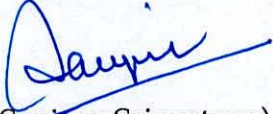
3. Attention is invited to our earlier Policy Circular NHB(ND)/DRS/Pol-No.58/2013-14 dated November 18, 2013 on "Disbursement of housing loan to individual linked to the stages of construction", in terms of which HFCs were advised that disbursement of housing loans sanctioned to individuals should be 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 project/houses.



4. On a review, HFCs are advised that in cases of projects sponsored by Government/Statutory Authorities, they 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.

Please acknowledge receipt.

Yours faithfully,



(Sanjeev Srivastava)
Deputy General Manager
Department of Regulation & Supervision