

24<sup>th</sup> December 2010

All Registered Housing Finance Companies

Dear Sirs,

**Loans by HFCs – LTV Ratio, Risk Weights and Provisioning requirements –  
Amendment of HFC (NHB) Directions, 2010**

Housing Finance Companies (NHB) Directions, 2010 have been amended with immediate effect, as under:

1. After paragraph 27 of the aforesaid Directions, the following has been inserted.

“ 27 A. **Loan to Value (LTV) Ratio**

No housing finance company shall (i) grant housing loans upto Rs. 20 lakh to individuals with LTV ratio exceeding 90% and (ii) grant all other housing loans above Rs. 20 lakh to individuals with LTV ratio exceeding 80%.”

2. Clause (iv), of sub-paragraph (1) of paragraph 28 of the aforesaid Directions, has been substituted by the following:

“iv **Standard Assets**

(a)	Standard Assets in respect of all loans other than housing loans to individuals (which will include loans to builder/corporates/agencies for housing and other purposes, loan against property etc.)	A general provision of 0.4% of the total outstanding loans other than housing loans to individuals to be made as under : i) 0.2% by March 31, 2011 ii) 0.4% by September 31, 2011
(b)	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 re-set after one year at the applicable rates from the date on which the rates are re-set at higher rates if the accounts remain ‘standard’

(c)	Standard Assets in respect of loans given for the purpose of insurance of property/borrower in case of individual housing loans.	NIL

3. For clauses (b)(ii) and (b)(iii) of sub-paragraph (3)(2) of paragraph 30 of the aforesaid Directions, the followings has been inserted:

(b)(ii)	Housing loans sanctioned to individuals above Rs. 30 lakh but below Rs. 75 lakh secured by mortgage of immovable property which are classified as standard assets with LTV ratio is = or < 75%	75%
(b)(iii)	Housing loans sanctioned to individuals upto Rs. 75 lakh secured by mortgage of immovable property which are classified as standard assets with LTV ratio is > 75%	100%
(b)(iv)	Housing loans of Rs. 75 lakh and above, sanctioned to individuals irrespective of LTV ratio, secured by mortgage of immovable property, which are classified as standard assets	125%
(b)(v)	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.

4. In Schedule II, in Part D

For item description, item code and risk weight given in III (f)(iii) & (iv), the following has been substituted:

(iii)	Housing loans sanctioned to individuals above Rs. 30 lakh but below Rs. 75 lakh secured by mortgage of immovable property which are classified as standard assets with LTV ratio is = or < 75%	237(iii)		75	
(iv)	Housing loans sanctioned to individuals above Rs. 30 lakh but below Rs. 75 lakh secured by mortgage of immovable property which are classified as standard assets with LTV ratio is = or	237(iv)		100	

> 75%				
(v) Housing loans of Rs. 75 lakh and above, sanctioned to individuals irrespective of LTV ratio, secured by mortgage of immoveable property, which are classified as standard assets	237(v)		125	
(vi) Loans given for the purpose of insurance of the property /borrower in case of individual housing loans	237(vi)		Same as applicable to the respective housing loan	

Please ensure compliance.

Yours faithfully,

Sd/-

(R.S.Garg)  
General Manager  
Dept. of Regulation & Supervision

