



राष्ट्रीय
आवास बैंक
NATIONAL
HOUSING BANK

NHB/ND/DRS/ Policy Circular No.96/2019-20
July 19, 2019

All Registered Housing Finance Companies

Madam / Sir,

Disbursement of housing loan to individuals linked to the stages of construction

Please refer to our Circular No. NHB(ND)/DRS/Pol-No.58/2013-14 dated November 18, 2013 with reference to the issue of the Housing Finance Companies (HFCs) as well as their individual borrowers being exposed to additional risks in case of housing loan products involving subvention schemes offered by the builder/developers. HFCs were advised, inter-alia, that while introducing any kind of product customer suitability and appropriateness issues should be taken into account by the companies.

2. Several complaints continue to be received by the National Housing Bank (NHB) in relation to the aforementioned housing loan products. Further, instances of frauds having been allegedly committed by certain builders using subvention schemes have also been brought to the notice of the NHB.

3. Based on a review of the matter, HFCs are advised to desist from offering loan products involving servicing of the loan dues by builders/developers etc. on behalf of the borrowers. The prevalent products of HFCs, if any, should also be reviewed on the above lines. It is clarified that the above stipulation shall also be effected in cases wherein the HFC is yet to commence disbursements under the sanctioned cases.

4. Further, reference is also drawn to the Circular No. NHB(ND)/DRS/Policy Circular No.75/2016-17 dated July 01, 2016 whereby HFCs were again advised that disbursement of housing loans should be strictly linked to the stages of construction and no upfront disbursement should be made in case of incomplete/un-constructed projects. It is reiterated that disbursement of housing loans sanctioned to individuals should be closely linked to the stages of construction of the housing project/houses. In cases of projects sponsored by Government/Statutory Authorities, HFCs 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.

5. HFCs should 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. Merely obtaining borrower consent and release of funds by the company without linkage to the stage of construction will be seen as dereliction of duty of the HFC.

...(2)

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6. As known, the Real Estate (Regulation and Development) Act, 2016 [RERA] has been implemented in the country, inter-alia, with the objective of regulation and promotion of the real estate sector, in an efficient and transparent manner, and to protect the interest of consumers in the real estate sector. HFCs while extending finance should take into account the stipulations laid down under RERA, as applicable.

Yours faithfully,



(V. Vaideswaran)
General Manager