



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

[www.rbi.org.in](http://www.rbi.org.in)

RBI/ 2011-12/52

DBOD. No.DIR.BC. 03/08.12.001/2011-12

July 1, 2011

10 Aashada, 1933 (Saka)

**All Scheduled Commercial Banks  
(excluding RRBs)**

Dear Sir/Madam,

**MASTER CIRCULAR ON HOUSING FINANCE**

As you are aware, in order to have all current instructions on a subject at one place, the Reserve Bank of India had issued a [Master Circular DBOD.DIR\(HSG.\)No.7/08.12.01/2010-11 dated July 1, 2010](#) on the captioned subject, which is now updated up to 30<sup>th</sup> June 2011. It may be noted that the Master Circular consolidates and updates all the instructions contained in the circulars listed in the Appendix, in so far they relate to providing bank finance to the housing sector. This Master Circular also incorporates instructions contained in certain clarifications issued by RBI to banks during the course of the year. The Master Circular has also been placed on the RBI web-site (<http://www.rbi.org.in>). A copy of the revised Master Circular is enclosed.

Yours faithfully,

**(P.R.Ravi Mohan)**  
**Chief General Manager**

Encls: As above

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हिंदी आसान है, इसका प्रयोग बढ़ाइए

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borrowing of housing finance companies. A list of housing finance companies registered with NHB may be obtained by the banks directly from NHB or downloaded from [www.nhb.org.in](http://www.nhb.org.in).

### **3.2.2 Lending to Housing Boards and Other Agencies**

Banks may extend term loans to state level housing boards and other public agencies. However, in order to develop a healthy housing finance system, while doing so, the banks must not only keep in view the past performance of these agencies in the matter of recovery from the beneficiaries but they should also stipulate that the Boards will ensure prompt and regular recovery of loan installments from the beneficiaries.

### **3.2.3 Financing of Land Acquisition**

In view of the need to increase the availability of land and house sites for increasing the housing stock in the country, banks may extend finance to public agencies and not private builders for acquisition and development of land, provided it is a part of the complete project, including development of infrastructure such as water systems, drainage, roads, provision of electricity, etc. Such credit may be extended by way of term loans. The project should be completed as early as possible and, in any case, within three years, so as to ensure quick re-cycling of bank funds for optimum results. If the project covers construction of houses, credit extended therefore in respect of individual beneficiaries should be on the same terms and conditions as stipulated for direct finance.

It has been observed that while financing real estate developers, certain banks were found to be valuing the land for the purpose of security, on the basis of the discounted value of the property after it is developed, less the cost of development. This is not in conformity with established norms. In this connection, it is advised that banks should have a Board approved policy in place for valuation of properties including collaterals accepted for their exposures and that valuation should be done by professionally qualified independent valuers. As regards the valuation of land for the purpose of financing of land acquisition as also land secured as collateral, banks may be