



RBI/2014-15/491

DBR.BP.BC.No.74 /08.12.015/2014-15

March 5, 2015

All Scheduled Commercial Banks  
(excluding RRBs )

Dear Sir,

**Housing Loans: Review of Instructions**

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

Please refer to our [circular DBOD.No.BP.BC.78/08.12.001/2011-12 dated February 3, 2012](#) on 'Housing Loans by Commercial Banks - Loan to Value (LTV) Ratio' whereby banks were advised that they should not include stamp duty, registration and other documentation charges in the cost of housing property so that the effectiveness of LTV ratio is not diluted.

2. It has been brought to our notice that these amounts form around 15% of the cost of the house and place a burden on the borrowers from economically weaker sections (EWS) and low income groups (LIG). With a view to encourage availability of affordable housing to such borrowers, it has been decided that in cases where the cost of the house/dwelling unit does not exceed Rs.10 lakh, banks may add stamp duty, registration and other documentation charges to the cost of the house/dwelling unit for the purpose of calculating LTV ratio.

**B. Construction linked disbursal of housing loan**

3. Please refer to our [circular DBOD.BP.BC.No.51/08.12.015/2013-14 dated September 3, 2013](#) on "Housing Sector: Innovative Housing Loan Products – Upfront disbursal of housing loans", in terms of which banks were advised that disbursal of housing loans sanctioned to individuals should be closely linked to the stages of construction of the housing project/houses and upfront disbursal should not be made in cases of incomplete/under-construction/green field housing projects.

4. In context of the above stipulation, some banks have represented that they are not able to extend home loans to the allottees in the project developed by Government Bodies/ Statutory Housing Authorities, as the payment schedule prescribed by such authorities are not linked to the stages of construction. Such authorities allot flats to the individual allottees with the following payment modes:

- One time lump-sum payment within 1 to 3 months after allotment.
- Time linked payment plan not linked to the stages of construction.

5. On a review, banks 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.

Yours faithfully,

(Sudarshan Sen)  
Chief General Manager-in-Charge