

FIDC

## Finance Industry Development Council

(A Representative Body of NBFCs in India)

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

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

July 12, 2023

**Shri Shaktikanta Das,  
Governor,  
Reserve Bank of India,  
Central Office Building,  
Shahid Bhagat Singh Marg, Fort,  
Mumbai – 400 001**

Respected Sir,

### **SUB: HARMONIZATION FOR GUIDELINES FOR CONSTRUCTION OF HOUSE ON PLOTS**

At the outset, we at FIDC would like to share our appreciation for numerous policy level and other initiatives which Reserve Bank of India (RBI) has undertaken to ensure that there is harmonization of guidelines between different Regulated Entities (REs) which are catering to the same requirement of end-customer.

However, we have come across regulations pertaining to construction of house on plots on which differentiated guidelines are applicable on different Regulated Entities. We draw your kind attention to following guidelines:

- ❖ Per Paragraph 4.1.16 (d) of Master Directions – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, “... *Loans to individuals for purchase of plots for construction of residential dwelling units provided a declaration is obtained from the borrower that he intends to construct a house on the plot **within a period of three years from the date of availing of the loan...**”*



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- ❖ Point 2 A of Master Circular for Housing Finance for Banks, “Bank finance can be granted only for purchase of a plot, provided a declaration is obtained from the borrower that he intends to construct a house on the said plot, with the help of bank finance or otherwise, within such period **as may be laid down by the banks themselves.**”
- ❖ Annex 1 – Point 5 of Master Circular – Housing Finance for UCBs reads, “UCBs should not extend finance for acquisition of land even if it is part of a project. However, finance can be granted to individuals for purchase of a plot, provided a declaration is obtained from the borrower that he intends to construct a house on the said plot, **within such period as may be laid down by the banks themselves.**”

Thus, while both Banks and UCBs have been empowered to decide on the timeline under which construction of house on plots is allowed but it is not extended to NBFC-HFCs which are specialized group of entities that are focusing on financing for house. Allowing Regulated Entities liberty to decide on their own policy for deciding on the duration within which borrowers should construct their house is advantageous in many ways.

It allows NBFC-HFCs to decide on their own policy basis their market and risk appetite. For instance, in self-construction by an individual, an HFC may wish to put-in a shorter time window of say 18 months whereas wherein a plot has been purchased in a planned colony where delivery of plot will be after 30 months from purchase [within RERA (Real Estate Regulatory Authority) guidelines], the HFC may wish to grant a time period of 48 months. Further, the time-period allowed would also depend on the type of construction to be done viz. a single-story structure or multi-story one.



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**Hence, we believe that RBI's approach for allowing flexibility to lending institution to decide their own policy with regard to construction timeline on plots is correct one and should be extended to NBFC-HFCs which are heavily engaged in housing loan financing.**

We also like to take this opportunity to seek a meeting with you, to give a detailed briefing regarding the rationale behind these requests. We may schedule this meeting at the date and time most convenient to you. We look forward to hearing from you.

Thanking you,

Regards

**For Finance Industry Development Council**

**MAHESH THAKKER  
DIRECTOR GENERAL  
9820035553**



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