

FIDC

Finance Industry Development Council

(A Representative Body of NBFCs in India)

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

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www.fidcindia.org.in

July 17, 2023

**Shri M Rajeshwar Rao,
Deputy Governor,
Reserve Bank of India,
Central Office Building,
Shahid Bhagat Singh Marg, Fort,
Mumbai – 400 001**

Respected Sir,

**SUB: CLASSIFICATION OF REIMBURSEMENT LOANS AS HOUSING
FINANCE - ADVISORY**

We at FIDC invite your kind reference to the letter no. NHB/HO/DOS/DAK/2023/01404/2022-23 dated June 5, 2023 on the captioned subject clarifying that loans for reimbursement of costs incurred on construction/purchase of a house shall not qualify as “housing finance” as defined under provisions of Paragraph 4.1.16 of Master Directions – Non Banking Finance Company – Housing Finance Company (Reserve Bank) Directions, 2021.

In this regard, we would like to draw your attention to the fact that the aforementioned practice of reimbursement of costs incurred on construction/purchase of house has been prevalent across the industry, including various Banks and Housing Finance Companies (HFCs), for a long period. Accordingly, many HFCs would fail to comply with the Principal Business Criteria (PBC) if the same is applied with retrospective effect and thereby result in serious disruption of housing finance business, as a whole.



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We would also like to furnish the general practice of customers, particularly in the affordable housing segment, wherein the customer due to paucity of time or for other reasons, borrows from the local market/relatives and finalises the sale transaction to acquire the property and within 6 months approaches the HFC for a housing loan, to overcome his/her liquidity problems. Thus, if the loan is not continued at a housing loan rate, the borrower would probably even decide to liquidate the property, which would result in increase of housing shortage, as well. Further, due to reclassification of the existing housing loan to non-Housing Loan, the rate of interest also would significantly increase which might result not only in delinquency issues but also serious customer grievances.

In view of the above, on behalf of all the NBFCs-HFCs, we request you to kindly consider the significant consequences it may result in the housing finance sector and hence it may be permitted that the contents in aforementioned clarification may be made applicable prospectively, i.e., w.e.f. from the date of issuance of clarification given by NHB.

We request your kind consideration.

Thanking you,

Regards

For FINANCE INDUSTRY DEVELOPMENT COUNCIL

**MAHESH THAKKER
DIRECTOR GENERAL
9820035553**



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