

NHB(ND)/ROD/HFC/ST/07/2006  
July 14, 2006

To all eligible Housing Finance Companies

Sir,

**Short Term Finance Assistance to Housing Finance Companies**

Please refer to our circular no. NHB(ND)/ROD/HFC/ST/06/2005-06 dated January 19, 2006 whereby we had informed that the captioned scheme has been kept in abeyance until further notice.

2. It has now been decided by the Bank to reintroduce the scheme with some modifications. Funds under the scheme would be available to HFCs solely for the purpose of meeting the present and future housing finance disbursements.

3. The salient features of the scheme along with application form for sanction of credit limit are enclosed. Please feel free to seek any further information /clarification.

Yours faithfully,

Assistant General Manager  
Refinance Operations Department

Encl. a/a

## **Financial Assistance to Housing Finance Companies – Short Term Facility (Salient Features)**

### **1. Scope**

Short term funds would be made available to HFCs solely for the purpose of meeting the HFCs present and future housing finance disbursements.

### **2. Limit under Short Term Facility (STF)**

Limit under this facility will be restricted to a maximum of 15% of the refinance limit sanctioned to the company during a year. The short term limit will be over and above the refinance limit sanctioned for the year. Maximum loan outstanding under STF would be Rs. 60 crores to a HFC.

### **3. Repayment period**

Short term funds would be made available for 45, 90 and 180 days depending on the requirement of the HFC and as permitted by NHB. The facility will be repayable in one bullet installment along with accrued interest at the end of the term.

No roll over of principal/interest at end of the tenure would be permitted. The repayment principal and interest have to be made on due date. A grace period of two working days may be allowed for repayment of principal and payment of interest. However, the HFC will pay interest on the amount due, at the applicable rates of interest for the additional days upto the day of payment to the Mumbai office of NHB. It may please be noted in this regard, that the Mumbai office of the NHB observes holidays as declared for the State of Maharashtra in terms of the Negotiable Instruments Act, 1949. It may be noted, further, that NHB observes a five-day week and that, accordingly, its offices remain closed on Saturdays and Sundays. For any delay in repayment of principal and payment of interest beyond first three working days, the HFC will have to pay additional interest on the amount in default for the total period of delay, at the rate of two per cent per annum above the applicable rate.

### **4. Interest Rate**

The interest rate would be informed in due course of time.

### **5. Documentation**

The HFCs desirous of availing short term refinance would also be required to execute a one-time Memorandum of Agreement (MoA) with NHB.

After receipt of sanction letter from NHB, the HFC would submit their acceptance in the duplicate copy of the sanction letter together with the resolution of their Board of Directors authorising officials to borrow from NHB(*Appendix I*).

HFCs would also be required to furnish Demand Promissory note for the amount released under Short term facility.

## **6. Procedure for drawing funds**

This facility is renewable in nature i.e. funds can be drawn and repaid any number of times during a year such that the total outstanding at any point of time does not exceed the limit sanctioned under short term facility to the company for that year.

HFCs interested in drawing funds under the facility will apply for sanction of credit limit in the enclosed form NHB-ROD[HFC-ST]-01.

Thereafter, on completion of documentation procedures as indicated in para (5) request for release of funds would be submitted as per the enclosed form NHB-ROD[HFC-ST]-02. The fund under the facility can be used by HFC solely for the purpose of meeting the present and future housing finance disbursements and the same would have to be certified by CEO/ Director in the request for release of funds.

Please note that the request for release of funds under the sanctioned limit should not be construed as giving rise to any binding obligation on the part of NHB.

All the requests for sanction of credit limit and release of funds should be sent to the Refinance Department at Delhi office of NHB. The disbursement and repayment of funds will be made at Mumbai office of NHB.

## **Prepayment**

Funds drawn under the facility can be prepaid at any time after completion of one-half of the original repayment period selected by the HFC and after giving 2 day notice. HFCs wanting to prepay before this time period will be charged a nominal levy @ 0.15% of the amount.