

HOUSING FINANCE
CONSUMER PROTECTION AND EDUCATION

In the Mid Term Review of Annual Monetary Policy 2006-07 announced by Reserve Bank of India on October 31, 2006, particular reference was made to the importance of fairness and transparency in housing loans. It was urged that all practices which are less than fair or transparent need to be reviewed and an opportunity afforded to the borrowers to obtain fair and transparent terms consistent with legal requirements and fair practices.

As the apex financial institution for housing in the country, National Housing Bank shares the concern expressed by RBI. National Housing Bank has embarked on action relating to consumer issues in housing finance. A number of new initiatives to promote consumer protection and education have been initiated. NHB has issued Guidelines on Fair Practices Code for housing finance companies. These Guidelines lay down minimum standards required to be observed while dealing with customers. Similarly, Investment Grade Credit Rating has been made compulsory for all housing finance companies accepting public deposits. NHB is developing a portal on housing and housing finance initially in English and Hindi, and later in other regional languages to provide access to consumers for credible wide ranging information.

National Housing Bank seeks to launch following twin new initiatives with a view to further the cause of customer protection and education in the housing finance field;

- i) Promote a common Forum of banks and housing finance companies engaged in the field of housing finance, which can in due course develop into a Self Regulatory Organisation (SRO).
- ii) Introduce a system of Certified Independent Mortgage Counsellors who will provide fair and objective information on the implications of raising housing loan, various requirements for availing housing loan and terms & special features of various housing loan schemes available from the banks and housing finance companies. Members of public, if they so desire, will be able to avail such guidance from the proposed Mortgage Counsellors on payment of reasonable charges.

Discussion papers on the above new initiatives are annexed herewith for perusal and review. These steps have been welcomed by the mortgage lenders viz. banks and housing finance companies. Comments/suggestions on the proposed initiatives are welcome from the public, which may be sent to NHB by 9th June, 2007.

Annexures:

1. Discussion Paper on Joint Forum of banks and housing finance companies
2. Discussion Paper on proposed Certified Independent Mortgage Counsellors