

All eligible Housing Finance Companies

Madam / Dear Sir,

Certificate of Adverse Balance Return
Refinance Circular No. 02/2019-20

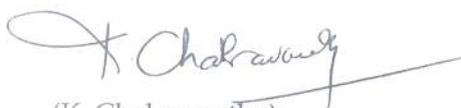
National Housing Bank (NHB) has prescribed various returns to be submitted by the Housing Finance Companies (HFCs) at various intervals, including NHB-HFC-05 which is to be submitted on half-yearly basis. HFCs availing refinance from NHB are required to furnish a Statutory Auditors' certificate within a period of 60 days as at 30th September and 31st March every year, confirming that the refinance outstanding from NHB does not exceed the total outstanding housing loans, in respect of which refinance has been obtained. On occurrence of adverse balance, HFCs are required to deposit the adverse balance amount, as per instruction of NHB.

2. NHB has revised the existing NHB-HFC-05 to capture **account-wise adverse balance amount** as per the **sanction terms** for better monitoring of the book debts flagged/tagged /earmarked to NHB. In the said return, the Statutory Auditors shall also certify that the loans flagged/tagged /earmarked to the Bank (NHB) for Refinance are presently in the books of HFC and free of any charge and/or have not been securitized/sold. The certificate shall also include that all loans flagged/tagged /earmarked to NHB are **standard and the DPD (days past due) is not more than 30 days**.
3. NHB has introduced a new return NHB-HFC-10 titled **Quarterly Certificate of Adverse Balance** to capture **account-wise** adverse balance amount and to ensure **complete asset coverage** of refinance availed from NHB. The return stating that the total outstanding of the loans flagged/tagged /earmarked as security to NHB is in conformity with the sanctioned terms, is required to be submitted on a quarterly basis, **within 7 days after the end of the quarter**, duly certified by the **Managing Director and CFO of the HFC**. The Quarterly Certificate of Adverse Balance shall also state that all loans flagged/tagged /earmarked to NHB are **standard and the DPD (days past due) is not more than 30 days**.
- 3.1 On occurrence of any adverse balance, **the adverse balance shall be paid by respective HFC to NHB along with the said Certificate** confirming that the amount under adverse balance has been remitted by the HFC. **While computing adverse balance, Book debts flagged / tagged/earmarked for the purpose of collateral security/ additional margin requirements are also to be counted for computing the sum aggregate of all outstanding housing loans in respect of each Refinance account**. HFCs shall also submit detailed list of book-debts with outstanding, flagged/tagged/earmarked to NHB account-wise (in line with sanctioned terms).



4. The computation of the adverse balance under different scenarios is illustrated in Annexure I. HFCs are advised to follow the process mentioned in the Annexure while arriving at the adverse balance, **which is to be paid on quarterly basis.**
5. HFCs are advised to adhere to the timelines and submit the stipulated returns within the prescribed timeline. Further, HFCs are advised to remit the adverse balance amount (on occurrence) on quarterly basis, **positively within 7 days after the end of the quarter.**
6. The excel formats of the above mentioned returns are uploaded in NHB's website. In the excel format of the returns, the cells are pre-formatted with formulae and other links, and are presently not locked to facilitate flexibility to the Users. It is advised to adhere to the format without any alteration, to maintain the uniformity in reporting and system readability.
7. We request you to send the soft copy of the filled-in returns along with other electronic attachment files to the dedicated email id roddmc@nhb.org.in, created exclusively for the purpose, from the official email id authorized and recognized for your institution. Thereafter, the printed copy of the Workbooks (Forms / Returns), after affixing signature and seal need to be sent to the Refinance Operations Department, National Housing Bank, 4th Floor, Core 5A, India Habitat Centre, Lodhi Road, New Delhi -110003.

Yours faithfully,



(K. Chakravarthy)
General Manager
Refinance Operations

Illustration

Annexure I

The format specifying different parameters for computation of adverse balance included in the returns NHB-HFC-05 & NHB-HFC-10 is as under

Scenario	Refinance Outstanding as per NHB's books (A)	Asset Coverage as per sanctioned terms (%) (B)	Sum aggregate of outstanding housing loans to be flagged as per sanctioned terms (C=A*B)	Sum aggregate of Actual outstanding housing loans as per HFC's books (D)	Tentative base outstanding after adjustment of adverse balance (E)	Revised NHB's refinance outstanding in actual after adjustment of adverse balance * (F)	(Adverse Balance)/Positive Balance (G=F-A)
1	120.00	110.00	132.00	110.00	100.00	100.00	-20
2	80.00	135.00	108.00	90.00	66.67	66.00	-14
3	95.00	125.00	118.75	90.00	72.00	72.00	-23
4	113.00	105.00	118.65	90.00	85.71	85.00	-28

* Note: The figure arrived at under column (E) must be brought down to the lower absolute figure as given in the examples above.

Illustration of the above mentioned scenarios

Scenario I

- Suppose as on 30th September, 2019, the Refinance Outstanding of a particular loan contract of a PLI as per NHB's books is Rs. 120 crore and the asset coverage to be maintained as per sanctioned terms (including stipulated margin) is 110%. Considering the asset coverage of 110%, PLI must have Rs. 132 crore as the Sum aggregate of outstanding housing loans flagged to NHB as on that day.
- However, the actual Sum aggregate of outstanding housing loans flagged to NHB as per HFC's books is Rs. 110 crore (including the outstanding of the loans flagged as margin) as on that day.
- Now, as per the sanctioned terms, the PLI must maintain asset coverage of 110% at all times but the asset coverage available to NHB under this scenario is only 83%, considering the actual outstanding of Rs. 110 crore.
- In order to maintain the asset coverage of 110% as against the actual 83%, adverse balance has been worked out.
- Considering the above, the adverse balance is calculated in column G in the above table which is Rs. 20 crore.
- After adjustment of the same the revised refinance outstanding works out to Rs. 100 crore and since the actual outstanding of flagged loans in HFC's books is Rs. 110 crore, the stipulated asset coverage of 110% for the said loan contract for that period is being maintained.

Scenario II

- Suppose as on 30th September, 2019, the Refinance Outstanding of a particular loan contract of a PLI as per NHB's books is Rs. 80 crore and the asset coverage to be maintained as per sanctioned terms (including stipulated margin) is 135%. Considering the asset coverage of 135%, PLI must have Rs. 108 crore as the Sum aggregate of outstanding housing loans flagged to NHB as on that day.
- However, the actual Sum aggregate of outstanding housing loans flagged to NHB as per HFC's books is Rs. 90 crore (including the outstanding of the loans flagged as margin) as on that day.



- Now, as per the sanctioned terms, the PLI must maintain asset coverage of 135% at all times but the asset coverage available to NHB under this scenario is only 83%, considering the actual outstanding of Rs. 90 crore.
- In order to maintain the asset coverage of 135% as against the actual 83%, adverse balance has been worked out.
- Considering the above, the adverse balance is calculated in column G in the above table which is Rs. 14 crore.
- After adjustment of the same the revised refinance outstanding works out to Rs. 66 crore and since the actual outstanding of flagged loans in HFC's books is Rs. 90 crore, the stipulated asset coverage of 135% for the said loan contract for that period is being maintained.

Scenario III

- Suppose as on 30th September, 2019, the Refinance Outstanding of a particular loan contract of a PLI as per NHB's books is Rs. 95 crore and the asset coverage to be maintained as per sanctioned terms (including stipulated margin) is 125%. Considering the asset coverage of 125%, PLI must have Rs. 118.75 crore as the Sum aggregate of outstanding housing loans flagged to NHB as on that day.
- However, the actual Sum aggregate of outstanding housing loans flagged to NHB as per HFC's books is Rs. 90 crore (including the outstanding of the loans flagged as margin) as on that day.
- Now, as per the sanctioned terms, the PLI must maintain asset coverage of 125% at all times but the asset coverage available to NHB under this scenario is only 76%, considering the actual outstanding of Rs. 90 crore.
- In order to maintain the asset coverage of 125% as against the actual 76%, adverse balance has been worked out.
- Considering the above, the adverse balance is calculated in column G in the above table which is Rs. 23 crore.
- After adjustment of the same the revised refinance outstanding works out to Rs. 72 crore and since the actual outstanding of flagged loans in HFC's books is Rs. 90 crore, the stipulated asset coverage of 125% for the said loan contract for that period is being maintained.

Scenario IV

- Suppose as on 30th September, 2019, the Refinance Outstanding of a particular loan contract of a PLI as per NHB's books is Rs. 113 crore and the asset coverage to be maintained as per sanctioned terms (including stipulated margin) is 105%. Considering the asset coverage of 105%, PLI must have Rs. 118.65 crore as the Sum aggregate of outstanding housing loans flagged to NHB as on that day.
- However, the actual Sum aggregate of outstanding housing loans flagged to NHB as per HFC's books is Rs. 90 crore (including the outstanding of the loans flagged as margin) as on that day.
- Now, as per the sanctioned terms, the PLI must maintain asset coverage of 105% at all times but the asset coverage available to NHB under this scenario is only 76%, considering the actual outstanding of Rs. 90 crore.
- In order to maintain the asset coverage of 105% as against the actual 76%, adverse balance has been worked out.
- Considering the above, the adverse balance is calculated in column G in the above table which is Rs. 28 crore.
- After adjustment of the same the revised refinance outstanding works out to Rs. 85 crore and since the actual outstanding of flagged loans in HFC's books is Rs. 90 crore, the stipulated asset coverage of 105% for the said loan contract for that period is being maintained.



Half Yearly Certificate of Adverse Balance Return

(to be submitted within 2 months of the end of the half year)

(₹ Crore)									
1	Name of Institution								
2	Adverse balance certificate for the half								
3	Date of submission								
No.	Refinance Account No.	Refinance Scheme	Refinance Outstanding as per NHB's books as on 31st March, 20__/30th Sept, 20__ (A)	Asset Coverage as per sanctioned terms (%) (B)	Sum aggregate of outstanding housing loans to be flagged as terms (C=A*B)	Sum aggregate of Actual outstanding housing loans as per HFC's books as on 31st March, 20__ / 30th Sept, 20__ (D)	Tentative base outstanding after adjustment of adverse balance (E)	Revised NHB's refinance outstanding after adjustment of adverse balance (F)	(Adverse Balance) / Positivity Balance (G=F-A)
xxxxx	LRS		120.00	110.00	132.00	110.00	100.00	100.00	-20.00
xxxxx	AHF		80.00	135.00	108.00	90.00	66.67	66.00	-14
xxxxx	RHF		95.00	125.00	118.75	90.00	72.00	72.00	-23
xxxxx	UHF		113.00	105.00	118.65	90.00	85.71	85.00	-28
xxxxx	LRS		150.00	130.00	195.00	90.00	69.23	69.00	-81
xxxxx	LRS		1000.00	115.00	1150.00	850.00	739.13	739.00	-261
xxxxx	LRS		880.00	120.00	1056.00	1070.00	891.67	891.00	11
Total adverse amount to be remitted to NHB									427

Note: The figure arrived at under column named (E) must be brought down to the lower absolute figure and filled in the column named (F)

- Adverse amount to be remitted to NHB is the summation of only the adverse amount arrived at in each refinance account in the above table. However, the positive balance (if any) is not to be considered.
- The above mentioned figures in the above table are only for illustration.

We certify that:

(i) The information furnished in this return is true and correct and may be verified from our books;

(ii) The loan accounts that were pre-closed due to shifting from fixed interest rate structure to variable rate of interest or for any other reasons and opening a new loan account of the same borrower with the same housing unit financed as a primary security continue to be covered under the outstanding refinance from NHB. Such accounts have not been excluded while arriving at 4(c) in Table I above;

(iii) The outstanding refinance (A) as on 31st March / 30th September does not show lesser balance due to repayment made in advance in the last week of March / September for the demand due on 1st April / 1st October of the ensuing quarter

(iv) The loan accounts, for which refinance has been taken from NHB, are in standard category with DPD (days past due) not more than 30 days, can be distinctly identified from the books of the Company and are free of any charge and/or have not been securitized/sold.

(v) A list of all accounts whose sum aggregate is mentioned in column (D) is enclosed in the format prescribed in Annexure I to NHB-HFC-05.

(vi) Asset Coverage under column (B) includes margin stipulated at the time of sanction of the respective refinance account.

(vii) This certificate has been placed before the _____ meeting of our Board of Directors held on _____ and they have taken note of the same vide their resolution as under: _____

(Signature of the Authorized signatory)

Name

(Signature of the Statutory Auditor of the Company)

Name of the Statutory Auditor

Designation

Firm Registration No.

Partnership No.



NHB-HFC-10

Quarterly Adverse Balance Certificate

(to be submitted within 7 days after the end of the quarter)

(₹ Crore)

No.	Name of Institution Adverse balance certificate for the quarter ended Date of submission	Refinance Account No.	Refinance Outstanding as per NHB's books as on last day of the quarter ending _____, 20____ (A)	Asset Coverage as per sanctioned terms (%) (B)	Sum aggregate of outstanding housing loans to be flagged as as per sanctioned terms (C=A*B)	Sum aggregate of Actual outstanding housing loans as per HFC's books as on last day of the quarter ending _____, 20____ (D)	Tentative base outstanding after adjustment of adverse balance (E)	Revised NHB's refinance outstanding after adjustment of adverse balance (F)	(Adverse) Balance/Positi ve Balance (G=F-A)
1	xxxxx	LRS	120.00	110.00	132.00	110.00	100.00	100.00	-20.00
2	xxxxx	AHF	80.00	135.00	108.00	90.00	66.67	66.00	-14
3	xxxxx	RHF	95.00	125.00	118.75	90.00	72.00	72.00	-23
	xxxxx	UHF	113.00	105.00	118.65	90.00	85.71	85.00	-28
	xxxxx	LRS	150.00	130.00	195.00	90.00	69.23	69.00	-81
	xxxxx	LRS	1000.00	115.00	1150.00	850.00	739.13	739.00	-261
	xxxxx	LRS	880.00	120.00	1056.00	1070.00	891.67	891.00	11
Total adverse amount to be remitted to NHB									427

* Note: The figure arrived at under column named (E) must be brought down to the lower absolute figure and filled in the column named (F)

- Adverse amount to be remitted to NHB is the summation of only the adverse amount arrived at in each refinance account in the above table. However, the positive balance (if any) is not to be considered.
- The above mentioned figures in the above table are only for illustration.

We certify that:

- The information furnished in this return is true and correct and may be verified from our books;
- The loan accounts that were pre-closed due to shifting from fixed interest rate structure to variable rate of interest or for any other reasons and opening a new loan account of the same borrower with the same housing unit financed as a primary security continue to be covered under the outstanding refinance from NHB. Such accounts have not been excluded while arriving at 4(c) in Table I above;
- The outstanding refinance (A) as on 31st March / 30th June / 30th September / 31st December does not show lesser balance due to repayment made in advance in the last week of March / June / September / December for the demand due on 1st April / 1st July / 1st October / 1st January of the ensuing quarter
- The loan accounts, for which refinance has been taken from NHB, are in standard category with DPD (days past due) not more than 30 days, and in conformity with the sanctioned terms.
- The loan accounts, for which refinance has been taken from NHB, can be distinctly identified from the books of the Company and are free of any charge and/or have not been securitized/sold.
- A list of all accounts whose sum aggregate is mentioned in column (D) is enclosed in the format prescribed in Annexure I to NHB-HFC-10.
- Asset Coverage under column (B) includes margin stipulated at the time of sanction of the respective refinance account.
- This certificate has been / shall be placed before the _____ meeting of our Board of Directors held on _____ and they have / will take note of the same vide their resolution as under: _____ (wherever)
- The adverse balance amount of Rs. _____ has been remitted by the Company on _____.

(Signature of the CFO of the Company)

Name

Name

Date

Date

Stamp of the Company

Stamp of the
Company

(Signature of the Managing Director)

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