

By Registered Post Ack Due

NHB(ND)/DRS/Po1-No.03/2004-05

August 26, 2004.



राष्ट्रीय  
आवास बैंक  
NATIONAL  
HOUSING BANK

**All Registered Housing Finance Companies**

Dear Sir,

Appropriation of Reserve Fund created as per section 29C of the National Housing Bank Act, 1987

In terms of Section 29C of the National Housing Bank Act, 1987 every housing finance institution which is a company is required to create a reserve fund and transfer therein a sum not less than twenty percent of its net profit every year as disclosed in the profit & loss account before any dividend is declared. No appropriation of any sum from the reserve fund including any sum in special reserve which has been taken into account for the purpose of reserve fund should be made by a housing finance institution except for the purpose as may be specified by the National Housing Bank. Any appropriation from the said reserve fund is required to be reported to the National Housing Bank within twenty one days from the date of such withdrawal.

It has now been decided to permit the Housing Finance Companies (HFCs); with effect from the financial year 2004-05, to withdraw from the said reserve fund, the excess amount credited (in excess of the statutory minimum of 20%) in the previous years for any business purposes subject to suitable disclosure in the balance sheet and in the case of HFCs which have transferred only the statutory minimum in the previous years to selectively permit them to withdraw from the reserve fund only for the purpose of provisioning for non-performing assets subject to the conditions that there is no debit balance in the profit and loss account and that the reason for such withdrawal are stated explicitly in the balance sheet. Please note that in the latter case, prior permission of NHB need to be obtained before appropriation.

If any such appropriation made is not informed to NHB as per the provisions of the National Housing Bank Act, 1987, it would be construed as a violation of the regulatory provisions and appropriate penalty would be leviable for such contravention.

Please acknowledge receipt.

Yours faithfully

Assistant General Manager  
Department of Regulation & Supervision

भारतीय रिज़र्व बैंक के संपूर्ण स्वामित्व में  
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“बैंक हिंदी में पत्राचार का स्वागत करता है”