

NHB (ND)/DRS/Pol. No.55/2012-13  
April 16, 2013



All Registered Housing Finance Companies

Dear Sirs,

**Housing Finance Companies (NHB) Directions, 2010 -  
definition of sub-standard asset - clarification**

Paragraph 2 (1)(zc) defines the expression "sub-standard asset" to mean, inter alia, an asset, where the terms of the agreement regarding interest and/or principal have been re-negotiated or rescheduled after release of any installment of loan, until the expiry of one year of satisfactory performance under re-negotiated or rescheduled terms. However, where the natural calamities impair the repaying capacity of a borrower, terms of the loan agreement regarding interest and/or principal may be rescheduled and such loans shall not be classified as sub-standard; the classification of such loans would thereafter be governed by the revised terms and conditions.

2. HFCs have sought clarifications as to whether the loan account can be treated as standard asset where the repaying capacity of the borrower is affected due to temporary loss of employment, revision in the rates of interest etc. necessitating re-negotiation or re-schedulement of the terms and conditions or where NPA account is rescheduled in such a way that there are no arrears. It is stated that in such cases the borrowers pay the loan regularly as per the revised/rescheduled terms and conditions.

3. In this connection it is clarified that the asset is to be treated as sub-standard in all cases except in the case of natural calamity as provided in the Direction. However, extension in repayment tenor of a floating rate loan on reset of interest rate, so as to keep the EMI unchanged provided it is applied to a class of accounts uniformly will not render the account to be classified as re-negotiated or rescheduled account. In other words, extension or deferment of EMIs to individual borrowers as against to an entire class, would render the accounts to be classified as re-negotiated or rescheduled accounts.

HFCs are accordingly advised to take note of the above and ensure compliance.

Yours faithfully,

(R. S. Garg)  
Executive Director