

NHB (ND)/DRS/Pol-No. 49/2011-12  
April 9, 2012



राष्ट्रीय  
आवास बैंक  
NATIONAL  
HOUSING BANK

All Registered Housing Finance Companies (HFCs)

Dear Sirs,

### Computation of Loan to Value (LTV) Ratio

In terms of Paragraph 30 of the Housing Finance Companies (NHB) Directions, 2010, HFCs are required to maintain a minimum capital ratio consisting of Tier I and Tier II capital which shall not be less than twelve percent of its aggregate risk weighted assets. The value of each asset/item is required to be multiplied by the relevant risk weights to arrive at the risk adjusted value of assets. Certain risk weights have also been prescribed on the housing loans sanctioned to individuals which are linked to LTV Ratio. In this context, HFCs are hereby advised to compute the LTV ratio as a percentage with total outstanding in the account (viz, "principal + accrued interest + other charges pertaining to the loan" without any netting) in the numerator and the realizable value of the residential property mortgaged to the HFC in the denominator.

Please acknowledge receipt.

Yours faithfully

  
(R.S. Garg) \_\_\_\_\_  
Executive Director