

NHB (ND)/DRS/Misc. Circular No.18/2017-18
November 17, 2017



To,

All Registered Housing Finance Companies

Madam/Sir

**Notification as “Financial Institution” under section 2(1)(iv)(m) of the
Securitization and Reconstruction of Financial Assets and Enforcement of
Security Interest Act, 2002**

As advised by the Department of Financial Services, Ministry Of Finance, Government of India, National Housing Bank (“NHB”) has formulated certain “criteria” for recommendation and notification of housing finance companies (“HFCs”) under section 2(1)(m)(iv) of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (“the said Act”) as “Financial Institution” , based on certain benchmarks in terms of asset size, quality of supervisory compliance, loan size etc. Accordingly, HFCs who fulfill the said criteria and desirous to get notified as “Financial Institution” under the said Act may forward their applications to NHB for consideration and recommendation to the Central Government for notification. A copy of the criteria is enclosed as **Annexure A**.

2. Further, HFCs once notified (existing and to be notified in future) as “Financial Institution” under the said Act shall fulfill/ensure compliance of certain criteria prescribed at Annexure B. In the event of non-fulfillment/non-compliance of the said criteria by any HFC for two consecutive financial years, NHB may recommend to the Central Government for de-notification of such HFCs as “Financial Institution” under the said Act.

भारतीय रिजर्व बैंक के संपूर्ण स्वामित्व में
कोर-5 ए, 4 मंजिल, इंडिया हैबिटेट सेंटर, लोधी रोड, नई दिल्ली
फोन: पीबीएक्स 011-24649031-35 फैक्स: 011-2464 6988, 2464 9041
वेबसाइट: www.nhb.org.in ई-मेल: ho@nhb.org.in तार: NIWAS Bank

Wholly owned by Reserve Bank of India
Core 5-A, 4th Floor, India Habitat Centre. Lodhi Road, New Delhi-110003.
Phone : PBX 011-2464 9031 Fax : 011-2464 6988, 24649041
Website : www.nhb.org.in E- mail : ho@nhb.org.in Gram : NIWAS Bank

“ बैंक हिंदी में पत्राचार का स्वागत करता है ”

3. HFCs which fulfill the criteria prescribed at **Annexure-A** and are desirous to be notified as “Financial Institution” under the said Act are advised to approach NHB in the prescribed Format. A copy of the format is enclosed at Annexure C.

4. Please acknowledge the receipt.

Yours faithfully,

(A. P. Saxena)
General Manager

ANNEXURE A

HOUSING FINANCE COMPANY (HFC), should fulfill the following criteria before forwarding application to National Housing Bank (NHB) for recommending to the Central Government for notification as *Financial Institution* under section 2(1)(m)(iv) of the SARFAESI Act:

- (i) The HFC should hold the valid Certificate of Registration (“CoR”) issued by NHB;
- (ii) The size of HFC, in terms of Net Owned Fund (“NOF”), at the time of making the application, should be minimum of INR 10 crore or the prevailing statutory NOF required to be maintained to hold CoR, as notified by NHB from time to time, whichever is higher;
- (iii) The size of HFC, in terms of loan assets (Individual Housing Loans) outstanding should not be less than INR 50 crore;
- (iv) The HFC should have commenced the business of providing housing loans subsequent to grant of CoR and should have completed 18 months of business operations after commencement of business;
- (v) There should not be any major supervisory concerns (i.e. concerns pertaining to non-compliances of provisions of National Housing Bank Act, 1987), emerging out of offsite surveillance as well as onsite inspection, pending at the time of making the recommendation;
- (vi) HFC should have attained the minimum supervisory rating of “B-“signifying satisfactory and having scored more than 60 marks out of 100 in the CAMELS Model in the rating scale of ten ranging from A+ to D;
- (vii) There should not be any adverse report received from FIU-IND, SFIO or any other regulatory authorities viz. RoC, RBI, SEBI, IRDAI etc. as available in the public domain of their website.

###

ANNEXURE B

HOUSING FINANCE COMPANY (HFC), which is notified as *Financial Institution* under section 2(1)(m)(iv) of the SARFAESI Act should fulfill/ensure compliance of the following criteria failing which NHB may recommend such HFCs to the Central Government for de-notification as *Financial Institution* under the said Act.

- a. The Individual Housing loan portfolio should not have fallen below 50% of total loan portfolio in two consecutive financial years.
- b. HFC shall secure and maintain the minimum supervisory rating of "B-" i.e. minimum 60 marks out of 100 marks in two consecutive financial years.
- c. No adverse report should have been received from FIU-IND, SFIO or any regulatory authorities viz. RoC, RBI, SEBI, IRDAI etc. as available in the public domain of their website.
- d. No major supervisory concerns (i.e. concerns pertaining to non-compliances of provisions of National Housing Bank Act, 1987) shall have emerged out of offsite surveillance as well as onsite inspection against the HFC and it remained un-rectified for two years.
- e. CoR should not have been either cancelled by NHB or surrendered voluntarily by the HFC due to change in business line or for some other reasons.

###

ANNEXURE C

APPLICATION FOR NOTIFICATION OF HOUSING FINANCE COMPANIES AS FINANCIAL INSTITUTION UNDER SECTION 2 (1) (m) (iv) OF THE SECURITISATION AND RECONSTRUCTION OF FINANCIAL ASSETS AND ENFORCEMENT OF SECURITY INTEREST ACT, 2002

By Registered Post

From: [Name and address of the Registered Office in BLOCK LETTERS]

To
The General Manager,
Department of Regulation & Supervision,
National Housing Bank,
India Habitat Centre, Core 5 A, Lodhi Road,
NEW DELHI -110003.

Dear Sir,

SUB: APPLICATION FOR THE PURPOSE OF NOTIFICATION OF HOUSING FINANCE COMPANIES AS FINANCIAL INSTITUTION UNDER SECTION 2 (1) (m) (iv) OF THE SECURITISATION AND RECONSTRUCTION OF FINANCIAL ASSETS AND ENFORCEMENT OF SECURITY INTEREST ACT, 2002

We make this application on the captioned subject for recommending _____(Name of the Company) (herein after referred to as "the Company") for the purpose of notification as "Financial Institution" under section **2 (1) (m) (iv) of the Securitization and Reconstruction Financial Assets and Enforcement of Security Interest Act, 2002 ("the said Act")**

2. In order to avail the benefits/rights contemplated for the secured creditor under the said Act, we are desirous of being covered within the definition of Financial Institution under the said Act. We, therefore, request you to recommend the name of our Company to the Central Government for the purpose of notifying the name of our Company as Financial Institution under the said Act.

3. We confirm that _____ (Name of the Company) fulfills all the criteria prescribed by NHB at Annexure A of the Circular no. _____ issued for the purpose. We declare that the information furnished in this Application, along with annexures, is true, correct and complete to the best of our knowledge and belief. .

4. We hereby undertake that we shall follow all due process of law while exercising the powers under the said Act.

5. We further confirm that there is no adverse report against the Company or against any promoters/directors from FIU-IND, SFIO or any other regulatory and statutory authorities.

Yours faithfully,

[Name and Designation of the Authorised Official]

Common Seal of the Company

Date: _____

Place: _____

Enclosures:

APPLICATION FORM

Sl. No	Particulars	
1)	Name and Address of the Company	
2)	Date of issuance of CoR (please enclose copy)	
3)	Name and Address of the Promoter/Directors	
4)	Statutory Auditor's certificate certifying minimum NOF as Rs.10 crore or prevailing statutory NOF prescribed by NHB from time to time along with the computation of NOF in terms of Section 29A of the National Housing Bank Act, 1987, as on the latest date.	
5)	Total Loan outstanding (as per the last Audited Balance Sheet also specify date of outstanding). Please provide the supporting document.	
6)	Certificate from Managing Director /Statutory Auditor, as applicable, of the HFC that "fit and proper criteria" in selection of the directors has been followed.	
7)	Date of Commencement of Housing Loan Business.	
(a)	Date of disbursal of first Housing Loan (individual/non individual)	
(b)	Total Housing Loan Outstanding as per last audited balance sheet	
(c)	Total Individual Housing Loan outstanding as per last audited balance sheet.	
(d)	Total number of NPA accounts and the outstanding amount	
8)	Last supervisory rating based on inspection of the company w.r.t its position as on -----	
9)	Supervisory concerns (i.e. concerns pertaining to non-compliances of provisions of National Housing Bank Act, 1987), emerging out of offsite surveillance as well as onsite inspection by NHB, which is pending for compliance at the time of making this application;	
10)	Violations of any nature observed by any Regulatory body viz /FIU-INDIA/SFIO/RoC, SEBI, IRDAI etc which is pending for compliance at the time of making this application. If yes, please provide details with supporting documents.	

CERTIFICATE

Certified that the data/information furnished in this statement is true and correct. The statement has been compiled from the Books of Account and other records of the Company and are true and correct to the best of our knowledge and belief.

For and on behalf of <Name of the Company>

(Signature of the Authorized Signatory)

Name: _____

Designation: _____

Company Seal: _____

Date: _____

Place: _____

Auditor's Certificate

We, M/s _____, the Statutory Auditor of the..... (Name of the Company) have examined the Books of Account and other records maintained in respect of the capital funds, risk assets/exposures etc., as on _____ and statements/certificate hereinabove made by the Managing Director/Chief Executive Officer of the Company or its authorised representative. We, certify that the information furnished above is true and correct.

Statutory Auditors: _____
Membership No.: _____
Name of Signatory: _____
Office Seal: _____

Date: _____
Place: _____