



# BOOKLET ON REFINANCE SCHEMES OF NATIONAL HOUSING BANK



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Ver. 9.0

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## SECTION A

**General Terms & Conditions as Applicable to all Primary  
Lending Institutions (PLIs)**



## 1. Introduction

- 1.1 The National Housing Bank (NHB) offers refinance assistance to Primary Lending Institutions (PLIs) in respect of their housing loans to individuals, and also for their loans to other institutions for housing finance and construction finance for affordable housing.
- 1.2 Loans against property (i.e. loans given against the security of house property but for purposes other than construction / purchase / repairs / upgradation / extension) are not eligible for refinance.
- 1.3 Loan extended for furnishing and fixtures and for processing fees, CERSAI fees, document handling charges and insurance premium (both life and non-life) etc. shall not be eligible for refinance.
- 1.4 NHB is vested with various powers in accordance with the NHB Act 1987 including Section 16B: providing security for the Refinance provided by the Bank; Section 24: enabling the Bank to cause an inspection to clients who have availed Refinance Facility;
- 1.5 It may be noted that the rules and policies mentioned in this booklet apply only to refinance released under these schemes and not to refinance availed by PLIs earlier under any old refinance schemes which continue to be governed by the respective rules and policies.

### General Terms & Conditions Applicable to PLIs under All Refinance Schemes of NHB

## 2. Eligibility Criteria

### 2.1 For Housing Finance Companies (HFCs)

HFCs fulfilling the following criteria will be eligible to draw refinance from NHB:

- The HFC should be registered with NHB/RBI to carry out housing finance activity in the country.
- The HFC should provide long-term finance for construction / purchase / repair/ upgradation of dwelling units by home-seekers.
- The HFC should qualify under Principal Business Criteria prescribed in Paragraph 4.1.17 of the NBFC-HFC (Reserve Bank) Directions, 2021 dated 17-02-2021 as updated from time to time. (*applicable w.e.f. 01-07-2022 for fresh sanctions*).

Timeline	Min. % of total assets towards housing finance	Min. % of total assets towards housing finance for individual
March 31, 2022	50%	40%
March 31, 2023	55%	45%
March 31, 2024	60%	50%

However, the maximum quantum of refinance as a percentage of the total individual housing loan portfolio of the HFCs which can be extended by NHB would be

% of total assets towards housing finance for individual*	Max. Refinance as a % of the total individual housing loan portfolio
40% & above and upto 45%	40%
45% & above and upto 50%	45%
50% & above	50%

\* As per last audited balance sheet

- Minimum Net Owned Fund (NOF) as prescribed by NBFC-HFC (Reserve Bank) Directions, 2021 dated 17-02-2021 as updated from time to time. HFCs holding a Certificate of Registration (CoR) and having net owned fund of less than ₹ 20 crore are eligible, if such company achieves net owned fund of ₹ 15 crore by March 31, 2022 and ₹ 20 crore by March 31, 2023 (*requirement to continue to carry on the business of housing finance as per latest RBI direction*).
- The HFC should comply with the provisions of the National Housing Bank Act, 1987 and Housing Finance Companies (NHB) Directions, 2010 and RBI circulars/guidelines issued from time to time.
- The Net Non-Performing Assets (NNPA) of the HFC should not be more than 3.50% of the Net Advances. NPA shall carry the same meaning as defined in Housing Finance Companies (NHB) Directions, 2010, as modified upto date and modified by RBI henceforth. NNPA means 'NPA less provision'. Net Advances shall mean 'Advances less provision'. 'Advances' shall, apart from housing loans, include mortgage loans, lease transactions, hire purchase assets, bills of exchange, inter-corporate deposits and unquoted debentures.

The above eligibility conditions shall remain same for existing as well as new clients.

## 2.2 For Scheduled Commercial Banks (SCBs)

SCBs fulfilling the following criteria will be eligible to draw refinance from NHB:

- Having Net Non-Performing Assets to Net Advances ratio not exceeding 3.50%. However, NHB may consider relaxation in its NNPA norms on case to case basis subject to approval from competent authority.
- Having Capital Adequacy Ratio of 9% (as per the norms prescribed by Reserve Bank of India)
- Been operating profit making for the last year.

## 2.3 For Small Finance Banks (SFBs)

SFBs fulfilling the following criteria will be eligible to draw refinance from NHB:

- Having Net Non-Performing Assets to Net Advances ratio not exceeding 3.50%. However, NHB may consider relaxation in its NNPA norms on case to case basis subject to approval from competent authority.
- Having Capital Adequacy Ratio of 15% (as per the norms prescribed by Reserve Bank of India)
- Been operating profit making for the last year.

#### 2.4 For Urban Cooperative Banks (UCBs) and State Cooperative Banks (SCoBs)

UCBs and SCoBs fulfilling the following criteria will be eligible to draw refinance from NHB:

- Net Non-Performing Assets to Net Advances ratio not exceeding 3.50%
- Capital Adequacy Ratio of not less than 9.00% (as per the norms prescribed by Reserve Bank of India)
- Bank should be profit making for the preceding two years.

#### 2.5 For Regional Rural Banks (RRBs)

RRBs fulfilling the following criteria will be eligible to draw refinance from NHB:

- been notified under schedule II of the Reserve Bank of India Act, 1934
- having positive Net Owned Fund (NOF)
- having Net Non-Performing Assets to Net Advances ratio not exceeding 10%
- having Capital Adequacy Ratio (CAR) not less than 9% (as per the norms prescribed by Reserve Bank of India)
- been profit making for the preceding two years.

#### 2.6 For Apex Cooperative Housing Finance Societies (ACHFS)

ACHFSs fulfilling the following criteria will be eligible to draw refinance from NHB :

- positive net worth
- recovery 75% - refinance upto 100% permitted
- recovery 65% - refinance upto 50% permitted
- audit classification A or B for the preceding three years
- NOF to outstanding borrowings - (1:10)
- adjusted NOF to outstanding borrowings - (1:12.5)
- been profit making for the preceding three years
- been making regular repayment to lenders

#### 2.7 For Agriculture and Rural Development Banks (ARDBs)

ARDBs fulfilling the following criteria will be eligible to draw refinance from NHB:

- recovery overall - 60% at PCARDB level (only in case of federal structure) and 75% at SCARDB (unitary structure)
- overdues  $\geq$  5 years should be covered by legal action
- not defaulted to any lender

2.8 The PLI will have to attain the minimum stipulated rating to be eligible for financial assistance from NHB. For this purpose, NHB has developed an internal credit rating model to determine the eligibility for financial assistance for the PLIs.

### 3. Extent of Refinance

The maximum quantum of refinance (as percentage of the individual housing loan portfolio of the PLI) which can be extended by NHB is:

Category	Quantum of Refinance (%)
HFCs*	50*
SCBs/SFBs	50

Category	Quantum of Refinance (%)
UCBs	50
SCoBs	50
ARDBs	50
RRBs	50
ACHFS	50

\* Also refer to the eligibility criteria

#### 4. Tenure of Refinance

The refinance may be available for a period of not less than 1 year and not exceeding 15 years subject to the maturity of the flagged loan list provided by the PLI as security/parameters of the refinance scheme availed/discretion of NHB. The tenure is also subject to the conditions of the respective scheme under which refinance is availed.

#### 5. Repayment of Refinance

- 5.1 Repayment of principal and payment of interest will be on quarterly basis.
- 5.2 Repayment of principal will start after one clear calendar quarter from the date of disbursement.
- 5.3 Payment of interest will start from the quarter starting immediately after the disbursement.
- 5.4 The due dates of payment of interest and principal will be informed to PLI in the repayment schedule after each release of refinance.

#### 6. Prepayment

##### 6.1 Housing Finance Companies

##### 6.1.1 Disbursements made upto 30-06-2015

- a) HFCs are permitted to prepay outstanding refinance (either in full or in part) without any prepayment charge
- b) HFCs are required to give 2 months' notice to NHB about their intention to prepay
- c) The amount received as prepayment is applied against the various accounts of the PLI on First In First Out (FIFO) basis, unless the PLI has indicated the specific accounts against which the prepayment has been made

##### 6.1.2 Disbursements made on or after 01-07-2015

6.1.2.1 The refinance availed by the HFCs can be prepaid without any prepayment charge subject to the fulfilment of all of the following conditions :

- a) Such refinance is availed under Rural Housing Fund, Urban Housing Fund, Special Urban Refinance Scheme for Low Income Households, or under Regular Refinance Scheme at concessional rates,
- b) The HFC has also received the said amount from the ultimate borrowers under these schemes, and
- c) The prepayment is made not more than once in a quarter after giving two weeks' notice.

6.1.2.2 The refinance availed by HFCs can also be prepaid by them without any prepayment charge subject to the following conditions :

- d) The said refinance has run for at least one year (including the required period of notice), and
- e) Prior notice of two months is given to NHB, and
- f) Such prepayment is made not more than once in any half year (January - June or July - December).

6.1.2.3 In all other cases, prepayment would be accepted from the HFCs upon payment of prepayment charges as stated below and subject to the HFC giving two months' notice in writing:

Ageing (time elapsed since disbursement)	Prepayment Charges
Upto 1 year	1.0% of amount to be prepaid
More than 1 year	0.5% of amount to be prepaid

## 6.2 Prepayment by Other Primary Lending institutions

### 6.2.1 Disbursements made upto 30-06-2015

PLIs other than HFCs are permitted to prepay refinance after giving two months' notice of their intention to prepay and on payment of prepayment charges as under :

Ageing (Time Elapsed since Disbursement)	Prepayment Charges
Upto 1 year	1.0% of amount to be prepaid
More than 1 year	0.5% of amount to be prepaid

### 6.2.2 Disbursements made on or after 01-07-2015

6.2.2.1 The refinance availed by the PLIs other than HFCs can be prepaid without any prepayment charge subject to the fulfillment of all of the following conditions :

- a) Such refinance is availed under Rural Housing Fund, Urban Housing Fund, Special Urban Refinance Scheme for Low Income Households, or under Regular Refinance Scheme at concessional rates,
- b) The PLI has also received the said amount from the ultimate borrowers under these schemes, and
- c) The prepayment is made not more than once in a quarter after giving two weeks' notice.

6.2.2.2 In all other cases, prepayment would be accepted from the PLIs upon payment of prepayment charges as stated below and subject to the PLI giving two months' notice in writing:

Ageing (time elapsed since disbursement)	Prepayment Charges
Upto 1 year	1.0% of amount to be prepaid
More than 1 year	0.5% of amount to be prepaid

### 6.3 General Provisions

- a) The prepayment charge is calculated on the actual amount prepaid by the PLI. In case the prepayment received is less than the amount intimated by the PLI at the time of giving notice of prepayment to NHB (due to repayment made in the intervening period against regular demand), the prepayment charge will be calculated on the amount of actual prepayment and not on the amount intimated at the time of notice<sup>27</sup>
- b) The amount received as prepayment is to be applied against the various accounts of the PLI on First In First Out (FIFO) basis, unless the PLI has indicated the specific accounts against which the prepayment has been made

## 7. Security for refinance

### 7.1 For HFCs

- In case of HFCs, Refinance from NHB may generally be secured by charge on the book debts (preferably first exclusive charge) of the HFC. Additional security such as charge on immovable properties / movable properties, bank guarantee, personal guarantee of promoter, corporate guarantee or letter of comfort from promoter institution, etc. may be stipulated at NHB's discretion. The security will be determined on case to case basis. The eligible lending institutions shall furnish to NHB / execute in favour of NHB such documents / undertakings etc. in such form and content as may be prescribed by NHB from time to time.
- If at any time NHB is of the opinion that the security provided by the HFC has become inadequate to cover the outstanding refinance, it may advise the HFC to provide and furnish, to the satisfaction of NHB, such additional security as may be acceptable to NHB to cover such deficiency.

### 7.2 For SCBs and SFBs

- **Security to be obtained from Individual Beneficiaries**
  - SCBs are required to follow security and margin in respect of their direct housing finance as approved by their board in conformity with the guidelines in this regard issued from time to time by the Reserve Bank of India.
  - The credit risk of the primary loan will be fully taken by the SCB and the refinance sought from NHB is repayable irrespective of the primary loan account remaining regular or otherwise.
- **Comfort for refinance**
  - SCBs availing refinance are required execute one-time Memorandum of Agreement and Letter of Authority authorizing NHB to debit, in case of default, their current account maintained with the Reserve Bank of India.

### 7.3 For RRBs

- **Security to be obtained from Individual Beneficiaries**

- RRBs are required to follow security and margin in respect of their direct housing finance as approved by their board in conformity with the guidelines in this regard issued from time to time by the Reserve Bank of India.
- The credit risk of the primary loan will be fully taken by the RRB and the refinance sought from NHB is repayable irrespective of the primary loan account remaining regular or otherwise.

- **Security for refinance**

- RRBs availing refinance are required execute one-time Memorandum of Agreement and Letter of Authority authorizing NHB to debit, in case of default, their current account maintained with their Sponsor Bank or the Reserve Bank of India.

## 8. Rate of Interest

8.1 The interest on refinance will be compounded monthly and payable quarterly.

8.2 Refinance assistance will be provided either at **fixed** or **floating** rates of interest, depending upon the provisions of the respective refinance schemes. However, refinance provided to RRBs shall be only under fixed rates.

8.3 The PLI would have the option to choose either floating or fixed interest rate depending on requirement and provisions of the respective refinance schemes.

8.4 The interest rate charged to the PLI will be as prevailing on the date of disbursement and will depend on the internal credit rating assigned to it by NHB, and repayment period sought under refinance. The rate of interest is subject to periodic revision by NHB and this will be informed from time to time.

## 8.5 Conversion of Fixed Rate Loans to Floating Rate Loans and vice versa

- Applicable to HFCs, SCBs, and SFBs
- Not applicable to RRBs, UCBs, SCoBs, ACHFS and ARDBs
- Not permitted in case of those schemes where only fixed rate refinance is available
  - Affordable Housing Fund
  - Rural Housing Fund
  - Urban Housing Fund
  - Liquidity Infusion Facility for Housing Finance Companies (LIFt)
  - Special Urban Housing Refinance Scheme for Low Income Households
  - Special Refinance Facility - 2021
- **Notice Period** – One week
- **Conversion charges** - 0.25% of outstanding amount being converted. The other terms and conditions of disbursement will remain unchanged. The interest rate to be offered at the time of the re-pricing may be decided by NHB. Further, NHB would have the power to waive entirely or in part, the re-pricing fee and notice period.
- **Dates of conversion** - 1<sup>st</sup> day of next Month
- **Re-Pricing of Loans**

Bank may provide the option of re-pricing of loans to its clients as per the following terms:

Eligible Institutions	SCBs, SFBs, HFCs, UCBs and RRBs.
Eligible Schemes	Regular Refinance
Notice period	Ten working days
Re-pricing fee	0.50% of the loan outstanding
Effective date of re-pricing	First day of the next month
Minimum completed period	One year from the date of disbursement
No. of times re-pricing can be done	Once in a financial year (July-June), but not in successive quarters.

The other terms and conditions of disbursement will remain unchanged. The interest rate to be offered at the time of the re-pricing may be decided by NHB. Further, NHB would have the power to waive entirely or in part, the re-pricing fee and notice period

## 8.6 Reset of Interest Rate on Fixed Rate Loans

8.6.1 In case of refinance extended at fixed rates of interest, NHB will have the option to reset the rates on outstanding loans on completion of such periods as may be agreed to between NHB and the PLI at the time of disbursement of refinance. The effective date of the reset will be :

- If the reset period is below 3 years - The day on which the reset period gets completed
- If the reset period is 3 years or above - The first day of the quarter immediately succeeding the quarter in which the reset period gets completed

8.6.2 The applicable interest rate will be the then prevailing fixed rate of interest for the term equivalent to the original repayment period of that loan.

8.6.3 At the time of reset, the PLI will have the option to either continue with the outstanding balance on the revised rates or to prepay the same without any notice period/ prepayment charge.

## 8.7 Reset of Interest Rate on Floating Rate Loans

8.7.1 This facility is available only to HFCs, SCBs, and SFBs

8.7.2 In case of refinance extended at floating rates of interest, the effective date of the reset will be :

- If the interest rate is linked to NHB's PLR - The first day of the quarter immediately succeeding the quarter in which the PLR change takes place
- If the interest rate is linked INBMK or some other external benchmark - The day on which the reset period gets completed

## 9. Procedure for Sanction of Refinance Limit

9.1 Refinance limits are sanctioned to the PLIs for the year (July - June).

- 9.2 PLI desirous of availing refinance should submit to NHB its application in prescribed format, which has been uploaded in NHB's website, applicable to the PLIs together with the necessary annexures / enclosures.
- 9.3 The sanctioned limit under refinance shall be valid for acceptance by the PLIs within 90 days of the receipt of sanction letter from NHB and have to avail the 1st disbursement in three months from the date of acceptance. In case, any PLI does not give its acceptance of the sanction within the stipulated period, the sanction stands lapsed. In case PLI seeks extension of time line for acceptance, the request of the PLI can be reviewed by the Bank and the time line may be extended by another 90 days. Additionally, the PLI is to avail the first disbursement within three months from the date of acceptance of the sanctioned limit not adhering to which, the limit sanctioned shall stand lapsed.

## 10. Procedure for Documentation

- 10.1 Once the limit is sanctioned and conveyed to the PLI through a Sanction Letter, the PLI will be required to complete the documentation for the sanctioned limit.
- 10.2 The documentation required to be executed is mentioned below:

**For HFCs:** The eligible lending institutions furnish to NHB / execute in favour of NHB such documents / undertakings etc. in such form and content as may be prescribed by NHB from time to time.

**For SCBs, SFBs, RRBs and UCBs:** Irrevocable Letter of Authority (LoA) is obtained from the Bank that in the event of default committed by them notwithstanding any dispute that may exist or arise between NHB and the Bank, NHB shall be authorized to debit their Current Account maintained with the Reserve Bank of India (RBI). The LoA is countersigned by the RBI.

For ARDBs and ACHFs: Guarantee of the respective State Government or floating pari passu charge on the properties and assets of the ACHFS/ARDB

- 10.3 Upon completion of documentation, the PLI can start drawing funds from NHB.

## 11. Procedure for Disbursement

- 11.1 Application for disbursement of refinance shall be made in the format as applicable to the PLI (the format has been uploaded in Bank's website). The application form shall be accompanied by the applicable **annexures** as per the requirements of the respective refinance scheme.
- 11.2 The application shall be signed by an official of the PLI duly authorized in this regard. The PLI would be required to furnish, for the period from July to June every year, a list of person(s) authorized by the Board of Directors / Chief Executive to sign the forms / statements / letters along with their specimen signatures for NHB's records. If there is any change in the list of authorized signatories during the year, the same shall also be informed to NHB.

11.3 The amount of refinance released during one month could be restricted by NHB based on rating obtained by the PLI and the refinance limit sanctioned to it.

## 12. Mode of Release

The refinance released will be routed through the current account maintained by the PLI in any NEFT enabled bank branch through RTGS. The mode of release and necessary details of the current account along with bank branch details will have to be intimated to NHB in the disbursement application as applicable to PLI.

## 13. Mode of Repayment

13.1 All payments are to be made under advice to NHB, New Delhi, by way of RTGS favouring National Housing Bank in its account no. 00600350008114 maintained with HDFC Bank Limited, Nanik Motwani Marg Branch, Mumbai, having IFSC Code HDFC0000060.

13.2 Repayment of **principal** shall be made by the PLI to NHB as follows :

- (i) The amount of refinance availed shall be repaid to NHB in a period not exceeding 15 years by way of equal quarterly instalments, as specified by NHB.
- (ii) The due date for the repayments shall be the first day of each calendar quarter (i.e. 1<sup>st</sup> January, 1<sup>st</sup> April, 1<sup>st</sup> July, and 1<sup>st</sup> October each year) or as applicable for specific refinance schemes.
- (iii) Repayment of principal shall commence after a gap of one clear calendar quarter following the disbursal of refinance and as may be specified by NHB.  
*For example, if refinance is disbursed on 4<sup>th</sup> April, 2021 the first instalment of principal will fall due for repayment on 1<sup>st</sup> October, 2021, i.e. after a gap of calendar quarter July to September, 2021.*

13.3 Payment of interest by the PLI to NHB shall be made as follows :

- (i) Interest to be paid to NHB on refinance, will be calculated on daily product basis and charged at monthly rests.
- (ii) For calculation of interest, a 'year' will be taken as 365 days, irrespective of whether the year is a leap year or a normal year.
- (iii) Payment of interest shall commence from the first day of the calendar quarter immediately succeeding the date of disbursal of refinance.  
*For example, if refinance is disbursed on 4<sup>th</sup> April, 2021 the interest on the refinance will first fall due for payment on 1<sup>st</sup> July, 2021.*
- (iv) The interest on the refinance will begin to accrue in favour of NHB from the date of disbursement.

13.4 The PLIs are allowed a grace period of three working days for payment of the principal due. Repayments made within the first three working days of the quarter do not attract any additional / penal interest. In case of delay in repayment beyond the first three working days, additional / penal interest @2% is charged for the entire duration (i.e. from the due date up to the date of repayment)

13.5 Further, PLIs are required to pay the demand due, by the due date intimated by the Bank. Non-adherence to the same shall result in classification of the account under SMA-0 as on due date (part of day end process) as stipulated by RBI by it's circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to

Advances – Clarifications dated 12-11-2021 and any applicable circular updated by RBI from time to time.

- 13.6 If the repayment of instalment and payment of interest is made before the due date, credit will be given only on the due date.
- 13.7 The PLI shall make payments to NHB promptly on due dates, irrespective of whether or not the amount is actually recovered by it from the borrowers.

#### 14. Periodic Returns to NHB (Applicable only for HFCs)

An HFC availing refinance from NHB will be required to furnish various statements / information to NHB on periodic basis. The PLIs should be prompt and regular in submission of these returns. The statements to be furnished to NHB are as under:

Frequency	Name of Return	Time Period for Submission
Quarterly	NHB-HFC-04 (Quarterly Return)	within one month of the end of the quarter
	NHB-HFC-10 (Quarterly Adverse Balance Return) ▪ Annexure I (Statement of Flagged loans, duly countersigned by their CEO and CFO))	within 15 days after the end of the quarter
Half Yearly	NHB-HFC-05 (Adverse Balance certificate) ▪ Annexure I (Statement of Flagged loans certified by statutory Auditor)	within two months of the end of the half year
	NHB-HFC-06 (Half Yearly Information on Borrowings to be submitted by HFCs where refinance is secured by a charge on book debts)	within 30 days of the end of the half year
Annual	NHB-HFC-07 (Annual Confirmation of Negative Lien Covenant)	within 15 days of the end of the year
	NHB-HFC-08 (Annual Return)	within two months of the end of the year
	NHB-HFC-09 (Annual Return for Classification of beneficiaries)	within one month of the end of the financial year

The format for the various returns to be submitted by HFCs have been uploaded on the Bank's website: <https://nhb.org.in/en/refinance-returns-prescribed-for-housing-finance-companies-hfcs/>

#### 15. Other Terms and Conditions

##### 15.1 Adverse Balance (Applicable only for HFCs)

- 15.1.1 Adverse balance is the excess of refinance outstanding over the balance outstanding of loans flagged for refinance, both reckoned on the same date.
- 15.1.2 HFCs availing refinance from NHB shall furnish a certificate as at 31<sup>st</sup> March, 30<sup>th</sup> June, 30<sup>th</sup> September and 31<sup>st</sup> December every year, in the prescribed format i.e. **NHB-HFC-10** (quarterly; duly countersigned by their CEO and CFO) and **NHB-HFC-05** (half yearly; duly countersigned by their Statutory Auditors) confirming that the refinance outstanding from NHB does not exceed the total outstanding housing loans, in respect of which refinance has been obtained.
- 15.1.3 In the eventuality of the outstanding refinance due by HFC to NHB exceeding the **aggregate of all outstanding housing loans in respect of which refinance has been availed** by the HFC i.e. adverse balance, the HFC would be required to repay refinance to NHB to the extent of adverse balance. It may be noted that any payment made in advance towards the demand due on the first day of the next quarter should not be adjusted from the outstanding refinance while computing the adverse balance.
- 15.1.4 In case of adverse balance, the HFCs will also be required to place the certificate to their Board of Directors before forwarding the same to NHB.
- 15.1.5 The quarterly adverse balance certificate and the remittance of the adverse balance amount, if any, may be submitted within 15 days from the close of the quarter and adverse balance, if any, calculated vide NHB-HFC-10 for the respective quarter may be remitted by end of month of the succeeding month of the reporting quarter. For eg. For June quarter, the remittance may be made by July 31. Credit will be given for such payments on the date of credit of the amount to NHB's Bank Account. The HFC will be required to furnish a list of refinance releases (i.e. loan accounts relating to each drawal of refinance) in which the adverse balance has arisen, along with the aggregate of outstanding housing loan in respect of each refinance loan account, vide Annexure to the Adverse Balance Certificate. The amount repaid to NHB will be adjusted accordingly.
- 15.1.6 In this context, the following may be noted:
- Loan accounts 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 and with the same housing unit financed as a primary security shall continue to be covered under the flagged housing loans against NHB's refinance, and will not be reckoned for computation of adverse balance.
  - Book debts flagged / covered for the purpose of collateral security / additional margin requirements will not be counted for computing the sum aggregate of all outstanding housing loans in respect of which refinance has been availed as on 31<sup>st</sup> March /30<sup>th</sup> June/ 30<sup>th</sup> September/31<sup>st</sup> December, i.e. additional margin stipulated over and above the security of book debts created out of refinance will not be reckoned for the computation of adverse balance. This additional margin will be for the purpose of collateral security and has to be maintained on the outstanding refinance.
  - NPA accounts should be excluded while calculating the adverse balance and the revised flagged loan list is to be submitted in excel and hard copy.
  - Loan accounts for which refinance has been taken from NHB should be distinctly identifiable from the records of the HFC and the list of all such accounts should be available with the HFC and continue to be maintained in the records.

- In the case of adverse balance arising due to pre-closure of loans in normal operations of lending and accelerated repayments, the same would get automatically included while computing the adverse balance and may be repaid following the required procedure and on the advice of NHB. Such repayments due to adverse balance shall not attract any levy.

## 15.2 Borrowings from Institutions other than NHB (Applicable only for HFCs)

### 15.2.1 Borrowings by way of floatation of bonds / debentures

In case of borrowings by way of floatation of bonds / debentures whether unsecured or secured, listed or privately placed, the Company shall apply for a No Objection Certificate (NOC). The following documents are required to be submitted with the application for the NOC:

- Copies of the memorandum / notes placed before the Board of Directors seeking approval for the bond / debenture issue and the resolution passed thereof.
- Certified copy of the prospectus of the bond / debenture issue.
- On the request of the HFCs, NHB will issue the yearly NOC to HFCs for raising funds through NCDs/Bonds. HFCs will be required to submit their yearly borrowing plan, including NCDs/Bonds, preferably at the beginning of their financial year. Further, the HFC has to inform NHB, within 10 working days from the issuance of NCDs/Bonds tranche with complete details, and a declaration from the HFC that none of the security clauses of NHB in respect of its refinance assistance are infringed upon.

### 15.2.2 Borrowings from banks / financial institutions

- Companies to which refinance has been extended on negative lien basis are not required to seek NOC from NHB for borrowing from banks / financial institutions. However, **Annual Confirmation of Negative Lien Covenant** in the format **NHB-HFC-07** will have to be submitted within 15 days of the end of the year. In addition, **yearly** information on borrowings will have to be furnished every year as on **31<sup>st</sup> March** in the format **NHB-HFC-06**.
- Companies whose refinance is secured by an exclusive charge over book debts are not required to seek NOC from NHB for borrowing from banks / financial institutions. However, half yearly information on borrowings will have to be furnished every year as on 31<sup>st</sup> March and 30<sup>th</sup> September in the format **NHB-HFC-06**.
- Companies whose refinance is secured by a charge over all book debts shared on *pari passu* basis with other lenders, will have to obtain NOC from NHB for their borrowing from banks / financial institutions. Further, half yearly information on borrowings will have to be furnished every year as on 31<sup>st</sup> March and 30<sup>th</sup> September in the format **NHB-HFC-06**.
- The Company shall ensure that the security offered to NHB for its refinance assistance is not infringed upon while entering into agreements / creating charge with / in favour of other banks / financial institutions. The Company will invariably report to the other lenders the current position relating to security / charge offered to NHB under refinance. If any charge is created and registered with ROC by the Company in favour of any lender, NHB shall be informed about the same in the half yearly statement of borrowings.
- Letter ceding *pari passu* charge in favour of NHB would be obtained from the banks / financial institutions and furnished to NHB wherever necessary. Consent of the

concerned bank / financial institution would also be obtained to enter into such agreements with NHB as may be deemed necessary.

### **15.3 Loans Eligible for Refinance from NHB (Applicable only for HFCs)**

All housing loans covered under the scheme shall be

- Standard Assets as per the Housing Finance Companies (NHB) Directions, 2010 as amended upto date/RBI directions amended upto date, and
- unencumbered at the time of claiming refinance from NHB and during the entire tenure of refinance.

### **15.4 Flagging of Loans Refinanced by NHB (Applicable only for HFCs)**

**15.4.1** The HFCs will be required to properly identify all loans for which financial assistance is obtained from NHB and maintain a list of all such loans.

**15.4.2** All information pertaining to such accounts shall be kept up-to-date.

**15.4.3** Individual housing loans once flagged against NHB's refinance can never be changed without prior sanction of NHB as long as they are in the books of HFC and they should be distinctly identifiable.

**15.4.4** A list of such book debts would be submitted to NHB along with the NHB-HFC-10 and NHB-HFC-05 returns (in excel, and also on demand).

### **15.5 Annual Auditors Certificates from Banks (SCB/RRB/UCB/SFB)**

Banks availing refinance and having an outstanding with NHB are advised to submit Auditor's Certificate on an annual basis (31<sup>st</sup> March each year), confirming that the loans flagged/earmarked to NHB against Refinance are distinctly identified in the books of the bank and the same are free of any charge and/or have not been securitized/sold. The certificate shall also cover that the flagged/earmarked housing loans are adequate and fully cover the loan contract wise refinance outstanding under respective schemes from NHB. In case of any shortfall, the banks are advised to remit the shortfall amount latest by 31<sup>st</sup> May every year to NHB.

## **15.6 Inspection**

The books of account, registers, and all other relevant records of the PLI can be inspected by or on behalf of NHB. The expenses in respect of such credit inspection will be borne by all categories of the PLIs except RRBs.

## **15.7 Inspection / Audit Compliance**

The PLIs shall take prompt action on any findings of inspection / audit and inform the same to NHB. The Bank recovers credit inspection charges from HFCs, SCBs, SFBs and UCBs. RRBs are excluded from recovery of credit inspection charges.

## **15.8 Appraisal and Follow-up of Housing Loans**

The PLIs should have proper systems and procedures for appraisal and follow-up of housing loans, as also expert, qualified staff for the purpose and adequate arrangements for training them.

## **15.9 NHB's /RBI's Guidelines**

Finance provided by the eligible lending institution for housing and covered under the Scheme should conform to Guidelines and Directions issued by NHB and RBI from time to time.

## **15.10 Post Disbursal Discipline**

There should be proper post disbursement supervision and follow up of housing loans to ensure proper end use of funds as also timely and regular repayment of the loans.

## **15.11 Maintenance of Recovery Performance**

Continuance of refinance facility from NHB will be subject to maintenance of satisfactory recovery performance by the eligible PLIs from the beneficiaries under various categories i.e. individuals, builders, CFIs etc. and conditions stipulated by NHB from time to time.

## **15.12 Refinance Assistance at Discretion of NHB**

Refinance facility shall be available at the sole discretion of NHB and cannot be claimed as a matter of right.

## **15.13 Recall of Refinance**

NHB reserves the right to recall the refinance in the event of diversion of the relative funds for purposes other than housing or for suppression of any material information by the eligible lending institution or the happening of any such event, which may, in the opinion of NHB, endanger the repayment of financial assistance.

#### 15.14 NHB's Right to Modify the Scheme

NHB may, at its sole discretion, alter / modify the refinance facility either in respect of all eligible lending institutions or in respect of any one or group of eligible lending institutions as regards the procedure, terms and conditions, eligibility criteria and such other related issues.

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## SECTION B

### Various Schemes Available for Refinance



NHB currently has the following refinance schemes in operation for HFCs:

No.	Scheme		
	Full Name	Short Name	
1.	Regular Refinance Scheme	LRS	Details given on page 20
2.	Affordable Housing Fund	AHF	Details given on page 22
4.	Refinance for Construction Finance for Affordable Housing	RCFAH	Details given on page 24

The formats of the Refinance assistance forms for various type of PLIs are given in the Bank's website: <https://www.nhb.org.in/financing/refinance-assistance-from-nhb/>

## • Regular Refinance Scheme

1. Purpose - To provide refinance assistance in respect of housing loans extended by primary lending institutions for :

- Construction / purchase of dwelling units
- Repairs / renovation / upgradation of dwelling units

2. Applicable to -

- HFCs
- SCBs
- UCBs
- SCoBs
- RRBs
- ACHFS
- ARDBs
- SFBs

3. Maximum Loan size -

PLI Type	Max. Loan Size
HFCs	All loans
SCBs/SFBs	All loans
UCBs	₹50 lakhs
SCoBs	₹30 lakhs
RRBs	₹20 lakhs
ACHFS	₹10 lakhs
ARDBs	₹10 lakhs

4. Location - Pan India

5. Ultimate borrowers - All

6. Tenure of refinance -

6.1. For HFCs, UCBs, SCoBs, RRBs, ACHFS & ARDBs - 1 year to 15 years

6.2. For SCBs/SFBs

- Having quarterly repayment - 1 year to 15 years
- Having bullet repayment - 1 year to 5 years

7. Type of Interest Rate -

- Floating rate with annual reset<sup>63</sup>, or
- Fixed rate with resets

The interest rate will be determined at the time of disbursement based on market conditions.

8. Concessions in interest rate - Concession in interest rate will be available for refinance in respect of the following loans:

- Loans upto ₹10 lakhs
- Loans in rural areas (as per 2011 Census)
- Loans to women (where the woman is owner / co-owner of financed property)
- Loans to persons of 3rd gender (where the beneficiary is owner / co-owner of financed property)
- Loans to disabled or differently abled persons (where the beneficiary is owner / co-owner of financed property)
- Loans to persons belonging to Scheduled Castes / Scheduled Tribes (where the beneficiary is owner / co-owner of financed property)
- Loans for green housing (concession for green housing may be considered after submission of the flagged loans certified by green rating agencies viz. GRIHA, IGBC etc. (4 or above star/Platinum or Gold star))<sup>64</sup>
- Loans in Aspirational Districts as circulated by Niti Aayog
- Loans to North-Eastern States
- Loans to Jammu and Kashmir, Ladakh

9. Determination of Interest Rate Structure - Interest rates and conditions of reset will be determined as per Bank's Policy.

## • Affordable Housing Fund

Salient features of Refinance Scheme under AHF are as follows.

### 1. Objective

The AHF shall be utilized for refinancing the individual housing loans having outstanding as on date of request for refinance which were disbursed during previous 12 months, falling under rural and urban category based on the demands received from the PLIs.

### 2. PLIs eligible for refinance under Affordable Housing Fund

- Housing Finance Companies (HFCs)
- Scheduled Urban Cooperative Banks (UCBs)
- Regional Rural Banks (RRBs)
- Small Finance Banks (SFBs)
- Apex Cooperative Housing Finance Societies (ACHFS)
- Agricultural & Rural Development Banks (ARDBs)

### 3. Areas Covered

- **Urban** - All areas falling under the Statutory Town definition of Pradhan Mantri Awas Yojana - Urban;
- **Rural** - Any other areas not falling under the Statutory Town definition of Pradhan Mantri Awas Yojana - Urban.

### 4. Eligible individual housing loans

- Individual Housing Loans having outstanding as on date of request for refinance which were disbursed during previous 12 months.
- Individual housing loans disbursed as provided in para 12.1(i) of Master Directions on Priority Sector lending.
- Individual housing loans under Weaker Section category as defined in the RBI's guidelines on lending to the priority sector and women.
- In respect of loans to borrowers other than weaker section and women, the annual household income of borrowers does not exceed ₹3 lakh in rural areas and ₹6 lakh in urban areas.

### 5. Loan Tenure - Maximum 7 years

### 6. Rate of Interest- Refinance offered by NHB to PLIs will be at a fixed rate of interest and the interest rates would be fixed by ALCO as per the Government's / RBI's direction.

### 7. On-lending interest rate Cap:

The on-lending interest rate cap 350 bps over the 10 year yield (*yield as on the last day of the quarter will be considered for refinance for the ensuing quarter*).

### 8. Payment of Interest - Compounded monthly and payable quarterly

### 9. Repayment of Principal - Quarterly

10. Others - Any disbursement made under the AHF will be within the PLI's annual sanction limit approved by the NHB and other terms and conditions applicable under NHB's Regular Refinance Scheme. PLIs are required to submit the category wise eligible individual housing loan accounts list in soft format as well as print outs.
11. Special Dispensation for EWS households and rural portfolio
  - In respect of rural and urban portfolio of HFCs in respect of EWS category, 100% of the claim amount is disbursed.
  - In respect of rural and urban portfolio of RRBs/SFBs etc. in respect of EWS and LIG category, 100% of the claim amount is disbursed.
12. Funds shall be provided on first come first serve basis.

## • Refinance for Construction Finance for Affordable Housing

1. Purpose - To provide refinance assistance in respect of loans extended by primary lending institutions to public agencies, private agencies / developers / builders for their affordable housing projects.
2. Eligible PLIs - Housing Finance Companies (HFCs) and Scheduled Commercial Banks (SCBs).
3. Eligibility Criteria:

Housing Finance Companies (HFCs) whose Net Owned Fund (NOF) is more than Rs. 500 crore as on the last day of the previous financial year and who are eligible under the Liberalized Refinance Scheme (LRS) scheme of NHB will be eligible for refinance under this scheme.

All Scheduled Commercial Banks (SCBs), who are eligible for refinance under the Liberalized Refinance Scheme (LRS) of NHB are also eligible under this scheme.

The construction finance project of the PLI against which this refinance is availed, should have a minimum external rating of "Moderate Project or Equivalent" from the credit rating agency registered with SEBI.

4. Definition of Affordable Housing Project:

As defined under the Harmonized Master List of Infrastructure Sub-sectors vide notification dated 14.11.2017 by Department of Economic Affairs, Ministry of Finance, Government of India, at present, Affordable Housing is defined as a housing project using at least 50% of the FAR (Floor Area Ratio) / FSI (Floor Space Index) for dwelling units with carpet area of not more than 60 Sq. Mts.

Refinance would be available to the extent of the project cost apportioned for the affordable housing viz. in terms of proportion of the sum of carpet area for units having individual carpet area not exceeding 60 sq. mts to the total carpet area under the project.

5. Projects eligible for Refinance.

The total cost shall not exceed Rs. 50 crores per project and loan by PLIs to the project shall be as follows:

Net Owned Fund	Loan amount not exceeding per project.
Above Rs. 500 crore and up to Rs. 1,000 crore	Rs. 10 crore
Above Rs. 1,000 crore and up to Rs. 2,000	Rs. 15 crore
Above Rs. 2,000 crore	Rs. 25 crore

Within the overall refinance limit sanction to a PLI, a sub-limit of not exceeding 15% of overall limit sanctioned (i.e. outstanding + proposed limit) will be ear-marked for refinance against the Construction Finance for Affordable Housing.

Overall exposure of NHB under the scheme be restricted to 5% of NOF of the NHB.

6. Margin or asset cover:

A margin of 20% over and above the refinance or the asset cover will be 120% of the refinanced amount.

7. Security to be obtained from Primary lending institutions:

In the case of Housing Finance Companies, Book debts against which refinance has been availed will be charged to National Housing Bank. Further, HFCs will also recognize the rights of NHB under Section 16B of the NHB act, 1987.

In the case of Scheduled Commercial Banks, refinance under the scheme will be extended as is being extended at present in the case of individual housing loans i.e. the list of all the projects against which refinance has been availed will be flagged to NHB and will be covered by Section 16B of the NHB Act, 1987 along with a Letter of Authorization (LoA).

NHB shall have the unencumbered charge on the Affordable Housing Project loan refinanced/security offered.

8. Additional conditions:

- At the time of drawdown of the Refinance, Statutory Auditors' of the HFC/ Bank will certify that outstanding loan against which refinance is sought, was utilized for the respective project only. Further, the Auditor will certify that the Book Debt account is standard with not more than 30 days DPD and free from litigation. Financial closure is to be ensured by the PLI for the Project.
- All the projects will be geo-tagged by the lending Primary Lending Institution and registered under the provisions of the Real Estate (Regulation and Development) Act, 2016 (RERA), wherever such regulations are in force.
- Repayment period will be a maximum of five years.
- The total exposure of NHB to any group (builder) will not exceed Rs. 100 crore across all the PLIs.
- Any amount received by the PLI from the builder upon sale on residential units or otherwise will be repaid to National Housing Bank as per Section 16B of the NHB act, 1987.
- The rate of interest, terms of prepayment and other conditions will be as prescribed under the LRS/Regular Refinance scheme.