

MRO/DOS/DAK/2023/01688
July 27, 2023

To,

All Registered Housing Finance Companies

Madam/Sir,

Purpose of Loan- Advisory


It has been observed that in cases of Loan Against Property/Other Non-Housing loans given to borrowers, the purpose of the loan sometimes is not being explicitly mentioned/captured in the sanction letter/loan agreement/MITC or the purpose is being mentioned only as 'Non-Housing'/'Loan Against Property'.

2. The HFCs are therefore advised that the purpose of the loan has to be clearly mentioned in the sanction letter, loan agreement and MITC executed with the borrowers i.e whether the purpose of loan is for business or for non-business like medical expenses etc.

3. Further, HFCs are also encouraged to obtain a declaration/undertaking from the customers at the time of Loan Application which may include clauses such as loan will be utilised only for the purpose for which it is being sanctioned, purpose of use of funds under the loan will not be changed in any manner during the tenor of loan, loan shall not be used for any illegal and/or antisocial and/or speculative purposes in any form.

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

Yours faithfully,


(S.K. Padhi) -
General Manager

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“बैंक हिन्दी में पत्राचार का स्वागत करता है”