

RBI tweaks norms to boost affordable housing lending

Change in norms may boost low-cost housing.

The Reserve Bank of India (RBI) has increased the eligibility limit for a loan to classify as priority sector lending in a bid to boost affordable housing

For metropolitan areas, loan limits have been raised from Rs. 28 lakh to Rs. 35 lakh and for other areas, it has been increased from Rs. 20 lakh to Rs. 25 lakh, provided the overall cost of the home does not exceed Rs. 45 lakh and Rs. 30 lakh respectively.

The central bank said the move was aimed at giving a fillip to low-cost housing for the economically weaker sections and lower income groups.

“This would give a boost to affordable housing real estate sector and help in economic growth,” said Khushru Jijina, MD, Piramal Finance and Piramal Housing Finance.

The central bank would issue a circular to this effect by June 30.

Cautions on bad loans

The central bank also cautioned about an increase in bad loans for loans of up to Rs. 2 lakh and said banks needed to strengthen screening and follow-up measures.

“After a careful analysis of the housing loans data, it has been observed that the level of NPAs (non-performing assets) for the [loans of] ticket size of up to Rs. 2 lakh has been high and is rising briskly,” RBI said.

The banking regulator said it may also tighten loan to value ratio (amount of loan to the total cost of a house) or increase the risk weight if there is a need.

The RBI has also allowed banks and NBFCs to classify their exposure, as per the 180-day past-due criterion, to all MSMEs with aggregate credit facilities up to the Rs. 25 crore, including those not registered under GST.

“Eligible MSME accounts, which were standard as on August 31, 2017, shall continue to be classified as standard by banks and NBFCs if the payments due as on September 1, 2017 and falling due thereafter up to December 31, 2018 were/are paid not later than 180 days from their original due date,” the RBI said.

The RBI said in view of the benefits arising from the increasing formalisation of the economy for financial stability, the 180-day past-due criterion, in respect of dues payable by GST-registered MSMEs from January 1, 2019 onwards, will be aligned to the extant norm of 90-day past-due in a phased manner. For entities that do not get registered under GST by December 31, 2018, the asset classification in respect of dues payable from January 1, 2019 onwards will immediately revert to the 90- day norm.

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