

# FIDC

## Finance Industry Development Council

*(A Representative Body of NBFCs in India)*

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: +91 9820035553 • E-mail: [mareshthakkar@fidcindia.org.in](mailto:mareshthakkar@fidcindia.org.in)



[www.fidcindia.org.in](http://www.fidcindia.org.in)



July 31, 2025

**Shri M. Rajeshwar Rao**  
**Deputy Governor**  
**Reserve Bank of India**  
**19<sup>th</sup> Floor, Central Office Building**  
**Shahid Bhagat Singh Road**  
**Mumbai-400 001.**

Respected Sir,

### **SUBMISSION ON MATTERS RELATED TO HOUSING FINANCE COMPANIES (HFCs)**

#### **Introduction:**

The Housing Finance sector plays a pivotal role in advancing financial inclusion, affordable housing, and infrastructure development in India. In recent years, the sector has expanded its reach deep into semi-urban and rural markets, complementing the efforts of banks in meeting the nation's housing credit needs.

While this growth has been substantial, several **policy, regulatory, and operational challenges continue to constrain the ability of Housing Finance Companies (HFCs)** to effectively serve their intended segments. These challenges relate to **capital requirements, funding mechanisms, co-lending frameworks, risk provisioning norms, operational compliance expectations, and harmonization of standards across RBI and NHB regulations.**

With a view to fostering a **robust, competitive, and inclusive housing finance ecosystem**, FIDC has compiled the following list of key issues for the kind attention of the **Reserve Bank of India (RBI)**

These issues have been classified into **Policy, Funding & Capital, and Operational/Procedural categories** for ease of reference. The summary table

# FIDC

## Finance Industry Development Council

*(A Representative Body of NBFCs in India)*

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: +91 9820035553 • E-mail: [mareshthakkar@fidcindia.org.in](mailto:mareshthakkar@fidcindia.org.in)



[www.fidcindia.org.in](http://www.fidcindia.org.in)



below provides a snapshot, followed by a detailed representation of each point with examples, impact analysis, and specific recommendations.

### Summary Table of Issues:

No.	Issue	Category
1	Definition of Housing Finance – Harmonization Across Lending Institutions	Policy
2	Plot Loans – 3-Year Conversion Requirement and Regulatory Disadvantage for HFCs	Policy
3	Loan-to-Value (LTV) Ratio – Harmonization with Banks	Policy
4	Valuation Guidelines – Need for Harmonization with Banks	Policy
5	Applicability of Internal Ombudsman (IO) Framework to Housing Finance Companies	Policy
6	Principal Business Criteria – Clarification on Net Asset Calculation for HFCs	Policy
7	Access to Long-Term Liquidity / NHB Refinance Support for HFCs	Funding
8	Access to ECBs and Partial Credit Enhancement (PCE) for HFCs	Funding
9	CRILC Reporting – Explicit Clarification for Housing Finance Companies	Operational
10	Compromise Settlements – Allow window beyond 3 months for one-time settlement flexibility	Operational
11	Fraud Risk Management – Clarification on service of SCN (Show Cause Notice)	Operational
12	Timelines for Release of Property Documents post loan closure – Clarification on uniform timelines	Operational

The above table provides a snapshot of the key concerns collated from the HFC industry.

The subsequent sections of this document provide a **detailed representation for each issue, including:**

# FIDC

## Finance Industry Development Council

*(A Representative Body of NBFCs in India)*

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: +91 9820035553 • E-mail: [mareshthakkar@fidcindia.org.in](mailto:mareshthakkar@fidcindia.org.in)



[www.fidcindia.org.in](http://www.fidcindia.org.in)



- Regulatory context and specific circular references,
- Practical examples of the issue,
- Industry-wide impact (on borrowers, HFCs, and systemic stability), and
- Specific recommendations/requests for RBI consideration.

These points have been prepared with inputs from multiple HFCs to ensure a **comprehensive industry perspective**.

We remain committed to working closely with Reserve bank of India on these important issues and would be happy to provide any further clarifications or participate in detailed discussions on behalf of the NBFC and HFC sector.

Thanking you,

Yours sincerely,

For **FINANCE INDUSTRY DEVELOPMENT COUNCIL**

**MAHESH THAKKAR**  
**CHAIRMAN**  
**9820035553**

# FIDC

## Finance Industry Development Council

(A Representative Body of NBFCs in India)

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: +91 9820035553 • E-mail: [mareshthakkar@fidcindia.org.in](mailto:mareshthakkar@fidcindia.org.in)



[www.fidcindia.org.in](http://www.fidcindia.org.in)



## 1. Definition of Housing Finance – Harmonization Across Lending Institutions

### ⇒ Regulatory Reference:

- **Para 4.16** of *RBI Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021* (as updated).
- NHB advisory no. NHB/HO/DOS/DAK/2023/ 01404/2022-23 dated June 5, 2023 on ‘Classification of Reimbursement Loans as Housing Finance’

### ⇒ Current Regulatory Position

#### For HFCs:

- Para 4.16 prescribes a **narrow definition of “Housing Finance”** restricted to:
  - Loans for purchase/construction of a new dwelling unit
  - Repairs or upgradation of an existing unit
  - Loans to builders for housing projects
- **Ancillary or related financing** (e.g. top-up for solar installation, or financing for furniture, etc.) cannot be classified as “housing finance,” even if the loan is linked to an existing housing loan or is part of house property.
- NHB Advisory clarified that loans for reimbursement of costs incurred on construction/purchase of a house shall not qualify as “housing finance”

#### For Banks and Other FIs:

- No such restrictive definition applies.
- Lending to home-related purposes is allowed under **internal Board-approved policy**, giving flexibility.

### ⇒ Industry Concern

# FIDC

## Finance Industry Development Council

*(A Representative Body of NBFCs in India)*

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: +91 9820035553 • E-mail: [mareshthakkar@fidcindia.org.in](mailto:mareshthakkar@fidcindia.org.in)



[www.fidcindia.org.in](http://www.fidcindia.org.in)



- This restriction **disadvantages HFCs** in designing products for the same purpose as banks.
- HFCs **cannot classify home-linked ancillary loans as housing finance**, forcing them to treat these as unsecured or non-housing loans with **higher capital requirements and higher interest rates**.

### ⇒ Impact on Industry and Borrowers

- **Borrower Impact:**
  - Higher interest rates and EMIs for the same purpose when availing finance from HFCs.
  - Reduced access to credit for borrowers in semi-urban/rural markets, where HFCs have a larger footprint.
- **HFC Impact:**
  - Loss of customers to Banks, even for housing-linked credit needs.
  - Limits ability to **innovate housing products** (e.g., top-ups for sustainable housing improvements).
- **Competitive Imbalance:**
  - Banks enjoy **greater flexibility and pricing power**, while HFCs face **higher regulatory burden**.
- **Financial Inclusion Setback:**
  - Disproportionately affects Tier 2/3 city borrowers who depend on HFCs for affordable housing.

### ⇒ Submission / Representation

- We request that **RBI to harmonize the definition of “housing finance” for HFCs with that applicable to the Banks by:**
  - **Allowing Board-approved policies** for defining the scope of “housing finance,”
  - OR
  - **Expanding the scope of Para 4.16 to include home-related ancillary loans (such as extensions, energy efficiency improvements, and related add-ons).**
- Such harmonization will:
  - Ensure a **level playing field** across all lenders,

# FIDC

## Finance Industry Development Council

(A Representative Body of NBFCs in India)

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: +91 9820035553 • E-mail: [mareshthakkar@fidcindia.org.in](mailto:mareshthakkar@fidcindia.org.in)



[www.fidcindia.org.in](http://www.fidcindia.org.in)



- Expand borrower access to affordable credit,
- Encourage **innovation in housing-linked financial products** aligned with the government's financial inclusion and sustainable housing goals.

## 2. Plot Loans – 3-Year Conversion Requirement and Regulatory Disadvantage for HFCs

### ⇒ Regulatory Reference:

- **Para 4.16(d)** of *RBI Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021*.

### ⇒ Current Regulatory Position

#### • For HFCs:

- Loans given for the **purchase of a residential plot** are considered “housing loans” only if **construction on the plot is completed within 3 years** from the date of disbursement.
- If construction does not commence and finish within 3 years, such loans **must be reclassified as non-housing loans**.

#### • For Banks:

- Banks have **no fixed 3-year timeline prescribed by RBI**.
- Instead, **individual banks can frame their own policy for plot loans** and may allow extended periods for construction based on their assessment of the borrower's circumstances.

### ⇒ Industry Concern

- The **3-year mandatory period for HFCs is rigid and impractical** given the realities of land development and housing construction in India.
- External delays beyond the control of the borrower (e.g., approvals, title clearances, delays by municipal authorities) means that construction is delayed beyond 3 years.

# FIDC

## Finance Industry Development Council

*(A Representative Body of NBFCs in India)*

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: +91 9820035553 • E-mail: [mareshthakkar@fidcindia.org.in](mailto:mareshthakkar@fidcindia.org.in)



[www.fidcindia.org.in](http://www.fidcindia.org.in)



### ⇒ Impact on Industry and Borrowers

- **Borrower Impact:**
  - **Penalized for factors outside their control** (delayed approvals).
  - Taxation benefit loss which is allowed by Government of India
  - Post 3-year reclassification, the loan becomes a “non-housing loan,” which could lead to **higher interest rates** or stricter terms.
- **HFC Impact:**
  - **Artificial portfolio distortion:** Non-housing exposure rises even though the end-use remains housing-related.
  - **Capital and provisioning pressures:** Non-housing loans attract higher capital charges.
- **Competitive Imbalance:**
  - **Banks enjoy a flexible framework**, while HFCs are forced to comply with rigid reclassification timelines.
  - Borrowers may **prefer banks over HFCs** to avoid uncertainty.
- **Financial Inclusion Setback:**
  - HFCs, which extensively work in **Tier 2 and Tier 3 cities and new housing markets**, are less able to support early-stage housing finance.

### ⇒ Submission / Representation

- We request that **RBI harmonize the treatment of plot loans** by:
  - **Allowing HFCs to define plot loan conversion timelines under a Board-approved policy**, just as banks are allowed to do.
  - Recognizing that **housing intent and end-use remain unchanged**, even when construction starts beyond 3 years due to genuine delays.
- This change will:
  - Create **regulatory parity** between banks and HFCs,
  - Avoid **unnecessary reclassification** that misrepresents housing exposures, and

# FIDC

## Finance Industry Development Council

(A Representative Body of NBFCs in India)

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: +91 9820035553 • E-mail: [mareshthakkar@fidcindia.org.in](mailto:mareshthakkar@fidcindia.org.in)



[www.fidcindia.org.in](http://www.fidcindia.org.in)



- Encourage **increased housing credit flow** to new and developing areas.

### 3. Loan-to-Value (LTV) Ratio – Harmonization with Banks

#### ⇒ Regulatory Reference:

- **Para 19** of *RBI Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021* (updated from time to time).
- RBI circular *DBR.BP.BC.No. 44/08.12.015/2016-17* dated April 6, 2017 for banks.

#### ⇒ Current Regulatory Position

- **For HFCs:**

- Para 19 mandates that the **LTV ratio** must be computed on the basis of the **realizable value of the property as assessed by the approved valuer**, not merely its market value.
- Additional prudential caps are applied:
  - Up to ₹30 lakh: Max LTV 90%
  - ₹30–75 lakh: Max LTV 80%
  - Above ₹75 lakh: Max LTV 75%

- **For Banks:**

- Banks are permitted to compute LTV **based on market value of the property** (as per RBI guidelines for commercial banks).
- There is no separate requirement for “realizable value” or downward adjustment beyond the valuer’s report.

#### ⇒ Industry Concern

- The **realizable value concept** creates a **regulatory asymmetry**:
  - Valuers often assign a **discounted realizable value (10–20% lower)** than the market value.
  - This directly reduces the **eligible loan amount for customers borrowing from HFCs**, even when the property value is adequate.



# FIDC

## Finance Industry Development Council

*(A Representative Body of NBFCs in India)*

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: +91 9820035553 • E-mail: [mareshthakkar@fidcindia.org.in](mailto:mareshthakkar@fidcindia.org.in)



[www.fidcindia.org.in](http://www.fidcindia.org.in)



- The effect is a **regulatory disadvantage for HFCs** versus Banks for identical collateral.

### ⇒ Impact on Industry and Borrowers

- **Reduced Access to Credit:**
  - Customers choosing HFCs are sanctioned smaller loans for the same property compared to banks.
- **Competitive Imbalance:**
  - Banks gain a **pricing and customer acquisition advantage**, even though both are regulated entities.
- **Portfolio Impact:**
  - HFCs face pressure to either reject applications or require higher borrower contribution, slowing disbursal.
- **Financial Inclusion Setback:**
  - Particularly affects **first-time borrowers in Tier 2 and Tier 3 cities** who rely on HFCs for housing finance.

### ⇒ Submission / Representation

- We request **RBI to harmonize the LTV computation methodology for HFCs with banks** by:
  - **Permitting the use of market value (as assessed by an empanelled valuer)** instead of realizable value.
- Such harmonization will:
  - **Provide a level playing field** across all lenders,
  - Enhance **borrower access to credit**, and
  - Align with the financial inclusion objectives of housing finance.

## 4. Valuation Guidelines – Need for Harmonization with Banks

### ⇒ Regulatory Reference:

- **Annex XIV of RBI Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021.**

# FIDC

## Finance Industry Development Council

*(A Representative Body of NBFCs in India)*

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: +91 9820035553 • E-mail: [mareshthakkar@fidcindia.org.in](mailto:mareshthakkar@fidcindia.org.in)



[www.fidcindia.org.in](http://www.fidcindia.org.in)



### ⇒ Current Regulatory Position

- **For HFCs:**

- Annex XIV prescribes **mandatory detailed property valuation norms**:
  1. **Two independent valuations** for properties above certain thresholds.
  2. Strict **empanelment criteria for valuers** and periodic rotation.
  3. Maintenance of valuation documentation and justifications.
- These requirements **apply uniformly to all properties**, regardless of risk profile or location.

- **For Banks:**

- Valuation is **risk-based**:
  - **One valuation report is typically sufficient** except for very large exposures or complex properties.
  - Valuer rotation and dual valuations are left to the **internal credit policy** rather than regulatory mandate.

### ⇒ Industry Concern

- For HFCs, the **dual-valuation rule and rotation requirements are mandatory**, creating **time delays and additional costs**.
- The same property financed by a bank **requires less documentation and fewer steps**, giving banks a **turnaround time advantage**.

### ⇒ Impact on Industry and Borrowers

- **Borrower Impact:**

- **Longer turnaround time (TAT)** for loan disbursement, which is critical in competitive housing markets.
- Potential loss of property purchase opportunity due to delayed funding.

- **HFC Impact:**

# FIDC

## Finance Industry Development Council

*(A Representative Body of NBFCs in India)*

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: +91 9820035553 • E-mail: [mareshthakkar@fidcindia.org.in](mailto:mareshthakkar@fidcindia.org.in)



[www.fidcindia.org.in](http://www.fidcindia.org.in)



- **Operational burden and additional costs:** Dual valuations and valuer rotation increase administrative workload.
- **Competitive disadvantage:** Banks are able to **close loans faster**, attracting time-sensitive borrowers.
- **Competitive Imbalance:**
  - The **same property financed by a bank** has **simpler, faster processing**, making HFCs less attractive.
- **Financial Inclusion Setback:**
  - Many borrowers in semi-urban and rural locations rely on HFCs; **regulatory-induced delays impact their access to timely credit.**

### ⇒ **Submission / Representation**

- We request that **RBI harmonize the valuation requirements for HFCs with those of banks by:**
  - Allowing **risk-based single valuations** for standard properties and exposures within specific thresholds.
  - Keeping the **dual valuation and rotation requirement only for high-value or complex exposures**, rather than applying them across the board.
- This change will:
  - Enable **faster loan processing**,
  - Reduce unnecessary operational overheads, and
  - Establish a **level playing field between banks and HFCs.**

## **5. Applicability of Internal Ombudsman (IO) Framework to Housing Finance Companies**

### ⇒ **Regulatory Reference:**

- **RBI Master Direction – Internal Ombudsman for Regulated Entities**, dated 29 December 2023.

### ⇒ **Current Regulatory Position**

- **For Banks and NBFCs:**

# FIDC

## Finance Industry Development Council

(A Representative Body of NBFCs in India)

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: +91 9820035553 • E-mail: [mareshthakkar@fidcindia.org.in](mailto:mareshthakkar@fidcindia.org.in)



[www.fidcindia.org.in](http://www.fidcindia.org.in)



- The December 2023 Master Direction makes it mandatory for **all Scheduled Commercial Banks (SCBs), Urban Cooperative Banks (UCBs)** with deposits over a threshold, and deposit taking **NBFC with more than 10 branches and non-deposit taking NBFCs with asset size of more than INR 5,000crs** having public customer interface to appoint an **Internal Ombudsman (IO)**.
- The IO acts as the apex authority for grievance redressal within the regulated entity, reviewing customer complaints that are rejected by the internal grievance redressal mechanism.
- **For HFCs:**
  - **No explicit mention is made of HFCs** in the 2023 IO Master Direction.
  - Given that HFCs are regulated by RBI and fall under a parallel prudential framework, **the absence of clarity has created uncertainty** on whether they need to implement the IO structure.

### ⇒ Industry Concern

- We request for clarification of applicability of Internal Ombudsman guidelines on HFCs.

### ⇒ Submission / Representation

- We request RBI to:
  - **Clarify explicitly whether Internal Ombudsman requirements are applicable to Housing Finance Companies.**
  - If applicable, **specify the applicability thresholds (asset size / regulatory classification)** and provide a **transition timeline**.

## 6. Principal Business Criteria – Clarification on Net Asset Calculation for HFCs

### ⇒ Regulatory Reference:

- **Para 4.1.16 and 4.1.17 of RBI Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021.**

### ⇒ Current Regulatory Position:

# FIDC

## Finance Industry Development Council

*(A Representative Body of NBFCs in India)*

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: +91 9820035553 • E-mail: [mareshthakkar@fidcindia.org.in](mailto:mareshthakkar@fidcindia.org.in)



[www.fidcindia.org.in](http://www.fidcindia.org.in)



- HFCs must **maintain the principal business criteria (PBC)**:
  - At least **50% of net assets** should be by way of housing finance to individuals as defined under clauses (a) to (e) of Paragraph 4.1.16., and
  - At least **60% of total assets** should be deployed towards housing finance activities as defined under clauses (a) to (k) of Paragraph 4.1.16. (qualifying assets).
- **Net assets** are defined to include **cash, bank balances, G-secs, liquid investments, and other temporary assets.**

### ⇒ Industry Concern:

- **Liquidity buffers and quarter-end drawdowns distort ratios:**
  - As a prudent practice, HFCs carry liquidity buffers equivalent to around 3 months of disbursements and liability repayments.
  - At quarter-ends, banks often require HFCs to draw down sanctioned lines, leading to large temporary cash balances that are **not immediately deployed into housing loans.**
- **Inclusion of cash and liquid assets in the denominator distorts ratios,** particularly when:
  - Temporary liquidity is parked in liquid instruments (e.g., short-term mutual funds or FDs).
  - Large inflows precede deployment into housing loans.
- This **can cause an HFC to appear non-compliant** with principal business criteria, even though their core business remains housing finance.

### ⇒ Impact on Industry and Borrowers:

- **Operational Risk:**
  - HFCs face **artificial breaches** of PBC ratios due to timing differences, not business intent.
- **Regulatory Burden:**
  - Extra explanations, justifications, and disclosures during inspections and audits.
- **Competitive Imbalance:**

# FIDC

## Finance Industry Development Council

*(A Representative Body of NBFCs in India)*

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: +91 9820035553 • E-mail: [mareshthakkar@fidcindia.org.in](mailto:mareshthakkar@fidcindia.org.in)



[www.fidcindia.org.in](http://www.fidcindia.org.in)



- Banks do not face such constraints on **principal business definitions**.
  - **Business Impact:**
    - HFCs may delay raising capital close to year-end to avoid **temporary ratio distortions**, restricting growth.
- ⇒ **Submission / Representation:**
- We request that **RBI to issue clarification that cash, liquid assets, and government securities parked temporarily in line with ALM planning be excluded from the denominator of “net assets” for the purpose of principal business criteria calculation.**
  - Alternatively, allow **calculation based on the average deployment during the year**, rather than a static year-end number.
  - This will:
    - Ensure **ratios truly reflect the business focus**,
    - Remove **timing-driven distortions**, and

**Provide HFCs the flexibility to plan fund-raising without fear of artificial non-compliance.**

## **7. Access to Long-Term Liquidity and Refinance Support for HFCs**

- ⇒ **Regulatory Reference:**
- **NHB Act, 1987** – Sections related to refinance to housing finance institutions.
  - **NHB Refinance Schemes for Housing Finance Companies (various circulars).**
  - **RBI’s Targeted Long-Term Repo Operations (TLTRO) and Special Liquidity Facility (SLF), 2020–21**, which were primarily extended to banks and selected NBFCs.
- ⇒ **Current Regulatory Position**
- **Refinance from NHB:**

# FIDC

## Finance Industry Development Council

*(A Representative Body of NBFCs in India)*

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: +91 9820035553 • E-mail: [mareshthakkar@fidcindia.org.in](mailto:mareshthakkar@fidcindia.org.in)



[www.fidcindia.org.in](http://www.fidcindia.org.in)



- NHB provides refinance lines to HFCs **primarily for specific purposes**, such as low-cost housing or government schemes (e.g., PMAY).
  - Refinance windows for **general lending or market-driven long-term funding** are limited.
  - **RBI Liquidity Support:**
    - During COVID-19 (2020–21), RBI launched liquidity schemes (TLTRO, SLF) to support NBFCs and banks.
    - **Most facilities were routed through banks**, with very limited **direct access for HFCs**.
  - **Banks:**
    - Can directly access long-term RBI liquidity, giving them a funding cost advantage and stable resource planning.
- ⇒ **Industry Concern**
- **HFCs, despite being regulated by RBI, do not have direct and equal access to liquidity support mechanisms**, including:
    - Broader NHB refinance lines (beyond specific schemes)
    - RBI's TLTRO or special liquidity facilities.
  - **Result:**
    - Higher cost of funds and ALM mismatches for HFCs vis-à-vis banks and large NBFCs.
    - Limited ability to pass on lower rates to affordable housing borrowers.

⇒ **Impact on Industry and Borrowers**

- **Borrower Impact:**
  - Higher interest rates on housing loans due to **higher HFC cost of funds**.
- **HFC Impact:**

# FIDC

## Finance Industry Development Council

*(A Representative Body of NBFCs in India)*

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: +91 9820035553 • E-mail: [mareshthakkar@fidcindia.org.in](mailto:mareshthakkar@fidcindia.org.in)



[www.fidcindia.org.in](http://www.fidcindia.org.in)



- **ALM strain:** Mismatch between short-term borrowings and long-tenor loans.
- **Market share erosion:** Borrowers shift to banks with lower rates.
- **Competitive Disadvantage:**
  - **Banks have access to cheaper and more stable funds**, while HFCs remain dependent on wholesale borrowing.
- **Systemic Impact:**
  - Financial inclusion goals suffer, as **HFCs are the primary lenders in Tier 2/3 cities**.

### ⇒ **Submission / Representation:**

- We request **RBI to create dedicated, broader liquidity access mechanisms for HFCs**, such as:
  - **Expanding NHB refinance facilities** to include general-purpose lending, not just specific schemes.
  - Allowing **direct participation of systemically important HFCs in TLTRO or similar liquidity windows**, instead of only routing funds through banks.
  - **Periodic special refinance schemes** for smaller HFCs with limited market access.
- This will:
  - **Lower cost of funds** for HFCs, enabling them to offer more competitive rates,
  - Reduce **ALM risk by matching long-term liabilities with long-term assets**, and
  - Strengthen the **role of HFCs in financial inclusion and housing sector growth**.

## **8. Access to ECBs and Partial Credit Enhancement (PCE) Facilities for HFCs**

### ⇒ **Regulatory Reference:**

- *RBI Master Direction – External Commercial Borrowings, Trade Credits and Structured Obligations (2023).*



# FIDC

## Finance Industry Development Council

(A Representative Body of NBFCs in India)

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: +91 9820035553 • E-mail: [mareshthakkar@fidcindia.org.in](mailto:mareshthakkar@fidcindia.org.in)



[www.fidcindia.org.in](http://www.fidcindia.org.in)



- *RBI Guidelines on Partial Credit Enhancement (2015, updated 2018).*

### ⇒ Current Regulatory Position:

- **ECBs:**

- Banks and large corporates can access **External Commercial Borrowings (ECBs)** subject to end-use restrictions and hedging norms.
- **NBFCs (including NBFC-MFIs)** have been given limited ECB access in recent years.
- **HFCs have very restricted access**, primarily for on-lending to infrastructure or affordable housing segments, and with strict conditions.

- **Partial Credit Enhancement (PCE):**

- RBI guidelines allow PCE (from banks) to be used to **improve bond ratings** and facilitate **market access for NBFCs**.
- **HFCs have been largely excluded** from widespread PCE structures.

### ⇒ Industry Concern:

- **ECB Access:**

- Limited ECB access for HFCs means they **cannot diversify funding sources** or tap cheaper overseas credit lines, especially for **long-tenor housing loans**.
- Restrictions such as **minimum average maturity periods, end-use prescriptions, and hedging costs** make ECBs unattractive even when permitted.

- **PCE Availability:**

- Without PCE, **HFC bonds are often rated lower**, raising the cost of borrowing in domestic capital markets.
- NBFCs with PCE support **can issue market instruments at better terms**.

### ⇒ Impact on Industry and Borrowers:

# FIDC

## Finance Industry Development Council

*(A Representative Body of NBFCs in India)*

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: +91 9820035553 • E-mail: [mareshthakkar@fidcindia.org.in](mailto:mareshthakkar@fidcindia.org.in)



[www.fidcindia.org.in](http://www.fidcindia.org.in)



- **Borrower Impact:**
  - **Higher cost of housing credit**, as HFCs cannot access diversified and cheaper funding channels.
- **HFC Impact:**
  - **Funding concentration risk:** Over-dependence on domestic markets.
  - **Competitive disadvantage:** Higher funding costs compared to NBFCs and banks.

- **Systemic Impact:**
  - Missed opportunity to **channel foreign capital into affordable housing** and broaden market-based credit enhancement tools.

### ⇒ **Submission / Representation:**

- We request RBI to:
  - **Expand ECB eligibility for systemically important HFCs**, permitting ECB borrowings for on-lending across all retail housing segments, with a suitable maturity framework.
  - **Allow PCE-backed bond issuances for HFCs**, on par with NBFCs, to:
    - Enhance credit ratings,
    - Broaden the investor base, and
    - Lower domestic borrowing costs.

### ⇒ **Policy Alignment:**

- These changes will:
  - Diversify and **lower the cost of capital** for HFCs,
  - Encourage **long-tenor borrowings**, matching housing asset profiles, and
  - Attract **foreign capital to the affordable housing sector**.

## 9. CRILC Reporting – Explicit Clarification for Housing Finance Companies

# FIDC

## Finance Industry Development Council

*(A Representative Body of NBFCs in India)*

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: +91 9820035553 • E-mail: [mareshthakkar@fidcindia.org.in](mailto:mareshthakkar@fidcindia.org.in)



[www.fidcindia.org.in](http://www.fidcindia.org.in)



### ⇒ Regulatory Reference:

- RBI's *Central Repository of Information on Large Credits (CRILC) – Reporting by HFCs and NBFCs*, Circular DNBS.PD.CC.No. 002/03.10.001/2014-15 dated February 13, 2014 (and subsequent amendments).
- *RBI Circular on “Prudential norms for Project Finance and resolution of stressed project loans” (DoS.CO.PPG.BC.11/11.01.005/2023-24) dated June 7, 2024*

### ⇒ Current Regulatory Position

- **For Banks and NBFCs:**
  - CRILC mandates reporting of all borrower accounts with exposure of **₹5 crore and above**.
  - Banks and NBFCs report **quarterly and monthly information on large credits, SMA accounts, and overdue accounts**.
- **For HFCs:**
  - **No explicit mention of HFCs** is made in the original 2014 CRILC circulars.
  - Some HFCs, as a matter of prudence, voluntarily share data, but **there is no clear RBI directive** confirming their reporting obligations.

Banks can see consolidated borrower exposure, but NBFCs/HFCs do not have access to the CRILC database.

### ⇒ Industry Concern

- The **absence of an explicit mandate** leads to **inconsistency**:
  - Some HFCs report data voluntarily.
  - Others do not, due to lack of regulatory clarity.
- This results in **incomplete visibility of large borrower exposures across the financial system**, particularly for stressed assets.

### ⇒ Impact on Industry and Borrowers

# FIDC

## Finance Industry Development Council

*(A Representative Body of NBFCs in India)*

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: +91 9820035553 • E-mail: [mareshthakkar@fidcindia.org.in](mailto:mareshthakkar@fidcindia.org.in)



[www.fidcindia.org.in](http://www.fidcindia.org.in)



- **Systemic Risk:**
  - Lack of full data on **large borrowers' indebtedness** undermines early warning systems.
- **Resolution Inefficiency:**
  - **Incomplete CRILC records delay joint resolution processes** such as ICA (Inter-Creditor Agreement).
- **Competitive Disadvantage for HFCs:**
  - When stress develops, **HFCs are often last to be included** in restructuring discussions due to access restriction and delayed visibility.
- **Regulatory Inequality:**
  - **Banks and NBFCs bear the reporting compliance burden**, but there is no **uniform standard** that includes all major lenders.

### ⇒ **Submission / Representation**

- We request **RBI to issue an explicit directive mandating CRILC reporting for all Housing Finance Companies.**
- **Grant Access to CRILC:**
  - Enable **controlled, read-only CRILC access to all contributors**, including NBFCs and HFCs.
  - Access can be restricted to **borrower accounts where the NBFC/HFC has exposure** to ensure confidentiality.
- The directive may:
  - Clarify that HFCs fall within the reporting ambit of CRILC with respect to **all exposures ≥ ₹5 crore.**
  - Align **reporting formats and timelines with those applicable to NBFCs and banks.**
- This will:
  - Ensure **early detection of stress** and strengthen systemic risk oversight,
  - Promote **parity in regulatory obligations**, and
  - Facilitate **timely, collaborative resolution of stressed exposures** involving HFCs.

# FIDC

## Finance Industry Development Council

*(A Representative Body of NBFCs in India)*

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: +91 9820035553 • E-mail: [mareshthakkar@fidcindia.org.in](mailto:mareshthakkar@fidcindia.org.in)



[www.fidcindia.org.in](http://www.fidcindia.org.in)



### 10. Compromise Settlements – Need for Flexibility Beyond the 3-Month Payment Period for HFCs

#### ⇒ Regulatory Reference:

- **RBI Prudential Framework for Resolution of Stressed Assets**, dated 7 June 2019 (DoR.No.BP.BC.45/21.04.048/2018-19).
- **RBI Framework for Compromise Settlements and Technical Write-offs** dated 08 June 2023 (RBI/2023-24/40DOR.STR.REC.20/21.04.048/2023-24)

#### ⇒ Current Regulatory Position:

- **For All Regulated Lenders (including HFCs):**
  - If a **compromise or negotiated settlement** is agreed upon for a stressed borrower account, the **settlement amount must be paid within three months** of approval.
  - If payment is not completed within this three-month period, the account is **treated as a case of restructuring**, requiring stricter provisioning and classification norms.

#### ⇒ Industry Concern:

- Many settlements involve **small or medium borrowers** who genuinely require a longer repayment window (e.g., 6–9 months) to pay the settlement amount.
- Rigid application of the three-month rule often:
  - Discourages compromise settlements, pushing lenders toward **legal enforcement instead of amicable resolution**.
  - Results in **unnecessary reclassification of accounts as restructured**, even when the risk is fully mitigated.

#### Impact on Industry and Borrowers:

- **Borrower Impact:**
  - Borrowers with genuine intent and partial payment ability are **denied flexible settlement terms**, leading to prolonged stress and legal battles.
- **HFC Impact:**

# FIDC

## Finance Industry Development Council

*(A Representative Body of NBFCs in India)*

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: +91 9820035553 • E-mail: [mareshthakkar@fidcindia.org.in](mailto:mareshthakkar@fidcindia.org.in)



[www.fidcindia.org.in](http://www.fidcindia.org.in)



- **Reduced recovery rates:** Forced to pursue litigation instead of pragmatic settlements.
  - **Higher provisioning burden:** Unnecessary restructuring classification increases capital strain.
- 
- **Systemic Impact:**
    - Delayed resolution of stressed accounts increases NPAs and costs for all stakeholders.
- 
- ⇒ **Submission / Representation:**
- We request **RBI to issue guidance to harmonize the compromise settlement framework for HFCs** by:
    - Allowing **Board-approved internal policies** that permit payment schedules extending beyond 3 months (e.g., up to 6–9 months) **without triggering restructuring**, provided no additional concessions are given after the original settlement terms.
    - Clarifying that **timely revalidation of the compromise agreement (without changing terms) does not constitute restructuring**.
  - This change will:
    - Encourage **amicable and early resolution of stressed assets**,
    - Improve **recovery efficiency** without diluting prudential norms, and
    - Provide **parity with banks** in managing compromise settlements.

### 11. Fraud Risk Management – Clarification on Service of Show Cause Notices (SCN)

⇒ **Regulatory Reference:**

- **RBI Master Direction on Fraud Risk Management for Regulated Entities, 2023.**
- **NHB Circular – Guidelines on Detection and Reporting of Frauds by HFCs (as aligned to RBI norms).**

⇒ **Current Regulatory Position:**

# FIDC

## Finance Industry Development Council

*(A Representative Body of NBFCs in India)*

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: +91 9820035553 • E-mail: [mareshthakkar@fidcindia.org.in](mailto:mareshthakkar@fidcindia.org.in)



[www.fidcindia.org.in](http://www.fidcindia.org.in)



- **Requirement:**

- Upon identification of a fraud, lenders (including HFCs) must:
  - Conduct a forensic investigation (if warranted).
  - Issue a **Show Cause Notice (SCN)** to the borrower/defaulters, giving them an opportunity to explain.
  - Based on the reply (or non-reply), classify the account as fraud and report it to RBI/NHB.

- **Operational Challenge:**

- **The guidelines presume that the SCN can be successfully served.**
- In reality, for many fraud cases, **borrowers have absconded, addresses are incorrect, or communication channels are deliberately blocked**, making service of notice impossible.

⇒ **Industry Concern:**

- **Lack of explicit clarity** on whether **attempted service of the SCN is sufficient** creates **legal and compliance uncertainty**:
  - Can an account be declared fraud **if the SCN is sent but not delivered?**
  - Should lenders **wait indefinitely** until proof of delivery is established?
- This leads to **delays in fraud reporting** and **regulatory risk for HFCs** despite following due process.

⇒ **Impact on Industry and Borrowers:**

- **Delay in Reporting Frauds:**

- HFCs may wait indefinitely for a response, delaying fraud classification and regulatory reporting.

- **Regulatory Risk:**

- In the absence of clear guidance, statutory auditors or supervisors may question **procedural compliance**, even where attempts were documented.

- **Legal Risk:**

- Fraudsters may exploit this **technical loophole** to challenge the process later.

# FIDC

## Finance Industry Development Council

*(A Representative Body of NBFCs in India)*

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: +91 9820035553 • E-mail: [mareshthakkar@fidcindia.org.in](mailto:mareshthakkar@fidcindia.org.in)



[www.fidcindia.org.in](http://www.fidcindia.org.in)



### ⇒ **Submission / Representation:**

- We request **RBI to explicitly clarify** that for HFCs:
  - **Issuance of SCN and documented evidence of attempted service (via registered post, courier, and email) shall be considered as compliance** with the requirement to issue SCN.
  - If the borrower does not respond within a specified period (e.g., 15–30 days), **the entity may proceed with fraud classification and reporting.**
- This will:
  - Avoid unnecessary **delays in fraud detection and reporting,**
  - Strengthen **timely regulatory compliance**

## **12. Timelines for Release of Property Documents Post Loan Closure – Clarification Needed**

### ⇒ **Regulatory Reference:**

- **RBI Circular on Fair Lending Practices:** RBI/2023-24/60, dated 13 September 2023 (applicable to all Regulated Entities, including HFCs).
- This circular mandates that **lenders must return original property documents and remove charges within 30 days of full repayment of the loan.**

### ⇒ **Current Regulatory Position:**

- The circular requires:
  - **Release of all property documents within 30 days** of full repayment.
  - Communication to the borrower regarding closure and removal of charges.
- However, the circular:



# FIDC

## Finance Industry Development Council

*(A Representative Body of NBFCs in India)*

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: +91 9820035553 • E-mail: [mareshthakkar@fidcindia.org.in](mailto:mareshthakkar@fidcindia.org.in)



[www.fidcindia.org.in](http://www.fidcindia.org.in)



- **Does not clarify whether 30 days means calendar days or working days.**
- **Does not specify the trigger date clearly** – i.e., whether it is from the date of receipt of funds or from the date internal accounting closure and lien removal is completed.

### ⇒ Industry Concern:

- **Ambiguity in timeline calculation leads to compliance risk:**
  - For loans repaid at quarter-end or year-end, there are **non-working days due to holidays and audit closures**.
  - Internal processes (e.g., issuance of NOC, updating CERSAI, and retrieving physical documents from offsite storage) may require additional days.
- This **can make lenders appear non-compliant** despite best efforts to adhere to timelines.

### ⇒ Impact on Industry and Borrowers:

- **Operational Burden:**
  - Lenders must **divert manpower during holidays** to meet an unclear calendar-day deadline.
- **Regulatory Risk:**
  - Ambiguity leaves room for **interpretation-based penalties** despite genuine effort.
- **Borrower Inconvenience:**
  - In some cases, customers perceive a **delay in closure** when much of the delay is due to unavoidable documentation workflows.
- **Competitive Impact:**
  - Banks may have **in-house custody**, allowing faster releases, whereas many HFCs rely on **offsite vaults**.

### ⇒ Submission / Representation:

- We request RBI to **clarify the timeline for document release as follows:**

# FIDC

## Finance Industry Development Council

*(A Representative Body of NBFCs in India)*

CIN: U91990MH2004NPL146931

101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: +91 9820035553 • E-mail: [mareshthakkar@fidcindia.org.in](mailto:mareshthakkar@fidcindia.org.in)



[www.fidcindia.org.in](http://www.fidcindia.org.in)



- The **30-day period** should mean **30 working days** (excluding public holidays and weekends).
- The timeline should **begin from the date of issuance of the closure confirmation / NOC**, not the date of receipt of funds, as some post-repayment reconciliations are required.
- Alternatively, provide **graded guidance (e.g., 30 days for in-house documents, 45 days if external agencies are involved)**.
- These clarifications will:
  - Ensure **realistic compliance expectations**,
  - Reduce **disputes and unnecessary regulatory observations**, and
  - Protect **borrower interests while recognizing operational processes**.

\*\*\*\*\*