

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1848
ANSWERED ON:02.12.2011
PROPERTY LOAN FRAUDS
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Will the Minister of FINANCE be pleased to state:

- (a) whether the frauds regarding property related transactions are on the rise;
- (b) if so, the details thereof;
- (c) whether the Government has any proposal to set up Central Registry to prevent property loan frauds and if so, the details thereof; and
- (d) the details of other measures taken/proposed to be taken to safeguard the customers/borrowers from property related transaction's frauds?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) and (b); Reserve Bank of India(RBI) has reported that as per data submitted by the Scheduled Commercial Banks (SCBs) to RBI, the incidents of frauds in the area of housing loans during the calendar years 2008 to 2010 and during the current year up to 30th September,2011 together with amount involved is as under:

(Rs. in lakhs)

SL. No	Calendar Year	Total Cases reported	Amount involved
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1	2008	827	253.02
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2	2009	823	164.60
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3	2010	890	264.33
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4	Till September, 2011	550	159.48
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(c) The Government has established the Central Registry of Securitization Asset Reconstruction and Security Interest of India (CERSAI) to operate and maintain the Central Registry under the provisions of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act). Initially, transactions relating to securitization, reconstruction of financial assets and those relating to mortgage by deposit of title deeds to secure any loan or advances granted by banks and financial institutions, as defined under SARFAESI Act, are to be registered in the Central Registry. The records maintained by the Central Registry will be available for search by any lender or any other person desirous of dealing with the property.

(d) RBI has reported that the following measures have been taken by it to safeguard the customers/borrowers from property related transaction frauds:

(i) The Department of Banking Supervision (DBS), RBI has issued a Master Circular (RBI.DBS.Fr.MC.BC.No.1/23/04.001/2011-12) dated July 01, 2011 on 'Frauds-Classification and Reporting' to Scheduled Commercial Banks suggesting various measures to prevent/reduce the incidence of frauds

(ii) The DBS, RBI has vide circular (Fr.MC.NO.8615/23.04,001/2006-07) dated January 2, 2007 has issued guidelines to banks to

prevent the frauds in the area of Housing loans by carrying out due diligence on the builders before releasing loans in their favour. The banks were advised to strictly adhere to KYC norms in this regard as non-observance of KYC guidelines by the collecting banks may lead to perpetration of such frauds.

(iii) DBS, RBI has vide circular (DBS.FR.MC.NO.15600/23.04.001/2005-06) dated May 3, 2006 issued guidelines to the banks on prevention of frauds in the area of housing loans by defining the role of Direct Selling Agents in soliciting the customers, ensuring authenticity of salary certificates and income tax returns by the borrowers, multilayered sanction procedures, due diligence of builders, ensuring legal and technical clearance etc.

(iv) Department of Banking Operations and Development (DBOD), RBI has also issued a Master Circular (No.DIR.BC.03/08.12.2001/2011-12) dated July 1, 2011 on Housing Finance to all Scheduled Commercial Banks.

(v) Banks have also been advised that in addition to complying with the regulatory guidelines, they may counter check the valuation of the properties from available market sources before finalizing the lending arrangement against property.