

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1915
ANSWERED ON:31.07.2015
Provisioning Requirement on Housing Loans
Charitra Shri Ram

Will the Minister of FINANCE be pleased to state:

- (a) Whether the banks have been asked for lower provisioning requirement on housing loan;
- (b) If so, the details thereof;
- (c) Whether the said move help to bring down interest rates and boost demand in the struggling construction sector; and
- (d) If so, the details thereof?

Answer

The Minister of State in the Ministry of Finance

(SHRI JAYANT SINHA)

(a) & (b): Reserve Bank of India (RBI) has informed that in the recent past, no bank has approached RBI for further lowering the provision on housing loans. However the Government has requested RBI to examine and consider bringing appropriate amendments in the prudential norms/guidelines relating to Loan to Value Ratio (LTV) and Risk Weight to further encourage the banks in increasing their lending for housing, especially to the segments of economically weaker sections/low income groups and medium income groups.

(c) & (d): RBI periodically reviews its instructions on housing loans, which, inter-alia, include Loan to Value Ratio (LTV), provisioning and Risk Weights. A lower provision and lower risk weight may result in a lower cost of funds for financing a specific loan as banks will be required to set aside lower amount for capital and provision which will be reflected in a lower pricing of the loan. Availability of loans at cheaper rates may increase the demand for the product financed by such loans.
