

Update



NHB move to ensure transparency of home loans – all home loans to have a summary sheet

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Update

In an effort to increase transparency in dealings with individual borrowers and protecting the interest of the borrowers, National Housing Bank issued a notification¹ to all registered Housing Finance Companies (HFCs) directing all HFCs to obtain a document from individual borrowers in case of granting a loan containing the most important terms and conditions of such loan.

This document will be in addition to the existing loan and security documents obtained by HFCs and shall be prepared in a language easily understood by the borrower. HFCs shall be required to provide a copy of this document to the borrower as well. For the sake of consistency, NHB in the notification has also suggested a format for such document.

The format provided in the notification includes key terms of a loan agreement such as loan amount, repayment schedule, rate of interest charged, tenure, security created, insurance of the house, redressal of grievance and more. While the format of the document is suggestive, it is indicative of the fact that the borrower should understand the terms critical to the loan.

A lot of times, the loan agreements are lengthy and complex. The legal and financial jargon used may not be well understood by the borrower. Hence this document may be useful for the borrower to understand the key terms of the loan offered by the HFC. While the notification mentions that this document may be provided to the borrower before or after the execution of the loan agreement, prudence demands that the same may be provided to and understood by the borrower before the execution of the loan and security agreements.

¹ <http://www.nhb.org.in/Regulation/English-54-policycircular.pdf>, Notification dated 5th April, 2013.