

November 21, 2016



All Registered Housing Finance Companies

Dear Sir/Madam,

**Prudential Norms on Income Recognition, Asset Classification
and Provisioning pertaining to Advances**

It has been represented to us that consequent upon withdrawal of the legal tender status of the existing ₹500 and ₹1,000 notes (SBN) small borrowers may need some more time to repay their loan dues. Taking these representations into consideration, it has been decided to provide an additional 60 days beyond what is applicable for the Housing Finance Companies (HFCs) for recognition of **a loan account** as substandard in the case of:

“Term loans (including the one granted to an agriculturist or to a person whose income is dependent on the harvest of crops), whether business or personal, secured or otherwise, the original sanctioned amount whereof is ₹1 crore or less, on books of Housing Finance Companies (HFCs).”

2. The above dispensation will be subject to following conditions:

- (i) It applies to dues payable between November 1, 2016 and December 31, 2016. HFCs shall note to ensure that this is a short-term deferment of classification as substandard due to delay in payment of dues arising during the period specified above and does not result in restructuring of the loans.
- (ii) Dues payable before November 1 and after December 31, 2016, will be covered by the extant instruction with regard to recognition of NPAs.
- (iii) The additional time given shall only apply to defer the classification of an existing standard asset as substandard and not for delaying the migration of an account across sub-categories of NPA.

3. All HFCs are advised to be guided by the above instructions.

Yours faithfully,

(A. P. Saxena)
General Manager

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