

F.No.8/71/2012-IF.II  
Government of India  
Ministry of Finance  
Department of Financial Services  
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Jeevan Deep Building, Parliament Street,  
New Delh, Dated the 1<sup>st</sup> January, 2013.

To

CMDs of all Public Sector Banks,  
(As per list)

Subject:- Revival of the Stalled Residential Projects-reg.

Sir,

I am directed to enclose herewith a copy of circular No.NHB/CMD/MRCPD/  
22751/2012-13 dated December 26, 2012 on the above subject.

2. Banks are accordingly advised to submit a list to NHB of all such semi-constructed projects with their location details(all approvals received/not received) together with remarks about non-completion/semi-completion etc. which may be considered viable by the banks for funding and completion of the project.
3. Since, the progress will be monitored and reviewed at the SLBC Meetings, the SLBC Convener banks are advised to take necessary steps in the matter and include this, as a regular agenda for discussion at the SLBC meetings.
4. This has the approval of Secretary(FS).

Yours faithfully,



**(Ateesh Singh)**

Director(IF.II)

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Copy to:

The CMD, National Housing Bank for information.

आर. वी. वर्मा

अध्यक्ष एवं प्रबन्ध निदेशक

R. V. Verma

Chairman & Managing Director  
NHB/CMD/MRCPD/22751/2012-13

December 26, 2012



To

CMDs of all Public Sector Banks  
(As per List)

Dear Sir,

### Revival of the Stalled Residential Projects

As you are aware, there are a number of Residential Projects, particularly in the Metro cities and the NCR region, which have got stalled for various reasons, including for want of further lending support from the banks. As you will kindly appreciate, there is urgent need to ensure resumption of construction activities in respect of the incomplete residential projects with a view to generate positive sentiments and renewed confidence in the market among all stake holders. Kick starting the unfinished projects will also unlock the capital already invested/lent in the projects which are partly stuck because of liquidity crunch being faced by the builders. Intervention in such projects will prevent further time and cost overruns and will expedite the delivery of the dwelling units to the buyers/retail borrowers protecting them against rising prices and borrowing costs. Bank lendings can also replace or substitute the agency's borrowings from the informal sector or the NBFCs, which are normally contracted at much higher rates of interest which eventually add to the cost of the dwelling unit.

2. In view of the above, we are writing to all the Banks to take suitable steps for reviving such projects which may be stalled for reasons beyond the control of the builders/construction agencies. This may be done after assessing the viability of the projects, in terms, inter alia of demand, location and the prices of the units. We shall be glad to be advised about the measures taken by you in this regard and the outcome thereof.

3. Besides the metros and the NCR region, the new thrust will also cover semi/half finished residential projects all over the country, and across the builder community in

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"बैंक हिन्दी में पत्राचार का स्वागत करता है"

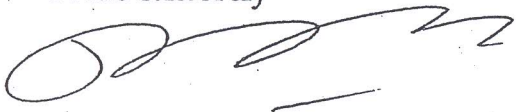
Tier II and Tier-III cities. The banks, while reassessing such projects, may also ensure that particular attention is given by the promoters to the viability of the projects and reasonable pricing of the dwelling units for the larger benefit of the people and sustained demand resulting in overall growth of the economy. In assessing such cases, it may be advisable to adopt a Project and location-specific approach in order to ensure optimum demand for the units in the project. The locational advantage of the project and its viability in terms of demand assessment will be central to the financing decision of the lenders. The support may also be provided to small developers with standalone projects on priority basis. The model will be project-oriented and ring-fenced through Escrow mechanism. The banks may like to ensure that the amount coming as payment from the individual buyers is apportioned at least partly towards the builders' loan repayments in an agreed and a viable proportion. This will result in the gradual closure of the project loan through the funds released to the individual buyers against the individual loans. Thus, a project loan will get converted into a long term individual loan in the books of the lender. The individual loans should be released in stages on the basis of the progress of the project.

4. The agreement between the builder and the buyer should also provide transparency in terms of carpet/covered area for the benefit of the consumers and the market. The improved supply of dwelling units in the market, through completion of such projects, will also have softening effect on the prices and improve further demand in the sector. The buyers will be enthused to see the construction of the projects and will come forward to borrow and buy, rather than be in a 'wait and watch' situation resulting from stalled projects and high prices and the uncertainty of completion. Increased construction activity and delivery of the projects will improve market sentiments and generate all round growth across the economy through the multiplier chain.

5. Banks are advised to submit a list to NHB of all such semi-constructed projects with their location details (approvals received/not received) together with remarks about non completion/semi-completion etc. which may be considered viable by the banks for funding and completing the project. The progress may also be monitored and reviewed at the SLBC meetings. This may be included as a regular agenda for discussion at the SLBC meetings. The SLBC Convenor banks are advised to take necessary steps accordingly.

With Regards and Seasons' Greetings

Yours Sincerely



(R V Verma)