



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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January 28, 2014

The Chief Executive Officers of
All Primary (Urban) Co-operative Banks

Dear Sir/Madam,

Housing Sector: New Sub-Sector CRE-Residential Housing (CRE-RH) Segment within CRE Sector & Rationalisation of Provisioning and Risk Weight

Please refer to paragraph 82 of the Monetary Policy Statement 2013-14 (extract enclosed) on 'Commercial Real Estate - Residential Housing: Prudential Norms', announced on May 3, 2013, wherein it was stated that a separate sub-sector of 'CRE-Residential Housing' will be carved out of CRE Sector.

2. As loans to the residential housing projects under the Commercial Real Estate (CRE) Sector exhibit lesser risk and volatility than the CRE Sector taken as a whole, it has been decided to carve out a separate sub-sector called 'Commercial Real Estate-Residential Housing' (CRE-RH) from the CRE Sector. CRE-RH would consist of loans to builders/developers for residential housing projects (except for captive consumption) under CRE segment. Such projects should ordinarily not include non-residential commercial real estate. However, integrated housing projects comprising some commercial space (e.g. shopping complex, school, etc.) can also be classified under CRE-RH, provided that the commercial area in the residential housing project does not exceed 10% of the total Floor Space Index (FSI) of the project. In case the FSI of the commercial area in the predominantly residential housing complex exceeds the ceiling of 10%, the project loans should be classified as CRE and not CRE-RH.

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3. The CRE-RH segment will attract a lower risk weight of 75% and lower standard asset provisioning of 0.75% as against 100% and 1.00%, respectively for the CRE segment.

Yours faithfully,

(A. K. Bera)

Principal Chief General Manager

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Extract from Monetary Policy Statement 2013-14 Commercial Real Estate - Residential Housing: Prudential Norms

82. In September 2009, the Reserve Bank had issued guidelines on classification of certain exposures as Commercial Real Estate (CRE) exposures. CRE exposures are sensitive in view of their inherent price volatilities. Therefore, these exposures generally attract higher risk weights and higher provisioning requirements. However, it has been generally observed that the residential housing complex sector under the CRE poses lower risk than the other components of CRE sector. Accordingly, it is proposed to carve out a sub-sector of 'CRE-Residential Housing' within the CRE sector with appropriate prudential regulatory norms on risk weights and provisioning.

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