RBI Norms for NBFC’s

A housing finance company is considered a non-banking financial company (NBFC) under the RBI’s regulations. **A company is treated as an NBFC if its financial assets are more than 50% of its total assets and income from financial assets is more than 50% of the gross income.**

- RBI has proposed **stringent norms for housing finance companies by mandating 75% of their home loans to individual borrowers by 2024.**
- Recently, RBI has proposed the definition of qualifying assets for housing finance companies (HFCs).
- It defined **‘qualifying assets’** as loans to individuals or a group of individuals, including cooperative societies, for construction/purchase of new dwelling units, loans to individuals for renovation of existing dwelling units, lending to builders for construction of residential dwelling units.
- **Non-Housing loans** - All other loans, including those given for furnishing dwelling units, loans given against mortgage of property for any purpose other than buying/construction of a new dwelling units or renovation of the existing dwelling units.
- **Under new definition at least 50% of net assets should be in the nature of ‘qualifying assets’ for HFCs, of which at least 75% should be towards individual housing loans.(PT)**
  - Such HFCs which do not fulfil the criteria will be treated as NBFC – Investment and Credit Companies (NBFC-ICCs).
  - They will be required to approach the RBI for conversion of their Certificate of Registration from HFC to NBFC-ICC.
  - The NBFC-ICCs which want to continue as HFCs would have to follow a roadmap to make 75% of their assets individual housing loans.
  - The central bank also proposed a minimum net-owned fund (NOF) of ₹20 crore as compared to ₹10 crore now.
  - Existing HFCs would have to reach ₹15 crore within a year and ₹20 crore within two years.