



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA  
www.rbi.org.in

RBI /2011-12/383

DBOD.No.BP.BC. 78 /08.12.001/2011-12

February 03, 2012

The Chairmen and Managing Directors / Chief Executive Officers of  
All Commercial Banks  
(Excluding Regional Rural Banks)

Dear Sir/ Madam

### **Housing Loans by Commercial Banks – Loan to Value (LTV) Ratio**

Please refer to our [circular DBOD.No.BP.BC.69/08.12.001/2010-11 dated December 23, 2010](#) on “Housing loans by commercial banks – LTV ratio, risk weight and provisioning” wherein it was advised that in order to prevent excessive leveraging, the LTV ratio in respect of housing loans should not exceed 80 per cent. However, for small value housing loans i.e. for loans below Rs. 20 lakh (which are classified as priority sector advances) the LTV ratio should not exceed 90 per cent.

2. In this connection, it has been brought to our notice that banks adopt different practices for deciding the value of the house property while sanctioning housing loans. Some banks include stamp duty, registration and other documentation charges in the cost of the house property. This overstates the realisable value of the property as stamp duty, registration and other documentation charges are not realisable and consequently the margin stipulated gets diluted. Accordingly, banks should not include these charges in the cost of the housing property they finance so that the effectiveness of LTV norms is not diluted.

Yours faithfully,

(Deepak Singhal)  
Chief General Manager-in –Charge

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