



SyndicateBank

Head Office: Manipal - 576 104 (Karnataka)
Organisation & Methods Division

Circular No.045-2006-BC-CRD

Date: 14-03-2006

PERMANENT UTILITY

EXPOSURES TO REAL ESTATE SECTOR - MANAGEMENT OF CREDIT RISKS

೨೦೦೬

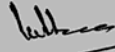
Attention of the branches and offices is invited to Circular No.020-2006-BC dated 06.02.2006 wherein appraisal norms and risk control benchmarks for the various categories of real estate sector exposures have been set out.

As there has been a substantial increase in lending to the real estate sector by banks during the last few years, Reserve Bank of India has observed that while development of real estate is welcome, there is need for the banks to curb the excessively risky lending by exercising selectivity and strengthening the loan approval process. In the context of banks' growing exposure to the real estate sector, RBI has advised that while appraising loan proposals involving real estate, it shall be ensured that borrowers have obtained prior permission from government / local government / other statutory authorities for the project, wherever required. In order that the loan approval process is not hampered on account of this, RBI has further advised that while the proposals could be sanctioned in the normal course, the disbursements should be made only after the borrower has obtained requisite clearances from the government authorities.

In this connection it may be noted that this aspect is already covered in our extant policy guidelines. Clause 10.1.5.1.e.(iii) of our Manual of Instructions lays down that obtention of all required clearances and consents shall be critically examined while scrutinizing credit proposals. As such branches and offices are advised to follow the above directions of RBI by ensuring adherence to the aforesaid policy guidelines stipulated in the Manual of Instructions, while considering credit proposals involving exposures to real estate sector. Other risk control measures currently in force in respect of real estate sector exposures shall also be scrupulously adhered to.

Clarifications required, if any, to this circular may be sought from **CREDIT DEPARTMENT, CREDIT POLICY AND PROCEDURES DIVISION** at Corporate Office, Bangalore, through respective RO/GMO, as per extant guidelines.

EMEYOY:YRSEW:YRUDE
Check Word



R. K. Abrol
GENERAL MANAGER