

January 5, 2005

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

Dear Sir,

**Risk Weight on Housing Finance and Consumer Credit- UCBs**

Please refer to our circular UBD.POT.PCB.18/09.22.01/2002-03 dated September 30, 2002, wherein, the risk weight on housing loans extended by banks to individuals against mortgage of residential housing properties was reduced to 50 percent for capital adequacy purpose with a view to improving the flow of credit to the housing sector.

2. In this connection, please refer to paragraph 123 of the Mid-Term Review of the Annual Policy Statement for the year 2004-05 (copy enclosed). It has accordingly been decided to:

i) increase the risk weight for capital adequacy purposes, on housing loans extended by Primary Urban Co-operative Banks to individuals which are fully secured by mortgage of residential properties to 75 per cent from 50 per cent at present. In all other cases it will be 100 per cent.

ii) increase the risk weight on consumer credit, including personal loans, from 100 per cent to 125 per cent.

3. As the Capital to Risk-weighted Assets Ratio (CRAR) is to be maintained on an on-going basis, risk weights as indicated above, will be applicable on all outstanding exposures.

4. Please acknowledge the receipt to the concerned Regional Office of Reserve Bank of India.

Yours faithfully,

(A.K.Khound)  
General Manager

**Extract of the Mid Term Review of the Annual  
Policy Statement for the year 2004-2005**

**“Housing Loans and Consumer Credit: Temporary Risk Containment**

123. It is observed in the recent past that the growth of housing and consumer credit has been very strong. As a temporary counter cyclical measure, it is proposed:

To put in place, risk containment measures and increase the risk weight from 50 per cent to 75 per cent in the case of housing loans and from 100 per cent to 125 per cent in the case of consumer credit including personal loans and credit cards. “