

**January 15, 2008**

**Regulatory Framework for Mortgage Guarantee Company**

It may be recalled that while announcing proposals for the Union budget 2007-08, the Finance Minister of India announced:

"Our people want housing loans. Banks and housing finance companies that lend against mortgages would have greater comfort if the mortgage can be guaranteed through a three way contract among borrower, lender and guarantor. Regulations will be put in place to allow the creation of mortgage guarantee companies".

2. Accordingly, the Bank had drawn up a draft scheme for considering proposals from Mortgage Guarantee Company for grant of Certificate of Registration. The draft scheme was discussed with the stakeholders and after examination of comments/suggestions received in this regard and with the previous approval of the Central Government, it has been decided to specify Mortgage Guarantee Company as non-banking financial company in terms of powers conferred upon the Bank under Section 45 I (f) (iii) of the RBI Act, 1934. A Notification No. DNBS(MGC) 1/CGM (PK)-2008 dated January 15, 2008 is enclosed in this regard. Further, it has been decided to exempt a Mortgage Guarantee Company from the provisions of Section 45-IA (requirement of registration), Section 45-IB (maintenance of liquid assets) and Section 45-IC (creation and transfer to Reserve Fund a certain percentage of the net profit) of the RBI Act as a separate regulatory framework is being prescribed for such companies. A Notification No. DNBS(MGC) 2/CGM (PK)- 2008 dated January 15, 2008 in this regard is enclosed.

Yours faithfully,

(P Krishnamurthy)  
Chief General Manager In-charge

**Reserve Bank of India  
Department of Non-Banking Supervision,  
Central Office,  
Centre 1, World Trade Centre,  
Cuffe Parade, Colaba  
Mumbai - 400 005**

**Notification No. DNBS (MGC)1/CGM(PK) -2008 dated January 15, 2008**

The Reserve Bank of India, on being satisfied that it is necessary so to do, in exercise of the powers conferred on it under Section 45 I (f)(iii) of the Reserve Bank of India Act, 1934 (2 of 1934) (the Act), with the prior approval of the Central Government hereby specifies that a Mortgage Guarantee Company, that is, a company registered with the Bank under the scheme for registration of Mortgage Guarantee Companies notified by the Bank in this regard, will be treated as Non-Banking Financial Company under the provisions of the Act.

(P. Krishnamurthy)  
Chief General Manager-in-Charge

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**Notification No. DNBS (MGC) 2 /CGM(PK) -2008 dated January 15, 2008**

The Reserve Bank of India, on being satisfied that it is necessary so to do, in exercise of the powers conferred on it under Section 45NC of the Reserve Bank of India Act, 1934 (2 of 1934) (the Act), hereby directs that the provisions of Sections 45-IA, 45-IB and 45-IC of the Act shall not apply to Mortgage Guarantee Company, that is, a company registered with the Bank under the scheme of registration for Mortgage Guarantee Companies notified by the Bank in this regard.

(P. Krishnamurthy)  
Chief General Manager-in-Charge