

RBI Master Directions – HFC, after taking into account the time lag between an account becoming NPA, its recognition as such, the realization of the security, and the erosion over time in the value of security charged.

The RBI Master Directions – HFC require that income recognition should be based on recognized accounting principles. Amongst others, income including interest, discount or any other charges on NPA shall be recognized only when it is actually realised. Any such income recognized before the asset became NPA and remaining unrealized shall be reversed, as per the RBI Master Directions – HFC.

Wilful Defaulters

The RBI Master Directions – HFC also prescribe a system to disseminate credit information pertaining to wilful defaulters for cautioning housing finance companies so as to ensure that further finance is not made available to them. Detailed guidelines in this regard are prescribed in the RBI Master Directions – HFC and said guidelines are prescribed to put in place the mechanism of reporting the information on wilful defaults of ₹ 2.5 million and above by HFCs to all Credit Information Companies.

Reporting

In addition to the financial reporting requirements, such as submissions of copies of balance sheet and accounts together with the directors' report to the NHB, as prescribed under the RBI Master Directions – HFC, reporting requirements in relation to monitoring of frauds shall be governed in terms of the Master Direction – Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016, as amended. Further, in terms of the RBI Master Directions – HFC, HFCs are also required to comply with the Master Direction on Information Technology Governance, Risk, Controls and Assurance Practices, 2023 as amended, which will come into force from April 1, 2024.

The reporting under the Master Direction – Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016, as amended and the Master Direction on Information Technology Governance, Risk, Controls and Assurance Practices, 2023, as amended, are required to be done to the NHB.

Recovery of dues

In the event customers do not adhere to the repayment schedule for loans provided by the HFCs, the Fair Practices Code requires the HFCs and its members and staff to follow the defined process provided under the applicable law during collection and security repossession. In the event, the HFC hires recovery agents for this purpose, they are required to comply with the guidelines provided in the RBI Master Directions – HFC, which includes requirements such as due diligence while hiring such recovery agents, training of recovery agents and regulating the methods employed by such recovery agents.

In terms of the RBI's circular on 'Outsourcing of Financial Services - Responsibilities of regulated entities employing Recovery Agents' dated August 12, 2022, regulated entities, which includes HFCs, shall strictly ensure that they or their agents do not resort to intimidation or harassment of any kind, either verbal or physical, against any person in their debt collection efforts, including acts intended to humiliate publicly or intrude upon the privacy of the debtors' family members, referees and friends, sending inappropriate messages either on mobile or through social media, making threatening or anonymous calls, persistently calling the borrower or calling the borrower before 8:00 a.m. and after 7:00 p.m. for recovery of overdue loans, making false and misleading representations, etc.

RBI framework for compensation to customers for delayed updation/rectification of credit information dated October 26, 2023 ("Compensation Framework")

Pursuant to the RBI Master Directions – HFC, all HFCs are required to become members of all Credit Information Companies ("CICs") and submit data (including historical data) to them. Further, HFCs are required to comply with *inter alia* the Compensation Framework, which mandates CICs and Credit Institutions ("CIs") to implement a framework for delayed updation/rectification of credit information by CIs and CICs as set out in the Compensation Framework. According to the Compensation Framework, complainants shall be entitled to a compensation of ₹100 per day in case their complaint is not resolved within a period of 30 days from the date of the initial filing of the complaint by the complainant with a CI or CIC. The compensation amount is required to be credited to the bank account of the complainant within five working days of the resolution of the complaint and the complainant can approach RBI Ombudsman, under the Reserve Bank - Integrated Ombudsman Scheme, 2021, in case of wrongful denial of compensation by CIs or CICs.

Master Directions – Reserve Bank of India (Priority Sector Lending)– (Targets and Classifications) Directions, 2020 ("PSL Master Directions")

The PSL Master Directions govern, *inter alia*, priority sector advances and loans granted by scheduled commercial banks (excluding regional rural banks, small finance banks and local area banks) to HFCs (approved by NHB for the purpose of refinance), for on-lending for purchase, construction or reconstruction of individual dwelling units or for slum clearance and rehabilitation of slum dwellers, subject to an aggregate loan limit of ₹ 2 million per borrower. The bank credit limit under the PSL Master Directions to HFCs for on-lending, as mentioned above, is restricted to 5% of the individual bank's total PSL. The