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Nepal Rashtra Bank

Banks and Financial Institutions Regulation Department

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Nepal Rashtra Bank Banks and Financial Institutions Regulation Department

Procedures for Refinancing to be Provided for Reconstruction of Residential Houses by Households Affected by Earthquake, 2015

These Procedures have been formulated and put into force for the purpose of refinancing to be provided by this Bank in home loans to be made available for reconstruction of houses by the households whose residential houses have been destroyed by the recent earthquake.

Refinancing facility shall be made available by this Bank in the loans provided under the following terms and conditions for the purpose mentioned above by the licensed banks and financial intuitions of Category “A”, “B” and “C” as per the provisions made in the Sections of 49 and 50 of Nepal Rashtra Bank Act, 2058 B. S.

Terms and Conditions

- (1) The maximum limit of refinancing the loans for the purpose of reconstruction of residential houses shall be Rs. 2.5 million only for households living in Kathmandu Valley and Rs. 1.5 million only for households living outside the Valley. The amount of loans provided exceeding this limit shall not be refinanced by this Bank.
- (2) This facility shall be provided only in the situation if the person and his/her family do not have a house suitable for residence.
- (3) Banks and financial institutions shall levy 2 per cent interest rate at maximum for the loans to be provided for the purpose of reconstruction of residential houses. For this

purpose, Nepal Rashtra Bank shall make available the refinancing facility at 0 per cent interest rate.

- (4) Banks and financial institutions shall not be allowed to change the interest rate on loans mentioned above. No charges except the fees equivalent to the cost to be paid to the third parties (insurance, collateral evaluation, information as to the loan, loan security fund) shall be imposed.
- (5) The repayment period for such loans shall be five years at minimum and ten years at maximum with a grace period of one year in the beginning. No advance repayment fee of any kind shall be imposed on person willing to repay the loan before the period prescribed. Such a refinancing facility shall be made available once for a year at maximum and provisions for continuity of this facility shall be made as per the prevailing legal provisions.

However, the period for repayment shall be fifteen years in case the same house of the person who has been granted the home loan by the banks and financial institutions is destroyed and he/she is compelled to take the loan again for its reconstruction.

- (6) Banks and financial institutions shall disburse the loan at least on four installments on the basis of the progress made for reconstruction. However, in case of loans granted under the provisions of Number 14, this provision shall not be compulsory.
- (7) While reconstructing houses with the loan, the building code shall be adhered to and standards set for earthquake resistance followed.
- (8) Banks and financial institutions shall collect compulsorily the certificate stating that the residential house of the earthquake victim concerned has been destroyed and any member of his/her family does not have any residential house from the agency of Government of Nepal or local bodies (municipality/sub-metropolitan/metropolitan office/ward office/VDC).
- (9) The limit for the total amount of refinancing to be made available by this Bank for earthquake victims shall be 80 per cent of the core capital of a bank or financial institution at maximum.
- (10) Such loans shall, in general, be insured. In case loans are insured, provisions for bad loans may be made at the rate of 25 per cent only every year for each category on the basis of classification of loans.
- (11) Banks and financial institutions receiving such refinancing facility shall submit monthly statements (see Annex) to the concerned Supervision Department of this Bank within 15 days upon completion of the month.

- (12) For the purpose of calculation of capital fund, the risk weightage of such loans shall be 60 per cent as in other home loans.
- (13) Such refinancing shall be made available against collateral for loans provided by banks and financial institutions.
- (14) Refinancing shall be provided for the loans amounting to Rs. 200,000.- by the banks and financial institutions belonging to “A”, “B” and “C” categories under the recommendation of micro financing institutions of “D” category to their clients. In case of such loans or the loans amounting to Rs. 200,000.- at maximum made available directly by the banks and financial institutions belonging to “A”, “B” and “C” categories without the recommendation of micro financing institutions of “D” category, provisions of national building codes as prescribed under Number 7 shall not be compulsory. Such loans provided by the banks and financial institutions shall be considered as loans provided to the poor.
- (15) While disbursing such loans, banks and financial institutions shall approve and make available the loan on the clearly defined basis including the capacity of clients under the existing policy provisions of home loans of the banks and financial institutions concerned.

For the loans provided under the terms and conditions stipulated above, banks and financial institutions may avail of refinancing facility by contacting the Nepal Rashtra Bank, Banks and Financial Institutions Regulation Department, Central Office, Baluwatar.

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Annex 1
Date:/...../201..

To,
The Executive Director,
Nepal Rashtra Bank,
..... Supervision Department,
Kathmandu.

Dear Sir,

As per the Procedures for Refinancing to be Provided for Reconstruction of Residential Houses by Households Affected by Earthquake, 2015 issued by your Department Reference No: dated, the monthly statement of refinancing utilized and the loans provided by this institution is as follows:

Details of the loan (Date/...../201..)

S. No.	Name of the person taking loan	Date of the loan provided	Final Repayment date	Remaining amount of the loan to be repaid	Details of refinancing		Remarks
					Date	Amount	

*To be submitted within 15 days after completion of the month.

On Behalf of the bank/financial institution:
Signature:
Name:
Designation:
Seal:
Department/Office: