

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5102
ANSWERED ON:20.04.2001
HOUSING FINANCE COMPANIES
HARIBHAI PARTHIBHAI CHAUDHARY

Will the Minister of FINANCE be pleased to state:

- (a) whether several Housing Finance Companies with dubious credibility are functioning in the country and are cheating the people;
- (b) if so, the details thereof;
- (c) whether the Government have conducted an enquiry into it; and
- (d) if so, the action taken against such companies?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL) :

(a) and (b) The National Housing Bank (NHB) which regulates and supervises Housing Finance Companies (HFCs) has reported that some cases of dubious housing finance companies have come to notice. Since the establishment of NHB, 83 HFCs have been found to have committed irregularities and/or have failed to comply with the provisions of NHB Act and Housing Finance Companies (NHB) Directions, 1989.

(c) and (d) NHB has issued the Housing Finance Companies (NHB) Directions, 1989 which specify the conditions for accepting deposits, interest rate payable on deposits, maturity period of deposits, credit rating of deposit instruments, quantum of deposits that can be accepted and compliance with Advertisement Rules. As and when non-compliance of any of the provisions of the Directions issued by NHB are observed, NHB initiates action eg. issuing show cause notice prohibiting the errant companies from accepting deposits from the Public and publishing particulars of such companies in various national and regional newspapers in the interest of public awareness. The powers to deal with such cases have recently been strengthened with the passing of the National Housing Bank (Amendment) Act. 2000. Under this Act, NHB can order repayment of deposits in case of default by HFCs. Further, if continuance of a HFC is detrimental to the public interest or to the interest of the depositors, NHB can file an application for winding up of the company. So far, 32 HFCs have been prohibited by the NHB from accepting public deposits.