

Bill Summary

The National Housing Bank (Amendment) Bill, 2012

- The National Housing Bank (Amendment) Bill, 2012 was introduced by the Ministry of Finance in the Lok Sabha on April 30, 2012. This Bill seeks to amend the National Housing Bank Act, 1987.
- The Act established the National Housing Bank (NHB) as the principal agency to promote housing finance institutions both at the local and regional level. Under the Act, Reserve Bank of India (RBI) was the sole shareholder of NHB.
- The Bill proposes to transfer the shareholding of the RBI in the NHB to the central government to avoid conflict of ownership and regulatory role. For this transfer, the central bank shall pay RBI, in cash, an amount equal to the face value of the subscribed capital issued by the RBI.
- The power to increase the authorized capital of the NHB through notification would also lie with the central government.
- The NHB Act allows for the nomination of two directors by the RBI. This Bill proposes that the RBI shall nominate only one director and it shall not be consulted for the appointment of the directors other than the Chairman and Managing Director.
- As per the Act, the NHB may transact business with housing finance institutions, scheduled banks, state co-operative agricultural and rural development banks or other institutions notified by the central government. The Bill proposes to add non-bank financial companies to this list. It also inserts “mortgage guarantee companies, securitization companies, reconstruction companies and credit information companies” under this section.
- The Bill also amends the requirement of registration and net owned fund in the Act. The net owned fund is increased from Rs 25 lakh to Rs 200 lakh. The application for registration by every housing finance institution shall be filed with RBI instead of NHB.
- According to the Act, NHB may regulate or prohibit issue of prospectus for soliciting deposits from the public if it deems necessary. The Bill vests this power with the RBI.
- The Bill also gives the power to determine policy and issue directions in the public interest to all or any housing finance institutions to the RBI. This power was earlier with the NHB.
- The Act requires NHB to collect information from the housing finance institutions regarding deposits received by them. The Bill requires the housing finance institutions to submit this information to the RBI also.
- The Bill empowers the RBI to give directions in the public interest on any matter relating to the deposits of the housing finance institutions. If any housing finance institution fails to comply with these directions, both the NHB and RBI have the power to prohibit the acceptance of deposits by the defaulting institution.
- The Bill requires every housing finance institution to submit a copy of its balance sheet to the NHB. The NHB may conduct an inspection of any housing finance institution. The Bill requires NHB to submit a report of any such inspection to the RBI.
- The Act requires the Board of NHB to close its balance sheet by June 30 of every year. The Bill amends this to March 31 of each year.
- According to the Act, the auditors who audit the accounts of NHB shall be appointed by the RBI. The Bill proposes that the auditors shall be appointed by the central government in consultation with the RBI.
- The Bill gives the power to impose penalties for a default or contravention to both the RBI and NHB.
- As per the Act, the Board could make regulations with prior approval of the RBI and in consultation with the central government. The Bill proposes that the regulations shall be made only with the approval of the central government.

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