

Refinancing Procedures for the reconstruction of private houses destroyed by the earthquakes, 2072

As per the provision mentioned in clauses 49 and 50 of Central Bank of Nepal Act, 2058, refinancing facility will be provided to licensed banks ('A', 'B' and 'C' class) and Financial Institutions for abovementioned purpose after they abide by following terms and conditions.

Terms and Conditions:

1. The maximum limitation for refinancing will be NPR 2.5 million rupees for each household within Kathmandu valley whereas for each household outside the valley it shall be 1.5 million rupees. Loans that are above the stated amount shall not be eligible for refinancing.
2. This facility shall be provided only if the borrower and his/her family member/s do not own any other habitable house. The refinancing shall be applied for the reconstruction of private houses within the same VDC where the houses were destroyed or the same ward if the houses were destroyed within a Municipality. However, if the government has certified/verified that the location is not suitable for habitation, then, as per this Procedures, refinancing can be provided for the reconstruction of private houses in another location within the same district.
3. BFIs can levy up to 2 percent interest against the loans taken for the reconstruction of private houses. For this NRB will provide refinancing facility of 0 percent interest.
4. The BFIs cannot change the interest rate as per the Procedures. No other charges except the interest and third-party payments (insurance, collateral, loan notice, loan security fee) shall be imposed.
5. The loan scheme will be provided for a period of 5 to 10 years with the first year regarded as a grace period. If any borrower wants to repay the loan before the stipulated time, there will not be any prepayment fee. The loan scheme will be provided for 1 year for each time and shall be continued as per the prevailing legal provisions.

However, for those destroyed houses that were built on loans from BFIs prior to the earthquakes, and need to re-loan for reconstruction, the loan period can be extended up to 15 years.

6. BFIs need to disburse the housing reconstruction loan in at least four stages and this must be done as per the progress of construction. However, this condition shall not be mandatory for those loans issued as per Point 14.
7. Reconstruction of private houses must follow the National Building Codes and the compliance for earthquake resistant reconstruction.
8. BFIs must keep the certificate of earthquake victim, whose house is damaged/destroyed and does not own any other habitable house, from respective local bodies of the GoN or local body (Municipality/ Sub-Metropolitan/Metropolitan), or borrower's letter of self-declaration.
9. The total refinancing limitation for earthquake victims for each bank or financial institution shall be based on 80 percent of their seed capital.

10. Generally, the loans must be insured. In case of insured loans, only 25 percent of the loan loss provision can be determined as per the loan loss provision for each category defined by the loan categorization.
11. Those BFIs who have been taking the refinancing facility must submit monthly report (Annex) to the Department of Supervision within 15 days of the end of each month.
12. For the purpose of Capital Fund Calculation, risk threshold of the loans disbursed shall be 60 percent similar to the private housing loans.
13. The refinancing will be provided as per the collateralized loans of the BFIs.
14. If "D" class Micro Credit Financial Institutions want to provide loans up to NPR 300,000.00 in collective guarantee to their members whose houses have been completely destroyed, NRB will provide 0 percent refinancing facility to those institutions. Similarly, if the members receive loans up to NPR 300,000.00 from "A" "B" or "C" Class BFIs as per the recommendation from the "D" Class Micro Credit Financial Institutions then they will also be eligible for the refinancing facility.

Except the National Building Codes pursuant to Point 7 of the Procedures, all other provisions shall apply for the loans provided with collective guarantee as per this provision. This kind of loans provided by "A" "B" or "C" Class BFIs shall be considered as Loans for the Destitute.
15. While approving and issuing the loans, BFIs must work under the respective Housing Loans Policy and it must be based upon the debt repayment capacity and securitization of the borrowers.
16. If the earthquake victims want to take loans for the reconstruction of their private houses, the BFIs must provide loans in a simple and accessible manner as per this Procedures.

BFIs are eligible for refinancing facility from Central Bank of Nepal, Banks and Financial Institutions Regulation Department or the Central Office in Baluwatar after they have issued loans in accordance to the Terms and Conditions mentioned above.