

Unofficial translation prepared by HRRP, 21 November 2018. Original Nepali document can be accessed here: http://hrrpnepal.org/upload/resources/qF50Y7ynHdcbsiKTgEBm_2018_11_21.pdf

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Nepal Rastra Bank

Bank and Financial Institutions Regulation Department

Ref No: B.B.N.B\Policy/Letter/ABC/5/075/76

Date: 22 September 2018

Licensed Banks of Category "A", "B" and "C" and financial institutions

Sir,

This directive has been issued using the right pursuant to Nepal Rastra Bank Act, 2058, Clause 79 for the banks and financial institutions licensed by this bank to adhere to and implement the following amendments made in the "Procedural Guideline for providing subsidized loan for the earthquake affected households for housing reconstruction, 2072 (2015)".

1. Point number 3 of the procedural guideline has been dismissed and following provisions have been made.

(3) The subsidized loan facility provided by Banks and financial institutions for private housing reconstruction with zero percent interest rate shall be provided for a maximum of two years. The Banks and financial institutions shall be required to charge the clients with a maximum of 2% interest rate for such loan. After the period of subsidized loan has passed, the banks and financial institutions should add a maximum of 2% points in their cost of Fund and set up the interest rate accordingly. For this provision, the average Cost of Fund of the last month of previous trimester should be considered the base for the current trimester.

2. Point no. 5 of the procedural guideline has been dismissed and following provisions have been made.

(5) With the first year as a grace period, the minimum period for this loan shall be 5 years and a maximum of up to 10 years. If any debtor wishes to repay the loan in advance, no advance repayment charges of any kind shall apply. After the period of subsidized loan is over, interest grant for a maximum of 8 years shall be provided by this bank.

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3. The following provisions have been added after point number 5 in this procedural guideline and have been numbered with serial numbers.
 - 6. The banks and financial institutions shall collect 2 percent of the total interest to be collected from the debtor and the rest of the interest amount shall be called for compensation in the attached format within 15 days of a trimester from this bank. The amount for interest grant demanded through this procedure shall be transferred by this bank into the account of the concerned bank or financial institution within a month from the end of the trimester.
 - The banks and financial institutions can count the loan provided pursuant to this procedural guideline as Disadvantages Class Loan after the period of subsidized loan is completed. Additionally, such loan can be deducted from the total loan while counting CCD ratio.
8. Such interest grant facility shall be provided only for “active” loans.
9. The facility of subsidized loan along with interest grant shall not be provided for the loans provided to the earthquake affected individuals after mid of September 2018.

Signed

Narayan Prasad Paudel

Executive Director