

RBI/2006-07/61

UBD.PCB.BPD. 1/09.09.001/2006-07

July 11, 2006

The Chief Executive Officers of
All Primary (Urban) Co-operative Banks

Dear Sir / Madam,

**Priority Sector Lending – Investment in special bonds issued by NHB/
HUDCO**

Please refer to our circular No.UBD.Plan.PCB.17/09.09.010/1999-2000 dated December 22, 1999 in terms of which investments made by UCBs in bonds issued by NHB / HUDCO exclusively for financing of housing, irrespective of the loan size, per dwelling unit, are reckoned for inclusion under Priority Sector advances.

2. With a view to rationalising the banks' investments under priority sector lending and encouraging banks to increasingly lend directly to priority sector borrowers, it has been decided that investments that may be made by banks on or after April 1, 2007 in the bonds issued by NHB / HUDCO shall not be eligible for classification under priority sector lending.

3. The other terms and conditions laid down in the above circular remain unchanged. The banks are therefore, advised to align their priority sector lending/ investments suitably so as to comply with the above guidelines.

4. Please acknowledge receipt to the Regional Office concerned.

Yours faithfully,

(N.S.Vishwanathan)
Chief General Manager-in-charge