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Reserve Bank of India (Mortgage Guarantee Companies) Directions, 2025

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In exercise of the powers conferred under section 45JA of Reserve Bank of India Act, 1934 (Act 2 of 1934), and of all powers enabling it in this behalf, the Reserve Bank having considered it necessary in the public interest and being satisfied that, for the purpose of enabling it to regulate the financial system to the advantage of the country and to prevent the affairs of any Mortgage Guarantee Company (MGC) from being conducted in a manner detrimental to the interest of investors or in any manner prejudicial to the interest of such MGCs, hereby issues the Reserve Bank of India (Mortgage Guarantee Companies) Directions, 2025, hereinafter specified.

Chapter-I – Preliminary

A. Short Title and Commencement

1. These Directions shall be called the Reserve Bank of India (Mortgage Guarantee Companies) Directions, 2025.
2. These directions shall come into effect on the day they are placed on the website of the Reserve Bank.

B. Applicability

3. These Directions shall be applicable to Mortgage Guarantee Companies (hereinafter collectively referred to as 'MGCs' and individually as a 'MGC') which has been granted Certificate of Registration under the scheme of Registration of Mortgage Guarantee Companies by the Reserve Bank of India.

C. Applicability of other Directions

4. The provisions specified in the following Directions, where not contradictory to the contents of these Directions, shall be applicable to MGCs based on the layer in which the MGC is categorised:

- (1) [Reserve Bank of India \(Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation\) Directions, 2025.](#)
- (2) Paragraph 6(4), 7, 8, 11, 15, 16, and 54 of [Reserve Bank of India \(Non-Banking Financial Companies – Prudential Norms on Capital Adequacy\) Directions, 2025.](#)
- (3) Paragraph 86 to 100 of [Reserve Bank of India \(Non-Banking Financial Companies – Resolution of Stressed Assets\) Directions, 2025.](#)



(4) [Reserve Bank of India \(Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures\) Directions, 2025](#) except provisions contained in paragraph 20.

(5) Paragraph 6, 7, 14, 15, 25 and 26 of [Reserve Bank of India \(Non-Banking Financial Companies – Miscellaneous\) Directions, 2025](#).

(6) [Reserve Bank of India \(Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning\) Directions, 2025](#).

Note: For ample clarity, it is clarified that the instructions contained in these Directions shall prevail in the event of conflict, if any, with the above mentioned Directions.

(7) Chapter IV of [Reserve Bank of India \(Non-Banking Financial Companies – Concentration Risk Management\) Directions, 2025](#).

(8) Paragraph 7 to 9, Paragraph 16 to 18, Paragraph 25 to 39, and paragraph 41 to 43 of [Reserve Bank of India \(Non-Banking Financial Companies – Governance\) Directions, 2025](#).

(9) Chapter IV and IT-specific provisions contained in Chapter II of [Reserve Bank of India \(Non-Banking Financial Companies – Managing Risks in Outsourcing\) Directions, 2025](#).

(10) [Reserve Bank of India \(Non-Banking Financial Companies – Prudential Norms on Declaration of Dividends\) Directions, 2025](#).

(11) [Reserve Bank of India \(Non-Banking Financial Companies – Know Your Customer\) Directions, 2025](#)

(12) [Reserve Bank of India \(Non-Banking Financial Companies- Voluntary Amalgamation\) Directions, 2025](#).

5. Notwithstanding the above, the instructions contained in these Directions shall be applicable to MGCs in addition and not in substitution to the other relevant instructions contained in the Directions mentioned in paragraph 4 above.

6. A MGC may make use of the '[Guidance Note on Operational Risk Management and Operational Resilience](#)', as amended from time to time.

D. Regulatory Structure under SBR and applicability of Regulations under SBR

7. A MGC may lie in any of the layers of the regulatory structure depending on the parameters of the scale based regulatory framework specified in paragraph 8 to 36 of



Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025.

E. Definitions

8. In this Chapter, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below:

- (1) 'bank' means –
 - (i) a banking company; or
 - (ii) a corresponding new bank; or
 - (iii) the State Bank of India; or
 - (iv) a subsidiary bank; or
 - (v) such other bank which the Reserve Bank may, by notification, specify for the purposes of these guidelines; and
 - (vi) a co-operative bank as defined under the Banking Regulation Act, 1949 (Act 10 of 1949);
- (2) 'banking company' means a banking company as defined in Section 5(c) of the Banking Regulation Act, 1949 (Act 10 of 1949);
- (3) 'borrower' means any person or any entity who has been granted a housing loan by any creditor institution or any other entity which may be specified by Reserve Bank of India from time to time;
- (4) 'breakup value' means the equity capital and reserves as reduced by intangible assets and revaluation reserves, divided by the number of equity shares of the investee company;
- (5) 'carrying cost' means book value of the assets and interest accrued thereon but not received;
- (6) 'company' means a company registered under Section 3 of the Companies Act, 1956 or a corresponding provision under Companies Act, 2013;
- (7) 'corresponding new bank' means as defined in clause (da) of Section 5 of the Banking Regulation Act, 1949;
- (8) 'creditor institution' means a bank or housing finance company;



(9) 'default' means non-payment on the due date of any principal debt or interest thereon payable by a borrower to any creditor institution;

(10) 'doubtful asset' means an asset which remains a sub-standard asset for a period exceeding 12 months;

(11) 'earning value' means the value of an equity share computed by taking the average of profits after tax as reduced by the preference dividend and adjusted for extra-ordinary and non-recurring items, for the immediately preceding three years and further divided by the number of equity shares of the investee company and capitalised at the following rate :

- (i) in case of predominantly manufacturing company, eight per cent;
- (ii) in case of predominantly trading company, ten per cent; and
- (iii) in case of any other company, including a non-banking financial company, twelve per cent;

Note: If an investee company is a loss making company, the earning value will be taken at zero;

(12) 'fair value' means the mean of the earning value and the breakup value;

(13) 'guarantee' means a contract of guarantee as defined in section 126 of the Indian Contract Act, 1872 (9 of 1872);

(14) 'housing finance company' means housing finance company as defined in [Reserve Bank of India \(Housing Finance Companies\) Directions, 2025](#);

(15) 'housing loan' means any loan or advance granted to an individual or any other entity which may be specified by Reserve Bank from time to time for the purpose of construction/ repairs/ upgradation of a house or residential property or acquisition of a house or residential property or both, i.e., house and residential property;

Explanation: - 'Other entities' would include housing societies and housing co-operatives in the above definition of 'housing loan'.

(16) 'hybrid debt capital instrument' shall have the same meaning as defined in the [Reserve Bank of India \(Non-Banking Financial Companies – Prudential Norms on Capital Adequacy\) Directions, 2025](#);

(17) 'loss asset' means:



- (i) an asset which has been identified as loss asset by the mortgage guarantee company or its internal or external auditor or by the Reserve Bank, to the extent it is not written off by the mortgage guarantee company; and
- (ii) an asset which is adversely affected by a potential threat of non-recoverability for reasons like erosion in the value of security or non-availability of security or due to any fraudulent act or omission on the part of the borrower, etc.;

(18) 'mortgage guarantee' means a guarantee provided by a mortgage guarantee company for the repayment of an outstanding housing loan and interest accrued thereon up to the guaranteed amount to a creditor institution, on the occurrence of a trigger event;

(19) 'mortgage guarantee company (MGC)' means a company registered with the Reserve Bank as mortgage guarantee company which primarily transacts the business of providing mortgage guarantee;

(20) 'mortgage guarantee contract' means a tri-partite contract among the borrower, the creditor institution and the mortgage guarantee company, which provides the mortgage guarantee;

(21) 'National Housing Bank' means the National Housing Bank established under the National Housing Bank Act, 1987 (53 of 1987);

(22) "net owned fund" means :

- (i) the aggregate of the paid-up equity capital and free reserves as disclosed in the latest balance sheet of the company after deducting there from -
 - (a) accumulated balance of loss;
 - (b) deferred revenue expenditure; and
 - (c) other intangible assets; and
- (ii) further reduced by the amounts representing -
 - (a) investments of such company in shares of -
 - its subsidiaries;
 - companies in the same group;
 - all other non-banking financial companies; and
 - (b) the book value of debentures, bonds, outstanding loans and advances (including hire purchase and lease finance) made to, and deposits with -
 - subsidiaries of such company; and



– companies in the same group,

to the extent such amount exceeds ten per cent, of (i) above.

(iii) ‘subsidiaries’ and ‘companies in the same group’ shall have the same meanings assigned to them in the Companies Act, 1956 or a corresponding provision under Companies Act, 2013.

(23) ‘non-performing asset’ (NPA) means account of a borrower, which has been classified by a creditor institution as sub-standard, doubtful or loss asset, in accordance with the directions or guidelines relating to asset classification issued by the Reserve Bank. Further, NPA in respect of mortgage guarantee asset means, an asset acquired from the credit institution on the happening of trigger event which is straight away classified as non-performing asset and shall thereafter be classified according to the age of NPA. For the purpose of income recognition on investments by mortgage guarantee companies, ‘non-performing asset’ means an asset, in respect of which, interest or principal or amortization obligations have remained overdue for a period of more than 90 days.

(24) ‘net asset value’ means the latest declared net asset value by the mutual fund concerned in respect of that particular scheme;

(25) ‘owned fund’ means paid up equity capital, free reserves including contingency reserves maintained as per paragraphs 43 to 50 of these Directions, balance in share premium account and capital reserves representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of asset, as reduced by accumulated loss balance, book value of intangible assets and deferred revenue expenditure, if any. A MGC shall not be required to deduct a Right-of-Use (ROU) asset (created in terms of Ind AS 116-Leases) from Owned Fund, provided the underlying asset being taken on lease is a tangible asset;

(26) ‘Reserve Bank’ means the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934 (2 of 1934)

(27) ‘standard asset’ means the asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business;



(28) 'sub-standard asset in respect of mortgage guarantee asset' means an asset which has been classified as NPA for a period not exceeding 12 months;

(29) 'subordinated debt' means 'subordinated debt' as defined in [Reserve Bank of India \(Non-Banking Financial Companies – Prudential Norms on Capital Adequacy\) Directions, 2025.](#)

Note: The capital treatment for the subordinated debt shall also be as per [Reserve Bank of India \(Non-Banking Financial Companies – Prudential Norms on Capital Adequacy\) Directions, 2025.](#)

(30) 'substantial interest' means holding of a beneficial interest by an individual or his spouse or minor child, whether singly or taken together in the shares of a company, the amount paid up on which exceeds 10 per cent of the paid up capital of the company; or the capital subscribed by all partners of a partnership firm;

(31) 'Tier 1 capital' means owned fund as reduced by investment in shares of other nonbanking financial companies and in shares, debentures, bonds, outstanding loans and advances including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, ten per cent of the owned fund;

Note: Investment in shares of subsidiaries, companies in the same group and other NBFCs refers to that which has been acquired by the mortgage guarantee company in satisfaction of debt;

(32) 'Tier 2 capital' includes the following :-

- (i) preference shares;
- (ii) revaluation reserves at discounted rate of 55 per cent;
- (iii) general provisions and loss reserves to the extent these are not attributable to actual diminution in value or identifiable potential loss in any specific asset and are available to meet unexpected losses and provisions made on standard assets, to the extent of one and one fourth percent of risk weighted assets;
- (iv) hybrid debt capital instruments; and
- (v) subordinated debt,

to the extent the aggregate does not exceed Tier 1 capital;



(33) 'trigger event' means classification of the account of a borrower as NPA in the books of the creditor institution;

(34) 'turnover or business turnover' means the total mortgage guarantee contracts entered during the year together with the volume of business arising out of other activities (specially permitted by Reserve Bank), undertaken during the year;

9. The words or expressions used in this Chapter but not defined herein and defined in the Reserve Bank of India Act, 1934 (Act 2 of 1934), or the Banking Regulation Act, 1949 (Act 10 of 1949) shall have the same meaning as assigned to them under the said Acts. Any other words or expressions not defined in the said Acts shall have the same meaning as assigned to them in the Companies Act, 1956 or Companies Act, 2013.



Chapter-II – Role of Board, Registration and Permissible Activities

A. Role of Board

10. The MGC shall put in place approved policies and establish periodic review mechanisms to ensure sound processes and systems. An illustrative list of such policies to be approved by the Board or a Committee(s) to which powers have been delegated is provided below. The specific aspects to be addressed in these policies are detailed in the relevant paragraphs of these Directions.

(1) **Capital Adequacy:** Internal Capital Adequacy Assessment Process (ICAAP)

(2) **Investments:** (i) Securities in which investments can be made by the MGC along with sub-limits for each category of security, (ii) accounting of investments and (iii) other aspects related to investments covered in these Directions

(3) **Guarantee Facilities:** (i) Policy for providing mortgage guarantee to creditor institutions including, *inter alia*, the fee or premium chargeable, delegation of power for taking various decisions, (ii) detailed scheme for providing mortgage guarantee including, *inter alia*, quality of housing loan, maximum guarantee (in percent and ₹ terms) that can be provided, minimum and maximum LTV ratio to be maintained, liability of the MGC and details of recovery process after mortgage guarantee is invoked.

(4) **Compensation:** The policy shall include, *inter alia*, constitution of a Nomination and Remuneration Committee, principles for fixed/variable pay structures and malus/clawback provisions.

B. Registration with the Reserve Bank

11. A MGC shall commence the business of providing mortgage guarantee after -

(1) obtaining a certificate of registration from the Reserve Bank; and

(2) having a net owned fund of ₹100 crore or such other higher amount, as the Reserve Bank may, by notification, specify.

12. Every MGC shall make an application for registration to the Reserve Bank in such form as may be specified by the Reserve Bank for the purpose.

13. The Reserve Bank, for the purpose of considering the application for registration, shall require to be satisfied that the following conditions are fulfilled :-



- (1) the MGC shall primarily transact the business of providing mortgage guarantee. A MGC shall be deemed to comply with the above when at least 90 per cent of the business turnover is mortgage guarantee business or at least 90 per cent of the gross income is from mortgage guarantee business (which includes the income derived from reinvesting the income generated from mortgage guarantee business);
- (2) the MGC is or shall be in a position to pay its liabilities arising from the contracts of guarantee it may enter into;
- (3) the MGC has adequate capital structure as stipulated in paragraphs 23 to 29 of these Directions and adequate earning prospects from mortgage guarantee business;
- (4) the general character of the management or the proposed management of the MGC shall not be prejudicial to the public interest;
- (5) the Board of Directors of such MGC does not consist of more than half of its total number of Directors who are either nominees of any shareholder with substantial interest or associated in any manner with the shareholder with substantial interest or any of the subsidiaries of the shareholder with substantial interest if such a shareholder is a company;
- (6) a MGC shall have a well diversified shareholding and shall not be a subsidiary of any other company including a company registered or incorporated under any law in force outside India. Further, no individual, association or body of individuals whether incorporated or not, partnership firm, company or company registered or incorporated under any law in force outside India shall, directly or indirectly, have any controlling interest in the MGC.
- (7) Foreign Direct Investment (FDI) Policy as notified from time to time by the Reserve Bank, shall apply to a MGC.

Provided that if the foreign entity has substantial interest in the applicant MGC, it should be regulated by a home country financial regulator and should itself preferably be a MGC and have a good track record of operating as a MGC.

Provided further that the above clause would not be applicable if the investor in the equity of a MGC is an international financial institution.



(8) Investment from FATF non-compliant jurisdictions: MGC shall refer to the instructions as prescribed in paragraph 47 and 48 of [Reserve Bank of India \(Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation\) Directions, 2025.](#)

(9) The public interest shall be served by the grant of certificate of registration to the MGC to commence or to carry on the business in India.

(10) The grant of certificate of registration shall not be prejudicial to the operation and growth of the housing finance sector of the country.

(11) The MGC is compliant with the applicable norms for foreign investment in such companies; and

(12) Any other condition, fulfillment of which in the opinion of the Reserve Bank, shall be necessary to ensure that the commencement of or carrying on the business in India by a MGC shall not be prejudicial to the public interest and the housing finance sector in India.

14. The Reserve Bank may, after being satisfied that the conditions specified in sub paragraphs of paragraph 13 are fulfilled, grant a certificate of registration subject to such conditions which it may consider fit to impose.

15. The MGC shall be under the regulatory and supervisory jurisdiction of the Reserve Bank.

16. The Reserve Bank may cancel a certificate of registration granted to a MGC, if such company -

(1) ceases to carry on the business of providing mortgage guarantee in India; or

(2) has failed to comply with any condition subject to which the certificate of registration has been issued to it; or

(3) has failed to honour, in a timely manner, the claims arising from the contract of guarantee it has entered into or may enter into; or

(4) at any time fails to fulfill any of the conditions referred to in paragraphs 13 and 14; or

(5) fails to -



- (i) comply with any direction issued by the Reserve Bank; or
- (ii) maintain accounts, publish and disclose its financial position in accordance with the requirements of any law or any direction or order issued by the Reserve Bank; or
- (iii) submit or offer for inspection its books of account or other relevant documents when so demanded by the Reserve Bank.

C. Other Activities

- 17. A MGC can take up any activity up to 10 per cent of its total assets.
- 18. If a MGC undertakes any other business as specified in Section 45I(c) of the RBI Act 1934 within the permitted limit, prudential and other regulations as applicable (including valuation of investments, asset classification and provisioning, etc.,) for an NBFC-ICC as prescribed in paragraph 5 of [Reserve Bank of India \(Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation\) Directions, 2025](#) shall be applicable.

- 19. The MGC shall not carry out insurance business.

D. Essential features of a mortgage guarantee

- 20. The essential features of a mortgage guarantee contract shall be as follows:
 - (1) it shall be a contract of guarantee under Section 126 of the Indian Contract Act, 1872;
 - (2) the mortgage guarantee contract shall be unconditional and irrevocable and the guarantee obtained shall be free from coercion, undue influence, fraud, misrepresentation, and / or mistake under Indian Contract Act, 1872;
 - (3) it shall guarantee the repayment of the principal and interest outstanding in the housing loan account of the borrower, up to the amount of guarantee;
 - (4) the guarantor shall pay the guaranteed amount on invocation without any adjustment against the realisable value of the mortgage property; and
 - (5) it shall be a tri-partite contract among the borrower, the creditor institution and the MGC, which provides the mortgage guarantee.



E. Funding Options

21. Acceptance of public deposits – A MGC shall not accept public deposits.

22. External Commercial Borrowings – A MGC shall not avail External Commercial Borrowings.



Chapter-III – Prudential Regulations

A. Minimum Capital requirement

23. A MGC shall have a minimum net owned fund of ₹100 crore at the time of commencement of business, which shall be reviewed for enhancement after three years.

B. Capital Adequacy

24. A MGC shall maintain a capital adequacy ratio consisting of Tier 1 and Tier 2 capital which shall not be less than 10 per cent of its aggregate risk weighted assets of on balance sheet and of risk adjusted value of off-balance sheet items or any other percentage that may be prescribed by the Reserve Bank for the purpose, from time to time.

25. A MGC shall maintain at least six per cent of its aggregate risk weighted assets of on balance sheet and of risk adjusted value of off-balance sheet items as Tier 1 capital.

26. The total of Tier 2 capital, at any point of time, shall not exceed 100 per cent of Tier 1 capital.

B.1 Risk weights

27. **On balance sheet assets** - In these Directions, degrees of credit risk expressed as percentage weightages have been assigned to balance sheet assets. Hence, the value of each asset / item requires to be multiplied by the relevant risk weights to arrive at risk adjusted value of assets. The aggregate shall be taken into account for reckoning the minimum capital ratio. The risk weighted asset shall be calculated as the weighted aggregate of funded items as detailed hereunder:

Items of Assets - On-Balance Sheet Items		Risk Weightage per cent
(i)	Cash	0
(ii)	Bank balances and claims on banks including fixed deposits and certificates of deposits.	20
(iii)	Investments	
	(a) Central Government and State Government Securities	0



	(b) Bonds of banks	20
	(c) Fixed deposits / certificates of deposits / bonds of public financial institutions	100
	(d) Shares of all companies* and debentures / bonds / commercial papers of all companies and units of debt oriented / money market mutual funds	100
(*shares of corporates can be acquired only in satisfaction of debt)		
(iv)	Current Assets/Other Financial Assets	
	(a) Loans and advances	100
	(b) Loans to staff, if fully covered by superannuities, benefits & mortgage of flats / houses	20
	(c) Other loans to staff	100
	(d) Other secured loans and advances	100
	(e) Others (including net stock on hire, bills purchased and discounted, etc.)	100
(v)	Fixed Assets (net of depreciation)	
	(a) Assets leased out (net book value)	100
	(b) Premises	100
	(c) Furniture & Fixtures	100
	(d) Other fixed assets	100
(vi)	Other Assets	
	(a) Income tax deducted at source (net of provision)	0
	(b) Advance tax paid (net of provision)	0
	(c) Interest due on Government securities	0
	(d) Others (including ROU assets)	100

Notes:

- (1) Netting may be done only in respect of assets where provisions for depreciation or for bad and doubtful debts have been made.
- (2) Assets which have been deducted from owned fund to arrive at net owned fund shall have a weightage of 'zero'.
- (3) While calculating the aggregate of funded exposure of a borrower for the purpose of assignment of risk weight, a MGC may net off the amount of cash margin/ caution money/ security deposits (against which right to set-off is available) held as collateral against the advances out of the total outstanding exposure of the borrower.



28. **Off-balance sheet items** - In these Directions, degrees of credit risk exposure attached to off-balance sheet items have been expressed as percentage of credit conversion factor. Hence, the face value of each item requires to be first multiplied by the relevant conversion factor to arrive at credit equivalent value of off-balance sheet item. The credit equivalent value of each item shall have to be again multiplied by the risk weight as applicable to the respective counterparties. The aggregate risk weighted value shall be taken into account for reckoning the minimum capital ratio. The credit equivalent value of the off-balance sheet items shall be calculated as per the credit conversion factors for non-funded items as detailed hereunder:

Nature of Item		Credit Conversion Factor - Percentage
i)	Mortgage Guarantees	50
ii)	Underwriting obligations in r/o capital investment such as shares / debentures, etc	50
iii)	Partly-paid shares / debentures	100
iv)	Lease contracts entered into but yet to be executed	100
v)	Other contingent liabilities	50

Note: Cash margins / deposits shall be deducted before applying the conversion factor.

29. A single guarantee shall not exceed 10 per cent of the company's Tier 1 and Tier 2 capital.

B.2 Internal Capital Adequacy Assessment Process (ICAAP)

30. MGC in Middle and above layers shall refer to the instructions as prescribed in Paragraph 54 of [Reserve Bank of India \(Non-Banking Financial Companies – Prudential Norms on Capital Adequacy\) Directions, 2025](#) in this regard.

C. Income recognition

31. A MGC shall book income on accrual basis on securities of corporate bodies / public sector undertakings in respect of which the payment of interest and repayment of principal have been guaranteed by the Central Government or a State Government, provided interest is serviced regularly and as such is not in arrears.



32. A MGC shall book income from dividend on shares of corporate bodies on accrual basis provided dividend on the shares has been declared by the corporate body in its Annual General Meeting and the owner's right to receive payments is established.

33. A MGC shall book income from Government securities and bonds and debentures of corporate bodies on accrual basis, where interest rates on these instruments are pre-determined and provided interest is serviced regularly and as such is not in arrears.

34. A MGC shall book income from units of mutual funds on cash basis.

35. Income including interest/ discount or any other charges on an asset which is NPA or on an asset which is NPA and is taken over from creditor institution on happening of trigger event shall be recognised only on cash basis.

36. A MGC shall account the premium or fee on the mortgage guarantee contracts as an income in the profit and loss account in accordance with the applicable Accounting Standards. The amount of unearned premium shall be shown as a separate line on the liability side of the balance sheet.

37. In respect of any other business undertaken by the MGC as specified in Section 45 I(c) of the Act, within the permitted limit, income shall be recognised as per income recognition norms prescribed for such assets in these Directions.

D. Asset Classification

38. A MGC shall, after taking into account the degree of well defined credit weaknesses and extent of dependence on collateral security for realisation, classify its assets, loans and advances and any other forms of credit into the following classes, namely:

- (1) Standard assets;

Note: Assets acquired under guarantee obligations will not be classified as standard assets.

- (2) Sub-standard assets;
- (3) Doubtful assets; and
- (4) Loss assets



39. The class of assets referred to above shall not be upgraded merely as a result of rescheduling, unless it satisfies the conditions as stipulated by the Reserve Bank from time to time, required for the upgradation.

E. Accounting year

40. MGC shall refer to the instructions as prescribed in Paragraph 9 of [Reserve Bank of India \(Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures\) Directions, 2025.](#)

F. Concentration of Credit / Investment (not applicable to MGC in Upper Layer)

41. A MGC shall not lend to

- (1) any single borrower exceeding 15 per cent of its Tier 1 capital; and
- (2) any single group of borrowers exceeding 25 per cent of its Tier 1 capital.

42. A MGC shall formulate a policy in respect of exposures to a single party / a single group of parties.

Notes:

- (1) For determining the limits, off-balance sheet exposures shall be converted into credit risk by applying the conversion factors as explained in these Directions.
- (2) The investments in debentures for the purposes specified in this paragraph shall be treated as credit and not investment.
- (3) These ceilings shall be applicable to credit exposure by such a MGC to companies/ firms in its own group as well as to the borrower company's group.

G. Creation and maintenance of Contingency Reserves

43. A MGC shall create and maintain a 'Contingency Reserve' on an ongoing basis.

44. A MGC shall appropriate each year at least 40 per cent of the premium or fee earned during that accounting year or 25 per cent of the profit (after provisions and tax), whichever is higher, to the Contingency Reserve.

45. In case of inadequate profits, such appropriation shall either result in or increase the amount of carry forward loss.

46. A MGC may appropriate a lower percentage of the premium or fee earned during any accounting year subject to a minimum of at least 24 per cent of the premium or fee earned



when the provisions made each year towards losses on account of settlement of mortgage guarantee claims exceeds 35 per cent of the premium or fee earned during that accounting year.

47. A MGC shall ensure that the Contingency Reserve is built up to at least five per cent of the total outstanding mortgage guarantee commitments.

48. A MGC shall retain the amounts appropriated each year to the Contingency Reserve for a minimum period of seven subsequent years which shall be eligible for reversal only in the eighth year subject to the condition in paragraph 47 above.

49. A MGC shall utilize the Contingency Reserve without the prior approval of the Reserve Bank solely for the purpose of meeting and making good the losses suffered by the mortgaged guarantee holders only after exhausting all other avenues and options to recoup the losses; in all other cases of utilization, prior approval of Reserve Bank shall be obtained.

50. A MGC shall show the amount of 'Contingency Reserve' as a separate line item on the liability side of the balance sheet; however, Contingency Reserve may be treated as 'free reserve' for the purpose of net owned fund.

H. Accounting Standards

51. MGC shall refer to the instructions as prescribed in paragraphs 10 to 12 of [Reserve Bank of India \(Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures\) Directions, 2025](#), paragraph 16 of [Reserve Bank of India \(Non-Banking Financial Companies – Prudential Norms on Capital Adequacy\) Directions, 2025](#) and paragraph 34 to 36 of [Reserve Bank of India \(Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning\) Directions, 2025](#).

I. Provisioning requirements

52. Provision for losses on invoked guarantee

- (1) A MGC is exposed to a potential loss when its guarantee is invoked.
- (2) A MGC shall hold provisions for losses in respect of such invoked guarantees pending recovery of assets.



- (3) The amount of provisions required to be held shall be equal to the contract-wise aggregate of 'amount of invocation' after adjusting the realisable value of the assets held by the company in respect of each housing loan where the guarantee has been invoked.
- (4) In case the realisable value of the assets held in respect of any invoked guarantee is more than the amount of invocation, the excess shall not be adjusted against the shortfall in other invoked guarantees.
- (5) In case the amount of provisions already held is in excess of the amount as computed above, the excess provision may be reversed after full recovery or closure of the invoked guarantee amount or after the account becomes standard.
- (6) The amount of provisions made each year shall be shown as a separate line item in the Profit and Loss Account.
- (7) The amount of provision held for losses on settlement of invoked guarantees shall be shown as a separate line item on the liability side of the balance sheet.

53. Provision for 'Incurred But-Not-Reported (IBNR) losses'

- (1) A MGC is exposed to a potential loss when there is a default in a housing loan guaranteed by it.
- (2) A MGC shall hold provisions in respect of such defaulted housing loans where the trigger event is yet to occur or the guarantee is yet to be invoked.
- (3) The potential loss to which the guarantee company is exposed to is referred to as 'IBNR losses'.
- (4) The amount of provisions required to be held shall be arrived at on an actuarial basis depending upon the estimates of loss frequency and loss severity for incurred but not reported losses which are derived from historic data, trends, economic factors and other statistical data in relation to paid claims, the provisions held for claims settled, risk statistics, etc.
- (5) In case the amount of provisions already held is in excess of the amount as computed above, the excess shall not be reversed.



(6) The amount of provisions made each year shall be shown as a separate line item in the Profit and Loss Account.

(7) The amount of provision held for IBNR losses shall be shown as a separate line item on the liability side of the balance sheet.

54. Subject to what has been mentioned above, a MGC shall, after taking into account the time lag between an account becoming non-performing, its recognition as such, the realisation of the security and the erosion over time in the value of security charged, make provision against each class as provided hereunder :-

(1) Mortgage guarantee assets

The provisioning requirement in respect of mortgage guarantee assets shall be as under:

(i)	Loss Assets	The entire asset shall be written off. If the assets are permitted to remain in the books for any reason, 100 per cent of the outstanding should be provided for;			
(ii)	Doubtful Assets	(a)	100% provision to the extent to which the advance is not covered by the realisable value of the security to which the MGC has a valid recourse shall be made. The realisable value is to be estimated on a realistic basis;		
		(b)	In regard to the secured portion, provision is to be made on the following basis to the extent of 20 per cent to 100 per cent of the secured portion depending upon the period for which the asset has remained doubtful:		
			Period for which the asset has remained in doubtful category	per cent of provision	
			Up to one year	20	
			One to three years	30	
			More than three years	100	
(iii)	Sub-standard assets	A general provision of 10 per cent of total outstanding shall be made.			
(iv)	Standard assets	A MGC should make general provisions for standard asset on the following basis;			



		(a) Guarantee cover for residential housing loans beyond ₹20 lakhs at one per cent; (b) All other guarantee cover at 0.40 per cent
Notes:		
(1)		The provisions on standard asset should not be reckoned for arriving at net NPAs.
(2)		The provisions towards standard assets need not be netted from gross advances but shown separately as 'Contingent Provisions against Standard Assets' under 'Other Liabilities and Provisions Others' in the balance sheet.
(3)		It is clarified that income recognition on and provisioning against NPAs are two different aspects of prudential norms and provisions as per the norms are required to be made on NPAs on total outstanding balances. The fact that income on an NPA has not been recognised cannot be taken as reason for not making provision.

J. Framework for Compromise Settlements and Technical Write-offs

55. MGC shall refer to the instructions as prescribed in paragraph 86 to 100 of [Reserve Bank of India \(Non-Banking Financial Companies – Resolution of Stressed Assets\) Directions, 2025](#).

K. Disclosure in the balance sheet

56. MGC shall refer to the instructions as prescribed in paragraph 13 to paragraph 15 of [Reserve Bank of India \(Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures\) Directions, 2025](#).

57. Disclosure requirements as prescribed in [Reserve Bank of India \(Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures\) Directions, 2025](#) shall be applicable to MGCs.

L. Declaration of dividends

58. MGC shall refer to the instructions as prescribed in [Reserve Bank of India \(Non-Banking Financial Companies – Prudential Norms on Declaration of Dividends\) Directions, 2025](#).

M. Investment Policy

M.1 Investment Policy for MGCs

59. A MGC shall invest only in the following instruments:



- (1) Government Securities;
- (2) Securities of corporate bodies/ public sector undertakings guaranteed by Government;
- (3) Fixed Deposit/ Certificate of Deposits/ bonds of Scheduled Commercial banks/ PFIs;
- (4) listed and rated debentures/ bonds of corporates;
- (5) fully debt oriented Mutual Fund Units; and
- (6) unquoted Government securities and Government guaranteed bonds.

60. A MGC shall not invest in subsidiaries and joint ventures.

Provided that a MGC may hold investments in equity shares of any company which may be quoted or unquoted or other unquoted investments acquired in satisfaction of its debts which shall be disposed of by the MGC within a period of three years or within such period as extended by the Reserve Bank, from the date of such acquisition.

M.2 Transactions in Government securities

61. A MGC may undertake transactions in Government securities through its gilt account or its demat account or any other account, as permitted by the Reserve Bank.

M.3 Pattern of Investment

62. A MGC shall hold not less than 25 per cent of its total investment portfolio in Central and State Government securities.

63. The remaining investments may be invested as the Board considers prudent, but with a ceiling of 25 per cent in any one category, i.e., listed and rated corporate bonds and debentures or debt oriented mutual fund units, etc.

64. The Board may fix an appropriate sub-limit for individual investments within each category of instruments specified in paragraph 59 above.

65. A MGC shall invest only in bonds / debentures and debt oriented mutual funds having at least Minimum Investment Grade Rating (MIGR) assigned by the SEBI registered Rating Agencies.



M.4 Accounting of investments

66. Quoted investments shall, for the purposes of valuation, be grouped into the following categories, viz.,

- (1) Government securities including treasury bills,
- (2) Government guaranteed bonds/ securities;
- (3) bonds of banks/ PFIs;
- (4) debentures/ bonds of corporates; and
- (5) Units of mutual fund.

67. Quoted investments for each category except Government Securities including treasury bills, Government guaranteed bonds or securities shall be valued at cost or market value whichever is lower.

68. The investments made towards Government securities, quoted or otherwise, government guaranteed securities and bonds not exceeding the capital may be treated as 'Held to Maturity' (HTM) for the purpose of valuation and accounted for accordingly.

69. A MGC may, at its discretion, effect the transfer of the government security from HTM category to AFS category at the beginning of each half year, on April 01 or October 01, with the approval of the Board, provided the principal amount is reinvested in another Government security.

70. Investments classified under HTM need not be marked to market and shall be carried at acquisition cost, unless it is more than the face value, in which case the premium shall be amortised over the period remaining to maturity.

71. The book value of the security shall continue to be reduced to the extent of the amount amortised during the relevant accounting period. However, if any security out of this bouquet is traded before maturity the entire category will be treated as securities held for trade and will have to be marked to market (MTM) as detailed herein below.

72. The investments in each category shall be considered scrip-wise and the cost and market value aggregated for all investments in each category.

73. If the aggregate market value for the category is less than the aggregate cost for that category, the net depreciation shall be provided for or charged to the profit and loss



account. If the aggregate market value for the category exceeds the aggregate cost for the category, the net appreciation shall be ignored.

74. Depreciation in one category of investments shall not be set off against appreciation in another category.

75. All other investments shall be MTM in accordance with these Directions.

76. Unquoted investments acquired in satisfaction of its debts shall be valued as under:

- (1) Unquoted investments in the units of mutual funds shall be valued at the net asset value (NAV) declared by the mutual fund in respect of each particular scheme;
- (2) Unquoted equity shares shall be valued at cost or breakup value, whichever is lower. However, a MGC may substitute fair value for the breakup value of the shares, if considered necessary. Where the balance sheet of the investee company is not available for two years, such shares shall be valued at ₹1/- per company;
- (3) Unquoted preference shares shall be valued at cost or face value, whichever is lower.

Note: Unquoted debentures shall be treated as term loans or other type of credit facilities depending upon the tenure of such debentures for the purpose of income recognition and asset classification.

77. A MGC with the approval of the Board shall frame an investment policy in tune with these Directions.



Chapter-IV – Corporate Governance

A. Experience of the Board

78. MGC shall refer to the instructions as prescribed in paragraph 8 of [Reserve Bank of India \(Non-Banking Financial Companies – Governance\) Directions, 2025.](#)

B. Constitution of Audit Committee

79. MGC shall refer to the instructions as prescribed in paragraph 17 of [Reserve Bank of India \(Non-Banking Financial Companies – Governance\) Directions, 2025.](#) It shall be ensured that at least one of the non-executive Directors of the Board of the company in the Audit Committee shall be a Chartered Accountant.

C. Risk Management Committee

80. MGC shall refer to the instructions as prescribed in paragraph 9 of [Reserve Bank of India \(Non-Banking Financial Companies – Governance\) Directions, 2025.](#)

D. Key Managerial Personnel (applicable to MGCs in Middle Layer and above)

81. MGC shall refer to the instructions as prescribed in paragraph 26 of [Reserve Bank of India \(Non-Banking Financial Companies – Governance\) Directions, 2025.](#)

E. Independent Director (applicable to MGCs in Middle Layer and above)

82. MGC shall refer to the instructions as prescribed in paragraph 27 and 28 of [Reserve Bank of India \(Non-Banking Financial Companies – Governance\) Directions, 2025.](#)

F. Guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management in MGCs (applicable to MGCs in Middle Layer and above)

83. MGC shall refer to the instructions as prescribed in paragraph 29 to 37 of [Reserve Bank of India \(Non-Banking Financial Companies – Governance\) Directions, 2025.](#)



Chapter-V - Miscellaneous instructions

A. Requirement of maintaining Register of guarantees

84. A MGC shall keep one or more registers in which shall be entered the particulars of guarantee provided by the company, namely,

- (1) name and address of the borrower / co-borrower,
- (2) date and amount of loan sanctioned to the borrower,
- (3) brief description of the property including the site / location of the property,
- (4) the nature of security available for the loan,
- (5) tenure of the loan,
- (6) amount of each installment and due date for the payment of each installment,
- (7) name and address of the bank or housing finance company to whom the guarantee has been provided,
- (8) date and amount of the guarantee, and
- (9) duration of the guarantee.

B. Obligation of the MGC

85. The liability of the MGC in respect of a secured housing loan granted by a creditor institution where the MGC has provided a guarantee shall be as stipulated in the contract of guarantee entered into by and between the MGC, the creditor institution and the borrower.

86. On any day after a trigger event, the creditor institution, which has obtained a mortgage guarantee from a MGC, shall be entitled to invoke the guarantee against the MGC.

87. The MGC shall make good the guarantee liability without demur as and when a notice of demand for the payment of the guarantee liability in respect of the mortgage guarantee provided by it in favour of a bank or a housing finance company is received by it.

88. If a housing loan turns into a non-performing asset and the creditor institution prefers first to realize the loan by resorting to speedy recovery procedures prescribed in the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and the creditor institution, realizes some amount of the loan from the borrower, the liability of the MGC in respect of the loan, will stand reduced to that extent.



89. As scheduled commercial banks are expected to seek mortgage guarantee for their housing loans, it has been decided to align the regulatory prescription of LTV ratio for MGCs with that of commercial banks and revise it downwards from 90 per cent to 80 per cent for housing loans exceeding ₹20 lakhs. However, for small value housing loans i.e housing loans up to ₹20 lakh (which get categorized as priority sector advances), LTV ratio should not exceed 90 per cent.

C. Due diligence to be exercised by a MGC

90. Before offering to provide a guarantee for the repayment of a housing loan, the MGC shall be required to be satisfied, amongst others, with the following:

- (1) that the loans are secured by a valid mortgage;
- (2) that the creditor institution has verified title to the property, marketability of the property and credit worthiness of the borrower;
- (3) that the creditor institution has verified the use of the land on which a house or residential property is constructed or proposed to be constructed out of the loan obtained from it;
- (4) that the creditor institution has verified and obtained a copy of the permission obtained by the borrower from the proper authorities for the purpose of construction of the house or residential property; and
- (5) that the loan granted by a creditor institution to a borrower is not more than 90 per cent of the value of the property.

D. Information in regard to change of address, directors, auditors, etc. to be submitted

91. Every MGC shall communicate change of address, directors, auditors, etc., as prescribed in paragraph 6 and 7 of [Reserve Bank of India \(Non-Banking Financial Companies – Miscellaneous\) Directions, 2025.](#)

E. Prohibitions

92. A MGC shall not provide a mortgage guarantee for a housing loan which is not secured by a valid mortgage of the house / residential property that is or is proposed to be acquired by such loan.



93. No commissions, rebates or inducements: A MGC shall not pay commissions, rebates, or other inducements for referral of mortgage guarantee business to any person.

94. Prohibition on guaranteeing mortgage originations of Related Party: A MGC shall not provide guarantees on mortgage originations of promoters, its / their subsidiaries, associates and related parties or subsidiaries, associates and related parties of MGC including companies where the MGC has a material investment or interest of five percent or more of the shareholding.

95. Investments: A MGC shall not invest in notes or other evidences of indebtedness secured by a mortgage or other lien upon real property. This shall not apply to obligations secured by real property, or contracts for the sale of real property, which obligations or contracts of sale are acquired in the course of the good faith settlement of claims under policies issued by the MGC, or in good faith disposition of real property so acquired.

96. Loans against own shares of the MGC are prohibited

- (1) A MGC shall not lend against its own shares.
- (2) Any outstanding loan against its own shares shall be recovered by the MGC as per the repayment schedule before grant of Certificate of Registration to it.

F. Policy for grant of guarantee

97. The Board of Directors of a MGC shall frame a policy for the company for providing mortgage guarantee to creditor institutions. Such policy shall, *inter alia*, stipulate the following:

- (1) the fee or premium chargeable for providing a mortgage guarantee based on specific identified criteria including the quantum of loan; LTV ratio; credit quality of the borrower; and credit appraisal / credit risk management skills of the bank or housing finance company;
- (2) delegation of power for providing a mortgage guarantee and to enter into a contract of guarantee;
- (3) delegation of power for taking a decision to make good the claims received from banks and housing finance companies, and
- (4) delegation of power for initiating proceedings for the recovery of its dues from the borrowers.



G. Scheme of Mortgage Guarantee

98. For the purpose of providing mortgage guarantee, the MGC shall prepare a detailed scheme duly approved by its Board of Directors. The scheme shall contain, *inter alia*, the following matters:

- (1) the quality of a housing loan,
- (2) the maximum portion of a housing loan granted by a bank or a housing finance company to a borrower, that may be covered under the contract of guarantee,
- (3) the minimum and the maximum LTV ratio of a housing loan proposed to be covered under the contract of guarantee,
- (4) the fee or premium or charge indicating the manner for the payment there of, payable by a borrower to the MGC in consideration for the contract of guarantee,
- (5) the liability of the MGC as to whether the liability will be coextensive with that of the borrower or otherwise, and
- (6) the conditions governing the issue as to which party of the MGC or a bank / housing finance company will be required to effect recoveries from the borrower after the mortgage guarantee is invoked and the guarantee liability is made good by the MGC to the bank or housing finance company.

H. Counter-guarantee

99. Whenever a MGC obtains counter-guarantee cover in respect of the housing loans guaranteed by it from another MGC, the MGC and the counter-guarantee company shall establish and maintain the reserves required for a MGC in India in appropriate proportions in relation to the risk retained by the original MGC and ceded to the assuming counter-guarantee company so that the total reserves established shall not be less than the reserves required under Indian law for a MGC.

100. In case the counter-guarantee company is not regulated by the regulator(s) in India, the MGC guaranteeing the claim shall hold relevant reserves and provisions in respect of all outstanding mortgage guarantee contracts issued by it.



I. Technical Specifications for all participants of the Account Aggregator ecosystem

101. MGC shall refer to the instructions as prescribed in paragraphs 14 and 15 of [Reserve Bank of India \(Non-Banking Financial Companies – Miscellaneous\) Directions, 2025.](#)



Chapter-VIII – Repeal and Other Provisions

A. Repeal and saving

102. With the issue of these Directions, the existing Directions, instructions, and guidelines as applicable to MGCs stand repealed, as communicated vide [circular DOR.RRC.REC.302/33-01-010/2025-26 dated November 28, 2025](#). The Directions, instructions and guidelines repealed prior to the issuance of these Directions shall continue to remain repealed.

103. Notwithstanding such repeal, any action taken or purported to have been taken, or initiated under the repealed Directions, instructions, or guidelines shall continue to be governed by the provisions thereof. All approvals or acknowledgments granted under these repealed lists shall be deemed as governed by these Directions. Further, the repeal of these directions, instructions, or guidelines shall not in any way prejudicially affect:

- a. any right, obligation or liability acquired, accrued, or incurred thereunder;
- b. any, penalty, forfeiture, or punishment incurred in respect of any contravention committed thereunder;
- c. any investigation, legal proceeding, or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture, punishment as aforesaid; and any such investigation, legal proceedings or remedy may be instituted, continued, or enforced and any such penalty, forfeiture or punishment may be imposed as if those directions, instructions, or guidelines had not been repealed.

B. Application of other laws not barred

104. The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations, or directions, for the time being in force.



C. Interpretations

For the purpose of giving effect to the provisions of these Directions or in order to remove any difficulties in the application or interpretation of the provisions of these Directions, the RBI may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by the RBI shall be final and binding.

(J P Sharma)

Chief General Manager