



भारतीय रिज़र्व बैंक

-----RESERVE BANK OF INDIA-----

www.rbi.org.in

RBI/2011-12/604

RPCD CO. RRB. BC. No.85/03.05.033/2011-12

June 18, 2012

All Regional Rural Banks

Dear Sir

Home Loans-Levy of Fore-closure Charges / Pre-payment Penalty

Attention is invited to [paragraphs 81 to 83](#) of the Monetary Policy Statement 2012-13 announced on April 17, 2012 with regard to home loans on floating interest rates. The Committee on Customer Service in Banks (Chairman: M. Damodaran) had observed that foreclosure charges levied by banks on prepayment of home loans are resented upon by home loan borrowers across the board especially since banks were found to be hesitant in passing on the benefits of lower interest rates to the existing borrowers in a falling interest rate scenario. As such, foreclosure charges are seen as a restrictive practice deterring the borrowers from switching over to cheaper available source.

2. The removal of foreclosure charges/prepayment penalty on home loans will lead to reduction in the discrimination between existing and new borrowers and competition among banks will result in finer pricing of the floating rate home loans. Though many banks have in the recent past voluntarily abolished pre-payment penalties on floating rate home loans, there is a need to ensure uniformity across the banking system. It has, therefore, been decided that Regional Rural Banks will not be permitted to charge foreclosure charges/pre-payment penalties on home loans on floating interest rate basis, with immediate effect.

Yours faithfully

(C. D. Srinivasan)
Chief General Manager

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हिंदी आसान है, इसका प्रयोग बढ़ाइए