



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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RBI/2009-10/342

RPCD.CO.RF.BC.No.60/07.37.02/2009-10

March 5, 2010

All State and District Central Co-operative Banks

Dear Sir,

Repayment of Gold Loan

State and Central Co-operative Banks grant loans for various purposes against the security of gold /gold ornaments as part of their lending policy. As per extant instructions (c.f. our circular RPCD.RF.BC.No.69/07.37.02/2002-03 dated January 31, 2003), banks charge interest at monthly rests on loans and advances granted for purposes other than agricultural and allied activities.

2. On a review, it has been decided to permit bullet repayment of gold loans up to Rupees one lakh as an additional option. State and Central Co-operative Banks are, therefore, permitted to lay down policies with the approval of their Board for sanction of gold loan with bullet repayment option subject to the following guidelines:

- (i) The amount of gold loan sanctioned should not exceed Rs. 1.00 lakh at any point of time.
- (ii) The period of loan shall not exceed 12 months from the date of sanction.
- (iii) Interest will be charged to the account at monthly rests, but will become due for payment along with repayment of principal only at the end of 12 months from the date of sanction.

Rural Planning & Credit Department Central Office, 10th Floor, Central Office Building, post box no. 10014 Mumbai -400 001

टेलिफोन /Tel No: 91-22-22601000 फैक्स/Fax No: 91-22-22621011/22658273/22658276 Email

ID :cgmicrpcd@rbi.org.in

हिंदी आसान है, इसका प्रयोग ब[ाइये

- (iv) The bank should prescribe a minimum margin to be maintained in case of such loans and accordingly, fix the loan limit taking into account the market value of the security (gold / gold ornament), expected price fluctuations, interest that will accrue during the tenure of the loan, etc.
- (v) Such loans shall be governed by the extant income recognition, asset classification and provisioning norms which shall be applicable once the principal and interest become overdue.
- (vi) The account would also be classified as NPA (sub standard category) even before the due date of repayment, if the prescribed margin is not maintained.

3. It is clarified that crop loans sanctioned against the collateral security of gold/gold ornaments shall continue to be governed by the extant income recognition, asset classification and provisioning norms for such loans.

Yours faithfully,

(R.C.Sarangi)
Chief General Manager