GOVERNMENT OF INDIA FINANCE AND COMPANY AFFAIRS LOK SABHA

STARRED QUESTION NO:702 ANSWERED ON:09.05.2003 SECURITY MARGIN FOR HOME LOANS KAMBALAPADU E. KRISHNAMURTHY

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether Reserve Bank of India has taken a decision to make itmandatory for all banks to insist on a Security Margin for their Home Loans;

(b) if so, the details thereof;

(c) whether any directives have been issued to all banks in this regard; and

(d) if so, the details thereof?

Answer

FINANCE MINISTER (SHRI JASWANT SINGH)

(a), (b), (c) & (d): A Statement is placed on the Table of the House.

STATEMENT REFERRED TO IN PARTS (a) TO (d) OF THE LOK SABSITARED QUESTION NO.7020R 9th MAY,2003 REGARDING SECURITY MARGIN FOR HOME LOAN BY SHRIK.E.KRISHNAMURTHY.

(a), (b), (c) & (d): Reserve Bank of India had issued guidelines in 1997 regarding norms for margin money and security for housing loans falling in the priority sector. These are

Margin Money: Amount of Loan % of Margin (i) Up to Rs.20,000/- 20 (ii) From Rs.20,000/- to Rs.50,000/- 25 From Rs.50,000/- to Rs.1,00,000/- 30

(iv) Above Rs.1,00,000/- 35

The banks are imposing margin money requirements up to the limits stated above.

Security: Mortgage of properties or Government guarantee. Where neither is feasible, Banks may accept, at their discretion, securities of adequate value in the form of Life Insurance Policies, Government Promissory Notes, Shares and Debentures, gold ornaments or such other security as deemed appropriate.