

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:148

ANSWERED ON:10.12.2004

HOUSING LOAN

Paswan Shri Sukdeo;Singh Shri Ganesh Prasad

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has any plan to increase rate of interest on Housing Loans;
- (b) if so, the reasons for increasing the interest rates on Housing Loan only, when the rates of interest on other loans are being decreased;
- (c) whether this policy would put extra burden on people specially on the middle class;
- (d) if so, whether the Government proposes to review the proposal and reduce the rate of interest as a part of measure to promote housing; and
- (e) if so, the steps taken in that regard?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a) to (e): A statement is placed on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a), (b), (c), (d) & (e) OF LOK SABHA STARRED QUESTION NO. 148 FOR 10 DECEMBER, 2004 TABLED BY SHRI GANESH PRASAD SINGH AND SHRI SUKDEO PASWAN REGARDING HOUSING LOAN.

(a) to (e): Government does not regulate the rates of interest on advances, including housing loans, by banks. Except for small loans upto Rs. 2 lakh and a part of export credit, interest rates have been de-regulated by the Reserve Bank of India (RBI). Banks determine their lending rates for different types of advances based on their risk perception of activity/borrower, cost of funds, availability of funds and other commercial considerations. Taking these and the overall macro economic conditions into account, some banks have raised their rates of interest on housing loans by 25-75 basis points since November, 2004. These banks have, at the same time, raised their deposit rates also by 25-50 basis points for various term deposits. A modest increase in the interest rate on housing loans would increase the Equated Monthly Installments (EMI) marginally, making a minimal impact on customers.