

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3902
ANSWERED ON:27.04.2012
PRE PAYMENT PENALTY ON HOME LOANS QUESTION
Vijayan Shri A.K.S.

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has taken note of some leading banks and housing finance companies imposing penalty on borrowers for prepayment of home loans;
- (b) if so, the details thereof;
- (c) whether such penalty prohibits borrowers from foreclosing their housing loans and shifting to other lenders offering lower interest rates; and
- (d) if so, the corrective measures taken/ proposed to be taken by the Government in this regard?

Answer

The Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

(a) to (d): Reserve Bank of India (RBI) in its monetary policy, during 2012-13 has announced not to permit banks to levy foreclosure charges/ pre-payment penalties on home loan on a floating interest rate basis.

Further, National Housing Bank (NHB) which regulates the Housing Finance Companies (HFCs) have advised them not to levy pre-payment charges on the borrowers where the housing loan is on floating interest rate basis. Further, NHB has also advised the HFCs not to levy any pre-closure charges even where the housing loan is on fixed interest rate basis and the loan is pre-closed by the borrowers out of his own sources.