

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2327  
ANSWERED ON:07.12.2012  
RATE OF INTEREST ON HOME LOAN  
Rathwa Shri Ramsinhbhai Patalbhai

**Will the Minister of FINANCE be pleased to state:**

- (a) whether Government proposes to increase the rate of interest on home loan; and
- (a) if so, the details thereof and the reasons therefor?

**Answer**

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

(a) & (b):~Nb, Sir.

Reserve Bank of India had deregulated the interest rates on advances sanctioned by Scheduled Commercial Banks, with effect from October 18, 1994 and these interest rates were determined by banks themselves with the approval of their Boards, subject to Benchmark Prime Lending Rate (BPLR) and spread guidelines.

The above guidelines based on the BPLR system have been replaced by new guidelines on the Base Rate system issued vide circular dated April 09, 2010, which have come into force with effect from July 01, 2010. In terms of the new guidelines, banks determine their actual lending rate on loans and advances with reference to the Base Rate. All categories of loans, except specified exemptions, are priced only with reference to the Base Rate, which is announced by banks after seeking approval from their respective Boards. The Banks are not permitted to resort to any lending below the Base Rate.