

Government of India
Ministry of Finance
Department of Financial Services
LOK SABHA

UN-STARRED QUESTION NO. 2795
TO BE ANSWERED ON 3RD AUGUST, 2018 / SHRAVANA 12, 1940 (SAKA)

'PRE-PAYMENT OF HOME LOAN'

2795: DR. HEENA VIJAYKUMAR GAVIT:

SHRI P.R. SUNDARAM:

SHRI DHANANJAY MAHADIK:

DR. J. JAYAVARDHAN:

SHRIMATI SUPRIYA SULE:

SHRI MOHITE PATIL VIJAYSINH

SHANKARRAO:

SHRI SATAV RAJEEV:

Will the Minister of FINANCE be pleased to state:

- (a) the details of the present guidelines issued by RBI regarding pre-payment of home loan by an individual;
- (b) whether individual has rights to pre-pay the home loan amount sanctioned to him/her;
- (c) whether the individual can pay any amount as pre-payment without any penalty on pre-payment charges, if so, the details thereof;
- (d) whether certain banks/institutions like LIC Housing Finance charge prepayment charges from its customers who have opted to pre-pay the home loan amount, if so, whether this is not against RBI guidelines in this regard and if so, the details thereof;
- (e) whether the RBI/Government will take action against such banks/institutions and save the customers, if so, the details thereof; and
- (f) the other steps taken by the Government to simplify the procedure regarding pre-payment of home loan and given direction to banks not to charge prepayment charges?

ANSWER

MINISTER OF STATE IN MINISTRY OF FINANCE (SHRI SHIV PRATAP SHUKLA)

- (a) As per extant guidelines of Reserve Bank of India (RBI), Scheduled Commercial Banks (excluding Regional Rural Banks) are not permitted to levy foreclosure charges/ pre-payment penalties on all floating rate term loans (including home loans) sanctioned only to individual borrowers.
- (b) to (f) Part/full pre-payment of housing loan can be made by the borrower to Banks/Housing Finance Companies (HFC) subject to the terms and conditions of the loan agreement and applicable circulars issued by RBI /National Housing Bank (NHB), as the case may be. Banks and HFCs such as LIC Housing Finance Limited registered with NHB are required to comply with the circulars issued by RBI and NHB respectively. Banks/HFCs are liable for penal action for violation, if any, of the relevant guidelines in accordance with the provisions of Banking Regulation Act, 1949 / National Housing Bank Act, 1987. RBI/NHB review the circulars from time to time based on the feedback in this regard.
