

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UN-STARRED QUESTION NO. 1206
TO BE ANSWERED ON 19TH SEPTEMBER, 2020/ 28 BHADRAPADA 1942(SAKA)

‘HOUSING FINANCE COMPANIES’

1206. Shri S.Venkatesan:

Will the Minister of FINANCE be pleased to state:

(a) whether the Government proposes to protect the ordinary customers from this injustice and illogical procedure of charging high rate of interest for existing loan by housing finance companies in the country;

(b) if so, the details thereof ;

(c) whether the Government also proposes to rescue ordinary customers of housing loan companies from paying thousands of rupees as service charges plus GST @ 18 per cent for exercising option for availing the benefits of reduced rate of interest; and

(d) if so, the details thereof including the corrective steps taken by the Government in this regard?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI ANURAG SINGH THAKUR)

(a) and (b): The Reserve bank of India (RBI) has deregulated interest rates and neither the RBI nor the Government prescribe the rate of Interest to be charged by Housing Finance Companies (HFCs). The pricing of loan is a function of various factors including the cost of funds for the lenders, their risk assessment of the proposed exposure and the credit worthiness of the borrower.

RBI has advised in this regard that it would not be proper to mandate the lending institutions to extend loans at interest rates which may not be in consonance with the aforesaid considerations as the same would be akin to transfer of stress from the real estate sector to the financial sector.

(c) and (d): The policy on interest rates is determined by the Board of the HFC concerned and the actual rate charged by the HFC, including the service charges payable at the time of interest resets, is governed by the terms and condition of the loan agreement between the borrower and the HFC concerned. In order to ensure that the borrower is fully aware in advance of the charges to be levied for various services including interest resets, HFC are required to transparently disclose the charges which would be levied for various services including interest resets, if any, to the customers, and to ensure that the said charges are non-discriminatory in nature.
