

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UN-STARRED QUESTION NO. 2310

TO BE ANSWERED ON 1st AUGUST, 2022/ 10 SRAVANA, 1944 (SAKA)

‘HOME LOAN FROM NBFCs’

2310: SHRIMATI KIRRON KHER:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is aware about the exploitative rate of interest charged on home loans by financial institutions which comes under Non-Banking Financial Companies (NBFCs);
- (b) if so, the details thereof including the approximate average difference in rate of interest charged by the financial institutions under NBFCs and the nationalized banks;
- (c) the total number of people who have taken home loan from financial institutions on rate of interest above 11 per cent; and
- (d) whether the Ministry has ever communicated on this subject with the organisations to reduce such hefty rate of interest especially on home loans and if so, the details thereof?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(DR. BHAGWAT KARAD)

(a) to (c): According to National Housing Bank (NHB), rate of interest charged by Non-Banking Finance Companies (NBFCs)-Housing Finance Companies (HFCs) is generally higher than that charged by Banks as HFCs do not have access to low cost deposits in the form of Current Accounts and Saving Accounts deposits.

As informed by NHB, the difference in Weighted Average Lending Rates on Individual Housing Loans (IHL) for the Scheduled Commercial Banks (SCBs) and the HFCs in last 3 financial years are as under:

Particulars	FY 2019-20				FY 2020-21				FY 2021-22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
HFCs	10.03	9.96	9.76	9.69	9.52	9.23	8.99	8.73	8.62	8.50	8.42	7.99
SCBs	8.99	8.92	8.80	8.62	8.24	7.92	7.70	7.57	7.52	7.45	7.48	7.34
Diff. (HFCs- SCBs)	1.04	1.04	0.96	1.07	1.27	1.30	1.29	1.16	1.10	1.05	0.94	0.65

As per data compiled by NHB from HFCs, the number of IHLs having interest rates above 10%, as on 31.3.2022, stood at 20.08 lakhs, representing 32.90% of total IHL accounts, with outstanding amount of ₹1,11,270.09 crores, which is 13.76% of the total outstanding amount of IHLs.

(d): The Reserve Bank of India (RBI) has deregulated interest rates on loans and advances and neither the RBI nor the Government prescribe the rate of interest to be charged by NBFCs-HFCs on Home Loans.

Further, RBI, has apprised that it has issued various guidelines/norms applicable to NBFCs including HFCs with regard to the charging of rate of interest to its borrowers which *inter alia*, including the following:

- (i) The Board of each NBFC/HFC are required to adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances. The rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter.
- (ii) The rates of interest and the approach for gradation of risks shall also be made available on the web-site of the companies or published in the relevant newspapers. The information published in the website or otherwise published shall be updated whenever there is a change in the rates of interest.
- (iii) The rate of interest must be annualised rate so that the borrower is aware of the exact rates that would be charged to the account.
- (iv) To protect the interest of customers, RBI has laid down a Fair Practices Code which has to be adhered to by NBFCs/HFCs. Grievance Redressal Procedure has also been laid down to adequately address customer complaints.
