

भारतीय रिजर्व बैंक

_____ RESERVE BANK OF INDIA_____ www.rbi.org.in

RBI/2013-14/ 582 DBOD. Dir.BC.No. 110 /13.03.00/2013-14

May 7, 2014

All Scheduled Commercial Banks (Excluding RRBs)

Dear Sir/Madam

Levy of foreclosure charges/pre-payment penalty on Floating Rate Term Loans

Please refer to our <u>circular DBOD</u>. No. <u>Dir.BC.107/13.03.00/2011-12 dated June 5</u>, <u>2012</u> on 'Home Loans- Levy of Fore-closure Charges/ Pre-payment Penalty'.

2. A reference is invited to Part B of the First Bi-monthly Monetary Policy Statement 2014-15 announced on April 1, 2014 proposing certain measures for consumer protection. It was indicated that in the interest of their consumers, banks should consider allowing their borrowers the possibility of prepaying floating rate term loans without any penalty. Accordingly, it is advised that banks will not be permitted to charge foreclosure charges/ pre-payment penalties on all floating rate term loans sanctioned to individual borrowers, with immediate effect.

Yours faithfully,

(Prakash Chandra Sahoo) Chief General Manager

बैकिंग परिचालन और विकास विभाग, केंद्रीय कार्यालय, 13 माला, शहीद भगतसिंह मार्ग, मुम्बई 400001