



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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April 15, 2024

All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks, excluding Payments Banks)

All Primary (Urban) Co-operative Banks, State Co-operative Banks and Central Co-operative Banks

All Non-Banking Financial Companies (including Housing Finance Companies)

Key Facts Statement (KFS) for Loans & Advances

Please refer to our instructions on Key Facts Statement (KFS) and disclosure of Annual Percentage Rate (APR) as contained in paragraph 2 of [Circular on 'Display of information by banks' dated January 22, 2015](#); paragraph 6 of [Master Direction on 'Regulatory Framework for Microfinance Loans' dated March 14, 2022](#); and paragraph 5 of ['Guidelines on Digital Lending' dated September 2, 2022](#).

2. As announced in the [Statement on Developmental and Regulatory Policies dated February 8, 2024](#), it has been decided to harmonize the instructions on the subject. This is being done in order to enhance transparency and reduce information asymmetry on financial products being offered by different regulated entities, thereby empowering borrowers for making an informed financial decision. The harmonised instructions shall be applicable in cases of all retail and MSME term loan products extended by all regulated entities (REs).

3. For the purpose of this circular, following terms have been defined:

- (a) **Key Facts** of a loan agreement between an RE/a group of REs and a borrower are legally significant and deterministic facts that satisfy basic information required to assist the borrower in taking an informed financial decision.
- (b) **Key Facts Statement (KFS)** is a statement of key facts of a loan agreement, in simple and easier to understand language, provided to the borrower in a standardised format.

- (c) **Annual Percentage Rate (APR)** is the annual cost of credit to the borrower which includes interest rate and all other charges associated with the credit facility.
- (d) **Equated Periodic Instalment (EPI)** is an equated or fixed amount of repayments, consisting of both the principal and interest components, to be paid by a borrower towards repayment of a loan at periodic intervals for a fixed number of such intervals; and which result in complete amortisation of the loan. EPIs at monthly intervals are called EMIs.

Other words and expressions not defined above, but used in this circular, shall have the same meaning as assigned to them under the [Master Direction on Interest Rate on Advances \(2016\)](#) as updated from time to time or any other relevant regulation issued by the Reserve Bank.

4. REs shall provide a KFS to all prospective borrowers to help them take an informed view before executing the loan contract, as per the standardised format given in the [Annex A](#). The KFS shall be written in a language understood by such borrowers. Contents of KFS shall be explained to the borrower and an acknowledgement shall be obtained that he/she has understood the same.
5. Further, the KFS shall be provided with a unique proposal number and shall have a validity period of at least three working days for loans having tenor of seven days or more, and a validity period of one working day for loans having tenor of less than seven days.¹

Explanation

Validity period refers to the period available to the borrower, after being provided the KFS by the RE, to agree to the terms of the loan. The RE shall be bound by the terms of the loan indicated in the KFS, if agreed to by the borrower during the validity period.

¹ In view of the stipulation relating to the validity period of the KFS, the provision at paragraph 8 of the 'Guidelines on Digital Lending' relating to mandatory minimum number of days for post-sanction cooling-off period, shall stand partially modified as under:

"A borrower shall be given an explicit option to exit digital loan by paying the principal and the proportionate APR without any penalty during this period. The cooling off period shall be determined by the Board of the RE, subject to the period so determined not being less than one day. For borrowers continuing with the loan even after look-up period, pre-payment shall continue to be allowed as per extant RBI guidelines."

6. The KFS shall also include a computation sheet of annual percentage rate (APR), and the amortisation schedule of the loan over the loan tenor. APR will include all charges which are levied by the RE. Illustrative examples of calculation of APR and disclosure of repayment schedule for a hypothetical loan are given in [Annex B](#) and [C](#) respectively.

7. Charges recovered from the borrowers by the REs on behalf of third-party service providers on actual basis, such as insurance charges, legal charges etc., shall also form part of the APR and shall be disclosed separately. In all cases wherever the RE is involved in recovering such charges, the receipts and related documents shall be provided to the borrower for each payment, within a reasonable time.

8. Any fees, charges, etc. which are not mentioned in the KFS, cannot be charged by the REs to the borrower at any stage during the term of the loan, without explicit consent of the borrower.

9. The KFS shall also be included as a summary box to be exhibited as part of the loan agreement.

Exemptions

10. Credit card receivables are exempted from the provisions contained under this circular.

Applicability and Commencement

11. REs shall put in place the necessary systems and processes to implement the above guidelines at the earliest. In any case, all new retail and MSME term loans sanctioned on or after October 1, 2024, including fresh loans to existing customers, shall comply with the above guidelines in letter and spirit without any exception. During the interregnum, the relevant provisions on 'KFS/Factsheet' under the extant guidelines shall continue to remain applicable, including the '[Guidelines on Digital Lending](#)', the [Master Direction on 'Regulatory Framework for Microfinance Loans'](#), and the [circular on 'Display of Information by Banks'](#).

Legal Provisions

12. The above instructions are issued under sections 21, 35A and 56 of the Banking Regulation Act, 1949, sections 45JA, 45L and 45M of the Reserve Bank of India Act, 1934, and sections 30A and 32 of the National Housing Bank Act, 1987.

Repeal

13. With the issue of these guidelines, the instructions/guidelines contained in the following circulars, issued by the Reserve Bank stand repealed.

No	Circular No.	Date	Subject
1.	<u>DBR.Leg.No.BC.64/09.07.00 5/2014-15</u>	January 22, 2015	Para 2 (b) of Circular on Display of information by banks
2.	<u>DoR.FIN.REC.95/03.10.038/ 2021-22</u>	March 14, 2022	Para 6.3, 6.4 & 6.5 of Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022
3.	<u>DOR.CRE.REC.66/21.07.001 /2022-23</u>	September 02, 2022	Para 5.1, 5.2 of Guidelines on Digital Lending

All the repealed circulars/provisions shall be deemed to have been in force during the relevant periods, prior to the coming into effect of these directions.

Yours faithfully,

Vaibhav Chaturvedi
(Chief General Manager)

Annex A

Key Facts Statement

Part 1 (Interest rate and fees/charges)

1	Loan proposal/ account No.			Type of Loan			
2	Sanctioned Loan amount (in Rupees)						
3	Disbursal schedule (i) Disbursement in stages or 100% upfront. (ii) If it is stage wise, mention the clause of loan agreement having relevant details						
4	Loan term (year/months/days)						
5	Instalment details						
Type of instalments		Number of EPIS		EPI (₹)	Commencement of repayment, post sanction		
6	Interest rate (%) and type (fixed or floating or hybrid)						
7	Additional Information in case of Floating rate of interest						
Reference Benchmark		Benchmark rate (%) (B)	Spread (%) (S)	Final rate (%) R = (B) + (S)	Reset periodicity ² (Months)	Impact of change in the reference benchmark (for 25 bps change in 'R', change in: ³)	
					B	S	EPI (₹)
8	Fee/ Charges⁴						
			Payable to the RE (A)		Payable to a third party through RE (B)		
			One-time/ Recurring	Amount (in ₹) or Percentage (%) as applicable ⁵	One-time/ Recurring	Amount (in ₹) or Percentage (%) as applicable ⁵	
(i)	Processing fees						
(ii)	Insurance charges						
(iii)	Valuation fees						
(iv)	Any other (please specify)						
9	Annual Percentage Rate (APR) (%)⁶						
10	Details of Contingent Charges (in ₹ or %, as applicable)						
(i)	Penal charges, if any, in case of delayed payment						
(ii)	Other penal charges, if any						
(iii)	Foreclosure charges, if applicable						
(iv)	Charges for switching of loans from floating to fixed rate and vice versa						
(v)	Any other charges (please specify)						

Part 2 (Other qualitative information)

² Fixed reset, other than on account of changes in credit profile

³ Please refer circular '[Reset of Floating Interest Rate on Equated Monthly Instalments \(EMI\) based Personal Loans](#)' dated August 18, 2023.

⁴ REs may disclose the amount net of any taxes such as GST

⁵ Mention frequency, where recurring

⁶ Please refer to the illustration in Annex B

1	Clause of Loan agreement relating to engagement of recovery agents	
2	Clause of Loan agreement which details grievance redressal mechanism	
3	Phone number and email id of the nodal grievance redressal officer ⁷	
4	Whether the loan is, or in future maybe, subject to transfer to other REs or securitisation (Yes/ No)	
5	In case of lending under collaborative lending arrangements (e.g., co-lending/ outsourcing), following additional details may be furnished:	
	Name of the originating RE, along with its funding proportion	Name of the partner RE along with its proportion of funding
6	In case of digital loans, following specific disclosures may be furnished:	
(i)	Cooling off/look-up period, in terms of RE's board approved policy, during which borrower shall not be charged any penalty on prepayment of loan	
(ii)	Details of LSP acting as recovery agent and authorized to approach the borrower	

⁷ RE may furnish generic email id, provided a response is made within 1 working day

Annex B

Illustration for computation of APR for Retail and MSME loans

Sr. No.	Parameter	Details
1	Sanctioned Loan amount (in Rupees) (SI no. 2 of the KFS template – Part 1)	20,000
2	Loan Term (in years/ months/ days) (SI No.4 of the KFS template – Part 1)	
a)	No. of instalments for payment of principal, in case of non-equated periodic loans	-
b)	Type of EPI Amount of each EPI (in Rupees) and nos. of EPIs (e.g., no. of EMIs in case of monthly instalments) (SI No. 5 of the KFS template – Part 1)	Monthly 970 24
c)	No. of instalments for payment of capitalised interest, if any	-
d)	Commencement of repayments, post sanction (SI No. 5 of the KFS template – Part 1)	30 days
3	Interest rate type (fixed or floating or hybrid) (SI No. 6 of the KFS template – Part 1)	Fixed
4	Rate of Interest (SI No. 6 of the KFS template – Part 1)	15 %
5	Total Interest Amount to be charged during the entire tenor of the loan as per the rate prevailing on sanction date (in Rupees)	3,274
6	Fee/ Charges payable ⁸ (in Rupees)	400
A	Payable to the RE (SI No.8A of the KFS template-Part 1)	240
B	Payable to third-party routed through RE (SI No.8B of the KFS template – Part 1)	160
7	Net disbursed amount (1-6) (in Rupees)	19,600
8	Total amount to be paid by the borrower (sum of 1 and 5) (in Rupees)	23,274 ⁹
9	Annual Percentage rate- Effective annualized interest rate (in percentage) ¹⁰ (SI No.9 of the KFS template-Part 1)	17.07%
10	Schedule of disbursement as per terms and conditions	Detailed schedule to be provided
11	Due date of payment of instalment and interest	DDMMYYYY

Annex C

⁸ Where such charges cannot be determined prior to sanction, REs may indicate an upper ceiling

⁹ The difference in repayment amount calculated from the total of instalments given under the detailed repayment schedule i.e., ₹23,280 (=970*24) vis-à-vis the amount of ₹23,274 (₹20,000 (loan amount) + ₹3,274 (Interest charges) mentioned under (11) is due to rounding off the instalment amount of ₹969.73 to ₹970 under the detailed repayment schedule

¹⁰ Computed on net disbursed amount using IRR approach and reducing balance method

Illustrative Repayment Schedule under Equated Periodic Instalment for the hypothetical loan illustrated in Annex B

Instalment No.	Outstanding Principal (in Rupees)	Principal (in Rupees)	Interest (in Rupees)	Instalment (in Rupees)
1	20,000	720	250	970
2	19,280	729	241	970
3	18,552	738	232	970
4	17,814	747	223	970
5	17,067	756	213	970
6	16,310	766	204	970
7	15,544	775	194	970
8	14,769	785	185	970
9	13,984	795	175	970
10	13,189	805	165	970
11	12,384	815	155	970
12	11,569	825	145	970
13	10,744	835	134	970
14	9,909	846	124	970
15	9,063	856	113	970
16	8,206	867	103	970
17	7,339	878	92	970
18	6,461	889	81	970
19	5,572	900	70	970
20	4,672	911	58	970
21	3,761	923	47	970
22	2,838	934	35	970
23	1,904	946	24	970
24	958	958	12	970