

NHB (ND)/DRS/Pol-No. 51/2012-13
August 7, 2012



राष्ट्रीय
आवास बैंक
NATIONAL
HOUSING BANK

All Registered Housing Finance Companies (HFCs)

Dear Sirs,

Pre-payment penalty on pre-closure of housing loans on dual/ special rates.

Please refer to our Circular No. NHB (ND)/DRS/Pol-No.48/2011-12 dated April 4, 2012 clarifying the applicability of the earlier Circular No. 43 dated October 19, 2011 in case of pre-closure of housing loans on dual/special rates basis. Following the issue of said clarification, feedback was received by NHB about the features of the dual/special rate products offered by HFCs and their relative interest rate structures. It has been observed that there is wide variation/non-uniformity in the features of the product offered to the customers by the HFCs. The lack of uniformity has been observed across the industry as also by the same lending institutions at different times, including the relative periods of fixed vs floating rates in the dual rate/special rate loans, and mostly marginal concession in interest rates, if any, during the fixed interest duration by HFCs compared to the total tenure of the loan. It is also observed that this wide variation in the product features reflects lack of uniformity and transparency, not considered healthy for the system.

2. The matter was reviewed in the light of the information gathered from HFCs in this regard and it has been decided that all dual/special rate (combination of fixed and floating) housing loans will attract the pre-closure norms applicable to fixed/floating rate depending on whether at the time of pre-closure, the loan is on fixed or floating rate. Thus, in case of a dual/special rate housing loans, the pre-closure norm for floating rate will apply once the loan has been converted into floating rate loan, after the expiry of the fixed interest rate period. This applies to all such dual/ special rate housing loans being foreclosed hereafter. Further, it is also clarified that a fixed rate loan is one where the rate is fixed for entire duration of the loan.

3. You are advised to instruct all your branches accordingly.

4. Please acknowledge receipt.

Yours faithfully,

(R.S.Garg)

Executive Director