



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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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 [circular DBOD. No. Dir.BC.107/13.03.00/2011-12 dated June 5, 2012](#) 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

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हिंदी आसान है, इसका प्रयोग बढ़ाइए