

INDIA JURIS

“Cheapest In the Market”- Home Loans Rates slashed by State Bank of India

State Bank of India (SBI), the country's largest commercial bank has slashed the home loan rates - lowest in six years, as part of a festive scheme on 02nd November, 2016. Marginal Cost of Funds Based Lending Rate (MCLR) is the new benchmark lending rate at which banks will lend to new borrowers which is effective from April, 2016. In the last week of October, State Bank of India (SBI) has reduced MCLR by 15 basis points (bps). ICICI Bank Ltd, the country's largest private sector bank based on assets as on 31st March, has also reduced its MCLR. Its 1-year MCLR was cut by 10 bps to 8.95%. The fall in MCLR will make the loans would be cheaper for new borrowers. The latest round of interest rate cut will be made available only for new borrowers as the bank has done this by revising the spread over the benchmark. Earlier, loans were priced in relation to the older benchmark -the base rate.

The MCLR is revised every month for new borrowers. But once a customer avails of a loan, he is locked into the MCLR for a year. As a part of the festive scheme, SBI has brought down the interest rate to 9.10% per annum from 9.25% for the women borrowers or loans with women as co-borrowers and for the other category home loan borrowers, the interest rate will be available at 9.15 percent which was earlier 9.30%. The revised rates for new borrowers under the festival scheme are effective from 01st November 2016, for loans up to Rs 75 lakh till 31st December, 2016 and also applicable where the disbursement is taking place in a month. In addition to the interest rate reduction, the bank has also waived off all processing fees. These cuts in deposit and lending interest rates have come in the wake of Reserve Bank of India (RBI) slashing the repo rate by 25 bps in the monetary policy review of October, 2016. SBI home loans are the “cheapest in the market” and also provide an opportunity for both, the new home buyers and also those who wish to switch over their home loans to SBI in order to save on EMIs. On a Home Loan of Rs 50 lakh, the reduction in interest rate by SBI will help a home buyer to save Rs 542 per month and approximately Rs 2 lakh on the loan tenure of 30 years. SBI's managing director Rajnish Kumar said that this reduction in the interest rates will benefit the people who are looking for affordable homes.

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3 November 2016

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