



राष्ट्रीय  
आवास बैंक  
NATIONAL  
HOUSING BANK

NHB (ND)/DRS/ Pol-No. 43 /2011-12  
October 19, 2011

All Registered Housing Finance Companies (HFCs)

Dear Sirs,

**Pre-payment penalty on pre-closure of housing loans**

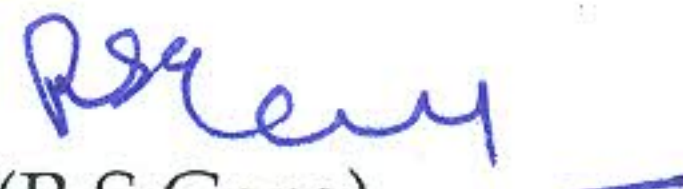
Please refer to our circular No. NHB (ND)/DRS/POL-No. 36/2010 dated October 18, 2010 on the above subject. The issue of levying pre-payment penalty or pre-closure charges by housing finance companies on pre-closure of housing loans by the borrowers has been considered further by the National Housing Bank in the light of subsequent developments and it has been decided that hereafter housing finance companies should not charge prepayment levy or penalty on pre-closure of housing loans under the following situations:

- a) Where the housing loan is on floating interest rate basis ( pre-closed through any source).
- b) Where the housing loan is on fixed interest rate basis and the loan is pre-closed by the borrowers out of their own sources.

The expression "own sources" for this purpose means any source other than by borrowing from a bank/HFC/NBFC and/ or a financial institution.

2. It is, accordingly advised that pre-payment levy or pre-closure charges should not be levied on the borrowers in the above cases. All HFCs are advised to ensure compliance of the above with immediate effect.
3. Please note that non-compliance will attract penal provisions under the National Housing Bank Act, 1987.
4. Please acknowledge receipt.

Yours faithfully,

  
(R.S.Garg)

General Manager

Department of Regulation and Supervision

भारतीय रिजर्व बैंक के संपूर्ण स्वामित्व में  
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