

SBI to cut rates on home loans above Rs. 75 lakh by 10 bps

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Rajnish Kumar, Managing Director, SBI

Mumbai, June 9:

State Bank of India (SBI) on Friday said it will reduce the interest rate on home loans above Rs. 75 lakh by 10 basis points with effect from June 15 in the wake of Reserve Bank of India recently tweaking risk-weight and standard asset provisioning for home loans.

The revised interest rates will be 8.55 per cent (8.65 per cent now) for salaried women borrowers, and 8.60 per cent (8.70 per cent) for others.

SBI said this is the second reduction in interest rates in the last two months; on April 9, it cut rates by 25 basis points. One basis point equals one-hundredth of a percentage point.

Rajnish Kumar, MD, National Banking, SBI, said: “Buying a home is a big decision....This interest rate reduction will help home-buyers come closer to their dream home.

“Taking a cue from the recent RBI reduction in risk-weightage on home loans, SBI is passing on the benefit to its customers by reducing its interest rates on home loans above Rs. 75 lakh.”

On June 7, the RBI tweaked the risk-weight (amount of capital that needs to be set aside for making a loan) for home loans and also pared the standard asset provision to 0.25 per cent from 0.40 per cent.

For home loans above Rs. 30 lakh and up to Rs. 75 lakh and loan-to-value (the amount of loan a lender will give as a percentage of the property value) of less than or equal to 80 per cent, the risk-weight has been made uniform at 35 per cent.

Earlier, within this loan slab, there were two LTVs — less than 75 per cent (which carried a risk-weight of 35 per cent) and greater than 75 per cent and less than or equal to 80 per cent (risk-weight: 50 per cent).

In the case of home loans above Rs. 75 lakh (with LTV of 75 per cent), the risk-weight has been cut to 50 per cent from 75 per cent. In FY17, SBI reported year-on-year home loan growth of 17 per cent to Rs.2,22,605 crore as at March-end 2017.

Its market share in this segment improved to 25.88 per cent in FY17 from 25.52 per cent in FY16.

Home loans accounted for 16.60 per cent of the bank’s total domestic advances.

Gross non-performing assets (GNPAs) in the home loan segment declined to 0.43 per cent as at March-end 2017 from 0.51 per cent as at March-end 2016.

(This article was published in the Business Line print edition dated June 10, 2017)