

PNB, Allahabad Bank launch loan products linked to RBI repo rate

By: PTI

Published: August 27, 2019 9:04:00 PM

RBI governor Shaktikanta Das had exhorted banks to price their loans with repo rate for a faster transmission in a falling interest rate regime.



Punjab National Bank launched PNB Advantage, a retail lending scheme linked with the repo rate effective on Tuesday.

Leading state-owned lender Punjab National Bank and Allahabad Bank on Tuesday announced linking of their retail loans with the Reserve Bank's repo rate, which will make loans cheaper.

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“In the new schemes rate of interest will be 0.25 per cent less than the existing applicable rates based on MCLR. The new rates will vary from 8.25 per cent to 8.35 per cent for housing loan borrowers and 8.65 per cent for car loan borrowers,” PNB said in a statement.

Existing customers of the bank will also have an option to switch over to new Repo Linked Lending Rates (RLLR) with minimal charges, it said.

Allahabad Bank said it has benchmarked its loans up to Rs 75 lakh with the external benchmark linked rates (EBLR), comprising the repo rate as one of its constituents.

To ensure quicker transmission of policy rate adjustments, the bank has decided to price its housing loans up to Rs 75 lakh and Mudra loans sanctioned with effect from September 1, 2019, with reference to EBLR, Allahabad Bank said in a regulatory filing.

The EBLR is made up of RBI's repo rate— at which the apex regulator gives short term loans to banks—, an average of last ten years net interest margin of the bank rounded off to the nearest 5 basis points and credit risk premium on internal credit risk rating.

“However, the borrowers shall have the option for either marginal cost of funds based lending rates (MCLR) linked loan or EBLR linked loan at mutually acceptable terms,” the bank said in the filing.

Also, all the saving bank deposits of Rs 40 lakh and above will be linked with external benchmark with effect from October 1, 2019, it added.

The announcements come days after Finance Minister Nirmala Sitharaman said that banks will launch repo rate and external benchmark-linked loan products that will lead to reduced EMIs for housing, vehicle and other retail loans.

“This will therefore result in reduced EMI for housing loans, vehicle and other retail loans by directly linking repo rate to the interest rates which means the moment reduction happens, it will directly benefit end customers,” she had said on Friday.

RBI governor Shaktikanta Das had exhorted banks to price their loans with repo rate for a faster transmission in a falling interest rate regime.

The Reserve Bank has cut its repo rate four times in succession in 2019 so far.

Country's largest lender SBI already benchmarks its loan products against the repo linked rates. Apart from this, a number of lenders have announced linking their loan products with RBI's repo rate.

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