SBI hikes mark up on floating rate home loans by 20 bps

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State Bank of India (SBI) has increased the risk premium it charges over and above its external benchmark rate (EBR) by 20 basis points (bps) for floating rate home loans for salaried customers with effect from May 1.

The possibility of stress building up in its home loan portfolio due to pay cuts and job losses amid the COVID-19 pandemic induced lockdown and the continuing sequential slowdown, which set in during Q1(April-June): 2018- 19, may have prompted this move.

While India's largest bank has kept its EBR steady at 7.05 per cent, it has revised the mark up on floating rate home loans upwards by 20 bps. One basis point is equal to one-hundredth of a percentage point.

For a floating rate home loan of up to Rs 30 lakh, the new mark up is 35 bps over EBR against 15 bps earlier. Hence, the effective rate will be 7.40 per cent against 7.20 per cent earlier.

For a floating rate home loan of above Rs 30 lakh and up to Rs 75 lakh, the new mark up is 60 bps over EBR against 40 bps earlier. Hence, the effective rate will be 7.65 per cent against 7.45 per cent earlier.

For a floating rate home loan of above Rs 75 lakh, the new mark up is 70 bps over EBR against 50 bps earlier. Hence, the effective rate will be 7.75 per cent against 7.55 per cent earlier.

SBI last cut the EBR on March 27 by 75 bps from 7.80 per cent to 7.05 per cent following the Reserve Bank of India (RBI) slashing its policy repo rate from 5.15 per cent to 4.40 per cent.

Meanwhile, SBI has announced a reduction in its MCLR (marginal cost of funds based lending rate) by 15 bps across all tenors with effect from May 10. The one year MCLR will come down to 7.25 per cent from 7.40 per cent.

Consequently, EMIs (equated monthly installments) on eligible home loan accounts (linked to MCLR) will get cheaper by about Rs 255 for a 30 year loan of Rs. 25 lakh, the Bank said in a statement.

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