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FM Sitharaman assures EMIs will get cheaper; banks asked to link home, auto loans to repo rate

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EMIs on housing loans, vehicle and other retail loans are expected to come down as banks will soon launch loan products linked to repo rate or an external benchmark. Finance Minister Nirmala Sitharaman made this announcement during the first press conference on the slowdown hounding Indian economy.

The Finance Minister further added that the banks have agreed to pass on the rate cuts through MCLR reduction. This will benefit all borrowers, old and new, alike.

Even RBI Governor Shaktikanta Das had urged banks to pass on the benefits after the Monetary Policy Committee reduced policy rates by 35 bps earlier this month. Das had emphasised that banks need link their lending interest rates to repo rate or an external benchmark in order to pass the benefits of policy rate cuts to their borrowers.

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In her address, FM Sitharaman also talked about upfront release of Rs 70,000 crore for public sector banks. This will benefit the corporate, MSMEs, retail borrowers and small traders, she said.

FM Sitharaman also announced that public sector banks will have to ensure that loan documents are mandatorily returned to the borrower within 15 days of loan closure. This is expected to help borrowers who have mortgaged assets.

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Customers can now track the status of their loan applications related to different loan products and service requests online, the Finance Minister announced. This would help increase transparency, reduce harassment and improve turnaround time for customers.

To further enhance transparency, banks will also issue an improved one time settlement (OTS) policy for its MSME and retail borrowers in settling their overdues. This policy will be based on a check box approach to take a firm call on NPAs which are pending due to lack of decision, the Finance Minister said in her address.