

● GIVING A CHOICE

BoB launches loans linked to repo rate

FE BUREAU
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BANK OF BARODA on Sunday announced a new home loan product linked to the Reserve Bank of India's (RBI) repo rate. In doing so, BoB has gone the State Bank of India (SBI) way.

Following the latest Monetary Policy Committee decision to cut rates by 35 basis points, several state-run banks, including Union Bank of India, Allahabad Bank, Bank of India and Syndicate Bank, have expressed their intention to launch loan products linked to an external benchmark, which in most cases so far has been the repo rate.

For the time being, the new products are largely restricted to home and auto loans.

BoB customers opting for the home loan product would have a choice between MCLR-linked rate — indexed to the bank's cost of funds — or a rate linked to RBI's repo rate.

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THE MCLR-linked product starts at 8.45%. Meanwhile, home loans availed at repo rate-linked interest rate start at 8.35%, passing on a further benefit of 10 bps to the current MCLR-rated pricing.

Union Bank of India, which had held its asset liability committee (ALCO) meeting on Friday, had said in order to facilitate better interest rate transmission, it would soon link its housing and vehicle loan portfolio to the repo rate.

Transmission of monetary policy has been a sticky point between banks and the regulator. Despite a cumulative 75 bps cut in the repo rate between February and June this year, banks have reduced their weighted average lending rates (WALR) on fresh rupee loans by a mere 29 bps during the same period, RBI governor Shaktikanta Das said last week.