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RESERVE BANK OF INDIA

Date: Oct 30, 2014

Gold Loan – Bullet Repayment - UCBs

RBI/2014-15/283
UBD.BPD.(PCB).Cir.No.25/13.05.001/2014-15

October 30, 2014

The Chief Executive Officers of
All Primary (Urban) Co-operative Banks

Dear Sir / Madam,

Gold Loan – Bullet Repayment - UCBs

Please refer to [circular UBD.PCB.Cir.No.22/13.05.000/07-08 dated November 26, 2007](#), wherein Urban Cooperative Banks (UCBs) were permitted to grant gold loans up to ` 1.00 lakh with bullet repayment option.

2. Based on the representations received from UCBs and National/State Federations, it has been decided to increase the quantum of loan that could be granted under the scheme, from ` 1.00 lakh to ` 2.00 lakh subject to the following conditions:

- i. The period of the loan shall not exceed 12 months from the date of sanction.
- ii. Interest will be charged to the account at monthly rests but will become due for payment along with principal only at the end of 12 months from the date of sanction.
- iii. Banks should maintain a Loan to Value (LTV) ratio of 75 % on the outstanding amount of loan including the interest on an ongoing basis, failing which the loan will be treated as a Non performing Asset (NPA).
- iv. The valuation of gold would be as per instructions contained in para 3 of the [circular UBD.CO.BPD.PCB.Cir.No.60/13.05.001/2013-14 dated May 9, 2014](#).

Yours faithfully,

(A.K.Bera)
Principal Chief General Manager