

## **CUSTOMER NOTICE No. - 2**

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### **TIMELY PAYMENT OF EMIs**

#### **Important Communication for Information of Customers**

As per terms of agreement the borrowers are required to deposit EMIs timely every month for compliance of repayment schedule and in order to seek benefit of levy of interest on monthly reducing balance.

We have got the system of charging interest on monthly reducing balance. Meaning thereby, the interest for a given month is levied on the outstanding balance as at the opening of the first day of the month. Any amount deposited during the month is not counted while charging interest for the said month. Its benefit towards calculation of interest goes to the subsequent month. Instances have come to notice that some of the borrowers are in the habit of depositing EMIs in the first seven days of the subsequent month instead of same month on the pretext that they are eligible to deposit the EMI within the next seven days after the end of the month.

It may be notified that the seven days grace period for paying of EMIs is to meet special contingencies when the borrower is unable to deposit the EMI, may be because he is outstation or busy with some unavoidable task, and the same is not to be adopted as a regular practice to default in paying the EMI. Moreover, this grace period is for the purpose of levying of penal interest on account of delay in payment of EMIs and not for the purpose of charging of monthly interest. Thus by delaying he is subjecting himself to charging of higher interest. To quote:

- The interest for the month of July, 07 is charged on the opening balance on 01.07.07 and the interest for the month of August, 07 is charged on the opening balance as on 01.08.07 and so on.
- Any amount deposited during the month of July, 07 shall not be accounted for towards charging of interest for the month of July, 07, instead its benefit towards charging of interest shall be

accounted for while charging interest for the month of August, 07 and so on.

- In case the EMI for July, 07 is deposited in July, 07 itself, then its benefit shall pass on to charging of interest for the month of August, 07. On the other hand, if the EMI for July, 07 is deposited, say on 02.08.07, then its benefit towards charging of interest shall neither be accounted for the month of July, 07 nor August, 07. Thus by depositing the EMI for July, 07 even within next 2 days of the subsequent month, the borrower is being charged to interest on that amount for the month of August, 07 also. Had the borrower taken steps to deposit the said installment before the end of July, 07, he could have saved interest for the month of August, 07.

In view of the above it is advised that the borrowers should endeavour make sure to deposit the monthly EMIs before the end of a given month instead of availing the benefit of next seven days for depositing the EMI of the previous month. This way the borrowers will be subject to lesser amount of interest.