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# State Bank of India- Pricing Home Loan Products after subprime crisis

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## Synopsis

It was in September 2008 that the global economy was affected by the subprime crisis. As a result of the crisis, business sentiments were affected, and the outlook was subdued. The situation in India was characterized by dampening business sentiments and a lack of creditworthy loan proposals from corporates. State Bank of India, a leading bank in India and a dominant public sector bank had to respond to the above situation. The bank had to consider which loan to segment, how to structure the pricing of products considering long-term profitability, the inherent advantage of the product, and future potential. The bank introduced a unique home loan with the idea of attracting customers with low interest rates during the initial years and thereafter adjusting it to prevailing market rates. The key feature of the home loan was transparent and predictable interest rates. The case evaluates the bank price offerings in home loans, competitors, regulator, and other stakeholder reactions.

Key Word: sub-prime crisis, pricing, home loan

## RELATED PRODUCTS

1) *Teaching Note*: Product Number- CHIRP-80771-TN