

Beware of Bank's Attractive Home Loan Schemes

Nowadays, you have witnessed that every other bank is highlighting the lowest rate of interest on their home loan product, i.e., 6.65% by SBI, 6.75% by HDFC, AXIS, ICICI, etc. Such advertisements are nothing but a new and smart way of selling their existing home loan schemes.

Well, I'm here to clear all your confusion and doubts.

In India, Home loans are being funded at floating rates by Private as well as PSU Bank. Floating Rates mean they may get change in a couple of months or can fluctuate annually as the funding is done by any bank are been governed under RBI guidelines. There is something called a Base Rate & Margin. Whenever a bank lends you money for your home loan with a 6.67% of interest rate then in that case the base rate basis which RBI lends money to Banks is 6% and 0.67% is the margin (Banks profit) applied by the Issuer Bank.

Now let's understand how this rate fluctuation happens. Whenever there is inflation or any up-down in the economy it's the RBI that makes a change in their base rate and so banks also revise the margins. Also please note that whenever there is any change in your home loan rate due to any unavoidable circumstances, banks never change your EMI amount in fact they change your total tenure which you have opted for while applying for the loan. This is the main reason why many people end up paying more interest to banks.

For example, a home loan of 40 Lac with a tenure of 20 years at an interest rate of 6.75% & 6.95% have hardly a difference of Rs.400 in EMI. Now, this difference of Rs. 400 is also a myth as some other banks will introduce you to a loan at respective rates but in 6 months. But both banks will be on the same page as per market fluctuation and inflation.

You Don't need different banks selling you smartly same loan, one needs a Smart Finance individual who can handle your loan portfolio in terms of how to save max interest in tenure and close a loan of 20 years in 12 years by playing smart.

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