



## HOME LOANS FAQs

**Q: Can I repay the loan ahead of schedule?**

**A:** Yes, you can repay a loan ahead of schedule. Some HFCs charge a pre-payment penalty.

**Q: On what basis is the amount of the home loan decided? or on what basis a capacity of a person to repay the loan is evaluated ?**

**A:** The amount of the loan for each individual depends on the following factors:-

- An Indian resident or NRI
- The income of the family applying for the loan.
- Above 21 years of the age at the commencement of the loan.
- Below 65 years when loan matures.
- Number of dependants.
- Qualifications.
- Assets and liabilities.
- Either salaried or self employed

**Q: What are the types of loans available depending on the interest charged?**

**A:** Most Housing Finance Companies offer the fixed rate as well as the adjustable rate (Variable – Floating rate) home loan to customers

- Fixed rate: where the rate of interest charged by the HFC on the loan is constant over the tenure of the loan.
- Variable rate :Commonly known as Floating Rate, where the rate of interest charged by the HFC on the loan keeps changing with respect to the rates in the market over the tenure of the loan.

**Q: What is the difference between monthly rest and annual rest?**

**A:**

- Monthly rest: the interest is calculated on the outstanding principal loan at the beginning of every month.
- Annual rest: the interest is calculated on the outstanding principal loan at the beginning of every year.

**Q: What is the security required against the home loan?**

**A:** The main security for a home loan is the first mortgage of the property to be financed, normally by way of deposit of title deeds and /or such other collateral security as may be necessary. In addition interim security may be required, if the property is under construction. The documents of title will be kept in the safe custody of the HFC until repayment of the loan.

**Q: What are the other costs in Home Loans?**

**A:**

- Processing Charge: It's a fee payable to HFC on applying for a loan. It is either a fixed amount not linked to the loan or may also be a



percentage of the loan amount.

·Pre-payment Penalties: When a loan is paid back before the end of the agreed duration, a penalty is charged by some banks/companies, which is usually between 1% and 2% of the amount being pre-paid.

·Commitment Fees: Some institutions levy a commitment fee in case the loan is not availed of within a stipulated period of time after it is processed and sanctioned.

·Miscellaneous Costs: It is quite possible that some lenders may levy a documentation or consultant charges.

·Registration of mortgage deed.

**Q:** What is an EMI?

**A:** EMI - Equated Monthly Installments, is the amount payable to the Housing Finance Institution every month, till the loan is paid back in full, comprising of portion of interest and principal. EMI is to be paid every month through post dated cheques or through direct deductions from the salary.

**Q:** What is the home loan amount generally granted by financial institutions?

**A:** The amount of home loans granted by various financial institutions generally is between 2 lakhs to one crore and between 70% to 100% (under special schemes) of the purchase price.

**Q:** What is the best way to select the cheapest home loan ?

**A:** Keep the loan period constant and calculate the total amount paid for the home through the different loan options available.