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Availing home loan? How to get the right deal for your property purchase

Apart from checks on property and loan eligibility, ensure you have a good credit score before choosing between fixed and floating rates; you might also be eligible for the govt's subsidy scheme

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Last Updated at March 20, 2019 13:23 IST

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Are you looking to buy a house and avail a home loan to finance the purchase? As the NDA government completes its five-year term in office, is this the right time to pick that home you are looking for?

Well, if you are looking to buy a home for self-use, these could be good times. Home prices have been soft over the past five years and home loan interest rates have declined sharply.

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A recent study by [Anarock Property Consultants](#) showed that average prices across major cities saw a mere seven per cent increase in the past five years. If one factored in inflation, the prices would show an actually fall. Alongside, home loan rates have declined by 16 per cent in five years from an average of around 10.3 per cent in 2014 to 8.85 per cent in 2018.

The [real estate](#) sector will always attract some buying interest. In case you are one of those scouting for a home and wanting to avail of a loan, here are some basics things to know to help you to get the best finance deal:

Do property due diligence

The initial groundwork for home loan should begin even before the borrower finalises the property since lenders are selective on the type, geography, and title of the property. "It is advisable to ensure that the property's approved map plans and title deeds are in place in case of resale property and that the project is approved by leading banks and HFCs in case of builder property." Says Gaurav Gupta, Co-founder and CEO, MyLoanCare.in

Check your loan eligibility

Lenders generally finalise loan eligibility at lower of the two - property value or eligibility based on your income. Your property budget should be based accordingly. If a property value results in a loan where the EMI would eat up a major chunk of your monthly income (generally above 60-65 per cent of net pay), your loan can be rejected. "A prospective home loan applicant should check the extent of his/her loan eligibility online before applying for a loan. This will help a borrower effectively plan for his monthly EMIs and future savings," says Ashwini Kumar Hooda, Deputy Managing Director, Indiabulls Housing Finance.

Know your credit score

A credit score below 750 (out of 900) can lead to rejection of loan application. A high credit score can also mean you can negotiate a better rate with the lender. In case you feel there are discrepancies in the score, get it rectified before applying.

Compare loan terms

The borrower should do a thorough comparison of the various loan offers. "one should assess not just the loan terms such as interest rate, processing fees, prepayment charges, and insurance requirements, but also on service parameters such as turnaround time, customer service, and level of documentation.

Customers should also read all [loans](#) terms and conditions in the agreement and not rely on any verbal assurances," says Gupta.

Choose fixed or floating

If you opt for a fixed interest rate loan your EMI will remain constant throughout the tenure. In floating rate, the rate adjusts to changes in MCLR facility "If a borrower expects the interest rates to decrease in the future he/she should opt for a floating interest rate loan. While a borrower who is comfortable repaying the loan at a fixed rate irrespective of the rates in the market shall opt for a fixed interest rate loan," Hooda says.

Decide loan tenure and EMI

The longer the loan tenure, the more interest you have to pay to the bank. However, the EMI can go down in case of opting long tenure. "Loan tenure, is a clear function of applicable interest rate, loan amount and disposable income proposed for EMI repayment. Higher the Interest rate, higher will be the loan tenure, keeping other two variables constant. Any upward and downward changes in these functions will have impact on loan tenure. However shorter the loan tenure will have less cash outflow for customer provided disposal income supports higher EMI repayment," says Ranjeet Kumar Mishra, Chief Credit Officer, ART Housing Finance.

Maximise loan-to-value