

Be EMI smart, reduce home loan burden

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For most us, owning a home is a coveted dream often marred by long EMI burdens that leaves a sizeable dent in monthly income. You can avoid this if you plan smartly. Here are a few ways to save on your EMI outflow.

Putting your bonus to good use:

Use your annual bonus wisely. Use it to pay an extra EMI every year or make an upfront part payment. When you start paying off your debt amount early, it reduces the time period of loan repayment, interest cost and results in a lower EMI. All lenders have 'zero' prepayment charge for all floating rate term loans sanctioned to individual borrowers.

Go for a longer tenure to lower your EMI

Lowering your EMI outgo by slightly lengthening your loan tenure is a good option. For instance, an EMI of Rs 53,984 for a Rs 60-lakh home loan running for 20 years at 9% rate of interest can become a Rs 48,277 if the tenure is raised to 30 years. Go for this option even if you do so for a few years, so that when your salary rises in the future you can reduce the loan tenure and pay bigger EMIs.

Lumpsum repayment at regular intervals

By making a just Rs 1 lakh



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- Use annual bonus to pay an extra EMI every year
- Slightly lengthening your loan tenure is a good option
- Pay lumpsum to lower the tenure or EMI by a big margin

repayment after three years, you can save up to Rs 1.88 lakh and cut your loan tenure down by six months on a Rs 50 lakh home loan, originally running for 15 years at a floating interest rate of 9%. If you repeat these lumpsum repayments a few more times, you can actually lower the tenure or EMI by a big margin. It is advisable to do lumpsum repayments in the initial years of the loan to get the maximum benefit, since this is the time when the principal outstanding and interest payout is the maximum.

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