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**Are you tired of paying monthly EMIs?**  
**Prepayment or foreclosing your loan is a good option.**  
 Read on to know why...



## PREPAYMENT OF LOANS: A TOOLKIT

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Most of us rely on a bank or non-banking financial company to finance our dream home. This loan is returned by paying regular EMIs to clear the debt. We also have the option to foreclose our loan by paying a huge chunk of money at one go. It is an individual choice to foreclose or prepay a loan.

Amit Oberoi, national director, knowledge systems at Colliers International India, says, "Some people do try to prepay for their peace of mind as they enjoy the sense of being debt-free. Generally, most housing finance companies do not charge prepayment charges for any principal re-payment made ahead of the EMI schedule for floating rate loans."

For home loans on fixed rate/dual rate basis or any other non-standard floating rate loans, there could be a prepayment charge of one-ten per cent of the prepaid amount. "However, there could be a lock-in period for such non-standard loans after which pre-payment charges are nil," says Amit Goenka, MD and CEO of Natus Finance Services Co Private Ltd (NFCSL).

**→ FORECLOSURE CHARGES**  
 As per recent RBI and National Housing Board (NH&B) guidelines of 2014, banks and home loan companies are not allowed to charge for switching or foreclosing a home loan, which is on a standard floating rate basis.

Oberoi adds, "While there are no penalties for prepayment of a housing loan, one should bear in mind that while servicing a loan, most of the principal repayment is back-ended, which means that the proportion of principal repayment in the monthly payments increases as one gets towards the end of the tenure."

**→ SWITCHING HOME LOANS**  
 Since home loans are regulated products by NH&B/RBI, the choice of a bank is not as important as interest rate. "However, it is better to negotiate with your existing bank as most banks will be willing to match the best rates without the additional hassle of going through new loan's paperwork and paying the processing fee," adds Goenka.

**Home loan norms**

**What makes you eligible?**

- Your income and your track record of repaying previous loans - this is obtained from the Credit Bureau.
- Your current expenses including other loans you are servicing - the amount of loan related to the said property value.
- Ownership of the property - the lending bank needs to know that one has full and complete ownership.



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For home loans on fixed rate dual rate basis or any other non-standard floating rate loans, there could be a prepayment charge of one-two per cent of the prepaid amount. “However, there could be a lock-in period for such non-standard loans after which pre-payment charges are nil,” says Amit Goenka, MD and CEO at Nisus Finance Services Co Private Ltd (NiFCO).

### **FORECLOSURE CHARGES**

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