

HOME LOAN

- **DOWN PAYMENT:** It is the minimum amount you have to pay to purchase a property and get a home loan. Usually, the down payment is around 10-20% of the value of the house. The Reserve Bank of India (RBI) mandates banks to give 70-90% of the property value as home loans.
- **Tenor:** It is the total duration of the home loan. The maximum tenor of a home loan can be around 30 years. Borrowers have to pay back the principal and interest during this period.
- **EMI(Equated Monthly Income):** This is the monthly payment you will have to make to the bank to repay your home loan.
- **FIXED INTEREST RATE:** When the interest rate of a loan doesn't change throughout the tenor of the loan, then the loan is said to be a fixed-interest home loan.
- **CREDIT SCORE:** Banks check your credit score to decide the loan amount and interest rate they can offer you. A high credit score can get you a low-interest rate.
- **DEFAULT:** When you fail to pay an EMI, it is considered as default. Banks usually charge a certain penalty on unpaid EMIs.
- **PREPAYMENT:** Paying a part of your home loan in advance to reduce the interest obligations is known as prepayment.
- **PAYING MORE:** Faster Loan Repayment: Paying more than the minimum required can help you pay off your loan faster. This reduces the overall interest you'll pay over the life of the loan.

Home Loan EMI Calculation:

$$EMI = P * R(1+R)^N / (1+R)^N - 1$$

P = Principal amount

R = Rate of Interest

N = Tenure

For example:

P = Rs.30,00,000

R = 7%

Tenure = 15 years

Rate of interest - 7%

Convert to months = $7/12 * 100 = 0.00583333$

Tenure - 15years

Convert to months = $15 * 12 = 180$ months

When substituted in the formula the EMI will be **Rs.26,965**

For Calculating the Total amount payable :

Total amount = $EMI * months = 26965 * 180 = 4853672$

For calculating the payable interest:

Total amount - loan amount = **1853672**