


Latest RBI Guidelines for Home Loans 2024-25

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The Reserve Bank of India (RBI) guidelines for home loans are issued to help eligible candidates planning to buy a home to avail of home loan benefits. Check out the latest RBI guidelines on Home Loans.

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The Reserve Bank of India (RBI) governs the guidelines for home loan and keeps changing them due to various factors affecting the economy. Read the blog to understand what RBI is, and how its guidelines for home loans impact

Nationalized in 1949, the Reserve Bank of India (RBI) is the central bank of India that was established to primarily manage and govern our country's financial system. It is also known as the banker's bank and helps regulate the banking sector.

Similarly, when it comes to financing, RBI works as a central body that gives shape to all policies. Every lender, whether a bank, an NBFC or even a housing finance company is expected to follow the guidelines of RBI while lending a loan, be it any type of loan - [Home Loan](#), personal loan, gold loan, Loan Against Property, Business Loan, etc. Read the article to know about the home loan rules and regulations set by RBI.

RBI Guidelines for Home Loans 2024-25

We bring you the latest guidelines of RBI for the year 2024-25.

1. Repo Rate

In the 06th consecutive MPC meeting held in the first week of June 2024, the Reserve Bank of India (RBI) announced to keep the repo rate unchanged. The last surge in repo rate was witnessed in February 2023. The rates were increased by 25 basis points (bps) in 2023 taking it to 6.5 percent from the earlier 6.25 percent.

2. LTV (Loan to Value) Ratio

LTV ratio is an evaluation of lending risk that all financial institutions, including banks and NBFCs, take into account before offering a home loan.

In order to encourage individuals to own a home and to make home loans more affordable, RBI has increased the Loan to Value Ratio up to 90% in case the home loan is below Rs. 30 lakhs. Also, the LTV ratio for loans above Rs. 75 lakhs is up to 75%. Therefore, the higher the LTV value, the easier it would be

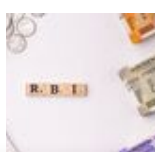
Home Loan Amount	Loan to Value Ratio (LTV Ratio)
Up to Rs. 30 Lakh	90% of the property value
Between Rs. 30 Lakh & Rs. 75 Lakh	80% of the property value
More than Rs. 75 Lakh	75% of the property value

Furthermore, RBI has also announced that registration charges, [stamp duty](#) and documentation charges will not be included at the time of calculating LTV. Therefore, this reduces the payment of 10% that the home loan borrower is to make upfront.. Also, if the cost of the house is not exceed Rs. 10 lakh, banks are allowed to add registration, stamp duty and other documentation charges to the house's cost to calculate the LTV ratio.

3. Prepayment Charges

A home loan can go up to Rs. 1 crore or even more in some cases, and the maximum tenure goes up to 30 years. You can save money on your home loan if you pay it partially or completely before the tenure ends. This can be achieved if you get some extra money due to any reason (profit in business or salary hike). Therefore, to help home loan buyers prepay the loan, RBI has waived off the prepayment charges in case of floating interest rate and has kept the penalty up to 3% in case of a fixed interest rate. Earlier, the lenders were asking for a prepayment penalty of up to 5% of the loan amount.

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4. Balance Transfer Facility

In order to help home loan borrowers to [refinance their home loan](#), RBI has waived the foreclosure charges. Home loan borrowers can now easily transfer their current home loan to another bank to avail of a lower interest rate. Therefore, when the borrower forecloses his home loan from the current bank, he does not have to pay the foreclosure charges.

5. Repayment Tracking

The Reserve Bank of India states that it is necessary for lenders to share the loan repayment status with borrowers in addition to all periodic updates. This way, borrowers can keep track of the home loan amount they have already repaid while managing their finances.

6. RERA Approval for Home Loans

Home loans applied for under-construction projects need RERA approval. The rule prevents fraudulent transactions and makes it easy for applicants to invest in safe and secure projects.

7. Documents Verification

The letter of allotment and registered sale deed with other required documents must be submitted along with the home loan application. All documents submitted by home loan applicants will be verified digitally. This will speed up the verification process while reducing the possibility of fraudulent activities. Once the loan is fully repaid, lenders must release all the property documents within 30 days from the date of loan closure.

Now that we know the latest guidelines by RBI for a home loan, let us know the

Tips to reduce home loan interest (Policy Matters S01E153)



Tips to reduce home loan interest (Policy Matters S01E153)

Home Loans Eligibility As Per RBI Guidelines

Find below the home loan eligibility criteria set by the Reserve Bank of India.

- **Debt Repayment Capacity:** The good debt repayment capacity calculated based on the credit score of the applicant plays a critical role in the Home Loan application approval process. A high credit score and good debt repayment record leads to a hassle home loan application approval.
- **Home Loan Agreement:** As per the RBI guidelines for home loans, borrowers need to sign the loan agreement post home loan approval. The agreement has all the terms and conditions mentioned that borrowers must agree to before the loan amount gets disbursed. The conditions include, the interest rates, home loan amount, home loan tenure, and the loan repayment schedule.

safeguards the home loan in case of unforeseen circumstances, such as the demise of the home loan borrower. It helps reduce the financial burden of the family members settling the home loan without taking any responsibility related to its repayment.

- **Documents Approval:** Home loan applicants need to provide an essential set of documents when submitting their application. These documents should be correct and up to date as they are used by the lender's team to verify the identity, address, and income of the applicant.

Things You Should Consider Before Applying for a Home Loan in 2024-25

- **Compare Home Loan Options:** With the easy accessibility of online platforms like Magicbricks, you can compare various home loan options under a single roof. Your research should include important aspects of a home loan like interest rates, loan amount, tenure and other fees and charges (processing fee, prepayment charges, stamp charges, etc.) Comparing these factors before applying for a home loan allows you to choose an affordable home loan option.
- **Credit Score:** A credit score is one of the most crucial factors banks consider before offering a home loan. So, any individual planning to apply for a home loan and requiring a low interest rate with favourable terms and conditions should maintain a good credit score of 750 or above. Also, maintaining a good credit score is easy and can be done by just paying your loan and credit card EMIs on time.
- **Tenure:** If you are planning to avail of a home loan, you must decide on the tenure before you avail it. The EMIs of your home loan depend on your tenure. Usually, banks prefer applicants with a shorter tenure and it is also beneficial for an individual as he is required to pay EMIs for the least period of time. However, if you are comfortable paying EMIs for a longer tenure, you can opt for that too. You can analyze your repayment ability by using an

- **Eligibility Criteria:** Before you apply for a home loan, it is important to know the eligibility criteria of a specific lender so that your home loan application does not face rejection. The home loan amount that you would be eligible for will depend on your age, nature of work, credit score, income, tenure, etc. As income plays a major role in deciding the home loan amount, you can apply for a loan with a co-applicant (spouse, son, unmarried daughter) as an additional income will help in increasing the loan amount. You can use an online Home Loan Eligibility Calculator and list down a few banks matching your eligibility.
- **Processing Fees:** It is a fee that every home loan borrower has to pay to the lender to process the home loan application. Usually, most banks and NBFCs charge a processing fee of up to 2% + GST. However, the processing fee can vary from lender to lender. Therefore, you must look out for the bank charging a low processing fee to avoid additional burdens.
- **Down Payment:** When you apply for a home loan, you are asked to pay a down payment of 10% to 15% of the total home loan amount. And the rest of the home loan amount is converted to the home loan EMI that you pay till the tenure ends. Therefore, if you have enough savings available with you, you can increase the down payment and can save on the interest that you are supposed to pay in future.
- **Documents:** A home loan involves collateral and hence also a large number of documents. Therefore, before you consider applying for a home loan with a bank, you must always read the terms and conditions of the bank and also inquire about all the documents required. If you fail to submit all the necessary documents, the lender may reject your loan application.

RBI Guidelines for Home Loans Lenders

As of July 2024 the Reserve Bank of India has issued new guidelines for home loans after conducting its annual inspection. As per new rules, it is mandatory

As per RBI officials, currently, banks and other home loan lenders charge home loan interest amount from the date of sanctioning the home loan. The Reserve Bank of India has also come across cases where banks have disbursed home loans in the form of cheques and started charging interest from the date of cheque issuance whereas the cheques were handed over to the borrowers a few days later. RBI has directed financial service providers to disburse home loans online and not in the form of cheques or any other offline method.

Summing Up: RBI Guidelines for Home Loan

RBI keeps changing the guidelines for home loans to encourage more and more individuals to apply for them and to get all the lenders on the same page in terms of rules and regulations. It is always good to be familiar with the latest guidelines of RBI so that you are well aware and choose the right home loan lender.

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RBI Tightens

In a significant relief for home loan borrowers with EMIs linked to repo rate, many banks have lowered their home loan EMI interest rates after a cut in repo rate. In the most recent meeting of the Monetary Policy Committee (MPC), the Reserve Bank of India (RBI) decided to cut repo rates by 25 basis points, bringing it down to 6.25 percent. The Changes in Repo Rate In the MPC meeting held on February 7, 2025, the Reserve Bank of India lowered the repo rate by 25 basis points, bringing it down to...

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RBI has announced new regulations for housing finance companies (HFCs) to align them with non-bank financiers. The move includes higher liquid asset requirements for deposit-taking HFCs and allowing these lenders to issue co-branded credit cards. The rules, first suggested in January, come from the Finance Act of 2019, which transferred the regulation of mortgage lenders to RBI. The guidelines include increasing liquid assets from 13% to 15% for HFCs that accept public deposits and requiring the...

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Tags

Home Loan

Comments



G V Hemanthkumar

19 Dec 2024 01:47 PM

Home Loan is doable in company name (partnership) ?



Antim lahoti

26 Sep 2024 05:07 AM

युनियन बैंक का सर्व कितने दिन का होता है?



Rakesh Kumar

23 Sep 2024 05:56 PM

Bank is changing interest on the full tenure inspite the account is being closed on early date Kindly advise



john

08 Aug 2024 10:10 PM

I have take a home equity loan and the Bank has charged me the repo rate plus spread of 3.00 %. Is this a correct charge ? Please help me .



Edwin Antony D'Cunha

30 Sep 2023 05:55 PM

When I took home, the loan rate of interest was 8.15% and now got increased to 9.65%. Can I ask for a conversion to the current rate for new home loans. My CIBIL score is over 800, and I have no default in installments and credit card payments.



ARAVINTH Manikandan

04 Sep 2023 08:56 PM

Can my request for reduction interest rate on a home loan with floating interest rate option be declined by my lender without any reason? I have a credit score over 800 & no default in installment so far. My home loan interest rate when I took was 8.35% and now got increased to 9.5%. When I asked for a conversion inquiry, my banker did not approve it.



Kamsala

11 Jul 2023 01:34 PM

what is the percentage of O/D interest for delayed instalment payment as per RBI guidelines



Bharti Sharma

26 May 2023 04:04 AM

I'm Single working Mother of a Daughter of 19 & both of us Jointly want



PRYAG Tripathi

16 May 2023 06:50 PM

1. क्या हम लोन 2 वर्ष के अंदर खत्म कर सकते हैं एनबीएफसी होम लोन पर और इस पर कितना एडिशनल चार्ज लगेगा?



मुजम्मिल हसन

15 Mar 2023 10:38 AM

क्या प्रॉपर्टी लोन को एक वर्ष से पहले होम लोन में बदलने पर नया स्टाम्प शुल्क देना पड़ेगा या पूर्व के स्टाम्प शुल्क ही चल जायेगा कृपया बताएं



ARPIT KUMAR

06 Oct 2022 02:21 PM

JISKA HOME LONE CHAL RHA H KYA 3 YEAR M VALUATION HOTI H KYA HME USKI FEES DENI PDTI H AGR DENI PDTI H TO KITNI

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PM UDAY