

Now get 20% more home loan via interest-only EMIs

SBI has introduced a new home loan scheme where the borrower needs to pay only the interest component in the early years, thereby increasing the loan eligibility for the customer by up to 20%.

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MUMBAI: SBI has introduced a new home loan scheme where the borrower needs to pay only the interest component in the early years, thereby increasing the loan eligibility for the customer by up to 20%. For instance, an interest-only EMI on a 15-year Rs 30-lakh loan should work out to around Rs 24,000. On a normal home loan, it would be Rs 31,326, including the principal component. This difference of Rs 6,000 could fetch an additional loan of around Rs 6 lakh.

The new scheme, 'SBI FlexiPay Home Loan', will enable young working professionals get a higher loan amount compared to their loan eligibility under normal schemes. But borrowers will have to ensure that they have the cash resources to meet 10-20% of the property value as this is a regulatory requirement.

"We obtain an authorization from the borrower to raise the EMI if there is an increase in interest rates. This ensures that their principal liability does not increase," said Jayanthi Lakshmi, chief general manager (real estate and housing development). She added that the Flexipay home loan would benefit those whose salary does not entitle them to the size of loan they are seeking. It would also not benefit those who seek to refinance their existing loan.

SBI chairman Arundhati Bhattacharya had earlier in a panel discussion with RBI governor Raghuram Rajan in August proposed that banks be allowed to reintroduce 'teaser rate' home loans. Teaser rate loans are those where the interest burden is lower in the initial years but rises subsequently. Rajan had turned down the proposal. "In Flexipay, there is no step-up interest rate. The loan is similar to a regular home loan, except for the moratorium on principal repayment," said Lakshmi.

Customers under this scheme will be offered the option of paying only interest during the moratorium (pre-EMI) period of three to five years. The new home loan is available primarily to salaried individuals with a two-year track record. The upper age limit for this scheme is 45 years. Given the target group, the bank offers loans with a repayment tenure of 25 to 30 years under the scheme. However, customers will be free to make prepayments towards their home loan without any prepayment penalty.

The scheme from SBI, which claims to be the largest home loan provider in the country, is aimed at boosting the home loan portfolio at a time when there is a slowdown in loan offtake by corporates. As of end September 2015, the bank's home loan portfolio stood at Rs 1,70,899 crore, which is nearly 15.47% of its loan book. According to Lakshmi, disbursements have since picked up pace and home loans are now growing at 17%.