

Top 5 things to consider before going for a home loan

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With the ever-increasing property prices and higher soaring interest rates, buying a house is a once in a lifetime decision for most individuals. Although it may seem like all banks are eager to lend you a loan, the tedious task can be actually getting the loan sanctioned. It is essential to choose the right home loan product to avoid any nasty surprises later.

If you're considering how to get a home loan, take a look at these critical factors:

Factors affecting eligibility: Different banks have different [home loan eligibilities](#), but the general idea is identical. You can calculate your loan eligibility by calculating your EMI. Generally, banks limit the installments at 40-50% of the lender's salary, i.e. basic and dearness allowance. For some lenders, if you have another loan, the eligibility goes down even further as they are sensitive about the dependents you have. It is true that higher number of dependents means lower repayment capacity.

The loan amount is granted to you depending on your income and previous track records related to credit card dues and repaying loans. While determining the income criteria, lenders generally don't consider your salary slip heads to calculate the net monthly income; they only consider the income heads that can be used to repay the loans. For this reason, the LTA and medical allowances are not taken into account from the monthly salary you receive.

Furthermore, your profile also affects how much the bank is willing to lend. People with a stable source of income find it comparatively easy to get loans than someone who is self-employed with erratic earnings. Your age and repayment capacity are considered concerning the loan tenure.

Check your CIBIL score: The Credit Information Bureau (India) provides credit score on a scale of 300 to 900 based on the individual's previous credit card usage records: how he/she maintained their accounts, check bounces, loan repayments, current loans, and unsecured loans. Individuals holding a CIBIL score of more than 700 are more likely to be granted a home loan. Whenever anyone applies for a loan, loan lenders approach CIBIL for this score to determine the creditworthiness of the individual. The vital components for getting the best [home loan rates](#) are a good CIBIL score, repayment capacity of existing/previous loans, and net salary excluding some salary heads.

Consider which interest rate is best suited for you: It is essential to know the difference between the two kinds of home loans: fixed rate home loan and floating rate home loan. Both these loans have a varying impact on your monthly EMIs. If you opt for the fixed rate loan, your EMIs won't vary over the loan tenure. This type of loan is highly beneficial if interest rates are expected to rise in the near future. On the other hand, if you choose the floating rate home loan, your interest rate would be determined based on the prevailing base rates along with a floating rate. This type of loan is beneficial if the interest rates are expected to fall in the near future.

The loan tenure: The monthly EMI is inversely proportional to the loan tenure: The longer your tenure, the lower your EMI and the shorter your tenure, the higher the EMI. It is important to know the impact of your EMI on your finances before finalizing a loan tenure. Take your time to do your research on the best EMI plans and get on board with the one most suited to your financial earnings.

Read the documents carefully: Yes, this is a no-brainer, but it is something you can't afford to take lightly. Read everything carefully and check the documents carefully to ensure that the terms are the same as the ones you negotiated and agreed upon. Also, don't forget to check the processing fee and late payment fee.

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