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COVID-19 relief by RBI: Home loan rates set to fall to 15-year low

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The 40 bps repo rate cut by RBI on Friday, which is the eighth consecutive respite for borrowers, has brought home loan rates to their lowest level in 15 years. Moreover, the extension of moratorium on loans by three months is suited for borrowers hit by the coronavirus lockdown. Borrowers who are now facing income pressure due to the lockdown can defer their repayment of loans for three months.

For instance, for a loan of Rs 30 lakh with a remaining maturity of 15 years, the remaining interest would be around Rs 2.34 lakh. Part of this amount may be waived off due to the reduction in interest rates.

For the existing SBI home loan customers, interest rates on the amount up to Rs 30 lakh will fall to 7% compared to the existing 7.4%, 7.25% from 7.65% on loan amount of Rs 30 to Rs 75 lakh and to 7.35% from 7.75% on loans above Rs 75 lakh.

Women borrowers will have to pay 5% lesser interest on home loans. Interest rates have come down by 1.4 percentage points since October 2019 when home loans were linked to repo rates.

RBI's measures to boost economy: Will they help Indian businesses?

On a Rs 30-lakh loan, EMI has now fallen by Rs 2,896 to Rs 19,959 from Rs 22,855 in October last year.

Banks and housing finance firms that have not aligned their home loan rates to repo rates may not allow interest rate cuts to their borrowers, according to a report in The Times of India. However, India's largest mortgage lender HDFC has already cut its interest rates to 7.50%.

On May 8, some of the banks such as SBI raised the spread on interest rates for home loan borrowers by 20 bps by raising the margin above the benchmark 7.05% linked against the repo rate.

SBI cited rising credit risk for borrowers to raise the risk premium by 20 bps.

RBI's measures: Extends EMI moratorium, reduces repo rate and more