The Home-Loan Truth Kit

Keyword: LOAN · For: Home-loan holders and people about to borrow in India

> ***The 5 things your bank won't tell you about your home loan — and the 15-minute checklist that can save you lakhs and years.***

Read this first (the one number that explains everything)

You took a loan to buy a home. The bank took your loan to build a business — on interest.

Here's the truth most people never see: on a Rs 50 lakh loan for 20 years at 8.5%, your EMI is about Rs 43,391 — and you'll pay back roughly Rs 1.04 crore. That's about Rs 54 lakh in pure interest, on top of the Rs 50 lakh you borrowed. [calc: standard EMI formula, RBI repo-linked rates ~8.5% as of 2024]

And in Year 1, about 81% of every EMI you pay is just interest. Out of ~Rs 5.2 lakh you pay in the first 12 months, only ~Rs 1 lakh actually reduces what you owe. The rest is rent on the money. [calc: month-by-month amortisation, Rs50L/20yr/8.5%]

This isn't a scam — it's how amortisation works, by design. But the system rewards people who understand it. This kit shows you exactly where the money leaks, and the small moves that plug it. We're villow — we exist to protect the buyer, so we're handing you the same playbook a sharp banker would use on their own loan.

Not legal, tax, or financial advice — confirm specifics with your bank and a qualified advisor before acting.

Leak #1 — Tenure is a trap (the longer-loan illusion)

A longer tenure feels kind: smaller EMI, easier monthly life. But it's the single most expensive choice you can make. Same Rs 50 lakh, same 8.5% — look what tenure alone does:

Tenure		E	T i	Total repaid
15 yr		Rs 49,237	~Rs 3[illegible] lakh	Rs 88.6 lakh

20 yr		Rs 43,391	~Rs 54 lakh	Rs 1.04 cr
30 yr		Rs 38,446	~Rs 88 lakh	Rs 1.38 cr
[calc: EMI amortisation, Rs50L @ 8.5%]				

Going from 30 years to 15 years costs only ~Rs 10,800 more per month — but saves you ~Rs 49 lakh in interest. The 30-year loan makes you pay almost the entire principal a SECOND time, just in interest.

The move: pick the shortest tenure your monthly budget can genuinely sustain. If money is tight now, take the longer tenure for safety — then use Leak #2 to quietly shorten it for free.

Leak #2 — The 'one extra EMI a year' rule (the free 3-4 years)

You don't need a lump sum to win. You need one extra EMI per year, applied to the principal.

How it works: pay 13 EMIs in a year instead of 12 (split the extra across months, or pay it from a bonus). Crucially, tell the bank to keep your EMI the same and REDUCE THE TENURE — not lower the EMI. That one instruction is the whole game.

Why it's so powerful: every extra rupee in the early years kills future interest, because Year-1 money is ~81% interest. On a typical 20-year loan, this one habit can close your loan roughly 3-4 years early and save several lakhs in interest. [general principle of prepayment economics on amortising loans; exact saving varies by rate/tenure — run your own bank's prepayment calculator]

The move: set up a standing 'one extra EMI a year' — and the words to use with your bank are 'apply to principal, keep EMI constant, reduce tenure.'

Leak #3 — Your RBI rights every time the rate resets

In August 2023, the RBI gave floating-rate retail borrowers a clear set of rights at every interest-rate reset. Most banks won't volunteer them. You have the right to: [Source: RBI circular on Reset of Floating Interest Rate on EMI based Personal Loans, 18 Aug 2023]

- Switch to a fixed rate (banks must offer the option to move to a fixed-rate loan).
- Choose what changes when rates rise — a higher EMI, a longer tenure, or a mix — instead of the bank silently extending your tenure (which quietly adds lakhs).
- Prepay or foreclose your floating-rate loan with no prepayment/foreclosure penalty (foreclosure charges on floating-rate loans to individuals were barred by RBI). [Source: RBI guidelines on foreclosure charges, floating-rate term loans to individual borrowers]
- Get a clear statement showing the principal outstanding, the rate, the EMI amount, AND the number of EMIs left over the loan's life.

The move: at your next reset (or today), ask your bank in writing for the EMI-vs-tenure choice and the full statement. If your tenure quietly grew when rates rose, push back — that's your decision to make, not theirs.

Not legal advice — RBI rules evolve; verify current terms on rbi.org.in or with your bank.

Leak #4 — The MCLR-to-EBLR switch (you may be on the costlier rate)

Since October 2019, new floating-rate retail loans are linked to an External Benchmark (EBLR), usually the RBI repo rate — which moves faster and is more transparent. Older loans sit on MCLR, which is slower to pass on rate cuts to you. [Source: RBI external benchmark lending guidelines, effective 1 Oct 2019]

The problem: a large share of borrowers — by some industry estimates around a third — are still stuck on the older MCLR regime, often paying roughly 0.3% to 0.8% more than they'd pay on EBLR. On a Rs 50 lakh loan, even 0.5% extra is tens of thousands a year in needless interest. [Industry/lender estimates on MCLR vs EBLR borrower split and spread — confirm your own rate with your bank; figures are indicative, not RBI-published]

The switch usually costs a small administrative/conversion fee — commonly in the ~Rs 2,000 to Rs 10,000 range — and can pay for itself within months. [Indicative bank conversion-fee range — confirm exact charge with your lender]

The move: call your bank and ask 'Is my loan on MCLR or EBLR/repo-linked?' If it's MCLR, ask for the cost to switch to EBLR and the new rate. Do the math; in most cases the switch wins.

Leak #5 — The 'No EMI till possession' CIBIL trap

It sounds like a gift: 'Pay nothing until you get the keys.' Here's what's really happening underneath these subvention schemes.

The loan is sanctioned in YOUR name. The bank disburses a big chunk — often around 80% — straight to the builder, upfront. The builder pays your pre-possession interest for a while. But the debt, and the credit liability, are 100% yours from day one.

The trap: if the builder stops paying (delays, cash crunch, default), the EMIs fall back on YOU — for a home that may not even be built. Miss them, and your CIBIL score takes the hit, not the builder's. Buyers have been left servicing loans on stalled projects through no fault of their own.

This is exactly why the National Housing Bank advised banks to stop the upfront/subvention disbursal model in July 2019. [Source: NHB advisory to housing finance companies on subvention schemes, July 2019] But variants still get pitched.

The move: prefer construction-linked disbursal — the bank releases money in stages as the building actually rises, so your liability tracks real progress. Treat any 'no EMI till possession' pitch as a yellow flag and read exactly who is liable, when, and what happens on builder default.

Your 15-minute action checklist

Grab your loan statement and a phone. Tick these off:

[ ] 1. Open your latest statement. Confirm: outstanding principal, current rate, EMI, and EMIs remaining. If EMIs-remaining isn't shown, ask your bank for it (it's your RBI right). [ ] 2. Check your benchmark: MCLR or EBLR/repo-linked? If MCLR, ask the switch cost and new rate today. [ ] 3. Check your reset behaviour: did your tenure quietly grow when rates rose? If yes, ask to switch the impact to EMI (your choice, per RBI Aug-2023). [ ] 4. Set up 'one extra EMI a year' with the instruction: apply to principal, keep EMI same, reduce tenure. [ ] 5. Run your bank's own prepayment calculator to see your exact years-and-rupees saved. [ ] 6. If you're about to borrow: choose the shortest tenure you can sustain, and insist on construction-linked disbursal — never 'no EMI till possession.' [ ] 7. Confirm there's no foreclosure/prepayment penalty on your floating-rate loan (there shouldn't be).

Screenshot this checklist. It's the most expensive page you'll ever save.

None of this is legal, tax, or financial advice — confirm every number and rule with your bank and a qualified professional.

→ **Next step:** You now know how to stop overpaying on the loan. But the biggest money-loss in real estate isn't the interest — it's buying the wrong property: a stalled project, an unclear title, or a home that's overpriced and over-leveraged before you even sign. A perfectly optimised loan on a bad, unverified property is still a loss. That's the gap villow.in closes.

Sources: - EMI, total-repayment, and Year-1 ~81%-interest figures (Rs50L/20yr/8.5% repaying ~Rs1.04cr): standard amortisation/EMI formula at repo-linked rates ~8.5% (2024); month-by-month calculation - Tenure table (15/20/30 yr EMIs and total interest): EMI amortisation, Rs50L @ 8.5% - Prepayment / 'one extra EMI a year' saving ~3-4 yrs: general prepayment economics on amortising loans — exact saving varies, run your bank's calculator - Borrower rights at reset (fixed-rate switch, EMI-vs-tenure choice, statement of EMIs left): RBI circular 'Reset of Floating Interest Rate on EMI based Personal Loans', 18 Aug 2023 - Penalty-free prepayment/foreclosure on floating-rate individual loans: RBI guidelines barring foreclosure charges on floating-rate term loans to individuals - EBLR/repo linkage for new floating retail loans from 1 Oct 2019: RBI external benchmark lending guidelines - ~36%/one-third still on MCLR and paying ~0.3-0.8% extra; switch fee ~Rs2-10k: industry/lender estimates — indicative, confirm with your bank (not RBI-published) - 'No EMI till possession'/subvention disbursal model and ~80% upfront builder payment risk; ban: National Housing Bank advisory to HFCs on subvention schemes, July 2019

This kit is general information, not legal, tax, or financial advice. Interest rates, RBI rules, and bank charges change — verify every figure and rule with your bank and a qualified professional before acting.