



Article published on June 11th 2012 | [Finance](#)

It is said, “Home is where the heart is”. However, for a middle class person in India, getting a dream home without a home loan often costs an arm and a leg. Now-a-days, easy home loans are given by all the banks in India. The only thing one has to ensure is his or her own creditability and validates the suitability of the interest rates according to the affordability and the scenario which often depend on the economic trends of the country.

However, one needs to have an understanding of how the concept works. This article helps the investor to understand the concept of home loan and the types of interest rates which he or she should consider while scrutinizing the banks for easy access to home loan rates in India.

Home loan is a type of loan taken by a borrower from the bank against the property which the buyer intends to buy. In this loan, a part of the property is given as a guaranty to the bank in case the owner defaults on the home loan so taken.

Since types of interest rates influence the decision on buying the home loans in India, let us take a hypothetical case example of Mr. XYZ who wishes to buy a home loan and needs assistance in understanding the concepts.

Mr. XYZ dream to have a house in a metro city to fulfill his ambitions in life. One of his friends recommends him a bank which will suit his requirements and affordability.

When Mr. XYZ opts for the bank and secures a part of his purchased house as a guaranty towards his repayment, he is said to have taken a home loan. Next, Mr. XYZ has to decide what type of home loan interest rates in India will he opt.

Broadly, there are two types of home loan rates options which are available to him: (1) Fixed interest rates and (2) Floating interest rates.

Suppose, Mr XYZ chooses a fixed interest rate of 11.50% p.a for a loan of Rs 2.5 million for 20 years. Then his EMI amount which is Rs 26,660.74 will be based on the fixed rate which he needs to pay for entire term of loan that is 20 years.

Instead of fixed interest rates, he chooses to pay the floating rates which may change on yearly basis. Say, in the first 5 years, the rate may be 13%, then increases to 15% and so on. While the rates may increase, it may also decline in the consequent years. Say, rates may plunge from 15% to 12% depending on the regulations. In such a scenario, the EMITMs to be paid would be changed according to the interest rates prevalent during the period.

Thus, one can shorten the distance between his or her ambitions by judiciously selecting a home loan which will help him get his heart desired house. However, care has to be exercised while selecting the bank and the choice the interest rates opted.

Article Source:

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The author is a seasoned professional in the financial sector and through his writings guides people in securing good a [Home Loan](#). In his writings he articulates aspects that are insightful to customers especially home loan interest rates.

Article Keywords:

home loan, home loans, home loans india, best home loans in india, easy home loan, home loan interest rates, home loan rates, home loan rates india, home loan interest rates in India

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