



CRITICAL COMPARISON OF FUNDAMENTALS OF HOME LOANS AND PERSONAL LOANS FROM BORROWERS' PERSPECTIVE

Author: Dr Manjunath Koliwad, MBA PhD (MCom)

Associate Professor – PG Dept of Management

AIMS IBS Business School Bengalore (Affiliated to Bangalore University), India

Abstract:

Loans can help you make purchases, bridge short-term cash flow gaps, or build long-term property like a home. Most financial institutions, including banks, non-bank finance companies (NBFCs) and housing finance companies (HFC), offer a wide range of loans to meet the diverse needs of customers. Home loans and personal loans are available to customers depending on their specific needs. For the most part, borrowers look for home loans when they're ready to buy. On the other hand, if you need a little more money for a down payment, a personal loan may be the perfect solution. Let's take a deeper understanding of home loan versus personal debt.

With a home loan, you can borrow the money needed to make a down payment and buy a property without spending all your money. Nowadays, banking and other financial institutions offer a variety of home loans.

The bank gives money to individuals based on their credit worthiness and this loan does not require any form of collateral in lieu of loan.

Index Terms - Home Loans, Personal Loans, Borrowers, Prospective, Fundamentals

I. INTRODUCTION

Loans can help you make purchases, bridge short-term cash flow gaps, or build long-term property like a home. Most financial institutions, including banks, non-bank finance companies (NBFCs) and housing finance companies (HFC), offer a wide range of loans to meet the diverse needs of customers. Home loans and personal loans are available to customers depending on their specific needs. For the most part, borrowers look for home loans when they're ready to buy. On the other hand, if you need a little more money for a down payment, a personal loan may be the perfect solution. Let's take a deeper understanding of home loan versus personal debt.

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Uses of Home Loans:

1. **Buying an Existing Home or Apartment:** One of the most prevalent home loans is the acquisition of new or used property. Many banks offer this type of loan in a variety of configurations.
2. **Purchase Plot:** Land purchase loans are available from several organizations. Buying a piece of land is a flexible option as the buyer has the option to save money and build a home or keep the land as an asset or investment for the long haul when its resources are allowed. See also: What are Plot Loans?

3. **Building a New Home:** Debt issuance in this context is intended for individuals who want to build a home from the ground up rather than buying an already built home. This type of loan has a unique approval process because it considers the cost of the land.
4. **Renovation of Existing House:** Many financial institutions offer home improvement loans, including repaint, overhead water tank installation and power restoration.
5. **Extensions and Repair:** Banks lend to home expansion, which may include changes to the existing structure, as well as consolidation of additional rooms, balconies, etc.

Uses of Personal Loans:

1. **Marriage Loans:** In India, marriage is a significant life event that is a significant financial commitment. A wedding loan from a bank can go a long way to make your big day more special. Anyone in the family, including a future bride and groom, can take out a loan to help with wedding expenses.
2. **Travel Loans:** With travel loans, you can travel around the world and pay off your debts later. Travel insurance is often included with holiday loans, so you are covered by everything.
3. **Pension Loans:** Since pension loans are only available to retired individuals, the general eligibility requirements do not apply to this unique program. Some organizations provide 6-10 with income received by retirees a month before filing a loan request under this program. Other Important Personal Loans: Consumer durability loans, Agricultural loan, Personal computer loans, etc. Individual loans offered by some organizations may exceed the loans mentioned above. Most of the time, women are entitled to unique personal loan offers with different terms and conditions than men. For example, a woman applying for a marriage loan at the same bank may get different loan terms.

Home V/s Personal Loans:

1. **Collateral:** A home loan is a type of secured loan, such as an education loan or a car loan. Banks and lending companies can take ownership of the home as home collateral when the mortgage or other loan is not repaid. Like a home loan, there is no security for a personal loan. As a result, there is no need for collateral when taking out a personal loan.
2. **Includes Amount:** There are various loan amounts available ranging from Rs 15 lakh to Rs 8 crore. The ability to repay one's debt is determined by various variables, such as income. If you are looking for something more flexible, personal loans can range from a few thousand rupees up to 25 lakhs or 30 lakhs. Personal loans of up to Rs 60 lakh are available from some banking institutions.
3. **Tenure:** Various home loan terms are available for five to 30 years. As a result of the larger purchase price of a home, the loan period is longer, which helps reduce EMIs. On the other hand, personal loans are available for 12 to 60 months.
4. **EMI Payments:** Equated Monthly Installment (EMI) means the fixed monthly payments and payments that the borrowers have paid to the lender on a specific day of each month for a predetermined time. Because the repayment period on a home loan, EMI is less than a personal loan for the same amount. Personal loans, on the other hand, have shorter repayment periods, so EMI is higher.
5. **Time Spent On Processing:** The home loan processing time is three to four weeks. However, if the required papers are missing or the builder lacks proper qualifications, the process may be delayed further. E-banking has accelerated the delivery of personal loans. Personal loan can be delivered to new customers immediately or in just a few minutes, new customers and in 24 hours.
6. **Interest Rates:** Since a home loan has collateral (secured debt), the interest rate is less than the interest rate on an unsecured loan. In India, current home loan interest rates range from 6.9% to 8.5%. Because they are unsecured, personal loans ranging from 9.6% to 22% have significantly higher interest rates, depending on the specific profile of the borrower. Low credit score means higher interest rates for borrowers, but also a good credit score means lower rates for borrowers Interest Also see: housing loan interest rates and the top 15 banks in the EMI
7. **Tax Benefits:** Tax benefits related to home loans can help the borrower reduce one's income tax liability, and thus, you can repay your principal and interest as a schedule by enjoying all the tax benefits. Year. If you choose to pay a personal

loan in full or in part, it will have no effect on your tax plan, as personal loans do not have tax benefits. See also: About Home Loan Tax Benefits.

Impact of CBIL Score on Loans:

It is important to note that your ability to obtain a home loan is directly related to your CIBIL score, which is a snapshot of your entire credit history and loan repayment record. CIBIL collects and stores credit card and loan payments information made by individuals and businesses.

Conclusion:

As we have seen, personal loan versus home loan is used for different things. You can improve your financial situation by fully understanding the terms of the loan before applying for one. If you are thinking about taking out a loan, you should carefully consider your financial situation and ability to repay the loan before deciding on the amount and repayment period.

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