

# Myths About House Loans That You Should Not Believe



Home loans have become more popular among those looking to purchase a home. The desire to own a home has increased, but not everyone has the resources to do so immediately. Because of this, many people today are using the facility of home loans to build their dream homes.

Even though home loans have become very common and banks provide helpful tools like [home loan EMI calculator](#), there are still some common misconceptions about them. Continue reading to discover the most prevalent home loan myths to stop believing them now away.

- **High-interest rates for home loans:**

The length of the credit relationship affects the interest rates on home loans. The interest rate rises as the repayment period lengthen. Other factors, including the applicant's income and the borrower's age, can also affect the interest rate that the lender charges. The lender will lower your interest rate when you are young and have a good income. Consequently, you won't need to concern yourself with high EMIs constantly.

- **A good credit score guarantees you a home loan:**

A good credit score helps your case. However, it doesn't decide whether or not a loan application will be approved. When you apply for a home loan, the lender will only consider many factors. A person's age, employment status, job stability, and financial obligations influence their ability to get a home loan. The lender's decision regarding whether you qualify for the home loan depends on all these factors. Even though a good credit score can increase your chances, if you don't meet the other requirements, you won't be able to get a home loan.

- **Loans with low-interest rates are the best:**

Interest rates are only a single factor that affects how much you must pay to repay your loan. Even worse, a lender might lower the [home loan interest rate](#) while increasing the legal valuation, processing fee, etc., making paying back the loan much more expensive. When choosing a home loan, it is crucial to consider all the other charges as well as the interest rate.

- **Fixed-rate home loans are better than floating-rate home loans:**

A fixed-rate home loan does not guarantee that you will be able to take advantage of that rate for the entire duration of the loan. With fixed-rate mortgages, the rate is fixed only for a particular period. While a fixed-rate loan provides certainty regarding the amount of interest each month, the flexibility of lower interest rates is absent.

- **RBI decides the interest rate for home loans:**

Another misconception is that the RBI sets its interest rates for home loans. The Reserve Bank of India (RBI) sets overall market interest rates. However, it is not directly in-charge of deciding the interest rate on individual lenders' home loans. Based on their cost of funds, lenders (such as banks and housing finance companies) determine the interest rates for the home loans they provide. Thus, home loan interest rates may differ between lenders. As a result, various lenders offer the borrowers a wide range of options and charge different interest rates for home loans.

- **Short-term home loans are better:**

One common home loan myth is that choosing a loan with a shorter repayment period is preferable. You must, however, pay more as Equated Monthly Installments (EMIs) due to the shorter term. Therefore, it is best to weigh your options and choose the tenure and EMI amount that are most appropriate for your requirements.

- **Pre-payments are heavily penalized:**

Banks don't prefer pre-payments, but it is untrue that they impose heavy penalties for the same. It changes from financier to financier. According to RBI regulations, financiers should charge no fees for prepayment of home loans with floating interest rates. But on home loans with fixed interest rates, which

can again vary between institutions, institutions may decide to impose these fees.

- **If the home loan is approved, the property is authentic:**

This is one of the most widespread home loan myths. The property buyer is solely responsible for verifying the legitimacy of the property's title deeds, even though the lender performs due diligence on the documentation and other aspects of the property.

- **No negotiation with the terms of home loans:**

Many believe that the lender's terms are final; and have no control over them. However, you can always negotiate and work out a better deal with your lender.

Now you have familiarised yourself with the most common myths related to home loans and busted them. So this could be an excellent time to get a home loan for your dream house.

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