

## First house on 20-year loan to cost Rs 2.4 lakh less

If you earn up to Rs 18 lakh per annum, buying your first house will cost about Rs 2.4 lakh less as the government will subsidise a part of your home loan interest. At present, this subsidy is available to only those earning up to Rs 6 lakh per annum.

The government has announced two new subsidy slabs to spur the real estate market and achieve housing for all by 2022. The slabs will apply to loans with a tenure of up to 20 years, as against the limit of 15 years now.

On December 31, 2016, PM Narendra Modi had announced two subsidy schemes under Prime Minister Awas Yojana (PMAY), but their details have been worked out only now.

### BENEFIT ON BUYING FIRST HOME

Income category	Loan amount considered	Interest subsidy (% points)	Reduction in EMI*	Net saving on interest
Up to ₹ 6L	₹ 6L	6.5	₹ 2,219	₹ 246,625
Up to ₹ 12L	₹ 9L	4	₹ 2,158	₹ 239,843
Up to ₹ 18L	₹ 12L	3	₹ 2,200	₹ 244,468

\*On a 20-year loan at 9%; ₹ No cap on total loan

Homebuyers will get subsidy at different rates depending on the income bracket they are in. People earning less than Rs 6lakh per annum will get a subsidy of 6.5 percentage points on a principal component of Rs 6 lakh, regardless of their total loan amount. If they borrowed money at 9% interest, they will pay only 2.5% interest on Rs 6 lakh, and 9% on the remainder.

In the next bracket, people earning up to Rs 12 lakh per annum will get interest subsidy of 4 percentage points on a principal component of Rs 9 lakh, and the highest income category of Rs 18 lakh per annum will get a subsidy of 3 percentage points on a principal component of Rs 12 lakh.

The net benefit to all three categories over a 20-year loan tenure is roughly Rs 2.4 lakh (assuming an interest rate of 9%, see table), and the monthly instalment reduces by roughly Rs 2,200. This subsidy benefit under PMAY is in addition to the income tax benefits on home loans, which can go up to Rs 61,800 per annum for someone in the 30% tax bracket. National Housing Bank (NHB) and HUDCO are the nodal agencies to implement the subsidy

schemes. Under the scheme for the low-income group, the government had subsidised around 18,000 firsttime homebuyers, at a cost of around Rs 310 crore. A senior NHB official said the disbursal rate is likely to go up as the middle-income category has been brought under the scheme.

*(Economic Times)*