

# Home Loan EMI vs Monthly rent

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## Differences:

Basis	Home Loan EMI	Monthly rental
Ability to switch between properties	Fixed commitment <b>Can not switch</b> to any other property	Always available.
Capital Requirement	<b>Down payment</b> of loan being taken which is generally a <b>minimum of 20%</b> of the loan amount.	If rentals option is chosen, the <b>funds are not required</b> beforehand except for some <b>security amount</b> which is to be paid to owner. These securities are also refundable.
Appreciation of property	Yes	No

## Tax Benefits:

Also a **summary of tax Benefits** for the person in both the cases is as follows:

Regime	Home Loan EMI	Monthly rental
<b>Self Occupied</b>		
New Regime	No Deduction	Deduction under section <b>80GG up to Rs. 60,000</b> for rent paid.
Old Regime	- Section 24 Upto Rs 2 lakh for payment of interest; and - Section 80C upto Rs 1.5 Lakh for principle repayment	HRA benefit to salary class.



### Case Study:

If a person earns around 1 Lakh per month, a loan of **Rs. 80 lakhs** can be obtained from the bank at the rate of around 6.5% for a tenure of 20 to 25 years if the age of the applicant is around 30 years from South Indian Bank.

In this case, a person will be paying around **54,000 rupees as monthly EMI** if the tenure is 25 years.

Alternatively, the property of similar value will be available on **rent for around 35 thousand**.

Therefore, the person will be saving Rs. 19,000 per month in this case.

### Long term comparison:

The case study for long term comparison is as follows

Loan Amount	80,00,000.00
Loan Interest Rate	6.50%
Loan tenure	25 years
Total interest payment on loan	81,80,543.01

Comparison between 2 options:

	Monthly EMI	Rental
Monthly outflow	54,071	35,000
Total Cash Outflow	1.61 crores	1.53 crores
Sale proceeds after 25 years (Assuming a 7% ROI on said property)	4.34 crores	0
Net Inflow after 25 years	2.72 crores profit	Loss 1.53 crores

Over 4 crores of profit after 25 years if EMI Option is availed.





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