

## Home Loan Analysis on SBI Max-Gain vs. Normal Home Loan

**Home loans** have been the talk of the town for many years because of **attractive interest rates**. For people who want to reduce their interest burden, SBI offers an attractive product known as the "**SBI Max-Gain Home Loan**." By clubbing our fluid balance in a savings account with SBI my loan account, we can substantially reduce the interest burden.

This blog will explain the critical differences between SBI Max-Gain Home Loan and SBI regular Home Loan.

Let's look into the **current interest rates of SBI Max gain home loan**.

SBI Maxgain Highlights 2022	
<b>Interest Rate</b>	8.45% - 8.95% p.a.
<b>Loan Tenure</b>	Up to 30 years
<b>Eligibility Criteria</b>	Only for buying "Ready to Move-in" property

Rates as of 1 September 2022.

With the defined interest range, let's check the approximate **rate of interest based on credit score**.

CIBIL Score	Interest Rates
>=800	8.45% p.a.
750-799	8.55% p.a.
700-749	8.65% p.a.
650-699	8.75% p.a.
550-649	8.95% p.a.
NTC/No CIBIL Score/-1	8.65% p.a.

The **processing charges for SBI Max gain home loan** is as follows.

### Processing Fees and Charges for SBI Maxgain

<b>Processing Fees</b>	50% waiver on basic processing fee [0.35% of loan amount (Rs 2,000 - Rs 10,000)] + GST
<b>Pre-payment Charges</b>	NIL
<b>CERSAI Charges</b>	<ul style="list-style-type: none"> <li>Up to Rs 5 lakh - Rs 50</li> <li>Above Rs 5 lakh - Rs 100</li> </ul>

### General Eligibility Criteria for SBI Max-Gain Home Loan.

The eligibility criteria for SBI Max gain and regular SBI home loan are usually the same. The below-mentioned list might give you a general idea of home loan overdraft eligibility:

- The applicant should be **an Indian Resident**.
- Applicant should have availed of the **overdraft facility**.

To understand the difference between an SBI regular home loan and an SBI Max-Gain home loan, let's consider a case study;

Mr. A recently took a Max-Gain home loan from SBI. His **outstanding loan is 35 lakhs** at an interest rate of **8.60%** for **20 years**. (As of March 2022)

Let's see how having a Max-Gain home loan benefits him in different situations.

#### Case 1:

Mr. A recently received a sum of **Rs. 15 lakhs as a bonus**. Let's understand how he can use this sum with an SBI Max-Gain home loan and an SBI regular home loan to reduce his interest burden.

#### Regular Home Loan:

He can **deposit** the entire sum of 15 lakhs in the home loan account and **prepay his loan**, reducing his loan amount to Rs. 20 lakhs. By doing this, his **interest burden reduces, leading to a loss of liquidity** (In case he requires that money in the future). To make the **15 Lakh deposit**, he will have to go through a **lengthy procedure of filling out a deposit form and paying a processing fee**.

#### Max-gain Home Loan:

Here, he can **park** the sum of 15 lakhs in his home loan account, reducing the principal amount on which interest is payable to Rs. 15 lakhs. This means he will have to **pay interest only on the difference between the principal amount and the surplus of 15 lakhs, not the original principal amount of 35 lakhs**. Moreover, he **can withdraw this sum at any time simply by encashing a cheque or using a debit card**, maintaining liquidity of the deposit of 15 lakhs.

Type of Loan	Parameters	
	Effect	Liquidity due to Prepayment
Normal Home Loan	Reduced Principal amount	No
SBI Max-Gain Home Loan	Reduced Principal amount	Yes

## Case 2:

**Mr. A urgently needs Rs.5 lakhs.** Let us see the course of action in the case of a regular home loan and a Max-gain home loan.

### Normal Home loan:

He will have to **apply for a top-up loan and wait to get approval** from the bank. This process can take a few days. Depending on the bank, he may also have to pay a processing fee.

### Max-gain Home Loan:

Here, he can **walk into any branch of SBI and encash a cheque of Rs.5 lakhs** from his Max-Gain account.

Type of Loan	Parameters		
	Application	Processing Fee	Encashment Option
Normal Home Loan	Yes	Yes	No
Max-Gain Home Loan	No	No	Yes

So, a **Max-gain** account allows you to utilize your liquid savings to reduce the interest burden on your home loan and **enable you to use your home loan account like any other**.

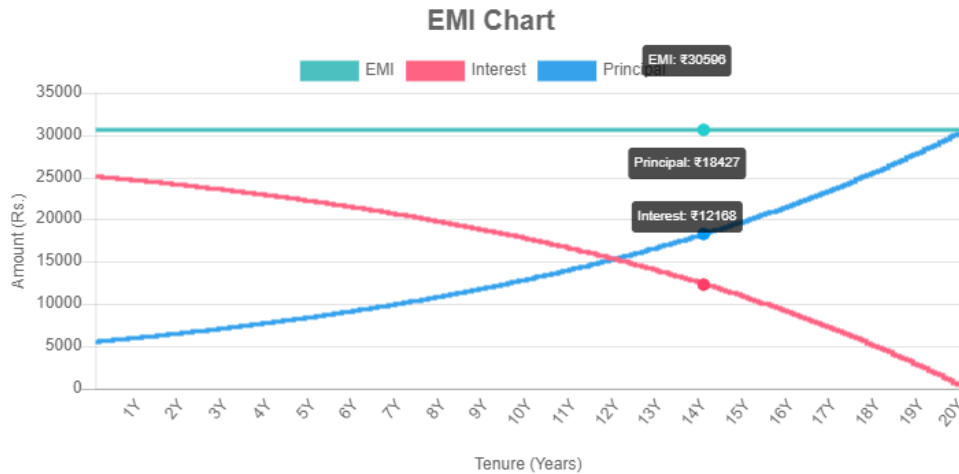
Let's understand the **total savings** we get when we opt for the **SBI Max-Gain account**. Before looking through the workings, these are some **assumptions** used in the workings.

- The **Home loan amount, interest, and Tenure** are considered the **same for both SBI Normal Home Loan & Max-Gain Account**.
- In this work, we are considering the **Monthly salary will be parked in the Max-gain account and equally spent throughout the month**. (Let's say our salary & Other income is 1 Lakh per month and there are five weeks in a month. We assume we will spend 20% in 1st week, Rs. 20000, 20% in 2<sup>nd</sup> week, Rs.20000, and so on.)

**Scenario 1:** In the **case of a Normal SBI Home Loan Account**. The summary of the loan can be seen in the table below.

SBI Normal Home Loan	
Home Loan Amount	Rs.3,500,000/-
Rate of Interest	8.60%
Tenure	20 Years
EMI	Rs.30,596/-
Total Interest Payable over the loan term	<b>RS.3,842,967/-</b>
Total Payments made during the tenure	Rs.7,342,967/-

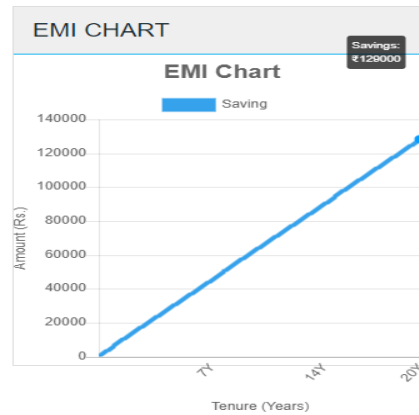
We can see the EMI chart for Scenario 1 below. We can see that initially, the interest component is the highest part of EMI, and gradually over time interest component decreases.



**Scenario 2:** Here, we will look through the **interest savings on the Max-Gain Account**, considering our **monthly salary is parked in the Max-gain Account** & is **spent 100% equally distributed throughout the number of weeks in a month**.

SBI Max-Gain Account Home Loan	
Home Loan Amount	Rs.3500000/-
Rate of Interest	8.60%
Tenure	20 Years
EMAIL	Rs.30,596/-
Monthly Salary & Other Income	Rs.150,000/-
Total Interest Payable over the loan term	<b>RS.3,713,967/-</b>
Total Payments made during the tenure	Rs.7,213,967/-
Total Interest Savings	<b>Rs.129,000/-</b>

So, from the above calculation, we might **save Rs.129,000/-** if we **link our salary account to the Max-Gain account and spend accordingly from the Max-Gain account**. In case of any extra funds, we can park those funds as well so that we can end up saving more on the interest component.



Here are a few **extra tips** that will help you **maximize your savings** on the SBI Max-Gain home loan:

- Start using the SBI Max-Gain **account as the primary money parking account** for all your liquid finances.
- Try to **route all your transactions** through the SBI max-gain account (payment of utility bills, online shopping, credit card payments).
- You can use **net banking to schedule a transfer of the EMI** amount to the savings bank account a few days before the payment date. So not only can you park your surplus funds, but you also park the EMI payments in the OD account to maximize savings on interest.
- You can also **avail ATM card facility on the OD account** or link it to an existing SBI saving account.
- However, any **transaction made through a max-gain ATM card from another bank's ATM will be charged** a transaction fee since it is an overdraft account and not a savings account.

To conclude, if you are sure you will receive extra cash flows during the home loan tenure, it is better to park such funds in the SBI Max-gain account.

**Doing this will reduce your interest burden significantly.**

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