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# Axis Bank offers home-loan with higher principal repayment component

BY PTI | DEC 12, 2018, 09.56 PM IST

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MUMBAI: [Axis Bank](#) will be offering its new home loan customers an alternative to reduce their principal amount on a monthly basis, in departure from the current system wherein the lion's share of repayment initially is the interest component.

By reducing the principal with every month's repayment, the gross amount repaid by a borrower during the duration of a loan will also go down as the interest outgo comes down, officials at the private sector lender said Wednesday.

However, the interest outgo for a borrower has been kept at a higher level of 9.05-9.25 percent as against 8.85- 9.05 percent for the older product.

"The new home loan product will reduce the overall interest burden on the borrower. We are confident that this unique concept of 'reducing monthly installments', along with big savings on the interest side, will be an attractive proposition for home buyers," executive director for retail banking [Rajiv Anand](#) told reporters.

In a statement, the bank cited a case of a Rs 50-lakh home loan, saying by the end of the 20th year, the interest outgo under the current [equated monthly installment \(EMI\)](#) system, a borrower will be paying Rs 57.96 lakh in interest alone assuming an interest rate of 9 percent.

But under the new offering, even assuming for a higher interest rate of 9.20 percent, the total interest outgo will be Rs 46.19 lakh only on the same amount of loan.

The bank said it will extend loans between Rs 3 lakh and Rs 5 crore under the new product.

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