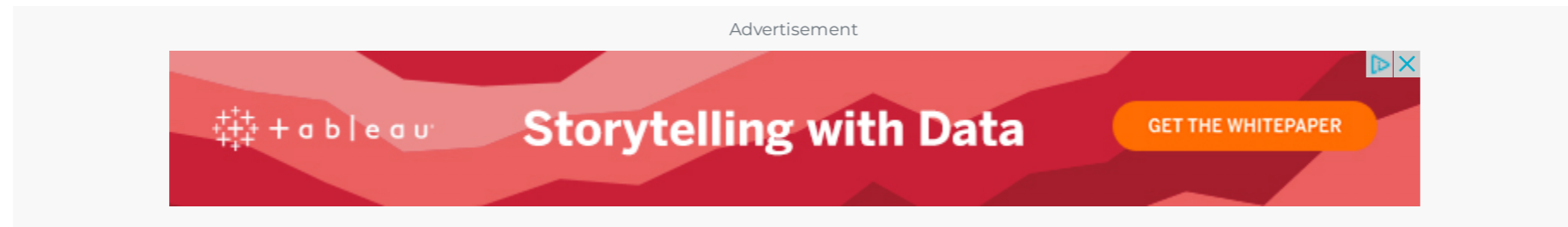


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Cityscape



What influences your home mortgage rate?

For an easy payoff, here are steps to help secure a low rate, says Shiv Gupta

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Shiv Gupta, Special to Property Weekly



Property Weekly

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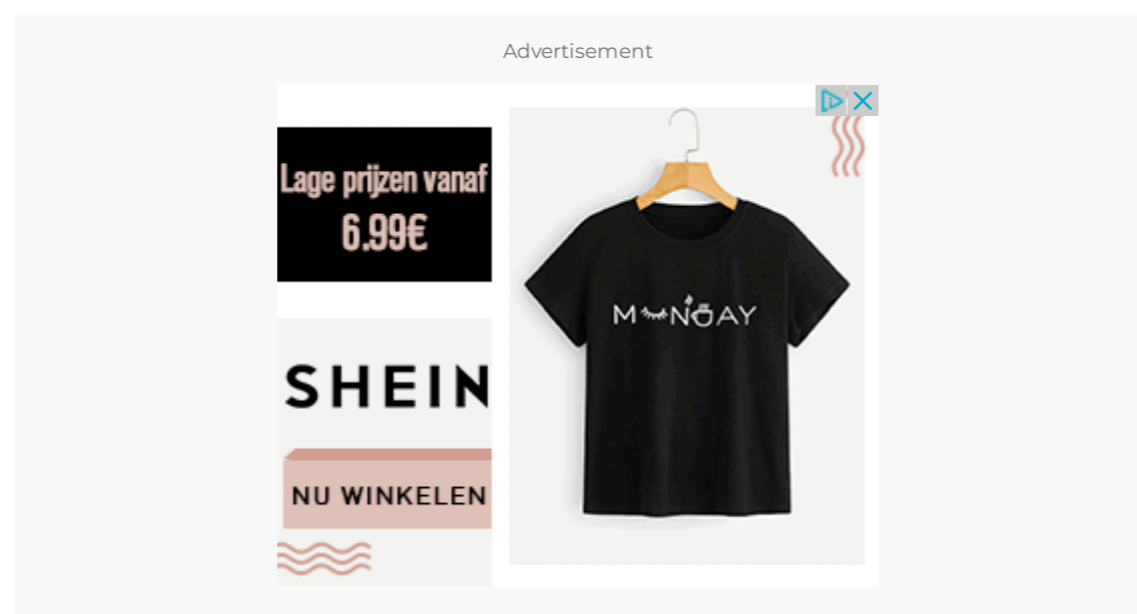
A home mortgage is provided on a longer tenure than most other financial instruments, which means the monthly payments are going to be on your expenses for a long time. It is quite important to make sure this won't make you stressful at any point in time till you clear it. The easiest way to make way for an easy mortgage payoff is to obtain a cheap rate on it at the start itself.

There are several things that have an impact on your mortgage rate.

Loan amount

It's extremely important to keep the loan capital to a minimum. Any redundant extra mortgage capital is a burden and will raise the monthly instalments. Banks only finance 70-80 per cent of the property value. The rest should be borne by the borrower. Some banks may allow applicants to negotiate on interest rates if they are ready to pay a high down payment and borrow less.

Credit score



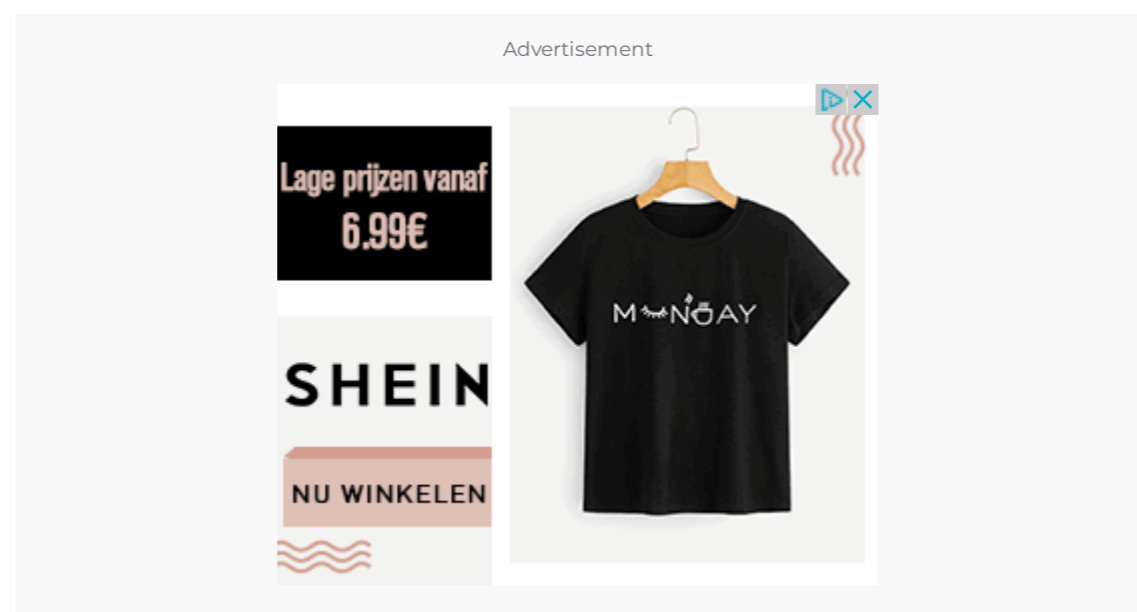
This three-digit number is one of the prime factors when your bank approves the loan. Applications with a high credit score not only get approved easily, but banks can also offer lower rates. Pay your existing loans and credit card bills on time, which will improve the credit score over time.

Loan-to-value

LTV ratio is calculated by dividing the mortgage amount by the property value. The lower the LTV ratio, the higher chances of loan approval. This means that the mortgage amount should be as low as possible. With a high LTV ratio, lenders might increase the interest rate. High LTV ratio borrowers also need to get property insurance to reduce the lender's risk.

Tenure

The maximum repayment period on a home mortgage is 25 years. Overall a shorter tenure means lower interest rate compared to a longer one.



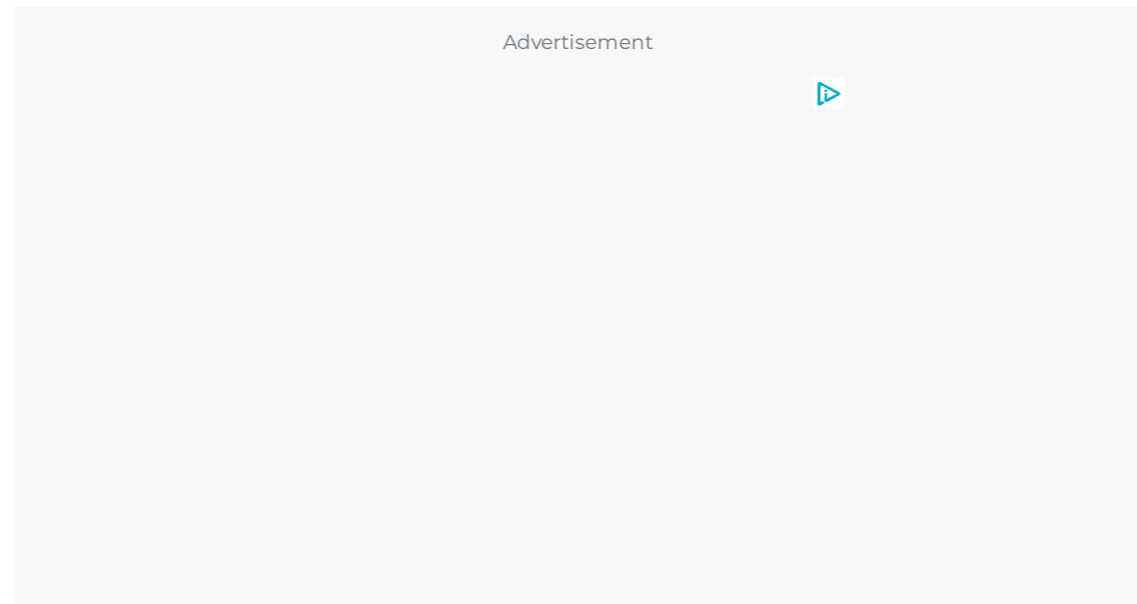
Employment, income

The applicant must have employment for at least one to two years in the region and a minimum monthly salary of Dh8,000. If the monthly income is higher, a borrower can pick the best mortgage product and also negotiate on rates.

History of loans

If the borrower has a history of loans that were cleared without any delays, it not only has a favourable impact on the credit report but also help get a lower interest rate.

Location of property



If your property is situated in a good location, which tends to develop, then the lenders might charge less interest rate because it makes the borrower less likely to default on payments. And even if he does, the resale value of the house will compensate the mortgage provided. If the house is in an underdeveloped area with no signs of progress, the lender might provide higher rates.

— Shiv Gupta is the co-founder and director of mymoneysouq.com

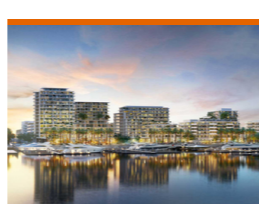
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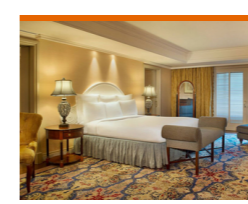


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