

## Home loan can be switched to another bank even if it is partially disbursed

You can convert your partially disbursed loan to a fully disbursed loan and convert your pre-EMI to an EMI

Surya Bhatia



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**I currently have a floating rate home loan (taken in 2013), which is partially disbursed at the rate of 9.65%. The approved amount is Rs24 lakh and I have been disbursed Rs18.13 lakh. I am paying a pre-EMI of Rs15,500 each month. Can I switch to different bank for a partially disbursed loan? Please recommend what is my best course of action.**

—Abhishek Singh

Firstly, you can switch your loan to another bank even if it is partially disbursed. You can convert your partially disbursed loan to a fully disbursed loan and convert your pre-EMI to an EMI. At the same time, you are paying a high interest rate as apparently the interest rate is linked to the base rate and not the marginal cost of funds rate (MCLR). This has to be converted to an MCLR rate. If the new bank offers a lower MCLR versus the current bank, ideally you should shift to the new bank with the complete loan amount as the interest rate is lower than the current bank. Your bank may resist as the EMI has not started but you should go ahead with it unless they are able to match the rate

offered by the new bank.

**I was working in a private firm for less than 6 months in 2006-07. That time, I did not have a PAN card and the company did not mention any provident fund (PF) account number in my pay slips. This may be because I was on probation. Now, considering they deducted some amount each month, what is the best way to withdraw or transfer the money?**

—Prasanta

As you are working with another organization and drawing a salary, you can transfer your PF with your current employer and get the EPF consolidated. And if you have worked without any break, the complete PF amount, including the proposed transfer, will be a tax-free amount. For transfer, you should approach your current employer with your old PF details along with date of leaving the previous employer and submit the required form 13, i.e., application form for transfer of EPF account. The said PF form can be attested by either the old employer or the current one. However, if it can be done by the previous employer, the settlement time can be a little less. Also, as you are not aware of your PF number, you should get the same from your previous employer's HR department or get the form attested by the previous employer wherein they will mention their PF registration number, which will help in tracking the PF contributions made in your account.

**I am planning to buy a residential flat in Mumbai Metropolitan Region, and had almost closed a deal sometime back, but due to some unforeseen circumstances the deal did not materialize. If that deal had succeeded, I would have had a home loan of around Rs45 lakh with an EMI of around Rs40,000 each month. I am optimistic of getting a good deal in the next 6 months to 3 years. For the moment, I want to keep aside Rs40,000 each month from my income, assuming I would have anyway paid it as EMI, so that it would result into forming a corpus to buy the house later. Kindly suggest some good fund options for my monthly investment. Will ultra-short term debt funds serve the purpose?**

—Nitin Joshi

The period of investment is uncertain as you propose to use the monthly investment saved as the corpus for investing in real estate. The period mentioned can range anywhere from 6 months to 3 years. As the lower end of period is 6 months, your assessment to invest in an ultra-short term fund is appropriate. At the same time, you can also consider two more options. Short-term funds where the minimum horizon to invest is ideally 6 months to 1 year and can be held even for longer duration. And the other option that can be considered is equity arbitrage funds. This is more for tax efficiency rather than performance of the fund, but the net return in hand is what really matters. The ideal period of holding in this investment category is greater than 12 months. As the arbitrage category taxation is similar to equity, the capital gains after attaining a long term status become tax free. The last 1-year return of the arbitrage category is 6.50% versus the short-term category, which is at 8.9%. You need to identify the flexibility of investment as well as your marginal rate of tax to identify the best investment opportunity. You can also consider distributing the investments in various categories.

Surya Bhatia is managing partner at Asset Managers.

Queries and views at [mintmoney@livemint.com](mailto:mintmoney@livemint.com)