

Home Loan and A2B concept _ an Addendum _ more explanations

What is Amortization chart?

All the values of Amortization chart, can be compared to the Estimate values of a building contractor.

- a) If the interest rate happens to be the same throughout the tenure, and if repayment is done in terms of the chart, all values will move in tandem to the chart.
- b) If interest rate is reduced at any time, all the values will vary. The balance values will move lower. The period of loan gets reduced.
- c) If there is enhancement in the interest rate, the reverse of B can be seen.

Now around A2B.

As said earlier, it is a tool to reduce the repayment period, by infusing some extra remittance by adopting the concept of A2B.

Based on some feedback, A2B needs more explanations and clarity. Examine the step by step feed of each input.

DETAILS OF THE LOAN.

- 1) Date: Suppose EMI starts on 01/08/2016. The input date should be 01/07/2016.
- 2) Interest rate should be Sanctioned rate.
- 3) Amount in this case should be Sanctioned loan amount only. Note that the EMI will be on this amount only.
- 4) PERIOD: Sanctioned period only.

When 1 to 4 is done, you will see the due date, EMI amount, and liability values for full period. This will match with a general Amortization chart.

Now move towards A2B schedule.

- a) The date of A liability of A2B is linked to the start date of EMI. The period is arrived based on these dates. Be sincere to put the correct date. The date should be 1 day (first day) of the month. Thus if you create on August, the date should be 01/08/20....

- b) Liability A of A2B:

A surprise. All the values of Amortization chart are made available inside the input.

Suppose you are to go for A2B on 01/08/2016.

Go to Bank records, look for value as on 31/07/2016.

Look for the nearest but higher value in general Amortization to chart. Please note it down. Arrive the difference between this value and bank value. Remit this difference.

Now select the value against A, from the drop list.

C) interest rate:

This should be the latest applicable, AND NOT ORIGINAL SANCTIONED RATE.

D). Choose the period as 24.

E). To input liability B of A2B.

Go to the general Amortization chart, (top right). Look for the value, which is 30/36 away from the liability A, and note down. Look for this value in dropout against Liability B. Surely, it is there. Select it.

Now you will see the A2B schedule on the adjacent segment.

The A liability will be the start balance and B liability will be the target liability and you see as last liability.

You see the new EMI. This should be made more than the Contract EMI.

Now again go to the period of A2B.

Choose 24. You get a new EMI schedule, for this period.

Read all the values under A2B space.

You are seeing the new EMI, differential extra amount, the reduction in the period of loan.

If the extra remittance is not comfortable, choose the period as 30.

Also you can increase extra amount if you choose period 18 or 15

O

Go for remittance of extra amount.

The Monthly values of A2B will almost match with monthly values of Banks value. Please ignore small differences.

EXTRA REMITTANCES.

Why Not?

The liability will get reduced. But such remittance is not supported in the A2B. Such action will make it more complex.

Hence remit extra and be happy to see the final liability less than A2 B liability.

MULTIPLE A2B schedule.

1) Within the A2B time frame.

Yes. Look for bank balance, match with the nearest chart value, remit extra to bring to the level of A liability. Be guided by above steps.

2) After A2B:

If A2B is not exercised just after the last day of existing A2B, the regular EMI will come into force. Things will move as per regular chart. The benefit of reduced period will be retained. Now you can opt for new A2B any later date.

Thus go for multiple A2Bs.

Conclusion:

Albert Einstein said, hundred years ago.

“Compound interest is the eighth wonder of the world. He who understands it earns it.....he who doesn't pays it”.

By the rule of 72 of Albert Einstein, the extra remittances made earlier months, doubles every 84 months, and accumulates acquires the equivalent values of multiple EMI s enough to resist the liability from moving up to the end of chosen period. The liability gets cleared early.

The extra remittances send “ripples” into the Amortization system, to reduce the “space time”, (period), and achieve preponement of period.

----Again a due respect to Albert Einstein, (for words ripples, space time).

The message:

Practice A2B. Earn the compound interest. Respect Albert Einstein.

Vrshenoi