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How to Manage Multiple Loan Accounts Effectively

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Managing multiple loans—whether it's a home loan, car loan, personal loan, or education loan—can feel overwhelming, especially when dealing with different interest rates, payment schedules, and lenders. While borrowing can help meet short-term financial needs, poor management can lead to stress and financial instability.

However, with careful planning, disciplined financial practices, and an organized approach, you can stay on top of your loan repayments without compromising your financial well-being.

Make Timely Repayments: Defaulting on a loan can significantly impact your credit score, typically causing an immediate decline. If you have multiple loans, it's crucial to pay all EMIs on time to maintain a healthy credit profile. A default on a personal loan alone can lower your credit score by nearly 50 points, making future borrowing more challenging.

Budgeting Basics: To stay on top of your debt repayments, it's essential to track your spending and allocate funds accordingly. Begin by listing all your income sources and categorizing expenses into fixed costs (such as rent, mortgage, and utilities) and variable costs (like groceries and entertainment). Identify areas where you can cut back without affecting essential needs. Reducing non-essential expenses can free up more money for loan repayment.

Maintaining a Strong Credit Score: Your credit score is a crucial factor that affects your ability to secure loans. A high credit score (750 and above)



indicates responsible credit behaviour and increases your chances of loan approval at favourable interest rates. Late payments will lower your credit score, making it difficult to obtain future loans. By paying on time, you protect your financial health and get better deals on future loans. Check your credit score regularly to ensure it's accurate.

Monitor your loan balances: Regularly monitoring your loan balances is essential for staying motivated and tracking your progress. Keep a record of the outstanding principal amount for each personal loan along with their respective interest rates. Tracking your loan balances also helps you identify if any discrepancies or errors occur. By promptly addressing these issues, you can ensure that your payments are accurately reflected, avoiding potential complications in the future.

Avoid New Loans: It's tempting to get new loans for things like a phone or a trip, but it's better to focus on paying off your current loans first. Adding new loans will only make it harder to manage

your payments. Pay off your current loans before taking on more. This will make your finances easier to handle and keep your financial health safe.

Set-up Autopay: When you have several personal loans, it might be difficult to keep a track of all the payments. Invariably, you may end up missing a deadline for paying your EMIs, which is not a very comfortable situation to be in. It will not only lead to late fees but also damage your credit score. One way to avoid being in this situation is to set up automatic payments through your bank. If your bank account has the required balance, you will never default on your payments.

Managing multiple loans requires careful planning, financial literacy, and disciplined money management. By following these strategies, you can stay financially organized, reduce stress, and work towards a debt-free future. With the right approach, you can balance your financial obligations while securing your well-being.

(The author is Chief Business Officer, HDB Financial Services)