PERSONAL FINANCE

RBI cuts repo rate to 5.25%: what it means for your home loan EMI

The fourth rate cut of 2025 takes the year's total to 125 basis points. Borrowers on repo-linked loans should see EMIs or tenures fall within months.

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Home loan EMIs could fall if the RBI cuts rates in December

In 60 seconds

1. The RBI cut its repo rate by 25 basis points to 5.25% on 5 December 2025.
2. Rate cuts in 2025 now total 125 basis points, from 6.5% at the start of the year.
3. On a ₹50 lakh, 20-year loan, a 0.25-point cut lowers the EMI by about ₹775 a month.
4. Repo-linked loans adjust faster than older MCLR-linked loans.

The Reserve Bank of India cut its key lending rate by 25 basis points to 5.25% on Friday, the fourth reduction of the year, in a move that should lower EMIs for millions of home loan borrowers.

The decision

The Monetary Policy Committee voted unanimously for the cut, with inflation at record lows, and kept its policy stance neutral. The repo rate has now fallen by 125 basis points in 2025, from 6.5% at the start of the year.

How much will your EMI fall?

Most new home loans are linked to the repo rate, so a cut flows through to borrowers when the loan rate is next reset, usually within three months.

Take a ₹50 lakh home loan over 20 years:

- At 8.00%, the EMI is about ₹41,822.
- At 7.75%, after a 0.25-point cut, it falls to about ₹41,047, a saving of roughly ₹775 a month.
- Compared with 9.00% earlier, when the EMI was about ₹44,986, the cumulative saving is close to ₹4,000 a month.

> *Ask your bank to reduce the tenure instead of the EMI: it can save you far more in total interest.*

What you should do

- Check your benchmark: loans linked to the older MCLR system pass on cuts more slowly. Consider switching to a repo-linked loan if the fee is reasonable.
- Choose tenure or EMI: banks often keep the EMI the same and shorten the loan. That saves more interest overall, though a lower EMI may suit a tight budget.
- Compare lenders: if your rate is well above what new borrowers are offered, a balance transfer could help.