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RESEARCH ARTICLE

GLOBAL HOME THEORY: ETHICS, EQUITY, AND DIGNITY IN MORTGAGE LENDING

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Abstract

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In an era of increasing economic uncertainty, job volatility, and social displacement, the concept of homeownership continues to hold deep personal, emotional, and cultural value for individuals and families. However, the prevailing mortgage systems are often built on rigid financial protocols that prioritize institutional security over borrower dignity. These systems tend to react punitively to short-term payment defaults, frequently overlooking critical factors such as the borrower's long-term repayment history, equity accumulation in the property, and the genuine intent to reside rather than profit from the asset. This paper introduces a new ethical framework referred to as the Global Home Theory, which advocates for a more humane, equitable, and socially responsive approach to housing finance. The framework proposes that borrowers who have built substantial equity in their homes, typically through years of consistent mortgage payments, should receive structured protection against foreclosure when facing temporary financial hardships. It distinguishes between delinquency caused by economic instability and willful default, urging lenders to incorporate equity-based risk assessment and moral intent analysis into their recovery protocols. Furthermore, the theory challenges the classification of homes as non-performing assets (NPAs) based solely on missed EMIs, especially when the property holds long-term appreciation potential and the borrower's residency is evident. It calls for the development of mechanisms such as judicial review before foreclosure, temporary EMI relief windows, and income-recovery support systems that enable the borrower to resume payments without losing their home. The ultimate aim is to shift mortgage lending from a purely transactional model to one that recognizes the home as a human necessity rather than a commoditized asset. By fostering trust, social justice, and shared accountability between borrowers and lenders, the Global Home Theory offers a path toward more resilient housing ecosystems and inclusive financial governance.

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Introduction:-

Homeownership has long been a cornerstone of economic empowerment and personal security, symbolizing stability, dignity, and the culmination of lifelong aspirations. For millions around the globe, owning a home is not merely a financial transaction; it is a deeply emotional milestone, anchoring families to communities and shaping intergenerational wealth [Kumar, 2025a]. However, the financial ecosystem that governs real estate often treats homes as impersonal assets and homeowners as risk-bearing entities subject to market volatility and rigid institutional norms.

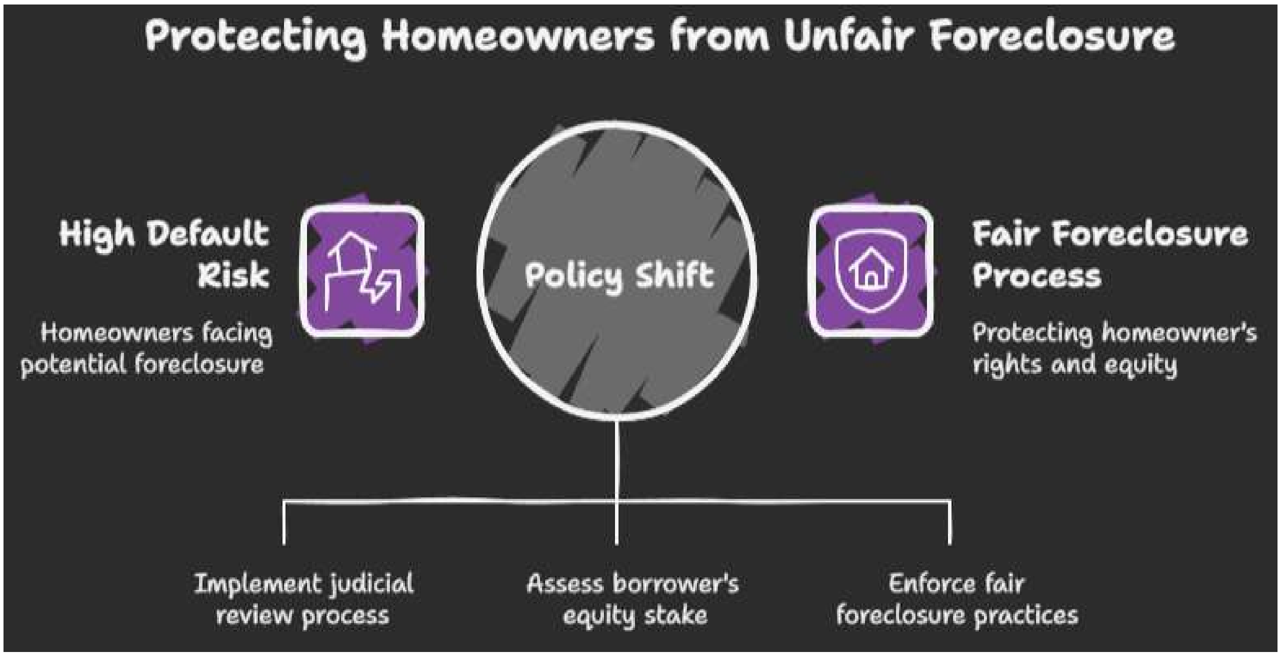

Figure 1.0:- Reasons to stop unfair foreclosures.

This systemic approach, rooted in financial abstraction, has increasingly alienated the very people it is meant to serve. When borrowers miss a few Equated Monthly Installments (EMIs), often due to temporary but severe hardships such as job loss, medical emergencies, or small-business failures, they are quickly subjected to default protocols, credit degradation, and in many cases, foreclosure [Kumar, 2025a; World Bank, 2022]. Such punitive measures ignore borrower intent, accumulated equity, and repayment history, thereby disrupting lives and dismantling years of financial discipline in an instant.

Traditional banking models prioritize risk mitigation and liquidity recovery over human outcomes, often leading to what could be called "inhumane efficiency"—maximizing short-term asset recovery at the expense of long-term borrower dignity [Smith, 2020]. A borrower may have paid off 60–70% of the home loan over 12–15 years, yet a few missed EMIs can result in complete property seizure without regard for the owner's substantial stake in the home [Kumar, 2025b; OECD, 2021]. This leads to a paradox where equity is irrelevant to ownership protection—a notion both financially counterintuitive and ethically troubling.

In response to these systemic failings, the Global Home Theory proposes a more humane, borrower-centric framework that advocates for equity-based loan restructuring and foreclosure protection. It posits that borrowers who have built significant equity in their homes should not be evicted due to short-term distress, especially when their intent is long-term residence rather than speculation [Kumar, 2025a]. The theory calls for restructuring mechanisms, such as EMI holidays, tenure extensions, or interest adjustments, grounded in both ethical finance and common-sense economics.

The Global Home Theory also introduces the concept of intent-based ownership ethics, distinguishing between those who live in their homes and those who use property solely for investment or rental income. This differentiation, absent in most current banking and regulatory frameworks, is essential in formulating responsible and equitable foreclosure policies [Kumar, 2025b].

Furthermore, the theory challenges the blanket classification of delayed mortgage accounts as Non-Performing Assets (NPAs), especially when properties are appreciating in value or located in high-demand regions. Unlike unsecured loans, home loans are asset-backed with appreciating collateral, and therefore merit a more nuanced treatment in risk frameworks [RBI, 2023; BIS, 2022]. Automatically tagging residential homes as NPAs based solely on short-term cash flow gaps is not only regressive—it undermines trust in the housing finance system.
Through this paper, we aim to integrate economic rationality with human empathy, proposing structural reforms that balance institutional stability with borrower dignity. Drawing from real-life case studies and policy insights, particularly those outlined in Kumar (2025a) and Kumar (2025b), we argue that home accessibility and debt protection must be foundational pillars in the next generation of real estate financing.

The Home Loan Structure and Its Inherent Vulnerabilities

The Equity Trap

Many borrowers repay more than half of their principal amount in the first 10–15 years, due to high interest components in the early phase of an amortized loan. Over time, this builds substantial equity in the property, often upwards of 60% by year 15, sometimes as low as by year 5.

However, in the event of a job loss or economic slowdown, a borrower may miss 3–6 months of EMIs. The current financial system can label such properties as Non-Performing Assets (NPAs) and initiate foreclosure, often resulting in lifetime savings being wiped out and families being evicted. This is especially problematic when the borrower owns most of the property already.

Instability and Default Risk

A major oversight in loan structuring is the lack of anticipation for job loss or income fluctuation. Approval models generally consider past income but rarely simulate future shocks or provide relief pathways. This leads to punitive actions during temporary setbacks, even for disciplined borrowers.

Ethics in Financing: The Call for Restructuring

Debt Protection, Not Property Seizure

Borrowers who have built up 40–80% equity should not face foreclosure for short-term distress. Instead, lenders must restructure loans through:
1. EMI holidays (temporary relief periods),
2. Loan tenure extensions,
3. Interest rate adjustments,
4. Partial-to-full moratoriums without compounding penalties.

Such restructuring protects the borrower's home while still ensuring eventual repayment for the lender.

Intent Matters: Residence vs Investment

Financial institutions must assess borrower intent. There is a critical distinction between individuals buying homes to reside in, versus investors parking money in real estate.
A borrower living in the property, sending children to local schools, and making regular payments for a decade should not be evicted for temporary financial distress. The ethical responsibility of banks should align with this reality.

Addressing the Misclassification of NPAs

Homes are often categorized as NPAs prematurely, based on missing three or more EMIs. This financial tagging ignores:
1. The **underlying asset value** which appreciates over time,
2. The **livelihood** anchored in the home,
3. The **rental potential** of the asset,
4. And the **previous repayment history** of the borrower.

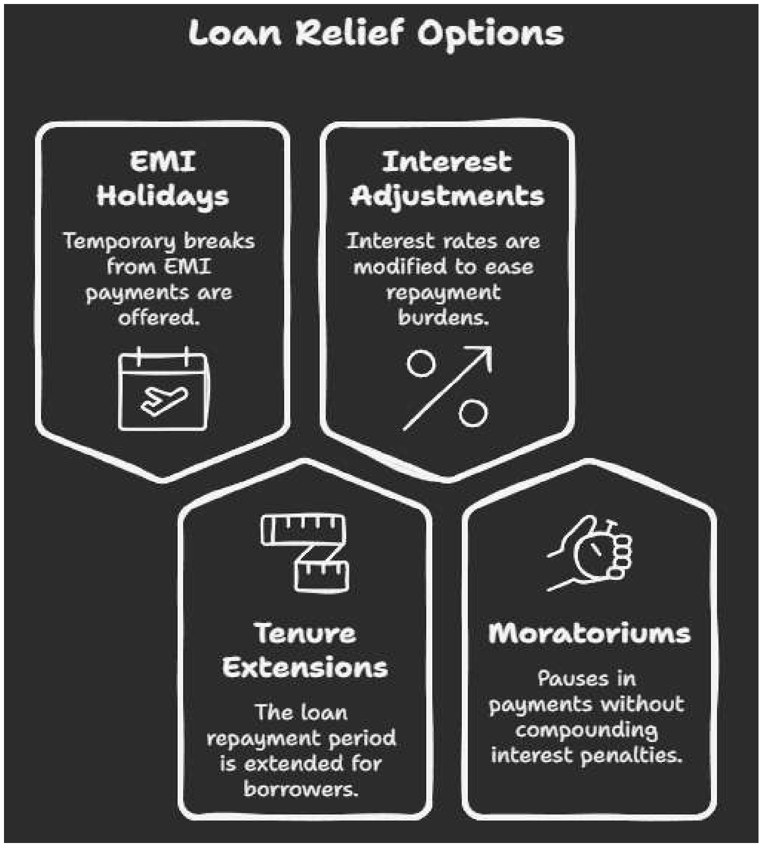

Figure 2.0:- Loan Relief Options.

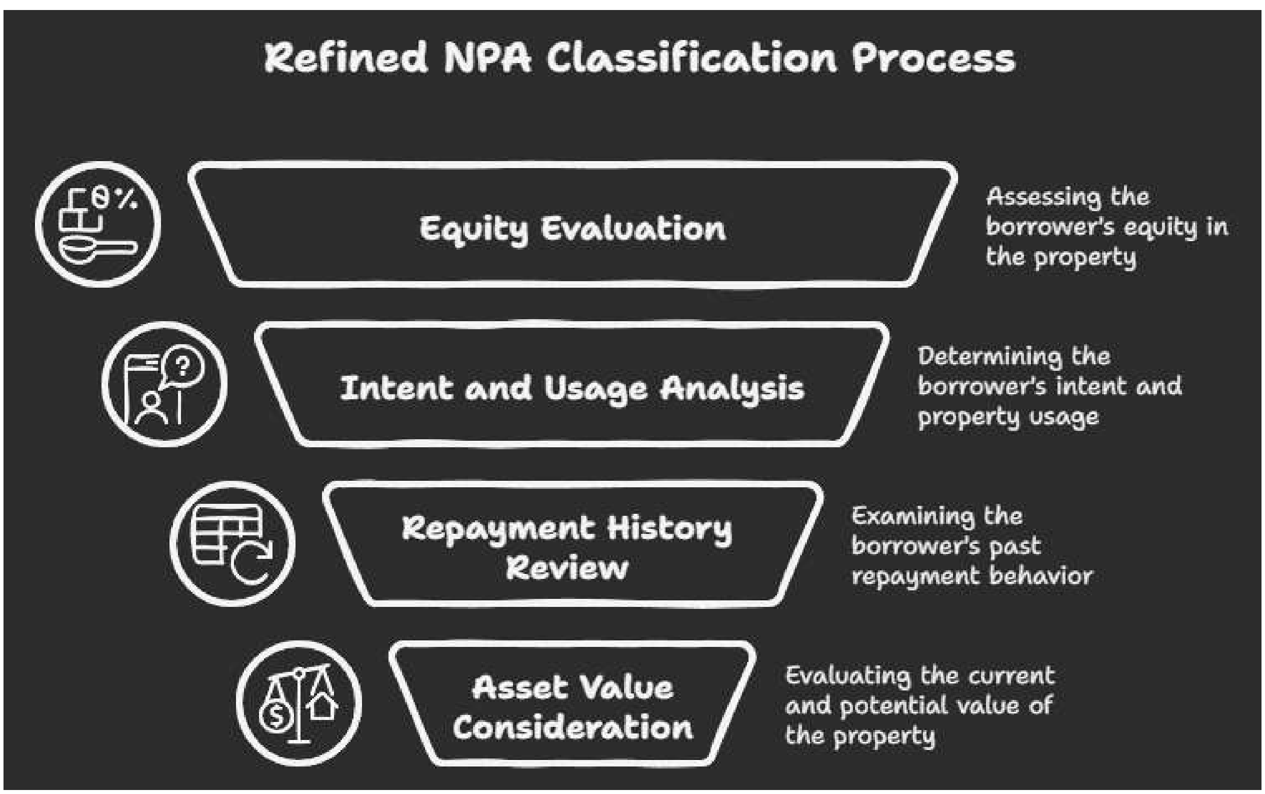

Figure 3.0:- Orders in NPA Classification of Home Loans.

A nuanced classification system should be adopted where:
1. Properties with more than 50% equity are not immediately labeled as NPAs. And for other compositions, below or above 50%, the default on loan should be treated accordingly.
2. Home Loans should always be classified based on intent and usage, not just financial performance.

Systemic Solutions and Policy Recommendations

Legal Reform

Governments should mandate Equity-Based Protection Clauses in home loan agreements. Borrowers with more than 50% equity should qualify for automatic restructuring during distress, rather than foreclosure.

Creation of a Home Equity Retention Tribunal (HERT)

An independent body could resolve disputes between lenders and borrowers based on humanitarian grounds and borrower equity status. This will avoid blanket foreclosure orders and assess situations case-by-case.

Insurance-Like Schemes for Home Loans

Banks can offer “Home Security Covers”, akin to job-loss insurancethat supports EMI payments for 6–12 months. Borrowers may pay a nominal premium for this protection, which reduces systemic foreclosure risk.

Long-Term Perspective for Lenders

Home loans may not generate immediate returns if restructuring is applied. But lenders must recognize the long-term value in:
1. Avoiding litigation and auction costs,
2. Retaining customer loyalty and cross-sell potential,
3. Protecting their brand reputation as ethical institutions.

Moreover, in many countries, real estate appreciates faster than most retail loans accrue interest. Preserving the borrower’s capacity to repay is more lucrative than seizing the asset.

Comparing current bank/ NBFC agreements with Global Home Theory

The Global Home Theory (GHT) as proposed in this research is conceptually and functionally distinct from the foreclosure-driven enforcement mechanisms of the SARFAESI Act, 2002, exemplified in demand notices such as the one issued by L&T Finance Limited. The following subsections delineate the key philosophical and procedural differentiators between the two frameworks.

Rigid Enforcement vs Ethical Flexibility

The SARFAESI framework permits the immediate classification of a loan as a Non-Performing Asset (NPA) upon missed EMI payments, initiating foreclosure procedures through Section 13(2) notices that demand total repayment or threaten repossession within 60 days. In contrast, GHT advocates a human-centric response, accounting for borrower history, repayment intent, and accrued equity in the property. It positions temporary delinquency—stemming from job loss, illness, or recession—as circumstantial rather than culpable. This flexible ethics-based approach challenges the punitive reflex embedded in existing legal regimes, arguing that empathy and borrower goodwill must be institutionalized in loan recovery mechanisms.

Asset Commodification vs Housing as a Human Right

SARFAESI-compliant notices frame homes as liquid assets subject to collateralization, transfer, and auction upon default. GHT redefines the home not as a tradeable commodity but as an essential human shelter. It proposes legal reforms to prevent forced eviction where the property in question serves as the primary residence of a family. The theory posits that foreclosure must be a judicially-reviewed last resort, not an automated bank response to financial distress.

Debt Default vs Equity Contribution

SARFAESI notices typically disregard the cumulative financial contribution made by borrowers toward the property through EMIs, interest, and principal, recalculating dues with penalties and legal fees. GHT introduces the concept of equity-informed foreclosure, advocating that homeowners who have paid a substantial portion of their loan (e.g., 60–70%) should be protected from displacement and instead be offered structured relief options. The theory aligns loan enforcement with ownership realities rather than treating every default identically, regardless of prior repayment performance.

Unilateral Enforcement vs Judicial Oversight

Under Section 13(4) of the SARFAESI Act, banks possess unilateral authority to seize and auction property without prior judicial approval, placing the onus of contestation on borrowers through costly and time-consuming Debt Recovery Tribunal (DRT) appeals. GHT counters this with a demand for judicial pre-approval of foreclosure actions, ensuring due diligence in distinguishing between willful defaulters and borrowers in crisis. This shift prioritizes dignity and equity in legal enforcement.

Maximal Recovery vs Supported Recovery

SARFAESI emphasizes total loan recovery, often including penal interest, legal charges, and bounced cheque fees, irrespective of the borrower's temporary crisis or repayment intent. GHT proposes a support-based recovery model, incorporating mechanisms such as income-sensitive EMIs, grace periods, and temporary relief measures. The goal is to enable borrowers to recover financially and complete their loans without losing their homes.

Objective Default vs Moral Intent

Legal frameworks like SARFAESI operate on a binary definition of default, without accommodating the subjective circumstances or moral intent of borrowers. GHT challenges this objectivity by introducing a contextual morality clause, emphasizing a case-by-case evaluation of defaults. It advocates that legal systems differentiate between hardship-driven and fraudulent defaults, thereby personalizing judicial responses.

In summary:

Summary: Proposed Reforms

Legal/Banking Practice (SARFAESI)	Global Home Theory Reform
Foreclosure after 90 days of default	Equity + Intent assessment before action
Property = Secured asset	Property = Human shelter with dignity
Penal interest & bounce charges	Temporary relief, no compounding hardship
Lender-first recovery model	Mutual accountability & shared risk
No court needed for repossession	Judicial review before taking possession

Figure 4.0:- Proposed Reforms.

Humanizing Home Financing: A Moral Imperative

The Global Home Theory insists that financial dignity is as important as financial discipline. A house is not a stock; it is where a child learns their first words, where elders find peace, and where dreams are nurtured. Protecting it is protecting humanity.

Allowing a distressed but sincere borrower to retain their home is not a loss; it is a collective investment in ethical capitalism.

Conclusion:-

The future of ethical real estate financing lies in systems that value people over paper, and dignity over default. The Global Home Theory calls for a seismic shift in how we treat home loans, not as financial contracts alone, but as social covenants.

We must empower the common man to access housing not just with ease, but with enduring protection. Restructuring loans, reevaluating NPA policies, and designing borrower-centric solutions will lead to a more stable, humane, and sustainable financial ecosystem.

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