

1. Who is eligible for a loan?

Ans – Most of the financial institutions would take into account the following criteria:

Salaried / Self Employed Personnel

Indian Citizen / NRIs

2. What are the types of Home Loans available?

Ans – Home Loans can broadly be classified in to the following:

- a. Home Purchase Loan – This is the basic loan required at the time of purchase of a home
- b. Home Improvement Loan – This is given in the context of renovation or repair works of the existing home
- c. Home Construction Loan – This loan is given for the construction of the house
- d. Home Extension Loan – This is given for further extension or expansion of a already existing home
- e. Home Conversion Loan - This loan enables a person to transfer an existing loan amount to the loan amount of the new house.
- f. Land Purchase Loan – this loan is available for the purchase of land
- g. Bridge Loans – Such loan enable a person to fiancé a new home and aid in the sale of the old home
- h. Balance Transfer loan – This loan enables a person to pay an existing loan and avail a new home loan at a lower interest rate.
- i. Refinance loans – This loan enables in the payment of debt taken from private sources for the purchase of a new home.

3. What is the maximum loan amount?

Ans – The financial institutions takes a number of factors into consideration before deciding on the loan amount. Typically a person is entitled to up to 85% of the total loan amount.

4. What are the documents required for availing a Home Loan?

Ans – Each housing companies has its own set of documents that are required.

However the basic documents are listed below:

In case of salaried person:

- (i) Age Proof certificate
- (ii) Residents Proof Certificate
- (iii) Salary Slip
- (iv) Copy of bank account statements

In case of self employed:

- (i) Address Proof Certificates
- (ii) Photo ID Proof
- (iii) Income Tax return for the last three years
- (iv) PL & Balance Sheet for last three years

In case of NRIs

- (i) Passport Copy
- (ii) Copy of Resident Visa
- (iii) Salary Certificates
- (iv) Bank account statements

5. How is the loan eligibility determined?

Ans – A loan eligibility is determined by taking in to consideration various factors such as income, age, number of dependents, spouse's income, assets, liabilities.

6. What is the time frame for an application to get approved?

Ans – The general processing time for a loan to get sanctioned is approximately two weeks.

7. What are the repayment options available?

Ans – Repayment options generally range from 5 to 15 years, depending on the repayment comfort of the client. However NRIs need to repay the loan in a maximum of 7 years.

8. What is the rate of interest offered?

Ans – The interest rates vary from one bank to the other. On an average, it is anywhere between 8% to 16%

9. How is the interest rate calculated?

Ans- The interest rates is usually calculated either on Monthly Reducing or Yearly Reducing Balance.

In the Monthly Reducing Balance system the principal on which you pay interest reduces every month as you pay your EMI.

In the Yearly reducing System, the principal is reduced at the end of the year.

10. What is the fixed rate of interest?

Ans- This is the rate that remains unchanged during the entire tenure of the loan period.

11. What is the floating rate of interest?

Ans – The floating rates of interest fluctuates according to the prevalent market rates.

12. Who can be a co applicant for the loan?

Ans – The members of the family, from whom financial assistance has been sought are the co applicants. Usually co applicants are, spouse and / parents.

13. What are EMI?

Ans – EMI, Equated Monthly Interest is the fixed amount of money that is paid to the bank every month. The EMI comprises of both the Principal amount and the interest amount.

14. How is the EMI calculated?

Ans – The EMI is calculated on the basis of the interest applicable on the loan and its tenure.

15. What is pre EMI?

Ans – From the time of disbursement upto the date of commencement of EMI, an interest amount is paid. This is known as pre EMI.

16. Can the loan be paid ahead of schedule?

Ans – Yes there is a provision of loan to be paid ahead of schedule. However in such a case the finance companies charge a penalty fee for early redemption of loan.

17. What are the tax benefits of taking a loan?

Ans - Tax benefits are available on the principal and interest components of the loan under the Income Tax Act 1961

18. What are the hidden costs applicable?

Ans – Processing Fee, an amount payable to the money lender on approving the fee.

Interest tax, payable on the interest paid on a home loan.

Pre Payment Penalty, an amount levied when the loan is paid off before the end of the agreed upon duration.

Commitment Fees, in case someone refrains from taking the loan within the stipulated time after its procession and sanction.

Registration of mortgage deed.

19. Are there any securities required for a home Loan?

Ans- In most cases, the property itself becomes the security. Moreover LIC policies, shares etc can also be taken as additional securities.

20. Does the property have to be insured?

Ans - Yes, the property has to be insured against fire and such other hazard.

21. Can a loan be converted from fixed to variable and vice versa?

Ans –

22. Can one avail a home loan in one city while working in another city?

Ans – Yes, this is possible.