

# Loan Guide

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## Home Loans for Resident Indians

What is the maximum amount I can borrow?

You can avail of a maximum of upto 90% of the cost of the property, including the cost of the land.

How will the Housing Finance Institutions (HFI) decide the loan amount I am eligible for?

Subject to the above, your repayment capacity as determined by the HFI will help decide how much you can borrow. Repayment capacity takes into consideration factors such as income, age, qualifications, number of dependants, spouse's income, assets, liabilities, stability and continuity of occupation and savings history. HFIs will normally lend upto 40 to 55 times your gross monthly salary.

What is the rate of interest that will be charged on my loan?

The rate of interest applicable will vary depending on the HFI, the amount of the loan and the term of the loan.

What is a floating rate housing loan?

In a floating rate loan, the interest rate varies in response to the general interest rate environment.

Which is the better option fixed or floating?

A floating rate loan is ideal when interest rates are high. Borrowing at a floating rate will allow you to take advantage of falling interest rates in the future. Opt for a fixed rate loan when rates are low and there is little possibility of them falling further.

Are there any other charges applicable?

Other charges such as administration, processing etc. are applicable and will vary between 1% to 2% of the loan amount sanctioned, depending on the HFI.

How is the interest calculated?

The interest calculation, of course, holds the key to your cost. The uniformly followed system is to apply the interest rate at what is known as reducing balance that is, every time interest is calculated afresh, you are assumed to have paid up a part of the principal, and so the interest is calculated on the remainder.

Therefore you must check whether the interest is being calculated on a monthly, quarterly or annual reducing balance. What's the difference? Consider a Rs. 20 lakhs loan repayable over 20 years at an EMI of Rs. 31,137. Calculated monthly, the interest component of your loan turns out to be Rs. 30,000 for the first month, so your EMI actually pays off the entire interest for the month, and Rs. 1,137 from the principal. Since the same calculations are made every month, the principal becomes lower at monthly intervals.

However, if the EMI calculations was on an annual basis, the principal portion of your loan of Rs. 20 lakhs would be reduced by Rs. 13,644. But the interest calculation is done only once a year that means the interest payment is a little higher. The more often the balance is calculated, the better you will be so opt for the monthly calculation whenever possible.

The shorter the period of the loan, the higher the amount you pay each month. So pick your repayment capacity, and then work backwards to finalise your payback period. To calculate your payment plan your vendor will calculate your total liability, principal + interest and then divide the figure into EMIs (Equated Monthly Instalments). One off processing and administrative fees which will add about 2 percentage points to the cost of your loan will also have to be paid.

What are the supporting documents to be submitted along with an application?

FOR ALL APPLICANTS:

- Allotment letter from the cooperative society/association of apartment owners
- Copy of approved drawings of proposed construction/purchase/extension
- Agreement for sale/sale deed/detailed cost estimate from architect/engineer for the property to be purchased/constructed/extended/renovated
- If you have been in your present employment/business or profession for less than a year, mention details of occupation for previous 5 years, giving position held, reasons for change and period of the same

Applicable Processing Fees

Any other information regarding your repayment capacity that is necessary

Additionally:

IF YOU ARE EMPLOYED:

Verification of Employment Form with only Part I filled in

Latest salary slip/salary certificate showing all deductions

If your job is transferable, permanent address where correspondence relating to the application can be mailed

A letter from your employer agreeing to deduct the monthly instalment towards repayment of the loan from your salary

IF YOU ARE SELF EMPLOYED:

Balance Sheets and Profit & Loss Accounts of the business/profession along with copies of Individual Income Tax Returns for the last three years certified by a Chartered Accountant

A note giving information on the nature of your business/profession, form of organisation, clients, suppliers, etc.

Who can be co-applicants?

Proposed owners of the property, in respect of which you are seeking financial assistance, will have to be co-applicants. However, all co-applicants need not be co-owners.

What is the maximum period in which I can repay the loan?

You can repay the loan over a maximum period of 20 years. (ICICI provides a housing loan which can be repaid over 30 years.) Repayment will not ordinarily extend beyond your age of retirement (if you are employed) or on your reaching 65 years of age, whichever is earlier.

How do I repay the loan?

You repay the loan in Equated Monthly Instalments (EMIs) comprising principal and interest. Repayment by way of EMI commences from the month following the month in which you take full disbursement. Pending final disbursement, you pay interest on the portion of the loan disbursed. This interest is called Pre-EMI interest. Pre-EMI interest is payable every month from the date of each disbursement upto the date of commencement of EMI.

What is the size of the EMI?

The EMI is 1/12th the Equated Annual Instalment. The size of the monthly instalment comprising principal and interest depends on the quantum of the loan, the interest rate applicable and the terms of the loan.

What security will I have to provide?

Security for the loan is a first mortgage of the property to be financed, normally by way of deposit of title deeds and/or such other collateral security as may be necessary.

When can I take disbursement of the loan?

You can take disbursement of the loan after the property has been technically appraised, all legal documentation has been completed and you have invested your own contribution (the total cost of the property, less the loan amount) in full.

In how many instalments can the loan be disbursed?

The loan will be disbursed in full or in suitable instalments, taking into account the requirement of funds and progress of construction.

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### **Home Loans for NRIs**

NRIs staying abroad for employment or for any other purpose in circumstances indicating an indefinite period of stay abroad are eligible for NRI Housing Loan. In addition, Government Servants

posted abroad on duty with the Indian missions or deputed abroad on assignments with foreign Governments or regional/international agencies also qualify for housing loans. However, persons of Indian origin holding foreign passports are not eligible to obtain loans from Housing Finance Companies.

What is the maximum amount I can borrow?

You can avail of a maximum loan of Rs.1,00,00,000 or 85% of the cost of the property, including cost of the land, whichever is lower.

What is the loan amount I am eligible for?

Subject to the above, your repayment capacity will help decide how much you can borrow. Repayment capacity takes into consideration factors such as income, age, qualifications, work experience, number of dependants, spouse's income, assets, liabilities, stability and continuity of occupation, alternate employment prospects when you return to India and savings history.

What are the supporting documents to be submitted along with an application?

The following documents are to be submitted along with the application:

**Employment/Residency related documents:**

- Employment contract (if the contract is in a language other than English, the English translation of the same attested by the Embassy/Employer should be given)
- Latest salary slip.
- Latest work permit
- Identity card issued by current employers
- Visa stamped on the passport
- Continuous Discharge Certificate (CDC) (if applicable)
- Overseas Bank Account Statement for the last four months

**Property related Documents:**

- Receipts for payments made for purchase of the dwelling unit
  - a. Copy of approved drawings of proposed construction/purchase/extension
  - b. Agreement for sale/sale deed/detailed cost estimate from Architect/Engineer for property to be purchased/constructed/extended
- - a. Allotment letter from the cooperative society/association of apartment owners

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**Power of attorney**

Who can be co-applicants?

Proposed owners of the property, in respect of which you are seeking financial assistance, will have to be co-applicants. However, all co-applicants need not be co-owners.

What is the rate of interest that will be charged on my loan?

The rate of interest will vary depending on the institution.

What is a fixed rate housing loan?

In a fixed rate loan, the rate of interest is fixed and does not change over the tenure of the loan.

What is a floating rate housing loan?

In a floating rate loan, the interest rate varies in response to the general interest rate environment.

Which is the better option Fixed or Floating?

A floating rate loan makes sense when interest rates are high. Borrowing at a floating rate will allow you to take advantage of falling interest rates in the future. Opt for a fixed rate loan when rates are low, and there is little possibility of them falling further.

How is the interest calculated?

The interest calculation, of course holds the key to your cost. The uniformly followed system is to apply the interest rate at what is known as reducing balance that is, every time interest is calculated afresh, you are assumed to have paid up a part of the principal, so interest is calculated on the unpaid part.

Therefore you must check whether the interest is being calculated on a monthly, quarterly or annual reducing balance. What's the difference? Consider a Rs. 20 lakhs loan repayable over 20 years at an EMI of Rs. 31,137. Calculated monthly, the interest component of your loan turns out to be Rs. 30,000 for the first month, so your EMI actually pays off the entire interest for the month, and Rs. 1,137 from the principal. Since the same calculations are made every month, the principal becomes lower at monthly intervals.

However, if the EMI calculations was on an annual basis, the principal portion of your loan of Rs. 20 lakhs would be reduced by Rs. 13,644. But the interest calculation is done only once a year that means the interest payment is a little higher. The more often the balance is calculated, the better you will be so opt for the monthly calculation whenever possible.

The shorter the period of the loan, the higher the amount you pay each month. So pick your repayment capacity, and then work backwards to finalise your payback period. To calculate your payment plan your vendor will calculate your total liability, principal + interest and then divide the figure into EMI's (Equated Monthly Instalments). One off processing and administrative fees which will add about 2 percentage points to the cost of your loan will also have to be paid.

What is the maximum period in which I can repay the loan?

The period of repayment of the loan is normally in the range of 310 years. However, the lender will endeavour to determine the repayment period to suit your convenience.

How do I repay the loan?

You repay the loan in Equated Monthly Instalments (EMI's) comprising principal and interest. Repayment by way of EMI commences from the month following the month in which you take full disbursement. EMI is payable every month, by the end of that month.

In respect of the period prior to commencement of EMI, you pay interest on the amount/s of the loan disbursed. This interest is called Pre-EMI interest. Pre-EMI interest is payable every month, by the end of the month, from the date of each disbursement upto the date of commencement of EMI. Pre-EMI is calculated at the same rate at which EMI is calculated.

EMI payments are to be made through post dated cheques from your Non Resident (External) Account/Non Resident (Ordinary) Account in India.

What is the size of the EMI?

The EMI is 1/12th the Equated Annual Instalment. The size of the monthly instalment comprising principal and interest depends on the quantum of the loan, the interest rate applicable and the term of the loan.

What security will I have to provide?

Security for the loan is a first mortgage of the property to be financed, normally by way of deposit of title deeds and/or such other collateral security as may be necessary.

When can I take disbursement of the loan?

You can take disbursement of the loan after the property has been technically appraised, all legal documentation has been completed and you have invested your own contribution in full. Own contribution is the total cost of the property less the loan amount availed.

In how many instalments can the loan be disbursed?

The loan will be disbursed in full or in suitable instalments taking into account the requirement of funds and progress of construction.

Can I repay my loan ahead of schedule?

Yes. You can repay the loan ahead of schedule, by remittances from abroad through normal banking channels, your Non Resident (External) Account and/or Non Resident (Ordinary) Account in India. Most of the institutions do not levy a prepayment charge.

In what form can I make payments to the Housing Finance Institution (HFI)?

Payments for fees, charges, and Pre-EMI interest should be remitted to the HFI from abroad through normal banking channels or from the Non Resident(External) Account/Non Resident (Ordinary) account in India.

EMI payments are to be made through post dated cheques from your Non Resident (External) Account/Non Resident (Ordinary) Account. Cash payments will not be accepted.

### Comparative Loan Chart (Resident Indians)

Institution	Max Loan Amt. (Rs.)	Ceiling	Max Term	ROI	Processing & administrative fees	EMI per lakh fixed	EMI per lakh floating	Basis of calculation
HDFC	1 Crore	85%	10 Years	Floating - 12.15% Fixed - 14.5%	0.50	5 Yrs - 2353/- 10 Yrs - 1583/- 15 Yrs - 1366/- 20 Yrs - 1280/-	5 Yrs - 2232/- 10 Yrs - 1443/- 15 Yrs - 1210/- 20 Yrs - 1112/-	Daily Reducing
ICICI	1 Crore	85%	10 Years	Floating - 12% Fixed - 14%	0.50%	5 yrs - 2327/- 10 Yrs - 1553/- 15 yrs - 1332/- 20 Yrs - 1244/-	5 yrs - 2225/- 10 Yrs - 1435/- 15 yrs - 1201/- 20 Yrs - 1102/-	Daily Reducing
AXIS BANK	1 Crore	85%	10 Years	Floating - 11.25% Fixed - 13.25%	1.00%	5 Yrs - 2289/- 10 Yrs - 1508/- 15 Yrs - 1282/- 20 Yrs - 1190/-	5 Yrs - 2187/- 10 Yrs - 1392/- 15 Yrs - 1153/- 20 Yrs - 1050/-	Annual Reducing
CITI BANK	1 Crore	85%	10 Years	Floating - 12% Fixed -	0.50%	5 Yrs - 2327/- 10 Yrs -	5 Yrs - 2225/- 10 Yrs -	Annual Reducing

				14%		1553/- 15 Yrs - 1332/- 20 Yrs - 1244/-	1435/- 15 Yrs - 1200/- 20 Yrs - 1102/-	
LIC	1 Crore	85%	10 Years	Floating - 11%	1%	-	5 Yrs - 2174/- 10 Yrs - 1378/- 15 Yrs - 1137/- 20 Yrs - 1032/-	Monthly Reducing
SBI	1 Crore	85%	10 Years	Floating - 11.75%	1%	-	5 Yrs - 2212/- 10 Yrs - 1421/- 15 Yrs - 1185/- 20 Yrs - 1084/-	Monthly Reducing

**Note:**

- Ceiling Refers to the maximum percentage of the property value for which the institution will provide a loan the balance has to be funded by the customer.
- EMI per Lakh The EMI per Lakh figures shown above are monthly payments that the customer will have to make spread over the maximum term that the institution is willing to lend for.
- If you are availing a loan from LIC, you will have to take a LIC policy equivalent to the loan amount.

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**Comparative Loan Chart (NRIs)**



Institution	Max Loan Amt. (Rs.)	Ceiling	Max Term	ROI	Processing & administrative fees	EMI per lakh fixed	EMI per lakh floating	Basis of calculation
HDFC	1 Crore	85%	10 Years	Floating - 12.15% Fixed - 14.5%	0.50	5 yrs -2353/- 10 Yrs - 1583/-	5 yrs -2232/- 10yrs - 1443/-	Daily Reducing
ICICI	1 Crore	85%	10 Years	Floating - 12% Fixed - 14%	0.50%	5 Yrs - 2327/- 10 Yrs - 1553/-	5 yrs -2225/- 10yrs - 1435/-	Daily Reducing
AXIS BANK	1 Crore	85%	10 Years	Floating - 11.25% Fixed - 13.25%	1.00%	5 Yrs - 2289/- 10 Yrs - 1508/-	5 yrs - 2187/- 10yrs - 1392/-	Annual Reducing
CITI BANK	1 Crore	85%	10 Years	Floating - 12% Fixed - 14%	0.50%	5 yrs -2327/- 10yrs - 1553/-	5 yrs - 2225/- 10yrs - 1435/-	Annual Reducing
LIC	1 Crore	85%	10 Years	Floating - 11%	1%	5 yrs -2040/- 10yrs - 1227/-	5 yrs - 2174/- 10yrs - 1378/-	Monthly Reducing
SBI	1 Crore	85%	10 Years	Floating - 11.75%	1%	-	5 yrs - 2212/- 10yrs - 1421/-	Monthly Reducing

**Note:**

- Ceiling Refers to the maximum percentage of the property value for which the institution will provide a loan the balance has to be funded by the customer.
- The EMI per Lakh figures shown above are monthly payments that the customer will have to make spread over the maximum term that the institution is willing to lend for.
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## **Home Loan Tips**

Compare the offering of the HFCs not based on interest rates but on EMIs, and opt for the HFC that offers the lowest EMI.

Loans where the interest is computed on monthly rests, rather than annual, are cheaper; however, the longer the time frame of the loan, the lesser the method of calculation matters.

Prepayment penalties raise the cost of loan for a borrower. Opt for HFCs which do not charge for the same in case you plan to prepay.

The longer the term of the loan, the greater will be the cost of servicing the same try to repay your loan in the shortest time frame possible.

Check on the freebies, if any, offered by the HFC this will further bring down your cost of borrowing.

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