

## **Checklist before taking Mortgage finance on property**

### **Bank Vs NBFC:**

- (i) Banks are governed by RBI policy, therefore their policies are more customer friendly
- (ii) Rate of Interest is lesser by 2 – 3% as compared to Non Banking Financial Companies (NBFC's)
- (iii) NBFC gives higher loan amount i.e eligibility amounts norms is more relaxed.
- (iv) NBFC are also relaxed for any discrepancies on borrowers Income creteria's documentation, and credit score of Credit Information Bureau (India) Limited (CIBIL).

Loanmoney.in suggest borrower should compare at least three different sources before finalizing loan.

### **Prepayment**

- (i) Almost all banks do not charges prepayment if you wish to repay loan from your own funds.
- (ii) In case, you wish to close the loan by taking refinance loan from other bank, then bank do have charges, which ranges from 1 -5% depending amount tenure of loan repaid.
- (iii) Few banks allow certain 25 % of balance amount remaining to be repaid per year, without any charges.

### **Tenure / Period of Loan**

- (i) Generally the tenure is for 15 yrs but it is optional for borrower to take loan for lesser period.
- (ii) Higher the tenure higher is the loan amount eligibility
- (iii) Higher the tenure Lower is the EMI monthly obligations
- (iv) Salaried borrower can avail loan upto retirement age, whereas Self-employed can obtain loan up to 70 yrs.
- (v) To get higher loan amount or tenure, we can add upto 8 co-applicant to increase their income or age benefit.

### **Rate of Interest (ROI): Mortgages loan rate of interest is most important factors in calculation of loan amount, eligibility, EMI amount.**

- (i) Fixed Rate of Interest: For a period as agreed upon by the borrower and the bank/ NBFC ROI remain constant, and after the expiry of stipulated time, ROI is current rate of the bank at the time of shift. Fixed rate is generally higher by 2% then floating rate, but provided hedge against market volatility.
- (ii) Floating Rate of Interest: All Banks that are governed by Reserve Bank of India (RBI). RBI

governs Repo Rates, which forms the Bank Base Rate Base rate components are :- (a) cost of deposits (b) CRR and SLR (c) Overheads cost and, (d) returns on net worth.

Bank add their margin of profit on this base rate to arrive at ROI for borrower. Certain bank have fixed margin for entire tenure of loan while others varies from time to time as per banks expectation on margin of profits.

### **Processing Fees (P.F)/ Service Charges:**

- (i) Processing Fees ranges from 0.25% to 1% and deducted from loan amount disbursed.
- (ii) Non Refundable: Initial Money Deposit (IMD) IMD token money taken as part of P.F on initial application form is non-refundable.
- (iii) Annual Charges: Normal Loan against Property do not carry any charges whereas Drop down OD may carry maintenance charges.

### **Property: The property on which secured loan is desired by borrower must fulfill following conditions:-**

- (i) Ownership of property : Title deed of property must be clean, banks/ NBFC verify from competent authority and professionals on property to be mortgaged, However is necessary that borrower is one of coapplicant in loan agreement
- (ii) Sanction Plan: Building plan sanctioned by competent authority
- (iii) All due to property tax clearance

### **General:**

- (i) Make sure that all deals and offers agreed upon are supported by relevant papers and Know Your Customer (KYC)
- (ii) Ask for a Sanctioned letter in a banks letter-head mentioning the likes of, exact rate of interests, processing fees, pre-payment charges along with interest-schedule.
- (iii) Before signing the documents, make sure you recheck all terms and conditions.
- (iv) Do not at any circumstance give any false information. This may amount to fraud and could land you in trouble.
- (v) Do not sign any blank documents. Even if it takes you a few hours to fill-up the form, please do so. Do not leave anything for the executive to fill-up.

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