

attractive, very sweet Auto Loan from Bank of India

Just 2 days!

Advantage Car Loan processed within 48 hours.

CUSTOMER EDUCATION
A TIME'S BUSINESS ASSOCIATE COMMUNICATION

Steps: Have A Smooth

in a bank is a common and popular means to buying the loan, it becomes an easy drive when you

- Check with the bank officials the c applying for the loan.
- Confirm the details on the performa
- Ensure that the hypothecation in its cover note is in favour of your lending process.
- Make sure that Form-34 for car registri by you and carrying your banker's sta
- Ensure that the numbers of the car is
- Do not hand over documents to anyo
- If you decide not to avail of the loan immediately to ensure cancellation.
- Do not make payment in cash to any security POCs in favour of the lending
- After you have cleared your loan ensu
- Visit the bank's website for all relevant

Car Loan in 2 days!

for Individuals / HNI / Corporate for purchase of new/old car loans up to Rs. 100 Lacs repayment up to 84 months

hurry! Limited period offer.

call toll-free no. 1-800-22-4437

No Fine Print.

Delay of a single day in payment of EMI classifies the customer as a defaulter and this can affect his credit record with CIBIL: Credit Information Bureau (India) Limited.

INFORMED CONSUMER. Watch this space every

Buying a Car through Bank Loan? Read (and Re-Read) the Fine Print

Car loans are a dime a dozen. Almost every bank wants you to take your car loan from them, applying their persuasive power through advertising in the various mass media. Low interest rates, flexible repayment terms, low monthly payments, instant approval – they all claim to have a USP. Somewhere a particular bank announces through ‘jingles’ in a TV ad a ‘car loan mela’ for a particular period, especially during the festive season. Another bank may have tie-ups with car dealers/manufacturers wherein consumers get a cash discount if they avail of a bank loan for financing that particular car make. So, in theory any walk-in consumer in a bank has only to state their requirement and submit proof of income and car invoice. The question is: which bank may you approach, keeping in mind the deal that works best for your budget and expectations?

Gopal Ravi Kumar & Subas Tiwari

For the purpose of this study, we chose a total of 11 banks (6 public sector banks and 5 private banks) who offer car loans to the public. Car loan up to Rs 10 lakh with a floating rate of interest has been considered for this study. Taking into account

the most important variables based on consumer perception, we identified eight product attributes – including maximum loan, rate of interest and time taken for sanction – assigning a total of 80 points. The rest 20 points were assigned towards consumer feedback.

CV Weightage (Criteria) Points 100	Bank →	PNB	State Bank of India	State Bank of Patiala	Central Bank	
15	Annual income (Rs, lakh)	2.40 (5)	3 (5)	3 (5)	2.40 (5)	
15	Maximum loan (Rs)	25 times of monthly income (7)	48 times of monthly income (10)	48 times of monthly income (10)	24 times of monthly income (7)	
15	Margin (%)	15 (9)	15 (9)	15 (9)	10 (12)	
5	Processing charge (Rs)	10,000 (2)	5,000 (3)	1,000 (4)	5,000 (3)	
15	Rate of interest (%)	10.65 (15)	10.45 (15)	10.45 (15)	10.65 (15)	
5	Third-party surety	Yes (0)	Yes (0)	Yes (0)	Yes (0)	
5	Third-party product (sale)	Yes (0)	No (5)	No (5)	No (5)	
5	Time taken for sanction (claimed number of days)	10+ (1)	10+ (1)	6 to 10 (3)	10+ (1)	
20	Consumer feedback	15	10	15	10	
Total		54	58	66	58	

CV RECOMMENDATIONS

BEST BUY

ICICI Bank

GOOD BUY

Bank of India

FAIR BUYS

Federal Bank

IDBI Bank

State Bank of Patiala

To Begin with

Consumers are well advised to approach the bank where their salary/professional income is maintained or where their employer maintains the company account. One can also approach the local bank

branch for convenience of banking, and taking into account the neighbourly relationship that develops over a period.

Pre-Sanction Formalities

An interaction follows with the dealing bank official after handing over of the bank application form to the prospective car buyer. Details of existing bank account, type of profession, qualification, existing bank-account statements, income, filing of income-tax returns, etc., are sought to assess the prospect's eligibility for the loan. If the car buyer does not have a bank account, 'know your customer' norms are also to be complied with on opening of a bank account. The application form is duly filled in by the prospective loan client and is

Buying a Car through Bank Loan

	Bank of India	Federal Bank	HDFC Bank	ICICI Bank	Axis Bank	Canara Bank	IDBI Bank
	Any (15)	0.9 (10)	1.80 (10)	Any (15)	2.40 (5)	3 (5)	1.80 (10)
	24 times of monthly income (7)	Any (15)	6 times of yearly income (10)	Any (15)	Any (15)	Any (15)	Any (15)
	Nil (15)	10 (12)	Nil (15)	Nil (15)	Nil (15)	10 to 20 (5)	10 to 20 (5)
	500 (4)	2,500 (4)	5,225 (2)	10,000 (2)	5,500 (2)	2,500 (4)	Nil (5)
	10.65 (15)	10.90- 12.05 (3)	10.70-12.25 (3)	10.75-15 (3)	11.50 (7)	10.70 (10)	10.95 (10)
	Yes (0)	No (5)	No (5)	No (5)	No (5)	Yes (0)	No (5)
	Yes (0)	Yes (0)	Yes (0)	Yes (0)	Yes (0)	No (5)	Yes (0)
	10+ (1)	6 to 10 (3)	0 to 5 (5)	6 to 10 (3)	6 to 10 (3)	6 to 10 (3)	10+ (1)
	15	15	15	12	12	10	15
	69	67	65	70	64	57	66



given to the bank along with a copy of the invoice (which contains ex-showroom price, insurance premium for the first year, registration certificate [RC] charges) for the car that he is seeking to buy with the bank loan.

Next comes the assessment for loan. The bank accesses the CIBIL credit score of the prospective loanee, after getting some amount deposited with the bank as 'processing charges'. Once the bank ascertains that the CIBIL score is favourable, the process note gets prepared for sanction.

Sanction and Disbursement

The bank issues a 'letter of sanction' stating the terms and conditions of sanction, covering aspects such as amount sanctioned, interest rate, EMI, period of loan and margin required to be deposited. It also contains information on service charges, depositing of postdated cheques (PDCs) covering the period of loan, etc. Once the bank documents evidencing the loan for purchase of car are executed by the client, the loan amount is disbursed by means of a pay order

favouring the car dealer from whom the car is to be got delivered. Along with these, the bank also signs a letter to the Regional Transport Authority's (RTA) office informing about the existence of a 'hypothecation agreement' between the bank and the loanee so that the same gets reflected in the original registration certificate. An undated transfer form (addressed to RTA) is also executed by the client which would be used by the bank in the event of the car being sold by the car owner without reference to the bank.

Post-Sanction Formalities

Once the loan account is opened, the post-sanction formalities begin. The delivery of the car is followed by a bank official's visit for them to record the registration number of the vehicle as also the date of physical inspection of the car. The copy of the insurance policy is also to be delivered to the bank, and is kept with the relevant loan documents. This insurance is to be renewed every year at cost to the borrower till clearance of the loan. A copy of the RC is also kept with the loan documents.

What to Consider while Choosing a Car

Price range

Before all else, get your figures in order. What is the price range you can afford? If possible, seek advice from a financial planner first, whether it's a bank loan expert, an accountant, or a friend or relative with money-management skills.

Also, like you shop around to get a good deal on your new vehicle, why not shop around for the loan to pay for it? Most people don't. They go to the dealer without doing any homework.

Checklist

Be sure about the type of vehicle you want to buy and then narrow it down to the models and brands you are considering. Decide which options and features you want and don't want. The Internet is a good place to research your potential vehicles, and to read reviews in independent automotive information sites. (p.s. It has been observed that even though a new car was bought in April and duly registered as the latest model in the RC, when checking with the engine the model turned out to be of the previous year! Hence, car experts advise that the engine be checked to ascertain the actual year in which the car was manufactured.)

Diesel or petrol?

Before deciding what model you want to buy, or even which make, one of the first things you need to work out is which fuel to use. Traditionally, diesel cars were considered smelly, noisy and expensive to buy. However, you often get more miles out of a tank, whereas petrol cars are seen as less economical but quieter and cheaper to buy.

In India, with the price differential between petrol and diesel narrowing sharply, the extra money paid to buy a diesel variant no longer makes economic sense unless justified by usage, says Crisil Research in a recent note. Diesel cars have typically been priced higher in India compared with petrol variants because of technology costs and other factors. This price premium ranges from about Rs 1 lakh for small car models to as high as Rs 3 lakh for luxury sedans, says Crisil.

The car market is also offering electric cars or cars fitted with CNG/LPG kits, but these are at a nascent stage & not many cars are available to choose from.

Comfort

Yes. It's all about comfortable seating, least of jerks while braking, and utmost driving pleasure while on the go. Go for a car that provides a lot of leg room between the car seats. A seat that causes discomfort or even a bumpy ride can make the drive very unpleasant. Consumers are bombarded with a lot of 'technicalities' about the 'salient features' of the inside of a car, but what it must all boil down to is comfort and safety for the ultimate users.

Safety

Is there a trade-off between safety and affordability, is a question that you must ask of yourself. How much does it mean to you to have a car with life-saving features such as airbags and anti-lock braking system (ABS)? A baffling aspect that has in recent times entered the public consciousness is that most of the companies operating in India are global players and pack their export models with topnotch safety features — even offering six air bags on a compact car — whereas the models meant for India lack many of these.

Do we simply assume that a new modern car is safe, or is it that we just don't think about it? In any case, it will be handy to note that safety equipment on a car is usually mentioned in a separate category under its specifications and feature list.

Durability

Buyers should dwell on the technical specifications with regard to engine capacity, ground clearance, torque, aero-dynamism, etc.



If you have still not bought the car of your dreams, don't lose heart; there are entry, SUV and MPV models coming your way in 2015.** (See accompanying table.)

Manufacturer	Model	Expected month of release in 2015	Price range (Rs, lakh)
Datsun	Datsun GO + (MPV)	January	4.80–5.50
Maruti	Suzuki Celerio (D)	February	4.30–5.50
Maruti	Suzuki S Cross-SUV	March	9.00–12.50
Renault	Renault Lodgy-MPV	March	9.00–13.00
Honda	Honda Jazz	April–May	5.75–8.00
Renault	A Entry	July–August	3.20–4.50
Tata	Nano AMT (AT)	July–August	2.50–3.50
Tata	Kite Twins	July–August	4.00–7.00
Mahindra	Rugged – U 301 (SUV)	July–September	5.75–8.50
Ford	Ford Ka Twins	August–November	4.00–7.50
Hyundai	GCI (compact SUV)	September–October	7.50–10.00
Mahindra	Micro (S-101) SUV	September–October	3.99–6.00
Datsun	Redigo	October	2.80–3.50
Maruti	Suzuki Upper Premium Hatchback	October–November	5.50–7.75

**Economic Times (31.12.2014)

Other Loan-Related Tips. Generally

- ✓ Always prefer a floating rate of interest as compared to a fixed rate, which some banks want to offer. A floating rate would come down by a few notches if the economy performs well and you could be one of the beneficiaries of a robust growth.
- ✓ Be on the lookout for a 'loan mela' or a 'loan campaign' in your residential/commercial area. During this period, bankers tend to be 'aggressive' in sanctioning the loan with least delay (as it suits their targets). Further, during this canvassing, processing charges are either minimal or could be totally waived. You could be in for another surprise: a small discount in rate of interest.
- ✓ Banks tend to 'push' their third-party products along with the car loan. Resist all pressure, saying that such products need not necessarily perform well.
- ✓ While completing documentation, insist on your copy of the main 'agreement' along with a copy of the bank's sanction.
- ✓ While submitting a loan application to the bank, superscribe on the form the purpose of the loan, to thwart any later attempts by some shrewd bank employee to misuse your application for other purposes (issue of credit card, mutual funds, insurance, etc.).
- ✓ Never put your signature on blank documents. Read the documents well before affixing your signature.