



Home Loans Can NBFCs sanction them quicker?

In India, there are many Non-Banking Finance Companies (NBFCs) (registered under the Companies Act) which are engaged in offering credit to the consumers, like banks do. If you feel that the local nationalized bank where your salary is being credited or your neighborhood bank is delaying a home loan sanction (eligibility/ less amount of sanction issues) or rejecting your loan application for availing housing finance (your credit score is inadequate-750 to 800 is preferred), NBFCs are the next best option. In this compilation, we bring a comprehensive guideline of getting a home loan from NBFCs. Besides, the report below gives you clear heads-ups in knowing the best NBFCs out of the eight(8) being compared.

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Based on the loan product offered by the NBFCs as evidenced by website/online information/customer care, we have undertaken eight (8) NBFCs for detailed study.

CV Weightage (criteria) Points 100	Home Loans by NBFCs	IIFL Home Loan	Aditya Birla HF	Indiabulls HF	PNB Housing	LIC HFL	Muthoot Homefin	Religare Home Loan	Motilal Oswal HF
5	Minimum Eligibility Age (Yrs)	18 (5)	21 (4)	NS (0)	NS (0)	NS (0)	NS (0)	25 (3)	NS (0)
5	Maximum Eligibility Age (Yrs)*	75 (5)	60 (2)	65 (3)	70 (4)	NS (0)	NS (0)	60 (2)	60 (2)
5	Max Margin (%)	NS (0)	25 (2)	NS (0)	25 (2)	25 (2)	20 (5)	20 (5)	NS (0)
5	Minimum Loan (Rs. in lakhs)	NS (0)	NS (0)	NS (0)	NS (0)	1.00 (5)	NS (0)	2.00 (4)	5.00 (2)
5	Maximum Loan (Rs. in lakhs)	NS (0)	NS (0)	NS (0)	NS (0)	150 (5)	50 (2)	50 (2)	25 (1)
5	Processing charge (Rs) Min	3000 (5)	NS (0)	10000 (2)	NS (0)	10000 (2)	2500 (5)	NS (0)	5000 (4)
10	Processing charge (%) Max	0.75 (10)	1.00 (10)	0.50 (10)	1.00 (10)	NS (0)	1.50 (7)	3.50 (4)	2.00 (7)
15	Rate of Interest in %	10.25 (10)	9.75 (15)	12.00 (4)	11.25 (7)	9.05 (15)	12.50 (1)	18.00 (1)	16.00 (1)
15	Max. Repayment period (in months)	360 (15)	300 (10)	360 (15)	360 (15)	360 (15)	300 (10)	240 (7)	300 (10)
5	Late Payment Charge (% PA)	36 (1)	24 (5)	24 (5)	24 (5)	NS (0)	24 (5)	30 (2)	24 (5)
5	Cheque Dishonour Charge (Rs)	500 (5)	750 (2)	500 (5)	500 (5)	NS (0)	500 (5)	500 (5)	500 (5)
5	No of purposes of home loan	5 (3)	5 (3)	6 (4)	5 (3)	6 (4)	8 (5)	6 (4)	3 (2)
15	Customer Feedback	5	7	9	5	7	6	6	5
GRAND TOTAL		64	60	57	56	55	51	45	44

Note:

- 1 The above variables are for salaried resident individuals for ready houses/flats.
- 2 The rate of interest is on floating basis.
- 3 Information given here have been resourced from the website and brochures which contain maximum product structure as on 19.07.2019.
- 4 We have not studied those NBFCs who finance only approved projects.
- 5 NS- not specified.
- 6 * The maximum period of loan is however limited to age likely to be completed as on the date of maturity of the loan.

CV Recommendation

Best Buy

IIFL Home Loan

How NBFCs sanctions loan quicker

NBFCs unlike the banks sanction loans quicker as they have less documentation, they are aggressive in their approach, and they have short loan process with flexible credit policy. Moreover, sometimes they provide doorstep services.

Salient features of a NBFC home loan for salaried individuals

- Rate of interest is fixed arbitrarily on the strength of the loan proposal.
- An inadequate credit score borrower would be sanctioned albeit with increased ROI or frequent interest reset.
- Online loan application and process is available.
- When they encash the advance cheque given for process fees, you know that your papers are taken up for due process.

Are interest rates reasonable?

This is one area where the NBFCs are competitive. But this is also an area of concern for a consumer as his priority is to get the cheapest offer possible. Most of the NBFCs disclose their basic lending rate, but also state applicability vaguely, maintaining that the rate of interest would depend upon individual requirements and consumer profile such as permanency in job, professional qualifications, margin etc. As and when

interest rates change downwards, the NBFCs insist on payment of additional process/service charges for each such interest downgrade/review.

Eligibility for a home loan

Eligibility for the home loan is based on the borrower's profile such as:

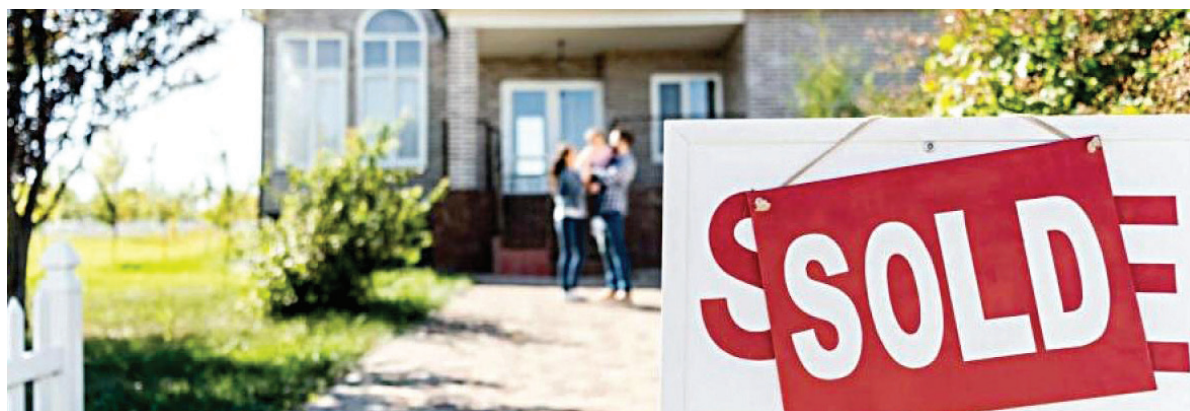
- Age.
- Credit score.
- Monthly income (gross pay and take-home pay).
- Spouse income.
- Assets and liabilities.
- Job stability.
- No. of dependents.
- Savings history.
- Loan history.
- Possibilities/opportunities for canvassing other institutional business income.

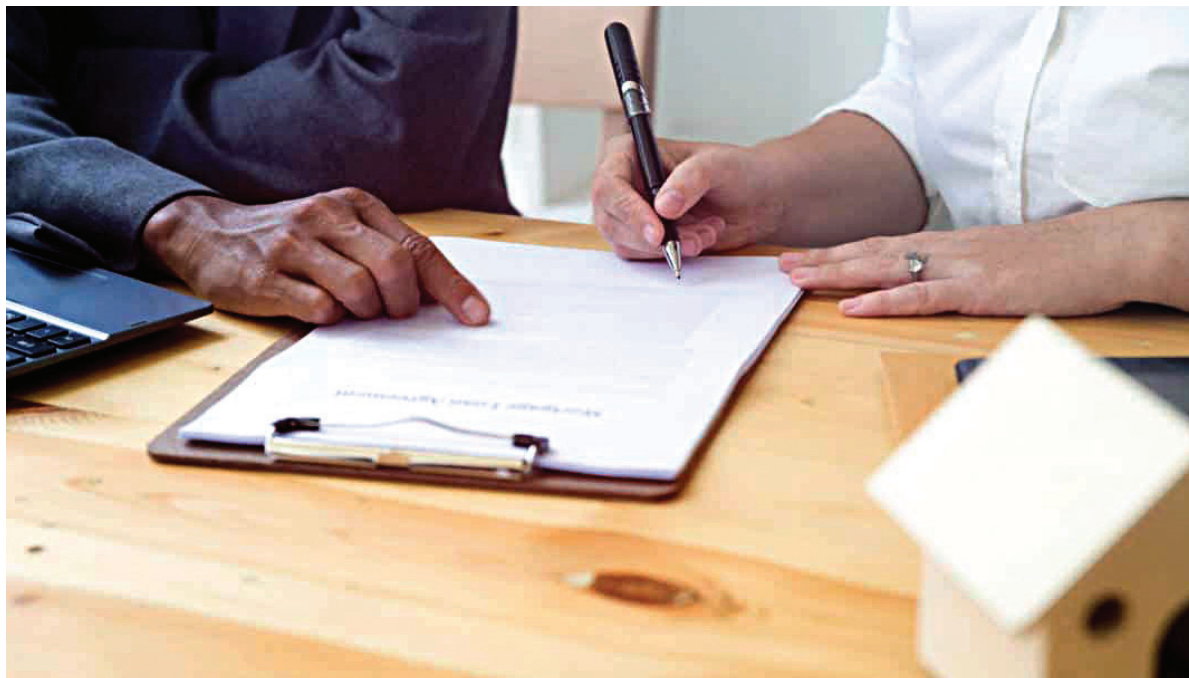
Processing fees and other charges

NBFCs ask for advance payment of processing charges while accepting loan proposal. The same is collected even when the loan process is in progress.

Other charges may include

- Charges for getting account statement.
- Document retrieval.
- Addition/deletion of co-borrowers.
- CERSAI (central agency where documents are maintained) charges.
- Database admin fees.
- External legal opinion.
- Fees for valuation of property.
- Loan protection insurance premium.





Margin component (your financial contribution in the loan)

Most of the NBFCs charge upto 20 percent of the loan amount as borrower's stake in the loan, though it is not uniform. NBFCs sometimes increase the margin component (to reduce their exposure on the loan amount) in case of certain inadequacies in the borrower's profile such as inadequate credit score, job profile issues, etc.

Insurance

Almost all NBFCs are persuading on insurance cover on the property mortgaged for a home loan against fire, earthquake, floods, etc to secure their risk on the loan, in the event of some mishappenings. They may ask you to take loan protection insurance policy where the beneficiary will be the lender while the insurance premium will be paid by the borrower and the policy is sum assured will be equal to the loan amount sanctioned. The policy cover will be on the life of the borrower. This is beneficial to the borrowers' family in the long run in case the borrower is unable to repay the loan due to his disability or death.

It is also suggested that borrowers who avail a home loan against property mortgaged to NBFC, should also go in for life insurance (loan secured policy) on the borrower/co-borrowers, the assured

amount of which would be the outstanding in the loan account from time to time. This way, the huge loan burden would be met by the pre-maturity of the policy and spouse/legal heirs would be spared of the loan burden in case of the unfortunate death of the borrower. The premium on this policy can either be met directly by the borrower or request the NBFC to permit debiting of this premium amount to his loan account, if the NBFC so agrees.

Tax Benefits

As per Income Tax Act, there are two sections under which exemptions can be claimed on NBFC-home loan from your gross total income eligible to tax.

SECTION 80 C provides for income deduction on and upto Rs.1,50,000 per assessment year for the principal amount of home loan repaid during the same assessment year.

SECTION 24 (b) provides the applicable exemption from payment of tax on and upto Rs.2,00,000 per assessment year on the interest component paid during the same year.

For ascertaining the interest component in the EMI (it includes interest and principal component) as well as the principal, you need to take certificates from the NBFC every year for claiming the above exemptions (or ask for amortization schedule).

EXAMPLES OF HOME LOANS BY NBFCs

EXAMPLE 1 (Salaried)

Loan Amount Rs.50, 00,000

Repayment Period 30 Years
(360 Months)

EMI Rs. 40, 411.00

(Criteria-Stability in job, regular promotion, fixed income, etc)

EXAMPLE 2 (Professional)

Loan Amount Rs.50, 00,000

Repayment Period 20 Years
(240 Months)

EMI Rs. 45, 147.00

(Interest is assumed @ 9.05% PA)

(Criteria-frequent job changes, transferability/job relocation, etc)



Disadvantages of obtaining a home loan from NBFC

- NBFCs are fussy and secretive about internal loan process.
- NBFCs sometimes force the borrower to buy other financial products.
- In some NBFCs, process fees are at higher levels.
- A few of NBFCs insist on stiff conditions (such as providing collaterals) in their loan sanction.
- Some NBFCs insist on higher margins (increase borrower stake).
- NBFCs do not normally disclose the reason for loan rejection (some of the reasons are too flimsy and not based on facts)



Dos and don'ts of NBFC home loans

Dos

1. Once the prospective borrower approach in NBFCs for a home loan he would be asked property documents copy. If the property is on out right purchases and estimate of construction, tripartite agreement between builder-borrower-financing NBFC, copy of sanction plan and particulars of employment, salary slips, form 16, ITR, copy of bank statements where salary is credited.
2. Once the property/land is inspected by the NBFC do insist on the process fee chargeable for the loan as also the lawyer/valuation fees payable by you.
3. Do insist on a copy of lawyer opinion/valuation report of the property if you paid money towards them.
4. Insist on photo copy of the loan document executed by you.
5. Always insist on the letter of sanction along with copy of others terms and conditions and miscellaneous condition.
6. Note down the lenders contact details for verification of original documents.

Don'ts

1. Don't proceed further till you have an assurance why the NBFC as to (i) whether the property location/project is approved one in their view (ii) you have agreed to the interest rate quoted by them for this home loan (iii) loan amount eligibility and period of loan is aggregable to you.
2. Don't remit this charges till you have been issued a formal a principal sanction.
3. Don't execute loan document till you are assured by the NBFC that they will not aggressively push any cross selling of financial products/home loan insurance policy unless you are convinced personally that you need one.
4. Don't pay more than what the principal sanction says regarding lawyer fees.

All about NBFC

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Grievance redressal

Every NBFC runs an in-house grievance redressal management system for aggrieved borrowers under the following tier system.

I Tier: NBFC customer service department

- Call toll free Number.
- Send SMS.
- Send email.
- Send letter (hard copy)
- Visit website and register your complaint/grievance online.
- you will get a Customer Service Number

II Tier: If no response is received within 6 weeks of your complaint or you are dissatisfied with the reply received)email/write to the grievance redressal officer

(of the NBFC) with the copy of your grievance and the reply if any received at Tier-1.

III tier: If you are unhappy with the reply received from the GRO-

- Approach the below on the prescribed format at- Complaint Redressal Cell, National Housing Bank. Online-<https://grids.nhbonline.org.in/>

Or you can write to:

NATIONAL HOUSING BANK

Department of Regulation & Supervision

(Complaint Redressal Cell)

4th Floor, Core-5A

India Habitat Centre

Lodhi Road, NEW DELHI-110003

(National Housing Bank is the Regulator for NBFCs)