

**A STUDY ON ESTIMATION CRITERIAS IN HOME LOANS FOR HYBD
SECTOR WITH RESPECTIVE TO DIFFERENT BANKS****MOHAMMAD AMEER HUSSAIN**Research Scholar
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Email Id:scharitha@gmail.com**ABSTRACT:**

Home is a necessary piece of a person, who since his/her introduction to the world and adolescence, dreams to have living space of his/her own. Unique speculation expects credit to finish it and that is the manner by which the home advance comes into plan of things. Purchasing a house is dream for everybody. Attributable to the rising cost of properties, it has practically turned out to be unimaginable for a normal winning individual to purchase a home on a single amount installment. Along these lines, the idea of home advance has come in presence. There are plenty of lodging fund organizations and equivalent number of banks that offer home credits. The errand of choosing one organization and one offer for home advance in the midst of the thousands accessible choices have turned into an exceptionally complex assignment attributable to the expanding lodging money advertise in the nation. Aside from this, there are complex business languages and details that make this errand more troublesome. In this examination, I propose to give the essential data of home credit details, with the goal that when a man applies for the home advance, he/she can comprehend the rudiments and enable themselves to stay far from the tricking components in the market. I have likewise outfitted the sum distinction which we get from various sorts of credits that is settled and coasting rate of intrigue. Owning a house is one of life's greatest desires of a person. Home advances are the most effortlessly available monetary supplement to buy a man's fantasy home. An inhabitant or non-occupant person who is intending to purchase a house in India can apply for a home advance at the banks or Housing Finance Institutions. Once the greatest add up to put into the property has been chosen, the Housing Finance Institutions or Banks will tell the client that the amount he/she is qualified for and this designs out the financial plan.

Keywords: Housing Loan, procedure, SBI, AXIS, ICICI, interest rates.

INTRODUCTION:

Owning a home is one of life's biggest aspirations of a person. Home loans are the most easily accessible financial supplement to purchase a person's dream home. A resident or non-resident individual who is planning to buy a house in India can apply for a home loan at the banks or Housing Finance Institutions. In the market there are different institutions who provide home for the desired people. The complete research article is all about the different procedure followed by the different banks in sanctioning the home loans. The Reserve Bank of India's (RBI) move to reduce the amount of money that banks have to set aside (as security) on home loans is negative from the perspective of the ratings of lenders. According to the rating agency, the move is credit negative for Indian banks because lower capital requirements will weaken their protection related to the exposure to the housing sector and encourage greater lending. The RBI reduced the amount banks have to set aside on home loans to 0.25%, or Rs250 per lakh from 0.4% or Rs400 per lakh previously. The central bank also reduced the so-called risk weightage on home loans of between Rs30 lakh and Rs75 lakh to 35% from 50%, and over Rs75 lakh to 50% from 75%. "Although lower risk weights would boost sluggish credit growth while limiting the effect on banks' capital position, we believe competition for housing loans has significantly increased among banks and non-bank finance companies. The rating agency also said that the issue of bad loans in the housing loan segment has remained fairly stable. In the absence of demand for big-ticket corporate loans, banks are focusing on retail credit, especially home loans. Banks are also keen on growing their housing loan portfolio to take advantage of incentives offered by the government to home buyers. The government on 31st December 2016 announced the Credit Linked Subsidy

Scheme for Middle Income Groups, where interest subsidy of 4% was granted on housing loans of up to Rs. 9 lakh and 3% on housing loans of up to Rs.12 lakh. Amid greater competition in the home loan market, lenders have been aggressive on cutting interest rates in order to attract customers.

Following the RBI's decision last week, country's largest State Bank of India (SBI) became the first bank to reduce home loan rates by 10 basis points to 8.55% from 8.65% earlier. The new rates are effective from 15 June 2017. Public generally apply a home loan for either buying a house/flat or a plot of land for construction of a house, or renovation, extension and repairs to your existing house.

The number of Indians moving to another country for studies, occupations or business openings has seen a monstrous surge over the most recent few decades. Generally, a large number of Indians have settled abroad, essentially in North American and European nations. Two or three thousands have likewise been taking advantage of business openings in the Middle East.

Tagged as **NRI's (Non Resident Indians)**, this category of Indians are people who are domicile citizens of India with an Indian passport and have immigrated to another country for education, employment or any other legal purpose. There is another category of Indians whose ancestry makes them a **PIO (Person of Indian Origin)**, who are not citizens of India. The magnitude of remittances from the NRI community is massive, owing to the number of people working on a long duration assignment abroad. Banks and Financial institutions provide exclusive banking and loan products based on specific requirement of NRIs.

Leading Indian banks such as ICICI, HDFC, Axis, Kotak and SBI offer tailor made home loan scheme for NRIs at exclusive rates and terms. Financing is extended for a wide range of housing needs which includes purchase of flat/house/plot, construction and towards costs of renovating/repair of an existing home.

Banks and Procedure

Let us look at three leading players in the home loan sector which provide appealing home loan options for NRIs.

ICICI Bank NRI Home Loan:

Country's largest private sector bank, ICICI extends home finance options to NRIs looking at buying a house, construction, purchasing a plot and for other housing related needs.

Fees and Charges

A charge of 0.50 percent of the approved loan amount is deductible as processing fees. Surcharge and prevailing GST rates are applicable on the processing fee.

Axis Bank NRI Home Loan:

As a leading private sector bank in India, Axis offers tailor made home loan schemes for NRI's to help them realize their dream of owning or constructing a house and much more.

Fees and Charges

- Axis bank charges up to 1% of the loan amount (minimum of Rs.10,000) as processing fees, towards handling documentation.

- No prepayment penalty is levied on home loans based on floating interest rates. A fee of 2% of the outstanding balance plus GST is applicable for prepayment of home loans based on fixed rates.

State Bank of India NRI Home Loan:

A banking mammoth, SBI is India's biggest institution operating in the banking domain. True to its size, the bank offers a plethora of home loan options to NRIs based on specific needs such as purchase, construction and renovation.

Fees and Charges

- Loan amount of up to 25 lacs: 0.25%, subject to a minimum of Rs.1,000.
 - From 25 lacs to 75 lacs: Rs.6,500. 75 lacs and above: Rs.10,000.
- Other pre and post sanction charges applicable on case to case basis. No prepayment penalty is levied on early closure of the home loan account.

MOST IMPORTANT TERMS AND CONDITIONS - Home Loan

Floating Rate of Interest: - Enthusiasm on the advance will be charged at winning gliding rate of enthusiasm on an everyday diminishing equalization at month to month rests. The rate of premium is liable to update occasionally because of (I) changes in Base Rate or (ii) correction even without change in Base Rate the Bank has the choice to lessen or increment the EMI or expand the reimbursement time frame or both subsequent upon amendment in loan fee.

Fixed Rate of Interest:- No Fixed rate choice is accessible now Interest on the advance will be charged at the predominant settled rate of enthusiasm on day by day decreasing parity at month to month rests, subject to loan cost reset toward the finish of like clockwork on the premise of settled financing costs winning at that point. State Bank of India (SBI) may at its tact stipulate the periodicity of calculation of premium. Further, SBI may at its sole circumspection adjust the rate of intrigue appropriately and tentatively in case of significant unpredictability in financing costs amid the time of the understanding. Thus the rate of intrigue changed as previously mentioned should be pertinent to the Loan. SBI should be the sole judge to decide if such condition exists or not. On the off chance that the Borrower is not pleasant to the reconsidered financing cost so settled, the Borrower can ask for SBI, inside 15 days of receipt of the notice hinting change in financing costs from SBI, to end the credit and the Borrower might reimburse the Loan and some other sum because of SBI in full and last settlement as per the arrangements of the Agreement identifying with pre-conclusion.

Calculation of interest:- Enthusiasm on the measure of the credit will be connected at the predominant rate per annum on day by day lessening balance with month to month rests.

Intimation of change in Interest Rate:- The borrower might be esteemed to have notice of changes in the rate of intrigue at whatever point there are changes in Base Rate or increment in financing costs where there is no adjustment in Base Rate are either shown on the Notice Board of the Branch or distributed in news papers or made through sections of the loan fee charged in the passbook/proclamation of record outfitted to the borrower and the borrower is subject to pay such overhauled rate of intrigue.

Penal interest:- In case of a default in installment or any abnormality in the record, the Bank maintains whatever authority is needed to require a higher rate of enthusiasm as it considers fit. Upgraded rate of intrigue @2% p.a on the unpredictable sum for the time of abnormality, well beyond the relevant rate will be charged if the Equated Monthly Installment (EMI) stays unpaid for a time of 30 days from the due date, for any reason, including a bobbed check.

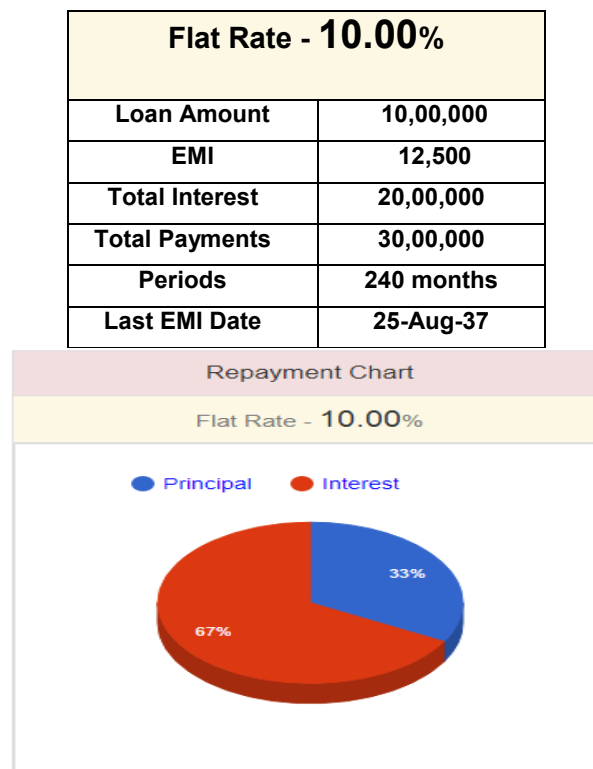
Bounced cheque/ECS or SI dishonours:- A penalty of Rs 250/- approximate value and would change depending upon the banks will be charged for every bounced cheque/ECS or SI dishonours. The rate may vary from time to time.

Security or guarantee:-A guarantor is a person who signs up as one who will stand as a surety. Most of the banks in India require a guarantor depending on the loan amount.

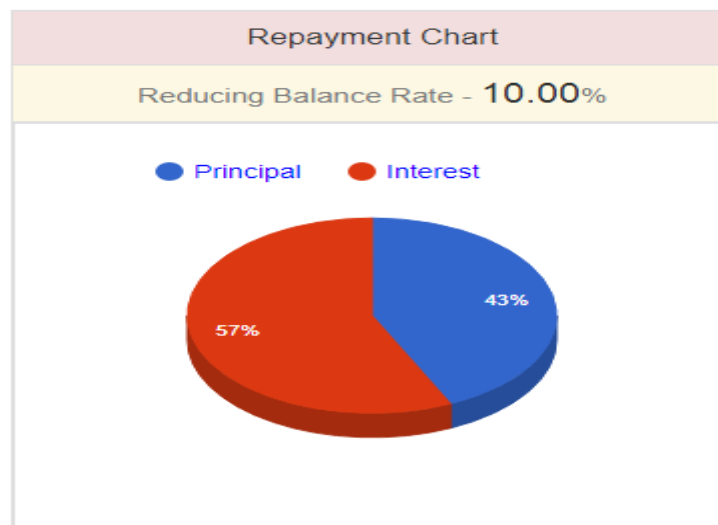
Repayment: The loan is to be repaid in Equated Monthly Installments over the tenure of the loan. The repayment installment commences from a date specified in the sanction letter. The liability to the bank will be extinguished only when the outstanding in the loan account becomes Nil, on payment of residual amount, if any.

Loan Tenor: Maximum 30 years (or) up to the age of 70 years (the age by which the loan should be fully repaid) of the borrower, whichever is early. **Pre-closure Charges:-** Loans on **Fixed and Floating rate of interest:** No pre-payment/ Pre-closure penalty will be levied on Home Loans irrespective of the period for which the account has run or source of funds.

Study Criteria with fixed and floating rate of interest



Reducing Balance Rate - 10.00%	
Loan Amount	10,00,000
EMI	9,650
Total Interest	13,16,052
Total Payments	23,16,052
Periods	240 months
Last EMI Date	25-August-2037



EMI Difference	
10.00%	10.00%
12,500	9,650
-2,850	

Total Interest Difference	
10.00%	10.00%
20,00,000	13,16,052
-6,83,948	

Below are some examples of how flat rate and reducing balance rates for the same loan amount and tenure. You can observe that, for a flat interest rate of 10.00% means around 17.5% normal interest rate.

Loan Tenure	Flat Rate	Reducing Balance Rate
1 Year	9.00%	16.22%
2 Years	9.00%	16.43%

3 Years	9.00%	16.25%
4 Years	9.00%	15.99%
5 Years	9.00%	15.72%
Loan Tenure	Flat Rate	Reducing Balance Rate
1 Year	10.00%	17.97%
2 Years	10.00%	18.15%
3 Years	10.00%	17.92%
4 Years	10.00%	17.60%
5 Years	10.00%	17.27%

CONCLUSION:

The housing sector is one of the major contributors to the economy and provides growth impulses to the broader economic development of the country. The role of the financing institutions viz. Banks and Housing Finance Companies have grown significantly over the years in the housing sector. While appraising a home loan, lenders look for personal details such as a good credit history, annual and monthly income, existing EMIs of the consumer, a clean title to the house / property and the location of the house before approving a home loan application. It should always be kept in mind that taking too many loans would restrict customer's credit worthiness. Also maintaining credit score in good shape and Good and steady repayments keep one out of debt traps and will enhance applicant's credit worthiness in future. From the study is clear that reducing balance rate of interest is the best option for choosing a home loan. Reducing float rate of interest will give the major reduction in interest and principal repayment and we can save the money when it is compared fixed float rate of interest.

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