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# Home Loan FAQs

**1. What are the different types of home loans?**

- ✓ Home loan can be of the following sub-types:

Home Purchase Loans: As evident by the name, this type of home loan can be availed when buying a new home. You can find the best home loans in India at Paisa Bazaar and compare home loans against various criterions.

Land Purchase Loans/Plot Loans: The land purchase loan may be availed in order to complete the purchase of a plot of land for construction or as an investment. Land purchase loans are just like a home loan only difference being this loan is used to purchase a vacant plot. The term, the interest rate and procedure for both home loan and land purchase loan is similar.

Home Construction Loans: This type of home loan can be availed for construction of the house. This type of loan is applicable only if you already own a plot of land and plan to start construction of your house on it.

Home Improvement Loans: Home improvement loans are becoming increasingly popular as you can avail these rates near to home loans interest rates. These loans can be availed when you are planning to renovate or make repairs to your current home.

Home Conversion Loans: If you already own a house with an existing home loan and are planning to purchase a new house, you can opt for a home conversion loan.

Home Extension Loans: With time you might feel the need to add more space to your house for varied reasons, such as a growing family. Opt for this home loan type when you plan to increase your living area and extend your existing home.

**2. In Home Loan, until when is the sanction letter valid?**

- ✓ For 3 months the sanction letter is valid.

**3. What is the collateral required in home loan?**

- ✓ The property which you will be purchasing itself will be mortgage with the bank.

**4. Does the property have to be insured in home loan?**

- ✓ Yes, property has to be insured in case of Home Loan.

**5. Will the co-applicant's salary or income be included in the eligibility?**

- ✓ Yes, in case of spouse your salaries can be clubbed for the purpose of calculation of the loan amount. This can be done either when the property is jointly held with the spouse or the spouse stands as a guarantor.
- ✓ Even parents income can be added.

**6. What is Pre-EMI in home loan?**

- ✓ Where you have availed only a part of Home Loan, you would be required to pay Banks/NBFC only the interest on the amount disbursed till the full loan is availed. This interest is called pre-EMI interest and is payable monthly till the final disbursement of Home Loan is made, after which the EMIs would commence.

**7. What is carpet area?**

- ✓ Carpet Area is the area enclosed within the walls, actual area to lay the carpet. This area does not include the thickness of the inner walls. It is the actual useable area of an apartment, office, unit, showroom etc.

**8. What is built up area?**

- ✓ Built up Area consists of carpet area, area covered by inner and outer walls and additional areas mandated by the authority such as flower beds, dry balcony etc.

**9. What is super built up area?**

- ✓ Super Built up Area is the built up area plus proportionate area of common facilities such as the lobby, lifts, shaft, stairs, etc. Sometimes it may also include the common areas such, swimming pool, garden, clubhouse, etc. This term is therefore only applicable in the case of multi-dwelling units.

**10. What does "Pre approved property" mean?**

- ✓ Pre-Approved property Home Loan is also called as APF [Approved Project Finance]. This means that the developer had got the legal aspect of the property approved from various banks and NBFC's, Under such circumstances banks need not required to do technical verification if the customer has selected the property in the said project.

**11. What is approved plan?**

- ✓ The building plan made by the developer which is approved by the Municipal Corporation or the concerned authority is approved plan.

**12. What is CC and OC?**

- ✓ CC means Commencement Certificate. A commencement certificate is issued by the local authorities to allow the builder to begin construction once all norms have been met. Unless the commencement certificate is granted, the construction is illegal. It is subsequent to the approved plan. During Home Loan CC is very much important document required for sanctioning your loan especially when it is under construction project.
- ✓ OC means Occupation Certificate. This certificate issued by the local municipal body to the builder / developer once the said building is complete in all respects and fit for occupation. During Home Loan OC is very important document required for sanctioning your loan.

**13. What is conveyance deed?**

- ✓ Conveyance is the act of transferring ownership rights of the property (plot of land where the building is built) from the developer / builder / development authority to the society.

**14. What is share certificate?**

- ✓ In a society share certificate is issued to its members (flat owners); it is a legal document that certifies ownership of a specific distinctive number of shares in a society. Share certificate will bear the seal of the society & will be signed by the Chairman, and the Secretary. During Home Loan Share Certificate is very much important document required for sanctioning your loan.

**15. What is Stamp Duty?**

- ✓ It is a duty collected by the state government. Stamp duty is a government tax, which is levied on all legal property transactions. Stamp duty is, therefore, a tax which is evidence, as it were, of any purchase or sale of a property between two or more parties. It is paid as per the true market value as assessed by the Stamp Office. Stamp duty is decided by the respective State and hence would vary from state to state. When an agreement is to be franked, it needs to be unsigned and undated.

**16. Where is the registration done?**

- ✓ The agreement should be registered with the Sub-Registrar of assurances under the provisions of the Indian Registration Act. Stamp duty is to be paid prior to the Registration.

**17. What is chain of agreements in home loan?**

- ✓ In Home Loan chain Agreements is chain of all the agreement right from its first purchase from the builder to the present owner. During Home Loan process we need to submit the chain of agreements to the banks/NBFC to do technical and valuation of the said property.

**18. What is legal and technical verification?**

- ✓ In Home Loan legal verification is a process where all the agreements & documents related to the concerned property are given to a lawyer to verify the legal and title of the concerned property. It is done by panel of qualified lawyers appointed by the Banks/NBFC.
- ✓ In Home Loan technical is a process where the valuator assigned by the BANK/NBFC evaluate the cost of the property, checks its permissions and the condition of the building. It also checks whether the property is mortgagable and free from all legal issues.

**19. What is OCR?**

- ✓ OCR means Own Contribution Receipt. It is the amount paid by the purchaser to his seller and a receipt acquired for the same. It is advisable for the purchaser to pay his own contribution to the builder / seller by cheque and obtain receipts for the same.

**20. What is NOC and why is it important?**

- ✓ NOC means No Objection Certificate. It is asked by the lenders from builders/society on their letter head. In this letter the builder / society mentions that they have noted in their books the charge created by them on the said property. All Banks/NBFC have their own format which builders/society need to oblige. To obtain this all the dues & transfer charges of the society need to be cleared. It is mandatory to the committee to issue the NOC in the prescribed banks format under Maharashtra Co-operative Society Act, 1960 u/s 79(2)(a).

**21. What is equitable mortgage?**

- ✓ An equitable mortgage is the transfer of an interest in property to a lender as a security for a loan of money on the condition that this interest will be returned to the owner when the terms of the mortgage have been satisfied or performed. Bank/NBFC give this loan by deposit of title deeds of the property (interest) with the lender.

**22. What is Residential mortgage?**

- ✓ In this case property is registered with sub-registrar and charge is created against the property in Government records.

**23. Can I get a home loan to purchase property overseas?**

- ✓ NO! One cannot get Home Loan from banks to purchase property overseas.

**24. Do I get a refund of processing fees if I do not avail the loan?**

- ✓ No, the processing fees are non-refundable.

**25. What does "Agreement to sell" mean?**

- ✓ The 'Agreement to Sell' in a property transaction is a legal document executed on a stamp paper that records in writing the understanding between the buyer and the seller and all the details of the property such as area, possession date, price etc. In many Indian states, the Agreement to sell is required to be registered by law. We suggest that in your own interest you should register the Agreement within four months of the date of the Agreement at the office of the Sub-Registrar appointed by the State Government, under the Indian Registration Act, 1908.

**26. How is the home loan disbursement in under-construction project?**

- ✓ An under construction property refers to a home which is in the process of being constructed and where possession would be handed over to the buyer at a subsequent date. In case of an under construction property, Banks/NBFC will disburse your Home Loan in instalments based on the progress of construction, as assessed by Banks/NBFC and not necessarily according to the developer's agreement. You are advised in your own interest to enter into an agreement with the developer wherein the payments are linked to the construction work and not pre-defined on a time-based schedule.

**27. Can I get a home loan for the entire property value?**

- ✓ No, you get 80 %\*( subject to change) of the property value as per RBI guidelines. The percentage i.e Loan to Value (LTV) predefined by Reserve Bank of India.

**28. Are there any tax benefits of a home loan?**

- ✓ Yes, tax Benefit: Interest paid --As per Section 24(b) of the Income Tax Act, 1961 a deduction up to Rs. 1.5 lakh towards the total interest payable.

**29. Who can co-sign a home loan with me? Can my friend co-sign a home loan for a flat?**

- ✓ Various family members like father, mother, siblings, etc. can co-sign a home loan other than that your spouse or adult children can also be co-signors in case you are applying for a home loan. In India, as per existing rules, your friend cannot co-sign a loan as he/she is not a blood relative or otherwise related to you.

**30. Are there any prepayment charges in case of a home loan?**

- ✓ In case of a floating rate home loan, lenders cannot charge a pre-payment penalty as per RBI directives however a penalty may be applied in case of a fixed-rate home loan.

**31. What is loan tenure?**

- ✓ Upto 30 years which is maximum.

**32. What is Balance Transfer?**

- ✓ Balance Transfer is an option available for the borrower to transfer balance loan amount to any other bank. Balance transfer helps to avoid high rate of interest payable with one lender. Borrower can transfer the outstanding loan amount to any other lender if the listed interest rate is lower with another lender.

**33. Why do we get a difference in interest rates with other lenders?**

- ✓ Every bank has their own base rates for lending money. Whenever RBI lowers MCLR (marginal cost on lending rate) automatically it affect bank interest rates. Banks apply MCLR Rate with adding their spread or without adding spread .There is a little difference between different banks interest rate after MCLR linked. If you have taken loan with a base rate then there is an option for you to switch your loan with MCLR linked loan with some other bank/lender. You will end up paying less interest amount & save more.

**34. Will I get a loan if I own a plot or a land, and wish to construct a house over it?**

- ✓ Yes, a copy of the sanctioned plan by competent authority in the name of a person applying for such credit facility must be obtained by the Banks/FIs before sanctioning the home loan. An affidavit-cum-undertaking must be obtained from the person applying for such credit facility that he shall not violate the sanctioned plan, construction shall be strictly as per the sanctioned plan and it shall be the sole responsibility of the executants to obtain completion certificate within 3 months of completion of construction, failing which the bank shall have the power and the authority to recall the entire loan with interest, costs and other usual bank charges. An Architect appointed by the bank must also certify at various stages of construction of building that the construction of the building is strictly as per sanctioned plan and shall also certify at a particular point of time that the completion certificate of the building issued by the competent authority has been obtained.