

HOME  
LOAN



PERSONAL  
LOAN



BUSINESS  
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BALANCE  
TRANSFER



CREDIT  
CARDS



EDUCATION  
LOAN



CAR  
LOAN



WORKING  
CAPITAL



CHILD  
PLANS



HOME  
INSURANCE



ENDOWMENT  
PLAN



VEHICLE  
INSURANCE



TERM  
INSURANCE



FIRE  
INSURANCE



PERSONAL  
ACCIDENT



TRAVEL  
INSURANCE



HEALTH  
INSURANCE



PENSION  
PLANS

# Product handbook

TRAINING HANDBOOK  
LOAN AGAINST PROPERTY

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## What is Loan against Property?

**Loan against property** is a Secured Loan, which means that the property acts as security for the loan. In case of loan default, the property can be attached to the bank and could be auctioned or sold to recover the loan amount due.

It is precisely what the name implies a loan which can be availed by keeping a property as security. Banks and financial institutions offer this loan against a property, which can either be a residential/commercial building or a piece of land. The loan can be availed by mortgaging the property with the bank.

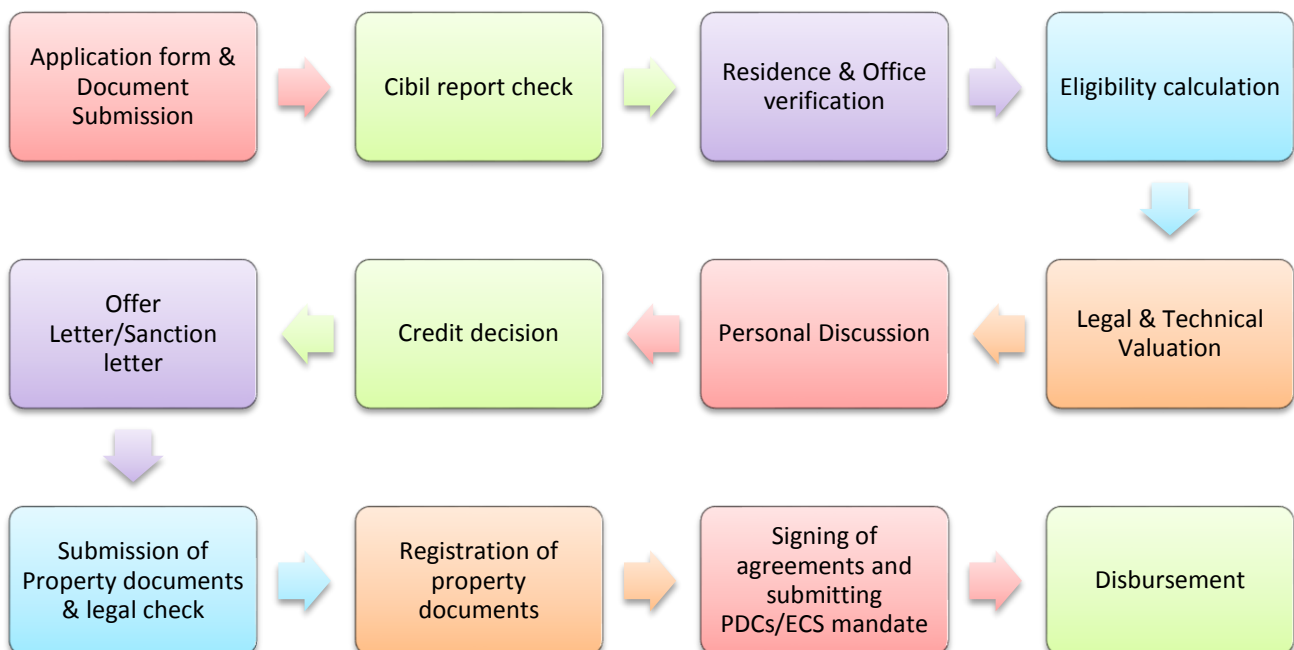
## Uses

- ❖ Starting a new business or business expansion via mortgage
- ❖ Wedding
- ❖ Unexpected huge expenses
- ❖ Credit history issues
- ❖ Unstable employment

## Advantages

- ✓ Low interest rates and processing fees than unsecured loans
- ✓ Longer duration loans
- ✓ Higher loan amount since mortgage backed loan
- ✓ Business person can avail tax deduction on interest if end use is proved right

## LAP Process



## Documentation

### Proprietorship Firm

Individual KYC

PAN Card (Borrower and Co-Borrower)

Address Proof ( Utility bill, Passport, Aadhar Card, Driving License)

Ownership proof (Electricity bill in name of company or Individual)

Company KYC

Office Proof ( Shop and Establishment Cert /Gumasta or other registered document)

Office Utility bill in the name of office (Phone or Electricity bill)

Other Documents ( VAT, Service Tax, Sales/Purchase)

Business Profile & Latest Form 26 AS

Latest 3 Years Financials (FY 15-16, 14-15, 13-14)

ITR Saral Page and Computation of Income -gap should be more than 6 months between 2 year ITR filing

Tax Audit Report (Form 3CB and 3CD) (42 Points)

Last 3 years Balance sheet and Schedules attested by CA

Last 3 years Profit and Loss and Schedules attested by CA

Latest 6 Months or 1 year Banking for all accounts

Sanction Letters (CC sanction letter Mandatory) and running loan SOA

Contact Details (Mobile no, Landline no, Email ID)

Passport size photograph of all the applicants / co-applicants to be affixed on the Application Form and signed across

Cheque for processing fee

### Partnership Firm

Company Pan Card

Company Utility bill in the name of office (Phone or Electricity bill)

Partnership Deed

PAN Card (All the Partners compulsory)

Address Proof ( Utility bill, Passport, Aadhar Card, Driving License)

Ownership proof (Electricity bill in name of company or Individual)

Other Documents ( VAT, Service Tax, Sales/Purchase)

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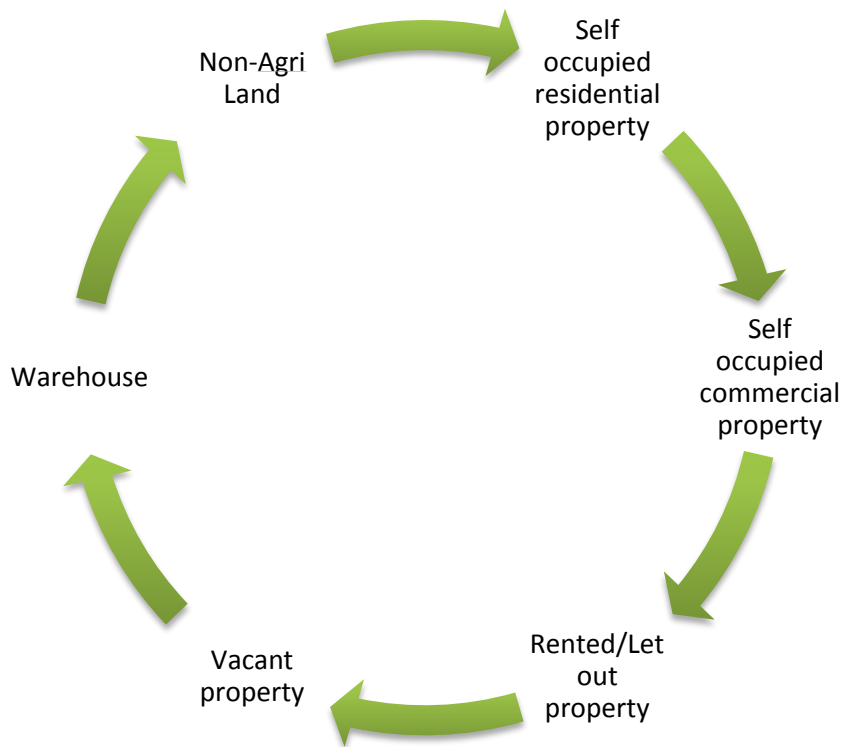
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**Customer segment**

Salaried	Self Employed Non Professional	Self Employed Professional
Private Limited	Proprietorship	Doctors
Limited	Partnership/LLP	Architects
Government companies	Private Limited	Chartered Accountants
Other companies	Limited	
	Deemed Limited	

## Eligible Property



Should be Fully Constructed and Clearly Demarcated



Identifiable and Registered



Land needs to be Non Agricultural land to be allotted by collector



Other property location policies vary in different Banks/NBFCs



## Loan amount depends on-

1. Type of property
2. Age of the property
3. Current usage of the property
4. Market value of the property

## Property should not be...

**Dilapidated property**



**Load bearing property**





## Negative/Restricted profiles/Not eligible property

- Grampanchayat lands (deviation taken if approved by collector)
- Vacant industrial property
- Real estate/speculation/Stock brokers
- Liquor shops
- Lawyers
- Media houses
- Builders
- Slums, Chawls, SRA( Slum Rehabilitation Authority) below 10 years old, community dominated area

*\*\*Some profiles are eligible in certain lending institutions*

## Repayment of loan

- Equated Monthly Instalments (EMI's)
- Post-dated cheques favouring Banks
- Mandate bank to directly debit the same or by ECS (Electronic Clearing Services)

## Conditions Apply\*

1. You can now prepay loan against property (LAP) without any penalty or charges in case your loan meets the following conditions:
  - Your loan has been sanctioned at a floating rate of interest and not a fixed rate. Almost all loans against property are on floating rates and it is highly unlikely that yours is at a fixed rate
  - The loan is sanctioned in the name of one or more individual borrowers and not corporate entities
  - Neither the borrower nor the co-borrower is a corporate entity (ltd. or pvt. ltd. company) or a firm (partnership or AOP)
  - As per RBI guidelines, wherever land is accepted as collateral, valuation of such land should be at the current market price only.

## Loan to Value

PROPERTY	BANK	NBFC
Self-occupied residential property	75%	65%
Self-occupied commercial property	60%	55%
Rented or let out Residential Property	70%	55%
Rented or let out Commercial Property	60%	50%
Vacant Property	Bank specific	45%-55%
Restaurants	65%	55%
Warehouse	Bank specific	45%

## Tenure & Rate of Interest

### Exposure

- 25 Lacs to 20 Cr

### Collateral

- Self Occupied  
Vacant or Rented  
Property

### Tenure (yrs)

- 5-15

### Rate of Interest

- 8.75% to 12%\*

### Processing fees

- 0.5%-1%\*

## Eligibility Criteria-

### Debt servicing coverage ratio

- $DSCR = \text{Net Operating Income} / \text{Debt service}$
- $\text{Net Operating Income} = \text{Net income} + \text{Amortization \& depreciation} + \text{Interest Expense} + \text{Non cash items}$
- $\text{Debt Service} = \text{Principal repayment} + \text{Interest payments} + \text{Lease payments}$
- The debt service coverage ratio measures a firm's ability to maintain its current debt levels. This is why a higher ratio is always more favourable than a lower ratio. A higher ratio indicates that there is more income available to pay for debt servicing.
- For example, if a company had a ratio of 1, that would mean that the company's net operating profits equals its debt service obligations. In other words, the company generates just enough revenues to pay for its debt servicing. A ratio of less than one means that the company doesn't generate enough operating profits to pay its debt service and must use some of its savings.
- Generally, companies with higher service ratios tend to have more cash and are better able to pay their debt obligations on time.

## Income Eligibility

### Financials (ITR) based

For Salaried
NET salary per month*FOIR %
(-)Monthly obligation (other EMIs)
= EMI serving capacity
Divided by per lac EMI
= Eligible loan amount
*FOIR and eligibility calculation varies in different Banks and NBFCs

Salaried-Require Salary slip, Bank statement & Form 16

### Income based program (Cash Profit method)

Profit after tax

+Depreciation

+Remuneration to Directors/Partners

+Interest on paid bank loans

=Yearly Income/12

Monthly income\*DBR

(-)Monthly obligation

=EMI paying capacity/Per lac

=Loan amount compared with property value(Agreement value+ Service tax+ Stamp duty)\*LTV whichever is lower

Self Employed-  
Require Balance  
sheet, Profit & loss  
statement and ITR

### Turnover program

Turnover\* Industrial Margin compare with Gross profit(whichever is lower)

=Yearly Income/12

=Monthly income\*DBR

(-)Monthly obligation

=EMI paying capacity/Per lac

=Loan amount compared with property value(Market value)\*LTV whichever is lower

## Surrogate based

- Banking method
- Repayment track record
- Liquid income profile

## Banks & NBFCs we deal with

<b>Banks</b>	<b>NBFCs</b>
AXIS BANK	ADITYA BIRLA FINANCE LIMITED
DBS BANK	AU FINANCE LIMITED
DEUTSCHE BANK	CAPITAL FIRST LIMITED
FEDERAL BANK	CAPRI GLOBAL CAPITAL LIMITED (ALSO CP)
HDFC BANK LTD	CHOLAMANDLAM INVESTMENT AND FINANCE COMPANY LTD
ICICI BANK	EDELWEISS FINANCE LIMITED
IDFC BANK(ALSO CP)	ESSEL FINANCE
INDUSIND BANK	FINMAX FINANCE
KOTAK MAHINDRA BANK	FULLERTON INDIA CREDIT COMPANY LIMITED
RBL BANK	HERO FIN CORP(ALSO CP)
STANDARD CHARTERED BANK	HINDUJA LEYLAND FINANCE LIMITED
YES BANK	INDIA INFOLINE FINANCE LIMITED (IIFL)
	INDIABULLS HOUSING FINANCE LIMITED
	INDOSTAR CAPITAL FINANCE LIMITED
	JANALAKSHMI FINANCIAL SERVICES LTD
	L&T FINANCE
	MAGMA FINCORP LIMITED
	ORIX LEASING & FINANCIAL SERVICES INDIA LIMITED(ALSO CP)
	PIRAMAL CAPITAL
	PNB HOUSING
	RELIANCE CAPITAL
	TATA CAPITAL HOUSING FINANCE

## Glossary

SEP – Self Employed Professional (Doctors, CAs and Architects; Corporate Lawyers in few cases)

SENP – Self Employed Non Professional

FI – Financial Institution (Bank and NBFCs)

FOIR – Fixed Obligation to Income Ratio

LTV – Loan to Value

PAT – Profit after Tax

DSCR – Debt Servicing Coverage Ratio

KYC – Know your customer

SOA - Statement of Account

NBFC – Non Banking Financial Company

ITR – Income Tax Return