

Home loan Some Common FAQs

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<http://ezinearticles.com/?Common-Home-Loan-Frequently-Asked-Questions&id=7094479>

Some of the common home loan terms that one encounters while applying for a home loan. While the same are common terms amongst lenders they could be brain teasers some times.

What is an EMI?

An EMI refers to an equated monthly installment. It is a fixed amount which one pays every month towards the loan. It comprises of both, principal repayment and interest payment.

What is pre-EMI interest?

In the case of part disbursement of the loan, monthly interest is payable only on the disbursed amount. This interest is called pre-EMI interest (PEMI) and is payable monthly till the final disbursement is made, after which the EMIs would commence.

What is Fixed ROI?

Fixed ROI stands for the Fixed Rate of Interest. The rate of interest remains unchanged for the entire tenure of the loan irrespective of the drop/increase in the market rates.

What is Floating ROI?

The Floating Rate of Interest is one that fluctuates according to the market lending rate. This comes with a little risk as in whenever lending rates go up the loanee will have to pay more than the amount set aside for loan payment per month.

What is PF?

PF is the processing fees and has to be paid upfront by the customer being fees charged at the time of submission of the application for processing.

What is IIR?

IIR is Installment to Income Ratio and denotes the portion of your monthly installment on your home loan as a percentage of your income. The same is capped between 40% to 60 % of income subject to applicant's income & profile.

What is IC?

Whenever a customer delays the payment of the monthly installment, a collection team is sent to the customer's house to recover the money. The expenses incurred on such occasions are called Incidental Charges (IC)

What is LTV?

LTV stands for the Loan to Value and is used to calculate the loan amount that a person is eligible for on the total cost of the property.

What is Margin Money?

Banks & NBFC fund around 80% to 85% of the cost of the house. The balance 20% to 15% has to be borne by the customer himself. This difference amount is called the Margin Money.

For what purpose can I avail a home loan?

You can take a loan for constructing a house, purchasing of a ready possession house / flat or a flat in resale, takeover of existing loans from approved banks / housing finance companies, the purchase of a plot of land, for renovation of and extension of the house.

Who can avail of the loan?

Salaried individuals, Self-employed professionals or businessmen and individual NRI's can avail a loan.

Who can be a co-applicant for the loan?

All co-owners need to be co -applicants.

Spouse/parents/children can be co-applicants and his / her income can be clubbed to enhance the loan amount.

What security is to be provided?

Security for the loan is a first mortgage of the property to be financed, by way of deposit of title deeds / or such collateral security as may be necessary. The title to the property needs to be clear, marketable and free from encumbrance. There should not be any existing mortgage, loan or litigation, which is likely to affect the title to the property adversely.

Can loan be repaid ahead of schedule?

Yes, the loan can be paid ahead of schedule, however if the loan is prepaid or transferred to another bank or HFC, a nominal fee @ 2% of principal outstanding is charged

Are the Bank policies subject to change?

Yes. These policies are reviewed periodically.

How is the loan repaid?

An EMI refers to an equated monthly installment. It is a fixed amount which one pays every month towards the loan. It comprises of both, principal repayment and interest payment.

When does the repayment start?

EMI payments start from the month following the month in which the full disbursement

has been made.

What happens in case if a PDC bounces?

In the case of a bounced cheque or delayed payment, charges and outstanding dues will be charged as per the prevailing company policy.

What is the minimum /maximum loan amount?

Home loan are available from 5 lakh to 5 crores.

What is the time frame for a loan to be approved?

It takes a 7/10 working for the loan to be sanctioned after submission of all documents.

When is the loan disbursed?

The loan will be disbursed on:

- Submission of the legal documents.
- Legal and technical clearance of the property
- Submission of Registered copy of agreement.

What is an amortization schedule?

An amortization schedule is a table giving the reduction of the loan amount by monthly installments. The amortization schedule gives the breakup of every EMI towards repayment of interest and outstanding principal of loan.

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