

All Purpose Loan – Loan against Property

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<http://eazeeloans.wordpress.com/category/loan-against-property>

Loan against property is an all-purpose loan. A loan can be taken for any purpose in the time of financial emergency. There is personal loan too but it has a high interest rate along with short loan repayment tenure. Therefore many people are not able to take personal loan. If you own a house you can take loan against the same and it turns out to be cheaper than a personal loan. The reason behind this is the lender has the mortgaged property as security with it therefore there is no tension of defaulter of loan amount. While in the personal loan there are no such security norms.

The loan given against property has a long repayment period, generally 10/15 years. The loan can be taken for any financial requirement whether it is for funding of the existing business in case of debt consolidation, any emergency, education, marriage or other constraints.

The country's largest public sector bank SBI has a clause that the loan can be taken for any purpose what so ever. In case the amount of loan is Rs 25.00 lacs and above then purpose of loan will have to be specified along with an undertaking that loan will not be used for any provisional purpose whatever including speculation on real estate and equity shares.

Some of the banks give the loan against both types of properties whether residential or commercial but some of them give loan against only the residential property. The loan amount can range from Rs 10 lakhs to Rs 30 crores, though the amount varies from lender to lender.

Some of the banks offer special schemes along with this loan like free personal accident insurance cover. To get this loan you must be above 21 years of age and the maximum is 60/65 years, whether salaried or self-employed.

Though, some banks have fixed the maximum age limit for self-employed individuals to 65 years. The salaried applicants should be employed continuously for at least three years.

Documentation

Documents required for applying for loan are:

- Proof of identity (passport, driving license etc.)
- Proof of residence address (passport, electricity bill etc.)
- Proof of age (birth certificate, school leaving certificate, passport etc.).
- Salaried individuals must submit their last three month salary slips.
- Self-employed individuals can IT returns for last two years certified by a chartered accountant.

Self-employed businessmen can avail overdraft facility instead of pure term loan. The big advantage of taking this loan using the overdraft option is that the borrower has to pay the interest only on the money withdrawn, till the time loan is repaid. While in the normal course the interest is paid on the entire amount throughout the tenure of the loan.

Before finalizing a bank check for the fees and penalties. The amount range varies from bank to bank. The fee amount is generally between 0.25 to 2%. The foreclosing of the loan before the actual tenure carries prepayment penalty. Banks charge this as a percentage of the outstanding principal of the loan amount. Therefore study all the features and terms and conditions carefully.