

**A**  
**PROJECT REPORT**  
**ON**  
**“TO STUDY CREDIT APPRAISAL IN HOME LOAN FINANCE”**

**AT**



**GANGAPUR ROAD, NASHIK-422002**

**SUBMITTED TO**

**UNIVERSITY OF \_\_\_\_\_.**

**IN PARTIAL FULFILLMENT OF**

**BACHLORE OF BUSINESS ADMINISTRATION**

**SUBMITETED BY**

**(\_\_\_\_\_)**

**BBA (3rd) FINANCE**

**UNDER GUIDANCE OF**

**PROF. \_\_\_\_\_.**

**YEAR 20 -20**

**(INSTITUTE NAME)**

## ACKNOWLEDGEMENT

I sincerely thank HDFC Bank for giving me this opportunity to learn. I Acknowledge my profound sense of gratitude & sincere thanks to the management of HDFC Bank for offering me this project & summer training in their prestigious organization.

I would like to thank **Mr. \_\_\_\_\_** (**cluster sales manager**) who has given their valuable time throughout my project work. They providing all the relevant information along with the valuable suggestions & recommendations when and where required.

I extend my special thanks to **“Financial Planners”** for their guidance kind co-operation & timely advices without which this project would not have been completed successfully. I take immense pleasure to thank **Mr. \_\_\_\_\_**.

As gratitude and thanks to my college & professors I take this opportunity to sincerely thank our director \_\_\_\_\_ & my project guide for his guidance & support. I am thankful to **Prof. \_\_\_\_\_**, who always found time for me in their busy schedule. They are pillar of support & mentor for enriching my knowledge horizon.

It gives me pleasure to express my gratitude to my colleagues & others who have directly or indirectly contributed their time & talent in completing this project.

*Date*

*Signature*

## Declaration

I \_\_\_\_\_ student of MBA student of in the PCMCS solemnly declare that the project titled **“To study Credit Appraisal in home loan finance”**. Carried out by me in partial fulfillment of the BBA program under the University of Pune. This project was undertaken as part of academic curriculum as per University rules & norms & by no commercial interest or motive. It is my original work & not submitted elsewhere for any other purpose earlier.

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*Date*

*Signature*

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## 1.1 OBJECT OF PROJECT.

As a part of the Curriculum of the MBA Programme of the PUNE UNIVERSITY.I underwent my summer Training for the Period of TWO Months at HDFC BANK, NASIK. The aim behind is to let the Students draw out the Difference & Similarities between the theoretical knowledge with the actual Job conditions, so they can be able to Pursue & Cultivate Strategic decisions making capabilities & establish themselves as capable Managers of tomorrow.

- To get an opportunity of observing the business.
- To be able to apply theoretical knowledge into practical in Business Environment.
- To know how organization work.
- To get an opportunity to interact with dynamic managers and people at various levels in the organization and gain knowledge of their authorities & responsibilities.
- To get acquainted with real organizational problems, perceptions & Challenges faced by business.
- To know & understand the career opportunities available in this sector.



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## 1.2 SELECTION OF TOPIC.

We know three basic needs of human beings i.e. food, clothing & shelter. For all these needs we want money. It involves large investment. Everyone does not have that much money to invest at once. Borrowing and lending is the important function of the every developing economy. It is in existence right from ancient time. Previously in barter era the goods are exchange against goods. Now the scenario has changed to fulfill the need of human beings the old concept which emerge as a new is nothing but “Loan”.

The Banking Industry has been undergoing some fundamental changes in its approach to banking. There has been a perceptible shift towards Customer Relationship Management (CRM) mainly arising out of the element of intensive competition infused into the industry by the arrival of privet players. With the free economy reforms government permitted private players to inter in banking business along with existing nationalized Banks.

In 2002 government allowed foreign banks to enter in Indian Market. The concept of retail banking introduced with the increase in no of banks, private players introduce especially this concept. The banks are segmenting their portfolio into different segments like Personal Banking, Retail Banking, Corporate Banking, Agri Banking and Investment banking. In Retail Banking, banks are concentrating on SME (Small and Medium Entrepreneur(s)) and Individual finance like Vehicle finance, Housing finance etc. As large no of customer can be tap with diversification of risk as it evolved lower risk than corporate banking. All banks are increasing their exposure to this area.

### **Credit Policy**

“Credit has done a thousand times more to enrich mankind than all the gold mines in the world. It has exalted labour, stimulated manufacture, and pushed commerce over every sea.”

### **Why Bank Credit?**

Credit provided by banks is an important driver of national economy. In olden days when commercial banking had not taken the present shape, individuals or families traditionally involved in money lending as source of finance. Present day’s economy is different from old economy. Due to industrialization, need for finance change drastically. With change in population as well as industrialization demand and supply increased more over the sources of supply no longer confine to the area where the demand exists with the improvement in transport and communication system the demand can be easily met by suppliers made from sources located in fair flung areas. Today the total out put of the our industrial sectors is very large the finance requirements of which cannot be met by the traditional means of finance hence the role of modern Private bank as credit providers to the economy begins at this point.

### 1.3 OBJECTIVES OF THE STUDY

The credit Manager plays a crucial role in increasing banks profitability as The major portion of funds are utilized by bank for the purpose of lending of Loans and Advances to get more return on account of the “Interest ” and reducing risk in financing.

#### Objectives of the Study

- To understand the process and key issues in Sanctions.
- To understand the process and key issues in Disbursement.
- To study the appraisal process of Home Loan Proposal.
- To study the Restricted Areas of Credit of the Bank.
- To analyses the performance of HDFC Home loan regarding sanction and disbursement.
- To find out the causes of rejection of proposals.
- To compare HDFC Bank with Union Bank of India.
- To analyse performance of HDFC with the help of customer feedback.

The logo for BIZASTRA features a large, stylized letter 'B' in the background. The 'B' is composed of several overlapping geometric shapes: a large triangle on the left, a smaller triangle on the right, and a central shape that forms the vertical stem of the 'B'. The word 'BIZASTRA' is written in a bold, sans-serif font across the middle of the 'B'.

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## 1.4 RESEARCH METHODOLOGY

Research in common parlance refers to a search for knowledge. One can also define research as a scientific and systematic search for pertinent information on a specific topic. In fact research is an art of scientific investigation. Another meaning of research as “a careful investigation or inquiry especially through for new facts in any branch of knowledge.”

Redman and Mory define research as a “systemized effort to gain new knowledge.” Some people consider as movement a movement from the known to the unknown it is actually a voyage of discovery.

➤ **Data Sources:**

In the Preparation of this project it is necessity to collect the Primary data and Secondary data

➤ **Primary Data:**

The first-hand information bearing on any research which has been collected by the researcher may be called “primary data”. Collecting information various with the help of proposals credit policy of the Bank.

➤ **Secondary Data:**

The Secondary Data on the other hand, are based on second-hand information. The data which have been already been collected, compiled & presented easier by any agency may be used for the purpose of investigated such data may be called “Secondary Data”. Collecting the in formation with the help of Annual Reports, Magazines, Internet, and Reference Book. The Secondary data provide by organization. The needed information is collected from Journals Annual Reports, Magazines, etc.

➤ **Sample size:**

Five cases of Home Loan Proposal are to be studied for understanding of the appraisal of home loan. Data collected through survey of procedure,service,etc provided by HDFC Bank by filling questionnaire of fifty HDFC customer.



## 1.5 SCOPE OF THE STUDY

Indian Banking has witnessed tremendous changes in the wake of the new economic reforms in the year 1992. The reforms have positively impacted on the banking system, which have become more resilient competitive and efficient, with the better productivity. It's a role of primacy in financial intermediation and has not been challenged by other financial entities. On the contrary, it has become more entrenched and diversified having made forays into insurance and investment banking. Some of the banks have acquired the status of universal banks.

From the mass banking of yester years, Indian banks have travelled a long distance in the past economic reforms era. Now they are profitable, strong and stable with impressive performance indices. They have become tech-savvy and competitive as well. The winning strategies for them could be clear customer segmentation and product offering focus on cost efficiencies and entrepreneurial ability to face stiff competition. Perhaps banks should not charge high interest rates but manage cost and build up quality credit.

In its recent policy statement it explains that it is committed to maintain adequate liquidity in the market with the preference for soft interest rates.

The Loans are important functions that are providing as fund based Loans and non-fund based Loans. In last years before the globalization the only traditional Institutions providing finance.

In providing Loans the Credit Appraisal System playing very important role. Recently RBI interrelated the interest rates on Loans and Deposits. Even today all banks Increase rate on Deposits when they increase the interest rate on loans. There is perfect correlation between interest's rates on loans and interest rates on Deposits.

Construction of house needs large amount of investment, it is always difficult on the part of person to invest surcharge amount out of his small saving. Hence, need of housing arises people to take loan, purchase or construct their & own house stay their & can repay the housing loan within the period of 15 to 20 years & can have their own house in this way there is always demand for all the people whether rich or poor person hence, house can develop by the supply of housing loan to the community, country can develop their proper accommodates provided to each & every person.

## 1.6 LIMITATIONS

**Following are the limitations for carrying out this project work.**

- As the project was restricted for the period of two months, hence the data obtained may not be sufficient for interpretation.
- The study was related to the Financial Services sector where the Financial Institution did not give each & every information of their working procedure.
- The study was related to Credit Appraisal System for specifically Home Loan, so other Credit Appraisal System was not taken into consideration for the study.
- The study is based on the past data & may not be a true indicator of future performance.



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## **1.7 UTILITY OF PROJECT.**

The project study helped me to get the practical exposure to the banking world. It also gave an opportunity & experience to collect data, analyse it and interpret it, which helped to develop my analytical skills. It helped me to gain knowledge about the loan facilities of the bank. This knowledge will be helpful to me for my career or even in other way. The project will help the bank to analyse its performance and to make necessary improvements.



## **2.1 BACKGROUND & HISTORY**

### **BUSINESS PROFILE.**

The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of the RBI's liberalization of the Indian Banking Industry in 1994. The bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995.

### **PROMOTORS**

HDFC is India's premier housing finance company and enjoys an impeccable track record in India as well as in international markets. Since its inception in 1977, the Corporation has maintained a consistent and healthy growth in its operations to remain the market leader in mortgages. Its outstanding loan portfolio covers well over a million dwelling units. HDFC has developed significant expertise in retail mortgage loans to different market segments and also has a large corporate client base for its housing related credit facilities. With its experience in the financial markets, a strong market reputation, large shareholder base and unique consumer franchise, HDFC was ideally positioned to promote a bank in the Indian environment.

### **CAPITAL STRUCTURE**

The authorized capital of HDFC Bank is Rs.450 crore (Rs.4.5 billion). The paid-up capital is Rs.311.9 crore (Rs.3.1 billion). The HDFC Group holds 22.1% of the bank's equity and about 19.4% of the equity is held by the ADS Depository (in respect of the bank's American Depository Shares (ADS) Issue). Roughly 31.3% of the equity is held by Foreign Institutional Investors (FIIs) and the bank has about 190,000 shareholders. The shares are listed on the The Stock Exchange, Mumbai and the National Stock Exchange. The bank's American Depository Shares are listed on the New York Stock Exchange (NYSE) under the symbol "HDB".

### **DISTRIBUTION NETWORK**

HDFC Bank is headquartered in Mumbai. The Bank at present has an enviable network of over 761 branches spread over 327 cities across India. All branches are linked on an online real-

time basis. Customers in over 120 locations are also serviced through Telephone Banking. The Bank's expansion plans take into account the need to have a presence in all major industrial and commercial centre where its corporate customers are located as well as the need to build a strong retail customer base for both deposits and loan products. Being a clearing/settlement bank to various leading stock exchanges, the Bank has branches in the centre where the NSE/BSE have a strong and active member base.

The Bank also has a network of about over 1977 networked ATMs across these cities. Moreover, HDFC Bank's ATM network can be accessed by all domestic and international Visa/MasterCard, Visa Electron/Maestro, Plus/Cirrus and American Express Credit/Charge cardholders.

### **MANAGEMENT**

Mr. Jagdish Kapoor took over as the bank's Chairman in July 2001. Prior to this, Mr. Capoor was a Deputy Governor of the Reserve Bank of India. The Managing Director, Mr. Aditya Puri, has been a professional banker for over 25 years, and before joining HDFC Bank in 1994 was heading Citibank's operations in Malaysia. The Bank's Board of Directors is composed of eminent individuals with a wealth of experience in public policy, administration, industry and commercial banking. Senior executives representing HDFC are also on the Board.

Senior banking professionals with substantial experience in India and abroad head various businesses and functions and report to the Managing Director. Given the professional expertise of the management team and the overall focus on recruiting and retaining the best talent in the industry, the bank believes that its people are a significant competitive strength.

### **TECHNOLOGY**

HDFC Bank operates in a highly automated environment in terms of information technology and communication systems. All the bank's branches have online connectivity, which enables the bank to offer speedy funds transfer facilities to its customers. Multi-branch access is also provided to retail customers through the branch network and Automated Teller Machines (ATMs). The Bank has made substantial efforts and investments in acquiring the best technology available internationally, to build the infrastructure for a world class bank. The Bank's business is supported by scalable and robust systems which ensure that our clients always get the finest services we offer.

The Bank has prioritized its engagement in technology and the internet as one of its key goals and has already made significant progress in web-enabling its core businesses. In each of its businesses, the Bank has succeeded in leveraging its market position, expertise and technology to

create a competitive advantage and build market share.HDFC Bank offers a wide range of commercial and transactional banking services and treasury products to wholesale and retail customers. The bank has three key business segments:

## **BUSINESSESS**

### **Wholesale Banking Services**

The Bank's target market ranges from large, blue-chip manufacturing companies in the Indian corporate to small & mid-sized corporate and agri-based businesses. For these customers, the Bank provides a wide range of commercial and transactional banking services, including working capital finance, trade services, transactional services, cash management, etc. The bank is also a leading provider of structured solutions, which combine cash management services with vendor and distributor finance for facilitating superior supply chain management for its corporate customers. Based on its superior product delivery / service levels and strong customer orientation, the Bank has made significant inroads into the banking consortia of a number of leading Indian corporate including multinationals, companies from the domestic business houses and prime public sector companies. It is recognized as a leading provider of cash management and transactional banking solutions to corporate customers, mutual funds, stock exchange members and banks.

### **Retail Banking Services**

The objective of the Retail Bank is to provide its target market customers a full range of financial products and banking services, giving the customer a one-stop window for all his/her banking requirements. The products are backed by world-class service and delivered to the customers through the growing branch network, as well as through alternative delivery channels like ATMs, Phone Banking, Net Banking and Mobile Banking.

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## 2.2 BUSINESS FOCUS & ORGANIZATION CHART

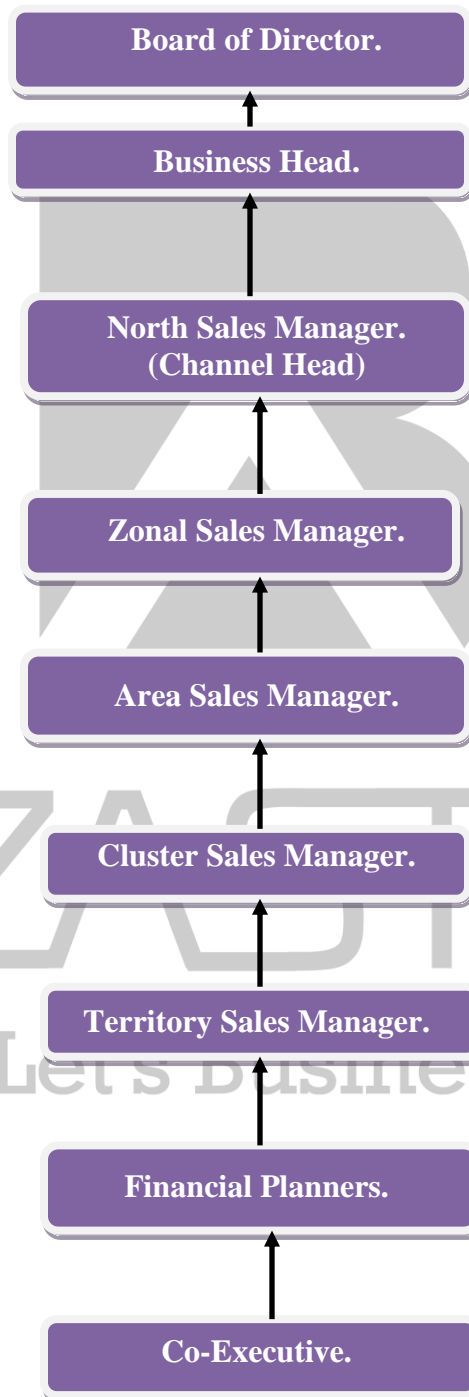
- HDFC Bank's mission is to be a World-Class Indian Bank.
- To build sound customer franchises across distinct businesses so as to be the preferred provider of banking services for target retail and wholesale customer segments.
- To achieve healthy growth in profitability, consistent with the bank's risk appetite.
- The bank is committed to maintain the highest level of ethical standards, professional integrity, corporate governance and regulatory compliance.
- HDFC Bank's business philosophy is based on four core values – Operational Excellence, Customer Focus, Product Leadership and People.



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**Organization Chart**





## 2.3 PRODUCT RANGE

### 1. **HDFC Home Loan.**

A new home brings with it new hopes, joys and emotions. At HDFC, we have shared new hopes, joys and emotions with over 26 Lakh customers. Every customer has a specific and unique concern. Having earned an experience of 30 years in home loans, Our home loan product is customized to provide you solutions for your unique concern.

#### **Features**

➤ **Purpose**

• **Purchase of**

- 1 Flat, row house, bungalow from developers.
- 2 Existing freehold properties.
- 3 Properties in an existing or proposed co-operative housing society or apartment owner's association.

• **Self Construction**

➤ **Maximum loan**

85% of the cost of the property (including the cost of the land) and based on the repayment capacity of the customer.

➤ **Maximum Term**

20 years subject to your retirement age.

➤ **Fees**

1% of the loan amount applied plus applicable service taxes and cess.

**No Charges for**

- 1) Replacement of cheques.
- 2) Income Tax Certificates.
- 3) Accelerated Repayment Option.

### **Security**

Security for the loan is a first mortgage of the property to be financed, normally by way of deposit of title deeds and/or such other collateral security as may be necessary. Interim security may be required, if the property is under construction.

## **2. Home Improvement Loan.**

### **Features**

#### **➤ Purpose**

- 1 External repairs.
- 2 Tiling and flooring.
- 3 Internal and external painting.
- 4 Plumbing and electrical work.
- 5 Waterproofing and roofing.
- 6 Grills and aluminum windows.
- 7 Waterproofing on terrace.
- 8 Construction of underground/overhead water tank.
- 9 Paving of compound wall (with stone/tile/etc.).
- 10 Bore well.

#### **➤ Maximum loan**

##### **Existing Customer**

100% of the cost of improvement.

**New Customer**

85% of the cost of improvement subject to market value of the property.

➤ **Maximum Term**

15 years subject to your retirement age.

**Security**

➤ **Existing customer**

Extension of the mortgage already created on the property financed and/or other security as may be required by HDFC.

➤ **New Customer**

For others, security for the loan is a mortgage on the entire property being improved and/or other security as may be required by HDFC.

**3. Home Extension Loan.**

**Features**

➤ **Purpose**

HDFC Home Extension Loan makes it convenient for you to extend or add space to your home. Be it an additional room, a larger bathroom, or even enclosing an open balcony.

➤ **Maximum loan**

85% of the cost of extension.

➤ **Maximum Term**

20 years subject to your retirement age.

## **Security**

### ➤ **Existing customer**

Extension of the mortgage already created on the property financed and/or other security as may be required by HDFC.

### ➤ **New Customer**

For others, security for the loan is a mortgage on the entire property being improved and/or other security as may be required by HDFC.

## **4. Short Term Bridging Loan.**

### **Features**

#### ➤ **Purpose**

Short-Term Bridging loan makes you realise your dream of buying a bigger and better home and gives you time to sell your existing property to pay off the loan. This is a short term loan to help customers with the interim period between the sale of your old home and the purchase of a new home. You can take the loan even, if you are an existing customer of HDFC.

#### ➤ **Maximum loan**

90% of cost of new property.

#### ➤ **Maximum Term**

2 years.

#### ➤ **Fees**

0.50% of the loan amount plus applicable service tax and cess.

➤ **Repayment Options**

Customers repay the loan by paying the monthly installment or pay the interest on the loan with a lumpsum payment within 2 years. Hence the customer gets 2 years to sell the property and prepay the loan.

**Security**

Security for the loan is a first mortgage of the new property to be financed, normally by way of deposit of title deeds and/or such other collateral security as may be necessary. You would also have to give an irrevocable Power of Attorney authorising HDFC to sell your existing home. Moreover, both the proposed and existing homes would have to be insured against fire and other appropriate hazards. Interim security may be required, if the new property is under construction.

**5. Land Purchase Loan.**

**Features**

➤ **Maximum loan**

85% of cost of the land and based on the repayment capacity of the customer.

➤ **Maximum Term**

15 years subject to your retirement age.

**Security**

Security for the loan is a first mortgage of the property to be financed, normally by way of deposit of title deeds and/or such other collateral security as may be necessary.

**6. Non Residential Loans to Professionals for Premises Loan.**

**Features**

➤ **Purpose**

Purchase, Construction, Improvement of Office, Clinic

➤ **Eligible**

1. Doctors.
2. Chartered Accountants.
3. Lawyers.
4. Other self-employed professional.

➤ **Maximum loan**

85% of cost of the property.

➤ **Maximum Term**

10 years Improvement 5 years. Non residential premises maximum term is 15 years, NRP improvement remains 5 years.

**Security**

Security for the loan is a first mortgage of property to be financed, normally by way of deposit of title deeds and/or such other collateral security as may be necessary. Interim security may be required, if the property is under construction.

**7. Home Equity Loans.**

HDFC Home Equity Loans helps you encash the present market value of the property by taking a loan by mortgaging the property.

**Features**

➤ **Purpose**

Loan can be for any purpose. However, the funds should not be used for speculation or any illegal purposes. Customers have benefited by taking loans to meet the following funding requirements:

1. Education
2. Marriage Expenses
3. Medical Expenses

➤ **Property**

1. Residential

2. Non Residential

- Should be Fully Constructed

- Should be a Freehold property having a clear and marketable title.

➤ **Maximum Loan**

a) Existing Customers

- Balance of 60% of the market value and present loan outstanding

b) New Customers

- 50% of the market value of the property (including the cost of the land)

c) Subject to

Minimum Market Value of the property being Rs.5, 00,000 for Residential property and Rs.7.50 Lacs for Non-Residential Property.

Repayment Capacity of the customer

➤ **Maximum Term**

Property Type	Repayment Option	No. of Years
Residential	EMI Based	15
Non Residential	EMI Based	10
Residential and Non Residential	Simple Interest	2

- Subject to retirement age of the customer

**Security**

Security for the loan is a first mortgage of property against which HDFC has advanced the loan. In addition, HDFC may request for additional, interim, collateral security. Liquid securities in the nature of shares, fixed deposits etc. may be accepted as additional securities on a selective basis.





### 3.1 Topic under study.

#### **HDFC Home Loan**

A new home brings with it new hopes, joys and emotions. At HDFC, we have shared new hopes, joys and emotions with over 26 Lakh customers. Every customer has a specific and unique concern. Having earned an experience of 30 years in home loans, our home loan product is customized to provide you solutions for your unique concern.

#### **Features**

➤ **Maximum loan**

85% of the cost of the property (including the cost of the land) and based on the repayment capacity of the customer.

➤ **Maximum Term**

20 years subject to your retirement age.

➤ **Applicant and Co- Applicant to the loan**

Home Loans can be applied for either individually or jointly. Proposed owners of the property will have to be co-applicants. However, the co-applicants need not be co-owners.

➤ **Adjustable Rate Home Loan**

Loan under Adjustable Rate is linked to HDFC's Retail Prime Lending Rate (RPLR). The rate on your loan will be revised every three months from the date of first disbursement, if there is a change in RPLR, the interest rate on your loan may change. However, the EMI on the home loan disbursed will not change\*. If the interest rate increases, the interest component in an EMI will increase and the principal component will reduce resulting in an extension of term of the loan, and vice versa when the interest rate decreases.

➤ **Fixed Rate**

➤ **2-in-1 Home Loans**

2-in-1 Home Loan provides customers with a choice of breaking up the loan requirement into Adjustable and Fixed Rate loans. Customers benefit both ways, as it helps them hedge their interest rate risk against rising interest rates to the extent of the fixed rate portion of the

loan and take the advantage of falling interest rates, with the Adjustable Rate portion. 2-in-1 Home Loans can be taken in any proportion. With no prepayment charges\* under the Adjustable Rate Home Loan, customers planning to make part prepayments can take a portion of the loan intended for prepayment under Adjustable Rate loan option; the rest can be taken under Fixed Rate Loan option.

### **Purpose**

- **Purchase of**
  - Flat, row house, bungalow from developers.
  - Existing freehold properties.
  - Properties in an existing or proposed co-operative housing society or apartment owner's association.
- **Self Construction**

### **Fees**

1% of the loan amount applied plus applicable service taxes and cess.

### **No Charges for**

1. Replacement of cheques
2. Income Tax Certificates.
3. Accelerated Repayment Option.

### **Redemption Charges**

#### ➤ **Adjustable Rate Home Loan [ARHL]**

If a prepayment is made within 3 years of the first disbursement\*, under Adjustable Rate Home Loan (ARHL) option early redemption charges of 2% of the amount being prepaid is payable if the amount being repaid is more than 25% of the opening balance.

➤ **Fixed Rate Home Loan [FRHL]**

Redemption charges of 2% of the amount being prepaid is payable if the amount being repaid is more than 25% of the opening balance In case of commercial refinance under both the FRHL and ARHL an early redemption charge of 2% is payable. You may be required to submit copies of your Bank Statements or any other documents that HDFC deems necessary to verify the source of prepayment.

**Repayment Options.**

➤ **Step Up Repayment Facility**

Helps young executives take a much bigger loan today based on an increase in their future income, this helps executives buy a bigger home today!

➤ **Flexible Loan installments Plan**

Often customers, parents and their children, wish to purchase properties together. The parent is nearing retirement and their children have just started working. This option helps such customers combine the incomes and take a long term home loan where in the installment reduces upon retirement of the earning parent.

➤ **Tranche Based EMI**

Customers purchasing an under construction property need to pay interest ( on the loan amount drawn based on level of construction) till the property is ready. To help customer save this interest, we have introduced a special facility of Tranche Based EMI. Customers can fix the installments they wish to pay till the time the property is ready for possession. The minimum amount payable is the interest on the loan amount drawn. Anything over and above the interest paid by the customer goes towards Principal repayment. The customer benefits by starting EMI and hence repays the loan faster.

➤ **Accelerated Repayment Scheme**

Accelerated Repayment Scheme offers you a great opportunity to repay the loan faster by increasing the EMI. Whenever you get an increment, increase in your disposable income or have lump sum funds for loan prepayment, you can benefit by, Increase in EMI means faster loan repayment Saving of interest because of faster loan repayment You can invest

lump sum funds rather than use it for loan prepayment. The return from investments also gives you the comfort of paying the increased EMI.

**Security**

Security for the loan is a first mortgage of the property to be financed, normally by way of deposit of title deeds and/or such other collateral security as may be necessary. Interim security may be required, if the property is under construction.



## **DOCUMENTS OF HOUSING LOAN**

Documents forms integrate part of any legal or financial transaction. The documents which are necessary for appraisal of home loan are divided into two stage documents as follows.

A. Pre- sanction / Credit documents.

B. Post-sanction / Legal documents.

### **A. Pre- sanction / Credit documents.**

These documents are submitted for an approval or sanction of housing loan. The credit documents all collected to analyse the credit worth ness of client. They help to understand the financial strength & weakness of a case that how much loan can he/she get, calculation of installment is done on the basis of this documents.



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**Pre sanction documents.**

<i>Salaried</i>	<i>Self Employed (Professionals)</i>	<i>Self Employed (Businessman)</i>
Application form with Photograph &	Application form with Photograph	Application form with Photograph
Identity and Residence Proof Identity.	Identity and Residence Proof Identity.	Identity and Residence Proof Identity.
Latest Salary-slip.	Education Qualifications Certificate and Proof of business existence.	Education Qualifications Certificate and Proof of business existence.
Form 16.	Last 3 years Income Tax returns (self and business).	Business profile.
Last 3 years Profit /Loss and Balance Sheet.	Last 3 years Profit /Loss and Balance Sheet.	Last 3 years Income Tax returns (self and business)
Processing fees cheque.	Processing fees cheque.	Processing fees cheque.

## **Customer – Basic Eligibility Criteria.**

### **Customers: Borrowers**

- Resident Indians
  - Salaried
  - Self Employed Professionals
  - Self Employed Non Professionals

### **Resident Indian – Salaried:**

- **Minimum Gross Income**  
8000 per month
- **Age Norm**
  - a) Minimum 21 years at Loan Application.
  - b) Maximum 65 or Age of Retirement, whichever is less at Loan Maturity.
- **Minimum Qualification**  
SSC (X<sup>th</sup> Standard)
- **Minimum no. of years in total employment**  
1 Year
- **No. of Dependents**  
Not to exceed 5
- **No. of Co – Borrowers**  
Maximum 3
- **Customer Residence / Property should not be in Negative Area.**

- **Customer should not belong to Negative Profile Category.**
- **Customer Residence / Property should not be beyond Geographical limits**

### **Self-Employed - Professionals**

- **Who are all considered as SEP?**
  - a. CA/ICWA/ CS.
  - b. Architects.
  - c. Lawyers (only advocates practicing with Supreme Court/ District Court or working with Solicitors/ practicing tax consultants).
  - d. Consultants like Engineers / MBAs etc.
  - e. Doctors / Pathologist
  - f. Chemist with B. Pharm

### **➤ Minimum Income as per the P&L A/c**

#### **For Home Loan Products**

- a. For lawyers Net profit should be Rs.2 lacs p.a
- b. For Consultants like Engineers, MBAs etc.Net profit should be Rs.1 Lac p.a
- c. For others Net Profit should be Rs 60,000



➤ **Age Norm**

- a. Minimum 21 years at Loan Application
- b. Maximum 65 or Age of Retirement, whichever is less at Loan Maturity.

➤ **Minimum years of Experience.**

- a. 3 Years as Practicing Professional
- b. Or 1 Year as Practicing Professional, if employed previously for 2 Years

➤ **Professional Qualification Certificate.**

- a. Required.
- b. In lieu of certificate, surrogates viz. membership certificate can be accepted

➤ **No. of Dependents.**

Not to exceed 5

➤ **No. of Co – Borrowers.**

Maximum 3

**Self Employed – Non-Professionals**

➤ **Eligible entities:**

**Individuals**

- a. Proprietors
- b. Partners
- c. Directors of Pvt. Ltd. Cos.

➤ **Minimum Income to be ascertained as follows :**

- a. Proprietors - Net profit as per P/L a/c
- b. Partners - Total of share of net profits as per P/L a/c
- c. Private Limited Company – Net Profit as per P/L a/c
- d. Remuneration / Salary from the firm as per P/L a/c or ITR
- e. Directors – Salary as per latest Form 16 and ITR

➤ **Minimum Income Norm for SENP Customers –**

- a. Retail : Rs. 60,000 p.a.
- b. Non Retail : Rs. 100,000 p.a.

For fulfilling minimum income norms adding nominal expenses like depreciation, interest on capital to partners / directors etc. to net profit shall not be considered.

➤ **Age Norm.**

- a. Minimum 21 years at Loan Application
- b. Maximum 65 or Age of Retirement, whichever is less at Loan Maturity.

➤ **Business Continuity**

Minimum 3 Years

➤ **No. of Dependents**

Not to exceed 5

➤ **No. of Co – Borrowers**

Maximum 3

### Customer – Basic Eligibility Calculation.

#### FOIR: Fixed Obligation to Income Ratio:

Income	Applicable FOIR
5500 – 8000	40%
8000 – 20000	45%
20000 – 25000	50%
25000 and Above	55%

#### How we treat income from other sources?

Source	%Eligibility	proof
Agricultural income (As stated in ITR)	50 % of average of last 2 years	3 years ITR's and 7/12 extract or ownership document copy.
Rental Income	100% of average of last 2 years	03 ITR
Rental Income	100% of current rental income as per lease Agreement	Lease Agreement for 3 years
Rental Income	50 % of current rental income as per leave & License Agreement	Leave & License agreement copy of current period
LIC /Broker commission i.e. NSC, KVP, IVP postal	50 % of new business & 100% of renewal business	Certificate / original commission slip of Cos.
Interest / Dividend Income	50 % of average of last 2 years	03 years ITR's

The agreement of the eligibility from other sources of income must not be more than 100 % of the agreement of the main salary income.

**1) Resident Indian – Salaried:**

<i>ITEM</i>	<i>CONSIDERATION</i>
REG.ITEMS (PAYSLIP)	100%
HRA	100%
PENSION INCOME	100%
BONUS	100%
ANNUAL BENEFITS	50%
FIXED REIMBURSEMENTS	50%
VARIABLE ITEM	50%

**2) Self-Employed – Professional:**

For calculation purpose SEPs can be classified as per following pattern –

- a. Doctors
- b. Allopathic (MBBS plus)
- c. Other (BHMS, BUMS, etc)
- d. Others (CA, CWA, CS, Lawyer, Consultant etc)

Methods Used

1. GPR Multiplier Method
2. Eligibility based on Net Profit

**3) Resident Indian – SENP:**

<i>Business Income</i>	
Av. Net Profit (PAT) for last two years	Net Profit
Add: Depreciation*	Depreciation
	-----
	Business Income
Personal Income (Salary / Remuneration)	
(Av. For last two years)	Personal Income
Total Appraised Income	= BI + PI

**Income from other sources**

<i>Type</i>	<i>Eligibility</i>	<i>Proof</i>
Agricultural Income	50%*	ITRs
Rental Income	100%*	ITRs
Interest/Dividend Income	50%*	ITRs

\*Average of the last two years amount

Income from above sources should not exceed  
50% of the Total Appraised Income

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**E.M.I Chart (for 1 lac)**

<i>Year</i>	<i>10.00</i>	<i>10.25</i>	<i>10.50</i>	<i>11.00</i>	<i>11.25</i>	<i>11.75</i>	<i>12.00</i>	<i>13.00</i>	<i>13.25</i>
<b>1</b>	8792	8804	8815	8839	8850	8874	8885	8932	8944
<b>2</b>	4615	4627	4638	4661	4673	4696	4703	4755	4786
<b>3</b>	3227	3239	3251	3274	3286	3310	3322	3370	3382
<b>4</b>	2537	2543	2561	2585	2597	2622	2634	2683	2698
<b>5</b>	2125	2133	2150	2175	2187	2212	2225	2276	2289
<b>6</b>	1853	1866	1878	1904	1917	1943	1956	2008	2021
<b>7</b>	1661	1674	1687	1713	1726	1752	1766	1820	1833
<b>8</b>	1518	1531	1545	1571	1885	1612	1626	1681	1695
<b>9</b>	1408	1422	1436	1463	1477	1505	1519	1576	1590
<b>10</b>	1322	1336	1350	1378	1392	1421	1435	1494	1508
<b>11</b>	1252	1267	1281	1310	1324	1354	1368	1428	1443
<b>12</b>	1196	1210	1225	1254	1269	1299	1314	1375	1391
<b>13</b>	1148	1163	1178	1208	1223	1250	1269	1332	1348
<b>14</b>	1109	1124	1139	1170	1185	1216	1232	1296	1312
<b>15</b>	1075	1090	1106	1137	1153	1185	1201	1266	1282
<b>16</b>	1046	1062	1078	1110	1126	1168	1174	1240	1257
<b>17</b>	1022	1038	1054	1086	1102	1135	1152	1219	1236
<b>18</b>	1000	1016	1033	1066	1082	1116	1132	1201	1218
<b>19</b>	982	998	1015	1048	1065	1099	1116	1185	1203
<b>20</b>	966	982	999	1033	1050	1084	1102	1172	1190

### 5) Eligibility calculation

<i>Particulars</i>	<i>Amt.</i>	<i>Amt.</i>
Total Appraised Income	xxxxx	-----
Add: Income from other sources	xxxxx	-----
Total Income	-----	xxxxx
Total Income p.m. (TI / 12)	xxxxx	-----
Less: Obligations	xxxxx	-----
Maximum Payable EMI (HDFC Bank)	-----	xxxxx



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## **Understanding Income Documents**

### **1) Salary Slip Analysis**

- Name of the Applicant – whether matches with the salary slip or not?
- Designation
- Name of the Employer
- Is the latest salary credit as per the salary slip
- Are the salary credits in the bank statements as per the salary slip
- Is the salary fixed or variable
- Any regular deductions reflecting in the salary slip.

### **2) Understanding Bank Statements**

- In case of Salaried, number of credits to be checked – Fixed & Variable.
- In case of Self Employed check the average balance for liquidity
- Large credit or debit entries
- Recurring debits on account of loan repayment
- Inward Cheque bounces
- Outward Cheque bounces
- Stop Payment / Minimum Balance charges

### **3) Form 16 – Salaried / Form 16A – Other than salaried**

- Name & address of the employer
- Name and designation of the employee.
- Details of the salary paid / other income
- Details of the tax deducted
- Information of Housing loan availed
- Information on Mediclaim, pension policy etc
- Information on other savings like PPF, NSC, Mutual funds etc

### **4) Understanding Profit & Loss Account**

- Expense heads
- Trend in Profitability & Sales over the years
- Depreciation charged
- Any unusual expenditure

### **5) Why do we require a Balance Sheet?**

To understand the business of the customer in terms of –

- Owner's involvement



- Profitability of the business
- Asset base
- His Customer Base & Liquidity
- His Suppliers

**6) What to read out of Schedules?**

- Understanding the list of his Customers
- Understanding the list of his Suppliers
- Understanding the value of assets as on date
- Understanding various loans availed by the loan applicant



**Restriction Areas of Credit:**

**Negative profiles**

- Daily wage laborers / Mathadi Workers
- Drivers and Conductors of SRTC / Taxi drivers / Auto Rickshaw Drivers /
- Commercial Vehicles Drivers
- HUF
- Anti Social Elements
- Politicians
- Garment Exporters
- Employees of BIFR Companies
- Watchmen
- Security Services - Companies and their Employees
- Stock Brokers
- Real estate agents
- Tour Operators
- Cable Operators
- Mine and Quarry workers
- Firms engaged in parcel movement
- Plantation / Time Share companies
- Employees of Chit fund/Stock Broking/Investment companies
- Bar Owners.
- Employees of NBFCs below AA rating
- Film stars (The negative list includes all persons associated with the Film Industry i.e. whose income / cash flows are linked with the film industry)
- Class 4 employees
- Employees of Dot-Com companies
- Builders and their relatives

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### **Post sanction/Legal documents.**

Post sanction is legal documents on the basis of which a cheque is disbursed to the customer. The only security that HDFC has against a loan in this legal documents & no deviation is usually allowed in legal document. This document is send to the lawyer who verifies before being accepted by HDFC bank these are as follows:

**1) Direct From Builder Case:**

Agreement of Sale  
Sub Registrar Receipt  
No objection certificate from builder  
Own contribution receipt from builder

**2) Direct from Registered Co-op Hsg Society Ltd.:**

Share Certificate  
Allotment Letter  
No Objection Certificate from Society  
Own contribution receipt from Society  
Copy of Society Bye Laws  
Society Registration Certificate  
Registered Agreement if not Original member

**3) Own Construction Case:**

Original Sale Deed with Registration Receipt.  
7/12 Extract  
6 D Extract  
NA Order Copy  
ULC Order Copy  
Latest Title Clearance Certificate  
Original Architect Estimate  
Commencement Certificate  
Prior Sale Deed with Original Reg.Receipt.

**4) Resale Case:**

Sale Deed/Agmt with Registration Receipt  
Previous Customers Sale Deed/Agmt with Registration Receipt  
Own Contribution Receipt  
NOC from Builder/Society  
Title Certificate  
Share Certificate & Allotment Letter (if applicable)  
NA Order & NA Tax Receipt (Xerox)  
ULC (Xerox)  
7/12 & 6-D Extract (Xerox)  
Commencement Certificate & Completion Certificate (Xerox)  
Society Registration Certificate & Bye-Laws (Xerox)  
Title Certificate (Xerox)  
Building Plan (Xerox)

**5) MASTER FILE/LEGAL FILE:**

Sale Deed/lease Deed/Gift Deed or Development Agreement/Power of  
Attorney/Partnership Deed  
NA order & ULC  
Commencement Certificate & Completion  
Building plan  
7/12 Extract & 6-D Extract  
Title Certificate  
Society Registration Certificate  
Bye Laws Copy.

## Analysis of Legal Documents

- All owners of the property should be applicants
- Check for cost of property and OCRs paid
- Signature of the owners should match with the application form
- Witness should sign the agreement
- Priority and Non Priority documents to be collected as per legal report
- NOC From builder/ society / development authority as the case may be
- Own contribution receipts

### Agreements

- Current agreement must be registered
- Stamp Duty receipt required
- Registration receipt required
- Stamp duty receipt and registration receipt amount to be added to cost of property and calculated as OCRs too.

### NOC

- NOC should be on the letterhead of the Society/ Builder / Development Authority
- Should have the stamp of the society / Builder / Development Authority
- Address should match as per the agreement, Flat No., Wing No. etc.
- Should be as per the procedures and drafts for different transaction types.
- Must be dated

### Own Contribution Receipts

- Must have a revenue stamp
- Cash payments cannot be more than Rs.20000/-
- Should give details of the property like flat No. etc
- In case of refinance > Rs.1 lac
  - Builder case – Receipts from builder & debits in bank account
  - Resale – Agreement for sale / Sale deed to be registered before refinance

**Property Norms:**

- Property should not be in negative area
- Property should be within geographic limits
- Property should be self contained
- Maximum age of property less than 35 years at loan application
- Loan tenor not to exceed residual age of the property
- Minimum Built up area > 400 sq. ft
- In case of row house of ground floor only



## HOUSING LOAN PROCEDURE.

The housing finance cycle at HDFC is of two stages; both are important and play a vital role in fulfilling the requirements of housing finance institution.

The two stages are as under-

**1. Sanction stage.**

**2. Disbursement stage.**

**1. Sanction stage.**

It is a stage where the customer get sanction or approval that he is eligible to take a loan of specific amount calculated on the basis of his income from HDFC Bank.

**2. Disbursement stage.**

It is a stage where the cheque of sanctioned amount is handover to the customer or concerned person.

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**Sanction stage**

- A.** Generation of leads/Sourcing of business.
- B.** Contact & collection of documents from customer.
- C.** Completion of documents.
- D.** Field investigation report.
- E.** Verification of relationship officer.
- F.** Personal discussion.
- G.** Final approval or rejection by the branch credit manager.
- H.** Sanction letter delivered to the customer.



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### **A. Generation of leads/Sourcing of business:-**

This is an important step in the housing finance cycle to keep the organization moving successfully. It is essential to generate cases to credit HDFC uses methods to source business & generate leads-

1. Mail.
2. Walk-in interview.
3. Telephone enquiry.
4. Customer reference.
5. Approved project file.

### **B. Contact & collection of documents from customer:-**

Once the lead has been sourced the sales officers contact him & give him a list of documents long with other corresponding information. When the documents are handed over to sales officer, he submits documents along with the application form to HDFC bank. Sales officer gives an idea about how much loan customer avail as per his income can.

### **C. Completion of documents:-**

The document have been collected by the sales officer hand over to the back office executive, executive then complete documents in special file provided for HDFC bank in accordance with the requirement of HDFC bank.

### **D. Field investigation report:-**

After completing the documents the back office executive ties the field investigation report with the data compiled from the file before moving it on the next stage.

### **E. Verification by sales manager :-**

After completion of documents and filing of it, the documents are handed over to the Sales manager, who verifies the documents to check for loan analysis the strength and weakness of a case, the loan eligibility & the requirement of additional documents. The sales manager act as a filter allowing good case to flow through for final approval while

do not fit, into the policies of HDFC bank. Sales manager make signature if the case fit into policies of the bank.

#### **F. Personal discussion:-**

PD is an important stage in sanction process as per norms loan amount is decided on the basis of documentation but the customer knowledge; his behavior can be decided on the basis of PD with him. It helps to judge the credit worth ness of applicant which helps organization in future. Sales manager make signature if the case fit into policies of the bank.

#### **G. Final approval or rejection by the branch credit manager:-**

The file is send to the branch credit manager for final approval after checking the file branch credit manager take final decision of approval or rejection of the case. If the case is rejected the documents are returned to the customer & if the case is approved then it goes to the next step.

#### **H. Sanction letter delivered to the customer:-**

This is the final step in sanction process after receiving the sanction letter it hand over the sanction letter to customer along with a list of legal documents required for the next stage i.e. disbursement stage.

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## Disbursement Stage

- A. Collection of legal documents.
- B. Completion of documents.
- C. Legal appraised.
- D. Technical appraised.
- E. Final check by the BCM.
- F. Cheque disbursement.



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### **A. Collection of legal documents:-**

This is the first step towards the disbursement of cheque after sanction of the case. Already the sales officer collect the legal document from the customer in case of self construction & or collect it from the builder from whom the customer is purchasing the property.

### **B. Completion of documents:-**

Once the documents are collected by the sales officer he hand it over to the back office executive for compilation the executive complete the documents and process.

### **C. Legal Appraisal:-**

The legal appraisal of a case is an important step & it done by lawyer specially appointed by HDFC bank. The lawyer verifies the documents to check if the title of the property is free & marketable from all obligations; other legal aspect is free from any fraud. Once the documents have been verified he submits a legal report to HDFC bank. The lawyer report is very essential without his approval no case is clear. Incase of negative remark mentioned by the lawyer the case is being rejected.

### **D. Technical Appraisal:-**

The technical appraisal is a task in which an engineer specially appointed by HDFC bank. he visit the site and check the property and prepare a report And submit it to the bank. on the basis of the report the BCM takes his disbursement decision.

1. If the property is in accordance with the plans rules and regulations approved by NMC.
2. If there are any legal and unauthorized construction on the site.
3. If the owner of the property is the same as mentioned on the legal Documents.
4. The extract or stage of constructions.
5. The raw material etc. available on the site.
6. He checks to see the cost is being incurred on the property is equivalent to the estimate shown by the customer.
7. He also provides an estimated date of compilation of the property.
8. Checking the age and conciliation of the property in case of resale Property.

### **E. Final cheque by the BCM:-**

The BCM makes a final check of the documents before taking his decision. If the case is clear then BCM send s the file to operational manager.

### **F. Cheque disbursement:-**

This is final step in the disbursement stage. The operation manager prepare the cheque along with the letter which is handed over to the sales officer who then give it to the customer. Disbursement of cheque is done in accordance with the stage of construction as reported by technical advisor.

The cheque is disbursed in two ways,

1. As a part disbursement.
2. Fully disbursement.



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## **General Causes of Rejection of the Proposal**

Not every case that comes into HDFC can be approved for a loan. Certain cases get rejected there are various causes which lead to the rejection of a case. Some important causes of rejection are follows.

### **1) Documentation / Property:**

- 1.1 Credit Documentation not as per Policy.
- 1.2 Technical Norms not met
- 1.3 Legal Documentation not as per Policy.
- 1.4 Fraud Document Submitted

### **2) Financial Reasons:**

- 2.1 AF Cheque Bounce
- 2.2 Negative RCU
- 2.3 Unsatisfactory RTR / Credit history
- 2.4 Income Norms not met
- 2.5 Employment norms not met
- 2.6 Poor Financial (SE Case)
- 2.7 High Outstanding of Debtors
- 2.8 Too many existing Obligations

### **3) Geographical Reasons:**

- 3.1 Outside Geo Limits
- 3.2 Property in Negative Area
- 3.3 Residence in Negative Area

### **4) Personal Profile:**

- 4.1 Negative Profile
- 4.2 Negative FI
- 4.3 Dedup match found
- 4.4 Income Ownership norms not met

- 4.5 Poor Banking /Saving Habits
- 4.6 Dependents > 5
- 4.7 Undisclosed/Manipulated material facts
- 4.8 Internal Family Transaction of the Property
- 4.9 Age norms not met
- 4.10 Customer withdrawing
- 4.11 OCR High-No satisfactory Explanation.
- 4.12 Negative references.



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### Comparison between HDFC Bank and Union Bank of India.

Points	HDFC Bank	Union Bank of India
<b>Sector</b>	Private Sector	Public Sector
<b>Door Step Service</b>	Provide	Not Provide
<b>Mortgage</b>	Oral / Equitable Mortgage	Registered Mortgage
<b>Guarantor</b>	Not Mandatory	Mandatory
<b>Approved Project File</b>	Process Carried	Not Carried
<b>Administrative Fees</b>	0.5%+Service Tax@ 12.36%	0.5%+ Service Tax@ 12.36%
<b>Documentation</b>	Easy	Lengthy
<b>Dependents</b>	Max.5 Nos.	Max.5 Nos.
<b>Increase or Decrease in Loan Amount</b>	Possible	Not Possible
<b>LTV (HL)</b>	85.00%	80.00%
<b>Residual Age of Property</b>	Max.35 Yrs	Max.15 Yrs
<b>Deduping</b>	Process Carried	Not Carried
<b>CIBIL Verification</b>	Mandatory	Mandatory
<b>Minimum Gross Income</b>	Rs.6500 p.m.	Rs.5000 p.m.
<b>No. of Yrs in Employment</b>	3 Yrs	3 Yrs
<b>Part Prepayment Fees</b>	Nil	Nil
<b>Full Prepayment Fees</b>	2.00% on Outstanding +ST@12.36%	Nil
<b>Max Tenor</b>	20 Yrs	20 Yrs
<b>Age Norms</b>	Min. 21 yrs at loan origination  Max.65 yrs or age of retirement, whichever is less at loan maturity	Min. 21 yrs at loan origination  Max.60 yrs or age of retirement, whichever is less at loan maturity
<b>Borrowers</b>	All owners to be Borrowers	All owners to be Borrowers



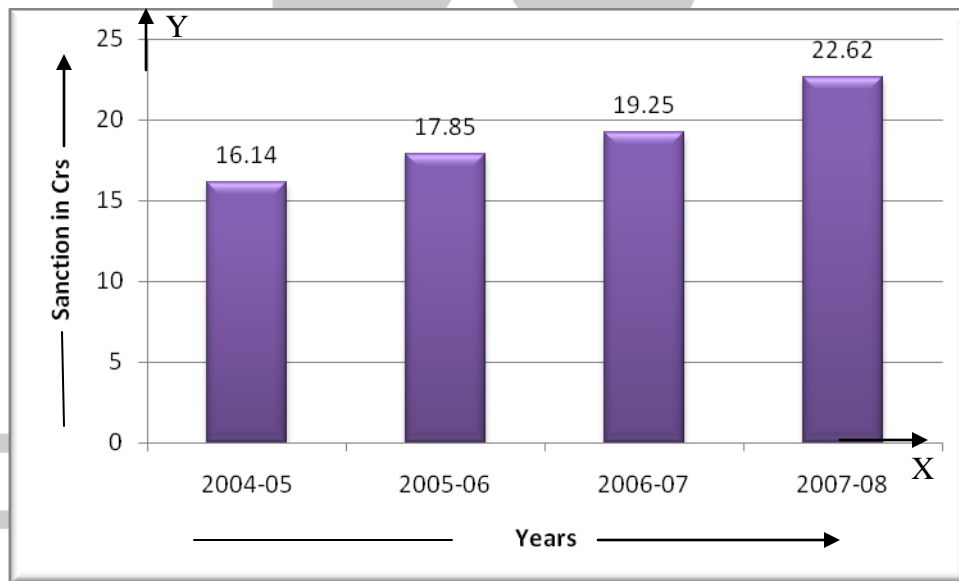
Points	HDFC Bank	Union Bank of India
<b>Sanction Validity</b>	6 months for Salaried & 3 months for SEP/SENP	6 months
<b>Property Identification</b>	Not Mandatory for Sanction	Mandatory
<b>Calculation of Loan Eligibility</b>	<p>As per Applicable FOIR -</p> <p>Salaried</p> <p>5500- &lt;8000 =40%</p> <p>8000- &lt;20000 =45%</p> <p>20000-&lt;25000 =50%</p> <p>&gt;=25000 =55%</p> <p>(Discretion of 2% will be allowed higher than the approved limits)</p> <p><i>For SENP- Max.55%</i></p>	<p>For Salaried- (A)</p> <p>a. Gross Salary x 12 x 4</p> <p>b. Net Salary x 12 x 5</p> <p>(B) 60:40 Ratio</p> <p>Gross Income / 12 x 60% -</p> <p>Obligation = Eligible EMI</p> <p>For SENP-</p> <p>1) Total Income x 4</p> <p>2) Net Taxable Income x 5</p> <p>Whichever is higher in above 1) &amp; 2)</p>

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**1. Growth of sanction of HDFC home loan at HDFC Bank.**

YEAR	SANCTION (In Crs)
2004-05	16.14
2005-06	17.85
2006-07	19.25
2007-08	22.62



Source: HDFC Bank Sanction & Disbursement report.

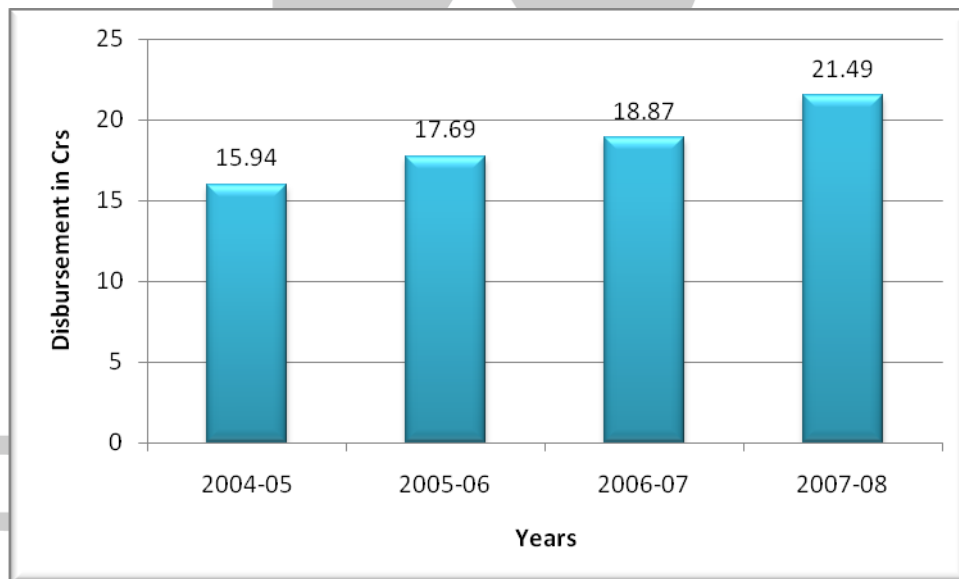
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**Interpretation:**

The above graph shows the performance of sanction process during last four year. It shows the growth in sanction process every year over the previous year.

**2.Growth of disbursement of HDFC home loan at HDFC Bank.**

YEAR	DISBURSEMENT (In Crs.)
2004-05	15.94
2005-06	17.69
2006-07	18.87
2007-08	21.49



Source : HDFC Bank Sanction & Disbursement report.

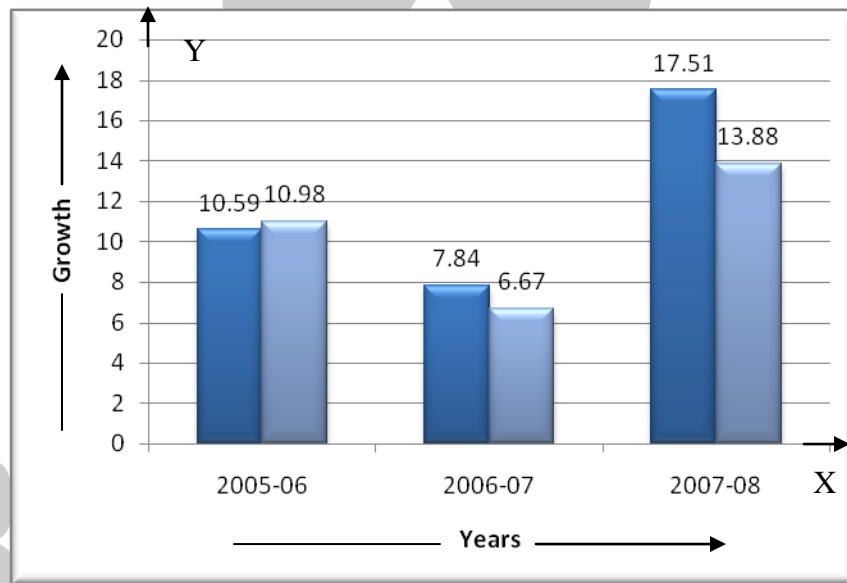
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**Interpretation:**

The above graph shows the performance of Disbursement process during last four year. It shows the growth in Disbursement process every year over the previous year.

**3.Growth of Sanction & Disbursement of HDFC home loan of last three years.**

YEAR	SANCTION ( Cr. )	GROWTH ( % )	DISBURSEMENT ( Cr. )	GROWTH ( % )
2004-05	16.14	-	15.94	-
2005-06	17.85	10.59	17.69	10.98
2006-07	19.25	7.84	18.87	6.67
2007-08	22.62	17.51	21.49	13.88



Source: HDFC Bank Sanction & Disbursement report.

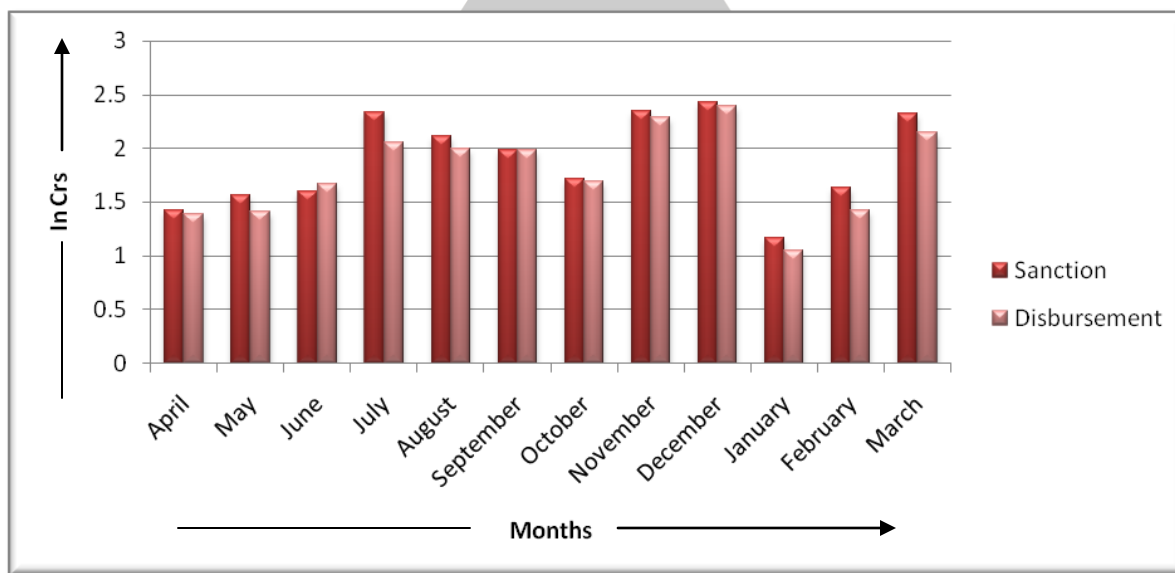
**Interpretation:**

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The above graph shows the percentage changes in sanction & Disbursement process during last three year over its previous year.

#### **4. Month wise Sanction & disbursement of HDFC home loan for financial year 2007-08.**

<b>MONTH</b>	<b>SANCTION (Cr.)</b>	<b>DISBURSEMENT (Cr.)</b>
April	1.42	1.39
May	1.56	1.41
June	1.6	1.67
July	2.34	2.05
August	2.11	2.00
September	1.98	1.98
October	1.72	1.69
November	2.345	2.29
December	2.425	2.39
January	1.17	1.05
February	1.63	1.42
March	2.32	2.15
<b>Total</b>	<b>22.62</b>	<b>21.49</b>



Source: HDFC Bank Sanction & Disbursement report.

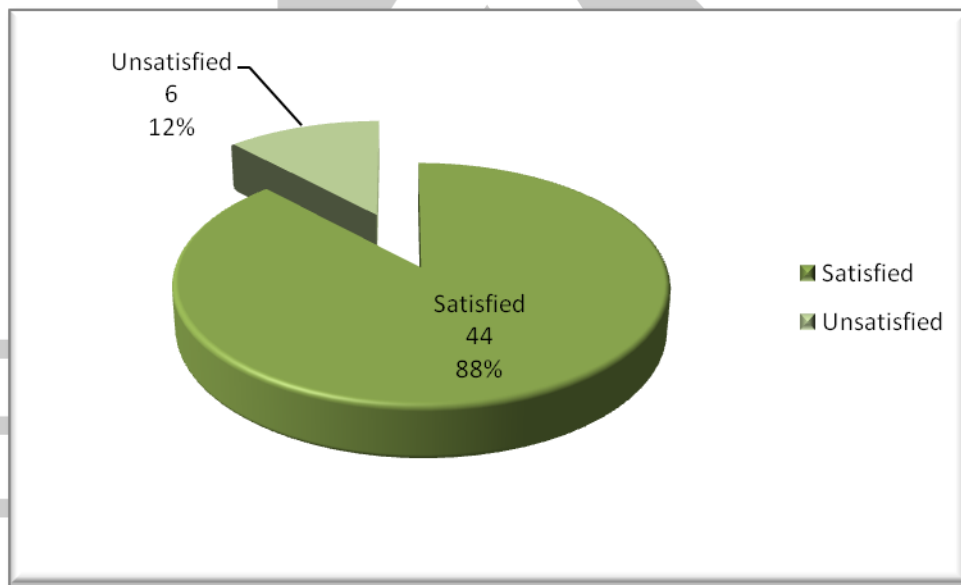
#### **Interpretation:**

The above graph shows the fluctuation in month wise sanction & Disbursement

of home loan.

**1. Home loan procedure of HDFC Bank.**

SR.NO	PARTICULARS	NO.OF RESPONDENT	%
1	Satisfied	44	88
2	Unsatisfied	06	12
Total		50	100



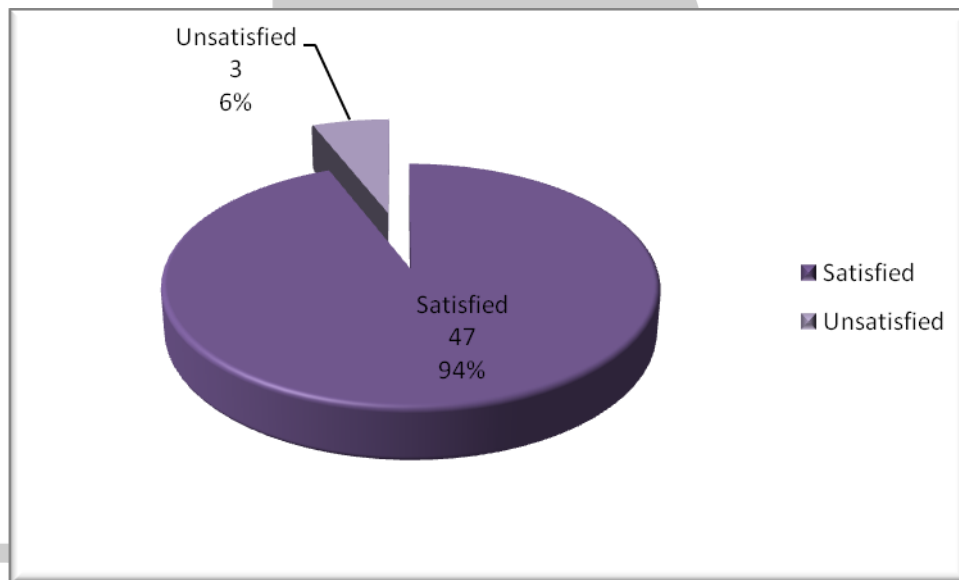
Let's Business

**Interpretation:**

The above pie chart shows the 88% of the customer are satisfied with the procedure while 12% are unsatisfied. These differences may be because of the service provided by the employees at various areas.

**2.Documentation of home loan at HDFC Bank .**

SR.NO	PARTICULARS	NO.OF RESPONDENT	%
1	Satisfied	47	94
2	Unsatisfied	03	06
Total		50	100

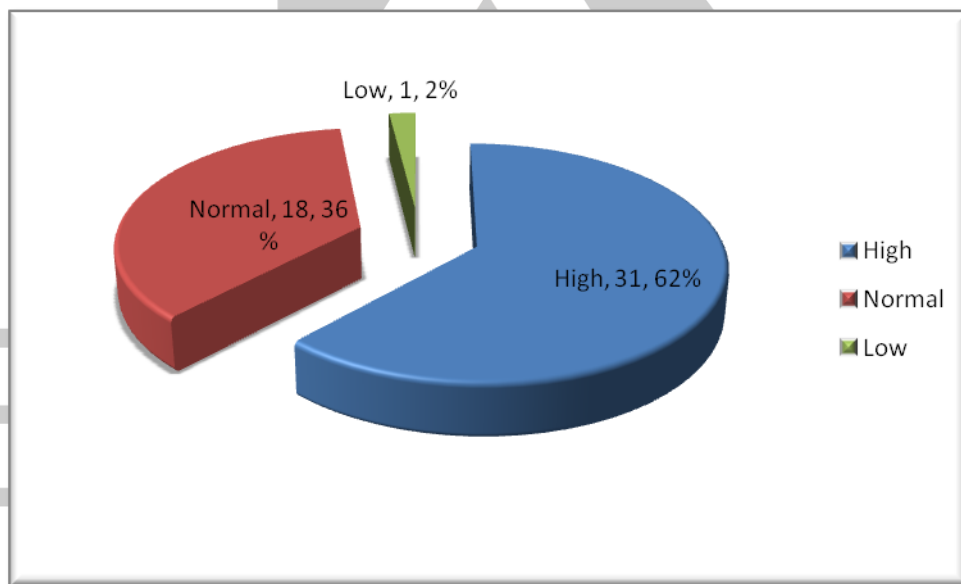


**Interpretation:**

The above pie chart shows the 94% of the customer are satisfied with the documentation while 6% are unsatisfied. These differences may because of the improper information provided by the employees at various areas.

### 3.Rate of interest at HDFC Bank.

SR.NO	PARTICULARS	NO.OF RESPONDENT	%
1	High	31	62
2	Normal	18	36
3	Low	1	02
Total		50	100



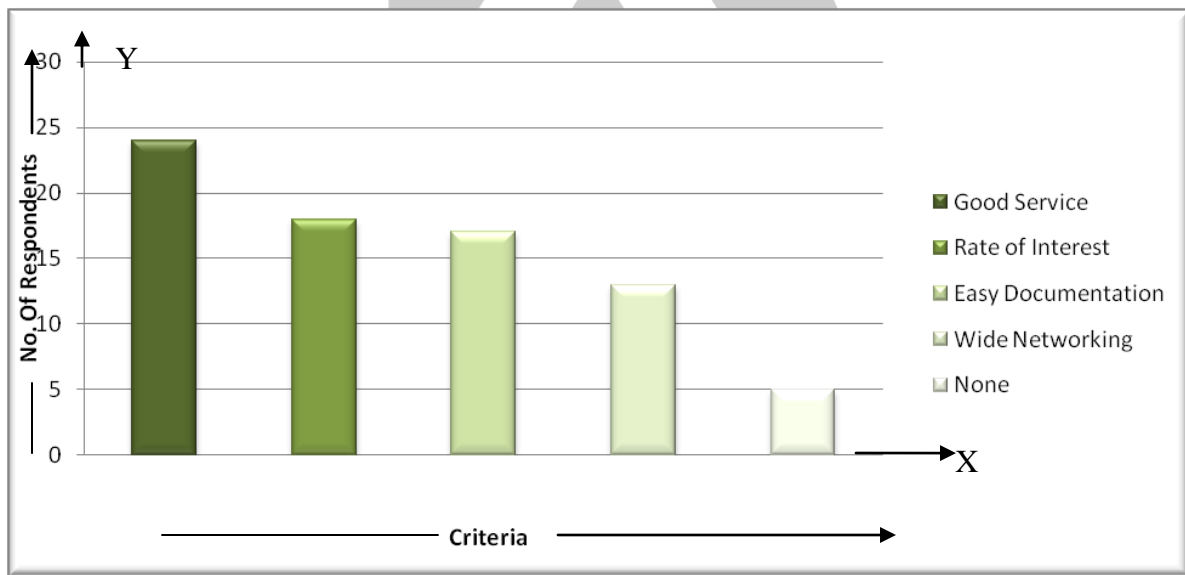
**Interpretation:**

The above pie chart shows that 62% customer fill that the rate of interest is high, 36% customer fill the rate is normal & 2% fill that it is low. It depends on the perception of the customer.



**4.Choice of HDFC Bank.**

SR.NO	PARTICULARS	NO.OF RESPONDENT
1	Good Service	24
2	Rate of Interest	18
3	Easy Documentation	17
4	Wide Networking	13
5	None	05



**Interpretation:**

The above pie graph shows that most the customer prefers the HDFC Bank on the basis of the good service.

## Findings

- 1) Credit Appraisal plays the most significant role in funding the right and eligible person
- 2) There is heavy risk involved in funding of any property like, double funding.
- 3) In case of the borrower lost his job, meets with accident, which results into permanent disability or the person died, in that situation the loan repayment responsibility comes on his family. It is major problem.
- 4) I observe that there are some cases in which the Bank statement shows cheque bounces or minimum balance charges were debited.
- 5) After the comparative analysis between Union Bank of India and HDFC Bank, I Observe some important points of distinction, that the Union Bank do the Registered mortgage and Guarantor is mandatory where as HDFC deals with Oral / Equitable Mortgage and Guarantor is not mandatory with advantage of Providing Door Step Service to Customers.
- 6) In the year 2004-05 sanction amount was 16.14 Crs, it has reach today to 22.62 Crs in 2007-08. The percentage increase in growth of sanction is 35.94%.
- 7) In the year 2004-05 disbursement amount was 15.94 Crs, it has reach to 21.49 Crs. The percentage increase in growth of disbursement is 31.53%.
- 8) The month wise sanction and disbursement amount fluctuate in last financial year 2007-08, It may be due to increase in interest rate.
- 9) Most of the Customer prefers HDFC Bank because of its service.

### Suggestions

- 1) Risk of default should be reduced by funding the right customer, by using various tools of appraising like Deduping, CIBIL Report, Field Investigation, RCU Verification.
- 2) At present Insurance is optional but to secure the Loan the Insurance of the Borrower and Property should be mandatory.
- 3) The cases should be rejected if the Customer Bounces the cheques intentionally it shows the carelessness of the customer; and the case should be done which have technical reason of cheque bounces and minimum balance charges.
- 4) The minimum income criteria should be increased up to Rs.8000 or FOIR should restricted up to 40% for the income less than Rs.20000,because the customer can manage easily the residential as well as other expenses after payment of the hsg.loan EMI.
- 5) On the basis of comparison between UBI and HDFC, I recommend that HDFC continue this strategy of Equitable Mortgage, Guarantor is not mandatory and Door Step Service to attract more customers and capture the major share in the Market.
- 6) Employee should get training so that time required for file lock in should get reduce.

**QUESTIONNAIRE**

**Name:** \_\_\_\_\_

**Address:** \_\_\_\_\_

**Contact No:** \_\_\_\_\_

Q.1) Have you taken home loan from HDFC Bank?

Yes  No

Q.2) From which branch of HDFC Bank

Q.3) Are you satisfied with the home loan procedure of Bank?

Yes  No

Q.4) Documentation of Home Loan at HDFC Bank is

Easy  Tedious  Ok

Q.5) Rate of interest at HDFC Bank is

High  Low  Normal

Q.6) are you satisfied with the services provided by the HDFC Bank?

Yes  No

Q.7) why you have chosen the HDFC Bank for availing Home Loan?

Good Service

Rate of Interest

Easy Documentation

Wide Networking

All of the above

**CASE NO.1**

- 1) **Applicant Name** : Mr.Tushar Borade  
2) **Co-Applicant Name** : Mr. Subhash Borade  
3) **Loan Amount Applied** : 2300000 Rs.  
4) **Tenor Requested** : 20 Yrs  
5) **Profile** :  
    **Applicant** : Salaried  
    **Organisation** : Reliance Energy Ltd.  
    **Co-Applicant** : Salaried  
    **Organisation** : MSPGC Ltd.

7) **Strength of the Case:**

Bank Salary  
Qualified Profile  
No Existing obligation  
Super Worksite Company  
Less no. of Dependents

8) **Findings:**

- 1) Field Investigation report is Negative due to House found locked at the time of Visit.  
2) FOIR is exceeding the limit of 55.00%

9) **Suggestions:**

Field Investigation Report is Negative and FOIR is exceeding hence; Approval should be taken from Higher Authority i.e. Regional Business Head.

## **CASE NO.2**

- 1) **Applicant Name** : Mr.Pankaj Khairnar  
2) **Co-Applicant Name** : Mrs.Hemangi Khairnar  
3) **Loan Amount Applied** : 1600000 Rs.  
4) **Tenor Requested** : 20 Yrs

5) **Profile** :

- Applicant** : Salaried  
**Organization** : HAL  
**Co-Applicant** : Salaried  
**Organization** : Swami Vivekananda School.

6) **Monthly salary:**

Applicant: Rs.14200 p.m. & Incentive Rs.14700 p.m.  
Co-applicant: Rs.10000 p.m.

7) **Strength of the Case:**

Bank Salary  
Good Bank Balance  
PF Balance Approx.Rs.1.25 Lacs  
LIC Policy worth Rs.1.50 Lacs  
Clubbing of Income case  
Super Worksite Company

8) **Findings:**

Applicant has borrowed HAL Credit Society Loan and the deduction of which shows in the Salary Slip.

9) **Suggestions:**

As per discussion with Applicant he is not going to nil that loans hence the said EMI should be considered as obligation in loan eligibility calculation.

### **CASE NO.3**

- 1) Applicant Name** : Mr.Bhavesh Patadia  
**2) Co-Applicant Name** : Mr.Sona Patadia  
**3) Loan Amount Applied** : 1500000  
**4) Tenor Requested** : 15 Yrs

#### **5) Profile:**

- Applicant** : Self Employed Non Professional  
**Organization** : JHP Securities  
**Co-Applicant** : House wife

#### **6) Monthly Income:**

Applicant : Rs.74053 p.m.

#### **7) Strength of the Case:**

Good Bank Balance  
Good RTR of Existing Hsg. Loan  
Low LTV

#### **8) Findings:**

- 1) Applicant Bank Statement showing monthly deduction of Rs.8500 as EMI of Hsg. Loan
- 2) Applicant going to purchase second property.

#### **9) Suggestions:**

- 1) As per discussion with Applicant he is not going to nil that Housing loan hence the said EMI should be considered as obligation in loan eligibility calculation.
- 2) Applicant going to purchase second property hence LTV should be restricted to max.75%.

## **CASE NO.4**

- 1) **Applicant Name** : Mr. Dilip Nikam  
2) **Co-Applicant Name** : Mr. Anjali Nikam  
3) **Loan Amount Applied** : 1500000 Rs.  
4) **Tenor Requested** : 20 Yrs

5) **Profile** :

- Applicant** : Salaried  
**Organization** : MICO BOSCH Ltd  
**Co-Applicant** : Salaried  
**Organization** : Nirmala Convent high School

6) **Monthly Income:**

- Applicant** : Rs.42600 p.m.  
**Co-applicant** : Rs.14700 p.m.

7) **Strength of the Case:**

- Good Bank Balance  
Good RTR of HDFC Bank Ltd  
Income Clubbed Case

8) **Findings:**

- 1) Applicant Bank Statement showing monthly deduction of EMI of HDFC Bank and the said was reflected in CIBIL Verification report.  
2) Applicant salary slip shows deduction of society loan  
3) Applicant going to purchase second property

9) **Suggestions:**

- 1) Applicant is not going to nil that Housing loan of HDFC as well as Society loan; hence the said EMI's should be considered as obligation in loan eligibility calculation.  
2) Applicant going to purchase second property hence LTV should be restricted to max.75%.



**CASE NO.5**

- 1) **Applicant Name** : Mr. Sanjay Sagdeo  
2) **Co-Applicant Name** : Mr. Shubha Sagdeo  
3) **Loan Amount Applied** : Rs.800000  
4) **Tenor Requested** : 5 Yrs

5) **Profile** :

**Applicant** : Salaried  
**Organization** : MSPG Co. Ltd.  
**Co-Applicant** : House wife

6) **Monthly Income:**

**Applicant** : Rs.48153 p.m.

7) **Strength of the Case:**

Bank Salary  
Stable / Govt. Job  
Worksite Company  
No any Obligation  
PF Balance worth Rs.20 Lacs  
Owned House worth Rs.24 Lacs  
Qualified Profile

8) **Findings:**

Applicant's Age is 54 years.

9) **Suggestions:**

Loan Amount possible for only 4 years remaining in the service and 1 extended year hence maximum loan tenor should be restricted to 5 years .

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