

A

MANAGEMENT THESIS

ON

**“A COMPARATIVE STUDY OF HOME LOAN
PRODUCTS OFFERED BY IDBI BANK & SBI BANK
IN PUNE CITY.”**

BIZASTRA

By

Let's Business
(Name)

COMPANY: IDBI BANK, Pune

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PGDBA 20 -20

Let's Business

In The Partial Fulfillment Of

POST GRADUATE DIPLOMA IN BUSINESS

ADMINISTRATION (Class of 20)

(Institute name)

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ACKNOWLEDGEMENT

Firstly, I would like to thank to my parents for giving me a precious opportunity to undergo and study the Master of Business Administration Program and the Summer Internship Program.

I would like to thank for the encouragement that I received time to time from my Faculty Guide, **Mr.** _____ also my Company Guide **Mr.** _____ in making this report successful.

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Finally, I express thanks to my parents and friends who are always supported and encouraged me throughout.

Place:

Date:

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ABBREVIATIONS

ATM: Automated Teller Machine

IDBI: Industrial Development Bank of India

ICICI: Industrial Credit & Investment Corporation of India

IHFL: IDBI Homefinance Ltd.

IPO: Initial Public Offer

MFI: Microfinance institutions

NPA: Net Performing Assets

NRI: Non Residential Indian

RACPC: Retail Account Central Processing Cells

SBAR: State Bank Advance Rate

SBI: State Bank of India

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Abstract/Summary

This thesis is about comparison of home loan products of IDBI & SBI. As per current scenario demand of home loan is increasing day by day. So the financial companies who provide home loans are playing crucial role.

The main objective of this project is to know which bank are giving better home loan products to customers.

IDBI is providing home loan products through its subsidiary IDBI home loan finance Ltd. Firstly I collected the data from the employees of IDBI Bank as well as SBI. Then I searched many websites for data collection. Mainly I collected the data from both banks' websites. After that I analyzed the whole data also I tool suggestions from my company Guide to complete the thesis.

Finally I would like to say that this study will helpful to the people who take home loans from both the banks.



Objectives:

1. To know about the IDBI Bank.
2. To know about Home Loan products of IDBI as well as SBI.
3. To analyze the home loan products of IDBI as well as SBI
4. To know which bank is giving better home loan products to customers.



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Methodology:

The methodologies used for the collection of data have been as follows,

1. Primary data is collected by interviewing the Employees & customers of IDBI Bank, Kalyani Nagar.
2. The information collected under title secondary data is mainly based upon public sources like statements bulletins & Internet etc.



Limitations of the Study:

1. The Information required can not be obtained from primary sources that effectively.
 2. Maximum information is collected from secondary sources.
 3. The scope of the research was limited to IHFL and SBI only.
- Time is the main constraint during the study which was limited up to four months.



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LITERATURE REVIEW

1). www.som.iitb.ac.in/ppts/hemant.ppt

_____ **Senior Vice President Retail Banking, AXIS** Bank talked about the analysis of Homeloan products of AXIS bank, that how it is different than others. - **CUSTOMER FOCUS BANKING.**

2). **Report on Trend & Progress of Housing in India, June 2003**

In the report they talked about the current scenario about role of microfinance in home loan business. What is the impact of credit policies on home loans.

3). There was a research conducted regarding A Research Study of Customer Preferences in the Home Loans Market: The Mortgage Experience of Greek Bank Customers by John Mylonakis, in that he found that Due to rapid changes in banking in the latest years, organizations have been focusing on the sales of mortgage services, as profits in this field are higher than in other products. Also he mentioned about the Competition.



ABOUT HOME LOAN

Information resource for housing loans in India

For many millions of Indians, the single greatest achievement in life was to own a home, and thanks to a range of banking services now available, home loans are a simple affair now. In fact, home loans are now sold as a product and the applicant is treated like a consumer.

Gone are the days when ordinary folk depended on a lifetime of savings and resorted to the local moneylender to build or buy a house. Home loans make it possible to move into your own home, almost as soon as you can afford the down-payment and keep paying for it while you also live in it. But the home loan is actually a mortgage and you could lose the home in case of repeated default.

Most banks have standard guidelines for applying for a home loan and a set of rules, which may vary, from one finance institution to the other. The term of the loan may range from one year to thirty years, with varying interest rates. The longer the term, the higher the interest charged, usually. However, having decided on a longer term, a pre-payment of the loan also leads to pre-payment penalty - which usually ranges from one to two percent.

For instance, most home loan applicants have to be between twenty-one and fifty-eight years of age, or at least the guarantor has to be. There may be age limit extensions of government employees or self-employed people who will not be forced to retire at sixty. Applicants for home loans must prove to be credit-worthy before a loan is sanctioned by the bank or the finance institution concerned. For one, they will demand to see proof of income or some proof that the applicant - now referred to as a consumer - has the resources to repay the loan. The EMI, or the monthly installments, will be a certain percentage of your income.

Taking a home loan also has tax advantages, which makes it a doubly good investment, as compared to other conventional forms of savings.

HOME LOAN TYPES

- Home purchase loans
 - Home improvement loans
 - Home construction loans
 - Home extension loans
 - Home equity loans
 - Land purchase loans
 - Bridge loans
 - Mortgage loans
 - Top Up Loans
-
- **Home Purchase Loans:** These are the basic forms of home loans used for purchasing of a new home.

- **Home Improvement Loans:** These loans are given for implementing repair works, healing and renovations in a home that has already been purchased.
- **Home Construction Loans:** These loans are available for the construction of a new home.
- **Home Extension Loans:** These loans are given for expanding or extending an existing home. For e g: addition of an extra room etc.
- **Home Conversion Loans:** These loans are available for those who have financed the present home with a home loan and wish to purchase and move to another home for which some extra funds are required. Through home conversion loan, the existing loan is transferred to the new home including the extra amount required, eliminating the need of pre-payment of the previous loan.
- **Land Purchase Loans:** These loans are available for purchasing land for both construction and investment purposes.
- **Bridge Loans:** Bridge loans are designed for people who wish to sell the existing home and purchase another one. The bridge loans help finance the new home, until a **buyer is found for the home.**

- **Top Up Loans**

This unique retail loan product offers a customer, a loan by mortgaging an existing house. A person can take a loan for his personal needs which can be for purchase of furniture, trade and business requirement, higher education etc. by mortgaging his home. A person can also take a top up loans, on an existing home loan; while paying for the loans, bank can grant a customer, a top up loans to meet his other needs; this in turn depends on his repaying capacity.

- **Fixed Rate Home Loan**

If you have decided that you will buy a home and plan to stay in it till you fully pay off the loan then a fixed rate home loan will probably suit you. Under this type of loan, you will be assigned a fixed interest rate, and then that rate will not change for the life of the loan. There may come a situation that interest rates increases but under this scheme your rate will not change. But if interest rates tumble even then you will be paying the higher rate. In this case you have an option of refinancing to enjoy paying low rate.

- **Adjustable Rate Mortgage**

Unlike the fixed rate home loan, the interest rate in this scheme goes up and down with the market. To explain in simpler terms, if the interest rate is low, the rate on your home mortgage will be low and if it's high, you have to pay according to the higher rate. You are left perplexed at the rapid changes in the interest rates because at the time of paying dues you do not know what the current rate of interest is. This type of loan doesn't suit all.

Adjustable Rate Mortgage is mainly for the beginners. In other words if you are buying a house only for investment purposes and plans to sell it soon, you can take the benefit of

low interest rate. Another benefit of Adjustable Rate Mortgage is to the one who plans to purchase a home when rates are falling and when they are increasing you can change it to a fixed rate home loan.

- **Balloon Mortgage**

In this type of loan, Interest rates are much lower than fixed rate mortgage or an Adjustable Rate Mortgage. Under Balloon Mortgage scheme, you will make monthly payments for a fixed amount of time, with a fixed interest rate. The difference is that at the end of the payment schedule, you will owe the unpaid balance in one lump sum. The biggest disadvantage of this type of loan is that there is a huge payment due at the end. But it's beneficial if you are planning to hold the house for a short period of time. By understanding the various types of home loans that are available to you, you will be better prepared to make a decision that is just right for you and your family.



DOCUMENTS REQUIRED

- **Confirmation of Income**

- If you are a salaried person, please provide two recent consecutive pay slips or a copy of your employment contract or a letter from your employer.
- If you are self-employed, please provide copies of your last two Financial Accounts as prepared by your accountant.
- Appointment Letter
- Salary Certificate
- Retainer ship Agreement, if appointed as a consultant
- FORM 16 issued by the employer in your name.
- Last three years income tax returns duly filed and certified by the Income Tax Authorities
- Similar Document -separately for each co-applicant.

- **Employment Proof**

- Identity card issued by your employer
- Visiting card

- **Age Proof**

- Passport
- Voter's ID card
- PAN card
- Ration card
- Employer's Identity card
- School leaving certificate
- Birth certificate

- **Residence Proof**

- Ration card
- Passport
- PAN card
- Rent agreement, if you are staying currently on rent
- Bank Pass book
- Allotment letter from your company if you are residing in company quarters.

- **Name Change Proof (If Applicable)**

A copy of the official gazette b.

A copy of a newspaper advertisement publicizing the name change c.
Marriage certificate.

- **Investment Proof (If Applicable)**

- Bank statement for the last six months of all operating and salary accounts
- Bank statements for the last six months of all current accounts, if self-employed.
- Any other photocopies of investments held, if required by the Bank

- **Property Title Proof**

- Original Sale agreement with Builder/Developer duly registered, Registration receipt
- Tripartite agreement from builder/developer
- Land documents indicating ownership, e.g.- Photocopies of title deeds, if applicable
- A certificate by the legal advisor of the builder to the effect that the builder has a good reputation and it is free from encumbrance and other charges.
- A certificate from builder's Chartered Accountant certifying that the builder has not mortgaged the property anywhere else.
- Certified true copy of approved plan.
- Copies of receipts of payments made to builder/developer.
- Allotment letter
- Possession letter
- Lease agreement, if applicable (Property bought from a development authority)
- Mortgage deed if the Bank opts for a registered mortgage.
- No Objection Certificate from the developer, society or development authority as applicable
- Personal Guarantees, if applicable.
- In case of alternate or additional security, documents for the same depending upon the security details.
- For self-construction: Approved plans and clearance certificates along with estimates
- Post dated cheques for the EMIs.

- **Confirmation of Rental Income**

Copy of the existing tenancy agreement, a rental appraisal, from a local real estate agent signed by branch manager, or rental manager.

- **Deposit or Investments**

- Evidence of your deposit or investment funds, i.e. a bank statement or term deposit receipt.
- For low equity loans (5-19% deposit), copy of your savings account statements over the last six months.

- **Sale and Purchase Agreement**

- If you are planning to buy a property, please provide a copy of the successful sale and purchase agreement signed by both you and the vendor.
- If you are planning to sell or have already sold your existing property, please provide a copy of that property's sales and purchase agreement.

- **New Customer to the banks of India**

- If you are refinancing from another bank please provide copies of your loan statements covering the last six months.
- Please provide copies of your account statements covering the last six months from your current bank.
- Please provide copies of your identification and if you have arrived in the country within the last 5 years, please provide a copy of your passport.

- **Government Valuation and rating System**

A copy of the latest Government or Ratings Valuation is to be provided. Depending on the age and value indicated in conjunction with the amount required to borrow, the Bank may require a Registered Valuation and your Banker will advise you.



IDBI HOME LOANS

- ✓ IDBI has played a pioneering role, particularly in the pre-reform era (1964-91), in catalyzing broad based industrial development in the country in keeping with its Government-ordained 'development banking' charter. In pursuance of this mandate. In September 2003, IDBI diversified its business domain further by acquiring the entire shareholding of Tata Finance Limited in Tata Home finance Ltd., signaling IDBI's foray into the retail finance sector. The fully-owned housing finance subsidiary has since been renamed 'IDBI Home finance Limited' "IDBI Homefinance Ltd." (IHFL) incorporated as a public limited company in the year 2000, has, in a short span of time, created a niche for itself in the highly competitive Home Loan segment since its acquisition of Tate Home Finance Ltd. in September 2003. During the FY 2005-06, IHFL's outstanding loan portfolio increased from Rs.923 crore to Rs.1517 crore, registering an impressive growth of 64%. This has been achieved despite lending only to individuals, the least risk weight segment of the sector. IHFL earned a total income of Rs.38 crore and reported a net profit of Rs.14 crore during the FY 2005-06, as against the total income of Rs.26 crore and net profit of Rs.8 crore earned during the FY 2004-05.

IDBI Home Finance Limited

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Special insurance cover

Customer can avail of a special insurance cover on your home loan for a small premium.

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HOME LOAN Features

1. Tenor of a home loan can be up to 20 years for a resident individual whereas for NRIs the maximum tenure is 10 years subject to maximum age of 60 years at maturity.
2. Loan can be applied for a maximum of 90% of the property value subject to credit discretion.
3. Security for the loan is a first mortgage of the property to be financed, normally by way of deposit of the title deeds or such collateral security as may be necessary.
4. Title to the property should be clear and free from encumbrance, ie, without any pending legal litigation adversely affecting the ownership of the property.
5. Other parameters considered include an account of your age, income, number of dependents, financial stability and co-applicant's income.

Tax Benefits

As per the current finance bill you can get:

- A maximum deduction of Rs 1,50,000 on your income towards interest paid on your home loans u/s 24
- A maximum deduction of Rs 1,00,000 on the principal repaid u/s 80 CCE

The above benefits are available subject to you fulfilling certain conditions, for which you should refer the IT Act 1961

Eligibility

Following are eligible to apply for an IDBI Home Loan:

- Salaried individuals
- Self employed professionals/businessmen
- NRIs

You can include your spouse/parents/children as co-applicant if you require higher eligibility subject to maximum of three applicants

Home Loan with Life Insurance

For most of us, buying a house is an important milestone in our lives. Although, it can be a tremendously satisfying experience, it can also bring about a lot of concerns. "Shall I be able to repay the loan? Shall I be able to manage my finances? And above all, "If something happens to me, how will my family repay the loan?"

We at IDBI, understand your concerns. Our Home Loans are now accompanied by a specially-designed insurance cover. So even if calamity strikes, your family needn't worry about the loan.

Benefits

- Risk cover at discounted premium rates
- Relaxed medical examination norms
- One-time payment
- Loan available for premium amount
- Tax benefits

Eligibility

The life insurance cover is available to all IDBI home loan customers (primary applicants) who meet the following criteria:

- Age at entry: 20 years to 59 years
- Satisfactory completion of health declaration form or medical examination

Repayment

You normally repay the loan through Equated Monthly Instalments (EMIs) comprising both principal and interest. If the final disbursement is however still pending, you pay interest on the portion of the loan disbursed before the EMI commences.

We could also structure your loan repayment to suit your convenience. For instance, the installments could be lower in the initial years and could gradually increase over a period or vice versa.

The maximum possible tenure for a Resident Indian is 20 years if employed and 15 years if self employed. While the same for an NRI is 10 years.

In the event of your opting to pre-pay the home loan with us, a nominal fee of 2% is payable in case, it is transferred to another bank or housing finance company. However, no charges are applicable if you prepay from your own sources.

Home Loan Interest Rates

Floating Rate Home Loans	
Loan Tenure	Rates
1-20 years	11.25 %
Fixed Rate Home Loans	
Options	Rates
Fixed for 3 years	14 %
Fixed for 5 years	14.25%

The above rates are indicative in nature and may vary depending upon category of customer and builder schemes.

Loan facilities are presently available only at the following select cities.

Location of Loan centers

North: New Delhi, Chandigarh, Jaipur, Jodhpur, Lucknow, Ludhiana.

South: Bangalore, Chennai, Hyderabad, Vijayawada, Vizag.

West: Ahmadabad, Aurangabad, Bhopal, Indore, Mumbai, Nashik, Pune, Thane.

East: Kolkata.

Home / Loans against Home

Loans against Home

Loans could be used for:

- Education
- Business
- Marriage
- Purchase or improvement of property
- Medical treatment or any other personal need.

Maximum amount possible is Rs 2,00,000 subject to repayment capacity and value of property (residential only).

The IDBI Advantage

Interest rate on monthly reducing balance

- Fixed and floating interest rate options
- Services at doorstep
- Simple documentations
- Personalized services
- Free legal and technical assistance

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IDBI Schedule of Service Charges (w. e. f. April 1, 2006).

Foreclosure Interest with own funds	
Repayment Tenure	% of Loan Outstanding
Before 6 months	2%
After 6 months	NIL
Foreclosure Interest if its Balance Transfer	% of Loan Outstanding
All cases	2%
Processing Fees	
Description	Processing Fees
All Home Loan Products	1 % of Loan Amount
Loan Against Property/ Overdraft Against Property	1.5 % of Loan Amount
Particulars of Other Charges	Charges
Copy of Property Documents	INR 225/-
Swapping of PDCs	INR 575/-
Cheque Return Charges	INR 300/-
Duplicate Statement Charges	INR 115/-
BSLI (Procesing Fees)	INR 3367/-
Reissuance Of PO/ DD	INR 115/-
Duplicate Certificate / Interest Paid Certificate	INR 150/-
Service Tax	As applicable along with the Processing Fees

SBI HOME LOANS

Best practices followed in SBI	
People dealing with you	End to End service by Permanent employees of SBI who are accountable to customer.
Place	Any SBI branch will service loan account. Customer can always meet SBI employees face to face.
Price	Complete transparency . Interest charged on the daily reducing balance .
Prepayment charges	Applicable only if the loan account is CLOSED before expiry of half of the loan tenure.
Costs hidden in fine print	No hidden costs
Transparency	Complete transparency. All the features of SBI product, including interest rates, are in the public domain.

AWARD

"THE MOST PREFERRED HOME LOAN PROVIDER" voted in AWAAZ Consumer Awards along with the **MOST PREFERRED BANK AWARD** in a survey conducted by TV 18 in association with AC Nielsen-ORG Marg in 21 cities across India.

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UNIQUE FEATURES:

***Provision for on the spot "In principle" approval.**

***Loan sanctioned within 6 days of submission of required documents.**

* Option to avail Home Loan as a **Term Loan or as an Overdraft facility** to save on interest and maximize gains.

* Option to club income of your spouse and children to compute eligible loan amount.

* Provision to club depreciation, expected rent accruals from property proposed to compute eligible loan amount.

*Provision to finance cost of **furnishing and consumer durables** as part of project cost.

* Repayment permitted up to **70 years** of age;

*** Free personal accident insurance cover**

* Optional Group Insurance from SBI Life at concessional premium (Upfront premium financed as part of project cost)

* Interest calculated on **daily reducing balance** basis, and starts from the date of disbursement.

‘Plus’ schemes which offer attractive packages with **concessional interest rates to Govt. Employees, Teachers, Employees in Public Sector Oil Companies.**

* Special scheme to grant loans to finance **Earnest Money Deposits** to be paid to Urban Development Authority/ Housing Board, etc. in respect of allotment of sites/ house/ flat.

* Option to avail loan at the **place of employment or at the place of construction.**

Package of exclusive benefits:

- Complimentary international **ATM-Debit card**
- Complimentary **SBI Classic/ International Credit Card.**
- Option for **internet-banking**
- Concessional package under ‘**Credit Khazana**’ for prospective Auto Loan, Student Loan, Personal Loan borrowers whose accounts are conducted satisfactorily
- 50% concession in charges in respect of all personal remittances/ collection of outstation cheques

○ **Purpose**

- **Purchase/** Construction of House/ Flat.
- Purchase of a **plot of land** for construction of House
- Extension/ repair/ renovation/ alteration of an existing House/ Flat
- Purchase of **Furnishings and Consumer Durables** as a part of the project cost.
- **Takeover of an existing loan from other Banks/ Housing Finance Companies.**

○ **Eligibility**

- **Minimum age** 18 years as on the date of sanction
- **Maximum age** limit for a Home Loan borrower is fixed at 70 years, i.e. the age by which the loan should be fully repaid.
- Availability of sufficient, regular and continuous source of income for servicing the loan repayment.

○ **Loan Amount**

- Applicant/ any one of the applicants are aged over 18 years and upto 45 years – 60 times Net Monthly Income (NMI) or 5 times Net Annual Income (NAI).
- Applicant(s) aged over 45 years of age– 48 times NMI or 4 times NAI.

Subject to maximum EMI/NMI ratio as under -

Net Annual Income	EMI/NMI Ratio
Upto Rs.2 lacs	40%
Above Rs.2 lac to Rs. 5 lacs	50%
Above Rs. 5 lacs	55%

To enhance loan eligibility you have option to add:

- 1. Income of your spouse/** your son/ daughter living with you, provided they have a steady income and his/ her salary account is maintained with SBI.
- 2. Expected rent accruals** (less taxes, cess, etc.) if the house/ flat being purchased is proposed to be rented out.
- 3. Depreciation**, subject to some conditions.
- 4. Regular income** from all sources.

○ **Margin**

Purchase/ Construction of a new House/ Flat/ Plot of land: 20% for loans up to Rs. 1 cr.
25% for loans above Rs. 1 cr.

Repairs/ Renovation of an existing House/ Flat: 20%

- **INTEREST RATE**

HOME LOANS - INTEREST RATES

]

Interest rates w.e.f. 9th April, 2007

Floating interest rates

(linked to State Bank Advance Rate - SBAR)

(SBAR: 12.75% p.a.)	
Tenure	Rate of Interest (p.a.)
Upto 5 years	2.00% below SBAR, current effective rate being 10.75%
Above 5 years and upto 20 years	1.50% below SBAR, current effective rate being 11.25%

Fixed interest rates

Tenure	Rate of Interest (p.a.)*
Upto 10 years	12.75%

* Fixed rate loans will be subject to: 'force majeure' clause and **interest reset** at the end of every **two** years on the basis of fixed interest rates prevailing then.

- **Processing Fee**

0.50% of Loan amount with a cap of Rs.10,000/-(including Service Tax)

- **Prepayment Penalty**

2% of the loan prepaid if the loan is **preclosed** before expiry of half the original tenure.

- **SECURITY**

- Equitable mortgage of the property
- Other tangible security of adequate value like NSCs, Life Insurance policies etc., if the property cannot be mortgaged

- **Maximum Repayment Period**

- For applicants upto 45 years of age: 20 years
- For applicants over 45 years of age: 15 years

- **Moratorium**

Upto 18 months from the date of disbursement of first installment or 2 months after final disbursement in respect of loans for construction of new house/ flat (moratorium period will be included in the maximum repayment period)

- **Disbursement**

- In lump sum direct in favour of the builder/ seller in respect of outright purchase
- In stages depending upon the actual progress of work in respect of construction of house/ flat etc.

- **Documents**

- Completed application form
- Passport size photograph
- Proof of Identity – PAN Card/ Voters ID/ Passport/ Driving License
- Proof of Residence – Recent Telephone Bill/ Electricity Bill/ Property tax receipt/ Passport/ Voters ID
- Proof of business address in respect of businessmen/ industrialists
- Sale Deed, Agreement of Sale, Letter of Allotment, Non encumbrance certificate, Land/ Building Tax paid receipt etc. (as applicable and subject to satisfaction report from our empanelled lawyer)
- Copy of approved plan and approval from the Local Body
- Statement of Bank Account/ Pass Book for last 6 months

Take Over of Loan

If you have already taken a housing loan from any other bank/financial institution and wish to benefit from our low rates of interest, we can take over your existing loan.

In-principle Approval

We also give in-principle approvals based on your income and capacity to repay, to enable you to identify a house/ flat with full confidence.

All loans are at the sole discretion of the Bank.

PLANS – SBI HOME LOANS

‘SBI-Flexi’ Home Loans

A customized product designed to enable borrowers to hedge their Home Loan against unfavorable movement in interest rates. The product gives you a one time irrevocable option to choose one of the three customized combinations of fixed and floating interest rates and also to choose the order in which the fixed and floating rate will be availed.

Minimum Loan Amount: Rs.5 lacs.

‘SBI-Maxgain’ Home Loans

An innovative and customer-friendly product to enable you to earn optimal yield on your savings and minimize interest burden on Home Loans, with no extra cost.

The loan is granted as an Overdraft facility with the added flexibility for you to operate your Home Loan Account like your SB or Current Account.

The product serves to minimize your interest cost by enabling you to park your surplus funds in ‘SBI-Maxgain’ (with the benefit to withdraw the surplus funds whenever you require), specially in the wake of low yields from other deposit/ investment avenues.

Minimum Loan Amount: Rs.5 lacs.

‘SBI-Realty’ Home Loans

A unique product if you are on the look out for a loan **to purchase a plot of land** for house construction. The loan is available for a maximum amount of Rs.20 lacs* and with a comfortable repayment period of upto 15 years.

You are also eligible to avail another Housing Loan for construction of house on the plot financed above with the benefit of running both the loans concurrently.

(House construction should commence within 2 years from the date of availment of ‘SBI-Realty’ Housing Loan).

‘SBI-Freedom’ Home Loans

A revolutionary product designed for customers who are on the look out for a source of finance for a property they want to invest in without mortgaging the same. All you have to do is pledge any financial security that you have and you will get a Home Loan for your dream home.

A must-take for those who do not want to pay stamp duty for mortgage of their property or go through the hassles of creation of mortgage.

You also have an option to take the loan by way of mortgage of the property and pledge financial securities in lieu of margin money.

Repayment is highly customized, giving you the option to repay through regular EMIs or through maturity proceeds of the securities pledged.

'SBI-OPTIMA' ADDITIONAL HOME LOANS

'SBI-HOMELINE' SPECIAL PERSONAL LOANS

Innovative and value added products extended to existing Home loan borrowers with a satisfactory repayment record of 3 years and whose loan is Standard Asset, with a view to reinforce the customer loyalty and to maintain long term relationship with the borrowers. In case of take-over of Home Loans from other Banks/HFCs, the borrower should have fulfilled the above conditions with the present Bank/HFC.



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○ **Purpose**

‘SBI-Optima’ Additional Home Loans to meet expenditure towards major repair, renovation, addition to their house/flat, purchase of furniture, fixtures and consumer durables

‘SBI-Homeline’ Special Personal Loans General purpose loan to meet expenditure to meet foreseen/unforeseen contingencies

○ **Eligibility**

‘SBI-Optima’ Additional Home Loans	18 times NMI (for salaried borrowers)/ 1 ½ times NAI (for others) or (i)25% of the original project cost of house/flat (ii) 85% of the cost of repairs etc. or (iii) gap between 85% of the current market price of flat/house and actual outstanding loan dues , <u>whichever is lower (EMI/NMI ratio of all loans should not exceed 60%)</u>
‘SBI-Homeline’ Special Personal Loans	18 times NMI (for salaried borrowers)/ 1 ½ times NAI (for others)

○ **Interest Rates/processing fee**

‘SBI-Optima’ Additional Home Loans	As applicable to Home Loans
‘SBI-Homeline’ Special Personal Loans	Interest rates 50 bps above rates applicable to the repayment tenure (floating rates only) Processing fee : 0.50% of the loan amount (including service tax)

● **Other salient features**

- Inbuilt provision for availment of the loans on the expiry of each bloc of 5 years, the first bloc commencing on the expiry of 5 years from the date of sanction of original Home Loan.
- Original Home Loan and all ‘SBI-Optima’ Home Loans/’SBI-Homeline’ Personal Loans can run concurrently
- Comfortable repayment obligations – Tenure of the loans equal to the residual maturity of the original Home Loans -

‘PRASHASAN PLUS’, ‘TEACHER PLUS’ AND ‘OIL PLUS’

The above ‘ plus’ schemes offer concessional interest rate of 0.25% below the applicable interest rates on Home Loans to niche client groups like Government Employees, Teachers, employees of public sector oil companies etc.

OTHER HOME LOANS SCHEMES:

'SBI Gram Niwas' Rural Home Loans, Home Loans under 'Prashasan Plus', 'Teacher Plus' and 'Oil Plus' : 25 bps below applicable card rates for the respective tenures (fixed rate loans only upto 10 years and subject to 'force majeure' clause and interest rate reset at the end of every two year on the basis of fixed interest rates prevailing then).

LOANS FOR DEPOSIT OF EARNEST MONEY FOR ALLOTMENT OF A PLOT HOUSE / FLAT(Floating rates only)

Revised rates w.e.f. 9th April, 2007 : 1% above SBAR Min. **13.75% p.a.**

SHORT TERM HOUSING LOAN

No hidden clauses or costs or unnecessary documentation. Our loans have the longest tenors and our repayment terms are amongst the most flexible. We offer you a totally transparent process and yes, there is no fine print! We even give you an in-principle approval prior to identifying a house/flat, relieving you of the tension of anticipating the approved amount!

Last, but not the least, we have specialized Housing loan branches to serve your needs better.

Our newly opened Personal Banking branches also specialize in this. Click here for a list of our PBBs

This Scheme is for

You can avail of a housing loan for:

- Purchase or construction of a new house/ flat.
- Purchase an existing (old) house/ flat.
- Extension, repair, renovation or alteration of a house/ flat.

Purchase a plot of land meant for construction of a dwelling unit.

Reasons to opt for a housing loan from State Bank of India

- Excellent service and lower costs. A quick survey of similar schemes available elsewhere and you will find that SBI housing loans offer you the.
- Lowest Equated Monthly Installments (EMI), Lowest interest rates, currently between 7.50% pa and 8.50% p.a. on daily reducing balances. A nominal processing fee of 0.25% will be charged. Compare this with the 1.5% - 2% charged by others.
- No hidden costs or administrative costs
- In-principle approval given prior to your identifying a house /flat, giving you flexibility in choice.
- Complete transparency - When we say our rate of interest is 8% p.a. you pay only 8%. When others say 8.5%, you may be paying even 10% p.a., as interest may be

levied even on the amounts you have already repaid. This is because we apply interest on a daily reducing balance while housing finance companies/ other banks mostly apply interest on annual reducing balance.

○ **NRI HOME LOANS**

SALIENT FEATURES

Purpose of Loan

Loans to NRIs & PIOs can be extended for the following purposes.

- To purchase/construct a new house / flat
- To repair, renovate or extend an existing house/flat
- To purchase an existing house/flat
- To purchase a plot for construction of a dwelling unit.
- To purchase furnishings and consumer durables, as a part of the project cost

Eligibility criteria

- Minimum age 21 years
- Valid Indian Passport (for NRIs)/ valid foreign passport (for PIOs)
- Steady source of income
- Employed abroad for at least 2 years
- Valid job contract or work permit
- Minimum net monthly income (NMI) of US\$ 500 or minimum Net Annual Income (NAI) of US\$ 6000/- (or its equivalent in any other foreign currency)

Loan Amount

Minimum loan amount : Rs. 3 lakhs

Maximum loan eligibility :

60 times NMI/5 times NAI for applicants below 45 years of age

48 times NMI/4 times NAI for applicants above 45 years of age

- Subject to the following:

Maximum loan amount for repairs and renovation: Rs.10 lacs

Maximum loan amount for purchase of plot for construction of house: Rs.20 lacs

Maximum Loan amount for purchase of furnishings and consumer durables: 10% of the project cost, subject to a maximum of Rs.3 lacs.

Aggregate repayment obligations should not exceed 50% of NMI/NAI

Margin: 15%

Processing Fee: 0.50% of the loan amount (incl. service Tax)

Advocate's fee and Valuer's fee extra

Interest

- Interest rates are same as applicable for resident Indian borrowers for various tenures, available on fixed/floating/combination of fixed and floating rates (under SBI-Flexi Home Loans)
- Repayment in EMIs (Equated Monthly Installments)
- Interest is applied on daily diminishing balance basis

Maximum Repayment Period

For borrowers aged upto 45 years: 20 years

For borrowers aged 45 years and above: 15 years

Subject to liquidation of loan by the age of 60 years or the age of retirement which ever is earlier

Mode of Repayment

- Remittances from abroad through normal banking channels
- Out of funds in NRE/FCNR/NRO accounts
- Remittance out of local funds by close relatives. Moratorium period
- In respect of construction of new house/flat - 24 months from the date of first disbursement or 2 months after completion, whichever is earlier

- In other cases - 2 months after last disbursement

Security

- Equitable mortgage by deposit of title deeds
- Registered Mortgage may be taken when considered necessary
- Additional security by way of lien over credit balances in deposit accounts, NSCs, Life policies ,Third Party Guarantees etc. may be taken, if security is either inadequate or not free from encumbrances



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Innovative and Hybrid suite of Home Loan products

SBI Maxgain Home Loans

Enables the borrower to avail the Loan as an Overdraft. The borrower can park his surplus funds in the loan account, significantly reducing his interest burden/optimize yield on his funds. Borrower is eligible for International ATM-Debit Card, Internet Banking Facility and cheque book to operate the loan account.

SBI-Flexi Home Loans-

facility to avail Home Loan with a customized combination of fixed and floating interest rates, to effectively hedge the risks arising due to interest rate volatility.

SBI-Realty Home Loans-

Exclusive scheme to suit the requirements of borrowers who intend to avail loan for purchase of plot of land for construction of house

SBI-Freedom Home Loans-

Tailor made product for NRIs, enabling the borrowers to avail loan by pledging other securities like Banks deposits/National Savings Certificates/ Life policies etc. standing in the name of the applicant/ third party- complete freedom from the hassles of mortgage formalities.

Documents Required

- Completed Application Form
- 2 passport size photographs of each applicant
- Proof of Identity - Copy of Passport/IC/PIO card (Passport with Visa stamped thereon)
- Valid work permit

- Employment contract. An English translation duly attested by employer/consulate/SBIs foreign branches/offices, Embassy in case of any other language
- Last salary certificate/slip in original and copy of identity card issued by the current employer/proof of income in case of self employed professionals/businessmen
- Details of previous employment
- Bank Account statement/passbook for the previous six months. Overseas Bank Account Statement/Passbook showing salary and savings, if any
- Proof of residence (driving license / utility bills etc.)
- Copy of Continuous discharge Certificate (CDC)- for applicants employed in the merchant navy
- Sale Deed/Agreement for Sale
- Copy of Approved building plans/approvals in respect of proposed construction/purchase/extension
- Original NOC under the Provisions of ULC Act
- Copy of the Order permitting Land Conversion in case of conversion of Agricultural land
- Non Encumbrance Certificate for 30 years
- Copy of the land tax receipt/building tax receipt
- Copy of the Allotment letter of Housing Board/Builder/Co-op. Society
- Detailed Cost Estimate/Valuation Report from approved valuer (In case of outright purchase of an existing house/flat)
- Notarized Power of Attorney in respect of applicants who propose to authorize a third party to execute the documents/complete the mortgage formalities/avail the loan installments.
- Other documents as required by the Bank

Other product highlights

Innovative and hybrid product offerings:

- No prepayment fees for pre-closure of loan after half of the original tenure of the loan
- Provision to add expected rent accruals, if the applicant proposes to let out house/flat
- Door Step services within India by dedicated team of Home Loan Outbound Sales Force
- Centralized processing of loan applications with minimum turnaround time
- Centralized processing at RACPCs (Retail Account Central Processing Cells) at selected centers for prompt disposal



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FINDINGS

IDBI

- **Floating Rate Home Loans**
- 1-20 years 11.25 %
- **Fixed Rate Home Loans**
- Fixed for 3 years 14 %
- Fixed for 5 years 14.25%

- IDBI is providing loan from special branches for home loan.
- Max age limit to repay loan : 60 yrs.
- EMI on monthly reducing balance
- Special insurance cover on home loan for a small premium.
- Processing Fees – 1%
- Repayment charges Applicable upto 6 months.

SBI

- **Floating interest rates**
- Upto 5 years 2.00% below SBAR current effective rate being 10.75%
- Above 5 years and upto 20 years 1.50% below SBAR current effective rate being 11.25%
- (State Bank Advance Rate=12.75%)
- **Fixed interest rates**
- Upto 10 years 12.75%

- SBI is providing home loan from each and every branch.
- Max age limit to repay loan: 70 yrs.
- Interest calculated on daily reducing balance basis, and starts from the date of disbursement
- Free insurance cover
- Processing Fees - 0.50%
- Repayment charges Applicable only if the loan account is CLOSED before expiry of half of the loan tenure.

SUGGESTIONS

The suggestions are as follows -

1. To survive in the market IDBI has to launch different schemes for different classes.
2. IDBI can increase the market share by reducing possessing fees.
3. IDBI should reduce the interest rates to increase customer base.
4. IDBI can increase their market share through increasing the network.
5. IDBI has to provide home loans from all the branches



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CONCLUSION

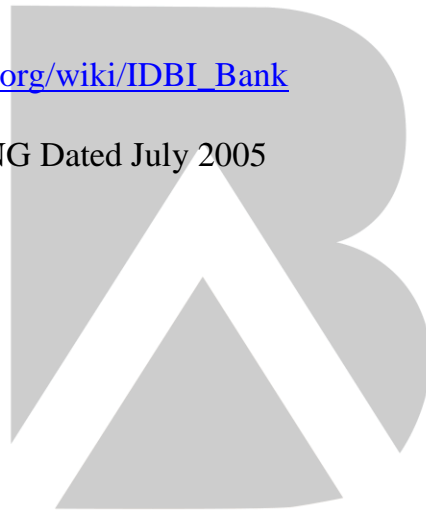
From analyzing the above data, the conclusions are as follows -

1. As per current scenario, there is a huge growth in home loan business.
2. Many financial institutions are entering in home loan business. So competition is increasing. And it will be beneficial for customers.
3. Schemes of SBI are more comfortable as compared to IDBI Home finance Ltd.
4. IDBI is concentrating only on Upper middle & upper class.
5. Market share of IDBI Homefinance Ltd is low as compared to SBI.



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