

## TAKE YOUR PICK

Choosing between a conventional bank, Housing Finance Company (HFC) or Non-Banking Finance Company (NBFC) can seem quite daunting. **Read on for more clarity...**

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When Poonam Shinde found her dream home, she was excited to seal the deal. However, the home loan was still pending. With wise financial planning, she managed to secure a decent sum for the downpayment. Securing a loan however was a different ball-game. While banks felt like a safe option to opt for, the Housing Finance Companies had lucrative rates.

If you are in a similar dilemma, consider this: the very first thing to keep in mind after zeroing in on a property is the home loan lender. Officially, there are two major lenders in the market; banks (both, public and private) and Housing Finance Companies (HFCs). To ensure that you get the most out of your deal, be diligent and opt for a lender after considering their prevailing interest rates, eligibility criteria and processing fee. You can also approach NBFCs and co-operative societies.

### Lending rates

Picking a clear winner is difficult; it all depends on what the buyer is looking for and his/her financial capacities. At the surface, they may seem similar; most HFCs loan rates are generally between 8.6 per cent and 11.2 per cent, while banks offer rates between 8.3 per cent and 10.5 per cent. Even though there doesn't seem much of a difference, bear in mind that HFCs are slow to pass on interest rate benefits to borrowers because their interest rates are fixed on their average cost of

funds as they follow the Benchmark Prime Lending Rate (BPLR) model. Alternately, banks follow the Marginal Cost of Lending Rate (MCLR) model that are governed by RBI, which ensures that rate cuts are passed on to customers quickly.

Banks tend to follow strict norms, more so now due to the rising NPAs in the country. Thus, opting for a bank would mean that you have to submit several verified documents. On the contrary, HFCs ask for fewer documents and can be availed in lesser time period. However, post NBFC crisis, HFCs are also tightening the noose.

### Operation home loan

Ravindra Sudhalkar, ED and CEO, Reliance Home Finance and co-chairman of ASSOCHAM National Council Committee on Real Estate, Housing and Urban Development, says, "Availing a home loan has various benefits, especially for those customers who are not well-versed with the real estate sector or don't have the time to minutely investigate the property. The lender does the due-diligence and hence, ensures some level of safety for the home buyers. Apart from the fact that a bank's due-diligence amounts to a legal check of the property, there are significant tax benefits available on a home loan. Your mortgage payments will give you some tax deductions from the total taxable income. Moreover, if it qualifies for 'affordable housing', there is a direct subsidy benefit, which you can avail."



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● RAVINDRA SUDHALKAR, ED AND CEO, RELIANCE HOME FINANCE AND CO-CHAIRMAN OF ASSOCHAM NATIONAL COUNCIL COMMITTEE ON REAL ESTATE, HOUSING AND URBAN DEVELOPMENT

### DOCUMENTS NEEDED

- Identity Proof: **Voter ID/ Passport/ PAN Card/ Aadhar;**
- Address Proof: **Electricity Bill/ Phone Bill;**
- Income Proof: **Last 3 months' salary slips, latest Form-16 & IT returns, last 6 months' salary a/c statement;**
- Property-related documents (for new homes): **Allotment letter/ Buyer agreement, payment receipts made to builder.**

### A QUICK GUIDE

	Banks	NBFCs	HFCs
<b>Deposits</b>	Yes	No	Yes
<b>Interest Rate Linkage</b>	MCLR	PLR	PLR
<b>Services</b>	Wide range	Medium range	Limited to Housing Finance
<b>Regulator</b>	RBI	NHB	RBI
<b>Credit Score acceptable</b>	Usually high score required	Medium score may be acceptable	Medium score may be acceptable

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