



Chapter - 4

HOME LOAN PROCEDURE

CHAPTER - IV

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4.1 INTRODUCTION:

The cooperative and nationalized Banks benefit to its customers doorstep service, simplified documentation and guidance throughout the process.

Due to the urbanization and migration of people there is high level demand of housing needs in urban areas but because of high interest rate peoples were not investing in the accommodation.

Before liberalization policy of Govt. of India 1991 bankers were not entertaining long term finance and availability of funds. After liberalization RBI has introduced housing finance up to Rs. 15 lacks as priority sector lending and the availability of funds banks have started term loan.

4.2 LENDING PROCEDURE:

At the outset we shall study what is the standard procedure of sanctioning loans in the Kolhapur Urban Co-operative Bank Ltd, Kolhapur with the help of concerned Bye -laws of the bank.

The Kolhapur Urban Co-operative Bank has a sound loan policy. The Bank has formulated a procedure in regard to these process of loan applications ,their securities, sanction documentation, follow - up supervision and credit control and detailed particular of a borrower's credit worthiness it will be always advisable to prescribe a suitable loan

application form for different types of borrowers for each purpose. The bank has prepared a printed application form in a simple language on receipt of the loan application necessary entry is made in a register maintained for the purpose and then application is scrutinized. After the loan application forms are received from the borrowers they are recoded the loan Application Register. Loan application forms are simple so that any ordinary persons can fill in the information required by the Bank. Application forms are available at the Head office of the Bank as well as in the Branch offices. On receipt of the application the bank goes through the borrowers account. It reveals the number of points which assists a bank in judging its customers financial position, character and capacity to do the business. If he is already having a current account with the bank a study of his account may indicate the approximate turnover of his business and bank request borrowers to supply the latest financial statement preferably audited of his liabilities and assets. It will be possible for the bank to trace the financially position and capital resources of the borrowers.

On collecting all the information and date the proposal is submitted to the higher officer with recommendations for being submitted the board of directors for sanctioning the loan. It is through the Chief- Executive officer of the bank that the sub- committee (loans) calls the meeting of the board of directors in order to discuss the issues pertaining to loan sanctions. The board of directors expresses its view and opinions and the additional information is invited if required by the borrowers. Thus finally the board sanctions the loan amount under the stipulated forms and conditions. The borrower is required to give his consent in writing and has to accept the forms and conditions stipulated by the board of directors of the bank.

Different types of documents are required to be presented by the borrower depending on the nature of accommodation, documentation is necessary for the acknowledgement of debt and charging of securities to the bank by him. If there is any mistake in documentation it is rejected. Documentation namely stamping execution and registration as the cause must be stamped according to section 17 of the India stamp Act 1899. Unstamped documents have no value and all stamps affixed on the documents should be canceled.

The signature of witness must be obtained whenever necessary. Documents they should be filled properly and signed by the executives. After execution of the documents they should be entered in the security register. After stamping and execution of all the documents the final stage is registration.

4.2.1 Minimum Loan Amount : In Kolhapur Urban Co-operative bank there is no fixed minimum amount to buy for the home loan. The loan amount depends on borrowers repayment capability and is restricted to a minimum of 75% of the cost of the property or the cost of construction as applicable.

Repayment capacity takes into consideration factors such as (income, age, qualifications, number of dependants, spouse's income, stability, assets and liabilities etc).

4.2.2 Loan Tenure Options : A person has the option of selecting a term he is comfortable with, ranging up to 20 years, provided the term does not extend beyond his reaching 55 years of age or retirement age, whichever is earlier.

4.2.3 Sanction Turn Around Time (TAT): It takes 15 to 60 days for your loan to be sanctioned after the submission of all the documents in Kolhapur Urban Co-operative bank.

4.2.4 Co-applications For The Loan : Borrowers could include his spouse as a co-applicant for the loan and Bank shall include his/her income to enhance the loan amount.

Further, in case there are any other co-owners they also need to be co-applicants.

4.2.5 Personal Guarantor: There is must personal guarantor required in the case of home loan.

4.2.6 Security/Collateral: The security for the loan is a first and exclusive charge of the property to be financed, by way of Registered Mortgage or Equitable Mortgage. The title of the property should be clear, marketable and free from any encumbrances or mortgage the property against the loan of loanee and guarantors.

4.3 STAGES INVOLVED IN TAKING A LOAN :

There are two main stages;

1. Sanction of the loan, whereby borrowers get an approval for a specific loan amount based on the value of property and repayment capabilities.
2. Disbursement of the loan amount.

4.3.1 Sanctioning Loan Document Required For Individual Borrowers:

- Property Card
- Mortgage Documents
- Guarantors Property Card
- Bank statement for the last one year.
- Income Documents e.g. Latest Form 16, Certified IT returns for latest one month.
- Loan enclosure letter.
- The borrowers require the any one of the following documents:

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- i. Identity proof
 - ii. Residence address proof
 - Passport size photo
 - Driving license
 - Election card
 - PAN card
 - Election identity card
 - Utility Bills (not more than 3 months old)
 - Latest (not more than 3 months old) statement of account/passbook maintained with any scheduled commercial bank, duly certified by the bank confirming the address.
 - Letter from the existing Banker (scheduled commercial bank) in original verifying the name and address on the bank's letterhead.
 - Copy of registered lease/leave and license agreement which are not expired along with the utility bill in the name of the landlord/owner confirming address.
 - Residential Certificate issued by Municipal corporation/local self government bodies confirming address.
 - Latest Premium receipt of general/life insurance company (not more than 12 months old in case of annual premium receipt)
 - True Copy of Gas connection book.
 - The passport & driving license as above should be current i.e. the same should not be expired.

4.3.2 DOCUMENTS REQUIRED FOR NON-INDIVIDUAL BORROWERS:

- Identity proof,
- Partnership Firm-Partnership Deed
- Company-Articles of Association, Memorandum of Association, Certificate of Incorporation.
- Office Address Proof (Any one of the following documents):
- Latest (not more than 3 months old) Utility bill like Telephone Bill, Electricity Bill, Mobile Bill confirming address.
- Letter from the existing Banker (scheduled commercial bank) in original. Existing banker must verify the name and address of the entity on the bank's letterhead.
- Latest (not more than 3 months old) statement of account/passbook maintained with any scheduled commercial bank, duly certified by the bank confirming the address.
- Copy of registered lease/leave and license agreement which are not expired along with the utility bill in the name of the landlord/owner confirming address.
- Certificate issued by Municipal corporation/local self government bodies confirming address.
- Latest available Income Tax Assessment order confirming address.
- Latest available Wealth Tax Assessment order confirming address.
- Sales Tax registration certificate confirming address.
- Valid Shop and Establishment certificate confirming address.
- Factory registration certificate confirming address.

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- Latest Premium receipt of general/life insurance company (not more than 12 months old in case of annual premium receipt)

In case of non-individual applicants, KYC will also be required for the partners/directors/promoters who would be required as the co-applicants and also all authorized signatories.

4.4. PURPOSE WISE DOCUMENTS :

4.4.1 TO PURCHASE THE FLAT FROM THE BUILDER :

The borrower requires following documents to purchase the flat from the builder:

- a) Original Sale deed
- b) Deposit receipt given to the builder.
- c) NOC Certificate from the builder.
- d) Search report of last year.
- e) 7/12 abstract / property card / 8 A abstract.
- f) Non-Agriculture order (Written record should be taken if there is a property in city then commissioner, municipal corporation and if there is outside property in city then collector)
- g) Approved Construction map and order.
- h) Power of Attorney. (Registration)
- i) Municipal Tax Receipt (last year)
- j) Valuation Report from Bank Valuer.

4.4.2. TO CONSTRUCT ON THEIR OWN SITE/ LOCATION:

The borrower requires following documents to construct on their own site /location:-

- a) Original sale deed
- b) 7/12 abstract/ 8 A abstract / property card abstract
- c) Non-Agriculture order
- d) Approved construction map and order
- e) Municipal tax receipt (last year)
- f) Valuation report through bank engineer.
- g) Search report of last year.
- h) Estimation of Construction.

4.4.3. TO CONSTRUCT ON A CO-OPERATIVE SOCIETY'S PLOT :

The borrower requires following documents to construct on a co-operative society's plot :

- a) Certificate of the society's portion.
- b) Certificate of society registration and bye-law copy.
- c) Plot allotment letter
- d) Rent Strip copy.
- e) 7/12 abstract /8 A abstract / Property card.
- f) Approved construction map and order.
- g) Estimation of construction.
- i) Non-Agriculture order.

4.4.4 TO PURCHASE THE FLAT/ READY- MADE HOUSE:

The borrower requires following documents to purchase the flat/ ready-made house:

- a) Original sale deed / Registration receipt / Agreement to sale letter.
- b) Approved construction map.
- c) Construction order.
- d) Municipal Tax Receipt.
- e) Search report of last year.
- f) 7/12 abstract / 8A abstract/ Property card.
- g) Non-Agriculture order.

4.4.5 TO PURCHASE RESALE HOUSE FROM THE SOCIETY :

The borrower requires following documents to purchase the re-sale house from the society :

- a) Original Sale deed / Registration Receipt/ Allotment letter.
- b) Approved construction map.
- c) Construction order.
- d) Municipal tax Receipt.
- e) Search report of last year.
- f) 7/12 abstract/ 8A abstract / property card.
- g) Non-Agriculture order.
- h) Society allotment letter.
- i) Certificate of the society's portion.
- j) NOC certificate as per the order of the society.
- k) Receipt of the amount paid to society.

4.4.6 TO PURCHASE THE PLOT :

The borrower requires following documents to purchase the plot :

- a) Original sale deed / Agreement to sale letter.
- b) 7/12 abstract / 8 A abstract / property card.
- c) Non-Agriculture order.
- d) Final lay out plan
- e) Search report of last year.

4.4.7 TO CONSTRUCT FOR THE REPAIR HOUSE/ EXTENDCONSTRUCTION:

The borrower requires following documents to construct for the repair house / extend construction:

- a) Estimation of the repair house.
- b) Estimation of the extend/ increased construction
- c) Abstract of Income.

4.5 IF HAVING BUSINESS:

The borrower requires following documents if having business:

- a) Salary slips of last 6 months.
- b) Verification form as specimen of bank.
- c) If income tax is applicable than 16 A form.
- d) Abstract account in which our salary deposits and similarly abstract account on which we transacted. (Last 1 year)
- e) Last year slip of Provident Fund.
- f) Passbook of pension received.

4.5.1 IF HAVING OWN BUSINESS/ TRADE/INDUSTRY/ ENTERPRISE:

The borrower requires the following documents if having own business/ trade/ industry / enterprise:

- a) Profit and Loss a/c circular of last three years (Balance sheet and Tax Audit report) sign and stamp by the chartered accountant.
- b) Income tax circular of last three years.
- c) Passbook of Pigmy Deposit.
- d) List of monthly buying and selling debtor, creditor and stock List.

4.6 DOCUMENTS OF INVESTMENTS MADE THROUGH INCOME:

The borrower requires the following documents of investment made through income:-

- a) Fixed deposit receipt of the bank.
- b) Fixed Deposit passbook of the post.
- c) N.S.C receipts.
- d) L.I.C. Policy
- e) Purchase documents of fixed assets.
- f) R.C book of vehicle purchase.

4.7. OTHER DOCUMENTS:

- a) Abstract of Guarantor's fixed income.
- b) Proof of the Guarantor's economic income.
- c) Passbook of the other bank's loan and given pledge abstract.
- d) Certificate of C.A for regular official donation of occupation.

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- e) Challan of Sales Tax, Business tax, Provident Fund, and Income tax.
 - f) If business place is on their own site then 7/12 property card, abstract should be presented.
 - g) If business place is on the rental place then the rental contract should be presented.
 - h) Letter should be submitted having no loan in other banks / society. (NOC form should provide in the bank.)

4.8 MARGIN AMOUNT:

- a) Self amount to fulfill the purpose of earlier demanding loans and documents to show assurance about set up amount.

4.9 DOCUMENTS AFTER SANCTIONED OF THE LOAN:

The borrower requires following documents after sanctioned of the loan:

- a) Documents of registration mortgage deed.
- b) Abstract of the liability registered.
- c) The name of bank, insurance policy should be assigned.
- d) Cheque of salary account for the repayment of the loan.
- e) A guarantee letter from the owner about reduction in salary installment as per monthly law clause 49 in accordance with authority letter.
- f) If having company, then registration confirmation charged should be given to the Registrar of Company.
- g) Registration of the liability in R.C book and T.C. book.

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- h) Purchase bill invoice receipt (Joint name of the bank should be attached)
 - i) Stamp paper according to bank authority.
 - j) Processing fee, extra shares, and group member.
 - k) Sign of essential documents in presence of the applicant.
 - l) The presence of debtor, guarantor is essential when the loan amount will be disbursed.

4.10 DISBURSEMENT :

The loan will be disbursed after the borrowers identification and selection of the property or home that he is purchasing and on the submission of the requisite legal documents.

Then the borrowers is asked for list of documents. Each and every single document asked for will be verified and checked to ensure for borrowers safety.

This may take some time but bank want to ensure a clear title and will complete all the legal and technical verifications to ensure that the borrowers has full rights to the home.

On satisfactory completion of the above, on registration of the conveyance deed and on the investment of borrowers own contribution, the loan amount (as warranted by the stage of construction) will be disbursed by bank.

The disbursement will be in favour of the builder /seller.

List of Documents For Disbursement :

Standard Documents :

- Loan Agreement
- Disbursement Requests
- Post- dates cheques

- Personal guarantors documents, as the case may be.

4.11. REPAYMENT SCHEDULE:

Eg: Reducing Balance method is used for repayment schedule.

Reducing balance

Loan Amount	1, 00, 000
No of Installment	12
Rate of interest	11.00
Mode of Payment	Monthly
Calculation method	Reducing Balance

Table 4.1
Repayment Schedule of KUC Bank

Sr .No	B/F Amount	Principal Amount	Interest Amount	Installment Amount	C/F Amount
1	100000	7921.50	916.67	8338.17	92078.50
2	92078.50	7994.11	844.05	8338.17	84084.39
3	84084.39	8067.39	770.77	8338.17	76017.00
4	76017.00	8141.34	696.82	8338.17	67805.65
5	67805.65	8215.97	622.19	8338.17	59695.68
6	59695.68	8291029	546.88	8338.17	51368.39
7	51368.39	8367.29	470.88	8338.17	43001.11
8	43001.11	8443.99	394.18	8338.17	34557.12
9	34557.11	8521.39	316.77	8338.17	26035.72
10	26035.72	8599.51	238.66	8338.17	17436.22
11	17436.22	8678.33	159.83	8338.17	8757.84
12	8757.89	8757.89	80.28	8338.17	0.00

4.11.1 REPAYMENT SCHEDULE BY EMI METHOD :

Loan Amount	1, 00, 000
No of Installment	12
Rate of interest	11.00
Mode of Payment	Monthly
Calculation method	Plain

Table - 4.2
Repayment Schedule by EMI method of KUC bank

Sr. No.	B/F Amount	Principal Amount	Interest Amount	Installment Amount	C/F Amount
1	100000	8333.00	0.00	8333.00	91667
2	91667	8333.00	0.00	8333.00	83334
3	83334	8333.00	0.00	8333.00	75001
4	75001	8333.00	0.00	8333.00	66660
5	66660	8333.00	0.00	8333.00	58335
6	58335	8333.00	0.00	8333.00	50002
7	50002	8333.00	0.00	8333.00	41669
8	41669	8333.00	0.00	8333.00	33336
9	33336	8333.00	0.00	8333.00	25003
10	25003	8333.00	0.00	8333.00	16670
11	16670	8333.00	0.00	8333.00	8337
12	8337	8337.00	0.00	8337.00	0.00
		100000.00	0.00	100000.00	

4.12 EMI: - EQUATED MONTHLY INSTALLMENT.

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

Table 4.3
EMI installment for Rs 1, 00, 000 of KUC Bank

Interest Rate	Months							
	36	48	60	72	84	96	100	120
11.00	3274	2585	2175	1904	1713	1571	1532	1378
11.50	3298	2609	2200	1930	1739	1598	1559	1406
12.00	3321	2633	2225	1955	1765	1625	1587	1435
12.50	3345	2658	2250	1981	1792	1653	1614	1464
13.00	3370	2683	2275	2008	1819	1681	1643	1493

4.13 FORECLOSING LOAN:

Borrowers can foreclose his loan amount below 3 lakhs or 5 lakhs with payment of 2% (applicable service tax) foreclose charges on the outstanding amount in his loan account at the time of foreclosure and amounts prepaid in the last one year.

The whole process will take approximately two weeks to release the documents.

4.14 SCHEME OF THE KOLHAPUR URBAN CO-OPERATIVE BANK:

KUC Bank has made the Scheme for Bank's Government Servant, Doctor, Chartered Accountant, Primary and Secondary Teachers and Professors.

Purpose: Bank's Government Servant, Doctor, Chartered Accountant, Primary and Secondary Teacher or Professor Members likewise Customers who has annual tax eligible

income more than Rs 1, 50,000/- (last 3 yrs) income tax detailed account in our bank more than Rs. 2 lakhs from other financial society for house construction to the customer who had repayment the regular loan, flat or purchase of readymade house, to construct extended house, takeover and purchase of residential Flat etc.

Eligibility: Applicant should be a member of Bank. He should have Government, Semi-Government (P.F Reduction Compulsory) or Permanent job. He should pay monthly installment of loan from Income. (Permanent Servant means Gazette Officer, State and Central Government, payment of salary from Private and Government primary and Secondary Teachers from College and Professors 100% grant included in it.

Joint applicant having own independent income following persons can become Co-Debtor (Husband, Wife, and Mother Father Brother Sister).

It is necessary for take over account holder to have regular repayment of loan's installment of bank.

Loan Security : For such loan House/ Site of House Construction / Plot or Bungalow etc it is necessary to give Income Security, Mortgage Registered / Equitable Mortgage. It requires security income N.A likewise 2 capable guarantee. Likewise Life Insurance policy has to give with security (Monthly Installment of Loan amount such net income And fixed assets having earning)

Period : Deduction will be decided after consideration of the capacity of Repayment of Applicant. Maximum period should be 15 Yrs.

Loan Limit : Limitation of loan as per following:

- 1) Demand of loan will be minimum Rs. 2 lakhs and maximum limit Rs. 20/- lakhs.

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- 2) For purchase security house, bungalow and flat 85% of purchase amount or loan limit will be decided as per consideration of capacity of repayment of applicant.
 - 3) New house in own site, construction estimate to build Bungalow (Checked by Bank's valuator) stamp duty and registrar expenditure etc, 85% of total expenditure or loan amount will be decided after consideration of capacity of applicant repayment.

Monthly Installment : Installment will be decided for repayment of amount till 50% of net monthly income of salaried applicant.

Repayment : Repayment of loan amount has to do by Equated Monthly Installment. (By EMI method) If Moratorium duration has given for loan, interest in Moratorium has to paid Monthly and after than duration repayment has to do by Monthly equal installment. (By EMI method)

Interest Rate & Monthly Installment: Interest assessment on regular loan amount / it will be and monthly done by monthly method. Installment:

Table 4.4
EMI for Rs. 1, 00,000 of KUC Bank

Period	Interest Rate%	EMI installment	Interest rate %	EMI
60 months	9.50	2101	10.50	2150
120 months	10.00	1322	11.00	1378
180 months	11.00	1137	11.50	1170

If there is 25% subtle security or if guarantee letter has given of installment deduction from salary.