
FINANCING BY BANKS AND HOME LOAN

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Financing: Lending of fund to the constituents, mainly individuals, traders, business and industrial enterprises, constitutes the main business of the banking company. The major portion of a Bank Fund is employed by way of loans, which is the most profitable employment of its fund. The major part of bank is earned from interest. The business of lending nevertheless is not without certain inherit risks largely depending on the borrowed funds, a banker therefore follow a very caution policy, and conduct his business on the basis of safety, liquidity, profitability etc.

MEANING: under the loans, credit is given for a definite purpose and for a predetermined period. Normally these loans are repayable in installment. Funds are required for single non-repetitive transactions and are withdrawn only once. If the borrower need funds again or wants renewal of an existing loan, a fresh request is made to bank.

TYPES OF LOANS:

Bank loans can be defined as under:

1. Short term loan: Short-term loans are for working capital requirements of the borrowers.

These loans are provided for a short period (less than 1 year) granted on the basis of securities like tangible assets (movable assets like goods and commodities) .From April 1995. RBI made it mandatory for the banks to provide a part of bank credit to big customer in the form of loans..

2. Long and medium term loan:

These loans are provided for more than 1 year and are provided for the need of capital asset and for new establishment of business or expansion of existing one. Bank takes fixed assets as a guarantee for these loans.

3. Composite Loans:

These loans are given to those individuals who want to buy land for the purpose of building house or want to construct one within a specified period of time defined by

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bank. Or it can be said that it is the combination of land loan or construction loan.

4. Retail loans:

These are loans are for individuals for their purpose. There are four type of retail loan:

1. Housing loans: This loan is provided for the purpose of house construction, buying of house, buying of plot, repair and renovation purposes and all work related to acquiring a house or modifying it. It consist fixed or adjustable interest rates or payment terms.
2. Education loans: This is the loan which is provided for the purpose of higher studies in India and abroad, the loan contain all expenses related to studies like admission or tuition fees, air fare travel expenses, books & stationary expenses, boarding and lodging expenses etc.
3. Auto loans: It is given to individuals to buy any vehicle it can be old or new, two wheeler or four wheeler or any other vehicle. Now a day it is popular loan and bank provide it on easy installments.
4. Personal loans: A type of unsecured loan which help in meeting the current financial requirements. A borrower does not need any kind of security or collateral for availing this loan. It gives borrower flexibility to use the fund according to his/her requirements. This loan is a solution for instant requirement of can and can be used in wedding, travelling or for medical purposes.

Advantage of loans:

Can make expensive purchase

Better rates of interest.

Sufficient time to pay back.

Tax benefits.

Drawbackof Loans

Strict requirement of collateral or security.

Burden of repayment.

Irregular Interest rates in case of changes in market rates.

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Home Loans

Composite scheme: To build a house is the most important decision for any person and it requires lots of finance and financial assistance. Building a home is one of the most important decisions that a person will make and it can consider and life style and financial circumstances.

Tax benefits are of the advantage of taking home loan.

Purpose of loan

Construction of a House.

Purchase of a House.

Extension or modification of an existing of House.

Land purchase cum construction.

Repair and Renovation: It is maximum of Rs. 30 lakhs for 5 to 10 years.

Purchase of Plot: Bank provides 85% of the cost of plot and takes Interest of 1% higher than normal interest rate. Bank gives maximum of 25 lakhs for 2 years time period.

Eligibility for Home Loans

Residential Indian:

Any Indian citizens who have sufficient repayment capacity to the loan applied can apply for loan.

The applicant should be less than 21 year at the time of applying of loan

The applicant should not exceed 65 years during the loan tenure.

Non residential:

Any Indian citizen who is a non residential and hold a valid Indian passport can apply for home loan under the NRI scheme.

NRI may be required to show a guarantor residing in India

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The applicant should be more than 25 years.

The individual should be of salaried class.

The applicant need to provide security may be mutually agreed.

Documents required: the Indicative list is given below:

In case of Residential Indian

In case of Non-Residential Indian

Income document

Signed passport size photographs of all the application

Details of other income

Copy of passport, Visa, Labor and ID card

Photocopy of documents of title

Copy of work permit (if applicable)

Documents pertaining to saving and assets

Copy of CDC in case of customer working in merchant navy

Details of other loan taken

Bank statement for last 6 month both domestic and International

Residential proof

General power of attorney as per Ban's drafts duly attested by the Indian consulate in case of not in India

Signed passport size photographs of all the applications

If the NRI is Indian then the POA can be locally notarized

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Cheque of processing fees-0.2% loan amount applied for

Copy of appointment letter and contract (translated to English and attested)

Any other document as required by bank

Salary certificate (in English) specifying name date of joining designation and salary

Bank statement for last 6 month

Photocopies of Title deeds.

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