ART Housing Finance – Coverage

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TRANSFER: SUCCESSFUL

It is important that a customer conducts a thorough cost-benefit analysis while attempting to transfer one's loan from the existing bank to a new one. And the most pertinent question to be asked before initiating a balance transfer is, "Are there any other costs involved while doing so?"

loan amount from one bank to another:

- **Loan eligibility:** Would the same or greater amount of loan (top-up) be sanctioned?
- **Credibility of the new bank:** Is the new lending bank bigger or of greater credibility with requisite systems for client grievances, reporting, etc? Would the new bank be able to provide timely disbursement of loans, better customer servicing, be less volatile in changes in loan terms, etc?
- **Project approval:** Is the project approved or would it need to be approved by the new bank? After all, project approval can be time-consuming and may not result in favourable terms for the borrower.
- **Commercials:** Is the tenure, processing fees, loan cost, rate reset periodicity and basis, EMI amount payable better than the current loan?

In short, our expert believes that only if it appears that the current home loan bank is unable to provide timely disbursements, has unreasonably increased the interest rates or charges (which are not in line with other lenders), should one look at transferring the home loan.

KNOW THE DRILL:

Balance transfer of loan is a complete product in itself and therefore it is treated as a new home loan application only. Therefore, if you, as a borrower are looking to transfer your loan amount, Ranjeet Kumar Mishra, chief credit officer, ART Housing Finance, provides you a step-by-step guide for the same:

- **Do a market study on the current home loan rates offered by HFCs and banks. Thereafter, find out the additional charges and fees sanctioned by the lenders for processing a home loan balance transfer;**
- **Based on the above study, find out the net amount one can save by going for a balance transfer. If a borrower is saving a substantial amount by shifting his current loan to a cheaper lender, then he should transfer his loan to the new lender offering cheaper rates;**
- **Submit your application with the new lender along with all the documentation that is required. Along with these documents, the customer has to submit loan account statement, foreclosure letter and a list of documents provided by the previous lender. The borrower will also have to inform about any other loan availed on the same collateral - such a loan needs to be closed before the balance transfer;**
- **Once the new lender approves the loan application and the process is complete, a new loan account will be active with the new lender charging a new rate of interest and applicable charges as per the agreement signed between the borrower and lender.**

THE IMPORTANT ASPECTS TO KEEP IN MIND WHILE DOING A BALANCE TRANSFER IS:

- **TIME AND EFFORT INVOLVED IN DOING A BALANCE TRANSFER AND THE RELATED DOCUMENTATION;**
- **PROCESSING FEES AT THE NEW INSTITUTION;**
- **PRE-CLOSURE CHARGES AT EXISTING INSTITUTION;**
- **LOAN FRANKING AND INTIMATION OR MORTGAGE/REGISTERED MORTGAGE CHARGES;**
- **INSURANCE CANCELLATION AT THE EXISTING INSTITUTION.**

CASE STUDY:

- Suppose a customer is running a home loan of Rs 35 lakh, where he has already paid Rs 5 lakh and Rs 30 lakh is the outstanding amount;
- If the current rate of interest that is paid by the borrower is 10.50 per cent and the remaining amount is to be paid in the next 15 years; the total interest to be paid in this case would be Rs 29, 69,154;
- Now if the borrower decides to transfer his loan to another lender who is offering a cheaper interest rate, say, 8.80 per cent, in this scenario, the total interest to be paid by the borrower in the next 15 years will be Rs 24,12,979. This means the borrower can save upto Rs 5.56 lakh;
- While the above is a straight calculation on the savings on interest, it will be advisable for the customer to understand the complete balance transfer process and charges that may be payable as a part of the process before making the final decision.

FYI:

TO AVAIL THE FACILITY OF THE BALANCE TRANSFER, THE CUSTOMER MUST HAVE SERVED HIS CURRENT LOAN WITHOUT ANY DELAY IN PAYMENTS, AS THE TRACK-RECORD OF THE LOAN REPAYMENT IS ALWAYS CHECKED BY THE NEW LENDER. IF THERE ARE ANY DISCREPANCIES, THE APPLICATION FOR BALANCE TRANSFER WILL GET REJECTED.

To conclude:

Given the current scenario, where there is liquidity pressure on HFCs and NBFCs, experts believe that every financial institution would behave differently to an increase or decrease in interest rates. It is thus important that the borrower analyses the 'actual benefits' that s/he may accrue before taking a final call.