THE TIMES OF INDIA

Sun, 18 Aug-19; Ahmedabad Times - Times Of India - Ahmedabad; Size : 772 sq.cm.; Circulation:201141; Page : 11

SHORT TAKE

- Home loans make for just one of many product verticals for banks, but for HFCs, their sole focus is on housing finance
- For the non-salaried class, it is not easy to get a bank loan and there are chances that their loan application would get rejected right at the underwriting stage
- Taking loans from HFCs require less paperwork compared to banks as the former try to infuse automation in every step
- Home loans can be categorised as home purchase loan to buy a new property, home construction loan, home extension loan, home improvement loan for upgrade, renovation or repair work, residential

One may seek a home loan either from bank or a housing finance company. Both have specific advantages

LOAN STORY

JADAV.KAKOTI@timesgroup.com

If you are planning to buy a home, you need to keep certain things in mind. First and foremost, you must manage your fund to invest in your property. For your fund, you may approach a bank or other housing finance companies. An important step announced in the Union Budget 2019-20 was that the regulation of Housing Finance Companies is being returned from National Housing Bank (NHB) to RBI. Ravindra Sudhalkar, ED & CEO, Reliance Home Finance, says the move to shift regulation of housing finance companies to the Reserve Bank of India (RBI) will "infuse greater stability and provide policy support to addressing issues of lack of liquidity. The proposal of providing ₹70,000 crore for recapitalisation of public sector banks will also enable them to lend more to the sector."

So, in case you were thinking about the security of your loan from a housing finance company, worry not. Since such entities will now be under the RBI, your loan's safety is by no way endangered.

Opting for a home loan from either a bank or a non-banking housing finance company is a crucial decision. Both of them might seem to be the same on surface level but they have distinct features.

Ravindra Sudhalkar, ED & CEO, Reliance Home Finance, says, "Both public and private sector banks and non-banking entities like housing finance companies (HFCs) offer home loans at competitive rates to customers."

The banks are regulated by Reserve Bank of India (RBI). However, HFCs being nonbanking entities, were earlier regulated by National Housing Bank (NHB) and in the current Union Budget, the regulation has been transferred to RBI. Hence, there is no real difference in terms of loan security due to adequate regulation in both the cases.

SOLE FOCUS OF HFCs

Home loans make for just one of many product verticals for banks, but for HFCs, their sole focus is on housing finance. This is the reason it is a constant endeavour for HFCs to infuse procedural efficiencies in every step of the process and the end customers get the competitive advantage.

HFCS BETTER FOR SELF-EMPLOYED

For the non-salaried class and customers from low or middle-income group looking at investing in an affordable home, it is not easy to get a bank loan and there are chances that their loan application would get rejected right at the underwriting stage. However, HFCs have developed specialised underwriting models for evaluating income of the self-employed class.

LESS PAPER WORK

Also, taking loans from HFCs require less paperwork compared to banks as the former try to infuse automation in every step, right from customer acquisition to the loan disbursal phase. This translates into faster turn-around time and faster disbursements for HFCs as compared to banks.

PROCEDURAL EASE

When it comes to getting the best interest rate, customers can always avail a home loan from HFCs for the benefit of procedural ease in terms of faster and hassle-free loans, they can then transfer the balance loan amount to banks to get competitive interest rates.

Shaji Varghese, executive director & business head, PNB Housing Finance, "From the safety point of view, both banks and housing finance companies (HFCs) are highly regulated. There is no obvious difference-making one a safer or better choice than the other. It is the customer's prerogative in choosing a preferable option, depending on personal needs and convenience, anticipated future requirements as well as service-

> ***Both public and private sector banks and non-banking entities like housing finance companies (HFCs) offer home loans at competitive rates to customers. However, there is no real difference in terms of loan security due to adequate regulation in both cases.***
>
> **- Ravindra Sudhalkar, ED & CEO, Reliance Home Finance**

oriented factors of banks and HFCs. For example, few years down the line you may require a top up loan on your existing home loan but there may be institutions that do not offer this feature."

Broadly, home loans can be categorised as home purchase loan to buy a new property, home construction loan, home extension loan, home improvement loan for upgrade, renovation or repair work, residential plot loan and loan for NRIs to help them own a home in India.

Customers generally look for institutions that are near their home or office. So, geographic proximity plays an important role.

Both banks and HFCs provide a pan-India network, covering cities and locations convenient for customers. One advantage that HFCs offer is customized solutions and customer centric delivery model with a high attention span. Since they rely on a mono-line business model, HFCs are more adept towards enhancing the delivery mechanisms and bringing convenience on the forefront.

> ***Both banks and HFCs provide a pan-India network, covering cities and locations convenient for customers. One advantage that HFCs offer is customised solutions and customer-centric delivery model with a high attention span. Since they rely on a mono-line business model, HFCs are more adept towards enhancing the delivery mechanisms and bringing convenience on the forefront***

Facilities like quick disbursal, digital access anytime anywhere, doorstep delivery, multiple touch points and various post disbursement resolution platforms are some of the added features provided by many HFCs. Home loans are liabilities that go for long tenures, hence it is important that both pre and post disbursement services are reviewed.

Housing finance companies also have a focused target group for their business. Some may focus more on affordable segment, others may have a strong hold on rural markets and few of them may have presence only in urban cities or may be regional presence. Therefore, you may choose according to your personal preference.

Overall, the reputation, brand vintage and the product offerings of the institution make customers choose from where they wish to take the home loan.

FACT CHECK

After witnessing good growth for the last two years and in the first half of FY19, most HFCs faced liquidity issues. Loan book growth for housing finance companies (HFCs) halved from 21% in the first half of FY19 to 10 per cent in the second half, bringing down full-year growth to 16 per cent, shows a report by Crisil.

Most HFCs offer loans against property (LAP). HFCs increased their share in the loans against property (LAP) segment from 29 per cent in December 2016 to 34 per cent in December 2018.