
“A STUDY OF CREDIT APPRAISAL OF HDFC HOME LOANS”

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Abstract

The whole research is about the study of credit appraisal of home loans. The procedure of appraising the loan. How they appraise, what are the documents they required, what should be the CIBIL score of that individual who is seeking for loan, what are all that formalities they need to do for appraising the loan. In the research, problems found that the file put on hold just because of missing documents which are not provided by the customer. Otherwise, if the customer is eligible for loan and provide all the required documents on time then credit manager approved the loan as soon as possible.

The loan appraisal is most of the time depends upon the ratios like Loan to cost Ratio, Instalment to income Ratio, Fixed obligation to income ratio.

HDFC Ltd. Having good brand image in the minds of the Customers. It Provide good services to their customers. HDFC Ltd. Biggest competitor is INDIA BULLS.

The whole research was carried out in a systematic way and it takes very less time to study and analyse the file of a customer, whether he/she is eligible for taking loan or not. The Credit analyst just have to ensure whether the person have existing loan or not. If yes, then whether he is paying the instalments on time or not. If not then how could he pay the instalment for our home loan? On the basis of profile also one could become eligible or loan like if the customer applies for the loan amount for which he can't be eligible and he/she is working in the well-known company and have many promotions in frequent time or have a good position in that company then loan would be provided, only the documents would be required for the same.

Keywords- Credit Appraisal, HDFC, Ratio.



1. INTRODUCTION

A Credit appraisal for a home loan is the important part of a loan eligibility evaluation process. The appraisal is undertaken by the bank. Each NBFCs and banks set their own parameters and standard for evaluating the credit worth of a potential borrower. The eligibility for the loan that a person can avail of depends on his credit worthiness.

An NBFC evaluates the repayment capacity of borrower considering factors such as income, age, qualification, experience, employer, nature of business (if self-employed), security of tenure, tax history, assets owned, additional source of income, other loan obligation, investments etc.

Based on the parameters of the NBFC or Banks, the maximum loan eligibility is worked out. The final loan amount is sanctioned by the finance-housing is according to the Loan to value norms, instalment to income Ratio norms and the fixed obligation to income Ratio norms laid down by the NBFC.

Financial Institutions and Banks are intermediate between lenders and borrow. But banks are into other services too, so giving loans is not there primary function. Here NBFC's come into picture there are only focused on lending money. They lend to people, enterprises, or other institutions. The loan and advances should be given to them who have the certain and predicated cash flow to repay the credit. If managers fails to analyse the clients viability of repaying the loan, possibility of default may arise due to the fact.

This project contain the credit appraisal of HDFC sales home loan which involves the process/ procedure of checking application form, scanning the documents, checking the CIBIL report of the customer like how many existing loan he/she availed for, checking their profile, bank statement, salary slip, ITR, Form 16 or Form 26 AS etc.

2. CONCEPTUAL BACKGROUND

Housing finance is basically required by both suppliers and users. The builders need finance for land acquisition, purchase of building materials and for construction related activities. The household-users need finance for purchase / construction of new house or flat, for repairs, renovation or extension of already existing houses. Housing being a long durable asset, the finance required is generally long term credit in nature. As a durable asset, housing finance structure provides security for house finance. Hence it is made usually against mortgage of house itself as a security. Naturally it follows that to become eligible for house finance, the borrower should be the owner of the house with clear title of ownership. Housing finance enables individual households to acquire land and build their own house with the basic amenities for a better standard of living.

This is an analytical research area where we evaluate the data with the help of following information. This analysis leads to the simple conclusions of whether to lend money to the customer or not.

How much an applicant can borrow?



Home loans starting from 1 lakh to the capacity of the repayment of the customers. Your repayment period can vary from 1 year to 30 years depending upon your capacity to repay and age of the customer.

Eligibility

Age: - Min you should be at least 21 years of age.

Max: - At the time of loan maturity, you should not exceed 65 years or retirement age, whichever is earlier.

Individual:

You should have completed a minimum of 2 years of service (with a minimum of 1 year in the current job)

ELIGIBILITY CRITERIA

1. PRESENT AGE AND REMAINING WORKING YEARS:

The age of the applicant plays a major role in determining the home loan eligibility. With the maximum loan term generally capped at 30 years or the age of retirement, a young person can avail a longer term loan; for the old, the loan term will be comparatively shorter. Further, the longer working life that a young individual will enjoy will enable him/her to enjoy better loan terms vis-à-vis the old.

2. FINANCIAL POSITION:

To ensure that you are able to service the loan regularly, your present and future income will have a significant impact on determining the loan amount. Along with the quantum of income, the stability and the quality of income is also considered.

3. PAST AND PRESENT CREDIT HISTORY AND CREDIT SCORE:

A clean repayment record will add credence to your loan application. In addition a good credit score implies that the chances of your defaulting would be minimal. This augurs well for the home loan lenders.

4. OTHER FINANCIAL LIABILITIES:

The home loan lender will also evaluate your existing liabilities such as car loan, credit card debt, etc. to ensure that you would be able to bear all the incremental burden of the additional loan.

5. PERSONAL PROFILE:

Your overall personal profile viz. background, educational qualifications, etc. will also play a role in loan approval.

6. TRAITS OF THE DESIRED PROPERTY:

Home loan lenders may have specifications which the underlying property must adhere to, such as age of the property, its size, etc. If it does not comply, the loan application will be rejected.

7. GUARANTOR TO AN EXISTING LOAN:

If you are an existing guarantor to a loan, the lender will consider it as a loan that you hold and will consider it while determining the loan eligibility. Further, in



case the borrower defaults, it may have a direct negative impact on your credit worthiness.

Together, the above factors will allow the home loan lenders to determine the loan terms and the repayment schedule.

SALARIED PERSON

Here the Credit Appraisal is done for a salaried person .We try to compute the creditworthiness of a salaried person .By saying that we mean that the person is employed as an employee in a recognised organization. The organization may be public or private. The person must have proof to prove his employment like credit documents etc.

Some of the acceptable relationships where loan clubbing is possible:-

- Income clubbing Husband-Wife – YES
- Parent-Son YES(if only son)
- Parent- Daughter YES (if only child)
- Brother- Brother YES (if currently staying together and intend staying together in new property)
- Brother- Sister NO
- Sister – Sister NO
- Parent Minor child not eligible for loan

1. The minimum age for the applicant and the co applicant to become eligible for the commencement of the loan is 23 years, and co applicant can be of 18 years of age if their income is not clubbed to calculate the loan eligibility.
2. The maximum age at the time of loan maturity for applicant or co-applicant is 60 years or the retirement age whichever is earlier.

TERMS AND CONDITIONS:

The following are the terms and conditions applicable to basic home loan product only. These are likely to change on the basis of the variations of the home loan products. Typically in general home loan, the following conditions are applicable:

- 1) The loan to value ratio (LTV) cannot exceed a particular percentage. This differs from product to product and from one financial institutional bank to another. The component of the value of property calculated here is covered under the cost of property.
- 2) The maximum tenure of the bank is normally fixed by HFI/Bs. However, HFI/Bs do provide for different tenure with different terms and conditions.
- 3) The instalment that one pay is normally restricted to about 50% of the monthly gross income of the candidate.
- 4) The total monthly outflow towards all the loans that have been availed of, including the current loan is normally restricted to 50% of the gross monthly income.
- 5) One will be eligible for the loan amount which is lowest as per one's eligibility. This is calculated as per the LTV norms, the IIR and the FOIR norms as mentioned above.
- 6) Most HFI/Bs considers the profile before they judge the repayment capacity. The judgement is based on age, qualifications, Number of dependents, employment details, employer credentials, work experience, previous track, record of repayment if any loans that have been



availed of, occupation, the industry to which the candidate business relates to, if he/she is self-employed then the turnover in the last 3-4 years.

7) Some HFI/Bs insist on guarantees from other individuals for the repayment of the loan. In such cases, the customers have to arrange for the personal guarantee before the disbursement of the loan take place.

8) The property should be technically clear before the HFI/Bs disburse the loan amount to the customer. Most of the institutions and banks have the teams of technical experts who visit the site to get the technical report before the disbursement of the loan. This is also beneficial to the customer as they check for the technical quality and compliance with local laws.

9) The property should be legally clear before one can avail of a disbursement of the loan amount. Housing finance institutions/ Banks take legal clearance from their lawyers before the disbursement of loan amount. This proves to be beneficial to the customers as well as legal experts checks his/her documentation to ensure that he/she get a proper title to the property.

10) The disbursement of the loan is as per the process of the construction of the property unless it is a ready property in which case the disbursement will be by one single cheque. PEMI or simple interest on the loan amount disbursed to the customer in case of the part disbursement will be payable by the customer on the disbursement.

11) The disbursement in most cases will be favouring the builder or the seller or the society or the development authority as the case may be. The disbursement will be come in the customer's favour under special circumstances only.

12) The repayment of the loan can be made either through deduction against salary, post-dated cheque, standing instructions or auto debit instructions to banks.

13) The principle is amortised either or annual reducing or monthly reducing basis as the case may be. The above terms and conditions are generally true for most of the HFI/Bs with respect to the general home loans. However, the specific terms and conditions vary with respect to special Housing Finance Institutions or Banks.

REQUIRED DOCUMENTS

The Credit Appraisal is an important step in sanctioning loan applications.

Hence the Credit Appraiser needs to have certain important documents to compute the credit worthiness of the applicant .In the case of salaried person these include the following:

1. Proof of the age of any one of the following if considered for proof of the age:-
Passport/ Voter's ID card / PAN card/ Ration card/ Employer's identity card/ School leaving certificate/ Birth certificate

2. BANK STATEMENTS (6 MONTHS CURRENT)

The bank statement contains the various transactions that the applicant performs in his bank account. It has some components

- **Date**
- **Descriptions**-It contains the brief and standardised description of the activity or the account related to the transaction .Eg. Clearing cheque 166129,Transfer deposit
- **Deposits**- It contains the amounts that were credited to the account



- Withdrawal –It contains the amounts that were debited to the account. This is carefully studied to find out about any regular withdrawals or a series of checks so that any existing loans may be revealed and there can be a correct estimate of the repayment capacity.
- Balance- It shows effect of transaction on the pre-existing account balance
- Special feature HDFC will not consider any loans without standing EMI of or below 6 months

3. Copy of latest credit card statement

4. Passport size photograph

5. Signature verification the your banker

6. Proof of residence:

Ration card/ PAN card/ Passport/ Rent agreement if any, if you currently staying on rent/ Allotment letter from your company if you are residing in company's quarter.

The documents required to be provided by the salaried class are as follows:

- Salary slip for the last three month
- Appointment letter
- Salary certificate
- Retainer ship agreement, if appointed as consultant.
- Form-16 issued by the employer in your name.

Proof of Employment:

- Identity card issued by the employer.
- Visiting card

Employer's details (in case of private Ltd. Companies)

The employer's details are to be provided in addition to the above documents for documents for a private sector employee, they are:

- Name of the Promoter/ Director
- Background of the Promoter/ Director
- Number of employees
- List of branches/ factories
- List of clients/Customers.
- Turnover of your employer
- Annual report of your employer for the last two or three years.

The documents required to be submitted by the businessman as follows:

- Last three years profit & loss A/C statement duly attested by the chartered accountant.
- Last three years balance sheet duly attested by the Chartered accountant
- Last three years Income Tax return duly filed and certified by income tax authorities.

Proof of Investments

- Bank statements for the last six months of all current accounts.
- Any other photocopies of investments held, as required by the HFI.

DESCRIPTION OF THE WORK I HAVE DONE

HDFC SALES PVT. LTD., I work as credit officer intern. At first I was made to understand the working process of the company and then apply the financial strategies for the further sanctioning of the loan application.



Loan application contains various stages, they are as follows:

1) SERIAL NUMBER GENERATION

This is the stage the Application Form first reaches the concerned Service Centre/workstation. In this stage QUICK DATA entry of the loan application is done to create a serial no. of the application. After that another page appears and more data is entered. A special and unique LOAN A/C No. is created in which all the loan process is being carried out. The number that has been generated is communicated to the applicant by means of the email. The system electronically record the data helps to create ready reference, a proof, helps in quick and easy processing of the data. It also helps to very easily and quickly share data with other employees of HDFC. If NRI does belongs to other country and does not have any other contact here then POA card is given to them.

2) SCANNING

In this stage various important documents of the applicant are scanned. This helps to create their electronic copy of which act as a ready reference, as proof and even can be shared and utilised by the other employees of the HDFC Ltd.

3) APPLICATION STAGE

Here all the documents in the application form are reviewed to see whether all documents present are in their proper place, if the documents are duly filled, not fake, attested by authority and present in order. In case any document is missing the applicant is contacted electronically or by mail or by telephone and requested for the document to be submitted. This exercise is called **FOLLOW UP**. The credit appraisal of the loan application starts at this stage. Than after compute the gross salary, IIR (Instalment to income ratio), FOIR (Fixed Obligation to income Ratio), Loan Eligibility ratio etc. The credit worthiness of the applicant is calculated here.

$$\text{FOIR} = \frac{\text{Current Obligation} + \text{Existing Obligation}}{\text{Gross salary}}$$

$$\text{Gross Salary} = \text{Gross Income} + \text{Bonus} + \text{Rent} + \text{Performance Incentives}$$

$$\text{IIR} = \frac{\text{Current Obligation}}{\text{Gross Salary}}$$

4) FILLING INTERVIEW SHEET

The next and important processing performed is filling up a document known as the INTERVIEW SHEET for processing individual loans. It contains various simple entries like

1. Name of borrower
2. Name of co-borrower
3. Income details
4. Family background and permanent address etc
5. Gross Salary
6. Rental
7. Other incomes
8. Obligations
9. Remarks
10. CIBIL report

5) FILLING REMARKS COLUMN



Remarks column contains various findings that has found out after review of the applicants documents such as bank statement, salary slip, CIBIL etc. After this the file is sent to the HUB (Senior Officer) where further processing takes place (like Technical, Legal, Residence and Office Verification).

The documents checked are:

IF CUSTOMER ISSELF EMPLOYED:-

LD PROOF:-

Pan card/ Driving license/ Voter I'd card/ Aadhaar card / Passport

ADDRESS PROOF:-

Aadhaar card / Voter card / Electricity bill/ Telephone bill (landline/ postpaid)/ Ration card/ Rent agreement with stamp duty (if customer are living on rent)/ Government id / Appointment letter from employer

BUSINESS PROOF:-

Visiting card/ Company profile/ Letter head

BANK STATEMENT:-

- Latest six months bank statement A/C

INCOME PROOF:-

- Latest three yrs ITRs
- Form 16
- Form 26AS

IF CUSTOMER IS SALARY BASED:-

LD PROOF:-

Pan card/ Driving license/ Voter I'd card/ Aadhaar card / Passport

ADDRESS PROOF:-

Aadhaar card / Voter card / Electricity bill/ Telephone bill (landline/ postpaid)/ Ration card/ Rent agreement with stamp duty (if customer are living on rent)/ Government id / Appointment letter from employer

BANK STATEMENT:-

Latest six months bank statement A/C

INCOME PROOF:-

- Latest two yrs ITRs
- Form 16
- Form 26AS
- Last three month salary slip

UNDERSTANDING THE FORMULAE

Once the home loan lender has all your information, it computes certain ratios to calculate your eligibility.

INSTALMENT TO INCOME RATIO

The ratio signifies to the lender the percentage of income that can be set aside for the loan repayment, under the assumption that roughly half the income would be required to take care of your regular expenses. It could be maximum 50%.



FIXED OBLIGATION TO INCOME RATIO

Here, the lender considers the instalments of all other loans already taken by you and still due in addition to the home loan applied for. It would be maximum 55% - 60% (can be more than 60%, depends upon the profile of the customer).

LOAN TO COST RATIO

This ratio will determine how much of the property is being financed by lender compared to the amount financed by your own funds. It is a way to tell how much equity you have in the property.

3. LITERATURE REVIEW

(i) The Research Study entitled “Housing in New Millennium: A Home without Equity is Just a Rental with Debt” by Joshua Rosner (2001)

He studied the prospects of the housing / mortgage sector over the next several years. Based on the author’s analysis, he believes that, there are elements in place for the housing sector to continue to experience growth well above GDP. However, he believes that there are risks that can materially distort the growth prospect of the sector. Specifically, it appears that a large portion of the housing sectors growth in the 1990’s came from the easing of the credit underwriting process. Such easing includes: • The drastic reduction of minimum down payment levels from 20% to 0%. • A focused effort to target the “low income” borrower.

- The reduction in private mortgage insurance requirements on high loan to value mortgages.
- The increasing use of software to streamlines the origination process and modifies delinquent loans in order to keep them classified as “current”.
- Changes in the appraisal process which has led to widespread over appraisal / overvaluation problems.

(ii) A study entitled to “Performance of Housing Finance Companies” by Brar Jasmindeep et.al. (2005)

The objectives of this study were to study the operational performance, and the financial performance of the selected institutions. The study covers three institutions viz. HDFC, LIC & PNB. The study is based on the secondary data that have been collected from the annual reports and web sites of the institutions selected under study. It covers the period from 1990-91 to 2003-04. The performance of the selected institutions has studied by using percentages, compound growths rates and various ratios. HDFC Ltd. comes at the top among all the institutions as far as loan sanctioned, disbursements and the loan outstanding are concerned, PNB has the last rank for both loans sanctioned and disbursed. However, the compound growth rate for the loan sanctioned, disbursement and outstanding has been highest in the case of LIC Housing Finance. It stood at 26.49%, 30.89%, 36.16%. Against PNB showed the lowest compound growth rates of 18.62% and 19.90%, for the loan sanctioned and disbursement over the same period. However, the compound growth rate of the loan outstanding in the case of PNBHF was higher than the growth rate of HDFC.

(iii) A Paper entitled “Retail Banking – Emerging Issue in Home Loan” by Rao K. N. et.al. (2005)



In this paper the authors revealed that during 2002-03 housing loans by banks grew at a hefty growth rate of more than 100%. The factors that contributed to that aggressive growth in the portfolio of housing loans of banks and HFC are: Tax intensives on repayment of principal and interest, rising income level of middle class, falling interest rate, stable real estate prices, easy availability of housing loans, low returns on the investment opportunities available in the market. They also concluded that although there is strong growth in housing loans by financial situations in India, we are still behind the developed countries in terms of housing loans to GDP ratio. In India it is around 2.5% compared to 57% in the UK and 54% in the US. It shows that there is a vast scope for housing loans in India. One economist has argued that every rupee spent on the housing sector will increase the GDP by more than 75 paise. It also creates a labour intensive. Despite the immense growth in housing loans there are certain challenges that the banks might face in the time to come, e.g. falling rate of interest, rising mismatch in the assets and liabilities of the bank, rising NPA in the housing loan portfolio, etc.

**(iv) The Study entitled “Housing Finance in India – Problems and Prospects”
Authored by Chaubey M. (2009)**

The objective of the study was:

To Study the customer’s views on housing finance offered by HDFC in Varanasi, and
To know about the relative performance of HDFC in providing housing loans in city. The sample of the study was selected on the basis of random sampling techniques. For analysing the perception of the borrowers, Likert scaling test was used. The study reveals-

- 42%, 32%, 22% and 4% opted for loans because of low interest rate, easy instalment scheme, simple procedure and other reasons respectively.
- 24%, 34%, 38%, and 2% respondents have borrowed loans for purchase of flats, purchase of house, construction of house and other reasons respectively.
- 100% respondents made the repayment in equated monthly instalments.
- 43% respondents knew about the interest rate.
- 92% respondents preferred for the floating interest rates and 8% respondent preferred fixed interest rates.
- 72%, 19% and 10% respondents came to know about bank through print and electronic media, friends and relatives and Builders/Developers respectively.
- 50%, 25%, 20% and 86% respondents have reported of mortgage of finance through property, gold and others insurance policy equal to the loan sanctioned, deposit for the title deed and additional collateral security respectively.
- 58%, 27% and 14% respondents opted for more than 15 years, 5 years and 10 year as the term of loan, respectively.
- 40%, 38% and 18% respondents repaid their loan amount through post-dated cheques, through ECS and through salary deduction and 4% were paying directly to the bank.
- 70% respondents agreed that there is a delay of loan approval that there is a delay of loan approval and disbursement.

4. RESEARCH METHODOLOGY

A. Topic of Research-

A study of Credit appraisal of HDFC home loans

B. Aim of Research-

To study and analyse the Credit appraisal process

C. Objectives-

- (i) To study about the HDFC home loan and its products.
- (ii) To analyse how to appraise the home loan for an individual.
- (iii) To examine the procedure of Home loan.
- (iv) To study how to evaluate the data provided by the customer for taking Home loan.

D. Data collection

Source of Data- Secondary data- Secondary data which is primarily collected by the sales executives is use by the credit manager to analyse the credibility of an individual to appraise the loan.

E. Hypothesis

-Is credit appraisal process is simple for home loans?

HOME LOAN	LCR/LTV	TERM (YEARS)
PURCHASE	75%-90%	30
RESALE	75%-90%	30
CONSTRUCTION	75%-90%	20
BT-FINANCE	75%-90%	20
HIL – EXISTING	75%-90%	15
HIL - NEW	75%-80%	15
HEL	75%-80%	20
PLOT	75%-80%	15
REACH	60%-70%	20
NHL/NRP		
LAP/ EQUITY- NEW	50%	15
LAP/ EQUITY- EXISTING	60%	15
TOP- UP	75%-80%	15
NRP – BUILT UP	75%-90%	15
NRP – PLOT	75%-90%	15

- ❖ UPTO 30 LAKH –90%
- ❖ 30.1 LAKH TO 1 CRORES – 80%
- ❖ ABOVE 1 CRORES – 75%



5. Data Analysis and Hypothesis testing

Case 1

Customer name – Raj kumar Ghosh

File no. – 633827077

Product- **Home loan Resale**

Interest rate – 8.65%

Loan application was for Rs. 750000

Cost of the property – Rs. 13,00,000

Loan term- 10 years

Gross salary- 80618

Existing Loan EMI = 16263

Missing documents which are provided by the customer later for the process:-

- Last 2 months salary i.e. march and April
- Form 16 – 2017-18, & 2018-19
- ITR 2017-18
- Bank statement of loan repay

Loan to Cost Ratio = $\frac{\text{Loan required}}{\text{Cost of the property}}$

$$= \frac{750000}{1300000} = 57.69\%$$

IIR = $\frac{\text{Current Obligation}}{\text{Gross Salary}}$

$$= \frac{7.5 * 1248}{80618} = 11.61\%$$

FOIR = $\frac{\text{Current Obligation} + \text{Existing Obligation}}{\text{Gross salary}}$

Gross Salary = Gross Income + Bonus + Rent + Performance Incentives

$$= \frac{7.5 * 1248 * 16268}{80618} = 31.78\%$$

Loan approved because customer's IIR & FOIR are fulfilling the requirements.

Case 2

Customer name – Deepak Rai

File no. – 633720730

Email Id- Deepak.raai@sap.com

Interest rate – 8.5%

Product- **Home loan Purchase**

Loan application was for Rs. 1,00,00,000

Cost of the property – Rs. 1,40,00,000

Loan term- 20 years



Gross salary- 300000

Existing Loan EMI = 50138 (IDBI Loan EMI)

Loan to Cost Ratio = $\frac{\text{Loan required}}{\text{Cost of the property}}$

$$= \frac{10000000}{14000000} = 71.42\%$$

IIR = $\frac{\text{Current Obligation}}{\text{Gross Salary}}$

$$= \frac{100 \times 868}{80618} = 28.93\%$$

FOIR = $\frac{\text{Current Obligation} + \text{Existing Obligation}}{\text{Gross salary}}$

Gross Salary = Gross Income + Bonus + Rent + Performance Incentives

$$= \frac{100 \times 868 \times 50138}{80618} = 45\%$$

Loan approved because customer's IIR & FOIR are fulfilling the requirements.

Case 3

Customer name – Ankur Gupta

File no. – 633746929

Product- **Home loan Resale**

Interest rate – 8.45%

Loan application was for Rs. 42,00,000

Cost of the property – Rs. 50,00,000

Loan term- 24 years

Gross salary- 1,50,000

Existing Loan EMI = 15922 (ICICI Loan)

Missing documents which are provided by the customer later for the process:-

- Bank statement of May salary credited.

Loan to Cost Ratio = $\frac{\text{Loan required}}{\text{Cost of the property}}$

$$= \frac{4200000}{5000000} = 84\%$$

IIR = $\frac{\text{Current Obligation}}{\text{Gross Salary}}$



$$= \frac{812 \times 42}{150000} = 22.73\%$$

$$\text{FOIR} = \frac{\text{Current Obligation} + \text{Existing Obligation}}{\text{Gross salary}}$$

Gross Salary = Gross Income + Bonus + Rent + Performance Incentives

$$= \frac{812 \times 42 + 15922}{150000} = 34.91\%$$

- **Loan approved because customer's IIR & FOIR are fulfilling the requirements.**

Case 4

Customer name – Ankur Gupta

File no. – 633751031

Product- **Home loan Construction**

Interest rate – 8.6%

Loan application was for Rs. 5,00,000

Cost of the property – NIL

Loan term- 15 years

Gross salary- 58315

Existing Loan EMI = NIL

Missing documents which are provided by the customer later for the process:-

- Bank statement of May salary credited.
- ITR
- Estimate Form

$$\text{IIR} = \frac{\text{Current Obligation}}{\text{Gross Salary}}$$

$$= \frac{991 \times 5}{58315} = 4\%$$

$$\text{FOIR} = \frac{\text{Current Obligation} + \text{Existing Obligation}}{\text{Gross salary}}$$

Gross Salary = Gross Income + Bonus + Rent + Performance Incentives

$$= \frac{991 \times 5}{58315} = 4\%$$

Loan has been rejected because customer doesn't provide estimate form of the construction for the process.

Case 5

Customer name – Anupam Mohindroo

File no. – 633749795

Product- **Home Extension Loan**

Interest rate – 8.65%



Customer Age – 58 yrs (Loan can be provided only for maximum for 2 yrs)

Loan application was for Rs. 50,00,000

Cost of the property – Rs. 1,50,00,000

Loan term- 10 years

Gross salary- 10,46,000

Existing Loan EMI = NIL

Missing documents which are provided by the customer later for the process:-

- Last 1 months salary i.e. May
- May Salary credit Bank Statement
- ITR 2017-18

Loan to Cost Ratio = $\frac{\text{Loan required}}{\text{Cost of the property}}$

$$= \frac{50,00,000}{1,50,00,000} = 33.33\%$$

IIR = $\frac{\text{Current Obligation}}{\text{Gross Salary}}$

$$= \frac{50 \times 4552}{10,46,000} = 21.76\%$$

FOIR = $\frac{\text{Current Obligation} + \text{Existing Obligation}}{\text{Gross salary}}$

Gross Salary = Gross Income + Bonus + Rent + Performance Incentives

$$= \frac{50 \times 4552}{10,46,000} = 21.76\%$$

- Customer is existing customer whose loan is running already. So he/she can take extension loan on it & he has to show the estimate sheet and map of the extension.

Loan approved because customer's IIR & FOIR are fulfilling the requirements.

Hypothesis Testing

Yes, Credit Appraisal process is simple because it is totally based on the fundamental analysis and only the requirements should be fulfilled by the customer to get the Home loan.

6. Research findings

- HDFC Ltd. Having good brand image in the minds of the Customers.
- Some of the Customer's feel that the interest rate is somewhat high.
- Some of the customers do not have good faith on private institutions but the service which the HDFC Home loans are providing, they start trusting on HDFC.
- Most of the people directly go to the HDFC to apply for the home loan.



- Some of the Customers of HDFC already benefited through HDFC home loan products & Services.
- Customer awareness is medium about HDFC products.
- HDFC Ltd. Provide good services to their customers.
- HDFC Ltd. Biggest competitor is INDIA BULLS.

7. Suggestions

1. To increase their customers, the HDFC ltd. should provide specialized services in this sector. These services can be such as proper guidance to the customers regarding the processing of home loans, especially for the customers who are illiterate.
2. To satisfy their customers and for good dealing in future, the HDFC Ltd. should make prompt disbursement of loan amount to the customers so that they can buy or construct their dream home as soon as possible.
3. The HDFC Ltd. should use less lengthy procedure for the sanctioning of loan to the customer. There should be less no. of legal formalities, in case this exist, then these should be completed in less time. This will be helpful in attracting more customers.
4. HDFC Ltd. provides loan according to the repaying capacity of the customer and his/her eligibility. Due to which, some customers are not able to get amount of loan needed by them. So, the HDFC Ltd. should soften their norms regarding to the loan amount.
5. Charges: the company has to reduce the mortality and administration charges.
6. The company has to reduce their interest rates on home loan product and services.
7. The company has to identify the potential customers.
8. Company should consider the present competition and should act according to the customer needs.

9. Conclusion

Finally the whole research was carried out in a systematic way to reach at exact results. The whole research and findings were based on the objectives. However, the study had some limitations also such as lack of time, lack of data, non-response, reluctant attitude and illiteracy of respondent, which posed problems in carrying out the research. But proper attention was made to carry out research in proper way and to make accurate conclusion for the HDFC Ltd. which may beneficial for the banks to enhance their customer base. This research gave the deep information about how to analyse the data and information of the customer who are seeking for the for home loan.

10. Bibliography

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