CHAPTER-4

OPERATIONS OF LICHFL AND HDFC
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I - OPERATIONS OF LICHFL:

Housing is a National priority. Housing finance today became a specialized and institutional activity towards the goal of bridging the gap between demand and supply. With the formation of the National Housing Policy (NHP), Life Insurance Corporation's (LIC) contribution to the field of housing development has been substantial. Due to heavy work arising on account of wide range of activities, LIC could not manage the housing finance effectively in achieving the targets. Accordingly, LIC Housing Finance Limited (LICHFL) as a subsidiary of LIC was incorporated on June 19th 1989, to accelerate the development of housing.

The LICHFL started its operations with 8 centers and spread its activities to 43 centers by 1991-92 as Area Offices. As the activities of LICHFL are increasing, the total Area Offices in the year 2000-2001 have gone up to 212, out of which 6 Offices are in Hyderabad, Andhra Pradesh.

The LICHFL has an authorized capital of Rs.100 crore contributed by LIC, UTI and ICICI. The subscribed capital of LICHFL is Rs.25 crore in which LIC share is 50.50% and others have 16% each. The LICHFL commenced its lending operations by setting up its first Area Office at New Delhi.

1) Objectives of LICHFL:

‘To each one a home of his own’ is the main objective of LICHFL. It renders liberal financial assistance to policy holders and others for purchase/construction of residential houses/flats. The following are the other objectives of LICHFL:

(i) To provide loans to public sector/private sector employees to construct residential accommodation for their employees.

(ii) To mobilize insurance linked long term savings from the public to deploy such funds in long-term finance in the housing sector.
(iii) To facilitate approval of builders in advance and offer them construction finance to enhance customer servicing with a real estate market information.

2) Awards to LICHFL:

LICHFL received the ‘Silver Shield’ for the best presented accounts in the category of Banks and Financial Institutions for the year 2008-2009 from the Institute of Chartered Accountants of India (ICAI), New Delhi. HDFC has won the same award for eleventh time.

LICHFL emerged as the second ‘Most Highly Rated Company’ in India in December 2009 in the equity rating by Euro Money Magazine.

“Best housing finance company for the year 2010-11” award from CNBC TV 18.

Rated 'AM' by CRISIL for the 9th consecutive time in 2011-12; maiden Fixed Deposit scheme received an FAAA/stable rating by CRISIL.

3) Organizational Structure of LICHFL:

To enable the organization to achieve its set objectives, it must go on spreading regionally on some geographical criteria. As it was established in 1989, it was felt that it has to be stretched to rural areas by making its presence. However, the head office of the LICHFL, called ‘Corporate Office’ is located in Mumbai. To ensure regional business, 6 Regional Offices (RO) were located at different places in the Country, such as Mumbai, Chennai, Bangalore, Kolkatta, Lucknow and Delhi. The Regional Office for the South Central Zone is in Bangalore which looks after the Area Offices including Andhra Pradesh.

After RO, the next link of the LICHFL is Area Office. Generally, there is an Area Office in every Divisional Centre of the LIC, and at present 212 Area Offices are in operation Nationwide.
Table 4.1
i) Physical Structure of LICHFL

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Offices</th>
<th>Numbers</th>
<th>Places</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.</td>
<td>Corporate Office</td>
<td>01</td>
<td>Mumbai</td>
</tr>
<tr>
<td>02.</td>
<td>Regional Offices</td>
<td>06</td>
<td>Mumbai, Chennai, Bangalore, Kolkata, Delhi &amp; Lucknow.</td>
</tr>
<tr>
<td>03.</td>
<td>Area Offices (Operating Offices, Extension Counters &amp; Camp Offices)</td>
<td>212</td>
<td>Different places in India.</td>
</tr>
</tbody>
</table>

Source: Staff Training Manual of LICHFL-2010

Since LICHFL is in formative stage, the organizational structure at all stages of LICHFL looks vertical. As there was no subordinate staff in large number as in the initial stages, the processing of application and clerical assistance was rendered by LIC branch offices. Now the LICHFL is sufficiently staffed to look after its activities. The structure at corporate level is shown as under:

ii) Organizational Structure at Corporate Level

```
Chairman

Managing Director

Independent Director

General Manager

Deputy General Manager

Other Staff
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The Chairman in the hierarchy is assisted by the Managing Director (MD), MD is assisted by Independent Director and General Manager (GM). They are assisted by Deputy General Manager (DGM) and other staff at Corporate Office. Mr. D.K.Mehrotra is the present Chairman of LICHFL.

iii) Organizational Structure at Regional Level

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Regional Manager

Deputy Regional Manager

Assistant Regional Manager

Other Staff
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iv) Organizational Structure at Area Office, Hyderabad

At Regional Office level, the Regional Manager at the helm of affairs is assisted by Deputy Regional Manager and Assistant Regional Manager with Executive Assistants that look after the affairs of Regional Office.

The Area Manager who is the top authority at Area Office level is assisted by Deputy Area Manager and who in turn is assisted by Assistant Area Manager who will carry on the day-to-day affairs of the office. Each Area Office is well equipped with office equipments like Computers, Printers, which are connected through Local Area Network (LAN) to speed up the disposal and accuracy in maintaining the accounts and individual ledgers to render better services to the borrowers.
To cater to the needs of the clients the company, LICHFL had opened 212 Area Offices (Operating Offices, Extension Counters & Camp Offices). With these the LICHFL had widest network amongst all the Housing Finance Companies in India. Hyderabad branch of LICHFL was established in the year 1993 with just 20 employees and today it has a total of 6 branches in Hyderabad and Secunderabad at various places like Ameerpet, Dilsukhnagar, Gachibowli, Himayathnagar, Kukatpally, and Secunderabad. There are about 107 fulltime employees in LICHFL and more than 500 agents working under Hyderabad and Secunderabad branches.

4) National Housing Bank (NHB) Guidelines:

LICHFL is complying with the guidelines with regard to income recognition, provisioning for non-performing assets and maintaining capital adequacy ratio issued by National Housing Bank (NHB) from time to time. As on 31st March 2012 capital adequacy ratio stood at 11.26% (as against 10% prescribed by NHB). NHB Chairman & Managing Director is Mr. RV Verma.

5) Prudential Norms for LICHFL:

The NHB has issued guidelines to Housing Finance Companies (HFCs) on prudential norms for income recognition, provisioning, asset classification, provisioning for bad and doubtful debts, and capital adequacy ratio.

LICHFL's capital adequacy is 12% as against the 11% of the minimum requirement.

6) Human Resources:

In the initial periods of its inception, the top management has been represented by the officers of LIC of India on deputation. Gradually they are replaced with the recruitment of its own. The Company has qualified and trained employees who are responsive to both customer's needs and changing economic scenario. The LICHFL in
its management has Chairman, four Directors, one Director and Chief Executive along with seniors.

LICHFL philosophy on corporate governance envisages attainment of transparency, accountability and equity in all facets of operations and in all interactions with its stakeholders including the shareholders, employees, government and lenders.

7) **Marketing Personnel:**

To undertake the business successfully, the LICHFL has large marketing assistance from marketing people in the form of development officers and agents of LIC of India.

LICHFL is the second largest market leader in the housing finance industry. With financial backing from its parent organization LIC, the institution which has been cash rich; LICHFL need not mobilize funds through fixed deposits like other housing finance companies. LICHFL receives its funds from three major sources, besides its owned funds and internal accrual viz., loans from LIC, Commercial Banks and refinance from NHB.

The greatest constraint in the rapid development of housing activity in the country is the lack of financial resources for individuals along with land and infrastructural services. Thus, there is an immense potential for the housing finance industry to grow and provide financial resources to meet housing requirements. Hence, there is a tremendous scope for LICHFL to increase its housing finance activity.

The operations of LICHFL are extensively decentralized and 95% of the loans to individuals are sanctioned at the level of Area Offices. As the life insurance policy is necessary requirement insisted upon by LICHFL, the agents of LIC of India are involved in the process and act as liaison between prospective clients and LICHFL, which further helps LICHFL in converting promising prospects into clients.
The investment made by LICHFL will be essentially of the nature of parking of funds for a short-term, temporary duration to avoid loss of interest. LICHFL enjoys ‘brand equity’ among the Indian public, with the name ‘LIC of India’ being known across the length and breadth of the Country.

LICHFL is the most extensive industry and has a marketing network of Area Offices managed by a team of senior professionals and LIC agents and able to access Customers across the length and breadth of the Country. There are many agents working under LICHFL.

LICHFL mostly cater to the needs of common man, in helping them to purchase, construct houses. LICHFL would like to have their customers well informed so that making a home with the help of loan from it becomes a pleasant experience to them. LICHFL has made steady progress and established itself as a leading Housing Finance Institution in the Country.

8) Identification of Customers:

The identification of customers are through direct walk-ins by customers, customers responding to the paper ads, hoardings, other media, direct sales made by LICHFL agents, references given by the existing customers, references made by panel members of LICHFL, references made by builders, references made by employees of LICHFL and other references etc. The operations of LICHFL with regard to extending loans to the borrowers can be described taking into account of the following parameters so as to understand the different steps in accessing the finance for housing.

9) Jurisdiction for Sanctioning Loans by LICHFL, Hyderabad:

The property for which loan is applied must be in and around Greater Hyderabad Municipal Corporation (GMCH) & Airport Development Authority (ADA), Alwal, Qutubullahpur, Kukatpally, Kapra, Kompally, Malkajgiri, L.B.Nagar, Gaddiannaram, Secunderabad cities and Hyderabad Urban Development Authority (HUDA) layouts. Outer areas of the city like Shamshabad Airport, Cyberabad Development Authority (CDA) Uppal and Patancheru will also come under the jurisdiction of LICHFL.
II - HOUSING FINANCE BY LICHFL

1) Applicant/Beneficiaries or Borrowers:

Applicant/Beneficiaries or Borrowers here denote the loan applicants of LICHFL who avail the housing finance for their requirement. Home Loans can be applied for either individually or jointly. Proposed owners of the property will have to be co-applicants. However co-applicants need not be co-owners. Generally acceptable combination of applicants are Husband and Wife; Father and Son; and Mother and Son. There are five schemes under which individual can avail the loan facility from LICHFL. They must be resident Indians or Non-Resident Indians (NRIs). They are as under:

Table 4.2

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Name of the Scheme</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.</td>
<td>Griha Prakash</td>
<td>Loan for Purchase of new House/Flat</td>
</tr>
<tr>
<td>02.</td>
<td>Griha Prakash</td>
<td>Loan for Construction of House/Flat</td>
</tr>
<tr>
<td>03.</td>
<td>Griha Prakash</td>
<td>Loan for Extension of House/Flat</td>
</tr>
<tr>
<td>04.</td>
<td>Griha Prakash</td>
<td>Loan for Repairs &amp; Renovation</td>
</tr>
<tr>
<td>05.</td>
<td>Griha Prakash</td>
<td>Loan for Plot Purchase</td>
</tr>
<tr>
<td>06.</td>
<td>Griha Prakash</td>
<td>Loan for Home Entity (Mortgage Loan)</td>
</tr>
</tbody>
</table>

Non-Resident Indians (NRIs)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Name of the Scheme</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>07.</td>
<td>Griha Shoba (NRIs)</td>
<td>Loan for Purchase of House/Flat for NRI</td>
</tr>
<tr>
<td>08.</td>
<td>Griha Shoba (NRIs)</td>
<td>Loan for Construction of House/Flat for NRI</td>
</tr>
<tr>
<td>09.</td>
<td>Griha Shoba (NRIs)</td>
<td>Loan for ‘Extension’ for NRI</td>
</tr>
<tr>
<td>10.</td>
<td>Griha Shoba (NRIs)</td>
<td>Loan for Repairs &amp; Renovation for NRI</td>
</tr>
<tr>
<td>11.</td>
<td>Griha Shoba (NRIs)</td>
<td>Loan for Plot Purchase for NRI</td>
</tr>
<tr>
<td>12.</td>
<td>Griha Vikas (NRIs)</td>
<td>Loan for Home Entity (Mortgage Loan) for NRI</td>
</tr>
</tbody>
</table>

Source: Staff Training Manual of LICHFL-2010
2) Cost of Construction and Proportion of Loan:

Cost of construction and proportion of loan implies that the ratio between the loan facility available in absolute terms and the total estimated cost of construction including the cost of land. The proportion of loan to the total cost of construction is maximum 85%.

Generally, the loan amount is determined on the basis of the repayment capacity of the applicants. It considers the factors such as age, income, dependents, assets, liabilities, stability of the occupation, continuity of income and savings etc.

LICHFL extend the loan up to 85% of the cost of property value (including stamp duty and registration charges) under all the schemes except ‘Griha Prakash’ for resident Indians, ‘Griha Shobha’ and ‘Griha Vikas’ for Non-resident Indians (NRI) under individual category. Generally loans are meant for residential house. The minimum normal loan amount is Rs.1, 00,000/-.

3) Security for Loan:

In the event of default in repayment of housing loan any instrument must be available with financing organization in case of any apprehensions so as to make-up the default. The security for loan under all the schemes is an equitable mortgage of the house/Flat. Equitable mortgage means, mortgage by way of deposit of title deeds of property. Where in the borrower deposits title deeds of his house/flat with LICHFL as security for loan.

LICHFL depending upon the situation called upon for equitable mortgage where high stamp duty is payable if it deem necessary by the borrower, depending upon the position of the title papers. Life Insurance Corporation (LIC) policy on the life of the applicant for a risk cover equal to the loan amount sanctioned and deeds of guarantee approved by the company.
4) **Tenure / Terms of Loan:**

As per the norms of the organization, with regard to employees, the term of the loan should not exceed their retirement date. For repayment of loan by individuals and other beneficiaries, the minimum term or period is five (5) years and maximum period is twenty (20) years.

5) **Interest Rate Structure:**

Interest is the cost of funds to the beneficiary charged by the organization. It also plays an important role in expanding the housing finance. The demand for loans is very much affected by the interest rate structure.

The interest rate charged by the Housing Finance Organizations should be within the affordable limits of the borrowers.

The Rate of Interest (ROI) schemes of LICHFL is of 2 types:

- **Scheme 1:** Floating Interest Rate.
- **Scheme 2:** Fixed Floating Interest Rate (fixed for 3 years).
  - Fixed Floating Interest Rate (fixed for 5 years).

<table>
<thead>
<tr>
<th>Table 4.3</th>
<th>LICHFL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Floating and Fixed Home Loan Interest Rates of</strong></td>
<td><strong>LICHFL</strong></td>
</tr>
<tr>
<td><strong>Up to 40 lakhs</strong></td>
<td><strong>From 40 lakhs to 1 Crore</strong></td>
</tr>
<tr>
<td>Scheme I : 10.40%</td>
<td>Scheme I : 10.40%</td>
</tr>
<tr>
<td>Scheme II : 10.70% (Fixed for 3 yrs)</td>
<td>Scheme II : 11.20% (Fixed for 3 yrs)</td>
</tr>
<tr>
<td>11.15% ( Fixed for 5 yrs)</td>
<td>11.40% (Fixed for 5 yrs)</td>
</tr>
</tbody>
</table>

Source: Interest Rates Circular Report of LICHFL 2012²
The above rates are applicable with collateral security of LIC Policy. Rate of interest for loans without collateral security and in case of Mortgage Loan will be 1% more. Interest is charged as per the rates in force at the time of issue of Loan Offer Letter (LOL) which is final.

6) Additional Interest:

LICHFL charges additional interest on the balance of loan in case of default. The rate of additional interest is between 0.5% to 1% and if the default is only for twelve months or less, additional interest is charged only on the instalment due.

7) Repayment Ahead of Schedule:

Part or full repayment of loan is acceptable even before the stipulated period of repayment i.e., repayment of loans ahead of schedule is provided. In case of premature closure of loan within a period of 5 years from the date of first disbursement, on Fixed Interest Loan of Rs.50,000/- and above a levy (i.e., penalty) of 1% of the amount prepaid as pre-payment charges is made. In the case of Floating Interest Loan, there is no prepayment penalty as per RBI Circular Report on 5th Sep 2011.

8) Fixation of Equated Monthly Installment (EMI):

Equated monthly installment (EMI) is 1/12th of the equated annual installment. It means a uniform lump sum amount which includes repayment of a part of the principal and payment of interest which is payable on every month. It remains uniform throughout the term of loan and by the end of the term; the loan and interest will be fully repaid. Monthly installment would be of three types viz., fixed monthly equated installment, graduated monthly installments and variable monthly installments.
9) Cost of Loan:

(i) **Processing fee:** LICHFL, before issuing loan offer letter conducts interview with borrower (or) beneficiary and clarifies all the doubts so as to make it easy for borrower to proceed. Loan Offer Letter (LOL) contains the various terms and conditions of the loan. Once the loan offer is accepted the borrower is required to pay non-refundable processing and non-refundable administrative fee. The non-refundable processing fee charged by LICHFL is 1% of the loan amount applied.

(ii) **Administrative fee:** In addition to the processing fee an administrative fee which is also non-refundable is required to be paid by the borrower. To meet various administrative expenses such as a stamp fee of appropriate amount has to be paid for the purpose of stamps required to be affixed on Loan Offer Letter (LOL). So, the total upfront fees of processing fees of 1% + administrative fees + service tax of 12.50% must be paid. The following rates of administrative fee are charged by the LICHFL for different slabs of loan amount which is payable on sanction of loan.

<table>
<thead>
<tr>
<th>Loan Amount (in Rs)</th>
<th>Administrative Fees (in Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to Rs.30,00,000</td>
<td>Rs.10,000/-</td>
</tr>
<tr>
<td>Rs.30 lakhs to Rs.50 lakhs</td>
<td>Rs.15,000 + service tax</td>
</tr>
<tr>
<td>Rs.50 lakhs to 1 crore</td>
<td>20,000 + service tax</td>
</tr>
</tbody>
</table>


10) **Loan Sanction Procedure:**

The procedure for sanctioning of loan is divided into different stages. The borrower has to complete few formalities like filling the application form and paying the required processing fee. Then the Area Manager or and Official of LICHFL Office interviews the applicant. During the interview, the LICHFL Officials will make an
assessment of the applicant's repaying capacity by seeking relevant information from the applicant.

The interview is a very important aspect as it gives an opportunity to the applicant to explain his position regarding his repaying capacity. The very purpose of holding an interview with the applicant is to cut short the impersonal correspondence which may be necessary to clarify matters and to make the entire subject a friendly affair. After the interview, LICHFL arrives at the fair amount of housing loan that can be sanctioned to the applicant.

**Stages of Loan Processing:**

Depending upon the need of the customer, he chooses a particular scheme in LICHFL and the loan sanction process at LICHFL takes place in the following manner.

There are 3 different stages in loan process and out of which the stage 1 is as follows:

**i) Stage 1 - Loan Offer:**

a. Application: Application form must be duly filled legibly with photograph affixed on it by the applicant/co-borrower.

b. Income certificate: Applicant need to furnish income details like Salary Certificate from employer or 3 years income tax returns certified by Chartered Accountant.

c. Guarantor particulars: Guarantor details like proof of income of guarantor, residential address proof of guarantor and guarantor's employment / professional details.


e. PAN / Identity card of applicant: Incase if the borrower is income tax payer, he need to furnish his PAN card copy and proof of residence as well as proof of his office/business address along with photo identity.

f. Copy of bank passbook: Borrower need to submit his running bank account statement for the last two years
g. Vendor/Engineer letter: Borrower needs to furnish builder’s letter, sale/construction agreement for Flats, and estimate for construction for houses from Engineer’s office.

h. Title documents: Borrower need to furnish copies of title deeds for last 12 years duly attested like Encumbrance Certificate and Link Document.

i. Report from LICHFL: After scrutinizing the above documents, if LICHFL is satisfied with the above details, LICHFL’s officer will inspect the property and value the property with its Panel Engineer and prepares the report.

**Additional requirements for NRIs:**

a. Employer’s certificate: NRI customer need to submit copy of Employment Contract duly attested by the Embassy /Notary Public.

b. Income Details: NRI customer need to submit his income details like 6 fortnights Income Certificate from his employer, his Bank Account Statement both domestic as will as at Foreign Country.

c. Passport and Visa duly attested: NRI borrower need to furnish his Passport & Visa copy documents duly attested by Indian Embassy or from Attorney.

d. General Power of Attorney: NRI borrower need to furnish General Power of Attorney (GPA) from a person in India who shall sign on behalf of NRI borrower.

e. NRI Annexure / Letter from bankers: NRI borrower also needs to furnish NRI Annexure in LICHFL’s format and letter from Bankers in favor of LICHFL.

f. Continuous Discharge Certificate: Incase of persons working in Merchant Navy, they need to furnish Continuous Discharge Certificate from their employer.

g. Other documents: Apart from the above documents, NRI borrower needs to submit other documents like 1, 3,6,7,8 and 9 which were mentioned in stage.¹

After the submission of the above documents, Credit Officer will examine the application and appraise it. If he finds that the applicant is fit to obtain loan, he will forward the application to the Panel Valuer to examine the property. If Panel Valuer
Report is positive, Credit Officer will inspect the property before forwarding it to the Credit Manager.

ii) Stage 11- Title Clearances:

a. Examination of Property Documents: LICHFL’s Legal Department keenly examines the chain of documents for last 12 years. This is to examine from whom the property is obtained in the last 12 years.

b. Encumbrance Certificate: LICHFL examines the Encumbrance Certificate for last 15 years to check if there are any encumbrances.

c. Original sale deed and construction agreement: These 2 documents are to be obtained from the builder / vendor and need to submit to LICHFL by the borrower.

d. Title Approval Report: LICHFL in this stage after examining the above documents, if it is satisfied with the above documents, will give ‘Title Approval Report’.

In the second stage after the submission of the above-mentioned documents, Credit Manager will examine the application thoroughly and if he is satisfied with the application, he will give necessary inputs and will forward to the Legal Department.

Legal Department will scrutinize the property details and will give their legal opinion for further formalities to sanction the loan.

The 3rd stage and final stage is disbursement of loan on submission of the following documents by borrower to LICHFL.

iii) Stage 3- Disbursement of Loan on Creation of Equitable Mortgage and on Submission of the following documents:

a. Memorandum of deposit of Title Deeds

b. Original receipt of margin money by the applicant / proof of payment from NRI/NRO a/c in case of Non-Resident Indian (NRI)

c. Deed of guarantee.

d. Promissory note.
e. LIC policies duly assigned.
f. Affidavit signed by the borrower.
g. Original title documents for last 12 years
h. Collection postdated cheques / salary deduction forms/ ECS mandate forms.

In 3rd stage, which is a final stage, if the legal department gives positive opinion to proceed further, Credit Officer will collect the above-mentioned documents from the applicant and will disburse the loan amount either in lump sum or according to the required installments as preferred by the loan applicant.

11) Disbursement of Loan:

Disbursement will be made after the applicant has invested his/her share i.e. total cost minus the amount of loan sanctioned. The practice of LICHFL is to disburse loan as a form of reimbursement i.e., the party spends first, and LICHFL reimburses the amount spent by him on the basis of valuation.

Generally the sanctioned amount is disbursed in three installments depending upon the progress of construction. Release of subsequent installment will depend on regularity in payment of interest/EMI dues and progress of work. For each subsequent installment, valuation and inspection by LICHFL’s Officer is necessary and for final installment also Panel Value Engineer’s Certificate and LICHFL Official’s report are required.
III. REPAYMENT OF HOUSING LOAN IN LICHFL

1) Mode of Repayment Loan:

The repayment is by equated monthly installment (EMI) as it causes no hardship to the borrowers to clear their dues. The officials of LICHFL expressed the same views when their opinion was taken in this regard. This way the recoveries are made prompt by the organization.

i. Payment can also be made through LIC policy proceeds.

ii. Payment by Cash every month at LICHFL’s Office.

iii. Payment by giving post-dated cheques.

iv. Payment by salary deduction from the employer.

v. Electronic Clearing System (ECS) in association with the Reserve Bank of India (RBI), Hyderabad.

LICHFL would get the subscriber’s Bank account directly debited for monthly installment amount through the Clearing House of RBI. The scheme is open to all such borrowers who are having an account in a Bank, which participates in the clearing house of RBI.
IV. OPERATIONS OF HDFC

The Housing Development Finance Corporation (HDFC) was formally promoted and incorporated on October 17, 1977 under the chairmanship of Mr. H.T. Parekh. HDFC was promoted by ICICI, the International Finance Corporation (IFC) and His Royal Highness Aga Khan each party contributed 5% of the equity to the Corporation.

HDFC from its very first day of operations has built a principle centered organization. An organization built on the basis of fairness, kindness, efficiency and effectiveness. It had gradually built trust among the people by strengthening communications and participative management style. Trust is the very cement for meaningful relationships and an open and creative management style. It is the very foundation for measuring work. HDFC is managed by highly experienced and professional people.

The Board of Director of HDFC comprises of excellent personalities drawn from the specialized field of finance, taxation, construction and urban policy and development. A highly professional and outstanding background people constitute the management of HDFC.

1) Objectives of HDFC:

The Primary objective of HDFC is to enhance residential housing stock and to promote house ownership by providing individual household/families with long term housing loans at commercially viable rate. More specifically, the objectives of HDFC are:

i. To finance mainly low and middle income group of people to purchase/construct a single family dwelling unit primarily for self occupation, and

ii. Granting loans to the co-operative sector for housing their employees.
HDFC is a development bank and specialized in the field of housing. Its own name was constituted from three words – the interlocking of three areas housing, finance and development. HDFC being a pioneer organization in the field of housing finance is a leading Institution in Retail Lending Housing Finance Institute at time when no other major player was in the field. Over the years, HDFC has consistently endeavored to provide top notch service to its customers through its extensive network of 87 Offices which are interlinked Nation wide and introduced innovative value added products to enhance both its range and quality of service.

One of the HDFC's basic objectives was to cater to the increasing demand for housing by creating new housing stock. This has been possible by its loans to individuals to construct new houses and to purchase new flats. HDFC's clientele includes a wide spectrum of the society, who found a convenient facility where the rates are competitive, the installments are affordable and the service is beyond their expectations. HDFC has believed in building the long term relationship with its customers not only by giving them long term loans but also for extending and improving houses.

The major objective of HDFC is to increase the flow of resources for housing through the integration of Housing Finance Institutions with domestic capital market. It was co-promoted and lent support to number of recognized Housing Finance Institutions operating in the Country. HDFC has opened its first office at Dubai as an overseas operation in May 1996. HDFC had nearly 2,300 employees across the Country.

2) Awards to HDFC:

HDFC has been awarded the IMC 'Rama Krishna Bajaj National Quality Award Trophy' for the year 2008. This award is presented to the Companies with excellent record of business and quality achievement and is administered by the Indian Merchant's Chambers (IMC). HDFC had the privilege of first Company to receive the award in service category.
HDFC also won the award for the 'Best Presented Accounts' for 2008-2009 (3rd position) in the SAARC region instituted by the South Asian Federation of Accountants in the financial sector category.

Asian Money Magazine has ranked the HDFC as the ‘Most Professionally Managed Company in India for the year 2007-2008 and 2008-2009 consecutively.

The Chairman of HDFC Mr. Deepak Parekh was adjudged the ‘Indian Businessman of the Year 2007’ by Business India Magazine.

The increased activity in the Housing Finance sector is attributed to greater affordability on account of lower interest rates and higher disposable incomes, realistic property prices and rapid urbanization. Further, the fiscal incentives for housing have made housing finance an attractive business.
3(i) Organizational Structure at Corporate Office Level

Chairman

Vice-Chairman

Managing Director

Deputy Managing Director

Executive Director

Executive Director

Region Wise

ii) Organizational Structure at Regional Level

Northern Region Eastern Region Western Region Western Region

General Manager General Manager General Manager General Manager
iii) Organizational Structure at Branch Level

At branch office level there are various activities which are taken up by concern Managers and Assistant Managers. The activities such as:

a. Operations, which include credit, legal and technical scrutiny of the borrowers who approached the branch office. Credit worthiness of the applicant is thoroughly scrutinized, legal aspect about the legality of the property of the borrower along with technical scrutiny (or) evaluation particularly the site inspection and valuation of property etc., are taken care of by the Operations Manager.

b. Accounts Section
c. Follow-up section
d. Recovery section
e. Administration section

All the above sections will have Managers and will be assisted by Assistant Manager and Supporting Staff to carry out the smooth functioning of activities at Branch Office level. HDFC’s Hyderabad branch was opened in the year 2000 with just 15 employees and today HDFC has got 6 branches in Hyderabad and Secunderabad at various places like Basheerbagh, Dilsukhnagar, Gachibowli, Kukatpally, Panjagutta and Tarnaka with 200 fulltime employees and many Marketing Agents working under these branches.
4) Subsidiaries and Associates of HDFC:

The investment function has evolved as an adjunct to support the core business of Housing finance. The investment mandate includes ensuring adequate levels of liquidity to support core business requirements, maintaining a high degree of safety and optimizing the level of returns, consistent with acceptable levels of risk.

Table 4.5
Shareholdings of HDFC in its Subsidiaries and Associate Companies as on 31st March, 2012.

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Company</th>
<th>Share Holding (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>HDFC Developer Ltd.</td>
<td>100.00</td>
</tr>
<tr>
<td>2.</td>
<td>HDFC Investments Ltd.</td>
<td>100.00</td>
</tr>
<tr>
<td>3.</td>
<td>HDFC Holdings Ltd.</td>
<td>100.00</td>
</tr>
<tr>
<td>4.</td>
<td>HDFC Asset Management Company Ltd.</td>
<td>100.00</td>
</tr>
<tr>
<td>5.</td>
<td>HDFC Trustee Company Ltd.</td>
<td>100.00</td>
</tr>
<tr>
<td>6.</td>
<td>HDFC Standard Life Insurance Ltd.</td>
<td>71.04</td>
</tr>
<tr>
<td>7.</td>
<td>HDFC Reality Ltd.</td>
<td>71.00</td>
</tr>
<tr>
<td>8.</td>
<td>GRUH Finances</td>
<td>54.50</td>
</tr>
<tr>
<td>9.</td>
<td>HDFC Securities Ltd.</td>
<td>29.50</td>
</tr>
<tr>
<td>10.</td>
<td>HDFC Bank Ltd.</td>
<td>28.30</td>
</tr>
<tr>
<td>11.</td>
<td>Investment Global Services Ltd.</td>
<td>50.00</td>
</tr>
</tbody>
</table>

Source: HDFC Branch Managers Key Responsibilities Areas-2012

5) National Housing Bank (NHB) Guidelines: HDFC is complying with the guidelines with regard to income recognition, provisioning for non-performing assets and maintaining capital adequacy ratio issued by National Housing Bank (NHB) from time to time. As on 31st March 2012 capital adequacy ratio stood is more than 12% (as against 10 % prescribed by NHB). NHB Chairman & Managing Director is Mr. RV Verma.
6) Prudential Norms for HDFC:

The NHB has issued guidelines to Housing Finance Companies (HFCs) on prudential norms for income recognition, provisioning, asset classification, provisioning for bad and doubtful debts, and capital adequacy ratio.

HDFC's capital adequacy as on 31st March 2012 is 16.2% as against the 16.5% the minimum requirement HDFC is in compliance with the limits prescribed by NHB in respect of concentration of credit/investment.

Housing will continue to remain the core business of HDFC. While main focus is to grow the Housing portfolio, in order to capitalize on its strong brand value and maximize return for Shareholders, HDFC has made investment in various groups of Companies.

7) Human Resources:

Human Resources are of HDFC's valuable assets. The efficiency of HDFC's staff is evident from the fact that over the past five years, the number of Offices increased from 31 to 87 (181% increase) as against the number of employees which increased from 794 to 937 (18% increase) during the same period.

The recruitment to the post of Managers is done through campus visit to various Management Institutions by a team of Senior Managers constituted at Corporate Office level. The Branch Manager (DGM Cadre) by complying with the instruction of Head Office recruits the Operators at Branch level.

Managers recruited will be given training at Corporate Office, whereas Operators are provided On the Job Training (OJT) at Branch level. HDFC offers both financial and non-financial provisions for compensation.
8) Marketing Personnel:

HDFC's loans for individual owned housing accounts for 73% of the loan portfolio. The growth potential continues to be from the retail segment and hence it is imperative that HDFC effectively reaches out to Customers.

HDFC intensified its marketing efforts by organizing a number of property fairs at different parts of the Country and also participated in various other property exhibitions. Property fairs and exhibitions have proved to be successful marketing tool, giving HDFC an opportunity to give Home seekers a complete solution right from identifying a home to financing it.

This effort of HDFC has been received well by the Customers and has been an effective tool for increasing individual business. To carry on the business successfully especially for mobilization of deposits, the HDFC has network of Agents all over the Country.

9) Identification of Customers:

The identification of customers are through direct walk-ins by customers, customers responding to the newspaper ads, hoardings, other media, direct sales made by HDFC agents, references given by the existing customers, references made by panel members of HDFC, references made by builders, references made by employees of HDFC and other references etc. The operations of HDFC with regard to extending loans to the borrowers can be described taking into account of the following parameters so as to understand the different steps in accessing the finance for housing.

10) Jurisdiction for Sanctioning Loans by HDFC, Hyderabad:

The property for which loan is applied must be in and around Greater Hyderabad Municipal Corporation (GMCH) & Airport Development Authority (ADA), Alwal, Qutubullahpur, Kukatpally, Kapra, Kompally, L.B. Nagar, Gaddiannaram, Malkajgiri, Secunderabad cities and Hyderabad Urban Development Authority (HUDA) layouts. Outer areas of the city like Shamshabad Airport, Cyberabad Development Authority (CDA) Uppal and Patancheru will also come under the jurisdiction of HDFC.
The operations of HDFC with regard to housing finance can be understood by considering the following yardsticks. They give broad idea as to how the whole-process, policies and practices are adopted by the HDFC with respect to the availing loans by individuals.

V. HOUSING FINANCE BY HDFC

1) Applicant/Beneficiaries or Borrowers: Applicant/Beneficiaries or Borrowers here denote the loan applicants of HDFC who avail the housing finance for their requirement. Home Loans can be applied for either individually or jointly. Proposed owners of the property will have to be co-applicants. However co-applicants need not be co-owners. Generally acceptable combination of applicants are Husband and Wife; Father and Son; and Mother and Son. They can be resident Indians or non-resident Indians. They are shown in table 4.6 under different portfolio.

Table 4.6
HDFC Loan Portfolio

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Individuals (Resident Indians)</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.</td>
<td>Housing Loans.</td>
</tr>
<tr>
<td>02.</td>
<td>Home Extension Loans.</td>
</tr>
<tr>
<td>03.</td>
<td>Land Purchase Loans.</td>
</tr>
<tr>
<td>04.</td>
<td>Home Improvement Loans.</td>
</tr>
<tr>
<td>05.</td>
<td>Loan against Property (Mortgage)</td>
</tr>
<tr>
<td>06.</td>
<td>Short Term Bridging Loans.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non –Resident Indians (NRIs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>07.</td>
</tr>
</tbody>
</table>

Source: HDFC Branch Managers Key Responsibilities Areas-2010
2. Cost of Construction and Proportion of Loan:
(Ratio of loan to the cost of construction)

HDFC's maximum loan facility is Rs.1 crore subjected to 80% of the cost of Property including the cost of land as per registered documents or registration cost in the case of purchase of ready flat/house. Generally individuals can avail loan by considering their repaying capacity as arrived at by HDFC, such as income, age, qualifications assets, liabilities, stability and continuity of occupation and savings.

In case of other beneficiaries, the loan cost varies from one applicant to another depending upon the number of factors like the purpose, period, place, financial position and repaying capacity.

3. Security of Loan:

Security for the loan is a first mortgage of the property to be financed, normally by way of deposits of title deeds and or such other collateral security as may be necessary. Interim security may be required, if the property is under construction.

The surrender value of insurance policy which is equal to the loan amount, guarantees from sound and solvent guarantors, pledge of shares and such other investments could be assigned as collateral security to the HDFC.

Borrower has to make it clear that the title to the property must be clear, marketable and free from encumbrance. There should not be any existing mortgage, loan litigation which is likely to affect title to the property.

4. Tenure / Terms of Loan:

HDFC endeavors to determine the term/period as per the convenience of the borrower. The maximum period for Fixed Rate Home Loans (FRHL) is 15 years and for Adjustable Rate of Home Loans (ARHL) is 20 years. However the repayment period will not extend up to the age of retirement (in case the borrower is an employee) or on reaching 65 years of age which ever is earlier.
5. **Interest Rate Structure:**

Interest in HDFC is calculated under these types:

(i) **Adjustable Rate Home Loan (ARHL):**

Loan under Adjustable Rate Home Loan (ARHL) is linked to HDFC's Retail Prime Lending Rate (RPLR). The rate on your loan will be revised every three months from the date of first disbursement, if there is a change in RPLR, the interest rate on the loan may change. However, the EMI on the home loan disbursed will not change. If the interest rate increases, the interest component in an EMI will increase and the principal component will reduce resulting in an extension of term of the loan, and vice versa when the interest rate decreases.

i (a) **Housing Loan:**

Table 4.7

**Housing Loan ARHL Interest Rate in HDFC**

<table>
<thead>
<tr>
<th>Applicable Rates (Monthly Rest Basis)</th>
<th>Fixed rates%</th>
<th>Variable rates%</th>
<th>RPLR: 16.50% Basis % RPLR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto and including Rs. 30 lakhs</td>
<td>12.25</td>
<td>10.75</td>
<td>RPLR - 5.75</td>
</tr>
<tr>
<td>Rs.30.01 lakhs to Rs.75 lakhs</td>
<td>12.50</td>
<td>11.00</td>
<td>RPLR -5.50</td>
</tr>
<tr>
<td>Over Rs.75 lakhs</td>
<td>13.00</td>
<td>11.50</td>
<td>RPLR - 5.00</td>
</tr>
</tbody>
</table>

Source: Interest Rates Structure Report of HDFC 2012*
### i(b) Home Extension Loan:

**Table 4.8**

Home Extension Loan ARHL Interest Rate in HDFC

<table>
<thead>
<tr>
<th>Applicable Rates (Monthly Rest Basis)</th>
<th>Fixed rates%</th>
<th>Variable rates%</th>
<th>RPLR: 16.50% Basis % RPLR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto and including Rs 30 lakhs</td>
<td>12.25</td>
<td>10.75</td>
<td>RPLR - 5.75</td>
</tr>
<tr>
<td>Rs.30.01 lakhs to Rs.75 lakhs</td>
<td>12.50</td>
<td>11.00</td>
<td>RPLR - 5.50</td>
</tr>
<tr>
<td>Over Rs.75 lakhs</td>
<td>13.00</td>
<td>11.50</td>
<td>RPLR - 5.00</td>
</tr>
</tbody>
</table>


### i(c) Land Purchase Loan:

**Table 4.9**

Land Purchase Loan ARHL Interest Rate in HDFC

<table>
<thead>
<tr>
<th>Applicable Rates (Monthly Rest Basis)</th>
<th>Fixed rates%</th>
<th>Variable rates%</th>
<th>RPLR: 16.50% Basis % RPLR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto and including Rs 30 lakhs</td>
<td>12.50</td>
<td>11.00</td>
<td>RPLR - 5.50</td>
</tr>
<tr>
<td>Rs.30.01 lakhs to Rs.75 lakhs</td>
<td>12.75</td>
<td>11.25</td>
<td>RPLR - 5.25</td>
</tr>
<tr>
<td>Over Rs.75 lakhs</td>
<td>13.25</td>
<td>11.75</td>
<td>RPLR - 4.75</td>
</tr>
</tbody>
</table>

### i(d) Home Improvement Loan:

**Table 4.10**

**Home Improvement Loan under ARHL Interest Rate in HDFC**

<table>
<thead>
<tr>
<th>Applicable Rates (Monthly Rest Basis)</th>
<th>Fixed rates%</th>
<th>Variable rates%</th>
<th>RPLR: 16.50% Basis % RPLR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto and including Rs 30 lakhs</td>
<td>12.50</td>
<td>11.00</td>
<td>RPLR - 5.50</td>
</tr>
<tr>
<td>Rs.30.01 lakhs to Rs.75 lakhs</td>
<td>12.75</td>
<td>11.25</td>
<td>RPLR - 5.25</td>
</tr>
<tr>
<td>Over Rs.75 lakhs</td>
<td>13.25</td>
<td>11.75</td>
<td>RPLR - 4.75</td>
</tr>
</tbody>
</table>


### i(e) Loan Against Property:

**Table 4.11**

**Loan against Property under ARHL Interest Rate in HDFC**

<table>
<thead>
<tr>
<th>Applicable Rates (Monthly Rest Basis)</th>
<th>Fixed rates%</th>
<th>Variable rates%</th>
<th>RPLR: 16.50% Basis % RPLR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto Rs. 1 Crore</td>
<td>14.00</td>
<td>13.25</td>
<td>RPLR - 3.25%</td>
</tr>
<tr>
<td>Rs. 1.01 Crore and above</td>
<td>14.00</td>
<td>13.00</td>
<td>RPLR - 3.50%</td>
</tr>
</tbody>
</table>

i(f) Short Term Bridging Loan:

Table 4.12

Short Term Bridging Loan under ARHL Interest Rate in HDFC

<table>
<thead>
<tr>
<th>Applicable Rates (Monthly Rest Basis)</th>
<th>Fixed rates%</th>
<th>Variable rates%</th>
<th>RPLR: 16.50% Basis % RPLR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto and including Rs 30 lakhs</td>
<td>12.25</td>
<td>10.75</td>
<td>RPLR - 5.75</td>
</tr>
<tr>
<td>Rs.30.01 lakhs to Rs.75 lakhs</td>
<td>12.50</td>
<td>11.00</td>
<td>RPLR - 5.50</td>
</tr>
<tr>
<td>Over Rs.75 lakhs</td>
<td>13.00</td>
<td>11.50</td>
<td>RPLR - 5.00</td>
</tr>
</tbody>
</table>


i (g) Loans to NRIs for Purchase, Construction, Extension & Renovation:

Table 4.13

Loans to NRIs under ARHL Interest Rate in HDFC

<table>
<thead>
<tr>
<th>Applicable Rates (Monthly Rest Basis)</th>
<th>Fixed rates%</th>
<th>Variable rates%</th>
<th>RPLR: 16.50% Basis % RPLR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto Rs. 1 Crore</td>
<td>14.00</td>
<td>13.25</td>
<td>RPLR - 3.25%</td>
</tr>
</tbody>
</table>

Fixed Rate:

(ii) Fixed First Home Loans:

Under HDFC’s ‘Fixed First’ Home Loans Product, the borrower can avail a home loan at a fixed interest rate (options A & B) and thereafter, the loan will switch automatically to HDFC’s Adjustable Rate Home Loan (ARHL) product. This option is for customers seeking to lock in their home loan interest rates and not take risk on interest rates moving up in the initial years.

Table 4.14

Fixed First Home Loan Interest Rate in HDFC

<table>
<thead>
<tr>
<th>Applicable Rates (Monthly Rest Basis)</th>
<th>Fixed rates (in % pa)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Option A</td>
</tr>
<tr>
<td>Up to Rs 30 lakhs</td>
<td>10.75</td>
</tr>
<tr>
<td>Rs.30.01 lakhs to Rs.75 lakhs</td>
<td>11.25</td>
</tr>
<tr>
<td>Rs.75 lakhs and above.</td>
<td>11.75</td>
</tr>
</tbody>
</table>


Under option A of the product, the fixed rate will be available up to 30th November 2014 while under the option B the Fixed rate will be available up to 30th November 2016. After the completion of the fixed rate period, the loan will switch to HDFC’s ARHL product, linked to HDFC’s RPLR. The rate of interest applicable during ARHL period of the loan shall depend on the RPLR at the time of the switch of the loan to AHRL.
6. Additional Interest:

HDFC charges additional interest rate on the outstanding balance of loan if the default is for one year or less on the installment due which ranges between 0.5% to 1%.

7. Repayment Ahead of Schedule:

Part or full repayment of loan is acceptable even before the stipulated period of repayment i.e., repayment of loans ahead of schedule is provided.

Repayment period for individual housing loan is between 5 years to 20years. In case of NRI’s the repayment period is up to 15 years.

As per the RBI Circular Report on 5th Sep 2011; in case of ARHL interest loan, there will be no prepayment charges. But, in case of Fixed Loan, when part of full repayment is made ahead of fixed schedule, the beneficiary has to pay 1% of amount as prepayment charges.

8. Fixation of Equated Monthly Installments (EMI):

The size of the monthly installment comprising principal and interest depends upon the quantum, the interest rate applicable and term of the loan.

However, one important point to be noted that the EMI on the home loan disbursed will not change. If the interest rate increases the interest component in an EMI will increase and the principal component will reduce, resulting in an extension of the term of loan and vice-versa, if the interest rate decreases.

9. Cost of Loan:

i) Processing Fee:

A processing fee of 0.50% or maximum Rs.10,000/- for the loan applied is payable at the time of submission of application form which is charged in respect of costs incidental to the application.
ii) Administrative Fee:

HDFC charges an amount of 1% of the loan sanctioned towards administration fee. On sanction of loan, a loan offer is made to the borrower. On acceptance of the offer administrative fee is to be paid by the borrower of the loan sanctioned. HDFC allows flexibility that borrowers can pay processing fees 0.50% or maximum Rs.10,000 + administrative fee of 1% + service tax of 12.50% must be paid as total upfront fees at the time of submission of the loan application itself.

iii) Commitment Charges:

HDFC has practice of charging at the rate of 1% per annum as commitment charges on the amount not withdrawn of the loan commencing six month from the date of the offer of the loan is payable by the borrower / beneficiary.

10. Loan Sanction Procedure:

HDFC has its own method of sanctioning loan to the applicants which passes through different stages.

(i) Stage- 1:

Stage one commencing with filling up the application form and submission it along with the processing fee and copies of relevant documents. The following are the documents required by HDFC to obtain to sanction housing loan.

a. Application form duly signed and affixed with 3 photos
b. Proof of permanent residence address
c. Allotment Letter by HUDA, society, Builder etc.
d. Copy of the approved drawings of proposed construction
e. Agreement for sale, sale deed, cost estimate etc.
f. Approved plan by GHMC, HUDA and copy of parent documents.
g. Builder’s letter and sale agreement for Land and construction (for flats)
   Estimate for construction (for house)
h. Chain of documents for the last 12 years.
i. Encumbrance Certificate (EC) for the last 15 years.
j. 10 ‘Sale Deed Agreement’ or ‘Agreement to Sell’ with respect to purchase.
k. Details of occupation for last 5 years.
l. Repayment capacity, which will assist HDFC in appraising case.
m. If employed, verification of Employment Forms.
n. Last 6 months Salary Certificate showing all deductions.
o. Copy of Bank Pass Book.
p. Processing fees Cheque.
q. In case of transferable job, permanent address.
r. Letter from employer agreeing to deduct installment towards repayment of loan from salary.
s. In case of self-employed balance sheet and profit and loss account of business.
t. Professionals/ business persons need to submit income tax returns for 6 months Bank Statement.
u. Permanent Account Number Card (PAN Card).
v. Form 16.
w. General Power of Attorney in case of NRI loan.
x. NRI Annexure/letter from Bankers for NRIs.
y. Promissory note.
z. Collection of post dated Cheques.
aa. Any other documents as specified by HDFC

(ii) Legal Stage – II:

Once loan offer is accepted and signed, the same will be returned duly signed by paying administrative fee and by submitting the relevant documents. Legal verification by Legal Officer of HDFC and clearance takes week days subject to the documents being completed in all respects otherwise it may take more time.

(iii) Technical Stage – III:

Technical evaluation is done by Panel Value Engineer of HDFC by inspecting the site along with the technical department. Once the legal stage processing is completed and Technical Department certifies the progress after ensuring that own contribution was made by the borrower as per the norms of HDFC (i.e., total cost - HDFC loan). Then, Credit Dept of HDFC will release 1st installment of the loan. The
amount of installment depends on the progress of work at the site. In case of ready purchase there will be only one installment of disbursement on the date of registration before the Sub-Registrar. The date of disbursement (i.e., issuing of cheques) will be known to borrowers on the day of inspection itself as soon as technical appraisal is completed.

11. Loan Disbursement Procedure:

Immediately after the property has been technically appraised, after all legal documentation is completed and investment of borrower’s own contribution, the loan amount will be disbursed in full (or) in suitable installments normally in three installments taking into account the requirement of funds and progress of construction as assessed by the HDFC.

V. REPAYMENT OF HOUSING LOAN IN HDFC

1) Mode of Repayment of Loan:

The repayment is by equated monthly installment (EMI) as it causes no hardship to the borrowers to clear their dues. The officials of HDFC expressed the same views when their opinion was taken in this regard. This way the recoveries are made prompt by the organization.

i. Payment can also be made through policy proceeds.

ii. Payment by Cash every month at HDFC Banks.

iii. Payment by giving post-dated cheques.

iv. Payment by salary deduction from the employer and

v. Electronic Clearing System (ECS) in association with the Reserve Bank of India (RBI), Hyderabad.

HDFC would get the subscriber’s Bank account directly debited for monthly installment amount through the clearing house of RBI. The scheme is open to all such
borrowers who are having an account in a bank, which participates in the clearing house of RBI.

Incidental charges & expenses are levied to cover the costs, charges, expenses and other monies that may have been expended in connection with recovery of dues from a defaulting customer.

VI. COMPARATIVE ASSESSMENT OF LICHFL AND HDFC

LICHFL and HDFC are doing commendable job in providing the shelter for shelter less in the country by evolving their terms and conditions to the best of their abilities.

1. HDFC's main concern is to help individuals and to comfortably repay the borrowed amount.

   LICHFL's main thrust is on 'each one a home of his own' by liberal financial assistance.

2. The network of HDFC's concentration is only in urban areas, though it has 2,500 Branches.

   LICHFL has about 212 Offices and reaching to most remote areas through its network, whereas LIC being its parent Company and it is assisting in forwarding applications.

3. Agents and Human Resource Management has strong role to play in both the organizations.

4. HDFC and LICHFL are concentrating on individual loans to Resident Indians and Non-Resident Indians (NRIs).
5. The ratio of loan amount to the cost of construction is 80% in HDFC, whereas in LICHFL loan proportion is between 85% and 80% of the total cost.

6. As far as security is concerned both HDFC and LICHFL has similar terms and conditions for security of loan in the form of equitable mortgage of property deeds. LICHFL borrowers can pledge surrender value of LIC policy and HDFC borrowers can pledge surrender value of any insurance policy and pledge of shares.

7. Regarding terms of loan, HDFC's maximum period is confined to 20 years and LICHFL also extend loans up to 20 years.

8. HDFC's interest rate for the slab up to 30 lakhs is 10.75% (under option A) and 11.25% (under option B). For the amount above Rs.30 lakhs, it is 11.25% (under option A) and 11.50% (under option B) and for the amount above 75 lakhs it is 11.75% (under option A & B). Where as in LICHFL up to 1 crore it is 10.40% (scheme 1 & 2) Up to 40 lakhs it is 10.70% (scheme 2 which is fixed for 3 years) from 40 lakhs to 1 Crore 11.40% (scheme 2 which is fixed for 3 years).

If the loan is fixed for 5 years, rate of interest is 11.15% up to Rs.40 lakhs under scheme 2. From Rs.40 lakh to 1 crore rate of interest is 11.40% which is fixed for 5 years under scheme 2.

So, the minimum rate of interest in LICHFL is 10.40% and the maximum rate of interest in LICHFL is 11.40%.

In case of HDFC, the minimum rate of interest is 10.75% which is 0.35% higher than the minimum rate of interest of LICHFL and the maximum rate of interest in HDFC is 11.75% which is again higher by 0.35% when compared to the maximum rate of interest of LICHFL.
9. The charge of early repayment of fixed loan i.e., payment ahead of schedule, since they forego the interest for set period when borrower would like to clear the fixed loan only after 5 years of availing the loan. He will be penalized 2% in case of HDFC and 1% in case of LICHFL as early redemption charges. It is evident that the redemption charge of HDFC is 1% more than LICHFL.

10. As far as EMI fixation is concerned both the organization have similar method to fix the EMI. The difference lies in the implementation of interest charges. HDFC considers the existing and changing rate of interest in fixation of EMI, whereas the interest rate remains the same for borrower of LICHFL which was agreed upon in loan offer letter. The change in interest rate will not be considered by LICHFL which is causing concern for many of its borrowers.

11. The processing fee and administrative fee in case of HDFC is fixed i.e., 0.5% for processing and 1% toward administrative charges. Total upfront charges as 1.50% whereas in LICHFL, processing fee is 1% to the total loan applied. The minimum and maximum ceiling fixed by LICHFL is to the tune of Rs.1,500/- to Rs.20,000/- respectively. Regarding administrative fee, LICHFL charges various rates for various slabs of loan. The minimum is Rs.10,000/- and maximum of Rs.20,000/- which is comparatively higher than HDFC.

12. As far as the practice of loan sanction and disbursement, both the HDFC and LICHFL are similar in their operations. These two premier Institutions at National level have standardized norms for granting, lending the housing finance assistance in the Country. In overcoming the grave problem of shelter, these two are taking lead, apart from the existing Housing Finance Companies, which are recognized by the National Housing Bank.

REFERENCES

3. HDFC. "*Branch Managers Key Responsibilities Areas.*" 2010.