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## A STUDY OF HOME LOAN SCHEMES OF SBI

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### ABSTRACT

*Home is one of the things that everyone one wants to own. Home is a dream of every person that shows the quantity of efforts, sacrifices luxuries and above all gathering funds little by little to afford one's dream. Home is a shelter to person where he rests and feels comfortable. The demand of home loans has increased dramatically. For fulfill this purpose many banks are providing home loans whether commercial banks or financial institutions to the people who want to have a home. Part of the reason for this increase is because the accessibility of loans has gotten bigger. Today, home loans are available in the market at very low interest rates that meet the demands of many home buyers. A home represents the largest asset that typically people have and this is why home loans have such a huge impact in the loan market today. When a person purchases a home, he or she will be investing a huge amount of cash. Many people can't come up with the whole money to pay out the house, while some others can't even afford to invest money for the house they will like to purchase. When getting a home loan, the individuals should consider taking care of different aspects related to the home loan*



**KEYWORDS:** Interest Rate, Home Loans, Financial Institutions, Fixed and Floating Interest Rate.

### INTRODUCTION

Every human being wants their own house. House is a profitable and useful in the future and furnishes propulsion to economic development. But in today's scenario buying the home is a challenging chore, because it is a major expenditure. A middle class family cannot afford this expenditure. To resolve this activity, government provides housing finance loan facility for every person at lower interest rate. Housing finance sector encourage of tax rebates. Housing finance means to take a home on loan basis in which we pay monthly installments with favorable interest rates. A loan FACILITY has been provided on the basis of people's eligibility and the bank's rules. Many number of banks and financial institutions entered in housing financing sector which offer cheap loans at low interest rate. Interest rate is very important part of loans. The banks and financial institutions provide two types of interest rates i.e. fixed and floating for loan. Banks are not only provides home loan but they also provides improvement, extension, conversion, construction loan etc.

### HOME EXTINCTION LOAN

Home extension loans are used by customers to get loans from the banks to extend their houses, by adding more rooms, kitchens, wash rooms, terraces, or any other rooms for your growing family. It may also be used to enclose open balcony/terrace space, or constructing a Puja ghar.

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### Maximum Amount of Home Extension Loans:

Banks generally offers about 70-85% of the total amount of home extension as loan. The amount of loan sanctioned also depends on a number of factors such as the age of the applicant at the time of loan, tenure of the loan, repayment capacity of the borrower; his/her credit history etc.

### Home equity loan:

Home equity loans helps customer to encash the market value of the commodity by taking a loan by mortgaging the property. So, Home equity loans are availed by customers, who wish to mortgage his/her property to the bank for taking some loan for some other purpose. Then, it's up to the bank's discretion to consider the market value of the property and accordingly decide how much to pay to the customer. Both the residential as well as non residential property can be considered for the approval of the loan, provided the mortgager is a licensed title holder and the land is free from any kind of dispute. Home equity loans don't restrict one to use the loan money in specific investments. It might also be used in marriage, higher education, medical expenses, etc. However it should not be used in any illegal or speculation purposes

### Types of home loan

There are different types of home loans available in the market to cater borrower's different needs.

- Home Purchase Loan
- Home Improvement Loan
- Home Extension Loan
- Home Conversion Loan
- Home Construction Loan
- Land Purchase Loan
- Bridge Loan

a) Home Purchase Loan: These are the basic home loans for the purchase of a new home.

These loans are given for purchase of a new or already built flat/bungalow/row-house.

b) Home Improvement Loan: These loans are given for implementing repair works and renovations in a home that has already been purchased by the customer. It may be requested for external works like structural repairs, waterproofing or internal works like tiling and flooring, plumbing, electrical work, painting, etc.

c) Home Construction Loan: These loans are available for the construction of a new home. The documents required by the banks or bank for granting customer a home construction loans are slightly different from the home purchase loans. Depending upon the fact that when customer bought the land, the lending party would or would not include the land cost as a component, to value the total cost of the property.

d) Home Extension Loan: Home Extension Loans are given for expanding or extending an existing home. For example addition of an extra room, etc. For this kind of loan, customer needs to have requisite approvals from the relevant municipal corporation.

e) Home Conversion Loan: It is that loan wherein the borrower has already taken a home loan to finance his current home, but now wants to move to another home. The Conversion Home Loan helps the borrower to transfer the existing loan to the new home which requires extra funds, so the new loan pays the previous loan and fulfills the money required for new home.

f) Land Purchase Loan: Land Purchase Loans are available for purchase of land for both home construction or investment purposes. Therefore, customer can be granted this loan even if customer is not planning to construct any building on it in the near future. However, customer has to complete construction within tenure of three years on the same land.

g) Bridge Loan: Bridge Loans are designed for people who wish to sell the existing home and purchase another. The bridge loan helps finance the new home, until a buyer is found for the old home.

h) Top up loans: Enriching the investment in a house without having to dispose it off to fund various needs related to Higher Education, Purchase of Furniture and Business Requirements.

The maximum term of the loan is 10 years. Top up loans can give after 1 to 2 years of the final disbursement of the existing loan or upon possession/completion of the existing financed property.

## FINDINGS

According to my study HDFC and SBI Bank have widest range of home loan products. According to my study maximum people prefer fixed rates on home loans. According to my research the rate of interest of SBI is less than HDFC Bank. People get knowledge about home loans from television, internet, Newspaper, Media or families and friends. The majority of the respondents want to take a loan for the construction of the new house. As far as reputation of bank is concerned maximum numbers of respondents prefer public banks and not private bank. Because they think that the public banks are more secured as compare to the private banks.

## SUGGESTIONS

- 1) The documentation work and formalities should be reduced while providing loans to the customer.
- 2) The bank should improve their customer service.
- 3) The behavior of the staff of the bank towards the customer should be more personalized.
- 4) The banks need to improve on the customer satisfaction level due to stiff competition among the banks.
- 5) The booklet and attractive advertisement should be provided to the customer for awareness about different housing loan schemes offered by the banks
- 6) According to the customer point of view the documentation work should be less and must be fast procedure in H.D.F.C. bank.
- 7) The banks should focus on the customer satisfaction factors due to stiff competition among the banks.

## CONCLUSION

The present study concludes that there are various satisfactory factors which affect the satisfaction level of customers of housing loan. On the basis of collected data, it is being concluded that customers are satisfied by S.B.I. bank because the interest rate is lower in S.B.I. as compare to H.D.F.C. Bank and the trust level that customer have with these banks is very high in comparison to H.D.F.C. Bank, especially older persons are more dependent on Public banks.

Overall in level of customer satisfaction the customer more satisfied with the S.B.I. Bank in variables of application form of home loan is easy to understand, interest rate charges by bank, loan processing is fast, employee behavior and public sector bank. But, in H.D.F.C customer satisfied with the after home loan services provide by your bank as compare to other bank. So, there is need to reduce the rate of interest, terms and conditions, procedural formalities and processing fees.

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