

Handbook for the Financial Wellbeing Journey



Introduction

Thank you for your interest in the Smart Borrowing program. Hope the program was insightful with many implementable take-aways.

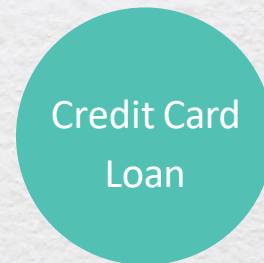
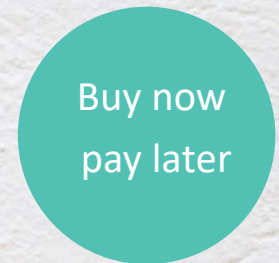
Here is a Handbook which gives a glance about:

- How to optimise loans
- Impact of loans on finances
- Points to remember before taking loans
- Borrowing rules for financial wellbeing
- Useful video links to help you with further information
- Finsafe Tips

Loan Categories



Un-secured Loans



Gold Loan Vs Gold Overdraft facility

Particulars	Gold Loan	Gold Overdraft
Collateral	Pledge gold	Pledge gold
Offered by	Bank / NBFC	Bank / NBFC
Loan Value	Upto 90% of gold value	Upto 75% of gold value
Interest	7.5 – 15% pa	7.5 – 15% pa
Sanction Value	Credited to Account	Credited to overdraft Account
EMI	Interest charged On whole disbursed amount	Interest charged only on the amount utilised
Other facilities	None	ATM card, chq book etc with 24 hours access to funds

Learning Resources:

- 1) <https://www.youtube.com/watch?v=Fr cvJSMYUU8>

Factors Affecting Home Loan

Home Loan Sanctions:

- Ability to repay – Bank statements, salary slips and employment details are reviewed
- Loan tenure – Needs to be repaid before the borrower turns 60
- Intent to repay: CIBIL Score > 750
- Other loan obligations also would be considered

Home Loan Limits:

- Based on loan eligibility – 60% of Net salary minus the other financial obligations (Personal Loan/Credit card etc) Divided by EMI per lakh
- Loan to Property Value (LTV)
 - Maximum of 80% if the property value is < Rs 75 Lacs
 - Maximum of 75% if the property value is > Rs 75 Lacs
 - Maximum of 90% if the property value is < Rs 30 Lacs

FinSafe Tips to maintain a good credit score:

- Pay loan EMI's/ credit card bills on time
- Automate credit card payment and pay full amount due
- Closed unused credit accounts and lower credit utilisation ratio
- Do not apply to multiple banks for same loan
- Monitor guarantor on loans
- Check credit report for mistakes and rectify them

Home Loan Conversion or Balance Transfer

Refinancing of Home Loan – Paying off existing loan by:

- Transferring to new loan with new tenure and reduced interest rate
- Reducing the interest rate on existing loans

Deciding when to refinance:

- Earlier the better as initially interest payments are higher
- Lower interest rate
- Improved credit score will offer better loan rates

Learning Resources:

1) <https://www.youtube.com/watch?v=hZLqCoCkHHw>

Reducing Loans

- Make a spreadsheet which includes:
 - ✓ Amount of each debt
 - ✓ Type of debt
 - ✓ Individual interest rates and term
- Options of repaying:
 - ✓ Repay high interest loans first but not at the cost of regular EMI's on other loans
 - ✓ Repay debts in order of balance amount size
 - ✓ Strategize and build credit score by repaying all loans if there is a big purchase planned in future
- Increase repayments with increase in income
- Use windfall gains to repay costlier loans
- Consolidate loan or refinance loans with higher interest rate

Learning Resources:

<https://www.youtube.com/watch?v=MmlB6OEnCqA>

FinSafe Tips:

- Check and switch loan to External Benchmark Linked Rate (EBLR) instead of Marginal Cost of Lending Rate (MCLR) or base rate
- Transfer loan balance amount and switch to new lender if rates are better
- Move to floating rate loan if currently on fixed rate
- Make partial prepayments
- Take insurance cover on loans

SUMMING UP

- Limit loans to 30% of Net salary
- Make a plan to pay off costly debt
- Follow borrowing rules to maintain financial wellbeing
- Ensure timely repayment of loans to avoid:
 - Penalty
 - Higher interest charge
 - Lower credit score
- Monitor guarantor in a loan
- Check credit report periodically

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