



Handbook for the
Financial Wellbeing Journey
Loan Decisions



Introduction

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

Here is a Handbook which gives a glance:

- Types of Loans and how to optimise loans
- Impact of loans on finances
- Points to remember before taking loans
- Borrowing rules for financial wellbeing
- Useful video/ calculator links to help you with further information
- Finsafe Tips



Features

Features	Personal Loan	Credit Card	Credit Card EMI	Buy Now Pay Later
Type of Loan	Short – Medium Term	Very Short Term	Short Term	Very Short Micro loan
Quantum of Loan	Based on the Income can avail upto 40 lakhs	Based on the Income can avail 5 Lakh or above too	Cannot exceed Credit card limit	Very Small Amount – Upto Rs.60,000
Tenure	Min of 12 months till 5 years	45 days	Typically 12 months	15 - 45 days
Interest Rates	11 – 24% p.a	24 – 42% p.a	12 – 24% p.a	24 – 42% p.a



Buy Now Pay Later

Pros

- Convenient way to pay for purchases over time
- Frequently no interest or lower interest rates than credit cards
- Good credit/ high credit score not necessary to qualify
- Fast approval

Cons

- Payments can be hard to track
- Missing or late payments result in late fees and may damage credit score
- No rewards or cashback earned on purchases
- Payments may continue even if item is returned



Check List for Unsecured Loans

Keep in mind:

- Impulse Buying Vs Buying based on Needs
- AVOID taking loan to go on vacations, instead save for the goal
- DONOT take App Based Loans
 - Incorrect Loan accounts mapped
 - Harassment
 - Privacy issues
- Check for prepayment charges for personal loans



Settlement of Loans

Lower repayment / waive off

- If the process where lender can settle with the borrower for lower amount of loan
- Banks / NBFCs may agree looking at the financial decision. It is a discretion of the lender
- Only Unsecured loans are typically allowed
- Credit score will be affected
- No legal action will be taken if waived off and is typically available for farmers and support from government

Write off

- Lenders will write off to clear balance sheet
- Lender might approach legal action
- Can be for both Secured and unsecured loans
- Lender can confiscate / auction collateral



Credit scores

Factors impacting credit scores:

- 01 Late payment of loans / credit card bills
- 02 Maximising credit card limit, increasing credit card limit
- 03 Applying for too many credit cards / unsecured loans

How to maintain good Credit score ?

- Automate Credit card payments and pay in full
- Close unused credit accounts
- Repay of loans ontime
- Lower your credit utilisation ratio
- Not applying to multiple banks for the same loan
- If Loans / CC rejected. Do not keep reapplying
- Monitor being Guarantor on loans
- Check credit report for mistakes and rectify them

Good Credit Score Over 750



Fixing disputes in Credit score

Disputes can be for any of the following reasons:

- Incorrect personal information (PAN, name, address etc)
- Incorrect Loan accounts mapped
- Incorrect credit limit
- Incorrect account status
- Outstanding payment
- Payment history
- Duplicate account

How to raise dispute?

- 01** Submit online dispute with credit Bureau (CIBIL)
- 02** Submit 9 digit number provided on credit report in the form
- 03** Bureau will raise the complaint with respective banks /credit card companies
- 04** Resolution TAT is about 30 - 45days



| Secured Loans

Loans against Fixed Deposit

- Loans up to 90-95% of deposit amount
- Not eligible on FD in name of minor or FD on 5 year tax saving term deposits
- Loan Interest rates are 0.5% to 2% above applicable FD rate

Loans against Gold

- Secured loan against gold ornaments
- Lender sanctions loan amount based on amount of gold
- Loan to value of almost 75% of pledged loan's market value
- Rates vary between 7.5% to 13% p.a.



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



Loan Comparison

Assets	Interest Rate (in %)	Processing fee* (in %)	Tenure	Max loan limit
Mutual funds & Shares	9-13	0.15-1	1 year; renewable thereafter	50% of NAV for equity MFs and market value of shares; 80% for debt MFs
Bonds**	9.7 - 13.75	0.50	1-4 Years	70% of present value
FD	1-2% above FD rate	Nil	Term of the FD	95% of FD
Car	13.5-17.05	0.5-3	1-7 Years	90% of car's market value
Insurance	10-15	0.5-2	1 year; renewable thereafter	90% of surrender value of traditional policies; 40-70% of market value of corpus in Ulip
Gold	7.10-17	0.07-0.5	3 months to 2 Years	75% of ornament's market value
PPF	1% above PPF rate; Current PPF rate is 7.1	Nil	3 Years	25% of the balance at the end of the 2nd year preceding the year when the loan is applied
Property	8.5-18	0.5-2	up to 25 Years	70% of property's market value



Types of Home Loans

01



Home Loans

- Purchase of a new house
- Construction of a house
- Buying land

02



Mortgage Loan

- Mortgage the property
- Can be used for any purposes

03



Top-Up Loan

- Loan over your existing home loan



Home Loan: Important Features

- Co-applicant may be the co-owner or co-borrower
- Max tenure - 30 years or retirement, whichever is earlier
- Term Insurance is not mandatory from the home loan lender.
- Premium for Term Insurance attached to home loan is usually funded by the lender (Bank / NBFC) & the premium is included in the loan EMI.
- Part payment is available & the loan tenure reduces once part payment is done.



Reducing Loans

01

Increase repayments with increase in income

02

Use windfall gains to repay costlier loans

03

Consolidate loan or refinance loans with higher interest rate



Summing Up

- Loans limited to 30% of Net salary
- Make a plan to pay off costly debt
- Follow borrowing rules to maintain financial wellbeing
 - Compare offers of lenders across different parameters like prepayment charges, processing fees, rates etc
 - Choosing loan tenure
 - To be based on repayment / income capacity
 - Lower the tenure higher the emi, but lower the interest payment and vice versa
 - Enquiring multiple lenders for same loan, reduces credit score
 - Ensure timely repayment, to avoid
 - Penalty
 - Higher interest charge
 - Lower credit score
 - Monitor Co-signing / guarantor in a loan
 - Check Credit report periodically



Facebook Page:
[Finsafe India](#)

You Tube Channel:
[Finsafe India Private Ltd](#)

Twitter:
[finsafeindia/mrinagarwal](#)

Telegram:



Women and Money 4:



Disclaimer

This program has been prepared solely for informational purpose and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security, product, service or investment. The opinions expressed in this program do not constitute investment advice and independent advice should be sought where appropriate. Neither the information, nor any opinion contained in this program constitutes a solicitation or offer by Finsafe or its affiliates to buy or sell any securities or other financial instruments or provide any investment advice or service. Participants must take their own independent decisions and obtain own independent advice regarding any information, securities or financial instruments mentioned herein. The fact that Finsafe India has made available to you through the program, investment opinions and other information constitutes neither a recommendation that you enter into a particular transaction nor a representation that any financial instrument is suitable or appropriate for you. You should consider whether an investment strategy or the purchase or sale of any product is appropriate for you in the light of your particular investment needs, objectives and financial circumstances.

Finsafe India Pvt Ltd. will not be responsible for any loss or damage that could result from interpretation by third parties of any information made available to you via this program. Neither Finsafe, nor any of its affiliates, agents, directors, officers or employees, nor any third party vendor will be liable or have any responsibility of any kind for any loss or damage that you incur in the event of any direct, special, indirect, consequential, incidental damages or any other damages of any kind

The material in this handbook is intended to be used only by the participants enrolled for this program . All rights are reserved.

No part of this presentation may be reproduced in any form or by any means , without permission in writing.

