

# ICICI BANK CUSTOMER FIRST SERIES

A consumer education initiative

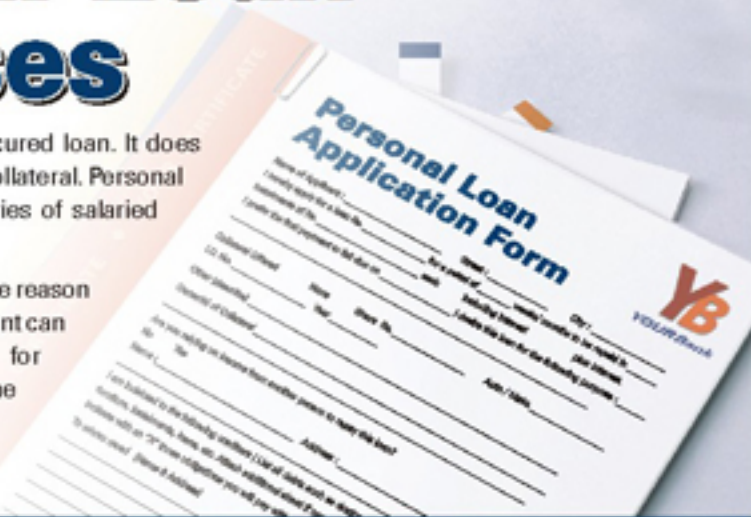
Personal Loans Series I: Article 2 of 2

TIMES BUSINESS ASSOCIATE COMMUNICATION

## Personal Loan Processes

A personal loan is a need-based unsecured loan. It does not require any security, guarantor or collateral. Personal loans are provided to defined categories of salaried and self-employed individuals.

You do not need to reveal to the bank the reason for taking the loan. The borrowed amount can be used for any purpose, except for speculative purposes like investing in the stock market. The processes involved in getting a personal loan are simple, as we shall see.



### Easy Documentation

You will need two categories of documents to apply for a personal loan – general documents and income documents. General documents include proof of residence, proof of identity and signature verification; whereas income documents include your salary slips (if you are a salaried individual), your income tax returns and financials (if you are self-employed) and recent statements of your main bank account. Assessment of your loan eligibility is based on these documents. Remember that sanctioning a personal loan to you is at the discretion of the bank.

personal loan and repay the credit card dues quickly without waiting for the statement and due date. Interest on cash withdrawal using a credit card accrues from the date of withdrawal. In terms of interest rates, the credit obtained from credit card use is generally more expensive than a personal loan.

### Pre-approved Loans

The time taken for disbursement of your personal loan depends on your speed of completing all the documentation, apart from the processing speed of the bank. You on your part can speed up the process by providing all documents in one go rather than in instalments. Besides, many banks offer pre-approved loans to their current customers, on the basis of their assessment of the customer's ability to pay. Documentation requirements for pre-approved loans are lesser and the

loans are disbursed much faster.

### You Decide the Amount, not the Bank

A personal loan should be driven by your needs. The bank may sanction a higher amount of loan, on the basis of your financials. One need not utilize the entire sanctioned amount, if the need is lesser. You may be taking a personal loan for a summer holiday and perhaps the loan that the bank is willing to sanction you tempts you to choose a more exotic, and expensive location. Before the indulgence, make sure you can afford it and will be able to pay the equated monthly instalments (EMIs).

### Repayment and EMI

Personal loans are repaid as EMIs. You can issue a standing instruction to your bank to deduct the EMI from your savings account, which makes repayment easier and regular.

### EMI Computation

The EMI in a personal loan is a combination of interest and principal. The interest is charged on a reducing balance basis. This means that the interest applies only to the outstanding dues every month, and not to the entire amount borrowed.

### Interest Costs

Since a personal loan is unsecured, the interest rates offered vary. They can range from 14% to 40% per annum. A good credit history and high repayment capability can help you acquire a better rate of interest on the loan.

Personal loans are repaid in terms of EMIs. If you wish to pre-pay the loan, a one-time pre-payment is usually allowed; but there is sometimes a fee attached called the pre-payment charge. So, consider the total cost of the loan before availing of it.

### Some points to remember:

- Before taking a personal loan, ask yourself whether you really need the money. If you really do, decide how much you need and stick to it even if your bank is willing to lend you a larger sum.
- Understand how much you will have to pay as EMI and for how long. Keep an eye on how this will affect your overall monthly budget.
- A personal loan can help you tide over an unforeseen financial emergency. If you are thinking of a loan that could be repaid within say 40-50 days, you have the option of using your credit card.
- Remember, a personal loan may not involve much paperwork but the interest rate is high.

Center for Investment Education and Learning

### DID YOU KNOW ?

A personal loan is cheaper than a credit card loan, but more expensive than a loan against bank deposits. Consider your options on the basis of both cost and convenience.



His loan was disbursed so fast that he fainted in surprise!!

### GET SET KNOW



#### Question

Pre-payment of personal loans \_\_\_\_\_.

#### Answer

- A. cannot be done
- B. can be done only once
- C. can be done in several instalments

To answer, SMS DISHA A, B or C to 53030 and win a 2N 3D holiday.\* Contest open for the day of publication.

\* Terms and conditions apply. Visit [www.dishafc.org](http://www.dishafc.org) for details and winners.

We welcome your questions, suggestions and feedback on this column. Please use the 'Email Us' link at [www.icicibank.com](http://www.icicibank.com) or send an SMS to 53030. Please include your full name, address and phone number. Your comments may be edited for clarity and space.

### FAQs

**My bank has sanctioned a pre-approved personal loan of Rs.1 lac. I need only Rs.50,000. What should I do?**

You can limit your borrowing to Rs.50,000. Ensure that this is at least the minimum amount on offer. The minimum amount offered differs from bank to bank. Pre-approved offers are time-bound and the offered amount can change with time.

**I used the services of a direct sales agent of a bank to complete the documentation required for my personal loan. The agent now asks me for a commission of 2% of the loan amount. Is this a fair rate? How much should I pay?**

Commissions to direct sales agents are paid by the banks that use their services. These agents need not be paid any commission by customers who use their services. Do not pay the agent any commission; instead, notify the bank of his demand.

**When I took a personal loan, I was asked to sign the papers, which I did. The agent filled up the rest of the information. Now I find that my name is spelt wrongly and the address is also wrong. What can I do?**

Contact the customer care office of the bank and bring the corrections to their notice. Loan documents represent a contract between you and the bank and the accuracy of the information contained therein is important. It is important for you to fill up the information yourself so as to avoid such errors. Also, make it a point to read and understand the key terms of the loan before signing the papers.

**I applied for a personal loan with my credit card issuing bank. They sent someone to my home address for verification. Why is this so?**

Credit card loans and personal loans could have different credit norms and checks, even within the same bank. As long as the person doing the verification is the bank's authorized agent, it is okay to answer their queries during such visits.



**Protect yourself from financial crisis.**

For guidance, SMS DISHA to 53030.



Reach out to well-meaning organisations like DISHA Financial Counselling for support during hard times.

Visit [www.dishafc.org](http://www.dishafc.org)

