GENERAL – FREQUENTLY ASKED QUESTIONS

- **How is a personal loan different from a loan against property, shares or gold?**
  Loans against property, shares or gold are a more sensible option in comparison to an unsecured personal loan if one needs to pay back the bank over a longer time frame. The loan amount one is eligible for is dependent on the value of the property and the interest rates are much lower. It gives the loan taker ample time to repay the loan but the catch is failure to do so will result in the property being auctioned to secure repayment by the bank/financial institution.
  On the other hand, the advantage of a personal loan is that it requires minimum documentation and is quicker to process.

- **What is the difference between a personal loan & credit card?**
  Unlike loans against credit card, in a personal loan, it is necessary for the borrower to draw out the entire loan and the loan is repaid by way of fixed monthly installments. In the case of a credit card, the interest is charged based only on the amount utilized.

- **What is EMI? How is it calculated?**
  An Equated Monthly Installment (EMI) is the amount of money that is paid back to the lender on a monthly basis. It is essentially made up of two parts, the principal amount and the interest on the principal amount equally divided across each month in the loan tenure. The EMI is always paid up to the bank or lender on a fixed date each month until the total amount due is paid up during the tenure.

  The EMI facility helps the borrower plan his budget. The EMI is calculated taking into account the loan amount, the time frame for repaying the loan and the interest rate on the borrowed sum.

- **What is credit history? How does a financial institution check on my credit history?**
  A credit history is basically a record of your past repayments of loans and credit card bills. Also, there is a central bank of data available with the BENEFIT Co. where data from all the banks on existing loans and their repayment patterns of their customers are accumulated. Before approving we as a financial institution will have to check your Credit Reference Bureau (CRB) with the BENEFIT Co. on your loan repayment track record.

- **Is the repayment track record of my previous loans considered in calculating my eligibility for a new loan?**
  It definitely has its benefits! A good repayment track record could fetch you a loan much easily without any hassle and if your repayment track has any arrears or defaults then your loan application might even get rejected.

- **What does prepayment charge mean? Does it matter while comparing loans?**
  A personal loan is repaid to the lender within a fixed time frame, but in case you want to clear the loan payment earlier than the agreed time frame, the bank levies a prepayment penalty charge.
  Make sure the interest saved by pre-paying exceeds the prepayment fee paid. This is one of the factors to keep in mind while comparing loans.

- **What is the difference between a fixed interest rate and floating interest rate?**
  A fixed interest rate remains constant throughout the loan tenure regardless of the market conditions whereas a floating interest rate can decrease or increase depending on market fluctuations

- **What are the different types of interest rates available?**
  Interest rates are quoted either as fixed flat rates or reducing balance rates. In the flat rate method of interest calculation, the outstanding loan amount is never reduced during the entire tenure of the loan even though you make payments monthly.
  In the case of reducing balance interest rates the EMI is calculated on the basis of daily, monthly, quarterly or annual rests.
  A '**rest**' indicates the time frame in which the bank will recalculate the EMI based on the amount of loan paid back and the frequency of any compounding interest rate.

- **What are the factors I need to keep in mind while comparing loans from different financial institutions?**
  A loan applicant needs to keep a few things in mind when comparing loans. The applicant needs to determine the kind of loan and the amount he wants to apply for. He needs to keep in mind the total cost of the loan, which will be paid up by the end of his loan tenure.
  The second step is to understand the terms and conditions under which financial institutions are offering the loan. Finally he needs to evaluate, which loan offer is the best bet for him.
  Other factors that you should look out for are customer service levels and the average time the bank takes to process a loan.

- **What influences your APR?**
  Your credit history, current finance rates, competition, market conditions and special offers are among the factors that influence your APR.