Customer Education Literature on HUDCO NIWAS (Retail Loans)

What are loans?

HUDCO NIWAS loan refers to funds you borrow from HUDCO in return for a promise to pay back the principal plus interest as per agreed terms.

What is a loan repayment?

The act of repaying a loan to the lender is known as loan repayment. The loan is repaid in a series of periodic instalments, referred to as (Equated Monthly Instalment) EMIs , that contains, both principal and interest.

Loan repayment methodology?

Loan repayment is usually done in equal monthly Instalments (EMIs). The amount of money repaid to the lender on a monthly basis is referred to as instalments. It consists of two parts: the principal amount and interest on the principal amount, both of which are paid to the bank or lender on a monthly basis until the whole amount due is paid off throughout the loan term.

You could think that the principal and interest components of an EMI are split evenly. That is not the case, though. The interest component of an EMI is greater during the initial part of the loan repayment period. The interest component of the loan decreases, as the loan term progresses, but the principal component increases.

Benefits of Timely Loan Repayment ?

Improved Credit Score :

- Paying your loan EMIs on time keeps your credit score high and helps you build a favourable credit history.
- It shows that you are creditworthy and timely with your payments as a borrower, making borrowing easier in the future.

Saved From The Penalty:

You can avoid the penalty or late payment fee on timely loan repayments

Getting Loan in future becomes easier:

If you pay your loan EMIs on time, getting further loan sanctions is easier.

Statutory Compliances

Loans are extended for Flat/Dwelling units for purchase /Construction/extension/improvement etc. only if the building plan is approved by competent authority and is being built in accordance with statutory norms applicable.

Security for Loan ?

Loans under HUDCO Niwas are secured by way of deposit of title deeds and/or such other collateral security as may be necessary. However in respect of states that do not permit equitable mortgage the loan may be secured by registered mortgage

Loan Default and NPA Classification-:

As per HUDCO policy on retail loans EMI/PRE EMI shall be payable at the end of each respective Month i.e. due date of the respective EMI would be last day of each Month. If, Pre-EMI/EMI is not received on or before the last day of the Month, then the loan shall be treated as default and classified as Special Mention Account (SMA)/ Non Performing Asset (NPA) as per the regulatory norms of RBI in force from time to time.

Presently, as per regulatory norms, the classification is as follows:

SMA Subcategories	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue
SMA-0	Upto 30 days
SMA-1	More than 30 days and upto 60 days
SMA-2	More than 60 days and upto 90 days

If the loan remains overdue for more than 90 days, it will be treated as Non-Performing Asset (NPA)

Illustrative example of default and NPA classification is given below-:

Example: If due date of a loan account is March 31, 2021, and full dues are not received before the lending institution runs the day-end process for this date, the date of overdue shall be March 31, 2021. If it continues to remain overdue, then this account shall get tagged as SMA-1 upon running day-end process on April 30, 2021 i.e. upon completion of 30 days of being continuously overdue. Accordingly, the date of SMA-1 classification for that account shall be April 30, 2021.

Similarly, if the account continues to remain overdue, it shall get tagged as SMA-2 upon running day-end process on May 30, 2021 and if continues to remain overdue further, it shall get classified as NPA upon running day-end process on June 29, 2021.

Further default amount has to be cleared in totality to be upgraded to standard category from NPA.