

LOANS FOR NRI

If you are a NRI, acquiring a home loan in India can be a complicated and confusing process. Go through the following information to understand the process of receiving a home loan.

HOME LOANS:

The Non-Resident Indians (NRIs) are recognized under the Foreign Exchange Regulatory Act, 1973. Every bank and housing finance companies follow the RBI guidelines to define NRI - "An Indian citizen who holds a valid document like Indian passport and who stays abroad for employment or for carrying on business or vocation outside India or stays abroad under circumstances indicating an intention for an uncertain duration of stay abroad is a NRI."

Broadly categorized, Non-Resident Indians qualifying for NRI housing loans are:

- Indian citizens who stay abroad for employment or for carrying on business or vocation outside India or for any other purpose in circumstances indicating an indefinite period of stay abroad;
- Government servants who are posted abroad on duty with the Indian missions and similar other agencies set up abroad by the Government of India where the officials draw their salaries out of Government resources;
- Government servants deputed abroad on assignments with foreign Governments or regional/international agencies like the World Bank, International Monetary Fund (IMF), World Health Organization (WHO), Economic and Social Commission for Asia and the Pacific (ESCAP);
- Officials of the State Government and Public Sector Undertakings deputed abroad on temporary assignments or posted to their branches or offices abroad.

Documents required for Resident Indians as well as for NRIs for getting Home Loans are different in some respect. Home loans for NRIs are available for construction of new house / flats, purchase of old house / flat addition / alteration to an existing house and repairs / renovation etc. NRIs can avail of loans by mortgaging an existing residential property. However, for availing home loans, NRIs have to fulfill certain conditions according to provisions of the Income Tax Act. They should have stayed in India for a period of 182 days or more within an assessment year or they should have stayed in India for at least a total of one year or more.

The **FDI** Policy that permits FDI up to 100% from foreign/NRI investor under the automatic route has boosted NRI confidence. Banks have attractive NRI housing schemes to accommodate the housing needs of NRIs. From the stables of HFCs, NRI housing finance plans with suitable repayment options are available.

Last but not the least, NRIs should take due care while selecting their home loan provider companies or HFCs. Considering the geographical distances involved, it is significant that loan seekers associate with a proactive and responsive HFC.

ELIGIBILITY FOR NRI:

The eligibility criteria of NRIs differ from Resident Indians based on a few parameters. The parameters include:

Age	Qualification	Income	Payment options	Number of dependants
The loan applicant has to be 21 years of age.	The NRI loan seeker has to be a graduate.	The loan applicant has to have a minimum monthly income of \$ 2,000 (although, this criterion may differ across HFCs). The eligibility is also determined by the stability and continuity of your employment or business.	The NRI also has to route his EMI (Equated Monthly Installments) cheques through his NRE/NRO account. He cannot make payments from another source say, his savings account in India.	The eligibility of the applicant is also determined by the number of dependents, assets and liabilities.

An NRI applicant is eligible to get a home loan ranging from a minimum of Rs 5 lakhs to a maximum of Rs 1 crore, based on the repayment capacity and the cost of the property, which although is variable by the priorities of the home loan provider. Also Home Loan Tenure for NRIs is different from Resident Indians. An applicant will be eligible for a maximum of 85% of the cost of the property or the cost of construction as applicable and 75% of the cost of land in case of purchase of land, based on the repayment capacity of the borrower.

However, a NRI can enhance his loan eligibility by applying for home loans with a co-applicant who has a separate source of income. Also, the rate of interest for home loans to NRIs is higher than those offered to Resident Indians. The difference is to the extent of 0.25%-0.50%. Some HFCs also have an internally earmarked 'negative criterion' for NRI home loans. As such, the NRIs who hail from locations that are marked as being 'negative' in the books of HFCs, find it difficult to get a home loan.

RBI DIRECTIVE LOANS:

The Reserve Bank of India (RBI) has clarified that Non-Resident Indians (NRIs) and Persons of Indian Origin (PIO), purchasing immovable property in India should pay for the acquisition by funds received in India through normal banking channels by way of inward remittance from outside the country.

The NRIs and Resident Indians can also acquire immovable property in India other than agricultural property, plantation or a farmhouse. It has issued certain directive for sanctioning home loans to Non-Resident Indians.

The guidelines provided are:

- The home loan amount should not exceed 85% of the cost of the dwelling unit, as the remaining amount that is 15% needs to be provided an own contribution towards the cost of unit financed.
- The cost of dwelling unit which is own contribution financed less the loan amount, can be met from direct remittances from abroad through normal banking channels, the Non-Resident (External) [NR(E)] Account and /or Non-Resident (Ordinary) [NR (O)] account in India.
- However, repayment of the loan, comprising of the principal and interest including all the charges are to be remitted to the HFC from abroad through normal banking channels, the Non-Resident (External) [NR(E)] Account and /or Non-Resident (Ordinary) [NR (O)] account in India.

The repayment option for NRIs as they can pay through the funds held in any non-resident account maintained in accordance with the provisions of the Foreign Exchange Management Act, 1999, and the regulations made by the RBI from time to time. As most of the home loan provider companies consider the economical stability of the applicant, home loans for NRIs are quite feasible, because they are well in economic resource.

DOCUMENTS REQUIRED FOR LOAN:

The documentation required to be submitted by the NRIs are different from the Resident Indians as they are required to submit additional documents, like a copy of the passport, a copy of the works contract, etc. And of course NRIs have to follow certain eligibility criteria in order to get Home Loans in India.

Another vital document required while processing an NRI home loan is the power of attorney (POA). The POA is important because, since the borrower is not based in India; the HFC would need a 'representative' 'in lieu of' the NRI to deal with and if needed. Although not obligatory, the POA is usually drawn on the NRI's parents/wife/children.

The documents needed for obtaining NRI home loans are:

- Passport and Visa
- A copy of the appointment letter and contract from the company employing the applicant
- The labor card/identity card (translated in English and countersigned by the consulate) if the person is employed in the Middle East Salary certificate (in English) specifying name, date of joining, designation and salary details
- Bank Statements for the last six months

List of Classified documents for Salaried and Self Employed NRI Applicants:

Salaried NRI Applicants	Self-Employed NRI Applicants
Copy of valid passport showing VISA stamps	Passport copy with valid visa stamp
Copy of valid visa / work permit / equivalent document supporting the NRI status of the proposed account holder	Brief profile of the applicant and business/ Trade license or equivalent document
Overseas Bank A/C for the last 3 months showing salary credits	6 months overseas bank account statement and NRE/ NRO account
Latest contract copy evidencing Salary / Salary Certificate / Wage Slips	Computation of income, P&L account and B/Sheet for last 3 years certified by the C.A. / CPA or any other relevant authority as the case may be (or equivalent company accounts)

PROPERTY DOCUMENTS:

- Original title deeds tracing the title of the property for a minimum period of the last 13 years
- Encumbrance Certificate for the last 13 years
- Agreement of sale /construction, if any
- Receipts for payments made for purchase of the dwelling unit
- Approved plan / license
- ULC clearance /conversion order etc
- Receipts for having invested the margin money through normal banking channels from the Non-Resident (External) account in India and / or the Non-Resident (Ordinary) account in India
- Latest tax paid receipt
- Allotment letter from the co-operative society / association of apartment owners
- Agreement for sale / sale deed /detailed cost estimate from Architect / Engineer for property to be purchased / constructed /extended / improved
- Copy of approved drawings of proposed construction/purchase/extension

Additional documents to be submitted by Person of Indian Origin

PHOTOCOPY OF PIO CARD:

If the PIO card is not available, photocopies of any of the following documents:

- The current passport, with birthplace as 'INDIA'
- The Indian passport, if held by the individual earlier
- Parents/grandparents Indian passport/birth certificate/marriage certificate substantiating the individuals claim as a person of Indian origin

PERMISSIONS AND APPROVALS:

Before a construction can begin, the builder must seek several permissions and approvals from relevant bodies. Without these clearances, the construction may come under litigation.