

ICICI BANK CUSTOMER FIRST SERIES

A consumer education initiative

Personal Loans Series I: Article 1 of 2

TIMES BUSINESS ASSOCIATE COMMUNICATION

A Sensible Borrowing Option



There are times when there is an unexpected need for a large sum of money – meeting hospital expenses, funding your child's education trip abroad; or paying for a family holiday. Credit cards are an expensive option, and loans bring about visions of extended processing. It is during such times that personal loans come in handy. When you need quick funding, or when you need funds but do not have any assets to back it up, a personal loan is useful because it requires no security (collateral) and is processed much faster. All that matters is your ability and willingness to pay.

Lenders will seek you out. If your record is bad, you will find the going tough. There is nothing you can do to go back in history and change your track record!

Asset and Loan Disconnect

Your savings account is brimming with excess cash. You are waiting to invest in the stock market at an appropriate time. Your bank deposits have been accumulated for a rainy day. Your investments are long term and you hate to sell them. So you think it is better to take a personal loan for the holiday. Think again. Why should you lend to the bank at a lower interest rate (your deposits) and borrow from them at a higher rate (personal loan)? Consider your options to take a loan against your existing assets, before settling for a personal loan.

Cheap May Not be Best

Every bank offers a personal loan. The rates will obviously vary. Compare carefully. The lowest quoted rate could actually apply to the highest eligible amount; the lower interest rate may be made good by the bank by higher upfront charges; or the pre-payment penalty may be too high. Ensure that you make an apple-to-apple comparison of all costs and charges, before deciding on your lender and loan.

If you really need a loan and cannot raise it against an asset, seek a personal loan to fund your unexpected, large expenses. The speed and ease of completing the transaction is a boon; but of course, you must assess your need and repayment ability sensibly. We will

you paying EMIs for your home loan and car loan, repaying a few personal loans already taken and revolving your credit card dues? Consider realistically your ability to repay. Consolidate some of your loans. Take a personal loan to pay off your credit card dues, so that you save some interest outgo. Before taking a fresh loan, ensure that your repayments are well below 50% of your income.

Big Brother Is Watching

Credit bureaus are fast coming up to enable the creation of credit histories of individuals. When you seek a loan, banks tap the databases of the bureaus and find out how good you have been with your loans, across lenders. If you have an impeccable repayment history, you can get a good interest rate on your personal loans.

improvement and not holiday, seek a loan against the house rather than a personal loan. Check with your bank, stating the purpose of borrowing, and ask for the lending options they offer.

How Good is Your Promise?

A personal loan is made purely on the basis of your promise to repay. Therefore the bank has to be sure that you are able and willing to repay. All the telemarketing offers and calls from loan agents are about finding out whether you match up. They are making an offer. Before you accept, it is up to you to be sure that you are going to be able to service the loan. Ensure that your income is adequate and steady enough to repay the loan.

Loving the Loans

Are you already over-stretched? Are



Hello! Customer Care? Can you send my pre-approved personal loan immediately? I have some unexpected expenses to meet!



Question
In order to take a personal loan, you need to pledge _____ as security.

Answer
A. your house
B. your shares
C. nothing

To answer, SMS DISHA A, B or C to 53039 and win a 2N 3D holiday.*
Contest open for the day of publication.
* Terms and conditions apply.
Visit www.dishaic.org for details and winners.

discuss the operational aspects of a personal loan next week.

Center for Investment Education and Learning

We welcome your questions, suggestions and feedback on this column. Please use the 'Email Us' link at www.icicibank.com or send an SMS to 53039. Please include your full name, address and phone number. Your comments may be edited for clarity and space.

DID YOU KNOW ?

Personal loans are known as signature loans in many countries. All that the lenders need the borrower to do is sign and agree to repay the amount.

FAQs

Is it safe to take a personal loan offered on the phone?

Yes, but only after you have understood all the terms and conditions correctly. Do not hesitate to ask for more information. Do not get pressurised to act in haste. Accept the terms only after you have understood them and agreed to them.

Loan agreements are so long and filled with legal terms. What should I do before signing?

The loan agreement is a legal document listing the rights and obligations of the lender and the borrower. You should read it before signing it. If you like to check the key points alone, ensure that you have understood the interest calculation, the disbursement schedule, the charges, the repayment options, and pre-payment terms. Ensure that you have understood what will happen if you skip or delay a payment.

I have changed my phone number as I have shifted. I plan to transfer my bank account with the standing instruction to repay the loan, to another branch of the bank. Is this okay?

You will have to notify your lending bank about the change in your address and phone number. It is important that you remember the instructions governing your bank account, before you close it or transfer it. The number of your bank account will change when you transfer the account, though your customer ID may remain the same. Keep your records updated for as long as your loan remains due.

SMART BANKING

TIMELY PAYMENT



For your EMI payments, subscribe to auto-debit to avoid missing due date.

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