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**DEFAULT AND RISK ANALYSIS OF
HOUSING LOAN AT HDFC IN
COIMBATORE CITY**

A PROJECT REPORT

Submitted by

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Reg. No. 0820400009

**In partial fulfillment of the requirements
For the award of the degree**

Of

MASTER OF BUSINESS ADMINISTRATION

JUNE, 2010

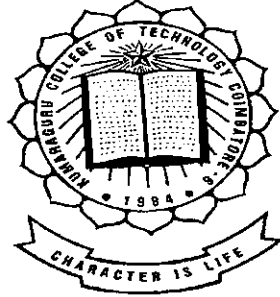
KCT Business School

Department of Management Studies

Kumaraguru College of Technology

(An autonomous institution affiliated to Anna University, Coimbatore)

Coimbatore – 641 006



**DEPARTMENT OF MANAGEMENT STUDIES
KUMARAGURU COLLEGE OF TECHNOLOGY (AUTONOMOUS)
COIMBATORE**

BONAFIDE CERTIFICATE

Certified that this project titled “**DEFAULT AND RISK ANALYSIS OF HOUSING LOAN AT HDFC IN COIMBATORE CITY**” is the bonafide work of

Ms. **S.S.GAYATHREE** who carried out this project under my supervision. Certified further, that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

Mr K.R. Ayyaswamy

Faculty Guide

Prof. Dr. S.V. Devanathan

Director

Evaluated and viva-voce conducted on12.6.2010.....

Examiner I

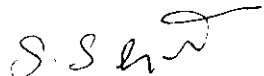
Examiner II

DECLARATION

S.S.GAYATHREE Reg No **0820400009** , hereby declare that the project titled **“DEFAULT AND RISK ANALYSIS OF HOUSING LOAN AT HDFC IN COIMBATORE CITY”** submitted to the Kumaraguru College of Technology Business school in partial fulfillment of the requirement for the award of the degree of master of business administration is a record of original work done by me during MAY 2010 under the supervision and guidance of **Prof.K.R Ayyaswamy** , faculty guide KCT Business School ,Kumaraguru College, Coimbatore-641659 and that it has not formed the basis of any degree/ diploma/ associate fellowship/ or other similar title to any candidate of the college.

Name: S.S.GAYATHREE

Place: COIMBATORE


Signature of the student

TO WHOM SO EVER IT MAY CONCERN

This is to certify that Ms S.S.GAYATHREE ,Roll no 08MBA09, a student of KCT Business School, Kumaraguru College of Technology, Coimbatore had undergone a project titled DEFAULTAND RISK ANALYSIS OF HOUSING LOAN AT HDFC IN COIMBATORE CITY between 9.3.2010 and 31.5.2010 at HDFC Bank Damodhar centre branch at Coimbatore.



for HDFC BANK

R.R.Balasubramanian

02/06/2010

Authorised Signatory
Signature of the

Organisational Guide

Name : R.R.Balasubramanian
Emp. Code : B-1159
Designation: Branch Head

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I thank the GOD, Almighty for his blessings bestowed upon me, which gave strength, confidence and health for completing this project.

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EXECUTIVE SUMMARY

This is a project about “Default and risk analysis of housing loan at HDFC in Coimbatore city. The project is undertaken to analyse the reasons for delayed repayment and default in repayment of home loans by the customers of HDFC. The survey was taken from 400 customers and the primary data was collected by distributing questionnaires among the customers. The secondary data was collected from the company records for the past 5 years (from April 1st 2005 to March 31st 2010). Analysis is made by using percentage analysis, Chi square and regression.

The project is centered at analyzing the reasons for risk of loss due to failure in repayment of loan and also categories the customers into different risk groups according to professions. This helps to find the reason for failure of repayment of loan.

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Chapter I
Introduction

1.1 BACKGROUND OF THE STUDY

A loan is a kind of advance made with or without security. In a present scenario it is loan that is running the life in more meaningful manner. Through loan or Borrowing or credit or funding a part of society (middle +Lower) enjoy well in advance. Home is a dream of a person that shows the quantity of efforts, sacrifices luxuries and above all gathering funds little by little to afford one's dream. Home is one of the things that everyone one wants to own. Home is a shelter to person where he rests and feel comfortable. The housing sector plays an important role in the economic development of the country. The Indian housing finance industry has grown by leaps and bound in few years. Total home loans disbursements by banks has risen which witnesses phenomenal growth from last 5 years. There are greater number of borrowers of home loans. So by this study we can find out loan repayments and the risk faced by the company to get back the payment by the borrowers.

1.2 REVIEW OF LITERATURE

Indians least likely to default on home loans

Indians do not make default on EMI¹ payments for home loans

Mumbai: Rating agency Crisil on Wednesday provided some solace to bankers, the banking sector regulator and policy makers apprehensive about a rise in home loan defaults.

According to Crisil, Indians are least likely to default on a housing loan among all their liabilities. The level of non-performing assets in the housing loan segment is close to 4% which the agency's analysts feel is not worrisome. Acknowledging the fact that paying rent for a house is far more affordable than the EMIs, the analysts remarked that paying the EMIs helped in fact to generate an asset, which led to higher comfort levels. They said home loan delinquencies would not go up significantly and hence shouldn't impact ratings. EMI schedules have been impacted by the rise in interest rates. According to Crisil's head of corporate & government ratings Tarun Bhatia, "The affordability index of India compares favourably with other developing countries. The affordability index is basically a ratio of the property price to one's net annual income. This figure was at 5.2 for 2006 as compared to 4.5 in 2005. The rise of nuclear families and double income households, coupled with the ease of credit procurement could emerge as positive influences in the mortgage finance industry."

Banks are becoming more competitive with their home loan portfolios, and the biggest hit has been taken by housing finance companies, according to Crisil. Though big names like HDFC and LIC Housing are relatively unaffected, smaller HFCs like Dewan Housing could feel the hit, the rating agency said. HDFC, on the other hand, is in a strong position as they have the ability to pass on some of the burden to the customers, and also have access to overseas funds. In a couple of years, banks will grab up to 80% of the mortgage financing share, however, in the light of tightening rates, lenders are likely to be more cautious, they feel. The local mortgage finance industry will continue to grow but at a slower pace, despite the recent rise in interest rates, which is the one of the fastest growing in the world, they say. Post the successive rate hikes, there has been a genuine slowdown in demand for housing finance. However, Tuesday's annual monetary policy review should have a positive impact. The central bank on Tuesday reduced the risk weight on housing loans below Rs 20 lakh from the existing 75% to 50%.

¹ Source: Apnaloan.com Research Bureau (Courtesy: Economic Times) 10 Aug 2007

Micro-finance² of housing: a key to housing the low or moderate-income majority?

This paper considers why most households in Latin America and the Caribbean remain unserved by traditional housing finance systems and how micro-finance potentially offers a key to help the low/moderate-income majority meet their shelter needs. The characteristics of micro-finance include small loan size for incremental upgrading of an existing dwelling or a new core unit, short repayment period, small or no subsidy, creative underwriting adapted to the conditions and prospects faced by low/moderate-income, technical assistance in documentation and building, and - sometimes - alternate forms of title as collateral. The article presents the work of the Bolivian NGO PROA as a successful case of micro-finance and draws lessons about the possible expansion of micro-finance in Africa, Asia and Latin America.

Role of state and market in housing delivery for low-income³ groups in India

Despite the importance of housing, it has generally received very low priority in India's public policy and investment program, which has changed frequently since independence in 1947. Although the government has embarked on a variety of innovative housing programs and policies, especially for the lower-income segments of the population in urban areas, the coverage of these programs and schemes is marginal as compared to the overall housing requirements of the urban population. A concerted effort by the public and private sectors has not been able to keep pace with the growing demand for urban housing, especially that market segment accessible to the urban poor. The most visible manifestations of state and market failure are the numerous unauthorized housing settlements scattered in and around the large cities of India. This paper reviews the role of the state, the market and non-governmental organizations (NGOs) in the provision of housing for low-income groups. It is found that formal housing agencies in both the public and the private sector are neither

² **Source:** Environment and Urbanization, Vol. 11, No. 1, 185-200 (1999)

³ **Source:** Springer Netherlands Volume 17, Number 1 / March, 2002 pages 69-88

building fast enough to meet demand nor cheaply enough to reach the poor. As a consequence, an informal sector has emerged in almost all cities in India.

Development of housing finance⁴ and the global strategy for shelter

The development of finance capital markets, and their related housing finance systems, has become increasingly significant in developing countries in the post-1980 period. It relates functionally to the central theme of the post-1986 elaboration of the UN and World Bank Global Strategy for Shelter, that is to whole housing sector development. In historical context it also relates to the economic stabilization and structural adjustment policies of the 1980s, along with the increasing internationalization of finance capital. The three articles which follow are integral and coordinated. They provide exposition and evaluation of the nature of housing finance in its development context, and they address the socially relevant issues of how finance can be extended to moderate- and low-income groups. Their themes revolve around the importance of 'learning by doing' within the processes and institutions of development

Housing⁵ is a productive asset - housing finance for self-employed women in India

The Self-Employed Women's Association (SEWA) of India, owned and managed by poor women in the informal sector, has been offering housing and infrastructure loans sustainably since the 1970s. It outlines how the interest rate is set and how repayments are made regularly by door-to-door collectors. SEWA Bank has remained in profit since the 1980s. The Working Group on Finance for the housing sector for India's Eighth Five-Year Plan, noted that in spite of interventions made by the government to facilitate access to housing by the poor, coverage has remained insignificant. Some of the causes identified include insecure land tenure (especially in urban areas), a lack of access to formal housing

⁴ **Source:** Sheffield Hallam University Volume 11, Issue 6, December 1994, Pages 384-392

⁵ **Source :** Biswas, Smita Small Enterprise Development, Practical Action Publishing Vol 14, No 1, 1 March 2003 , pp. 49-55(7)

finance, and monopolistic housing supply markets leading to inflated house prices. According to the Indian National Statistical Survey's (NSS) 44th round survey, more than 80 per cent of housing finance comes from private savings, sale of assets and non-formal sources of credit.

An analysis of default risk⁶ in mobile home credit

There are approximately US\$22 billion in outstanding receivables and an active secondary market for mobile home credit in the United States. This important segment of the financing industry shares some attributes with traditional home mortgage financing and other attributes with consumer credit. In this paper we draw on the mortgage literature to postulate the determinants of default risk for mobile home loans. Using multivariate logit models, we investigate the relevance of payment history, loan terms, borrower characteristics, economic

⁶**Source** : Edward C. Lawrence and L. Douglas SmithMalcolm Rhoades

⁷HOUSING FINANCETRAPPED IN A DILEMMA OF PERCEPTIONS: AFFORDABILITY CRITERIA FOR THE URBAN POOR IN INDIA QUESTIONED

This paper demonstrates how formal housing finance is the product of the perceptions that prevail among the middle and upper classes, who as policy-makers, economists and managers, determine how housing finance institutions fix the terms and conditions of housing loans for the urban poor. They use affordability criteria that fit the purchase or construction of a house in one go. However, affordability criteria for the urban poor have to be linked with practices of incremental building and consequently incremental financing. Failing to do so leads to serious mismatches between the demand and supply of formal housing finance for the urban poor. To be able to serve the poor adequately, the middle and upper classes should stop aiming at the financing of housing constructed in one go. Instead, they should open their minds to the building and financing practices of the urban poor.

⁷**Source: Author:** Peer Smets **DOI:** 10.1080/02673039982560 **Published in:** Housing Studies, Volume 14, Issue 6 November 1999 , pages 821 - 838

conditions, and legal constraints in analyzing loan defaults and delinquencies. Payment history emerges as the overwhelming factor in predicting the likelihood of default.

⁸U.S. UNVEILS PLAN TO SHRINK SOME HOME LOANS

NEW EFFORT WOULD ALSO HELP JOBLESS KEEP PAYING THEIR MORTGAGES

WASHINGTON - After months of criticism that it hasn't done enough to prevent foreclosures, the Obama administration announced on Friday a plan to reduce the amount some troubled borrowers owe on their home loans.

The multifaceted effort will allow people who owe more on their mortgages than their properties are worth to get new loans backed by the Federal Housing Administration, a government agency that insures home loans against default.

That would be funded by \$14 billion from the administration's existing \$75 billion foreclosure-prevention program. It could spark criticism that the government is shouldering too much risk by taking on bad loans made during the housing boom.

⁸AUTHOR: Brayfield, Arthur H.; Rothe, Harold F. Vol 35(5), Oct 1951, 307-311.

1.3 OBJECTIVES OF THE STUDY

- To assess the risk of loss due to failure in repayment of loan.
- To assess the premium for credit risk by way of interest charges.
- To categorise customers into different risk groups according to professions

1.4 RESEARCH METHODOLOGY:

Descriptive Research

The research is descriptive in nature as the study was done to find out the default and risk analysis in housing loan. The researcher has no control over the variable and they are independent of the state of affairs.

TOOLS USED FOR THE COLLECTION OF DATA

The questionnaire is major tool administered for collecting primary data from the respondents.

SAMPLING DESIGN

The sample size chosen for the study is 400 samples and they were selected using area random sampling.

Tools of Analysis

The analysis is done with the

- Percentage method
- Chi-square test
- Regression analysis

1.5 LIMITATION OF THE STUDY

For want of time the study has been restricted to Coimbatore alone.

The number of respondents is limited to 400 only.

Chapter II
Company Profile

COMPANY PROFILE

HDFC Bank

HDFC Bank Ltd.



Type	Public (BSE: 500180, NYSE: HDB)
Founded	1994
Founder(s)	Mr Deepak Parekh of HDFC
Headquarters	Mumbai, India
Industry	Banking Insurance Capital Markets and allied industries
Products	Financial services ^[1]
Website	www.hdfcbank.com

HDFC Bank Ltd. is a commercial bank of India, incorporated in August 1994, after the Reserve Bank of India allowed establishing private sector banks. The Bank was promoted by the Housing Development Finance Corporation, a premier housing finance company (set up

in 1977) of India. HDFC Bank has 1,412 branches and over 3,295 ATMs, in 528 cities in India, and all branches of the bank are linked on an online real-time basis. Housing Development Finance Corporation Limited, more popularly known as HDFC Bank Ltd, was established in the year 1994, as a part of the liberalization of the Indian Banking Industry by Reserve Bank of India (RBI). It was one of the first banks to receive an 'in principle' approval from RBI, for setting up a bank in the private sector. The bank was incorporated with the name 'HDFC Bank Limited', with its registered office in Mumbai.

Amalgamations

In 2002, HDFC Bank witnessed its merger with Times Bank Limited (a private sector bank promoted by Bennett, Coleman & Co. / Times Group). With this, HDFC and Times became the first two private banks in the New Generation Private Sector Banks to have gone through a merger. In 2008, RBI approved the amalgamation of Centurion Bank of Punjab with HDFC Bank. With this, the Deposits of the merged entity became Rs. 1,22,000 crore, while the Advances were Rs. 89,000 crore and Balance Sheet size was Rs. 1,63,000 crore.

Tech-Savvy

HDFC Bank has always prided itself on a highly automated environment, be it in terms of information technology or communication systems. All the branches of the bank boast of online connectivity with the other, ensuring speedy funds transfer for the clients. At the same time, the bank's branch network and Automated Teller Machines (ATMs) allow multi-branch access to retail clients. The bank makes use of its up-to-date technology, along with market position and expertise, to create a competitive advantage and build market share.

Capital Structure

As on 31st December, 2009 the authorized share capital of the Bank is Rs. 550 crore. The paid-up capital as on said date is Rs. 455,23,65,640/- (45,52,36,564 equity shares of Rs. 10/- each). The HDFC Group holds 23.87 % of the Bank's equity and about 16.94 % of the equity is held by the ADS Depository (in respect of the bank's American Depository Shares (ADS) Issue). 27.46 % of the equity is held by Foreign Institutional Investors (FIIs) and the Bank has about 4,58,683 shareholders.

The shares are listed on the Bombay Stock Exchange Limited and The National Stock

Exchange Limited. The Bank's American Depository Shares (ADS) are listed on the

New York Stock Exchange (NYSE) under the symbol 'HDB' and the Bank's Global Depository Receipts (GDRs) are listed on Luxembourg Stock Exchange under ISIN No US40415F2002.

Products & Services

Personal Banking

- Savings Accounts
- Salary Accounts
- Current Accounts
- Fixed Deposits
- Demat Account
- Safe Deposit Lockers
- Loans
- Credit Cards
- Debit Cards
- Prepaid Cards
- Investments & Insurance
- Forex Services
- Payment Services
- NetBanking
- InstaAlerts
- MobileBanking
- InstaQuery
- ATM
- PhoneBanking

NRI Banking

- Rupee Savings Accounts
- Rupee Current Accounts
- Rupee Fixed Deposits

- Accounts for Returning Indians
- Quickremit (North America, UK, Europe, Southeast Asia)
- IndiaLink (Middle East, Africa)
- Cheque LockBox
- Telegraphic / Wire Transfer
- Funds Transfer through Cheques / DDs / TCs
- Mutual Funds
- Private Banking
- Portfolio Investment Schemes
- Loans
- Payment Services
- NetBanking
- InstaAlerts
- MobileBanking
- InstaQuery
- ATM
- PhoneBanking



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The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of the RBI's liberalisation of the Indian Banking Industry in 1994. The bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995.

PROMOTER

HDFC is India's premier housing finance company and enjoys an impeccable track record in India as well as in international markets. Since its inception in 1977, the Corporation has maintained a consistent and healthy growth in its operations to remain the market leader in mortgages. Its outstanding loan portfolio covers well over a million dwelling units. HDFC has developed significant expertise in retail mortgage loans to different market segments and also has a large corporate client base for its housing related credit facilities. With its experience in the financial markets, a strong market reputation, large shareholder base and

unique consumer franchise, HDFC was ideally positioned to promote a bank in the Indian environment.

HDFC Bank's mission is to be a World-Class Indian Bank. The objective is to build sound customer franchises across distinct businesses so as to be the preferred provider of banking services for target retail and wholesale customer segments, and to achieve healthy growth in profitability, consistent with the bank's risk appetite. The bank is committed to maintain the highest level of ethical standards, professional integrity, corporate governance and regulatory compliance. HDFC Bank's business philosophy is based on four core values - Operational Excellence, Customer Focus, Product Leadership and People.

CBOP & TIMES BANK AMALGAMATION

On May 23, 2008, the amalgamation of Centurion Bank of Punjab with HDFC Bank was formally approved by Reserve Bank of India to complete the statutory and regulatory approval process. As per the scheme of amalgamation, shareholders of CBoP received 1 share of HDFC Bank for every 29 shares of CBoP.

The merged entity will have a strong deposit base of around Rs. 1,22,000 crore and net advances of around Rs. 89,000 crore. The balance sheet size of the combined entity would be over Rs. 1,63,000 crore. The amalgamation added significant value to HDFC Bank in terms of increased branch network, geographic reach, and customer base, and a bigger pool of skilled manpower.

In a milestone transaction in the Indian banking industry, Times Bank Limited (another new private sector bank promoted by Bennett, Coleman & Co. / Times Group) was merged with HDFC Bank Ltd., effective February 26, 2000. This was the first merger of two private banks in the New Generation Private Sector Banks. As per the scheme of amalgamation approved by the shareholders of both banks and the Reserve Bank of India, shareholders of Times Bank received 1 share of HDFC Bank for every 5.75 shares of Times Bank

TECHNOLOGY

HDFC Bank operates in a highly automated environment in terms of information technology and communication systems. All the bank's branches have online connectivity, which enables

provided to retail customers through the branch network and Automated Teller Machines (ATMs). The Bank has made substantial efforts and investments in acquiring the best technology available internationally, to build the infrastructure for a world class bank. The Bank's business is supported by scalable and robust systems which ensure that our clients always get the finest services we offer.

	2006	2007	2008	2009	2010
CITED	228	316	327	456	528
BRANCH	535	684	761	915	1412
ATM	1323	1605	1977	2754	3295

BUSINESSES

HDFC Bank offers a wide range of commercial and transactional banking services and treasury products to wholesale and retail customers. The bank has three key business segments:

Wholesale Banking Services

The Bank's target market ranges from large, blue-chip manufacturing companies in the Indian corporate to small & mid-sized corporates and agri-based businesses. For these customers, the Bank provides a wide range of commercial and transactional banking services, including working capital finance, trade services, transactional services, cash management, etc. The bank is also a leading provider of structured solutions, which combine cash management services with vendor and distributor finance for facilitating superior supply chain management for its corporate customers. Based on its superior product delivery / service levels and strong customer orientation, the Bank has made significant inroads into the banking consortia of a number of leading Indian corporates including multinationals, companies from the domestic business houses and prime public sector companies. It is recognised as a leading provider of cash management and transactional banking solutions to corporate customers, mutual funds, stock exchange members and banks.

Retail Banking Services

The objective of the Retail Bank is to provide its target market customers a full range of financial products and banking services, giving the customer a one-stop window for all

to customers through the growing branch network, as well as through alternative delivery channels like ATMs, Phone Banking, NetBanking and Mobile Banking.

HDFC Bank was the first bank in India to launch an International Debit Card in association with VISA (VISA Electron) and issues the Mastercard Maestro debit card as well. The Bank launched its credit card business in late 2001. By March 2009, the bank had a total card base (debit and credit cards) of over 13 million. The Bank is also one of the leading players in the “merchant acquiring” business with over 70,000 Point-of-sale (POS) terminals for debit / credit cards acceptance at merchant establishments. The Bank is well positioned as a leader in various net based B2C opportunities including a wide range of internet banking services for Fixed Deposits, Loans, Bill Payments, etc.

Credit Rating

The Bank has its deposit programs rated by two rating agencies - Credit Analysis & Research Limited (CARE) and Fitch Ratings India Private Limited. The Bank's Fixed Deposit programme has been rated 'CARE AAA (FD)' [Triple A] by CARE, which represents instruments considered to be "of the best quality, carrying negligible investment risk". CARE has also rated the bank's Certificate of Deposit (CD) programme "PR 1+" which represents "superior capacity for repayment of short term promissory obligations". Fitch Ratings India Pvt. Ltd. (100% subsidiary of Fitch Inc.) has assigned the "AAA (ind)" rating to the Bank's deposit programme, with the outlook on the rating as "stable". This rating indicates "highest credit quality" where "protection factors are very high"

The Bank also has its long term unsecured, subordinated (Tier II) Bonds rated by CARE and Fitch Ratings India Private Limited and its Tier I perpetual Bonds and Upper Tier II Bonds rated by CARE and CRISIL Ltd. CARE has assigned the rating of "CARE AAA" for the subordinated Tier II Bonds while Fitch Ratings India Pvt. Ltd. has assigned the rating "AAA (ind)" with the outlook on the rating as "stable".

Corporate Governance Rating

The bank was one of the first four companies, which subjected itself to a Corporate Governance and Value Creation (GVC) rating by the rating agency, The Credit Rating Information Services of India Limited (CRISIL). The rating provides an independent assessment of an entity's current performance and an expectation on its "balanced value

'CRISIL GVC Level 1' rating which indicates that the bank's capability with respect to wealth creation for all its stakeholders while adopting sound corporate governance practices is the highest.

AWARDS WON BY HDFC

Avaya Global Connect 2010 **Customer Responsiveness Award - Banking & Financial Services category**

Financial Express - Ernst Young Survey 2009-10 **Best New Private Sector Bank**

Asian Banker Excellence Awards 2009 **• Best Retail Bank in India**
• Excellence in Automobile Lending
• Bank M&A Integration
• Technology Implementation

The Asset Triple A Awards **Best Cash Management Bank in India**

Euromoney Private Banking and Wealth Management Poll 2010 **1) Best Local Bank in India (second year in a row) 2) Best Private Banking Services overall (moved up from No. 2 last year)**

Financial Insights Innovation Awards 2010 **Innovation in Branch Operations - Server Consolidation Project**

Global Finance Award **Best Trade Finance Provider in India for 2010**

INTRODUCTION TO SUBJECT:

Home loans work like any other debt. That is, loans are simply specific money that we borrow from a bank, a private lender, or some other type of lender. Afterwards, we must repay our debts with interest. However, unlike other types of loans, home loans are different in several respects. Owning a piece of land or property is a lifetime dream for every individual. There are many home loans provider in the market. There are different type of home loan i.e.

- **Home Purchase Loans**
- **Home Improvement Loans**
- **Home Construction Loans**
- **Home Extension Loans**
- **Home Equity Loans**
- **Land Purchase Loans**
- **Bridge Loans**

Home purchase loans: These are the basic forms of home loans used for purchasing of a new home. With about a million home lenders and mortgage brokers it's becoming a tough challenge as the days are progressing. But at the same time, when the sites are coming up with all the latest tools and relevant information for us, and with all such conveniences, obtaining a home purchase loan or mortgage has become really pretty simple. However, at the same time though, we may be flummoxed to look so many attractive rates and offers in the market, not to forget the hidden costs associated with each of them. Home improvement loan: Home improvement loans are used to finance improvements and add on to the existing set of credentials of beauty on your owned house, recently purchased property or rented

house. In general it includes: repairs, remodeling, energy-related items (permanent in nature), repairs, a new kitchen, a new bathroom, terrace, an extension or general property improvements. Luxury items and fireplaces are generally not eligible, though. Many improvements in landscape and even swimming pools are nowadays considered to be a part of home improvement. Home construction loan: Home construction loans are used to finance for the construction of our newly acquired home or if we are planning to build a home.

The factors include in calculations for house building costs?

- Design of the house
- Construction cost
- Financing Cost
- Buildable site

All the above mentioned costs will help us to determine the amount we may need to borrow. For example, besides calculating the construction costs, we may also be required to consider the total expenditures to develop the site in order to build. Each site is unique requiring different expenditures so this specific rupee amount will vary from site location to site location.

Payment: Before the house starts getting build, we will be required to pay a deposit to your builder as well as paying a deposit for the land if we are buying land. As work progresses you will need to make payments to the builder. Certain loans can be structured for progress payments to be made during construction. Home extension loan Home extension loans are used by customers to get loans from the banks to extend their houses, by adding more rooms, kitchens, wash rooms, terraces, or any other rooms for your growing family. It may also be used to enclose open balcony/terrace space, or constructing a Puja ghar.

Maximum Amount of Home Extension Loans: Banks generally offers about 70-85% of the total amount of home extension as loan. The amount of loan sanctioned also depends on a number of factors such as the age of the applicant at the time of loan, tenure of the loan, repayment capacity of the borrower; his/her credit history etc.

Home equity loan: Home equity loans help customer to encash the market value of the commodity by taking a loan by mortgaging the property. So, Home equity loans are availed by customers, who wish to mortgage his/her property to the bank for taking some loan for some other purpose. Then, it's up to the bank's discretion to consider the market value of the property and accordingly decide how much to pay to the customer. Both the residential as well as non residential property can be considered for the approval of the loan, provided the mortgager is a licensed title holder and the land is free from any kind of dispute.

Land Purchase Loan:

Land Purchase loans are used by customers who wish to purchase a plot of land for commercial or residential purpose. Everyone has his/her dream perfectly sketched in his soul and so is his ambition to get his house erected on the exact location he dreamt that to be. If you have found and shortlisted the piece of land, and have arrived here for finance, you have come to the best place you could have arrived in the web. Now, that you have decided to purchase a land as an investment or for your own dream home, you will realize that a land purchase loan is one you will cherish. Loans that are strictly for land purchase can be as scarce as good residential plots. While many lending firms around the nation compete to provide mortgages for the purchase of a house on a lot, only local institutions typically will be interested in

Chapter III
Micro Macro Analysis

3.1 MICRO ANALYSIS

Banking dates back to 1786, the first bank established in India, then the nationalisation of banks in 1969 and recently the liberalisation of the same since 1991. Bouquet of services are at customers demand in today's banking system. Different types of accounts and loans, facilitating with plastic money and money transfer across the globe. RBI is the central bank of the country since 1934. It regulates, controls credit, issue licenses and functions as banker of all banks and the Government. With the advancement of technology, banking sector has become more easy, fast, accurate and also time saving. ATMs, Mobile Banking, SMS Banking and Net Banking is only the tip of an ice-berg. In India the banking sector is segregated as public or private sector banks, cooperative banks and regional rural banks. Foreign banks has been given a different head followed by upcoming foreign banks in this section. The last decade experienced a complete reform in the financial and banking sector. The capital and financial market, banking & non-banking organisation and financial instruments was redressed towards development. Private investments in India's infrastructure projects crossed \$25-billion mark in the first three quarters of 2009, as conducive government policies and liquidity in capital market opened the floodgates of corporate funds into the booming energy and transport sectors. An improved show by infrastructure industries helped India lead its South Asian neighbours in terms of economic performance, said a World Bank report. South Asian region is poised to grow by about 7% in 2010 and nearly 8% in 2011. "The average size of new (private infrastructure) projects tripled from \$211 million in 2006 to \$638 million in 2009," World Bank's advance report on the South Asia Economic Update 2010 said. In 2009, the top four initial mandated lead arrangers for project loans in the Asia-Pacific region were Indian banks. India's energy and transport sectors attracted 40% of total investment commitments worth a record \$26 billion. Investment commitments to new infrastructure projects with private participation grew by 15% in 2009. The concentration was in large energy projects in a few countries, including India. "Since last year, the public-private partnership (PPP) has been on an upswing," said Arvind Mahajan, executive director at consulting firm KPMG. This could be because of the country's globally competitive manufacturing sector. In the first six months of 2009, India exported more small cars to the rest of the world than China, thanks to the relocation of car manufacturing from Korea and Japan. The road, power and port sectors attracted the maximum investment in the last few months, Mr Mahajan said. But the energy and transport sectors saw large funding gaps with the railways lagging behind significantly. To accelerate growth, India

pension funds flowing into infrastructure, instead of only bank funds”, Mr Mahajan said. There is also a large pipeline of new projects coming to the market. As of September 2009, there were 96 such projects in South Asia with an investment of \$48.5 billion in total. Of these, India accounted for 55, with an associated investment of \$24.5 billion. India’s recovery after the slowdown is well under way. Growth is projected to recover to 8–9% in the next two years. The recovery of Indian GDP could be even faster than what is projected, but rising interest rates, a small appreciation of the rupee, and continued low growth in high-income countries weigh on the recovery. Risks to the outlook come from volatility in capital inflows, global recovery, and inflation shocks.

3.2 MACRO ANALYSIS

Housing finance is prospering in emerging markets despite the economic slowdown and the mortgage crisis in many developed economies, according to a report released by the World Bank on Tuesday. According to the report, lessons from the crisis will impact the way finance for housing is provided in every country, but its development remains critical and access to housing finance continues to be a challenge for all emerging economies. “The existing housing stock and urban infrastructure is already coming under severe pressure, resulting in the spread of slums and damage to economic growth,” said Loic Chiquier, Manager of the World Bank’s Non-Bank Financial Institutions Group. “Substantial investment will be required in the coming years just to keep up with growing demand.” India, for example, expects to have 590 million people living in cities by 2030, twice the current population of the United States. The World Bank Group has multiple projects in India and around the world working to address these needs. In India, the concept of “mini-mortgages” has been introduced where products are offered to low and lower-middle income borrowers who are creditworthy but do not have access to housing finance due, for example, to undocumented or irregular income. The objective is to expand financial access in a prudent manner, without exposing the financial institutions to unnecessary risk, according to the World Bank report. The Washington-based agency said that it is active in this area in more than 25 countries including Armenia, Brazil, Egypt, India, Mexico, Morocco, and Tanzania. “Mobilizing finance for housing remains as crucial as ever,” said Janamitra Devan, World Bank Group Vice President and Head of Network, Financial and Private Sector Development. “Without increased levels of investment in housing, some of the gains achieved over the past 15 years could be reversed.”

Chapter IV
Data Analysis &
Interpretation

TABLE 4.1

TABLE SHOWING THE CLASSIFICATION OF RESPONDENTS ON THE BASIS OF AGE

Age	Frequency	Percent
<30 yrs	61	15
30-35 yrs	97	25
35-40 yrs	113	28
40-45 yrs	72	18
>45 yrs	57	14
Total	400	100

Interpretation:

The above table reveals that

15% of the respondents are below the age group of 30 years, 25% of the respondents are between the age group of 30 to 35 years, 28% of the respondents are between the age group of 35 to 40 years, 18% of the respondents are between the age group of 40 to 45 years and 14% of the respondents are above the age group of 45 years.

Inference:

Majority of the respondents are between the age group of 30 to 40 years.

EXHIBIT 4.1

EXHIBIT SHOWING THE CLASSIFICATION OF RESPONDENTS ON THE BASIS OF AGE

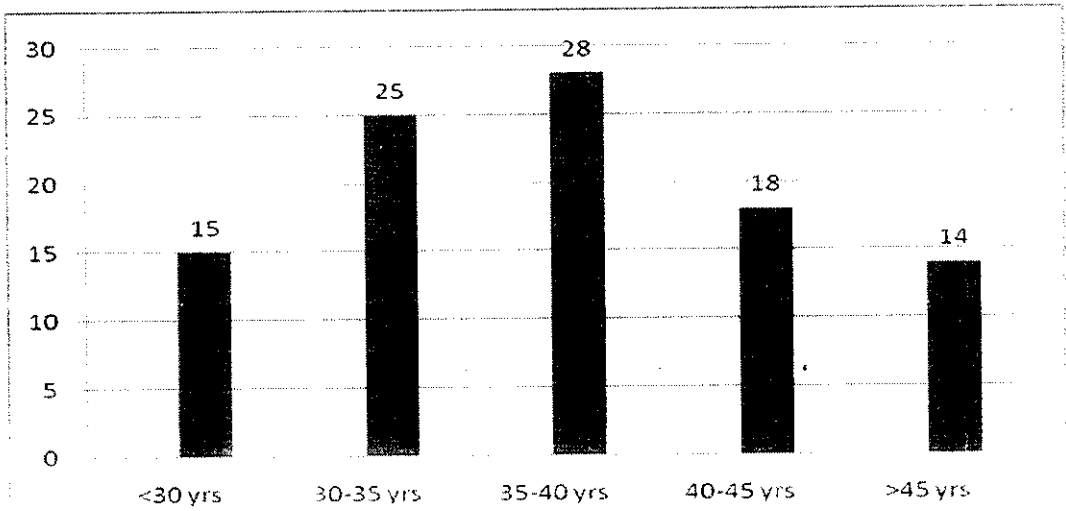


TABLE 4.2

TABLE SHOWING THE CLASSIFICATION OF RESPONDENTS ON THE BASIS OF OCCUPATION

Occupation	Frequency	Percent
Business	63	15
Professional self employeed	86	21
Job holder	218	55
Others	33	9
Total	400	100

Interpretation:

The above table reveals that

15% of the respondents occupation is business, 21% of the respondents are self employed, 55% of the respondents are salaried and 9% of the respondents belongs to other than the above than the mentioned category.

Inference:

Majority of the respondents are salaried people.

EXHIBIT 4.2

EXHIBIT SHOWING THE CLASSIFICATION OF RESPONDENTS ON THE BASIS OF OCCUPATION

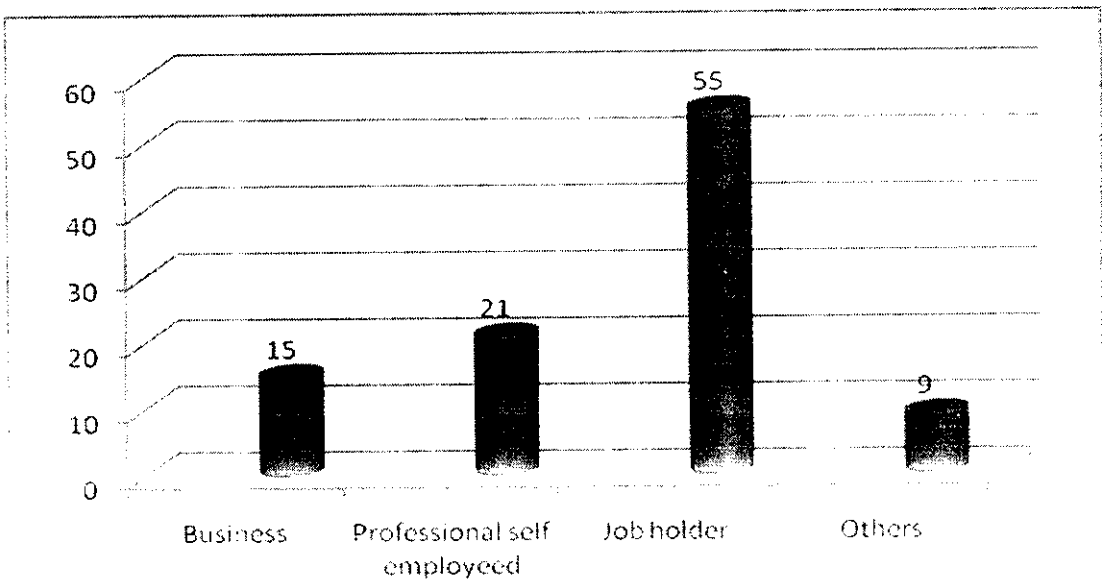


TABLE 4.3

TABLE SHOWING THE CLASSIFICATION OF RESPONDENTS ON THE BASIS OF SECTOR OF EMPLOYEMENT

Employee sector	Frequency	Percent
Government	31	10
Public	33	11
Private	186	61
Self-employed	54	18
Total	400	100

Interpretation:

The above table reveals that

Out of 304 salaried and self employed respondents, 10% of the respondents are from government sector, 11% of the respondents are from public sector, 61% of the respondents are from Private sector and 18% of the respondents are Self-employed.

Inference:

Majority of the respondents are from Private sector.

EXHIBIT 4.3

**EXHIBIT SHOWING THE CLASSIFICATION OF RESPONDENTS ON THE BASIS
OF
SECTOR OF EMPLOYEMENT**

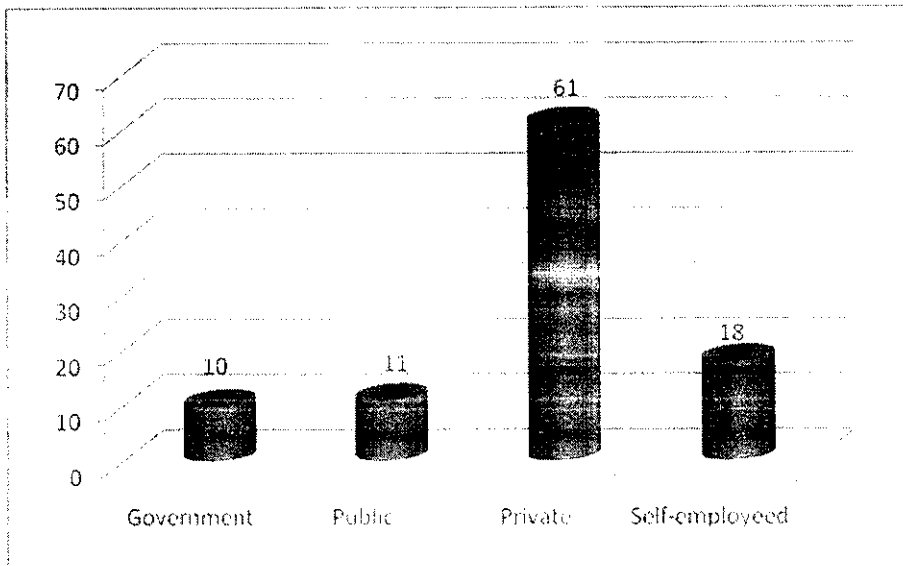


TABLE 4.4

TABLE SHOWING THE CLASSIFICATION OF RESPONDENTS ON THE BASIS OF INCOME LEVEL

Monthly income	Frequency	Percent
<Rs21000	66	17
Rs21000-Rs31000	89	22
Rs 31000- Rs 40000	116	29
> Rs 40000	129	32
Total	400	100

Interpretation:

The above table reveals that

17% of the respondents monthly income level is less than Rs.21000/-, 22% of the respondents monthly income level is Rs. 21000/- to Rs. 31000/- , 29% of the respondents monthly income level is Rs. 31000/- to Rs. 40000/- and 32% of the respondents monthly income level is above Rs. 40000/-

Inference:

Majority of the respondents monthly income level is above Rs. 40000/

EXHIBIT 4.4

EXHIBIT SHOWING THE CLASSIFICATION OF RESPONDENTS ON THE BASIS OF INCOME LEVEL

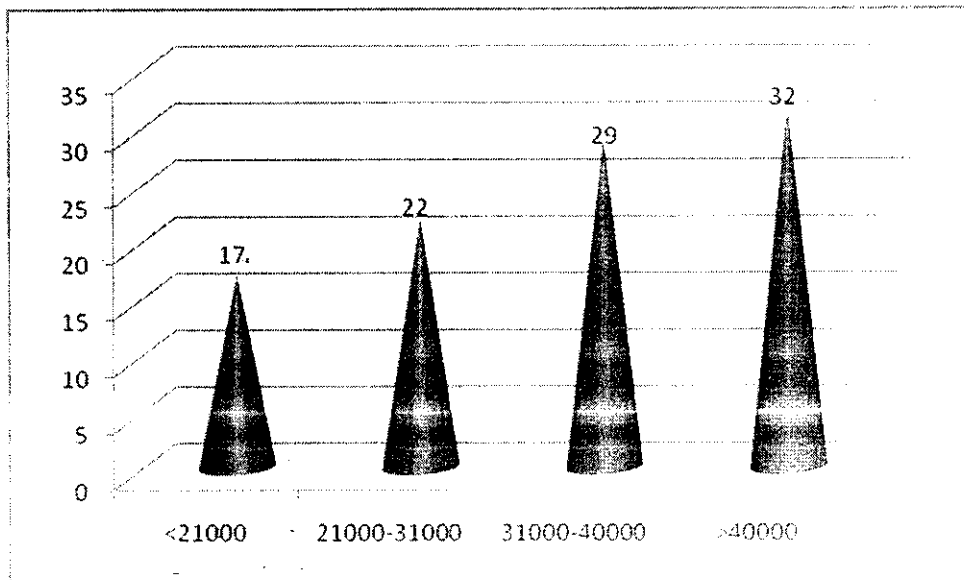


TABLE 4.5

**TABLE SHOWING THE CLASSIFICATION OF RESPONDENTS ON THE
BASIS OF FAMILY SIZE**

No of members in family	Frequency	Percent
1-2	26	7
3	128	32
4	149	37
>4	97	24
Total	400	100

Interpretation:

The above table reveals that

7% of the respondents are having 1 to 2 members in the family, 32% of the respondents are having 3 members in the family, 37 % of the respondents are having 4 members in the family, 24% of the respondents are having above 4 members in the family.

Inference:

Majority of the respondents are having 4 members in the family

EXHIBIT 4.5

**EXHIBIT SHOWING THE CLASSIFICATION OF RESPONDENTS ON THE
BASIS OF FAMILY SIZE**

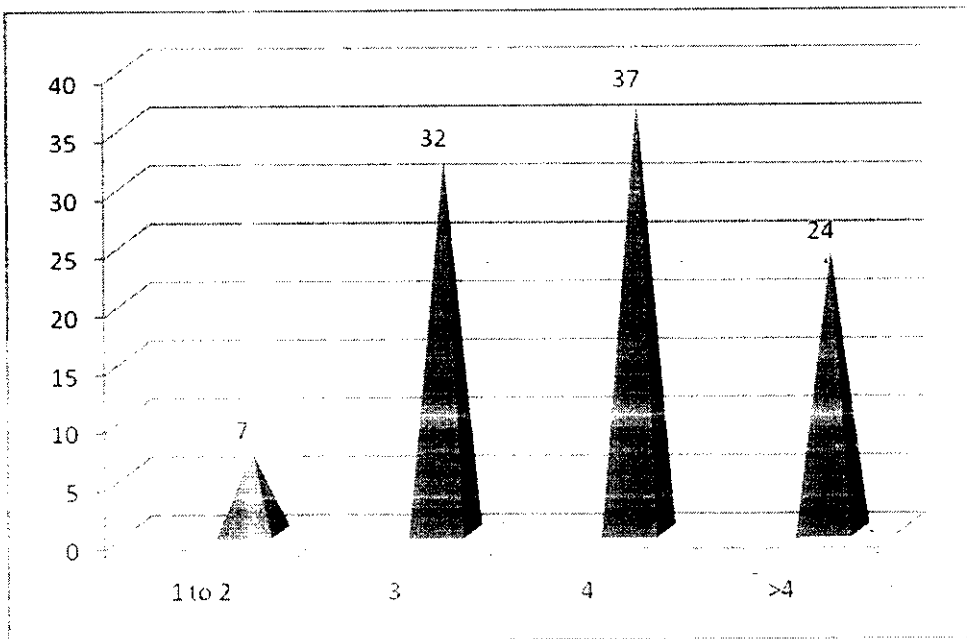


TABLE 4.6

**TABLE SHOWING THE CLASSIFICATION OF RESPONDENTS ON THE
BASIS OF LOCATION OF THE PROPERTY**

Location of the property	Frequency	Percent
Coimbatore corporate	197	49
Coimbatore pheriperal	154	39
Village of Coimbatore corporation	49	12
Total	400	100

Interpretation:

The above table reveals that

49% of the respondents are having the location of property at Coimbatore Corporate, 39% of the respondents are having the location of property at Coimbatore Pheriperal, 12% of the respondents are having the location of property at Village of Coimbatore Corporation.

Inference:

Majority of the respondents are having the location of property at Coimbatore Corporate.

EXHIBIT 4.6

EXHIBIT SHOWING THE CLASSIFICATION OF RESPONDENTS ON THE BASIS OF LOCATION OF THE PROPERTY

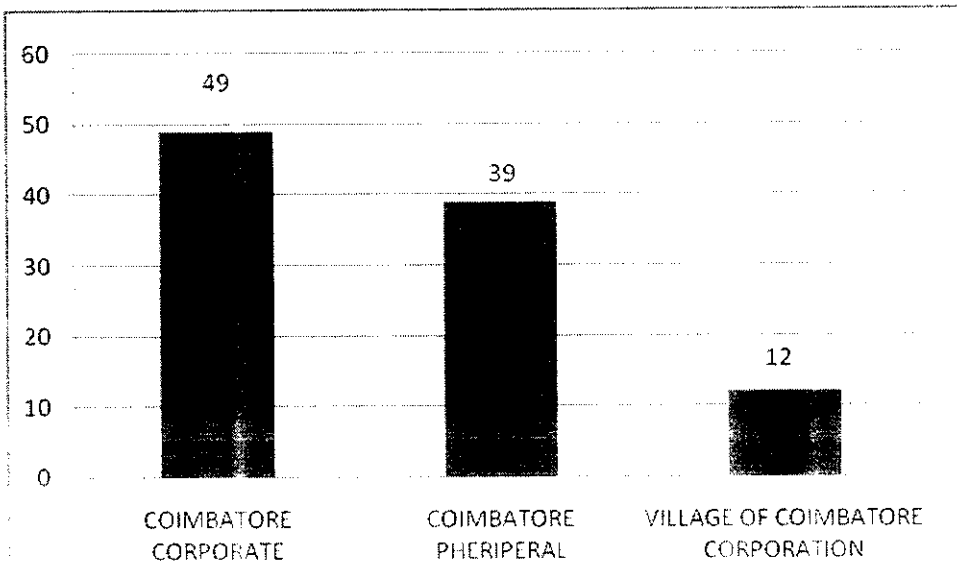


TABLE 4.7

TABLE SHOWING THE CLASSIFICATION OF RESPONDENTS ON BASIS OF PURPOSE FOR AVAILING THE LOAN

Purpose	Frequency	Percent
House purchase	109	27
House construction	133	33
House improvement	73	19
House extension	70	17
Others	15	4
Total	400	100

Interpretation:

The above table reveals that

28% of the respondents are availing loan for house purchasing purpose, 33% of the respondents are availing loan for house constructing purpose, 18% of the respondents are availing loan for house improving purpose, 21% of the respondents are availing loan for house extension purpose.

Inference:

Majority of the respondents are availing loan for house constructing purpose.

EXHIBIT 4.7

EXHIBIT SHOWING THE CLASSIFICATION OF RESPONDENTS ON BASIS OF PURPOSE FOR AVAILING THE LOAN

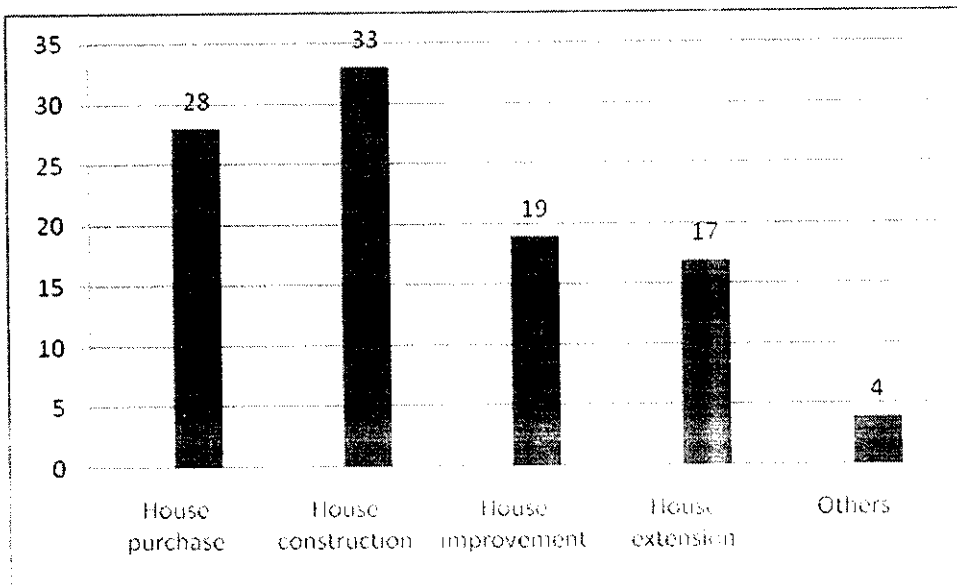


TABLE 4.8

**TABLE SHOWING THE CLASSIFICATION OF RESPONDENTS ON BASIS OF
AMOUNT OF LOAN**

Loan Amount	Frequency	Percent
<10 lacs	140	35
10-20 lacs	116	29
20-30 lacs	66	16
30-40 lacs	48	12
>40 lacs	30	8
Total	400	100

Interpretation:

The above table reveals that

35% of the respondents are borrowing loan below 10 Lakhs, 29 % of the respondents are borrowing loan between 10 Lakhs to 20 Lakhs, 16% of the respondents are borrowing loan between 20 Lakhs to 30 Lakhs, 12% of the respondents are borrowing loan between 30 Lakhs to 40 Lakhs, 8% of the respondents are borrowing loan above 40 Lakhs.

Inference:

Majority of the respondents are borrowing loan below 10 Lakhs.

EXHIBIT 4.8

EXHIBIT SHOWING THE CLASSIFICATION OF RESPONDENTS ON BASIS OF AMOUNT OF LOAN

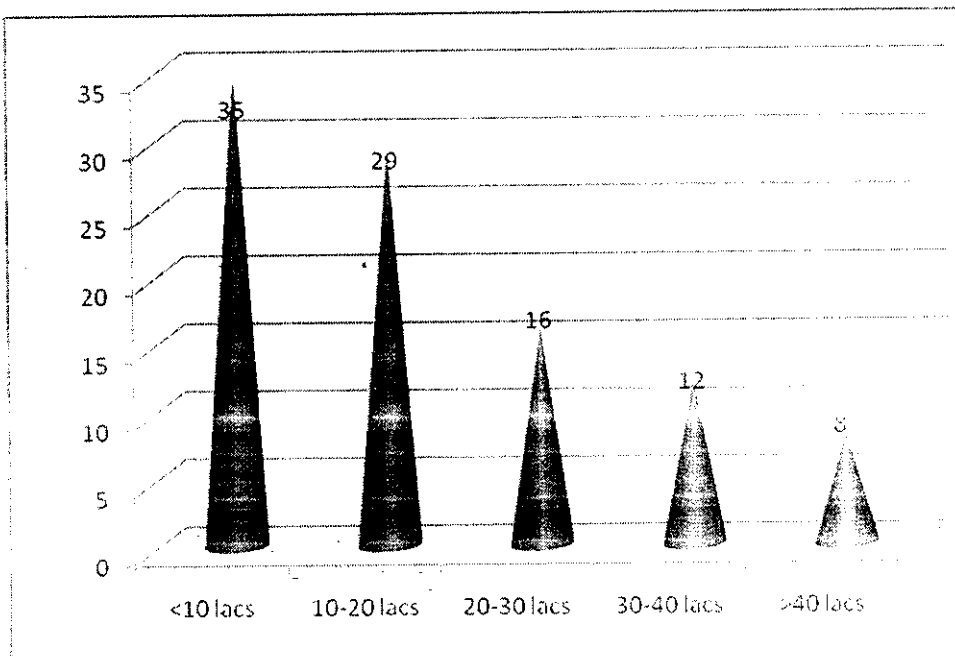


TABLE 4.9

TABLE SHOWING THE CLASSIFICATION OF RESPONDENTS ON BASIS OF PERIOD OF LOAN

Period of loan	Frequency	Percent
<5 yrs	18	4
5-10 yrs	72	18
10-15 yrs	150	38
15-20 yrs	160	40
Total	400	100

Interpretation:

The above table reveals that

4% of the respondents are borrowing loan for a period of less than 5 years, 18% of the respondents are borrowing loan for a period of 5 to 10 years . 38% of the respondents are borrowing loan for a period of 10 to 15 years and 40% of the respondents are borrowing loan for a period of 15 to 20 years .

Inference:

Majority of the respondents are borrowing loan for a period of 15 to 20 years.

EXHIBIT 4.9

EXHIBIT SHOWING THE CLASSIFICATION OF RESPONDENTS ON BASIS OF PERIOD OF LOAN

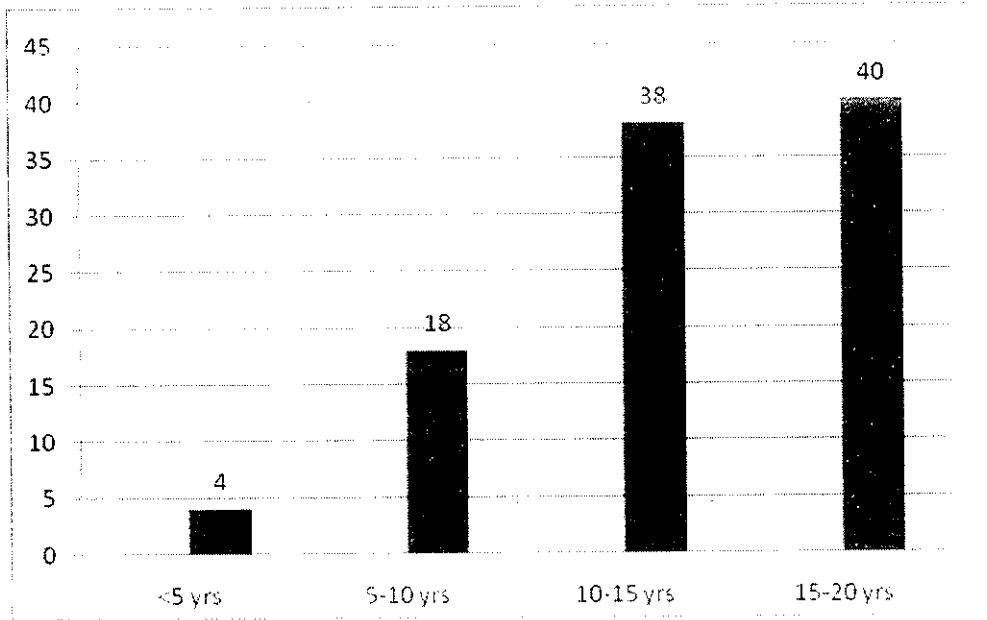


TABLE 4.10

TABLE SHOWING THE CLASSIFICATION OF RESPONDENTS ON BASIS OF HOME CONSTRUCTED FOR RENTAL PURPOSE

Rental Purpose	Frequency	Percent
YES	130	33
NO	270	67
Total	400	100

Interpretation:

The above table reveals that

33% of the respondents are borrowing loan for constructing home for rental purpose, 67% of the respondents are borrowing loan for constructing home for their own use.

Inference:

Majority of the respondents are borrowing loan for constructing home for their own use.

EXHIBIT 4.10

EXHIBIT SHOWING THE CLASSIFICATION OF RESPONDENTS ON BASIS OF HOME CONSTRUCTED FOR RENTAL PURPOSE

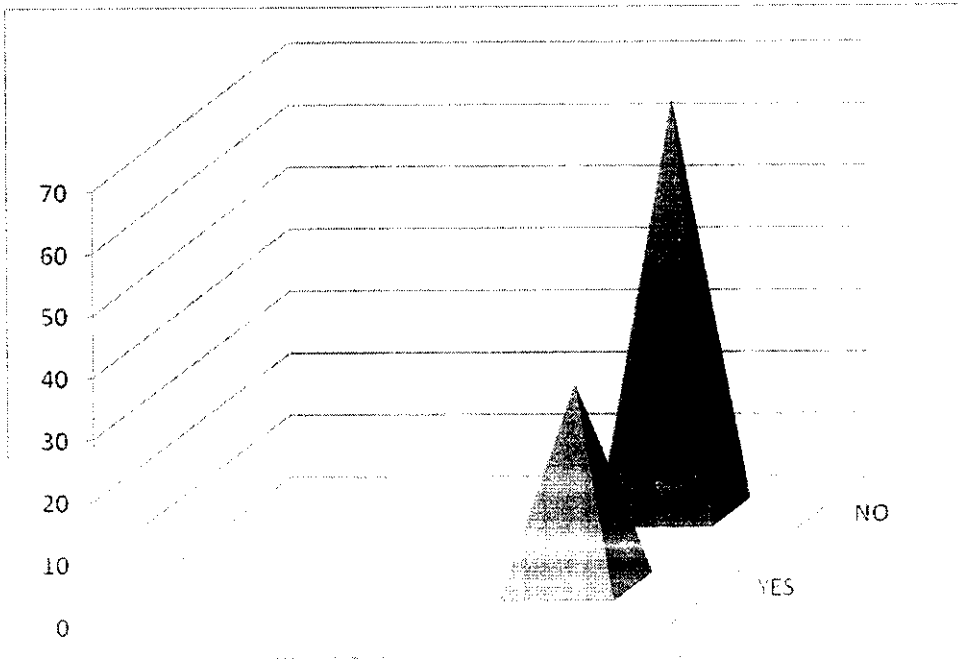


TABLE 4.11

**TABLE SHOWING THE CLASSIFICATION OF RESPONDENTS ON
BASIS OF OTHER ASSET'S VALUE**

Other asset's value	Frequency	Percent
<30 LAKHS	121	31
30-50 LAKHS	130	32
50LAKHS -1 CRORE	76	19
>1 CRORE	73	18
Total	400	100

Interpretation:

The above table reveals that

31% of the respondents are having other assets value of less than 30 lakhs, 32% of the respondents are having other assets value between 30 lakhs to 50 lakhs, 19% of the respondents are having other assets value between 50 lakhs to 1 crore and 18% of the respondents are having other assets value of more than 1 crore.

Inference:

Majority of the respondents are having other assets value between 30 lakhs to 50 lakhs.

EXHIBIT 4.11

**EXHIBIT SHOWING THE CLASSIFICATION OF RESPONDENTS ON
BASIS OF OTHER ASSET'S VALUE**

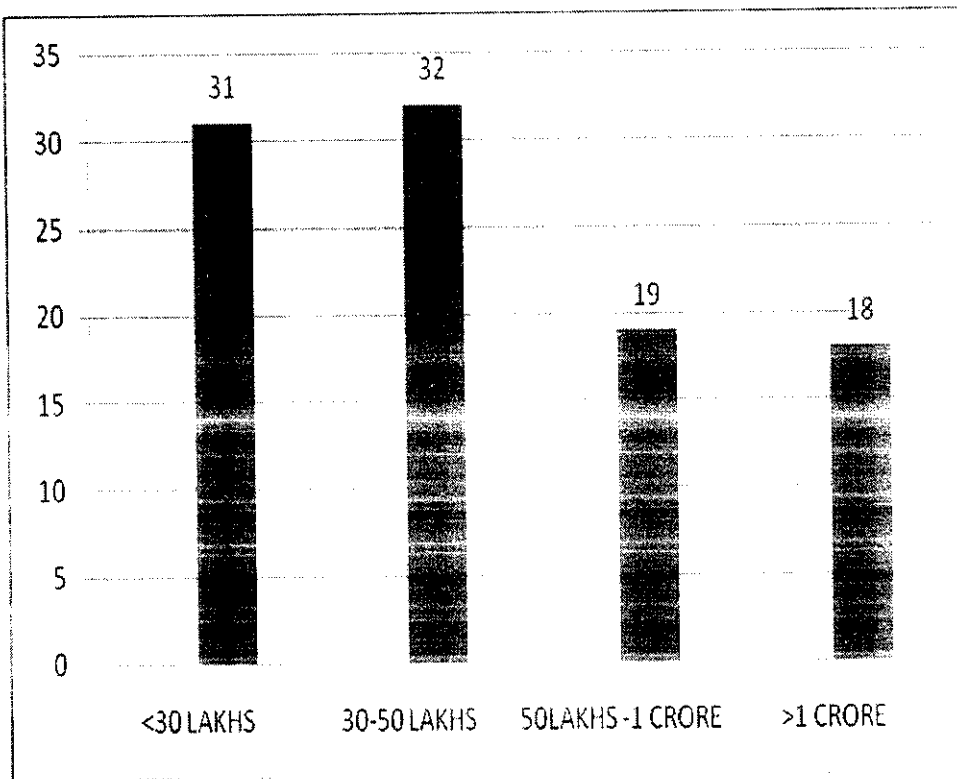


TABLE 4.12

**TABLE SHOWING THE ASSOCIATION BETWEEN THE
LOAN AMOUNT AND AGE.**

Null Hypothesis: There is no association between Loan amount and age.

Alternative Hypothesis: There is an association between Loan amount and age.

LOAN AMOUNT IN RS

AGE	PARTICULARS	<10 Lacs	10-20 Lacs	20- 30Lacs	30- 40Lacs	>40Lacs	TOTAL
	<30 yrs	28	14	9	7	3	61
30-35 yrs	37	26	14	12	8	97	
35-40 yrs	22	35	23	18	15	113	
40-45 yrs	17	30	12	9	4	72	
>45 yrs	36	11	8	2	-	57	
TOTAL	140	116	66	48	30	400	

Calculated X^2 value	Table Value	Degree of freedom
31.23	26.30	16

Interpretation:

As the calculated X^2 value (31.23) is more than the table value (26.30) at 5% level of Significant. So the **Null Hypothesis** is rejected. Hence, it can be concluded that there is a association between loan amount and age.

TABLE 4.13

**TABLE SHOWING THE ASSOCIATION BETWEEN THE
LOAN AMOUNT AND EMPLOYEE SECTOR.**

Null Hypothesis: There is no association between Loan amount and employee sector.

Alternative Hypothesis: There is an association between Loan amount and employee sector.

EMPLOYEE SECTOR

PARTICULARS	GOVT	PUBLIC	PRIVATE	SELF EMPLOYEED	TOTAL
<10 Lacs	12	13	40	11	76
10-20 Lacs	11	14	57	12	94
20-30Lacs	6	4	42	8	60
30-40Lacs	2	2	32	10	46
>40Lacs	-	-	15	13	28
TOTAL	31	33	186	54	304

Calculated X^2 value	Table Value	Degree of freedom
25.31	21.03	12

Interpretation:

As the calculated X^2 value (25.31) is more than the table value (21.03) at 5% level of Significant. So the **Null Hypothesis** is rejected. Hence, it can be concluded that there is an association between loan amount and employee sector.

TABLE 4.14

**TABLE SHOWING THE ASSOCIATION BETWEEN THE
LOAN AMOUNT AND MEMBERS IN FAMILY.**

Null Hypothesis: There is no association between Loan amount and Members in family.

Alternative Hypothesis: There is an association between Loan amount and Members in family.

LOAN AMOUNT IN RS

	PARTICULARS	<10 Lacs	10-20 Lacs	20-30 Lacs	30-40 Lacs	>40Lacs	TOTAL
NO OF MEMBERS IN FAMILY	1-2	7	3	4	8	4	26
	3	53	47	11	10	7	128
	4	55	39	23	17	15	149
	>4	25	27	28	13	4	97
	TOTAL	140	116	66	48	30	400

Calculated X^2 value	Table Value	Degree of freedom
18.48	21.03	12

Interpretation:

As the calculated X^2 value (18.48) is less than the table value (21.03) at 5% level of Significant. So the **Null Hypothesis** is accepted. Hence, it can be concluded that there is no association between the Loan amount and Members in family.

TABLE 4.15

**TABLE SHOWING THE ASSOCIATION BETWEEN THE
LOAN AMOUNT AND LOAN PERIOD.**

Null Hypothesis: There is no association between Loan amount and loan period.

Alternative Hypothesis: There is an association between Loan amount and loan period.

LOAN PERIOD

**LOAN
AMOUNT IN
RS**

PARTICULARS	< 5 Yrs	5-10 Yrs	10-15 Yrs	15-20Yrs	TOTAL
<10 Lacs	15	41	43	41	140
10-20 Lacs	3	24	47	42	116
20-30Lacs	0	7	28	31	66
30-40Lacs	0	0	18	30	48
>40Lacs	0	0	14	16	30
TOTAL	18	72	150	160	400

Calculated X^2 value	Table Value	Degree of freedom
31.32	21.03	12

Interpretation:

As the calculated X^2 value (31.32) is more than the table value (21.03) at 5% level of Significant. So the **Null Hypothesis** is rejected. Hence, it can be concluded that there is an association between the Loan amount and loan period.

TABLE 4.16

**TABLE SHOWING THE ASSOCIATION BETWEEN THE
LOAN AMOUNT AND INCOME LEVEL.**

Null Hypothesis: There is no association between Loan amount and income level.

Alternative Hypothesis: There is an association between Loan amount and income level.

INCOME IN RS

LOAN
AMOUNT IN
RS

PARTICULARS	<21000	21000-31000	31000-40000	>40000	TOTAL
<10 Lacs	59	51	35	10	140
10-20 Lacs	7	34	46	29	116
20-30Lacs	0	4	35	27	66
30-40Lacs	0	0	15	33	48
>40Lacs	0	0	0	30	30
TOTAL	66	89	116	129	400

Calculated X^2 value	Table Value	Degree of freedom
34.23	21.03	12

Interpretation:

As the calculated X^2 value (34.23) is more than the table value (21.03) at 5% level of Significant. So the **Null Hypothesis** is rejected. Hence, it can be concluded that there is an

TABLE 4.17

**TABLE SHOWING THE COMPARISION OF
OCCUPATION AND INCOME LEVEL OF DEFAULTERS.**

INCOME IN RS

	PARTICULARS	<21000	21000-31000	31000-40000	>40000	TOTAL
OCCUPATION	BUSINESS	2	3	7	6	18
	SELF EMPLOYEED	2	2	2	3	9
	JOB HOLDER	6	2	3	3	14
	OTHERS	1	2	3	3	9
	TOTAL	11	9	15	15	50

Interpretation:

Out of 66 business man 27.2% of the respondents are the defaulters, out of 86 self employed, 10% of the respondents are defaulters, out of 218 job holders, 6.42% of the respondents are defaulters, and out of 33 in other than the above category 27% of the respondents are defaulters.

Inference:

Majority of the defaulters are business people.

Regression Equation

Income as independent variable.

Total amount as dependent variable.

$$Y = 400000 + 60X$$

Interpretation:

The above equation reveals that the loan amount is 60 times of the income of the person. The remaining amount will be the own amount for the total construction purpose.

Chapter V
Findings Suggestions
Conclusion

5.1 FINDINGS

- Out of 400, 53% of the respondents are between the age group of 30 to 40 years.
- Out of 400, 55% of the respondents are salaried people.
- Out of 304 salaried and self employed respondents 61% of the respondents are from Private sector.
- Out of 400, 32% of the respondents monthly income level is above Rs. 40000/-
- Out of 400, 37 % of the respondents are having 4 members in the family.
- Out of 400, 49% of the respondents are having the location of property at Coimbatore Corporate.
- Out of 400, 33% of the respondents are availing loan for house constructing purpose.
- Out of 400, 35% of the respondents are borrowing loan below 10 Lakhs.
- Out of 400, 40% of the respondents are borrowing loan for a period of 15 to 20 years .
- Out of 400, 67% of the respondents are borrowing loan for constructing home for their own use.
- Out of 400, 32% of the respondents are having other assets value between 30 lakhs to 50 lakhs.
- There is a association between loan amount and age.
- There is a association between loan amount and employee sector.
- There is no association between the Loan amount and Members in family.
- There is a association between the Loan amount and loan period.
- There is a association between the Income Level and loan amount.
- Out of 66 business man 27.2% of the respondents are the defaulters.

5.2 SUGGESTIONS

- More loans should be sanctioned to the Government employees because the government employees have stable income.
- Loans should be sanctioned to people who have regular high income. This is because the bank could get more security for the loans and thus it reduces the risk of failure of repayment.
- Since the business people do not have a stable income the interest rates on loans provided to them must be increased.
- Loans must be sanctioned to customers who have property in cities rather than those who have property in villages. This is because the land rates in city are comparatively higher than those in villages.
- The bank must give a higher loan period for those customers who have less income. This is because the repayment capacity of these customer will be comparatively low against those who have high income.
- The banks can prefer to give more housing loans to those customers who construct their house not for personal use but for lending it for rent.
- More loans must be sanctioned to those customers who are between 30 to 40 years of age because these are the people with high earning capacity. The risk of loss due to non payment of the loan can thus be reduced.

5.3 CONCLUSION

The risk of loss due to failure in repayment of the home loans can be avoided by giving loans for customers working in different sectors. The income level of the customers must be analysed very well because it is one of the major sources for repayment of the loan. It is very important to categorize the customers because the risk of loss due to failure in repayment can be analysed easily. The customers are categorized based on age, income, property they own, occupation and the purpose of getting home loan.

An efficient categorization of the customers can help the organization to trace the reasons for failure in repayment of the home loans thus reducing such risk. It helps the organization to perform better and earn more profit.

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- Banking Theory by Gordon and Natarajan, Himalya Publishing House.
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APPENDIX

QUESTIONNAIRE ON SURVEY OF RISK AND DEFAULT ANALYSIS OF HOUSING LOAN AT HDFC IN COIMBATORE CITY

1.Name and address of borrower :

PROFILE ANALYSIS

2.Gender : Male Female

3.Age in years : <30 30- 35 35 – 45 40- 45 >45

4.Occupation : Business Professional Self employed Job holder
 Others please specify

5.Employer sector : Government Public Private Self- employed

6.Income range in Rs : < 21000 21000 -31000 31000 - 40000 > 40000

7.Number of members in the family : 1 - 2 3 4 > 4

PROPERTY BACKGROUND ANALYSIS

8.Location of house property :
 Coimbatore Corporation Coimbatore Pheriperal Village of Coimbatore Corporation

9. Constructed area of house : _____ sq.ft(built up)

10. Current market land value: _____

LOAN ANALYSIS

11.Purpose for availing the loan: house purchase house construction
 house improvement home extension home equity others

12.Total cost of construction in Rs: _____

13.Own Source Rs: _____

15. Is constructed home availed for rental purpose? Yes No

16. If Yes, what is the monthly rental amount received?: _____

17. Period of loan in years : < 5 5 -10 10 - 15 15 - 20 > 20

18. Interest charge: _____

19. Monthly due: _____

20. Number of monthly due already paid: _____

21. Number of monthly dues unpaid : _____

22. Borrower's other asset value: < 30 lakhs 30 -50 lakhs 50 lakhs - 1 crore
 1 crore - 3 crores > 3 crores

23. Have you availed loan insurance in HDFC? Yes No

HEALTH ANALYSIS

24. Are you affected by any disease? Yes No

25. If yes mention it?.....