



Akshara Group
HOME LOANS FOR NRI

If you are a NRI and wish to buy a home in India by availing a home loan, the procedure can be quite rigorous, and confusing. The information given below lays out the guidelines as to understand the process involved in procuring the home loans

The Foreign Exchange Regulatory Act, 1973 recognizes the Non-Resident Indians (NRIs). In accordance with the RBI guidelines, NRIs are defined as follows - 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” Every bank and other finance institutions follow the RBI guidelines in regard to the home loans for NRI

Who are the Non-Resident Indians who can qualify for NRI housing loans?

- Indian citizens who live abroad for educational or business purpose or pursuing an employment that involves staying abroad for an indefinite period of time.
- Government officials who are associated with Indian missions abroad and are posted there on duty. They can also be working for similar agencies set up abroad by the Government of India where officials draw their salaries out of Government resources;
- Government servants who are deployed abroad on assignments with foreign Governments or regional/international agencies like the World Health Organization (WHO), World Bank, Economic and Social Commission for Asia and the Pacific (ESCAP); International Monetary Fund (IMF) and more..
- State Government Officials and those from Public Sector Undertakings who are deputed abroad on temporary assignments or posted to their respective offices or branches abroad.

Home loans for NRIs can be availed for construction of new houses or flats; for purchase of old houses, properties and flats or their alterations to existing houses. Besides loan can also be available for repairs and renovation. The NRIs can avail of loans by mortgaging an existing a residential property. However, there are certain conditions that the NRIs need to fulfill in order to avail the home loans especially those pertaining to the provisions of the Income Tax Act. The NRIs should have stayed in India for a period of 182 days or more within the assessment year .If not, then they should have stayed in India for at least a total of one year or more.

The Foreign Direct Investment Policy permits FDI up to 100% from foreign/NRI investor. Under such circumstances this automatic route encourages the NRI confidence. Banks offer attractive NRI housing schemes to accommodate the housing needs of NRIs. From the stables of HFCs, NRI housing finance plans with suitable repayment options.

Moreover, NRIs should take due care while selecting their home loan provider or the financial institution, or HFCs. It is also important to consider the geographical distances involved while choosing the loan provider as proximity can also contribute to a proactive and responsive HFC.

WHAT ARE THE ELIGIBILITY CRITERIA FOR NRI?

The eligibility criteria for Home Loans are different for NRIs as compared to those of Resident Indians. The requirements for procuring home loan for NRI is illustrated in the table below: .

The parameters include:

Age	Qualification	Income	Payment options	Number of dependents
The minimum age for a loan applicant is 21 years age.	The minimum qualification of the loan seeker has to be that of a graduate.	The loan applicant has to have a minimum monthly income of \$2,000 (This criterion may differ across HFCs). Moreover, the eligibility is also determined by the stability and continuity of your business or employment.	There are the Equated Monthly Installments which the NRI needs to route through cheques or his NRE/NRO account. Making payments from another source say, his savings account in India is not allowed.	Another aspect for NRI Home Loans is that the eligibility of the applicant is also determined by the number of dependents, assets and liabilities.

Based on the repayment capacity and the cost of the property, an NRI applicant is eligible to receive a home loan that ranges from a minimum of Rs 5 lakhs to a maximum of Rs 1 core, This again is subject to variables depending on the priorities of the home loan. A loan applicant can 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. Besides, the Home Loan Tenure for NRIs is different from Resident Indians.

A NRI can also 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. There is a difference which varies from 0.25%-0.50%. Some HFCs also have an internally marked '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 procure a home loan.

RBI DIRECTIVE LOANS

Reserve Bank of India (RBI) has provided clarifications that Non-Resident Indians (NRIs) and Persons of Indian Origin (PIO), who are 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. Apart from agricultural property, plantation and farmhouse, the NRIs and Resident Indians can also acquire immovable property in India. 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 economic stability of the applicant, home loans for NRIs are quite feasible, because they are well in economic resource.

What are the Documents that are required for a Home Loan?

NRIs need to submit the following documents and these are different from those of Resident Indians. These documents can include the passport, copy of the work contract and son on. They also need to fulfil the eligibility criteria in order to procure Home Loans in India.

Another document of vital importance that is 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
- Bank Statements for the last six months
- 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
- A copy of the appointment letter and contract from the company employing the applicant

Salaried NRI Applicants	Self-Employed NRI Applicants
Overseas Bank A/C for the last 3 months showing salary credits	6 months overseas bank account statement and NRE/ NRO account
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
Copy of valid passport showing VISA stamps	Passport copy with valid visa stamp
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)

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

What are the Property Documents that need to be arranged for?

- 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

What to do if photocopy of PIO Card is not available?

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

What are the Permissions and Approvals required?

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.

=====