

Provide firstly short answer from this and If an client asked for brief or in detail then provide me an detail answer from this FAQs.

Q. What is a Home Loan?

Short Answer: A home loan is a secured loan provided by banks/NBFCs to purchase, construct, or renovate residential property.

Detailed Answer: A long-term secured credit facility where a lender provides funds to an individual for buying or constructing a residential property. The borrower repays the loan in EMIs consisting of principal and interest over a tenure typically ranging from 10 to 30 years. The property acts as collateral until full repayment.

Edge Case: Under-construction properties may have stage-wise disbursement instead of a lump-sum payment.

Q. What is Loan-to-Value (LTV) Ratio?

Short Answer: LTV is the percentage of property value financed by the lender through a loan.

Detailed Answer: It measures credit risk by comparing the loan amount to the property value. Lenders use it to decide the maximum funding allowed. Typical RBI-based LTV caps range from 75% to 90% depending on the property's value slab.

Formula = $LTV = (\text{Loan Amount} / \text{Property Value}) * 100$

Q. What is Margin Money in Home Loans?

Short Answer: Margin money is the borrower's own contribution toward the property cost.

Detailed Answer: Lenders do not finance 100% of the property value. The borrower must contribute the remaining portion as equity or a down payment. For instance, if the LTV is 80%, the borrower must pay 20% as margin money.

Q. What is the difference between Home Loan Sanction and Disbursement?

Short Answer: Sanction is loan approval; disbursement is the actual release of funds.

Detailed Answer: Sanction means the lender has approved the borrower's eligibility based on income and credit profile. Disbursement refers to the actual release of funds to the seller or builder. In real estate, especially for under-construction projects, disbursement is typically partial and linked to construction milestones.

Q. What is a Builder Subvention Scheme in Home Loans?

Short Answer: It is a financing arrangement where the builder pays the EMI/interest during the construction phase until possession.

Detailed Answer: This is a tripartite arrangement between the Builder, Bank, and Buyer. The lender disburses the loan to the builder, and the builder agrees to pay the interest/EMIs until possession is handed over to the buyer.

Risk/Edge Case: If the builder defaults or delays construction, the primary repayment liability still rests on the borrower.

Q. What are Tax Benefits on Home Loans in India?

Short Answer: Home loans offer tax deductions on principal repayments and interest paid under the Income Tax Act.

Detailed Answer: CAs utilize these primary sections for client tax planning:

Section 80C: Deductions on the principal repayment amount up to the statutory limit.

Section 24(b): Deductions on the interest paid for a home loan (up to ₹2 lakh for self-occupied properties).

Q. What documents are required for Home Loan approval?

Short Answer: Complete proof of identity, legal property papers, and verified financial/income documents.

Detailed Answer: Lenders require:

KYC Documents: PAN, Aadhaar, and address proofs. Income Proof: Salary slips and Form 16 (for salaried) or detailed financial statements and Income Tax Returns (for self-employed clients). Property Legal Papers: Chain of title documents, approved building plans, and allotment letters.

Q. What is an SPV (Special Purpose Vehicle)?

Short Answer: An SPV is a separate legal entity created to execute and isolate a project.

Detailed Answer: A legally independent company formed specifically to execute a project. It isolates financial risk from the parent company and holds project assets and liabilities. In real estate, developers commonly establish a unique SPV for each RERA-registered project to keep liabilities distinct.

Q. What is an Escrow Account in Project Finance?

Short Answer: An escrow account is a controlled account where project revenues are deposited and allocated according to predefined rules.

Detailed Answer: A bank-controlled account used to manage project cash flows. Revenue generated from the project is deposited and distributed according to pre-agreed priorities—known as a cash waterfall mechanism—such as debt repayment, operating expenses, and reserves.

RERA Relevance: This directly mirrors the RERA mandate requiring 70% of allottee receivables to be maintained in a separate account exclusively for land and construction costs.

Q. What is Construction Finance?

Short Answer: Construction finance is funding provided during the construction phase of a project.

Detailed Answer: Short-term funding used to cover costs like labor, materials, and contractor payments during project development. It is usually converted into a long-term loan after project completion. Lenders disburse these funds in stages or milestones.

Q. What is Project Finance?

Short Answer: Project finance is funding a specific project based on its future cash flows.

Detailed Answer: A long-term financing structure where repayment is made primarily from the cash flows generated by the project itself, rather than the balance sheet of the sponsoring company. It is highly applicable

to large infrastructure, power, roads, and large-scale industrial or township real estate layouts.

Q. What is Financial Closure?

Short Answer: Financial closure is the stage when a project secures all required funding to begin execution.

Detailed Answer: Occurs when a project has legally arranged sufficient debt and equity financing to proceed with physical execution. It is a mandatory milestone before actual construction begins on-site. Common

Misconceptions: Receiving a loan sanction letter equals financial closure; full closure requires all equity and debt agreements to be fully executed and legally binding.

Q. What is Debt Syndication?

Short Answer: Debt syndication is when multiple lenders jointly finance a large project.

Detailed Answer: A group of banks or financial institutions jointly provide funding for large-scale projects, sharing the credit risk and exposure. One lead bank usually structures the loan and coordinates the disbursement and monitoring.

Q. What is DSCR (Debt Service Coverage Ratio)?

Short Answer: DSCR measures a project's ability to repay its debt obligations from its operating income.

Detailed Answer: A key financial metric used by lenders during project appraisal to evaluate repayment capacity. It compares the net operating income generated by the project against total debt obligations (principal + interest).

Formula = $DSCR = \frac{\text{Net Operating Income}}{\text{Total Debt Service}}$

Q. What is Financial Viability of a Project?

Short Answer: Financial viability determines whether a project can generate sufficient returns to repay debt and remain profitable.

Detailed Answer: Assessed using rigorous capital budgeting metrics like Internal Rate of Return (IRR), Net Present Value (NPV), DSCR, and break-even analysis. A project is deemed viable if its cash flows adequately cover all ongoing operational expenses and debt obligations.

Q. What is COD (Commercial Operation Date)?

Short Answer: COD is the date when a project is completed and starts generating commercial revenue. Detailed Answer: Marks the operational

milestone when a project is fully commissioned. Loan repayment schedules, principal amortizations, and revenue-tracking under RERA frequently kick off directly following the achievement of COD.

Q. What is a Bank Guarantee (BG)?

Short Answer: A bank guarantee is a promise by a bank to pay a beneficiary if the applicant defaults on a contract.

Detailed Answer: A non-fund-based contingent liability instrument where the bank assures payment to a third party (such as a local municipal corporation or development authority) if the developer fails to fulfill contractual or statutory obligations.

Q. What is a Project Appraisal?

Short Answer: A project appraisal is the holistic evaluation of a project's feasibility conducted by lenders before approving any credit lines.

Detailed Answer: This process involves an independent assessment of the technical, financial, legal, and market feasibility of a project. Lenders use it to rigorously analyze future cash flows, operational risks, and overall project profitability before sanctioning construction loans.

Q. What is Risk Assessment in Project Finance?

Short Answer: Risk assessment is the analytical process of identifying and evaluating potential operational and systemic threats to a project's success.

Detailed Answer: It requires a detailed breakdown of multiple risk layers, including construction risk, market risk, financial risk, regulatory compliance risk, and post-completion operational risk.

Q. What is Project Risk Mitigation?

Short Answer: Project risk mitigation involves applying specific financial and contractual strategies to systematically minimize operational and financial exposure.

Detailed Answer: Analysts enforce risk reduction through legal and financial safeguards, such as requiring comprehensive insurance coverage, interest rate hedging, tight contract structuring, corporate guarantees, and diversification of primary raw material suppliers.

Q. What is Drawing Power (DP) in Working Capital Finance?

Short Answer: Drawing Power is the dynamic, real-time credit limit a borrower can utilize based on the verified value of their current assets.

Detailed Answer: Unlike a fixed sanctioned limit, Drawing Power defines the actual usable credit under active commercial cash credit lines. It is recalculated monthly to track fluctuations in active business operations. For developers, this acts as a bank-monitored checkpoint against over-leveraging.

Formula = Eligible Stock + Receivables - Margin

Q. What is Credit Rating in Corporate Finance?

Short Answer: A credit rating is an independent, standardized assessment of the creditworthiness and default risk of a corporate entity or specific debt instrument.

Detailed Answer: Provided by specialized external rating agencies, it measures a company's baseline capacity to honor its debt obligations over time. Higher ratings significantly minimize borrowing costs, whereas sudden financial or operational stress can trigger a rapid rating downgrade

Q. What is the Debt Recovery Process in Corporate Loans?

Short Answer: The debt recovery process comprises the structured legal and financial mechanisms lenders activate to reclaim overdue capital from defaulting borrowers.

Detailed Answer: If a borrower or corporate developer falls into chronic default, lenders initiate a formal escalation protocol. This begins with statutory reminders and restructuring negotiations, and can escalate to asset seizure, physical collateral liquidation, or insolvency lawsuits.
Formula: $\text{Recovery Value} = \text{Collateral Value} - \text{Outstanding Dues}$

Q.= What is the Insolvency and Bankruptcy Code (IBC)?

Short Answer: The IBC is the comprehensive legal framework in India governing the time-bound resolution of insolvency and bankruptcy for corporate entities and individuals.

Detailed Answer: The law provides a formal legal architecture enabling creditors to aggressively address non-performing corporate assets. It prioritizes restructuring the distressed entity through competitive resolution plans, falling back on asset liquidation only if a viable business continuation strategy cannot be established.