

## **Reserve Bank of India's new norms will shorten your wait for loan approval**

Soon, you will not have to wait endlessly for your bank to communicate its decision on your loan proposals.

The Reserve Bank of India's (RBI) recent diktat to banks asking them to clearly indicate the timelines for disposing of loan applications will come into effect within a month, paving the way for quicker processing of loan applications.

Remember, this does not mean that your loan will be sanctioned in the specified time frame — the bank has to take a call on approving or rejecting the proposal within this period.

The guidelines on fair practices code for lenders require banks and financial institutions to devise a system of acknowledging receipt of all loan applications.

"Time frame within which loan applications up to Rs 2 lakh will be disposed of should also be indicated in acknowledgement of such applications," it states. So far, this was applicable only to loans with ticket size of up to Rs 2 lakh. Now, it has been extended to all loan applications. The time lines for conveying decisions on loan applications will have to be displayed at bank branches, websites and so on.

"Applicants will now at least be sure as to by what time they can expect the sanction and this will certainly help them plan accordingly. Even if the loan is not to be sanctioned, the bank will have to inform the applicant within the specified time frame. This will enable them to look for alternative sources of finance," says VN Kulkarni, chief credit counsellor with the Bank of India-backed Abhay Credit Counselling Centre. This will be of help to home loan borrowers who have to put up with delays while finalising the purchase of a house they may have identified. Similarly, businesses of small and medium enterprises will not have to suffer due to delays in loan processing.

Do note that the code of commitment to customers adopted voluntarily by banks already stipulates the time frame for loan applications with a ticket size of up to ` . 20 lakh, too. As per this code, banks are required to communicate their decision on loan application for a ticket size of up . 20 lakh within 30 working to ` days from the date of receipt.

At your end, it is important to ensure that you have taken all steps to facilitate quicker processing and approval. For instance, make sure you go through the checklist of documents required by the bank and submit them along with the loan application. This will facilitate speedy decision on your proposal. "This is important because even though banks will have to specify a timeline for disposal, there will be a rider stating 'provided all necessary papers are submitted and time frame starts from receipt of all papers'," says Kulkarni.

Likewise, make sure you provide all your personal and financial information correctly. Then, there are other steps that you can take to aid quicker processing of loan proposals. "For

instance, say you have applied for a loan against property and you have rented out the place. You need to inform the tenants well in advance of likely visit of bank officials for verification. This will ensure that they co-operate with the officials, eliminating need for further visits, thus expediting the process," says Sukanya Kumar, co-founder and director, retaillending.com, a loan consultancy portal.

If, despite all these steps taken by you, the bank decides to reject your application, ensure that you are apprised, in writing, of the reasons for rejecting of your loan application. This provision, too, is part of the banks' code of commitment to customers.

*(Economic Times)*