CHAPTER – 4

THE COMPANY: HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED
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FINANCE CORPORATION LIMITED

4.1 HISTORY OF HDFC LTD.

HDFC was promoted in October 17, 1977 by the Industrial Credit and Investment Corporation of India (ICICI), along with International Finance Corporation (IFC Washington) and the Aga Khan Trust. Initial capital was Rs. 100m. Mr H T Parekh, the founder of HDFC, had a boundless enthusiasm for introducing personal loans for households in India in the firm belief that, if managed well, this would certainly succeed. HDFC was incorporated in 1977 with the primary objective of meeting a social need - that of promoting home ownership by providing long-term finance to households for their housing needs. HDFC was promoted with an initial share capital of Rs. 100 million.

Over the years FIDFC has emerged not only the dominant leader in housing finance in India but also as one of the most profitable finance companies. It operates through a network of 49 offices in a highly automated environment and has a field force of about 30000 active agents that mobilize retail deposits. During the last decade, HDFC has co-promoted some housing finance companies with commercial banks. HDFC has significant equity stake in a number of housing finance companies such as Gujarat Rural Housing Finance, SBI Home Finance, Canfina Homes and GIC Housing Finance. It has the distinction of being recognized by the World Bank as the model private sector housing finance agency in the developing countries. It also provides technical assistance and consultancy to some of the projects identified by international agencies such as World Bank, United States Agency for International Development (USAID), Commonwealth Development Corporation (CDC) etc. HDFC board is headed by Deepak Parekh. The Board has eminent
personalities including ex-governor of RBI, Ex-Chairman of SBI, industrialists and senior people from Indian financial institutions.

An institution that is known beyond the borders of its own land; has had an impeccable record of transparency and integrity; has built a business on the basis of professionalism and missionary endeavours and has helped over a million Indians own their own home.

**CHART NO. 4.1**

**H.D.F.C. Ltd. and Its Off Shoots**

- **I.C.I.C.I.**
- **I.F.C.**
  - **G.E. Capital (USA)**
  - **Maruti Udyog**
  - **Net West Markets (U.K.)**
  - **CBI & UTI**
  - **Countrywide Auto Financial Services (1994)**
  - **Infrastructure Leasing & Financial**
H.D.F.C. Ltd. commenced operations as a mortgage bank. It pioneered the concept of housing finance in the private sector and was instrumental in the development of industry. Since then it has been a leading private institution providing housing finance to households and others.

"The prime objective of HDFC Ltd, is to increase the flow of resources for housing through the integration of housing finance institution with the domestic capital market."

HDFC LTD. takes wholesale finance from domestic and international institutions and provides retail finance to middle and lower income households for construction of a single family dwelling unit primarily for self occupation. It also provides finance to corporate borrowers for providing housing to other employees.

In the year 1994-95, it started Country Wide – a Consumer Finance Co. as a joint venture with G.E. Capital (U.S.A.). This provides finance to households for a broad range of products. It also started HDFC LTD. Bank in the year 1994-95 co-promoted by Net West Markets (U.S.). In August 1998, HDFC LTD. renewed its existing joint venture agreement with The Standard Life Assurance Company (SLAC), UK to establish an insurance co. in the country. It launched Maruti Country Wide Auto Financial Services Pvt. Ltd. in March 1996. With a three way equity holding pattern between HDFC LTD. GE Capital (USA) and Maruti Udyog. In 1988 along with Central Bank of India and UTI, HDFC LTD. formed Infrastructure Leasing
Financial Services Development (ILFS) to fund infrastructure development.

4.2 SUBSIDIARY COMPANIES

It has two subsidiary companies named HDFC LTD. Developers Ltd. and HDFC LTD. Investment Ltd.

H.D.F.C Developers Ltd. was established in the year 1980. The main function of this company is to develop the property for HDFC LTD. in different cities. It also provides project management services Ltd. (ILFS). In the past, it adopted the villages affected by earthquake for the purpose of reconstruction.

HDFC LTD. Investments Ltd. was established in the year 1994. It invests funds in different institutions and other companies. It mainly invests in stocks, shares debentures and other securities. It has got the certificate from RBI in the year 1998 as a Non-Banking Finance Company.

4.3 GEOGRAPHICAL COVERAGE

HDFC LTD. has its Head Office at Mumbai. As on 31st March 1999, it has 49 offices in different 39 cities and an International Office at Dubai. HDFC LTD. covers further 80 locations through its Outreach Programmes.

4.4 ALLIED ACTIVITIES

Along with housing finance, it also provides consultancy services. It takes part in many national and international activities.

Centre for Housing Finance

"HDFC LTD.'s Centre for Housing Finance (C.H.F.) conducts its core programmes on credit appraisal and loan recoveries as well as housing finance management and managerial effectiveness for both domestic and international participation". (Director's Reports (1995-96), p.11)
It also takes part in institutional development. It is the initial investor in the equity of Infrastructure Development Finance Company Ltd.

It provides consultancy services to international institutions for the development of housing finance projects. Not only this, it arranges training and a workshop for human resources management every year to enhance the productivity of the employees of the organisation.

Thus after its inception it has emerged as a versatile service provider with the main objective of providing housing finance to households for long term.

4.5 INDUSTRIAL POSITION OF HDFC LTD.

4.5.1 Housing Finance Industry In General

To know the position of HDFC LTD., in the housing finance industry first, of all it is necessary to know the industry itself. For proper understanding of working of HDFC LTD., the analysis of various aspects of the mechanism of the industry is to be made. It can be done on the following grounds.

4.5.2 Structure of the Industry

Housing finance industry can be broadly classified into the formal and informal sector. In the format sector, there is HLJDCO, commercial banks and Housing Finance Companies (HFCs) The informal sector includes household savings, savings from disposal of existing property, borrowing from friends, relatives and money lenders etc

4.5.3 Regulatory Structure

The RBI has clubbed HFCs along with NBFCs for regulatory purposes. However, RBI controls the HFCs through National Housing Bank, which is an apex institution for the industry. The NHB has stipulated the norms under which these HFCs operate.
4.5.4 Sources of Funds

HFCs have access to funds from a variety of sources, which includes owned funds, i.e. equity and reserves, international borrowings, domestic borrowings which include loans from bank and institutions, refinance from - NHB and public deposits.

4.5.5 Approvals of Funds

HFCs use their funds for providing finance to individuals, corporate borrowers and builders. Individuals are main components of loan portfolio of all HFCs which constitute around 65 to 70% proportion, while corporates and builders constitute remaining 30% proportion. Not only this HFCs also provide short-term developers loans for construction of large residential projects and completion of pending projects.

4.5.6 Income Generation

The major source of income for HFCs is interest earned on loans. Interest rates on different loans depend upon the kind of loan, amount of loan sanctioned and term of loan. Interest charged on loans, given to individuals is subject to certain limitations but HFCs are free to determine the interest rates on loans given to the corporate and developers. Other sources of income for HFCs including processing fees, administrative fees, commitment charges, non-operating income etc.

4.5.7 Operations

Main operations of HFCs are disbursement and recovery of loans. This includes two major risks viz, default risk and interest rate risk. Default risk is the risk of non-repayment of installments by borrowers on time. Interest rate risk arises out of changes in interest rates at a later date after having contracted to borrow/lend at a particular rate; These risks may create asset liability mismatch to HFCs, which every HFC needs to manage.
4.5.8 Asset-Liability Management

HFCs provide long-term loans to their customers ranging between 10 to 20 years and they get finance from short term sources which they need to repay within 10 years. This creates asset-liability mismatch in the balance sheet, of HFCs. To overcome this problem, HFCs provide finance to corporate and builders. \[V. Srikanth (1997)\]

This is an overview of Indian ‘housing finance industry. HDFC Ltd. can be analysed on all the above grounds.

4.6 HDFC LTD. IN HOUSING FINANCE INDUSTRY

HDFC LTD. was established in 1977 and was the first private sector specialized institution providing housing finance. Since 1977, it acts as a major source providing finance for housing. It is included in formal sector of the industry.

“It acts as a mortgage bank; i.e. it raises. long-term funds from institutional sources and lend these to home buyers. It follows a variable rate of interest policy; ‘The interest rate is based on the amount of the loan. It has variety of schemes like:

(i) Certificate of deposits schemes,
(ii) Development of property related securities,
(iii) ‘Loans to companies for; owning houses for their employees,
(iv) Home savings plan for low interest housing loan etc.”

The loan for HDFC LTD. account for about 7% of the institutional housing finance. \[Desai V. (1999)\]

Its cumulative investment made possible in housing sector is as follows:
Table No.4.1
Cumulative investment of HDFC LTD. in housing sector

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rs. in crores</td>
<td>15137.77</td>
<td>19928.88</td>
<td>26207.51</td>
<td>31710.05</td>
<td>40540.36</td>
</tr>
</tbody>
</table>


It suggests that the organisation is making good investments in housing sector. The table giving information about lending products of HDFC LTD. can be given as in table No. 4.1.

4.6.1 Sources of funds for HDFC Ltd.

HDFC Ltd. acquires funds from owned funds, domestic loans, international loans and deposits from public.

HDFC Ltd. is the only company among HFCs, which has raised the funds from capital market frequently. It is the only company, which is able to get the finance from international institutions. It. gets finance from domestic sources also. As it has complied with all the prudential norms of NHB, it easily avails the reference from NHB.

Not only this, one of its major source of funds is public deposits. It is given 'AAA' rating for its deposits and bonds representing the highest safety for timely repayment of principal as well as interest by both CRISIL and ICRA.

4.6.2 Application of Funds of HDFC Ltd.

As any other HFCs, it has applied its funds for financing housing. The major proportion of its loan portfolio consists of individual loans (around 70%) and the rest consists of corporate borrowers and others (30%).
4.6.3 Income Generation

The major source of income of HDFC Ltd. is interest on loans. It also generates income from leasing, dividend received, fees and other charges and other non-operating income etc. A table representing comparative interest rates on loan can be presented as follows:

Housing Finance started as government subsidized activity way back in 1970 but major changes in this sector have occurred after 1992. The history of housing finance in India has been divided into two parts.

The first part covers major changes prior to 2002 and the second part covers the changes which are more recent in nature and related to the individual housing finance companies. The changes in 2002 have been listed in chronological order.

4.7 TRACKING HDFC Ltd.

An indication of its vision can be had from its visualization of ‘housing’ and ‘finance’ in the company staff hand-book, which is as under:

"Housing: A house is the visible symbol of a family’s identity, the most important material possession a man can ever have the enduring witness to his existence, its absence, one of the most potent causes of dissatisfaction, and conversely, its possession one of the most effective guarantees of social stability. Finance: Finance is an all-important part of the house acquiring process".
### Table No – 4.2
Different kinds of Loans Provided by HDFC Ltd.

<table>
<thead>
<tr>
<th>Product</th>
<th>Home Loan</th>
<th>Home Improvement Loan</th>
<th>Home Extension Loan</th>
<th>Short Term Bridging Loan</th>
<th>Loan to Non-resident Indian</th>
<th>Non-Residential Loan for Professional</th>
<th>Loan against deposit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose</td>
<td>Purchase/ construction of dwelling unit</td>
<td>Internal and external repairs and other structural improvements</td>
<td>Extension of existing dwelling unit</td>
<td>For the interim period between purchase of a new unit and sale of present unit</td>
<td>Purchase/ construction of dwelling unit</td>
<td>Purchase/ construction/ renovation of office/clinic</td>
<td>For any purpose e.g. emergency expenses, purchase of consumer durables int.</td>
</tr>
<tr>
<td>Loan amount (maximum)</td>
<td>Rs.25 lacs or 80% of the agreement value whichever is lower</td>
<td>Rs. 10 lacs or 70% of the cost of construction, whichever is lower</td>
<td>Rs.25 lacs or 85% of construction, whichever is lower</td>
<td>Rs.25 lacs or 85% of the agreement value of the new unit which ever is lower</td>
<td>Rs. 10 lacs or 75% of the agreement value whichever is lower</td>
<td>Rs.25 lacs or 85% of the agreement value whichever is lower</td>
<td>75% of the deposit amount</td>
</tr>
<tr>
<td>Term (years) (maximum)</td>
<td>15</td>
<td>10</td>
<td>15</td>
<td>2</td>
<td>7</td>
<td>15</td>
<td>Up to the date of maturity of the deposit</td>
</tr>
<tr>
<td>Current rate of interest (% per annum)</td>
<td>12 to 15.5</td>
<td>15 to 15.5</td>
<td>12 to 15.5</td>
<td>15.5</td>
<td>12 to 15.5</td>
<td>12 to 15.5</td>
<td>2% above the deposit rate plus interest tax</td>
</tr>
<tr>
<td>Mode of payment</td>
<td>Equated monthly installments</td>
<td>Equated monthly installments</td>
<td>Equated monthly installments</td>
<td>Simple interest payable monthly</td>
<td>Equated monthly installments</td>
<td>Equated monthly installments</td>
<td>Simple interest</td>
</tr>
<tr>
<td>Security</td>
<td>Mortgage of property financed</td>
<td>Mortgage of property financed or alternate security as acceptable to HDFC</td>
<td>Mortgage of property financed</td>
<td>Mortgage of existing unit to be sold and mortgage of dwelling unit to be financed</td>
<td>Mortgage of property financed</td>
<td>Mortgage of property financed</td>
<td>Pledge of deposit receipt and promissory note</td>
</tr>
</tbody>
</table>

HDFC thus sees housing as a barometer of social stability. As mentioned by the Chairman in the company annual report (87-88), the setting up of HDFC was born out of the appreciation that a specialized institution was needed to channel Household savings as well as funds from
the capital market into the housing sector. HDFC's achievements over the years is summarized in its Chairman's observation in Annual Report (01-02)

As HDFC turned the century, it had created a network of institutions providing a variety of financial services for retail customers. Housing finance services were being broad based through a series of separate institutions providing Banking, Real Estate services, a Mutual Fund, Life Insurance, IT enabled services, Stock Market related services, a retail credit rating initiative- a Credit Information Bureau and more recently General Insurance. The brand became a household name known for professionalism, service and quality throughout India. Today HDFC covers the entire country with 118 offices, cumulative approvals and disbursements of over Rs.400, 000 million (US $ 8333 million) and Rs. 335,000 million (US$ 6979 million) respectively and Total assets of Rs. 214,590 million (US$ 44700. HDFC's none performing assets after twenty five years of operations remains a mere 0.91% - one of the best records of any financial institution anywhere in the world despite a difficult contractual system in the country.

4.8 HDFC AND THE POOR

"India's poor millions need a shelter and minimum basic facilities. Many agencies such as the housing boards are performing the tasks of building, repairing and financing various types of housing. Yet it is obvious that our total effort is not commensurate with our massive requirements. Government by itself cannot cope with the magnitude of the problem, nor can private efforts alone suffice. It is the community's problem requiring coordinated effort with the government's assistance."

- Statement by Mr. H.T.Parekh Chairman, HDFC (77-93)
4.8.1 A Charity approach - Shelter Assistance Reserve

HDFC's work with the poor started in 1987-88 through the Shelter Assistance Reserve (formerly called the Shelter Assistance Fund). The Reserve was to be used to support meaningful development projects (on a charity mode) outside the scope of HDFC's normal activities... The funds available from this Reserve were utilized to make grants to NGOs, community based organizations, and public institutions across the country covering a diverse range of social causes. The reserve was capitalized from the annual profits of HDFC, which would accumulate over time. The corpus of the Reserve stood at Rs. 95.7 million (US$ 1.99 million) as of 31st March 02.

An experience located in the Indian context where a housing shortage of 26.5 million units in rural areas and 14.3 million units in urban areas by the year 2001 was projected by the 8th National five year plan (volume 2). It studies the evolution of a profit making (without distribution) company (named as Indian Association for Savings and Credit – IASC), jointly promoted by HDFC and PWDS as a response to addressing this need. More specifically, the study looks at the origins of HDFC's involvement in this effort, the continuity of this involvement for more than a decade. It also traces the impact both internally (within the company) and externally (on communities) and raises outstanding issues for the future. It is advised by perceptions of key actors as also the available literature the narration primarily adopts a chronological style and sacrifices this in exceptional cases for the sake of thematic continuity.

"HDFC has always played a leading role in an effort to build a consensus with players in the housing industry, with non profit organizations, and with leaders at every level of the government to develop a plan to boost home ownership in India. We will forge new partnerships by fostering creativity, sharing ideas and exchanging information. By promoting strong leadership, and ensuring focus,
continuity and accountability, we communicate the genuineness of the public private partnership. Our strategy consists of identifying a series of concerted actions to help middle and low income families overcome current barriers to owning a home – actions to be undertaken by central, state and local governments, in cooperation with private industry, national not profit organizations and community groups. Working as partners in this way, we can translate synergy into achievement, making the dream of home ownership a reality for millions of hard-working people and building a better future for all Indians. The governance structure that will enable this national partnership needs to be based not only on legally binding agreements but also on the corporate conscience of each partner"

- Statement by, Mr. Deepak .S. Parekh, Chairman in Annual Report 99/00

4.8.2 Tips to make your home buying process simple

While owning a house of one's own is a cherished dream for most individuals, it is also a major decision involving a large investment. Though the availability of easy financing, innovative products and other value-added services by home loan companies have made the home buying process relatively easy, for a customer it is still a challenge to decide which home loan works best for him. This is especially true in the face of various options from home loan companies where each organisation tries to package it differently.

There are two aspects of home buying – Property Search and Home Loans: Some of the primary concerns of homebuyers as far as the property is concerned includes matters pertaining to the property's title, its pricing, the developer's track record, etc. Whereas on the home loan front a customer's main issues besides the rate of interest offered, would be related to the company's loan procedure, the product range, quality of
services offered and safe retrieval of the title deed of the property deposited as a security for the housing loan, on completion of the loan tenure.

Most families spend a large amount of time in researching for their dream home, which includes scanning through several projects, taking expert assistance, checking on the builder's credibility, etc. However, most often selection of a home loan company and the loan product is a hasty decision.

Customers going in for a home loan may well benefit from some basic research on the home loan company before deciding to take a loan from it. They would need to find out whether the home loan company can simplify the complexities of home buying and help them tackle every aspect of the process right from the selection of the property to documentation and loan processing. An interest rate per se may appeal at first but when you consider that home loan tenures are for fifteen to twenty years, what become equally important is the quality of service and the company's level of commitment and transparency right through.

If the customer is yet to decide on the property to be bought, he could well do to seek assistance of a home loan company, which would help him locate the right property. Since home loan companies deal regularly with developers they are aware of the upcoming projects in different localities and can recommend the same to the customer based on their requirements. Many of these companies also regularly organize property exhibitions where homebuyers can interact freely with the builders and select a property from a plethora of options available at one stop.

Also in the case of resale property, the company should be able to clarify the entire steps in buying a resale property and also the precautions to be taken. This usually saves customers a lot of time and hassles once
they are aware of the process and ensures that they do not face any problems in future.

Customers should also look out for facilities whereby the home loan company approves the loan even before the property is selected or finalized. This helps a customer in planning the purchase of the property since he is aware of the funds available to him and can buy a property matching his budget. Companies like HDFC also assist customers locate properties through ‘HDFC Realty’, which provides an entire range of real estate services. The objective is to simplify the tedious and opaque process of acquiring or selling a property. The company also has tie-ups with various leading developers for different projects wherein a customer acquiring a property in their project may get a special offer.

In case the customer has already short listed the property, it makes sense to go to a home loan company, which has the knowledge in evaluating the property in terms of its documentation, the track record of the developer in completing the project, etc. The customer could also check with the company if a particular project where they plan to buy a property is pre-approved by them, as this would save time in getting the property evaluated and the buyer has the satisfaction that an expert has appraised the property. At HDFC we follow a single-window concept whereby we have qualified legal and technical in-house staff to scrutinize the property, the title and other documents, thereby reassuring the customer that the property he is buying, is in order.

When it comes to the home loan, the points to consider is whether the company counsels customers on different aspects of the loan and the flexibility offered in customizing the loan to suit individual requirements, besides a wide range of products to choose from.
Customers should also be aware of how they can enhance their loan eligibility without the burden of a higher EMI. Home loans companies allow customers to include a co-applicant in order to club incomes. The home loan company should be able to structure the loan in such a way that it offers flexibility to customers, enhances their loan eligibility, helps them optimize tax benefits and customise EMIs according to their repayment capacity, so the customer is able to repay the loan comfortably.

Then again, when a customer takes a home loan they enter into a long-term financial commitment, as home loans are long-term loans where the commitment is for a period of 15 to 20 years. In case of any unforeseen event during this period, it is better to make sure that the family is not burdened with the loan liability. Hence, to take care of uncertainties during such a long period, it is better to take home loan insurance. HDFC with the help of its group company HDFC Standard Life Insurance offers, a *Home Loan Protection Plan*, specially developed to suit home loan customers.

And finally, it is best to go with companies that have established themselves over the years, as they are flexible and will be able to offer customized service to customers. The other advantage is this will also help the customer to en cash on the vast pool of knowledge that comes with their experience.

For example, HDFC is a single product company with its core business being home loans. Unlike some of the other companies that offer multiple products, it specializes in home loans and thus understands the market dynamics thoroughly. Having been in this business for the last 30 years, it has gained in-depth knowledge of the real estate market and has constantly endeavored to empower the customer in making the right decision while buying a home.
4.8.3 Home Loan Insurance

HDFC also advises customers on other aspects of taking a housing loan such as protecting the home loan through insurance. When a customer takes a home loan they enter into a long-term financial commitment as home loans are for long durations up to 20 years. In case of any eventuality during this period, it is better to make sure that the family is not burdened with the loan liability. Hence, to take care of uncertainties during such a long period, HDFC with the help of its group company HDFC Standard Life Insurance offers a Home Loan Protection Plan, specially developed to suit home loan customers.

This plan ensures that the outstanding loan, up to the amount insured, is repaid in the event of death of the borrower, which is a huge security during the term of the loan. This plan is a single premium decreasing term assurance plan and so as the loan amount diminishes on getting repaid, the sum assured also reduces in the same proportion. This ensures that the customer only pays for the protection that is required and does not end up paying additional premium.

4.8.4. Living in a Rented House

Having one's own home, though a treasured wish for many involves financial considerations and requires some planning. In addition, unless the homebuyer is an expert himself, he will need some help and guidance to understand the implications of housing finance when buying a house. And when you add other aspects like legal and technical formalities; the reputation of the builder, etc., having a good housing finance company to guide the homebuyer all the way through becomes important. Recognizing these issues, HDFC, which has been the pioneer housing finance company takes a holistic approach to home buying and the home-loan seekers' needs.
With 30 years of experience, HDFC and its trained personnel have gained in-depth knowledge of the real estate market and have always endeavored to empower customers in making the right decision while buying a home. This is done through its free, voluntary personalized counselling service apart from providing other specialized financial services.

HDFC has a team of specialized staff that follows a single-window concept for providing smooth service at all stages, be it loan approvals, legal and technical approvals or disbursement. These not only help save a lot of time and effort for the customers, but also save money if the customer had to get it done independently as the processing and administrative charges cover all these aspects.

The entire philosophy of HDFC has been to guide customers in all areas of the home loan process and enable the customer to take care of other important matters, while HDFC manages his housing related issues. Though this would vary from case to case, HDFC attempts to take care of the customer's needs to the best of its ability.

Today, the company offers the widest range of home loan products where each product has been tailored to satisfy the diverse requirements of individual customers.

4.8.5 Property Assistance

Since property purchase involves large investments, it is important that the customer meets the developer in person and discuss freely about all aspect of the project. To facilitate this, HDFC has been regularly organizing property shows in India and abroad, which provide a one-stop destination for the home seekers. Other than being able to choose from a wide range of properties, the visitors at these shows are also secure of the
developers’ credibility and their project quality, as these are all approved by HDFC.

Since HDFC deals with developers on a regular basis their team is aware of the track record and project history of the developers. Additionally, they also have a team of legal and technical experts, who check and verify the requisite documents before approving a project for financing. Since the customers are based abroad this saves a lot of time and effort taken to conduct a detailed due diligence.

4.8.6 HDFC Realty

With the property and real estate market becoming dynamic than ever before, it has become imperative for the Sellers and Buyers of property to come closer. HDFC Realty is a team of real estate professionals that facilitates Buying, Selling or Leasing of Residential / Commercial property in India. By virtue of being HDFC subsidiary, they have a nation wide access to information pertaining to the developers, their track record, ongoing and upcoming projects, the real estate market scenario, the trends in the industry, etc. This information is made available to the home seekers, thus facilitating their home buying process.

The HDFC Realty team comprises of trained professionals, who provide personalized attention to every customer; right from understanding the requirement to organizing the site visits for the family members based in India, to completion of the entire property transaction. They attempt to bring together under one umbrella, all the requisite expertise and experience required for varied aspects of property transaction.

In an attempt to break down time and geographical barriers, the services of HDFC Realty are also offered through its portal www.hdfcrealty.com. The portal skillfully combines the boundary less
cyberspace with the tangible real estate, to provide a reassuring personal touch.

4.8.7 Tax Benefits on Home Loans

HDFC’s counselors advise customers on the tax incentives available on home loans, as it qualifies for substantial tax benefits, which makes availing of home loans very attractive. Under Section 24, the interest paid on housing loans for self occupied property is deductible up to Rs. 1,50,000 per annum. Moreover, Section 80 C benefit of upto Rs. 1,00,000 is also available towards the principal amount repaid on housing loans.

HDFC has an extensive network of over 270 inter-linked offices, and 90 outreach locations, reaching out to over 2400 towns and cities all over India. These offices assist customers who walk in to seek clarifications. This extensive network of inter-linked offices also enables a customer to apply from any office for purchase of a house anywhere in India and service the loan through any HDFC office.

All in all HDFC is a Brand, which not only offers Housing Finance but “Total Housing Solutions”.

<table>
<thead>
<tr>
<th>Salaried Person</th>
<th>Self Employed Professionals</th>
<th>Self Employed Businessman</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application form with photograph</td>
<td>Application form with photograph</td>
<td>Application form with photograph</td>
</tr>
<tr>
<td>Identity and Residence Proof</td>
<td>Identity and Residence Proof</td>
<td>Identity and Residence Proof</td>
</tr>
<tr>
<td>Form 16</td>
<td>Last 3 years Income Tax returns (self and business)</td>
<td>Business profile</td>
</tr>
<tr>
<td>Last 6 months bank statements</td>
<td>Last 3 years Profit/Loss and Balance Sheet</td>
<td>Last 3 years Income Tax returns (self and business)</td>
</tr>
<tr>
<td>Processing fee cheque</td>
<td>Last 6 months bank statements</td>
<td>Last 6 months bank statements (self and business)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Processing fee cheque</td>
</tr>
</tbody>
</table>

Detailed cost estimate from architect/engineer for the property to be constructed/renovated.
4.9 HAVING A LOAN ON YOUR HOME

4.9.1 Home Improvement

Having bought a property, sometimes the bigger task is to make it livable by sprucing it up to a level that makes living in it enjoyable. A house is not a home unless it has been decked up according to one’s tastes and preferences, especially since one is likely to spend the next few decades living in it. One could design the interiors of the house by referring to a book or hire an architect to draw up the interior plans but implementing these changes sometimes may come at a hefty cost and where does one raise this additional amount. A lot of times one tends to forego or postpone the interiors because it is beyond one’s budget. HDFC’s Home Improvement loans are just designed to take care of such situations so that one is not forced to live in a house that is not up to the mark. This is even true in the case of an older home where there may be some wear and tear from usage and one may have to get some repairs done. With a home improvement loan one can explore a whole lot in terms of improving the interiors and the functionality of the home without being concerned about the expenses involved. HDFC offer Home Improvement loans and they give homeowners the financial freedom to do a whole lot of things that will provide their home with the much-needed face-lift!

Issues such as external home repairs, internal and external painting, waterproofing and roofing, plumbing and electrical works, tiling, flooring, works of grills and aluminum windows, and almost any improvement except furniture and woodwork that will spruce up the home can be addressed. The loan can also finance the construction of an underground or overhead water tank or say, a bore well. If it’s paving of a compound wall with stones, tiles, et al, that will add value to a home, the loan will finance that as well.
At HDFC one can borrow up to 85 per cent of the home improvement costs and an existing HDFC home loan customer can finance the entire cost of improvement of the property already financed by HDFC. If you are an existing HDFC customer you can avail up to a maximum of 100% of cost of improvement. Just like home loans, the home improvement loan too is easy to arrange, can be applied for either individually or jointly and is repayable in equated monthly installments (EMIs) over a maximum period of 15 years for resident Indians and 5 years for NRIs.

Like home loans these loans are also offered to customers with different interest rate options, which include fixed and floating rates. A fixed rate provides immunization from any fluctuations in interest rates; hence here in the case of rising interest rates, the risk is borne by the financing company and not the customer.

On the other hand if the customer is willing to take a risk, then a floating rate may be a viable option. The rates on the ARHL will be linked to HDFC’s Retail Prime Lending Rate (RPLR). The rate on the loan will be reset every three months from the date of the first disbursement, if there is a change in RPLR.

For a floating rate loan most institutions reset the tenure of the loan if there are any interest rate changes rather than change the EMI to avoid any immediate impact on the customer. However, in such a scenario the customer should be cautious that such increases in the loan tenure do not go beyond their earning years or into their retirement period. The EMI should also cover the interest portion payable on the loan amount.

Apart from the funds that will be available to move ahead with the changes, a major advantage of availing a home improvement loan is the income tax benefit. One can avail of tax benefit of up to Rs.30,000 per annum on the interest paid on home improvement loans.
So if one feels like changing the look and feel of their home, a good option is the home improvement loan. It will not only help in changing the aesthetics of the house but will contribute to a better living environment.

4.9.2 Home Extension Loans

The Home Extension loan facilitates extension of the house to meet the demand of more personal space for a growing family—whether it’s enclosing the open balcony space, adding an extra bathroom or just about anything that would add some space to the house. The maximum amount of such a loan is 85% of the cost of extension.

4.9.3 Home Loans for NRI's and PIO's

Buying a home in India while based abroad can be a complex proposition for a home seeker, as it involves extensive property search, through checking of builder credibility and track record, cumbersome legal process, technical evaluation of property documents and more. The entire process can be time consuming and requires coordination between the customer and the family members based in India.

Recognizing these concerns, HDFC, the pioneer housing finance company of India, has adopted a holistic approach to home loan counseling that is aimed at simplifying the home buying process. This calls for going beyond its core business of home loans and handholding the customer through all aspects of property purchase, be it property search, legal & technical issues, documentation or customization of repayment options. For this HDFC follows a ‘single-window concept’ and acts as a one-stop-destination for all property related requirements.
4.10 PROPERTY ASSISTANCE

Since property purchase involves large investments, it is important that the customer meets the developer in person to discuss freely about all aspect of the project. To facilitate this, HDFC has been regularly organizing property shows in India and abroad, which provide a one-stop destination for the home seekers. Other than being able to choose from a wide range of properties, the visitors at these shows are also comfortable of the developers' credibility and their project quality, as these are all approved by HDFC.

Since HDFC deals with developers on a regular basis their team is aware of the track record and project history of the developers. Additionally, they also have a team of legal and technical experts, who check and verify the requisite documents before approving a project for financing. Since the customers are based abroad this saves a lot of time and effort taken to conduct a detailed due diligence.

4.11 WHY HDFC LTD?

'Customer Service' is the two key words in HDFC's operations. A positive personalized approach towards customer needs is what it has always strived to achieve.

4.11.1 Some of the benefits of choosing HDFC as a loan provider

1) A wide network and international presence: HDFC has a wide network of 270 outlets across India. Internationally it is present in London, Singapore and across the GCC region.
2) Seamless service: Offices of HDFC are seamlessly connected allowing customers to apply for a loan from any of its offices, irrespective of where the property is located in India, and service the loan from the country where they are based.
3) Customized solutions: HDFC offers a wide range of products and multiple repayment options that can be customized based on individual’s requirements.

4) Pre-approved Home Loan: HDFC provides the facility of approving the loan even before a property is selected, which helps the customer in narrowing their property search and minimizes the time taken for the entire loan process.

5) Flexible mode of repayment: Repayment can be made in Equated Monthly Instalments (EMI) from NRE/NRO account. Customers can also avail the Standing Instruction facility from HDFC Bank.

6) Expert Advice: With its three decades of experience in the Housing financial sector, HDFC has gained an in-depth knowledge of the real estate market, which enables the counsellors to guide the customers on all aspect of home buying including Legal & Technical services that include:

4.11.2 Legal

1) In-house legal team goes through the title deed, link documents and Encumbrance certificate (EC).

2) EC is scrutinized to ensure that all the title/link documents pertaining to the property have been obtained.

3) Documents are verified to check the chain of seller(s) and buyer(s) is properly maintained.

4) The age of the seller(s) and buyer(s) need to be verified.

5) The boundaries of the property are checked in all the title/link documents.

6) The title/link documents are further scrutinized to ensure that the buyer has absolute and marketable title.

7) Ensures that the plot does not fall in areas adversely notified by Government and also that the property is not situated in lands notified as Government lands.
8) If the property is situated in recently developed areas appropriate lay out approvals by necessary authorities should be provided.

4.11.3 Technical

1) The technical team also ascertains whether the plan approval has been obtained from appropriate authorities.
2) Whether the actual construction is done according to the approved plan.
3) In case of a flat, it also ensures that it is not built in areas earmarked for parking or open-area.
4) In case of a flat, it ensures that it is situated on the approved floor.
5) Be it an independent house or flat, the setback, extension of balconies, provision for road widening also needs to be checked.

These services usually save a lot of time and hassle for the customer, as HDFC's experienced in-house counsellors approves all the legal and technical aspect of property documentation. Also it saves a lot of money as HDFC's processing and administrative charges cover all these expenses.

4.11.4 Loans Products for NRI's and PIO's

HDFC's NRI Home loans make home coming to India a beautiful reality. The home can be anything from a modest apartment to a row house to a spacious bungalow, and HDFC will finance it.

4.11.5 Fixed Rate Home Loan

HDFC provides home loans for the construction/purchase of homes (Fresh / Resale). A customer who is totally risk averse can opt for a fixed rate loan as the rate of interest here is not subject to any change at all and remains fixed throughout the tenure of the loan irrespective of any
fluctuations in the interest rates in the economy or the institutions internal policies.

4.11.6 Adjustable Rate Home Loan (ARHL)

On the other hand if the customer is willing to take a risk, then a floating rate may be a viable option. The rates on the ARHL will be linked to HDFC's Retail Prime Lending Rate (RPLR). The rate on the loan will be reset every three months from the date of the first disbursement, if there is a change in RPLR.

For a floating rate loan most institutions reset the tenure of the loan if there are any interest rate changes rather than change the EMI to avoid any immediate impact on the customer. However, in such a scenario the customer should be cautious that such increases in the loan tenure do not go beyond their earning years or into their retirement period. The EMI should also cover the interest portion payable on the loan amount.

4.11.7 Loan Amount and Tenure

Loans are available for a maximum of 85% of the cost of the property, is available, maximum term being 7 years. For professionals, the term can be extended up to 20 years.

4.11.8 Home Improvement Loans

Home Improvement Loans will help give a new look to the house and takes care of everything related to renovation of the home. It facilitates internal and external repairs and improvements such as painting, roofing, waterproofing, plumbing & electrical works, tiling and flooring, grills and aluminum windows, woodwork, etc. Basically anything that would ultimately be a great value addition to the home. One can borrow up to a maximum of 85% of the cost of renovation. Existing HDFC customers can borrow up to a maximum of 100% of the cost of renovation. Existing HDFC customers
can borrow up to a maximum of 100% of the cost of renovation. The term of the loan is a maximum of 5 years.

4.11.9 Home Extension Loans

The Home Extension loan facilitates extension of the house to meet the demand of more personal space for a growing family—whether it’s enclosing the open balcony space, adding an extra bathroom or just about anything that would add some space to the house. The maximum amount of such a loan is 85% of the cost of extension, for a maximum term of 7 years. For professionals, the term can be extended up to 20 years.

4.11.10 HDFC Land Loan

HDFC’s Land Loan is available for purchasing land for building a home. Loan can be availed up to maximum of 85% of the cost of land, for a maximum term of 7 years. For professionals, the term can be extended up to 20 years.

4.12 REPAYMENT OPTIONS

HDFC has customized repayment options that structure the loan in such a way that it offers flexibility to customers, enhances their loan eligibility, optimizes tax benefits and customizes EMIs according to their repayment capacity.

4.12.1 Step up Repayment Facility (SURF)

SURF provides customers with repayment schedules, which are linked to their expected growth in income. It also helps a customer get a larger amount of loan as compared to the normal housing loan and helps optimise tax benefits. The customer gets a higher amount of loan and pays lower EMIs in the initial years. Subsequently, the repayment is accelerated proportionately with the assumed increase in his income.
The EMIs will be increased in stages. For eg: For a 15-year loan, the repayment schedule, divided into 3 tranche would give a step up in the EMI at the end of the 3rd and 7th year. The EMIs for the first seven years constitute a large part of interest and a nominal sum of the principal portion. For the balance 8 years, the EMIs are stepped up to recover the outstanding principal and interest for the remaining term of the loan.

In view of the tax benefits on the interest paid on the housing loans, this product can be used to optimise the tax benefit as it defers the payment of principal.

4.12.2 Flexible Loan Installment Plan (FLIP)

This product suits the needs of customers whose repayment capacity is likely to alter during the term of the loan. The EMI is higher during the initial years and subsequently decreases in the latter part proportionate to the reduced income of the customer. For eg: If Husband has 10 years of service left and wife has 15 years to retire then a 15 year loan can be structured such that a higher EMI (serviced out of both the incomes) is paid for first 10 years and a lower EMI (serviced out of only wife's income) is paid for next 5 years.

4.12.3 Acceleration of EMI

Under this facility, the customer has an option to increase the EMIs every year in proportion to the increase in his income. Here the customer would end up repaying the loan at a much faster rate and the interest burden would also come down. Also since the increase in EMI is only to the extent of the increase in income, the increased EMI would not burden them. No charges are to be paid to avail this facility.
4.12.4 Documentation

For speedy approval of loan application, customers is to submit the following documents:

<table>
<thead>
<tr>
<th>Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application form with photograph</td>
</tr>
<tr>
<td>Photocopy of the Employment Contract or Labour Contract and English translation countersigned by your employer</td>
</tr>
<tr>
<td>Latest salary certificate (in English) specifying the following:</td>
</tr>
<tr>
<td>Name (as it appears in the passport)</td>
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<tr>
<td>Date of joining</td>
</tr>
<tr>
<td>Passport Number</td>
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<tr>
<td>Designation</td>
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<tr>
<td>Perquisites and salary</td>
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<tr>
<td>Photocopy of Identity card / Labour card</td>
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<tr>
<td>Photocopy of latest work permit</td>
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<tr>
<td>Photocopy of valid resident visa stamped on the passport</td>
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<tr>
<td>Overseas Bank Account and NRE/NRO statement for the last six months.</td>
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<tr>
<td>Continuous Discharge Certificate (CDC) if applicable</td>
</tr>
<tr>
<td>Latest Credit Bureau Report [Applicable to customers residing in countries where Credit Bureaus exists. eg. USA, UK etc.]</td>
</tr>
<tr>
<td>Property related documents</td>
</tr>
<tr>
<td>Processing fee cheque</td>
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</tbody>
</table>

4.12.5 HDFC Realty Team

With the property and real estate market becoming dynamic than ever before, it has become imperative for the Sellers and Buyers of property to come closer. HDFC Realty is a team of real estate professionals that facilitates Buying, Selling or Leasing of Residential / Commercial property in India. By virtue of being HDFC subsidiary, they have a nationwide access to information pertaining to the developers, their track record, ongoing and upcoming projects, the real estate market scenario, the trends in the industry, etc. This information is made available to the home seekers, thus facilitating their home buying process.

The HDFC Realty team comprises trained professionals, who provide personalized attention to every customer; right from understanding
the requirement to organizing the site visits for the family members based in India, to completion of the entire property transaction. They attempt to bring together under one umbrella, all the requisite expertise and experience required for varied aspects of property transaction.

In an attempt to break down time and geographical barriers, the services of HDFC Realty are also offered through its portal www.hdfcrealty.com. The portal skill fully combines the boundary less cyberspace with the tangible real estate, to provide a reassuring personal touch.

PURPOSE
External repairs
Tiling and flooring
Internal and external painting
Plumbing and electrical work
Waterproofing and roofing
Grills and aluminium windows
Waterproofing on terrace
Construction of underground/overhead water tank
Paving of compound wall (with stone/tile/etc.)
Borewell

MAXIMUM LOAN
Existing Customer
100% of the cost of improvement
New Customer
85% of the cost of improvement
Subject to market value of the property

MAXIMUM TERM
5 years subject to your retirement age.

4.12.6 Applicant and Co-Applicant to the loan

Home Loans can be applied for either individually or jointly. Proposed owners of the property, will have to be co-applicants. However, the co-applicants need not be co-owners.
4.12.7 Adjustable Rate Home Loan

Loan under Adjustable Rate is linked to HDFC’s Retail Prime Lending Rate (RPLR). The rate on your loan will be revised every three months from the date of first disbursement, if there is a change in RPLR, the interest rate on your loan may change. However, the EMI on the home loan disbursed will not change*. If the interest rate increases, the interest component in an EMI will increase and the principal component will reduce resulting in an extension of term of the loan, and vice versa when the interest rate decreases.

4.13 HDFC HOME LOAN ADVANTAGES

4.13.1 Home Loan Counselling - Sharing of over 30 years of home loan experience

We have been a part of a 30 year journey with our 33 Lakh customers. Our home loan counsellors offer you the time tested advice. Be it legal documentation, project or builder approvals, and technical advice, we look forward to sharing with you and this service is absolutely free. Our project approval facility provides our customers the comfort of purchasing properties from builders who have complied with all basic documentation.

4.13.2 Door Step Service - We help you find your dream home

You can buy, sell, lease residential or commercial properties through HDFC Realty.

4.13.3 Wide Product Range

HDFC provide loans to meet all your requirements for you to make that house a home. Home Loans, Home Improvement Loans, Home Extension Loans, Loans to professionals for office or clinic, Home Equity
Loans (Loan against Property), Loan against Rent receivables, Short Term Bridging Loan. Loans on Adjustable Rate, Fixed Rate.

4.13.4 Multiple Repayment Option

1) Step Up Repayment Facility

Helps young executives take a much bigger loan today based on an increase in their future income, this helps executives buy a bigger home today!

2) Flexible Loan Instalments Plan

Often customers, parents and their children, wish to purchase properties together. The parent is nearing retirement and their children have just started working. This option helps such customers combine the incomes and take a long term home loan where in the installment reduces upon retirement of the earning parent.

3) Tranche Based EMI

Customers purchasing an under construction property need to pay interest (on the loan amount drawn based on level of construction) till the property is ready. To help customer save this interest, we have introduced a special facility of tranche Based EMI. Customers can fix the instalments they wish to pay till the property is ready. The minimum amount payable is the interest on the loan amount drawn. Anything over and above the interest paid by the customer goes towards Principal repayment. The customer benefits by starting EMI and hence repays the loan faster.

4) Accelerated Repayment Scheme

Accelerated Repayment Scheme offers you a great opportunity to repay the loan faster by increasing the EMI. Whenever you get an
increment, increase in your disposable income or have lump sum funds for loan prepayment, you can benefit by

5) Increase in EMI means faster loan repayment
6) Saving of interest because of faster loan repayment
7) You can invest lump sum funds rather than use it for loan prepayment. The return from the investments also gives you the comfort of paying the increased EMI.

4.13.5 Wide Network of Financing

With over 200 offices, 90 outreach programs - HDFC is able to provide home loans in over 2400 locations in India. You can apply at your local HDFC office for properties in locations where we finance.

4.13.6 Post Disbursement Services

Income tax Certificate to enable you to claim the tax benefits are sent to you. This service is absolutely free.

1) Loan Repayment
2) ECS facility
3) Post dated cheques - No charges for replacement of cheques
   Loan repayment at any HDFC offices

4.14 EXISTING LOAN CUSTOMERS

Home Improvement Loans

This loan facilitates internal and external repairs and other structural improvements like Painting, Waterproofing and Roofing, Plumbing and Electrical Works, Tiling and Flooring, Grills and Aluminium Windows compound walls and almost all improvements, etc. One can borrow a maximum of Rs. 100 lacs or 100% of the cost of renovation, whichever is
lower against a new customer who can borrow only up to 85% or Rs 100 lacs whichever is lower.

**Home Extension Loans**

HDFC provides Home Extension Loans specifically to facilitate the extension of an existing dwelling unit. The maximum amount of such a loan is Rs. 100 lacs or 100% of the cost of extension, whichever is lower. This loan can be taken for a maximum of 20 years and is to be repaid in equated monthly instalments.

**Home Conversion Loans**

Existing HDFC borrowers can avail of a Home Conversion Loan to acquire another dwelling unit, through sale of the existing dwelling unit. The existing loan can be transferred to the new property with an increase in loan amount based on the current eligibility. This saves the customer from the hassle of prepaying the first loan and availing of new loan thus saving them prepayment charges and processing charges to the extent of loan conversion.

**Top-Up Loans**

This product offers an existing resident Indian customer a loan against the mortgage of the existing property. It helps in encashing the investment in a house without having to dispose it off to fund various needs related to Higher Education, Purchase of Furniture, Business Requirements, etc. The maximum loan amount under this product is 60% of the market value of the property less the outstanding loan and is subject to the current loan eligibility.

The maximum term of the loan is 10 years. Top up loans can given after 1 to 2 years [based on our discretion], of the final disbursement of the existing loan or upon possession/completion of the existing financed property.
Eg:
Existing outstanding Loan - Rs 3 lacs.
Current market value of property - Rs 10 lacs
Maximum loan eligibility - 60% of market value - i.e. Rs 6 lacs
Actual Loan Eligibility - Rs 6 lacs less Rs 3 lacs = Rs 3 lacs

4.15 PROPERTY RELATED SERVICES

Property Identification and Sales Service

HDFC's Property Services Group assists individuals and corporates to locate suitable residential accommodation in certain major cities and towns in India. These facilities are also available to Non-Resident Indians.

Property Valuations

HDFC undertakes valuation of commercial and residential premises for corporate clients.

4.16 FAIR PRACTICES CODE

4.16.1 Intent and Content

This Code has been formulated by Housing Development Finance Corporation Limited (the Corporation) pursuant to the Guidelines issued by the National Housing Bank on Fair Practices Code for Housing Finance Companies vide its circular bearing No. HB(ND)/DRS/POL- No. 16/2006 dated September 05, 2006. This Code has come into force from 19th October, 2006.

4.16.2 Objectives

1) Follow good, fair and transparent business practices by setting reasonable standards;
2) Encourage market forces, through fair competition, to achieve higher operating standards;

3) Relate to the customer in such manner so as to promote a fair and cordial relationship;

4) Set such standards and practices so as to foster confidence in the housing finance system.

4.16.3 Application

1) To be applicable to all persons offering the Products and Services of the Corporation as an employee or otherwise in any manner and/or by any mode.

2) The Code is applicable under normal operating environment except in the event of any force majeure.

3) The Code is based on ethical principles of integrity and transparency and all actions and dealings shall follow the spirit of the Code.

4.16.4 Commitment

1) The Corporation shall at all times do its best to act fairly, reasonably and meet the standard practices prevalent in the housing industry.

2) The Corporation shall abide by all the relevant laws, regulations and meet with the ethical principles of integrity and transparency during its interaction with customers.

3) While interacting with customers, the Corporation may take all steps as may be required to provide clear information either in English or Hindi or the appropriate local language regarding:

4) its various products and services;

5) the terms and conditions, the interest rates/service charges;

6) benefits available to customers and the implications, if any;

7) contact persons for addressing the queries, if any;
8) The Corporation will provide a copy of this Code, at request, to the customer. The Code will also be made available on its Website and at every branch/office.

9) The Corporation would not discriminate on grounds of sex, caste and religion in the matter of lending. However this does not preclude the Corporation from participating in credit-linked schemes for the weaker sections of society and in respect of schemes formulated by NHB/other Government Agencies, implemented through the Corporation.

10) The Corporation shall treat the information relating to customers as strictly confidential and shall not share any information, unless required under law or waived or permitted by the customer.

11) The Corporation shall take necessary steps to inform its customers of their right to information regarding their account and the facilities available to them.

12) The Corporation shall be clear and not misleading in any of its advertising and promotional materials.

13) The Corporation shall inform its customers of all financial information such as rates of interest, charges, method of calculation etc through brochures, posters or during the course of meeting with the customers etc prior to entering into any transaction.

14) The Corporation shall endeavour to keep its customers informed of any change in interest rates/charges etc through letters or any other form of general or public announcement or displays, from time to time.

4.16.5 Know Your Customer Guidelines

The Corporation shall assist its customers in complying with the Know Your Customer norms (KYC) and the Anti Money Laundering Policy (AML).
The Corporation will cause the customer to comply with the KYC and AML or any other statutory requirements, by providing all necessary information/documents. In the event the customer fails to do so, the Corporation will be at liberty to reject/close the account.

4.16.6 Loans and Deposits

1) The Corporation shall provide the details of the terms of the deposit, the applicable rate of interest, the terms of renewal, premature withdrawals, loans against deposits, nomination facilities, schemes available for the special accounts of senior citizens, physically challenged, illiterate persons etc.

2) The Corporation in the normal course of its business shall endeavour at all times to guide its customers about the process and procedure to be followed for availing a loan.

3) Each application shall be considered independently on merit, upon scrutiny of all the information, documents required for verifying the title of the property, identity of the person, entity and the security to be offered, including guarantees.

4) The letter of guarantees to be executed by the guarantors would cover their obligations, liabilities and circumstances in which they can be called upon to pay the dues of the customer/borrower.

5) It shall be the endeavour of the Corporation to inform the customer whose application has been rejected.

4.16.7 Collection of Dues

1) The Corporation shall provide the customers with all the information regarding their dues and provide reasonable time for payment of the same.
2) The Corporation shall while protecting its interest adopt reasonable and lawful measures to recover its dues from defaulting customers, including use of persuasive methods for the purpose of collection of its dues.

3) Complainants and Grievances

4) The Corporation shall endeavour to address/respond to all complaints and grievances within a reasonable time and keep the customers informed about the status of their complaints.

5) The Corporation shall make available facilities at each of its branches and offices for the customers to lodge and/or submit their complaints or grievances, if any.

4.17 HOME LOAN FAQS - RESIDENT INDIANS

Home Loan for Resident Indians

Housing Finance Companies (HFCs) offers housing loan options for Resident Indians ranging from buying a house either from the developer or a second owner or for the improvement and renovation of the existing building structure. Following are the few questions regarding home loans which come to your mind when you think of buying a home:

Q1. What Is The Loan Amount Which Can Be Sanctioned?

HFCs sanction loan amounts is based on eligibility depending upon your repayment capacity (which takes into account your age, qualifications, assets, liabilities, stability of occupation, savings history) and according to your income. The maximum loan that can be sanctioned varies with housing finance companies and the generally, the maximum loan amount is 80 to 85% of the cost of your home.
Q2. When and how can an application be made for home loans?

An application for home loans can be made any time after you have decided to acquire/construct a property, even if the property has not been selected or the construction has not commenced. An application form along with the necessary documents has to be submitted to the respective finance company after which they would review the application and decide on its status.

Q3. How much time does it take to get an application processed and the loan getting sanctioned?

The processing of a home loan application, if the documents are in order, takes around fifteen days and it takes another week for the company to check out the property papers and make the disbursement.

Q4. What are the types of home loans available?

There are a variety of home loans made available by the different finance companies.

1. Home Purchase Loans
2. Home Improvement Loans
3. Home Construction Loans
4. Home Extension Loans
5. Home Conversion Loans
6. Land Purchase Loans
7. Bridge Loans
8. Balance-Transfer Loans
9. Re-finance Loans
10. Stamp Duty Loans
11. Loans to NRIs
Q5. What are the fees and charges payable and when are they payable?

Processing fees and administrative fees, both payable upfront; are the charges payable to the Housing finance companies for sanctioning of Housing loans. The processing fee (fees at the time of application) could range between 0.8% to of the loan amount applied for, and is generally levied to cover the costs incidental to the application. Once the loan is sanctioned, an administrative fee of 1% of the loan amount sanctioned will have to be paid.

Q6. What is the maximum home loan amount which can be borrowed?

The maximum home loan amount one can borrow depends on many factors, which include the purpose of the loan, whether for purchase of property, or improvement or purchase of land for development. Also the residential status of the applicant, whether resident in India or non-resident will also have a bearing on the maximum quantum of loan that one can borrow. Typically, a Resident Indian can borrow up to 85% of the cost of the property, including cost of land, subject to a maximum of Rs 5,000,000.

Q7. What is a fixed interest rate?

A Fixed interest rate for Home loans is one where the rate charged by the HFC on the loan amount is constant over the tenure of the loan. A fixed interest rate protects the borrower from a rise in home loan rates. While on the flip side, he may not benefit if the market rates were to fall. Therefore, it is advisable to go in for a fixed rate if you feel that the rate of interests in the market have touched rock bottom and the rates can only move upwards.

Q8. What is a floating interest rate?
A Floating interest rate for home loans is a loan where the interest rate which is payable is linked to the market rate e.g. the bank lending rate. The interest rate payable by you will also rise and fall as per bank lending rates which may fluctuate.

Q9. What is the basis of interest rates calculation?

Home loans interest rate in India is usually calculated either on monthly reducing or yearly reducing balance. In the Monthly reducing system, the principal on which you pay interest reduces every month as you pay your EMI. While in the Annual Reducing system the principal is reduced at the end of the year, thus continuing to pay interest on a certain portion of the principal which you have actually paid back to the lender thus making EMI for the monthly reducing system effectively lesser than the second system of calculating interest.

Q10. What are Collateral Securities taken by the Housing Finance Companies?

Collateral securities are the additional securities taken by the HFCs which may be in the form of guarantee from one or two persons, assignment of life insurance policies, deposit of shares and units or other securities. These additional securities are taken so that if a loan is not paid back, recourse may be taken to such securities instead of depending upon the mortgage of the property which is the last resort.

Q11. What are the repayment period options?

Repayment period options range generally from 5 to 15 years. A 20-year repayment period option is also provided by a few HFC's usually at a higher interest rate.

Q12. What is Pre EMI?
Pre EMI is the amount of loan paid in simple interest as agreed upon with the HFC for a property that's yet under construction. The HFC makes the disbursement in parts as per the stage of construction of your property. Once the property is ready for possession and the possession letter is produced to the HFC, the final disbursement is made. You start paying your EMI from the month following which the full disbursement is made.

Q13. What is meant by an EMI (Equated Monthly Instalment)?

An EMI refers to the fixed sum of money that you will be paying to the housing finance company every month against a loan amount borrowed for a fixed period of time. An EMI has two components, the principal component and the interest component. The amount of the EMI depends on the quantum of loan, interest rate applicable and the term of the loan. The loan carrying the lower EMI for the same tenure is the cheaper option.

Q14. Can one repay the loan ahead of schedule?

It is possible to repay a loan ahead of schedule. A form of a penalty termed as a pre-payment penalty is payable to certain institutions which varies from one HFC to another.

Q15. How does one get a tax benefit on the loan?

There is eligibility for certain tax benefits on principal and interest components of a housing loan under the Income Tax Act, 1961. Moreover, you can get added tax benefits under Sec 88 on repayment of principal amount. Moreover, you can get added tax benefits under Sec 80 C on repayment of principal amount up to Rs. 1, 00,000 p.a. that can further reduce your tax liability by about Rs. 30,000 p.a.

Q16. Does the property on which home loan is taken have to be insured?
You will have to ensure that the property is duly and properly insured for fire and other appropriate hazards, as required by the HFC during the period of the loan and will have to produce evidence each year and/or whenever required by the HFC. The HFC will be the beneficiary of the insurance policy and will be an additional cost that will add to the final cost of purchase of the property.

Q17. Does the agreement for sale have to be registered?

In many states in India, registration of the property is lawfully mandatory the Agreement for Sale between the developer and the home buyer. You are advised, in your own interest to lodge the Agreement for Sale at the office of the Sub-registrar appointed by the State Government under the Indian Registration Act, 1908

Q18. Can a NRI avail of a housing loan?

Yes, NRIs can avail of a housing loan to buy a property in India. However, the terms and conditions for a NRI loan offered by the banks and HFCs are different than Housing finance granted to Residents of India.
<table>
<thead>
<tr>
<th>SR.NO.</th>
<th>YEAR</th>
<th>PARTICULARS</th>
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<tbody>
<tr>
<td>2</td>
<td>1995</td>
<td>India's Best Managed Company by Asia Money magazine - 1995 and 1996</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>Best presented accounts 1994-95 and 1996-97 (3rd place) - in the SAARC region by the South Asian Federation of Accounts in the financial sector category.</td>
</tr>
</tbody>
</table>
| 4      | 1996 | 1) JRD Tata Corp. Leadership Award by Tata chem Golden Jubilee Foundation and All India Management Association - 1996. (for Mr. Deepak Parekh)  
2) Businessman of the Year by Business India - 1996. (for Mr. Deepak Parekh)  
3) India’s Best Managed Company by Asia Money magazine - 1995 and 1996  
4) Mr Deepak Parekh, Chairman HDFC Ltd. awarded the Best Non Executive Director 2006 by the Asian Centre for Corporate Governance |
| 6      | 1997 | 1) One of the 5 Best Indian Boards by Business Today -1997  
2) Most Competitive Indian Company Most Competitive Indian Company by Euro Money - 1997  
3) Best presented accounts Best presented accounts 1994-95 and 1996-97 (3rd place) - in the SAARC region by the South Asian Federation of Accounts in the financial sector category. |
<table>
<thead>
<tr>
<th>Year</th>
<th>Date</th>
<th>Awards</th>
</tr>
</thead>
</table>
2) Excellence in service industry Excellence in service industry by the Indian Institute of Marketing Management & Top Management Club (Pune) - 1998  
3) Best companies in India for strategy & management Rated as one of the best companies in India for strategy & management and investor relations by Asia Money – 1998 |
| 8    | 1999 | 1) IMC Ramakrishna Bajaj National Quality Award - IMC Ramakrishna Bajaj National Quality Award in the service category - 1999.  
2) Best presented accounts for banks Shield for the best presented accounts for banks and financial institutions - over 11 times (last 8 years in a row) |
2) Best Managed Company and Asia Pacific region's India's Second Best Managed Company and Asia Pacific region's 18th, by Asia Money magazine - 2000 |
| 10   | 2001 | 1) Asia's top 10 best managed companies One of Asia's top 10 best managed companies in the financial sector by Euro Money - 2001.  
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<tbody>
<tr>
<td><strong>11</strong></td>
<td><strong>2002</strong></td>
<td>Best Non-Banking Financial Company in Asia Rated as the Best Non-Banking Financial Company in Asia by Institutional Investor Research Group -2002</td>
</tr>
</tbody>
</table>
| **12** | **2003** | 1) Clean Sweep by HDFC at the 43rd ABCI Awards  
2) National Award for Excellence In Corporate Governance by The Institute of Company Secretaries of India  
3) 2nd Best Company for Corporate Governance in India by The Asset magazine.  
4) The Economic Times Lifetime Achievement Award - 2003. (for Mr. Deepak Parekh - Chairman, HDFC Ltd.)  
5) One of the Top Ten - Most Admired Companies in India ' - 2003 by Business Barons  
6) One of the Top Ten - Most Admired CEOs in India ' - 2003 by Business Barons (for Mr. Deepak Parekh)  
7) India's Second Best Managed Company - 2003 by Finance Asia.  
8) India's Biggest Wealth Creator in the banking and financial services by the fourth Business Today - Stern Steward Survey.  
9) One of the Top Ten - Most Respected Companies in India' by Business World.  
10) Highest rating for 'Governance and Value Creation' by CRISIL.  
11) Top ten 'Company Leaders in India' One among the top ten 'Company Leaders in India' by the Far Eastern Economic Review Survey.  
12) Best Managed Financial Institution in India' by fox Pitt Survey. |
<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2005</th>
</tr>
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<tbody>
<tr>
<td>1)</td>
<td>Awards galore by HDFC at the 44th ABCI Awards !!!</td>
<td>HDFC receives award for 'The Best Presented Accounts' of The Institute of Chartered Accountants of India for 2004-05</td>
</tr>
<tr>
<td>2)</td>
<td>5th Best Company to work for in India, ranked by Business Today in November 2004</td>
<td>HDFC Ranked as 'India's Third Best Managed Company' by Finance Asia - 2005</td>
</tr>
<tr>
<td>3)</td>
<td>Economic Times Corporate Citizen of the Year Award, November 2004</td>
<td>Mr Deepak Parekh awarded the 'Hall of Fame' award by Outlook Money magazine.</td>
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<tr>
<td>4)</td>
<td>Rated by Deutsche Bank as one of the top 5 banks/Financial Institutions in Asia in October 2004</td>
<td></td>
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<tr>
<td>5)</td>
<td>Ranked among the Top 20 companies to deliver healthiest returns to shareholders, Outlook Money Magazine - September 2004</td>
<td></td>
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<td>6)</td>
<td>1st Prize at the New York Festival's Gold Midas Awards for Environmental Communication Ad in August 2004</td>
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<td>7)</td>
<td>Features in the Forbes list of Top 20 Leading Indian Companies in May 2004.</td>
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<td>9)</td>
<td>HDFC Ranked No. 3 - 'India's Best Managed Companies' by Finance Asia.</td>
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<td>14</td>
<td>2005</td>
<td>2005</td>
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<tr>
<td>1)</td>
<td>HDFC receives award for 'The Best Presented Accounts' of The Institute of Chartered Accountants of India for 2004-05</td>
<td>HDFC Ranked as 'India's Third Best Managed Company' by Finance Asia - 2005</td>
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<td>2)</td>
<td>HDFC Ranked as 'India's Third Best Managed Company' by Finance Asia - 2005</td>
<td>Mr Deepak Parekh awarded the 'Hall of Fame' award by Outlook Money magazine.</td>
</tr>
<tr>
<td>3)</td>
<td>Mr Deepak Parekh awarded the 'Hall of Fame' award by Outlook Money magazine.</td>
<td>HDFC receives the 'Dream Home' award for the best Housing Finance Company for 2004 from Outlook Money magazine.</td>
</tr>
<tr>
<td>Year</td>
<td>2006</td>
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<td>15</td>
<td>Mr Deepak Parekh, Chairman HDFC Ltd. awarded the <em>Best Non Executive Director 2006</em> by the Asian Centre for Corporate Governance</td>
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<td></td>
<td>Mr Keki Mistry, Managing Director HDFC Ltd. awarded the Best Performing CFO in the Financial Services Sector at the CNBC-TV18 CFO Awards 2006</td>
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<td></td>
<td>HDFC won the award for 'Investment Management in India' at the EUROMONEY 2006 Real Estate Awards</td>
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<td></td>
<td>'Best Home Loan Provider' title at the Zee Business Pinnacle Awards, 2006</td>
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<td></td>
<td>Limca Book of Records, 2006: HDFC for the landmark achievement of Rs. One Lakh Crore</td>
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<td>'Best Strategy', at the 4Ps Business, Marketing &amp; Advertising Power Awards 2006</td>
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<td></td>
<td>Dun &amp; Bradstreet - American Express Corporate Awards 2006</td>
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<td></td>
<td>Mr. Deepak Parekh, Chairman, HDFC Ltd. conferred with the prestigious Padma Bhushan award</td>
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<tr>
<th>Year</th>
<th>2007</th>
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<tbody>
<tr>
<td>16</td>
<td>Mr Keki Mistry awarded the 'Best Performing CFO' in the financial services sector for 2007 by CNBC-TV 18</td>
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<tr>
<td></td>
<td>Business Today selects Renu Sud Karnad as a Powerful Woman in Indian Business</td>
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<tr>
<td></td>
<td>'HDFC emerged as the best 'Investment Management Company' in India at the Liquid Real Estate Awards - 2007 organised by EUROMONEY</td>
</tr>
<tr>
<td></td>
<td>HDFC ranked 3rd amongst the <em>Asian Banking and Finance Sector</em> for 'Highest Return on Equity' by</td>
</tr>
</tbody>
</table>
5) Ms Renu Sud Karnad, Executive Director, was one of the eminent women felicitated by the FICCI Ladies Organization at their Women Achievers Award – 2007

17 2008

1) Mr. Deepak Parekh conferred with the 'CNBC Awaaz-CRISIL Lifetime Achievement Award for Outstanding Contribution to Real Estate'.

2) Goldman Sachs lists HDFC as one of the 7 world's best companies from the financial services space to sustain competitive advantage in the long term.

3) The US Banker Magazine selected Renu Sud Karnad as one of the Top 25 Non-Banking Women in Finance - October 2008

4) Renu Sud Karnad selected as one of the Most Powerful Women in Indian Business by Business Today - October 2008

5) HDFC scored a rating of 4 out of 5 at the Karmayog Corporate Social Responsibility Ratings - 2007

6) Ms Renu Sud Karnad selected as the Best Woman Corporate Leader of the Year by Business & Economy Magazine

7) HDFC selected as the top Indian company in FI's / NBFCs / Financial Services Sector for the DUN & BRADSTREET - American Express Corporate Awards 2007

8) Mr Deepak Parekh recognized by Finance Asia for his lifetime achievements, at their Achievement Awards ceremony held in Hong Kong on 24th Jan, 2008.
<table>
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<tr>
<th></th>
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<th>2009</th>
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<tr>
<td>1</td>
<td>Mr. Deepak Parekh along with the team that revived Satyam, received CNN-IBN's 'Indian of the Year' Award in the business category</td>
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<tr>
<td>2</td>
<td>Motilal Oswal Financial Services for the second time ranked HDFC as the 'Most Consistent Wealth Creator' in its 14th Annual Wealth Creation Study, which analyses the top 100 wealth creating companies of India. HDFC is ranked as the most consistent by virtue of its 10-year price CAGR being the highest.</td>
<td></td>
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<tr>
<td>3</td>
<td>Mr. Deepak Parekh received the 'NDTV Profit Business Leadership Award' for being part of the team that revived Satyam.</td>
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<td>4</td>
<td>Ms. Renu Sud Karnad for the fifth time featured amongst Business Today's '30 Most Powerful Women in Indian Business'</td>
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<td>5</td>
<td>HDFC's Fixed Deposit Program has been reaffirmed the 'AAA' credit rating for the 15th consecutive year by CRISIL and ICRA</td>
<td></td>
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<tr>
<td>6</td>
<td>HDFC featured amongst the 'Top 50 Best Companies to Work For - 2009', a study conducted by The Great Place to Work® Institute in association with The Economic Times. In addition, HDFC was adjudged as the 'Best Company for Management Credibility' overall, and bagged the third rank in the Banking and Credit Services Industry</td>
<td></td>
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<td>7</td>
<td>In a study of 1000 largest Indian companies undertaken by Karma yug in 2008, HDFC scored the highest rating of 4 out of 5 for its CSR projects and activities for the second year in a row.</td>
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<td>8)</td>
<td>Mr Deepak Parekh amongst India's 50 Most Powerful People 2009 - Business Week (Apr '09)</td>
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<td>9)</td>
<td>Mr Deepak Parekh features among the top of India Inc's Most Powerful CEOs - Survey by Economic Times with IMRB (Mar '09)</td>
<td></td>
</tr>
<tr>
<td>10)</td>
<td>Mr. Deepak Parekh selected for the IMC Juran Quality Medal 2008 for his excellent customer-centric work in various initiatives related to the fields of Banking &amp; Finance (Mar '09)</td>
<td></td>
</tr>
<tr>
<td>11)</td>
<td>HDFC selected as the 'Top Indian Company in FIs / NBFCs / Financial Services sector' for the Dun &amp; Bradstreet - Rolta Corporate Awards 2008 (Mar '09)</td>
<td></td>
</tr>
<tr>
<td>12)</td>
<td>Mr. Keki Mistry awarded the &quot;Best CFO in the Financial Services Sector&quot; and the &quot;CFO of the Year&quot; for 2008 by CNBC TV18 (Mar '09)</td>
<td></td>
</tr>
<tr>
<td>13)</td>
<td>Mr. Keki Mistry declared the Best CFO in the Financial Services category by the Institute of Chartered Accountants of India (ICAI) (Jan '09)</td>
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<td>14)</td>
<td>Mr. Deepak Parekh is CNBC's Outstanding Business Leader (Jan '09)</td>
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<td>15)</td>
<td>Mr Deepak Parekh awarded the 'Business Leader of the Year' by NDTV (Jan '09)</td>
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<td>19</td>
<td>2010</td>
<td></td>
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<tr>
<td>1)</td>
<td>Mr Deepak Parekh Awarded &quot;the Most Inspiring Business leader&quot; by NDTV Profit</td>
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<tr>
<td>2)</td>
<td>HDFC wins the 'Most Consistent Wealth Creator' award in the 14th Motilal Oswal Wealth Creation Study</td>
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<td>3)</td>
<td>Government of French Republic bestows Mr Deepak Parekh with the title of Knight in the Order of the Legion of Honour.</td>
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<td>4)</td>
<td>Mr. VS Rangan, Executive Director, HDFC has been awarded the &quot;Best CFO in the financial sector&quot; for 2010 by ICAI.</td>
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<td>5)</td>
<td>Verve Power List 2010 (June '10)Ms. Renu Sud Karnad featured in Verve magazine's list of 50 power women.</td>
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<tr>
<td>6)</td>
<td>HDFC featured in Finance Asia magazine's list of Asia's Best Managed Companies.</td>
<td></td>
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<tr>
<td>7)</td>
<td>ET - Corporate Dossier List of India Inc's Most Powerful Women leaders (Apr '10)Ms. Renu Sud Karnad featured among the list of top 15 powerful women CEOs.</td>
<td></td>
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<td>8)</td>
<td>Mr. Deepak Parekh voted among India's Most Trusted by people across India in a poll conducted by Reader's Digest on a list of 100 public figures.</td>
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<tr>
<td>9)</td>
<td>Mr. Deepak Parekh featured in India Today's list of 50 Power People.</td>
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<tr>
<td>10)</td>
<td>Ms. Renu Sud Karnad featured in the business category among the List of 100 Powerful Women by TOI - Crest.</td>
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<tr>
<td>11)</td>
<td>HDFC selected for the fourth consecutive year as the 'Top Indian Company' for the 'Financial Institutions/Non-Banking Financial Companies/Financial Services' sector at the Dun &amp; Bradstreet - Rolta Corporate Awards 2009.</td>
<td></td>
</tr>
<tr>
<td>12)</td>
<td>Institute of Chartered Accountants in England and Wales (ICAEW) Award (Feb '10)Mr. Deepak Parekh pronounced as the first international recipient of the 'Outstanding Achievement Award' by ICAEW.</td>
<td></td>
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<td>13)</td>
<td>Confederation of Real Estate Developers</td>
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<td>Year</td>
<td>Year</td>
<td>Event/Achievement</td>
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<tr>
<td>2010</td>
<td></td>
<td>Associations of India (CREDAI) Award (Feb '10) Mr. Deepak Parekh awarded the 'Lifetime Achievement Award' by CREDAI for his contribution to the Real Estate Industry at Natcon 2010 in Dubai.</td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td>1) HDFC awarded &quot;Best Home Loan Provider&quot; at the Outlook Money Awards, 2011</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2) HDFC has been ranked amongst the top two best managed Companies in India by Finance Asia. It was ranked first for &quot;Best investor relations&quot;. 2nd best for &quot;Corporate Governance&quot; and 3rd best for &quot;Most committed to a strong dividend policy&quot; Mr. VS Rangan, Executive Director, HDFC has been awarded the &quot;Best CFO in the financial sector&quot; for 2010 by ICAI.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3) HDFC won the Finance Asia award for best Investor Relations in India</td>
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<td></td>
<td></td>
<td>4) HDFC sole Indian firm among world's most ethical companies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5) HDFC has won the &quot;India Shining Star CSR Award&quot; for the exceptional CSR work in the Banking &amp; Finance Sector.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6) HDFC awarded the &quot;Best Governed Company - 2010&quot; by Asian Centre for Corporate Governance &amp; Sustainability</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7) &quot;HDFC the most admired company in the financial sector in India&quot; - Wall Street Journal's Asia 200 survey.</td>
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