

## **What is a gold loan?**

The gold loan, also referred as a loan against gold, is a secured loan that a borrower takes from a lender in lieu of gold ornaments such as gold jewelry. The loan amount sanctioned to you by lenders is generally a certain percentage of the gold's value. You can repay it through monthly installment after which you get your gold articles back. Unlike other secured loans such as a home loan or car loan, there are no restrictions on the end use of gold loans. So whether you need to fund a wedding, family vacation or your child's education, it is a great way to meet your sudden money requirement. Moreover, a lot of private and nationalized banks along with NBFCs offer gold loans at affordable interest rates.

## **How does gold loan works?**

The entire process of gold loan is quite similar to other secured loans. In this, you take your gold articles to a lender along with the required set of documents. The lender evaluates the gold articles and verifies the submitted documents. As per the evaluations, the lender sanctions the loan amount. As per the loan agreement, you pay off the principal amount along with the interest amount and get the pledged gold articles back.

## **Who is eligible to apply for a gold loan?**

Anyone who has gold can get a gold loan. Unlike personal loans, which include stringent eligibility criteria, gold loans can be availed by any Indian resident, which can include salaried professionals, businessmen, housewives, and even farmers. You don't even need to have a good credit score to be eligible for a gold loan. So if you have a low credit score, you still have a chance to get funds, provided you have enough gold to pledge for it.

## **What is the interest rate on which lenders give the gold loan?**

Gold loan is a secured loan; therefore, its interest rate is low in comparison to unsecured loans such as a personal loan. The interest rates levied on gold loan varies from one lender to another and depends on various factors such as gold loan tenure, loan amount, etc. It also relies on where you are taking the gold loan – a bank or an NBFC? Banks usually charge lower gold loan interest rate than NBFCs. Therefore, if you are planning to apply for the gold loan, do not accept the first offer you get. Compare gold loan offers from at least two to three lending institutions and then make your choice.

## **What is the gold loan tenure?**

The prepayment period or gold loan tenure varies from one lending institution to another. It usually ranges from 3 to 12 months. Depending on a case, some lenders even offer a longer tenure or allow you to renew it in order to extend the tenure. Since the tenure of the gold loan is shorter in comparison with other types of loan, make sure you repay the loan amount on time. Defaulting on gold can lead to losing your gold articles forever.

## How do lenders determine the gold loan amount?

Before approving the loan application, lenders evaluate the pledged gold's purity and weight. Based on it, the gold's market value is determined based on its current rate, which further helps in reaching the final gold amount that is to be sanctioned by lenders. Most lenders offer a gold loan with a value up to 75 percent of the pledged gold's market value. For instance, if your gold is worth 2 lakhs, the loan amount sanctioned to you would be not more than 1.5 lakhs. Besides the Loan to value ratio, loan amount also depends on various other factors such as tenure and the borrower's repayment capacity.

## How can the gold loan be repaid?

How you can repay your gold loan depends on your lender. Most lending institutions let you pay only the interest amount each month and the principal amount at the end of the loan tenure. You can also choose to pay your gold loan through EMIs (Equated Monthly Instalments), which will include both the principal and interest component of your loan.

## Documents Required for Gold Loans

Gold loan is one of the easiest and fastest ways to meet your immediate financial needs. Unlike other types of loans, it requires very less or minimal documentation. Due to simplified paperwork formalities, they are processed in less time. To avail a loan against gold, applicants are not required to produce any income/salary proof to the lender. If you are willing to apply for a gold loan, you would need a set of certain basic documents which are mentioned as below:

Gold loans are one of the most widely availed loans in the country, and with good reason. Any person above the age of 18 can apply for a gold loan and these loans need minimum documentation to get sanctioned. Also, the documents needed are ones that almost everybody can easily provide – age proof, ID Proof and address proof.

## Accepted Identity Proof

- Aadhaar Card
- Valid Passport
- PAN Card
- Valid Driving Licence
- Voter ID Card
- Job card issued by NREGA

## **Accepted Address Proof**

- Aadhaar Card
- Valid Passport
- Ration Card
- Electricity Bill
- Valid Driving Licence
- Voter ID Card
- Job card issued by NREGA
- Postpaid Bill/Landline Bill/ Water Bill/ Electricity Bill
- Address Updated in Bank statement/Bank Passbook
- Rent Agreement (With Latest Owner's Electricity Bill)
- Gas Bond Paper with the latest receipt
- Credit Card Statement

## **Documents required for gold loan balance transfer:**

- Pledge card of the loan (It is a document which is taken from a customer at the time of doing a balance transfer. It states loan application number, the quantity of loan, lock-in period, and the loan amount)
- One cancelled cheque (Any account)

## **Accepted Identity Proof**

- Aadhaar Card
- Valid Passport
- PAN Card
- Valid Driving Licence
- Voter ID Card
- Job card issued by NREGA

## **Accepted Address Proof**

- Aadhaar Card
- Valid Passport
- Ration Card
- Electricity Bill
- Valid Driving Licence
- Voter ID Card
- Job card issued by NREGA
- Postpaid Bill/Landline Bill/ Water Bill/ Electricity Bill
- Address Updated in Bank statement/Bank Passbook
- Rent Agreement (With Latest Owner's Electricity Bill)
- Gas Bond Paper with the latest receipt
- Credit Card Statement

**\*\* Important Points To For All Applicants\*\***

- 1. Please Note, If There Are Existing Loans, Submit Payment Track Record And Sanction Letter To Respective Loan Provider For Finalizing Loan Amount Eligibility.**
- 2. Credit Score Plays An Important Role In Finalizing Loan Amount & ROI\*\***
- 3. Timely Payment Of EMI Helps In Maintaining A Good & Healthy Credit Score.**
- 4. Please Keep Sufficient Amount In Account Before ECS Hitting Date.**
- 5. Wisely Usage Of Money Is Highly Required For Financial Planning.**
- 6. Don't Miss To Pay Any EMI Amount , Neither Get Delayed On Due Dates.**
- 7. There Can We Change In Loan Documentation Requirements From Time To Time And My Vary In Banks, NBFC & Private Lenders. Will Update , If There Will Be Some Changes In Documentations.**