All that Glitters is Gold!

Gold prices are close to an all time high. this a good time to unlock the value of y holdings in gold and take a loan against go If you are in need of gold, you might be a to borrow against it.

What are gold Loans?

Many people have assets such as g ornaments and jewellery that earn no inco because they lie idle at home or in a locke you are in need of a loan, and if you confident of your ability to repay the loan time, you can unlock the value of the assets by taking a loan against gold.

You offer the lender your gold. The len gives you a loan against your ornaments a a quick evaluation of its purity. The lender usually not give you the loan up to the value of the loan, but generally you can up to 80% of the value. You pay interest the loan. At the end of the loan, you repay loan and can take your gold back from lender.

How can I get a gold Loan?

You can get a gold Loan through either your bank or through a non-banking company that specializes in loans against gold.

If you go to a bank like HDFC or ICICI, you will be asked to produce back-up documentation related to your ID and other personal details. The process, as advertised, can take up to 1 hour. You might need to prove that the gold is owned by you.

If you go to a non-banking company such as Muthoot or Mannupuram, the process can be as quick as a few minutes according to what these companies advertise. The documentation required is usually less than what banks will demand.

Because the process is less rigorous, especially because these lenders do not review if you have creditworthiness, they charge a higher rate of interest than the banks.

What are the features of gold loans?

Secured Loan: Gold loans are secured loans – you are borrowing against the security of your gold that you give to the lender and in return for which you get the loan.

Purpose: You can use the loan towards any purpose, as long as it is not for any illegal activity or for speculation in the stock market. Non-banking companies have even fewer restrictions on what you can use the loan for.

Interest Rate and Charges: Banks are currently charging approximately 12.5% interest for whatever tenure you take the loan for. They usually have a processing fee for the loan as well. Non-banking companies have 30-60-90 day and other schemes where the rates of interest can be approximately 2%+ per month.

Annually, this works out to be about 27% per annum, which is a very high rate of interest. Non-banking companies usually don't have a processing fee for the loan.

Loan Amount: Lending can start at amounts as low as Rs 25,000, but some banks can lend you anywhere from Rs 10 lakhs up to Rs 75 lakhs, depending upon the value of your gold. The non-banking companies usually deal in much smaller loan amounts because they often cater to a different kind of customer base. None of these two types of lenders charges an evaluation fee for your gold.

Repayment Terms: Banks usually have terms that run from 3 to 12 months, but you can prepay at anytime. At non-banking companies you can choose the term that you want, and accordingly select the loan that suits you.

Are gold loans advisable for me? What are the alternatives?

Gold Loans can be a quick way to get a loan against the security of your ornaments. This is particularly true if you might not have any credit history.

As with all loans, only take them if you confident of your ability to repay the loan back to the lender on time, otherwise you will face charges and penal interest.

Don't take a loan if it's purely for consumption purposes like buying a new fashion accessory or cell phone. You won't have an asset to show for it at the end of your consumption.

Personal Loans are one alternative to gold Loans, however they can be more expensive than gold Loans and will often come with restrictions on your ability to pre-pay the loans.

Do I face any risk that gold prices will move up or down?

As you have probably seen in the media, gold prices are at an all time high (in nominal terms), and are expected to go higher. However, you face no risk if there is a price movement during

the time your loan is outstanding.

As long as you pay your loan back on time, you will get your gold ornaments back, exactly in the same state and weight that you gave at the time you took a loan.

Typically, your gold is safe with the lender. Most of these lenders come under strict regulatory supervision from the RBI. Go with a lender that has been around for a while, not just any upstart lender.