

Frequently Asked Questions (FAQs) – Loan Against Mutual Funds**1. What is a Loan Against Mutual Funds (LAMF)?**

A Loan Against Mutual Funds allows you to pledge your mutual fund investments as collateral and avail a loan without having to redeem them. You continue to remain invested in your funds and benefit from potential market appreciation, while accessing liquidity for your personal or business needs.

2. Who is eligible to apply?

- Resident individuals (18 years and above) with valid KYC.
- Mutual fund units should be held in demat form or with approved registrars.
- Both equity and debt mutual funds may be accepted, subject to our approved list and eligibility criteria.

3. What types of mutual funds can I pledge?

We generally accept units of equity, debt, hybrid, and certain liquid mutual funds. However, acceptance depends on our internal credit policy and the approved list of funds from depositories/registrars.

4. How much loan can I get against my mutual funds?

The loan amount depends on the type and value of the pledged mutual funds.

- **Equity mutual funds:** up to 50% of Net Asset Value (NAV).
- **Debt/liquid funds:** up to 70–80% of NAV.
The actual loan-to-value (LTV) ratio is subject to RBI regulations and our internal risk policies.

5. What is the process of pledging mutual funds?

- Select eligible schemes from your holdings.
- Approve pledge request digitally through the registrar (CAMS/KFintech) or depository.
- Once pledge confirmation is received, the loan is disbursed to your bank account.
The entire process is online, secure, and usually completed within a short time.

6. What are the advantages of taking a loan against mutual funds?

- No need to sell or redeem your investments.
- Quick and paperless processing.
- Competitive interest rates compared to unsecured loans.
- Flexible repayment options – you may repay partially or fully anytime.

7. How is interest charged on the loan?

Interest is charged only on the amount utilized and for the number of days it remains outstanding. The applicable interest rate is communicated transparently at the time of loan sanction and in your loan agreement.

8. How can I repay the loan?

You may repay through:

- Online transfer to your loan account.
- Prepayment or part-payment without penalty (subject to terms of your agreement).
On full repayment, the pledged mutual funds are released back to your account.

9. What happens if the market value of my mutual funds falls?

If the NAV of your pledged funds declines and the loan exceeds the permitted LTV ratio, we may request you to either:

- Provide additional collateral, or
 - Repay a portion of the outstanding loan.
- If corrective action is not taken, we may liquidate pledged units as per the loan agreement.

10. Can I continue to earn returns on my mutual funds during the loan period?

Yes. You remain the beneficial owner of the mutual funds. You will continue to receive dividends, bonus units, or any other benefits declared by the fund house during the loan period.

11. Are there any charges applicable?

Charges may include:

- Processing fees.
 - Pledge creation/release charges (as applicable by registrar/depository).
 - Interest on utilized amount.
- All charges are transparently disclosed in the loan agreement and schedule of charges.

12. Can I close the loan anytime?

Yes. You can close the loan fully by repaying the outstanding principal plus applicable interest. On closure, the pledge on your mutual fund units is released.

13. Will this loan affect my credit score?

Yes, as with all loans, your repayment history will be reported to Credit Information Companies (CICs). Timely repayment will help you maintain a good credit score.

14. Can I apply jointly with another holder of mutual funds?

If mutual funds are held jointly, all holders will be required to provide consent and execute the pledge for the loan to be sanctioned.

15. What can I use the loan amount for?

The loan can be used for any legitimate personal or business purpose, except for activities prohibited under law or RBI regulations.

 **Disclaimer:** The above FAQs are for informational purposes only. Loan eligibility, terms, and conditions are subject to credit assessment, internal policies, and regulatory requirements. Customers are advised to read the loan agreement carefully before availing of the facility.