

Commercial Vehicle Loan

Commercial vehicle loans are loans offered to borrowers, usually self-employed individuals, trusts, partnership firms, organisations, etc., for the purchase of vehicles for commercial or business purposes. These Car loans are availed by those who are involved in the transportation business. A commercial vehicle loan can be used to purchase buses, trucks, tippers, tankers, light and small commercial vehicles.

Purpose of a Commercial Vehicle Loan

As stated above, commercial vehicle loans are availed to fund the purchase of a vehicle that will generally be used for commercial or business purposes. These loans are offered by leading lenders in the country such as ICICI Bank, YES Bank, Indialifeline, Mahindra Finance, etc., at affordable interest rates. The entire process of commercial vehicle loan application is swift, hassle-free, and requires less paperwork.

Features of Commercial Vehicle Loans

- You can get a commercial vehicle loan at a low interest if your profile matches with the criteria put forward by the lenders.
- The processing time of a commercial vehicle loan is fast with easy documentation and approval.
- Most of the prominent banks in India provide commercial vehicle loans at affordable rate of interest without any security.
- Some of the banks assign a personal relationship manager from starting till procurement of the vehicle. He/she will do all documentation and address every issue related to the loan.
- Once all required documents are submitted, it takes around 7 days for the disbursal of the loan amount.

Types of Commercial Vehicle Loans

Commercial loans can be availed for a variety of commercial vehicles which are used at different places to serve various purposes. Based on the type of vehicles these loans are sought for, commercial vehicle finance is differentiated in three broad categories, namely:

1. New commercial vehicle loan

This type of commercial vehicle loan is provided to the customers for the purchase of new commercial vehicles for business purpose. Banks offer up to 100% funding on the chassis or base frame value of the vehicle. Some of the banks provide additional funding for the body construction of the vehicles in selective cases based on the borrower's profile.

2. Old commercial vehicle loan

Old or used commercial vehicle loan are those loans which are offered to purchase all makes of pre-owned or used commercial vehicles. Under this loan, borrowers can expect to get finance against old vehicles which are up to 15 years old. Most of the banks provide up to 90% funding on the used vehicle's value or depreciation grid value.

3. Commercial vehicle refinancing

Under commercial vehicle refinancing, banks either offer loan on an existing vehicle which is free of loan or take over an existing commercial vehicle loan and provide additional finance for it based on eligibility. While some borrowers can reduce the monthly EMIs of their existing loan and free up some cash by refinancing an existing loan at lower interest rates, some others can get direct finance on their free vehicles to meet the working capital needs.

Who Can Avail Commercial Car Loans?

Banks and other lenders offer commercial car loan to a broad array of customers to meet their business needs. In other words, this type of vehicle loan can be availed by various segments of customers having diverse profiles. Here is the list of the consumers considered to be eligible for this loan:

- Individuals
- First-time users and buyers
- Small, medium and large-sized fleet owners
- Proprietorship firms and Partnership firms
- Public Limited & Private Limited Companies
- Trusts and societies
- Schools and colleges
- Captive customers and transporters

Salaried and self-employed individuals can co-apply for a commercial vehicle loan with blood relatives or family members. On the other hand, the partners in partnership firms and the directors in private limited

Note: Sometimes, banks or financial organisations offer special schemes for first-time buyers and fleet operators/owners.

Benefits of a Commercial Vehicle Loan

Commercial vehicle loan stands out to be the most preferred option for borrowers who are either intending to buy their first commercial vehicle or planning to add a new vehicle to their existing fleet of commercial vehicles due to the plethora of benefits that it offers. Some of the amazing benefits offered by these type of loans are as follows:

- Flexible repayment tenure- Usually, the repayment tenure offered in commercial car loan is up to 5 years. This ensures low EMI amount to the borrowers enabling them to pay off the EMIs without any undue financial burden.
- Multiple vehicle financing- Whether you are an individual borrower or a fleet owner, you can get finance for a variety of vehicles such as tippers, trucks, buses, trailers, tankers, and other small and light commercial vehicles to grow your business.

- Easy processing- The process of applying for a commercial vehicle loan is easy, fast and convenient. After the submission of all the required documents, banks usually take 4-5 days to process a new or used vehicle loan application.
- Simple documentation- Commercial vehicle loans come with a hassle-free and quick documentation process. The users can easily upload all the mandated documents online without visiting the bank directly.
- No credit-score compulsion- Unlike other loans, commercial vehicle loans don't require any existing credit score. Borrowers having low or even zero credit score can avail a commercial vehicle loan with ease.
- Caters to multiple needs: The loan schemes are designed to cater to the borrowers' diverse requirements including new and used vehicle financing, top up on existing loan and refinancing of loans/vehicles for working capital.
- Customized solutions: In order to meet the specific requirements of the customers, every commercial vehicle loan scheme is customized according to the vehicle type, loan duration and financial ability of each individual borrower.

Commercial Car Loan Documentation

- Duly filled application form with attached photograph
- 2 passport-size photographs
- Cheque for processing fee

KYC documents

- Age proof- Aadhaar Card/PAN Card/Voter's ID card/Driving License/Passport (Any one)
- Identity proof- Aadhaar Card/Voter's ID card/Driving License/Passport (Any one)
- Residence proof- Rental agreement/Voter's ID Card/Passport/Ration card/Tel bill or Elec. Bill/Trade License/ Sales Tax Certificate (Any one)
- Signature verification proof-Driving License/PAN Card/Registered Sale Deed/Govt. ID Card (For Govt. employees) (Any one)

Income proof

- Last 3 months Salary Slips
- Latest 6 months bank statement
- Form No.16
- Updated ITR for last 2 years
- Photocopy of official ID

Experience proof

- Valid documents to prove relevant experience (In case of first-time buyers)

Other Documents (As applicable)

- Existing vehicle ownership proof
- Vehicle details & valuation report
- Insurance and RC copy of vehicle
- Fleet list details (In case of small, medium, and large fleet operators/owners)
- Trade references (In case of first-time buyers, fleet operators/owners & experienced borrowers)
- Property ownership proof (In case of farmers)
- Proprietorship decl., partnership deed, (MOA/AOA), board resolution & 2 years audited financials (In case of Private/Limited companies, partnership firms, trusts & societies)
- Loan repayment track (if any)

Eligibility Criteria for Commercial Vehicle Loan

For new commercial vehicles

- Salaried borrowers should have more than 2 years of employment stability and self-employed individuals must have at least 2 years of business experience.
- Private/Limited companies, partnership firms, trusts, societies and associations must be in existence for minimum 2 years.
- Fleet operators and other existing vehicle owners require to have 1 to 3 years of vehicle ownership proof of one or two commercial vehicles.
- Private/Limited companies, partnership firms, trusts & societies Companies need to provide 2 years of audited financials.
- Internal/external guarantor needed sometimes in case of individuals, first-time buyers and fleet operators/owners.
- The customers need to have minimum residential stability of 2 years. *(Borrowers with lesser stability are subjected to certain terms and conditions).

For old commercial vehicles

- Borrowers applying for a commercial car loan for old vehicles need to fulfil the following criteria along with the basic ones:
- Customers need to have relevant experience of 3 to 5 years depending on individual profile.
- Minimum 1 year of ownership of at least 2 vehicles.
- At least 1-year repayment track of commercial vehicles

Vital Aspects of a Commercial Vehicle Loan

- **Application process-** At first, the borrower needs to fill up an application form online, then furnish all the necessary documents and finally provide the details of the personal guarantor if required.

- **Loan approval-** The bank will run a check to verify the documents and borrower's eligibility. If the borrower is found to be eligible, the loan will be approved within 2 to 5 working days from the time of documentation.
- **Processing charges-** Banks ask for a minimal non-refundable amount for processing a commercial vehicle loan. This amount depends on the amount of the loan applied for and generally ranges from 2% to 4% of the loan amount.
- **Loan Amount/Margin-** The maximum loan amount for commercial vehicles varies from customer to customer based on their individual profile. A borrower can get up funding of up to 100% of the vehicle's chassis.
- **Repayment tenure-** The repayment tenure for a commercial vehicle loan usually starts from 6 months and goes up to 60 months (5 years). The borrower is allowed to repay the amount in easy monthly EMIs.
- **Security/collateral-** While certain banks offer loans for commercial vehicles without any security or guarantor, some require a guarantor or co-applicant depending on the borrower's profile and the product.
- **Pre-payment of loan-** The borrowers can prepay the loan after 6 months of availing it by paying a pre-payment fee of up to 5% of the remaining loan amount. However, part pre-payment of the loan is usually not allowed.

Commercial Vehicle Loan Interest Rates

The interest rate of commercial vehicle varies from bank to bank. The amount is fixed by the lenders on the basis of the customer and the segment of vehicle. After evaluating the documents and the profile of any individual borrower, the bank/lending entity confirms the final rate of interest to be charged for that profile. Generally, it ranges between 10% p.a. to 15% p.a.

Be ready with following documents while opening this account

- ▶ 2 Years audited financial statements, copies of ITR filed and latest Provisional financial statement
- ▶ Bank statement for the last 6 months
- ▶ Photo ID proof, address proof and signature verification of the applicant and guarantor
- ▶ Electricity bill/maintenance receipt
- ▶ Transportation contract copies/Billing copies/LOI
- ▶ Partnership Deed/Memorandum and Articles of Association/Trust Deed
- ▶ Details of existing loans and repayment track record
- ▶ Any other such documents required by the Bank
- ▶ Business stability proof
- ▶ List of existing vehicles

Keep your documents ready

The following documents are required :

- o Age proof
- o Application form
- o Photograph
- o Income proof
- o Work in hand/Contract copies
- o Signature verification proof
- o Pro forma invoice
- o KYC Documents

Post-sanction/Pre-disbursement documentation:

- o Loan Agreement duly signed along with RTO set
- o ECS Form/Standing Instruction (SI) request
- o Margin money receipt
- o Insurance cover note

**** 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.**