*Introduction to Property Finance*

The Real Estate Market has always been able to lure investors due to the high returns that buying and selling of properties can generate. Even the Global Economic Meltdown did not have any adverse affect on this industry. The demand for both commercial and residential properties is still very high. Thus, the financial institutions regularly offer loans for purchasing homes or commercial buildings and so people with good credit history can easily borrow money for the purpose of buying properties.

**What is Property Finance?**

It is a broad term that describes financial activities (mainly lending and borrowing) that takes place in the real estate market. For any developed or developing country, it is an important wing of the economy as it provides funds for rapid urbanization activities like building houses, constructing commercial complexes, infrastructure development etc.

**In the residential sector:**

Finance for residential properties is provided by many lenders like banks, financial institutions, mortgage companies, private lenders etc. The criteria for lending remains the same and detailed credit history checks of the borrowers are conducted before the loans are sanctioned or approved. Home loan providers accept joint loan application; if a person alone does not qualify to get the loan, then he can jointly apply for it with another family member.

In this case, the loan providers will do a background check on both the applicants and their combined source of income should be enough to pay the Easy Monthly Installments. Initially a security amount is needed to be deposited before the money is approved. Also financial documents should be provided for scrutiny; the lending rates are not so high in this sector.

**Property Finance in the commercial sector:**

Lending money for commercial properties is mainly done by nationalized banks, big financial institutions and a very few private investors. Given the fact that commercial lands or buildings are expensive, there is a huge risk factor involved in lending money for such properties. Thus, these kind of loans often require a guarantee in the form of a collateral security or a guarantor; in many countries the government acts as the guarantor to assist companies in getting the required capital.

The business sector provides job opportunities for many people and so the government of most countries helps this sector by acting as a guarantor for them in order to get property loans from the financial institutions. However, such help is only provided after doing a risk analysis on the project for which the money is needed.

For example, if a company approaches the government for monetary help in order to set up a new office in a city, the government will first analyze the risk factors involved with this project, the benefits that people can derive from it and its overall feasibility.

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