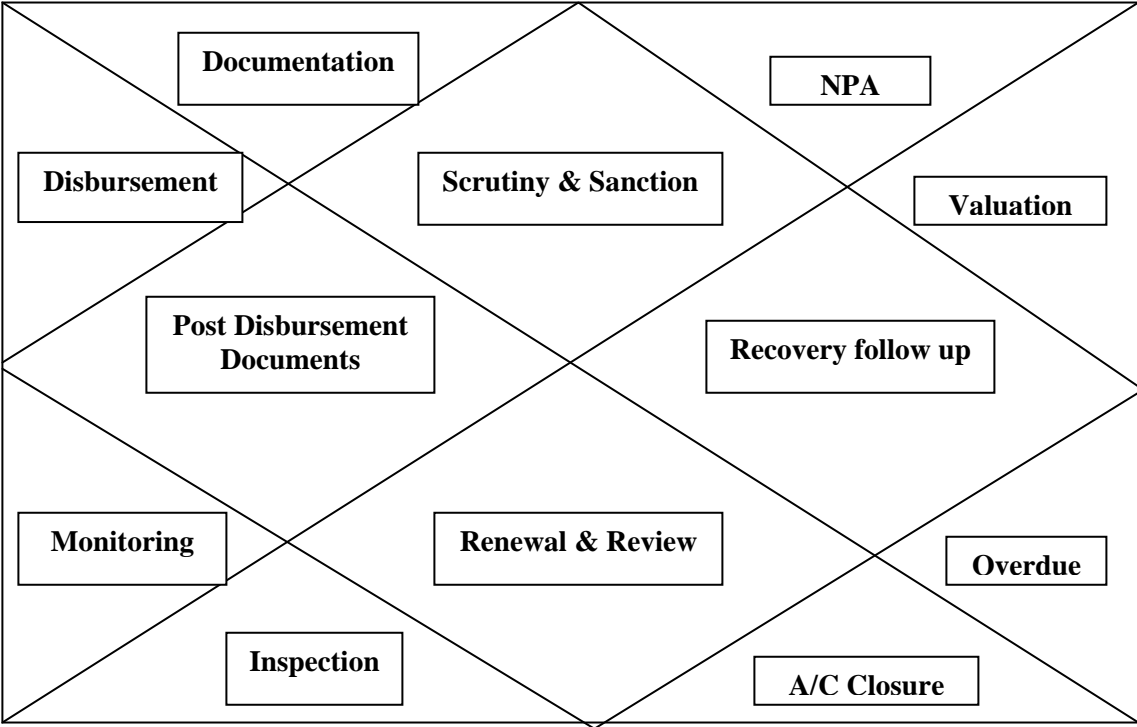


22-Loan Horoscope



Sr. No.	Audit Queries in general:
1.0	Scrutiny & Sanction:
1.1	Loan application is incomplete. Purpose is not mentioned clearly.
1.2	Loan scrutiny note is either not prepared or prepared without any seriousness.
1.3	Viability of business, repayment capacity and security aspects are not closely scrutinized.
1.4	In case of business loan, latest audited accounts, director's report, Company secretarial compliance report, Search report, IT Return, provisional accounts of the current year are not obtained.
1.5	The borrower does not sign project Report. The same is not discussed with borrower.
1.6	Sanction letter is not issued in respect of Scheme loans & other small loans. Sanction letter of large loans should be specific as regards borrower, security details etc.
1.7	Jurisdiction of the bank / branch should not be lost sight while sanctioning loans.
1.8	Xerox copies of various papers submitted by borrower & sureties do not bear rubber stamp 'original seen' and not authenticated by branch officials.
1.9	Details of sanction such as loan amount, rate of interest, repayment period, installment, date of the Board Meeting are not mentioned on Loan application.
1.10	Title report is practically not taken whenever premises are taken as security.
1.11	Interest for the period from loan disbursement to the date of first installment is neither recovered nor compounded while fixing loan installment.
1.12	Loan Master (Computer) is not completed in toto. First installment date is not correctly mentioned. Security value is not mentioned in Master.
1.13	Share linkage is not done. Share money (minimum shares) should be collected at the time of accepting loan file for scrutiny. It was observed that share money is collected at the time of disbursement. Nominal membership is taken in case of scheme loans.

2.0	Documentation:
2.1	Refer List of Audit Queries.
2.2	Documents including EM, POA are left blank / left partially left blank / corrections are not authenticated. Borrower's Acceptance is not obtained. POA is not notarized.
2.3	Hypothecation agreement, mortgage deed is inadequately stamped.
2.4	Board resolution for acceptance of loan and execution of documents is not taken in case loan to company.
2.5	Charge is not registered with ROC in case of loan to company.
2.6	Documentation checklist is not prepared.
2.7	Loan file is not arranged properly. Papers obtained from sureties and borrower should be filed by inserting flaps. Documents executed & security documents should be kept in separate plastic folder. Checklist mentioned in serial number-2.6 should be filed on top. Loan account number, borrower's name, branch, loan amount, security should be written on file by marking pen.
2.8	At times, security offered / taken for the loan is not clear from the papers.

3.0	Disbursement:
3.1	Loan is disbursed / credited to SB or CD account of the borrower instead of issuing PO in favor of vendor / seller etc.
3.2	Supporting papers are not obtained to ensure that loan is utilized for the purpose for which it is granted.
3.3	Housing Loan for purchase of flat is not disbursed as per progress of construction.
3.4	Disbursement details are not mentioned on loan application.

4.0	Post disbursement documents:
4.1	In case of Term Loan various documents after disbursement are not collected in time. Refer list of Audit queries.

5.0	Monitoring:
5.1	Cash Credit limits are not seriously monitored.
5.2	Important aspects of monitoring: Stock statements, insurance policy, inspection, operations, renewal etc.
5.3	Term Loans also need to be monitored with emphasis on verification of security hypothecated, insurance, valuation, obtaining accounts of the unit etc.

6.0	Inspection:
6.1	TL & CC accounts are not inspected regularly. Inspection policy should be laid down and followed.

7.0	Renewal & Review:
7.1	CC Limits if not renewed within 90 days are to be classified as NPA as per RBI Circular.
7.2	Renewal is carried out as a formality without obtaining relevant papers including renewal application. Loan master should be changed only after execution of documents.

8.0	Overdue & Recovery follow up:
8.1	Defaulter's list should be reviewed on fortnightly basis.
8.2	Notice should be sent when one installment is overdue.
8.3	Notice should be followed by visit to residence or place of work.
8.4	Notice should be sent to borrower and sureties in case 2 installments are overdue.
8.5	Legal notice should be sent in case 3 installments overdue.
8.6	Recovery proceedings u/s 101 should be undertaken.