

Small Loans

Sec.-49 Loan

Who can sanction the loan?

- B-49 Loan:

Who is eligible to get Sec.-49 Loan?

- Any employee from approved list of employers.

Merits & Demerits of Sec.-49 Loan

Merits:

- Risk is spread.
- Loan is liquidated regularly.
- Safety of loan.

Demerits:

- Risk of overdue / non-recovery in case of VRS.

Terms of Sanction

- Max. Loan: Rs.
- Term: Max. 60 Months
- Interest: - %
- Service charges: (PL-) % of loan
- Visit charges:
- Membership:

Sec.-49 Loan eligibility:

Bal. Service period / Maximum Amount of loan. (HO should set guidelines)

3 years

4 years

5 years

Net take home pay: (HO should set guidelines)

Minimum of Rs. Loan

3000

2750

2500

RBI Guidelines:

- Loans to salaried employees shall be reckoned as secured, only for the computation of total unsecured advances to members as a whole. However banks are advised that while sanctioning loans to an individual salaried borrower, to ensure that these advances do not exceed the various purpose-wise maximum limits, of unsecured advances as stipulated and as amended from time to time.

Ceiling on Unsecured Advances.

- Non-scheduled UCBs with DTL of more than Rs.10 Crores. Rs.100, 000 (previous limit was Rs.50000) Amended by RBI monetary policy of 2003-2004. The above enhanced ceiling would not be applicable to weak / sick UCBs.
- The aggregate of unsecured advances granted by a UCB to its members as a whole, would continue to be within the overall ceiling of 331/3 % of the bank's DTL.
- Scheduled UCB the limit is Rs. 200,000/-
- Refer latest RBI circular on the subject.

Documents to be obtained with Loan Application Form:

1. Share certificate, share deposit receipt, nominal membership receipt.
2. Ration card copy of borrower & sureties.
3. Rent receipt, Electricity bill, and business license.
4. Income proof of borrower & sureties.
5. Purpose of the loan and supporting documents such as quotation etc.
6. Undertaking from employer for deduction of loan installments from salary or letter for remitting of salary to SB a/c.
7. Standing instruction for recovery of loan from SB a/c.
8. NOC from other co-op credit society / bank in case of existing loan.
9. NOC from landlord.

Scrutiny of Loan application:

1. Verification of Xerox of documents with original.
2. Telephone at office.
3. Scrutiny of purpose.
4. Loan from other financial / co-op. credit society / Bank.
5. Net take home pay. (1/4 Th of gross income subject to minimum Rs. 3000 or limit define above after deducting loan installment)

6. Overtime, Special / temp. / Shift allowance should be ignored from salary for calculating net takes home pay. (in some cases approved by H.O. average overtime is to be considered)
7. Ration card color should be noted & co-related with income declared.
8. In case stamped undertaking is submitted by borrower for additional income of self / spouse, then the fact should be confirmed instead of blindly relying on undertaking.
9. Undertaking from employer should bear Rubber stamp of address, designation etc. of the manager who has signed the undertaking.
10. Identity card Xerox should be taken & signature of the borrower & surety on the documents should be verified.
11. Age of the borrower should be ascertained. Age should not exceed 52 and balance service period should be at least 5 years.
12. Telephonic enquiry should be made with contractor for confirming the quotation.
13. Leave record of the borrower may also be obtained to confirm regularity of attendance.

Documents to be Obtained from Borrower:

1. Loan bond (Adhesive stamp of Rs. /-)
2. Promissory Note.
3. Letter of lien & Set off.
4. Authority to employer.
5. Hami Patra.
6. Sanction letter duly signed.
7. Undertaking from employer.

Disbursement:

Disbursement should be made as stipulated in sanction letter.

Post disbursement jobs:

- Letter to Employer for loan installment deduction.
- Letter to credit society.
- Bills, receipts & other relevant papers in support of utilization of loan should be obtained.

Monitoring of Recovery:

- 1 It should be ensured that deduction / recovery commences from next month.
2. Uniformity should be ensured by Loan dept. about the date of first installment due.

3. It should be ensured that consolidated cheque is received from employer regularly.
4. The recovery should be credited immediately to loan a/c on realization of cheque.

Recovery Procedure:

1. Notice to borrower & surety.
2. Visit to employer.
3. Visit to residence.
4. Salary attachment
5. Legal notice.
6. Filing of application u/s 101 of MCS Act.

7. Purpose of the loan.
8. Standing instruction for recovery of loan from SB a/c.

Scrutiny of Loan application:

1. Verification of Xerox of documents with original.
2. Scrutiny of purpose.
3. Loan from other financial / co-op. credit society / Bank.
4. Net take home pay. (1/4 Th of gross income)
5. Overtime, Special / temp. / Shift allowance should be ignored from salary for calculating net take home pay.

Documents to be obtained from Borrower:

1. Loan bond
2. Promissory Note.
3. Letter of lien & Set off.
4. Sanction letter duly signed.
5. Signature on gold envelope.

Disbursement:

1. Disbursement should be made in cash or credited to SB a/c.
2. Revenue stamp regarding acknowledging of loan disbursed in cash should be affixed on the voucher & signature should be obtained.
3. Some Banks do not disburse gold loan in cash but credit to SB a/c only.

Post disbursement jobs:

1. Packing of gold envelope.
2. Storing the said envelope in Gold safe.
3. Entry in Gold envelopes balance register.
4. Entry in gold valuation charges register.
5. Keeping track of Gold rate.

Recovery Procedure:

1. Notice to borrower & Co borrower.
2. Visit to residence.
3. Sale notice.
4. Sale of Gold and adjustment of loan.

Gold Loan --Critical Points to be complied:

1. Gold Valuer's agreement. Copy should be kept on record and should be renewed in time.
2. Weighing scale, servicing, certification of weights. Certificate should be displayed. The Bank should purchase electronic weighing scale.
3. Registers. Gold valuation charges & Gold packets balance register.
4. Gold rate register should be kept & Press cutting should be pasted therein.
5. Packing of gold ornaments should be done in presence of borrower. The thread should pass through the envelope. Seal should be affixed on the knot. Metal seal should bear Bank's name.
6. Storage in Gold safe. Drawers should be arranged periodically.
7. Physical Verification at least once in 3 months and whenever key is handed over to another official.
8. Insurance of gold ornaments. (Covered in Bankers Indemnity Policy)
9. Recovery.

Important RBI Circulars:

- ❖ RBI/2007-2008/194 / UBD. PCB. Cir. No. 22/13.05.000/07-08 dated November 26, 2007
- ❖ Ref. UBD No.BSD1/11/12.05.00/1999-2000 dated October 12, 1999.

Unsecured Business Loan

Who can sanction the UBLN?

Up to Rs.25000-

Who is eligible to get UBLN Loan?

Small businessman.

Merits & Demerits of UBLN Loan:

Merits:

- Creating self-employment.

Demerits:

- Unsecured advance.
- Risk of overdue due to changing business situations.
- Needs more monitoring.

Terms of Sanction:

Max. Loan: Rs.

Term: Months

Interest: Up to Rs.15000---- % wef

 Over Rs.15000 ---- % wef

Service charges: (PL-) %

Visit charges Rs. /- up to Rs.100, 000/-

Membership: % of loan amount.

RBI Guidelines:

Ceiling on unsecured advances.

- Non-scheduled UCBs with DTL of more than Rs.10 Crores. Rs.100, 000 (previous limit was Rs.50000) Amended by RBI monetary policy of 2003-2004. The above enhanced ceiling would not be applicable to weak / sick UCBs.
- The aggregate of unsecured advances granted by a UCB to its members as a whole, would continue to be within the overall ceiling of 331/3 % of the bank's DTL.
- Refer latest RBI circular on the subject.

Documents to be obtained with Loan Application Form:

1. Share certificate, share deposit receipt, nominal membership receipt.
2. SB / CA pass book. (For inspection)
3. Ration card copy of borrower & sureties.
4. Rent receipt, Electricity bill, and business license.
5. Income proof of borrower & sureties.
6. Purpose of the loan and supporting documents such as quotation etc.
7. Xerox copies of License.
8. Balance sheet, P&L, IT return for last 3 years.
9. Projected B/S & P & L.
10. List of Machinery with value.
11. List of latest stock with value.
12. Xerox copies of taxes paid chalan.
13. Xerox copy of Sales Tax registration certificate.
14. Copy of rent receipt / agreement.(in case premises is on leave and licence agreement should be at least for 3 to 5 years and not for 11 moths)
15. Registered Partnership deed.
16. Information of sister concerns.
17. Latest list of sundry debtors & creditors.
18. Note on business activities.

Scrutiny of Loan Application:

1. Verification of Xerox of documents with original.
2. Visit to Residence & place of business.
3. Scrutiny of purpose.
4. Loan from other financial / co-op. credit society / Bank.
5. Telephonic enquiry should be made with contractor for confirming the quotation.
6. Ration card color should be noted & co-related with income declared.
7. In case stamped undertaking is submitted by borrower for additional income of self / spouse, then the fact should be confirmed instead of blindly relying on undertaking.
8. Accounts should be scrutinized.
9. Books of accounts should be verified.

Documents to be obtained from Borrower:

1. Loan bond Promissory Note.
2. Letter of lien & Set off.

3. Guarantee bond.
4. Hami Patra.
5. Sanction letter duly signed.

Disbursement:

1. Disbursement should be made as stipulated in sanction letter.
2. Bills, receipts & other relevant papers in support of utilization of loan should be obtained.

Post disbursement jobs:

1. Periodic inspection of unit.
2. Obtaining Accounts, IT return etc.

Recovery Procedure:

1. Notice to borrower & surety.
2. Visit to place of business.
3. Visit to residence.
4. Salary attachment in case salaried surety.
5. Legal notice.
6. Filing of application u/s 101 of MCS Act.

Surety Loan

Who can sanction the Surety loan?

Up to Rs.25000/-

Who is eligible to get Surety Loan?

Any account holder of the Bank.

Merits & Demerits of Surety loan:

Merits:

- Spread of risk.

Demerits:

- Unsecured advance.
- Needs more monitoring.

Terms of Sanction:

Max. Loan: Rs.

Term: Months

Interest: Up to Rs.15000--- %
Over Rs.15000 ---- % wef

Service charges: (PL-) % of Loan

Visit charges Rs.

Nominal Membership.

Documents to be obtained with Loan Application Form:

1. Share certificate, share deposit receipt, nominal membership receipt.
2. SB / CA pass book. (For inspection)
3. Ration card copy of borrower & sureties.
4. Rent receipt, Electricity bill, and business license.
5. Income proof of borrower & sureties.
6. Purpose of the loan and supporting documents such as quotation etc.
7. IT Return, IT paid chalan.
8. Standing instruction for recovery of loan from SB a/c.
9. NOC from other co-op credit society / bank in case of existing loan.
10. NOC from landlord.

RBI Guidelines:

Ceiling on unsecured advances.

- Non-scheduled UCBs with DTL of more than Rs.10 Crores. Rs.100, 000 (previous limit was Rs.50000) Amended by RBI monetary policy of 2003-2004. The above enhanced ceiling would not be applicable to weak / sick UCBs.
- The aggregate of unsecured advances granted by a UCB to its members as a whole, would continue to be within the overall ceiling of 331/3 % of the bank's DTL.
- Refer latest RBI circular on the subject.

Scrutiny of Loan application:

1. Verification of Xerox of documents with original.
2. Visit to Residence.
3. Scrutiny of purpose.
4. Loan from other financial / co-op. credit society / Bank.
5. Net take home pay. (1/4 Th of gross income)
6. Sanction will be 7 times of the salary

Documents to be obtained from Borrower:

1. Loan bond
2. Promissory Note
3. Letter of lien & Set off
4. Sanction letter duly signed
5. Guarantee bond.

Disbursement:

1. Disbursement should be made as stipulated in sanction letter.
2. Bills, receipts & other relevant papers in support of utilization of loan should be obtained.

Recovery Procedure:

1. Notice to borrower & surety.
2. Visit to place of business.
3. Visit to residence.
4. Salary attachment
5. Legal notice.
6. Filing of application u/s 101 of MCS Act.