

The Kangra Co-operative Bank Limited

New Delhi

LOAN POLICY

Objects :-

Bank accepts deposits of money from the public for the purpose of lending and Investments, repayable on demand or otherwise. It is, therefore necessary to regulate lending activity by formulating Loan and Advances policy by keeping in view the guidelines issued by RBI and guidelines issued by Registrar of Co. operative society from time to time.

- i. After accounting for SLR/CRR /any other statutory requirement by RBI, balance deposits will be available for the purpose of Lending/ Investments.
- ii. In order to have better risk management and avoidance of concentration or credit risk Bank have fixed Limits to i) Individual/group borrowers ii) Specific sector iii) Unsecured advances and unsecured guarantees. Bank has however, restricted advances in respect of loans against the security of shares, debentures and bonds/ mutual fund/ any other such security which the board may decide from time to time and loans against the security of its own shares.

The following loan facilities will be available to the members:

1. Unsecured loans (surety loans including loans for Priority Sectors and weaker sections and bill purchase within the limit prescribed by RBI or Board from time to time)
2. Secured Loans (including loans for Priority Sectors and weaker sections within the max. limit wherever prescribed by RBI or Board).
 - i) Housing loans
 - ii) Transport, Business, DCG, Plant and Machinery loans
 - iii) OD limits / Bill discounting facility in current accounts
 - iv) Real estate loans
 - v) Education loans
 - vi) Loans against deposits
 - vii) Loans against NSC, IVP, KVP, LIC policies
 - viii) Non-fund based credit limit – (BGs)
 - ix) General loan – secured
 - x) Loan against property
 - xi) Loan under Varisht Nagrik Swabhiman Loan Scheme. (Reverse Mortgage)

3. Loan sanctioning authorities
 - i) Board
 - ii) Loan Committee I
 - iii) Loan Committee IILoan Committee-I, Loan Committee-II will sanction loans up to the power delegated by the Board.
4. A member interested to take loan has to apply on the prescribed form duly filled in along with all papers required to be attached.
5. Each and every loan request will be examined at three stages. At stage one Branch Head / DM / Loan Officer will provide the necessary information on the credit appraisal form and will give his comments/observations. Thereafter it will be examined by Secretary/Alt-Secretary of the respective Loan Committees and by CEO for applications to be placed at Board meetings on the basis of the information provided in the credit appraisal form/loan application along with comments/observations of Secretary –Loaning Committee and Branch Head / DM / Loan Officer before placing at the Loan Sanctioning Committees. Physical verification of property/stock will be done invariably in all secured loans and all unsecured loans to be taken for the first time.
6. CEO / Secretaries / Alt. Secretaries of the Loan Committees / Board, as the case may be, will put up a statement of eligibility of loan with other observations / analysis, if any.
7. All mortgaged properties will be physically verified once in two years and report to this effect will be written on the register maintained at branches for this purpose. At the time of ODL renewal / reviewal also physical verification of the properties will be done, if the earlier done was more than six months old. Any alteration/changes made in the mortgaged property without the permission of the bank has to be taken in to consideration while reviwal/renewal take place.
8. The maximum credit limit (MCL) of a member will be determined by the Board annually as per the guidelines of RBI after finalization of the Balance Sheet.
9. The maximum repayment period of loan will be decided by the Board subject to RBI guidelines, if any.

10. The rates of interest on loan will be decided by the Board of Directors from time to time or as per the directive of RBI. The penal interest will be charged on the overdue amount @ 3% pa. These rates of interest will be displayed on the bank website and notice boards in the branches for the information of members/customers.
11. Power to give rebate in loan and other dues will be vested in BOD. However, Board can delegate some power to other Committees.
12. Normally every unsecured loan will be given against the surety(ies) of one or more regular paymaster members and limit for standing sureties will be decided by the BOD from time to time. Transport loans without collateral security may also be sanctioned with surety condition. However, for loan against the security of property personal surety may not be required.
13. At the time of applying for loan/advance the member should not carry any overdue in the existing loans taken by him and there should not be any unauthorized debit balance in the current account being maintained by him. In case the loanee member has stood surety to the loan of any member who carries overdue in loan/advance then at the time of release of the loan to the member sureties will have to clear the entire overdue amount.
14. Processing charges will be taken as per the rates decided by the Board from time to time which will also be conveyed to the loanee member in advance.
15. Revaluation of property will be accepted after three years of the previous valuation.
16. For valuation and search report a panel of valuers and advocates will be prepared and reviewed by the Board annually. Normally panel will be made for one year, however, the Board may extend the period if needed. The fee / charges to be paid to valuers and advocates and to be borne by the customers will also be fixed by the Board.
17. The unsecured loans will be given as per RBI stipulations. Diversification of loans will be made to avoid concentration in one segment. It will be ensured that major percentage of loans should be against tangible security.
18. Wherever required end-use verification will be done within one month after the release of loan or as decided at the time of sanctioning the loans. Road worthiness

of vehicles will be done once in two years for regular paymaster members and every year for others.

19. In case of default the following actions can be taken against the defaulting member:
- i) To initiate arbitration proceedings.
 - ii) To file case under section 138 of Negotiable Instruments Act
 - iii) To file case under SARFAESI Act.
 - iv) To write to the employer u/s 52 of Delhi Coop. Societies Act 2003 for the recovery of the dues.

These actions will be taken as per the guidelines laid in the recovery policy.

20. The CEO and Branch Heads will have power to discount govt./semi govt./autonomous bodies' bills as per the power delegated to them by the Board.
21. No loan will be given against the security of gold and against shares of the members.
22. The Board will prescribe parameters to judge repaying capacity of a member on the basis of reliability of source of income and other aspects. Clubbing of income to enhance repayment capacity will be considered only for spouse if he/she has a regular source of independent income. Clubbing of income of other family members other than spouse can be allowed as an exception with the approval of the Board. Post facto approval from the Board has to be considered as an exception purely on need and merit of the case.
23. No loan to a member of the Board and his relatives as prescribed by RBI will be given except loan against their own deposits.
24. Security coverage of property for loan against mortgage of property will be as per the percentage of realizable Value (RV) of the property as decided by the Board from time to time.
25. The holiday period will be prescribed by the Board from time to time, wherever applicable.
26. The defaulter members whose dues were recovered either through action under SARFAESI Act or through Office of RCS under arbitration process or through action u/s 138 of N.I. Act will not be eligible for any loan up to five years from the date of clearance of loan. Such members will also be debarred from standing surety for the same period.

27. The defaulter member on whom arbitration case is filed but he clears the dues during arbitration case under process will be debarred for loan and for standing surety for one year after full repayment.
28. If a member is found to have submitted false information to get loan, he will be debarred from loan for a period of five years.
29. Defaulters except mentioned at 26, 27 and 28 above will be eligible for loan after six months.
30. Half percent rebate in interest to members belonging to SC/ST category.
31. When there is a very quick mortality of an advance within the first 12 months of taking the loan the reason thereof to be specifically examined and remedial steps to be decided to avoid any such re-occurrence in future. In case some laxity was found in the required follow-up the Branch Head or other concerned officials will be held accountable.
32. Power to make any relaxation/exception/departure in the loan policy keeping in view the special merits of a specific case will be vested with Board of Directors only. The reason for departure to be recorded.
33. The rate of interest on all loans / credit facilities will be on fixed rate basis (**with monthly compounding**) as decided by the Board from time to time. The change in the fixed rate of interest is applicable for fresh loans disbursed from its effective date and will not be applicable for loans disbursed earlier.
34. The repayment of loan will be accepted through deposit of post dated cheques , submission of mandate for electronic clearance transfer services (ECS) and submission of mandate for meeting EMI from other account maintained with the Kangra bank only as Standing Instruction (SI) which will be handed over to Bank official(s) at the time of disbursement of loan. However, repayment of loan can also be accepted in cash or pay order or demand draft or NEFT/RTGS/IPMS if situation so warrants.
35. OD limits for business purposes, the bank will analyze GST returns and financial statements submitted by the borrowers, as part of the pre sanction requirement. OD limit will be sanctioned for a period of two years and will be renewed after 2 years from the date of last Sanction/Renewal. However, a midterm Review of OD limit will be done after one year of Sanction/Renewal. Normal renewal after two years shall be for 2 years .

However deserving cases having good performance can be renewed for of 2.5 years at the most.

36. Internal Rating of the borrowers to be based on CIBIL score as under (only for the purpose of sanctioning loans/advances and other management information.):

Classification	Score	Internal rating
Excellent	751-900	“A”
Good/	651-750	“B”
Average	351-650	“C”
Poor	300-350	“D”

37. Loan sanctioning Limit to different sectors shall be as under which will be reviewed every quarter:
- Agriculture 1 % of total advances.
 - General loans 15% of the total advances
 - Retail Traders/Business Loans (overdraft/term loan) 35% of total advances
 - Transport Loans 25% of total advances.
 - Housing loans 15% of total advances.
 - Real Estate Loans 7% of total advances
 - Education loan 1% of total advances
 - Staff Loans 1% of total
38. Exposure ceiling to Individual/Group Borrowers will be applicable to funded and non-funded credit limits. Sector-wise credit Exposure would not be applicable to Loans & Advances granted against the security of Bank's own Term deposits. The outstanding amount would be reckoned for arriving at credit exposure.
39. Priority Sector Lending and its targets for achievement will be in tune with RBI guidelines prescribed from time to time.
40. All above policy components are subject to RBI guidelines in vogue at the time of sanctioning of loans takes place .

CEO