The Andhra Bank Employees' Co-operative Bank Ltd.

Central Office: Mithila Complex,
IIIrd Floor, H.No.4-4-296/297,
Bank Street, HYDERABAD-500 095

LOAN RECOVERY POLICY OF THE BANK

(Approved by Board Meeting Dated 15.12.2013)

(Reviewed by Board vide Note No.104/3/FY 2023-24 dt. 22.07.2023)

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The Andhra Bank employees' Co-operative Bank is a Salary Earners' Bank with predominant lending to members who are the employees of Union Bank of India. Naturally, these are all unsecured loans permissible in a salary earners' Bank. However, these loans are being recovered from the salaries of the members, by way of an arrangement with Union Bank of India. The arrangement also extends to the recovery from terminal benefits in respect of the members who exited from the service of the Bank on account of retirement/VRS/dismissal/death etc., The recovery from salaries/terminal benefits is working very well, since the inception of the Bank.

The Bank has also been lending to nominal members, to a limited extent, by way of gold and deposit loans and such other loans as formulated/sanctioned by the Board from time to time.

The policy for recovery of loans from members and non-members is being structured in each loan product itself. However, a need is felt to bring all these guidelines at one place for the benefit of all the concerned to speed up recycling of funds and keep Non-performing assets at the lowest level.

I. OBJECTIVE:

The Bank is always endeavoring to maintain a healthy credit portfolio on a continuous basis, so as to generate uninterrupted interest income and have lesser provisioning requirement on impaired assets. In fact, one of the yardsticks to measure the health of Bank is its healthy credit base. Timely corrective action, before deterioration in the financial position of loan defaulters and the value of securities, enhances recovery prospects. A well defined loan recovery policy gives timely and proper direction to all the concerned. The Policy not only throws light on causes for default and but also suggests corrective action to tackle the delinquency, within a time frame.

II. RECOVERY OF LOANS FROM MEMBERS:

The Bank's lending to members and nominal members is approximately in the proportion of 85:15. Being a Salary Earners' Bank, it is but natural that a lion's share of lending is taking place to members, who are the employees of Union Bank of India. The Branch/Office of Union Bank of India forwards Long Term/Medium Term/Contingent/Thrift Loan application/s to Central Office along with an irrevocable letter of undertaking to deduct from the salary of the member, the loan instalments as per repayment schedule and remit to the credit of concerned member's loan account/s or from terminal benefits in the event of exit from Union Bank of India Service, due to retirement, death,

VRS etc., Central Office sends hard and soft copies of Demand every month covering all members, including non-performing loans to the Head Office of Union Bank of India and the latter in turn would remit the recovered amount electronically along with soft copies of recoveries made. The recoveries so made will be appropriated to concerned members' accounts.

At Central Office, the variation between Demand and actual recovery will reconciled. The gap between Demand and Recovery will be analysed under the heads:

1. NPA loans where **nil** recovery continued
2. NPA loans where recoveries started
3. Fresh delinquencies and
4. Recoveries received more or less than the demand.

An enquiry will be made with Head Office of Union Bank of India on the reasons for heads at Sl. Nos.1; 3 and 4 above and appropriate action as deemed fit will be initiated in each of the cases.

The Bank being a Salary Earners' Bank established for the benefit of employees of Union Bank of India, certain relaxations are already given or may be given in future for their well-being. In such cases, the following recovery policy has to be followed.

1. Whenever, it is decided by the Bank, to defer recovery of loan instalment for any month, the repayment period automatically gets extended by such period.
2. (a) In the event of **non-receipt of salary** for any month/s by a Member due to some reason or the other, the repayment period gets extended to a further period till the entire loan amount is recovered in full.
   (b) In the event of **non receipt of full salary** for any month/s by a Member due to some reason or the other, the Bank has the discretion to reduce EMI to fit to the eligible salary during such month/s and in such cases, the repayment period gets extended to a further period, till the entire loan amount is recovered in full.
   (c) In respect of members under **suspension** from service in Union Bank of India, loan Instalments in full will be recovered, as usual. However, the CEO is authorized to stop or reduce instalment amount on case to case basis, when a specific request is received from suspended members. The CEO is further authorised to stop or reduce instalment amounts, even when there is no specific request from the members, when the net salary is not sufficient to cover the original instalments fixed.

   In all such cases, the repayment period gets extended to further period till the entire loan amount is recovered in full.

3. In respect of loans being availed by members who are **suspended/ dismissed/ terminated/ compulsorily retired** from the service of Union Bank of India, the following procedure to be followed.

(a) Suspended Employees of Union Bank of India:
Interest not to be charged from the date of suspension. In the event of reinstatement of shareholder borrower in Union Bank of India service, the interest is to be charged with retrospective effect from the date of stoppage.

(b)Dismissed/ terminated/ Compulsorily retired from the service of Union Bank of India

The Dues are to be recovered to the extent of available terminal benefits as and when they are released by Union Bank of India, from the members who are dismissed/ terminated/ compulsorily retired from the service of Union Bank of India if they are eligible for pension (in case of pension optees) and (b) **all Terminal benefits** in case of other members (who neither opted nor eligible for pension). The left over liabilities of members after such recovery is to be adjusted from MMBF Payments a/c.

The **other members** who are dismissed / terminated / compulsorily retired from the service of Union Bank of India and do not fall in above said categories are eligible for following concessions/relief.

1. Interest not to be charged from the date of suspension/dismissal.
2. The outstanding balance in loan account without charging further interest has to be adjusted by share capital, Thrift and MMBF.
3. If there remains further balance after such adjustment, the entire outstanding balance amount is to be adjusted from MMBF payments a/c, **after 6 months** from the date of dismissal/settlement by Union Bank of India whichever is later.
4. In the event of reinstatement of shareholder borrower in Union Bank of India service, all concessions stand withdrawn and the member has to repay his dues as per original contract. For the purpose the Loan, Share Capital, Thrift Deposit and MMBF entries passed at the time of write of have to be reversed with following entries.
5. Share Capital, Thrift Deposit and MMBF adjusted to loan account have to be reversed back, to the debit of concerned loan accounts. Interest is to be charged at applicable rates to concerned loans with retrospective effective from the date of stoppage to the date of passing reversal entries. These guidelines are generally applicable to all above categories.

Treatment of accounts categorized as fraud and willful defaulter:
However, in case the employees who are willful defaulters or those who are compulsorily retired for reasons like continuous absenteeism / non-reporting to duty, leaving the service of Union Bank of India for better prospects etc., without repaying dues of the Bank, the CEO is authorised to recover the loans on case to case basis, basing on recovery prospects, by initiating necessary recovery process including filing of suits. However, suit filing requires permission of the Board.

C. Loans with Surety continuing:

100% relief to sureties and the loans with surety are to be treated on par with loans without surety and the member's (Borrower) loans will be considered for concession/ relief or recovery as the case may be as per eligibility in aforesaid categories.

III. RECOVERY OF LOANS FROM NOMINAL MEMBERS

LOANS AGAINST GOLD ORNAMENTS
Maximum period for repayment of loan is 12 months from the date of disbursal, subject to the following.

a) In case of **limits up to Rs.2,00,000**/- the loan may be repaid in periodical instalments or by way of **bullet repayment**. Even where bullet repayment is permitted, interest will be charged to the loan account at monthly rests but will become due for payment along with principal only at the end of 12 months from the date of disbursal.

b) In case of **limits above Rs.2,00,000/-** the loans have to be repaid in periodical instalments(Monthly/ Quarterly), **but within a period of one year**. Interest debited up to the date of instalment is to be repaid along with instalment.

Branches should handover a copy of Sanction letter, indicating above sanction terms, against his acknowledgement. The borrower should be educated on the need for honoring the repayment schedule mutually agreed and apprise him of NPA norms. Branches should take steps for recovery of loan as per repayment fixed. In case of non-repayment of instalments/loan on due date, the loans become NPAs after 90 days from the date of default, requiring reversal of interest and charges not repaid and not to charge further interest till repaid. Therefore in the case of default, the following procedure is to be followed.

i. A loan/instalment which is not repaid on due date becomes overdue and attracts penal interest on entire loan or overdue instalments and/or interest as the case may be. Borrowers should be personally contacted to repay the overdue amounts, besides initiating further action as detailed herein after.

ii. Borrower should be advised at least 15 days before the due date of loan/instalment, to clear entire loan/overdue instalments, as the case may be, as per proforma in Annexure-I.

iii. If the loan/instalments are not repaid before due date, in spite of above notice, a further notice as per proforma in Annexure-II to be issued.

iv. If overdue instalments / loan are not repaid within one month from due date, even after above two notices,

a. **Loans repayable in one Year** *(Loans below Rs.2.00 lakh)*:

A **final notice** is to be given in proforma in Annexure-III, after issuing notices as per proformae in Annesures I & II.

b. **Loans repayable in Instalments** *(Loans above Rs.2.00 lakh):*

A reminder notice as per proforma given Annexure IV to be given, after giving notices as per Annexures I to II if no repayment of **entire overdue instalments and interest** takes place.

If the same position continues 30 days after issuing notice as per Annexure IV, **a final notice** as per Annexure V to be issued.

After completing above process, the auction of ornaments pledged to the concerned loans should be taken up after observing laid down procedure for auction. If the amount realized in the auction is sufficient, the proceeds are to be credited to the loan account to the extent of amount due to the bank and surplus is to be paid to the borrower against acknowledgement by way of an 'account payee' pay order. If the borrower is not present at the time of auction, the surplus proceeds are to be sent by way of an Account Payee Order to the borrower by Registered Post to his last known address. If the registered cover is returned un-delivered, it should be kept with relative loan set and branch should endeavour to trace out the address of the borrower and hand over the pay order to him/her. If the auctioned proceeds are not adequate to cover the liability, Branch should refer to Central Office for further course of action.

LOANS AGAINST NATIONAL SAVINGS CERTIFICATES:

To be repaid within residual maturity of NSCs or 3 years whichever is earlier either in instalments or by way of bullet payment.

SOD:

Validity period of limit is two years from the date of sanction or due date of Deposits. During the currency of the limit, the liability is to be kept within sanctioned limit and Interest should be **serviced** every month. The limit may be renewed for every two years or due date of Deposits as per eligibility of the scheme, if the conduct of the account is satisfactory.

In cases of default, the NSCs pledged will be encashed and adjusted to loan a/c / SOD, balance left over will be paid to the borrower. Normal recovery process to be initiated if the liability to be repaid is more than the value of security realized.

HOUSING LOANS TO PENSIONERS OF UNION BANK OF INDIA

The Bank has been lending Housing loans to the Pensioners of Union Bank of India up to a limit of Rs.10.00 lakh for construction/purchase of house/flat or Rs.5.00 lakhs for repairs/renovations to existing houses. These loans are repayable in 120 EMI or EMI eligible up to the age of 70 whichever less is. The Loan application is being forwarded by the Branch of Union Bank of India where the pensioner draws his pension with an irrevocable letter of undertaking to deduct from the pension account, the loan instalments as per repayment schedule and remit to the credit of concerned pensioner's loan account or from Family Pension account of the spouse in the event of unfortunate death of the pensioner before closure of the loan. Further these loans are secured either by house property or by term deposit for an amount equal to or more than the loan amount. A third party guarantee is also obtained either from an existing employee of Union Bank of India or a pensioner of Union Bank of India, who is equal to or more than the cadre of the applicant. If there is a default in repayment of the loan by the pensioner or family pensioner, the Bank will initiate legal process against all the concerned and also to realize the loan amount by sale of mortgaged house. The Bank will adjust the deposit pledged after issuing a notice to the borrower to that affect, in case the loan is secured by a term deposit.

CLEAN LOANS TO PENSIONERS OF UNION BANK OF INDIA

The Bank has been lending clean loans to the Pensioner of Union Bank of India up to a limit of Rs.1.00 lakh, repayable, in the least, of 36 EMI or eligible EMI up to the age of 70 years of the pensioner. The Loan application is being forwarded by the Branch of Union Bank of India where the pensioner draws his pension with an irrevocable letter of undertaking to deduct from the pension account, the loan instalments as per repayment schedule and remit to the credit of concerned pensioner's loan account or from Family Pension account of the spouse in the event of unfortunate death of the pensioner before closure of the loan. Further a third party guarantee is also obtained either from an existing employee of Union Bank of India or a pensioner of Union Bank of India, who is equal to or more than the cadre of the applicant. In the event of default, normal follow-up through letters and personal contacts will be made. If these attempts are not successful, due legal process including filing of a suit will be initiated.

Annexure – I

PROFORMA OF ADVANCE NOTICE

Place:

Date :

To

Sri/Smt.....

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Dear Sir / Madam,

Reg: Your Gold Loan Account No. _____ dt. _____

for `._____ - Repayment of Loan / Instalments.

* * *

Your above loan is having an outstanding liability of Rs _____ as on date. As per terms of sanction, **the entire liability with further interest / *instalments and interest of* Rs_____ *due up to* _____ has to be repaid on or before _____. In case of non-repayment, as requested, the overdue loan / instalments attract a penal interest of 2% p.a., over and above the normal rate of interest.

We therefore request you to repay immediately the overdue loan / instalments with further interest.

Yours faithfully,

Manager

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* strike out inapplicable portion

Annexure – II

PROFORMA OF REMINDER NOTICE

Place:

Date :

To

Sri/Smt.....

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Dear Sir / Madam,

Reg: Your Gold Loan Account No. _____ dt. _____ for Rs._____

Repayment of Loan / Instalments.

Ref: Our Notice dt._____

* * *

Further to our above notice wherein we have requested for repayment of *loan of Rs._____ / *overdue instalments of Rs _____on or before _____, we inform that the overdue loan / instalments are not yet repaid as requested. We hereby once again request you to repay the outstanding liability / overdue instalments of Rs _____ immediately with further interest from _____, failing which we will be constrained to sell away/realize the security held and initiate such other action as deemed necessary to recover the dues. As already informed, the overdue loan / instalments attract a penal interest of 2% p.a., over and above the normal rate of interest, as per terms of sanction.

Yours faithfully,

Manager

Annexure – III

PROFORMA OF FINAL NOTICE FOR ENTIRE LOAN REPAYMENT

(IN BOTH CASES WHERE LOAN IS REPAYABLE IN ONE LUMPSUM OR INSTALMENTS IF FINAL DUE DATE IS OVER)

Place :

By Regd. post Date :

To

Sri/Smt.....

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Dear Sir / Madam,

Reg: Your Gold Loan Account No. _____ dt. _____

for Rs._____ - Repayment of Loan.

Ref: Our Notices dt. & dt.

* * *

Your above referred Gold Loan account remains unadjusted in spite of our repeated requests for settlement. You are hereby requested to repay the outstanding liability of Rs._____ (with interest @____ % p.a., from _____) within 30 days from the date of this letter, i.e., on or before _____, failing which the securities held by us on the above account will be auctioned by us on _____ at _____ a.m / p.m in the Branch premises and the proceeds thereof will be appropriated towards your dues. The shortfall, if any, on adjustment of the sale proceeds will also be recovered from you through appropriate means.

Yours faithfully,

Manager

Annexure – IV

PROFORMA OF NOTICE FOR REPAYMENT OVERDUE INSTALMENTS

Place :

By Regd. post Date :

To

Sri/Smt.....

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Dear Sir / Madam,

Reg: Your Gold Loan Account No. _____ dt. _____

for Rs._____ - Repayment of Loan Instalments.

Ref: Our Notices dt. & dt.

* * *

Your above referred Gold Loan account remains unadjusted in spite of our repeated requests for repayment of overdue instalments and interest. Please note that there is an outstanding liability of Rs._____ (with interest @____ % p.a., from _____) in your above loan account, out of which an amount of Rs _____ is on account of overdue instalments and interest which is required to repaid immediately. We therefore request you to repay the overdue instalments and interest indicated above, within 30 days from the date of this letter, i.e., on or before _____, failing **the entire outstanding liability** becomes payable immediately without waiting for final due date. If the overdue instalments are not repaid as above, please note that we will initiate the process for auction of the securities held by us on the above account to recovery the entire liability.

Yours faithfully,

Manager

Annexure – V

(PROFORMA OF FINAL NOTICE FOR ENTIRE LOAN REPAYMENT WHERE INSTALMENTS ARE NOT PAID)

Place :

By Regd. post Date :

To

Sri/Smt.....

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Dear Sir / Madam,

Reg: Your Gold Loan Account No. _____ dt. _____

for Rs _____ - Repayment of Loan / Instalments.

Ref: Our Notices dt. & dt.

* * *

Your above referred Gold Loan account remains unadjusted in spite of our repeated requests for repayment of overdue instalments and interest. It is already informed to you that **the entire outstanding liability** becomes repayable without waiting for final due date, if overdue instalments and interest are not repaid as per terms of sanction. As over dues in your above referred Gold Loan account remains unadjusted in spite of our repeated requests for repayment, the entire outstanding liability now became repayable immediately. You are hereby requested to repay the outstanding liability of Rs _____ (with interest @____ % p.a., from _____) within 30 days from the date of this letter, i.e., on or before _____, failing which the securities held by us on the above account will be auctioned by us on _____ at _____ a.m / p.m in the Branch premises and the proceeds thereof will be appropriated towards your dues. The shortfall, if any, on adjustment of the sale proceeds will also be recovered from you through appropriate means.

Yours faithfully,

Manager