

CHAPTER IV

SANCTIONING, DISBURSEMENT & REPAYMENT

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CHAPTER IV

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4.1 SANCTIONING

After taking into consideration all procedures done by applicant, then bank accept that file of applicant & transfer for sanctioning

Once the file entered into bank & after completion of procedure bank take its own time for appraisal of loan proposals

Table No.4.1

Days required for Appraisal of Loan Proposal

SR.NO	NAME OF SECTOR	NAME OF BANK	Required Days
1	PUBLIC	SBI	More than 10 Days
2	PRIVATE	HDFC	5 to 7 Days
3	CO-OPERATIVE	SANGLI URBAN	5 to 7 Days

Bank authority verified all the documents while appraise the proposal of home loan. The Higher authority check following list of documents

Table no. 4.2

Documents Verified while assessment of proposal

SR.NO	Public	Private	Co-operative
	SBI	HDFC	Sangli UCB
1	City Survey No	Property papers	Reason for Sale
2	Construction permission	7/12 Extract	Mortgage property
3	Agreement to sale	Construction Permission	Capacity of guarantors
4	KYC Documents	KYC Documents	KYC Documents
5	Income Paper	Income Papers	Income Papers
6.	-	-	Agreement to Sale

After assessment of file next step is sanction. Every bank's sanctioning days limits are different. Sanction days also depend upon the completion of file which is done by applicant. But when applicant submits all papers to bank then bank take its own time for sanctioning loan. This day's limit is differing as per bank.

Table no. 4.3

Required days to sanction the housing Loan

SR.NO	NAME OF SECTOR	NAME OF BANK	Days required
1	PUBLIC	SBI	8 Days
2	PRIVATE	HDFC	Upto 1 month
3	CO-OPERATIVE	SANGLI URBAN	15 Days

File, after completing all procedure of home loan submits towards a higher authority of loan department for sanctioning. These authorities again

check the applicant's eligibility of getting home loan & then accept file & give final decision of sanctioning or not.

Table No. 4.4

Final Decisions about approval of Home Loan

SR.NO	NAME OF SECTOR	NAME OF BANK	Name of Authority
1	PUBLIC	SBI	Branch Manager
2	PRIVATE	HDFC	Pune Branch Manager
3	CO-OPERATIVE	SANGLI URBAN	Head-office-Assistant General Manager

Housing Loan is sanctioned; it is informed to an applicant by the ways of phone, E-mail, Sanction letter, SMS. Sanction letter which is duly sign by applicant. This letter include the terms regarding Sanction Amount, period of loan, interest rate, EMI, Nature of EMI, Terms & Conditions regarding the defaulter, and all other rules about property. Bank does not charge any fee for that.

Table No. 4.5

Ways to inform about Sanction of Loan

SR.NO	NAME OF SECTOR	NAME OF BANK	Name of Authority
1	PUBLIC	SBI	Phone, letters, E-Mail
2	PRIVATE	HDFC	Phone, letters, E-Mail, SMS
3	CO-OPERATIVE	SANGLI URBAN	Phone, letters

After sanctioning the housing loan, bank calculates the EMI & mentioned it in the sanction letter.

EMI determine on the amount of loan offer, current rate of interest, terms of loan avail & also as per method of choose by applicant i.e. either fixed rate of interest or flexible rate of interest.

In sanction letter nature of mortgage is also declared i.e. registered mortgage or equitable mortgage. Mortgage policies are different from bank to bank. Bank asked to applicant to submit property papers i.e. sale deed, city survey, 7/12 extract etc. & take charge of the property before disbursing the loan amount. Bank makes the mortgage deed with sign of applicant & co-applicant if there & this deed remains with bank still the whole amount of loan is not repaid by applicant.

Bank required opening an account of applicant while disbursing loan

Table No. 4.6

Required to open Bank A/c while sanctioning

SR.NO	NAME OF SECTOR	NAME OF BANK	Type of Account
1	PUBLIC	SBI	Loan A/c & Saving A/c
2	PRIVATE	HDFC	Loan A/c
3	CO-OPERATIVE	SANGLI URBAN	Saving a/c

While sanctioning or disbursing the loan amount bank is free from the bias of political leader or board of directors or their relatives. Every bank is

work under the guideline provided by RBI or NHB and followed their rules & regulations.

4.2 DISBURSEMENT:

After sanctioning the home loan, the actual disbursement takes place. Once bank receives advice from its lawyer that the legal process has been completed and the loan documents are in order, the officer will inform you the date & amount of first installment or down payment you have to make.

When loan is disbursed, the full amount of loan is not given to the borrower. All disbursement installments related to construction stages. Loan amount disbursement depends upon completion reports i.e. completion certificate of builder at different stages. The disbursement of the loan is as per the progress of construction of the property unless it is a ready property in which case the disbursement will be by one single cheque. Though the amount of disbursement is given in part but interest is charged on the amount is different as per bank

Table No. 4.7

Interest charged after disbursement

SR.NO	NAME OF SECTOR	NAME OF BANK	Interest Charged
1	PUBLIC	SBI	Interest charged after disburse the full amt
2	PRIVATE	HDFC	Interest charged after approval & EMI starts after disbursement of 1 st stage
3	CO-OPERATIVE	SANGLI URBAN	After disbursement int& principal amt is charged.

As per all the above mentioned process, the borrower is entitled to take the money from the bank.

- In the SBI the Interest & EMI payments commences only after the entire sanctioned loan amount is drawn.
- But in HDFC customer is supposed to pay a simple interest after the approval of loan & EMI starts after disbursement of 1st stage of loan.
- In Sangli UCB Interest & EMI is charged after the whole amount of loan is disbursed.

Once the interest is charged EMI starts to paid by borrower. Nature of EMI is also varied as per bank

Table No. 4.8

Nature of EMI

SR.NO	NAME OF SECTOR	NAME OF BANK	Nature of EMI
1	PUBLIC	SBI	Monthly
2	PRIVATE	HDFC	Monthly
3	CO-OPERATIVE	SANGLI URBAN	Quarterly/ Half-yearly/ Yearly

Borrowers once sign the agreement with bank borrower cannot change the nature of EMI. He only increase or decrease the amount of EMI. But in increase or decrease of EMI, interest charged by bank remains constant only principal amount of loan is increase or decrease & its effects on increase or decrease of term of loan tenure.

The amount of disbursement handover to applicant by cheque & this cheque amount getting from department of banks

Table No. 4.9

Loan amounts cheques getting from

SR.NO	NAME OF SECTOR	NAME OF BANK	Name of Dept
1	PUBLIC	SBI	Head Office, Sangli
2	PRIVATE	HDFC	Head Office, Pune
3	CO-OPERATIVE	SANGLI URBAN	Head Office, Sangli

The disbursement in most cases will be in the favor of the builder or the seller or the society or the development authority as the case may be. The disbursement will come in the customer's favor under special circumstances only.

Table No. 4.10

Disbursed amount given in the name of Different parties

SR.NO	NAME OF SECTOR	NAME OF BANK	Name of Parties
1	PUBLIC	SBI	Cheque on the name of Seller/ Builder
2	PRIVATE	HDFC	Cheque on the name of Seller/ Builder
3	CO-OPERATIVE	SANGLI URBAN	Amt. transfer to saving a/c of borrower

After deciding amount of EMI & Nature of EMI, bank charge the first installment. But there may be a gap in the partly disbursement & actual first EMI payable this period is called as Moratorium Period.

Table No. 4.11

EMI starts from after Disbursement

SR.NO	NAME OF SECTOR	NAME OF BANK	EMI Starts From
1	PUBLIC	SBI	18 months from disbursement or completion of house whichever is earlier
2	PRIVATE	HDFC	Immediate after disbursement of amount
3	CO-OPERATIVE	SANGLI URBAN	Immediate after disbursement of amount or after 3 to 6 months as per demand of borrower

- In the SBI moratorium period is given for 18 months from disbursement of loan amount or completion of work whichever is earlier.
- HDFC does not offer any moratorium period to borrower they starts EMI immediate after disbursement of first stage of loan amount.
- Sangli UCB they offer moratorium period upto 3 to 6 months as per borrower's demand.

After disbursing the amount & EMI starts and borrower paid some no. of EMI, but after some period if borrower wants to change the nature of EMI i.e. he wants to pay quarterly installment or half yearly installment, it is not allowed by bank. Once the agreement deed is completed then borrower must paid installment in agreed mode. Borrower can increase or decrease amount of installment but cannot change mode of installment

Table No. 4.12

Is borrower demand to change the EMI

SR.NO	NAME OF SECTOR	NAME OF BANK	Demand is accept/Not
1	PUBLIC	SBI	No
2	PRIVATE	HDFC	Increase/decrease amt not change the period
3	CO-OPERATIVE	SANGLI URBAN	No.

4.3 REPAYMENT OF HOUSING LOAN

After charging all procedure, sanctioning & disbursement, the last procedure of home loan is **Repayment of Home Loan**. The repayment of loan can be made either through deduction against salary, post-dated cheques, standing instructions or Auto debit instructions to bank.

The principle is repaid either on annual reducing or monthly reducing basis as the case may be.

Borrowers pay monthly some fixed amount with interest i.e. installment it is called as repayment of loan. Procedure, sanctioning, disbursement is important element like this repayment of the loan is also imp & last step of home loan.

But in the most of the case bank are safe in giving home loans because in case of home loan homes of the borrowers is mortgage with the bank so if borrower fails to pay the installment i.e. fails to repay the loan, bank make a

charge on that housing property. Most of the time home loans are fully recovered with exception of 1% or 2%.

Table No. 4.13

Percentage of defaulter to pay home loan for year

SR.NO	NAME OF SECTOR	NAME OF BANK	Percentage of NPA
1	PUBLIC	SBI	1%
2	PRIVATE	HDFC	1%
3	CO-OPERATIVE	SANGLI URBAN	3 to 4 %

If any borrower fails to repay the loan it his loan accounts treated as NPA (Non-Performing Assets).

In SBI if borrower fails to repay one installment of the loan, the bank first send notice to that defaulter for remind to pay the installment. If any response is not getting by defaulter then SBI send registered notice in the next month. Then in third month SBI send legal notice. If borrower neglect/ not responding for all notice, by wetting for three installment the SBI called for **SARFAESI Act 2002** in the 4th installment / after four months. Bank takes a possession of property & make auction & recover the loan amount

If borrower fails to repay 1st three installments then HDFC send letter to defaulter. If defaulter is not responding to letter then send notice. After waiting for three months bank asked to **Recovery Legal Team** to collect

information about defaulter & then charge **SARFAESI Act 2002** & make auction of home by taking possession of home

In Sangli UCB if defaulter fails to repay loan in 1st or 2nd installment then bank is not taking any action. But if 3rd installment is not paid then this loan a/c is treated as NPA. Bank sent a **Representative/ Recovery Team** towards a defaulter & gives him warning about his dues. Though defaulter not responding, then bank sends register notice & after due of 10 to 15 installments, bank files a suit on defaulter & under **SARFAESI Act 2002** take possession of property & make auction & recover the loan amount

SARFASI ACT 2002

The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI) empowers Banks / Financial Institutions to recover their non-performing assets without the intervention of the Court. The Act provides three alternative methods for recovery of non-performing assets, namely: -

- ❖ Securitization
- ❖ Asset Reconstruction
- ❖ Enforcement of Security without the intervention of the Court

The provision of this Act is applicable only for NPA loans with outstanding above Rs. 1.00 lac. NPA loan accounts where the amount is less than 20% of the principal and interest are not eligible to be dealt with under this Act.

Non-performing assets should be backed by securities charged to the Bank by way of hypothecation or mortgage or assignment. Security Interest by way of Lien, pledge, hire purchase and lease not liable for attachment under sec.60 of CPC, are not covered under this Act

The Act empowers the Bank:

- To issue demand notice to the defaulting borrower and guarantor, calling upon them to discharge their dues in full within 60 days from the date of the notice.
- To give notice to any person who has acquired any of the secured assets from the borrower to surrender the same to the Bank.
- To ask any debtor of the borrower to pay any sum due or becoming due to the borrower.
- Any Security Interest created over Agricultural Land cannot be proceeded with.

If on receipt of demand notice, the borrower makes any representation or raises any objection, Authorized Officer shall consider such representation or objection carefully and if he comes to the conclusion that such representation or objection is not acceptable or tenable, he shall communicate the reasons for non-acceptance WITHIN ONE WEEK of receipt of such representation or objection.

A borrower / guarantor aggrieved by the action of the Bank can file an appeal with DRT and then with DRAT, but not with any civil court. The borrower / guarantor have to deposit 50% of the dues before an appeal with DRAT.

If the borrower fails to comply with the notice, the Bank may take recourse to one or more of the following measures:

- Take possession of the security
- Sale or lease or assign the right over the security
- Manage the same or appoint any person to manage the same

4.4 Summary

After collecting all papers by applicant, his file is sending for sanctioning towards home loan authority. Again all documents are verified by home loan manager in minimum 10 days for appraisal of loan proposal. After assessment of file, bank authorities sanction the loan. Sanctioning authority is in the hands of branch manager or towards head office-Assistance General Manager. Sanctioning takes place from 8 days to 1month. Sanction letter is duly sign by the applicant. In sanction letter clauses of EMI, Nature of EMI, Interest rate, Loan Tenure, sanctioned loan amount is stated. EMI is determining by considering Loan amount, Tenure & Rate of interest. Borrower required to open a saving a/c or loan a/c with bank. Disbursement is depends upon completion certificate of builder. Loan is distributed on stages of building. Though amount is disbursed in part but interest must have to be paid by borrower. In SBI & Sangli UCB interest charged after disbursement of full amount but in HDFC interest charged after disbursement of 1st stage. After deciding amount & mode of EMI, bank charge 1st installment as per moratorium period. Once the Nature of EMI is selected i.e. monthly/

quarterly/ half-yearly/ yearly, borrower cannot change nature of EMI. Borrower gets cheque in the favor seller/ builder.

Bank can be made repayment either through deduction against salary or by post-dated cheques. If any borrower fails to repay the EMI up to 3 months, he will be treated as defaulter & his A/c treated as NPA. Then bank can take legal action under SARFAESI Act 2002.