

HANDLE RETAIL CREDIT ...
CONFIDENTLY, EFFICIENTLY & EFFECTIVELY !

"DUE DILIGENCE IN RETAIL LENDING - A PRACTICAL GUIDE"

A Publication by *BankerMitra*



DUE DILIGENCE IN RETAIL LENDING

- A PRACTICAL GUIDE

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Dr. V.S. Kaveri
Professor and Dean(Retd.),
NIBM, Pune

Satish J. Misar
General Manager(Retd.),
Indian Bank

D.D. Deshpande
Deputy General Manager(Retd.),
Indian Bank

Pradip D. Mopkar
Deputy General Manager (Retd.),
Indian Bank

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CONTENT :

The "Practical Guide" contains exhaustive lists of 'Due- Diligence Action Points (DDAPs)' applicable at each stage of Credit Management (viz. Pre-Appraisal, Appraisal, Sanction, Documentation, Insurance, Disbursement, Follow-up, Monitoring and Recovery) in respect of major retail Loan products commonly offered by banks.

The Check lists are based NOT on any particular bank's operating instructions but on the general principles of Due Diligence, the industry's best practices and the practical experience gained by the authors in the field.

RETAIL LOAN PRODUCTS COVERED:

1. Home Loan - Property under construction
2. Home Loan - Purchase of Ready House
3. Home Loan - Repairs & Renovation
4. Home Loan - Top Up
5. Home Loan - Purchase of Plot
6. Reverse Mortgage
7. Loan against Rent Receivable
8. Mortgage Loan
9. Educational Loan
10. Vehicle Loan
11. Loan for purchase of Consumer Durables
12. Personal Loan
13. Salary Loan
14. Pension Loan
15. Loan against NSC/KVP/LIC Policy /RBI Bond.

A Must For :

- Branch Managers / Sanctioning Authorities in Centralised Loan Processing Centres
- Credit Officers in the -
 - ✓ Branches
 - ✓ Centralised Loan Processing Centres
 - ✓ Regional / Zonal Offices / Head Office
- Internal Auditors / Branch Inspectors

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WHY THIS "PRACTICAL GUIDE" FOR RETAIL LENDING ?

- Retail lending is a very important segment of banks' advances portfolio and its importance has been growing over the years.
- The number of fresh proposals to be handled under retail loans is very large.
- The number of Retail Loans outstanding accounts at any branch/ bank is also very large and ever increasing.
- Since Retail Loans are "Consumption" Loans, the applicants expect the quickest possible Turnaround Time (TAT).
- Bank officers are required to invest considerable time and efforts to acquire thorough job knowledge about the bank's retail loan schemes and special skills of appraisal for acquiring & maintaining good quality Retail Assets.
- Although the banks issue circulars and instructions from time to time on "What to do", "Why to do", "When to do", "Who should do" etc but seldom clarify "How to do"
- This sometimes result in two officers / authorities approaching the same issue in different manner or even the same officer / authority taking divergent views on the same issue on different occasions.

This 'Practical Guide' helps meet all these challenges effectively.

HOW TO USE THIS "PRACTICAL GUIDE?"

This guide consists of Check Lists in two parts:

Part I: Due diligence '**Common Check Points**' applicable to all Retail Loan Products.

Part II : Due diligence '**Product Specific Check Lists**' applicable to particular Retail Loan Product, over and above those covered under the Common check list (Part I).

THE PROCESS:

1. The Common check list has to be applied for compliance of the due diligence of all types of Retail Loan Products.
2. Thereafter, the check list relating to the specific retail loan product applied for has to be applied.
3. The credit officer / Branch Manager has to mark compliance / non-compliance of each DDAP by putting a tick mark (✓) in one of the three columns, namely, "Yes", "No" and "Not Applicable (NA)" provided there against.
4. These responses have to be interpreted and evaluated either as 'positive (compliance) or negative (non-compliance)' in the context of the relevant check point.
5. The next- level appraising officer / Branch Manager has to focus on responses indicating 'non-compliance' (which may either be "YES" or "NO") and either accept the same with reasoning / take appropriate action for compliance or reject the proposal.

ADVANTAGES OF APPLYING DUE DILIGENCE PRACTICAL GUIDE :

- Ensures that the loan processing officer does not miss out on any extant guidelines of the bank.
- The attempt to conceal facts / submit false information / submissions with fraudulent intentions can be noticed easily.
- The appraisal standard becomes robust and uniform across all branches of the Bank and eliminates subjectivity.
- Boosts the Confidence, Efficiency and Effectiveness of officers handling credit.
- Improves Turnaround Time(TAT) resulting in higher Customer satisfaction and improves business potentiality.
- Improved level of Monitoring and Follow up standard helps reduce the slippages in The quality of assets.

THE AUTHORS:

DR. V. S. KAVERI

*Professor and Dean(Retired) , National Institute of Bank Management, Pune.
Former Director, Indian Institute of Bank Management, Guwahati.*

A trainer for more than three decades. A regular contributor to leading journals in Banking and Finance besides being an author of several books. Was associated with several committees/ working groups appointed by Reserve Bank of India. Recognized guide for doctoral students enrolled with the University of Pune.

SATISH J. MISAR

General Manager (Retired), Indian Bank.

Over 37 years' of experience in the Field and Administration in various functional segments of Banking. Had set up the first Retail Banking Centralised Processing Centre of the Bank. Headed Credit Intensive Branches and Credit Departments at Zonal/Head Office level. Set up and headed the Credit Monitoring Department at Head Office. Headed the Training System of the Bank which was accorded the prestigious Golden Peacock Award for Training.

D. D. DESHPANDE

Deputy General Manager (Retired), Indian Bank

Over 37 years' experience of working in branches as well as Zonal Offices and Head Office of the Bank. Headed Credit Department in the largest Credit Intensive branch and also headed a large Personal Banking branch. Headed Marketing Department at Head Office. Designed and developed systems, procedures and policies for the credit card business and launched the Bank's Credit Card. Introduced new Deposit and Insurance products. Handled Audit / Inspection and Vigilance functions in various capacities.

PRADIP D. MOPKAR

Deputy General Manager (Retired), Indian Bank

Over 38 years rich and varied experience in various areas of banking operations, including as Branch Manager of the Bank's prestigious Corporate branches in Mumbai and the most successful Zonal Manager of Gujarat state. Headed Retail Banking Centralised Processing Centre at Chennai. Worked at Corporate office as Head of Risk Management Dept., Technology Management Dept., O&M Dept., New Initiative Dept., Credit Card Dept. Was Bank's Nodal Officer for Customer Service. Worked as In-charge of Zonal Inspection Centre, Chennai.

THE PREFACE.....

"..... This practical guide , a collective and laudable endeavour of a reputed Academic and experienced Bankers, will no doubt support the endeavour of the banks to impart to their staff handling retail credit portfolio, the What, Where, When, Whom, and Why of the policy and procedures connected with their current retail loan offerings and particularly the 'How' of it. Since the contents are available with the click of the key, time, space and cost constraints of the learners are substantially remedied...."

-Allen Pareira,

*Former Director, National Institute of Bank Management, Pune
Former CMD, Bank of Maharashtra,*

SOME OF THE ACCOLADES....

".....BankerMitra is indeed doing a commendable job under the able guidance of Dr Kaveri. Keep it up; my Best Wishes will always be with you."

Shri P. B. Kulkarni

*Former E D, RBI
Former CMD, Bank of Maharashtra*

".....This the Best way of fulfilling "personal social responsibility"---passing on the knowledge gained by you to the posterity."

Dr. K. B. Nagendra Murthy

Former M.D. Tamil Nadu Mercantile Co Op Bank Ltd.

"... I heartily congratulate you for this very useful initiative which which benefits all field staff and the controlling authorities in Banking Industry. My sincere congratulations to our other friends. Please convey regards to Shri Kaveri who was one of the pillars of NIBM."

Shri Kota Krishnamurthy,

General Manager (Retired) Indian Bank

"Great Initiative and timely publication. Hearty congratulations."

Shri. C. S. Ramani

General Manager (Retired) Indian Bank

"...It is rare that retired bankers share their valuable knowledge and experience in book form. The book will prove to be "light house" for budding bankers."

Shri. P. V. Joshi

General Manager (Retired) Indian Bank

Visit : www.bankermitra.in **E-mail :** info@bankermitra.in

Call : 9822290054 / 8805025465