

# CREDIT REVIEW & MONITORING POLICY

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- ✓ **Review by Next Higher Authority: 204/2021**
- ✓ **NB 139 - All sanctions & Renewals other than Retail & Agriculture loans**
- ✓ **NB 140 - All sanctions & Renewals in respect of Agriculture loans**
- ✓ **NB 179 - All sanctions & Renewals in respect of Retail Loans**
- ✓ **NB 117 – All sanctions & Renewals under Govt sponsored Schemes**
- ✓ **To be sent on before 7<sup>th</sup> of Succeeding month**

# CREDIT REVIEW AND MONITORING

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- ✓ **Review by Next Higher Authority:**
- ✓ **All sanctions/Renewal up to Rs.5.00 lakhs (FB+NFB), and upto Rs 6 lac for SHG review will be carried out on consolidated basis by ROs based on monthly registers submitted by branches.**
- ✓ **All sanctions above Rs.5.00 Lakhs & above Rs 6 lac for SHG (along with loan application, sanction Processing note and Sanction memorandum) are to be individually sent for review to the next higher authority.**

# CREDIT REVIEW & MONITORING

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- ✓ **Review by Next Higher Authority:**
- ✓ **In case of RO Head CAC sanctions, monthly sanctions are to be reported along with copy of office note to CO before 7th of the succeeding month for review.**
- ✓ **In respect of GM CO CAC sanctions (where COs are headed by CGMs) & Circle Head CAC sanctions, RM&CRM Section at CO shall report the sanctions made by the CACs on fortnightly basis along with copy of office note for sanction with orders of the CAC to CAM Wing, HO within 7 days from the closure of the fortnight.**

# CREDIT REVIEW & MONITORING

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- ✓ **Review by Next Higher Authority:**
- ✓ **Sanctions by Manager/Sr Manager in VLB/ELB in the absence of Branch head to be sent to RO for review along with the views of branch head.**
- ✓ **Sanctions by AGM RO CAC in ROs headed by DGMs to be reviewed by DGM RO (head).**
- ✓ **Sanctions made by any CACs in SME Sulabh to be reviewed by CO Review committees.**

# CREDIT REVIEW & MONITORING

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- ✓ **Review by Next Higher Authority:- VSL against our deposits:**
- ✓ **VSLs against our deposits - sanctioned by branches & ROs, BO Report No.280049 containing details, such as Loan amount, security, etc. for each customer to be placed to RO Head/CO Head for review through Credit Review & Monitoring Section at RO/CO respectively (HO Cir 232/2018 dated 16.04.2018.)**

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# CREDIT REVIEW & MONITORING

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- ✓ **The following also subject to review by NHA.**
- ✓ **Interest Concessions and concession in charges**
- ✓ **Extension of tenability limits**
- ✓ **Reserve price fixed for sale of NPA**
- ✓ **Recall of Advance/Marking the account for recovery/Initiation of SARFAESI Action**

# CREDIT REVIEW & MONITORING

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- ✓ **Second extensions in respect of accounts other than HIGH risk – Review by NHA**
- ✓ **For HIGH risk accounts only one extension for 2 months to be permitted by Circle Head CAC. To be reviewed by NHA**
- ✓ **Sanctions by officials retiring within 3 months the sanctions to be got reviewed within 3 days of sanction.**

# CREDIT REVIEW & MONITORING

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- ✓ **Review by Next Higher Authority: Taken over accounts:**
- ✓ **Taken over accounts other than Retail lending review to be done at 6 months interval for one year by Circle Head CAC for loans below Circle Head CAC Sanction.**
- ✓ **Circle Head CAC by HO**
- ✓ **After one year subject to normal loan review mechanism.**





# CREDIT REVIEW & MONITORING

## Points to be looked into by Reviewing Office

- ✓ BO 120012 / 280204 – 120012 – Option 4 OD/OCC-10 – Loans and adv - 11- Agri ADV- reports to be generated every month by RO/CO and ensure all sanctions and disbursements are reported for review.
- ✓ Reviewing authorities, while reviewing, should invariably ensure that branch has registered the securities both Prime & Collateral with CERSAI and also created our charge with ROC.

# CREDIT REVIEW & MONITORING

## Time for completion of Review

- ✓ Review to be completed within 30 days from the due dates and review observations to be sent to branches /ROs.
- ✓ Review remarks to be closed within 30 days and if not closed the same to be reported to Circle Head in respect of sanctions below Circle Head CAC.
- ✓ In next renewal, enhancement the pending review observations to find a place in office notes.

# CREDIT REVIEW & MONITORING

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- ✓ **Exemption for Review:**
- ✓ **1. All Gold Loans 2. All Loans/Advances sanctioned to Employees and 3. All VSLs/OD against the security of deposits of the bank and approved securities like NSCs/KVP/Life Insurance policies. (consolidated review for VSL/OD as per BO report 280049)**

# CREDIT REVIEW & MONITORING

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- ✓ **Guidelines for LSR for all mortgaged based loans:**
- ✓ **If value of property is Rs 5 cro and more two LSRs to be obtained from different panel advocates**
- ✓ **Certified copy by panel advocate of latest sale deed obtained from Sub-Registrar Office to accompany both the LSRs**

# CREDIT REVIEW & MONITORING

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- ✓ **Pre Release Audit: (PRA)**
- ✓ **All facilities with credit exposure of Rs 2 cro and above. (FB+NBF) to new and existing borrowers.**
- ✓ **All renewals with enhancement/fresh facilities -Rs 2 cro and above (when limit touches Rs 2 cro)**
- ✓ **Retail loans of Rs 5 cro and above backed by mortgage**
- ✓ **When adhoc and regular limits is Rs 2 cro and above.**
- ✓ **VSL against deposit, securities and staff loans exempted**

# CREDIT REVIEW & MONITORING

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- ✓ At the time of Prerelease audit branches to get enforceability certificate from a Panel advocate other than the one who gave the LSR
- ✓ He has to verify the LSR and mortgage documents taken from the borrower and approve the same.
- ✓ To verify the genuineness of documents, EC etc by personally visiting Sub Registrar office.
- ✓ Charges Min Rs 1000 max Rs 10000 to be paid by debiting GC and not party's account to the advocate

# CREDIT REVIEW & MONITORING

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- ✓ **Scale 4 and above will be prerelease auditor from the bank – RM Section Circle Office will depute**
- ✓ **He will verify as to all Sanction terms and conditions are complied with and documentation is perfect.**
- ✓ **He has to ensure recovery of all charges, KYC details if the party is new to the bank, availability of enforceability certificate and CERSAI completion.**
- ✓ **PRA to be completed within 48 hours of documentation is completed. NO authority has power to waive PRA.**

# CREDIT REVIEW & MONITORING

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- ✓ **Legal Audit:**
- ✓ **Conducting legal audit of title deeds and other documents in respect of borrowal accounts of Rs 5 cro and above along with RBIA till the loan is closed.**
- ✓ **Periodicity 3 years from the date of first Legal audit to coincide with RBIA.**
- ✓ **During the audit property will be visited by the inspector and fresh LSR will be obtained from the panel advocate who has not so far given LSR for that document.**



# CREDIT REVIEW & MONITORING

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- ✓ **Credit Audit: Post Sanction Audit**
- ✓ **Exposures (FB+NFB) Rs 3 cro and above**
- ✓ **For the existing parties when the exposure reaches Rs 3 cro and above due to enhancement/additional loan.**
- ✓ **Exposures less than Rs 3 cro, Circle to Conduct 5% of the accounts randomly selected**
- ✓ **Within 3-6 months of first disbursement**

# CREDIT REVIEW & MONITORING

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- ✓ **Accounts in which additional facilities permitted frequently maximum credit audit permitted in a FY is 2 and gap between two must be 6 months.**
- ✓ **Perfection of documentation, Security, follow up and monitoring submission of follow up statements to controlling offices, detection of warning signal in the account are looked into**

# CREDIT REVIEW & MONITORING

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- ✓ **Internal and External Auditors – Internal Scale III to V – by RM Section of Circle**
- ✓ **Exposure Rs 5 cro and above only by External auditor – Max Fees Rs 6000**
- ✓ **Reports to be closed within 3 months**
- ✓ **If not due to various genuine reasons another 3 months time will be permitted**

# CREDIT REVIEW & MONITORING

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- ✓ **CMF:**
- ✓ **Low, Normal & Moderate Risk accounts exposure Rs 3 cro and above**
- ✓ **High Risk accounts above Rs 1 cro.**
- ✓ **Last day of the calendar quarter for Low, Normal and Moderate Accounts**
- ✓ **For High Risk accounts and Moderate Risk accounts with Rs 200 cro and above – Monthly – 7 days from the due date.**

# CREDIT REVIEW & MONITORING

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- ✓ **CMF cum MTR**
- ✓ **6 months from the date of sanction/renewal –**
- ✓ **If CMF cum MTR is submitted for that quarter CMF need not be submitted.**
- ✓ **To be prepared manually and uploaded on line in LCM module**

# CREDIT REVIEW & MONITORING

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- ✓ **Agencies For Specialised monitoring**
- ✓ **Exposure of Rs 250 cro and above – to detect financial stress at an early stage**
- ✓ **Periodicity – Quarterly – to be completed within 1 – 3 weeks**
- ✓ **ASMs will not be entrusted with more than 5 accounts at a time.**
- ✓ **Fees Rs 5 lac per annum for exposure upto Rs 500 cro and Rs 8 lac above Rs 500 cro to be recovered from party**

# CREDIT REVIEW & MONITORING

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- ✓ **Annual Review of Stand Alone Term loan:**
- ✓ **Sanctioned by Circle Head CAC and above authorities (except Retail loans upto Rs 5 cro) – Review to be placed to the Sanctioning authority.**
- ✓ **Periodicity – Yearly**
- ✓ **One time review by HO after 6 months of disbursement**

# CREDIT REVIEW & MONITORING

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- ✓ **Credit Monitoring Officer – exposure of Rs 50 lac and above**
- ✓ **Credit Monitoring Committee – to meet once in week**
- ✓ **CMOs to monitor the accounts thoroughly – submission of all credit monitoring statements by the parties, compliance of sanction term and conditions, follow up of accounts, EWS if any.**
- ✓ **CMOs to submit report once in a month**



# CREDIT REVIEW & MONITORING

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**ROs to conduct CMOs meet once in a quarter**

# CERSAI

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- Introduction of Chapter IV – A in the SARFAESI Act 2002 wef 24<sup>th</sup> Jan 2020
- Secured Creditors to create security interest – Immovables, Movables (hypothecation) and intangibles like Patent right, licence, copy right – Vehicle to be registered with Vahan portal.
- Attachment orders issued by Revenue authorities, Court, Tribunals also to be filed
- Filing of security interest and other orders shall have priority over any subsequent security created

# CERSAI

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- **CERSAI**

**Secured creditors' due will be paid in priority over Govt dues if security interest is registered prior to registration of attachment order.**

**CERSAI registration to be done on the same day of account opening  
30 day time lines for creation/modification is no longer applicable  
(earlier available in Sec 23)**

**Penalty provisions beyond 30 days stands with drawn (earlier available as per Sec 27)**

# CERSAI

## ▪ CERSAI -FEES

Type of Transaction	Fee Chargeable for loan	
	Upto Rs 10 lac	>10 lac
Addition of Security interest	Rs 250	Rs 500
Modification	Rs 100	Rs 150
On line search	-----Rs 10 by bank----	
Satisfaction of Security interest	-----NIL-----	

**CERSAI fees with mark up of 9% on the fees paid and GST of 18% on the marked up amount to be collected. 351/2018**

# CERSAI

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- **CERSAI maintains account with Bank of Baroda New Delhi**
- **Banks to make advance payment in this account**
- **As and when users effect addition, modification or search of security interest in the portal required fee is automatically debited in our account**
- **So users have to recover the charges without fail as and when the details are received from Circle Office.**

# SMA

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- **Special Mention Accounts – RBI guidelines**
- **SMA 0 1-30 days over due**
- **SMA 1 31- 60 days over due**
- **SMA 2- 61-90 days over due**
- **For OD/OCC accounts – If Liability > limit continuously for more than 30 days to be reported as SMA 1. SMA 0 is not applicable to OD/OCC accounts.**

# SMA

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- **Special Mention Accounts.- RBI**
- **SMA Accounts exclusively for over dues .**
- **Delinquency due to Non Financial Parameters, Agriculture Crop loan, Staff loans & VSLs need not be reported in SMA.**
- **All accounts of borrowers with exposure of Rs 5 cro and above to be reported to CRILC – Monthly last day**
- **Weekly report – Friday**
- **Defaulting borrowers – and borrowers out of default**
- **Saturday to Friday**

# SMA

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- **Special Mention Accounts.- Internal guidelines for monitoring**
- **SMA A – Exposure less than Rs 5 lac**
- **SMA B Rs 5 lac & above less than 25**
- **SMA C 25 lac and above less than 100**
- **SMA D 100 lac and above less than 500**
- **SMA E Rs 500 lac and above**
- **SMA NF, SMA AG, SMA Staff & SMA VSL**



# LEGAL ENTITY IDENTIFIER - LEI

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## ✓ TIME LINE FOR OBTENTION OF LEI

CREDIT FACILITY (Rs in Cro)	MSME	NON MSME
>25 upto 50	30.6.2022	30.6.2022
>10 upto 25	30.9.2022	30.6.2022
>5 upto 10	31.3.2023	31.12.2022

## ✓ 446/2021

# VALUATION OF FIXED ASSETS

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- ✓ **Valuation of Fixed Assets Other than Agricultural land: 370/2020**
- ✓ **Before sanctioning and take over of the loan irrespective of loan amount**
- ✓ **Subsequently once in three years.**
- **Concession in interest for MSME based on collateral – Gap between two valuation min 2 yrs – CO Head CAC can permit valuation at lower frequency ie less than 2 years**

# VALUATION OF FIXED ASSETS

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- If valuation is done at frequency lesser than 3 years for MSME to get interest concession, 85% of present valuation to be taken – Different valuer to give report.
- (MCLR 185/16 MSME -532/16 166/2020 RLLR) LNM 34
- ✓ For Retail lending schemes valuation and periodicity of valuation as per Scheme guidelines.

# VALUATION OF FIXED ASSETS

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- **If the property is only land (other than agriculture), Sites, Plot without any superstructure**
  - **The acquisition cost as per Sale deed if it is acquired within immediate preceding year. No Panel Valuer**
- **If it is purchased beyond preceding one year, 85% of the Fair Market value assessed by Valuer to be taken as value.**
- **When Immovable property is taken as security(L&B), the residual age of the property should be at least 5 years more than the tenure of the loan.**

# VALUATION OF FIXED ASSETS

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- **Recently purchased properties ie within 12 months prior to the date of valuation and if Guideline value revised after the sale deed – Purchase price or guidelines value which ever is more – not market value**
- **The above is for all loan products of the bank.**
- **Two valuation if the value of the property accepted as collateral is Rs 10 cro and above.**
- **One valuer to be selected from a place different from other.**

# VALUATION OF FIXED ASSETS

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- In respect of Fixed Assets if the borrows account is down graded-
- Fresh Valuation need not be undertaken if down gradation is from low to normal or from Normal to Moderate or from Moderate to High Risk provided the valuation report is not more than 6 months old. – Otherwise within 3 months to be done.
- If down gradation by two notches then fresh valuation to be undertaken within 3 months of down gradation irrespective of the date of valuation report.

# VALUATION OF FIXED ASSETS

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- **If account turns into NPA**
- **Wait for 3 months**
- **If not upgraded get permission from RO or CO as the case may be regarding the need for valuation.**
- **For SSA and DA accounts with exposure of Rs 1 cro and above no waiver is permitted – Valuation is necessary. If DA and value of security is negligible valuation may be waived.**
- **Valuation to be done within 6 months from the date of account becoming NPA and subsequently once in 3 years**

# VALUATION OF FIXED ASSETS

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- ✓ Valuation of Fixed Assets shall be entrusted to different valuers each time the valuation is undertaken.
- ✓ At any cost, a valuer shall not be entrusted with valuation of assets of one borrower consecutively.
- Depreciation (Building 5%, P&M 15%, Vehicle 20% PA) – Written Down Value Method - Land value no need for applying depreciation.
- Fair Market Value to be taken into account for valuation purpose for taking the property as security.



# MONITORING OF ADVANCES & ASSET QUALITY

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- **AGRICULTURAL LAND**
- **IF LOAN QTM upto Rs 20 lac Manager**
- **>20 lac upto 30 lac AEO Manager**
- **Above this panel valuer**
- **Guidelines value or mkt value which is less**
- **Land with structure Panel valuer**

# Fees Payable to Fixed and Movable Assets

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<b>Value of Security</b>	<b>Fee payable</b>
<b>Upto Rs 5 lac of asset valued</b>	<b>0.25%</b>
<b>Next Rs 10 lac of asset valued</b>	<b>0.20%</b>
<b>Next Rs 35 lac of asset valued</b>	<b>0.10%</b>
<b>Next Rs 50 lac of asset valued</b>	<b>0.05%</b>
<b>On the balance of asset valued</b>	<b>0.025%</b>

**HO Cir 452/21**

# Fees Payable to Fixed and Movable Assets

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- ✓ **Minimum Rs 2000 maximum Rs 50,000**
- ✓ **NPA 50% of the above maximum Rs 25,000**
- ✓ **Vacant Land 25% of the above maximum Rs 12,500**
- ✓ **TA & HA after getting permission from CO**
- ✓ **Maximum per borrower including TA & HA not to exceed Rs 75,000. Circle head can increase**
- ✓ **Fees to be paid to be informed to the borrower and if he has not paid to be debited his loan account.**
- ✓ **Suit filed account GC to be debited**

# VALUATION - INVENTORY

<b>Risk</b>	<b>Exposure</b>	<b>Periodicity</b>
Low & Normal	Rs 5 cro and above	Once in a year
Moderate & High	Rs 1 cro and above	Once in a year
Unrated	Rs 1 cro and above	If Standard Yearly
Unrated	Rs 1 cro and above	SSA & DA once in 2 years
Unrated	Rs 5 cro and above	DA once in a year

# VALUATION - INVENTORY

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- ✓ **Exposure includes both FB and NFB**
- ✓ **Exposure - both from our bank and from the banking system**
- ✓ **For Retail Loans and Schematic lending valuation as per Scheme guidelines.**
- **If ratings come down by one notch and if the valuation report is more than 6 months old fresh valuation to be conducted within 3 months.**

# VALUATION - INVENTORY

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- If Valuation report is not older than 6 months no need for fresh valuation.
- 2 or more notches down fresh valuation within 3 months irrespective of previous Valuation report date.
- Valuation to be got done before taking over in respect accounts that are being taken over irrespective of risk grade and quantum of loan.

# VALUATION - INVENTORY

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- **NPA Accounts – Permission to be obtained from Circle Office after ensuring sufficient stock is available- Otherwise no need for valuation after getting permission from Circle Office.**
- **Three months time to be allowed for upgradation.**
- **If not upgraded valuation to be done within 6 months of account becoming NPA and as per periodicity till inventory value depletes.**

# VALUATION INVENTORY

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- ✓ **Max no of valuation to be given for Current asset valuer in a year is 3.**
- **The valuation of Current Assets of each borrower should normally be entrusted to a specific valuer 3 times consecutively.**



# VALUATION -INVENTORY

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- ✓ Fees payable to Current Asset Valuer: **452/21**
- ✓ Manufacturing Unit: Rs 500 per Rs 1 cro of stock including BDs min Rs10,000 Max Rs 100000.
- ✓ Other than Manufacturing: Rs 300 per Rs 1 cro of stock min Rs 7500 Max Rs 1,00,000
- ✓ CO Head and above may permit more
- ✓ For one borrower the fee should not exceed Rs 2.00 lac
- ✓ NPA – 50% of the above max Rs 30,000

## **VALUATION – P&M**

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- **New P&M – Invoice value – to be enquired with other vendors supplying such P&M**
- **Fresh borrowal accounts based on existing P&M – Valuation by Panel valuer**
- **Existing P&M if value is Rs 50 cro and above two approved valuers**
- **The Fair Market value of security to be taken into account.**
- **Frequency of valuation of P&M is like Fixed Assets**