

IMPORTANT RETAIL LIABILITY PRODUCT

WHO CAN OPEN A SAVINGS BANK ACCOUNT?

- Opening a Savings Bank Account requires **applicants to be legally capable of entering into a valid contract.**
- The applicants must make the **application to the bank in a proper manner** and accept the terms and conditions.
- They should be willing to follow and **accept the rules and regulations stipulated by the bank.**

Documents Required for opening Savings Bank Account

- Proof of identity (OVD)
- Proof of address
- Recent photograph
- PAN card or declaration in form 60 or 61 as per I.T. Act

Savings Bank Account of Minor

MINOR

- A minor is a person who has **not attained 18 years of age** as per sec. 3 of Indian Majority Act 1875.

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- According to the Indian contract act, 1872 a **minor is not capable of entering into a valid contract** and a contract entered into by a minor is **void**.
- A contract for the supply of **necessities of life to a minor is, however, a valid contract**. In the case of all other contracts.
- However, as per the directives of RBI, a Savings Bank account in the **sole name of 'minor' to be operated by the minor** can be opened provided the minor is **10 years of age or above**.

GUIDELINES

- The minor should be **able to read and write any of the languages** recognized and be capable, in the opinion of the Branch Manager/Joint Manager/officer-in-charge of the savings bank department, of understanding what he/she is **doing and the savings bank account rules and regulations**.
- The account opening form should be **signed by the minor** in the **presence of an official of the bank** who should be able to identify the minor.
- **A cheque book facility can be provided**, on request, if he/she is literate and after ascertaining that he/she is

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capable of taking all precautions in respect of issue and safe custody of cheque book.

- Withdrawals should normally be **made by a minor in person**, except in cases where **his/her parent, his/her close relative** or a person known to the Bank comes to **receive payment**.
- **Maximum balance** to the credit of such account **should not exceed at any time Rs.1,00, 000/-**. However, for accounts of minors of **14 years and above**, there is **no limit. of maximum balance**.
- In respect of minors **below the age of 10 years**, accounts in the sole name of a minor can be Opened provided the account is **operated by the natural guardian(s) i.e., father or mother**.

Savings Bank Accounts o Illiterates

Savings bank accounts of **illiterate individuals who are otherwise capable of entering** into a contract can open a saving account.

CONDITIONS

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- The illiterate person unable to write **must attend in person and should affix his thumb impression** on the account opening in the presence of an **approved witness**, who is known both to the Bank and the applicant.
- For **withdrawals**, the illiterate person **should come to the branch personally and affix her thumb impression** in the presence of an officer.
- **No cheque book facility** should be extended on account of an illiterate person.
- Joint account of an **illiterate can be opened with a literate close relative** i.e., father, son, husband, wife, mother, and daughter.

Savings Bank Account of Blind Persons

- Blind persons are fully **competent to enter into a valid contract**. There is no legal bar to opening savings bank accounts for blind persons by the banks as usual.
- In the case of blind person **both the signature and thumb impression** (even for the literate-in case of illiterate thumb impression only) must be obtained on the account opening form.

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- It must be done in the **presence of bank officials** which should be duly **witnessed** by a respectable person who should certify that the **contents are explained to the blind person in his presence.**

Savings Bank Accounts of Incapacitated (Handicapped / Old / Sick) Persons

- Banks may entertain requests from **handicapped persons, such as persons who have lost both hands, etc.** for opening their accounts.
- The handicapped person may be **requested to put his/her toe impression** either right or left on the relevant forms.
- This should be done before the **Branch Manager/Joint Manager/ Departmental Head** and a witness.

Accounts of Pardanashin Women

- As per the rule, any contract entered into by a Pardanashin Woman is **not a contract-free from all defects.** A presumption of **undue influence** always exists.
- Banks should take **utmost care and two respectable persons known to the bank branch** should invariably

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attest to the signatures on the account opening form and on withdrawals by withdrawal slips.

Savings Account for Non-Individual Entities

As per RBI guidelines, the following categories of non-individual entities are allowed to open savings accounts:

- Primary Co-operative Credit Society which is being financed by the bank.
- Khadi and Village Industries Boards.
- Agriculture Produce Market Committees.
- Societies registered under the Societies Registration Act, 1860
- Self-help Groups (SHGs), registered or unregistered,
- Farmers' Clubs - Vikas Volunteer Vahini - VVV.
- Government departments/bodies/agencies

MAINTENANCE OF BALANCE IN SAVINGS BANK ACCOUNT AND INTEREST PAYMENT

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- When you open a savings bank account, the bank typically requires you to **maintain a minimum balance in the account.**
- Most banks insist on a **monthly average balance (MAV)** to be maintained in the account failing which a penalty is charged.

Date	Particulars	Dr	Cr	Balance
01/04/2021	By cash		10000	1000
04/04/2021	By Tr		1,00,000	1,10,000
06/04/2021	To cash Withdrawal	20,00 0		90,000
07/04/2021	To Cash	2000		88,000
20/04.2021	By Cash		5,000	93,000
30/04/2021	To cash Withdrawal	1000		92,000

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Now let us calculate, interest for the month of April 2021 in respect of above **Customer's Account on daily Product Basis** supposing interest rate on SB is 3% p.a.

Date	Balance	No. of Days	Product
01/04/2021	1000	3	3000
04/04/2021	1,10,000	2	2,20,000
06/04/2021	90,000	1	90,000
07/04/2021	88,000	13	11,44,000
20/04.2021	93,000	10	9,30,000
30/04/2021	92,000	1	92,000
	Total	30	24,79,000

Interest = $24,79,000 * 3/100 * 1/365 = 203.75$

Monthly Average Balance (MAV) = $24,79,000 / 30 = 82,633.33$

TIME DEPOSITS

- These are bank accounts where funds are deposited for a specified period of time at a fixed interest rate.

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- These accounts offer a **relatively higher interest rate** compared to regular savings accounts.

PERIODICITY OF TIME DEPOSIT

Minimum period

- At present, the minimum period for a **term deposit** for banks is **7 days** for deposit amounts of **Rs. 15/-lacs and above**.
- At present, the minimum period for a term deposit for banks is **15 days** for **deposit amounts less than Rs. 15/-lacs**. The amounts may vary in different banks.

Maximum period

Banks accept fixed deposits for a **period not exceeding 120 months**. Where a deposit is offered for a **period over twelve months**, efforts should be made to accept **deposits for periods in multiples of 3 months** e.g., **15 months, 18 months, 21 months, and so on**.

OPERATIONAL INSTRUCTIONS

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Term deposit accounts can be opened with different instructions that determine how the account is operated and how the funds are disbursed.

Singly

- When an account is opened with instructions as "Singly," it means that **only the account holder (singular) has the authority to operate the account.**
- Any transaction, such as **depositing or withdrawing funds**, can be initiated, and approved by the account holder alone.

Payable Jointly

- When an account is opened with instructions as "Payable Jointly," it means that **all the account holders must provide their consent and signature** for any transaction to take place.
- All the joint account holders need to be **present or provide their authorization** for **depositing or withdrawing funds** from the account.

Either or Survivor

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- When an account is opened with instructions as "Either or Survivor," it means that there are two or more joint account holders, and any one of them can operate the account independently.
- In case of the death of any of the joint account holders, the surviving account holder(s) retain the right to operate the account.

Former or Survivor

- It applies to accounts where there are multiple account holders, and the surviving account holder(s) can operate the account in case of the death of the primary account holder.
- While the Former is alive, the Survivor does not have operational rights or control over the account. They cannot initiate transactions or manage the account independently.

Former, Survivors Jointly or Last Survivor

- The Former has sole authority and control over the account during their lifetime, similar to a single account holder.

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- If the primary account holder (the Former) passes away, the surviving account holders assume **joint control and authority over the account**.
- In this scenario, **all surviving account holders must act together** and unanimously in managing the account.
- In this case, the account can be operated **by the last surviving account holder until their demise**.

INTEREST ON FIXED DEPOSIT

- Interest on FDs is paid **at quarterly intervals**. The customer can choose to have the **interest reinvested in the FD account**.
- If the customer instructs that the **interest is to be paid every quarter/month**, it is credited to their **Savings Account or sent to them by cheque**. This is called Simple FD.
- If Interest **reinvested in the FD account** in this case, the deposit is called the **Cumulative FD or compound interest deposit**.

TERM DEPOSIT ACCOUNTS OF MINORS

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Term deposit accounts can be opened by a **minor in his/her sole name** or **minor accounts operated by a guardian**. All other terms and conditions remain the same as term deposits discussed above.

MODE OF REPAYMENT OF TIME DEPOSIT

If the **total amount of deposits** (principal) held by an individual, along with the interest to be paid on those deposits (excluding interest already paid), **exceeds Rs. 20,000**, the repayment should be made by **means of A/c Payee, Banker's Cheque/draft or by crediting the account of such depositor**.

Payment of Interest on Term Deposit on Non-Business Working Day

- In compliance with **regulatory requirements and customer protection**, banks are required to pay interest on the original principal deposit amount for the intervening days.
- The interest is calculated at the **originally contracted rate and is accrued** based on the **number of days between the maturity date and the succeeding working day** when the funds are paid out.

Deduction of Income Tax at Source (Section 194A) Payment of Interest on Time Deposits

- **Bank FD interest income is fully taxable in the hands of the investor and banks levy TDS** which may be adjusted while filing the income tax return.
- TDS is to be deducted in cases where the **total interest paid or credited on all time deposits** in the name of a deposit, whether singly or jointly (as first named person) **exceeds 50,000/- in a financial year** in case of Senior Citizen and **Rs. 40,000/- in the case of depositors of age below 60 years.**
- **TDS rate is 10%** in case the depositor has **furnished PAN Card** or else **20%** in case the **depositor** has not submitted PAN Card.

Form 15 G/ 15 H

- Those who have **income within the exempted limit** may intimate the bank, **not to deduct TDS.**
- Such an intimation is to be made generally at **the beginning of the financial year by submitting Form 15G / Form 15H to the banker.**

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- **Form 15H** is for an individual **who is of the age of sixty years or more** (senior citizens) while **Form 15G** is for all others.
- Form 15 G/ 15 H is required to be submitted **for every financial year.**

Deposit of TDS to income tax department by banks

The Tax Deducted at Source (TDS) must be **deposited to the government by the 7th of the subsequent month.** For instance, TDS deducted in the month of May must be paid to the **government by the 7th of June.**

ADVANCES AGAINST BANK'S OWN TIME DEPOSIT RECEIPTS

- Banks normally offer loans against FD up to **80 to 90 percent of the value of FD.** However, the **percentage of margin** in the case of a loan against **FD varies from bank to bank.**
- Banks charge interest on loan amounts **higher than what is being paid on FD** which normally varies **from 1% to 2% from bank to bank.**
- Banks issue a **separate receipt for each FD** because each deposit is treated as a **distinct contract.** This receipt is

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known as a **Fixed Deposit Receipt (FDR)** that has to be surrendered to the bank at the time of repayment.

- As per RBI guidelines, any **advance is strictly prohibited against the Time Deposit of other Banks.**

RENEWAL OF FD

- The customer is required to give **renewal instructions to the bank on or before the maturity of the FD.** However, now a day, banks have introduced the **system of auto-renewal.**
- On the date of maturity, **such deposits are automatically renewed normally** for a similar period as that of the original deposit at the rate prevailing on the date of maturity/renewal.

2 IN-1 ACCOUNT

- It refers to a type of account that **combines two financial products, a fixed deposit (FD) and a savings or current account.**
- This account offers the **convenience of having both the FD and regular banking facilities** within a single account structure.

MODE OF WORKING OF 2 IN 1 ACCOUNT.

Auto Sweep

- The mode of working in such accounts is that **money in a Savings or Current account** in **excess of the stipulated amount is swept into an FD for a particular period**, which carries an interest rate higher than Savings / Current accounts.
- Amount in **multiple of 1,000/- or any other amount as stipulated** by the respective bank is transferred to FD.

Reverse Sweep

If the Savings/ current account has **insufficient funds to meet any debit transaction**, the FD, up to the **shortfall amount is withdrawn and transferred to SB/ CA Account** for honoring the debit transaction.

Such a sweep is **called Reverse Sweep**.

RECURRING DEPOSIT (RD)

- It is a type of **term deposit** where individuals can deposit a **fixed amount of money at regular intervals**, typically monthly, for a **predetermined period of time**.

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- At the end of the RD tenure, the **depositor receives the maturity amount**, which includes the **principal amount and the interest earned over the tenure.**

WHO CAN OPEN A RECURRING DEPOSIT

- By a person in his own name.
- By more than one person, in their joint names.
- By a minor of age 10 years and above on terms laid down by the bank. Accounts can also be opened in the **name of the minor with their father/mother, as guardian.**

EFFECTS OF A DELAYED PAYMENT OF INSTALLMENTS

- If the borrower **fails to make the installment payment on time**, the system or lender will calculate the **penal interest for the period of delay**. Penal interest is a charge imposed on the **overdue amount as a penalty for late payment.**
- If the depositor chooses to **pay the penal interest, they will receive the full maturity value** of the recurring deposit account. Otherwise, he will get **maturity value less the amount of penal interest.**

UNCLAIMED DEPOSITS WITH BANKS

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- Balances in savings / current accounts which are **not operated for 10 years, or term deposits not claimed within 10 years from the date of maturity** are classified as **"Unclaimed Deposits."**
- These amounts are transferred by banks to **"Depositor Education and Awareness (DEA) Fund"** maintained by the Reserve Bank of India.

NOMINATION FACILITY

- The nomination facility is made available to **all types of deposit holders**, irrespective of the nomenclature used by the banks.
- The **Central Government** has framed in consultation with the Reserve Bank of India- the **Banking Companies (Nomination) Rules, 1985** which together with the provision of new Sections 45ZA to 45ZF of the **Banking Regulation Act, 1949** regarding nomination facilities were brought into force with effect from 1985.

FEATURES

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- The facility is available for **all deposit accounts**, articles in safe custody, and safe deposit vaults.
- The nomination facility can be availed for **savings and deposit accounts opened** in an **individual capacity** (i.e., single/joint accounts) as well as **current accounts** of a **sole proprietary concern only**.
- The nomination can be **done in favor of one person only** as per the guidelines. However, nomination in favor of **more than one person (i.e., up to 2 persons)** is permissible in **jointly operated locker accounts** with common consent from all holders.
- The nomination can be **made, canceled, or varied by the account holder/s** anytime during his/her lifetime as per process.

SETTLEMENT OF CLAIMS IN RESPECT OF DECEASED DEPOSITORS

Banks adhere to the provisions of **Sections 45 ZA to 45 ZF** of the **Banking Regulation Act, 1949**, and the **Banking Companies (Nomination) Rules, 1985**, and facilitate the

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settlement of claims in respect of the deceased depositors as per the laid down guidelines.

GUIDELINES

ACCOUNTS WITH SURVIVOR/NOMINEE CLAUSE

Survivor Clause

- If an account has a survivor clause, it means that the surviving account holder has the **right to claim and operate the account after the death of the other account holder.**
- The funds in the account will be transferred to the surviving account holder(s) **without the need for legal proceedings** or involvement of the deceased account holder's estate.

Nominee Clause

If a nominee is designated for the account, **the funds will be paid to the nominee** upon the **account holder's death.**

ACCOUNTS WITHOUT THE SURVIVOR/NOMINEE CLAUSE

The **legal heirs or beneficiaries** of the deceased account holder will need to **establish their right to the funds through the appropriate legal channels**, such as obtaining a **succession certificate or letter of administration.**

PREMATURE TERMINATION OF TERM DEPOSIT ACCOUNTS

If a term deposit account is **prematurely terminated due to the death of the account holder**, the settlement process will depend on the **specific terms and conditions agreed upon when opening the account.**

THE TIME LIMIT FOR SETTLEMENT OF CLAIMS

As per RBI guidelines, Banks should **settle the claims in respect of deceased depositors** and release payments to the **survivor(s)/nominee(s)** within a period **not exceeding 15 days from the date of receipt** of the claimed subject to the production of proof of death of the depositor and suitable identification of the claim(s), to the bank's satisfaction.

Access to the safe deposit lockers/return of safe custody articles (with survivor/ nominee clause)

- If the **sole locker hirer nominates a person**, banks give such **nominee access to the locker and liberty to remove the contents** of the locker in the event of the death of the sole locker hirer.

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- In case the **locker was hired jointly** with the instructions to operate it under joint signatures, and the locker hirer(s) **nominates person** then the liberty to remove **the contents jointly to the survivors and the nominee(s)**.

Access to the safe deposit lockers / return of safe custody articles (without survivor nominee clause)

- When **no nomination or explicit survivorship clause exists**, banks work with legal advisors to create **customer-friendly policies for handling such cases**.
- If the nominee(s), survivor(s), or legal heir(s) wish to continue using the locker, banks may establish a **new agreement with them and adhere to KYC requirements**.

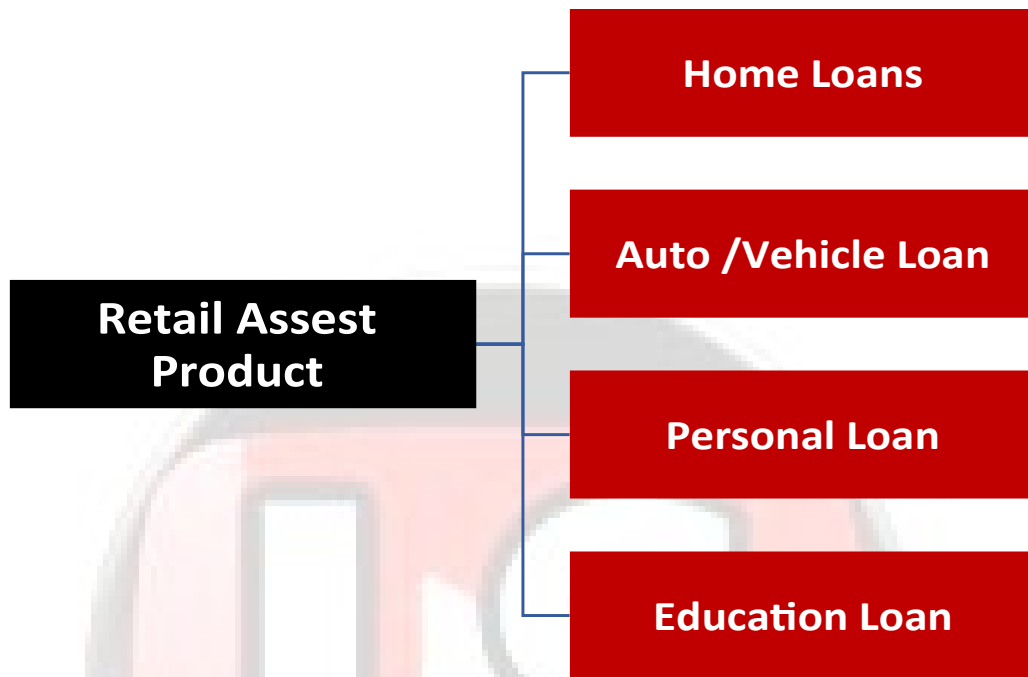
RETAIL ASSET PRODUCTS

RETAIL ASSET PRODUCTS

- It refers to **financial products and services** offered by banks to **individuals and small businesses** that involve giving loans and advances to customers.

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- These products are typically aimed at fulfilling the **financial needs of individuals** for various purposes, such as **purchasing a home, buying a car, funding education, or consolidating debts.**



HOME LOANS

- These are financial products provided by banks and other financial institutions to **individuals or families** who want to **purchase or construct a residential property.**
- Home loans enable borrowers to borrow a **significant amount of money** to cover the **cost of a home** and **repay it over an extended period.**

FEATURES

Eligibility and Other Conditions

- Salaried Employees, Professionals, Self-employed Person, NRI ,PIO ,HUF, Partnership firms and corporates for their employees

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- Applicant should not be **enjoying credit facility from any bank/financial institution** for the **same purpose** and **should not be a defaulter** in the case of any other credit facility from any bank/financial institution.

Purpose

- To purchase/construct a house/flat
- To renovate/extend/repair the existing house/flat
- To purchase a plot of land for the construction of the house
- To acquire household articles along with the house/flat for furnishing the house flat.

Quantum of Loan

- For **construction/purchase of houses/flats** with **no upper ceiling in many banks.**
- **Repairs/renovation/extension** to house/flat **amount varies from bank to bank**
- **Purchase of a plot** amount **varies from bank to bank**
- **Purchase/acquire household** articles for furnishing the house flat amount **varies from bank to bank.**

Eligible Quantum of Loan

- Calculation of Quantum of Loan depends on the income and repayment capacity of Borrower.
- Net take home pay/ income (net of all deductions including EMI of proposed loan) should not be generally less than **40% of the gross green salary/ income of the applicant(s).** But for **high income applicants,** lesser take home pay even up to **15% of gross income is being considered by some banks.**

Margin

Amount	Margin
Up to 30 lakhs	10 %
30 Lakh and up to 75 lakhs	20 %
75 lakh or above	25 %

Note: - bank should not include stamp duty registration and other documentation charges in cost of housing property but in case cost of house does not exceed 10 lakh rupees then Bank can add.

Security

- Mortgage on Land, House, Flat
- Collateral Security

Disbursement

- In the case of the **construction of the house**, the **disbursement will be in stages** based on the **progress of construction**.
- In the case of **the purchase of a plot and construction**, the loan will be disbursed first for the **purchase of a plot** and then as per the procedure described above for **construction**.
- In the case of already **completed flats/house and old flats/house**, Upfront disbursement is made.

Moratorium

- 18 months for construction of the house
- 3 months for the purchase of the house/flat.

Prepayment Issues

Some banks **levy pre-payment charges** for the pre-closure of loans.

Generally **public sector banks do not charge** the customers for pre-closure.

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Repayments/collection

- **Maximum period is 30 years including moratorium period**
- **Loan must be repaid before retirement in case of salaried person**
- **Loan must be repaid before attaining 65 years of age in other cases.**

