

## RETAIL ASSET PRODUCTS

### HOME IMPROVEMENT LOANS

These loans are specifically designed to **provide financing for renovations, repairs, or upgrades** to a **residential property**.

Particulars	Features
Eligibility and Other Conditions	<p>Individuals/Group of Individuals/Members of a Cooperative Society who own a house/flat.</p> <p>Regular income from Agriculture/Profession/Trade, Business/Salary for individuals.</p> <p>Minimum three years of confirmed service for employed persons.</p> <p>Minimum three years standing in the respective field for Self-Employed Professionals and Businesspersons.</p>
Purpose	For repair, renovation, upgradation, painting, and other repairs.
Amount	Loan amount varies based on lender policies, borrower's eligibility, and the scope of the

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	project.
Margin	20 % to 50 %
Security	Equitable mortgage of property under repair/renovation or any other unencumbered immovable property is also accepted by banks.
Moratorium	3 months
Disbursement	Depending on the nature of repair/renovation
Repayment	As allowed by Banks

### HOME DECOR LOANS

These loans are intended to **help homeowners transform or enhance the aesthetics and functionality of their homes** by providing funds for various interior design-related expenses.

Particulars	Features
Eligibility and Other Conditions	Individuals/Group of Individuals/Members of a Cooperative Society who own a house/flat. Regular income from Agriculture/Profession/Trade, Business/Salary for

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	<p>individuals.</p> <p>Minimum three years of confirmed service for employed persons.</p> <p>Minimum three years standing in the respective field for Self-Employed Professionals and Businesspersons.</p>
Purpose	For furnishing the house/flat, interior decoration/air conditioners.
Amount	Loan amount varies based on lender policies, borrower's eligibility, and the scope of the project.
Margin	20 % to 50 %
Security	Equitable mortgage of property under repair/renovation or any other unencumbered immovable property is also accepted by banks.
Moratorium	3 months
Disbursement	Depending on the nature of repair/renovation
Repayment	As allowed by Banks

## **HOUSING LOAN UNDER PRADHAN MANTRI AWAS YOJANA (PMAY)**

- It is a **credit-linked subsidy scheme** by the Government of India to facilitate access to **affordable housing** for the **low and moderate-income residents of the country**.
- **Beneficiaries** under PM Awas Yojana are also **eligible for interest subsidy under the Credit Linked Subsidy Scheme** if they make use of a loan to buy or build a house.
- It was launched by the Government of India in **2015** with the aim of providing affordable housing to urban and rural poor by the year **2022**.
- It has been decided to **extend implementation period of the scheme till December 31, 2024**.

### **BENEFICIARY**

- A beneficiary **family** will comprise **husband, wife, unmarried sons and/or unmarried daughters**.

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- The beneficiary **family should not own a pucca house** (an all-weather dwelling unit) either in his/her name or **in the name of any member of his/her family in any part of India.**
- An **adult earning member** (irrespective of marital status) can be **treated as a separate household subject.**

### **CLASSIFICATION OF BENEFICIARY**

#### **Economically Weaker Section (EWS).**

- It is a category of housing classification in India that refers to households with the **lowest income levels.**
- Typically, the income criterion for EWS households is **up to 3,00,000 per annum.**

#### **Low-Income Group (LIG)**

- It is a category of housing classification that represents households with a relatively **higher income than EWS** but still falls within the **lower-income bracket.**
- The income range for LIG households is typically between **3,00,000 to 6,00,000 per annum.**

#### **Middle-Income Group (MIG-I)**

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- It is a category of housing classification that includes households with a moderately **higher income level than LIG** but still within the middle-income bracket.
- The income range for MIG-I households is typically between **6,00,000 to 12,00,000 per annum**.

### Middle-Income Group II (MIG-II)

- It is a category of housing classification that represents **households with a higher income level** than MIG-I but still within the middle-income bracket.
- The income range for MIG-II households is typically **between 12 lakh 12,00,000 to 18,00,000 per annum**.

Parameters	(EWS)	(LIG)	(MIG-I)	(MIG-II)
Interest subsidy	6.5%	6.5%	4%	3%
Maximum loan tenure	20 years	20 years	20 years	20 years
considered for interest	Loan tenure can be longer than the tenure fixed for subsidy, depending on the products designed by the PLIs			

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subsidy				
Maximum Loan amount eligible for subsidy	6 lakhs	6 lakhs	9 lakhs	12 lakhs
	The beneficiaries can avail a higher amount of loan than the maximum amount eligible for subsidy. The rest of the loan amount will be non-subsidised.			
Max. Carpet area	30 sq. m	60 sq. m	120 sq. m	150 sq. m

### **AUTO/VEHICLE LOANS**

- These loans are specifically designed to provide **financing for the purchase of a new or second-hand vehicle**, such as a car, motorcycle.
- Private sector banks adopt a model involving the **manufacturer, dealer, and financier(bank)**.

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- The **pricing is structured** after a combined approach to pricing by all three involved factoring the manufacturer's **pricing, dealer margin, the volume of sales, etc.**

Particulars	Features
Eligibility and Other Conditions	Individuals in confirmed service in Government, Public Sector Undertakings, reputed private organizations, and institutions.  Professional & Self-Employed person Businesspeople.
Purpose	To purchase new or second-hand 4-wheeler or 2 - wheeler vehicle.  In the case of a used vehicle, the age of the car should not be more than 5 years.
Amount	No upper ceiling stipulated by most of the banks in respect of new vehicles.  Many banks stipulate upper ceiling of loan amount for second-hand vehicles
Margin	10 % for New Cars and 25 to 30 % on Second hand cars.



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	10 % for Two Wheelers
Security	Hypothecation of the vehicle to be purchased out of the loan.  Third part Guarantee required for NRI Borrowers
Moratorium	Repayment of the loan commences from the immediately following month so there is <b>no moratorium period.</b>
Disbursement	Directly to the Dealer /Supplier
Repayment	<b>Individuals – For new vehicles</b>  4-Wheeler Max 7 years generally  2 Wheelers Max 5 to 6 years generally  <b>For second-hand vehicles Max 3 years generally</b>  <b>Corporate firms Max 5 years generally</b>

### PERSONAL LOANS

- Personal Loans are basically **unsecured in nature** and are **backed by personal enterprise/ guarantees only.**

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- As **credit risk and delinquency rates** are more in this segment, **public sector banks tread cautiously** in this segment and **private banks do it aggressively**.

Particulars	Features
Eligibility	Salaried employees, Professionals and individuals with High Net Worth, regular pensioners, or family pensioners drawing regular monthly pensions through Bank.
Purpose	<b>Clean/Unsecured loans</b>  Marriage expenses of self, children.  Expenses incurred/to be Purchased of consumer durables, etc. incurred for self, spouse, children, and other dependents.  For the education of self/spouse/ children.  For repairs/renovation/extension of existing flat/ house building.  Any other personal expenses of bonafide nature as approved by the Bank.

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	<b>Secured loans</b>
	For meeting social and financial commitments, Purchase of consumer durables
Amount	Amount varies from bank to bank and depends on the schemes developed by each bank and the target group
Eligible amount	Different banks adopt different methods to assess eligible amounts subject to ensuring repayment capacity and minimum take-home amount.
Type of Advance	Demand/Term Loan/Overdraft
Security	Equitable/Legal Mortgage of commercial or residential properties. Hypothecation charge on assets acquired. Collateral security in the form of a pledge of gold/gold ornaments, NSC/ Kisan Vikas Patra, Bonds, Assignment of LIC policies, Relief Bonds, etc.

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Moratorium	No Moratorium Normally
Disbursement	Directly to the Dealer /Supplier Credit to the account of the borrower in respect of a clean loan
Repayment	Clean/Unsecured loans: 36 to 60 EMIs generally Secured loans: Maximum 60 EMIs

### EDUCATIONAL LOANS

- These are financial products designed to **help individuals fund their education expenses.**
- The **primary purpose** of educational loans is **to provide individuals with the necessary funds** to cover the costs associated with **pursuing higher education.**
- It includes **tuition fees, books, supplies, room and board,** and other related expenses.

Particulars	Features
Eligibility	Indian Nationality Requirement Admission through Entrance Test/Merit Based

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	<p>Selection</p> <p>Minimum Qualifying Marks (subject to RBI guidelines)</p> <p>Additional Criteria for Employability and Institution Reputation</p>
Eligible courses/ Studies in India	<p><b>In India</b></p> <p>Recognized Graduate/PG Degrees and PG Diplomas</p> <p>Professional Courses (ICWA, CA, CFA, etc.)</p> <p>Courses Offered by Prestigious Institutions (IIMs, IITs, IISC, XLRI, NIFT, NID, etc.)</p> <p>Specialized Degree/Diploma Courses (Aeronautical, Pilot Training, Shipping, Nursing, etc.)</p>
	<p><b>Studies Abroad</b></p> <p>Graduation: Job-Oriented Professional/Technical</p>

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	<p>Courses</p> <p>Post-Graduation: MCA, MBA, MS, etc.</p> <p>International Professional Courses (CIMA-London, CPA in the USA, etc.)</p> <p>Recognized Degree/Diploma Courses for Employment (Aeronautical, Pilot Training, Shipping, etc.)</p>	
Purpose	To provide need-based finance to meet the expenses for pursuing higher studies to eligible students	
Quantum of finance	<p>Maximum up to 10 Lakh - Studies in India</p> <p>Maximum up to 20 Lakh - Studies abroad</p>	
Margin	<p>Up to ₹4 Lakh Nil</p> <p>Above ₹4 Lakh - Studies in India 5%</p> <p>- Studies abroad 15%</p>	
Eligible expenses for loan	<b>Expenses</b>	<b>Maximum</b>
	Fee payable to college/school/hostel Actual	Fees as approved. Reasonable for lodging/ boarding

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	Examination/Library/Lab. fee	Actual
	Travel expenses/passage money for One way (outward) studies abroad	Not to exceed 10% of the total tuition fees.
	Insurance premium for the student borrower	Actual
	Caution deposit, Building fund/ refundable deposit	Not to exceed 10% of the total tuition fees.
	Purchase of books/equipment/ instruments/ uniforms (a)	A realistic assessment may be made by the banks and then fix a maximum of 20% of the total tuition fees
	Purchase of computer at a reasonable cost (b)	
	Any other expense - viz., study tours, project work, thesis, etc. (C)	
Security	Up to ₹4 Lakh No security; Parents to be joint borrower(s).  Above ₹4 Lakh up to ₹7.5 Lakh - besides the parent(s) as co-borrower, collateral security in the	

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	<p>form of a suitable third-party guarantee will be taken. (However, the third-party guarantee will be waived if the loan is eligible for Credit Guarantee coverage.)</p> <p>Above ₹7.5 Lakh - Parent(s) to be joint borrower(s) &amp; Tangible collateral security acceptable to the bank along with the assignment of future income of the student for payment of instalments.</p>
Moratorium	<p>Course period + 1 year.</p> <p>Banks may also provide for moratoriums considering spells of under-employment Unemployment, say two or three times (maximum of 6 months at a time) during the life cycle of the loan.</p>
Disbursement	<p>Disbursement may be in stages as per the requirement/demand, directly to the Institutions/Vendors of equipment/instruments to the extent possible.</p>
Repayment	<p>EMIs. or step-up-instalments, as the case may be, spanned for a period of 15 years for all categories.</p>



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Insurance	Mandatory to arrange for a life insurance policy for the students availing Educational Loans- discretion of individual banks
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### Other features

- Students who **desire to set up start-up units** may be given a **moratorium** on repayment of principal and interest during the **incubation period which may be considered 2 years.**
- While computing loans are **required, scholarships, fee waivers, etc.,** if any, available to the student borrower may **be taken into account.**
- **Reasonable lodging and boarding charges** will be considered in case the student chooses/is required to opt for **outside accommodation.**

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- If the student is not able to **complete the course within the scheduled time**, an **extension of time for completion** of the course may be permitted for a **maximum period of 2 years**.
- In case the student **discontinues the course midway**, an **appropriate repayment schedule** will be worked out by the bank in consultation with the student/parent.
- **1% interest concession** may be provided by the bank if **interest is serviced during the study period** and subsequent moratorium period prior to the commencement of repayment.
- **Existence of an earlier educational loan** to the brother(s) and/or sister(s) will **not affect the eligibility of another meritorious student** from the same family obtaining an educational loan as per this scheme from the bank.
- Banks may consider **top-up loans to students pursuing further studies within the overall eligibility limit**.
- The **joint borrower should normally be the parents)/guardians** of the student borrower. In the case of a married person, the joint borrower can be a **spouse or the parents/parents-in-law**.

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- **Educational loans up to ₹10 Lakh**, irrespective of sanctioned amount, will be considered as **eligible amounts to bring for the priority sector**.
- Students can make an **application** for an **educational loan through Vidya Lakshmi Portal**, managed by Protean ego Technologies Ltd (formerly NSDL-Governance Infrastructure Ltd).

### PROCESSING OF RETAIL LOANS

It refers to the series of **steps and activities undertaken by a financial institution** to **evaluate, assess, approve, and disburse loans** to individual borrowers for personal or household purposes.

### PROCESS

**Process the application** Initial step where the loan application is received and logged into the system for further processing.

**Verification checks** Conduct thorough checks to verify the **authenticity of the information** provided by the applicant.

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**Arrive at the Credit Score** Evaluate the applicant's **creditworthiness** based on their **credit history, income, debt obligations**, and other factors.

**Valuation of Asset** Assess the value of the **collateral or property** (if applicable) that is being offered as **security for the loan**.

### **Obtain Encumbrance Certificate**

Obtain a document that verifies the **absence of any legal claims or liabilities on the property** (if applicable).

**Obtain legal opinion** Seek legal opinion from the panel lawyer to **ensure compliance with legal requirements and mitigate legal risks**.

**Quantum of finance** Determine the maximum loan amount based on the **margin requirements and loan-to-value ratio** specific to each loan type.

**Pricing of the loan** Set the **interest rate and other loan terms** based on factors such as the type of loan, credit score, and borrower's profile.

**Advising loan sanction** Communicate the loan sanction decision to the borrower specifying the terms and conditions of the loan.

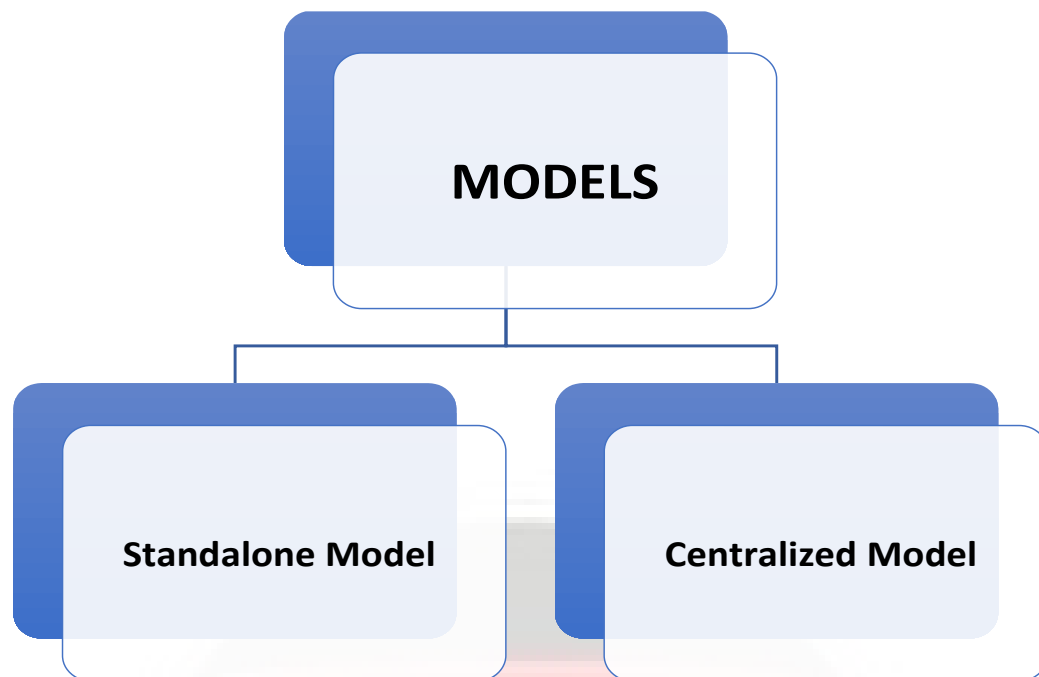
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**Acceptance of terms** Receive the borrower's acceptance of the loan terms and conditions, indicating their agreement to proceed with the loan.

**Execution of documents** Prepare and sign the necessary loan documents, including the loan agreement and any mortgage-related paperwork.

**Release of the loan** Disburse the approved loan amount to the borrower's designated account or as per the agreed disbursement method.

**Verification of end use** Ensure that the loan proceeds are being used for the intended purpose as agreed upon with the borrower.



### **Standalone Model for Retail Loan Processing**

- In this model processing of retail loans done **independently at the branch level.**
- Branch will **market the retail loans, process the applications and sanction the loans** based on the eligibility of the applicants.
- Obtention of the **necessary documents, appraisal of the proposal, and sanction of the loans** will be done independently at the branch level.
- If the proposal **exceeds the discretionary limits of the Branch/Branch Head** (as the case may be), the proposals

are referred to the **Regional/Circle/Zonal Office** of the Bank for approval and sanction.

- **On approval, the loan is released at the branch** after completing the documentation/mortgage formalities at the branch level.

### **Centralized Model for Retail Loans Processing**

This Model involves consolidating loan **processing activities** at a **central location or unit**, where loan **applications from multiple branches or regions are handled**.

**Financial institutions may use various names for these centralized units, often referred to as Retail Loan Processing Centers (RLPCs)**

- Retail Loan Factory
- Retail Loan Hub
- Retail Loan Processing Centres
- Retail Asset Processing Centres
- Retail Loan Branches

### **Standalone Vs Centralised Model for Retail Loans Processing**

<b>Standalone Model</b>	<b>Centralized Model</b>
Better Understanding of the	Based on documents only.

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customer requirements.	
No standardized approach	Standardized approach.
Retail Loans are only one part of the faster multiple activities.	Exclusive activity and hence will be more professional in approach.
The difference in the quality of appraisal is based on the branch and its personnel.	Quality will be uniform as the activity is exclusive.
Processing time may differ based on the priorities of the branches and the importance of the customers/proposals.	Processing time will be uniform and fixed Turn Around Time (TAT) for different retail loans.
Documentation standards may not be uniform.	Professional documentation standards.