

RETAIL BANKING AND WEALTH MANAGEMENT (RBWM)

CASE STUDY ON SARFAESI ACT 2002

SARFAESI Act stands for Securitization and Reconstruction of Financial Assets and Enforcement of Securities Interest Act. This Act was enacted to address the problem of **Non-Performing Assets (NPAs) in the banking sector**. It allows banks and other financial institutions for taking possession and auctioning commercial or residential properties to recover a loan when a borrower fails to repay the loan amount without going court.

Q: 1 Which of the following properties cannot be taken possession of under the SARFAESI Act?

- a) Commercial property
- b) Residential property
- c) Agricultural land

d) Industrial property

Q: 2 What is the minimum outstanding amount required to initiate action under the SARFAESI Act?

- a) ₹10,000
- b) ₹50,000
- c) ₹1 lakh
- d) ₹5 lakh

Q: 3 How many days does the borrower have to respond to the Demand Notice under Section 13(2) of the SARFAESI Act, which calls for the payment of outstanding dues in full?

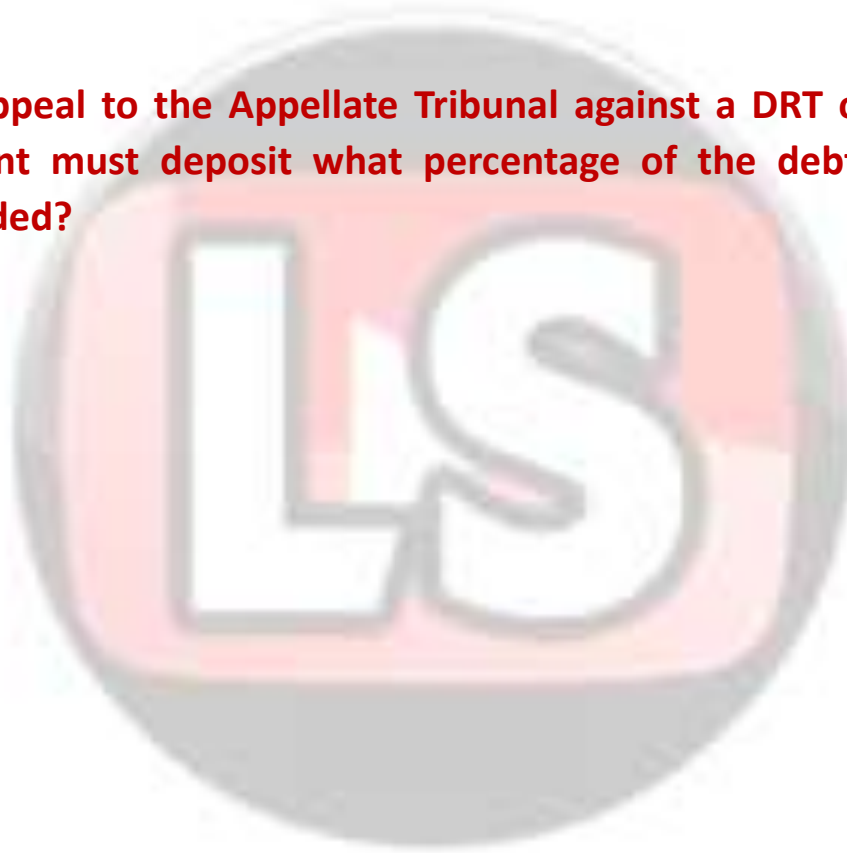
- a) 30 days
- b) 45 days
- c) 60 days.
- d) 90 days

Q: 4 If the borrower does not agree with the measures taken by the secured creditor, they can approach the Debts Recovery Tribunal (DRT) within how many days?

- a) 30 days
- b) 45 days.
- c) 60 days
- d) 90 days

Q: 5 To appeal to the Appellate Tribunal against a DRT order, the appellant must deposit what percentage of the debt amount demanded?

- a) 25%
- b) 30%
- c) 50%
- d) 75%



Q: 1 What is the minimum debt amount required for a case to fall under the jurisdiction of the DRT?

- a) Rs. 10 lakhs
- b) Rs. 15 lakhs
- c) Rs. 20 lakhs

d) Rs. 25 lakhs

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Q: 2 When a bank or financial institution files a recovery application, the DRT issues a summons requiring the defendant to appear within how many days?

- a) 15 days
- b) 20 days
- c) 30 days.
- d) 45 days

Q: 3 An appeal to the DRAT is not permitted if the DRT order was made under what condition?

- a) Without the defendant present
- b) With the consent of both parties
- c) After a delay in the hearing

d) Due to a lack of evidence

Q: 4 Presiding Officer is the sole judicial authority to hear and pass any judicial order. Each Debt Recovery Tribunal is presided over by a Presiding Officer. What is the minimum qualification required for a person to be appointed as a Presiding Officer of a Debt Recovery Tribunal?

- a) Must have been or be qualified to be practicing lawyer
- b) Must have been or be qualified to be bank official
- c) Must have been or be qualified to be Chartered Accountant
- d) Must have been or be qualified to be a District Judge

CASE STUDY ON HOME LOAN

Avinash, a 35-year-old software engineer in Bengaluru, India, is eager to buy his first home. He has a stable job, a decent salary, and a few years of savings. Avinash plans to purchase a 2 BHK apartment in Bengaluru, India, valued at ₹80 lakh. Avinash needs a loan of ₹64 lakh. Avinash's monthly income is ₹1.2 lakh, which plays a crucial role in determining his eligibility for the loan.

Q:1 What are the key conditions that Avinash must meet to be eligible for the home loan?

- a) He must be either a salaried employee, professional, self-employed person, NRI, PIO, HUF, or part of a partnership firm or corporate.
- b) He should not be using any other credit facility from any bank/financial institution for the same property.
- c) He must not be a defaulter with any bank or financial institution.

d) All of the above

Q:2 In the case of a home loan application, what is the minimum percentage of net take-home pay required by most banks after all deductions, including the EMI of the proposed loan? Additionally, what minimum net take-home pay percentage might some banks consider for high-income applicants?

- a) 40% for general applicants; 15% for high-income applicants
- b) 30% for general applicants; 10% for high-income applicants
- c) 50% for general applicants; 25% for high-income applicants
- d) 45% for general applicants; 20% for high-income applicants

Q:3 For 64 lakh amount home loan, what margin did Avinash need to contribute as the down payment to secure his home loan?

- a) 10%
- b) 15%
- c) 20%
- d) 25%

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

Q:4 What is the primary security that Avinash would need to provide bank for his home loan?

- a) His monthly income
- b) The flat he is purchasing
- c) His bank statements
- d) A personal guarantee from a family member

Q:5 Since Avinash is purchasing a completed 2 BHK apartment, how will the bank likely disburse the loan amount?

- a) In stages based on construction progress
- b) In stages as per Avinash's monthly income
- c) Upfront disbursement for the entire amount
- d) In equal parts over the next year

Q:6 What is the moratorium period for Avinash when purchasing his 2 BHK apartment?

- a) 6 months
- b) 12 months
- c) 3 months
- d) 18 months

Q:7 What is the maximum repayment period for Avinash's home loan, including the moratorium period?

- a) 20 years
- b) 25 years
- c) 30 years
- d) 35 years

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.

Q: 5 Which of the following statements regarding security requirements for education loans is/are correct?

1. No security is required for education loans up to ₹4 lakh, but parents must be joint borrowers.
 2. For loans above ₹4 lakh and up to ₹7.5 lakh, a third-party guarantee is required along with parent(s) as co-borrowers.
 3. For loans above ₹7.5 lakh, tangible collateral security and assignment of future income of the student are required along with the parent(s) as joint borrowers.
- a) Only 1 and 2
 - b) Only 2 and 3
 - c) Only 1 and 3
 - d) All 1, 2 and 3

Q: 6 What is the typical moratorium period allowed under an education loan scheme?

- a) Course period only
- b) Course period + 1 year
- c) 6 months after the course ends
- d) 2 years after the course ends

Q: 7 What percentage of margin is required for a education loan above ₹4 Lakh for studies abroad?

- a) 10%
- b) 15%
- c) 20%
- d) 25%

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| Margin | Up to ₹4 Lakh Nil Above ₹4 Lakh - Studies in India 5% - Studies abroad 15% |
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Q: 8 A student enrolled in a course is unable to complete it within the scheduled timeframe. What is the maximum time extension allowed for course completion?

- a) 1 semester
- b) 1 year
- c) 2 years .
- d) No extensions permitted

Q: 9 Which institution was established by the Reserve Bank of India (RBI) in 1996 to focus exclusively on banking technology?

- a) National Institute of Bank Management (NIBM)
- b) Indian Institute of Banking & Finance (IIBF)
- c) Institute for Development and Research in Banking Technology (IDRBT)
- d) All of the above

- **FORMATION OF IDRBT**

- The Reserve Bank of India constituted a committee on "**Technology Upgradation in the Payments System**" in the year 1994 under the Chairmanship of Shri W. S. Saraf,
- In its **report submitted in December** 1994, the committee emphasized that an apex-level Institute is set up to undertake development and research in the area of **Information Technology applied to the financial sector**, with a specific focus on banking.
- Reserve Bank of India **approved this recommendation** and established an Institute with a brief to spearhead technology absorption in the banking and financial sector of the country.

- Accordingly, the IDRBT started functioning on March 06, 1996.

TECHNOLOGY DEVELOPED BY IDRBT

- Indian Financial Network (INFINET)
- Structured Financial Messaging System (SMS)
- National Financial Switch (NFS)
- Indian Banking Community Cloud (IBCC)

Q: 10 Which of these statement is correct regarding Indian Financial Network (INFINET)

- a) It is a secure, private, and closed user group communication network established by the IDRBT in collaboration with the RBI.
- b) It is specifically designed to cater to the communication needs of banks and financial institutions in India.
- c) INFINET serves as the backbone for interbank communication and data exchange.
- d) All of the above

Q: 11 _____ is a standardized messaging protocol used in the financial industry to facilitate the exchange of structured information between financial institutions and other participants. It is designed to enable efficient and reliable

communication of financial messages, instructions, and transactions.

- a) National Electronic Funds Transfer (NEFT)
- b) Real-Time Gross Settlement (RTGS)
- c) Structured Financial Messaging System (SFMS)
- d) Indian Financial System Code (IFSC)

- The SFMS was Launched on **December 14, 2001, at IDRBT**. It allows the definition of **message structures, message formats, and authorization of the same** for usage by the financial community.
- Banks can link to the SFMS through appropriate connectivity like Public Switched Telephone Network (PSTN) Integrated Services Digital Network (ISDN), or Leased Lines.

Q: 12 Which of these statement is correct regarding National Financial Switch (NFS) ?

- a) It is a centralized payment processing system developed by the (IDRBT) for the Indian banking industry.
- b) It is an interoperable network that enables seamless and secure electronic funds transfer and ATM transactions across different banks in India.
- c) NFS serves as the backbone for ATM operations and other electronic payment services in the country.
- d) All of the above

NATIONAL FINANCIAL SWITCH (NFS)

- The NFS ATM network was launched by the Institute for Development and Research in Banking Technology (IDRBT) on **August 27, 2004**.
- On **December 14, 2009**, the National Payments Corporation of India (NPCI) took over the ownership and operation of the **NFS ATM network**.
- Banks or financial institutions wishing to join the NFS network as members are required to pay a **one-time subscription fee of Rs. 3,00,000 plus applicable taxes**.
- In the **NFS sponsorship model**, the sponsor bank pays a one-time fee of Rs. 6,00,000 plus applicable taxes.

Q: 13 Which of these statement is not correct regrading Credit Card?

- a) It is a credit facility, provided by banks that allow customers to borrow funds within a pre-approved credit limit.
- b) It enables customers to make purchase transactions on goods and services. The concept behind Credit cards is "Buy Now, Pay Later."

- c) The credit card limit is determined by the credit card issuer based on factors such as income and credit score.
- d) None of the above

Q: 14 Which of the following best describes a co-branded credit card?

- a) A card created and managed solely by a financial institution
- b) A card with no affiliation to any specific brand
- c) A card issued specifically for government employees
- d) A card developed in partnership between a financial institution and a retailer or organization

Q: 15 What is an "Interest-Free Period" on a credit card?

- a) The time allowed to skip a payment without penalty

- b) A promotional period when no interest is charged
- c) A time frame when cardholders are required to pay only the minimum due
- d) The period within which cardholders can repay their balance without incurring interest

Q: 16 Which Prepaid Payment Instrument are issued by companies for use only at their own outlets or designated merchants. They cannot be used for transactions outside of the issuer's network ?

- a) Open System PPI
- b) Semi-Closed System PPI
- c) Closed System PPI
- d) All types of PPI

Q: 17 Which of the following is a characteristic of Semi-Closed System Prepaid Payment Instruments (PPIs)?

- a) Can be used for cash withdrawals at ATMs
- b) Can be used at any merchant establishment without restrictions
- c) Can be used at multiple merchants contracted with the PPI issuer
- d) Can be reloaded with unlimited funds

CASE STUDY ON VEHICLE LOAN

Rajesh is a 30-year-old software developer living in Hyderabad, India. After several years of saving and using public transportation, he has decided to buy his first car to enhance his commuting experience and convenience. He plans to purchase a new CAR at ₹8 lakh (₹800,000). Rajesh has approached a private sector bank to apply for a vehicle loan to finance his purchase.

Q:1 What is the bank's policy regarding the loan amount for new vehicles in Rajesh's vehicle loan application?

- a) There is an upper ceiling for new vehicles
- b) No upper ceiling is stipulated for new vehicles
- c) Banks do not provide loans for new vehicles
- d) All of the above

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| 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 |
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Q:2 What margin percentage is required for a new car loan, such as the one Rajesh is seeking?

- a) 5%
- b) **10%**
- c) 15%
- d) 25%

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| Margin | 10 % for New Cars and 25 to 30 % on Second hand cars. 10 % for Two Wheelers |
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Q:3 What type of security must Rajesh provide for his vehicle loan?

Cash collateral and Property deed

Property deed and Cash collateral

Hypothecation of the purchased vehicle

All of the above

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| Security | Hypothecation of the vehicle to be purchased out of the loan. Third part Guarantee required for NRI Borrowers |
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Q:4 What is the maximum loan repayment period generally allowed for new 4-wheeler vehicles in Rajesh's case?

- a) 3 years
- b) 5 years
- c) 7 years
- d) 10 years

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| Repayment | Individuals – For new vehicles 4-Wheeler Max 7 years generally 2 Wheelers Max 5 to 6 years generally For second-hand vehicles Max 3 years generally |
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| | Corporate firms Max 5 years generally |
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Q:5 Does Rajesh have a moratorium period for his vehicle loan repayment ?

- a) Yes
- b) No

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| Moratorium | Repayment of the loan commences from the immediately following month so there is no moratorium period. |
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PERSONAL LOANS

- Personal Loans are basically **unsecured in nature** and are **backed by personal enterprise/ guarantees only**.
- 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 |
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| Eligibility | Salaried employees, Professionals and individuals with High Net Worth, regular pensioners, or family pensioners drawing regular monthly pensions through Bank. |

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| Purpose | Clean/Unsecured loans 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. |
| | Secured loans |
| | 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 |
| 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. |
| Moratorium | No Moratorium Normally |
| Disbursement | Directly to the Dealer /Supplier |

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| | 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 |



Q:1 _____ 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.

- a) Pradhan Mantri Fasal Bima Yojana (PMFBY)
- b) Pradhan Mantri Awas Yojana (PMAY)
- c) Atal Pension Yojana (APY)
- d) National Rural Livelihood Mission (NRLM)

- It was launched on **25th June 2015** which intends to provide housing for all in **urban areas by year 2022**. It has been decided to **extend implementation period of the scheme till December 31, 2024**.
- **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.

Q:2 What are the conditions for a family to be considered as beneficiaries under the Prime Minister's Awas Yojana (PMAY)?

- a) A beneficiary family will comprise husband, wife, unmarried sons and/or unmarried daughters.
- b) 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.
- c) An adult earning member (irrespective of marital status) can be treated as a separate household subject.
- d) All of the above

Q:3 What is the income criterion for households classified as Economically Weaker Section (EWS) under PMAY?

- a) Up to ₹1,00,000 per annum
- b) Up to ₹3,00,000 per annum
- c) Between ₹3,00,000 and ₹6,00,000 per annum
- d) Between ₹6,00,000 and ₹12,00,000 per annum

CLASSIFICATION OF BENEFICIARY

Economically Weaker Section (EWS) : Typically, the income criterion for EWS households is **up to 3,00,000 per annum.**

Low-Income Group (LIG) : The income range for LIG households is typically between **3,00,000 to 6,00,000 per annum.**

Middle-Income Group (MIG-I) : 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) : The income range for MIG-II households is typically **between 12 lakh 12,00,000 to 18,00,000 per annum.**

Q:4 What is the maximum loan amount eligible for subsidy for households classified under Low-Income Group (LIG) in PMAY?

- a) ₹3 lakhs
- b) ₹6 lakhs
- c) ₹9 lakhs
- d) ₹12 lakhs

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| Interest subsidy | 6.5% | 6.5% | 4% | 3% |
| Maximum loan tenure | 20 years | 20 years | 20 years | 20 years |
| considered for interest subsidy | Loan tenure can be longer than the tenure fixed for subsidy, depending on the products designed by the PLIs | | | |
| 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 |

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.

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.

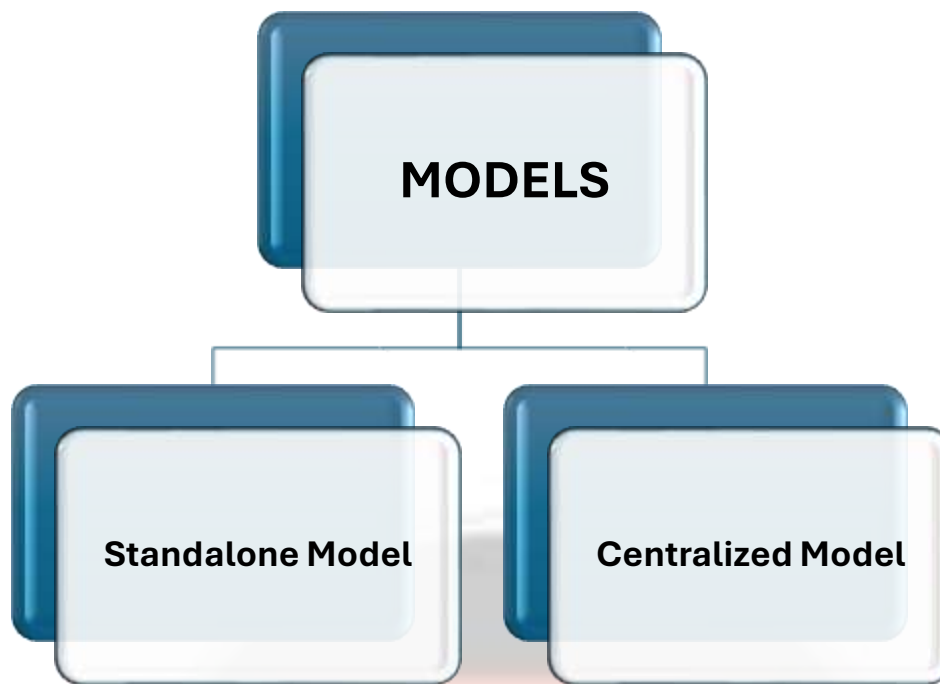
Advising loan sanction Communicate the loan sanction decision to the borrower specifying the terms and conditions of the loan.

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)

