

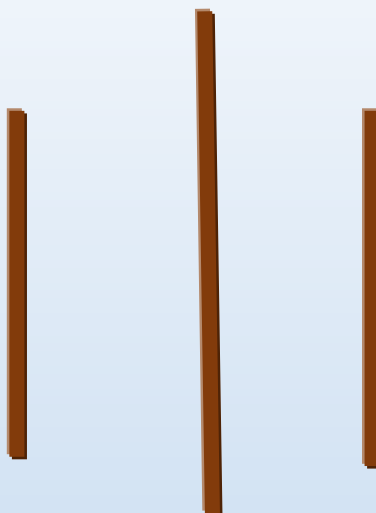


NCC Bank

नेपाल क्रेडिट एण्ड कर्माच बैंक लि
Nepal Credit & Commerce Bank Ltd.

Your Business Bank

Education Loan Product Paper, 2018



**Nepal Credit And Commerce Bank Ltd
Bagbazar, Kathmandu**

Approved by:

685th Board Meeting

Held on 23rd May 2018 (2075-02-09)

Related with Agenda No : 2 (KA)



NCC Bank

नेपाल क्रेडिट एण्ड कमर्स बैंक लि.
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Your Business Bank

The Board Meeting No. 685th

held on 2075.02.06 (20th May 2018)

has decided to reviewed, the

"Educational Loan, Product Paper, 2018 "



Kapil Gnawali
Company secretary
2075-02-15

Approval Sheet:

| | Name | Designation | Signature |
|-----------------------------|--------------------|--------------------------------|-----------|
| Prepared and Submitted by | Jivan Kumar Katwal | Head, SME & Retail Credit | |
| Reviewed and Supported by | Sameer Acharya | Head, Credit Risk | |
| Reviewed and Supported by | Mukunda Subedi | Chief Risk Officer | |
| Reviewed and Supported by | Binod Kumar Sharma | Chief, SME & Retail Credit | |
| Reviewed and Supported by | Rewant Kumar Dahal | Deputy Chief Executive Officer | |
| Reviewed and Recommended by | Ramesh Raj Aryal | Chief Executive Officer | |

1. Introduction

As the growing awareness about the importance of education, the cost of quality education is also growing fast. Parents too are willing to bear that cost to fund their child's higher education if the child cannot get a full scholarship. But all the parents may not be financially so sound to bear all the cost of higher education of their child. In recent years, a large number of students, especially those pursuing higher education in Nepal or abroad, who are unable to get a full scholarship and whose parents are unable to sponsor their education with their equity need debt financing. Education loan would be the most cost effective means to fund to meet the need of debt financing for higher education. Keeping in view the growing demand of debt financing for higher education, the bank has also introduced Education Loan product for many years for financing the students/parents/ guardians of the needy students intending to pursue higher studies in Nepal as well as abroad.

The bank has structured this product paper to update provisions relating to Education Loan by amending and consolidating such provisions in order to regulate, manage and bring about dynamism in Education Loan activities and to make the operation and administration of Education Loan much easier, simpler and more transparent.

This product paper shall be made effective through internal circular up on approval from the Board of Directors of Nepal Credit and Commerce Bank Ltd so as to be repealed the earlier product paper and circulars in this regard.

2. Product Name

EDUCATION LOAN

3. Type of Loan

Term Loan

4. Purpose of the Loan

Advances shall be allowed to facilitate the students to pursue higher studies or any other technical/ professional courses for fulfilling the financing requirement for eligible expenses in connection with the studies within the country or abroad.

5. Eligibility Criteria

5.1 Basic Eligibility Criteria

- The intending students should be a Nepalese national in the age group of 18 years to 45 years.
- The age of the borrower should not cross 65 years by the time of full settlement of the loan.
- The intending student should have at least completed +2 level of education from recognized Board. However, plus two is not mandatory for technical/professional courses.
- The intending student should have secured admission in the institution providing the academic or professional courses.
- The borrower/guarantor should have established and regular source of income supported by documentary evidence.




- One of the Parents/Sponsors/Guarantors should have a permanent address/ contact number in Nepal
- Employed persons intending to improve their educational qualification and/or to receive training in Nepal/foreign countries can also be considered provided that the education/ training received by them in Nepal/foreign countries supports for prospect of the better employment.

5.2 Eligible Courses:

- Professional Courses: HA, Nursing, MBBS, MD, BDS, Graduation in Engineering, Veterinary, Management and Computer and Technology related Courses, Chartered Accountancy etc. in Nepal and any professional courses in abroad.
- Post Graduation Courses: Masters, M. Phil, PhD etc. in Nepal and any courses in abroad
- Any Graduation level studies in abroad.

5.3 Eligible Expenses:

- Fees payable to the University/institution i.e. Admission fee/Monthly fees/Tuition fees/Examination fees/ Library fees/Laboratory Fee etc.
- Purchase of books/Stationery/equipment/instruments required for the courses undertaken
- Travel expenses/ passage money for studies abroad
- Purchase of computers-essential for completion of the course
- Accommodation expenses/Fees payable to the Hostel
- Insurance Expenses
- Security deposit/refundable deposit supported by Institution bills/receipts
- Other Expenses required to complete the course – like study tours, project work, thesis etc.
- Any other expenses as deemed fit by the bank

5.4 Eligible Source of Income

- Salary Income supported by document certified by the Employer
- Business income supported by latest Financial Statement
- Professional Income supported by Income/ Expenditure statement
- Dividend/Interest income supported by dividend/interest coupon
- Rental Income supported by "Rent Agreement"
- Income from foreign employment supported by the documentary evidence to the satisfaction of the Bank
- Any other income supported by documentary evidence to the satisfaction of the Bank

6. Target Group and Product Marketing

6.1 Target Group:

- Guardians (i.e. father, mother, brother, sister, spouse, father in law, mother in law and others) of Nepalese students to pursue higher studies within the country or abroad
- Nepalese individual pursuing higher studies within the country or abroad

6.2 Product Marketing

- Referrals from existing clients
- Referrals from Education Consultancy
- Advertisement
- Press Meet
- Public Relationship
- Walk-in clients etc.

7. Loan Amount

- Minimum Loan Amount: NPR 500,000/-
- Maximum Loan Amount: NPR 10,000,000/- considering income of parents/guarantors/ sponsors and/or expected earnings of the student after qualifying
- Debt Financing Ratio: maximum 100% of the Eligible Expenses
- The loan amount should not exceed 50 times of monthly gross income of parents/guarantors/ sponsors.
- Security Coverage to be at least 167% of distress value of offered collateral. However, in case security being bank deposit and/or government bonds, coverage to be at least 100% of the loan. Securities must belong to borrower or his/her single undivided family. For security being the bank deposit, the deposit must have been maintained with the Bank at least 1 day prior to the sanction of Loan.

8. Pricing

Interest Rate : As published by the Bank from time to time
Service Charge : 1.0% to be collected up front upon approval of the loan.
Prepayment Fee : 1.0% on prepaid amount
Penal interest : 2.0% p.a. on due amount for the period of default
Loan Swap Fee : 2.0% p.a. on the outstanding loan amount
Commitment Fee : 1.0% (on unutilized amount) if utilization is below 75% of limit

Note: The pricing may vary as mentioned on Standard Tariff of Charges (STC). STC will be applied if different than in product paper.

9. Repayment, Tenure and Moratorium period

- Within a maximum period of 15 years repayable on EMI/EQI based on borrower's cash flow. However, prepayment is allowed at any time.
- The first EMI/EQI shall start from 13th day of each month of Gregorian calendar after the final disbursement/moratorium period.
- Moratorium Period: No

10. Disbursement

- Year-wise limit shall be set up based on total expenses involved in completing the course within the overall limit and disbursement made accordingly.
- The borrower shall satisfy the branch officials who will permit withdrawal on the borrower's account within the yearly limit fixed.
- The initial amount required before leaving the country like, traveling expenses, Visa Expenses, advance payment to the institution may be disbursed after presentation of documentary evidence to the satisfaction of the bank officials.




- The disbursed amount except traveling expenses should be remitted to the institution/intending student through the Bank with the bank instrument as far as possible.
- In case of the loan has to be granted against lien over deposit account of the borrower with the Bank, National Saving Bond/Development Bond/Fixed Deposit Receipt, etc. full loan amount may be disbursed.

11. Loan Recording in Core Banking System

- a) Checking Account: The borrower shall maintain a checking (current) account which will be used for all loan related transactions i.e. disbursement and repayment.
- b) Loan Account: A separate Account Type to be defined in the system as Education Loan and loan amount will be disbursed by debiting the customer's concerned loan account and will be credited to the borrower's current account. Similarly the same current account will be used for the repayment of the loan
- c) A separate product code to be used for the purpose.

12. Security

12.1 Security Documentation

- Accepted copy of our offer/sanction letter. *(Bank shall require to issue loan sanction letters/ disbursement letters in English language because such documents are required to be submitted to the Colleges/Universities/Embassies as an evidential document of financial sources to meet the required funding for completion of proposed education).*
- Loan Deed
- Registered mortgage over the land and/or land and building
- Lien of land and building in case of cash or bond security
- Insurance policy of the building as security, if any, endorsed in favor of the Bank with premium paid receipt
- Demand Promissory Note
- Personal Guarantee of intending student, borrower and/or any other person acceptable to the Bank
- Lien over deposit account of the borrower with the Bank
- Lien over National Saving Bond/Development Bond/Fixed Deposit receipt, if any
- Corporate guarantee of the institutions providing guarantee of the loan (if any)

12.2 Security Valuation

- In case of real estate property provided as security, the valuation to be done by the Bank's approved valuator, which should be verified by the Branch Manager. He/she should mention the estimated value of the property in the credit appraisal and get the valuation done after approval of the loan.
- Registered mortgage over first party or undivided family member's real estate property. The site of the proposed property should have motorable access of at least 8 ft. or as per standard norms prescribed by the competent authorities.
- The branch manager should ensure that the collateral has adequate resale prospect.
- The distress value of the collateral should be at least 167% of the loan limit.
- Valuation from our approved valuator is not required if one of the security is Lien over cash and/or near cash item.

13. Basic Documentation

- Completed Know Your Customer (KYC) form
- Completed application form
- True copy of academic certificates of past qualification
- Document evidencing confirmation of admission
- Documents evidencing cost to be incurred for completion of course
- Passport size photograph of the borrower and guarantor
- Map of the applicants' and the guarantor's residence
- Copy of Citizenship/passport/PAN of the applicant and guarantor
- Income statement or cash flow of the applicant - proof for substantiation of the income to be submitted:
 - ✓ Salary supported documents in case of salaried individuals
 - ✓ Details of income source for self-employed professionals
 - ✓ **In case of businessman**
 - Firm /Company certificate (if any)
 - Income tax certificate
 - Financial statements related to business
 - ✓ Lease payment receipt or agreement
 - ✓ Dividend/ Interest warrant, etc.
 - ✓ Other sources supported by documentary evidence
- Copy of Title Deed of land, Copy of "Land Registration Deed", Approved drawing of the building and Building completion certificate from competent authority, if any as applicable, Latest land revenue payment receipts, Four boundaries certified Copies, Blue print map, Trace map, as applicable in case of real estate collateral

14. Risk Factor

The product is prone to default risk resulting mainly from:

- a) Diversion of fund
- b) Possible of discontinuation of income source

15. Risk Mitigation

The above risk will be mitigated by adopting following measures,

- a) Bank financing will be secured by the adequate collateral security.
- b) To mitigate the risk of diversification of fund, the disbursed amount except traveling expenses should be remitted to the institution/intending student through the Bank with the bank instrument as far as possible.
- c) Early action for settlement of the loan shall be initiated if any symptom of default is sensed.
- d) Applying portfolio control and continuous monitoring.
- e) Insurance against mortgaged building endorsed in favor of the Bank shall be obtained.

16. Credit Approval Discretion (CAD)

The CAD is rest with Chief Executive Officer, which may be further delegated as per the discretion of CEO.

17. Service Procedure and Delivery Standard

17.1 Service Procedure

- Interviews/discussions with the client




- Provide detail information (Documents required), explain terms & conditions etc. regarding the product.
- Help applicant to fill up Loan Application, KYC, Net worth Declaration form along with other necessary document
- Prepare credit proposal file collecting the aforesaid documents
- Collateral visit and valuation of collateral.
- Analysis the credit proposal and Preparation of Credit Appraisal Memo
- Recommendation for approval to concerned authority and get approval
- Issuance of an offer letter
- The disbursement will be made after completing all required security documents maintaining the prescribed debt/equity along with collecting of fee/charges

17.2 Service Delivery Standard

- Decision shall be made within 5 days of receipt of application along with complete documents required and
- Disbursement shall be made on the same day upon mortgaged title in the name of bank upon completion of all security documents.

18. Monitoring, Portfolio Control and Administration

18.1 Monitoring

- The residence/office/collateral to be inspected before approval of loan by at least two officials involved in credit relation thereafter at least yearly intervals.
- Branch shall frequently monitor transaction in the borrower's checking account/loan account through the Core Banking System.
- The insurance policy shall be kept intact all the times.
 - The expiry date of the insurance policy to be closely monitored and a reminder letter, at least 15 days prior to the expiry, should be sent to the borrower.
 - If, in case, the renewed insurance policy is not submitted before three days of the date of expiry, the Bank shall arrange to renew the insurance policy (generally, the same insurance policy) by debiting the current account of the Borrower.
 - If the borrower fails to deposit the insurance premium paid by the bank in lieu of renewal of insurance policy within 30 days of such payment, the event will be considered as an 'event of default' and the loan recovery actions will be initiated.

18.2 Portfolio Management

- Education Loan Exposure shall be reviewed on bank's overall loan portfolio on quarterly basis and shall not be more than 5% of total exposure of the bank.
- Centralized Credit Monitoring Department/Centralized Credit Operation Department shall monitor the portfolio of the Education Loan on quarterly basis.

18.3 Reporting to Corporate Office

- Monthly statement of Education Loan status to Credit Monitoring Department
- Monthly Irregular Statement of Education Loan to Credit Monitoring Department with proper justification and expected date for settlement of overdue in case customer fails to pay the EMI/EQI on or before prescribed due date.

(Signature)



19. Loan Recovery Process

- The BM/RO shall notify the customer about the due date to pay the interest/EMI/EQI of the loan at least prior 7 working days.
- Verbal follow ups to be initiated immediately upon default of any interest and /or installments.
- In case of default of any interest and/or loan installments continuing 15 days, a simple follow up letter would be sent to the borrower, requesting for repayment of the overdue amount within 15 days.
- If the above default is not rectified within 30 days from the date of default, another follow up letter threatening to call back the entire facility would be sent to settle within 7 days.
- If the above default is not rectified within 60 days from the date of default, letter calling back the facilities to be sent (along with draft of 35 days notice to be published in newspaper) to settle the loan within 7 days threatening to publish 35 days notice if not settle within the stipulated time.
- If the above default is not rectified within 90 days from the date of default, legal action to be initiated coordinating with central Recovery Department as per the recovery policy.

20. Waiver

- Waivers, if any, must be specifically approved by the Chief Executive Officer or the Official(s) designated by the CEO. However, branch must clearly mention and justify why such deviation is required under the heading “Waiver on Deviation to Product Paper”.
- Chief Executive Officer may take waiver decisions as and when required.

Board of Directors:

| S.N. | Name | Position | Signature |
|------|-----------------------------|----------|-----------|
| 1. | Mr. Upendra Keshari Neupane | Chairman | |
| 2. | Mr. Iman Singh Lama | Director | |
| 3. | Mr. Chandra Prasad Bastola | Director | |
| 4. | Mr. Madhav Prasad Bhatta | Director | |
| 5. | Mr. Krishna Shrestha | Director | |
| 6. | Dr. Kailash Patendra Amatya | Director | |

