



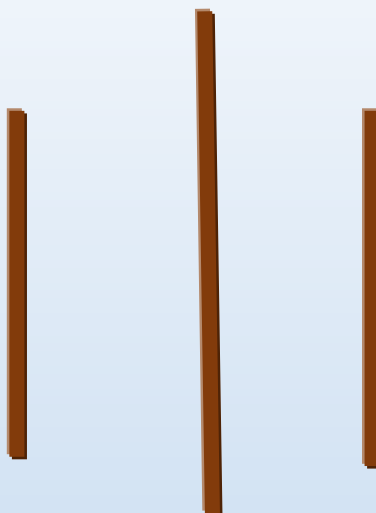
NCC Bank

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

Your Business Bank

Saral Karja

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 (NA)



NCC Bank

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

Your Business Bank

The Board Meeting No. 685th

held on 2075.02.06 (20th May 2018)

has decided to review, the

"Saral Karja 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

This product has been structured for financing personal/ business financial requirement for the Nepali individuals having identifiable and stable income source.

2. Product Name

SARAL KARJA

3. Type of Loan

Term Loan and /or Revolving Loan categories as Retail Loan

4. Purpose of the Loan

- To meet business/professional needs of an individual.
- To consolidate personal debts by repaying borrowings (from other BFIs/Cooperatives/ indigenous moneylender etc.) borrowed for business/professional purpose,

5. Eligibility Criteria

5.1 Eligible Customer

- Nepali Citizen having citizenship certificate
- Self employed Businessman or Self-employed professionals (Doctors, Engineers, Auditors, Advocates, Consultants, etc.)

5.2 Basic Criteria

- Minimum and Maximum age of the applicant to be 18 years and 65 years respectively by the time of expiry of loan.
- The applicant should have a stable and sufficient income from business/profession. Income of spouse, son/unmarried daughter/undivided family members of the applicant may also be considered for this purpose, provided that they are the guarantor for the loan.
- The real estate property provided as collateral should be within the reasonable vicinity of the respective branch. The branch should ensure that the property has adequate resale prospect. The property should be owned by the borrower and or his/her spouse/undivided family members
- The overdraft/revolving loan will be considered keeping in view the finance required for running the business of the borrower. The branch manager to ensure that the overdraft limit is required to invest in the business not for any other speculative purpose.
- The customers who are having regular income from business, new ventures with satisfactory income prospects being operated by the experienced promoters with proven track record.
- Net monthly disposable income should be at least 1.5 times of EMI and 2.5 times of monthly interest on revolving loan.

Net Monthly disposable income is calculated deducting all expenses from gross monthly income.

5.3 Eligible Source of Income

- Business income supported by latest Financial Statement

(Signature)





- Professional income supported by income/ Expenditure statement.
- Any other income as deemed fit by the Bank

6. Target Group

Businessman not eligible for business loan due to insufficient documents or any other reason, Self-employed professionals (Doctors, Engineers, Auditors, Advocates, Consultants, etc.)

7. Loan Amount

- Minimum amount of the loan shall be NPR 500,000/-
- Maximum amount of the loan shall be NPR 10,000,000/-. Revolving loan shall not exceed 7.5 million.
- The loan amount shall be limited to 50 times of gross monthly income. The monthly obligation towards other BFI's installment (if any) should be deducted from the income to arrive at gross income.
- Collateral Coverage should be at least 167% of Distress Value but not exceeding 40% of FMV within Kathmandu Valley and 50% of FMV outside valley.

8. Pricing

- | | |
|------------------------|---|
| a) Interest Rate | : As decided by the Bank from time to time |
| b) Service Charge | : 1.0% on the approved loan amount |
| c) Prepayment Fee | : 1.5% on prepaid amount (partial or full) (applicable for TL only). Prepayment shall be applied in reverse order. The minimum prepayment should be Rs. 50,000.00 or multiples thereof |
| d) Penal interest rate | : 2.0% p.a. on overdue amount for the overdue period |
| e) Loan Swap Fee | : 2.0% p.a. on the outstanding amount |
| f) Renewal Fee | : 0.75% on renewal limit or Rs. 5,000/- whichever is higher |
| g) Commitment Fee | : 1.0% of the loan sanctioned if drawdown does not take place within 3 months of issuance of facility offer letter and/or if average utilization is less than 70% of sanctioned limit to be charged upon unutilized portion of loan |

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 and Tenure

- Revolving:
 - Principal: within a maximum period of 1-year and renewable subject to satisfactory performance
 - Interest: on each quarter end as per Nepali Vikram Calendar (i.e. Ashad, Aswin, Poush & Chaitra) and on final settlement of the loan.
- Term Loan:
 - Within a maximum period of 10 years repayable on EMI basis.
 - The first EMI shall start from 13th day of each month of Gregorian calendar after the final disbursement/moratorium period. There must be at least 15 days period of first EMI due date from final disbursement of the loan.

(Signature)



- Moratorium Period: Maximum 12 months from the date of initial disbursement

10. Disbursement

After completion of security documentation and obtaining real estate mortgage, disbursement shall be as follows:

- a) In case of OD, limit will be created in the customer's current account and the loan is created by way of drawdown from the customer and the outstanding debit balance in the current account shall be treated as disbursed loan.
- b) In case of TL, full disbursement at the beginning or partial disbursement in different phase as per the customers need.

11. Loan Recording in Core Banking System

- a) The borrower shall maintain a current account (non-interest bearing) which will be used for all loan related transactions i.e. disbursement and repayment.
- b) Loan Account:
 - Overdraft: Overdraft facility shall be managed in current account itself
 - Term Loan: a separate Account Type to be defined in the system for each of Demand loan and Term 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 maintained with the bank. Similarly the same operating account will be used for the repayment of the loan
 - A separate product code to be used for the purpose.

12. Security

Generally real estate collateral shall be accepted as the security of Saral Karja. However, other securities like shares, bonds, bank deposit etc. are also

12.1 Security Documentation

Following security documents must be executed,

- a) Accepted copy of Offer Letter.
- b) Registered mortgage over the land and/or land and building
- c) Personal/corporate guarantee, if any. In case when loan/limit is being raised by one of the joint owners, the personal guarantee of other joint owner must be obtained.
- d) Demand Promissory Note
- e) Loan Deed
- f) Insurance policy (covering all relevant risk at least covering the risk of fire and earthquake in favor of the bank) of mortgaged building shall be obtained & original insurance policy along with the premium paid receipt of the assets shall be kept as forming part of the security.

12.2 Valuation of Security:

- In case of real estate collateral, the approved valuator of the Bank will conduct valuation of the collateral securities as per the standard terms of reference and collateral valuation guideline of the bank. The branch officials must also confirm the acceptability and verify the value of the collateral security. In case of other securities, the valuation of the security shall be as prescribe by the bank from time to time.



- 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.

13. Basic Documentation

- Completed application form.
- Completed Know Your Customer (KYC) form.
- 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:
 - **In case of salaried individuals**
 - Salary certificate issued by employer in office letterheads signed and sealed along with name and designation of the signatory (CEO/MD/HR Head/Finance Head)
 - Date of salary certificate to be not more than 3 months old at the time of loan application.
 - **In case of self-employed professionals**
 - Detail of income source/ profession
 - Proof of practice/self employment.
 - **In case of self-employed businessman**
 - Firm/ Company registration certificate (if any)
 - Financial statements related to the business
 - **In case of Rental Income:**
 - Borrowers may provide income in the form of house rents.
 - Lease agreements signed by the lessee and the lessor supported by the land ownership documents. However, If there is high potential of rental income from the property under finance due to its location, expected future income can be considered.
 - **In case of Vehicle/Equipment Operators:**
 - In case of individual operators (taxi, bus, truck, tanker, tractor, tripper, equipment etc.) income/expenses statement prepared by the applicant can be accepted however, Registration of vehicle in the borrower's name is verified (blue book)
 - **In case of Remittance Income**
 - Salary certificate/ employment contract/registration certificate of business/profession in foreign country and/or proof of remittance in the form of statements for a considerable period of time.
 - Copy of valid visa
 - **In case of other sources:** the sources shall be substantiated by way of appropriate documents
 - Dividend warrant for Dividend income.
 - Interest statement/ coupon for Interest income
 - Appropriate documents for other income as deemed fit by the Bank
- Undivided family tree declaration.
- Title Deed of land.
- Copy of "Registration Deed"
- Building Construction Permission letter from competent authority.






- Latest land revenue Payment Receipts
- Four boundaries certified Copies.
- Blue print of land.
- Drawing of the building to be constructed (where applicable).
- Trace map

14. Risk Factor

The product is prone to default risk resulting mainly from:

- a) Mis-utilization of fund
- b) Default risk due to discontinuation of declared income source

15. Risk Mitigation

The above risk will be mitigated by adopting following measures,

- a) Bank financing will be fully secured by the adequate collateral security.
- b) Preferably we will be financing only those individuals who have good track record and reputation in the society.
- c) Continuous follow up through internal monitoring modules like repayment history, account movement record and business inspection.
- d) Early action for settlement of the loan shall be initiated if any symptom of default is sensed.
- 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.

(Signature)



18. Monitoring, Portfolio Control and Administration

18.1 Monitoring

- i. Branch shall frequently monitor transaction in the borrower's checking account/loan account through the system.
- ii. Inspection of collateral security to be conducted before approval of loan and thereafter at least on yearly intervals.
- iii. Branch should issue a letter to the customer at least 45 days prior to the expiry dates to inform about timely renewal or settlement the facility within expiry. For renewal of the facility, Branch shall timely obtain required documents and forward renewal proposal to the competent authority before the expiry.
- iv. The insurance policy shall be kept intact all the times.
 - The expiry date of the insurance policy is 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

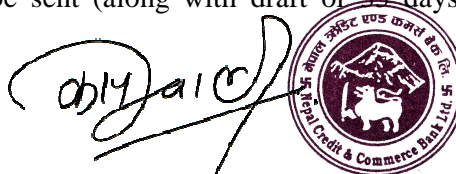
- Personal Loan Exposure shall be reviewed on bank's overall loan portfolio on quarterly basis and shall not be more than 5% of total exposure.
- Centralized Credit Monitoring Department/Centralized Credit Operation Department shall monitor the portfolio of the Personal Loan on quarterly basis.

18.3 Reporting Corporate Office

- Monthly/Quarterly statement of Personal Loan to be sent to Centralized Credit Monitoring Department
- Irregularity Report must be sent to Credit Monitoring Department within 15 days of due date with proper justification and expected date for settlement of overdue in case customer fails to pay the EMIs/EQI/dues on or before prescribed due date.

19. Loan Follow-up & Recovery Action

- The BM/RO shall notify the customer about the due date to pay the interest/Installment of the loan at least prior 7 working days.
- Verbal follow ups to be initiated immediately upon default of any interest/installment.
- In case of default of any interest and/or loan installments continuing 15 days, a general 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 informing 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 is to be sent (along with draft of 35 days notice to be





published in newspaper) to settle the loan within 7 days mentioning to publish 35 days notice if not settled within the stipulated time.

- If the above default is not rectified within 90 days from the date of default, legal action to be initiated under coordinating with central Recovery Department as per the recovery policy.

20. Waiver

- The waiver in the terms and conditions of the proposal should specifically approve by Chief Executive Officer or the delegated authority of CEO under their CAD.
- 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	

(Signature)

