**LOAN AGAINST PROPERTY**



**The Parry Finance India Cooperative Society Ltd.**

**POLICY FOR LOAN AGAINST PROPERTY**

The thrift and credit cooperative societies are member-based organisations that help members to address economic problems. The ultimate goal of these societies is to encourage thrift among the members and to meet the credit needs of people who might otherwise be exposed to exploitation. To meet the credit needs of members Society may provide loan against property to its members.

1. **Introduction**

It is a type of financial service that is provided to self employed ladies, unemployed or low-income individuals who would otherwise have no other means of gaining financial services. Loan Against Property would enable Society to extend credit to lower middle class families and self employed ladies/housewives to meet their socio-economic needs.

1. **Objectives**

The scheme is for providing finance against mortgage of immovable property to self employed ladies, unemployed or low-income individuals through the representatives of the Society and is designed to offer instant solutions relating to socio-economic and business needs such as, children’s higher education, travel, daughter’s marriage, medical emergencies, etc.

1. **General features of Scheme**

* The financing can be done to individuals to meet their socio economic needs.
* Repayment of the loan shall be the personal liability of each and every member of the group.
* An individual shall be allowed a loan upto Rs.100000/- against the mortgage of property in favour of the Society.

1. **Eligibility**

* An individual residing in and having a **self occupied** immovable property in the area of operation of Society may apply for the loan in his individual name or along with another person being joint owner of the land/property as co-applicant. The applicant and co-applicant, if any, will be enrolled as nominal members of the bank under the Act, Rules and Bye Laws.
* The age of the member should not be below 18 years and not more than 60 yrs.

1. **Credit Assessment**

* The representative of the Society will prepare a credit plan for the requirements of the applicant and submit it to the Society along with recommendations. Society will have simple loan application for this purpose.
* The applicant should not be a defaulter to any other formal financial institution.
* After assessing the loan requirement of the applicant by the representatives of the Society an official appointed by the Society for Loan Against Property will apprise the applicant lending procedure of the Society. The spouse of each applicant may be called to apprise about the financial assistance being taken by his/her spouse from Society on the date of advancement.
* In case of applicant being women, male member preferably her husband will become guarantor of the loan and will also become nominal member of the Society.
* The total loan availed by the member from the Society should not be more than Rs.150000/-
* CIBIL/CRIF score of applicant should not be less than 650.
* KYC documents e.g. copy of Adhaar Card and PAN should be taken.
* As the loan amount is to be transferred to the Bank account of the applicant therefore complete details of the operative bank account should be furnished to the Society after confirmation.
* Each applicant will pay an amount of Rs.600 to the representative of the Society for completion of documentation.
* The individual members would be eligible for Society loan after the Society verifies the individual members’ credentials.
* The Society will assess the credit requirement, depending on the occupation and repayment capacity of the individual.
* Each individual along with his/her guarantor has to become nominal member of the Society by depositing requisite membership fee of Rs100 per person.

1. **Type and Quantum of Loan:**

The loan can be given in the shape of Term Loan. Quantum of loan will be three times of net annual income or 50% of value of property, whichever is less. However maximum loan amount will be Rs. 1.00 lac. Income of family member can be considered for the purpose of eligibility of loan.

1. **Repayment of loan**

Loan together with interest is repayable in maximum 36 equal monthly installments. The recovery of loan will be made monthly. The representative of the Society who has recommended the member will be responsible for the recovery. Besides, the Supervisor of the concerned representative will also be responsible for recovery.

1. **Rate of interest**

Rate of interest will be 24% per annum from the borrower which can be changed from time to time. In case of defaults a penal interest @/ 2% P.A. over and above the normal rate on the default amount and default period shall also be charged.

1. **Margin and Security Norms**

No margin will be required by the Society against the loans. However, the loan will be secured by the collateral security of the property of the loanee or gauarntor.

a) Security for the loan is a first mortgage of the property in favor of the Society, against which loan is granted, by way of deposit of title deeds. The valuation of the property will be based on the official rates of registration fixed for the same by respective Municipal or Registration Authority or current market value whichever is lower.

b) Suitable one guarantee preferably male relative of the borrower acceptable to the bank. The guarantor should have its net worth equal to or more than the loan amount to advanced. In case the income of family member is taken while calculating loan eligibility, he/ she must be taken as guarantor.

c) 2 Post dated cheques in favour of the Society will be submitted by the borrower.

1. **Documents**

The Society staff will ensure KYC compliance of the borrower member. Other documents will be submitted by the applicant as per Society requirements.

1. **Insurance**

Each individual member of the group along with her husband has to pay insurance premium in accordance with the period and amount of loan availed to the society to get life insurance cover of an amount equivalent to the loan availed by him/her. For the time being the Society will create a contingent fund for this purpose. In case of death of the borrower, the outstanding loan will be waived by the Society by using this fund.

Comprehensive insurance in the joint names of the borrower and the bank shall be made of the property mortgaged against fire, riots, earthquake, lightning, floods, etc. In case of default bank will be at liberty to get a policy renewed by debit to loan account of the borrower.

1. **Contributions by Borrowers**

Each borrower will contribute Rs.1200 which will be used for creating contingent insurance fund, for printing stationery, incentives to field workers for depositors’ education and awareness.

1. **Monitoring and Review**

Society will closely monitor this portfolio regularly at various levels and at regular intervals. A dedicated nodal officer posted at Head office will monitor the loans at regular intervals. The progress will be reviewed by the Chairman and Secretary of the Society on monthly basis.

1. **Disputes:**

If at any stage any dispute arises, it will be settled/referred under the Punjab Self Supporting Cooperative Societies Act 2006 or any other relevant act at the sole discretion of the Society.

1. **Incentive**

The person recommending the member will have to firstly identify the potential area for advancement. Then he/she will visit that area to meet members and choose eligible members for loan against property.

After group formation he/she will have to sensitize members about timely repayment of loan, Society’s policies and regulations.

That person will assess the credit needs of members and then Society will finance the members accordingly.

Present Incentive Chart for Loan Against Property

At PSP Level Rs.100 per installment per month

At Supervisor Level Rs.20 per installment per month

When a PSP is promoted as Team Leader then Proposed Incentive Chart and Field Organizational Chart for Loan Against Property

At PSP Level Rs.80 per installment per month

At Team Leader Level Rs.28 per installment per month

At Supervisor Level Rs.12 per installment per month

**Documents Required from Applicants:**

**KYC Documents**

• Copy of Adhaar Card

* PAN card
* Recent passport size photographs of the applicant and guarantor (two)

**Bank Details**

• Latest Bank Statement / Passbook

**Income Proof**

• Income Proof if available.

* Income assessed by representative of Society

**Property Documents**

• Title Deed in original

* Non-Encumbrance Certificate
* Mortgage Deed
* Map and Current Valuation Report of the property from Govt. Approved Architect.
* Search report and legal opinion along with the photo