Abstract

This document summarizes functional needs of claims, recoveries and refund that can be conducted on issued credit guarantee under Education scheme.   
Intention is to collate & track functional specifications of underlying business processes for Education loan guarantee business and provide a firm base for further interpretations of software requirements & specifications.

Business Requirement Document

Claims, Recoveries & Refund for Education Loan Scheme

**Document Version History**

|  |  |  |  |
| --- | --- | --- | --- |
| Version No. | Remarks | Date | Author |
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| 2.0 | Revisions due to calculations and recovery | 10-March-2018 | Sachin |
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**Glossary**

Glossary of Important Terms used in this document.

|  |  |  |
| --- | --- | --- |
| S. No. | Term | Description |
| 1 | A/c | Account or Account No. – a common written abbreviation for account in context of Banking/Financials |
| 2 | AID | Amount in Default |
| 3 | BRD | Business requirement Document. These documents capture NCGTC’s process/functional/operational needs for software solution development. |
| 4 | CGFSEL | Credit Guarantee Fund Scheme for Education Loan – A notified scheme for Education Guarantees. |
| 5 | CGPAN | Credit Guarantee Permanent Account Number – a Unique Credit Guarantee Number generated by NCGTC processing system while issuing the Credit Guarantee. |
| 6 | eGOV | Electronic governance. |
| 7 | IP | Internet Protocol |
| 8 | LPD | Locking Period Date |
| 9 | MLI | Member Leading Institute. These will be Banks, Factors, and Para- Banks etc. Institutes predominantly in business of Money Lending’s. |
| 10 | NCGTC | National Credit Guarantee Trustee Company Ltd |
| 11 | NEFT | National Electronic Funds Transfer (NEFT) is a nation-wide payment system. Under this Scheme, individuals can electronically transfer funds from any bank branch to any individual having an account with any other bank branch in the country participating in the Scheme. NEFT transactions are settled in batches. |
| 12 | NPA | Non-Performing Asset |
| 13 | O/S | Outstanding Standing, usually amount which is awaiting action/payment. |
| 14 | RTGS | 'RTGS' stands for Real Time Gross Settlement, which can be defined as the continuous (real-time) settlement of funds transfers individually on an order by order basis (without netting). 'Real Time' means the processing of instructions at the time they are received rather than at some later time; 'Gross Settlement' means the settlement of funds transfer instructions occurs individually (on an instruction by instruction basis). Considering that the funds settlement takes place in the books of the Reserve Bank of India, the payments are final and irrevocable. |
| 15 | SURGE | Software System Developed and Commissioned by NCGTC for Managing Credit Guarantee Business Process. SURGE – System for Underwriting, Reassurance & Guarantee Endorsement |
| 16 | UTR No. | Unique Transaction Reference number) is a unique reference code that is attached to every transfer sent to India. |
| 17 | XML | Extensible Markup Language (XML) is a markup language that defines a set of rules for encoding documents in a format which is both human-readable and machine-readable. It is defined by the W3C's XML 1.0 Specification and by several other related specifications, all of which are free open standards. |

## **Introduction**

For purpose of educational loans, NCGTC has designed a credit guarantee product known as Credit Guarantee Fund Scheme for Education Loan (CGFSEL).

Claims under this guarantee scheme for each CG will be handled in two steps: As a ‘First Claim’ to obtain 75% of cover amount and ‘Full & Final Claim’ for remaining 25%. As a part of the scheme, MLI’s need to pass the recovered losses from its borrower to NCGTC. All such recoveries will be considered at the time of final claim settlement.

To invoke CG (i.e. to lodge claim for the issued CG), MLI needs to extract required details of their NPA loan account in XML file and upload it on SURGE (called as claim requisition input file). A separate input file for recoveries of their losses in form of a separate input file (called as loss recoveries information input file). These files will need to be uploaded on the SURGE platform. In essence invoking claims and providing recoveries information is an operation to be performed only in Batch Mode.

This document is divided in three predominant sections –

1. Invoking Claims – Enables MLI’s to lodge ‘First Claim’ for issued CG’s
2. Post Claim Recoveries – Enables MLI’s to pass on losses recovered from their respective borrowers. Recoveries passed to NCGTC are in accordance to the scheme rules.
3. Final Claim Settlement – Allows MLI’s to settle the claim in ‘Full & Final’

The above three sections forms part of the entire claim settlement processes under this scheme.

## **Invoking Claims**

Once MLI is sure of their asset losses and needs to claim the guarantee cover from NCGTC, they need to lodge the claims for such CG’s. This section elaborates the requirements and broad level flows for this envisaged process.

### **Input File Layout**

* For requisition of First Interim Claim, refer the spread sheet – Education Scheme - Claim and Recovery Input Layout - Education - First Interim Claim, for the fields included, Mandatory/optional level, allowed characters and usage of codes wherever applicable.
* For requisition of Final Claim, refer the spread sheet – Education Scheme - Claim and Recovery Input Layout - Education – Final Claim, for the fields included, Mandatory/optional level, allowed characters and usage of codes wherever applicable.

### **Input File Format Processed by SURGE**

SURGE will accept input file from MLI(s) in following format only:

* XML layout

XML is only format permissible as per eGov standards. SURGE will **NOT** process files received in any other formats than those listed above.

Refer the XML format in the file - Education Scheme - Sample XML Layout for First Claim Request.xml and Education Scheme - Sample XML Layout for Final Claim Request.xml for the layout of the XML input file.

### **Preparation of Input File**

To invoke a first claim on the CG (i.e. for 75% of final claim amount) – MLI needs to initiate this claim by providing Claim Requisition input file for Education Scheme and approve it (along with acceptance to the terms & conditions of Management certificate). It is to be noted that MLI can provide claim for a single CG or group of CG’s in this input file.

The purpose of this file is, to Invoke Claims for such CG’s such that the associated loan account of the CG is in state of NPA for the prescribed duration as per the scheme notification and MLI wants to invoke the guarantee for this account.

### **Request for Claim**

As a part of MLI’s loan business at their end, their sanctioned and disbursed Loan to the borrower under the Education Scheme *may* become NPA. If such loan assets remain in the state of NPA with very little chance of such loan accounts re-categorizing as Standard Asset, then, MLI may invoke the associated CG.

As a part of this scheme and claim process, MLI’s needs to send the requisite information of their loan accounts (having corresponding CG) to NCGTC in following steps:

1. MLI extracts the loan information for all such loan accounts, which are now NPA and eligible for claims.
2. Note that the data needs to be send to SURGE only for those loan accounts which qualifies for claims as per scheme notification and not otherwise.
3. MLI needs to send the information in a file, called as ‘Education Scheme Claim Requisition Input Layout’. Information to be extracted in the layout mentioned in the section 1.2.1 and in the format mentioned in section 1.2.2
4. Upload this file on the NCGTC system in *‘Non Approved’* state by MLI user account and against a specific ‘Scheme’.
5. Till the specified period (communicated by NCGTC) MLI is permitted to upload and/or re-upload the input file multiple times. Thus, allowing MLI’s to append, edit and delete the information for claim of the issued CG’s multiple times and in *‘Non Approved’* state.
6. Final submission of the ‘Approved’ input file is effective only when MLI accepts to the ‘Management certificate - Terms & Conditions’. On acceptance to the terms of Management Certificate – system sends the input file for approval to NCGTC user.
7. After final verification of the input file by MLI approver user account (created by their own MLI Administrator), AND NCGTC user the state of the input file is changed as *‘Approved’* state.
8. Approved state of input file also means that the claims is under consideration in SURGE.

### **Summary - Preparing & Uploading the Input File**

Note: MLI’s are expected to perform these steps in stipulated time communicated by NCGTC to MLI’s.

The input file content uploaded by MLI in XML format will be extracted to a staging area database. While extracting these records, SURGE extractors will append the records with Date-Time stamp in order for effective traceability of input records.

**(Note: - Make provision in the system for MLI to upload the Claim File even if any claim file is in process for this Surge system.)**

**(Note: - Automated email alert generated for MLI Admin within 90,60,30,15 days of Claim Expiry Date.**

**Same for NCGTC user (NCGTC Creator of the scheme to be defined in the system).**

**(Note: - Below points developed for Input File.**

* **Limit the claim input file to only 10 records.**
* **Added one page to upload the documents for claimed accounts.**
* **MLI maker can upload the documents are – Recall notice(Mandatory), Any other documents (Optional)– for each account.**
* **The MLI Checker, NCGTC Creator, NCGTC Approver should view the documents and then only can take any action.)**

### **Eligibility Criteria Checks**

SURGE performs the following checks on each MLI Loan Accounts data to ascertain their eligibility for invoking claims and the record is *REJECTED* iff:

1. The ‘MLI’ AND ‘Loan Account Number’ specified DOES NOT EXISTs in SURGE System Database. *(If MLI Loan Account does not exists in the system with a match for unique guarantee number (CGPAN), than – this loan account is rejected).*
2. Records in same input file presented by MLI has repeated/same account number. (In such case, the first record will be considered valid and remaining records having duplicate (or repeated) account number will be rejected).
3. The credit guarantee exists in system and has one of the following CG Current Status:
   1. 30036
   2. 30005
   3. 30010
   4. 30011
   5. 30013
   6. 30018
   7. 30019
   8. 30038
   9. 30039
4. The loan a/c should NOT have ‘Final Claim’ Status (in process or settled state).
5. The Total Dues amount as on date of NPA IS ZERO or LESS THAN ZERO
6. The Total Dues amount as on Date of Claim Lodgment is ZERO or LESS THAN ZERO
7. The Total Dues amount as of date of NPA IS LESS THAN Total Dues amount as on date of claims.
8. For the claimed CG record whose current system date is:
   1. LATER TO Claim End Date
   2. EARLIER AND EQUAL TO Locking Period Date (LPD)

Locking Period Date and Claim End Date is determined as below:

1. The locking period date is determined as below:
   * 1. Date LATER amongst to Moratorium Date (available in CG Master Record) and CG issued Start Date (of the NEW CG Request i.e. File Type 1). To this date the ‘Locking Period’ parameter of the respective Docket is added and the new incremental Locking Period Date (LPD) is determined.
2. Claim End date is determined as below:
   * 1. LPD is compared to Date of NPA marking. If NPA marking date is earlier to LPD, then, 12 months from LPD is the Claim End Date. Else, 12 months from NPA date is the Claim End Date.
3. The Total Dues amount as on date of NPA is greater than Total Dues amount as on date of claim lodgment.
4. Date of Recall:
   1. IS EARLIER to Date of NPA.
5. Date of Recovery Proceedings:
   1. IS EARLIER to Date of Recovery Proceedings.

### **Marking the CG as Claimed**

Once the above eligibility checks are complete and NCGTC users approved the claim requisition file, system marks the CG record as ‘claimed’. There by indicating that the claim for the specific CG is initiated and processed.

Identifying and marking the claims in SURGE is a two-way process:

* The respective CG in CG table is marked as ‘claimed’ along with the claim lodged date. *Claim lodged date is the date when MLI Approver approves the input claim file.* Refer section 1.2.5.1 below for more details.
* An entry with relevant details is created in separate Claim tables. Refer section 1.2.5.2 below for more details.

### **Marking the CG as Claimed in CG Table**

On approval of the claim requisition file from MLI and from NCGTC, system will proceed to mark the CG record as ‘Claimed’ as stated below:

SURGE inserts the following transaction with following values in CG table:

* File Type - 4
* Transaction Mode – 120001 (which indicates that this is a batch transaction)
* Loan A/c No. – Loan Account mentioned in the Input file
* MLI ID - Same as the Original Master Record
* Schemes Id - Same as the Original Master Record
* CGPAN - Same as the Original Master Record
* CG Current State – 30019
* CG Previous State - 30020
* IP Address – IP Address of the User
* Is Active Flag – Active
* Created By – MLI user id
* Created Date – DateTime of Record insertion

### **Making entry in Claims Table**

After making an entry in CG table (if required), system will make an entry in claims table for:

* Claim Type
* Loan Account No.
* Total Dues Amount as on date of NPA
* Recoveries (if any) from the date of NPA till the date of lodgment of present claim

The above details are stored with respect to Batch Identification of the claims file.

### **Flow for Processing Claims**

Once the claim requisition file has been received and approved by NCGTC user, the claims will get calculated as specified in section 1.2.7.

Processing of the claims will entail following events:

* Calculation of claims as per scheme notification
* Send to Approve or Reject – by NCGTC Creator
* Approving the claim by NCGTC approver
* Rejecting the claim by NCGTC approver
* Settling the claim

Each of above is explained below.

MLI Approves the Claim

(NCGTC Creator)

Investigate/Due Diligence

Send to Approve

(By NCGTC Creator)

N

Y

Claim Approval

Reject Claim

(By NCGTC Approver)

Approve Claim

(By NCGTC Approver)

Claim Settlement

Rejects the Claim

(By NCGTC Creator)

The Claim file and claim is rejected.

MLI will need to rectify and upload a fresh claim

### **Approving the Claims**

Once the claims are received at NCGTC User (approver), he can either ‘Approve’ or ‘Reject’ the claims.

NCGTC User (approver) can ‘Approve’ claims individually and can ‘Approve’ all records.

Rejecting/Approving the claims will need reason/remarks.

NCGTC Approver can take claims for further processing from the ‘Approve’ State by sending it for ‘Settle Claim’ (to NCGTC Creator).

NCGTC Approver can also reject the claim, which will reject the claim file and claim calculation thereby making the MLI to re-upload fresh claim request.

**(Note: - The provision of approval of individual records made at both NCGTC Creator and Approver level)**

**(Note: - “Claim Lodge Date” and “Claim Expiry Date” columns added in Claim Management page)**

**(Note: - Provided Generate Payment Advice number report as per scheme wise at NCGTC side once NCGTC approved the claims and bank man date should be approved. NCGTC user can download the payment Advice number report as per scheme wise and also download payment advise history. Report downloaded in excel format which given by NCGTC).**

### **Payment of Claim Payout to MLI (Claim Settlement)**

Once NCGTC Approver approves the claims, NCGTC accountant and main accountant can settle the claims. Settling the claims in actual is a making the RTGS/NEFT pay out to MLI. The payout activity is out of SURGE scope boundary.

However, as a part of the ‘settle claims’ functionality, NCGTC Accountant need to specify the RTGS/NEFT reference number, date of payout and send for payment approval to Main accountant.

Refer the BRD – Payment Mechanism for further reference.

**(Note: - Provided Generate Payment UTR update report as per scheme wise at MLI side and NCGTC side once NCGTC main accountant approved the payment of claim. MLI and NCGTC can download Payment UTR updates. Report downloaded in excel format which given by NCGTC).**

### **Rejecting the Claims**

NCGTC Approver may reject the claims. Along with the reason/remarks for rejections.

NCGTC User (approver) can ‘Reject’ claims individually and can ‘Reject all records.

Rejecting claims will bring the affected loan a/c or the CG in state before to claim state (i.e. NPA Guarantee in Force). *Note that this does not have any change to the billing status, billed amount and flags related to billing.* Rejection will allow MLI to put in the claim again.

**(Note: - The provision of rejection of individual records made at both NCGTC Creator and Approver level)**

### **Claim Calculations – First Claim**

To understand the claim calculations, refer to the scenarios mentioned here.

Claim Calculation is based on the outstanding amount reported at the time of claim lodgement.

|  |  |  |
| --- | --- | --- |
| **First Claim** | | |
|  | During Claim Lodgement |  |
| **AA** | Total Dues(Principal Outstanding & Interest Outstanding) as on date of NPA (Provided by MLI in claim input file) | 80,000.00 |
| **BB** | Total Dues(Principal Outstanding & Interest Outstanding) as on date of Claim (Provided by MLI in claim input file) | 75,000.00 |
|  |  |  |
| **CC** | Cover Calculation to Settle the Claim: system needs to calculate the cover based on AA & BB whichever is lower. Thus, cover is calculated on B1  (AA > BB by 5000/- which means 5000 is recoveries) | 75% \* 75,000 = 56250.00/- |
|  |  |  |
| **ID#** | **Description** | **Value** |
| **A1** | Loan Account No. | ACCT1 |
| **B1** | 75% of AID (where AID = AA or BB whichever is lower) | 56,250.00 |
| **B2** | Eligible Claim -  Considered for Claim Settlement  (B1) | 56,250.00 |
| **B3** | Eligible First Claim | 42,187.50 |
| 75% of B2 |
| **B4** | Eligible Final Claim | 14,062.50 |
| 25% of B2 |
|  |  |  |
|  | **First Claim Settled** | **42,187.50** |

*Note: if the Eligible First claim works out as less than zeroes, then, it is considered and settled as zeroes.*

**Important Note:**

1. System will calculate claims – after the claim file is processed (i.e. approved by NCGTC user)
2. Once the claim has been calculated, the same will be available for ‘View’ to NCGTC and MLI users

## **Notifying Recoveries (Post First Claim)**

Once first claim has been invoked (and the same has been approved and settled by NCGTC), MLI can notify and provide recoveries to such invoked CG’s. This section elaborates the requirements and broad level flows for this envisaged process.

Note: MLI’s need to notify their recoveries for each loan account and also make payment of such recoveries. Else, such recoveries are not considered as valid recoveries for any further process.

### **Input File Layout**

For notifying the recoveries and providing payments, refer the spread sheet – Education Scheme - Claim and Recovery Input Layout - Education Post Claim Recovery, for the fields included, Mandatory/optional level, allowed characters and usage of codes wherever applicable.

### **Input File Format Processed by SURGE**

SURGE will accept input file from MLI(s) in following format only:

* XML layout

XML is only format permissible as per eGov standards. SURGE will **NOT** process files received in any other formats than those listed above.

Refer the XML format in the file - Education Scheme - Sample XML Layout for Recovery Notification.xml for the layout of the XML input file.

### **Preparation of Input File**

Once MLI has invoked a CG of a specific Loan Account, the recoveries (if any) for the same CG/Loan Account can be notified and recovery amount passed on to NCGTC.

It’s important to note that –

* MLI’s need to provide the recovery information for each loan account and also make payment of the recoveries to NCGTC within stipulated time as notified in the scheme gazette.

### **Notifying Recoveries**

Once claim is invoked for a given loan account, and settled by NCGTC, MLI’s can provide the recovery information of those loan accounts for which recovery has been done and which needs to be passed on to NCGTC as a per the scheme gazette notification.

As a part of this this process, MLI’s are advised to send the requisite information of their loan accounts (for whom the guarantees has been provided) to NCGTC in following steps:

1. MLI needs to extract the recovery information for all such loan accounts which are already claimed and the claims has been approved and settled by NCGTC. Refer Section 1.3.5 on the details of recovery proceedings type which MLI needs to extract from its own IT System.
2. MLI needs to send the information in a file, called as ‘Education Scheme Recovery Notification Layout’. Information to be extracted in the layout mentioned in the section 1.3.1 and in the format mentioned in section 1.3.2
3. Upload this file on the NCGTC system in *‘Non Approved’* state by MLI user account. The file needs to be uploaded against a specific ‘Scheme’.
4. Till the specified period (communicated by NCGTC) MLI is permitted to upload and/or re-upload the input file multiple times. Thus, allowing MLI’s to append, edit and delete the information for claim of the issued CG’s multiple times and in *‘Non Approved’* state.
5. Final submission of the ‘Approved’ input file will be effective once MLI accepts to the ‘Management certificate - Terms & Conditions’. Post the approved state – the input file is sent for approval by NCGTC user.
6. After final verification of the input file by MLI approver user account (created by their own MLI Administrator), and NCGTC user the state of the input file is changed as *‘Approved’* state. *This approval will be AUTO in nature (which means system will automatically approve this input file on behalf of NCGTC)*
7. Approved state of input file also means that the recovery information has been considered in SURGE, but in provisional state only. And MLI needs to provide payment for this file/recoveries.

### **Summary - Preparing & Uploading the Input File**

Note: MLI’s are expected to perform these steps in stipulated time communicated by NCGTC to MLI’s.

The input file content uploaded by MLI in XML format will be extracted to a staging area database. While extracting these records, SURGE extractors will append the records with Date-Time stamp in order for effective traceability of input records.

### **Eligibility Criteria Checks**

Following checks are performed on each MLI Loan Accounts to ascertain their eligibility for recoveries. Approved Input file will be processed for each record and the record will be *REJECTED if*:

1. The ‘MLI’ AND ‘Loan Account Number’ specified DOES NOT EXISTs in SURGE System Database.
2. Records in same input file presented by MLI has repeated/same account number. (In such case, the first record will be considered valid and remaining records having duplicate (or repeated) account number will be rejected).
3. The loan account exists in system, but NOT in Claim Invoked State (i.e. 30019)[[1]](#footnote-1)
4. The recoveries amount is LESS THAN ZERO
5. Date of Recovery is:
   1. Later to Current System Date
   2. Not between previous financial year
6. The first claim payout has NOT been paid by NCGTC

### **Treatment to Notified Recoveries**

As specified in the scheme notification - the recoveries that MLI secures from its borrowers, needs to be provided to NCGTC. Such recoveries provided to NCGTC has a subtle difference depending on the period when it is being provided to NCGTC:

1. If a recovery for a particular loan a/c or a CG is being provided after the first claim but before settling the final claim, then:
   1. MLI needs to provide the entire recovery proceedings (recovered from the borrower) for the specific loan a/c or CG in consideration.
   2. This entire recovery proceedings paid by MLI, NCGTC will NOT distribute this recovery proceedings between MLI share and NCGTC share, and, NEITHER refund the MLI Share to the respective MLI.
   3. NCGTC will utilize these entire recovery proceedings to calculate the final ‘Amount in Default’ and determine the ‘Final Claim’. (if there are multiple recoveries provided by MLI for a single loan a/c or CG, then, SURGE will add all such recovery proceedings and use it to adjust in the Final Claim) AND consider the amount of recovery proceedings (and penalty with taxes if any) for final settlement.
2. If a recovery for a particular loan a/c or a CG is being provided after the settlement of final claim, then:
   1. MLI needs to provide the only NCGTC’s share from the entire recovery proceedings (recovered from the borrower) for the specific loan a/c or CG in consideration.

In consideration to the above points with respect to recoveries, MLI will need to maintain identifiers against each CG in their CBS/IT system for when to pass the entire recovery proceedings and when to pass only the NCGTC share which is 75% of entire recovery proceedings.

### **Allotting Recovery Unique Identifiers – Recovery Id**

For the eligible recovery records, system allocates a unique identification number, called as Recovery Id. This recovery id is allotted to the input file (or the batch) and to each recovery transaction (at each CG/Account level).

### **Allotting Batch Recovery Unique Identifier – Batch Recovery Id**

This unique identifies is at the batch level, called as Batch Recovery Id – which is a unique identification allotted to the notified batch of recoveries, for traceability and management of recoveries in SURGE system.

Batch Recovery Id follows a specific format for this scheme:

### **Allotting CG/Account Recovery Unique Identifier – Account Recovery Id**

This unique identifies is at the account level, called as Account Recovery Id – which is a unique identification allotted to the notified batch of recoveries, for traceability and management of recoveries in SURGE system.

Account Recovery Id follows a specific format for this scheme:

### **Payment from MLI for Notified Recoveries**

MLI will need to make the payment of the recoveries (total recoveries) against the recovery file uploaded by him and approved by NCGTC Approver.

Note that MLI will need to make the payment of the recoveries using RTGS/NEFT facility and provide the UTR/reference number in SURGE.

Refer the BRD – Payment Mechanism for further reference.

### **Penalty Calculation on Recovery Proceedings from MLI**

The recovery proceedings provided by MLI for each corresponding CG (as specified in section 1.3.5) – will have penal charge consideration as well. This consideration is undertaken by system at the time when MLI makes payment of the recovery proceedings in full (he may do the payment of the recoveries at one go or in tranches) and when these are reconciled by NCGTC Accounts Dept. System will calculate the following (against each loan a/c). However, note that the penal calculations will be done in either monthly or yearly manner as shown below:

In monthly manner, system considers:

1. Date when MLI deposits the final amount which makes the total recoveries as paid (this date is specified in input recovery xml file)
2. Eligible days for penalty (from the date specified in point a above)
3. Penalty calculated [It will be simple interest based on the notified recovery (as P), Eligible days for penalty (as N), Penalty Rate for delayed Recovery (as R). Thus the formula used will be – P\*N\*R/365]

Here P = NCGTC Share. Penalty needs to be charged on NCGTC Share only.

This is explained in the following possible scenarios. For all the below scenarios, following values needs to be considered:

|  |  |
| --- | --- |
| Month when recovery file is uploaded by MLI | Feb-18 |
| Rate of Penalty | 10% |
| DATE when the last Tranch for full recovery payment is received and Reconciled by NCGTC Accounts Department | 25-Feb-18 |
| No of Days NCGTC has to Refund | 30 |

1. **Scenario 1:** 
   * **No Penalty situation**
   * **For Loan A/c whose Final claim has Lodged and Settled – MLI Provides only the NCGTC Share**
   * **For Loan A/c whose Final claim has NOT being Lodged and Settled – MLI Provides entire recovery proceedings**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **A** |  |  |  | **B** | **C** |  |  |
| **A/c No.** | **Final Claim Settled** | **Date of Recovery (From Borrower to MLI)** | **Recovery Amount (Only NCGTC Share/Entire Proceedings)** | **DATE when the last tranche for full recovery payment is received** | **Days Elapsed (From date = Date of Recovery AND To Date = 'C'** | **Eligible Days For Penalty** | **Penalty Calculated** | **Tax on Penalty  (@18% on E)** | **Recovery Proceedings for Cases - Post Final Claim (A+B+C) along with Penalty/Taxes** | **Adjust at The Time of Final Claim  (A+B+C) along with Penalty/Taxes** |
| L1 | Y | 4-Feb-18 | 7,500.00 | 25-Feb-18 | 22 | 0 | - | - | 7,500.00 | - |
| L2 | - | 5-Feb-18 | 5,000.00 | 25-Feb-18 | 21 | 0 | - | - | - | 5,000.00 |
| L3 | - | 10-Feb-18 | 20,000.00 | 25-Feb-18 | 15 | 0 | - | - | - | 20,000.00 |
| L4 | Y | 10-Feb-18 | 18,750.00 | 25-Feb-18 | 15 | 0 | - | - | 18,750.00 | - |
| L5 | - | 12-Feb-18 | 4,500.00 | 25-Feb-18 | 13 | 0 | - | - | - | 4,500.00 |
| L6 | - | 12-Feb-18 | 6,000.00 | 25-Feb-18 | 13 | 0 | - | - | - | 6,000.00 |
| L7 | - | 28-Jan-18 | 7,950.50 | 25-Feb-18 | 29 | 0 | - | - | - | 7,950.50 |
| L8 | Y | 27-Jan-18 | 11,253.75 | 25-Feb-18 | 30 | 0 | - | - | 11,253.75 | - |
| L9 | Y | 27-Jan-18 | 17,587.50 | 25-Feb-18 | 30 | 0 | - | - | 17,587.50 | - |
| L10 | - | 27-Jan-18 | 24,578.00 | 25-Feb-18 | 30 | 0 | - | - | - | 24,578.00 |
|  |  |  | **123,119.75** |  |  |  |  |  | **55,091.25** | **68,028.50** |
|  |  |  |  |  |  |  |  |  |  |  |

**Note:**

1. Amount of INR 68,028.50/- is adjusted in Final claim settlement.
2. Amount of INR 55,091.25/- is recovered from MLI
3. In this case since there is no penalty, there is no need for any additional recoveries from MLI
4. **Scenario 2:** 
   * **Penalty situation**
   * **For Loan A/c whose Final claim has Lodged and Settled – MLI Provides only the NCGTC Share**
   * **For Loan A/c whose Final claim has NOT being Lodged and Settled – MLI Provides entire recovery proceedings**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **A** |  |  |  | **B** | **C** |  |  |
| **A/c No.** | **Final Claim Settled** | **Date of Recovery (From Borrower to MLI)** | **Recovery Amount (Only NCGTC Share/Entire Proceedings)** | **DATE when the last tranche for full recovery payment is received** | **Days Elapsed (From date = Date of Recovery AND To Date = 'C'** | **Eligible Days For Penalty** | **Penalty Calculated** | **Tax on Penalty  (@18% on E)** | **Recovery Proceedings for Cases - Post Final Claim (A+B+C) along with Penalty/Taxes** | **Adjust at The Time of Final Claim  (A+B+C) along with Penalty/Taxes** |
| L1 | Y | 26-Jul-15 | 7,500.00 | 25-Feb-18 | 946 | 916 | 1,882.19 | 338.79 | 9,720.99 | - |
| L2 | - | 26-Jul-15 | 5,000.00 | 25-Feb-18 | 946 | 916 | 1,254.79 | 225.86 | - | 6,480.66 |
| L3 | - | 26-Jul-15 | 20,000.00 | 25-Feb-18 | 946 | 916 | 5,019.18 | 903.45 | - | 25,922.63 |
| L4 | Y | 31-Jul-15 | 18,750.00 | 25-Feb-18 | 941 | 911 | 4,679.79 | 842.36 | 24,272.16 | - |
| L5 | - | 26-Jul-15 | 4,500.00 | 25-Feb-18 | 946 | 916 | 1,129.32 | 203.28 | - | 5,832.59 |
| L6 | - | 31-Jul-15 | 6,000.00 | 25-Feb-18 | 941 | 911 | 1,497.53 | 269.56 | - | 7,767.09 |
| L7 | - | 26-Jul-15 | 6,925.00 | 25-Feb-18 | 946 | 916 | 1,737.89 | 312.82 | - | 8,975.71 |
| L8 | Y | 1-Aug-18 | 11,474.25 | 25-Feb-18 | 940 | 910 | 2,860.70 | 514.93 | 14,849.88 | - |
| L9 | Y | 26-Jul-15 | 17,572.50 | 25-Feb-18 | 946 | 916 | 4,409.98 | 793.80 | 22,776.27 | - |
| L10 | - | 5-Aug-18 | 24,578.00 | 25-Feb-18 | 936 | 906 | 6,100.73 | 1,098.13 | - | 31,776.86 |
|  |  |  | **122,299.75** |  |  |  |  |  | **71,619.29** | **86,755.54** |

**Note:**

1. Amount of INR 86,755.54 /- is adjusted in Final claim settlement.
2. Amount of INR 71,619.29 /- is recovered from MLI
3. In this case since there is penalty, and hence a need for additional recoveries from MLI which is about INR 36,075.09/-

In Yearly manner, system considers:

1. A field – ‘Recovery Cut-off date’ is provided at the scheme level (in the scheme configuration area) and is in the ‘DD-MM’ format (Year is not needed, since system assumes the year of the current system date).
2. Eligible days for penalty (from the date specified in point a above)
3. Penalty calculated [It will be simple interest based on the notified recovery (as P), Eligible days for penalty (as N), Penalty Rate for delayed Recovery (as R). Thus the formula used will be – P\*N\*R/365]

Here P = NCGTC Share. Penalty needs to be charged on NCGTC Share only.

This is explained in the following possible scenarios. For all the below scenarios, following values needs to be considered:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Scenario1:** | **No Penalty Situation** |  |  |  |
| **Information in Recovery File (XML)** | |  |  |  |
| Month when recovery file is uploaded by MLI | | | Apr-19 |  |
| Rate of Penalty | | | 10% |  |
| DATE when the last tranch for full recovery payment is received | | | 25-Apr-19 |  |
| Recovery Cutoff Date as define by NCGTC in schemes | | | 30-Apr-19 | **D1** |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **D3** | **A** | **D2** |  |  | **B** | **C** |  |
| **A/c No.** | **Date of Recovery (Provided by MLI in Claim file)** | **Recovery Amount (Only NCGTC Share/Entire Proceedings)** | **DATE when the last trench for full recovery payment is received** | **Days Elapsed (Difference between Date when last trench for full payment is received and Recovery cutoff date). Here payment is done before Cutoff date so no days calculated** | **Eligible Days For Penalty** | **Penalty Calculated** | **Tax on Penalty  (@18%)** | **Total Recovery(s) passed on to NCGTC after Claims(A+B+C) along with Penalty/Taxes** |
| L1 | 4-Feb-18 | 7,500.00 | 25-Apr-19 | 0 | 0 | - | - | 7,500.00 |
| L2 | 5-Feb-18 | 5,000.00 | 25-Apr-19 | 0 | 0 | - | - | 5,000.00 |
| L3 | 10-Feb-18 | 20,000.00 | 25-Apr-19 | 0 | 0 | - | - | 20,000.00 |
| L4 | 10-Feb-18 | 18,750.00 | 25-Apr-19 | 0 | 0 | - | - | 18,750.00 |
| L5 | 12-Feb-18 | 4,500.00 | 25-Apr-19 | 0 | 0 | - | - | 4,500.00 |
| L6 | 12-Feb-18 | 6,000.00 | 25-Apr-19 | 0 | 0 | - | - | 6,000.00 |
| L7 | 28-Jan-18 | 7,950.50 | 25-Apr-19 | 0 | 0 | - | - | 7,950.50 |
| L8 | 27-Jan-18 | 11,253.75 | 25-Apr-19 | 0 | 0 | - | - | 11,253.75 |
| L9 | 27-Jan-18 | 17,587.50 | 25-Apr-19 | 0 | 0 | - | - | 17,587.50 |
| L10 | 27-Jan-18 | 24,578.00 | 25-Apr-19 | 0 | 0 | - | - | 24,578.00 |
|  |  | **123,119.75** |  |  |  |  |  | **123,119.75** |

**Note:**

1. Amount of INR 123,119.75 /- to be recovered from MLI.
2. In this case since there is no penalty, there is no need for any additional recoveries from MLI
3. In case, if the recovery is Post first claims then that amount will be recovered and later adjusted in Final Claim and if the recovery is Post final claims then that amount will only be recovered from MLI.

|  |  |  |
| --- | --- | --- |
| **Scenario 2: Penalty Situation (File uploaded before cutoff date & Full payment done after cutoff date)** | | |
| **Information in Recovery File (XML)** | |  |
| Month when recovery file is uploaded by MLI | Apr-19 |  |
| Rate of Penalty | 10% |  |
| DATE when the last tranch for full recovery payment is received | 25-Jul-19 |  |
| Recovery Cutoff Date as define by NCGTC in schemes | 30-Apr-19 | **D1** |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **D3** | **A** | **D2** |  |  | **B** | **C** |  |
| **A/c No.** | **Date of Recovery (Provided by MLI in Claim file)** | **Recovery Amount (Only NCGTC Share/Entire Proceedings)** | **DATE when the last trench for full recovery payment is received** | **Days Elapsed (D2-D1)** | **Eligible Days For Penalty** | **Penalty Calculated** | **Tax on Penalty  (@18%)** | **Total Recovery(s) passed on to NCGTC after Claims(A+B+C) along with Penalty/Taxes** |
| L1 | 4-Feb-19 | 7,500.00 | 25-Jul-19 | 86 | 86 | 176.71 | 31.81 | 7,708.52 |
| L2 | 5-Feb-19 | 5,000.00 | 25-Jul-19 | 86 | 86 | 117.81 | 21.21 | 5,139.01 |
| L3 | 10-Feb-19 | 20,000.00 | 25-Jul-19 | 86 | 86 | 471.23 | 84.82 | 20,556.05 |
| L4 | 10-Feb-19 | 18,750.00 | 25-Jul-19 | 86 | 86 | 441.78 | 79.52 | 19,271.30 |
| L5 | 12-Feb-19 | 4,500.00 | 25-Jul-19 | 86 | 86 | 106.03 | 19.08 | 4,625.11 |
| L6 | 12-Feb-19 | 6,000.00 | 25-Jul-19 | 86 | 86 | 141.37 | 25.45 | 6,166.82 |
| L7 | 28-Jan-19 | 6,925.00 | 25-Jul-19 | 86 | 86 | 163.16 | 29.37 | 7,117.53 |
| L8 | 27-Jan-19 | 11,474.25 | 25-Jul-19 | 86 | 86 | 270.35 | 48.66 | 11,793.27 |
| L9 | 27-Jan-19 | 17,572.50 | 25-Jul-19 | 86 | 86 | 414.04 | 74.53 | 18,061.06 |
| L10 | 27-Jan-19 | 24,578.00 | 25-Jul-19 | 86 | 86 | 579.10 | 104.24 | 25,261.34 |
|  |  | **122,299.75** |  |  |  | **2,881.58** | **518.68** | **125,700.02** |

**Note:**

1. Amount of INR 123,119.75 /- to be recovered from MLI.
2. In this case since there is penalty, NCGTC will recover 3400.27 additional penalty amount from MLI
3. In case, if the recovery is Post first claims then that amount will be recovered and later adjusted in Final Claim and if the recovery is Post final claims then that amount will only be recovered from MLI.

|  |  |  |
| --- | --- | --- |
| **Scenario 3: Penalty Situation (File uploaded & Full payment done after cutoff date)** | | |
| **Information in Recovery File (XML)** | |  |
| Month when recovery file is uploaded by MLI | Jun-19 |  |
| Rate of Penalty | 10% |  |
| DATE when the last tranch for full recovery payment is received | 25-Oct-19 |  |
| Recovery Cutoff Date as define by NCGTC in schemes | 30-Apr-19 | **D1** |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **D3** | **A** | **D2** |  |  | **B** | **C** |  |
| **A/c No.** | **Date of Recovery (Provided by MLI in Claim file)** | **Recovery Amount (Only NCGTC Share/Entire Proceedings)** | **DATE when the last trench for full recovery payment is received** | **Days Elapsed ( D2-D1 )** | **Eligible Days For Penalty** | **Penalty Calculated** | **Tax on Penalty  (@18%)** | **Total Recovery(s) passed on to NCGTC after Claims(A+B+C) along with Penalty/Taxes** |
| L1 | 4-Feb-19 | 7,500.00 | 25-Oct-19 | 178 | 178 | 365.75 | 65.84 | 7,931.59 |
| L2 | 5-Feb-19 | 5,000.00 | 25-Oct-19 | 178 | 178 | 243.84 | 43.89 | 5,287.73 |
| L3 | 10-Feb-19 | 20,000.00 | 25-Oct-19 | 178 | 178 | 975.34 | 175.56 | 21,150.90 |
| L4 | 10-Feb-19 | 18,750.00 | 25-Oct-19 | 178 | 178 | 914.38 | 164.59 | 19,828.97 |
| L5 | 12-Feb-19 | 4,500.00 | 25-Oct-19 | 178 | 178 | 219.45 | 39.50 | 4,758.95 |
| L6 | 12-Feb-19 | 6,000.00 | 25-Oct-19 | 178 | 178 | 292.60 | 52.67 | 6,345.27 |
| L7 | 28-Jan-19 | 6,925.00 | 25-Oct-19 | 178 | 178 | 337.71 | 60.79 | 7,323.50 |
| L8 | 27-Jan-19 | 11,474.25 | 25-Oct-19 | 178 | 178 | 559.57 | 100.72 | 12,134.54 |
| L9 | 27-Jan-19 | 17,572.50 | 25-Oct-19 | 178 | 178 | 856.96 | 154.25 | 18,583.71 |
| L10 | 27-Jan-18 | 24,578.00 | 25-Oct-19 | 178 | 178 | 1,198.60 | 215.75 | 25,992.35 |
|  |  | **122,299.75** |  |  |  | **5,964.21** | **1,073.56** | **129,337.51** |

**Note:**

1. Amount of INR 123,119.75 /- to be recovered from MLI.
2. In this case since there is penalty, NCGTC will recover 7037.76 additional penalty amount from MLI.
3. In case, if the recovery is Post first claims then that amount will be recovered and later adjusted in Final Claim and if the recovery is Post final claims then that amount will only be recovered from MLI.

### **Payment from MLI for System Generated Recoveries**

MLI will need to make the payment of the recoveries against the system generated recovery.

Note that MLI will need to make the payment of the recoveries using RTGS/NEFT facility and provide the UTR/reference number in SURGE.

Refer the BRD – Payment Mechanism for further reference.

## **Full & Final Claim Settlement**

MLI’s can proceed for full and final claim settlement, only for those CG’s whose claims has been invoked. There may or may not be any recoveries in the interim for the respective CG whose claim is being settled in Full. This section elaborates the requirements and broad level flows for this envisaged process.

### **Input File Layout**

For notifying the recoveries and providing payments, refer the spread sheet – Education Scheme - Claim and Recovery Input Layout - Education - Final Claim, for the fields included, Mandatory/optional level, allowed characters and usage of codes wherever applicable.

### **Input File Format Processed by SURGE**

SURGE will accept input file from MLI(s) in following format only:

* XML layout

XML is only format permissible as per eGov standards. SURGE will **NOT** process files received in any other formats than those listed above.

Refer the XML format in the file - Education Scheme - Sample XML Layout for Claim Request.xml for the layout of the XML input file.

### **Preparation of Input File**

To invoke a final claim on the CG MLI needs to provide (upload) the Claim Requisition input file for Education Scheme and approve it (along with acceptance to the terms & conditions of Management certificate). It is to be noted that MLI can provide this requisition for a single CG or group of CG’s in this input file.

### **Request for Final Claim**

MLI’s would have exhausted all the recovery procedures and will like to proceed to acquire full and final claim settlement from NCGTC. They also would have consumed the first interim claim amount.

As a part of this scheme and claim requisition process, MLI’s are advised to send the requisite information of their loan accounts (for whom the guarantees has been provided) to NCGTC in following steps:

1. MLI needs to extract the loan information for all such loan accounts which have turned NPA’s and are eligible for claims AND also whose first claim has been initiated and settled by NCGTC.
2. Note that the data needs to be send to SURGE only for those loan accounts which qualifies for claims as per scheme notification and point no. 1 above.
3. MLI needs to send the information in a file, called as ‘Education Scheme Final Claim Requisition Input Layout’. Information to be extracted in the layout mentioned in the section 1.4.1 and in the format mentioned in section 1.4.2
4. Upload this file on the NCGTC system in *‘Non Approved’* state by MLI user account. The file needs to be uploaded against a specific ‘Scheme’.
5. Till the specified period (communicated by NCGTC) MLI is permitted to upload and/or re-upload the input file multiple times. Thus, allowing MLI’s to append, edit and delete the information for claim of the issued CG’s multiple times and in *‘Non Approved’* state.
6. Final submission of the ‘Approved’ input file will be effective once MLI accepts to the ‘Management certificate - Terms & Conditions’. Post the approved state – the input file is sent for approval by NCGTC user.
7. After final verification of the input file by MLI approver user account (created by their own MLI Administrator), and NCGTC user the state of the input file is changed as *‘Approved’* state.
8. Approved state of input file also means that the claims has been considered in SURGE.

### **Summary - Preparing & Uploading the Input File**

Note: MLI’s are expected to perform these steps in stipulated time communicated by NCGTC to MLI’s.

The input file content uploaded by MLI in XML format will be extracted to a staging area database. While extracting these records, SURGE extractors will append the records with Date-Time stamp in order for effective traceability of input records.

### **Eligibility Criteria Checks**

Following checks are performed on each MLI Loan Accounts to ascertain their eligibility for invoking claims. Approved Input file will be processed for each record and the record will be *REJECTED if*:

1. The ‘MLI’ AND ‘Loan Account Number’ specified DOES NOT EXISTs in SURGE System Database. *(If MLI Loan Account does not exists in the system with a match for unique guarantee number (CGPAN), than – this loan account will be rejected by SURGE).*
2. Records in same input file presented by MLI has repeated/same account number. (In such case, the first record will be considered valid and remaining records having duplicate (or repeated) account number will be rejected).
3. The credit guarantee exists in system AND has CG Current Status OTHER THAN 30019 AND DOES NO HAVE First Claim Settled Record in Approved state in the claims table.
4. The loan a/c should NOT have ‘Final Claim’ Status (in process or settled state).
5. Pending payment of Recoveries (this condition is being checked at MLI level).

### **Marking the CG as Claimed**

Once the above eligibility checks are complete and NCGTC users approved the claim requisition file, system makes an entry with relevant details is created in separate Claim tables. Refer section 1.4.5.1 below for more details.

Note: No entry is persisted in CG Table

### **Making entry in Claims Table**

After making an entry in CG table (if required), system will make an entry in claims table for:

* Claim Type
* Loan Account No.

The above details are stored with respect to Batch Identification of the claims file.

### **Flow for Processing Claims**

Once the claim requisition file has been received and approved by NCGTC user, the claims will get calculated as specified in section 1.4.7.

The remaining process of claim handling is same as specified in Section 1.2.6.

### **Claim Calculations – Final Claim**

To understand the claim calculations, refer to the scenarios mentioned here.

Claim Calculation specified here is for each CG:

|  |  |  |
| --- | --- | --- |
| **Final Cl**  **aim** | | |
|  | During Claim Lodgement |  |
| **AA** | Total Dues(Principal Outstanding & Interest Outstanding) as on date of NPA (Provided by MLI in claim input file) | 80,000.00 |
| **BB** | Total Dues(Principal Outstanding & Interest Outstanding) as on date of Claim (Provided by MLI in claim input file) | 75,000.00 |
|  |  |  |
| **CC** | Cover Calculation to Settle the Claim: system needs to calculate the cover based on AA & BB whichever is lower. Thus, cover is calculated on B1  (AA > BB by 5000/- which means 5000 is recoveries) | 75% \* 75,000 = 56250.00/- |
| **DD** | Total Recoveries (Post First Claim lodgement & Approval) | 16,900/- |
| **EE** | Total Penalties | 1500/- |
| **FF** | Tax on Penalty | 270/- |
|  |  |  |
| **ID#** | **Description** | **Value** |
| **A1** | Loan Account No. | ACCT1 |
| **B1** | Total Loss (AID) as on first claim (BB (whichever is lower of AA or BB) – DD) | 58,100.00 |
| **B2** | 75% of AID (B2) | 43,575.00 |
| **B3** | Eligible Claim -  Considered for Claim Settlement  (B2) | 43,575.00 |
| **B4** | First Claim (settled already) | 42,187.50 |
| **B5** | Eligible Final Claim (B3-B4) | 1,387.50 |
|  |  |  |
|  | **Final Claim Settled** | **1,387.50** |

*Note: if the Eligible Final claim works out as less than zeroes, then, it is considered and settled as zeroes.*

**Important Note:**

1. System will calculate claims – after the claim file is processed (i.e. approved by NCGTC user)
2. Once the claim has been calculated, the same will be available for ‘View’ to NCGTC and MLI users

## **Points Pending for Further Clarification**

Following points will need clarification from NCGTC:

|  |  |  |
| --- | --- | --- |
| S. No. | Point for Further Clarification | Contemplations |
| - | - | - |

On receipt of further clarification from NCGTC team, the current document will undergo revision.

Prepared by Mastek Ltd. For National Credit Guarantee Trustee Company Ltd.

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1. Post Claim Recoveries will be available after claim final settlement also. Thus No Rejection for such situation. [↑](#footnote-ref-1)