

To: All Offices and Branches

MASTER CIRCULAR
UNION CASH

HIGHLIGHTS

- Revamped Union Cash product for the amalgamated entity.
- Effective from 01.04.2020.

In compliance with the process of amalgamation, retail products of the 3 Banks [Union Bank of India (Anchor Bank) Andhra Bank & Corporation Bank] need to be harmonized / realigned with the existing retail products of all the 3 Banks and best practices followed in the industry.

In line with the same, Functional Committee on the retail asset portfolio was formed consisting of members from all three banks and "Harmonized Union Cash Product" for amalgamated entity was finalized by adopting "Best of Three" approach and approved by CRMC held on 15.01.2020

To make available all instructions/features/guidelines regarding harmonised product at one place, we have compiled a Master Circular. **This Master Circular supersedes all earlier circulars.**

All Offices/Branches are requested to take a careful note of the above, and be guided accordingly.

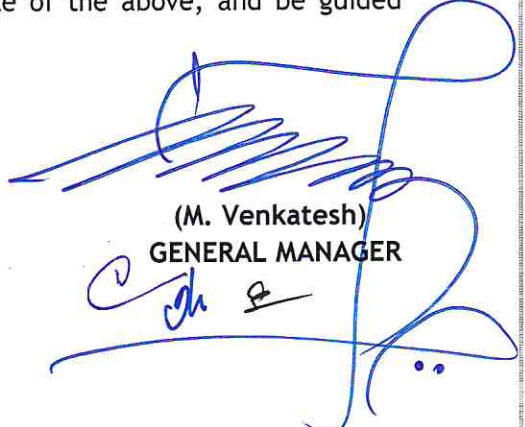

(M. Venkatesh)
GENERAL MANAGER

Table of Content

1. PURPOSE	2
2. NATURE OF FACILITY	2
3. ELIGIBLE INDIVIDUALS AND PERMITTED APPLICANTS/CO-APPLICANTS	2
4. AGE NORMS	2
5. QUANTUM OF LOAN	2
6. NET TAKE HOME PAY (SUSTENANCE)	3
7. MARGIN	3
8. RATE OF INTEREST (ROI)	3
9. FEE / CHARGES	3
10. MORATORIUM	4
11. REPAYMENT	4
12. SECURITY	4
13. GUARANTEE	4
14. UNDERTAKING FROM THE BORROWER	4
15. CREDIT REPORTS	5
16. SANCTION PROCESS	5
17. POST SANCTION / FOLLOW-UP / MONITORING	6
18. DISBURSEMENT	6
19. LIST OF DOCUMENTS	6
20. SECURITY DOCUMENTS	7
21. INSURANCE	7
22. ADDITIONAL CASH LOAN	7
23. STAFF RELATED ACCOUNTS	7
24. DELEGATED POWERS FOR SANCTIONING LOANS	7
25. DEVIATIONS	8
26. REVIEW OF LOANS	9
27. FINACLE CODES FOR THE SCHEME	9



1. Purpose

- 1.1. The facility to be sanctioned to meet personal expenses including medical treatment, travel or any unforeseen expenses of the pensioners/ family pensioners.
- 1.2. Note:
 - 1.2.1. The facility **should not be sanctioned** for acquiring / development of Real Estate and also for carrying out Real Estate Business / Activity.
 - 1.2.2. Loans **not to be given** for speculative purposes / payment of IT Arrears etc.

2. Nature of facility

- 2.1. The facility can be sanctioned as term loan (TL).

3. Eligible individuals and permitted applicants/co-applicants

- 3.1. The following categories of pensioners/family pensioner, who draw pension/family pension from our bank on account of superannuation/retirement/voluntary retirement/ ordinary family pension:
 - 3.1.1. Central / State Government
 - 3.1.2. Central / State Government undertakings
 - 3.1.3. Banks
 - 3.1.4. Reputed domestic / private companies
 - 3.1.5. Educational Institutions (Universities, Institutes, schools, colleges)
 - 3.1.6. High Court & Supreme Court
 - 3.1.7. All the categories of defense pensioners

- 3.2. As per extant guidelines no co-applicant for loan under this scheme.

4. Age Norms

- 4.1. Maximum entry age of 75 years for pensioners
- 4.2. Maximum entry age of 70 years for family pensioners

5. Quantum of Loan

- 5.1. The eligible quantum of loan will be 12 times monthly net pension (Net means Gross less tax), subject to maximum quantum and sustenance.
- 5.2. Maximum quantum of loan

	Age at the time of loan	Maximum quantum of loan
<i>Pensioner</i>	Up to 70 years	₹ 10.00 lakh
	Above 70 years	₹ 5.00 lakh
<i>Family pensioner</i>	Any age group	₹ 3.00 lakh

6. Net take home pay (sustenance)

- 6.1. While calculating the eligible loan amount, an amount is to be set aside for the purpose of regular sustenance of the pensioner and his/her family.
- 6.2. It is to be arrived at as under:

$$\text{Amount for sustenance} = \text{Sustenance Percentage} \times \text{Pension Net of Taxes}$$

Where, pension Net of Taxes = (Gross Pension - Taxes Paid) and

- 6.3. Sustenance Percentage for Union Cash scheme is 50% of net pension.

7. Margin

- 7.1. There is no margin requirement in case of Union Cash scheme.

8. Rate of Interest (ROI)

- 8.1. The rate of interest to be charged would be as per the extant guidelines issued from time to time.
- 8.2. As on date, the rate of interest is 12.90% (Fixed)
- 8.3. ROI is charged on a daily reducing balance method

9. Fee / Charges

- 9.1. The fee/charges are as under:

Processing charges	One time upfront fee of 0.10% of the loan amount, subject to minimum of ₹ 100.
Review charges	No charges to be levied during annual review of the term loan.
Overdue charges	In case of default or delayed payment, a penal interest at the rate of 2% on the installment/s that are delayed to be applied.
Prepayment / Take over penalty	No prepayment /takeover penalty.
Deviation charges	One time charges of 0.10% of loan amount (per deviation) subject to minimum of ₹ 500 (per deviation) and maximum of ₹ 5000 to be charged in case of applications which involve approval of one or more deviations from scheme norms.
Stamp duty	As per state stamp act.

- 9.2. All field functionaries are advised to ensure that while conveying the terms and conditions of sanction, the borrower should be explained in details about the above expenses so that the borrowers are not put to inconvenience at a later date.

10. Moratorium

- 10.1. No moratorium period is allowed under the scheme. The repayment of the loan should commence from the succeeding month of the first disbursement of loan.

11. Repayment

- 11.1. The maximum repayment tenure is as under -

Age at the time of application	Maximum repayment tenure
Up to 70 years	5 years
Above 70 years	3 years

- 11.2. Loan to be repaid by way of Equated Monthly installments (EMIs).

12. Security

- 12.1. No other security is required, other than guarantee and undertaking as stated below.

13. Guarantee

- 13.1. Personal guarantee of spouse or the nominee for family pension under the pension scheme.
- 13.2. In case of the pensioner is a bachelor/spinster/widower/widow or in case of family pensioner, personal guarantee of other earning family member (preferably son/ daughter) or third party acceptable to the bank, having means equivalent to the loan amount, to be taken.

14. Undertaking from the borrower

- 14.1. The borrower should give an irrevocable undertaking:
- 14.1.1. Not to utilize the funds for speculative purposes.
- 14.1.2. Not to shift his/her pension account during the currency of the loan.
- 14.1.3. Authorizing the Bank to deduct EMI from his/her pension account (where pension is credited every month).
- 14.1.4. That in case he/she wishes to shift the pension account to any other bank, the loan availed with our bank to be adjusted in full prior to the transfer.

15. Credit reports

- 15.1. The credit history reports from credit rating companies such as CIBIL/ Equifax/ Experian should be taken for the applicant, co-applicant(s) & guarantor(s) and should form the part of due diligence / appraisal.
- 15.2. In case of any adverse credit history, the sanctioning authority to decide the loan on case-to-case basis depending on its merits.

16. Sanction Process

The following is a broad outline of the sanction / appraisal process

- 16.1. The customer can apply for the loan at the branch where the applicant is maintaining his/her pension account.
- 16.2. The customer must be explained about the various features, terms, charges and applicable interest rates under the Union Cash scheme and the branch is to then collect the documents from the customer, as per the checklist.
- 16.3. All the copies of the basic documents collected from the customer should be verified with the original copies and an endorsement there-to should be recorded on the photo / xerox copies by the branch officials. Marketing Officer/Branch Manager/Branch Credit Officer (whoever collects the documents) should certify the same with his/her name and signature.
- 16.4. Once the customer submits the application along with all documents, the information furnished should be verified orally by way of a discussion so as to be satisfied about the repayment capacity as well as intention.
- 16.5. Upon receipt of the application, acknowledgement should be issued. The acknowledgement will contain contact details of the bank official, who could be contacted for the loan status.
- 16.6. After obtaining any pending documents, branch should scrutinize the same.
- 16.7. All the loan applications will necessarily have to be processed through Lending Automation Solution (LAPS).
- 16.8. Simultaneously branch to conduct due-diligence of the customer.
- 16.9. Contact Point Verification (CPV) wherever it is empanelled to be completed for applicant, co-applicant(s) and guarantor(s) through approved agencies
- 16.10. The branch should also obtain a credit history report for the applicants from a credit bureau of which our bank is a member.
- 16.11. Finally on approval of the proposal branch may issue a final sanction letter. The same shall be valid for a time of 6 months from the date of final sanction.
- 16.12. For an application which is received complete in all respect, the final sanction/ rejection must be conveyed within 7 working days (i.e. turn-around-time of 7 days) along with supporting documents.
- 16.13. The branch may obtain Aadhar Number, wherever available, and note the same in the bank's records.

17. Post sanction / Follow-up / Monitoring

- 17.1. Loans not to be disbursed before execution of documents.
- 17.2. Branches/Offices are advised to maintain the quality of advance by diligently conducting pre/post sanction inspections.
- 17.3. Debit Balance confirmation (DBC) should be obtained periodically / regularly, as per extant guidelines.
- 17.4. Monitoring of the accounts at regular intervals ensures timely recovery of loan installments. Besides this, accounts showing signs of EAS/SMA to be identified and corrective steps should be taken by the branches in order to avoid their slippage into NPA category.

18. Disbursement

- 18.1. Having operative account with Bank is mandatory for availing retail loan. Retail loan account can be opened only when the operative account number is linked with the loan account. Operative account will be used to debit all the charges and recovery thereon. Customer will be required to prefund operative account to the tune of valuation charges, legal charges, processing fees, CERSAI charges, vetting charges and Insurance etc. System will not allow the user to debit the loan account towards any of the charges.
- 18.2. Interest application of the retail loan accounts will be done on monthly basis. For example if a loan account is opened on 5th of April then the interest application will be done on 4th of May (both days inclusive) and will be debited in the loan account. Accordingly, first EMI of the loan will also become due on 4th May and customer is expected to pay EMIs on 4th of every month. Branch is accordingly required to plan NACH/SI/Auto recovery.
- 18.3. For the accounting purpose, interest booking will also be done on every month end. In the above example, the system will calculate the interest on 30th April debit the suspense account with the amount for the credit of income account. This entry will be reversed on next working day by the system. This is for the informative purpose only and branches have nothing to do with the interest booking exercise.
- 18.4. Branches are required to open all the retail loan accounts with auto collection mode only. Collection by way of cash/cheque for the recovery of monthly EMI is not permitted.
- 18.5. As per the request of the borrower, loan proceeds may be directly credited to the pension account (maintained with us) where pension is credited every month.

19. List of documents

- 19.1. Application form duly filled by the customer
- 19.2. Credit information form duly filled by the customer
- 19.3. KYC documents of applicant / co-applicant / guarantor
 - 19.3.1. Identity proof (Pan card / Voters ID / Passport etc)
 - 19.3.2. Residence proof (Driving license / Passport / Electricity Bill etc)

- 19.3.3. Latest passport size photographs each
- 19.3.4. PAN card
- 19.3.5. ITR or Income proof (pension payment / PPO etc)
- 19.4. Last 12 months bank statement.
- 19.5. Kindly note that this is only an indicative list and any other document may be obtained as per the requirement of the specific case.

20. Security documents

- 20.1. AD-02A
- 20.2. General Term Loan agreement - SD-18
- 20.3. Demand Promissory (D.P.) note: SD-21
- 20.4. Letter of guarantee: SD-01
- 20.5. CIBIL declaration
- 20.6. Any other document as per the sanction advice.

21. Insurance

- 21.1. Insurance is not mandatory under the scheme. However, the applicant(s) can be persuaded to seek cover under SUD Life's insurance plan, to the extent of loan amount sanctioned, to provide for any unforeseen situation.

22. Additional Cash loan

- 22.1. Only one loan to be subsisting at a given point of time. Hence, once a cash loan is given, another loan can be given after adjustment of previous loan.

23. Staff related accounts

- 23.1. All provisions of this scheme are applicable for loans to the Bank's retired staff & their relatives and they be treated at par with public.

24. Delegated Powers for Sanctioning Loans

24.1. CIBIL Score Based Delegation:

Bank has implemented different delegation for sanctioning of retail loan based on the CIBIL score of the applicant/Co-applicant/Guarantor as under:

CIBIL Score	Delegation
-1	Branch with enhanced due diligence
700 and above	Branch
600 to 699	RLCC Headed by Regional Head irrespective of amount
below 600	ZLCC irrespective of amount

Note: Any further modification in the CIBIL based delegation as well as mapping of eligible CIBIL score with the other CICs will be informed in due course, in case there is change in the subscription to CICs.

24.2. Amount based Delegation:

The delegated powers for sanctioning loans by **Branch Heads/USK Heads** in their individual capacity are as under:

(Rs. in crore)

Scale	VI	V	IV	III	II	I
Union Cash	0.03	0.03	0.03	0.02	0.01	0.005

The delegated powers for sanctioning loans by various **Credit Committees**:

(Rs. in Crore)

Committee SCALE	CAC-I/ CAC-II	CAC III	ZLCC headed by FGM	RLCC-I		RLCC-II	
				Headed by DGM	Headed by AGM	Headed by AGM	Headed by CM
Union Cash	No ceiling	0.03	0.03	0.03	0.03	0.03	0.03

The delegated powers of **ULP Heads** under ULP Set-up

(Rs. in Crore)

Committee	ULP Head		
SCALE	V	IV	III
Union Cash	0.03	0.03	0.02

Note: Loan above Rs.3 lacs will falls under the delegation of CAC-I/II till the time delegation for the increased quantum during harmonization process is approved.

25. Deviations

Deviation	Approving Authority
Concession in processing charges	- RLCC (headed by Regional Head) may consider waiver of up to 50% in the processing charges - ZLCC may consider waiver of up to 100% in the processing charges
Deviation in sustenance	RLCC (headed by Regional Head)
Concessions in ROI	CAC-II/I
Quantum of loan beyond the maximum permissible under the scheme	CAC-II/I
All other deviations to scheme norms	ZLCC

Note:

- ✓ In case a proposal with deviation, the delegated authority to sanction the proposal will vest with the highest of the authorities who is empowered to either approve the deviation or sanction the proposal (Except for ROI concessions).
- ✓ Delegated authority will consider and approve the deviations on a case-to-case basis for the deserving cases only.
- ✓ It must be ensured that there is no deviation to the basic intent of the scheme and that there is no violation of norms set by RBI/IBA/Gol/Statutes.

26. Review of loans

26.1. All loans are subject to review every year.

27. Finacle Codes for the Scheme

Parameter	Parameter
Scheme Code	CLPEN
BSR Code	95019

9