

Indian Overseas Bank
Central Office
763 Anna Salai
Chennai - 600 002

Ref. No : MASTER- ADV / 65/2014-15
Date : 25.03.2015
Issuing Dept : Retail Banking and
Marketing Department

Sub: Pensioners Loan Scheme – Master Circular

1. Preamble:-

Attention of the branches/ Regional Offices is invited to various circulars issued on Pensioners' Loan Scheme wherein we grant loans to all Pensioners (excluding Malaysian Government Pensioners) receiving Pension through our Bank Branches. In order to make the Scheme more viable and more secured we have made certain modifications in the loan scheme.

2. Operational Instructions:

Branches should note the modifications in the new categorisation introduced, quantum of loan, age, security / documentations, Interest Rates and Processing fees, etc, and sanction loan to eligible borrowers strictly as per the revised terms and conditions. These modifications are coming in to force with immediate effect.

The details of the Scheme with modified features are given in the Enclosure. This circular supersedes all the earlier circulars issued under the scheme.

3. Conclusion:

Branches and Regional offices are requested to take note of the modified features of the Scheme while entertaining loan applications received from the customers. Branches are also advised to take all out efforts to ensure prompt recovery of the loan and to maintain NIL NPA under the Scheme.


INDIRA PADMINI
GENERAL MANAGER



Pensioners Loan Scheme – Features

1. Purpose of Loan

The loan can be granted for meeting any household / social expenses such as expenses incurred on marriages, festivals, or meeting other social obligations. The end use need not be verified. Loan can be granted only on the basis of a declaration by the applicant in the application (**Annexure I**).

Branches should not permit for premature closure of existing loan to avail fresh loans by adjustments.

2. Eligibility

All pensioners excluding Malaysian Government pensioners receiving pension through our bank branch.

However we introduce categorisation of the pensioners as given below:

- A. All Central Government, State Government, Defence, Railways and TNEB Pensioners, Retired IOB employees, etc., **whose original Pension Payment Order (PPO) remains in the custody of the Bank** and are maintained by us directly as original pensioners.
- B. **All Pilot Pensioners**, such as State Government pensioners, Pensioners of Municipal Corporations, Ex-gratia pensioners etc., whose pensions are disbursed by Government Treasuries by means of cheques drawn in favour of our branches, as per mandate of the pensioner. In such cases, the original Pension Payment Order (PPO) remains in the custody of the Treasury and the pensioner gives a mandate to the Treasury for payment of pension through a particular branch of a bank.
- C. **Family Pensioners** of all the categories

Note: Staff members of our Bank, in service, who are also pensioners under any of the above category, are not eligible for loan under Pensioners' Loan Scheme.

3. Eligibility Age

There is no maximum age limit prescribed under the Scheme.



4. Quantum of Loan

Hitherto the maximum loan under the scheme is restricted to 10 times the monthly pension or Rs.2.00 lakhs/- for those who are less than 65 years and 10 times monthly pension or Rs. 1.00 lakh for those who are above 65 years, whichever less under each category, subject to compliance of 50% norms.

Revised features:

Now the Quantum of Loan under the Scheme shall be considered for different categories (explained under Point no. 2) as given below:

Category A:

- i) **Up to 70 Yrs – 15 times** of monthly pension or **Rs. 5 lacs** whichever less
- ii) **70 yrs & above – 15 times** of monthly pension or **Rs. 3 lacs** whichever less

Please note that while granting loans to IOB Staff Pensioners under “**Festival Loan (interest bearing) for IOB-pensioners**” scheme, the overall liability of the IOB staff Pensioner (outstanding under Pension Loan and Festival Loan granted) should not exceed **Rs.5.00 lacs** for those not over 70 years of age and **Rs.3.00 lacs** for those who are over 70 years of age.

Category B

- i) **Up to 70 Yrs – 10 times** of monthly pension or **Rs. 5 lacs** whichever less
- ii) **70 yrs & above – 10 times** of monthly pension or **Rs. 3 lacs** whichever less

Category C

- i) **Up to 70 Yrs – 10 times** of monthly pension or **Rs. 3 lacs** whichever less
- ii) **70 yrs & above – 10 times** of monthly pension or **Rs. 2 lacs** whichever less

All the above are subject to compliance of 50% norms.

5. Repayment Period

At present the loans availed under the Scheme are repayable out of Pension amount In 60 months for those not over 65 years and In 36 months for those above 65 years

But now it is revised that loans under the scheme are Repayable out of Pension amount **in 60 months for those who are not over 70 years and In 36 months for those above 70 years.**



6. Interest Rate

At present the interest rate on the loans remains at 14.25% (BR + 4.00%) with 1% concession to Ex IOBians.

Now the Rate of Interest has been revised and reduced as @ BR + 2.75% (which is 13% at present) on all loans under the Scheme uniformly with 1% concession to IOB Pensioners.

The same interest rate will be applicable for loans granted under IOB Staff Pensioners' Festival Advance Scheme also.

7. Security

Hitherto there was no Security insisted for the loan.

But now we introduce the following securities are to be obtained from all borrowers including IOB Staff Pensioners:

- a. For Pensioners Up to 70 years:

Guarantee from Spouse or any one of Legal Heirs OR from Third Party in Form 111 & F 378.

- b. For Pensioners above 70 years and for Family Pensioners:

Guarantee from Spouse or any one of the Legal Heirs AND from a Third Party in Form 111 & F 378

In addition to the above, in the case of pensioners under Pilot Pension Scheme of State Government, as a matter of additional precaution, the following steps are to be taken:

- a. Branch should send a letter to the pension paying officer soon after granting the loan informing him that a loan has been granted to the pensioner against the security of the pension and that any request from the pensioner for change of pension account should not be entertained without reference to the Bank.

- b. Obtain an undertaking letter from the pilot pensioner as per format in **Annexure II**.

8. Documentation

Apart from the regular documents the following documents also should be obtained:

- i. Self declaration cum Undertaking letter (As per Annexure I)
- ii. Guarantee in Form 111 along with F 378
- iii. Irrevocable Undertaking letter from Pilot Pensioners (As per Annexure II)



9. Processing Fees

At present there is no Processing Fees for the loans under the Scheme. **However in view of the cost involved in documentation and other charges, we introduce a uniform Processing charges @ 0.75% for all loans amounting more than Rs. 10000/-.**

10. There is no margin under this scheme.

11. Discretionary powers will be as advised by CSSD from time to time.



LETTER OF AUTHORITY

From

..... Place:

..... Date:

.....

To

The Manager

Indian Overseas Bank

.....Branch

Dear Sir,

Sub: Loan under Pensioners' Loan Scheme

Please grant me a loan of Rs.....(Rupees.....
.....) for the purpose of

I give my irrevocable authorisation to recover the above loan amount of Rs.....
(Rupees.....) together with interest in
.....number of equal monthly instalments commencing from the month of
.....from my SB/CA/CC account no.....with you in which my pension is
credited. This may be treated as a standing instruction in my SB/CA/CC account.

Yours faithfully,

(Signature of pensioner/borrower)



LETTER OF UNDERTAKING

From

..... Place:

..... Date:

.....

To

The Manager
Indian Overseas Bank
.....Branch

Dear Sir,

Sub: Loan under Pensioners' Loan Scheme

I refer to the loan of Rs. (Rupees.....) for the purpose of granted to me at my request, which I have undertaken to repay out of the pension amount credited to me every month.

In this connection, I undertake not to shift my SB/CA/CC account into which the pension amount is credited every month to any other bank/branch without your knowledge and consent till the above-referred loan is fully repaid with interest.

This undertaking letter is irrevocable and I am fully aware that any contravention will amount to a breach of trust and the bank has a right to proceed against me legally.

Yours faithfully,

(Signature of pensioner/borrower)

