

<p>कार्पोरेशन बैंक (सार्वजनिक क्षेत्र का अग्रणी बैंक) प्रधान कार्यालय, डा पे सं. 88 मंगलूर - 575 001</p>	 e-CIRCULAR	<p>Corporation Bank (A Premier Public Sector Bank) Head Office, PB No.88, Mangalore – 575 001</p>
Retail Lending Division Email : horls@corpbank.co.in		
HO Circular No. 681/2013	Index No. 52.00/64/2013	19-November-2013

TO ALL THE BRANCHES / OFFICES

**Subject : EXISTING COBAR & BASE RATE LINKED HOUSING LOANS UPTO
LIMIT OF RS. 25 LAKHS - MIGRATION TO PREVAILING BASE RATE
LINKED SLAB RATE UNDER FLOATING RATE**

HIGHLIGHTS

The existing COBAR/Base Rate linked Housing Loans upto sanctioned limit of Rs.25 lakhs can be migrated to prevailing Base Rate linked Slab Rates by payment of one time conversion charges at 1%+taxes, under floating rate option only.

- 1.0 Please refer to HO.Circular 318/2013 [Index No.52.00/29/2013] dt.13.06.2013 regarding introduction of migration facility to the existing teaser rate housing loans under 'CHOMD' & 'CHSMT' schemes to the Base Rate linked slab rate of interest mentioned therein.
- 2.0 In view of the fact that the prevailing interest rates offered by the Bank and also by other leading banks for housing loans are much lower than the rate of interest being charged to the existing COBAR linked and Base Rate linked housing loans, these loans are highly vulnerable for takeover.
- 3.0 In this connection, a number of representations are being received from the branches/borrowers requesting for reduction in rate of interest by permitting them to switch over to prevailing Base Rate linked interest rates.
- 4.0 In view of the facts mentioned above, the Competent Authority has now approved the Scheme for giving option/consent to the existing housing loan borrowers for migrating to prevailing Base Rate linked slab rate of interest under floating rate option and applicable only to the following category of loans:

The existing COBAR & Base Rate linked Housing Loans upto sanctioned limit of Rs.25 lakhs.

- 4.1 However, the existing teaser rate housing loans under 'CHOMD' & CHSMT' schemes shall be migrated to the interest rate prescribed in HO.Circular 318/2013 subject to terms and conditions mentioned therein and modified as per HO.Circular 606/2013 dt. 07.10.2013.
- 5.0 The said facility shall be extended subject to the following terms and conditions:
- 5.1 To be eligible for migration facility, the eligible borrowers shall give their option/consent as per the format given in Annexure-I
- 5.2 The facility is available for the existing housing loans with sanctioned limit upto Rs. 25 lakhs per loan, availed under COBAR & Base Rate regime.
- 5.3 The borrower shall pay one time migration charges at 1% + applicable service taxes on the balance outstanding as on the date of migration.
- 5.4 Migration charges shall be on collection basis only. That means, there is no provision to debit the charges to loan account without being actually recovered.
- 5.5 That the conduct of the loan account shall be regular during the preceding 12 months as on date of migration.
- 5.6 There shall not be any overdues in the account on the date of migration.
- 5.7 There shall not be any documentation irregularities & any persisting inspection irregularities pending rectification.
- 5.8 Interest concession [individual or group concessions], if any, extended earlier will be discontinued from the date of migration.
- 5.9 No further interest concession will be extended after migration.
- 5.10 Before permitting the migration, the Branches shall ensure that the correct rate of interest applicable from time to time has been charged to the loan account and seepage of income, if any, on account of not charging correct interest rate has been already recovered.
- 5.11 Applicable interest rate shall be the Base Rate linked slab rate, prevailing as on the date of migration, based on original repayment tenor & original loan limit sanctioned.

The Base Rate linked slab rate of interest prevailing as on date for loan limit of Rs.25 lakhs is as under:

CORP HOME & CORP HOME- PREMIUM NRI SCHEME	FLOATING RATE
For all Tenors [Max. 30 years]	BR = [10.25%]

- 5.12 After migration, the rate of interest will be linked to the Base Rate and subject to revision from time to time based on revision in the Base Rate.

Accordingly, the Bank reserves the right to revise the load factor also as this facility is available under floating rate option only. [i.e certain % over & above the Base Rate being quoted as BR+.....%]

This fact shall be clearly apprised to the borrowers before option for the conversion is accepted.

- 5.13 Our staff members including retired employees also will be eligible for migration facility subject to compliance of all terms and conditions.

- 5.14 However, in case of housing loans with sanctioned limit upto Rs.25 lakhs, where our staff including retired staff member is the main applicant/borrower, conversion charges of 1% + tax is waived/not applicable.

- 5.15 Our staff members including retired employees will be eligible for 0.50% interest concession even after migration to the Base Rate , subject to the terms and conditions as communicated vide HO. Circular 79/2013 dt. 08.02.2013, even though the resultant rate goes below the Base Rate.

6.0 Operational guidelines:

- 6.1 Invariably obtain consent letter from the eligible borrowers including guarantor, if any, as per the Annexure -I

- 6.2 Ensure that the housing loan is eligible for conversion facility.

- 6.3 Ensure that the applicable rate of interest from the date of initial disbursement till the date of conversion has been charged to the loan account. Please refer to HO.Circular 209/2013 dt. 01.04.2013 for interest rate history of housing loans under COBAR & Base Rate regime.

- 6.4 Ensure that no seepage of income is pending for recovery. If seepage is noticed subsequently during internal inspection, the concerned official will be held liable.
- 6.5 Ensure that there are no overdues in housing loan account and also in other loan accounts of the borrower/s, if any.
- 6.6 Ensure that the documents are in order.
- 6.7 Ensure that no inspection irregularities are pending.
- 6.8 Ensure that AOD is obtained if already due.
- 6.9 Collect conversion charges at 1% +tax on the balance outstanding in the housing loan account.
- 6.10 Conversion charges shall be debited to the concerned loan account only and is recovered simultaneously from the borrower. Conversion charges debited to loan account shall be credited to 'Processing Charges' under Income-Head.
- 6.11 Once the above formalities are complied with, Branch shall modify the rate of interest in respective loan account in CBS.
- 6.12 **Important** :While applying the Base Rate linked interest rate , the Branch shall mention the Rate of Interest in CBS as BR+.....% wherein% refers to load factor. This will facilitate Core to modify interest rate on subsequent revision in the Base Rate.
- 6.13 After modifying the ROI, the Branch shall revise EMI based on the revised ROI, balance outstanding, balance repayment tenor and issue an advice regarding migration to Base Rate as per the **Annexure-II**.
- Annexure-II** will be drawn in duplicate. One copy shall be issued to the borrowers and the copy duly acknowledged by the borrowers & guarantor if any, shall be held with the housing loan documents.
- 6.14 Standing instructions, if any, given for EMI debit shall be suitably modified as per revised EMI.
- 6.15 The existing housing loan account will continue under the same nomenclature [i.e CHOME, CHNRI, CHMOX, CHMOS etc., as the case may be] with Base Rate linked slab rate under floating rate option and thereafter subject to revision from time to time in line with revision in the Base Rate.

- 6.16 The existing fixed rate housing loans [CHOMF] are not eligible for migration under this Scheme as they are eligible for conversion to floating rate as per terms and conditions mentioned in HO.Circular 331/2010 dt. 22.04.2010 wherein, fixed rate loans will be converted to floating rate as per the Base Rate linked slab rates prevailing as on date of such conversion.
- 6.17 Conversion/migration of the existing housing loans may be carried out at the Branch level, irrespective of the Sanctioning Authority.
- 7.0 Branches /Offices are requested to note the above guidelines and bring it to the knowledge of the eligible borrowers.



(V.S.KARTHIKEYAN)
GENERAL MANAGER

Annexure-I

CONSENT LETTER FOR MIGRATION OF INTEREST RATE TO PREVAILING BASE RATE LINKED FLOATING RATE OF INTEREST UNDER HOUSING LOAN

From
.....
.....

Date:

To
The Branch Manager
CORPORATION BANK
.....Branch.

Dear Sir,

My/Our Housing Loan A/c No..... for Rs.....

I/We have availed the above housing loan under the aforesaid account whereunder as on date a sum of Rs..... (Rupees.....) is due and outstanding inclusive of interest and charges debited up to

The said housing loan had been availed under floating rate option wherein the interest rate is linked to COBAR/Base Rate and subject to change from time to time in line with the revision in the COBAR /Base Rate.

I/We am/ are given to understand that the Bank has offered the facility where the existing housing loan borrowers availed loan under COBAR/Base Rate regime may exercise option for migrating to prevailing Base Rate linked slab rate applicable for housing loans, by payment of conversion charges at 1%+tax on the outstanding balance subject to certain terms and conditions stipulated therein.

Therefore, I/We hereby exercise option/consent for migration of interest rate charged to the above housing loan to prevailing Base Rate linked slab rate.

I/We undertake to repay the loan as per the revised terms that may be stipulated by you. I/we further undertake to pay the charges regarding migration of the loan as may be stipulated by you.

I/We confirm that all other terms and conditions contained in the security documents executed by me/us to secure the aforesaid loan shall continue to remain in force.

I/we request you to hold this letter along with the security documents already executed by me/ us.

SIGNATURE OF THE BORROWER (S)

I /we have affixed my/our signature/s hereto in token of my/our consent for the above.

SIGNATURE OF THE GUARANTOR (S)



CORPORATION BANK
BRANCH.....

To,
.....
.....

Date:

Dear Sir,

Sub: Advice regarding migration of Housing Loan to prevailing
Base Rate linked floating rate

Ref: [1]Your Housing Loan CHOME / A/c No..... for Rs.....
[2] Your consent letter dt.....

As on date, the aforesaid account shows a debit balance of Rs..... inclusive of interest and other charges debited up to.....

That you have vide your letter Dt..... requested/consented for migration of interest rate to prevailing Base Rate linked Slab Rate to the above loan which has been considered by the Bank subject to the terms and conditions applicable. However, the Bank reserves the right to revise the interest rate based on the revision in Base Rate, including load factor from time to time.

This is without prejudice to our right to recover our dues on demand under the security documents already executed by you. You are advised to repay the loan as per the Schedule mentioned hereunder, provided the security documents already executed by you in favour of the Bank are kept alive by executing proper acknowledgment of debt from time to time, at least 6 months before the expiry of the period of three years from the date of the security documents/last acknowledgment of debt/liability.

SCHEDULE

Particulars	Details
Balance outstanding after migration	Rs.
Repayment Period [balance period] Years/Months
Rate of Interest after conversion	Base Rate+% ,Floating, presently being% p.a subject to revision from time to time as per the revision in the Base Rate including load factor. Interest is calculated on daily reducing balance and compounded on monthly rest.
Revised EMI/Instalment	Rs.
Due date	Due dates for repayment of EMI/instalments remain the same

Yours faithfully,

I/We agree for the terms & conditions mentioned herein above.

Branch Manager

Signature/s of the Borrower/s

Guarantor/s