

18th October 2016

To All Branches/ Offices

Circular No.6486 /HREO – 20 /Staff Loans/2016

Improvements in service conditions applicable to retired employees of the Bank

Our Bank has always been in the forefront in reaching out to its employees with the best of the facilities, and benefits including various loan schemes. Considering the commendable role played by each of the Ex-Federals to build the organization to its present stature, Bank has consistently shown its care and concern towards them. Various welfare measures and employee friendly practices like continuation of concessional loan facilities beyond retirement, Medical Insurance schemes, additional interest on deposits etc have been introduced and periodic improvements have also been brought in many areas with a view to add on to the comfort of the retired employees.

At present, employees are permitted to continue Vehicle Loan, Housing Loan and Federal Vidya Loan / Federal Career Solutions Loan even after their retirement. It is proposed to introduce the following refinements in the terms and conditions in respect of Loans availed of by the retired employees.

◆ **Vehicle Loan to Staff**

Existing norms	<ul style="list-style-type: none"> At the time of Superannuation, an amount not less than 100% of the loan amount outstanding in the Staff Vehicle Loan account has to be deposited with the Bank, duly charged to the Loan
Revised norms	<ul style="list-style-type: none"> If the total of the installments of all loans, which are permitted to continue beyond superannuation, is less than or equal to 75% of the monthly pension payable on first month of retirement, then the requirement of security deposit is not needed, subject to the compliance of other terms and conditions in this regard. If the total of installments of all loans exceeds 75% of the monthly pension, then he/she will have to deposit with the Bank, an adequate amount, which would earn interest at least equal to the portion of installment by which the total installment exceeds 75% of the monthly pension amount.

◆ **Housing Loan to Staff**

Existing norms	<ul style="list-style-type: none"> Pension opted employees need not keep security deposit, if the installment of the loan is less than or equal to 75% of the monthly pension payable to him/her on first month of retirement. If the installment of the loan exceeds 75% of the monthly pension, then he/she will have to deposit with the Bank at the time of superannuation, an adequate amount which would earn interest at least equal to the portion of installment by which the installment exceeds 75% of the monthly pension.
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<p>Revised norms</p>	<ul style="list-style-type: none"> ■ If the total of installments of all loans is less than or equal to 75% of monthly pension payable on first month of retirement, then the requirement of security deposit is not needed, subject to the compliance of other terms and conditions in this regard. ■ If the total of installments of all loans exceeds 75% of the monthly pension, then he/she will have to deposit with the Bank at the time of superannuation, an adequate amount, which would earn interest at least equal to the portion of installments by which the installments exceeds 75% of the monthly pension. ■ Creation of valid mortgage on security property has to be ensured invariably in all Loans and wherever valid mortgage has not been created, additional security shall be insisted by way of fixed deposit or interim charge on other properties for an amount equivalent to the balance outstanding in the loan account plus the remaining loan amount to be disbursed, if any.
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◆ **Federal Vidya Loan / Federal Career Solutions Loan**

<p>Existing norms</p>	<ul style="list-style-type: none"> ■ Pension opted employees need not keep security deposit, if the total of monthly installments of Staff Housing Loan / Federal Career Solutions Loan is less than or equal to 75% of the monthly pension payable to him/her on first month of retirement. ■ If the total of monthly installments exceeds 75% of the monthly pension, then he/she has to deposit at the time of superannuation either an amount not less than 100% of the outstanding amount in the Federal Career Solutions Loan account including the undisbursed portion, if any Or an amount which would earn interest at least equal to the portion of installment by which the installment exceeds 75% of the monthly pension payable, <u>whichever is less</u>.
<p>Revised norms</p>	<ul style="list-style-type: none"> ■ If the total of installments of all loans is less than or equal to 75% of monthly pension, then the requirement of security deposit is not needed, subject to the compliance of other terms and conditions in this regard. ■ If the total of installments of all loans exceeds 75% of the monthly pension, then he/she has to deposit at the time of superannuation either an amount not less than 100% of the outstanding amount in the Federal Career Solutions Loan account including the undisbursed portion, if any Or an amount which would earn interest at least equal to the portion of installment by which the installment exceeds 75% of the pension payable, <u>whichever is less</u>. ■ Creation of additional mortgage on Housing Loan property to which Federal Career Solution Loan/ Federal Vidya Loan is also charged has to be ensured and wherever valid mortgage has not been created, an additional security shall be insisted by way of fixed deposit or interim charge on other properties for an amount equivalent to the balance outstanding in the loan account plus the remaining loan amount to be disbursed, if any.

- The revised norms shall be applicable to all the employees, who retire/ have retired from the service of the Bank, subject to the eligibility norms as mentioned above.
- Employees retired under VRS after attaining the age of 55 years or above, are also permitted to continue Housing Loan (HLS), Vehicle Loan (VLS) and Federal Vidya Loan / Federal Career Solutions Loan beyond the date of retirement and the revised norms vide this Circular will be also applicable to them.
- Request for releasing the security deposits from retired employees shall be forwarded to HR- Employee Relations & Operations, through the Branch, from where the loan was availed, after ensuring the following:-
 - EMI towards all the loans is less than or equal to 75% of the monthly pension payable to the retired employee.
 - No arrears / Inspection comments/ other irregularities are outstanding in the loan accounts.
 - The security deposit is not charged to any liabilities, other than the respective loan accounts.
- An undertaking shall have to be obtained from employees, who retire/ have retired from the service of the Bank for deducting the monthly installments towards the respective loans from the pension payable to them in the format annexed

The extant guidelines on the subject matter, other than those amended vide this circular will continue as it is. Branches are requested to bring the contents of this communication to the notice of all concerned.

Regards and Wishes,

Thampy Kurian
General Manager

Annexure

From

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To

The Principal Officer
HR- Employee Relations & Operations
The Federal Bank Ltd.
Head Office, Aluva

Dear Sir,

Reg : Irrevocable undertaking for repayment of the Housing Loan to Staff / Vehicle Loan to Staff / Federal Vidya Loan / Federal Career Solutions Loan

1. HLS A/C No.....Branch.....
2. HLS A/C No.....Branch.....
3. VLS A/C No.....Branch.....
4. FVL A/C No.....Branch.....
5. FCSL A/C No.....Branch.....

I would like to continue the above Housing Loan to Staff / Vehicle Loan to Staff / Federal Vidya Loan / Federal Career Solutions Loan outstanding in my name /in the name of my children..... till the period of the original Sanction Order. I hereby irrevocably authorise the Bank to deduct the required amount (maximum up to 75% of the monthly pension) of monthly installment in respect of Housing Loan to Staff / Vehicle Loan to Staff / Federal Vidya Loan / Federal Career Solutions Loan outstanding in my name / in the name of my children from the monthly pension payable to me. I also authorise the Bank that, in the event of my death, the Bank can recover the arrears of installment, if any, or closure of the entire balance outstanding in Housing Loan to Staff / Vehicle Loan to Staff / Federal Vidya Loan / Federal Career Solutions Loan from the proceeds / arrears of family pension payable to my legal heirs.

Place :

Date :

(Name & Signature)