

SECURITIES FOR BANKER'S LOAN

- Banks are required to be careful in handling various loans and advances, otherwise banks may be exposed to various risks.
- Non observance of proper control, monitoring, and checking might result in the bank's financial loss and sometimes even affects the reputation as well.
- In this regard understanding the importance of legal terms i.e., Charges like lien, set off, mortgage, pledge, hypothecation and assignment are important.
- Banks lend money to the borrowers against various kinds of securities.
- Banks should ensure that they obtain securities to protect the bank in case of default by the borrower.
- To protect the interests of the banks, the securities obtained by banks should have marketable value and also such security can be legally enforceable.
- **S.5(4) of the Banking Regulation Act** says that – secured loans & advances ,means a loan or advance made on the security of assets.

GENERAL PRINCIPLES OF SECURED ADVANCES

- While granting advances on the basis of securities offered by customers, a banker should observe the following basic principles:
 - (a) Adequacy of Margin:** There must be difference between the market value of the security and the amount of advance granted against it.
 - (b) Marketability of Securities:** it means in case of default by the borrower, such securities must easily marketable without loss of time & money i.e., liquidity of the security
 - (c) Documentation:** Necessary documents e.g. agreement of pledge, mortgage, charge, hypothecation etc. are prepared and signed by the borrowers at the time of securing loan. Must be signed by the borrowers.
 - (d) Realisation of advances:** where the borrower defaults in making payment, the banker may realise his debt from the sale proceeds of the securities pledged, mortgaged with him

Various Kinds of Securities

- Land/Real Estate
- Stocks and Shares
 - Debentures
 - Goods
 - Life Policies
 - Book Debts
- Fixed Deposit
 - Supply Bills

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