

Dated:- 29.10.2010

Ref.No.RFC/F.11(149) 586

C I R C U L A R
(Accounts No:5)

Reg:- Charging of Interest in Deficit Cases

It has been observed that, in some of the branches, the interest is not being charged in the accounts where the assets of the units were sold in deficit and in some of the branches debiting of interest has been resorted to from the date of sale. This has created a peculiar situation where the outstanding balance has not been depicted properly.

The Corporation has to create provision for the NPA Accounts on the basis of age of default. The provision is being created for the amount disbursed and the expenses incurred for and on behalf of the loanee. Debiting of interest is not going to affect the requirement of NPA provisioning but it would increase the outstanding balance of such loan accounts.

In order to bring harmony in the practice being followed at different branch offices, it has been decided that the interest in deficit loan accounts would be charged as per loan agreement from the date of sale, therefore, it is enjoined upon all the Branch Offices:-

1. To send Interest Up date Voucher in respect of the units which were sold and there is deficit, along with the vouchers of the month of October,2010.
2. To calculate and debit the interest manually in deficit loan accounts for the period from the date of sale to 31st October,2010.

All concerned are advised to take a note of above and ensure compliance of the directions.


(S.K.ASWAL)

Executive Director (Finance)

Copy to:-

1. All BO/SO/ZO
2. Standard Circulation at HO

40