

Responsible Lending Conduct – Release of Movable / Immovable Property Documents on Repayment/ Settlement of Personal Loans

Procedure for return of original movable/ immovable property documents to the legal heirs in event of demise of the sole borrower or joint borrowers.

In the event of an unfortunate event of demise of a borrower / co-borrower, the same needs to be either communicated by the surviving co-applicant(s), guarantor(s) or the family members of the borrower to Fedfina. They shall submit a letter along with a proof (i.e., death certificate) to substantiate the untimely demise of the borrower/co-borrower. In general, lenders seek to recover the outstanding loan amount from the borrower's estate or from the legal heirs of deceased borrowers. If there are more than 1 applicant to the loan with Fedfina, the co-applicants/ guarantors shall be held responsible for repaying the loans in full. In the event, any of the loan remains un-paid, Fedfina shall initiate appropriate recovery process as per the guidelines outlined in the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest (SARFAESI) Act, 2002 or any other legal recourse as agreed by the borrower in the loan agreement executed in favour of Fedfina.

During the tenure of the loan, if the principal borrower expires Fedfina may explore anyone of the following options:

- If the borrower had opted for life insurance, wherein Fedfina is beneficiary, Fedfina shall submit a claim on the policy to recover the outstanding loan amount. In case of shortfall, the co-applicants/ guarantors shall be liable to pay the same to Fedfina. Upon realization of entire loan amount, the original movable/ immovable property documents shall be handed over to the legal heirs within 30 days of the loan closure.
- If the borrower has not opted for any life insurance or claim (as mentioned in aforesaid point) gets rejected, the co-applicants/ guarantors shall be liable to pay the entire outstanding amount to Fedfina. Upon realization of entire loan amount, the original movable/ immovable property documents shall be handed over to the legal heirs within 30 days of the loan closure.

Documentation

Legal heirs/ claimants are required to submit below mentioned documents for return of original property documents submitted by the borrower at the time of availing the loan:

- Certified copy of Death Certificate (originals to be produced for verification by Fedfina)
- Photographs and KYC documents of all the legal heirs/ claimants (originals to be produced for verification by Fedfina)
- Bank account details of the legal heirs/ claimants, for transfer of excess amount, if any
- Request letter of claim duly signed, if borrower has opted for life insurance at the time of availing loan from Fedfina
- Declaration regarding the legal heirs/ claimants of the deceased is to be signed by:
 - Succession certificate / legal heirship certificate issued by competent court;
 - One independent person well known to the family of the deceased but unconnected with it and acceptable to Fedfina OR
 - By any Government. Official whose signature is verifiable by Fedfina.

- An Indemnity from the legal heirs/ claimants.
- Declaration Letter, if applicable
- Stamped letter of indemnity from all the legal heirs/ claimants plus one surety good for the amount or two sureties for the claim amount.