

Course Code: FA1107

Course Name: Retail Banking and Retail Lending

Exam: End term examination, May 2020

Marks: 30

Duration: 2 hours

Student Name:

Student Roll Number:

All questions carry equal marks e.g. 3 marks each. We need you to answer two out of three questions in each of the five sections below

We need only bullet point answers... few key words or maximum 3 sentences... Use the available space for answering the question, no answer sheet will be provided

Section 1: Answer any two out of three... 3 marks each

- a) Reference the visit to the car dealership for the assignment, what are the three important parameters that will allow you or a customer to compare car loan offerings from different financiers? (LO1)

- b) Why did Kotak Mahindra bank name its "on-line digital saving accounts" 811? How did 811 accounts and other initiatives (name at least one) help Kotak significantly increase its CASA ratio in the period 2016-2020? (LO4)

- c) IMPS started the transformation of online bank fund transfer in India. What is IMPS and how did it mark a beginning of payment processing revolution in India? (LO4)

Section 2: Answer any two (please share rough work along with the answer) ... 3 marks each

- d) A customer wishes to borrow gold loan by pledging gold of value Rs. 10 Lac. The customer is going out of country and promises to pay 2% per month as interest upon their return after 6 months. Bank is fearing that gold prices may fall by 10% during the 6 months. What is the **maximum loan amount** bank should offer to the customer to make sure that they do not lose any money after 6 months? (LO3)
- e) Banks normally allow total obligations (All EMI) to net income of 60% in home loans for net income above 50000 per month and 50% for incomes below 50000 per month. Maximum LTV is capped at 85% in all cases. Please calculate **maximum loan amount** if customer net income is 70000 per month and the total other obligations is 20000 per month. EMI per lac is 775/- and the house value is Rs. 33 Lac (LO3)
- f) Banks normally allow total obligations (All EMI) to net income of 60% in home loans for net income above 50000 per month and 50% for incomes below 50000 per month. Maximum LTV is capped at 85% in all cases. Please calculate **maximum loan amount** if customer net income is 48000 per month and the total other obligations is 6500 per month. EMI per lac is 746/- and the house value is Rs. 25 Lac (LO3)

Section 3: Answer any two ... 3 marks each

- g) Why would a small businessman choose loan from an affordable housing finance company over taking a relatively cheaper housing loan from a bank or mainstream housing finance company? (LO3)
- h) Refer to Character in 5C's of credit, assume we do not have access to any credit bureau report of the borrower, how will you judge the character of the borrower? (LO3)
- i) For a self-employed customer who does not file GST or income tax returns or does not have too many business banking transactions, how will a finance company assess his/ her capacity to repay the loan? (LO3)

Section 4: Answer any two... 3 marks each ((LO2 for all)

- j) Please classify direct or indirect channel, mark the correct response
- | | |
|---|------------------|
| a. Telesales by bank officers | Direct/ Indirect |
| b. Branch banking | Direct/ Indirect |
| c. Loans offered through car dealership | Direct/ Indirect |
- k) List one advantage of direct sales team for the bank and one disadvantage
- l) Please classify as direct or indirect channel, mark the correct response
- | | |
|---|------------------|
| a. Online sales on Life insurance company website | Direct/ Indirect |
| b. Sales of HDFC life insurance products by HDFC Bank | Direct/ Indirect |
| c. Policybazaar portal | Direct/ Indirect |

Section 5: Answer any two ... 3 marks each (LO1 for all)

m) Please write full form of LLMM with reference to life insurance industry?

n) Why is protecting oneself through life insurance important for all individuals. What is the cheapest insurance product that offers that protection?

o) A person is retiring in 6 months, she will not have any stable source of income after retirement, what is the insurance product she can choose to ensure stable income for rest of her remaining life and why over other traditional investment options?