

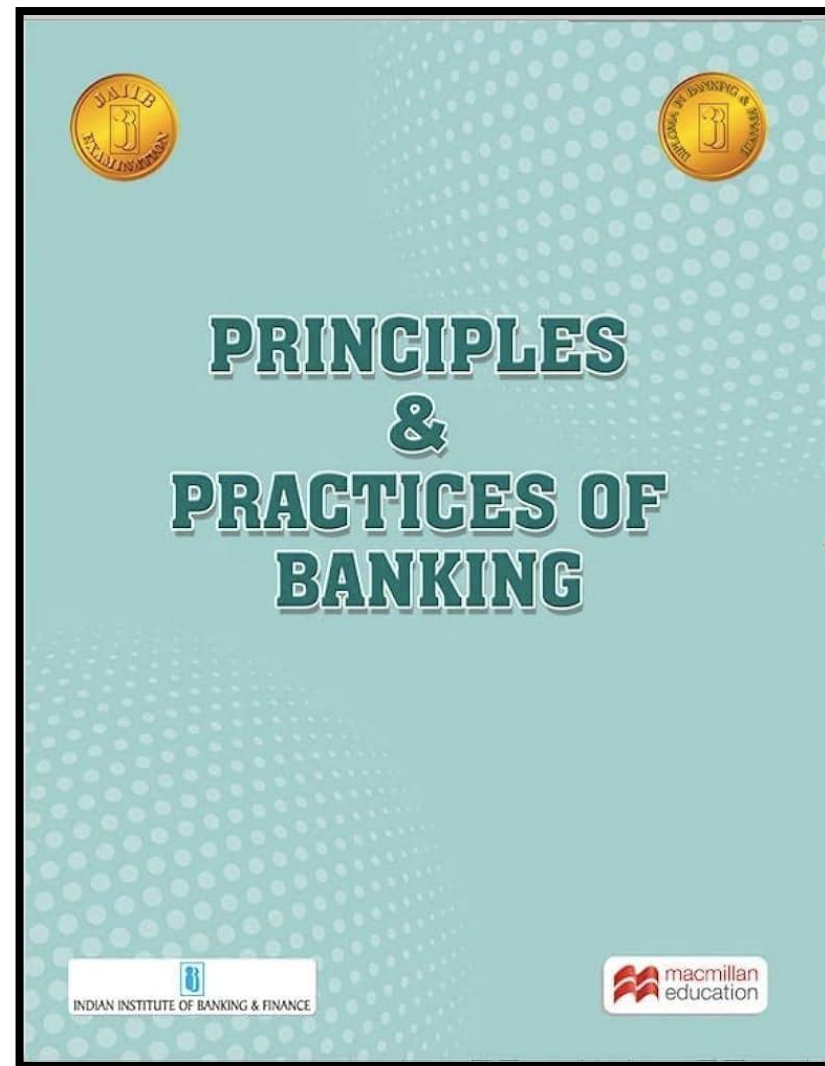
JAIIB Examination



A Day

Module B
Chapter 29

**IMPORTANT LAWS RELATED TO RECOVERY
OF DUES PART-2**



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“Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act”

Objectives of SARFAESI Act, 2002

- Enacted to enable banks to recover NPAs without court intervention
- Applicable only on secured loans
- Used when loan becomes NPA

A diagram showing a flow from a light purple semi-circle to a dark blue semi-circle, which is connected to a white rectangular box containing the text 'Loan → NPA → Notice → Possession → Sale → Recovery'.

Loan → NPA → Notice
→ Possession → Sale
→ Recovery



•  **Facilitates:**

- Securitisation of financial assets
- Reconstruction of financial assets
- Enforcement of security interests for loan recovery
- Registration of such transactions

**Legal Framework
for Credit
Market:**



- Applicable **throughout India**, including **Jammu & Kashmir**.

Extent:



- Applicable to **banks, financial institutions (FIs), Asset Reconstruction Companies (ARCs), debenture trustees, and notified housing finance companies**.

Applicability:



- Applies to loans where **security has been created**.
- The Act is **retrospective**—even old loans are covered.

Security Interest:



- Secured loan amount must be **above ₹1 lakh**, and default should be **≥20% of principal + interest**.

Qualifying Amount:



- **✗** Not applicable to **agricultural land** or properties exempted under other Acts.

Exclusions:



- Secured creditors' dues **get priority over government taxes and other dues**, post-amendment

Priority of Secured Creditors:





Asset Reconstruction:
Process where ARCs acquire financial assets (loans) from banks/FIs for recovery.



Central Registry:
Government-established registry for registering securitisation, asset reconstruction, and security interest transactions.



Securitisation:
Conversion of financial assets into marketable securities (security receipts) by ARCs.



Security Interest:
Right/interest created over a tangible/intangible asset to secure a debt (includes mortgage, charge, hypothecation, etc.).



Concept Check

Mr. A took a home loan from ABC Bank, offering his residential flat as security. Due to financial issues, he defaulted, and the account was classified as an NPA. The bank issued a notice under Section 13(2) of the SARFAESI Act, demanding repayment within 60 days.

- **Q1.** When can the bank initiate action under the SARFAESI Act?
 - a) Immediately after disbursement
 - b) Only after account becomes NPA and security is enforceable
 - c) As soon as interest is not paid for 30 days
 - d) After informing RBI



Concept Check

Mr. B has mortgaged his agricultural land for a business loan. On default, the bank issued SARFAESI notice and proceeded to take possession.

- **Q2.** Is the action of the bank legally valid under SARFAESI?
 - a) Yes, all types of land can be possessed
 - b) No, SARFAESI does not apply to agricultural land
 - c) Yes, if the borrower gives written consent
 - d) Yes, if loan is above ₹1 crore

Answer : B



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Live Classes



Short Notes



Test Series



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BANKER'S CAPSULE COURSE

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One-Shot Concept Classes



Short Notes



Test Series



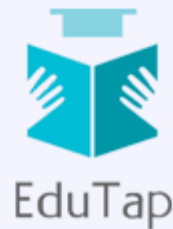
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*Thank
You!*

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