

CREDIT GUARANTEE FUND SCHEME FOR SKILL DEVELOPMENT (CGFSSD)

CHAPTER I

INTRODUCTION

1. Title and date of commencement

- i. The Scheme shall be known as the Credit Guarantee Fund Scheme for Skill Development (CGFSSD).
- ii. It has come into force from the date of notification by the Government of India.
- iii. Skill Loans sanctioned on or after July 15, 2015 with features as under will be eligible for coverage under the Scheme.

2. Loan Limit

The minimum and maximum loan limit under this Scheme is Rs.5000/- and Rs.7,50,000/- respectively, without any collateral security and/or third-party guarantee. However, the Fund reserves the right to revise the loan limit as and when required.

3. Interest Rate

The Interest Rate to be charged by the Member Lending Institution should not be more than 1.5 % p.a. over Repo Linked Lending Rate (RLLR) for Scheduled Banks (Public Sector Banks, Private Sector Banks, Foreign Banks and Small Finance Banks)

4. Definitions

For the purposes of this Scheme -

- i. **Skill Loans and Skill Loans Scheme** - Skill Loans refers to loans extended by lending institutions to individuals for the National Skill Qualification Framework (NSQF) aligned courses and/or the Non-NSQF aligned courses in skill development provided by the training entities onboarded on the MSDE's Skill India Digital Hub (SIDH) platform. Skill Loan Scheme refers to the Credit Guarantee Fund Scheme for Skill Development, as modified from time to time.
- ii. **"Amount in Default"** means the loan amount outstanding in the loan account(s) of the borrower inclusive of accrued interest, as on the date of the account becoming NPA, or the date of lodgment of claim application whichever is lower or such other amount as may be specified by the Fund for preferring any claim against the guarantee cover subject to maximum of 'Guarantee Cover'.
- iii. **"External Benchmark Lending Rate (EBLR)"** – As per RBI Circular No. DBR.DIR.BC. No.14/13.03.00/2019-20 dated September 04, 2019, EBLR is defined as all new floating rate for personal or retail loans and the floating rate loans to Micro and Small Enterprises extended by banks from October 01, 2019 shall be benchmarked to one of the following:

- a) Reserve Bank of India policy repo rate

- b) Government of India 3-Months Treasury Bill yield published by the Financial Benchmarks India Private Ltd (FBIL)
 - c) Government of India 6-Months Treasury Bill yield published by the FBIL
 - d) Any other benchmark market interest rate published by the FBIL.
- iv. **"Eligible Borrower"** means any new or existing borrower with Indian Nationality who meets the eligibility criteria with minimum qualifications to undergo skill training for the National Skill Qualification Framework (NSQF) aligned courses and/or the Non-NSQF aligned courses by the training entities onboarded on the MSDE's Skill India Digital Hub (SIDH) platform, and who has executed the loan documents with the lending institutions to avail the loan. If the student is a minor, while the parent(s) would execute the documents, the lender will obtain a letter of acceptance/ratification from the student upon becoming major. Parents /guardians will be the co-borrowers.
 - v. **"Collateral security"** means the security provided in addition to personal obligation of borrower/co-borrower.
 - vi. **"Fund"** means the Credit Guarantee Fund for Skill Development Loans set up by Government of India with the purpose of guaranteeing payment against default in Skill Loan, extended by the lending institution(s) to the eligible borrowers.
 - vii. **"Guarantor"** means a person acceptable to the bank, who guarantees to repay the skill loan, in the event of failure of the borrower to repay.
 - viii. **"Guarantee Cover"** means maximum cover available per eligible borrower of the amount in default in respect of the credit facility extended by the lending institution.
 - ix. **"Member Lending Institution(s)"**- Member Lending institution(s) means the Scheduled Banks (Public Sector Banks, Private Sector Banks, Foreign Banks and Small Finance Banks) and the Non-Banking Finance Company (NBFC)/ Non-Banking Financial Company-Micro Finance Institutions (NBFC-MFIs) who are registered with National Credit Guarantee Trustee Company (NCGTC) under the Scheme.
 - x. **"Material date"** means the date on which the guarantee fee on the amount covered in respect of eligible borrower becomes payable by the institution to the Fund.
 - xi. **"Non-Performing Assets"** means an asset classified as a non-performing based on the instructions and guidelines issued by the Reserve Bank of India from time to time.
 - xii. **"Scheme"** means the Credit Guarantee Fund Scheme for Skill Development Loans.
 - xiii. **NCGTC** means National Credit Guarantee Trustee Company set up on March 28, 2014 by Government of India under the Companies Act 1956 to act as the

Trustee to operate the Credit Guarantee Funds for Educational Loans, Skill Development Loans and any other funds to be set up by Government of India from time to time.

- xiv. **Lock-in-period** - Lock-in-period means the period during which no invocation of guarantee can be made. Lock-in-period shall be 6 months for loans upto Rs.3 lakh and 12 months for loans above Rs.3 lakh from the date of commencement of guarantee cover or end of period of moratorium of interest, whichever is later.
- xv. Accordingly, all matters pertaining to the operations of CGFSSD would be undertaken by NCGTC on behalf of the said Fund Trust.

CHAPTER II

SCOPE AND EXTENT OF THE SCHEME

5. Guarantees by the Fund

- i. Subject to the other provisions of the Scheme, NCGTC undertakes, in relation to Skill Loans ranging from Rs.5000/- to Rs.7,50,000/- extended to an eligible borrower by a Member Lending Institution (MLI) which has entered into necessary agreement for this purpose with NCGTC, to provide guarantee against default in repayment of skill loans extended by the lending institutions.
- ii. NCGTC reserves the right to accept or reject any proposal referred by the bank which otherwise satisfies the norms of the Scheme.

6. Skill Loans eligible under the Scheme:

The Fund shall cover skill loans extended by Bank to an eligible borrower on or after entering into an agreement with NCGTC, without any collateral security and/ or third party guarantee, provided that

- i. The course is run by Industrial Training Institutes (ITIs), Polytechnics or in a school recognized by central or State Education Boards or in a college affiliated to recognized university, training partners affiliated to National Skill Development Corporation (NSDC)/ Sector Skill Councils, State Skill Mission, State Skill Corporation, preferably leading to a certificate/ diploma /degree issued by such organization as per National Skill Qualification Framework (NSQF). The Government of India / State Governments may, from time to time, notify institutes/organizations for the purpose.

Courses run by above mentioned Training Institutes (in 6.1) aligned to National Skill Qualification Framework (NSQF) shall be covered by the Skill Loan. There is no minimum course duration.

In addition, the non-NSQF aligned courses on-boarded on the MSDE's Skill India Digital Hub (SIDH) portal shall also be covered under the scheme, with no minimum course duration.

- ii. NCGTC vide its circular Ref no 0956/NCGTC/CGFSD/2017-18 dated 14.03.2018 has issued instructions regarding change in time windows for submission of new files and continuity files for lodgement of input file for CGFSSD. The revised time windows are as under:

Guarantee cover	Period	Last date for File Lodgement
Fresh	For Quarter April - June	Prior to 31 st July
	For Quarter July - September	Prior to 31 st October
	For Quarter October-December	Prior to 31 st January
	For Quarter January - March	Prior to 30 th April
Renewal/Continuity	For Quarter April - June	Before Quarter End September
	For Quarter July - September	Before Quarter End December
	For Quarter October-December	Before Quarter End March
	For Quarter January - March	Before Quarter End June.

Also NCGTC has informed to mark guarantee as a Lapsed Guarantee in case the continuity file for the same is not submitted within a quarter and auto - close such Lapsed Guarantee after two quarters from the date of marking the guarantee as Lapsed. Further it has been decided to charge penal interest for delays in submission of continuity.

The detailed guidelines relating to New File, Continuity file, Marking of Guarantee as "Closed", Marking of Guarantees as "Lapsed Guarantees", Auto-closure of "Lapsed Guarantees", releasing the Lapsed status and charging of Penal interest in case of delay is furnished in the **Annexure B**.

- iii. As on the material date,
- There are no overdue in respect of the account to the Bank and / or the loan has not been classified as a Non-performing asset in the books of the bank, and/or;
 - The activity of the borrower for which the credit facility was granted, has not ceased; and / or
 - The credit facility has not wholly or partly been utilized for adjustment of any debts deemed bad or doubtful of recovery, without obtaining a prior consent in this regard from NCGTC.

iv. The lending institution shall pay tuition/course fee related to the course being undertaken under the scheme directly to the Training Institute. Any other reasonable expenditure found necessary for completion of the course including but not limited to assessment fee, examination fee, library charges, laboratory fee, caution deposit, purchase of books, equipment's and instruments, etc. may be covered. As such courses are localized, the boarding and lodging may not be necessary. However, wherever it has been found necessary, the same could be considered on merit based on the cost of living in the particular area.

7. Skill Loans not eligible under the Scheme

The following Skill Loans shall not be eligible for being guaranteed under the Scheme: -

- i. Any Skill Loans in respect of which risks are additionally covered by Government or by any general insurer or any other person or association of persons carrying on the business of insurance, guarantee or indemnity, to the extent they are so covered.
- ii. Any Skill Loans, which does not conform to, or is in any way inconsistent with, the provisions of any law, or with any directives or instructions issued by the Central Government or the Reserve Bank of India, which may, for the time being, be in force.
- iii. Any Skill loans which have been sanctioned with the interest rate higher than 1.5% p.a. over the External Benchmark Lending Rate (EBLR) by a Scheduled Bank and the interest rate higher than 21% p.a. (subject to change from time to time as may be decided by the Management Committee of the Fund) by an NBFC/NBFC-MFI. However, the Fund may revise such ceiling benchmark parameters or interest rate cap from time to time keeping in view the prevailing RBI guidelines/RBI policy rates.

8. Responsibilities of Bank under the scheme:

- i. The Bank shall evaluate and sanction the Skill Loans in accordance with the "Skill Loan Scheme" and conduct the account(s) of the borrowers with normal banking prudence and due diligence.
- ii. The Bank shall pool all its outstanding skill loans extended against sanctions effected on or after July 15, 2015, but within the parameters prescribed at para no. 6(ii), as at the end of a calendar quarter into a portfolio and ensure to submit the information required by NCGTC for giving guarantee cover with regard to the Skill borrowal account.
- iii. The Bank would need to furnish a Management Certificate [as mentioned in point 9(ii)] certifying the following:
 - a. All accounts in the portfolio conform to the Skill Loan Scheme and such loans were sanctioned on or after July 15, 2015.

- b. All accounts covered in the initial portfolio as well as new accounts added in the portfolio subsequently, are standard accounts.
- c. All accounts which have turned NPA within the portfolio and for which claim has not been lodged have been included in the portfolio on which the guarantee fee is payable.
- iv. The Bank shall closely monitor the borrower's account and follow up for repayment.
- v. The Bank shall ensure, to the extent applicable, linkage of every skill loan with Aadhar number and register the borrower's/co-borrower's name with an appropriate credit information bureau.
- vi. The bank shall ensure that the guarantee claim in respect of the Skill Loans given to the borrower is lodged with NCGTC in the form and in the manner and within such time specified by NCGTC in this regard and that there shall not be any delay on its part to notify the default in the borrowers account which shall result in the Fund facing higher guarantee claims.
- vii. The payment of guarantee claim by NCGTC to the bank does not in any way take away the responsibility of the Bank to recover the entire outstanding amount of the credit from the borrower with applicable interest. The Bank shall exercise all the necessary precautions and maintain its recourse to the borrower for entire amount of skill loan owed to it and initiate such necessary actions for recovery of the outstanding amount, including such action as may be advised by NCGTC.
- viii. The Bank shall comply with such directions as may be issued by NCGTC, from time to time, for facilitating recoveries in the guaranteed account, or safeguarding its interest as a credit guarantor, as NCGTC may deem fit and the Bank shall be bound to comply with such directions.
- ix. The Bank shall, in respect of any guaranteed account, exercise the same diligence in recovering the dues, and safeguarding the interest of the Fund in all the ways open to it as it might have exercised in the normal course if no guarantee had been furnished by the Fund. The Bank shall, in particular, refrain from any act of omission or commission, either before or subsequent to invocation of guarantee, which may adversely affect the interest of the Fund as the guarantor. In particular, the bank should intimate NCGTC while entering into any compromise or arrangement, which may have effect of discharge or waiver of personal guarantee(s). Further the Bank shall secure for the Fund or its appointed agency, through a stipulation in an agreement with the borrower or otherwise, the right to publish the defaulted borrowers' names and particulars by NCGTC.
- x. The lending institution shall pay tuition/course fee related to the course being undertaken under the scheme directly to the Training Institutes.

- xi. No Processing fee will be charged by Bank on loans sanctioned under the scheme.
- xii. The loans under the scheme will have a repayment tenure as follows:

Loan upto Rs. 50,000	Upto 3 years
Loan between Rs. 50,000 to Rs. 1.0 lakh	Upto 5 years
Loan above Rs. 1.0 lakh to Rs. 7.50 lakh	Upto 7 years

- xiii.) In order to instil repayment behaviour and get some commitments from the students, the lenders may have instalment during the course period itself. However, the total amount paid by the student as downpayment towards course fee and Equated Monthly Instalments (EMI) during the course together should not exceed 10% of the total course value. It is advised that the lenders should consider moratorium for specific courses or certain sections of the students. Upon completion of the course, repayment may start after a moratorium period as indicated below:

Courses of duration upto 1 year	Moratorium up to 6 months from the completion of the course
Courses of duration above 1 year	Moratorium up to 12 months from the completion of the course

The lenders will have flexibility to choose the structure of repayment - flat Equated Monthly Instalments (EMI), tube payments or moratorium period as deemed fit for various sectors and student categories.

- xiv. The borrower can repay the loan any time after commencement of repayment without having to pay any prepayment charges. In case a student is not able to complete the course because of accident/death/disability, the lender can seek a pro-rata reimbursement of the unfinished portion of the course amount from the training institute.

CHAPTER III

GUARANTEE FEE

9. Guarantee Fee

- i. For availing the guarantee coverage, the Bank shall pay Guarantee Fee of 0.125% per calendar quarter (i.e. 0.50% p.a.) on the quarter end outstanding portfolio balance (skill loans).
- ii. Guarantee fee shall be paid within 16 days from the end of the calendar quarter. (The Bank would need to furnish a Management Certificate within 10 days from the end of the calendar quarter, after which, a Credit Guarantee Demand Advice Note [CGDAN] would be issued by NCGTC within 3 day of receipt of Management Certificate and subsequently, the guarantee fee shall be payable

within 3 days from the issue of CGDAN).

- iii. All cases within the portfolio for which the guarantee fee has been paid by Bank, would be covered under the credit guarantee scheme subject to the loan accounts within the portfolio being eligible under the Skill Loan Scheme.
- iv. Guarantee fee would be paid on the quarterly balance (including on accounts which have turned NPA) and Guarantee will be valid upto the end of that quarter. Guarantee fee with respect to NPA accounts in the portfolio would continue to be paid till lodgment of claim for such accounts.
- v. However, the Fund reserves the right to charge different guarantee fees in future for different educational institutions / vocational / skill development training institutions depending on their risk rating/risk profile.
- vi. Provided further that in the event of non-payment of Guarantee Fee within the stipulated time or such extended time that may be agreed to by NCGTC on such terms, liability of the Fund to guarantee such credit facility would lapse in respect of those credit facility against which the Guarantee Fee are due and not paid.
- vii. In the event of any error or discrepancy or shortfall being found in the computation of the amounts or in the calculation of the guarantee fee, such deficiency / shortfall shall be paid by the eligible Bank to the Fund together with interest on such amount at a rate of 4% over and above the Bank Rate. Any amount found to have been paid in excess would be refunded by the Fund. In the event of any representation made by the Bank in this regard, NCGTC shall take a decision based on the available information with it and the clarifications received from the Bank. Notwithstanding the same, the decision of NCGTC shall be final and binding on the Bank.
- viii. The amount equivalent to the guarantee fee payable by the Bank will be borne by the Member Bank.
- ix. The guarantee fee once paid by the bank to NCGTC is non-refundable, except under certain circumstances like –
 - a) Excess remittance,
 - b) Remittance made more than once against the same Skill Loan, and
 - c) Annual guarantee fee not due.

CHAPTER IV

GUARANTEES

10. Extent of the guarantee

The Fund shall provide guarantee cover as under:

Loan Amount (Rs. in lakhs)	Guarantee Coverage on amount in default
0.05-4.00	75%
4.00-7.50	70%

The Fund reserves the right to modify the same. The guarantee cover will commence from the date of payment of guarantee fee and shall run through the agreed tenure of the skill loans.

CHAPTER V

CLAIMS

11. Invocation of guarantee

- i. The Bank may invoke the guarantee in respect of Skill loan within a maximum period of one year from date of NPA, if NPA is after lock-in period or within one year of lock-in period, if NPA is within lock-in period, after the following conditions are satisfied:
 - a. The guarantee in respect of that credit facility was in force at the time of account turning NPA.
 - b. The lock-in period of 6 months for loans upto Rs.3 lakh and 12 months for loans above Rs.3 lakh from either the end of period of moratorium of interest or the date of commencement of guarantee cover in respect of loan covered, whichever is later, has elapsed. A lock-in-period has been stipulated from the date of commencement of guarantee cover or end of period of moratorium of interest, whichever is later.
 - c. The amount due and payable to the Bank in respect of the Skill Loan has not been paid and the dues have been classified by the Bank as Non-Performing Assets. Provided that the Bank shall not make or be entitled to make any claim on NCGTC in respect of the said Skill Loan if the loss in respect of the said credit facility had occurred owing to actions / decisions taken contrary to or in contravention of the guidelines issued by NCGTC.
- ii. The claim should be preferred by the Bank in such manner and within such time specified/to be specified by NCGTC in this behalf.
- iii. Any Claim under the Credit Guarantee Scheme for Skill Development would be settled at 100 % of the guaranteed amount at one go, subject to the receipt of a certificate from the Bank to the effect that all avenues of recovering the amount in default have been exhausted; that there is no further scope for recovering the default amount and that the claim is found in order and complete in all respects.
- iv. In the event of default, the Bank shall exercise its rights, if any, to take over the assets of the borrowers and the amount realized, if any, from the sale of such assets or otherwise shall first be credited in full by the Bank to NCGTC before it claims the guaranteed amount.

- v. The Bank shall be liable to refund the claim released by NCGTC together with penal interest at the rate of 4% above the prevailing Bank Rate, if such a recall is made by NCGTC in the event of deficiencies having existed in the matter of appraisal / renewal / follow-up / conduct of the Skill Loan or where lodgment of the claim was more than once or where there existed suppression of any material information on part of the bank for the settlement of claims. The bank shall pay such penal interest, when demanded by NCGTC, from the date of the initial release of the claim by NCGTC to the date of refund of the claim.
- vi. The Guarantee Claim received directly from the branches or offices other than Retail Assets Division, HO will not be entertained.
- vii. Claim payout (irrespective of the year of claims) on loans disbursed during FY 2024-25 and FY 2025-26 shall be capped at 20% of the total loans disbursed during the year to which the loan pertained. This cap shall be reduced to 15% w.e.f. FY 2026-27.

12. Subrogation of rights and recoveries on account of claims paid

- i. The bank shall furnish to NCGTC, as and when required by NCGTC, the details of its efforts for recovery, realizations and such other information. NCGTC shall not exercise any subrogation rights and the responsibility of the dues shall rest with the Bank.
- ii. In the event of a borrower owing several distinct and separate debts to the Bank and making payments towards any one or more of the same, whether the account towards which the payment is made is covered by the guarantee of the Fund or not, such payments shall, for the purpose of this clause, be deemed to have been appropriated by the Bank to the debt covered by the guarantee and in respect of which a claim has been preferred and paid, irrespective of the manner of appropriation indicated by such borrower or the manner in which such payments are actually appropriated.
- iii. Every amount recovered and due to be paid to NCGTC shall be paid without delay, and if any amount due to NCGTC remains unpaid beyond a period of 30 days from the date on which it was first recovered, interest shall be payable to NCGTC by the Bank at the rate which is 4% over and above the Bank Rate for the period for which payment remains outstanding after the expiry of the said period of 30 days.

CHAPTER VI

MISCELLANEOUS

13. Appropriation of amount received from the Bank

The amount received from the bank shall be appropriated in the order in which the AGF, penal interest and other charges have fallen due. If the AGF and the penal interest have fallen due on the same date, the appropriation shall be made first towards AGF and then towards the penal interest and finally, towards any other charges payable in respect of the eligible credit facility.

14. Appropriation of amount realized by the Bank in respect of a credit facility after the guarantee has been invoked.

Where subsequent to NCGTC having released a sum to the bank towards the amount in default in accordance with the provisions contained in Para 11 of this scheme, the bank recovers money subsequent to the recovery proceedings initiated by it, the same shall be deposited by the Bank with NCGTC, after adjusting towards the legal costs incurred by it for recovery of the amount. The Fund shall appropriate the same first towards the pending AGF, penal interest, and other charges due to the Fund, if any, in respect of the credit facility towards which the amount has been recovered by the Bank, and the balance, if any, shall be appropriated in such a manner so that losses on account of deficit in recovery of the credit facility between NCGTC and the Bank are in the proportion of 75% and 25% respectively.

15. Fund's liability to be terminated in certain cases

- i. If the liabilities of a borrower to the Bank on account of Skill Loan guaranteed under this Scheme are transferred or assigned to any other borrower and if the conditions as to the eligibility of the borrower and the amount of the Skill Loan and any other terms and conditions, if any, subject to which the Skill Loan can be guaranteed under the Scheme are not satisfied after the said transfer or assignment, the guarantee in respect of the Skill Loan shall be deemed to be terminated as from the date of the said transfer or assignment.
- ii. If a borrower becomes ineligible for being granted Skill Loan under the Scheme, the liability of NCGTC in respect of Skill Loan granted to him/her by a bank under the Scheme shall be limited to the liability of the borrower to the bank as on the date on which the borrower becomes so ineligible, subject, however, to the limits on the liability of NCGTC fixed under this Scheme.

16. Returns and Inspections

- i. The Bank shall submit such statements and furnish such information as and when required by NCGTC in connection with Skill Loan under this Scheme.
- ii. The Bank shall also furnish to NCGTC all such documents, receipts, certificates and other writings as and when required by NCGTC and shall be deemed to have affirmed that the contents of such documents, receipts, certificates and other writings are true, provided that no claim shall be rejected and no liability shall attach to the Bank or any officer thereof for anything done in good faith.
- iii. NCGTC shall, insofar as it may be necessary for the purposes of the Scheme, have the right to inspect or call for copies of the books of account and other

records (including any book of instructions or manual or circulars covering general instructions regarding conduct of advances) of the Bank, and of any borrower from the Bank. Such inspection may be carried out through the officers of NCGTC or any other person appointed by NCGTC for the purpose of inspection. Every officer or other employee of the Bank or the borrower, who is in a position to do so, shall make available to the officers of NCGTC or the person appointed for the inspection as the case may be, the books of account and other records and information which are in his/her possession.

17. Conditions imposed under the Scheme to be binding on the Bank

- i. Any guarantee given by the Fund shall be governed by the provisions of the Scheme as if the same had been written in the documents evidencing such guarantee.
- ii. The Bank shall as far as possible ensure that the conditions of any contract relating to an account guaranteed under the Scheme are not in conflict with the provisions of the Scheme but notwithstanding any provision in any other document or contract, the Bank shall in relation to the Fund be bound by the conditions imposed under the Scheme.

18. Modifications and exemptions

- i. The Fund reserves to itself the right to modify, cancel or replace the Scheme, so that the rights or obligations arising out of, or accruing under a guarantee issued under the Scheme up to the date on which such modification, cancellation or replacement comes into effect, shall not be affected.
- ii. Notwithstanding anything herein contained, the Fund shall have a right to alter the terms and conditions of the Scheme in regard to an account in respect of which guarantee has not been issued / invoked as on the date of such alteration.
- iii. In the event of the Scheme being cancelled, no claim shall lie against the Fund in respect of facilities covered by the Scheme, unless the provisions contained in Clause (i) and (ii) of Para 12 of the Scheme are complied with by the Bank prior to the date on which the cancellation comes into force.

19. Interpretation

If any question arises in regard to the interpretation of any of the provisions of the Scheme or of any directions or instructions or clarifications given in connection therewith, the decision of the Fund shall be final.

20. Supplementary and general provisions

In respect of any matter not specifically provided for in this Scheme, the Fund may make such supplementary or additional provisions or issue such instructions or clarifications as may be necessary for the purpose of the Scheme.

The detailed guidelines relating to submission of New File, Continuity File, marking of guarantee as 'Closed', marking of guarantees as 'Lapsed guarantees', auto closure of 'Lapsed guarantees', releasing the Lapsed status and charging penal interest in case of delay is as under:

1. Application for issue of guarantee/ submission of New File under CGFSD

The MLI shall be allowed to avail the guarantee cover (apply for the Guarantee as well as make payment of Credit Guarantee Fee) for any eligible skill loan record disbursed during a quarter within one month of the quarter end/ i.e. guarantee cover in respect of skill development loans disbursed in the quarter April-June, July-September, October-December and January-March shall be availed prior to 31st July, 31st October, 31st January and 30th April respectively.

Please note that irrespective of the Date of application (New file), Credit Guarantee fee for an account would be charged for the entire quarter i.e. CG Fee shall be calculated from the quarter start date (start date of the quarter in which the guarantee application is submitted) to quarter end date (end date of the quarter in which the guarantee application is submitted.)

2. Application for renewal of Guarantee/submission of Continuity File under CGFSD:

- i. MLI shall submit the Continuity File for renewal of guarantees within one quarter of the guarantee end date. If a Guarantee is not renewed during the next quarter after the guarantee end date, then the Guarantee shall be marked as **Lapsed** on the next day of the quarter end. i.e. if a Guarantee is valid till say March 31, 2018, and if it is not renewed within June 30, 2018 then its status would be changed to "**Lapsed Guarantee**" on July 01, 2018.
- ii. Further, if such "**Lapsed Guarantee**" is not renewed within two quarters i.e. if a Guarantee is marked Lapsed on July 01, 2018 and it is not renewed in July to September quarter as also in October to December quarter, it would be marked: "Closed" in system on January 01, 2019.
- iii. Request for renewal of closed guarantees shall not be entertained by the Trust.
- iv. MLI may apply for renewal of Lapsed Guarantees. However, MLI would be charged Penalty for such renewals. The detailed process for such renewals is as under: -
 - a. MLI would request NCGTC for Release of Lapse.
 - b. NCGTC would release the Lapse status of the Guarantee.

- c. MLI can then apply for renewal of the Guarantee through a Continuity File.
- d. Please note that for such renewals following additional validations regarding NPA status of the account have been introduced in SURGE: NPA status has to be 'N' i.e. the account has to be Standard. NPA status as 'Y' shall be accepted if and only if the NPA status of the account on SURGE is already NPA. **Thus such renewals shall be permitted only for standard accounts or for NPA accounts which have been already reported as NPA in the previous Continuity File(s).**
- e. Penalty calculations for such renewals would be as under: -

When a loan account is submitted after Release Lapse, system would calculate the lapsed quarters and calculate the CG Fee for the lapsed quarters as well as current quarter. Then penalty at the rate of 4% above bank rate would be levied on the CG fee pertaining to lapsed quarters.

An illustration with respect to calculation of Penalty is furnished below: -

Loan Account (LA1) was submitted for new guarantee/renewal of guarantee in Jan to March quarter 2018. Thus guarantee for the account was valid till March 31, 2018. The account was not submitted for renewal in the April-June Quarter (2018) as also in July-Sept Quarter 2018 and is finally submitted after Release Lapse in October, 2018. In this case

No. of Lapsed quarters is 2 quarters (April-June Quarter, 2018 and July-Sep. Quarter, 2018)

CG fee would be calculated for the three quarters (April-June Quarter, 2018, July-Sept Quarter, 2018 and Oct-Dec Quarter 2018). Penalty @ 4% over and above bank rate would be charged on CG fee of two quarters.

3. Marking of Closed Accounts under CGFSD:

- i. We have introduced additional fields of Loan Closed (option Y/N) and Date of Loan Closure (dd/mm/yy format) to enable MLIs to report closed loan accounts under the Scheme.
- ii. Once an account is reported closed by the MLI, no further CG fee shall be charged on the loan account.
- iii. Also no request for refund of fee shall be entertained on account of closure of account (fee charged for the quarter in which the account gets closed shall not be refunded).

4. Further, it has been decided that January, 2017 onwards, at least one of the four KYC details is mandatory (PAN Card, Voter ID, Aadhar Number and Driving License) to implement the feature of de-duplication successfully.
