

December 27, 2005

The Chairman/ Managing Director
All Scheduled Commercial Banks
(Including RRBs & LABs)

Dear Sir,

One-Time Settlement Scheme for Small Borrowal Accounts and Eligibility for Fresh Loans

In order to offer small borrowers an opportunity to settle their NPA accounts with banks and become eligible for fresh finance, all scheduled commercial banks (including Regional Rural Banks and Local Area Banks) are advised to provide a simplified mechanism for one-time settlement of loans where the principal amount is equal to or less than Rs.25000/- and which have become doubtful and loss assets as on September 30, 2005.

2. In case of loans granted under government-sponsored schemes, banks may frame separate guidelines following a state-specific approach to be evolved by the SLBC.
3. The mechanism will not, however, cover cases of fraud and malfeasance.
4. The borrowers whose accounts are settled under this mechanism will be fully eligible for fresh loans.
5. Banks may devise an appropriate scheme/s and initiate measures to implement the same.
6. Please acknowledge receipt.

Yours faithfully,

(G.Srinivasan)
Chief General Manager