

Report Title

A Study to Evaluate the Problems Faced by Recovery Officers to Regularize Default Loan Accounts in National Housing Finance and Investments Limited.

By

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An internship report submitted to the BRAC Business School in partial fulfillment of the requirements for the degree of
Master in Business Administration (MBA)

BRAC Business School
BRAC University
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Declaration

It is hereby declared that

1. The internship report submitted is my original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain any material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I have acknowledged all main sources of help.

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Letter of Transmittal

Mr. Saif Hossain
Assistant Professor & Director (BBA Program),
BRAC Business School
BRAC University
66 Mohakhali, Dhaka-1212

Subject: Submission of the Internship Report

Dear Sir,

This is my pleasure to submit my internship paper as a part of my MBA program on the topic of “A Study to Evaluate the Problems Faced by Recovery Officers to Regularize Default Loan Accounts in National Housing Finance and Investments Limited” under your supervision. I am appointed as an Assistant Manager and got the opportunity to work with employees of National housing to conduct the study.

I have attempted my best to finish the report as per following guideline with the essential data and recommended proposition in a significant compact and comprehensive manner as possible.

Thank you in advance for your kind assistance. I enjoyed working on the report and hope that you will consider all my mistakes generously.

Sincerely yours,

Nafisa Tasnim Samantha
18164078
BRAC Business School
BRAC University

Date: March 24th, 2020

Non-Disclosure Agreement

This agreement is made and entered into by and between National Housing finance and Investments Limited and Nafisa Tasnim Samantha, a student at BRAC University.

- All the information provided by the employees will be treated as confidential by all the parties.
- Parties may not disclose any information obtained to the public domain.
- The company understand that the paper is only for academic submission for completion of the MBA program, BRAC University

Student Name: Nafisa Tasnim Samantha

Witnessed by:

Student Signature:

Signature:

Acknowledgement

The report has been completed by incorporating the knowledge that I have acquired from National Housing during my employment period of last 3 years, hard work, dedication, and significant amount of research necessary for the report. But it would have been incomplete without the support and guidance of our honorable faculty- Mr. Saif Hossain.

I am grateful to Almighty for providing me the opportunity, strength and ability to complete the paper on time.

Lastly, I am thankful to the employees of National Housing who has participated in the paper and provided necessary information which I have incorporated in my research. With the help of their participation, I was able to conduct essential interviews to complete my research.

Executive Summary

I have got a great opportunity to complete my internship paper on the problems faced by recovery officials of National Housing to recover the default loan accounts. As I am working at National Housing, Recovery Department for more than 2 years, I was able to incorporate my knowledge and experience into the paper. Along with my job responsibilities and contribution to the company, I was able to include the company's mission, vision and structure in the paper. For the in-depth analysis I have conducted an open interview with several employees who have provided different perspectives regarding the problems faced by the recovery department for regularizing default loan accounts. Along with security problems, there are other problems like- lack of understanding of loan, Follow-up the engineering directions, Role of the Guarantor, Shortage of communication method, Misbehavior, and violation of commitment, Local Pressure, Habitual defaulters, Lack of understanding of legal procedures, etc. for solving those problems, National Housing need to take effective initiatives so that they can be able to solve the problems and reduce the non-performing loans. I hope, this paper will provide a brief idea of the problems face by recovery officials to regularize the default loan accounts.

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Chapter 1

Overview of Internship/Job

1.1 Student Information:

I am Nafisa Tasnim Samantha, ID: 18164078 a student at BRAC University, Master in Business Administration (MBA). I have completed my major in Finance. I am currently working as an Assistant Manager in a financial institution. I have started my career as a Management Trainee Officer in 2017.

1.2 Job Information:

1.2.1 Company Information:

For more than two years, I am working at National Housing Finance and Investments Limited in the Special Asset Management (SAM)/ Recovery & Collection Department. My office is the corporate head office located at National Plaza, 7th& 8th floor, 109 Bir Uttam C. R. Datta Road, Dhaka 1205.

1.2.2 Supervisor Information:

I work under the supervision of the Head of Recovery- Mr. Md. Anower Hossain (Manager). In 2017, I joined the recovery department under the supervision of Mr. Nazul Islam (Vice President). After he was transferred to be the Head of Motijheel Branch in July 2018, Mr. Md. Anower Hossain joined the recovery department as the Head. I am working under his supervision for almost 2 years.

1.2.3 Job Responsibilities:

Since I was recruited as a Management Trainee Officer (MTO) in the year 2017. As per my recruitment condition, I was promoted as an Assistant Manager after completing one year. As an MTO, I was assigned to various departments to learn and understand the basic duties of each employee. After 3 months of various on the job training and working under different departments' like- Accounts, Operations, Marketing etc., I am currently assigned

to Special Asset Management/ Recovery & Collection Department under Mr. Md. Anower Hossain, my current supervisor. My basic responsibility is to develop and maintain the MIS (Management Information System) for recovery. Along with maintaining the MIS for Recovery, my other responsibilities are given below-

1. Monitoring the default clients by assigning each client to Call Center or field officials based on their overdue status and previous payment behavior.
2. Evaluating the monthly performance of Call Center employees as well as the field officials based on the overdue collection.
3. Daily monitoring of field officials by taking feedback on each visit.
4. Discussing the critical defaulters with the Head of Recovery and convey the message to the field officials.
5. Preparing the daily call report for each call center employee. (Duration, Number of calls, etc.)
6. Preparing the assigned client list for each field officials and call center employees per month.
7. Writing the meeting minutes of the monthly Recovery Meeting and monthly SST (Strong Supervisor Team) Meeting. Also, to ensure that all the agendas (minute) are being completed as per the instruction of management.
8. Preparing the monthly performance report for each branch (total 6 branches).
9. Follow-up the recovery of branches located outside Dhaka- Bogura branch, Rangpur Branch, Chattogram Branch, etc. over phone and mail.
10. Preparing the legal memo for initiating N.I. Act or Artha Rin Case.
11. Preparing the Final Notice to defaulters providing 7 days to pay all overdue.
12. Preparing a waiver memo considering the management decision regarding the client's request.
13. Preparing Restructure and Reschedule memo based on management decision regarding the client's request. In case of rescheduling, the account has to be classified as bad/loss, Doubtful or Sub-standard and as per the instruction of Bangladesh Bank a certain amount has to be deposited as a down payment to avail the facility of rescheduling.

14. Preparing the memo for commissioning our recovery agents. (3rd Party)
15. Preparing the lunch bill of field officials for each month.
16. Analyzing the defaulters and their payment behavior monthly.
17. Preparing the top ten borrowers and defaulters list and place it to higher management each month with updates of recovery status and legal status.
18. Follow-up of the client's letter regarding interest rate, late payments, security update, etc.
19. Active participation in the implementation of our new software to fulfill the need of the recovery department. (Report format, Additional Information, Client letter format, etc.)
20. Handling defaulters in the absence of Head of Recovery by face to face meeting or over the phone.

These are some of my current responsibilities. I also perform any duty assigned to me by the management or Head of Recovery.

1.3 Job Outcomes:

1.3.1 Contribution to Company:

After joining in the Recovery Department, my first contribution was to develop a database for recovery. In the year 2019, National Housing Finance and Investment Limited acquired new software for all activities. In the last two years, they focused on developing data for accuracy and better customer service. It was more or less difficult to incorporate the recovery database in the software as the client payment status is a variable and depends on the payment status, we need to assign a different recovery action plan. To make the recovery more efficient, I along with my department head developed data where all the months overdue status (June 2018 to continue) was incorporated. In the data, we also added basic information of the client like- present address, financed address, permanent address, Mobile No., etc. in one excel sheet. Along with that information, we also added the call center representative and field officer name for each account. In this, we were not only able to evaluate the performance of the officers and call center employees but also were able to analyze the payment pattern of each borrower. With the help of Recovery Head- Mr. Md. Anower Hossain, we were successful to create the database. I am still incorporating other necessary information for the recovery department in the data like- the Relationship Manager Information, Source of the loan information, etc. for each account. For recovery, the data was necessary as we deal with several defaulters and it is time-consuming to study each loan file. It is also mentionable that for identifying potential defaulters, the data is working very efficiently. We can easily sort out series overdue accounts and take necessary actions before the account classification.

The call center of National Housing started their journey as a part of the recovery department and the recovery officials (alongside their other responsibilities) called the client to recover the overdue installments. In 2017, two call center employees were hired and their job responsibility was to follow-up the clients over the phone. They were using the landline to make the calls which were a little time-consuming. Last year our management put more emphasis on the development of the call center for recovery. Mr. Mahbubur Rashid Al-Amin (VP & Head of principal Branch), gave me the responsibility to set up a facility for call center so that they can make the calls from their computer rather than a landline. In other words, it was decided by the management to set up an IP connection with windows dealer for the call center employees. It was also decided to provide them noise-canceling headsets for this purpose. I, along with Mr. Masum (Officer, Department of IT), evaluated many IP provider

companies and headset sellers. As we were setting a smaller call center with 5 to 10 employees (for the time being), it was difficult to find a suitable call center solution from the vendors. After many meetings with different vendors, we were able to set up the IP network for a call center with good quality headsets. With this the new setup, I was able to acquire necessary information like, each employee call duration, number of calls, number of active calls, etc. A daily report is generated from the system so that we can monitor the employees. In this system, we can also get the recording of the calls for any uneventful circumstance. Alongside my other job responsibilities, I work under the supervision of Mr. Mahbubur Rashid Al Amin (VP & Head of Principal Branch), to establish the call center for the Recovery Department.

As I have already mentioned that the company acquires new software which started running from 2019, I actively participated to incorporate necessary statement from the software to fulfill the need of Recovery Department. With the help of my department head, we developed different structured letters, statements, etc. for the defaulters. Those are some of my contributions to National Housing altogether with all my other job responsibilities.

1.3.2 Benefits to the student:

As a Master's student, working at National Housing as an assistant manager provided me real-world experience for my future. It is beneficial for me as I can apply my theoretical knowledge at my workplace. On the other hand, I was also able to include my experience of work in my different subjects of the MBA program.

1.3.3 Difficulties:

Studying and having a full-time job is not an easy job. I had to multitask and organize my time effectively and efficiently to satisfy my professional and academic needs. As my organization was very supportive of my studies, I did not face any form of difficulties during these 2 years.

1.3.4 Recommendations:

I would like to suggest National Housing to hire more fresh graduates. Fresh graduates can bring out of the box ideas for innovative product line or marketing strategies.

Chapter 2:

Organization Part: Overview, Operations and a Strategic Audit

2.1 Introduction:

Bangladesh banking sector is consisting of several types of institutions among which Non-bank financial institutions (NBFIs) is one of them. Alongside the banks, non-banking financial institutions plays a major role in our economy as they provide additional financial services. They are able to provide easy and speedy service necessary for some industries like-real estate. Currently, there are 34 NBFIs are operating in Bangladesh. National Housing Finance and Investments Limited is one of the Non- Banking financial institutions operating in Bangladesh since 1998. It obtained a license from Bangladesh Bank under Financial Institution Act, 1993.

The main mission of the company is to provide equal housing facility to all lenders without discriminating against caste, creed or sex. They also want to innovate product with good quality and service to satisfy the need of different lenders. Alongside satisfying the need of lenders, they are willing to provide an outstanding career opportunity to their employees. Lastly, by quality investment they want to provide maximum return on shareholders' equity.

On the other hand, the company practices some core values to uphold the mission of the company. One of the main core values of the company is to be a part of national growth and prosperity by protecting the national interest. The company also practice the social corporate responsibilities to uphold the company's transparency and integrity. They are keeping the pace of innovative ideas not only for product or system but also for management decision making process. Lastly, one of the core values of the company is to make leads rather than typical managers to encourage outstanding career development.

By fulfilling the core missions of the company, they want to is to satisfy not only the customers but also the employees and shareholders which is the main objective of the company.

In this way, the company is operating in Bangladesh for the last 22 years with their core values, mission and objective to make the company profitable and well-known for their good quality of service and product.

2.2 Overview of the Company:

National Housing Finance and Investments Limited is a financial company operating in Bangladesh. There are various types of products offered by National Housing like- Home Mortgage Loan, Project Mortgage Loan, Lease Finance, SME Finance and Different deposit Schemes with attractive returns. Currently, the company has 9 branches all over Bangladesh. The branches are located at- Gulshan, Kawran Bazar, Motijheel, Gazipur, Bogura, Chattogram, Rangpur, Feni, Rajshahi, etc. There are three categories of higher management in National Housing. They are- Chairperson, Board of directors and Executive Committee. Currently the chairperson of the company is Mr. Latifur Rahman who is also the Chairperson of various companies under Transcom Group. Along with eight directors, there are two independent directors in the company. The managing director of the company is Mr. Khalilur Rahman. Currently, the company has more than 150 employees all over Bangladesh.

The total portfolio of the company is around Tk.12,495.86 million in which 89% of around Tk.11,088.65 million is in Housing Finance. Only the rest 11% is in Lease/Term loan & SME Finance. (Annual Report 2018).

There are 15 different departments like- Marketing, ICC, Recovery, Lease finance, Housing Finance, Legal, Engineering, HR, SME, IT, etc. working under National Housing. The shareholding structure includes- Banks, Insurance Companies, Local Business & General Shareholders.

2.3 Management and Marketing Practice:

The company practices performance management to evaluate the employees quarterly to improve the quality of service. The performance-based rewards can be helpful to the management for establishing a fair work environment in the company. On the other hand, the marketing department of the company practices different methods like- advertisement, billboards, field officers, social media, etc. to approach potential clients.

2.4 Financial Performance:

The financial performance of the company is growing over the years. The net operating income of 2014 was around Tk.436 million which was increased to Tk.648.22 million in 2018. In addition to the operating income, the total loan portfolio doubled from Tk.5,567.60 million to Tk.12,492.86 million from 2014 to 2018. On the other hand, the Non-performing loan (NPL) rate decreased from 5.71% in 2014 to 4.21% in 2018 which also indicates a good financial performance for the company. With a growing portfolio and a decreased rate of NPL, the company is performing well in the market.

2.5 Information System Practices:

National Housing Finance and Investments Limited purchased new software in the year 2018. After data conversion, the new software ESS started its journey in January of 2019. This software is dedicated to financial/account-related supports. They have also acquired software that is still in process for managing the vast information of the clients. In recent years, the company has devoted more focus on developing the information system for accuracy and better client service.

2.6 Industry and Competitive Analysis (SWOT Analysis):

As the housing sector of a country is known as “the engine of domestic growth”, there are many banks and financial institutions operating in Bangladesh in this sector. In spite of non-banking financial institutions (NBFIs) dedicated to housing finance, there are many banks providing house loans to the customers. In Bangladesh, there are two private sector specialized house finance companies - National Housing and DBH and only state-owned housing finance company -House Building Finance Corporation. From 2016 to 2017, Tk.660,200 million was financed by the financial sector in housing finance, among which only 19.79% around Tk.130,600 million was financed by NBFIs. Though, the percentage is very low, but it has been increased by almost 3% over the last 5 years. Other NBFIs are also giving much emphasis on home loans considering the development of the real estate business in Bangladesh. National Housing is not only competing with the NBFIs but also with the banks that are providing home loans. As the company is specialized in home finance, it has gained recognition in the market, which plays as a strength for the company. On the other hand, a huge weakness of the company is that banks can provide a lower rate of interest. To complete the bank’s interest rate, National housing has to provide better service to the clients to satisfy their needs. Despite this weakness, NBFIs have a higher single borrower limit than banks for loans which creates an opportunity for expanding the portfolio for National Housing. Lastly, the biggest threat of any housing finance company is the increasing NPL rate of the overall industry. This is also a treat for National Housing as their NPL is much more than DBH.

2.7 Summary and Conclusion:

National Housing has the potential to achieve more success in the housing finance industry with the growing trend of the loan portfolio and income. Currently, the company is performing well and investing in the development of software and other important assets (new branches).

Chapter- 3

Project Part

A Study to Evaluate the Problems Faced by Recovery Officers to Regularize Default Loan Accounts in National Housing Finance and Investments Limited.

3.1 Introduction:

Regularizing the default loan accounts is an important activity for any financial institution. Non-performing loan plays an important role in the performance of any financial institutions. As the financial institutions are providing loans to the clients, they are expecting the monthly payment from the loan borrower as per the loan schedule. When a borrower misses his payment over and over, it may become classified as Non-performing loans. There are some categories of loans for a home mortgage based on the sanctioned tenure. According to Bangladesh Bank for long-term loans, there are five categories- Standard (Overdue 1 to 8), Special Mentioned Account (Overdue 9 to 17), Sub-Standard (Overdue 18 to 23), Doubtful (Overdue 24 to 33) & Bad/loss (overdue 34 plus). Only Sub-standard, Doubtful and Bad/loss is considered as non-performing loans. Despite this, it is important to regularize all defaulters before they can classify as NPL accounts.

In National Housing, there is a dedicated department working for regularizing the default accounts named Special Asset Management/ Recovery & Collection. They practice several methods to regularize a default account like- regular phone follow-up, letter, physical visit, signboard, third party, legal notice, N.I. Act case, Artha Rin Case, Auction, etc. In the process of recovering the overdue amount to regularize the accounts they face several problems because of which it affects the income of National Housing as they have specific provision rates according to the overdue status of the accounts.

In this report, we will evaluate the problems faced by the recovery officials to regularize the default loan accounts in dept to understand the real scenario by studying National Housing Finance and Investments Limited.

For the study, the main objective is to gather information regarding all the relative factors which may have an impact on the default behavior like- security of the loan or assessment of the borrower, etc. Another objective is to evaluate the steps taken for the recovery of the default loan accounts and the officials' feedback regarding those steps. Lastly, the legal procure of the default accounts will be evaluated to identify the legal gaps for regularizing the accounts.

In this way, with this study we to find out the problems faced during the regularization of default loan accounts by the recovery officials.

3.2 Methodology:

To achieve the objectives of the study we need to collect information from few employees by carrying out open interviews in National Housing, as they can provide detailed information on the problems and source of the problems.

First of all, to understand the general problems caused by a lack of security and an inaccurate estimation of the price of the mortgaged property, I interviewed Mr. Md. Anower Hossain, Head of SAM/Recovery.

After that I have also interviewed Mr. Mahbubur Rashid Al Amin (VP & Head of Principle Branch) along with two Relationship Manager of that Branch to understand the tricky aspect of borrower analysis for which they were unable to evaluate a defaulter's trace before approval of the loan.

Besides, I have conducted a group interview with a ten field-official of SAM Department to understand the field related problems of regularizing default accounts. As they physically visit the clients, they have also provided information on the defaulters and reason behind defaulting in some specific cases.

Before arranging a physical visit, the clients are follow-up by the call center employees; they inform the clients regarding monthly installments as well as over-dues. To evaluate the problems of regularizing the default accounts, I have conducted a group interview with the 3 call center employees where they have included some real-life cases of defaulters for the better understanding of the problems.

On the other hand, when the call center and field officials fail to regularize the account, the legal procedure needs to be initiated against the loan account for regularizing. The legal department under Special Assets Management (SAM) Department also faces difficulties to regularize the defaulters due to various reasons. To include those problems in the study, I have also interviewed with Mr. Alimul Islam (Head of Legal).

Lastly, as I have been working in the recovery department of National Housing for more than 2 years, I have included my knowledge and experience in this study.

3.3 Finding and Analysis:

In this paper, to evaluate the problems faced by recovery officials to regularize default loan accounts in National Housing by conducting all the necessary interviews, I have gathered some information regarding the problems.

As a default loan accounts are handled differently base on the number of overdue in National Housing, firstly, we need to understand the categories. Currently, the accounts having zero to four over-dues are assign to call center for recovery. It is mentionable that sometimes if a client is not cooperating with the call center employee or not upholding his commitment of payment several times than the account may be assigned for physical visit based on the decision of Recovery Head/ Management. For the client having more than four over-dues are assigned to field visit officials for recovery. Basically, they provide special emphasis on the accounts classified as Special Mentioned Account (SMA). It's an important step of recovery as the provision percentage is higher for those accounts and National Housing cannot add income from those accounts. The goals for the field officials are to regularize the SMA accounts which have a direct connection to the income of the company and prevent the accounts to go into the next status which is sub-standard (SS) account. The prevention is a necessary step for recovery as Sub-standard (SS) is the first step of Non-performing loan. As we have already mentioned that Non-performing loans are the loans classified as Sub-standard (SS), Doubtful (DF) and Bad/loss (BL). Those accounts are handled by not only the field visit officials but also the legal department. For the recovery of Non-performing loan accounts, National housing take legal steps like N.I. Act case, Artha Rin case, etc. Along with the call center, recovery field officials and legal department, the Management plays an important role in the recovery procedure by providing a specific guideline for a specific problem regarding each account. In some cases, third parties are assigned to recover the loan liabilities.

In the process of regularizing default loan accounts, recovery officials face various obstacles which are discussed below-

1. Tri-party Agreement (TPA) as Security of the Loan:

National Housing only provides loans with mortgages as security for the loan. It is easier for the land and self-constriction facilities as the process can be finished before disbursement of

the loan. But for apartment purchase National Housing provide loan based on the tri-party agreement (TPA) with the client and developer. In that situation, National Housing only obtains the original title deed not the mortgage power. In that situation, if the client defaults, it becomes harder to recover the loan as the security status is poor as they cannot file Artha Rin suit against the client to auction the property to adjust the loan liability. To strength the recovery the mortgage of the security need to be completed before the disbursement of the loan. In this regard, from 2018 National Housing reduce the number of TPA as loan security.

2. Mortgage Status Verification:

Another problem regarding security of the loan is the mortgage status. Unfortunately, in some cases, the property was mortgage before by another financial institution. In that situation, the first mortgagee has the power to auction the property and adjust the loan liability and the remaining amount will be given to the second mortgagee. For example, one financed property of National Housing was mortgage to 3 financial institutions and all of the loans were classified as Non-performing loan. As, National Housing is the 2nd mortgagee of the property, they were unable to initiate the auction procedure to adjust the liability. This is a recovery problem not only for National Housing But other organization as well.

3. Lack of Understanding:

One of the major problems faces by the recover officials is that many of the borrowers have very less understanding of loans. As education qualification is not considered as a factor for loan sanction in National Housing, there are many uneducated clients. For recovery, it becomes an obstacle as they lack to understand the penalties regarding delay payments. On the other hand, they take recovery and legal procedure reluctantly. They refuse to pay their monthly installments and in some cases only want to pay the principal amount, without the interest. For example, a client stated that the disbursement amount is paid so loan repayment is completed. But in reality, the loan is the combination of the principal amount (Disburse Amount) and the interest payment. Without the interest payment, the loan repayment will not be completed.

This lack of understanding becomes a great problem for recovery officials. The clients refuse to pay the rest of the amount after payment a specific amount. On the other hand, they also ignore the penalties and keep making over-dues.

4. Follow-up the Engineering Directions:

For self-construction, the clients are given specific directions by the engineering department so that they can match their expected rental to pay the monthly installments. Regardless, the clients go not follow-up the directions and, in most cases, fall to generate the expected rental on time. The clients claim that they have given not sufficient amount to complete the project and that's the reason for their defaulting which is not true.

This is another problem for the recovery as they cannot recover the default amount as the client is not earning sufficiently to pay the installments. For example- one client was unable to generate the expected rental to pay the installments as he invested the money for another floor which was assigned for lift facility. These minor details can create a huge problem for the clients as well as recovery officials. Clients have to understand the engineering report so that they can earn their expected rental and pay the installments on time. For regularizing those accounts, recovery officials have no other option to initiate legal procedures as they are not intentional defaulters.

5. Role of the Guarantor:

A guarantor is another form of security for loans. If the borrower/s falls to pay the loan liability, it will become the guarantor's responsibility to pay the loan liability. In some cases the guarantors do not understand their role in the loan. They deny their guarantee and do not pay when the client defaults.

For recovery officials, it becomes a problem when the guarantor does not cooperate and denies his/her role in the loan. Recently, for one specific account, Recovery Head pursues the guarantor to pay the loan liability as the account was classified as Doubtful and the borrowers become traceless. Even though the guarantor was a banker, she denied her role and responsibilities toward the loan. In the end, a legal notice was served and the Artha Rin case was filed against the borrowers as well as guarantor.

6. Shortage of Communication Method:

Another problem for regularizing the default accounts is that National Housing needs to incorporate other communication methods like SMS and mail to inform the client regarding their present status. Currently, the clients are informed by the letter, call center employees and field officials regarding their present status. With those methods, due to a lack of proper addresses or phone numbers, some clients are not getting their status in the beginning. When the account is assigned to the field officials after 4 over-dues, it becomes more difficult to regularize the account.

This information gap between National Housing and the clients become a problem for recovery. For example- a client refused to pay the late interest as he was not informed that his cheque was dishonored. As recovery officials face this sort of problem regularly, National Housing has taken the initiative to incorporate the SMS system within April 2020.

7. Misbehavior and Violation of Commitment:

Sometimes, the clients' misbehavior with the recovery officials especially on the field visits. They deny meeting with the officials and make fall commitments of payment. Field officials have to trace the clients not only to their financed property but also to the present address and office address for meetings. To not meet the officials, the client's behavior very aggressively and make falls promises. This is another problem for recovery as the falls commitments waste a lot of time and slow the recovery procedures.

8. Local Pressure:

Another problem for recovery officials to regularizing default accounts is the local pressure regarding the field visit and signboard hanging. Sometimes, the local people create obstacles by getting into the middle of the recovery procedure like hanging signboard. For example- in one case the Apartment Association was against the recovery officials to hang a signboard for the specific flats in the building. They also deny access to the potential buyers to look at the flat which creates a huge problem for the recovery.

9. Habitual Defaulters:

There are some intentional defaulters in National Housing. They are habituated to pay 4-5 dues at a time. They do not make any payment for several months until the account has more than 8 over-dues and classified as a Special Mentioned Account (SMA). After clearing all the over-dues, they do not continue the payment regularly as they are habituated. In the past, National Housing did not give much importance to the recovery of Standard (STD) account and the late interest was waived which encourage those defaulters.

Now, it became a major problem of recovery officials to regularize those accounts as the recovery procedures have changed.

10. Legal Procedures:

Another problem for the recovery officials is that the clients do not take the legal procedures seriously. For example, after receiving the legal notice mentioning that we will take legal action, the clients do not come forward. They think that the legal process will take time and they can take advantage of the situation. For example, after the publication of an auction notice in the paper and completion of the auction process, the client denied giving up the possession of the financed property. This kind of behavior also generates difficulties for the recovery officials.

3.4 Recommendations:

Regularizing a defaulted loan accounts is the main purpose of the recovery/SAM department of National Housing. To do their job, they have to face any kind of difficulties that are associated with the client's behavior, the security of the loan, client follow-up, etc. Some of those problems can be mitigated with some effective initiatives in the organization like-

- A process should be incorporated to verify that National Housing the only mortgagee of the property so secure the loan.
- Mortgage process needs to be complete before disbursement of the loan amount so secure the loan account.
- The Relationship Managers who processes the loan files need to make the clients understand all the loan terms and condition before sanctioning the loans. They also need to sit with not only the applicants but also the guarantors of the loans to make them understand their responsibility toward the loan.
- Engineering department should also sit with the clients to make them understand the purpose of the amount in a different stage of the building process. After every stage is complete the engineering departments should follow-up on the status of the progress and report it to the operations.
- SMS system will be incorporated within April 2020 (expected) but National Housing should also incorporate follow-up by e-mail as some of the loan holders are NRBs.
- National Housing should separate the new accounts and practice different recovery methods so that none of them become habitual or intentional defaulters.

In this way, National Housing can solve the problems faced by recovery officials, to regularize default loan accounts.

3.5 Conclusion:

Being a reputed and well-known financial institution in Bangladesh, National Housing has improved its Recovery procedure in many ways. Despite that, The NPL rate is still very high which has become a major obstacle for the organization. Now, for reducing the NPL rate, National Housing needs to take more effective measures to solve the problem faced by the recovery officials to regularize default loan accounts. They need to evaluate the source of the problems and take necessary actions. For solving the recovery problems, they need to strengthen the Credit Risk and Operation Department. In the paper, I have tried my level best to find out and analyze the problems and prove some recommendations. National Housing has the potential to overcome the problems and reduce their NPL rate.

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