## 20 One-Liners to Remember

Quick-fire facts for last-minute revision.

1. **Collateral is the asset a bank holds to fall back on if a borrower defaults on a loan.**
   It converts an unsecured repayment promise into a recoverable asset for the lending bank.

2. **The seven classic collateral types covered in JAIIB PPB are goods, gold, documents of title, life insurance, land and buildings, time deposits, and shares.**
   Each of these carries a distinct charge type and risk profile tested in the exam.

3. **Primary security is the asset directly created out of the loan, such as stock financed by a cash credit.**
   This is distinct from collateral security, which is an additional asset pledged to back the loan.

4. **When possession of goods is transferred to the banker, a pledge is created.**
   This is contrasted with hypothecation, where possession stays with the borrower.

5. **When possession of goods stays with the borrower, the charge created is hypothecation.**
   Hypothecation lets the borrower retain and use the goods while the bank holds a charge over them.

6 **Gold is described as popular collateral because it is liquid, easy to value, and simple to store.**
These qualities make gold loans one of the lowest-risk securities a banker can hold.

7 **A document of title to goods is defined under Section 2 of the Sale of Goods Act as proof of possession or control of goods.**
Common examples include a bill of lading, a railway receipt, and a warehouse receipt.

8 **The charge created on a life insurance policy used as collateral is an assignment in the bank's favour.**
The bank lends against the policy's surrender value once assigned.

9 **Children's policies and policies with nominations under Section 6 of the Married Women's Property Act are generally not acceptable as security.**
Proceeds under such policies are protected for specific beneficiaries, so the bank cannot freely realise their value.

10 **The charge created over land and buildings taken as collateral is a mortgage.**
Immovable property is strong security but is not self-liquidating in nature.

11 **Recovery of dues secured by land and buildings can be pursued in a civil court or before the Debt Recovery Tribunal.**

This legal route is followed when a bank must sell mortgaged property to recover outstanding dues.

12 **A loan against a fixed or time deposit is described as among the safest advances a bank can make.**

This is safest when the borrower holds the term deposit with the same lending bank.

13 **The charge created on a time deposit taken as collateral is a lien, with the deposit lien-marked in favour of the bank.**

On default, the bank can set off the deposit against the outstanding dues with minimal risk.

14 **Advances against shares are governed by Sections 19(2), 19(3), and 20(1)(a) of the Banking Regulation Act, 1949.**

These sections set out the legal framework banks must follow for share-backed advances.

15 **No advance should be granted against partially paid-up shares.**

This is one of the RBI-aligned guidelines banks must follow for share advances.

16 **Banks generally accept shares held in dematerialised form, with the charge created by pledge of the demat securities.**
This is the standard modern method for creating security over listed shares.

17 **Confusing pledge and hypothecation is listed as a common mistake among JAIIB PPB candidates.**
Possession transferred means pledge, while possession retained by the borrower means hypothecation.

18 **Gold loan tenure is described as typically ranging from 3 months to 36 months.**
Repayment options for gold loans can include regular EMI or interest-only structures before principal repayment.

19 **Investigating ownership rights through a clear title search is a key consideration when taking land and buildings as collateral.**
A defective title can make even a high-value property worthless as security.

20 **There is a real possibility of fraud, forgery, and alteration when documents of title to goods are used as security.**
A banker must verify such documents are genuine and unencumbered before lending against them.

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