

KANAKADURGA FINANCE LIMITED

Lending Policy

Introduction

The purpose and importance of having a written credit and operational manual is to create a standardized policy and process for lending and to reduce bias and subjectivity in the credit decisions being made.

- assist the managers and field staff to perform their duties efficiently and effectively
- crucial for successful branch functioning. to ensure continuity in the department in the event that key personnel leave the credit department.
- helps ensure consistent credit decisions - meaning that all customers will be treated fairly.
- Can be used as a training tool.
- Provides details description of all stages of the lending process

Fair Practice Code (detail):

(i) Applications for loans and their processing

a) Loan application forms will include necessary information which affects the interest of the borrower, so that informed decision can be taken by the borrower. The loan application form will indicate the documents required to be submitted with the application form.

b) Acknowledgement receipt will be provided against receipt of all loan applications to the borrower and receipt provided will clearly indicate the time frame of disposal.

(ii) Loan appraisal and terms/conditions

a) Borrower will be informed in writing about the loan amount sanctioned along with the terms and condition including the annualized rate of interest. Copy of acceptance of terms and conditions will be kept as record.

b) There will be no penal interest charged for late repayment

(iii) Disbursement of loans including changes in terms and conditions

a) Borrowers will be duly informed in vernacular language or a language as understood by the borrower in any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc.

b) Decision to recall / accelerate payment or performance under the agreement will be in consonance with the loan agreement.

c) Loan provided to the borrower will be without collateral

Spirit Lending policy

- Choose the right customer.
- Choose the right Vehicle
- Capturing the correct purchase price.
- Offer right LTV
- Correct understanding of customer repayment ability.
- Making the payment to the right party.

If we ensure the above correctly, we can ensure it's a profitable business opportunity both to the customer & company.

Capturing the correct purchase price

Any buying & selling transaction finding out the correct purchase price is very important . It has to be proved by the following.

- Purchase agreement.
- Margin money receipt(any recorded transaction

Correct understanding of customer repayment ability (Viability)

The BM should visit the customer and understand the following.

- Customer experience in relevant field.
- Customer capability of maintaining and running the vehicle.
- Proposed Usage of the vehicle and ensure he is buying the right vehicle for the usage.
- Identify and record where vehicle will run.
- Potential monthly Earnings & expenses to be captured in the viability sheet.
- Annual vehicle maintenance expenditure.
- Net earnings should be three times the EMI in the viability sheet

Credit Policy

- Repeat Buyer With GOOD Track record (ETR/GTR) , In house Guarantor accepted
- Own House /Any PROPERTY Proof either for customer/Co App or Guarantor.
- If Customer is Govt Employee own house deviation can be considered , provided net
- Salary is minimum 2 times on the EMI.
- Existing Customer Funding for Non Grid Vehicles will be consider on case to case basis.
- Avoid out of state vehicles.
- Maximum Age of the Vehicles :
- SCV(Ace(8 Years) Dost(6 Years) Mahindra product (10 years)
- LCV & HCV Maximum of 12 Years

Category of customers

- FTU/FTB/Repeat Buyer/Captive Customer
- RB (If Rc is in the Customer Name with finance Endorsement then Track Mandatory Otherwise
- Track is not Required but Rc copy on his name is required)
- Captive customer (GST OR Any Business proof mandatory)
- Existing customer (customer with a average dpd of 30 days and peak dpd of 60 days for atleast an year with KFL)
- Usage of the vehicle needs to be captured

Relations accepted in Repeat buyers

Husband, Wife, Son, Father, Mother

FI initiation procedure

- For Customer ,Guarantor ,Co-applicant FI has to be initiated after CIBIL approval is received.
- At the present (residing address) with necessary address proofs for the same location.
- The address proofs preferably gas bill else the following will suffice- Any private / public bills or \ bank pass book or rental agreement
- Permanent address is to be verified if the applicant is owner of the Property in permanent address.
- Information of FI has to be share to Customer ,Guarantor ,Co-applicant before initiating FI.

- Re initiation of the FI has to be approved by HO Credit Manager/AM/RM/GM.

EMI DATES

- EMI dates should be of 5, 10, 15, and 20 only
- Gap days interest amount will be deducted in the disbursement
- Signed Declaration(PDF format) for the same should be collected from the customer
- NACH is mandatory for all the cases .

- SCV-LTV & Tenure

	Vehicle Ageing		
	A GRADE	B GRADE	
Customer Type	LTV	LTV	DL
FTU Only SCV	80%	65%	LLR -Mandatory
FTB	85%	70%	Relevant DL Minimum 1Year old
RPB without track	90%	75%	minimum one year ownership
RPB with track	95%	80%	

SCV	
Vintage of Vehicle	Tenure
2020-2018	4 Years
2017-2015	3 Years
2014-2011	2 Years

LCV LTV - Revised		
	Vehicle Ageing	
	A GRADE	B GRADE

Customer Type	Up to LTV	Up to LTV	DL
FTB	85%	70%	Relevant DL Minimum 1Year old
RPB without track	90%	75%	minimum one year ownership
RPB with track	95%	80%	

M& HCV LTV - Revised		
	Vehicle Ageing	
Customer Type	Up to LTV	DL
RPB without track without moratorium(Rc copy Mandatory)	75%	Minimum one year ownership
RPB with track without moratorium with track	85%	
FTU & FTB Customers Not allowed		

HCV	
Vintage of Vehicle	Tenure
2020-2018	5 years
2017-2015	4 Years
2014-2011	3 Years
2010-2009	2 Years

Particulars	LCV &HCV
Max Ticket Size	20 Lakhs

Documents Required for Approval (PDD)

- CIBIL report.
- Vehicle Original RC/Xerox RC.
- Comprehensive Insurance.
- Purchase agreement.
- CAM Report (*to be Filled with Complete details*).
- Viability Sheet.
- Vehicle Photographs.
- FI Reports.(If above 4 lakhs File's Area Manager Fi mandatory)
- Security cheques
- Residence and Business(if applicable) Photographs.
- (BM should accompany the customer)

Settlement to Financier

- Release settlement amount to the financier after receiving proper settlement letter.
- If settlement is more than the finance amount then balance amount has to be collected before release of our finance amount.
- Balance amount will be released after hypothecation.

Portfolio Management

- NACH Case Mandatory for all cases
- First 6 Months EMI is responsibility of Manager & Executive.
- No Moratorium is applicable for this business

Risk Management

3.1. Auditor should be advised to comment on the status of compliance of KYC norms/policies and their observations shall be placed before Audit Committee on regular basis

3.2. The staff may be adequately trained on ongoing basis in KYC procedures. KYC Policy to be covered as an essential part of all the training programmes. Personal information collected from the members for complying KYC norms should not be used for cross selling of other products. Such information should not be supplied to outside agencies as it would amount to breach of customer confidentiality obligations. Branches should adhere to this stipulation very strictly.

Group Meeting and Collection

The organisation will have separate team for collection of repayment in group meetings. It is important to understand that no organisation likes non-performing assets, or overdues or bad debts in their balance sheet. If the debt is unpaid for a month, the collection team shall be responsible for sending reminders or call the customer for recovery. [Details mentioned in Delinquency Management ...]. The collection team have 100% target to achieve and shall have incentives linked to the number and volume of collection. However the collection team at all times to follow the Code of Conduct.

Quality Control and Monitoring

The organisation is exposed to risks that are inherent to the lending business and the environment within which it operates. The organisation has a Risk Management Department and its goal in risk management is to ensure that its team as well as the Audit and Monitoring team understand, measures and monitors the various risk that arise and that the organisation adheres strictly to the policies and procedures which are established to address the risks. The Head of this vertical shall report to the MD or the Head which is independent from the organisation business units. The Head of Risk coordinates with representatives of the business units to implement the risk methodologies.

All vertical shall be headed by Vertical Head whereas the first two vertical will be reporting to MD and third vertical will be reporting to COO.