

Underwriting Guidelines

Two Wheeler Loan

Definition of Two Wheeler Loan

For the purpose of these underwriting guidelines, Two wheeler loans are defined as loans that are made based on following criteria:

1. As loans that are provided
 - (a) For the purpose of purchase of new motorised two wheeler
2. Total tenor should be between one year to three years
3. Are repayable in weekly/ fortnightly or monthly instalments

Eligibility Criteria

Criteria	Standard
Operations and Management	The head of Operations must have at least five years of experience of having processed loan proposals for Two Wheeler loans
	Adequate training must be provided to the Business/Sales team staff as well as to the Back Office Operations team staff
	<p>Customer point verification: The company staff must physically verify each client's details by visiting their home, supported by interviews with family members and neighbours. They must verify and collect the following information</p> <ul style="list-style-type: none"> • Name and address • Occupation • KYC documents provided. <p>In case of salaried customers, verification at the employer location should be done either in person or through a call</p>
	The Originator should have a strong back office tele-calling team for verifying the details of the customer pre disbursement.
	<p>Pre disbursement documentation: the originator should collect a receipt of Margin money paid to the dealer and a copy of the insurance policy.</p> <ul style="list-style-type: none"> • The originator should ensure that margin money verification is done.
	<p>Dealer Relationship Management: The Originator should have a defined policy to manage the dealer relationships.</p> <ul style="list-style-type: none"> • Dealer commission must be clearly defined and documented • The originator should have a process to manage dealer payment and should have a defined turn -around time to process payment • Policy on providing trade advances to the dealer must be clearly defined • The payment should always be made to the dealer who is raising the invoice. In case the sale is through a sub-dealer point, the payment should still be made to the primary dealer if invoice is raised by the primary dealer
Risk Management	<p>Credit Risk:</p> <p>The originator should:</p> <ol style="list-style-type: none"> Identified Two wheeler models Negative list based on client profile The policy should have clearly defined limits on exposure (value and number of loans) to clients (borrower, co borrower and guarantors). Credit Bureau check should be done before taking the lending process forward. The Originator should use existing payment track record information from the credit bureau report and/or as confirmed by existing lenders to assess the credit quality of a potential borrower. The Originator should require each borrower to provide a guarantor with the guarantor preferably being an existing client
	The underwriting policy should cover the following:

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| | <ul style="list-style-type: none">• Residential stability<ul style="list-style-type: none">– Customer/ Co-applicant owns a house or property: Residential proof should be collected– Customers living in rented accommodation:<ul style="list-style-type: none">• Ensure that the tenant has been living in the same house for at least two years• Loan application should have a guarantor who owns property/ is an existing client of the originator.– If the borrower does not have regular income , the key earning member of the family should be made a co-applicant• Clearly defined negative list of borrowers and areas• LTV should be based on the vehicle model being financed• Clearly laid out matrix for evaluation of CIBIL score |
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Criteria for Evaluation

The origination process should consist of the following steps:

1. Sourcing of potential clients
2. Collection of information and KYC documents,
3. Credit Bureau Check
4. De Dupe
5. Customer point verification
6. Preparation of loan application form and “Health check” of application form by Operations/Back-office
7. Appraisal of loan application by Operations department.
8. Cross-checking of business and entrepreneur’s household information through tele-verification/ site verification/house visit by credit department personnel (including visit to guarantor, if any)
9. Reference check: Triangulation of information and evaluation of “willingness to pay” through interviews of relatives, neighbours, traders, suppliers etc.
10. Final credit decision-making (should be centralised at region or HO level), supported by a tele-call with the customer by senior Operations department staff
11. Collection of documents/cash/FD/Post-dated cheques or any valuables as pledge or security, if applicable
12. Collection of a copy of margin money receipt, Insurance copy , and the invoice
13. Execution of loan agreement
14. Issue of sanction letter to client
15. Issuance of Delivery order and Delivery of the vehicle
16. Disbursement, to the dealer’s bank account
17. Endorsement of hypothecation in the RC book

Customer Point Verification

In case of rural customers where physical customer point verification is not possible, the originator should collect a copy of land document (7/12) and electricity bill from the borrower. The family member in whose name the property is there should be a co-applicant for the loan.

Collection of repayments

The originator must have a clearly defined policy for follow-up on overdue accounts, which should ideally consist of the following steps in accordance with the number of days of delay in payment:

1. Tele calling to the client as a follow up
2. Follow-up visit to client's house and business site by staff
3. Contact and follow up, pressure through the guarantor(s)
4. Written intimation of default (with copy to guarantor), including the penalties and charges due as well as notice of placing post-dated cheques (if any)
5. Placing of post-dated cheque (if any)
6. Legal notice for bouncing of cheque, as required under relevant legal provisions

7. Initiation of arbitration process, if applicable
8. Legal notice for filing of suit for recovery of all dues, including penalties and charges while following the above steps, regular personal contact must be maintained with the borrower and the guarantor(s).
9. The originator should develop early warning signals – through the vehicle servicing data at the dealer point to identify non-starter cases

Clearly defined Escalation mechanisms

- Senior sales staff or the credit/recovery/delinquency management team must be in place during each step of the above process.
- The originator may allow for out-of-court settlement of cases of delinquency and rescheduling/restructuring of the loan. The process for such settlement or restructuring of loan should be clearly laid out and must involve a recommendation from the customer relationship management team, approval from senior credit department staff as well as from senior staff of the recovery/collections department

Appointment of Collection Staff

- The originator should appoint different Collection Staff for the loans in initial bucket and for the loans in the higher bucket.
- A police verification of all recovery agents should be done.
- At least one a/c payee post-dated cheque each from the recovery agent drawn in favour of the originator must be collected.
- Further, the service providers engaged by the Originator should employ only such personnel who have undergone the above training and obtained the certificate for the purpose of recovery

Customer protection*

- The originator must ensure that its collection officers or collection agents appointed by it do not use or encourage strong arm tactics for collections of payment of overdue amounts.
- The Originator should deploy collection staff who have undergone 100 / 50 hours of formal training from an institute authorised by the RBI for this purpose. The originator should ensure that within a period of one year of joining , all their recovery agents should undergo the above training and obtain the certificate from an institute authorised by the RBI for this purpose

*Please refer to the consolidated Underwriting Guidelines for further details