

**SOUTH INDIAN TRADING SYNDICATE  
PERSONAL LOAN - CREDIT POLICY**

# PERSONAL LOAN

## 1. PRODUCT OVERVIEW

Personal Loan is a loan given to clients for a specified sum of money repayable over a pre-determined period of time. These are closed ended & secured installment based loans targeted at a section of the Indian society which lives in India and does not have regular access to Banks and other Financial Institutions to serve their financial needs. This population constitutes a large market as 65.53% of population lives in India having limited access to organized financial sector for their fund requirements. As per the recent study although nearly 65.53% of the Indian population lives rural areas, only 5% of all credits in India goes to this section. Hence, the potential is huge. So this is the first step to full fill the urgent needs of credit to their Personal expansion, beginning, and debt repay of the targeted groups.

SITS has decided to extent in selected markets, a Personal loan facility to the above mentioned target groups Personal. Personal loan facility in the name and style of PL. The details of loan and its credit policy as follows:

## 2. PRODUCT FEATURES

Parameter	Features
<b>Product Name</b>	Personal Loan (PL)
<b>Type of Loan</b>	Secured Loan backed with the guarantee of Personal income of a Persona with regular cash flow. Proved by CIBIL rating, Personal Repayment capacity and bank account statement for the last six months.
<b>Nature of Loan</b>	Personal Loan
<b>Security</b>	Salary Certificate or Any other Income proof from Applicant /Co-applicant. 3 filled/signed Bank Cheque leaves from Applicant.
<b>Loan Amount</b>	<b>1<sup>st</sup> Cycle</b> 50,000 – 2,00,000/- <b>2<sup>nd</sup> Cycle</b> Rs 2,00,000 – Rs 3,00,000 /- (Only to good existing customers, should take approval from MD & Above).
<b>Tenor</b>	1 Year   12 Instalment 2 Year   24 Instalment 3 Year   36 Instalment
<b>Rate of Interest</b>	18 % P.A /Fixed Rate
<b>Processing Fee</b>	0.5 % of Loan Amount
<b>Service Fee</b>	0.5 % of Loan Amount + 18 % GST
<b>Credit Verification Charge</b>	500
<b>Documentation Charge</b>	Rs 250 per File
<b>Insurance Premium</b>	NA
<b>Cheque Bounds Charge</b>	Rs 750 per Cheque
<b>Late Payment Charge</b>	Rs 750 per Due
<b>Foreclosure Charges</b>	3 % of Loan Outstanding Amount.
<b>Overdue Charge (after repayment period ends)</b>	20 % on Outstanding Amount
<b>NPA Account Charge</b>	Additional 3% on Loan amount Outstanding per year

### **3. TARGET SEGMENT**

<b>Parameter</b>	<b>Features</b>
<b>Target Borrower</b>	<p>Economically active men and women having monthly salary from Government and non –governmental organization or running a Personal business with regular cash flow though lawful, sustainable and stable economic – Income generating activities.</p> <ul style="list-style-type: none"> <li>• And profiles with regular and sustainable cash flows.</li> <li>• Engaged in Small, Medium and Large self-managed shops and other enterprises.</li> </ul>
<b>End use of loan</b>	<p>End use of loan could be :</p> <ul style="list-style-type: none"> <li>• To meet working capital requirements.</li> <li>• To expand Personals (vertically and horizontally).</li> <li>• To purchase of stock.</li> <li>• To repay costly debt raised from other sources (money lenders/other finance companies).</li> <li>• Loan to be used for Personal purposes viz. expansion, acquisition of assets, Personal etc.</li> <li>• Loan cannot be used for illegal, speculative or anti-social activities.</li> </ul>
<b>Constitution of Borrowers</b>	<p>Economically active married or unmarried men and women having a Personal income with regular cash flow.</p>
<b>Non Target Segments</b>	<ul style="list-style-type: none"> <li>• People engaged in Illegal and unlawful/un-registered Personal.</li> <li>• People having close relation with police or Advocates.</li> <li>• People with political influence/connections.</li> <li>• People in finance Personal/chit funds.</li> <li>• People involved in running wine shops/liquor shops.</li> <li>• People who have lots of Debts from Banks and Finance Institutions.</li> <li>• People involved in real estate Personal.</li> <li>• People with bad credit history.</li> <li>• People with rented Personal premises as well as rented residence.</li> <li>• Migrants.</li> <li>• People with seasonal Income.</li> <li>• People running any type of Jewelers, vegetable shops, watch shops, Tailoring Shop, Barbour Shop etc, and any other small Personal with getting low income and low stock.</li> </ul>
<b>Approved locations</b>	<p>All locations to be opened post complete survey of the area and with approval of M.D.</p>
<b>New Location Launch</b>	<p>The locations will have to be proposed by BM, it would be Recommended by Credit and Risk, and Approved by M.D.</p>
<b>Geographical Limits for Lending</b>	<p>20 Km Radius from the HUB branch. It should also be ensured that client is residence within 20 K.M of the HUB Branch.</p>
<b>Repayment Mode</b>	<p>Monthly installments paid through NACH system.</p>
<b>Cycle Dates / First Installment date</b>	<p>Option 01 - 5th Day of every month Option 02 - 20th Day of Every month.</p>

	Day to be fixed at the time of Loan Agreement Signed.
<b>System and Process</b>	Centralized approval and disbursal with loans to be booked in Personal Loan software at SITS Head Office.

#### **4. UNDERWRITING NORMS – PERSONALLOANS**

The Credit decision will be taken based on following criteria.

##### **4.1 Financial Criteria**

- Annual Income
- Per capita income
- Repayment Capacity
- Multiple Borrowing
- Credit Report

##### **4.2 Non Financial Criteria**

Non-financial criteria further categorized as follows;

##### **4.2.1 Quantitative**

- Age
- Personal /Economic Activity
- Residence / Personal Stability
- Standard of living
- Housing and Own House asset verification

##### **4.2.2 Qualitative**

- Nature of Personal/Person
- Health Condition

##### **4.1 Financial Criteria**

<b>Parameter</b>	<b>Features</b>		
<b>Income Norms</b>	The total personal income should not below <b>Rs. 1, 80,000/-</b> per annum in rural areas and <b>Rs.3,00,000/-</b> per annum in sub urban and urban areas.		
<b>Credit Score</b>	The loan will be sanctioned only on the basis of the personal credit rating score		
<b>Per capita Income for Login</b>	Based on the location and monthly income of a individual should be;		
	<b>SI No</b>	<b>Semi-Urban/Urban</b>	<b>Rural</b>
	1.	Rs 25,000 & Above	Rs 15,000 & Above
<b>Repayment Capacity</b>	Repayment should be considered up to a maximum of 60% of the Total monthly income including total debts.		
<b>Multiple borrowing</b>	To avoid overleveraging a client and to reduce multiple borrowing an applicant should not be given a loan. <ul style="list-style-type: none"> <li>• If he/she has already taken a loan from our branch under any scheme.</li> <li>• If the total borrowing of the applicant exceeds Rs 200000/- at the time of giving the loan.</li> </ul>		
<b>Eligibility Calculations</b>	Loan eligibility calculation would be based on the affordable installment and repayment capacity.		

## 4.2 Non-Financial Criteria

Parameters	Features																														
<b>Customer Age</b>	<p>Minimum age of 21 years at the time of loan application and Max age 55 years at maturity (at the time of completion) of the loan.            If the customer's age is 55 or above years; need to take approval from GM and above. The maximum age at the maturity of loan is 67 years.            All deviation approval should be taken before disbursement.            Points to be considered while approving the above 50 years age customers.</p> <ul style="list-style-type: none"> <li>•Health</li> <li>•Income Stability/Economic activity</li> <li>•Support of other family members / Guarantor</li> </ul> <p><b>Co-Applicant Age:</b> Minimum age 21 and maximum entry of age of co-applicant is restricted to 50 years.</p>																														
<b>Employment /Economic activity</b>	<p>Minimum Job stability of 1 year at the current Job.            The clients should be economically active married or unmarried men and woman having a sustainable and regular income from a visible source. The Personal should be verifiable at the time of credit officer/BM and LO visit. The personal income should not be seasonal.</p>																														
<b>Residence stability</b>	<p>Minimum residence stability of 6 months at the current residence.            The address given in application form and the residence address should match.</p>																														
<b>Standard of living and Housing</b>	<p>Standard of living of the borrower to be assessed by 2 things 1) the type of house they are living in 2) The kind of assets owned by them</p> <table border="1"> <thead> <tr> <th>Sl #</th> <th>Criteria</th> <th>Urban</th> <th>Semi Urban</th> <th>Rural</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Thatched House with 1 room</td> <td>Reject</td> <td>Reject</td> <td>Reject</td> </tr> <tr> <td>2.</td> <td>Thatched House with &gt; 1room</td> <td>Reject</td> <td>Reject</td> <td>Reject</td> </tr> <tr> <td>3.</td> <td>Sheet / Tiled /RCC roofs with 1-2 Rooms</td> <td>Reject</td> <td>Accept</td> <td>Accept</td> </tr> <tr> <td>4.</td> <td>Sheet / Tiled Roof with 3 Rooms</td> <td>Accept</td> <td>Accept</td> <td>Accept</td> </tr> <tr> <td>5.</td> <td>RCC roof with &gt; 2 rooms</td> <td>Accept</td> <td>Accept</td> <td>Accept</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>• The customer must own more than any 3 of these assets (i.e. colourTV, fridge, washing machine, BSNL land line, two wheeler, three wheeler and four wheeler etc.) only such clients should be accepted.</li> <li>• Utmost care should be given while assessing the standard of living of client to ensure that clients with in our target segment are only given the loan. Care should be taken to avoid low income borrowers who may take this loan for consumption purposes rather than expanding their Personals.</li> </ul>	Sl #	Criteria	Urban	Semi Urban	Rural	1.	Thatched House with 1 room	Reject	Reject	Reject	2.	Thatched House with > 1room	Reject	Reject	Reject	3.	Sheet / Tiled /RCC roofs with 1-2 Rooms	Reject	Accept	Accept	4.	Sheet / Tiled Roof with 3 Rooms	Accept	Accept	Accept	5.	RCC roof with > 2 rooms	Accept	Accept	Accept
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<b>Individual Composition</b>	<p>Members should be economically active married or unmarried men and women.</p> <ul style="list-style-type: none"> <li>• Customers' residence should not be more than 20 K.M from SITS Branch.</li> <li>• Only one member from one house hold in Personal Loan.</li> <li>• Co-applicant must be a blood relative of customers. If a customer is a male, co-applicant must be women, if a customer is a female, co-applicant must be a male. This composition is must for Personal Loan.</li> </ul>																														

	<b>Blood relation: we are considering flowing relations as blood relations.</b> Husband, Wife, Father, Mother, Son, Daughter, Sister, Brother, Father in law, and Mother in Law.				
<b>Standard of Personal Premises</b>	Standard of Personal premises of the borrower to be assessed by 2 things 1) the type and size of building 2) The nature of Personal and stock owned by them.				
	<b>SI #</b>	<b>Criteria</b>	<b>Urban</b>	<b>Semi Urban</b>	<b>Rural</b>
	1.	Thatched Building with wooden door	Reject	Reject	Reject
	2.	Thatched building with wooden door and more than 500 sqft room.	Reject	Reject	Reject
	3.	Sheet / Tiled roofs with shutter door, more than 200 sqft Rooms	Rejected	Accept	Accept
	4.	RCC Roof with wooden door 300-500 sqft Rooms	Rejected	Accept	Accept
	5.	RCC roof shutter door with > 100 sqft rooms	Accept	Accept	Accept
We will analyze customer's Personal value/stock and stability at the time of credit verification with separate form.					

### Qualitative Criteria

<b>Parameters</b>	<b>Features</b>
<b>Personal Guarantee</b>	<p>While giving a Personal Loan to any client it should be ensured and assessed that the customer is willing to give 3 filled /signed Cheque leafs (Need 2 cheque leafs from applicant and 2 Cheque leaf from Co-applicant).</p> <ul style="list-style-type: none"> <li>• Member should know the terms and conditions of the Personal Loans.</li> <li>• Personal premises stayed to 20 K.M from Branch locality.</li> <li>• The entire applicant/co-applicants willing to give 3 Cheque leafs against the loan amount.</li> <li>• Co-applicant is from the same house of clients. Their housing stability should be checked at the time of credit verification.</li> <li>• Members are willing to pay monthly Installment.</li> <li>• B.M/LO/CO should confirm that the loan is taken for <b>Personal Development Purpose</b>.</li> </ul>
<b>Signature verification &amp; Interest Collection</b>	<p>Before disbursement, Head office should verify the signature of the customer. For this purpose collect the service charge, documentation and all other charges through their bank A/c should be done without fail. Submit their one Cheque which entered their total interest amount and submit to his bank. Once the said Cheque payment cleared, we can disburse the loan amount to the customer on next day itself.</p>

<b>Health Condition</b>	Clients/Co-applicant suffering for incurable disease like cancer, Aids or any other major disease which will affect their ability to earn should not be funded.
<b>Personal Dynamics</b>	<ul style="list-style-type: none"> <li>➤ BM/LO/SM/SO must ensure that the loan members who are not likely to move in the next one year.</li> <li>➤ The member should not pay any commission to our staff or any third party for the purpose of getting the loan. In case if it is found out, the member will be rejected immediately.</li> </ul>
<b>Co-applicant / Guarantor</b>	<ul style="list-style-type: none"> <li>➤ 1 Color photo</li> <li>➤ ID</li> <li>➤ Address proof</li> <li>➤ Check guarantor stability at the time of credit verification.</li> <li>➤ The guarantor must agree will fully that he/she will pay the loan in the event of default by the borrower.</li> </ul>

### **5. DOCUMENTATION NORMS**

Following are the KYC documentation requirement to be fulfilled by all members. Identification Proof, Personal proof and Residence Proof are mandatory documents for loan .All client should ensure either the ID proof, or Personal Proof or Residence proof is as per below mentioned documents.

#### **5.1 Pre Approval Documentation**

<b>Parameters</b>	<b>Features</b>
<b>Application form</b>	Duly filled and signed application form. (Regional language & English accepted) The application form should be filled by LO /client in the presence of Loan Officer.
<b>Photograph</b>	3 Colored passport size photographs of applicant, 1 photo from co-applicant signed across on the front of the photograph. (recent Photos required)
<b>Proof of identity/ existence</b>	<p><b>Any one of the following :</b></p> <ul style="list-style-type: none"> <li>• Voters ID</li> <li>• UID</li> <li>• Ration Card (Can be used as id proof only if the ration card is in respective customers' name with photo)</li> <li>• Driving License</li> <li>• Pan Card</li> <li>• Passport</li> <li>• Scheduled Bank passbook with applicant's photograph on the same which is duly attested by Bank officials. The respective account should be active.</li> <li>• Letter issued by the Village/Taluk Officer/Revenue Officer/ Village Administrative Officer (<b>in this case please enter the customers' mobile number as reference number in the system</b>)</li> <li>• KYC documents must be self-attested by customer.</li> <li>• KYC documents photocopies only need to be taken.(Originals not required)</li> <li>• Or any document as approved by Risk Head.</li> </ul>
<b>Address proof</b>	<p>Photocopies of the documents should be self attested by the respective person.</p> <p><b>Any one of the following :</b></p> <ul style="list-style-type: none"> <li>• Driving License.</li> <li>• Ration Card.</li> <li>• Electricity, Telephone, Water bills –not older than 90 days.</li> </ul>

	<ul style="list-style-type: none"> <li>• Utility Bills – not older than 90 days.</li> <li>• Life Insurance Policy or latest Premium receipt.</li> <li>• Voters ID Card.</li> <li>• UID.</li> <li>• Passport.</li> <li>• Consumer Gas Connection Card/Book.</li> <li>• Copy of Property ownership papers / House Tax receipt.</li> <li>• House Allotment letter from Govt organizations.</li> <li>• Bank statements / Passbook cover page with address being mentioned.</li> <li>• Or any document as approved by Risk Head.</li> </ul>
<b>Personal Proof</b>	<p><b>Following documents to be required:</b></p> <ul style="list-style-type: none"> <li>• Last 6 Months Salary Certificate</li> <li>• Last 3years IT returns Copy.</li> <li>• Certificate copy from any organization like merchant association, vyapari samithy etc.</li> <li>• Rent/Lease /Ownership / agreement.</li> <li>• Last 6 months Bank Statement (Personal or Firm) and Copy of Bank passbook cover page with address being mentioned.</li> <li>• Tax receipts from Panchayat or other local body.</li> <li>• Land Tax Copy.</li> </ul>
<b>Relationship Proof</b>	<p><b>Any one of the following:</b></p> <ul style="list-style-type: none"> <li>• Voters ID</li> <li>• Ration card</li> <li>• Passport</li> <li>• UID</li> <li>• Marriage certificate from local body.</li> </ul>
<b>Credit Documents (Verified with Originals)</b>	<p><b>Following documents to be obtained</b></p> <ul style="list-style-type: none"> <li>• Credit Rating Score</li> <li>• KYC should verify with originals and need to mark as OSV (Original Seen &amp; Verified) and duly signed by Credit Officer.</li> <li>• Applicant/Co-applicant House / Office, Guarantor House and Shop Office, Personal Business Firm Photographs each 1 copies.</li> <li>• Tele Verification Form</li> <li>• Credit Scoring Sheet.</li> </ul>
<b>Security</b>	<ul style="list-style-type: none"> <li>• <b>Any other assets approved by SITS.</b></li> </ul>

## 5.2 Pre-Disbursement & Post approval Documentation:

Parameters	Features
<b>Loan Documentation</b>	<p><b>The following to be obtained-</b></p> <ul style="list-style-type: none"> <li>• Loan Application Form with duly signed photograph.</li> <li>• KYC documents.(Applicant &amp; Co-applicant)</li> <li>• Personal Loan Agreement.</li> <li>• Demand Promissory Note.</li> <li>• Credit Rating Score</li> </ul>
<b>Insurance</b>	As applicable and the documentation as defined by the principle insurer.

## 6. CUSTOMER'S PERSONAL VERIFICATION (CPI)

- Each applicant should undergo 0.45-1hrs of comprehensive personal interview irrespective of loan cycle.
- CPI must be happen in 3 days before loan disbursement.

### **The focus of the interview should be on:**

- Developing the sense of personal responsibility and joint liability among the applicant/co-applicant.
- Informing clients about terms and condition of the loan.
- Giving information about the product features, interest rates, processing, insurance.
- Educating customer about the products and services available at company.
- The training should also instill disciplined other loan repayment.
- To check that loan has been requested by the loaners and guarantors themselves.
- To check that the guarantor is willing to take the loan responsibility.
- To check whether the house of the client is not located more than 20 KM from the branch.
- To check and ensure that blood relation of the applicant and co-applicant.
- To check and ensure that the clients own house policy.
- To educate the customer about the CIBIL score rating and the consequences if any default occurs.

### **CPI is done**

- To evaluate the eligibility of the client.
- To understand that the client are familiar with company.
- To ensure there are no agents involved in sourcing and the applicant and guarantor are willing to take loan responsibility for repayment.
- To evaluate the eligibility calculated based on the cash flow analysis.
- To check that all documentation norms with respect to KYC are met or not.

During the CPI, credit officer need to verify the given ID and Address proofs with originals. And Credit Officers need to sign on KYC and need to give an impression as OSV (Original Seen and Verified).

### **Specifics at the Time of Loan Process.**

**Repayment Day and Time:** Day and Time are fixed by the H.O as per the terms and conditions of the credit policy.

**Repayment Method:** Through NACH system only

### **Procedure of Loan Repayment**

- Centralized processing from H.O
- Sales Officer/Branch Staff should take the overdue collection only.
- Collect the overdue repayment amount from client without any fail on the next day itself.

### **5. Loan application process:**

- The loan application should be filled by Customer/LO in the presence of sales Officer.
- Applicant and their co-applicant must sign the loan agreement, meaning they approve the loan amounts applied for and stand guarantee for those amounts.
- The LO and BM must approve the application and sign it before sending it for approval from credit/H.O.

#### **Explain the loan disbursement process**

- Sanctioned amount would be based on customer's ability to repay the loan.
- The purpose of the loan should not be illegal.
- The BM must personally review and recommend (sign) every loan application. Loan Applications should be checked against the profile information.

- The final authority for approval of the loan lies with Credit Officer/H.O.
- Credit officer will process the loan application in the system.
- Approved loan applications will be kept in the head office.
- Loan should be approved only with the recommendation of BM/AM/Credit/Accounts Department.

#### **Complete Loan application procedure and KYC formalities.**

Before the disbursement of loan credit officer should conduct the CPI to check that all the parameters specified in the policy are being adhered before giving the loan or not. Before approving loan CO should ensure following criteria's are met without deviation.

1. Cheque Guarantee.
2. Co-applicant responsibility.
3. Housing ownership and living standard.
4. Check and Verify income source.
4. Cash flows and Profit analysis.
5. Age and Health.
6. Residence stability and distance from branch.
7. Documentation criteria.
8. Credit Rating.
9. Income criteria.
10. Repayment capacity.

- CPI must be happen irrespective of the loan cycle.
- SO should be present during the CPI along with Credit Officer.
- Only once credit officer is convinced that all above criteria's have been fulfilled then only a case should be approved for disbursement.

#### **Loan Disbursement & Repayment Schedule at a glance.**

<b>SI No</b>	<b>Particulars</b>	<b>Remarks</b>	<b>12 Months</b>	<b>24 Months</b>	<b>36 Months</b>
1.	Loan Amount	NA	<b>50,000</b>		
2.	Interest	18 % (Fixed Rate)	9000	18000	27000
3.	Service Charge	0.5 % of Loan Amount + GST	250	250	250
4.	Processing charge	0.5 % of Loan Amount	250	250	250
5.	Documentation		250	250	250
6	Credit Verification Charge	Fixed Charge	500	500	500
10.	Monthly Instalment		Rs 4916	Rs 2833	Rs 2139

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