

Two-Wheeler Loan Policy

1. Introduction

This document outlines the credit policy for two-wheeler loans offered by [NBFC Name], an Indian Non-Banking Financial Company. It provides guidelines for credit underwriting, documentation requirements, and loan processing procedures.

2. Objectives

- To provide clear and consistent credit underwriting standards for two-wheeler loans.
- To ensure compliance with regulatory guidelines and internal risk management policies.
- To facilitate efficient and timely loan processing.
- To minimize credit risk and delinquency rates.

3. Eligibility Criteria

3.1 Borrower Eligibility

- **Age:** Minimum 21 years and maximum 60 years at loan maturity.
- **Nationality:** Indian resident.
- **Income:** Minimum net monthly income of ₹15,000 (may vary based on location and loan amount).
- **Employment:** Salaried individuals with a minimum of 2 years of continuous employment or self-employed individuals with a stable business for at least 3 years.
- **Credit Score:** Minimum credit score of 700 (CIBIL or equivalent).
- **Existing Obligations:** Acceptable debt-to-income ratio (typically not exceeding 40%).

3.2 Vehicle Eligibility

- **Vehicle Type:** New or used two-wheelers (motorcycles, scooters) of approved makes and models.
- **Age of Vehicle:** For used vehicles, the age should not exceed 5 years at the end of the loan tenure.
- **Registration:** Vehicle should be registered in India.

4. Loan Parameters

- **Loan Amount:** Minimum ₹20,000 and maximum ₹2,00,000 (may vary based on vehicle and borrower profile).
- **Loan Tenure:** Minimum 12 months and maximum 60 months.
- **Interest Rate:** Competitive interest rates based on market conditions and borrower risk profile.
- **Loan-to-Value (LTV):** Up to 85% for new vehicles and up to 75% for used vehicles.
- **Down Payment:** Minimum down payment as per LTV guidelines.
- **Processing Fees:** As per the NBFC's fee schedule.

5. Credit Assessment

5.1 Credit Score and Report

- Obtain credit report from approved credit bureaus (CIBIL, Equifax, Experian).
- Evaluate credit score, credit history, and outstanding obligations.
- Review for any adverse credit events (delinquencies, defaults, settlements).

5.2 Income Verification

- **Salaried Individuals:**

- Latest 3 months' salary slips.
- Latest Form 16 or Income Tax Returns.
- Bank statement for the last 6 months.
- **Self-Employed Individuals:**
 - Latest 2 years' Income Tax Returns with computation of income.
 - Bank statement for the last 12 months.
 - Proof of business existence (registration certificate, GST registration, etc.).

5.3 Employment Verification

- **Salaried Individuals:**
 - Employment confirmation letter from current employer.
- **Self-Employed Individuals:**
 - Business address verification.
 - Trade references.

5.4 Identity and Residence Verification

- **Identity Proof:** Aadhaar card, PAN card, Voter ID, Passport, Driving License.
- **Residence Proof:** Aadhaar card, Voter ID, Passport, Utility bills (electricity, gas, water) not older than 3 months.

6. Loan Documentation

- **Application Form:** Duly filled and signed loan application form.
- **KYC Documents:** Identity and residence proof as mentioned above.
- **Income Documents:** As mentioned in the income verification section.
- **Vehicle Documents:**
 - Proforma invoice or quotation for new vehicles.
 - Registration Certificate (RC book) for used vehicles.
 - Insurance policy.
- **Other Documents:**
 - Passport size photographs.
 - Loan agreement.
 - Security documents (if applicable).

7. Underwriting Guidelines

- **Credit Score:**
 - 750 and above: Low risk, eligible for higher LTV and lower interest rates.
 - 700-749: Moderate risk, standard LTV and interest rates.
 - Below 700: High risk, lower LTV, higher interest rates, or loan rejection.
- **Income Stability:**
 - Verify income source and stability.
 - Consider employment history and business continuity for self-employed individuals.
- **Debt-to-Income Ratio:**
 - Calculate debt-to-income ratio (total monthly debt obligations divided by net monthly income).
 - Ensure the ratio is within acceptable limits (typically not exceeding 40%).
- **Vehicle Valuation:**
 - For used vehicles, verify the current market value through reliable sources.
- **Loan Purpose:**
 - Ensure the loan is for the purchase of a two-wheeler for personal use.
- **Field Investigation:**
 - Conduct field investigation to verify residence and employment details, especially for high-value loans or cases with limited credit history.

8. Loan Approval and Disbursement

- **Loan Approval:** Based on the credit assessment and underwriting guidelines, the loan application is either approved or rejected.
- **Loan Sanction Letter:** Issue a loan sanction letter to the borrower with details of the loan amount, tenure, interest rate, and other terms and conditions.
- **Loan Agreement:** Execute a loan agreement with the borrower.
- **Disbursement:** Disburse the loan amount directly to the dealer or seller of the vehicle.
- **Post-Disbursement:**
 - Ensure proper documentation and filing of loan documents.
 - Monitor loan repayments and take necessary action in case of delinquency.

9. Monitoring and Review

- **Regular Monitoring:** Monitor loan portfolio for early warning signs of delinquency.
- **Periodic Review:** Review the credit policy periodically and update it based on market conditions, regulatory changes, and internal risk assessment.

10. Disclaimer

This policy document provides general guidelines for two-wheeler loans. The NBFC reserves the right to deviate from these guidelines on a case-by-case basis based on its own discretion and risk assessment.

Note: This is a sample policy document and may need to be adapted based on the specific requirements and risk appetite of the NBFC. It is recommended to consult with legal and financial experts before finalizing the policy.