**CREDIT & MARKETING OPERATION MANUAL**

The Credit & Marketing Operations Manual exist to acquaint members of staff of the department or any other interested party of the standard processes and procedures engaged in from when the a potential client is qualified to the point where his/her final payment is made on the lease.

Furthermore, this document also shows the audit trail in the department.

**PROSPECTIVE CLIENT/LESSEE**

Within the context of our operations, any individual or corporate body that approach the Company (ALC) is considered a potential client or customer until the transaction is consummated through the signing of legally binding agreements. It is only after this stage that the individual or corporate body transits to become a Lessee or customer of ALC.

**INDIVIDUAL LEASE PROCESS/PROCEDURE**

**APPROVAL LIMITES:**

For assets that Abuja Leasing Company Limited will finance, if the investment amount is N1, 000,000.00 and above, Management Investment Committee (MIC) will need to approve. MIC should be held as occasion demand to consider applications for approval.

For investment amount less than N1, 000,000.00 the application is appraised, validated/declined by the individual members of MIC.

**APPROVAL BY RESOLUTION:**

Some leases may be approved based on certain resolution(s) from MIC members, such resolutions may include but not limited to;

* Additional credible guarantors to be provided by the client
* Increased equity payment
* Additional collateral
* Reduced tenor for the asset financed
* Step up or Step down payments to be made by client

These resolution(s) are included in the offer letter for the client. Disbursement is subject to client meeting all our conditions/resolutions contained in the Offer.

1. **APPLICATION:** Potential clients seeking to secure lease facility from ALC start out by procuring the “Individual/Corporate Lease Application Form” at the rate of N5, 000.00 only.

The potential client is expected to fill out the form with required details and also submit relevant documents that will enable the department assess and evaluate the suitability of the client in taking a lease facility with Abuja Leasing Company Limited. Besides the Application form, the potential client is also required to complete the ‘KYC’ (know your customer) form which allows us to have more personal details of the applicant. Existing copies of these forms are attached to this manual and might be subject to review as the need arises.

The standard documents required to be submitted for an **individual lease application** includes the following;

* + Curriculum Vitae
  + Letter of Employment
  + 12 months bank statement
  + 6 months pay slip
  + Pro-forma Invoice of Asset(s) to be leased
  + Proposed guarantors and a detailed Resume of two guarantors/duly filled guarantor(s) forms
  + Passport photographs of the potential client and the guarantors
  + KYC of potential client and two guarantors.
  + Copy of Driving license/ International passport of the potential client.
  + Copy of Driving license/ International passport of the guarantor(s).
  + Evidence of residence (copy of utility bill/copy of tenancy agreement).

1. **REVIEW OF APPLICATION:** All submitted applications are reviewed by the Head, Credit & Marketing (H, C&M) or any staff of the department that the H,C&M instructs, to ensure that all required documents submitted with relevant information provided by the potential client. At this stage, a review of the pro-forma invoice is also carried out to verify possible over-invoicing. A potential client can only be declined at this stage if;
   * The equipment he seeks to lease is outside the Company’s comfort zone. Such equipment includes earth moving equipment and others with poor resale value in the event of default/recovery.
   * From the review of documents submitted, the cash flow of the client cant not accommodate the mandatory 1/3 of his earnings
   * The guarantors provided are not credible and client is not forth coming with credible replacements
   * The type of asset to be financed, if the parts are not easily available (for vehicles)

1. **APPRAISAL OF APPLICATION:** The appraisal of a potential client is carried out to ascertain the capacity and suitability of the individual for the lease. This appraisal is done using financial and non financial evaluation criteria.

A financial assessment is done through the review of his bank account statement in consideration of the following:

* Average monthly income and expenditure
* Source(s) of income
* Expenditure pattern

The guiding principle is to ascertain that income is steady and that rental

Repayment does not exceed 33% of the individual’s monthly income.

The non financial criteria cover areas such as:

* **Character:** The character of the individual and guarantors are considered for the lease Finance
* **Capacity**: the ability for the client to pay back the loan within the stipulated time via his source(s) of income
* **Capital**: The down payment for the loan and the customer’s equity/stake in the business is also considered.
* **Condition**: ALC’s loan/Lease covenants as contained in ALC’s offer letter. The ability of the customer to meet all covenants is also considered.
* **Cash flow**: The projected cash flow of the client is considered to ensure that the business is viable and repayment source can meet the loan obligations.
* **Connection**: Political exposed persons (PEPs), if a client is seen as PEPs, the lease may be declined to forestall against none-payment of facility if the client losses his appointment/position. To mitigate against the risk associated with PEPs due diligence with regards to every condition(s) as contained in ALC’s offer should be meet by the client before facility is disbursed and waiver can only be granted by Executive Management.
* **Collateral**:The collateral for the lease finance is also considered.
  + **Vehicles**:
    - Re-sell value (second hand value)
    - Durability
    - Maintaince
  + **Equipments**:
    - Durability
    - Demand
* Type and nature of employment
* The personality of the individual
* Quality of person(s) referring the individual
* Business engaged in.
* The asset to be financed
* Tenor requested for by the client
* Quality of the guarantor

1. **ASSET INSPECTION:** The Department carries out mandatory inspection of used vehicles after applications are received. This is done to ascertain the state of the vehicle and also ensure that the vehicle is not over priced. The basic information sourced include:
   * The vehicle make and model
   * Year of manufacture
   * Color
   * Mileage
   * Engine performance/body condition.

The asset inspection is carried out by at least two staff of the

department with a staff from the Internal Control/Audit department. The report of the inspection is attached to the client’s application. New vehicles are inspected only at the point of payment.

1. **LETTER OF DECLINE:** Based on the outcome of the appraisal, where the potential client does not meet the required standard, a decline letter is issued to the individual expressing our unwillingness to finance the asset.
2. **LEASE APPROVAL MEMO:** Where a lease application accedes the appraisal by the department, an approval memo is prepared by a Credit Officer seeking Management’s approval for the lease to be executed. A lease approval memo must contain the following information:

* The name of the potential client and staff introducing the client
* The asset in consideration and its value
* The name of the asset vendor
* The propose lease tenor and due monthly rental
* The potential client’s contribution and ALC’s exposure
* Interest rate applicable to the lease
* A detailed profile of the individual applying for the lease.
* The individual’s income capacity analysis
* Lease amortization schedule
* Expected income to be generated from the transaction.

1. The C&M approval memo is concurred by the Head of the department and then passes through three approval stages. Namely, the Head of Accounts, the Head of Legal department, the DGM and Managing Director (all members of MIC). The chairman of MIC must approve the transaction to be executed.
2. **OFFER LETTER:** Following the approval of the memo, an offer letter is issued by the C & M department based largely on the content of the memo detailing the obligations of the potential client and ALC. The offer letter spells out the guiding framework for the transaction and contains the following details:

* Names of parties in the transaction
* Type of facility/Equipment involved
* Tenor of the lease
* Value of the asset/ Client’s contribution/ Amount to be financed
* Amount payable in fees on the lease
* Amount payable as premium for comprehensive insurance on the cover asset and postdated cheque for 2nd year insurance.
* Amount payable as monthly rental and postdated cheques for 24 months covering same.
* Amount payable as purchase option and postdated cheque for same.
* Amount payable for installation of vehicle tracking device (for vehicles only) and postdated cheque for 2nd year renewal.
* Information on the management of payment default and late payment charges.
* The Offer includes details of post-dated cheques for monthly rental expected from the client, the 2nd year insurance payment and 2nd year GPS renewal, insurance policy, registration of the asset in ALC’S favor, provision of personal guarantee of a reputable individual and execution of right of entry and repossession.
* The obligation of both parties. (A sample offer letter is attached)

The offer letter is usually signed by the Head, C & M and MD. A client indicates his acceptation of the offer by endorsing the acceptance

page.

1. **LEASE AGREEMENT, OTHER DOCUMENTS:** After an offer letter has been signed by both parties concerned, a lease agreement is prepared by the C & M department from original templates received from the Legal Department without any variation or divergence. Also included are the right of entry form and a guarantor’s form. The lessee and guarantor(s) will both review and sign the agreements on consent.
2. **PAYMENT OF DOWNPAYMENT:** Following the signing of the relevant documents by both parties, the lessee is expected to pay the total amount in down payment as indicated in the offer letter and lease agreement. The lessee can either pay cash into ALC’s bank account, make payment in cheque or bank draft.
3. **DRAW DOWN OF FACILIY:** After receipt of down payment, a requisition for disbursement of fund is raised from the department for the purchase of the lease asset(s). Disbursement is in the form of the company’s crossed cheque issued in favor of the asset vendor and payments made by a staff of the department. Value period for the instrument paid the vendor is 3 days thus, asset would be delivered subsequently. Once the asset is delivered, a memo is raised by the C&M department to Legal and Operations to insure the asset and installation of GPS if the asset is a vehicle. A further memo is raised for vehicle registration where the leased asset is a vehicle.
4. **AFTER DELIVERY OF ASSET:** Rental payment commenced 30 days from the date of disbursement. In order words, rental payments are made in arrears of 30 days. This means that rental payments for the asset(s) are made in arrears. Depending on the nature and value of the asset(s) the client will make 12 months or 24 months rental payments or for any other agreed tenor as approved by Management.

**CORPORATE LEASE PROCESSING**

1. The corporate lease finance application process focuses on applications received from corporate bodies and businesses. The requirements and review process are different from what is obtainable in individual applications. The documents required for the processing of a corporate lease finance application includes:
   * Duly filled application form.
   * Duly filled KYC form for two directors of the organization.
   * Duly filled KYC for one corporate guarantor
   * Certificate of Incorporation
   * Memorandum of Association
   * Company Profile
   * Profile of the corporate guarantor
   * Ownership Structure Management
   * Resume of two directors serving as guarantors.
   * 12 months bank statement
   * 24 months cash flow projection & the assumptions underlying the figures
   * Audited Accounts for 3 years
   * Pro-forma Invoice of Asset(s) to be leased
   * Passport photographs of client’s directors and of guarantor, and their means of identification
   * Application fee of N2,000.00
   * Corporate search fee of N5,000.00
2. **REVIEW OF APPLICATION:** Once an application is received by the department, a review of the application and relevant documents is carried out to ascertain their authenticity. A search is also conducted by the Legal Department at the Corporate Affairs Commission to confirm the existence of the company. The search is executed at the expense of the applicant.

1. **APPRAISAL OF CORPORATE APPLICATION:** The appraisal of a potential corporate client is carried out to ascertain the capacity and suitability of the organization for the lease. This appraisal is done using financial and non financial evaluation criteria. A financial assessment is done through the review of the following:

* Balance sheet performance
* Profit & Loss Analysis
* Streams of income
* Expenditure pattern
* Cash flow Availability

The following ratio analysis are established based on the minimum accep-

table standards shown below:

* LIQUIDITY RATIO

CURRENT RATIO

This ratio points out if a business has enough current assets to meet the payment schedule of its current debt with a margin of safety for possible losses in current assets.

It is calculated as below:

TOTAL CURRENT ASSETS

TOTAL CURRENT LIABILITIES

A generally acceptable current ratio is 2 to 1. However, this varies with nature of business and the characteristics of its current assets and liabilities.

* PROFITABILITY RATIO

RECEIVABLE DAYS

This indicates how well accounts receivables are being collected. If receivables are not collected reasonably in accordance with their terms, management may have to rethink its collection policy. If receivables are slow, liquidity could be severely impaired. Therefore, this ratio will enable us to wedge our risk.

SALES = NET CREDIT SALES/YEAR

365 DAYS 365 DAYS/YEAR

* LEVERAGE RATIO

DEBT TO EQUITY RATIO

The debt to equity ratio indicates the extent to which the business is reliant on debt financing. It is calculated as:

TOTAL LIABILITIES

NET WORTH

Generally, the higher the ratio, the more risky a creditor will perceive exposure and the less likelihood of advancing credit.

* RETURN ON CAPITAL EMPLOYED

Perhaps this is the most important ratio of all. It is the percentage of return on funds invested in the business by its owners. In short, it is the ratio that tells the owners whether or not all the efforts put into the business has been worthwhile. It is calculated as:

NET PROFIT BEFORE TAX

TOTAL ASSETS

The non financial criteria cover areas such as:

* The nature of business the organization is engaged in.
* Market trend within organization sector of business
* The quality and reputation of the Management team or Board
* Quality of person referring the organization

1. **ASSET INSPECTION:** Once the asset has been inspected, the procedures following up to the point of asset delivery are the same as in individual applications.
2. **POST DELIVERY DOCUMENT MANAGEMENT:** Immediately the asset is delivered to the Lessee, the Lease Department forward the lease agreement to legal Department while vehicle keys, registration documents and the original purchase receipt for the asset is retained in the Department with a copy and monthly rental cheques forwarded to accounts. A register of these items is kept in Lease Department showing information such as the type of asset, date received from vendor, date received by Legal and the name of the officer that signed off.
3. **CLIENT ACCOUNTS MANAGEMENT:** It is the responsibility of the department to manage clients throughout the duration of their lease to ensure repayments are made timely as agreed, defaults managed and debts collected. Accounts are allocated to the staff of the department and they are responsible for the management of these accounts. For the process of customer service management, the departments maintains the following report files:

* General database of all lease clients. This is updated monthly and contains information such as the name, value of leased asset, tenor and monthly rental, address of lease and guarantor.
* Return cheque report.
* Interest income report.
* Debt status report for clients whose lease tenor have ended.
* Call memos are generated for calls and visits made to the client.
* A lease file is maintained for each individual account.
* The lease file contains copies of all appraisals, approvals and any other document that was utilized for the approval process. All correspondence with the client and internal memos regarding the account must be in the file.

The client accounts are shared among staff of the Department and the

Performance of such accounts forms the basis for staff appraisal.

Continuous monitoring of the accounts is emphasized and it’s done by

phone calls, periodic visits and mails.

**LEASE THRESHOLD/SINGLE OBLIGOR LIMIT**: In order to ensure

that no individual or corporate body maintains a leasehold with ALC to

the extent of becoming overbearing on the entire lease portfolio, an

obligor limit shall be observed as follows:

* Individual: No single individual at any particular given time shall maintain leasehold in excess of 5% of the total lease portfolio size.
* Corporate: The ceiling for corporate organizations is pegged at a maximum of 9% of the lease portfolio size.
* Further to this is that no single leasehold at any given time should have an asset value more than 20% of the entire lease portfolio.
* Also, no individuals or corporate organizations from a given sector of the economy should at any have leasehold in a value exceeding 30% of the entire lease portfolio.

1. **DEFAULT/ TERMINATION/RECOVERY MANAGEMENT:** A client whose rental payment cheque returns is expected to make good the cheque within three working days failing which accrual will be applied at the rate of 15% monthly (0.5% daily) until the returned cheque is made good. In addition to making the return cheque, the sum of =N=3, 000.00 is paid as returned cheque fine.

A client whose payment cheque returned and is unable to remedy same for a period one month is served a demand notice. Should the client fail to make payment within the stipulated time in the notice, a termination notice is issued, following whose expiration, execution of the right of entry is executed and the asset reposed.

The recovered asset is usually sold outright to cover amount outstanding on the facility in both principal and interest income. Where there is difficulty or delay is disposing of the asset, the asset could be refinanced on terms to be approved by Management.

For clients which we cannot locate their addresses and asset but still communicate with the via phone, and have outstanding, such clients are transferred to Legal/Debt recovery to recover outstanding amounts.

1. **STAFF LEASE APPLICATION:** Members of staff who are interested in securing lease facilities shall at Management’s discretion be entitled to interest rate reduction of at least 5% of the prevailing rate for other clients. Also, a maximum initial contribution of 20% will be allowable for staff leases. Such leases shall not be administered through the use of post dated cheques but through direct debit of staff salaries.

**NEW INPUTS**

ALC should have at least three recommended Vendors for both brand new and fairly used vehicles.

**TRADE FINANCE PROCEDURE:**

Interested client approaches ALC for a short term loan (90 days), which is backed-up with collateral;

* Land/House with C of O
* Vehicle with title documents in lease’s name
* Jewelries

**Application Stage:**

An application form for N2,000.00 (and pays additional N5,000.00 for corporate search fee where applicable) is the first stage of application. The following items must be submitted with the application form;

* Resume
* 6 months bank statements
* Copies of Vehicle papers
* Copies of Land/House C of O
* 1 passport photograph
* Photocopy of driver’s license/data page of International passport
* 2 guarantor forms duly filled by the guarantors(1 recent passport photograph and means of ID)
* Recent copy of utility bill
* Audited report for companies where applicable

**Processing Stage:**

The C & M team ascertains the purpose of the loan from the client (to determine if the client would be able to pay back within the stipulated 90days period)

**Individuals:**

An appraisal is done on the submitted documents and bank statements, to ascertain the customer’s cash inflow (monthly income from all sources of income).The bank statement average balances is prepared to know inflow and outflow monthly.

**Corporate bodies:**

The bank statement of the company is analyzed to check for loan repayment, amount and frequency of payment. The audited report for three (3) years is also analyzed using ratio analysis to determine the profitability of the company and the capacity of the client to pay back.

An executive summary is done on the client’s document submitted and forwarded to MIC for approval consideration.

* **COLLATERAL:**
  + **Real Estate:** 
    - The client submits along with application photocopies of land/house title documents.
    - A recent valuation report (not less than 1 year old) addressed to Abuja Leasing company is also submitted. Force sell value of the property/land is discounted further by 30% to accommodate unforeseen situations that may arise if ALC has to liquate transaction and sell-off asset to recover outstanding(s).
  + **3rd party Property:** 3rd party real estate documents can also be used with a valid **consent letter containing** present address andday telephone number from the owner of the land/house attached with the passport photograph and means of identification.
  + **Inspection of Asset:** All collateral assets are inspected doing the processing state and an inspection memo containing location, description and current state of the asset is attached to the appraisal documents for Management consideration.
  + Originals documents of the property/land would be collected from client on accepting ALC’s offer.

The client will sign over the property/land to ALC via a power of Attorney that will be notarized in court for the duration of the facility.

**NEW INPUTS:**

**ALC** Should have a recommended Estate Valuer for all her would-be Customers.

**Cavet:** Property outside Abuja and Lagos will **NOT** be acceptable as collateral.

* + **Vehicle:** 
    - The photocopy of the vehicle is submitted by the client along with the application form(s).
    - The vehicle is brought to ALC’s premises by the client for inspection. Inspection is done by a staff of the C & M department with the Head, Internal control/Audit department. The vehicle is depreciated vis a vis the wear and tear of the current state of the vehicle, brand of the vehicle, and the purchase price of the vehicle.
    - A vehicle inspection report is attached to the trade finance appraisal documents for Management consideration.
    - The vehicle is parked at ALC’s premise on client’s acceptance of our offer.
    - For vehicles that do not have comprehensive insurance, the client will take an insurance cover on the vehicle for the duration the vehicle is parked in ALC’s premises.
    - Original vehicle papers/proof of ownership would be collected from client on acceptance of ALC’s offer.
    - For clients that should PARK their vehicles at ALC’s premises prior to disbursement of facility, on acceptance of offer, vehicle should be parked and key/spare key submitted along with Original vehicle papers to staff of C & M department.
  + **3rd party vehicles:** 3rd party vehicles can be used with a consent letter duly signed with present address and day telephone number from owner. The owner should attach a copy of their passport photograph and means of identification to the letter.

The client will sign a bill of sale transferring vehicle to ALC during the tenor of the facility.

**Approval/Disbursement Stage:**

On approval the Offer Letter is prepared containing the terms and condition for the draw down on the facility and two copies is given to the client.

On acceptance, the client signs on the acceptance page and returns a copy to ALC, the client pays the 1% upfront processing fee and issues 3 post-dated cheques containing both principal and interest and submits to the staff of C & M department.

The C & M team verifies all documents submitted and that client has met all the conditions contained in the offer, on confirmation a disbursement memo is prepared through the office of the DGM to the MD for disbursement approval along with the client’s file containing every document(s). The MD approves and the memo is sent to Finance and Accounts department to issue the payment instrument for the client. A staff of the C & M team collects the cheque from Finance and Accounts and releases to the client on the client signing a copy of the cheque to be collected.

Relationship management is initiated after disbursement is made to the client.