

Educational Loan

Ceylon Digital Funding Force (Pvt) Ltd



Document Number: CDFF/EL/20/01

Document Name: Product Guideline

Classification: Confidential

Prepared By: Management Committee

Date: 1st June 2020

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Section Title: Overview of Product and Competition				

Description

A higher education allows you to pursue a career that interests and inspires you. When you have the freedom to choose your career, you're more likely to enjoy it. Higher job satisfaction also comes from higher income, better employment benefits, and more advancement opportunities. No doubt you understand the importance of higher education. Higher education can lead to many benefits, including a prosperous career and financial security. In the 21st century, education plays an even more significant role in other aspects of your life. Attaining a higher education can increase your opportunities and improve your overall quality of life.

Hence, the CDFF **Educational Loan** is a helping hand for the higher education sector which offers advances to meet the cost of post-secondary education by Ceylon Digital Funding Force (Pvt) Ltd.

Competition

- **Economic:** As the Bureau of Labor Statistics stats reveal, people with some form of higher education earn more money and have a lower probability of unemployment.
- **Health:** Gainful employment and a positive cashflow take away the stress factors associated with financial insecurity. As such, you are likelier to live a happier and healthier life with some form of college under your belt.
- **Civic involvement:** People with gainful employment and financial resources often give back to the community. When you earn well and your network expands, you are more likely to give to charity and become involved in volunteer work.
- **Personal development:** People with careers tend to lead more structured lives and have a stronger sense of responsibility, traits that serve as strength-builders in other areas of life.
- **Better communication:** Most jobs involve some form of written or verbal communication. As such, you will generally improve in both areas during your college and professional career.
- **Realisation of passions:** As with most people, the more you learn, the likelier you are to find your true passions in life. Through the education process, you can explore the various facets of a prospective field and find your strengths.
- **Greater sense of discipline:** The regiments of education can instill you with the discipline required in the professional world. By learning to follow complex instructions and meet strict deadlines, you will be better prepared for the rigors of the marketplace.
- **Sense of accomplishment:** Each time you complete a school assignment or job task, it's the product of your talent and hard work.

As you can see, the benefits of higher education in the 21st century are not just career-oriented. Being able to develop yourself is invaluable, and having a higher education helps you do that.

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Section Title: Product objective and Market segments				

Objective

Purpose of this lending product is to facilitate funding requirements to fulfil the higher educational requirements that would offer in return the technical, professional, or academic qualification for the borrower as applicable for future career development.

Responsibility

Executive Officer – Client Networking, Executive Officer – Credit Administration are the responsible bodies for the implementation procedures of the product.

Market Segments

This product will target all the students following the professional education activity according to following categories will be targeted initially to carry out the operations of this product.

Higher education is **tertiary education** leading to award of an academic recognition. Higher education with the world of work (which includes enterprise, civil society and the public **sector**) is manifested by a strong focus on application of learning.

State Universities	Higher Education Institutes	Approved Private Universities	Approved and Reputed International Schools	Foreign Universities
Advanced Diplomas	Diplomas	Diplomas	Entrance Fees	Degree Programmes
Degree Programmes	Advanced Diplomas	Advanced Diplomas	Term Fees	MBA's
Master Degrees		Degree Programmes	Examination Fees	PHDs
		MBA's		
		PHDs		

Figure 1 - Category classification of courses and institutes

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Section Title: Eligibility criteria				

Eligibility

- ✓ Any Sri Lankan nationals below 65 Years of age would be eligible for this loan.
- ✓ Applicant should be a student in any registered higher education institute which has signed MOU with CDFF.
- ✓ Eligible academic, Professional or technical courses will be selected through the online app and will be done a pre-credit evaluation in order to create a profile on our online flat form.
- ✓ Permanent residence/ monthly income are the main eligible criteria. In addition to that character of the borrower, repayment ability, integrity will be established through referrals.

Customer Types

Educational loan customers will be divided into two main categories under this scheme based on the nature of repayment.

- Income earners from employment, profession or business
- Non-income earners dependent from parents.

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Income Earners

Students who are earning from their employment, profession, or the business could be considered in this category. The basic feature in this category is that students pay their loan from their own income as they earn and most probably they continue their higher studies in line with their career path, professional enrichment, and to master their business administration

Eligible Loan Amount	Finance portion	Tenor	Margin
Up to 1.0Mn	Maximum up to 100%	12-36 Months	25% IRR 2% of finance amount charges

Parameter Requirements

- Monthly income should be adequate to service the monthly instalment of the loan after meeting household expenses, utilities, and other existing debts commitments
- Recognition of the institute and the course module
- Intention of continuation of the higher education
- Regular payment obligation – utility bills, rent, taxes, loan instalment, credit card should have been paid on regular basis
- Facility should be granted only for pre-approved customers
- Referral ratio 4/5 or above.

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Non-income Earners

Students who are not earning on their own could be considered in this category. Parents of the students would pay their children's loan on behalf of their child as they do not earn and most probably they will continue their higher studies just after their secondary education with the intention to strengthen their future career success.

Eligible Loan Amount	Finance portion	Tenor	Margin
Up to 0.5Mn	Maximum up to 50%	6- 24 Months	28% IRR 2% of finance amount charges

Parameter Requirement

- Monthly income of the parent should be adequate to service the monthly instalment of the loan after meeting household expenses, utilities and other existing debts commitments
- Recognition of the institute and the course module
- Intention of continuation of the higher education
- Regular payment obligation – utility bills, rent, taxes, loan instalment, and credit card should have been paid on regular basis
- Facility should be granted only for pre-approved customers
- Referral ratio 4/5 or above.

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Section Title: Credit Score and Risk Grading				

Client Credit Score

Credit score mechanism has been introduced to evaluate the clients by using several financial and non-financial factors.

This credit score has been developed to measure the credit worthiness, honesty and integrity of clients specially based on purpose of following the particular educational course.

Risk Grading of a Loan Contract

After entering the details of all the parties directly involved (applicant, joint applicant, institute and referrals) and income sources based on repayments into the system risk grading will be automatically generated. According to the evaluation risk grading will be arranged based on 5. (E.g Risk <3)

- Risk >3 - These customers are good to Invest. Risk involved with these borrowers is below the average and have a strong credit score.
- (Risk >3 to 4)-Risk involved with these borrowers is just above the average risk and have a moderate credit score.
- (Risk >4 to 5)- Risky clients.
- (Risk >5)- High potential is available for losses.

* These ratings should be generated using the artificial intelligence.

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Section Title: Interest rates & reschedulments				

Collateral Requirements

Following security documents shall be executed prior to granting of loan facility.

1. Loan Application.
2. Loan Agreement.
3. Tri-party Agreement.
4. Approved Loan Appraisal.
5. Letter of Offer and Acceptance of the Facility.

Current Interest Rates

- 22% p.a. for first loan (rate will be varied based on the integrity level & the credit score given by AI).
- 2% of the amount financed will be charges as facility processing fee.
- 1% of the amount financed will be charged as insurance premium in order to cover the death, total and partial disability of the client (income earner).

Note: These processing charges will be deducted at the point of loan disbursement.

Rescheduling

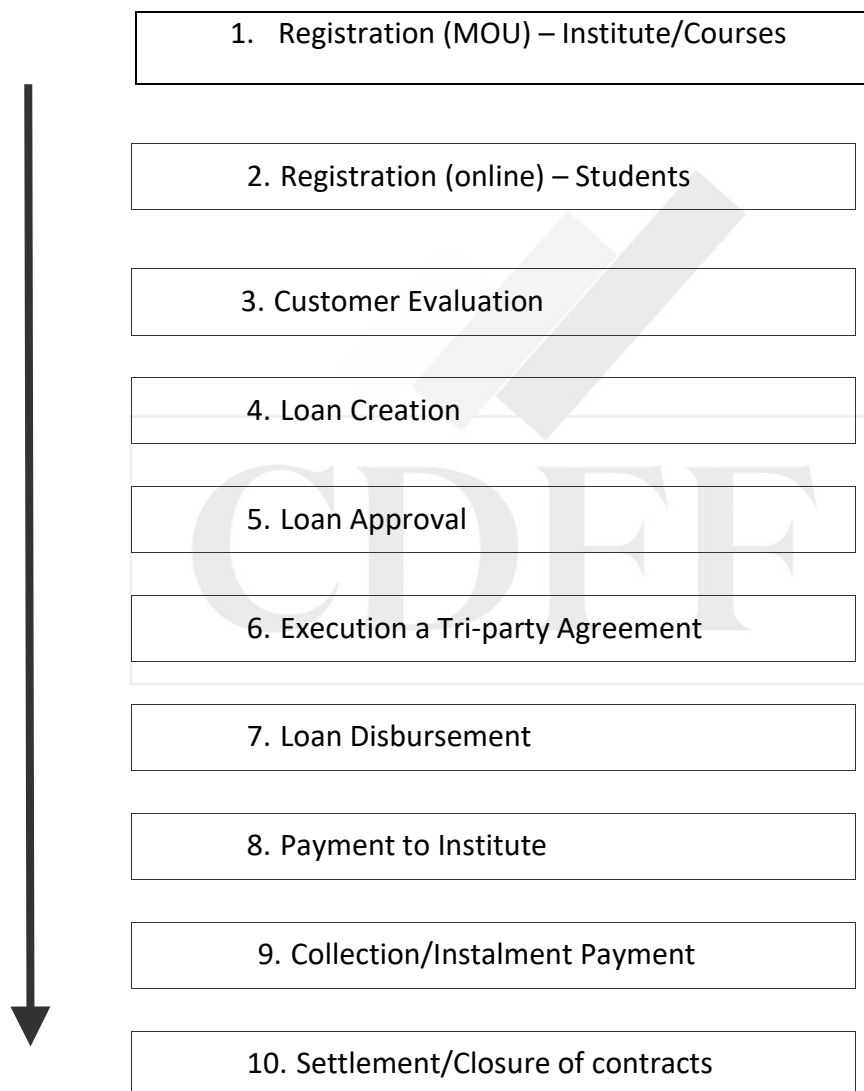
If the customer is unable to make the instalment payments due to drop of income or interruption of the institute, (management should evaluate whether the reasons are acceptable) rescheduling / restructuring will be considered based present possibility of payment and willingness of pay.

Following factors should be considered when rescheduling the contracts only:

1. Future Interest should be waived off.
2. Same interest rate should be applied for extended tenor.
3. Processing fee of 2000/- rupees to be charged.
4. Only the re-schedulement could be considered after facility fallen in arrears.
5. Prior to fallen the facility in arrears, re-structure of repayments could be arranged.
6. Further facilities cannot be granted for rescheduled customers.

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Section Title: Educational Loan Process				

Educational Loan Process



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Section Title: Channel creation & registration				

1. Registration of Institutes (Channel Creation)

Management team should visit the potential universities and higher educational institute with the intention to identify the potential educational institutes and present the CDFF product proposal in order to convince the educational institute about the benefits they gain before the agreement (MOU) between both parties. After clearance of all doubts with the better understanding of conditions, a valid MOU should be signed with particular responsible institute in order to execute the product document herewith. Related legal documents of institute (registrations etc.) to be perused to establish the capabilities.

2. Registration of Students

After registering institute, it is easy to get the information of the students through the institute itself who needs the financial assistance as a loan facility. This registration process must be carried out through an online link of CDFF which will facilitate through the institute. Collect the correct data to identify the potential Students and to identify who is in willing & possible category to obtain the facility.

3. Customer Evaluation Process

Big Data collected through the institute should be analysed and the potential proposals should be selected for the loan facility as the first step in order to segment the clients as “Income earners” or “Non-income earners” with the eligible loan amount and tenor.

Secondly, the documents related to the credit file should be uploaded to CDFF by the student along with the credit application in order to obtain the facility. Categorise the client profile based on the two segments for easy administration purpose.

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Section Title: Customer & institute evaluation process				

Customer and institute evaluation process

Borrower	Joint Borrower	Institute
NIC (in case DL/PP can be used)	NIC copy Last 3 Months salary slips Bank statements and any other income proof documents if applicable.	Offer letter from the institute
Salary and Service Confirmation Letter	Billing proof document	Payment invoice with the terms
Income proof documents (salary slips, bank statements)	Valid docs to prove the relationship to main borrower	
In case of a business (copy of BR, Current A/C Statements, cashflow statements)		
Billing proof document		

After establishing the accuracy of the provided data with the given documents, the customer evaluation process should be carried using the following methodologies.

- Character – professional, academic or technical character of the applicant.
- Ability – skill to complete the study module and relevance.
- Management – ability to manage the carrier and studies.
- Purpose – what is the purpose of obtaining the facility.
- Amount – how much on what terms.
- Repayment – will the payments be made as per the agreement.
- Insurance – how can the repayment of the loan be secured?

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Section Title: Loan creation in ERP				

Following documents should be obtained by the Executive Officer - Client Networking

- Picture of borrower/joint borrower/referral
- Photographs of business premises/working office of the income earning party.
- Location of the above from the google map.

4. Loan Creation in ERP

Once finalising the list of eligible students for loans, need to send the messages to respective clients informing their eligibility for the loans. Loan creation in the system could be performed upon receipt of the request from customer.

Following steps should be followed when creating the customer's loan in the system.

Service	Remarks / Comments
Create customers (borrowers) in the ERP system. 1. Principle applicant 2. Joint applicant if applicable. 3. Referrals if any.	Make sure the following data is entered to ERP. <ul style="list-style-type: none"> • Full Name. • Home address. • Land line contact number. • Mobile number/ numbers. • Confirmation of employment/business. • Income details.
Create the profile of educational organisation	<ul style="list-style-type: none"> • Full Name. • Permanent address. • Registered number. • Registered authority/organisation
Loan creation	Connect the created files (Borrowers and organisation)
If mortgage is involved enter details about the mortgage	Enter details of the mortgage, valuation of the property and other details

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Section Title: Charges & Other conditions				

Conditions to be applied

- Minimum loan amount is LKR 50,000/- while the maximum amount depends on the capacity and the value of degree and Up to LKR 1,000,000/- full amount will be disbursed.
- Loan would be considered as only joint facilities ideally with spouse, a parent or sibling.
- Additional security of movable or immovable property would be mortgaged to Ceylon Digital Funding Force (Pvt) Ltd. (only for exceptional cases)
- Applicant should be possessing a regular proven monthly income and strong education background such as completion of secondary level school education and considerable experience in employment or business.
- Default/penal interest of 5% will be charged with the intention to get the repayment completed on time.

Facility Charges

Facility charges should be paid prior to disbursement.

Charges	Percentage (%) / Amounts
Processing fee	1% from the amount financed
Legal Fee	1% from the amount financed
Valuation Fees	1% from the amount financed
Loan Protection Insurance	2% from the amount financed

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Section Title: Loan approval & Security documentation				

5. Loan Approval

After generating a detailed credit appraisal with the rationale recommendation should be forwarded to “Management Committee” through the online mobile app by the Executive - Networking with the conformation of the Executive - Administration for the information provided.

Parameters		
Facility Limit up to	Security	Approving Authority
Up to LKR100,000	Joint Borrower+ Try Party Agreement	Management Committee
From LKR100,001 to Rs 200,000	Joint Borrower+ One Referrals + Try Party Agreement	Management Committee
From LKR200,001 to LKR500,000	Joint Borrower+ Two Referrals + Try Party Agreement	Management Committee
From LKR 500,000 and above	Joint Borrower+ Referrals Plus Try Party Agreement +Property Mortgage	Management Committee

6. Execution of a Tri-party Agreement

Loan agreement should be executed as a tri-party agreement between the borrower, lending institution, and the institute enabling responsible all parties connected to end this contract effectively as funding on time, completion the studies on time, and in return repay the loan granted by CDFF to educational institute at the request of the student. This agreement should be witnessed by parties from all ends, including the institute, CDFF, and the students.

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Section Title: Disbursement Process				

7. Disbursement Process

Prior to disbursement of a loan, it is mandatory to get the complete approval in the system provided all approval conditions are fulfilled. (Standing order submission, one down payment should be paid.)

After fulfilling all conditions, security documents such as the Offer Letter, Loan Agreement, Mortgage Bond (if any), and Vehicle Mortgage Bond (If any) should be duly signed by the applicant. Loan proceeds have to be disbursed directly to the institution after execution the tri-party agreement between the customer, institution and CDFF.

8. Payment to institute.

Fund transfer to be effected to the given bank account of institute and confirmation of the payment should be obtained from the institute and the student profile should be updated via the mobile app. After the disbursement, confirmation of the tri-party agreement's execution and signatures as well as receipt of loan proceeds should be authenticated by the Head of Operations in the systems in order to update the final account of CDFF. Furthermore, a permission letter to participate the classes could be uploaded from the institute to the student profile.

9. Collection/Instalment payment

“Executive - Client networking” is responsible to collect the monthly loan instalments as per the loan agreement made with the client. Monthly instalments will be collected to a collection account of CDFF and reconcile real-time in order to update the customer profile accordingly. And customer can decide the due date at the time of initiation the loan account. Tenor should be decided based on the following table. Updated profile of the student should be visible for the institute as well.

Course Type	Repayment Period	Course Type	Tenor
Advanced Diploma	Course Period	Certificate Course	Max 12 months
Degree	Course Period + 1 Months	Under Graduate	Max 36 months
Masters	Course Period + 3 Months	Post Graduate	Max 24 months
PHDs	Course Period + 6 Months	Post Graduate and above	Max 48 months

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Section Title: Settlement & Closure process				

10. Settlement/Closure of contract

After full settlement of the loan facility as per the agreed terms, confirmation of the same should be communicated to the institute to honour their qualification recognition as per the tri-party agreement. Further profile of the students should be updated automatically to view from the students end with the congratulatory note to be viewed by the referrals as well.

Early Settlement Procedure

At the request of the student or institute, early settlement can be done with a penal charge based on remaining capital outstanding at the rate of 4% provided the student is getting is the course module completed as per the agreement. Settlement confirmation should be communicated to institute accordingly and profile of the student should be updated.