Finnovation Fintech Partnership Loan Integration

**DOCUMENT HISTORY**

| **Revision** | **Changes** | **ECO #** | **Contributors** | **Date** |
| --- | --- | --- | --- | --- |
| 1.0 | Created |  | Vickram.M | 09/11/2019 |
| 2.0 | Reviewed |  |  |  |

# **Introduction**

# Sourcing ,Disbursement and Collection Process flow:

# 

# **2.Functional Requirements**

**Abbreviations**

* MLA – Microloan
* SA – Salary Advance
* NTC – New to Credit; Customer having no credit score
* IMEI - International Mobile Equipment Identity; Mobile number identifier
* Perfios – Private player , who analyses the bank statement and provides reports
* FOIR- Fixed Obligation to income ratio
* PL – SE – Personal Loan Self Employed

1. **Customer selection Criteria and Eligibility:**

|  |  |  |
| --- | --- | --- |
| **Parameters** | **Salaried Segment** | **Self Employed Segment** |
| Locations applicable | **PAN India subject to negative pincodes** | **PAN India subject to negative pincodes** |
| Product variant name | Salary Advance (SA) | Flexi Personal Loan and Flexi Personal Loan Plus |
| Customer Age at Entry | Min - 21y; Max - 45y | Min - 21y; Max - 45y |
| Minimum Monthly Salary/Income (Net) | 15K per month; | 15K per month; |
| The same is arrived basis perfios bank statement analysis outcome | As declared by customer on the platform |
| Min & Max Loan Amt | Min - 10K | Min - 5K |
| Max - 150K | Max - 30K |
| Tenure in Months (M) | Min - 3M | Min - 3M |
| Max - 12M | Max - 6M |
| Bureau Score **(CIBIL 2.0)** | Metro : 650 & above | 630 & above and NTC as well |
| Non-Metros : 680 & above | **NTC (-1, 1-5) will be restricted up to 16K & 3M only** |
|  |  |
| **NTC (-1, 1-5) will be restricted up to 16K & 3M only** |  |
| (NTC- New to credit) |  |
| (Metros: Bangalore, Delhi, Mumbai, Pune, Chennai, Hyderabad |  |
|  |  |
| Bureau Screening Norms | Enquiry Related: | Enquiry Related: |
| There should not be : | There should not be : |
| >=8 in last 3 months | >=8 in last 3 months |
| >=10 in last 6 months | >=10 in last 6 months |
| >=15 in last 12 months | >=15 in last 12 months |
|  |  |
| Tradelines Related | Tradelines Related |
| There should not be any tradeline | There should not be any tradeline |
| **with currently 0+ (in latest reported month)** | **with currently 0+ (in latest reported month)** |
| with 30+ DPD in last 3 months | with 30+ DPD in last 3 months |
| with 60+ DPDP in last 6 months | with 60+ DPDP in last 6 months |
| with 90+ ever in any tradeline | with 90+ ever in any tradeline |
| **with Willful Default, Suit-filed or Written Off reported** | **with Willful Default, Suit-filed or Written Off reported** |
| FOIR & IIR | The maximum KB Installment to income ratio (IIR) is 15-18%. | The maximum KB Installment to income ratio (IIR) is 30-35% |
|  |  |
|  | FOIR - NA |
| FOIR : |  |
| The liability to salary ratio is set at 60%. |  |
| Perfios (Bank Statement) evaluation | Mandatory | Optional |
|
|
|
|
| Loan eligibility calculation logic & capping | Eligibility calculation: | Eligibility calculation: |
| Proprietary to KB as per internal Model run by KB | Proprietary to KB as per internal Model run by KB |
|  |  |
|  | Loan Amount is restricted up to : |
| Loan Amount is restricted up to : |  |
|  |  |
| Cibil Score based: |  |
| NTC : 60% of monthly salary | NTC: 8K-16K |
| 650 - 719 : 100% of monthly salary | 630-679: 10K-25K |
| 720 & above : 130% of monthly salary | 680-699: 12K-25K |
|  | 700+: 15K-30K |
| Residence stability at Current residence | 3 Months | 3 Months |
| Employment Vintage (with current employer) | 6 Months Salary with the current employer (to be validated through perfios BS evaluation) | NA |
| Total work exp | 12 Months (self declared) | 12 Months (self declared) |
| Email ID | Any 1 email id is required (official / personal) | Any 1 email id is required (official / personal) |
| Fraud rules | Blacklist components (PAN, IMEI, Phone Number, Email, Pincode) | Blacklist components (PAN, IMEI, Phone Number, Email, Pincode) |

* **Data Shared by Finovation for Onboarding as below: Total of 28 Fields to be shared.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **kbloanid** | **Scheme ID** | **fundprospectno** | | **disbursal\_date** | | **Loan\_amount** |
| **ROI** | **tenure\_in\_days** | **repayment\_date** | | **customer\_name** | | **Dob** |
| **mobile** | **Email** | **Employer Name** | | **age** | | **Salary** |
| **Bureau Score** | **PAN Profile Check** | **Hyperverge\_PAN Eligibilty Check** | | **CIBIL\_Bureau Profile Check** | | **CIBIL\_Bureau Eligibility Check** |
| **gender** | **govtIDTypeName** | **govtIDNumber** | | **city** | | **current address** |
| **current postcode** | **permanent address** | | **permanent pincode** | |

* **Internal Dedupe to be done for the data given.**
* **Approval/Rejection to be given in System based on above Data fields and as per Credit parameters mentioned above.**
* **Loan Account Number in our ERP should be same as the “kbloanid” generated by Finovation.**

# **Interest / Repayment schedule Calculation**:

Sample Interest Calculator: Excel format shared through mail.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **EMI Schedule** | | | | | |
| **Loan Amount** | | ₹20,000.00 | **No. of Installments** | | 6 |
| **Annual Interest Rate** | | 25.00% | **Payment Frequency** | | Monthly |
| **Installment Amount** | | ₹ 3,577.00 | **Tenor (in Years)** | | 0.25 |
| **Inst. #** | **Due Date** | **Principal Recovered** | **Interest** | **EMI** | **POS** |
|  | 8-Aug-19 | <-- Disbursement Date | |  | **₹ 20,000.00** |
| E1 | 5-Sep-19 | ₹ 3,193.00 | ₹ 384.00 | ₹ 3,577.00 | ₹ 16,807.00 |
| E2 | 5-Oct-19 | ₹ 3,232.00 | ₹ 345.00 | ₹ 3,577.00 | ₹ 13,575.00 |
| E3 | 5-Nov-19 | ₹ 3,289.00 | ₹ 288.00 | ₹ 3,577.00 | ₹ 10,286.00 |
| E4 | 5-Dec-19 | ₹ 3,366.00 | ₹ 211.00 | ₹ 3,577.00 | ₹ 6,920.00 |
| E5 | 5-Jan-20 | ₹ 3,430.00 | ₹ 147.00 | ₹ 3,577.00 | ₹ 3,490.00 |
| E6 | 5-Feb-20 | ₹ 3,490.00 | ₹ 74.00 | ₹ 3,564.00 | ₹ 0.00 |
|  |  |  | **₹ 1,449.00** |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |

* **BPY to be generated for each approved account which are for disbursement.**
* **After Generating the BPY number Disbursement/Authorization for Disbursement to be done in the Nodal/Escrow account opened by Finovation.**
* **Data which is pushed Before 5 p.m the disbursements will happen by EOD. And any further data which is pushed in our system after 5p.m, disbursement will happen in the First half of the next day.**

# **Payments:**

**Collections:**

* As & when the customer repays the amount via different payment methods to Nodal account, Finnovation Technology will share the Repayment report to HLF along with settlement date on clearing basis.
* Finnovation should settle the funds to HLF on a clearing basis to the Nodal account
* HLF will pay the servicer fees as per service level agreement to Finovation Tech Solutions Private limited at the end of the month for all the funds that are received during the month

**Reports:**

* Reconciliation for repayment report & POS report to be done every month.

**Pre-payment/Foreclosure and Overdue Payment Scenario**:

**Fixed**

E1, E2, E3, …. - First, 2nd, 3rd…. Emi Scheduled.

P1, P2, P3, …. – First, 2nd, 3rd, …. Principal part of respective EMI scheduled.

I1, I2, I3, …… - First, 2nd, 3rd, …. Interest part of respective EMI scheduled.

**Variable, subject to actual payment date**

E1’, E2’, E3’, …. First, 2nd, 3rd…. actual EMI payable

P1’, P2’, P3’, … First, 2nd, 3rd, …. Principal part of respective actual EMI payable.

I1, I2, I3, …… - First, 2nd, 3rd, …. Interest part of respective actual EMI payable.

**Below are the possible cases under which repayment/Foreclosure can be done**:

**Case1. Pre-payment**

1. **a) Customer pays E1 on 20-Aug-2019**

Payable Amount

P1’ = P1 = Rs.3193

I1’ = I1 – {(P1\*(0.25/365) \*(E1 date - 20-Aug-2019)}

1. **b) Customer pays more than 1 EMI, say E1 & E2 on 20th-Aug-2019**

Payable Amount

P1’ = P1 = Rs. 3193

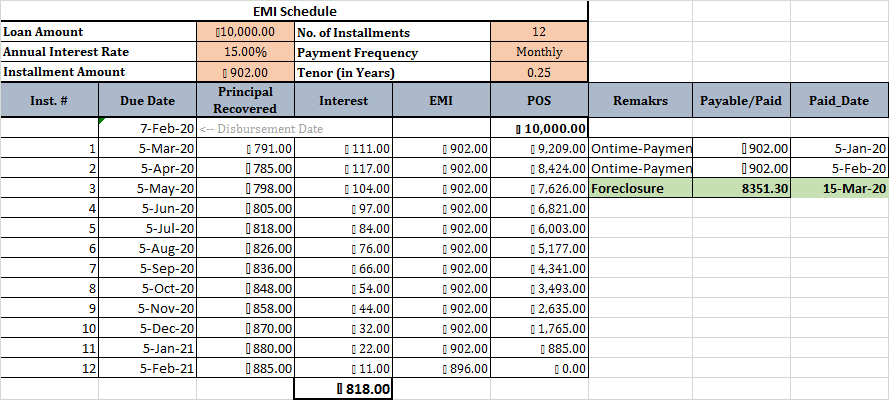
P2’ = P2 = Rs.3232

I1’ = I1 – {(P1\*(0.25/365) \*(E1 date - 20-Aug-2019)

I2’ = I2 – (P2\* (0.25/365) \* {if Paid date is before E1, (E2 date- E1 date)

Else, (E2 date – Paid Date)}

**Illustration of Foreclosure**:



**Case2. Overdue Payment**

**First loss default guarantee (FLDG:**

HLF will be covered to the extent of mutually agreed Principal outstanding (Principal +Interest) on month end date. The cover will be provided in the form of collection deficiency service by the partner

* Deficiency service will be triggered as and when the contract crosses PAR 90. Once the deficiency service is triggered, the partner will pay outstanding principal and the committed interest for 90 days to HLF.
* The coverage will be based as mutually agreed between service provider and HLF, HLF will be covered both on Principal and interest
* For operational ease, deficiency service note will be raised by HLF on month end

###### **Illustration**

Assume a scenario where HLF has lent Rs. 5000 to a customer for 30 days; The end customer ROI is 29%; Committed returns to HLF as per the Business Correspondence agreement is 15%. Various scenarios are illustrated below.

###### **Scenarios**

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Overdue customer 90 day** | **Regular customer** | **Overdue customer –**  **45 day**  **overdue, post the due**  **date** |
| Initial Principal outstanding | 5000 | 5000 | 5000 |
| Interest component including overdue interest (HLF share@15% IRR) | Rs. 247  (120 days  interest @15% IRR) | Rs. 62 (30  days interest @15% IRR) | Rs. 154 (75  days interest @15% IRR) |
| Principal paid by customer | - | Rs. 5000 | - |
| Interest paid by customer (HLF share@15% IRR) | - | Rs. 62 | - |
| Principal settled by partner, as a part of the agreement | Rs. 5000 | - | - |
| Interest settled by partner as a part of the agreement (HLF share@ 15% IRR) | Rs. 247 | - | - |
| Principal overdue to HLF | - | - | Rs. 5000 # |
| Interest overdue to HLF | - | - | Rs. 154# |

\*The deficiency service will be triggered on a contract hitting PAR 90

1. **a) Customer pays E1 on 20th-Sept**

Payable Amount

P1’ =P1 = Rs.3193

I1’ = I1 + (P1\*(0.25/365) \*(20-Sept-2019 – E1 Date)

1. **b) Customer Pays E1 & E2 on 20th-Oct-2019**

Payable Amount

P1’ = P1 = Rs.3193

P2’ = P2 = Rs. 3232

I1’ = I1 + (P1\*(0.25/365) \*(E2 date – E1 date)

I2’ = I2 + (P2\*(0.25/365) \*(20th-Oct-2019 – E2 date)

**Case3. On time repayment**

Payable amount will be as per EMI schedule

**Collection Process**:

* Finovation Tech provides collection data ( Amount account wise) which will be pushed to HLF’s System
* Collection split will be provided.
* “kb\_loan\_id” will be passed along with collection information to identify the loan.
* When loan is matured, it will be communicated to HLF’s system through API
* HLF to give the Value date/Date of realization as on the payment made by Customer( which would be T+1 i.e. next working day.)
* Data provided at this stage is as below

|  |
| --- |
| * kb\_loan\_id |
| * principal |
| * interest |
| * overdue\_interest |
| * penal\_interest |
| * bounce\_charges |
| * other\_charges |
| * amount |
| * instr\_no |
| * customer\_collection\_date |
| * investor\_transfer\_date |
| * comment |
| * is\_foreclosure |