

**CORPORATE MINI LENDING POLICY**



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# **INTRODUCTION**

Since the launch of the Sole Proprietorship Business Support Loan (SPBSL) product, there have been cases whereby a company that is registered as a Limited Liability company but runs as a sole proprietorship applies for a facility under the RFS sole proprietor structure. These customers do not fit into the profile of a sole proprietorship as RFS SPBS structure was strictly designed for small businesses (either registered or unregistered Enterprise).

Although registered as a limited liability company, these types of companies when assessed under RFS corporate structure, do not meet the requirements hence making them fall out of the acceptable risk range. This has left companies such as this excluded from accessing an RFS facility. To promote financial inclusion for this market, a lending policy termed “Rosabon Corporate Mini” was created to accommodate this set of clients.

Rosabon Corporate Mini is a lending structure that allows small organizations who have the operations of a sole proprietor but are registered as limited liability companies to be assessed and approve for RFS credit facility. A company is described as a corporate mini if they have the following structure:

1. Registered as limited liability and
2. Has at most 2 shareholders who are unrelated or more than 2 shareholders who are all immediate family members or more than 2 shareholders who are all related to the major shareholder except 1
3. The operations are controlled solely by the major shareholder (where it shows on the CAC that the major shareholder is also the managing director/CEO)
4. Has a maximum annual turnover of less than or equal to 100 million; where turnover is above 100 million, client will be treated under the regular corporate lending structure.

# **REQUIREMENTS**

## **Business Specific Requirement**

* Letter of Intent
* Company profile
* Certificate of Incorporation and Memorandum of Association
* Board Resolution to borrow
* 1-year bank statement (business account only)
* 1 Passport Photographs and valid government id of the major shareholder
* Utility Bill
* Post-dated cheques
* Any other document that would facilitate the facility

## **Product Specific Requirement**

|  |  |  |
| --- | --- | --- |
| **Finance Lease** | **Vehicle ACL** | **LANDED PROPERTY ACL** |
| * Profoma Invoice * Original Vehicle Papers | * Letter of consent (stating the intentions use the vehicle as collateral for the loan) * Original vehicle paper | * Title document – (photocopy for pre-offer letter & original for post-offer letter) * Copy of the tax clearance certificate of at least two directors * Picture of the site * Ground Rent Receipt current & previous year (for PH & Abuja properties only) * Certificate of Occupancy (for PH properties only) * Letter of consent (stating the intentions use the property as collateral for the loan) * Signed Legal mortgage agreement and tripartite agreement if 3rd party is involved |

# **CREDIT ASSESSMENT STAGE**

Assessing the viability of an organization to assess a credit facility is of utmost importance as it evaluates the ability of a company to honor its financial obligations. To help with this analysis, clients will pass through the following stages of assessment to determine their creditworthiness:

* Etix Stage
* Company Inclusion Stage

Not only does the credit assessment stage assess the creditworthiness assessment of the organization, but it also weighs the risk they pose to RFS.

## **Etix Stage**

A company that fits the description of RFS corporate mini will be required to take Etix to assess their personality and integrity. This is required as the decision of the organization's health solely rests on one individual. Only clients who fall within Etix risk level 1-8 can access the facilities available under the corporate mini.

## **Company Inclusion Stage**

After successful completion of the Etix Stage, clients will be further assessed with the company inclusion which will focus on assessing the company's capacity, historical character, and business credibility. The assessment of clients through the company inclusion form will be done solely by the credit underwriters.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **S/N** | **5Cs of Credit Covered** | **CRITERIA** | | | **WEIGHT** | **Underwriter** |
|  |  |  | | |  | **CRM** |
| **A** | **CAPACITY (65 POINTS)**  **FINANCIAL PERFORMANCE** | | | |  |  |
| **Annual Turnover**  **(1 year) – 15Points**  (Note that this can be found in the bank statements of the client. It comprises all the inflows generated in the business bank statement and identifiable reliable source of income in the from the business account) | | Excellent 50M | | 15 |  |
| Very Good (30M – 49.99M) | | 12 |  |
| Good (20M – 29.99M) | | 9 |  |
| Average (10M – 19.99M) | | 7 |  |
| Fair (1M – 9.99M) | | 4 |  |
| Poor Below 1million | | 1 |  |
|  | |  | |  |  |
| **Cash Flow Coverage Ratio (30 Points)**  (Total inflows divided by total outflows: note that the debit side of the bank statement indicates the outflows and the credit side indicates the inflows) | | VERY GOOD(5.0 and above) | | 30 |  |
| GOOD (3 – 4.99 times) | | 24 |  |
| AVERAGE (2 – 2.99 times) | | 19 |  |
| FAIR (1.0 – 1.99 times) | | 17 |  |
| POOR (less than 1.0) | | 0 |  |
|  | |  | |  |  |
| **Debt Cover (20 Points)**  (Annual Turnover/Annual debt Repayment) | | VERY GOOD(5.0 and above) | | 20 |  |
| GOOD (3 – 4.99 times) | | 16 |  |
| AVERAGE (2 – 2.99 times) | | 13 |  |
| FAIR (1.0 – 1.99 times) | | 12 |  |
| POOR (less than 1.0) | | 0 |  |
|  |  | |  | |  |  |
| **B** | **CHARACTER (35 POINTS)** | | | |  |  |
| **CREDIT HISTORY OF BUSINESS & OWNER (25 POINTS)**  Kindly ensure the use of Credit Bureau reports  and bank statements (where available). The business and owner credit history should be assessed | | | VERY GOOD  (Having a credit history with no default records) | 25 |  |
| GOOD  (At most 2 defaults on a single transaction in the past but currently  performing on all accounts or all accounts paid off) | 15 |  |
| AVERAGE  (No credit history) | 10 |  |
| POOR  (Having one or more non-performing loans or  currently reviving a nonperforming loan) | 0 |  |
|  | | |  |  |  |
| **AGE IN BUSINESS (10 POINTS)**  **(The minimum required age is 1 year)** | | | VERY GOOD –5 YEARS and ABOVE | 10 |  |
| GOOD – 3 - 4 YEARS | 7 |  |
| AVERAGE – 1 - 2 YEARS | 4 |  |
| BELOW 1 YEAR | 0 |  |
|  | | |  |  |  |
|  | **TOTAL SCORE** | | |  |  |  |
|  | **RISK CATEGORY** | | |  |  |  |
|  | **NAME & SIGNATURE OF UNDERWRITER** | | |  |  |  |
|  | **DATE** | | |  |  |  |
| **ADDITIONAL APPROVAL**  **(NEEDED IF APPROVAL LIMIT EXCEEDS UNDERWRITER LIMIT)** | | | | **COMMENT** | | **SIGNATURE** |
| **1** | **LEAD UNDERWRITER** | | |  | |  |
| **2** | **HEAD CRM** | | |  | |  |
| **3** | **MD** | | |  | |  |

### **Risk Classification**

|  |  |
| --- | --- |
| **AVERAGE SCORE** | **RISK CATEGORY** |
| 85% - above | Low Risk |
| 65% - 84% | Medium Risk |
| 45% - 64% | High Risk |
| Below 45% | Risk too high |

### **Accessible Amount**

* The amount accessible by each business is restricted to the lower of the present value of 20% (max DTI deductible) of net average (i.e. PV of 0.25\* net avg. turnover) or the % loan to value set for each risk category. 25% DTI was chosen because it is a collateralized transaction and clients are able to access more funds that are fully covered by their asset.
* The minimum accessible amount on the above is 500,000

# **ACCESSIBLE PRODUCTS**

The products available for qualified corporate mini clients to access are restricted to collateralized products and they are:

* Finance Lease (vehicle finance lease)
* Asset Cash Loan (vehicle & landed property ACL)

## **Asset Cash Loan**

### **Accessible Credit Value**

The credit value accessible by each business is restricted to the lower of the present value of 25% of net average (max DTI deductible) or the % loan to value set for each risk category. ***\*\*\*Net Average Turnover = Average turnover less monthly debt obligations of the business***

### **Vehicle ACL**

The vehicle asset cash loan is one that offers loan to client against their asset. This is a sales and leaseback as the vehicle ownership will be transferred to RFS for the duration of the transaction. The client is entitled to a percentage of their asset forced sale value.

1. **Tenor**
2. The Maximum Tenor is 12 months
3. **LTV & Interest Rates**

**FOR STABLE SECTOR**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **If Vehicle Age is Within Age Limit** | | **If Vehicle Age is Above Age Limit** | |
| **Average Scores** | **RISK CATEGORY** | **Interest Rate/Month** | **MAX LOAN TO VALUE** | **Interest Rate/Month** | **MAX LOAN TO VALUE** |
| 85% - above | Low Risk | 3.50% | 60% | 3.75% | 55% |
| 65% - 84% | Medium Risk | 3.75% | 55% | 4.00% | 50% |
| 45% - 64% | High Risk | 4.00% | 45% | 4.50% | 40% |

**FOR UNSTABLE SECTOR**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **If Vehicle Age is Within Age Limit** | | **If Vehicle Age is Above Age Limit** | |
| **Risk Category** | **Average Score** | **Interest Rate/Month** | **MAX LOAN TO VALUE** | **Interest Rate/Month** | **MAX LOAN TO VALUE** |
| Low Risk | 85% - above | 3.50% | 50% | 3.75% | 45% |
| Medium Risk | 65% - 84% | 3.75% | 45% | 4.00% | 40% |
| High Risk | 45% - 64% | 4.00% | 40% | 4.50% | 35% |

1. **Vehicle Restriction**

|  |  |  |
| --- | --- | --- |
| **Brand** | **Maximum Acceptable Age/ Year of Manufacture (if within the age limit (1-8yrs))** | **Maximum Acceptable Age/ Year of Manufacture (if above age limit (9-20yrs))** |
| Toyota | 8yrs | 18yrs |
| Honda | 8yrs | 18yrs |
| Nissan | 8yrs | 13yrs |
| BMW | 8yrs | 13yrs |
| Lexus | 8yrs | 13yrs |
| Mercedes-Benz | 8yrs | 12yrs |
| Hyundai | 8yrs | 12yrs |
| Kai | 8yrs | 12yrs |
| Mitsubishi | 8yrs | 12yrs |
| Infinity | 8yrs | 12yrs |
| Volkswagen | 8yrs | 12yrs |
| Others | 8yrs | 11yrs |

1. **Vehicle Restriction**

|  |  |  |
| --- | --- | --- |
| **Capitalized fees**  Car registration ₦56,000  Stamp duty fees 1%  Legal fees 1%  Processing fees 1% | **Monthly fees**  Insurance fees 4%  Management fee 0.5% | **Upfront fees**  Inspection ₦15,500 |

### **Landed Property ACL**

The product structure is one that offers a line of credit on the legal mortgage provided by the client who then becomes a “Line Holder”. This line of credit is a revolving one which allows the line holder to max the line limit, repay it and spend it again in a virtually never-ending, revolving cycle. This basically means that the line holder can access funds from the line of credit at any time as long as they do not exceed the maximum credit limit (which is a % loan to value (LTV)) and they have the capacity that can cater for the repayment at every point they draw.

1. **The acceptable landed property must have/be:**
2. a structure on it
3. in prime locations in Lagos, Port Harcourt or Abuja
4. registered in the name of the client with a valid COO (Certificate of Occupancy)

1. **Setting Credit Line Limit**

The maximum LTV available per property is 65% of the forced sale value and this represents an approximately 153% cover of the asset value to the loan value.

The above percentage is the maximum credit limit that will be available for the client to draw down and it is applied to the forced sale value of the property. The absolute credit limit a client is entitled to be dependent on the forced sale value of the property.

A client is entitled to draw down from the available credit limit until it is exhausted and as long as they have the capacity for the draw. Every draw reduces the credit limit and resets it back only when the draw has been fully paid.

Every line (property) is due for revaluation after 24 months from the previous valuation; hence a periodic valuation must be carried out by the Admin Team.

A credit limit can be increased or decreased depending on the following criteria’s:

1. **Increase credit limit if the following criteria’s are met:**
2. The last line valuation is more than 24 months,
3. New property value is higher than the previous value
4. An individual must not have a late payment that exceeds a month on their previous or running transaction. (Clients are only allowed 1 deferment per transaction and payment must not exceed 30 days)

1. **Decrease credit limit if either/both of the following happens:**
2. New property value is lower than the previous value or
3. The client has a late payment that exceeds 2 months on their previous or running transaction. Credit line limit will be decreased to 60%

A previously decreased credit limit percentage will be increased back (to 65%) only when the client completes a transaction with no late payment that exceeds more than 2 months.

1. **Credit Line Usage**

A line holder is allowed to share its credit line with a third party; being that the line limit is set on the property’s value, the credit line can, therefore, have multiple drawers until the limit is exhausted. Each drawer must have the capacity to cater for each draw. A line with multiple drawers must sign a tripartite agreement between the RFS, the line holder, and the 3rd party drawer.

1. **Acceptable Line Drawers**

Below are the acceptable line drawers:

1. Line holder – Owner of the property (the business itself)
2. Other businesses owned by the line holders

1. **Top-Up Criteria**

Top-up is available for each drawer only if the following criteria’s are met:

1. After the 6th month of repayment on running transaction
2. A must not have any late payment that exceeds 2 months on their running transaction. (Client is only allowed 1 deferment per transaction and payment must not exceed 30 days)
3. **Tenor**
4. Maximum Tenor is 24 months for Stable Sectors and 18 months for unstable sectors
5. **LTV**
6. Maximum accessible LTV for all risk is 65% for Stable Sectors and 50% for unstable sectors
7. **Interest Rate**

|  |  |  |  |
| --- | --- | --- | --- |
| **Average Scores** | **Risk Category** | **Interest Rate/Month**  **(New)** | **Interest Rate/Month**  **(Repeat)** |
| 85% - above | Low Risk | 2.5% | 2.25% |
| 65% - 84% | Medium Risk | 2.75% | 2.5% |
| 45% - 64% | High Risk | 3% | 2.75% |

1. **Upfront Fee**
2. Document Property Search/Titled Document Verification: (Lagos & Abuja – 55,000, Port-Harcourt – 60,000)
3. Property Valuation: The valuation cost is not a fixed cost; it is a cost that varies hence, client is liable to the cost once communicated by the estate valuer.
4. **Other Fees**

|  |  |
| --- | --- |
| **Capitalized fees**  Legal fee – 1%  Maintenance – N1 per mille  VAT – 5% of in-house fees | **Monthly fees**  Management fee – 0.5% (charged quarterly and amortized monthly) |

1. **Government charge for Perfection**

|  |  |  |
| --- | --- | --- |
| **Lagos** | **Port Harcourt** | **Abuja** |
| * Consent fees- 1% of the loan amount * Stamp Duty – 1.5% of the loan amount * Registration – 0.5% of loan amount * Official CTC of the root of the title – N10,500 * Chatting fees – N7,500 * Endorsement – N3,000 * Admin Charge – N5,000 * Legal Processing Fee – N400,000 * Publishing Fee – N20,000 | * Application fee – N6000 * Execution – N10,000 * Capital Gain Tax – N2% of property value or loan amount whichever is higher * Consent fee: * Less than 5m – 2% of the loan amount * N5m – N10m – 1.8% of the loan amount * Above N10m – N50m – 1.5% of the loan amount * Above N50m – N100m – 1.2% of the loan amount * Above N100m – N300m – 0.8% of the loan amount * Above N300m – N500m – 0.6% of the loan amount * Above N500m – 0.2% of the loan amount * Stamp Duty – 3% of the loan amount * Legal Processing Fee – N400,000 | * Consent fees- 1% of the loan amount * Processing Fee – N10,000 * Registration – 1% of loan amount * Counterpart copy – N2,000 * Endorsement – N3,000 * Stamp Duty – 1% of the loan amount * Legal Processing Fee – N400,000 |

\*\*The above is an estimate that will be deducted from the loan value, however, the cost incurred may exceed and any balance must be paid by the customer after the transaction and before the original titled document is handed back to the client.

## **Finance Lease**

### **Accessible Lease Value**

The lease value accessible by each business is restricted to the lower of the present value of 25% of net average (max DTI deductible) or the lease value set for each risk category.

***\*\*\*Net Average Turnover = Average turnover less monthly debt obligations of the business.***

***\*\*\*Risk Category Lease Value = (1- % equity contribution) \* Asset Cost***

### **Vehicle Finance Lease**

RFS vehicle finance lease is an affordable lease that is granted to organizations that wish to purchase vehicles for their organization use and/or members of staff. The vehicles available for financing under this structure are regular vehicles that are not heavy duty. The vehicles can be New, Tokunbo ((a maximum of 10 yrs.) or Nigerian Used (a maximum of 8 yrs.).

1. **Tenor**

|  |  |
| --- | --- |
| **TYPE** | **TENOR** |
| New Vehicle | Max 42 months |
| Tokunbo | Max 31 months |
| Nigerian Used Vehicle | Max 24 months |

1. **Vehicle Restriction**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Brand** | **Maximum Acceptable Age/ Year of Manufacture (if Tokunbo)** | **Maximum Tenor If Tokunbo** | **Maximum Acceptable Age/ Year of Manufacture (if Nigerian Used)** | **Maximum Tenor If Nigerian Used** |
| Toyota | 10yrs | 31 | 8yrs | 24 |
| Honda | 10yrs | 31 | 8yrs | 24 |
| Nissan | 10yrs | 31 | 8yrs | 24 |
| BMW | 10yrs | 31 | 8yrs | 24 |
| Lexus | 10yrs | 31 | 8yrs | 24 |
| Mercedes-Benz | 10yrs | 31 | 8yrs | 24 |
| Hyundai | 10yrs | 28 | 8yrs | 18 |
| Kai | 10yrs | 28 | 8yrs | 18 |
| Mitsubishi | 10yrs | 28 | 8yrs | 18 |
| Infinity | 10yrs | 28 | 8yrs | 18 |
| Volkswagen | 10yrs | 28 | 8yrs | 18 |
| Others | 10yrs | 24 | 8yrs | 18 |

1. **Equity Contribution & Interest Rate**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **COMPANY SCORING** | | **NEW** | | **TOKUNBO (AGE LIMIT = MAXIMUM OF 10 YEARS)** | | **NIGERIAN USED (AGE LIMIT = MAXIMUM OF 8 YEARS)** | |
| **Risk Category** | **Average Score** | **Annual Rate** | **Contribution** | **Annual Rate** | **Contribution** | **Annual Rate** | **Contribution** |
| Low | 85% - above | 26.00% | 30.00% | 29.00% | 35.00% | 31.00% | 40.00% |
| Medium | 65% - 84% | 28.00% | 33.00% | 32.00% | 40.00% | 35.00% | 45.00% |
| High | 45% - 64% | 31.00% | 37.00% | 35.00% | 45.00% | 39.00% | 49.00% |

1. **Fees**

|  |  |  |  |
| --- | --- | --- | --- |
| **INSPECTION FEES** | **UPFRONT FEES** | **MONTHLY FEES** | **TRANSFER FEES** |
| Tokunbo - N14,500 | Equity Contribution | Management Fee – 0.95% | New Vehicle - 2% |
| Nigerian Used - N15,500 | Legal Fee - 1% | Insurance - 4% | Tokunbo - 3% |
|  | Processing Fee - 1% |  | Nigerian Used - 3% |
|  | Stamp duty - 1% |  |  |
|  | Car Registration: New Registration = 45,000  Change of Ownership = 56,000 |  |  |

# **PROCESS FLOW**

