**Business Requirement Document**

**Date: 16-10-2024**

**Placed by: Micro and Rural Banking Dept.**

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| **Requirement Details** | |
| Requirement type | This requirement is to integrate MFI Module specified by RBI for servicing MFI loans assessing Household Income. |
| Changing Module | Android-Frontend, Backend. Web-Frontend, backend, BRE, Assessment of Loan eligibility. |
| Present Functionality | MFI Module is currently not present in the system. |
| Required Change | **Proposed Process (MFI Loan origination)**   1. All the loans sourced under the new MFI product module will be taking loan journey through MFI modules in NST.   “*A microfinance loan is defined as a collateral-free loan given to a household having annual household income up to ₹3,00,000. For this purpose, the household shall mean an individual family unit, i.e., husband, wife, and their unmarried children*.”   1. MFI product will focus on the low-income customer segment, ie, customers with an annual household income under 300000 (Three Lakh rupees).   **System level check**: If the customer Marital status is “**Married.**” The system computes the household income by analyzing the total household members CB. I.e., the system should have the **option to add household members** (Spouse and unmarried children). The system should retrieve the CB of all the added household members for computing the Household income and Household EMI obligation. The computation of the income and Total obligation will be done by the **B**usiness **R**ule **E**ngine configured in the front end.  **Household income computation**  Household Income should be computed from CB. New CB integration is required where Household income is also available in the CB report. Any deviations from the latest reported Household income should be only updated in the application after enquiring and obtaining reasons from the customer.   * This household income should be only used for further analysis. * Individual income should be separately captured for updating in the customer ID. * Expenditures (recurring and non- recurring should be mandatorily captured.) * The total Income should be arrived by reducing Expenditures from Household income captured from CB. * The gate criteria for eligibility of an MFI loan are that the Total income of the household computed after the above functions should be less than 300000(Three Lakh Rs) per Annum. * Activity codes to be passed in CB are attached in product document.   **Enrollment screens**   1. Once the Household income is below three lakh per annum and the basic gate criteria (CB report analysis) set for microfinance loans is found satisfied, the System should also check for the existing EMI obligation of the Customer.   As per the directives from RBI, the total EMI obligation per month should not be more than 50% of the Total household income.  **System Level check**: System should cross check the computed values and will only allow the customer to move forward if the total EMI obligation is less than 50% of the monthly household income, provided the following BRE conditions are also met.  **The present BRE conditions are mentioned below.**  *Customers need to be rejected if the credit report satisfies any of the following condition,*   * Active DPD as per Loan policy both in Advance overlap(30) and Base report(30) should not be more than 30, 30 respectively in the last reported month, if last reported month is xxx, the same should be backtracked and check should be done with just previous month. * Any instance of Written off cases, Active NPA, Settled down cases. * Any loans having, SUB, DBT, LOS. * Any loans with Written off amount present or Side heading as Written off. * Total other MFIs allowed present in report is more than 3 in case of active loans. * If total Indebtedness is more than set limit in loan policy after adding the applied amount. * If the current balance is 0, overdue amount is available and DPD days is above 30 * If status is mentioned as "Suit Filed Status/Suit Filed"( * If any write-off amount is present in the Total Writeoff Amt column.   *All customers which not coming under these conditions need to be approved by FEDMI/NST BRE CB analysis.*  ***Eligibility Computation***   * All active EMI loans in Client and Household member CB should be considered and EMI obligation to be arrived. * Active GOLD having bullet repayments should be also considered by dividing the loan amount by tenure. This EMI should be also added to the EMI obligation computed in the previous step. * The 50% of Total Household income computed should be divided by 12 inorder to arrrive at the monthly maximum permissible EMI obligation. * The Current EMI obligation computed from CB should be reduced from the Maximum monthly permissible EMI obligation arrived out of CB. * The new loan’s EMI should be within the computed Available EMI obligation in the last step.   Once the above-set of conditions are met, the system should allow the Field officer to enter/capture the other necessary details (KYC, Beneficiary bank details, nominee details etc.) of the customer and will route the customer with the normal process as QC, Houe verification, Sanction, E-sign and disbursement.    Household CB generation.  Customer Onboarding  Household Member onboarding  If customer is found eligible for loan amount, prospect can be taken forward to other stages and disbursement.  Per month EMI obligation to be computed based on the conditions described above  Basic BRE application on the CB.  *Note: Loan documentation changes are there for MFI loans. New documentation will be shared separately.*   |  |  | | --- | --- | | **Controls to be implemented for MFI module.** | **Mark compliance against controls.** | | MRBD has proposed to introduce MFI module. The following conditions are to be complied with: |  | | a.    Due diligence of the vendor, **New Street technologies’** shall be conducted/ reviewed, as applicable to a Level 4 vendor to ascertain their capability, capacity, and integrity. Due diligence report not older than 12 months shall be submitted during CISO Signoff. |  | | b.    Code review of the application shall be carried out to ensure that the vendor is following secure coding practices. |  | | c.     Vulnerability Assessment and Penetration Testing (VAPT)/ security testing of the MiFix mobile application, web interface, associated servers & systems shall be conducted for identifying vulnerabilities, if any, and corrective actions shall be implemented before deployment. |  | | 2.    MFI loans will be extended to customers with an annual household income under ₹3 Lakhs. KYC documents of the customer / family members will be collected, and annual household income and obligations identified through credit bureau check. Inclusion of all earning members and correctness of the KYC documents is crucial for correctly arriving the household income/obligation. The following aspects shall be considered in this regard, |  | | a.    In addition to the KYC documents, it is recommended to collect supporting documents for identifying all the members in the household. |  | | b.    Proper written consent of the borrower and his/her family members for sharing the KYC documents including Aadhar to the BC/Bank shall be obtained. Purpose of sharing the KYC documents shall be explicitly mentioned in the consent form. |  | | c.     Logic for computation of the household income/obligations shall be defined and documented. |  | | d.    Suitable declarations shall be incorporated in the loan application form to clearly state that the household income declared by the borrower is as per the definition in MFI directions. |  | | e.    System level control shall be in place to ensure that CB report of the parties, including those of the family members, are not shared with the BC officials for processing. |  | | f.      All the documents collected from the customer/ family members of the customers shall be scanned and uploaded in the application for through scrutiny by CPH. |  | | g.    Controls shall be in place to ensure that the loan application can be forwarded for approval only if all the eligibility criteria/ BRE checks are satisfied. |  | | 5.    It is proposed that multiple API’s for account opening, disbursement, fund transfer etc. will be triggered back-to-back.  In this regard, |  | | a.    Subsequent API calls in the net-off process flow shall be initiated only after obtaining the success response of the preceding API call. |  | | b.    Process to identify & handle failures in the API calls shall be defined and documented. |  | | 7.    Logs & audit trails of the activities handled by various users through the new modules shall be preserved and easily retrievable for any audit/ investigation purpose. |  | | 8.    Role based access privileges shall be ensured for various user groups to the new module. |  | | 9.    Criticality of the service/ process from a business continuity perspective shall be assessed and appropriate arrangements shall be made for ensuring continuity of the service. |  | | 10.  Related SOPs covering the end to end activities shall be updated prior to roll out of the changes. Clear communications/ instructions regarding the proposed process shall be given to the stakeholders concerned. |  | | 13.  API integration/ deployment shall be as per Policy Section 8.9: API Security of Information System Security Policy |  | | 14.  Once the new modules are developed, detailed UAT shall be conducted covering the end to end process flow to ensure that system functions as envisaged. All the test cases shall be documented and results signed off by MRBD before implementation in production environment. |  | | 15.  The process shall be closely monitored initially and issues identified, if any, shall be rectified immediately |  | |
| Reason for change | Regulatory instruction to accommodate requirement of Low-income segment customers. |
| Request Date | 16-10-2024. |
| Priority | High |
| Owner Department | Micro & Rural Banking Dept. |
| Requestor Name | Jacob V T |