Joint Liability Group Loan

Business Requirement Document

**Version History**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Version** | **Change Summary** | **Signatures of Authorised Signatory** | |
| Federal Bank | New Street |
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# Introduction

## *Document Scope*

This document intends to illustrate the process to be followed and other details followed for Loan Disbursement

## *Product Specifications*

* **Group Size** : 4-10 Members
* **Type of Loan** : Term Loan
* **Available Loan Amounts** : INR 30,000; INR 40,000; INR 50,000
* **Loan Tenure** : 24 Months
* **Repayment Type** : Monthly
* **Eligible Age for Availing Loan** : 21 – 58 Years
* **Insurance Coverage Available**
* **Credit Bureau** : HighMark

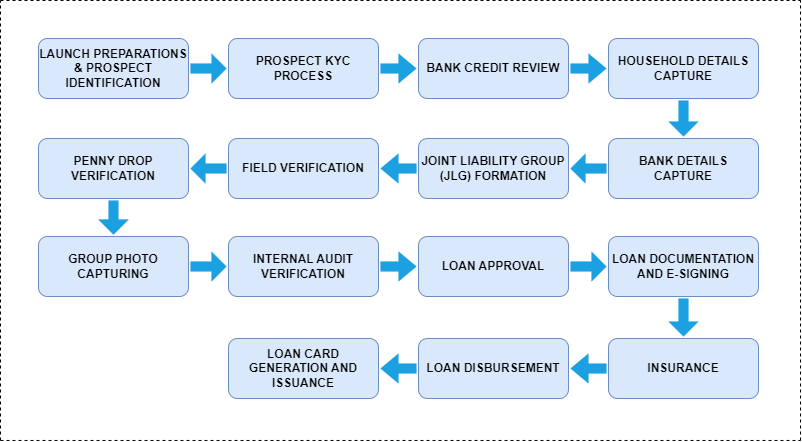
## *Credit Rule*

Understanding the key credit criteria is essential for borrowers seeking financial products, as they form the basis upon which lenders evaluate creditworthiness and determine loan eligibility. These criteria encompass factors such as credit history, income, debt-to-income ratio, and liabilities, shaping the lending landscape for individuals.

|  |  |  |
| --- | --- | --- |
| **Sl. No** | **LATEST CRE CONDITION** | **RULE INTERPRETATION** |
| 1 | Active DPD as per Loan policy both in Advance overlap(30) and Base report(60), is present 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 (except gold loans) | For MFI loans, if DPD > 30 days and for consumer (retail) loans, if DPD > 60 days in the last reported month, then customer will be rejected (except gold loans) |
| 2 | Total other MFIs allowed present in report is more than 4 in case of active loans. | If the customer has active microfinance loans from more than 5 MFIs, including the Federal Bank loan currently being availed, then the prospect is rejected |
| 3 | Total Indebtedness should not cross more than set limit of 2,50,000/- including proposed loan with the bank (MFI Advance overlap only) (except SHG-group type loans) | For all active microfinance loans, if the customer’s outstanding loan amount is > 2,50,000, including the Federal Bank loan currently being availed, then the prospect is rejected (except SHG-group type loans) |
| 4 | Any instance of Written off cases, NPA, Settled down cases. | If the customer has any loans with "written off", "NPA" or "settled down" status, then customer will be rejected |
| 5 | Any loans having, SUB, DBT, LOS (except gold loans) | If the customer has any loans with "SUB", "DBT" or "LOS" status, then customer will be rejected (except gold loans) |
| 6 | Any loans with Written off amount present or Side heading as Written off, settled, post settled written off. | Within the credit report, if the customer has any loans with "written off amount", or side heading with "written off", "settled", "post settled written off" status, then customer will be rejected |
| 7 | If the overdue amount is greater than 1 EMI for MFI or 2 EMI for consumer loans, then the customer is rejected (provided EMI amount is available from the CB report) | For MFI loans, if the overdue amount is greater the EMI amount of 1 month, then the customer is rejected (except gold loans) |
|  |  | For consumer loans, if the overdue amount is greater the EMI amount of 2 months, then the customer is rejected (except gold loans) |
| 8 | If status is mentioned as "Suit Filed Status/Suit Filed" (except gold loans) | If the customer has any loans with "suit filed status" or "suit filed" status, then customer will be rejected (except gold loans) |
| 9 | If any write-off amount is present in the Total Writeoff Amt column, settlement amount column. | Within the credit report, if the customer has any loans with a written off amount within the "total writeoff amt" or "settlement amount" column, then the customer is rejected |

## *Process Flow*

The loan process outlines the step-by-step procedures to be followed, ensuring clarity and efficiency in handling loan applications, assessments, and approvals. By adhering to this structured process, we aim to streamline operations and provide a seamless experience for both borrowers and lenders.



* ***Launch Preparations***

Based on the business plan and guided by the Agreement, regulatory requirements, and industry practices, NST will prepare a time schedule to launch the business in the identified geographies.

NST through its DP’s (Delivery Partner) team will commence “Centre Meetings” with target customers in the identified geography to promote awareness of the Bank and its products.

* ***Prospect Identification***

Delivery Partner’s (DP) Relationship Managers (RM) will conduct Centre Meeting in the identified area and the interested prospect customers (Prospects) will be identified by the RMs. The preliminary prospect details will be collected by the RM using MiFiX mobile UI and they will be assigned a unique Prospect ID by MiFiX automatically.

* ***Prospect KYC Process***

The RM will then use the MiFiX application and a biometric device to scan and verify the AADHAAR card details of the prospective customer. The AADHAAR number will be encrypted to industry standards (currently 256 SHA encryption method is being used) and transmitted to the Bank’s UIDAI interface via the Bank’s server. AADHAAR details will not be stored in any database outside the Bank’s server or its other platforms. The Bank will return the KYC results (PASS/FAIL) via its MiFiX server to the MiFiX UI.

|  |  |  |
| --- | --- | --- |
| **High-Level Data Category** | **Data Category** | **Data Point** |
| L1 Info | Applicant Details | Full Name |
|  |  | Date of Birth |
|  |  | Gender |
|  |  | C/O |
|  |  | Father's Name |
|  |  | Mother's Name |
|  |  | Prospect e-KYC Photo |
|  |  | Prospect Religion |
|  | KYC Address | House Number |
|  |  | Street |
|  |  | Locality |
|  |  | Landmark |
|  |  | VTC |
|  |  | State |
|  |  | Pin Code |
|  |  | Mobile Number |
|  | Current Address | House Number |
|  |  | Street |
|  |  | Locality |
|  |  | Landmark |
|  |  | VTC |
|  |  | State |
|  |  | Pin Code |
|  |  | Alternate Mobile Number |
|  |  | Nature of Residence |
|  | Bank's Master | Country |
|  |  | State |
|  |  | District |
|  |  | City |
|  | Other Information | Martial Status |
|  |  | Educational Qualification |
|  | Pan Card | Pan Card Number |
|  | Other KYC Information | KYC Type |
|  |  | KYC Document Number |
|  |  | ID Issue Date |
|  |  | ID Expiry Date |

* ***Bank Credit Review***

As soon as the prospect’s basic details are captured, and the prospect is determined to be eligible for a loan product, the credit check process will be automatically initiated through the credit bureau. The fetched credit data of the prospect along with the credit conditions set by the Bank is used to determine the credit eligibility of the prospect and the credit decision will be communicated to the RM via MiFiX.

Based on the loan outstanding amount calculated from the customer’s credit report, the customer’s eligible loan amount.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Range** | **EMI** | **Eligible Loan Products** | **Interest Rate** | **Loan Tenure** | **Principal Amount** | **Interest Amount** |
| X <= 2,00,000 | 2,694 | 50000, 40000, 30000 | 26% | 24 Months | 50,000 | 14,649 |
| 2,00,000 < X <= 2,10,000 | 2,155 | 40000, 30000 | 26% | 24 Months | 40,000 | 11,720 |
| 2,10,000 < X <= 2,20,000 | 1,616 | 30000 | 26% | 24 Months | 30,000 | 8,790 |

* ***Household Details Capture***

If the prospect is credit approved, the RM will move on to capturing the basic details of the prospect’s household members along with the prospect’s income, assets, expenses, and liability details.

|  |  |  |
| --- | --- | --- |
| **High-Level Data Category** | **Data Category** | **Data Point** |
| L2 Info | Prospect Income | ***Primary Income*** |
|  |  | Employment Type |
|  |  | Occupation |
|  |  | Designation |
|  |  | Frequency of Income |
|  |  | Income |
|  |  | Income Proof |
|  |  | ***Secondary Income*** |
|  |  | ***Option to add multiple income type*** |
|  |  | Income Type |
|  |  | Other Income Type |
|  |  | Frequency of Income |
|  |  | Income |
|  |  | Income Proof |
|  | Household Member Info | **Add Household Members** |
|  |  | ***Option to add multiple family members*** |
|  |  | Name |
|  |  | Gender |
|  |  | Date of Birth |
|  |  | Relationship with Prospect |
|  |  | KYC Type |
|  |  | KYC Doc No |
|  |  | ***Primary Income*** |
|  |  | Employment Type |
|  |  | Occupation |
|  |  | Designation |
|  |  | Frequency of Income |
|  |  | Income |
|  |  | Income Proof |
|  |  | ***Secondary Income*** |
|  |  | ***Option to add multiple income type*** |
|  |  | Income Type |
|  |  | Other Income Type |
|  |  | Frequency of Income |
|  |  | Income |
|  |  | Income Proof |
|  | Basic Amenities Details | Electricity |
|  |  | Water |
|  |  | Toilet |
|  |  | Sewage |
|  |  | LPG connection |
|  | Asset Info | **Add Asset Info** |
|  |  | ***Option to add multiple Asset*** |
|  |  | Asset Category |
|  |  | Asset Type |
|  |  | Asset Value |
|  | Liability Info | **Add Liability Info** |
|  |  | ***Option to add multiple Liability Info*** |
|  |  | Loan Type |
|  |  | Loan Amount |
|  |  | Loan Outstanding Amount |
|  |  | Disbursed Date |
|  |  | Tenure |
|  |  | EMI |
|  | Expense Info | **Add Recurring Expense Info** |
|  |  | ***Recurring Expense/Non-Recurring Expense*** |
|  |  | Expense Type |
|  |  | Expense Value |
|  | Eligible Loan Amount | Eligible Loan Amount |
|  |  | Opted Loan Amount |
|  |  | Loan Purpose |
|  |  | Customer Net Worth |
|  |  | Monthly Income |
|  |  | Monthly Liability |
|  |  | Customer Annual Income |

* ***Bank Account Details Capture***

Once the prospect’s household details are captured, the bank account details of the prospect will be captured by the RM. This account will be used to disburse the loan amount.

|  |  |  |
| --- | --- | --- |
| **High-Level Data Category** | **Data Category** | **Data Point** |
| L3 Info | Bank Details | Account Holder Name |
|  |  | Account Type |
|  |  | Account Number |
|  |  | Re-enter Account Number |
|  |  | IFS Code |
|  |  | Bank Branch Name |
|  |  | Bank Branch Address |

* + ***Joint Liability Group (JLG) Formation***

RM will facilitate the group formation as per the criteria for all credit approved prospects on MiFiX. Each group will be assigned a unique Group ID and name on MiFiX.

* + ***Data Verification***

All the captured details of the prospect and their household members after the group is created will be verified by an independent team.

**Field Verification:** DP Contact Point Verification Executive **(CPVE)** will verify the data captured by the RM and where required include a field visit to do a “Checker” verification of the same data.

|  |  |  |
| --- | --- | --- |
| **High-Level Data Category** | **Data Category** | **Data Point** |
| Field Verification | Customer Related | Prospect Recent Photo |
|  |  | Pan Card Image |
|  |  | KYC Photo |
|  |  | Proof of Account |
|  |  | Customer Signature |
|  | Household Member Related | KYC Photo |
|  |  | Nominee Image |
|  | Residence Related | Residence Photo |
|  |  | House Type |
|  |  | Duration of Stay |
|  |  | Land Holding (in Acres) |
|  |  | Ownership/Rental Residence Proof |
|  |  | Current Address Proof |

* + ***Penny Drop Validation***

Once the prospect data is verified by the field verification team, a penny drop check will be initiated automatically from MiFiX for all the prospects. This validation will check for the account validity, account activeness, and do an internal name match to ensure that no malpractice takes place.

* + ***Group Photo Capture***

Post penny drop verification, the group’s photo will be captured while also scheduling their collection due cycle.

|  |  |  |
| --- | --- | --- |
| **High-Level Data Category** | **Data Category** | **Data Point** |
| Group Photo | Group Photo | Group Photo |
|  |  | Collection Due Date |

* + ***Internal Audit Verification***

The internal audit team is an independent team which acts as a final verification team to ensure only quality customers are processed for loan approval. This team will verify all the customer details that were captured and verified by the field team as a final review.

* + ***Loan Approval***

All the audited groups will go through the bank’s loan approval process (manual). The bank acts as the decision makers for approving loans for eligible groups. Only the approved groups will proceed for disbursal and receive the loan amounts.

* + ***Prospect Documentation and e-Signing***

As soon as the group’s loan is approved, the e-signing process for all the members of the group will take place at the CEC. This includes generating the loan documents and conducting an e-signing process to capture the Aadhaar-based digital signature of all the prospects.

* + ***Insurance***

For all the groups whose e-signing is completed, their insurance process will be initiated by capturing the customer’s and their co-applicant’s consent through an OTP confirmation.

* + ***Loan Disbursement***

Once the insurance process is completed, the loan disbursement process will get triggered automatically to ensure that all the customers receive their loan amount instantly.

* + ***Loan Card Generation***

The loan card will get generated from the backend. The CEC team will download and print the loan card to share it with the customers.

## *Reports*

[Report Template - Updated](https://newstreettech-my.sharepoint.com/:x:/p/anirudhpv/EXlDh6N-9B1LiNqA3auM-RIB9XWf4XsOJTN3uPiMfMjEyQ)