

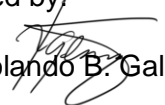
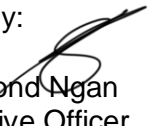
MITSUKOSHI MOTORS PHILS., INC.		
POLICY		
POLICY TITLE :	REPOSSESSION OF FINANCED MOTORCYCLE UNIT	Ref. No. 2015-12-005
DEPARTMENT :	OPERATIONS SUPPORT DEPARTMENT	
TO :	ALL BRANCHES/ AREA MANAGERS	December 1, 2015

OBJECTIVE

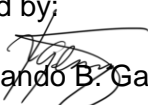
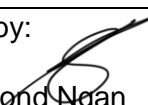
1. To guide the branch in the repossession of unit to minimize if not totally eliminate delinquent accounts.
2. To increase collection efficiency of the branch and improve their Overdue Level.
3. To minimize losses on repossession of financed motorcycle unit.
4. To ensure proper management of branch repossession to attain company goal of single digit inventory level.

POLICY

1. Repossession proceedings should be carried out only under the following situation;
 - 1.1. When all attempts to rehabilitate the overdue account within a reasonable period of time has failed. As a general policy of the Company, accounts with NP2 and AR 3 should have already been repossessed or have already been subjected to rehabilitation procedures.
 - 1.2. If the account has zero or minimal payments, immediate repossession proceeding should be done to minimize the wear and tear of the financed unit at the hand of non-paying and delinquent customer.
 - 1.3. If the Branch Manager (BM) is fully convinced that the customer is already bankrupt or hopelessly in need of money without any source of income. The current financial status of the customer should be established by the field personnel (FP) and should be reported to the BM as basis of his decision.
 - 1.4. If the customer attempt to sell or dispose of the unit to a third party.
 - 1.5. When the customer failed to pay under a payment arrangement plan of rehabilitation.
 - 1.6. When there is sufficient proof that the customer is planning to transfer his residence to another place outside of the branch credit territory without any existing branch n the area together with the unit and his/her account is overdue.
 - 1.7. If the customer refuses to discuss or talk about his overdue account with the branch; and have ignored all the demand letters send by the company.

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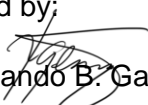
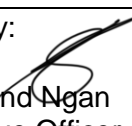
- 1.8. The customer and spouse have separated and no one among them is willing to assume the financing contract.
 - 1.8.1. The delinquent customer or the field personnel cannot provide any qualified assuming party for the financed motorcycle unit.
 - 1.8.2. The customer and the field personnel are only given a week to find for a qualified assuming party for the financed motorcycle unit.
 - 1.9. The customer is already deceased and no heir is willing to continue his/her obligation on the financed motorcycle unit.
 - 1.10. The customer sickness or hospitalization will have a permanent effect in his/her capacity to settle the obligation.
 - 1.11. The loss of customer's income, e.g. cancellation of contract abroad, termination or separation from his/her job and has no other source of income to pay the account.
2. Repossession proceeding even if the unit is with a grace period or subject for redemption shall be covered by Pull-Out Order (POO) to uphold basic principle of Existence, Valuation and Materiality.
- Existence- The customers' receivables involving this units should already been closed in the aging report and the foreclosed units should have been included in the branch inventory.
- Valuation- Since the receivables should already been closed, it is needless to say that the value of branch receivable portfolio is overstated and the repossessed inventory is understated.
- Materiality- The amount of the Financed Receivables that should have been closed amounting will materially affect the financial condition of the branch. Further, the branch Overdue Level will be affected due to non-adjustment of the delinquency portion in the branch aging.
3. The non-disclosure or non-documentation of the foreclosed units is tantamount to deception that may affect the decision making of the management. Further, it is a **GRAVE** violation under Company Code of Discipline Rule 1; that is breaching **INTEGRITY and HONESTY**.
 4. The branch must ensure that the customer or his/her representative understand the five (5) days grace period for redemption. For customers who are not interested in the redemption of the pulled out motorcycle unit, a written waiver must be signed.
 - 4.1. Even if the customer has intention to redeem the financed motorcycle unit, a POO must be issued to establish branch accountability at any given time.
 - 4.2. Upon redemption of the motorcycle unit, a Delivery Receipt must be issue to remove the repossessed unit in the branch inventory and re-open the Financed Receivable account customer in our record.

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- 4.3. The unit is heavily damaged from an accident; the branch should explain to the customer that what they borrowed from the financing company is money and not the motorcycle unit, thus they should continue paying their obligation.
5. Any repossessed unit received by the branch from the customer, other branch or department, an ocular inspection of the motorcycle unit must be conducted to establish its actual physical and engine condition which must be covered and shown in Repossessed Motorcycle Checklist.
6. No repossession should be carried out on the following circumstances;
 - 6.1. The customer refuses to part with the unit; or, if in the opinion of the BM other field personnel that it will result into violence, or a filing of a legal suit by the customer against the Company or any of its personnel. Safety of any and all of its personnel is the Company's paramount consideration.
 - 6.2. Cannibalized MC unit must not be repossessed or accepted even voluntarily surrendered until the cost of parts are reimbursed or paid by the customer.
 - 6.2.1. If the customer has no capacity to pay the missing parts, a request for repossession should be forwarded to AM for validation and approval.
7. The decision to repossess the unit if warranted should be carried out at the soonest possible. This is to minimize the wear and tear of the unit in the hands of a non-paying and delinquent customer. Furthermore, the resale value of the unit will be higher if repossessed earlier and therefore, loss on repossession will thus be lesser.
8. All repossessed units must be stored in a safe place and protected from bad elements.

PROCEDURES

1. Branch Manager
 - 1.1. Receive approved Repo Action Plan from the Area Manager and discuss with field personnel, Account Counselor and Credit Supervisor, the execution of the repossession proceeding schedule.
 - 1.2. Include in the repossession schedule new releases from previous month which have not pay on their due date to minimize the wear and tear of the financed unit at the hand of non-paying and delinquent customer.
 - 1.3. Carry out repossession of unit even account is not included in the Repo Action Plan in the following circumstances;
 - 1.3.1. If the customer attempt to sell or dispose the financed motorcycle unit to a third party, including attempting to pawn the unit;
 - 1.3.2. When there is sufficient proof that the customer is planning to transfer his residence to another place outside of the branch credit territory together with the financed motorcycle unit and his account is overdue.
 - 1.4. During the repossession schedule, request for a set of Pull-Out Order from the cashier securing approval from the BM.

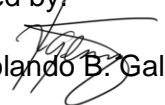
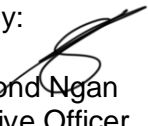
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2. Cashier

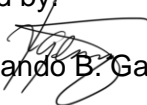
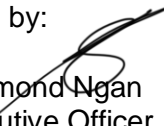
- 2.1. Take out set of Pull-Out Order from the booklet and record in the POO Control Logbook the name of field personnel who will use the document and date it was taken. The return of the POO must be ensured at the end of the day whether used or unused and must be duly recorded in the logbook.
- 2.2. Obtain signature of the field personnel in the "Received by" portion of the POO Control Logbook as evidence of receipt.
- 2.3. Give set of POO to the field personnel in three-(3) copies to be used in the execution of repossession proceeding;
 - Original - Customer's copy
 - Blue - Accounting copy
 - Yellow - Branch copy

3. Field Personnel (Account Counselor/Credit Supervisor)

- 3.1. Receive set of POO from cashier and affix signature in the POO Control Logbook for monitoring purposes.
- 3.2. Pull out the pre-signed Voluntary Surrender in the Customer Loan Folder and secure Repossessed Motorcycle Checklist form from the cashier to be used during repossession of the financed motorcycle unit.
- 3.3. Visit customer and demand settlement of the overdue amount of the outstanding balance of the financing contract.
 - 3.3.1. If the customer pays the overdue amount or material portion of the overdue amount, defer repossession and proceed with the rehabilitation of the account by asking the customer for a payment arrangement.
 - 3.3.2. If the customer failed to pay the overdue amount, proceed with the repossession of the financed motorcycle unit.
- 3.4. Check physical and engine condition of the financed motorcycle unit using the Repossessed Motorcycle Checklist and if everything is in order; fill-out all pertinent information in the POO and obtain signature of the customer or the latter's representative in the POO to evidence voluntary surrender of financed unit.
 - 3.4.1. If the customer refuses to sign in the POO, indicate in the remark portion "Customer Refused to Sign".
 - 3.4.2. Sign in the following;
 - 3.4.2.1. "Prepare by" portion of the Repossessed Motorcycle Checklist to evidence that the physical and engine conditions of the repossessed financed unit were checked;
 - 3.4.2.2. "Unit Picked Up/Inspected by" portion of the POO to evidence receipt of the financed motorcycle unit from the customer.

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- 3.5. Give the original copy of the POO to the customer and attach the Voluntary Surrender in the Accounting (blue) copy.
 - 3.6. Surrender the repossessed unit to the branch with duly filled up Repossessed Motorcycle Checklist for verification of the mechanic within the same day of foreclosure.
 - 3.7. Whether used or unused, forward and surrender POO to the cashier. If used, obtain signature of the Branch Manager before forwarding to the mechanic with the corresponding Repossessed Motorcycle Checklist and Voluntary Surrender.
4. Mechanic
- 8.2. Receive repossessed motorcycle unit from the field personnel and validate the physical and engine condition as indicated in Repossessed Motorcycle Checklist.
 - 8.3. Affix signature in the "Verified by" portion of the Repossessed Motorcycle Checklist and forward to the cashier with the POO and Voluntary Surrender.
 - 8.4. Store checked repossessed motorcycle unit in a safe place protected from bad elements.
 - 8.5. Refurbish or recondition repossessed motorcycle unit if necessary to facilitate its early disposal.
5. Cashier
- 5.1. Receive Accounting and branch copies of POO together with Voluntary Surrender and Repossessed Motorcycle Checklist from the mechanic.
 - 5.2. Record repossession proceeding of financed motorcycle unit;
 - 5.2.1. Record returned of POO in the control logbook indicating date of return of the document.
 - 5.2.2. Post details of Repossessed Motorcycle Checklist and POO in the Branch Monitoring System (BMS).
 - 5.3. Forward POO blue copy together with Repossessed Motorcycle Checklist and Voluntary Surrender to DPR Section, Treasury Department as supporting documents in the Daily Performance Report (DPR).

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WAIVER FORM

Ako si, _____ nakatira sa _____
_____ ay kusang loob na isinasauli ang hulugang motorsiklo na naka larawan sa
ibaba sa kadahilanan ng kawalan ko ng kakayahang ipagpatuloy ang aking buwanang hulong
na naka talaga sa aking Kasulatang Pagkakautang o Promissory Note;

MAKE/BRAND : _____
MODEL : _____
ENGINE NO. : _____
CHASSIS NO. : _____
COLOR : _____

Sa kadahilanang nakasaad sa itaas, inaalís ko ang aking karapatan sa nabanggit sa
motorsiklo at isinusuko ko ang aking karapatan na bawiin o tubusin ito sa loob ng 5 araw at
binibigyan ko rin ng karapatan ang _____ na ibenta ang motorsiklo sa iba.

May-Pagkakautang

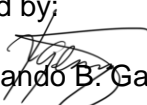
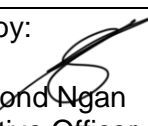
WAIVER FORM

Ako si, _____ nakatira sa _____
_____ ay kusang loob na isinasauli ang hulugang motorsiklo na naka larawan sa
ibaba sa kadahilanan ng kawalan ko ng kakayahang ipagpatuloy ang aking buwanang hulong
na naka talaga sa aking Kasulatang Pagkakautang o Promissory Note;

MAKE/BRAND : _____
MODEL : _____
ENGINE NO. : _____
CHASSIS NO. : _____
COLOR : _____

Sa kadahilanang nakasaad sa itaas, inaalís ko ang aking karapatan sa nabanggit sa
motorsiklo at isinusuko ko ang aking karapatan na bawiin o tubusin ito sa loob ng 30 araw na
nakasaad sa batas at binibigyan ko rin ng karapatan ang _____ na ibenta
ang motorsiklo sa iba.

May-Pagkakautang

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