

MITSUKOSHI MOTORS PHILIPPINES, INC.		
POLICY AND PROCEDURE		
POLICY TITLE:	STAGES OF CREDIT INVESTIGATION	Ref. No.
DEPARTMENT :	OPERATIONS SUPPORT DEPARTMENT	OPS 15-12-010
TO :	MARKETING ASSISTANT, ACCOUNT COUNSELOR, BRANCH MANAGER	December 1, 2015

## OBJECTIVE

1. To ensure systematic conduct of credit investigation process in evaluating customer's application.
2. To guide the field personnel, Account Counselor, Credit Supervisor and Branch Manager, in the conduct of establishing the credit worthiness of an applicant.

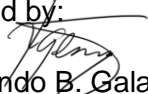

## POLICY

1. The Branch must ensure the completeness of the information in the Credit Investigation Report (CIR).
2. The field personnel must strictly observe the procedure in conducting credit investigation.
3. The field personnel must secure available pertinent document to prove the identity and income of the borrower.
4. The credit investigation process must be done in an objective manner and all data gathers should be accurate, factual, complete and properly supported in establishing the credit worthiness of an applicant.
5. The Credit Investigation Report Form must be;
  - 5.1. Complete with all required information.
  - 5.2. Clear and legible entries.
  - 5.3. All necessary details as required in the form are properly and completely indicated. In certain cases wherein a space provided is not applicable, write "N/A" to clearly satisfy the issue.
  - 5.4. Information about the references used by the applicant must be complete as to, name, address, relationship and contact number/s.

## PROCEDURES

### Stage 1- Pre-Qualification

1. Marketing Assistant
  - 1.1. Receive Credit Application Form (CAF) from the prospective customer.
  - 1.2. Conduct initial interview and check for the following;
    - 1.2.1. Completeness of information in the CAF.

Prepared by:  Rolando B. Galang	Approved by:  Richmond Ngan Executive Officer	Effective  December 01, 2015	Page 1 of 9
--------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------	-------------

- 1.2.2. Accuracy of location map or sketch of applicant's address. The sketch should be associated to the following:
  - 1.2.2.1. Main road or highway;
  - 1.2.2.2. Nearest landmark, permanent in nature;
  - 1.2.2.3. Public building; and
  - 1.2.2.4. Other buildings or structures that will facilitate location of the applicant's address.
- 1.2.3. Applicant's signature against presented ID to establish true identity of the applicant.
  - 1.2.3.1. Driver's License
  - 1.2.3.2. Passport
  - 1.2.3.3. SSS/GSIS
  - 1.2.3.4. TIN Card
  - 1.2.3.5. PRC License
  - 1.2.3.6. Company's ID
  - 1.2.3.7. Other valid IDs with picture
    - 1.2.3.7.1. If the applicant cannot present any ID, the CAF can still be processed, however, the establishment of identity must be ensured during the credit investigation process.
- 1.2.4. All pertinent and required information in the CAF are properly filled out by the customer.

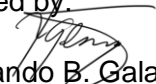

## Stage 2- Verification

Verification of data and information about the credit worthiness of an applicant is further divided into two-(2) sub-stages;

## 2. Field Personnel

### 2.1. Sub-Stage- Office Verification

- 2.1.1. Upon receipt of CAF from the Marketing Assistant together with financing requirements initially submitted by the applicant, check and validate the following;
  - 2.1.1.1. Completeness of the CAF.
  - 2.1.1.2. Accuracy of the location map or sketch of the applicant's address indicated in the CAF.
  - 2.1.1.3. Pertinent information required to establish credit worthiness of the applicant.
  - 2.1.1.4. Check figures in the CAF, Amount Financed ties up with the Monthly Installment being applied to by the applicant.
- 2.1.2. Classify the applicant, whether the applicant is new or a repeat buyer; a delinquent account or a good customer.

Prepared by:  Rolando B. Galang	Approved by:  Richmond Ngan Executive Officer	Effective  December 01, 2015	Page 2 of 9
--------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------	-------------

- 2.1.3. Check existing branch records and the Branch Monitoring System (BMS) through the Customer Inquiry Module.
- 2.1.4. Verify through telephone or cellular phone calls from any of the following;
  - 2.1.4.1. Check credit records of the applicant with credit bureau or association or other dealers in the area.
  - 2.1.4.2. Check employment through calls from HR Department where the applicant is employed.
  - 2.1.4.3. Check other references in the CAF to help establish credit worthiness of the applicant.

## 2.2. Sub-Stage - Field Verification

Conduct field verification after the office or telephone verification have been conducted. This procedure enables the field personnel to view the actual situation and condition of the area where the applicant resides. The field personnel can gather more knowledge about the applicant, in addition to other information indicated in the credit application, before actual interview with the applicant. Herewith are the field verification procedures that must be done by the field personnel that will help him arrive at a right recommendation about the applicant;

### 2.2.1. Conduct neighborhood checking.

This will establish the reputation of the applicant in the community. In getting the reliable informant, the field personnel must use the 20-10 technique, a standard sampling procedure in determining informant in the applicant's neighborhood to establish his reputation and identity. This method is also used to prevent planted informant with aim of defrauding the company.

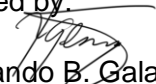

In neighborhood checking, the field personnel must be observant and establish the description of the residence, as to, type, made of and its accessibility to transportation. Information gathered on this procedure must be indicated in Description of Residence Section in the Credit Investigation Report (CIR).

### 2.2.2. Use "20-10 Technique Method" in determining informant in establishing the identity and reputation of the applicant in the community. This method is also used to prevent planted informant with aim of defrauding the company.

#### 2.2.2.1. Procedure

2.2.2.1.1. Use the house number of the applicant as the base number.

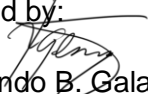

2.2.2.1.2. From the applicant's house number, add or deduct 40 to arrive at informant's house, e.g. if the applicant house number is 630, the

Prepared by:  Rolando B. Galang	Approved by:  Richmond Ngan Executive Officer	Effective  December 01, 2015	Page 3 of 9
--------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------	-------------

informant can be the applicant's neighbor who resides in house number 670 or 590. The counting of house numbers should be by 2 since the house in front of the applicant is 631 and next to the applicant's house is number 632 or 628.

- 2.2.2.1.3. If the applicant was not known by his neighbor which is 20 houses away, reduce the number to 10 houses on either direction to locate the informant. Using the same house number, the informant can be the applicant's neighbor who resides in house number 650 or 610.
- 2.2.2.1.4. And when the applicant is still unknown, use at least 2 of his nearest neighbors as informants. A third neighbor can be used if the 2 neighbors have different view about the applicant.
- 2.2.2.1.5. If the applicant is still unknown to the next door neighbors, the landlord can be the source of information if the applicant is renting or the owner of the variety store or the barber shop near the applicant house.
- 2.2.2.1.6. The previous item is an indicator that the applicant is a new resident of the community and may not passed the 2 years residency requirements of the company
- 2.2.2.2. Use the following technique in neighborhood checking;
  - 2.2.2.2.1. Always be cordial or friendly, smile when asking favor or question.
  - 2.2.2.2.2. Always be courteous, this is a tacit requirement.
  - 2.2.2.2.3. Always memorized the applicant's name, nickname or alias if any, and complete address. Although known to field personnel and to extract reliable information and avoid suspicion from the informant, he must pretend not knowing anything about the applicant.
  - 2.2.2.2.4. Establish quality of informant neighbor;
- 2.2.2.3. Use reliable informant in establishing the identity and reputation of the applicant in the neighborhood.
  - 2.2.2.3.1. Reliable

A reliable informant is one who has much or vast knowledge about the applicant's personal

Prepared by:  Rolando B. Galang	Approved by:  Richmond Ngan Executive Officer	Effective  December 01, 2015	Page 4 of 9
--------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------	-------------

life and secrets. Who is objective or unbiased or a person talking fondly about the customer though are not related or a person talking negative things about the applicant but have no ax to grind or ill-feeling to the applicant. The following are list of reliable informant that can be used by the field personnel during neighborhood checking;

2.2.2.3.1.1. Middle Age

Middle age and married woman is much reliable informant than their male counterpart, because the latter are normally their “kumpare” or “barkada” who will cover them up. While the former, are more engaged in gossiping and can be source of vast information about the applicant.

2.2.2.3.1.2. Sari-Sari Store owners

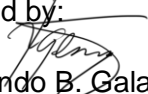

With the sari-sari owners, the field personnel can establish the paying habit of the applicant, including some family concerns and other pertinent information to determine the reputation of the applicant.

2.2.2.3.1.3. Lessor

Same with item b, the field personnel can also establish the paying habit of the applicant and extract some pertinent information in determining the reputation of the applicant.

2.2.2.3.1.4. Barangay Officials

With the information in the barangay records or blotters, the field personnel can determine the reputation of the applicant. The barangay records are public documents which show any wrongdoing of the applicant in the barangay, if any.

Prepared by:  Rolando B. Galang	Approved by:  Richmond Ngan Executive Officer	Effective  December 01, 2015	Page 5 of 9
--------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------	-------------

2.2.2.3.1.5. Not relative of the applicant

A non-relative is neutral or impartial and has no personal interest to protect.

2.2.2.3.2. Unreliable

2.2.2.3.2.1. An informant who has little knowledge about the applicant, e.g. a person new to the neighborhood.

2.2.2.3.2.2. A younger informant, below 20 years old.

2.2.2.3.2.3. The informant is a relative of the applicant, thus, will be subjective.

2.2.2.4. Use recommended questions that will help in neighborhood checking.

The field personnel must avoid close-ended question(s)

2.2.2.4.1. "Magandang umaga/hapon/gabi po, Misis/Miss/Mister, pwede po ba kayong maabala sandali? Maaari po bang magtanong?" or "Pwede po bang makisuyo?" when the informant said yes, start asking the question.

When informant replies negatively, don't insist and say "Pasensya na po", thanks the person whether you get a positive or negative result, "Maraming salamat po", and look for another informant.

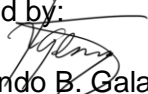

2.2.2.4.2. "Matagal na po ba kayong naninirahan sa lugar nato?"

2.2.2.4.3. "Saan po ba nakatira si Mang/Ginang/Miss... (Nickname of the applicant)" or "Hinahanap ko ang tirahan ni Mang/Ginang/Miss... (Nickname of the applicant), maaari po bang maituro nyo sa akin?"

2.2.2.4.4. "Maraming salamat po sa tulong nyo!"

Remember, "Po" and "opo" are courteous words and should always be used by the field personnel to build rapport with the informant.

2.2.2.5. Remember the following things during interview with informant;

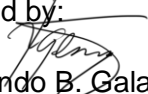

Prepared by:  Rolando B. Galang	Approved by:  Richmond Ngan Executive Officer	Effective  December 01, 2015	Page 6 of 9
--------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------	-------------

- 2.2.2.5.1. Avoid sarcastic questions or remarks, remember, you are in their territory.
- 2.2.2.5.2. Be specific and speak clearly and sincerely.
- 2.2.2.5.3. Observe informant's response.
- 2.2.2.5.4. Clarify vague points, ask question.
- 2.2.2.5.5. Use proper voice level, movements and eye contact.
- 2.2.2.5.6. Listen intently, with respect and show interest. Shut up, don't interrupt. Interrupting the informant while he/she is talking is a sign of discourtesy.
- 2.2.2.5.7. Listen with respect.
- 2.2.2.5.8. Don't plan your response while listening.
- 2.2.2.5.9. Take down note.
- 2.2.2.6. Conduct interview with the neighbors, his friends, relatives and other people who might be able to give any information about his character or reputation in the community. The following should be answered during the interview procedures;
  - 2.2.2.6.1. The applicant length of stay in the area.
  - 2.2.2.6.2. The applicant source of income.
  - 2.2.2.6.3. Whether the applicant owned the house or just renting. If renting, who is the applicant lessor, which he must also interview.
  - 2.2.2.6.4. The applicant reputation, whether good or bad, the specific character should be noted or indicated in Confirmation Section of the Credit Investigation Report.
- 2.2.2.7. Interview his lessor, in case he is renting an apartment or a house, his creditors or other individuals who might be able to give any information about his paying habits or his credit standing in the community.
- 2.2.2.8. Interview his employer, business associates, in case he is engaged in business, and other people who might be able to give information about the applicant's income or his capacity to pay the monthly installment.

### Stage 3- Customer's Interview

#### 3. Field Personnel

- 3.1. Conduct personal interview with the customer to establish identity and interest over the motorcycle unit being purchased in installment.

Prepared by:  Rolando B. Galang	Approved by:  Richmond Ngan Executive Officer	Effective  December 01, 2015	Page 7 of 9
--------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------	-------------

3.1.1. A personal interview is one of the most important procedures in establishing the credit worthiness of an applicant. It provides accurate detailed and complete information about the applicant.

3.1.2. An interview can give various perplexing question in their different shades of meaning thus if use in certain degree can persuade the applicant to reply accurately and more fully.

3.1.3. Recommended dialogue during field interview.

FP : Tao po. Magandang umaga po! Ako po si Tyrone ng Daan Hari Motors.

Applicant : Bakit, ano yon?

FP : Ako po si Tyrone Bacani (Show your company ID to show that your there for an official purpose), account counselor po ng Daan Hari Motors, para po ito sa motorsiklong kinukuha nyo sa amin. (Entering the residence of the applicant is very important and the creativity of the FP to persuade the applicant to allow him to enter into his/her residence will play a significant role in credit investigation. The FP was there to gather information and to clarify certain doubts and issues; however, the FP must be discreet, his real intention must not be known and due courtesy must always be given.)

Applicant : Aba's tuloy ka!

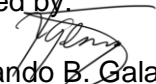

FP : Salamat po. (Say thanks a lot, the customer will appreciate this.) Kamusta po, matagal na po ba kayong naninirahan dito sa lugar na ito? (While talking to the applicant, observe the reaction of the applicant during the interview, if he is giving false and deliberate misleading information as against information indicated in the CAF the applicant has accomplished.

Applicant : Dito na ako ipinanganak. Sa mga magulang ko itong bahay.

(Listen attentively and do not interrupt while the applicant is talking, interrupting while the applicant is talking is an act of discourtesy. Take down note and make sure that nothing is missed.)

FP : Ganun po ba. Sino po ba ang gagamit ng motorsiklo?

Applicant : Ako mismo ang gagamit para sa pagpasok ko sa pinagtrabahuhan ko.

Prepared by:  Rolando B. Galang	Approved by:  Richmond Ngan Executive Officer	Effective December 01, 2015	Page 8 of 9
--------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------	-------------



FP : Ganon po ba, saan nga po pala kayo pumapasok?

Applicant : Sa Genesis Plastic Company sa Valenzuela at factory worker ako dun.

FP : Matagal na po ba kayo sa pinagtrabahuhan nyo at ano po ang status nyo sa pinanpasukan nyo?

Applicant : Wala pa akong apat na buwan at contractual pa lang ako dun. (FR should not discuss to the applicant his observation and result of credit investigation to avoid putting him in bad predicament.)

FP : Maraming salamat po!

3.2. Conduct the personal interview in the inside the residence of the applicant and should never be done in the branch to prevent accommodation of fictitious and bad account.

3.3. Observe and check the following;

3.3.1. Personal properties owned by the applicant, e.g. furniture, appliances, motor vehicle.

3.3.2. What made of and type of applicant's residence.

3.3.3. Character or way of life of applicant's family. If during the field personnel's interview, the husband and wife are always quarreling, and worse, other does not agree on the installment sales, this should be indicated in Observation and Situational Analysis Section of CIR and this may be ground for disapproval.

3.3.4. Also in this process that the field personnel must uncover the necessity of the installment purchase and the use of the motorcycle unit being acquired by the applicant or by the family.

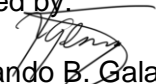

3.3.5. If during the field personnel's interview, he had observed negative character of the applicant e.g. playing "Tong-its" or drinking spree with his friends or "barkadas", this information should be indicated in Observation and Situational Analysis Section of the CIR.

3.3.6. Check discreetly pictures displayed in their house. If no customer's picture can be seen, be wary and dig further about the personality and identity of the applicant.

#### Stage 4- Post- Confirmation

#### 4. Field Personnel

4.1. Clear all clarification or doubtful result during office and field verification the necessary supports and evidences. This post-confirmation procedure prevents half-hazard recommendation or decision due to any gray matters or areas in the personality and capacity of the applicant.

Prepared by:  Rolando B. Galang	Approved by:  Richmond Ngan Executive Officer	Effective  December 01, 2015	Page 9 of 9
--------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------	-------------