

MITSUKOSHI MOTORS PHILIPPINES, INC.		
POLICY AND PROCEDURE		
POLICY TITLE :	REFINANCING OF REPOSSESSED UNIT	Ref. No.
DEPARTMENT :	OPERATIONS SUPPORT DEPARTMENT	OPS 15-10-009
TO :	ALL BRANCH PERSONNEL	

OBJECTIVE

1. To standardize the financing rate in the disposal of repossessed motorcycle unit.
2. To guide the branch in determining the Promissory Note Value (PNV) and Monthly Installment of a repossessed motorcycle unit sold on installment basis based on its appraised or book value and approved term.

POLICY

1. FINANCING CHARGES

The financing charges include financing interest and Prompt Payment Discount (PPD) which are added to the Amount Financed to arrive at PNV.

1.1. Financing Interest Rate

The company's financing interest rate for repossessed unit is pegged at 1.25% per month or 15% per annum.

1.2. Add-On Rate

This represents interest charges based on the term of the installment contract and determine by multiplying the monthly interest rate by the term.

Particular	Formula	Computation
Given: Term 18 Months	$1.25\% \times \text{Term}$	$= 0.0125 \times 18$
		$= 0.225 \text{ 22.5\%}$

1.3. PNV Factor

This represents the Promissory Note Value (PNV) net of PPD for every One (P1.00) Peso Amount Financed (AF) and determine by Add-On Rate + One-(1).

Particular	Formula	Computation
Computation	$1 + \text{Add-On Rate}$	$= 1 + 0.225$
		$= 1.225$

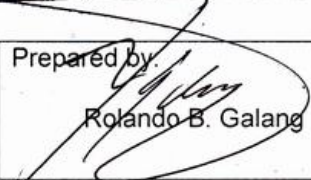
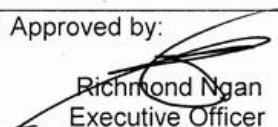
1.4. MI Factor

This is a 6 decimal numerical component in determining the MI due to the customer excluding PPD. It represents NET MI for every One (P 1.00) Peso AF.

Particular	Formula	Computation
Computation	PNV Factor/Term	$= 1.225/18$
		$= 0.068056$

1.5. Effective Interest

This represents the actual interest earned of the financing interest rate based on a simple interest rate using annuity method. This is normally computed and determined using financial calculator. Further, the effective interest is required by the Banko Sentral ng Pilipinas in the Disclosure Statement in compliance with Republic Act 3765 or Abstract of Truth in Lending Act.

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1.5.1. Sample Computation (Using Packard HP12C)

Given : Term - 30 Months
Amount Financed - P 40,000.00
Monthly Rate - 1.25%

Computation :

39,000	CHS	-39,000	Changes sign of AF
PV		-39,000	Stores Present Value
30	n	30	Stores Term
.0125	Enter	0.0125	Monthly Rate
30	x	0.375	Add-On Rate
1	+	1.375	PNV Factor
39,000	x	53,625	PN Value
30	÷	1,787.50	MI
PMT		1,787.50	Stores MI
i		2.191365	Effective Interest per Month
12	x	26.296377	Effective Interest per Annum

1.6. PNV and MI Factor Rate

Term	PNV Factor	MI Factor	Effective Rate
6	1.075	0.179167	25.28%
12	1.150	0.095833	26.62%
18	1.225	0.068056	26.75%
24	1.300	0.054167	26.58%
30	1.375	0.045833	26.30%

2. TERM

The approved term for disposal of repossessed motorcycle unit on installment sales are 6, 12, 18, 24 and 30 Months.

3. DOWN PAYMENT

The minimum down payment allowed for the disposal of repossessed motorcycle unit on installment sale is One Thousand (P 1,000.00) Pesos. However, the higher the down payment the better since the equity of the customer on the repossessed motorcycle unit becomes higher and the possibility of repossessing it back is very unlikely.

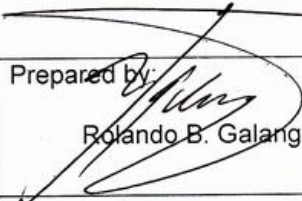
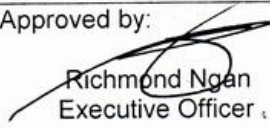
4. LTO REGISTRATION

If the registration of the repossessed motorcycle unit had already expired, the renewal will be shouldered by the new buyer.

5. PROMPT PAYMENT DISCOUNT (PPD)

Similar to installment sale of brand new unit; the disposal of repossessed motorcycle unit is subject to Two Hundred (P 200.00) Pesos PPD per monthly installment based on the established conditions by the company;

- 5.1. The customer's account is updated;
- 5.2. Installment paid on or before due date; and
- 5.3. Installment amount is paid in the branch, other branches or main office.

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6. MONTHLY INSTALLMENT

This represents the monthly equal payments of a customer owing to the installment contract the customer had entered into with the company.

Sample Computation

6.1. Given:

Approved Appraised or Book Value	:	40,000.00
Down Payment	:	1,000.00
Term	:	18 months

6.2. Using PNV Factor

Particular		Key In	Result
Appraised or Book Value		40,000.00	40,000.00
Less: Down Payment	-	1,000.00	39,000.00
Multiply by PNV Factor	x	1.225	47,775.00
Divided by Term	÷	18	2,654.17
Add: PPD	+	200.00	2,854.17
Monthly Installment	=	Rounded	2,854.00

6.3. Using MI Factor

Particular		Key In	Result
Appraised or Book Value		40,000.00	40,000.00
Less: Down Payment	-	1,000.00	39,000.00
Multiply by MI Factor	x	0.068056	2,654.18
Add: PPD	+	200.00	2,854.18
Monthly Installment	=	Rounded	2,854.00

7. PROMISSORY NOTE VALUE

This represents the face value of the Promissory Note executed by the customer as evidence of indebtedness to the company for the installment sales.

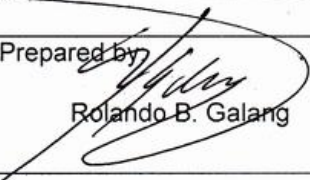

Sample Computation

7.1. Given:

Approved Appraised or Book Value	:	40,000.00
Down Payment	:	1,000.00
Term	:	18 months

7.2. Computation of PN Value

Particular		Key In	Result
Appraised or Book Value		40,000.00	40,000.00
Less: Down Payment	-	1,000.00	39,000.00
Multiply by PNV Factor	x	1.225	47,775.00
Divided by Term	÷	18	2,654.17
Add: PPD	+	200.00	2,854.17
Monthly Installment	=	Rounded	2,854.00
Multiply by Term	x	18	51,372.00

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To Check:

Particular		Result
Appraised or Book Value		40,000.00
Less: Down Payment		1,000.00
Amount Financed		39,000.00
Add: Interest (39,000x 18x.0125)	8,775.00	
PPD (200.00 x 18)	3,600.00	12,375.00
PNV		51,375.00
Divided by Term		18
Monthly Installment		2,854.17
Or	Rounded	2,854.00
Multiply by Term		18
PN Value		51,372.00

8. REPOSSESSED SELLING PRICE

The selling price will be the book Value or approved Appraised Selling Price of the repossessed motorcycle unit.

9. OTHERS

9.1. The down payment of the customer shall be covered by Collection/Official Receipt and copies shall be distributed as follow;

Original copy : Customer
 Pink copy : Accounting Department
 Yellow copy : Branch
 Green copy : File, remains in the OR Booklet

9.2. No Sales Invoice will be issued on disposal of repossessed motorcycle unit on installment sale; only Delivery Receipt will document the sale; this is to prevent problems in the computation and payment of Value Added Tax (VAT) which had already been paid in the first or original sales.

9.3. Similar to brand new sale, the customer in the repossessed motorcycle sale is subject to the following;

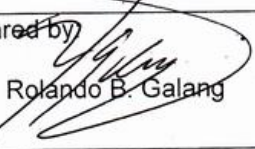
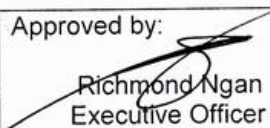
9.3.1. Orientation of the terms and conditions of the financing contracts;
 9.3.2. Pre-Delivery Inspection of the financed repossessed motorcycle unit;
 9.3.3. Unit Verification

9.4. The sales shall be recorded in the Sales Control Logbook which is necessary in monitoring the total releases of the branch. The name of the previous customer shall be indicated in the remark portion of the control logbook.

10. RESTRICTION

10.1. Almost always repossession results to loss in the part of the company especially on accounts with minimal payments and new account which have high book value. In order to avoid such losses, repossessed motorcycle unit with payments of six-(6) monthly installment and below must be disposed through **ASSUMPTION SCHEME**.

10.2. Repossessed motorcycle unit with appraised or book value of P 10,000.00 and below shall be sold on **CASH BASIS** only and will not be accommodated on installment sales.

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To Check:

Particular		Result
Appraised or Book Value		40,000.00
Less: Down Payment		1,000.00
Amount Financed		39,000.00
Add: Interest (39,000x 18x.0125)	8,775.00	
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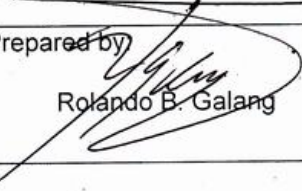
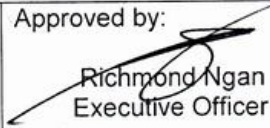
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PROCEDURE

1. Marketing Assistant

- 1.1. Receive stencil of chassis and motor numbers of the repossessed from the mechanic.
- 1.2. Retrieve the Credit Application Form (CAF) and approved Credit Investigation Report (CIR) from the temporary file; and attach Sales Kit and financing contracts.
- 1.3. Forward stencils, CAF, CIR, Sales Kit and financing contracts to the cashier.

2. Cashier

- 2.1. Receive stencils of chassis and engine numbers of the motorcycle unit, CAF, CIR, Sales Kit and financing contracts from MA and prepare Delivery Receipt to affect sales.

The CAF, CIR and Individual Information Sheet are necessary to ensure accuracy of information and data to be indicated in the Delivery Receipt.

- 2.2. Prepare Delivery Receipt in four-(4) copies to cover release of motorcycle unit to the customer.

- 2.2.1. Fill-out pertinent information in the Delivery Receipt that must be written in all capital letter.

- 2.2.1.1. Delivered to : Complete printed name of the customer on the following order:

- 2.2.1.1.1. Surname/Last name, Given/First name and Middle name

- 2.2.1.2. Date : Date of release of the motorcycle unit to the customer.

- 2.2.1.3. Address : Complete address of the customer.

- 2.2.1.4. Tel. No. : Contact number of the customer, landline and/or cell phone number.

- 2.2.1.5. TIN No. : Tax Identification number (TIN) of the customer, if any.

- 2.2.1.6. Business Style : Nature of business, if the customer has its owned business.

- 2.2.1.7. Quantity : Number of unit to be delivered, since every unit is distinct due to their chassis and engine numbers, the quantity is always one-(1).

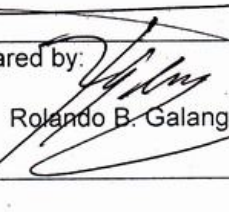
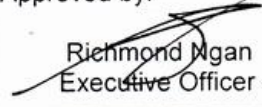
- 2.2.1.8. Unit : Specific unitary measurement of the item to be delivered. In this case, "Piece or pc." is normally use.

- 2.2.1.9. Description

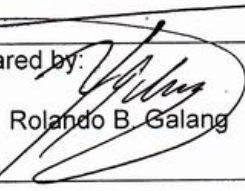
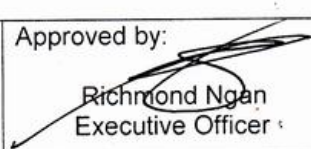
- 2.2.1.9.1. Make/Brand

- 2.2.1.9.2. Model, if with sidecar; indicate "With Sidecar"

- 2.2.1.9.3. Color; color of the motorcycle to be released to the customer.

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- 2.2.1.9.4. Engine #; engine number of the motorcycle to be released to the customer.
- 2.2.1.9.5. Chassis #; chassis number of the motorcycle to be released to the customer.
- 2.2.1.9.6. Other items to be shown in the Delivery Receipt;
 - 2.2.1.9.6.1. A/C #, assigned account to the new customer, whether cash or installment sale.
 - 2.2.1.9.6.2. Account number and name of the customer to whom the motorcycle unit was pulled out.
 - 2.2.1.9.6.3. OR #; number of the covering Official Receipt for the payment of down payment or proceed of the cash sale.
 - 2.2.1.9.6.4. MI; monthly installment of the customer.
 - 2.2.1.9.6.5. PNV; Promissory Note Value of the financing contract.
 - 2.2.1.9.6.6. Terms of the financing contract, 6, 12, 18, 24 or 30 months.
- 2.2.1.10. Amount : Repossessed price of the unit.
- 2.2.2. Sign duly accomplished Delivery Receipt and obtain signature of the Branch Manager at "Review by" portion of the receipt.
- 2.2.3. Obtain signature of the customer at the "Received by" portion of the receipt upon release of the motorcycle unit.
 - 2.2.3.1. Check and ensure that the signature of the customer in the Delivery Receipt is the same as appearing in the ID submitted to the branch.
- 2.2.4. Distribute copies of Delivery Receipt as follow;
 - Original : Customer
 - Pink : Accounting Department
 - Yellow : Branch
 - Green : File which remains to the booklet
- 2.2.3.1. Give Original Copy to the customer after obtaining the latter's signature in the Delivery Receipt and release of the motorcycle unit.
- 2.2.3.2. Detach the Accounting (pink) Copy of the Delivery Receipt in the booklet.
 - 2.2.3.2.1. Post Delivery Receipt in the Branch Monitoring System (BMS). It must be posted as the transaction occurs.
 - 2.2.3.2.2. Place the posted Delivery Receipt in a temporary file.

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2.2.3.2.3. At the end of the day and after printing the branch Daily Performance Report (DPR), pull-out all Delivery Receipts issued during the day from the temporary file.

2.2.3.2.4. Attach Delivery Receipts to the DPR for transmittal to the DPR Section based on the required schedule days together with other supporting documents.

2.2.3.3. File the Branch (yellow) Copy of the Delivery Receipt in a permanent file arrange progressively or in series, that is from lower to higher one.

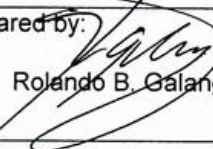
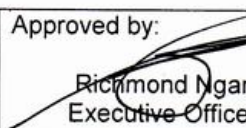
2.2.3.4. Retain the green copy in the booklet and when all the series have been used up, return the booklet to the DPR Section.

3. Branch Manager

3.1. Receive Delivery Receipt, Sales Kit and financing contracts from branch cashier.

3.2. Check Delivery Receipt, Sales Kit and financing contracts and if everything is in order, sign the Delivery Receipt.

3.3. Return signed Delivery Receipt to branch cashier together with the Sales Kit and financing contracts for the release of the motorcycle unit.

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