MITSUKOSHI MOTORS PHILS., INC.		
POLICY		
POLICY TITLE　:	**RECONSTRUCTION OF ACCOUNT**	Ref. No. 2015-06-002
DEPARTMENT　:	OPERATIONS DEPARTMENT	
TO　　　　　:	ACCOUNT COUNSELOR / BRANCH MANAGER/ AREA MANAGERS/ REGIONAL MANAGERS	June 1, 2015

OBJECTIVE

1. To minimize if not totally eliminate losses on marginal accounts in which repossession or filing of legal cases cannot be carried out.

2. To establish guideline for valuation in the reconstruction of account as the basis of new Promissory Note Value and Monthly Installment within the capacity of the customer.

3. To allow customers to keep their equity on financed units and avoid forfeiture of prior payments to arrive at win-win scenario.

POLICY

1. This scheme is a compromise and not an obligation in the part of the company, thus an account that has undergone reconstruction will revert back to its original contract and status subject to immediate repossession of financed motorcycle unit.

2. Included in the reconstruction scheme are the following accounts;

   2.1. For accounts with age under one (1) year, the Company will allow reconstruction of account under the following circumstances;

   　　2.1.1. Car-napped Financed Unit
   　　2.1.2. Customer met accident
   　　2.1.3. Impounded Financed Unit
   　　2.1.4. Pawned Financed Unit

   2.2. On the aforementioned cases, the branch may use the scheme provided that it can be substantiated by supporting documents;

   　　2.2.1. Car-napped

   　　　　2.2.1.1. Incident Report, this report shall be prepared by the branch manager and duly noted by the Area Manager
   　　　　2.2.1.2. Alarmed Sheet
   　　　　2.2.1.3. Police Report

   　　2.2.2. Accident

   　　　　2.2.2.1. Incident Report, this report shall be prepared by the branch manager and duly noted by the Area Manager. Further, this includes result of ocular inspection of the financed unit.
   　　　　2.2.2.2. Picture of the damaged financed unit
   　　　　2.2.2.3. Police Report

   　　2.2.3. Impounded

   　　　　2.2.3.1. Incident Report, this report shall be prepared by the branch manager and duly noted by the Area Manager. Further, this report must include the following;
   　　　　2.2.3.2. Result of ocular inspection of the financed unit in the police station where the unit was impounded.
   　　　　2.2.3.4. The reason/s for apprehension, no motorcycle plate, no registration, driving without valid license, etc.
   　　　　2.2.3.5. The total cost to redeem the impounded motorcycle unit.

   　　2.2.4. Pawned

   　　　　2.2.4.1. Incident Report, this report shall be prepared by the branch manager and duly noted by the Area Manager. Further, this report must include the following information;
   　　　　　　2.2.4.1.1. Name of pawnshop or person to whom the financed unit was pawned.
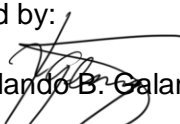
2.2.4.1.2. Amount the financed unit was pawned.
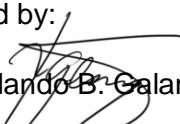
2.2.4.1.3. Maturity value and maturity date

3. On this scheme, the branch must take into consideration the following;

   3.1. Physical condition of the motorcycle unit

   3.2. Financial capacity of the customer

   3.3. Willingness of the customer

4. For accounts with age over one (1) year, reconstruction can only be allowed on certain meritorious cases.

5. The reconstruction of account shall be subject to the following:

   5.1. The new Monthly Installment will depend on the capacity to pay by the customer and established term by the Company and at any juncture should not exceed the maximum term of 36 months.

   5.2. The customer shall pay the first monthly amortization before the reconstruction scheme takes effect.

   5.3. The subsequent monthly amortization must be thirty (30) days after the actual date of payment of the required initial payment; however, if the reconstruction falls on the 26th to end of the month, the customer may opt to choose the next due date on 1st day after next of the following month.

   5.4. Any arrangement on due dates which is not in consonance with this guidelines must be approved by authorized officer of the Company.

   5.5. No new financing contract will be issued. The Reconstruction Sheet will contain the new PNV which must be signed by the customer to show his/her conformity.

   5.6. The reconstruction of account will take effect upon approval by the authorized officer and payment of the first monthly amortization of the reconstructed amount.

   5.7. In cases of subsequent delinquency after the reconstruction, the account will revert to the original contract and may be subjected to the repossession of motorcycle unit.

6. The agreed scheme shall be covered by Reconstruction Computation Sheet to be approved by the Regional Manager.

7. In cases that this **RECONSTRUCTION SCHEME** will be used by the branch to conceal the delinquent status of the account, and to deceive the company to waive the penalty charges of the customer, all concerned branch personnel shall be sanctioned under Company's Code of Discipline.

PROCEDURES

1. Field Personnel (Account Counselor/Credit Supervisor)

   1.1. Review Aging Report per AC and determine risk exposure of the company on the current financial condition of the customer and the latter's willingness to pay.

      1.1.1. Establish whether customer has an honest intention to keep the financed unit and settle the compromised or new PN Value.

      1.1.2. Verify if customer has financial difficulties and has little or no means to pay update his accumulated overdue installments.

   1.2. Conduct collateral checking. Check physical and engine condition of the financed motorcycle unit.

   1.3. Determine if the account is among the accounts allowed by the company that can be reconstructed;

      1.3.1. For accounts with age under one (1) year, the Company will allow reconstruction of account under the following circumstances;

         1.3.1.1. Car-napped Financed Unit

            1.3.1.1.1. Incident Report, this report shall be prepared by the Branch Manager and duly noted by the Area Manager.

         1.3.1.1.2. Alarmed Sheet

         1.3.1.1.3. Police Report

         1.3.1.2. Customer met accident

1.3.1.2.1. Incident Report, this report shall be prepared by the branch manager and duly noted by the Area Manager. Further, this includes result of ocular inspection of the financed unit.

1.3.1.2.2. Picture of the damaged financed unit

1.3.1.2.3. Police Report

1.3.1.3. Impounded Financed Unit

1.3.1.3.1. Incident Report, this report shall be prepared by the branch manager and duly noted by the Area Manager. Further, this report must include the following;

1.3.1.3.1.1. Result of ocular inspection of the financed unit in the police station where the unit was impounded.

1.3.1.3.1.2. The reason/s for apprehension, no motorcycle plate, no registration, driving without valid license, etc.

1.3.1.3.1.3. The total cost to redeem the impounded motorcycle unit.

1.3.1.4. Pawned Financed Unit

1.3.1.4.1. Incident Report, this report shall be prepared by the branch manager and duly noted by the Area Manager. Further, this report must include the following information;

1.3.1.4.1.1. Name of pawnshop or person to whom the financed motorcycle unit was pawned.

1.3.1.4.1.2. Amount the financed motorcycle unit was pawned.

1.3.1.4.1.3. Maturity value and maturity date

1.3.2. For accounts with age over one (1) year, reconstruction can only be allowed on certain meritorious cases.

1.3.2.1. The delinquency is due to temporary financial set-back of the customer.

1.3.2.2. The customer is willing to continue the financing contract.

1.3.2.3. The branch has not encountered any negative concerns on the character of the customer during the course of field follow-up.

1.3. Determine the reconstruction computation that will be applied to the customer and will be used during counseling;

1.3.1. Standard Computation

1.3.1.1. The reconstructed amount is the Net Book Value (NBV) of the outstanding balance (PNB) of the customer's account and reconstruction fees, which is compose of penalty and interest charges.

1.3.1.1.1. The NBV represents the PN balance of the customer at the time of reconstruction less the interest and PPD.

1.3.1.1.2. Only interest and PPD on the not due portion shall be deducted from the outstanding balance in the computation of NBV; because, the interest and PPD on the unpaid MI should have already been earned by the Company.

1.3.1.1.3. The reconstruction fees are as follows;

1.3.1.1.3.1. Five (5%) percent one time penalty charge to be based on accumulated overdue monthly installments.

1.3.1.1.3.2. Additional 1.48% percent interest per month on overdue monthly installments.

1.3.1.2. Initial Payment

1.3.1.2.1. Down payment of at least 10% of the reconstructed amount.

1.3.1.2.2. A processing fee of P 100.00 shall be collected from the customer for documentation and other incidental expenses.

1.3.1.2.3. The reconstructed amount less down payment shall be the new AF which shall be subjected to a new financing rate.

1.3.1.3. Minimum Reconstructed Amount

The reconstructed amount must be Fifteen Thousand (P 15,000.00) Pesos or more, excluding reconstruction fees.

1.3.1.4. Sample Data

PN Value	P 77,130.00
Amount Financed	P 49,250.00
Term	30 Months
Monthly Installment	P 2,571.00
Interest Amount	P 21,880.00
PPD	P 6,000.00
First Due Date	October 12, 2011
Reconstruction Date	July 21, 2013
PN Balance	P 30,852.00

1.3.1.5. Computation:

1.3.1.5.1. Number of Months Account Has Run (NAR)

Reconstruction Date	13	07	21
First Due Date	11	10	12
	1 or 12	9	9 or 1
			22

1.3.1.5.2. Overdue

Amount Due	(22 X P 2,571.00)	P 56,562.00
Less: Total Payment		
PNV	P 77,130.00	
PNB	30,852.00	46,278.00
Overdue Amount		P 10,284.00
No. of Months Overdue Due	(P 10,284 ÷ P 2,571)	4 Months

1.3.1.5.3. MI Paid
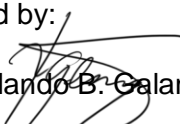
(PNB ÷ MI)	(P 46,278 ÷ P 2,571)	18 Months

1.3.1.5.4. Net Book Value

PNB				P 30,852.00
Less: Interest	(Interest ÷ Term) x (Term – NAR)			
	(P 21,880 ÷ 30) x (30-22)		P 5,835.00	
PPD	(30 – 22) x P 200		1,600.00	7,435.00
NBV				P 23,417.00

To check

Amount Financed			P 49,250.00
Less: Payment		P 46,278.00	
Interest Amount	(Interest ÷ Term) x MI Paid		
Paid	(P 21,880 ÷ 30) x 18	13,128.00	
PPD	(P 200 x 18)	3,600.00	
Payment Applied to AF		16,728.00	29,550.00
Net AF			19,700.00
Add: Income Portion on Overdue Amount			
OD	(P 21,880 ÷ 30) x 4	2,917.00	
PPD (OD x P 200)	(4 x P 200)	800.00	3,717.00
NET BOOK VALUE			P 23,417.00

1.3.1.5.5. Reconstruction Fee

Penalty	5%	X	10,284.00	=	P	514.20
Interest Charges						
	5.92%	X	2,571.00	=		152.20

4.44%	X	2,571.00	=			114.15
2.96%	X	2,571.00	=			76.10
1.48%	X	2,571.00	=			38.05
		10,284.00		P		380.50
						894.70

RECONSTRUCTION FEES $\qquad$ P $\qquad$ 895.00
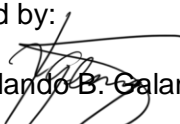
1.3.1.5.5.1. To Check Reconstruction Fees

$$\frac{N(N+1)}{2} \quad X \quad 1.48\% \quad X \quad MI \quad = \quad \text{Interest Charges}$$

$$ODA \quad X \quad 5\% \quad = \quad \text{Penalty Charges}$$

$\dfrac{4(4+1)}{2}$	X	1.48%	X	2,571.00	=
$\dfrac{30}{2}$	X	1.48%	X	2,571.00	=
10	X	1.48%	X	2,571.00	=	380.51
10,284.00	X	5%			=	514.20

894.71
Or P 895.00

Reconstruction Fees

1.3.1.5.6. Reconstruction Amount

$$= \text{NBV} + \text{Reconstruction Fees}$$
$$= 23,417.00 + 895.00$$
Reconstruction Amount $\quad = \quad$ P 24,312.00

1.3.1.5.7. New PN Value

1.3.1.5.7.1. Monthly Installment

Reconstruction Amount		P 24,312.00
Less: Down Payment	(24,312 x 10%)	2,431.00
New Amount Financed		P 21,881.00
MI Add-On Factor	[1 + (Rate x Term)]/Term	
	[1 + (.0148 x 18)]/18	0.070356
MI Net		P 1,539.00
Add: PPD		200.00
Monthly Installment		P 1,739.00

1.3.1.5.7.2. New PN Value

Monthly Installment	1,739.00
Term	18
PN Value	P 31,302.00

1.3.1.5.8. Recommended Term Based on MI of P 1,500.00

$$\text{Term} = \cfrac{1}{\left(\cfrac{MI-200}{AF}\right) - 0.0148}$$

$$= \cfrac{1}{\left(\cfrac{1,500-200}{21,881}\right) - 0.0148}$$

$$= \cfrac{1}{\left(\cfrac{1,300}{21,881}\right) - 0.0148}$$

$$= \cfrac{1}{0.059412-0.0148}$$

$$\cfrac{1}{0.044612}$$

New Term = 22.42 or 24 Months

Prepared by:	Approved by:	Effective	
Rolando B. Galang	Richmond Ngan Executive Officer	January 2016	Page 5 of 9

New Amount Financed		P 21,881.00
MI Add-On Factor	[1 + (Rate x Term)]/Term	
	[1 + (.0148 x 24)]/24	0.056467
MI Net		P 1,236.00
Add: PPD		200.00
Monthly Installment		P 1,436.00

1.3.2. Direct Computation

    1.3.2.1. To compute for the reconstructed amount, add outstanding, penalty charges and additional Prompt Payment discount (PPD) for the new term.

    1.3.2.2. Sample Computation

        1.3.2.2.1. Given

PNV	55,944.00
Outstanding Balance	43,512.00
Total Collectibles	20,072.00
Term	36 Months
Month Installment	1,554.00
1st Due Date	Oct. 18, 2015
Reconstruction Date	Oct. 31, 2015
New Term	30 Months

        1.3.2.2.2. Compute for the total collectibles by determining the Number of Months Account Has Run (NAR).

            1.3.2.2.2.1. Formula

Number of Months Account Has Run (NAR)	= (Reconstruction Date –First Due Date) +1					
	Or					
Reconstruction Date	=	YY	+	MM	+	DD
First Due Date	=	yy	+	mm	+	dd
NAR	=	xx	+	xx	+	xx	+ 1

            1.3.2.2.2.2. Computation

Reconstruction Date	=	13	+	10	+	31		
First Due Date	=	12	+	10	+	18		
NAR	=	1	+	0	+	13	+	1
		or 12	+	0	+	1	+	1
						14		

        1.3.2.2.2.2. Determine the total collectibles by multiplying NAR by MI amount less total payment.
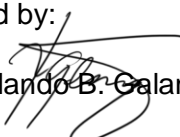
NAR		14
MI		1,554.00
Total Due	x	21,756.00
PNV	55,944.00	
OB	43,512.00	12,432.00
COLLETIBLES		9,324.00

        1.3.2.2.3. Compute for the Penalty Charges by multiplying the total collectibles by 5% (P 20,202.00 x 5%=1,010.00).

Total Collectibles		9,324.00
Penalty Charges	x	5 %
PENALTY CHARGES		466.00

        1.3.2.2.4. Compute for the remaining term of the original financing contract by dividing the outstanding balance against the Monthly Installment.

Outstanding Balance	43,512.00

MI	÷	1,554.00
REMAINING TERM		28 MIs

1.3.2.2.5. Compute for additional PPD by deducting to the New Term the remaining term of the original financing contract multiply by P200.00.

New Term		36
Remaining Term	-	28
Number of PPD to be Added		8
PPD per Monthly Installment		200.00
ADDITIONAL PPD TO BE ADDED		1,600.00

1.3.2.2.6. Compute for the new Monthly Installment and New PNV of the customer;

Outstanding Balance		43,512.00
Penalty Charges		466.00
Additional PPD		1,600.00
RECONSTRUCTED AMOUNT		45,578.00
New Term	÷	36
NEW MI		1,266.00
New Term	x	36
NEW PNV		45,5760.00

1.3.3. Manual Computation

1.3.3.1. The reconstruction amount is equivalent to the outstanding balance of the customer and new term will be computed based on the amount the customer can afford.

1.3.3.1.1. Sample computation wherein the customer can afford only P 1,250.00 Monthly Installment.

Outstanding Balance		43,512.00
MI Customer can Afford	÷	1,250.00
		34.8 or
NEW TERM		35 Months

1.3.3.1.2. Compute for the new PNV by multiplying the new term by the amount of MI the customer can afford.

New Term		35
MI Customer can Afford	x	1,250.00
NEW PNV		43,750.00

1.3.1.2. Initial Payment

1.3.1.2.1. Down payment of at least 10% of the reconstructed amount.

1.3.1.2.2. A processing fee of P 100.00 shall be collected from the customer for documentation and other incidental expenses.

1.3.1.2.3. The reconstructed amount less down payment shall be the new AF which shall be subjected to a new financing rate.
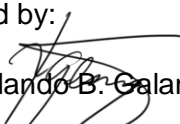
1.4. Visit the customer and offer to the customer the Reconstruction Scheme of the company.

1.4.1. Explain to the customer that the main objective of the Reconstruction Scheme is to give him change to retain the financed motorcycle unit based on certain terms and conditions.
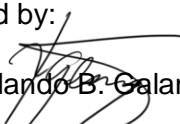
1.4.1.1. The customer shall pay the first monthly amortization before the reconstruction scheme takes effect.

1.4.1.2. The subsequent monthly amortization must be thirty (30) days after the actual date of payment of the required initial payment; however, if the reconstruction falls on the 26th to end of the month, the customer may opt to choose the next due date on 1st day after next of the following month.

1.4.1.3. Subsequent delinquency after the reconstruction will revert back the account to the original contract and may be subjected to the repossession of financed motorcycle unit.

1.5. Ask customer to sign the Reconstruction Computation Sheet to show conformity in the Reconstruction Scheme and the terms and conditions of the said program.

1.6. Sign in the "Prepared by" portion of the Reconstruction Computation Sheet.

1.7. Forward to Cashier for checking before submission to the Branch Manager with the abstract of payment or photo copy of Customer Ledger Card and other supporting documents.

2. Cashier

2.1. Receive Reconstruction Computation Sheet from field personnel and check accuracy of reconstruction amount.

2.2. If everything is in order, affix signature in the "Check by" portion of the Reconstruction Computation Sheet and forward to BM for review and endorsement to Area Manager.

3. Branch Manager

3.1. Receive checked Reconstruction Computation Sheet from the cashier submitted by field personnel and review information to warrant for the reconstruction of account.

3.2. If everything is in order, signed in the "Checked by" portion of the Reconstruction Computation Sheet to signify that the request has been verified.

3.3. Scan the Reconstruction Computation Sheet together with supporting documents and forward to AM via web mail.

4. Area Manager

4.1. Receive from the branch via web mail the Reconstruction Computation Sheet with supporting documents.

4.2. Review the Reconstruction Computation Sheet and clear any concerns with the branch; and if necessary request for additional supporting document to substantiate the reconstruction of the account.

4.3. Whether approved or disapproved, inform the BM of the decision.

4.4. If satisfy, affix signature to signify recommendation and scan signed Reconstruction Sheet.

4.5. Forward scanned Reconstruction Computation Sheet with supporting documents to Regional Manager for approval.

5. Regional Manager

4.1. Receive the scanned Reconstruction Computation Sheet via web mail endorsed by AM and evaluate data therein.

4.2. Whether approved or disapproved, the decision must be communicated back to the AM via web mail.

4.3. If approved, sign Reconstruction Computation Sheet to signify approval and indicate authority number.

4.4. Scan Reconstruction Computation Sheet and return to AM via web mail copy furnishing the Branch Manager.

6. Branch Manager

6.1. Receive scan approved Reconstruction Computation Sheet via web mail from RM.

6.2. Inform the field personnel of the approval of the reconstruction scheme and instruct to visit the customer of the decision.

7. Field Personnel

7.1. Visit the customer and require payment of monthly installment based on the reconstructed or new PN Value.

7.2. Issue Official Receipt to cover payment of the customer of the monthly installment as agreed upon.

7.3. Indicate the Official Receipt number covering the payment of the required monthly installment in the "Remarks" portion of the Reconstruction Computation Sheet.

7.4. Forward to cashier for transmittal of the Reconstruction Computation Sheet to the Accounting Department to the effect the reconstruction scheme.

MITSUKOSHI MOTORS PHILIPPINES INC.
RECONSTRUCTION COMPUTATION SHEET

Account No.:	_____	Date:	_____
Customer's Name:	_____	Model:	_____
Address:	_____	Engine No.:	_____
	_____	Chassis No.:	_____
Term	_____	Plate No.:	_____
Original M.I.	_____	SI No.:	_____
Overdue Amount:	_____	SI Date:	_____
No. of Mos. Overdue	_____	Last Payment	_____

I. COMPUTATION

Outstanding Balance		P _____
Add: Penalty Charges	P _____	
Reconstruction Fee	P _____	
Total		P _____
Divide: New Term		_____
New Monthly Installment		P _____
New Monthly Installment		P
Term	x	_____
New Promissory Note Value		P _____

II. New First Due Date: _____

In case of subsequent delinquency after reconstruction of the account will rescind this agreement and the account will be reverted back to the original contract and will be subject to immediate repossession of financed motorcycle unit.

Conforme:
_____
Customer Signature

Prepared by:	Checked by:	Noted by:	Approved By:
_____	_____	_____	_____
AC/CS	Cashier	Area Manager	Regional Manager