

MITSUKOSHI MOTORS PHILIPPINES, INC.		
POLICY AND PROCEDURE		
POLICY TITLE :	CAPACITY OF THE CUSTOMER	Ref. No.
DEPARTMENT :	OPERATIONS SUPPORT DEPARTMENT	OPS 15-12-005
TO :	ACCOUNT COUNSELOR, CREDIT SUPERVISOR, BRANCH MANAGER	December 1, 2015

## OBJECTIVE

1. To guide the Account Counselor in establishing the capacity to pay of the applicant.
2. To ensure credit worthiness of the applicant.

## POLICIES

1. In determining whether a credit applicant is credit worthy or not, the customer's ability to pay his/her obligation on time or finish the financing contract must be considered.
2. The following are not to be considered in the income adjudication of the customer in establishing the capacity to pay:
  - 2.1. Conditional, such as income from gambling and income derived from hazardous or unlawful undertaking, such as smuggling, jueteng, masiao.
  - 2.2. No income, or remuneration of whatever nature, shall be included in the adjudication if such income or remuneration could not be verified or ascertained even after extra efforts are made.
  - 2.3. Allowances from parents, sister or relatives to alleviate or ease the applicant's financial condition must not be included in the income adjudication, except, when it can be established that these allowances are regularly being given to the applicant.

## PROCEDURES

### 1. Capacity to Pay

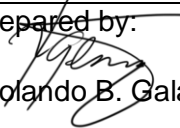
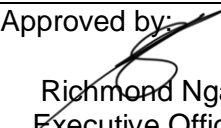
Receive Credit Application Form (CAF) from the Marketing Assistant and determine capacity to pay of the applicant.

#### 1.1. Gainfully Employed

1.1.1. Obtain the pay slip submitted by the applicant and check the following;

1.1.1.1. The pay slip must be recent; it give information about the applicant's take home pay, various deductions are shown including other loan in the company.

1.1.1.2. The customer is required to submit at least two (2) copies of latest company pay slips; this will establish whether the applicant is still connected with the company and we

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can validate the claimed salary the applicant's has stated in the CAF.

1.1.1.2. Authenticity of the pay slip.

1.1.1.3. Check employment status in the pay slip; a non-regular employee has the risk of not finishing the term of the financing contract if the applicant has no other source of income.

1.1.3. If no pay slip was provided during the application, determine employer in the CAF and get in touch with HR or Payroll Department

1.1.3.1. Ask from employer's HR or Payroll Department any of the following documents and information to establish employment status and compensation being received by the applicant;

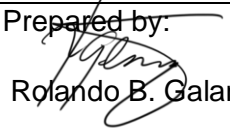

1.1.3.1.1. Employee's number and position- Every employee hired in a company has an assigned employee number for reference and record purposes. It will be convenient for field personnel to verify about the applicant if we have the applicant's employee number.

1.1.3.1.2. Latest Income Tax copy- Per BIR regulation, if tax due to an employee is equivalent to zero (0), the employee is no longer require to file Income Tax Return and instead BIR Form 2316 is being issued by the employer as evidence of tax payment.

1.1.3.1.3. BIR Form 2316 or Certificate of Compensation Payment/Tax Withheld- This form is being issued by the employer of the applicant which shows applicant's total compensation and tax withheld for the year.

1.1.3.1.4. Certificate of Employment- Some small and medium size company does not issue pay slip, thus, a certificate of employment will suffice. However, the field personnel must personally validate the applicant's employment to establish authenticity and genuineness of the document.

1.1.3.1.5. Plaque of Recognition or Appreciation from his/her employer- This document will establish stability of employment and ability of the applicant to finish the installment contract.

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1.1.3.1.6. Other documents that will establish the applicant's employment and the claimed salary or compensation of the applicant, e.g. control logbook where the applicant acknowledged receipt of salary, pay envelop where his name, gross and net take home pay is indicated.

1.1.4. Establish the following so as not to affect the company's interest;

1.1.4.1. The applicant will not be transferred by employer outside the branch territory, specifically in area where the Company has no existing branch.

1.1.4.2. Employer is financially stable.

1.1.4.3. Monthly take home pay (Net of salary deductions) should be sufficient to meet applicant's living expenses, emergency expenses and monthly amortization of the unit being purchased.

## 1.2. Practice of Profession

Income from the practice of one's profession, such as Doctors of Medicine, Engineers, Dentists, Lawyers, Architects, CPA's etc. which are verified to be earned regularly by the applicants. However, per company's policy, lawyers are immediately disapproved.

1.2.1. Obtain any of the following documents to establish income of the applicant;

1.2.1.1. Professional Regulation Commission ID or License

1.2.1.2. Latest Income Tax Return

1.2.1.3. City/ Municipal Permit to Engage in Professional Services

1.2.1.4. Latest Financial Statement or Latest Statement of Asset and Liabilities

1.2.2. Conduct ocular inspection of the office of the applicant to establish existence of practice of profession.

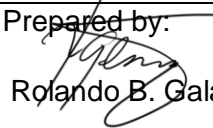
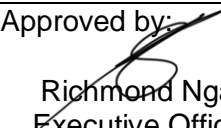
1.2.3. Calculate net monthly income of the applicant based on available facts and information he has gathered to determine capability of the latter.

1.2.4. Include the data and information gathered in the "Confirmation" and "Observation and Analysis" portions of the CIR.

## 1.3. Engaged in Business

1.3.1. Determine the amount of income to be included in the adjudication by an actual appraisal of the business and by establishing its profitability.

1.3.1.1. Single or Sole Proprietor who operate only for less than one (1) year and corporation who operate for less than

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four (4) years must be disapproved, unless the AC can prove stability of its business.

1.3.1.2. Monthly earnings of business (Net of operating expenses and loan amortization if any) is sufficient to cover his pre-computed living expenses, emergency expenses and the monthly amortization of the unit purchased.

1.3.1.3. Income from business, such as Sari-sari store, beauty shops, barber shops, massage clinics, etc. shall be properly and carefully verified through the applicant's ITR and Community Tax in order to have a firm basis of the amount to be included in the income adjudication.

1.3.1.4. Determine the accuracy of the statement of the applicant as to the amount he earns from his business and it should not be taken at its face value. However, if the declared monthly income is lower than the amount documented, the lower amount should be taken and consider in the adjudication.

1.3.1.5. In case of sari-sari store, conduct ocular inspection of the inventory stocks to determine their actual worth as compare to the declare income of the applicant. The data must be indicated in the CIR.

1.3.1.6. Obtain any of the following documents to establish existence of the business and compliance with government requirements to ensure that the business is not fly by night;

1.3.1.6.1. Business Registration with Government institution such as Security and Exchange Commission (SEC), and the DTI for corporate entities.

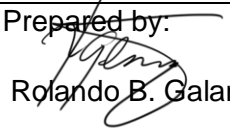
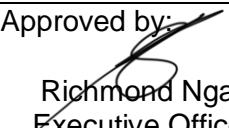
1.3.1.6.2. Bureau of Internal Revenue, Value Added Tax and BIR Form 0605

1.3.1.6.3. City/Municipal Permit

#### 1.4. Seasonal Income

1.4.1. Conducts interview and ocular inspection if income is from farming, fishing, etc. and it should only be considered if such income could be verified to be earned regularly every month.

1.4.2. In case of palay, the applicant must have other sources of monthly income to answer for the installments that will fall due during the pre-harvest period. Otherwise, the field personnel must require advance payment to answer for anticipated delays in harvest.

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## 1.5. Tricycle

### 1.5.1. Tricycle Driver

1.5.1.1. Conduct investigation and establish and answer the following question before recommendation is rendered;

1.5.1.1.1. How long have the applicant been a tricycle driver?

1.5.1.1.2. Does he drive regularly?

1.5.1.1.3. How much is his net earning? How much is the boundary?

1.5.1.1.4. Who is the operator or owned the tricycle unit? If owned, who will drive the new unit?

1.5.1.1.5. What will be the purpose or usage of the unit being applied for, for income generation or other personal usage?

1.5.1.1.6. Does he have any experience in tricycle business, as to maintenance and in handling tricycle driver/s?

1.5.1.2. Obtain photocopy of TODA (Tricycle Operator, Driver Association) membership and motorcycle sidecar franchise.

### 1.5.2. Tricycle Driver/Operator.

1.5.2.1. Check and validate the following documents;

1.5.2.1.1. Original Certificate of Registration (OCR) and/or Original Official Receipt (OOR) of the motorcycle unit he is operating.

1.5.2.1.2. Deed of Sales if the OCR and/or OOR does not bear the name of the applicant.

1.5.2.1.3. Franchise documents for the tricycle unit

1.5.2.2. The field personnel must validate and check submitted documents as to;

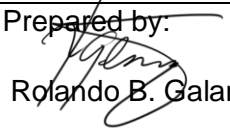

1.5.2.2.1. Right spelling of the applicant's name versus submitted CAF.

1.5.2.2.2. Any mark of encumbrances in the OCR, which mean the motorcycle unit is under financing.

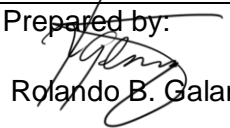
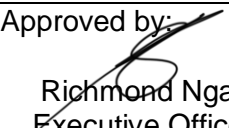
1.5.2.2.3. Driver's License of intended driver of the motorcycle unit.

## 1.6 Other Source of Income

### 1.6.1. Income from Applied Motorcycle

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- 1.6.1.1. Check if motorcycle unit being applied for by the applicant will be for business or for tricycle.
- 1.6.1.2. Verify with city/municipal office availability of franchise in the area where the applicant's reside or the unit will be used.
  - 1.6.1.2.1. Without franchise, motorcycle unit is considered "Colorum", and are frequently milked or exploited by unscrupulous government authority, thus, will affect paying capacity of the applicant.
  - 1.6.1.2.2. If the unit will be used for "Habal-habal" or "Sky-Lab", specifically in Visayas and Mindanao area, the application must be immediately disapproved. The unit in this kind of usage deteriorates faster because of the terrain where they will be used and the way they will be used.
- 1.6.2. Beneficiary or Recipient of Remittances
  - 1.6.2.1. Check manner of remittances to the applicant and must also check whether the remittances was addressed to the applicant alone or shared with other party or person/s. If addressed with other person/s.
  - 1.6.2.2. Indicate the information in the "Information Verification" portion of the CIR.
  - 1.6.2.3. Check and validate the following documents for money derived from remittances from spouse working abroad as Oversea Filipino Worker (OFW) or through relative working abroad;
    - 1.6.2.3.1. Bank Account/Passbook, if remittances are made through banking system.
    - 1.6.2.3.2. Postal ID, if remittances are through money order.
    - 1.6.2.3.3. Remittances Receipt, if remittances are made through door-to-door deliveries.
    - 1.6.2.3.4. Contract of Employment, if no other document is available or presented to evidence remittances.
  - 1.6.2.4. Take note of the term and conditions of the employment contract as to, salary, overtime pay, contract duration, date of start and end of contract.

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1.6.2.5. Conduct neighborhood checking to validate the claim of the applicant and cannot present any of the aforementioned documents.

1.6.2.5.1. It is assumed that seventy (70%) percent of the basic salary of the OFW is remitted to the family and thirty (30%) percent are retained for their daily sustenance.

1.6.3. Check nature of income and ensure that the following are not considered in the income adjudication;

1.6.3.1. Conditional, such as income from gambling and income derived from hazardous or unlawful undertaking, such as smuggling, jueteng, masiao.

1.6.3.2. No income, or remuneration of whatever nature, shall be included in the adjudication if such income or remuneration could not be verified or ascertained even after extra efforts are made.

1.6.3.3. Allowances from parents, sister or relatives to alleviate or ease the applicant's financial condition must not be included in the income adjudication, except, when it can be established that these allowances are regularly being given to the applicant.

1.6.3.4. In determining applicant's monthly income, cares should be taken so that income determined is not bloated or overstated.

## 2. Capacity to Enter Into Contract

2.1. Check the ID presented by the applicant if the latter is in right age to enter into contract.

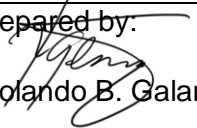
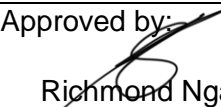
2.2. Observe during personal interview with the applicant's state of mind. This can also be established during neighborhood checking.

## 3. Capacity to Finish Contract

3.1. Observe during personal interview the health condition of the applicant and it can also be established during neighborhood checking.

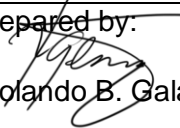
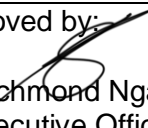
3.2. Check status of employment of the applicant in the latest pay slips presented by the latter. If no pay slips are presented, actual visit to the employer must be done to establish this.

3.3. Check financial status of business of the applicant if the latter is engaged in his owned business. The status of one's business also affects one's capacity to settle loan obligation, thus, should be watched out by the AC.

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#### 4. Capacity to Collect and Repossess

- 4.1. Check terrain and peace and order situation where the applicant reside.  
We may encounter problems later on in collecting the monthly amortization and/or repossessing the financed unit in case the applicant becomes delinquent.
- 4.2. Check road conditions which may affect field collections.
- 4.3. Observe and check neighborhood reputation during actual visit in the area; news hovering about the crime rate.
- 4.4. Consider other conditions of the applicant's residence;
  - 4.4.1. Distant from the branch office;
  - 4.4.2. Isolated or secluded area;
  - 4.4.3. Flood prone or inaccessible areas;
  - 4.4.4. Blacklisted area with other dealers and financing institution;
  - 4.4.5. Depressed area; and
  - 4.4.6. Critical area.

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