

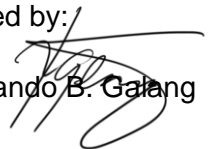
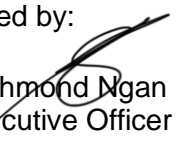
MITSUKOSHI MOTORS PHILIPPINES, INC.		
POLICY AND PROCEDURE		
POLICY TITLE :	RESTRUCTURING OF ACCOUNT	Ref. No.
DEPARTMENT :	ACCOUNTING DEPARTMENT	ACT-16-01-009
TO :	REGIONAL MANAGER, AREA MANAGER, BRANCH MANAGER, CREDIT SUPERVISOR, ACCOUNT COUNSELOR, CASHIER	

OBJECTIVE

1. To minimize repossession of financed motorcycle unit.
2. To allow customers to keep their equity on financed motorcycle units and avoid forfeiture of their prior payments.
3. To guide the branch in the restructuring of overdue account to bring back the latter to current status.
4. To help customer who has encountered temporary financial difficulty to renegotiate his/her delinquent account.

POLICIES

1. This scheme is a compromise and not an obligation in the part of the company, thus an account that has undergone restructuring will revert back to its original contract and status subject to immediate repossession of financed motorcycle unit.
2. The terms and condition of the restructuring scheme should be explained and fully understood by the customer including the consequence on his/her failure to meet the set conditions
3. The agreed scheme shall be covered by Restructuring Computation Sheet to be approved by the Regional Manager and no new financing contract will be issued.
4. The following charges shall be collected from the customer for any restructured account:
 - 4.1. Five (5%) percent one time penalty charge to be based on accumulated overdue monthly installments.
 - 4.2. In addition to the penalty and interest charges, the customer is required to update any partial delinquency on his monthly amortization and/or one (1) monthly amortization.
5. The subsequent monthly installment will be thirty (30) days after the actual date of payment of the required initial payment; however, if the restructuring falls on the 26th to end of the month, the customer's next due date will be on 1st day after next of the following month.
 - 5.1. Any arrangement on due dates which is not in consonance with this guidelines must be approved by authorized officer of the Company.
6. It is the responsibility of the branch to ensure that the following requirements are met before a customer's account can be restructured:
 - 6.1. The customer has an honest intention to keep the financed unit and fulfill his remaining financial obligations to the Company.
 - 6.2. The customer has defaulted on at least three (3) installment payments due to verifiable prior financial difficulties. Moreover and upon verification, the customer has little or no means to pay much more to update his accumulated overdue installments.

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- 6.3. The customer has paid at least six (6) monthly installments.
7. This does not include delinquent accounts with minimal payments, such as, zero (0) payment to three (3) monthly installment payments which can only be subject to rehabilitation through payment arrangement or assumption of account.
8. The customer's account maybe restructured only once.
9. The adjustment of the customer's status to current will be in effect on the Aging of the following month.

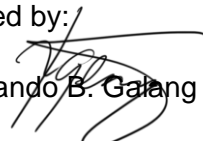

PROCEDURE

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 continue the financing contract.
 - 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 restructured.
 - 1.4. Compute the restructuring charges that will be charged to the customer and will be used during counseling.
 - 1.5. Sample Computation
 - 1.5.1. Given:

Cash Price	:	P	48,000.00
LCP	:		50,400.00
Gross DP	:		3,000.00
Net DP	:		1,150.00
Amount Financed	:		49,250.00
PN Value	:		84,810.00
Term	:		30 Months
MI	:		2,827.00
 - 1.5.2. Outstanding balance of P 73,502.00, with overdue amount of P 11,308.00.

1.5.2.1. Computation:

Penalty	5%	X	11,308.00	=	P	<u>565.00</u>
Interest Charges	8%	X	2,827.00	=		226.00
	6%	X	2,827.00	=		170.00
	4%	X	2,827.00	=		113.00
	2%	X	2,827.00	=		56.00
					P	<u>565.00</u>
Total Penalty & Interest					P	<u><u>1,130.00</u></u>

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1.5.2.2. To Check:

$\frac{N(N+1)}{2}$	X	2%	X	MI	=	Interest Charges	
AOI	X	2%			=	Penalty Charges	
$\frac{4(4+1)}{2}$	X	2%	X	2,827.00	=	IC	
$\frac{20}{2}$	X	2%	X	2,827.00	=	IC	
10	X	2%	X	2,827.00	=	P	565.00
11,308.00	X	5%			=		565.00
Total Penalty & Interest				P			1,130.00

1.5.3. Outstanding balance of P 74,329.00, with overdue amount of P 12,135.00.

1.5.3.1. Computation:

Penalty	5%	X	12,135.00	=	P	<u>607.00</u>
Interest Charges	10%	X	827.00	=		83.00
	8%	X	2,827.00	=		226.00
	6%	X	2,827.00	=		170.00
	4%	X	2,827.00	=		113.00
	2%	X	2,827.00	=		56.00
				P		<u>648.00</u>
Total Penalty & Interest				P		<u>1,255.00</u>

1.5.3.2. To Check:

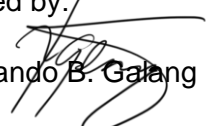

827.00	X	2%	X	5	=	83.00
$\frac{4(4+1)}{2}$	X	2%	X	2,827.00	=	IC
$\frac{20}{2}$	X	2%	X	2,827.00	=	IC
10	X	2%	X	2,827.00	=	P <u>565.00</u>
					P	648.00
12,135.00	X	5%			=	<u>607.00</u>
Total Penalty & Interest				P		<u>1,255.00</u>

1.6. Visit the customer and offer to the customer the Restructuring Scheme of the company.

1.5.1. Explain to the customer that the main objective of the Restructuring Scheme is to give him change to retain the financed motorcycle unit based on certain terms and conditions.

1.5.1.1. The customer shall pay the following before the restructuring scheme takes effect:

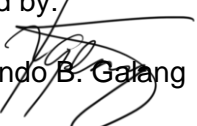
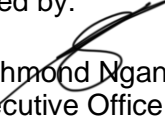
1.5.1.1.1. Penalty Charges;

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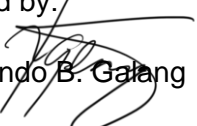
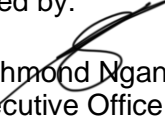
- 1.5.1.1.2. Full payment of partial amortization; and
- 1.5.1.1.3. First monthly amortization.

1.5.1.2. The subsequent monthly amortization will be thirty (30) days after the actual date of payment of the required initial payment; however, if the restructuring 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.

- 1.7. Ask customer to sign the Restructuring Computation Sheet to show conformity in the Restructuring Scheme and the terms and conditions of the said program.
- 1.8. Sign in the "Prepared by" portion of the Restructuring Computation Sheet.
- 1.9. 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 Restructuring Computation Sheet from field personnel and check correctness of restructuring charges.
 - 2.2. If everything is in order, affix signature in the "Check by" portion of the Restructuring Computation Sheet and forward to BM for review and endorsement to Area Manager.
- 3. Branch Manager
 - 3.1. Receive checked Restructuring Computation Sheet from the cashier submitted by field personnel and review information to warrant for the restructuring of account.
 - 3.2. If everything is in order, signed in the "Checked by" portion of the Restructuring Computation Sheet to signify that the request has been verified.
 - 3.3. Scan the Restructuring 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 Restructuring Computation Sheet with supporting documents.
 - 4.2. Review the Restructuring Computation Sheet and clear any concerns with the branch; and if necessary request for additional supporting document to substantiate the restructuring 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 Restructuring Computation Sheet.
 - 4.5. Forward scanned Restructuring Computation Sheet with supporting documents to Regional Manager for approval.
- 5. Regional Manager
 - 4.1. Receive the scanned Restructuring 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.

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- 4.3. If approved, sign Restructuring Computation Sheet to signify approval and indicate authority number.
- 4.4. Scan approved Restructuring Computation Sheet and return to AM via web mail copy furnishing the Branch Manager.
6. Branch Manager
 - 6.1. Receive scanned approved Restructuring Computation Sheet via web mail from RM.
 - 6.2. Inform the field personnel of the approval of the restructuring scheme and instruct to inform the customer of the decision.
7. Field Personnel
 - 7.1. Visit the customer and require payment of restructuring charges and monthly installment to effect restructuring scheme.
 - 7.2. Issue Collection/Official Receipt to cover payment of the customer of the monthly installment as agreed upon.
 - 7.3. Indicate the Collection/Official Receipt number covering the payment of the required restructuring charges and monthly installment in the "Remarks" portion of the Restructuring Computation Sheet.
 - 7.4. Forward to cashier for transmittal of the Restructuring Computation Sheet to the Accounting Department to the effect the reconstruction scheme.

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BRANCH NAME
RESTRUCTURING COMPUTATION SHEET

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

I. COMPUTATION

Penalty Charges on total overdue amount

Full payment of partial Amortization

One full Monthly Amortization

TOTAL AMOUNT DUE TO RESTRUCTURE THE ACCOUNT

II. Remaining Terms: _____

III. Outstanding Balance: _____

In case of subsequent delinquency after restructuring of the account will rescind 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:

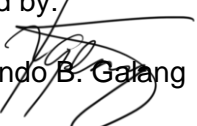

Approved by:

AC/CS

Cashier

Area Manager

Regional Manager

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