

CREDIT POLICY MANUAL – CONSUMER LOANS

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INTRODUCTION

Citystate Savings Bank (CSBANK) has adopted this Credit Policy Manual, which is designed to be consistent with sound and prudent bank lending practices. This manual aims to provide all personnel with guidance on sound practices in lending and comprehensive understanding of identifying, measuring, monitoring, and controlling the credit risk inherent in the Bank's operations. It also articulates broad principles that should be embedded in a risk management framework covering strategy, organizational structure, policy, as well as credit control processes for origination, monitoring and administration of credit transactions and portfolios.

SCOPE

The Credit Policy Manual (CPM) covers general policies related to credit process. All the manuals previously issued in relation to loan origination, evaluation, booking/disbursement, account maintenance and remedial management that are not covered by the contents of this manual shall remain in place and will form part of the CPM and will serve as supplemental guidelines. However, policies and procedures on the supplemental manuals not consistent with the CPM shall be superseded accordingly. Further, supplemental policy statements via Credit Bulletins (CBs) will be issued from time to time, as the need arises, to incorporate latest BSP Circulars, regulations and other changes. Such policy statements, however, should be consistent with the policies contained herein and will need the approval of the Credit Committee (CRECOM), Executive Committee (EXCOM), and the confirmation/notation of the Board of Directors (BOD). CBs can supersede existing policies. The CBs should have a Reference or Tracking Number for monitoring purposes.

The CPM and other supplemental policies should be implemented in a consistent and conservative manner and in accordance with its underlying purpose. If an interpretation or clarification is required, Chief Risk Officer and/or Credit and Collections Group (CCRG) Head and/or Lending Group (LG) Head should be consulted.

I. GENERAL CREDIT POLICY**A. RULES GOVERNING THE GRANTING OF CREDIT**

1. Consistent with safe and sound banking practices, CSBANK grants loans or other credit accommodations only in amounts and for the periods of time essential for the effective completion of the operation to be financed. Before granting loans or other credit accommodations, CSBANK ascertains that the borrower, co-maker, surety and/or guarantor, are financially capable of fulfilling their commitments to the bank. CSBANK obtains adequate information on their credit standing and financial capacities.
2. Credit is granted on the basis of the customer's financial circumstances and of specific assessments that provide a background for the loans. The facilities should match the customer's credit worthiness, capital position and assets, and customers should be able to substantiate their repayment ability.
3. Delegation of authority to grant credit is approved by the Board of Directors provided authorities do not exceed the limits delegated to them. Delegations are to be reviewed at least annually or when necessary, by the Risk Management Department (RMD) with inputs from the business units.
4. Approval of all types of credit granted is evidenced by credit proposal such as Credit Evaluation Worksheet (CEW) approved by the delegated approving authorities in line with the limits allowed of them. Refer to Annex A for the copy of Delegation of Authority.
5. Required documentation essential to the validity of the credit granted is on hand and legally enforceable before availment of the credit. Any waiver or deferral of receipt of required documentation must be approved by the delegated authority in accordance with authorities allowed of them.
6. Any material changes in terms, conditions, or covenants of a credit previously approved, must be approved by the delegated authority.

B. BASIC CREDIT DOCTRINES

1. The following institutional objectives are to be maintained at all times:
 - a. A sound loan portfolio
 - b. A prudent lending profile
 - c. Responsiveness to market changes and needs
 - d. Risk assets portfolio liquidity

- e. Profitability commensurate to risks taken

To attain these objectives, the Bank shall:

- a. Strive to direct lending activities towards the development of productive, revenue producing, and mutually rewarding long-term relationship with clients.
 - b. Maintain at all times proper credit standards and lending principles as well as desired yields and adequate liquidity.
 - c. Identify and hold risks to reasonable levels and dimension.
 - d. Continue upgrading the quality of the loan portfolio.
- 2. Loans presented for approval must have identifiable repayment sources and collateral support as circumstances warrant to ensure that the Bank is adequately protected and risks of loss are mitigated or minimized.
 - 3. The granting of credit is highly dependent on the people involved in the process. Each officer must be prudent in the formulation of credit decisions and he must exercise independence of judgement with integrity.
 - 4. Credit quality must always take precedence over business opportunities and profit motive. Credit evaluation should always consider the five (5) Cs of credit.
 - 5. Sound credit analysis and complete loan documentation shall precede implementation of all loans.
 - 6. The credit needs of the marketplace must be identified and met but credit risks must be fully understood and assessed before they are taken. The risk acceptance criteria must be established and the risk-reward dynamics determined (i.e., changes in pricing against perceived risks) with the end view of developing a comprehensive and rigorous approach to credit decisions.
 - 7. Loans shall be appropriately priced to ensure an adequate and fair return of CSBANK's investments for the benefit of its stockholders and the protection of the depositors' funds.
 - 8. All banking laws and regulations applicable or relating to loans shall be consistently complied with.
 - 9. The Board of Directors shall establish the credit approval process but may delegate loan approval authority to the Management.
 - 10. Responsibility for loan administration, loan policy implementation and loan review shall be defined clearly at all times.
 - 11. Problem accounts must be recognized and appropriate action must be taken to protect the Bank's interest and minimize the degree of possible loss.

12. Allowance for loan losses shall be maintained in adequate levels at all times through the regular review of the quality of loans in the loan portfolio.
13. CSBANK loan policies and procedures shall be reviewed at least once a year to determine whether the policies and procedures related to the Bank's lending activities are consistent with its corporate goals and objectives; and safe and sound lending practices.
14. As necessary, CSBANK may require services of external service providers, who must be evaluated before engagement and must pass through the Bank's accreditation process prior to their engagement.

C. MANAGEMENT OF CREDIT RISK

While the Risk Management Department provides for an independent risk monitoring and review of credit exposures, each business unit is responsible for the quality and performance of its credit portfolio. RMD's Credit Risk Unit also provides independent evaluation of CSBANK's credit risk exposure through review of loan proposals and credit processes, borrower risk assessment, and credit administration. This is complemented by regular audits of business units and credit processes undertaken by the Internal Audit that provide for the assurance and feedback mechanism to determine sufficiency and effectiveness of established risk controls.

D. SPECIFIC RESPONSIBILITIES OF CSBANKANK UNITS

1. Board of Directors (BOD)

The Board of Directors advises, governs, oversees policy and direction, and assists with the leadership and general promotion of the Bank so as to support the organization's mission and needs. Other functions include:

- a. Approving credit strategy and policies;
- b. Credit approval and monitoring;
- c. Delegation of credit authority; and
- d. Oversight of credit risk management.

2. Executive Committee (EXCOM)

The EXCOM is created as the highest credit approving body of the Bank before the Board of Directors. EXCOM is tasked to provide the necessary approvals for credit policies, loan applications, deviations and other loan transactions. Resolution of the EXCOM may be overruled only by the Board of Directors of the Bank.

EXCOM scope of work includes:

- a. Approval of credit policies, loan applications, policy exceptions and waiver of charges based on the amount delegated by the Bank's Board of Directors.
- b. Approval of business plans presented by the Bank's different lending units.

3. Credit Committee (CRECOM)

The CRECOM is the management level committee that evaluates and screens credit proposals within their delegated authority; recommends proposals to BOD which falls beyond its authority; and likewise monitors credit underwriting activities performed at management level. It ensures that credit risk is within the BOD's established risk tolerance levels and that proposals comply with the credit underwriting standards as established in CSBANK's policies and procedures.

4. Senior Management

Responsible for ensuring that the credit risk taking activities of the Bank are aligned with the credit risk strategy approved by the BOD and RMD. It is also responsible for developing and implementing the Bank's credit policies and procedures that lay down the conditions and guidelines for an effective credit risk management process, as well as proper channels of communications to ensure that these policies are clearly communicated and adhered to by all levels of organization.

The Senior Management implements a credit risk management structure that clearly delineates lines of authority, establish accountabilities and responsibilities of individuals involved in the credit granting process. Other functions include, but not limited to:

- a. Credit Policy Review;
- b. Implementing and improving credit strategy and policies;
- c. Establishing credit policies and manuals;
- d. Credit approval and monitoring;
- e. Overseeing loan recovery progress

5. Risk Oversight Committee (ROC)

Responsible for approving and periodically reviewing the credit risk strategy and significant credit risk policies of the Bank, as well as the oversight of the implementation of a comprehensive and effective credit risk management system. The strategy should reflect the bank's tolerance for risk and the level of profitability the bank expects to achieve for incurring various credit risk. It is also responsible in reviewing and approving processes, policies, and guidelines on risk management.

6. Lending Group (LG)

The Lending Group performs account solicitation, credit origination, loan packaging, post approval account maintenance, and assists in collection of problematic accounts, as necessary.

7. General Accounting Department (GAD)

Responsible for the preparation, analysis and submission of internal and external reports required by the Board of Directors, Senior Management, Bangko Sentral ng Pilipinas (BSP) and other government regulatory agencies.

The GAD monitors the Bank's Single Borrower's Limit (SBL); other industry exposures and limits.

8. Treasury Department

Treasury Department's primary responsibility is to manage the liquidity and reserve requirements of the Bank. It is not simply providing adequate funding to meet the various requirements of the Bank, but it should always be at optimum cost. Secondly, Treasury is responsible for providing alternative investment outlets, which should generate additional income aside from those generated from traditional banking activities. Naturally, it is required to enable itself to provide management expertise to handle funds allocated for such investment purposes by the Bank and its clientele.

9. Risk Management Department (RMD)

Responsible for the implementation and execution of the Risk Management Plan as approved by the ROC. RMD makes recommendations and submit reports to the ROC on risk management matters affecting the Bank. They coordinate with the various units of the Bank in monitoring the established credit risk limits and past due ratios of each product.

RMD is also in charge of ensuring that the risk management process is properly implemented in accordance with BSP mandates (i.e., having well-defined lending policies and sound lending practices). Specifically, these include maintaining the quality of the loan portfolio, absorb loss in granting loans, and continually assess the applicability of existing credit policies.

10. Credit, Collections and Remedial Group (CCRG)

CCRG provides overall all credit and collections; and credit policy formulation.

- a. Loan processing (e.g., credit investigation, appraisal, loan evaluation, approval)
- b. Collection management
- c. Remedial loan management and reporting of past due levels, non-performing loans
- d. Credit policy and management information reports

11. Loans Operation Group (LOG)

LOG provides support in overall credit administration but not limited to the following:

- a. Checking credit approvals and documentation;
- b. Lien registration;
- c. Credit file maintenance and custodianship
- d. Collateral custodianship
- e. Compilation of management information reports
- f. Credit disbursement and recording of payments received

12. Legal Services and Regulatory Affairs Department (LSRAD)

The LSRAD provides legal guidance in the interpretation and implementation of the legal and regulatory rules and regulations. The Legal Group has functional responsibility and control in the following areas:

- a. Formulating legal policies;
- b. Exchange of ideas and know-how between the legal function and the rest of the Bank;
- c. Coordination and/or completion of litigation involving the Bank;
- d. Monitoring legal development for changes which may affect the Bank or any of its products.

13. Internal Audit and Compliance

The internal audit and compliance function provides for evaluation of the independence and overall effectiveness of the credit review function to avoid or address any potential conflict of interest. They are responsible for monitoring the Bank's compliance with the risk management policies and procedures, and for reviewing the adequacy of risk management framework in relation to the risks being faced by the Bank. They undertake both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee (Internal Audit) and Risk Oversight Committee (Compliance Department).

E. DELIENATION OF CREDIT PROCESS FUNCTION

1. CSBANK's credit management relies on a credit process that is adjusted to market conditions on an on-going basis. The process ensures the proper correlation between customer creditworthiness, credit portfolio category, and lending authority.
2. The following are the essentials to have a high quality credit process:
 - a. Well-defined target market;
 - b. Defined product lines;
 - c. Explicit terms of acceptance/Minimum Risk Acceptance Criteria inclusive of credit policy guidelines that will govern lending in those markets;
 - d. Defined approval, administrative and control procedures; and
 - e. Effective and timely monitoring and reporting systems to detect portfolio and process shortcomings or deficiencies.
3. The credit process begins with a thorough analysis of the borrower's creditworthiness, guided by the principles of the 5Cs of Credit. The underwriter should assess the following, among others.
 - a. Character – The Bank shall evaluate the Borrower's moral standing, reputation, integrity, and capability. Character is a strong determinant of the willingness to pay off the loan.
 - b. Capacity to pay – The Bank shall evaluate the Borrower's ability to repay. It also depends on whether the Borrower followed the original purpose of the

loan and whether the tenor for a loan is structured to match the liquidity and cash generation capacity of the Borrower.

- c. Capital – The Bank shall evaluate the Borrower's ability to withstand business risks. The Borrower's strong capital position and adequate net worth are essential requirements.
- d. Collateral – The Bank shall evaluate other sources of repayment if the primary sources are not adequate. It is intended to enhance credit risk and is viewed as the last line of defense against bad credit.
- e. Conditions of the Industry – The Bank shall evaluate industry risks. An assessment of the industry conditions and how the Borrower is positioned to cope with external shocks is necessary.

II. CREDIT FACILITIES

CSBANK offers the following products under Consumer Loans:

A. AUTO LOAN

Product Description and Features

1. Product Description

An auto loan is an installment facility with fixed interest rates for a maximum tenor of 60 months available for the purchase of vehicles. The loan will be secured via a mortgage over the vehicle financed.

2. Target Market

The bank will target middle to upper income salaried and self-employed individuals, professionals and entrepreneurs. Target market is presumed to be more financially mature and considered to be better educated and more credit conscious.

3. Channels and Distribution

Auto loans will mainly develop and acquire business from the following sales channels:

- a. Branch network/employees of the bank
- b. Accredited Auto Dealers
- c. Accredited Auto Brokers
- d. Antonio Lim Cabangon-Chua (ALC) affiliated companies and employees
- e. Walk-ins

4. Loan Purpose

- a. Brand New Vehicle Acquisition for Personal Use
- b. Acquisition of a repossessed unit from the Bank
- c. Reimbursement of Brand-New Vehicle, provided the vehicle is not more than three (3) months old from the delivery date of the dealer to the borrower and with a mileage of not more than 3,000 kilometers
- d. Cash/equity loan - to finance existing properties registered under borrower's name wherein loan proceeds will be used for personal consumption

Vehicles used as public transport or for business purpose will not be allowed.

Acquisition of Second Hand/Imported Vehicle other than from the repossessed lot of CSBANKI or Planbank shall not be allowed at this time.

3. Geography/Acceptable Locations

Metro Manila and its nearby provincial locations where there are CSBANKI and Planbank branches to service the loan.

4. Loan Value/Amount

- a. Minimum amount financed: P 200,000.00
- b. Maximum amount financed: P 10,000,000.00

5. Loan to Value Ratio (LTV)

- a. Brand New
 - i. Up to 80% of the unit suggested retail price/quoted price of the dealer, except:
 - Selected China-brand units up to 70% LTV
 - Luxury/high-end vehicles up to 50% LTV

- b. 2nd Hand*
 - i. Up to 70% of the appraised value for personal use

*Acceptable vehicles are only those 5 years old and below at the time of loan application.

Vehicle Pricing Parameter (Annex B) shall be provided for allowed LTV per brand.

6. Tenor / Maximum Period

- a. Brand New: Up to 60 months
- b. 2nd Hand/Equity: Depending on age of unit, should not be more than 5 years old at loan maturity

7. Acceptable Types of Vehicles

Brand new and 2nd Hand Passenger Cars, Light Commercial Vehicles, Sports Utility Vehicles, Asian Utility Vehicles, 6-wheeler/light trucks*

Acceptability of China made vehicles will need to be evaluated and separately approved by the COO. For these, higher down payments and shorter tenor may be applied.

*limited for now to Gencars

8. Eligible Vehicle Brands

Toyota, Nissan, Mitsubishi, Honda, Hyundai, Ford, Kia, Chevrolet, Isuzu, Mazda, Suzuki, Subaru, Mercedes Benz, Audi, Volvo, BMW, Land Rover, Chrysler, Dodge,

Porsche, Ferrari, Lexus, Jaguar, Land Rover, Range Rover, Mini-Cooper, Peugeot, Volkswagen, Maserati, Lamborghini, Cherokee Jeep

9. Financing Scheme

a. Standard Financing Scheme

Equal monthly amortization covering principal and interest shall be computed via annuity method, and shall commence monthly after unit/vehicle release.

b. One Month Advance (OMA) Financing Scheme

First monthly payment covering principal and interest shall commence at time of booking. Second monthly amortization payment shall be collected one month after loan release. Subsequent amortization due dates shall follow the date of the second amortization due date.

10. Fleet Financing

Financing of at least eight (8) units or P10M cumulative outstanding balance (whichever comes first) to the same borrower. Anything beyond this shall be processed by Lending Group as Commercial Loan.

Outstanding auto loans with three (3) or less remaining monthly amortizations shall be excluded in the total number of financed units in determining whether the credit proposal shall be classified as fleet financing.

11. Pricing

a. **Interest Rates** Interest rate is fixed for the entire term of the loan and may vary depending on channel where the account is being solicited. In any case, the rates to be given shall have the approval of the Lending Group Head and COO. The following shall be considered on the determination of the rates:

- i. **Cost of Funds** – correct matching of Transfer Pool Rate (TPR) depending on the term of maturity
- ii. **Margins** – minimum spread over TPR

Effective Yield (EY) is the annualize rate used for the computation of amortization schedule. Said schedule shall show the breakdown of monthly principal and interest portion of the net monthly installment.

b. Fees of auto loan applications shall be subject to approved fees.

The COO will have the authority to introduce new, increase, reduce, or waive existing fees and charges that it may deem necessary, depending on the situation and prevailing market trends.

12. Loan Payment

- a. Principal and interest will be paid in monthly amortizations throughout the term of the loan. First due date will be made within 30-45 days upon release of the unit.
- b. It may be paid via:
 - i. Post Dated Checks – full term PDCs or with minimum of 24 PDCs (two years) with undated guarantee (lumpsum) check and Letter of Undertaking from the client to submit the remaining PDCs within 30 days before the last check from the previously issued 24 PDCs is deposited, or
 - ii. Auto Debit Arrangement (ADA) – principal borrower shall be required to open an account in any CSBANKI branch and sign off on an Automatic Debit Arrangement Form.

Note: On a case-to-case basis, third party check may be accepted subject to approval of CCRG Head, Chief Operating Officer or President. Signed PDC Bank Verification Form shall be required from 3rd party issuer. Second Endorsed Checks are not acceptable as payment.

Demand letter for full amount shall be sent by CCRG-Collections Department. Guarantee check shall be deposited subject to approval of CCRG Head.
- c. In case the due date falls on a Saturday, Sunday, or a non-working holiday, the amortization shall be payable on the next banking day immediately preceding these days.
- d. In case of pre-termination of the loan, the borrower shall be required to pay full loan outstanding balance, early payment processing fee and release fee.
- e. Payment Hierarchy shall be as follows:
 - i. Other Charges / Expenses advanced by the Bank except insurance (i.e. appraisal, etc.)
 - ii. Penalty Fee
 - iii. Interest
 - iv. Principal

13. Restrictions

Second-hand loan portfolio should not exceed more than 20% of total loan originations. This should be monitored in the regular Portfolio Review of Risk Management Department (RMD).

14. Program Review

Annual performance review of the Auto Loan Program reckoned from date of approval of Product Manual.

Minimum Risk Acceptance Criteria**1. Age**

- Minimum of 25 years old, maximum of 65 upon loan maturity
- As long as one of the spouses/co-makers, whose income is used, is within age limit, no need to deviate

2. Citizenship

- Filipino citizen
- Dual citizen
- Foreign national with proper work permit provided with Filipino co-make

3. Income

Minimum gross family income of P40,000.00

4. Employment / Business**a. For Employed**

- Employed for at least a year in current employer in an Officer position
 - If employed for less than a year in current employer: Should be previously employed in the same industry or same line of work in an Officer position
- Employed for at least 2 years in current employer in a non-Officer position
 - If employed for less than 2 years in current employer: Should be previously employed in the same industry or same line of work with an aggregate employment tenure of 2 years
 - Supervisors, considered Non-Officers, will fall under this category

b. For Self-Employed – Professionals

- Practicing in the field of expertise for at least 2 years
- Field verification shall be conducted in cases where the business address of the borrower is the same as his residence address to ascertain its business existence and activity

c. For Self-Employed – Entrepreneurs

- Business should be duly registered
- Business should have been in existence for at least 2 years

- Field verification shall be conducted in cases where the business address of the borrower is the same as his residence address to ascertain its business existence and activity

d. Corporate/Business Borrowers

- Company should be registered in the Philippines and have been operating for at least two (2) years.
- Surety is required for corporate borrowers. He/she must meet the minimum credit approval requirements and should sign in his/her own personal capacity. This should include compliance to minimum risk acceptance criteria for individual borrower and standard documentary requirements.

5. Debt Burden Ratio

For Brand New Units: maximum DBR of 40%

For 2nd Hand Units: maximum DBR of 30%

- i. Filipino citizen
- ii. Dual citizen
- iii. Foreign national with proper work permit provided with Filipino co-maker

6. Credit History

An application should be checked versus Bank's existing guidelines.

7. Avoid Occupation List

Refer to Bank's existing guidelines.

8. Avoid Business List

Refer to Bank's existing guidelines.

9. Co-Maker/Signatory

- i. A co-maker is recommended for auto loan individual borrowers. It may be required to strengthen credit position of the borrower, or to mitigate perceived risks in the application.
- ii. A married borrower is required to have the spouse as co-maker, as the vehicle is considered joint property. All credit and collateral documents must be signed by both spouses to signify marital consent. The spouse (i.e. co-maker) does not have to comply with the minimum credit requirements in case the income considered is only that of the borrower. However, in case income was included, the spouse must comply with the requirement as stated in the condition/s of approval.

- iii. In case the spouse's signature cannot be secured, the following shall be required:
 - If separated, a court-certified true copy of Decree of Legal Separation from the issuing court or Affidavit of Separation shall be required.
 - If the borrower and his/her spouse have executed a Pre-nuptial Agreement duly registered with the appropriate Registry of Deeds whereby their property relationship during the marriage is governed by the requirements of complete separation of property - a certified true copy of the court order duly registered Pre-nuptial Agreement is required.
 - If the borrower's spouse is outside the country, an original copy of the Special Power of Attorney (SPA) duly authenticated/consularized/apostilled, unless executed and notarized prior to the date of the borrower's departure from the Philippines.
 - On a case to case basis (i.e. spouse is an Overseas Filipino Worker/Seaman, out of town, etc.), an affidavit regarding marital consent may be allowed to be executed.
- iv. Other than the spouse, acceptable co-maker shall be:
 - Parents
 - Siblings
- v. For borrowers under corporate names, a signatory, preferably the majority stockholder, or one of the directors of the corporation, is taken.

Collateral Valuation

Brand New

Dealer's &/or manufacturer's suggested retail price which is equivalent to the invoiced or discounted price of the vehicle exclusive of insurance premium, road user's tax and registration charges.

Used Car

- Actual physical inspection of used cars shall be performed by the appraisal unit of the Bank. Appraiser to conduct physical inspection and take pictures. Exact description of the vehicle (serial/chassis number, motor number, model) to conform and must be validated with submitted Land Transportation Office (LTO), Official Receipt (OR) /Certificate of Registration (CR). The appraisal report shall determine the appraised value of the unit based on fair market value or selling price of the unit whichever is higher. Appraisal report shall be valid for ninety (90) days from the time of the first inspection date. Any waiver of re-inspection requires approval of the Credit and Collections Group Head.
- Pricing of the unit shall be determined by securing and documenting at least two indicative price quotations from the following: 1) internet posts or through well-

known classified ads in circulation and 2) Independent quotations from used car dealers. Final valuation / pricing shall be conducted by the appraisal unit of the bank, subject to the approval of the Credit Department Head.

- Verification of LTO OR/CR and Car History check with the appropriate government agencies shall also be conducted by the appraiser or through an accredited agency handling its verification. A photocopy of LTO OR/CR shall be submitted and attached to the Vehicle Inspection Report.
- For imported units, Bill of Lading and importation papers, Bureau of Customs Certificate of Payment and Bureau of Internal Revenue to release imported goods shall be required prior release of proceeds.

B. HOME LOAN

Product Description and Features

1. Loan Purpose

- Acquisition of Residential House and Lot, Townhouse / Duplex / Condominium Unit foreclosed residential properties from other banks
- Acquisition of vacant lot
- House construction for owner occupancy
- Refinancing / Take-Out of existing housing loan
- Reimbursement of construction cost of properties purchased or constructed within one (1) year.
- Acquisition of property with mixed use (i.e. Shop house). Properties classified as “Residential” per Tax Declaration with at most 50% of the improvement used as a place of business.
- Cash/Equity Loan – to finance existing property/ies registered under borrower’s name wherein loan proceeds will be used for personal consumption

2. Geography/Acceptable Locations

Metro Manila and its nearby provincial locations where there are CSBANKI and Planbank branches to service the loan.

3. Loan Value/Amount

- a. Minimum amount financed : P 500,000.00
- b. Maximum amount financed : P 20,000,000.00

4. Loan to Value (LTV)

Use/Type	Maximum Value
If collateral is a house & lot/townhouse/condominium/duplex which is owner-occupied or primary residence located within MM and highly urbanized provincial cities	80% of appraised value
If collateral is a house & lot/townhouse/condominium/duplex which is owner- occupied or primary residence located outside MM and highly urbanized provincial cities	70% of appraised value
If collateral is a vacant lot	60% of appraised value

If collateral is a house & lot /townhouse/condominium/duplex which is being rented out, for investment or secondary residence	60% of appraised value
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5. Tenor / Maximum Period

House and Lot	: up to 20 yrs
Townhouse / Duplex	: up to 20 yrs
Residential Vacant Lot	: up to 10 yrs
Residential Condominium* / Shop house	: up to 15 yrs

*loan term should not exceed remaining economic life of the building

For equity loan:

House and Lot	: up to 15 yrs
Townhouse / Duplex	: up to 15 yrs
Residential Vacant Lot	: up to 7 yrs
Residential Condominium* / Shop house	: up to 10 yrs

*Loan term should not exceed remaining economic life of the building or expiry date of CCT.

6. Acceptable Types of Collateral

- House and Lot
- Townhouse / Duplex
- Residential Condominium Unit
- Residential Vacant Lots
- Owner-occupied shop house, provided, it is classified as Residential and not more than 50% is being used as place of business

7. Collateral Conditions

- Property must be titled, free from liens and encumbrances, and without any legal impediment as to the validity of the title.
- Property is preferred to be within residential/mixed-commercial zones.
- Property must be accessible by public roads for vehicular passage and not by mere easements.
- The area must have basic amenities e.g. water, telephone, electrical facilities, proper drainage or sewerage system.
- Area must have convenient access to public utilities.
- Property must not be classified as an interior lot by the appraiser
- Property must be free from illegal settlers (squatters) or in close proximity to squatter colony.
- Property must not fall within the Government's Zone Improvement Program (ZIO) or Areas for Priority Development (APD).
- Land values are available either from government agencies or real estate firms

8. Project Completion

- a. For non-accredited developer-referred accounts
Accept at least 95% completion of house construction for the final release of construction loan & full release for purchase of newly built townhouse, duplex & single-detached houses. Provided that on-going construction is seen at time of inspection.
- b. For accounts referred by accredited developer
% completion requirement will depend on actual approval per developer accreditation memo.

9. Financing Scheme

- a. Single release of proceeds
Equal monthly amortization payment covering principal and interest shall be computed via annuity method to be collected one month after loan release.
- b. Staggered releases of proceeds for construction loans
 - Interest based on total amount released shall be paid monthly in arrears starting one month after each release until final release is completed.
 - Subsequent releases during construction period shall be based on the progress completion of the improvements duly inspected and evaluated by the Bank's internal appraisers.

Release Schedule	% Completion of Construction	% Release of Proceeds
1 st	May be at 0%	Not more than 60% of the appraised value of the lot.
2 nd	Upon 30%	Not more than 80% of the appraised value <u>or the loan amount granted whichever is lower</u> ; less the 1 st release.
3 rd	Upon 60%	Not more than 80% of the appraised value <u>or the loan amount granted, whichever is lower</u> ; less the 1 st and 2 nd release.
4 th	Upon 90%	Not more than 80% of the appraised value <u>or the loan amount granted, whichever is lower</u> ; less 1 st , 2 nd and 3 rd release.
5 th	Upon 95%	Total releases to be not more than 80% of the appraised value or loan amount granted

Minimum Risk Acceptance Criteria**1. Age**

- Minimum of 25 years old, maximum of 65 upon loan maturity
- As long as one of the spouses/co-maker, whose income is used, is within age limit, no need to deviate.

2. Citizenship

- Filipino citizen
- Dual citizen
- As a general rule, extending real estate loan to foreign nationals shall not be allowed except when a Filipino Borrower acts as Principal Borrower of the loan.

The following are considered as foreign nationals:

1. Foreign national with proper work permit. If foreign national will be mortgagor, allowed for purchase of condominium only.
2. Former Natural Born Filipino¹, applicable to acquisition of properties allowed by law.

Note:

Former natural-born Filipinos, who are now naturalized citizens of another country can buy and register, under their own name, land in the Philippines but limited in land area (up to 1,000 sq meter urban land or one (1) hectare urban land for residential purposes, for business purposes up to 5,000 square meters of urban land and three hectares of rural land²) are considered foreign nationals under this proposed policy amendment.

Former Filipinos who became naturalized citizens of foreign countries but have availed of the Dual Citizenship Law, are deemed not to have lost their Philippine citizenship. Hence, enables them to enjoy all the rights and privileges of a Filipino and they are considered as Filipino under this proposed policy amendment.

Refer to Annex C for the list of acceptable collaterals/conditions/documetary requirements.

3. Income

Minimum gross family income of P50,000.00

¹ Reference: Article IV Sec 2 of 1987 Constitution: Natural born Filipinos are citizens of the Philippines from birth without having to perform any act to acquire or perfect their Philippine citizenship. Those whose fathers or mothers are citizens of the Philippines at the time of their birth and those born before 17 January 1973, of Filipino mothers, who elect Philippine citizenship upon reaching the age of majority.

² R.A 8179, section 2 and section 5

4. Debt Burden Ratio (DBR)

Maximum DBR: 40%

5. Employment/Business

For Employed:

- Must be a permanent employee for at least two (2) consecutive years; or at least two (2) years combined employment

For Self-Employed - Professionals:

- Minimum of 2 years practicing in the field of expertise
- In cases where the business of the borrower is same as his residence, a field verification must be done to ascertain its business existence and activity

For Self-Employed – Entrepreneurs:

- Minimum of 2 years existence of business and must be duly registered
- In case the business of the borrower is same as his residence, a field verification must be done to ascertain its business existence and activity

Corporate/Business Borrowers:

- Company should be registered Philippines Partnerships, Corporations or foreign Corporations operating profitably for at least two (2) years.

6. Credit History

Refer to existing guidelines.

7. Avoid Occupation List

Refer to existing guidelines.

8. Avoid Business List

Refer to existing guidelines.

9. Co-Maker/Mortgagor/Signatory

Registered owner(s) of the property collateral and their respective spouse(s) must act as co-maker/co-borrower of home loan application.

If spouse will not be able to sign, then any of the following should be provided (as applicable):

- Notarized Special Power of Attorney (SPA) from the spouse expressly authorizing loan transaction being entered by the borrower spouse

- Certified True Copy of Decree of Legal Separation issued by the proper court; with court certification that the legal separation is final and executory
- Certified true copy of the Judicial Declaration of Nullity of the marriage
- In cases of widower/widow, a death certificate should be provided

Other than the spouse, acceptable co-maker/co-borrower are as follows:

- Parents
- Siblings
- Fiance

For borrowers under corporate name, a signatory, preferably the majority stockholder OR one of the directors of the corporation is taken for all business customers.

3rd party mortgage shall be allowed and registered owner/s of the property shall sign as Mortgagor/s in the Real Estate Mortgage Agreement. 3rd party mortgage shall be limited to parents and siblings.

C. CONTRACT-TO-SELL

Accounts under this facility shall be in accordance with guidelines based on BSP Circular Letter 2012-084: “Industry Reference Practices on Sound Contract To Sell Financing”, which includes the general guidelines on the key areas related to CTS financing: developer accreditation, project accreditation, homebuyer’s CTS eligibility, facility availment, and documentation and controls.

Product Description and Features**1. Definition**

The CTS Receivables Financing is a secured and non-revolving facility specifically to accredited real estate developers used to finance receivables from buyers of eligible housing projects via the purchase/assignment of their installment contract receivables covered by the Contract-To-Sell (CTS) agreements. Credit exposure through this facility may be converted to regular housing loans at the option of the end-buyer, subject to individual appraisal of the borrower.

This financing facility is either with recourse or without recourse.

- i. With recourse – For the full term of the CTS, the seller/developer guarantees replacement of receivables with acceptable substitutes/replacements or buyback, at the discretion of the Bank, in case problems arise such as, but not limited to, payment performance of the CTS buyer, project completion and turnover.

Under CTS with recourse, financing arrangement may either be as follows:

- 1) Bridge – Assignment of receivables will only be on a short-term basis, not exceeding twenty-four (24) months from date of assignment, or until redeemed or converted to end-user, whichever comes first.
 - 2) Regular - Assignment of receivables will be on a long-term basis, up to a maximum of fifteen (15) years or up to CTS maturity, or until redeemed or converted to end-user, whichever comes first.
- ii. Without recourse – As this is an outright/absolute sale of receivables, this is without any recourse to the Seller/Developer. The Bank takes over the management and collection of receivables. Collection process should be similar with regular home loan. Fees and charges stipulated in the CTS Agreement shall be adopted by the Bank.

2. Nature of Receivables

Installment sale of residential house and lot, lot, condominium as evidenced by a CTS, on current status as of purchase date.

3. Purpose

To liquidate existing CTS receivables from installment sales of buyers from accredited housing projects.

4. Tenor

Bridge – Up to twenty-four (24) months from date of assignment, or until redeemed or converted to end-user, whichever comes first.

With Recourse - Up to a maximum of fifteen (15) years or the remaining term per CTS schedule/buyer's ledger, whichever comes first.

5. Purchase Amount/CTS

- The maximum loan amount per CTS shall not exceed end-buyer receivable's outstanding balance and in no case shall exceed maximum 80% of the approved value³ of the property determined by the Bank's independent appraisal of the property.
- For lot acquisition, maximum loan amount shall not be more than the end-buyer receivable's outstanding balance and in no case shall exceed maximum 70% of the approved value of the property.
- Tranches may be allowed subject to approved terms.
- Transfer related fees should not be included in the purchase amount.
- Any tax liability should be for the account of the buyer

6. Seasoning Requirement

- Seasoning requirement shall be referred to as the total payment in relation to the Total Contract Price. Total payment should be within acceptable downpayment requirement.
- With good payment performance per buyer's ledger and certified by developer.

7. Interest

Interest at prevailing market rate based on Rate Sheet issued by Treasury.

8. Repayment

- Equal monthly amortization of principal and interest. Repayment shall follow CTS repayment schedule.

³ Approved Value is defined as amount below Total Contract Price or appraised value.

- Mode of buyer's payment shall be via PDCs of individual CTS buyers which are deposited to the Developer-borrower's CASA – Other Deposit Account (ODA) as they fall due. Total amortization due is then debited from this same account. Additional charges such as past due penalty fees, un-paid amortization/s, etc. shall also be debited from this account.
- Alternative mode of repayment shall require deviation approval.
- For bridge and with recourse CTS, Developer-borrower shall be required to submit Guarantee Check per buyer. The amount to be specified in the Guarantee Check must be the outstanding balance of the CTS. The Guarantee Check shall be deposited after the Bank exercises its option on the recourse, replacement, or buyback of the CTS account.

Note: The Bank shall require quarterly submission of end buyer's Official Receipt and certified payment ledger for validation purposes.

9. Security

- Deed of Assignment in favor of the Bank assigning his rights and interests on the CTS contracts from the sale of its completed development projects. Registered Deed of Assignment on the title of the property shall be required for all Developers.
- TCT/CCT for safekeeping of the Bank under Securities Custodianship.

10. Project Completion

- Required project completion shall be based on the approved accreditation per developer. Construction on improvement/unit must be completed within one (1) year upon original booking date. Should there be a request for lump sum release of proceeds, Performance Bond shall be required covering 30%-50% of house construction.
- For regular CTS (horizontal) – Land development where the receivables are located should already be 100% completed. Housing units should be livable or least 90% completed.
- For regular CTS (vertical) – Condominium building should be fully completed. Note: Bank may qualify a property classified as condominium (CCT) but should have one building per lot collateral (i.e., townhouses in Sta. Mesa area)

11. Contract Price

Minimum of P400,000.00 per CTS account. Allows two (2) or more units per buyer.

12. Guarantee

- Buy-back Guarantee on CTS buyers within one (1) month arrear in payment; or

- Substitution of Receivables for the entire term of receivables subject to Bank's valuation and approval.

13. Fees

- One-time minimum commitment fee of $\frac{1}{4}$ of 1% of approved amount (deducted from proceeds of first availment).
- Minimum processing fee of $\frac{1}{8}$ of 1% per availment based on availed amount (deducted from proceeds of every availment).
- Appraisal Fee – Refer to Standard Fees and Charges

14. Area of Coverage

Based on the Developer's Accredited Project as approved by the Bank's approving body.

15. Mode of Release

Lump-sum / staggered release (for construction) upon registration of the Purchase Agreement with Deed of Assignment.

Release Schedule	% Completion of Construction	% Release of Proceeds
1 st	May be at 0%	Not more than 60% of the approved value of the lot.
2 nd	Upon 30%	Not more than 80% of the approved value or the loan amount granted whichever is lower; less the 1 st release.
3 rd	Upon 60%	Not more than 80% of the approved value or the loan amount granted whichever is lower; less the 1 st and 2 nd release.
4 th	Upon 90%	Not more than 80% of the approved value or the loan amount granted whichever is lower; less the 1 st , 2 nd , and 3 rd release.
5 th	Upon 95%	Total releases to be not more than 80% of the approved value or loan amount granted.

16. Automatic Deposit Business

Developer-borrower to open two (2) deposit accounts (CASA only) with CSBANKI as follows:

- Main Deposit Account (MDA) where proceeds of the loan availments are to be credited; and
- The Other Deposit Account (ODA) shall be a "no withdrawal" account where end-buyers' payments or PDCs (payable to developer-borrower) shall be deposited as they fall due and from where the monthly loan payments on the CTS availment shall be debited. Excess payment of end-

buyers due to differences in amounts financed and interest rate (i.e., Bank vs in-house), if any, may be rebated to Developer every 5th of the following month, provided minimum balance on the ODA does not go below 10% of the facility amount. The rebate shall be via transfer to the MDA. Rebates shall require approval of Chief Operating Officer at the minimum.

- Lending Group shall monitor the balance retention and monthly monitoring of fund transfer.

17. Other Terms and Conditions

- Facility Agreement / Memorandum of Agreement (MOA) shall further govern the arrangement while each availment shall be covered by a Deed of Assignment on various CTS being assigned.
- Annotated TCTs/CCTs along with supporting documents shall be further held by the Bank for safekeeping under Securities Custodianship.
- All units shall be covered by fire insurance (if with improvement) or Contractor's All Risk Insurance (with on-going construction) until fully paid. Insurance should be for the account of developer-buyer until fully paid.
- All taxes including documentary stamps and VAT due on the property are for Developer's account.
- For CTS without recourse, homebuyers shall be notified of the assignment.
- For CTS with recourse, CTS contract should provide expressed provision on buyer's conformity to sell or assign the CTS contract.

18. Partial Redemption of TCTs/CCTs

Partial redemption of TCTs/CCTs shall be allowed provided that full payment on corresponding CTS outstanding balance is made and developer's account is in current status (updated amortizations).

Policy Guidelines

Developer Borrower Eligibility

1. Credit Reputation

Shall follow existing policy on Developer Accreditation Criteria and Guidelines.

2. Stability of Business

Must at least be operating profitably for the last three (3) years as verified from available documents such as ITR, audited financial statements and credit investigation report.

3. Credit Findings

Shall follow existing policy on Developer Accreditation Criteria and Guidelines.

In addition, developer must have:

- Satisfactory credit experience with banks/trade suppliers;
- No adverse findings with any government housing/shelter agencies.

Project Acceptability

- Project's overall land development at least 80% complete based on the appraisal conducted by the Bank.
- At least 50% of the properties within the development project has already been sold.
- The project must not be located within the Government's Areas of Priority Development (APD) zone.
- Property must have been properly appraised by the Bank and conforms to the standard guidelines on property valuations.
- With individual Transfer Certificate of Titles (TCTs) supporting the CTS.
- Improvements must be newly-built.
- The following permits/licenses shall be required for the accreditation of the project:
 - Local government clearance
 - Land Registration Authority (LRA) approval of subdivision plan
 - License to Sell issued by HLURB
- Subdivision development project must be at least 80% complete with all necessary utilities and basic amenities in place, i.e., perimeter fence, access to electricity and telephone lines, water supply, etc.
- Construction of residential units must conform with the minimum requirements as per guidelines of the National Shelter Program of the government.

CTS/End-Buyer Eligibility

The acceptable CTS buyer's profile is as follows:

- Salaried employees of local and foreign companies
- Self-employed licensed professionals
- Self-employed individuals
- No incidence of past due or returned check payment
- CTS must have assignability clause to third party. Otherwise, buyer's conformity to the assignment of his CTS receivables shall be required.
- Bank may allow marginal buyers subject to deviation approval.

Nature of Eligible Receivables

The Bank shall have the sole discretion which receivables may be accepted by way of assignment. The quality of receivables subject to purchase/assignment is as follows:

- The CTS receivables for purchase shall be 80% of approved value or the remaining CTS balance whichever is lower and on current status as of purchase date.

- The CTS receivables are valid and current and will remain so for as long as the agreement is effective and are absolutely owned by the developer-borrower and that, at the time of purchase/assignment to the Bank, is not subject to any pending claim by the individual buyer under the Republic Act No. 6552, otherwise known as the Realty Installment Buyer Protection Act or the Maceda Law.
- Good and marketable title/s to the property/ies covered by the receivables, without any existing liens, encumbrances, off-sets and counterclaims of whatever kind and nature, whether in favor of the individual buyer or any other person.
- Account shall not have more than three (3) delayed payments during the entire seasoning period and shall have an established good payment record as certified by the developer's buyer's-ledger.
- Remaining term of the End-Buyer receivables does not exceed fifteen (15) years.
- End-buyers will not be over 65 years of age upon maturity of the financing scheme.

Collateral

The terms and conditions of the CTS Financing will be documented via a Memorandum of Agreement to be prepared and executed between the Bank and the Developer.

The facility shall be secured by:

1. Developer's Deed of Assignment in favor of the Bank assigning all his rights and interests on the TCT/CCT. Annotation of the assignment on the property title shall be required for all Developers.
2. Full recourse to the Developer, under the following arrangement:
 - The Bank shall have the right to compel the Developer to repurchase/buy back a particular CTS contract if the end-buyer fails to pay one amortization.
 - The developer shall also warrant to buy back a CTS contract if any provision in the Memorandum of Agreement between itself and the Bank had been breached, i.e., fraud related.
 - Repurchase price of the CTS contract covered by the warranty shall be based on the outstanding balance of the CTS plus unpaid interest and applicable charges.
 - The developer may also opt to replace the defaulting CTS contract with a new one provided that;
 - The replacement is done within the validity period of the CTS Financing Facility; or

- If beyond the validity period of the CTS Financing Facility, the term of the new end-buyer receivable must not exceed the maturity of the existing end-buyer receivable.
- The recourse arrangement shall be in full force for the entire life of the loan.
- The developer shall warrant the authenticity of documents and signatures attached thereto for the whole loan duration. Except when a purchase is converted to a regular housing loan, recourse to the developer becomes null and void as the actual mortgage shall be assumed by the end-buyer.

Note: There should be no double counting on collaterals. Transfer of one TCT/CCT from one facility to another should be disclosed in the CRAM.

Documentary Requirements

The company shall be required to submit the following documents.

1. Pre-Approval

- Company Profile
- Basic Information Report (SEC) – General Information Sheet
- Updated curriculum vitae of major/key officers
- Audited Financial Statements for the last three (3) years as submitted in BIR
- List of Completed and on-going projects with the following information:
 - Project description
 - Project duration
 - Status of Development
 - Project cost (land and development and construction cost)
 - Type of financing (equity, pre-selling, bank financing, etc.)
 - No. of sold and unsold units
 - Marketing strategies and network
 - Schedule of sites on each project
 - On sold units, details on terms and payments
- Registration Papers
 - For corporation
 - SEC registration
 - List of the Board of Directors as certified by the Corporate Secretary
 - Articles of Incorporation and By-Laws
 - For Partnership
 - SEC Registration
 - Articles of partnership or Partnership Agreement
- Collateral Documents
 - Certified True copies of TCTs from Register of Deeds. In lieu of the foregoing documents, the Bank may allow submission of a Master Certification from the Register of Deeds that the original copies of the titles are in their possession and that said titles are free from any lien and encumbrances.

- Latest Tax Declaration and Real Estate Tax Receipts of Units covering receivables (original/photocopy)
- Appraisal requirements (blue prints)
 - a. Location plan with vicinity sketch signed by geodetic engineer
 - b. House/building plans with corresponding floor plans
 - c. Site development plan
 - d. Perspective plan; and
- HLURB Clearance (photocopy with “original seen” stamp)
 - a. License to Sell
 - b. Development Permit
- Certificate of Registration (COR) from AMLC. In lieu of COR, the Bank may accept valid Provisional Certificate of Registration (PCOR) subject to renewal thereafter. Note: PCOR renewal should be submitted to the Bank.

2. Post-Approval

- CTS Agreement between the buyer and the developer which should grant the developer the authority to assign its rights on the CTS to other entities.
- Memorandum of Agreement (MOA) to include a negative pledge where the Developer undertakes that the property covered by the CTS Financing shall not be subjected to and encumbrance or lien (original);
- Purchase Agreement with Deed of Assignment of Receivables;
- Notice to End-Buyer’s with End Buyer’s conformity, as required in the approval (original);
- Registered Deed of Assignment on **individual** TCTs covered by the assigned CTS contracts (original).

If titles are not yet available, Deed of Undertaking to submit shall be provided;

- Deed of Undertaking indicating commitment to complete units within a specified period of time (if applicable);
- Secretary’s Certificate authorizing Sale/Assignment of receivables with CSBANKI;
- Fire / Contractors All Risk / Performance Bond policies, as applicable (original)
- Schedule of Receivable for Purchase, itemizing the following:
 - Name of CTS buyer
 - TCT No./Block No./Lot No./Lot Area/House mode
 - Total Contract Price
 - Outstanding Balance (specify as of date)
 - In-house interest rate
- Individual CTS Buyer’s Folder (including ID)
- Buyer’s Information Sheet
- Original Loan Ledger certified by developer

- Original/Duplicate Original copy of Contract to Sell duly executed by the Developer-borrower and the end-buyers
 - Special Power of Attorney, if applicable
 - Proof of Income – ITR, pay slips (2 months), Certificate of Employment
 - Owner's copy of the TCTs/CCTs under the name of the Developer free from and clear of any and all kinds of liens, charges and encumbrances
 - Latest Tax Declaration/real estate tax receipt/tax clearance
 - Buyer PDCs, either for the whole term or minimum of **12** checks plus a Guarantee Check per buyer **issued by developer-borrower**. The Guarantee Check is the twelfth check that covers the total outstanding balance of the CTS. The amount to be specified in the Guarantee Check must be the **outstanding balance** of the CTS.
 - Authority to Debit issued by the Developer
3. The account Management Dept shall handle preparation of necessary documents for registration.
 4. Registration proper with the Registry of Deeds shall be handled by the Loans Operation Group.

Fees and Charges

1. Expenses covering processing cost such as inspection and appraisal fees, notarial fees, registration expenses and such other fees which may be incurred in processing shall be for the account of the developer-borrower.
2. For delayed payments, 3% per month or a fraction thereof on the unpaid monthly amortization
3. A past due interest shall be charged to each delayed payment which shall be based on the most recent repriced rate.

Approving Authorities

The approval of Purchase of CTS Receivable validity shall be secured from the Board of Directors.

Loan Documentation

1. Advised of the terms and conditions of the account to the Developer shall be made thru the Notice of Approval (NOA), including the required post approval documents for submission.
2. The NOA together with all other loan documents and agreements for Borrower's signing, must be forwarded to Legal Department for review prior to sending and execution.

Purchase of End-Buyer Receivables

1. All CTS documents shall be compared against the approved acceptance criteria for purchase of individual buyers' CTS as provided for in the approval.
2. It shall be the responsibility of the Developer-Borrower to notify its respective end-buyers in writing about the purchase and secure their conformity.
3. The Developer-Borrower shall be responsible to forward to the Bank, the schedule of receivables and all required documents such as TCTs, CTS, contract etc.
4. All insurance policies shall be obtained from the Bank's accredited insurance companies and must be duly endorsed in favor of the Bank.

Legal Clearance

1. All CTS contracts and/or collateral documents must be endorsed to Legal Department for legal sufficiency examination prior to release of loan proceeds. The Legal Department shall ensure that CTS contracts and all other documents have been duly executed in accordance with the terms and conditions.
2. The Legal Department shall render the necessary legal clearance as to the validity and enforceability of the presented CTS contracts and/or collateral documents.

Set-Up of CTS Accounts / Booking of End-Buyer

1. An individual credit facility shall be set-up by Central Liability Unit for each approved CTS Financing Facility belonging to a single developer. Required clearance shall be sought from the same unit following the approved CLU guidelines.
2. Purchased end-buyer receivables shall be booked as Term Loan under the Developer's Name and taken up as availment against the approved credit facility of the Developer-Borrower. This would enable the Bank and the Developer to monitor the latter's available amount on its credit line.

Validity of Approval

1. The CTS Financing Facility shall be valid only for a period of one (1) year from the date of credit approval.
2. Non-usage of the CTS Financing Facility for six (6) months from date of credit approval shall render the credit facility cancelled.

Prepayment

Prepayment may be allowed without prepayment penalty charge. The Bank shall allow the release (full or partial) of TCT of Individual Buyer upon full payment of the corresponding principal balance to the Bank.

Past Due Accounts

1. CTS receivables with one missed payment are subject to buy-back or substitution of receivables. The Bank shall demand for buyback/recourse/full payment if account reaches 1 dpd.

Illustration:

- i. Buyer's PDC bounced / Developer account funded

DPD	Required Action
0 dpd	Debit from developer's account
1 dpd	Send Notice/Demand for Buyback/Substitution

- ii. Buyer's PDC bounced / Developer's account un-funded

DPD	Required Action
1 dpd	Send Notice/Demand for Buyback/Substitution and Notice of Bounced Check or Un-funded ADA
31 dpd	Process substitution (change on collateral) subject to payment of documentary stamps, registration fees, performance bond (if applicable).
61 dpd	Deposit guarantee check

In cases when the buyer's PDC bounced and developer's account is un-funded, the same shall be reported by Lending Group to CRECOM.

1. Buy-back of receivables via cash/check payment shall be the primary measure in the event of default subject to updating of amortization

due. Payment must be made by the developer-borrower within five (5) banking days from receipt of Demand Letter.

2. Substitution of new receivables shall be the Bank's last resort subject to updating of amortization due. The substitution must be made by the developer-borrower within five (5) banking days from receipt of Demand Letter. Substitution shall require CRECOM approval.

Risk Controls

The following shall be the developer's cap on delinquency ratio:

Delinquency Bucket	Delinquency Cap
31+	5%
91+	3%

- Delinquency ratio will be computed as: its total amount of delinquent receivables with CSBANKI over total CTS outstanding balance. CCG-Credit Policy and Admin Department (CPAD) shall monitor the delinquency ratio on a monthly basis and will provide Lending Group with a list. Approval and booking of accounts shall be temporarily suspended if the delinquency cap has been breached. Approval and booking shall be restored when delinquency is within acceptable ratio.

Note: If with other existing loans, computation shall be aggregated to cover delinquent receivables with CSBANKI over total outstanding balance.

- Substitution / Buy-back incidences must be monitored. The following frequencies shall render the company to be put on a watchlist and further investigation must be conducted
 - 3 consecutive substitution/buy-back incidences in a span of three months
 - 5 cumulative substitution/buy-back incidences in 5 months
 - CTS accounts with such number of occurrences must be reported to the original approval point for disposition.
- The Bank must automatically cease the credit facility upon confirmation of any incidence of fraud.
- The facility shall be subject to review and renewal at least annually by Lending Group. Performances of the receivables financed must be assessed and frequency of substitution/buy-back incidences of more than six (6) times during a 12-month period shall cause the cessation of the CTS financing facility. In which case, the Bank will not allow new bookings and will just wind down the existing exposure.

Collateral Management

1. Re-appraisal of Properties

Re-appraisal of the properties shall be conducted following the Collateral Inspection and Appraisal Policies.

2. Safekeeping of Collaterals

- a. Security documents such as CTS, TCTs, etc. shall be endorse to the Loans Operation Group (LOG) for safekeeping. Primary and alternate custodians must be designated to ensure proper safekeeping and handling of these documents.
- b. Each collateral document held by the Bank shall be booked under contingent account.
- c. All movements of collateral documents (in and out) shall be properly recorded and accounted for.
- d. A periodic verification of existing collaterals/contracts must be conducted by designated custodian to ensure that these tally per record.

3. Monitoring of CTS Contracts vs Outstanding Loans

- a. Periodic validation and checking of all outstanding CTS accounts with as against contracts/documents shall be done by LOG.
- b. Monitoring and reconciliation of existing CTS accounts shall be done to ensure that corresponding CTS Contracts are maintained while the accounts are outstanding. Any missing documents/contracts must immediately be reported to and coordinated with the Head of Lending Group and LOG for appropriate action/investigation.

4. Substitution of Collaterals/Receivables

- a. Substitution of collateral/receivable shall be one of the Bank's resort in case of a buyer's defaults in payments. This shall be allowed subject to the following:
 - Updating of amortization due from developer's own funds;
 - The substitute collateral is acceptable to Bank's standards; and supported by appraisal report; subject to CRECOM approval; and
 - The collateral value is equal or higher than the substituted title.
- b. The substitution must be made by the Developer-Borrower within five (5) banking days from receipt of Notice or Demand Letter from the Bank.
- c. The substitution must be duly approved by CRECOM members via routing. It shall be the responsibility of the Lending Group to review if the proposed substitute is acceptable and to secure the required approval from the CRECOM members.

- d. Upon receipt of the approval, Lending Group shall inform the LOG. LOG shall book a new account for the substitute receivable, which shall be used also as basis for closing the defaulting account.

5. Temporary Release of Collaterals

- a. Temporary release shall be allowed for purposes of splitting into individual titles, re-titling, and reconciliation subject to the following:
 - Developer's undertaking to return the title within specified agreed period;
 - No reduction in total saleable land area;
 - Loan value of collateral is maintained.
- b. The temporary release of collateral/s must be duly approved by appropriate approving authorities

6. Partial Release of Collateral

- a. Partial release of collaterals/titles and CTS shall be allowed subject to the following:
 - i. Full payment of remaining outstanding balance of CTS for redemption;
 - ii. Developer's CTS facility with the Bank is in current status or amortization payments are updated; and
 - iii. Subject to approval by the appropriate approving authorities.
- b. The documents shall be released only to the Developer-Borrower.

7. Release of Collateral Documents

- a. Release of collateral/security documents for whatsoever reason must be subject to approval by the CRECOM members.
- b. The documents shall be released only to the Developer-Borrower or authorized representative upon proper identification and verification by the Bank. In case of authorized representative, a written authorization from the Developer-Borrower should likewise be presented and verified.

Seasoned Accounts (Conversion to End User Financing)

- a. For seasoned accounts where buyer has paid required down payment portion via lump sum or installment and certified payment ledger shows satisfactory payments for at least twelve (12) months, the basis of credit evaluation shall be the submitted buyer's ledger authenticated by the Developer. Income documents such as but not limited to COE or pay slips or ITR shall be required at pre-booking stage.

Computation:

Proposed Monthly Amortization (MA) with the Bank / Average Monthly Installment (AMI) with Developer = result should be 1 or less

- b. Accounts which have paid lower than twelve (12) months and results of MA over AMI exceeds one (1.0x) shall be evaluated based on the standard income evaluation within credit parameters.

Management Reporting

Lending Group shall provide quarterly performance report to CRECOM.

D. PERSONAL LOAN**Product Description and Features**

The Personal Loans Program (PLP) is a salary based general purpose consumption loan offered to individuals. The loan is granted based on the paying capacity of the borrower. It is a clean or unsecured type of loan. Payment of loan amortization is in equal-monthly installments comprising portion of principal and of interest.

1. Target Market

Direct/Walk-In Applicants of any of the Top 5,000 companies or known corporations, with residence or office located within Bank's serviceable areas.

2. Loan Amount

Minimum: P20,000.00

Maximum: P1,500,000.00

Loan amount should not exceed borrower's three times (3x) of borrower's gross monthly income.

3. Loan Purpose

- a. Home improvement
- b. Payment of tuition fees
- c. House equity
- d. Travel expenses
- e. Medical expenses
- f. Personal consumption
- g. Purchase of appliances/gadgets
- h. Pay-off credit card balance (must be in current status)
- i. Pay-off existing salary loan with CSBANKank
- j. Other purposes

Applications shall be rejected if reason for loan falls under any of the following:

- Financing auto or home loan down payment
- Financing business working capital requirements

4. Loan Term

Minimum: 6 months

Maximum: 36 months

In no case shall maturity exceed five (5) years, in compliance with BSP regulations.

For applicants with employment tenure of less than one (1) year with current employer, the maximum loan term is set at twenty-four (24) months.

For accounts converted from Salary Loan to Personal Loan, loan term should not exceed remaining term of the original loan.

5. Rate

Interest at prevailing market rate based on Rate Sheet issued by Treasury

6. Mode of Release

The following modes of release are available:

- Credit to Borrower's Account with CSBANK
- Manager's Check

7. Mode of Payment

- On a best effort basis, loan to be secured by Post Dated Checks (PDCs). Borrower must submit complete number of PDC/s up to the full term of the loan. Otherwise, borrower shall submit 12 PDCs, PDC Undertaking and balloon check covering the remaining amortization/s.
Note: Test transaction should be done prior acceptance of PDC (c/o Lending Group)
- Auto Debit Arrangement
- Over the Counter

8. Schedule of Release/Payment

Principal and interest will be paid in monthly amortizations throughout the term of the loan. First due date will be made within thirty (30) days upon booking.

Accrued interest shall be deducted from loan proceeds.

9. Fees and Charges

- Processing fee
- Documentary Stamp Tax (DST; for loan amount exceeding Php250,000.00)
- Notarial fee, as applicable
- Delayed payments/late payment charges
 - 3% per month or a fraction thereof on the unpaid monthly amortization
 - Handling fee for pre-payment.

Note:

1. The Lending Group shall be responsible for updating the applicable fees and charges subject to approval of appropriate approving authority/ies.
2. Fees and charges may be waived subject to the latest Approving Authorities for waivers or reduction of penalties, fees and other charges.

Minimum Risk Acceptance Criteria**1. Age**

Must be at least 21 years of age at the time of loan application but not more than 60 years old at the time of maturity.

2. Citizenship

Filipino Citizen

3. Residence/Employment Location

- Tenure of residency must be two (2) years if owned residence / used free or three (3) years if renting. In case borrower is renting, field verification on permanent address shall be done.
- Must be employed with companies belonging to the top 5,000 or known companies in the Philippines.
- Residence or office should be located within the Bank's serviceable areas.

4. Employment Tenure

- Employed for at least a year in current employer in an Officer position.
 - If employed for less than a year in current employer: Should be previously employed in the same industry or same line of work in an Officer position.
- Employed for at least 2 years in current employer in a non-officer position.
 - If employed for less than 2 years in current employer: Should be previously employed in the same industry or same line of work with an aggregate employment tenure of 2 years.
 - Supervisors, considered non-officers, will fall under this category.

5. Landline

Must have at least one (1) active landline, either at residence or place of work and at least one (1) active mobile number.

6. Annual Income

Within minimum wage per region.

Sources of income must be stable, reliable and regular. Sufficient income but not regularly received on a monthly basis does not provide the required cash flow to meet debt obligations. Stability of income is most important and should be validated versus nature of the job disclosed by the applicants.

Reference: <https://newstogov.com/minimum-wage-philippines/>

7. Credit History

An application should be checked versus Banks Guidelines on Credit History Item III.D.

8. Debt Burden Ratio

Debt Burden Ratio should not exceed 30% of gross monthly income; should follow Item III.C.

9. Payment to Income Ratio

Monthly amortization shall not exceed 30% of the monthly net income

Formula:

PTI = Monthly Amortization of proposed CSBANKI Salary Loan / Net Income

Note: Exposure from other lenders shall not be included in the PTI computation.

10. Credit Score/Borrower's Risk Rating

All application shall be subject to Borrower's Risk Rating.

11. Co-Maker

A co-maker may be recommended/required to strengthen credit position of the borrower, or to mitigate perceived risks in the application. Should co-maker be required, existing policies for principal borrower shall apply.

12. Exclusions

Sales Agents / Representatives Insurance companies, Real Estate and others which receive/ commissioned based income are not qualified to the program. Call Center Agents from Business Process Outsourcing (BPO), Politically exposed Persons, Military Personnel, employees from security agencies lawyers in practice, or those working in co-working spaces or business centers, and other occupations listed under avoid occupation list are also not qualified to avail of the Personal Loan.

Documentary Requirements

Pre-Approval: (For new borrowers)

- Duly Accomplished Application Form
- Waiver of Confidentiality / Data Privacy Consent Form
- One valid ID and borrower's company ID
- Copy of latest three (3) months pay slip or contract for newly hired employees
- Original Certificate of Employment and Compensation
- BIR 2316 or W-2 Form (Certificate of Compensation/Tax Withheld), required only if aggregate loan exposure is more than P 3MM.

- Original and latest (issued at least previous month) proof of billing (POB) under the name of borrower or immediate relative (parents, siblings, spouse, children) shall be required from applicant/borrower with the same address. Proof of billing should be limited to utility bills (i.e., water, electricity, cable, internet, landline). POB under the name of third party shall require authorization, ID of POB owner, and barangay clearance/certificate.

On a case-to-case basis subject to appropriate approval, POB may no longer be required if residence and/or business/employment has been field verified (same address as declared); or has been positively established and endorsed by Bank Officer. In such cases, field verification report or branch endorsement form may be accepted in lieu of proof of billing.

- Sketch of residence
- Latest 1 x 1 or 2 x 2 picture.

Post-Approval:

- Credit Life Insurance Application Form
- Promissory Note with Disclosure Statement
- Amortization Schedule
- Full term PDCs or 24 PDCs with Deed of Undertaking and balloon check, or signed Auto Debit Arrangement Form

Credit Evaluation and Approval

1. Credit Investigation (i.e. internal / external checking, personal verification) and Evaluation (shall be conducted by the designated officers from the CCRG – Credit Department).
2. Approval of applications shall only be given by the authorized officers with credit authority based on the latest Delegation of Authority for Salary Loans.
3. Deviations to the Bank's risk acceptance criteria shall require approval from designated officers based on the Bank's Delegation of Authority and Deviation Approval Matrix.
4. Loan approvals shall be valid only for thirty (30) days. Approved accounts not booked within the validity period should again undergo the credit checking and loan evaluation processes.

Handling of Past Due Accounts

1. CCRG- Collections Department, in coordination with Lending Group and LSRAD, shall be responsible for the collection of defaulting and past due obligations of borrower/s.
2. Collection method shall be in accordance with the Collections Operating Policies and Procedures.

Renewal/Reavailment

1. A borrower is allowed to have one (1) personal loan outstanding at any given time. The balance of an existing loan may be paid up using proceeds from the new loan.
2. No loan renewal shall be granted without re-assessing borrowing capacity and establishing continuing creditworthiness. Further, no loan renewal shall be allowed without payment of accrued interest receivable and substantial reduction in principal.
3. Verification of re-loan borrower/s against BAP-NFIS and CMAP shall be required.
4. Qualifications for re-availment are detailed below:
 - a. An existing borrower, with good payment history, may be allowed to renew/re-avail of the salary loan provided fifty percent (50%) of the maturity value of his/her outstanding principal balance has been paid.
 - b. The borrower should be within the acceptable payment performance as indicated credit history criteria.
 - c. Required credit checkings and evaluation process should be the same as new application.
 - d. The same pre-approval documentary requirements for new applications should be required.
 - e. Should the borrower apply for a higher loan amount, this should be subject to existing policies and assessment of CCRG-Credit Department.
 - f. Upon approval, borrower should submit the required post-approval documentary requirements and avail the new loan before any remaining PDC of the old loan can be released to the borrower.
 - g. Loan proceeds shall be net of the outstanding principal of the old loan and other charges (i.e., DST, processing fee, etc.)

E. SALARY LOAN**Product Description and Features**

Salary Loan is a multi purpose peso loan offered to employed individuals of accredited companies. This is to assist all regular employees of Accredited Companies in their financial needs including but not limited to pay-off existing credit cards, consolidation of loans, tuition fees, purchase of home appliances and household furniture, equipment and fixtures, leisure/travel, personal consumption.

1. Target Market

Employees of accredited companies

2. Loan Amount

- Minimum amount of Loan P10,000.00 pesos and maximum of Maximum of P1,500,000.00
- Maximum of five (5) months gross salary for as long as the monthly amortization will not exceed 30% of the monthly net income. In addition, loan amount should not exceed 30% of company's credit limit.

3. Loan Purpose

- Pay-off existing credit cards
- Consolidation of loans
- Tuition fees
- Purchase of home appliances
- Leisure/travel
- Personal consumption

4. Loan Term

Minimum: One (1) year

Maximum: Three (3) years on or before the borrower reaches sixty (60) years of age

5. Rate

Interest at prevailing market rate based on Rate Sheet issued by Treasury

6. Mode of Release

The following modes of release are available:

- Credit to Borrower's ATM Payroll Account with CSBANKI where the Payroll amount is credited

- Manager's Check

7. Mode of Payment

- Manual debit or automatic debit by the system of the monthly amortization vs the employee's payroll account maintained with CSBANKI where the monthly payroll is credited
- Remittance from company

8. Fees and Charges

The following may be charged to the borrower:

- i. Processing fee
- ii. Documentary Stamp Tax (DST; for loan amount exceeding Php250,000.00);
- iii. Notarial fee
- iv. Insurance Premium
- v. Penalty rate – 3% per month or a fraction thereof on the unpaid monthly amortization
- vi. Pre-termination fee

Minimum Risk Acceptance Criteria**1. Age**

Must be at least 21 years of age at the time of loan application but not more than 60 years old at the time of maturity.

2. Citizenship

Filipino

3. Residence/Employment Location

Within Bank service areas

4. Employment Tenure

Must be with employment tenure of at least one (1) year, and with a permanent status with the present employer and has no pending administrative case against him, no pending resignation, no pending application for retirement or must not be due for retirement within the term of the loan.

5. Landline

Must have at least one (1) active landline, either at residence or place of work and at least one (1) active cellphone.

6. Annual Income

Minimum of Php120,000

7. Credit History

CMA/BAP/NFIS Checking shall be required for loan amount of Php 100,000.00 and above.

Refer to Item III.D

8. Payment to Income Ratio

Monthly amortization shall not exceed 30% of the monthly net income

Formula:

PTI = Monthly Amortization of proposed CSBANKI Salary Loan / Net Income

Note: Exposure from other lenders shall not be included in the PTI computation

To illustrate:

Gross Income: Php 20,000.00

Net Income: Php 15,000.00.00

Monthly Amortization: Php 3,000.00

Max Allowable Amortization = NMI x .30

= Php 15,000 x .30

= Php 4,500.00

PTI = Php 3,000.00 / Php 15,000

= 20%

9. Co-Maker (Co-Employee)

Not required

10. Borrower's Risk Rating

Required

Documentary Requirements

- Duly Accomplished Application Form
- Waiver of Confidentiality / Data Privacy Consent Form
- One valid ID and borrower's company ID
- Copy of latest one (1) month pay slip; OR
- Original Certificate of Employment with complete details of pay and deductions

Note: Additional documents may be required if non fixed variable income will be included. Please refer to consumer loans existing policy on basis of income. ⁴

- BIR 2316 or W-2 Form (Certificate of Compensation/Tax Withheld), required only if aggregate loan exposure is more than P 3MM.
- Additional requirements upon approval:
 - Duly accomplished and signed Promissory Note and Disclosure Statement
 - Letter of Authority for Automatic Debit Arrangement of scheduled loan amortizations plus interest vs their individual ATM Payroll account maintained at CSBANKI via automated system.
 - Deed of Assignment by the Borrower (conformed by the employer) in favor of the Bank of all his salaries, bonuses, allowances, gratuity/separation pay, retirement benefits and other form of monetary benefits from his employer.
 - Signed Credit Insurance Form

Credit Evaluation and Approval

1. Credit Investigation (i.e. internal / external checking, personal verification) and Evaluation (shall be conducted by the designated officers from the CCRG – Credit Department. Employment checking shall be based on the Certificate or List of Employees/ Personnel provided by the company.
2. Approval of applications shall only be given by the authorized officers with credit authority based on the latest Delegation of Authority.
3. Deviations to the Bank's risk acceptance criteria shall require approval from designated officers based on the Bank's Delegation of Authority and Deviation Approval Matrix.
4. Loan approvals shall be valid only for sixty (60) days. Approved accounts not booked within the validity period should again undergo the credit checking and loan evaluation processes.

Schedule of Due Date

Due date is the immediate payroll date from loan release. This should be after 15 days for semi-monthly and 30 days for monthly

Accrued interest shall be deducted from loan proceeds.

Handling of Past Due Accounts

CCRG- Collections, in coordination with Lending Group – Salary Loan Unit, shall be responsible for the collection of defaulting and past due obligations of borrower/s for personal loans.

⁴ If allowances included, three (3) months payslips should be submitted. For commissions or non-fixed variable income, only seventy percent (70%) of average commission or non-fixed variable income shall be used subject to submission of latest twelve (12) months payslips/proof of income.

Renewal/Reavailment

5. A borrower is allowed to have one (1) salary loan outstanding at any given time. The balance of an existing loan may be paid up using proceeds from the new loan.
6. No loan renewal shall be granted without re-assessing borrowing capacity and establishing continuing creditworthiness. Further, no loan renewal shall be allowed without payment of accrued interest receivable and substantial reduction in principal.
7. Verification of re-loan borrower/s against BAP-NFIS and CMAP shall be required for loan amount of Php 100,000.00 and above.
8. Qualifications for re-availment are detailed below:
 - h. An existing borrower may be allowed to renew/re-avail of the salary loan provided that fifty percent (50%) of the maturity value of his/her outstanding principal balance has been paid.
 - i. The borrower should have no incidence of reaching sixty (60) DPD in the last twelve (12) months (excluding operational issues).
 - j. Should there be new adverse finding, borrower may still request for renewal subject to deviation approval. However, loan amount should not exceed original loan amount granted.

Remittance of Salary Loan Payments

- Via manual debit or automatic debit by the system vs. the individual Payroll account of borrowers maintained at CSBANKI Branch.
- Remittance by company

Suspension and Restoration of Account

- Releases shall be automatically stopped if the past due ratio reaches 5% of the total outstanding on a per company basis.
- The program shall be restored when the past due is below 5% of the total outstanding.

F. VALE SALARY LOAN**Product Description and Features**

The Vale Loan is a short-term facility intended for borrower's personal consumption and whose repayment is via salary deduction. It is a credit facility which allows cash advances against the upcoming payroll credit of employees.

1. Description

A multipurpose credit facility which will allow employees to cash advance and make multiple drawdowns to augment their immediate personal financial needs.

2. Target Market

Regular employees of accredited payroll corporate clients

3. Credit Line

Minimum of Php 1,000.00
Maximum of Php 10,000.00

The maximum credit line is up to 70% of the average past three (3) months payroll credits (net income).

Availed amount should be within the approved credit limit.
Minimum Availment: Php 1,000.00

4. Term

If semi-monthly – max of thirty (30) days
If monthly – max of forty-five (45) days

5. Due Date

Should coincide with payroll date.

6. Mode of Release

The following modes of release are available:

- Credit to Borrower's ATM Payroll Account with CSBANKI where the Payroll amount is credited
- Over the Counter via CSBANKI branch (subject to applicable fee)

7. Repayment

Full payment of loan on due date via Automatic Debit Arrangement (ADA) on payroll account

8. Fees/Charges

- i. Availment Fee⁵
 - Availment shall be deducted from loan proceeds
- ii. Late Payment Fee of 3% of due amount or a fraction thereof
For past due account, monthly interest of 1% of due amount or a fraction thereof

9. Drawdown and Re-availment

- i. Employees may draw in full or partial from the computed credit limit.
- ii. Re-availment is allowed provided that the availment/drawdown is within the Vale credit limit set per borrower's credit limit and/or company's credit limit; and with no un-paid due.

Minimum Risk Acceptance Criteria

The Vale Loan is a short-term facility intended for borrower's personal consumption and whose repayment is via salary deduction. It is a credit facility which allows cash advances against the upcoming payroll credit of employees.

1. Age

Must be at least 21 years of age at the time of loan application

2. Citizenship

Filipino

3. Residence/Employment Location

Within Bank service areas

4. Employment Tenure

Must be with employment tenure of at least one (1) year, and with a permanent status with the present employer and has no pending administrative case against him, no pending resignation, no pending application for retirement or must not be due for retirement within the term of the loan.

5. Landline

⁵ Initially, recommended Availment Fee is Php 100.00 for every Php 1,000.00 or a fraction thereof.

Must have at least one (1) active landline, either at residence or place of work and at least one (1) active cellphone.

6. Annual Income

Minimum of Php120,000

7. Credit History

CMA/BAP/NFIS Checking shall not be required

Credit Investigation and Approval

1. Credit Investigation (i.e., internal checking, personal verification to include obtaining email address) and Evaluation shall be conducted by the designated officers from the CCG – Credit Department. Employment checking shall be based on the Certificate or List of Employees/ Personnel provided by the company.
2. Approval
 - i. Approval of applications shall only be given by the authorized officers with credit authority based on the latest Delegation of Authority.
 - ii. Deviations to the Bank's risk acceptance criteria shall require approval from designated officers based on the Bank's Delegation of Authority and Deviation Approval Matrix.

Credit Investigation and Approval

Borrower's Credit Limit shall be valid for six (6) months. Updated payslip shall be required for renewal.

Credit Investigation and Approval

1. Prior setting of credit line:
 - Certificate or List of Employees/Personnel (including payroll credits for the past three months)
 - Application Form
 - One valid ID and borrower's company ID
 - Online terms and conditions or credit agreement (includes Waiver of Confidentiality, Data Privacy Consent, Authority for Automatic Debit, Deed of Assignment); or scanned copy of signed agreements (original copy to be submitted within three (3) days from booking date)
2. On each availment:

Availment Sheet (may accept scanned copy; original copy to be submitted three (3) days from booking date)

Suspension and Restoration of Account

1. Releases shall be automatically stopped if outstanding loan of the borrower is past due or; past due ratio reaches 5% of the total outstanding on a per company basis.

Note: Acceptable past due ratio per company is below 5% each for salary loan and vale loan.

2. The program shall be restored when the past due is below 5% of the total outstanding.

To illustrate:

Company A:

Salary Loan PDR: 5%

Vale Loan PDR: 3%

Bank can no longer grant salary loan to Company A employees until past due ratio falls below 5%. On the other hand, the Bank may still grant vale loan to Company A employees.

Company Accreditation and Annual Renewal

Shall follow approved Salary Loan Accreditation Policy

Handling of Past Due Accounts

CCG- Collections, in coordination with Lending Group – Salary Loan Unit, shall be responsible for the collection of defaulting and past due obligations of borrower/s for personal loans.

Curing Period/Reporting as Past Due and Non-Performing Loan

Curing Period for Vale Loans shall not exceed ten (10) days. Reporting of Past Due shall be made after the curing period. Reporting NPL shall be made at 61 dpd.

Sample Illustration

Credit Limit: P10,000.00

Payroll Date: May 15 and May 30

	May 11	May 13	May 15	May 17	May 30
Loan Amount	P3,000.00	P2,000.00		P10,000.00	
Availment Fee	P 300.00	P 200.00		P1,000.00	
Net Proceeds	P2,700.00	P2,800.00		P9,000.00	
Salary Deduction			P5,000.00		P10,000

G. AUTOMATIC PAYROLL DEDUCTION SALARY (APDS) LOAN**Product Description and Features****1. Target Market**

Teaching and non-teaching personnel of accredited government units.

2. Loan Amount

Minimum – None

Maximum – Php 1,500,000.00

3. Loan Purpose

Personal Consumption

4. Loan Term

Minimum – 12 months

Maximum – 60 months

5. Interest Rate

APD Salary Loan must conform with the ceiling rates provided by the government unit.

Interest should be at prevailing market rate issued by Treasury.

6. Loan Repayment

- Repayment of equal monthly amortization via APDS
- Other payment channels may include over the counter in branches, field collection, etc.

7. Service Charge

- 6% of loan amount (not to exceed DepEd's ceiling)
 - Service charge should cover for filing fee, fees and commission, and processing fee.
- Deducted upfront from the loan proceeds inclusive of Notarial Fee, Documentary Stamps Tax, Credit Group Life Insurance⁶, as applicable.

8. Late Payment Fee

⁶ Credit Group Life Insurance is a "life" insurance policy that is designed to pay off a borrower's loan if the policyholder dies. No rider or additional coverage for permanent disability.

The implementation of the 3% penalty charge per month or a fraction thereof is subject to conditions stipulated in the APDS Memorandum of Agreement (MOA).

9. Hierarchy of Payment

For Batch Remittance/Payment: Horizontal application based on Amortization Schedule

To illustrate:

1st Interest Due

Last Principal Due

For Over-the-Counter Payment: Vertical application for penalties and horizontal application for Interest and Principal based on Amortization Schedule)

To illustrate:

1st – Receivables

2nd – Past Due Penalty/ies

3rd – Past Due Interest and Principal

4th – Interest Due and Principal

10. Acceleration

The Bank reserves the right to declare the Outstanding Balance of a loan due and demandable in the event the loan becomes:

1. 30 days past due for existing employees and;
2. 30 days past due for resigned/retired/terminated employees

Note: APDS Salary Loan is subject to a 30-day curing period before it is classified as past due.

11. Re-availment: Top-Up/Additional Loan

Allowed in the event of declaration of state of calamity provided with sufficient net take home pay to cover for amortization of another loan, with the approval of DepEd and subject to NTHP verification.

12. Re-availment: Knock-Off

Payment on existing loan after one (1) month paid monthly amortization. Existing account should be in performing status at the time of re-availment.

13. Loan Disbursement

- Credit to account
- Managers Check

Minimum Risk Acceptance Criteria

1. Citizenship

Must be a Filipino.

2. Age

Not more than 65 years old upon maturity.

Note: Should client's age reach 60-65 years old at loan maturity, maximum loan amount should not exceed average ticket size. Average ticket size to be determined by the APDS Department Head.

3. Employment Status

- Should be in permanent status for at least six (6) months
- Name of the applicant should be in the list of the updated Periodic Master List issued by the Dep Ed or government unit

4. Basis of Loan Amount

Up to 15x of monthly gross salary

5. Net Take Home Pay

Net take home pay must not be lower than the required Net Take Home Pay (NTHP) based on the latest General Appropriation Act (GAA) issued by the government unit.

For DepEd, please refer to footnote. ⁷

The Bank may determine an internal NTHP threshold (i.e., higher NTHP required for November and December in anticipation of increase in government contributions, etc.) subject to approval of Credit Committee.

6. Co- Borrower Requirement

- No co-maker is required if stipulated in MOA
- May require two (2) co-makers within the institution with regular/permanent employment status if not stipulated in MOA

Client Risk Assessment

1. Customer identification and risk classification shall be in accordance to the Know Your Customer (KYC) requirements per Anti-Money Laundering Act (AMLA) or Money Laundering and Terrorist Financing Prevention Program (MLTFPP).

⁷ DO 05,S. 2018 – Implementation of Php 5,000 Net Take Home Pay for Department of Education Personnel. Item #2 – The Net Take Home Pay (NTHP) threshold is mandatory. Any financial obligation incurred by any personnel of the Department of Education shall not be deducted from his/her monthly salary if such deduction will lower his/her NTHP beyond the Php 5,000 threshold. No waivers effectively reducing the NTHP shall be allowed.

2. KYC shall be conducted through submission of valid DepEd/government unit/Philippine Regulatory Commission (PRC)ID by the borrower and Permanent Appointment Paper.
3. Borrower's Risk Rating and assessment shall be required.

Loan Evaluation and Approval

1. Phone/field credit verification on residence and employment shall no longer be required since authenticity of loan applicant as well as monthly gross income has already been verified and approved by the government unit verifiers. At the minimum, social media checking shall be done.
2. Internal and external file checking shall likewise not be required.
3. However, assessment on the capacity of borrower to service the loan shall be performed.
4. Approval of APD Salary Loan applications shall be in accordance to the approved Delegated Approving Authority of the Bank.

Loan Application Requirements

1. The following documents shall be required from the borrower upon loan application:
 - Loan Application Form
 - One valid ID (school/government unit/PRC ID)
Note: Marriage Contract shall be required if IDs or documents are not updated; still under maiden's name
 - Specimen Signature, signature verified by Bank personnel
 - Original or copy of latest one (1) month payslip (original seen) verified by DepEd. Note: Due to timing issue, the Bank may accept payslip issued within two months from application date
 - Salary Certification with Itemized Deduction or Certified True Copy of General Payroll (applicable for DepEd Autonomous Schools segment)
 - GSIS Statement of Account
 - Statement of Account in case of "take out loans"
 - For new application, photocopy of the Permanent Appointment Letter or Service Record certified by authorized approving officer. This shall no longer be necessary for re-avilment.
2. Credit Life Insurance shall be required for loan amount of P1M and up (taken from service fee collected)

Payment Options for Past Due and Delinquent APDS Loan Accounts

Option 1	Option 2	Option 3	Option 4	Option 5
Allow re-loan subject to approval of DepEd and Net Take Home Pay verification.	Require borrower to pay outstanding loan balance	<p>Allow extension of term pursuant to the provisions of Terms and Conditions of the APDS Accreditation, Authority to Deduct Annex C-1⁸. Existing PN number shall be retained.</p> <ul style="list-style-type: none"> Borrower to pay accrued interest receivable (AIR) and late payment penalty over the counter prior execution of term extension. Borrower to sign conformity on the new payment schedule or Supplemental Agreement (subject to Legal clearance). In lieu of the new payment schedule or Supplemental 	<p>Allow extension of term (pursuant to the provisions of Terms and Conditions of TCAA), and unpaid months will be added to the term of the loan. Unpaid AIR shall be booked separately and collected prior reloan or loan maturity, whichever comes first. Existing PN number shall be retained.</p> <ul style="list-style-type: none"> Borrower to pay late payment penalty over the counter prior execution of term extension. Borrower to sign conformity on the new payment schedule or Supplemental Agreement (subject to Legal clearance). In lieu of the new payment schedule or Supplemental 	Allow restructuring following the approved policy of the Bank.

LENDER In consideration of the loan which was granted to me on _____, I hereby acknowledge that in case my loan amortization is not deducted in the payroll, regardless of the reason, I also authorize DepEd to automatically adjust the termination period in my pay slip by one (1) month for every month of delay of its deduction.

8

		Agreement, borrower may submit latest payslip showing new maturity date.	Agreement, borrower may submit latest payslip showing new maturity date.	
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Approving Authority for Option 3 and 4:

Loan extension shall be approved at the minimum by the CCRG Head. Any request beyond the loan limits of CCRG Head shall be approved by the Chief Operating Officer or President.

Loan extension approved by the Credit Committee (CRECOM) may be approved by the President, subject to CRECOM confirmation thereafter.

1. Collection Officer (CO)/RM/BO may endorse accounts to Legal Services and Regulatory Affairs Department at any given time, subject to approval of CCRG Head and APDS Head.
2. CO shall continue to handle account until a case has been filed in court. In case a repayment plan is submitted after filing of the case, LSRAD shall handle the negotiations and request for appropriate approval. If a repayment plan is submitted prior to filing of case, CCRG/LG shall handle the negotiations but in close coordination with LSRAD.
3. There should be no abandonment on collection actions until such time a case have been filed in court.
4. Letter of Conformity or Supplemental Agreement may be delivered by the client thru any of the following: (a) original copy with client's wet ink signature; or (2) clear scanned copy bearing the client's signature delivered thru email from client's recognized email.

H. BACK TO BACK LOAN**Product Description and Features**

Regular Back-to-Back Loan is a multi-purpose term loan facility secured by cleared and lien free savings, fixed term deposits/placements maintained by individual or corporate depositors in any branch of Citystate Savings Bank Inc. (CSBANKI). It can be availed by executing a Promissory Note with Deed of Assignment of Bank Deposit. The loan is peso or dollar denominated and may be secured by Peso or US Dollar term deposits/placements. Because Back-to-Back Loan is offered to existing depositors of the bank, clients can avoid the hassle and costs of extensive credit investigation procedures or appraisal processes which are common in other types of loan products.

Bank depositor client who is willing to offer his/her deposit/placement as collateral for the loan applied may avail of this type of loan. Said deposit shall be the collateral with CSBANKI with an automatic set off in case of non-payment or default at maturity.

1. Target Market

Peso and US Dollar depositor of the Bank

2. Purpose

Flexible general-purpose loans

3. Loan Amount

Minimum amount shall be:

- a. For peso loans – Php 100,000.00
- b. For US dollar loans – US\$ 2,000.00

4. Collateral

Collateral/s may be any or a combination of the following:

- Peso Deposits (except Current Accounts)
- i. Dollar Deposits

Exclusions: In Trust For (ITF); and Treasurer in Trust (TIT) accounts.

- i. Eligible deposits are only for passbook-based savings (SSA, Regular Savings) and term-deposit-certificate based
- ii. For loans using multiple collaterals, deposits/placements used should be the same type with the same currency only

5. Term

Maximum of one (1) year term

6. Interest Rate

Interest shall be set by management. Any rates lower than the quoted interest rates shall require the approval of the Chief Operations Officer for the grant of preferential rates.

7. Mode of Release

- i. Direct credit to the borrower's existing CASA account or affiliate/settlement account; or
- ii. Manager's Check

8. Payment of Interest / Principal

If loan amount is 100%, interest should be paid in advance for the entire term of the loan, which is maximum of one (1) year term.

If loan amount is based on the Bank's Loan to Value requirement, interest to be paid on a monthly basis.

Payment of Principal may be done

- i. upon maturity of the loan; or
- ii. amortized monthly, quarterly or semi-annually

9. Mode of Payment

Payment of principal, interest or penalty may be done via:

- i. Auto-Debit Arrangement (ADA) from a specified deposit account
- ii. Issuance of Post-Dated Checks (PDCs)
Over-the-counter payment

10. Collateral Criteria

1. Deposits to be assigned as collateral are allowed under the name and ownership of the following:
 - a. Borrower's account
 - b. "And" accounts, provided all co-depositors and signatories sign the Deed of Assignment of Bank Deposit (DABD) included in the PN.
 - c. "OR" accounts. Should only one (1) depositor is taking out a back-to-back loan, the Bank will only grant fifty percent (50%) of the required LTV.
 - d. Deposit accounts under the name of an individual / company shall be related to the borrower. The owner of the deposit / borrower should be:

- i. For individual borrowers: a relative of the borrower up to the second (2nd) degree of consanguinity or affinity.
- ii. For corporate borrowers: a major stockholder of the company with at least twenty percent (20%) of shares in the company.
- iii. Borrower must show proof of relation to owner of deposit during the loan application. Document showing proof of relation shall be filed in the client's loan folder

Note: Granting of Back-to-Back Loans to third party shall require deviation approval.

2. For married depositors, marital consent is required in the DABD even for accounts which are owned by only one of the spouses. For borrowers who are unable to comply (i.e., spouse is out of the country or is not available), deviation approval is required.
3. Checking accounts are not acceptable as collateral for back-to-back loans since putting a hold on a checking account may result to incidents of bounced checks.
4. Accounts presented as collateral shall be put on hold and kept current and outstanding. Hold on pledged accounts may be lifted only after the loan amount is fully paid or if client requests for withdrawal of amount which does not affect the required loan-to-collateral ratio for the remaining loan balance.
5. In case borrowers request for Bank Certificates, the same must indicate that accounts are "deposits held as collateral."
6. The original copy of passbook or Certificate of Deposit must be duly endorsed by the client, and shall be surrendered to CSBANKI (Branch). It must be stamped "HOLD" and safe kept in the cash safe inside the vault. A logbook for this purpose shall be maintained by the branch and a contingent entry shall be passed by the bank/branch.
7. For depositors using passbooks to monitor their account's activity, branches may provide Statement of Accounts (SOAs).

11. Loan to Value (LTV)

Maximum loanable value of:

Peso Deposits / Placements:

- i. 100% availment, interest for the whole term is collected in advance
- ii. 90% availment, interest collected on a monthly basis
- iii. 80% of Dollar Deposits / Placements

Dollar Account Back-to-Back, will have a peso-denominated conversion of proceeds based on the prevailing BUYING RATE of the Bank at the time of availment.

The difference of the balance of the dollar deposit, and placement against the maximum loanable amount shall serve as buffer for the interest and fluctuations in the dollar exchange rate and market value of securities. In the event however that the required cover of 80% on dollar deposits is breached, the client is required to either pay-up the loan or top-up the dollar deposit.

- i. For multiple Back-to-Back loans which use a single deposit / placement, total loan amount for all availments should comply with the loan-to-collateral ratio set based on the type of deposit / placement.
- ii. Any deviation needs approval by the Chief Operations Officer but in no case, it will exceed the amount of the collateral.

12. Loan Term

- i. As a general rule, the term of the loan shall not exceed the maturity of the deposit.
- ii. Term of the loan is co-terminus with the term of the deposit with a maximum term of one (1) year. The borrower shall sign Authority to Hold Out and Debit. (Stated in the Authority to hold out and debit, the Bank has the authority to offset the deposit vs the loan upon maturity, if no disposition heard from the client).
- iii. If the term of SSA/TD subject to hold-out or assignment is shorter than the term of the loan, there should be an agreement in writing that automatic renewal/roll-over of the deposit shall be implemented at the time of its maturity co-terminus with the term of the loan.

The holdout agreement must contain a provision that the deposit / placement shall be automatically renewed up to loan maturity date. The client can sign an “ Authority to Roll-Over” which instructs the Bank to renew or roll-over his placement until his Back to Back Loan matured and is fully paid. The borrower shall shoulder any incidental expenses such as the withholding tax, documentary stamps, etc.

- iv. Moreover, it is essential for this type of loan that the maturity coincides with the maturity of the deposit. Therefore, if ever the loan shall be renewed/extended, the corresponding deposit placement should likewise be renewed/roll-over, co terminus to the term of the loan.
- v. Branch of accounts must ensure subject collateral deposits/placements are effectively put on hold and kept current and outstanding up to maturity date of the loan .
- vi. The pre-termination of placements used to secure back to back loans shall make the loan/s immediately due and demandable.

Minimum Risk Acceptance Criteria

1. Minimum age requirement: Twenty One (21) years old.
2. Applications for Back to Back Loan shall be evaluated based on the following:
 - a. Deposit/placement account balance should be clear and free from any liens and encumbrance.
 - b. Ownership of the deposits/placements assigned as collateral follow the collateral policies.
 - c. Borrower should be able to surrender/endorse the Savings Passbook or Certificate of Deposit of the account to be used as collateral.
 - d. Borrower is able to comply with all required documentation for loan application.
 - e. Loan to collateral ratios shall apply.

Credit Evaluation and Approval

1. Since the loan product is fully secured by deposit collateral, full credit investigation and Borrower's Risk Rating is no longer required. However, application shall go through the standard internal checkings i.e., watchlist, avoid occupation/business, CSBANKI records, and CMAP shall be performed to ensure that the depositor is free from court cases that may involve pledged collateral.
2. Approval of loans against holdout on deposits shall be subject to the following guidelines:
 - i. In determining the appropriate approving authority, all loans against holdout on deposits granted to a borrower shall be aggregated but shall exclude all other types of credit accommodations .
 - ii. Recommendations and/or requests for deviation shall be approved by the appropriate approving authority .
 - iii. Approval Matrix:

Lending Group		
Shall follow approved approval matrix for Commercial Loans		
Branch Banking Group		
Limits	Approving Authority	Policy Deviation Level
Over 20,000,000.00	CRECOM	Level 4
Up to Php 20,000,000.00	President	Level 4
Up to Php 10,000,000.00	Chief Operations Officer	Level 3
Up to Php 5,000,000.00	Credit and Collections Group Head	Level 2
Up to Php 3,000,000.00	Branch Banking Group Head	Level 2
Up to Php 1,000,000.00	Cluster Head	Level 1

Up to Php 500,000.00	Branch Manager	None

- a. At least two (2) signatures are required to approve the loan:
 - i. Recommending Marketing Officer at the minimum;
 - ii. Branch Manager or Cluster Head or Head Office Officer
- b. In case the loan amount is beyond the highest delegated authority given, approval shall be elevated to CRECOM via routing
- c. Deviation Disposition - All requests for deviation shall require approving authority per deviation type
- d. Granting of Back-to-Back loans for DOSRI/RPT shall require appropriate approving authority, as applicable

Handling of Delinquent Accounts

- It is the primary responsibility of the Branch / Account Officer to ensure that the assigned deposit balance at all times equals the loan principal plus interest on the loan, and that the loan is liquidated at maturity.
- As a general rule, there should be no past due on loans versus deposit. However, if the loan goes past due, this is to be reported immediately to the concerned Branch Head, giving the reason thereof. There should be an immediate set off against the deposit account within thirty (30) days from the maturity date of the loan.

Note: Escalation point shall be defined in the Procedures Manual.

Documentary Requirements

General Requirements:

- a. Completely filled up Loan Application Form signed by borrower/s, spouse/s, authorized signatories, as applicable
 - b. Savings Passbook, Certificate of Deposit
1. Individual
 - a. Valid Government ID – no need to present if depositor's folder contains valid IDs
 2. Additional requirements for Partnership or Corporation
 - a. Photocopy of Certificate of Registration with Department of Trade and Industry or the Securities and Exchange Commission
 - b. Photocopy of Business Permit issued by the City or Municipality
 - c. Notarized Partnership or Corporate Resolution to Borrow, Assign, etc.
 - d. Valid Government ID of Authorized Signatories – no need to present if depositor's folder contains valid IDs

3. Additional requirements for foreign nationals,
 - a. Passport
 - b. Alien Certificate of Registration (ACR)

Note:

1. Bank Officer shall ensure that the applicant's details are updated.
2. Documents shall be compared with Original or Verified/Authenticated.
3. Picture taken with borrower shall no longer be required.
4. Standard Bank documentary requirements shall be complied.

III. POLICIES AND PROCEDURES

A. ACCREDITATION

Dealer and Broker Accreditation

Dealers and brokers will be subjected to accreditation approval. The Auto Loans Channel Head shall endorse accreditation request to the Lending Group Head for endorsement to the Chief Operations Officer (COO), except for accreditation of dealerships from ALC Group, which will require endorsement from the Related Party Transactions (RPT) Department and approval of the RPT Committee.

a. Dealer Accreditation:

Dealer accreditation is executed through the mutual agreement executed between the Bank and the brand-new car dealer through the Dealer Finance Agreement (DFA), wherein both parties agree to its provisions. Together with the DFA, the Auto Loans Channel Head must ensure that the dealer is legitimate and its documents are completed in order to start the solicitation of the dealer's auto loan applications. The dealer should submit the following:

- i. Signed Dealer Financing Agreement
- ii. Business Registration Papers/General Information Sheet
- iii. Secretary's Certificate/Board Resolution assigning the authorized signatories
- iv. Signature Cards
- v. Copy of identification documents (IDs) of the authorized signatories
- vi. Evidence/Proof that the dealership is an authorized dealer of a certain car distributor or manufacturer

Dealers that are affiliated with the ALC Group, have existing deposit relationship for at least 6 months and loan line/s with good credit standing with the Bank shall be automatically considered as accredited, subject to submission of signed Dealer's Financing Agreement.

The Credit Investigation and Appraisal Unit (CIAU) shall keep a database of all the accredited dealers and should ensure all applications coming from the dealers should be accredited with the Bank prior processing.

b. Broker Accreditation

Approval to accredit Auto Loan Brokers shall be as follows:

- i. Auto Loans Channel Head submits a completed Broker Information Sheet to CIAU. Only brokers who have been previously dealt with by the Auto Loans Channel Head and Account Officer shall be allowed accreditation. This shall be certified by the Auto Loans Channel Head/Account Officer in his endorsement to accredit the broker.
- ii. Credit Investigator will conduct the following:
 - Internal and negative file check on the broker, including Office of the Foreign Assets Control (OFAC) and Politically Exposed Persons (PEP)
 - Verify information as stated in the Broker Information Sheet (Field Residence check with neighborhood checking, discreet Employment/Business check – as necessary and if applicable)
 - Credit Investigation Report to be checked by CIAU Head and should have favorable result
 - By default, those with criminal records will not be accepted
- iii. Broker accreditation shall require approval of the Lending Group Head and COO.
- iv. CIAU shall keep a database of all the accredited brokers and should only process broker-referred applications upon approval of the accreditation.

Developer Accreditation

Acceptance Criteria

CRITERIA	TOP TIER	LARGE	MEDIUM	SMALL	POCKET
Target Market	Executive Committee approved publicly listed developers	Top 5000 corporations		Non-listed developers with acceptable projects	
Financial – Gross Revenue	More than PHP2B per year	Less than PHP2B but more than PHP500MM per year	Less than PHP500MM but more than PHP300MM per year	Less than PHP300MM but more than PHP50MM per year	Less than PHP50MM per year
Financial – Paid-up Capital	More than or equal to PHP2B	Less than PHP2B but more than PHP500MM	Less than PHP500MM but more than PHP100MM	Less than PHP100MM but more than PHP50MM	Less than PHP50MM
Financial Leverage Ratio	Maximum leverage ratio of 5:1	Maximum leverage ratio of 3:1	Maximum leverage ratio of 2:1	Not required	
Track Record – Years in Existence	5 years			3 years	2 years
Track Record – Years in Profitable Business Operations	Minimum of 3 completed housing projects No history of uncompleted or derogatory information on the project			Must have completed a minimum of 50 housing units	Must have completed a minimum of 4 housing units
Track Record – Project	Minimum of 3 completed housing projects • No history of uncompleted or derogatory information on the project			Must have completed a minimum of 50 housing units	Must have completed a minimum of 4 housing units
CMAP*/BAPNFIS** Record	No derogatory record With existing court case may be accepted if case is confirmed to be a nuisance				
Credit Performance	No derogatory information in credit bureaus				

Developer Accreditation Terms

Top Tier Developers

Terms	Details
Purpose	To provide ready end-user financing for buyers of top-tier developers of residential units for all allowable residential purposes
Availability	<ul style="list-style-type: none"> All existing and future projects of top tier developers and its subsidiaries/affiliates; joint venture will only be allowed on a case-to-case basis No leisure projects shall be allowed, unless approved by the Executive Committee For condominiums: 2-bedroom and 1-bedroom units without parking slots will require one-level higher approval; studio units without parking shall not require higher approval All collateral shall comply with the existing policy on acceptable real estate as collateral
Exposure Cap	Maximum of 20% of each accredited project, total exposure not to exceed 20% of Developer's Total Assets (per latest Audited Financial Statement); caps to be monitored by Credit and Collections, including total group exposures
Collateral Valuation	Developer's Total Contract Price (TCP), inclusive of value-added tax, but not to exceed 110% of appraised value
Minimum Buyer's Equity	20% of TCP
Maximum Loanable Amount	80% of TCP; provided that amount of loan is not higher than the appraised value of the property
Developer's Deed of Undertaking Term	Depending on developer classification, Letter of Undertaking shall include submission of title within 24 or 36 months, and provision of the original tax declaration of the property under the name of the borrower, tax clearance, and updated copies of tax receipts within 12 months for horizontal projects and within 14 months for vertical projects, from delivery of title or completion of the building and issuance of Certificate of Occupancy

Maximum Loan Term	<ul style="list-style-type: none"> Maximum of 20 years for acquisition of residential house and lot, lot only, lot with construction and condominium units Maximum of 15 years for investment and refinancing
Credit Underwriting	Subject to individual borrower underwriting per approved Risk Acceptance Criteria
Project/Unit Completion	<ul style="list-style-type: none"> Vertical: Building must be topped-off, subject to project appraisal Horizontal: Land development should at least be 70% completed but phase where collateral is located should be 100% complete <p>For selected developers, pre-selling will be allowed</p>
Recourse to the Developer	<p>On buyer default: No recourse to developer On developer default: Non-delivery of title; incorrect inscription, failure to complete the project</p> <p>Buyback within 30 days from notice:</p> <ul style="list-style-type: none"> Less than or equal to 30 days - accrued interest + outstanding balance More than 30 days - penalties + interest + outstanding balance
Other Conditions	<ul style="list-style-type: none"> Developer warrants to complete the project subject of the mortgage loan Subsequent projects are automatically accredited subject to submission of standard project accreditation terms and project appraisal
Term of Facility	The facility agreement shall be valid for 1 year from date of approval, and shall be automatically renewed yearly thereafter, unless terminated by either party upon giving a 60-day prior notice to the other party

Large and Medium Developers

Terms	Details	
	Large	Medium
Purpose	Acquisition of residential house and lot, lot only, lot with construction, townhouses and condominium units	
Acceptable Collateral	Lot only, house and lot, shop houses, townhouse and condominium units	
Term	<ul style="list-style-type: none"> House and lot: Up to 20 years Townhouse/Duplex: Up to 20 years Condominium/Shop house: Up to 15 years Vacant lot: Up to 10 years 	
Collateral Valuation	Developer's Total Contract Price (TCP), inclusive of value-added tax, but capped at a maximum of 10% variance vs. appraised value	
Loan to Value Ratio	Maximum of 80% of TCP; loan amount shall not exceed appraised value	
Unit Completion	90% completed	100% completed
Project Completion	<ul style="list-style-type: none"> Vertical: Building must be topped-off, exterior fully completed, livable, with standard utilities and services present Horizontal: Land development should at least be 70% completed (i.e. with roads, drainage system, electricity and water lines already present, clubhouse and amenities may not yet be built/completed) but phase where collateral is located should be 100% complete 	
Title Verification	<ul style="list-style-type: none"> Title traceback is required on mother title Existence of 1st lien on mother title is acceptable for loan takeout or loan release subject to submission of 1st Lien Holder's Certificate of Excess Collateral Cover with Undertaking to Submit Cancellation of Mortgage upon availability of individual title or clean individualized title 	
Collateral	<ul style="list-style-type: none"> No adverse finding on title Citystate Savings Bank Inc. (CSBANKI) should have annotated 1st lien on title, except for loan take out where 2nd lien is allowed pending loan takeout 	

Terms	Details	
	Large	Medium
Developer's Deed of Undertaking (DOU) for Future Delivery of Individual Title	If individual title is not yet available upon loan release, the Developer shall be required to submit a Deed of Undertaking for future delivery of title. The DOU shall be signed by the Buyer/Borrower to signify his conformity to the arrangement.	
Developer's DOU Terms	Subject to approved terms in individual developer accreditation, maximum DOU period of 12 months from loan release date	
Buyer's Default Provision	90 days past due	
Recourse to Developer on Buyer's Default	Developer to buy back within 30 days from notice: <ul style="list-style-type: none"> • If settled within less than or equal to 30 days from notice: accrued interest + outstanding balance • If settled within more than 30 days from notice: penalties + interest + outstanding balance 	
Developer Default Provision	<ul style="list-style-type: none"> • Non-delivery of title and annotated Real Estate Mortgage (REM) of CSBANKI within the undertaking period and any extensions granted thereafter • If there is an incorrect inscription or technical description on the title, and such flaw remains uncorrected for 90 days from notice, and thus causes the bank's mortgage to be unenforceable • If the developer fails to complete the project within the disclosed completion date and any extensions granted thereafter 	
Recourse on Developer Default	Developer to buy back within 30 days from notice: <ul style="list-style-type: none"> • If settled within less than or equal to 30 days from notice: accrued interest + outstanding balance • If settled within more than 30 days from notice: penalties + interest + outstanding balance 	
End of Recourse on Developer	Recourse to Developer ends upon completion of project, and delivery of title and annotation of REM in favor of CSBANKI	
Exposure Cap	20% of each project and total exposure should not exceed 20% of developer's asset	

Small and Pocket Developers

Terms	Details	
	Small	Pocket
Loan Purpose	Acquisition of residential house and lot, Lot Acquisition + House Construction	
Acceptable Collateral	House and lot, townhouse, shop houses and condominium units	
Term	<ul style="list-style-type: none"> House and lot: Up to 20 years Townhouse/Duplex: Up to 20 years Condominium/Shop house: Up to 15 years 	
Collateral Valuation (For Loan to Value purposes)	Developer's Total Contract price (inclusive of value-added tax) but capped at a maximum of 5% variance vs. appraised value	
Loan to Value Ratio	<ul style="list-style-type: none"> Maximum of 80% of collateral valuation Loan amount shall not exceed appraised value 	
Unit Completion	100% completed	
Project Completion	<ul style="list-style-type: none"> Vertical: 100% completed Horizontal: Land development should be 100% completed 	
Title Verification	Title traceback is required with no adverse finding on title	
Collateral	<ul style="list-style-type: none"> No adverse finding on title CSBANKI should have annotated 1st lien on title, except for loan takeout where 2nd lien is allowed pending loan takeout 	
Title Submission	Submission of individual titles prior to loan release is required	
Exposure Cap	Maximum of 20% of the project, anything in excess has to be approved by Executive Committee	

Developer Approval Matrix

Scenario	Approver				
	Top	Large	Medium	Small	Pocket
Variance between	TCP <= or > AV by up to 10% : Accept TCP as basis of LTV (no deviation approval needed)			TCP > AV by 5% maximum : Accept TCP as basis of LTV (no deviation	

Appraised Value (AV) and Total Contract Price (TCP)	TCP > AV by more than 10% : Use AV as basis of LTV. If TCP will be used as basis of LTV, approval of COO is required	approval needed) TCP > AV by more than 5% : Use AV as basis of LTV. If TCP will be used as basis of LTV, approval of COO is required	
Accreditation Approval Authority / Annual Review (Developer + Project)	EXCOM	COO	President
Additional Project Accreditation	COO and President	COO	President
Extension of DOU Expiry (by 1 st 90 days)	COO and President	N/A	N/A
Extension of DOU Expiry (more than 90 days)	EXCOM	N/A	N/A

Certificate of Registration Requirement

1. The Bank shall require from developers (including holding companies) prior loan availment or accreditation submission of:
 - a. Certificate of Registration (COR); or
 - b. Valid Provisional Certificate of Registration (PCOR) with Undertaking to submit renewed PCOR or COR not later than PCOR expiry date.
Note: PCOR is valid for six (6) months only
2. Waiver on submission of above mentioned documents shall not be allowed.
3. The Bank shall only allow commissions/incentives for external referrer/agents of an accredited broker/developer. It should be validated with the developer/broker that referrer/agent is indeed their bonafide agent.

Annual Review of Developer Accreditation

1. Review Requirement

All accredited developers are subject to annual review. However, on exceptional/significant developments, review may be done at any time.

The accreditation may be revoked at any time prior to review of the accreditation.

2. Performance Review

Review shall be performed by Lending Group and shall include the following:

Internal Considerations:

1. Payment status of booked accounts (if current or past due);
2. Guidance limit/exposure;
3. Review of accredited projects;
4. Compliance on DOU arrangement;
5. Compliance on Buy Back arrangement;
6. Financial standing (require latest Audited Financial Statements);
7. Review of existing terms and conditions under the end-buyer financing program.
8. Mapping of realty projects to Bank's network

External Considerations:

1. Construction and Completion Risk (i.e., un-sold Ready For Occupancy (RFOs) units)
2. Market Risk (i.e., interest rate hikes)
3. Economic situation (i.e., exit of Philippine Offshore Gaming Operators (POGOs))
4. Reputational Risk (i.e., status with Pagibig, Philippine Guarantee or private groups; feedback from analysts)

3. Document Requirement

Require submission of

- a. AMLC Certificate of Registration (COR); or
- b. Valid AMLC Provisional Certificate of Registration (PCOR) with Undertaking to submit renewed PCOR or COR not later than PCOR expiry date.

Note: AMLC PCOR is valid for six (6) months only

4. Approval

Result of annual review shall be presented to the Credit Committee (CRECOM). CRECOM may recommend/approve delisting/revocation of accreditation; and downgrading/upgrading of developer classification.

Note: Accredited developers who were not assessed following the approved Developer Accreditation Criteria and Guidelines approved in August 2021 shall be required to be re-accredited and shall submit the most recent approved Agreement/s.

Broker Accreditation (Real Estate)

One of the sources in soliciting clients for loan is through accredited brokers. Prior to acceptance of loan applications, it is important that the Bank ascertains the legitimacy of the broker before it solicits loan from it.

It is important for the Bank to assess whether brokers have, or remain to have, a good business reputation and in sound financial standing. The proposal will also facilitate delisting of accredited brokers involved in fraudulent activities that would result in unacceptable reputational risk for the Bank.

1. Only licensed real estate brokers and hired agents of an accredited developer shall be allowed to be accredited with the bank. In the case of hired agents from an accredited developer, it should be validated with the developer that the agent is indeed their bonafide agent.
2. Independent real estate brokers with previous dealings with the Channel Head / Relationship Manager may be allowed for accreditation. This shall be certified by the Channel Head / Relationship Manager.
3. Channel Head submits a completed Broker Accreditation Form to CIAU together with copy of Professional Regulation Commission (PRC) ID for licensed broker; copy of valid certification (with ID) or company ID for hired agents of accredited developer; valid ID and endorsement from Channel Head / Relationship Manager for independent real estate brokers.

Note: Documents shall be duly authenticated by the Channel Head / Relationship Manager).

4. Credit Investigator will conduct the following:
 - Internal and negative file check on the broker
 - Verify information as stated in the Broker Accreditation Form (Field Residence check with neighborhood checking, discreet Employment/Business check – as necessary and if applicable)
 - By default, those with criminal records will not be accepted.
5. Accreditation and standard rate of broker's commission shall require approval of the Credit Committee.

Note: Presently, allowable broker's commission is maximum of one percent (1%) of loan amount.⁹

6. CCRG-CIAU shall keep a database of all accredited brokers and should only process broker-referred applications upon approval of the accreditation.
7. Grounds for losing accreditation include:
 - a. Referral of fraudulent transaction
 - b. Bribing a bank employee
 - c. Willful fabrication of credit document to mislead bank management
 - d. High past due rates of referred accounts
 - e. Involvement in any incident leading to un-acceptable reputational risk for the Bank.

Delisting shall be approved by the Credit Committee.

8. Certificate of Registration Requirement
 - a. The Bank shall require from brokers prior loan availment or accreditation submission of:
 - Certificate of Registration (COR); or
 - Valid Provisional Certificate of Registration (PCOR) with Undertaking to submit renewed PCOR or COR not later than PCOR expiry date.Note: PCOR is valid for six (6) months only
 - b. Waiver on submission of above mentioned documents shall not be allowed.
 - c. The Bank shall only allow commissions/incentives for external referrer/agents of an accredited broker/developer. It should be validated with the developer/broker that referrer/agent is indeed their bonafide agent.
9. Review Requirement:
 - a. Frequency of review:
 - i. Every two (2) years for accredited brokers of accredited developers;
 - ii. Annual review for all other accredited brokers.
 - b. All accredited brokers are subject to review and assessment of the following:

⁹ For Home Loans, 1% incentive is tucked in the processing fee and released after the first amortization is paid.

- Character – No adverse record with the Bank, other financial institutions for the past year; no record or reputation of embezzlement, fraud or gross misrepresentation.
 - Performance – No incidence of any grounds for losing accreditation
- c. Submission of copy of at least one (1) valid ID.
 - d. Review shall be performed by Channel Head.
 - e. Re-accreditation shall be approved by the Credit Committee.

Company Accreditation (Salary Loan)

1. Accreditation Criteria

- i. Company must be in business for three (3) consecutive years and have positive net income for the preceding fiscal/calendar year.
- ii. Must be registered with Securities and Exchange Commission or Department of Trade and Industry
- iii. Must not be included in high risk industries with at least thirty (30) employees
- iv. Not open to Department of Education teachers, contractual employees, manning agencies, manpower agencies, OFWs, Seamen and the likes.
- v. Employee turnover rate must not be greater than ten percent (>10%) annually.
- vi. Not under sequestration or a Government-Owned and Controlled Corporation (GOCC).
- vii. Not engaged in enterprises that are considered as high risk or marginal by the Bank.
- viii. No adverse credit findings (internal and external sources) on the company and its beneficial owners
- ix. A company who is a valued client of the Bank (depositors or borrowers) with good track record are automatically accredited by the bank. Good track record shall be determined by:
 - a. Depositors with no incidence of bouncing checks of more than three (3) times in the past twelve (12) months and deposits do not fall below an monthly ADB of Php300,000
 - b. Existing loan clients with no incidence of past due for the last six (6) months.
 - c. Previous loan borrowers with no past due records.

2. Credit Limit

- i. Loan bookings shall be subject to credit limit. Loan availments under one company should not exceed the maximum loan amount set based on the credit limit. The limit shall be based on the number of employees, average monthly salary (officers vs. rank and file), potential loan take-up rate and the stability of the company/ organization based on the information provided.

The credit limit only serves to impose a lending cap and shall not be construed as an approval of the credit exposure.

- ii. Processing of loan applications shall be discontinued for companies that have breached their credit limit unless new payments are made or higher credit limit is approved.
- iii. If and when the credit limit is reached, line renewal will require a submission of the company's financial statements only and re-evaluation thereof. An increase in the credit limit shall require a corresponding increase in the subject company's number of employees and their average salaries. Where a demand is made to change the credit limit without notable improvement in employee demographics, approval shall be sought based on the Bank's latest Delegation of Authority Matrix.

3. Approval

The accreditation of the company shall be approved by the Credit Committee at the minimum and shall be valid within sixty (60) calendar days upon its approval. Within such time period, post approval documents should have been provided by the company.

4. Documentary Requirements

Pre-Accreditation:

- i. Duly filled-up accreditation form which includes the following:
 - Company Profile
 - Trade and Bank References
- ii. Business registration papers and business permit
 - Sec Registration, Articles of Incorporation and By-Laws if Corporation
 - Sec Registration, Articles of Partnership if Partnership
 - General Information Sheet for the Calendar year received by SEC clearly stating the number of Officers and Rank and file employees
- iii. Business Permit
- iv. Audited Financial Statements and Income Tax returns for the last three (3) years; include in-house financial statements, if needed.
- v. Bank Statemet for the last six (6) months, as necessary

Post Accreditation:

- i. Memorandum of Agreement
- ii. Board Resolution or Secretary's Certificate stating availment of the Salary Loan Program of the Bank and designating authorized signatories of the MOA
- iii. Signature Card containing the Specimen Signatures of the Company's authorized signatories to all documents pertaining to the Salary Loan Program of the Bank
- iv. Government issued IDs of the authorized signatories
- v. Customer Information Record –Individual and Corporate/Company, as necessary

- vi. Notice of approval of Accreditation
- vii. Waiver of Confidentiality by the Company & opening of individual payroll accounts of its employees with CSBANKI where the monthly payroll of their employees will be credited and where the monthly amortization will be automatically debited by the system of CSBANKI via automated means, as necessary
- viii. List of Employees/Personnel which includes employment details (i.e. status, income). This should be updated, as necessary.

5. Annual Renewal

All accredited companies shall be required to undergo annual renewal (expiration of line: one (1) year). All documents including the MOA shall be updated.

B. INCENTIVES

Dealer/Salesman/Keyman Incentives

- a. Auto loan incentive fees may be composed of Dealer Incentives (DI) and/or Referral Fees (RF) and/or Salesman Incentives (SI) and/or Keyman Incentives (KI).
- b. DI/RF/SI/KI mix may vary from case to case depending on the channel, the dealer and vehicle being purchased. In all cases, Auto Loans Sales should have an approved rate for each dealer and channel where the rates will be based. The rate sheet should have approval from the Lending Group Head and COO.

Amortization of Incentives

Amortization is the process of distributing the cost or payment over a period of time.

Auto Loan	<ol style="list-style-type: none"> 1. Booking of DI/RF/SI/KI shall be amortized co-terminus with the loan term. This shall be done via straight line method. 2. Release of DI, RF, SI, KI, shall only be upon completion of required documents, and payment of first amortization. 3. Reversal/outright charging against income of the remaining un-amortized incentive shall continue until the account is fully paid, transferred to ROPA, or total incentive is fully amortized. <p>The Bank shall increase the provision for losses on the outstanding loan balance (from 1% GLLP) and unamortized incentive balance of a particular account once it turns past due. The same loss rate shall be applied for both following the required provisioning requirement.</p>
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	<p>Unamortized incentives at the time of ROPA transfer, shall form part of the ROPA book value net of booked provision.</p> <p>4. For pre-termination/pre-payment of loan, un-amortized incentive/s shall be collected from the Borrower.</p> <p>5. Shall follow existing approving matrix on waiver/reduction of penalty/interest/other fees.</p>
Home Loan	Broker's incentive is charged to client (tucked in as part of the mortgage registration expenses) and is released to the broker upon payment of first amortization.
Salary Loan	Booking of agent/agency commission shall form part of the processing fee and is released upon payment of first amortization.

C. VALUED DEPOSITORS AND GOOD REPEAT CLIENTS

Criteria	Valued Depositor (Branch Endorsed)			Good Repeat Client
ADB Requirement	An existing CSBANKI depositor (can be the primary or joint accountholder; owner and/or authorized signer of a business whose account/s is/are maintained in CSBANKI, with aggregate deposits and/or investments (including balances of business accounts).			Existing loan with at least 50% of term paid OR closed or matured loan for not more than one (1) year; with satisfactory handling in the last 12 months (excluding operational issues). • There should be no loan history with the following patterns: <ul style="list-style-type: none">○ More than 2x31-60 days past due (dpd) in the last twelve (12) months
	Php 300K for the past three (3) months	Php 500K for the past three (3) months	Failed minimum ADB requirement	
	Note: <ul style="list-style-type: none">- One-time bulk credit or extraordinary deposit in CASA shall not be included in the computation- Accounts under Back-to Back Loans may be included in the computation of ADB requirement			
Month on Books	At least one year on books	Less than one year but more than	More than two years on books	

Criteria	Valued Depositor (Branch Endorsed)			Good Repeat Client
		six months on books		<ul style="list-style-type: none">○ Instance of 61+ dpd• If with existing loan, must be current at the time of credit processing. <p>Note:</p> <p>Checking on existing loan account as co-borrower / guarantor / related account shall be considered.</p>
Time Deposit (only)	Php 1.0M	Php 500K	Php 100K	
Month on Books	Three (3) months	Six (6) months	One (1) year	
Basis of Income	<ul style="list-style-type: none">• ADB or TD x industry margin or verified income whichever is higher.• If basis of income is deposit, should have consistent credits in the last six (6) months amounting to income used.• If basis of income is TD, submitted proof of income should be consistent with income used.			Previous income or verified income whichever is higher
Minimum Income Requirement	No minimum income requirement			
Employment / Business Tenure	No minimum employment/business tenure			
Risk Acceptance Criteria	All other criteria shall follow existing Auto Loan, Home Loan, SmallBiz Loan Minimum Risk Acceptance Criteria			
PROCESS				
Personal Verification	Personal Verification with the Borrower by phone to confirm loan application Note: Require a short write up from the Business Manager or Account Officer regarding client and history of accounts & relationship with the bank			
Residence Verification	<ul style="list-style-type: none">- No residence verification provided declared residence is the same as Bank’s record. If the borrower moved to a new residence, verification process will be conducted- Require submission of proof of billing			

Criteria	Valued Depositor (Branch Endorsed)	Good Repeat Client
Employment Verification	<ul style="list-style-type: none"> - No employment verification provided declared employer is the same as Bank's record. If the borrower moved to a new company, verification process will be conducted - Required if basis of income is not from deposit or previous income - Require submission of proof of income 	
Business Verification	<ul style="list-style-type: none"> - No business verification provided declared business is the same as branch or previous loan record - Require SEC / DTI checking - Require submission of latest Financial Statement and proof of business if business document on file has already expired 	
Field Verification	Field verification on business/residence may be required by Credit Department (i.e., depending on loan amount, change on address from original)	
Trade Reference Check	Required if submitted Financial Statement are showing signs of deterioration	
CSBANKI Account Verification	Bank account verification through system check or branch endorsement	
Internal/External negative file/credit bureau checking	Shall follow existing policy of the Bank	
Approval	Follow approved Delegated Approving Authorities Matrix	

D. DEBT BURDEN RATIO

Debt Burden Ratio (DBR) is the total monthly fixed debt repayments over total gross monthly income. Debt repayments will include existing CSBANKI and other financial institutions' (FIs) loan exposures* and 5% of credit card outstanding balance.

Existing installments with CSBANKI or other FIs with 3 months or less remaining loan tenor may be ignored. $DBR = \frac{\text{Proposed monthly amortization (MA)} + \text{existing CSBANKI and other FIs' MA} + 5\% \text{ of credit card outstanding balance}}{\text{Gross Monthly Income (GMI)}}$

*Can be confirmed either with the bank, through the applicant or as approximated by the Credit Officer based on available information. In all cases, the credit investigator should check with the referred bank to ascertain the handling of the loan.

E. CREDIT HISTORY

An application should be checked versus the following:

1. Bank's Internal File

- CSBANK internal client records (to determine if client has existing deposits, existing/past loans and its handling)
- Office of the Foreign Assets Control (OFAC)
- Base 60 or Politically Exposed Persons (PEP)
- Database of applications (de-duplication)
- Internal (Bank's) Fraud List
- Directors, Officers, Stockholders and Related Interests (DOSRI) checks internal client records (to determine if client has existing deposits, existing/past loans and its handling)

2. External Credit Bureau

- No Credit Management Association of the Philippines (CMAP)/court case record in the last 5 years. No prescriptive period for reported replevin, foreclosure, estafa and Batas Pambansa (BP) 22. Findings on borrowers with probable court case findings due to common name, no middle initial/address shall not be treated as a deviation, but should just be noted in the Credit Evaluation Worksheet (CEW) (Appendix A) subject to notation of the approving officer. The approving officer will have to make his decision whether to approve or not based on merits of the account.
- No adverse or derogatory Bankers Association of the Philippines (BAP) Negative File Information System (NFIS), Credit Information Corporation (CIC), or other credit bureau findings in the last 3 years.
 - Applicants with adverse findings within the last 3 years may be considered and shall not require deviation approval provided balance is fully settled and evidenced by a submitted clearance, certificate of full payment or any proof of full payment.
 - If borrower has an existing loan with CSBANKI or other FIs which was granted after reporting date of the BAP-NFIS record and has a satisfactory payment history, BAP-NFIS record may be disregarded even if within prescriptive period.
 - Approval memo of other credit bureaus which the bank may engage in after the approval of this OPP shall include policy and guidelines on how to use the reports in processing and approval of loans.

3. There should be no loan history with CSBANKI or other banks with the following payment patterns:

- More than 2x 31-60 Days Past Due (DPD) in the last 12 months
- Instance of 61+ DPD

E. AVOID OCCUPATION LIST

1. Prominent figures, key government officials e.g., councilors, mayors, congressmen, senators

2. Purely commission-based earners
3. Collections agency employees
4. Escort services/Entertainers
5. Judiciary, i.e., judges, fiscals, prosecutors, sheriffs and other judicial employees
6. Media personalities/Celebrities
7. Call center agents
8. Policemen/Military Personnel
9. Priests/Clergies
10. Lawyers

Deviation on Avoid Occupation shall not be necessary if the borrower is a valued depositor, or has a past or existing loan, which has a satisfactory payment history, with other banks within the last 2 years.

As a precautionary measure in response to the ongoing worldwide pandemic brought by Covid, we will not entertain loan application from Overseas Filipino Workers/Seafarers in the meantime. However, spouse based in the Philippines has other source of income which is sufficient to cover the loan, we can proceed with the application processing on the basis of the local income. OFW income may be included as a supplemental income only

F. AVOID BUSINESS LIST

1. Gaming and raffle business
2. Adult businesses – escort services, adult bookstores and adult products or services
3. Dating services (online or offline)
4. Illegal drugs/Paraphernalia
5. Multi-level marketing and distribution business
6. Sports forecasting / Odds making
7. Call centers / Business process outsourcing
8. Networking / Telemarketing \
9. Collections agencies / Law firms with collections agencies
10. Entities administering or otherwise dealing in currency, commodities or financial derivatives based thereon, valuable objects, cash substitutes and other similar monetary instruments or property per Republic Act 9160 of the Anti-Money Laundering Council (AMLC)
11. Other high-risk business such as mining, dynamite fishing and other business which depletes natural resources/environment and have negative sustainability impact

G. BASIS OF INCOME

1. Employed

Document / Proof of Income	Employed Locally	Employed Abroad
Payslip	Require at least three (3) full month payslips to establish consistency.	Require at least three (3) full month payslips to establish consistency.

Document / Proof of Income	Employed Locally	Employed Abroad
	<p>Latest payslips issued within 3 months (reckoned from time of application shall be accepted). Example: Application Date: Jan 2022</p> <p>Required Payslips: Oct, Nov, Dec 2021</p> <p>Compute income based on indicated basic monthly income, fixed monthly allowances and 70% of variable income. $GMI = 100\% \text{ of basic monthly income} + 100\% \text{ of fixed monthly allowances}$</p> <p>If with non fixed/variable income: $GMI = 100\% \text{ of basic monthly income} + 100\% \text{ of fixed monthly allowances} + 70\% \text{ of variable income}$</p>	<p>Latest payslips issued within 3 months (reckoned from time of application shall be accepted). Example: Application Date: Jan 2022</p> <p>Required Payslips: Oct, Nov, Dec 2021</p> <p>Compute income based on indicated basic monthly income, fixed monthly allowances and 70% of variable income. $GMI = 100\% \text{ of basic monthly income} + 100\% \text{ of fixed monthly allowances} \times \text{Minimum Buying Rate}$</p> <p>If with non fixed/variable income: $GMI = 100\% \text{ of basic monthly income} + 100\% \text{ of fixed monthly allowances} + 70\% \text{ of variable income} \times \text{Minimum Buying Rate}$</p>
Certificate of Employment (COE)	<p>COE must be issued not more than 3 months from date of application, duly signed by HR, Finance or Accounting.</p> <p>Compute income based on indicated basic monthly income, fixed monthly allowances and 70% of variable income.</p> <p>If monthly income is stated:</p>	<p>COE must be issued not more than 3 months from date of application, duly signed by HR, Finance or Accounting.</p> <p>Compute income based on indicated basic monthly income, fixed monthly allowances and 70% of variable income.</p> <p>If monthly income is stated:</p>

Document / Proof of Income	Employed Locally	Employed Abroad
	<p>GMI = 100% of basic monthly income + 100% of fixed monthly allowances</p> <p>If with non fixed/variable income:</p> <p>GMI = 100% of basic monthly income + 100% of fixed monthly allowances + 70% of non-fixed/variable income</p> <p>If GAI is stated:</p> <p>GMI = GAI + Gross allowances /13</p> <p>If with non fixed/variable income:</p> <p>GMI = GAI + Gross allowances + 70% of variable income / 13</p>	<p>GMI = 100% of basic monthly income + 100% of fixed monthly allowances x Minimum Buying Rate</p> <p>If with non fixed/variable income:</p> <p>GMI = 100% of basic monthly income + 100% of fixed monthly allowances + 70% of non-fixed/variable income x Minimum Buying Rate</p> <p>If GAI is stated:</p> <p>GMI = GAI + Gross allowances /12 x Minimum Buying Rate</p> <p>If with non fixed/variable income:</p> <p>GMI = GAI + Gross allowances + 70% of variable income / 12 x Minimum Buying Rate</p>
Employment Contract	<p>Latest copy of Employment Contract duly signed by employer.</p> <p>If monthly income is stated:</p> <p>Income = 100% of basic monthly income + 100% of fixed monthly allowances x Guaranteed Months Per Contract</p>	<p>Latest copy of Employment Contract duly signed by employer.</p> <p>If monthly income is stated:</p> <p>GMI = 100% of basic monthly income + 100% of fixed monthly allowances x Guaranteed Months Per Contract</p>

Document / Proof of Income	Employed Locally	Employed Abroad
	<p>If with non fixed/variable income:</p> <p>GMI = 100% of basic monthly income + 100% of fixed monthly allowances + 70% of non-fixed/variable income x Guaranteed Months Per Contract</p> <p>If GAI is stated:</p> <p>GMI = GAI + 100% of fixed monthly allowances + 70% of non-fixed/variable income / 12</p> <p>If with non fixed/variable income:</p> <p>GMI = GAI + 100% of fixed monthly allowances + 70% of variable income / 12</p>	<p>Contract x Minimum Buying Rate</p> <p>If with non fixed/variable income:</p> <p>GMI = 100% of basic monthly income + 100% of fixed monthly allowances + 70% of variable income x Guaranteed Months Per Contract x Minimum Buying Rate</p> <p>If GAI is stated:</p> <p>GMI = GAI + 100% of fixed monthly allowances + 70% of non-fixed/variable income / 12 x Minimum Buying Rate</p> <p>If with non fixed/variable income:</p> <p>GMI = GAI + 100% of fixed monthly allowances + 70% of variable income / 12 x Minimum Buying Rate</p>

Document / Proof of Income	
Proof of Remittances	<p>Average remittances received at least for the last six (6) consecutive months (reckoned from time of application shall be accepted).</p> <p>GMI = Remittance 1 + Remittance 2 + Remittance 3 / 6 x 70%</p>
Commission	<p>Computation of income shall be based on 70% of average commission or non-fixed variable income. Proof of latest twelve (12) succeeding months commission or non-fixed variable</p>

Document / Proof of Income	
	<p>income should be submitted as basis of computation.</p> <p>Income = Sum of 12 months commission or non-fixed variable income / 12 x 70%</p>
Bureau of Internal Revenue (BIR) Form 2316	<p>Latest BIR Form 2316 duly signed by authorized employer signatory</p> <p>GMI = Total Non-Taxable/Exempt Compensation Income from Present Employer (Line 36) plus Gross Taxable Compensation Income (Line 23) / 13; or</p> <p>GMI = Gross Taxable Compensation Income (Line 23) / 13</p>
Online Employment Verification / Internet based salary scale or salary listing (e.g., Linked-In or company website of employer)	<p>Income from available data may be used; or average of listed salary bracket, if available.</p> <p>Proof of income shall be required to substantiate computed income.</p>

2. Self-Employed

Document / Proof of Income	
Verified Average Daily Balance (ADB)	<p>ADB from CSBANK or from other FIs for the last 3 months (validity reckoning = point of application).</p> <p>Example: Application Date: January 2022; 3 months: October, November, December 2021</p> <p>ADB relates to the total daily deposit balances for a given monthly period divided by the days in that month. The inflow and outflow of cash determines business activity and may be used as a measure in establishing liquidity.</p>

	<p>ADB may also be manually computed based on submitted bank statements.</p> <p>GMI = 20% of ADB</p> <p><i>If multiple owners of an account:</i></p> <p>GMI = 20% of ADB x % share</p> <p>Note: Multiple bank accounts may be used as long as account is existing for at least six (6) months.</p>
Average Monthly Credits (AMC)	<p>Manually computed average of 3 months' credits based on submitted latest bank statements from CSBANKI or other FIs (validity reckoning = point of application).</p> <p>Example: Application Date: January 2022; 3 months: October, November, December 2021</p> <p>This may be used as an alternative basis of income to measure cash inflows or sales.</p> <p>AMC = total of credits for Month 1 + Month 2 + Month 3 / 3</p> <p>GMI = 20% of AMC</p> <p>If multiple owners of an account: GMI = 20% of AMC x % share</p> <p>Note: Multiple bank accounts may be used as long as account is existing for at least six (6) months.</p>
Verified Trade Volume	<p>Income may be estimated and derived through trade checks by taking a % of the confirmed monthly volume of transactions.</p> <p>Income = 20% of average monthly trade volume. Note: Applicable for both supplier and customer.</p>

	<p>This may be only used to substantiate claimed income. Other acceptable proof of income shall still be required such as bank statements, Income Tax Return (ITR)/Audited Financial Statement (AFS), etc.</p>
ITR or BIR Form 1701/1702 / AFS	<p>Latest copy of BIR Form 1701 or 1702 or AFS duly stamped received by BIR/Bank.</p> <p>Compute income based on Total Operating Income divided by 12 months.</p> <p>GMI = Gross Income from Operation (Line 12) / 12; or</p> <p>GMI = Total Taxable Income – Compensation and Business Income (Line 24) / 12</p>
Lease Contracts / Proof of Rentals	<p>Based on latest lease contracts showing rental income from residential and/or commercial properties.</p> <p>Income = total monthly rental income x 70%</p>
Service Fees	<p>GMI = number of patients or clients validated during business checking x professional fee x number of days</p> <p>Transport business: GMI = number of units x boundary x number of days</p> <p>Proof of income shall be required to substantiate computed income.</p> <p>Other services: GMI = units x service fee x number of days</p> <p>Proof of income shall be required to substantiate computed income.</p>
Project Contracts	<p>GMI = verified contract cost x duration of contract x 20%</p> <p>Proof of income shall be required to substantiate computed income.</p>

Time Deposit / Placements	30% of the confirmed TD / placements for the past three (3) months
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H. AGGREGATE EXPOSURE

All lending to any one single customer is aggregated whether as a maker or a guarantor, for purposes of computing the approval authority level and the total debt-burden ratio.

For individuals with exposure to a Commercial Loan (as a surety/guarantor for the loan), the exposure shall be included and highlighted in the approval memo but will not be aggregated in the computation of the debt-burden ratio, and approving authority delegation shall only follow the exposure on the existing Consumer Loans with CSBANKI.

I. BORROWER'S RISK RATING (BRR)

BRR shall be used to assessed borrower's credit worthiness. Deviation approval shall be required for those with below passing score.

Refer to Annex D – Approved BRR per Product

Note: Facility Risk Rating is not applicable for consumer loans. The Bank had established terms and conditions per loan product which should address the Facility Risk Rating (FRR) factor.

J. RELOAN (for Auto and Home)

Reloan may only be allowed if existing loan with the Bank has been on books for more than 6 months with no past due records.

K. COOLING OFF PERIOD

Cooling-Off Period shall be applicable to first time CSBANKank borrowers only. Provision in the Circular indicates that cooling-off period may be applied to products availed by individuals and MSMEs which, among others, "Are consumer credit and retail banking products sold to or entered into by the above Financial Consumers for the *first time*, such as but not limited to credit cards; loans; pawning; trust products and other financial instruments.

1. Qualification:

- Cooling-Off Period should be two (2) banking days from the booking of loan;
- Applicable to borrowers who are (1) individuals, or (2) Micro or Small Enterprises, as defined in applicable Department of Trade and Industry (DTI) regulations. Note: micro if it has less than ten (10) employees, small if it has ten (10) to ninety-nine (99) employees;
- Loan term is more than one (1) year; and
- Loan amount is less than P500,000.00

Note: Cooling-Off Period is meantime not applicable to auto and smallbiz-chattel loans.

2. The Bank may charge or refund fees, and charges paid (except processing fee, appraisal fee, other reasonable costs incurred by the Bank), including documents submitted within a maximum period of fifteen (15) banking days from receipt of notice to withdraw or return.
3. No pretermination processing fee shall be charged to borrower.

IV. RISK ASSET PROCESS

A. TARGET MARKET

1. Target market is a specific group of clients that the Bank wants to do business with. These specific group of clients have been identified as credit prospects with financing requirements that can be met through the marketing of the Bank's credit facilities.
2. Target market planning is a continuous and evolutionary process involving the development and listing of alternative business strategies.
3. The objective of target market is to:
 - a. Identify business potentials
 - b. Define business opportunities
 - c. Adhere to identified marketing objectives and strategies
4. It shall be the responsibility of Lending Group head to have in place a business strategy that defines the kinds of customers, classes of risks, and industry concentration that the group wishes to pursue to accept.
5. The target plan should be in written form, subjected to periodic review and should be consistent with the Bank's existing business plans.

B. CREDIT INITIATION AND EVALUATION

The main objective in evaluation is to support the overall recommendation. It is therefore important that all information presented in the evaluation are complete and updated in order for the approving authority to get a good sense of the borrower's character and financial condition that will allow for an orderly repayment of the proposed credit.

Loan Solicitation and Pre-Screening

1. The Lending Group Sales Unit shall be responsible for soliciting applications from various approved channels.

2. Applications received either through fax, e-mail or solicitations go to the Pre-CI team where the minimum credit criteria are initially checked whether it passed the approved credit parameters.
3. Applications that didn't pass the minimum risk acceptance criteria (MRAC) are immediately rejected and sent back to Lending Group Sales Unit for proper disposition.
4. Queuing of the applications according to eligibility (existing depositors, 50%dp, etc.) to minimize the approval turnaround time can be decided upon by the Credit and Collections Group upon the recommendation of the Credit Department Head and Lending Group Head.

Internal and External File Checking

1. All applications shall undergo an internal and external file checking to determine if an applicant is an existing client of the Bank or has an existing/past negative record/s. List of checking indicated in III.D shall be followed.
2. Unless specifically indicated due to cost considerations, names of the borrower, co-borrower/co-maker, business name, surety of the company shall be checked for each application. In case of newly married applicants less than 5 years, the maiden name of the wife will also be checked.

Credit Investigation

1. The CCRG Credit Investigation Unit (CIAU) shall be responsible for the preparation of credit investigation reports being required by the different lending units of the Bank.
2. Credit verification is an essential part of the loan process. The key objective of this process is to ensure that the loan applications received through various channels genuinely belong to the prospective borrower, to validate the veracity of the information provided, and to deter any attempt to defraud the Bank.
3. All applications received must undergo thorough verification to ascertain the borrower's existence and authenticity of information provided, character and capacity. This is necessary for CCRG Credit Evaluation Unit (CEU) to arrive at a sound credit recommendation/decision. Any adverse information which surfaced during the course of verification process must be noted and must be substantially taken into account in the credit decision.
4. Credit investigation is conducted for the following reasons:
 - a. To assist in making a sound credit decision by establishing the credit worthiness of prospective clients;
 - b. To keep management constantly informed of developments relative to existing customers, specifically, on factors which may affect the latter's ability and willingness to pay;
 - c. To gather sufficient and relevant information necessary for effective granting of credit and collection efforts and other related tasks; and

- d. To support the non-financial aspect of the credit evaluation process as it provides data on the character, capacity, capital and external conditions of the subject of inquiry through various verification procedures.
5. Once an application passes the credit initiation and pre-screening, it is forwarded to the CCRG-CIAU for third party checking and verification on the borrower, co-maker, business or company.

The CCRG CIAU conducts the third-party verification and checking of information needed to enable the CCRG CEU to decide on the application.

All CI reports must clearly indicate the following:

- Name of Informant
- Position / Designation of Informant
- Date the investigation was made
- Name of Credit Investigator

Personal and Residence Verification

1. Personal information and residence shall be duly phone verified preferably using a listed number in a telephone directory, employer, bank, or homeowners/building condominium association. Proof of billing/bank statement or valid government issued IDs shall be required from the applicant/borrower with the same address prior release of proceeds if account is approved.
2. The following minimum information should be gathered by the credit investigator:
 - Full Name of borrower and co-maker/s o Present Residence Address
 - Permanent Address
 - Mailing Address
 - Date of Birth/Age
 - Civil Status
 - Citizenship
 - Sources of Income/Nature of work/business
 - No of Yrs. in Business/employment
 - Contact Numbers
3. All residence checking must be evidenced by a residence investigation report.

Employment Verification

1. Employment must be duly phone verified directly from the borrower's employer.
2. During employment verification, confirmation of employment, position, no of years in service, and estimated salary is gathered from the employer.

3. Employment verification must be done via a land line listed number. In case of a mobile phone only, field employment verification must be done. For recruitment firms/agencies, it is a must that it is registered in the Philippine Overseas Employment Administration (POEA)
4. For Overseas Filipino Workers who are land-based, an email confirmation from the employer of the applicant/borrowers' employment shall be considered as a verification provided a written COE or Contract is also submitted prior release of loan proceeds.
5. All employment checking shall be evidenced using the employment investigation report.

Business Verification

1. For self-employed individuals, their businesses shall likewise be verified via phone checking using the Business Investigation Report, including trade and bank checking
2. During Business verification, the following information are gathered:
 - Complete business name
 - Present business address
 - Permanent business address
 - Mailing business address
 - Complete name of business owners
 - Position of borrower in the business
 - Years in Operation o Nature of Business
3. It is a must that business must be verified via field if business address is same as residence. Other third-party checks that can be done are:
 - Verify if business telephone number is listed in the telephone directory
 - Business is listed at Department of Trade and Industry (DTI)/Securities and Exchange Commission (SEC) website
 - Business has an existing website o Bank checks to verify existing deposits
 - Trade checks to verify business volume and transactions
 - Professional listings, if doctors, lawyer, etc.
4. A business operation with a physical address is required because the address must be a place where service of process can occur. The following shall not be allowed:
 - Transient business address
 - Those who lease an address for a short period of time

- Mailbox address

Bank Checking

1. Bank checks can either be on the confirmation of deposits or existing/past loans. Deposits may be verified through the Branch Manager, Sales Officer, or Service Head. Loans may be verified through the Credit Department, Collections Department or Loan Operations Group (LOG).
2. Bank checks shall be evidenced using the bank check investigation report.

Trade Checking

Trade checks can be conducted by phone through a landline call of the suppliers or customers referred by the applicant/borrower. The suppliers/customers should be listed in the PLDT directory or has an existing website or listed in DTI/SEC website.

Collateral Inspection and Appraisal

The Borrower's capacity to pay shall always be the primary consideration in the extension of credit. The Bank shall, however, endeavor to have a fallback or a secondary source of repayment in the form of value-adequate and legally enforceable collateral/security.

Collateral taken in support of credit granted represents our second way out. It is not a substitute for repayment, and on a stand-alone basis, should not be considered as the basis for granting credit. It serves to support Bank's credit position as it provides the Bank some protection and stronger negotiating position.

The appraisal process provides us information on the value and marketability of the collateral in a forced situation. It provides the basis for evaluating how good our second way out is and the safety margin we have to recourse to the collateral to prevent loss. The marketability of collateral and probable sale value is an important consideration when collateral is obtained to protect Bank's position.

The basic objectives of appraisal / inspection of a property offered as collateral is to ascertain the following:

- a. Present appraised value and marketability / saleability of the property.
- b. Physical presence and location.
- c. Classification, i.e., either residential, commercial, industrial, or agricultural.
- d. Compliance of property with the existing policies on collateral acceptability, such as the verification of documents, encumbrances, etc.

Inspections primarily achieve the objective of ensuring the collateral exists and in proper condition so that values are maintained and safeguarded. This sets forth the general guidelines to be adhered to in the following cases:

- a. The use of internal or external/independent appraisers.

- b. Appraisal of various types of collateral/security, including agricultural properties.
 - c. Appraisal/re-appraisal of mortgaged and foreclosed properties.
1. Appraisal shall be conducted in the following cases:
 - a. Appraisal of collaterals for new loan applications;
 - b. Appraisal for ROPA prior to booking;
 - c. Appraisal of collaterals for restructured accounts; and
 - d. Other cases required by the Bank or by regulatory bodies.
 2. Inspection and appraisal must be done by qualified appraisers competent to assess the condition and value of the collateral.

The services of an accredited appraisal company are utilized to provide appraisal support in areas not readily serviced by the Appraisal Unit or during periods where the volume of appraisals cannot be accommodated by the In-house appraisers. Their services are also engaged to comply with the provisions set forth by the BSP.

Accreditation of External Appraisal Company is subject to approval of Vendor Management Committee (VMC) and acceptance of the appropriate supervising department of the Bangko Sentral¹⁰, as applicable.

3. Use of Internal and External Appraisals

Internal Appraisal

- a. For accounts with collateral securing total accommodation/facilities of up to Twenty Million (Php20,000,000.00) Pesos, initial and subsequent appraisals shall be done by an internal appraiser. Appraisal Report shall include valuation based on comparable unit / properties (located within the vicinity).
- b. For control purposes, re-appraisal should be undertaken by an internal appraiser other than the one who did the previous appraisal.
- c. For construction loans, project cost shall be available prior endorsement to internal appraiser. Progress inspection shall be done by the internal appraiser.

External Appraisal

- a. The appraisal of the following properties shall be conducted by an independent appraiser acceptable to BSP in compliance to the policies included in the BSP MORB and other related regulatory guidelines:

¹⁰ BSP MORB 112. Authority to outsource. Only those banks with a CAMELS composite rating of at least “3” and a Management rating of not lower than “3” shall be allowed to outsource designated activities without prior Bangko Sentral approval. Otherwise, the bank must secure prior approval from the appropriate supervising department of the Bangko Sentral whose evaluation will be based on the bank’s ability to manage risks attendant to outsourcing.

- i. For accounts with collateral securing total accommodation/facilities of over Twenty Million (PhP 20.0 MM) Pesos;
 - ii. Physical collaterals offered, such as real estate, at the time of restructuring for loan amounts beyond P5.0Million;
 - iii. ROPA/property offered for Dacion, with carrying amount exceeding P5.0Million;
 - iv. In case of appraisal assignments requiring highly technical appraisal expertise (e.g., highly specialized machinery and equipment);
 - v. On a case-to-case basis, regardless of amount, the Bank may also engage the services of external appraiser in the inspection and appraisal for regular loans or re-appraisal of ROPA.
- b. To ensure the accuracy of information contained in the reports, this shall be validated by the Appraisal Unit of the Bank.
- c. Property valuations done by an accredited external appraiser shall be validated by internal appraiser.
 - i. External Appraised Value (AV) by 5% maximum: Accept External AV as basis of LTV but shall be disclosed in the CEW/CRAM
 - ii. External Appraised Value by more than 5%: Use Internal AV as basis of LTV. If Lending Group pursues use of External AV, deviation should be subject to the approval of Chief Operating Officer (COO).
- d. To ensure objectivity, the assignment of appraisal to external appraisers shall be on rotation basis. An external appraiser which previously appraised a property, shall not be assigned to re-appraise the same in the next appraisal. In exceptional cases, especially in areas where there is shortage of available external appraisers, Appraisal Unit Head shall be responsible in determining if rotation on assignment would warrant an exemption subject for approval of the COO.

4. Validity of Appraisal Report

Initial Appraisal Reports, whether internal or external, are valid for one (1) year for real estate and three (3) months for motor vehicle / merchandise, from date of the Appraisal Report, provided there are no incidents or events that will adversely affect the value of the property (i.e., squatters, flooding issues).

For real estate, if loan was approved using the initial appraisal and was availed within the validity of loan approval, the Bank may consider validity of the initial appraisal report for two (2) years.

However, appraisal report shall be valid for six months prior loan booking. Otherwise, validation via table appraisal from internal appraiser shall be required.

5. Depending on the purpose of request, Appraisal Report may be prepared in two (2) ways:

Ocular Appraisal – a comprehensive appraisal report comprising of the actual inspection of the property, location pinpointing via tax mapping verification or other means of location verification, title verification, plotting of the property, analysis of the data gathered at the site and at the office, and the preparation of the appraisal report.

Table Appraisal – valuing the property without personally inspecting the property or doing ocular inspection. The market values are based on the data gathered from various sources. The term table was used to denote that the appraisal value or valuation was done on the “working area” of the appraiser’s table only. Unless otherwise specified in the appraisal request form, all appraisal of properties is conducted through actual ocular inspection. In cases where actual ocular inspection is not possible, this should be indicated in the report with the corresponding reason. This type of report is applicable but not limited to the following:

- i. To determine the initial acceptability and tentative valuation of properties being offered as collateral by the prospective clients;
 - ii. To determine the appraised value of property urgently needed relative to legal actions, reclassification, reportorial requirements and collection agency billings;
 - iii. To determine tentative status of the construction progress of proposed building projects based on validation pictures submitted by the Bank’s personnel / clients.
6. Collateral re-appraisal and inspection
 - a. This shall be done periodically according to the approved guidelines set for each product or facility.
 - b. Collateral inspection and appraisal shall be done periodically (except for consumer loans, which will be re-appraised in cases mentioned in Item c) as follows after initial acceptance:

	Initial Appraisal		Re-Appraisal		
	Internal	External	Internal	External	Schedule
Below 20.0M	√		√		Every Other Year

	Initial Appraisal		Re-Appraisal		
	Internal	External	Internal	External	Schedule
Above 20.0M		√		√	Every Other Year
ROPA/Decision above 5.0M		√	√		Every Other Year
ROPA/Decision below 5.0M	√		√		Every Other Year
Restructured above 5.0M		√		√	Annual
Restructured below 5.0M	√		√		Annual
Merchandise Inventory	√		√		Quarterly - At least 5% of inventory (by number or value)
Regular Consumer Loans / Auto Fleet / Truck Loans	√		√		Every Other Year (allow table appraisal)

The above frequency represents minimum requirement and also holds true for Acquired Assets. The Relationship Manager may increase the frequency should the situation so warrants. Inspection and appraisal should be done whenever the amount of credit granted/lines is increased

- c. An immediate re-appraisal shall be conducted in the following cases:
 - i. Where there are evident adverse economic or market conditions which have occurred materially affecting the mortgaged properties which can lead to deterioration of collateral values or might jeopardize the Bank's interest;
 - ii. When an account has deteriorated as shown by past due incidences;
 - iii. There are new / additional improvements and additional accommodation has been requested;
 - iv. Re-appraisal of existing collateral and appraisal of additional collateral as initiated by the Lending Group for purposes of strengthening our collateral position;
 - v. There was a request for collateral substitution;
 - vi. Account was endorsed for litigation.
 - vii. As requested by unit in charge of ROPA to update the value of the property and/or there are interested or committed Buyers;
 - viii. Monitor progress of construction.

7. Appraisal Fee

- a. External Appraisal
 - i. The cost of engagement is to be borne by the borrower through the front-end fees collected to cover appraisal and miscellaneous expenses. This must be made clear prior to engaging the services of an independent appraiser.
- b. Internal Appraisal
 - i. Cost of internal appraisal shall be borne by new and existing clients availing of a secured credit facility that will necessitate appraisal/inspection of collateral/property.
 - ii. Project appraisal fee shall be charged to the Developer.
 - iii. This shall also apply to requests for increase in facilities where putting up of additional collateral may be required.
 - iv. For accounts, where the appraisal fee would be shouldered by the Bank as marketing expenses, an approval from the appropriate approving authority should be secured.
 - v. Re-appraisal fee for existing/regular consumer loans, auto fleet, truck loans shall be waived.
 - vi. In the case of ROPA accounts, all expenses incurred in connection with the appraisal shall be charged to the ROPA account.
 - vii. For accounts under Items In Litigation (ITL), appraisal fee shall form part of the foreclosure expenses.

Credit Evaluation and Approval

1. The credit evaluation and approval of an auto loan application shall be governed by the following:
 - Auto Loans Credit Parameters/Criteria
 - Income Determination
 - Collateral Valuation

2. Approval Medium

- a. The CEU takes care of the evaluation and approval recommendation of the loan. They are responsible in making sure all the necessary credit information were gathered and exceptions highlighted to come-up with a sound credit decision.
- b. The Credit Evaluation Officer shall be responsible in making the recommendation through the preparation of the CEW, and ensure that all the relevant data, information, exceptions (if any) have been clearly written and stated and the approval has been signed by the appropriate approving authority.
- c. The Credit Investigation Reports (CIRs) are included and filed together with the CEW while the account is being evaluated and routed for final approval.

C. CREDIT APPROVAL

Approval Matrix

Loan approval for the auto loan program shall follow the approved delegated individual lending limits. Please refer to Annex A - Delegated Approving Authority Matrix.

For loan restructuring, it shall follow the existing approved policies of the Bank to restructure loan accounts.

Deviation Handling

The Credit Officer shall be responsible in identifying deviations and shall be guided by the approved credit parameters. All policy deviations to the credit parameters shall be highlighted and justified in the CEW.

Approval of applications with deviations shall be subject to hierarchy of approving authority. Identification of deviations are likewise indicated in the same matrix.

Validity of Loan Approval

Auto Loan

Approved Auto Loan applications shall have a validity period of thirty (30) days from original approval date. Accounts with lapsed approval of >30 days to 60 days shall be reprocessed and the following actions shall be done.

- a. Re-do internal/negative file check
- b. Confirm with the client the availment of the loan and re-verify/re-confirm residence address and income sources. No need to re-do full Credit Investigation report.

For lapsed approvals at >60days, full credit investigation must be performed similar to New applications. If prior field visit was performed, re-visit will be at the discretion of Credit Department Head.

Reprocessed accounts due to lapsed approval may be approved by the Credit and Collections Group Head regardless of loan amount, provided:

- a. There are no new/additional deviations.
- b. There are no changes in the previously approved loan terms and conditions.

Reprocessing which will result to new/additional deviations or changes in previously approved loan terms and conditions shall be elevated to the appropriate approving officer.

Home Loan

1. Approved Home Loan applications shall have a validity period of six (6) months from original approval date.
2. Accounts with lapsed approval of >6 months shall be reprocessed and shall require full credit investigation similar to new applications.
3. Reprocessed accounts due to lapsed approval shall be approved by the appropriate approving officer.

Reconsideration

Reconsideration may happen if there are requested changes in the approved loan term, collateral or loan conditions. Appropriate checking may be performed to support requested changes.

Reconsideration resulting to	Approver
New deviations	Appropriate approving officer
Lower amount / higher DP / lower unit price / lower variant with no new deviations	Credit and Collections Group Head
Higher loan amount	Appropriate approving officer
Change in tenor but within policy	Credit and Collections Group Head
Change in collateral	Appropriate approving officer
Change in address, birthdate, name but no change in loan terms and no negative records when rechecked in credit bureaus	Credit Evaluation Unit
Inter-change borrower and co-maker	Appropriate approving officer
Other reconsideration requests which will not result to change in loan details/no additional deviations/better loan term	Credit Evaluation Unit
If previously approved by the Credit Committee and reconsideration resulted to better terms and conditions without resulting to new deviations	Credit and Collections Group Head

Loan Cancellation and Rejects

Decline reasons should be properly tagged and recorded for each account for reporting purposes. These will be used to analyze the quality of applications being received and sourced by the Lending Group. The CEU shall be in charge of logging all rejected and cancelled applications through the monitoring system/file.

Rejected or cancelled accounts (reasons other than fraud) may be reprocessed upon endorsement of the Lending Group Head.

D. DOCUMENTATION AND DISBURSEMENT**General Documentation Policy**

1. Required documentation essential to the validity of the credit granted must be on hand and legally enforceable before availment of the credit.
2. Evidence of debt is legally enforceable only if such documents are executed by borrowers/signatories duly authorized to execute them.
3. Documents submitted by the borrower must show complete information that shall support the borrower qualifications. Submissions must be verified with proper procedure to ensure authenticity, free of tampering, or are not falsified.
4. A list of all credit documentary requirements and collateral documents shall be followed and checked on to ensure submission of complete documents prior to approval or release of loan proceeds.
 - a. Proof of Identification – Application Form, Identification Documents
 - b. Proof of Income – Payslips, Latest Income Tax Return (ITR), Audited Financial Statements, Bank Statements
 - c. Proof of Security / Collateral – Transfer/Condominium Certificate of Title, Tax Declaration, etc.
 - d. Proof of Indebtedness – Promissory Notes, Disclosure Statements, Mortgage Agreement, and other loan agreements
5. Any waiver or deferral of receipt of required documentation must be approved by the proper delegated authority.
6. Documents submitted should be in compliance with the Anti-Money Laundering regulations, BSP and other regulating bodies.

Loan Documentation

- a. Official Receipt and Certificate of Registration (Auto Loan)

- i. The Certificate of Registration and Official Receipt of the collateral vehicle shall be submitted to the bank within 30-45 days from release of proceeds. The accredited dealer with executed Dealer Financing Agreement shall submit an Undertaking to Deliver the OR/CR and shall be closely monitored by the Documentation Review Department (DRD) to ensure timely submission.
 - ii. Given this, the loan proceeds are released to the dealer prior registration of the Promissory Note/Chattel Mortgage and encumbrance of the Official Receipt and Certificate of Registration.
- b. Proof of Identity
- i. Individual Borrower
 - Clear copy of any one (1) of valid government issued IDs per MORB X806.2.c.
 - For Auto Loans, Valid ID of borrower and co-maker required. At the minimum, valid driver's license of borrower or co-maker should be on file. In cases when a third party will use (drive) the vehicle, certification and valid driver's license should be on file.
 - ii. Self-Employed/Corporate Borrower:
 - Copy of DTI registration for sole proprietorship
 - Copy of SEC registration for corporation
 - Business permit

For repeat clients who still maintain the same business when they were first approved, they should not be required to submit business registration documents again except for those clients whose business registration may have already expired from the time they first submitted their documents on their previous loan.

 - Secretary Certificate/Board Resolution shall be required prior to loan application except for dealer generated accounts wherein document should be submitted prior to release of unit.
- c. Proof of Income
- Submitted (acceptable) proof of income
 - ITR is required for loan exposures >P3.0M
 - Non-submission of ITR may only be allowed for the following cases:
 - If borrower provides hold out collateral (loan must be 100% hold-out on deposits per BSP Circular no.622)
 - If subject borrower is an Overseas Filipino Worker (OFW) and / or income comes from OFW spouse, subject to submission of Contract

of Employment (per RA 8424, otherwise known as Tax Reform Act of 1997)

- If borrower submits BIR Form 2316 (W2) or pay slips for at least 3 months immediately preceding the date of loan application (applicable to borrowers whose only source of income is compensation and the corresponding taxes on which has been withheld at source-per BSP Circular no. 622)
- If the principal borrower's income is sufficient to service the loan, ITR of the spouse / co-maker need not be submitted
- Annual updating shall be required for borrowers with original loan amount exceeding P3.0M.

d. Other Documentary Requirements

Please refer Loans Documentary Checklist in respective Product Manual.

Security / Support Documentation Review

1. LSRAD is responsible for the review of documents and ensuring that these are legally enforceable while LOG - Documentation Review Unit is responsible for the review of the documents required prior to booking of the loan
2. Proper documentation is necessary to safeguard the interest of the Bank in granting of credit since it is a critical factor in the final determination of the rights and obligations of parties to a transaction. Any defect in the documentation will seriously and adversely affect the Bank's creditor position and experience has shown that the root cause of losses lie in documentation deficiencies and/or inadequacies.
3. Proper approval is required for any waiver or deferral of receipt of required documentation prior to the release of loan proceeds. When deferral is approved, the expected date of receipt of documents should be clearly stated in the transaction medium and compliance should be monitored.
4. Existing policies on the safekeeping and release of collateral shall apply.

Issuance of Notice of Approval / Credit Advise

1. The main purpose of the Notice of Approval / Credit Advise is to inform the borrower that the loan has been approved, as long as certain conditions are met. The letter in a sense serves as a cover letter to the actual contract that will be signed by both the lender and the borrower.
2. Receiving a notice of approval does not place the applicant under any obligation to pursue the loan through that particular lender.

Collection of Fees

1. All financial charges on each loan transaction shall follow existing guidelines. Other additional charges for the account of the borrower shall be stated in the product manual with the corresponding specific amounts for each (e.g. processing fee, appraisal fee, etc.).
2. Loan fees and charges shall be set by Treasury.
3. Fees and charges are subject to revision by the Bank.
4. Bank Charges shall be collected prior to loan release or deducted from proceeds.
5. Interest Rates – Borrowers shall be charged interest rates based on prevailing lending rates set by Treasury.
6. Repricing of accounts with non-fixed rates shall be based on the rates set by Treasury. Requests for rate change is subject to the approval of the delegated authority in accordance with authorities allowed of them.
7. Waiver/reduction on payment of fees shall require appropriate approval.

Refer to Annex E- Approving Authorities on Waiver/Reduction of Fees, Penalty and/or Interest.

Registration of Mortgage

1. Registration of Mortgage with the Registry of Deeds (in case of real estate properties); Land Transportation Office (motor vehicles) shall be handled only by Authorized Bank Personnel.
2. In the event that the client shall assist in the processing of transactions, the authorized bank personnel shall hold the documents for the client. It shall be the responsibility of the Bank personnel to submit and thereafter, receive the documents to / from RD personnel. At no instance, shall the client be allowed to handle the documents once these were already turned-over to the Bank personnel.
3. Computation of registration expenses and the registration of collateral documents shall be handled by the Bank. However, the Account Officer shall be responsible in relaying the amount of registration to the borrower.
4. Registration fees shall be paid by the client in advance. It may be collected in cash, check, or debited from the account of the borrower. Exceptions or deviations shall be subject to the approval of the delegated authority.

Policy on Insurance

1. Chattel and real estate whether these are registered or unregistered mortgages must be covered by fire and theft (for movables) insurance under a policy issued by an approved insurance company and duly endorsed to the Bank. It is the responsibility of the Account Officer/Credit Officer to determine if any special insurance is required.
2. General Guidelines
 - a. To protect the mortgaged property against any loss or damage, the borrower shall be required to insure the property against any loss or damage by fire and earthquake at its full insurable value with the Bank's accredited insurance companies during the term of the loan. The issued insurance policy shall be endorsed in favor of the Bank.
 - b. The insurance policy shall be carefully examined to ascertain that the:
 - i. Properties mortgaged are clearly covered by the policy;
 - ii. Amount of coverage is adequate; basis of coverage shall be the appraised value per appraisal report.
 - iii. Premium has been paid;
 - iv. Policy has not expired/ lapsed; and
 - v. Policy is endorsed to the Bank.
 - c. The insurance policy must be enforceable at all times during the whole term of the credit accommodation. Availments should not be allowed until the insurance policy is delivered to the Bank together with the premiums.
 - d. Insurance policy should come from accredited insurance companies of the Bank. Acceptance of insurance policy from non-accredited companies shall be subject to the approval of the delegated authority in accordance with authorities allowed of them.
 - e. Insurance cover shall be secured on the following schedule:
 - i. For mortgaged assets - before any drawdown or availment of the loan
 - ii. For construction projects - contractor' all risk insurance is required, then upon 90% completion, fire insurance cover is required.

Any exception on the above provisions shall be considered a major deficiency that shall require approval.
 - f. The effectivity date of the insurance policy shall not be later than the date the loan is released.
 - g. Expired policies should be renewed based on existing guidelines.

- h. The Account Officer shall be primarily responsible for ensuring that insurance coverage is current/ updated through the prompt payment of insurance premiums.

However, all insurance premiums shall be for the account of the Borrower and shall be paid either by deduction from loan proceeds, debiting to Account of Borrower or via check payments.

- i. Properties mortgaged to the Bank shall remain insured until the loan is fully paid.
- j. Any deviation, deferment or waiver on insurance should be subject to the approval of the delegated authority.
- k. In case of loss in the insured risk, any settlement claim or payment from the insurance company shall first be applied in payment of Borrower's outstanding loan obligations. Any excess in the insurance proceeds may be released to the Borrower.

3. Types of Insurance Coverage

- a. For Auto, Comprehensive insurance covering loss, damage, acts of God, and third party property damage, equivalent to the suggested retail price for brand new unit or appraised/market value of the vehicle for renewals and second-hand units.
- b. Fire Insurance is an insurance used to cover damage to a property caused by fire. It covers the cost of replacement, reconstruction or repair. Improvements are required to be insured against fire, by an insurer accredited by the Bank, for an amount at least equal to the appraised value of the improvements.
- c. Mortgage Redemption Insurance (MRI) is a specialized form of life insurance. MRI unburdens the borrower's dependents of financial worries in case of the debtor's untimely death. The plan takes care of the remaining loan balance, thereby protecting the financial interests of both the borrower's dependents and the credit itself. Insurance amount shall be in accordance with the schedule in the master policy. Assignment of applicant's own life insurance from an accredited insurance company in lieu of the MRI is acceptable provided that the policy sufficiently covers the obligation to the Bank. Multiple life insurance policies from accredited insurance companies are allowed as long as the total amount of life insurance policies will cover the entire loan amount.

4. Requirements

- a. Upon approval of loan application, the Bank shall require to:

- i. Submit (guarantee) PDC or ADA Form as mode of repayment for succeeding insurance renewal/s covering the entire loan term except for those who have availed of insurance related Bank programs/promos (i.e., insurance bundle). Any deviation shall require approval of the Chief Operating Officer;
- ii. Sign an undertaking to submit insurance renewal within required timeline. For borrowers who have availed of insurance related programs/promos (i.e., free insurance), Automatic Renewal Arrangement (ARA) should be submitted.

Insurance Renewal Guidelines

The following accounts may no longer require insurance renewal:

- All delinquent/uncontacted/unlocated chattel (auto) loan accounts shall no longer be required to have insurance coverage provided all efforts to skip trace and locate the client has been exhausted. Collection Report shall be provided by CCRG-Collections Department
- All accounts referred to Legal (whether chattel, fire or MRI regardless if ITL or not
- Chattel mortgage (auto) accounts that are
 - Amount finance is below P1.2M
 - Under ITL
 - Undergoing foreclosure
 - Charged or to be charged with Sum of Money or Replevin
- Current or past due accounts with three (3) or less remaining amortizations
- In cases where the value of land is sufficient to cover the outstanding loan exposure except if the improvement is the operating asset or is the source of revenue generation.

Guidelines on Automatic Insurance Renewal

1. Upon approval of loan application, the Bank shall require borrower to:
 - i. Submit (guarantee) PDC or ADA Form as mode of repayment for succeeding insurance renewal/s covering the entire loan term except for those who have availed of insurance related Bank programs/promos (i.e., insurance bundle). Any deviation shall require approval of the Chief Operating Officer;
 - ii. Sign an undertaking to submit insurance renewal within required timeline.
2. RM is responsible for ensuring that the policy is renewed prior to expiry date. If not renewed, RM should obtain approval for continuance of credit facility despite expired insurance coverage.
3. In order to protect the interest of the Bank, RM in coordination with Loans Operation Group shall automatically secure the insurance coverage of the

mortgaged properties should the borrower fail to deliver the insurance policy to the Bank.

4. In cases when the check bounced or ADA is unfunded, the Bank shall declare the entire loan as due and demandable. Legal Services and Regulatory Affairs Department shall send demand letter to borrower.
5. Collection efforts should be done to collect payments advanced by the Bank. Payments shall be completed prior release of collateral. Note: amortization payment will be applied following the regular payment hierarchy (excluding AR).
6. Should borrower later submit to the Bank his/her own policy covering the mortgaged properties and requests to cancel the policy that the bank has secured, the following guidelines shall be strictly enforced:
 - a. The insurance policy being submitted by the client must have been secured from an accredited insurance company.

A service fee plus the reimbursement of short rate premium, DST and other taxes that goes with the policy to be cancelled shall be collected from the client or charged to the Lending Unit handling the account.

Request for Availment/Loan Implementation

1. Disbursement / Loan Implementation may be done after the bank has ensured that all the documents pertaining to the release of the loan have been executed.
2. The loan may be disbursed in full or in staggered basis; depending on the approved terms and conditions.
3. In case of staggered loan releases, the releases may be discontinued either by voluntary request of the borrower or bank-initiated (in case of events of default). On both cases, the loan will be consolidated.
4. Manner of Releases:
 - a. For transaction involving acquisition, the loan proceeds shall be released in lump sum payable to the seller;
 - b. For refinancing of existing loan, the loan proceeds shall be released directly to the financial institution.
 - c. For equity, the loan proceeds shall be released to the borrowers either in lump sum or staggered releases based on the terms of approval.

E. ACCOUNT MANAGEMENT**Maintenance of Credit Information**

1. Required documentation essential to the validity of the credit granted must be on hand and legally enforceable before availment of the credit.
2. All documents relevant to the Bank's credit relationship with the client should be properly kept and periodically checked as inadequacy or absence of such documents may hinder the Bank from fully satisfying its claim against the Borrower or lose a preferential position over the client's assets on a worst case scenario.
3. Credit and Security folders / files shall be maintained for every borrowing account. Each folder must contain the following documents:
 - a. Proof of Identification – Application Form, Company Profile, Identification Documents and/or Cards
 - b. Proof of Security / Collateral – Transfer/Condominium Certificate of Title, Tax Declaration, Mortgage Agreement, Certificate of Deposits, Hold-out Agreement, etc.
 - c. Proof of Loan Approval – Credit Evaluation Worksheet (CEW)/Approval Medium, Appraisal Report and Credit Investigation Reports and photocopies of documents in the Security Folder.
 - d. Proof of Insurance Policy – Comprehensive Insurance, Fire Insurance, MRI or Life Insurance, Credit Group Life Insurance, Official Receipts for insurance premium payments or certification from the insurance company
 - e. Proof of Indebtedness – Promissory Notes, Disclosure Statements, Mortgage Agreement, Hold-out Deposits, and other loan agreements
4. Credit and security folders must be treated as confidential and only authorized personnel may have access to these folders against proper records.
5. Safekeeping and monitoring of original documents of each accounts booked shall be handled by LOG for consumer and back to back loans; and OSG for APDS loans.
6. Documents stored by LOG and OSG shall be scanned and uploaded in the system / Document Imaging System. Scanned images shall serve as digital back-ups to the physical documents stored in vault or warehouse.

7. Access to credit and collateral folders shall be restricted to authorized personnel. Credit folders are not to be taken out of the Bank premises without approval of the designated authority who shall properly take note of same and assume responsibility the file is returned.
8. The retention and safekeeping of all loan records and documents shall conform to guidelines and procedures set forth in the Bank's records retention and safekeeping manual.
9. Any release of the documents whether permanent or temporary should always be under dual control of authorized personnel.
10. The credit folders of fully paid loan accounts shall be transferred at the warehouse upon expiry of the retention period.
11. Disposal and destruction of the credit folders stored at the warehouse after the retention period have lapsed requires the approval of the authorized personnel.

Monitoring of Credit / Documentation Requirements and Deficiencies

1. Proper documentation is necessary to safeguard the interest of the Bank in granting of credit since it is a critical factor in the final determination of the rights and obligations of parties to a transaction. Any defect in the documentation will seriously and adversely affect the Bank's creditor position and experience has shown that the root cause of losses lies in documentation deficiencies and / or inadequacies.
2. Required documentation essential to the validity of the credit must be on hand and legally enforceable before availment / disbursement is allowed. It shall be the primary responsibility of the Account Officer to obtain the complete documents required for the accounts under his supervision.
3. Proper approval is required for any waiver or deferral of receipt of required documentation prior to the release of loan proceeds. When deferral is approved, the expected date of receipt of documents should be clearly stated in the transaction medium.

Yearly Updating of Documents

For as long as there is an outstanding loan balance, updating of the following requirements shall be required on an annual basis.

- a. LTO Official Receipt of Registration (if loan tenor is more than 3 years)
- b. Yearly Updating of Real Estate Tax with copy of RETR
- c. Annual updating and submission of ITR of the borrower for accounts with original loan amount over P3 Million
- d. AFS of the self-employed, proprietor or business borrower, for accounts with original loan amount over P 3 Million

- e. GIS for corporate accounts

F. COLLECTIONS AND REMEDIAL MANAGEMENT

Demise of a Borrower / Surety / Guarantor

1. Upon the demise of a borrower, co-borrower, or a surety, the AO, as part of his account management responsibility, should take immediate steps to assess the affected account to protect the interests of the Bank.
2. In case of death of the borrower, immediate filing of claims against the borrower's life insurance policy assigned or MRI shall be done, if any, and apply the proceeds thereof to the borrower's account. Any deficiency after such application and the application of the borrower's deposits must be recovered against the estate of the deceased borrower.

Loan Payment

The CCRG-Collections Department shall be in-charge of monitoring the loan payment via loan masterlist from LOG or through the system.

Past Due and Non-Performing Loans

1. Accounts shall be classified in accordance with BSP Circular 941 definition of Past Due and NPL.
2. Reporting of past due, as defined in BSP Circular 941, shall commence one day after curing period has lapsed. Curing period shall be set at 30 days maximum.
3. RTL accounts shall be classified following the provisions of BSP Circular 941 (i.e., RTL account may be classified as past due if within 31-90 dpd and not credit impaired).
4. Evidences of a credit impaired account may include, but not limited to (per PFRS 9):
 - a. Significant financial difficulty of the issuer or borrower
 - b. A breach of contract, such as a default or past due event (i.e., a borrower has failed to make a payment when contractually due)
 - c. The lender, for economic or contractual reasons relating to the borrower's financial difficulty, has granted a concession that the lender would not otherwise consider
 - d. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization
 - e. The disappearance of an active market for that financial asset because of financial difficulties

- f. The purchase or origination of a financial asset at a deep discount that reflects incurred credit losses
- 5. Accounts that are (1) more than ninety (90) days past due; or (2) Items in Litigation (regardless of aging); or (3) credit impaired shall be classified as NPL.
- 6. ITL accounts with compromise agreements shall be reported as NPL and subsequently to past due or current based on its payment handling.

Note: A compromise agreement will not automatically revert an account to current status. All payments in arrears needs to be updated.

- 7. Payments of interest and/or principal made by the Borrower shall be recognized as compliance to the required six (6) months observation period.
- 8. Above guidelines shall likewise be implemented for matured corporate/commercial loans.
- 9. Pursuant to BSP Circular 941 and 1011, the Bank may accrue interest provided account is not in NPL status.

Waiver/Reduction of Penalty Charges

Waiver or reduction of penalty and / or interest charges (upon endorsement of the Collections Department Head) may be allowed provided such waiver or reduction shall not involve the reversal of income already accrued.

Refer to Annex E – Approving Authorities on Waiver/Reduction of Fees, Penalty and/or Interest.

Pre-Payment of Loans

Pre-payment or advance payment of principal shall be allowed. Applicable fees shall be determined by the stipulations in the Loan Covenants.

Likewise, full settlement of the outstanding balance of the loan prior to maturity date shall be allowed and applicable processing fees shall be charged. This processing fee shall be for the additional handling cost, forgone income and cost of acquiring the loan not yet recovered.

Any deviation on prepayment or advance payment of principal and loan pre-termination shall be subject to the approval of the proper delegated authority.

- a. Home Loans

Two percent (2%) or P3,000.00 whichever is higher of the un-scheduled principal amount due. However, prepayment processing fee on account of early repayment

shall be waived if payment is made on or one (1) week before anniversary/repricing month/date. In such cases, approval for waiver shall no longer be required.

For loans pre-terminated on or before its fifth (5th) year, the resulting additional Gross Receipt Tax (GRT) on interest due to the correction of GRT rate shall be for the account of the borrower/s.

b. Auto Loans / Auto Fleet

- If partial payment is made ahead of maturity date, this is lodged to Accounts Payable to be applied as the amortization falls due.

Equal monthly amortization is already disclosed in the Promissory Note/Chattel Mortgage. Hence, amendment would result to amendment of chattel mortgage and re-registration which would entail another chattel mortgage fees.

- The Bank shall charge 5% pretermination processing fee, plus other cost/s to recover losses on rates, etc.

c. Automatic Payroll Deduction Salary Loan

No prepayment/pretermination fee shall be charged.

Note:

1. Borrower to submit an Amendment Request and specify whether the prepayment would result to lower monthly amortization or shortening of term.
2. As a result of prepayment, borrower shall be required to sign a revised amortization schedule.

Short Payment Threshold

To prevent deterioration of an account due to short payment, account may retain previous status. In effect, delinquency status should not worsen or flow to next bucket. Late penalty charges shall still be collected from borrower.

Threshold as follows:

	Threshold
Consumer (except salary) Loans	P500.00
Salary Loans	P100.00

Collections Management

1. The CSBANK develops and maintains a disciplined and vigorous process for the early identification and intervention for potential or existing problem credits.

The process ensures that timely and adequate management action is taken to maintain the quality of the credit portfolio, prevent further deterioration, and minimize the likelihood of future losses.

2. Problem credits refer to credits that display signs of potential problems and/or well-defined weaknesses such as those not performing according to the terms of the contract, or with credit quality impairment, or deficiencies relating to their approval and/or conduct that are not keeping with sound and prudent credit policies. These shall include past due loans, non-performing loans, and restructured loans (*BSP MORB X178.18.a*).
3. An account is considered delinquent / past due whenever interest, principal amortization or full amortization is not received on the scheduled due date. The objective in collections and delinquency management is to control the level of past due accounts in absolute terms and numbers within manageable levels.
4. Account Officers / Collection Officers are tasked to monitor the deterioration or improvement of the accounts they handle.
5. If no favorable repayment arrangement is made within a specified period, the Account Officer / Collection Officer shall endorse the account to the Remedial Management Unit for appropriate action.
6. CCRG - Remedial Management Unit shall adopt appropriate and cost effective workout, restructuring or remedial management policies, processes and strategies to revive and recover problem credits. These strategies shall take into account the specific condition of the obligor and the Bank's interest, in accordance with internal policy.
7. CCRG – Collections and Remedial Department/Lending Group shall not be precluded from immediately transferring the account to Legal Services and Regulatory Affairs Department (LSRAD) at an earlier stage if the situation so warrants, such as but not limited to non-starter, recurring incidence of past due, possible and/or change in the Bank's policy.
8. As a general rule, first payment default borrowers or accounts that have turned past due within the first six (6) months from booking date would require accelerated collection handling.
9. There should be no abandonment on collection actions until such time a case has been filed in court. Collections Department shall continue with its collection efforts until such time court case has been filed or upon instruction from LSRAD. Note: Accounts endorsed to LSRAD, regardless of aging, shall be tagged as RTL.

Loan Restructuring

The policy stated herein shall be pursuant to Section X304 – Past Due Accounts and Non-Performing Loans of the Manual of Regulations for Bank (MORB) and Circular 1011 – Guidelines on the Adoption of the Philippine Financial Reporting Standard (PFRS) 9 – Financial Instruments .

Loan Restructuring Definition

Restructured loans are loans where the principal terms and conditions of which have been modified in accordance with a restructuring agreement setting forth a new plan of payment. These are loan accounts given preferential payment terms in favor of or beneficial to both the borrower and the Bank to be paid over a longer period and/or with lower installment amount that eases the borrowers' financial constraints.

Note: To distinguish a restructuring loan from a loan conversion, loan conversions cover borrowers with existing loans / credit facilities (i.e., credit line, rediscounting line, etc.) subject of a renewal but opted to repay the loan under specific terms and conditions (i.e., term loan) with the purpose of retiring the loan at the end of the term via scheduled principal payments.

The modification may include, but shall not be limited to:

1. Change in principal due;
2. Change in maturity;
3. Change in interest rate and other charges;
4. Change in collateral;
5. Change in terms and conditions.

The modification may also include, but is not limited to the following alternative repayment/restructuring arrangement for loan settlement:

1. Temporary deferral of payment

This is usually a short-term arrangement to ease immediate financial pressure to the borrower. It is also called a payment break or moratorium.

A moratorium is different from a "grace period" granted in the original approval of a loan.

Guidelines in granting a moratorium:

- i. Moratorium should be only three (3) mos. up to one (1) year
- ii. Reasons to consider for the moratorium
 - a. Unexpected situations (e.g., job loss, disability, medical condition, death of immediate family, temporary loss of livelihood due to calamities)
 - b. Downturns in industry (economic conditions)

2. Move to an interest-only mortgage

This means that the borrower will only pay the interest due on the loan during a certain period, and not the principal amount due. This may be offered as an interest-only option for a maximum of one (1) year.

3. Extending the term of the mortgage

This means the term is extended, so you pay less each month (spreading the repayment over a longer period of time).

4. Capitalizing the interest and other charges

This alternative repayment arrangement allows borrower to amortize the outstanding loan balance and arrears which is paid over the remaining term of the mortgage. This may increase the monthly payments. This arrangement may be combined with a term extension so that the monthly payments are less.

Note: The Bank shall follow existing guidelines set forth by BSP for accounts that were granted temporary relief.

5. Voluntary Surrender (VS) / for Auto, Machineries, Equipments, etc.

This is a surrender of the collateral with prior written request from the borrower. A re-appraisal must be conducted to determine the deficiency between the appraised value of the collateral and the outstanding loan balance. Appraisal of collaterals shall be conducted by Bank's appraiser for credit facilities amounting to P5.0M and below, and by Bank's accredited appraisers for amounts above P 5.0M. If there is a shortfall, the bank shall demand payment from the client within the amortization period.

Note: Prior written request is not limited to signed Voluntary Surrender Form. Provisions in existing Agreements may be allowed in lieu of a separate Voluntary Surrender Form signed by borrower/s.

6. Dacion en Pago (for Auto and Real Estate)

This is mode of payment where the remedial action implemented provides for full payment of the loan and ownership of property is transferred to the Bank for the payment of a debt. Appraisal of collaterals shall be conducted by Bank's internal appraisers for credit facilities amounting to P5.0M and below, and by Bank's accredited external appraisers for amounts above P5.0M. If there is a shortfall, the bank shall demand payment from the client within the amortization period.

General Guidelines

1. This policy guideline is set as standard criteria in the loan restructuring process of the Bank. While agreements on loan restructuring should be

considered as management tool to maintain or improve the soundness of the Bank's lending operations, these should be drawn mainly to assist borrowers towards the settlement of their obligations, taking into account their capacity to pay.

2. In the restructuring process, the Bank shall encourage the borrower to improve the quality of the loan either by strengthening its financial capacity or by providing additional collateral.

The approval shall indicate among other things:

- a. The basis or justification of approval;
- b. Determination of the borrower's capacity to pay (i.e., viability of business, etc); and
- c. The nature and extent of Bank's exposure.

All efforts to improve Bank's security position and where possible obtain additional collateral or to "collateralize" clean outstanding and accrued interest/charges shall be exerted.

3. Bank shall have full discretion in the restructuring of loans in order to provide flexibility in arranging the repayment of such loans without impairing or endangering its financial interest.
4. Restructuring of loans granted to Related Parties / Directors, Officers, Stockholders and Related Interest (DOSRI) should be on arm's length basis.
5. Items in Litigation (ITL) and loans subject of judicially approved compromise, as well as those covered by petitions for suspension or for new plans of payment approved by the court or the Securities and Exchange Commission, shall not be classified as restructured loans but treated the same as ITL.
6. The collateral property shall be re-appraised to ensure its current market value. Periodic re-appraisal based on Bank's appraisal policy, is required during the life of the loan to be conducted by the following:
 - a. P5.0M and below – by the Bank's internal appraiser and should be re-appraised every year thereafter in accordance with pertinent provisions of the Manual of Regulations for Banks.
 - b. More than P5.0M – an independent appraisal company (following approved policy on appraisal and inspection) and should be re-appraised every year thereafter in accordance with pertinent provisions of the Manual of Regulations for Banks.
7. A restructured loan shall be granted a maximum carrying value up to 60% of the appraised value of the real estate security and the insured improvements, depending on its location, at the time of restructuring.

8. Improvements shall be covered by fire insurance based on Fair Market Value of said improvements. The Bank shall also require Mortgage Redemption Insurance or Credit Group Life Insurance, as applicable. Credit Group Life Insurance may be waived on a case-to-case basis. The insurer must be an accredited insurance company of the Bank and policy to be duly endorsed in the Bank's favor.
9. Restructured loans including capitalized interest are treated as performing loan if account is in performing status at the time of restructuring. Otherwise, restructured loan shall be considered non-performing.
10. Restructured loans, with or without capitalized interest, must be yielding not lower than Bank's prevailing lending rate at the time of restructuring.
11. A restructured loan shall be considered non-performing in case of default of any principal or interest payment after thirty (30) days (curing period) from contractual due date.
12. Restructured loans shall be classified in accordance with the Bank's Loan Loss Provisioning Policy and pertinent provisions of the MORB.
13. Non-performing restructured exposures that have exhibited improvement in creditworthiness may only be transferred from:
 - i. Stage 3 to Stage 1 after a total of one (1) year probation period [i.e., six (6) months in Stage 3 before transferring to Stage 2, and another six (6) months in Stage 2 before transferring to Stage 1; or
 - ii. Stage 3 to Stage 1, without passing through Stage 2, after twelve (12) months

Restructured accounts classified as "performing" prior to restructuring shall be initially classified under Stage 2. The transfer from Stage 2 to Stage 1 will follow the six (6)-month rule mentioned in item 13.i.

14. A second restructuring may be allowed on the following conditions:
 - i. There are reasonable justifications for a second restructuring;
 - ii. The loan shall be considered non-performing and classified, at least, Substandard;
 - iii. Restoration to a performing loan status and and/or upgrading of loan classification may be allowed if circumstances warrant an upgrading in accordance with item 13.
15. A current loan that has been restructured shall retain its current loan loss provision and classification.

Approving Authority

All restructured loans must be approved by the Board of Directors (BOD). While the approving authority may be delegated to the Bank Officers or Credit Committee, all approvals shall be reported to the BOD for confirmation.

As a general policy, approval for restructured loans shall be elevated to the next level officer (higher than the original approver) and should be within delegated limits. At the minimum, approval of CCRG Head shall be sought for APDS and Salary Loans.

Approval by the BOD shall be required for the following:

- a. Loans previously approved by the Executive Committee
- b. DOSRI loans (approval shall exclude the concerned director)

Restructured loans funded by foreign currency obligations shall require approval by the Monetary Board.

Approval Validity

Approval is valid up to sixty (60) days from the date of Board confirmation/approval.

Booking and Classification

1. Like any other loan, a restructured loan shall be documented by an Availment Sheet (AS) and a new Promissory Note. Booking of the loan shall only be implemented upon submission of standard documentary requirements, agreements (i.e., Approval Medium, Promissory Note, Restructuring Agreement, Amortization Schedule), and other documents that may be required by approver/s.
2. Unaccrued interest, which shall form part of the restructured loan amount, shall be booked under "Capitalized Interest on Restructured Loan".

Booking of restructured loan amount (PN #1) Principal Balance; (PN #2) Interest (accrued and un-accrued) and penalties, as applicable, shall be documented separately. Hence, this will result to two (2) Promissory Notes.

Note:

- i. The Bank may allow conditional waiver on penalty/ies subject to appropriate approval.
- ii. Accrual of interest earned on the restructured loan amount shall only be allowed if account is current and performing.
- iii. PN#2 shall not be subject to month-end accruals but interest will be computed on due date. Income on Accrued Interest Receivable (AIR) shall be recognized on cash basis. The un-accrued interest shall be recorded as "other deferred credits".
- iv. Cross default shall only apply when the restructured loan amount becomes non-performing.

3. Payment shall be applied in the following order: (1) Accounts Receivables; (2) Penalties; (3) Unpaid Interest; and (4) Principal
4. In case of default, Controllershship Group shall classify the account as past due and CCRG – Collections and Remedial Department will immediately refer it to Legal Services and Regulatory Affairs Department for appropriate action.

Acquired Assets – Implementing Guidelines for Foreclosure

1. Foreclosure is a process that allows the Bank to recover the amount owed on a defaulted loan by selling or taking ownership (repossession) of the property securing the loan. The foreclosure process begins when a borrower/owner defaults on loan payments (usually mortgage payments) and the Bank files a public default notice, called a Notice of Default or Lis Pendens.
2. A mortgagee may foreclose either judicially or extrajudicially, as governed by Rule 68 of the 1997 Revised Rules of Civil Procedure and Act. No. 3135, respectively.
 - a. A judicial foreclosure is done by filing a complaint in the Regional Trial Court of the place where the property is located. The judge renders judgment, ordering the mortgagor to pay the debt within a period of 90–120 days. If the debt is not paid within the said period, a foreclosure sale satisfies the judgment.
 - b. In an extrajudicial foreclosure, the mortgagee need not initiate an action in court but may simply file an application before the Clerk of Court to secure attendance of the Sheriff who conducts the public sale. This is done pursuant to a power of sale. Note that these two modes specifically apply to real estate mortgages. Foreclosure of chattel mortgages (mortgage of movable property) are governed by Sec. 14 of Act No. 1506, which gives the mortgagee the right to sell the chattel at a public sale. It has also been held that as regards chattel mortgages, the law does not prohibit that the foreclosure sale be done privately if it is agreed upon by the parties.
3. If the loan is not reinstated by the end of the pre-foreclosure period, the property will be sold at a public auction.
4. The Bank participates in the auction as a bidder on the property. The Bank/lender typically sets a minimum bid at foreclosure auction equal to the amount owed on the property plus fees and various costs to the lender.
 - a. If the Bank is declared as the winning bidder, the Bank takes title on the property, reclassifies the asset as ROPA – Real and Other Properties Acquired, and proceeds to dispose the same.
 - b. If a third party is the winning bidder, the purchaser at the auction sale concerned shall have the right to enter upon and take possession of such property immediately after the date of the confirmation of the auction sale and administer the same in accordance with the law.

5. Real and other properties acquired (ROPA) in settlement of loans through foreclosure (or dation in payment) shall be booked under the ROPA account as follows: (i) on the date of the entry of judgment in case of judicial foreclosure; (ii) on the date of notarization of the Sheriff's Certificate in case of extra-judicial foreclosure; and (iii) on the date of notarization of the Deed of Dacion in case of dation in payment (dacion en pago).
6. In the event of foreclosure, whether judicially or extra-judicially, of any mortgage on real estate, the mortgagor or debtor shall have the right within one (1) year after the sale of the real estate, to redeem the property by paying the amount due under the mortgage deed, with interest thereon at the rate specified in the mortgage, and all costs and expenses incurred by the bank or institution from the sale and custody of said property less the income derived therefrom.
7. Juridical persons whose property is being sold pursuant to an extra-judicial foreclosure, shall have the right to redeem the property until, but not after, the registration of the certificate of foreclosure sale with the applicable Register of Deeds which in no case shall be more than three (3) months after foreclosure, whichever is earlier.
8. The redemption price is computed based on the amount due under the mortgage documents, plus the interest and penalty rates specified therein, as well as all the costs and expenses incurred by the Bank/lender due to foreclosure and custody of the property.
9. Repossession of assets for the repayment of the client's obligations shall be done by LSRAD.
10. Lending Group in coordination with LSRAD shall ensure proper disposal and sale of acquired assets. Existing policies issued by the BSP and documented in ROPA Manual shall apply.

Sales Contract Receivable

Real estate loan properties may be acquired by the Bank when cash recovery in payment of loans and other credits is no longer possible. Since the Bank does not wish to carry properties in its Real and Other Properties Acquired (ROPA) portfolio for long period of time and entail ongoing holding costs, the Bank has to dispose ROPA on cash basis or sale on term basis under a Sales Contract Receivable (SCR).

Sales Contract Receivable is a mode of sale of real estate wherein the ownership (Title) is not passed on to the Borrower until full payment of the agreed selling price.

Features

1. Selling Price

- Third Parties – Fair Market Value of the Property
- Negotiation is open and subject to approval of the Management of the Bank.

2. Modes of Sale

- Cash - Full payment or at least thirty percent (30%) earnest money in cash or via check payment and balance of selling price payable within ninety (90) days from receipt of written notice of approval and subject to execution of Contract to Sell while Deed of Absolute Sale will be issued upon completion of payment.
- Installment or Financing – Please refer to proposed amendments below.

3. Downpayment

- At least 20% of agreed selling price, OR:
- On a case-to-case basis, the Bank may allow down payment below 20% but possession/move in is upon completion of 20% payment of selling price. The Bank shall require buyer to sign Reservation Agreement. This option shall be highlighted as deviation subject for approval of Asset Liability Committee.

Note: Only upon completion of the 20% down payment can the SCR be considered as performing assets

4. Term

Minimum of one (1) year to maximum of ten (10) years

5. Rate

Interest at prevailing market rate approved by Treasury and President subject to annual repricing.

6. Payment

Equal installments or in diminishing amounts via:

- Automatic Debit Arrangement
- Post Dated Checks
- Over the Counter

Note: The Bank may allow grace period on principal payments for a maximum of two (2) years.

7. Past Due Penalty

3% of the amount due for payment or a fraction thereof or 36% per annum.

8. Rescission

An SCR account may be rescinded subject to the terms and conditions of the contract and provisions of Maceda Law. This shall be discussed in the Asset Liability Committee taking also in consideration the circumstances (i.e., payment behavior, remaining loan term, outstanding balance) of the account.

In case where less than two years of installments were paid, the Bank shall:

1. Give the buyer a grace period of not less than sixty days from the date the installment became due.
2. If the buyer fails to pay the installments due at the expiration of the grace period, the Bank shall send notice of cancellation or the demand for rescission of the contract by a notarial act.
3. Thirty (30) days from receipt by buyer of the notarial cancellation, the Bank shall cancel the contract.

Note: Maceda Law covers all transactions or contracts involving the sale or financing of real estate on installment payments, including residential condominium apartments but excluding industrial lots, commercial buildings.

9. Insurance

For account of Buyer:

- Fire Insurance with coverage based on the appraised value of improvements on the collateral.
- If the selling price is equivalent or lower than the appraised value of the lot, fire insurance on improvement is optional.
- Assignment of life insurance may be secured at client's option.

Minimum Risk Acceptance Criteria

1. Target Market

- i. For employed and pensioners
- ii. For self-employed, partnership and corporation

2. Age

- i. For Individual Borrowers (Locally Employed/Self Employed/OFW)
 - At least twenty-one (21) years old
- iii. For Corporate Borrowers
 - Appointed JSS or signatory should be the majority shareholder of the company

3. Nationality

- i. For Individual Borrowers (Locally Employed/Self Employed/OFW)
 - Filipino citizen
 - Dual Citizen
 - Foreign national with proper work permit provided with Filipino co-buyer, applicable to condominium only.
 - Formerly Natural Born Filipino¹¹, applicable to acquisition of properties allowed by law
- ii. For Corporate Borrowers
 - Should be a registered company

4. Telephone Requirement

With residence, employment or business landline; postpaid mobile number may be considered as substitute for landline number

5. Internal Checking

Required (i.e. watchlist, PEP, etc) c/o CCG Credit Investigation Unit. Any finding shall be disclosed in the approval memo.

Note: External checking (i.e., BAP/NFIS/CIC) no longer required.

Evaluation, Approval, and Collections**1. Borrower's Risk Rating / Facility Risk Rating**

Not required.

2. Borrower's Risk Assessment Rating (BRAR)

¹¹ Reference: Article IV Sec 2 of 1987 Constitution: Natural born Filipinos are citizens of the Philippines from birth without having to perform any act to acquire or perfect their Philippine citizenship. Those whose fathers or mothers are citizens of the Philippines at the time of their birth and those born before 17 January 1973, of Filipino mothers, who elect Philippine citizenship upon reaching the age of majority. Article XII Sec 7: Save in cases of hereditary succession, no private lands shall be transferred or conveyed except to individuals, corporations, or associations qualified to acquire or hold lands of the public domain.

Required.

3. Evaluation

Buyer's Information provided by the Buyer shall be reviewed by ROPA Sales Unit and CCG – Credit Investigation Unit shall validate provided information.

4. Approval Authority

The confirmation of the sale to the purchase shall be made in accordance with the following authority:

Required Approver	Limits
Asset Liability Committee or as may be delegated by the Committee	Over P5.0 Million
Chairman and/or President or as may be delegated to the COO	For sale up to P5.0 Million

For RPT / DOSRI proposals, please refer to RPT / DOSRI Approval Matrix.

5. Approval Validity

Approval is valid up to ninety (90) days from the date of original approval.

Handling of Past Due Accounts

1. CCRG-Collections Department shall be responsible for the collection of defaulting and past due obligations of buyer/s.
2. There should be no abandonment on collection actions (c/o CCRG – Collection Department) until such time notice of cancellation or the demand for rescission of the contract by a notarial act has been sent to Buyer.
3. LSRAD to handle rescission of contract.

Any violation of the terms and conditions of the contract, shall give rise to the forfeiture of all payments made subject to provisions of the contract and other relevant laws (i.e., Maceda Law).

Curing Period/Reporting as Past Due and Non-Performing

1. Curing Period for SCR shall not exceed thirty (30) days. Reporting of Non-Performing shall be made starting at 31 dpd.
2. Payments of interest and/or principal made by the Buyer shall be recognized as compliance to the required three (3) months observation period.

Documentary Requirements

Pre-Approval

- i. Offer/Intent to Purchase and Buyer's Information Form
- ii. Photocopy of valid ID with three (3) specimen signatures; Proof of business registration
- iii. Proof of Income (i.e., Income Tax Return, Certificate of Employment with Compensation, Job Contract, etc.); ITR/AFS for business/corporate buyers
- iv. Proof Special Power of Attorney/Board Resolution/Secretary Certificate, as necessary (with copy of IDs of signatories)

Post-Approval

- i. Reservation Agreement (if down payment is below 20%)
- ii. Contract to Sell (upon completion of 20% down payment) or Deed of Conditional Sale
- iii. Amortization Schedule
- iv. Data Privacy Agreement
- v. Post Dated Checks or Authority to Debit

Write-Off of Accounts

Pursuant to MORB Sec 143, FIs are required to write off problem credits, regardless of amount, against allowance for credit losses (ACL) or current operations within a reasonable period as soon as such problem credits are determined to be worthless.

As defined in the General Accounting Department's (GAD) Manual under Accounts Receivable item No. 7 as follows: "Uncollected Receivables on loans, other credit accommodations, advances, and other assets may be written off against allowance for probable losses (valuation reserves) or current operations as soon as these are proven worthless."

Write off policy may be applicable to past due loans; or loan related receivables (i.e., identity fraud resulting to unauthorized transaction, unpaid insurance of matured/paid off loans where collaterals have been released; advances related to Real Estate Tax Receipt and other charges) deemed already as uncollectible.

Further, accounts being proposed for write off shall be fully reserved/provided.

Criteria for Write Off of Loan Accounts

1. More than one hundred eighty days (180) past due or within a reasonable period as soon as such problem credits are determined to be worthless (i.e., by virtue of cross-default provision, and
2. Have been reported to either CMAP, BAP, Loandex, Credit Information Corporation (CIC) or other credit monitoring agencies, and
3. Account should be in the jurisdiction of Legal Services and Regulatory Affairs Dept, CCRG – Collections Department, or Lending Group and appropriate

collection / demand letters have been sent and/or corresponding collection case have been filed but borrower:

- a. Remained uncooperative or can no longer be located;
 - b. No longer has the financial capacity to pay the loan, is bankrupt, or insolvent;
 - c. Legal Services and Regulatory Affairs Dept, CCRG – Collections Department or Lending Group has already exhausted all legal measures available to the Bank to collect on the account.
 - i. Collection from co-maker (if any) has been undertaken.
 - ii. The Bank has applied any deposit/placement balance (as authorized by a debit authority) to loan payment.
4. The Bank may allow write off without the required collection case filing in the following cases:
- a. Foreclosure would be disadvantageous to the bank since collateral has been impaired and has little realizable value.
 - b. Non-filing or non-pursuant of collection case due to any of the following:
 - i. Borrower and co-maker/guarantor are insolvent or their whereabouts are unknown, or earning capacity is permanently impaired;
 - ii. Expenses to be incurred are greater than the amount to be recovered;
 - iii. There are no leivable properties;
 - iv. Unfavorable judgement in case of a collection case;
 - v. Non-satisfaction of favorable judgement obtained in a collection case such as court decision stating the borrower/mortgagor is not the owner of the mortgaged property, or
 - vi. Account is classified as “Loss” which has been identified as requiring write-off in the current report period.

For Fraud Accounts:

- 5. Identity fraud as established by Legal Services and Regulatory Affairs Dept and Internal Audit Department.

Approval Matrix

The amount to be written-off shall depend on the following:

Basis	Amount	Approving Authority
For outstanding Non-Performing Loan (NPL)	<p>The outstanding loan amount including that of the booked Accrued Interest Receivable (AIR), other credit accommodations or advances made to or for the Borrower and substantiated claims of the Bank against the Borrower</p> <p>Note: Please refer to Related Party Transactions (RPT) existing policies and procedures for RPT accounts.</p>	Board of Directors
DOSRI Loans	Amount to be written off shall depend on the approval to be granted by the Monetary Board.	Board of Directors with Monetary Board approval

As a matter of policy, in the event that the loan is written off, it does not mean collection efforts shall cease. The Bank will pursue all the necessary means to collect on the loan account such as endorsement to collection agencies, filing of court cases, and the likes.

Note: The Bank shall retain Php 1.00 nominal value in the books and this should form part of the loan portfolio (SL and GL).

Implementing Guidelines

1. The concerned units of the Bank shall be the policy owner and Controllorship Group and Loans Operation Group shall be the final implementer of the actual “writing off” accounts once the process has been completed.
2. In case the written off-amount involved is substantial, the following shall be prepared/conducted for write off justification.
 - a. Credit Investigation Report on the borrower (shall only be prepared should the account require legal opinion due to pending case/s regardless of amount; and
 - b. Updating of the Inspection and Appraisal Report, if with collaterals.

3. A request for Application of Write Off shall be prepared by LSRAD / CCRG- Collections Department / Lending Group. The recommending unit shall consolidate all necessary data (i.e., account name, credit facility, approved loan amount, outstanding balance, date granted, date of last payment, collateral details, appraised value, last appraisal date, status, etc.) and prepare the necessary recommendation (including background of borrower, payment performance, reason for default in payment, collection efforts undertaken, cases filed) covering loan accounts to be written off.
4. Risk Management Department shall confirm if accounts to be written off were fully provisioned and assess if justifications provided are enough to warrant write off.
5. This shall be discussed in Credit Committee taking also into consideration the Bank's current tax position, whether writing off problem credits will redound to a tax benefit or not.

Please note provisions stipulated per Bank's Accounting Manual¹²

6. The request for write off shall require prior approval by the Board of Directors.
7. Notice of write-off of problem credits shall be submitted by the Controllershship Group in the prescribed form to the appropriate supervising department of the Bangko Sentral within thirty (30) business days after every write-off with a sworn statement signed by the President or officer of equivalent rank that write-off did not include transactions with DOSRI and was undertaken in accordance with board-approved internal credit policy.
8. Frequency for write off of accounts shall be left to the recommendation/discretion of the management.

¹² 3. Realization of the tax effects of the provision for loan losses is assured beyond any reasonable doubt if conditions exist which indicate that the bank is expected to realize future (within five years) taxable income large enough to absorb the tax benefits of deferred income tax, that is, if actual write-offs for tax purposes (reversals of deferred income tax) will actually result in reducing the amount of income tax currently payable in the tax return.

4. If the conditions cited above are not present, existing balances of deferred income tax, where the tax effects are not expected to be realized in future reporting periods, shall be charged as loss against operations in the year the realization test condition is determined as not existing.

The tax effect of a timing difference shall be measured by the differential between income taxes computed with and income tax computed without the inclusion of the transaction creating the difference between taxable income and pretax accounting income. Therefore, if, without the timing difference, no income taxes are currently payable, deferred income tax shall not be provided. This avoids creating a negative tax expense in the statement of earnings. Under this manner of computation, the resulting income tax expense for the period includes the tax effects of transactions entering into the resulting deferred tax amounts reflect the tax effects that will be reversed in the future periods."

Handling of Written-Off Accounts

1. Controllershship Group to provide a list of written-off accounts to LSRAD, CCRG and Lending Group.
2. CCRG-Collections Department for Consumer Loans and Salary Loans of resigned CSBANKI employees; and Lending Group for Commercial Loans shall continue to perform collection follow-up such as call-out, sending of collection letters, email notices, SMS reminders, field visits and endorsement to collection agencies.
3. A monthly status report on the written-off accounts shall be reported to ALCO by the recommending unit (i.e. LSRAD, CCRG, LG).

Recovery of Written-Off Accounts

1. In case of recovery, LSRAD, CCRG, LG shall instruct/endorse to Controllershship Group the amount received in payment for the written-off account. This shall be booked by the Controllershship Group in accordance with the current accounting procedures for recovery of amounts for accounts which have been written-off.
2. A monthly recovery report of written-off accounts shall be reported to ALCO by endorsing unit.

Abandonment of Recovery Efforts for Written-Off Accounts

1. CCRG-Collections Department for Consumer Loans and Salary Loan of resigned CSBANKI employees; and Lending Group for Commercial Loans shall recommend abandonment of collection and recovery efforts for written-off accounts, and permanently close the account under the following conditions:
 - a. Both principal and guarantor are deceased or can no longer be located;
 - b. No other leivable properties of the borrower;
 - c. Existing collateral proved worthless or inadequate and borrower has no other means of repayment.
2. Abandonment of collection effort shall be approved by the Credit & Collections Group Head for Consumer Loans and Salary Loans of resigned CSBANKI employees; and Lending Group Head for Commercial Loans, shall be reported to ALCO.
3. All permanently closed written-off accounts shall be included in the database of blacklisted/watchlisted accounts of the Bank and Credit Bureaus.

Monitoring System/Database

A monitoring system/database c/o Controllershship Group must be in place for the historical data of written-off accounts that are subsequently recovered, partially or fully. This is the basis of CCRG/LG for the issuance of clearance to fully recovered/fully paid accounts.

V. BSP REGULATORY POLICIES**A. REGULATORY REPORTS**

1. Covered Transactions Reporting – This report shall cover all released loan bookings and received payments, including payments of repossessed properties that are beyond P500,000 transaction per account. Frequency of reporting shall be on a daily basis. GAD reports to Compliance Department who then reports to BSP via AML System.
2. Suspicious Transactions Reporting - This report shall cover all released loan bookings and received payments, including payments of repossessed properties, which are suspicious in nature, regardless of amount. Frequency of reporting shall be on an ad hoc basis. Any personnel/department can report a Suspicious Transaction Report to Compliance Department.

B. LOANS TO DOSRI / RELATED PARTY TRANSACTIONS

1. Consistent with sound corporate governance practices, the board and senior management shall articulate and implement clear policies in handling transactions with DOSRI – Directors, Officers, Stockholders, and Related Interest; the Bank's subsidiaries and affiliates; and other related parties, ensuring that there is effective compliance with existing laws, rules and regulations at all times and that no stakeholder is unduly disadvantaged.
2. In accordance with the regulations, policies and guidelines on Corporate Governance issued by Bangko Sentral ng Pilipinas (BSP), the Securities and Exchange Commission (SEC) and other regulatory bodies, the Bank recognizes the need to strengthen its policy on related party transactions and other similar situations so as to prevent or mitigate abusive transactions with related parties and avoid risks of conflict of interest.
3. All credits must be made on an arm's-length basis, in accordance with the Bank's credit granting criteria and in the regular course of business, and upon terms not less favorable to the Bank than those offered to non-related borrowers.
4. The Bank shall cover standards that require directors and/or officers to avoid placing themselves in a position that creates conflict of interest or the appearance of conflict of interest. The board and management shall likewise establish and implement policies that require full disclosure of personal interests that they may have in credit transactions. Directors and officers with personal interest in a transaction shall not participate in any deliberation, approval, or voting on the matter.

Refer to Bank's policies and procedures on DOSRI/RPT c/o RPT Department.

C. BORROWING OF BSP PERSONNEL

1. Section 27(d) of Republic Act No. 7653 (The New Central Bank Act) provides that: borrowing from any institution subject to supervision or examination by the Bangko Sentral shall be prohibited unless said borrowings are adequately secured, fully disclosed to the Monetary Board, and shall be subject to such further rules and regulations as the Monetary Board may prescribe: Provided, however, That personnel of the supervising and examining departments are prohibited from borrowing from a bank under their supervision or examination."
2. To ensure that the above-quoted provision is being strictly followed by all the personnel of the Bangko Sentral ng Pilipinas (BSP), all financial institutions under the BSP's supervision are hereby reminded to regularly submit the Report on Borrowings of BSP Personnel in accordance with Circular Letter Nos. CL-2007-050 dated 04 October 2007; CL-2007-059 dated 28 November 2007; and BSP Memorandum M-2021-049 date 03 September 2021.
3. Pursuant to the above-mentioned Circular Letters, the following guidelines are to be observed relative to the submission of the subject report:
 - a. The report is required to be submitted electronically on a quarterly basis to the Department of Supervisory Analytics (DSA) within fifteen (15) banking days after end of reference quarter using the prescribed Report on Borrowings of BSP Personnel (RBBP) Data Entry Template (DET). The DET shall be transmitted to the prescribed email address using the prescribed format.

Note: Hard copy submission shall not be accepted. If unable to submit electronically, Bank may submit the prescribed report in any portable storage device through messengerial or postal services within the prescribed deadline and to the prescribed address.

- b. The initial report should show all the borrowings of the BSP personnel outstanding as of report date. Thereafter, the report should only contain loans granted to BSP personnel during the reference quarter.
 - c. If there is nothing to report for the quarter, the financial institution shall still submit the report stating "None to Report" within the prescribed deadline.

V. ANNEXES
Annex A – Summary of Approving Authority Matrix

Credit Committee		Executive Committee	RPT Committee	Board of Directors
1. Credit proposals beyond the authority of delegated individual approving authorities for consumer loans. 2. Credit proposals from Lending Group and Branch Banking Group. 3. Credit proposals for approval of the EXECOM.		1. Credit proposals beyond the scope of CRECOM. 2. Credit proposals endorsed or elevated by the CRECOM, including confirmation. 3. Credit proposals for approval of the Board.	For RPT credit proposals, please refer to approved RPT Approval Matrix	1. Credit proposals other than delegated to various approving authorities, shall be favorably endorsed by the EXCOM to the Board for approval or notification. 2. Real Estate and chattel mortgage in the amount more than the Internal Single Borrowers Limit and other credit facilities not enumerated. 3. Approval of DOSRI loans regardless of amounts.
Commercial Loans	Up to Php 30.00M	Credit Proposals above Php 30M but not more than Php 50M		All Php 50M above transactions
Consumer Loans	Refer to approved Delegated Approving			

	Authorities for Consumer Loans			
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Approving Authority Matrix

Approving Authority	Home	Auto	Small Business	Salary	APDS	Policy Deviation Level
Executive Committee	Up to 50.00M	Up to 50.00M	Up to 50.00M	N/A	N/A	
Credit Committee	Up to 30.00M	Up to 30.00M	Up to 30.00M	> 1.50M	> 1.50M	
President [1]	Up to 20.00M	Up to 10.00M	Up to 20.00M	Up to 1.50M	Up to 1.50M	Level 4
Chief Operating Officer [1] [2]	Up to 10.00M	Up to 5.00M	Up to 10.00M	Up to 1.00M	Up to 1.00M	Level 3
Credit, Collections and Remedial Head [1] [2]	Up to 5.00M	Up to 2.00M	Up to 5.00M	Up to 500K	Up to 700K	Level 2
Credit Department Head	Up to 3.00M	Up to 1.00M	Up to 3.00M	Up to 300K	Up to 350K	Level 1
Credit Officer	Up to 1.00M	Up to 500K	Up to 1.00M	Up to 100K	Up to 100K	None
Branch Banking Group Head	None	None	None	None	Up to 500K	None
Cluster Head	None	None	None	None	Up to 350K	None
Business Manager	None	None	None	None	Up to 100K	None
Service Head	None	None	None	None	Up to 50K	None

[1] [2] Alternate or back-up approving authority (limits and deviation level).

GUIDELINES ON THE IMPLEMENTATION OF ALTERNATE OR BACK UP APPROVING AUTHORITY

1. All transactions shall be approved by appropriate approving authorities.
2. [1] [2] Alternate or back-up approving authority (limits and deviation level), in case of unavailability of primary approving authority or in case of high volume of transactions pending in the pipeline. This shall be subject to the primary approving authority's confirmation thereafter.

Note: Alternate or back up's approval should not be a default.

3. L2 can only act as L4's alternate approver in case both L4 and L3 are un-available.
4. Confirmation shall be obtained immediately (latest next banking day) upon the availability of primary approver. It shall be the responsibility of the requestor to ensure request is acted upon by the primary approver.

GUIDELINES FOR CONSUMER PRODUCTS APPROVING AUTHORITY

1. Credit limits for Consumer products shall be considered separate from the limits of Commercial Loans.
2. All limits shall be exercised within product guidelines and any exception shall be elevated to the next higher approving authority except those within delegated exception authority.
3. Credit Officers/Branch Officers have delegated approving authority. Endorser-approver shall be observed at all times.
4. Upon the recommendation of the Credit, Collections and Remedial Group Head or Branch Banking Group Head, the Chief Operating Officer (COO) has the authority to assign individual limits based on the approval matrix defined. Assignment of limits to a particular officer shall depend on seniority and credit experience.

For APDS Loan, recommendation for Service Heads, Business Managers, and Branch Officers with no credit experience shall include certificate of training and confirmation of passing the examination.

5. The COO has the authority to upgrade, downgrade or revoke assigned credit authority depending on the performance of the approved portfolio or non-compliance to Bank's protocols and procedures on approving authority.
6. All restructuring proposals shall be approved by next level officer (higher than original approver) and should be within delegated limits, subject to confirmation of the Board of Directors. Approval of the Board of Directors shall be required for loans previously approved by the Executive Committee and DOSRI loans (excluding the concerned Director). Restructured loans funded by foreign currency obligations shall require approval of the Monetary Board.

CONDITIONS FOR APDS APPROVING AUTHORITIES FOR APDS LOAN

1. Service Heads, Business Managers, and Branch Officers with no credit experience shall be required to complete APDS seminar/orientation and pass the examination.
2. The Service Heads and Business Managers shall approve APDS loan based on the designated approving limit and shall only be exercised for accounts within respective assignment. Note: Cross approval shall not be allowed. Service Head and Business Manager from one branch cannot approve another branch's request. In the absence of Business Manager, the next higher approving authority shall approve the loan.
3. Service Head shall act as an alternate or back-up approving authority for branches with no Business Manager or Business Manager is not available or in case of high volume of transactions pending in the pipeline. Loan application may be approved by the Service Head if within his/her authority limit. Otherwise, shall be elevated to the next level approver.

NOTE: Meantime, all transactions approved by the Service Head and Business Manager shall require second approval from Credit Department. The Credit, Collections and Remedial Group Head shall assess and provide feedback on the overall performance of the Service Heads and Branch Managers to the Credit Committee after six (6) months from implementation date.

Policy Deviation Matrix and Implementing Guidelines

POLICY DEVIATION MATRIX FOR CONSUMER LOANS

Deviation Types	Home	Auto	Small Business	Salary	APDS	Deviation Level
Minimum Income Requirement	√	√	√	√	N/A	L2
Age	√	√	√	√	√	L1
Citizenship	√	√	√	√	√	L2
No Filipino Co-Maker / Co-Maker	√	√	N/A	√	√	L2
Spouse not signing as Co-Maker (required submission of Aff. Of Separation)	√	√	√	N/A	N/A	L3
Length of Employment	√	√	√	√	√	L1
Self Employed/Business less than two years	√	√	√	N/A	N/A	L2
Business Registration not under Borrower's Name	√	√	√	N/A	N/A	L2
Un-registered Business	√	√	√	N/A	N/A	L3
No business landline / mobile	√	√	√	√	N/A	L1
No Social Media Account	N/A	N/A	N/A	N/A	√	L1
Geography/Location	√	√	√	√	N/A	L3
Length of Residence/Residence Location	√	√	√	N/A	N/A	L1
High Risk Job (avoid list) / Business	√	√	√	√	N/A	L1
Politically Exposed Person	√	√	√	√	N/A	L3
Negative history or derogatory record in CSBI, other Fis or other Credit Bureaus	√	√	√	√	N/A	L2

Deviation Types	Home	Auto	Small Business	Salary	APDS	Deviation Level
Credit Score / Borrower's Risk Rating	√	√	√	√	√	L2
Debt Burden Ratio	√	√	√	√	√	L2
Loan To Value (LTV)	√	√	√	N/A	N/A	L3
Term	√	√	√	√	N/A	L2
Loan Amount	√	√	√	√	√	L4
Loan Purpose / Use of Collateral	√	√	√	√	√	L2
Unit not qualified for financing	N/A	√	√	N/A		L3
Reloan Requirement	√	√	√	√	√	L3
Waiver of pre-approval inspection	√	√	√	N/A	N/A	L2
Income Computation	√	√	√	√	N/A	L2
Incomplete Employment Verification	√	√	√	N/A	N/A	L1
Incomplete Residence Verification	√	√	√	N/A	N/A	L1
Incomplete Trade Verification	√	√	√	N/A	N/A	L1
No business verification	√	√	√	N/A	N/A	L2
No employment verification	√	√	√	N/A	N/A	L2
No personal verification	√	√	√	√	N/A	L2
Non Third Party Checking	√	√	√	N/A	N/A	L1

Credit Policy Manual – Consumer Loans

Deviation Types	Home	Auto	Small Business	Salary	APDS	Deviation Level
No loan history checking	√	√	√	N/A	N/A	L1
Incomplete Title Verification (Traceback)	√	N/A	√	N/A	N/A	L3
Appraisal done by un-accredited external appraiser	√	N/A	√	N/A	N/A	L3
Acceptance of external appraised value (not within guidelines)	√	N/A	√	N/A	N/A	L3
Rate	√	√	√	√	√	L3
Sales Channel (Un-accredited dealer/developer/broker)	√	√	√	N/A	N/A	L3

OTHER IMPLEMENTING GUIDELINES

1. Exception approvals shall be exercised with due diligence and shall only be allowed provided these are adequately mitigated and justified. All exception approvals shall likewise be properly tagged.
2. The Credit Officers/Branch Officers should clearly note in the Credit Evaluation Worksheet//Loan Application Review Sheet the presence of deviations and their corresponding exception levels. Accounts with cited exceptions should be routed to the existing approving authorities for disposition.
Note: Deviation on “no social media account” shall be indicated under credit criteria of the Loan Application Review Sheet.
3. Applications approved and booked shall be subject to random credit review of Risk Management Department.
4. The composition of the Delegation of Authority shall be periodically reviewed Credit, Collections, and Remedial Group Head and Lending Group. Proposed changes shall be submitted to the Credit Committee for approval. Risk Management Department shall be provided with the Approved Delegation of Authority.
5. Risk Management Department shall recommend delisting of a specific deviation type; re-classification of a risk type to a lower or higher risk level; or the addition of new deviation types.

APPROVAL AUTHORITY ON RECONSIDERATION REQUEST/S FOR CONSUMER PRODUCTS

<u>Reconsideration resulting to:</u>	<u>Approver</u>
a. New deviations	Existing approving officer
b. Lower amount / higher DP / lower unit price / low variant or brand new but previous year model with no deviations	Credit, Collections, and Remedial Group Head
c. Higher loan amount	Existing approving officer
d. Change in tenor but within policy	Credit, Collections, and Remedial Group Head
e. Change in collateral	Existing approving officer
f. Change in address, birthdate, name but no change in loan terms and no negative records when re-checked in credit bureaus	Credit Department Head
g. Inter-change borrower and co-maker	Existing approving officer
h. Other reconsideration requests which will not result to change in loan details/no additional deviations/better loan term	Credit Department Head
i. If previously approved by the Credit Committee and reconsideration resulted to better terms and conditions without resulting to new deviations	Credit, Collections, and Remedial Group Head

Note: Reconsideration may happen if there are requested changes in the approved loan term, collateral or loan conditions. Appropriate checking may be performed to support requested changes.

Annex B – Vehicle Pricing Parameter

BRAND	MODEL	AGE OF VEHICLE / DOWNPAYMENT					
		BRAND NEW	1 YO	2 YO	3 YO	4 YO	5 YO
Mitsubishi	L300	20	30	30	40	50	N/A
	Mirage	20	30	30	30	30	30
	Montero	20	30	30	30	30	30
	Outlander	20	30	30	30	30	30
	Strada	20	30	30	30	30	30
	Xpander	20	30	30	30	30	30
Toyota	86	20	30	30	30	30	30
	Alphard	20	30	30	30	30	30
	Alvanza	20	30	30	30	30	30
	Camry	20	30	30	30	30	30
	Corolla Altis	20	30	30	30	30	30
	Corolla Cross	20	30	30	30	30	30
	FJ Cruiser	20	30	30	30	30	30
	Fortuner	20	30	30	30	30	30
	Hiace	20	30	30	30	30	30
	Hiace Super Grandia	20	30	30	30	30	30
	Hilux	20	30	30	30	30	30
	Innova	20	30	30	30	30	30
	Land Cruiser	20	30	30	30	30	30
	Prado	20	30	30	30	30	30
	Prius	20	30	30	30	30	30
	Rav 4	20	30	30	30	30	30
	Rush	20	30	30	30	30	30
	Vios	20	30	30	30	30	30
	Wigo	20	30	30	30	30	30
	Yaris	20	30	30	30	30	30
	<u>Raize</u>	<u>20</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>
	<u>Veloz</u>	<u>20</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>
	<u>Supra</u>	<u>20</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>
Honda	Accord	20	30	30	30	30	30
	BR-V	20	30	30	30	30	30
	Brio	20	30	30	30	30	30
	City	20	30	30	30	30	30
	Civic	20	30	30	30	30	30
	CRV	20	30	30	30	30	30
	HR-V	20	30	30	30	30	30
	Jazz	20	30	30	30	30	30
	Mobilio	20	30	30	30	30	30
	Odyssey	20	30	30	30	30	30
Nissan	370Z	20	30	30	30	30	30

BRAND	MODEL	AGE OF VEHICLE / DOWNPAYMENT					
		BRAND NEW	1 YO	2 YO	3 YO	4 YO	5 YO
	Almera	20	30	30	30	30	30
	Navara	20	30	30	30	30	30
	N350 Urvan	20	30	30	30	30	30
	Patrol Royale	20	30	30	30	30	30
	Sylphy	20	30	30	30	30	30
	Terra	20	30	30	30	30	30
	X-Trail	20	30	30	30	30	30
	<u>Livina</u>	<u>20</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>
	<u>Kicks</u>	<u>20</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>
	<u>Leaf</u>	<u>20</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>
	<u>GT-R</u>	<u>20</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>
Ford	Ecosport	20	30	30	30	30	30
	Everest	20	30	30	30	30	30
	Expedition	20	30	30	30	30	30
	Explorer	20	30	30	30	30	30
	F-150	20	30	30	30	30	30
	Mustang	<u>20</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>
	Ranger	20	30	30	30	30	30
	Territory	20	30	30	30	30	30
	Transit	30	40	40	40	50	50
	Raptor	20	30	30	30	30	30
Hyundai	Accent	30	40	40	40	40	40
	Elantra	30	40	40	40	40	40
	Starex	30	40	40	40	40	40
	H-100	30	40	40	40	40	40
	Ionic Hybrid	30	40	40	40	40	40
	Kona	30	40	40	40	40	40
	Reina	30	40	40	40	40	40
	Santa Fe	20	30	30	30	30	30
	Tucson	20	30	30	30	30	30
	Veloster	30	30	30	30	30	30
	Venue	30	30	30	30	30	30
	Stargazer	<u>20</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>
	Creta	<u>20</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>
	Palisade	<u>20</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>
	Staria	<u>20</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>
Isuzu	D-Max	20	30	30	30	30	30
	MU-X	20	30	30	30	30	30
	Traviz	20	30	30	40	50	N/A
Mazda	Mazda 2	20	30	30	30	30	30
	Mazda 3	20	30	30	30	30	30

BRAND	MODEL	AGE OF VEHICLE / DOWNPAYMENT					
		BRAND NEW	1 YO	2 YO	3 YO	4 YO	5 YO
	Mazda 6	20	30	30	30	30	30
	BT-50	20	30	30	30	30	30
	CX-3	20	30	30	30	30	30
	CX-30	20	30	30	30	30	30
	CX-5	20	30	30	30	30	30
	CX-8	20	30	30	30	30	30
	CX-9	20	30	30	30	30	30
	MX-5	30	40	40	40	40	40
Suzuki	APV (except utility van)	30	40	40	40	40	40
	Celerio	30	40	40	40	40	40
	Ciaz	20	30	30	30	30	30
	Dzire	20	30	30	30	30	30
	Ertiga	20	30	30	30	30	30
	Jimny	20	30	30	30	30	30
	S-Presso	30	40	40	40	40	40
	Swift	20	30	30	30	30	30
	Vitara	20	30	30	30	30	30
	XL7	20	30	30	30	30	30
	<u>Carry</u>	<u>20</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>
Chevrolet	Colorado	20	30	30	30	30	30
	Cruze	30	40	40	40	40	40
	Malibu	30	40	40	40	40	40
	Sail	30	40	40	40	40	40
	Spark	30	40	40	40	40	40
	Suburban	30	40	40	40	40	40
	Tahoe	30	40	40	40	40	40
	Trailblazer	20	30	30	30	30	30
	Trax	20	30	30	30	30	30
	<u>Tracker</u>	<u>20</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>
	<u>Camaro</u>	<u>20</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>
Geely	Azkarra	20	30	30	35	N/A	N/A
	Coolray	20	30	30	35	N/A	N/A
	Okavango	20	30	30	35	N/A	N/A
	Emgrand	20	30	30	30	<u>30</u>	<u>30</u>
MG	MG 5	30	35	35	40	N/A	N/A
	MG 6	30	35	35	40	N/A	N/A
	MG RX5	20	30	30	40	N/A	N/A
	MG ZS	20	30	30	40	N/A	N/A
	MG ZS T	20	30	30	40	N/A	N/A
	MG HS	20	30	30	<u>30</u>	<u>30</u>	<u>30</u>
Kia	Sorento	20	30	30	30	30	30

		AGE OF VEHICLE / DOWNPAYMENT					
BRAND	MODEL	BRAND NEW	1 YO	2 YO	3 YO	4 YO	5 YO
	Carnival	20	30	30	30	30	30
	Stonic	20	30	30	30	30	30
	Soluto	20	30	30	30	30	30
	Seltos	20	30	30	30	30	30
	Sportage	20	30	30	30	30	30
	Stinger	20	30	30	30	30	30
	Forte	20	30	30	30	30	30
	K2500	20	30	30	30	30	30

Annex C – Acceptable Collaterals/Conditions/Requirements for Dual Citizen/Formal Filipino

<u>Citizenship</u>	<u>Requirements</u>	<u>Conditions</u>
Dual Citizen	Submission of consularized / certified true copy of dual citizenship papers	Same rights as that of a Filipino citizen
Natural-Born Filipino now naturalized citizen of another country	<p><u>For Residential Use:</u></p> <ul style="list-style-type: none"> Up to 1,000 square meters of residential land Up to one (1) hectare of agricultural farm land <p>Note:</p> <ol style="list-style-type: none"> An individual who has already acquired urban land shall be disqualified from acquiring rural land and vice versa. Must not be used for any other reason except for residential use <p><u>For Business/Investment:</u></p> <ul style="list-style-type: none"> Up to 5,000 square meters of urban land Up to three (3) hectares of rural land <p>Note:</p> <ol style="list-style-type: none"> An individual who has already acquired urban land shall be disqualified from acquiring rural land and vice versa. However, if the individual has disposed of his/her urban land, he/she may still acquire rural land and vice versa, provided that this will be used 	<ul style="list-style-type: none"> Either of the spouse may avail Additional land acquisition must not exceed the authorized maximum area May acquire not more than two (2) lots whether located in different cities/municipalities and thus not exceed the authorized maximum area Affidavit / Sworn Statement disclosing the following: <ul style="list-style-type: none"> date/place of birth names and address of spouse/children/parents, if any area, location, and mode of land acquisition intent to reside permanently in the Philippines date he/she lost his/her citizenship, country to which he/she is presently a citizen Additional requirements for business/investment use <ul style="list-style-type: none"> Certification of business registration issued by the Bureau of Trade Regulation and Consumer Protection of the DTI Certification from Assessor of municipality or province that the subject land for transfer is an urban or rural area Certification from Department of Agrarian Reform (for agricultural land) that the land is a

<u>Citizenship</u>	<u>Requirements</u>	<u>Conditions</u>
	for business/investment. ii. An individual who acquired residential land under BP 185 may still avail of the acquisition privilege for business/investment purposes. iii. Must be primarily, directly, and actually used in the performance or conduct of the owner's business or commercial activities in the broad areas of agriculture, industry and services including the lease of land, but not excluding the buying and selling thereof.	retained area of the Seller, and an Affidavit of the Borrower attesting that his/her total landholding inclusive of the land to be acquired does not exceed the 5-hectare limit provided under RA 6657.

Documentary Requirements:
1. Dual Citizen

- a. Identification Certificate, or
- b. Notarized Oath of Allegiance and valid Philippine Passport, or
- c. Notarized Oath of Allegiance and Order of Approval issued by Philippine Consulate, or
- d. Notarized Oath of Allegiance and Identification Certificate.

2. Naturalized Born Filipino now naturalized citizen of another country

- a. Valid Foreign Passport
- b. Affidavit of Former Citizenship (as required under BP 185 and RA 8179)

As a general policy, the Bank may accept certified true copy of documents from the document custodian (i.e. Notary Public, Clerk of Court of the city/municipality, Philippine consulate).

Annex D – Borrower's Risk Rating

<input checked="" type="checkbox"/>	Auto Loan	<input type="checkbox"/>	Housing Loan
	Corporation		Employed - OFW
	Individual - Employed / OFW		Employed - Locally
<input checked="" type="checkbox"/>	Individual - Employed / Locally		Self-Employed
	Individual - Self-Employed		Pensioner

Account Name	-	CEW Date	07/03/2022
Co-Borrower	N/A	CO Review Date	07/03/2022
Facility/Amount	Auto Loan - Personal		-
Term (in mos)	60		

BRR		Final Rating	
Perfect Score	100 points	Character	40
Passing Score	70 points or 70%	Capacity/Capital	60
		Total	100

Prepared by:	Validated by:
Credit Department	

Anthony P. Alvarez	07/03/2022		
Name and Signature	Date	Name and Signature	Date

CHARACTER								
<i>For Auto (Individual - Employed/OFW/Locally/Self-Employed; HSG; SL; PL)</i>								
CIVIL STATUS								
	Married/Single/Separated with No Dependents	(5)	5					
<input checked="" type="checkbox"/>	Married/Separated with Dependents	(4)						
	Single/Not Legally Separated, with Dependents	(3)						
RESIDENCE								
Ownership								
	Owned/Not Mortgaged	(5)	5					
	Rented/Mortgaged	(3)						
<input checked="" type="checkbox"/>	Used Free*	(1)						
*owned by parents, siblings, relatives, in-laws								
Years in Residence								
<input checked="" type="checkbox"/>	>5 years	(5)	5					
	2-5 years	(3)						
	<2 years	(1)						
CREDIT BUREAU CHECKINGS								
		Court Case	Credit Card	Adverse Findings	Closed Current Account Due to Improper Handling	10		
Negative/Common Names	(5)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Negative/Common Names		(5)	
Positive with Clearance	(3)				Positive with Clearance		(3)	
Positive within guidelines	(3)				Positive without Clearance		(0)	
Fully Settled (per BAP report)	(3)						(0)	
Positive without Clearance	(0)							
RESIDENCE / BUSINESS LOCATION								
Residence address not listed in caution list / not BSAR					Auto	Housing	5	
					<input checked="" type="checkbox"/>	(5)		(5)
Residence address listed in caution list / BSAR with field verification						(3)		(3)
Residence address listed in caution list / BSAR						(0)	(0)	
TENURE OF EMPLOYMENT / WORKING EXPERIENCE								
OFW			PENSIONER				5	
<u>Land-based/Sea-based/Expat</u>			<u>Pensioner</u>					
	Officer	(5)		Officer	(5)			
	Non-Officer	(3)		Non-Officer	(3)			
LOCALLY EMPLOYED								
<u>Government Sector</u>			<u>Private Sector</u>		<u>Self-Employed</u>			
	Officer	(5)	<input checked="" type="checkbox"/>	Officer	(5)	Owner	(5)	
	Non-Officer	(3)		Non-Officer	(3)	Part-Owner	(3)	
	PEP	(1)						
Land-based/Sea-based/Expat/Pensioner			Government/Private Sector			Self-Employed (Business Existence)		
	>5 yrs	(5)	<input checked="" type="checkbox"/>	>10 yrs	(5)		>5 yrs	(5)
	2-5 yrs	(3)		5-10 yrs	(3)		2-5 yrs	(3)
	<2 yrs	(2)		2-5 yrs	(2)		<2 yrs	(1)
				<2 yrs	(1)			
*Score should be based on total number of years employed or in business								

CAPACITY AND CAPITAL														
TYPE OF OCCUPATION / BUSINESS														
Occupation/Business not listed in Avoid List										Auto		Housing		10
Occupation/Business listed in Avoid List										X (10)		(10)		
GROSS MONTHLY INCOME BRACKET														
Auto					Housing					15				
>90K (15)					>90K (15)									
X 40K- P90K (10)					50K- P90K (10)									
<40K (5)					<50K (5)									
BANK AND OTHER DEALINGS														
With Existing Creditors /Loans (to include fully paid loans with other creditors)														
X Yes (5)					5									
No (2)														
Experience with Other Banks (Loans and Deposit)*														
Satisfactor/Excellent (5)					5									
Good (3)														
Limited (2)														
No Credit History (1)														
Poor (0)														
*If with History of Delay, Past Due, Returned Check, score would be automatically Zero (0)														
*If both loans and Deposit, get average score														
X *raw score of 3 if Not Applicable														
*If various FI & NBF, get average														
Internal Exposure*														
Auto					Housing					5				
<P500K (5)					<P1M (5)									
P500K - P1MM (3)					P1MM-P5MM (3)									
>P1MM (1)					>P5MM (1)									
X *raw score of 3 if Not Applicable/No Loan Exposure					*raw score of 3 if Not Applicable/No Loan Exposure									
External Exposure*														
Auto					Housing					5				
<P500K (5)					<P1M (5)									
P500K - P1MM (3)					P1MM-P5MM (3)									
>P1MM (1)					>P5MM (1)									
X *raw score of 3 if Not Applicable/No Loan Exposure					*raw score of 3 if Not Applicable/No Loan Exposure									
Credit Ratio														
1% to 25% (15)					15									
X 25.01% to 30% (12)														
30.01% to 35% (8)														
35.01% to 40% (4)														
40.01% and up (0)														

Corporate Borrower

Account Name				CEW Date																	
Co-Borrower				CO Review Date																	
Facility/Amount	Auto Loan		1,500,000.00																		
Term (in mos)	60																				
<table border="1"> <tr> <th colspan="2">BRR</th> </tr> <tr> <td>Perfect Score</td> <td>100 points</td> </tr> <tr> <td>Passing Score</td> <td>70 points or 70%</td> </tr> </table>				BRR		Perfect Score	100 points	Passing Score	70 points or 70%	<table border="1"> <tr> <th colspan="2">Final Rating</th> </tr> <tr> <td>Character</td> <td>#REF!</td> </tr> <tr> <td>Capacity/Capital</td> <td>60</td> </tr> <tr> <td>Total</td> <td>#REF!</td> </tr> </table>				Final Rating		Character	#REF!	Capacity/Capital	60	Total	#REF!
BRR																					
Perfect Score	100 points																				
Passing Score	70 points or 70%																				
Final Rating																					
Character	#REF!																				
Capacity/Capital	60																				
Total	#REF!																				
Prepared by:				Validated by:																	
Name and Signature				Name and Signature																	
Date				Date																	
EXISTING CHARACTER																					
<i>For Auto (Individual - Employed/OFW/Locally/Self-Employed; HSG; SL; PL)</i>				<i>For Auto Loan - Corporation</i>																	
CIVIL STATUS				BUSINESS CATEGORY																	
Married/Single/Separated with No Dependents (5)				Large (P100,000,001 and up)* (5)																	
Married/Single/Separated with Dependents (3)				Medium (P15,000,000.01 - P100,000,000)* (4)																	
Single/Not Legally Separated, with Dependents (1)				Small (P3,000,000 and below)* (3)																	
				Micro (P3,000,000 and below)* (1)																	
				*BSP Cir 625																	
RESIDENCE				BUSINESS / OFFICE ADDRESS																	
Ownership				Ownership																	
Owned/Not Mortgaged (5)				Owned (5)																	
Rented/Mortgaged (3)				Rented (3)																	
Used Free* (1)				Unidentified/Undisclosed (0)																	
*owned by parents, siblings, relatives, in-laws																					
Years in Residence				Years in the Business																	
>5 years (5)				>10 years (5)																	
2-5 years (3)				5-10 years (3)																	
<2 years (1)				<5 years (1)																	
CREDIT BUREAU CHECKINGS																					
				Closed Current Account Due to Improper Handling																	
Negative/Common Names (5)				Negative/Common Names (5)																	
Positive with Clearance (3)				Positive with Clearance (3)																	
Positive within guidelines (3)				Positive without Clearance (0)																	
Fully Settled (per BAP report) (3)																					
Positive without Clearance (0)																					
RESIDENCE / BUSINESS LOCATION																					
Residence address not listed in caution list / not BSAR																					
Residence address listed in caution list / BSAR with field verification																					
Residence address listed in caution list / BSAR																					
INDUSTRY CLASSIFICATION																					
Essential Product/Services (10)																					
Sensitive to economic/political/regulatory movements (5)																					
Seasonal/Cyclical (3)																					

CAPACITY AND CAPITAL											
TYPE OF OCCUPATION / BUSINESS											
Occupation/Business not listed in Avoid List											10
Occupation/Business listed in Avoid List											
GROSS MONTHLY INCOME BRACKET											
Auto				Housing							
X	>90K	(15)			>90K	(15)					
	40K- P90K	(10)			50K- P90K	(10)					
	<40K	(5)			<50K	(5)					
BANK AND OTHER DEALINGS											
With Existing Creditors /Loans (to include fully paid loans with other creditors)											
X	Yes	(5)									
	No	(2)									
Experience with Other Banks (Loans and Deposit)*											
	Satisfactory/Excellent	(5)									
	Good	(3)									
	Limited	(2)									
	No Credit History	(1)									
	Poor	(0)									
*If with History of Delay, Past Due, Returned Check, score would be automatically Zero (0)											
*If both loans and Deposit, get average score											
*raw score of 3 if Not Applicable											
*If various FI & NBF, get average											
Internal Exposure*											
Auto				Housing							
	<P500K	(5)			<P1M	(5)					
	P500K - P1MM	(3)			P1MM-P5MM	(3)					
	>P1MM	(1)			>P5MM	(1)					
*raw score of 3 if Not Applicable/No Loan Exposure											
External Exposure*											
Auto				Housing							
	<P500K	(5)			<P1M	(5)					
	P500K - P1MM	(3)			P1MM-P5MM	(3)					
	>P1MM	(1)			>P5MM	(1)					
*raw score of 3 if Not Applicable/No Loan Exposure											
Credit Ratio											
	1% to 25%	(15)									
	25.01% to 30%	(12)									
	30.01% to 35%	(8)									
	35.01% to 40%	(4)									
	40.01% and up	(0)									
Company is engaged in green projects or business is geared towards sustainable operations. This includes environmental protection being espoused by the borrower, safety management (e.g. prioritizing safety of employees, protection from harassment, job equality, etc. If company is known to be violative of these shall require a demerit of two (2) points (LESS 2 PTS)											

Personal Loan

CIVIL STATUS									
	Married/Single/Separated with No Dependents	(5)							
X	Married/Single/Separated with Dependents	(4)							5
	Single/Not Legally Separated, with Dependents	(3)							
RESIDENCE									
Ownership									
	Owned/Not Mortgaged	(5)							
X	Rented/Mortgaged	(3)							5
	Used Free*	(1)							
	*owned by parents, siblings, relatives, in-laws								
Years in Residence									
X	>5 years	(5)							5
	2-5 years	(3)							
	<2 years	(1)							
CREDIT BUREAU CHECKINGS									
	Negative/Common Names	(5)	Court Case	X	Credit Card	X	Adverse Findings	X	Closed Current Account Due to Improper Handling
	Positive with Clearance	(3)							Negative/Common Names (5) X
	Positive within guidelines	(3)							Positive with Clearance (3)
	Fully Settled (per BAP report)	(3)							Positive without Clearance (0)
	Positive without Clearance	(0)							(0)
	Raw score of 3 if not applicable								
									10
RESIDENCE / BUSINESS LOCATION									
	Residence address not listed in caution list / not BSAR								
	Residence address listed in caution list / BSAR with field verification								
	Residence address listed in caution list / BSAR								
									5
TENURE OF EMPLOYMENT / WORKING EXPERIENCE									
LOCALLY EMPLOYED									
	Government Sector		Private Sector						
	Officer	(5)	X Officer	(5)					5
	Non-Officer	(3)	Non-Officer	(3)					
	PEP	(1)							
Government/Private Sector									
X	>10 yrs	(5)							5
	5-10 yrs	(3)							
	2-5 yrs	(2)							
	<2 yrs	(1)							
*Score should be based on total number of years employed or in business									
TYPE OF OCCUPATION / BUSINESS									
	Occupation/Business not listed in Avoid List						X	(10)	10
	Occupation/Business listed in Avoid List							(0)	
GROSS MONTHLY INCOME BRACKET									
	>P50K	(15)							15
X	10K- P50K	(10)							
	<10K	(5)							
BANK AND OTHER DEALINGS									
With Existing Deposits /Loans with CSBI									
X	Yes	(5)							
	No	(3)							
*raw score of 3 if Not Applicable/No Loan Exposure									
Experience with CSBI (Loans and Deposits)*									
	Satisfactory/Excell	(10)							15
	Good	(8)							
	Limited	(5)							
	Poor	(0)							
*If with History of Delay, Past Due (i.e., 31 dpd and up), Returned Check, score would be automatically Zero (0)									
*If both loans and Deposit, get average score									
*raw score of 5 if Not Applicable									
Debt Burden Ratio									
X	1% to 10%	(10)							10
	10.01% to 15%	(8)							
	15.01% to 20%	(6)							
	20.01% to 30%	(4)							
	30.01% and up	(0)							
Payment To Income Ratio									
X	1% to 10%	(10)							10
	10.01% to 15%	(8)							
	15.01% to 20%	(6)							
	20.01% to 30%	(4)							
	30.01% and up	(0)							

Salary Loan

Account Name		CEW Date	
Facility/Amount	Salary Loan 40,000.00	CO Review Date	
Term (in mos)	12		

BRR		Final Rating	
Perfect Score	100 points	Character	40
Passing Score	70 points or 70%	Capacity/Capital	60
		Total	100

Prepared by:	Validated by:
Name and Signature	Name and Signature
Date	Date

EXISTING CHARACTER							
CIVIL STATUS							
	Married/Single/Separated with No Dependents	(5)	5				
<input checked="" type="checkbox"/>	Married/Single/Separated with Dependents	(4)					
	Single/Not Legally Separated, with Dependents	(3)					
RESIDENCE							
Ownership							
	Owned/Not Mortgaged	(5)	5				
<input checked="" type="checkbox"/>	Rented/Mortgaged	(3)					
	Used Free*	(1)					
*owned by parents, siblings, relatives, in-laws							
Years in Residence							
<input checked="" type="checkbox"/>	>5 years	(5)	5				
	2-5 years	(3)					
	<2 years	(1)					
CREDIT BUREAU CHECKINGS							
		Court Case	Credit Card	Adverse Findings	Closed Current Account Due to Improper Handling	10	
Negative/Common Names	(5)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Negative/Common Names (5)		
Positive with Clearance	(3)				Positive with Clearance (3)		
Positive within guidelines	(3)				Positive without Clearance (0)		
Fully Settled (per BAP report)	(3)						
Positive without Clearance	(0)						
Raw score of 3 if not applicable							
RESIDENCE / BUSINESS LOCATION							
Residence address not listed in caution list / not BSAR							5
Residence address listed in caution list / BSAR with field verification							
Residence address listed in caution list / BSAR							
TENURE OF EMPLOYMENT / WORKING EXPERIENCE							
LOCALLY EMPLOYED							5
Government Sector			Private Sector				
	Officer	(5)	<input checked="" type="checkbox"/>	Officer	(5)		
	Non-Officer	(3)		Non-Officer	(3)		
	PEP	(1)					
Government/Private Sector							5
<input checked="" type="checkbox"/>	>10 yrs	(5)					
	5-10 yrs	(3)					
	2-5 yrs	(2)					
	<2 yrs	(1)					

*Score should be based on total number of years employed or in business

CAPACITY AND CAPITAL														
TYPE OF OCCUPATION / BUSINESS														
Occupation/Business not listed in Avoid List												X	(10)	10
Occupation/Business listed in Avoid List													(0)	
GROSS MONTHLY INCOME BRACKET														
	>50K	(15)												
X	10K- P50K	(10)												15
	<10K	(5)												
BANK AND OTHER DEALINGS														
With Existing Creditors /Loans (to include fully paid loans with other creditors)														
X	Yes	(5)												0
	No	(2)												
Experience with Other Banks (Loans and Deposit)*														
	Satisfactory/Excellent	(5)												0
	Good	(3)												
	Limited	(2)												
	No Credit History	(1)												
	Poor	(0)												
<i>*If with History of Delay, Past Due, Returned Check, score would be automatically Zero (0)</i>														
<i>*If both loans and Deposit, get average score</i>														
X	<i>*raw score of 3 if Not Applicable</i>													
<i>*If various FI & NBFI, get average</i>														
Internal Exposure*														
	Auto													
	<P500K	(5)												15
	P500K - P1MM	(3)												
	>P1MM	(1)												
	Housing													
	<P1M	(5)												
	P1MM-P5MM	(3)												
	>P5MM	(1)												
	Salary													
	<P100K	(5)												
	P100K-P500K	(3)												
	>P500K	(1)												
<i>*raw score of 3 if Not Applicable/No Loan Exposure</i>														
External Exposure*														
	<P500K	(5)												0
	P500K - P1MM	(3)												
	>P1MM	(1)												
X	<i>*raw score of 3 if Not Applicable/No Loan Exposure</i>													
Payment To Income Ratio														
X	1% to 15%	(20)												20
	15.01% to 20%	(15)												
	20.01% to 25%	(10)												
	25.01% to 30%	(5)												
	30.01% and up	(0)												

APDS Salary Loan

APDS Salary Loan			
<input type="checkbox"/> Teaching Personnel			
<input type="checkbox"/> Non-Teaching Personnel			
Account Name			Loan Approval Date
Facility/Amount	APDS Salary Loan	40,000.00	BRR Date
Term (in mos)	12		

BRR	
Perfect Score	100 points
Passing Score	70 points or 70%

Final Rating	
Character	40
Capacity/Capital	60
Total	100

Prepared by:	Validated by:

Name and Signature	Date	Name and Signature	Date

CHARACTER			
CIVIL STATUS			
	Married/Single/Separated with No Dependents	(5)	5
<input checked="" type="checkbox"/>	Married/Separated with Dependents	(4)	
	Single/Not Legally Separated, with Dependents	(3)	
RESIDENCE			
Ownership			
	Owned/Not Mortgaged	(5)	5
<input checked="" type="checkbox"/>	Rented/Mortgaged	(3)	
	Used Free*	(1)	
Years in Residence			
<input checked="" type="checkbox"/>	>5 years	(5)	5
	2-5 years	(3)	
	<2 years	(1)	
Raw score of 3 if not applicable			
RESIDENCE / BUSINESS LOCATION			
	Residence address not listed in caution list / not BSAR	<input checked="" type="checkbox"/> (5)	5
	Residence address listed in caution list / BSAR with field verification	(3)	
	Residence address listed in caution list / BSAR	(0)	
EMPLOYMENT STATUS			
	Permanent	✓ (10)	10
	Contractual	✓ (5)	
YEARS EMPLOYED			
<input checked="" type="checkbox"/>	>10 yrs	✓ (10)	10
	5-10 yrs	✓ (8)	
	2-5 yrs	✓ (5)	
	<2 yrs	✓ (2)	
*Score should be based on total number of years employed including other school assignments			

CAPACITY AND CAPITAL															
AGE															
65 yrs old at the time of maturity														X	(10)
> 65 yrs old at the time of maturity															(0)
GROSS MONTHLY INCOME BRACKET															
	>50K		(20)												
X	10K- P50K		(10)												20
	<10K		(5)												
BANK AND OTHER DEALINGS															
Internal Exposure*															
APDS Salary															
	<P100K		(10)		Note: Score of 10 if with no incidence of past due nor NPL										10
	P100K-P500K		(6)												
	>P500K		(2)												
*raw score of 6 if Not Applicable/No Loan Exposure															
Net Take Home Pay															
X	>10,000		(20)												
	8,001 to 10,000		(15)												
	7,001 to 8,000		(10)												20
	5,501 to 7,000		(5)												
	5,000 to 5,500		(1)												

Annex E – Approving Authorities on Waiver/Reduction of Fees, Penalty and/or Interest

Amount	Approver
>P20,000.00	President
Less than P20,000	Chief Operating Officer
Less than P10,000	Credit, Collections and Remedial Group Head
Less than P10,000	Lending Group Head APDS Department Head (for APDS Loan)
Less than P5,000	CCRG - Collections Department Head

1. Lending Group Head/APDS Department Head shall be allowed to waive business related fees only.
2. Business related fees (i.e. processing fee, pre-payment fee, handling fee, etc.) shall require approval of the Lending Group Head/APDS Department Head at the minimum.

Waiver or reduction of penalties, fees, other charges for accounts under legal collection, litigation, remedial	
Amount	Approver
a. In special cases referred by the Board or any of its members, regardless of the amount; b. The amount to be condoned, whether in the form of accrued interest or penalty or principal is Php500,000.00 and above;	Board of Directors
a. In special cases referred by the President or the Chief Operating Officer, regardless of the amount; b. The amount to be condoned, whether in the form of accrued interest or penalty or principal is Php100,000.00 but not exceed Php499,999.99	President and Chief Operating Officer
The amount to be condoned does not exceed Php99,999.99	Credit, Collections and Remedial Group Head or Legal Services and Corporate Affairs Department Head

The amount to be condoned does not exceed Php25,000.00	CCRG - Collections Department Head or Recovery and Litigation Officer
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