

MAG FINSERV COMPANY LIMITED

(MAG's)

LOAN POLICY

Approved By:

Board of Directors

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Introduction

The loan policy is designed in way that, it shall provide adequate guidance to officials of the MAG's during conducting the business in acceptable risk levels.

Objectives

The main objective of loan policy is to ensure profitability and facilitate growth of business without compromising the quality of asset and maintain risk at acceptable level.

- Ensure balance between risk, competitive interest rate and quality of asset.
- Comply with applicable laws and regulations and monitor the compliance on continuous basis.
- Adopt fair practice suggested by regulator.
- To lend in competitive and customer friendly

Coverage and applicability

The policy is applicable to all types of loans given by the MAG's, further to compliance with this policy loans granted against security of gold ornaments needs to comply with separate Gold Loan Policy.

Loan Application Form and KYC

- (i) Loan shall be disbursed only against application form as prescribed by the MAG's for respective product. The loan application form shall be complete in all respects. The loan application form will be in local language contains required details which needs to be filled in and acknowledged by the borrower.
- (ii) Each loan application form should be supported by adequate KYC documents in conformity with Fair Practice Code and KYC and Anti-Money Laundering Policy of the MAG's.

- (iii) Disbursement team needs to check and confirm that loan application form is filled with all details and borrower has signed the form and accepted terms and conditions before making disbursement.

Pre-sanction appraisal

- (i) Each duly completed loan application as supported by KYC documents should be appraised by separate team before sanctioning loan.
- (ii) Application details of the borrower should be re-verified and confirmed with the borrower personally or telephonically by officials of the MAG's or any outside agency appointed for this purpose. However, in no case re-verification shall be done by sales team.
- (iii) Post completion of verification each customer should be categorised in high, medium and low risk. The categorisation shall be done based on customers identity, social and financial status, nature of business activity etc location of residence or business. In case of existing customers previous track record should be also considered along with other factors, however previous track record alone should not be considered for changing category of risk.
- (iv) Appraisal should be recorded in the system and complete trail of the process shall be available for review with remarks from team regarding acceptance / rejection of application.

In case loan is required for purchase of used vehicle or against security of gold or vehicle, physical verification of vehicle or gold along with its valuation needs to be done and recorded in the system.

- (v) Maximum amount of loan to be given shall depend on value of security and adequate loan to value ratio needs to be maintained for all cases. In no case loan to value ratio shall exceed 75% for gold loan, 85% for new vehicle and 70% of Insured Value as per latest insurance policy for used vehicles.
- (vi) Borrowers confirmation should be obtained in writing agreeing the valuation of security.

Sanction of Loan and acceptance of terms and condition

- (i) Sanction of loan to borrower should be communicated in writing by way of sanction letter.
- (ii) Most important terms and conditions of loan such as amount of loan, rate of interest, processing and other fees if any and repayment schedule shall form part of sanction letter.
- (iii) Before making disbursement of loan, sanction letter should be shared and explained to borrower.
- (iv) All queries of the borrower need to address and resolve and confirmation to that effect shall be obtained bay way of taking signature on copy of sanction letter.
- (v) In case of change in terms or conditions it shall be communicated to the borrowers immediately.

Documentation

- (i) Essential documentation for assignment / pledge of security shall be done post acceptance of sanction terms and conditions by the borrower.
- (ii) In case of vehicle loan documents with respect of hypothecation should be executed and necessary formalities with Government authorities should be carry out without any delay.
- (iii) If loan is sanctioned for purchase of new vehicle, original receipts for margin money paid borrower shall be kept on record.

- (iv) All assets provided as security must be secured with insurance and insurance policy shall be assign in the name of the Company.

Disbursement

- (i) Post completion of all formalities disbursement of loan should be made to borrower against respective loan agreement created in the system.
- (ii) Disbursement of loan taken for purchase of new vehicle shall be made directly to the dealer only.
- (iii) In case of other loan, it is advised to make disbursement in account of the borrower. Disbursement may be made in cash provided it shall not exceed Rs.19900/-.

Post disbursement monitoring

- (i) Borrowers account shall be monitored continuously till final settlement of the same.
- (ii) Important documents like KYC, promissory notes, accepted sanction letter and loan application form, ROC documents, insurance policy etc. needs to be physically verified at appropriate intervals and it shall be ensured that all documents are in force till final settlement of loan.
- (iii) In appropriate cases like insurance policy expired, non-starter etc. physical verification of vehicle shall be conducted at adequate intervals. Insurance policies needs to be renewed before expiry renewal charges shall be recovered from borrowers.
- (iv) Cases of delayed collection and defaults shall be communicated to concerned recovery teams. Reasons for delays and defaults should be identified and suitable action shall be initiated for recovery before account turns in to non-performing category.

Settlement

- (i) All settlements shall be at contracted IRR only. Cases below contracted IRR needs approval from appropriate authority.
- (ii) Any waiver or write-off at the time of settlement shall be allowed by appropriate authority on case to case basis. Reasons for waiver / write-off shall be recorded in writing.
- (iii) No quarterly basis settlement cases below contracted IRR and waiver / write-off should be reported to the Board of Directors.

High Value and single borrower exposure

- (i) The Board shall from time to time decide High Value and Single Borrower exposure considering RBI Guidelines.
- (ii) As a policy undue reliance on high value loans to accelerate growth should be discouraged considering the class of borrower and inherent risks. Emphasis must be given to low value customers and increase in broad base.
- (iii) Single customer borrower limits should be periodically review and Board shall approve increase in limits.
- (iv) In no case single borrower exposure across all products exceeds 20% of paid-up capital and reserve surplus of the Company.

Recovery and legal proceedings

- (i) Collection from borrowers should be monitored on continuous basis and cases of non-payments should be communicate to recovery teams.
- (ii) Recovery team in no case shall use unfair means or put excessive pressure on borrowers for recovery.
- (iii) In case of non-receipt of instalments after due follow-up legal notice should be served on the borrower. Further action in such cases shall be based on legal advice only.

Restrictions and Prohibition

- (i) Restrictions specified in the policy with respect to single party borrower and loan to value ratio shall be adhered irrespective of any exception.
- (ii) Loans to person of doubtful integrity (to the extent known from internal / external sources), persons engaged in illegal activities or conducting unlawful business shall not be granted irrespective of quality of security and surety of collection.

Compliance with Fair Practice Code and other policies

In conduct of business compliance with Fair Practice Code and other policies shall be ensured. Deviation from other policies shall be based on sanctions by Managing Director only and cases of such deviation needs to be included in quarterly reporting to Board of Directors.