

GUIDELINES ON SALARY-BASED GENERAL-PURPOSE CONSUMPTION LOANS



BANGKO SENTRAL NG PILIPINAS

Presentation Outline

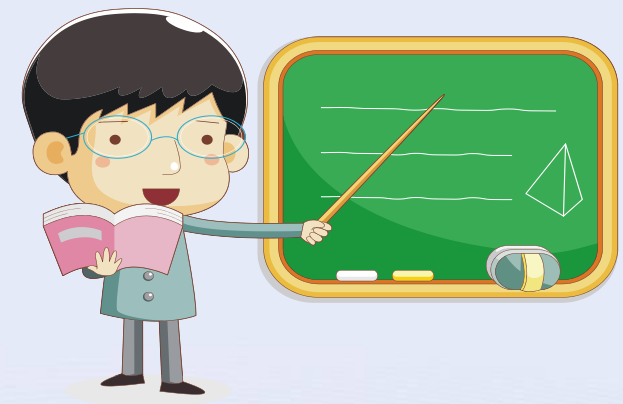
- I. Rationale
- II. Salary Loans Redefined
- III. Salient Credit Granting Regulations
- IV. BSP Expectations



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Why Issue Guidelines

- **Safety and soundness**
- **Fair consumer practices**
- **Risk governance**



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RENAMING AND REDEFINITION

From: Salary Loans

**To: Salary-Based General-Purpose
Consumptions Loans**



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To: Salary-Based General-Purpose Consumptions Loans

Type - Unsecured loans to individuals

Basis - Regular salary, pension or other fixed compensation

Repayment Source - such future *cash flows*

Repayment Mode - Salary deductions, debits from deposit account, *mobile payments, pay-through collections*, over-the-counter payments or other type of payment arrangement agreed upon by the borrower and lender



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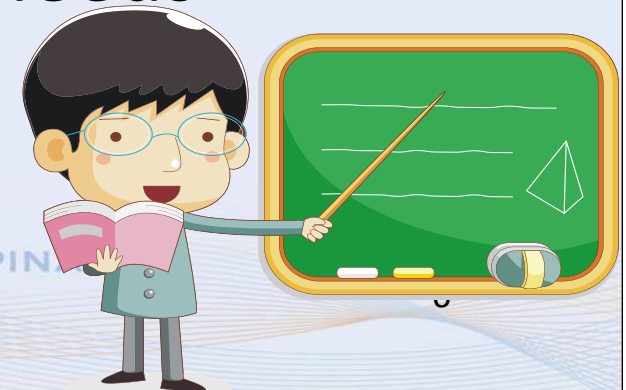
Transactions Covered

Purpose - for a broad range of consumption purposes

- ☐ Education
- ☐ Hospitalization
- ☐ Emergency
- ☐ Travel
- ☐ Household
- ☐ Other personal consumption needs



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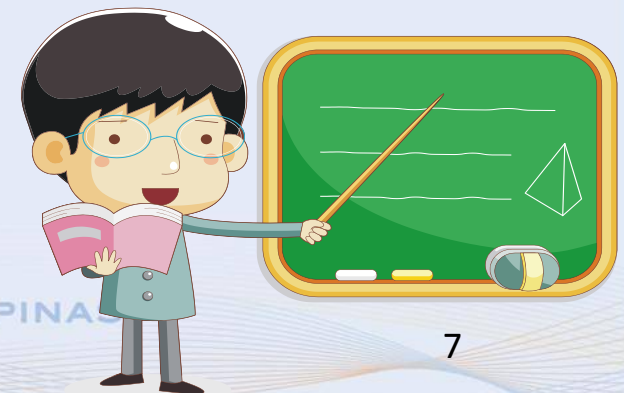


Exclusions

- Those covered by other existing applicable regulations such as:
 - ☐ Credit cards
 - ☐ Motor vehicles



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Credit Granting Requirements*

- Comprehensive assessment of creditworthiness
 - ✓ Not reliant on mere formula – not only based on certain multiples of net take home pay
 - ✓ Individual borrowing capacity – consider income of borrower plus income of the family less personal and household indebtedness, after considering debt servicing

***Consistent with Circular No. 855**



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Credit Granting Requirements*



- Loan term/maturity
 - ✓ Not to exceed 3 years
 - ✓ In meritorious cases, up to 5 years
- Renewal should be allowed only when:
 - ✓ Capacity to pay is re-established
 - ✓ Accrued interest receivable is paid
 - ✓ Substantial reduction in principal

***Consistent with Circular No. 855**



Credit Granting Requirements



- For Loan “takeouts”
 - ✓ Loan from the originating FI should be fully settled
 - ✓ Adequate controls such as:
 - Direct release of loan proceeds to the FI where the loan will be taken out
 - Obtaining a copy of the official receipt evidencing full settlement from the originating FI



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BSP Expectations

- FIs and NSSLAs to adopt the revised reporting templates effective report ending 30 September 2015
- FIs shall be given 6 months from effectivity of the Circular (or until 26 March 2016):
 - ☐ To adopt/amend their policies, procedures, and credit strategy on salary-based general-purpose consumption loans



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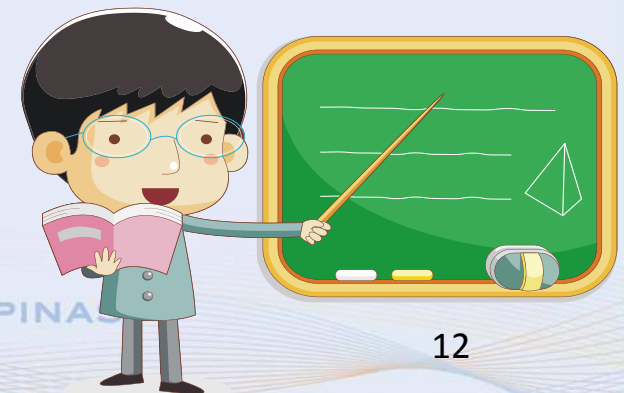


Reporting in the FRP

- **Financial assistance under an approved fringe benefit program**
 - ✓ According to the purpose of the financial assistance
 - ✓ For example, housing/real estate, motor vehicle, salary-based general-purpose consumption, etc.)



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Thank You!

