

UNSECURED LOANS

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To enhance prudent banking practice, the Monetary Board, in its Resolution No. 500 dated May 25, 1990, approved the amendments to the regulations on unsecured loans under Sections 1319 (Book I), 2319 (Book II) and 4319Q (Book IV), of the Manual of Regulations for Banks and Other Financial Intermediaries, as follows:

BOOK I - Commercial Banks

SECTION 1. Subsections 1319.2 and 1319.3 shall read as follows:

“1319.2 Proof of financial capacity of borrower. As minimum requirements, in addition to the usual personal information sheet about the borrower, banks shall require that an application for a credit accommodation against personal security be accompanied by:

“a. a xeroxed copy of the latest income tax returns of the borrower and his co-maker duly stamped as received by the Bureau of Internal Revenue; and

“b. In addition, if the credit accommodation exceeds P500,000, a copy of the borrower’s balance sheet duly certified by an independent Certified Public Accountant (CPA), and in case he is engaged in business, also a copy of the profit and loss statement duly certified by a CPA.

“The above documents shall be required to be submitted annually for as long as the credit accommodation is outstanding.

“1319.3 Amounts and terms of credit accommodations: renewals. Banks shall grant credit accommodations against personal security only in the amounts and for the periods of time essential for the completion of the operations to be financed. The amount and period of the loan shall be justified by the financial statements submitted or by specific feasibility/project studies for a particular operation to be financed by the loan applied for. Any extension or renewal of such credit accommodations shall be subject to the provisions of Subsec. 1304.4 on renewals .

BOOK II - Thrift Banks

SECTION 2. Subsections 2319.2 and 2319.3 shall read as follows:

“2319.2 Proof of financial capacity of borrower. As minimum requirements, in addition to the usual personal information sheet about the borrower, banks shall require that an application for a credit accommodation against personal security be accompanied by:

“a. a xeroxed copy of the latest income tax returns of the borrower and his co-maker duly stamped as received by the Bureau of Internal Revenue; and

“b. In addition, if the credit accommodation exceeds P500,000, a copy of the borrower’s balance sheet duly certified by an independent Certified Public Accountant (CPA), and in case he is engaged in business, also a copy of the profit and loss statement duly certified by a CPA.

“The above documents shall be required to be submitted annually for as long as the credit accommodation is outstanding.

“2319.3 Amounts and terms of credit accommodations; renewals. Banks shall grant credit accommodations against personal security only in the amounts and for the periods of time essential for the completion of the operations to be financed. The amount and period of the loan shall be justified by the financial statements submitted or by specific feasibility/project studies for a particular operation to be financed by the loan applied for. Any extension or renewal of such credit accommodations shall be subject to the provisions of Subsec. 2304.4 on renewals.

BOOK IV - Non-Bank Financial Intermediaries

SECTION 3. Section 4319Q is hereby added to Book IV to read as follows:

“SEC. 4319Q Loan Against Personal Security. The following guidelines shall be observed by NBQBs in the grant, renewal or extension of unsecured loans:

“4319Q.1 General guidelines. Before granting credit accommodations against personal security, NBQBs must exercise proper caution by ascertaining that the borrowers, co-makers, indorsers, sureties and/or guarantors possess good credit standing and are financially capable of fulfilling their commitments to the NBQB. For this purpose, NBQBs shall keep records containing information on the credit standing and financial capacity of credit applicants.

“4319Q.2 Proof of financial capacity of borrower. As minimum requirements, in addition to the usual personal information sheet about the borrower, NBQBs shall require that an application for a credit accommodation against personal security be accompanied by:

“a. a xeroxed copy of the latest income tax returns of the borrower and his co-maker duly stamped as received by the Bureau of Internal Revenue; and

“b. In addition, if the credit accommodation exceeds P500,000, a copy of the borrower’s balance sheet duly certified by an independent Certified Public Accountant (CPA), and in case he is engaged in business, also a copy of the profit and loss statement duly certified by a CPA.

“The above documents shall be required to be submitted annually for as long as the credit accommodation is outstanding.

“4319Q.3 Amounts and terms of credit accommodations: renewals. — NBQBs shall grant credit accommodations against personal security only in the amounts and for the periods of time essential for the completion of the operations to be financed. The amount and period of the loan shall be justified by the financial statements submitted or by specific feasibility/project studies for a particular operation to be financed by the loan applied for. Any extension or renewal of such credit accommodations shall be subject to the provisions of Subsec. 4304Q.4 on renewals.

“4319Q.4 Signatories — NBQBs shall require that credit accommodations against personal security be made under the signature of the principal borrower and at least one co-maker, except in the case of a principal borrower whose responsibility and financial capacity are unquestionable in which case the signature of the borrower shall suffice.

“4319Q.5 Collateral requirements. — When circumstances so warrant, NBQBs may require applicants for credit accommodations against personal security to furnish collaterals, without subjecting such collaterals to the maximum loan values prescribed under the first and second paragraphs of Section 79 of Republic Act No. 337, as amended. Such credit accommodations shall continue to be subject to the provisions of this Section.

“4319Q.6 Sanctions. The appropriate supervising and examining department of the Central Bank may recommend to the Monetary Board, for a violation of the provisions of this section, the imposition of any or a combination of the following sanctions:

“a. Disqualification of the NBQB concerned from the credit facilities of the Central Bank; and

“b. Prohibition of the NBQB concerned from extending additional credit accommodations against personal security.”

This Circular shall take effect immediately.

Adopted: 29 June 1990

(SGD.) JOSE L. CUISIA, JR.

Governor

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