Sample Client Welcome Kit

Essential documents for new clients

www.smartcampaign.org
Table of Contents

Document Description and Suggestions for Use 3
Loan Contract Guidelines 5
Sample Welcome Letter 6
Sample Institutional Pledge to Clients 7
Sample Loan Summary & Repayment Schedule 8
Sample Complaints Information Flyer 9
Sample Data Privacy Agreement 10
Sample Privacy Summary Statement 14
Sample Delinquency Information 15
Sample Client Education Materials 16
Introduction

Financial service providers must provide clients with clear and accurate information about their products and services. Transparency of information allows clients to make informed decisions and demonstrates the financial service provider’s commitment to customer service.

A “Client Welcome Kit” refers to the set of documents that helps new clients fully understand their financial obligations, what they can expect from the institution, and what to do if they experience problems along the way. Institutions should provide the Client Welcome Kit to clients prior to the first loan disbursement, and should include the following documents, at a minimum:

- Full loan contract
- Loan contract summary page
- Welcome letter
- Data privacy agreement—full version
- Summary data privacy agreement
- Institutional pledge to clients
- Loan repayment schedule
- Complaints information handout
- Delinquency information
- Educational materials

Using the Client Welcome Kit Documents

The following kit includes examples of each of the documents listed above, with the exception of the loan document and loan document summary. Financial service providers can review each of the documents in this tool when developing or improving their own new client welcome documents. A Client Welcome Kit is essential for transparent communication to new clients. It can also improve customer service, and may reduce problems that arise from clients forgetting or missing information once they go home.

When using a Client Welcome Kit, it is important to verbally review each document with the client, taking the time to allow for questions and discussion. Clients are more likely to make good use of the information—such as referencing the materials when they have questions—if they understand the information before taking it home. Verbal explanation of the documents is especially crucial for illiterate clients. However, illiterate clients should also receive physical copies of the documents, which they can use with the help of a literate person.

1. Guidelines for these two documents are found on page 5.
A Client Welcome Kit is useful for both group lending and individual lending, though each will require a different approach. In particular, it is important to ensure that all members of the group understand the information and are able to ask questions. Additionally, group members should be encouraged to periodically review the information with each other, and to refer to the Welcome Kit Documents when they have questions.

Finally, the documents in this tool are samples and should be adapted to the institution and reviewed by local counsel to make sure that they conform to applicable laws. Institutions can use these documents as good practice examples when creating or modifying their own Client Welcome Kit documents. The Smart Campaign encourages institutions to share with us your adaptations of these documents, and keep us informed if you have ideas for adding to or improving this tool (info@smartcampaign.org).

**Collaboration**

Many of the documents in this Client Welcome Kit are based on documents shared by institutions from all around the world. The Smart Campaign thanks the following institutions for contributing documents, ideas, and/or feedback on this tool: Mibanco, Peru; JSC Microfinance Crystal, Georgia; Ujiivan, India; JN Small Businesses, Jamaica; Columbia Microcrédito, Argentina; Financiera FAMA, Nicaragua; and Bank Negara Malaysia (Central Bank of Malaysia).
Document Description and Suggestions for Use

Each document contained in this Client Welcome Kit is explained below, along with suggestions for how to use the document.

Guidelines for Loan Contract & Loan Contract Summary

A Client Welcome Kit should include a signed copy of the client’s loan contract. This document describes important client protection guidelines for loan contracts and a loan contract summary page. Though loan contracts will vary widely by institutional form, government regulation, and product type, institutions must ensure that loan contracts help clients understand the terms, conditions, and features of the product they are buying. **This document is for the institution, not for distribution to the client.**

Sample Welcome Letter

A welcome letter helps orient the client to the mission and character of the institution. Staff can use this document to help clients get to know the organization. The letter can highlight the organization’s mission and its standards for customer service. It should include information about how the client can communicate questions and complaints to the institution.

Sample Institutional Pledge to Clients

An Institutional Pledge to Clients outlines the ethical code that governs staff interaction with clients. Clients must know how the institution expects staff to treat clients, and what behavior clients should not tolerate from staff.

Sample Loan Summary & Repayment Schedule

Though all loan contracts should include a loan summary and repayment schedule, it is also useful to provide this information in a separate, stand-alone document that clients can easily reference. Remind clients that the most pertinent details of their loan product are contained in this document.

Sample Complaints Information Flyer

Institutions should use this document to advertise the mechanisms they have in place to respond to client questions and complaints, such as suggestion boxes or a customer service line. The flyer helps clients understand their options for contacting the institution, and how the institution will respond.

Sample Data Privacy Agreement & Summary Statement

Regardless of the status of national privacy laws, institutions must have a privacy policy and procedures in place. A data privacy agreement explains how the institution will keep client data private. It also establishes client responsibilities for keeping their own data secure. Clients should also receive a summary of this agreement so they can quickly reference “key facts” from their full privacy agreement.

Sample Delinquency Information

Even before the first payment is due, clients must know the institution’s delinquency protocol, including: the definition of delinquency; the institution’s timeline for collections; and what clients can expect from staff.

2. For more information and other tools on Ethical Staff Behavior (Client Protection Principle 4), visit the Smart Campaign tools page for Principle 4 at http://smartcampaign.org/component/taxonomy/term/list/24/12.

3. For an example of a “plain language loan contract,” see http://smartcampaign.org/tools-a-resources/275.

4. For more information and other tools on Redress of Client Grievances (Client Protection Principle 5), visit the Smart Campaign tools page for Principle 5 at http://smartcampaign.org/component/taxonomy/term/list/25/12.

5. For more information and other tools on Privacy of Client Data (Client Protection Principle 6), visit the Smart Campaign tools page for Principle 6 at http://smartcampaign.org/component/taxonomy/term/list/26/12.
during the collections process—including which staff behaviors are prohibited by the institution. The delinquency information can also highlight the benefits of on-time repayment and the consequences of late payment.

**Sample Educational Materials**

Though not mandatory for transparency, financial education materials can help clients better understand and use their financial products and services. Two examples are presented in this Client Welcome Kit:

1. **Sample Institutional Responsibilities and Client Responsibilities Table.** This table lists each of the six Client Protection Principles, and alongside the principles, provides *institutional responsibilities* and *client responsibilities* for fulfilling each of the principles. The table demonstrates how institutions and clients share the obligation of *responsible provision* and *responsible use* of financial products and services. Use this table to discuss these responsibilities with new clients.

2. **Sample Consumer Education Brochure.** This brochure, called “Looking for a Housing Loan,” is produced by the Bank Negara Malaysia (Central Bank of Malaysia) as a part of its *bankinginfo* initiative, which provides consumers with the knowledge and understanding of the wide range of banking products and services, and where assistance or advice can be obtained. The brochure serves as an example of educational material that a financial service provider could distribute to clients.
Loan Contract Guidelines

Client Protection Guidelines for Loan Contracts—Checklist for Institutions

☐ Accompany loan contracts with a “Summary” or “Key Facts” document6 that summarizes all the most important terms and conditions in easily understood language.

☐ Loan contracts should be written in plain language,7 which means the contract does not use financial jargon, and it is appropriate for clients’ literacy and financial education. If complex wording must be used for legal compliance, an explanation should be provided. Avoid extensive use of footnotes, small font size, and other presentations that might obscure information.

☐ Loan contracts should include the institution’s contact information and direct clients to contact the institution if they have questions or complaints.

☐ Loan contracts should present information on the total cost of credit (TCC), which includes:

☐ An amortization table with: disbursement and payment dates; amounts due for principal, interest, taxes, insurance and fees and commissions, by date; compulsory savings deposits by payment period; and the total balance of the client’s compulsory savings.

☐ Total interest charges over the life of the loan.

☐ Total payments associated with fees, commissions, penalties, and mandatory credit life insurance.

☐ Total payments of compulsory savings/cash deposit/loan guarantee fund and any interest earned thereon.8

☐ Loan contracts should disclose interest rates using a combination of TCC and a standard annual percentage rate (APR) or effective interest rate (EIR) format, based on local industry norms or regulations, in addition to other information. It is highly desirable for MFIs to provide the APR or EIR equivalent on the repayment schedule provided to clients.

☐ Loan contracts should provide information on the institution’s delinquency policy, including what measures the institution can/will take if the client falls into delinquency, and the timeline for these.

☐ In addition to the information above, loan contracts should provide: exchange rates, penalties, premiums, and fees (including third-party fees and commissions). Include advance termination penalties and fees for late payment. Include details about when the fees are payable and the events that will trigger payments.

☐ The loan contract should advise clients whether and by how much any of the product terms, such as interest rates, can change during the client’s use period, under what circumstances changes can occur, how much notice will be given, and how the notice will be provided.

6. For an example of a loan contract summary see http://smartcampaign.org/tools-a-resources/276.
7. For an example of a “plain language loan contract,” see http://smartcampaign.org/tools-a-resources/275.
8. For loans that have a compulsory savings requirement, transparency requires advising the borrower of the cost of the loan net of the savings deposit.
Sample Welcome Letter

Welcome to MacroDreams

WHO WE ARE

MacroDreams is a financial service provider whose mission is to provide small business owners with access to credit so they can see their businesses grow. For the past 14 years, we have worked in local communities throughout the country, offering loans, savings, and financial education to micro and small businesses.

OUR PLEDGE

MacroDreams employees will serve clients according to our *Pledge to Clients*. Along with fair and dignified treatment, clients can expect products and services that are designed to meet their needs in an affordable way, transparent information, and privacy of their personal information. Additionally, clients can expect punctual and reliable service delivery, and a quick response to their questions or complaints.

YOUR ROLE

MacroDreams wants each client to make the most of their financial products and services. As the client, your role is to provide us with accurate information about your financial and personal situation, to know your financial options, rights, and obligations, and to keep your personal information accurate and up to date. We ask that you let us know right away if you have problems with your products or services, and if your financial or personal situation changes during the course of your loan.

SERVING YOU

Our staff is trained to serve the needs of our clients. Customer service is important to us and we value your opinion. Your credit officer will visit you on a regular basis, and he/she is your best source of information and help. However, if you have a problem or question that your credit officer cannot solve, our Customer Service staff will be ready to help.

Welcome to MacroDreams!

Please contact the MacroDreams Customer Service Line if you have questions or complaints about our products, services, or staff: 555-555-5555. Open Monday to Saturday 7:00-20:00. All calls are free.
Sample Institutional Pledge to Clients

MacroDreams pledges to protect clients through fair and honest treatment at every point of contact. Specifically, we pledge the following:

1. All dealings with clients will be open, fair and ethical.

2. We will treat all clients with respect and professionalism.

3. We will evaluate each client’s ability and willingness to repay their loan, to avoid the situation where the client has more debt than he/she can repay.

4. We will explain product and service information in a way that clients can understand.

5. Our product explanations will clearly include:
   
a. Interest rate on loans;
   
b. Fees and charges on any product, and premium on insurance; and
   
c. All terms and conditions.

6. We will train our staff to behave ethically during every contact with the client. If they behave unethically, they will be disciplined.

7. Clients are expected to repay their loans on time, but if they do not, we will still treat them with dignity. We will never use abusive language or physical force, shout at the client, enter the client’s home uninvited, humiliate the client, or violate the client’s right to privacy as dictated by our privacy policy.

8. We will inform clients of their right to ask questions and complain, and will educate them about the various ways they can submit questions and complaints to the institution. We will respond to questions and complaints quickly and fairly.

9. We respect our customers’ privacy and will treat customer information as private and confidential. Clients will receive the institution’s Client Privacy Agreement.

Please contact the MacroDreams Customer Service Line if you have questions or complaints about our products, services, or staff: 555-555-5555. Open Monday to Saturday 7:00-20:00. All calls are free.
### Sample Loan Summary & Repayment Schedule

#### TABLE 1. LOAN SUMMARY

<table>
<thead>
<tr>
<th>Loan size and currency</th>
<th>Total no. of installments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate</td>
<td>Installment frequency</td>
</tr>
<tr>
<td>Commission fee</td>
<td>Disbursement date</td>
</tr>
<tr>
<td>Other fees</td>
<td>Mandatory savings</td>
</tr>
<tr>
<td>Purpose of loan</td>
<td>Maturity date</td>
</tr>
<tr>
<td>Grace period (if applies)</td>
<td>Type of guarantee</td>
</tr>
<tr>
<td>Penalty for late payment</td>
<td>Maturity of the loan (in months)</td>
</tr>
<tr>
<td>Penalty for pre-payment</td>
<td>Total cost of loan (principle + int.+ fees)</td>
</tr>
</tbody>
</table>

#### TABLE 2. REPAYMENT SCHEDULE

<table>
<thead>
<tr>
<th>Date</th>
<th>Disbursement Amount</th>
<th>Principle Repayment</th>
<th>Interest Repayment</th>
<th>Commission Payment</th>
<th>Fees</th>
<th>Tax Payment</th>
<th>Total Repayment</th>
<th>Total Balance Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Client Signature _______________________________________________________________

Credit Officer Signature _______________________________________________________

Branch Director Signature _______________________________________________________

Please contact the MacroDreams Customer Service Line if you have questions or complaints about our products, services, or staff: 555-555-5555. Open Monday to Saturday 7:00-20:00. All calls are free.
Questions? Complaints? Contact Us!
MacroDreams is here to serve you. Please contact us with any questions or complaints you may have. Your contact with us is confidential.

Please contact us using any of the following options:

Email the MacroDreams Customer Service Department: customers@md.info.

Leave a comment card in the “Suggestion Box” at your local branch.

Call the MacroDreams Customer Service Line: 555-555-5555.

Send a text to the MacroDreams Customer Service Line: 555-555-5555.

At MacroDreams, we believe that our clients have the right to quick resolution of their questions and complaints. We strive to respond to your email, phone or text messages within 48 hours, and your comment cards within 7 business days.

The MacroDreams Customer Service Line is open Monday to Saturday from 7:00 to 20:00. All calls and text messages are free.

Clients may also make complaints to the National Bureau of Consumer Protection: 555 Fifth St., Fivetown.
Sample Data Privacy Agreement

MacroDreams respects the privacy and security of client data. This Data Privacy Agreement ("Agreement") describes how clients’ Personal Information and Financial Information are used, and with whom they are shared.

Definitions
“Client”, "you" or "your" means an individual who has made application to us for, enrolled in or signed an application in respect of any financial product or service offered by MacroDreams.

“Financial Information” is any data collected from the client regarding the client’s money, businesses, income, expenses, repayment history, credit, guarantors, or collateral.

“Personal information” is any data collected from the client that is about their family, health, personal characteristics (such as attitudes and behaviors), or living conditions.

“National Credit Bureau” is an independent organization that compiles information from credit grantors and other sources regarding individuals’ credit applications and payment behavior.

“Group Lending” means a single loan made to multiple clients, for which they share repayment responsibility, or loans made to individuals who share repayment responsibility with one another.

“Mandatory Bundling” means products offered by MacroDreams that require the client to buy more than one product at a time—in other words, the products are sold together or not at all.

“Optional Bundling” means products offered by MacroDreams that allow but do not require the client to buy more than one product at a time.

SHARING CLIENT INFORMATION & PHOTOS

Sharing Client Information
MacroDreams will not sell or share your Personal Information or Financial Information to any third parties, except in three instances:

- **When required by the National Credit Bureau.** MacroDreams uses information from the National Credit Bureau to: reduce the risk of granting loans likely to default, support fraud prevention, and protect clients against over-indebtedness by checking existing debt. In addition to using the National Credit Bureau to evaluate potential clients, MacroDreams provides the bureau with the following information on all existing clients: client name; client national identity number; financial products used by client; and client credit repayment history. All data shared with the National Credit Bureau is submitted electronically, using a secure system.

- **When you have defaulted on your loan over 180 days.** In addition to sharing default information with the National Credit Bureau, we will share the following information with the microfinance institutions in

---

9. This document is a sample and should be adapted to the institution and reviewed by local counsel to make sure that it conforms to applicable laws.
the National Microfinance Network: Client name; client national identity number; financial products used by client; and client credit repayment history. Institutions in the National Microfinance Network use this information to avoid granting credit to clients who have not paid other loans.

- **When required by applicable laws** (including, where applicable, any order of any governmental, semi-governmental, regulatory, administrative, fiscal, judicial or quasi-judicial body, department, commission, authority, tribunal, agency, or entity).

**Bundled Products**
In some instances, MacroDreams offers several products for sale as one combined product, in partnership with other financial institutions. One example is our Combined Credit and Life Insurance product. When selling products provided by another financial institution, MacroDreams provides the secondary institution with only the information they require, not the entire Client file. In the case of Mandatory Bundling, the Client will receive a list of the data that is shared with the other institution. In the case of Optional Bundling, MacroDreams must obtain Client’s written consent prior to sharing the information with the secondary institution.

**Use of Client Photos**
MacroDreams requires that all clients submit to a photo when opening any type of account. This is a security measure that helps staff identify clients before making transactions in their account. Occasionally, MacroDreams uses photos and other information about clients in our marketing and other materials. MacroDreams must obtain Client’s written consent prior to using Client testimonials, photos and/or case studies in marketing or other public materials. MacroDreams will not permit the use of Client photos by any other institution without written consent from the Client.

**KEEPING CLIENT INFORMATION SECURE**

**Security Measures**
We maintain physical, electronic and procedural safeguards to protect your Personal Information and Financial Information, including your personal photo. If our safeguard system fails and your Personal Information or Financial Information are made available to other parties, MacroDreams will contact you to explain the situation and provide specific instructions on how the problem can be corrected.

MacroDreams follows strict procedures for maintaining client data security. Our institutional data security procedures cover the following operations:

- Security of electronic data;
- Security of data in hard copy;
- Security of electronic back-up systems;
- Staff access to client information;
- Copying, storage, and sharing of client data within the institution and outside the institution;
- Electronic data entry and changing data after it has been entered; and
- Archiving and disposal of client information.
Staff are informed and trained on the above data security procedures.

**MacroDreams** does not collect any data that could be used for illegal or arbitrary discrimination, such as information about ethnicity, religion, and political affiliations, among others.

**Group Lending**
In the case of group loans, group members will have access to personal information about each other and the group as a whole, including loan size and account balances. Other individual client information will not be shared with the group, including: national identification number, savings balance (if applicable), and information about the Client’s family. Group loan training emphasizes the importance of keeping confidential information safe within the group. Group members are also required to sign a Group Loan Privacy Agreement stating that they will keep private the financial information of their group members.

**Savings Account Privacy**
Savings information will only be shared directly with the account holder. **MacroDreams** will not provide savings account information to a spouse or other family members, unless the account holder agrees in writing. When opening a savings account, the client will name an account beneficiary—a person who will receive the Client’s savings if the Client dies. We will not share information about the beneficiary with anyone except the Client.

**Your Responsibilities**
You help us keep your data secure. You have the following responsibilities:

- Understand the **MacroDreams** Data Privacy Agreement and know your rights;
- Keep your information updated;
- Store your financial records in a secure location and do not provide personal information (such as account and credit card information) over the phone unless you called the bank and know that you are speaking to a bank employee;
- Keep credit, debit, and savings cards secure and do not share your PIN numbers, passwords, or other ID codes with other people; and
- Inform **MacroDreams** right away if you think your personal information has been misused, misappropriated, lost, or stolen.

**Updating Client Information**
We rely on you to tell us when your information changes—such as address, name, or marital status. If you find your information is wrong or incomplete, please tell your credit agent, come into a branch office, or call our Customer Service Line: 555-555-5555.

**Waiver of Client Rights**
Clients will not be required to sign a general waiver that eliminates all rights to privacy. Client rights will not be waived unless done so voluntarily by the Client in writing. Examples of a waiver of rights: sharing financial information with a potential employer or another financial service provider.
Respecting Client Preferences
If you do not want to hear from our marketing staff about other products and services, please inform them when they call, or call our Customer Service Line: 555-555-555. If MacroDreams wants to share client information with affiliates for cross-selling purposes, the Client will first be given the choice to say no.

Further Information
You acknowledge that we may amend this Agreement from time to time to take into consideration changes in legislation or other issues that may arise. We will post the revised Agreement on our website and make it available at our branches or we may also send it to you by mail.

If you receive a notice like one described above, and you continue to use a MacroDreams product or service, this means that you agree to and accept the new terms and conditions of the Agreement. If you do not agree with any of the changes made or with the new terms of the Agreement, you must immediately stop using the services and notify us that you are terminating your service with us.

Please contact the MacroDreams Customer Service Line if you have questions or complaints about our products, services, or staff: 555-555-5555. Open Monday to Saturday 7:00-20:00. All calls are free.
Sample Privacy Summary Statement

This sheet is a summary of the MacroDreams full Data Privacy Agreement, which you should have received when you signed your loan contract. Call our Customer Service Line if you did not receive the Agreement.

Sharing Client Information

MacroDreams will not sell your personal or financial information to any third parties. MacroDreams will not share your personal or financial information with any third parties, except:

• When required by the National Credit Bureau.
• When you have defaulted on your loan over 180 days. In this case, we may share your information with the National Microfinance Network and with the National Credit Bureau.
• When required by applicable laws.

Keeping Client Information Secure

We maintain physical, electronic and procedural safeguards to protect your information, including your personal photo. Staff are trained to use the data security procedures. If our safeguard system fails, MacroDreams will contact you and explain the situation and how we will make it right.

MacroDreams does not collect any data that could be used for illegal or arbitrary discrimination, such as information about ethnicity, religion, political affiliations, etc.

Updating Client Information

We rely on you to tell us when your information changes—such as address, name, or marital status. If you find your information is incomplete or inaccurate, please notify your credit agent, come into a branch office, or call our Customer Service Line: 555-555-5555.

Respecting Client Preferences

If you do not wish to hear from our marketing staff about other products and services, please inform them when they call, or call our Customer Service Line: 555-555-5555.

Your Responsibilities

• Understand the MacroDreams Data Privacy Agreement and know your rights;
• Keep your information updated;
• Store your financial records in a secure location and do not provide personal information (such as account and credit card information) over the phone unless you called the bank and know that you are speaking to a bank employee;
• Keep credit, debit, and savings cards secure and do not share your PIN numbers, passwords, or other ID codes with other people; and
• Inform MacroDreams right away if you think your personal information has been misused, misappropriated, lost, or stolen.

Amendment

The Data Privacy Agreement may be amended from time to time (see section titled “Further Information” of Data Privacy Agreement, for an explanation of how we will advise you of any future changes).

Please contact the MacroDreams Customer Service Line if you have questions or complaints about our products, services, or staff: 555-555-5555. Open Monday to Saturday 7:00-20:00. All calls are free.
Sample Delinquency Information

What is Delinquency? Delinquency occurs when a loan payment is one or more days late. If you have not made your payment, we will make every attempt to collect the outstanding amount.

How does MacroDreams collect delinquent payments? Your loan contract has a full description of MacroDreams’ collections policies, but you can use the information below to understand the most important parts of our delinquency procedures.

<table>
<thead>
<tr>
<th>Number of Days Late</th>
<th>Procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Day</td>
<td>MacroDreams will send you a text message reminder</td>
</tr>
<tr>
<td>3 Days</td>
<td>Your field officer will call you or visit your business to understand your situation and work toward a solution</td>
</tr>
<tr>
<td>5 Days</td>
<td>MacroDreams will send you a warning letter</td>
</tr>
<tr>
<td>8 Days</td>
<td>MacroDreams will call you or visit your business a second time</td>
</tr>
<tr>
<td>15 Days</td>
<td>The Regional Supervisor will call or visit you</td>
</tr>
<tr>
<td>45 Days</td>
<td>MacroDreams will have the right to take legal action</td>
</tr>
</tbody>
</table>

We encourage you to pay your loan on time because it benefits you, and because you will be penalized for paying late. If you have trouble paying your loan, please contact your loan officer immediately.

Benefits of Paying on Time

• You may qualify for a higher loan amount on the next loan;
• You may have access to additional loan products; and
• Collateral requirements may be waived.

Penalties of Paying Late

• Decrease in loan amount;
• Suspension from the program for poor repayment; and
• Possibility of expulsion from the program.

Responsible Debt Collection

• We will communicate with you directly during normal hours (not before 8:15am or after 9:00pm) at your premises;
• We will not communicate with third parties with regards to the debt except with your written permission, unless so required by applicable law, and we will not publish a list of customers allegedly in default;
• We will not harass, humiliate, or abuse any person during the debt collection. This includes: using abusive language, shouting, using physical force, and visiting the client’s place of worship;
• We will not make any false or misleading representations; and
• We will not accept money from clients except for loan repayments.

Please contact the MacroDreams Customer Service Line if you have questions or complaints about our products, services, or staff: 555-555-5555. Open Monday to Saturday 7:00-20:00. All calls are free.
Sample Client Education Materials

Financial service providers can be fully transparent to client without providing financial education programs or materials. However, financial education helps clients to understand and use their financial products. Financial service providers may want to consider offering clients simple materials on the basics of financial management and their relationship with the financial service provider. Two examples of client educations tool are presented below.

1. Sample Institutional Responsibilities and Client Responsibilities Table

Directions for staff: Use the table below to discuss: a) the institution’s responsibility for protecting the client, and b) the client’s responsibilities for being an informed and proactive consumer. During this explanation, try to use specific examples from your institution (see box below).

Consider presenting the institution’s responsibilities for Principle 1, then stopping to ask, “Now that you’ve heard our responsibilities to you, what do you think is your responsibility for protecting yourself and helping us keep our commitments?” After the client provides their opinion, discuss the “client responsibility” points provided on the table. Continue this back-and-forth discussion one principle at a time.

After the discussion:

Ask clients: “Do you have any questions about this information?”

Inform clients: “If you ever have questions or you feel the institution is not keeping our commitments to you, you can ask a question or make a complaint to [Institution] by: [describe the institution’s process for receiving and responding to client complaints/questions].”
<table>
<thead>
<tr>
<th>CLIENT PROTECTION PRINCIPLE</th>
<th>OUR RESPONSIBILITIES</th>
<th>YOUR RESPONSIBILITIES</th>
</tr>
</thead>
</table>
| 1. Avoidance of over-indebtedness | • We need to offer you products that don’t harm you or put you in a situation where you can’t repay us.  
• We need to be careful to loan you the right amount of money so that you are able to repay it without needing to take out another loan or give up things that are important to your family, like food.  
• We need to tell you that you have the right to choose your products, and the right to refuse a product. | • Learn about the costs and rules for our products and think carefully about your money and how you will use a loan.  
• Don’t take anything you don’t need or can’t repay.  
• Be truthful so we can help you find the best product for your needs.  
• Tell your loan officer if you’re having trouble making loan payments or if something happens that changes your ability to repay the loan. |
| 2. (A) Transparent and (B) Responsible Pricing | • (A) We need to give you all the information that you need to make a good decision. We need to give you the information using words that are easy for you to understand, and in a language you are comfortable speaking.  
• We must tell you about the costs of your loan, your rights and responsibilities, and information about any other companies that may be involved with the product you choose (such as an insurance provider).  
• (B) Our prices should be fair and similar to others in the area. If our prices are much higher or lower than other local banks, we should be able to explain why.  
• Our extra fees and penalties should not be a big burden to you. | • (A) Only buy a product if you understand the cost and conditions. Ask questions if you don’t understand. Give us accurate information when we ask for it.  
• (B) Know the price of your product, including the interest rate, how much you have to pay, and the total cost of your loan.  
• Know what you get for that price, including customer service and extra services besides your loan.  
• Compare our prices to the prices other banks are charging, and ask us if our prices seem too high or too low. |
| 3. Appropriate collections practices | • We should always treat you with respect, even if you’re behind in your payments.  
• We should not make you feel ashamed or dishonored when you are late with payments.  
• We should not accept very important family or business items as collateral. | • Pay your loan back on time. If you can’t, talk to your loan officer so that you can find a way to pay the loan.  
• Always treat our staff politely and with respect. |
| 4. Ethical staff behavior | • We should always treat you and every customer fairly and with respect.  
• We must find and fix any abusive or dishonest behavior by our staff.  
• We have a Code of Ethics and our staff should understand it and follow those rules. If our staff do not follow our rules, they should be disciplined. | • Tell us if you are not treated well or if you see any dishonest or bad behavior by staff.  
• If you know of other clients who have a complaint, ask them to report it to us.  
• Do not accept gifts or money from staff. |
| 5. Redress of client grievances | • We need to give you a way to tell us if there is a problem.  
• We need to tell you that it’s OK to complain or ask questions. We should explain to you how to tell us about a complaint and make it easy and safe for you to do so.  
• We need to respond quickly to complaints and make them right. | • Tell us in a respectful way if you have a complaint.  
• Don’t talk badly about us to others without telling us there is a problem and giving us a chance to fix it. |
| 6. Privacy of client data | • We must keep all of your data private and follow the laws about privacy.  
• We must ask your permission before sharing your information or photo with anyone outside the institution.  
• We must tell you how your personal information is being used. | • Read and/or discuss our Client Privacy Agreement and ask if you have questions.  
• Keep your personal and financial information updated with us.  
• Carefully protect any information that you have such as your password and account statements. |
2. Sample Educational Loan Brochure

In looking at the interest rate, don’t just look at the initial special deal

If the loan is inclusive of insurance, find out the effect of this on your monthly instalment

Shopping around
There are many ways you can get information on housing loans. You can obtain it directly from the banking institutions or from other sources such as newspapers, magazines and the internet. If you are not clear about the information obtained, you should seek clarification from the banking institutions. Ask for information about the same loan amount for different types of loans and from different banking institutions so that you can compare information. Below are some information you should get:

Rates
- You should find out about rates offered and the period of the offer. In looking at the interest rate, don’t just look at the initial special deal. You could be paying more interest on the loan even though the initial interest was low.
- Check whether the rate is a fixed rate or a floating rate. Keep in mind that if it is a floating rate, the interest charged on your loan will move in tandem with the interest rate. As such, ask how your loan repayment will vary when the rates change, that is whether your loan repayment can be reduced when rates go down or increased when the rates go up or whether you have the option to leave the loan repayment amount unchanged. This, however, will mean that the tenure of your loan will be shortened or lengthened depending on the movement of the interest rate.

Fees
- Find out the costs involved in securing the loan. Ask for clarification of any fees you do not understand.
- If fees are given to you in one lump sum, ask for breakdown of the fees.
- If there are any waivers given, make sure you understand the types of fees waived. Waivers can be given by banking institutions for new loans or when you refinance your existing loan(s) with them. Generally, the fees waived are confined to expenses relating to financing documentation such as legal fees, stamp duty, valuation fees and other charges relating to the loan. Expenses and stamp duty for transfer of title of the property from vendor to purchaser will generally need to be borne by the borrower/purchaser.
- In addition, some banking institutions may seek to recover the costs waived through the first year rate charged to the customer. You may want to find out the actual rate chargeable if the “cost” is paid by you.

The table on the next page shows the types of fees that you may have to incur when obtaining a loan from a banking institution:

<table>
<thead>
<tr>
<th>Type</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Legal Fees</td>
<td></td>
</tr>
<tr>
<td>Loan agreement</td>
<td>1.0% for the first RM100,000</td>
</tr>
<tr>
<td></td>
<td>0.5% for the next RM100,000</td>
</tr>
<tr>
<td>Stamp Duty</td>
<td>0.5% of the loan amount</td>
</tr>
<tr>
<td>Disbursement Fees</td>
<td></td>
</tr>
<tr>
<td>Include fees for</td>
<td></td>
</tr>
<tr>
<td>registration of charge</td>
<td></td>
</tr>
<tr>
<td>bond search and</td>
<td></td>
</tr>
<tr>
<td>bankruptcy search</td>
<td></td>
</tr>
<tr>
<td>Processing Fees</td>
<td></td>
</tr>
<tr>
<td>One time fee charged</td>
<td></td>
</tr>
<tr>
<td>by the banking institutions</td>
<td></td>
</tr>
<tr>
<td>for loan processing</td>
<td></td>
</tr>
<tr>
<td>Rate (RM)</td>
<td>Range (RM)</td>
</tr>
<tr>
<td>50</td>
<td>up to 30,000</td>
</tr>
<tr>
<td>100</td>
<td>40,001 to 100,000</td>
</tr>
<tr>
<td>200</td>
<td>100,000 and above</td>
</tr>
</tbody>
</table>

Note: The fees and charges are correct at the time of publication. Please consult your banking institution on the latest rate.

Other considerations
Apart from rates, fees and charges, there are other factors you should consider when shopping for a housing loan and these include:

Early settlement of loan
In offering a competitive interest rate to you, the banking institutions may sometimes impose a minimum loan period, that is the minimum period you are required to maintain your loan with them. If there is such a clause, you may be charged a penalty known as “early settlement penalty” if full repayment is made within this period.

Find out the details of these terms and ask for clarification if you do not understand any of them.

Partial repayment
When you have surplus funds, you may want to make payments in excess of your fixed monthly instalment to reduce your loan amount. For partial prepayments, banking institutions may require pre-notification or may impose restrictions on the amount to be pre-paid or impose a penalty fee. Check whether the loan package allows you to make partial repayments and the procedures involved.

Insurance
Find out the type of insurance and the coverage required by your banking institution as a condition for your housing loan and whether the loan granted to you includes the insurance premium. The common types of insurance required by banking institutions are mortgage reducing term assurance, fire insurance or houseowner/householder insurance. If the loan is inclusive of insurance, find out the effect of this on your monthly instalment. For properties with strata titles such as apartments or condominiums, you need not buy a separate fire insurance.
- When your property is under construction, your property would be covered under a contractor’s all risk policy purchased by your developer.

10. The brochure “Looking for a Housing Loan,” is a product of bankinginfo, an initiative under Bank Negara Malaysia’s (Central Bank of Malaysia’s) Consumer Education Program, which provides consumers with the knowledge and understanding of the wide range of banking products and services, and where assistance or advice can be obtained. For more information, see www.bankinginfo.com.my.
You should obtain the necessary information and ensure that you understand the terms and conditions in the agreement.

Signing loan agreement
If your application is accepted, you will need to sign a loan agreement with your banking institution. Before you sign the agreement, you should obtain the necessary information and ensure that you understand the terms and conditions in the agreement. Seek clarification on terms which you are not clear. Don’t let anyone rush you into signing the agreement because once you have signed the agreement, you will be bound by the terms and conditions of the agreement.

Glossary

Documentation: A set of agreements, forms and other documents to be signed in connection with a loan.

Floating rate loan: A term used to describe a loan, where the interest charged fluctuates due to the rise and fall of a certain indicator such as the base lending rate.

Refinancing: The process of paying off a portion or the entire amount of the existing loan with the intention of obtaining another loan from the same or another banking institution.

Selecting a housing loan package

There are three common loan packages offered by banking institutions to cater for the needs of different borrowers:

- Full term loan
- Combination of overdraft and term loan
- Overdraft facility

Discuss with your banking institution which product is most suitable for you based on your current situation and take your time to consider and evaluate the loan package recommended to you before making any decision.