



hpsc
(Scheduled Bank)

हिमाचल प्रदेश राज्य सहकारी बैंक सीमित
H.P. State Co-operative Bank Ltd.

Policy on Credit Information Companies 2023-24

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Policy on Credit Information Companies (CICs) 2023-24

Credit Information Companies (CICs):-

Credit Information Companies (CIC's) are the specialized financial institutions that collect and maintain credit and loan related information of commercial institutions and individuals. On the basis of their financial records, they create a credit report and score, which helps the lender and credit grantors to decide whether to accept or decline the applicant's request for a loan.

A. Working of CICs:-

Member Banks, credit card companies and other financial institutions send financial reports of the registered individuals to all Credit Information Companies on monthly basis. These Credit Information Companies use the collected information to create a credit report. This credit report contains a person's personal information, payment history, number of accounts, defaults (if any), credit transactions, outstanding loan amount and other such financial information. On the basis of the credit reports, credit score is given to an individual by the CICs.

B. Credit score:-

A credit score is a numerical expression based on a level analysis of a person's credit files, to represent the creditworthiness of an individual. A credit score is primarily based on a credit report information typically sourced from credit bureaus.

C. Credit Score Range:-

A credit score is a 3-digit number that ranges from 300-900. It is calculated by the credit bureaus in the country. Each credit bureau uses its own algorithm to compute credit scores. It is calculated after taking into consideration factors such as repayment history, credit utilisation, credit age, and credit type.

The ranges of credit score of different CICs is appended below:

Score	CIBIL	EXPERIAN	CRIF HIGHMARK	EQUIFAX
Estt. Year	2000	2006	2005	2010
Range	300-900	0 –999	300 – 900	300 -850
Excellent	750-900	961-991	750-900	750 & Above
Good/Great	700-750	881-960	650-750	700-749
Fair/Acceptable	-----	721-880	-----	670 & Above
Low/Poor	550-700	561-720	500-650	580-669
Very Poor	300-550	0-560	300-500	Below 580

D. Acceptance of Credit Score by HPStCB:-

Sr. No.	Particulars	Credit Score
1	Upto 25 lacs	600
2	Above 25 lacs	700

E. Other Factors to be taken into consideration while checking the Credit Score:

- I. Repayment History:** Credit score tells the loan providers if borrower is capable of dealing with the debt burden and whether he can repay the loan obligation. A repayment history with EMI defaults or late payments could negatively affect the credit score.
- II. Credit Utilization Ratio:** Credit utilization ratio refers to the total amount of credit that he use against the total amount of credit that he has been authorized. Financial experts suggest that individuals should try and keep the credit utilization ratio in the range of 25-30 % for maintaining a good Credit score report.
- III. Excess Personal Loans/ Credit Cards:** Credit cards and personal loans both are unsecured loans. Too many credit cards and high amount of personal loans with no secured loans such as an auto loan or home loan could have a negative impact on Credit score. So, if borrower has a balance of both the secured as well an unsecured loan, it might lead to a positive impact on the Credit score.

IV. New Accounts: Increase in the number of credit cards and loans sanctioned to borrower imply a rise in his debt burden. In case numerous credit cards and loans are sanctioned over a short time period, his credit score would be negatively affected.

V. Amount Overdue: When payments against the outstanding loan / credit card amount have not been made for more than 180 days, the lender "writes off" the amount and reports this on borrower's CIR. Any such status may affect your credit eligibility adversely.

F. Use of CIBIL/ CICs & CERSAI Report:

Branches are, therefore, required to obtain the CIBIL credit reports (consumer as well as commercial) and/or other reports from any other CIC Companies in regard to borrowers, promoter directors, partners, and guarantors before taking credit decision. These reports shall invariably form the part of each loan proposal along with reference to wilful defaulters /ECGC (SAL)/RBI caution list irrespective of the amount of loan. In addition to TransUnion CIBIL, other CIC's Credit information reports are also available for the field functionaries for analysing the Risk during lending. For exposure upto Rs.25 Lac, CIBIL is the primary agency from which report is to be obtained mandatorily. Further, for exposure above Rs.25 Lac, two CIC reports are to be obtained wherein CIBIL is mandatory & other report can be obtained from other agencies.

G. CIC reports shall be invariably utilized for verification of the following;

- i.** The Credit report of the applicant/borrower;
- ii.** Whether the applicant(s)/Borrower(s) are availing any Credit facilities with any Bank/FIs;
- iii.** Whether such Credit facilities availed with other Bank(s)/FI(s) are reported as in default.
- iv.** In case of large number of enquiries appearing at the end of the CIRs, reasons to be ascertained from the borrowers for non-materialisation of the loans.
- v.** Along with the Commercial report of the borrowing concern, its subsidiaries and associate companies, it is desired that consumer reports of all other related persons (i.e. partners, directors, promoters, guarantors) should also be checked on the CIC's platform for risk mitigation.
- vi.** In case the borrower has no previous credit history and no credit report of the borrower is available on any CIC's portal, the concerned Branch Manager may advance the loan on the basis of his own assessment of the creditworthiness of the borrower.
- vii.** Benchmark of Credit score of the Bank be decided after analysing comparative Credit score of the different Banks.

- viii. As the repetitive extraction of Credit reports adversely affects to the Credit Score of an individual and charges are levied for the same. Therefore, consent from customers for generating Credit score be taken.
- ix. Our Bank's data (related to loan portfolio) not uploaded in any CICs platform, therefore, before sanctioning the loan the default/credit history of the customer to be checked in our bank CBS (Both Borrower & Guarantor) and same may be supported by documentary evidence.
- x. Credit report should not older than 1 month from the proposal received.
- xi. Net worth calculation sheet showing the credit history of the borrower be attached with the Credit score.
- xii. In case there is no credit history of the borrower (-ve Credit score) or showing Zero Credit score although there is no outstanding against the customer, the Branch manager will consider the proposal/s as per his/her satisfaction.
- xiii. Credit score can be ignored in case of loans fully *secured by liquid security.

***Secured loans are the loan cases in which the amount of security offered is/are at least 110 times of the loan applied.**

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