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BANKS AND CONSUMER LENDING

How to compare and choose the best loan?

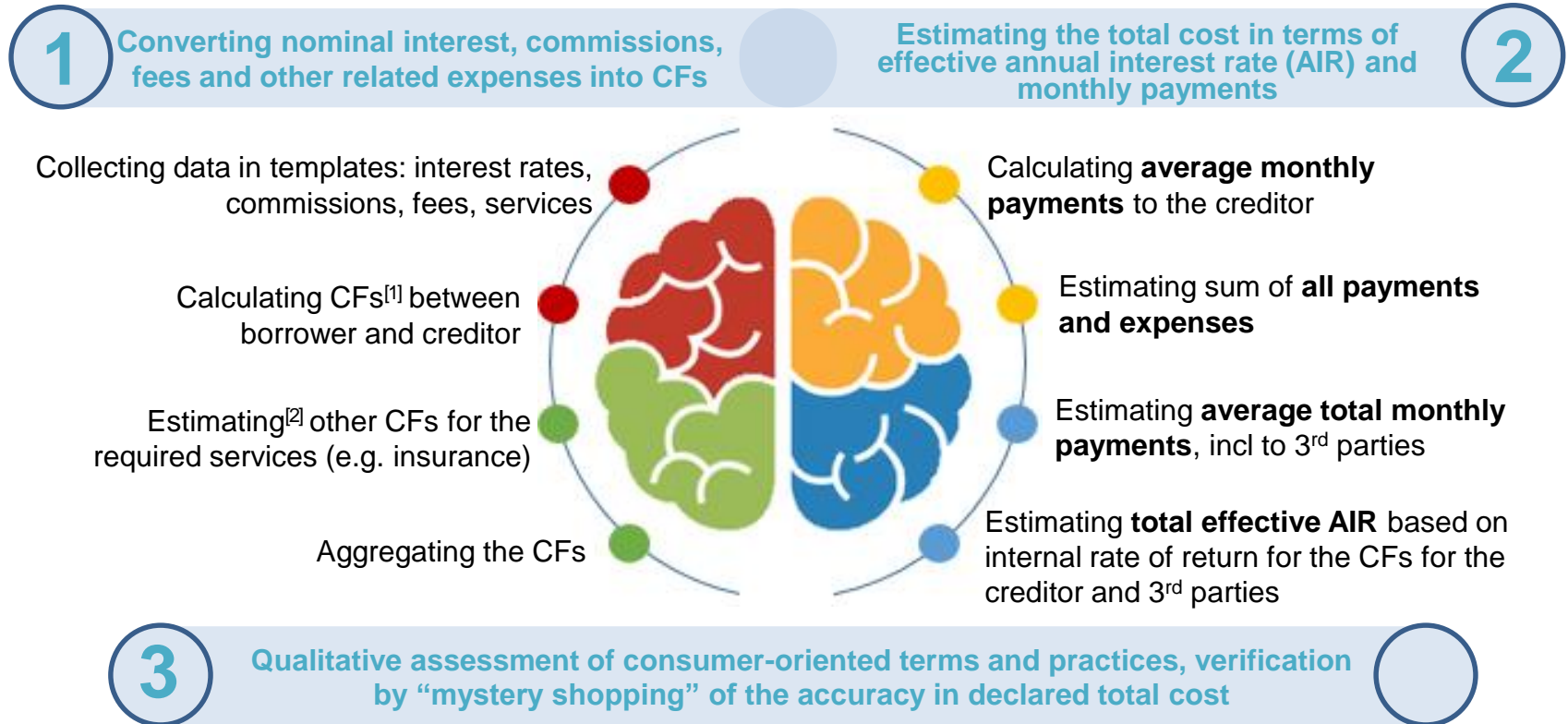
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Kyiv

LIGA.MONEY APPROACH TO LOAN COMPARISONS

Developed jointly with banks for 4 credit products: personal loans, mortgages, car loans, credit cards



[1] Credit cards comparison requires assumptions about consumer behavior (borrowing scenarios): (1) within the grace period only, (2) ≈cashless personal loans, (3) ≈cash personal loans

[2] CFs for the required services are estimated based on certain assumptions about the service provider, prevailing borrowing characteristics and expected changes in asset value in line with the recent legislative amendments

Fair and transparent methodology for ranking and qualitative assessment

RE-RANKING OF THE CREDIT PROPOSALS

Liga.Money loan comparison methodology applied to datasets of personal loans collected in “Mystery shopping”

	Annual interest rates (AIR)			Ranks by interest rates		
	Nominal ^[1]	Real ^[1]	Real adj. ^[2]	Nominal ^[1]	Real ^[1]	Real adj. ^[2]
Bank 17	49%	79%	79%	15	2	1
Bank 11	54%	80%	80%	16	3	2
Bank 20	0%	94%	94%	6	7	3
Bank 7	0%	94%	100%	3	6	4
Bank 15	0%	100%	108%	7	8	5
Bank 2	54%	54%	110%	17	1	6
Bank 3	23%	112%	112%	14	11	7
Bank 16	0%	107%	115%	4	9	8
Bank 4	22%	117%	117%	13	13	9
Bank 14	56%	85%	127%	18	4	10
Bank 5	0%	127%	127%	1	16	11
Bank 18	81%	121%	128%	20	14	12
Bank 10	77%	112%	130%	19	12	13
Bank 12	15%	130%	137%	12	17	14
Bank 9	15%	86%	140%	11	5	15
Bank 6	12%	141%	148%	10	18	16
Bank 19	0%	125%	185%	5	15	17
Bank 1	0%	168%	187%	8	19	18
Bank 13	10%	110%	193%	9	10	19
Bank 8	0%	338%	343%	2	20	20
Average for 71 visits	20%	119%	138%			

Note: The sample represents on average loans of UAH 5000 and 12 months maturity, in case of multiples visits the average was estimated for each bank

[1] Declared nominal and real AIR as indicated in loan agreements/ passports. The real AIR comprises all costs to creditor and does not include costs for insurance.

[2] Adjusted real annual interest rate estimated based on Liga.Money methodology in compliance with the recent amendments to the Law on Retail lending. Adjusted real AIR takes into account all the expenses, incl for the required services from 3rd parties such as insurance

Ranks change taking into account all costs and unified methodology

QUALITATIVE ASSESSMENT: THE COMPONENTS & SCORING (1)

Indicators	Scoring description	Weights
1. Accuracy in the declared cost of loan (real AIR, total payments)*	+1 no negative signs have been detected 0 no verification -1 one or more negative signs have been detected	30%
2. Analysis of credit agreements as for restrictions to consumer rights*	+1 no negative signs have been detected 0 one negative sign has been detected -1 more than one negative sign have been detected	30%
3. Analysis of retail lending practices*	+1 no negative signs have been detected 0 one negative sign has been detected -1 more than one negative sign have been detected	30%
4. Creditor has code of ethics or other document with provisions on consumer rights protection**	+1 yes, the creditor has such provisions -1 no, the creditor does not have such provisions	10%
Total score	Weighted average of the indicators	

* Assessment is mainly based on verification by "Mystery shopping", planned semiannually.

** This component was not evaluated as of November 2019 and respective adjustment to the total score was applied

RULES FOR QUALITATIVE EVALUATION	
	Total score
5 STARS	>0.8 points
4 STARS	(0.6-0.8] points
3 STARS	(0.4-0.6] points
2 STARS	(0.2-0.4] points
1 STAR	[0.0-0.20] points
0 STAR	< 0.0 points

Qualitative assessment is a mix of accuracy in disclosures and respect to customer rights

QUALITATIVE ASSESSMENT: THE COMPONENTS & SCORING (2)

Indicator 2. Restrictions to consumer rights in credit agreements

30% weights



- Restricting the right of the borrower for early loan repayment
- Creditor has the right to demand early repayment in case of borrower's disagreement with increased loan payments
- Priority of claims differs from the defined by Art. 19 of the Law "On Retail Lending", or gives the creditor the right to determine the priority
- Creditor has the right to unilaterally change the terms of the agreement, defined in Part 1 of Art. 12 of the Law "On Retail Lending"
- Absence of essential mandatory information in the credit agreement

Indicator 3. Signs of negative practices in retail lending

30% weights



- Advertising of zero-interest loans
- Failure to provide credit passport to a consumer requesting information about lending proposals
- Absence or incorrect representation of essential mandatory information in the credit passport
- Creditor requires a service from a certain 3rd party (not giving a choice between at least three available service providers)
- Significant differences in terms of lending between the credit passport and the signed credit agreement

The checkboxes are discussed and disclosed in the methodology. Results of the assessment will stay public till the next verification. The first qualitative disclosure is planned in 1H 2020

SUPPLEMENTING THE RANKING WITH QUALITATIVE ASSESSMENT

Liga.Money loan comparison methodology applied to datasets of personal loans collected in “Mystery shopping”

	Annual interest rates (AIR)			Ranks by interest rates			Qualitative STARS ^[3]
	Nominal ^[1]	Real ^[1]	Real adj. ^[2]	Nominal ^[1]	Real ^[1]	Real adj. ^[2]	
Bank 17	49%	79%	79%	15	2	1	★★★ 2
Bank 11	54%	80%	80%	16	3	2	★★★★ 4
Bank 20	0%	94%	94%	6	7	3	★ 1
Bank 7	0%	94%	100%	3	6	4	★ 0
Bank 15	0%	100%	108%	7	8	5	★ 0
Bank 2	54%	54%	110%	17	1	6	★ 0
Bank 3	23%	112%	112%	14	11	7	★ 1
Bank 16	0%	107%	115%	4	9	8	★★ 2
Bank 4	22%	117%	117%	13	13	9	★ 0
Bank 14	56%	85%	127%	18	4	10	★ 1
Bank 5	0%	127%	127%	1	16	11	★ 0
Bank 18	81%	121%	128%	20	14	12	★ 1
Bank 10	77%	112%	130%	19	12	13	★ 0
Bank 12	15%	130%	137%	12	17	14	★★ 2
Bank 9	15%	86%	140%	11	5	15	★★ 2
Bank 6	12%	141%	148%	10	18	16	★ 0
Bank 19	0%	125%	185%	5	15	17	★ 1
Bank 1	0%	168%	187%	8	19	18	★ 0
Bank 13	10%	110%	193%	9	10	19	★ 1
Bank 8	0%	338%	343%	2	20	20	★★ 2
Average for 71 visits	20%	119%	138%				1.0

Note: The sample represents on average loans of UAH 5000 and 12 months maturity, in case of multiples visits the average was estimated for each bank

[1] Declared nominal and real AIR as indicated in loan agreements/ passports. The real AIR comprises all costs to creditor and does not include costs for insurance.

[2] Adjusted real annual interest rate estimated based on Liga.Money methodology in compliance with the recent amendments to the Law on Retail lending. Adjusted real AIR takes into account all the expenses, incl for the required services from 3rd parties such as insurance

[3] Results of qualitative assessment based on Liga.Money methodology

Very few banks have positive recognition in respecting consumer rights