

PCEA Simaguri Sacco

Credit Policy 2019

1.0 Preamble

This credit policy and all loans are governed and regulated in accordance with the provisions in the Co-operative Societies Act Number 12 of 1997 and the amendments to it in 2004, the Cooperative Rules 2004 and the Sacco's By-laws, SACCO Societies Act 2008 and SACCO SOCIETIES REGULATORY AUTHORITY.

The Credit Policy is intended to:

- a. Provide direction and guidelines in credit committee.
- b. Protect the interests of Society
- c. Enhance members confidence and
- d. Enhance liquidity management and profitability of the society

2.0 Lending Requirements:

- a. A member must have completed at least six months of active membership and made minimum.
- b. A member who withdraws from the society and rejoins later will be treated as a new member for the purpose of this loan policy.
- c. A member who transfers his deposits from another society will be deemed to be a continuing member, while a new member who buys deposits from an existing member will be deemed to be a new member for the purpose of this policy.
- d. Boosting of deposits by a lump sum deposit will qualify for lending as determined by the board from time to time. This money will stay with the society for at least three months (3) before the member is allowed to apply for a loan and before payment of dividend.
- e. All loans shall be approved by the Credit Committee (as per limit), subject to final ratification by the full Board. No member of the loan approving Committee shall be present when his/her loan is being considered.
- f. All applications for loan shall be made on prescribed forms by the Society and shall in each case set out the amount applied for, the purpose of the loans, terms of repayment and types of security provided. The loan application form must be fully completed and supported by accepted certified income statement for the last six months (for unsalaried members) or 2 most recent pay-slips.
- g. The credit committee may summon or cause to be summoned an applicant to appear personally to be interviewed in respect of his / her loan application.
- h. A loan may not be granted if the member is in default for a period exceeding 3 months on the repayment of a loan or interest on it.
- i. False information on application form shall lead to automatic disqualification and shall constitute an offense as per Sec.32 of Act 1997 and SACCO By-laws.

- j. No member will be allowed to refinance a loan unless he/she has paid at least 75% of the particular loan or as may be approved by the board from time to time.
- k. All loans shall be granted within the member's eligibility.
- l. At every regular meeting of the board, the item **loans** shall appear on the Agenda.
- m. A loan will be insured by the member through the Sacco at 0.2 % of the amount applied for.
- n. The following rates will apply as processing and appraisal fees.

Amount borrowed (Ksh.)	Fees (Ksh.)
0 - 50,000	500
51,000 - 100,000	1,000
101,000 - 200,000	1,500
201,000 - 500,000	2,000
501,000 - 1,000,000	2,500
Above 1,000,000	3,000

- o. Credit Committee treasurer shall present an up-to-date list of defaulters to the board showing:
 - ◆ Members name
 - ◆ Account number
 - ◆ Date of loan
 - ◆ Date of last payment
 - ◆ Unpaid balance on loan
 - ◆ Number of months delinquent
 - ◆ Borrowers share balance
 - ◆ Guarantors if any.

3.0 Loan Products

3.0.1 Development Loan

- a. Development loan is payable within a maximum period of 48 months.
- b. Interest charged will be 1 % per month on reducing balance.
- c. A member qualifies 3 times his/her deposits.
- d. A member shall be granted up to his/her entitlement i.e. total loans shall not be more than three times (3) the members total deposits.

3.0.2 Agriculture Loan

- a. Agriculture loan is payable within a maximum period of 36 months.
- b. Interest charged will be 1 % per month on reducing balance.
- c. A member qualifies 3 times his or her deposits
- d. A member shall be granted up to his/her entitlement.

3.0.3 Education Loan

- a. Members shall only qualify for one Education loan at a time.
- b. Education loan is payable within a maximum period of 12 months.

- c. Interest charged will be 1% per month on reducing balance.
- d. Supporting documents from the learning institution must be attached.
- e. A member can get a maximum of Kshs.100,000 written to the institution of learning.

3.0.4 Emergency Loans

To cover unexpected eventualities like sudden hospitalization, funeral expenses, court fines, and other unforeseen circumstances beyond a member's control, but shall not include house rent dues or other loans covered under this policy.

- a. A member shall qualify for only one emergency loan at a time.
- b. Emergency loans is payable within a maximum period of 6 months.
- c. Interest charged will be 1 % per month on reducing balance.
- d. A member shall be granted a maximum of Kshs.50,000

3.0.4 Normal / Short term Loan

- a. Members shall only qualify for one Normal loan at a time.
- b. Normal loan must be repaid within a maximum period of 12 months.
- c. Interest charged will be 1% % per month on reducing balance.
- d. A member shall be granted a maximum of Kshs.200,000.

3.0.5 Investment Loan

- a. The loan is payable within a maximum period of 60 months.
- b. Interest charged will be 1 % per month on reducing balance.
- c. A member shall be granted up to a maximum of Kshs.1,000,000

3.0.6 Property Loan

- a. The loan is payable within a maximum period of 72 months
- b. Interest charged will be 1.2 % per month on reducing balance.
- c. A member shall be granted a maximum of 72 times 90% of their consistent monthly contribution.
- d. The member will deposit the title or ownership documents with the sacco as collateral.

4.0 Loan Repayments

- a. Deductions for loan repayments shall commence not later than one month
- b. A member may repay his/her loan and interest in whole or in part prior to its maturity.
- c. No member will be allowed to withdraw part of his/her deposits or offset part of the deposits against an outstanding loan unless he/she ceases to be a member.
- d. A member's deposit pledged as security for another member's loan shall not be surrendered to offset his/her outstanding loan.
- e. It is the responsibility of the member and/or the guarantor(s) to ensure that loans granted to the member is promptly and adequately serviced.

5.0 Guarantors

- a. All loans **must** be fully guaranteed
- b. The guarantors will be individually and severally liable in event of the loan default
- c. All guarantors must be members of the Society excluding Boards members and staffs.
- d. All loans will be recovered within the contract period to avoid exposure of guarantors and reduce risks to the society.
- e. Guarantee will be in form of deposits **only**.
- f. Any member wishing to vary loan repayment terms **must** obtain written permission from guarantors to do so, except when the member is reducing the repayment period.
- g. The obligation of the previous guarantors shall cease upon change of guarantors but subject to new guarantors being accepted by the Society.
- h. The obligation of the guarantors shall cease when the loans guaranteed have been fully cleared.
- i. The committee may refuse to accept as a guarantor a person who himself is in default of a loan and may refuse to grant a loan subsequently to a member while he remains liable as a guarantor.
- j. The guarantors shall specifically indicate the amount of loan guaranteed out of the total loan applied by the member.

6.0 Advice

- a. Loan application forms should be submitted on or before the 10th day of each month.
- b. Loan applied for will be appraised and approved latest by 20th day of every month.
- c. Loan repayment should be made by the 10th day every month failure to which a penalty of 2% of the amount due will be charged.
- d. The Sacco will disburse loans through cheques only.
- e. Share capital is non-refundable, however transfer of monthly contributions to another member is allowed at a cost of Ksh.200.
- f. Members whose loans have been approved will be notified by message (SMS).

7.0 Defaulters

- a. No member shall be allowed to withdraw from the Society unless the member's loan is repaid in full or the loan balance can be fully offset by the member's deposits. Such a member will also have to satisfy that all loans guaranteed have been repaid in full or are guaranteed by alternative guarantors.
- b. Where a member defaults and the society is unable to recover the loan(s) from his employer, the loan(s) shall be offset from the member's deposits and the difference, if any, recovered from the guarantors jointly and severally.
- c. Defaulted loans shall be recovered from guarantors from the third month of default.
- d. A defaulted loan shall continue to attract interest until it is fully repaid.
- e. No defaulter shall be granted an extra loan until the defaulted loan is cleared.

- f. No cash dividends shall be paid to loan defaulters, the dividends will be used to recover the defaulted loan.

8.0 Withdraw able Funds

A member may be refunded the amount saved in his non-withdraw able deposit account within 60 days after giving a written notification. Registration fee and share capital are not refundable. Share capital can only be transferred to another member within the society.

9.0 Approval

This policy was approved by the Board of Management on _____

Name	Designation	Signature
Jacinta Wachira	Chair Person	_____
Humphrey	Vice Chair Person	_____
Nancy	Treasure	_____
Livingstone	Secretary	_____

Save Regularly, Borrow Wisely and Pay Promptly