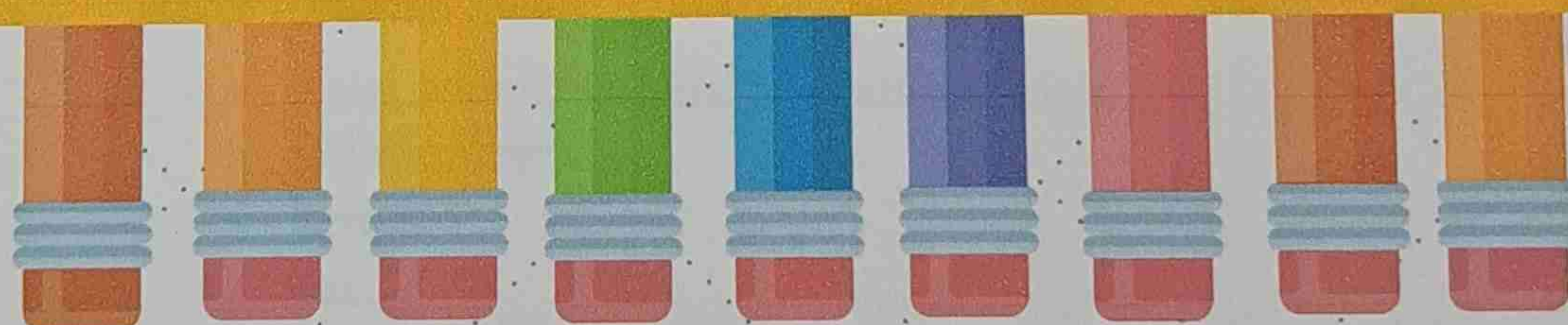


Module 3

Credit Management and Products and Services Innovation



Professionalization of Cooperatives

Subject: Loans Policy	Effective Date:
Issued by:	Revised Date:
Approved by:	Last Board Review Date:

Purpose:

The purpose of this policy is to set forth credit union's approach and standard operating procedures to guide management, credit committee and board of directors in achieving the strategic objectives of the organization, ensure safety of member deposits and assist in financing the credit needs of the membership.

1. ELIGIBILITY

- 1.1 Eligibility for a loan from the Golden Savings and Credit Cooperative does not confer automatic right on the member to a loan.
- 1.2 The Golden Savings and Credit Cooperative will endeavour to assist each member by making loans promptly for worthwhile purposes.
- 1.3 Each loan so made will comply fully with the requirements of the Cooperative Act/Cooperative Act, the Golden Savings and Credit Cooperative rules and other policy requirements contained herein.
- 1.4 The Golden Savings and Credit Cooperative will not discriminate against applicants for a loan on the grounds of:
 - x_ Marital Status
 - x_ Race, colour, nationality or ethnic origin.
 - x_ Political Opinion.
 - x_ Religion.
 - x_ Sex.

2. ASSESSMENT

2.1 Documentation

Loan applications should only be accepted on the approved form that should be completed in full by the member before submission for consideration.

2.2 Interview

All members should, wherever possible, be interviewed prior to the granting of a loan. All applicants should be encouraged to save regularly and a member's savings record should be taken into account when the

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loan application is considered.

2.3 Credit Investigation

Credit investigation shall be obtained on **all** loan applications. Credit investigation should also be obtained for all indemnifiers and guarantors (refer to Credit Investigation Policy).

2.4 Income

No loans shall be made to members less than 18 years of age without a co-borrower (Indemnifier) or to members who are not in receipt of an income sufficient to repay the loan.

No loan shall be made to a member (if indebtedness exceeds member's shares and savings) unless the member has and will continue to have an income sufficient to provide for the repayment of the indebtedness represented by the loan.

2.4.2 The income stated on the loan application should be verified.

2.4.3 Where income is seasonal, assessed income shall not exceed anticipated average weekly income during the term of the loan. (Proof should be held).

2.4.4 When a member is self-employed or when income is seasonal, proof of income should be held in the member's file (adequate proof being accountant's figures and projections).

2.5 Repayment terms

Generally repayment terms shall be as set out below. In special circumstances however a member may apply for relief in writing to the board where responsibility extends to temporary suspension or reduction of repayments in accordance with the Collection and Delinquency Policy.

2.5.1 Unsecured loans

Unsecured loans should have a maximum repayment term of _____ months

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2.5.2 Loans secured by way of Chattel Security over second hand goods

Loans secured by Chattel Security over reconditioned or used goods should have a maximum repayment term of _____ months where the loan amount exceeds the unsecured limit of the Golden Savings and Credit Cooperative .

2.5.3 Loans secured by way of Chattel Security of new goods as prescribed by the rules

Loans secured by Chattel Security over new goods should have a maximum repayment term of _____ months for new motor vehicles and _____ months for all other new goods.

2.5.4 Loan secured by way of registered mortgage

The maximum repayment term for loans secured by a registered mortgage is..... years.

The maximum repayment term for loans secured by way of registered mortgages shall be..... so as to allow for unforeseen circumstances that may extend the term of the loan. (E.g. fluctuations in interest rates).

2.5.5 Loans Secured by Other Than Chattel Security or Registered Mortgage

The loans secured by other than Chattel Security or Registered Mortgage shall have a maximum term of _____ months.

2.5.6 General

Generally repayments should be structured at such a level as to ensure (consistent with the provisions set out above) that the maximum term of the loan is not greater in number of years than is represented by each thousand _____ (Pesos, Rupiah, Rupees, Dollars, Baht etc.) borrowed. The maximum repayment terms for loans shall be as follows:

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AMOUNT OF LOAN	MAXIMUM REPAYMENT TERM
Amount	Months
	6
	12
	18
	24
	30
	36
	36
	36
	48*
And over	60*

* For loans that are unsecured or secured by way of Chattel Security the maximum terms as specified by clauses 2.5.1, 2.5.2 and 2.5.3 shall apply.

The general maximum term of 60 months (for other than loans for housing purposes secured by way of Registered Mortgage) may only be exceeded under the authority of the Board of Directors, the Board of Directors having given due consideration to exceptional circumstances prevailing within the application.

For loans for housing purposes secured by way of Registered First Mortgage which exceed (amount) the maximum repayment term shall be within the term specified in clause 2.5.4 and shall be set under the discretion of the Board of Directors.

2.6

Deferred/Rejected loans

- 2.6.1 Loans shall not be made to a member with a delinquency record unless the borrower has been able to demonstrate an improved record and is able to provide a satisfactory guarantor, indemnifier, or acceptable security.
- 2.6.2 A loan application may be deferred pending replies to enquiries.
- 2.6.3 The Board of Directors at their next meeting shall consider all loans recommended for rejection where loan approval authority has been delegated.

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3. DELEGATION OF APPROVAL AUTHORITY

3.1 Loans to Directors, Sub-Committee Members and Staff of Cooperative

3.1.1 Directors and Their Relatives/ Immediate Family Members

It is a requirement that all loans to Directors, Sub-Committee members and their respective immediate family members must be approved by 2/3 majority of the board present and voting excluding the director with any interest in the application.

3.1.2 Loans to Staff and Their Immediate Family Members

All loans to staff and their immediate family members shall be subject to Board of Directors approval prior to funding.

3.2 Delegations

3.2.1 All loans made under delegation from the Board of Directors shall be made in accordance with the Cooperative rules.

3.2.2 The Board of Directors' authority to approve loans has been delegated to the following: (Insert whichever classification is appropriate)

- x_ Credit Committee - amount of approval authority is _____
- x_ Manager-amount of approval authority is _____
- x_ Branch Manager-amount of approval authority is _____
- x_ Loans Manager -amount of approval authority is _____
- x_ Loans Officer-amount of approval authority is _____

3.2.3 Loan applications that fall outside the policy shall be submitted to the Board of Directors with a recommendation from management. Loan applications failing within policy but not approved will be submitted to the Board of Directors for consideration. The Board at their next meeting will consider all loans recommended for rejection.