



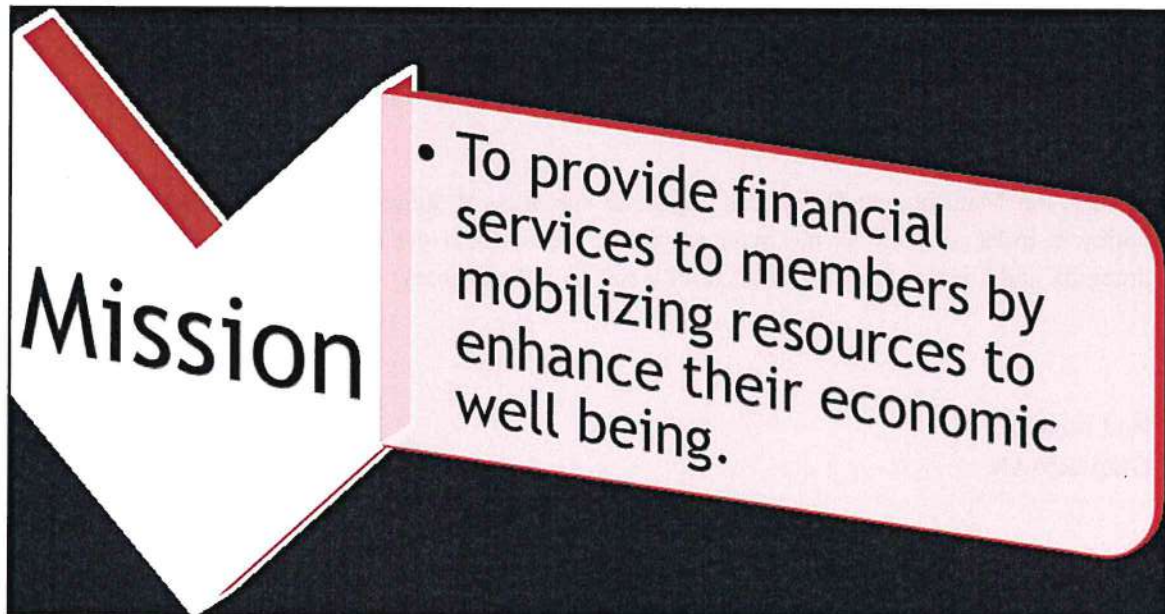
CREDIT POLICY

31st May 2021

VISION



MISSION



FOREWARD

Energy Saving and Credit Cooperative Society Ltd Credit Policy has been developed through a consultative process spearheaded by the Management Board of the SACCO.

Since its inception in 1982, the SACCO has continued advancing loan products guided by the prevailing socio-economic needs of its members. The dynamics of the members' financial needs has necessitated emergence of new products with specific terms and conditions to ensure sustained SACCO's liquidity as well as improved service delivery. Thus, occasional review of the credit policy to align the members' expectations and the SACCOs growth aspirations will to continue foster management best practices and compliance with the existing laws.

The policy will also enhance strengthening financial base of the SACCO by instituting effective monitoring and control systems through updated records and prompt communication to members on their loan obligations.

The spirit of this credit policy is to promote a lending environment that enables the members to grow wealth by prudently saving, borrowing and investing in productive ventures. Rules and regulations provided in this policy are only meant to cushion members against financial distress and SACCOs bad debts. The principles of utmost good faith will apply all the time in making decisions regarding the affairs of the SACCO.

Finally, the Management Board calls upon all members to adhere to the provisions of the credit policy in order to instill in the management of the SACCO the culture of accountability, fairness ,integrity and honesty for both sustainability and growth purposes.

Paul Mbuti
CHAIRMAN

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1 INTRODUCTION

1.1 Background

The purpose of this credit Policy Manual is to create a set of standardized procedures for the lending activities. This is designed to primarily assist the credit committee, as well as other committees including the Management in the performance of their duties. The main purpose is to ensure thorough loan appraisal and proper monitoring of all outstanding loans.

1.2 Objectives

The objective of this policy is to provide guidance on the lending procedures to members of the SACCO as well as supervision of outstanding loans and recovery of overdue loans in accordance to the SACCO bylaws.

1.3 Regulations

This credit policy is within the guiding laws and rules which are contained in the;

- i. The Kenyan Constitution 2010
- ii. The Co-operative Societies Act, 2004
- iii. Co-operative Societies Rules
- iv. Energy Regulated NWD T SACCO By-laws

1.4 Access to the Credit policy

The policy will be available to the Sacco members.

1.5 Definition

This policy is a guide to action and provides procedures and guidelines on how Energy Saving and Credit Co-operative Society Limited should process loans member qualification, application, approval, disbursement, administration, monitoring and delinquency management.

1.6 Guiding Principles of the Credit Policy

- i. Loans are given to active and bona fide members only;
- ii. Loans are properly appraised and approved;
- iii. Disbursement of loans is done as per terms and conditions of the particular loans ;
- iv. Interest income is collected and recognized in the accounting period that it is earned;
- v. Proper records on loans are kept;
- vi. Effective monitoring and control of records;

1.7 Areas of Lending

- i. Development;
- ii. Education
- iii. Asset acquisition

- iv. Emergencies;
- v. Personal development
- vi. Any other as it may be approved by the Board

1.8 General Lending

- i. A variety of loan products shall be developed after a careful research has been done and demand established to serve the needs of members.
- ii. A member shall be allowed to patronise all loan products as long as they meet the requirements.
- iii. Total loan deductions including other statutory deductions for a member shall not exceed 2/3 of his/her basic pay.
- iv. Loans will be processed and disbursed on first come first served basis.
- v. Members will be eligible for loans after six consecutive months of active contribution.
- vi. A member applying for a loan should undertake to pledge deductions and loan recovery from future salary.
- vii. Members should declare honestly any information that is required and may prejudice the approval of their loans.
- viii. The loan should be paid within the scheduled period.
- ix. Eligibility to borrow from the SACCO is subject to the following:
 - a) One should be an active member for a minimum of 6 months with consecutive contributions every month.
 - b) One should have a proven ability to repay the loan
 - c) The multiplier factor is 3 times of the member's deposits or as it maybe determined by the Board from time to time
 - d) The loan must be fully secured by eligible guarantors

1.9 Loan Products

- a) **Normal loan: 36, 48 and 60 months**

Conditions

- i. Pegged on three times of the borrower's deposits.
- ii. This loan is repaid within 36, 48 or 60 months respectively.
- iii. The society charges an interest of 1% per month for 36 months loan, 1.2% per month for 48 months loan and 1.5 % per month for 60 months loan all on reducing balance.
- iv. Loan application must be supported by the member's latest two (2) pay slips.
- v. For private members, a prove of steady flow of income for a minimum period of six months shall be provided and any other document that my be required
- vi. The loan MUST be fully secured by eligible and active guarantors of the SACCO.

- vii. Processing fee of 1% the loan applied shall be charged on the loan applied recoverable upfront on disbursement.
- viii. 2/3 rule applies for eligibility of this product.

b) Emergency Loan: 12 and 24 Months

These products are given to cater for unforeseen happenings beyond a member's control.

Conditions

- i. Emergency loan I is to be repaid within a period of 12 months charged at interest rate of 1% per month on reducing balance.
- ii. Emergency loan II is to be repaid within a period of 24 month charged at the interest rate of 1.5% per month on reducing balance.
- iii. No member shall have more than one Emergency loan at any one given time.
- iv. The loan MUST be fully secured by eligible active guarantor of SACCO.
- v. Loan application must be supported by the member's latest two (2) pay slips.
- vi. For private members, a prove of steady flow of income for a minimum period of six months should be provided and any other document that my be required
- vii. Processing fee of 1% the loan applied shall be charged on the loan applied recoverable upfront on disbursement.
- viii. 2/3 rule applies for eligibility of this product.

c) School Fees Loans

This product is for the purpose of paying School fees ONLY.

Conditions

- i. The member MUST attach fees structure/s on the application form.
- ii. School fees loans are repaid within a period of 12 months.
- iii. The Society charges an interest of 1% per month on reducing balance.
- iv. Loan application must be supported by the member's latest two (2) pay slips.
- v. For private members, a prove of steady flow of income for a minimum period of six months should be provided and any other document that my be required
- vi. The loan MUST be fully secured by eligible active guarantors of SACCO.
- vii. Processing fee of 1% shall be charged on the loan applied recoverable upfront on disbursement.
- viii. 2/3 rule applies for eligibility of this product.

d) Huduma loan 36 and 48 Months

Conditions

- i. The member **MUST** have existing normal running loan which has been paid at least upto half of original loan amount.
- ii. The multiplier effect is 3 times of deposits.
- iii. The SACCO charges an interest of 1.5% per month for 36 month period and 1.5% for 48 month period all on reducing balance.
- iv. 2/3 rule applies for eligibility of this product.
- v. Loan application must be supported by the member's latest two (2) pay slips.
- vi. For private members, a prove of steady flow of income for a minimum period of six months should be provided and any other document that may be required
- vii. The loan **MUST** be fully secured by active eligible guarantors of the SACCO
- viii. Processing fee of 1% of loan applied shall be charged on the loan applied recoverable upfront on disbursement.

e) Huduma Loan Top Loan

Conditions

- i. Huduma top up is issued to a member who has a current outstanding Huduma loan, which has been repaid at least up to a half of the original loan amount
- ii. Pegged on three (3) times of the borrower's deposits
- iii. This loan is repaid up to a maximum period of forty eight (48) months
- iv. The society charges an interest of 1.5% per month on a reducing balance
- v. 2/3 rule applies for eligibility of this product.
- vi. Loan application must be supported by the member's latest two (2) pay slips.
- vii. For private members, a prove of steady flow of income for a minimum period of six months should be provided and any other document that may be required
- viii. The loan **MUST** be fully secured by active eligible guarantors of society.
- ix. Processing fee of 1% of loan applied shall be charged on the loan applied recoverable upfront on disbursement.

f) Refinancing Loan

Conditions

- i. The refinancing loan is an additional loan on top of an ongoing normal loan meant to enable the member accomplish the purpose of the the normal loan.
- ii. The SACCO charges an interest of 1.5% per month on reducing balance for maximum period of 24 month.
- iii. Loan application must be supported by the member's latest two (2) pay slips

- iv. For private members, a prove of steady flow of income for a minimum period of six months should be provided and any other document that may be required
- v. The loan **MUST** be fully secured by eligible guarantor.
- vi. 2/3 rule applies for eligibility of this product
- vii. The loan has multiplier of 3 times of the member's deposits
- viii. Processing fee of 1% of loan applied shall be charged on the loan applied.

g) Techno Loan

- i. Techno loan is aimed at enabling a member acquire technical equipment such as laptops, TVs, fridges, cookers, motorcycles, etc
- ii. The member **MUST** produce quotation for the item intended to be purchase.
- iii. The multiplier effect is 3 times of the members deposits
- iv. Its interest rate is 1.3 % per month, duration 24 months on reducing balance.
- v. 2/3 rule applies for eligibility of this product.
- vi. Loan application must be supported by the member's latest two (2) pay slips.
- vii. For private members, a prove of steady flow of income for a minimum period of six months should be provided and any other document that may be required
- viii. The loan **MUST** be fully secured eligible guarantors
- ix. Processing fee of 5% shall be charged on the loan applied

h) Booster Loan .

The purpose of Booster loan is to enable an existing member who has stayed more than six months instantaneously increase his/her deposits in order to facilitate taking a desired loan amount immediately. To qualify for booster loan, a member must have obtained a normal loan of a repayment period of not less than 3 years. The said loan must have been fully repaid.

Conditions

- i. The interest rate is 1.3 % per month, duration 36 months on reducing balance,
- ii. Maximum boost amount Ksh 100,000,
- iii. 5 % commission recovered upfront,
- iv. 2/3 rule applies for eligibility of this product.
- v. Pegged on three (3) times of the borrower's deposits
- vi. Loan application must be supported by the member's latest two (2) pay slips.
- vii. For private members, a prove of steady flow of income for a minimum period of six months should be provided and any other document that may be required
- viii. Processing fee of 1% shall be charged on the loan applied

i) Bima Loan

The purpose of Bima loan is to enable a member obtain comprehensive motor vehicle/medical insurance cover. . The premium amount paid is recovered in installments.

Conditions

- i. The maximum bima loan is Ksh. 150,000.
- ii. The interest rate is 1.25 % per month, duration 12 months on reducing balance method
- ix. 2/3 rule applies for eligibility of this product.
- iii. Pegged on three (3) times of the borrower's deposits
- iv. Loan application must be supported by the member's latest two (2) pay slips.
- v. For private members, a prove of steady flow of income for a minimum period of six months should be provided and any other document that may be required
- vi. Processing fee of 1% shall be charged on the loan applied

j) Energy Insta Cash

This is a two-month short term loan that a member applies on the mobile phone platform without filling in the normal loan form.

- i. One off commission of 10% applies on successful application
- ii. The mobile loan is repayable in maximum period of two months.
- iii. The short code is *276*17#
- iv. Loan code is 30
- v. Paybill no 322500 account no 17* followed by product code 30, ie for QFS mobile repayment is 322500 account no 17*30.

1.10 Loan Rescheduling

All Sacco loans shall not be Rescheduled. In case of a dire need for rescheduling of the loan, a member should write the the Board for Consideration.

2 CREDIT MANAGEMENT

2.1 Requirement for qualification of loans

- i. A member must have completed at least six months active membership
- ii. Any boosting of savings by a member shall only be considered for a loan after three months (Refer to loan policy on graduated timelines.
- iii. Member will qualify for a loan based on the demonstration of consistent monthly contribution.
- iv. A member who withdraws from the SACCO and rejoins later will be treated as a new member for the purpose of this credit policy.

2.2 Loan Application

- i. All applications for loan shall be made on prescribed forms by the SACCO and the necessary documents attached.
- ii. False information on application form shall lead to automatic disqualification.

2.3 Loan appraisal

All loans shall be appraised as per the terms and conditions of the loan type.

2.4 Loan approval/rejection

- i. All loans shall be approved by the credit committee.
- ii. No member of the loan approving committee shall be present when his/her loan is being considered.
- iii. Members will be informed of the decision of the credit committee.
- iv. If a member is not satisfied with the decision, such a member will be free to submit a written appeal to the Board within fourteen (14) days from the date a decision by the Credit Committee.

2.5 Loan Repayment

- i. Deductions for loan repayment shall commence not later than the month following that in which the loan was disbursed to the member.
- ii. A member may repay his/her loan and interest in whole or in part prior to its maturity.
- iii. A member's savings pledged as guarantee for another member's loan shall not be surrendered to offset his/her outstanding loan, unless the former member can provide alternative guarantee for the latter's loan.
- iv. Loan repayment period may not be extended beyond the period the member specified in the loan application form.
- v. All loans obligations should be cleared as scheduled..

2.6 Loan Security

- i. All loans should be fully (100%) secured by guarantorship.
- ii. There will be no maximum number of guarantors, but the minimum shall be determined by the terms and conditions of the loan.
- iii. All guarantors must be members of the SACCO.
- iv. The obligation of the guarantors shall cease upon completion of the loan or change of guarantors but subject to new guarantors being accepted by the SACCO.

2.7 Reports

Comprehensive Reports on issue and repayments of loans shall be generated at all points of the loan application and approval process for discussion in the management Board meeting

2.8 Default Management

- i. A loan shall be deemed delinquent after 30 days after the issue date
- ii. The guarantors shall be notified of the defaulted loan within 14 days after the default occurs.
- iii. A loan shall be considered to be in default if instalments are missed in whole or part and remain unpaid for a period of 30 days.

2.9 Loan Recovery

- i. The management shall make efforts to collect loans considered to be in default.
- ii. Where the loan and interest balance is equal or less than the member's savings, it shall be recovered from the savings.
- iii. Where a member defaults and the SACCO is unable to recover the loan from his savings, the loan shall be recovered from the guarantors.
- iv. No member shall be allowed to withdraw from the SACCO if in default or has guaranteed a loan in default until the loan is totally cleared.
- v. Communication to loan defaulters shall be made through written notices.
- vi. Services of debt collectors shall be engaged ninety days after the guarantor fails to honor the obligation
- vii. When a member dies while repaying a loan that is not in default, the loan balance and interest shall be paid by the insurance company upon notification and application.

3 CREDIT COMMITTEE

There shall be a Credit committee that consists of three members of the management board and none of whom shall be members of the Executive committee. The credit committee shall be chosen at a meeting of the managing board within seven days after election of the management board.

The credit committee shall:

- i. Hold such meetings as business of the SACCO may require, but not less frequently than once a month.
- ii. Inquire carefully into the character and financial conditions of each applicant for a loan, and of his guarantors, if any, so as:
 - To ascertain his ability to repay fully and promptly the obligations incurred by him/her.
 - To determine whether the loan is for a worthy purpose and will be probable benefit to the borrower.
 - The credit committee shall endeavor to diligently assist members to solve their financial problems.
- iii. The credit committee shall make such reports to the management board as it may be required.

4 EFFECTIVE DATE

This policy takes effect from 17 December 2023.

5 POLICY REVIEW

This policy shall be reviewed from time to time to ensure its relevancy and appropriateness but not later than three (3) years.

Signed by :

Chairman:

Name..... Paul N. Mbuti Sign..... [Signature] Date..... 20/2/2024

Secretary:

Name..... Stella Odum Sign..... [Signature] Date..... 20/2/2024

Treasurer:

Name..... Tom O. Oduo Sign..... [Signature] Date..... 20-02-2024