



ENERGY REGULATED NON-WDT SACCO SOCIETY LTD

LOANS POLICY

DECEMBER 2023

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1. TERMS USED

- **Deposit** – individual member's savings with the SACCO. In this policy, deposits can also be defined as a sum of money paid on terms under which it shall be repaid, with or without interest or premium, and either on demand or at a time or in circumstances agreed by or on behalf of the person making the society receive it at the risk of the society receiving it. Deposits are considered in a Loan Application.
- **Shares** – the amount represented by a member's portion in equity of a society as a co-owner.

2. POLICY OBJECTIVES

The Loan Policy is intended to:

- i. Provide direction and guidelines on efficient utilization and administration of the SACCO loan portfolio.
- ii. Ensure that the SACCO's interests are adequately protected to ensure equitable distribution of funds and proper liquidity planning.
- iii. Ensure members' interests are sufficiently protected.
- iv. Guide in the monitoring and evaluation exercise.
- v. Ensure loan recovery process is well conducted

3. RESPONSIBILITIES

3.1. Board

- i. Oversee policy implementation.
- ii. Rule on appeals for loan application through the Finance and Administration committee
- iii. Make decision on CRB Listing.
- iv. Demand driven product development
- v. Product portfolio review inclusive of Terms of these products.
- vi. Restructure and reschedule loans

3.2. Credit Committee

Directly responsible for the implementation of the Loan Policy including:

- i. Appraise loan applications.
- ii. Carry out Monitoring & Evaluation Exercises and report to the Board.
- iii. Monitor loans recovery.

- iv. Review the patronage of various loan products and advise the Board accordingly.

3.3. Chief Executive Officer

- i. Review and endorse the facts presented by the Loans Officer and assist the Credit Committee in fact finding and appraisals.
- ii. Review loan application forms before submission to the Credit Committee for appraisal
- iii. Ensure compliance of all procedures in the loaning process.
- iv. Ensure timely loan recovery.
- v. Responsible for proper loan management
- vi. Any other duties related to the policy as per job description

3.4. Accountant

- i. Scrutinize loan application support documents
- ii. Carry out the eligibility analysis and fill out the loan form.
- iii. Key in the application, recommendation and appraisal of the loan into the system.
- iv. Print the appraisal form and forward to the Chief Executive officer for verification and further action
- v. Prepare the payment voucher and upload into the internet banking.
- vi. Any other duties related to the policy as per job description

3.5. Administrative Officer

The administration staff will also be deployed to perform the function of loans processing as detailed below:

- i. Receive Loan applications, register and perform the primary analysis required for Loans appraisal
- ii. Check member's deposits status.
- iii. Communicate with loan applicants about the status of their applications.
- iv. File the loan application form in the members file.
- v. Follows up on loan recovery.
- vi. Any other duties related to the policy as per job description

4. LENDING REQUIREMENTS

4.1. Requirements for applicant

- i. A member must have contributed the minimum Share Capital and has been a member for over six months since joining the Sacco.

- ii. A member who rejoins the co-operative shall be treated as a new member for loaning purposes. He / She must therefore consistently contribute for a period of six months after rejoining before applying for any loan. He /She must also pay rejoining fees before qualifying for a loan.
- iii. Any lumpsum contribution or what is popularly referred as a cash boost for deposits may only be considered in loan appraisal after its investment in the Sacco for 3 months.
- iv. Alternatively, 5% fee shall apply on the top-up deposits for them to mature immediately and be used in the appraisal process.
- v. A member applying for a loan should undertake to pledge future earnings from the current and future employers and/or other sources of income, including terminal benefits towards the repayment before such loan is granted by the Sacco.
- vi. All loans shall be granted within the member's eligibility
- vii. A member who cannot get guarantors, and has no outstanding loans, is eligible for a loan but such a loan shall not exceed his/her deposits or what is referred to as self-guarantor-ship. Use of other collaterals for specific loan products is not permissible.
- viii. Where a member has transferred membership/deposits from another Sacco, they will be required to complete a due diligence form and will only be eligible to take up loans 3 months after paying up the full amount of Share capital. No penalty will be incurred on the monies transferred from the previous Sacco.

4.2. Loan approval

- i. The Energy Sacco staff will receive loan application, enter a serial number and loan type on the form, enter the details in the loans register and carry out eligibility calculations before forwarding the same to the Credit Committee for further appraisal and approval.
- ii. The full process of adjudicating loans is handled by the Credit Committee.
- iii. A member not satisfied with a rejection at the Credit Committee level, may appeal in writing to the Board.
- iv. The Finance and Administration Committee may grant the appeal if the member has sound grounds of appeal based on its discretion.

4.3. Method of loan application

- i. All applications for loans shall be made on the updated loan application form available at the Sacco website which shall in each case indicate and or confirm:
 - a. The amount applied for.
 - b. The purpose of the loan.

- c. Terms of repayment.
 - d. Type of security provided.
 - e. Guarantors, their total loans, total deposits, ID number and phone numbers.
 - f. Applicants Bank details where the money will be remitted.
 - g. Attach supporting documents such as bank statements if he/she does not have a payslip.
- ii. The loan application form must be fully completed and supported by two most recent certified Pay slips (or acceptable proof of the applicant's ability to repay the loan comfortably e.g. direct debit instructions or post-dated cheques)
 - iii. It shall be an offence for an applicant or society employee to give false information regarding shares, deposits, loans and guarantors as provided for in the by-laws.

4.4. Allocation criteria

- i. Loan applications shall be considered in the order in which they are received at the society offices (First-come-first served basis). However, if at any time the demand for loans exceeds the funds available for lending, preference shall in all cases be given to lower value loans and on a first come basis
- ii. Where loans applied for are approximately the same, preference shall be given to loans repayable in shorter periods. With the foregoing preference, priority shall be given in the following order.
 - a. Members who have never had loans.
 - b. New members who have qualified for loans.
 - c. Members who have cleared their first loans and have applied for fresh loans; and
 - d. Members with good past repayment history.
- iii. Loans shall be granted as per the liquidity position of the Society.

4.5. Maximum loan amount

- i. The maximum amount of total loans that can be granted to a member shall not exceed the multiplier for his/her deposits as specified by the Loan Product
- ii. However, the maximum loan that can be granted to any individual member at any given time cannot exceed 5 Million Shillings.
- iii. Where total deductions exceed two thirds of a member's salary, the loan shall be reduced accordingly.

5. GENERAL REGULATIONS ON LOANS

5.1. Entitlement, Multiplier, Due Dates, Penalties, Refinancing, Waiting Time & Cash Boosts

- i. A member is entitled to one or more of the loan types, all running at the same time.
- ii. A member cannot have more than one type of loan product running at the same time.
- iii. When aggregated, all Loans applied for, and those ongoing, shall not exceed the multiplier arrived at on the member's total deposits.
- iv. All loans must be repaid monthly by the 10th of the following month.
- v. Refinancing is defined as an additional amount of loan advanced to a member with an existing loan facility either of the same type or any other type, with part of the new loan going towards repaying/offsetting the existing loan balance in full, and the balance being paid out to the member.
- vi. Huduma loan can only be granted after a formal application of the new loan with new guarantors and after the due appraisal and approval process is complete. A processing fee of 1% of the amount applied shall be charged and recovered from the new loan before disbursement of the net balance.
- vii. If a member clears a loan balance, and immediately applies for the same type of loan or any other loan will be allowed.
- viii. If a member boosts for purposes of taking a loan, the contribution should be invested in the Sacco for 3 months before it qualifies for uptake of loan or if required earlier than this, can be penalized at 5, 3 and 1.5 % for the first, second and third month respectively. However, variations on payroll deductions are exempted from these criteria.

5.2. Loan Categories

i. NORMAL LOAN - (TYPE 1).

Repayable in 36 months with an interest rate of 12% per annum (i.e. 1% per month) on a reducing balance method.

ii. NORMAL LOAN - (TYPE 2).

Repayable in 48 months and attracts an interest rate of 14.4% per annum (i.e. 1.2% per month) on a reducing balance method.

iii. NORMAL LOAN - (TYPE 3).

Repayable in 60 months and attracts an interest rate of 18% per annum (i.e. 1.5% per month) on a reducing balance method.

Note: A member can only be granted one normal loan at a time either the one for 36 months, 48 months, 60 months.

iv. **EMERGENCY LOAN - (TYPE 1).**

Repayable in 12 months and attracts an interest rate of 12% per annum (1% per month) on a reducing balance method.

v. **EMERGENCY LOAN - (TYPE 2)**

Repayable in 24 months and attracts an interest rate of 18% per annum (1.5% per month) on a reducing balance method.

vi. **SCHOOL FEES LOAN.**

Repayable in 12 months and attracts an interest rate of 12% per annum (1% per month) on a reducing balance method.

vii. **REFINANCING LOAN.**

Repayable in 24 months and attracts an interest rate of 18% per annum (1.5 % per month) on reducing method. A member can only qualify for this loan product if he or she has a running normal.

viii. **HUDUMA LOAN**

Repayable in 36 months, 48 months, 60 months and attracts an interest rate of 18% (1.5% per month) on a reducing balance method. This loan buys back Sacco normal loan which, the member must have paid at least half of it.

ix. **BIASHARA SCALE UP LOAN (BSL)**

Purpose: To enable entrepreneur (s) start/or scale up business ventures so as to economically lift himself/ themselves out of poverty.

Features; Interest rate 1.6 % per month, duration 72 months, processing fee 5 % of the loan (upfront), 2/3 rule applies.

x. **CORPORATE LOAN**

Purpose: For corporate members

Features: Interest rate 1.6 % per month, duration 36 months, processing fee 1 % of the loan (upfront),

xi. **ENERGY INSTACASH LOAN:**

Purpose: This is an instant loan processed through the mobile phone using the QFS system.

Features: Interest rate is 10 % (one off); Maximum amount is Ksh. 20,000 and is repayable in 2 months. The interest is paid up front. Any delay in repayment attracts a penalty which is determined by the Board from time to time. Beyond two months Default may lead to the member being blocked from accessing the service. The terms of unblocking will be determined by the Board from time to time.

xii. **TECHNO LOAN:**

Purpose: To enable members, acquire basic domestic equipment e.g cookers, TVs, Vehicles, etc.

Features: Interest rate is 1.3 % per month. Duration is 24 months.

xiii. **BOOSTER LOAN**

Purpose: This loan is intended to enable the member boost their deposits to enable them apply for bigger loans.

Features: Interest rate is 1.3 % per month. Duration is 36 months and maximum amount eligible is Ksh. 100,000.


NB

All loans should be within three times of the member's shares. No member shall be granted two capital / development loans to run parallel to each other.

6. APPROVAL

This policy is approved for SACCO use by:

Chairman:

Name Paul N. Mbuti Sign  Date 20/2/2024

Secretary:

Name Sign Date.....

Treasurer:

Name Sign Date.....

