

# **UNI-COUNTY SAVINGS & CREDIT SOCIETY LIMITED**

## **CREDIT POLICY AND PROCEDURE MANUAL**

**MAY 2023**

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## **EXECUTIVE SUMMARY**

This Credit Policy has been developed as a guide towards providing a uniform level of understanding in the interpretation and administration of the Uni-County SACCO Society Limited's credit Department. It shall address the credit issues in the BOSA, FOSA and Micro-Credit Departments.

### **Why the Policy?**

Preparation of the credit Department's policy is a management function. Policies help an organization to:

- a) Save time by preventing people from having to make the same decision many times;
- b) Prevent and help resolve disputes as policies lay down firm guidelines that make it easy to decide what does or does not lie within the guideline;
- c) Encourage faith in the organization as members and employees see that they can rely on the organization to behave consistently hence making them feel secure about their dealings with the organization; and,
- d) Aid continuity as the organization gradually changes in their make-up, for instance, even if Board of Directors, members and employees leave or are replaced.

In this respect therefore, the purpose of this SACCO Credit Department's policy Document is to provide guidance in decision-making and taking actions within the SACCO for various operations and activities. The Policies are intended to:

- a) Establish and implement the objectives of the SACCO as interpreted by the board of directors and
- b) Govern the operations of the SACCO. This is on the promise that it is an operational document that is meant to assist members of management teams and the staff in running the SACCO Credit and Micro-credit Department smoothly.

Additions, deletions and changes to the policy may be made from time to time by the board of directors and become effective only when adopted by the Board of Director resolution.

This Policy is expected to be reviewed on an annual basis.

## **1.0 THE CREDIT POLICY**

### **1.1 INTRODUCTION**

Savings and Credit societies meet the need not presently met by other financial institutional by allowing members to obtain loans based on security of their savings, their incomes, Character and Guarantee by fellow members.

To fulfill the above objectives, policies are formulated to guide savings and credit co-operative (SACCO) societies, Uni-County SACCO credit policies have been formulated within the legal framework to help members and officials of SACCO society avoid credit administration problems.

The objectives of the policy are to:

- a) Establish a fair and efficient loaning system based on uniform and consistent credit administration
- b) Ensure fairness in *loan granting process*
- c) Provide clear basis for dealing with members' loans
- d) Ensure that SACCO does not get into difficulties through approving loans in *excess of funds available*
- e) Ensure proper utilization of loaned funds
- f) Facilitate *loan recoveries*
- g) Minimize *loan defaulting*
- h) Set checks and balances in credit operations
- i) Define Board Committee and staff roles in order to avoid duplication and overlap of duties and responsibilities

For the Credit system to function there is need to have a credit policy to guide those who are involved in the credit granting process. The Credit Committee, Manager and officers, SACCO Board Committees must follow clear cut set of rules, procedures and policies. These policies/rules include preconditions for granting loans, the minimum requirement for a member to be eligible to borrow, maximum loan, types, terms and conditions and other relevant information on the Credit Management Process.

The following is the credit policy which shall be cited as **UNI-COUNTY SACCO CREDIT POLICY**

## 1.2 Purpose

This Credit policy is intended to provide direction, guidelines, and make provisions for proper and efficient utilization and administration of the Uni-County SACCO Loan portfolio in order to ensure that the SACCO interests are adequately protected, to ensure equitable distribution of funds, encourage liquidity planning and enhance effective communication and information flow between the SACCO and its members.

The Board of Directors has prepared this particular Credit policy with the input of Uni-County Savings & Credit Society Ltd staff. The document shall become the Credit Policy for Uni-County SACCO Society BOSA, FOSA and Micro credit Department designed herein with effect from **1<sup>st</sup> May, 2023**.

The existing broader Credit policy is good but due to the rapid growth of the SACCO and the increase in the number of products for the benefit of the SACCO and the members in general, the Board of Directors found it necessary to redefine the General Loaning policy and harmonize with this one to make the SACCO more efficient in the provision of services to the members, taking into account the new products introduced. Since the SACCO is rapidly growing and many products have been introduced it was found necessary for each and every product to have its own policy.

## 1.3 Legislation

All loan products must be made in accordance with the provisions in the SACCO Act and SACCO Regulations, Cooperative Societies Act, Rules and the SACCO By-Laws.

## 1.4 Policy

Any violation to this Credit policy and procedures shall be subject to disciplinary action as prescribed by the SACCO Board of Directors.

## 1.5 Policy Approval and Review

This policy takes effect from **1<sup>st</sup> May 2023** and will be subject to review when necessary by the Board of Directors.

## 1.6 Definitions

Unless otherwise stated in this policy and procedures Manual the following words shall mean;

- a) **Board of Directors:** Members elected by the Uni-County Savings and Credit Cooperative SACCO Limited at the Annual General Meeting who ultimately will be responsible for the policy making operations of the SACCO.
- b) **Credit Committee:** A Board Committee appointed by the Board of Directors comprised of members responsible for the ratification of loans within the approved lending policies as stipulated in this policy.
- c) **CEO:** An individual hired by the Board of Directors responsible for the day to day operations of the SACCO in accordance with the rules and regulations set by the Board of Directors.
- d) **Credit Officer:** This is delegated authority to an individual to consider and approve loans within specific limitations as set by the Credit Committee.
- e) **Loan:** Any transaction or commitment entered into by the SACCO with a member or group member whereby the other party becomes or could become indebted to the SACCO
- f) **Loan Application:** A form requiring information used to determine whether a member will be granted a loan.
- g) **Loan Contract:** A document that binds the SACCO as lender and member as borrower in acknowledgement of a loan granted to the member group and all subsequent terms and conditions associated with the loan.
- h) **Delinquent Loan:** A loan whose repayment terms and conditions have been violated or a loan granted in violation of the SACCO Loan/credit policy.
- i) **Provident Loan:** A loan granted to a member for his or her own personal welfare or for consumption purposes.
- j) **Productive/Business Loan:** A loan granted to a member for a use in an income generating activity (business) or agriculture intended to earn a return secured by assets of the said venture and its source of repayment is intended to emanate from revenue of the said business.

- k) **Loan Collateral/Security:** An asset (any item) of monetary value pledged to ensure loan payment and may be subject to seizure upon default to offset the debt.
- l) **Interest Rate:** The cost of using or borrowing money
- m) **Market Rate of Interest:** A rate of interest determined by the financial market forces of demand and supply and is related to the real cost of funds.
- n) **Shares:** A member contribution to the SACCO capitalization subject to review by the Board of Directors and is not withdrawable.
- o) **Deposits:** A member contribution to the SACCO's Members savings subject to review by the Board of Directors and is only withdrawable upon the prerequisite notice.
- p) **Savings:** Savings by members which can be withdrawn on demand within the normal working hours as specified by the SACCO Management
- q) **Fixed Deposit:** It is savings by a member whose withdrawal period is fixed.

## 2.0 LOANS AND LOANING PROCESS

### 2.1 Terms and Conditions for Loans

Subject to the provisions of the SACCO By-laws and the credit administration policy and Board of Directors' resolutions from time to time, the following terms and conditions will apply to development loans provided by the SACCO:-

- a) The applicant shall fill and sign a prescribed loan Application form whose charges will be recovered from the loan proceeds.
- b) Upon approval of the loan, the applicant shall sign and return the SACCO's letter of offer signifying his/her acceptance of the conditions for the loan.
- c) The loan will carry interest at a rate specified in the letter of offer.
- d) In order to facilitate the repayments of the principle and interest on the loan, the applicant will be encouraged to make payments any time before the loan falls due from alternative sources of income.
- e) Deduction for loan repayment shall be made from the salary, business or proceeds payable for horticulture crop, dairy and/or product delivered to the market.
- f) All loans shall be repaid within the prescribed repayment period.
- g) An applicant may qualify for all types of loans depending on his/her its credit worthiness and availability of funds.

- h) All repayments will be used to first clear the accrued interest on the loan/advanced and thereafter reduction of the principle of the outstanding loan/advance.
- i) The applicant shall provide security acceptable to the SACCO and shall also be creditworthy.
- j) The applicant shall provide irrevocable letter of undertaking to the SACCO allowing the SACCO to the effect loan repayment from his/her its salary, business or farm produce sales proceeds and remit it to the SACCO.
- k) The applicant accepts that the SACCO may request information from the employer, banker, Credit Reference Bureau or marketing agent concerning his/her credit worthiness.
- l) Valuation of security will be carried out by the borrower at his/her its own cost using approved professional valuers acceptable to the SACCO or its branch offices.
- m) In case of breach of contract, the SACCO shall have the right to liquidate the securities and also institute legal proceedings against the concerned party to recover the unpaid dues including the cost of the suit.
- n) When circumstances necessitate that a verification of securities of particulars of the applicants or his guarantors be undertaken, the verification cost shall be met by the applicant.

## **2.2 Eligibility for a Loan**

A member shall be considered for a loan only when he or she fulfils the following conditions of the SACCO:

- a) Must be a member above 18 years of age and of sound mind
- b) Must be a person of high integrity, honest and trustworthy
- c) Must have accumulated at least Kshs 500 in savings account which is not withdrawable.
- d) Must have attained a set minimum in a savings/Deposits account or any such minimum amount as may be set by the Board of Directors from time to time
- e) Must have no delinquent loan.
- f) Committed to save while meeting the loan obligation
- g) Shall have guarantors or appropriate tangible securities
- h) The maximum borrowing by a member shall not exceed 5% of the SACCO's total paid up share capital and deposits.
- i) Where a member's produce proceeds are withheld by the marketing agent, i.e. New KCC, HCDA, NCPB, such a member shall be granted a loan equivalent to 100% his/her request provided that



he/she does not have an outstanding loan balance repayable in twelve (12) months and the same to be set against savings if the loan is not repaid within the stipulated period.

- j) A member applying for a loan shall undertake his/her future salary, income or produce proceeds from the employer , business or marketing agent towards loan repayments before such a loan is granted by the SACCO . He/she shall maintain a savings account at the SACCO and shall not change his/her pay-point.
- k) Existing member shall have a clean past loan repayment record.
- l) The applicant must be the owner of the land where the crop/produce are, failure to which the legal owner must appear as one of the guarantors and if he/she is not a member , he/she must give a letter of undertaking(Power of Attorney). In case of leased land, a lease letter shall be required.
- m) Board members and employees of the SACCO who wish to apply for a loan under the requirements set in this credit policy will be treated as members.
- n) All Board of Directors members' loans should always appear in Board of Directors meetings for approval with the absence of the member who has applied.
- o) The loan application must be accompanied by a copy of Identification Card (ID) of the borrower.
- p) Loans will be granted according to the applicant's qualifications based on character, ability to repay and specific compliance with requirements and specifications.
- q) An applicant may be required to produce documentary evidence of his/her/its ability to service the loan.
- r) The SACCO reserves the right to grant or deny a loan based on the member's current credit status.

## **2.3 Assessment and Analysis**

- a) Where necessary, the Credit Officer/Micro-credit Officer shall visit the applicants business, security and residence where the relevant demographic, business, farming, agri-business and financial data (as stipulated in the loan application form) are collected.
- b) The data shall be collected in the form of balance sheet and monthly cash flow. Data collected shall be verified (supported by a statement, receipts and other relevant means) and analyzed. The cash flow to be drawn by the Credit Officer shall be based on the actual not projected.
- c) The visit of the Credit Officer will also include taking of photographs of the security, business /farm and the primary applicants in front of his or her business, farm or agribusiness or residence.
- d) As much as possible, the photographs should clearly show the physical attributes of the person and property made available for security. The purpose of the photograph is to enable the SACCO be able

to locate the farm, business premises or security if the Credit Officer become unavailable, another employee may use it for identification purpose. During the analysis the applicant shall be required to declare all the existing loan obligations to the SACCO.

## **2.4 Appraisal**

- a) The application will be subjected to the predetermined formula based on qualification parameters of period of patriotic membership, savings multiple debt ratio.
- b) Based on the applicants demographic and financial data, his/her loan history(if available) cash flow and ratio analysis , the Credit Officer will formulate a comprehensive credit proposal containing the following:
  - Proposed loan amount
  - Proposed loan duration
  - Proposed installment amount
  - proposed repayment frequency (monthly or fortnightly or weekly)
- c) The credit proposal shall take into account the following criteria:
  - The monthly installment amount shall not exceed 66.67% or  $\frac{2}{3}$  of the applicant's current, monthly cash flow surplus.
  - The loan amount shall not exceed 70% of current assets
  - The loan shall not exceed 70% of the total expenses.
- d) An appraisal fee of 1.75% will be applied on the approved gross loan charged upfront.

## **2.5 Loan Approval**

- a) The Branch Manager /Credit Officer /Micro-credit Officer/FOSA Officer may approve loan applications based on the limits specified by the Credit Committee (such as : character of the borrower, ability to repay the loan, and past record) provided such loans are fully(100%)secured. Any loans above authority or not otherwise secured by cash should be referred to the Chief Executive Officer.
- b) The Uni-County credit department shall approve or reject all SACCO loans and those above the authority of the Micro-credit Officer or Branch Manager or Credit Officer or FOSA Officer.
- c) At least once monthly, the Credit Committee shall meet to review loans approved by the credit department or Micro-Credit Officer or Branch Manager /Credit Officer as per specified limits and security and consider other loan applications.
- d) Loan application shall be considered in the order in which they are received provide that:

- Whenever there are more applications for loans than the funds available, preference will be given, in all cases, to short term loans.
  - Where amounts applied for are approximately the same, preference will be given to loans for shorter periods.
  - Within the foregoing preferences, priority will be given in the order of: members who have never had loans, then new members who have qualified for loans, and then to members who have cleared their first loans and have applied for fresh loans.
- e) Member will be informed immediately the decision has been passed on the fate of their applications and reasons for passing such decisions.
- f) The following loan applications are filed and communication sent to the member showing the following possible reasons
- Inability to repay or poor repayment history
  - Loan not in proportion to shares
  - Lack of proper guarantee or security
  - Inadequate membership period
  - Outstanding loan
  - Ineligible purpose
- g) At times, the loan may be deferred due to the following reasons ;-
- Incomplete information or lack of supporting documents
  - Time limit can occur when an applicant applies for a loan more than one month in advance of the date needed
  - To negotiate loan terms or purposes
  - The loan purposes may not conform to the loan policy
- h) In these cases, the relevant SACCO staff may wish to defer the loan application, pending further consideration instead of outright rejection.
- i) A loan may also be deferred due to inadequate loaning funds. Action will be taken regarding approval when funds become available.
- j) Whenever a member feels his/her application has been considered unfairly by CEO, Credit Officer or the other staff , he/she shall appeal to the Credit Committee in writing within fourteen days after the decision date stating grounds of appeal. The appeal should be copied to the SACCO CEO. The Credit Committee shall approve loans for members of staff.

- k) Any employee that tampers with his/her monthly share contribution and loan repayment shall face disciplinary action as per Section 94 of the Cooperative Societies Amendment Act 2004.

## **2.6 Purpose of Loan**

Loans shall be granted for provident purposes where repayment will emanate from member's salary, business income, weekly and/or monthly crop or animal sales and productive purposes where repayment will emanate from the proceeds of the productive activity (farming and agri-business).

## **2.7 Loans to Office Bearers and Staff**

- a) Loans to board members and staff shall be approved by the full Board of Directors provided that such member shall not be present when their loan applications are being considered.
- b) Loans to staff shall be approved by the Credit Committee.
- c) All applications for loans from elected members in excess of deposits shall be considered by a Board of Directors. The chairman of the Credit Committee or member shall call a joint meeting of the majority of the Board of Directors to consider such applications. A Board of Directors member shall chair the meeting. The decision of the full Board of Directors shall be final. At least three members of the Board of Directors shall sign the application to endorse their decision / approval or otherwise and state reasons.
- d) A Board member who tampers with his/her monthly deposit contribution and loan repayment shall be liable for a fine under the Sacco's by-laws for each offence committed besides losing his/her position as a board member; while an employee who tampers with his/her monthly deposit contribution and loan repayment shall face disciplinary action as per Section 94 of the Cooperative Societies (Amendment) Act 2004, provided that a mistake by the employer shall not in any way be construed to mean tampering by the Board member or staff.

## **2.8 Interest on Loans**

- a) The Board of Directors is empowered by the SACCO By-laws to set and review loan interest rates.
- b) The SACCO will adopt a loan pricing strategy, which will be based on full sustainability. It will seek to balance institutional sustainability, growth, safety, soundness and quality of services to members.
- c) The interest rate on all loans shall be based on market rates to be decided by the Board of Directors based on the advice of management staff from time to time as dictated by the changes in the base lending rate. The interest rates will be dynamic and competitive.

- d) The Board of Directors and staff shall enjoy a negotiated five percent interest rate on loan products number eleven, twelve, thirteen, fourteen, fifteen and eighteen as appreciation for their day-to-day service to the Sacco.
- e) Members of the board and staff who exit from service will continue to enjoy benefits (d) above for ongoing loans until the facility comes to term provided that the facility was secured six months prior to exit.
- f) Offsetting interest on all top up loans shall be charged at eight percent of the loan balance or top up amount whichever is lower.
- g) An annual appraisal % brackets in ascending order (larger loan balance lower appraisal percentage) up to 1,000 minimum loan balances shall be applied to cushion the Sacco from inflation factors.
- h) Members of the board and staff shall be exempted from rule (f) and (g).
- i) The following factors shall be considered when determining interest rates: full cost of funds, loan risk, inflation, institutional capital building, members' need and market trends. Generally, the SACCO mark-up margin shall be determined by the cost of the funds.
- j) The method of quoting interests shall be decided by the SACCO from time to time and may vary from one loan product to another.
- k) The method of calculating and posting interest rates in members' loan accounts shall be outlined in the SACCO's accounting procedures as reviewed from time to time.
- l) The stated interest rates shall exclude legal fees and any other direct cost related to loan processing like collateral valuation.

## **2.9 Loan repayment and Recovery**

- a) Loan repayment period shall depend on individual cases in full or by installments based on loan agreement and contract; which shall take recognition of the borrower's current income, projected cash flow and business plan.
- b) Repayment terms shall clearly show amount relating to the principal loan repayment and interest.
- c) Deductions for loan scheduled for monthly repayments shall commence not later than the month following that in which the loan was released to the member.
- d) The members of the SACCO shall have the obligation to clear their loans borrowed from the SACCO, by exercising credit discipline so as to maintain good member-SACCO relationship.
- e) To make good of the borrowed loans, members shall be required to repay their loans by installments and deductions shall be made at source. Deductions shall be affected on the proceeds realized on

the sale of produce through the marketing agent and the salaries by the employer. Cash payments and bank standing orders shall be accepted by the SACCO as another form of loan repayment.

- f)** A member is free to repay the loan from any other sources besides the individual member's produce-proceeds. the SACCO may consider these other sources when determining the member's ability to repay the loan at the time of granting provided that the income from other sources is reflected in the member's savings account in the SACCO.
- g)** The member loan repayment plus interest shall not exceed a prescribed limit of his/her salary, total proceeds or income at the time of application.
- h)** A member's savings pledged, as security for another member's loan shall not be withdrawn to offset his/her outstanding loan unless the former can provide an alternative security for the loan guaranteed.
- i)** The SACCO may consider designating an employee to coordinate loan recovery. If designated, the employee shall work independently from other credit activities.
- j)** Where the marketing agent fails to deduct payments, the SACCO shall debit the member's savings account with the overdue loan balance.
- k)** Members with loan shall not:
  - Dispose off, his/her produce-proceeds in another member's name if he/she holds any loan in the SACCO
  - Dispose off, divide or transfer or hire their land under crop/produce without the knowledge of the SACCO committee and written authority is given.
- l)** Where the above is flouted and a member does not avail himself/herself for signing of loan recovery form, then the SACCO shall have the mandate to complete the recovery form on behalf member and the other produce beneficiary and forward the form to the marketing agent to recover the loan during subsequent payments.
- m)** Any refinancing of a loan balance, or any request for an extension of time in which to pay, shall be agreed to by the credit department only in exceptional circumstances. Any extension so granted must be approved by guarantors and shall be treated as though it was a new loan, and an extension agreement shall be executed and signed by the applicant.
- n)** Any loan more than three months overdue may be referred to the Credit Reference Bureau for necessary recovery process to commence including demand notices to guarantors for them to clear all outstanding loan guaranteed by them provided that the SACCO shall first give written notice of this intention to the borrower before so acting.

- o) The Supervisory Committee shall monitor the performance of all loans and in particular, the insiders loans (for board of Directors members, staff, their relatives and friends) and ensure that their repayments are prompt and correct.
- p) Where a loan is repaid earlier than in the agreed terms either via buy-offs from other financial institutions or lump sum repayment by the member, the Sacco shall charge a clearance fee to cushion the Sacco from loss of expected revenue.

### **2.9.1 Maximum Loan.**

- a) Loans to any member of the SACCO shall not exceed 20% of the SACCO total assets or as provided for in the SACCO By-laws.
- b) Where there are more applications than funds, the Board of Directors may decide otherwise on the amount of loan purpose and repayment period in order to maintain adequate liquidity levels in the SACCO.

### **2.9.2 Security for loans.**

- a) The relevant SACCO staff shall ask for such security as it may be considered necessary. The member's deposits, salary, guarantors and acceptable collaterals shall be considered as security.
- b) Unless the loan applied for is equal to or less than a member's savings and deposits, it must be secured by group guarantors.
- c) The total savings of the borrower and those of the guarantors must be equal to or more than the loan applied for.
- d) A member can be granted a loan without guarantor(s) if it does not exceed 75% of his/her savings /non-withdraw able deposits and has not guaranteed any loan.
- e) No member will be allowed to guarantee more than five loans at any given time and beyond the known capacity as evidenced by the savings on record at the SACCO. The SACCO shall maintain a register to ensure these requirements are not violated.
- f) All guarantors must be members of the SACCO good standing and acceptable by relevant SACCO staff. However, the SACCO may accept a guarantor as a non-member who has leased his/her land for cultivation to a borrower.
- g) No executive officer or member of Board of Directors or any Board Committee or employee shall act as an endorser or guarantor, for borrower from the SACCO.
- h) A borrower or a guarantor may apply to the relevant SACCO staff for a change of guarantors.

- i) The obligation of previous guarantors shall cease upon change of guarantors subject to the new guarantors being accepted by the SACCO. The obligation of guarantors shall also cease when the loan guaranteed is fully paid, reduced to or less than the borrowers savings in the SACCO. The SACCO shall maintain a record of all guarantors to every loan in each member's file.
- j) The SACCO shall require a borrower who has no check-off facility to provide extra security for loan. The priority of such security will be 60% surrender value of an insurance policy, 50%market value of stock quoted in the stock market, 60% value of motor vehicle /agro-processing plant/irrigation equipment comprehensively insured, 60% of undeveloped land, 80% of developed land, full value of treasury bonds and other negotiable instruments certified by the Board of Directors.
  - A charge shall be registered, where applicable, for each type of collateral provided as security for the loan at the borrower's expense.
  - Where the borrower provides rental income/ business proceeds as collateral, the borrower shall open a current savings account with the Sacco where such proceeds will be channeled through by themselves or their agents for further distribution to the loans account – else;
  - The borrower shall place an irrevocable standing order with his/her / their main bank for the monthly repayment until the loan is paid in full.
- k) New employees of our corporate partners may qualify for unsecured check off loans provided that :
  - The employer commits to guarantee the loan
  - The employee gives irrevocable authority to the employer to make monthly deduction for the said loan until the loan is fully paid.
  - The employer commits to channel all the final dues payable to the employee through the Sacco in the event employment contract is terminated before the loan is fully paid.
- l) Other security: Mortgage in real estate can be taken as security for a loan not exceeding two thirds of the mortgage value.
- m) The relevant SACCO staff shall require those applying for loans to produce 100% full security for all loans. The SACCO will accept the following as loan security:-
  - Free un-bounded deposits/savings (deposits /savings less outstanding loans).
  - Consigned free un-bonded deposits/savings of guarantor.
  - Property, business assets, vehicles, farm land and any other security provided they are valued at the current market rates by professional valuers and upon presentation of authentic valuation certificates.
  - Group recommendation and guarantee.
- n) All security offered must be in place and in possession of the SACCO before funds are disbursed.



### **2.9.3 Loan Disbursement**

- a) Loans will be disbursed when all security documents are completed, signed, acknowledged and in place in the SACCO office.
- b) Loans will be disbursed only after a loan contract has been completed and acknowledged by both the member and the SACCO. Loans will be disbursed after approval by the relevant authority subject to availability of the funds.
- c) The SACCO will debit gross loan to the member's loans account and credit the net loan in his/her savings account in the Front Office.
- d) Loans will be disbursed either through cheque to a supplier (of input and equipments) or crediting the loanee's savings Account.
- e) The member can withdraw the money through his or her savings account by visiting the Sacco's front office for physical cash withdrawal across the counter or via mobile phone platform.
- f) The SACCO, on the request of the borrower, may disburse a loan by making direct payments to other organizations/persons.

### **2.9.4 Loss of Membership**

- a) Where the Sacco loses an owing member through death or total disability the member's loan balance claims shall be paid from the Risk Management Fund or any other operating scheme.
- b) All doubtful and past due loans guaranteed by a member who died will be paid from the Risk Management Fund.

### **2.9.5 Loan Delinquency**

- a) The SACCO will have to levy the interest and penalties for the loan defaulted
- b) All security pledged or guaranteed shall be realized whenever a loan is delinquent for more than three months.

### **2.9.6 Default on Loans**

- a) The SACCO may, after due notification to the defaulting borrower, recover any outstanding amounts for loans through sale of the securities pledged as a guarantee or recover from the sales proceeds of the guarantors.
- b) Where an extension of the time for repayment of a loan is granted, the outstanding loan may be rescheduled. Such loan shall be deemed to be new and shall be secured by the execution of a new agreement.

- c) A defaulter shall be required to pay, by way of liquidated damages, a sum to be determined by the SACCO.

### **2.9.7 Capacity Building**

The SACCO will support and engage in capacity building of prospective loanee groups and individual beneficiaries in the effective utilization of loans, and enhancement of their respective business, farming and agri-business activities.

### **2.9.8 Monitoring and Evaluation**

The SACCO will establish appropriate system to regularly monitor and evaluate the utilization and performance of the loans and advances issued by the SACCO.

## **3.0 CREDIT REFERENCE BUREAU.**

### **3.1. Introduction.**

UNI-COUNTY SACCO LTD has enlisted the Services of credit Reference through Collection Africa Limited (CAL) which has been authorized by Central Bank of Kenya as a 3rd party data provider; that offers a credit management process covering a comprehensive approach aimed at maximizing all aspects of the credit management cycle.

### **3.2 Notice of intention to list.**

The SACCO shall in writing or through electronic means issue a 30 days' notice of intention to submit negative information to the bureau regarding credit extended to a member arising from a product or service rendered and whose such loan is in default.

With the Credit Reference Bureau, Uni-County SACCO Ltd shall be able to list all the defaulters and bar them from accessing loan facilities from commercial banks before settling the SACCO's debts.

### **3.3 Customer's Consent.**

A customer/member by virtue of loan application agrees/ authorizes or gives consent to the SACCO to obtain from the bureau a credit report in respect of that customer for the purpose of:

- a) Assessment of credit facility
- b) Assessment of the credit or repayment risks associated with an existing obligation; or
- c) Legitimate need for information, in connection with business transaction initiated by the customer/member or other lawful transaction or matter concerning the customer.

The bureau may verify the authenticity of the written consent of the customer and may use such verification means as the bureau may find appropriate and reliable.

## **4.0 LOAN PRODUCTS, TYPES, NUMBER, PERIOD AND FEATURES**

### **4.1 Introduction.**

Loan products and services are intended to enable members to borrow against their current deposits. UNI-COUNTY SACCO has introduced and repackaged the following products that members may obtain at competitive interest rates.

The objectives, Eligibility, Mode of loan repayment, Interest and other charges and loan security requirements for the various developments, Business, agricultural/Horticultural and Agri-Business Loan products are covered in this Credit Policy and Procedures manual.

The members and groups may obtain either or most of the following loans depending on their own capacity and the ability to service the loans. The proposed loan products have also taken into account the existing Uni-County SACCO products with a view to ensure harmony in operations.

### **4.2 Back Office Service Activity (BOSA).**

There are several products and services in this section. The SACCO Loans in the Back Office Services Activity are specified as thus:-

- To qualify for a loan, every member must operate a regular saving A/C for duration of not less than six months.
- Minimum monthly savings is Kenya Kshs .1, 500/= for Class A members and Kshs.1,000/= for Class B.

#### **4.2.1 Normal/Development Loan (No. 11)**

##### **Objectives.**

The Normal Loan is designed to address the development means such as Building Homes, Large scale farming, Motor vehicle purchase among others.

##### **Features.**

- a) The amount borrowed shall be up to four (4) times the member's deposits.
- b) The repayment shall be a maximum of 48 months.
- c) The loan shall attract interest rate of 1.5% per month. However, this will be reviewed from time to time depending on the cost of funds sourced by the Society and the prevailing market rates repayable on reducing balance.
- d) The security shall be the member's and guarantors Non-Withdrawable deposits and;

- Other acceptable collateral e.g. Share Certificate, Salary, Pension, Title deeds, Car Logbook etc.
- e) Membership spanning at least six months.
  - f) The 1/3 rule government policy on basic salary or earning from business proceeds and farm produce shall apply.

#### **Requirements.**

- a) Completed Loan Application form.
- b) At least three guarantors whose deposits adequately cover the loan applied.
- c) Attachment; ID COPY, Contract Letter, 1 Current **ORIGINAL** pay slip.
- d) Execute standing orders with main bank where applicable
- e) Search and verify ownership of provided collaterals
- f) Charge provided collaterals and attach necessary copies
- g) Two previous month's cash flow statements for business loans

#### **4.2.2 SCHOOL FEES LOAN (No. 12)**

- a) Maximum amount depends on ability to pay
- b) Repayable within one Calendar year
- c) The interest charged will be 1.67% per month on a reducing balance or the prevailing market rate plus mark-up on source of funds.
- d) Eligibility and amount awarded will be subject to 1/3 rule and member's ability to pay.

#### **4.2.3 Emergency Loans (No. 13)**

##### **Purposes.**

This product is designed to assist members to meet emergency needs as they arise.

The loan shall be disbursed to the member's savings account within 24 working hours.

##### **Features.**

- a) A Back Office product.
- b) The maximum amount is three times the number of deposits held by a member.
- c) The interest charged will be 1.67% per month on a reducing balance.

- d) The loan shall be repayable within 12 months from the time of issue.
- e) Eligibility and amount awarded will be subject to 1/3 rule and member's ability to pay.

**Requirements.**

- a) Fully completed Loan Application form
- b) At least 3 Guarantors whose deposits adequately cover the loan applied.
- c) Attachment; Current **ORIGINAL** pay slip or previous month's cash flow statement.

**4.2.4 SUPA FLEX LOAN (No. 14)**

- a) Maximum amount depends on member's salary.
- b) Maximum repayment period is 60 Months
- c) Loans must be fully guaranteed
- d) Exclusive for members who channel their salary through FOSA.
- e) The loan shall attract an interest rate of 1.5% per month

**Requirements**

- a) Fully completed Application from.
- b) At least 6 guarantors whose deposits fully cover (100%) the loan applied
- c) Attachment; Current **ORIGINAL** pay slip for the last two months.

**4.2.5 SUPA DEVELOPMENT LOAN (No. 15)**

- a) Maximum amount depends on member's ability.
- b) Maximum repayment period is 84 Months
- c) Loans must be fully guaranteed either by guarantors, employer or collateral.
- d) The loan shall attract an interest rate of 1.25% per month

**Requirements**

- a) Fully completed Application from.
- b) At least 6 guarantors whose deposits fully cover (100%) the loan applied or collateral whose value is greater than the loan amount or loan awarded to be 80% of the value of the collateral.

- c) Attachment; Current **ORIGINAL** pay slip for the last two months or;
- d) Two previous month's cash flow statement for the business, ownership documents for the provided collateral. NB: the collateral shall be charged prior to loan disbursement.

#### **4.2.6 MOBILE LOAN (No. 16)**

- a) Application is done via member's registered mobile phone number
- b) Loan is automatically granted instantly upon answering the interactive questions and meeting the set conditions
- c) Maximum amount is Kshs.5,000/= subject to review based on majority members ability to pay.
- d) Repayable in 1 (one) month.
- e) A FOSA product.
- f) The loan shall attract an interest rate of 10% per month
- g) The loan shall be insured at a flat rate of Kshs.50.00 subject to review depending on the market rates.

#### **4.2.7 SALARY ADVANCE (No. 17)**

- a) Granted instantly
- b) Maximum amount shall not exceed 50% of the member's expected net salary for the current month.
- c) Repayable in 1 (one) month
- d) The loan shall attract an interest rate of 10% per month
- e) The loan shall be insured at a flat rate of Kshs.50.00 subject to review depending on the market rates.

#### **Requirements**

- a) Fully completed Application from.
- b) Guaranteed through member's own deposits
- c) Attach current **ORIGINAL** pay slip for BOSA members

#### **4.2.8 Plot Loan (No. 18)**

##### **Objectives.**

The Plot Loan is designed to address the development means specifically for land buying for members as individuals, groups or through Uni-County Sacco.

Features.

- a) The amount borrowed shall be dependent on value of property being purchased.
- b) The repayment shall be a maximum of 36 months.
- c) The loan shall attract interest rate of 1.5% per month. However, this will be reviewed from time to time depending on the cost of funds sourced by the Society and the prevailing market rates repayable on reducing balance.
- d) The security shall be the member's and guarantors Non-Withdrawable deposits and or;
  - Other acceptable collateral e.g. Share Certificate, Salary, Pension, Title deeds for the said parcel of land or other land, Car Logbook etc.
- e) Membership spanning at least six months.
- f) The 1/3 rule government policy on basic salary or earning from business proceeds and farm produce shall apply.

#### **Requirements**

- a) Completed Loan Application form.
- b) At least three guarantors whose deposits adequately cover the loan applied.
- c) Attachment; ID COPY, Contract Letter, 1 Current **ORIGINAL** pay slip.
- d) Execute standing orders with main bank where applicable
- e) Search and verify ownership of provided collaterals
- f) Charge provided collaterals and attach necessary copies
- g) Two previous month's cash flow statements for business loans
- h) The Sacco shall charge and retain ownership documents for the said parcel until the loan is paid in full.

### **4.2.9 SALARY IN ADVANCE (No. 19)**

#### **Objectives**

This non-interest earning facility is specifically designed for the Sacco's staff to cater for their welfare especially when faced with personal/ domestic issues such as ailments.

It shall be granted instantly to Sacco staff upon approval by the treasurer and the Chief Executive officer

### **4.3.0 SEASONAL ADVANCE LOAN (No. 20)**

- a) Granted instantly
- b) Maximum amount depends on ability to pay
- c) Repayable in 2 (two) months
- d) The loan shall attract an interest rate of 10% per month on the outstanding balance.
- e) The loan shall be insured at a flat rate of Kshs.50.00 subject to review depending on the market rates.

#### **Requirements**

- a) Fully completed Application from.
- b) Guaranteed through member's own deposits

- c) Attach current **ORIGINAL** pay slip for BOSA members

#### **4.3.1 Refinance/Top Up Loan.**

The loan is provided to a member who already has an existing loan for purposes of completing an existing project, for education purpose, medical, enhancing entrepreneurial activities or on any other ground by the credit committee.

##### **Eligibility**

Should have repaid the loan for minimum period of Six Months

Shall be refinanced the principle repayment for the above period

##### **Terms of loan**

- a) No withdrawal of one's savings used to secure the loan until is fully repaid.
- b) Granted at the discretion of the office subject to the existing terms and conditions.
- c) The members will be assumed to have entered into a new contract and the terms and conditions of the ordinary loans will apply.
- d) The member shall fill in a new application form for the similar loan type being refinanced and seek new guarantors for the new loan engagement.
- e) The refinance loan will inherit features of the original loan being refinanced provided that the loan type is not commuted. Where the loan type is commuted to a different type, the new loan type features are applied.

#### **4.3.2 BUSINESS LOANS.**

These loan products are designed for members who are engaged in business activities, agri-business and general class B members. These are graduating and a member can only qualify for a product after successfully repaying the proceeding loan. Karibu Member is the entry level loan with the member graduating to Boresha Biashara Loan. A member may be exempted from starting at Karibu Member loan to Start at Boresha loan depending on their Deposits and Fosa savings accounts status. However, all new members **MUST** successfully pass through Boresha Biashara stage to allow for character monitoring.

#### **4.3.3 KARIBU MEMBER LOAN.**

This product is designed to welcome Class B new members to the SACCO's loan products. It is granted after 3 months of saving with the aim of encouraging this class of members who are predominantly business people to save. This loan will be granted under loan product No. 13



### Other terms

- a) Three (3) times deposits
- a) Maximum Kshs.20, 000/=
- b) Weekly repayment in 12 months
- c) The interest charged will be 1.67% per month on a reducing balance
- d) Ability to pay shall be determined by the members'/group average cash flow from the savings account.

### Requirements.

- a) Fully completed Loan Application form
- b) At least 3 guarantors whose deposits adequately cover the loan applied.
- c) Attachment; Current **ORIGINAL** pay slip
- d) A map/sketch indicating the physical location of business premises and place of residence.
- e) Copies of Utility bills of the account holder
- f) Copies of National Identification Card/s for group loans.
- g) Copies of Signed minutes and a signed members list for group loans.
- h) All groups' members shall be treated as co-guarantors in group loans.

### 4.3.4 BORESHA BIASHARA LOAN.

This loan will be granted under loan product No. 13

- a) Granted after 24 months of saving
- b) Three (3) times deposits
- c) Maximum Kshs.100, 000/=
- d) Weekly repayment in 12month
- a) The interest charged will be 1.67% per month on a reducing balance
- b) Ability to pay shall be determined by the members'/group average cash flow from the savings account

**Requirements.**

- a) Fully completed Loan Application form
- b) At least 3 guarantors whose deposits adequately cover the loan applied
- c) Attachment; Current **ORIGINAL** pay slip
- d) A map/sketch indicating the physical location of business premises and place of residence.
- e) Copies of Utility bills of the account holder.
- f) Copies of National Identification Card/s for group loans.
- g) Copies of Signed minutes and a signed members list for group loans.
- h) All groups' members shall be treated as co-guarantors in group loans.

**NB:** No withdrawal of one's savings used to secure any loan until loan is fully repaid.

## **5.0 PRESENTATION OF CREDIT POLICY BY THE CREDIT COMMITTEE TO THE BOARD.**

We, the undersigned, individually and collectively, commit that we have gone through this credit policy and considered all possible aspects of the document in favour and for the benefit of Uni-County Sacco Ltd as an organization and for the benefit of its membership by appending our signatures.

<b>No.</b>	<b>NAME.</b>	<b>POSITION.</b>	<b>SIGNATURE</b>
1.	James Juma Omondi	Chairman	_____
2.	Buxton Mwavali	Secretary	_____
3.	James Kimotho Mungai	Member	_____

## **6.0 ADOPTION OF POLICY**

We, the undersigned, individually and collectively, collectively, give commitment to the implementation of the credit policy for Uni-County SACCO Society Limited by appending our signatures.

<b>No.</b>	<b>NAME.</b>	<b>POSITION.</b>	<b>SIGNATURE</b>
1.	Johnson Kariuki Konah	Chairman	_____
2.	Dorothy Lavusa	Vice-chairman	_____
3.	Silvanus Chibunyenji Jomo	Treasurer	_____

4.	Hsc. Alpha K. Sanya	Hon-Secretary	_____
5.	James Juma Omondi	Member	_____
6.	Buxton Aduro Mwavali	Member	_____
7.	James Kimotho Mungai	Member	_____
8.	Jane Wanjiku Kihuna	Member	_____
9.	Duncan Kamau Ngugi	Member	_____

**WITNESSED BY:**

Name: ..... Sign: ..... Date: .....

**Chief Executive Officer.**

**Stamp**

**Company Seal**