

## SAVINGS AND LOANS POLICY

### PREFACE

Short Description – The policy is to guide for the Sacco on the administration of all matters concerning savings and loans with regards to members.

This policy takes effect from the date of signing and will be subject to review annually or as may be necessary by the Board of Directors.

Reference sections of the SACCO by-laws –27 & 29.

References to other policies/documents (if any)

- Loan form

### TERMS USED

- Deposits –Means the savings made to the Sacco by a member through the set monthly payments
- Savings – deposits accumulated in the account of a member as a consequence of minimum monthly deposits unless defined as a separate saving product that can be withdrawn without leaving the Sacco
- Active member –. A member (either individual or corporate) who has been continuously contributing the minimum monthly deposits contribution for a consistent period of six months or any other period specified by the Sacco
- Dormant member – A member (either individual or corporate) who has been continuously contributing the minimum monthly deposits contribution for a consistent period of six months or any other period specified by the Sacco
- 
- Share capital (or Shares) - the amount represented by a member’s position in the equity of a Society as co-owner.
- Guarantor - a a member who co-signs a member’s loan application and agrees to be responsible for the payment of all outstanding debt/loan if the later defaults
- General Meeting -. A virtual, physical or a mix of both virtual and physical meeting (either “Annual” or “Special”) of members duly convened by the Sacco.

CONTENTS

PREFACE .....	1
SAVINGS POLICY .....	3
1.1 POLICY OBJECTIVES.....	3
1.2 RESPONSIBILITIES.....	3
1.3 TYPES OF SAVINGS.....	3
1.4 DORMANT ACCOUNTS.....	5
1.5 POLICY REVIEW .....	6
1.6 APPROVAL.....	6
LOANS POLICY .....	7
2.1 POLICY OBJECTIVES.....	7
2.2 RESPONSIBILITIES.....	7
2.3 LENDING REQUIREMENTS .....	7
2.4 GENERAL REGULATIONS ON LOANS .....	9
2.5 TYPES OF LOANS .....	13
2.6 LOAN REPAYMENTS .....	10
2.7 LOAN GUARANTEES .....	11
2.8 DEFAULTERS AND WITHDRAWALS .....	11
2.9 POLICY REVIEW .....	12
2.10 APPROVAL .....	12

## SAVINGS POLICY

### 1.1 POLICY OBJECTIVES

“Provide guidelines on avenues for members’ savings and wealth creation”

### 1.2 RESPONSIBILITIES

- Board – The Board shall provide guidance on policy revisions and amendments
- Education Committee (EC) – The EC shall ensure member education on policy matters
- Credit and Risk Management Committee (CRM) – The CRM shall carry out Monitoring and Evaluation on policy
- Chief Executive Officer (CEO)- The CEO shall ensure policy is fully and accurately implemented by the office including to advise the board on challenges necessitate amendments.

### 1.3 TYPES OF SAVINGS

General provision

- These products are available to active members only.
- Members of various categories must have fulfilled membership ~~criteria~~ as contained in the by-laws.
- A member MUST have at least one savings product at any given time.
- There is no upper limit to the amount of saving on any of the savings’ product.
- The available Savings remittance options are: Automatic payroll check-off (PRD), bank standing order, direct bank cash deposits, direct bank transfers via EFT or RTGS, direct debit, or use of mobile money deposits through pay bill to SACCO account. The SACCO does not accept cash.
- Rejoining and activation fees are applicable when rejoining and re-activating accounts respectively. The fee is an income to the SACCO and should not be credited to members deposit accounts.

Note: Re-activation occurs when a member has been dormant in membership contribution while re-joining occurs when a member has previously left the Sacco entirely by closing their account but would like to be a member again. Rejoining members shall be assigned new membership number and if any shares existed in their old account, the shares should be transferred to their new account.

Types of savings accounts:

#### 1.3.1 Members Savings Accounts (Deposits/contributions)

This is compulsory to all Sacco members. Active membership is maintained by consistent monthly contribution of not less than the minimum deposits ratified at the General meeting, in conformation with by-laws and Cooperative principles:

- a) Savings should be made regularly, usually monthly not later than 10<sup>th</sup> of each succeeding month.
- b) Utafiti Sacco minimum monthly saving is Kes 3,000/=, or any other amount revised from time to time and ratified by the General meeting. However, there are loan products that dictates higher minimum savings (Deposits).
- c) Additional savings can be provided at any given time of the month per members discretion.
- d) A member can transfer membership from another Sacco without penalty.
- e) Deposits cannot be withdrawn, either partially or in full, unless the member retires from the Society.

- f) Deposits form the basis of member's loan entitlement. A multiplier on a member deposit is dependent on the loan product and used to determine the loan amount that a member can be advanced for each product.
- g) Deposits of active members can be used as loan guarantee for self or others. The SACCO reserves the right to accept member savings; reject member savings; confirm the source of such savings where need arises or as required by the law if any.
- h) Deposits committed for loan guarantee cannot be claimed by the member, until freed from guarantor obligations.
- i) Guaranteed deposits are considered held in lien and as collateral until payment of an outstanding loan is complete.
- j) Active deposits are eligible for any annual interest on deposits that shall be declared by the SACCO as surpluses for each financial year. The SACCO holds the discretion to deny annual interest on dormant members.
- k) The Board and Sacco Management in approving or proposing dividends/IOD will be guided by the Sacco by-laws.
- l) After the General meeting resolution on distribution of surpluses is passed, interest on deposits earned can either be paid out directly to the member, used to reduce members loan or ploughed back as savings per members discretion.
- m) All interest shall be paid subject to deductions of any tax that may be applicable from time to time under the law.

### 1.3.2 Spouse savings accounts

This product has been developed for the spouses of principle members. Savings should be made regularly/consistently, usually monthly, not later than 10<sup>th</sup> of the following month.

- a) Minimum monthly saving is Kes. 3,000/=, subject to periodical review.
- b) Additional savings can be provided at any given time of the month.
- c) Deposits cannot be withdrawn in partial or in full, unless the member retires from the Society.
- d) Deposits is the basis of member's loan entitlement.
- e) Deposits committed for loan guarantee cannot be claimed by the member, until freed from guarantor obligations.
- f) Guaranteed deposits are considered held by the SACCO while the loans are running.
- g) Active deposits are eligible for any annual interest that shall be declared by the SACCO as surpluses for each financial year. The SACCO holds the discretion to deny annual interest on dormant members.
- h) After the General meeting resolution on distribution of surpluses is passed, interest on deposits earned can either be paid out directly to the member, used to reduce members loan or ploughed back as savings per members discretion.
- i) Only members who have open and active accounts as at 31<sup>st</sup> December of each year are eligible for interest on deposits declared at the general meeting.

All interest shall be paid subject to deductions of any tax that may be applicable from time to time under the law.

For loaning purposes, savings/deposits in spouse accounts will differ in treatment from savings/deposits held in normal member account as detailed below:

- The total deposits of the other guarantors (excluding the spouse member) plus those of the loan applicant should be enough to cover the loan applied. However, in case of default the deposits of the 1st guarantor shall be used to offset the net default after the defaulter's deposits before the other guarantors can be attached.

- Amounts committed in guarantor-ship by a spouse member to a member outside common bond shall not be available to guarantee other loans in Utafiti but can be used for loan eligibility.

### 1.3.3 Children's accounts

This product has been developed for the children of principle members who should not be more than 18 years of age

- a) Savings should be made regularly/consistently, usually monthly, not later than 10<sup>th</sup> of the following month.
- b) Minimum monthly saving is at least 50% of the stipulated principle member's minimum.
- c) Additional savings can be provided at any given time of the month.
- d) Deposits can only be transferred in full and not in part to the principle member only. Transfer can only occur upon full closure of the Minor's account or upon resignation of the principal member from the SACCO.
- e) Deposits are held in trust by the principal member at all times.
- f) These deposits shall be considered as the principal member's deposits, for purposes of calculating loan entitlement.
- g) These deposits can be used for loan security by the principal member.
- h) Deposits are aggregated to those of the principal member when calculating interests

### 1.3.4 Holiday Savings

This product has been developed to assist members save for a holiday vacation at least once a year:

- a) Savings should be made regularly, usually monthly, not later than 10<sup>th</sup> of the following month.
- b) Minimum monthly saving is Kes 1,000/=, Subject to periodical review.
- c) Additional savings can be provided at any other given time of the month.
- d) The member can opt to withdraw whole or part of the savings - a maximum of two (2) times during any calendar year.
- e) Minimum saving duration is four (4) calendar months.
- f) These savings cannot be used for loan guarantee to self or others.
- g) The SACCO shall have charge over such savings in the event of loan defaults by member or those who have been guaranteed by the member.
- h) These savings are eligible for a monthly interest, at 4% pa or a rate to be determined from time to time.
- i) These savings are not eligible for any annual interest that shall be declared by the SACCO as surplus at the end of each financial year.

### 1.3.5 Other Savings Products

The society may come up with other member driven saving products from time to time to cater for varied members' needs in the increasingly dynamic financial market.

## 1.4 DORMANT ACCOUNTS

- a) A member will be required to maintain a monthly deposit contribution of not less than Kshs.3,000
- b) The Sacco shall deem an account as dormant if no transactions have been made therein for a period of one year. The Society must maintain a separate accounting record of all

such accounts.

- c) Members with dormant accounts shall be notified and requested to submit their monthly remittances within 30-days of notice.
- d) If there is no action from the member within the 30-days, then a final reminder shall be sent for their activation action within a further 30-days.
- e) If there is no response after the second notification, then the account shall be considered dormant and the member asked to voluntarily withdraw from the Society, within 30-days of the communication unless this is due to illness, death, incapacitation or insanity.
- f) If there is no response to the notice requiring their voluntary withdrawal, then the account shall be transferred in total to a standalone 'dormant account' to be created by the SACCO for such purposes.
- g) Dormant members may apply for reactivation of their accounts in which case a reactivation fee of Kes3,000/= shall apply. Note: Membership rejoining fees is Kes 5,000/=.
- h) Dormant members will apply for a loan 3 months after reactivation of the account.
- i)
- j) Funds in the dormant account that remain inactive may eventually be transferred to 'unclaimed' account upon proof of continuous attempts to reach the members for their advice.
- k) Funds in the 'unclaimed' account may be transferred to the Unclaimed Financial Assets authority (UFAA) as per the Unclaimed Financial Assets Act, 2011, a Public trustee, as directed by the Sacco Act, Rules or by-laws, without further reference to the member.
- l) Lumpsum deposit covering a period of time within the year is acceptable. The member should notify the Sacco of the intention in writing.

### 1.5 POLICY REVIEW

This policy shall be reviewed from time to time to ensure its relevancy and appropriateness.

### 1.6 APPROVAL

This policy is approved for SACCO use.

## LOANS POLICY

### 2.1 POLICY OBJECTIVES

The Loan Policy is intended to:

- 1) Provide direction and guidelines on efficient utilization and administration of the SACCO loan portfolio.
- 2) Ensure that the SACCO's interests are adequately protected to ensure equitable distribution of funds and proper liquidity planning.
- 3) Ensure members' interests are sufficiently protected.
- 4) Guide in the monitoring and evaluation exercise.
- 5) Ensure loan recovery process is well conducted.

### 2.2 RESPONSIBILITIES

Board of Directors

"Board of Directors" means the governing authority in the Society having been elected in a general meeting and whose duties includes the following; -

1. Oversee policy implementation.
2. Rule on appeals for loan application through the Credit and Risk Management Committee.
3. Make decision on Credit Reference Bureau (CRB) Listing.
4. Demand driven product development.
5. Product portfolio review inclusive of Terms of References (TORS) of these products.
6. Enforce default recovery from guarantors

Credit and Risk Management Committee directly responsible for the implementation of the Loan Policy

1. Approve appraised loans during loan applications.
2. Carry out Monitoring & Evaluation Exercises and report to the Board periodically.
3. Ensure loans are recovered fully for cashflow management.
4. Restructure and reschedule loans.

### 2.3 LENDING REQUIREMENTS

#### 2.3.1 Requirements for applicant/ Basis for Granting Loans

Utafiti Sacco shall offer its credit services to individuals or entities that meet the requirements for membership and comply with the policies and requirements of creditworthiness. Utafiti Sacco's loan portfolio shall consist entirely of recoverable loans. Therefore, the granting of loans shall be based primarily on the member's ability or capacity to repay, and not only on the quality of the security offered by the borrower.

- a) A member must have contributed the minimum Share Capital (Shares) ratified at the General meeting and has been a member for over three months since joining the Sacco.
- b) A member who rejoins the co-operative shall be treated as a new member for loaning purposes. He / She must therefore wait for a period of three months after rejoining before applying for any loan. He /She must also pay rejoining fees before qualifying for a loan.
- c) Any lumpsum contribution or what is popularly referred as a cash boost may only be considered in loan appraisal after its investment in the Sacco for 3 months. Alternatively, a 5% charge shall apply on the top up deposits for them to mature

immediately and be used in the appraisal process.

- d) 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 Co-operative.
- a) All loans shall be granted within the member's eligibility. Members who are not in the common bond organizations (not on payroll deductions by Utafiti) and use their payslips as proof of ability to repay the loan shall be required to get endorsement from their employers with respect to staking their salary and other benefits towards loan repayment.
- e) 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 permissible.
- f) Where a member has transferred membership/deposits from another Sacco, they will be required to complete a due diligence form and subject to other eligibility criteria, may take up loans immediately after paying up the full amount of Share capital.
- g) All loans shall be appraised as per the terms and conditions of the loan type.
- h) The Society will adopt an internally developed Credit scoring model to quantify risk and reduce subjectivity in the credit decision making process.

### 2.3.2 Loan approval

- a) The process of appraising loans is handled by the Credit and Risk Management Committee.
- b) A member not satisfied with a rejection at the Credit and Risk Management Committee level, may appeal in writing to the Board of Directors. The Board of Directors may grant the appeal if the member has sound grounds of appeal based on its discretion.
- c) Loan approval may be done on the physical form and via email approval. Email addresses provided by board members shall be deemed to be the official emails recognized by the SACCO

### 2.3.3 Method of loan application

- a) All applications for loans shall be made on the updated loan application form available at the Sacco website which shall in each case indicate.
  - The amount applied for.
  - The purpose of the loan.
  - Terms of repayment.
  - Type of security provided.
  - Guarantors, their total loans, total deposits, ID number, phone numbers and signature. Note: Guarantors can specify the amount offered for guarantor ship, otherwise the loan guaranteed is apportioned equally amongst the named guarantors.
  - Applicants Bank details where the money will be remitted.
  - Attach supporting documents such as a copy of the ID and PIN certificate.
- b) The loan application form must be fully completed and supported by three most recent certified Pay slips and/or 6-months bank statement, business records and current trade license where applicable) confirming the applicant's ability to repay the loan comfortably (and/or any other acceptable proof of the applicant's ability to repay the loan comfortably e.g. direct debit instructions or post-dated cheques).
- c) The loan form shall in each case set the amount applied for, the purpose of the loan/advance, terms of repayment and security offered.

- d) 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.

#### 2.3.4 Allocation criteria

- a) Loan applications shall be considered in the order in which they are received at the society offices. 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.
- b) Loans applications will be approved in so far as the funds are available. With the foregoing preference, priority shall be given in the following order.
- Members who have never been advanced loans.
  - New members who have qualified for loans.
  - Members who have cleared their first loans and have applied for fresh loans; and
  - Members with good past repayment history.
- c) Loans shall be granted as per the liquidity position of the Society, which can take up to 60 days, with the exception of Dhamana loan which can take up to 90 days.

#### 2.3.5 Maximum loan amount

- a) 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.
- b) However, the maximum lending of the Sacco to any one individual member (total loans), irrespective of type of loan or member's deposits shall not exceed Twelve (12) Million Shillings at any given time.
- c) Where total deductions exceed a member's eligibility, the applied loan shall be reduced accordingly.

### 2.4 GENERAL REGULATIONS ON LOANS

#### 2.4.1 Entitlement, Multiplier, Due Dates, Penalties, Refinancing, Waiting Time & Cash Boosts

- a) A member is entitled to one or more of the loan types, all running at the same time.
- b) A member cannot have more than one type of loan product running at the same time.
- c) A member cannot have more than one of type 1 loans.
- d) When aggregated, all Loans applied for, and those ongoing, shall not exceed the multiplier arrived at on the members total deposits.
- e) All loans must be repaid monthly by the 10<sup>th</sup> of the following month.
- f) A 3% charge shall be charged on monthly premiums not received by the 10<sup>th</sup> of the following month.
- g) Loan 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. Refinancing 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 refinancing commission of 5% on the outstanding principal shall be charged and recovered from the new loan before disbursement of the net balance.
- h) Loan rescheduling – loan re-scheduling will be permitted if a member wishes to vary their repayment instalments or duration after taking a loan, provided the new schedule is within the approved loan duration. Loan rescheduling shall be treated as re-financing and the rules stipulated above shall apply.

- i) If a member clears a loan balance by cash, and immediately applies for the same type of loan or any other loan within 30-days of clearing the balance, this shall also be considered as refinancing and shall attract the same 5% charge.
- j) If a member cash 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%. However, variations on payroll deductions are exempted from this criteria.
- k) UTAFITI can buy loans from any other institution at a fee of 5% of the current balance.
- l) Loan repayment period may not be extended beyond the period the member specified in the loan application form. If the member wishes to re-schedule a running loan, a new loan application form shall be filled and conditions for loan re-scheduling shall apply.

## 2.5 TYPES OF LOANS

- a) There are two categories of Loans:

Type 1 loans:

- Long term loans last 48 months and more
- To qualify for long term loans, a member must have minimum a share capital as ratified by the General meeting from time totime or as per the products TORs

Type 2 loans:

- These are short term loans lasting less than 48 months
- To qualify for a short term loan, a member must have the minimum share capital, as ratified by the General meeting from time totime or as per the products TORs

- b) A Member qualifies for only one Type 1 loan and any number of Type 2 loans, subject to the terms of reference for the applied loan.
- c) The society shall continuously develop new demand driven loan products to meet members' needs and maintain its competitiveness in the increasingly dynamic financial market. The adjustments to existing products and new products will be issued to members from time to time.
- d) A member must have the minimum share capital, as ratified by the General meeting from time to time or as per the products Terms of references (TORs)

### 2.5.2 Loan Rescheduling and Refinancing

- i. To qualify for the top up, a member must have met the threshold of the product term of reference
- ii. A commission of 3% will be levied on the principal balance.
- iii. The top up amount requested is treated as a new loan
- iv. Must be fully secured by guarantors.
- v. Other terms and conditions of the original apply.

## 2.6 LOAN REPAYMENTS

- a) Deductions for loan repayment commence immediately in the succeeding month after the disbursement.
- b) For Payroll members recovery of loan is done through check off. However total deductions (deposits, loan premiums and interest) should not exceed two third of the

net monthly Salary.

- c) Members on payroll may repay their loans from other sources besides the salary, but these othersources will not be considered during appraisal and approval of the loan. However, forcollateral-based loan, the value of the security provided will determine the amount of loan to be advanced.
- d) For Non-payroll members, direct debits, postdated cheque, deposits and repayment history may be considered in the appraisal and determination of the amount to advance.
- e) No member will be allowed to withdraw part of his/her deposits or off-set part of the deposits against an outstanding loan.
- f) A member can repay the loan in full or part, by cash from other sources, at any time, without suffering any penalties. For full payment, interest chargeable shall be what is due in the accrued interest account.

## 2.7 LOAN GUARANTEES

### Security for Loans

#### 2.7.1 a) Collateral/ security will be required for all loans to fulfill the following:

- i. Ensure that there is a reliable second way out in cases where the borrower defaults in payment for whatever reasons.
- ii. Establish the borrower/customer's good faith from the early stages of credit risk analysis.
- iii. Security will be used to inculcate a sense of responsibility to the borrower.
- iv. There are risky events that are beyond Utafiti Sacco's ability to analyze and foresee. Utafiti Sacco will therefore need to have a cushion on such events.
- v. A borrower's financial position and character can, and sometimes does, change very quickly. This necessitates demanding adequate and good security for a proposed credit even though the borrower's financial position and character appears to be sound at the moment of requesting the loan.

#### 2.7.1 b) Guarantors/Basic security

Loans shall be fully guaranteed by one or more of the following: -

- Member's savings.
  - Guarantors if the loan applied for is more than the member's savings.
  - Collateral
- a) Unless the loan applied for is equal to or less than the member's deposits it must be
  - b) secured by guarantors or other acceptable collaterals.
  - c) All guarantors shall be members of Utafiti Sacco in good standing
  - d) The total deposits of the borrower and those of the guarantors must be less than or equal to the multiplier on the loans of the applicant and the guarantors.

- e) Members of the Board of Directors, Supervisory committee and staff shall not guarantee any loans.
  - f) A members' deposits pledged as security for other members' loan shall not be surrendered to off-set his/her own outstanding loan, unless the former can provide an alternative security for the latter's loan or replaced with a new guarantor.
  - g) Loan recovery (from applicant or from guarantor) can be done through regular payment as per agreement (deposits, payroll deduction) or from the deposits of applicant and guarantors.
  - h) The obligation of guarantors shall cease when loans guaranteed have been reduced to or below the member's savings.
  - i) A borrower or a guarantor may apply to the Credit Risk Management Committee for a change of guarantors.
  - j) The obligation of previous guarantor(s) shall cease upon change of guarantors subject to the new guarantor(s) being accepted by Utafiti Sacco.
- c) Data Protection statement

Data Protection provides information about the ways in which Utafiti Sacco Ltd collects, stores and uses personal data relating to individuals (data subjects). This relates to personal data received by the Sacco where data subjects use the products and services of the Sacco, contact, request or provides information for purposes relating to core function of the Sacco directly, and personal data received by the Sacco

### 2.7.2 Other securities

- a) Pledges in form of assets allowable in respective loan product may be accepted.
- b) The society shall contract a legal firm to be custodian of such pledges.
- c) Authenticity of the pledged articles must be obtained from the issuing authority before such documents can be admitted as security for the loan.
- d) The members shall meet all the expenses for evaluation of the property and the legal fees. The Valuer shall be a qualified person/firm registered under the law and acceptable to the society and shall be appointed by our legal firm

### 2.8 DEFAULTERS AND WITHDRAWALS

- a) Any member who has guaranteed a loan will not be allowed to withdraw from the society unless the guaranteed member's loan is repaid in full and guarantee obligations cleared or has been replaced as guarantor by the loanee.
- b) Any member who has guaranteed a loan cannot withdraw his/her guaratorship of the same loan unless replaced by the loanee.
- c) Whenever loan repayment and interest are not received in FULL within ten (10) days after the due date and no acceptable explanation on the default are provided, such loans shall be deemed to be in default.
- d) The society shall charge a 3% charge on the outstanding principal over and above the other normal charges upon every default.
- e) On default, the communication to the defaulter shall be done within the first 30days.
- f) When no repayments are forthcoming during the second month of default; a reminder shall be sent out to the defaulter with the guarantors in copy and the guarantors will

also be informed and notified that they shall be called upon to repay the defaulted loan from the end of the third month of default.

- g) In the third month of default, the guarantors are notified and attached to repay the defaulted loan after members deposits are netted off with the outstanding amount and the accrued interest. The net liability is distributed equally to the guarantors unless they had specified the guaranteed amounts.
- h) If a member defaults, he will receive 3 notices prior to his details being forwarded to the Credit Reference Bureau (CRB)
- i) The SACCO also forwards the name of defaulter(s) to the SACCO's debt collector who shall follow up on recovery.
- j) The SACCO shall engage a debt collector for a tenure of 4 years who will be following up on defaulted loans as per the debt collector's process.
- k) The SACCO shall engage a lawyer for a tenure of 4 years who will be following up on defaulted loans as per the lawyer's process.
- l) The debt collector may work with the SACCO lawyers in the efforts of debt recovery of defaulters
- m) Any charges accrued by the debt collector or/and the lawyer during the process of loan recovery of a defaulter are payable by the defaulter.
- n) However, the society shall maintain efforts to recover the defaulted loan from the Loanee and/or guarantors.
- o) Communication to any defaulter may come from the office or the debt collector or the lawyer
- p) Communication method to any defaulter may be through a physical demand letter, email, sms, minutes of any physical or virtual meeting held with the defaulter.

### 2.9 POLICY REVIEW

This policy shall be reviewed from time to time to ensure its relevancy and appropriateness.

### 2.10 APPROVAL

This policy is approved for SACCO use

Annex 1: Current loan products and terms of reference (for reference only, as these may change from time to time)

Type 1 Loans:

1. Super Saver Loan
  - a) This is a Type 1 loan (long term loan).
  - b) One must have been a member of the Sacco for at least 3 years to qualify for this loan.
  - c) The multiplier effect is 4 times the member's deposits.
  - d) Minimum amount that can be borrowed is Kshs.1,000,000.
  - e) The minimum monthly contributions/savings shall be Kshs. 10,000 after taking this product.
  - f) Interest rate is 1.0833% per month on a reducing balance.
  - g) Maximum repayment period is 6 years (72 months).
  - h) One cannot have any other type 1 loan but can have any other type 2 loan.
  - i) This loan can only be refinanced to itself. One must have paid up to 20% of the existing Super Saver loan to qualify for refinancing.
  - j) One can refinance all the other loans to Super saver loan provided the member meets the above conditions.
  - k) If a member takes a super saver loan based on four times multiplier, he/she will only be legible to apply for short term loans having paid at 20% of the supersaver loan, and the total of remaining super saver and new loan shall not exceed 3x multiplier.
  - l) If a member taking super saver loan does not exhaust the 4x multiplier, they are legible for short term loans at any time, provided the total of all loans does not exceed 3x multiplier.
  - m) Any new loans taken after super saver loan will be calculated based on the additional savings made after taking the super saver loan provided there is prove of capacity to repay
  - n) A member with super saver loan is may however be eligible for promotional loan products by the SACCO as developed from time to time and salary advance loan.
2. Dhamana Loan reloaded: Land & Land with building.
  - a) This is a type 1 loan.
  - b) Secured by a clean title deed for properties and land in urban and rural municipalities, with no encumbrances.
  - c) This is a collateral-based loan. It's based on acceptable collaterals of Land at 90 % totalforced sale Value and/or 75% total of Market Value (whichever has the higher value).
  - d) The security for this loan is an acceptable collateral.

- e) The SACCO shall undertake valuation of the land on behalf of the member though the expenses shall be charged to the member and offset from the loan.
- f) The SACCO shall undertake the legal charge over the property using the SACCO lawyer. The expenses shall be charged to the member and offset from the loan.
- g) The multiplier effect is 4 times deposit.
- h) The repayment period is categorized as follows 72 months at 1.0833% interest rate on reducing balance.
- i) Ability to pay within the 1/3 rule or other proven and acceptable sources of income.
- j) The minimum monthly contributions/savings shall be KShs. 10,000 after taking this product.
- k) The processing time for this loan is about 3-months.
- l) The SACCO shall keep the applicant's title for the duration of the loan.
- m) After full repayment, the applicant shall get back the title and undertake the discharge process on his own.
- n) This loan cannot be refinanced.

### 3. Premium Loan

- a) This is a Type 1 loan.
- b) This product is crafted to meet long term financial goals.
- c) Repayment period up to a maximum of 5 years (60 months).
- d) Interest rate shall be 1.0833% per month on reducing balance.
- e) A member qualifies for only one Premium loan at any given time.
- f) This loan can refinance other Type 1 loans (except Dhamana) and/or other Type 2 loans, provided the amount applied satisfies the minimum threshold in (d) above.

### 4. Development Loan

- o) This is a Type 1 loan
- p) This loan is granted to members who do not have any other loan.
- q) Interest rate shall be 1% per month on reducing balance
- r) Repayment period is 5 years (60 months)
- s) A member qualifies for only one development loan at any given time
- t) This loan can only be refinanced to Normal, Premium or Super Saver loan
- u) A member can qualify for any other Type 2 loans while still servicing this loan

Type 2 Loans:

**1. Emergency Loans**

- a) This is a Type 2 loan.
- b) Emergency loans are intended for any unforeseen circumstances.
- c) Interest rate shall be 1 % per month on reducing balance.
- d) Repayment period up to a maximum of 18 months.
- e) A member qualifies for only one emergency loan at any given time.
- f) The loan is disbursed within 24-hours.
- g) This loan can be refinanced.

**2. Household loan**

- a) This is a Type 2 loan.
- b) This product is for direct purchase of household items.
- c) The multiplier effect is 3 times the member's deposits.
- d) Repayment period up to a maximum of 18 months.
- e) Interest rate shall be 1% per month on reducing balance.
- f) The maximum loan amount Ksh.500,000
- g) A commission of KSh.500 is charged on every transfer done in favor of the vendor.
- h) A member qualifies for only one Household goods loan at any given time.

**3. Salary Advance**

- a) This is a Type 2 loan.
- b) This product is for members who need immediate short-term cash that is repayable within 30-days.
- c) Amount advanced is up to 50% of the members net monthly income, subject to the 2/3 rule.
- d) Repayment period is 30 days (1 month).
- e) Interest is 5% once.
- f) A member qualifies for only one salary advance at any given time.
- g) This loan cannot be refinanced.

**4. School fees loan**

- a) This is a Type 2 loan.
- b) The product is intended to finance schooling needs and expenses.
- c) Interest rate shall be 1% per month on reducing balance.
- d) Repayment period up to a maximum of 24 months.
- e) School fees cheques may be made payable to schools, if directed by the member.
- f) A member qualifies for only one School fees loan at any given time.
- g) This loan can be refinanced.

**5. Special Loan**

- a) This is a Type 2 loan.
- b) This product is for meeting any special or non-specific member needs.
- c) Repayment period up to a maximum of 30 months.

- d) Interest rate is 1% per month on reducing balance.
- e) A member qualifies for only one Special loan at any given time.
- f) This loan can be refinanced.

#### 6. Normal Loan

- a) This is a Type 2 loan.
- b) This is intended for any project.
- c) The multiplier effect is 3 times the member's deposits.
- d) Interest rate is 1% per month on reducing balance.
- e) A member qualifies for only one normal loan at any given time.
- f) Repayment period is up to a maximum of 4 years (48 months).
- g) This loan can be refinanced to itself, premium loan and Super Saver if repayable for more than 48 months, up to 72 months.
- h) A member can qualify for other Type 1 or 2 loans while still servicing this loan.

### APPENDIXS

#### Promotional Loans

##### 1. Big Idea/ Jumbo Loan

- i) This is a Type 1 loan (long term loan).
- j) One must have been a member of the Sacco for at least 2 years to qualify for this loan.
- k) The multiplier effect is 5 times the member's deposits.
- l) Minimum amount that can be borrowed is Kshs. 1,000,000
- m) The minimum monthly contributions/savings shall be Kshs. 10,000 after taking this product.
- n) Member must have share capital of at least ksh100,000
- o) Interest rate is 1.0833% per month on a reducing balance.
- p) Maximum repayment period is 7 years (84 months).
- q) One can take other type 2 loan.
- r) Restricted to check off/pensionable members only.
- s) Pension is part of security; and is sufficient to cover loan after unemployment.
- t) This loan can only be refinanced to itself. One must have paid up to 20% of the Jumbo loan to qualify for refinancing.
- u) One can refinance all the other loans to Jumbo loan provided the member meets the above conditions.
- v) If a member takes a Jumbo loan based on five times multiplier, he/she will only be legible to apply for other loans having paid at 20% of the Jumbo loan, and the total of remaining Jumbo loan and new loan shall not exceed 3x multiplier.
- w) If a member taking jumbo loan does not exhaust the 5x multiplier, they are legible for short term and long-term loans at any time, provided the total of all loans does not exceed 3x multiplier.
- x) Any new loans taken after Jumbo loan will be calculated based on the additional savings made after taking the Jumbo loan provided there is prove of capacity to repay
- y) A member with Jumbo loan is/ may however be eligible for promotional loan products by the SACCO as developed from time to time and salary advance loan.

## 2. Hybrid loan

- a. This is a type 1 loan.
- b. Secured by a clean title deed for properties and land in urban and rural municipalities, with no encumbrances and or guarantors. Has hybrid security (both Land and Guarantors)
- c. This is a collateral-based loan. It's based on acceptable collaterals of Land at 50% total forced sale Value and/or 50% total of Market Value (whichever has the higher value).
- d. The security for this loan is an acceptable collateral.
- e. The SACCO shall undertake valuation of the land on behalf of the member though the expenses shall be charged to the member and offset from the loan.
- f. The SACCO shall undertake the legal charge over the property using the SACCO lawyer. The expenses shall be charged to the member and offset from the loan.
- g. The multiplier effect is 5 times deposit.
- h. The repayment period is categorized as follows 84 months at 1.0833% interest rate on reducing balance.
- i. Ability to pay within the 1/3 rule or other proven and acceptable sources of income.
- j. The minimum monthly contributions/savings shall be Kshs. 10,000 after taking this product.
- k. The land will be the first to be released upon loan repayment
- l. Member must have share capital of at least ksh100,000
- m. The processing time for this loan is about 3-months.
- n. The SACCO shall keep the applicant's title for the duration of the loan.
- o. After full repayment, the applicant shall get back the title and undertake the discharge process on his own.
- p. A member with a hybrid loan can take up additional type 2 loans based on 3\* free deposits
- q. This loan cannot be refinanced.

## 3. Haraka loan

- a. The maximum loan limit is Ksh.250,000 payable within 9 months at 0.95% per month.
- b. The loan limit based on one's ability to repay
- c. Secured by Individual savings /A minimum of 3 guarantors
- d. The loan can be paid to One's Mpesa account
- e. One must be a member for at least 1 year with no default history
- f. Has the ability to repay
- g. This loan can only be used to refinance a similar loan