

## Allerdale Credit Union loan guide

Eligibility to borrow: Members aged 18 years and above are entitled to apply for loans. New members must have saved a minimum of £50 for three months and have demonstrated a pattern of regular saving before they can apply for a standard Credit Union loan.

Lump sum deposits are acceptable. For new members these must be deposited for at least three months before they can be used as a basis for loans. For existing members, they must be deposited for one full calendar month.

Members who have not repaid a previous loan according to their loan agreement may be refused a loan, or the loan may be deferred, or they may be offered a smaller loan.

### Limits on Borrowing (Standard Credit Union Loans)

For first loans members may borrow up to the equivalent of their shares, PLUS £100. For second loans, members may borrow twice the value of their shares; up to a maximum of three times for third - and subsequent - loans

Members may borrow up to a maximum three times the sum saved, subject to certain limitations. A member can apply for a top-up loan after six months or when 50% of an existing loan has been repaid. Repeat Top-up loans are at the discretion of the Loans Officers.

The maximum that can be borrowed as a Standard Credit Union Loan is £7,500. The board may set a lower maximum depending on the availability of funds or other factors.

Loans are discretionary and the credit union can refuse to grant a loan, defer granting a loan or limit the size of a loan in the following circumstances; if funds are not available; if there is reasonable doubt about the member's ability to repay the loan.

The maximum repayment period is 5 years, although loans for Christmas must be repaid within one year only, and this will also apply to holidays and such items such as travel passes, which are renewable annually. Usually loans will have to be repaid within 1 – 3 years.

### Rates of Interest

The rate of interest for a Standard Credit Union Loan is 1.5% per month (19.68% APR), charged on a reducing daily balance. A member's first Credit Union loan is at 2% per month (26.82% APR). Excellent repayment history can attract a lower rate of just 1% per month (typical APR 12.68%)

The rate of interest for a first Handyloan is 3% per month (42.56%APR), charged on a reducing daily balance. Subsequent Handy Loans are available at lower rates, subject to repayment history.

### Procedure for applying for and receiving a Standard Credit Union loan

Members must complete a loan application form fully and accurately. Loans application forms are available from head office or from local credit union representatives.

Completed loan application forms must be sent to the nearest CU office for assessment.

A personal interview may be required in certain circumstances – such as for a large loan; concerns about the member's ability to repay the loan; concerns about the member's record of regular savings or repaying a previous loan. Loans over £500 will require an Income & Expenditure analysis and sight of two recent bank statements.

Every effort will be made to make decisions and pay out loans within five working days of the receipt of a fully completed loan form. However, at times of high demand such as Christmas and summer holidays, members are to be encouraged to book loans early, well in advance of the date required.

A loan agreement will be sent to the member to sign and payment of the loan will be made by the banks' 'Faster Payments' service directly into the member's own bank account (funds usually clear by 5pm the same day).

#### Procedure for granting loans

A minimum of two loan officers will assess and decide to grant the loan, refuse it, or reduce the amount. Where a member disagrees with a decision about a loan, s/he may appeal to the loans committee or the board, whose decision will be final.

#### Emergency Loan Procedure – 3% Handyloans

The member must complete a loan application form, including 'Income & Expenditure' information and provide copies of two bank statements. Two loan officers will assess the loan as speedily as possible and arrangements will be made to pay the loan within five working days.

No shares are required initially as collateral for Handyloans but Handyloan borrowers must save concurrently with repaying and not withdraw until these savings exceed the loan balance. Typically borrowers will be asked to save an additional 20% of their regular repayment amount e.g. £12 per week if the loan repayment was originally £10, with the extra £2 going into their shares/savings.

#### Withdrawal of shares when there is an outstanding loan

Shares can only be withdrawn where they are in excess of the amount needed to secure an outstanding loan. (E.g. savings must remain at 1/3 of loan balance on 3rd and subsequent loans).

#### Repayment of Loans

All loans must be repaid in accordance with the loan agreement.

Repayment of loans may be by cash/cheque, BACS, or standing order. We now accept payment via this website using debit/credit cards.

Members who fail to keep to their loan agreement will be dealt with under the credit union's Arrears Policy. This may include debt collection agencies and/or court action.