

ALLERDALE CREDIT UNION LTD

LOAN POLICY & PROCEDURES - NO: 4

1. Introduction

1.1 The chairperson of the Loan Committee and not less than two other committee members will be appointed at the first meeting of the board, after the annual general meeting. There must be a minimum of three committee members on the Loan Committee. The chairperson will be an FSA Approved person.

1.2 The chairperson will chair the meetings of the Loan Committee and be responsible for ensuring that the duties of the Loan Committee are fully carried out in accordance with the legislation, regulations, model rules and policies and procedures governing the credit union.

1.3 The loan policy and procedures will be applied equally to all members.

1.5 The loan committee will meet monthly. Loan officers can be invited to attend part of the meeting to raise matters or concern or to take part in discussions about changes to the policy and procedures.

1.6 The chairperson will report to the board at the monthly meetings the number of loans granted, the number refused, the demand for loans in relation to the availability of loan officers, and any delays in granting loans. The chairperson will also recommend revisions to the maximum size of loans, particularly with reference to funds available.

1.7 The Loan Committee will monitor demand for loans and ensure there are sufficient loan officers to cope with demand, particularly in periods of high demand or when loan officers are on holiday or sick leave.

1.8 The Loan Committee is responsible for ensuring that committee members and loan officers receive sufficient training to carry out their duties and will consult the training officer with regard to the training required.

1.9 Loans will be covered by insurance for members aged 18 to 80 years of age. In the event of a member's death a payment equal to 100% of the loan outstanding at the date of death, excluding any arrears, will be made.

2 Eligibility to borrow

2.1 Members aged 18 years and above are entitled to apply for loans.

2.2 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 loan.

2.3 Lump sum deposits may be paid in at the office. For new members these must be deposited for at least three months before they can be used as a basis for loans. For other members, they must be deposited for one full calendar month.

2.4 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.

3 Limits on Borrowing (Standard Credit Union Loans)

3.1 Members may borrow up to three times the sum saved, subject to certain limitations. This may be depending on the funds available. See 'Borrowing from ACU' for full terms and conditions.

3.2 A member can apply for a top-up loan when 50% of an existing loan has been repaid. Top up loans will be granted on the basis of a maximum of three times the amount in savings, less the outstanding sum.

3.3 The maximum that can be borrowed is £5,000. The board may set a lower maximum depending on the availability of funds or other factors.

3.4 The credit union shall not at any time make a loan to a member if the making of such a loan would bring the total amount standing on loan to members above such limits as may be prescribed by law.

3.5 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; or if such a loan would breach 3.4.

3.6 The maximum repayment period is 5 years, although loans for Christmas must be repaid within one year only, and this may 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.

4. Rate 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.

5. Availability of funds to lend

5.1 The Treasurer will keep the Loan Committee informed of the amount available to lend at the monthly board meeting.

5.2 When deciding on the amount available to lend, the Treasurer will take into consideration Section 9 of CRED and the requirement to hold liquid assets of at least 5% of its total relevant liabilities. Also that at no two consecutive quarter ends does the level of liquid assets fall below 10% of its total relevant liabilities (Rules 9.3.2 and 9.3.3.)

6. Procedure for applying for and receiving a loan

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

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

6.3 Loan assessments will be by telephone or personal interview. Routine loans may be dealt with by telephone, but 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 recent bank statements.

6.4 Every effort will be made to make decisions and pay 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. Also, if there is a problem with the loan and it will take longer to process, the member must be informed of this as soon as possible and told when a decision is likely.

6.5 A loan agreement will be sent to the member to sign and payment of the loan will be made by cash, BACS or by cheque.

6.6 Details of the loan and repayment schedule will be entered on computer.

7. Procedure for granting loans

7.1 A minimum of two loan officers will assess and decide to either grant the loan, refuse it, or reduce the amount.

7.2 No director, employee or volunteers will be present when consideration is given to granting a loan to him or her or to a member of his or her family.

7.3 Where a member disagrees with a decision about a loan, s/he may appear to the loan committee or the board, whose decision will be final.

8. Emergency Loan Procedure – 2% Handyloans

8.1 The member must complete a loan application form, including 'Income & Expenditure' information and copies of bank statements.

8.2 Two loan officers will assess the loan as speedily as possible and arrangements will be made to pay the loan within five working days.

8.3 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.

8.4 The rate of interest for a Handyloan is 2% per month (26.82%APR), charged on a reducing daily balance.

9. 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).

10. Repayment of Loans

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

10.2 Repayment of loans may be by cash/cheque, BACS, or standing order.

10.3 Members who fail to keep to their loan agreement will be dealt with under the credit union's **Arrears Policy**. This may include court action.

11. When a member ceases to be in the common bond

11.1 When a member ceases to be in the common bond, s/he will be classed as a non-qualifying member. The total number of non-qualifying members may not exceed 10% of the total membership.

11.2 A non-qualifying member retains full membership rights.

11.3 Where a member has an outstanding loan and moves out of the common bond area, s/he must contact the credit union to confirm arrangements for repaying the loan.

12. Confidentiality

12.1 All applications will be treated in the strictest confidence. Credit union members and employees will not disclose to any person information regarding any transaction of a member with the credit union, except in so far as may be necessary for the proper conduct of the business of the credit union.

12.2 Information about loan applications will be held in a secure place and computer records may have passwords to limit access.

12.3 All members of the loan committee and loan officers must sign a confidentiality pledge.

January 2012 (revised Aug 2012)