

4.1 Legal Restrictions

Loans can be made to Members over the age of 18 years of age

Loans shall not be made to non-Members or members under the age of

18.

The maximum interest rate charged on loans shall be no higher than 3% per month on a reducing balance, (42.6%APR)

4.2 Regulatory Controls

The maximum loan repayment period that the Credit Union can make loans over is 5 years for unsecured loans and 10 years for secured loans.

The maximum amount that can be loaned to a member is dependent upon the amount of capital held by the Credit Union and will be determined by the regulator.

4.3 Rulebook requirements

The primary goal of this lending policy is to ensure that protecting members shares is paramount in any decision made as to whether to lend or not.

The Credit Union has a Loans Officer responsible for granting loans in accordance with Board policy

The Credit Union can agree to accept a guarantor for a member's loan in certain circumstances.

Volunteers & officers, who are members of the Credit Union, may apply for a loan on the same terms and at the same rates as any other member in the Credit Union. Such an applicant, or their family member, shall not take part in any decision concerning their loan.

An Employee of the Credit Union, who has had over 12 months continued employment and who is a member of the Credit Union may apply for a loan on the terms and rates determined by the Board of Directors of the Credit Union. Such an applicant, or their family member, shall not take part in any decision concerning their loan. Employees of the credit union are currently afforded a borrowing rate of 0.5% per month(6.2%APR) on the reducing balance and repayments are to be deducted from salary. In the event of a member of staff's employment ceasing the credit union will have the right to attach the employees final salary to any outstanding loan balance.

The Supervisory Committee shall be informed of loans to volunteers, officers and employees within 14 days of the loan being approved.

All volunteer, officers & employee loans will be subject to scrutiny by the Loan Committee prior to processing.

The Credit Union will attempt to service the borrowing needs of all Members who are approved for a loan. However, where there is insufficient liquidity to meet all Member's needs, smaller loan amounts will be prioritized in order to ensure that funds available benefit the maximum number of people.

The maximum amount that the Credit Union can loan to a member is:
£7,500 above the individual's shares if the Credit Union has less than 5% capital-assets ratio, or
£15,000 above the individual's shares if the Credit Union has more than a 5% capital-assets ratio.

Members' eligibility for loans will be determined according to the Members' needs, credit worthiness and capacity to repay the loans to the Credit Union.

Members will be required to provide full information on their income and expenditure and to provide evidence of such as required by the Credit Union.

All lending decisions will be made in a fair, consistent and objective manner, according to the criteria set out in this lending policy.

The Credit Union reserves the right to refuse a loan application request.

Loan repayments shall be required to be made on a regular basis, this can be weekly, fortnightly or Monthly.

The Credit Union offers the following range of loan products to Members:

Secure Loans

The interest rate charged on secure loans shall be no more than 2% per month on the reducing balance.

Unsecured Loans

The interest rate charged on unsecured loans shall be no more than 3% per month on the reducing balance.

Share Attached Loans

All regular shares past, present and future are attached to members' loans. Sub account shares will be attached in the event of default.

4.4 Loan Policy

Members must be 18 years and over to apply for a loan.

Loans must be applied for in writing on the appropriate form supplied by the credit union.

Secured loans may be applied for at any time and do not require approval of the loans officer.

Any member known to the interviewing officer has the option to request another officer to carry out the interview. Members should note that a valid reason, i.e., close friend, neighbour, relative etc. should accompany this request.

The interest rate on loans shall be at a rate of no more than 42.60% per annum.

All loans other than previously stated will be subject to a waiting period of seven days.

Maximum repayment period for an unsecured loan shall be 5 years.

Maximum repayment for secure loans shall be 10 years.

All loan applications will be assessed based on a member's needs, credit worthiness and ability to repay the loan back.

All loan applications will be treated equitably.

If collateral or a guarantor is required, then the appropriate forms must be completed and retained for the duration of the loan.

Any member who is refused a loan shall be given the reason for refusal and will have the right of appeal.

The appeal will be to the board of directors and if there is no satisfaction then the appeal can go to the supervisory committee.

All loans shall be for a provident and productive reason.

All loans will be granted at the discretion of the Loan Officer.

Any member residing at an address which is currently the subject of a credit control issue, will not be considered until the issue has been resolved.

If the issue is resolved, then a waiting period of at least 3 months will be implemented before any further applications can be made.

All members will be required to produce 3 months current evidence of income and expenditure. The relevant evidence required is detailed on the appropriate member information form.

In the event of a loan being required for consolidation to pay off a debt etc., the credit union will carry out this transaction for the Member.

Any loans granted out with this policy will be sanctioned by the Board of Directors along with the Management Team.

Any member who has engaged in a bankruptcy, trust deed or debt payment plan, must make the loans officer aware before applying for a loan. Evidence of the award must be produced and in the event of discharge, a discharge letter or certificate must also be produced.

Any member who has had a loan written off with the credit union may be expelled from membership.

The credit union committee of management will review and approve its lending policy at least once a year, and more frequently if necessary (for example if there is an escalating arrears problem), especially in the light of significant changes in business, The review will be in February CREDS 7.2.5

4.5 Lending Process Visio Flowchart

