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**ICT TEACHERS' ASSOCIATION
(OF UGANDA) MEMBERS
SAVINGS AND CREDIT
CO-OPERATIVE SOCIETY LTD
(ITAU SACCO)**

C/O P.O.BOX 7114 KAMPALA
Website: www.sacco.icteachersug.net

**LENDING & LOAN COLLECTION
POLICIES, PROCEDURES AND
GUIDELINES (LPGs)**

May, 2021

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SACCO LENDING POLICIES AND GUIDELINES

Introduction

These lending policies and Guidelines (LPG) have been developed and approved by members of **ITAU SACCO** at their Annual General Meeting held on 28th May 2021. The LPGs shall be used and strictly complied with in all lending operations by the society. Anyone who in the service of the society purports to make any loans without following the provisions of these lending policies and guidelines shall be personally liable for any loss suffered by the society arising out of such loans. In addition, disciplinary action shall be taken against the responsible officer or leader.

In its lending operations, **SACCO** will be guided by the principle of **ZERO TOLERANCE FOR LOAN DEFAULTS**

1. Eligibility of borrowers

Eligible borrowers of **ITAU SACCO Ltd** shall be fully paid-up shareholders operating active savings accounts. The shareholders may be individuals, groups of individuals or institutions such as schools or other cooperative societies. Eligible loan applicants shall not be defaulters on any outstanding loans or guarantors for defaulting borrowers.

2. Period of membership

Any shareholder wishing to apply for a loan from **ITAU SACCO** must have been an active member for at least 6 months.

3. Savings Account

A loan applicant must have an active savings account which must have been operated for at least 3 months. This is in addition to being a fully paid-up member for at least 6 months.

4. Loan size

The maximum loan size that can be extended to any borrower shall be determined in accordance with the interest and support given to the society by the applicant as determined by the number of shares he/she holds and how active he/she is in the society's savings programme.

The actual loan size shall be determined using a combination of the following;

- The ratio of the borrowers' share capital to the loan
- The savings pattern of the borrower
- The loan graduation stages of the borrower

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- a) The ratio of share capital to loan size shall not exceed the ratio of 1 to 5
 - b) The ratio of average savings (over the last four months gradually built up and not deposited in a lump sum) to the loan size shall never exceed the ratio of 1 to 10
- The actual loan size shall then be a sum of the two (a) shares and (b) savings but subject to (c) below.
- c) In order to arrive at the final loan size to be recommended for approval, the loan size arrived at by adding (a) and (b) shall further be subjected to the following loan size graduation limits;

For group		For individuals
● The first loan shall not exceed	1,000,000=	300,000=
● The second loan shall not exceed	2,000,000=	500,000=
● The third loan shall not exceed	3,000,000=	800,000=
● The fourth loan shall not exceed	5,000,000=	1,000,000=
● The fifth loan shall not exceed	7,000,000=	1,500,000=
● The sixth loan shall not exceed	10,000,000=	2,000,000=

For higher rounds and amounts of loans, shareholders shall be encouraged to approach formal commercial banks for assistance

5. Loan period

To enable many members to access the society's credit facilities particularly so, at the time when funds are scarce; the maximum loan period shall be 6 months.

6. Loan repayment installments

Any loan extended by **ITAU SACCO** shall be repaid in a maximum period of 6 months from the date of disbursement. The loan shall be repaid in 6 equal monthly installments. There shall be a grace period of one month.

However, borrowers shall be encouraged to make advance loan prepayments even in smaller sums provided that by the installment due date, a sufficient sum will have been built to fully settle it.

7. Interest on loans

All loans attract an interest rate of 10% per month charged flat. Interest shall be paid monthly together with the principal loan installment (PLI). The lending (interest) rates shall be regularly reviewed by the loans committee to bring them in line with economic changes (inflation, cost of capital, operational costs, risks) associated with enterprises/activities to be financed and competition which may have taken place in the area.

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As an example, assuming a first loan of shs 400,000 with a 4 months loan period at an interest rate of 10% per month, interest payable by the borrower shall be calculated as follows;

Month	PLI	Interest (10%)	Total loan repayment
1 st Month	100,000	10,000	110,000
2 nd Month	100,000	10,000	110,000
3 rd Month	100,000	10,000	110,000
4 th Month	100,000	10,000	110,000
Total	400,000	40,000	440,000

8. Other lending fees

In addition to paying the interest on loans, borrowers shall also pay the following;

- i) Loan application fees of shs 5,000/=
- ii) Loan processing and banking fees of 1 % of the approved loan before its disbursed

9. Penalties on delayed or late loan repayments

Delayed or late repayments shall attract a penalty fee of 10% per month on all amounts overdue on a compound rate basis. This shall be on top of the calculated interest per month.

10. Guarantors and endorsements to any loan application form

Every loan applicant must provide 2 guarantors. The persons proposed to be the borrowers' guarantor must:

- Be members of the society
- Have a good track record in regard to shares, savings and paying their own loans
- Not be guarantors of another outstanding loan which is default
- Not be a spouse of the borrower
- Have capacity to repay the loan
- Have a close relationship with the borrower
- Be of sound mind and adults

In the event of the borrower failing to honor his/her loans obligations, the guarantor must:

- Bring pressure to bear on the borrower to repay the loan
- Repay the loan
- Forfeit his/her share capital as well as saving deposits in the society

11. Collateral/Security for the Loan

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All loans extended by **ITAU SACCO** shall be secured by a security/collateral whose value shall be at least 3 times the size of the loan granted plus interest thereon. Acceptable loan securities shall include land, society's share certificates, savings, business assets, computers, household items, etc.

In the loan agreement, the borrower shall state that the security/collateral pledged for the loan is free from any encumbrance and that as long as the loan has not yet been fully repaid, the ownership of the security/collateral pledged for the loan shall rest with the society. The agreement shall also state that in the event of failing to repay the loan within the agreed period, the society shall be free to take and sell the security/collateral without any hindrance from the borrower or any other person or courts of law.

12. Employment of the borrowers

To minimize the costs of processing, monitoring and follow up on loans as well as service delivery, priority in lending shall be accorded to members with stable employment, for example, teachers working at well-established school. Loan applicants with no employment shall be considered in exceptional circumstances and in such situations, they shall provide immovable loan securities (e.g computers, households items, land etc) and substantial guarantors.

Through a partnership with the employees / schools, borrowers who have not fully repaid their loans shall be compelled to pay. The same applies to the guarantors.

13. Accessing loans

All loans from **ITAU SACCO** shall be accessed by a written application made on the society's prescribed loan application form. The all forms will be available on the ITAU SACCO website.

The loans shall be applicable to any viable economic activity that is legally and ethically acceptable in the applicant's community. Consumption and home-improvement loans should be discouraged.

14. Site Visits by the Loans Officer

The society's loans officer shall carry out a site visit to each loan applicant for all loans of shs 2,000,000 and above. The purpose of the site visits shall be to verify information given in the loan application form. The site visit transportation costs for the journey of the loans officer will be met by the applicant. During the site visit, the loans officer shall check the following:

- The existence of the activity/business for which the loan is required
- The existence of the proposed security, its ownership, condition and possible realizable value in case of sale

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- Consent by the borrower's spouse (in the case of married applicants) about the security provided.
- The concurrence of the guarantors to the proposed borrowing and the roles and responsibilities under the society's lending regulations.
- Interview with the applicants to ascertain their seriousness and commitment to the business/activity for which borrowing is sought
- Enlisting the support of the employer / school / village local council in securing the borrowers proposed loan security/collateral.

The loans officer shall prepare a site visit report on each applicant visited. The site report shall among others cover

- The officers findings in respect of the economic and financial viability of the business to be funded
- The financing gap of the business
- The applicants credit record
- The borrowers capacity to pay the loan
- The borrowers capacity to repay the loan
- The applicants share capital in the society and balance on the savings account
- Opinion of the spouse on the proposed borrowing
- Adequacy of the proposed loan security
- The credit and willingness of the proposed loan guarantor
- Adequacy of the proposed loan security
- The credibility and willingness of the proposed loan guarantor

15. Recommendation of loan applications to the loans committee

After reviewing the loan applications and site reports by the loans officer, the loans committee shall make recommendations to the ITAU SACCO leadership to approve the loan, after which it will be processed by the administrators or accountant.

16. Displaying the names of intending borrowers

The administrator shall prominently display on the society's Notice Boards or any other appropriate place names without the value of loans) of all loan applicants being recommended to the loans committee for loans.

Shareholders with comments on any of the loan applicants shall be free to confidently submit their comments or suggestions to the chairperson of the loans within 5 days after the publication of the names. The loans committee shall crosscheck the correctness of any of the adverse information received before using it.

17. Approval of loan applications

The ITAU SACCO committee shall be the authority of the society to approve or reject any loan application. The approval or rejection shall be in writing as provided for in the

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application form. The approval of the loan shall be granted after the committee has checked and satisfied itself in respect of the following:

- Character of the applicant
- Credit history of the applicant
- The borrowers capacity to utilize and repay the loan
- The applicants own capital contribution to the proposed business/activity
- The adequacy of the collateral/security being offered
- Characteristics of the loan e.g. purpose, amount, source of repayment, time or duration of the business cycle, risks associated with the business or activity to be financed.

The loans committee members will act together. None of its members nor its chairperson should approve the loan applications single handedly.

18. Training of shareholders

On a regular basis, the society shall conduct training programmes for shareholders in society's savings and credit operations, the society's governance, entrepreneurial skills, banking culture and loan management and obligations of borrowers to repay the loans. Participants in these training programmes shall meet the costs which shall be kept as low as possible.

Loan applicants and shareholders aspiring to be elected to the various leadership positions in the society may be made to undergo some simple tests in the important areas of loan management.

19. Loan Documentation

A binding loan agreement enforceable by the courts of law shall be entered into between the borrowers and the society. The loan agreement shall be signed by the borrower and counter signed by the guarantor, the borrower's spouse and witnesses. The chairperson of the loans committee shall sign on behalf of the society and shall be witnessed by the treasurer.

The loan agreement shall among others stipulate that until the loan has been fully repaid, the ownership of the society/ collateral shall rest with the society, which shall have the right to dispose it off in case the borrower fails to fully repay the loan. A sample loan agreement is attached to these LPGs.

20. Loan repayment schedule

A loan repayment schedule showing the following shall be prepared in duplicate and the borrower shall be given a copy for information and record. The schedule shall show:

- Names of the borrower
- Location of business/borrowers residence
- Principal loan sum
- Interest payable on the loan

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- Total amount due (full loan)
- Due dates and size of installments

When loan repayments commence, the schedule shall be completed to show:

- Actual; dates of repayment
- Actual amounts paid
- Amount overdue
- Penalties on delayed/late payments.

A sample of a loan repayment schedule is shown on the next page

21. Securing the loan Securities/Collateral

All securities provided for the loan must be secured by:

- Signing of a loan agreement, which transfers ownership of the security/collateral to the society
- Deposition of land titles or any relevant registration documents with the society by the borrower

22. Disbursement and repayment of the loans

Loans shall be disbursed by debiting the borrowers Loan Account. The borrower's loan repayments shall be credited to this account. **To extent possible, loans should be disbursed in weekly batches.** This will facilitate loan documentation, monitoring, follow up and recording.

23. Special Loans

The society shall to the extent possible endeavor to meet the emergency and critical needs of its members. This will be in line with its founding principles. Furthermore, the society shall give very small loans without subjecting them to the normal appraisal and approval process. The following special loans shall be made to cover the mentioned needs:

- a) Emergency loans to cover urgent medical treatment, accidents, deaths, etc.
- b) Very small loans to meet the financial needs of the financially disadvantaged members.

In either of the above cases, the applicant must be a fully paid-up shareholder with an active savings account and must not be or has been a defaulter on any other society loan.

- i) Loans for emergency medical treatment shall not exceed UGX 100,000 and shall not be repeated within 1 months
- ii) In the case of the very small loans, each loan shall not exceed Shs UGX 50,000 and shall not be repeated within a period of 1 Months.

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The following shall be the loan terms and conditions for these loans

- i) Loans periods for all special loans shall be 1 months only
- ii) Either of the loans shall attract an interest rate of 5% per month on a flat rate
- iii) A one-time loan application and processing fee of Shs UGX 2,000 will be charged.
- iv) The loan repayment for emergency and short-term loans shall be lumpsum or in two installments.
- v) Loan securities/collateral shall be provided and their documentation and that of the loan shall be carried out like in the case of other ordinary loans
- vi) The loans officer shall approve the loan applications for all special loans. At the end of every week, the administrator shall compile a report on all special loans made and submit it to the chairperson, Loans committee who will report to the ITAU SACCO board in its monthly meeting. **(These are the only exceptional loans that the loans officer can approve. Otherwise, only the ITAU SACCO board must approve all loans made by the society).**

24. Loan processing Cycle

Within 14 days of applying, the applicant shall be informed about the status of their loan applications

25. Loan Monitoring and follow up

The loans officer shall carry out regular visits to borrowers for the following purposes:

- To ensure that the loan funds are used for the intended purposes. **Any diversion of the loan funds shall lead to the cancellation of the loan and its immediate recalling**
- Providing technical support to the borrowers in their needful areas.
- Delivering loan repayment reminders plus any other information

26. Borrowers – Society Relationships

The borrowers must maintain a healthy relationship with the society during the term of their loans through regular contacts and discussions. The society shall also endeavor to ensure that in its quest for full loan recovery, profit and sustainability; due regard will be made to the borrowers' business profitability and sustainability interests. **Borrowers with any specific problem regarding the performance of their business should always liaise with the society management for advice and technical support.**

27. Handling Loans in default

A loan is late or in default if it is not paid on its due date. This could be one day or several days past that due date. Ensuring that loans are fully repaid and that payments are made on time is a challenge for the entire society (members, committee and management).

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In case any borrower is in default on loan repayments, the following steps shall immediately be taken to recover the amounts in default:

- i) Seven days to the due date, the borrower will have been reminded about the installment that is falling due. If resources allow, the Loans Officer should visit the client one day after due date.
- ii) Within 7 days after default, the loans officer shall visit and discuss with the borrower and the guarantors the problem of the defaulted loan repayments. The loans officer shall keep a record of the discussions held. The borrower, the loan guarantor and the loans officer shall all sign the minutes of the discussions.
- iii) If in spite of the understanding reached with the loans officer, the payment is not received within the following 7 days, the borrower shall together with the loan guarantors be summoned to a meeting with the treasurer and the loans committee members. The matter of defaulting on loan repayments and its consequences shall be discussed and a period of another 7 days given to clear the amounts over due.
- iv) If the borrower does pay within the given 7 days, the treasurer shall serve him/her a notice of loan recall. The notice shall be copied to the loan guarantors and local council 1 chairperson. The notice shall also spell out the following actions which are to be taken immediately:
 - Applying the balance on his/her savings account and share capital to settle the loan default
 - Blocking the loan guarantors' savings account and share capital.
 - Confiscating and liquidating the loan security
- v) The society or its agent shall confiscate the security and liquidate it (sale it by public auction or private treaty to the highest cash bidder) in the presence of the borrower. All confiscation and liquidation expenses shall be on the account of the defaulting borrower.
- vi) The proceeds from the liquidation of the security shall be applied to the settlement of the loan obligations, paying off the confiscation and liquidation expenses and the surplus (if any) shall be credited to the savings account of the borrower.
- vii) In case the proceeds from the liquidation of the security (plus the borrowers savings account and the share capital) do not cover the loan obligations and the liquidation expenses, the balance due shall be recovered from the guarantors' savings account and share capital.
- viii) Names of the defaulting borrowers shall be displayed on the Society's Notice Board or any other public place where the society normally displays notices

28. Provision for Bad and Doubtful Loans

It is prudential to assume that some of the society's outstanding loans may not be repaid in spite of the precautions taken by the society's management and leadership. In view of this therefore, it is necessary that management should make provisions (out of its operating income) against the possibility of bad and doubtful loans. Objective classification of bad and doubtful loans and making provisions for them could be made using the following rates;

Provisioning for bad and doubtful loans

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Classification (No. of days over due)	Provisioning (Rate to be applied to the loan with any amount that is over due while making provisions)
Current loans	0%
1 – 30 days	10%
31 - 60 days	25%
61 – 90 days	50%
91—120days	75%
121 – 180 days	85%
181 days and above	100%

The secretary shall keep a loan ageing record for all loans overdue, which will be used in the making of the provisions for bad and doubtful loans. The format of the loan ageing schedule is shown on the following page.

Loans which are over due by 180 days should be written off as shown in the above table.

29. Loans Records

In addition to the borrower's loan repayment schedule, the secretary shall keep auditable loan records, which shall among others show the following information;

- Names of borrowers
- Amounts lent out and expected interest thereon
- Dates of loan disbursements
- Amounts due (by end of month)
- Amounts repaid on a monthly basis
- Loan balance outstanding
- Amounts in default (Principal and interest)
- Portfolio at Risk (Days over due for principal and interest)

31. Operations of the Loans Committee

This Loans Committee shall have atleast 3 members (drawn from the ITAU SACCO members) with at least one of them being a woman. The society's secretary and loans officer shall be ex-officio members. To ease its work, the Loans Committee may co-opt other members from the regions, which are not represented on the committee whenever loan applicants from that region are being processed.

The members of the Loans Committee shall meet once a month and shall be paid a sitting allowance to cover their direct expenses associated with

attending the meetings. Such allowances shall be determined by the committee and approved by the Annual General Meeting.

Notwithstanding the Terms of Reference for the Loans Committee as stipulated in the Society's Governing regulations, the Loans Committee shall exercise total independence in course of executing its duties. In course of executing its routine duties, the Loans Committee shall not be unduly influenced by the Board or Management.

The Loan Committee members' applications for loans be handled and approved by the committee after receiving appraisal reports and comments by management. **In processing and approving loans, no preferential treatment shall be given to the Loans Committee members and any other member of the governance committees**

Committee members' personal interests in any loan application shall be declared to the members and the concerned member shall disqualify him/herself from the approval process of such application. Apart from the handling loan applications and helping management follow up on stubborn/defaulting borrowers, the Loans Committee shall not be involved in the Society's routine management businesses.

32. Performance Standards

In managing its lending operations, the Society shall be guided and endeavor to meet and improve on the micro-finance best practices' generally accepted portfolio performance standards.

33. Application of the Lending Policies and Guidelines

These Lending Policies and Guidelines shall be used in conjunction with the Accounting and Operations Manual for the Society. They shall be applicable to the Society's own funds (share capital, savings, operating surpluses or unconditional grants). External Loans Funds, Conditional Grants or Managed Funds shall carry lending terms and conditions stipulated by the partners but will also be managed with the same vigilance.

34. Compliance with the Lending Policies and Guidelines

Any Management staff or Loans Committee Member or Society Leader who does not comply with the society's LPGs in handling loans shall be held personally liable for the full repayment of the loans involved plus the interest thereon. If not desisted from, the staff member or leader shall be dismissed from his/her position and later on from the society.

35. Revising or Changing the Lending Policies and Guidelines

Revising or changing the Lending Policies and Guidelines to bring them in line with developments in the market or changes in the operating environment shall be the responsibility of the Board acting through the Loans Committee and Management. Revisions or changes made must be approved by the members at their Annual General Meeting before they are implemented.

Approved on..... Under minute Number..... of the
Board meeting held on that date

.....
Chairman

.....
Secretary/Manager/Treasurer

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Securities offered

- 1)value
- 2)value.....
- 3)value.....

We the undersigned agree to repay from our own sources the total amount of the loan owned by the applicant to the society if the applicant fails to repay the loan granted by the time it is due.

Namemembership no.....savings a/c no.....signature.....

Namemembership no.....savings a/c no.....signature.....

I undertake to fully repay the loan applied for and interest thereon on the due date agreed with the society. I also authorize the SACCO to deduct from my savings account, share capital, **OR** sell my assets pledged as securities for the loan without any hindrance from me or anyone else to recover any amount of the loan that I will have failed to pay.

Dated.....

Signature of applicant.....thumb print.....date

Spousal consent/ Family consent

.....being married spouse of the above herein called the borrower, do hereby voluntarily and unconditionally grant my consent for my spouse to borrow from the lender and also, to surrender the securities mentioned above to be sold by the lender to recover any loan amounts due in the event of the borrower failing to repay it as agreed. Furthermore, I undertake to assist my spouse repay the loan in full and not to obstruct the lender in any way in course of recovering the loans amounts due through the agreed means.

Signed

Borrowers spouse

.....
Date

Borrowers children 1).....

.....
Date

2).....

.....
Date

3).....

.....
Date

Confirmation from School/Employee

I hereby confirm that the applicant is a staff of

....., and has not been pledged to any other person or financial institutions.

Signed

Head teacher

.....
Date

.....
Applicant

.....
Date

.....

.....

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Loans Officer

Date

FOR SACCO USE ONLY

Society management

Date member joined the SACCO.....Date application is received.....

Value of shares in the society shs.....total savings in the society.....

Loans officers site visit

report.....

.....

.....

.....

Has the applicant ever been offered a loan by the society?.....

Do the applicant repay very well?.....

How is the applicant's record in the society's savings operations?

Explain.....

.....

Recommendation by the loans officer

Amount recommendedLoan period

Collateral.....

Signed by loans officer.....date.....

Treasurer's recommendation.....

Amount recommended.....Credit period.....

Collateral.....

Signed by the treasurer.....date

Loans committee

Decision by the loans committee

.....

Signed Chairman loans committee.....date.....

Committee member.....date.....

Committee member.....date.....

Committee member.....date.....

Committee member.....date.....

APPENDIX 2: LOAN AGREEMENT

THE REPUBLIC OF UGANDA

LOAN AGREEMENT

This agreement is made this.....day of.....between.....
.....(the borrower) located inAnd
..... SAVINGS AND CREDIT COOPERATIVE SOCIETY LTD of
P.O Box..... (Here by referred to as the Lender).

And whereas the lender, as a savings and credit co-operative society (financing agency) is desirous of lending to the borrower and where as the Borrower is desirous of borrowing from the lender, the two parties do here by agree to the terms and conditions here in below:

THIS AGREEMENT WITNESSETH AS FOLLOWS:

The Lender lends to the borrower a principal sum of Shs.....
(Shillings.....) for a period of
.....months to be repaid to the lender as principal and interest thereon at the rate of
.....% per month (calculated on abasis) in monthly
installments as specified in the attached Loan repayment schedule (which forms part of
this loan Agreement).

Without prejudice to the provisions above, it is hereby agreed between both parties that in the event of Borrower failing to pay back on time hereinafter agreed as specified in the attached Loan Repayment Schedule, the borrower shall be liable to pay a penalty of
.....% per month (calculated on a compound rate basis on the principal and interest due) from the date of default to the date of full payment. The Borrower shall also be liable to paying all loan recovery fees and expenses incurred by the lender in course of recovering the overdue loan amounts from him/her/it.

The borrower undertakes to use the money lent by the lender in accordance with the purpose stated in the loan application form dully signed by the borrower. Unless otherwise agreed, if the borrower diverts the loan funds to any other purpose(s) other than the one specified in the loan application form or fails to pay any installments on time, the lender may at any time thereafter demand payment of the whole amount of the loan principal and interest then due without following the repayment schedule hereto.

The borrower is presenting Mr./Mrs./Ms.....and
..... to be the guarantors for the loan being taken. By signing this agreement, the guarantors undertake to repay the loan in full (loan principal plus interest and any

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other loan recovery fees and expenses accumulated thereon) that the borrower will have failed to pay on time and as demanded by the lender.

Additionally, the borrower also hereby unconditionally surrenders to the Lender (as security for the loan) the following items listed below. (Which are fully owned by the Borrower and are free from any encumbrances)

- 1.....
- 2.....
- 3.....

In the event of the borrower's failure to pay back all loan amounts due (loan principal, interest, loan recovery fees and expenses) or any part thereof at the agreed time, by this agreement it authorizes the lender to take and sell by private treaty or otherwise (without any obstruction or legal challenges from the borrower or the Borrower's agents) the above securities hereby pledged plus any other property of the Borrower that may be necessary to recover the full amounts due without recourse to the courts of law.

After the lender has realized the loan amounts due (loan principal plus interest and any loan recovery fees and the recovery expenses) from the sale proceeds of the borrower's securities, the lender shall handover the balance, if any, to the Borrower.

Additionally, the Borrower and his/her/its Guarantors also here by authorize the lender to recover the loan amounts in repayment default from their savings accounts and share capital inCOOPERATIVE SAVINGS AND CREDIT SOCIETY LTD (the lender). If the amount recovered wipes out the balances on the Borrower and guarantors' savings and share capital accounts then they shall cease being members ofCOOPERATIVE SAVINGS AND CREDIT SOCIETY LTD(the lender).

Signed..... Account Number
Borrower *Date*

Signed..... Account Number.....
Guarantor *Date*

Signed..... Account Number.....
Guarantor *Date*

SPOUSAL CONSENT/ FAMILY CONSENT

.....being married spouse of the above herein called the borrower, do hereby voluntarily and unconditionally grant my consent for my spouse to borrow from the lender and also, to surrender the securities mentioned above to be sold by the lender to recover any loan amounts due in the event of the borrower failing to repay it as agreed under this agreement. Furthermore, I undertake to assist my spouse repay the loan in full and not to obstruct the lender in any way in course of recovering the loans amounts due through the agreed means under this agreement.

Signed
Borrowers spouse Date

Borrowers children 1).....
Date
2).....
Date
3).....
Date

Signed.....
Lender *Date*

Witnessed by: (Name, Title and Signature)

1.....
2.....

APPENDIX 3: CREDIT EVALUATION FORM

CREDIT EVALUATION FORM

Date of evaluation..... Loans Officer.....

Personal data of Applicant

Name of applicant:.....

Date of birth:...../...../..... Place of birth.....

Education and working experience:.....

Name of spouse:.....

Date of birth of spouse:.....

Education and working experience of spouse:.....

Business

Type of activity.....Age of Business:.....

Location of business:.....

.....

Telephone contacts.....

Business premises rented or own property:.....

Residence

Location of residence:.....

.....

Resident since.....

House rented or owned?.....

Data on loan application

Amount applied forloan period applied for.....

Purpose of loan.....

Proposed installment of applicant (how much does he think he/she can pay back every month).....

Information on business

Composition of balance sheet:

Composition of fixed assets (items and estimated value)

.....

.....

.....

Composition of inventory

(if necessary attach list of inventory supplied by applicant)

Item	Quantity	Cost price	value

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Composition of debtors (regular clients, for how long outstanding?)

.....

 Cash at hand verified:.....
 Savings at business verified:.....
 Current /savings account in banks/other financial institutions
 verified.....

Composition of liabilities

Loans

Source of loan	Amount	Loan period	Installment	Outstanding balance

Credit suppliers

Name of supplier	Amount	Frequency of supply	Day of repayment

Information on suppliers (who are the main suppliers).....

Information on cash-flow

Sales

Amount established according to client answer/records

Trade:

(Fill in amount of sales)

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
Good day							
Bad day							

Average daily sales.....no of days worked per week

Monthly sales:.....

Production

Item	Quantity sold per month	Selling price	Total per month

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Cost of sales:

Trade

Amount established according to client answer / records

Time purchases are made during monthweek.....

Amount of each purchase: minimum.....maximum.....

Average per month.....

Production:

Item	Quantity sold per month	Cost of materials for item	Total per month

Operating expenses

Utilities (water, power, telephone)

Salaries (kind of employee and amount of wage).....

.....

.....

Rent....., transport.....food at workplace.....

Installment.....

Others (to fill when additional expenses are identified).....

.....

Market and Management

Assessment of market (type of clients, good or bad location, competition, other observation).....

.....

.....

Assessment of management capacities of applicant:.....

.....

.....

.....

Socio-economic Data of household

Total no of regular household members.....no. of children.....

Fixed assets of household value and estimated value.....

.....

.....

Household expenses:

Food.....utilities.....education.....

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Rent.....medical.....closing.....
 Installments (consumption loan)
 Other incomes of household.....

 Other observations on household.....

Assessment of willingness for repayment

Reference (neighbors, LC, suppliers,
 others:.....

 Past financial obligations(receipts).....

Financial statements

Balance sheet:

<u>Assets</u>	<u>Liabilities</u>
Fixed assets.....	Savings.....
Inventory.....	Loans.....
Debtors.....	Short term liabilities.....
Cash at hand.....	Credit from suppliers.....
Cash at bank	
	Equity
Total Assets.....	Total capital and liabilities.....

Cash-flow

+sales
--cost of sale
=surplus after sales
--salaries
--rent
--transport
--food
--installment
--other business expense
=surplus of business
--total household expenses
+other incomes

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=repayment capacity

SACCO NAME.....

APPENDIX 4: LOAN LEDGER CARD

LOAN LEDGER CARD

CLIENT NAME.....

ACCOUNT NO.....LOAN NO.....

ADDRESS.....

LOAN DISBURSED.....CREDIT PERIOD.....

LOAN PURPOSE.....SECURITY.....

[illegible]

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APPENDIX 5: LOAN REGISTER

SACCO NAMEITAU SACCO...

LOAN REGISTER

[illegible]

APPENDIX 6: LOAN TRACKING SHEET

SACCO NAME.....

LOAN TRACKING SHEET

Date

Prepared by

checked by.....

[illegible]

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APPENDIX 7: LOAN REPAYMENT SCHEDULE

NAME OF SACCOITAU SACCO.....

LOAN REPAYMENT SCHEDULE

Name of Borrower								
Address of Borrower								
LOAN								
Loan Principal Shs					Interest on Loan shs			
Date of Loan Disbursement/...../.....					Expiry date of the loan/...../.....			
Installment payment					Actual payment			
	Due date	Principal	Interest	Total	Date	Amount paid	Balance outstanding	Remarks
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
21								
22								

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[illegible]

APPENDIX 9: SAMPLE PERFORMANCE STANDARDS TO BE ACHIEVED BY SACCOS

The following is a worked-out example that shows how SACCO performance standards can be worked out and the rates that SACCOs should aim at achieving

ITAU SACCO			
Income and Expenditure Statements for			
The year ending December 2021			
10	Income	2020	2021
11	Interest and fee income (excluding interest accrued but uncollected on over due loans)	8,000,000	5,700,000
12	Investment income	500,000	300,000
13	Other operating income	1,000,000	600,000
	Total Operating Income	9,500,000	6,600,000
14	Non Operating Income		
15	Donations/Grants	1,000,000	500,000
	Total Income	10,500,000	7,100,000
20	Expenditure		
21	Staff expenses (salaries&benefits)	2,500,000	2,000,000
22	Other Administrative expenses (includes depreciation)	3,700,000	2,500,000
23	Loan losses (Provisions for doubtful and bad loans)	1,000,000	600,000
24	Interest and fee expenses (financial costs)	800,000	100,000
	Total Operating Expenditure	8,000,000	5,200,000
25	Non Operating expenditure		
	Total Expenditure	8,000,000	5,200,000
	Operating Net Income	1,500,000	1,400,000
	Total Net Income	2,500,000	1,900,000

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ITAU SACCO			
Balance Sheet as at 31st December 2020			
10	Assets		
11	Cash on hand and in banks	2,900,000	1,300,000
12	Mandatory cash reserves	500,000	500,000
13	Short term Investments	800,000	400,000
14	Loans outstanding	17,800,000	11,400,000
15	Long term investments	700,000	400,000
16	Fixed Assets (less accumulated depreciation)	1,400,000	1,600,000
17	Other Assets	400,000	-
	Total Assets	24,500,000	15,600,000
20	Liabilities		
21	Savings and time deposits from members	12,000,000	8,500,000
22	Other deposits	300,000	300,000
23	Other short term liabilities	200,000	60,000
24	Loans from different sources	1,000,000	740,000
25	Other long term loans	500,000	500,000
		14,000,000	10,100,000
30	Equity		
31	Paid-in Equity (share capital)	5,000,000	3,500,000
32	Donated Equity	500,000	500,000
33	Retained Earnings	3,300,000	800,000
34	Special Reserves/Provisions e.g. provision for doubtful and bad debts	1,500,000	500,000
35	Other capital Accounts	200,000	200,000
		10,500,000	5,500,000
		24,500,000	15,600,000

ITAU SACCO

SAMPLE Performance Standards (Expressed as Ratios or Numbers)

Actuals for ITAU SACCO as compared to standards

Signs for Growth					
Performance Indicator	What is being measured	Working	Actual figures (000)	Standard Ratio	ABC's Actual
Asset growth	Shows whether the SACCO assets are growing over time or not. (The rate must be higher than inflation)	Average Assets in the period <u>minus</u> opening Assets <u>divided</u> by assets at opening	$\frac{20,50-15,600}{15,600}$	>25%	29%
Increase in Gross Income (GI)	Shows whether the SACCO total income is growing or not	Current period GI <u>minus</u> previous period GI <u>divided</u> by previous period GI	$\frac{10,050-7,100}{7,100}$	>20%	48%
Increase in Net Income	Shows whether the SACCO Net Income is growing or not	Current period NI <u>minus</u> last period NI <u>divided</u> by last period NI	$\frac{2,500-1,900}{1,900}$	>30%	32%
Increase in Membership	Shows whether the SACCO is attracting new members or not	Closing <u>less</u> opening mbrship <u>divided</u> by opening membership	$\frac{500-350}{350}$	>15%	43%
Increase in Share Capital	Shows whether the SACCO equity is increasing or not	Closing <u>less</u> opening share capital <u>divided</u> by opening share capital	$\frac{5,000-3,500}{3,500}$	>15%	43%
Loan Portfolio increase	Shows whether the SACCO is making many more loans than its previously was	Loans made this period <u>less</u> loans made last period <u>divided</u> by loans made last period	$\frac{52,400-32,500}{32,500}$	>20%	61%
Increase in Savings Deposits	Shows whether the SACCO is attracting more savings deposits than before	Closing Savings <u>less</u> opening savings <u>divided</u> by opening savings	$\frac{12,000-8,500}{8,500}$	>15%	41%
Increase in number of products	Shows how innovative the SACCO is in trying to meet the various needs of its members	Total number of products at close <u>less</u> number at start <u>divided</u> by number at start	$\frac{4-2}{2}$	The number should be rising	100%

SACCO lending policies and procedures

Portfolio Performance					
Performance Indicator	What is being measured	Working	Actual figures (000)	Standard Ratio	ABC's Actual
Delinquency	How common is non payment of due loans	Total principal in arrears divided by total loans that should have been paid in period	$\frac{2,200}{48,200}$	<5%	5%
Recovery rate	How much of the due loans are recovered	Total loans (principal) repaid divided by total that should have been paid	$\frac{45,500}{48,500}$	>95%	94%
Loan Loss rate (Write off)	How many loans must the SACCO abandon because of non payment	Total loan principal written off divided by total loans that should have been paid	$\frac{500}{48,200}$	<3%	1%
Portfolio at Risk	How much could the SACCO lose if all delinquent borrowers defaulted? Once overdue, all the UPB is at risk not just the single installment over due	Un paid principle of loans with arrears divided by all outstanding loans	$\frac{4,850}{17,800}$	<10%	<27%
Aged Delinquent payments (Arrears rate)	How far behind are people in repaying their loans	Total principal in arrears divided by total outstanding loans	$\frac{2,200}{17,800}$	<5%	12%

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Operating Efficiency					
Performance Indicator	What is being measured	Working	Actual figures (000)	Standard Ratio	ABC's Actual
Cost per Shs lent	What is the average cost per loan? As the SACCO matures, it develops efficient systems and its per Shs lent costs should be declining	Total operating Expenses/total amounts disbursed	$\frac{8,000,000}{52,400,000}$	>15%	15%
Cost per client	What is the average cost per borrower	Total operating expenses/Total number of active borrowers	$\frac{8,000,000}{245+60}$ brought forward from last period)	Should continually decrease over time	Shs 26,230
Financial Self Sufficiency	Are costs covered by income? This should improve over time	Total operating Revenue/Total expenses (including financial costs)	$\frac{9,500,000}{8,000,000}$	>110% or more	119%
Office staff efficiency	How many clients are served by the management team	Number of loans outstanding/Total office staff	350	1,000 for a team of 4	305
Loan staff Efficiency	How many loans does the average field agent manage? If the SACCO has part time staff, use full time equivalents in the calculation	Number of loans outstanding/Total field agents	$\frac{350}{1}$	250	305
Operating Efficiency	How much is it costing the SACCO to make its investments	(Administrative expenses + other expenses)/loans made and other investments	$\frac{8,000,000}{52,400,000+1,500,000}$	>3%	15%
Net Margin	How much of the Gross Income is Net Margin/Profit	Net Profit/Total Gross Income	$\frac{2,500}{10,500}$	>30%	24%
Interest Rate Charged	How much interest does the SACCO charge on its loans	Total interest income/Total loans managed in the period	$\frac{8,000,000}{63,800,000}$	Must be above the market interest rate	13%
Effective Rate of Return	Measures the extent to which the total earnings on the amounts disbursed covers all related costs and a profit making margin	(Interest + loan related fees & charges) /Total amount disbursed per period	$\frac{8,000,000}{63,000,000}$	Must cover all costs and have a good margin making profits	13%
The SACCO should strive from months to months improvements in efficiency and aim at reversing any negative trend in either of the measurements					

SACCO lending policies and procedures

Financial strength and protection of Assets and Savings					
Performance Indicator	What is being measured	Working	Actual figures (000)	Standard Ratio	ABC's Actual
Productive assets ratio	How much of the SACCO asset base is at work to generate income?	(Investments + Net portfolio)/(Sight deposits + term deposits + loans to be paid+ equity)	$\frac{19,300,000}{19,000,000}$	>115%	102%
Unproductive Assets Ratio	How much of the SACCO assets are not at work to generate income?	Current period GI <u>minus</u> previous period GI <u>divided</u> by previous period GI	$\frac{5,200,000}{24,500,000}$	>5%	21%
Debt to equity	What is the relative worth of the SACCO net worth compared to total debt?	Current period NI <u>minus</u> last period NI <u>divided</u> by last period NI	$\frac{14,000,000}{10,500,000}$	<100%	130%
Cash cover	Does the SACCO have enough cash to meet withdrawals from savings?	<u>Liquid assets</u> Average savings	$\frac{4,200,000}{12,000,000}$	50%	35%
Acid test Ratio	Does the SACCO has enough liquid assets to meet its current liabilities	Total liquid assets divided by current liabilities(sight deposits +term deposits + short term external deposits + other short term liabilities	$\frac{22,000,000}{12,500,000}$	100%	176%
Capital Adequacy	To what extent is the SACCO financing its investments out of its own funds?	(Revenue reserves + special reserves + shares/Total assets	$\frac{10,500,000}{24,500,000}$	>30%	43%
Portfolio protection	The extent to which the loan loss reserves cover the potential loan losses	Loan loss reserves/(affected loan portfolio &guarantees provided)	$\frac{1,500,000}{2,200,000}$	>100%	63%

.....SACCO

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LOAN PORTFOLIO REPORT

DATE.....						
Month:						
Loan Balances & Repayments						
						This Month End
Value of loans disbursed this month						
Value of principal payments in arrears at month end						
Principal balance outstanding of loans in arrears at month end						
Principal balance outstanding of loans rescheduled as of month end						
Principal balance outstanding of loans refinanced as of month end						
Principal balance of loans written-off this month						
Cumulative value of principal payments due (including arrears) to date						
Cumulative value of principal paid to date (since start of SACCO						
Cumulative value of principal paid on-time to date						
Value of principal prepaid as of month end						
Loan Loss Provision Table						
Days Past Due	No. of Loans	Principal Payments in Arrears	Outstanding Principal Balances	Portfolio at Risk	Provision Rate	Loan Loss Provision
Current Loans					0%	
1 – 30 Days Past Due (PD)					10%	
31 – 60 Days PD					25%	
61 – 90 Days PD					50%	
91 – 120 Days PD					75%	
121 – 180 Days PD					85%	
above 180 Days PD					100%	
Total						
Loan Loss Provision Ratio						
Key Indicators						
Arrears Rate	Portfolio at Risk (PAR), ≥ 1 Day		PAR ≥ 1 Day, PAR Adjusted for Rescheduling, Refinancing, Write-offs, and Fresh Loan Disbursements			
Aged Portfolio At Risk (PAR) and Repayment Rates (RR)						
PAR > 30 (Days)	PAR > 60 (D)	PAR > 90 (D)	PAR > 180 (D)	On-Time RR	Cumulative RR	
Ageing done as per best practices method and prepayments are subtracted for repayment rates						

PREPARED BY.....
LOANS OFFICER

APPROVED BY.....
TRESURER