

BONYERE TEACHERS COOPERATIVE CREDIT UNION LIMITED

OPERATIONAL LOANS POLICY

PREAMBLE

This document, herein referred to as **The Loans Policy** is designed to ensure that loans granted meet the borrower's immediate needs and his ability and willingness to repay without causing any risk to the Credit Union.

In this policy, a loan is an agreement/contract between BonTeaCCU as the lender and the member as the borrower of which money is given out to the borrower for a specific purpose to be repaid within specific period of time with an interest.

ARTICLE 1 - OBJECTIVES

1. To provide an equitable access to loans acquisition by members based on reliable projections to meet liquidity requirement of 70% of total assets.
2. To generate income through giving loans to members at competitive interest rate and compatible terms.
3. To meet members' financial needs through loan services in a timely, fair and effective manner in consideration of the 5Cs.
4. To use loans as means of establishing good member relationships.
5. To allow members to get funds to meet their financial obligations and pay later.
6. To let members maintain their savings and still get money to meet their financial needs.
7. To help members leave their savings for their families and still benefit from Loan Protection Plan (LPP) after their death or total disability.

ARTICLE 2 - PURPOSE OF LOAN

1. For personal needs of members in order to make them less burden financially.
2. For productive means of creating wealth.

3. For the avoidance of debt burden with family members after death.
4. For not touching one's savings yet get money to meet one's financial needs.

ARTICLE 3 - LOAN BENEFITS

It is better to take loan instead of withdrawing your savings because of the following benefits:

1. It is for personal, family and business development.
2. It is easy to access.
3. It puts members on the correct track and motive of life.
4. It has a comparative low cost of interest.
5. It helps members to build their own houses or take care of their family very well.
6. Comparatively, it guarantees huge profit to members if properly managed for productive ventures.
7. It is better to die as a member of BonTeaCCU with loan debt because it is insured against death and disability of a member:
 - a. It makes a member leave no loan debt at his/her death even if he/she has not fully paid for the loan.
 - b. The beneficiary of the deceased gets back any amount of the loan paid by the dead member before his/her death.
 - c. It creates good relationship between the Credit Union and the family of the deceased member.
 - d. It allows the beneficiaries to recover the full savings of the deceased member from the Union.
 - e. The member pays the premium once for the entire period of the loan.

ARTICLE 4 - LOANS DEPARTMENT

The Loans Department shall be subdivided into three (3) units namely, The Loan Administration (under the custody of the Credit/Loan Manager), Loan Application (under the custody of the Credit/Loan Officer) and Loan Collection (under the custody of the Loan/Credit Collection Officer).

ARTICLE 5 - TYPES OF LOANS

Bonyere Teachers Cooperative Credit Union Limited currently has five (5) types of loans but shall add one (1) to make it six (6) in the long run. The first five (5) are those in operation already and the last one shall be added later. Below are the types:

1. Personal Loan (Provident Loan)
2. Business Loan (Productive Loan)
3. Emergency Loan (Personal Loan)
4. Short Term Loan (Personal Loan)
5. Susu Loan (Productive Loan)
6. Child Education Loan (Personal)

ARTICLE 5.1 - PERSONAL LOAN

The loan policy is designed to ensure that loans granted meet the borrower's immediate personal needs and his ability and willingness to repay without causing any risk to the Credit Union.

ARTICLE 5.1.1 - TERMS/CONDITIONS

- a. This loan is for provident or personal purposes.
- b. The loan shall be provided within the limits of the total savings of the member at the time of applying for the loan.

- c. The maximum loan amount to a member is three (3) times the member's savings. However, if a member demands more than the three times, the applicant shall be invited to meet the Loans Committee.
- d. To qualify for this loan, one might have continuously saved for not less than six months and bought the minimum shares.

ARTICLE 5.2 - BUSINESS LOAN

The Business Loan is a productive loan and shall be considered on merit based on the circumstances and the member's trustworthiness.

The policy is to ensure that loans that shall be granted meet the borrower's immediate business needs and his ability and willingness to repay without putting the Credit Union under risk.

ARTICLE 5.2.1 - TERMS/CONDITIONS

- 1. The loan shall only be for productive purpose.
- 2. This is available only to members who have contributed uninterruptedly for six months.
- 3. The savings of the member shall be the first determinant factor.
- 4. The maximum loan to a member shall depend on the size and value of the business.
- 5. This loan shall be given on merit, on the basis of the viability, reliability, profitability of the business and the credibility of the member (client).

ARTICLE 5.3 - EMERGENCY LOAN

Emergency loan shall be considered for three (3) different purposes. It is for personal purposes only. Any purpose that does not fall under any of the areas or types of the purposes shall not be considered as emergency.

ARTICLE 5.3.1 - TYPES OF EMERGENCY LOANS

- 1. School Fees (submission of the bill is very vital).
- 2. Hospital Bills (submission of the bill is very keen).

3. Funeral (it shall be based on the relationship and the time factor involved).

ARTICLE 5.3.2 - TERMS/CONDITIONS

1. The loan shall only be for provident purpose.
2. This is available to only members who have contributed uninterruptedly for six months.
3. The maximum loan applicable shall be GH¢5,000.00, and an upward adjustment to be determined by the Committee in terms of the type of tertiary education.
4. Any loan more than point “3” shall be referred to the Loans Committee, then to the Board.
5. The savings of the member and how he/she saves shall be the determining factor.
6. It shall be paid without delay but shall depend on the availability of the Union’s funds.

ARTICLE 6 - SALARY ADVANCE/EMERGENCY LOAN

This is a short-term loan in form of salary advance for members of staff and emergency loan to shareholders to meet their temporary financial needs within a given month. This is aimed at easing members from finding it difficult to survive from any unforeseeable event that may come to affect their budget for that month.

ARTICLE 6.1 - TERMS/CONDITIONS

1. It is accessible by all shareholders.
2. It is payable within a minimum of one month or a maximum of three months.
3. It is available to qualified members irrespective of the fact that they may have outstanding loan to settle with the Credit Union.
4. No loan defaulter or delinquent borrower shall qualify for such facility.
5. The member’s ability to repay is very important.
6. Salary advance for members of staff does not attract interest.

7. The rate of interest for emergency loan shall be 3% for one month and 5% for three months.

ARTICLE 7 - SUSU LOAN

Susu Loan shall be mostly given to groups and each group shall have a name. This is to target the small-sized businesswomen and men who have stable flow of income from their businesses. This means that these business people shall be put into groups according to their respective trades.

ARTICLE 7.1 - TERMS/CONDITIONS

1. Each group shall have Chairman, Vice Chairman, Secretary, Treasurer, and at least a member.
2. The maximum members in a group shall be ten (10) and minimum of five (5).
3. The group shall have their own bye-laws to govern them. The Credit Union shall help them to get one at no cost.
4. Members of the group shall agree on a meeting day(s) per week to contribute or the Mobile Banker collects it on daily or weekly basis.
5. The contributed money shall be either sent to the Union by the Group Treasurer or the Union employed Mobile Banker.
6. The Mobile Banker shall issue receipt to the group after collecting the money from them.
7. The amount of loan to each member of the group shall be determined by each member's contribution per day or week or month and or total contribution.
8. No impulse contribution shall be accepted as the basis of determining the loan amount of a group member.
9. Loan shall be taken in the name of group with the loan amount stated in front of each member's name which represents what each member owes the Credit Union and the total amount represent what the group owes the Credit Union.

10. Default of one member affects all the members of the group.
11. The executives of the group shall be responsible for the repayment of the loan by each member.
12. Members shall apply for a new loan after all the members have fully paid their loans.
13. An individual who proves beyond doubt and has well established business shall be considered with such facility on its own merit.
14. The maximum period of repayment shall be twelve (12) months.

ARTICLE 8 – CHILD EDUCATION LOAN

This is a loan taken on behalf of a child who is less than eighteen (18) years of age by a member who does the savings on behalf of the child or ward.

ARTICLE 8.1 – TERMS AND CONDITIONS

1. The loan shall be for the child’s educational needs.
2. It shall also be for the child’s health.
3. It can also be for apprenticeship fee.
4. The child has contributed continuously for six months and has paid the minimum shares.
5. The maximum loan applicable shall be three times the total savings.
6. Where the amount applied exceeds the three times savings, the Loans Committee shall refer it to the Board for consideration.

ARTICLE 9 - GENERAL CONDITIONS

ARTICLE 9.1 - ELIGIBILITY/QUALIFICATION

1. Members of the Credit Union only shall be qualified to take loan from the Credit Union.
2. A member who qualifies to apply for loan should have contributed continuously as a member and saving for at least not less than six (6) consecutive months.
3. That member should have paid his/her entrance fees and bought his/her minimum shares fully.

4. The contribution made for loan as a new member must be with the Credit Union for at least six months.
5. A member may be considered for a new loan if the old loan balance can be paid or offset from the new loan amount.
6. A member who withdraws from the Credit Union and joins later will be treated as a new member.
7. A member who retires from the common bond but retains his/her membership shall be granted a loan not exceeding his/her total savings and shares.
8. A member shall not be granted a second loan unless he/she clears the existing loan in full.
9. Loan re-financing shall only be applied to only trustworthy members at the discretion of Management, and Loan Committee and where possible refer to the Board.
10. All loans must be applied for in a written and on prescribed application form.
11. All loans that exceed the member's savings shall be guaranteed by two members before submission.
12. The other loan terms set in the Bye-Laws are applicable also.

ARTICLE 9.2 - LOAN APPLICATION

1. A member who is in need of loan shall first put it in writing and submit to the Credit/Loan Officer.
2. All loans shall be made on a prescribed loan application form provided by the Credit Union to the Applicant
3. The applicant shall fill the loan form correctly and truthfully, and provide guarantors, if necessary, before submission to the Credit/Loan Officer.
4. The application form shall set out the amount applied for, the purpose of the loan, the terms of repayment, and the type of security.

5. Loan application shall be considered in the order in which they are received provided that there are funds available.
6. However, preference shall be given to smaller loans, most especially emergency loans.
7. All rejected application forms must be sent to the Board of Directors with reasons.

ARTICLE 9.3 - AMOUNT OF LOAN

1. The loan amount shall be determined by considering the member's savings balance and how regular the saving is being made.
2. The nature of the loan and purpose.
3. Considering the members credit worthiness.
4. Credit Limit; that is the maximum amount.

ARTICLE 9.4 - THE UNION'S LOAN LIMITATION

1. The total loans granted to members at any period shall not exceed 70% of the net worth of the Credit Union.
2. Net worth means total shares, savings and reserves. This is set up to ensure that the Credit Union maintains sufficient operational funds.
3. The offices should not grant loans more than 70% of the total loan repaid and 50% of total savings mobilised during each month unless approved by Management.
4. The loanable funds shall be the loan repayment and savings mobilised.

ARTICLE 9.5 - LOANABLE FUNDS

1. 70% of the current loans recovery shall be set aside for loans.
2. 50% of all savings products that are not meant for investment shall be set aside for loans.

ARTICLE 9.6 - MEMBER'S LOANS LIMITATION

1. The lending ratio shall be member's regular savings, trustworthiness and ability to repay.

2. The limit per member will be determined by the result of the analysis of the loan using the 5C's as the lending criteria.
3. A member may be given thrice or less than thrice or exactly his/her savings depending on the 5Cs and available funds as well as fulfilling the other conditions of this Loan Policy.
4. The total loan to be given to a member shall not exceed twenty percent (20%) of the total savings of the Credit Union.

ARTICLE 9.7 - APPROVAL OF LOANS

1. All loan application forms that are not received two (2) days before Loans Committee sitting shall not be considered till next sitting.
2. The Credit/Loan Officer has to check the correctness of all filled loan forms before Loans Committee meeting for loans approval.
3. The Loan Committee shall be responsible for approval of all loans applied by all members, Staff, Board, Supervisory and Education Committee.
4. The Management, Supervisory, Education Committee and Board's loans must be referred to Board after Loans Committee approval and the Board shall document it in their minutes before payment is made.
5. Board shall approve the loans of the Loans Committee and record it in their minutes before payment is made.
6. All loans within savings shall be approved by the Manager irrespective of the amount involved.
7. All loans that need to be referred to the Board must be done by the Loans Committee.
8. All loans applications shall be appraised and approved in the order in which they are received at the office of the Credit Union.
9. All loan applications shall be considered on merit with a strict enforcement of the 5Cs which are:

- a. Character – honest, responsible, truthful or regular in saving.
 - b. Capacity to repay – borrower’s income and other debts.
 - c. Collateral Security – guarantors. The guarantor is jointly and severally liable to repay the loan.
 - d. Capital – amount required (under/over funding).
 - e. Circumstance – the capacity of the Credit Union in terms of liquidity.
10. The Loans Committee shall meet at least two (2) times in every month to consider loan applications for appraisal and approval.
11. The Loans Committee may approve the loan amount such as follows:
- a. The full amount applied for or reduce the amount if need be.
 - b. Demand documents or approved evidence or visit to site in support of a loan application or/and its documents.
 - c. Refer an application to the Board of Directors for further review or consideration.
 - d. Shall state the reason(s) for their decision taken if referred to the Board.
12. The Loans Committee shall approve all loans by majority decision at their meetings to appraise and approve loans.

ARTICLE 9.8 - GRIEVANCE PROCEDURE

- 1. Any member who feels aggrieved when his/her application is rejected or disapproved may appeal to the Board for redressing.
- 2. Any Board /Loan Committee member who feels aggrieved when his/her loan is rejected or disapproved may appeal to the Supervisory Committee/internal auditors for redressing.
- 3. Any Supervisory Committee or Staff member who feels aggrieved when his/her loan is rejected or disapproved may appeal to the Board of Directors.

ARTICLE 9.9 - DISBURSEMENT OF APPROVED LOANS

1. The Loans Committee shall handover all loan forms back to the Credit/Loan Officer after working on them.
2. All approved loans shall be sent to the Manager by the Credit/Loans Office for arrangement for disbursement.
3. All rejected loans shall be sent to the Board by the Loans Committee.
4. Manager shall make arrangement to disburse the loan based on the provisions in this Loan Policy.
5. Where amounts applied for are approximately the same, preference will be given to amount, purpose and period of the loan based on the following:
 - a. Emergency loans.
 - b. Members who have never had loans.
 - c. New members who have qualified for loans.
 - d. Members who have cleared their previous loan and have applied for new loans.
6. The Accountant shall be responsible to ensure that payments are done properly and the right documents and records are accurately done in their respective accounts and books.
7. The Credit/Loan Officer shall be responsible for all ledger cards or entry into the software the loan amount as disbursed.

ARTICLE 9.10 - LOAN REPAYMENT

1. A loan repayment schedule shall be prepared by Credit/Loan Officer and given to the member showing installment of the principal loan, interest and date of repayment for the member's endorsement.
2. A copy of the repayment schedule shall be filled by the Credit/Loans Officer.
3. All loans must be paid in accordance with the terms of the loan.

4. All loans can be paid daily, or weekly and at most monthly.
5. All installments must be paid with principal plus interest on at most monthly basis.
6. All loans shall be repaid through cheque or bank standing orders or cash or all the three.
7. Maximum duration for repayment period of loans shall be three (3) years or thirty-six months (36) unless otherwise that type of loan has less period of repayment than the three years.
8. If a loan beneficiary fails to honour the terms of the loan at the maximum period, his or her savings shall be used to defray the remaining loan.

ARTICLE 9.11 - LOAN CHARGES

1. All loan application forms shall be sold to members applying for loans at GH¢10.00 per form. From time to time, it shall be changed by the Board.
2. The interest on loans shall be at most 2% per month depending on the type of loan and CUA shall decide on the minimum rate of interest.
3. Overdue loan collection expenses shall be paid by the member involved.
4. An interest rate of not less than 10% may be charged on all overdue loans.
5. The Board can review the charges at a time deemed necessary.

ARTICLE 9.12 - INTEREST ON LOAN

1. Interest rate shall be fixed from time to time by the Board of Directors.
2. A penalty rate of interest shall be charged at 10% on overdue loan balances not paid by the agreed date.
3. The interest shall be paid first before the principal loan.
4. With software, it shall be deducted from source that is from members savings.
5. With software, members shall only save and it is the duty of the Credit/Loan Manager to ensure that deductions have gone through.

ARTICLE 9.13 - SECURITY

1. Every member receiving a loan shall execute a bond in favour of the Credit Union in the prescribed form of promissory note for the amount received and the interest to be incurred
2. All loan balances in excess of the borrower's savings and shares must be secured by a guarantor(s).
3. The total savings/shares of the borrower and the guarantor's amount must be equal or more than the loan amount applied for.
4. The guarantor shall be a member of Bonyere Teachers Cooperative Credit Union.
5. The Board, Loans, Supervisory and Education Committee members, and members of staff are **not** permitted to co-sign a loan application form for a general member in order to avoid influencing the decision on the application.
6. The Board, Supervisory, Education, Loan Committee and staff can guarantee for one another only with the exception of Loans Committee who cannot guarantee for the Board, Supervisory and members of staff.
7. The Loans Committee can guarantee for one another and also the Supervisory/Education Committee and members of Staff can do so for them but **not** the Board of Directors.
8. The general members can guarantee for the Board, Supervisory, Loan Committee and members of staff.
9. All loan applicants less than 70 years must be protected by the Loan Protection Plan (LPP) against death and total disability.
10. The security of loans and their released terms set in the Bye-Laws are all applicable here (sections 24 to 26).

ARTICLE 9.14 - LOAN PROTECTION PLAN

1. The Credit Union shall insure all personal loans in the name of person against death or total disability of the member (borrower).

2. If it is loan within savings or less than savings balance that may be optional depending on the amount.
3. The member shall pay the premium to the Credit Union.
4. The Credit Union shall pay the total premium for each month to CUA through chapter.
5. Loan of joint account, association and business are not included.
6. The insurance policy protects the members and their families against financial losses and difficulties in paying for a member's loan when he/she dies or suffers total disability (proof by certified doctor's report).
7. When Credit Union member takes a loan, he/she has an obligation of repaying the loan with interest.
8. In the process of paying the loan and the unexpected happens (i.e. death or permanent disability) the insurance comes in to pay for the entire loan outstanding to the Credit Union and refund to the member the portion paid to the Credit Union before the event.

ARTICLE 9.15 - DEFAULTERS AND WITHDRAWALS

1. Where a member wishes to withdraw from the Credit Union his/her membership, he/she shall be required to give the Credit Union a written notice of **not less than one month (30 days)** of his/her intention to withdraw/resign.
2. No member shall be allowed to withdraw his/her membership unless the loan is repaid in full or loan balance can fully be used to off-set the member's savings.
3. Such member will also have to satisfy the Credit Union that all loans guaranteed have been paid in full or the loan balance does not exceed the savings of the member whose loans were guaranteed or his savings used as guarantee has been released.
4. No member shall be allowed to withdraw his/her savings unless he/she has settled in full all loan outstanding balances.

ARTICLE 9.16 - LOAN DELINQUENCY MANAGEMENT

Loan delinquency is where a member who has contracted a loan fails to pay the installment as agreed upon on the due date or miss payment that is due to be paid. It is a delinquent loan because the member has missed payment of installment that is due for payment but the full loan agreement period has not expired. If not monitored and followed the laid down steps to collect the loan, it will lead to default that is the loan agreement period shall lapse without full payment.

ARTICLE 9.17 - DELINQUENT LOANS' ADMINISTRATION

1. A delinquent loan by definition shall be any loan not paid as agreed upon after the due date unless an extension is granted.
2. Credit/Loan Manager shall submit to Manager a list of all delinquent loans.
3. Manager shall also discuss it with management and Loans Committee such list.
4. The Loans Committee or any other person(s) chosen by the Board of Directors should embark on loans recovery exercise.
5. The Loan Collection Officer shall be responsible to follow up loans or collect loans and report the feedback to the Credit/Loan Manager.
6. Credit/Loan Manager shall be responsible to track delinquent loans and report to Manager for action.
7. Manager and Loan Committee shall report delinquent loans and steps taken to collect them to the Board.
8. Manager and Loans Committee shall report delinquent loans to the Board.
9. Manager and/or Credit/Loan Manager shall maintain a record of all delinquent loans listed according to the length of time such loans have been in delinquent and the necessary steps taken to recover them.

ARTICLE 8.18 - PROCEDURE FOR DELINQUENT LOANS RECOVERY

1. When a member misses the mark one day, the Credit/Loan Collection Officer has to call (telephone) and remind the member of his/her delinquency.
2. After a week time, the Next step is that the Loan Collection Officer shall go to him/her personally to know the member's problem.
3. On the third week, invite the member to the Credit/Loan Manager and Manager.
4. Should the member miss repayment of the loan within 30 days after due date, the Credit/Loan Manager shall contact the member and the guarantor(s) out-lining the consequences of delinquency to them in person.
5. Stop giving loans to the guarantors until the borrower set them free.
6. Secondly, a reminder letter should be sent to them if payments are not done within the agreed date or not forthcoming to fulfill previous negotiation and the necessary steps that are about to be taken.
7. If no reply is received within (10) days of the reminder letter, then personal visit may be by the Board or Loans Committee or a representative (Loan Manager/Officer/Manager) to request for repayment.
8. If payment is still not forthcoming from the borrower, the Board shall consider writing off the shares and savings of the borrower and/ or the guarantor(s) or disposing of any collateral security used to secure the loan, process to controller for deductions or the bank of receiving salary (where applicable) and/or liquidation of the loan.
9. The Credit Union may sell the loan debt to a Debt Collection Agency.
10. Legal action shall be taken where all the steps above have been taken and still there is outstanding debt to collect.
11. A delinquent register or list must be kept by the Credit/Loan Manager or /and the Credit/Loan Collection officer.

ARTICLE 9 - WHO IS RESPONSIBLE FOR LOAN COLLECTION

1. The Board shall be responsible for loan collection.
2. The Loan Committee shall be responsible for loan collection.
3. The Manager shall be responsible for loan collection.
4. The Credit/Loan Manager shall be responsible for loan collection.
5. The Management shall be responsible for loan collection.
6. The Supervisory Committee shall see to it that those responsible are taking the necessary steps to collect the loans.

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