



SAVINGS AND CREDIT POLICY

1. INTRODUCTION

The purpose of this Savings and Credit Policy is to outline supporting guidelines of the SACCO's savings and credit activities by ensuring the presence of thorough credit appraisal and proper monitoring of all outstanding loans in line with the SACCO's by-laws and The Sacco Societies Act.

2. THE SAVINGS AND CREDIT COMMITTEE.

The savings and credit Policy is intended to:

- a. Granting loans on a solid and recoverable basis.
All appropriate efforts shall be made to maintain a sound and balanced portfolio in terms of achieving an adequate level of liquidity and the resources channelled as loans.
- b. Minimising portfolio risk and guaranteeing its quality
While disbursing credit, all possible risks shall be kept at the very minimal by timely follow-ups, periodic evaluations of the portfolio's asset quality and the adoption of timely measures for loan recovery.
- c. Serving SACCO members' real credit needs
Provide timely and adequate responses to any loan applications while maintaining adequate social response which shall be guided by sound lending principles thus enhancing members' confidence.
- d. Carrying out the lending process within a legal and ethical framework
The Credit Committee along with the Executive Committee shall carry out loan processing with professionalism and in line with the ethical principles, avoiding any possible conflict of interest.
- e. Initiating the SACCO's sustainable development process
The structure and profitability of the loan portfolio shall be evaluated periodically so as to guarantee reaching an adequately sustainable level, making it possible to increase the institutional capital by 8% over its total assets.

3. COMPOSITION, CONSTITUTION AND APPOINTMENT OF THE CREDIT COMMITTEE

- a. Composition

The committee shall have five members comprising the following:

- Savings and Credit Coordinator – also the lead and chair of the committee

- Two assistant savings and credit coordinator
 - Two Sacco members who are not members of the management or executive team.
- b. Constitution

The committee shall be constituted as guided by the Sacco by laws.

c. Appointment

Appointment of the Coordinator and the two assistants shall be done by proposal and approval by members at the AGM. If within the year they management can propose and approve someone in an acting capacity subject to approval at the AGM.

4. RESPONSIBILITIES AND DUTIES OF THE CREDIT COMMITTEE AND THE TECHNICAL CREDIT COMMITTEE.

- Reviewing from time to time the credit portfolio of the Sacco.
- Developing procedures and borrowing guidelines and ensuring that the Sacco guidelines are followed and in line with the Sacco regulations.
- Review of the credit products - terms, interest rates, collateral and other related matters as necessary.
- Ensuring that the granting of a loan and lending conforms to the approved credit policy
- Ensure non-performing credit facilities are adequately identified and classified in accordance with the classification criteria prescribed in the Sacco regulations
- Ensure that appropriate and adequate provisioning for potential loss are made and maintained at all times
- Approving of credit applications from members.
- Ensuring that the collaterals are verified, valued and safely kept.
- Ensuring that the savings and credit department complies with reporting requirements requirements.
- Maintaining the loans book.

5. LENDING CONDITIONS

Any qualifying member for a loan shall have, as a minimum, met the following basic requirements:

- a. A member must have completed at least six months of active membership and made minimum six months continuous monthly savings of KSH 10,000 and must be up to date with their savings payment or as may be reviewed from time to time by the Savings and Credit Committee.
- b. A member who withdraws from the SACCO and re-joins will be treated as a new member for the purpose of this loan policy.
- c. A member who transfers his/her deposits from another SACCO will be deemed to be a NEW member who will need to be active for a minimum period of 6 continuous months and must be up to date with their savings before he/she would qualify for any loan. A new member who buys deposits from an existing member will be deemed to be a new member for the purpose of this policy.
- d. Boosting of deposits by cash lump sum deposit will qualify for lending and payment of dividends after a minimum period of 3 months.
- e. All loan applications shall be made on a prescribed form by the Savings and Credit Committee and shall in each case set out the amount applied for, the purpose of the loan, terms of repayments and type(s) of security provided. The loan application form must be fully completed and supported by acceptable certified income statements as per the loan requirements.
- f. All loans shall be approved by the Savings and Credit Committee. No member of the loan approving Committee shall be present when their loan is being considered (so as to avoid any conflict of interest). In such a case a member of the executive must join the committee in deciding the loan.
- g. The Savings and Credit Committee may at any time request for more information or summon or cause to be summoned a loan applicant to appear before it personally to be interviewed in respect of his/her application for a loan.
- h. A loan may not be granted if a member is in default for a period exceeding two months on the previous loan or interest on it. The new application for a member who had previously defaulted can only be made after a minimum of six months' probation.
- i. Falsification of any information in the application form shall lead to automatic disqualification and shall constitute an offense as per the Cooperative Societies Act and SACCO By-laws.
- j. Loan applications shall be considered in the order in which they are received, provided that whenever there are more applications for loans than there are funds available, preference will be given in all cases to smaller loans. However, where amounts applied for are approximately the same, preference will be given to loans for shorter periods.

In the following order, the following preferences shall also be given:

- i. Members who have not had loans before

- ii. New members who have qualified for fresh loans
 - iii. Where the purpose for which the loan is applied is deemed to be urgent
 - iv. Old members who have cleared first loans without defaulting and have applied for fresh ones
- k. The Credit Committee shall meet at least twice a month or as situations may warrant, to review all loan applications. All applications will be considered and priority will be given to those applications determined as most deserving under this policy.
- l. The Credit Committee will from time to time review and propose changes to interest rates on loans and any fees for services based on market rates. Once reviewed, interest rates can only be changed after a minimum of six months from the effective date of the previous change.
- m. The repayment period may be determined by the Credit Committee but in all cases shall be as per the terms and conditions of a specific type of loan.
- n. No member will be allowed to refinance a loan unless he/she has paid at least 75% of a previous loan.
- o. No member shall be allowed to withdraw part of his/her non-withdrawable deposits or offset part of the outstanding loan against non-withdrawable deposits unless he/she ceases to be a member.
- p. All loans shall be granted within the member's eligibility.
- q. At every regular meeting of the Executive Committee, the item loans shall appear on the agenda, and the savings and credit coordinator shall have the opportunity to present an up-to-date list of all the loanees (including defaulters), showing the following details:
 - Member's name
 - Account number
 - Date of loan
 - Unpaid balance on loan
 - Number of months delinquent
 - Loan performance classification and provision
- r. Insurance and other costs. The Sacco shall ensure that all loans granted or issued by the Sacco society are adequately secured. All loans shall therefore be insured to minimise any risk to the Sacco which might arise due to default which might be caused by death of a member, incapacitation or other acceptable reasons. Insurance costs and other costs incurred in the disbursing of loans shall be transferred and borne by the applicant member. These costs shall be included to the amount applied before calculation of monthly repayment and disclosed to the applicant.
- s. Member statements. Every member will be provided with a statement for each outstanding credit facility with adequate details of each transaction made during the period. This shall be provided at least annually or upon request.

6. LOAN DELIQUENCY AND CLASSIFICATION

6.1 All loans shall be classified into five categories on the basis of the following criteria:-

- a. **performing loans**, being loans which are well documented and performing according to contractual terms; provided for loss at one percent (1%)
- b. **watch loans**, being loans whose principal or interest have remained un-paid for one day to thirty days or where one instalment is outstanding; provided for loss at one percent (5%)
- c. **substandard loans**, being loans not adequately protected by the current repayment capacity and the principal or interest have remained unpaid between thirty-one to one hundred and eighty days or where two to six instalments have remained outstanding; provided for loss at one percent (25%)
- d. **doubtful loans**, being loans not adequately protected by the current repayment capacity and the principal or interest have remained unpaid between one hundred and eighty-one to three hundred and sixty days or where seven to twelve instalments have remained outstanding; provided for loss at one percent (50%); and
- e. **loss loans**, being loans considered uncollectable or of such little value that their continued recognition as receivable assets is not warranted, not adequately protected and have remained unpaid for more than three hundred and sixty days or where more than twelve instalments have remained outstanding; provided for loss at one percent (100%)

6.2 A restructured loan may be reclassified if a sustained record of performance is maintained for six months or six instalments have been made from the date of the restructuring; Provided no loan shall be restructured more than once without the approval of the board of directors in its life cycle.

6.3 All interest on non-performing loans and advances shall be suspended once a loan is classified as sub-standard, doubtful and loss and shall not be treated as income and interest in suspense shall be taken into account in computing provisions for non-performing loan accounts.

6.4 At no time shall accrued interest income arising from loans exceed thirty days earnings of the entire loan portfolio.

6.5 A sectoral loan classification shall be submitted to the regulator and shall detail the following:

- a. Name of the member in full
- b. Member's unique number
- c. ID or passport number of the member
- d. Gender of the member

- e. Date of Birth
- f. Loan account numbers
- g. Date in which the loans were advanced
- h. Purposes of the loans
- i. The economic sectors in respect of which the loans are meant to finance; and
- j. The repayment period of the loans in months

7. GUARANTEE

- a. Unless the loan applied for is equal to or less than a member's withdrawable deposits, it must be secured by guarantors.
- b. The total withdrawable deposits of the borrower and those of the guarantor(s) must be equal to or more than the loan applied for.
- c. All guarantors must be members of the society. No members shall be allowed to guarantee more than his/her total withdrawable deposits.
- d. No director, officer, employee or a member of the board (executive) of a SACCO shall act as a guarantor of any person with respect to a loan advanced or credit facility granted to a person by that society and shall not guarantee loans among themselves.
- e. The Society shall maintain a record of all guarantors to every loan in each member's personal file.
- f. The obligations of the previous guarantors shall cease upon change of guarantors but subject to new guarantors being accepted by the Society, and also when loans guaranteed have been reduced to or less than the member's withdrawable deposits.
- g. Unless the loan applied for is equal to or less than a member's deposits, it must be secured by a guarantor(s) whose total deposits and the borrower's must be equal to or more than loans applied for.
- h. No member shall be allowed to guarantee more than two loans.

8. SECURITIES FOR LOANS

The Sacco society shall ensure that:

- a. all loans granted or issued by the Sacco society are adequately secured; and
- b. a member is not allowed to offer a guarantee for a loan that exceeds the member's capacity to secure the loan.
 - i) The Sacco shall, at least once in every year, adequately inform a member of the performance of a credit facility for which the member has given a guarantee.
 - ii) The Sacco shall not grant a loan or credit facility if the member offers his or her core shares in the Sacco society as security for the loan.

- iii) Pledges in form of land title deeds or insurance policy certificates up to 70% loan to value may be accepted. The Society shall process such documents at the loanee's cost and shall deposit such documents in the bank for safe custody; but must be handed back to the member immediately the loan is cleared.
- c. Confirmation as regards the validity of the articles so pledged from the issuing authority shall be obtained before such documents can be admitted as security for any loan.
- d. A member's non-withdrawable deposits shall not be used or pledged as security for loan.
- e. Being a last resort action upon which the Society can fall back to if the proposal does not materialise, the security shall have the following features:
 - i. Its value must adequately cover the loan (principal and interest) and leave a reasonable margin.
 - ii. It must be easy to dispose (sell)/ liquidate.
 - iii. It should be the type whose market value appreciates with time.
 - iv. It must be owned by the member.

9. PERFECTING OF SECURITIES

- a. All the security offered as collateral for loans shall be dully perfected in accordance with the legal provisions.
- b. All the necessary valuations and inspections shall be undertaken by the Society's appointed and registered valuer, at the borrower's expense before funds are released to them (borrower).
- c. The securities shall be fully insured against all risks and the premiums must be paid up to date and the society's lien incorporated in such policy.
- d. Any encumbrances to the security shall be determined and the Society's charge against such securities must be registered with the relevant office.
- e. All the security documents of ownership shall be submitted to the society for safekeeping and charging in accordance with existing legal provisions.
- f. The titles to the securities offered must be clean, all government rates, rents and licences must be paid up to date.
- g. A certificate of security compliance shall be signed by the credit officer and a copy attached on the loan application before funds are released to the borrower. Such certificate shall indicate that various items in the security perfection have been accomplished.
- h. The valuation of the property and the legal fees shall be paid by the member. The valuer shall be a person registered under the law.

10. EXERCISE OF GUARANTEE

- a. After one month of non-payment, the defaulter shall be notified in writing about his/her delay to service the loan.
- b. If by the second month his/her repayment has not regularised, a demand notice shall be written to him/her and copied to the guarantors.
- c. After the third month of non-repayment, the guarantor(s)' deposits shall be used to offset the outstanding loan without further notice.

11. APPEALS

Whenever a member feels that his/her application has not been considered fairly, he/she shall appeal to the Executive Committee through the Credit Committee within fourteen days of the decision date, stating in writing the grounds for their appeal. The Executive Committee's decision which shall apply with immediate effect shall be final.

12. WITHDRAWAL FROM THE SOCIETY

- a. Where a member wishes to withdraw from the society's membership, he/she may be required to give the society a written notice of up to 60 days of his/her intention to withdraw.
- b. No member shall be allowed to withdraw from the Society's membership unless the member's loan is repaid in full or the loan balance can be fully offset by the member's savings. Such a member shall have to satisfy the society that all loans guaranteed have been paid in full.
- c. A member who withdraws due to retirement or resignation will be required to clear all outstanding loans and provide alternative guarantors for loans guaranteed before retirement or resignation.
- d. Where a member who is retiring or resigning is not able to clear immediately, he/she will be required to make arrangements with the society for repayments.
- e. The member wishing to withdraw guarantorship must ask the loanee to provide alternative guarantee.
- f. The Society will be required to ensure that no loan is granted whose repayment period goes beyond the retirement/resignation date of a member.
- g. A member may be refunded the amount saved in their non-withdrawable deposit account within sixty (60) working days after giving a written notification. Registration fee and share capital are not refundable. Share capital can only be transferred to another member within the SACCO.

13. GENERAL POLICIES

The following are the general policies that shall govern the SACCO's activities:

13.1 Access to the Credit Service.

The SACCO shall offer its credit services to its membership that meet creditworthiness who shall be entitled to submit their loan applications fully completed, and receive a response thereto, either approving or declining it within fourteen days of receipt date.

13.2 Credit Orientation.

The SACCO shall intend to direct all its loans majorly toward productive purposes, provided the membership demands this type of credit.

13.3 Basis for Granting Loans

The SACCO's loan portfolio shall consist entirely of recoverable loans, the granting of which shall be determined both by the member's ability (capacity) to repay and the quality of their security.

13.4 Balance between Risk and Efficiency

Any credit service is a risky undertaking affected by several variables, some of which are within and others outside the control of the SACCO. Depending on the amount placed at risk (credit given out), the SACCO shall strive to maintain an adequate balance between safety, competitiveness and quality of credit service it gives through sound analysis. The larger the amount requested, the more thorough the SACCO's analysis process.

13.5 Protecting the Loan Portfolio

The SACCO shall periodically evaluate the quality of its portfolio and make adequate provisions for its protection. The SACCO shall evaluate 100% of all loans delinquent for more than 6 months. After exhausting all collection measures including the completion or stagnation of court action, the SACCO shall charge off loans rated as unrecoverable, against shares and savings of the borrowers and guarantors of these loans.

13.6 Loan Competitiveness and Timeliness

For the sake of ensuring a timely and adequate response to each member's individual situation, an on-going analysis of their needs shall be maintained and new credit products developed or/and the existing ones re-aligned according to changing needs. The SACCO shall endeavour to advise its willing members prior to granting their loans by orienting them to their true capabilities, especially regarding amounts and deadlines most suitable both for them and the SACCO.

13.7 Credit Service

Because of the need to maintain an adequate level of liquidity to meet members' demand for savings withdrawals and at the same time set up an adequate structure in the loan portfolio, the total amount of the SACCO's disbursed and outstanding loans shall NOT exceed 85% of the SACCO members' deposits

13.8 Loan Disclosure

To the members, the SACCO shall provide debt/loan disclosure information, highlighting any loan charges, interest rates, other charges and penalties. Members shall be required to sign and take a copy of the loan disclosure document. This information shall be explicit in the loan agreement form.

14. TYPES OF CREDIT FACILITIES

The Executive/Credit Committee is at liberty to develop new loan products and offer them for disbursement as it may deem appropriate for the benefit of Stoke UK Diaspora SACCO Ltd and its membership, who upon meeting lending requirements, will be entitled to the following loan products:

- a. Personal loan
 - i. The maximum sum disbursed is Ksh two million (2,000,000). Higher amounts can be borrowed subject to availability of funds and the borrower's ability to repay.
 - ii. The loan is payable within a maximum period of thirty six months (36) or as may be approved by the Credit Committee from time to time.
 - iii. A member's entitlement shall not exceed four times (x4) their total deposits.
 - iv. A member's and their guarantor(s)' shares are used as security
 - v. The interest charged shall be 1% p.m or 12% p.a on reducing balance or as may be proposed by the credit committee and approved by the Executive Committee from time to time.

- b. Emergency/instant loan
 - i. The maximum sum disbursed is Kshs four hundred thousand (400,000)
 - ii. The loan is payable within twelve months (12) or as may be approved by the Executive/Credit Committee from time to time.
 - iii. A member's entitlement shall not exceed four times (x4) of their total deposits
 - iv. Only a member's deposits are used as security
 - v. The interest charged shall be 1.5% per month on reducing balance

- c. Development loan
 - i. The maximum sum disbursed is Ksh five million (5M)
 - ii. The loan is payable to a maximum sixty (60) months or as may be approved by the Executive/Credit Committee from time to time
 - iii. A member's entitlement shall not exceed three times of their total savings
 - iv. Must be fully guaranteed by self and other member(s)' shares
 - v. The interest charged shall be 1% per month on reducing balance or as may be proposed and approved by the Executive Committee from time to time
 - vi. A member shall qualify for only one development loan at a time.

15. LOAN REPAYMENTS

- a. Every loan shall be paid off according to the original agreement and for no reason or circumstance will the due dates be restructured, extended or amended without the authority of the Executive Committee.
- b. A member will honour their pledges by commencing repayment not later than end of first month of loan disbursement
- c. A member or their appointee must sign with their bank a standing order in respect of the authorised loan repayment schedule which they shall present to the SACCO before their loan is formally released to them.
- d. A member may repay his/her loan and interest in whole or in part prior to its maturity
- e. All loan repayments shall cover the principal sum, current interest and maintenance of the monetary value, as well as the respective late interest, if called for.
- f. No member shall be allowed to withdraw part of his/her deposits or offset part of the deposits against an outstanding loan unless he/she first ceases to be a member.
- g. Any legal action taken by an attorney/court is only as a last line of protection and not the first.
- h. A member's deposits pledged as security for another member's loan shall not be surrendered to offset his/her outstanding loan, unless the former can provide alternative security for the latter's loan.
- i. It is the responsibility of the member and/or their guarantor(s) to ensure that loans granted to the member is/are promptly and adequately serviced.

16.SAVINGS FACILITIES

16.1 Main Savings Account

- I. This is the main membership account and it is mandatory according to the Sacco by-laws,
- II. It does not require a minimum opening balance,
- III. Requires a minimum of ten thousand (Kshs 10,000) every month,
- IV. Can be used as collateral for borrowing of loan(s),
- V. Members are entitled a credit/loan up to four times their savings,
- VI. This account attracts interests based on the Sacco's profitability.
- VII. Closing the account requires a minimum of sixty days' notice communicated to secretary or the credit committee. A processing fee of Kshs 1,000 is chargeable.

16.2 Children's Account

- I. This is for members who would like to save for their children below the age of 18 years
- II. Earns interest compounded yearly at an interest rate similar to the main savings account
- III. Can be used to guarantee a members credit facility
- IV. Processing fee of Kshs 1,000 changeable on redemption
- V. A minimum opening balance of Kshs 10, 000 is required
- VI. Converts into main savings account once the child turns 18 years.
- VII. Closing the account requires a minimum of sixty days' notice communicated to secretary or the credit committee.

16.3 Holiday Savings Account

- I. Allows savings ahead of a member's holiday.
- II. A minimum opening balance of Kshs 10,000 is required
- III. Withdrawal requires a minimum 14 days' notice.
- IV. Processing fee Kshs 1,000 is charged on withdrawal

16.4 Fixed Deposit Account

Allows members to deposit large sums for a given period

Minimum amount a member can fix is Kshs 100,000.

Automatic roll over is allowed

Interest rates depend on period fixed as follows:

- 3 months – 2%
- 6 months – 4%
- 9 months – 5%

- 12 months – 6%

17. LEGISLATION

All loans and deposits shall be made in accordance with the provisions as contained in the following legislation:


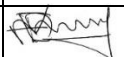


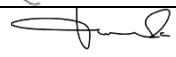
- The Co-operative Societies Act number 12 of 1997 as amended in 2004;
- The Sacco's By-laws;
- The SACCO Societies Act 20008 ; and
- Sacco Societies Non-Deposit Taking Business Regulations 2020

BOARD APPROVAL OF POLICY

This document was discussed and approved for implementation as a policy and procedures of the Society in respect to Information Communication Technology with effect from 03/05/2021

It is approved under Minute Number 4 of Board of Directors Meeting held on 21/03/2021

APPROVED BY:

No.	Name	Position	Signature	Date
1	Isaiah Oino	Chairman		21/03/2021
2	Erastus Kiage	V/Chairman		21/03/2021
3	Stephen Onyambu	Secretary		21/03/2021
4	Jeremiah Obegi	Treasurer		21/03/2021
5	Joshua Ngeresa	Board Member		21/03/2021