WEZA SACCO SOCIETY LOAN POLICY

Loan policy document

WEZA SACCO

00100-46179 – Nairobi Kenya

www.wezasacco.or.ke

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NTRODUCTION

WEZA SACCO SOCIETY LTD, is a Savings and Credit Co-operative Society registered under the co- operative Societies Act (CAP 490) Laws of Kenya with the registration number CS/NO.10212. It was founded in 2003 by the African Institute for Capacity Development (AICAD) and later was affiliated with other parties of non-common bond.

The primary aim of Weza Sacco is to provide members with an avenue to make savings and access credit for productive purposes.

MOTTO: Partnering in Meeting Your Financial Needs

VISION: To Empower Members Through Mobilization of Savings and Provision of Credit To Improve Their Socio-Economic Status.

MISSION: To Be the Leading Sacco That Transforms People's Life Through Quality Financial Services

CORE VALUES: Confidentiality, Transparency, Accountability, Professionalism, and Customer Focus.

The key objective of the SACCO is to promote the interest of members through provision of loans and also providing an avenue for savings and encouraging thrift.

The terms and conditions of the loans advanced to the members are as agreed by members and forms part of the loans policy of WEZA SACCO which is approved by members at the Annual General Meetings.

SCOPE OF CREDIT POLICY

1.1. The purpose of this credit policy is to provide the Sacco with a credit framework on how to advance loans to its members.

1.2. The document will define who is eligible for loans, the Sacco products, the application process, appraisal, approval, appeal, monitoring, control and recovery.

1.3. It will also define the recovery period of the loans and what measures are in place in case of loan default among others.

1.4. The ownership of the credit policy has also been spelt out in the document.

MEMBERSHIP

MEMBERSHIP BOND.

Weza Sacco Ltd is formed by AICAD members and its affiliated parties.

MEMBERSHIP ENTRANCE

1.4.1. The Sacco Management shall allow admission in accordance with the Sacco by-laws, and eligible applicants must meet the requirements set out in the By-laws;

a) Complete a membership application form and attach the following documents
   i) Copy of the National Identity Card.
   ii) KRA PIN Certificate
   iii) Two passport size photos

b) Pay a non-refundable application/entrance fee as will be specified from time to time.

c) Complete a duly filled membership application form.
d) Sign a commitment form to save a minimum monthly amount of **Kshs.2000**
e) Purchase a nominal share capital of min of **Kshs.5000/-**
f) However; the share capital may be varied from time to time to allow compliance with the applicable laws.
g) Savings contributions shall be paid through check-off system by employers, cheque or bank deposit.
h) A member who withdraws from the Society and rejoins later will be treated as a new member and shall pay a membership re-entrance fee as will be determined from time to time.
i) A new member will qualify for a loan (s) after being a member of the Sacco and is up to date with contributions after at least six months.

MEMBERSHIP RIGHTS AND OBLIGATIONS.

a) A member shall have the right to use the society's services and exercise the rights established by the cooperatives Act and Sacco by-laws
b) Receive quarterly individual member statement of accounts containing records of his/her credit and debit transactions.
c) A charge will be levied for any additional statement requested outside the quarterly ones that are issued.
d) To attend and participate in decision making during the society's AGMs and Education meetings, each member shall have one vote irrespective of shares held.
e) The member shall protect the image of the society and avoid unnecessary publicity, incitement or careless talk that can injure the reputation of the society.
f) Members shall honor their obligations to the Sacco without fail and save regularly with the society.

TERMINATION OF MEMBERSHIP.

1.4.2. Membership in the society shall be terminated upon a member;

a) Voluntary withdrawal
b) Death
c) Insanity or being declared bankrupt by a court of law
d) Failing to contribute shares/savings or repay loans for three consecutive months.
e) Transferring shareholding and withdrawal of deposits
f) Expulsion from membership if he/she acts contrary to the relevant provisions of the Co-operative Societies Act and/or the **WEZA** Sacco by-laws.

SAVINGS POLICY

The policy provides guidelines on all issues of savings by members/spouses/children, eligibility, limits, payment procedures and dormant accounts.

- Deposits – individual member's savings with the SACCO.
- Savings – can be used interchangeably to refer to deposits.
- Active member – Individual member who has been contributing the minimum monthly deposits consistently.

- Dormant member – Individual member who has deposits with the Sacco but has not been contributing the minimum monthly deposits consistently for more than three months.

MEMBERS SAVINGS ACCOUNTS (DEPOSITS).

This is compulsory to all Sacco members. Active membership is maintained by consistent monthly contribution of not less than the minimum deposits, in conformation with by-laws and Cooperative principles.

a) Savings should be made regularly, usually monthly by 10th of each succeeding month.
b) Weza Sacco minimum monthly saving is Kshs 2000/=, or any other amount revised from time to time. However, there are loan products that dictates higher minimum savings (Deposits).
c) Additional savings can be provided at any given time of the month per member's discretion.
d) A member can transfer membership from another Sacco without penalty.
e) Deposits cannot be withdrawn, either partially or in full, unless the member resigns from the Society.
f) Deposits form the basis of member's loan entitlement. A multiplier effect on a member deposit is dependent on the loan product and used to determine the amount of loan that a member can be advanced for each product.
g) Currently, the entitlement is three-times deposits subject to review from time to time or as specified by (Terms of References) TORS of the loan product.
h) Deposits of active members can be used as loan guarantee for self or others.
i) Deposits committed for loan guarantee cannot be claimed by the member, until freed from guarantor obligations.
j) Guaranteed deposits are considered held in trust by the SACCO while the loans are running.
k) Active deposits are eligible for any annual interest that shall be declared by the SACCO as surpluses for each financial year. The SACCO holds the discretion to deny annual interest on dormant members.
l) After the AGM resolution on distribution of surpluses is passed, interest on deposits earned can either be paid out directly to the member, used to reduce member's loan or ploughed back as savings per member's discretion.

DORMANT ACCOUNTS

- An account should remain active by regular (monthly) savings.
- Any account that is not credited with savings for 90 consecutive days (3-months) shall be considered as dormant.
- Members with dormant accounts shall be notified on bi-monthly basis and requested to submit their monthly remittances within 30-days of notice.
- If there is no action from the member within the 30-days, then a final reminder shall be sent for their activation action within a further 30-days.
- If there is no response after the second notification, then the account shall be considered dormant and the member asked to voluntary withdraw from the Society, within 30-days of the communication.
- If there is no response to the notice requiring their voluntary withdrawal, then the account shall be transferred in total to a standalone 'dormant account' to be created by the SACCO for such purposes.
- Dormant accounts shall not earn any interest
- Dormant members may apply for reactivation of their accounts in which case a reactivation fee of Kshs. 3,000/= shall apply.

- Dormant members will apply for a loan 3 months after reactivation of the account.
- Funds in the dormant account that remain inactive may eventually be transferred to 'unclaimed' account upon proof of continuous attempts to reach the members for their advice.
- Funds in the 'unclaimed' account may be transferred to the Unclaimed Financial Assets Authority (UFAA), a public trustee, as directed by the Act, Rules or by-laws, without further reference to the member.

LOANS

Money lent to members of the Sacco which needs to be paid back, usually with interest, over a set period of time.

LOAN ELIGIBILITY CRITERIA

In order to access any of the SACCO loan products, a member must satisfy the following conditions among others for the salaried employees:

a) A member must have saved with the SACCO for at least six months.

b) All total loan deductions must not exceed 2/3 of a member's monthly gross salary except on special conditions approved by the Executive Committee.

c) The total loans advanced must be guaranteed by other members' deposits saved with the SACCO.

WEZA SACCO PRODUCTS

The following are WEZA Sacco products. Terms and conditions apply:

NORMAL LOANS

i) Members qualify three times of their cash deposits and the maximum repayment period is 36 months.
ii) 14% interest charged on reducing balance p.a.
iii) Approval twice a month.

EDUCATION LOANS

I. Payable in 12 months
II. Up to ksh. 200,000.
III. 14% interest charged on reducing balance p.a

EMERGENCY LOANS

I. Processed within 48hrs.
II. Payable within 12 months.
III. Up to ksh. 200,000.
IV. 14% interest charged on reducing balance p.a

WEZA SALO ADVANCE

I. Pegged on pay slip (basic salary).
II. Payable in 3 months

III. 5% interest charged upfront

IV. Subject on members ability to pay

BAMBA SITA

I. Payable within 6 months.
II. 10% interest will be charged upfront
III. Penalty of 20% for defaulters, minimum of kshs. 2,500 will be charged.

OKOA JAHAZI

I. Payable within one month (1 installment).
II. 2.5% interest will be charged upfront.
III. Penalty of 20% for defaulters will be charged
IV. Up to Ksh. 10,000

BRIDGING FINANCE

I. A product intended to enable members obtain top up loans based on the outstanding balances at affordable rates.
II. To apply on normal loans only
III. A member MUST have paid at least 75% of the initial loan disbursed.
IV. 4% interest is charged on outstanding balance at flat rate.

WITHDRAWAL SAVINGS SCHEME

I. Funds withdrawal after 12 months.
II. Registration fee kshs. 1,500 (non-refundable)
III. Minimum monthly contribution of kshs. 2,000.
IV. Thirty (30) days withdrawal notice required.
V. Interest to be pegged on dividend earned that year.

REFINANCING LOANS

I. Applicable to normal loans only.
II. A member MUST have paid 50% of his/her initial loan.
III. Payable within the remaining loan period.
IV. 14% interest charged on reducing balance p.a.

INTEREST RATES AND FEES/CHARGES ON LOANS.

I. Interest rate on loans and other related tariffs are determined by the management and ratified by the Annual General Meeting.
II. The loan products of the SACCO will attract interest that varies from time to time and as per their loan product and as reviewed by the management and ratified by the AGM from time to time.

III. Various fees on loans may also be charged as may be revised from time to time.

LOAN APPLICATION PROCESS.

The application process involves the following;

a) All applications for loans shall be made on the prescribed forms for the loans and shall in each case set out the amount applied for (both in words and in figures), purpose of the loan, repayment period and must be duly signed by the applicant.

b) The loan application form must be fully completed and supported by a true copy of the most recent pay slip plus necessary genuine supporting documents like Identity Documents where applicable.

c) It shall be an offence for an applicant or Society employee to give false information regarding deposits, loans, guarantors.

d) Loan applications shall be considered in the order in which they are received in the society's office.

e) The amount of loan granted to a member shall be guided by the features of each loan and shall be subject to review from time to time by the management.

f) A member's total deduction should not exceed 2/3 of the net salary and where it exceeds the loan applied for; it shall be reduced accordingly.

g) Once the loan application has been made, the Sacco will confirm the signatures of the guarantors.

h) Loans will be given/issued on first come first served basis.

Any loan application form presented to the SACCO office with irregularities as pertains to failure to meet the loaning conditions stipulated in the loaning policy will be returned to the respective loan applicant.

SACCO LOAN APPROVALS

The SACCO loan approvals will be at various levels as determined and guided by the Credit Committee from time to time.

All loan products of the SACCO will attract interest rates that vary from time to time and as per their loan product and as reviewed by the management from time to time and approved at the AGM.

The following will guide in the loan approvals;

i) Assessment of loan applications will be based on three times the savings or salary commitment rule where a member total deduction should not exceed 2/3 of net pay with exception of where the Credit management approves otherwise.

ii) Loans shall be restricted to members only and shall be approved by the Credit Committee subject to the final approval by the Management Committee.

iii) No member of the loan approving committee shall be present when his / her loan is being considered for consideration.

iv) Emergency loans shall be approved within 24 hours and disbursed immediately subject to availability of funds.

v) The Credit Management Committee shall approve Main loans for Sacco Staff and the Management Committee members.

vi) No member of the management committee shall approve his loan form/voucher for payment.

LOAN DISBURSEMENTS AND REPAYMENT

a) All members loans shall be credited to the respective applicants' accounts thus reducing on operational costs and risks associated with holding of cash at the Sacco counter.

b) The disbursements shall be done on First in First out (FIFO) basis unless in cases where the committee considers special considerations.

c) The repayment period for a loan will be determined by the loan product.

d) A member who withdraws due to resignation or loss of employment will be required to clear all outstanding loans and provide alternative guarantors for cases of loans guaranteed to other members.

e) Deductions for loan repayment commence immediately in the succeeding month after the disbursement.

f) For Payroll member's recovery of loan is done through check off. However total deductions (Deposits, loan premiums and interest) should not exceed two third of the net monthly salary.

g) Members may repay their loans from other sources besides the salary, but these other sources will not be considered during appraisal and approval of the loan. However, for collateral-based loan, the value of the security provided will determine the amount of loan to be advanced.

h) For non-payroll members, direct debits, postdated cheque, deposits and repayment history may be considered in the appraisal and determination of the amount to advance.

i) No member will be allowed to withdraw part of his/her deposits or off-set part of the deposits against an outstanding loan.

j) A member can repay the loan in full or part, by cash from other sources, at any time, without suffering any penalties. For full payment, interest chargeable shall be what is due in the accrued interest account.

GUARANTORSHIP

TERMS OF GUARANTOR SHIP.

All loans applied for in the society must be secured by guarantors regardless of whether the loan applied for is equal to or less than the applicant's savings/deposits.

a) The total deposits of the borrower and those of the guarantors must be equal to or be more than the loan applied for.
b) All guarantors must be active members of the society.
c) No member should over guarantee.
d) Members of the Management Committee shall guarantee loans among themselves or any other members while in office and can be guaranteed by other members.
e) The staff of the society shall not guarantee any member other than themselves but can be guaranteed by other members.
f) Withdrawal of guarantor ship is only allowed if there is an acceptable replacement.
g) The obligation of the guarantors shall cease when the loan guaranteed is equal to the member's deposits.
h) The Society shall maintain an updated record of guarantors all the time.

ACCEPTABLE SECURITIES

3.6.2 The following are the approved security for WEZA SACCO members:

a) Deposits held in the SACCO.
b) Guarantors who must have deposits in the society and within the common bond.
c) Savings held specifically in the SACCO e.g. redeemable voluntary deposits.
d) Employee salary/service pay
e) Terminal dues
f) Gratuity

OTHER SECURITIES

I. Pledges in form of assets allowable in respective loan product like may be accepted.
II. The society shall contract a legal firm to be custodian of such pledges.
III. Authenticity of the pledged articles must be obtained from the issuing authority before such documents can be admitted as security for the loan.
IV. The members shall meet all the expenses for evaluation of the property and the legal fees. The Valuer shall be a qualified person/firm registered under the law and acceptable to the society and shall be appointed by our legal firm.
V. The member shall also be required to duly fill a security acceptance form that will be provided by the SACCO.

DEFAULTED LOAN RECOVERY PROCEDURE

Where a member fails to pay his loans for three months, the following conditions shall apply;

a) The society shall inform the defaulter immediately in writing with a copy to all his guarantors.
b) If no repayment is made after 3 months, the guarantors shall be informed of this fact and requested to honor their guarantor ship obligation.
c) It shall be the duty of the guarantors to work with the SACCO to follow-up and take action against the borrower they guaranteed and not the SACCO.
d) Defaulted loans shall attract a penalty of 5% of the outstanding amount and recovery costs.
e) When no repayments are forthcoming during the third month of default; a reminder shall be sent out to the defaulter with the guarantors in copy and the guarantors will also be informed and notified that they shall be called upon to repay the defaulted loan from the end of the fourth month of default.
f) In the third month of default, the guarantors are notified and attached to repay the defaulted loan after members deposits are netted off with the outstanding amount and the accrued interest. The net liability is distributed equally to the guarantors unless they had specified the guaranteed amounts.

WITHDRAWALS

Where a member wishes to withdraw from the society, the following conditions shall apply;

a) The member shall be required to give the society a **90 days** written notice of intention to withdraw.
b) No member shall be allowed to withdraw from the society's membership until all outstanding loans are cleared in full by cash or through deposits after paying the required administration fees including the 5% withdrawal fee based on total members deposit.
c) A member wishing to withdraw from the society must ensure that all loans guaranteed have been fully paid or obtain replacement guarantor.
d) Withdrawing part of deposits or offset part of the deposits against an outstanding loan is not allowed unless one is withdrawing from the society.
e) A member's deposits pledged as security for another member's loan shall not be surrendered or used to offset a member own outstanding loan. An exception would apply where the guaranteed loan is fully secured through an alternative guarantor or a member withdraws from the SACCO Society.
f) Transferring deposits to another member after all loans have been fully paid.

APPEALS

Appeals are to be dealt with in line with the existing process for loan appeals i.e. appeals must be made by the concerned member in writing after receiving the regret letters or notification of decline of the loan.

g) The member submitting the appeal must clearly detail the reasons why the decision should be reviewed. The reason must fit the **FRANK acronym:**

- **F-** Must be **F**actual/based on facts
- **R- R**elevant to the subject applicant and application
- **A - A**ddress the reason for decline
- **N- N**ot a repetition of information already given.
- **K- k**ept clear and concise

h) In cases where loan applications are rejected, the reasons should be communicated to the loan applicant.

i) Appeals will only be considered if they are received within 7 calendar days after receiving the communication declining the loan application.

j) Where a loan application has been declined due to fraudulent act e.g forgery of signatures and pay slip the applicant will only be allowed to re-apply after a period of not less than 3 months.

k) On re-application, disclosure must be made so that previous reasons for decline can be checked.

MONITORING AND CONTROL

I. It is the responsibility of Management to supervise Sacco operation by ensuring controls and procedures are followed in processing, payment and recovery of Loan.

II. The Credit committee should also prepare and avail up to date reports for decision making by the Management.

III. The Management shall not be allowed to stop a running loan except under specific circumstances that will be determined by the Management in consultation with the Supervisory Committee.

INSIDER LOANING

I. Members of the executive and Staff should not use their positions to further their interests.

REVIEW OF THE LOAN POLICY.

I. This document provides the best practice guidelines and the framework within which WEZA Sacco Ltd savings and lending shall be undertaken.

II. The policy is owned by WEZA Savings and Credit Society Ltd and the Committee shall be responsible for formulating, reviewing and adjusting this policy as may be deemed necessary from time to time.

III. No changes should be made to the policy without a written approval from the Management Committee.

IV. It is recommended that this policy is reviewed at least once in every three years or any time as it may be necessitated by changes in the business and regulatory environment.

SERVICE CHARTER.

OUR OBLIGATIONS

In our service delivery we pledge to:

- Provide accurate, complete and timely information;
- Uphold confidentiality, transparency and accountability, professionalism, Customer focus
- Communicating effectively to members;
- Being courteous and respectful.

MEMBERS RESPONSIBILITIES

- To provide accurate and complete information;
- Treat staffs with courtesy and respect
- To attend all scheduled meetings in good time
- Engage with the Sacco management in a constructive criticism.

TIME FRAME

- Answer telephone within 3 rings;
- Attend to members within 10 minutes of their visit;
- New members registration within 24 hours;
- Obtain receipt from payments within 30 minutes;
- Process loan statements within 12 hours;
- Refund deposits to exiting members within 60 days.

DISCLAIMER

The contents of this policy may not be exhaustive. Other aspects that may not be included in this policy but are covered in other related laws and regulations will also apply. In cases, where the policy may be in conflict with the relevant existing laws and related legislation, the provisions of those laws and regulations will take precedence.

CONCLUSION

This policy will provide a better understanding of managing the credit function in the WEZA SACCO Ltd. The Policy will further provide guidance on how the Management Committee will manage credit for the benefit of the members and WEZA Sacco Ltd.

ACCEPTANCE / ENDORSEMENT/APPROVAL

We the undersigned Management Committee Members of WEZA Savings and Credit Co-operative Society Ltd do hereby accept and adopt this policy for and on behalf of WEZA Savings and Credit Co-operative Society Ltd together with any changes or alterations that have been initialed or signed by us.

SIGNATORIES.

BOARD REPRESENTATIVES.

CHAIRPERSON:

NAME _____SIGN_____DATE_____

VICE-CHAIRPERSON:

NAME-_____SIGN_____DATE_____

SECRETARY:

NAME_____SIGN_____DATE_____

TREASURER:

NAME_____SIGN_____DATE_____