

**Polytech Savings and Credit Co-operative Society  
Ltd.**

**P. O. Box 56679 - 00200  
NAIROBI**

**CREDIT ADMINISTRATION POLICY  
AND PROCEDURE MANUAL**

Revised June 2021

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## FOREWORD

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Except as otherwise provided, this Credit Policy shall apply to all credit facilities provided by Polytech SACCO Society Ltd. to the Members.

Pursuant to; and consistent with the provisions of the SACCO Societies Act, Regulations 2020 and any other relevant written law; a non-deposit-taking SACCO Society such as Polytech SACCO Society Ltd. shall have a written Credit Policy.

This Credit Administration Policy and Procedure Manual have been developed as a guide towards providing a uniform level of understanding in the interpretation and administration of the Polytech SACCO Society Limited's Credit Department.

It is the Board of Director's opinion that Polytech SACCO Society Limited should assimilate the present Credit practices into the procedures described in this Manual.

This Manual constitutes an integral part of the expectations of Polytech SACCO Society Limited's Credit Department and sets out the details of the various procedures that should be followed.

The Manual is intended to:-

- a) Establish and implement the objectives of the SACCO Society as interpreted by the Board of Directors; and
- b) Govern the operations of the SACCO Society.

This is on the premise that it is an operational document that is meant to assist Members of Management Teams and Staff in running the SACCO Society's Credit Department smoothly.

The Board shall be responsible for ensuring that the Credit Policy is adhered to and that it achieves the goals for which it was formulated.

## EXECUTIVE SUMMARY

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Polytech SACCO Society Ltd. Credit Policy has been developed through a highly consultative and advisory process.

From its inception in 1972, the SACCO Society has continued advancing loan products guided by the prevailing socio-economic needs of its members. The dynamics of Members' financial needs has necessitated emergence of new products with specific terms and condition to ensure sustained SACCO Society's liquidity as well as improved service delivery. Thus occasional review of the Credit Policy to align the Members' expectation and the SACCO Society's growth aspirations will continue fostering managerial best practices and compliance with existing laws.

This Credit Policy will strictly safe guard the principles of integrity and utmost good faith; and the principles of pooled resources through fair loan appraisals faithfully guided by approved terms and conditions for each product.

The Policy will also enhance strengthening financial base of the SACCO Society by instituting effective monitoring and control systems through updated records and prompt communication to members on their loan obligations.

In developing this Manual, the Board of Directors considered that most of the procedures described herein are practiced or are to be practiced by SACCO Society in one way or the other.

In the past, while processing credit products, many challenges have been encountered, raising concern to the Stakeholders. Some of these challenges include:-

- i. Subjectivity in appraisal.
- ii. Infringement of the law.
- iii. Inaccuracies.
- iv. Malpractices.

All the above and many others have contributed to inefficiency in service delivery. Given the competitive nature of the industry, it is the desire of Polytech SACCO Society Ltd. to offer quality services to our Members.

In response to the changing environment Polytech SACCO Society Ltd. has embarked on reform programmes which are intended to improve service delivery and to remain competitive in the industry.

This Credit Policy guidelines cover:-

- ✓ Loans processing; and
- ✓ Management of Internal Controls.

## **1.0 INTRODUCTION**

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### **1.1 BACKGROUND**

In Polytech SACCO Society Ltd. loans constitute a major business activity and generate big percentage of the Society's income and equally, taking up the large proportion of the Management's time. There is a potential of an error or irregularity in this area which may expose the SACCO Society to a risk of losing its resources through the borrowers' failure to repay the loans.

This therefore, calls for thorough management of loans in order to ensure that the risk of non-full repayment of loans is eliminated completely. This Credit Policy aims at addressing the above and serves as the informative tool for both Members and Staff of the SACCO Society.

### **1.2 REGULATIONS**

This Credit Policy is within the guiding laws and rules which are contained in the:-

- (i) The Constitution of Kenya, 2010;
- (ii) The Co-operative Societies Act, 2004;
- (iii) The Co-operative Societies Rules and Regulations 2020; and
- (iv) Polytech SACCO Society Ltd. By-Laws.

### **1.3 PURPOSE AND SCOPE OF THIS MANUAL**

The purpose of this Policies and Procedures Manual is to create a set of standardized policies and procedures for the lending activities. These Policies and Procedures have been designed to assist the Credit Administration.

The main objective is to ensure thorough loan appraisal and proper monitoring of all outstanding loans. This includes both supervision of outstanding loans and recovery of overdue loans.

Further, this Credit Policy and Procedures Manual has been developed as a guide towards providing a uniform level of understanding in the interpretation and administration of the credit at Polytech SACCO Society Limited.

### **1.4 POLICY AND PROCEDURES MANUAL VIOLATION**

Any violation to this Credit Policy and Procedures Manual shall be subject to disciplinary action as prescribed by the SACCO Society Board of Directors.

### **1.5 AVAILABILITY OF THE POLICY**

The Policy or sections of the Policy are not available for external distribution. It is to be freely available to Management, Credit Committee and Staff Members of Polytech SACCO Society Ltd. but is not to be removed from the SACCO Society's premises.

## **1.6 CONFIDENTIALITY**

Board of Directors and Staff shall take utmost care in the security and safekeeping of loan documents. All information provided by a Member must be kept in strict confidence.

## **1.7 OBJECTIVES**

For the Credit system to function effectively there is need to have a Credit Policy and Procedures Manual to guide those who are involved in the credit granting process and lending and for the monitoring and control of Society's loan.

The Credit Committee, the Chief Executive Officer, Staff and the Board must follow clear-cut set of Rules, Procedures and Policies. These Policies include preconditions for granting loans, the minimum requirement for a Member to be eligible to borrow, maximum loan, types, terms and conditions and other relevant information on the Credit Management Process.

The objectives of the Policy are to:-

- a) Establish a fair and efficient loaning system based on uniform and consistent Credit Administration;
- b) Ensure fairness in loan granting process;
- c) Provide clear basis for dealing with Members' loans;
- d) Ensure that SACCO Society does not get into difficulties through approving loans in excess of available funds;
- e) Ensure proper utilization of loans granted to Members;
- f) Facilitate loan recoveries;
- g) Minimize loan defaulting;
- h) Set checks and balances in Credit Operations;
- i) Define Credit Committee and Management Staff roles in Credit Management in order to avoid duplication and overlap of duties and responsibilities;
- j) Provide standard ways of performing certain activities and tasks in credit program; and
- k) Help Board of Directors and Management Staff to focus on certain areas of importance – key result areas.

## **1.8 DEFINITION AND INTERPRETATION OF TERMS**

Unless otherwise stated in this Policy and Procedures Manual the following terms shall mean:-

- (i) **Board of Directors:** Members elected by the Polytech Savings and Credit Cooperative Society Limited at the Annual General Meeting who ultimately will be responsible for the policy making operations of the SACCO Society.
- (ii) **Credit Committee:** A Board Committee appointed by the Board of Directors comprised of members responsible for the approval of loans within the approved lending policies as stipulated in this Manual.



- (iii) **General Manager:** An Officer hired by the Board of Directors responsible for the day to day operations of the SACCO Society in accordance with the rules and regulations set by the Board of Directors.
- (iv) **Chief Executive Officer:** An officer hired by the Board of Directors responsible for the day-to-day operations of the SACCO SOCIETY in accordance with the rules and regulations set by the Board of Directors.
- (v) **Credit Officer:** Staff delegated authority to consider and approve loans within specific limitations as set by the Credit Committee.
- (vi) **Deposit** means a sum of money paid on terms under which it shall be repaid, with or without interest or premium, and either on demand or at a time or in circumstances agreed by or on behalf of the person making the society receive it at the risk of the Society receiving it.
- (vii) **Delinquent Loan:** A loan whose repayment terms and conditions have been violated or a loan granted in violation of this Loan/Credit Policy.
- (viii) **“Equity”** is the difference between assets and liabilities, or the total of institutional capital and other capital accounts.
- (ix) **“Foreclosed Assets”** means real estate and assets of material value that are transferred to the SACCO Society because of non-repayment of a loan.
- (x) **Fixed Deposits** It is savings by a Member whose withdrawal period is fixed.
- (xi) **Interest Rate** The cost of using money.
- (xii) **Loan:** Any financial transaction or commitment entered into by the SACCO Society with a Member whereby the other party becomes or could become indebted to the SACCO Society.
- (xiii) **Loan Application** A form requiring information used to determine whether a Member will be granted a loan.
- (xiv) **Loan Contract** A document that binds the SACCO Society as Lender and Member as borrower in acknowledgment of a loan granted to the Member and all subsequent terms and conditions associated with the loan.
- (xv) **Loan Collateral/Security** An asset (any item) of monetary value pledged to ensure loan payment and may be subject to seizure upon default to offset the indebtedness. The collateral value should at least be 80% of the loan applied for.
- (xvi) **Management** Refers to the Senior Staff of the SACCO Society.
- (xvii) **Market Rate of Interest** A rate of interest determined by the financial market forces of demand and supply and is related to the real cost of funds.
- (xviii) **“Member in good standing”** means a member who is current on the repayment of his/her loan payments due to the Society, who is current on making his/her required contributions and has not in any way acted in a manner which is potentially damaging to the Society, and has fully complied with the policies and rules set by this Society.
- (xix) **“Minors”** shall mean people who are not at least 18 years of age who may not vote or hold office or borrow from the SACCO Society.

- (xx) **“Provision for Loan Losses”** is an expense in the income statement to reflect an increase in the probability of losses due to uncollected loans.
- (xxi) **Provident Loan** A loan granted to a member for his or her own personal welfare or for consumption purposes.
- (xxii) **Productive/Business Loan:** A loan granted to a Member for a use in an income generating activity (business) or agriculture intended to earn a return secured by assets of the said venture and its source of repayment is intended to emanate from revenue of the said business.
- (xxiii) **“SACCO Society”** means “Polytech Savings and Credit Co-operative Society Limited”.
- (xxiv) **Shares:** A Member contribution to the SACCO Society capitalization subject to review by the Board and is not withdrawable.
- (xxv) **“Share Capital”** shall mean Members’ equity in the form of issued and fully paid up shares of common stock.
- (xxvi) **Savings:** Savings by Members which can be withdrawn on demand within the normal working hours as specified by the SACCO Society Management.
- (xxvii) **Technical Credit Committee:** The Committee constituted by the General/SACCO Society Manager comprising of Management staff such as the Credit Manager, Finance Manager among others for the approval of loans as mandated by the Credit Committee.

## 2.0 GENERAL POLICY AND PROCEDURES

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### 2.1 ADMINISTRATION

A high quality of loan documentation including proper signing authorities and borrowing resolutions shall be instituted and maintained. Adequate accounting records for all loans shall be required and maintained as well as such physical and monitoring controls that are necessary to ensure that any given loan does not jeopardize or impair the SACCO Society's financial position.

### 2.2 AUTHORITY

This Policy and Procedures Manual has been approved by the Board to provide direction and guidelines to the Credit Committee and Polytech SACCO Society Ltd. Staff in order to ensure that financial resources are adequately protected, investment in member loans is of high quality and that the return on loans is relative to the risk taken.

### 2.3 GENERAL CONDITIONS FOR ALL LOAN PRODUCTS

To qualify for a loan, a Member shall:-

- a) Have completed at least three (3) months of membership;
- b) Contributions have been consistent for at least three months prior to the loan application;
- c) Deposits contributed in lump sum for the purpose of taking a loan have been in the Society for at least three months;
- d) The maximum loan amount that can be granted to a Member shall not **EXCEED** 10% of the Core Capital of the SACCO Society exceed Kshs. 2 million or as may be determined by the Board of Directors from time to time.;
- e) A Member is only eligible for one loan in each loan category at a time;
- f) A Member who withdraws from the Society and rejoins later will be treated as a new member for the purpose of this lending policy;
- g) A Member who transfers shares from another Society will only be eligible for a loan after three months;
- h) The rate of interest on loans shall be determined by the Board of Directors from time to time;
- i) All loans shall be insured by a reputable insurance company against death or permanent disability;
- j) Members' Savings contribution shall be deposited to the SACCO Society's Mobile Money Account No. via **paybill No. 751 459** or deposited in the SACCO Society's Bank Account No. at Co-operative Bank, Ukulima Branch **Account No. 0112 004 013 0700**. Original Bank Deposit Slip/Ref. No must be submitted to SACCO Society's Office for verification and recording purposes;
- k) If a Member fails to service his/her Loan as per the repayment Schedule, his/her guarantors shall not qualify for any loans until such a time the accruing amount from the defaulter is fully recovered. Members are advised to form/join cluster groups;

- l) A Member who remits their monthly repayments irregularly shall only be granted loans equivalent to their savings with the SACCO Society and default in monthly loan repayments may disqualify a Member from being granted loans/or their loan applications may be varied at the discretion of the Management Committee;
- m) No Member of the Credit Committee shall be present when his/her loan is being considered by the Credit Committee;
- n) No Member shall be allowed to guarantee more than three loan in a given period;
- o) Loans are given to bona fide members only;
- p) Loans are properly appraised and approved; The disbursement of loans will be as per approval terms and conditions;
- q) Interest income is collected and recognized in the accounting period that it is earned;
- r) Proper records on loans are kept; and All loans will be effectively monitored and control.

## **2.4 AREAS OF LENDING**

- ❖ Development;
- ❖ Education;
- ❖ Asset acquisition;
- ❖ Securities purchase;
- ❖ Emergencies; and
- ❖ Purchase of domestic consumables.

## **2.5 LOAN RESCHEDULING AND REFINANCING**

- (i) To qualify for the top up, a Member must have paid the normal for at least 6 months;
- (ii) To qualify for a top up, a charge of 10% of the top-up amount will be levied;
- (iii) The top up amount requested is treated as a new loan; and
- (iv) A top up must be fully secured by guarantors.

## 3.0 CREDIT MANAGEMENT

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### 3.1 GENERAL LENDING REQUIREMENTS

Except as otherwise provided, these Regulations shall apply to all credit facilities, including loans, advances and overdrafts to members.

(2) Polytech SACCO Society Ltd. Credit Policy shall be consistent with the relevant provisions of the Act, the Regulations 2020 and any other applicable laws and shall contain the following information—

- Loaning procedures and their documentation;
- Requirements for grant of a loan;
- Permissible loan purposes and acceptable types of collateral;
- Loan concentration limits;(v) loan types, interest rates, frequency of payments and conditions;
- Maximum loan size per product;
- Where collateral is used as security for lending, maximum loan amounts as a percentage of the values of the same;
- Appraisal of the borrower's ability to repay the loan;
- Terms and conditions for insider lending;
- Maximum loan approval levels for each officer and committees; and
- Guaranteeing requirements.

(3) A Member may repay a credit facility prior to its maturity in whole or in part on any business day without being charged full-term interest.

(4) Except as otherwise provided, no Director or Employee of a SACCO Society or immediate family member of a Director or Employee shall receive anything of value or other compensation in connection with any loan made by the SACCO Society.

(5) The Board of Directors shall be responsible for ensuring that the written Credit Policy remains up-to-date and reflect current lending practices.

(6) Polytech SACCO Society Ltd. shall provide a sixty days' written notice to every member affected by a change in any term disclosed in the loan contract.

(7) Polytech SACCO Society Ltd. shall provide each borrower, at least once every six months or on request a statement for each outstanding credit facility that provides adequate detail of each transaction made during the period.

### **3.2 LENDING DISCLOSURES REQUIREMENTS**

Polytech SACCO Society Ltd. shall disclose at a minimum the following lending terms and legal obligations between the parties as applicable:—

- 1) Amount to be financed;
- 2) Finance charges, including interest rate, fees and any other charges that may be imposed;
- 3) Interest computation method (variable, fixed, flat or reducing) and the date interest charges begin to accrue;
- 4) Conditions for refinancing of loans;
- 5) Frequency of issue of statements; and
- 6) Collateral required to secure the lending.

### **3.3 LOAN APPLICATION**

- i. All applications for loan shall be made on prescribed forms by the SACCO Society;
- ii. False information on application form shall lead to automatic disqualification;
- iii. Loan repayment period may not be extended beyond the period the Member specified in the loan application form; and
- iv. Upon cessation of employment, a Member is required to pay all existing loans in the SACCO Society.

### **3.4 REQUIREMENT FOR QUALIFICATION OF LOANS**

- (a) A Member must have completed at least six months active membership;
- (b) Any boosting of savings by a member shall only be considered for a loan after three months; and
- (c) A Member who withdraws from the SACCO Society and rejoins later will be treated as a new Member for the purpose of this Credit Policy.

### **3.5 LOAN APPROVAL/REJECTION**

- All loans shall be approved by the Credit Committee;
- No Member of the loan approving Committee shall be present when his/her loan is being considered;
- Members will be informed of the decision passed; and
- If a Member is not satisfied with the decision passed by the Credit Committee, such a Member will be free to submit a written appeal to the Board within fourteen days from the date a decision was passed by the Credit Committee.

### **3.6 LOAN RECOVERY**

- The Management shall make efforts to collect loans considered to be in default.
- Where the loan and interest balance is equal or less than the Member's savings, it shall be recovered from the savings.
- Where a Member defaults and the SACCO Society is unable to recover the loan from his savings, the loan shall be recovered from the Guarantors.

- No Member shall be allowed to withdraw from the SACCO Society if in default or has guaranteed a loan in default until the loan is cleared.
- Communication to loan defaulters shall be made through written notices.
- Services of debt collectors shall be engaged ninety days after the Guarantor fails to honor the obligation.
- When a Member dies while repaying a loan that is not in default, the loan balance and interest shall be paid by the Insurance Company upon notification and application.
- Where a Member dies and has a loan that is in default, the loan shall be recovered from member's collateral and Guarantors if inadequate.

### **3.7 LOAN REPAYMENT**

- Deductions for loan repayment shall commence not later than the month following that in which the loan was paid to the member.
- A Member may repay his/her loan and interest in whole or in part prior to its maturity.
- A Member's savings 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.

### **3.8 LOAN SECURITY**

- a) All loans should be fully (100%) secured;
- b) There will be no maximum number of Guarantors, but the minimum shall be determined by the terms and conditions of the loan;
- c) All guarantors must be Members of the SACCO Society; and
- d) The obligation of the previous Guarantors shall cease upon completion of the loan or change of Guarantors but subject to new guarantors being accepted by the SACCO Society.

### **3.9 DEFAULT MANAGEMENT**

- The Guarantors shall be notified of the defaulted loan within 14 days after the default occurs.
- A loan shall be considered to be in default if instalments are missed in whole or part and remain unpaid for a period of 30 days.
- Amount in default (unpaid monthly instalment) will attract penalty at a rate of 2% per month.

### **3.10 GUIDING PRINCIPLES OF THE CREDIT POLICY**

- Loans are given to bona fide Members only;
- Loans are properly appraised and approved;
- Disbursement of loans is done as per approval terms and conditions;
- Interest income is collected and recognized in the accounting period that it is earned;
- Proper records on loans are kept; and

- Effective monitoring and control.

### **3.11 RISK CLASSIFICATION OF ASSETS AND PROVISIONING**

#### **3.11.1 CLASSIFICATION REQUIREMENTS**

Polytech SACCO Society Ltd. shall undertake a review of its credit portfolio at least once every quarter and shall ensure that:—

- (i) Loan granting and lending conforms to the approved Credit Policy;
- (ii) Problem accounts are adequately identified and classified in accordance with the classification criteria prescribed in the Regulations 2020 ; and
- (iii) Appropriate and adequate level of provisioning for potential loss are made and maintained at all times.

### **3.12 COMPUTING DELINQUENCY**

(1) One-off loan payment shall be deemed to be delinquent if the total principal balance or interests are not serviced at their due date.

(2) The entire principal balance shall also be deemed delinquent where the missed payment was for the interest only.

### **3.13 LOAN REPORTS**

Reports shall be generated at all points of the loan application process.



## **4.0 POLYTECH SACCO SOCIETY LIMITED PRODUCTS AND PACKAGES**

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### **4.1 GENERAL LENDING**

Polytech SACCO Society Ltd. has developed a variety of loan products after a careful research in order to serve the needs of its Members efficiently and effectively. In order to qualify for these products, Members' shall:-

- Be allowed to run all loan products as long as the pay slip accommodates;
- Total loan deductions for a member shall not exceed 2/3 of his/her basic pay;
- Loans will be disbursed on first come first served basis;
- Members will be eligible for loans after six months of membership except for emergency loan whose requirement shall be two months;
- A Member applying for a loan should undertake to pledge future salary, benefits and terminal dues from the employer towards loan repayment before the SACCO Society grants such a loan;
- All applications for loan shall be made on prescribed forms by the SACCO Society and shall in each case set out the amount applied for, the purpose of the loans, terms of repayment and types of security provided;  
The loan application form must be fully completed and supported by accepted certified income statement for the last six months (for unsalaried Members) or 2 most recent pay-slips;
- A Member who withdraws from the SACCO Society and rejoins later will be treated as a new Member for the purpose of this Loan Policy;
- A Member who is interdicted by his/her employer or has ceased working and does not have an outstanding loan is eligible for a loan but as such a loan shall not exceed his/her deposits;
- Boosting of deposits by a lump sum deposit will qualify for lending as determined by the board from time to time. A Member will only be allowed to boost his/her deposits by 50% of his total deposits. This money will stay with the Society for at least six months (6) before the Member is allowed to apply for a loan and before payment of dividend.
- The Credit Committee may summon or cause to be summoned an applicant to appear personally to be interviewed in respect of his application for a loan;
- Loan applications shall be considered in 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;
- Where a Member is employed on contract, he/she shall be granted a loan payable within his contractual period;

- No Member will be allowed to refinance a loan unless he/she has paid at least 75% of the particular loan or as may be approved by the Board from time to time;
- All loans shall be granted within the Member's eligibility;
- A Member who transfers his deposits from another SACCO Society will be deemed to be a continuing Member, while a new Member who buys deposits from an existing Member will be deemed to be a new Member for the purpose of this Policy; and
- Eligibility for a loan is subject to the Borrowers' retirement age.

#### 4.2 SACCO SOCIETY PRODUCTS AND SERVICES (CREDIT AND SAVINGS)

In its effort to satisfy the needs of the Members, the SACCO Society offers various back office products and services that include:

<b>BOSA PRODUCTS (GROUP)</b>					
<b>Product</b>	<b>Repayment period</b>	<b>Interest rate/Charges</b>	<b>Fees Chargeable</b>	<b>Guarantor Level</b>	<b>Loan Ceiling</b>
Group Loan	72 months	14.0% p.a on reducing balance	Appraisal and Processing	<ul style="list-style-type: none"> <li>• 100.00%;</li> <li>• Group Self Guarantee (75.00%);</li> <li>• Group Members' Guarantee</li> </ul>	X 3 of Group Savings
<b>BOSA PRODUCTS (INDIVIDUAL PACKAGES)</b>					
<b>Product</b>	<b>Repayment period</b>	<b>Interest rate / Charges</b>	<b>Fee Charged</b>	<b>Guarantor Level</b>	<b>Loan Ceiling</b>
Normal Loan	48 months	12.00% p.a on reducing balance	Appraisal and Processing	<ul style="list-style-type: none"> <li>• 100.00%;</li> <li>• Member Self Guarantee (75.00%);</li> <li>• Other Members' Guarantee</li> </ul>	X 3 of Group Savings
Development Loans	60 months	12.50% p.a on reducing balance	Appraisal and Processing	<ul style="list-style-type: none"> <li>• 100.00%;</li> <li>• Member Self Guarantee (75.00%);</li> <li>• Other Members' Guarantee</li> </ul>	X 3 of Group Savings
Emergency Loan 1	12 months	16.00% p.a on reducing balance	Appraisal and Processing	<ul style="list-style-type: none"> <li>• 100.00%;</li> </ul>	X 3 of Group Savings

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				<ul style="list-style-type: none"> <li>• Member Self Guarantee (75.00%);</li> <li>• Other Members' Guarantee</li> </ul>	
Super Emergency Loan	20 months	16.00% p.a on reducing balance	Appraisal and Processing	<ul style="list-style-type: none"> <li>• 100.00%;</li> <li>• Member Self Guarantee (75.00%);</li> <li>• Other Members' Guarantee</li> </ul>	X 3 of Group Savings
School Fees Loan	12 months	15.00% p.a. on reducing balance	Appraisal and Processing	<ul style="list-style-type: none"> <li>• 100%;</li> <li>• Member Self Guarantee (75.00%);</li> <li>• Other Members' Guarantee</li> </ul>	X 3 of Group Savings
Super School Fees Loan	20 months	15.00% p.a on reducing balance	Appraisal and Processing	<ul style="list-style-type: none"> <li>• 100.00%;</li> <li>• Member Self Guarantee (75.00%);</li> <li>• Other Members' Guarantee</li> </ul>	X 3 of Group Savings
Quick Loan	3 months	5.00% per month fixed rate	Appraisal and Processing	<ul style="list-style-type: none"> <li>• 100%;</li> <li>• Member Self Guarantee (75.00%);</li> <li>• Other Members' Guarantee</li> </ul>	X 3 of Group Savings
Super Quick Loan	5 months	5.00% per month fixed rate	Appraisal and Processing	<ul style="list-style-type: none"> <li>• 100.00%;</li> <li>• Member Self Guarantee (75.00%);</li> <li>• Other Members' Guarantee</li> </ul>	X 3 of Group Savings
Mobile Banking Loan	1 month	7.00% per month fixed rate	Appraisal and Processing	<ul style="list-style-type: none"> <li>• 100.00%;</li> <li>• Member Self Guarantee (75.00%);</li> <li>• Other Members' Guarantee</li> </ul>	X 3 of Group Savings

Investment Loan	72 months	12.60% p.a on reducing balance	Appraisal and Processing	<ul style="list-style-type: none"> <li>• 100.00%;</li> <li>• Member Self Guarantee (75.00%);</li> <li>• Other Members' Guarantee</li> </ul>	X 3 of Group Savings
Loan on Members' Assets			Appraisal and Processing	<ul style="list-style-type: none"> <li>• 100%;</li> <li>• Member Self Guarantee (75.00%);</li> <li>• Other Members' Guarantee</li> </ul>	X 3 of Group Savings
<b>SAVINGS SCHEMES</b>					
Christmas Package	Withdrawable twice a year				
Holiday Package	Minimum saving period – 6 months; no maximum				
School Fees Package	Rate of interest - 3.00% fixed				
Savings for Assets	Minimum saving amount – kes. 50.00; no maximum				
Fixed Deposit on Call	12 months extendable by intervals of 6 months	5.00% p.a interest rate	Where an Applicant(s) wishes to withdraw their amount before the contract maturity period expires, a notice of one (1) month is required. In such a case, the interest rate will not be available to the Applicant(s).		
<b>MEMBERS' BENEVOLENT FUND</b>					
Benevolent Contribution	per month	kes. 300.00			
<b>Other Products / Services</b>					
M-Pesa & Banking Agency Services (e.g.)	Quick making deposits and withdrawals guaranteed Effective and efficient services Float always available				

### **4.3 CREDIT COLLECTION PRACTICES**

(1) When a loan application is rejected, Polytech SACCO Society Ltd. shall communicate to the applicant in writing the reasons for the rejection within fourteen days.

(2) Polytech SACCO Society Ltd. shall not levy fees where the only amount delinquent on a Member's loan account is attributable to late fee(s) or any other charges assessed on earlier installments or payments made.

(3) Polytech SACCO Society Ltd. may appoint a Debt Collector after exhausting the normal debt collection procedures, and a Debt Collector may not engage in any conduct the natural consequence of which is to harass, oppress, or abuse any person in connection with the collection of a debt, or any of the following:—

(a) Use of threat, or violence or other criminal means to physically harm the person, or his reputation or property;

(b) Use of obscene or profane language;

(c) Engaging any person in a conversation on the telephone or in person with the intent to annoy, abuse or harass until they repay the debt;

(d) Any false, deceptive, or misleading representation or means in connection with the collection of any debt, including:—

(i) The false representation of the character, amount or legal status of any debt;

(ii) The false representation or implication that any individual is an attorney or that any communication is from an attorney;

(iii) The threat to take any action that cannot be legally enforced or which is not intended to be taken; or

(iv) Communicating or threatening to communicate to any person credit information which is known to be false.

(4) A Debt Collector shall not collect interest, fees, charges or expenses unless they are mentioned in the loan agreement or contract, and shall not collect his fees directly from a debtor.

## **5.0 THE CREDIT COMMITTEE**

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### **5.1 INTRODUCTION**

There shall be a Credit Committee that consists of three Members of the Board of Directors’.

The Credit Committee shall be chosen at a meeting of the Board of Directors within seven days after election of the Board of Directors. The Board shall elect its Chairman, Secretary and Member.

Polytech SACCO Society Ltd. shall have a written Credit Policy consistent with the relevant provisions of the Act, Regulations 2020 and any other applicable laws, which shall contain the following information:—

- (i) Loaning procedures and their documentation;
- (ii) Requirements for grant of a loan;
- (iii) Permissible loan purposes and acceptable types of collateral;
- (iv) Loan concentration limits;
- (v) Loan types, interest rates, frequency of payments and conditions;
- (vi) Maximum loan size per product;
- (vii) Where collateral is used as security for lending, maximum loan amounts as a percentage of the values of the same;
- (viii) Appraisal of the borrower’s ability to repay the loan;
- (ix) Terms and conditions for insider lending;
- (x) Maximum loan approval levels for each Officer and Committees; and
- (xi) Guaranteeing requirements.

A Member may repay a credit facility prior to its maturity in whole or in part on any business day without being charged full-term interest.

### **5.2 RESPONSIBILITIES OF THE CREDIT COMMITTEE**

The responsibilities of the Credit Committee include:-

- ✓ Displaying ethical conduct.
- ✓ Complying with all legal requirements and ensuring compliance therewith.
- ✓ Following established policies and procedures.

- ✓ Respecting and maintaining the confidential nature of the information.
- ✓ Maintaining objectivity in its analysis.
- ✓ Approving loans.
- ✓ Ensure collection of all loans.
- ✓ Discuss delinquency reports.
- ✓ Preparing the minutes of each meeting and recording them in the respective book.
- ✓ Producing and maintaining statistical information on loans approved by the Committee.
- ✓ Planning and establishing the Committee's calendar of meetings and reporting to the Board.
- ✓ Holding regular and special meetings according to the calendar and the rules established in this Policy.
- ✓ Preparing monthly reports for the Committee and the Board.
- ✓ Ensure the Members' loan accounts are up to date and correctly written.

### **5.3 LENDING DISCLOSURES REQUIREMENTS**

Polytech SACCO Society Ltd. shall disclose at a minimum the following lending terms and legal obligations between the parties as applicable—

- (a) Amount to be financed;
- (b) Finance charges, including interest rate, fees and any other charges that may be imposed;
- (c) Interest computation method (variable, fixed, flat or reducing) and the date interest charges begin to accrue;
- (d) Conditions for refinancing of loans;
- (e) Frequency of issue of statements; and
- (f) Collateral required to secure the lending.

### **5.4 MEETING AND RECORDS OF ITS PROCEEDINGS**

The Credit Committee will arrange its meetings, and ensure the schedules and forms are ready. It will also liaise with the Management Staff whenever there are issues to be addressed to keep themselves updated on the loans status regularly and advise them on cash provisions, and the loaning Policy.

The Credit Committee shall:-

- Hold such meetings as business of the SACCO Society may require, but not less frequently than once a month.

- ✓ A detailed record of its proceedings must be maintained in the Committee's minute book stating the following:-
  - Date, time and place of the meeting.
  - List of those attending.
  - Itemization of the applications approved containing the application number of the beneficiary, the loan purpose, amount approved, term, security required, form of payment, interest, commissions (if in order), date of disbursement and other data related to each application.
  - A list of the denied or deferred applications with an explanation of the reason for denial or deferment or other additional decision or requirement.
  - Statistical summary of loans studied at the meeting following the parameters indicated in the previous two items.
  - Relevant comments.
- Inquire carefully into the character and financial conditions of each Applicant for a loan, and of his Guarantors, if any, so as:-
  - ✓ To ascertain his ability to repay fully and promptly the obligations incurred by him.
  - ✓ To determine whether the loan is for a worthy purpose and will be probable benefit to the Borrower.
  - ✓ The Credit Committee shall endeavor to diligently assist Members to solve their financial problems.
  - ✓ The Credit Committee shall make such reports to the Board as it may require.

The Board may also appoint, as needs arise, a Technical Credit Committee consisting of Members of Management, who should meet on ad hoc basis to deal with emerging credit issues.

## **5.5 CONFIDENTIALITY OF THE PROCEEDINGS AND DECISIONS OF THE CREDIT COMMITTEE**

- The proceedings and decisions of the Credit Committee are strictly confidential and may be disclosed only through the proper channels of the SACCO Society to the Board or persons entitled to know them.
- At any decision making level, including the Board any loan approval or rejection will be communicated to the respective officer for proper processing, with all the details and components of the approved or rejected loan applications.



## **6.0 OBJECTIVES OF CREDIT FACILITIES IN THE SACCO SOCIETY**

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This Policy establishes the guidelines to be followed in the lending process in order to maximize the achievement of the following objectives:-

### **6.1 GRANTING LOANS ON A SOLID RECOVERABLE BASIS.**

The SACCO Society's loan portfolio will consist of a good mix of short and medium term loans. Every effort shall be made to maintain a healthy and balanced portfolio, thereby maintaining adequate liquidity and lowering the risk of the resources channeled into loans.

### **6.2 INVESTING THE SACCO SOCIETY'S FUNDS TO MAXIMIZE THEIR RETURNS WHILE PROVIDING FOR THE PROTECTION AND SAFETY OF THE MEMBER'S SAVINGS.**

The SACCO Society will endeavor to keep risk at a reasonable level. Loan quality will prevail over business opportunities. Maintaining good loan quality will depend on the granting of sound loans and following them up with a periodic evaluation of the portfolio quality and the adoption of measures for timely loan recovery.

### **6.3 SERVING THE REAL LOAN NEEDS OF THE SACCO SOCIETY'S MEMBERS.**

The SACCO Society shall maintain adequate social response to Members in a manner consistent with sound lending principles by providing timely, adequate and competitive responses to applications for loans, observing that they represent viable options for the use of funds available for investment or social needs.

### **6.4 LOAN PROCESSING WITHIN A LEGAL AND ETHICAL FRAMEWORK.**

The Board, Credit Committee, Officers in Credit Management and Employees of the SACCO Society will process loans in full agreement with ethical guidelines to avoid possible conflicts of interest.

### **6.5 DELEGATION OF THE BOARD'S AUTHORITY AND RESPONSIBILITY**

The lending authorities and the SACCO Society's approval procedures are based on the delegation of authority by means of structured levels of authorization. However, regardless of the individual loan authority delegated or the amount of loan approved, the Board bears the final responsibility for the loan risk assumed by the SACCO Society.

### **6.6 POLICY REVIEW**

The SACCO Society's lending policies will be reviewed and approved by the Board from time to time based on the following factors:-

(a) Changes in the laws and regulations;

(b) Changes in Market conditions;

- (c) Changes in the SACCO Society's financial position and its lending capability;
- (d) Changes in the SACCO Society's strategic plans; and
- (e) Any other applicable factors.

The appropriate changes, if any, will be made and promulgated by the Board and communicated to all Members as well as Staff responsible for financial management and loan administration.

## **7.0 LENDING AUTHORITIES AND LEVELS OF APPROVAL**

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### **GENERAL CONSIDERATIONS FOR LENDING AUTHORITIES**

#### **7.1 AUTHORITY AND DELEGATION**

The maximum authority over the lending Policy is the Board of Directors. The delegated lending authorities are:-

- (i) The Credit Committee; and
- (ii) The Management Staff.

#### **7.2 RISK IMPLEMENTATION**

All loan approvals, loan disbursement, FOSA products etc., will be authorized by the Credit Committee and Management Staff.

#### **7.3 LOAN APPROVAL LEVELS**

##### **7.3.1 THE BOARD OF DIRECTORS (THE BOARD)**

The Board shall approve all loan applications for Board Members, Supervisory Officials and Employees based on recommendation from the Credit Committee.

##### **7.3.2 THE CREDIT COMMITTEE**

- ❖ The Credit Committee shall rule on all applications according to the authority assigned to this Committee.
- ❖ The Credit Committee will be the second level of importance with regard to loan authorization and must be constituted as required in the SACCO Society's By-Laws.
- ❖ The Committee must adhere to the highest ethical principles and possess technical knowledge of lending procedures and practices.

##### **7.3.3 MANAGEMENT STAFF CREDIT COMMITTEE**

Where applicable, this Committee shall comprise of the following:-

- Credit Manager – Chairman
- SACCO Operations Officer - Secretary
- SACCO Accountant - Member

##### **7.3.4 RESPONSIBILITIES OF THE MANAGEMENT STAFF CREDIT COMMITTEE**

- To appraise, recommend and approve the loans under their limits;
- To ensure all loans in the SACCO Society are recovered;
- To provide all the reports as per the SASRA regulations within the stipulated time period; and
- To provide any other credit related reports that may be required by the Board.

## 8.0 CREDIT FACILITIES ADMINISTRATION

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### 8.1 INTRODUCTION

A good lending process ensures that all monies lent out to Members are fully recovered plus the interest. Such process will ensure that all borrowers have got the ability and willingness to repay the borrowed funds. It's against this background that this document is prepared to provide the lending guideline that shall be complied with when processing and granting loans and advances in the SACCO Society.

It is important that the character of the borrower is fully understood by the SACCO Society before lending. His/her values, attitudes, needs and expectations must be well known in order to determine his/her willingness to repay the loan. If need be, a letter of introduction from an active member may be sought.

The Member must be a person of high integrity, honest, trust worthy and with a clean loan repayment record. He must be known by the SACCO Society for a considerable period of time before lending to establish his conduct and willingness to pay.

**“DO NOT LEND TO PEOPLE YOU DO NOT KNOW”.**

### 8.2 ELIGIBILITY FOR A LOAN

- A Member must have completed at least six months membership and contributed not less than kes.30,000/= in non-withdrawable deposits.
- Lump sum savings contribution (boosting of member non-withdrawable deposits) paid in cash or cheque outside the check off system shall remain in the SACCO Society for at least three (3) months to qualify for a loan.
- A Member applying for a loan should undertake to pledge future salary from any employer towards loan repayment before such a loan is granted by the SACCO Society.
- All loans shall be restricted to Members only and shall be processed and appraised and approved by Credit Committees.
- No Member shall be present when his/her loan application is being considered. However, in case of technicalities a Member may be called for consultation and clarification.
- A Member who is interdicted by his/her employer and does not have an outstanding loan is eligible for a loan but such a loan shall not exceed his/her non- withdraw-able deposits. The same applies to retirees unless pension is channeled through Polytech SACCO Society Ltd.

### **8.3 LOANS TO STAFF/COMMITTEE MEMBERS**

- All normal/refinancing loans to Staff, Board & Supervisory Committee Members shall be appraised by the Credit Committee and sent to the Board of Directors for approval.
- No applicant of the loan shall be present when his/her loan application is being considered by the Board.
- An Employee who tampers with his/her monthly non-withdraw-able deposit contribution and loan repayment is liable to prosecution under the Co-operative Societies Act and disciplinary action for misconduct.

### **8.4 MEMBERSHIP ELIGIBILITY AND TRANSFERS**

- (a) No member should belong to more than one Co-operative Savings and Credit Society at the same time on a single common bond.
- (b) Where a Member leaves the common bond by virtue of transfer or retirement, he/she may continue to be a Member of that SACCO Society or may transfer all his/her non-withdrawable deposits to a SACCO Society which he/she intends to join under the new employer.
- (c) All new Applicants for membership must provide written proof from their previous employer and the management of the previous Society that they do not have outstanding liability in the Society and that they are no longer Members of the same Society. In case a Member has any outstanding liability with the previous Society, clause (a) above will apply.
- (d) Where a Member changes Employers, he/she may transfer his/her non- withdraw-able deposits to the Society of the new Employer, and will be deemed to have joined the Society of his/her new employer from the time he/she became a member of the Society of his/her former employer. In all cases, a member must clear any outstanding loan with the Society of his/her old employer. The Society of his/her first employer shall transfer non-withdrawable deposits direct to the Society of his/her new employer.
- (d) A member cannot be paid his/her non-withdraw-able deposits or transfers his non-withdraw-able deposits on leaving the SACCO Society unless all his liabilities have been recovered in full. Management Staff is mandated to ensure full recovery of any such liabilities or the same shall be responsible for any loss to the SACCO Society.

## 8.5 PROCEDURES OF GRANTING LOANS

(a) Loan applications shall be considered in the order in which they are received i.e. following the **First In, First Out (FIFO)** Principal provided that whenever there are more applications for loans than the available funds, preference shall be given in the following order:-

- i. Members who have not had loans;
- ii. New Members who have qualified for loans;
- iii. Members who have cleared first loan and have applied for fresh loans; and
- iv. Where the purpose for which the loan is applied for is deemed to be urgent.

b) The maximum amount of loan granted to a Member shall not exceed three times a Member's non-withdraw-able deposits but subject to a maximum of 10% of the Society's total share capital and reserves as per the Society's By- Laws. Where total deductions exceed two thirds of a Member's basic salary, the loan shall be reduced accordingly.

c) No Member will be allowed to withdraw part of his/her non-withdraw-able deposits or offset part of the outstanding loan against non-withdraw-able deposits unless he/she ceases to be a Member.

## 8.6 APPRAISAL OF LOANS

- Appraisal of loan application shall be strictly based on Member's ability to repay the loan.
- A Member's net pay should be enough to cover the monthly loan installment. The appraising officer should advice members accordingly. System appraised figure shall be followed strictly.
- Only income that is consistent shall be considered during appraisal.
- Such income excludes overtime, acting allowance and leave allowance.
- While a Member is free to repay the loan from any other source besides the net salary, under no circumstances should these other sources be taken into account in determining the Member's ability to repay the loan at the time of loan granting.

## 8.7 INTEREST ON LOANS

- i. The Board of Directors is empowered by the SACCO Society's By-Laws to set and review loan interest rates.
- ii. The SACCO Society will adopt a loan pricing strategy, which will be based on full sustainability, balancing institutional sustainability, growth, safety and soundness and quality of services to members.

Factors to be considered when determining interest rates include:-

- Full cost of funds;
  - Loan risk;
  - Inflation;
  - Institutional capital building;
  - Members' needs and
  - Market trends.
- iii. The method of quoting interests shall be decided by the SACCO Society from time to time and may vary from one loan product to another
- iv. The stated interest rates shall exclude legal fees and any other direct cost related to loan processing like collateral valuation.

## **8.8 GUARANTORSHIP**

- All loans **must** be fully guaranteed
- All Guarantors must be Members of the Society excluding Board Members and Staff.
- All loans will be recovered within the contract period to avoid exposure of Guarantors and reduce risks to the SACCO Society.
- Guarantee will be in form of deposits, salary and any other security acceptable to the board.
- Any Member wishing to vary loan repayment terms **must** obtain written permission from guarantors to do so, except when the Member is reducing the repayment period.
- The obligation of the previous guarantors shall cease upon change of guarantors but subject to new guarantors being accepted by the SACCO Society.
- The obligation of the guarantors shall cease when the loans guaranteed have been fully cleared.
- The Credit Committee may refuse to accept as a Guarantor a person who himself is in default of a loan and may refuse to grant a loan subsequently to a Member while he remains liable as a guarantor.
- The Guarantors shall specifically indicate the amount of loan guaranteed out of the total loan applied by the Member.
- A defaulter may not guarantee a loan until the defaulted amount is fully cleared.
- Unless the loan applied for is equal to or less than a Member's non-withdraw able deposits, it must be secured by Guarantors. The total non-withdraw-able deposits of the borrower and those of the Guarantor(s) must be equal to or more than the loan applied for.

- A Member's non-withdraw-able deposits pledged as security for another Member's loan shall not be surrendered to offset his/her outstanding loan, unless the former can provide an alternative security for the latter's loan.
- No Member shall be allowed to guarantee more than his/her total non-withdraw able deposits.
- All Guarantors must be Members of the SACCO Society.
- Members of the Board and the Supervisory Committee shall not guarantee loans among themselves.
- The obligations of the previous guarantors shall cease upon change of guarantors but subject to new guarantors being accepted by the Society. The obligation of the guarantors shall also cease when loans guaranteed have been fully repaid or the loan balance is fully secured.
- The SACCO Society shall maintain a record of all guarantors to every loan in each Member's personal file.

#### **8.8.1 REPLACEMENT OF GUARANTORS**

- i. This will be done on request of the Member or when a Member is withdrawing from membership.
- ii. The Member will be given an irrevocable Guarantor form to fill which he will attach a copy of the ID.
- iii. If a Member cannot be able to get a Guarantor, an apportionment of the loan he/she has guaranteed will be calculated and will be retained until the loan is cleared.

#### **8.9 LOAN DISBURSEMENT**

- i. Loans will be disbursed when all security documents are completed, signed, acknowledged and in place at the Office.
- ii. Loan application forms once duly completed shall constitute the loan contract. Loans will be disbursed after approval by the relevant authorities subject to availability of the funds
- iii. The SACCO Society will debit net loan to the member's loans account in the BackOffice and credit his/her savings/bank account with the same amount
- iv. The member can withdraw the money through his or her savings/bank account through the normal procedure.
- v. The SACCO Society, on the request of the borrower, may disburse a loan by making direct payments to another organization/bank.

#### **8.10 LOAN REPAYMENT AND RECOVERY**

- i. Loan repayment period shall depend on product type;
- ii. The Member is issued with the loan schedule which indicates the loan to be paid and the deposits to be contributed.
- iii. To make good of the borrowed loans, Members shall be required to repay their loans by installments and deductions shall be made from customer's salary accounts and check-off.



Members are advised to ensure timely payment of loan failure to which the recovery processes are enhanced.

- iv. Any refinancing of a loan balance, or any request for an extension of time in which to pay, shall be agreed to by the Chief Executive Officer only in exceptional circumstances. Any extension so granted must be consented to by Guarantors and shall be treated as though it was a new loan, and an extension agreement shall be executed and signed.
- v. The Supervisory Committee shall monitor the performance of all loans and in particular, the insiders loans (for Board of Directors Members, Staff, their relatives and friends) and ensure that their repayments are prompt and correct.
- vi. Loan restructures will be recommended to loanees upon written explanations of the poor loan repayment.
- vii. Top ups will be allowed for the loans in consideration to their good loan repayments.

### **8.11 LOAN DEFAULT**

- a) No Member shall be allowed to withdraw from the SACCO Society unless the Member's loan is repaid in full or the loan balance can be fully offset by the Member's deposits. Such a Member will also have to satisfy that all loans guaranteed have been repaid in full or are guaranteed by alternative Guarantors.
- b) Where a Member defaults and the SACCO Society is unable to recover the loan(s) from his employer, the loan(s) shall be offset from the Member's deposits and the difference, if any, recovered from the guarantors jointly and severally.
- c) Defaulted loans shall be recovered from Guarantors from the third month of default.
- d) A defaulted loan shall continue to attract interest until it is fully repaid.
- e) No defaulter shall be granted an extra loan until the defaulted loan is cleared.
- f) No cash dividends shall be paid to loan defaulters, dividends will be used to recover the defaulted loan.

### **8.12 LOAN DELINQUENCY**

The credit Manager shall at the end of each month prepare a loan aging report listing all loans whose repayment date has been exceeded in the following order:-

- 0 days.
- 1-30 days.
- 31-180 days.
- 181-360days.
- 360 days and above.

### **8.13 LOAN CLASSIFICATION**

- Performing loan (1%).
- Watch (5%).
- Sub-Standard (25%).
- Doubtful (50%).
- Loss (100%).

### **8.14 OTHER SECURITIES**

- Other securities for loan application may be accepted. The SACCO Society shall process such documents at the loanees' cost and shall hold the security under safe custody; but must be handed back to the Member immediately the loan balance equals the Member's non-withdraw-able deposits.
- Confirmation as regards the validity of the security pledged from the issuing authority must be obtained before such documents can be admitted as security for the loan.
- Being a last resort action, upon which the SACCO Society can fall back to, the security must have the following features:-
  - Its value must adequately cover the loan (principal and interest) and leave a good margin.
  - It must be easy to dispose off (sell).
  - It should be the type whose market value appreciates with time.
  - It must not be prone to vandalism or high wear and tear.

### **8.15 LOAN DOCUMENTATION**

- i. The Credit Committee shall maintain up-to-date documentation of loan files and ensure that the loan file has the following complete and in place:-
  - Loan application;
  - Appraisal and analysis report;
  - Loan Contract;
  - Receipt/acknowledgement of security;
  - Security documents.
- ii. All application forms for loans and all reports and minutes of the Credit Committee for every sitting shall be filed and retained in the Society files as permanent records.
- iii. There shall also be maintained a Security Register.

### **8.16 LOAN VERIFICATION**

The officer after receiving the loan form they countercheck the following:-

- Loanee's deposits;
- The core capital;
- The amount borrowed against the deposits and the pledged security; and
- Whether the loan form is properly filled and signed by both the loanee and the Guarantors.

### **8.17 LOAN FOLLOW-UP**

- i. Two reminder messages are sent before the due repayment date
  - One month default – A reminder message
  - Two months – A reminder message to both the loanee and the Guarantor.
- ii. A Demand notice issued.
- iii. On the follow-up process, we are always so keen to know the reason as to why the loans are late. After realizing the genuinely we can either:-
  - Restructure the loan to the comfortable amounts they feel they can manage
  - Top ups
  - Continuous daily contact for customers

### **8.18 ALLOWANCE FOR DOUBTFUL LOANS**

Provisioning shall be done as per the requirements of IFRS 9.

### **8.19 PERFECTING OF SECURITIES**

- All the security offered as collateral for loans shall be duly perfected in accordance with the legal provisions.
- All the necessary valuations and inspections shall be undertaken by the SACCO Society's appointed and registered Valuer's at the borrower's expense before funds are released to the borrower.
- The securities shall be fully insured against all risks and the premiums must be paid up to date and the SACCO Society's lien incorporated in such Policy.
- All the security documents of ownership shall be submitted to the SACCO Society for safekeeping and charging in accordance with existing legal provisions.
- The titles to the securities offered must be clean, all government rates, rents and licenses must be paid up to date.
- A certificate of security compliance shall be signed by the C.E.O. and a copy attached on the loan application before funds are released to the borrower.  
Such certificate shall indicate that the various items in the security perfection have been accomplished.

## **BOARD OF DIRECTORS' APPROVAL AND ADOPTION OF THE POLICY**

This document was discussed and approved for implementation as the Credit Administration Policy and Procedure Manual of the Polytech Savings and Credit Co-operative Society Ltd. with effect from \_\_\_\_\_ day of \_\_\_\_\_, 2021.

It was approved under Minute No. \_\_\_\_\_ of the Board of Management/Directors' Meeting held on the \_\_\_\_\_ day of \_\_\_\_\_, 2021.

We, the undersigned Directors of Polytech Savings and Credit Co-operative Society Ltd., individually and collectively, give commitment to the implementation of the Credit Administration Policy and Procedure Manual by appending our signatures.

**BOARD OF DIRECTORS'**

S.No.	Name	Position	Signature	Date
01.	Festus N. Kihara	Hon. Chairman		
02.	Bonaventure N. Makokha	Vice-Chairman		
03.	Jacktone O. Kaire	Hon. Secretary		
04.	Millicent A. Omondi	Hon. Treasurer		
05.	Andrew N. Musungu	Director		
06.	George O. Ombwayo	Director		
07.	Edward G. Njenga	Director		
08.	Donald S. Madali	Director		
09.	Jackson O. Onoka	Director		

**WITNESSED BY:** \_\_\_\_\_

Manager/C.E.O.  
Polytech Savings and Credit Co-operative Society Ltd.