



LUKHOTSE SAVINGS & CREDIT CO- OPERATIVE SOCIETY

LOAN POLICY



AS AMENDED IN December 2020

ESTABLISHMENT OF LUKHOTSE SAVINGS & CREDIT CO-OPERATIVE SOCIETY.

Lukhotse Savings & Credit Co-operative Society was established in 1991 and was pre-owned by SNPF staff. Lately it opened its bond to other organizations. We specialize mostly in organizations that are pensionable in order to be able to recover debts during loss of employment of a member.

OBJECTIVE

Our main objective is the promotion of economic interests of our members in accordance with the co-operative principles and the encouragement of members in the spirit and practice of thrift, mutual help and self help and to promote the economic interests of members through free association of people with a common bond, who save and borrow at reasonable interests rates for productive and provident purposes.

VISION

To be the best managed SACCO in the Kingdom of Eswatini.

MISSION

Use of innovative technologies and provision of quality financial services at competitive interest rates.

LOAN POLICY AS AMENDED (DECEMBER 2020)

As Amended in December 2020

This loan policy deals with loans not exceeding two times member's total savings and payable within a period not exceeding 72 months.

The loan policy as a whole is designed to conform with and supplement the by-laws with view to:

1. Ensure that the society does not get into difficulty in approving loans in excess of funds available.
2. Ensure fairness in loan recoveries
3. Improve the society's liquidity position.

All loans will be made on loan application forms and processing of loans will be done in accordance with this loan policy.

SECTION A MEMBERSHIP REQUIREMENTS

1. To be a member one must pay a joining fee of E150 and contribute a subsequent fee of the same amount for subsequent years.
2. A member must buy shares of E1000.00 but will be reviewed from time to time
3. A member who withdraws and rejoins later will be treated as a new member for the purpose of this loan policy, and the joining fee will be 3 times the prevailing rate at the time.

SECTION B SAVINGS

1. Minimum savings shall be E150.00 monthly.
2.
 - (i) Savings withdrawals shall not be allowed except in the event of resignation where the member shall be required to give 30 day's notice in writing of his/ her intention to resign.
 - (ii) Savings withdrawals shall be allowed only when the 2 times members savings exceeds the limit of E200 000.
3. Interest on savings shall be paid annually and management committee shall fix the rate from time to time.
4. A member will not be allowed to off-set any loan with his/her savings except for ordinary loan and only if the savings are equivalent to the loan or are above the loan and such shall be approved by the credit committee.
5. Any lump sum in excess of E10 000.00(Ten Thousand Emalangeneni only) made purposely to secure a loan would be considered if such contributions remain in the society for at least three months.

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SECTION C ORDINARY LOANS

1. For a member to be eligible for an ordinary loan:
 - i. A member must have completed at least three months membership as well as being a regular saver.
 - ii. A member will be allowed to borrow up to 2 times his/her savings.
 - iii. Ordinary loans will be charged an interest of 1.8% per month on the outstanding balance.
 - iv. A member must continue saving with the society while repaying the loan.
 - v. A member must provide guarantors or security. Members who are no longer subjected to check off system will only qualify for a loan equivalent to the member's savings.
 - vi. All loans shall be restricted to members only and will be given for worthy purposes only (provident and productive)
 - vii. The purpose of the loan must be clearly stated in the application form.
 - viii. Loan applications must be accompanied by a current pay-slip/proof of other income.
 - ix. A member must be up-to date on repayment of loans.
 - x. Where a member is employed on a contract he/she should be granted a loan payable within his contractual period.
 - xi. No loan shall be granted to a member in excess of E200 000.00 (Two Hundred Thousand Emalangen).
 - xii. Approval will be subject to ability to pay.
2. All loan applications will be approved by the credit committee, except for management committee which shall be approved by Supervisory committee.

A member may appeal to the executive committee within 5 working days if she /he are not satisfied with the answer for rejecting his/her loan.
3. An employee or any committee member who tampers with the monthly savings and loans repayments is liable to prosecution under the society's by-laws and the Co-operative Societies Legislation and Regulations of 1964.

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4. The loan applications shall be considered in the order in which they are received provided that wherever there are more applications for loans than there are funds available. Preference will be given in all cases to emergency loans. However, where amounts applied for are approximately the same preference will be given to loans for shorter periods.
5. The society shall not grant a member who has borrowed twice as much his savings a second loan until he has paid half of the first loan and has serviced it for at least half of the repayment period with the exception of emergency loans.

SECTION D EMERGENCY LOANS

1. Emergencies include sudden hospitalization, funeral expenses, court fines and disaster by unforeseen circumstances (including mother, father, husband, wife, children and grandparents whose full definitions are shown in the following paragraph) but shall not include school fees, tax, house rent dues, shop dues , traditional /spiritual healer's fees or any other loans covered in this loan policy.
 - (i) Mother shall mean the biological mother and mother in law. Members would be requested to apply for one mother and one mother in-law.
 - (ii) Father shall mean the biological father and father in-law. Members would be requested to apply for one father and one father in law.
 - (iii) Children shall mean the biological children for both parties and legally adopted children. Members would be requested to bring birth certificates and certificates of adoption for children.
 - (iv) Grandparents shall mean biological grand parents and members would be allowed to apply for the four (4) people in total.
 - (v) The maximum amount of loan will be E5000.00 which will be payable over a period of 12 months interest rate of 1.8% per month.
 - (vi) Only one emergency loan shall be granted to a member at a time.
 - (vii) Loans will be payable directly to the intended recipient of the aid.(where applicable)
 - (viii) Approval will be subject to ability to pay.
 - (ix) Loan applications should be accompanied by a current pay slip/proof of other income

SECTION E SHORT LOANS

- i. A member must be a full member of the society

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- ii. The member should not have an outstanding short loan.
- iii. Interest shall be levied at 10% per month on the balance.
- iv. Maximum amount to be loaned will be E5000.00 and shall be reviewed from time to time.
- v. Loan applications should be accompanied by a current pay slip/proof of other income.
- vi. Repayment period shall be 12 months.

SECTION F SPECIAL LOAN

- i. In order for a member to be eligible for a special loan he/she must be within the two-thirds of statutory deduction requirement inclusive of new installment or deduction.
- ii. The member shall be required to clear the outstanding /remaining balance before being granted another loan.
- iii. The special loan shall be repayable over a period not exceeding twelve (12) months.
- iv. The approval of such loans shall be subject to the availability of funds.
- v. The interest rate shall be levied at 2.5% per month on the remaining balance.
- vi. Maximum amount to be loaned will be E5000.00 (Five thousand emalangeni only).
- vii. All loans should be accompanied by a current pay slip/ proof of other income.

SECTION G EDUCATION LOAN

- i. A member must be a full member of the society
- ii. The member should not have an outstanding education loan.
- iii. Interest shall be levied at 2% per month on the balance.
- iv. Maximum amount to be loaned will be E12 000.00 and shall be reviewed from time to time.
- vii. Members saving for educational loans are not limited to the maximum of E12 000.00. They can borrow up to 2 times their savings over and above the stipulated E12 000.00.
- viii. Loan application should be accompanied by a current pay slip and school prospectus/ proof of other income.
- vii. Repayment period will be 12 months.

SECTION H DEBT RELIEF LOAN

- i. A member must have completed at least three months membership as well as being a regular saver.
- ii. A member must continue saving with the society while repaying the loan.
- iii. Debts that will be relieved will be those that appear on pay advice slip.
- iv. The maximum amount will be four times member's savings excluding education loan, emergency loan, special loan and short loan.
- v. The payment will be made directly to the creditor of the member.
- vi. Interest rate shall be levied at 1.8% per month on the balance.

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- ix. Repayment period will be applicable to ordinary loans.
- x. All loans with the sacco will not be relieved.
- xi. A member who has been previously relieved must have completed 12 months before he/she can be relieved on any loan that appears on the advice slip.
- xii. A member will be relieved only if his/her net pay is below 10% of gross.

SECTION I TERMS OF PAYMENT

1. A loan from:

- i.** E100.00 -E1000.00 will be payable within 6 months
- ii.** E1001.00 -E2000.00 will be payable within 12 months
- iii.** E2001.00 -E5000.00 will be payable within 18 months
- iv.** E5001.00 -E10 000.00 will be payable within 24 months
- v.** E10 001.00 -E15 000.00 will be payable within 30 months
- vi.** E15 001.00 -E30 000.00 will be payable within 36 months
- vii.** E30 001.00 -E50 000.00 will be payable within 48 months
- viii.** E50 001.00 - E70 000.00 will be payable within 60 months
- ix.** E70 001.00 -E200 000.00 will be payable within 72months

- (x) Changes in the terms of payment of loans should be negotiated between the member holding the loan and the credit committee with a written request with sound reasons, which will be considered under the framework of the policy.

SECTION J INTEREST RATES

- i.** The society's loans will be charged an interest of not less than 1.5% monthly on the outstanding balance.
- ii.** A member who settles his/her loan before the stipulated time will be charged a 3 months interest as penalty.

SECTION K REPAYMENTS

- i.** Loans will be paid from a member's salary and his/other income if indicated. In cases where the member only depends on his/her salary for repayments no member should be allowed to suffer total deductions including loan repayment in excess of two thirds of his monthly basic salary.
- ii.** Where total deductions exceed two thirds of his/her monthly salary the loan may be reduced accordingly. Nothing in the foregoing need prevent any member from repaying his/her loan and interest in whole or in part prior to its maturity.

SECTION L SECURITY

1.Lukhotse members shall secure all loans granted to them. The types of security the society shall accept are as follows:

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- i. The applicants savings
- ii. Where the loan applied for exceeds members savings by more than E40 000.00 then the applicant shall produce a proof of security (i. e mortgage on building and other fixed assets (the credit committee to use its discretion).

2. Each loan applicant shall be required to sign a bond. In the event of default, the committee shall have a right to dispose off those assets as it sees fit.

(xi) Employee's instruction form.

SECTION M LOAN PROCEDURE

- i. The Office shall assist members in filling the loan application forms and should do the best of his/her abilities answer any questions the applicant may have concerning the loan.
- ii. The Office should fully explain the approval procedure to the applicant and should provide the applicant with an estimate date for credit committee consideration of the loan application.
- iii. The Office should fully inform the member at the time the loan has been granted or repayment obligations for both principal and interest. The Office should explain the collection procedures to be undertaken should the loan become delinquent.
- iv. Sitting of credit committee for loan approvals shall be once a week (Tuesdays), except for emergencies.
- v. The Manager shall attend meetings of the Credit Committee in order to personally provide opinions on the various loan applications.
- vi. Loan application decisions shall be made by majority vote of the Credit Committee should if possible, outline its decision and the reason for that decision both on the loan application form and Credit Committee minutes.
- vii. After the Credit Committee has made its decision it shall pass the loan application forms back to the Office which shall inform the applicant of the decision .The Office will ensure that payment is processed accordingly.

SECTION N DISBURSEMENT

- i. All loan disbursement should be properly recorded both on the books of the Lukhotse Savings and Credit Co-operatives Ltd, and in the member's passbook and member's personal ledger cards.
- ii. If a loan application is approved but the applicant fails to draw the loan within 14 days the loan may be cancelled unless prior arrangements have been made.

SECTION O ON FULFILMENT OF OBLIGATIONS

As Amended in December 2020

The LUKHOTSE Savings and Credit Co-operative Society may withhold further loan payment or may call payment of the whole loan, even though the original length of time in the loan agreement has not passed, should it be found that the member is in violation of any of the following:

- i. Failure to use the loan for the purpose it was applied for.
- ii. Sale or transfer of the title goods pledge as security.
- iii. Unjustified delay in the payment of loan principal or interest.
- iv. Failure of the member to pay fees or other charges of the Society as prescribed by the Management Committee.

SECTION P DEFAULTERS AND WITHDRAWALS

- i. No member shall be allowed to withdraw Society membership unless the loan is repaid in full or loan balance can be fully offsetted by the membership savings. The balance must be at least half of the loan that has been issued. Such a member will also have to satisfy the Society that all loans guaranteed have been paid in full or the balance does not exceed the savings of the members whose loans were guaranteed.
- ii. A member who withdraws due to retirement or resignation will be required to clear all outstanding loans and provide alternative guarantors in cases of loan guaranteed before retirement or resignation. Where a member who is not able to clear immediately, she/he will be required to make arrangements with the Society for repayments. The society will be required to ensure that no loan is granted to a member beyond his /her retirement or resignation date if known.

SECTION Q DELINQUENT LOANS

- i. Loan delinquency shall be the responsibility of the Management Committee and the Credit Committee.
- ii. Loan collection should be undertaken by the Credit Committee or any other person chosen by the Management Committee.
- iii. A delinquent loan by definition shall be any loan past over thirty days should no extension be granted.
- iv. The Manager or Credit Committee should maintain a record of delinquent loans listed according to the length of time those loans have been delinquent.
- v. Collection procedure for delinquent loans should be as follows:
 - a) Should payment of the loan not be received within thirty days after the due date, the Society should send the member a collection letter outlining the obligations of the member that will be undertaken if payment is not forthcoming. A reply preferably in person should be requested from the member.

- b) If no reply to the original collection letter is received within sixty (60) days of the due date for the loan, the Management Committee or Credit Committee or a representative who should request payment and explanation of the reason for delinquency should make a personal visit.
- c) If no payment is forthcoming from the borrower, the Management Committee should consider liquidation of the loan by writing off the shares and savings of the borrower or the guarantor (s) or by taking possession of any property pledged as security for the loan.
- d) After all possible collection procedures have been exhausted, the LUKHOTSE SAVINGS & CREDIT CO-OPERATIVE SOCIETY LTD will consider legal action as a final resort. In case legal action is undertaken, the Management Committee should work with a representative of the Financial Services Regulatory Authority (FSRA) and the costs of the legal action should be added to the loan principal.

SECTION R IMPORTANT NOTES.

Any problem arising out of the operation of this loan policy or any matters that cannot be dealt with under this policy may be referred to the general members.

SECTION S ADOPTION OF RULES .

- i. It is the consensus of the Management Committee of **LUKHOTSE SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LTD** that these rules as presented and modified shall form the written **CREDIT POLICY** of **LUKHOTSE SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LTD** and shall be strictly followed and by both officers and members of the Society.
- ii. So being, it is decided that these rules shall go into effect on this dayat **LUKHOTSE SAVINGS AND CREDIT CO-OPERATIVE S LTD.**

SIGNATURE OF MANAGEMENT COMMITTEE MEMBERS

CHAIRMAN:.....

TREASURER:.....

SECRETARY:.....

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