

Lending Policy



General Information

1. The Board of Directors has sole responsibility for the establishment of the Merthyr Tydfil Borough Credit Union (MTBCU) lending policy and will review the policy whenever necessary, but not less than once a year.
2. The purpose of this policy is to ensure that members' savings are loaned with due care and borrowers are not encouraged to enter into debt they are unlikely to clear.
3. Lending decisions will be made in a fair and consistent manner, and loans granted for purposes that are deemed to be provident and productive.
4. Any applicant who is refused may appeal to the Board of Directors, whose decision in the case will be final.
5. The Business Services Officer and the Credit Controller will review each loan application to ensure compliance with the relevant conditions for the loan and will exercise due diligence in line with MTBCU rules, policies and principles in making a lending risk assessment.
6. Applications for loans should be made on MTBCU loan application forms, which will be available at each of the Credit Union's collection points.
7. Loan applicants must be full members of MTBCU and aged over 18 years. All information provided by applicants will be treated in confidence.
8. The Credit Union will endeavour to process all applications within fourteen days, although at times of high demand this may be longer.

Types of Loans

9. There are three types of loan available from the Credit Union:

- a. **The Standard Loan**

To apply for a Standard Loan the member should have saved regularly with the Credit Union for at least two months.

Where the loan amount is greater than the share value the application will be referred to the credit committee with all available relevant information.

The credit committee will take a view on behalf of the membership and the officer's will then act in accordance with the credit committee's guidance

- b. **The Fair Finance Loan.**

To apply for a Fair Finance loan no regular savings period is required.

Applicants will need to complete the necessary forms and provide documentation to confirm their identity, address and income.

The application will be reviewed by the Business Services Officer and Credit Controller and if felt necessary an interview undertaken to ascertain the capacity to repay a loan.

- c. **The DRAMA Loan**

To apply for a DRAMA loan no regular savings period is required.

The DRAMA scheme only provides loans in times of emergency i.e: where eviction is being threatened, or essential goods need to be purchased and payment of rent is at risk.

Such application will require the applicant to obtain advice from a debt adviser determined by MTBCU.

10. MTBCU reserves the right to carry out a credit reference search before granting any loan, whether or not the outcome is a determining factor in the loan-making decision.

Lending Limits

11. The loan limits are as follows:-

a. Standard Loan

- A first loan application can be considered up to a limit of twice the value of shares held.
- A second loan application can be submitted up to three times the value of shares held.
- Subsequent loans shall be up to a maximum of five times the share value.

The maximum loan allowed is to be limited to £5,000.

b. Fair Finance Loan

The amount necessary to meet the applicant's immediate need, but not exceeding £300 for a first loan or £600 for any subsequent loan.

c. DRAMA Loan

The amount necessary to meet the applicant's immediate need, but not exceeding £1,000.

Additional Lending

12. A first loan must be repaid in full, (regardless of the type of loan), before any subsequent loans can be considered, although officers may exercise discretion in cases of hardship.

a. Standard Loan - Members must repay at least 75% of their second Standard Loan before additional lending can be considered. For all subsequent Standard Loan applications at least 50% of the total amount previously borrowed from MTBCU must have been repaid before the application can be considered

b. Fair Finance / DRAMA Loans - These loans must always be repaid in full before subsequent applications will be considered, although officers may exercise discretion in cases of hardship

Repayment Terms

13. The following repayments terms apply:

a. The Standard Loan- A Standard loan must be repaid within 36-months, although officers may use discretion should the loan have to be re-scheduled. In this instance a new loan agreement form must be completed

b. Fair Finance / DRAMA - A Fair Finance / DRAMA loan must be repaid within 12-months, although officers can exercise discretion in exceptional cases. In this instance a new loan agreement form must be completed

Interest

14. The following interest rates apply:-

- a. **Standard Loans / DRAMA**—Will have a rate of either 1% or 2% per month on the reducing loan balance (APR 12.68% or 26.82%). The rate of interest charged will depend on the amount of savings (shares) the applicant has with the Credit Union. The 1% interest rate can ONLY be applied when members shares are equal to or greater than the amount of the loan applied for. However, in case of hardship and if freezing interest appears to be a sensible strategy, due consideration will be given to each case by the Directors.
- b. **Fair Finance Loans** – will be fixed at the rate of 2% per month on the reducing loan balance (APR 26.82%). However, in case of hardship and if freezing interest appears to be a sensible strategy, due consideration will be given to each case by the Directors

Additional Information

15. Any member acting as a guarantor will be subject to the same vetting procedure as if they were taking out the loan. It must be emphasised to the member that their shares will be held as security against the outstanding loan and that those shares may be forfeited if the loan is in default
16. In the event of a loan application being refused the Business Services Officer or Credit Controller will explain the reasons for refusal to the applicant. This explanation should be written if so requested by the applicant.
17. All loans granted will be paid by cheque, never in cash. Members without bank accounts may cash their cheque at a designated Post Office free of charge or, on presentation of the cheque and identification, at any Co-operative bank.
18. All cheques not being presented at a bank must be collected by the member and signed for using MTBCU cheque register.
19. Loans will normally be issued on a first come first served basis to the extent that the Credit Union has sufficient funds. If funds are insufficient to meet all loan applications, priority will be given to smaller loans in order to benefit the greatest number of people.
20. The Business Services Officer / Credit Controller and the loan applicant will agree the schedule of loan repayments. This will not be changed without the agreement of the Business Services Officer / Credit Controller
21. All members will be encouraged to add to their shares whilst repaying their loan.
22. Once a Standard loan has been approved, members may only withdraw shares in excess of their loan balance.
23. If a member should default on repayments of any loan from MTBCU and attempts to resolve the problem have failed, any shareholding may be taken by MTBCU to the extent necessary to offset outstanding repayments.
24. Members of the Credit Committee shall be excluded from any deliberations concerning themselves or members of their immediate family.
25. Any decision to lend to an officer of MTBCU, or to their immediate family, must be approved by the Credit Committee.
26. Details of loans to Directors, Committee members or Officers of MTBCU must be passed to the Supervisory Committee within 14 days of approval.
27. The Board of Directors reserves the right to amend this Lending Policy within ABCUL Rules and Bylaws and current legislation.