MWITO SAVINGS & CREDIT CO-OPERATIVE SOCIETY LTD

CREDIT POLICY

2014
FOREWORD

Mwito Sacco Society Ltd was registered on in the year 1979 under the Co-operative Societies Act Cap 490 Laws of Kenya as limited liability society in order to mobilize savings and provide affordable credit facilities. The sacco draws its membership from employees of the National government, County governments, Kenya Wildlife Service, Kenya Marine and Fisheries Research institute. The Society currently boasts of 4684 members with a share capital of kshs. 30 million as per management accounts of 2014.

In order to continuously grow the share holders wealth the Society opened its common bond to non members in the year 1994. This is aimed at enabling the society introduce more loan and savings products and services for non members like the retirees. The Sacco head office is located at Ngala estate next to Kenya Insitute of Education two kilometers from Nairobi City.

The Sacco operates both the FOSA and the BOSA in order to afford its members saving and loan products.

The Society was an employee based sacco until in 1994 when the common bond was opened to the general public. The membership is currently drawn from the business community, Civil servants, enterprenuers and other employees of the private sector.

Membership trend for the last five years

![Membership Trend Graph]
The Sacco currently has a membership of 4,684 and intends to grow this membership by at least 750 new members every year both for sustainability and growth purposes.
# TABLE OF CONTENTS

**FOREWORD** ................................................................................................................................. 2  
**LIST OF ABBREVIATIONS** ............................................................................................................. 5  
**1. INTRODUCTION** ......................................................................................................................... 6  
  1.1 Purpose, Scope & Organization of this Policy ........................................................................... 6  
  1.2 The Credit Policies’ Specific Objectives ................................................................................... 6  
  1.3 Basic Requirements for lending ............................................................................................... 7  
**2. GENERAL POLICIES** .................................................................................................................... 7  
**3 SPECIFIC POLICIES** .................................................................................................................... 10  
  3.1 LOAN PROCEDURES .................................................................................................................... 10  
**4 LENDING AND LEVEL OF APPROVAL** ....................................................................................... 13  
  4.1 LENDING AUTHORITIES AND LEVELS OF APPROVAL ...................................................... 13  
**5.0 CREDIT FACILITIES ADMINISTRATION** ................................................................................... 14  
  5.1 Eligibility for a Loan .................................................................................................................. 14  
  5.2 Procedures of Granting Loans ................................................................................................... 16  
  5.3 Appraisal of Loans .................................................................................................................... 16  
  5.4 Guarantee ................................................................................................................................... 17  
  5.5 Other Securities ......................................................................................................................... 18  
  5.6 Perfecting of Securities .............................................................................................................. 18  
  5.7 Exercise of Guarantee ............................................................................................................... 19  
  5.8 Withdrawal from Society ........................................................................................................... 19  
**6.0 TYPES OF CREDIT FACILITIES** ............................................................................................ 19  
**7.0 LOAN REPAYMENT GUIDELINES** ............................................................................................ 25  
  7.1 Delinquency Management ......................................................................................................... 25  
  7.2 LOAN RECOVERY PROCESS .................................................................................................... 25  
**8.0 DECLARATION/SIGNATURES** ................................................................................................. 27
LIST OF ABBREVIATIONS

AGM - Annual General Meeting
ATM - Automated teller machine
BOD - Board of directors
BOSA - Back Office Service Activity
CEO - Chief Executive Officer
CC - Credit Committee
FOSA - Front Office Services Activity
KUSCCO - Kenya Union of Savings and Credit Co-operatives
MOI&ED - Ministry of Industrialization & Enterprise Development
SACCO - Savings and Credit Co-operative
SASRA - Sacco Societies Regulatory Authority
1. INTRODUCTION

1.1 Purpose, Scope & Organization of this Policy
The purpose of this Credit policy is to outline guidelines of the SACCO’s credit & advances activities. This is designed to primarily assist the credit and operations departments, in performing their duties. Its key objective is to ensure thorough loan appraisal and proper monitoring of all outstanding loans.

1.2 The Credit Policies’ Specific Objectives
This policy establishes the guidelines to be followed in the lending process in order to maximize the achievement of the following objectives:

a. **Granting Loans on a Solid and Recoverable Basis**
   All appropriate efforts shall be made to maintain a sound and balanced portfolio in terms of achieving an adequate level of liquidity and a lower risk of the resources channeled as loans.

b. **Minimizing Portfolio Risk and Guaranteeing Its Quality**
   Keeping risk at a reasonable level is of great importance, and loan quality shall prevail over productive opportunities. The maintenance of good loan quality will depend on the granting of sound loans and following up on them by means of a periodic evaluation of the portfolio’s quality and the adoption of measures for timely loan recovery.

c. **Serving SACCO Members' Real Credit Needs**
   Provide timely, adequate and competitive responses to justified loan applications, observing that loans represent a valuable way to invest available funds. The SACCO shall maintain an adequate social response to the members in a manner consistent with sound lending principles.

d. **Carrying Out the Lending Process within a Legal and Ethical Framework**
   The Board of Directors, along with the SACCO’s other decision-making bodies, officers and employees shall carry out loan processing in total agreement with the ethical guidelines and avoid possible conflicts of interest.

e. **Initiating the SACCO's Sustainable Development Process**
   To reach an adequate level of sustainable development, the structure and profitability of the loan portfolio shall be evaluated periodically in order to guarantee that the loan structure will be sustainable on its own and that, additionally, it will make it possible to increase the institutional capital by 8% over its total assets.
1.3 Basic Requirements for lending
In order for an individual to be declared creditworthy, the person shall, as a minimum, meet the following basic requirements:

1) Be of full age (18 years).

2) Must have completed at least three months membership and be up to date in the payment of shares and other commitments deriving from their membership responsibilities.

3) Have a definite productive activity or show certain economic income to ensure that the payments will be properly made for borrowing.

4) Possess satisfactory, measurable and legal security for borrowing.

5) Have an adequate credit history for borrowing.

6) Demonstrate the ability to carry out the project in which they are to make their corresponding investments.

7) Be engaged in legal activities

2. GENERAL POLICIES

The general policies that shall govern the SACCO’s activities are as follows:

1. Access to the Credit Service

The SACCO shall offer its credit services to individuals or entities that meet the requirements for membership and comply with the policies and requirements of creditworthiness. Every SACCO member shall be entitled to submit his loan applications and receive a response thereto, either approving or denying it within fourteen days from the date of receipt.

2. Credit Orientation

The SACCO shall orient its loans primarily toward productive purposes, provided the membership demands this type of credit.

3. Basis for Granting Loans

The SACCO’s loan portfolio shall consist entirely of recoverable loans. Therefore, the granting of loans shall be based primarily on the member’s ability or capacity to repay, and not only on the quality of the security offered by the borrower. Although the latter will also be taken into account, it will not be a determining factor in granting the loan. Likewise, the security shall be taken into
account provided it is first mortgaged or pledged to the SACCO and has been legally secured in favor of the SACCO.

4. **Loan Repayment**

Every loan shall be amortized or paid off according to the original agreement and, for no reason or circumstance, will the due dates set forth in the initial contracts be restructured, extended or amended without the authority of the full board. All of the loans shall return to the SACCO with their respective payments of principal, current interest and maintenance of the monetary value, as well as the respective late interest, if called for.

The loan shall be recovered and/or repaid in cash or cash equivalents. Therefore, by all possible means, cash recovery of the loan shall be the goal. Accordingly, collection by the SACCO will be bold, efficient, and effective. Equally important, legal action taken by an attorney and court action exists as second attempts at collection. Pledged or mortgaged securities will be the portfolio’s last line of protection and not the first.

5. **Balance between Risk and Efficiency**

A credit service per se is risky because several variables come into play, some of which can be controlled by the SACCO while others are beyond its control. Therefore, the Sacco shall maintain an adequate balance between safety in granting a loan and the competitiveness and quality of the service offered by the SACCO in terms of disbursement installments and record processing. This balance shall be achieved by an analysis process according to the amount placed at risk by the SACCO, i.e., the larger the amount requested, the more thorough the SACCO’s analysis and demands.

6. **Protecting the Loan Portfolio**

The SACCO shall periodically evaluate the quality of its portfolio and, at the same time, make adequate provisions for its protection. The SACCO provision will evaluate 100% all loans delinquent for more than 12 months and 1% for loans delinquent between one and 3 months. After having exhausted all collection measures, including the completion or stagnation of court action, the SACCO shall charge off loans rated unrecoverable.

For the protection against and adequate handling of bad loans, the SACCO shall adopt as its policy and standard an adequate estimate of the portfolio and shall charge off these bad loans against the shares and savings of the borrowers and guarantors of these loans.

7. **Loan Competitiveness and Timeliness**

An ongoing analysis of the members' true needs shall be maintained and new credit products shall be developed or the existing ones readapted. This is for the sake of ensuring a timely and adequate response to each member’s individual situation.
The SACCO shall be a financial adviser to each of its members and, prior to granting the loan, shall orient the members or applicants regarding their true capabilities and the amounts and deadlines most suitable for both the SACCO and the member.

8. Loan Level Based on the Assets

The total amount of the SACCO’s disbursed and outstanding loans shall not be less than 70% nor exceed 85% of the SACCO's total assets. These proportions are established on the basis of the need to maintain an adequate level of liquidity to satisfy the demand for savings withdrawals by the users and set up an adequate structure in the loan portfolio.

9. Credit Service

The SACCO shall concentrate its attention on its credit service, drawing primarily on local resources. Therefore, the lending service must be the SACCO's best service in conjunction with the mobilization of savings and shares. To this end, the maximum level of efficiency in the timeliness of its delivery, amounts adjusted to needs and members' payment ability shall be sought, as well as the SACCO's availabilities, as it seeks to broaden and diversify access to credit by avoiding the concentration of the risk in the hands of a few members and for a limited number of loan purposes.

The credit offered shall be available under conditions of adjustable and competitive interest rates within the financial market place, and intermediation spreads shall be sought to guarantee covering the finance charge, overhead and operating expenses, portfolio protection, strengthening of institutional capital and the generation of a reasonable surplus.

10. Loan disclosure

The SACCO shall provide a debt/loan disclosure information to members highlighting loan charges, interest rates, other charges and penalties. Members shall be required to sign and take a copy of the loan disclosure document.
3 SPECIFIC POLICIES

The specific policies under which the loan shall be governed, guided and granted are those described below in the order in which they appear:

3.1 LOAN PROCEDURES

Process of Lending to Individual Members
<table>
<thead>
<tr>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Step 1</strong></td>
</tr>
<tr>
<td>• Member hands in loan application - at this point the member will have met all eligibility procedures</td>
</tr>
<tr>
<td>• The application is accepted by the credit officer or member services officer</td>
</tr>
<tr>
<td><strong>Step 2</strong></td>
</tr>
<tr>
<td>• Loan application form is screened and appraised by loan officer/ credit officer and if all the requirements are met, it is forwarded to the C.E.O</td>
</tr>
<tr>
<td><strong>Step 3</strong></td>
</tr>
<tr>
<td>• The CEO vets the application and forwards it to the credit committee who can either reject or approve based on predetermined criteria.</td>
</tr>
<tr>
<td><strong>Step 4</strong></td>
</tr>
<tr>
<td>• Communication of the decision - if the Credit committee approves the loan is disbursed into the members account. If it is rejected the decision is communicated to the member within 24 hours.</td>
</tr>
</tbody>
</table>

**Microfinance Group Lending Process**

```
Member applies for loan → Group Members screen applicant → Approve? No → Process Terminated
                     ↓  Yes
                     ↓  Mf Officer Screens application
                     ↓  Approve? No → Process Terminated
                     ↓  Yes
                     ↓  Credit Committee Screens
                     ↓  Approve? No → Process Terminated
                     ↓  Yes
                     ↓  Approved
                     ↓  No → Process Terminated
                     ↓  Group endorse
                           ↓  Disbursement
```
**CREDIT POLICY**

### Description

**Step 1**
- Member hands in loan application to group officials for the group members to make a decision.

**Step 2**
- Group officials conduct screening on the members loan application and either approves or reject the loan application.

**Step 3**
- Group officials hand the approved loan application to microfinance officer.
- The Microfinance officer screens the loan application and verifies conditions are met and after appraising it takes the form to the C.E.O.

**Step 4**
- The C.E.O vets the loan application form and forwards it to the credit committee who makes 2 decisions - reject or approve.
- If rejected the loan rejection decision is communicated to the member by the microfinance officer.

**Step 5**
- Once the Credit Committee approves the loan the microfinance officer takes the approved decision to the group for endorsement.

**Step 6**
- After the group has endorsed the loan then is disbursed into the members account.

**NOTE**

For both the individual lending and Microfinance lending process a standard procedure manual need to be developed and be put in use by all the concerned parties.

**Loan Monitoring Process**

1. Loan Monitoring
2. Loan Repayment Monitoring in the system
3. Default? No → Full repayment → End of cycle
4. Default? Yes → Collections Officer / Microfinance Officer follows up
5. Collections continue after write off
6. Accounts Department makes provision
7. Loan write off
8. Full loan repayment
### Description

<table>
<thead>
<tr>
<th>Step 1</th>
<th>Loan monitoring begins after loans have been disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 2</td>
<td>Loan monitoring is done in the system by the Credit Officer, General Manager, Microfinance manager/officer and reports on arrears are generated on daily basis.</td>
</tr>
<tr>
<td>Step 3</td>
<td>Members in arrears are identified and collections department is notified.</td>
</tr>
<tr>
<td></td>
<td>Member is notified of the arrears and advised to pay up the arrears</td>
</tr>
<tr>
<td></td>
<td>The guarantors are accordingly informed of their guarantee obligation should the loanee fail to service his loan according to terms</td>
</tr>
<tr>
<td>Step 4</td>
<td>The accounts department make provision for loan loss</td>
</tr>
<tr>
<td></td>
<td>The credit committee prepares a report of the problem loans due for write-off</td>
</tr>
<tr>
<td>Step 5</td>
<td>The BOD after due diligent consideration of the recovery process put in place approves loan write-off</td>
</tr>
<tr>
<td>Step 6</td>
<td>Continue collection efforts to recover the loan in full</td>
</tr>
</tbody>
</table>

### 4 LENDING AND LEVEL OF APPROVAL

#### 4.1 LENDING AUTHORITIES AND LEVELS OF APPROVAL

a) The BOD shall also rule on all loan applications that go beyond the powers of the Credit Committee decision-making level (requiring waivers) any other authority is appointed by the Board by way of delegation. There shall be a credit committee with ultimate responsibility for the approval of loans according to the set mandates.

b) The Credit Committee shall meet regularly and on special basis as many times as necessary, subject to a prior call to meeting by one of its members.

c) The three members of the Credit committee shall meet to review loans and approve per specified limits and security and consider other loan applications.

d) The Credit Committee shall approve loans based on CAMPARI – Character, Ability, Margin, Purpose, Amount, Repayment and Insurance to analyze the applicant’s character, capacity, ability to pay, capital and collateral offered.
e) When conditions for approval have been certified, loan will be approved by a majority decision of the Credit Committee.

f) Members will be informed immediately of the decision passed on the fate of their applications and reasons for passing a rejection decision.

g) The CEO may approve loan applications based on the limits specified by the Board of Directors provided such loans are fully (100%) secured by the deposits and guarantors. Any loan above the authority or not otherwise secured shall be referred to the Credit Committee.

The rate of interest rates shall be prescribed by the Management and Approved by the Board.

h) The Authority of delegation shall be based on the loan amount, term and type, the nature of the risk and experience of the delegated authorities

i) Loans/advances/ overdrafts approval authority levels. Approval authority levels shall be applied.

<table>
<thead>
<tr>
<th>Amount (Kshs)</th>
<th>Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto max of Kshs 30,000</td>
<td>Credit Manager</td>
</tr>
<tr>
<td>From Kshs 30,001 to 200,000,</td>
<td>C.E.O</td>
</tr>
<tr>
<td>From Kshs 200,001 to 3,000,000</td>
<td>Credit Committee</td>
</tr>
<tr>
<td>Above Kshs.3,000,000</td>
<td>Board of Directors</td>
</tr>
</tbody>
</table>

5.0 CREDIT FACILITIES ADMINISTRATION

5.1 Eligibility for a Loan

a) Savings contribution paid in cash or cheque outside the check off system shall remain in the Society for at least three (3) months or 2% shall be charged and spread for 3 months. (Boosting of member non-withdrawable deposits).

b) 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.

The non salaried members will provide adequate proof of consistent cash flows from their businesses or financial undertakings to go towards loan repayment

c) All loans shall be restricted to members only and shall be processed and appraised by the credit officer and approved according to the mandates given by the Board of Directors.

d) No member shall be present nor participate in the consideration of his/her loan application. However, incase of technicalities a member may be called for consultation and clarification.
e) 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-withdrawable deposits. The same applies to retirees unless pension is channeled through MWITO Sacco.

f) Where a member leaves the common bond by virtue of transfer or retirement, he/she may continue to be a member of that society or may transfer all his/her non-withdrawable deposits to the society which he/she intends to join under the new employer.

g) 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.

h) Where a member changes employers, he/she may transfer his/her non-withdrawable 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.

i) A member can not be paid his/her non-withdrawable deposits or transfers his non-withdrawable deposits on leaving the Sacco unless all his liabilities have been recovered in full. The CEO is mandated to ensure full recovery of any such liabilities or the same shall be responsible for any loss to the society.

j) All loans to staff, BOD & Supervisory Committee members shall be appraised by the Credit Officer, recommended by the C.E.O 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 BOD. The loans will be communicated to SASRA within 15 days.

k) An employee who tampers with his/her and or members’ monthly non-withdrawable deposit contribution and loan repayment is liable to prosecution under the Co-operative Societies Act and disciplinary action for misconduct.
5.2 Procedures of Granting Loans

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

- Members who have never had loans.
- New members who have qualified for loans.
- Members who have cleared their first loans and have applied for fresh loans.

b) The maximum amount of loan granted to a member shall not exceed five times a member’s non-withdrawable deposits but subject to a maximum of 5% of the society’s total share capital and reserves as per the Sacco’s By-laws. Where total deductions exceed two thirds of a member’s basic salary, the loan shall be reduced accordingly.

c) The loan forms having being fully completed and necessary attachments done, they go through the loans department where the department will:

- Appraise
- Forward to the C.E.O for vetting

d) No member will be allowed to withdraw part of his/her non-withdrawable deposits or offset part of the outstanding loan against non-withdrawable deposits unless he/she ceases to be a member

5.3 Appraisal of Loans

a) Appraisal of loan application shall be strictly based on member’s ability to repay the loan and shall be based on the 1/3 rule.

b) 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.

c) Only income that is consistent shall be considered during appraisal. Such income excludes rental house allowance, overtime, acting allowance and leave allowance for salaried member

d) 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.

e) All non salaried members will be entitled to a maximum of four times their non withdraw able deposits subject to the graduated period in membership, thus less than 6 months - 1.5 times, less than 12 months - 2 times, less than 24 months - 2.5 times, less than 36 months – 3 times and over 36 months – 4 times but must be guaranteed by those on regular payroll.
5.4 Guarantee

a) Unless the loan applied for is equal to or less than a member’s non-withdrawable deposits, it must be secured by guarantors.

b) The total non-withdrawable deposits of the borrower and those of the guarantor(s) must be equal to or more than the loan applied for.

c) A member’s non-withdrawable 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.

d) All guarantors must be members of the society. No member shall be allowed to guarantee more than his/her total non-withdrawable deposits.

e) No director, officer, employee or a member of the board of a SACCO shall act as a guarantor of any person with respect to a loan advanced or credit facility granted to a person by that society and shall not guarantee loans among themselves.

f) The society shall maintain a record of all guarantors to every loan in each member’s personal file.

g) 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 reduced to or less than the member’s non-withdrawable deposits.

h) Unless the loan applied for is equal to or less than a member’s deposits, it must be secured by a guarantor(s). The total deposits of the borrower and those of the guarantor(s) must be equal to or more than loans applied for.

i) No member will be allowed to guarantee more than four loans. All guarantors must be members of the society.
5.5 Other Securities
a) Pledges in form of articles like share certificates; land title deeds or insurance policy up to surrender value may be accepted. The society shall process such documents at the loanee’s cost and shall deposit such articles in the bank for safe custody; but must be handed back to the member immediately the loan balance equals the member non-withdrawable deposits.

b) Confirmation as regards the validity of the articles so pledged from the issuing authority shall be obtained before such documents can be admitted as security for the loan.

c) Being a last resort action, upon which the society can fall back to, if the proposal does not materialize, the security shall have the following features.
   
i) Its value must adequately cover the loan (principal and interest) and leave a good margin.
   ii) It must be easy to dispose off (sell).
   iii) It should be the type whose market value appreciates with time.
   iv) It must not be prone to vandalism or high wear and tear.
   v) The property/asset must be owned by the member

5.6 Perfecting of Securities
a) All the security offered as collateral for loans shall be duly perfected in accordance with the legal provisions.

b) All the necessary valuations and inspections shall be undertaken by the society’s appointed and registered valuers at the borrower’s expense before funds are released to the borrower.

c) The securities shall be fully insured against all risks and the premiums must be paid up to date and the society’s lien incorporated in such policy.

d) Any encumbrances to the security shall be determined and the society’s charge against such securities must be registered with the relevant office.

e) All the security documents of ownership shall be submitted to the society for safekeeping and charging in accordance with existing legal provisions.

f) The titles to the securities offered must be clean, all government rates, rents and licenses must be paid up to date.

i) A certificate of security compliance shall be signed by the credit officer and a copy attached on the loan application before funds are released to the borrower. Such certificate shall indicate that the various items in the security **perfection** have been accomplished.

h) The valuation of the property and legal fees shall be paid by the member. The valuer shall be a person registered under the law
5.7 Exercise of Guarantee
a) After one month non repayment, the defaulter shall be notified in writing about his delay to service the loan.
b) If by the second month his repayment has not regularized, a demand notice shall be written to him and copied to the guarantors.
c) After the third month of non-repayment, the guarantor’s deposits shall be used to offset the loan without further notice.

5.8 Withdrawal from Society
a) Where a member wishes to withdraw from a society’s membership, he/she may be required to give the society a written notice of up to 60 days of his/her intention to withdraw.
b) No member shall be allowed to withdraw from a society membership unless the member’s loan is repaid in full or the loan balance can be fully offset by the member’s shares. Such a member shall have to satisfy the society that all loans guaranteed have been paid in full or the balance does not exceed the non-withdrawable deposits of the members whose loans were guaranteed.
c) The member wishing to withdraw guarantorship must ask the loanee to provide alternative guarantee.

   (i) A member who retires from the common bond, but retains his/her membership in a Co-operative society, shall be granted loan only up to the limit of his/her non-withdrawable deposits.
   (ii) A member who withdraws due to retirement or resignation will be required to clear all outstanding loans and provide alternative guarantors in case of loans guaranteed before retirement or resignation.
   (iii) Where a member who is retiring or resigning is not able to clear immediately, he/she will be required to make arrangements with the society for repayments.
   (iv) The society will be required to ensure that no loan is granted whose repayment period goes beyond the retirement/resignation date of a member.

6.0 TYPES OF CREDIT FACILITIES

The SACCO may offer different credit products, depending on the credit record of the members, the degree of automation of the SACCO, and the needs of its members.

FOSA AND BOSA products

The Sacco offers a wide range of financial services in BOSA and FOSA; in the BOSA, the following products are offered;
1. **DEVELOPMENT LOANS**

Development loans shall be considered in the order in which they are received provided that whenever there are more applications for loans than the 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. Within the foregoing preferences, priority shall be given in the following order:

- i. Members who have never had loans before;
- ii. new members who have qualified for loans; and
- iii. Members who have cleared their previous loans and have applied for fresh loans.

i. The maximum amount of loan granted to a member shall not exceed 4 times the members' deposits but subject to maximum of 10% of the Members deposits and reserves. But all individual contributors will be granted loans not exceeding 4 times their deposits (refer to clause 5.3 above). Where deductions will exceed two thirds of a member’s basic salary, the loan shall be reduced accordingly.

ii. The maximum limit for a development loan shall be Kshs.5 million.

iii. Repayment period for Development loans shall not exceed 60 months.

iv. Every member applying for a development Loan must have completed repaying all other loans at the time of application.

v. Any member clearing any outstanding loans in cash/cheque outside check-off system shall wait for 3 months before re-applying for Development Loan, and shall pay an equivalent of 3 months’ interest on the outstanding loan.

vi. Interest rate for the loan is @ 1% per month on reducing balance.

i. Monthly deposit contribution will be a minimum of Shs. 1,000= or 5% of applicant’s basic salary, whichever is higher.

2. **TOP UP LOAN**

Top Up loans are available to those servicing development loans and have the ability to service both loans concurrently.

- i. Applicant must have serviced the development loan for at least 6 months and not more than 30 months.
- ii. Top up loan is 25 % of the development loan granted.
- iii. Repayment period is up to 30 months.

vii. It attracts interest at the rate of 1.5 % per month on the reducing balance.

viii. Monthly deposit contribution will be a minimum of Shs. 1,000= or 5% of applicant’s basic salary, whichever is higher.
3. **MANUFAA LOAN**

This loan will be granted to members who meet the following requirements:

i. Have deposits of not less than **Kshs.1,000,000**

ii. Shall pledge to maintain a minimum monthly contributions at 10% of their basic salaries (or Shs. 5000=)

iii. The loan will be fully guaranteed

iv. The applicant will not be entitled to any other before paying off half of sum granted

v. The multiplier will be five times the deposits

vi. The repayment period will be 72 months

vii. The maximum loan will be Kshs.7.5 million

viii. The interest rate will be 1% on the reducing balance

4. **EMERGENCY LOANS**

Emergencies include sudden hospitalization, funeral expenses, court matters, unforeseen calamities, but shall not include house rent due; or other Loans covered under this policy. In all cases emergency loan applications must have documentary evidence. The following conditions apply:

(a) **EMERGENCY LOAN I**

i. Every member shall be entitled to only one emergency loan not exceeding Kshs.200,000= at a time.

ii. Repayment period shall be within 18 months.

iii. It attracts interest at the rate of 1% per month on the reducing balance.

iv. Monthly deposit contribution will be a minimum of Shs 1,000= or 5% of applicant’s basic salary, whichever is higher

(b) **EMERGENCY LOAN II**

Whenever there is need for an additional emergency loan, such additional emergency loan may be considered if the applicant meets all other emergency loan requirements:

i. maximum amount Shs. 100,000/= 

ii. Repayment period shall be within 15 months.

iii. It attracts interest at the rate of 2% per month on the reducing balance.

iv. Monthly deposit contribution will be a minimum of Shs 1,000= or 5% of applicant’s basic salary, whichever is higher

5. **SCHOOL FEE LOANS**

School fee Loans may be granted to a member even though he/she may be servicing other loans subject to the following conditions:
(a). SCHOOL FEE LOAN 1
i. The total outstanding loans, including school fees, must never exceed 4 times the members' deposits.
ii. Repayment period shall be restricted to a calendar year
iii. School fee loan cheques shall be sent direct to the School where applicable and necessary.
iv. It attracts interest at the rate of 1% per month on the reducing balance.
v. Monthly deposit contribution will be a minimum of Shs. 1,000= or 5% of applicant’s basic salary, whichever is higher

(b). SCHOOL FEE LOAN 2
i. This will be an additional school fee loan (only those servicing school fee 1 will be eligible)
ii. The total outstanding loans, including the new loan must never exceed 4 times the applicant’s' deposits.
iii. School fee loan cheques shall be sent direct to the School where applicable and necessary.
iv. It attracts interest at the rate of 2% per month on the reducing balance.
v. Repayment period shall be within 12 months
vi. Monthly deposit contribution will be a minimum of Shs. 1,000= or 5% of applicant’s basic salary, whichever is higher

6. COLLEGE AND UNIVERSITY FEE LOANS

These loans will be granted to members to pay fees in colleges and universities both locally and overseas

(a). COLLEGE AND UNIVERSITY FEE LOAN 1
i. The total outstanding loans, including this loan, must never exceed 4 times the member’s deposits.
ii. Maximum repayment period shall be 48 months
iii. Payment (cheques) shall be sent direct to the colleges/universities where applicable
iv. It attracts interest at the rate of 1% per month on the reducing balance.
v. Monthly deposit contribution will be a minimum of Shs. 1,000= or 5% of applicant’s basic salary, whichever is higher

(b). COLLEGE AND UNIVERSITY FEE LOAN 2
i. This will be granted even though the applicant is serving college fee 1
ii. The total outstanding loans, including this loan, must never exceed 4 times the member’s deposits.
iii. Maximum repayment period shall be 36 months
iv. Payment (cheques) shall be sent direct to the colleges/universities where applicable
v. It attracts interest at the rate of 1.5% per month on the reducing balance.
vi. Monthly deposit contribution will be a minimum of Shs. 1,000= or 5% of applicant’s basic salary, whichever is higher
7. **KARIBU LOAN**

This will be accessed by newly employed officers who are less than 6 months old in employment (members) who require support to settle in their new employment. Its conditions are:

   i. Show proof of appointment (avail letter of appointment)
   ii. Must enroll as a member and pay share capital
   iii. Maximum loan shall be 300,000=
   iv. Interest rate will be 1% per month on reducing balance
   v. Repayment period shall not exceed 36 months
   vi. Initial Deposits will be offset from the loan
   vii. Monthly deposit contribution will be a minimum of shs. 1,000= or 5% of applicant’s basic salary, whichever is higher

8. **MASLAHI LOAN**

This product will be accessed by any member who may or may not be servicing other loans covered by this policy. It shall cover among others unique needs and requirements not covered by other types of products. The following conditions apply:

   i. Application must be within the multiplier of 4 times the deposits
   ii. Maximum repayment is 15 months
   iii. Interest rate is 2.5% per month on the reducing balance
   iv. The maximum amount shall not exceed 100,000=
   v. Monthly deposit contribution will be a minimum of shs 1,000= or 5% of applicant’s basic salary, whichever is higher

9. **INSTANT (PESA WAA) LOAN**

This is an instant facility (hakuna maswali) whose conditions are as follows:

   i. Maximum amount shall be Shs. 50,000=
   ii. The repayment period shall not exceed 12 months
   iii. The rate of interest is 3% per month on reducing balance
   iv. Monthly deposit contribution will be a minimum of Shs. 1,000= or 5% of applicant’s basic salary, whichever is higher

10. **KUJIVINJARI/HOLIDAY LOAN**

This is a holiday facility whose conditions are as follows:

   i. Maximum amount shall be Shs. 30,000=
   ii. The repayment period shall not exceed 12 months
   iii. The rate of interest is 2% per month on reducing balance
   iv. Monthly deposit contribution will be a minimum of Shs. 1,000= or 5% of applicant’s basic salary, whichever is higher
GENERAL LENDING REQUIREMENTS
1. All development and Manufaa loans will be processed on the principal of first come first served basis
2. All loans must be guaranteed unless the applicant’s deposits are higher than the loan applied and has not guaranteed any other loan.
3. The 2/3 basic salary rule shall be observed at all times
4. No new loan will be processed unless the previous ones are being serviced according to terms
5. Any loan not being serviced will attract accrued interest for every month in default
6. No loan shall be granted in excess of 10% of the total Society deposits and reserves
7. Every loan being retired prematurely shall attract interest for three months
8. Every loan processed will attract an initial interest at the rate of 2.5 % of the loan granted

FOSA SERVICES
- Processing payment of salaries done immediately cheques are received.
- Immediate payment of member’s loans upon receipt from the Society (BOSA)
- Clearing of third party cheques.
- ATM Cards: MWITO SACCO is currently in partnership with Co-op Bank to provide ATM services to our members across the country.
- Standing order facility
- Sale of Co-operative Bank banker’s cheques
- Safe custody services for valuable documents and certificates

FOSA savings and loan products include:

<table>
<thead>
<tr>
<th>5.2 FOSA Product/Services</th>
<th>FEATURES</th>
</tr>
</thead>
</table>
| Savings Account           | • Copy of ID and presentation of original ID for verification  
                           | • Two coloured passport photographs,  
                           | • Minimum account balance amount of Kshs 500  
                           | • Interest earning balance is kshs 5,000  
                           | • Sacco link card |
| Business/Current Account  | • Copy of ID and presentation of original ID for verification  
                           | • Two coloured passport photographs,  
                           | • Minimum account balance amount of Kshs 500  
                           | • Purchase of passbook at Kshs 50 |
| Fixed Deposit Account     | • Copy of ID and presentation of original ID for verification  
                           | • Two coloured passport photographs,  
                           | • Minimum account balance amount of Kshs 10,000  
                           | • Deposit terms: 3, 6, and 12 months,  
                           | • Interest earned paid upon contract maturity,  
                           | • Interest forfeited if contract terminated before maturity. |
| Children Account          | • Targeting children  
                           | • Copy of birth certificate  
                           | • Parent’s copy of ID,  
                           | • Two coloured recently taken passport photographs of the child and parent/Guardian,  
                           | • Minimum balance of Kshs 500  
<pre><code>                       | • Interest earning kshs 5,000 |
</code></pre>
<table>
<thead>
<tr>
<th><strong>CREDIT POLICY</strong></th>
</tr>
</thead>
</table>

- Purchase of Passbook at Kshs 50
- Child operates account at age 18 yrs
- Annual holiday for account holders of kshs 5,000
- No penalty on amount below minimum for the first six months

<table>
<thead>
<tr>
<th><strong>Mstaafu Account</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>As opening a savings account above</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Bankers order</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay back office loans</td>
</tr>
<tr>
<td>Make back office remittance</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Education savings account</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum monthly savings kshs 1,000</td>
</tr>
<tr>
<td>Withdrawal once in a year</td>
</tr>
<tr>
<td>Attractive interest rates</td>
</tr>
<tr>
<td>Interest credited at the end of the year</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Advances</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>To all account holders</td>
</tr>
<tr>
<td>Maximum of kshs 30,000</td>
</tr>
<tr>
<td>Repayment period of 4 months</td>
</tr>
<tr>
<td>Instant processing</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Group Accounts</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Copy of ID and presentation of original ID for verification</td>
</tr>
<tr>
<td>Two coloured passport photographs, of the three group signatories</td>
</tr>
<tr>
<td>Group by Laws, and Minutes authorising account opening,</td>
</tr>
<tr>
<td>Certificates of registration from the Social Services</td>
</tr>
<tr>
<td>Minimum account balance amount of Kshs 500 and passbook at kshs 50</td>
</tr>
</tbody>
</table>

### 7.0 LOAN REPAYMENT GUIDELINES

a) The loan repayment period shall be determined by the BOD. Repayment terms shall show clearly amounts repayable relating to the principal loan and interests.

b) Deductions for loan repayments shall commence not later than one month following that in which the loan was approved to the member.

c) Loans will be repaid from a member’s salary and no member should be allowed to suffer total deductions (including savings, loan repayment and interest) in excess of two thirds of his/her monthly basic salary. Nothing in the foregoing need prevent any member from repaying his/her loan and interest in whole, or in part, prior to its maturity.

### 7.1 Delinquency Management

a) It is the responsibility of the BOD, management staff, credit committee and the Credit Officer to ensure that only quality loans are granted to minimize on defaults.

b) All loans granted shall be in line with the stipulated loan policy.

c) All Sacco facilities shall at all times be managed through the ICT system as a means of controlling delinquency in the society.

### 7.2 LOAN RECOVERY PROCESS

The process of realizing the security shall depend on its nature; however the following shall form the general procedures to be followed:

i) The defaulter shall be given three demand notices through his last known address

ii) The guarantors shall be given copies of the demand notices to inform them on the non repayment by the borrower
iii) The society shall refer the matter to the society’s lawyer in writing for necessary legal action and subsequent sell of the securities

iv) The proceeds realized from the sale of security shall liquidate the outstanding loans plus interest and any incidental costs

v) The balance of the sale shall be given to the member less any charges levied

vi) Where the sale proceeds does not cover the loan outstanding, the guarantors must be sought to honor their guarantee and pay.

**OTHER USEFUL INFORMATION**

Loan application forms Loan app will be issued to eligible members free of charge and are obtainable from the society office, elected society officials, appointed society area representatives or downloaded from the Society website – www.mwitosacco.coop.

The properly completed forms shall be submitted to the Society Headquarters (Chief Executive Officer, Mwito Co-operative Savings and Credit Society Ltd. P.O. Box 56763 00200 Nairobi, Tel: 020-3505209, 0713 – 786028, 0715 – 555390 Fax No. 020-2414507 Email info@mwitosacco.coop.

It shall be an offence for any applicant, society employee or member of the Board of Directors and supervisory committee to give false information regarding deposits, loans and guarantees. Any such offence shall be punishable in accordance with By Laws and the Law.

**ADHERE TO OUR MOTTO:** “Ready To Serve”
8.0 DECLARATION/SIGNATURES

We, the undersigned, individually and collectively, give commitment to the implementation of the Credit Policy by appending our signatures.

Board of Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Signature</th>
</tr>
</thead>
<tbody>
<tr>
<td>James Onsombi Nyakundi</td>
<td>Chairman</td>
<td></td>
</tr>
<tr>
<td>John Mwangi Kariuki</td>
<td>Vice Chairman</td>
<td></td>
</tr>
<tr>
<td>Samuel Kipruto Kiplagat</td>
<td>Secretary</td>
<td></td>
</tr>
<tr>
<td>Rosaline Daisy Karimi</td>
<td>Treasurer</td>
<td></td>
</tr>
<tr>
<td>Isaack Barasa Wekesa</td>
<td>Member</td>
<td></td>
</tr>
<tr>
<td>Wilda Kemunto Ombongi</td>
<td>Member</td>
<td></td>
</tr>
<tr>
<td>Ephantus Wanjohi Githu</td>
<td>Member</td>
<td></td>
</tr>
<tr>
<td>Bernard Ogonji Rutha</td>
<td>Member</td>
<td></td>
</tr>
<tr>
<td>Angeline Adhiambo Owino</td>
<td>Member</td>
<td></td>
</tr>
</tbody>
</table>

Witnessed by: George Mutwiri Mugambi

CHIEF EXECUTIVE OFFICER

SIGNATURE

Date. .............................................