

LOAN POLICY

The Credit Union will provide a local source of affordable loans for the benefit of its members at a fair and reasonable rate of interest.

The following rules apply to members seeking loans from the Credit Union:

1. Levels of Authority

- i. The board will maintain the responsibility to ensure the duties of Credit Committee are being carried out effectively and in accordance with Policy and Procedures.
- ii. All loans are subject to the discretion of the Credit Committee and the availability of cash.

2. Loan Products & Rates

- i. Loans will be considered on individual merit on the basis of: -
Unsecured Loans, Secured Loans, Emergency Loans, Top-up Loans & Car loans.
- ii. Interest on unsecured loans will be at 1% per month on a decreasing balance (APR 12.7%). Interest on secure loans will be at 0.66% per month on a decreasing balance (APR 8%).
- iii. When payments are made to a loan the interest due is deducted first and the balance is taken from the loan. Underpayment of the required amount will result in arrears.
- iv. The Credit Union can authorise up to the maximum value of £15,000 and maximum term of 5 years on loans between £5,000 and £15,000.

3. Criteria for Acceptance

- i. A Loan can only be granted to a member of the credit union and in order to borrow, a member should be 18 years of age and over.
- ii. All loan applications may be subject to a credit reference search.
- iii. All members must commit to saving a minimum of £10 pm alongside agreed loan re-payments.
- iv. When normal weekly payments increase by 100% or more for less than 8 weeks before the application is made, these will be discounted and classed as Share Loading.
- v. On transferring from the Junior Section first loans shall be secure and shall be subject to the same savings criteria as new members.
- vi. Current Loans must be repaid in full before applying for a new loan.
- vii. First loans are based on capacity and are subject to following.
 - a. Loan shall be treated as either.
 - a. an unsecured loan if shares are less than agreed loan amount or
 - b. secured loan if shares are equal to or greater than loan amount.
 - c. All first loans would need to be paid in full i.e. no top ups on first loans.
 - b. Would be subject to the discretion of the Credit Committee after all due diligence carried out.

3.1 Loans

- i. **First Loans:** First Loans shall be subject to due diligence based on 3. vii above
- ii. **Second Loans:** Second Loans shall be up to three times shares held.
- iii. **Third Loans:** Third Loans shall be up to four times shares held.
- iv. **Fourth & Consecutive Loans:** Fourth Loans and over shall be up to five times shares held, per loan.

3.2 Top-Up Loans

- i. There must be a 6-month period of agreed repayment amounts (weekly/fortnightly/four-weekly/monthly).
- ii. Top-up loans will not be granted where a member's account is in arrears or where members have received arrears letters.
- iii. Any defaults on Top-up loans will result in forfeit of any further top-ups.

3.3 Car loans

- i Car loans are available as a separate loan up to a maximum of £15,000 subject to individual circumstances.
- ii Loan amount can be up to maximum of £15,000.

4. Documentation

- i. Proof of income is required for all unsecured loans.
- ii. Proof of receipt of Disability Living Allowance and/or Carers Allowance or relevant benefit is required for **all** loans.
- iii. Applications for loans must be on the form provided by the Credit Union. Interviews will be conducted at the office or over the telephone for online applications except for housebound members.
- iv. All loan application must be signed and witnessed in view of Credit Union officer or via Rsign if application is online.
- v. ID card must be shown, to apply and uplift any Loan approvals.

5. Guarantors

Guarantors may be required for some loans at the discretion of the Board. ii. Guarantors will be held jointly and severally liable with the borrower to the credit union in the amount of the loan and accrued interest.

6. Repayment Terms

- i. Loan repayments will have a minimum term of no less than 8 weekly, 4 fortnightly or 2 monthly payments.
- ii. All Shares are secured against any loan; no withdrawals can take place until Loan balance is lower than Share amount.
- iii. All loans are recoverable against any Share balances that a member may hold in the event of non-payment, ceased membership and/or in the event of their death.
- iv. Early resettlement fee will be applied to all loans repaid before 80% payment threshold. Fee will be 1% of initial loan balance.

6.1 Renegotiations

- i. Members who renegotiate their loans will not be entitled to apply for a top up loan.
- ii. Payment reviews will be conducted on a 6 monthly basis.
- iii. All payments made to the account will be deposited to the Loan Balance.
- iv. Any new loans will be subject to review by loans committee.

7. Arrears Management

- i Members who fail to comply with the terms and conditions of their loan agreement may have any subsequent loan application amounts reduced.
- ii An effective arrears management procedure is in place for the recovery of all monies.

8. Record Keeping

In accordance with the principles of the Data Protection Act 1998, we will use your personal details for the purposes of managing your accounts with the credit Union. Your personal details will be treated confidentially and will only be shared with other agencies for the purpose of credit referencing and debt recovery, for which purpose we hold a Category F consumer credit licence.

Policy available in large print.