

# SCVO Credit Union Members Loan Policy 2018

## Terms and Conditions

In accordance with the credit union rules the credit committee shall carefully inquire into the character and financial condition of each applicant for a loan and the security offered, if any, to ascertain their ability and intent to repay fully and promptly the obligations incurred by the member to determine whether the loan sought is for a provident or productive purpose.

### 1 Lending policy and procedures

- 1.1 Loans can be made to members over the age of 18 years of age
- 1.2 Loans shall not be made to non-members, people under the age of 18 or to a business or joint accounts.
- 1.3 The Credit Union loan products are set out as:

Loans Products	Amount	APR	Period
Standard Loans	£100 to £4,999.	1% (12.68% APR)	Maximum 3 years
Standard Loans	£100 to £6,999	1% (12.68% APR)	Maximum 5 years
Refinanced Loans	£100 to £10,000	1.5% (19.56% APR)	Maximum 5 years
Loyalty Loan	£7,000 to £9,999	.9.38 (9.38%APR )	Maximum 5 years
Loyalty Loan Plus	£10,000 to £15,000	.6% (6.17%APR)	Maximum 5 years
Budgeting Loan	£100 to £1,500	2% (26.82%APR)	Maxim 24 Months
Starter Loan	£25 to £500	2% (26.982%APR)	Maxim 12 Months

- 1.4 All members wishing to apply for a loan are required to complete and submit a written application on the credit union's loan application form.
- 1.5 Members' eligibility for loans will be determined according to their ability to repay the loans to the credit union.
- 1.6 The credit union reserves the right to consult a credit reference agency as part of the loan assessment process.
- 1.7 Members will be required to provide full information on their income and expenditure and to provide evidence of such as required by the credit union lending criteria.
- 1.8 The credit union reserves the right to refuse a loan application.
- 1.9 Members with an outstanding loan are required to maintain a savings relationship with the credit union during the period of the loan.
- 1.10 Loan repayments shall be required to be made on a monthly, weekly, or fortnight basis or in accordance with the loan agreement.

## **2 ELIGIBILITY**

- 2.1 A member must have saved regularly for a period of three months prior to applying for a Standard loan.
- 2.2 A member must have made one payment into their account in order to apply for a Starter Loan.
- 2.3 A member must be with the credit union for more than one year to apply for a Budgeting Loan or at the discretion of the credit committee
- 2.4 There is in no automatic right to a loan, nor will the applicant be granted the multiplying factor requested, as arrears, transfers, and previous record of repayments will be taken into consideration.
- 2.5 Each loan application is decided upon its own merits. Loans outside the usual criteria will be considered on an individual basis.
- 2.6 If in the opinion of the Credit Committee, a member has been "loading" shares, the loan could be restricted.
- 2.7 Member will be advised of any arrears and that they must be paid prior to any loan being given.
- 2.8 Share to Loan transfers can be completed where shares meet the agreed Loan Raito as when the loan was given.
- 2.9 Unsecured loans in the first year of membership will not exceed £3000 for any one loan.
- 2.10 Loans in the 1<sup>st</sup> year of membership will be given at three times savings. For members with more than one year of membership, up to four times can be given, but with no guarantee and any decision made on individual merit.

## **3 SUBSEQUENT LOANS**

### **3.1 Refinanced Loans**

The loan may be financed up to three or four times savings less the current outstanding loan to arrive at the figure that member may apply to borrow.

- 3.2 Six monthly repayments should have been made before refinancing will be permitted (excluding hardship or special requests). Existing loans can only be refinanced up to times three times your savings before full repayment of any outstanding loan is required.

### **3.3 Emergency Loans or Refinancing of Loans**

Members may apply for an additional loan or to refinance an existing loan to assist in meeting an immediate need. All these loans will be at the discretion of the credit committee.

### **3.4 Starter Loans**

Starter Loans may be made available to the new members who have made a commitment to make a minimum of one payment of a minimum of £25.

- 3.4.1 Starter Loans will be set at a maximum of £500 or which amount is determined by the Board of Directors.

- 3.4.2 Starter loans will be at 2%. 26.82% APR
- 3.4.3 Loans can be repaid over a maximum term of 12 months.
- 3.4.4 No top-ups will be available on a Starter Loan.

### **3.5 Budgeting Loans**

Budget loans will be made available to existing members, and can run alongside existing Standard/Refinanced loans. Budget loans cannot run alongside Starter Loans.

- 3.5.1 Loans will be set at a maximum of £1,500 or which amount is determined by the Board of Directors.
- 3.5.2 Loans will be given at 2% 26.82% APR
- 3.5.3 Loans can be repaid over a maximum term of 24 months
- 3.5.4 Loans are not tied to any savings.

## **4 Additional criteria for loans in excess of £5000**

- 4.1 For loans in excess of £5000, members must have been an active member for at least 2 years or at the discretion of the Credit Committee
- 4.2 Previous bad debt history within a 3 year period. i.e. CCJ's, Trust Deeds or letter 3 from Credit Union may result in the loan being refused .
- 4.4 Proof of ability to meet monthly repayment figures required either by historical levels of payment, proof of earnings or current bank statements may also be requested for up to three months. An additional credit check will also be undertaken.
- 4.5 Loan criteria at 3 times share value. Maximum repayment period can be extended up to 60 months. Loans of 4 times share value can be extended up to 60 months.
- 4.6 No loan can be granted on the basis of a share top up within six month period unless prior notice is given and this is recoded on their file.
- 4.7 For Loans in excess of £10,000 members must have been an active member for at least three years.
- 4.8 Loan amounts over £7,000 may not be refinanced unless there are exceptional circumstances.
- 4.9 Insurance cover on loan is restricted to the first £10,000 reducing accordingly. Any initial excess over £10,000 is not covered and therefore reliant on shares for any shortfall that may occur.
- 4.10 All applications to be treated on individual merits must be approved by 2 members of the credit committee.

## **5 RE-PAYMENTS**

- 5.1 Unsecured loans must be repaid as quickly as the members finance allows. Unsecured loans must be repaid within 3 years and secured/larger limit loans within 5 years.
- 5.2 Members should be encouraged to save whilst they are repaying a loan, except where they have reached the maximum savings stipulated by law

## 6 PROCEDURE – LOAN APPLICATIONS

- 6.1 Credit referencing systems may be used in order to identify the applicant's credit history and level of existing borrowing. The credit union does not want our members to become over-indebted.
- 6.2 It is our aim to provide an approved loan within 5 working days of the request being received. This time frame will be subject to loan application being fully completed and that the application complies with the agreed share to loan ratio and all signatures being fully legible. *Please note that incomplete applications will be returned and will impact on the timescale of the loan.*
- 6.3 A member shall be asked to identify their method of repayment and sign any forms that may be required to facilitate this. Whenever possible, members shall be encouraged to repay their loan by direct deduction from salary or by Direct Debit.
- 6.4 The credit control procedure shall be followed if a member defaults on their loan.
- 6.5 Failure to comply with the terms of the loan agreement may jeopardise future loan applications, and ultimately the individual's membership in the credit union.
- 6.6 If a loan is refused, the member shall be written to, and provided with the reason for the refusal.
- 6.7 All members must supply correct documentation to support their loan. Criteria forms to be issued with all loan forms.

Further information can be requested from the Credit Union [credit.union@scvo.org.uk](mailto:credit.union@scvo.org.uk)