

# Retail Lending Policy

## Contents

1. Philosophical framework.....	6
2. Policy Scope.....	6
3. Policy Statement.....	7
4. Credit Assessment.....	7
5. Eligibility.....	8
6. Debt Service Ratio(DSR).....	8
7. Statutory Loan Amount Restriction.....	8
8. Purpose of Loan.....	9
9. Responsibilities.....	9
10. Policy exception.....	10
11. Consequences for breach of policy .....	10
12. Policy review.....	10

## **1. PHILOSOPHICAL FRAMEWORK**

This policy ensures that the interest of depositors/shareholders/members shall at all times be paramount. Our focus shall be on overall loan portfolio performance and on individual member needs, but at no time should the Credit Union allow individual member needs to jeopardize the health of the loan portfolio.

## **2. POLICY SCOPE**

This policy applies to all personnel employed with VENTURE Credit Union (“VCU”) and all VCU’s Statutory Committees (Credit, Supervisory and Board of Directors), in guiding retail lending decisions. Pursuant to the Co-Operative Societies Act (Section 43 (1)), VCU “may not, save with the consent of the Commissioner, make a loan to any person other than a member.”

Members of all Statutory Committees, as well as all Board sub-Committees (who are members of VCU) are also eligible to apply for loans subject to the terms and conditions of this policy.

This policy is limited only to members resident in Trinidad and Tobago.

Should an application not be covered in this policy or the policy is silent in relation to a certain matter, the application must be treated as an exception and referred to the Board of Directors as per Section 18 (Policy Exceptions).

## **3. POLICY STATEMENT**

VENTURE Credit Union is committed to providing sound loans for provident purposes to all qualified members who apply. VCU will seek to protect members’ assets and maximize the availability of loans, whilst remaining vigilant against threats of money laundering.

### **Credit Orientation**

- 1) The Credit Union shall provide both provident and productive credit.
- 2) Provident Credit will be for the purpose of enhancing the members’ standard of living through the acquisition of housing, household items, education, health, motor vehicles, vacation, debt consolidation etc.

3) Productive Credit will include loans for industrial and commercial small and micro enterprises and SMEs up to the limit established by the Board.

4) The Credit Union's credit portfolio shall in its entirety be demandable, so that its recovery should be either in cash or in its cash equivalent. The execution of this will be at the sole discretion of the Board.

#### **4. Credit Assessment**

In evaluating loan applications the credit-worthiness of each member applicant will be assessed and the following factors, among others, shall be considered:

<b>Item</b>	<b>Description</b>
Age:	the member must be 18 years or older
Membership:	the loan applicant must be a member of VCU for a period greater than 3 months. Any request for waiver to this mandatory 3 month requirement must be assessed and approved by the Executive Management
Record:	member's past loan repayment history
Income	member must have a source of legal income
Debt:	member must not have a fixed monthly debt exceeding 40% of total gross income (includes all loan installments, credit card and hire purchase payments and any other debt that cannot be avoided)
Repayment:	member's ability to repay the loan being requested
Support:	Statement of accounts from other financial service providers (Unit Trust; Banks)
Securities:	types and value of securities offered
Delinquency:	Member must not have any loans in a state of delinquency

#### **5. ELIGIBILITY AND REQUIREMENTS**

The following scope is established:

- a. VENTURE Credit Union may offer credit services only to those individuals and organizations which fulfil the requirements set out in the Bye-laws of VENTURE Credit Union and the Co-operative Societies Act. All applications shall be made on the prescribed Loan Application Forms.

- b. Only members who have held membership in the Credit Union for 3 months are eligible to apply for credit in excess of shares and deposits.
  - c. Delinquent members are not eligible to apply for additional funds.
- 1) All credit granted by the Credit Union shall be based on a loan application submitted by the member on the prescribed form. This application should have the corresponding documents and certificates required by the Credit Union. There are two different application forms – one for productive or commercial credit and another for provident or consumer credit.
  - 2) The Lending Officer or the staff member so designated will ensure that all applications are complete and accurate i.e., he/she will ensure that the application form is completed in legible handwriting and includes the member's signature and personal identification data as required.
  - 3) The Lending Officer will ensure that applicants fill the applications themselves. Credit Union personnel should avoid completing such applications once the member can read and write.
  - 4) Loan applications can ONLY be executed for an individual member or in conjunction with a co-maker/ co-borrower.
  - 5) Under this arrangement, all parties involved have an obligation to repay the loan.
  - 6) In cases where loan applications are processed with more than one member, all persons must be members of the Credit Union and must sign all related loan / security documents.
  - 7) Loan applications cannot be applied in a company's name.
  - 8) In reviewing the application the Lending Officer shall also ensure that key information is noted and verified, including:
    - Loan Amount
    - Loan Purpose
    - Details of Security offered
    - Address of, length of time spent at residence and nature and verification of residency
    - Telephone number
    - Employment (current and former)
    - Sources of income
    - Total monthly obligations
    - Credit history including records of bankruptcy and delinquency

- The Lending Officer's assessment of the loan application using the C's of Credit – Character, Capital, Conditions (economic and otherwise), Capability, Capacity to Repay (cash flow in the case of productive loans) and Collateral
- All loan applications should be completely filled out before being processed

## **6. DEBT SERVICE RATIO (DSR)**

Loan requests shall be granted to members, in keeping with proper Credit Appraisal methods - the 6Cs (Character, Capital, Conditions, Capability, Capacity and Collateral), and whereas the Debt Service Ratio should typically not cross 40%; in special instances, the application may go to the Credit Committee for their further assessment and, at their discretion, a DSR may be allowed of up to 50%.

## **7. STATUTORY LOAN AMOUNT RESTRICTION**

Pursuant to statutory requirements, an officer of the credit union cannot receive a loan in excess of the value of his/her shares, deposits, accumulated dividends and interest, unless it is approved by the vote of a two-thirds majority at a meeting of the other members of the board, the Credit Committee and Supervisory Committee all sitting together, or with consent in writing of all the members, other than the borrowing officer, constituting the board, the credit committee and the supervisory committee (Part IV Property and Funds of Societies of the Co-operative Societies Act, Sec. 43 (3)).

## **8. PURPOSE OF LOANS**

Pursuant to Sec. 38 of the Co-operative Societies Regulations of the Co-operative Societies Act, no loan shall be made without the approval of the Board or committee as the case may be, and a loan shall be applied only to such purpose for which it is granted.

In the discovery of the misapplication of a loan, where the Board or committee is satisfied that a member has applied the loan or any part thereof to a purpose other than the purpose for which it was granted, the Board or the committee, as the case may be, may by notice in writing to the member demand repayment of the loan before the agreed date of repayment (Sec. 44, Co-operative Societies Regulations).

## **9. RESPONSIBILITIES**

VENTURE Credit Union executes its loan policies primarily through the remit of the Credit Committee, Loan officers, Branch Managers, Credit Manager and the Board of Directors.

The Credit Committee has responsibility for rendering the final decision on all loan applications within the authority delegated to the committee and subject to the standards set forth by the Board, the bye-laws and applicable statutes, including loans that were not recommended, as well as the list of approved loans, consistent with VENTURE Credit Union's lending / loans policies.

## **10. POLICY EXCEPTIONS**

All exceptions to this policy must be referred to and approved by the Board of Directors.

## **11. CONSEQUENCES FOR BREACH OF POLICY**

Policy breaches will be subject to investigation by the Internal Audit Manager, and potential disciplinary action shall be determined by the Human Resources Manager, up to and including dismissal.

## **12. POLICY REVIEW**

- 1) The Board of Directors will be responsible for formulating, reviewing and adjusting the retail lending policy. Any actions taken by management, officers and/or committees resulting from this policy shall be strictly in accordance with the Delegation of Authority related thereto.
- 2) The Credit Committee in conjunction with the Executive Management shall review this policy once every three (3) years, or sooner if required and make recommendations for its amendment to the Board of Directors for their approval.