



**WORKS CREDIT UNION**  
**Co-operative Society Limited**

**[www.workscu.com](http://www.workscu.com)**

# **LOAN POLICY**

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## Loan Policy of Works Credit Union

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### 1. GENERAL LOAN POLICY

- (i) The main purpose of WORKS CREDIT UNION CO-OPERATIVE SOCIETY LIMITED (“the Society”) is to encourage its members to save on a regular basis to enable them to borrow for provident and/or productive purposes within the provisions of the Co-operative Societies Act, its regulations, the Bye-Laws of the Society and Policies of the Board of Directors (“the Board”).
- (ii) This Loan Policy sets out the principles and conditions governing the granting of loans in the Society and acts as a general guide to its members and the Credit Committee.

### 2. CATEGORIES OF LOANS

- (i) Promissory Note Loans:
  - (a) Share Loans – Share Loans are loans, which do not exceed the member’s shares.
  - (b) Character Loans – are loans in excess of member’s shares.
- (ii) Charge Loans – Charge Loans are loans secured by tangible collateral held under Instruments of Charge.
- (iii) Mortgage Loans – Mortgage Loans are loans, which are secured by shares and real property under a Deed of Mortgage.
- (iv) Bridging Finance Loans – Bridging Finance Loans are facilities which are secured by shares and real property under a Deed of Mortgage and guaranteed by a proposed Mortgagee.
- (v) Business Loans – Business Loans are facilities for which the purpose allows the borrower to generate income. It may therefore encompass any of the facilities mentioned in items (i) to (iii) above.
- (vi) Revolving Emergency Relief Plan (RER Plan) – These are revolving loans granted for emergency relief purposes only.

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### 3. APPLICATION FOR LOANS

- (i) In keeping with the Co-operative Societies Act 1971 and the Society's Bye-Laws, only members of the Society shall be eligible for loans.
- (ii) Applications for loans must be made on the prescribed form, completed truthfully and signed by the member and Co-maker (Guarantor) where necessary. A Co-maker must be a member of the Society, who is equally responsible for the repayment of the loan. (The Co-maker's Shares will be withheld accordingly until the amount guaranteed has been settled, or until such time as the Credit Committee releases him/her from his/her liability. The onus is on the Co-maker to understand the conditions and to apprise himself of the borrowing member's financial position before signing as a Co-maker and before funds are disbursed.)
- (iii) The purpose(s) for the loan must be clearly stated, along with the amount required, method of repayment and the nature of any security.
- (iv) No member shall be discriminated against because of race, creed, gender, religion, being differently able or political affiliation.
- (v) A loan, which has been approved, may be revoked/denied if it is found that information provided was false.
- (vi) Any change of purpose for which a loan was approved, must be sanctioned by the Credit Committee.
- (vii) A member who utilizes the proceeds of a loan for any purpose other than that for which it was granted is guilty of an offence under the Co-operative Societies Act 1971, Section 70 (1).
- (viii) A member will be required to provide documentary evidence to support his/her application as requested by the Credit Committee.

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### 4. GRANTING OF LOANS

- (i) All loans will be granted within the limits and restrictions of the Co-operative Societies Act and accompanying Regulations.
- (ii) The Credit Committee is vested with the responsibility and authority for determining loans (except where the Board delegates that authority) set collateral to be offered and to interview the member.
- (iii) No member qualifies automatically for the maximum of any category of loan.
- (iv) Approval of loans will be based on the following:
  - (a) The purpose of the loan, the amount required and the period for which it is required.
  - (b) The member's character, e.g. savings and borrowing patterns.
  - (c) The member's capacity to repay; e.g. the amount and the regularity of income to be used for repayment, over the entire period of the loan.
  - (d) The member's credit rating; e.g. history of repayment of his debts.
  - (e) The availability of collateral where it is deemed necessary.
  - (f) The prevailing conditions e.g. Economic, Political, etc.

### 5. ETHICS

- (i) Confidentiality of member's information should be protected at all times by Staff and other Elected Officers.
- (ii) No Elected Officer or member of staff shall evaluate the loan application of an immediate family member or close friend.
- (iii) Elected Officers and members of staff shall disclose potential areas of conflict of interest.

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### **6. LIMITS OF AUTHORITY**

The Manager and Loans Officers shall have authority to approve loans for/to members to a maximum limit as determined by the Board of Directors from time to time.

### **7. LOANS TO ELECTED OFFICERS**

- (i) An Elected Officer is a member of the Board of Directors, Supervisor Committee or Credit Committee.
- (ii) The Credit Committee, Manager, and Loan Officers may ONLY approve Share Loans for Elected Officers. Any loan in excess of an Officer's Shareholding must be approved at a joint sitting, i.e. by the rest of the Board, Credit Committee and Supervisory Committee, with at least a two-thirds majority or by the referendum where every officer except the applicant must sign the application.

### **8. LOANS TO CREDIT UNION EMPLOYEES**

- (i) A staff member shall be eligible for a loan only if he/she is a member of the Society.
- (ii) The Credit Committee must ratify Share loans to staff members.
- (iii) The Credit Committee must approve ALL loans that are in excess of the staff member's shares.

### **9. REFINANCING OF LOANS**

- (i) An application to refinance a loan shall only be considered where;
  - (a) The member has repaid  $\frac{1}{4}$  of his/her outstanding loan balance or

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- (b) Six (60 months has elapsed from the date of approval of his/her last loan, except in the case of Share Loans or where the previous loan was a Share Loan.
- (ii) Notwithstanding (a) and (b) above, the Credit Committee shall have discretion to grant additional sums in special circumstances.

### 10. REPAYMENT OF LOANS

- (i) All loans must be repaid in the time determined by the Credit Committee within the limits of the repayment schedule outline in **Schedule No. 4**.
- (ii) The rate of interest payable on ALL Loans will be based on interest rates determined by the Board of Directors and are subject to change from time to time.
- (iii) Fees and other costs incurred shall be borne by the member and/or may be added to the loan.
- (iv) Where, owing to retrenchment, or other extraordinary circumstances, a member is unable to meet his/her obligations to the Society; the member shall notify the Manager and/or Secretary of the Credit Committee in writing at least five (5) working days before the repayment of such a loan/or installment is due.
- (v) The Credit Committee or any person(s) so authorized, may grant an extension of time or rescheduling of payments after careful consideration of the facts and in keeping with Section 4, Item (iv), (b)-(d).

### 11. WAIVER OF LOAN INSTALLMENT

- (i) Authority for the granting of waivers is vested in the Credit Committee and/or General Manager.

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- (ii) The applicant must make an application on the prescribed form.
- (iii) Waivers will not be granted to members whose loans are in arrears
- (iv) No more than the equivalent of one (1) month's waiver will be granted in any one year.
- (v) Waivers for Elected Officers must be brought before the joint sitting.

### 12. LOAN LIQUIDATION

Where shares are used to liquidate loans, a penalty of three percent (3%) of the shares transferred shall be charged, in addition to interest charged for the month in which the request is approved except in the case of retrenchment or any other circumstances deemed satisfactory to the Credit Committee.

### 13. LOAN SECURITY

The Credit Committee will accept the following as collateral/security for a loan:

(i)	Share Deposits	100%
(ii)	Fixed Deposits and Treasury Bills	100%
(iii)	Insurance Policies	80% of the Cash Surrender Value (CSV)
(iv)	Equities	66% of the traded value on the local stock exchange on the date of acceptance
(v)	Property	90% of value on Residential Properties 80% of the value Commercial properties and 50% of the value of Agricultural land, according to the Valuation Report, prepared by a Valuator accepted by the Society.
(vi)	Motor Vehicles	85% of resale value for new cars and 70% for used cars as determined by the Society's Valuator, to be held for a period determined by the Committee.

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### 14. DELINQUENCY

- (i) A Borrower shall be deemed to be delinquent by virtue of his/her non-payment or the non-receipt by the Society of the contracted installment for the loan(s) granted within ten (10) calendar days of the due date for the payment/receipt of such installment.
- (ii) Where a member is in default in the repayment of a loan or the payment of an installment in respect of a loan, and does not satisfy the Manager or Credit Committee that his/her default is due to a good cause, that member shall not be granted further advances until he/she has repaid the existing loan.
- (iii) To avoid becoming delinquent, it is the member's responsibility to ensure that his/her payments are remitted to the Society on time.
- (iv) The Society reserves the right to make public the identity of a delinquent member who fails to communicate with the Society in an effort to address his individual problem for a period exceeding ninety (90) days.
- (v) Delinquent members who fail to respond to efforts at (iv) above shall be dealt with in accordance with the Co-operative Societies Act 1971 and any other policy existing within the Society.

### 15. MORTGAGE & BRIDGING LOANS

The following conditions will apply with respect to MORTGAGE loans:

- (i) The Society will lend a percentage of the cost, or value of the property, whichever is lower, as set out in Item 13 above, whilst the member should have the difference in unencumbered Shares.
- (ii) The loan must be for the member's primary residence.
- (iii) A copy of the Title Deed must be provided.



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- (iv) A recent Valuation Report on the property to be held as collateral prepared by a Certified Valuator as approved by the Society.
- (v) The tenure of the land must be either freehold or leasehold. Should the land be leasehold, the unexpired period of the lease must not be less than five (5) years with the option to renew.
- (vi) In the case of leasehold land, the loan must be repaid five (5) years prior to the expiration of the lease.
- (vii) All legal documents are to be processed through the Society's legal representative.
- (viii) The member must provide the most recent Land and Building Taxes, W.A.S.A. Clearance Certificate and receipts.
- (ix) Provision of Fire and Special Perils Insurance coverage on the mortgaged property, from a reputable insurer. The Society may choose to pay and renew the insurance coverage, with the repayment of the respective premium to the Society, include in the monthly installment.
- (x) A mandatory share deposit may be required with each repayment.
- (xi) The Society will grant loans to a maximum repayment period of twelve (12) years.

The following additional conditions also apply where necessary:

### Purchase of Property:

- An agreement for sale between Vendor and member.

### Construction/Renovations:

- A Survey Plan with the required approvals.
- Approved Building Plans for the structure
- A Quantity Surveyor's Report
- The member must obtain All Risks Insurance coverage from a reputable insurer during construction.

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The following conditions will apply with respect to BRIDGING FINANCE:

- (i) The applicant must have a Letter of Commitment from a recognized Mortgagee.
- (ii) The applicant must have 10% of the value of the loan in unencumbered Shares.
- (iii) The applicant's debt/service ratio should not exceed 35% of gross monthly income.
- (iv) Title Deed, Approved Building Plans, Quantity Surveyors Report and All Risks Insurance coverage from a reputable insurer (during construction).
- (v) Draw-downs will be made only after an inspection of each phase, as outlined in the Quantity Surveyors Report.
- (vi) Interest on the outstanding loan balance must be paid by the member on a monthly basis.
- (vii) Bridging Finance Loans shall not exceed \$250,000.00 per member.
- (viii) The facility will not normally be extended beyond six (6) months; however, the Credit Committee may give consideration to an extension under circumstances deemed appropriate.
- (ix) The Society will require a guarantee from the proposed Mortgagee indicating that upon completion of construction, the sum loaned to the member will be paid directly to WORKS CREDIT UNION.
- (x) The Society will hold a first Demand Mortgage over the property during construction, which will be released upon settlement of the facility by the Mortgagee.

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- (xi) In the event of the member defaulting in the payment of monthly interest, the Society may choose to recover all outstanding monies via share transfer.

### 16. MOTOR VEHICLE LOANS

Loans granted for the purchase of motor vehicles are subject to:

- (i) Full Comprehensive Insurance coverage on the vehicle during the entire term of the loan, with the same assigned in favor of the Society. Proof of renewal of coverage shall be submitted to the Society within seven (7) days of the renewal date.
- (ii) Anti-theft devices are to be installed.
- (iii) Where a vehicle forms part of the collateral security for the loan, the member shall be required to sign a formal agreement by way of Instrument of Charge, thereby giving the Society first lien on the subject vehicle.
- (iv) A member shall not dispose of a vehicle under an Instrument of Charge and/or a Mortgage Bill of Sale, unless written consent is granted by the Society.

The following conditions shall also be applicable:

(a) Loans for the purchase of NEW motor vehicles:

- (i) Members must have at least fifteen percent (15%) of the sum to be borrowed in unencumbered Shares or Deposits.
- (ii) Maximum repayment period shall be sixty (60) months.
- (iii) Demand Loans may be extended to members who are awaiting Government Loans to purchase vehicles.

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- (iv) Invoice from Dealer indicating Make, Engine & Chassis numbers, Colour, Price & Registration Number.
- (b) Loans for the purchase of USED motor vehicles:
- (i) Members must have at least thirty percent (30%) of the sum to be borrowed in unencumbered Shared or Deposits.
  - (ii) The Society will require a letter of intent to sell from the Vendor.
  - (iii) The Society will require a recent certified copy of ownership of the vehicle (NOT older than one (1) week prior to the date of the loan application).
  - (iv) A valuation of the vehicle is to be done by a competent Valuator approved by the Society.
  - (v) A search of the Register of Bills of Sale is to be conducted by the Society at the expense of the member.
  - (vi) No Instrument of Charge and/or Mortgage Bill of Sale will be taken on vehicles over eighty (8) years old. If a vehicle is six (6) years old and a loan is granted, the loan should be repaid by the time the vehicle is eight (8) years old, or the loan balance within Character Limit by that time. All other used cars loans should be repaid within four (4) years.

### 17. POLICY AMENDMENTS

Notwithstanding the provisions as set forth in the Credit Policy, the Board of Directors reserves the right to exercise its discretion in the review and alteration of any provision(s) described herein and may therefore adjust interest rates and other aspects according to the national financial market and economic conditions.

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### SCHEDULE 1

#### FEES AND CHARGES

The processing fees for loans will be as follows: -

1.	Share Loans	-	\$ 20.00
2.	Character Loans:		
	\$0 - \$5,000	-	\$ 75.00
	\$5,001 - \$15,000	-	\$ 100.00
	\$15,001 - \$25,000	-	\$ 150.00
	\$25,001 and OVER	-	\$ 175.00
3.	Mortgage Loans	-	1% of the principal. Minimum \$500.00
4.	Bridging Finance Loans	-	1% of the principal and \$10000 on each drawdown
5.	Inspection Fees	-	\$60.00
6.	Delinquency Surcharge	-	0.5% or an across the board surcharge of \$50.00; whichever is greater.
7.	Charge and Business Loan	-	0.75% of the principal. Minimum \$250.00
8.	Waivers of Installment	-	\$ 20.00

### SCHEDULE 2

#### INTEREST RATES

1.	RER Plan & other Special Loans	-	1.5%
2.	Business Loans	-	1.25% - 1.75%
3.	All others	-	1%

