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Gloha Sacco Chairman Dr. Bonface Mangeti addressing members.

GLOHA SACCO SOCIETY LTD

LOAN POLICY.

Revised 2024.

1. INTRODUCTION

GLOHA SACO SOCIETY LTD, is a Savings and Credit Co-operative Society registered under the co-operative Societies Act (CAP 490) Laws of Kenya. It was founded in 2017 by Glorious Church members and later was affiliated with other parties of non-common bond.

The primary aim of Gloha Sacco is to provide members with an avenue to make savings and access credit for productive purposes.

MOTTO: Your Better Future is our concern

VISION: To be the financial Saving Investment Partner with our members.

MISSION: To empower members through mobilization of savings and prudent investment of their choice.

CORE VALUES: Transparency, Professionalism, Integrity, Respect & Fairness, Honesty, Team work, Customer Focused & Reliable.

The key objective of the SACCO is to mobilize savings from members and advance credit to members from their savings.

The terms and conditions of the loans advanced to the members are as agreed by members and forms part of the loans policy of GLOHA SACCO which is approved by members at the Annual General Meetings.

A) SCOPE OF CREDIT POLICY.

- 1.1. The purpose of this credit policy is to provide the Sacco with a credit framework on how to advance loans to its members.
- 1.2. The document will define who is eligible for loans, the Sacco products, the application process, appraisal, approval, appeal, monitoring, control and recovery.
- 1.3. It will also define the recovery period of the loans and what measures are in place in case of loan default among others.
- 1.4. The ownership of the credit policy has also been spelt out in the document.

B) MEMBERSHIP.

1.5. Membership Bond.

Gloha Sacco Ltd is formed by Glorious church members and its affiliated parties.

1.6. Membership Entrance.

- 1.6.1. The Sacco Management shall allow admission in accordance with the Sacco by-laws, and eligible applicants must meet the requirements set out in the By-laws;
 - a) Complete a membership application form and attach the following documents
 - i) Copy of the National Identity Card.
 - ii) KRA PIN Certificate

- iii) Two passport size photos
- b) Pay a non-refundable application/entrance fee as will be specified from time to time, **Kshs 500.**
- c) Complete a duly filled membership application form.
- d) Sign a commitment form to save a minimum monthly amount of **Kshs.1200**
- e) Purchase a nominal share capital of min of **Kshs.2000/-**
- f) However; the share capital may be varied from time to time to allow compliance with the applicable laws.
- g) Savings contributions shall be paid through check-off system by employers, cheque or bank deposit.
- h) A member who withdraws from the Society and rejoins later will be treated as a new member and shall pay a membership re-entrance fee as will be determined from time to time.
- i) A new member will qualify for a loan (s) after being a member of the Sacco and is up to date with contributions after at least three months.

1.7. Membership Rights and Obligations.

- a) A member shall have the right to use the society's services and exercise the rights established by the cooperatives Act and Sacco by-laws
- b) Receive quarterly individual member statement of accounts containing records of his/her credit and debit transactions.
- c) A charge will be levied for any additional statement requested outside the quarterly ones that are issued.
- d) To attend and participate in decision making during the society's AGMs and Education meetings, each member shall have one vote irrespective of shares held.
- e) The member shall protect the image of the society and avoid unnecessary publicity, incitement or careless talk that can injure the reputation of the society.
- f) Members shall honor their obligations to the Sacco without fail and save regularly with the society.

1.8. Termination of Membership.

1.8.1. Membership in the society shall be terminated upon a member;

- a) Voluntary withdrawal
- b) Death
- c) Insanity or being declared bankrupt by a court of law
- d) Failing to contribute shares/savings or repay loans for three consecutive months.
- e) Transferring shareholding and withdrawal of deposits
- f) Expulsion from membership if he/she acts contrary to the relevant provisions of the Co-operative Societies Act and/or the **GLOHA** Sacco by-laws.

2.0 SAVINGS POLICY.

The policy provides guidelines on all issues of savings by members/spouses/children, eligibility, limits, payment procedures and dormant accounts.

- Deposits – individual member’s savings with the SACCO.
- Savings – can be used interchangeably to refer to deposits.
- Active member – Individual member who has been contributing the minimum monthly deposits consistently.
- Dormant member – Individual member who has deposits with the Sacco but has not been contributing the minimum monthly deposits consistently for more than three months.

2.1 Members Savings Accounts (Deposits).

This is compulsory to all Sacco members. Active membership is maintained by consistent monthly contribution of not less than the minimum deposits, in conformation with by-laws and Cooperative principles.

- a) Savings should be made regularly, usually monthly by 10th of each succeeding month.
- b) Gloha Sacco minimum monthly saving is Kshs 1200/=, or any other amount revised from time to time. However, there are loan products that dictates higher minimum savings (Deposits).
- c) Additional savings can be provided at any given time of the month per member’s discretion.
- d) A member can transfer membership from another Sacco without penalty.
- e) Deposits cannot be withdrawn, either partially or in full, unless the member resigns from the Society.
- f) Deposits forms the basis of member’s loan entitlement. A multiplier effect on a member deposits is dependent on the loan product and used to determine the amount of loan that a member can be advanced for each product.
- g) Currently, the entitlement is three-times deposits subject to review from time to time or as specified by (Terms of References) TORS of the loan product.
- h) Deposits of active members can be used as loan guarantee for self or others.
- i) Deposits committed for loan guarantee cannot be claimed by the member, until freed from guarantor obligations.
- j) Guaranteed deposits are considered held in trust by the SACCO while the loans are running.
- k) Active deposits are eligible for any annual interest that shall be declared by the SACCO as surpluses for each financial year. The SACCO holds the discretion to deny annual interest on dormant members.
- l) After the AGM resolution on distribution of surpluses is passed, interest on deposits earned can either be paid out directly to the member, used to reduce member’s loan or ploughed back as savings per member’s discretion.

2.2 DORMANT ACCOUNTS

- An account should remain active by regular (monthly) savings.
- Any account that is not credited with savings for 90 consecutive days (3-months) shall be considered as dormant.
- Members with dormant accounts shall be notified on bi-monthly basis and

- requested to submit their monthly remittances within 30-days of notice.
- If there is no action from the member within the 30-days, then a final reminder shall be sent for their activation action within a further 30-days.
 - If there is no response after the second notification, then the account shall be considered dormant and the member asked to voluntarily withdraw from the Society, within 30-days of the communication.
 - If there is no response to the notice requiring their voluntary withdrawal, then the account shall be transferred in total to a standalone 'dormant account' to be created by the SACCO for such purposes.
 - Dormant accounts shall not earn any interest
 - Dormant members may apply for reactivation of their accounts in which case a reactivation fee of Kshs. 3,000/= shall apply.
 - Dormant members will apply for a loan 3 months after reactivation of the account.
 - Funds in the dormant account that remain inactive may eventually be transferred to 'unclaimed' account upon proof of continuous attempts to reach the members for their advice.
 - Funds in the 'unclaimed' account may be transferred to the Unclaimed Financial Assets Authority (UFAA), a Public trustee, as directed by the Act, Rules or by-laws, without further reference to the member

3.0 LOANS.

Money lent to members of the Sacco which needs to be paid back, usually with interest, over a set period of time.

3.1 LOAN ELIGIBILITY CRITERIA.

In order to access any of the SACCO loan products, a member must satisfy the following conditions among others for the salaried employees:

- a) A member must have saved with the SACCO for at least three months.
- b) All total loan deductions must not exceed 2/3 of a member's monthly gross salary except on special conditions approved by the Executive Committee.
- c) The total loans advanced must be guaranteed by other members' deposits saved with the SACCO.

3.2 GLOHA SACCO PRODUCTS

The following are GLOHA Sacco products:

3.2.1 Super Normal Loans

- i) Members qualify three times of their cash deposits and the maximum repayment period is 36 months.
- ii) Interest 1% per month on reducing balance basis (12% p.a).
- iii) Loan amounts shall not exceed three times of member's savings.

3.2.2 Emergency Loans

- i) Emergency loans is awarded based on the 1/3 rule and or based on the deposits.
- ii) The maximum repayment period is 6 months.

- iii) Interest rate is 1.5% per month on reducing balance.

3.2.3 School Fees Loan

- i) School fees loan is awarded based on 1/3 rule and 2 times net deposits.
- ii) Payable within 12 months.
- iii) Interest rate is 1.5% per month on reducing balance.
- iv) Payable within 12 months based on Government School Academic calendar.

3.2.4 Salary Advance Loan.

- I. This product is for members who need immediate short-term cash that is repayable within 30-days.
 - II. Amount advanced is up to 50% of the members net monthly income, subject to the 2/3 rule.
 - III. Repayment period is 30 days (1 month).
 - IV. Interest is 10% pm once.
 - V. A member qualifies for only one salary advance at any given time.
- This loan cannot be refinanced.

3.2.5 Item Loan

Special product loan is a type of loan offered as a physical product. It is offered subject to 1/3 rule and is payable within 6 months at an interest rate of 2% pm on reducing balance.

3.2.6 Top Up Loan

- i) The loan product is available to members who have an active loan product and would like to borrow the same product, as top-up.
- ii) Can run concurrently with previous development loan.
- iii) It's applicable on development loan products.
- iv) Interest is 1.5% per month on reducing balance basis

3.2.7 Quick Loan

This loan product is available to all members.

- i) Repayment period is within 1 month.
- ii) Interest rate is 10% per month.

3.2.7 Christmas Fund

This is a facility to assist SACCO members to save for their Christmas festivities. A member saves any amount of money with the SACCO on monthly basis which is paid back in December just before businesses close for Christmas and New Year holidays.

Payout is done between 15th- 20th December. Members who are not in good standing will not be paid their Christmas savings.

Table 1- Types of Savings products and related loan products.

	Savings Product / Collateral	Related loan service (s)
a)	Main Deposits	<ul style="list-style-type: none">• Development• Refinance• Emergency loan• School fees loan• Top-up loan• Instant Loan
b)	Christmas Fund	<ul style="list-style-type: none">• Christmas savings• School fees savings

3.3 INTEREST RATES AND FEES/CHARGES ON LOANS.

3.3.1 Interest rate on loans and other related tariffs are determined by the management and ratified by the Annual General Meeting.

3.3.2 The loan products of the SACCO will attract interest that varies from time to time and as per their loan product and as reviewed by the management and ratified by the AGM from time to time.

3.3.3 Various fees on loans may also be charged as may be revised from time to time.

3.4 LOAN APPLICATION PROCESS.

The application process involves the following;

- a) All applications for loans shall be made on the prescribed forms for the loans and shall in each case set out the amount applied for (both in words and in figures), purpose of the loan, repayment period and must be duly signed by the applicant.
- b) The loan application form must be fully completed and supported by a true copy of the most recent pay slip plus necessary genuine supporting documents like Identity Documents where applicable.
- c) It shall be an offence for an applicant or Society employee to give false information regarding deposits, loans, guarantors.
- d) Loan applications shall be considered in the order in which they are received in the society's office.

- e) The amount of loan granted to a member shall be guided by the features of each loan and shall be subject to review from time to time by the management.
- f) A member's total deduction should not exceed 2/3 of the net salary and where it exceeds the loan applied for, it shall be reduced accordingly.
- g) Once the loan application has been made, the Sacco will confirm the signatures of the guarantors.
- h) Loans will be given/issued on first come first served basis.

Any loan application form presented to the SACCO office with irregularities as pertains to failure to meet the loaning conditions stipulated in the loaning policy will be returned to the respective loan applicant.

3.4 SACCO LOAN APPROVALS

- 3.5.1 The SACCO loan approvals will be at various levels as determined and guided by the Credit Committee from time to time.
- 3.5.2 All loan products of the SACCO will attract interest rates that vary from time to time and as per their loan product and as reviewed by the management from time to time and approved at the AGM.
- 3.5.3 The following will guide in the loan approvals;
 - i) Assessment of loan applications will be based on three times the savings or salary commitment rule where a member total deduction should not exceed 2/3 of net pay with exception of where the Credit management approves otherwise.
 - ii) Loans shall be restricted to members only and shall be approved by the Credit Committee subject to the final approval by the Executive Committee.
 - iii) No member of the loan approving committee shall be present when his / her loan is being considered for consideration.
 - iv) Emergency loans shall be approved within 24 hours and disbursed immediately subject to availability of funds.
 - v) The Credit Management Committee shall approve Main loans for Sacco Staff and the Management Committee members.
 - vi) No member of the management committee shall approve his loan form/voucher for payment.

3.6 LOAN DISBURSEMENTS AND REPAYMENT.

- a) All members loans shall be credited to the respective applicants' accounts thus reducing on operational costs and risks associated with holding of cash at the Sacco counter.
- b) The disbursements shall be done on First in First out (FIFO) basis unless in cases where the committee considers special considerations.
- c) The repayment period for a loan will be determined by the loan product.
- d) A member who withdraws due to resignation or loss of employment will be required to clear all outstanding loans and provide alternative guarantors for cases of loans guaranteed to other members.
- e) Deductions for loan repayment commence immediately in the succeeding month after the disbursement.
- f) For Payroll member's recovery of loan is done through check off. However total deductions (Deposits, loan premiums and interest) should not exceed two third of thenet monthly Salary.
- g) Members may repay their loans from other sources besides the salary, but these other sources will not be considered during appraisal and approval of the loan. However, for collateral-based loan, the value of the security provided will determine the amount of loan to be advanced.
- h) For Non-payroll members, direct debits, postdated cheque, deposits and repayment history may be considered in the appraisal and determination of the amount toadvance.
- i) No member will be allowed to withdraw part of his/her deposits or off-set part of the deposits against an outstanding loan.
- j) A member can repay the loan in full or part, by cash from other sources, at any time, without suffering any penalties. For full payment, interest chargeable shall be what is due in the accrued interest account.

3.7 GUARANTORSHIP.

3.7.1 Terms of Guarantor ship.

All loans applied for in the society must be secured by guarantors regardless of whether the loan applied for is equal to or less than the applicant's savings/deposits.

- a) The total deposits of the borrower and those of the guarantors must be equal to or be more than the loan applied for.
- b) All guarantors must be active members of the society.
- c) No member should over guarantee.
- d) Members of the Management Committee shall not guarantee loans among themselves or any other members while in office but can be guaranteed by other members.

- e) The staff of the society shall not guarantee any member other than themselves but can be guaranteed by other members.
- f) Withdrawal of guarantor ship is only allowed if there is an acceptable replacement.
- g) The obligation of the guarantors shall cease when the loan guaranteed is equal to the member's deposits.
- h) The Society shall maintain an updated record of guarantors all the time.
- i) Loan applicants should be guaranteed by members who are in the common bond.

3.8 Acceptable Securities.

3.8.1 The following are the approved security for GLOHA SACCO members:

- a) Deposits held in the SACCO.
- b) Guarantors who must have deposits in the society and within the common bond.
- c) Savings held specifically in the SACCO e.g. redeemable voluntary deposits.
- d) Employee salary/service pay
- e) Terminal dues
- f) Gratuity

3.8.2 Other securities.

- I. Pledges in form of assets allowable in respective loan product like may be accepted.
- II. The society shall contract a legal firm to be custodian of such pledges.
- III. Authenticity of the pledged articles must be obtained from the issuing authority before such documents can be admitted as security for the loan.
- IV. The members shall meet all the expenses for evaluation of the property and the legal fees. The Valuer shall be a qualified person/firm registered under the law and acceptable to the society and shall be appointed by our legal firm.

3.9 DEFAULTED LOAN RECOVERY PROCEDURE.

Where a member fails to pay his loans for two months, the following conditions shall apply;

- a) The society shall inform the defaulter immediately in writing with a copy to all his guarantors.
- b) If no repayment is made after 2 months, the guarantors shall be informed of this fact and requested to honor their guarantor ship obligation.

- c) It shall be the duty of the guarantors to work with the SACCO to follow-up and take action against the borrower they guaranteed and not the SACCO.
- d) Defaulted loans shall attract a penalty of 5% of the outstanding amount and recovery costs.
- e) When no repayments are forthcoming during the second month of default; a reminder shall be sent out to the defaulter with the guarantors in copy and the guarantors will also be informed and notified that they shall be called upon to repay the defaulted loan from the end of the third month of default.
- f) In the third month of default, the guarantors are notified and attached to repay the defaulted loan after members deposits are netted off with the outstanding amount and the accrued interest. The net liability is distributed equally to the guarantors unless they had specified the guaranteed amounts.

4.0 WITHDRAWALS.

- 4.1 Where a member wishes to withdraw from the society, the following conditions shall apply;
- a) The member shall be required to give the society a **90 days** written notice of intention to withdraw.
 - b) No member shall be allowed to withdraw from the society's membership until all outstanding loans are cleared in full by cash or through deposits after paying the required administration fees.
 - c) A member wishing to withdraw from the society must ensure that all loans guaranteed have been fully paid or obtain replacement guarantor.
 - d) Withdrawing part of deposits or offset part of the deposits against an outstanding loan is not allowed unless one is withdrawing from the society.
 - e) A member's deposits pledged as security for another member's loan shall not be surrendered or used to offset a member own outstanding loan. An exception would apply where the guaranteed loan is fully secured through an alternative guarantor or a member withdraws from the SACCO Society.
 - f) Transferring deposits to another member after all loans have been fully paid.

4.2 APPEALS

Appeals are to be dealt with in line with the existing process for loan appeals i.e. appeals must be made by the concerned member in writing after receiving the regret letters or notification of decline of the loan.

- a) The member submitting the appeal must clearly detail the reasons why the decision should be reviewed. The reason must fit the **FRANK acronym**:
 - **F**- Must be **F**actual/based on facts
 - **R**- **R**elevant to the subject applicant and application
 - **A** - **A**ddress the reason for decline
 - **N**- **N**ot a repetition of information already given.
 - **K**- **K**ept clear and concise
- b) In cases where loan applications are rejected, the reasons should be communicated to the loan applicant.
- c) Appeals will only be considered if they are received within 7 calendar days after receiving the communication declining the loan application.
- d) Where a loan application has been declined due to fraudulent act e.g forgery of signatures and pay slip the applicant will only be allowed to re-apply after a period of not less than 3 months.
- e) On re-application, disclosure must be made so that previous reasons for decline can be checked.

5.0 MONITORING AND CONTROL

5.1 It is the responsibility of Executive Management to supervise Sacco operation by ensuring controls and procedures are followed in processing, payment and recovery of Loan.

5.2 The Credit committee should also prepare and avail up to date reports for decision making by the Executive Management.

5.3 Executive Management shall not be allowed to stop a running loan.

INSIDER LOANING

5.4 Members of the executive and Staff should not use their positions to further their interests.

REVIEW OF THE LOAN POLICY.

- 5.5 This document provides the best practice guidelines and the framework within which GLOHA Sacco Ltd savings and lending shall be undertaken.
- 5.6 The policy is owned by GLOHA Savings and Credit Society Ltd and the Executive Committee shall be responsible for formulating, reviewing and adjusting this policy as may be deemed necessary from time to time.
- 5.7 No changes should be made to the policy without a written approval from the Executive Committee.
- 5.8 It is recommended that this policy is reviewed at least once in every three years or any time as it may be necessitated by changes in the business and regulatory environment.

6.0 SERVICE CHARTER.

6.1 Principles of Service Delivery

In our service delivery we pledge to:

- Serve our members with dignity, courtesy and respect;
- Provide efficient and effective service at all times;
- Adhere to ethical and equitable service provision;
- Uphold transparency and accountability at all times;
- Maintain appropriate confidentiality
- Discharge our duties Professionally, Passionately and with Integrity.

6.2 DISCLAIMER

The contents of this policy may not be exhaustive. Other aspects that may not be included in this policy but are covered in other related laws and regulations will also apply. In cases, where the policy may be in conflict with the relevant existing laws and related legislation, the provisions of those laws and regulations will take precedence.

6.3 CONCLUSION

This policy will provide a better understanding of managing the credit function in the GLOHA SACCO Ltd. The Policy will further provide guidance on how the Management Committee will manage credit for the benefit of the members and GLOHA Sacco Ltd.

ACCEPTANCE / ENDORSEMENT/APPROVAL

We the undersigned Management Committee Members of GLOHA Savings and Credit Co-operative Society Ltd do hereby accept and adopt this policy for and on behalf of GLOHA Savings and Credit Co-operative Society Ltd together with any changes or alterations that have been initialed or signed by us.

SIGNATORIES.

EXECUTIVE COMMITTEE:

BOARD REPRESENTATIVES.

CHAIRMAN:

NAME _____ SIGN _____ DATE _____

VICE-CHAIRMAN:

NAME- _____ SIGN _____ DATE _____

SECRETARY:

NAME _____ SIGN _____ DATE _____

TREASURER:

NAME _____ SIGN _____ DATE _____

FOR PRIMARY IMPLEMENTATION BY THE MANAGER.

NAME _____ SIGN _____ DATE _____

