

MWIRI INVESTMENT FUND

LENDING POLICIES

2018

1.0. Introduction

Lending operations constitute one of the major operations of Mwiri Investment . As such the members of the Fund demand that they should be handled carefully and professionally to ensure growth and sustainability of the Fund. In line with this realization, these lending policies and guidelines are meant to guide Fund members and Management in handling/managing its lending operations. By considering, approving and adopting them at the general meeting of the Fund, members make it mandatory for everyone dealing with the lending operations to comply with them. The Fund shall establish a loans committee to oversee the lending operations. The committee may appoint management staff to professionally manage the Fund.

1.1. Compliance with lending policies and guidelines

Any Fund management staff, committee members or member that does not comply with the lending policies in handling loans shall be held personally liable for the full payment of the loans involved plus interest thereon. Noncompliance can result into dismissal from the Fund or position held of the persons involved

1.2. Revising or amending the lending policies and guidelines

Revisions to these policies shall be the responsibility of the members acting through the lending committee and management. The revisions or changes suggested by the committee must be approved at the annual general meeting or special general meeting before they are implemented

2.0. Vision, Mission and Objectives

Vision:

Becoming a leading source of financing to Fund members on a sustainable basis

Mission:

To provide affordable loans for the economic well-being of the members

Objectives:

- To encourage members to save by providing means whereby savings and shares receive a reasonable remuneration
- To provide affordable term loans and other financial services to the Fund members
- To educate members in the management of the cash flows

3.0. Methodology

The Fund shall lend using the following methodologies

3.1. Individual Loans

Any member will be free to apply for and obtain a loan from the Fund if he/she qualifies in accordance with the procedures described in these policies and guidelines

3.2. Group Loans

Members may form a group for purpose of accessing loans. Such a group should have a membership of between 5 to 10 members. Group members must all sign the loan application and the loan application procedures as described in the guidelines

4.0. Funding Sources

The Fund will get funding from:

- Membership Fee
- Annual Subscriptions
- Members Savings/shares
- Loans, Grants accessed from external sources
- Income from the lending operations

5.0. Eligibility of borrowers

5.1. Fund membership

Only members of MOBA shall be allowed to borrow from the fund. Such members shall either be individuals or groups who have not been excluded from participating in association activities for one reason or other e.g. defaulting on earlier loans, guarantors of defaulters. Busoga College Mwiri can qualify for membership by paying membership fee and annual subscription as set out in the policy.

5.2. Savings Account

A loan applicant must have an active savings account with at least 20% of the amount s/he wishes to borrow in addition to meeting other requirements like character check, past history. This money shall be accessible to the member until the loan is fully paid

6.0. Type of Loans, Loan Products, Loan Size, Period, Repayment, Interest and other Charges

6.1. Loan Products

The Fund is providing the following loan products;

Table 1: Loan Product profiles

Loan Product	Loan Period (Months)	Interest Rate per month	Other charges(Loan Application Fee)	Maximum Loan Amount
Business Loan	12	2%	50,000	10,000,000
School Fees Loan	4	1%	20,000	2,000,000
Property Acquisition	24	1%	100,000	50,000,000
Emergency Loan	4	2%	0	2,000,000
Group Guaranteed Loan	12	2%	100,000	50,000,000

6.2. Loan Size

Loan size shall be determined by:

- Savings partner
- Deposit of 20%
- The purpose/business to be funded
- Capital in business visa vis amount of loan
- Credit history of borrower
- Collateral/Security
- Character
- Capacity to pay

6.3. Loan repayment model

Loan repayment shall be in monthly equal instalments spread over the loan repayment period. Members will however, be encouraged to opt for accelerated repayment if they so wish

6.4. Interest on Loans

Interest rate shall be as stated above for the various loan products and shall be charged every month on a declining balance method.

6.5. Other lending fees

In addition to interest payment, borrowers may also pay the following to meeting processing and administrative expenses;

- Loan application fee ranging from Ugx.20,000= to 100,000 depending on the loan product as indicated in table 1 above
- Loan protection fee of 3% of the loan amount (For insurance of the loans advanced to members. This money will be paid by fund management to an insurance company)

6.6. Penalties on delayed or late loan repayment

Late loan repayments shall attract a penalty of 10% per instalment per month thereafter on all amounts due. This shall be in addition to interest charged on the loan.

7.0. Procedures to apply for credit

- The individual/group that is interested in procuring loans shall be guided and advised by the fund management using the procedures for applying for a loan.
- The applicants shall present their applications specifying the following
 - i. Type of project
 - ii. Amount of loan requested
 - iii. Investment plan for the money

- iv. Guarantees offered and supporting documentation

Fund management will receive applications

7.1. Loan processing procedure

After the normal process of becoming a member the applicant must

- i. Save 20% of the loan applied for and this acts as a loan guarantee fund.
- ii. Buy a loan application form at a fee ranging from Ugx.20,000- 100,000 according to the loan product

This form must be filled by the member, signed by applicant and guarantors who must also be members.

The application is presented to fund management who process the loan in a period of 5-10 days

7.2. Loan securities/collateral

- For Loans less than Ugx.2, 000,000 household items, guarantee fund which is saved on the savings account plus the guarantor who must also be a member
- However, loans above Ugx.2,000,000 the loan guarantee fund must be accompanied with collaterals like land titles, land sale agreements
- Verification expenses are incurred by the borrower

8.0. Monitoring and Recovery

All outstanding loans in the portfolio will be closely monitored with the aid of a system used by the Fund. Reports generated by the system will be used by management for monitoring and control of the arrears rate and general quality of the lending business. Loan committee shall hold recovery meetings at least once a month to review all loans in arrears.

Fund management is responsible for follow up and recovery of all loans. Loans in arrears should be recovered before they are more than 30 days in arrears.