

# MWIRI INVESTMENT CLUB

## LENDING POLICIES

2023

## **1.0. Introduction**

Lending operations constitute one of the major operations of the Mwiri Investment Club. As such the members of the club demand that they should be handled carefully and professionally to ensure growth and sustainability. 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 an Investment 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 in dismissal from the Fund or position held by 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 Investment 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 and savings services 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 their 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 the 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.

#### **3.3. Busoga College Mwiri**

Represented by the Board of Governors who are registered with the Fund

### **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, e.g. defaulting on earlier loans, or guarantors of defaulters. Busoga College Mwiri can qualify for membership by paying a membership fee and annual subscription as set out in the policy. The Fund may consider associate membership for connected family members, especially spouses and children of members.

#### **5.2. Savings Account**

A loan applicant must have an active savings account/share account with at least 25% of the amount s/he wishes to borrow in addition to meeting other

requirements like character check, and past loan history. This money shall not 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 Maximum Period (Months)	Interest Rate per month	Other charges (Loan Application Fee)	Maximum Loan Amount
Business Loan	12	1.6%	50,000	20,000,000
School Fees Loan	4	1.6%	50,000	2,000,000
Property Acquisition	24	1.6%	100,000	50,000,000
Emergency Loan	4	1.6%	50,000	2,000,000
Group Guaranteed Loan	12	1.6%	100,000	50,000,000

### 6.2. Loan Size

Loan size shall be determined by:

- Share value/ Deposit of 25%
- The purpose/business to be funded
- Capital in business visa vis amount of loan
- Credit history of the borrower

- Collateral/Security
- Character
- Capacity to pay

### **6.3. Loan repayment model**

Loan repayment shall be in monthly equal installments 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**

The 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 meet processing and administrative expenses;

- Loan application fee ranging from Ugx.50,000= 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 installment per month thereafter on all amounts due. This shall be in addition to the 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 25% 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.50,000- 100,000 according to the loan product

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

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

### 7.2. Loan securities/collateral

- For Loans up to Ugx.2, 000,000 chattels- household items, guarantee fund which is saved on the savings account plus the guarantor who must also be a member
- However, for loans above Ugx.2,000,000 the loan guarantee fund must be accompanied by collaterals like land titles, land sale agreements

Loan Size	Type and form of security	
Up to 2,000,000	Chattels items- including household items and vehicles	The vehicle must be registered in the name of the borrower. Original logbook deposited with Fund Management
2,000,001 - 10,000,000	Motor vehicles, land, and developments	The vehicle must be registered in the name of the borrower, the land must be registered in the name of the borrower, and in the case of second-party owners, powers of attorney must be registered with URSB. Land

		Title deposited with Fund Management
10,000,001 - 20,000,000	Land and developments	The land must be registered in the names of the borrower, in the case of second-party owners, powers of attorney must be registered with URSB
Above 20,000,000	Land and Developments	The land must be registered in the names of the borrower, in the case of second party owners, powers of attorney must be registered with URSB. A mortgage will be registered on the Property Title

- Verification and registration of the security 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 to monitor and control the arrears rate and general quality of the lending business. The Investment Committee shall hold recovery meetings at least once a month to review all loans in arrears.

Management is responsible for the follow-up and recovery of all loans. Loans in arrears should be recovered before they are more than 30 days in arrears. The Management must prepare and submit a monthly portfolio report to the investment committee.

#### 9.0. Savings Products

The Fund encourages members to make voluntary savings in addition to their share investment. The following savings products are proposed;

Product	Characteristics
Healthy and Funeral Insurance Savings	These will be accumulated for contributing an annual premium to a healthy and/or funeral insurance scheme for interested

	members. Each member will contribute a specified amount per month as will be determined by the cost of the scheme
Education Fund Savings	Members are encouraged to make regular savings towards the education of themselves and family. This will depend on individual requirements and capacity. The saved money will be available at the beginning of every school term
Flexi Savings	Members can make voluntary savings that can be available for future needs. These savings will attract an interest payable to the saver quarterly at a rate of 5% per annum.
Life Cycle Event Deposits	In order to plan and manage life cycle events like festivities e.g. Religious holidays, Marriages, etc. Members are encouraged to save money in anticipation of bulge expenses during such occasions. These savings will depend on the individual plans of the member

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