SILGOLD SACCO SOCIETY LIMITED

CREDIT POLICY

Policy No.: SLS/CP/001	**Effective Date:** _____
Version: 1.0	**Approved by:** Board of Directors

1. INTRODUCTION

This Credit Policy establishes the principles, procedures, eligibility requirements, lending limits, security requirements, approval processes, monitoring mechanisms and recovery framework governing credit facilities offered by Silgold SACCO Society Limited.

The Policy is intended to ensure that lending is conducted prudently, transparently and consistently, while protecting members' savings and maintaining a healthy loan portfolio.

The Policy shall be read together with the SACCO's Constitution, By-laws, applicable Board resolutions, loan application forms, loan agreements, guarantorship documents and applicable Kenyan laws and regulations governing Non-Deposit Taking SACCO Societies.

2. PURPOSE OF THE CREDIT POLICY

The objectives of this Policy are to:

- Promote responsible and affordable lending to members.
- Protect the financial resources and savings of the SACCO.
- Establish clear and consistent lending procedures.
- Ensure that credit decisions are based on the member's ability and willingness to repay.
- Establish appropriate security and guarantorship requirements.
- Minimise credit risk and loan delinquency.
- Provide clear rules for loan approval, disbursement, monitoring and recovery.
- Ensure fairness and transparency in the treatment of members.
- Support sustainable growth of Silgold SACCO's loan portfolio.
- Ensure compliance with applicable SACCO legislation and regulatory requirements.

3. CREDIT PRINCIPLES

Silgold SACCO shall apply the following fundamental principles when granting credit:

3.1 Ability to Repay

No loan shall be approved solely on the basis of a member's savings or security. The SACCO shall consider the member's ability to service the proposed loan.

3.2 Character and Credit History

The SACCO shall consider the member's previous borrowing and repayment behaviour, including any outstanding arrears or previous defaults.

3.3 Adequate Security

Loans shall be secured through the member's eligible deposits, guarantors or other security approved by the SACCO.

3.4 Affordability

The SACCO shall consider the member's income, existing financial commitments and proposed repayment obligations.

3.5 Purpose of the Loan

Where applicable, the SACCO may require evidence that the loan will be used for the stated purpose.

3.6 Responsible Lending

The SACCO shall avoid lending practices that expose members or the SACCO to unreasonable financial risk.

4. MEMBERSHIP ELIGIBILITY

A person seeking a loan from Silgold SACCO shall:

- Be a duly registered member of the SACCO.
- Be in good financial standing with the SACCO.
- Meet the minimum savings/deposit requirements applicable to the relevant loan product.
- Have complied with the SACCO's membership and savings requirements.
- Have no unresolved material arrears unless specifically approved under a restructuring arrangement.
- Provide all information and documentation required by the SACCO.
- Satisfy the requirements of the particular loan product.

Membership alone shall not constitute an automatic entitlement to a loan.

5. LOAN PRODUCTS

Silgold SACCO shall initially offer the following four principal loan products:

Loan Product	Interest	Calculation Method	Maximum Repayment Period
Development Loan	12% p.a.	Reducing balance	36 months

Emergency Loan	12% p.a.	Reducing balance	12 months
Insurance Advance	12% p.a.	Reducing balance	6 months
Advance Loan	10%	One-time charge on principal	1 month

The Board may introduce, amend, suspend or discontinue a loan product through a duly authorised Board resolution, subject to applicable law and regulatory requirements.

6. DEVELOPMENT LOAN

The Development Loan is intended to finance productive or developmental activities of members, including business, housing, education, agricultural and other approved development purposes.

6.1 Interest

The Development Loan shall attract interest at 12% per annum on a reducing-balance basis.

6.2 Maximum Term

The maximum repayment period shall be 36 months.

A member may request a shorter repayment period. Approval of the maximum 36-month period shall not constitute an automatic entitlement to that period. The SACCO may approve a shorter period based on affordability, risk and repayment capacity.

7. EMERGENCY LOAN

The Emergency Loan is intended to provide members with access to funds for genuine urgent and unforeseen financial needs.

7.1 Interest

The Emergency Loan shall attract 12% per annum on a reducing-balance basis.

7.2 Maximum Term

The maximum repayment period shall be 12 months.

The SACCO may approve a shorter repayment period depending on the member's circumstances and repayment capacity.

8. INSURANCE ADVANCE

The Insurance Advance is intended primarily to facilitate members' access to insurance/health cover arranged by Silgold SACCO with its approved insurance partner.

Where Silgold pays the insurance premium to the insurer on behalf of a member and allows the member time to reimburse the SACCO, the amount advanced shall be treated as a credit facility.

8.1 Repayment Period

The maximum repayment period shall be 6 months.

8.2 Interest

Where the Insurance Advance is structured as a loan, it shall attract 12% per annum on a reducing-balance basis.

8.3 Premium Payment

Where the insurer requires the premium to be paid upfront, Silgold may settle the premium and subsequently recover the amount from the member under the Insurance Advance facility.

The SACCO shall maintain appropriate records distinguishing:

- the insurance premium payable to the insurer;
- any applicable insurance-related charges; and
- the member's loan obligation to the SACCO.

9. ADVANCE LOAN

The Advance Loan is a short-term facility intended to provide members with temporary access to funds.

9.1 Maximum Period

The Advance Loan shall not exceed One (1) month.

9.2 Interest

The Advance Loan shall attract 10% of the principal amount as a one-time interest charge.

The 10% charge is distinct from the 12% per annum reducing-balance methodology applicable to the other loan products. The terms of the Advance Loan shall be clearly disclosed to the member before acceptance.

10. LOAN MULTIPLIER

The maximum aggregate normal loan exposure of a member shall ordinarily not exceed Three (3) times the member's eligible deposits/savings.

> **Example Calculation:**
> Eligible deposits = KSh 100,000
> Maximum loan exposure at 3× = **KSh 300,000**

The three-times multiplier shall not be interpreted as an automatic entitlement to borrow three times a member's deposits.

The actual amount approved shall also take into consideration:

- repayment capacity;

- existing loans;
- existing guarantees;
- loan purpose;
- security;
- repayment history;
- affordability;
- SACCO liquidity;
- credit risk; and
- applicable regulatory requirements.

11. SELF-SECURED LOANS

A member may use their own eligible free deposits as security for their loan.

The SACCO may permit self-security of up to 90% of the member's free eligible deposits.

Example Calculation:
Eligible free deposits = KSh 100,000
Maximum self-secured amount at 90% = **KSh 90,000**

11.1 Free Deposits

For purposes of self-security, deposits shall only be considered free where they:

- are not already pledged;
- are not securing another member's loan;
- are not frozen;
- are not subject to another SACCO obligation; and
- are otherwise available for lawful security purposes.

11.2 Self-Guaranteed Lockout

Where a member has used deposits to secure a loan, the pledged portion shall remain frozen for the duration of the obligation.

The same deposits shall not simultaneously be used to guarantee another member's loan.

12. GUARANTOR SECURITY

Where the member's own deposits are insufficient to provide the required security, the SACCO may require guarantors.

Guarantorship shall be governed by the Silgold SACCO Guarantorship & Security Policy.

The SACCO shall ensure that:

- Guarantors are eligible members.
- Guarantors provide informed consent.
- The amount guaranteed by each guarantor is clearly stated.

- The guarantor's available security is verified.
- The guaranteed amount is appropriately locked/frozen.
- Guarantor exposure is monitored throughout the loan period.

13. CREDIT ASSESSMENT

Every loan application shall undergo appropriate credit assessment. The assessment shall, where applicable, consider:

13.1 Member's Deposits: The amount of eligible deposits held by the member.

13.2 Existing Loans: The member's outstanding loan balances and repayment obligations.

13.3 Repayment Capacity: The member's ability to meet the proposed instalments without unreasonable financial strain.

13.4 Repayment History: Previous loan performance, arrears and defaults.

13.5 Guarantor Capacity: Where applicable, the financial capacity and available security of guarantors.

13.6 Loan Purpose: The SACCO may require information or documentation supporting the stated purpose.

14. LOAN APPLICATION

Every applicant shall complete the prescribed loan application process. The application shall contain, as applicable:

- Member identification details.
- Loan product.
- Amount requested.
- Purpose.
- Proposed repayment period.
- Existing loan information.
- Security details.
- Guarantor information where required.
- Member consent and declaration.
- Any additional documentation required by the SACCO.

False, misleading or materially incomplete information may result in rejection of the application and/or appropriate action under the SACCO's rules.

15. LOAN APPROVAL

Loans shall be approved in accordance with the SACCO's approved authority matrix. No officer or committee shall approve a facility outside its delegated authority.

The approval process shall consider: eligibility, amount, repayment period, interest, affordability, security, guarantors, existing exposure, and credit risk.

16. CONFLICT OF INTEREST

Any person involved in loan appraisal, recommendation, approval or administration who has a personal or financial interest in the application shall disclose the conflict and shall not participate in the relevant decision except as permitted by applicable law and SACCO governance requirements.

No person shall approve their own loan.

17. INSIDER CREDIT

Loans to directors, committee members, employees or other persons classified as insiders shall comply with applicable provisions of the SACCO Societies Act, applicable regulations and the SACCO's governance policies.

Insider loans shall receive appropriate independent consideration and approval.

18. LOAN DISBURSEMENT

No loan shall be disbursed until all required pre-disbursement conditions have been satisfied. These may include:

- Approval.
- Signed loan agreement.
- Security documentation.
- Valid guarantor consent.
- Verification of pledged deposits.
- Payment of applicable charges or authorised deduction.
- Completion of required system entries.
- Any additional conditions imposed by the approving authority.

19. PROCESSING FEE

Silgold shall charge a 1% loan processing fee calculated on the approved loan amount.

The processing fee shall be disclosed to the member before acceptance and may be deducted from the loan proceeds at disbursement.

20. REPAYMENT

Loan repayments shall be made through SACCO-approved payment channels.

The member shall be responsible for ensuring that the required repayment is received by the SACCO on or before the contractual due date.

21. INTEREST CALCULATION

Except for the Advance Loan, which has its specific one-time 10% charge, interest on applicable Silgold loans shall be calculated on the reducing outstanding principal.

Interest shall:

- Begin accruing from the date of disbursement.
- Be calculated on outstanding principal.
- Accrue daily.
- Use the applicable approved day-count convention.
- Stop accruing when the loan is fully settled, subject to applicable accounting and regulatory requirements.

The detailed methodology shall be contained in the Interest, Fees & Charges Policy.

22. LOAN REPAYMENT ALLOCATION

Unless otherwise required by law or specifically provided in the loan agreement, payments shall be applied according to the SACCO's approved payment allocation hierarchy. The hierarchy shall address:

- Lawful recovery costs, where applicable.
- Outstanding penalties/default charges.
- Accrued interest.
- Outstanding fees and administrative charges.
- Insurance-related amounts, where applicable.
- Outstanding principal.

The SACCO shall maintain an accurate record of how every repayment is allocated.

23. EARLY SETTLEMENT

A member may settle a loan before its maturity date.

For reducing-balance loans:

- interest shall be calculated only up to the settlement date;
- no future interest shall be charged;
- no early-settlement fee shall apply unless introduced through an approved policy amendment.

The Advance Loan shall be governed by its specific one-time 10% interest provision.

24. LOAN RESTRUCTURING

Silgold may restructure a loan where:

- The member demonstrates genuine repayment difficulty.
- Restructuring provides a reasonable prospect of recovery.
- The member cooperates with the SACCO.
- The proposed arrangement is affordable.
- Required approvals are obtained.

A restructuring fee of 1% of the outstanding principal shall apply at the time of approved restructuring.

A restructuring shall not be used merely to conceal a deteriorating or unrecoverable loan.

25. ARREARS MANAGEMENT

A loan shall be monitored from the date of disbursement. Silgold shall maintain an arrears management system providing for:

- identification of missed payments;
- member reminders;
- arrears classification;
- follow-up;
- demand notices;
- guarantor engagement where applicable;
- restructuring where appropriate;
- recovery action; and
- reporting to management and the Board.

Detailed procedures shall be contained in the Arrears, Penalties & Loan Recovery Policy.

26. GUARANTOR LIABILITY

Where a loan is guaranteed, guarantors shall remain liable in accordance with the guarantee agreement and applicable law.

The SACCO shall seek recovery from the borrower and available borrower security before enforcing guarantor obligations, except where applicable law, contractual terms or the circumstances of the case permit another lawful sequence.

27. RECOVERY

Where a borrower defaults, Silgold shall use appropriate recovery measures. The recovery process may include:

- Member engagement.
- Written reminders.
- Formal demand.
- Application of available borrower security.
- Restructuring where justified.
- Guarantor recovery.
- Realisation of other lawful security.
- External recovery mechanisms.
- Legal proceedings.
- Write-off consideration where appropriate.

The SACCO shall always seek to balance effective recovery with fair and lawful treatment of members.

28. RECOVERY FEE

Where formal recovery action has commenced, Silgold may charge 1% of the amount actually recovered through formal recovery action.

The recovery fee shall not automatically arise merely because a loan has fallen into arrears. The fee shall be applied only in accordance with the approved Interest, Fees & Charges Policy, the member's loan agreement and applicable law.

29. LOAN MONITORING

Management shall regularly monitor: total loan portfolio, outstanding principal, interest income, arrears, non-performing/delinquent loans, recovery performance, guarantor exposure, restructuring, write-offs, concentration risk, and liquidity implications.

Material deterioration shall be reported to the Board promptly.

30. RECORD KEEPING

Silgold shall maintain complete and accurate records relating to every credit facility, including: Loan application, Credit assessment, Approval, Loan agreement, Disbursement, Security, Guarantor documentation, Repayments, Interest and charges, Arrears, Recovery action, Restructuring, Settlement, and Clearance.

Electronic records shall maintain appropriate audit trails.

31. CONFIDENTIALITY

Information concerning a member's loan, deposits, guarantors and financial affairs shall be treated as confidential and shall only be disclosed as authorised by law, regulation, the member's consent or a lawful SACCO process.

32. EXCEPTIONS

Any exception to this Policy shall:

- Be properly justified.
- Be within the authority of the approving body.
- Be documented.
- Not contravene applicable law or regulations.
- Be reported to the appropriate governance authority where required.

Repeated exceptions shall trigger a review of the relevant policy provision.

33. POLICY REVIEW

This Policy shall be reviewed:

- at least once every year;
- whenever applicable legislation or regulations change;
- when there is a material change in Silgold's products;
- when material credit risks emerge; or
- whenever the Board considers a review necessary.

Any amendment shall be approved through the appropriate governance process.

34. EFFECTIVE DATE

This Policy shall take effect on the date approved by the Board of Directors and shall remain in force until amended or replaced.

BOARD APPROVAL

Approved by the Board of Directors of Silgold SACCO Society Limited

Board Meeting Date: _____ **Board Resolution No.:** _____

Name	Position	Signature	Date
_____	Chairman	_____	_____
_____	Secretary	_____	_____
_____	Treasurer	_____	_____
_____	Board Member	_____	_____

Official SACCO Stamp/Seal: _____

POLICY CONTROL

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