

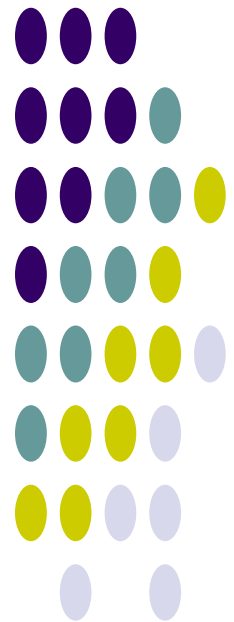
# CREDIT UNION Management Tools

Credit Union Solutions Series Number 1



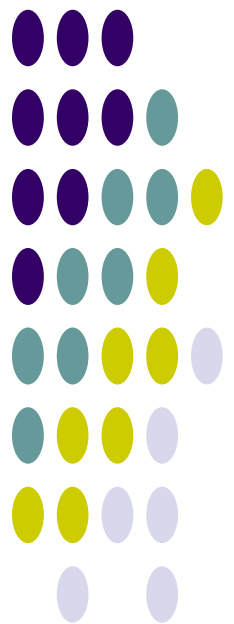
ASSOCIATION  
OF ASIAN CONFEDERATION  
OF CREDIT UNIONS

The Association of Asian Confederation of Credit Unions presents the Asian Credit Union Solutions Series Number 1 developed based on the actual needs and challenges credit unions in Asia.



# Organization & Governance

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## INTRODUCTION

### 1. Vision<sup>1</sup>

XYZ Credit Union's Vision is ...

**A Sustainable and Viable Financial Cooperative responsive to the needs of members**

**Or**

**First choice for financial services in our community**

### 2. Mission

XYZ Credit Union's Mission is ...

**To give best service possible at a competitive rate.**

### 3. Focus on Excellence in Products and Services

XYZ Credit Union aims for Excellence in Products and Services in the competitive marketplace. It believes that satisfying the members with quality products and services based on needs and demand would ensure the viability and sustainability of the credit union.

Excellence in Products and Services would consider the changing external environment, the varied needs and demand of members, the efficiency of operation and the involvement of Board and Management in pursuit of continued improvement in quality of services being provided to the members and its competitiveness in the market. XYZ Credit Union is to ensure that product and services are of high quality, market driven, and competitively priced.

### 4. Review and Update

A copy of this manual will be distributed to the Board of Directors, Sub-Committees and Management Staff. The Board will ensure that newly elected Board of Directors/Sub-Committees is provided with this manual before formally assuming their respective duties. Likewise, new staff should be oriented on this policy manual during orientation.

The Board of Directors is to undertake a full review of the effectiveness and adequacy of these policies annually during the period of July to December/planning period. The Management should be involved in the review and assessment of this Manual in view of the legislative and or market changes, which affect the operations of XYZ Credit Union. Suggested input for revisions by the management should be documented and forwarded to the Board.

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<sup>1</sup> State your credit union's vision and mission statement in number 1 and 2 respectively



## VALUES AND PRINCIPLES

### Purpose:

The purpose of this policy is to ensure that XYZ CU is maintaining its identity as a community based financial institution practicing the values and principles for which it was founded. XYZCU will ensure that those principles will be translated into business with high degree of professionalism and efficiency being of service to its members and the community as a whole.

### 1. Basic Values

XYZ Credit Union continues to maintain and practice the following cooperative values and its corresponding measurement which the Board and Management should be accountable and should adhere to:

Our Values	How we will monitor and report?
<p>1.1. <b>Equity:</b> Consistency in delivery of products and services to members and the treatment of members. True awareness of and focus on members needs.</p>	<p>a. Product pricing benefits reflects the product and service capacity to generate such benefits;</p> <p>b. Minimum of 15% per annum of members provide service and product feedback via surveys, web and other means;</p> <p>c. Detailed statistical member profile is monitored.</p>
<p>1.2. <b>Integrity:</b> Demonstrating care, commitment and honesty including informed reporting and disclosure to members and stakeholders;</p>	<p>a. Use of all available information and reporting methods;</p> <p>b. Stakeholders are aware of availability of reports;</p> <p>c. Range and presentation of information is useful to stakeholders;</p> <p>d. Member reporting includes measurable indicators of aggregated financial benefit distributed to members through product pricing.</p>
<p>1.3. <b>Professionalism:</b> Efficient, timely and effective service at all times through well trained directors, management and staff supported by well organized communication and operating systems;</p>	<p>a. Complaints due to staff knowledge procedures errors are less than 10 per annum;</p> <p>b. Service delivery standards are set by the Board and monitored by management and board using a range of survey and feedback techniques.</p>



1.4. <b>Responsibility:</b> prudent management and sound capital backing;	a. All Key Financial Indicators are readily met and reflect industry standards. (Credit Union Operating Standards)
1.5. <b>Cooperation:</b> Community and multi-stakeholder input and involvement providing benefits to individual members and their local community through collective endeavor. Creatively using the aggregated buying power of members.	a. Number of community organizations using the credit union services; b. Number of value added or price benefits introduced annually;
1.6. <b>Celebration:</b> We seek a healthy organization, with high quality of life for employees, where enthusiasm and celebration are essential. We recognize the strengths, talents and potential of the people in our organization and those we deal with. We want to encourage confidence and competence. We also recognize human frailty, allow for mistakes and failures.	Using an agreed list of desired indicators, we will monitor and report against these using the following methods:  a. Staff and officers surveys re: recognition received b. Volume of events that celebrate individual and organizational milestones. c. Recognition for outstanding members
1.7. <b>Respect:</b> Our work with the disadvantaged and marginalized in the community is characterized by mutual assistance and empowerment, and not by paternalism. Everyone must be treated with respect and dignity.	a. Ongoing members feedback will be sought and documented. b. Complaints/comments/suggestions (verbal and written) c. Community and stakeholders survey
1.8. <b>Accountability:</b> In our dealings with partners in community, government and business we are accountable for the quality of our work and seek to exceed their expectations. We want transparency in our organization, which reflects trust and awareness of joint responsibilities.	Transparency will be achieved by documenting and reporting to all stakeholders: <ul style="list-style-type: none"> <li>• Our agreed targets and our outcomes</li> <li>• The feedback we receive from staff, clients and partners</li> </ul> Using an agreed list of desired employee attitude and characteristics we will monitor and report against these using the following methods: <ul style="list-style-type: none"> <li>• Staff surveys</li> <li>• Employee exit interviews and feedback</li> <li>• Complaints received from staff and members</li> <li>• The level of delegated decision making</li> </ul>

<p>1.9. <b>Integration:</b> Work is an important part of our lives. We want it be integrated with all other areas of life. We work with people holistically, respecting diversity and beliefs.</p>	<ul style="list-style-type: none"> <li>• Sample surveys staff and clients perceptions;</li> <li>• Measure officers/volunteers in terms of diversity of culture, beliefs, etc.</li> <li>• Use stakeholders imposed and other agreed equity targets.</li> </ul>
<p>1.10. <b>Innovation:</b> We recognize that there are many ways to meet a need or to undertake a task. We actively seek to introduce new programs and procedures to improve the effectiveness and efficiency of our current activities through ongoing changes in both process and systems.</p>	<p>Record and disclose (report) new program ideas and process ideas in terms of:</p> <ul style="list-style-type: none"> <li>• Received (including source analysis)</li> <li>• Evaluated</li> <li>• Developed</li> <li>• Implemented</li> <li>• Outcomes</li> </ul>

## 2. Principles<sup>2</sup>

The following credit union operating principles approved by the Membership of WOCCU on August 24, 1984 are guidelines by which XYZ Credit Union put practice:

### 2.1. *Democratic Structure*

- 2.1.1. **Open and Voluntary Membership:** Any person within the accepted common bond of XYZ Credit Union is able to join and make use of its services and corresponding responsibilities.
- 2.1.2. **Democratic Control:** All members enjoy equal rights to vote (one member, one vote) and join in making decisions for the XYZ Credit Union. XYZ Credit Union members elect committees who control the running of the Credit Union, according to its laws and regulations, on behalf of the members. These committees are: the Board of Directors, Credit Committee and the Supervisory Committee.
- 2.1.3. **Non-Discrimination:** Members are treated equally. There is no discrimination because someone's race, nationality, sex, religion or politics.

<sup>2</sup> Following the principles and values recommended by the national federation as a movement which may be the WOCCU's credit union operating principles or ICA's Cooperative Principles



## 2.2. Service to Members

- 2.2.1. **Service to Members:** All services provided by the XYZ Credit Union are directed to improve the financial (economic) and social well being of all members.
- 2.2.2. **Distribution of Services to Members:** A fair rate of interest is paid on savings and deposits to encourage wise use of money through savings. The XYZ Credit Union is then able to provide loans and other services to its members. Any surplus made by the XYZ Credit Union belongs to and must benefit all members with no member or groups of members benefiting alone. The surplus shall be distributed among members in relation to their shares in the XYZ Credit Union, or may be directed to improve or add services required by the members.
- 2.2.3. **Building Financial Stability:** The most important aim of the XYZ Credit Union is to build its financial strength including a strong reserve fund and internal controls that will ensure continued services to the membership.

## 2.3. Social Goals

- 2.3.1. **On-going Education:** The XYZ Credit Union actively promotes education for its members, officials, employees and the general public in their financial (economic), social, democratic and mutual self-help principles. It also encourages wise use of money, savings as well as teaching members of their rights and responsibilities.
- 2.3.2. **Co-operation Among Co-operatives:** In keeping with their ideas and practice of working together, XYZ Credit Unions actively work with other co-operatives and their associations at local, national, international levels to serve the interest of their members and community.
- 2.3.3. **Social responsibilities:** XYZ Credit Union seeks to bring about human and social development. Social freedom extends both to individual members and to the larger community in which they work and live. XYZ Credit Union aims to extend services to all who need and can use them. Every person is either a member or a potential member.



## ORGANIZATION AND GENERAL POLICIES

### Purpose:

The purpose of this policy is to emphasize XYZ Credit Union's legal identity as financial cooperative. The policy sets the basic framework for the organization's culture that serves as basis of carrying out business operation and professional attitude of its leaders and staff.

### 1. *Governing Rules and Regulation*

- 1.1. XYZ Credit Union shall carry out its operation based on the following governing rules and regulations:
  - a) By Laws
  - b) Operational Policies and procedures as contained in this manual
  - c) Policies and regulation of national federation/leagues related to credit unions/cooperatives/SACCOS/Thrift & Credit Cooperatives in the country.
  - d) The laws promulgated by the government for credit unions.
- 1.2. Nothing included in this policy manual is to be in conflict within Cooperative Act, Cooperative Rules, By laws and regulation as identified above.
- 1.3. XYZ Credit Union shall exercise all powers as provided in Cooperative Act, Laws, By-laws and policies for purpose of carrying out its objectives.

### 2. CAPACITIES AND POWERS

- 2.3. XYZ Credit Union has the capacity to carry its business and exercise its powers within the common bond.
- 2.4. Subject to the Cooperative Act, Article \_\_\_\_ and its regulations, XYZ CU may engage in and carry on any business that pertains to the business of credit union and without limiting the generality of the foregoing may;
  - Receive various types of deposits from members and non-members
  - Grant loans to its members only
  - Not carry out any business that is contrary or restricted by the Cooperative Acts, its regulations.





### 3. CORPORATE RECORDS

3.1. XYZ CU shall maintain in its registered office the following records:

- 3.1.1. By-Laws and its amendments and Policies
- 3.1.2. Minutes of Meetings and Resolutions of General Assembly, Board of Directors, regular Committees and other committees (*include sample format of the minutes*)
- 3.1.3. Resume/Curriculum Vitae of the Board of Directors
- 3.1.4. Original Copy of the Certificate of Registration with the Cooperative Regulatory Agency and affiliation with CU League/Federation/Apex organization
- 3.1.5. A copy of the Cooperative Law/Credit Unions and every order issued by the Cooperative Regulatory Agency or of a court relating to XYZ CU.
- 3.1.6. A copy of every notice sent to members pursuant to the Cooperative Act.
- 3.1.7. In addition to the record described above, the following records should be maintained by XYZ CU:
  - a. Adequate accounting records regarding deposits, shares, loan accounts, investments in securities and bonds, promissory notes, fixed assets, earnings, expenses and other records related to the financial operation of the credit union.
  - b. Stock and Transfer Book (Share Capital Ledger)
  - c. Documentation in connection with individual membership such as Approved Application for Membership, Copy of Certificate Share Capital, Loan application and Approval and all other important information related to their membership.
  - d. Members Register Book indicating the date of membership, and address known to XYZ CU.

### 4. ACCESS OF RECORDS

- 4.1. Any member may examine the records relating to his/her own membership and financial affairs during the usual business hours of the credit union and be given extracts from those records with minimum charge. However, evaluation report and comments in the course of loan analysis of such member is confidential information kept only within the credit union as a lender.
- 4.2. A member is entitled to get one copy of the by laws at the time of membership.



- 4.3. Every member is entitled to obtain a statement/passbook/deposit certificate immediately after his/her transaction with the credit union.
- 4.4. XYZCU should give access to records to:
- The credit union's Audit/Supervisory Committee
  - The Registrar/Administrator or any person appointed by the Registrar/Administrator.
  - Any Officer or employee so appointed by federation.
- 4.5. Employees of XYZ CU shall have access to records as authorized by the Board or Manager of the credit union as it is necessary for carrying out their duties.
- 4.6. Subject to the Cooperative Law/Credit Union Law, the Board may refuse to release register of members for any reason that it considers inappropriate.
- 4.7. Records of members' financial transactions with the XYZ CU shall be kept confidential and shall not be divulged other than persons specified in item 4.4 without prior approval of the Manager or Board.

## 5. COOPERATIVE IMAGE

- 5.1. **Non-discrimination:** The credit union will not discriminate any individual in its membership, or the public, based on age, gender, marital status, race, ancestry, place of origin, cast, religion, political persuasion, and physical capabilities as a reason for denying or restricting its services.
- 5.2. **Special Interest Group:** The credit union may not provide organization's support to any special interest group.
- 5.3. **Third Parties:** The credit union will not take sides in any issue between its members and third parties except a direct relationship to its operating concerns.
- 5.4. **Display Advertising:** The credit union may display posters, leaflets, notices and advertisements for local charitable, sports or recreational activities on its premises where it considers such notices to be in the overall public interest.

## 6. ETHICAL PROFESSIONAL CONDUCTS

- 6.1. The officials (elected or appointed directors and committee members) and its management staff shall fulfill its responsibilities and render services in a manner to promote the favorable image the organization and not for own benefit. The officials and staff of XYZ CU shall avoid potential conflicts of interest and personal gains.



- 6.2. XYZ CU will promote and protect the integrity and reputation of those responsible with the administration and operation of all the affairs of the organization.
- 6.3. Elected/appointed officers and staff of XYZ CU should at all times accept responsibility and accountability for decisions, for the foreseeable consequences of actions and inaction, and for setting an example to members. XYZ CU will ensure that appropriate mechanisms are adopted within the organization to establish delineation of responsibility and accountability.
- 6.4. Elected/appointed officers and staff of XYZ CU should be worthy of trust, keep promises, fulfill commitments, and abide by the spirit as well as the letter of agreement.
- 6.5. Nepotism: No relative of Board/Committees or an employee is hired as favoritism or partiality in decision-making.
- 6.6. Preferential Financial Practices:
  - 6.6.1. No official or employee or relatives of officials or employees shall be granted preferential services of the credit union at more favorable consideration in respect to security, maturity and interest requirements.
  - 6.6.2. No official or employee shall direct the allocation of credit union funds, purchase, invest, contracts or whatever, to second parties with the direct or indirect objective of obtaining preferred personal, financial or other considerations in return for such direction of business.
  - 6.6.3. No official or employee shall enter into a contract on behalf of the organization; unless the transaction is approved by the board of directors, appropriate invoices and the transaction is legally binding and is not in conflict with the standards of professional conducts.
  - 6.6.4. Conflict of Interest: Conflicts of interest, breach of loyalty and good faith wherein an official or employee gains or may gain personally either at the expense of the credit union or by virtue of misuse of the credit union's position.
  - 6.6.5. Confidentiality: All directors, Audit Committee members, other Sub-Committee members and staff shall sign a confidentiality agreement as outlined in Annex 1. Failure to comply with this policy may result in the immediate dismissal of said official or employee or such other remedy as approved by the board. The disclosure statements shall be submitted as follows:
    - a. Staff should submit their disclosure to the manager

- b. The manager and elected officials should submit their disclosures to the Chairperson/President.
- c. The Chairperson should submit his/her disclosure to the Board meeting.

6.6.6. Questionable Practices and Procedures: The following activities are identified as an illegal or not in keeping with sound business and financial practices, questionable as to ethical procedures and are prohibited. Directors, Sub-committee members or employee will be suspended and later discharged if the individual is proven guilty of any of the following or responsible for some.

- a. Falsifying information to obtain position, compensation or for other purpose.
- b. Dishonesty, fraud or embezzlement
- c. Thefts of credit union property, equipment or the personal property of fellow employees.
- d. Consuming an intoxicating drug/alcohol or being intoxicated by drugs/alcohol while conducting credit union business.
- e. Willful disobedience of instructions or directives issued by Board or Audit Committee.
- f. Using profane or abusive language.
- g. Willful neglect of duties.
- h. Acts of lasciviousness
- i. Willful damaging credit union property or equipment.
- j. Conducting personal financial transactions with a member (the borrower or lending of money not at arms length) as a result of information gained from the directors, sub-committee members or staff position with the credit union.
- k. Directors, committee members and other officers will be suspended from their duties if their loans are delinquent for more than 90 days.

## 7. LIABILITY INDEMNIFICATION

- 7.1. No directors, sub-committee members or staff members shall be liable for any loss or misfortune which may occur in the execution of the duties of his/her respective office, unless such loss shall occur through his/her failure to exercise the power, and to discharge the duties of his/her office honestly, in good faith and in best interest of the credit union in accordance with the degree of care, diligence and skill expected.



- 7.2. XYZCU will not be reimbursed such an individual for all such specific losses as incurred under the circumstances as described in (i) above.
- 7.3. XYZ CU will not be reimbursed such an individual for all legal expenses incurred in such action as described above.

## **8. INFORMATION AND IMPLEMENTATION**

The Board and staff shall be oriented on this policy once a year. The Board shall determine the date. Violation of any provisions in this policy is a ground for suspension or termination.



## MEMBERSHIP POLICY

### Purpose:

The purpose of this policy is aimed to ensure quality membership from a diverse membership base in the area of operation of XYZ CU.

### 1. Types of Membership

Membership in XYZ CU shall have two categories defined as follows:

#### 1.1. Regular Member

- 1.1.1. An individual who has fulfilled the minimum requirement for Share Capital and other requirements.
- 1.1.2. Has the right to take part in the general decision making of XYZ CU
- 1.1.3. Has the right to elect and be elected as Board of Directors and Sub-Committees of XYZ CU
- 1.1.4. Entitled to avail of loan services and savings facilities of XYZ CU

#### 1.2. Associate Member

- 1.2.1. An individual, joint accounts or association that has opened any deposit account in XYZ CU and has not paid the minimum Share Capital requirement to become member- owner.
- 1.2.2. Has no right to take part in the decision making but can provide suggestion to improve the services and management of XYZ CU
- 1.2.3. Has no right to elect and be elected as Board of Directors and Sub-Committees of XYZ CU
- 1.2.4. Entitled to receive information of XYZ CU product update and newsletters
- 1.2.5. Not entitled to avail of the loan services
- 1.2.6. Subscribe a minimum share of \_\_\_\_\_
- 1.2.7. Has right to deposit and withdraw
- 1.2.8. Part of the Self-Help Group Members
  - A group 5 – 8 entrepreneurial individuals organized by XYZ CU as preparation for regular membership ( A special policy is developed for this)
  - Entitled to get loans for microfinance and participate in the regular savings and training program



## 2. Application for Regular Membership

An individual applying as regular member of **XYZ CU** shall submit an accomplished “Application for Membership” (AFM) and attachment thereof (Annex 2). The Board of Directors will act upon such application after the following requisites are satisfied:

- 2.1. The applicant is residing in the *(area of operation)* and a \_\_\_\_\_ Citizen.
- 2.2. He/She must have attained legal age.
- 2.3. He/She has satisfactorily completed the Pre-Membership Education Seminar conducted by **XYZ CU** (in case there are other trainings list it down)
- 2.4. For the member of Self-Help Groups, a Certification of Good Standing from the Manager/Loan officer has been submitted.
- 2.5. He/She has paid the following fees:
  - a. Share Capital \_\_\_\_\_
  - b. Membership Fee \_\_\_\_\_
- 2.6. He/She is not a member of other credit union or other cooperatives with the primary service of savings and credit.
- 2.7. He/She has signed the “Member’s Oath” (Annex 3) as agreement to follow the rules and regulation of **XYZ CU** and adhere to the principles of credit union.

## 3. Members Registry Book and Reporting

- 3.1. Upon approval of membership, the Manager/Secretary enter the name of the new member to the Members Registry Book;
- 3.2. The manager/secretary shall prepare a written report to the board of directors at its regularly scheduled board meeting reporting therein:
  - a. The number of accepted members and members withdrew for the period.
  - b. The names, addresses, the number of membership and shares held by each.
  - c. The membership number assigned to each member.
  - d. The name, address, account number & date on which any person ceases to be a member.

## 4. Termination of Membership

- 4.1. Dormancy of Membership. A member may be expelled, at the discretion of the Board of Directors, if his/her regular account (either loan or savings) with **XYZ CU** has been dormant for more than six months.
- 4.2. Failure to comply with the “**Member’s Oath.**”



## GENERAL MEETING

### Purpose:

The purpose of this policy is to ensure effective conduct of Members meeting as flat form for members and management to review the past performance select competent leaders and plan for future direction of XYZ CU. The policy spells out the detailed guide for the Board, Committees and Management in facilitating the General Meeting of members of XYZ CU in support with the By Laws.

### 1. CONVENING THE GENERAL ASSEMBLY MEETING

- 1.1. The general assembly shall convene within -- months from the date of each new fiscal year.
- 1.2. The Board of Directors shall set the exact date, venue, time and meeting agenda of the General Meeting;
- 1.3. **Notice of Meeting.** The Secretary of the Board shall notify the members at least 15 days in advance. The letter of invitation shall be sent along with the major meeting documents such as Agenda, Audited Financial Statements, Proposed Budget, and Report of the Board, Sub-Committees and Management. In addition, notice shall be posted to conspicuous places so that it may easily read by the members.
- 1.4. The Chairperson shall preside the general meeting.
- 1.5. The Chairperson shall exercise the casting of vote in the event of a tie voting on any issues.

### 2. SPECIAL GENERAL MEETING

- 2.1. Special General Meeting shall be called by the Chairperson in any of the following cases;
  - a. In case the external auditor deems it necessary to convene a special general meeting and request to the board in writing with reasons.
  - b. In case Account Supervisory/Audit Committee requests in writing to deem necessary to convene the meeting for special business.
  - c. In case      % of the total membership or      persons whichever is higher shall request to the XYZ CU explaining the reasons for convening the meeting.





- d. The Cooperative Department shall call a special meeting upon the application of at least \_\_\_\_% of the total members or \_\_\_\_members, whichever is the higher number.
  - e. In case decision has to be made for the improved operation of the credit union (i.e. launching new product etc.)
- 2.2. The Chairperson shall call a special general meeting within two weeks at written request.
  - 2.3. In case there is no person who can call the general meeting or the chairperson does not take action on the request without any justified reason, an Account Supervisory/Audit committee shall call the general meeting within fifteen days. In this case, the Chairperson of the Account Supervisory/Audit Committee shall preside the meeting.
  - 2.4. No request shall be made for convening another special meeting before the expiry of six months from the date of the convening of the former annual general meeting or such meeting. ??????

### 3. QUORUM OF GENERAL ASSEMBLY AND SPECIAL GENERAL MEETING

- 3.1. Only the Members in Good Standing shall be considered to constitute a quorum for the general and special meeting, thus proxy is not allowed at any given time.
- 3.2. In accordance with the official list of attendance, the Secretary of the Board declares the Quorum of the meeting:
  - a. The presence of minimum 25% of Members in Good Standing, or \_\_\_\_ members whichever is higher shall be considered to constitute a quorum in conducting a General Meeting.
  - b. The quorum for special general meeting shall be 25% of the Members in Good Standing, or \_\_\_\_ persons, whichever is higher.
- 3.3. In case a quorum is not achieved, the meeting shall be postponed and again shall be called within \_\_\_\_ days. At this time, the presence of the members of not less than \_\_\_\_ of the members or just \_\_\_\_ members whichever is lower shall be deemed to constitute the quorum.
- 3.4. The decision of a meeting shall be made on the basis of the majority vote as above quorum. Provided that in connection with an amendment to be made in the bylaw, and shall be amended only with the two-third majority of the 50 % + 1 of the members present voting in favor. The bylaws so amended shall come into effect only after the approved by the concerned department.



#### 4. AGENDA OF General Meeting

Agenda	Remarks
1. Ascertainment of Quorum 2. Opening Address by the Chairperson 3. Confirmation of the Minutes of the Last Annual General Meeting -Report of the Chairperson -Report of the Treasurer -Report of the Manager -Report of Audit/Supervisory Committee -Report of the Sub-committees -Report of the Auditor 4. Appointment of External Auditor 5. By Laws and Policy Amendment 6. Election of BOD & Audit/Supervisory Committee 7. Announcement of Elected BOD and Audit/ Supervisory Committee 8. Discussion of Proposed Items Approval/Rejection 9. Any other Business Agenda 10. Adjournment	If election held

#### 5. SPECIAL RESOLUTION OF GENERAL MEETING

It requires 2/3 or 50.1%<sup>3</sup> of the eligible Members in Good Standing present to resolve the following matters.

- a. Changes in the by laws
- b. Temporary closing of the credit union

#### 6. FUNCTIONS, DUTIES AND POWER OF GENERAL MEETING

The function, duties and powers of the general meeting shall be as follows:

- 6.1. To adopt and endorse the annual financial reports and records of the credit union.
- 6.2. To elect the Board of Directors and the Audit/Supervisory Committee and take decisions on resolution concerning the removal of any directors or dissolution of the board and Audit/Supervisory Committee.

<sup>3</sup> The required votes would depend on the by laws of the credit union



- 6.3. To discuss and approve the reports as mentioned in the agenda.
- 6.4. To approve resolutions concerning amendments in the by-laws.
- 6.5. To take decisions on resolutions concerning the division or dissolution of the credit union or its amalgamation with any other credit union.
- 6.6. To hold discussions on and endorse the audit reports for the previous year.
- 6.7. To appoint the external auditor
- 6.8. To issue directives in regard to the distribution of dividends and grant of remission on the recommendation of the board of directors.
- 6.9. To issue necessary guidelines for the development of the society and its institutional development.
- 6.10. To authorize the board to borrow loans from external agencies at a rate not exceeding 10 times of total paid-up share capital of the society.

## 7. MINUTES

Minutes containing the procedures and results of business transactions at the general meeting/special general meeting shall be taken and it shall be signed by the Secretary and sealed by the chairperson and not fewer than three members who have been elected at the meeting.



## BOARD OF DIRECTORS

### Purpose:

The purpose of this policy is to ensure that competent leaders functioning with high degree of professionalism to manage XYZ CU.

### 1. Composition

A Board of Directors of \_\_\_\_\_ members shall administer the business of XYZ Credit Union.

### 2. Qualifications:

- 2.1 A **member in good standing**<sup>4</sup> (MGS) as certified by the Manager for at least two years immediately prior to the filing of his Certificate of Candidacy, or appointment;
- 2.2 Has paid the minimum Share Capital contribution in the amount of \_\_\_\_\_
- 2.3 Has signified in writing that he has the time, willing to serve the memberships, continually learn by undergoing the continuing training and education as referred to on 11 of this policy and be a team player;
- 2.4 Has been an officer of a duly registered cooperative or has been a leader of the Self-Help Group or has served as leader of the credit union in any capacity for at least two years.

### 3. Disqualification

- 3.1. Being an officer or employee of the Cooperative Development Authority
- 3.2. Holding an elective position in the government except Barangay officials
- 3.3. Having conflicting interest with the business of the credit union
- 3.4. Having been absent for three (3) consecutive Board meetings without being excused
- 3.5. Being a full time employee of the credit union
- 3.6. Having been facing or convicted in court on criminal and/or civil case
- 3.7. Having been expelled as a Board member for cause
- 3.8. Being a member of another cooperative of the same type and area

### 4. Election and Terms of the Board of Directors

- 4.1. The members of the Board of Directors shall be elected by secret ballot by the members at the Annual General Meeting;
- 4.2. The Board of Directors shall hold office for a period of two (2) years unless the following circumstances arise:

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<sup>4</sup> MGS would be rated according to the indicators of: Savings performance, attendance in meetings, Current in Loan repayment and has not been delinquent.



- a. Removed for cause
- b. Resignation
- c. Become incapacitated due to illness or death

4.3.No Director shall serve for more than three (3) consecutive terms

5. **Election of Officers** (this provision will vary from country to country based on the Cooperative Law)

The elected Board of Directors shall meet within 10 days after the Annual General Meeting to elect by secret ballot the Chairperson and Vice-Chairperson. In the said meeting, the Board of Directors also appoints members of the different Sub-Committees.

## 6. Vacancy of the Board of Directors

Any vacancy in the Board of Directors, other than by expiration of term, may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum. The General Assembly in a regular or special meeting shall fill the vacancy called for the purpose in case the remaining Board members do not constitute a quorum. The director/s to be elected to fill the vacancy/ies shall be elected or appointed only for the remaining term of the predecessor.

## 7. Five Basic Board functions

The basic function of the Directors of XYZ CU is to direct the affairs of the credit union, guided by the act of cooperation, regulations, bylaws and policies, so that the goals and objectives of the credit union are effectively achieved.

- 7.1. **Prime Decision Center:** The Board has ultimate authority and responsibility for the management of the credit union. One of the principal ways the Board accomplishes this is through formulation of loan policy and strategic plan for the sustained growth of XYZ CU.
- 7.2. **Advisory Function:** The Board acts in an advisory capacity for management of the credit union, sub-committees and membership. The Board may advise members of the need for changes in lending policies, bylaws and even market strategies for the well being of the whole credit union. In the same way, the Board may act as advisory group to others, reviewing decisions or actions they have taken.
- 7.3. **Trustee Function:** The Board represents the member shareholders and provides stewardship on their behalf. The Board should carefully monitor and review the loan portfolio, with special emphasis on limiting/controlling undue risk exposure.
- 7.4. **Perpetuating Function:** The fundamental task of the Board is to provide for the continuity of XYZ CU. The Board should ensure that the members of the Board and sub-committees are competent and understand their roles and responsibilities. The Board should encourage training and development of all officers to ensure their effectiveness.



- 7.5. **Symbolic Function:** The Board of XYZ CU is considered as a symbol of strength and leadership within the credit union and the community. They must perform their functions with high degree of professionalism and integrity and high moral values.

## 8. Duties and Responsibilities

- 8.1. Establish the strategic direction for the credit union and review it on a monthly basis;
- 8.2. Establish and maintain the organization of the board including clearly described responsibilities, authorities and relationships;
- 8.3. Select the General Manager, establish job description, approve business plan, evaluate the performance, decide compensation and approve development plans for the General Manager;
- 8.4. Approve the organizational structure and policies for the operation of the credit union;
- 8.5. Approve and monitor the financial structure, policies and budgets based on the development plan;
- 8.6. Establish comprehensive plans for services and facilities;
- 8.7. Establish key performance indicators for the credit union in the components of people money and development;
- 8.8. Analyze and evaluate progress toward achieving the credit union's objectives and goals;
- 8.9. Maintain the democratic control structure and a well-informed, participatory membership;
- 8.10. Ensure effective board operation and development by annually conducting self and board evaluations (Annex) and by completing development plans;
- 8.11. Maintain effective relations with other credit unions, with the community and with governments; and
- 8.12. Provide leadership by supporting and promoting the credit union.

## 9. Meeting of the Board of Directors

- 9.1. Regular meetings of the Board of Directors shall be held every \_\_\_\_ of every month;



- 9.2. Special meetings of the Board maybe called at any time by the Chairperson or upon written request of at least three (3) Board members or a committee;
- 9.3. The Secretary in consultation with the Chairperson and Manager shall prepare the agenda of the Board meeting. The agenda would follow the following sequence:
- a. *Roll Call* – verify that a quorum is present and note who is absent.
  - b. *Approval of the Minutes of the last meeting*-minutes maybe approved as mailed. Corrections or amendments to the minutes need to be acted upon by the entire board and recorded in the minutes.
  - c. *Election of Officers and Appointments to Committees*-This item is on the agenda of the first board meeting after the annual membership meeting and any other time a vacancy must be filled.
  - d. *Unfinished Business*- this includes items referred from prior meetings. All issues should be listed and should be familiar to the directors.
  - e. *New Business*-This items have not previously come before the board. The board should receive background information in the Board folder prior to the meeting.
  - f. *Approval of Reports*:
    - Chairperson
    - Treasurer
    - General Manager/Chief Executive Officer
    - Committees
- In case reports contain recommendation that require board response at the same meeting, the proposed action should be included in Other Business. In such cases, the General Manager should ensure that background information is included in the Board folder distributed in advance.
- g. *Communications*-letters, messages, and documents received by the credit union since the last meeting that deal with matters of interest or importance to the board. These communications may come from members, non-members, regulatory agencies or elsewhere.
  - h. *Other Business*-This covers anything not anticipated at the time the agenda was prepared.
  - i. *Date, time, and location of the next Board meeting*
  - j. *Adjournment*
- 9.4. The agenda along with the background information as basis for decision-making shall be circulated to all the Board members at least three (3) days in advance. The Manager of XYZ CU shall prepare the necessary reports, supporting documents of the agenda.



- 9.5. A majority of the remaining members of the Board shall constitute a quorum for the conduct of business of the Board; and
- 9.6. Proxy is not allowed in any Board meeting.
- 9.7. Whenever the proceedings of the Board of Directors concern a personal or commercial interest of one of the Board, he/she must abstain from the session.

## **10. Matters for Resolution by the Board of Directors**

The board of directors shall resolve the following matters:

- 10.1. Admission of members;
- 10.2. Establishment, changes in and abolition of regulations concerning savings and loans products;
- 10.3. Decision making for basic guidelines for business execution;
- 10.4. Loan applications may be approved as per policy;
- 10.5. Establishment & abolition of various rule & regulations concerning the operations of the credit union;
- 10.6. Designation of depositories for the funds of the credit union;
- 10.7. Acquisition and disposition of real property;
- 10.8. Managing of all reserves;
- 10.9. Purchase of insurance policies;
- 10.10. Evaluate the performance of the credit union in achieving its mission;
- 10.11. Set the future direction of the credit union as per the vision and mission;
- 10.12. Matters that are delegated by the general meeting and that are to be brought to it; and
- 10.13. All other important matters that cannot be dealt with in the Annual General Meeting.

## **11. Continuing Professional Educations and Training of Board of Directors**

The Board of Directors of XYZ CU should undergo the Directors Achievement Program that would cover the following competence and knowledge:

- 11.1. The philosophy and history of the credit union movement, plus the history of the XYZ Credit Union;
- 11.2. General understanding of regulatory, compliance, and legal issues;
- 11.3. Technology for office operations and member service;
- 11.4. Finance and understanding financial reports;
- 11.5. All services the XYZ Credit Union offers and new services the members need or want;
- 11.6. What competition is doing and the current issues in the financial market;





- 11.7. The technicalities of delivering financial services to the membership;
- 11.8. Business procedures and the ability to read and comprehend financial statements;
- 11.9. Leadership, management, personnel, planning, information technology, marketing and budgeting;
- 11.10. Local, national, and international economic and social environments and their effects on the credit union movements;
- 11.11. XYZ Credit Union's operating and personnel policies, strategic plans, and other written documents for which the board is responsible;
- 11.12. Activities the XYZ Credit Union is sponsoring.

## **12. Reimbursement of Travel Expenses**

The Board of Directors are volunteer leaders of XYZ CU and thus shall not receive any remuneration or salary. However, in the course of carrying out their duties and function, reasonable travel expenses shall be reimbursed subject to the policy on payment.

## **13. Representation**

The Chairperson shall have the authority to represent and vote on matters of interest of the credit union at the federation, and other meetings. Further, the Chairperson has the authority to designate any member of the Board, Committee members, or employees to represent the society, which includes instructions on how to vote. Any action taken under this provision shall be reported to the Board.



## AUDIT/SUPERVISORY COMMITTEE

### Purpose:

The purpose of this policy is to ensure the competence and integrity of the audit committee in carrying out its responsibility of safeguarding the interest of the members being their representative in the credit union.

### 1. Qualifications

- 1.1. Should possess sound judgment, a general level of business knowledge and be as independent and impartial as possible.
- 1.2. Should be made up of people with varying backgrounds, financial knowledge, education and technical skills; and
- 1.3. Should have common business sense and the willingness to ask questions for clarification and understanding
- 1.4. Has completed the Continuing Education Course and has signified in writing

### 2. Basic Function

The Audit/Supervisory Committee's basic function is to ensure that credit union's assets are protected and that operation are managed efficiently within the appropriate legislative framework and policies of the credit unions. The Committee also provides a knowledgeable, well-informed communication bridge between the Board of Directors and the auditors.

### 3. Roles and Responsibilities of Audit Committee

- 3.1. Review external audit firms' proposals in order to appoint or to recommend for appointment. In making such recommendations, the Audit/Supervisory Committee shall consider the following points:
  - a. Current needs of the organization;
  - b. Audit firms' credit union knowledge and experience;
  - c. Scope of the audit as outlined in their engagement letter;
  - d. Other Credit Unions' experience with the firm;
  - e. Independence and potential conflict of interest;
  - f. To place some level of reliance on internal/systems auditor; and
  - g. To develop an audit program to complement the internal/systems auditor.
- 3.2. Assess the cost/benefit of audit fee. The assessment should be based on such facts as:
  - a. The experience of the audit staff;
  - b. The amount and quality of work performed;
  - c. A comparison of costs with same-size credit unions;
  - d. What the credit union can do to improve audit efficiencies and reduce cost;
  - e. Is the audit time being efficiently spent in most critical areas; and
  - f. The recommendations and observations made to assist the credit union.



- 
- 3.3. Assess the quality of audit performed. Such an assessment could consider the following:
- a. The audit staff's knowledge, understanding and experience of a credit union's operation;
  - b. The audit staff's communication skills i.e. open, timely, clear and decisive
  - c. The timeliness of reports;
  - d. The degree of co-operation with board/management/employees/other auditors;
  - e. The disruption of office routines.
- 3.4. Review and approve interim or management letter issued by the external auditor. This could include:
- a. The clarification of issues identified, if any;
  - b. A review of the recommendations;
  - c. Management's response to observations;
  - d. The establishment of an action plan to address unresolved issues and to assign responsibility; and
  - e. The time frame for follow-up or corrective action.
- 3.5. Reviews and recommend approval of the year-end financial statement to the board. This could include:
- a. Reviewing the opinion of the external auditor;
  - b. Reviewing all audited financial statements including accompanying notes to be issued to the membership; and
  - c. Noting and clarifying any significant changes on the financial statement.
- 3.6. Meets regularly to:
- a. Reviews the monthly financial statements;
  - b. Monitors and follow-up activities on previously identified audit initiatives; and
  - c. Reviews internal audit reports (*if credit union has internal audit department*)
- 3.7. Reviews and discuss any and all other audit reports i.e. internal, government, and credit union apex. The review could include:
- a. The need for follow-up;
  - b. The identification of trends;
  - c. The clarification of any outstanding issues; and
  - d. The review of policy to determine if recommendations to the board for change are required.

- 3.8. Meet and discuss audit strategy with the internal auditor (if credit union has internal audit department)
  - a. A review of the audit plan for the following period (quarter/year);
  - b. A discussion of trends identified;
  - c. A review of results to plans; and
  - d. A discussion of specific areas of concern.
- 3.9. Make recommendations to the board on policy issues. Issues could include:
  - a. Trends identified in audit reports; and
  - b. Communication with management.
- 3.10. Report to the board any significant changes in the accounting principles or practices followed by the credit union.

#### **4. Meetings**

- 4.1. The meeting of Audit & Supervisory Committee shall be at least monthly. However, the committee could set meeting other than specified if some issue may require a lot of time that further meeting must be held to complete all the agenda items. Quarterly review meeting will be held. The following are the agenda of the committee in each quarterly review meeting:

##### **First Quarter:**

- a. Review and approve financial statements
- b. Report any changes in accounting policy or procedure
- c. Review Management Letter (year-end)
- d. Review management/auditor co-ordination
- e. Evaluate the quality of the external audit
- f. Assess the reasonableness of the fee
- g. Select/nominate the external auditor

##### **Second Quarter:**

- a. Review internal audit reports
- b. Prepare/review standards of corporate conduct
- c. Review internal control
- d. Review performance/effectiveness of internal audit
- e. Review periodic financial information



**Third Quarter:**

- a. Assess the reasonableness of the fee estimate
- b. Approve the audit scope
- c. Review compliance to corporate conduct e.g. review possible conflicts of interest
- d. Review internal control e.g. any reports from management or auditors on internal controls within the operation
- e. Review periodic financial information e.g. scan financial reports for any significant changes either in amounts or in accounting presentation, such as reclassification of bad debt

**Fourth Quarter:**

- a. Review management letter (interim)
  - b. Review the plans of internal auditor
  - c. Review compliance to corporate conduct
  - d. Review internal audit reports
  - e. Review periodic financial information
- 4.2. The meeting of the Audit & Supervisory Committee shall be chaired by the committee Chairperson and certify the minutes book.
  - 4.3. The meeting minute shall be maintained separately and shall be submitted to the General Meeting;

**5. Reporting**

The committee is responsible to the Membership of the Credit Union. Since the membership meets only once a year, report shall be submitted to the Board of Directors on a regular basis. The report could be a formal document directed to the board or it could simply be a detailed copy of the committee's minutes. The report:

- 5.1. Outlines the committee's plan of action with regards to the resolution of or recommendations on issues identified in audit reports. This may also identify follow-up requirements, future reporting, policy changes or other action required or recommended to the board;
- 5.2. Confirms that the financial statements fairly represent the current position of the organization and that they comply with generally-accepted accounting principles i.e allowances for bad debts reflected on the balance sheets; full disclosure of problem assets; proper valuation and recognition
- 5.3. Explains any major changes in the presentation of the financial statement e.g. change in accounting procedures for the presentation of bad debts or a consolidation of different accounts, etc.



- 5.4. Confirms that the interim and the year-end audits fully disclose the current situation of the organization e.g. was there adequate sampling to confirm the committee's confidence that there are no major discrepancies?
- 5.5. Outlines the committee's view on methods adopted by management in making sensitive accounting estimates e.g. should a loan be written off?
- 5.6. Confirms the adequacy of internal controls to prevent fraud or other illegal activities;
- 5.7. Outlines any disagreements between the auditors and management;
- 5.8. Confirms compliance of the Board, sub-committees and management of the code of conduct;
- 5.9. Provides an evaluation of internal and external auditor's reports;
- 5.10. Comments on the scope of audit work and on the level of external audit fees;
- 5.11. Makes recommendations for the appointment of auditors for the following year; and
- 5.12. Makes a recommendation to approve the financial statements.
- 5.13. Conducts Annual Performance Audit of the General Manager

## **6. Attendance to the Board of Directors Meeting**

- 6.1. The Audit/Supervisory Committee may attend and state their opinion at meetings of the Board of Directors.
- 6.2. When Audit & Supervisory attends a board meeting and states their opinion under the preceding paragraph (a), those ASC present at such meeting shall sign the minutes of the board meeting.

## **7. Sanctions of the Audit & Supervisory Committee**

The committee shall render a report recommending suspension of any member of the Board to the General Assembly with copy furnished to Election Committee and Cooperative Development Authority if the concerned fall into any of the following categories:

- 7.3.1. When he/she has violated the Cooperative Code, Rules, bylaws and policy of the cooperative.



7.3.2. When he/she fails to fulfill his/her obligations to the cooperative for a period of six months.

7.3.3. When it deems virtually impossible for him/her to perform his/her official duties and functions.

## **8. Reimbursement of Travel Expenses**

The Audit/Supervisory Committee are volunteers of XYZCU and thus shall not receive any remuneration or salary. However, in the course of carrying out their duties and function, reasonable travel expenses shall be reimbursed subject to the policy on payment.



## CREDIT COMMITTEE

### **Purpose:**

The purpose of this policy is to help credit committee in the effective fulfillment of its roles and responsibilities.

### **1. Qualifications**

- 1.5. The credit committee member should possess sound judgment, a general level of business knowledge and be as independent and impartial as possible.
- 1.6. The committee should be made up of people with varying backgrounds, financial knowledge, education and technical skills; and
- 1.7. The key skills required are common sense and the willingness to ask questions for clarification and understanding.

### **2. Basic Function**

The Credit Committee's basic function is to oversee the extension of credit to the members and ensure a quality loan portfolio that will contribute to the attainment of the objectives of the credit union. The credit committee ensures that these functions are carried out within:

- 2.1. The parameters of sound credit and financial management;
- 2.2. Credit union organizational objectives and operating policy;
- 2.3. The criteria established by legislation and regulation.

### **3. Roles and Responsibilities**

- 3.11. To develop and recommend changes in loan and collection policies to the board, for approval and granting loans;
- 3.12. To review all loan applications, extensions and revisions over management's authorized lending limits and within board policy and legislation;
- 3.13. To direct loan collection action within policy;
- 3.14. To maintain a complete record of all meetings and actions of the committee;
- 3.15. To maintain complete confidentiality of all activities of the board and committee;





- 3.16. To review management's recommendations regarding collection activity to ensure that standards are met;
- 3.17. To review management-approved loans on a monthly basis;
- 3.18. To ensure that management is maintaining liquidity standards relative to the lending operation.

#### **4. Meetings**

- 6.3. The committee shall meet at least monthly.
- 6.4. Agenda for meetings are recommended by the general manager and reviewed and finalized with the Chairperson.
- 6.5. The meeting shall be chaired by the committee Chairperson and certify the minutes book.
- 6.6. The meeting minute shall be maintained separately and shall be submitted to the Board of Directors.

#### **7. Reporting**

The committee is responsible for and reports to the board of directors on the analysis and disposition of loans within its designated authority and board policy. The following written reports are to be submitted by the committee to the Board:

- 7.1. Monthly report on the number, amounts and terms of loans approved and rejected.
- 7.2. At least a monthly report on the lending, loss exposure and liquidity.

#### **8. Term of Office**

The term of office for the credit committee will be for \_\_\_\_\_ year(s). A committee member will be limited to \_\_\_\_\_ years consecutive service before having to step down for one full year.

#### **7. Reimbursement of Travel Expenses**

The Credit Committee members are volunteers of XYZ CU and thus shall not receive any remuneration. However, in the course of carrying out their duties and function, reasonable travel expenses shall be reimbursed subject to the policy on disbursement.



## **BOARD OF DIRECTORS DESCRIPTION OF THE POSITION**

<b>TITLE</b>	:	<b>Director</b>
<b>REPORT TO</b>	:	<b>Members</b>
<b>SUPERVISES</b>	:	<b>General Manager</b>

### **Primary Responsibilities:**

To formulate policies, plan the credit union's course, make sure the credit union maintains its sound financial condition, keep communication open to educate members on services, review the General Manager's progress in achieving goals and objectives, and report to the members at the annual meeting. All decisions must be guided by the best interest of the membership.

### **Knowledge and Skills:**

- Understanding of credit union philosophy and desire to improve the financial lives of members
- Ability to understand basic financial statements
- Ability to think and plan strategically

### **Specific Responsibilities**

- Works with the General Manager and the board to develop objectives and goals for the credit union, including strategic plans.
- Ensures the credit union adheres to pertinent laws, regulations, and sound business practices.
- Ensures the credit union maintains sound financial conditions and that the credit union's assets are protected against unauthorized or illegal acts. Designate depositories, authorize borrowing and investing, provide for bonding and other security factors, including internal control policies and procedures. Approve interest rates, dividends, and refunds, or approve policies to guide management in doing so. Approve loan limits and savings minimums.
- Develops personnel policies, or make sure they are developed, and then approve them for all credit union programs and activities. Review policies and bylaws at least once a year and update as necessary.



- Ensures new products and services are developed as needed.
- Approves the credit union budget.
- Define the scope of the General Manager's job, hire someone to fill the position, and review his or her progress in attaining goals and objectives.
- Attend board meetings, exercise judgment independently from the General Manager/Chief Executive Officer, and report to the members at the annual meeting.

Accepted:

\_\_\_\_\_

Date: \_\_\_\_\_



## CHAIRPERSON OF THE BOARD DESCRIPTION OF THE POSITION

**TITLE** : **Chairman**  
**REPORT TO** : **Board of Directors**

### Primary Responsibilities:

To act as the chief elected official of the credit union. Presides at all meetings of the board and of the membership.

### Knowledge and Skills:

- Leadership skills, including consensus building, mediation, and meeting management.

### Specific Responsibilities:

- Leads all meetings of the board and of the membership.
- Initiate the formation of an executive committee, if necessary.
- May countersigns notes, checks, drafts, and other orders for disbursement of funds.
- Performs such other duties as customary for the chair or which he/she may be directed to perform by resolution of the board. Such other duties, however, must not be in consistent with credit union laws and regulations, or with the credit union's bylaws.

Accepted:

\_\_\_\_\_

Date: \_\_\_\_\_



## VICE-CHAIRPERSON OF THE BOARD DESCRIPTION OF THE POSITION

**TITLE** : Vice-Chairman  
**REPORT TO** : Board of Directors

### Primary Responsibilities:

To act as the Chairman of the Education Committee and exercise all duties of the elected chair when the chair is absent or unable to perform.

### Knowledge and Skills:

- Leadership skills, including consensus building, mediation, and meeting management.

### Specific Responsibilities:

- Exercises the duties of the elected chair when that person is unable to perform them.
- Acts as the Chairman of the Education Committee
- Performs other duties as assigned

Accepted:

\_\_\_\_\_

Date: \_\_\_\_\_



## SECRETARY OF THE BOARD DESCRIPTION OF THE POSITION

**TITLE** : Secretary  
**REPORT TO** : Board of Directors

### Primary Responsibilities:

To oversee the preparation, completion, and safekeeping of records of all meetings of the membership and of the board and necessary legal documents.

### Knowledge and Skills:

- Ability to organize and manage paperwork.
- Ability to take and write minutes of meetings.

### Specific Responsibilities:

- Prepares and maintain complete records of all meetings of the membership and of the board within seven days after each meeting.
- Sends complete copies of all board minutes to the audit committee.
- Prepares and send out notices of meetings to be held.
- Acts as Treasurer as need be.
- Performs other duties as assigned.

*Accepted:*

\_\_\_\_\_

Date: \_\_\_\_\_



## TREASURER'S DESCRIPTION OF THE POSITION

**TITLE** : **Treasurer**  
**REPORT TO** : **Board of Directors**

### **Primary Responsibilities:**

To act as the chief financial officer of the credit union. Manage the credit union if the board has not hired a General Manager.

### **Knowledge and Skills:**

- Ability to prepare and keep financial records.
- Ability to understand financial reports.

### **Specific Responsibilities: (may be delegated to the GM)**

- Ensures proper safekeeping of credit union's assets; sign notes, drafts, and orders for disbursement of credit unions funds; maintain records of all assets and liabilities of the credit union; and prepares at least monthly cash position report.
- Prepares and submits required reports to regulatory agencies.
- Performs duties of the General Manager if the board has not hired one from outside the board.
- Acts as Secretary as need be.
- Performs other duties as assigned.

*Accepted:*

\_\_\_\_\_

Date: \_\_\_\_\_



## AUDIT/SUPERVISORY COMMITTEE DESCRIPTION OF THE POSITION

<b>TITLE</b>	:	<b>Audit/Supervisory Committee Member</b>
<b>REPORTS TO</b>	:	<b>Members and Board of Directors</b>
<b>SUPERVISES</b>	:	<b>Internal Audit Staff</b>

### **Primary Responsibilities:**

To inspect the credit union's records for accuracy, its assets for security, and its procedures for the proper handling and use of funds.

### **Knowledge and Skills:**

- Ability to read a basic financial statement
- Ability to critically examine and question
- Understanding of credit union's internal control
- Understanding of applicable laws and regulations

### **Specific Responsibilities**

- Provides internal audit service, or cause them to be undertaken, as required by government agencies. Prepare and submit the necessary written reports to regulatory body. Conduct or order supplementary audits, as the committee deems necessary.
- Inspects the securities, cash, and accounts of the credit union. Scrutinize the acts of all officers, committees, and employees of the credit union to determine compliance with policies and regulations.
- Conducts or order a verification of the loan and share accounts of the members, in accordance with the credit union policy and regulatory requirements.
- Conducts Electronic Data Processing systems audit.
- Reviews the minutes of the board meetings.
- Ensures there are adequate internal controls, and that they are being followed.





- Recommends suspension of any director or credit committee member if necessary, in accordance with government regulations or cooperative law of the country.
- Prepares report to members to be presented at the annual meeting.

Accepted:

\_\_\_\_\_

Date: \_\_\_\_\_



## CREDIT COMMITTEE DESCRIPTION OF POSITION

**TITLE** : **Credit Committee Member**  
**REPORTS TO** : **Members and Board of Directors**  
**SUPERVISES** : **Loan Officer and Collection Officer**

### Primary Responsibilities:

To decide loan appeals from members; check compliance with lending policy, laws, and regulations; recommend changes in credit union loan policies.

### Knowledge and Skills:

- Knowledge of credit union lending policies
- Knowledge of applicable laws and regulations

### Specific Responsibilities

- Review written appeals of decisions made by loan officers. Review all loan denials and “marginal” risk cases.
- Render decisions fair to members’ and beneficial to credit union’s health based on the policies established by the Board.
- Be familiar with all the relevant government laws and regulations related to lending (Truth-in-Lending etc.)
- Evaluate the credit union’s loan performance annually, including a breakdown of the amounts of loans approved, total number of loans approved, a breakout of the number and percentage of loans by purpose, the total number of borrowers, the average loan size, the ratio of borrower to members, the ratio of loans to savings, and the number of loans rejected.
- Review credit union loan policies along with performance. Recommend changes to loan policy.
- Prepare and make available a report to be read at the annual meeting.
- Promote thrift and encourage the wise use of credit.

Accepted:

\_\_\_\_\_

Date: \_\_\_\_\_



## Board Development and Performance Evaluation

### Directors Self-Evaluation Form

1-Poor	2-Needs Improvement	3-Average	4-Very Good	5-Excellent
<i>I consistently do not meet the desired levels of performance in this area.</i>	<i>I regularly do not meet the desired levels of performance in this area.</i>	<i>I generally meet the desired levels of performance, occasionally do not meet them, but occasionally exceed them.</i>	<i>I meet the desired levels of performance, seldom do not meet them and frequently exceed them.</i>	<i>I consistently exceed the desired levels of performance.</i>

	Circle One				
<b>A. Decision Making</b>					
1. I have a good understanding of the aims and objectives of the Credit Union.	1	2	3	4	5
2. I contribute toward the development and refinement of the aims and objectives of the Credit Union.	1	2	3	4	5
3. I understand that the Board of Directors is the final authority in the Credit Union, and respect management’s right to act without interference within guidelines set by the Board.	1	2	3	4	5
4. While I do not infringe on management rights, I am also aware of the rights of the board and do not allow management to infringe on the board's areas of responsibility.	1	2	3	4	5
5. I realize that, except when I am functioning as part of the board or a committee at a duly called meeting, I have no more authority than any other member.	1	2	3	4	5
6. I ask discerning questions during the meetings relative to the reports being tabled.	1	2	3	4	5
7. I am aware of the key issues facing the Credit Union today and am trying to search for and anticipate the key issues for the future.	1	2	3	4	5
8. I understand my individual and joint responsibilities as a director and the legal consequences of being the ultimate authority in the Credit Union.	1	2	3	4	5

9. I appreciate the future implications of current decisions and the implications on the organization of a lack of proper decisions. I have an anticipatory attitude towards decision-making.	1	2	3	4	5
<b>B. Advisory Function</b>					
10. I understand the difference between board and management responsibilities.	1	2	3	4	5
11. In the performance of the board's advisory function, I understand that it is management's prerogative to accept or modify the advice it receives from the board.	1	2	3	4	5
12. I maintain contact with members in order to give representation to their concerns and needs.	1	2	3	4	5
<b>C. Trustee Functions</b>					
13. I have a good understanding of the regulations and bylaws governing the operation of the credit union so that I can determine if the business is operating within these guidelines.	1	2	3	4	5
14. I have a good understanding of the regular financial reports (Balance Sheet and Statement of Operations).	1	2	3	4	5
15. I have good understanding of our Credit Union's position in respect to the key financial indicators of liquidity, profitability, and equity and risk exposure.	1	2	3	4	5
16. I actively participate in the evaluation of past performance of the board and the general manager based on predetermined standards in the key areas and in planning future goals.	1	2	3	4	5
17. I allocate sufficient time to my role as director. I am well prepared for meetings. Materials provided to me in advance of a meeting are reviewed by me and questions noted in advance.	1	2	3	4	5
18. I understand the majority of the reports received for Credit Union evaluation, and know how to analyze them.	1	2	3	4	5
19. I clearly separate my personal interests from my responsibilities as a director.	1	2	3	4	5
20. I try to influence decisions for the benefit of the members, as opposed to my own benefit.	1	2	3	4	5
21. I am willing to contribute my personal time to achieve the competence required of an active director.	1	2	3	4	5



<b>D. Participation Function</b>					
22. I participate openly at meetings by asking appropriate questions and offering constructive comments.	1	2	3	4	5
23. I recognize the different talents of fellow board members, and try to develop spirit of unity on the board. I appreciate the benefit of diverse opinions.	1	2	3	4	5
24. My attendance is regular and punctual	1	2	3	4	5
25. I am prepared to stand alone if necessary in order to bring issues to the attention of fellow board members.	1	2	3	4	5
26. I participate in the perpetuation of a sound, effective board of directors. I contact prospective nominees, discuss this with members on ongoing basis, and help identify the needs of the organization.	1	2	3	4	5
27. I maintain board solidarity. I do not disclose aggravate board differences. I support board decisions even if I was opposed at the board discussion level. I do not actively oppose board decisions or undermine board activities.	1	2	3	4	5
28. As a director, I realize that I am part of a team and willing to forego my personal goals to support team goals, which have been established through full participation of the board.	1	2	3	4	5
29. I communicate well with other directors and members of management.	1	2	3	4	5
30. As a director I stay attuned to activities and changes within the organization including those at the central level.	1	2	3	4	5
31. I am prepared to participate in district regional level and provincial meetings.	1	2	3	4	5
32. I have a good understanding of the democratic control structure of the credit union system and allocate time for participation in this structure.	1	2	3	4	5
<b>E. Symbolic Function</b>					
33. I contribute towards people's confidence in the Credit Union by keeping my financial affairs in order (e.g. I am not in arrears or in breach of any loan agreement; I am a member in good standing; I have not had any problems with overdrafts).	1	2	3	4	5
34. I personally support the business of the Credit Union	1	2	3	4	5
35. I treat the confidential business of the Credit Union in strict confidence.	1	2	3	4	5



***Development Plan for Scores Lower than 3:***

Area Identified: \_\_\_\_\_

Development Plan: \_\_\_\_\_

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Area Identified: \_\_\_\_\_

Development Plan: \_\_\_\_\_

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Area Identified: \_\_\_\_\_

Development Plan: \_\_\_\_\_

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Area Identified: \_\_\_\_\_

Development Plan: \_\_\_\_\_

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Area Identified: \_\_\_\_\_

Development Plan: \_\_\_\_\_

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## Board Performance Evaluation Form

*The performance-rating key, which appears below, is fairly self-explanatory. Please choose the response, which you feel most appropriately, describes the performance of the board.*

<b>1-Poor</b>	<b>2-Needs Improvement</b>	<b>3-Average</b>	<b>4-Very Good</b>	<b>5-Excellent</b>
<i>Consistently do not meet the desired levels of performance.</i>	<i>Regularly does not meet the desired levels of performance.</i>	<i>Meets the desired levels of performance, occasionally does not meet them, but occasionally exceeds them.</i>	<i>Meets the desired levels of performance, seldom does not meet them and frequently exceeds them.</i>	<i>Consistently exceed the desired levels of performance.</i>

		<b>Circle one</b>				
1.	Meeting agendas reflect the interest and inputs of board and management.	1	2	3	4	5
2.	The management reports, proposals and presentations received by the board are timely and provide the information required to make sound decisions.	1	2	3	4	5
3.	Reports, proposals, and presentations of committees or representatives of the board are timely and provide the information required to make sound decisions.	1	2	3	4	5
4.	Adequate reference materials are available to the board to assist in board orientation, training and decision-making.	1	2	3	4	5
5.	An attendance record indicates high level of participation by the board and committees.	1	2	3	4	5
6.	The board acts as a cohesive group. It is not dominated by a small group of directors.	1	2	3	4	5
7.	Board members use parliamentary procedure to facilitate discussion and decision-making.	1	2	3	4	5
8.	The Chairman					
	a) keeps order and enforces rules of procedures adequately;	1	2	3	4	5
	b) ensures the participation of all directors;	1	2	3	4	5
	c) is aware of the items coming up on the agenda and their implications and communicates this to the other directors adequately; and	1	2	3	4	5



	d) maintains a healthy level of communication/counseling with General Manager	1	2	3	4	5
		<b>Circle one</b>				
9.	The board maintains a climate of freedom of expression.	1	2	3	4	5
10.	The board operates in an atmosphere of trust and caring, which encourages freedom of expression and harmonizing differences.	1	2	3	4	5
11.	The board has an anticipatory attitude. It shows leadership by bringing issues to light. It plays an active versus passive role.	1	2	3	4	5
12.	The board is aware of the distinction between the board's roles and responsibilities and those of management and plays an active role in board-management team building.	1	2	3	4	5
13.	The board is well enough informed to understand the reports presented.	1	2	3	4	5
14.	The board projects an image of competence and responsibility, contributing towards people's confidence in credit union.	1	2	3	4	5
15.	The board does not avoid its responsibility to make decisions in a timely manner.	1	2	3	4	5
16.	The board follows the principle of self-governance. Its actions are not unduly influenced by the personal feelings or interests of individual directors.	1	2	3	4	5
17.	There is a healthy level of communication/counseling with the General Manager.	1	2	3	4	5
18.	The board participates in the operation and control of the national federation/league and other related organizations.	1	2	3	4	5
19.	The board is active in the establishment of plans, policies and objectives for the credit union.	1	2	3	4	5
20.	The board is an instrument of strength, growth and change.	1	2	3	4	5
21.	The board evaluates performance in relation to the plans, policies and objectives of the credit union on a timely basis, and initiates corrective action if necessary.	1	2	3	4	5
22.	The board provides for the continuity of the credit union by seeing capable executives are continually available. A management succession plan is in place.	1	2	3	4	5
23.	The board provides for the continuity of the credit union by ensuring that a capable and effective Board of Directors always exists. A succession plan is in place for all executive and committee positions.	1	2	3	4	5
24.	The board maintains a healthy level of communication with the membership.	1	2	3	4	5
25.	The board continually reviews the services provided by the credit union to its members.	1	2	3	4	5
26.	A director training and orientation program is in place and current and new directors are provided with, and take advantage, of director development activities.	1	2	3	4	5





**Development Plan for Scores Lower than 3:**

Area Identified: \_\_\_\_\_

Development Plan: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Area Identified: \_\_\_\_\_

Development Plan: \_\_\_\_\_  
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Area Identified: \_\_\_\_\_

Development Plan: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Area Identified: \_\_\_\_\_

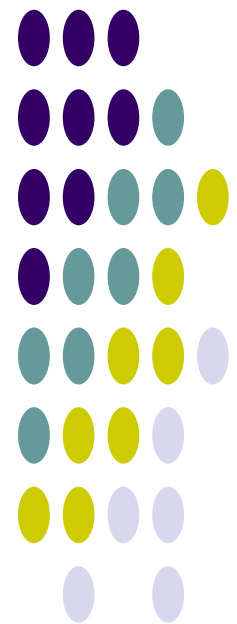
Development Plan: \_\_\_\_\_  
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Area Identified: \_\_\_\_\_

Development Plan: \_\_\_\_\_  
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# Financial Management

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## ACCOUNTING POLICY

### Purpose:

The purpose of this policy is to set forth guidelines, controls and standards in recording and reporting the results of operation and financial position in accordance with the generally accepted accounting standards.

### 1. General Principles

#### 1.1. Separate Enterprise

XYZ CU is a separate business enterprise requiring the maintenance of comprehensive accounting records and financial reporting practices to provide meaningful information to members, officers, directors, the audit committee, regulatory agencies and interested third parties.

#### 1.2. Going Concern

XYZ CU maintains its accounts as a “going concern” on the basis that its operation continues indefinitely. Therefore, assets and liabilities should represent the value to the credit union as a “going concern” and should not be based on liquidation values.

#### 1.3. Monetary Basis of Accounting

XYZ CU’s Financial Statements are expressed in terms of *(state the currency used)*. The recording of each transaction in terms of *(state the currency used)* units provided the best feasible indicator of its relative impact on the overall operations of the credit union.

Changes in the purchasing power of *(state the currency used)* are not reflected in the basic financial statements except for the adjustments to incorporate revalued property or equipment in the financial statements.

#### 1.4. Consistency in accounting from Period to Period

XYZ CU should follow consistent accounting practices from one accounting period to the next. Should a material change in accounting treatment occur, the facts must be disclosed on the financial statements, including the *(state the currency used)* effect upon the Statement of Financial Condition and the changes in the net income for the period.

For example, if the credit union converts from accrual or cash basis to modified cash basis system of accounting, a complete reversion at one time shall be made and report the conversion on the current period financial statements.



### 1.5. Timely Recognition in Accounting Records

XYZ CU should record accounting transactions on a timely basis so that all material information applicable to each accounting period are shown in the records.

To properly recognize in accounting records and financial reports the reasonable values of assets, liabilities, members' equity and reserves, income and expenses, the credit union shall make provision for losses that may be sustained in the collection or conversion of loans and other assets by charges against current operations.

### 1.6. Materiality

XYZ CU should recognize in the accounts the material facts relating to the credit union's activity.

A statement, fact, or items is materials if, considering the surrounding circumstances as they exist at the time, it is of such a nature that its disclosure, or the method of treating it, would likely influence or "make a difference" in the judgment and conduct of a reasonable person. The accumulation of many small items, each of which in itself would not be "material", would be "material" if the overall effect would tend to influence the judgment and conduct of a reasonable person.

### 1.7. Principle of Conservatism

XYZ CU should maintain the accounting records on a conservative basis. It should make reasonable provisions in the accounts for probable losses on assets and for the settlement of liabilities. It should not materially overstate nor understate assets, liabilities, income or expenses.

### 1.8. Accounting Basis

XYZ CU should use Modified Cash Basis as the prescribed accounting basis. This is a combination of the cash basis of accounting and the accrual basis of accounting. Under the modified cash basis, the accounting is based on actual receipts and disbursement except that provisions should be made to reflect:

- a. Liabilities which are not paid when due;
- b. Unpaid dividend on share capital applicable in the accounting period;
- c. Deferred credits and charges that are applicable to future periods;
- d. Estimated losses on loans outstanding and other risk assets, and
- e. Depreciation of property and equipment.



### 1.9. Accounting Safeguards and Control

XYZ CU should adopt appropriate accounting safeguards and controls to provide reasonable assurance that accounting records are complete and accurate.

### 1.10. Fiscal Year

XYZ CU accounting period shall be a 12-month period starting January 1 and end December.

## 2. Petty Cash and Revolving Funds

### 2.1. Safeguards and Controls

#### 2.1.1. Custodianship

1. A Petty Cash Fund (PCF) is set up to take care of minor disbursements, usually consisting of day-to-day expenses involving small amounts.
2. A Revolving Fund may be set up to payment of member's savings deposit withdrawals, loan proceeds and other operations as may be determined by the Board of Directors, except encashment of checks.
3. The funds are maintained on imprest system. At any given time, the total cash on hand and the unreplenished disbursements should be equal to the amount of the fund.
4. The funds are in the custody of the treasurer/cashier or nay designated custodian. Access to and responsibility for each of the funds is limited to the respective custodian.
5. Each of the funds is kept in separate box. If one custodian is responsible for two or more funds, these should be physically segregated.

#### 2.1.2. Petty Cash Voucher/Revolving Fund Voucher

1. A Petty Cash Voucher (PCV) is required for disbursement from the Petty Cash Fund and Revolving Fund Voucher for the disbursement from Revolving Fund.
2. The CEO/General Manager approves PCVs/RFBVs before any payment is made. Supporting documents, if any, are attached to the corresponding vouchers.



3. After payment, the PCV/RFV and its supporting documents are numbered and stamped "PAID", initialed, with the date of payment noted thereon in ink.

#### 2.1.3. Restriction on Disbursement

1. Each payment from the fund is limited to a certain amount in accordance with the Board policies. Any disbursement more than this amount is made by check.
2. Encashing of other checks from the fund is prohibited.

#### 2.1.4. Replenishment

1. The Petty Cash/Revolving Fund custodian requests for replenishment when the fund runs low and insufficient to cover petty expenses or revolving fund disbursements, by preparing Replenishment Summary for Petty Cash and Revolving Fund, as the case may be.
2. The replenishment check should be payable to the fund custodian.

#### 2.1.5. Surprise Count

From time to time, the Audit/Supervisory Committee conducts surprise count of the Petty Cash Fund and Revolving Fund and prepares a report to the Board of Directors; copy furnished the CEO/General Manager regarding the results of the count.

### 3. Cash Disbursement

#### 3.1. Safeguards and Control

##### 3.1.1. Payments

1. All disbursements are paid by checks except those, which are paid from the Petty Cash/Revolving Fund.
2. Each check prepared is covered by a pre-numbered Cash Voucher (CV) and supported by documents.
3. The accounting personnel reviews and checks the validity of the CV and its supporting documents.
4. The Chairperson of the Board of Directors shall approve CV's covering disbursements in excess of the authority of the designated approving officer. The Board of Directors authorizes the Chief



Executive Officer to approve disbursement up to maximum amount of \_\_\_\_\_.

5. Upon release of the checks, the Cashier/Treasurer stamps "PAID" on all copies of the CV's and its supporting documents indicating therein the date of payments.
6. CVs are signed by the payee/authorized representative to acknowledge the receipt of payment upon release of check, otherwise, the Cashier/Treasurer should require the payee to issue Official Receipt or other evidences in exchange of the check.
7. The Audit Committee shall conduct audit of all the cash disbursement transactions of the credit union.

#### 3.1.2. Control of Checks

1. All checks are issued and recorded in numerical sequences in the checkbook or its equivalent.
2. All checks are prepared based on the properly approved CVs, duly verified by the accounting personnel, signed and countersigned by at least two authorized signatories one of whom shall be the Chairman of the Board.
3. To prevent alteration on the amount of the check, check writer shall be used. The check writer will be under the custody of the Treasurer/Cashier and shall be kept in a safe place when not in use.
4. The check is always made payable to a specific person or entity. Whenever possible, checks must be made crossed (two parallel lines at the left side of the check).
5. Unused check booklets will be under the custody of the accountant. Under no circumstances such check booklets be made available to any unauthorized person.
6. Voided, spoiled and cancelled checks shall be marked "CANCELLED" and attached to the corresponding checkbook for subsequent inspection and reconciliation.
7. The check when presented for approval shall be supported with approved CV and supporting documents.



8. Signing or countersigning of blank checks in advance is strictly prohibited.
9. All checks issued should be recorded in the check register book, and upon release, require payee to acknowledge receipt.

#### 3.1.3. Bank Reconciliation

1. To determine the accuracy of the cash in bank account balance, a reconciliation of the book and bank balances shall be done monthly by the accounting personnel and to be reviewed by the audit committee.
2. The accounting unit head/audit committee reviews the bank reconciliation statement, especially the reconciling items.
3. Unrecorded bank charges and credits, if valid, should be recorded in the books.
4. Posting errors committed by the bank should be immediately communicated.

#### 3.1.4. Control of Cash Vouchers

Cash Vouchers are recorded daily in numerical sequence in the book of accounts. The books of accounts are summarized monthly and the totals are posted to the General Ledgers.

### 4. Property and Equipment

#### 4.1. Safeguards and Control

##### 4.1.1. Approval of Acquisition

1. Acquisition of property and equipment should be in accordance with the approved budget.
2. Prior approval from the Board of Directors is required for the acquisition of property and equipment over the amount of approval limit of the CEO/GM. The CEO is authorized to approve acquisition of property up to maximum amount of \_\_\_\_\_.

##### 4.1.2. Record Keeping and Control

1. All property and equipment should be in the name of XYZ CU.





2. The property custodian is responsible for the proper safeguarding and maintenance of property and equipment.
  3. Where advisable, property and equipment should be adequately insured against fire, theft and other risk and should be entered in the Property Insurance Register (Annex 3).
  4. A Property and Equipment Ledger Card (Annex 4) is maintained and updated by the accounting personnel for each property or equipment where the cost, depreciation charges and other relevant data, like sale, disposition, trade-in, improvements, and exchange are recorded.
  5. Purchase Order shall be duly approved and shall correspond to the number of items found in the requisition, cost, delivery receipt and original copy of the dealer's invoice.
  6. Before payment is made, the Property Custodian and the CEO/GM shall immediately inspect property and Equipment purchased such as furniture, fixtures and office equipment, and if possible, in the presence of the Audit Committee, as to the number of items, cost, quality, and taxes withheld.
  7. A Memorandum Receipt (Annex 5) properly accomplished and acknowledged by the employees and/or officers to whom the furniture or equipment is assigned shall invariably cover furniture, Fixtures and Office Equipment issued to the employees and/or officers.
  8. All property and equipment are numbered and properly identified.
  9. All purchase of furniture, fixtures and equipment as well as stationery and supplies is centralized. Direct purchases may be made subject to the following conditions:
    - Emergency purchased to restore normal operations after damages wrought by fire, flood, etc.
    - Purchases necessary for immediate protection of the assets and personnel
- 
- Where direct purchased are advantageous for reasons of:



- a. Lower local prices in the face of comparable quality compared to current prices in the local stores plus handling and shipping charges.
  - b. Warranties and other sales features that would prolong the life and usefulness of the assets.
10. All purchases over a minimum amount determined by the Board of Directors shall be subject to canvass from three suppliers except those items that can only be obtained from a sole manufacturer or exclusive distributor. All purchases above (state the amount) must be supported by a canvass.

## 4.2. Depreciation

### 4.2.1. System

1. Depreciation must be computed in accordance with the approved rates of depreciation and must be taken up periodically in the books.
2. When a unit is fully depreciated, a nominal value of \_\_\_\_ is carried in both the controlling account and in the subsidiary ledger to represent each fully depreciated unit.
3. Periodic provision for depreciation is necessary to cover the decline in value of the assets. For simplicity of application, the straight-line method of depreciation is adopted for all movable assets as a rule. The computation is based on the following formula:

$$\text{Annual Depreciation} = \frac{\text{Cost of the property less Salvage Value}}{\text{Estimated years life of the property}}$$

### 4.2.2. Accounting Procedures

1. The provision for depreciation is computed and recorded in the books periodically as the case may be.
2. The depreciation expense for each item should be in round figure.
3. In the event, the original cost less the salvage value is not exactly divisible in 100 (*currency*) for the number of depreciable periods the last depreciation periods shall cover the balance of the asset leaving the nominal value of (*currency*) 100.



4. As a general practice, the first depreciation charge on an asset item begins with the next reporting period after the acquisition.

#### 4.2.3. Suggested Estimated Useful Life

1. Furniture and Furnishings – 5 years

This classification covers building accessories, which are generally for the working and/or convenience of office personnel and clients. Examples are chairs, tables, sofas, top glass, mirrors, carpets, shades, draperies, movable dividers, vases, decorative boxes and frames, paintings, wastes baskets, wall clocks and table clocks.

2. Fixtures – 5 years

This group refers to permanent or semi-permanent attachments closely related to the building but not classed as building. Examples: counters, teller's cages, fixed dividers or partitions, built-in cabinets/shelves, storage bins and guardhouses.

3. Business Machines - 5 years

This includes all standard office machines or mechanically operated office equipment such as typewriters, adding/calculating machines, copying machines, check writers, postage machines, Bundy clocks and numbering machines.

4. Office Equipment – 5 years

This category embraces all office apparatus, which are not mechanically operated. It includes: cabinet, safes, vaults, trays, racks, and paper cutters.

5. Computer Machines – 3 years

This group includes all component units and peripherals of a computer system.

6. Appliances – 5 years

This group includes devices used for improving working conditions in an office. It also covers musical, communication and ventilation facilities. Examples: air condition, electric fans, radios, stereo sets, pianos, refrigerators, intercom systems, burglar alarm system, floor polishers, vacuum cleaners and lawn mowers.

7. Other Equipment and Instruments – 5 years



This classification embraces power units, security devices and trade equipment instruments. Examples: generators, motors, transformers, water pumps and accessories, fire extinguishers, medical/dental equipment, engineering equipment, athletic, printing/bookbinding equipment, and photo equipment.

8. Land Transportation Equipment – 5 years

Included in this group are: automobiles, jeeps, buses, and pick-ups

9. Books – 2 years

This covers all technical, professional and general reference books.

10. Building –20 years

11. Leasehold Improvements – 5 years

12. Land Improvements – 5 years

## 5. Liabilities

### 5.1. Safeguards and Control

#### 5.1.1. Savings Deposit

1. Receiving tellers or employee should properly validate the deposit slips before these are given to the bookkeeper for posting.
2. Except for the bookkeeper in charge of the account, no other employee shall be allowed to make posting to the subsidiary ledgers, unless, properly authorized in writing.
3. In all transactions involving savings accounts, whether deposits, withdrawals, debit or credit memos, depositor's name and/or account number appearing in both the source documents and the posting medium, and the subsidiary ledgers to which the amount is to be posted, should be compared to ascertain their correctness.
4. XYZ CU should maintain individual subsidiary ledger card for each savings and time depositor and other creditors.
5. Posting on the member's subsidiary ledger card must be up-to-date to prevent over-withdrawals of savings and time deposits.



6. Savings deposits pledged for a particular loan of a member cannot be withdrawn, a Deed of Assignment should be executed, and the word “HOLD” should be indicated in their respective savings ledger card.
7. Total savings account balances as per members’ individual subsidiary ledgers must tally with the controlling account balance per general ledger.
8. Positive confirmation of members’ deposit balance should be done periodically.
9. Unclaimed deposits of depositors who can no longer be located should be properly disposed of either a credit to General Reserve Fund or any other fund for social purposes.
10. Debit balances of savings deposits and deposits adjustments shall be properly reviewed as it may be due to over withdrawal or erroneous entry transactions.
11. Savings passbooks shall be required to be presented for every transaction with the XYZ CU.

#### 5.1.2. Time Deposit

1. Review the interest on Time Deposit vis-à-vis the actual interest paid and the interest rate. Withdrawal before the time agreed would have a lesser or no interest earned as penalty for not complying with the term of the Time Deposit.
2. The CEO/GM shall properly approve interest rate on Time Deposit.
3. A copy of the Time Deposit Certificate issued to the depositor shall be on file and a subsidiary ledger shall be maintained for each depositor.
4. The Certificate of Time Deposit or its equivalent evidence shall be surrendered and be stamped “PAID” when said deposit is withdrawn.

#### 5.1.3. Dividend to Share Capital

1. Amount set aside for dividend on share capital should be in accordance with the decision of the Board of Directors.
2. Distribution should be in accordance with the By Laws.
3. The dividend rate should not exceed the normal rate of return on investment



4. Before payment is made, the Board of Directors shall approve and announce the granting of the dividends taking into consideration the following:
  - The rate of dividends
  - The date the declaration was made
  - The members-on-record as of a given date entitled to receive the dividend.

#### 5.1.4. Accrued Expenses

1. Accrued expenses must be valid and duly approved with supporting legal documents and authorized by the CEO/GM.
2. Only expenses that were actually incurred in connection with the operation of the credit union should be taken up as accrued expenses.
3. A ledger should be maintained for each class of accrued expenses
4. Accrued expenses should be settled immediately whenever fund is available.

#### 5.1.4. Procedures of Accruing Interest on Savings Deposits

1. The interest on savings shall be accrued every month to reflect the correct monthly income.
2. The interest shall be computed on the average \_\_\_\_ balance. The interest shall be posted to the subsidiary ledger quarterly/semi-annually.
3. Monthly interest accrual shall be debited to “Interest Expense on Deposits” and a credit to “Accrued Expense.” The accruals shall be closed to Savings Deposit when the interest due is credited at the end of the quarter.

#### 5.1.5. Accounts Payable

1. Totals per individual ledger account balances must tally with the balances per major control account in the general ledger.
2. Only accounts payable that are valid and duly supported by legal documents (i.e. sales invoices, delivery receipts, purchase orders, job orders, etc. duly approved by the CEO/GM) should be paid.



3. A record or minutes of the Board of Directors specifying the institution from which the money may be borrowed, the maximum amount of loan to be borrowed and the officers authorized to sign the document and the signatories of the disbursement against the loan shall be on file for audit and inspection.
4. Ascertain that all contributions deducted from management staff were made in accordance with the existing policies set by the Board of Directors.

## 6. Asset Valuation Allowance

- 6.1. XYZ CU should determine an adequate and reasonable Allowance for Loan Losses (ALL), which must result in the fair representation of the financial statements in accordance with the Generally Accepted Accounting Principles (GAAP), and thereby meet the requirements for full and fair disclosure.
- 6.2. The following provision for Allowance for Loan Losses should be calculated as follows:
  - a. 35% for loans delinquent for one month to 12 months
  - b. 100% for loans delinquent for more than one year
- 6.3. For interim assessments of provision, requirements (i.e. between annual balance dates) a provision of 1% of loan funding made during the month shall be added to the provision account. The assessment under a and b must be made if the calculation is greater than adding of 1% of loan funding to the provision. The provision should be increased to meet the assessed requirement.

## 7. Income Recognition

- 7.1. Interest on loans and other investment shall be on cash basis.



## 8. Standard Chart of Accounts

XYZ CU should follow the following Chart of Accounts in recording and reporting its financial transactions:

<b>Statement of Financial Condition</b>		
<b>Account Title</b>	<b>Brief Definition</b>	
<b>ASSET ACCOUNTS</b>		
Economic resources of XYZ CU that are recognized and measured in conformity with generally accepted accounting principles.		
<b>CURRENT ASSETS</b>		
Include cash and other assets that are reasonably expected to be realized in cash or sold or consumed during the normal operating cycle of the business, which is usually one year.		
101	Cash on Hand	Money (bills and coins), checks except post dated checks, postal money order (PMO), and demand drafts still in the possession of the custodian. This includes cash items awaiting deposits.
102	Cash in Bank	Money deposited in the bank under the name of the XYZ CU, i.e. savings, current, time deposits, and combo-account. A separate ledger account is used to keep track of deposits made in the bank.
103	Petty Cash Fund	Limited amount of money set aside for small expenditures, maintained under an imprest system.  It is a revolving cash fund, withdrawn from the general cash account and made available for small purchases and expenditures such as stationery and supplies, taxi fares or staff meals.
104	Revolving Fund	The amount set aside to meet members' withdrawals, loan proceeds and other operations as may be determined, except encashment of other checks.  Like the Petty Cash Fund, the Revolving Fund is maintained under an imprest system, that is, the total amount of expenditures, properly supported by documents must match the amount of the fund.
112	Cash Advances to Officers and Employees	Duly approved cash advances for official business to officers and employees subject to immediate liquidation.





140	Short Term Investment	Investment in marketable securities, government bonds, and other mutual funds that is readily convertible into cash.
150	Loans Receivable – Current	The total loans granted to members, which are not yet due.
151	Loans Receivable- Restructured	Collectibles from the member-borrowers whose loan accounts were restructured upon full payment of interests due.
152	Loans Receivable-Past Due	Total collectibles from past due loans of member-borrowers. Aging of loans receivable should be prepared to determine how much are the past due loans.  The loan shall remain in this account until fully paid or until arrangements are formalized for its renewal/ extension/ restructuring or collection/foreclosure.
153	Loans Receivable-Loans in Litigation	Total collectibles from past due loans under legal action. The loan or advance shall remain in this account during the legal proceedings and until fully paid/ restructured/ foreclosed.
154	Allowance for Probable Losses on Loans	Allowance set aside in the books of to provide for possible losses due to uncollectible accounts. This account may also be referred to as Allowance for Doubtful Accounts. This is a contra account to Loans Receivable.
161	Receivable from Accountable Officers and Employees	Total collectibles from shortages and other losses due from accountable officers and employees that are subject to immediate settlement/sanction.
162	Other Receivables	Transactions/adjustments not classified under any of the receivable accounts mentioned. These also represent: <ul style="list-style-type: none"> <li>• The amounts currently owed by persons other than the members for services rendered.</li> <li>• Advances to members of their expenses not previously covered by deposits such as insurance premiums on properties pledged to XYZ CU, taxes and other government imposts, inspection fees, wire charges and other expenses.</li> </ul>



170	Unused Office Supplies	Office supplies on hand at the end of the accounting period.
174	Prepaid Expenses	Payments made in advance in exchange for a future benefit usually within one year (e.g., insurance, interest, advertising, rentals, etc.).
<b>LONG TERM INVESTMENTS</b> Investments, which the XYZ CU intends to hold for more than a year.		
182	Long Term Investments-Cooperatives	Equity investments in credit union central organization
184	Long Term Investments-Government Securities/Bonds	Investments in securities and bonds issued by the government and its instrumentalities.
185	Long Term Investments-Others (Specify)	All other investments not included in the above.
<b>PROPERTY AND EQUIPMENT</b> Include all tangible assets with an estimated useful life beyond one year, are used in the conduct of the business, and not intended for sale in the ordinary course of business (SFAS No. 6).		
191	Land	The cost of the land used for its main operation plus all incidental costs such as title, sales commissions, delinquent taxes, surveying fees, legal fees, etc. All these are reflected in a single cost (fair market value or appraised value <i>if</i> donated). Taxes paid as a contribution to the cost of public improvements (special assessment) are treated as part of the cost of the land.
192	Land Improvements	<p>The cost of depreciable improvement after land acquisition (i.e., pavement, fencing, water system, drainage system, sidewalks and pavements, etc. that are subject to depreciation over their useful life).</p> <p>Land improvements not subject to depreciation are charged to the land account. Examples of these expenditures are cost of surveying, cost of clearing, cost of grading, cost of subdividing, cost of landscaping, etc.</p>
193	Accumulated Depreciation-Land Improvements	Sum of depreciation on land improvements that are set-up periodically against current operation.



196	Building	Cost of the building constructed on the land owned by XYZ CU and used for its main operation. Major repairs or improvements that will prolong the life of the building are considered additional cost.
197	Accumulated Depreciation-Building	Sum of depreciation on building that are set-up periodically against current operation.
205	Furniture, Fixtures and Office Equipment	<p>The cost or appraised value or other appropriate value of movable (furniture), immovable (fixtures) properties and office equipment used in the ordinary course of business such as desks, chairs, cabinets, computers, etc. including incidental expenses incurred in acquiring them up to the time they are received. Depreciation is determined periodically (monthly, quarterly, etc.) in accordance with generally accepted rates.</p> <p>Furniture, fixtures and office equipment may be acquired through donations and without any cash outlay.</p>
206	Accumulated Depreciation- Furniture, Fixtures and Office Equipment	Sum of depreciation on furniture, fixtures and office equipment that are set-up periodically against current operation.
208	Transportation Equipment	Cost of equipment owned by XYZ CU such as motorcycles, pick-ups, vans and other vehicles used in transporting goods, services or personnel. Valuation is the cost of purchase or appraised value if donated.
209	Accumulated Depreciation- Transportation Equipment	Sum of depreciation on transportation equipment that are set-up periodically against current operation.
210	Leasehold Rights and Improvement	Cost of building and/or improvements made on leased land/premises including cost of rights paid.
<b>OTHER ASSETS</b> Assets, which do not fit into any of the preceding asset classifications		
250	Organizational Costs	Expenses incurred prior to the actual operations of XYZ CU such as promoting and organizing. This can be amortized over a period not exceeding five (5) years. Among others, these costs are: <ol style="list-style-type: none"> <li>a. Legal fees in connection with the organization;</li> </ol>



		<ul style="list-style-type: none"> <li>b. Registration fees;</li> <li>c. Cost of printing share capital certificates and transfer book, seal of XYZ CU, etc.; and</li> <li>d. Other cost of services rendered in the formation of XYZ CU.</li> </ul>
251	Computerization Costs	The cost of acquisition or development of computer programs and other software. This can be amortized over a period not exceeding three (3) years.
252	Other Funds and Deposits	Holdout deposits on guarantee fund to the funding institutions in compliance with the requirements of certain agreements; the corresponding fund set aside from the reserve, optional fund and any other funds that may be set up. This may be in the form of time deposits or other securities. The XYZ CU has the option to create sub-accounts.
256	Due from Head Office/Branch/Subsidiary	Receivables from head office/branch or subsidiary.
257	Assets Acquired in Settlement of Loans	Real and personal properties acquired through judicial or extra-judicial settlement of loans. Should XYZ CU use such assets in its main operation, the same assets shall be re-classified accordingly.
258	Other Land	Cost of the land owned, which is not used for its main operation.
259	Other Building	Cost of the building owned, which is not used for its main operation.
260	Accumulated Depreciation – Other Building	Sum of depreciation on other building that are set-up periodically against current operation.
261	Miscellaneous Assets	Assets not falling in any of the above categories.

<b>LIABILITY ACCOUNTS</b> Economic obligations recognized and measured in conformity with generally accepted accounting principles.		
<b>CURRENT LIABILITIES</b> Obligations that are reasonably expected to be settled through the use of existing current assets or the creation of other current liabilities in the same statement of condition within the normal operating cycle which is usually one year.		
300	Savings Deposits	Deposits made by members that can be withdrawn anytime at the option of the depositors.
303	Time Deposits	Deposits made by the members over a specified period and can be withdrawn at a pre-determined date
304	Loans Payable – Short Term	The indebtedness to financial institutions, other credit union or Central Finance Facility, or person(s), payable on short-term basis not exceeding one (1) year.
308	Social Security, Health Premium Contributions Payable	Amounts withheld from the compensation income of employees representing their contribution to social security system or health insurance. As an employer, XYZ CU has its corresponding share of contributions and this should be set up every payroll period.
309	Withholding Tax Payable	All taxes withheld as prescribed by law including the withholding tax deducted from the employees' salaries representing part of their possible income tax liability to the Bureau of Internal Revenue.
310	Accrued Expenses	Expenses incurred but not paid as of date of statement of financial condition but payable within the next accounting period. This account represents the amount due to creditors/employees for services rendered/ received and other expenses already incurred but not paid.
311	Interest on Share Capital Payable	Liability to members for interest on share capital determined at the end of every accounting period
312	Patronage Refund Payable	Liability to members for patronage refund determined at the end of every accounting period.



313	Due to CETF (Apex)	An amount set aside for the education and training fund of an apex organization, which is 50% of the amount allocated, in accordance with the provision of the by-laws and the Cooperative Act.
314	Unearned Income	Income already received but not yet earned.
316	Other Payables	Other liabilities that cannot be classified under any of the preceding current liability accounts.
<b>LONG TERM LIABILITIES</b> Liabilities payable beyond one year.		
320	Loans Payable- Long Term	The indebtedness to financial institutions, other credit unions, or person(s), payable beyond one year.
321	Revolving Capital Payable	The deferred payment of interest on share capital and patronage refund, which should be agreed upon in the General Assembly.
322	Retirement Fund Payable	Accumulated retirement benefit costs charged against the income over the expected remaining working lives of participating employees.
323	Other Long Term Payables	Other long-term liabilities
<b>OTHER LIABILITIES</b> The totality of all other liabilities that cannot be classified under any of the preceding liability accounts.		
331	Deposits for Share Capital Subscription	Amount paid by the members for future subscription of additional share capital when the authorized capital has been fully subscribed and paid pending amendment of the XYZ CU's Articles of Cooperation and By-laws.
332	Project Subsidy Fund Payable	Unused portion of the donation/grant for training, salaries and wages, etc.
333	Mutual Benefit Funds Payable	Funds for special purposes such as member's welfare and benefits, i.e., loan protection, hospitalization, death aid, etc.
334	Due to Head Office/Branch/Subsidiary	Liabilities to head office/branch or subsidiary.



EQUITY ACCOUNTS Excess of assets over liabilities		
MEMBERS' EQUITY Interest of members in the XYZ CU.		
361	Member Share Capital	Paid up capital of regular members that cannot be withdrawn during the term of membership.
362	Undivided Net Surplus (Loss)	The accumulated net surplus that will be allocated and distributed at the end of each accounting period in accordance with the law
DONATIONS / GRANTS		
381	Donations and Grants	Amounts received such as awards, subsidies, grants, aids, awards, etc. This shall not be available for distribution as interest on share capital and patronage refund.
STATUTORY FUNDS Mandatory funds established in accordance with the Cooperative Act or Credit Union Law		
391	Reserve Fund	Amount set aside annually for the stability of XYZ CU (equivalent to at least 10% of net surplus). A corresponding fund should be set up either in the form of time deposit with local banks or government securities. Only the amount in excess of the share capital may be used for the expansion and authorized investment of XYZ CU as provided for in its by-laws.
392	Education and Training Fund (local)	The amount retained out of the mandatory allocation as stipulated in the Cooperative Act or Credit Union Act.
393	Optional Fund	Fund set aside from the net surplus (should not exceed 10%) for future use such as land and building, community developments, etc.

<b>STATEMENT OF FINANCIAL OPERATION</b>		
<b>REVENUES</b>		
Gross increases in assets or gross decreases in liabilities recognized and measured in conformity with generally accepted accounting principles that result from those types of earning activities of XYZ CU that can change owners' equity.		
401	Interest Income from Loans	Income earned and collected from the interest charged on the loans granted to their members.
405	Service Fees	Fees collected for loan processing, servicing, and collecting.
406	Filing Fees	Fees collected upon the filing of loan applications by the member-borrowers.
407	Fines, Penalties, Surcharges	Fees imposed and collected on the delayed amortization payments of the member-borrower.
408	Membership Fees	Amount collected from member-applicants upon approval of membership.
409	Income/Interest from Investment	Income earned from bank deposits and investments made in financial institutions and business organizations. This shall include interest income derived from the deposit of statutory funds in the bank until utilized. Interest on these funds shall not be used to increase the fund.
410	Miscellaneous Income	All other income earned for which no specific account has been set-up.
<b>EXPENSES</b>		
Gross decreases in assets or gross increases in liabilities recognized and measured in conformity with generally accepted accounting principles that result from those types of earning-directed activities of XYZ CU than can change members' equity.		
<b>FINANCING COSTS</b>		
501	Interest Expense on Deposits	Interest incurred on savings and time deposits of both regular and associate members.
502	Interest Expense on Borrowings	Interest incurred on borrowings.
503	Other Charges on Borrowings	Service charges, filing fees and other fees for borrowings incurred.





ADMINISTRATIVE COSTS		
516	Salaries and Wages	Amount incurred for services rendered by employees including overtime pay.
517	Employees' Benefits	Benefits given to employees other than salaries and wages.
518	Social Security and Health Premiums contribution	The XYZ CU's share in the employees' contribution to social security and health insurance of staff
519	Retirement Benefit Expense	The cost of providing retirement benefits to employees for their services rendered. The cost of retirement benefits is recognized as an expense in the periods during which the services are rendered.
538	Officers' Honorarium and Allowances	Amount incurred for services rendered by directors, committee members, and officers.
539	Trainings and Seminars	Amount incurred for officers, directors, members and employees, for attending trainings and seminars including all expenses related thereto after exhausting the Education Fund. For purposes of analysis, amount incurred may be classified as to the recipients of the trainings and seminars.
540	Office Supplies	Expenses incurred for stationery and various supplies used for operation.
551	Power, Light and Water	Cost of electricity, water, gasoline, diesel, oil and lubricants incurred in business operations.
552	Travel and Transportation	Amount incurred for fares, gasoline and fuel for service vehicles, toll fees, board and lodging, per diem and meal allowances of officers and employees and members while on official travel.
553	Insurance	Insurance of assets and bonds of accountable officers and employees
554	Repairs and Maintenance	Expenses incurred in the repair and maintenance of each facility and equipment except major repairs that prolong the life of the asset.
555	Rental	Expenses incurred for building/office spaces or facilities leased



556	Taxes and Licenses	Expenses incurred for taxes and fees due to government entities, both national and local.
557	Professional Fees	Fees and related expenses incurred for professional services rendered.
558	Communication Expense	Amount incurred for courier (letters), telephone, e-mail, fax, internet, messenger, and all other means of communication.
559	Representation	Expenses incurred related to accommodating visitors and guests on official business.
560	General Assembly Expenses	Expenses incurred in the conduct of general assembly meeting whether regular or special.
561	Meetings and Conferences	Expenses incurred for meetings and conferences of directors, committee members, officers and staff.
562	Bank Charges	Bank fees and other charges.
563	Collection Expense	Amounts, including commissions, incurred as incentives in effecting the collection of loans
564	Litigation Expenses	Expenses incurred in legal cases.
565	Affiliation Fees	Amount incurred to cover membership or registration fees and annual dues to a federation or union.
566	Social Services Expenses	Expenses incurred in the social community involvement
567	Promotional Expenses	Expenses incurred for advertising and promotions.
568	Periodicals, Magazines, Subscriptions	Expenses incurred for periodicals, magazines and other publications.
569	General Support Services	Expenses incurred for employing the services of security guards, janitors and messengers.
570	Members' Benefit Expenses	All expenses incurred for the benefit of the members.
575	Miscellaneous Expense	All other expenses incurred not classified under any of the specified expense accounts.



576	Depreciation and Amortization	Amount provided for wear and tear of property and equipment and amortization of intangible assets.
577	Amortization of Leasehold Rights and Improvements	Amount provided for amortization of leasehold rights and improvements.
578	Provision for Probable Losses on Loans	Allocation or provision for estimated losses arising from probable uncollectible accounts/loans.
<b>EXTRAORDINARY ITEMS</b>		
590	Project Subsidy	This shall appear at the statement of operation as a contra account to Subsidized Project Expenses.
591	Subsidized Project Expense	Portion of the Project Subsidy Fund expended for training, salaries and wages and other activities subsidized by donations and grants.
592	Gain or Loss on Sale of Acquired Assets/ Properties and Equipment	Gain or loss derived from the sale of acquired assets/properties and equipment.
593	Gain or Loss on Investment	Income earned or loss incurred from the disposal or permanent decline of value of investments.

## ASSET-LIABILITY MANAGEMENT POLICY

### **Purpose:**

The purpose of this policy is to set forth procedures and guidelines to be followed in the overall management of the credit union's deposits, loans and investments.

### *ALM Objectives:*

- To maintain stable and consistent financial performance;
- To ensure adequate liquidity and funding to meet cash needs;
- To ensure fair and equitable treatment of both savers and borrower.

### **1. Responsibility**

- 1.1. Management is responsible for the daily accomplishment of established objectives of asset-liability management by committing personnel and necessary technology to respond to the changes in deposit, loan, and investment balances and rates.
- 1.2. An ALM Committee made up of the Chairman, Treasurer and General Manager will direct and periodically review the decisions made by management and any activity carried out.
- 1.3. The board delegates this authority and is to review quarterly reports of the committee.

### **2. Functions of the ALM Committee**

The ALM Committee will meet periodically to review and monitor all phases of XYZ Credit Union's operations as they relate to the ALM process. ALM reports generated by the accounting department are the basis of the ALM Committee's activities. These reports focus on the credit union's interest rate risk, liquidity risk, and key ratios. The specific functions of the committee are:

#### 2.1. Monitor Interest Rate Risk

XYZ Credit Union's interest rate risk will be evaluated by focusing on the time with which assets and liabilities are subject to repricing. This repricing arises through changes in loan, investment, and deposit balances, and variable-rate instruments becoming eligible for repricing. Differences in the timing of such repricing are reflected in the projected gap position. The projected gap position estimates the future risk position that will emerge with the passage of time.



Because of the difference between the credit union's interest rate sensitivity and its capacity to change interest rates on assets and liabilities the projected repricing capacity gap must also be considered. The projected repricing gap is a supplemental measure that provides insight into the credit union's ability to make longer-term interest rate adjustments in the event that dramatic changes occur in the level of interest rates.

## 2.2. Monitor the Liquidity Position

It is the policy of XYZ Credit Union to maintain adequate liquidity levels consistent with prudential financial practices and regulatory requirements. Specific liquidity requirements are contingent on a variety of factors, including seasonal or recurring fluctuations in economy, the desirability of investment income versus loan income, the present as well as the forecasted mix of earning assets, and the availability of funds. The manner in which existing assets and liabilities mature plays a major role in determining the credit union's liquidity position. Corrective action will be taken when necessary.

## 2.3. Monitor the Real Estate Loan Risks

XYZ Credit Union has four primary risks involved with holding real estate loans on its balance sheet:

- The interest rate risk involved with holding long-term, fixed rate investments;
- The geographic concentration risk of having real estate investments in a single metropolitan area;
- The liquidity risk of being unable to fund member loan demand and share withdrawals without adversely affecting profitability or capital;
- The credit risk of borrowers defaulting or not repaying the principal loan balance.

## 2.4. Monitor Key Ratios and Statistics

In addition to the ratios and statistics related to interest rate risk and liquidity, key ratios (Annex 6) that measure other aspects of the credit union's operations will be monitored. Special attention is to be focused on those ratios that relate to the financial goals of the credit union. Ratios and their trends should be evaluated in light of these goals and the stated ALM objectives.



### 2.5. Review and Monitor Competitive Position

Rates charged and paid by competing financial institutions for loans and deposits will be reviewed. The purpose of this review process is to:

- Ensure that the rates paid on deposits and the rates charged on loans are consistent with local market conditions;
- Ensure that rates paid and charged are fair and equitable to both savers and borrowers;
- Ensure that the credit union's profitability and financial strength are not impaired by interest rate and/or dividend policies.

### 2.6. Examine Impact of Changing Rates

XYZ Credit Union will estimate the effects of different levels of rates on the credit union's financial position, rate risk, and liquidity position through use of "what if" scenarios. This analysis reflects the fact that when rates are high, the cash flow from assets tends to decrease while that of liabilities tends to increase. These simultaneous consequences will adversely affect the credit union.

When rates are low, the situation is reversed, with the cash flow from assets accelerating while that of liabilities decreases. Again, the simultaneous impact will have adverse implications for the credit union. These situations result from the fact that members have the option to refinance and prepay high-rate loans, keeping low-rate loans, and withdrawing low-rate certificates to reinvest at higher rates.

## 3. ALM Investment Policy

- It is recognized that significant changes in the credit union's ALM position often require board action. However, the board directs management on the use of investment portfolio to make necessary day-to-day adjustments in the overall ALM position.
- By managing the maturity structure of the portfolio in light of ALM goals, policy, and guidelines, significant maturity adjustments can be made and thus greater control exerted over interest rate risk and liquidity risk.
- Investment decisions must be consistent with the credit union's investment policy. If, however, there is a conflict between a maturity constraint in the investment policy and maturities needed to satisfy ALM guidelines, the ALM needs are given a higher priority and investment decisions should be made on that basis.



#### 4. Asset Concentration Policy

The asset concentration policy of XYZ Credit Union is intended to provide guidelines and limitations for the management of its assets. To avoid an unwarranted concentration of assets in any one type of loan or security, the following table sets out the limitations:

Investment	Limitations
Loans	70-80% of total assets
Loan Portfolio:	
Unsecured Loans for Regular members (1 year maturity)	20% (LP)
Loan with maturity of 1-2 years	20%
Investment in Loans with maturity of more than 3 years	30% (LP)
Microfinance Loans	15-20% (LP)
Loans for financing real estates	5-10% (LP)
Investment in Bonds	5% of total assets
Fixed financial Investments	5% of total assets
Non-Earning Assets	Maximum of 5% of total assets
Liquidity Reserves (include cash in Bank and short-term investments)	15% of total Deposits but not exceeding 20% of total assets

#### 5. Reporting Process

Because the board of directors' role in developing and approving a policy that guides XYZ Credit Union's ALM position, it is essential that the board be kept informed of the ALM risk position. For this reason, the reporting process outlined next will be followed.

#### 6. ALM Reports to the Board

Every month, the treasurer will review and report on XYZ Credit Union's ALM position. The report should contain these elements:

- Key ratios;
- Simulated income gap summary;
- Net interest income on average earning assets;
- Review of special problems or issues that may require board action.

#### 7. Policy Changes

When necessary, the ALM Committee will recommend changes to the board of directors to adjust or correct the ALM policy. The policy should be reviewed periodically and amended as circumstances warrant. The board must approve all changes to the policy.



# C.O.O.P.- P.E.S.O.S.

## I. Administrative Compliance and Management Structure (COOP Indicators)

	Maximum Raw Score <sup>1</sup>
<b>C-Compliance With (20%)</b>	
<b>1. Cooperative Development Authority</b>	<b>2</b>
a. Updated Bond of Accountable Officers	1
b. Registration of Amendments, if any	1
c. Allocation of Net Surplus	1
d. Issuance of Share Capital Certificates	1
e. Submission of Annual Report, Audited Financial Statements and Information Sheet within prescribed period	5
<b>2. Bureau of Internal Revenue (BIR)</b>	<b>5</b>
– Registration as Non-EVAT	1
– Filing of Account Information	1
– Withholding of Appropriate Taxes (includes taxes on honorarium)	1
– Certificates of Tax Exemption <sup>2</sup>	1
– Registration of Books of Accounts	1
<b>3. Local Government Units (LGU)</b>	<b>1</b>
– Business Permit/License	1
<b>4. Department of Labor and Employment (DOLE)</b>	<b>5</b>
a. Minimum Wage and 13 <sup>th</sup> Month Pay	1
b. Social Security System	1
c. Philhealth	1
d. HDMF (Pag-ibig) – Housing Scheme	1
e. Retirement Benefits	1
	<b>Maximum Raw</b>

<sup>1</sup> The credit and other types of cooperative get the maximum raw score for every positive answer and zero for every negative answer.

<sup>2</sup> Excludes cooperatives that is no longer eligible and those applications are still in process.





	Score
<b>O- Organization (26%)</b>	
<b>1. Governance and Membership Participation</b>	<b>15</b>
a. Gender Integration (availability of sex-disaggregated data on officers and staff, loan borrowers, depositors)	1
b. Attendance of the majority of members in:	
– Annual General Assembly	2
– Membership Education/Consultation	2
c. Capital build-up and Savings Mobilization	
– 70% of members (regular and associate) regularly contribute to share capital	2
– at least 70% of the total members are depositors	2
d. Acceptance of Audited Financial Statements by the General Assembly	2
e. Approval of Development Plan by the General Assembly	2
f. Adoption of proper procedures for the election of the Board of Directors	2
<b>2. Conduct of regular pre-membership education</b>	<b>2</b>
<b>3. Affiliation/Linkages</b>	<b>9</b>
– – Laboratory Cooperative <sup>3</sup>	1
– Community Services/Involvement	3
– Participated activity in federation/union activities/programs	1
– Paid annual due, CETF, loans and other accounts to the federation/union	1
– Business alliance with:	
– Federation	1
– Other Cooperatives	1
– Submission of Audited Financial Statements using SCA and Annual Report to the federation/union	1

<sup>3</sup> Those with laboratory cooperatives may qualify for points under this category



	Maximum Raw Score
<b>O- Operation and Management (40%)</b>	
<b>1. Manual of Operational Policies with specific provisions on the following:</b>	<b>24</b>
1. Membership	2
2. Loaning	4
3. Savings/Time Deposits	4
4. Financial Management	
– Asset/Liability Management	2
– Accounting	3
– Internal Control	4
5. Human Resource Development	
– Hiring, Promotion and Firing	1
– Staff Development	1
– Compensation/Benefits	1
– Performance Appraisal	1
– Job Description	1
<b>2. Board of Directors/Committee</b>	<b>8</b>
a. Board composition in accordance with by-laws	2
b. Meetings of the Directors	1
c. Meetings of the Committees	1
d. Periodic Review of Policies	2
e. Updated Minutes of Meetings	1
f. Updated Committee Report	1
<b>3. Management</b>	<b>8</b>
a. Full-time qualified Manager	3
b. Policy on succession of manager and other top position	3
c. Personnel File	1
d. Organization Structure	1



	Maximum Raw Score
<b>P - Plans/Programs and Performance (14%)</b>	
<b>1. Presence of</b>	<b>7</b>
a. Vision, Mission and Goal	1
b. Development Plan	2
c. Approved Annual Plan and Budget	2
d. Code of Ethics	2
<b>2. Performance Review vis-à-vis Projections</b>	<b>7</b>

## II. FINANCIAL PERFORMANCE (PESOS Indicators)

Ratios	Formula	Purpose	Standard	Score	Equivalent Points
<b>P- Portfolio Quality (25%)</b>					
Portfolio at Risk	$\frac{\text{Balance of Loans with one day missed payments}}{\text{Total Loans Outstanding}}$	Measures the risk of default risk in the portfolio	5% or less	<ul style="list-style-type: none"> <li>▪ 5% or Less</li> <li>▪ 6-10%</li> <li>▪ 11-15%</li> <li>▪ 16-20%</li> <li>▪ 21-25%</li> <li>▪ 26 and above</li> </ul>	<ul style="list-style-type: none"> <li>5</li> <li>4</li> <li>3</li> <li>2</li> <li>1</li> <li>0</li> </ul>
Delinquency	$\frac{(\text{Loan Receivable Past Due} + \text{Non-Performing Loans Receivable Restructured} + \text{Loans Receivable in Litigation})}{\text{Total Loans Outstanding}}$	Measures the total percentage of delinquency in the loan portfolio	5% or less	<ul style="list-style-type: none"> <li>▪ 5% or less</li> <li>▪ 6-8%</li> <li>▪ 9-11%</li> <li>▪ 12-14%</li> <li>▪ 15-17</li> <li>▪ 18% &amp; above</li> </ul>	<ul style="list-style-type: none"> <li>10</li> <li>8</li> <li>6</li> <li>4</li> <li>2</li> <li>0</li> </ul>



Allowance for Probable Losses on Loans	Amount of allowance for loans over 12 months past due	Measures the adequacy of the allowance for probable losses on loans	100%	<b>PLL<sub>1</sub> (100%)<sup>4</sup></b>	
	Total outstanding balance of loans over 12 months past due			<ul style="list-style-type: none"> <li>▪ 100% 5</li> <li>▪ 80-99% 4</li> <li>▪ 60-79% 3</li> <li>▪ 36-59% 2</li> <li>▪ 10-35% 1</li> <li>▪ 9% &amp; below 0</li> </ul>	
	Amount of allowance for loans 1 to 12 months past due		35%	<b>PLL<sub>2</sub> (35%)<sup>5</sup></b>	
	Outstanding balance of loans 1 to 12 months past due			<ul style="list-style-type: none"> <li>▪ 35% 5</li> <li>▪ 25-34% 4</li> <li>▪ 17-24% 3</li> <li>▪ 9-16% 2</li> <li>▪ 1-8% 1</li> <li>▪ zero 0</li> </ul>	

Ratios	Formula	Purpose	Standard	Score	Equivalent Points
<b>E- Efficiency (20%)</b>					
Asset Yield	$\frac{\text{Undivided Net Surplus}}{\text{Average Total Assets}}$	Measures the ability of the coop's assets to generate income	At least inflation rate	At least inflation rate	4
				1-2 % below inflation rate	3
				3-4 % points below Inflation	2
				More than 4% points below inflation	1
				0 or negative asset yield	0
Operational Self-	Interest Income from Loans + Service Fees + Filing Fees + Fines,	Measures the ability of the	>100%	<ul style="list-style-type: none"> <li>▪ 120% &amp; above</li> </ul>	4

<sup>4</sup> Coops without loans over ` 12 months past due will automatically be given 5 points

<sup>5</sup> Coops without loans 1-12 months pas due will automatically be given 5 points

Sufficiency	$\frac{\text{Penalties, Surcharges} + \text{Financing Costs} + \text{Administrative Costs}}{\text{Average Total Loan Outstanding}}$	cooperative to sustain its operation		<ul style="list-style-type: none"> <li>▪ 111-119% 3</li> <li>▪ 101-110% 2</li> <li>▪ 100% 1</li> <li>▪ Below 100% 0</li> </ul>
Rate of Return on Member's Share	$\frac{\text{Interest on Share Capital}}{\text{Average Member's Share}}$	Measures the earning power of members	Higher than inflation rate	<ul style="list-style-type: none"> <li>▪ Higher than inflation 4</li> <li>▪ Inflation 3</li> <li>▪ 1-2 % points below inflation 2</li> <li>▪ &gt;2 % points below inflation 1</li> <li>▪ 0 or negative 0</li> </ul>
Loan Portfolio Profitability	$\frac{\text{Interest Income from Loans} + \text{Service Fees} + \text{Filing Fees} + \text{Fines, Penalties, Surcharges}}{\text{Average Total Loan Outstanding}}$	Measures how profitable the loan portfolio is	More than 20%	<ul style="list-style-type: none"> <li>▪ 20% and above 4</li> <li>▪ 13-19% 3</li> <li>▪ 7-12% 2</li> <li>▪ 1-6% 1</li> <li>▪ 0 or negative surplus ratio 0</li> </ul>
Cost per Peso Loan	$\frac{\text{Financing Costs} + (\text{Admin Costs} - \text{Members' Benefit Expense})}{\text{Average Total Loans Outstanding}}$	Measures efficiency in managing the coop's loan portfolio	PhP 0-10 per PhP 1.00 loan	<ul style="list-style-type: none"> <li>▪ 0.10 &amp; below 2</li> <li>▪ 0.11-0.15 1.5</li> <li>▪ 0.16-0.20 1</li> <li>▪ above 0.20 0</li> </ul>
Administrative Efficiency	$\frac{\text{Administrative Costs}}{\text{Average Total Assets}}$	Measures the cost of managing the coop's assets	3-10%	<ul style="list-style-type: none"> <li>▪ 10% &amp; above 2</li> <li>▪ 11-15% 1.5</li> <li>▪ 16-20% 1</li> <li>▪ Above 20% 0</li> </ul>



<b>S- Stability (30%)</b>					
Solvency	(Assets + Allowances)- (Total Liabilities + Past Due Loans + Loans Restructured + Loans Under Litigation – Deposits) <hr/> Deposits + Share Capital	Measures the degree of protection that the coop has for member savings and shares in the event of liquidation of the coop's assets and liabilities	At least 110%	<ul style="list-style-type: none"> <li>▪ 110% &amp; above</li> <li>▪ 100-109%</li> <li>▪ 90-99%</li> <li>▪ 80-89%</li> <li>▪ 70-79%</li> <li>▪ Below 70%</li> </ul>	10 8 6 4 2 0
Liquidity	Liquid Assets-Short Term Payables <hr/> Total Deposits	Measures the coop's ability to service its member's withdrawals and deposits on time	Not less than 15%	<ul style="list-style-type: none"> <li>▪ 15% &amp; above</li> <li>▪ 12-14%</li> <li>▪ 9-11%</li> <li>▪ 6-8%</li> <li>▪ 1-5%</li> <li>▪ zero</li> </ul>	10 8 6 4 2 0
Net Institutional Capital	(Reserves + Allowance for Probable Loan Losses)-(Past Due Loans + Loans Under Litigation + Problem Assets) <hr/> Total Assets	Measures the coop's ability to service its member's withdrawals and deposits on time	Not less than 15%	<ul style="list-style-type: none"> <li>▪ 15% &amp; above</li> <li>▪ 12-14%</li> <li>▪ 9-11%</li> <li>▪ 6-8%</li> <li>▪ 1-5%</li> <li>▪ zero</li> </ul>	10 8 6 4 2 0



<b>O- Operations (10%)</b>					
Performance of Membership Growth	Actual Increase	Determines the performance of change in membership vis-à-vis target	Increasing to meet the target set in the development plan	75-100% of target	5
	$\frac{\text{Target Increase}}{\text{Actual Increase}}$			50-74% of target	4
				25-49% of target	3
				1-24% of target	2
				Status quo	1
Decreasing or without development plan	0				
Trend in External Borrowing	Ending External Borrowings - Beginning External Borrowings	Determines the percentage of change in external borrowings	Decreasing towards zero	Zero	5
	$\frac{\text{Ending External Borrowings} - \text{Beginning External Borrowings}}{\text{Beginning External Borrowings}}$			Decreasing compared with previous period	3
				Status quo	2
				Increasing compared to previous period	0

Ratios	Formula	Purpose	Standard	Score	Equivalent Points
<b>S- Structure of Assets (15%)</b>					
Assets Quality	Non-Earning Assets	Measures the percentage of total assets that are not producing income	Not more than 5%	5% and below	5
	$\frac{\text{Non-Earning Assets}}{\text{Total Assets}}$			6-7%	4
				8-9%	3
				10-11%	2
				12-13%	1
				14% and above	0

Asset Structure	<u>Total Deposits</u>	Measures the percentage of total assets financed by deposits	55 –65%	<ul style="list-style-type: none"> <li>▪ 55-65%</li> <li>▪ 45-54%</li> <li>▪ 66-70%</li> <li>▪ 34-44%</li> <li>▪ 71-75%</li> <li>▪ Below 35%</li> <li>▪ above 75%</li> </ul>	5
	Total Assets				3
	<u>Total Loans Receivables</u>	Measures the percentage of the Total Assets invested in the loan portfolio	70-80%	<ul style="list-style-type: none"> <li>▪ 70-80%</li> <li>▪ 60-69%</li> <li>▪ 81-85%</li> <li>▪ 50-59%</li> <li>▪ 86-90%</li> <li>▪ 40-49%</li> <li>▪ 91-95%</li> <li>▪ 39 and below 96% and above</li> </ul>	2
	Total Assets				1.5
	<u>Total Members' Share Capital</u>	Measures the percentage of total assets financed by members' share capital	35-45%	<ul style="list-style-type: none"> <li>▪ 35-45%</li> <li>▪ 30-34%</li> <li>▪ 46-55%</li> <li>▪ 25-29%</li> <li>▪ above 56%</li> <li>▪ Below 25%</li> </ul>	1
	Total Assets				0





## DEFINITION OF TERMS

**Portfolio at Risk** – failure to receive payment one day after due date of amortization, makes the entire loan balance at risk.

**Past Due Loan** – the entire loan balance is considered past due when no payment has been received after missed payments occurred as follows: 7 days for daily; 2 weeks for weekly; 2 installments for semi-monthly and 1 month for monthly.

**Loans Restructured** – are past due loans whose term have been extended or renewed after full payment of interests/surcharges due thereon. Loans restructured will be considered performing or current when there is a good tracking record of continuous payment of the amount agreed upon using the following installments: 3 months for monthly; 4 weeks for semi-monthly; 6 weeks for weekly and 10 days for daily. It will be considered past due when it is not performing, i.e. there are no payments received after restructuring.

**Liquid Assets** – include Cash, Cash in Bank, Investment in Marketable Securities (those easily convertible to cash within 30 days).

**Short-Term Payables**-liabilities payable within 30 days except deposits.

**Non-Earning Assets** – are assets that do not give direct revenues to the cooperative i.e. Cash on Hand, Non-interest bearing checking accounts, Accounts Receivable, Assets in Liquidation, Fixed Assets (Land, Building, Equipment, etc.), Prepaid Expenses and other deferrals, and problem assets.

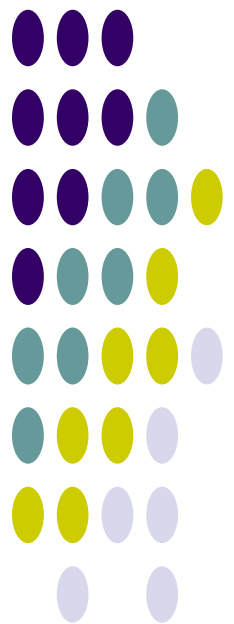
**Average Members' Share** – beginning Members' Share + Ending Members' Share divided by 2.

**Average Total Loans Outstanding** – Beginning Total Loans Outstanding + Ending Loans Outstanding divided by 2.

**Average Total Assets** – Beginning Total Assets + Ending Total Assets divided by 2.



# Products & Services



**Account Code** : **S1**

**PRODUCT NAME** : **Personal Access Savings Account**

**Interest Rate** : **Variable (according to market rate)**

**Minimum Deposit** : **US\$ 2**

**Characteristics** :

- Liquid savings account with no contractual maturity
- Minimum of US\$ 2 to open an account
- Maintaining balance is US\$ 2
- Maintenance fee is US\$ 0.1 if no movement of account for consecutive 3 months.
- Member and non-member could open an account
- If balance goes below US\$ 10, depositor receives no interest
- Quarterly interest calculation based on the lowest monthly balance credited to the account every end of each quarter.



**Account Code** : S2

**PRODUCT NAME** : Term Deposit/Certificate Deposit

**Interest Rate** : Flat Rate

**Minimum Deposit** : US\$ 200

**Characteristics** :

- An investment certificate held at a contracted term and rate
- Interest earned is fixed with term
- Notification letter sent to member 20 days prior to the maturity informing of a 10-day post maturity grace period and roll over options.
- If no notification from member is received, the certificate automatically rolls over at the existing term under the current rate.
- Fixed interest will be forfeited if withdrawn prior to the maturity date.
- Interest earned varies based on the term of deposit:

<b>Term</b>	<b>Rate p.a. %</b>
30-89 days	
90-180 days	
181-270 days	
271-364 days	
1 to less than 2 years	
2 to less than 3 years	
3 years	





**Account Code** : S3

**PRODUCT NAME** : **Youthbee Savers**

**Interest Rate** : **Variable (according to market rate)**

**Minimum Deposit** : **US\$0.50**

**Characteristics** :

**CREDIT UNION:**  
*My first Financial Institution!*

- Specially designed savings for kids 13 below
- Minimum of US\$ 0.50 to open an account
- Maintaining balance is US\$ 0.50
- A Compulsory deposit of minimum of US\$ 0.05 per day.
- Maintenance fee is US\$ 0.05 if no movement of account for consecutive 3 months.
- Depositor gets one point for every US\$ 0.20 deposit to the account. The points could be redeemed for a prize at the credit union. *(see prize brochure which is updated every 6 months)*
- This account has to be cross sell by the credit union staff to parents, grandparents, uncles, aunts, aunties, godfathers and godmothers.
- Parents, grandparents, uncles, aunts, godmother, godfather, brothers and sisters could deposit to the account as gift to minor depositor
- Depositor entitles to an award for good habit of savings i.e. Youtbee Saver for the month, photo of the depositor posted in the premises of the credit union office and Youthbee Saver of the Year, which will be awarded at the Annual General Meeting.



- Depositors of the Youthbee Savers after accumulating \_\_\_\_\_points, automatically qualifies as member of the **D'Buzzzzz Club**. A member entitles to range of privileges and exciting activities for kids: Priority Service, picnics, birthday party, excursions etc.
- A specially designed passbook, membership identification card and buttons are issued upon opening an account.
- Interest is calculated on the lowest monthly balance credited to the account every end of each quarter.



**Account Code** : S4

**PRODUCT NAME** : Smarteen Saver

**Interest Rate** : Variable (according to market rate)

**Minimum Deposit** : US\$ 1

**Characteristics** :



- For youth age above 13 to 19
- Minimum of US\$ 1 to open an account
- Maintaining balance is US\$ 2
- Parents, grandparents, uncles, aunts, godmother, godfather, brothers and sisters could deposit to the account as gift to the depositor i.e. graduation, birthday, Christmas, etc.
- The credit union play a valuable role in helping to establish sound money management skills that will last a lifetime as well as being a great way for teens to learn to save for the latest craze!
- Maintenance fee is US\$ 0.1 if no movement of account for consecutive 3 months.
- Depositor gets one point for every US\$ .50 deposit to the account. The points could be redeemed for a specially designed Smart Teens souvenir items at the credit union. (*See prize brochure which is updated every 6 months*)
- This account has to be cross sell by the credit union staff to parents, grandparents, uncles, aunts, aunties, godfathers and godmothers.
- If balance goes below US\$ 10, depositor receives no interest
- Interest is calculated on the lowest monthly balance credited to the account every end of each quarter.

- The account is characterized more on non-liquid account. Depositors encouraged to deposit based on purpose:

Savings Product	Amount of Target Deposit	Period
Savings Plus		
E-save (computer, mobile phone, palm top, etc.)		
Dream Bike		
Travel Save		
Smart Buyer		





**Account Code** : S5  
**PRODUCT NAME** : Pension Saving Plan  
**Interest Rate** : fixed  
**Minimum Deposit** : US\$ 1,000 on maturity  
**Characteristics** :



- A permanent savings with maturity period.
- Members with age from 30 to 50 are qualified for the pension savings.
- Minimum policy of US\$ 1,000
- Monthly savings for a period of five years
- The pension plan matures when the depositor reaches the age of 60. The depositor may opt to get the maturity value of the plan or monthly pension for a period of 5 years.
- If the member chooses the monthly pension, the fund will be transferred to access savings account and earn interest thereof.
- When the regular monthly savings is missed or stopped for consecutive three months, the accumulated savings will be converted to regular savings subject to the latter terms and conditions.
- Interest accumulates and added up to the contract price of the Pension Savings Plan.
- Refer to the enclosed table for the pension savings plan.



**Sample:****Table for Monthly Pension Saving Plan***Payment period: 5 years*

Age	US\$ 1,000	US\$ 1,500	US\$ 2,000	US\$ 2,500	US\$ 3,000	US\$ 3,500	US\$ 4,000	US\$ 5,000	At 4% Factor
30	6.25	9.375	12.50	15.625	18.75	21.875	25.00	31.25	.375
31	6.50	9.75	13.00	16.25	19.50	22.75	26.00	32.50	.390
32	6.77	10.15	13.53	16.92	20.30	23.68	27.07	33.83	.406
33	7.03	10.55	14.07	17.58	21.10	24.62	28.13	35.17	.422
34	7.32	10.975	14.63	18.29	21.95	25.61	29.27	36.58	.439
35	7.60	11.40	15.20	19.00	22.80	26.60	30.40	38.00	.456
36	7.92	11.875	15.83	19.79	23.75	27.71	31.67	39.58	.475
37	8.23	12.35	16.47	20.58	24.70	28.82	32.93	41.17	.494
38	8.55	12.825	17.10	21.375	25.65	29.925	34.20	42.75	.513
39	8.90	13.35	17.80	22.25	26.70	31.15	35.60	44.50	.534
40	9.25	13.875	18.50	23.125	27.75	32.375	37.00	46.25	.555
41	9.62	14.425	19.23	24.04	28.85	33.66	38.47	48.08	.577
42	10.02	15.025	20.03	25.04	30.05	35.06	40.07	50.08	.601
43	10.42	15.625	20.83	26.04	31.25	36.46	41.67	52.08	.625
44	10.83	16.25	21.67	27.03	32.50	37.92	43.33	54.17	.650
45	11.88	16.90	22.53	28.17	33.80	39.43	45.07	56.33	.676
46	11.72	17.58	23.43	29.29	35.15	41.00	46.87	58.58	.703
47	12.18	18.28	24.37	30.46	36.55	42.64	48.73	60.92	.731
48	12.67	19.00	25.33	31.67	38.00	44.33	50.67	63.33	.760
49	13.17	19.75	26.33	32.92	39.50	46.08	54.80	65.83	.790
50	13.70	20.55	27.40	50.69	41.10	47.95	54.80	68.50	.822



<b>Account Code</b>	:	<b>S6</b>
<b>PRODUCT NAME</b>	:	<b>Christmas Savings Club</b>
<b>Interest Rate</b>	:	<b>Variable (according to market rate)</b>
<b>Minimum Deposit</b>	:	<b>US\$ 2</b>
<b>Characteristics</b>	:	



a small amount  
set aside today  
**WOULD BE  
APPRECIATED IN  
DECEMBER!**

- Christmas Savings Club is designed to save for that very expensive time of year. Gifts, holidays, leisure time and entertaining the kids are an expense that goes beyond spending spare money a family has.
- By saving a small amount, member can build a nest egg ready for those expenses. Member has to set aside a small sum computed based on the targeted savings.
- Minimum of US\$ 2 to open an account
- Maintaining balance is US\$ 2
- Maintenance fee is US\$ 0.1 will be charged if account has no movement for consecutive 3 months.
- Withdrawals are permitted only in November, December and January.
- Member and non-member could open an account
- If balance goes below US\$ 10, depositor receives no interest
- Interest is calculated on a minimum monthly balance, and is paid monthly

**Account Code** : S7

**PRODUCT NAME** : **HOLIDAY SAVINGS**

**Interest Rate** : Variable

**Minimum Deposit** : US\$ 2

**Characteristics** :

- Offered to help member plan for a holiday.
- Be prepared for year-end spending with a convenient Holiday Club savings account that earns interest.
- With Holiday Club member/non-member can save money for holiday shopping, vacation, or traveling to visit family and friends.
- Here are just some of the benefits:
  - Shop with confidence and know exactly how much is available to spend before shopping;
  - No need to worry about post-holiday bills;
  - Get back more than saved by earning monthly interest;
  - It's easy! Have a specific amount deducted from your weekly/monthly income; and
  - Save enough to escape from the holiday madness
- Interest is calculated monthly and credited to the account monthly
- No withdrawal is allowed only one week before the planned holiday.
- Maintenance fee is US\$ 0.1 if no movement of account for consecutive 3 months.



**Account Code** : **S8**  
**PRODUCT NAME** : **Budget Savings Account**  
**Interest Rate** : **Variable**  
**Minimum Deposit** : **US\$ 2**  
**Characteristics** :

- It is a great way to save for regular bills and payments:
  - Car registration
  - Car insurance
  - House insurance
  - School fees
  - Home repairs
  - Utility bills
- Member can separate their savings so that they will not be caught short when payments are due.
- Interest is calculated monthly and credited to the account monthly
- No withdrawal is allowed only one week before the planned bill payment.
- Maintenance fee is US\$ 0.1 if no movement of account for consecutive 3 months.



Account Code : S9  
PRODUCT NAME : Best Years Savings  
Interest Rate : Variable  
Minimum Deposit : US\$ 2  
Characteristics :

**Best Year** *Savings*  
For seniors 60 years and above  
*The saver is entitled to the membership in*  
**“Gold Club”**

- For seniors 60 above
- Seniors could deposit their monthly pensions and allowances from children to this account.
- Children, nieces and nephews could deposit in this account on behalf of the depositor as gifts for birthday, anniversaries, Christmas or other occasions.
- The account is on call.
- Upon the advise of the depositor, accumulated amount could be transferred to Certificate Deposit Account for better interest rate.
- A deposit of US\$0.50 entitles depositor to one point, which could be redeemed with a prize from the credit union.
- Entitlement to the membership of **“Gold Club”** after accumulating 100 points. Gold Club membership is renewed annually. The benefits of Gold Club membership are as follows:
  - Priority membership service
  - Free Credit Union Shirt & Coffee Mug
  - 50% Discount on the use of the credit union Gym
  - Priority seat at the Annual General Meeting
- Interest is calculated quarterly and credited to the account quarterly.



*My dream home...*  
*We will help you fulfill your dream*



**Account Code** : S10-a

**PRODUCT NAME** : **HOME EQUITY SAVINGS**

**Interest Rate** : Variable

**Minimum Deposit** : US\$ \_\_\_\_

**Characteristics** :

- This savings is designed for members planning to acquire housing unit
- The savings is intended to pay for the down payment or equity required.
- The savings will help the member owns a house on an installment basis.
- The amount of savings is variable and would be determined by the member with the help of the credit union's financial advisor.

*My dream home...*

*We will help you fulfill your dream*



**Account Code** : S10-b

**PRODUCT NAME** : **HOME RENOVATION SAVINGS**

**Interest Rate** : Variable

**Minimum Deposit** : US\$ \_\_\_\_

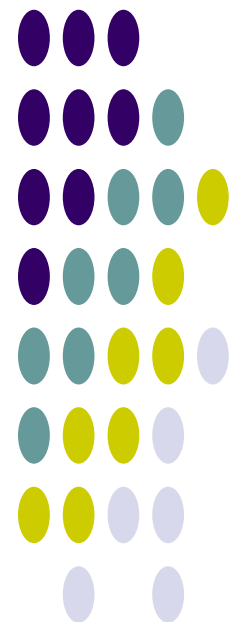
**Characteristics** :

- This savings is designed for members planning improve the structure or interior and exterior design of his/her house
- The savings is intended for the repainting, expansion, interior & exterior decoration, or any other improvement for the existing house of a member.
- The amount of savings is variable and would be determined by the member with the help of the credit union's financial advisor.



# Credit Management

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## LOANS POLICY

### Purpose:

The purpose of this policy is to set forth credit union's approach and standard operating procedures to guide management, credit committee and board of directors in achieving the strategic objectives of the organization, ensure safety of member deposits and assist in financing the credit needs of the membership.

### 1. ELIGIBILITY

- 1.1 Eligibility for a loan from the XYZ Credit Union does not confer automatic right on the member to a loan.
- 1.2 The XYZ Credit Union will endeavour to assist each member by making loans promptly for worthwhile purposes.
- 1.3 Each loan so made will comply fully with the requirements of the Cooperative Act/Credit Union Act, the XYZ Credit Union's rules and other policy requirements contained herein.
- 1.4 The XYZ Credit Union will not discriminate against applicants for a loan on the grounds of:
  - Marital Status
  - Race, colour, nationality or ethnic origin.
  - Political Opinion.
  - Religion.
  - Sex.

### 2. ASSESSMENT

#### 2.1 Documentation

Loan applications should only be accepted on the approved form that should be completed in full by the member before submission for consideration.

#### 2.2 Interview

All members should, wherever possible, be interviewed prior to the granting of a loan. All applicants should be encouraged to save regularly and a member's savings record should be taken into account when the loan application is considered.



### 2.3 **Credit Investigation**

Credit investigation shall be obtained on **all** loan applications. Credit investigation should also be obtained for all indemnifiers and guarantors (refer to Credit Investigation Policy).

### 2.4 **Income**

No loans shall be made to members less than 18 years of age without a co-borrower (Indemnifier) or to members who are not in receipt of an income sufficient to repay the loan.

No loan shall be made to a member (if indebtedness exceeds member's shares and savings) unless the member has and will continue to have an income sufficient to provide for the repayment of the indebtedness represented by the loan.

**2.4.2** The income stated on the loan application should be verified.

**2.4.3** Where income is seasonal, assessed income shall not exceed anticipated average weekly income during the term of the loan. (Proof should be held).

**2.4.4** When a member is self-employed or when income is seasonal, proof of income should be held in the member's file (adequate proof being accountant's figures and projections).

### 2.5 **Repayment terms**

Generally repayment terms shall be as set out below. In special circumstances however a member may apply for relief in writing to the board where responsibility extends to temporary suspension or reduction of repayments in accordance with the Collection and Delinquency Policy.

#### **2.5.1 Unsecured loans**

Unsecured loans should have a maximum repayment term of \_\_\_\_ months

#### **2.5.2 Loans secured by way of Chattel Security over second hand goods**

Loans secured by Chattel Security over reconditioned or used goods should have a maximum repayment term of \_\_\_\_ months where the loan amount exceeds the unsecured limit of the XYZ Credit Union.



**2.5.3 Loans secured by way of Chattel Security of new goods as prescribed by the rules**

Loans secured by Chattel Security over new goods should have a maximum repayment term of \_\_\_\_ months for new motor vehicles and \_\_\_\_ months for all other new goods.

**2.5.4 Loan secured by way of registered mortgage**

The maximum repayment term for loans secured by a registered mortgage is..... years.

The maximum repayment term for loans secured by way of registered mortgages shall be..... so as to allow for unforeseen circumstances that may extend the term of the loan. (E.g. fluctuations in interest rates).

**2.5.5 Loans Secured by Other Than Chattel Security or Registered Mortgage**

The loans secured by other than Chattel Security or Registered Mortgage shall have a maximum term of \_\_\_\_ months.

**2.5.6 General**

Generally repayments should be structured at such a level as to ensure (consistent with the provisions set out above) that the maximum term of the loan is not greater in number of years than is represented by each thousand \_\_\_\_ (Pesos, Rupiah, Rupees, Dollars, Baht etc.) borrowed. The maximum repayment terms for loans shall be as follows:

AMOUNT OF LOAN	MAXIMUM REPAYMENT TERM
Amount	Months
	6
	12
	18
	24
	30
	36
	36
	36
	48*
And over	60*

\* For loans that are unsecured or secured by way of Chattel Security the maximum terms as specified by clauses 2.5.1, 2.5.2 and 2.5.3 shall apply.



The general maximum term of 60 months (for other than loans for housing purposes secured by way of Registered Mortgage) may only be exceeded under the authority of the Board of Directors, the Board of Directors having given due consideration to exceptional circumstances prevailing within the application.

For loans for housing purposes secured by way of Registered First Mortgage which exceed (amount) the maximum repayment term shall be within the term specified in clause 2.5.4 and shall be set under the discretion of the Board of Directors.

## **2.6 Deferred/Rejected loans**

- 2.6.1** Loans shall not be made to a member with a delinquency record unless the borrower has been able to demonstrate an improved record and is able to provide a satisfactory guarantor, indemnifier, or acceptable security.
- 2.6.2** A loan application may be deferred pending replies to enquiries.
- 2.6.3** The Board of Directors at their next meeting shall consider all loans recommended for rejection where loan approval authority has been delegated.

## **3. DELEGATION OF APPROVAL AUTHORITY**

### **3.1 Loans to Directors, Sub-Committee Members and Staff of Credit Union**

#### **3.1.1 Directors and Their Relatives/ Immediate Family Members**

It is a requirement that all loans to Directors, Sub-Committee members and their respective immediate family members must be approved by 2/3 majority of the board present and voting excluding the director with any interest in the application.

#### **3.1.2 Loans to Staff and Their Immediate Family Members**

All loans to staff and their immediate family members shall be subject to Board of Directors approval prior to funding.



### 3.2 Delegations

3.2.1 All loans made under delegation from the Board of Directors shall be made in accordance with the Credit Union rules.

3.2.2 The Board of Directors' authority to approve loans has been delegated to the following: (Insert whichever classification is appropriate)

- Credit Committee - amount of approval authority is \_\_\_\_\_
- Manager-amount of approval authority is \_\_\_\_\_
- Branch Manager-amount of approval authority is \_\_\_\_\_
- Loans Manager –amount of approval authority is \_\_\_\_\_
- Loans Officer-amount of approval authority is \_\_\_\_\_

3.2.3 Loan applications that fall outside the policy shall be submitted to the Board of Directors with a recommendation from management. Loan applications failing within policy but not approved will be submitted to the Board of Directors for consideration. The Board at their next meeting will consider all loans recommended for rejection.

## 4. UNSECURED LOANS

### 4.1 Maximum limit

The maximum loan, which may be granted without security, is (amount).

### 4.2 General conditions

The general conditions that should be considered before a loan is approved without security are as follows:

#### 4.2.1 Employment qualification

The member should have been in regular employment for a period of not less than 3 years. Commencement and finishing dates of current and previous employers should be verified.

#### 4.2.2 Residential status

In general unsecured loans should not be granted to members who have changed address more than twice in 3 years unless the residence is currently occupied and owned by the member.



#### 4.2.3 **Temporary premises**

Unsecured loans should not be granted to persons residing in temporary arrangements. In most cases in this category it will be necessary to secure the loan and to obtain an indemnity to the loan. In the case of microfinance loan, the group responsibility applies as collateral.

#### 4.2.4 **References**

Unsecured loans should not be granted to a member who does not have a clear credit reference check.

#### 4.2.5 **Purpose of the loan**

In general, loans for the purchase or repair of a motor vehicle, bond or flat or rent arrears, payment of fines, debt consolidation, holidays or overseas travel, setting up own or a speculative venture should, if approved, be adequately secured irrespective of the amount of the loan.

### 5. SECURED LOANS

#### 5.1 **Maximum limit**

The maximum limit of a secured loan is *(Amount)* for loans secured by mortgage over real estate, and *(Amount)* for loans otherwise secured.

#### 5.2 **General conditions**

5.2.1 Only securities prescribed by the board within the limits of the rules of the Credit Union shall be taken.

5.2.2 All securities taken will be registered.

5.2.3 A loan shall not be made solely on the strength of the security.

5.2.4 The general policy stated in Section 2.5 above shall apply to loans, notwithstanding the maximum repayment terms set out in the Rules.



### 5.3 Insurance

All insurable securities taken shall be fully secured with the Credit Union's interest noted on the policy document.

### 5.4 Valuations of Securities

It is the policy of this Credit Union that the maximum amount of loan that can be approved against security may not exceed the following valuation of the security offered. (Valuation shall be based on the total of the Credit Union loan together with any other form of loan to which this Security is subject)

#### 5.4.1 Real estate

Valuation shall be 75% of independent valuation received (e.g. latest Valuation Department valuation or independent Registered Valuers' Report).

#### 5.4.2 Motor vehicles

The security value for motor vehicles, motorbikes (where considered) shall be deemed to be 60% of the CURRENT TRADE value. Before valuing Chattel Security over motor vehicle or motorbikes, checking must be made with the Land Transportation Department/Office to ensure the reliability of the security.

#### 5.4.3 Life Policies

Written evidence of the surrender value of a policy shall be held with subsequent surrender values being obtained every 2 years.

Valuation shall be 90% of the most recent surrender value obtained from the relevant insurance company.

#### 5.4.4 Chattel Security Over Other Than Motor Vehicles. Caravans and Boats

The Security value for Chattel Security taken over goods other than motor vehicles, caravans or boats (e.g. sporting equipment, tools, power equipment, household furnishings, appliances) shall be deemed to be 25% of estimated realisable value.





### 5.5 Preparation/Registration of security documents

A solicitor shall undertake the preparation of all real estate securities and any Chattel Security taken, as security shall be registered within 30 days.

## 6. SECURITIES

### 6.1 Mortgage (over real estate)

All loan approvals shall be conditional upon acceptance of valuation, searches and certificates. In the event that the loan is required by way of progress payments (in the case of house building, home improvements) loan funds shall drawn down under the manager's approval on the production of invoices, progress valuations etc.

### 6.2 Chattel Security

#### 6.2.1 Maximum period

Where a Chattel Security is used to secure a loan and the loan is above the unsecured limit the maximum term of the loan shall be as per Section 2.5 of this policy document.

However, no vehicle over 6 years old may be used to secure a loan in excess of the unsecured limit.

NOTE. The Board have authority to allow vehicles over 6 years to be used as security for loans in excess of the unsecured limit.

#### 6.2.2 Proof of Title

This form of Security is recognised as the most common type of security generally accepted by the Credit Union and as such the taking of this form of security shall be undertaken with the greatest of care.

A written valuation should be sought from a recognised Valuation Company and submitted at the same time the loan application is put forward for consideration. This will establish the current trade value.

Vehicles should be owned freehold before considering them as security and the Certificate of Registration (ownership papers) lodged with the loan application.



A check with the Land Transportation Department/Office should always be undertaken to ensure that no other financial party has an interest in the vehicle.

The vehicle must be comprehensively insured and advice that the Credit Union has a financial interest in the vehicle must be lodged with the insurance company at the point that the loan is disbursed.

### **6.2.3 Corporate Ownership of Secured Property**

Where the security to be taken is in the name of a firm or company a name search and company's title search must be obtained and a copy of the Memorandum and Articles held in order to ascertain the company's power to guarantee.

## **6.3 Indemnities**

Indemnities shall be signed in the presence of the Credit Union staff, the staff of another Credit Union or a solicitor. Each indemnifier must be interviewed by the Credit Union staff (in person or by telephone) and made fully aware of their obligations. A statement of financial position is also to be taken and a credit reference check made.

An indemnity only covers the loan amount originally indemnified and therefore a new indemnity shall be completed for each consolidated loan.

## **6.4 Minors**

No loan shall be made to a person under the age of 18 years unless a suitable indemnifier supports the application over the age of 18 years.

## **7. INTEREST RATES**

Interest Rates shall be as determined by the Board of Directors from time to time.

## **8. FUNDING**

### **8.1 General**

#### **8.1.1 Completion of documentation**

Loans shall only be funded after the approved agreement and any appropriate securities have been executed.



**8.1.2 Third party cheques**

When a loan is for the purpose of consolidation of debts or the purchase of goods or services, the funding cheque shall be drawn in favour of the third parties involved.

**8.1.3 Signatories**

All funding cheques shall bear two signatures.

**8.1.4 Second loans**

When a member, who has an existing loan is granted a second loan (NOT an add-on loan), the loans shall be treated as two distinctly separate loans and shall require individual loan agreements with the following additional condition attached to the second loan agreement. "The member hereby agrees and acknowledges that this loan agreement is in addition to and not in substitution for loan agreement number dated the terms and conditions of which apply and remain unchanged in respect of any loans granted to the member by the Credit Union prior to this date".

**8.1.5 Validity of approval**

An approval of loan shall only remain valid for a period of 1 month unless alternative arrangements are made when the member is informed of the initial approval. In any event an approval shall lapse 3 months after approval date.

**8.2 Costs**

All costs associated with a loan (i.e. security preparation, registration etc.) shall be borne by the member. On application by the member and the approval of the approving authority these costs may form part of the approved loan.

**8.3 Funds flow**

The manager shall maintain a daily cash flow record and will strictly control loan funding in accordance with this record. In the event that loan demand exceeds the XYZ Credit Union's funds supply from time to time, approved loans shall be ranked for funding according to the date the application was received by the XYZ Credit Union, provided, however, that loans to members suffering extreme financial hardship may be given priority over this ranking.



## 9. LINE OF CREDIT LOANS

### 9.1 **Loan limit**

The maximum loan, which may be made with, the prescribed security shall be *(Amount)*. The board may vary the upper limit where considered desirable in accordance with the rules of the XYZ Credit Union. The minimum loan limit shall be *(Amount)*.

### 9.2 **Unsecured line of credit loans**

See limits specified above.

### 9.3 **Secured line of credit loans**

See limits specified above.

### 9.4 **Agreed repayments**

Line of credit loan limits are subject to review after 1 year, when a fresh application form may be required.

Repayments for line of credit loans shall be either:

- a minimum of 5% of approved limit per month; or
- such higher fixed monthly repayment amount as shall be determined by agreement between the Trustees and the member.

### 9.5 **Separate loans**

An approved line of credit loan shall not affect the ability and eligibility of members to have other loan accounts with the XYZ Credit Union. The requirements of the rules and current policies with regard to total indebtedness will remain.

### 9.6 **Minimum funding**

The minimum value of any advance drawn on the line of credit loan shall be *(amount)*.



**9.7      Applications**

Upon receipt of an application all relevant details shall be entered in a suitably styled register and given a loan number. Applications shall be taken on the appropriate line of credit application form.

A credit reference check shall be obtained on all applications.

The member's financial standing shall be fully examined.

**9.8      Loan Limit Review**

The Credit Union shall constantly review the status of members who continually maintain constant balances at the maximum available and particular care shall be taken in approving requests for maximum loan limits.

On annual review, if the member is consistently maintaining a set balance level rather than operating the account on a fluctuating basis, then the line of credit loan shall be converted to a "Term Loan" basis.

**9.9      Drawings under line of credit**

On approval of the line of credit facility, the member shall be supplied with a voucher book for line of credit advances. As members wish to make drawings against their facility the following procedure shall be adopted:

**9.9.1**      A completed voucher form shall be lodged with the cashier who shall authenticate the signature and verify that the drawing is within the approved limit. Provided the transaction is in order, the cashier shall process the advance by use of the appropriate teller program.

**9.9.2**      Vouchers shall be filed with the day's work as appropriate.

**9.9.3**      Management shall monitor funding by the use of daily loans funding report.

**9.10**      The XYZ Credit Union shall provide for delinquency at the rate of 1.0% of advances drawn down in addition to the normal prudential and statutory requirements. The standard procedures of the collection policy are to be followed.



### 9.1 1 **Register**

The following information is to be provided in the line of credit register:

- Surname and initials
- Membership number
- Line of credit number
- Limit approved
- Agreed repayment
- Date approved
- Limit increase approved to date increase approved
- Agreed repayment

## 10. GENERAL

### 10.1 **Percentage of long-term loans**

Subject to board policy from time to time, long-term loans (with periods of repayment greater than 60 months) may be granted, provided that the total of all such long-term loans is limited to 30% of total loans outstanding.

### 10.2 **Reporting**

The manager will report monthly to the board the following information:

**No. and Amount of:**

- Funding during month.
- Approvals during the month.
- Approved loans awaiting disbursement
- (list individual accounts over 1 month).
- Applications awaiting acceptance.
- Loans rejected during the month.
- Non-standard approvals.



### **10.3 Loan Administration and Monitoring Roles and Responsibilities**

#### **10.3.1. Board of Directors**

- a. Ensure that there is a clear communication of the objectives set for the lending function and for the reporting results, both positive and negative to the members.
- b. Assessing the risks associated with the type of lending that the credit union is, or would like to be, involved in.
- c. Review, approve and revise appropriate lending policies that would ensure the granting of safe loans as well as proper administration of the portfolio.

#### **10.3.2. Credit Committee**

- a. Assist employees to identify risks associated with the current loan portfolio and report findings to the board.
- b. Minimize or reduce risks by ensuring that applications are complete, followed by the appropriate level of investigation and analysis.

#### **10.3.3. Loan Officer**

- a. Complying with Board approved policies and operational procedures.
- b. Providing timely follow-up and review of all loans.
- c. Completing full applications, thorough investigations, and analysis on all loans. Either making recommendations to the appropriate approval body or approving loans based on the credit union policies and following the 8C's of credit.
- d. Taking appropriate action in a timely fashion when warranted.

#### **10.3.4. General Manager**

- a. Design appropriate internal operational procedures to implement the loan policy.
- b. Ensure the appropriate reports are completed and forwarded to the Board of Directors.
- c. Review and control the internal loan process.



## LOAN CHARACTERISTICS

### Purpose:

The purpose of this policy is to guide management on the process by which XYZ Credit Union evaluates loans.

### 1. Term and Modes of Repayment

- 1.1. The term of any loan should be based on factors such as: the life span of the property offered as collateral, or the production cycle of agricultural produce/products, or salary schedule of the member-borrower (whichever is applicable)
- 1.2. The credit union should provide a table of maturity to provide the maximum term for the different types of agricultural loans.
- 1.3. An amortization schedule synchronized with the salary schedule or revenue of the member-borrower should also be provided.
- 1.4. The modes of repayment may be daily, weekly, semi-monthly, quarterly, semi-annually or yearly depending on the type of loan and the produce. Rather than a lump sum payment, privilege and favour should be given to regular payments, synchronizing it with the member-borrower's revenue. When lump sum payment is the only solution, the regular payment of interest (ex. Monthly) until the maturity of the loan, should be required. Of course, anytime a member-borrower is arriving with a lump sum payment, the primary should welcome payment.
- 1.5. Repayment of loans can be made in cash and/or checks, by transfer of funds from a savings account, or by automatic, pre-authorized fund transfer from a savings account in a bank or cooperative with proper authority therefore from the borrower's/co-borrower's accounts.
- 1.6. Payments application follows:
  - Miscellaneous advances (insurance, taxes, processing fees etc.), if any.
  - Fines and penalties
  - Interests
  - Principal





A **suggested table** of maturity for some types of agricultural loans based on gestation period:

<b>Poultry, Fish and Livestock</b>	<b>Maximum Loan Term</b>
1. Poultry: Broiler	90 days
2. Fish (depends on the breed of fish)	120 days
3. Poultry: Duck Raising	180 days
4. Livestock: Rabbit, birds	180 days
5. Livestock: Goats	210 days
6. Poultry: Duck Raising (Duck Egg Production – 4 months old stock)	270 days
7. Poultry: Egg Production (ready to lay pullets)	360 days
8. Livestock: Beef (yearly stock), fattening 270-360 days (1.5 years old calf)	360 days
9. Hog Raising-fattening (2 months old stock)	360 days

A **suggested table** of maturity for other loan types is as follows:

<b>Loan Types</b>	<b>Maximum Loan Term</b>
1. Appliance	360 days
2. Home Improvement	2 years maximum

For commercial loans, the maximum loan term may follow the inventory turnover (cycle of business), taking into consideration the capitalization of the business, its cash flow, paying track record, business prospects as well as the capacity of the member-borrower to meet the amortization schedule.

Acquisition of durables (real estate) and semi durables (motor vehicles) may be financed by the cooperative provided that special attention is given to its expected life (depending on its useful uses), potentials of the property as well as inflationary factors, as in the case of real estate, when determining loan terms. The rules of collateral appraisal shall apply in determining useful life (refer to Collateral Appraisal).

## 2. Acceptable Payments

2.1. Cash - \_\_\_\_\_ currency is acceptable payment for loan obtained from the cooperative borrowers. In applicable cases and if there is a board resolution therefore, foreign monies may be accepted as payment for loans. The rate of conversion shall be the lowest buying rate of three commercial banks in the place of business of the cooperative. Extreme caution is to be exercised to prevent, avoid being a victim of fake or fraudulent transactions.



## 2.2. Checks

- 2.2.1. Checks may be accepted as payment for a borrower's loan if the check is personal, current dated, payable to the order of the credit union, not in anybody's personal account or name. It is always preferable to check with the bank if the check is funded. The credit union should always ask the bank to reserve or earmark the fund even if the bank is not obliged to do it.
- 2.2.2. Third-party checks shall not be accepted if the drawer is not known to the cooperative, or to the collector/loan officer. The check, if accepted, shall be current dated, drawn or issued to the order of the credit union.
- 2.2.3. Post-dated checks may not be accepted if paid for a current amortization. However, it may be accepted if given for future loan amortization (s) not less than seven (7) days period before due date(s).
- 2.2.4. Bounced check-upon receiving a bounced check, the primary's transaction related to the loan must be reversed. The borrower is to pay the interest from the maturity date of amortization. Within two (2) days from receipt of the notice from the bank of a dishonoured check, the loan officer shall make a written demand letter to the issuer/drawer of the check(s) to repay the cooperative two to three days from receipt of the demand; otherwise, legal action shall be taken against the drawer, issuer. After one bounced check, the borrower is not allowed to pay in check anymore, only in cash.

## 2.3. Payment in Kind or Service

- 2.3.1. It is not the business of the cooperative to accept payment in kind. The credit union should convince the borrower to sell the produce and pay what s/he owes the credit union.
- 2.3.2. It could happen exceptionally that a borrower cannot pay otherwise than with service. This practice should be discouraged unless it gives a real service to the credit union. There are occasions where the borrower's service(s) may be needed and used by the credit union for its operation. In this case, the credit union manager, in consultation with the Board of Directors, may accept a payment through competent and experienced service by a borrower, relative to his/her profession, business or field of expertise. The price of said service must not be more than the prevailing rate of similar or other professional services in the locality.



## 2.4. Payment of Loan Proceeds

The payment of the loan is governed by the following guidelines:

- 2.4.1. The Loan Officer must monitor the proper utilization of the borrowers funds; and in case of diversion, the balance of the loan shall become immediately due and demandable.
- 2.4.2. Official receipts and/or certificate of ownership of the property acquired by reason of the loan must be submitted to the credit union to show proof of proper loan utilization.
- 2.4.3. When counterpart fund is required, the member-borrower must prove the existence of a counterpart in one's name before the loan is released. Proof can take the form of official receipts and the like.
- 2.4.4. Documentation related to collateral must be signed in the presence of the cooperative loan staff, notarized and registered expeditiously with the appropriate government agency before the loan is released.
- 2.4.5. When the loan is for the purpose of purchase of appliance, equipment, construction material, farm inputs, etc., the disbursement must be made in the name of the member-borrower and the supplier or paid directly to the supplier at the option of the credit union.

## 2.5. Interest Rates

All loans shall bear an interest based on prevailing commercial bank's market rates; but, sufficient to cover the cost of operation with a comfortable profit margin.

- The interest rate on a loan represents the profitability of the cooperative
- Computation of interest shall be based on diminishing balance; however payments are constant.

## 2.6. Service Fee

Service fee is a fraction of a percentage decided by the Board (usually not more than 2% of the total amount loaned) charged for each new loan to cover processing expenses of the loan. It does not cover expenses related with legal documentation and notarization fees. The service fee shall be deducted from the loan proceed but shall not form part of the loan.



Restructured or extended loans shall be charged a service fee amounting to the same percentage. Should service fee be waived, the approval of the Manager shall be first secured.

## 2.7. Penalty

2.7.1. Penalty shall be charged starting on the first day following the missed amortization payment

2.7.2. In case grace period is granted on missed amortization, penalty is charged after the stipulated grace period.

2.7.3. The penalty rate shall be 3% per month on the amortization due at the most; but, in no case shall be lower than the service fee charged;

2.7.4. Penalties may be waived upon authorization of the Manager.

## 2.8. Delinquent Loans

Loan repayments much be done according with the pre-arranged repayment schedule. Loans are considered delinquent when any amortization is not paid on due date. When an account becomes delinquent, the outstanding balance of the loan becomes immediately (if there is an acceleration or diversion clause in the promissory note) due and demandable.



## LOAN PROCESS

### Purpose:

The purpose of this policy is to guide management on the efficient process of loan evaluation integrating capacity-based lending methodology as one of the keys to successful credit management.

### 1. Loan Application Stage

- 1.1. Loan applications (Annex 1) are submitted to the Loan Officer together with the supporting documents that include among others; identification paper, member's passbook as well as photocopies of ownership documents of collateral offered.
- 1.2. The Loan Officer determines the completeness of the data, signatures and supporting documents as well as validates the member's records to determine the loanable amount and possible loan term. Credit counselling is required and done by the Loan officer, discussing purpose of the loan and repayment terms among others, with the applicant.
- 1.3. The Loan Officer prepares an amortization schedule based on the interview findings in accordance with the borrower's cash flow and repayment capacity. The amortization schedule (Annex 2) is to be discussed and agreed upon by the borrower/co-borrower in applicable case (s).
- 1.4. A preliminary analysis of the data collected and information gathered from the member/borrower is done by the Loan Officer and the result of the analysis should be duly signed by him/her. The analysis should include the following information:
  - Willingness, knowledge, respect and undertaking to abide by the credit policies of the credit union
  - Loan limit
  - Type of collateral
  - Five C's analysis (capacity, character, capital, condition and collateral)
  - Evaluation by the loan officer of the loan application of the member-borrower
- 1.5. All loan applications, including Directors, Officers, Staff and Related Interest (DOSRI) loan application shall undergo this loan processes; and shall include all documentation required as follows:
  - Application Form (Annex 1)
  - Amortization Schedule (Annex 2)
  - Sources of Income and Expenditures (Annex 3)
  - Profit and Loss Statement or Sources of Investments (Annex 4)
  - Statement of Assets and Liabilities (Annex 5)
  - Self-assessment Form (Annex 6)



The above documents should be in the loan file. Further, the loan officer should inform the member-borrower/co-borrower of the consequences of making false declarations on the loan application and other documents.

## 2. Credit Investigation

- 2.1. After the loan application stage, the loan applicant and co-applicant shall expressly agree to undergo credit investigation. The credit investigator visits the loan applicant and co-applicant for validation of information supplied using the tools required (Annex 8) to determine among others, the credit worthiness, paying capability, capacity, condition of the applicant (s) or their business, and their sources of funds and expenditures outlays (Annex 3).
- 2.2. The credit investigation must also cover the following areas:
  - Credit history with the credit union
  - Credit history with other creditors i.e community store, relatives, friends, banks pawnshops, lending investor and the like;
  - Checking with the employer of the borrower
  - Investigation of the proof of financial capacity of the principal co-borrower as to:
  - Appraisal of the security offered using the collateral appraisal form (Annex 7)
- 2.3. The credit investigation shall all be done within a period of not more than two (2) days from date of application; and, by a well-trained, experienced credit investigator. All information gathered shall form part of the borrower (s)' loan file.

## 3. Loan Evaluation

- 3.1. The loan application, with the accomplished credit investigation report (Annex 8) are submitted to the loan officer, who in turn conducts the credit scoring interview with the principal and co-principal borrower using the credit scoring questionnaire (Annex 9) for submission to the Manager.
- 3.2. The loan application recommendation to grant or not must be made, and signed by the Loan Officer submitted to the loan committee. The reason (s) for approval or denial of the loan application must be stated.
- 3.3. All loan applications that passed the credit investigation and credit scoring procedures are forwarded to the Manger for review, if needed. If no further review is made and approval by the Manager, the same is forwarded to the accounting department for appropriate actions.
- 3.4. Loan application that passed the screening process at the Manager's level are returned to the Loan Officer with appropriate comments and recommendations.



The reason(s) for disapproval shall be stated. The information of loan denial and the reasons must be relayed and discussed with the principal and co-principal borrower(s) by the Loan Officer and/or Manager.

- 3.5. Loan applications that pass the Manager's scrutiny but are not within the Manager's approving authority are sent back to the credit committee for further processing.
- 3.6. The loan applications within the approving authority of the credit committee and which pass the evaluation and then approved, are forwarded to accounting for loan voucher, check preparation. Loan applications that did not pass the re-screening process are returned to the Loan Officer along with the Loan Evaluation form. The form should again clearly state the reason(s) for disapproval and/or remedial measures to be complied with when applicable, duly signed by the Credit Committee Chairperson.
- 3.7. Loans that pass the screening of the credit committee but are beyond their approval authority should be endorsed to the Board of Directors for further action.
- 3.8. Minutes of the credit committee meeting should provide information on loan approvals (name of the member, amount granted etc.) and, the Board action on loans.
- 3.9. For DOSRI loan applications, relatives of the loan applicant with the credit committee, board or loan officer in the credit union must inhibit themselves from the loan deliberation process.

#### **4. Collateral Appraisal**

- 4.1. All offered and acceptable collateral must undergo inspection and appraisal.
- 4.2. Appraisal may be conducted by the credit union's in-house appraiser who must be trained and experienced in the job; or, outsource the job to a good, reputable appraisal company for loans of substantial amount.
- 4.3. The general practice is outsourcing appraisal jobs for loans of considerable amount and for real property collateral. For loans and collaterals of lesser value, appraisal is done by the credit union.
- 4.4. The loan value for real estate collateral shall not be more than 70% of the conservative appraised value; it is 50% of the conservative appraised value for movable property, which must not be more than three years (3) old.



## 5. Loan Release

- 5.1. The Manager, the Credit Committee or the Board as the case maybe, within their approving authority, shall approve all loans. Without such approval, a loan cannot be released. A complete list of all approved loans shall be given to the manager.
- 5.2. Accounting prepares the disbursement documents for the Manager's signature. After the manager signs the disbursement papers, the loan documents are returned to the Loan Officer for filing; while the vouchers are forwarded to the Cashier. Mortgage/pledge and other legal documents are then notarized and registered.
- 5.3. The Cashier disburses the loan proceeds to the borrower upon the latter's signing of the voucher and amortization schedule. Priority is given to emergency loans because of the nature of the loan. The borrower is given copies of the amortization schedule as well as promissory note and other pertinent documents.
- 5.4. One copy of the voucher is forwarded to the Loan Officer, serving as supporting document for the disbursement of the loan. A copy is also provided to the posting clerk for recording on the member's ledger.
- 5.5. All loan documents are filed in the individual member's folder; except for the original ownership papers of securities real or personal properties and the like, which are kept in the cooperative's vault.
- 5.6. Description of the collateral, registration number and other documents should be included in the loan file, along with the proof of disbursement.

## 6. Loan Monitoring

- 6.1. After release of the loan, the collectors monitor the same as to its utilization. The collectors visit each borrower and accomplish the loan utilization form (Annex 6). The collectors are required to examine the official receipt and/or inventory of goods bought by reason of the loans. Another monitoring tool used in the monitoring visit is the evaluation of the member-borrower's business (Annex 11) to measure the loan utilization.
- 6.2. Loan Officers monitor loan repayments by preparing the weekly target collection list (Attachment 1). This document which is sorted by zone and due date shall serve as basis for the collectors in prioritizing collection activities. Provisional receipts may be issued for money received.





- 6.3. Collections are recorded in the Schedule of Collections (Attachment 1), which is submitted weekly by the collectors.
- 6.4. At the end of each week, the list of delinquent loans can be derived from the Target Collection List. The List of Delinquent Loans, is in turn forwarded to the loan clerk for computation of fines and surcharges. These delinquency reports shall be incorporated into the following week's collection list.
- 6.5. On a monthly basis, the Loan Officer accomplishes the Schedule of Loan Releases (Attachment 3), which in turn can be consolidated into quarterly and annual reports, to be submitted to the Manager by the Loan Officer for monitoring purposes and to serve as supporting document in the financial statements.
- 6.6. In addition, on a monthly basis, the Credit Committee should get a status report of the delinquent loans from the Manager. An evaluation based on the criteria of each delinquent loan should be provided to the Credit Committee. Recommendation for the allowance for doubtful accounts should be evaluated.



## LOAN DOCUMENTATION

### Purpose:

The purpose of this policy is to guide management on the appropriate documentation of loans granted to every member-borrower of the credit union.

### 1. General Conditions

- 1.6. Loan records shall be maintained for all member-borrowers (as well as co-borrowers) for the duration of the loan; and, for as long as needed.
- 1.7. Credit files, being confidential records of members, must adhere to strict confidentiality, usage, and control.
- 1.8. The effective maintenance of credit records or files for all the member-borrowers must be one of the principal tasks of the credit union for good and efficient management information system.

### 2. Documents before Loan Approval

- 2.9. Application Form completed and signed by the member-borrower
- 2.10. Details of the project
- 2.11. Audited financial statements of the previous year/s
- 2.12. Income tax return
- 2.13. Repayment history or performance
- 2.14. Credit investigation reports
- 2.15. Proof of Income
- 2.16. Collateral documents
- 2.17. Appraisal of collateral
- 2.18. Loan officer's report or interview of member-borrower
- 2.19. Evaluation report of the loan officer and Manager
- 2.20. Recommendation of the Loan officer and Manager
- 2.21. Decision of the Credit Committee and/or Board of Directors
- 2.22. All other documentation that may be required by the credit union
- 2.23. Certification of non-delinquent tax payment

### 3. Documents after the Approval

- 3.10. Amortization (Repayment) schedule
- 3.11. Loan contract
- 3.12. Legal documents for collateral
- 3.13. Promissory Notes
- 3.14. Deeds of assignment, if applicable
- 3.15. Chattel/Real Estate mortgage
- 3.16. All other documentation that maybe required by the credit union



## CREDIT INVESTIGATION

### Purpose:

The purpose of this policy is to guide management on the process by which XYZ Credit Union evaluates loans.

### 1. Field Investigation

All loan applications must undergo credit investigation to determine trustworthiness of the loan applicant as well as the co-applicant (in applicable cases). A copy of a thorough investigation report must be retained in the member-borrower's file. The loan officer obtains the necessary credit information from loan application of the principal and the co-borrower's, which among others, must have the:

- Name of applying borrower/co-borrower in applicable cases
- Amount of initial loan and outstanding balance

Other information:

- Name of employer
- Monthly gross income
- Project purpose/description of the project
- Total expenditures
- Net disposable income

From the information gathered during the loan application process, the loan officer provides the credit investigator with the information, which must be verified.

### 2. Factors to be checked

The criteria for granting loans are the five (5) C's of credit: capacity, character, condition, collateral and capital, which are to be measured using the Credit Rating Form.

- 2.1. Capacity – This refers to the member-borrower's proven capability to repay the loan on the agreed terms: i.e. size of amortization and frequency of payments. This information is derived by computing the net disposable income of the member-borrower. As a basic rule, the repayment terms should coincide with the member's cash flow, which could be daily, weekly, semi-monthly or monthly. When the payment is quarterly, semi-annually or annually, the member-borrower should nonetheless be required to make monthly interest payments on the loan.



In determining the capacity of the member-borrower/co-borrower to pay, the following are taken into consideration:

- Total monthly amortization of the debt
  - Total debts of the member-borrower or co-borrower in applicable cases (inclusive of debts to the cooperative as well as from other sources)
  - Tangible asset value and their appraised value including share capital
  - Regular savings and share capital accumulation
  - Good credit record with cooperative, neighbourhood stores, relatives, friends and other lending institutions
- 2.2. Character- This refers to integrity, credibility, trustworthiness of the member-borrower and or the co-borrower in applicable cases, which among others, pertains to one's personal honesty, dealings, reputation within one's residence, neighbourhood and organization and/or other affiliations one is a member of. Relatives, friends, must be checked. Character indicates the stability of the member-borrower as to his/her investment. This is indicated by the following:
- Good record of loan repayment with the credit union
  - Good record of loan repayment with other institutions (stores, banks, relatives, etc.)
  - Good reputation in the neighbourhood, work, organizations etc.
  - Regular savings habit.
- 2.3. Capital –this refers to the regular, consistent amount of savings or contributions made by the member-borrower (or his/her co-borrower) in the credit union and other institutions, which leads to the build-up of financial, material resources.
- 2.4. Collateral- this refers to any personal or movable asset, as well as real or immovable asset owned by the member-borrower in his/her name that is offered as security for a loan. It could also be a personal or real property owned by a third person, which is offered by this third party as security for the loan. All loans should be collateralized, with the share capital as the minimum security.

The following are collaterals that can be accepted as loan security for mortgage or chattel mortgage:

- 2.4.1. Real property (mortgage) – all real estate offered collaterals shall carefully be inspected, appraised and the mortgage lien annotated on the title. The maximum amount of the loan to be granted shall not be more than 70% of the conservative appraised value.

Required documents:

- Land title (original or transfer certificate of title, tax declaration if untitled land)
- Certification from the Registry of Deed that property has no lien



- Current realty tax payment receipt and certificate of non-tax delinquency
- Registration of the mortgage with the Registry of Deeds; Tax declaration annotated with the Assessor's office of the Municipality where the property is located
- Appraisal report
- Location map
- Building plan
- Insurance
- Real estate mortgage document

- 2.4.2. Personal property (Chattel Mortgage)-movable properties, equipment, inventories, jewellery, motor vehicles, etc.

The amount of the loan shall not be more than 50% of the appraised value of the chattel. The chattel must not be more than three (3 ) years old.

Documents Required:

- Certificate of ownership
- Registration of ownership with the appropriate government agency
- Deed of sale
- List of equipment, machinery and/or inventories

- 2.4.3. Certificate of time or money market deposit in banks (or with the credit union) with a deed of assignment executed by the borrower and duly endorsed by the bank or credit union.
- 2.4.4. Assignment of deposit with the cooperative
- 2.4.5. Pledge of personal property
- 2.4.6. deed of assignment of salaries of the member-borrower and/or the co-borrower from their employer with the corresponding authority to collect and apply the same to the loan obtained from the credit union.
- 2.4.7. Co-maker (s) are limited to co-make a maximum of two (2) loans. The co-maker(s) are equally liable for the loan should there be a failure in repayment. Before a co-maker is accepted, investigation of his/her financial capacity must be conducted. A member can only co-make two loan at a time; and, a borrower cannot co-make a loan of his/her co-maker.

Documents required:

- Deed of assignment
- Promissory note
- Loan application with co-maker's signature

- 2.4.8. The signature(s) of the spouse(s) of the principal and co-principal applicants must always be present on the loan application form as well as



on the promissory note and other pertinent, relevant accessory contract; and signed in the present of the loan officer, notary public except in applicable case(s) when fully secured by savings deposits, time deposits and share capital, as long as these deposits are not jointly owned.

- 2.4.9. Generally, tax declaration for untitled land is not acceptable as a basis for granting real estate loan; except, when the real property offered is proven not yet under the torrens title system (titles issue through the Registry of Deeds); and/or if the loan applicant belongs to the indigenous people's groups of the locality and no other document of ownership can be supplied. In such cases, other acceptable collaterals must be required of the member-borrower, or the decision would depend on the cooperative rules and regulations and the board authorization and or decision.

Collateral shall not be the primary consideration in deciding to grant a loan. It does not reduce the risk of the member-borrower to default on his/her loan. It is used only to add value to the loan application when the decision to grant the loan has been made based on the repayment capacity of the member-borrower.

- 2.5. Condition-refers to external factors affecting the socioeconomic circumstances of the loan applicant and the loan. These factors are:

- Legality of the proposed project
- Environmental soundness of the project
- Appropriateness of the business in relation with the climatic conditions



## COLLECTION AND DELINQUENCY POLICY

### Purpose:

The purpose of this policy is to ensure quality loan portfolio.

### Objectives:

The basic objectives behind establishing collection policy are as follows:

- a) To provide all staff involved in collection of a concrete guidelines to follow for every circumstance
- b) To ensure that collection techniques do not vary from one individual to another.
- c) To warrant that every endeavor is made in the first instance to assist members who are unable to meet their obligation to XYZ Credit Union.
- d) To assure that collection procedures are instituted immediately and firmly after an effort has been made to assist member and the member has not responded
- e) To guide the management to be diligent in the collection and recovery of the loans it makes to insure not only the safety and soundness of the XYZ Credit Union, but to protect all members in good standing.

### 1. Responsibility of Collection

- 1.1. **Centralization of collection** should be made through the Collection Department or Loan Department to:
  - 1.1.1. Allow even distribution of workload on delinquent accounts to the collection staff. The workload will be distributed either by account number, area or alphabetically.
  - 1.1.2. The Collection Manager will be able to evaluate and consult with all the collection staff on an individual basis. This will allow a more comprehensive performance evaluation and better access for consultation and training regarding collection matters, policies and procedures.
  - 1.1.3. Insure compliance with the policy.
- 1.2. The individual responsibilities of the XYZ Credit Union's collection personnel and management are as follows:
  - 1.2.1. The General Manager shall be responsible for seeing that the Collection Department follows the rules, practices and procedures set forth in this Policy; that this Policy is periodically reviewed and updated or amended; and that the Collection Department provides all reports when required.



- 1.2.2. The Collection Manager shall be responsible for overseeing the day-to-day operations of the Collection Department; insuring that all personnel comply with the rules, practices, procedures and code of conduct set forth in this policy; insuring any reports by the Collection Department are provided when required; and for allocating work assignments to other Collection Department personnel.
- 1.2.3. Collection Officers shall be responsible for undertaking the collection practices and procedures set forth in this Policy. Collection Officers shall report to the Collection Manager; be familiar with this Policy; and conduct themselves pursuant to the rules and code of conduct set forth in this Policy and other Credit Union guidelines.
- 1.3. Training. The collection staff shall be provided comprehensive and appropriate internal and external training to insure compliance with this Policy, applicable laws and regulations, and an effective working knowledge of approved collection techniques, which shall be reviewed and updated periodically. The Collection Manager shall be responsible for insuring all collection staff receives necessary and continuing training.

## 2. Code of Conduct

- 2.1. All applicable country laws will be complied with.
- 2.2. Deceptive collection practices will not be tolerated.
- 2.3. Harassing and abusive tactics are unacceptable and the use of such is the ground for immediate dismissal.
- 2.4. All members are to be treated with respect and understanding on all occasions. When contacted you should always thank the member for their time.
- 2.5. Collectors, in their dealings with members and the public, must always conduct themselves in a professional and businesslike manner. Cooperation and understanding, coupled with a straightforward business approach to collection procedures must be followed. Only forms approved by the Credit Union will be used.
- 2.6. All employees are expected to know and understand the contents of the Policy and Procedures Manual and may be required to sign a statement indicating such knowledge and understanding. Employees are subject to immediate dismissal for knowingly refusing to follow such policies and procedures.





### 3. Delinquency-Collection Timetable

Days Delinquent	Action	Follow-Up
1-7	Grace Period	None
Within 7 days	First Notice to be sent <b>“A Reminder”</b>	The Loan department/unit will generate delinquency notice.
15	Second Notice to be sent <b>“Have you Forgotten?”</b> . If payment is not made within 15 days after the initial telephone call or reminder letter, a second contact will be made through letter and telephone.	The Loan Department/Unit again will generate the second letter encouraging the borrower to bring the account up to date. Penalties imposed for late payment, and future collection efforts are detailed in this letter.
30	The delinquent loan will be entered on the delinquency schedule.	The Loan Department/Unit enters the total loan balance in the delinquency schedule classification of 1-12 month delinquent. The collection staff will follow-up. Direct contact is made with the member.
30	Third Notice sent <b>“May we have your Past-Due Payment?”</b> to member. Copy of the letter is also sent to guarantor.	Delinquent member is given 20 days from date of mailing to clear account. Verbal follow-up contact continues at least every other day, until the delinquency is resolved.
After 30	* The General Manager/Credit Committee may take appropriate action under this Policy including repossession, and other collection action including filing of legal case.	The Loan Department/Unit shall determine appropriate action under this policy.
After 45 days	Issue the final notice <b>“This is your final chance.”</b> And Meet the member and guarantor.	The Collector with the Credit Committee/Manager meets the member to find out the problems. At this point there should be repayment arrangement agreed upon.
60-90	<ul style="list-style-type: none"> <li>▪ Every loan that is 2 or more month delinquent shall be addressed at the Monthly Board Meeting</li> <li>▪ A formal workout agreement made between Credit Union and Member</li> </ul> <p>At this stage, legal action should begin. When no security is held, legal action to recover the loan balance shall commence on any account when no acceptable installment arrangement has been made. In special circumstance, for example, if a member has failed to respond, action may be taken earlier.</p>	<ul style="list-style-type: none"> <li>▪ The Loan Department/Unit shall identify potential losses (i.e. charge-offs/potential recovery based on member’s collateral) to ensure proper valuation is reported to management and Board of Directors.</li> <li>▪ The Loan Department/Committee/Manager recommends the formal workout agreement according to the policy.</li> </ul>



Days Delinquent	Action	Follow-Up
After 90 days	Turn over account to attorney or collection agent, if any.	Lawsuit, claim and delivery, foreclosure and further collection efforts.
365 days	If loan has not been repaid, loan charge-off should be considered.	The collection department makes recommendation through the manager on the loan to be charged off based on the policy.

*\*Note: Repossession or other appropriate action may be taken earlier when necessary to protect collateral in accordance with this Policy and applicable law.*

#### 4. Priority Collection Activity

The Collection Department will prioritize its collection efforts and follow the practices set forth in this Policy. XYZ Credit Union has established the following priorities for collection actions:

- 4.1. **First Payment Defaults** A default on a member's first payment should be resolved quickly to protect the XYZ Credit Union and any collateral securing the loan. Such a default may merely reflect an error or misunderstanding by the member, which should be quickly resolved to insure that such defaults do not continue. On the other hand, such defaults may indicate bad faith or fraud by a member who has no intention of repayment. Such cases should be resolved immediately and legal and/or repossession action should be quickly undertaken.
- 4.2. **Term Loans.** The first accounts, which should be looked at, are term loans i.e. farmers loans, which will be paid after harvest time. The originating loan officer should note on his/her calendar to check the note a few days after the due date. A timely telephone call or short reminder notice prior to the due date usually avoid the account to become delinquent.
- 4.3. **Loan Paid out of Payroll/Payroll Deduction Loans.** The collector should determine which loan accounts are paid by payroll deduction or salary received. If this accounts become delinquent there is a possibility that member is no longer working or on medical or vacation leave without pay. Chances are if a member is not getting paid it will be very difficult for him/her to make a payment. The collector should work with the member in any way possible keeping in mind that the obligations are to the Credit Union as a whole and strict adherence to all policies, including the Credit Union's extension/renewal policy, is required. The member should be contacted to arrange a payment schedule. At the same time, the files should be updated, getting the name of the member's new employer, as well as new address, phone numbers and the name of the nearest relative.



#### 4.4. Loans other Than the Above.

- a. Early contact from loan officer is necessary to let member know that the account is closely monitored.
- b. Always initially approach each member with the idea that they are honest and truthful. Do not convey ideas to the member that XYZ Credit Union does not trust the member or he/she may become defensive and difficult to work with.
- c. Once a contact is made with the member, give him/her a date by which the payment will need to be made.
- d. Always give the member an alternative if possible. For example, state that “the payment needs to be made by the 10<sup>th</sup> of the month or contact XYZ Credit Union to work out some repayment arrangement.”
- e. If a member promises to make a payment by a certain date, be sure this is documented, and follow-up is made thereafter.
- f. If commitment is not met, a constant eye should be kept on the value and condition of the collateral, if there is any. Oftentimes, collateral will be depreciating while the loan pay-offs is increasing as interest is added.
- g. If the loan becomes over 60 days delinquent, more serious action should be taken. Legal action may be required.
- h. The above suggested order of attention to collection efforts basically pertains to delinquencies that are 15-30 days past due. If an account proceeds past that initial stage, continuous monitoring of the account is necessary. Do not just look at the “problem” account after each new delinquent list is received. Weekly or daily review is sometimes necessary once an account becomes two or more payments past due.

#### 5. Installment Arrangement (Renegotiation of Loans)

- 5.1. Only the CEO/General Manager or designated officer is authorized to make installment arrangements.
- 5.2. The following guidelines shall be observed in making the arrangement.
  - 5.2.1. If the installment arrangement is less than the agreed repayment rate specified on the loan agreement the arrangement shall be:
    - Reviewed after a period of 6 months.
    - Ratified by the Board of Directors if approved under delegated authority.
  - 5.2.2. A monitor is to be placed with the relevant credit reference authority for notification of any inquiries or defaults. The monitor is to be removed on completion of a period after a complete review of the member’s performance.



- 5.2.3. The member shall be informed in writing of the conditions of the arrangement, insisting that the loan will revert to the original contract should the arrangement be breached. The member shall sign a copy of the letter in acknowledgement of acceptance of the conditions specified. The copy shall be held by the Credit Union.
- 5.2.4. Complete a “Compromise Loan Agreement”.
- 5.3. When conditions of an arrangement are not fully met within 7 calendar days of the special date, the account shall be deemed to be in breach of the arrangement, and proceedings for the collection of the loan shall commence.
- 5.4. The General Manager may declare an account current and vary the agreed repayment rate if an installment arrangement has been maintained for a period of 6 months or more provided that the term of the rearrangement did not exceed the maximum permissible term within the limitations of the Credit Union’s rules from the date of the original agreement.
- 5.5. Under no circumstances should the installment arrangement be taken into consideration for the purposes of calculating the arrears position until such time as conditions in 5.4. have been met.

## **6. Charge-Off Loans against Allowance for Loan Losses**

- 6.1. Uncollectible debts are charged-off monthly, however, attempts will still be made to collect these bad debts. The Management should recommend to the Board the following types of loans be charged-off as they occur:
  - 6.1.1. Any loan where the borrower cannot be located. In other words, there has been no contact for 90 days and the borrower is deemed a “skip.” It is important to document all contacts.
  - 6.1.2. Any loan that is twelve (12) months delinquent and no payments have been received for three (3) consecutive months, unless otherwise approved by either the CEO/General Manager or the Collection Manager.
  - 6.1.3. Any loan that has been assigned to a collection agency or attorney.
  - 6.1.4. Any loan that is not secured (collateral or otherwise), and upon which no payment has been received for twelve (12) consecutive months.
  - 6.1.5. Any deficiency balance on a loan upon which no payment has been received and no possible course of action appears to be feasible or warranted.



- 6.1.6. Any loan determined to be uncollectible regardless of the number of month delinquent.
- 6.2. Any loan meeting the above criteria that is not expected from charge-off by the Board of Directors should have the reason for not being charged-off noted in the Board of Directors' minutes.
- 6.3. Charging-off a loan does not mean that the accounts should be forgotten. The loan is still an asset of the Credit Union even though it is not so reflect on the books because of its doubtful value.
- 6.4. The majority of the charged-off loans (except bankruptcies) should be assigned to a collection agency or other legal means of collection upon charge-off authorization.
- 6.5. Charged-off loans should be reviewed from time to time (including those loans assigned to a collection agency for assessing outside efforts for possible recoveries) to determine whether there is a change in the payment ability of the borrower or other party responsible.

## 7. Asset Valuation Allowance

- 7.1. XYZ Credit Union should determine an adequate and reasonable Allowance for Loan Losses (ALL), which must result in the fair representation of the financial statements in accordance with the Generally Accepted Accounting Principles (GAAP), and thereby meet the requirements for full and fair disclosure.
- 7.2. The following provision for Allowance for Loan Losses should be calculated as follows:
  - a. 35% for loans delinquent for one month to 12 months
  - b. 100% for loans delinquent for more than one year
- 7.3. For interim assessments of provision requirements (i.e. between annual balance dates) a provision of 1% of loan funding made during the month shall be added to the provision account. The assessment under a and b must be made if the calculation is greater than adding of 1% of loan funding to the provision. The provision should be increased to meet the assessed requirement.

## 8. External Collection Agents (option)

The XYZ Credit Union collection agent will be \_\_\_\_\_.  
The CEO/General Manager or his/her nominee shall be the authorized officer in relation to any court actions instituted by XYZ Credit Union to recover loan outstanding.



## 9. Accounts Paid in Advance

- 9.1. Unless prior arrangements are made, no member should be allowed to prepay a loan account, and thereby suspend repayments, by more than 90 days. An arrangement to repay a loan account on this basis shall only be made on a written request from the member.
- 9.2. The CEO/General Manager shall report to the Board of Directors on a quarterly basis all accounts paid more than 90 days in advance.

## 10. Other Credits to Loan Accounts

Payment received, as a credit to a loan account shall not be deemed to be repayment of arrears in the following circumstances:

- 10.1. The payment was made by cheque, which was subsequently dishonoured; or
- 10.2. The payment represented the proceeds of voluntary (part/full discharge) or enforced realization of security either as part or full discharge of the loan account.

## 11. Reports

Management should submit Monthly Report of Delinquency to the Board.

# A Reminder!

Member: \_\_\_\_\_

*Have you overlooked your payment?*

Account No: \_\_\_\_\_

*If so XYZ CU will appreciate receiving  
your payment*

Amount Due: \_\_\_\_\_

Date Due: \_\_\_\_\_

\_\_\_\_\_  
**General Manager**



# Have you forgotten!

Member: \_\_\_\_\_

*Your payment has not been received.*

Account No: \_\_\_\_\_

*We trust this is an oversight and would appreciate prompt payment.*

Amount Due: \_\_\_\_\_

Date Due: \_\_\_\_\_

\_\_\_\_\_  
**General Manager**

# May we have your past due payment?

Member: \_\_\_\_\_

*We have not received the loan repayment*

Account No: \_\_\_\_\_

*We trust that you will settle the account within 20 days upon receipt of this notice*

Amount Due: \_\_\_\_\_

Date Due: \_\_\_\_\_

\_\_\_\_\_  
**General Manager**



# This is your final chance!

Member: \_\_\_\_\_

*Please send your loan repayment.*

Account No: \_\_\_\_\_

We will resort to legal action if  
*payment is not received within 10 days  
of receipt of this notice.*

Amount Due: \_\_\_\_\_

Date Due: \_\_\_\_\_

\_\_\_\_\_  
**General Manager**





## CHARGE-OFF POLICY

### Purpose:

The purpose of this policy follows:

- a) To ensure the timely recognition of losses and adjustment for non performing assets;
- b) To provide full and fair disclosure of statutory reserves on the financial statements;
- c) To provide guidance for staff preparation of recommendations to the board of directors for charge-off action.

### 1. Process

- 1.1 Every month, XYZ Credit Union management will prepare for the board of directors a written report of loans and deposit items recommended for charge-off.
- 1.2 Prior to the submission to the board, each account will be review by the Credit Committee. This report will be presented to the board as part of the regular monthly board package.
- 1.3 Action of the board will be recorded in the board meeting minutes and charged-off loans and deposit items will become a permanent attachment to the minutes.

### 2. Requirements

- 2.1. A loan or deposit item that reaches any status listed here should be referred to the board of directors and recommended for charge-off:
  - 2.1.1. The member/borrower(s), including co maker(s) or co signer(s), has filed for bankruptcy or insolvent (according to each country law).
  - 2.1.2. The borrower(s) is deceased and there is little or no likelihood of recovery from the estate or it has been determined that no estate will be opened. In the event an estate is opened, the collection staff will ensure that the estate has been properly and appropriately notified of the existence of the obligation and will file a claim with the appropriate probate court.
  - 2.1.3. The loan is a deficiency balance from the sale of collateral and the borrower(s) has indicated unwillingness to make further payments.
  - 2.1.4. The loan balance has been assigned to a collection agency or outside attorney.



- 2.1.5. The loan is 180 days or more delinquent, unless one or more of the following conditions exist:
- a) The borrower is making monthly payments of at least 66% of the contractual payment, but cannot qualify for refinancing or re-aging by the credit union.
  - b) The credit union or the member is writing for settlement of a documented insurance/bond claim.
  - c) The borrower is deceased and the credit union has substantial reason to expect settlement from the estate, co makers, guarantors, or relatives.
  - d) The credit union is waiting for the proceeds from the sale of repossessed collateral.
- 2.1.6. The loan has been determined to be uncollectible by the Collection Manager/Loan Officer regardless of the number of months delinquent.
- 2.1.7. The borrower(s) is determined to be a “skip” and the credit union has been unable to establish any contact with the borrower(s) for ninety (90) days.
- 2.1.8. All collection attempts on returned checks have failed.
- 2.1.9. All collection attempts on an overdrawn account have failed.
- 2.1.10. Fraud has been committed, and there is no realistic chance of recovery.
- 2.1.11. Should the board not approve any recommended charge-off, the action and reason(s) will be noted in the meeting.

### 3. Post-Charge-Off Activity

- 3.1. Charging off a loan or deposit balance does not mean that the account should be forgotten. The debt is still an asset of the credit union, although, because of its doubtful value, it is not so reflected on the books. Charge-off debts (except bankruptcies) should be assigned to a collection agency, a collection attorney, or the credit union staff attorney.
- 3.2. Charge-off debts should be reviewed from time to time (including those debts assigned to a collection agency or outside attorney) to determine whether any changes in the circumstances of the borrower or other party responsible for payment might make recovery possible.



#### 4. Other Procedures

- 4.1. Prior to recommending an account for charge-off, collection department staff will transfer to the loan all shares and savings legally available for transfer.
- 4.2. If a member has caused a loss to the credit union, services to that member will be restricted.
- 4.3. The Head of the Loan Department/Operations will receive a report of all loans approved for charge-off. The latter with the appropriate staff of the Loans Department will carry out review of the certain charge-off loan files.
- 4.4. The internal auditor/audit committee will review the posting of all newly charge-off loans to the Charge-off Account, an off balance sheet record.
- 4.5. The collection department will maintain records of delinquent and charge-off loans as directed. A profile of charged-off loans will be reported monthly to the board.
- 4.6. The collection department will review other account relationships that a delinquent or charged-off borrower may have with the credit union.
- 4.7. The collection department will prepare a report of loans recommended for charge-off each month for review by the President/Chairperson and the Legal Counsel.

#### 5. Settling Charge-off Account

- 5.1. When attempting to collect on a charge-off account, a collection representative strives to collect the principal and accumulated interest.
- 5.2. When a member approaches a collection representative to settle a charge-off, the proposal should be communicated to the collection department manager and legal counsel. At the time, it will be decided if the amount offered by the member is acceptable as payment in full.
- 5.3. A member who has repaid in full the loss incurred by the credit union on an account may be eligible to reopen a share account and regain full membership status. In such case, credit bureau is informed to reflect the payment in full and remove the charged-off status on the account.
- 5.4. If the amount of the settlement is not acceptable, the collection representative will communicate with the member in an attempt to obtain a just and full repayment of both the principal and interest.



## 6. Denial of Services

It is the policy of XYZ Credit Union to deny credit and other financial services to those members who have caused the credit union to incur a loss of any sort, and who have not voluntarily repaid the loss or are not in the process of voluntary repaying the loss. This policy applies to all losses, whether the loss was by bankruptcy or otherwise.



## FORECLOSURE POLICY

### Purpose:

The purpose of this policy is to guide management on the process by which XYZ Credit Union terminates a member's right to possession of mortgaged real property due to default; obtaining legal and physical possession of the property so that it can be sold to satisfy the debt.

### 4. Procedures

The board of directors has set the following foreclosure process:

- 1.1. Generally, all real estate loans are recommended for foreclosure at month-end after the loan is three payments past due.
- 1.2. The process will be initiated at the recommendation of the collector working on the account.
- 1.3. The recommendation and file will be forwarded to the collection department manager for review.
- 1.4. The review will verify that:
  - 1.4.1. Collection efforts were adequate and were documented accurately.
  - 1.4.2. All efforts to successfully resolve the default failed.
  - 1.4.3. The member has not filed for bankruptcy.
  - 1.4.4. There are no legal restrictions to prevent foreclosure.
  - 1.4.5. The accounting for payments by the member is accurate and has no unresolved disputes.
  - 1.4.6. A drive-by appraisal of the property by an approved appraiser has been requested.
- 1.5. The collection department manager, finding the foreclosure recommendation warranted, will present the case to the Legal Counsel and General Manager.
- 1.6. The Legal Counsel and General Manager will review the recommendation and approve the commencement of foreclosure or refer the file back to the collection department manager for additional work.
- 1.7. If foreclosure is approved, the Legal Counsel will take over the file and begin the foreclosure process. The Legal Counsel will work closely with the collection department manager during the process in the event an acceptable remedy to foreclosure is found before the sale of the property. While the Legal Counsel will handle most foreclosures, in the event an outside attorney is retained, file documentation will be delivered to that attorney.



- 1.8. The attorney will handle the legal process in the country in which the property is located. The attorney will:
  - 1.8.1. Notify the member that the foreclosure process has begun.
  - 1.8.2. Review the title to the property and notify subsequent lien holders of the impending sale.
  - 1.8.3. Select the date and time of sale.
  - 1.8.4. Advertise the property for sale in the local newspaper for three to four consecutive weeks.
  - 1.8.5. Represent the credit union at the sale proceedings.
  - 1.8.6. Complete the necessary paperwork to give clear title to the credit union.
- 1.9. At the foreclosure sale, the foreclosing attorney will place the first bid on the property. That bid will include the:
  - 1.9.1. Principal balance of the loan;
  - 1.9.2. Interest and late charges due to date of sale;
  - 1.9.3. Expense for maintenance, insurance, taxes, and other costs incurred in preserving the property value;
  - 1.9.4. Expenses of the foreclosure sale;
  - 1.9.5. Unpaid escrow items.
- 1.10. The sale will be held in accordance with the country law.
- 1.11. The collection department manager will set up an account with the accounting department to record costs associated with the foreclosed property. If the credit union is the successful bidder, the member's loans account will be credited for the amount of the principal balance and the General Ledger Foreclosed Properties account will be debited with a corresponding entry.
- 1.12. The collection department manager will oversee maintenance of the property and make every effort to sell it for a fair, equitable price that will result in no loss to the credit union.

## **5. Post Foreclosure Process**

- 2.6. Once the attorney has recorded the foreclosure deed, a notice to vacate the property must be sent to the mortgagors. If the mortgagors do not vacate the premises within the ten-day period, the account will be referred back to the attorney to initiate an abatement action.
- 2.7. Once the property has been vacated, the collection department manager should physically inspect the property for an initial assessment. As soon as possible, a



locksmith should be hired to change the locks and take other appropriate action to secure the premises.

- 2.8. If furniture or other personal belongings of the former mortgagors remains on the premises, the collection department manager should take steps to have the items removed.
- 2.9. If necessary arrangements should be made for the upkeep of the lawn as well as the interior. The Legal counsel must approve repairs needed to bring the property into a sellable condition.
- 2.10. The collection department manager should have a post-foreclosure appraisal performed by a licensed appraiser to determine the value of the property.
- 2.11. Once the appraisal has been received, the account should be reviewed to determine if a write-down is necessary.

## 6. Alternative to Foreclosure

In some cases, XYZ Credit Union may choose to accept a deed from the member instead of foreclosing. The most important aspect of accepting a deed in lieu of foreclosure is that it has to be a voluntary conveyance. Credit Union staff should never propose this solution to the member. Every case should be judged individually, and a title attorney should be consulted for help with the evaluation. Any offer to accept a deed in lieu of foreclosure must be approved by the Chairperson and General Manager. The basic process is:

- 3.1. Perform a physical inspection of the property and record obvious deficiencies. A “full” appraisal may also be required.
- 3.2. Order an updated title search in order to find possible superior, secondary and tax liens. Determine the position of the credit union’s lien.
- 3.3. Perform a financial analysis of total costs required to obtain clear title, and probable losses or gains.
- 3.4. If analysis of the case indicates a deed in lieu of foreclosure is an acceptable remedy, the credit union’s attorney will prepare the necessary documents for the member to sign over the property.



## 7. Disposal of Foreclosed Properties

- 4.1. Disposals of foreclosed properties financed by XYZ Credit Union are processed much the same as its regular properties.
- 4.2. All foreclosed property should be placed for sale at the earliest possible opportunity.
- 4.3. XYZ Credit Union will attempt to market the property without the assistance of a real estate agent where possible. The collection department will use appropriate means to advertise the property to the membership and the general public.
- 4.4. If the property cannot be sold within a reasonable time, a knowledgeable real estate agent should be engaged to market the property. The Chairperson/General Manager must approve Sale of all foreclosed property.
- 4.5. Potential purchases should submit in writing on a standard real estate sales contract. The bid should include the purchase price and any conditions requested by the purchases. The bid should be accompanied by earnest money in an amount that equals \_\_\_\_\_ per \_\_\_\_\_ sales price.
- 4.6. Once a bid is accepted, a written sales contract must be executed by the buyer and signed by the Chairperson/General Manager. The sales contract will contain the sales price, the conditions and contingencies of the sale, a tentative closing date, and an agreement on the allocation of closing costs.





**Report 1: Daily/Weekly Collection Monitoring Report**

<b>COLLECTOR</b>					<b>AREA:</b>				
<b>FOR THE PERIOD COVERING:</b>									
Account Name	Date Due	Account to be collected during the period			Collected during the period	Variance	Ref. No. (OR)	Date Collected	Remarks
		Principal	Interest, Penalties, others	Total amount due					
Total Target Collection									
Prepared by:					Date:				
Checked by:					Date:				



**Report 2: Aging of Loans**

<b>Aging of Loans</b> For the month ending _____									
Account name	Amount of Loan	Date Released	Maturity Date	Mode of payment	Current	1-12 months past due	>12 months past due	Loan in Litigation	Remarks
Total									
Prepared by: _____ Date _____ _____ Bookkeeper					Noted by: _____ Date _____ Manager				
Checked by: _____ Date: _____ _____ Accountant									



<b>AGING SUMMARY</b>					
<b>Age of Loan</b>	<b>Number of Loans</b>			<b>Outstanding Balance</b>	<b>Remarks</b>
	<b>Male</b>	<b>Female</b>	<b>Total</b>		
Current					
1-12 months past due					
>12 months past due					
Loan in litigation					
<b>Total</b>					



**Report 3: Schedule of Loan Releases**

<b>SCHEDULE OF LOAN RELEASES</b> <b>FOR THE MONTH ENDING: _____</b>						
Account Name	Amount of Loan	Loan Type	Date Released	Reference	Maturity Date	Remarks
Total		N/A	N/A	N/A	N/A	
Prepared by: _____ Date _____			Noted by: _____ Date _____ Manager			
_____ Bookkeeper						
Checked by: _____ Date: _____						
_____ Accountant						



**Report 4: Schedule of Restructured Loans**

<p align="center"><b>SCHEDULE OF RESTRUCTURED LOANS</b>  <b>FOR THE MONTH ENDING: _____</b></p>						
<b>Account Name</b>	<b>Amount of Loan Restructured</b>	<b>Amount Restructured</b>	<b>Loan Type</b>	<b>Date Released</b>	<b>Ref. No.</b>	<b>Maturity Date</b>
<b>Total</b>			N/A	N/A	N/A	N/A
Prepared by: _____ Date _____ Bookkeeper			Noted by: _____ Date _____ Manager			
Checked by: _____ Date: _____ Accountant						



### Report 5: Schedule of Loans Charged-off

<b>Monthly Schedule of Loans Charged-off</b>				
For the period covering _____				
Account Name	Loan Balance	Charged-off Date	Amount Charged-off	Balance
<b>Total</b>				

Prepared by: _____      Noted by: _____ <div style="display: flex; justify-content: space-around; width: 100%;"> <span>Bookkeeper</span> <span>Manager</span> </div> Date: _____      Date: _____  Checked by: _____ <div style="display: flex; justify-content: center; width: 100%;"> <span>Accountant</span> </div> Date: _____
--





**FORM 1 - LOAN APPLICATION**

Individual Loan: Complete Applicant Section

Amount Requested: \_\_\_\_\_ Purpose: \_\_\_\_\_

Loan Term: \_\_\_\_\_ months Type of Loan: \_\_\_\_\_

Repayment: \_\_\_\_\_ payroll deduction \_\_\_\_\_ Cash

Mode of Payment: daily \_\_\_ weekly \_\_\_ monthly \_\_\_ Bi-monthly \_\_\_ Quarterly \_\_\_ Semi-Annual \_\_\_ Others: \_\_\_\_\_

<p><b>PERSONAL INFORMATION:</b> Please print in ink or type: Name: _____ Membership No. _____ Date of Birth: _____ Res. Cert. No. _____ issued on _____ at _____ Home Tel. No. _____ Bus. Tel. No. _____ Present Address: _____ _____ Years of stay at present address: _____ Married: ___ Separated: ___ Unmarried: ___ Name of Spouse: _____ Employer: _____ Monthly Income: _____ No. of Dependents: _____ In school: _____ List ages of Dependents not listed by other applicant: _____</p>	<p><b>INCOME:</b> Employment Income: _____ per _____ Other Income: _____ per _____ Source: _____ Spouse Income: _____ per _____</p> <p><b>ASSETS:</b> Savings Amount: _____ Deposited at: _____ Checking Amount: _____ Deposited at: _____</p> <table style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:70%; text-align: left;">List Assets you Own &amp; Location</th> <th style="width:30%; text-align: left;">Pledged Collateral</th> </tr> </thead> <tbody> <tr><td>_____</td><td>_____</td></tr> <tr><td>_____</td><td>_____</td></tr> <tr><td>_____</td><td>_____</td></tr> <tr><td>_____</td><td>_____</td></tr> <tr><td>_____</td><td>_____</td></tr> </tbody> </table>	List Assets you Own & Location	Pledged Collateral	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____																					
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_____	_____																																	
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_____	_____																																	
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_____	_____																																	
<p><b>EMPLOYMENT:</b> Name and Address of Employer: _____ _____ _____ Your Present Position: _____ Supervisor's Name: _____ Date of Employment: _____ Working Hours: _____ If self-employed, Type of Business: _____ Start of Business: _____ Is Duty Station Transfer expected this year/next year? _____ If yes, where? _____ And when? _____</p>	<p><b>DEBTS:</b></p> <table style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:60%;">Creditors (Name &amp; Address)</th> <th style="width:20%;">Original Amt.</th> <th style="width:20%;">Present Bal.</th> </tr> </thead> <tbody> <tr><td>_____</td><td>_____</td><td>_____</td></tr> <tr><td>_____</td><td>_____</td><td>_____</td></tr> <tr><td>_____</td><td>_____</td><td>_____</td></tr> <tr><td>_____</td><td>_____</td><td>_____</td></tr> <tr><td>_____</td><td>_____</td><td>_____</td></tr> </tbody> </table> <p><b>OTHER INFORMATION:</b> <i>If a "yes" answer is given to a question, explain on attached sheet.</i></p> <table style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:70%;"></th> <th style="width:10%; text-align: center;">YES</th> <th style="width:20%; text-align: center;">NO</th> </tr> </thead> <tbody> <tr> <td>Are you a party in a lawsuit?</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> <tr> <td>Is your income likely to decline in the next two years?</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> <tr> <td>Have you had property foreclosed upon or repossessed?</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> <tr> <td>Are you a co-maker, co-signer or Guarantor on any loan not listed above?</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> </tbody> </table>	Creditors (Name & Address)	Original Amt.	Present Bal.	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____		YES	NO	Are you a party in a lawsuit?	_____	_____	Is your income likely to decline in the next two years?	_____	_____	Have you had property foreclosed upon or repossessed?	_____	_____	Are you a co-maker, co-signer or Guarantor on any loan not listed above?	_____	_____
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**REFERENCES:**

Name and Address of Character References:

1. \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_ Tel. no.: \_\_\_\_\_

2. \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_ Tel. no.: \_\_\_\_\_

3. \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_ Tel. no.: \_\_\_\_\_

I warrant to the truth and authenticity of all the data, information furnished herein to the best of my knowledge. Any misdeclaration that will be discovered during credit investigation will automatically cause the disapproval of this application. I expressly submit to any credit investigation as well as to furnish any other requirements of the cooperative by reason hereof.

Conforme: \_\_\_\_\_ Date: \_\_\_\_\_

\_\_\_\_\_  
*Applicant's Signature*

Co-Maker/Co-Signor: \_\_\_\_\_ *Please print name & sign*      With Spouse Consent: \_\_\_\_\_ *Please print name & sign*



**FORM 2 - Amortization Schedule**

<b>LOAN AMORTIZATION SCHEDULE</b>	
Date:	Ref. No.:
Name of Member:	
Amount Applied For:	Purpose
Amortization Type:	

<b>AMORTIZATION SCHEDULE</b>				
DATE	AMOUNT DUE ON PRINCIPAL	INTEREST PAYMENT	TOTAL AMORTIZATION DUE	OUTSTANDING BALANCE

*I hereby agree on the forgoing amortization schedule of my loan:*

\_\_\_\_\_ *Member-Borrower*

*Date:* \_\_\_\_\_



**FORM 3 - Sources of Income and Expenditures Statement of Borrowers**

PARTICULARS	MONTHLY	ANNUALLY
<b>Sources of Income:</b>		
1. Salaries and Wages		
2. Income from Business		
3. Income from Financial Investments/Dividends		
4. Other Income		
<b>Total Income</b>		
<b>Less: Expenditures or Cash Outlays</b>		
<b>Expenditures:</b>		
1. Food Expenses		
2. House Rentals		
3. Education: Tuition Fees		
▪ Miscellaneous Fees		
▪ Books, school supplies and equipment, etc.		
4. Clothing		
5. Medical & dental expenses		
6. Personal hygiene expenses (including barber/parlor expense)		
7. Cooking gas expenses		
8. Transportation expenses		
9. Water Bills		
10. Electricity bills		
11. Telephone bills		
12. Expenses for family gatherings and or outings		
13. Laundry expenses		
14. Salary of house help/servant		
15. Taxes and licenses		
<b>Total Expenditures:</b>		
<b>Cash Outlays:</b>		
1. Payments of other Debts/Amortization): Productive loans (from other Banks/FIs)		
▪ Housing amortization		
▪ Vehicle amortization		
▪ Appliance amortization		
▪ Others (please specify)		
2. Payment for Insurance or pension premiums		
3. Other Cash outlays (please specify)		
<b>Total Cash Outlay</b>		
<b>Total Expenditures and Cash Outlays</b>		
Net Cash (Total Income-Total Expenditures & Cash Outlays)		
Less: Contingency (20% of total expenditures & cash outlays)		
<b>Net Cash after contingency</b>		

*I certify to the correctness and truthfulness of the above statements according to my knowledge and belief. Any false declaration made by me, which may be found late, shall cause the disapproval of my loan application.*

\_\_\_\_\_  
Signature over Printed Name of Member-Borrower  
Attested by: \_\_\_\_\_ Date: \_\_\_\_\_  
Loan Officer

Date: \_\_\_\_\_  
Verified & Corrected by: \_\_\_\_\_ Date: \_\_\_\_\_  
Credit Investigato



**FORM 4 – Profit and Loss Statement of the Borrower**

<b>Regular Business</b>	<b>Monthly</b>	<b>Yearly</b>
<b>Gross Revenue:</b>		
<b>Less: Cost of Goods Sold</b>		
<b>Gross Income</b>		
<b>Less: Operating Expenses</b>		
<b>Salaries/Wages</b>		
<b>Rental</b>		
<b>Electric Bills</b>		
<b>Telephone Bills</b>		
<b>Water Bills</b>		
<b>Taxes, Licenses, Permits</b>		
<b>Interest Expense (from Loans)</b>		
<b>Miscellaneous Expense</b>		
<b>Others (Please Specify)</b>		
<b>Total Operating Expense</b>		
<b>NET INCOME</b>		

**SOURCES OF INVESTMENT:**

<b>Particulars</b>	<b>Amount</b>	<b>Percentage to Total Investment</b>
<b>Loan from the Credit Union</b>		
<b>Equity (Own Capital)</b>		
<b>Other Sources (Please Specify)</b>		
<b>Total Investment</b>		



### FORM 5 – statement of Assets Liabilities of the Borrower

Particulars	Amount
<b>Inventory of Assets</b>	
1. Deposits: <input checked="" type="checkbox"/> Credit Union <input checked="" type="checkbox"/> Banks Others: _____	
2. Share Capital: <input checked="" type="checkbox"/> Credit Union Others: _____	
3. Personal/Movable Properties: <input checked="" type="checkbox"/> Vehicle/Car <input checked="" type="checkbox"/> Machineries/Equipment <input checked="" type="checkbox"/> Home Appliances & Furniture <input checked="" type="checkbox"/> Jewelries or Expensive Art Works Others (Please Specify) _____	
4. Fixed Assets: <input checked="" type="checkbox"/> Building/s <input checked="" type="checkbox"/> Land <input checked="" type="checkbox"/> Land Improvements	
5. Other Assets (Please Specify): _____	
<b>INVENTORY OF LIABILITIES AND DEBTS</b>	
1. Loans: <input checked="" type="checkbox"/> Credit Union <input checked="" type="checkbox"/> Banks <input checked="" type="checkbox"/> Informal Lending (Relatives, Friends, Money lenders, etc.) <input checked="" type="checkbox"/> Others (Please specify): _____	
2. Account Payables: 1. Credit Unions 2. Suppliers/Wholesalers 3. Manufacturers	
3. Mortgages and Encumbrances if any: 1. Land 2. Buildings 3. Land Improvements 4. Motor Vehicle 5. Machineries/Equipment 6. Jewelries	
4. Taxes and Permits (Please specify): _____	
5. Other Liabilities/Debts (Please specify): _____	
<b>NET WORTH (Total Assets-Liabilities)</b>	
<b>Less: 10% contingency</b>	
<b>NET WORTH AFTER CONTINGENCY</b>	

*I certify to the correctness and truthfulness of the above statements according to my knowledge and belief. Any false declaration made by me, which may be found later, shall cause the disapproval of my loan application.*

\_\_\_\_\_  
 Signature over Printed Name of Member-Borrower

Date: \_\_\_\_\_

Attested by: \_\_\_\_\_ Date: \_\_\_\_\_ Verified by: \_\_\_\_\_ Date: \_\_\_\_\_  
 Loan Officer Credit Investigator



**ANNEX 6 – Self Assessment Form of the Member-Borrower**

Name of Borrower: _____ Address: _____ Amount Applied: _____	Yes (1 point)	No (-1 point)		
1. Did I attend the last General Meeting? As an officer, have I been attending the meeting on a regular basis?				
2. Did I attend the pre-membership seminar? Or Did I attend the latest Loan orientation/ownership meeting?				
3. Was I motivated by its real purpose when I joined the credit union?				
4. Have I been attending ownership meetings and participated actively in the discussion or in activities initiated by the credit union?				
5. Have I been repaying my previous loans to my credit union regularly?				
6. Am I campaigning for additional membership and promoting the services of the cooperative to the community?				
7. Am I increasing my savings deposits in the credit union?				
8. Do I know the Vision, Mission and Goals of my credit union?				
9. Did I use the proceeds of my previous loan to its intended purpose?				
10. Am I willing to attend seminars related to credit union development and the project being applied for?				
<b>Total Points</b>			<b>Net Points</b>	

*I hereby certify the correctness of the above answers to the best of my knowledge and belief. Should my answers be found later to be false, this will cause the disapproval of my loan application.*

\_\_\_\_\_  
Name and Signature

Date: \_\_\_\_\_

Attested by: \_\_\_\_\_

Verified & Corrected by: \_\_\_\_\_

Loan Officer \_\_\_\_\_

Credit Investigator \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_



## FORM 7 – Collateral Appraisal Forms

### *Appraisal and Valuation of Real Property*

Basic Information to be gathered through field investigation

**General Information:**

1. Name of Registered Owner:	
2. Address: Tel: No.	3. Location of the Property:
4. Registration No.	5. Lot Number:
6. Block No.	7. Land Area (Sq. M.)
8. Acquisition Cost:	9. Current Market Value:
10. Classification of Land: ( <i>Commercial, Residential, Industrial</i> )	11. Access to Public Utilities: ( <i>Electricity, Water, etc.</i> )
12. Results of Verification from the Registry of Deeds/Assessor’s Office	
13. Duration of the loans in years:	

**Appraised Value (Actual)**

Types of Land	Title No.	Area (Sq. m.)	Appraised value per square meter	Total Appraised Value
Residential ____				
Commercial ____				
Land				
Building/House				
Total				

**Sketch Map of the Land and Improvements:**

Consider any landmark, adjacent lots, main road, road right of way, rivers/creeks, shorelines, slope, mountains eroded area, etc.

**Marketability According to the duration of the Loan (Future Value):**

<input type="checkbox"/> Very Good	<input type="checkbox"/> Good	<input type="checkbox"/> Fair	<input type="checkbox"/> Poor
Reason/s:			



**Valuation of Real Property:**

	Amount
Land: 70% of the Assessed Value whichever is higher (Less 10% Contingency)	
House/Building: 70% of the Total Cost of the Building less Accumulated Depreciation (Less 10% contingency)	
Total Cost of Land and Building	

**Appraised by:****Verified by:****Approved by:**

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

*Appraisal and Valuation of Chattel Property of a Vehicle***General Information:**

Name of Registered Owner:	
Address: Tel: No.	Type and Model:
Plate No.	Color of Painting & Type:
Brand of Motor:	Serial Number:
Horse Power:	Type of Chassis/Serial No.:
Results of Verification from the Registry of Deeds and Land Transportation Office to check any liens or encumbrances:	

**Insurance on the Vehicle:**

Type of Insurance	Expiry Date	Policy No.	Name of Insurance Company	Insured Value

**Road Testing and Evaluation of Vehicle:**

<b>Results:</b> Condition and Serviceability of the Vehicle and its Accessories:
<b>Actual Usage of the Vehicle:</b>





**Valuation of Chattel Property:**

Acquisition Cost	Accumulated Depreciation	Functional Value	Appraised Value	Maximum Loan

**Computation:**

Valuation = 50% of Appraised Value  
 Appraised Value = Acquisition cost – Accumulated Depreciation + Functional Value  
 Where:  
 = Accumulated Depreciation: Acquisition Cost/Estimated Life x No. of Years of Property  
 = Functional Value: Cost of putting damage back to good order that will increase the value of the property.

**Appraised by:**

**Verified by:**

**Approved by:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Date:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Date:** \_\_\_\_\_



## FORM 8 – Credit Investigation Report (for Individual or Business)

**Name of Loan Applicant:** \_\_\_\_\_ **Date of Application:** \_\_\_\_\_  
**Address:** \_\_\_\_\_ **Date of Investigation:** \_\_\_\_\_  
**Amount of Proposed Loan:** \_\_\_\_\_  
**Purpose of Loan:** \_\_\_\_\_  
**Investigation Requested by:** \_\_\_\_\_ **Investigation Done by:** \_\_\_\_\_

Areas to Investigate	If Applicable	Available Information	Findings
<b>1. CHARACTER</b>			
<b>1.1. Length of stay at present job and/or business</b>			
<b>1.2. Housing Stability</b>			
1.3. Good will/Reputation of the Borrower (loyalty award from employment/business/ community or civic organizations)			
1.4. Habits of Repayment: <input type="checkbox"/> In the Credit Union: Does she/he have a proven habit of repaying loans to the credit union? <input type="checkbox"/> Other Credit Unions/bank identified by the member: Does she/he have a proven habit of paying loans to other financial institutions			
1.5. Credit Record and standing with other creditors Name of Creditors:			
1.6. Relationship with family/neighbors			
1.7. Morality of the Borrower (Adultery, drugs, smoking, gambling, alcoholism and other illegal activities)			
1.8. Life style and standards (value of thriftiness & savings, spending habits, living beyond means)			
<b>2. PAYING CAPACITY</b>			
2.1. Proof of income (salary slips/checks)			
2.2. Job stability (employment contract and status)			
2.3. Proof of other source of income			
2.4. Risk analysis of job/occupation/business			
2.5. Records of Expense (proof of expenditures)			
2.6. Health condition - borrower & dependents			
<b>Business</b>			
2.7. Can the cash flow or net savings suffice to pay for the loan amortizations?			
2.8. Profitability of project to be funded (sales volume)			
2.9. Ability of the member-borrower to execute the proposed project and its competitiveness.			
2.10. Financial Viability of Business/Investment ROI= Net Income/Total Cost of Investment Payback Period: $\frac{\text{Total Cost of Investment}}{\text{Net Income}}$			
2.11. Other Loan Exposures			
In the credit Union (Total Amount)			



In other Credit Union & Bank (Total Amount)			
<b>3. CAPITAL</b>			
<b>3.1. Growth in deposits (bank and others)</b>			
<b>3.2. Asset inventory &amp; quality (current, fixed and movable)</b>			
<b>3.3. Ownership of properties (economic life and status)</b>			
3.4. Inventory of Liabilities & debts (Loan outstanding with Banks, credit unions and others)			
3.5. Terms and Condition of other Loans <input type="checkbox"/> Credit Union <input type="checkbox"/> Other Credit Union or banks			
3.6. Verify Net worth (Capital-Liabilities)			
3.7. Establish availability of collateral			
<b>4. COLLATERAL</b>			
4.1. Real Estate Property <input type="checkbox"/> Registered Owner <input type="checkbox"/> Location of Property <input type="checkbox"/> Registration Number <input type="checkbox"/> Land Area <input type="checkbox"/> Acquisition Cost <input type="checkbox"/> Market Value <input type="checkbox"/> Classification of Land <input type="checkbox"/> Verified original copy of land title <input type="checkbox"/> Marketability <input type="checkbox"/> Valuation Cost (70% of appraised value)			
4.2. Improvement: Building/houses 1.2.1. Acquisition Cost per Types & Classification <input type="checkbox"/> Residential <input type="checkbox"/> Commercial <input type="checkbox"/> Industrial <input type="checkbox"/> Agricultural 2.2.2. Estimated Life 3.2.3. Market Value 4.2.4. Marketability 4.2.5. Valuation Cost			
4.3. Chattel or Movable Property: Motor Vehicles <input type="checkbox"/> Verified Proof for the date of Acquisition <input type="checkbox"/> Actual usage of the vehicle <input type="checkbox"/> Condition and Functionality <input type="checkbox"/> Certificate of Registration <input type="checkbox"/> Description: - Type and model - Plate number - Color and Type - Motor/Equipment - Brand of equipment - Motor/Chassis number - Serial number - Horse power <input type="checkbox"/> Valuation 50% of appraised value			
4.4. Lien-free collaterals			

5. CREDIT CONDITIONS			
5.1. Status of Employment			
5.2. Status of Business of the Borrower			
<input type="checkbox"/> Availability of market <input type="checkbox"/> Availability of raw materials or suppliers <input type="checkbox"/> Compliance with zoning or building ordinances <input type="checkbox"/> Sanitation and environment impact <input type="checkbox"/> Legality of the business			
5.3. Term of loan commensurate with payment capacity			
<p><i>Draw a sketch map of the land/improvements of Real Estate Property</i></p>			

Prepared by:

\_\_\_\_\_

Credit Investigator

Date: \_\_\_\_\_

Evaluated by:

\_\_\_\_\_

Credit Committee Member

\_\_\_\_\_

Credit Committee Secretary

\_\_\_\_\_

Credit Committee Member

Approved:

\_\_\_\_\_

Manager

Note: The Loan Officer identifies for the Credit Investigator; the areas to investigate and the information already available. The investigator has to fulfill the findings and indicate if he finds something different from information available.



## Form 9 -Credit Rating Scale – Business

Name of Member-Borrower: \_\_\_\_\_

Address: \_\_\_\_\_

### 1. CHARACTER = 30

Criteria	Maximum Raw Score (MRS)	Rating or Scoring
1. Does the Member-Borrower (MB) has a good record of credit payment to the credit union and other institutions?		
1.1. Credit Union: Does he/she has proven habit of repaying loans to the coop?	5	5 or 0
1.2. Other credit union/banks identified: Does the member has a proven habit of repaying loans to other financial institutions identified by him/her?	5	
1.3. Credit Bureau: Does s/he have no negative record in at the credit bureau?	5	
2. Good Will/ Reputation		
2.1. Does the MB possess a good reputation in the business community and with other organizations?	5	
2.2. Does the MB command respect in the community?	2	
3. Is the MB a permanent resident of the community (Housing Stability)?		
3.1. Less than 2 years	1	
3.2. 3-5 years	3	
3.3. Over 5 years	5	
4. Human relations		
4.1. With the family	1	
4.2. In the workplace	1	
4.3. In the community	1	
<b>Total</b>	<b>30</b>	

### 2. CAPACITY TO PAY = 50

Criteria	Maximum Raw Score (MRS)	Rating or Scoring
1. Does the MB have a stable business?		
If not	0	
If yes, how long:		



Less than 5 years	3	
More than 5 years	5	
2. Is the purpose of the loan capable of earning a net surplus	10	
3. Has the business grown over the years?	2	
4. Is the cash flow available and sufficient to meet future loan amortization?	15	
5. Is the Return on Investment of the business adequate to meet the payment requirement?	5	
6. Does the payback period match the proposed duration of the loan?	3	
7. Are there other loan exposures besides this loan being applied for in the primary or somewhere else? (degree of indebtedness and liabilities)		
▪ If no	10	
▪ If yes	3	
<b>Total</b>	<b>50</b>	

**3. CAPITAL STATUS = 5**

1. Does the MB maintain savings deposit with the credit union regularly?	1.5	
2. Are there personal properties, savings and business assets that can serve as collateral for the loan? (Asset base)	1.5	
3. Is the asset base growing? (or is the MB saving only for the reason of taking a loan?)	1	
4. Is the net worth favorable (degree of indebtedness)	1	
<b>Total</b>	<b>5</b>	

**4. COLLATERAL/CO-MAKERS = 10**

Criteria	Maximum Raw Score (MRS)	Rating
1. Can the collateral be easily converted to cash any time?	2	
2. Is the value of the collateral more than the loan amount applied for and can meet the policy valuation?	2	
3. Is the collateral free from encumbrances or lien?	2	
4. Is the co-maker willing to pledge his Savings Deposit/Share Capital and to accept the salary deduction agreement for the duration of the loan?	2	
5. Is the spouse willing/has consent on the loan applied for?	2	
<b>Total</b>	<b>10</b>	

**5. CREDIT CONDITIONS = 5**

<b>Criteria</b>	<b>Maximum Raw Score (MRS)</b>	<b>Rating</b>
1. Is the project/business environment friendly and legal?	1	
2. Does weather condition severely affect the project?	1	
3. Is the market ripe for the project?	2	
4. Is the community economically active to guarantee some degree of success for the project?	1	
<b>Total</b>	<b>5</b>	
<b>GRAND TOTAL</b>	<b>100</b>	

Evaluated by:

Date: \_\_\_\_\_

\_\_\_\_\_  
Loan Officer

## Credit Rating Scale – Individual

Name of Member-Borrower: \_\_\_\_\_

Address: \_\_\_\_\_

### 1. CHARACTER = 30

Criteria	Maximum Raw Score (MRS)	Rating
4.2. Does the Member-Borrower (MB) have a good record of credit payment to the credit union and other institutions?		
1.4. Credit Union: Does he/she has proven habit of repaying loans to the coop?	5	
1.5. Other credit union/banks identified: Does the members have a proven habit of repaying loans to other financial institutions identified by him/her?	5	
1.6. Credit Bureau: Does s/he have no negative record in at the credit bureau?	5	
<b>2. Goodwill/ Reputation</b>		
2.1. Does the MB possess a good reputation in the community and with other organizations?	5	
2.2. Does the MB command respect in the community.	2	
<b>3. Is the MB a permanent resident of the community (Housing Stability)?</b>		
3.1. Less than 2 years	1	
3.2. 3-5 years	3	
3.3. Over 5 years	5	
<b>4. Human relations</b>		
4.1. With the family	1	
4.2. In the workplace	1	
4.3. In the community	1	
<b>Total</b>	<b>30</b>	





**2. CAPACITY TO PAY = 50**

Criteria	Maximum Raw Score (MRS)	Rating
1.Does the MB have a stable job?		
If not	0	
If yes, how long: Less than 5 years More than 5 years	5 10	
2. What is the frequency of the regular income of the MB?		
▪ Daily, weekly, semi-monthly, monthly? ▪ Bi-quarterly, quarterly? ▪ Semi-annual?	10 5 5	
3.Does the regular income of the member match the loan amortization schedule?		
▪ YES ▪ NO	10 0	
4.Will the duration of the proposed loan match the anticipated duration of the job of the MB?		
▪ YES ▪ NO	10 0	
5.Are there loan exposures besides this loan being applied for? (Degree of indebtedness and liabilities)		
▪ If no ▪ If yes	10 5	
<b>Total</b>	<b>50</b>	

**3.CAPITAL STATUS = 5**

1.Does the MB maintain savings deposit with the credit union regularly?	1.5	
2. Are there personal properties, savings and business assets that can serve as collateral for the loan? (Asset base)	1.5	
3. Is the asset base growing? (or is the MB saving only for the reason of taking a loan?)	1	
4. Is the net worth favorable (degree of indebtedness)	1	
<b>Total</b>	<b>5</b>	

**4. COLLATERAL/CO-MAKERS = 10**

Criteria	Maximum Raw Score (MRS)	Rating
1.Can the collateral be easily converted to cash any time?	2	
2.Is the value of the collateral more than the loan amount applied for and can meet the policy valuation?	2	
3.Is the collateral free from encumbrances or lien?	2	
4.Is the co-maker willing to pledge his Savings Deposit/Share Capital and to accept the salary deduction agreement for the duration of the loan?	2	
5.Is the spouse willing/has consent on the loan applied for?	2	
<b>Total</b>	<b>10</b>	

**5. CREDIT CONDITIONS = 5**

Criteria	Maximum Raw Score (MRS)	Rating
1.Does the job of the member involve illegal activities and/or environmentally harmful activities? <ul style="list-style-type: none"> <li>▪ YES</li> <li>▪ NO</li> </ul>	0 2.5	
2. Does the member's job pose health hazards to himself or others? <ul style="list-style-type: none"> <li>▪ YES</li> <li>▪ NO</li> </ul>	0 2.5	
<b>Total</b>	<b>5</b>	
<b>GRAND TOTAL</b>	<b>100</b>	

Evaluated by:

Date: \_\_\_\_\_

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 Loan Officer


## FORM 10 – Credit Rating Approval

The Credit Rating is used to determine the probability of the borrower to pay the loan. This is made up of the Credit Rating Scale used by the Credit Committee or Loan Officer to rate the borrower based on the five (5) C's of Credit (See Annex 6).

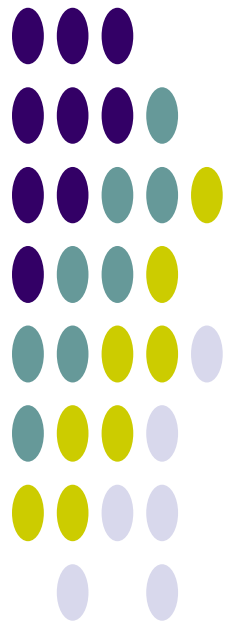
This rating shall serve as guide to categorize the borrower on the probability of loan repayment, or if not, whether the borrower is required to secure the loan with collateral.

The credit rating scale shall serve as basis for decision by the Credit Committee and derived as follows:

<b>Credit Rating</b>	<b>Decision/Requirements</b>
70% and below	Disapproved, since it has high probability of failure to pay the loan.
71% to 80%	Approved, but needs collateral, co-makers, obligate savings, and close supervision
81% to 90%	Approved, but needs any collateral and sustained supervision
91% to 100%	Approved with or without collateral

# Human Resource Management

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## RECRUITMENT AND SELECTION POLICY

### Purpose:

The purpose of this policy is to provide management guidelines and procedures in recruiting competent staff for the credit union.

### 1. Objective

- 1.1. To hire at the least cost as many competent individuals as needed to fill job vacancies in the shortest time possible.
- 1.2. To ensure that the employees recruited have values aligned to the values of the credit union movement.

### 2. Personnel Requisition

- 2.1. In the event of vacancy which needs to be filled, the Department Head concerned will be required to write a memorandum that constitutes an employee requisition, seeking authority to hire. (Form 1). A vacancy may be the result of:
  - a. Resignation
  - b. Transfer
  - c. Maternity Leave/Leave without pay
  - d. Dismissal
  - e. New Position/restructure

### 3. Responsibility of Recruitment

- 3.1. The responsibility for the decision of recruitment for approved vacancies rests with the Manager responsible for the staff position.
- 3.2. The Personnel Officer is responsible for the over-all coordination of staff recruitment and providing Managers with relevant support and processing services.

### 4. Recruitment from Within

- 4.1. Vacant positions will be advertised within the credit union to provide career development opportunities for staff through internal appointments, transfers and promotions where possible.



- 4.2. All staff may apply for any position advertised internally unless their letter of offer specified a minimum time in their current position or commitment to complete a specific project that prevents them from applying this time.
- 4.3. Like external applicants, internal applicants for a position must submit an application detailing their skills, experience, knowledge and qualifications. All applications are then considered in terms of their match with the key criteria for the role.

## 5. Recruitment from External

- 5.1. If the skills required for the vacancy is not available within, an external advertisement will be made by the Personnel Manager upon the request of the Manager /responsible person concerned.
- 5.2. The advertisement should indicate that a detailed resume be submitted to the credit union along with the application letter.

## 6. Process of Recruitment

- 6.1. **Short listing of Candidates:** The Personnel Manager in consultation with the Manager concerned shortlist the candidates. Only short listed applicants will be called for interview.
- 6.2. **Invitation to Attend an Interview:** Once the candidates have been short-listed, the Personnel Manager will write a concise letter to the candidate for the job interview (Form 2).
- 6.3. **Job Application Form:** Before conducting the interview, the candidates have to fill up the prescribed Job Application Form (Form 3)<sup>1</sup>. It is the basic tool for selection process to organize information pertaining to a job applicant and to provide basis of reference and interview.
- 6.4. **Interview:** A minimum of two interviews will be carried out to assess the ability and behavior of the candidate. The initial interview and a second interview possibly involving peer or Manager. The Interview Assessment Form (Form 4) will be used as guide for the interview, which will help the interviewer to narrowing the interview to the specific areas to discuss and the qualities to look for in a candidate.
- 6.5. **Test:** A test will be conducted on the discretion of the Manager and the requirement of the job i.e. Secretary for Typing and shorthand skills; Driver for

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<sup>1</sup> The information contained in the form is arranged to the convenience of the credit union and whatever items required are listed and there is no chance of forgetting the inclusion of an important piece of information.

Driving (not driver's license alone); bookkeeper, communications officer for writing skills, Systems Administrator etc. However, there are jobs where tests may not be appropriate and the interviewer may have to rely on the track record of the candidate and make decision based on his/her discretion.

- 6.6. **Pre-Employment Vetting:** Background checking of qualified candidates will be made in accordance with the discretion of the Manager concerned. It is recommended that pre-employment vetting is a must for positions of trust i.e. financial controller, accountant, cashier, collectors and tellers. A sample letter is in Form 5 & 6.
- 6.7. **Rejection of Job Applicants:** The credit union maintains high degree of professionalism. Courtesy still demands at least a written reply to all applicants who have had made the effort to apply. Such a reply, if added with personal touch, will help reduce the stigma of rejection or the chance that the applicant will have bad feelings about the credit union. In this case, the Personnel Manager should ensure that all applicants be notified on the action taken by the credit union on the application. (Sample letter is enclosed as Form 7).



Form 1

**SAMPLE****Personnel Request Form****To:**

- General Manager (for new position/s)  
 Personnel & Administration Manager (for replacement)

Requisition for:		Number Requested:	
<b>Request Arising from</b>			
<input type="checkbox"/> Replacement for: (name)	<input type="checkbox"/> Transferred <input type="checkbox"/> Retired	<input type="checkbox"/> Resigned <input type="checkbox"/> Others _____	
<input type="checkbox"/> Expansion <input type="checkbox"/> Reorganization		Please give reasons:	
<b>Manpower Strength</b>			
Total number of Employees in Department: _____ Number of Employees in Category: _____			
Remuneration/Others:			
Proposed Grade/Level: _____ Expected Date of Commencement: _____			
Other Benefits: _____ Proposed Salary: _____			
<b>Request Made By</b>			
Name:		Signature:	
Department:		Date:	
Approved:		Date:	
This form is to be attached with Job Description Form. If the General Manger has given approval, please send to the Personnel and Administration Department for further action.			





Form 2

**SAMPLE**

## Interview Invitation Letter to Short listed Applicant for Advertised/Non-Advertised Job Vacancy

(Date)

(Name)  
(Address)

Dear Mr./Ms. \_\_\_\_\_

RE: Job Title

We refer to your application for the said post and are pleased to invite you to attend an interview scheduled as follows:

Date:  
Time:  
Place:

Enclosed is an Application for Employment Form for your completion. Please bring along this Form together with the original copies of certificates and testimonials (if any) on the day of the interview.

Kindly call Ms./Mr. (name) telephone number (number) to confirm your attendance.

Sincerely yours,

Personnel Manager

Encls. Application for Employment Form



Form 3

SAMPLE

Attach  
Photograph  
here

## Application for Employment Form

Appointment applied for: \_\_\_\_\_

Current Salary: \_\_\_\_\_ Expected Salary: \_\_\_\_\_

When can you start to work?: \_\_\_\_\_

### 1. PERSONAL PARTICULARS

a. Name:

\_\_\_\_\_

<i>Surname</i>	<i>First Name</i>	<i>Middle Name</i>
----------------	-------------------	--------------------

b. Home Address :

\_\_\_\_\_

c. Present Residence :

\_\_\_\_\_

d. Tel. No. (House) :

\_\_\_\_\_ (office): \_\_\_\_\_

e. Fax No. (House) :

\_\_\_\_\_ (office): \_\_\_\_\_

f. E-mail Address :

\_\_\_\_\_

g. Date & Place of Birth :

\_\_\_\_\_

h. Sex :

\_\_\_\_\_ Marital Status: \_\_\_\_\_

i. Citizenship :

\_\_\_\_\_ Languages/Dialect Spoken: \_\_\_\_\_

j. Social, Sport & Hobbies:

\_\_\_\_\_

k. Name of Spouse :

*(if Married)*

\_\_\_\_\_

l. Spouse Occupation :

\_\_\_\_\_



m. Place of Work : \_\_\_\_\_

n. No. of Children & ages : \_\_\_\_\_

**2. SKILLS TRAINING PARTICULARS**

a. Shorthand : \_\_\_\_\_ wpm (in English)

b. Shorthand : \_\_\_\_\_ wpm (in own Language)

c. Typing : \_\_\_\_\_ wpm

d. Certificates attained: 1. \_\_\_\_\_

2. \_\_\_\_\_

e. Office Equipment Used:

1. \_\_\_\_\_

2. \_\_\_\_\_

f. Courses or Training:

1. \_\_\_\_\_

2. \_\_\_\_\_

**3. LINGUISTIC ABILITY**

Languages/Dialects	Spoken	Written	Read



**4. EDUCATION PARTICULARS**

School, College, University Attended	Exam, Diploma, Degree Attended	Year Passed

**5. PROFESSIONAL MEMBERSHIP(S) PARTICULARS**

Professional Institution/Body	Membership Status	Date Admitted

**6. EMPLOYMENT PARTICULARS**

Employment History Starting from the Present or the Most Recent

From Mo./Yr.	To Mo./Yr.	Salary		Exact Title of your position
		Initial	Last	
Name and Address of Employer:				Name of Supervisor:
				Number and Kind of Employees Supervised by you:
Reason for leaving:				
Description of your duties:				



From Mo./Yr.	To Mo./Yr.	Salary		Exact Title of your position
		Initial	Last	
Name and Address of Employer:				Name of Supervisor:
				Number and Kind of Employees Supervised by you:
Reason for leaving:				
Description of your duties:				

From Mo./Yr.	To Mo./Yr.	Salary		Exact Title of your position
		Initial	Last	
Name and Address of Employer:				Name of Supervisor:
				Number and Kind of Employees Supervised by you:
Reason for leaving:				
Description of your duties:				



From Mo./Yr.	To Mo./Yr.	Salary		Exact Title of your position
		Initial	Last	
Name and Address of Employer:				Name of Supervisor:
				Number and Kind of Employees Supervised by you:
Reason for leaving:				
Description of your duties:				

## 7. OTHER PARTICULARS

- a. Do you have any relative working in other credit union/national federation/league? If yes, please give name and credit union/national federation/league name.

Name: \_\_\_\_\_ Organization: \_\_\_\_\_

Position: \_\_\_\_\_

- b. Do you know anyone working in the credit union? If yes, please give name.

Name: \_\_\_\_\_ Position: \_\_\_\_\_



**8. PERSONAL REFERENCES**

<i>List two personal references (NOT Relatives)</i>		
<b>Name, Address &amp; Telephone numbers</b>	<b>Occupation</b>	<b>Years Known</b>
1.		
2.		

**9. DECLARATION**

- a. I declare that the information give in this application is true and accurate and understand that nay misrepresentation of facts called for herein will be sufficient case for dismissal for the credit union's employment.
- b. Attached herewith are copies of relevant supportive documents for this application.

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*Signature of Applicant*

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*Date of Application*



Form 4

SAMPLE

## Interview Assessment Form

Applicant's Name: \_\_\_\_\_

Position Applied for: \_\_\_\_\_

Date of Interview: \_\_\_\_\_ Time: \_\_\_\_\_

Factors/Point	0	1	2	3	4	Score
Appearance	Slovenly dressed. Rough in speech, appearance. <input type="text"/>	A little scruffy and untidy. <input type="text"/>	Neat and tidy. Not distinguished <input type="text"/>	Pleasant, good voice and manner. <input type="text"/>	Poised and confident. Good voice and manner. Well dressed. <input type="text"/>	
Communication	Hardly able to communicate <input type="text"/>	Just able to communicate <input type="text"/>	Not so fluent, but still capable of expressing his/her ideas across. <input type="text"/>	A good speaker <input type="text"/>	Speaks exceptionally well and convincing <input type="text"/>	
Qualification <i>* (to reflect the post applied for)</i>	Poor <input type="text"/>	Fair <input type="text"/>	Average <input type="text"/>	Good <input type="text"/>	Excellent <input type="text"/>	





<p>General (<i>employment experience</i>)</p>	<p>Unskilled, only able to plan very simple jobs</p> <p><input type="text"/></p>	<p>Semi-skilled. Able to plan own work to very limited extent.</p> <p><input type="text"/></p>	<p>Skilled worker. Can plan own work.</p> <p><input type="text"/></p>	<p>Supervisory. Planning work of others.</p> <p><input type="text"/></p>	<p>Managerial or Executive level. Policy decisions.</p> <p><input type="text"/></p>	
<p>Specific Employment Experience **</p>	<p>No idea or knowledge of this job.</p> <p><input type="text"/></p>	<p>Rather vague about job</p> <p><input type="text"/></p>	<p>Working knowledge of job.</p> <p><input type="text"/></p>	<p>Good relevant experience</p> <p><input type="text"/></p>	<p>Exceptional knowledge of this type of job.</p> <p><input type="text"/></p>	
<p>Intelligence</p>	<p>Slow, muddled thinker. Often reaching wrong connection.</p> <p><input type="text"/></p>	<p>Difficulty in understanding problems or questions put to him/her.</p> <p><input type="text"/></p>	<p>Able to understand problems or questions put to him/her.</p> <p><input type="text"/></p>	<p>Able to appreciate overall problems.</p> <p><input type="text"/></p>	<p>Able to grasp interpret and solve complex and detailed problems.</p> <p><input type="text"/></p>	
<p>Maturity and motivational adjustment</p>	<p>Finds difficulty in planning his life, or settling self-goals.</p> <p><input type="text"/></p>	<p>Almost all goals are short term ones. Often swayed by emotions.</p> <p><input type="text"/></p>	<p>Aware of own abilities but not achieving anything spectacular.</p> <p><input type="text"/></p>	<p>Aware of own abilities and seek long term goals on a realistic approach.</p> <p><input type="text"/></p>	<p>Has made good progress in achieving set goals. Leads to full and rewarding life.</p> <p><input type="text"/></p>	
<p>Sub-Total</p>						
<p>Total Score</p>						



\*List of Qualifications:

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\*\* Summary of Working Experience:

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**COMMENTS BY INTERVIEWER:**

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**RECOMMENDATIONS:**

- Recommended for employment at starting monthly salary of \_\_\_\_\_
- Hold for further consideration/interview.
- Reject

Name of Interviewer : \_\_\_\_\_

Position : \_\_\_\_\_

Signature : \_\_\_\_\_



ACTION: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



**SAMPLE 1**

Form 5

## Pre-Employment Vetting Letter to Job Applicant's Reference

Date

Name of Reference  
Job Title  
Organization  
Address

Dear Mr./Ms.

RE: (Job Applicant's Name)

The above mentioned person has applied for the post of (Job Title) with our organization. As he/she named you as his/her referee, we would appreciate very much if you would care to provide us information (IN STRICT CONFIDENCE) pertaining to:

- Length of time you have known him/her
- Your knowledge of his/her personal character
- Your opinion of his/her working ability and suitability for the job applied for
- Any other comments which may assist us in our assessment

We look forward to receiving the required information in the enclosed stamped and self-addressed envelope soonest and thank you for your valued cooperation.

Sincerely yours,

General Manager/Personnel &  
Administration Manager



<b>SAMPLE 2</b>
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<b>Form 6</b>
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## Pre-Employment Vetting Letter to Job Applicant's Reference

### Private and Confidential

Date

Name of Reference  
Job Title  
Organization  
Address

Dear Mr./Ms.

(Job Applicant's Name) has applied for the post of (job title) with our organization. We understand from him/her that he/she was in your employment from (date) to (date), and would greatly appreciate if you could complete the form below and return this letter to us.

We assure you that the information supplied will be treated in strict confidence.

Thank you for your assistance.

Sincerely yours,

General Manager/Personnel &  
Administration Manager

*(please do not detach)*

Period employed: From \_\_\_\_\_ to \_\_\_\_\_

Last drawn salary: \_\_\_\_\_

Reason for leaving the company: \_\_\_\_\_

Attitude/Character : \_\_\_\_\_

Work Performance : \_\_\_\_\_

Signature : \_\_\_\_\_ Name: \_\_\_\_\_

Designation: \_\_\_\_\_



Form 7

**SAMPLE 1****Rejection Letter to Applicant**

Date

Name  
Address

Dear Mr./Ms.

Re: (Job Title)

Thank you for your application for the said position.

We have taken some time to deliberate over your application, as we are impressed with your qualification and experience. Although we regret having to inform you now that your application is unsuccessful, if it is any consolation to you, your application made it to our final selection stage before losing out to a few who have a slight edge over you.

Nonetheless, we wish to thank you for your interest shown in our organization. We truly appreciate the time and trouble you have taken in applying.

Sincerely yours,

General Manager/Personnel &  
Administration Manager

## TERMS AND CONDITIONS OF EMPLOYMENT

### 1. Introduction

- a. The following terms and condition of service are applicable to all Executives in the full time service of the credit union with effect from \_\_\_\_\_(date). The credit union reserves the right to introduce, modify, amend or annul any terms and conditions of employment at any time during its operation. Employees affected by such changes shall be duly informed by issuance of circulars, directives or other instructions by whatever name from time to time, which shall henceforth form part of the terms and conditions of service.

### 2. Interpretation

- a. Words imparting singular number will include the plural number and vice-versa.
- b. Basic salary shall mean the employee's salary excluding any allowances, bonus or payment of any nature.

### 3. Appointment

- a. All appointments shall be subject to the following conditions:
  - a. Production of evidence of age, academic qualifications and satisfactory references from educational institutions and/or previous employers and any other references that the credit union may require
  - b. Satisfactory medical examination

### 4. Probation

- a. All newly appointed employees should undergo a probationary period not exceeding three months in the first instance.
- b. The credit union may at its discretion, extend the probationary period by another three months. In this case, the employee shall be informed of the intention in writing.
- c. During the probationary period, the service of an employee may be terminated at any time by either party giving to the other party 24 hours notice or salary in lieu of notice without assigning any reason thereof.
- d. On successful completion of the probationary period, the employee will be given a letter of confirmation.



## 5. Promotion

- a. The credit union at its sole discretion may promote any suitable and capable employee, depending on vacancy and/or the merit of each case, to any position of the higher category, as it deems fit.
- b. The credit union shall inform employees of any vacancy for interested party to apply but reserves the right to fill such vacancy from outside the credit union should no existing employee be found suitable.
- c. Any employee selected for promotion will be notified in writing and required to serve an 'Acting' period of three months, which may be extended for three months at the sole discretion of the credit union.
- d. During the 'Acting' period, the employee shall be paid and 'Acting Allowance' equivalent to (one minimum increment of the new position)<sup>2</sup>, in addition to his existing salary.
- e. On confirmation of his promotion, the Acting Allowance shall cease, and the employee shall get (a minimum of two increments of the new position and his new salary shall not be less than the minimum of his grade)<sup>3</sup>.
- f. An employee who is not confirmed in his appointment to a higher post, will cease to be entitled to the Acting Allowance and will revert to his former position or any other suitable position (carrying same salary) without prejudice to his future prospects.
- g. The credit union's selection of any employee for promotion shall be final.

## 6. Non-Discrimination

- a. The credit union follows an absolute policy of non-discrimination regarding race, color, religion, sex or national origin.
- b. The credit union will take appropriate action to eliminate direct and indirect discrimination. A direct discrimination is where certain behavior, characteristic requirements and/or activities occur which are based on assumptions (i.e. prejudices, biased attitudes and beliefs) about an individual's personal characteristics (i.e. sex, race, etc.) and/or where a person receives less favorable treatment than another person. Indirect discrimination results from practices that may appear to be neutral but, in reality, result in an individual or group being differentially or adversely affected.

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<sup>2</sup> This varies from country to country or in accordance with labor law.

<sup>3</sup> Shall vary from country to country

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## 7. Employee Code of Conduct

- a. **Safeguarding information** - Employees must not divulge records, plans or other data (except as necessary in the course of the credit union business) to anyone outsiders without proper authorization.
- b. **Handling records:** Employees must make ensure all reports, vouchers, and the like are factual and accurate; they must not destroy records except in accordance with the credit union's prescribed procedures.
- c. **Access to Staff Records:** Employees are entitled to access any information relating to their statutory entitlements, such as wages records, timesheets and leave entitlements. Should an employee request any further information it will be provided at the absolute discretion of the credit union.
- d. **Credit union Funds:** Employees must follow the prescribed practices and policies for handling and protecting the credit union funds.
- e. **Use of Credit Union Property and Facilities:** No equipment, tools, office supplies and facilities can be used for personal purpose without the General Manager's permission. Employees must care and preserve such property at all times.
- f. **Work time:** Employees must not shirk their duties or waste time. They are expected to give a fair day's work for a fair day's pay. Absenteeism is to be kept at a minimum; lateness is to be avoided, personal phone call must be limited and employees are to stay on the their place work except performance of duties requires.
- g. **Drinking Rule:** The credit union has no desire to regulate the personal life of any employee, but the use of intoxicants cannot be permitted to interfere the duties of any employee.
- h. **Selling and Soliciting on Premises:** Unauthorized selling, promotion or distribution of products, materials and services on the credit union premises during business hours is prohibited. The General Manager may provide authorization to employee to sell, promote or distribute products or information designed to assist in fund raising for a non-profit organization. Staffs notice board can also be utilize to display posters and fliers for fund raising. In any case, such activity should not be undermining or in conflict with the credit union business.



- i. **Giving or Receiving Gifts:** Giving and receiving gifts, entertainment or any other benefit is not uncommon in the normal course of business relationships; however, any inferences of an inducement to conduct further business as a result of such benefit should be eliminated. Employees should not give, seek or accept any type of compensation that could be considered an inducement to conduct business.
- j. **Additional Employment:** Employment with the credit union is intended to be the employee's principal occupation; therefore, any additional business associations, which may conflict with an employee's responsibilities at the credit union, should be discussed with the General Manager/Personnel Officer.
- k. **Summation:** Employees must maintain the highest degree of honesty and integrity so that the credit union can, in turn, conduct its operation with high degree of professionalism for the satisfaction of its members.

## 8. Working Hours and Meal Breaks

- a. All employees shall work a *(number of working days)* days of *(number of hours)* excluding meal breaks per week.
- b. Lunch breaks may be taken between *(11:30 am and 2:30 pm)*, at discretion of the credit union. Tea break is allowed for one time 10-minute per day to be taken at the discretion of the Manager/Supervisor.
- c. The credit union may from time to time and at its discretion assign or vary such working time in a pattern deemed necessary to its operation.

## 9. Dress Standards

- a. A professional standard of business dress is required of all employees, regardless of the level of client contact the employee may have. The credit union requires a professional image to be projected at all times.
- b. Corporate Uniform shall be provided to all employees to project an image of professionalism within the credit union. The following uniform standard will be observed:
  - a. Wearing the credit union's corporate uniform is compulsory except (day i.e Friday or any other day in the week) which is regarded as "wash" day. However, on "wash" day, employees are required to wear business dress.
  - b. Name Badges are considered as part of the corporate uniform and are deemed compulsory when the employee has direct contact with a member or is representing the credit union.



c. Dress Standards, Grooming and Presentation -Female

- a. Black shoes, covered heel and toe, medium heel height is recommended for comfort and safety.
- b. Shoes should be polished regularly and heeled when worn down.
- c. Non-standard items that are not part of the uniform must not be worn.
- d. Simple make-up will enhance the female employee appearance in the uniform. Care should be taken to ensure that make-up is kept to a minimum and complements hair and skin color.
- e. Hands should be well cared for, with nails clean. When nails are manicured, it should be well maintained and toned to blend in with the uniform. Bright iridescent nail polish should not be worn.
- f. Hair should be neat and tidy.
- g. Uniforms attract attention. Avoid standing with arms folded (if the uniform is a long sleeve), crossed, putting hands in pockets, or slouching. A relaxed but upright stance will enhance appearance to members. When seated, sit comfortably with straight but relaxed back and shoulders.
- h. Jewelry may be worn with the uniform but it should be simple.

d. Dress Standards, Grooming and Presentation -Male

- a. Top shirts should be properly buttoned.
- b. Care must be taken not to obstruct the Credit Union Logo on the Shirt.
- c. The corporate tie must be worn at all times during business hours or when representing the credit union at events requiring this more formal attire. Exceptions may apply from time to time as determined by the management.
- d. Shoes should be black business shoe. It must be polished regularly and heeled when worn down.
- e. Belts to be worn with trousers at all times. It is recommended that black, dark gray or navy blue socks be worn with the uniform.
- f. Non-standard garments must not be worn.
- g. Moustaches, beards and hair should be neat and tidy.
- h. Hands should be well cared for, with nails clean.
- i. Uniforms attract attention. Avoid standing with arms folded (if the uniform is a long sleeve), crossed, putting hands in pockets, or slouching. A relaxed but upright stance will enhance appearance to members. When seated, sit comfortably with straight but relaxed back and shoulders.
- j. Jewelry may be worn with the uniform but it should be simple.

## 10. Salary

- a. All employees shall be paid in accordance to the Salary Ranges stipulated in Appendix 1 based on their qualifications, experience, merit and performance.
- b. Annual increment is not automatic and is subject to the satisfactory performance of the employee and the profitability of the credit union business.
- c. The credit union is exercising its sole discretion to give annual increment as stipulated in 7.2. above, will do so only on 1<sup>st</sup> January of each year, and in such cases, only confirmed employee shall be eligible.

## 11. Bonus

- a. An employee may be paid bonus or ex-gratia payment at the entire discretion of the credit union.
- b. An employee who resigns or leaves the credit union may be paid full or proportionate bonus at the entire discretion of the credit union.

## 12. Transfer

- a. Transfer of employees shall be at the sole discretion of the credit union and shall not be disputed.
- b. Every employee is subject to transfer from one Department to another within credit union's head office or from the Head office to the Branch office.
- c. Similarly, an employee may request for transfer by filling the prescribed form and such request will be considered according to availability of post applied for.
- d. Where the transfer involves distances of eighty (80) kilometers or more, and such transfer necessitates change of residence, the credit union shall assist the employee by:
  - a. Reimbursing taxi or second-class rail fares for him/her, spouse and children. If he/she possessed his/her own vehicle, he/she may use such for transport with mileage claims reimbursed provided such does not exceed the equivalent to the 2<sup>nd</sup> class train fares.
  - b. Providing lump sum subsidy or relocation allowance of (amount) for married employee and (amount) for unmarried employee.

## 13. Resignation and Termination of Service

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- a. An employee intending to resign from the service of the credit union at any time after his/her confirmation of service is required to give two (2) months notice in writing
- b. The credit union may give similar notice if it wishes to terminate the service of an employee with the exception of those whose services are to be terminated because of grounds of misconduct.

#### 14. Official Public Holiday

- a. The credit union will grant all its employees paid holidays on all public holidays gazetted by the Government in which the employees are working.
- b. All Sundays will be considered rest day.
- c. Any work done at credit union's request on a gazetted public holidays or Sundays shall be paid in accordance with the rates specified in the (*labor code*).

#### 15. Annual Leave

- a. Employees shall be entitled to annual leave as follows:
  - a. \_\_\_\_\_
  - b. \_\_\_\_\_
- b. Annual leave entitlements are calculated based on calendar year and for the purpose of such calculation, a period of fifteen (15) days or more shall be taken as one (1) month and half (1/2) day shall be treated as one day.
- c. Employees (other than those still under probation) may apply for annual leave proportionately as and when earned. However, such leave applied for should not hamper the operation of the credit union.
- d. All applications (Form 2) must be submitted to the respective Department Heads at least seven (7) days prior to going on leave.
- e. An employee shall not absent himself/herself on duty for the purpose of annual leave without prior approval and leave approved may be cancelled at any time exigencies in service.



- f. Annual leave entitled should whenever possible be taken during the year of entitlement and an employee can carry forward unused leave only if application for such is made in writing and written approval is subsequently given. However, the total leave so accumulated should not exceed the annual entitlement.

## 16. Special Leave

- a. The credit union, may at its sole discretion, grant any of its confirmed employees paid leave in addition to his annual leave entitlement for the following purposes:
  - a. **Course** - the duration of the course as approved by the credit union
  - b. **Examination** - not exceeding seven (7) working days per calendar year for employee to actually sit for an examination, which must be certified by the credit union as relevant to his work.
  - c. **Marriage**-an employee shall be entitled to seven (7) working days on the occasion of his/her first marriage.
  - d. **Compassionate** - not exceeding \_\_\_\_\_ (days) in the event of death of death of a parent, grandparent, spouse or child of the employee.
- b. Any application for such leave must be supported by suitable evidence satisfactory to the credit union. As the granting of such leave is at credit union's discretion, any decision so arrived shall be final.

## 17. Maternity Leave

- a. Subject to the provision of (*the law that apply*):
  - a. Female employees who have been employed for a period not less than ninety (90) days during the nine (9) months immediately preceding her confinement will be granted sixty (60) days maternity leave on full pay.
  - b. Maternity leave will be granted after 28<sup>th</sup> week of pregnancy and as far as possible, application of maternity leave shall be made not less than two (2) weeks prior to the date on which it is desired that maternity leave shall commence.
  - c. Leave on account of miscarriage prior to the 28<sup>th</sup> week of pregnancy will not be considered as maternity leave but as normal sick leave.
  - d. A female employee shall not be entitled to such paid maternity leave if at the time of her confinement she has five (5) or more surviving children.

## 18. Emergency Leave



- a. The credit union may at its absolute discretion, grant an employee emergency leave (i.e. leave taken at short notice or without notice) in the following cases:
  - a. in the event of flood or fire which affects the employee's family or property;
  - b. on the death of the employee's brother, sister, uncle, aunt, brother-in-law, sister-in-law, nephew or niece;
- b. Such leave shall be deducted from the employee's annual leave entitlement.
- c. In cases where an employee is still not entitled to annual leave or has used up all his earned leave, the employee may be grant emergency leave, which shall be deducted from his annual leave subsequently.

### 19. Sick Leave

- a. An employee shall be entitled to sick leave (the Employment Act or Labor Code article maybe quoted here)
  - a. Non-hospitalization - thirty (30) days per annum
  - b. Hospitalization - sixty days per annum (inclusive of non-hospitalized sick leave)
- b. Such leave can only be granted if supported by certification by a registered medical practitioner or Government medical officer, must inform the credit union immediately.

### 20. Medical Benefits

- a. An employee who has worked for more than (number of months) will be reimbursed for annual regular physical check-up.
- b. Employees may get reimbursement for their own actual hospital bills within an amount equivalent to (amount of entitlement).<sup>4</sup>

### 21. Mileage Claims

- a. An employee who is requested to travel on credit union's business using his own motor vehicle shall be reimbursed in accordance with his claims as per the following rate:
  - a. A flat rate of (amount) per kilometer in respect of motor car;

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<sup>4</sup> In some countries staff are covered with Health Care Insurance. This should be included in the policy under medical benefits.

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- b. A flat rate of (*amount*) per kilometer in respect of motorcycle.
- b. To be eligible for the above claim, an employee must seek prior approval for the use of his own motor vehicle. No allowance is payable between the employee's residence and the office.

## 22. Mode of Travel

- a. Employees required to travel on credit union's business can travel choosing the most economical means of transportation.
- b. An employee must seek prior approval before the travel.
- c. Travel report should be submitted as prerequisite to travel reimbursement.

## 23. Allowances for Travel

- a. Accommodation - An employee who is required to go outstation on credit union business and stays overnight from his base office shall be reimbursed on production of hotel bills. Accommodation should be on the most economical rate.
- b. Subsistence Allowance shall be provided to the employee on official business. The travel allowance will be paid as follows:
  - a. Local (amount) per day<sup>5</sup>
  - b. Abroad (amount) per day
- c. A day is defined by 24 hours. A fraction of less than 5 hours shall be regarded as half-day.

## 24. Retrenchment and Retirement Benefit

- a. An employee whose service is to be terminated on the grounds of redundancy i.e. whose service are surplus to the credit union's requirements at any time or by reason of any reorganization of the credit union's business, shall be notified in writing at least two (2) month in advance or shall be paid two (2) month's basic salary in lieu of notice in addition to the retrenchment benefit payable to the employee.
- b. The retrenchment benefit shall be one (1) month's last drawn basic salary of the employee for each completed year of service and proportionately for an uncompleted year or service.

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<sup>5</sup> *It should clearly define when an employee is entitled for daily allowance while on official travel in the country.*





- c. The principle of "Las-In-First-Out" according to the categories concerned shall be adopted in selection for retrenchment, subject however to the requirements of skill, ability and other needs of the credit union business.

*Note: Additional provisions on this policy could be added after number 23, thus numbering for Retrenchment and Retirement shall be adjusted accordingly*



<b>SAMPLE</b>
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## Grouping Guide and Salary Ranges

Group	Positions	Salary Range	
		Minimum	Maximum
A	General Manager or equivalent post		
B	Assistant Manager, Department Managers, Chief Financial Officer, Cashier/Treasurer or equivalent post		
C	Assistant Department Manager, Unit Head, Executive Secretary, Accountant or equivalent post		
D	Loan Clerk, Bookkeeper or equivalent post		
E	Office helper, driver and equivalent post		

*Note: This serves as guide; this will be changed in accordance with the organization structure of a particular credit union.*



**SAMPLE**

## Application for Leave

Date: \_\_\_\_\_

Surname: \_\_\_\_\_ First Name: \_\_\_\_\_

Position: \_\_\_\_\_ Department/Division: \_\_\_\_\_

First Day of Leave: \_\_\_\_\_ First Working Day Back: \_\_\_\_\_

<input type="checkbox"/> Vacation Leave <input type="checkbox"/> Maternity Leave	Number of Working days _____ days Number of Public Holiday _____ days Total period of Leave _____ days
<input type="checkbox"/> Sick Leave <input type="checkbox"/> Emergency Leave <input type="checkbox"/> Special Leave	Date Commenced _____ Date Completed _____ Number of Days Absent _____ Doctor's Certificate Attached: _____ Yes _____ No

Reasons for Leave: \_\_\_\_\_

Employee Signature: \_\_\_\_\_

Relief Required: \_\_\_\_\_ yes \_\_\_\_\_ no

Specify proposed arrangements: \_\_\_\_\_

### General Manager's Recommendation:

Leave Approved from: \_\_\_\_\_ to \_\_\_\_\_

Leave Declined because of: \_\_\_\_\_

Relief provided by: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

General Manager



## EMPLOYMENT ADMINISTRATION POLICY

### Objectives:

- All staff members involved in personnel administration have "concrete guidelines" to follow.
- Evaluation of staff does not vary from one individual to another individual.
- Every endeavor is made to maintain a highly professional workforce for the credit union.
- Provide management with a good and effective system of Employment Administration for the professional operation of the credit union.

### 1. Appointment

#### 1.1. Appointment Letter

- Once a candidate is selected to the job, a Letter of Appointment (Form 1) for three months probationary period is to be issued to him/her by the General Manager/Personnel & Administration Manager with a validity date of \_\_\_ days after the date of issuance.
- If the candidate accepts the offer, he/she has to endorse a duplicate and return it to the credit union to indicate acceptance. If the duplicate is not returned after the deadline, the credit union is free to offer the job to another qualified candidate.

#### 1.2. Personnel File

A personnel file is created for him/her and all documents relating to his/her job shall be filed i.e. terms and conditions of service, details of leave application, disciplinary notices, letters of promotion, etc. All these documents should be systematically filed so that easy reference could be made at any time.

### 2. Post Employment Vetting

Post employment vetting will be made for the more sensitive and important positions in the credit union i.e. General Manager, Loan Officer, and Cashier/Treasurer. False information given to the credit is a ground for the Supervisor In-Charge for the termination or non-confirmation of employment after the probationary period. Sample letter for this purpose is in Form 2.

### 3. Confirmation/Non-Confirmation After Probation Period

The General Manager/Personnel and Administration Manager will issue a letter of Confirmation/Non-Confirmation of Employment \_\_\_ days before the expiration of the probationary period. The performance of staff under probation should be evaluated throughout the probation period so that a fair decision is reached at the end of the period.



The supervisor will carry out performance appraisal (Form 3) approximately two to three weeks before the date of confirmation is due. The result will be submitted to the General Manager/Personnel and Administration Manager who will issue the letter of confirmation/non-confirmation.

### **3.1. Confirmation of Employment**

Confirmation of employment of staff under probation will be made with adjustment in salary if the performance of had been outstanding. Otherwise the confirmation is done without salary adjustment.

### **3.2. Extension of Probation**

- A probation period may be extended if the supervisor in-charge/General Manager feels that his/her performance has not met the credit union's expectations and that more time should be given to prove himself/herself.
- The General Manager/Supervisor-In-Charge may amend the job description if he/she cannot be confirmed in the original position but may be suited for another position.
- Extension of the probation period will be done only once. If the staff under probation is still unable to prove his worthiness at the end of the extended probation, his/her services are terminated through non-confirmation.

### **3.3. Non-Confirmation**

If the staff on probation cannot prove that he/she can carry out his job functions satisfactorily, the General Manager/Supervisor In-Charge can opt not to confirm his/her employment. It is sound personnel practice to issue a non-confirmation letter towards the end of the probation period and not before, unless termination is on grounds of misconduct

## **4. Performance Evaluation**

### **4.1. Aims**

- To allow free and confidential discussions about work between staff and management;
- To discuss the staff member's progress and review job performance, in comparison with set job standards;
- To offer and discuss means of improving work performance, such as learning and development needs;
- To enable all staff to make full use of their potential and keep the credit union informed of their needs and aspirations;
- To serve as basis for the annual salary increments.

### **4.2. Process**



- The annual Appraisal will be carried out every \_\_\_\_ of each year.
- The appraisal is an evaluation of staff's performance and has to be evaluated objectively, accurately and fairly.
- The superior assesses his/her subordinates using the prescribed Performance Appraisal Format (Form 4) to discuss their achievement and shortcomings. It is necessary that the evaluation be carried out in the presence of the staff concerned, as this will enable the assessor to point out the deficiency of the employee.
- The superior should provide an excellent opportunity to the staff concerned to take remedial measures with a view to improving those areas of deficiency.
- The superior should offer advice and encouragement pertaining to improved performance;
- The factors considered for evaluation are grouped as follows:

Work Knowledge and Ability  
Work Habits  
Work Attitude  
Work Performance  
Personal Characteristics

## 5. Promotion

Deserving staff could be promoted to a higher position upon the confirmation of the General Manager. If such staff's potential and ability to do well in the new position is guaranteed, the promotion may be unconditional. However, if the employee deserves the promotion but is unsure to live up to the expectations of the new position, the General Manager may opt for a conditional promotion i.e. on a trial or "acting" basis for a period of time subject to confirmation. Sample Letter of Promotion -with condition and Letter of Promotion -without condition is Form 5 and 6 respectively.

**SAMPLE****Form 1**

## Appointment Letter to Successful Job Applicant

(Date)

(Name)  
(Address)

Dear (Mr./Ms.\_\_\_\_\_)

Appointment as (Job Title)

Further to your recent interview, we have the pleasure in making you an offer of employment as (Job Title) effective (Date). The terms and conditions of service are listed below:

1. Job Title and Date of Commencement

Your appointment as (Job Title) will commence on (Date)

2. Salary

Your salary will be (Amount) per month.

3. Probation

You will be on three (3) months probation from the date you join the credit union. Either party will be required to serve seven (7) days notice in the event your service is to be terminated.

4. Duties

Your duties include:

- a.
- b.
- c.

5. Working Hours

The credit union normal working hours of the credit union follows:

- a. 8:00a.m. to 5:00 p.m. - Monday to Friday
- b. 8:00 a.m. to 12:00 noon - Saturday



## 6. Transfer

The credit union reserves the right to transfer you to any branch without assigning any reason.

## 7. General Conduct

During your employment, you will naturally wish your conduct to be such as not to discredit you or the credit union and you will be expected to perform the duties assigned to you in a loyal, efficient, trustworthy and honest fashion. You will also be expected to conduct your private affairs in a manner befitting your status within the credit union.

During the continuance of your employment with us, you will at all times faithfully and diligently perform and observe such duties as may from time to time be assigned to you by your superiors. You are expected to devote the whole of your time and attention to the discharge of the duties and functions developed upon you.

You will not engage directly or indirectly in any other employment without the written consent of the General Manager. You shall not divulge any matters, which may come to your knowledge relating to the affairs of the credit union and its personnel.

## 8. Leave Entitlement

After twelve (12) months of continuous service, you will be entitled to \_\_\_\_ days of annual leave.

## 9. Provident Fund

The credit union will contribute a sum equivalent to \_\_\_\_% of your salary to the Employees' Provident Fund. Your contribution of \_\_\_\_ % of your salary will be deducted by the credit union from your monthly salary.

*(Note: other similar type of benefit would replace this. In other countries this is equivalent to the Social Security System, Housing Development and Mutual Fund etc.)*

10. 13<sup>th</sup> month and Bonus

You will be entitled to a 13<sup>th</sup> month pay. The payment of bonus is made entirely the discretion of the Directors after the completion of one year of service and at the end of each financial \_\_\_\_\_ year. The quantum may vary with each staff member according to service and performance.





### 11. Medical Expenses

The credit union will pay your personal medical expenses, excluding specialist fees, maternity fees, dental and optical treatment. Medical advice when paid for by the credit union, must at all times secured from the credit union appointed doctors.

### 12. Personal Accident Cover

All permanent and monthly paid employees will be provided Personal Accident coverage equivalent to their annual salary.

### 13. Termination of Employment

The notice of termination of service either party during the probation period shall be seven (7) days.

### 14. Alterations

If, for any reason whatsoever, the credit union wishes to alter these terms and conditions of service in any way, it reserves the right to do so entirely at its discretion. Any alteration, amendment or addition to these terms and conditions of service shall be advised to you in writing.

### 15. Acknowledgement

Your signature on the duplicate of this letter shall be taken to signify your understanding and full acceptance of the conditions outlined herein which are applicable to your employment.

You shall retain the original copy of this letter and return the duplicate copy bearing your signature before (date).

Yours truly,

(Name)

General Manager/Personnel and Administration Manager

I, (Name of Employee), understand and acknowledge the receipt of this letter.

---

Signature of Employee

---

Date



Form 2

**SAMPLE**

**Post-Employment Vetting Letter to New Employee's Former Employer(s)**

(Date)

(The Manager)  
(Organization)  
(Address)

Dear Sir:

**Re: (Employee's Name)**

The above-mentioned person has joined our credit union as a (Job Title).

We would appreciate greatly if you would care to assist us by providing the following information pertaining to this employee, in the spaces (provided below) on the copy, and thereafter returning the copy in the stamped and self-addressed envelope enclosed.

1. When did you first employ him/her?

\_\_\_\_\_

2. For what post was he/she employed?

\_\_\_\_\_

3. At what starting salary?

\_\_\_\_\_

4. When did he/she leave your company?

\_\_\_\_\_

5. What was his/her last position held?

\_\_\_\_\_



6. What was his/her last drawn salary?

---

7. Do you have any other comments (THIS WOULD BE STRICTLY CONFIDENTIAL) about this employee?

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The above confidential information is provided by:

---

Name

---

Designation

---

Signature

We thank you for your kind cooperation.

Yours sincerely,

General Manager/ Personnel and  
Administration Manager



Form 3

SAMPLE

### New Employee's Performance Appraisal Form

Employee's Name : \_\_\_\_\_

Designation : \_\_\_\_\_

Department/Division : \_\_\_\_\_

A: Appraisal

Factors	Poor	Fair	Average	Good	Excellent
General Ability					
Work Accuracy					
Work Attitude					
Getting Along with Others					
Time Keeping					
Daily Attendance					

Any Other Comment(s):

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Recommendation (please tick any one of the following):

- ( ) Employee is to be confirmed.
- ( ) Probationary period to be extended.
- ( ) Employee is unsuitable and his/her employment is to be terminated.

Date: \_\_\_\_\_ Signature: \_\_\_\_\_

Name and Position



Form 4

## Performance Appraisal

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Name: \_\_\_\_\_ Division: \_\_\_\_\_

	Since (Date)	Job Title	Group	Salary
Commencement				
Present				

Qualification(s) prior year: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Examinations passed during the year: \_\_\_\_\_

\_\_\_\_\_

Courses attended during the year: \_\_\_\_\_

\_\_\_\_\_

Period of Appraisal: From: \_\_\_\_\_ to \_\_\_\_\_

The appraisal is an evaluation of an employee's performance and has to be evaluated objectively, accurately and fairly. In doing this evaluation, favoritism has to be totally ruled out.

It is important that this evaluation be carried out in the presence of the employee concerned, as this will enable the assessor to point out the deficiency of the employee. In doing so, it will provide an excellent opportunity to the employee concerned to take remedial measures with a view to improving those areas of deficiency. Advises and encouragement pertaining to improved performance are highly recommended.

The factors considered for evaluation are grouped as follows:

- |                            |       |           |
|----------------------------|-------|-----------|
| Work Knowledge and Ability | ..... | 20 points |
| Work Habits                | ..... | 20 points |
| Work Attitude              | ..... | 20 points |
| Work Performance           | ..... | 20 points |
| Personal Characteristics   | ..... | 20 points |



<b>A. Work Knowledge and Ability</b>					
<b>Factors</b>	<b>5 Points</b>	<b>4 Points</b>	<b>3 Points</b>	<b>2 Points</b>	<b>Score</b>
The Job	Thoroughly understands all aspects of job and does not need any guidance or checking. <input type="text"/>	Possesses required knowledge to do a job well and requires little guidance. <input type="text"/>	Has the knowledge of an average worker to do a satisfactory job. <input type="text"/>	Minimum knowledge of job and performs unsatisfactorily <input type="text"/>	
Understanding and critical ability	Exceptionally good in analyzing and solving work problems. <input type="text"/>	Good in analyzing and coping with work problems. <input type="text"/>	Can deal with routine work problems and cope with new problems. <input type="text"/>	Needs assistance in solving work problems, otherwise unable to cope. <input type="text"/>	
Writing Skills	Writes exceptionally well and written work is well presented. <input type="text"/>	Capable in making his/her points in writing. <input type="text"/>	Average skills writing skills. <input type="text"/>	Cannot express himself/herself clearly on paper. <input type="text"/>	
Oral Expression	Very lucid, convincing and to the point. <input type="text"/>	Puts his/her points across well. <input type="text"/>	Express himself/herself adequately. <input type="text"/>	Does not put his/her points across well. <input type="text"/>	
<b>Sub-Total</b>					



<b>B. Work Habits</b>					
<b>Factors</b>	<b>5 Points</b>	<b>4 Points</b>	<b>3 Points</b>	<b>2 Points</b>	<b>Score</b>
Initiative	Full of initiative, self-starter and makes practical suggestions.  <input type="text"/>	Usually works independently, with little guidance.  <input type="text"/>	Requires normal amount of guidance.  <input type="text"/>	Always has to be directed.  <input type="text"/>	
Dependability	Reliable and requires no supervision.  <input type="text"/>	Usually can be depended upon with little supervision.  <input type="text"/>	Requires normal supervision.  <input type="text"/>	Requires considerable amount of supervision. Does not always follow directions.  <input type="text"/>	
Perseverance	Sticks to the job until results are achieved.  <input type="text"/>	Does not give up easily.  <input type="text"/>	Normally sees job through.  <input type="text"/>	Tendency to give up easily.  <input type="text"/>	
Orderliness	Always keeps workplace well arranged.  <input type="text"/>	Work place seldom out of order.  <input type="text"/>	Requires little follow-up in maintaining place in proper order.  <input type="text"/>	Work place usually messy and not in proper order.  <input type="text"/>	
<b>Sub-Total</b>					



<b>C. Work Attitude</b>					
<b>Factors</b>	<b>5 Points</b>	<b>4 Points</b>	<b>3 Points</b>	<b>2 Points</b>	<b>Score</b>
Interest	Has high interest in job. Shows great enthusiasm. Self-staining and look for new responsibilities <input type="text"/>	Requires very little direction in new areas of responsibility. <input type="text"/>	Carries out only the most obvious tasks without follow-up. <input type="text"/>	Hardly any enthusiasm and interest in the job. <input type="text"/>	
Attitude towards organization's policies	Understands and appreciates organization's policies and their purposes. <input type="text"/>	Accepts and adheres to organization's policies willingly with little reminder. <input type="text"/>	Accepts and adheres to organization's policies but requires some reminding. <input type="text"/>	Does not seem to accept and complains about organization's policies. <input type="text"/>	
Attitude towards supervision	Appreciates guidance when offered. <input type="text"/>	Willing to accept suggestions and constructive criticism. <input type="text"/>	Accepts the normal supervision required of a job. <input type="text"/>	Has difficulty in adapting to new methods or instructions. <input type="text"/>	
Attitude towards Colleagues	Goes out of his/her way to be cooperative, helpful, friendly and courteous to colleagues. <input type="text"/>	Usually cooperative, friendly, and courteous. <input type="text"/>	Extends normal cooperation, friendliness and courtesy. <input type="text"/>	Relations with others not too good. Occasionally quarrelsome. <input type="text"/>	
<b>Sub-Total</b>					





<b>Work Performance</b>					
<b>Factors</b>	<b>5 Points</b>	<b>4 Points</b>	<b>3 Points</b>	<b>2 Points</b>	<b>Score</b>
Quantity of Work	Maintains unusually high workload. <input type="text"/>	Usually does more than is expected. <input type="text"/>	Does sufficient amount of work. <input type="text"/>	Turns out inadequate workload. <input type="text"/>	
Quality of Work	Consistently complete and thorough, rarely make mistakes. <input type="text"/>	Careful and seldom needs corrections. <input type="text"/>	Work acceptable by maintaining a normal record of accuracy. Makes occasional mistake. <input type="text"/>	Careless and inconsistent in work. Needs checking. <input type="text"/>	
Work Speed	Exceptionally fast <input type="text"/>	Rapid <input type="text"/>	Average <input type="text"/>	Slow <input type="text"/>	
Responsibility	Accepts all responsibilities and meets crisis well. <input type="text"/>	Consistently tries to fulfil job responsibilities <input type="text"/>	Accepts but does not seek responsibilities <input type="text"/>	Avoids responsibility and tends to "pass the buck". <input type="text"/>	
<b>Sub-Total</b>					



<b>Personal Characteristics</b>					
<b>Factors</b>	<b>5 Points</b>	<b>4 Points</b>	<b>3 Points</b>	<b>2 Points</b>	<b>Score</b>
Leadership	Tends to take the lead and inspire staff or colleagues to give their utmost. <input type="text"/>	Can inspire staff or colleagues to a good extent. <input type="text"/>	Can inspire staff or colleagues adequately. <input type="text"/>	Has difficulty in getting staff or colleagues to "move". <input type="text"/>	
Courtesy	Always courteous and effective in handling people. <input type="text"/>	Courteous and handles people satisfactorily. <input type="text"/>	Courteous but occasionally needs supervision in handling people. <input type="text"/>	Not very courteous and has difficulty in dealing with people. <input type="text"/>	
Decisiveness	Can grasp a situation quickly and make very effective decisions. <input type="text"/>	After some thought can make reasonably effective decisions. <input type="text"/>	Slow in making decisions. <input type="text"/>	Wishy-washy indecisive. (fast in making decisions) <input type="text"/>	
Appearance (Personal Grooming habits)	Outstanding and makes excellent impression. <input type="text"/>	Neat. Better than average impression. <input type="text"/>	Presentable by average standards. <input type="text"/>	Careless, unkempt. <input type="text"/>	
<b>Sub-Total</b>					
<b>Total Score</b>					



Attendance: Number of times of unauthorized absence sine the last appraisal : \_\_\_\_\_

Punctuality: Number of times late for work since the last appraisal : \_\_\_\_\_

Warnings: Number of time in receiving warnings (state verbal or written):

\_\_\_\_\_

The total points scored will serve as a guide to the employee's performance level:

- Outstanding - 90 to 100
- Above Average - 70 to 89
- Average - 55 to 69
- Manageable - 50 to 54
- Unsatisfactory - 0 to 49

**Recommended for Promotion/Salary Increment**

**Not Recommended for Promotion**

**Exceptionally well qualified**  
(seems likely to stand out in the higher grade and go still further).....

**Likely to Qualify in Time** (not able to do the higher job at present, but should qualify after more experience).....

**Well qualified** (well-fitted for Immediate promotion and likely to do really well in higher grade).....

**Unlikely to Qualify** (shows little or no promise) .....

**Qualified** (Able to do the higher Job adequately) .....

**Training and Development Needs:**

Please identify the training needs required by the employee for further development:

\_\_\_\_\_  
\_\_\_\_\_

If recommended for promotion, please indicate the kind of duties the employee would be best-suited and/or any other suggestions.

\_\_\_\_\_  
\_\_\_\_\_

General remarks by immediate superior:

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Signature: \_\_\_\_\_ Designation: \_\_\_\_\_  
Name

Date: \_\_\_\_\_

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I, \_\_\_\_\_ have understood the contents of the appraisal.  
(name of Employee being appraised)

Employee's comments (if any pertaining to his interest and career plan in line with the organization's progress):

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**Final Report and Countersignature of General Manager**

Signature: \_\_\_\_\_ Date: \_\_\_\_\_



Form 4-A

# Performance Appraisal A Subjective Model for Executive Staff

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## Section 1

- 1. Name of Staff : \_\_\_\_\_
- 2. Job Title/Grade : \_\_\_\_\_
- 3. Department : \_\_\_\_\_
- 4. Length of Service : \_\_\_\_\_
- 5. Time in Present Post : \_\_\_\_\_
- 6. Date of Last Appraisal : \_\_\_\_\_

\_\_\_\_\_  
Name of Appraiser : \_\_\_\_\_  
Signature of Appraiser : \_\_\_\_\_  
Date of Appraisal : \_\_\_\_\_  
\_\_\_\_\_

## Description of Principal Duties of Appraised:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Section 2**

**Individual Attributes** (See definition on pages 195-196 )

	1	2	3	4	5	6	7	8	9	10
Team Work										
Loyalty to the organization										
Cooperation										
Work Accuracy										
Adaptability										
Social Attributes										
Initiative										
Knowledge of Work										
Managerial Competence										
Sub-Total										
<b>Final Total</b>										
<b>Total on Previous Appraisal</b>										

**Section 3 - Performance in job-improvement required at last review.**

What improvement was required at last review?

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What improvement has occurred since last review?

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**Assessment of performance in job since last review.**

	Key Areas of Job	Assessment				
		Out-standing	Very Effective	Average	Below Average	Unsatisfactory
1.						
2.						
3.						
4.						
5.						
6.						
7.						
8.						

**Section 4** Overall summary of performance including an assessment of the extent to which the job is being done fully and well.

Indicate the main strengths of employee:

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Indicate main weaknesses of employee:

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**Section 5:** Were the set of objectives achieved -indicate performance

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**Section 6:** Objectives/Action Plan - Establish objectives and areas for improved with targets

Objectives	Targets to be Achieved	Time Scale

**Section 7:** Future Development -Indicate Potential

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**Section 8:** Appraiser's Comments - which will be reviewed by the Head of the Department.

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Signature of Appraisee: \_\_\_\_\_ Date: \_\_\_\_\_



## DEFINITIONS OF INDIVIDUAL ATTRIBUTES

Attributes	Outstanding	Unsatisfactory
<b>Leadership</b>	His/her presence puts heart into others and his/her example gives them an excellent standard by which to judge their own behavior. He/She demands nothing of others that he/she is not prepared to give at least an equal measure him/herself. His/Her subordinates respond eagerly to his/her directions and he/she commands obedience with rank and affection with impartiality. His/her juniors know that they can count on his/her understanding sympathy.	He/She exercises little influence over his/her subordinates other than by his/her poor example. He/She accepts from others his/her own low standard of discipline and his/her temperament makes him/her incapable of effective command. He/She is inconsiderate for the feelings of others and takes no interest in his/her subordinates, their welfare or domestic circumstances.
<b>Teamwork</b>	A highly respected and effective team member who works in harmony with others. Tactful and helpful to everyone at all time, he/she participates fully in a wide range of activities and adopts the right approach to superiors and subordinates alike. His/Her presence in a team gives it a high chance of success.	Solitary and tactless, does not easily respond to the ideas of others, and unyielding. His/Her abrasive manner invites a hostile response, he/she is a disruptive element in team activities and is best left to work on his/her own.
<b>Loyalty</b>	An individual who places the organization's interests above his/her own. He/She has a profound affection for the organization and is enthusiastic fulfilling his/her responsibilities. He/She is unswerving in his/her support for superiors and juniors alike and can always be trusted to give impartial advice.	His/Her chief obligation to his/her own selfish purposes-he/she is in the organization for what he/she can get out of it. He/She sees very little value in the profit virtues. Whilst his/her ability may not be in doubt, his/her support would be suspect at times of need.
<b>Cooperation</b>	Peers, subordinates and superiors regard him as someone who considers others before him/herself -nothing too much trouble.	He/She will always find a reason why he/she cannot do something. When instructed to do something will usually moan about it to his/her superior and/or others.
<b>Accuracy</b>	He/She will always ensure accuracy in his/her work and will be known as a person whose work does not need checking.	He/She will have developed reputation where his/her work always needs checking and invariably contains errors and inaccuracies. The general quality of his/her work is poor.

Attributes	Outstanding	Unsatisfactory
<b>Adaptability</b>	An individual who possesses the total capability of adjusting his/her approach and relationship to people, tasks and situation to suit to circumstances without abrogating his/her principles or becoming what might be regarded as a spineless individual.	An individual who is incapable of adjusting his/her approach and relationship to people, tasks and situation to suit various circumstances.
<b>Social Attributes</b>	At ease in every company and in all situations he/she displays the utmost courtesy and consideration for others. His/Her fine presence and his/her inspired an immaculate turn out, together with his/her well balanced humor, enlivens every occasion.	An awkward individual given to discourtesy and insensitive to the feelings of others. An insignificant figure matched by a slovenly appearance. His/Her sense of humor is invariably misplaced.
<b>Initiative</b>	An individual who makes a decision and/or takes action in circumstance where there is no prescribed guidance, and in which the decision is likely to create a significant precedent.	An individual who is unlikely to make a decision or take action unless there is a prescribed guidance or he/she has referred the matter to a superior even then the decision is unlikely to create a significant precedent.
<b>Knowledge</b>	An individual who has a total command of all the knowledge required to undertake, in a any circumstances, all the tasks he/she is likely to meet.	An individual who is likely to be lacking in knowledge relating to some tasks which he/she may be expected to encounter.
<b>Managerial Competence</b>	Exceptionally capable in providing effective control, foreseeing difficulties, dangers, and correcting errors, whilst allowing the optimum delegation of authority. A master at organization and planning, who is quick to recognize priorities to put them into effect, logically and systematically, and who is able to evaluate accurately the results achieved. He/She employs the resources under his/her control in the most economic way.	Fails to provide effective supervisory or managerial control over his/her subordinates, is a poor organizer/planner, who works without method of foresight. Seldom evaluates correctly the results achieved. Over or under delegates responsibility. Has little sense of cost-effectiveness and either fails to detect most areas or allows areas to go unchecked in his/her subordinates.

Form 5

**SAMPLE****Letter of Promotion- with Condition**

(Date)

(Name of Employee)  
Present Position

Dear Mr./Ms.

**RE: Promotion**

We are pleased to inform you that you have been selected for promotion for the position of (post) with effect from (date).

This promotion is subject to your successfully completing six months trial period (which may be extended for another three months at the sole discretion of the credit union) during which time you shall receive a monthly 'Acting Allowance' of (amount) in addition to your existing salary.

On confirmation, the 'Acting Allowance' shall cease although an equivalent to your existing salary as total basic salary. In the event of your not being confirmed in this position, you shall revert to your former position or be reassigned to a position equivalent to your former position and the 'Acting Allowance' shall cease altogether.

We trust you shall endeavor to give your best effort to our credit union at all times.

Yours sincerely,

General Manager/Personnel & Administration  
Manager

c.c. : Department Head



Form 6

**SAMPLE****Letter of Promotion- without Condition**

(Date)

(Name of Employee)  
Present Position

Dear Mr./Ms.

**RE: Promotion**

In recognition of your good performance, we are pleased to inform you that you have been promoted to the position of (post) with effect from (date). Your basic salary shall be adjusted to (amount) per month.

Please accept our heartiest congratulations. We wish to thank you for your contributions and look forward to your continued dedication and support.

Yours sincerely,

General Manager/Personnel & Administration  
Manager

c.c. : Department Head



**SAMPLE**

## Job Description

**POSITION TITLE:** Teller/Cashier**DIVISION/DEPARTMENT:** Operations Department**TITLE OF IMMEDIATE SUPERVISOR:** Operations Manager**DATE OF LAST REVIEW OF JOB DESCRIPTION:****POSITION IS:** Full Time: \_\_\_\_\_ Part Time: \_\_\_\_\_ Temporary: \_\_\_\_\_

### PRIMARY PURPOSE OF JOB

Acts as a credit union representative to the public. Performs all transactions authorized to be performed at teller windows. Provides information and assistance to members on all transactions. Cross-sells other credit union products and services as appropriate. First-line responsibility for identifying transactions and situations subject to various reporting and compliance requirements, such as suspicious activity reports.

### PRINCIPAL DUTIES AND RESPONSIBILITIES

- Conducts individual member transactions involving member accounts, including deposits, withdrawals, loan payments, cash advances, and issues authorized disbursements;
- Answers members' questions and responds to problems and complaints about credit union accounts and services;
- Explains operation of credit union policies to members;
- Cross-sells appropriate products and services to members;
- Performs miscellaneous duties as required and as time permits, including, but not limited to, processing address changes, filing, running cash and checks to general ledgers, etc.



**SUPERVISORY RELATIONSHIPS**

Reports Directly to: \_\_\_\_\_

Other positions supervised: \_\_\_\_\_

Level of supervisory authority of position: \_\_\_\_\_

**INTERNAL AND EXTERNAL CONTACTS:**

Extensive daily contact with members. Frequent daily contact with other functional areas of credit union. Occasional contact with external sources of information in local area, to respond to members' questions and issues, or to get information needed to do the job.

**EDUCATION AND EXPERIENCE REQUIRED**

High school diploma or equivalent required, with focus on business or mathematical skills. Two years of experience in cash handling, customer service, light clerical work including use of computers desired.



# Strategic Planning Workbook

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# Preface

**T**HE PRESENT MARKET environment is very much competitive. Credit union managers and leaders should perform the task of managing change and ensuring that their credit union is financially strong and providing competitive products and services. Thus, credit unions must adopt aggressive strategies to cope up with the changes in the marketplace.

This book, “Making Strategic Planning a Great Challenge of a Lifetime” will help managers and leaders of credit unions to examine the real position of their credit unions in the competitive environment. The workbook will guide the credit union Board and management to prepare their own plan without or with minimum guidance of a technical person.

Strategic planning is the determination of the future posture of the credit union with special reference to its products and services, its viability, its size, its rate of innovation and its relationship with its management, external institutions and environment.

The workbook introduces a simplified format for planning, which is self-explanatory. Critical analysis of each step is essential to facilitate the formulation of an aggressive and opportune “strategic game plan.” Furthermore, this workbook intends to bring the following benefits for the strategic management of credit unions:

- Establish a clear-cut direction and take proactive position in shaping the credit union’s future . . . How the credit union be like some 3 years from now?

- Leaders and Managers will gain an insightful understanding of what business they are in.
- Gain knowledge of members’ needs as basis of packaging need-based competitively priced products and services.
- The credit union products and services tuned-in the market trends and new opportunities . . . it is not conservative or traditional type.
- The credit union measures success in terms of how well it is competing in the marketplace.
- The Board and management develop skills on “Strategic Thinking as the process is focused on target market segment, competitive positioning as well as ensuring high degree of operational efficiency.

ACCU seeks every opportunity to provide value-added services to its members. You could use this workbook acknowledging ACCU.

ACCU develops this workbook part of the project on Institutional Development of Credit Unions in Asia (INDECUA), supported by MISEREOR, the Netherlands.



Association of  
Asian Confederation of Credit Unions

## IMPORTANT THINGS TO KNOW BEFORE THE PLANNING EXERCISE!

THE DIAGRAM in the next page is the process of Strategic Planning you need to follow through.

Here are some questions that perhaps are in your mind:

### **Who is going to prepare the Strategic Plan of your credit union?**

- The Board of Directors is responsible in preparing the plan;
- The Board of Directors can appoint a Strategic Planning Committee representing the Board, Sub-Committees, Management, and selected members.

### **What are the things you need to complete before starting to plan (plan to plan)?**

1. Allocate budget for planning related activities such as research, member surveys, consultations with members, and planning sessions costs;
2. Schedule of the planning dates-**WHEN** and **WHERE**. The Manager and Chairman/Chairman of the Planning Committee develop a timetable. The planning process takes at least 6 months but planning is a continuous process.
3. Identify information needed for planning such as credit union financial statements, trends, membership issues, and products and services issues.

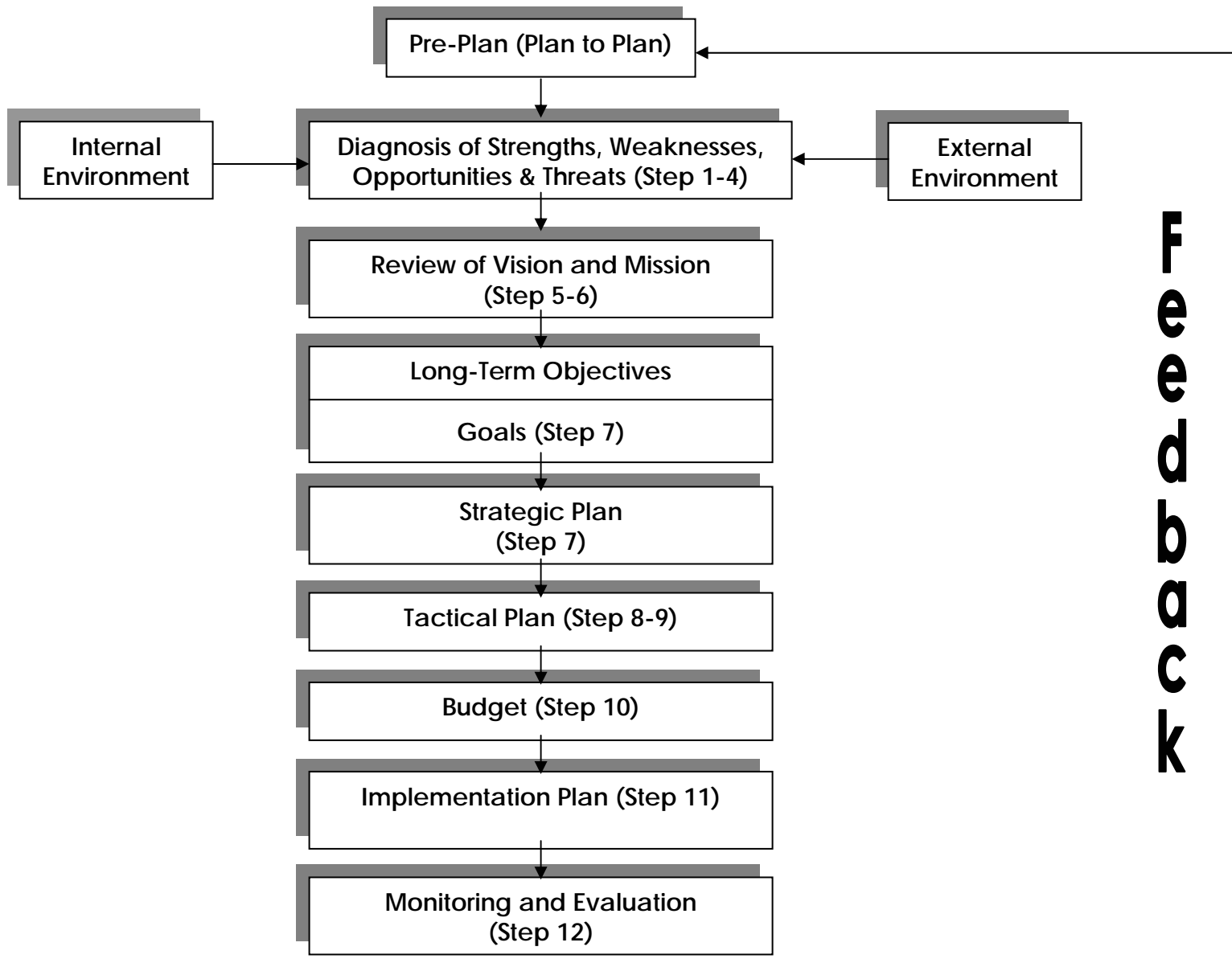
4. Prepare for the assessment of external environment, which requires competitor analysis, socioeconomic trends in local community and other demographic statistical information.
5. Make sure of the readiness and commitment of the Board of Directors, Management staff and Committees on the planning process through meetings.
6. Consider facilitation process by an external planning facilitator preferably from the National Credit Union Federation/League to provide objectivity in confronting issues and guidance to ensure that the process is not losing its track. Though this book is prepared to guide credit unions to facilitate their own planning, the role of an external facilitator is important to balance the results of the plan. It would avoid biases and subjectivity on looking at various organizational issues.

### **Strategic Planning is a special planning session or workshop designed to address the following fundamental questions:**

- Where are we now? – The situation analysis
- Where are we going or where should we be going?–Visioning
- How do we get there? –Your mission, objectives, goals, and strategies



# STRATEGIC PLANNING PROCESS





**Step 1**

## What Opportunities and Threats do the external environment has posed to your credit union?

Your answers to the following questions are the basis of identifying opportunities you can exploit and threats you need to overcome.

Things you need to be concerned about your environment	Opportunities to be exploited	Threats to be avoided or responded																								
<p>1. What is your Market Profile?</p> <ul style="list-style-type: none"> <li>▪ What is the total population of your area of operation: _____ <i>(This is your potential market)</i></li> <li>▪ Is it Urban____ Rural ____or Both_____</li> </ul> <p><b>Analysis of your Potential Market</b></p> <ul style="list-style-type: none"> <li>▪ Age segment of the market: <table border="0" style="margin-left: 40px;"> <thead> <tr> <th></th> <th style="text-align: center;">Potential Members</th> <th style="text-align: center;">Members</th> </tr> </thead> <tbody> <tr><td>12 below</td><td>_____</td><td>_____</td></tr> <tr><td>13-19</td><td>_____</td><td>_____</td></tr> <tr><td>20-29</td><td>_____</td><td>_____</td></tr> <tr><td>30-39</td><td>_____</td><td>_____</td></tr> <tr><td>40-49</td><td>_____</td><td>_____</td></tr> <tr><td>50-59</td><td>_____</td><td>_____</td></tr> <tr><td>60 above</td><td>_____</td><td>_____</td></tr> </tbody> </table> </li> <li>▪ Gender <ul style="list-style-type: none"> <li>% of female _____</li> <li>% of male _____</li> </ul> </li> <li>▪ Monthly Income Ranges <ul style="list-style-type: none"> <li>Under Pesos 7,000 _____</li> <li>8,000-15,000 _____</li> <li>16,000-20,000 _____</li> <li>21,000-30,000 _____</li> <li>31,000-50,000 _____</li> <li>51,000-70,000 _____</li> <li>71,000-100,000 _____</li> <li>Above 100,000 _____</li> </ul> </li> </ul>		Potential Members	Members	12 below	_____	_____	13-19	_____	_____	20-29	_____	_____	30-39	_____	_____	40-49	_____	_____	50-59	_____	_____	60 above	_____	_____		
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50-59	_____	_____																								
60 above	_____	_____																								

Things you need to be concerned about your environment	Opportunities to be exploited	Threats to be avoided or responded																												
<p>2. What is your competitive position in the present market (within your area of operation)?</p> <ul style="list-style-type: none"> <li>How many financial institutions are operating in your area and are providing financial services to your potential members?</li> </ul> <table border="0" data-bbox="138 422 1199 909"> <thead> <tr> <th></th> <th>Number</th> <th>Approx. No. of clients</th> <th>Unique Characteristics of Of their products &amp; services Loans &amp; Savings</th> </tr> </thead> <tbody> <tr> <td>Banks</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>NGOs/MFIs</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Pawnshops</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Paluwagan</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Lending Inv.</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Others</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>Number of members accessing the services of the above financial institutions? _____</li> <li>How would you assess the operation of the above financial institutions? <ul style="list-style-type: none"> <li>_____ Expanding operations</li> <li>_____ Will go village to village</li> <li>_____ Will capitalize on "services delivered to clients' doorsteps"</li> <li>_____ Will innovate their services to reach more clients</li> </ul> </li> </ul> <p>Other opinion:</p> <p>_____</p> <p>_____</p>		Number	Approx. No. of clients	Unique Characteristics of Of their products & services Loans & Savings	Banks	_____	_____	_____	NGOs/MFIs	_____	_____	_____	Pawnshops	_____	_____	_____	Paluwagan	_____	_____	_____	Lending Inv.	_____	_____	_____	Others	_____	_____	_____		
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Others	_____	_____	_____																											

Things you need to be concerned about your environment	Opportunities to be exploited	Threats to be avoided or responded																				
<p><b>3. Political Situation</b></p> <ul style="list-style-type: none"> <li>Is there any development programs run in the area of operation with political agenda? Yes___ No___. If yes, how does it affect your credit union?</li> </ul>																						
<p><b>4. Economic Condition</b></p> <ul style="list-style-type: none"> <li>Is there a seeming vulnerability to recession or business cycle that might have a direct affect to your members and community? Yes___ No___. If yes, what are those (please check)</li> </ul> <table border="0" style="width: 100%;"> <tr> <td style="text-align: center;"><b>Economic Growth Indicators</b></td> <td style="text-align: center;"><b>Economic Crisis Indicators</b></td> </tr> <tr> <td>___ Opening up new business enterprise</td> <td>___ Closing down of business enterprise</td> </tr> <tr> <td>___ High or constant economic growth</td> <td>___ no economic growth</td> </tr> <tr> <td>___ Stable interest rate</td> <td>___ Changing interest rate</td> </tr> <tr> <td>___ Increasing unemployment</td> <td>___ Increasing employment opportunities</td> </tr> <tr> <td>___ Increasing cost of living</td> <td>___ Stable cost of living</td> </tr> <tr> <td>Others:</td> <td></td> </tr> <tr> <td>_____</td> <td>_____</td> </tr> <tr> <td>_____</td> <td>_____</td> </tr> <tr> <td>_____</td> <td>_____</td> </tr> </table>	<b>Economic Growth Indicators</b>	<b>Economic Crisis Indicators</b>	___ Opening up new business enterprise	___ Closing down of business enterprise	___ High or constant economic growth	___ no economic growth	___ Stable interest rate	___ Changing interest rate	___ Increasing unemployment	___ Increasing employment opportunities	___ Increasing cost of living	___ Stable cost of living	Others:		_____	_____	_____	_____	_____	_____		
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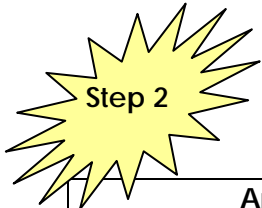


Things you need to be concerned about your environment	Opportunities to be exploited	Threats to be avoided or responded
<p><b>5. Understanding the Social Values of your market . . .</b></p> <ul style="list-style-type: none"> <li>▪ What are the changes in the social values of the people today compared 20 years ago?</li> </ul> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <ul style="list-style-type: none"> <li>▪ Do you think people's priority like cooperation and volunteerism are decreasing? Yes ___ No___ If yes, what are the priorities of people as influenced by market economy?</li> </ul> <p>_____ higher education          _____ Workplace</p> <p>_____ Sophisticated Services      _____ Higher standard of living</p> <p>Others:</p> <hr/> <hr/> <hr/> <hr/>		



Things you need to be concerned about your environment	Opportunities to be exploited	Threats to be avoided or responded																																									
<p><b>6. Technology . . .</b></p> <ul style="list-style-type: none"> <li>What are the technologies used by competitors for efficient service delivery to clients/members?</li> </ul> <table border="0" data-bbox="197 435 1180 841"> <tr> <td>Existing ones</td> <td>What your competitors have?</td> <td>What do you have?</td> </tr> <tr> <td>Telephone</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Fax Machine</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Internet/E-mail</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Video/Television</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Radios</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Computers</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>ATMs</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Internet Banking</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Automatic Voice Response</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Others</td> <td>_____</td> <td>_____</td> </tr> </table> <ul style="list-style-type: none"> <li>What are the new technologies you need to adopt to enhance the delivery of financial services to your members?</li> </ul> <table border="0" data-bbox="197 980 1180 1214"> <tr> <td>New Technology</td> <td>What benefits you can bring to your CU?</td> </tr> <tr> <td>_____</td> <td>_____</td> </tr> <tr> <td>_____</td> <td>_____</td> </tr> <tr> <td>_____</td> <td>_____</td> </tr> </table> <ul style="list-style-type: none"> <li>Do you have resources to embrace the new technology? Yes: ____ No: ____</li> </ul>	Existing ones	What your competitors have?	What do you have?	Telephone	_____	_____	Fax Machine	_____	_____	Internet/E-mail	_____	_____	Video/Television	_____	_____	Radios	_____	_____	Computers	_____	_____	ATMs	_____	_____	Internet Banking	_____	_____	Automatic Voice Response	_____	_____	Others	_____	_____	New Technology	What benefits you can bring to your CU?	_____	_____	_____	_____	_____	_____		
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**Summarize the Opportunities and Threats identified.**  
*(Remember every Threat can be converted into an opportunity! "Winner sees green in every sand traps")*

Areas	Opportunities to be exploited	Threats to be avoided or responded
1. Market Profile of your credit union		
2. Political Situation		

Areas	Opportunities to be exploited	Threats to be avoided or responded
3. Economic Condition		
4. Social Values		
5. Technology		





## Assess the Internal Strengths and Weaknesses of your Credit Union.

# How?

### By the use of COOP-PESOS

- Financial data from the last two years financial statements i.e. Balance Sheet and Income Statement will be used for this purpose. The financial statements represents how well the Board of Directors of your credit union fulfill their role of adopting appropriate policies for the sustainability and viability of your organization. It is also the measurement of the management efficiency in running the credit union. The PESOS, in a quantitative expression, clearly demonstrates the problem areas. This would certainly make your planning a lot easier.

### Instruction:

In a separate sheet, prepare the COOP-PESOS rating of your credit union for the last two years and the latest financial statement. It is important to observe the trend and it would be necessary to have two-year comparative rating.



**Summarize the Strengths & Weaknesses of your credit union using COOP-PESOS & Assessment compared with the environment**

Areas	Strengths	Weaknesses
<p><b>1. Financial Performance (please refer to COOP-PESOS)</b>  <i>Examples:</i></p> <ul style="list-style-type: none"> <li>▪ Delinquency-high or low</li> <li>▪ Capitalization-savings, shares, institutional capital</li> <li>▪ Liquidity-is it a problem or not?</li> <li>▪ Non-earning Assets-is it ok with PESOS</li> <li>▪ Profitability</li> <li>▪ Growth in Assets-below the growth standards or not?</li> </ul>		
<p><b>2. Products and Services</b>  <i>Examples:</i></p> <ul style="list-style-type: none"> <li>▪ Too small to compete in the market served</li> <li>▪ Not diversified to serve diverse members</li> <li>▪ Innovation applied or not</li> <li>▪ Reach out of the services of your credit union – economy of scale</li> <li>▪ Weak in areas where there are more market to be served?</li> <li>▪ Short of financial resources to serve members needs</li> <li>▪ Is your products and services meeting the needs of your members or designed for potential members too?</li> <li>▪ What is your position compared with the competitors?</li> </ul>		

Areas	Strengths	Weaknesses
<p><b>3. Market Presence</b></p> <p><i>Examples:</i></p> <ul style="list-style-type: none"> <li>▪ Are you having at least 30% membership penetration in your area of operation?</li> <li>▪ Are members to be served too small for your credit union to become viable?</li> <li>▪ What is the image of your credit union in the community as compared with other financial institutions</li> <li>▪ What is the public image of your credit union?</li> </ul>		
<p><b>4. Human Resources</b></p> <p><i>Examples:</i></p> <ul style="list-style-type: none"> <li>▪ Are the staffs given adequate screening, training supervision and evaluation?</li> <li>▪ Does the manager have adequate authority, responsibility and managerial skills?</li> <li>▪ Do the Board of Directors and committees have the right skills to perform its functions?</li> <li>▪ Does your credit union provides suitable infrastructure to management to generate more benefit for the organization?</li> </ul>		



## Revisit your Vision

*You need to think of the image, financial capability, and capacity of your credit union that could stand firm through the challenges of the changing market environment*

<p>1. Write your present vision in this box. If none, proceed to the next box.</p>	<p>3. What characteristics your credit union should have in order to overcome challenges of the external environment? List down key words such as: Competitive, viable, sustainable, responsive, safe and sound, etc.</p>
<p>2. What is the identity of your credit union?</p> <p>_____ A bank</p> <p>_____ A Social Organization</p> <p>_____ A Financial Company</p> <p>_____ Cooperative Financial Institution</p> <p>Others: _____</p>	<p>4. Formulate your Vision Statement . . . It is not an action statement, it is imagining your credit union's stature seen from this point to the next 5 or 10 years or so.</p>



## Update your Mission Statement

***You Mission is a broad, far reaching, meaningful, clear and easy to understand statement, which states the reason for organization's existence.***

*“The first task of a leader is to make sure that everybody sees the vision and mission, hears it, lives it. If you lose sight of your vision and mission, you begin to stumble and its shows very, very fast. And yet, vision and mission needs to be thought through, needs to be reviewed.” . . . Peter Drucker*

**Answer the following using only key words. Do not answer in long sentences. Be specific.**

1. What is the purpose of the existence of your credit union?	3. What is the primary business activity of your credit union?
2. How do you achieve the purpose of your existence?	4. Who are the clients your credit union is serving?
Write your present Mission Statement in this box.	Update your Mission based on your answers:



## GOAL AND STRATEGY SETTING

Follow the **SMART** Rule: **1) Stretching**-they should challenge the manager and the team;

**2) Measurable**-they must be quantifiable; **3) Achievable**-they must be realistic;

**4) Related to Members/Customers**-they should improve the services to them; and **5) Time-targeted**-they must have an end date.

*Note: Refer to your SWOT in setting your goals*

<b>Goals for the next 3 years</b> Action + Measure + Time	<b>Strategies</b> How will you achieve your goals? There are many options to achieve the goals. You need to select from those options. Criteria should be: Cost Effective, innovative, and not routine.
Goal 1:	
Goal 2:	
Goal 3:	



<p style="text-align: center;"><b>Goals for the next 3 years</b> Action + Measure + Time</p>	<p style="text-align: center;"><b>Strategies</b></p> <p style="text-align: center;">How will you achieve your goals? There are many options to achieve the goals. You need to select from those options. Criteria should be: Cost Effective, innovative, and not routine.</p>
<p>Goal 4:</p>	
<p>Goal 5:</p>	
<p>Goal 6:</p>	





## PREPARE THE STRATEGIC ACTION PLAN

Teams must take strategic plan seriously. Use the discipline of clear documentation.

<b>Strategy No. _____:</b>			
<b>Measure:</b> (the achievement of the goal)			
<b>Deadline:</b>		<b>Owner:</b> (the person with overall responsibility for achieving the goal)	
<b>Actions</b> <i>An event or achievement marking the progress related to the strategy</i>	<b>Responsible</b> <i>Person responsible for the action</i>	<b>Time</b> <i>Date for which action should be completed</i>	<b>Milestones</b> <i>(Key events that allow you to monitor if the action is on track to finish in time)</i>

*Note: copy this page for the other strategies*





## MATCH MANAGEMENT STRUCTURE TO YOUR STRATEGIES

Strategies are not routine work. It is introducing innovation to your organization.  
 You need committed people to implement your strategic game plan.  
 The success of carrying out your strategies depends on your team.

<b>Functional Units in the credit union</b> <i>(Minimum functions in a medium size credit union)</i>	<b>Who are this staffs?</b> <i>(Position titles will do)</i>	<b>Match your Strategies</b> <i>i.e. Strategy No. 1 or Action 1, 2,3 etc.</i>
<b>Finance and Administration</b> -handles accounting and reporting, membership relation, budget control, personnel administration, fund administration, and internal auditing.	How many staff? _____	
<b>Loan and Savings Administration</b> - responsible for credit administration, products and services development, and delinquency control.	How many staff? _____	
<b>Training and Education</b> -membership recruitment, seminars and trainings, marketing program development, carrying out surveys and feedback from members	How many staff? _____	
<b>Overall Supervision</b> -monitoring, performance appraisal, planning, sourcing of capital, representation, networking, maintaining good working relationship with the Board and Committees	How many staff? _____	

If necessary, reshape your management structure according to your present goals, strategies and activities. Draw the new management structure here . . .





## HOW VIABLE IS YOUR STRATEGIC PLAN . . . ESTIMATING A BUDGET

Understanding the financial implications of a strategy is fundamental to its success. Look at potential revenues and estimate future costs to arrive at an overall budget.

**First thing first:** Remember aside from your strategies, you have your routine operation. This has to be considered in preparing your projection. Please list down some assumptions before making projections:

<b>Budget Items</b> (Just giving you some suggestions)	<b>Write your assumptions in the boxes below</b>
<p><b>Expense</b></p> <ul style="list-style-type: none"> <li>▪ Determine the terms of the loans- % of interest, repayment period, % of repayment of loan outstanding. <i>(note that your goal of increasing savings and members will increase the capacity of your credit union to provide loans)</i></li> <li>▪ Non-cash expenses like depreciation and delinquency. What is the depreciable life of the assets</li> <li>▪ % of allocation of Net Income</li> <li>▪ Salaries of Present staff and additional staff you will be recruiting</li> <li>▪ Board and committee meetings planned</li> <li>▪ Training planned</li> <li>▪ Marketing costs like promotion and incentives and publication</li> </ul>	
<p><b>Income:</b></p> <ul style="list-style-type: none"> <li>▪ % of interest on loans and types of new loans to be introduced in the future</li> </ul>	

<b>Budget Items</b> (Just giving you some suggestions)	<b>Write your assumptions in the boxes below</b>
<p><b>Capital Expenditures or plan affecting Balance Sheet Accounts</b></p> <ul style="list-style-type: none"> <li>▪ Any equipment, furniture or capital expenditures planned in the future. Example is renovating the office to become more professional, computerization</li> <li>▪ Do you anticipate additional financing from external sources</li> </ul>	













