



# Board Responsibility in Lending

CUDCC

Module 8



# Directors have the responsibility to:

- Protect member assets
- Ensure quality service
- Consider member needs





# Exercise 3 (credit union)

- Briefly give the descriptions of the functions performed by the following in ensuring the quality of the credit union loan portfolio:
  1. Board of Directors
  2. Credit Committee
  3. Loan officer
  4. Chief Executive Officer



# Board of Directors

- **Ensure sound and updated credit management policies adopted**
- **Define the responsibilities of the officers and staff responsible for credit administration**
- **Ensure clear communication on the objectives and priorities in lending**
- **Assess risk**
- **Monitor loan portfolio**



# Credit Committee

- Assist the employees to identify risks in the loan portfolio
- Minimize or reduce risks by ensuring proper loan evaluations and documentations
- Review loan policy and recommend to the board necessary changes

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# Loan officer

- **Complying with the board approved policies**
- **Provide timely follow-up, and review of all loans**
- **Completing full applications, thorough investigations, and analysis of all loans**
- **Recommending approval of the loans based on the policies and 5 C's of credit**
- **Taking appropriate and timely action on loan delinquency**

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# Chief Executive Officer

- Design appropriate internal operational procedures to implement board policy
- Ensure the appropriate reports are completed and forwarded to the board
- Review and control the internal loan process

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# Loan policy

- **A well written loan policy strictly implemented is the key to the quality loan portfolio.**
- **The critical issue in the success of a credit union is the development and adherence to a policy that clearly defines lending authority and practices.**





# Exercise 4 (group)

- Prepare a checklist of the areas covered in a comprehensive lending policy

**15 minutes**

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# Areas covered in Comprehensive Lending Policy

- Purpose or objective of the policy
- Eligibility of the borrower
- Documentation of the loan
- Assessment – 5 C's of credit, credit investigation, credit scoring
- Delegation of approval authority
- Types of loans – secured and unsecured



# Areas covered in Comprehensive Lending Policy

- Loans to related interests
- Securities or collaterals
- Interest Rates
- Delinquency Control-action to be take, sanctions, loan charge-off
- Reporting-monthly reports, accounting of loan delinquency

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